

TECHNICAL

Direct Taxation

PUBLIC RULING NO. 2/2014

The Inland Revenue Board (IRB) issued [PR 2/2014 – Taxation of Investors On Income From Foreign Fund Management Company](#) on 28 April 2014. The objective of the PR is to explain the tax treatment of income received by foreign and local investors that engage the services of a foreign fund management company.

Important Definitions

A *foreign fund management company* is a company incorporated in Malaysia and is licensed for the regulated activity of fund management under the Capital Markets and Services Act 2007[Act 671].

Other definitions of terms are found in Paragraph 3 of the Ruling.

Tax Treatment

The following is a summary of the tax treatment of income received by foreign and local investors from a foreign fund management company (paragraphs 5 and 6 of the Ruling):

Source	Derived In/ Outside Malaysia	Received by (Foreign/ Local) Investor	Tax treatment (exempt/ taxable)	Para No. in Ruling
Dividends and interest from investments	outside M'sia	Foreign	exempt	5(a)
		Local	Exempt (except for a resident company carrying on the business of banking, insurance or sea or air transport)	6(a)
Dividends from investments (under single-tier system)	In M'sia	Foreign	exempt	5(b)
		Local	exempt	6(b)
Interest from investments	in M'sia	Foreign	Exempt if paid by - (A) any person carrying on the business of banking and finance and licensed under the Banking & Financial Institutions Act 1989 or the Islamic Banking Act 1983*; or (B) Bank Kerjasama Rakyat Malaysia Bhd.	5(c)(i)
* These have been replaced by the Financial Services Act 2013 and the Islamic Financial Services Act.				
Interest derived from negotiable certificate of deposit or rediscounting of banker's acceptance on repurchase agreement or any similar instrument of trade financing which is traded in money market fund;	In M'sia	Local	Exempt if received by resident investors	6(c)(i)
Interest from: (A) securities issued by the government or: (B) Islamic securities or debenture issued in RM	In M'sia	Foreign	Exempt if received by non-resident companies (other than interest accruing to a place of business of such a company in Malaysia).	5(c)(ii)

other than convertible loan stock approved by the SC				
Gains or profit, interest or bonus received from money deposited in specified institutions [items (A) to (G) in para. 6(c)(ii)]	In M'sia	Local	Exempt if received by an individual resident in Malaysia	6(c)(ii)
Interest from Islamic securities originating from Malaysia	In M'sia	Foreign	Exempt (other than interest from convertible loan stock issued in any currency other than RM, and approved by the SC or Labuan Financial Services Authority).	5(c)(iii)
		Local		6(c)(iii)
Interest or discounts from: (A) securities or bonds issued or guaranteed by the Government; (B) debentures or Islamic Securities, other than convertible loan stock approved by the SC; (C) Bon Simpanan Malaysia	In M'sia	Foreign	Exempt if received by investors who are individuals, unit trusts and listed closed-end funds.	5(c)(iv)
	In M'sia	Local		6(c)(iv)
Interest other than that specified in para. 5(c) or 6(c) above	In M'sia	Foreign	Taxed at 15% or rate determined under the relevant Double Taxation Agreement	5(d)
	In M'sia	Local	Taxed at rate specified in the ITA	6(d)
Gains from realization of investment	outside M'sia	Foreign	Not subject to tax	5(e)
		Local	Not subject to tax	6(e)
	In M'sia	Foreign	Not subject to tax (other than real property which may be subject to RPGT.)	5(f)
		Local		6(f)

Please read the Ruling in full at the [IRB](#) website.

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