Understanding Property-Related Taxes in Malaysia

By Amanda Pang on **August 4, 2022**

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INTRODUCTION

Property ownership in Malaysia comes with various tax obligations that owners must be aware of. These taxes are essential for maintaining local infrastructure and providing public services. This article will delve into four common property-related taxes in Malaysia: Quit Rent, Assessment Tax, Stamp Duty, and Real Property Gain Tax, explaining each in simple terms.

TYPES OF PROPERTY-RELATED TAXES

a) Quit Rent (Cukai Tanah)

Quit rent, or 'Cukai Tanah', is an annual land tax imposed on property owners by the respective state governments. This tax is levied to help fund the administration and maintenance of state lands. The amount payable varies depending on the location and size of the property.

For owners of stratified properties, such as apartments or condominiums, quit rent has been replaced by a specific land tax called the parcel rent or 'Cukai Petak'. This change was implemented to better reflect the nature of ownership in stratified buildings where multiple owners share common property areas.

b) Assessment Tax (Cukai Pintu)

Assessment tax, or 'Cukai Pintu', is another annual tax levied by local authorities. The funds collected through this tax are used to maintain and improve local infrastructure and services, such as street lighting, waste collection, and public parks.

The rate of assessment tax depends on the annual rental value of the property, which is assessed by the local council. Property owners must ensure timely payment to avoid penalties and ensure continuous provision of municipal services.

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c) Stamp Duty

Stamp duty is a one-time tax payable during the purchase of a property. It is imposed on the Instrument of Transfer, which is the legal document that formalizes the transfer of property ownership. If a loan is taken to finance the purchase, additional stamp duty is also payable on the loan documentation.

The amount of stamp duty depends on the property's value, with higher-valued properties attracting higher duties. This tax is crucial for the legal recognition of property transactions and helps fund various governmental functions.

d) Real Property Gain Tax (RPGT)

Real Property Gain Tax (RPGT) is imposed on the profits made from the disposal of real property. This tax aims to curb speculative activities in the property market by taxing gains derived from property sales.

As of 1 January 2022, RPGT is no longer imposed on the disposal of properties by individual owners (who are Malaysian citizens or permanent residents) from the sixth year of ownership onwards. This change is intended to encourage long-term property investment and provide some relief to homeowners who hold onto their properties for extended periods.

CONCLUSION

Understanding the various property-related taxes in Malaysia is crucial for property owners and prospective buyers. These taxes not only contribute to the maintenance and development of local infrastructure but also play a role in regulating the property market. Being aware of and compliant with these tax obligations ensures a smoother property ownership experience and contributes to the overall betterment of the community.

Whether you are a current property owner or considering purchasing property in Malaysia, staying informed about Quit Rent, Assessment Tax, Stamp Duty, and RPGT will help you navigate your tax responsibilities effectively.

This article is intended for general information purposes and may be time sensitive. It should not be regarded as legal professional advice. If you have any queries pertaining to this update or require legal advice on understanding property-related taxes in Malaysia , please feel free to contact us (apy@apylaw.com.my).