

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. Please refer <http://www.hasil.org.my> for the update status.

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

Income from employment of an individual not resident in Malaysia is taxed at a flat rate of 26% and is not entitled to any personal relief.

Basic Year and Year of Assessment

The calendar year coinciding with Year of Assessment shall constitute the basic year for that Year of Assessment e.g. the calendar year of 2012 is the basis year of Year of Assessment 2012.

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 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 2011. He arrives the first time in Malaysia on 01.01.2012 i.e. a period of 183 days.

Period of stay in Malaysia	Days of stay	Residence status
01.01.2012 – 02.07.2012	183	Resident

The individual is thus a resident in Malaysia for the Year of Assessment 2012.

2. 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 and that period is linked **by or to** another period of 182 days or more consecutive days throughout which he is in Malaysia in the basis year for the year of assessment immediately preceding that particular year of assessment or in that basis year for the year of assessment immediately following that particular year of assessment:

Provided that any temporary absence from Malaysia:

- a) Connected with his service in Malaysia and owing to service matters or attending conferences or seminars or study abroad;
- b) Owing to ill health involving himself or a member of his immediate family; and
- c) In respect of social visits not exceeding 14 days in the aggregate.