TAX SYSTEM IN MALAYSIA

THE ASEAN TAX SYSTEM SEMINAR 2010
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This paper will explain the tax system in Malaysia particularly Personal and Corporate Income Tax, Value Added Tax, Customs Duty and Local Tax.

A. **Personal Income Tax**

1. **Who is Liable?**

   Any individual who has income accruing in or derived from Malaysia or received in Malaysia from outside Malaysia for a year of assessment is liable to tax in Malaysia.

   A resident individual is subject to tax on income accruing in or derived from Malaysia; and income received in Malaysia from outside Malaysia, while a non-resident individual is subject to tax on income accruing in or derived from Malaysia.

   However, with effect from the year of assessment 2004, income received in Malaysia by an individual for a year of assessment that is derived from sources outside Malaysia is exempted from tax.

2. **Income Subject to tax**

   Section 4, Income Tax Act 1967 (ITA 1967), classifies income that is subject to tax into main classes as follows:

   i. Gains or profits from a business, for whatever period of time carried on;
   ii. Gains or profits from an employment;
   iii. Dividends, interest or discounts;
   iv. Rents, royalties or premiums;
   v. Pensions, annuities or other periodical payments not falling under any of the foregoing paragraphs;
   vi. Gains or profits not falling under any of the foregoing paragraphs.

   In addition, under section 4A, ITA 1967, the special classes of income derived from Malaysia of a non-resident individual are subject to tax in respect of the following:
i. Amounts paid in consideration of services rendered by the person or his employee in connection with the use of property or rights belonging to, or the installation or operation of any plant, machinery or other apparatus purchased from, such person.

ii. Amounts paid in consideration of technical advice, assistance or services rendered in connection with technical management or administration of any scientific, industrial or commercial undertaking, venture, project or scheme;

iii. Rent or other payments made under any agreement or arrangement for the use of any moveable property.

3. Capital Gains

In Malaysia, capital gains tax is in the form of Real Property Gains Tax (RPGT). RPGT is applicable on gains arising from the disposal of real property in Malaysia. RPGT is also charged on the disposal of shares in a real property companies (RPC). An RPC is a controlled company which owns real property or shares or both where the defined value of such assets is not less than 75% of the value of the company’s total tangible assets.

Prior to 1 January, the P.U (A) 146. Real Property Gains Tax (Exemption) (no.2) Order 2007 exempts all disposals of chargeable assets after 31 March 2007 from RPGT. With effect from 1 January 2010, disposal of real properties that are held for 5 years and below are subject to RPGT. The effective RPGT tax rate is 5%.

4. Taxation of Employer - Provided stock option

Employee Share Option Scheme (ESOS) is taxable as part of employment income of an individual. ESOS is chargeable to tax on the difference between the market value and the offer price of the share at the date of the offer of the option (if any).

The amount of benefit from Employee Share Option Scheme (ESOS) which is assessed as a perquisite is determined as follows:
Ringgit Malaysia (RM)

Market value of share at the date of offer of the option XXX
Less:
Offer price of share at the date of the offer of the option (if any) XXX
Taxable amount XXX

For tax computation purpose, this benefit is related back to the basis period for the year in which the option is offered.

5. Deduction

Tax deductions on personal income tax for resident individuals effective from year of assessment 2010 are as follows:

<table>
<thead>
<tr>
<th>Types of deductions</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self</td>
<td>9,000</td>
</tr>
<tr>
<td>Additional deduction for disabled individual</td>
<td>6,000</td>
</tr>
<tr>
<td>Wife/husband</td>
<td>3,000</td>
</tr>
<tr>
<td>Additional deduction for disabled wife/husband</td>
<td>3,500</td>
</tr>
<tr>
<td>Medical expenses for parents</td>
<td>5,000</td>
</tr>
<tr>
<td>Purchase of supporting equipment for disabled self, spouse, child or parent</td>
<td>5,000</td>
</tr>
<tr>
<td>Education fees (self)¹</td>
<td>5,000</td>
</tr>
<tr>
<td>Medical expenses on serious disease for self, spouse or child (including fees up to RM500 incurred for complete medical Examination)</td>
<td>5,000</td>
</tr>
<tr>
<td>Purchase of books/journals /magazines/similar publications</td>
<td>1,000</td>
</tr>
<tr>
<td>Purchase of personal computer (allowed once every 3 years)</td>
<td>3,000</td>
</tr>
<tr>
<td>Net deposit in Skim Simpanan Pendidikan National</td>
<td>3,000</td>
</tr>
<tr>
<td>Purchase of sports equipment</td>
<td>300</td>
</tr>
</tbody>
</table>

¹ Degree at Masters or Doctorate level – for acquiring any skill or qualification / Other than a degree at Masters or Doctorate level – for acquiring law, Islamic financing, technical, vocational, industrial, scientific or technological skills or qualifications
Interest on housing loans (conditions for eligibility)
10,000

Broadband subscription fees 500

Child (unmarried)
i. Below 18 year 1,000

ii. 18 years and above and:
   a) Schooling 1,000
   b) Studying in any institution of higher learning
      - In Malaysia 4,000
      - Outside Malaysia 4,000

iii. Disabled child 5,000

Employees Provident Fund (EPF) and life insurance 6,000

Annuity scheme premium 1,000

Education and medical insurance 3,000

6. Income Tax Rates

i. Resident Individuals

Resident individuals are subject to income tax at progressive rates as follows (Year of Assessment 2010):

<table>
<thead>
<tr>
<th>Chargeable Income (Malaysian Ringgit)</th>
<th>Marginal Tax Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 2,500</td>
<td>0</td>
</tr>
<tr>
<td>2,501 – 5,000</td>
<td>1</td>
</tr>
<tr>
<td>5,001 - 20,000</td>
<td>3</td>
</tr>
<tr>
<td>20,001 - 35,000</td>
<td>7</td>
</tr>
<tr>
<td>35,001 - 50,000</td>
<td>12</td>
</tr>
<tr>
<td>50,001 - 70,000</td>
<td>19</td>
</tr>
<tr>
<td>70,001 - 100,000</td>
<td>24</td>
</tr>
<tr>
<td>Exceeding 100,000</td>
<td>26</td>
</tr>
</tbody>
</table>

Preferential tax rate of 15% is given to knowledge workers in Iskandar Malaysia.

ii. Non-Resident Individuals (Year of assessment 2010).
Generally, non-resident individuals are subject to tax at a flat rate of 25%. Where a double taxation agreement applies, the general tax rates according to the type of incomes are as tabled below.

However, variation in tax rate is applicable with regards to interest, royalty and special classes of income as specified by a particular Double Taxation Agreement (DTA).

<table>
<thead>
<tr>
<th>Types of income</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>15</td>
</tr>
<tr>
<td>Royalty</td>
<td>10</td>
</tr>
<tr>
<td>Entertainer’s professional income</td>
<td>15</td>
</tr>
<tr>
<td>Special classes of income:</td>
<td></td>
</tr>
<tr>
<td>• Rental of movable property</td>
<td>10</td>
</tr>
<tr>
<td>• Fees for technical or management services performed in Malaysia</td>
<td>10</td>
</tr>
<tr>
<td>• Payment for services rendered in Malaysia in connection with use of property or installation or operation of any plant, machinery or other apparatus purchased from a non-resident person</td>
<td>10</td>
</tr>
<tr>
<td>Dividends</td>
<td>25</td>
</tr>
<tr>
<td>Business and other incomes</td>
<td>25</td>
</tr>
<tr>
<td>Real estate investment trust (REIT)</td>
<td>10</td>
</tr>
</tbody>
</table>

7. Tax Filing and Payment Procedure

Under the self assessment system, individuals are required to ‘file and pay’ their tax within the time stipulated.

Every person must file a tax return is he has:

i. Chargeable income for a year of assessment; or

ii. No chargeable income for that year of assessment but;

- has chargeable income for the year of assessment immediately preceding that year of assessment or
- has furnished a return for the immediately preceding year; or
- has been required to furnish a return for the immediately preceding year.
The tax filing deadline for a year of assessment for a person carrying on a business is 30 June of the following year, while the deadline for a person who receives income from other than business source is 30 April of the following year.

All taxpayers, except for employees are covered under a compulsory instalment payment scheme. Inland Revenue Board of Malaysia (IRBM) determines the estimated tax payable based on the tax assessed in the preceding year. The taxpayer is required to pay the estimated tax payable in six bi-monthly instalments as directed by IRBM beginning from the month of March. For individuals with employment income, income tax is deducted through the monthly salary deductions under the Schedular Tax Deductions (STD) scheme. Employers are required to deduct tax monthly from their employees’ remuneration and remit it to Inland Revenue Board of Malaysia by the tenth day of the following month.

8. Tax Treaties

Currently, Malaysia has entered into treaties to mitigate double taxation with 68 countries listed below:

<table>
<thead>
<tr>
<th>Albania</th>
<th>Ireland</th>
<th>Qatar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Italy</td>
<td>Romania</td>
</tr>
<tr>
<td>Australia</td>
<td>Japan</td>
<td>Russia</td>
</tr>
<tr>
<td>Austria</td>
<td>Jordan</td>
<td>Saudi Arabia</td>
</tr>
<tr>
<td>Bahrain</td>
<td>Kazakhstan</td>
<td>Seychelles</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Korea</td>
<td>Singapore</td>
</tr>
<tr>
<td>Belgium</td>
<td>Kuwait</td>
<td>South Africa</td>
</tr>
<tr>
<td>Brunei</td>
<td>Kyrgyz</td>
<td>Spain</td>
</tr>
<tr>
<td>Canada</td>
<td>Lebanon</td>
<td>Sri Lanka</td>
</tr>
<tr>
<td>China</td>
<td>Luxembourg</td>
<td>Sudan</td>
</tr>
<tr>
<td>Chile</td>
<td>Malta</td>
<td>Sweden</td>
</tr>
<tr>
<td>Croatia</td>
<td>Mauritius</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Mongolia</td>
<td>Syria</td>
</tr>
<tr>
<td>Denmark</td>
<td>Morocco</td>
<td>Thailand</td>
</tr>
<tr>
<td>Egypt</td>
<td>Myanmar</td>
<td>Turkey</td>
</tr>
<tr>
<td>Fiji</td>
<td>Namibia</td>
<td>Turkmenistan</td>
</tr>
</tbody>
</table>
B. Corporate Income Tax

1. Income Subject to Tax

Resident companies are subject to tax on income accruing in or derived from Malaysia. Income received in Malaysia from outside Malaysia is exempt from tax, except for companies carrying on the business of banking, insurance or sea or air transport.

Assessable incomes for companies includes gains from a business, dividends, interest and rentals, royalties, premiums and other gains and profits.

Non-resident companies are subject to tax only on income accruing in or derived from sources within Malaysia. Foreign income is exempt, whether received in Malaysia or not.

Business income of non-residents derived through a permanent establishment in Malaysia is subject to tax.

2. Asset Depreciation

For tax computation purpose, depreciation of asset is not an allowable deduction. Instead, a taxpayer has the option to claim for capital allowances on the capital expenditure incurred on assets employ for use in a business.
The prescribed rates of annual allowances applicable to the various plant and machinery are classified into 3 main categories as follows:

<table>
<thead>
<tr>
<th>Types of asset</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office equipment, furniture and fitting</td>
<td>10</td>
</tr>
<tr>
<td>Plant and machinery (general)</td>
<td>14</td>
</tr>
<tr>
<td>Heavy machinery, motor vehicles</td>
<td>20</td>
</tr>
</tbody>
</table>

For simplicity, capital allowance at 100% will be given for small value assets not exceeding RM1,000 each. Where for a year of assessment, the total amount of qualifying capital expenditure for small value assets is over RM10,000, the allowable capital allowance is restricted to RM10,000. Small and medium enterprises (SMEs) are however not subject to the maximum limit of RM10,000 for capital allowances on small value assets and are allowed to claim the full capital allowance on all the small value assets within one year.

3. Royalties and Technical Assistance Fees

3.1 Royalties

In Section 2 of the Income Tax Act (ITA) 1967, royalty is defined as:

"royalty" includes -

(a) any sums paid as consideration for the use of, or the right to use-

(i) copyrights, artistic or scientific works, patents, designs or models, plans, secret processes or formulae, trademarks, or tapes for radio or television broadcasting, motion picture films, films or video tapes or other means of reproduction where such films or tapes have been or are to be used or reproduced in Malaysia or other like property or rights;

(ii) know-how or information concerning technical, industrial, commercial or scientific knowledge, experience or skill;
(b) income derived from the alienation of any property, know-how or information mentioned in paragraph (a) of this definition;

Section 109 ITA 1967 provides for the withholding of tax from royalties paid or credited by Malaysian businesses to non-resident persons. Any person in Malaysia who is liable to pay a royalty, which has a Malaysian source to:

i. a company, partnership or any other body of persons which does not carry a business in Malaysia; or

ii. an individual who is not known to him to be resident in Malaysia.

The royalty is deemed to derive from Malaysia if:

i. the responsibility for payment lies with the Government or a State Government; or

ii. the responsibility for payment lies with a resident of Malaysia; or

iii. the royalty is charged as an outgoing or expense against any income accruing in or derived from Malaysia.

The gross amount of royalty paid to a non-resident payee is subject to withholding tax at 10% or any other rate as prescribed under the Double Taxation Agreement between Malaysia and the country where the non-resident payee is a tax resident.

The withholding tax is a final tax, therefore the non-resident payee need not declare that income in the return form.

3.2 Technical Assistance Fees and Management Assistance

Income from technical assistance and management assistance are classified as special classes of income which fall under Section 4A of the Income Tax Act 1967.
4A. Notwithstanding the provisions of section 4 and subject to this Act, the income of a person not resident in Malaysia for the basis year for a year of assessment in respect of-

(i) amounts paid in consideration of services rendered by the person or his employee in connection with the use of property or rights belonging to, or the installation or operation of any plant, machinery or other apparatus purchased from, such person;

(ii) amounts paid in consideration of technical advice, assistance or services rendered in connection with technical management or administration of any scientific, industrial or commercial undertaking, venture, project or scheme; or

(iii) rent or other payments made under any agreement or arrangement for the use of any moveable property, which is derived from Malaysia is chargeable to tax under this Act.

Section 4A income which is derived from Malaysia is chargeable to income tax. It covers not only technical services but also non-technical specialized services. Payment made for management or administrative services which includes the passing over or utilization of expert or specialized knowledge, skills or expertise. It covers the provision of marketing, consultancy and legal services, supply of technical and software personnel and inter-company technical services, also management and administrative functions such as planning, direction, control, coordination, accounting, financial management consultation and labour negotiations.

Any payments made for ordinary day to day administration or management services of a routine nature, such as the share of overhead expenses incurred by the head office of a branch or by the parent company of a subsidiary and charged to the branch or subsidiary are excluded.
Section 109B provides for the payer to withhold tax from payments made under Section 4A. The tax withholding rate is 10% of the gross payment.

The tax in respect of Section 4A is the final tax. However, if the recipient has a place of business in Malaysia he/she may submit a return and claim relief for the withholding tax suffered.

4. Management Assistance

As 3.2 above.

5. Permanent Establishment

In the case of non-resident companies, tax is only charged on income accrued or derived from Malaysia, thus a non-resident company carrying on a world-wide trade will be taxed in Malaysia only on that part of its which it carries on in Malaysia.

The term ‘Permanent Establishment’ does not appear in the ITA 1967 therefore no definition is given in the ITA.

In the Double Taxation Agreement (DTA) that Malaysia had with the other treaty countries, ‘Permanent Establishment’ is defined as a fixed place of business through which the business of an enterprise is wholly or partly carried on.

The concept of permanent establishment (PE) is used for the purpose of determining the right of a Contracting State to tax the profits of an enterprise of the other Contracting State. Such treaties provide that an enterprise of one Contracting State shall be taxable on its profits in the other State only if it maintains a PE in the latter State and only to the extent that the profits earned by the enterprise in that State are attributable to that PE.

This definition, therefore, contain the following conditions:

i. the existence of a “place of business”, i.e. a facility such as premises or, in certain instances, machinery or equipment;
ii. this place of business must be “fixed”, i.e. it must be established at a distinct place with a certain degree of permanence;

iii. the carrying on of the business of the enterprise through this fixed place of business. This means usually that persons who, in one way or another, are dependent on the enterprise (personnel) conduct the business of the enterprise in the State in which the fixed place is situated.

The term “place of business” covers any premises, facilities or installations used for carrying on the business of the enterprise whether or not they are used exclusively for that purpose. It is immaterial whether the premises, facilities or installation are owned or rented by or are otherwise at the disposal of the enterprise. A place of business may thus be constituted by a pitch in a market place, or situated in the business facilities of another enterprise.

The place of business must be “fixed”. In the normal way there has to be a link between the place of business and a specific geographical point. It is immaterial how long an enterprise of a Contracting State operates in the other Contracting State if it does not do so at a distinct place, but this does not mean that the equipment constituting the place of business has to be actually fixed to the soil on which it stands. It is enough that the equipment remains on a particular site.

6. Representation Office

Non–resident companies or enterprises which intend to extend their activities to Malaysia can do so by having a representation office in Malaysia. Activities through this office are not tantamount to carrying on a business in Malaysia and the foreign company will not therefore be exposed to tax in Malaysia. In such cases the representative is considered to be carrying on an employment here.

There are very definite limitations to the operations the foreign company can carry on through it representative. A representative cannot operate a manufacturing organization and pay staff and disburse funds received from his principal. The principal, on the other
hand, cannot consign stocks, materials, equipment etc to its representative for him to effect sales or enter into contracts in Malaysia in its name. If such activity is being carried on in Malaysia, the company would be deemed to be carrying on a business in Malaysia. However, if the representative merely carries stock of samples in order to deal with queries from existing and potential customers, it is not exposed to tax in Malaysia.

Generally, representatives are located in Malaysia for information gathering and supply purposes. As long as the companies confined themselves to such related activities there is no exposure to Malaysian tax. Some of the common activities that are carried out are:

i. Manufacturing surveys;
ii. Establishing contact with supplies and consumers;
iii. Furnishing head office with marketing studies of various countries in the region;
iv. Providing after sales advice and back up information;
v. Generally acting ad promotional and liaison contacts between head office and the manufacturers/consumers in the region.

Foreign corporations in the manufacturing and trading sector, and foreign institutions in the banking sector are allowed to set up representative offices in Malaysia to perform certain activities for their head offices/ principal/ foreign interests. The setting up of representative offices in the manufacturing and trading sector requires the approval of the Ministry of International Trade and Industry, while in the banking sector, the approval of Bank Negara is required.
C. Value Added Tax

1. Position in Malaysia

In Malaysia Value Added Tax (VAT) is known as Goods and Services Tax (GST). It is a broad-base consumption tax imposed on wide range of local and imported goods and services and has a multi-stage consumption tax applied at each stage of purchasing of raw materials to the sale of finished goods. It is set to replace the current sales and services tax and is slated for implementation starting 1st of January 2007.

However, the implementation of GST later has been deferred to lead time to businesses for potential changes in business processes, development of software and training of personnel.

On 24 November 2009, the Government of Malaysia has announced the implementation of GST in Malaysia and the GST Bill has been tabled in Parliament on December 2009 for first reading. The second reading of the Bill now is postponement to enable the Government to study the impact of the GST’s implementation in Malaysia especially to the lower income citizen.

2. Proposed GST Model for Malaysia

The introduction of Goods And Services Tax (GST) will be a major tax reform in Malaysia. The implementation of GST will replace the current sales and services tax;

Current Sales Tax.

Sales tax is a single stage tax imposed at the import or manufacturing levels. In Malaysia, manufacturers of taxable goods are required to be licensed under the Sales Tax Act 1972. Companies with a sales turnover of less than RM100,000 and companies with Licensed Manufacturing Warehouse (LMW) status are exempted from this licensing requirement. However, companies with a sales turnover of...
less than RM100,000 have to apply for a certificate of exemption from licensing.

Licensed manufacturers are taxed on their output while manufacturers that are not licensed or exempted from licensing need to pay tax on their inputs. To relieve small-scale manufacturers from paying sales tax upfront on their inputs, they can opt to be licensed under the Sales Tax Act 1972 in order to purchase tax-free inputs. With this, small-scale manufacturers can opt to pay sales tax only on their finished products.

Sales tax is generally at 10%. However, raw materials and machinery for use in the manufacture of taxable goods are eligible for exemption from the tax, while inputs for selected non-taxable products are also exempted.

Certain non-essential foodstuffs and building materials are taxed at 5%, general goods at 10%, liquor at 20% and cigarettes at 25%. Certain primary commodities, basic foodstuffs, basic building materials, certain agricultural implements and heavy machinery for use in the construction industry are exempted. Certain tourism and sports goods, books, newspapers and reading materials are also exempted.

**Current Service Tax**

A service tax was introduced in 1975 in Malaysia and it is provided under the second schedule of Service Tax Regulation 1975. It applies to certain prescribed goods and services in Malaysia including food, drinks and tobacco; provision of rooms for lodging and premises for meetings, conventions, and cultural and fashion shows; health services, and provision of accommodation and food by private hospitals.

The tax also applies to professional and consultancy services provided by accountants, advocates and solicitors, engineers, architect, surveyors (including valuers, assessors and real estate agents), advertising agencies, consultancy firms, management service provider, insurance companies, motor vehicle service and repair centres, telecommunication services companies, security and
guard services agencies, recreational clubs, estate agents, parking space services operators and courier service firms.

However, professional services provided by a company to companies within the same group will be exempted from the current service tax of 5%. Courier services provided from a point within Malaysia to a destination outside Malaysia will also be exempted from the service tax of 5%.

Generally, the imposition of service tax is subject to a specific threshold based on an annual turnover ranging from RM150,000 to RM500,000 such as those

i. car rental agencies licensed under the Commercial Vehicles Licensing Board Act 1987 having an annual sales turnover of RM150,000 and above,

ii. employment agencies having an annual sales turnover of RM150,000 and above;

iii. companies providing management services, including project management and coordination services, having an annual sales turnover of RM150,000 and above;

iv. hotels having more than 25 rooms and restaurants within such hotels

Effective from 1 January 2010, service tax shall be imposed on credit cards and charge cards including those issued free of charge as follows:

i. RM50 per year on the principal card; and

ii. RM25 per year on the supplementary card

Service tax will be collected on the date the card is issued, on the completion of year or on the date of renewal.
Proposed Goods and Service Tax (GST)

What is GST?

GST, a multi-stage consumption tax, is based on consumption rather than earnings and can be charged on virtually all supplies of goods and services. The proposed implementation of GST will replace the current Malaysian service tax and sales tax.

Broadly, GST works by offsetting GST paid on purchases (input tax) against GST due on sales or supplies made (output tax). This is referred to as the credit offset mechanism. The multi-tier stages of tax helps to ensure that GST paid by businesses for purchases does not end up being a permanent cost. However, the consumer ultimately bears the burden of the tax.

How GST affects businesses and consumer?

Where GST is implemented, the taxpayer must be registered with the Royal Malaysian Customs once the taxpayer achieves a certain prescribed annual sales turnover. The registered taxpayer would also be required to submit periodic GST returns. If the output tax is greater than the input tax, the taxpayer will have to pay the excess. Conversely, if the input tax is greater than the output tax, the taxpayer could seek a refund from the Royal Malaysian Customs.

In addition to the compliance requirements above, taxpayers would be required to undertake additional administrative work which includes, amongst others, keeping track and recording all input taxes paid, undertaking reconciliations and filing of GST returns.

GST rate and Threshold for Registration?
Generally, a rate of 4% was suggested on GST for standard rated and the supplier is eligible to claim input tax credit on business inputs and the indicative threshold to register for GST is RM500,000. It is however, Voluntary registration is permitted where the business has not achieved the mandatory threshold for licensing.

**How does GST work?**

Conceptually, GST is imposed on the value added to goods or services by each separate processor in the production and distribution chain. This can be seen in the simple illustration for standard rated as below.
Taxable Period

The Director General of Custom shall assign each taxable person to one of the following categories for the purpose of determining their taxable period:

i- Category A - the category of taxable persons whose taxable period is a period of one month ending on the last day of any month of any calendar month;

ii- Category B - the category of taxable persons whose taxable period is a period of three months ending on the last day of the month of any calendar year: or

iii- Category C - the category of taxable persons whose taxable period is a period of six months ending on the last day of any month of any calendar year

It is indicated that category A is for a person with turnover in excess of RM5 million as well as export-based entities whereas category B is for a person with turnover of less than RM5million

Furnishing of Returns and Payment of Tax

Every taxable person shall furnish to the Director General of Custom a prescribed return in the prescribed manner not later than the last day of the following month after the end of the taxable period to which the return relates and every taxable person shall keep the accounting records relating to GST in Bahasa Malaysia or English for a period of seven years.
D- Customs Duty

Customs duty is a tax levied on imports by the customs authorities of a country to raise state revenue, and/or to protect domestic industries from more efficient competitors from abroad. In Malaysia, all goods dutiable on import are put through customs duty according to Customs Duties Order, 1996. The types of duties are import duty, sales tax, and export duty. The duty rates depend on the types of goods imported or exported. Royal Customs and Excise gives concession in the tariff rates for a range of goods along the lines of Malaysia’s dedication arising from the bilateral and multilateral trade negotiations with other Association of South East Asian Nations (ASEAN) members.

Many goods deriving from other ASEAN members are eligible for admission into Malaysia at special rate of duty. Importers who wish to claim the special rate of duty must submit at the time of lodging an import entry certificate of origin given by a suitable authority of the exporting country.

Goods imported for use as raw material in particular industries are exempt from customs duty. A tourist may bring in personal goods in reasonable quantities without paying duties subject to conditions. A Malaysian who has lived abroad or foreign nationals who have been permitted to reside in Malaysia are allowed to import used household belongings duty free, subject to conditions.

Raw materials used directly in the manufacture of approved products for export are exempt from customs duty, including packaging materials and casings. Trafficking of illegal drugs is a grave offence leading to death penalty. Items like 200 cigarettes, maximum 1 litre of wine, cosmetics, perfumes, soaps amounting to maximum value of Ringgit Malaysia (RM) 200, etc can be imported duty-free if the items are imported by the visitor on his person or baggage or residents of Malaysia who have left the nation for more than 120 hours. All goods from Israel and South Africa and any item having an imprint of any currency note or bank note issued currently or at any time in any nation are prohibited.
Free export of tobacco products and alcoholic beverages in reasonable quantities is allowed. Goods for export, whether dutiable or otherwise, must be displayed at the place of export or another place as decided by the Customs. Export goods can be declared by the owner, exporter, consignor or an agent allowed by the owner or exporter and approved by the Customs.

E- Local Tax

Local tax in Malaysia comes in the form of assessment tax. The assessment tax refers to the property tax collected by the local authorities for the provision of the services to the residents. Property or Assessment Tax also is levied on all property holdings, including shops, factories, residential, agricultural and others, situated in the areas under the jurisdiction of local authorities. The rates of the assessment tax collected are different from one local government to another. Moreover it also differs in a form of property rights. Whereas, the type of property categorized to residential, commercial or industrial.

For an example, the assessment tax rate fixed by Majlis Bandaraya Johor Bahru in the state of Johore on residential type of property is 0.13% but at the same time they rate of assessment tax for commercial type of property is 0.26%. In another hand, Majlis Daerah Kulai set its assessment tax rate for the residential is 0.30% while the rate of commercial type property is 0.45%.

In most states, the amount of assessment tax is calculated based on certain percentage of annual value of the property. The annual value of a property is the total value of rents if the property is rented out in the open market. In case of Johor, the calculation is based on the proportion of improvement in the total value of the property. Usually, assessment tax will be collected twice a year.