

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 YEAR OF ASSESSMENT 2026 AND SUBSEQUENT YEARS OF ASSESSEMENT.

1. This Practice Note is issued to provide clarification on the tax treatment of income distributions from real estate investment trust units (REITs) or property trust funds (PTFs) in Malaysia to unit holders other than resident companies pursuant to paragraphs 6(1)(i) of the Income Tax Act 1967 (ITA) in respect of subparagraphs 1(a) and (c) of Part X, Schedule 1 of the ITA which ceases to have effect from the year of assessment (YA) 2026.
2. Section 61A of the ITA provides that full exemption is granted to a REITs or PTFs on its total income if 90% or more of the total income of the REITs or PTFs is distributed to unit holders during the basis period of a YA.
3. For the YA 2025 and prior years of assessment, income distributed by REITs or PTFs to unit holders other than resident companies, consisting of individuals, non-resident companies, foreign institutional investors and others will be subject to withholding tax (WHT) at the rate as prescribed under Part X, Schedule 1 of the ITA.
4. A summary of the application and WHT rates charged is as follows:-
 - (a) Unit holders other than resident companies are subject to a final WHT at the rate of 10% of gross for a period of 6 years from the YA 2020 until 2025;
 - (b) Non-resident companies are subject to a final WHT at the rate of 24% of gross commencing from the YA 2016;
 - (c) Foreign institutional investors are subject to a final WHT of 10% of gross for a period of 6 years from the YA 2020 until 2025.
5. Commencing from YA 2026, the REITs or PTFs must classify its unit holders as follows:-

5.1. Resident unit holders

In the case of resident unit holders, income distribution by REITs or PTFs (which are exempt at the level of REITs or PTFs under section 61A of the ITA) to companies and other unit-holder entities are subject to their respective tax rates while for individual unit-holders will be subject to the individual tax rate. The deduction of WHT under section 109D of the ITA will not be applicable to resident unit holders and the resident unit holders are required to report the distribution of profits from REITs or PTFs in their respective Income Tax Return Forms.

Example 1:

Mr. Padzli is a REIT unit holder (resident individual) receiving profit distribution income of RM150,000 for the YA 2026. The following is the tax calculation for that year of assessment.

Tax Computation Details	RM	RM
Employment income		120,000
Profit distribution from REITs		150,000
Total income		270,000
Less: <u>Relief</u>		
Self and dependent	9,000	
EPF/ Life insurance (limited to)	7,000	(16,000)
Chargeable income		254,000
<u>Computation of tax payable</u>		
First RM100,000		9,400.00
Next RM154,000 @ 25%		38,500.00
Total tax to be paid		47,900.00

5.2. Non-resident unit holders

For non-resident unit holders, income distributions by REITs or PTFs (which are exempt at the REIT or PTF level under section 61A of the ITA) will be charged as follows:

(a) Companies

The existing tax treatment remained unchanged from the YA 2026 as provided under subparagraph 1(b), Part X, Schedule 1 of the ITA.

Example 2

Gupta India Pte Ltd is a non-resident company based in Singapore and is a unit holder of a REIT that received profit distribution income of RM200,000 for the YA 2026. Of this amount, the net payment it receives after deducting WHT of RM48,000 (RM200,000 x 24%) is RM152,000.

Gupta India Pte Ltd is not required to report the receipt of the income from the REIT as the WHT that has been imposed on that income is final.

(b) Other than companies

Income distribution by REITs or PTFs to the unit holders other than companies including individuals will not be subjected to WHT under section 109D of the ITA and the unit holders are required to report the distribution of profits from REITs or PTFs in their respective Income Tax Return Forms.

Example 3

Mr. Johnson is a REIT unit holder (non-resident individual) receiving profit distribution income of RM150,000 for the YA 2026. The following is the tax calculation for that year of assessment.

Tax Computation Details	RM	RM
Employment income		-
Profit distribution from REITs		150,000
Total income/ Chargeable income		150,000
<u>Computation of tax payable</u>		
RM150,000 @ 30%		45,000.00
Total tax to be paid		45,000.00

6. A summary of the relevant tax rates is as follows:-

Chargeable Persons	YA2016 to 2025		YA2026 and subsequent YAs	
	Types of Tax	Rate	Types of Tax	Rate
(A) Company				
i) Resident	Corporate Rate	24%	Corporate Rate	24%
ii) Non-resident	WHT (Final)	24%	WHT (Final)	24%
(B) Foreign institutional investor	WHT (Final)	10%	Corporate Rate/ Non-Resident Individual Rate	30% of chargeable income
(C) Individual				
i) Resident	WHT (Final)	10%	Individual Scaled Rates	0%-30%
ii) Non-resident	WHT (Final)	10%	Non-Resident Individual Rate	30% of chargeable income
(D) Others				

i) Resident	WHT (Final)	10%	Corporate Rate/ Scaled Rate	0%-30%
ii) Non-resident	WHT (Final)	10%	Corporate Rate/ Non- Resident Individual Rate	30% of chargeable income

Example 4

The following unit holders receive a share of distribution of income from Luxory REIT listed on Bursa Malaysia in the basis period for the YA 2026.

Unit Holders	Residence Status
Daya Maju Sdn Bhd	Resident company
Gupta India Pte Ltd	Non-resident company
Padzli	Resident individual
Johnson	Non-resident individuals
Koperasi Maju Ikhlas	Resident co-operative society
German Pension Fund	Non-resident foreign institutional investors

Since the distribution of income is tax exempt at the REIT level under section 61A of the ITA, unit holders of Luxory REIT are subject to the following tax rate:

Unit Holders	Tax Rate
Daya Maju Sdn Bhd	Corporate tax 24% ¹
Gupta India Pte Ltd	WHT 24% ²
Padzli	Individual scaled rate ¹
Johnson	30% of chargeable income ³
Koperasi Maju Ikhlas	Co-operative society scaled rate ¹
German Pension Fund	30% of chargeable income ³

Note

¹Daya Maju Sdn Bhd, En. Padzli dan Koperasi Maju Ikhlas are not subject to WHT but are taxed at corporate tax rates, individual scaled rates and co-operative society scaled rates for YA 2026.

²The WHT imposed on Gupta India Pte Ltd is the final tax for YA 2026.

³Mr. Johnson dan German Pension Fund are not subject to WHT but are taxed at rate of 30% of chargeable income for YA 2026.

Director General of Inland Revenue

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