

Residential Property Taxes for Foreigners in Penang

1. When Buying the Property

When foreigners purchase residential properties in Penang, several taxes and fees come into play. These include the Stamp Duty, Foreign Acquisition Processing Fee, and State Levy.

Stamp Duty – This is a government tax imposed on legal documents such as the Memorandum of Transfer (MOT). In the old days, the tax was literally represented by a physical stamp or frank printed on the document, which is how the term “stamp duty” came about. Today, the process is digital, but the name remains. The amount payable depends on the property value, calculated on a tiered scale set by the Inland Revenue Board.

Foreign Acquisition Processing Fee – This is a fee charged by the Penang State Authority to process an application from a foreigner purchasing property in the state. It is usually a fixed percentage of the property price or a flat rate as determined by the state government.

State Levy – The State Levy is a fee charged by the Penang State Government on property purchases by foreigners. It is typically calculated as a percentage of the property’s value. This levy serves as a form of control to manage foreign ownership and to channel revenue back into state development.

2. When Owning the Property

Once the property is purchased, the owner will incur annual and ongoing obligations, which include Quit Rent, Assessment Tax (Cukai Pintu), Maintenance Fee, and Sinking Fund.

Quit Rent (Cukai Tanah) – This is a land tax collected annually by the Land Office. The term “quit rent” originated from the British colonial period, meaning a fee paid to “quit” or free the land from further feudal obligations. In other words, once you’ve paid your quit rent, your land is considered freehold for that year.

Assessment Tax (Cukai Pintu) – This is a local tax imposed by municipal councils (MBPP or MBSP) for maintaining local amenities. The Malay term Cukai Pintu means “door tax,” originating from the old practice of taxing each door of a property as a proxy for its size and occupancy. Today, the tax is based on the annual rental value of the property and is collected twice a year.

Maintenance Fee – This is not a government tax but a fee paid to the property’s management body—whether the developer, Joint Management Body (JMB), or Management Corporation (MC)—for daily upkeep of common facilities such as lifts, corridors, gardens, and security services.

Sinking Fund – The sinking fund is a reserve set aside for major repairs or replacements, such as repainting the building or replacing elevators. The term “sinking fund” comes from

old British financial terminology, referring to a fund set aside to gradually “sink” or pay off future liabilities. In Malaysia, it is typically set at 10% of the maintenance fee.

3. When Disposing of the Property

When a foreigner sells a property in Malaysia, the main tax to be aware of is the Real Property Gains Tax (RPGT).

Real Property Gains Tax (RPGT) – This tax applies to profits made from selling real estate. The RPGT rate depends on how long the property has been owned. Generally, the longer you hold the property, the lower the tax rate becomes. RPGT is administered by the Inland Revenue Board (LHDN).

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