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Termination of Special Income Remittance Programme (PKPP)

The Inland Revenue Board (IRB) has issued a media release announcing the termination of its PKPP effective today (11 March 2022).

Under the Budget 2022 proposal, the exemption of foreign-sourced income received by any person (other than a resident company carrying on the business of banking, insurance or sea or air transport) which is provided under Paragraph 28, Schedule 6 of the Income Tax Act 1967 is proposed to be removed for Malaysian residents. The proposal came into effect from 1 January 2022 with the gazette of the Finance Act 2021. The PKPP was initially issued by the IRB following this proposal. Please refer to [TaXavvy 31-2021](#) for a recap on the PKPP.

The IRB has explained that the termination of the PKPP is made following the announcement by the Ministry of Finance on 30 December 2021 (refer to [TaXavvy 32/2021](#)) that subject to conditions, the following foreign-sourced income received from 1 January 2022 to 31 December 2026 (5 years) will be exempt from Malaysian income tax:

- Dividend income received by resident companies and limited liability partnerships
- All classes of income received by resident individuals, except for resident individuals who carry on business through a partnership.

The IRB has stated that the above exemption including qualifying conditions will be set out in a gazette which will be issued.

The IRB has also stated that foreign-sourced income not exempted and remitted to Malaysia from 1 January 2022 is subject to tax and is to be reported in the income tax return form. Such foreign-sourced income remitted within the period 1 January 2022 to 30 June 2022 will be subject to the 3% concessionary tax rate as announced in Budget 2022. The prevailing income tax rates will apply for amounts remitted after 30 June 2022.

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