This guide has been prepared by an independent third-party law firm

November 2024

MALAYSIA – TAX CONSIDERATIONS ON SHORT-TERM LETTINGS

The following information can help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in Malaysia.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in Malaysia, you should ensure that you understand each of the following types of taxes, and pay the ones that apply to you;

- Income tax; and
- Service tax.

Please understand that this information is not comprehensive, and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Please note that we don't update this information in real time, so you should confirm that the laws or procedures have not changed recently.

We draw your attention to the fact that Airbnb may have an obligation to report income earned by users of the platform. Therefore, if there is a mismatch between the information reported by Airbnb and the income you reported in your annual income tax return, the tax authorities may ask you questions.

INCOME TAX

If you earn income in Malaysia, it is likely that you will be required to pay a percentage of this income to the Malaysian tax authorities in the form of taxation. The below is a brief outline of the tax that may arise on income earned from short-term lettings in Malaysia and some information on how this tax can be paid to the Malaysian tax authorities.

Malaysia's tax year runs from 1 January to 31 December.

Obligation to pay Malaysian income tax.

You are required to pay income tax in Malaysia if you are a chargeable person who earns a chargeable income accruing in or derived from Malaysia (**"Malaysian-Sourced Income"**) or income sourced from outside Malaysia (**"Foreign-Sourced Income"**) which is received in Malaysia. In this regard:

- A chargeable person refers to all individuals and companies, regardless of whether they are resident and non-resident.
- There are various categories of chargeable income and this includes business income and rental income.
- Income is deemed derived from Malaysia (i.e., Malaysian-Sourced Income) where, among others, the income is attributable to a place of business in Malaysia (for example, a place of management, a branch, an office etc.). Both residents and non-residents are subject to income tax for Malaysia-Sourced Income, regardless of whether such income is remitted into Malaysia.
- Foreign-Sourced Income received in Malaysia by non-residents are generally exempted from Malaysian income tax.
- Foreign Sourced Income received in Malaysia by residents may be exempted from income tax, provided that certain conditions are fulfilled.

An individual is considered a tax resident in Malaysia if he or she fulfils any one (1) of the residency test under Malaysian Income Tax 1967. Generally, he or she is a tax resident in Malaysia where he or she is in Malaysia for at least 182 days in a calendar year.

Generally, you would need to file an income tax return or pay income tax if you have a chargeable income which is Malaysian-Sourced Income or Foreign Sourced Income which is received in Malaysia and not subject to any exemptions. In relation to employment income, income tax return is only required where the individual receives more than RM 34,000 per year after Employee Provident Fund (**"EPF"**) deduction.

A Malaysian tax resident is entitled to claim foreign tax credits against Malaysian tax. Where a treaty exists, the credit available is the whole of the foreign tax paid or the Malaysian tax levied, whichever is lower. In the absence of a tax treaty, the credit available is restricted to half of the foreign tax paid.

Reporting tax in the Malaysia

From 1 January 2024 onwards, income tax returns must be filed via the e-Filing system. The applicable income tax return forms (**"ITRF"**) are as follows:

- Resident individual: Form e-B
- Non-resident individual: Form e-M
- Companies: Form-C

Please reach out to the Malaysian tax authorities (contact details as below) if you have any issues accessing the e-Filing system.

Penalties

Please note that a failure to furnish a return is an offence and may, on conviction, result in a fine ranging from RM 200 to RM 20,000, and/or imprisonment for up to 6 months. Additionally, late payment of income tax may incur a penalty of 10% of the income payable.

Reporting tax - filing deadline.

The ITRF filing deadline for an individual (both resident and non-resident) is typically 30 April of the following year for those who do not have business income. For individuals with business income, the deadline is 30 June. If you are filing electronically (e-filing), you may have an extended deadline of May 15 for non-business income and July 15 for business income.

Therefore, an income tax return for the year of assessment 2024 must be filed before 30 April 2025 (for non-business income) or 30 June 2025 (for business income). If you are using e-filing, the deadlines may extend to 15 May 2025 and 15 July 2025, respectively.

Reporting tax - payment deadline.

As Malaysia adopts the self-assessment system, the filing of ITRF is deemed to be an assessment. The tax for a year of assessment is due and payable on the following dates in the year following that year of assessment:

- 30 April for individuals deriving non-business income, and
- 30 June for those having business income.

Please note that the Malaysian tax authorities may raise additional assessment against you if no sufficient assessment has been made, within the limitation period of five (5) years. Notwithstanding, this limitation period can be lifted if there is fraud, wilful default or negligence.

Malaysian Tax Authority contact details.

For inquiries, you can contact the Malaysian tax authority at:

- **1-300-88-3010** (within Malaysia)
- **+603-8911-1000** (from abroad)

Further details can be found on the Malaysian tax authority's official website.

Malaysia income tax rates.

The income tax rates for resident individuals in Malaysia for the assessment year 2024 are as follows:

Chargeable Income (RM)	Income Tax Rate (%)
0 - 5,000	0
5,001 - 20,000	1
20,001 - 35,000	3
35,001 - 50,000	6
50,001 - 70,000	11
70,001 - 100,000	19
100,001 - 400,000	25
400,001 - 600,000	26
600,001 - 2,000,000	28
Over 2,000,000	30

The rates set out above are applicable to resident individuals. Non-resident individuals are taxed at a flat rate of **30%** on their income.

The above-mentioned rates exclude Malaysian social security contributions. The standard

Malaysian social security contribution rate is 0.5% for employees and 1.25% for employer, with a maximum contribution for monthly wages of RM 6,000.

Malaysian rules applicable to income earned in relation to short-term lettings.

Generally, if a person lets out property and provides maintenance and support services comprehensively and actively, the income derived from these services are characterised as business income.

Comprehensive maintenance or support services refer to the necessary activities for managing and maintaining real property, which include:

1. *Interior maintenance:* This encompasses all essential tasks such as cleaning and repairs related to the building's structural components, including stairways, fire escapes, entrances, lobbies, corridors, elevators, and various fixtures like drains and pipes.

2. *Exterior maintenance*: This involves upkeep of outdoor areas, including recreational spaces, driveways, parking lots, landscaping, walls, fences, and external lighting.

Active Provision of Services means that the property owner either performs these maintenance tasks themselves or hires another individual or company to carry out the required services.

The letting of property is treated as rental income if a person lets out the real property without providing maintenance services or support services comprehensively and actively.

If you let out several properties, the income derived can be grouped as one source whether as business income or rental income or a combination or both.

Typical expenses that can be deducted from an individual's income in relation to short- term lettings.

You are able to deduct expenses that are wholly and exclusively incurred in renting out the property. This can include, but is not limited to:

- Assessment tax
- Quit rent
- Interest on loan
- Fire insurance premium
- Expenses incurred on rent collection
- Expenses incurred on rent renewal
- Expenses on repairs and property maintenance

If the income from the letting of real property is treated as a business income, the taxpayer can claim capital allowances and carry forward any excess of expenditure over income as a loss.

Initial expenses related to letting real property, such as advertising costs, legal fees for rental agreements, stamp duty, and real estate agent commissions, are not deductible for both business and rental income. This is because these costs are incurred to establish a source of rental income rather than to generate that income directly.

Malaysian income tax obligation for non-resident individuals.

Generally, to be classified as a non-resident, an individual must not stay in Malaysia for more than 182 days.

If you are a non-resident, you may have an obligation to pay income tax and file an income tax return if you receive Malaysia-Sourced Income.

Further, as of 1 January 2022, Foreign-Sourced Income, including rental income from properties located outside Malaysia, is subject to Malaysian income tax when it is received in Malaysia. Non-residents are generally exempt from income tax in relation to Foreign Sourced-Income including rental income, notwithstanding that such income is received in Malaysia.

Malaysian income tax obligations for a Malaysian resident in receipt of foreign rental income.

As mentioned above, effective from 1 January 2022, Foreign-Sourced Income, including rental income from properties located outside Malaysia, is subject to Malaysian income tax when it is received in Malaysia. A resident individual may claim for income tax exemption if he can show that the foreign rental income has been subject to a tax of a similar character in the country of origin.

Sample Tax Computation		
Fahmi owns a 2-bedroom apartment in Kuala Lumpur. He rents out the apartment unit to guests on short-term stays.		
Fahmi received total gross rent in 2024 of RM 5,000.		
Fahmi incurred the following expenses in relation to this apartment in 2024: costs to advertise the property online: RM 300, assessment tax: RM 300, quit rent: RM 100, property repairs: RM 600.		
		RM
Gross rental income		5,000
Less deductible expenses:		
	Assessment tax	(300)
	Quit rent	(100)
	Property repairs	(600)
Net rental income		**4,000**
Tax payable	*(25% of the net rental income)	**1,000**

Fahmi's net rental income of RM 4,000 will be added to his total income for the year.

The rental income tax rate in Malaysia ranges from 0% to 30%, depending on the individual's total income tax bracket.

*Assuming Fahmi falls within the 25% tax bracket, his tax payable would be RM 1,000.

SERVICE TAX

Value added taxes can be complicated and you should take time to understand the rules as they apply to you and your particular situation.

In Malaysia, there is no broad-based consumption tax, but instead service tax is imposed on various categories of taxable services.

A person who provides services in Malaysia may have to charge and collect service tax and pay this service tax to the Malaysian tax authorities. As with all taxes, we encourage you to consult with a tax advisor regarding your potential service tax obligations in the obligations.

If you are currently providing accommodation to guests, you may be required to apply service tax to your accommodation charges and to pay this service tax amount to the Malaysian tax authorities. As Airbnb is not supplying the accommodation itself, it is the responsibility of the host to consider local service tax obligations of the accommodation charges.

Do I need to collect any service tax from guests if I am letting short-term accommodation in the Malaysia?

Under the Malaysian Service Tax Act 2018, service tax at a rate of 8% shall be charged on:

- taxable services provided in Malaysia by a registered person in carrying on his business, or
- any imported taxable service (namely, any taxable service acquired by a person in Malaysia from a person who is outside Malaysia).

The First Schedule of the Malaysian Service Tax Regulations 2018 ("**STR**") prescribes a list of taxable services that will be subject to service tax if provided by a registered taxable person. This list of taxable services include, amongst others, accommodation services such as hotels, inns, lodging house, service apartment, homestay and any other similar establishment.

Any person who provides accommodation services shall register for service tax if the total value of such services for the period of 12 months exceeds the threshold of RM 500,000.

The requirement for the individual service provider to charge and collect service tax on the accommodation services applies, regardless of whether the tenants are business or non-business guests.

In relation to non-resident service providers, the accommodation services provided to tenants in Malaysia will be considered imported taxable services and the tenants will be responsible to reverse charge or self-account for the service tax on the accommodation services. Please note that this requirement to self-account only applies if the tenants are business guests.

Service tax applies to me. How do I collect service tax from guests?

If you determine that you need to charge service tax on the supplies that you make to guests, please keep in mind that you have to collect this service tax from your guests and report and remit this service tax on a periodic service tax return. In Malaysia, the service tax return typically covers a period of 2 months (e.g. January - February).

Service tax return is required to be filed by the last day of the month following that taxable period (e.g. the January – February service tax return is due to be filed by 31 March). The service tax payment has to be made on the same day that the service tax return is required to be filed.

If you are required to charge service tax, your pricing towards all guests should be service tax inclusive. Therefore, if you are supplying holiday accommodation, which is subject to service tax at 8%, then the amount of Malaysian service tax due should be calculated by dividing the agreed accommodation price by 108 and by multiplying by 8. For example, a total price for accommodation of RM 300 is agreed. The Malaysian service tax arising on this supply should be calculated as follows; 300/108 = 2.75*8 = RM 22.22 Malaysian service tax.

Some formalities, such as issuing a receipt or an invoice to your guests, may be required. Please find more information on https://mysst.customs.gov.my/FAQServicesTax. For further guidance on filing returns, please also refer to https://mysst.customs.gov.my/FAQServicesTax. We recommend that you check your service tax related obligations and the applicable invoice requirements with a local tax advisor.

Penalties

Please note that late payment penalties at the rate of 10% to 40% may be imposed on the outstanding service tax payable, depending on the length of delay in payment after the date on which service tax becomes due (as stated above) namely:

No. of Days after Payment Deadline	Penalty
1 - 30 days	10% of the unpaid service tax
31 – 60 days	25% of the unpaid service tax
61 days or more	40% of the unpaid service tax

Further, a failure to furnish a return and the filing of an incorrect return is an offence and upon conviction, may result in a fine of up to RM 50,000 and/or imprisonment for up to 3 years.