

Is Foreign Income Subject to Tax for Individuals?



Key Takeaway

- ❖ Foreign income received in Malaysia may be taxable, with specific exemptions, conditions, documentation, and double-taxation relief available.

Malaysia generally operates on a territorial basis of taxation. Under section 3 of the Income Tax Act 1967 (“ITA 1967”), income accruing in or derived from Malaysia, as well as income received in Malaysia from outside Malaysia where applicable, may fall within the Malaysian income tax framework.

With effect from 1 January 2022, foreign-sourced income (“FSI”) received in Malaysia by a Malaysian resident is, in principle, brought within the scope of Malaysian taxation. However, specific exemptions are available for qualifying resident individuals.

For resident individuals, the key exemption is contained in the Income Tax (Exemption) (No. 5) Order 2022 [P.U.(A) 234/2022], as amended. The exemption generally covers foreign income received in Malaysia, other than income from a partnership business in Malaysia, subject to the relevant conditions.

What is “Income Received from Abroad”?

For purposes of the exemption order, “income received in Malaysia from outside Malaysia” refers to income arising from outside Malaysia which is brought into Malaysia. Accordingly, the distinction between:

- income arising from Malaysia;
- income arising outside Malaysia; and
- whether the foreign income is actually received in Malaysia

is important in determining the Malaysian tax treatment.



Examples of foreign income potentially relevant to an individual include:

- foreign employment income;
- foreign business or professional income;
- foreign dividends;
- foreign interest;
- foreign rental income;
- foreign royalties; and
- other income of an income nature.

Exemption for Resident Individuals

A resident individual may qualify for an exemption from Malaysian income tax on most types of foreign income received in Malaysia under section 4 of the ITA 1967. However, this exemption does not apply to income from a partnership business in Malaysia.

One of the main conditions is that the foreign income must generally have been subject to a tax similar to income tax in the country where the income was earned. This condition may still be met in situations where:

- Income tax or withholding tax was charged or paid in the foreign country;
- No tax was charged because of the foreign country's tax system;
- The income was below the foreign country's tax-free threshold;
- The income was exempt from tax under a tax incentive; or
- For certain foreign dividend income, the income was subject to tax at an underlying level or came from profits that benefited from certain tax rules or incentives.

Duration of the Individual Exemption – Important Update

The original exemption order applied from 1 January 2022 to 31 December 2026. However, the Income Tax (Exemption) (No. 5) Order 2022 (Amendment) Order 2024 amended the expiry date from 31 December 2026 to 31 December 2036.

Foreign Tax Credit – Where Malaysian Tax Arises

Where foreign income is not exempt, Malaysian tax may arise where the income falls within the Malaysian charging provisions. Where the same income is also subject to foreign tax, relief from double taxation may potentially be available under:

- **section 132 ITA 1967**, where an applicable double taxation agreement or the relevant statutory conditions apply; or
- **section 133 ITA 1967**, for unilateral relief in appropriate circumstances.

For more details, please refer to :

Source : Inland Revenue Board of Malaysia (HAsiL), Guidelines on Tax Treatment of Income Received from Abroad (Amendment) HASiL – Income Tax Act 1967

This publication contains information in summary form and is therefore intended for general guidance only. No person should rely on the contents of the aforesaid publication without first obtaining advice from a qualified professional person. ShineWing TY TEOH is not responsible for the results of any actions taken on the basis of information neither in this publication, nor for any error in or omission from this publication. ShineWing TY TEOH expressly disclaims all and any liability and responsibility to any person, whether a reader of this publication or not, in respect of anything, and of the consequences of anything, done or omitted to be done by any such person in reliance, whether wholly or partially, upon the whole or any part of the contents of this publication.



WHY ShineWing TY TEOH 为什么选择信永中和迪威？



WHAT WE OFFER 我们的专业服务

+ Audit & Assurance + BPO & Business Advisory + China Desk + Digital Advisory + Family Office & Private Client Services + Financial & Transaction Advisory + Japan Desk + Market Entry Advisory + Migration Advisory + Labuan Offshore Advisory + Risk & Governance Advisory + Singapore Desk + Tax Advisory + Transfer Pricing Advisory + US Desk + Valuation Advisory

+ 审计 + 商务外包与咨询 + 中国企业服务部 + 数据咨询 + 家族办公室及私人客户服务 + 企业融资与并购咨询 + 日本企业服务部 + 市场进入咨询 + 移民服务 + 纳闽离岸咨询 + 风险管理及内控咨询 + 新加坡企业服务部 + 税务咨询 + 转让定价咨询 + 美国企业服务部 + 估值咨询



Kuala Lumpur 吉隆坡	T +603 780 55022	Johor Bahru 柔佛	T +607 595 2299	Penang 槟城	T +604 296 6730 / +604 371 3318
Labuan 纳闽岛	T +6087 599 328	Muar 麻坡	T +606 952 0205	Sitiawan 实兆远	T +605 688 5112
Ipoh 怡保	T +605 546 3388				