






Methods used by Resident Countries to Cope with [to avoid or to minimize] Double Taxation



- Income itself does not have a geographical location.




- When a resident country and a source country both have the right to tax the same income, double taxation occurs.
- When it comes to double taxation relief, the subject of double taxation is a key concern in international taxes, and it must be resolved by the desires of the resident country.




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Methods used by Resident Countries to Cope with [to avoid or to minimize] Double Taxation




- To further explain the implications of double taxation, consider the following scenario.
- James Bong, a Malaysian, earned \$10,000 in a competition in the United States.
- **Assume that:**
 - the United States and Malaysia do not have a Double Taxation Avoidance Treaty, and
 - the US tax rate is 30%, whereas the Malaysian tax rate is 35%.
- James Bong will pay a \$3,000 tax in the United States, and a \$3,500 tax in Malaysia.





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Methods used by Resident Countries to Cope with [to avoid or to minimize] Double Taxation




- This is not an unusual occurrence, and it may be found in many countries.
- Four methods to dealing with double taxation by a resident country:
 - 1) No Action
 - 2) Deduction
 - 3) Credit Method
 - 4) Exemption Method






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Methods used by Resident Countries to Cope with Double Taxation - **No Action**



– The term "no action" refers to the fact that the resident state does nothing to help with tax relief and the individual will be taxed in both the resident and source countries.


- In our scenario, Malaysia will not consider source country tax.
- Therefore James Bong will pay \$3,000 in taxes in the United States and \$3,500 in Malaysia.





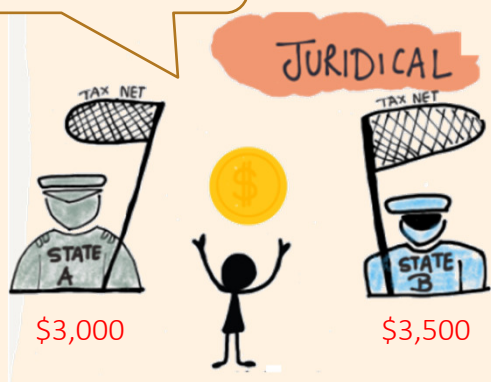
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Methods used by Resident Countries to Cope with Double Taxation - No Action



Shit! Why I have to work so hard?


Income	\$10,000
Tax in the US	(\$3,000)
Tax in Malaysia	(\$3,500)
Total Taxes	(\$6,500)
Net Income	\$3,500



\$3,000 \$3,500

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Methods used by Resident Countries to Cope with Double Taxation - Deduction




– The resident nation helps by providing a deduction for taxes paid in the source country and solely taxing the remittance received.

- In our case, Malaysia would give tax relief to James Bong by enabling him to pay tax on the remittance he received in Malaysia. i.e., 35% of the \$7,000.
- Overall, in the United States, James Bong has to pay \$3,000, whereas in Malaysia, he will pay \$2,450.


Income	\$10,000
Tax in the US	(\$3,000)
Remittance in Malaysia	\$7,000
Tax in Malaysia @ 35% on \$7,000	(\$2,450)
Total Taxes	\$5,450
Net Income	\$4,550

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Methods used by Resident Countries to Cope with Double Taxation - Credit Method




- In this case, all taxes paid in the source nation are credited against taxes paid in the resident state. The whole income is taken into account for calculating resident tax, and withholding taxes paid in the source country are used as a credit.
 - In our case, Malaysia will give credit for taxes paid in the United States.
 - Malaysia will tax total income at 35% (i.e., \$10,000 x 35% = \$3,500) and grant a tax credit for taxes paid in the United States.
 - In the United States, James Bong will pay \$3,000, whereas in Malaysia, he will pay \$500. The 35% effective rate

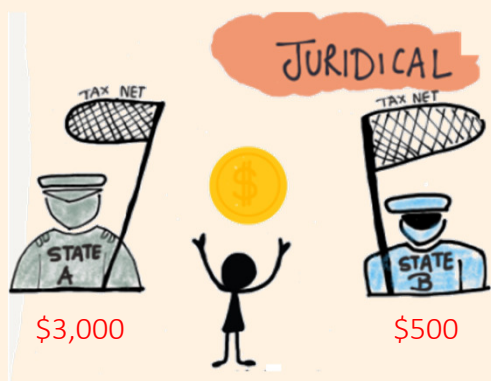



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Methods used by Resident Countries to Cope with Double Taxation - Credit Method




Income	\$10,000
Tax in the US	\$3,000
Tax in Malaysia @ 35% on \$10,000	\$3,500
Tax Credit (e.g.)	\$3,000
Tax paid in Malaysia	\$500
Total Taxes	\$3,500
Net Income	\$6,500





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Methods used by Resident Countries to Cope with Double Taxation - **Exemption Method**



– The exemption method exempts foreign-source income from taxation.


- In our case, Malaysia will exempt all foreign source income [as is our existing practise under ITA 1967 paragraph 28, Schedule 6].
- As a result, James Bong will only pay \$3,000 in the United States and doesn't need to pay any tax in Malaysia.

Income	\$10,000
Tax in the US	\$3,000
In Malaysia [Schedule 6 Para 28]	Exemption
Tax paid in Malaysia	\$0
Total Taxes	\$3, 000
Net Income	\$7,000



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居民国为应对双重征税 [避免或减少] 而采取的方法




- 收入本身是并没有一个地理位置的。
- 当一个居民国和一个来源国都有权对相同的收入征税时，就会出现双重征税。
- 双重征税的问题是国际税收中的一个主要问题，在涉及双重减税时，一定要看居民国的意愿。

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居民国为应对双重征税 [避免或减少] 而采取的方法


- 为了进一步解释双重征税的影响，我们来看看这个例子。
- James Bong，马来西亚人，在美国的一次比赛中赚了10,000美元。
- 假设：
 - 美国和马来西亚没有《避免双重征税协定》，
 - 美国的税率是30%，而马来西亚的税率是35%。
- 詹姆斯-邦将在美国缴纳3,000美元的税，而在马来西亚缴纳3,500美元的税。



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居民国为应对双重征税 [避免或减少] 而采取的方法

- 这种情况并不罕见，而且在许多国家都可能出现。
- 居民国在处理双重征税的过程中，四种常见的方法：
 - 1) 不采取任何行动
 - 2) 扣除法
 - 3) 抵免法
 - 4) 豁免法




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居民国应对双重征税的处理方法 -- 不采取行动




- 所谓的“不采取行动”，是指居民国在避免双重征税方面不提供任何帮助，因此，个人将分别在居民国和来源国被征税。
- 在我们的案例中，马来西亚将不考虑来源国的税收。
- 因此，James Bong 将在美国支付 3,000 美元的税款，在马来西亚支付 3,500 美元。

挣到的钱
几乎都给完
Tax 了



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居民国应对双重征税的处理方法 -- 扣除法



- 居民国通过对来源国支付的税款进行扣减并对收到的汇款单独征税来提供帮助。
- 在我们的案例中，马来西亚将给予 James Bong 税收减免，使他能够为他在马来西亚收到的汇款缴税。即，缴付 7,000 美元的 35% 税款。
- 总体而言，在美国，James Bong 需要支付 3,000 美元，而在马来西亚，他将支付 2,450 美元。

收入	\$10,000
美国征税	(\$3,000)
汇款回马来西亚	\$7,000
马来西亚征税	(\$2,450)
35% * \$7,000	(\$2,450)
总税款	\$5,450
净收入	\$4,550

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居民国应对双重征税的处理方法 -- 抵免法

- 在这种情况下，在来源国支付的所有税款都可以在居民国抵扣税款。在计算税款时，全部收入都被考虑在内，而在来源国支付的预扣税可被用作抵扣。
- 在我们的案例中，马来西亚将对在美国支付的税款给予抵免。
- 马来西亚将对总收入按35%征税（即10,000美元*35% = 3,500美元），并对在美国支付的税款给予税收抵免。
- 在美国，James Bong 将支付 3,000 美元，而在马来西亚实际税率为35%，他将支付 500 美元

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居民国应对双重征税的处理方法 -- 豁免法

- 豁免方法非常简单，那就是对源自外国的收入免于征税。
- 在我们的案例中，马来西亚将豁免所有源自外国的收入 [Foreign Source Income] [这是我们现有的做法 - 根据 1967 年所得税法令附表6第28段]。
- 因此，James Bong 在美国将只支付 3,000 美元，而不需要在马来西亚再缴付任何税款。



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 - seek your own independent professional advice, this is because the scope and extent involved in each individual case is different.

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