

The IMG Monthly Bulletin serves as a comprehensive review of developments in the real estate industry, bringing together insights, news, and updates on the property market. Each week, we publish focused snapshots on the month's main theme, offering timely perspectives on key trends shaping the sector. At the end of every month, these insights are consolidated into the IMG Monthly Bulletin, providing readers with an in-depth overview of industry movements, emerging opportunities, and strategic considerations for stakeholders across the property market.

The Rental Rulebook: Tenancies, Compliance and The “Airbnb” Reality Check

Contents:

- Part 1 Navigating Rental & Leasing in Malaysia: Get to Know The Service Tax and Legal Guide
- Part 2 The Short-Term Rental Accommodation (STRA): Hidden Risks of Airbnb
- Part 3 The Administrative Shift & Future Frameworks
- Part 4 Insights from Real Estate Professionals

Part 1: Navigating Rental & Leasing in Malaysia: Get to Know The Service Tax and Legal Guide

Tenancy vs Lease

National Land Code: Legal Comparison

Tenancy (Contractual License)

A Tenancy constitutes a contractual right, and its protection upon the sale of the property is determined solely by the terms of the existing contract.



Duration:

Less than 3 years



Registration:

Not required



Land Title:

No endorsement on title



Financing:

Cannot be used as loan collateral



Stamp Duty:

Relatively lower costs

Lease (Proprietary Interest)

A registered Lease confers proprietary protection and must be honoured by the new owner upon the sale of the property.



Duration:

Exceeding 3 years



Registration:

Mandatory (Form 15A) at Land Office



Land Title:

Endorsed on the Title (Geran)



Financing:

Can be used as collateral for loans



Stamp Duty:

Higher costs based on term/ rent

Rental Income Tax

Understanding Your Income Type

Passive Rental Income



Under Section 4(d) of the Malaysian Income Tax Act 1967 applies to individuals renting property without providing comprehensive, active management services, where taxable income is calculated after deducting directly related expenses like assessment tax, quit rent, repairs, and interest on loans.

Business Rental Income



Under Section 4(a) under if the landlord actively provides comprehensive, hotel-style support services (e.g., cleaning, security, linen services) or manages multiple units (typically 4 or more). This classification allows for broader tax deductions (operating expenses) and capital allowances.

Decoding Rental Deposits

The Standard Upfront Payment

Most tenancy agreements require a total upfront payment of 3.5 months' rent, comprising the Security Deposit (2 Months), Advance Rental/ Earnest (1 Month) and Utility Deposit (Half Month). While residential utility deposits are usually half month, commercial or retail properties often require 1 Month's rent due to higher utility rates.

Rental Deposit Comparison

Deposit Type	Typical Amount	Primary Purpose
Earnest Deposit	1 Month Rent	Reserves the property
Security Deposit	2 Months Rent	Covers property damage, unpaid rent or early termination
Utility Deposit	0.5 - 1.0 Month Rent	Covers unpaid electricity, water and sewerage bills.

Maximizing Deductions - Passive Rental Income

Allowable Expenses (Deductible)	Non-Deductible "Initial" Costs	Example: Calculation of Net Taxable Rental Income						
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Assessment Tax and Quit Rent <input checked="" type="checkbox"/> Agent Commissions for Renewals <input checked="" type="checkbox"/> Fire Insurance <input checked="" type="checkbox"/> Ordinary Repairs to Keep The Property Lettable <input checked="" type="checkbox"/> Interest Portion 	<ul style="list-style-type: none"> <input type="checkbox"/> Advertising Costs <input type="checkbox"/> Legal fees for the first lease agreement <input type="checkbox"/> Stamp duty for the Capital Expenses <input type="checkbox"/> Principal Repayment 	<p>Gross Annual Rental (RM1,200/mo)</p> <p>Less Allowable Expenses:</p> <ul style="list-style-type: none"> • Assessment Tax • Quit Rent • Repairs and Maintenance <p>= Net Taxable Rental Income</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">RM1,200 x 12:</td> <td style="width: 50%; text-align: right;">RM14,400</td> </tr> <tr> <td style="text-align: center;">(-)</td> <td style="text-align: right;">(RM680)</td> </tr> <tr> <td style="text-align: center;">=</td> <td style="text-align: right;">RM8,720</td> </tr> </table>	RM1,200 x 12:	RM14,400	(-)	(RM680)	=	RM8,720
RM1,200 x 12:	RM14,400							
(-)	(RM680)							
=	RM8,720							

Housing Loan (Repayment)

The Service Tax

Royal Malaysian Customs Department: The New 8% Service Tax Landscape (Effective July 1, 2025)

8%

Service Tax Rate

The Minister of Finance has set this rate for all taxable rental and leasing services within the expanded scope of Group K



Mandatory Registration Threshold

Businesses in Malaysia providing taxable rental or leasing services must register for Service Tax if their total annual turnover exceeds RM1,000,000 within a 12-month period. The applicable service tax rate for these services is 8%, covering the rental of vehicles, machinery, and commercial equipment, but **excluding residential properties.**

Taxability Matrix: what is Taxed?

Non-Taxable
Property: Terrace Houses, Condos, Apartments (Residential)
Equipment: Reading Materials (Books/ Magazines)
Vehicles: Hire Care
Location: Assets located outside Malaysia
Entities: Federal/ State Government and Local Authorities
Taxable
Property: Commercial Offices, Warehouses, Retails Lots
Equipment: Printers, Machinery, Laptops, TBMs
Vehicles: Charter Buses, Yatchs, etc
Location: Assets located within Malaysia
Entities: Private Business and Individuals

Part 2: The Short-Term Rental Accommodation (STRA): Hidden Risks of Airbnb

The 2026 Paradox

Peak Demand Vs Peak Regulation

Barriers To Entry

The catalyst : Visit Malaysia 2026 (Demand Surge)



Federal: National STRA Guidelines (PLANMALAYSIA)

Standardized Regulations, Zoning Compliance and National Policy Framework



State: The 180-Day Rule and Permits

Under Selangor proposed to enforce strict 180-day annual caps and mandatory permits.



Hyper-Local: The "JMB Veto"

Joint Management Body/ Management Corporation Authority, Bylaw Amendments and Community Consent.

Reality Check

The "Commercial Title" Myth



The Assumption

I have a commercial title, so I am safe to run an Airbnb.



The Reality

False. It is the JMB Veto by AGM.

CASE CITATION: Innab Salil & Ors v Verve Suites Mont Kiara

- **The Ruling:** Strata by-laws override Land Title Permissions.
- **Classification:** Short-term rentals are "licenses", not "tenancies". This allows a ban.
- **The Mechanism:** If the AGM votes "NO" (75% vote), the ban is binding.

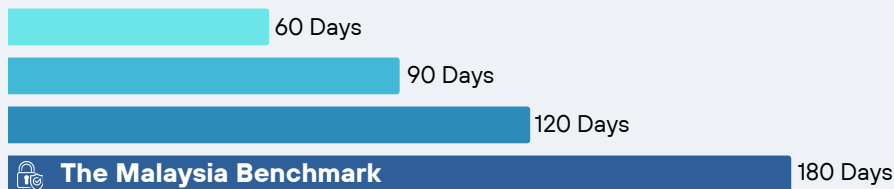
The Shift: We are moving from an "Unregulated Gold Rush" to a strict "Licensing & Liability Era"

Compliance is your license to operate. Failure to adhere to the evolving regulatory landscape results in operational shutdowns, severe penalties and legal exposure. Proactive adaptation is not optional, it is the mandatory prerequisite for market participation

The Global Context: Malaysia Is Catching Up

Annual Night Caps

Amsterdam London Paris Tokyo



Urban Planner Perspective

Why the restriction? To combat housing shortage and displacement.

"Without proper regulations, STRA listings reduce the availability of long-term housing, driving up rents"
- Planning Malaysia Journal

The Invisible Risk: The Insurance Gap

The Scenario

A paying guest accidentally causes a fire in the kitchen.



The Verdict: Void

Standard Residential Fire Policy is INVALID. Its for unauthorized commercial business activity.



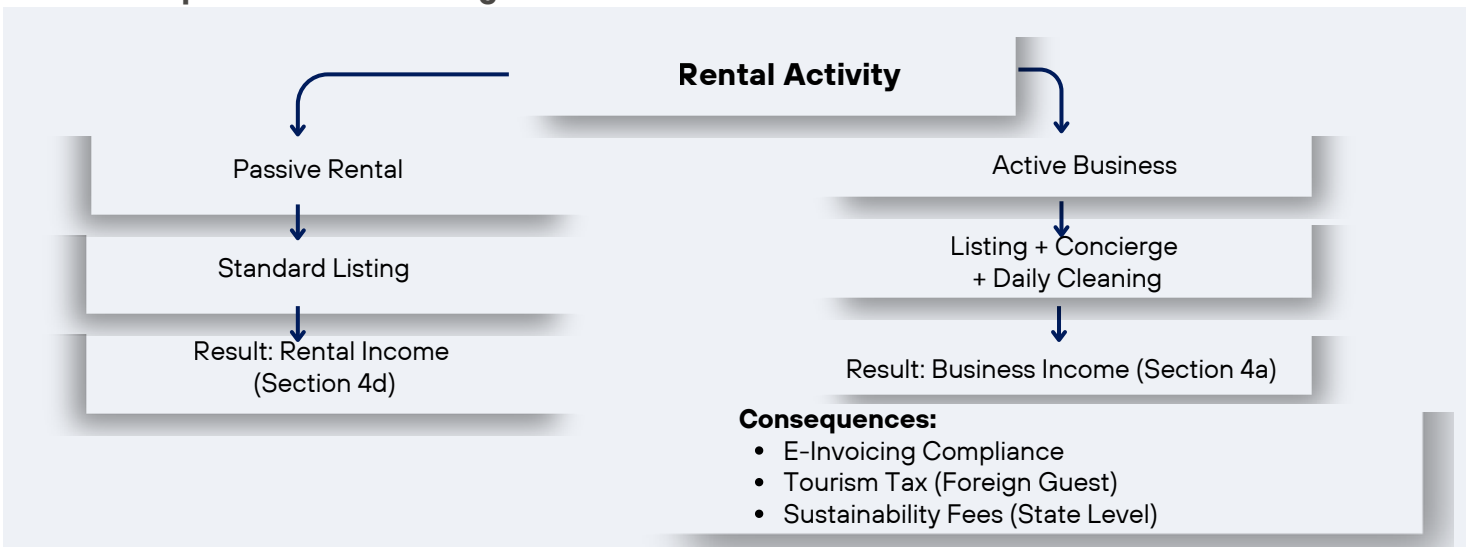
Did you know?

All earnings from STRA must be declared to LHDN, depending on the scale of service, income may be reclassified from "rental income" to "business income".

The Required Fix

- 1) Upgrade to Commercial Policy.
- 2) Add a "Short-Term Rental Rider" or Public Liability Insurance (PLI).

The Tax Trap: LHDN is Watching



The Host's Survival Checklist

Phase 1: Due Diligence

- ✓ **Audit AGM Minutes:** Check for residents hostility or proposed bans.
- ✓ **Check zoning:** Confirm area is not strictly residential-only.

Phase 2: Operational Compliance

- ✓ **Insurance Upgrade:** Switch to commercial / PLI.
- ✓ **Digital Register:** Prepare for council-audited guest logs.

Phase 3: Financial

- ✓ **Tax Registration:** Declare rental vs business income.
- ✓ **Budgeting:** Factor in Licensing Fees and Sustainability Taxes.

Community Friction & Safety Compliance

The Conflict (Why JMBs Ban)	The Mandate (Draft Compliance)
Gentrification (Investors outbidding residents)	Fire safety (Extinguishers & Smoke Detectors)
Nuisance (Noise or facilities misuse)	Emergency exits (Clearly marked)
Security risks	Guest management SOPs

Source: Planning Malaysia Journal

Part 3: The Administrative Shift & Future Framework

The Administrative Shift of Stamp Duty Self-Assessment System (SDSAS 2026)

The Great Administrative Shift



The Legacy Model (Pre-2026)

LHDN-issued assessments. Manual oversight. Reliance on government calculation as a safety net.

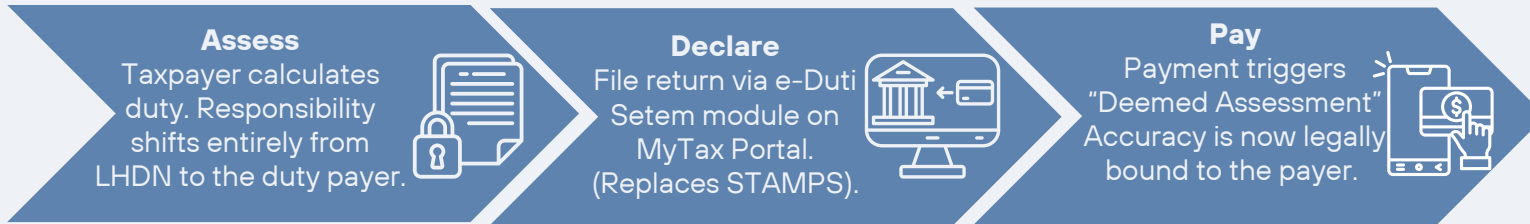


The New Reality

Stamp Duty Self-Assessment System (SDSAS). 100% taxpayer responsibility. Digital filling via MyTax Portal.

How SDSAS Works: Assess, Declare, Pay

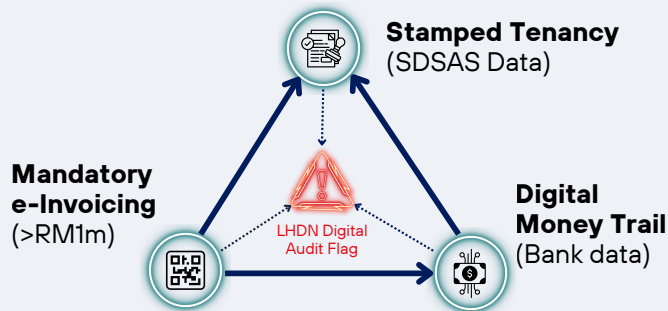
Timeline and Phase-Tracker



Rollout Phases:

- **Phase 1**
(Jan 1, 2026): Tenancy & General Instrument
- **Phase 2**
(Jan 1, 2027): Property Transfer
- **Phase 3**
(Jan 1, 2028): All other instruments

The Audit Triangulation Risk Digital Triangulation via e-Invoicing



LHDN will cross-reference stamps rental agreements against e-Invoices and bank transfers to automatically trigger tax audits for non-compliance.

Model: Other Country in Queensland Independent Controllers

New RTA Path

Security deposits will no longer be held by landlords, instead they must be lodged in a government-managed account to ensure transparency and return.



The Cost of Non-Compliance

Why the restriction?

To combat housing shortage and displacement.



2026: The Grace Period

Penalty waiver for errors made in good faith. valid for 2026 only.



2027: The Hard Reality

- Under-declaration: Penalty up to 100% of duty undercharged.
- Unstamped Documents: Fines RM1,000-RM10,000
- Foreign Buyers: Flat 8% Stamp Duty on residential purchases.

Strategic Implications: Professionalizing the Landlord

Financial



Deposits are no longer working capital. They are external liabilities. Cash flow models must adjust for "Deposit Lodgement"

ESG (Social)



Anti-Discrimination clauses prevent race/religion based screening. Aligns with Social governance goals.

Compliance Health Check: Your Immediate Action Plan

Phase 1: Due Diligence

- ✓ Register for MyTax Portal & familiarize with e-Duti Setem.
- ✓ Prepare cash flow models for the removal of security deposits (RTA preparation).
- ✓ Audit current tenancy agreements for "Gap Years" or unstamped documents.
- ✓ Align rental collection methods with e-Invoicing standards.

Valuation



Regulatory Risk Rating: Complaint, stamped and e-invoiced properties will attract higher institutional valuations.

Part 4: Insights from Real Estate Professionals

Key insights, compliance mandates, and professional perspectives shaping the Malaysian real estate rental landscape in 2026.



The Legislative Framework: The Residential Tenancy Act (RTA)

The RTA is designed to move Malaysia away from 'pro-landlord' or 'pro-tenant' biases toward a balanced 'Security of Tenure' model. The shift from the archaic Contract Act 1950 to a dedicated regulatory framework is the primary focus for 2026.

"Our goal with the RTA is to provide a neutral ground. We want to ensure that landlords' properties are protected while preventing tenants from being evicted without due process. This is about professionalizing the rental ecosystem ahead of international scrutiny during Visit Malaysia 2026."

- **YB Nga Kor Ming, Minister of Housing and Local Government (KPKT)**

Source: The Star / PropertyGuru Market Outlook 2026



Compliance: The End of 'Under-the-Table' Rentals

Digital footprints for rental transactions are now mandatory for all landlords earning over a certain threshold, effectively merging the informal rental market into the formal tax net. Rental income transparency is no longer optional.

"LHDN's move toward e-invoicing means the 'shadow economy' of residential rentals is closing. Landlords must treat their rental units as a formal business entity, ensuring every Tenancy Agreement is not just signed, but legally stamped to be admissible in court."

- **Tax Experts at YYC Group / LHDN Compliance Briefing (2026)**

Source: EdgeProp Malaysia News - 'Tax Transparency in Real Estate'



The 'Airbnb' Reality Check: Regulation & Restrictions

The '180-Day Rule': Selangor has led the charge by capping STRA operations to a maximum of 180 days per year to preserve neighborhood peace. Strict local council guidelines and Management Corporation (MC) supremacy now rule.

"STRA is a hospitality business operating in a residential zone. We are not banning it, but we are regulating it. If a Management Corporation (MC) decides through its bylaws to prohibit short-term stays, that decision is legally binding and takes precedence over an individual owner's right to rent."

- **Ng Suee Lim, Selangor State Exco for Local Government and Tourism**

Source: Selangor Journal - 'Official Guidelines for STRA Operations (2026 Update)'



Market Professionalism: Curbing 'Illegal Brokers'

As the rental market becomes more litigious (due to the RTA), the risk of using 'unregistered brokers' has skyrocketed. MIEA is pushing for higher compliance among those facilitating rentals.

"In a regulated environment, a 'handshake deal' is a liability. We are seeing a surge in rental disputes where the intermediary was unlicensed, leaving both landlord and tenant with no legal recourse. Professionalism is the only way to safeguard your investment in 2026."

- **Tan Kian Aun, President of the MIEA**

Source: MIEA Annual Real Estate Convention (MAREC 2026)

The Malaysian rental market is fundamentally divided into tenancies and leases under the National Land Code, where a tenancy is defined as a contractual license for durations under three years that requires no registration or title endorsement. In contrast, a lease for terms exceeding three years must be registered via Form 15A, providing proprietary protection endorsed on the title or Geran and allowing it to be used as financing collateral. Standard market practice for these agreements involves a 3.5-month upfront deposit, although commercial units may require higher utility deposits due to increased rates.

From a tax perspective, landlords must distinguish between passive rental income under Section 4(d), which allows deductions for expenses like assessment and insurance, and business rental income under Section 4(a), applicable when active management or multiple units are involved. Furthermore, an 8% service tax under Group K is mandatory for non-residential leasing businesses with an annual turnover exceeding RM1,000,000 effective July 1, 2025.

Moving forward into the short-term rental sector, the approach of Visit Malaysia 2026 has shifted the Short-Term Rental Accommodation (STRA) landscape from an unregulated market to a strict licensing era.

A common misconception is that a commercial title provides an absolute right to operate, but the Federal Court in *Innab Salil & Ors v Verve Suites Mont Kiara* ruled that strata by-laws override land title permissions. If a Management Corporation votes with a 75% majority to ban short-term stays, the ban is legally binding as STRA is classified as a license rather than a tenancy. To address housing shortages, states like Selangor are proposing 180-day annual caps, mirroring global benchmarks in cities like London and Tokyo. Additionally, hosts face an invisible risk because standard residential fire policies are invalid for commercial activity, necessitating upgrades to commercial insurance or Public Liability Insurance.

In addition to these regulatory shifts, the year 2026 marks the implementation of the Stamp Duty Self-Assessment System (SDSAS), which moves the responsibility for duty calculation entirely from LHDN to the taxpayer. Filing via the MyTax Portal triggers a "Deemed Assessment," making the payer legally bound to the accuracy of the submission. This system feeds into LHDN's "Audit Triangulation" strategy, where stamped tenancy data is cross-referenced with mandatory e-invoicing and digital bank trails to automatically flag non-compliance.

Consequently, Malaysia is observing international models like Queensland, Australia, where security deposits are lodged in government-managed accounts to ensure transparency. While 2026 serves as a grace period, the reality of 2027 will introduce penalties of up to 100% for under-declaration and fines up to RM10,000 for unstamped documents.

Next, the professionalization of the industry is being further driven by the upcoming Residential Tenancy Act (RTA), which aims to replace the archaic Contract Act 1950 with a balanced "Security of Tenure" model. YB Nga Kor Ming, Minister of Housing and Local Government, emphasizes that the RTA provides a neutral ground to protect properties while preventing arbitrary evictions. Simultaneously, tax experts note that the "shadow economy" of residential rentals is closing due to e-invoicing, requiring landlords to operate as formal business entities. MIEA President Tan Kian Aun also warns that in this increasingly litigious environment, using unregistered brokers is a significant liability as it leaves parties with no legal recourse. This shift toward transparency is closely aligned with global ESG goals, particularly the social pillar which promotes anti-discrimination in tenant screening.

Ultimately, the Malaysian real estate sector is transitioning toward a highly regulated and professionalized ecosystem where sustainability and governance are fundamental drivers of value. The convergence of the RTA, SDSAS, and mandatory e-invoicing signifies that compliance is no longer a choice but a prerequisite for market participation. Landlords and investors must urgently audit their current agreements, adjust cash flow models for deposit lodgement, and upgrade insurance coverage to mitigate risks. Properties that prioritize regulatory compliance and ESG principles will not only avoid severe penalties but will also attract higher institutional valuations and achieve long-term resilience in the face of future enforcement realities.

Reference

- *National Land Code: Tenancy vs Lease Framework.*
- *Malaysian Income Tax Act 1967: Section 4(a) & 4(d).*
- *Royal Malaysian Customs Department: 8% Service Tax Group K (2025).*
- *PLANMALAYSIA & Selangor State STRA Guidelines.*
- *Federal Court Case Citation: Innab Salil & Ors v Verve Suites Mont Kiara.*
- *LHDN Stamp Duty Self-Assessment System (SDSAS 2026) Manual.*
- *KPKT Ministerial Statements on Residential Tenancy Act (RTA).*
- *MIEA Professional Standards & MAREC 2026 Briefings.*
- *JLL 2024 Global ESG in Real Estate Report & Social Value Loop.*
- *Penalty Framework & Non-Compliance Costs (2027).*

Stay Connected for More Updates

This marks only the beginning. Our upcoming editions will feature further highlights together with the complete monthly bulletin, offering in-depth coverage on key topics to strengthen your understanding of the Malaysian property market.



Scan the QR code to explore
our latest research updates