

LEGAL NEWS ALERT: 2022 Updates on Real Property Gain Tax “RPGT”

What is RPGT?

- A capital gain tax imposed when a property is sold and the seller profits from the divestment.
- Applicable to everyone namely Malaysians, permanent residents, foreigners and companies.
- Administered by Inland Revenue Board of Malaysia (Lembaga Hasil Dalam Negeri).
- First announced in 1976.

Exemption (RPGT Act 1976)

- 1st disposal of residential property (only applicable to Malaysian citizens and permanent residents)
- Disposal of property between family members.
- Exemption waiver for an amount equal to 10% of taxable profits, or RM10,000 (whichever is higher).

RPGT Formula

Gross Chargeable Gain = Disposal Price – Acquisition Price

Net Chargeable Gain = Gross Chargeable Gain – RPGT Exemption - Miscellaneous Expenses (eg. legal fees, sales commission etc)

RPGT Payable = Net Chargeable Gain X RPGT Rate (based on holding period)

Example

Acquisition Price: RM300,000
Disposal Price: RM500,000
Disposal: 5th year

Gross Chargeable Gain: RM500,000 - RM300,000 = **RM200,000**

Net Chargeable Gain: RM200,000 - RM20,000 (RPGT Exemption) - RM15,000 (Miscellaneous Expenses) = **RM165,000**

RPGT Payable: RM165,000 X 15% = **RM24,750**

RPGT Rates

Pursuant to the Finance Act 2021 gazetted on 31 December 2021, RPGT will no longer be imposed on property disposals by individual owners starting from the 6th year, with effect from 1 January 2022.

Disposal	Individual		Company incorporated in Malaysia / Trustee / Body of persons registered under any written law in Malaysia	Company not incorporated in Malaysia
	2021	2022		
Within 3 years	30%	30%	30%	30%
4 th year	20%	20%	20%	30%
5 th year	15%	15%	15%	30%
6 th year & onwards	5% / 10%	0%	10%	10%

Retention Sum by Acquirer in relation to Disposal of a Chargeable Asset

Individual (Citizens & PRs)	Company incorporated in Malaysia / Trustee / Body of persons registered under any written law in Malaysia		Company not incorporated in Malaysia / Individuals (Non-Citizens and Non-PRs)
	Disposal within 3 years of acquisition	Disposal in the 4 th year & onwards	
3%	5%	3%	7%

CONCLUSION

With the abolishment of RPGT for the sale of properties held from 6th year onwards, we believe property owners will be motivated to upgrade to their desired house without any tax penalty. It is a long-awaited measure, as many see it as an unjust way to penalise long-term property owners on inflation and therefore this abolishment is very much welcomed by all.

For any queries or further information, please do reach out our Projects Practice Group:

Mr. Zuhaidi Shahari, Partner cum Team Leader zuhaidi@azmilaw.com
Mr. Mohd Sallahudin Abdullah, Partner mohd.sallahudin@azmilaw.com
Ms. Lim Sheh Ting, Partner shehting@azmilaw.com