
TECHNICAL

Direct Taxation

[INCOME TAX \(EXEMPTION\) \(NO. 2\) ORDER 2019 \[P.U. \(A\) 55/2019\]](#)

It was proposed in [Appendix 2 of the 2018 Budget Speech](#) that 50% income tax exemption be given on rental income received by Malaysian resident individuals subject to conditions. Income tax exemption on rental income is now available with the issuance of the above [Order](#) (gazette date 27/2/2019).

This Order is deemed to have effect for the year of assessment (YA) 2018.

Definitions

The following words are defined in paragraph 2 of this Order:

Word	Meaning
Residential property (RP)	A house, condominium unit, flat or an apartment which is built as a dwelling house.
Rent	Any sum paid by a tenant to a landlord for the occupation of a RP including the use of parking space, furniture and any other amenities provided by the landlord.

Exemption [subparagraph 3(1)]

The Minister exempts a landlord who rents out his RP from the payment of income tax in respect of 50% of his statutory income derived from the rental of the RP in the basis period for a YA.

The conditions for exemption are as follows [subparagraph 3(2)]:

- (a) The landlord is an individual citizen who resides in Malaysia and is the registered proprietor of his RP;
- (b) The amount of rental per month received from the RP does not exceed RM2,000;
- (c) The tenancy agreement between the landlord and the tenant which has been executed and stamped comes into effect on or after 1/1/2018;
- (d) The RP is rented out for any period from 1/1/2018 till 31/12/2018.

Separate source and separate account

If the landlord receives rent from more than one RP, each RP is treated as a separate source of rental and the landlord who is granted an exemption under subparagraph 3(1) shall maintain separate accounts for each RP rented out.

Members may read the [Order](#) in full at the official website of the Attorney-General's Chambers.

You may write to the Institute at technical@ctim.org.my or secretariat@ctim.org.my in respect of any suggestions, concern or comments you may have on the [Order](#).

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