



GUIDELINES

**TAX TREATMENT ON GAINS FROM THE DISPOSAL OF FOREIGN CAPITAL
ASSETS RECEIVED IN MALAYSIA FROM OUTSIDE MALAYSIA (AMENDMENT)**

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**TAX TREATMENT ON GAINS FROM THE DISPOSAL
OF FOREIGN CAPITAL ASSETS RECEIVED IN
MALAYSIA FROM OUTSIDE MALAYSIA**

INLAND REVENUE BOARD OF MALAYSIA

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GUIDELINES OF THE DIRECTOR GENERAL

Section 134A of the Income Tax Act 1967 (ITA) provides that the Director General is empowered to issue Guidelines which the Director General thinks is expedient or necessary.

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**Director General of Inland Revenue,
Inland Revenue Board of Malaysia.**



**TAX TREATMENT ON GAINS FROM THE DISPOSAL
OF FOREIGN CAPITAL ASSETS RECEIVED IN
MALAYSIA FROM OUTSIDE MALAYSIA**

INLAND REVENUE BOARD OF MALAYSIA

CONTENTS	PAGE
1. Introduction	1
2. Objective	1
3. Provisions of the Law	1
4. Interpretation	2
5. Chargeable Person	3
6. Chargeable Gains from the Disposal	4
7. Foreign Tax Credit	5
8. Tax Exemption	9
9. Tax Reporting	14
10. Record Keeping	15
11. Disclaimer	15

INLAND REVENUE BOARD OF MALAYSIA

1. INTRODUCTION

- 1.1 Capital Gains Tax (CGT) on gains from the disposal of capital assets is taxed in Malaysia from 1 January 2024 based on the amendment of the provisions of the ITA [Act 53] through the Finance Act (No. 2) 2023 [Act 851].
- 1.2 The imposition of CGT includes gains from the disposal of foreign capital assets received in Malaysia by a resident in line with Malaysia's commitment towards compliance with international taxation best practices.
- 1.3 Prior to 1 January 2024, gains from the disposal of foreign capital assets received in Malaysia are not subject to tax.
- 1.4 CGT exemption on gains from the disposal of foreign capital assets received in Malaysia is given subject to conditions specified by the Minister of Finance.
- 1.5 The exemption in paragraph 1.4 does not apply to a resident carrying on the business of banking, insurance or sea or air transport.

2. OBJECTIVE

This guideline is issued to provide clarification on the tax treatment in respect of gains from the disposal of foreign capital assets received in Malaysia by a resident.

3. PROVISIONS OF THE LAW

- 3.1 Sections 2, 3, 4, 4B, 61, paragraph 6(1)(q), Part XXI Schedule 1 and Schedule 7 under the ITA; and
- 3.2 The relevant subsidiary legislations referred to in this guideline are as follows:
 - (a) Income Tax (Exemption) (No. 3) Order 2024 [P.U. (A) 75/2024];

INLAND REVENUE BOARD OF MALAYSIA

- (b) Income Tax (Unit Trust in relation to Income Received in Malaysia from Outside Malaysia) (Exemption) Order 2024 [P.U. (A) 250/2024];
- (c) Income Tax (Unit Trust in relation to Income Received in Malaysia from Outside Malaysia) (Exemption) Order 2024 (Amendment) 2026 [P.U. (A) 270/2026]; and
- (d) Income Tax (Exemption) (No. 3) Order 2024 (Amendment) Order 2026 [P.U. (A) 275/2026].

4. INTERPRETATION

The terms used in this guideline have the following meanings:

- 4.1 "Capital asset" means movable or immovable property situated outside Malaysia including any rights or interests thereof.
- 4.2 "Trust body", in relation to a trust, means the trust body provided for by section 61 of the ITA
- 4.3 "Received in Malaysia" means transferred or brought into Malaysia whether in the form of cash or through electronic funds transfer or both.
- 4.4 "Gains from the disposal of foreign capital assets" means an income under paragraph 4(aa) of the ITA derived from outside Malaysia.
- 4.5 "Co-operative society" means any co-operative society registered under any written law relating to the registration of co-operative societies in Malaysia.
- 4.6 "Bilateral tax credit" means tax credit in respect of foreign tax which, by virtue of any arrangements having effect under section 132 of the ITA, is to be allowed as a credit against Malaysian tax. Bilateral tax credit is only applicable if the "Elimination of Double Taxation" article is covered in the relevant Double Tax Agreement (DTA).
- 4.7 "Unilateral tax credit" means tax in respect of foreign tax payable under the laws of a territory outside Malaysia with respect to which no arrangements under section 132 of the ITA are in force.
- 4.8 "Resident" means resident in Malaysia for the basis year for a year of assessment by virtue of section 7, 8 or subsection 61(3) of the ITA.

INLAND REVENUE BOARD OF MALAYSIA

- 4.9 "Electronic fund transfer" means bank transfer (e.g. credit transfer, debit transfer), payment card (debit card, credit card and charge card), electronic money (e-money), privately-issued digital assets (e.g. cryptoassets, stablecoins) and Central Bank Digital Currency (CBDC).
- 4.10 "Limited liability partnership" means a limited liability partnership (LLP) registered under the Limited Liability Partnership Act 2012.
- 4.11 "Company" means a body corporate and includes any body of persons established with a separate legal identity by or under the laws of a territory outside Malaysia and a business trust.
- 4.12 "Unit trust management company" means a company licensed by the Securities Commission by which or on whose behalf a unit of a unit trust:
- (a) has been or is proposed to be issued or offered for subscription or purchase; or
 - (b) in respect of which an invitation to subscribe or purchase has been made;
- and includes any person for the time being exercising the functions of the management company.
- 4.13 "Cash" means notes, coins and cheques.
- 4.14 "Unit trust" means a unit trust resident in Malaysia managed by a management company and the qualifying unit trust has income received in Malaysia from outside Malaysia but does not include a unit trust which is approved by the Securities Commission as Real Estate Investment Trust or Property Trust Fund listed on Bursa Malaysia.

5. CHARGEABLE PERSON

Effective from 1 January 2024, gains from the disposal of all types of foreign capital assets received in Malaysia by a resident who is a company, LLP, trust body, cooperative societies are subjected to tax including Labuan entities that elect to be taxed or is subjected to tax under the ITA.

INLAND REVENUE BOARD OF MALAYSIA

6. CHARGEABLE GAINS FROM THE DISPOSAL

- 6.1 Gains from the disposal of foreign capital assets situated outside Malaysia are considered as taxable income under paragraph 4(aa) of the ITA subject to the prevailing tax rate.
- 6.2 Gains from the disposal of foreign capital assets received in Malaysia that are subject to tax refer to the disposal of foreign capital assets that occur on or after 1 January 2024.

Example 1

Company A, disposes of a building on 1 October 2023 in Country F. Gains from the disposal are received in Malaysia on 1 February 2024.

The gains from the disposal of the building is not subject to CGT since the disposal took place before 1 January 2024.

Example 2

Company B, disposes of a building on 15 January 2024 in Country G. Gains from the disposal are received in Malaysia on 1 October 2024.

The gains from the disposal of the building is subject to CGT since the disposal took place after 1 January 2024.

- 6.3 Examples of foreign capital assets situated outside Malaysia are as follows:
- (a) Immovable property that are physically situated outside Malaysia such as buildings and land;
 - (b) Movable property that are physically situated outside Malaysia such as machinery, vehicle, fixtures, fitting, painting and plant;
 - (c) Intellectual property rights situated outside Malaysia owned by the owner or licensee of the right who is a resident in Malaysia such as copyright, patent, research and development, computer software and trademark; and
 - (d) Shares issued by a company incorporated outside Malaysia that are not subject to any provisions under the ITA.

INLAND REVENUE BOARD OF MALAYSIA

- 6.4 Foreign income brought in and received in Malaysia is net income. Therefore, no further expenses can be allowed when the net income is received in Malaysia.

7. FOREIGN TAX CREDIT

- 7.1 Gains from the disposal of foreign capital assets received in Malaysia that are chargeable to tax outside Malaysia can claim a bilateral or unilateral tax credit under the provisions of sections 132 and 133 of the ITA.
- 7.2 A resident who is claiming the tax credits must keep record that foreign tax has been imposed on that particular income.
- 7.3 Tax credit for a year of assessment has to be claimed within two (2) years after the end of that year of assessment. For more information, kindly refer to Public Ruling No. 3/2026 entitled "Bilateral Credit and Unilateral Credit".
- 7.4 If the tax credit claimed for a year of assessment exceeds the Malaysian tax payable on gains from the disposal of foreign capital assets received in Malaysia, the excess tax credit shall be disregarded.

Example 3

Megah Sdn. Bhd. (MSB), received RM300,000 as gains from the disposal of real property in Country M on 5 January 2024. The total tax paid in Country M was RM30,000 according to the 10% tax rate. MSB has brought a part of the gains of RM200,000 and received in Malaysia on 10 September 2024.

MSB also has statutory interest income from Malaysia amounting to RM500,000.

There is a DTA that has been concluded between Malaysia and Country M.

The computation of tax payable and tax credit of section 132 of the ITA that is eligible to be claimed by MSB for Year Assessment (YA) 2024 is as follows:

INLAND REVENUE BOARD OF MALAYSIA

Details	RM	RM
Income from the disposal of foreign capital asset		200,000
Statutory interest income		500,000
Aggregate income/ chargeable income		700,000
Tax at the rate of 24%		168,000
Less: Section 132 of the ITA tax credit	20,000 ¹	
Tax payable		148,000

Notes:

¹Computation:

- (i) The proportion of tax credit in respect of gains from the disposal of foreign capital asset:

$$\begin{aligned}
 &= \frac{\text{Gains from the disposal of foreign capital asset received in Malaysia (RM)}}{\text{Total gains from the disposal of foreign capital asset (RM)}} \times \text{Amount of foreign tax paid (RM)} \\
 &= \frac{200,000}{300,000} \times 30,000 \\
 &= \text{RM}20,000
 \end{aligned}$$

- (ii) Bilateral credit:

$$= \frac{\text{Income from disposal foreign capital asset (RM)}}{\text{Total Income (RM)}} \times \text{Malaysian tax payable before bilateral credit (RM)}$$

INLAND REVENUE BOARD OF MALAYSIA

$$= \frac{200,000}{200,000 + 500,000} \times 168,000$$

$$= \text{RM}48,000$$

Or

RM20,000

whichever is lower.

The bilateral credit allowed for YA 2024 is RM20,000.

Example 4

Kimanid Sdn. Bhd. (KSB), an investment holding company incorporated in Malaysia, close its account on 31 December 2024. KSB has not employed any employee since all business decisions are decided by holding company.

In YA 2024, KSB earns capital gains from the disposal of asset in Country S.

Malaysia has entered into a DTA with Country S.

The income declared in the YA 2024 Income Tax Return Form (ITRF) are as follows:

Details	RM
Gross rental income in Malaysia (Allowable rental expenses RM500,000)	3,005,000
Gains from the disposal of asset in Country S	100,000
Approved donations	5,000

Capital gains from Country S have been subject to tax as follows:

Country	Tax Rate (%)	Tax paid (RM)
Country S	10	10,000

INLAND REVENUE BOARD OF MALAYSIA

Tax computation for KSB for YA 2024:

Details	RM	RM
Statutory rental income (Malaysia) (RM3,005,000 – RM500,000)		2,505,000
Income from the disposal of foreign capital asset		100,000
Aggregate income		2,605,000
Less: Approved donations		5,000
Total income/ chargeable income		2,600,000
Tax at the rate of 24%		624,000
Less: Section 132 of the ITA tax credit	10,000 ¹	
Tax payable		614,000

Notes:

¹Computation:

Bilateral credit:

$$\begin{aligned}
 &= \frac{\text{Income from the disposal of foreign capital asset (RM)}}{\text{(RM) Total income}} \times \text{Malaysian tax payable before bilateral credit (RM)} \\
 &= \frac{100,000}{2,600,000} \times 624,000 \\
 &= \text{RM24,000}
 \end{aligned}$$

Or

RM10,000

whichever is lower.

The bilateral credit allowed for the YA 2024 is therefore RM10,000.

INLAND REVENUE BOARD OF MALAYSIA

8. TAX EXEMPTION

Gains from the disposal of foreign capital assets received in Malaysia are eligible for tax exemption from 1 January 2024 until 31 December 2030 if the taxpayer complies with the participation exemption requirement or economic substance requirement as prescribed.

8.1 Qualifying Condition

8.1.1 The requirements are as follows:

Taxpayer's Category	Requirements
Under P.U.(A) 75/2024: (a) Company; (b) LLP; (c) Trust Body; and (d) Co-operative society.	Comply with economic substance requirement: (a) employ adequate number of employees with necessary qualifications to carry out the specified economic activities in Malaysia; and (b) incur adequate amount of operating expenditure for carrying out the specified economic activities in Malaysia.
Under P.U.(A) 250/2024: Unit Trust	Comply with any of the following requirement: 1) Participation exemption requirement Unit trust: (a) the gross income of the unit trust has been subjected to tax under the law of the territory which the income arises; and (b) the highest rate of tax under the law of the territory which the income

INLAND REVENUE BOARD OF MALAYSIA

Taxpayer's Category	Requirements
	arises at that time is not less than 15%. OR 2) Substantive economic requirement for management company— (a) employ adequate number of employees with necessary qualifications to carry out the specified economic activities in Malaysia; and (b) incur adequate amount of operating expenditure for carrying out the specified economic activities in Malaysia.

8.1.2 Due to the different operating methods between industries, the determination of any minimum threshold value for the appropriate economic substance requirements is based on the facts of each case. Factors that will be considered include:

- (a) the number of employees based on the type of activity involved, for example whether it is a capital or labor-intensive industry;
- (b) whether the employee works full-time or part-time; and
- (c) whether the office premises have been used to carry out related activities and whether the premises are sufficient for those activities.

INLAND REVENUE BOARD OF MALAYSIA

Example 5

Tech Innovate Sdn. Bhd. (TISB), a manufacturing company in Malaysia hires 150 employees and incurs operating expenditures amounting to RM1,000,000 in 2024.

TISB sells a building located in Country T to a company in that country with a disposal gain of RM500,000 which was received in Malaysia in February 2024. The total tax paid in Country T is RM40,000.

Gains from the disposal of foreign capital assets amounting to RM500,000 are exempt from the imposition of CGT because TISB has fulfilled the economic substance requirements in Malaysia.

Example 6

Amanah Ekuiti Global Fund is a Malaysian resident unit trust. The principal activity of this unit trust is to invest in local and global equity securities for investment purposes, with the objective of generating dividend income and long-term capital returns for its unit holders.

This unit trust is managed by Amanah Raya Investment Management Sdn. Bhd., a licensed fund management company that carries out active investment management activities in Malaysia, with qualified investment personnel and adequate operational expenses.

In 2025, Amanah Ekuiti Global Fund disposed of its shareholding in a technology company listed on the Nikkei stock market in Japan, which it had held since 2020. The disposal resulted in a profit of RM8.5 million, and the proceeds from the sale of shares were remitted to Malaysia in the same year.

In accordance with the amendments to the ITA, effective from 1 January 2024, gains from the disposal of capital assets constitute income under paragraph 4(aa) of the ITA which in principle is subject to tax when received in Malaysia.

INLAND REVENUE BOARD OF MALAYSIA

However, the disposal gain of RM8.5 million received in Malaysia is exempt from income tax under P.U. (A) 250/2024, as the fund management company has complied with the stipulated economic substance requirements.

Example 7

Global Opportunities Fund is a Malaysian resident unit trust. The fund is managed by XYZ Fund Management Sdn. Bhd., a fund management company incorporated in Malaysia. The primary objective of this unit trust is to invest in foreign securities to maximize capital returns for its unit holders.

All key investment decisions, including security selection, timing of disposals and investment strategies, are made by overseas investment advisors. XYZ Fund Management Sdn. Bhd. in Malaysia only carries out administrative functions such as transaction processing, reporting, and regulatory compliance, with no dedicated investment personnel, and its operating expenses in Malaysia are minimal.

In 2026, Global Opportunities Fund disposed of its shareholding in an energy company listed on the New York Stock Exchange in the United States, which had been held since 2022. The disposal resulted in a gain of RM12 million and the proceeds from the sale of shares were remitted to Malaysia in the same year.

The disposal gain of RM12 million, which constitutes income under paragraph 4(aa) derived from outside Malaysia and received in Malaysia, is subject to income tax in Malaysia, as the exemption under P.U. (A) 250/2024 does not apply due to the failure to comply the economic substance requirements.

8.1.3 Specified economic activities means:

(a) Investment holding entity

- i. holding and managing its equity participation in other entities; or

INLAND REVENUE BOARD OF MALAYSIA

- ii. making necessary strategic decisions in respect of any assets the entity acquires, holds or disposes of; and managing and bearing principal risks in respect of such assets.

(b) Other than investment holding entity

In the case of a company, LLP, trust body and co-operative society carrying out a trade, profession or business in Malaysia, specified economic activities referred to the business operations carried out.

8.1.4 A service director who is employed based on a contract of service and not on a contract for service can be considered as an employee. Therefore, a non-service director is not considered as an employee.

8.1.5 Outsourcing of specified economic activities by a company, LLP, trust body and co-operative society to the outsourced entity is permitted if the following conditions are fulfilled:

- (a) Specified economic activities are carried out by outsourced entity in Malaysia;
- (b) A company, LLP, trust body and co-operative society have implemented sufficient monitoring and control over the implementation of specified economic activities by outsourced entity;
- (c) Outsourced entity is generally expected to charge company, LLP, trust body and co-operative society for specified economic activities carried out subject to the application of transfer pricing rules;
- (d) The number of qualified employees employed and the total operating expenses incurred by the outsourced entity in Malaysia is equivalent to the level of specified economic activities carried out by the outsourced entity; and
- (e) There is no double counting if the outsourced entity provides services to more than one company, LLP, trust body and co-operative society.

INLAND REVENUE BOARD OF MALAYSIA

Example 8

Igrene Sdn. Bhd. (ISB) is a resident investment holding company in Malaysia which involved in the real estate sector. The company has not employed any employee.

The company's investment and asset management activities are outsourced by appointing Emerald Sdn. Bhd. (ESB) to carry out the activities of ISB's investment and asset management functions. Monitoring and control are implemented on these outsourcing activities to ensure that economic substance requirements are met.

ISB sold a property in Country Z with a disposal gains of RM700,000 in March 2024. The total tax paid in Country Z is RM126,000. The gains on disposal of capital assets received in Malaysia in July 2024.

ISB has fulfilled all the conditions of outsourcing as stated in paragraph 8.1.5.

Therefore, ISB is considered to have economic substance in Malaysia and eligible for tax exemption for gains on the disposal of property received in Malaysia.

9. TAX REPORTING

- 9.1 Taxpayers must report the gains from the disposal of foreign capital assets received in Malaysia in the basis period for a year of assessment in the ITRF.
- 9.2 Although the taxpayer is eligible to claim tax exemption, the taxpayer must report the gains from the disposal of the foreign capital asset in the ITRF as follows:
 - (a) Type and amount of foreign income;
 - (b) Country where the income arises;
 - (c) Amount of tax imposed by foreign country; and

INLAND REVENUE BOARD OF MALAYSIA

- (d) Any information to be determined other than in paragraph 9.2 (a) to 9.2 (c).

10. RECORD KEEPING

- 10.1 Taxpayers must keep relevant documents in accordance with the provisions of section 82 and section 82A of the ITA which indicate that the income has been taxed outside Malaysia.
- 10.2 Supporting documents as mentioned in paragraph 9.2 should be kept for auditing purposes.
- 10.3 Based on the provisions of paragraph 9, Schedule 7 of the ITA, any claim for bilateral credit for a year of assessment must be made in writing to Director General of Inland Revenue not more than two years after the end of the year of assessment.

11. DISCLAIMER

The examples in this guideline are for illustrative purposes only and are not exhaustive.

INLAND REVENUE BOARD OF MALAYSIA

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