

24 March 2026

## REIT

### Withholding Tax Removed

By Chris Tong | [christong@kenanga.com.my](mailto:christong@kenanga.com.my)

## NEUTRAL



Per the Inland Revenue Board's update on 19<sup>th</sup> March 2026 ([link](#)), it was confirmed that the preferential 10% withholding tax treatment for M-REIT that had been in place since 2007 was not renewed after its lapse in Dec 2025. Moving forward from year 2026, investors will be taxed based on each of their respective tax profiles instead of a flat 10% withholding tax (WHT) applied in the past. As a result, both resident and non-resident corporate will be charged with an unchanged 24% tax rate on income distributions, resident non-corporate investors such as institutional and individual investors will be subject to a tax rate of 0% up to 30% while foreign institutional and individual investors will be charged with 30% tax rate which could be most punitive among all (refer to Appendix 1). Having said that, we noted that certain provident and retirement funds may continue to be tax-exempt on income generated including dividends. While we shift our valuation metrics from Net DPU to Gross DPU for consistency, we trim our sector-wide valuation by an average of about 4% to reflect lower expected after-tax dividend shareholders will receive. We keep our NEUTRAL stance on REIT unchanged. While we do not have a sector top pick, we foresee potentially greater selling pressure for names with relatively higher foreign shareholdings in the immediate term; hence, we reiterate our UNDERPERFORM call on SUNREIT (UP; TP: RM2.17) which has 12% foreign shareholding. Besides AXREIT's foreign shareholding level at 19%, most REITs under our coverage have less than 10% foreign shareholding. Meanwhile, we take this opportunity to upgrade IGBREIT (MP; TP: RM2.50) from UNDERPERFORM to MARKET PERFORM after a price correction by 13% from its peak in Feb 2026.

**No more tax perks for M-REIT.** The Inland Revenue Board's Practice Note No. 2/2026 has on 19<sup>th</sup> March 2026 announced a new tax policy for M-REIT. This fundamentally changes the taxation framework for REIT distributions starting from year 2026 by shifting the tax burden from a withholding tax WHT-based regime to a direct taxation regime at the unit holder level. Previously since 2007, most non-corporate investors including individuals and foreign institutional investors were subject to a final WHT of 10% on gross dividends, providing a simple and tax-efficient structure. However, after the concession expired in 2025, from 2026 onwards, while REITs themselves continue to enjoy tax exemption at the corporate level provided that they distribute at least 90% of profits, distributions are now taxed based on the tax profile of each investor rather than a flat WHT rate applied in the past (refer to Appendix 1). On the other hand, we noted that certain provident and retirement funds classified under the "approved scheme" in Income Tax Act 1967 may continue to be exempted from taxation charges on income generated including dividend income.

**Foreign investors get biggest hit.** For non-resident investors, treatment diverges: non-resident corporates remain subject to 24% final WHT, while foreign institutional and individual investors are no longer subject to WHT but instead taxed at 30% on chargeable income which includes dividends, which is materially higher than the previous 10% WHT. Overall, the removal of the concessional WHT regime reduces the relative tax attractiveness of Malaysian REITs, particularly for foreign investors while increasing complexity and variability in after-tax yields depending on investor profiles. REITs with relatively higher foreign shareholdings are AXREIT (19%) and SUNREIT (12%), while the rest among our coverage have less than 10% foreign shareholdings.

**Winners?** Individuals such as retirees whose tax brackets are lower than 10% may stand to benefit from the new framework compared to the previous regime, which applied a flat 10% withholding tax across the board.

**Valuations.** With the new tax framework, we are shifting our valuation metrics from Net DPU to Gross DPU and our target yield for consistency, while also widening our yield spread for our REIT coverage to reflect a lower expected net dividend received by shareholders. All in, we are increasing our target yields by about 10% to 15% accordingly based on the previous ascribed target yield. **Our revised TPs are shown in Appendix 2 below.**

**Sector Picks.** We do not have any OUTPERFORM call at the moment as we maintain our NEUTRAL stance on the sector. Having said that, we foresee potentially greater selling pressures for names with high foreign shareholdings as abovementioned in the immediate terms. Given that AXREIT (MP; TP: RM1.93) is now adequately valued, we reiterate our **UNDERPERFORM** call on **SUNREIT (UP; TP: RM2.17)**. Meanwhile, we upgrade **IGBREIT (MP; TP: RM2.50)** from **UNDERPERFORM** to **MARKET PERFORM** after a healthy price correction of 13% from its peak in Feb 2026.

## Appendix 1 - PRACTICE NOTE NO. 2/2026 (Summary Table)

6. A summary of the relevant tax rates is as follows:-

Chargeable Persons	YA2016 to 2025		YA2026 and subsequent YAs	
	Types of Tax	Rate	Types of Tax	Rate
(A) Company				
i) Resident	Corporate Rate	24%	Corporate Rate	24%
ii) Non-resident	WHT (Final)	24%	WHT (Final)	24%
(B) Foreign institutional investor	WHT (Final)	10%	Corporate Rate/ Non-Resident Individual Rate	30% of chargeable income
(C) Individual				
i) Resident	WHT (Final)	10%	Individual Scaled Rates	0%-30%
ii) Non-resident	WHT (Final)	10%	Non-Resident Individual Rate	30% of chargeable income
(D) Others				
i) Resident	WHT (Final)	10%	Corporate Rate/ Scaled Rate	0%-30%
ii) Non-resident	WHT (Final)	10%	Corporate Rate/ Non-Resident Individual Rate	30% of chargeable income

Source: [hasil.gov.my](http://hasil.gov.my), Kenanga Research

## Appendix 2 - Target Yield at a Glance

REIT	Stock Call	Revised Target Price (RM)	Revised Target Gross Yield (%)	Old Target Price (RM)	Old Target Net Yield (%)
AMEREIT	MP	1.58 (-6%)	5.50 (+0.75)	1.68	4.75
AXREIT	MP	1.93 (-4%)	5.75 (+0.75)	2.02	5.00
CLMT	MP	0.65 (-3%)	8.00 (+1.00)	0.67	7.00
IGBREIT	MP	2.50 (-1%)	6.00 (+0.75)	2.52	5.25
KLCC	MP	9.22 (-2%)	5.50 (+0.50)	9.38	5.00
PAVREIT*	MP	1.67 (N.A.)	6.25 (N.A.)	(N.A.)	(N.A.)
SUNREIT	UP	2.17 (-5%)	5.75 (+0.75)	2.28	5.00

<sup>^</sup>Derived from yield spread above our 10-year MGS yield assumption of 3.5%.

\*PAVREIT: Under Review.

Source: Kenanga Research

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## Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Gross Div. (sen)	Gross Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>REITS</b>																	
AME REIT	MP	1.68	1.58	-6.0%	892.2	Y	03/2026	7.6	8.0	17.3%	4.8%	22.1	21.1	1.5	6.9%	8.0	4.8%
AXIS REIT	MP	1.94	1.93	-0.5%	3,928.3	Y	12/2026	10.6	11.1	6.2%	5.1%	18.3	17.4	1.2	6.3%	10.1	5.2%
CAPITALAND MALAYSIA TRUST	MP	0.65	0.63	3.3%	2,098.7	N	12/2026	5.2	5.4	10.1%	4.2%	12.1	11.6	0.7	5.4%	4.8	7.7%
IGB REIT	MP	2.66	2.50	-6.0%	11,505.9	N	12/2026	10.1	14.0	18.1%	38.6%	26.4	19.1	2.5	12.6%	10.0	3.8%
KLCCP STAPLED GROUP	MP	9.07	9.22	1.7%	16,374.4	Y	12/2026	47.8	49.2	5.8%	2.9%	19.0	18.4	1.3	6.1%	46.9	5.2%
PAVILION REIT	MP	1.72	1.67	-2.9%	6,756.1	N	12/2026	9.3	9.7	21.0%	5.0%	18.6	17.7	1.3	7.5%	8.9	5.2%
SUNWAY REIT	UP	2.34	2.17	-7.3%	8,014.1	N	12/2026	12.7	13.3	1.7%	5.3%	18.5	17.5	1.5	7.8%	12.5	5.3%
<b>SECTOR AGGREGATE</b>					<b>49,569.7</b>												

Source: Bloomberg, Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)