



Corporate income tax in Malaysia (as of July 2018)

1. Definition

The Malaysian corporate income tax for legal entities, incorporated companies, other corporate associations of individuals, and unincorporated businesses is a specific form of income tax and can be partly compared to the German corporate income tax (Körperschaftsteuer). It is raised by the state which can decide on the amount of taxation. Basis of tax assessment is the income which has been earned during one calendar year.

2. Collection of tax and instalment payment

Every incorporated company, limited liability partnership, foundation, association, and unincorporated business has to pay tax on chargeable income. After every year of assessment, an estimate of a company's tax payable for a year of assessment must be furnished by all companies to the Director General of Inland Revenue Malaysia (LHDN) not later than 30 days before the beginning of the basis period. A newly incorporated company with a paid-up capital of RM2.5 million or less is exempted from said requirement for 2 to 3 years of assessment, beginning from the year of assessment in which the company commences operation (subject to certain conditions). Furthermore, a company commencing operations in a year of assessment is not required to furnish estimates of tax payable or make instalment payments if the basis period for the year of assessment in which the company starts to operate is less than 6 months. In general, tax has to be paid by 12 equal monthly instalments beginning from the second month of the company's basis period (respective financial year).

Corporate income tax of a non-resident company on all income other than income from a business source is collected by means of **withholding tax**. The withholding tax has to be paid within one month of crediting or paying the non-resident company.

3. Tax rates for companies and unincorporated businesses

3.1. Tax rates for companies residing in Malaysia

A company is considered as tax resident in Malaysia if its management and control are exercised in Malaysia.

Resident company with paid-up capital of RM2.5 million or less:

- | | | |
|------------------------------------|-------------------|-------------|
| 1. On first RM500,000 | chargeable income | 18% |
| 2. On subsequent chargeable income | | 20 to 24% * |



Resident company with paid-up capital exceeding RM2.5 million:

1. Regardless of chargeable income 20 to 24% *

* Reduction in income tax rate based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment.

Percentage of increase	Percentage point reduction	Income tax rate after reduction in %
Less than 5.00	N/A	24
5.00 to 9.00	1	23
10.00 to 14.99	2	22
15.00 to 19.99	3	21
20.00 and above	4	20

3.2. Tax rates for non-resident company/branch

If the recipient is resident in a country which has entered a double tax agreement with Malaysia, the tax rates for specific sources of income may be reduced.

Corporate income tax:	24%
Tax on Royalties:	10%
Tax on rental of moveable goods:	10%
Tax on technical fee, installation fee, management service fees	10% *
Tax on interest	15% **
Tax on dividends	Exempt
Tax on other income	10%

* Services rendered by any subcontractors/suppliers/service providers from outside Malaysia are subject to withholding tax if the services were performed in Malaysia.

** With regards to year of assessment 2017, tax exemption is not applicable for interest paid to a non-resident on approved loans.

Disclaimer: This information is intended to provide a general overview on corporate income tax in Malaysia and should not be regarded as a basis for ascertaining the liability to tax in specific circumstances. No responsibility for loss to any person acting or refraining from acting as a result of any information in this overview can be accepted by Malaysian-German Chamber of Commerce and Industry. Recipients should not act on the basis of this information without seeking professional advice of a Malaysian tax agent.

Sources: Malaysian Institute of Certified Public Accountants/Malaysian Institute of Accountants/Chartered Tax Institute of Malaysia (2017). *2018 Budget Commentary and Tax Information*. Rawang: Vivar Printing Sdn Bhd., PwC (2017). *2017/2018 Malaysian Tax Booklet*. Kuala Lumpur: SP Muda Printing Services Sdn Bhd.