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GUIDELINES

TAX TREATMENT ON INCOME OF SOCIAL MEDIA INFLUENCER

GUIDELINES OF THE CHIEF DIRECTOR

Section 134A of the Income Tax Act 1967 (ITA) provides that the Director General has the power to issue such Guidelines as the Director General thinks fit or necessary.

The Guidelines are published as a guide to the public and officials of the Malaysian Inland Revenue Board. It provides for the Director General's explanation regarding certain provisions of the tax law or to facilitate compliance with the law or any other matter related thereto.

The Director General may revoke, revise or amend the whole or part of these Guidelines by issuing new Guidelines. Director General of Inland Revenue, Inland Revenue Board of Malaysia.

Director General of Inland Revenue,
Malaysian Inland Revenue Board.

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1. INTRODUCTION

1.1 Social or digital media influencers are individuals who have the power to influence others on social or digital media through their power, knowledge, position or relationship with users.

1.2 Social media influencers are not only individuals who can influence others and have many followers, but these individuals are also able to generate a decent income through activities as influencers on social and digital media.

1.3 Social media influencers should be recognized as a career because they are able to generate income that is derived and received from social media platforms or from marketing activities as a result of their influence on social media.

2. PURPOSE OF THE GUIDELINES

The Guidelines is issued to provide clarification on the tax treatment of income received by social or digital media influencers.

3. ACTIVITIES, CATEGORIES & TYPES OF INCOME OF INFLUENCER

3.1 Activities of influencer

An individual is considered to bevn carrying out activities as an influencer on social media if, for example, they carry out the following activities:

(a) producing (recording, publishing, uploading or displaying) audio, video or written content on social media;

(b) appearing in any activity, programme or event on social media;

(c) engaging for any purpose of advertising or promoting on social media; or

(d) receiving payment, gift or any benefit from any party due to the involvement in the social media.

3.2 Categories of influencer

Social media influencers can be classified into two (2) categories, that is;

3.2.1 Individual influencer

An individual influencer refers to any individual who is an influencer on social media and comes from of various backgrounds. The examples of individual influencers are politicians, artists, sportsmen, religious people, professionals, students or even housewives.

Individual influencers also includes content creator influencers who create content with the intention of showing it to the public in order to establish and build trust and as a foundation for a good relationship with the online audiences.

3.2.2 Object-based influencer

On the other hand, object-based influencers are any object such as animated characters, acting characters or characters that are created and registered on any social media platform and they have followers.

Examples of object-based influencers are the characters Upin & Ipin and Boboiboy who have their own accounts on social media platforms run by the individual or company that owns the publishing rights.

3.3 Types of receipts

The types of revenue receipts received by the social media influencers includes the following:

3.3.1 Direct payments from social media platforms

Direct payments received from social media platforms includes:

(a) payment from each click pressed or liked by visitors or followers;

(b) payment from each number of followers of the influencer;

(c) payment based on the number of views of the influencer's video;

(d) payment from each video, status or comment uploaded to the influencer's account on the relevant platform;

(e) payment for advertisements displayed on the influencer's account on the social media platform whether paid by the product manufacturing company, advertising company or platform operator;

(f) payment received from the platform on commission from followers' subscription fees on the social media platform; or

(g) other cash or non-cash payments resulting from online or offline activities of the influencers.

3.3.2 Payment as a product ambassador on social media

Payment received directly from the company for services provided by the influencer to promote and advertise goods or services offered by the company. Influencers will usually be appointed as product ambassadors for products produced by the company or when required to give a paid review of the company's products. Payments to the influencers for the appointment as product ambassadors or by giving paid reviews can be received in either cash or non-cash form. Examples of payments received in non-cash are goods or products by the company, services provided by the company, facilities or benefits, vouchers or discounts on sales.

3.3.3 Sale of goods

Influencers also earn income from the sale of their own branded goods or through services provided on social media. Own brand goods are not only physical goods but also include digital goods such as e-books, e-songs, e-posters and learning or training sessions that are sold or provided online.

3.3.4 Sales of influencer accounts/ID’s on social media platforms

Payments received from the sale of influencer accounts/IDs to other individuals through social media platforms such as Facebook, Instagram, Twitter and others. Usually the influencers who sell accounts/IDs are the influencers with a large number of followers on social media platforms.

3.3.5 Royalties on characters on social media

Royalty payments received by an influencer from an individual, organisation or company that uses the influencer's image, character or depiction with an object. For example, a water theme park company will pay royalties to the company that owns the Upin & Ipin influencer character for using the image of Upin & Ipin on the water theme park's advertising promotion poster.

3.3.6 Other revenue receipts

Other payment received by an social media influencers include:

(a) payment received for sharing experiences in the field of expertise such as training programmes, seminars, briefings, talk shows, podcast and conventions;

(b) payment received for services as a trainer, manager or facilitator;

(c) payment received as a judge or participant in a competition or entertainment show; or

(d) payment received from the organizers for the influencers presence at a ceremony or event such as the opening ceremony of a business branch, wedding ceremonies, festival celebration or fashion shows.

Influencers can receive payment in various methods such as management fees, talent fees, participant fees, consultant fees and others. This payment can be received in the form of cash payments, gifts of goods, discount vouchers, free services, likes (emoji) and gifts or appreciation on social media that have monetary values.

Example 1

Izani Sharif is an investment consultant expert who own an investment firm that is IMS Investment Sdn. Bhd. The company obtained a licence from Bank Negara Malaysia and the Securities Commission Malaysia to make investments in the business of buying and selling shares on Bursa Malaysia on behalf of clients.

Izani Sharif has launched his accounts on Facebook and YouTube and uploaded videos on investment techniques on his social media platforms. He has a number of 2.3 million followers.

In the year 2024, Izani Sharif received a payment of RM600,000 from the management of YouTube platform. Izani Sharif also regularly receives invitations to deliver online seminars related to stock investment techniques on the paid Facebook platform. In the year 2024, he received an amount of RM90,000 from the operators of both platforms for speaker fees and RM30,000 from organizers for the profit sharing of participant fees.

Apart from that, Izani Sharif also received a salary and commission from IMS Investment Sdn Bhd amounting to RM350,000 for the year 2024.

The following is the income reported by Izani Sharif for the year of assessment (YA) 2024:

Type of Receipts	Income	Class of Income	Amount (RM)
Payment from social media platform (YouTube)	Influencer	Paragraph 4(a)	600,000
Speaker Fees	Influencer	Paragraph 4(a)	90,000
Profit sharing from participant fees	Influencer	Paragraph 4(a)	30,000
Salary & Commission (IMS Investment Sdn Bhd)	Employment	Paragraph 4(b)	350,000

4. SCOPE OF TAXATION

4.1 Income tax shall be charged for each YA on the income of any person accrued in or derived from Malaysia or received in Malaysia from outside Malaysia. Income received by an influencer who is resident in Malaysia is a business income that is derived or deemed derived from Malaysia because operations or activities are carried out in Malaysia.

4.2 Influencers can also receive income from inside and outside Malaysia. Income received from operators of social media which are based outside Malaysia such as Google Adsense and Instagram is an income that is deemed to be derived andaccrued in Malaysia. As such, the income by an influencer, even from a platform operator outside Malaysia is taxable in Malaysia because the activities as an influencer are performed in Malaysia.

Example 2

Shikin Amin is an actress and a Malaysian resident who has a hobby of traveling and visiting interesting places around the world. Every time she travels, Shikin Amin will upload her status updates related to the tourist spots she visited on her Facebook account.

In the year 2024, Shikin Amin opened her personal account on the YouTube page and subsequently uploaded videos related to tourist spots she visited in Malaysia. The uploaded videos are watched by 3.5 million YouTube users. In the same year, Shikin Amin received the "Top 5 Malaysia YouTuber Award" from Google Adsense Singapore under the Money Tzation Programme and received cash amounting to RM220,000 for the payment of her video views on YouTube.

The receipt of RM220,000 from Google Adsense Singapore is a business income that is eligible to be taxed in Malaysia in 2024 because the income is derived or deemed to be derived from Malaysia.

4.3 Income received by an influencer in relation to activities carried out outside Malaysia is an income equivalent to carrying out his profession in Malaysia which is taxable under paragraph 4(a) of the ITA, regardless of whether the payment is received from outside Malaysia or in Malaysia.

Example 3

Ashiya Mizumi is a fashion entrepreneur and an influencer in Malaysia. She received an offer from Destiny Fashion Limited (DFL), a clothing manufacturing company from Singapore to produce a marketing video to promote the company's products. The marketing video was filmed for 3 days at a studio in Bedok Road, Singapore.

According to the offer from DFL, Ashiya Mizumi is required to produce 10 marketing videos and upload them to her Instagram account. She received a payment of RM250,000 from DFL for that assignment in

Singapore and that amount has been credited to her CIMB Bank account in Malaysia.

The payment received by Ashiya Mizumi amounting to RM250,000 for her services in promoting DFL products via 10 marketing videos which are uploaded to her Instagram account is her income as an influencer which is derived from Malaysia. Although the activities as an influencer such as filming videos and uploading the status of product sales campaigns are done outside Malaysia, these activities are related to her profession as an influencer in Malaysia.

5. TAX TREATMENT FOR INCOME RECEIVED

5.1 Individual influencer

5.1.1 The income received by any individual influencer from any activity performed is taxable income under paragraph 4(a) of the ITA because the income is from exercising a profession.

Example 4

Alif Akmal is a badminton player in Malaysia who has a contract for service as a sport athlete under the Malaysian Badminton Association and the National Sports Council. He received payment as a sport athlete from the Malaysian Badminton Association of RM120,000 and RM60,000 from the National Sports Council in the year 2024.

Alif Akmal has social media accounts such as Facebook, Instagram and YouTube and has nearly 3 million followers who follow his progress on social sites. Due to his great influence on social media, Yommex Sdn. Bhd., a sports equipment company used his services to promote the company's products on social media. Alif Akmal received a payment of RM220,000 from Yommex Sdn. Bhd. in the year 2024 for the marketing activities performed by him in marketing Yommex products.

Alif Akmal also received sponsorship payments of RM400,000 from CIMB Bank and RM350,000 from YouTube and Facebook for the services provided.

The income of Alif Akmal's for YA 2024 is as follows:

Type of Receipts	Income	Class of Income	Amount (RM)
Payment as a sport athletes from the Badminton Association of Malaysia	Badminton player	Paragraph 4(a)	120,000
Payment as a sport athletes from the National Sports Council	Badminton player	Paragraph 4(a)	60,000
Sponsorship fee from CIMB	Badminton player	Paragraph 4(a)	400,000
Payment from social media platforms	Influencer	Paragraph 4(a)	350,000
Payment from Yommex Sdn. Bhd.	Influencer	Paragraph 4(a)	220,000

5.1.2 A social media influencer may receive payment from a marketing company for the services of promoting a product, brand or business. Payment can be received either in cash or non-cash form. Non-cash payments can be in the form of goods or products produced by the company, services provided by the company, facilities or benefits, vouchers or discounts on sales, gifts and product sampels. Payments received whether in cash or non-cash, is taxable income from his profession as an influencer and must be declared eventhough there is no contract agreement signed by the influencer.

5.2 Object-based influencers

5.2.1 Object-based influencers are influencers that consist of cartoon characters, movie characters or a created logo or symbol.

5.2.2 Object-based influencers have no connection with actual individuals in the real world. The objects may include caricatures, animations, cartoon characters, characters in films or dramas, logos, symbols or names of an organisation or company and are not related to any real individual.

5.2.3 The owner of the object-based influencers opens an account in the name of the object on the social media platform. Income received by object-based influencers is taxable income under paragraph 4(a) of the ITA of the owner of the object's account on the social media platform.

5.2.4 Some examples of influencers registered as object-based influencers are:

(a) Animated characters Upin and Ipin or Che Yah Official

(b) Logos & brands of companies such as TV3

(c) The role of Mr. Barkobat in the movie

Example 5

Cartoon ‘Cute Baby’ is one of the main characters in the animated film titled ‘Little Baby and Jane' produced by Persona Dream Pictures Sdn Bhd. The cartoon character ‘Cute Baby’ has been registered in accounts on social media platforms such as Facebook, Twitter, TikTok and Instagram by Persona Dream Pictures Sdn Bhd which also holds the copyright of the cartoon. The account of the cartoon character 'Cute Baby' has 1.2 million followers on Facebook. In the year 2024, Persona Dream Pictures Sdn Bhd received RM330,000 from the social media platform for the payment received for viewing video clips of the cartoon character 'Cute Baby' by fans and followers.

This ‘Cute Baby’ cartoon character is one of the example of an object-based influencer that has followers and generates income on social media. Receipts amounting to RM330,000 from social media platforms is income from the activities of an influencer which is taxable to Persona Dream Pictures Sdn Bhd under paragraph 4(a) of the ITA.

5.2.5 If the copyright holder is a different entity from the owner of the object-based influencer's social media account, one of the entities that receives income from the activities of the influencer is chargeable to tax under the ITA. Income recipients who are resident in Malaysia that performs activities either in Malaysia or outside Malaysia and received income from sources in Malaysia or outside Malaysia is taxable under ITA. Income recipients who are not resident in Malaysia but performs activities in Malaysia and have a permanent establishment in Malaysia are assessable to tax on income received in Malaysia.

6. ALLOWABLE EXPENSES

6.1 Application of the provisions of Sections 33 and 39 of the ITA

6.1.1 Social media influencers are eligible to claim expenses which are wholly and exclusively incurred in the production of gross income under subsection 33(1) of the ITA in ascertaining the adjusted income of the influencer.

6.1.2 However, social media influencers are not eligible to claim expenses which are personal or capital in nature as provided under Section 39 of the ITA.

6.1.3 The expenses that can be allowed as deductions under subsection 33(1) of the ITA from the activities as an influencer on social media include:

(a) costs and fees for internet access;

(b) costs related to the publication of a material or video for the purpose of uploading such as filming and editing costs; or

(c) other expenses which are wholly and exclusively incurred entirely in the production of the gross income.

6.2 Application of the provisions of Schedule 3 of the ITA

Social media influencers are eligible to claim capital allowances under Schedule 3 of the ITA on the capital expenditures incurred by them in performing their activities as influencers if the requirements as stated in the Schedule are fulfilled.

7. TAX RESPONSIBILITIES

7.1 Installments of tax under section 107B of the ITA

Notice of Installment Payment (CP500) is issued under the provisions of subsection 107B(1) of the ITA. Under this provision, individual taxpayers and taxpayers other than a company that derived income which does not include income from an employment, are required to make payment of estimated tax installment on the due date to the Director General of Inland Revenue (DGIR).

7.2 Basis of estimation and CP500 payment procedure

7.2.1 The amount of estimated tax under the Notice of Installment Payment (CP500) is based on the amount of tax payable for the YA prior to that YA.

7.2.2 For taxpayers who have source of income from an employment and other sources of income, the tax estimate does not take into account the amount related to the sources of income from employment because earnings or profits from employment are subject to Scheduled Tax Deductions (STD).

7.2.3 The due date for the estimated tax installments will be determined under the Notice of Installment Payment (CP500). Taxpayers are given a period of 30 days from the due date to make the payment of the installments.

7.3 Record keeping

7.3.1 Social media influencers must keep records of receipt of income and supporting documents related to all income and expenses for audit purposes by the Inland Revenue Board of Malaysia.

7.3.2 Records and supporting documents must be kept for seven (7) years starting from the end of the year in which the income tax declaration form is submitted to DGIR.

8. DISCLAIMER

The examples in this guidelines are for illustrative purposes only and are not exhaustive.

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