



MOORE Advent

TAX FLASH

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LEGEND

ACA	Accelerated Capital Allowance
DGIR	Director General of Inland Revenue
DGCE	Director General of Customs and Excise
CA	Capital Allowance
CGT	Capital Gains Tax
FAQ	Frequently Asked Questions
IBA	Industrial Building Allowance
ICT	Information and Communication Technology
IRB	Inland Revenue Board
ITA 1967	Income Tax Act 1967
LBATA 1990	Labuan Business Activity Tax Act 1990
LLP	Limited Liability Partnership
MIDA	Malaysian Investment Development Authority
MITI	Ministry of Investment, Trade and Industry
MOF	Ministry of Finance
MOTEC	Ministry of Tourism, Arts and Culture
MSME	Micro, Small and Medium Enterprise
PIA 1986	Promotion of Investments Act 1986
PR	Public Ruling
RA	Reinvestment Allowance
RMCD	Royal Malaysian Customs Department
RPGT	Real Property Gains Tax
RPGT Act 1976	Real Property Gains Tax Act 1976
SA 1949	Stamp Act 1949
SC	Securities Commission
TP	Transfer Pricing
WT	Withholding Tax
YA	Year of Assessment

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

The IRB has recently issued the *PR No. 1/2026 – Tax Incentive for Returning Expert Programme* [“REP”], which provides updates on the tax treatment in respect of tax incentive in relation to the REP for Malaysian citizens who work overseas as professional to return to work in Malaysia. This new PR replaces the previous PR No. 2/2018 issued on 2nd May 2018 with some clarifications and updated examples.

The salient updates of the PR include:-

- The date for incentive application under the REP is updated to reflect the extended due date of 31st December 2027.
- The PR clarifies that where an individual approved under the REP incentive establishes a company and acts as a director of the company and receives employment income, the incentive remains applicable to the individual's employment income provided that the company's business activities are aligned with the individual's expertise and the company is resident in Malaysia.
- The information on the TalentCorp and the Comprehensive Guidelines for REP is accessible through the MyHeart-REP Portal at www.myheart.my.

Note: For further information on the previous PR No. 2/2018, kindly refer to our *Tax Flash – May 2018* issue.



Tax Treatment for Unit Holders of Real Estate Investment Trust or Property Trust Funds for the Year of Assessment 2026 and Subsequent Years of Assessment

The IRB has recently issued the *Practice Note [“PN”] No. 2/2026 on Explanation of Tax Treatment for Unit Holders of Real Estate Investment Trust or Property Trust Funds for the YA 2026 and Subsequent Years of Assessment* to provide clarification on the tax treatment of income distributions from real estate investment trust units [“RIETs”] or property trust funds [“PTFs”] in Malaysia to unit holders other than resident companies, in respect of the relevant provisions of the ITA 1967 which cease to have effect from the YA 2026.

The salient points of the above PN include:-

Effective YA 2026:-

- Unit holders will no longer enjoy the preferential WT rate of 10% on income distributions from REITs or PTFs.
- Unit holders are required to report the income distribution from REITs or PTFs in their respective income tax return forms, except for non-resident company unit holders, for whom the WT is final tax.
- The new tax treatments for unit holders are summarised as follows:-

Unit Holder	YA 2016 to YA 2025 Tax Rate	YA 2026 onwards Tax Rate
Company (resident)	24%	24%
Company (non-resident)	24% WT (final)	24% WT (final)
Foreign institutional investor	10% WT (final)	30% on chargeable income
Individual (resident)	10% WT (final)	0% to 30% on chargeable income
Individual (non-resident)	10% WT (final)	30% on chargeable income
Others (resident)	10% WT (final)	0% to 30% on chargeable income
Others (non-resident)	10% WT (final)	30% on chargeable income

Guide on Construction Works Services

The RMCD has published the *Guide on Construction Works Services* dated 17th March 2026. The guide has been revised to provide clearer explanations and illustrations. For your ease of reference, kindly refer to pages 67 to 71 which summarised the amendments made.

Note: For further details, kindly refer to our *Tax Flash – July 2025 issue*.

PR No. 1/2026 – Determination of Foreign Currency (Selling) Exchange Rates Applicable to Service Tax and Sales Tax Invoices

The RMCD has published *PR No. 1/2026 – Determination of Foreign Currency (Selling) Exchange Rates Applicable to Service Tax and Sales Tax Invoices* dated 31st March 2026 (in *Bahasa Malaysia*). The salient points extracted from the PR are as follows:-

- Where a person registered for service tax purposes or a manufacturer registered for sales tax purposes issues an invoice in which the total value of the services or sales is denominated in a currency other than *Ringgit Malaysia*, such registered person or registered manufacturer is required to state the total value of the services or sales in *Ringgit Malaysia* based on the foreign currency exchange rate (i.e. the selling rate) prevailing in Malaysia at the time the taxable services are provided or the taxable goods are sold.
- The foreign currency exchange rate (i.e. the selling rate) used in Malaysia by the registered person or registered manufacturer shall refer to any exchange rate published by the following bodies:-
 - i. Central Bank of Malaysia [“BNM”];
 - ii. any commercial bank in Malaysia or any other bank registered under BNM;
 - iii. international news agencies such as Bloomberg, Reuters, Oanda; or
 - iv. foreign central banks such as the European Central Bank and the Federal Reserve Bank of New York.
- The foreign currency exchange rate referred to in bullet point no. 2 above is required to be applied consistently in the registered person’s or registered manufacturer’s business reporting and accounting records for at least one year from the end of the relevant accounting period.
- Any deviation from the exchange rate sources prescribed in bullet point no. 2 above is subject to the prior written approval of the DGCE. The application for such written approval may be submitted to the Service Tax Policy Division or the Sales Tax Policy Division at the Headquarters of the RMCD.

- For the purpose of calculating customs duty, excise duty and sales tax on the importation of taxable goods, the foreign currency selling exchange rate will be determined by the DGCE at the time of importation.
- In the case of imported taxable services, the conversion of foreign currency into *Ringgit Malaysia* shall be based on the foreign currency exchange rate (i.e. the selling rate) prevailing in Malaysia at the time the service tax becomes due.



ABOUT US

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- Tax compliance
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- Tax planning and advisory
- Tax audit and investigation
- Transfer pricing
- SST and other indirect taxes
- Outsourcing
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