

## **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.

<b>Period of stay in Malaysia</b>	<b>Days of stay</b>	<b>Residence status</b>
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.

<b>Period of stay in Malaysia</b>	<b>Days of stay</b>	<b>Residence status</b>
1.1.2005 - 2.7.2005	183	Resident

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

## A RESIDENT OF MALAYSIA

Income tax shall be charged for a year of assessment upon the chargeable income of every person who is a resident of Malaysia at the following rate:

Category	Chargeable Income RM	Calculation RM	Rate %	Tax RM
A	0 - 2,500	first 2,500	0	0
B	2,501 - 5,000	the next 2,500	1	25
C	5,001 - 10,000	first 5,000 the next 5,000	3	25 150
D	10,001 - 20,000	first 10,000 the next 10,000	3	175 300
E	20,001 - 35,000	first 20,000 the next 15,000	7	475 1,050
F	35,001 - 50,000	first 35,000 the next 15,000	13	1,525 1,960
G	50,001 - 70,000	first 50,000 the next 20,000	19	3,475 3,800
H	70,001 - 100,000	first 70,000 the next 30,000	24	7,275 7,200
I	100,001 - 150,000	first 100,000 the next 50,000	27	14,475 13,500
J	150,001 - 250,000	first 150,000 the next 100,000	27	27,975 27,000
K	more than 250,000	first 250,000 for every ringgit of the next	25	54,975 .....