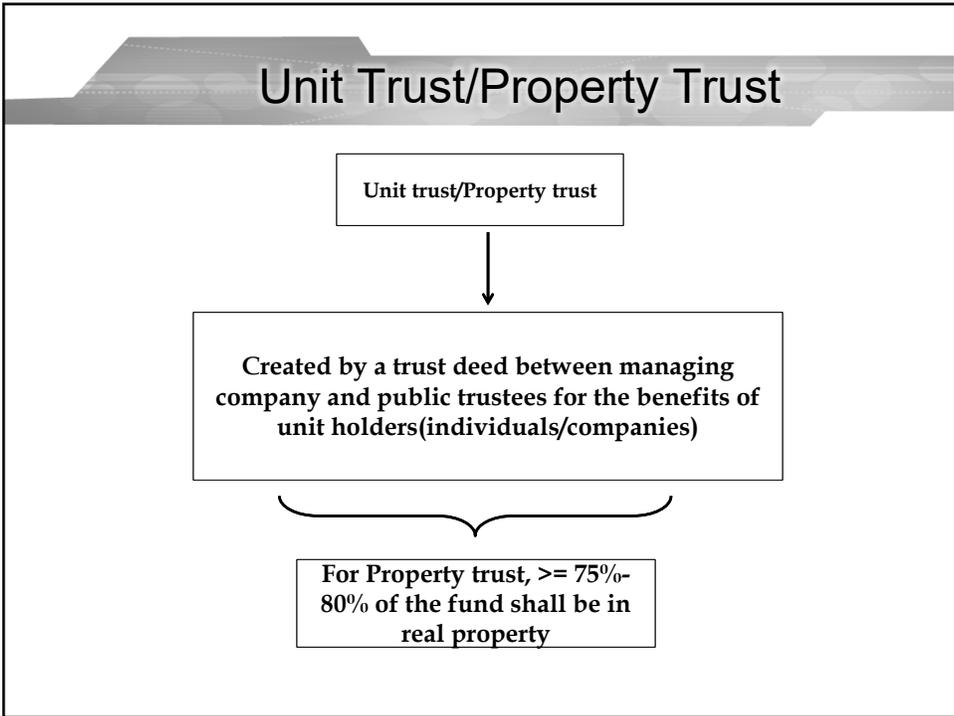
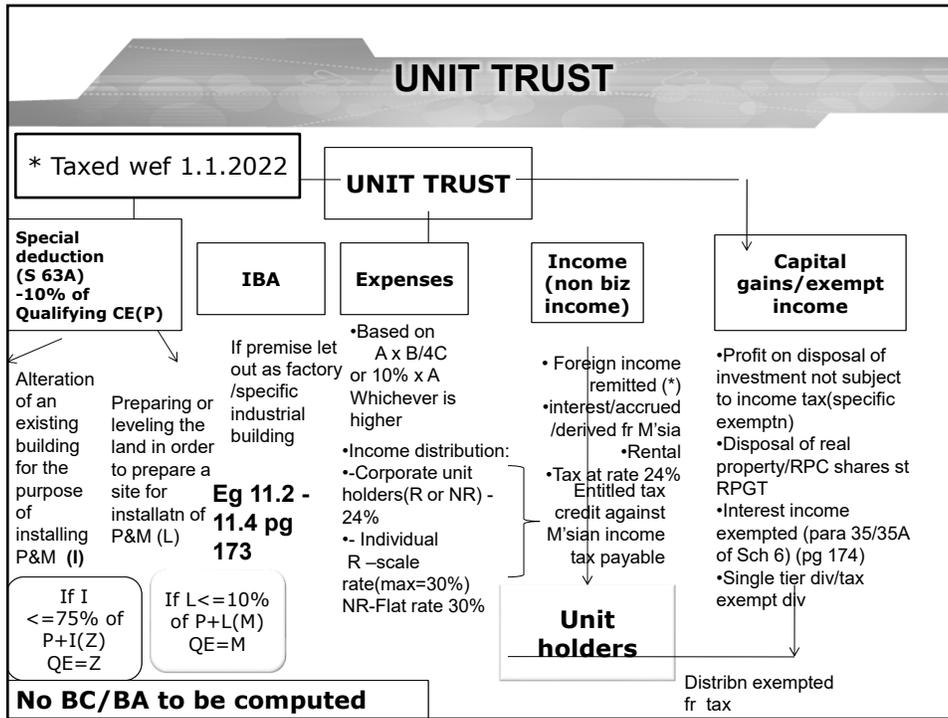




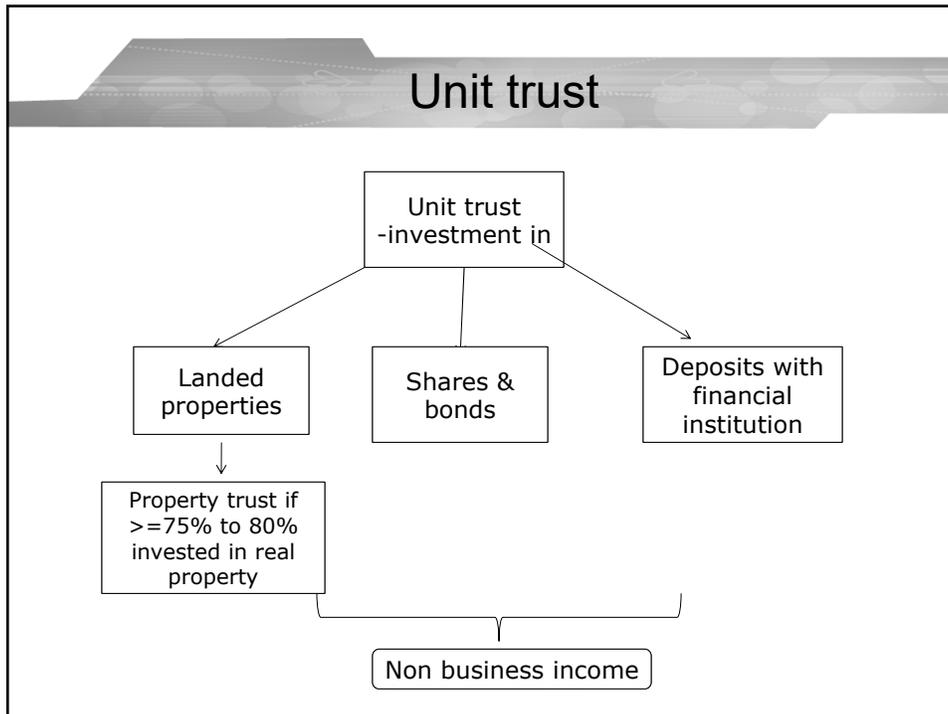
1



2

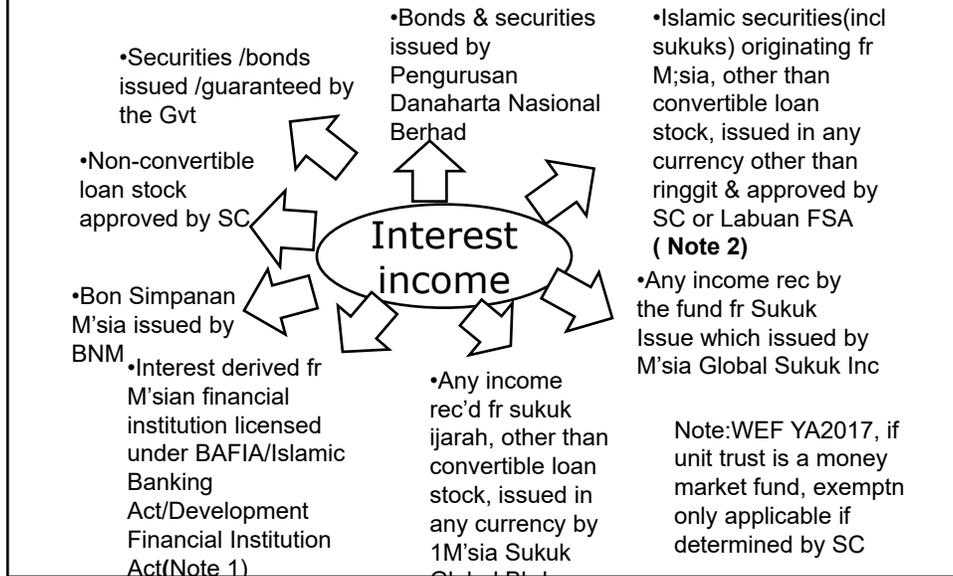


3



4

Unit Trust/Property Trust: Exemption on income



5

Unit Trust/Property Trust: Exemption on income

Note 1:
WEF 1.1.2019, interest income derived by unit trust that is a wholesale fund which is a money market fund would be taxed.

Note 2
The above tax exemption shall not apply to:

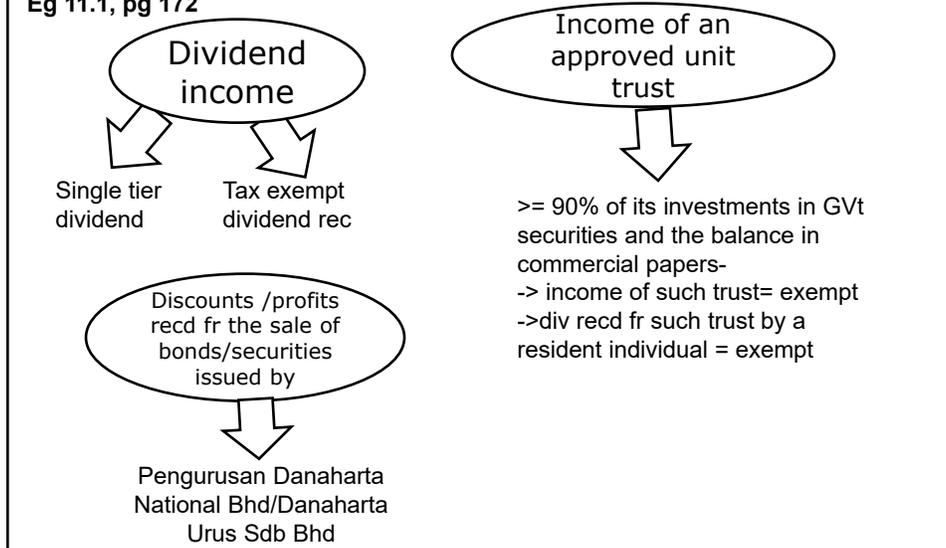
- (a) interest paid or credited to a company in the same group;
- (b) interest paid or credited to—
 - (i) a bank licensed under the Financial Services Act 2013;
 - (ii) an Islamic bank licensed under the Islamic Financial Services Act 2013; or
 - (iii) a development financial institution prescribed under the Development Financial Institutions Act 2002

Refer pg 183 Chart 11.5

6

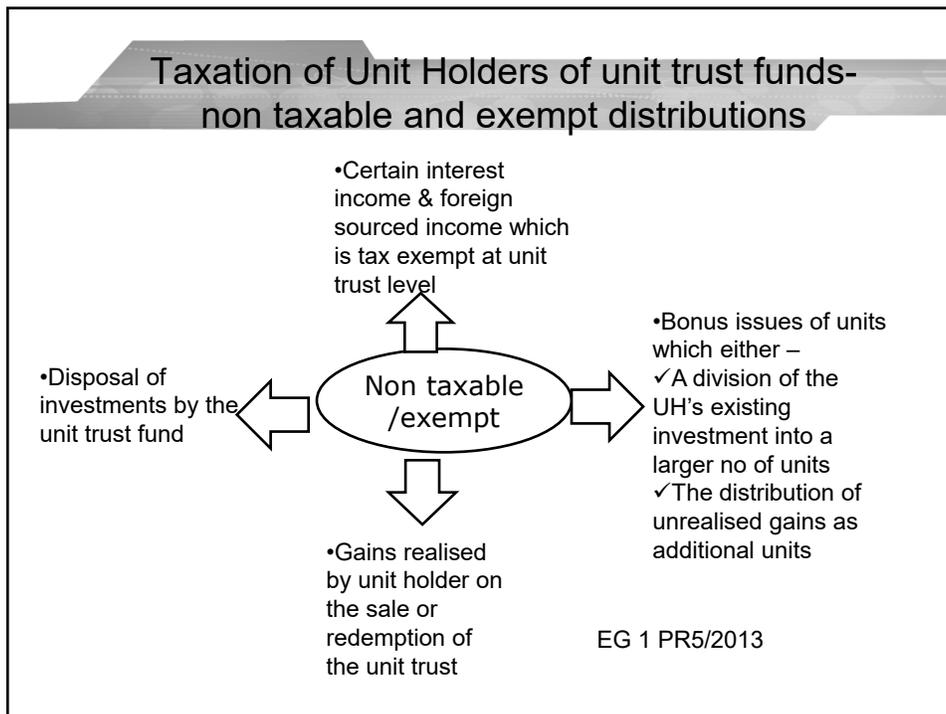
Unit Trust/Property Trust: Exemption on income

Eg 11.1, pg 172



7

Taxation of Unit Holders of unit trust funds- non taxable and exempt distributions



8

Unit Trust/Property Trust

EXPENSES DEDUCTIBLE UNDER SECTION 61

Higher of :

(a) $25\% \times \text{permitted expenses (A)} \times \frac{\text{Gross income subject to tax (B)}}{\text{Total gross income and gains from realization of investments (C)}}$

interest and rent
(chargeable to tax for that
basis period)

or

(b) $10\% \times \text{permitted expenses (A)}$

Taxable and non
taxable, tax exempt
dividend & interest

9

APPLICATION OF S61 FOR UNIT TRUST/PROPERTY TRUST

PERMITTED EXPENSES

1. Fund manager's remuneration	XXX	
2. Maintenance of register of unit holders	XXX	
3. secretarial, audit and accounting fees	XXX	
4. telephone charges	XXX	
5. printing and stationery costs	XXX	
6. Postages	XXX	
7. Share registration expenses	XXX	
[which are not deductible under Section 33(1)]	XX	A

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APPLICATION FOR UNIT TRUST/PROPERTY TRUST

INCOME AND CAPITAL GAINS

Fixed deposit interest income	XXX
Rental income	<u>XXX</u>
Gross income subject to tax (B)	XXX
Interest income (Exempt)	XXX
Dividend income (exempt)	<u>XXX</u>
Total Gross income	XXX
Gain on realisation of investments	<u>XXX</u>
Total gross income and gains from realisation of investments (C)	<u><u>XXX</u></u>

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Unit Trust- Format of tax computation

Section 4 (c)			
Interest/ income (inclusive of Foreign & remitted)			xx
Less: Interest expenses			<u>(xx)</u>
Adjusted income			xx
Section4(d) Rental income			
Gross income(current year)		xx	
Advance rental		<u>x</u>	
		xx	
Less:Wholly & exclusively expenses			
-Rates & Assessment	X		
- Quit rent	X		
- Insurance premium	X		
- Repairs & maintenance	X		
- Agent's fees	X		
- Security charges	X		
- Management fees	x	(x)	
Adjusted income			xx
Less Special Deduction under S 63A			<u>(xx)</u>

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Unit Trust- Format of tax computation

Dividend income(foreign & remitted)			xx
Less: Interest expenses			(xx)
Adjusted income			xx
Aggregate income			
Less:			
-Special Deduction for permitted expenses			(x)
-Tax exempt donation (limited to 10%) -- Zakat perniagaan (limited to 2.5% of AI)			(x)
Total income/Chargeable income			x
Income tax payable @24%		xx	
Less: Section 132/133 relief		(xx)	
Net income tax payable		xx	

Eg 2 -5 PR72014

Eg 11.5 – 11.7 pg 176,
11.10,pg181

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UNIT TRUST

**❖ Filing of Income Tax Return –
7 months from the end of the
accounting period (refer Eg 1,
PR7/2013)**

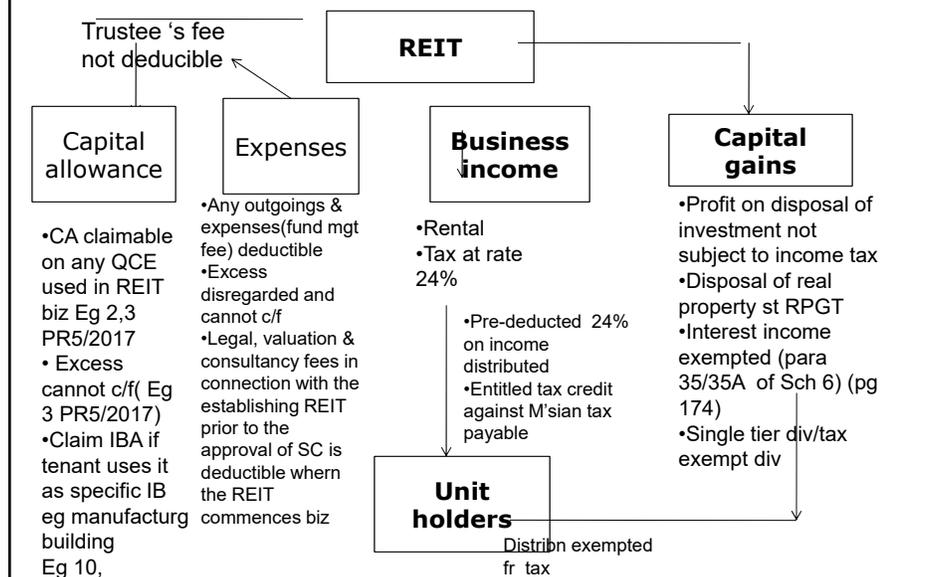
14

REAL ESTATE INVESTMENT TRUST(REIT)

- ❖ REIT= unit trust that invests or proposes to invest $\geq 50\%$ of its total assets in real estates
- ❖ = must be approved by SC as REIT or Property Trust Fund
 - = rental income is the main source of income and considered commenced if the building is available for rent(Eg 2 PR5/2017)

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REAL ESTATE INVESTMENT TRUST(REIT)



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REAL ESTATE INVESTMENT TRUST(REIT

❖ Specific exemption/rules for REIT

- Exempt REIT from tax on its total income provided $\geq 90\%$ of the total income of REIT is distributed (≤ 2 months after the end of of the basis period).Doesn't mean the income distributed to the unit holders are also exempted from tax
- **WEF YA2017,must be REIT/Property Trust Fund listed on Bursa M'sia**
 - Eg 10,11,12,13 PR5/2017
 - Eg 12.1, pg 185
- A company disposing industrial building(where initial, annual allowances have been claimed)to REIT will not have any balancing charge/allowance` on such disposal and REIT entitled to claim remaining TWDV **provided a company** holds $\geq 50\%$ of :
 - >residual profits of the unit trust available for distribution or
 - > residual assets of the unit trust available for distribution on a winding up (YA2013 onwards)Controlled transfer provision NA for disposal of P &M
EG 9, PR5/2017

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REAL ESTATE INVESTMENT TRUST(REIT

❖ Specific exemption/rules for REIT

- Legal, valuation & consultancy fees in connection with establishing REIT prior to the approval by SC shall be given deduction in the YA REIT commences business

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Residual profits/assets

- ❖ **When a company disposes an industrial building to a REIT/PTF, its entitlement to the residual profits available for distribution by a REIT/PTF is determined as follows:**

**Number of issued units
of a REIT/PTF held by a company**

**Total number of issued units of
a REIT/PTF held by unit holders**

 Residual profits (*)/assets
available for distribution by a
REIT/PTF

(*) Residual profits means net profits of a REIT/PTF after deducting any interest payable to licensed institutions or debenture holders.

(*) Residual assets means net assets of a REIT/PTF after a distribution is made to-

- (i) creditors of the REIT/PTF in respect of loans from licensed institutions; and
- (ii) debenture holders.

EG 6 & 7 PR 2/2015

If a REIT/PTF has no residual profit/assets, a notional amount of RM100 is deemed to be the residual profits of the REIT/PTF.

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Taxation of Unit holders of REIT

- ❖ **Taxed in the YA unless distribution of tax exempt income received by REITs**
- **the distribution of income is received from REITs**
- **distribution of income from the income of REITs which is exempted from tax under Section 61A (Eg 1 PR 7/2012)**
- **Received distribution of accumulated undistributed income from REITs, if REITs subjected to tax => carry with it tax credit**
- **Liable to tax on the distribution of income which is tax exempt under 90% rule without any tax credit**

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REAL ESTATE INVESTMENT TRUST(REIT)

- ❖ REIT, listed on Bursa Malaysia , is exempted from tax under section 61A of the ITA, provided $\geq 90\%$ of the total income of REIT in that particular YA is distributed to the unit holders ≤ 2 months from the year end
- ❖ Listed REIT distributes income exempted under section 61A, needs to pre-deduct the following tax & distribute only the net amt to unit holders:

	Type of unit holder	%
(a)	Foreign institutional investor-pension fund, collective investment scheme or person approved by the Minister	10(*)
(b)	Non-resident company	24(*)
(c)	Others	10(*)
(d)	Resident company	-
*	Final tax	

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REAL ESTATE INVESTMENT TRUST(REIT)

- ❖ **NOTE**
- ❖ where a REIT/PTF that is not listed on Bursa Malaysia makes any distribution of its total income to its unit holders, this distribution is not subject to withholding tax under section 109D of the ITA.

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REAL ESTATE INVESTMENT TRUST(REIT)

***Final tax.**

❖ **Tax deducted shall be paid to IRB within one month after distributing such income**

❖ **Non compliance**

- a) 10% penalty of the unpaid tax
- b) Both the tax deducted & the penalty are debts due to Government

Eg 12.4, pg 189

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Illustrations to show the tax treatment on the various types of income received by REITs/PTF

❖ **Expenses incurred in respect of exempt income will not be allowed a deduction**

❖ **Example 14 to 15 PR 5/2017**

❖ **Refer Appendix 1 of PR5/2017**

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REAL ESTATE INVESTMENT TRUST(REIT)

- ❖ **All instruments of transfer of real property to a Real Estate Investment Trust or a Property Trust Fund approved by the Securities Commission are exempted from stamp duty.**

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Refer Pg 202 for comparison

Comparison:Unit trust & REIT

	REIT	Unit trust
1) Availability of business source i.e rental source	√	X
2) Utilisation of current year biz losses	X (permanent loss)	N/A
3) Utilisation of CA	√	X(unless tenant use it as certain IB)
4) Unabsorbed CA c/f	X (permanent loss)	N/A
5) Distribution >= 90% of total income to unit holder(If REIT listed under BURSA)	Total income xx Distn to unit holders(>=90%) (xx) CI Exempt	N/A
6) Deduction of overhead	Fully	Restricted

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