
CIRCULAR

Date:	13 October 2025	Ref No.:	ID/ALL/KL-JW/047-25 (Total no. of pages: 2)
To:	UTMC, IUTA, CUTA, PRS PROVIDER, IPRA, CPRA		
Attn:	Authorised Representative/Chief Executive Officer		

ANNOUNCEMENT OF BUDGET 2026 – EXTENSION OF FOREIGN-SOURCED INCOME (FSI) TAX EXEMPTION TO 2030

1. Background

- 1.1. Pursuant to the Malaysia Budget 2026 announcement, we are pleased to inform the industry that the Government has extended the income tax exemption on foreign-sourced dividends, gains arising from the disposal of foreign capital assets, and other foreign-sourced income (FSI) for unit trust funds from **1 January 2027 to 31 December 2030, pending the issuance of the official gazette order.**
- 1.2. The current exemption period for unit trusts applies from 1 January 2024 to 31 December 2026 under the relevant Exemption Orders.
- 1.3. Under the existing regime, to qualify for the FSI exemption, a unit trust (and/or its management company) must satisfy certain conditions (e.g. that the foreign jurisdiction taxes a similar income (“of a similar character”) at a rate of at least 15%, or meeting economic substance conditions) as set out in the Exemption Order P.U.(A) 250/2024.

2. Positive Outcomes for the Unit Trust Industry and Investors

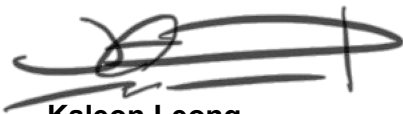
- 2.1. With the extension of the exemption, qualifying unit trusts will continue to **not be taxed on foreign-sourced income** (e.g. dividends or interest from overseas equities, bonds, or other foreign investments) through 2030. This preserves the tax-efficient channel for income earned abroad to be passed through (net of allowable costs) to unit holders.
- 2.2. The continuation of the exemption effectively **boosts net yield retention** for investors in funds with global exposure.
- 2.3. The extension gives **regulatory certainty over a longer horizon** (4 additional years), which supports product development, asset allocation planning, and marketing of globally diversified unit trust funds.

- 2.4. Malaysia-based unit trusts can compete more favourably with offshore funds (or funds domiciled in more tax-favoured jurisdictions) since investors may prefer staying within the Malaysian regulatory framework while enjoying similar tax advantages.
- 2.5. The measure could help **retain capital within Malaysia** (i.e. Malaysian investors investing in Malaysian-domiciled global funds) rather than exporting investment capital abroad.

If you require further information or clarification, please contact the Industry Development Department (ID) at ID@fimm.com.my.

Thank you.

Yours faithfully



Kaleon Leong
Chief Executive Officer