

23 AUG, 2021

What we need to know about RPGT

The Malaysian Reserve, Malaysia

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It is important for consumers to have some basic knowledge about reporting the gains from disposal of real property

THERE has been a rising awareness on owning real estate at a young age, however, there are still many who have little knowledge about reporting the gains from disposal of real property.

Although the preparation of property disposal documents is usually handled by a lawyer or tax agent, it is important for us to have some basic knowledge about it.

The Real Property Gains Tax (RPGT) is a tax levied on gains from the disposal of real estate including flats, houses, condominiums, apartments, farms and vacant lands, among others.

Effective Oct 21, 1988, this tax is extended on gains from the disposal of shares in a real estate company.

RPGT was introduced in 1976 under the Real Property Gains Tax Act 1976. However, from April 2007 to December 2009, this tax was temporarily exempted through the Real Property Gains Tax (Exemption) Order 2007 [PU(A)146/2007].

The exemption order was revoked from Jan 1, 2010, through the Real Property Gains Tax (Exemption) Order 2009 [PU(A)376/2009].

How is Stamp Duty Related to the Imposition of RPGT?

According to the RPGT Act 1976, RPGT is a capital gains tax imposed by the Inland Revenue Board of Malaysia (IRBM) for every profit earned through the sale of property or shares in a real estate company when the resale price is higher than the purchase price.

RPGT is not charged if the resale price of the property is the same or lower than the original price. It is only applicable when there is a gain from the disposal of the property.

The imposition of tax on the transfer of property not only involves the disposer but also the acquirer, where they are subject to RPGT for the disposer and stamp duty for the acquirer.

However, gains from the disposal of real estate or shares of a real estate company can also be taxed under the Income Tax Act 1967 if the gains arise from commercial transactions.

RPGT Rates

RPGT rates are determined based on the disposal category whether:

- A company incorporated in Malaysia or a trustee of a trust or society registered under the Societies Act 1966;
- Non-citizen and non-permanent resident individuals or the estate of the deceased who was a non-citizen and non-permanent residents or companies not incorpo-



For any inquiries regarding RPGT and stamp duty, the public is advised to meet officers at any nearby IRBM branch by making an appointment online



reference number can be made through the e-Register application at <https://mytax.hasil.gov.my/> or at all IRBM Branches.

The form must be submitted within 60 days after the date of disposal where the date of disposal refers to the date of the property sale and purchase agreement. The form must be filled separately according to the number of disposers/ acquirers.

Ensure that supporting documents for disposal, acquisition and expense claims for proof are kept if requested by the IRBM.

Property Disposal Tax Incentives in the Pandemic

The government had introduced several economic stimulus packages to alleviate the burden borne by the people following the Covid-19 pandemic. Through the National Economic Regeneration Plan (Penjana) announced on June 5, 2020, RPGT exemption is given to Malaysian individuals on disposal of residential houses made between June 1, 2020, to Dec 31, 2021. The agreement must be duly stamped no later than Jan 31, 2022.

This exemption is limited to the disposal of three units of residential houses per individual compared to the existing exemption under Section 8 of the RPGT Act, which was limited to one unit previously.

RPGT exemption is given to individuals only for private residence such as a building or part of a building in Malaysia owned by an individual and occupied or certified eligible to be occupied as a residence, provided the applicant must be an individual Malaysian citizen or permanent resident of Malaysia.

Apart from revitalising the property market, this RPGT exemption is definitely a relief for Malaysians who have been affected by the Covid-19 pandemic and have had to sell their homes to streamline cashflow.

For any inquiries and further clarification regarding RPGT and stamp duty, the public is advised to meet officers at any nearby IRBM branch by making an appointment online at <https://janjitemu.hasil.gov.my/>.

This article is by IRBM.

Disposal Period (after the date of acquisition of the asset)	In addition to companies such as individual citizens/ permanent residents (%)	Companies incorporated in Malaysia, trustees or societies registered under the Societies Act 1966 (%)	Non-citizen and non-permanent resident individuals, the estate of the deceased who are not citizens and non-permanent residents or companies not incorporated in Malaysia (%)
Within 3 years	30	30	30
In the 4th year	20	20	30
In the 5th year	15	15	30
In the 6th year and beyond	5	10	10

Action	Responsibility	
	Disposer	Acquirer
Submit RPGT 1A Form (real estate)/ RPGT 1B (real estate company shares) within 60 days after the date of disposal to the IRBM branch which handles the disposal income tax file.	✓	
Submit the RPGT 2A Form within 60 days after the date of disposal to the IRBM branch that handles the disposal income tax file.		✓
Remit 3% or 7% of the sale price to the IRBM within 60 days from the date of disposal to settle the amount of RPGT imposed on the disposer. This amount depends on the disposal category: i. 3% if the disposer is a Malaysian citizen; ii. 7% if the disposer is a company established outside Malaysia.		✓

rated in Malaysia; or
 • Other than the above. For example, individual citizens and permanent residents or the estate of the deceased citizen or permanent resident.

The RPGT rate is charged depending on the holding period of the asset, meaning from the date the asset is first owned by the disposer

until the date it is disposed of. RPGT rates are lower for assets held longer in the hands of the disposer.

Responsibilities of Disposer and Acquirer

The property disposal transaction involves two parties — the disposer and the acquirer, both of whom have their respective responsibilities,

namely by submitting the RPGT Return Form which can be downloaded from the IRBM official portal or obtained from the nearest IRBM branch.

Each disposer and acquirer must submit a completed, clear and signed RPGT Return Form. Be sure to also have an income tax reference number. Registration of income tax



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SUMMARIES

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