



Q&A

UNDERSTANDING HOW REAL PROPERTY GAINS TAX (RPGT) APPLIES TO YOU

RPGT is a tax chargeable on the profit gained from the disposal of a property and is payable to the Inland Revenue Board. As such, RPGT is only applicable to a seller.

For example, A bought a piece of property in 2000 at a value of RM500,000. Subsequently, A sold the property to B at the value of RM700,000, gaining RM200,000 from the disposal of the property. The RPGT is calculated for RM200,000.

Here are some frequently asked questions which may be relevant in understanding the concept of RPGT and how it applies to you:

What is the applicable rate?

The effective RPGT rates are as follows:

| Date of Disposal | Companies | Individual (Citizen & Permanent Resident) | Individual (Non-Citizen) |
|---------------------------------------------|-----------|-------------------------------------------|--------------------------|
| Within 3 years from the date of acquisition | 30% | 30% | 30% |
| In the 4th year | 20% | 20% | 30% |
| In the 5th year | 15% | 15% | 30% |
| In the 6th year and subsequent year | 5% | 0% | 5% |



When do I have to pay RPTG?

As prescribed by law, the purchaser's solicitors are required to retain 3% of the purchase price from the deposit and remit the same to the Inland Revenue Board within sixty (60) days from the date of the sale and purchase agreement to meet the RPTG payable.

In instances where the consent of the State Authority is required to sell the property to a purchaser and/or charge the property to a financial institution, or a court order for sale is required to dispose of the property, remittance of the 3% of the purchase price may be deferred until such consent or court order for sale is obtained.

What is the consequence of late payment?

Any payment after 60 days may attract a penalty payable by the seller. The penalty is 10% of the amount payable as RPTG.

Am I required to do the documentation on my own?

The seller may opt to file the necessary forms with the Inland Revenue Board individually or seek assistance from the solicitors at a fee prescribed by the Solicitors Remuneration Order 2006.

What if I sell the property at a loss? Am I still required to pay RPTG?

RPTG is only chargeable if there is a profit gained from the disposal of the property. As such, if the disposal price is lower than



Malaysia owned by an individual and occupied or certified fit for occupation as a place of residence. As such, it does not apply to commercial property.

In order to apply for an exemption, the applicant must show that:

- (i) the private residence is owned and occupied by an individual; and
- (ii) the certificate of fitness for occupation or the Certificate of Completion & Compliance has been issued for that private residence.

It must be noted this exemption only applies to individuals. It does not apply if the private residence is owned by a company. A Permanent Resident in Malaysia is also entitled to apply for this exemption.

Am I subject to RPGT if I'm disposing of a property held under the estate of the deceased to a purchaser?

In this instance, the date on which the Inland Revenue Board will take into account to determine the acquisition date is the date of death of the deceased. In other words, there is RPGT payable if the disposal of the property is made within 5 years from the date of death of the deceased, even though the deceased has owned the property for more than 5 years during his lifetime.

the acquisition price, there is no profit gained and therefore no RPGT is payable.

Likewise, if the disposal price is equal to the acquisition price, there is neither a chargeable gain nor an allowable loss. As such, no RPGT is payable.

Am I entitled to any deductions?

The RPGT Act 1976 allows certain incidental costs of the acquisition of the property and disposal of the property to be taken into account, such as legal fees for

the acquisition and disposal of the property and estate agency fees.

Am I entitled to apply for exemption? Does it matter whether it is residential or commercial property?

Every disposer is entitled to a once in a lifetime exemption. However, this exemption is only applicable for the disposal of a "private residence". The RPGT Act defines a private residence as a building or part of a building in



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Am I required to pay RPGT if it is a transfer between family members?

The law provides for 100% exemption from having to pay RPGT in the case of transfer of property between family members by way of love and affection in the following instances:

- (a) transfer between husband and wife;

(b) transfer between parent and child; and (c) transfer between grandparent and grandchild.

In these instances, the transferor is deemed to have received no gain and the transferee is deemed to have acquired the property at an acquisition price

equal to the acquisition price paid by the transferor together with any permitted expenses incurred by the transferor.

Apart from the above transfers, any forms of transfer between family members are not entitled to apply for exemption, such as transfer between siblings. ●