

NON-PAYMENT OF QUIT RENT AND ASSESSMENT – WHAT WILL HAPPEN TO YOUR PROPERTY?

Introduction

As the deadline for the first half of 2025 Assessment Tax approaches, have you ever wondered what might happen if property-related taxes such as Assessment Tax and Quit rent, remain unpaid?

In Malaysia, Quit Rent (*Cukai Tanah*) and Assessment Tax (*Cukai Taksiran*) are both extremely vital tax systems for anyone who owns a property because it affects the status of the property. However, these two taxes are often disregarded when it comes to understanding charges that relate to property in Malaysia. As a result, many property owners neglect to settle payments of these taxes to the relevant authorities and face the consequences for such non-payment of taxes.

Here, this article aims to provide some basic understanding on what quit rent and assessment taxes are and the powers that are vested in the relevant authorities in the event of default in payment.

Quit Rent (Cukai Tanah)

By virtue of **section 93 of the National Land Code (Revised 2020)** (“NLC”)[1], quit rent is the rent payable to the State Authority in respect of any alienated land and according to **section 94(2) of the NLC**[2], the rent payable in respect of any calendar year shall fall due in full on the first day of that year and, if not sooner paid, shall be treated as becoming in arrear on the first day of June in that year. In other words, this means that the payment of quit rent shall be made by on 31st May every year and the failure to pay within that period shall result in legal actions taken by the State Authority.

Non-payment of Quit Rent

It is important to note that while it is unlikely that your property will be immediately forfeited for non-payment of quit rent, you may face penalties, interest charges, and

legal notices demanding payment and pursuant to **section 97(1) of the NLC**[3], such legal notice shall be served on you in Form 6A and the rent arrears must be paid within the stipulated time which is three (3) months from the date of service of the notice in Form 6A. If you continue to ignore the notice in Form 6A, the State Authority may eventually take legal action under **section 100 of the NLC**[4] as a last resort to forfeit the property in question in which the Land Administrator shall endorse on the Register Document of Title a note of such notice of service. It is critical to note that if such endorsement is not made on the Register Document of Title, the purported forfeiture shall be considered invalid and this is reflected in the case of ***Pow Hing & Anor v Register of Titles Malacca***[5]. In this case, a notice in Form 6A was served to the landowner but no endorsement was made on the Register Document of Title. As a result, the court held that the forfeiture by the State Authority is not valid since there is no compliance with **section 97 of the NLC**[6] which provides that it is mandatory to make such endorsement on the Register Document of Title.

However, if all conditions have been met for the forfeiture of the land by the State Authority, **section 131 of the NLC**[7] provides that after the forfeiture, the status of the land shall then revert as state land and the State Authority shall have the right to manage it in the manner allowed under the National Land Code.

In order to prevent such forfeiture by the State Authority, **section 99 of the NLC**[8] provides that if the whole of the sum demanded by the State Authority in Form 6A is paid within the time specified therein i.e. 3 months, the notice shall thereupon cease to have effect, and the endorsement of service of Form 6A on the Register Document of Title shall be cancelled. In other words, this means that the forfeiture notice shall become null and void and the landowner shall continue to enjoy all such rights attached to the land.

Therefore, it is imperative that landowners in Malaysia settle their outstanding quit rent by 31st May of every year in order to enjoy the comforts of their properties hassle free.

Assessment Tax (Cukai Taksiran)

On the other hand, assessment tax is a tax imposed by local authorities (usually the local council or municipal council) based on the estimated annual rental value of your property. This form of tax is payable two (2) times per year and the schedule for payment is as follows:

Assessment Period	Payment Deadline
January – June	On or before 28 February
July – December	On or before 31 August

It is worth noting that the abovementioned deadline for payment of Assessment Tax is usually printed on the assessment bill which is usually delivered to the registered address

of the land or can be conveniently downloaded from the respective local council's online portal. Non-payment of property tax can also result in legal actions. The consequences typically involve penalties, interest charges, and legal notices. If you persistently fail to pay Assessment Tax, the local authorities may take legal steps to recover the debt, which may include the sale of your property.

Non-payment of Assessment Tax

Section 148 of the Local Government Act 1976 ("LGA 1976")[9] provides that the local authority can recover the default in payment of Assessment Tax by issuing a warrant of attachment in Form F of the First Schedule of the LGA 1976 and to seize any movable property belonging to the owner inside the premises to pay for the default. In other words, should the landowner refuse to pay the Assessment Tax, the local council will seize any movable property from your property to settle the default.

However, if the arrears in relation to the Assessment Tax cannot be recovered in full by the sale of movable property belonging to the landowner, **section 151 of the LGA 1976**[10] enables the local authority to make an application to the Registrar of the High Court to order the attachment and sale of the property in respect of which the arrear has accrued. Once an attachment over the property is ordered by the Registrar of the High Court, **section 149 of the LGA 1976**[11] provides that if the arrears with cost cannot be paid within **SEVEN (7) DAYS** from the date of the attachment of property, then the property attached may be sold via public auction and the proceeds from the sale shall be used to pay for the following in sequence:

- (a) costs for attachment;
- (b) for the arrears in Assessment Tax all penalties in relation to the default; then
- (c) the surplus (if any) shall be paid to the registered landowner at the time of attachment.

Interestingly, as held in ***Datuk Bandar Kuala Lumpur v Tan Tew Lai***[12], the local council must first exhaust all available recovery mechanisms under section 148 of the LGA 1976 before it may proceed with the public auction as set forth in section 151 of the LGA 1976.

Ultimately, it is critical to note that the LGA 1976 **DOES NOT** provide an avenue for the State Authority or the local council to obtain legal possession over the property because the property will be attached and sold via public auction to the highest bidder. Nonetheless, after the auction, the property shall no longer belong to the landowner who defaulted in the payment of the Assessment Tax.

Conclusion

All in all, it is highly advisable for all landowners in Malaysia to ensure that all payments are made for both quit rent and assessment because there are dire consequences for not doing so. As mentioned above, the non-payment of quit rent shall empower the

State Authority to forfeit your property and revert the land into State Land. Under such circumstances, you will lose both your land and the revenue which you could have gotten should you decide to proceed with the sale of the property.

On the other hand, the consequences for the non-payment of Assessment Tax is almost equally bad because you would ultimately lose your property as well. However, as comfort, you will be able to recoup some surplus from the sale of the property.

Given these significant risks, property owners must remain diligent in fulfilling their tax obligations and ensure timely payment to avoid the possibility of losing their properties.

-
- 1.S93 National Land Code (Revised 2020).
 - 2.S94(2) National Land Code (Revised 2020).
 - 3.S97(1) National Land Code (Revised 2020).
 - 4.S100 National Land Code (Revised 2020).
 - 5.[1981] 1 MLJ 155.
 - 6.S97 National Land Code (Revised 2020).
 - 7.S131 National Land Code (Revised 2020).
 - 8.S99 National Land Code (Revised 2020).
 - 9.S148 Local Government Act 1976.
 - 10.S151 Local Government Act 1976.
 - 11.S149 Local Government Act 1976.
 - 12.[2014] 1 LNS 356.

Written by:



Alfred Tan Hsiang Vei
Senior Associate
alfred.tan@azmilaw.com



Jeremy Pang Jing Yang
Associate
jeremy.pang@azmilaw.com

Corporate Communications
Azmi & Associates
9 April 2025