



Tax in Motion



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- Practice Note 1/2026 – Tax treatment for reporting distributions from retail money market fund (RMMF)
- Practice Note 2/2026 – Tax treatment for REIT unit holders from year of assessment (YA) 2026 onwards
- Public Ruling No. 1/2026 – Tax Incentive for Returning Expert Programme



Practice Note 1/2026 – Tax treatment for reporting distributions from RMMF

The Inland Revenue Board (IRB) has issued Practice Note No. 1/2026 – Explanation on Tax Treatment for Reporting Income Based on Profit Distribution Vouchers of RMMF (“PN 1/2026”), which clarifies the tax treatment and reporting requirements for unit holders receiving income distributions from RMMFs.

A key focus of PN 1/2026 is the format and interpretation of profit distribution vouchers issued by RMMFs. The IRB clarifies that:

- RMMFs are required to follow the prescribed voucher format set out in PN 1/2026 (reproduced below for reference).

Taxable Income	Malaysian Tax	Foreign Tax	Non-Allowable Expense	Non-Taxable Income	Distribution Equalisation	Net Payable Before Withholding Tax
(RM)	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)

Withholding tax that has been deducted and paid: RM

- The amount of profit distribution that should be brought to tax by a unit holder should be taken from the “Taxable Income” field of the profit distribution voucher.
- The amount stated as “Taxable Income” represents the gross income of the unit trust. The amount reflected is subject to withholding tax (WHT) at 24%.
- Where WHT has been deducted from the distribution, the corresponding distribution is to be reported as taxable income in the unit holder's tax return when claiming the WHT as a set-off against the unit holder's tax payable.

PN 1/2026 is available on IRB's website hasil.gov.my (Legislation > Practice Note).

Practice Note 2/2026 – Tax treatment for REIT unit holders from YA 2026 onwards

The IRB has issued Practice Note No. 2/2026 – Explanation of Tax Treatment for Unit Holders of Real Estate Investment Trust (REIT) or Property Trust Funds (PTF) for the YA 2026 and Subsequent YAs (“PN 2/2026”).

PN 2/2026 is available on IRB’s website hasil.gov.my (Legislation > Practice Note).



Background

Under Budget 2026, the relevant provisions under the Income Tax Act 1967 granting a preferential 10% WHT on distributions from REITs listed on Bursa Malaysia (out of the REIT’s total income which is tax exempt) received by certain classes of unit holders were not renewed after YA 2025. Recently, the Finance Minister II remarked at the 2026 Malaysia Economic Forum that the preferential withholding tax was under review, taking into account the maturity of the REIT sector, thereby signalling an end to the preferential withholding tax rate. The position is now reflected in the IRB’s PN 2/2026.

Tax Treatment from YA 2026 onwards

Subject to general exemptions applicable to unit holders, unit holders who no longer enjoy the preferential 10% WHT after YA 2025 will generally be subject to tax at the rate that is applicable based on their respective tax profile. With the cessation of WHT as a tax collection mechanism, unit holders (residents and non-residents) are required to account for the taxable distributions in their own Malaysian income tax returns. The new tax treatments are summarised as follows:

Investor / unit holder	Up to YA 2025	From YA 2026
	Tax rate	Tax rate
Foreign institutional investor	10% WHT (final)	30% on chargeable income
Individual (resident)	10% WHT (final)	0% to 30% on chargeable income
Individual (non-resident)	10% WHT (final)	30% on chargeable income
Others (resident)	10% WHT (final)	0% to 30% on chargeable income
Others (non-resident)	10% WHT (final)	30% on chargeable income

The tax treatments that remain unchanged are as follows:

Investor / unit holder	Up to YA 2025	From YA 2026
	Tax rate	Tax rate
Company (resident)	24% (prevailing corporate tax rate)	Status quo
Company (non-resident)	24% WHT (final)	Status quo

Public Ruling No. 1/2026 – Tax Incentive for Returning Expert Programme

The IRB has issued Public Ruling No. 1/2026 – Tax Incentive for Returning Expert Programme (PR 1/2026), which replaces Public Ruling No. 2/2018 of the same title.

PR 1/2026 has been updated to incorporate the extension of the application period for Returning Expert Programme (REP) and legislative changes on tax rates and personal reliefs in the examples.

Key updates to note from PR 1/2026:

- The deadline for application of preferential rate of 15% under the REP is now updated to reflect the extended deadline of 31 December 2027.
- Where an individual approved under the REP establishes a company and acts as a director of that company, the approved REP incentive continues to apply in respect of employment income, provided that:
 - the individual's business activities are consistent with his approved area of expertise; and
 - the company is resident in Malaysia.

PR 1/2026 is available on IRB's website hasil.gov.my (Legislation > Public Rulings).



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