

INCOME TAX (EXEMPTION) ORDER 2025

PU (A) 59

13 February 2025

IN exercise of the powers conferred by paragraph 127(3)(b) of the Income Tax Act 1967 [Act 53], the Minister makes the following order:

CITATION AND COMMENCEMENT

- 1(1)** This order may be cited as the **Income Tax (Exemption) Order 2025**.
- 1(2)** This Order has effect from the year of assessment 2023 to the year of assessment 2027.

EXEMPTION

- 2(1)** The Minister exempts-
- (a) a Labuan company from the payment of income tax in respect of chargeable income from dividends received;
 - (b) any person from the payment of income tax in respect of chargeable income from dividends received from a Labuan company which are paid, credited or distributed out of income derived from a Labuan business activity or income exempted from tax;
 - (c) a non-resident person from the payment of income tax in respect of chargeable income from interest received from a Labuan company other than interest accruing to a business carried on by a non-resident person in Malaysia if that non-resident person is licensed to carry on a business under the Financial Services Act 2013 [Act 758] or the Islamic Financial Services Act 2013 [Act 759];
 - (d) a Labuan company from the payment of income tax in respect of chargeable income from interest received from another Labuan company;
 - (e) a resident person other than a licensed person to carry on a business under the Financial Services Act 2013 or the Islamic Financial Services Act 2013 from payment of income tax in respect of chargeable income from interest received from a Labuan company;
 - (f) a non-resident person from the payment of income tax in respect of chargeable income from royalties received from a Labuan company;
 - (g) a Labuan company from the payment of income tax in respect of chargeable income from royalties received from another Labuan company;
 - (h) a beneficiary from the payment of income tax in respect of chargeable income from distributions received from a Labuan trust or Labuan Islamic trust;
 - (i) a partner of a Labuan limited partnership, a Labuan limited liability partnership, a Labuan Islamic limited partnership or a Labuan Islamic limited liability partnership from the payment of income tax in respect of chargeable income from distributions of profit after tax paid, credited or distributed by the Labuan limited partnership, Labuan limited liability partnership, Labuan Islamic limited partnership or Labuan Islamic limited liability partnership;
 - (j) a member of a Labuan foundation or a Labuan Islamic foundation from the payment of income tax in respect of chargeable income from distributions of profit after tax received from the Labuan foundation or Labuan Islamic foundation;

- (k) a non-resident person from the payment of income tax in respect of chargeable income from amount received from a Labuan company in consideration of services, advice or assistance as specified in paragraphs 4A(i) and (ii) of the Act; and
- (l) a Labuan company from the payment of income tax in respect of chargeable income from amounts received from another Labuan company in consideration of services, advice or assistance as specified in paragraphs 4A(i) and (ii) of the Act.

2(2) For the purposes of this paragraph-

“Labuan trust” has the meaning assigned to it in subsection 2(1) of the Labuan Trusts Act 1996 [Act 554];

“Labuan Islamic trust” has the meaning assigned to it in subsection 2(1) of the Labuan Islamic Financial Services and Securities Act 2010 [Act 705];

“Labuan Islamic limited liability partnership” has the meaning assigned to it in subsection 2(1) of the Labuan Islamic Financial Services and Securities Act 2010;

“Labuan limited liability partnership” has the meaning assigned to it in subsection 2(1) of the Labuan Limited Partnerships and Limited Liability Partnerships Act 2010 [Act 707];

“Labuan Islamic limited partnership” has the meaning assigned to it in subsection 2(1) of the Labuan Islamic Financial Services and Securities Act 2010;

“Labuan limited partnership” has the meaning assigned to it in subsection 2(1) of the Labuan Limited Partnerships and Limited Liability Partnerships Act 2010;

“Labuan company” has the meaning assigned to it in subsection 2(1) of the Labuan Business Activity Tax Act 1990 [Act 445];

“foundation” has the meaning assigned to it in subsection 2(1) of the Labuan Islamic Financial Services and Securities Act 2010; and

“Labuan Islamic foundation” has the meaning assigned to it in subsection 2(1) of the Labuan Islamic Financial Services and Securities Act 2010.

APPLICATION OF PARAGRAPHS 5 AND 6 OF SCHEDULE 7A TO ACT

3 For the purposes of subparagraph 2(1)(b), paragraphs 5 and 6 of Schedule 7A to the Act shall apply, mutatis mutandis, to the amount of income exempted to a company incorporated under the Companies Act 2016 [Act 777] and resident in Malaysia.

TAX DEDUCTION UNDER SECTION 109, 109B AND 109C OF ACT

4 Any person who has been granted an exemption under-

(a) subparagraphs 2(1)(c) and (d) shall not be allowed to any deduction of tax under section 109 of the Act;

(b) subparagraphs 2(1)(f) and (g) shall not be allowed to any deduction of tax under section 109 of the Act;

(c) subparagraphs 2(1)(k) and (l) shall not be allowed to any deduction of tax under section 109B of the Act; or

(d) subsubparagraph 2(1)(e) shall not be allowed to any deduction of tax under section 109C of the Act.

REVOCATION

5 The Income Tax (Exemption) (No. 22) Order 2007 [P.U. (A) 437/2007] is revoked.