

GUIDELINES FOR EXPATRIATES UNDER EMPLOYMENT IN MALAYSIA

TAX RATE:

In general, an individual is considered not resident if his duration of stay in Malaysia is less than 182 days in a calendar year. However there are other circumstances that may determine the residence status of an individual. Reference may be made to Public Ruling No.2/2005 which can be down loaded from this website : <http://www.hasil.org.my>

The tax rates that apply to the chargeable income depend on the resident status of an individual for tax purposes.

Income from employment (i.e. any wages, honorarium fees, salaries and other similar remuneration including benefits in kind e.g. the use of a residence or automobile) of an individual not resident in Malaysia is taxed at a flat rate of 28% and is not entitled to any personal relief.

BASIS YEAR AND YEAR OF ASSESSMENT

The calendar year coinciding with a Year of Assessment shall constitute the basis year for that Year of Assessment e.g. the calendar year 2002 is the basis year for Year of Assessment 2002.

RESIDENT STATUS OF INDIVIDUALS

An individual's resident status is determined by the **duration** of his stay in Malaysia and **NOT** by his nationality or citizenship. An individual's liability to tax depends on the resident status of the individual. A non-resident will be taxed on income arising from sources in Malaysia. The following illustrates the circumstances that may determine the resident status of an individual for **tax purposes**:-

(1) In Malaysia for less than 182 days in a basis year

An individual who is in Malaysia for a period of less than 182 days in a particular basis year is considered a non- resident for that basis year.

Example:

An individual was not in Malaysia during the year 2004. He arrives for the first time in Malaysia on the 1.2.2005 and leaves on the 16.5.2005 i.e. a period of 105 days.

Period of stay in Malaysia	Days of stay	Residence status
1-2-2005 - 16-5-2005	105	Non-Resident

The individual is thus a non- resident for the Year of Assessment 2005.

(2) In Malaysia for 182 or more days in a basis year

If an individual is in Malaysia for a period of 182 days or more, he is a resident for that basis year.

Example:

An individual was not in Malaysia during the year 2004. He arrives for the first time in Malaysia on 1.1.2005 and leaves on 2.7.2005 i.e. a period of 183 days.

Period of stay in Malaysia	Days of stay	Residence status
1.1.2005 - 2.7.2005	183	Resident

The individual is thus a resident in Malaysia for the Year of Assessment 2005.