



Corporate Income Tax in Malaysia

(As of April 2023)

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

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 and up to RM50 Million gross business income

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| 1. Chargeable income up to RM150,000 (from fiscal year 2023, before also 17%) | 15% |
| 2. From RM150,000 to RM600,000 chargeable income | 17% |
| 3. On subsequent chargeable income | 24% |

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

Regardless of chargeable income 24%

For the 2022 fiscal year, a special one-off tax has been introduced for companies that have made large profits from the COVID-19 pandemic (for earnings up to RM100 million, 24%; for earnings above that, 33%). However, this does not affect companies subject to the reduced tax rate (17%).

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.

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| 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% |

4. Tax deductions

In general, all outgoings and expenses incurred for the purpose of generating gross income are tax deductible. Certain expenses are specifically disallowed, such as leasing fees for passenger cars exceeding RM50,000 or RM100,000 per vehicle, with the latter amount applying to vehicles costing RM150,000 or less and not already used prior to the lease.

5. Malaysia and the international tax law

Malaysia also aligns its tax legislation with international standards. For example, it has incorporated the OECD rules on the 'arm's length principle' for transfer pricing into its tax laws. There are also regulations on country-by-country reporting. Further details on this can only be part of an individual tax consultation.

* As of the 2024 fiscal year: no more than 20% of the up-paid capital may be held by companies domiciled abroad or individuals domiciled there.

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

*** Interest paid to a non-resident by a bank or a finance company in Malaysia is exempt from tax.



**Malaysian-German Chamber
of Commerce and Industry**
Deutsch-Malaysische
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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: *2020 Budget Commentary and Tax Information*. Rawang 2019, PwC: *2022/2023 Malaysian Tax Booklet*. Kuala Lumpur 2023.