Tax in Motion



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Incentive for organising international incentive trips, conferences, or trade exhibitions

Following Budget 2026 announcement to promote international incentive trips, conferences and trade exhibitions, the Income Tax (Organizing Incentive Trips, Conferences and Trade Exhibitions of International Standard) (Exemption) Order 2026 ("2026 Order") has been gazetted. The 2026 Order revokes the Income Tax (Exemption) (No. 53) Order 2000.



The salient points of the 2026 Order are:

Incentive	A qualifying person resident in Malaysia is exempt from income tax on statutory income from promoting or organising incentive trips, conferences, or trade exhibitions of international standard for foreign participants, held in Malaysia.
Qualifying person	Locally incorporated companies, or locally registered societies or organisations.
Minimum foreign participants	Foreign participants brought in by the qualifying person in the basis period for a YA, for the following activities: • Incentive trips: ≥1,500 • Conferences: ≥2,000 • Trade exhibitions: ≥3,000 The total number of foreign participants must be verified by the Ministry of Tourism and Culture (MOTAC). Foreign participants are non-Malaysian citizens participating in incentive trips, conferences, or trade exhibitions of international standard held in Malaysia, and exclude non-citizens who are resident in Malaysia.
Effective period	YA 2026 to YA 2027. **Note**: Budget 2027 proposes a further three-year extension to YA 2030.

Extension of exemption for dividend income received from outside Malaysia

Following the Budget 2026 announcement, the Income Tax (Dividend Income Received in Malaysia from Outside Malaysia) (Exemption) Order 2026 has been gazetted.



The Income Tax (Dividend Income Received in Malaysia from Outside Malaysia) (Exemption) Order 2026 extends the income tax exemption on dividend income received from outside Malaysia to 31 December 2030 (previously 31 December 2026).

The qualifying persons eligible for this exemption have also been expanded to include cooperative societies and trust bodies, in line with the Budget 2026 announcement.

The key conditions for the exemption remain the same. They include:

- **Option A:** Subject to tax of a similar character to income tax under the law of the territory where the income arises and the minimum headline income tax rate of the territory where the income arises is not less than 15%.
- **Option B:** Meet the economic substance requirements of an adequate number of employees with the necessary qualifications and an adequate amount of operating expenditure for carrying out the specified economic activities in Malaysia.

Malaysia-Korea tax treaty: interest income tax exemption extended to Kumpulan Wang Persaraan and Korea Development Bank

With effect from 1 August 2026, Kumpulan Wang Persaraan (Diperbadankan) (KWAP) is exempted from tax on Korean-sourced interest income, and the Korea Development Bank (KDB) is exempted on Malaysian-sourced interest income.

This follows the IRB's issuance of the competent authority arrangement (CAA) expanding the scope of the term "Government" under Article 11 (interest) of the Malaysia-South Korea DTA.

Under the CAA, KWAP and KDB are treated as forming part of the Government of Malaysia and the Government of Korea, respectively, for the purposes of Article 11. Accordingly, each qualifies for exemption from tax on interest income in the other Contracting State on a reciprocal basis.

The exemptions apply to interest paid to KWAP and KDB on or after 1 August 2026.



Deduction for converting office premises into rented residential houses

Following the Budget 2026 announcement relating to initiatives for Housing for the Rakyat, the Income Tax (Deduction for Expenditure in relation to Cost of Renovation and Conversion of Office Premise to Residential House) Rules 2026 ("the Rules") have been gazetted.



The Rules provide a 10% deduction on the qualifying cost of renovating and converting an office premise into a residential house, capped at RM10 million and are effective from YA 2026. The salient conditions of the Rules are as follows:

Deduction	• A person resident in Malaysia is allowed a deduction equal to 10% of the cost of renovation and conversion, in ascertaining the adjusted income from its business in Malaysia. • The total deduction allowed is capped at RM10 million. [The authorities had clarified that the RM10 million cap applies in total to qualifying expenditure incurred over the entire two-year period from 1 January 2026 to 31 December 2027.]
Office premise	• The premises must have been used for administrative and office management activities for more than 10 years and is no longer in use. • Shophouses are excluded. [The authorities had clarified that partial conversion of mixed-use buildings qualifies, provided the converted portion is rented out as a residential house and local authority approval is obtained.]
Qualifying cost of renovation and conversion	• Covers expenditure on the following renovation and conversion works as certified by an external auditor: – Fixtures and fittings – Flooring – General electrical installation – Wall covering (including paint work) – Fixed partitions – Door, window, grill and roller shutter – False ceiling and cornices – Water system – Gas system – Air-conditioning system • Designer fees, professional fees and the purchase of antiques are excluded.
Eligibility conditions	• The local authority must have approved the residential house development plan. • The residential house must be used exclusively for human habitation. Premises partly used for administrative and office management activities do not qualify. • The residential house must be rented out after the renovation and conversion.
Non-application	• The deduction is not available where the person has claimed a section 33(1) deduction, a deduction for capital allowances under Schedule 3 or capital expenditure on mines under Schedule 2 on the same cost.

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