

# TAX GUIDE: BUY, RENT & SELL

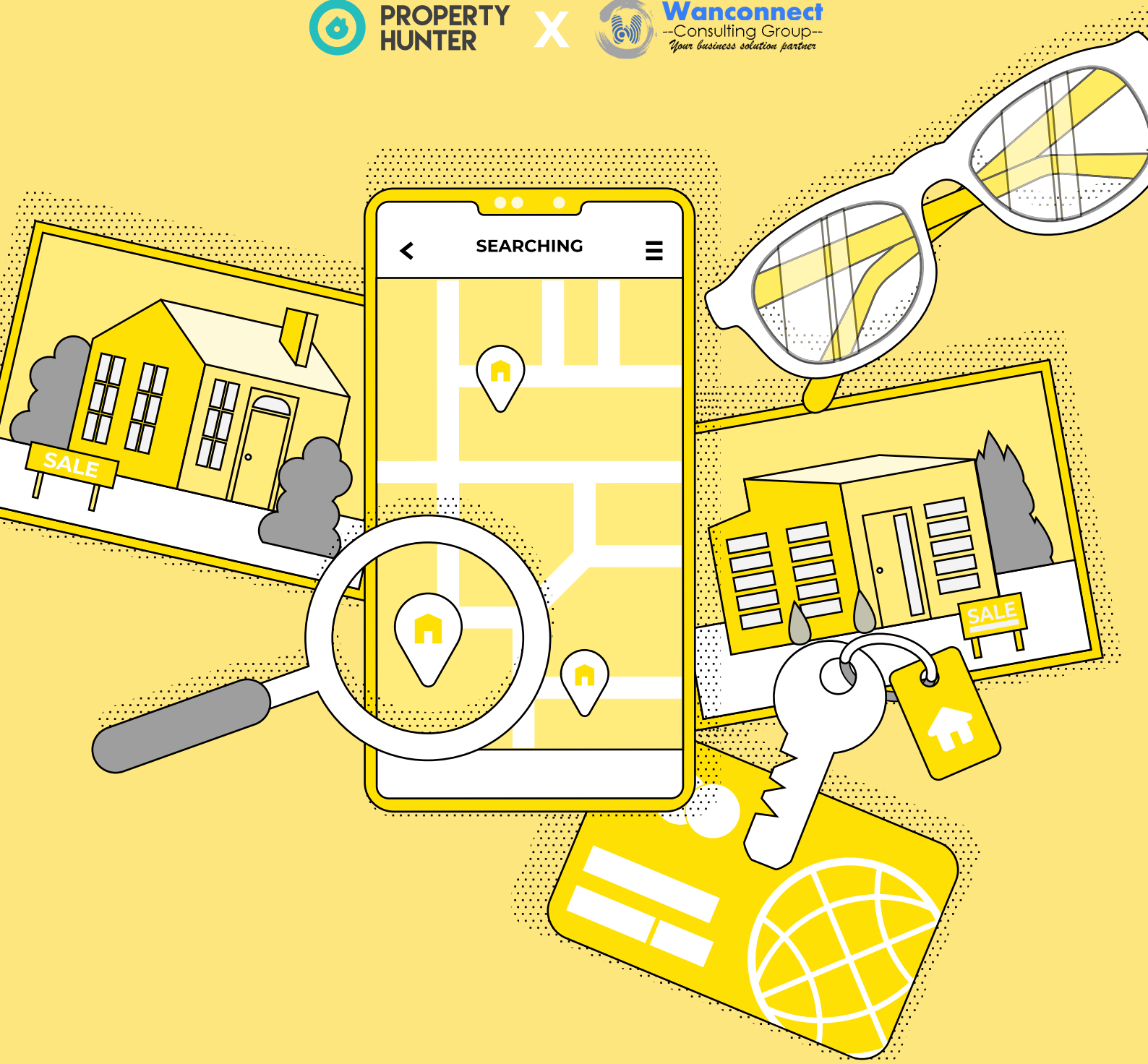
by



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## TAX GUIDE: BUY, RENT & SELL

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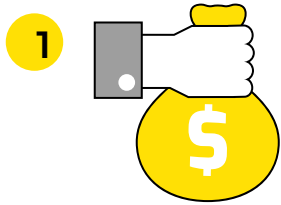
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# 01.

## **BUYING GUIDE**

Besides the downpayment, there are some important costs incurred that are often forgotten when buying property.

## 7 ENTRY COSTS OF BUYING A PROPERTY



Down Payment  
Minimum

**10%**

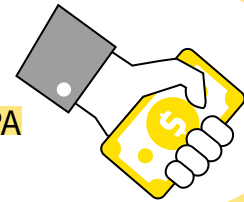
of property purchase price or the difference between the loan amount and purchase price.

**2** Legal fees on Sale and Purchase Agreement (SPA)

For the first RM 500,000 (subject to a minimum of RM 500)	: 1%
For the subsequent RM 500,000	: 0.8%
For the subsequent RM 2,000,000	: 0.7%
For the subsequent RM 2,000,000	: 0.6%
For the subsequent: RM 2,500,000	: 0.5%

**3** Stamp Duty on SPA

**1-3%** of the SPA amount



**4** Legal Fees on Loan Agreement

For the first RM 500,000 (subject to a minimum of RM 500)	: 1%
For the subsequent RM 500,000	: 0.8%
For the subsequent RM 2,000,000	: 0.7%
For the subsequent RM 2,000,000	: 0.6%
For the subsequent: RM 2,500,000	: 0.5%

**5**

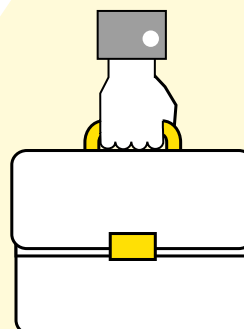


Stamp Duty on  
Loan Agreement

**0.5%**  
of loan amount

**6** Stamp Duty on  
Memorandum of Transfer  
(MOT): **1%-4%**  
of property purchase price  
(Transfer of Title)

**7** Mortgage Reducing Term  
Assurance (MRTA) or  
Mortgage Level Term  
Assurance (MLTA):



Optional as  
required by Bank.

## GOVERNMENT ASSISTANCE

If you're worried about the costs, don't worry. There are a lot of benefits out there to help you.

### MALAYSIAN

#### My First Home Scheme (Skim Rumah Pertamaku)

My First Home Scheme is a home ownership initiative that was first launched in 2011 by the Malaysian government to assist first time home buyers.

##### Main Features And Benefits

- Up to 110% financing (0% down payment)
- Residential property for own occupation (either under construction or a completed unit)

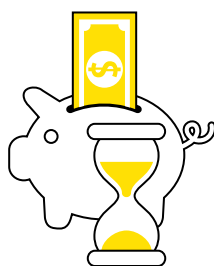


##### Eligible Applicants

- Must be a Malaysian citizen
- First time home buyer
- Salaried worker or self-employed individuals
- Single or joint applicants

##### Gross Monthly Household Income

- Up to RM 5,000 – for single or joint applicant(s)
- More than RM 5,000 and not more than RM 10,000 – for joint applicants (subject to maximum gross monthly household income of RM 5,000 per applicant)
- No record of impaired financing for the past 12 months (eg: failure to repay loans)



##### Eligible Properties

- Residential properties either new or sub-sale which is located in Malaysia
- Mortgage maximum value of RM 500,000
- Properties must be owner-occupied

##### Financing Requirements

- Financing period not exceeding 35 years, subject to applicant's age not exceeding 70 years at the end of financing period.
- Amortising facility only (no redrawable features)
- Instalments payable via monthly salary deduction or standing instruction
- Fire Insurance / takaful is compulsory
- Moratorium period of 5 years



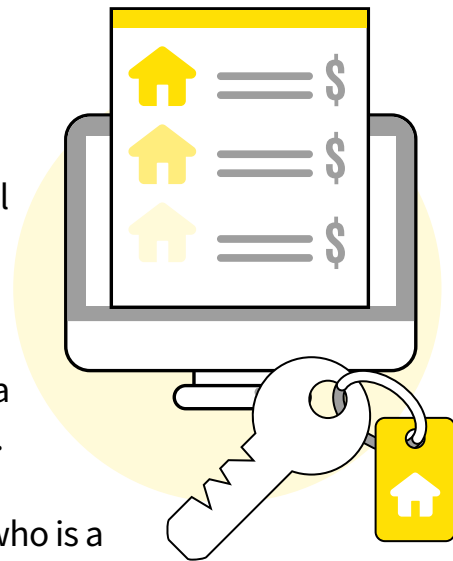
## MALAYSIAN

**Stamp Duty Exemption**

Malaysian first time homebuyers enjoy stamp duty exemption for their memorandum of transfer (MOT) and loan agreements if the property is RM 500,000 and below. Effective from 1 January 2021 until 31 December 2025

**Requirements**

- Type of property: Residential Property
- Effective Date: On or after 1 January 2021 but not later than 31 December 2025
- The individual has never owned any residential property including a residential property which is obtained by way of inheritance or gift, which is held either individually or jointly.
- Meaning of residential property: a house, a condominium unit, an apartment or a flat.
- Meaning of individual: Malaysian citizen or co-purchaser of a residential property who is a Malaysian citizen.



## MALAYSIAN

**Home Ownership Campaign (HOC) 2020 - 2021****Main Features and Benefits**

- Full stamp duty exemption on MOT and SPA for properties that are priced until RM 1 million
- Partial stamp duty exemption on MOT and SPA for properties that are priced from RM 1 million until RM 2.5 million
- 0.5% stamp duty charge on loan agreement is fully exempted.
- 10% house discount, except those subject to government price controls (including Sabah)
- Sales and Purchase Agreement (SPA) must be stamped between 1 June 2020 and 31 December 2021.



### Eligible Properties

- Open to all Malaysian citizen, with no limit to the number of purchases.
- Only for residential properties in the primary market (homes that have been launched or completed) – not applicable to secondary market.
- Property priced RM 300,001 to RM 2.5 million (before 10% house discount)
- The properties must be registered with key real estate associations such as:



**SHARED A**

*Sabah Housing and  
Real Estate Developers  
Association (SHARED A)*



*Sarawak Housing and  
Real Estate Developer  
(SHEDA)*



*Real Estate and Housing  
Associations (REHDA)*

### Eligible Applicants

- Developer and purchaser must be Malaysian Citizen

### FOREIGNER

#### My Second Home Programme (MM2H) – Will be re-introduced

The Malaysia My Second Home Program (MM2H) was introduced to allow foreigners who fulfill certain criteria to stay in Malaysia but was frozen in 2020 to allow the Ministry of Tourism, Arts and Culture (MOTAC) and related agencies to comprehensively review and re-evaluate the program. For more information, please visit website:

<http://www.mm2h.gov.my/>



# 02.

## RENTING GUIDE

Make the most out of your rental property.

The letting of properties is treated as income received from it is charged to tax under paragraph 4(d) of the Income Tax Act 1967.

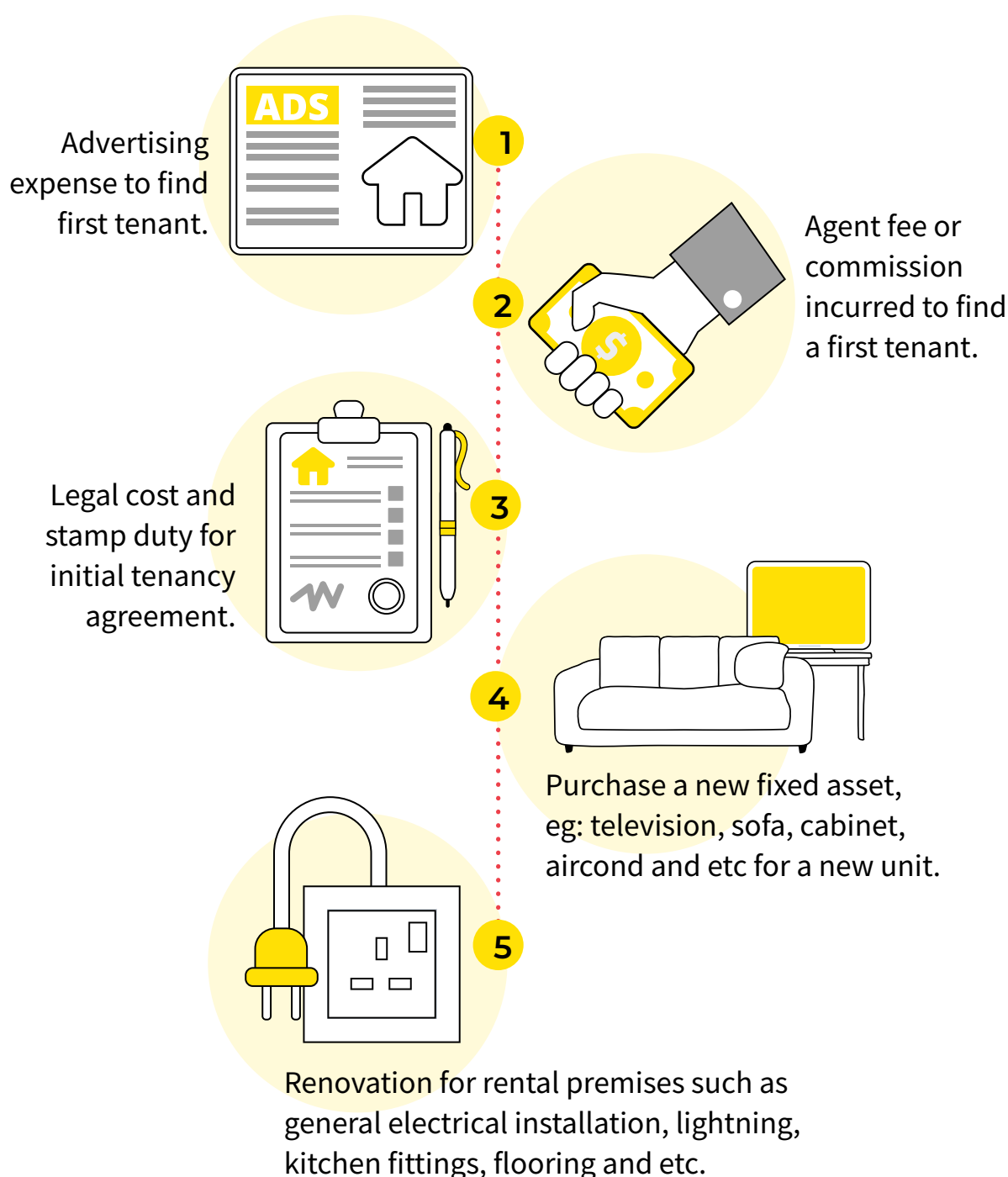


## DEDUCTIBLE EXPENSES RELATING TO INCOME LETTING OF REAL PROPERTY

Expense which is allowed as deduction from income of letting of real property charged to tax under subsection 33(1) of the Income Tax Act 1967 (ITA) is the direct expense that is directly incurred in the production of income under subsection 33(1) of the ITA.

### Initial Expense

Any expense incurred prior to the source creation is categorised as initial expense and **NOT** deductible against rental income. For example:



## Subsequent Expenses

Once rental income is created, any replacement of air conditioners, furniture & fittings, plumbing repair is **DEDUCTIBLE** against rental income. For example:

1

Quit Rent and Assessment



**Quit Rent**

*Jabatan Tanah  
dan Ukur Sabah*

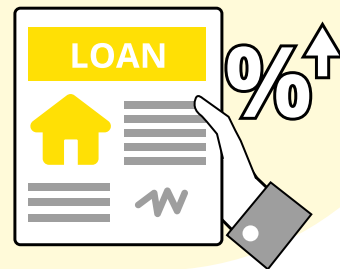


**Assessment**

*Dewan Bandaraya  
Kota Kinabalu*

2

Loan Interest paid to banks for a loan taken to finance the purchase of rental property)



3

Fire/Burglary insurance premium



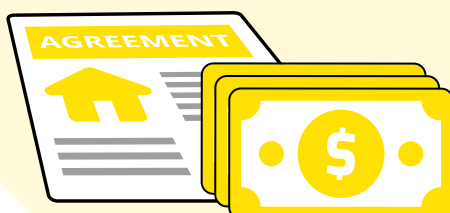
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Rent collection fee/  
Runner Fee



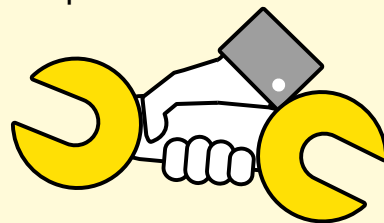
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Expenses incurred to renew tenancy agreement or to change tenant



6

Repair and maintenance

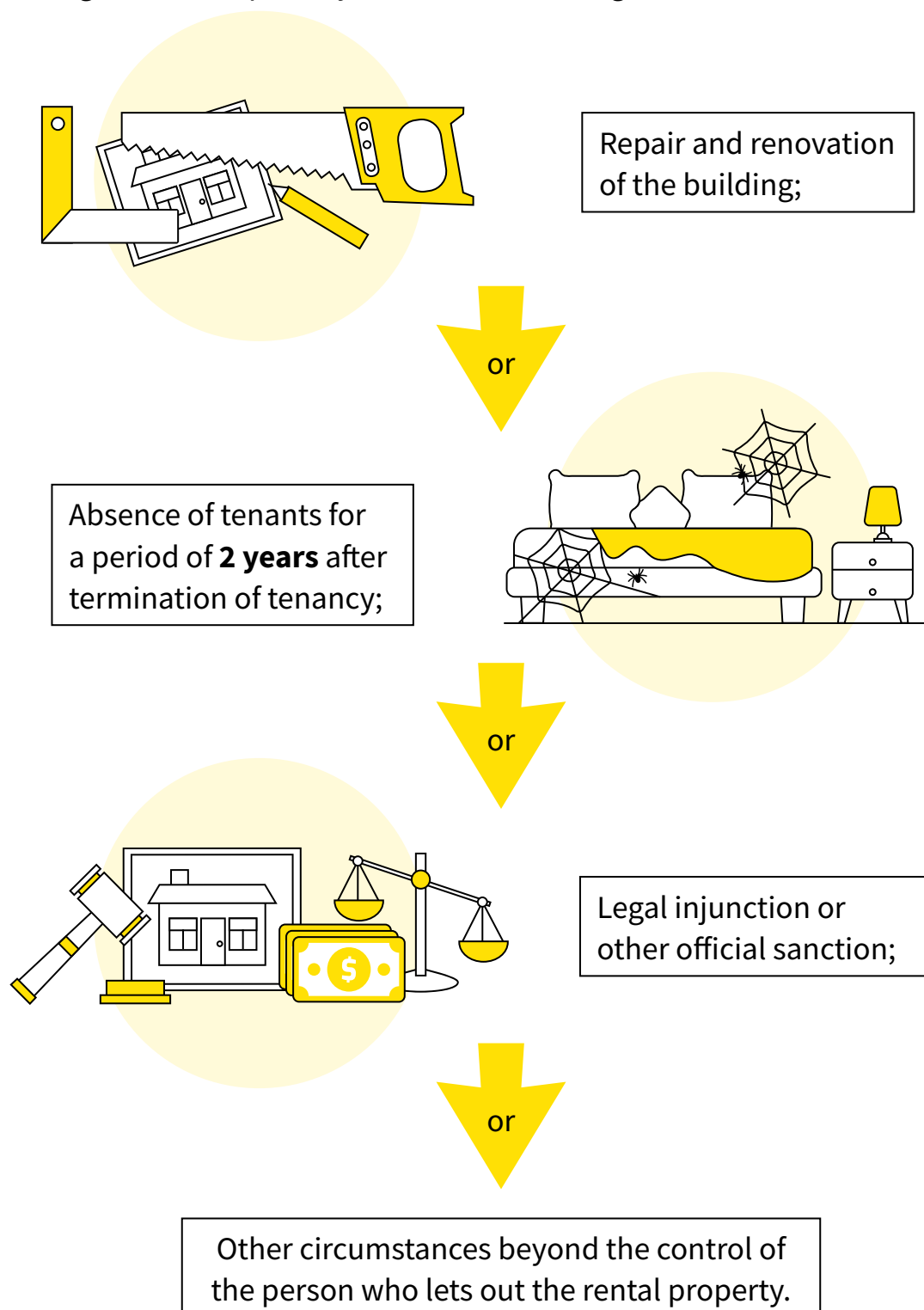


*Expenses on repairs to ensure the existing condition of rental property is maintained such as replacement of damage tiles, plumbing repairs, replacement of doors/windows.*

## Expenses during a period the rental property is not rented out (Temporary non-occupation)

If the period of the rental property is not rented out occurs after it has been let out and it is clear that it is ready to be let out, then expenses during that period are allowable.

If letting ceases temporarily due to the following circumstances:



# 03.

## **SELLING /INVESTOR GUIDE**

Selling your property in Malaysia isn't free - it includes fees and the Real Property Gains Tax. Let's take a closer look!

Jackson has found a potential buyer who is interested in buying his property. Here are the steps Jack must follow to sell his property.

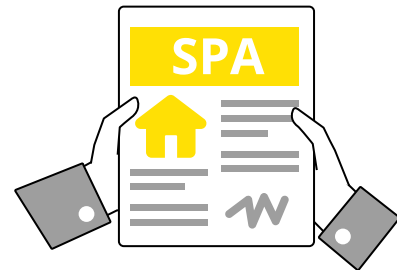


### Step 1: Letter of Offer

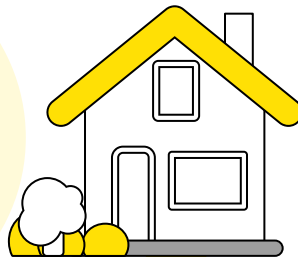
Once Jackson and buyer have agreed in the price of property, a letter of offer must be signed.

### Step 2: Sale and Purchase Agreement (SPA)

Once the letter of offer has been accepted, the lawyer will prepare some legal documents for the sale. Refer to legal fees in Section 1.

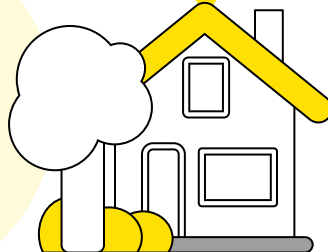


3 years **BEFORE**  
(1.1.2018)  
**Purchase Price:**  
RM 300K



**Profit of  
RM 300K**

3 years **AFTER**  
(1.1.2021)  
**Selling Price:**  
RM 600K



### Step 3: Real Property Gain Tax (RPGT/CKHT)

Real Property define in S 2 of the RPGT Act to mean any land situated in Malaysia.

Jackson's property has situated in Kota Kinabalu, Malaysia. Therefore, any gains arising from the disposal or selling of real properties will be charged for Real Property Gains Tax (RPGT).

# 04.

## **REAL PROPERTY GAINS TAX GUIDE**

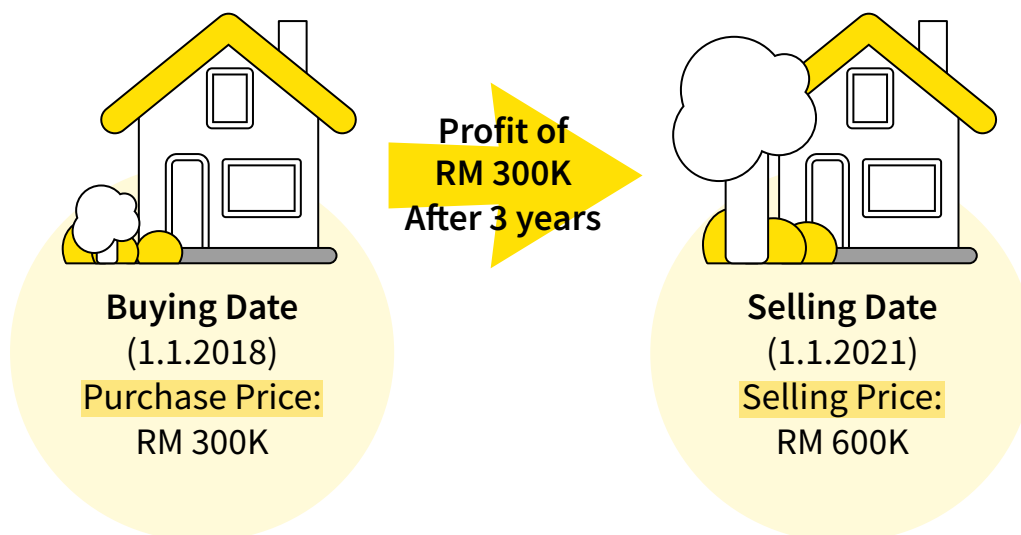
RPGT is a form of Capital Gains Tax in Malaysia levied by the Inland Revenue (LHDN). Thanks to PENJANA 2020, Malaysians who sell off their residential property between 1 June 2020 and 31 December 2021 will be exempted from paying the 5% or higher RPGT for the disposal of properties.

But first, we should understand the process and exemptions.

## STEPS TO SELL PROPERTY

### STEP 1

#### Determine Buying and Selling Date



### STEP 2

#### Determine Acquisition Price

##### Formula

$$\text{Acquisition Price} = \text{Consideration Paid (Cost of Property)} + \text{Incidental Cost} - \text{CID}$$

##### Consideration Paid

(Buying Price as at 1.1.2018)  
**RM 300,000**

+

##### Incidental Cost

Brokerage Fees  
**RM 2,000**  
Stamp Duty of transfer  
**RM 3,500**

-

##### CID

Compensation Received  
**RM 3,000**  
Insurance Recoveries  
**RM 10,000**  
Deposit Forfeited  
**RM 5,000**

$$\begin{aligned} \text{Acquisition Price} &= \text{RM } 300,000 + \text{RM } 5,500 - \text{RM } 18,000 \\ &= \text{RM } 287,500 \end{aligned}$$

**STEP 3****Determine Disposal Price**

Disposal Price  $\neq$  Profit (RM 300,000)

**Formula**

$$\text{Disposal Price} = \text{Consideration Received} - \text{Permitted Expenses} - \text{Incidental Cost}$$

Two deductible expenses against the profit:

- Permitted Expenses also known as allowable expenses such as Legal fees
- Incidental Cost of disposal such as Valuation Fees, Brokerage Fees, Cost of advertisement and etc.

**Consideration Received**

(Selling Price as at 1.1.2021)  
**RM 600,000**

—

**Permitted Expenses**

Legal Fees  
**RM 8,000**

—

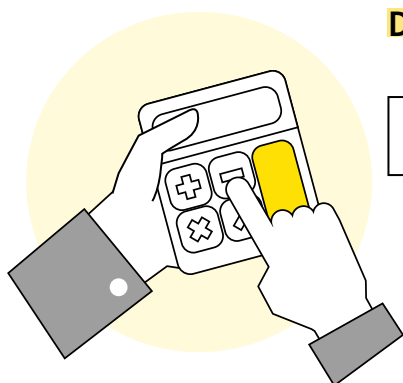
**Incidental Cost**

Cost of Advertisement  
**RM 2,000**

$$\begin{aligned} \text{Disposal Price} &= \text{RM } 600,000 + \text{RM } 8,000 - \text{RM } 2,000 \\ &= \text{RM } 590,000 \end{aligned}$$

**STEP 4****Determine Gain on Disposal****Formula**

$$\text{Gain on Disposal} = \text{Disposal Price} > \text{Acquisition Price}$$



$$\begin{aligned} \text{Gain on Disposal} &= \text{RM } 590,000 - \text{RM } 287,500 \\ &= \text{RM } 302,500 \end{aligned}$$



**STEP 5****Determine RPGT Rate****Formula**

$$\text{RPGT} = (a) \text{ RPGT Rate} \times (b) \text{ Gain on Disposal}$$

The RPGT Rates is as set out in Schedule 5 of the RPGT Act as follows:

Disposal Period	Malaysia <ul style="list-style-type: none"> <li>• Citizen</li> <li>• Permanent Resident</li> </ul>	Company	Others <ul style="list-style-type: none"> <li>• Non-Citizen</li> <li>• Non-PR</li> </ul>
Within 3 years	30%	30%	30%
In the 4 <sup>th</sup> year	20%	20%	30%
In the 5 <sup>th</sup> year	15%	15%	30%
In the 6 <sup>th</sup> year	5%	10%	10%

*Schedule 5 - Source: 2021 Budget Commentary and Tax Information*

Jackson, a Malaysian citizen bought his property using his individual name. Upon disposal, Jackson has the different rate of RPGT as compared to a company.

In this case, Jackson has held the property for 3 years. Now within 3 years, according to the rate, it is 30%.

$$\begin{aligned} \text{RPGT} &= \text{RM } 302,500 \times 30\% \\ &= \text{RM } 90,750 \end{aligned}$$

## STEP 6

### Form Filing



#### CKHT 1A

Return of disposal of property  
(to be filled within 1 month of  
date of disposal of property)

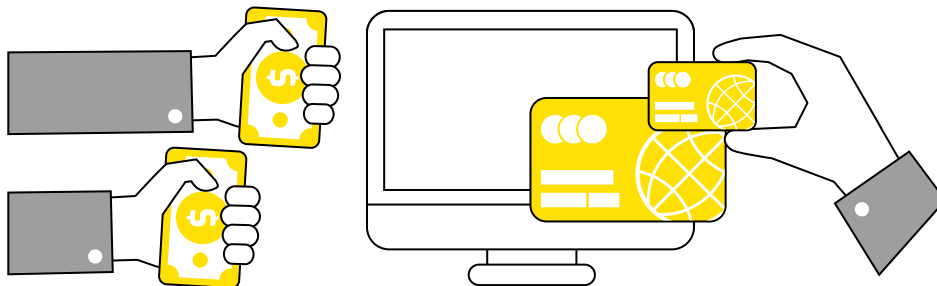


#### CKHT 2A

Return of acquisition of property  
(to be filled within 1 month of date  
of acquisition of property)

## STEP 7

### Payment of RPGT



*Payment can be made over the counter, internet banking,  
ATM, CDM or tele-banking*

### Warning

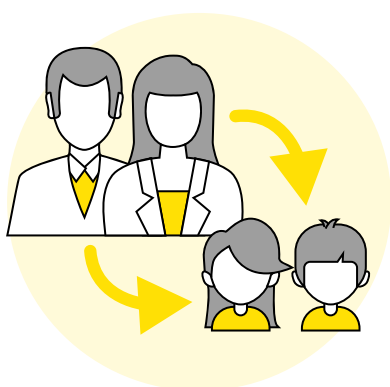
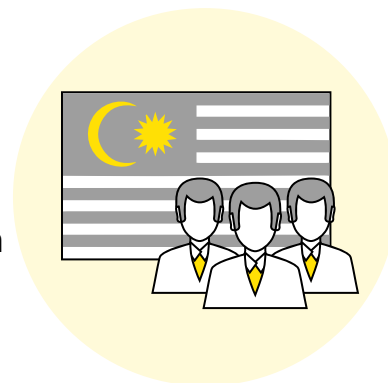
Non submission of RPGT return by disposer or failure to disclose in the income tax return on disposal of real property is a serious offence. It attracts a penalty of 300% penalty on RPGT payable. [s 29 (3)]

Alternatively, one may be charged upon conviction and be liable for: A fine  $\leq$  RM 5,000; or Imprisonment  $\leq$  12 months; or Both

## RPGT Exemptions

### 1 Once-in-a-lifetime exemption to individual (Sch 4 Exemption)

- Only applicable to Malaysian Citizen and Permanent Residents.
- The exemption is RM 10,000 or 10% of the Gain on Disposal / Chargeable Gain, whichever is greater



### 2 Transferred within the family

- Only applicable to Malaysian Citizen and Permanent Residents
- 100% exemption on the chargeable gain
- Donor and recipients either between husband and wife, parent and child, or grandparent and grandchild. Excluding transfer between siblings

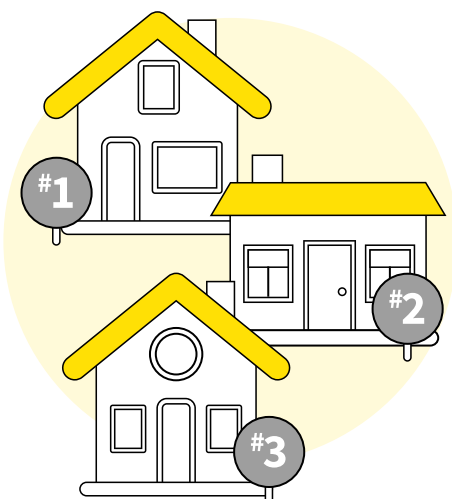
### 3 Disposal of low-cost residential house

- Only applicable to Malaysian Citizen
- 100% exemption on the chargeable gain
- Cost of residential house must be at RM 200,000 and below, in the 6th and subsequent years



### 4 RPGT Exemption Order 2020 ("Exemption Order")

- Only applicable to Malaysian Citizen,
- 100% exemption on the chargeable gain
- Sale must be from 1 June 2020 to 31 December 2021
- Only limit to 3 units of residential property for each disposer
- The RPGT exemption is only limited to 3 units of residential property for each disposer by a Malaysian citizen on or after 1 June 2020, but not later than 31 December 2021



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