Tax in Motion

Issue 12-2026 I 27 August 2026

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- Determining chargeable income from a limited liability partnership's profits
- Extension of foreign-sourced income exemption
- Further 50% tax deduction for employers providing additional caregiving leave benefit
- Income tax deduction for contributions to anti-corruption education and prevention programmes
- Guidelines on Capital Gains Tax Exemption for Disposals of Shares for Initial Public Offering Purposes
- Guidelines on incentive claims for upstream petroleum
- Updated FAQs on Global Minimum Tax

Determining chargeable income from a limited liability partnership's (LLP) profits

The Income Tax (Determination of Chargeable Income of an Individual in respect of Limited Liability Partnership's Profit) Rules 2026 ("the Rules") have been issued and is effective from YA 2026.

The Rules set out the formula for determining the portion of chargeable income subject to the 2% tax for individuals who have income from other sources in addition to LLP profits. Salient points are as follows:

- The Rules apply to resident and non-resident individual LLP partners who, in a year of assessment (YA), have income from LLP profits exceeding RM100,000 and income from other sources.

- The Rules prescribe the following formula to determine the portion of such an individual's chargeable income attributable to LLP profits that is subject to the 2% tax, after taking into account any approved donations and personal reliefs:

$$\frac{A}{B} \times C$$

where

A = the statutory income in respect of LLP profit in the basis period for that YA

B = the aggregate income in the basis period for that YA
(includes the aggregate income of spouse in the cases of a joint assessment for husband and wife)

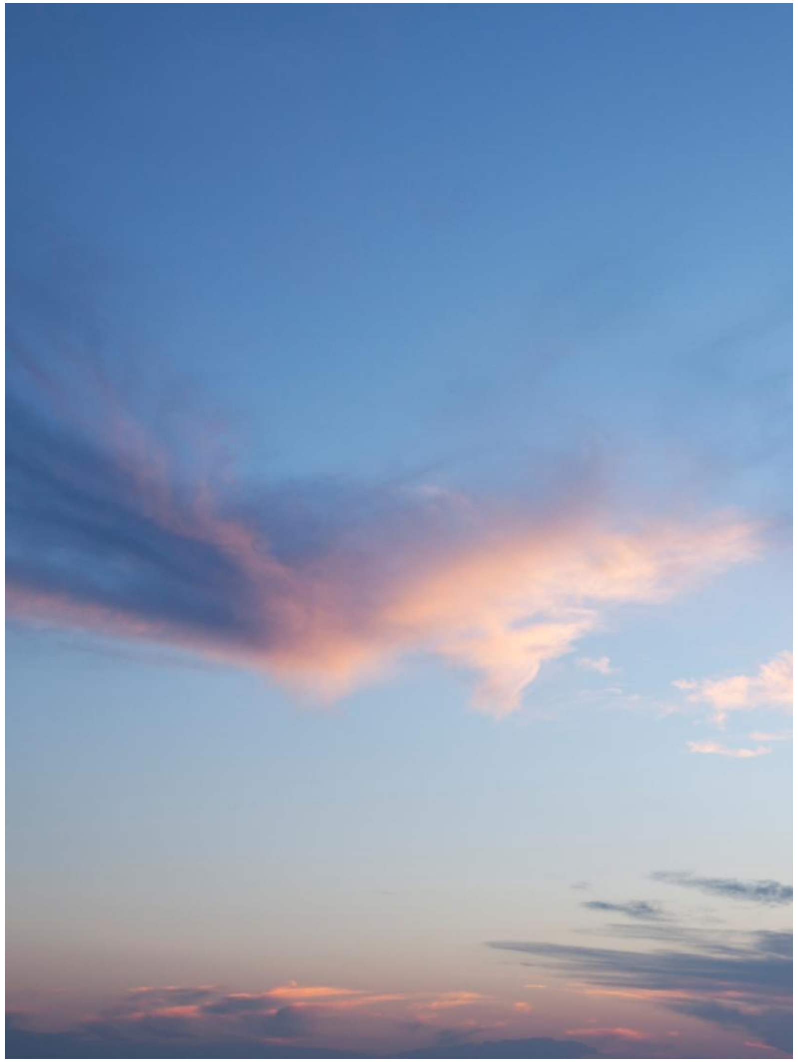
C = the aggregate of the following:

- the portion of chargeable income in the basis period for that YA in respect of LLP profit which is subject to 2% tax
- the portion of chargeable income in the basis period for that YA which is subject to prevailing income tax rates for resident and non-resident individual

Simplified illustration
Assume a resident individual is paid, credited or distributed RM150,000 of LLP profit and earns RM60,000 from other sources in YA 2026, with RM9,000 of personal relief.

Illustrative amounts	**RM**
Statutory income — LLP profit, net of exemption of first RM100,000 (A)	50,000
Statutory income — other income (e.g. rent)	60,000
Aggregate income (B) 50,000 + 60,000	**110,000**
Less: Reliefs (self)	(9,000)
Chargeable income (C)	**101,000**
Portion of chargeable income subject to the 2% rate	
Formula: A ÷ B × C 50,000 ÷ 110,000 × 101,000	45,909
Chargeable income attributable to LLP profit — subject to 2%	**45,909**
Remaining chargeable income — subject to prevailing scale rates for resident individuals (1% - 30%)	**55,091**

Illustrative only; subject to guidance issued by the authorities. Amounts are rounded to the nearest RM.



Extension of foreign-sourced income exemption

The following gazette orders have been issued to extend the exemption for foreign-sourced income:

- The Income Tax (Unit Trust in relation to Income Received in Malaysia from Outside Malaysia) (Exemption) 2024 (Amendment) Order 2026
- Income Tax (Exemption) (No. 3) Order 2024 (Amendment) Order 2026

The extended exemptions are as follows:

Gazette order	Exemption	Extended period
Income Tax (Unit Trust in relation to Income Received in Malaysia from Outside Malaysia) (Exemption) 2024 (Amendment) Order 2026	Exemption of income tax on foreign-sourced income received by a qualifying unit trust resident in Malaysia.	Extended to 31 December 2030 (previously 31 December 2026).
Income Tax (Exemption) (No. 3) Order 2024 (Amendment) Order 2026	Exemption of capital gains tax for gains from disposal of foreign capital assets received by companies, limited liability partnerships, trust bodies and co-operative societies resident in Malaysia.	Extended to 31 December 2030 (previously 31 December 2026).

Further 50% tax deduction for employers providing additional caregiving leave benefit

Following the Budget 2025 announcement, the Income Tax (Deduction for Payment of Additional Paid Leave for the Care of Child or Sick or Disabled Immediate Family Member) Rules 2026 ("the Rules") has been gazetted.

The Rules are effective from YA 2025 to YA 2027 and provide a further 50% tax deduction on remuneration paid to an employee who is on additional paid leave for caregiving responsibilities.

The following are the salient conditions of the Rules:

Caregiving leave	The caregiving leave is for: • caring of a child under the age of two years; • caring of an immediate family member who is sick (supported by certificate issued by a medical practitioner); or • caring of an immediate family member who is disabled (supported by certificate issued by the Department of Social Welfare).
Eligibility	"Immediate family member" is defined to include spouses, parents (including in-laws, step- and adoptive parents), children (including step/adopted), siblings (including step/adopted), and grandparents. However, the deduction is not available where the employer is: • A company controlled directly or indirectly by the employee; • A sole proprietorship; or • A relative of the employee (parent, child, sibling, grandparent / grandchild, or spouse).
Other key conditions	• The employee must be employed full-time. • Deduction is capped at 12 consecutive months per year of assessment. • Compliance with all conditions must be verified by Talent Corporation Malaysia Berhad for the period 1 January 2025 to 31 December 2027. • The employee does not control the company.

Income tax deduction for contributions to anti-corruption education and prevention programmes

The Ministry of Finance (MOF) has issued the Guidelines on Income Tax Deduction for Contributions to Anti-Corruption Education / Corruption Prevention Programmes under subsection 44(11C) of the Income Tax Act 1967 (ITA 1967).

The guidelines are available on the MOF's website mof.gov.my/portal/ms/cukai/dasar-terkini.

The Guidelines set out the eligibility criteria, application procedures and approval conditions for qualifying anti-corruption education and corruption prevention programmes organised by Civil Society Organisations (CSO).

Salient points are as follows:

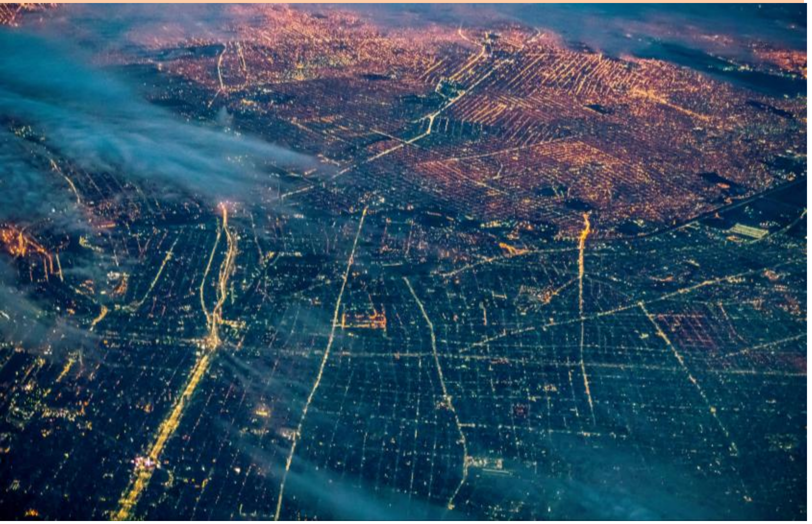
Eligible applicant	Eligible CSO refer to: • companies limited by guarantee registered under the Companies Act 2016 • societies registered under the Societies Act 1966 • trustee bodies incorporated under the Trustee (Incorporation) Act 1952 • approved institution/organisations under subsection 44(6) of the ITA1967 The CSO must operate on a non-profit basis and have anti-corruption education or prevention objectives reflected in its governing documents.
Qualifying programme	To qualify as a project of national interest, the programme must: • be organised by an eligible CSO; • be recognised by the Malaysian Anti-Corruption Commission (MACC); • benefit the general public and not involve sensitive political, racial or religious issues; • have no direct benefit to donors, be non-profit in nature and not involve participation fees; and • be implemented during the period from 1 January 2026 to 31 December 2028.
Tax deduction for donors	Only cash donations to approved programmes qualify, capped up to 10% of aggregate income. Contributions in kind do not qualify. The deduction is to be supported by an official receipt or e-Invoice.

Application period and approval	Applications are from 1 January 2026 to 31 December 2028. Approval period is based on the respective programme and is up to 31 December 2028.
Key compliance conditions	• More than 50% of the CSO's trustees, directors or committee members must be independent and unrelated to management of the CSO. • The CSO must file its annual income tax returns. • An annual report covering approved activities, participant numbers and expenditure must be prepared and submitted to Inland Revenue Board (IRB) upon request. • The CSO must submit to IRB a complete list of donors or contributors who donate RM1,000 or more, including the details below: – donor or contributor name; – company, business, identity card or passport number, and Tax Identification Number; – full address; and – contribution amount and date.

Guidelines on Capital Gains Tax Exemption for Disposals of Shares for Initial Public Offering Purposes

The IRB has issued the Guidelines on Capital Gains Tax Exemption for Disposals of Shares for Initial Public Offering Purposes (“the Guidelines”), following the gazette of the Income Tax (Initial Public Offering) (Exemption) Order 2024 (“Gazette Order”).

The Guidelines are available on IRB’s website hasil.gov.my (Legislation > Guidelines > Technical Guidelines).



The exemption under the Gazette Order applies to gains or profits from the disposal of shares of an unlisted company incorporated in Malaysia, where the disposal is made in relation to a restructuring for an initial public offering (IPO). The Gazette Order sets out the broad exemption conditions, including the requirement that –

- The IPO application must be made within one year from the date of disposal
- The relevant IPO approval must be obtained on or before 31 December 2028
- A written application must be made to the IRB within one year from the date of IPO approval

The IRB subsequently issued the Guidelines providing further details on the exemption. Salient points from the Guidelines are as follows:

Upfront CGT return and payment

The Guidelines confirm that, notwithstanding the exemption, a disposer must still:

- report the disposal via e-CKM and pay the CGT due within 60 days from the date of disposal; and
- separately apply in writing to the IRB for the exemption.

If the exemption application is approved, the CGT assessment is to be amended via a relief application under section 131A of the ITA1967.

Scope of eligible shares

The Guidelines confirms that shares of a foreign-controlled company deriving value from Malaysian real property under section 15C of the ITA1967 are not within the scope of the exemption. It also confirms that the exemption is limited to disposals which are related to restructuring for the IPO. However, the Guidelines does not provide guidance or limit what is considered as restructuring for the purpose of the exemption. Gains from disposal which are income/trade in nature will also be excluded from the scope of the exemption.

Losses arising within the same IPO restructuring scheme shall be disregarded
Where an exemption is granted for a disposal within the same IPO restructuring scheme, losses from other disposals in that same scheme cannot be taken into account as a deduction against subsequent disposals. Careful review of companies which form part of the scope of restructuring should be carried out.

Appeal for unsuccessful CGT exemption application
Where an application for CGT exemption is rejected, a written appeal may be submitted to the relevant IRB office within 30 days from the date of the rejection letter, and the decision on appeal is final.

Supporting documents for application for CGT exemption
The following information and documents are to be accompanied with the application –

Disposal details	Details of the IPO company
• Name of disposer and acquirer • Detailed information of the shares transferred, including acquisition date and price, disposal date and price • A copy each of the shares transfer agreement and Form of Transfer of Securities under section 105 of the Companies Act 2016 • Acknowledgement receipt of the submission of CGT return or notice of assessment together with the proof of payment	• Detailed information of the IPO company such as name of the company, date of incorporation, objects and other relevant information • List of companies involved in the restructuring for IPO purposes • Restructuring proposal papers, organisation charts before and after the restructuring, board resolutions • The IPO application and approval documents

Guidelines on incentive claims for upstream petroleum

The IRB has issued the Guidelines on Incentive Claims for the Upstream Petroleum Industry Under the Petroleum (Income Tax) Act 1967 ("the Guidelines"). It replaces the Guidelines on Incentive Claims for the Upstream Petroleum Industry Under the Petroleum (Income Tax) Act 1967 dated 22 May 2014 and 30 December 2020.

The key changes are:

- To bring the Guidelines up to date with the addition of a reference to the Petroleum (Income Tax) (Investment Allowance) (Amendment) Regulations 2024 which include high hydrogen sulfide gas projects as a qualifying project, effective from 1 January 2024.
- Insertion of the definitions of terminologies available in the gazette orders covered by the Guidelines.
- New example 12 showing that the determination of the qualifying period for investment allowance is based on the approval date of the first Field Development Plan.

The Guidelines is available on IRB's website hasil.gov.my (Legislation > Guidelines > Technical Guidelines).

Updated FAQs on Global Minimum Tax

The IRB has issued the FAQs on the Implementation of the Global Minimum Tax (GMT) in Malaysia (version 9.0), updated as at 11 August 2026.

The FAQs are available on the IRB's website hasil.gov.my (International > Global Minimum Tax > GMT Guidelines & FAQ).

The salient updates are as follows:

- A Constituent Entity (CE) of an in-scope Multinational Enterprise (MNE) group must submit the Top-up Tax Return regardless of whether any top-up tax is payable. The filing platform for the Top-up Tax Return is expected to be available in the first quarter of year 2027.
- No separate registration is required for filing the Top-up Tax Return, a CE will use its existing Tax Identification Number for filing purposes.
- Where a taxpayer is a CE of an in-scope MNE group for part of the financial year, e.g. from 1 January 2025 to 31 July 2025 and is disposed of on 1 August 2025 to another MNE group which is not in-scope for GMT, the CE should still select "YES" for relevant disclosure item (H9a) in Form C as it has GMT return filing obligations.
- For GloBE joint ventures (JV) equally held by two in-scope MNE groups (i.e. 50% each), the JV may disclose either one of the Ultimate Parent Entity (UPE) name in Item H9b of Form C, provided that the disclosed UPE is in-scope for GMT.
- A Labuan entity shall use the financial year corresponding to the reporting accounting period covered by the Form LE1 when completing the relevant GMT fields in Form LE1. GMT disclosures in Form LE1 are effective from YA 2026 onwards.

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