

# TAX GUIDE FOR INDIVIDUALS

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## **1. CURRENT YEAR ASSESSMENT**

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The Income Tax Act, 1967 is amended to implement current year basis of assessment in year 2000 as compared to preceding year basis of assessment before.

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### **1.1 What Is Current Year Assessment**

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Under the current year assessment system, income derived in the current year will be assessed and liable to tax in the same year. With this change, it would mean that income derived in the year 2000 will be assessed to tax in the same year.

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### **1.2 Implication From Implementing Current Year Assessment**

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In the year 2000, you would have two years of assessment, namely:

- a) the basis period ending in the year 1999 (Assessment based on preceding year).
- b) the basis period ending in the year 2000 (Assessment based on current year).

This means that following the Year of Assessment 2000 on preceding year basis shall be the Year of Assessment 2000 on current year basis.

To relieve the burden on taxpayers from payment of income tax for 2 years in year 2000, the Government has agreed to waive income tax on the 1999 income. Tax that needs to be paid in year 2000 is based on income derived in the year 2000 only.

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### **1.3. Submission Of Return Form For Year Of Assessment 2000 Based On Preceding Year**

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Return Form for Year of Assessment 2000 based on preceding year income still has to be completed and submitted to IRB together with statement of remuneration, accounts and tax computation for business income even though income tax will be waived.

Capital allowances and losses brought forward will be set off against statutory income of that particular business even though no claim has been made. Tax payable will be determined but tax will be waived with the exception of a few types of income stated in para 1.4.

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### **1.4. Types Of Income Not Included In The Waiver**

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The waiver of tax for income is not given across the board to all income arising from the year 1999. The following income and categories of taxpayer are subject to tax :

- Dividend.
- Income which is subject to final withholding tax.
- Non-citizens and non-residents individuals who commence or cease employment in the year 1999.

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## **2. GENERAL**

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### **2.1 Income Tax**

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Income Tax is an amount of money which is taken from your earnings to help towards some of the cost of services we receive in this country. Everyone who earns or receives income exceeding a certain amount will be required to pay income tax. The tax payable for a tax year (a year of assessment) will be based on the income earned for that year. For example, for the tax year 2000 (Year of Assessment 2000 current year basis) you are required to declare your earnings for the year 2000.

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### **2.2 Income Chargeable To Tax**

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In general, you are required to pay tax on all kinds of earnings including :

- (a) Income from business, trade or profession.
- (b) Employment income: salary, wages, remuneration, fees, leave pay, commission, allowances, bonus, gratuities and benefits (whether in money or otherwise).
- (c) Income from investments/savings: mainly dividends and interest.
- (d) Income from letting of property/rental income.
- (e) Rateable value of living accommodation provided by the employer.
- (f) Payment from an unapproved pension fund with respect to employers contributions.
- (g) Compensation.

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### **2.3 Scope Of Chargeability**

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A resident individual will be tax on income earned in Malaysia and income received in Malaysia from outside Malaysia. However, a non-resident individual will be tax on income earned in Malaysia only.

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## **2.4 A Resident Taxpayer**

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Your residence status for tax purposes is not determined by nationality or citizenship but rather by your duration of stay in the country. Thus, if you stay in Malaysia for 182 days or more in a year, for example in the year 2000, you will be a resident for the year of assessment 2000 current year basis.

### **Example :**

Mr. John arrived in Malaysia on 1.4.2000 and stayed on till 15.11.2000 (total 229 days). Hence, Mr. John is resident for the Year of Assessment 2000 since he stayed in Malaysia for more than 182 days in the year 2000.

However, there are other circumstances whereby a person staying less than 182 days in the country can also be considered a resident for tax purposes. To help to determine whether you are a resident under these circumstances you can seek the advice of officers at the nearest IRB office or your tax consultant.

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## **2.5 Notify Chargeability To Tax**

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If you are taxable and have never received any income tax return form before, you must notify your chargeability to the nearest IRB office and request for an income tax return form.

If you already have an income tax file but have not received an income tax return form by 31st March, you must immediately write in to the IRB office (i.e. the office which issued you with the last return form) for a return form for the relevant year.

If you are a foreigner employed in this country, you must give notice of your chargeability to the nearest IRB office within 2 months of your arrival in Malaysia.

If you are a registered taxpayer, you must also inform the IRB office of any change in your address within 3 months from the date of change. Please quote your income tax reference number in all your correspondence with the IRB office.

### **LOCATION OF IRB OFFICES : APPENDIX A**

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## **2.6 Income Tax Return Form To Be Fill In**

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If you are a resident individual, you should use Form B. For a non-resident individual, you should use Form M.

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## 2.7 File In Tax Return

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You must on receiving a Return Form, complete and file in the return together with the necessary documents pertaining to your income to the IRB office within 30 days from the date indicated on your Return Form.

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## 2.8 Where To Send In Tax Return

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You should send your completed tax return to the IRB office indicated on the return form. You can send in your tax return free of postage using the envelope marked with the words "CUKAI PENDAPATAN". Please remember to inform the IRB office of any change in your correspondence address within 3 months from the date of the change.

### LOCATION OF IRB OFFICES : APPENDIX A

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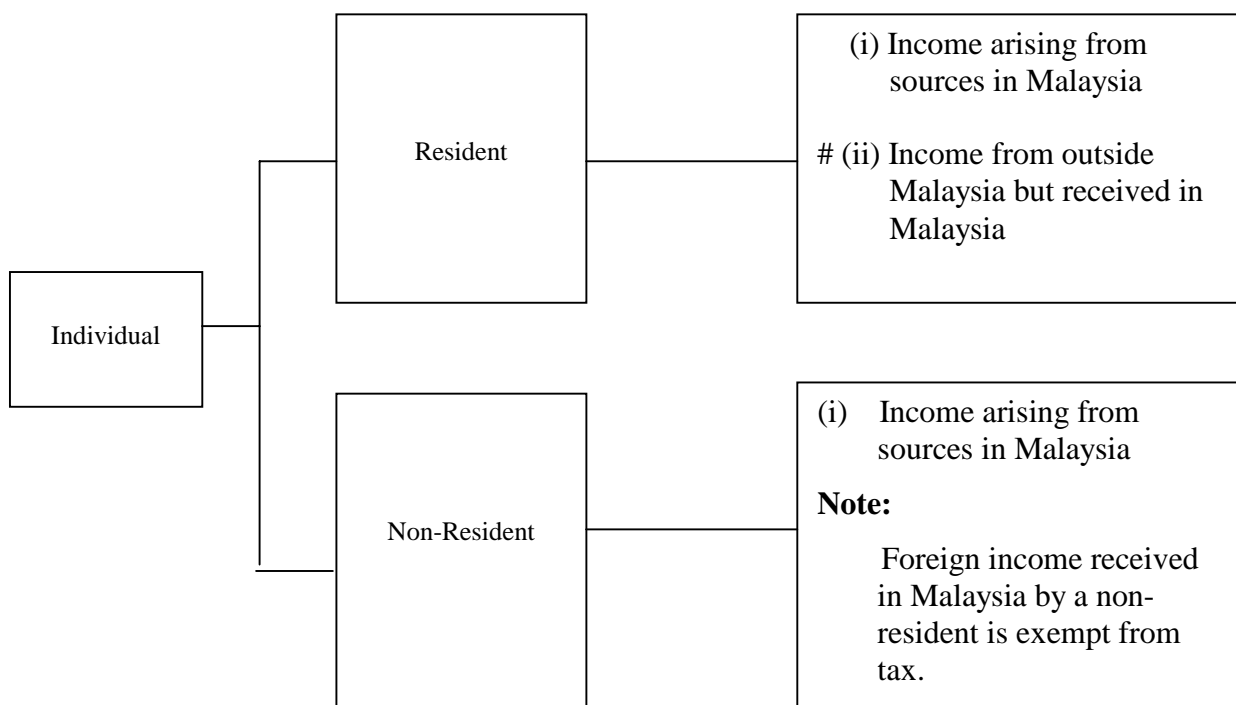
## 3. CHARGE TO TAX

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### 3.1 Scope Of Chargeability

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An individual's liability to tax depends on his residence status as shown below :



# If you are a resident and received foreign income which is taxed in Malaysia, relief will be given either under the Income Tax Act 1967 or the Double Taxation Treaty to eliminate double taxation.

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## 3.2 Types Of Income Chargeable To Tax

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You will normally pay tax on all kinds of earnings including :

### 3.2.1 Income from Business, Trade or Profession

Incomes from business, trade or profession are gains and profits from carrying on a business, trade or profession. Generally, such gains and profits include gross receipts from sale of goods or fees received from rendering of services. (See chapter 5 : Taxation of Business Income).

### 3.2.2 Employment Income:

The income of an employee from an employment can be in different types as follows:

- (a) Any wages, salary, remuneration, leave pay, fee, commission, bonus, gratuity, perquisite or allowance (whether in money or otherwise) in respect of having or exercising an employment.
- (b) An amount equal to the value of the use or enjoyment of any benefit or amenity (not being a benefit or amenity convertible into money) provided for the employee by or on behalf of the employer excluding benefits or amenities consisting of medical or dental treatment or leave passages within Malaysia not exceeding three times in a year or leave passage between Malaysia and any place outside Malaysia not exceeding one passage in a year (subject to the maximum of three thousand ringgit), or a benefit or amenity used by the employee solely in connection with the performance of his duties or a benefit or amenity falling under sub-para (c).
- (c) An amount in respect of the use or enjoyment of living accommodations in Malaysia including living accommodations in premises occupied by the employer provided for the employee by or on behalf of the employer rent free or otherwise.
- (d) Any amount received by the employee whether before or after his employment ceases from an unapproved pension or provident fund as would not have been received if the employer had not made contributions in respect of the employee to such a fund.
- (e) Any amount received by the employee whether before or after his employment ceases by way of compensation for loss of the employment including any amount in respect of :

- (i) a covenant entered into by the employee restricting his right after leaving the employment to engage in employment of a similar kind ;
- (ii) any agreement or arrangement having the like effect.

(See Chapter 4: Taxation of Employment Income)

### 3.2.3 Income from Savings/Investment

- (a) Interest

All interest earned from deposits in:

- (i) Savings account with a bank (except for Bank Simpanan Nasional) or finance company, and
- (ii) Fixed deposits account with a bank or finance company

are subject to tax. However certain types of interest are exempted from tax (please refer to para 8.5 on exemptions). However, if you are a resident individual, your interest which is not exempted would be subject to a withholding tax of 5% by the bank or finance company. You need not, therefore, declare such interest income in your tax return.

- (b) Dividends

You should declare your dividend at gross in your tax return e.g. if you received dividend from Syarikat ABC Sdn. Bhd. in the year 2000 amounting to RM72.00 after deduction of tax of RM28.00, you should declare RM100.00 and not RM72.00 in your return. However, you may set-off the tax of RM28.00 deducted at source from the tax which you have to pay on your overall income. Any excess credit will be refunded to you.

If you wish to make a claim for the tax credit in respect of tax deducted at source received from Syarikat ABC Sdn. Bhd., you must submit all original dividend vouchers and declare in the tax return for Year of Assessment 2000 as follows :

<i>Date</i>	<i>Name of Company</i>	<i>Net Dividend As Per Voucher RM</i>	<i>Self</i>		<i>Wife</i>	
			<i>Gross Dividend</i>	<i>Tax Deducted</i>	<i>Gross Dividend</i>	<i>Tax Deducted</i>
			<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
1.3.2000	Syarikat ABC Sdn. Bhd.	72.00	100.00	28.00	-	-

	<b>Total</b>	72.00	100.00	28.00	-	-

Please make a complete and proper listing of all dividend vouchers to expedite finalisation of your tax liability or refund.

### 3.2.4 Rental Income

Rental income received from :

- (a) The letting out of premises (houses, shop houses, land) and
- (b) The hiring of plant, machinery, furniture etc.

is taxable.

You can claim certain expenses such as quit rent, assessment rates, repair and maintenance expenses, interest on loan taken to purchase the property and fees for rent collection against your rental income. As for statement of rental income and expenses, you have to declare it in columns provided in the tax return for that year of assessment. Example is shown as follows :

<i>Tick (✓) in the relevant box</i>						
<input type="checkbox"/>	<i>Rent</i>	<input type="checkbox"/>	<input type="checkbox"/>	<i>Royalty</i>	<i>Self</i> RM	<i>Wife</i> RM
<i>Premium</i>						
<b>RENTAL SOURCE (ADDRESS) ROYALTY OR PREMIUM</b>	No. 1 Jalan ABC		<b>GROSS [a]</b>	6,000		
	Taman XYZ					
			<b>TOTAL(RM)</b>			
<b>LESS : EXPENSES</b>			<i>(Self)</i>	<i>(Wife)</i>		
Quit Rent, Assessment Rates			300	-		
Fire Insurance Premium			80	-		
Repair and Maintenance			520	-		
Interest (on loan taken to purchase the property)			2,000	-		
<b>Sub total expenses [b]</b>			2,900		2,900	
<b>NET AMOUNT [a] – [b]</b>					3,100	

Please note that you cannot claim certain types of expenditure against your rental income including:

- (i) Capital repayment of loan.
- (ii) Cost of renovation and improvement to property.
- (iii) Agent fees for finding the tenant and legal fees on the tenancy agreement in relation to the **first tenant**.

### **3.2.5 Income From Occupation Of Residence (Non-Business Premises)**

If you are occupying any residence owned by you or a residence which is rent-free you will be assessable to tax on the rateable value of the premises. In the absence of the rateable value you will be assessed on the economic rent of the premises. However, you are entitled to claim in your return an exemption from tax on one residence owned and occupied by you.

If you own and occupy one house and your wife owns and occupies another house both you and your wife can enjoy exemption from tax if your wife is separately assessed.

However, when your wife's income is assessed in your name (combined assessment), the exemption from tax will be in respect of one residence only. The other owner-occupied residence will be assessed on its rateable value or in the absence of rateable value, the economic rent.

Rateable value generally refers to the annual value fixed by the local authorities. While, economic rent means the rent which the premises is expected to raise if let out.

If you are assessable on the rateable value or economic rent of the premise which is occupied by you, the following expenses incurred can be claimed by you:

- (a) Interest paid on loan obtained to acquire the premise.
- (b) Assessment rates, quit-rent and fire insurance premium.
- (c) Expenses incurred on repairs and maintenance of the premise.

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## **4. TAXATION OF EMPLOYMENT INCOME**

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### **4.1 Employment Income**

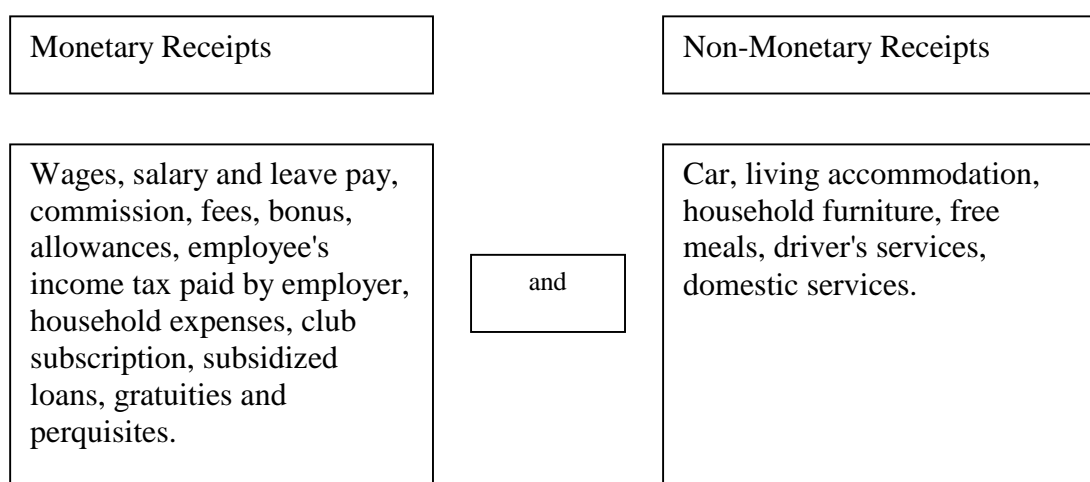
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The income of an employee from an employment includes wages, salary, remuneration, leave pay, fee, commission, bonus, gratuity, perquisite or allowance

(whether such items are paid in money or otherwise) in respect of having or exercising the employment.

The scope is very wide and includes virtually all forms of remuneration. All types of allowances, for example housing allowance, travelling allowance and entertainment allowance are to be included as gross income if it can be shown that such allowances arise out of exercising the employment.

In short the said income are as follows:



## 4.2 Benefits-In-Kind (BIK)

### 4.2.1 Motorcars And Related Benefits

#### 4.2.1.1.1 Motorcars And Fuel Provided

- (b) The value of the benefits for the private use of car and fuel provided will be based on the following table:

Cost of Car When New (RM)	Annual Value of BIK (RM)	Fuel Per Annum (RM)
Up to 50,000	1,200	600
50,001 - 75,000	2,400	900
75,001 - 100,000	3,600	1,200
100,001 - 150,000	5,000	1,500
150,001 - 200,000	7,000	1,800
200,001 - 250,000	9,000	2,100
250,001 - 350,000	15,000	2,400

350,001 - 500,000	21,250	2,700
500,001 and above	25,000	3,000

Cost here refers to the actual cost or market value of the car (rented/leased) including accessories but excluding financial charges, insurance premium and road tax.

Toll charges borne by the employers are deemed to be included in the value of BIK assessed for cars.

- (b) The value of the car benefit equivalent to half of the above rates is taken if the car provided is more than five years old but the value of fuel provided will remain unchanged.
- (c) The value of the benefit should be adjusted appropriately if the car is not provided throughout the basis year.
- (d) Employers should in all cases indicate in the individual employee's statement of remuneration the type, year, model and date the car is provided to the employee.
- (e) Employers should report the car and fuel benefits provided to the employees based on the above table. If an employee disputes the value as being excessive, he should take up the matter with the Assessment Branch concerned when filing in his Return Form. To substantiate the claim for business use, he must submit detailed and adequate records.

#### 4.2.1.2 Fuel Provided Without Motorcar

The benefit to be assessed is equivalent to the actual value of fuel provided.

#### 4.2.1.3 Driver Provided

Where a driver is provided, the value of the benefit is fixed at RM300 per month.

### 4.2.2 Household Furnishings , Apparatus & Appliances.

#### 4.2.2.1 Detailed Benefits:

Types of BIK	Annual Value of BIK
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(a) Semi-furnished with furniture in the lounge, dining room or bedroom.	RM840 (RM70 per month)
(b) Semi-furnished with furniture and one or more of the following: air-conditioners curtains carpet	RM1,680 (RM140 per month)
(c) Fully-furnished with benefits plus one or more of kitchen equipment, crockery, utensils and appliances.	RM3,360 (RM280 per month)
(d) Service charges and other bills such as for water, electricity and telephone.	Service charges and bills paid by the employer.

4.2.2.2 The values may be adjusted by reference to whether any or all of the above categories of furnishings are provided. Thus an employee provided with all the stated furnishings except those in category (a) will be assessed on the value of BIK of RM2,520 (RM3,360 - RM840).

4.2.2.3 These values may also be adjusted suitably by reference to the period provided. Where an employee is provided with the furnishings in category (a) with effect from 1.4.2000, then the value of BIK assessed for Year of Assessment 2000 (current year basis) will be for the period 1.4.2000 - 31.12.2000 amounting to RM630 (9 x RM70).

4.2.2.4 Appropriate adjustment on the value of BIK may be made, if the furnishings/apparatus/appliances are shared with other employees.

4.2.2.5 Where it is felt that the above values are excessive, the valuation by the employer of the benefit provided may be made by reference to the stated formula on an item-by-item basis. (Refer to para 4.2.4.1)

4.2.2.6 Fans and water heaters are disregarded as they are treated as forming part of the residential premises.

4.2.2.7 Other assets provided to employees for entertainment, recreation or other purposes such as piano, organ, television, stereo set, swimming pool (detachable) etc. would constitute additional benefits and should be separately valued based on the formula. (Refer to para 4.2.4.1).

### 4.2.3 Other Benefits and Tax Exempt Benefits

4.2.3.1 Other Benefits

Types of BIK	Annual Value of BIK
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(a) Mobile telephone (rental & charges)	RM600
(b) Gardeners	RM3,600
(c) Domestic servants	RM4,800
(d) (i) Interest-free loan (ii) Subsidised loan/interest below the market value rate	(i) Value of interest paid by employer (ii) Subsidised loan interest paid by employer
(e) Insurance premium	Annual insurance premium paid by employer excluding: (i) Premiums which are obligatory for foreign workers in lieu of contributions to SOCSO. (ii) Group Policy Insurance premiums for workers in case of accident/injury.
(f) School/tuition fees	Actual school/tuition fees paid by employer.
(g) Membership in recreation clubs	Membership fees paid by employer.

#### 4.2.3.2 Tax Exempt Benefits

- (a) Goods and services offered at a lower price or at a discount.
- (b) Food and drinks provided/subsidised.
- (c) Free transport.
- (d) Child care facilities.
- (e) Medical/Dental benefits.
- (f) Leave passages:
  - (i) Within Malaysia not exceeding three times in any calendar year.
  - (ii) Outside Malaysia not exceeding one passage in any calendar year subject to the maximum of RM 3,000.

#### 4.2.4 Other Benefits Not Listed

- 4.2.4.1 If there are other facilities or benefits provided to the employees, the amounts so provided should be reported by the employer based on the formula as follows:

- (a) Generally, the annual value of a given benefits-in-kind provided is computed by reference to the following formula:

$$\frac{\text{Cost of the asset providing benefit/amenity}}{\text{Prescribed average life span of asset}} = \text{annual value of benefit}$$

Cost means the actual cost incurred by the employer or market value of the asset. Thus, in the case of an asset costing RM10,000 and having a life span of 10 years, the annual value would be RM1,000.

- (b) **The prescribed life span** of the various assets are as follows:

Asset	Prescribed Average Life Span (Years)
(i) Motorcar	8
(ii) Furniture and Fittings - Curtains, carpets Furniture, sewing machine Air-conditioner Refrigerator	5 15 8 10
(iii) Kitchen Equipment i.e. crockery, rice cooker, electric kettle, toaster, coffee maker, gas cooker, cooker hood, oven, dish-washer, washing machine, dryer, food processor etc.	6
(iv) Entertainment and Recreation - Piano Organ Television, video player, stereo set Swimming pool (detachable), sauna	20 10 7 15
(v) Miscellaneous - Mobile telephone	5

4.2.4.2 Shares Option Scheme (SOS) - Benefit derived from SOS is taxable as additional income. Under the current practice all employers are required to inform IRB immediately after SOS is launched. After SOS has been scrutinized and value of the benefit agreed by the IRB, the employer will issue the relevant EC form/Notification separately for each employee.

**4.2.5 Any claim for deductions in respect of official use of any BIK must be taken up and substantiated by the employee in submitting his Return Form.**

If you receive benefits-in-kind, the value of benefits or amenities-in-kind would be shown in the statement of remuneration (EA/EC) provided by your employer. This EA/EC form is to be submitted together with your tax return.

### **Deductible Expenses**

Expenses incurred in the performance of your work are deductible against your income from employment. Certain common expenses which may be claimed by you are :

- **Travelling Expenses** which you have incurred on traveling in the course of performing your duties. Such expenses are normally allowed deductions from the fixed allowance received from your employer. Reimbursement for actual expenses is not taxable on you nor will the expenses incurred be allowed. However, you cannot claim for the expenses of travelling between your home and place of work.
- **Entertainment Expenses** which you have incurred in entertaining existing clients on behalf of your employer. These expenses are allowed deductions from the fixed allowance received from your employer. If you are reimbursed by your employer for actual expenses incurred, then you cannot make a claim nor will the reimbursement be taxable on you.
- **Annual Subscriptions** which you have to pay to professional bodies if membership to such bodies is relevant to your employment status.

**All claims for deduction must supported by original receipts.**

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## **4.3 Value Of Living Accommodation**

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4.3.1 The value of any living accommodation including accommodation in premises occupied by the employee provided in Malaysia by the employer is to be included in the employee's gross income.

4.3.2 In the case of all employees and directors except directors (not service directors) of controlled companies, the value to be taken into account in arriving at the gross income from the employment for the basis period in respect of provision of living accommodation is the **defined value** of the accommodation or 30% of the employee's gross income from the source i.e. wages, salary, remuneration, leave pay, fee, commission, bonus, gratuity, perquisite or allowance (whether in money or otherwise) in respect of having or exercising the employment for the basis period, whichever is less.

(a) Defined value is :

- (i) where the accommodation is not affected by any written law providing for the restriction or control of rents and the person providing the accommodation holds the accommodation on lease, the rent which is or would have been paid if the

accommodation is or had been unfurnished and the lessor and lessee were independent persons dealing at arm's length;

(ii) in any other case the rateable value or in the absence of a rateable value, the economic rent.

(b) The economic rent is the rent at which premises might reasonably be expected to be let if :

(i) the lessor covenanted to pay the cost of fire insurance, public rates and work of repair and maintenance (being work which would normally be included in a covenant to repair and maintain if such a covenant were entered into by a lessor dealing at arm's length); and

(ii) any written law providing for the restriction and control of rents were disregarded.

4.3.3 The value of living accommodation will, therefore, be the value of accommodation provided unfurnished. The value of any furniture provided by the employer would be an amenity and would be included as gross income from the employment as in para 4.2.2 above. The 30% restriction referred to would, therefore, apply only in respect of the accommodation provided unfurnished, any value for the amenity provided in the way of furniture must be included in addition to the 30% in calculating gross income.

4.3.4 Where the living accommodation provided for any employee or director except a director (not a service director) of a controlled company in:

(a) a hotel, hostel or similar premises; or

(b) any premises on a plantation or in a forest; or

(c) any premises which, although in a rateable area, are not subject to rates,

an amount equal to 3% of the gross income is to be included as gross income from the employment for accommodation. Further adjustment may be necessary for services and other facilities provided.

4.3.5 Government officers in occupation of assisted accommodation e.g. mess, chalet or hotel and officers in occupation of rented premises from the private sector will be charged on 3% on gross income from the employment without any deduction for the rent charged by government. However, where officers occupying government quarters have to pay economic rental based on ruling, the value of such accommodation (government quarters) should not be taken into assessment. Housing allowance payable will be included as gross income from employment.

4.3.6 (a) Where the property is owned by the statutory body and it is being provided either rent free or at nominal rental to the employee, the value of such accommodation should be assessed at 3% of gross employment income.

- (b) Where the property is owned by the statutory body and the employee occupying it has to pay an economic rental based on ruling, value of accommodation should not be taken into assessment.
- (c) Where living accommodation is provided in a property which is rented by the statutory body and the employee is charged no rent or at a nominal rent for occupying it, the value of such accommodation shall also be determined at 3% on gross employment income.

4.3.7 If :

- (a) the accommodation is shared with other employees; or
- (b) the employee is required to live in that particular premise; or
- (c) the employee is required or expected by the employer to use part of the accommodation for advancing the interests of the employer e.g. by way of entertaining and for that reason the accommodation is larger than would otherwise be the case,

the defined value of the accommodation can be appropriately reduced to an amount which is just and reasonable in all the circumstances.

4.3.8 If the accommodation is provided for less than 12 months, the amount to be taken into account in the gross income from the employment is that amount which is just and reasonable in all the circumstances of the case.

It is the period for which the accommodation is provided and not the actual period of occupation which is relevant.

#### 4.4 Gross Income From An Employment Source

(a) Example I:

An employee has income from his employment for year ended 31<sup>st</sup>. December 1999 as follows:

	RM
Salary	8,000
Cost of living allowance	2,400
Accommodation provided by employer/ rateable value (Government Quarters/Property owned by the Statutory Body)	7,000

His gross income from employment for the basis period for the year ended 31st.

December 1999 will therefore be :

	RM
Salary	8,000
Cost of living allowance	2,400
	<hr/> 10,400
Accommodation (12 months) 3% of RM10,400	312
	<hr/>
Gross employment income	10,712
	<hr/>

For government quarters or government rented premises or property owned by the statutory body, value of 3% should not be taken into consideration if the employee has to pay an economic rental based on ruling.

(b) Example II:

An employee has income from his employment for the year ended 31<sup>st</sup>. December 1999 as follows:

	RM
Salary	12,000
Bonus	2,000
Tips	500
Local travelling allowance	500
Unfurnished accommodation provided for himself and his family for 12 months (Rent paid by employer)	4,600
Free clothing provided by employer	500
Medical treatment paid for by employer	400
	<hr/> 20,500
	<hr/>

The gross income from the employment for basis period for the year ended 31<sup>st</sup>. December 1999 will be :

	RM
Salary	12,000
Bonus	2,000
Tips	500
Travelling allowances	500
Free clothing	500
(value of medical treatment	

is not included as gross income)

	<u>15,500</u>
Accommodation RM4,600 or 30% of the above income whichever is the less i.e.	4,600 (30% of RM15,500 = RM4,650)
	<u>20,100</u>

If the accommodation had been shared with one other employee the value to be brought into the computation of gross income would be RM2,300. The defined value is RM4,600 and this sum divided by two would give a figure of RM2,300. If the accommodation had been provided for four months only in the basis period, the value to be taken into account in determining gross income would be RM1,533 ( $1/3 \times RM4,600$ ).

(c) Example III:

A director (not a service director) of a controlled company has the following employment income for the year ended 31st. December 1999:

	RM
Salary	15,000
Fees	10,000
Expenses allowance	3,000
Medical and dental treatment for self and family paid for by company	500
Unfurnished accommodation provided for 12 months	12,000
Amah employed by company for director	2,500
Driver's wages paid by company	2,000
Car provided by company including all petrol and running expenses	4,800 (half - used for company purposes)

The gross income for the basis period for the year ended 31st. December 1999 will be :

	RM
Salary	15,000
Fees	10,000
Expenses allowance	3,000
Car	2,400 ( $1/2 \times 4,800$ )

Amah's wages	2,500
Driver's wages	1,000 (1/2 x 2,000)
Accommodation	12,000 (no restriction of 30% as this is a director of a controlled company)
	<hr/> 45,900 <hr/>

If the accommodation had been shared with other employees, RM12,000 would be proportionately reduced.

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## 5. TAXATION OF BUSINESS INCOME

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### 5.1 Self-Employed Individual

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A self-employed individual is a person who carries on a business or exercises a profession by having his own practice.

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### 5.2 Responsibility When Starting Business

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You should :

- (a) Keep accurate records of all your business transactions;
- (b) Maintain a proper set of records, books and accounts of your business;
- (c) Retain the following:
  - (i) receipts
  - (ii) invoices
  - (iii) bills
  - (iv) bank statements
  - (v) cheque stubs
  - (vi) business stock lists/records
- (d) Submit with your tax return for the year of assessment:
  - (i) a trading and profit and loss account,
  - (ii) a balance sheet,
  - (iii) explanation or details of the major items/transactions as in both of the trading, profit and loss account and balance sheet,

- (iv) computation of chargeable income and details of capital allowances claim,
- (v) tax computation.

Please notify the nearest IRB office of the commencement of your business and request for a Return Form if you have not been issued with one before.

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### 5.3 Gross Income From A Business Source

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Gross income from business includes :

- (a) receipts in cash for goods sold or services rendered;
- (b) all debts arising in respect of goods sold and services rendered;
- (c) receipts in kind;
- (d) recovery of trading debts written-off as bad;
- (e) insurance recovery for loss of profit.

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### 5.4 Adjusted Income From A Business Source

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Adjusted income from a business source is arrived at by deducting from gross income all deductible expenses for income tax purposes.

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### 5.5 Deductible Expenses

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Expenses must be genuinely expended for business purposes before they are deductible for income tax purposes. The following are some of the more common business expenses which qualify for deduction in arriving at adjusted income from a business :

- (a) **Wages and Salary** for staff employed in the business are allowable but salary drawn by the businessman himself is not allowable.
- (b) **Interest Payments** arising from loans/overdrafts taken and used for business purposes or spent on assets used in earning business profits are allowable. Where the businessman borrows money for the purchase of investments (e.g. shares or real property), such interest is not deductible against business profits.
- (c) **Rent Payable** on land or buildings occupied for purposes of producing gross business income.
- (d) **Repairs** to premises, plant, machinery or fixtures which are used in the business are allowable while repairs to his private residence are not.
- (e) **Insurance Premiums** paid in respect of policies insured against indemnity or damage to or loss of business assets (including loss of business profits) may be

allowed as a deduction. However, where the businessman takes life policies on himself or any member of his family, the premiums are not allowable against business profits.

- (f) **Bad Debts** written off in a particular year in relation to trade debts which proved irrecoverable are allowable.
- (g) **Provisions for Specific Debts** (trade debts) which are estimated to be irrecoverable are allowable.
- (h) **Legal and Other Professional Fees** incurred in respect of the business e.g. where the services of a lawyer were engaged to enforce a trading contract or to recover trading debts are allowable. Legal expenses not directly concerned with producing business profits are not deductible e.g. legal fees for purchase of his residence. Even the costs of appeals against income tax assessments are not allowable.
- (i) **Contributions towards an approved provident fund** scheme or society for employees (e.g. EPF).

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## 5.6 Specific Deductible Expenses

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(a) **Employers expenditure in equipment to assist disabled employees**

Expenses incurred on the provision of any equipment to assist disabled employees in the performance of his duties.

(b) **Expenditure for national language publications**

Expenses incurred in respect of translation into or publication in national language of cultural, literary, professional, scientific or technical books approved by the Dewan Bahasa dan Pustaka.

(c) **Contributions to libraries**

Expenses incurred on the provision of library facilities, which are accessible to the public and contributions to public library, school or institutions of higher learning. (The expenses deducted shall not exceed RM100,000).

(d) **Expenditure on providing services, public amenities or contributions to charity or community project**

Expenses incurred on the provision of services, public amenities or contributions to a charity or community project pertaining to education, health, housing or infrastructure approved by the Minister.

(e) **Employers expenditure on child care centre to the benefit of the employee**

Expenses incurred on the provision and maintenance of a child care centre (not being capital expenditure) for the benefit of the employees.

**(f) Contribution to establishing and managing a musical or cultural group**

Expenses incurred in establishing and managing a musical or cultural group approved by the minister.

**(g) Expenditure for sponsoring any arts or cultural activity**

Expenses incurred in sponsoring any arts or cultural activity approved by the Ministry of Culture, Arts and Tourism. (The expenses deducted shall not exceed RM200,000).

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**5.7 Non Deductible Expenses**

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The following expenses are not allowed as a deduction against profits in arriving at the adjusted income of the business :

- (a) domestic or private expenses e.g. wages paid to a domestic-help employed to work in his home, cost of travelling from home to place of business and drawings from business for private use.
- (b) capital withdrawn or any sum used or intended to be used as capital, e.g. payments for purchase of fixed assets or private assets (private residence, cars, shares).
- (c) free leave passage provided to employees.
- (d) entertainment expenditure including entertainment allowances paid to employees.
- (e) payments made to any unapproved pension or provident fund for his employees.
- (f) general provision for doubtful debts or non-trading bad debts written off.
- (g) depreciation of fixed assets.
- (h) bonus payment to an employee in excess of two-twelfths of his wages or salary (with effect from 17.10.1997).

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**5.8 Tax Incentives**

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Under the Promotion of Investments Act 1986, the following incentives are available to self- employed individuals solely engaged in the promoted agriculture activity:

- (a) Pioneer Status

(b) Investment Tax Allowance

Any clarification and further information on the types of incentives that can be enjoyed by you can be obtained at the nearest IRB office.

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## **6. CAPITAL ALLOWANCE FOR PLANT, MACHINERY AND INDUSTRIAL BUILDING**

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In addition to the deduction of business expenses a further deduction in the form of capital allowance is made against the income from the business.

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### **6.1 Capital Allowance**

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Capital allowance is a deduction given annually against business profits in respect of :

- (i) Cost of plant and machinery (e.g. van, cash register, office furniture) which is acquired and used in the business;
- (ii) Cost of industrial building.
  - (a) An industrial building is a building which is used for the purpose of a business and;
    - (1) It is used as a factory.
    - (2) It is used as a dock, wharf, jetty or similar building.
    - (3) It is used as a warehouse and the business consists or mainly consists of the hire of storage space to the public.
    - (4) The business is that of a water or electricity undertaking for consumption by the public.
    - (5) It is used in connection with the working of a plantation and the business consists mainly of the working of the plantation.
    - (6) It is used in connection with the working of a mine and the business consists mainly of the working of the mine.
  - (b) Other industrial building used for the purpose of business and it is:
    - (1) A building provided for the employees as a canteen, restroom recreation room, lavatory, bathhouse or washroom, where there is already an industrial building.
    - (2) A building provided for the welfare or as living accommodation for the employee, employed in connection with the working of a farm. The building is likely to be of little or no value to any

person except in connection with the working of that farm or of another farm.

- (3) A building constructed by an employer who has an industrial building in use in the basis period and the new building is provided by him as living accommodation for his employee who is not a member of the management, administration or clerical staff of that business.
- (4) A licensed private hospital, maternity home and nursing home.
- (5) A building used for research or training.
- (6) A building used for approved service project.
- (7) Capital expenditure on the construction, reconstruction, extension or improvement of any public road and ancillary structures which expenditure is recoverable through toll collection.
- (8) A building provided for living accommodation for individuals employed by a person carrying on a manufacturing, hotel or tourism business or an approved service project under the provision of investment allowance for service sector.
- (9) A building provided for child care facilities for employees of the business.
- (10) A building for a school or an educational institution approved by the Minister of Education or any relevant authority.
- (11) A building for the purposes of industrial, technical or vocational training approved by the Minister.
- (12) A building or part thereof used by a person solely for the purpose of storage of goods for export or for the storage of imported goods which are to be processed and distributed or re-exported.

This allowance is given in lieu of the depreciation charged in the profit and loss account, which is not allowed as a deduction against business profits.

#### **CAPITAL ALLOWANCES RATES : APPENDIX B1 AND B2**

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### **6.2 Capital Allowance Computation**

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Capital allowance rate and structure for plant and machinery is revised in order to simplify the computation of capital allowance. The initial capital allowance is maintained at the current rate of 20% while the annual capital allowance is reduced

into 3 classes and 3 rates only. The new rates will be implemented with effect from Year of Assessment 2000 current year basis. **Please refer Appendix B2.**

(a) **Plant And Machinery**

**Capital allowance for plant and machinery is computed as follows :**

**First year ( year of purchase) :**

Initial Allowance - 20 % on cost (Imported heavy machinery after 17-10-1997 Initial Allowance - 10%).

Annual Allowance - a specified rate (as prescribed) on cost (Appendix B1 and B2).

**Subsequent Years :**

Annual Allowance - a specified rate (as prescribed) on cost until the whole cost is written off (Appendix B1 and B2).

(b) **Industrial Building**

**Capital allowance for industrial building is as follows:**

- **If the building is constructed**

**First year (year of construction):**

Initial Allowance - 10% on cost of asset.

Annual Allowance - 2% on cost of asset.

**Subsequent year:**

Annual Allowance - 2% on cost of asset.

- **If the building is purchased**

**First year (year of purchase):**

Initial Allowance – NIL

Annual Allowance - Based on the Permitted Fraction.

Permitted Fraction is :  $\frac{1}{\text{Purchase}}$  x Cost of

No. of years from Year of Assessment in the basis year for which the building was purchased to the fiftieth Year of Assessment after the Year of Assessment in the basis year for which the building was constructed.

### Subsequent Years:

Annual Allowance - Based on the Permitted Fraction.

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#### 6.3 Sale Of Plant, Machinery Or Industrial Building

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If the plant is sold for a sum below the tax written-down value (cost of plant less allowances given), the difference between the tax written-down value and the sale price will be allowed to you as a balancing allowance. But if the plant is sold for a sum exceeding the written-down value, the difference between the sale price and the tax written-down value will be added on to your income from the business as a balancing charge. The same applies when an industrial building is sold.

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#### 6.4 Capital Allowance Deduction

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Capital allowance is deducted against the adjusted income of a business.

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#### 6.5 Capital Allowance Claim For Plant and Machinery

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You may make a claim on capital allowance for plant and machinery in the appropriate column as provided for in the Return Form. Your initial claim should be supported by a statement showing relevant particulars of the plant/machinery.

#### Example :

#### Capital Allowance Computation for Plant and Machinery

Asset	Cost [RM]	Annual Allowance Rate [%]
Motor Van (with commercial license) purchased in June 1996	20,000	20 %
Cash Register purchased in June 1997, sold in March 2000 for RM 1,000.	4,000	10 %

#### Motor Van

Year of Assessment	Capital Expenditure [RM]	Initial Allowance [RM]	Annual Allowance [RM]	Balance Tax Written-Down Value [RM]
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1997	20,000	4,000	4,000	12,000
1998	-	-	4,000	8,000
1999	-	-	4,000	4,000
2000 (Preceding Year)	-	-	4,000	-
2000 (Current Year)	-	-	Nil	-

### Cash Register

Year of Assessment	Capital Expenditure [RM]	Initial Allowance [RM]	Annual Allowance [RM]	Balance Tax Written-Down Value [RM]
1998	4,000	800	400	2,800
1999	-	-	400	2,400
2000 (Preceding Year)	-	-	400	2,000
2000 (Current Year)	-	-	-	-

As the asset is sold for RM 1,000 in March 2000, a balancing allowance of RM 1,000 (2,000 - 1,000) will be allowed for the Year of Assessment 2000 (Current year).

## 6.6 Capital Allowance Claim For Industrial Building

You may make a claim on capital allowance for industrial building in the appropriate column as provided in the Return Form as in para 6.5.

### Example Of Computation Of Capital Allowance For Industrial Building.

An individual A constructed an industrial building on his land cost RM20,000 in the basis year ending 31.12.1997. The building was used in his business. In the basis year ending 31.12.2000, the building is sold to individual B for RM15,000.

#### Individual A: Capital Allowance For Industrial Building

Year of Assessment	Capital Expenditure (Construction) [RM]	Initial Allowance [RM]	Annual Allowance [RM]	Balance Tax Written-Amount Value [RM]
1998	20,000	2,000	400	17,600
1999	-	-	400	17,200
2000 (Preceding year)	-	-	400	16,800

2000 (Current year)	-	-	-	-
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As the building is sold in the basis year ending 31.12.2000 for RM15,000, balancing allowance of RM1,800 (16,800 - 15,000) will be allowed for Year of Assessment 2000 (Current year).

### **Individual B : Capital Allowance For Industrial Building**

<b>Year of Assessment</b>	<b>Capital Expenditure [RM]</b>	<b>Initial Allowance [RM]</b>	<b>Annual Allowance [RM]</b>	<b>Balance Tax Written-Down Value [RM]</b>
2000 (Current year)	15,000	NIL	313	14,687

Annual Allowance for Year of Assessment 2000 (current year): (Permitted Fraction x Cost of Purchase)

$$1/48 \times 15,000 = 313$$

48 is the number of Years of Assessment from Year of Assessment of purchased that is Year of Assessment 2000 (current year) to the Year of Assessment 2047.

## **7. BUSINESS LOSS**

### **7.1 Business Loss**

Business loss generally refers to the deficit of all the outgoing and expenses over the receipts of a business for a period.

For income tax purposes, where all the allowable outgoing and expenses exceed all the taxable receipts of the business for a particular year the result is known as the adjusted loss from the business.

### **7.2 Deduction For The Adjusted Loss**

If your business sustains an adjusted loss, the adjusted loss can be deducted from the aggregate income from all sources. However, where the adjusted loss sustained for a particular year cannot be fully deducted from the aggregate income from all sources, the balance of unabsorbed adjusted loss is carried forward to the following year and is available for deduction against the aggregate income from business sources only.

The following example illustrates the method in which business adjusted losses are deducted.

	<b>Year of Assessment 2000 (Preceding Year) [RM]</b>	<b>Year of Assessment 2000 (Current Year) [RM]</b>
Business A - Adjusted Income	30,000	8,000
Business B - Adjusted (loss)/Income	(60,000)	2,000
Employment	5,000	8,000
Rent	2,000	4,000

<b>Year of Assessment 2000 (Preceding Year)</b>	<b>RM</b>
Business A	30,000
Business B	Nil
Employment	5,000
Rent	2,000
	<hr/>
	<b>37,000</b>
<b>Less : Adjusted Loss in respect of Business B</b>	<b>(60,000)</b>
Unabsorbed loss carried forward	<u>(23,000)</u>
<b>TOTAL INCOME</b>	<b>NIL</b>
<hr/>	
<b>Year of Assessment 2000 (Current Year)</b>	<b>RM</b>
Business A	8,000
Business B	2,000
	<hr/>
	<b>10,000</b>
<b>Less : Unabsorbed loss brought forward</b>	<b>(23,000)</b>
Unabsorbed loss carried forward	<u>(13,000)</u>
Business A + B	<hr/> <b>Nil</b>
Employment	8,000
Rent	4,000
	<hr/>
<b>TOTAL INCOME</b>	<b>12,000</b>
<hr/>	
<p>The unabsorbed loss of RM 13,000 is carried forward and is available for deduction against the aggregate income from business sources for future years.</p>	

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## **8. INCOME EXEMPT FROM TAX**

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### **8.1 Employment Income Earned By Short-Term Visitors**

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A short-term visitor to Malaysia is given tax exemption in respect of his income from an employment exercised in Malaysia if :

- (a) He is not resident in Malaysia for tax purposes in a particular year; and
- (b) He exercises an employment for not more than 60 days in that year; and
- (c) The employment income is derived from Malaysia for not more than 60 days in that year.

However, this exemption will not apply to remuneration received by a non-resident public entertainer (e.g. professional entertainer, artiste) in respect of services performed or rendered in Malaysia.

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### **8.2 Pensions**

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Pensions received by individuals are exempt under the following conditions :

- (a) If he retires at the age of 55 or at the compulsory age of retirement under any Malaysian written law; or
- (b) If he retires earlier due to ill health.

Where an employee in the public sector elects for optional retirement, his pension will be taxed until he attains the age of 55 or the compulsory age of retirement under any Malaysian written law. Where an individual receives more than one pension, the exemption is restricted to the higher or highest pension received by him.

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### **8.3 Retiring Gratuity**

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The full amount of gratuity received by an employee on retirement from employment is exempt :

- (a) If he retires due to ill health.
  - (b) If he is an employee in the public sector who has opted for optional retirement or on termination of employment contract.
  - (c) If he retires at the age of 55 or at the compulsory age of retirement under any Malaysian written law provided that he has been in the service of the same employer for at least 10 years.
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## 8.4 Compensation For Loss Of Employment

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Compensation paid to an employee is fully exempt from tax if the payment is made on account of loss of employment due to ill-health.

However, if the payment is made under other circumstances, an exemption of RM 4,000 per completed year of service with the same employer is allowed.

For example, on termination of his employment Encik Ali received RM 27,000 as compensation for loss of employment. He had served the company for 6 years and 10 months prior to his termination. The amount of compensation for loss of employment to be exempted is calculated as :

$$\text{RM } 4,000 \times 6 = \text{RM } 24,000.$$

Therefore, RM 3,000 (RM 27,000 - RM 24,000) will be taxed as part of his gross income from employment for the relevant year.

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## 8.5 Interests

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For purposes of the 5% withholding tax, an individual resident in Malaysia is exempt from tax in respect of the following interest (or gains or profits in the case of the Interest-Free Banking Scheme) :

- (a) Interest that accrues in respect of any savings deposit with Bank Simpanan Nasional (BSN).
- (b) Interest or bonus which accrues in respect of money deposited with BSN under the "Save As You Earn" scheme.
- (c) Interest which accrues on saving deposits of up to RM 100,000 with a registered cooperative society, Bank Pertanian Malaysia, Malaysia Building Society Berhad, Borneo Housing Mortgage Finance Bhd. or with any other institution approved by the Minister of Finance.
- (d) Bonus which accrues in respect of money deposits in any savings account with Lembaga Tabung Haji.
- (e) Interest which accrues on savings deposits of up to RM100,000 with a bank or finance company licensed under Banking and Financial Institutions Act 1989 (BAFIA 1989).
- (f) Interest which accrues in respect of any fixed deposit account (including negotiable certificates of deposits) of up to RM100,000 for a period not exceeding twelve months with Bank Pertanian Malaysia, Bank Kerjasama Rakyat Malaysia Bhd., Bank Simpanan Nasional (BSN), Borneo Housing Mortgage Finance Bhd., Malaysia Building Society Bhd. or a bank or finance company licensed under BAFIA 1989.

- (g) Interest which accrues in respect of any fixed deposit account for a period exceeding twelve months with Bank Pertanian Malaysia, Bank Kerjasama Rakyat Malaysia Bhd., BSN, Borneo Housing Mortgage Finance Bhd., Malaysia Building Society Bhd. or a bank or finance company licensed under BAFIA 1989.
- (h) Gains or profits which accrues on deposits of up to RM100,000 in respect of money deposited in any savings account under the Interest-Free Banking Scheme (IFBS) with a bank or finance company licensed under BAFIA or the Islamic Banking Act 1983, Bank Kerjasama Rakyat Malaysia Bhd. and Bank Simpanan Nasional.
- (i) Gains or profits which accrues in respects of money deposited in any investment account of up to RM100,000 for a period not exceeding twelve months with a bank or finance company licensed under BAFIA or the Islamic Banking Act 1983, Bank Kerjasama Rakyat Malaysia Bhd. and Bank Simpanan Nasional.
- (j) Gains or profits which accrues in respect of money deposited in any investment account for a period of twelve months or more under the IFBS with a bank or finance company licensed under BAFIA or the Islamic Banking Act 1983.
- (k) Gains or profits which accrues in respect of money deposited in any investment account under the IFBS of up to RM100,000 for a period of twelve months or more with Bank Kerjasama Rakyat Malaysia Bhd. and Bank Simpanan Nasional.
- (l) Deposits with Lembaga Tabung Haji .
- (m) Bonus from savings account.
- (n) Interest earned from Malaysian Government Securities and corporate bonus issued by public listed companies on the Kuala Lumpur Stock Exchange (other than convertible loan stocks).
- (o) Interest earned from bonds issued by a company rated by Rating Agency Malaysia Berhad (other than convertible loan stock).
- (p) Interest earned from Bon Simpanan Malaysia issued by the Central Bank of Malaysia.

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## **8.6 Dividends**

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- (a) Dividends received from exempt accounts of companies.
  - (b) Dividends received from a cooperative society.
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## **8.7 Distributions From An Approved Unit Trust**

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- (a) Dividends received from Amanah Saham Bumiputera are completely exempt from year of assessment 1990 and thereafter.
  - (b) Dividends received from an approved unit trust which has at least 90 % of its investments in government securities.
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## **9. DONATION AND GIFT**

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### **9.1 Cash Donations**

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You are also entitled to deductions in respect of :

- (a) Cash donations made to the Government, State Government, Local Authority or an approved charitable institution/organization.
  - (b) Cash donations for the provision of library facilities which are accessible to the public and contribution to public libraries and libraries of schools and institutions of higher education not exceeding RM 20,000.
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### **9.2 Gift Of Artifact, Manuscript Or Painting**

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You are allowed a deduction made for the basis year, on amount equal to the value as determined by the Department of Museum and Antiquities or the National Archives of any gift of artifact, manuscript or painting (not in monetary form), made to the Federal or State Government.

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### **9.3 Contribution For The Benefit Of Disabled Persons**

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You are allowed a deduction made for the basis year an amount equal to any gift of money or contribution in kind (the value to be determined by the local authority), for the provision of facilities in public places for the benefit of disabled persons.

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### **9.4 Contribution To Healthcare Center**

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You are allowed a deduction made for the basis year an amount equal to any gift of money or the cost or value (as certified by Ministry of Health) of medical equipment made by you for that year, to any healthcare center approved by the Ministry (Maximum RM 20,000).

---

### **9.5 Gift of Painting**

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You are allowed a deduction made for the basis year an amount equal to the value of any gift of painting (to be determined by the National Art Gallery or any state art gallery) made by you for that year, to the National Art Gallery or any state art gallery.

## **ALLOWABLE GIFT AS DEDUCTION FROM AGGREGATE INCOME :** **APPENDIX C**

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### **10. PERSONAL RELIEF**

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#### **10.1 Personal Relief**

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Personal relief is a deduction (against your taxable income) given in respect of yourself, wife, children, medical expenses of your parents, medical expenses of serious diseases, expenses on supporting equipment for disabled person, any life insurance premiums/contributions to approved provident or pension fund, premium for insurance on education or for medical benefit and annuity premium purchased through EPF annuity scheme. You are entitled to personal relief only if you are a resident in Malaysia.

---

#### **10.2 Self And Dependent Relatives**

---

You are granted automatic relief of the following :

- (a) RM 8,000 for yourself and dependents (with effect from Year of Assessment 2000 for current year basis).
  - (b) RM 5,000 for disabled individual.
- 

#### **10.3 Relief For Education Fees**

---

You can claim deduction up to a maximum of RM 2,000 on expenses for education in technical, vocational or industrial skills at a recognized institute in Malaysia. The claim must be supported by an original receipt.

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#### **10.4 Medical Expenses For Parents**

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You can claim deduction up to a maximum of RM 5,000 on medical expenses incurred for your parent. The claim must be supported by the original receipt from a medical practitioner certifying that he has treated your parent.

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#### **10.5 Medical Expenses On Serious Diseases**

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You can claim deductions up to a maximum of RM 5,000 on medical expenses incurred on yourself, wife or children, who is suffering from a serious disease. If your wife incurred medical expenses on a serious disease, a relief will be given subject to a maximum of RM5,000. However, if she has no total income, under a combined assessment, the total deduction shall not exceed RM5,000. The claim must be supported by the original receipt from a medical practitioner certifying that he has treated you, your wife or children.

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## **10.6 Relief for Purchase Of Basic Supporting Equipment For Disabled Person**

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You can claim deduction up to a maximum of RM 5,000 for the purchase of any necessary basic supporting equipment used by you, your wife, child or parent who are disabled.

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## **10.7 Wife**

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You can claim relief of RM 3,000 if your wife is living with you provided that she is not assessed separately (see para 14.2). In addition, if your wife is disabled, you can claim a further relief of RM2,500.

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## **10.8 Ex-Wife**

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If you are divorced and have to pay alimony or maintenance payments to your ex-wife, you are entitled to claim as relief the total of such payments made in the year subject to a maximum of RM 3,000. However, if you remarry, your relief is still limited to RM 3,000.

---

## **10.9 Children**

---

You can claim relief for all your unmarried children. The relief for each child is RM 800. However, if a child is over 18 years or attains the age of 18 sometime during the year, the child must be receiving full-time education at a university, college or school in order to qualify for the relief. Your wife may elect to claim child relief.

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## **10.10 Increased Child Relief If Studying In College/University**

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- (a) If you have a child who is over 18 years and is receiving full-time tertiary education at a college or university or serving under articles in Malaysia, you can claim the actual expenditure expended on the child subject to a maximum of four times the normal relief due to the child. You will be entitled to a relief of RM 3,200 (RM 800 x 4).

- (b) If your child who is over 18 years and is receiving full-time tertiary education at a college or university or serving under article outside Malaysia, you can only claim the normal relief RM 800 (with effect from year of assessment 1998).
- (c) Nevertheless a child who has commenced receiving education outside Malaysia (college/university) prior to 1.1.94 will continue to be given 4 times normal relief until he completed his education. While a child who has commenced receiving education outside Malaysia (college/university) from 1.1.1994 up to 16.10.1997, will continue to be given 2 times normal relief until he completed his education. (RM 800 x 2 = RM 1,600).

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### **10.11 Disabled Child**

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If you have a disabled child who is unmarried, you can claim a relief of RM 5,000 for that child. A child is said to be disabled when he/she is physically or mentally disabled.

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### **10.12 Disallowance Of Child Relief**

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If your child receives his own income, which exceeds the amount of relief appropriate to you, you will not be given any relief in respect of that particular child. For example, if your first child receives income of RM 1,000 from a Trust Fund, in his case you will not be given relief for this child because his income of RM 1,000 is more than the relief of RM 800.

---

### **10.13 Provident/Pension Fund Contribution And Life Insurance Premium**

---

You can claim relief in respect of :

- (a) Contributions to an approved provident/pension fund e.g. E.P.F.
- (b) Premiums on life insurance policies.

For life insurance, the relief is based on the actual contribution and payments made in the year subject to a maximum of RM 5,000 for both. The life insurance policy must be secured on the life of yourself, your wife or both.

However, if your wife contributes to EPF and pays life insurance premium and her income is combined with yours, you will be given a maximum relief of RM 5,000 in respect of payments made by you and a maximum relief of RM 5,000 in respect of payments made by her. You can still claim the relief if your wife has no income but subject to a combined maximum of RM 5,000. However, where she is assessed separately, she will be entitled to the maximum relief of RM 5,000.

---

### **10.14 Premium For Insurance On Education Or For Medical Benefit**

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Premium for insurance on education or for medical benefits paid by you will be given a maximum relief of RM3,000. If your wife paid premium for insurance on education or for medical benefit, a relief will be given subject to a maximum of RM3,000. However, if she has no total income, under a combined assessment, the total deduction allowed for husband and wife shall not exceed RM3,000.

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### **10.15 Annuity Premium Purchased Through EPF Annuity Scheme**

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A maximum deduction of RM1,000 is to be given to you for any premium paid by you for the purchase of an insurance policy determined by the EPF. If your wife buys the above mentioned insurance policy, she will be given the deduction up to a maximum of RM1,000. However, if she has no total income, under a combined assessment, the total deduction allowed for husband and wife shall not exceed RM1,000.

**A DISABLED PERSON MEANS ANY INDIVIDUAL CERTIFIED IN WRITING BY THE DEPARTMENT OF SOCIAL WELFARE TO BE A DISABLED PERSON.**

**SUMMARY OF PERSONAL RELIEFS FOR RESIDENT INDIVIDUAL :  
APPENDIX D**

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## **11. TAX REBATE**

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### **11.1 Tax Rebate**

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You are allowed tax rebate :

(a)	<b>Combined Assessment</b>	
	For self	- RM 110
	For wife	- <u>RM 60</u>
		<u>RM 170</u>
(b)	<b>Separate Assessment</b>	
	For self	- RM 110
	For wife	- RM 110

If your chargeable income does not exceed RM 10,000.

**TAX REBATE FOR INDIVIDUAL WITH CHARGEABLE INCOME LESS THAN RM10,000 : APPENDIX E**

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### **11.2 Tax Rebate For Zakat, Fitrah Or Other Obligatory Religious Dues**

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You are allowed tax rebate in respect of any zakat, fitrah or other obligatory religious dues. To make this claim, original receipts have to be submitted.

---

### **11.3 Tax Rebate For Purchase Of A Personal Computer**

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You are allowed tax rebate of RM 400.00 (husband/wife) for the purchase of a personal computer in the basis year for personal use (not for business purposes) once in five years.

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### **11.4 Tax Rebate For Levy On Foreign Workers**

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Foreign workers shall be allowed rebate in respect of levy paid to the government for the issue of an employment or work pass.

**However, where the rebate exceeds the income tax charged for any year of assessment, the excess shall not be available as a credit to set off his tax liability for any subsequent year of assessment.**

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## **12. SPECIAL RELIEF FOR A MALAYSIAN CITIZEN WHO IS NOT A RESIDENT**

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### **12.1 Non-Resident Citizen Relief**

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Non-Resident Citizen Relief shall be allowed to an individual who is a citizen but not resident for the basis year for a year of assessment by reason of his employment (in the public services or the services of a statutory authority) which is exercised outside Malaysia.

An individual who is claiming relief under this provision, should make his claim in the prescribed form and should furnish such particulars as may be required by the IRB.

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## **13. INCOME TAX AND MARRIAGE**

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Marriage would affect the way you are taxed. You will have to inform the IRB office of your marital status through your tax return.

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### **13.1 If You Are Married**

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When a man is married and if his wife has been assessed before, her income tax reference number will be deactivated. The net effect will be :

- (a) Your wife will use your income tax reference number.
  - (b) She will declare her income in your tax return.
  - (c) She will not be required to submit a separate tax return.
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### **13.2 If You Have More Than One Wife**

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The above effect will apply to each of your wives.

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## **14. SEPARATE ASSESSMENT**

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### **14.1 Separate Assessment**

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All income of a married woman is automatically assessed separately from that of her husband and no election is required. However, she has to declare her income in the tax return issued to her husband. A separate tax bill (notice of assessment) will be issued to her in her own name.

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### **14.2 Effects Of Separate Assessment**

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In raising a separate assessment for a wife :

- (a) The wife will be entitled to her own personal relief of RM 8,000. The wife will be entitled to an additional of RM5,000 if she is a disabled individual.
- (b) The husband will not be entitled to the normal wife relief of RM 3,000 for that wife and relief of RM2,500 for disabled wife.
- (c) The wife can claim for fees paid for education in Malaysia at a recognized institution for purposes of acquiring technical, vocational and industrial skills up to a maximum of RM2000.
- (d) The wife can claim medical expenses up to RM 5,000 incurred in respect of her parents.
- (e) The wife can claim the cost of purchase of any necessary basic supporting equipment for disabled person up to a maximum of RM 5,000.
- (f) The wife can claim the cost of medical expenses on serious disease on herself up to a maximum of RM5,000.
- (g) The wife will be allowed relief for any insurance premium paid by her and contributions made by her to an approved provident/pension fund up to a maximum of RM 5,000.

- (g) If the husband and wife make payments for insurance premium and contribution, to approved provident/pension fund, each is entitled to claim deductions up to a maximum of RM5,000.
- (i) If the husband and wife make payments of insurance premium for education or medical benefit, each is entitled to claim deductions up to a maximum of RM3,000.
- (j) If the husband and wife make payments of annuity premium purchased through EPF Annuity Scheme, each is entitled to claim deductions up to a maximum of RM1,000.
- (k) The wife may elect to have relief for the maintenance of any unmarried child with effect from Year of Assessment 1997.
- (l) The wife will be entitled to a tax rebate of RM 110 if her chargeable income does not exceed RM 10,000.
- (m) The wife will be entitled to a tax rebate for payment of zakat.
- (n) The wife can claim exemption in respect of premise owned and occupied by her.

## **SUMMARY OF PERSONAL RELIEF FOR RESIDENT INDIVIDUAL ACCORDING TO TYPES OF ASSESSMENT : APPENDIX F**

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### **15. COMBINED ASSESSMENT**

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A married woman can elect to have her total income to be combined with her husband's income and assessed in his name if she finds that the combination of income to be more beneficial in terms of lower tax liability as compared to a separate assessment.

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#### **15.1 Wife Makes An Election For Combined Assessment**

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An election for combined assessment can made by :

- (i) signing in the husband's tax return in the appropriate column provided; or
  - (ii) writing in to elect.
- 

#### **15.2 Effects Of Combined Assessment**

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The husband will be entitled to claim relief for :

- (a) Self and dependent RM 8,000.

- (b) Disabled individual RM 5,000.
- (c) Disabled wife RM 2,500.
- (d) Fees for education RM 2,000.
- (e) Medical expenses incurred on his parents, up to a maximum of RM 5,000.
- (f) Medical expenses by husband on serious disease of the individual, spouse and children up to a maximum of RM 5,000 and by wife, up to a maximum of RM5,000. However, if his wife has no total income, the total deduction shall not exceed RM5,000.
- (g) Cost of purchase of any necessary basic supporting equipment for a disabled person , up to a maximum of RM 5,000.
- (h) The wife will not be entitled to claim medical expenses incurred on her parents or the cost of purchase of any basic supporting equipment for her parents who are disabled.
- (i) Wife / wives relief of RM 3,000.
- (j) Child relief of RM 800 for each child (No limit to the number of children).
- (k) Increased child relief studying in a local university/college or who has commenced education in an overseas university/college prior to 1.1.1994 (4 x RM800 x no. of child).
- (l) Increased child relief studying in an overseas university/college or who has commenced education from 1.1.1994 up to 16.10.1997 (2 x RM800 x no. of children).
- (m) Disabled child RM 5,000.
- (n) Insurance premiums paid by husband and wife and contributions made by them to an approved provident/pension fund up to a maximum of RM 5,000 for husband and up to a maximum of RM5,000 for wife. If the wife has no total income, the relief is restricted to a maximum of RM5,000.
- (o) Insurance premiums for education or medical benefit paid by husband and wife up to a maximum of RM 3,000 for husband and up to a maximum of RM3,000 for wife. If the wife has no total income, the total deduction for this insurance premium will not exceed RM3,000.
- (p) Annuity premiums purchased through EPF annuity scheme paid by husband and wife up to a maximum of RM1,000 for husband and up to a maximum of RM1,000 for wife. If the wife has no total income, the relief is restricted to a maximum of RM1,000.

## SUMMARY OF PERSONAL RELIEF FOR RESIDENT INDIVIDUAL ACCORDING

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### 16. SEPARATION / DEATH OF SPOUSE

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As marriage would affect the way in which you are taxed, so would it be when you cease to live with your spouse.

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#### 16.1 An Individual Ceases To Live With His Or Her Spouse

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A couple is said to have ceased to be husband and wife or living together :

- (a) If they are separated by a Court Order, a deed of separation or in such circumstances that the separation is likely to be permanent.
  - (b) On the death of either spouse.
- 

#### 16.2 If A Married Couple Is Separated Or Gets A Divorce

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**(a) For the wife :**

- (i) She reverts to her former tax status prior to the marriage. Her previous tax file will be reactivated (or if she had no previous file, a new file will be registered for her).
- (ii) She files in her own separate tax return and reports her own income (including alimony from the ex-husband, if any).
- (iii) In the computation of her tax, she gets her own personal relief of RM 8,000. In respect of child relief, she will be entitled to claim full or a proportion of relief if she can show proof that she paid for the full or part of the maintenance and/or education of the child/children.

**(b) For the husband :**

- (i) He continues filing his tax return under his own tax reference number.
- (ii) He reports his own income in his return and is assessed only his income.
- (iii) He gets personal relief of RM 8,000 and wife relief of RM 3,000 in the year they are separated/divorced.
- (iv) He is allowed a deduction in respect of alimony payments (subject to a maximum of RM 3,000). Even if he subsequently remarries, the total relief in respect of the wife living with him and alimony payments to the ex-wife is restricted to RM 3,000.

- (v) If he is in full custody and pays for all the maintenance of the child/children after divorce or separation, he is then entitled to the full relief of each child. However, if the child is maintained by both the parents then both of them are entitled to claim a portion of the child relief. The relief allowed is apportioned between them by reference to their respective payments for maintenance and/or education.
- 

### **16.3 If One Of The Spouses Dies**

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#### **16.3.1 If the husband dies :**

- (i) He will still be assessed on his income for the period up to the date of his death.
- (ii) He will be entitled to :
  - (a) Personal relief of RM 8,000.
  - (b) Wife relief of RM 3,000.
  - (c) Medical expenses incurred on his parents up to a maximum of RM 5,000.
  - (d) Cost of purchase of any necessary basic supporting equipment for his own use, wife, child or parents who are disabled, up to a maximum of RM 5,000.
- (iii) The notice of assessment of the deceased will however be issued in the name of the legal representative of the deceased.
- (iv) The wife cannot elect for combined assessment in the year in which he dies.
- (v) She will be entitled to her own personal relief of RM 8,000.
- (vi) She can claim child relief for maintenance and/or education of the child/children.

#### **16.3.2 If the wife dies :**

- (i) The wife will be assessed on her income for the period up to her death.
- (ii) She will be entitled to :
  - (a) Personal relief of RM 8,000.
  - (b) Medical expenses incurred on her parents up to maximum of RM 5,000.

- (c) Cost of purchase of any basic supporting equipment for her own use or parents who are disabled, up to a maximum of RM 5,000.
- (iii) The notice of assessment of the deceased will however be issued in the name of the legal representative of the deceased.
- (iv) The husband is assessed on his income and will be given wife relief of RM 3,000 in the year of her death.
- (v) Child relief will continue to be given to the husband.

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## **16.4 The Tax Treatment On Income Of A Deceased Individual**

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The tax treatment on income of a deceased individual is that :

- (a) The income of an individual up to the date of death is chargeable to tax in relation to the individual, although any assessments will have to be made on the legal representative of the deceased individual.
- (b) Income which accrues after the date of death cannot be regarded as income of the deceased individual. It constitutes income of the deceased estate and is assessed in the name of the executor or administrator of the estate.

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## **17. TAX ASSESSMENT**

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Example of Tax Computation is shown in the Appendix G.

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### **17.1 Tax Computation**

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Your tax is computed based on your statement of income and various personal particulars as declared by you in your return. The tax computation for a year of assessment is calculated based on the prescribed tax rates.

### **INCOME TAX RATES FOR RESIDENT INDIVIDUALS : APPENDIX H**

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### **17.2 Examples Of Tax Computation For Current Year Basis**

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(a) **Example 1 - Non-Business (Combined Assessment)**

Encik Ali is an employee and receives the following income for the year ended 31.12.2000. His wife Puan Salmah is a housewife but she receives rental income from a
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house (given to her by her father). Encik Ali and his wife have 4 children all below 18 years of age. Encik Ali claimed RM 950 which he incurred in basis year 2000 on medical expenses for his parents. The receipt is attached. Puan Salmah elects for combined assessment.

	<b>Encik Ali RM</b>	<b>Puan Salmah RM</b>
Employment	26,000	-
Rents	-	2,000
E.P.F.	1,800	-
Life Insurance Premium	1,700	200

**Tax Computation of Encik Ali for Year of Assessment 2000 (Current Year)  
(Combined Assessment)**

	RM	RM
Employment (self)		26,000
Rents (wife)		<u>2,000</u>
<b>TOTAL INCOME OF ALL SOURCES</b>		<b><u>28,000</u></b>
<b>TOTAL INCOME</b>		<b>28,000</b>
<b>Less : Reliefs</b>		
Self	8,000	
Medical expenses for parents	950	
Wife	3,000	
Children (RM 800 X 4)	3,200	
E.P.F. and Insurance Premium	<u>3,700</u>	<u>18,850</u>
<b>CHARGEABLE INCOME</b>		<b><u>9,150</u></b>
Tax on first RM 5,000		25.00
Tax on RM4,150 @ 3%		<u>124.50</u>
<b>INCOME TAX CHARGEABLE</b>		<b>149.50</b>
<b>Less: Rebate</b>		
Self	110	
Wife	60	(Restricted) 149.50
<b>TOTAL TAX PAYABLE</b>	_____	_____
		<b>NIL</b>
		=====

(b) Example 2 - Non-Business Income (Separate Assessment)

Tax Computation of Encik Ahmad For Year of Assessment 2000 (Current Year)

Encik Ahmad and his wife, Puan Aminah, are employees and received the following income in the year 2000 as shown below.

They have 6 children, ages ranging from 3 years to 21 years. The eldest child (age 21 years) is studying in a local university while the second child is studying in a university abroad (commenced education on 1.9.1997). He claims RM 5,000 as expenses for maintenance/education of his second child. His wife claims RM 1,000 on medical expenses for her parents while her husband claims RM 900 as medical expenses for his parents and RM 500 for his child's serious disease treatment. Receipts were submitted. In addition, he claims tax rebate for purchase of personal computer for personal use amounting to RM 400. The expenses were incurred in the basis year 2000. Puan Aminah did not elect for combined assessment.

		Encik Ahmad	Puan Aminah
	RM	RM	RM
Salary		46,000	30,000
Gross Rents	4,800		
Expenses allowable	<u>(1,600)</u>	3,200	-
Dividends		480	800
(tax deducted at source from dividend)		(134.40)	(224)
E.P.F. Deductions		2,400	800
Donations to approved institutions		100	
50			
Zakat/Fitrah		90	50

(Separate Assessment)

	RM	RM
Employment		46,000
Dividend (gross)		480
Rents (Net)		3,200
<b>TOTAL INCOME OF ALL SOURCES</b>		<b>49,680</b>
<i>Less</i> : Donations		100
<b>TOTAL INCOME</b>		<b>49,580</b>
<i>Less</i> : Relief		
Personal	8,000	
Medical expenses for parents	900	
Treatment expenses for child (Serious disease)	500	
*Children	8,000	
E.P.F.	<u>2,400</u>	<u>19,800</u>
<b>CHARGEABLE INCOME</b>		<b><u>29,780</u></b>

Tax on first RM 20,000		675.00
Tax on balance RM 9,780 @ 9 %		880.20
<b>INCOME TAX CHARGEABLE</b>		<b>1,555.20</b>
<i>Less : Rebate :</i>		
**Self	-	
Zakat/Fitrah	90	
Purchase of personal computer for own use	400	490.00
		<b>1,065.20</b>
<i>Less : Tax deducted at source from dividends</i>		134.40
<b>TOTAL TAX PAYABLE</b>		<b>930.80</b>
		=====
* 1st child	3,200 (800 x 4)	
2nd child	1,600 (800 x 2)	
3rd child	800	
4th child	800	
5th child	800	
6th child	800	
	<b>8,000</b>	
	=====	
<b>** Does not qualify for rebate as chargeable income exceeds RM 10,000.</b>		

**Tax Computation of Puan Aminah For Year of Assessment 2000 (Current Year)  
(Separate Assessment)**

	RM	RM
Salary		30,000
Dividend (gross)		800
<b>TOTAL INCOME OF ALL SOURCES</b>		<b>30,800</b>
<i>Less : Donation</i>		50
<b>TOTAL INCOME</b>		<b>30,750</b>
Less: Relief		
Self	8,000	
Medical expenses for parents	1,000	
E.P.F.	800	9,800
<b>CHARGEABLE INCOME</b>		<b>20,950</b>
		=====
Tax on first RM 20,000		675.00
Tax on RM 950 @ 9 %		85.50

**INCOME TAX CHARGEABLE****760.50***Less* : Rebates

\*Self

NIL

Zakat/Fitrah

50.00

50.00

**710.50***Less* : Tax deducted at source from dividends

224.00

**TOTAL TAX PAYABLE****486.50**

=====

**\* Does not qualify for rebate as chargeable income exceeds RM 10,000.****(c) Example 3 - Business Income (Separate Assessment)**

Encik Roslan runs a stationery business and his wife Puan Nora is employed with a bank. He submits his annual return and a set of trading, profit and loss accounts and balance sheet. His wife does not elect for combined assessment for year of assessment 2000.

Encik Roslan has three children. They are 8, 12 and 20 years of age. His eldest child is studying in the University of Malaya.

His business profits and wife's income for the year ended 31.12.2000 are as follows :

**Self****RM**

Adjusted Income from Business	22,000	(Gross Business Income Less all Deductible Expenses)
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Zakat	80
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**Wife****RM****RM**

Salary	12,000	E.P.F	800
Dividend (gross)	400	Donations	50
(Tax deducted RM 112)			

Rents (net)	3,600
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**Tax Computation of Encik Roslan For Year of Assessment 2000 (Current Year)  
(Separate Assessment)**

	RM	RM
Adjusted Income from Business		22,000
<i>Less</i> : Capital Allowances (say)		
(i) Air Conditioner	120	
(ii) Motorcycle	180	300
Business Statutory Income	<u>          </u>	<u>21,700</u>
<b>TOTAL INCOME</b>		<b>21,700</b>
<i>Less</i> : Relief		
- Self	8,000	
- Children (800 x 4 ) + 800 + 800	4,800	12,800
<b>CHARGEABLE INCOME</b>	<u>          </u>	<u>8,900</u>
Tax on first RM 5,000		25.00
Tax on balance RM 3900 @ 3 %		117.00
<b>INCOME TAX CHARGEABLE</b>		<u>142.00</u>
<i>Less</i> : Rebate - Self	110.00	
- Zakat	<u>80.00</u>	(restricted) <u>142.00</u>
<b>TOTAL TAX PAYABLE</b>		<b>NIL</b>
		=====

**Tax Computation of Puan Nora For Year of Assessment 2000 (Current Year)  
(Separate Assessment)**

	RM	RM
Salary		12,000
Dividend (gross)	400	
Rents		3,600
<b>TOTAL INCOME OF ALL SOURCES</b>		<u>16,000</u>

<i>Less</i> : Donations to an approved institution			50
<b>TOTAL INCOME</b>			<u>15,950</u>
<i>Less</i> : Personal Relief	8,000		
EPF		800	8,800
<b>CHARGEABLE INCOME</b>		<u>7,150</u>	
Tax on first RM 5,000		25.00	
Tax on balance RM 2,150 @ 3 %		64.50	
<b>INCOME TAX CHARGEABLE</b>		<u>89.50</u>	
<i>Less</i> : Rebate (wife) 110	(Restricted)	89.50	
		<u>NIL</u>	
<i>Less</i> : Tax deducted at source (400 @ 28%)		112.00	
<b>REPAYMENT</b>		<u>112.00</u>	

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### 17.3 Examples Of Tax Computation For Year Of Assessment 2000 (Preceding Year)

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#### (a) Example 1

En. Musa receives the following income for the year ending 31.12.1999. His wife is unemployed. He has two school going children.

	RM
Director fees	60,000
Dividend (Tax credit 22,400)	80,000
Rents	20,000

#### Tax computation for Year Assessment 2000 (Preceding Year) :

	RM	RM	RM	RM
Statutory Income:				
Employment		60,000		
Dividend		80,000		
Rents		<u>20,000</u>		
Aggregate Income/Total Income		160,000		
Less:Relief				
Self	5,000			
Wife	3,000			
Children	<u>1,600</u>	<u>9,600</u>		
Chargeable Income (A)		150,400		

**Tax chargeable**

Tax on first 150,000		31,250.00	
Tax on balance 400 @ 30%		<u>120.00</u>	31,370.00 (A)
Less: Statutory income from dividend	<u>80,000</u>		
Chargeable Income (B)	70,400		

**Income Tax Chargeable**

Tax on first 70,000		8,950.00	
Tax on balance 400 @ 26%		<u>104.00</u>	<u>9,054.00 (B)</u>
Tax not waived			22,316.00 (C)

**Final Position:**

Tax not waived (C)	22,316.00	
Tax credit	<u>22,400.00</u>	
Repayment	84.00	

Note: The only taxable income is dividend.

**(b) Example 2**

An individual has the following income for year ended 31.12.1999

Partnership A	15,000
Partnership B (loss)	(8,000)
Employment (EPF contribution 5,280)	48,000
Dividend (Tax credit 3,360)	12,000

**Tax computation for Year Assessment 2000 (Preceding Year) :**

	RM	RM	RM	RM
Business:				
Partnership A	15,000			
Partnership B	<u>Nil</u>			
Statutory income from business		15,000		
Statutory income from other sources:				
Employment		48,000		
Dividend		<u>12,000</u>		
Aggregate Income		75,000		
Less:				
Current year losses		<u>8,000</u>		
Total Income		67,000		
Less: Relief				
Self	5,000			
EPF	<u>5,000</u>		<u>10,000</u>	
Chargeable Income (A)			57,000	

<b>Income Tax Chargeable</b>			
Tax on first 50,000		4,750.00	
Tax on balance 7,000 @ 21 %		<u>1,470.00</u>	6,220.00
			(A)
Less: Statutory Income from Dividend	<u>12,000</u>		
Chargeable Income (B)	45,000		
<b>Income Tax Chargeable</b>			
Tax on first 35,000		2,350.00	
Tax on balance 10,000 @ 16%		<u>1,600.00</u>	<u>3,950.00</u>
			(B)
Tax not waived			<u>2,270.00</u>
			(C)
<b>Final Position:</b>			
Tax not waived (C)		2,270.00	
Tax credit		<u>3,360.00</u>	
Repayment		<u>1,090.00</u>	
		=====	
Note: The only taxable income is dividend.			

c) **Example 3**

An individual who is a resident but non citizen ceased employment in ADE Company on 30.10.1999. He has a wife and two children, age two and six years old. He left Malaysia at the end of the year.

His income for the year 1999 are as follows:

	RM
Rents (allowable expenses 26,800)	54,000
Employment (EPF contribution 26,400)	280,000
Dividend (Tax credit 2,800)	10,000

**Tax Computation for Year Assessment 2000 (Preceding Year):**

	RM	RM	RM	RM
<b>Statutory Income:</b>				
Employment		280,000		
Dividend		10,000		
Rents (54,000 – 26,800)			<u>27,200</u>	
Aggregate Income/Total Income			317,200	
<b>Less : Relief</b>				
Self	5,000			
Wife	3,000			
Children	1,600			
EPF	<u>5,000</u>		<u>14,600</u>	
Chargeable Income (A)		302,600		

**Income Tax Chargeable**

Tax on first 150,000		31,250.00	
Tax on balance 152,600 @ 30%		<u>45,780.00</u>	77,030.00
(A)			

Less: Statutory income

Employment	280,000		
Dividend	<u>10,000</u>	<u>290,000</u>	
Chargeable Income (B)			12,600
<b>Income Tax Chargeable</b>			
Tax on first 10,000		250.00	
Tax on balance 2,600 @ 6%		<u>156.0</u>	<u>406.00 (B)</u>
Tax not waived (C)			<u>76,624.00</u>
<b>Final Position:</b>			
Tax not waived (C)	76,624.00		
Tax Credit	<u>2,800.00</u>		
Tax Payable	<u>73,824.00</u>		
	=====		

Note: Employment and dividend income are taxable. Employment income is taxable since he is a non citizen who ceases employment in 1999.

**d) Example 4**

Encik Bakar, a sole proprietor, receives the following income for the year ended 31.12.1999:

	RM	
ABC Trading		
Adjusted income	250,000	
Capital allowance		
Year Assessment 2000		48,500
Loss brought forward		
(Year Assessment 1999)	40,000	
Rents (Gross)	30,000	(allowable expenses 6,000)
Dividend (Tax Credit 5,600)	20,000	(allowable interest 8,600)

**Tax Computation for Year Assessment 2000 (Preceding Year):**

Statutory Income:

	RM	RM	RM	RM
ABC Trading -				
Adjusted income	250,000			
(-) capital allowance	<u>48,500</u>			
	201,500			
(-) loss brought forward		40,000		161,500
Dividend	20,000			
(-) allowable interest	<u>8,600</u>		11,400	
Rents		30,000		
(-) allowable expenses	<u>6,000</u>		<u>24,000</u>	
Aggregate Income/Total Income				196,900
Less: Self relief				<u>5,000</u>
Chargeable Income (A)				191,900

<b>Income Tax Chargeable:</b>	
Tax on first 150,000	31,250.00
Tax on balance 41,900 @ 30%	<u>12,570.00</u>
	43,820.00 (A)
Less: Statutory income from dividend	<u>11,400</u>
Chargeable Income (B)	180,500
<b>Income Tax Chargeable:</b>	
Tax on first 150,000	31,250.00
Tax on balance 30,500 @ 30%	<u>9,150.00</u>
	40,400.00 (B)
Tax not waived	<u>3,420.00 (C)</u>
<b>Final position:</b>	
Tax not waived (C)	3,420.00
Tax Credit	<u>5,600.00</u>
Repayment	<u>2,180.00</u>
	=====

Note: The only taxable income is dividend.

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## 18. RIGHT OF APPEAL

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### 18.1 Appeal

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An appeal is an objection against the assessment issued by the IRB office.  
You can appeal if :

- (a) You are not satisfied with the manner in which your income has been assessed.
- (b) Personal relief have not been appropriately given.
- (c) You forget to claim certain expenses or relief.
- (d) There is an error in the assessment issued by the IRB office.

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### 18.2 How To Make An Appeal

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If you receive a notice of assessment and you disagree with it :

- (a) You can appeal by writing to the IRB office which issued the assessment within 30 days from the date of the notice. Where your appeal is to be forwarded to the Special Commissioners of Income Tax, you are required to fill in a prescribed Form Q which is available at all IRB offices.
- (b) If for some good reasons you cannot appeal within the 30 days period, you can submit an application for extension of time to submit the appeal using Form N to be forwarded for the decision by the Special Commissioners of Income Tax.

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### **18.3 Tax Notwithstanding Any Appeal Must Be Paid**

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You still have to pay your tax liabilities even though you have made an appeal.

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### **18.4 To Settle The Appeal**

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Your appeal will be settled:

- (i) By agreement between yourself and IRB office or
- (ii) By a decision of the Special Commissioners of Income Tax/High Court/Federal Court.

Please note that if you are not satisfied with the decision of the IRB office regarding your appeal, it will be forwarded to the Special Commissioners of Income Tax. If you are still dissatisfied with the Special Commissioners decision, you can appeal further to the High Court and to the Federal Court.

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### **18.5 Special Commissioners Of Income Tax**

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The Special Commissioners of Income Tax is an independent tribunal which consist of panel members appointed by the Yang di-Pertuan Agong to handle tax appeals.

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## **19. PAYMENT OF TAX**

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### **19.1 Your Responsibility**

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On determination of your tax, a tax bill in the form of a Notice of Assessment will be issued to you. Tax payable under an assessment issued to you, shall on the service of the notice of assessment, be due and payable by you at the place specified in that notice. Even if you disagree or wish to appeal against the tax raised, payment of the tax must be made. A 10% penalty is imposed if tax is not paid within 30 days from the date of the notice of assessment and a further 5% penalty is imposed if the tax is still not paid for the next 60 days.

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### **19.2 Compulsory Monthly Tax Deduction From Salary**

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There is a Schedular Monthly Tax Deduction for employees whereby tax payable by you will be deducted from your salary. Under this Schedular Tax Deduction (STD), your tax will be deducted monthly from your salary starting from the beginning of the year according to the Schedular Monthly Tax Deduction issued by the IRB office to your employer. The monthly tax deductions have to be submitted by your employer to

the nearest IRB Collection Branch by 10th day of each month, together with detailed particulars of the employees which fall under those monthly tax deductions. Failure to submit these tax deductions from salary within the stipulated period, the employers are deemed to have committed an offence under the Income Tax Act 1967 and can be prosecuted.

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### 19.3 Instalment Payment Scheme For Business Income

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From 1.1.2000 under the instalment scheme for compulsory payment of tax of business income:

- (a) You will make six bimonthly instalment payments as directed by the Collection Branch of the IRB beginning from the month of March.
- (b) The instalments will be based on tax estimated by the IRB Collection Branch.
- (c) If you consider the estimated tax to be high, you may request for variation of instalment payments accordingly. Any request for variation of instalment payments must be made before 30th. June (with effect from Year of Assessment 2000 on a current year basis). Nevertheless a penalty will be imposed if your estimated tax is less than your actual tax liability. (Refer para 19.4 (b)).

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### 19.4 Penalties Under The Instalment Payment Scheme

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- (a) A penalty of 10% will be imposed for every instalment paid after 30 days from the due date of that instalment.
- (b) If you underestimate your tax by more than 30% of your actual tax liability as determined by the IRB office based on your tax return, you will be subject to a penalty of 10% on the difference between the underestimated tax and your actual tax liability.

#### **Example:**

Encik Bakar, an architect running his own professional firm estimated his tax for Year of Assessment 2000 (current year basis) to be RM6,000. However, based on his tax return his tax payable was worked out to be RM11,000. A penalty will be imposed as follows:

	<b>RM</b>
Actual tax payable	11,000
Less: Estimated tax	6,000
	<hr/>
Underestimated Tax	5,000
Less: 30% of actual tax payable (11,000 x 30%)	3,300
	<hr/>

Amount subject to 10% penalty 1,700

Penalty = 10% x RM 1,700 = RM170.00

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## 19.5 Payment Through Bank

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Payment by cash, cheque, telegraphic transfer or debit account instruction may be made at any branch of Bumiputra Commerce Bank Bhd. (BCBB). This facility currently available for individual, companies, co-operatives, association and estate duty taxpayers. Types of tax that can be made at BCBB are Income Tax (Instalment Scheme and Non-Instalment Scheme) and Real Property Gains Tax. An Income Tax Payment Slip (available at the BCBB Branch) must be used when making payment at the bank. A copy of the slip should be retained as proof of payment. However, payments such as Schedular Tax Deduction (STD) for salary as in paragraph 19.2 above, compound cases for Income Tax and Real Property Gain Tax, courts cost for tax cases, payment for foreign artist cases and withholding tax are currently not allowed to be made through BCBB.

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## 19.6 Payment Of Wife's Tax

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If your wife's income has been assessed in your name, you have to pay her tax. However under certain circumstances tax applicable to your wife's income can be recovered from your wife.

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## 19.7 Cease Employment

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With effect from 1.1.1997, your employer is no longer required to withhold any payment due to you for the purpose of a tax clearance except if you are retiring from your employment.

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## 20. REPAYMENT OF TAX

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### 20.1 Tax Refund

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You are entitled to claim a refund of tax if :

- (a) You have paid in excess of your actual tax liability.
- (b) You have a credit because your tax is reduced.

- (c) The tax deducted at source is greater than your total tax liability for the year, for example, from your dividend income.

Please note that a claim for repayment of tax under the third category must be made within six years. For example, you must submit your claim for repayment of tax deducted from dividends paid, say in the year 1994 by the end of year 2000.

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## **21. OFFENCES AND PENALTIES**

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### **21.1 Offences**

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An offence is committed under the Income Tax Act 1967 if you :

- (a) Fail (without reasonable excuse) to submit a completed tax return within the appropriate time limit (refer para 2.7).
- (b) Fail (without reasonable excuse) to give notice of your chargeability to tax within the appropriate time limit (refer para 2.5).
- (c) Make an incorrect tax return by omitting / understating income.
- (d) Give incorrect information in matters affecting the tax liability of yourself or some other person.
- (e) Attempt to leave the country without payment of tax when a certificate has been issued to prevent you from leaving the country for non-payment of outstanding taxes.
- (f) Obstruct any authorized officers of IRB in carrying out his duties.
- (g) Fail (without reasonable excuse) to comply with a notice asking for certain information as required by IRB.

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### **21.2 If You Commit An Offence**

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If you commit an offence you can be prosecuted or subject to a penalty. On conviction, you can be liable to a fine or/an imprisonment and in some instances to a special penalty.

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### **21.3 An Offence Can Be Compounded**

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An offence can be compounded before conviction. Please refer to the IRB office which issued the summon to have your offence compounded.

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## **22. INTRODUCTION TO SELF ASSESSMENT**

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### **22.1 Objective Of Implementing Self Assessment**

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The purpose of Self Assessment is to modernize and upgrade the tax administrative system in the country. It creates an efficient tax system, speeds up the collection of tax and improves the rate of tax compliance.

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### **22.2 What Is Self Assessment ?**

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Self Assessment is a method whereby a taxpayer is responsible for calculating his own tax and making payment within the specified period.

Self Assessment is a total process change from the previous formal assessment system. Under the formal assessment system, taxpayers are required to declare their incomes in the Return Form, submit the Return Form to the Inland Revenue Board (IRB) and the IRB will then raise the assessment. The Notice of Assessment is sent to the taxpayer and based on the tax raised in the Notice of Assessment, payment must be made accordingly.

Under the Self Assessment System, taxpayers are still required to complete and submit Return Form by the required dates. Taxpayers will have to calculate their own tax and make payment of the full amount.

In the case of an employee, the Schedular Tax Deduction Scheme will continue to apply i.e. tax will be deducted from the monthly salary and remitted to the IRB by the employer.

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### **22.3 When Effective**

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Self Assessment will be introduced at stages

- (a) For companies - from Year of Assessment 2001
- (b) For individual (sole proprietor), partnership, co-operative and others - from Year of Assessment 2003
- (c) For individual (employment) - from Year of Assessment 2004

## **APPENDIX A**

### **LOCATION OF IRB OFFICES**

**STATE**

**OFFICE**

**TELEPHONE**

1. Perlis
- Lembaga Hasil Dalam Negeri,  
**Cawangan Kangar,**  
Tingkat 3, Bangunan KWSP,  
Jalan Bukit Lagi,  
Peti Surat 47,  
01700 Kangar,  
Perlis Indera Kayangan.
- 04-9764767  
04-9777046  
04-9764225  
04-9764811  
04-9764812  
04-9764816  
Fax: 04-9765798
2. Kedah
- Lembaga Hasil Dalam Negeri,  
**Cawangan Sungai Petani,**  
Kompleks S. P. Plaza,  
Tingkat 4 - 10,  
Jalan Ibrahim,  
08000 Sg. Petani,  
Kedah Darul Aman.
- 04-4237270  
04-4250730  
04-4237108  
04-4235677  
04-4237260  
Fax: 04-4231095
- Lembaga Hasil Dalam Negeri,  
**Cawangan Alor Setar,**  
Tingkat 7, 8 & 9,  
Wisma Persekutuan,  
Jalan Kampung Baru,  
Peti Surat 88,  
05710 Alor Setar,  
Kedah Darul Aman.
- 04-7322782  
04-7328129  
04-7322228  
04-7322060  
04-7322118  
04-7322400  
Fax: 04-7329481
- Lembaga Hasil Dalam Negeri,  
**Pusat Penyiasatan & Perisikan,**  
Tingkat 7,  
Wisma Persekutuan,  
Jalan Kampung Baru,  
05710 Alor Setar,  
Kedah Darul Aman.
- 04-7303987  
04-7303231  
04-7322060  
04-7322118  
04-7322400  
04-7312518  
04-7322591  
Fax: 04-7322230
3. Pulau Pinang
- Lembaga Hasil Dalam Negeri,  
**Cawangan Bukit Mertajam,**  
Kompleks Sri Mertajam,  
No. 1765 Jalan Ciku,  
14000 Bukit Mertajam,  
Pulau Pinang.
- 04-5380061  
04-5378561  
04-5380401  
04-5305975  
04-5305995  
04-5380000  
Fax: 04-5305811
- Lembaga Hasil Dalam Negeri,  
**Cawangan Pulau Pinang,**  
Tingkat 3 - 11,  
Bangunan Dewan Perniagaan dan  
Perusahaan Melayu,  
Lebuh Pantai,  
Peti Surat 660,  
10910 Pulau Pinang.
- 04-2615842  
04-2620264  
04-2612366  
04-2612255  
Fax: 04-2628406

	Lembaga Hasil Dalam Negeri, <b>Pusat Penyiataan dan Perisikan,</b> Tingkat 11 - 12, Wisma MTT 26, Pengkalan Weld, 10300 Pulau Pinang.	04-2633255 04-2633201 04-2633244 Fax: 04-2620701
4.	Perak	
	Lembaga Hasil Dalam Negeri, <b>Cawangan Taiping,</b> Wisma Kota Lot 360 dan 2051, Jalan Kota, Peti surat 91, 34008 Taiping, Perak Darul Redzuan.	05-8073643 05-8067992 05-8073101 05-8072685 05-8072666 05-8072828 Fax: 05-8086118
	Lembaga Hasil Dalam Negeri, <b>Pusat Penyiataan &amp; Perisikan,</b> Tingkat 4, Wisma Kota, Jalan Kota, 34000 Taiping, Perak Darul Redzuan.	05-8076037 05-8077727 05-8076010 05-8077737 Fax: 05-8064304
	Lembaga Hasil Dalam Negeri, <b>Cawangan Ipoh,</b> Antap Plaza, No. 128, Jalan Tambun, Peti Surat 250, 30906 Ipoh, Perak Darul Redzuan.	05-5475669 05-5475694 05-5475522 Fax: 05-5475668
	Lembaga Hasil Dalam Negeri, <b>Pusat Penyiataan &amp; Perisikan,</b> Antap Plaza, No. 128, Jalan Tambun, Peti Surat 250, 30906 Ipoh, Perak Darul Ridzuan.	05-5475719 05-5472103 05-5472102 05-5475522 Fax: 05-5475730
	Lembaga Hasil Dalam Negeri, <b>Cawangan Teluk Intan,</b> Blok B & C, Kompleks Perniagaan SKOMK, Lot 956 & 957, Jalan Mahkamah, Peti Surat No. 82, 36008 Teluk Intan, Perak Darul Redzuan.	05-6221876 05-6221229 05-6221238 05-6221322 05-6221323 05-6221324 05-6221328 Fax: 05-6213482
5.	Wilayah Persekutuan Kuala Lumpur	
	Lembaga Hasil Dalam Negeri, <b>Cawangan Cheras,</b> Tingkat 8 - 12, Menara PGRM, No. 8, Jalan Pudu Ulu, Cheras,	03-9875349 03-9848022 Fax: 03-9875466

56100 Kuala Lumpur.

Lembaga Hasil Dalam Negeri, 03-41426022  
**Cawangan Wangsa Maju,** 03-41439486  
Tingkat 6-10, 03-41435833  
Menara Kausar, Fax : 03-41427022  
Jalan 3/27 A, Seksyen 1,  
Bandar Baru Wangsa Maju,  
50600 Kuala Lumpur.

Lembaga Hasil Dalam Negeri, 03-6517778  
**Cawangan Tidak Bermastautin,** 03-6510022  
Tingkat 15 & 16, Blok 8A, 03-6519066  
Kompleks Bangunan Kerajaan, 03-6519077  
Jalan Duta, 50600 Kuala Lumpur. Fax: 03-6519745

Lembaga Hasil Dalam Negeri, 03-2533299  
**Cawangan Syarikat,** 03-2533259  
Aras 5, 6 & 7, Blok A, 03-2533282  
Pusat Bandar Damansara, 03-2533277  
Jalan Damanlela, Fax: 03-2542542  
50490 Kuala Lumpur.

Lembaga Hasil Dalam Negeri, 03-2547540  
**Pusat Penyiasatan & Perisikan,** 03-2540944  
Aras 2, Blok 1 (Selatan), 03-2534046  
Pusat Bandar Damansara, Fax: 03-2548251  
50490 Kuala Lumpur.

Lembaga Hasil Dalam Negeri, 03-6517837  
**Cawangan Jalan Duta (Penaksiran),** 03-6517055  
Tingkat 2 - 8 , Blok 8A, 03-6510637  
Kompleks Bangunan Kerajaan, Fax: 03-6513823  
Jalan Duta, 50600 Kuala Lumpur.

Lembaga Hasil Dalam Negeri, 03-6519076  
**Cawangan Pungutan,** 03-6510022  
Bahagian Pentadbiran, 03-6519066  
Tingkat 10, Blok 8A, 03-6519077  
Kompleks Bangunan Kerajaan, 03-6517055  
Jalan Duta, 50600 Kuala Lumpur. Fax: 03-6512024

Lembaga Hasil Dalam Negeri, 03-22731533  
**Cawangan Kg. Attap (W.P),** 03-22740066  
Tingkat 8, 9, 11 dan 20, 03-22731037  
Wisma KWSG, Jalan Kg. Attap, Fax: 03-22736675  
50460 Kuala Lumpur. 03-22722051

6. Selangor

Lembaga Hasil Dalam Negeri, 03-3449770  
**Cawangan Klang,** 03-3449590

	Menara Acmar, Tingkat Bawah & Satu (Sayap B), Tingkat 2-7, Jalan Gelogor, 41400 Klang.	Fax: 03-3449417 03-3449541
	Lembaga Hasil Dalam Negeri, <b>Cawangan Shah Alam,</b> Tingkat 9-13, Plaza Perangsang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan.	03-55198805 03-55103302 03-55103324 03-55103276 Fax: 03-55102328
	Lembaga Hasil Dalam Negeri, <b>Pusat Penyiasatan &amp; Perisikan,</b> Tingkat 9, Plaza Perangsang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan.	03-55198808 03-55103202 Fax: 03-55121477
	Lembaga Hasil Dalam Negeri, <b>Cawangan Petaling Jaya,</b> Aras 2, 3 & 4, Uptown 5 Tower A, B, C & D, No.5, Jln. SS 21/39, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.	03-77251449 03-77251450 03-77251481 Fax: 03-77251457
7.	Negeri Sembilan Lembaga Hasil Dalam Negeri, <b>Cawangan Seremban,</b> Wisma Hasil, Lot 461 - 465, Jalan Tuanku Munawir, 70600 Seremban, Negeri Sembilan Darul Khusus.	06-7638850 06-7636172 06-7671103 Fax: 06-7625339
	Lembaga Hasil Dalam Negeri, <b>Pusat Penyiasatan &amp; Perisikan,</b> Wisma Hasil, Lot 461 - 465, Jalan Tuanku Munawir, 70600 Seremban, Negeri Sembilan Darul Khusus.	06-7629710 06-7636241 06-7638850 Fax: 06-7646842
8.	Melaka Lembaga Hasil Dalam Negeri, <b>Cawangan Melaka,</b> Tingkat 5-9, Graha Maju, Jalan Graha Maju, 75990 Melaka.	06-2842211 06-2821925 06-2821217 06-2842201 06-2821099 Fax: 06-2841181

	Lembaga Hasil Dalam Negeri, <b>Pusat Penyiataan &amp; Perisikan,</b> Tingkat 8, Graha Maju, Jalan Graha Maju, Peti Surat 45, 75990 Melaka.	06-2847231 06-2847203 06-2821099 06-2811925 06-2821926 Fax: 06-2812026
9.	Johor	
	Lembaga Hasil Dalam Negeri, <b>Cawangan Kluang,</b> No. 11, Tingkat 2-6, Wisma Bunga, Jalan Lambak, Karung Berkunci 523, 86000 Kluang, Johor Darul Takzim.	07-7721399 07-7714696 07-7723098 07-7724644 07-7724645 Fax: 07-7723133
	Lembaga Hasil Dalam Negeri, <b>Pusat Penyiataan &amp; Perisikan,</b> Tingkat 2, Bangunan Kerajaan, Peti Surat 104, 86007 Kluang, Johor Darul Takzim.	07-7724484 07-7724482 Fax: 07-7714404
	Lembaga Hasil Dalam Negeri, <b>Cawangan Muar,</b> Wisma Kim, No. 24A, Jalan Bentayan, 84000 Muar, Johor Darul Takzim.	06-9536680 06-9527000 06-9527200 06-9527400 Fax: 06-9536814
	Lembaga Hasil Dalam Negeri, <b>Cawangan Johor Bahru,</b> Tingkat 1-7, Menara Jati , No. 1, Jalan Padi Emas 1, Bandar Baru Uda, 81200 Tampoi, Johor Bharu, Johor Darul Takzim.	07-2359523 07-2359510 07-2359526 07-2359600 07-2359601 Fax: 07-2359524
	Lembaga Hasil Dalam Negeri, <b>Pusat Penyiataan &amp; Perisikan,</b> Tingkat 7, Menara Jati Jalan Padi Emas 1, Bandar Baru Uda, 81200 Johor Bahru, Johor Darul Takzim.	07-2359530 07-2359700 07-2359510 Fax: 07-2359557
10.	Pahang	
	Lembaga Hasil Dalam Negeri, <b>Cawangan Raub,</b> No. 234 -238, Taman Bukit Koman, Jalan Tengku Abdul Samad,	09-3558500 09-3558502 09-3558511 09-3558355 09-3558345

	27600 Raub, Pahang Darul Makmur.	Fax: 09-3558501
	Lembaga Hasil Dalam Negeri, <b>Cawangan Kuantan,</b> Tingkat 2 Dan 3, Wisma Persekutuan, Jalan Gambut, 25600 Kuantan, Pahang Darul Makmur.	09-5221010 09-5524877 09-5520997 09-5521101 09-5521103 Fax: 09-5527340
	Lembaga Hasil Dalam Negeri, <b>Pusat Penyiataan dan Perisikan,</b> Tingkat 5, Kompleks Teruntum, 25000 Kuantan, Pahang Darul Makmur.	09-5145971 09-5145923 09-5133669 09-5132782 Fax: 09-5145516
11.	Terengganu	
	Lembaga Hasil Dalam Negeri, <b>Cawangan Kuala Terengganu,</b> Tingkat 1 - 8 , Wisma Permint, Jalan Sultan Ismail, Peti Surat 65, 20916 Kuala Terengganu, Terengganu Darul Iman.	09-6223760 09-6203225 09-6242051 09-6223233 09-6223234 09-6203220 09-6203221 Fax: 09-6227829
	Lembaga Hasil Dalam Negeri, <b>Pusat Penyiataan dan Perisikan,</b> Tingkat 6, Wisma Permint, Jalan Sultan Ismail, Peti Surat 65, 20916 Kuala Terengganu. Terengganu Darul Iman.	09-6203663 09-6203666 Fax: 09-6241770
12.	Kelantan	
	Lembaga Hasil Dalam Negeri, <b>Cawangan Kota Bharu,</b> Tingkat 4, Wisma Persekutuan, Jalan Bayam, 15990 Kota Bharu, Kelantan Darul Naim.	09-7441755 09-7482103 09-7431311 09-7441201 09-7441220 Fax: 09-7487131
	Lembaga Hasil Dalam Negeri, <b>Pusat Penyiataan &amp; Perisikan,</b> Tingkat 7, Wisma Ilmu, Jalan Doktor, 15000 Kota Bharu, Kelantan Darul Naim.	09-7440376 09-7440311 09-7487201 09-7487205 Fax: 09-7477303
13.	Sabah	
	Lembaga Hasil Dalam Negeri, <b>Cawangan Kota Kinabalu,</b> Tingkat 1, Blok C, D & E, Bangunan KWSP,	088-233130 088-238511 088-233103 088-233202

Jalan Karamunsing, 88600 Kota Kinabalu, Sabah.	088-233203 Fax: 088-245062
Lembaga Hasil Dalam Negeri, <b>Bahagian Penaksiran,</b> Tingkat Bawah, 1-6, Wisma Bandaraya, Jalan Majlis Lama, 88000 Kota Kinabalu, Sabah.	088-254097 088-240291 Fax: 088-245091
Lembaga Hasil Dalam Negeri, <b>Bahagian Pungutan,</b> Tingkat 1 & 3, Blok D & E, Bangunan KWSP, 88600 Kota Kinabalu, Sabah.	088-234820 088-238511 088-238609 088-238729 Fax: 088-241207
Lembaga Hasil Dalam Negeri, <b>Pusat Penyiasatan &amp; Perisikan,</b> Tingkat 7, Blok B, Bangunan KWSP, 88600 Kota Kinabalu, Sabah.	088-238162 088-237011 088-237005 088-237006 Fax: 088-268712
Lembaga Hasil Dalam Negeri, <b>Cawangan Sandakan,</b> Tingkat 3, Wisma Persekutuan, KM 11, Jalan Labuk, Peti Surat 1350, 90714 Sandakan, Sabah.	089-668436 089-668555 089-668375 089-668511 089-668554 Fax: 089-669616
Lembaga Hasil Dalam Negeri, <b>Cawangan Tawau,</b> Wisma Mercu Wawasan, Batu 1 ½, Jalan Kuhara, Beg Berkunci No. 44, 91009 Tawau, Sabah.	089-771309 089-777177 089-777237 089-777210 Fax: 089-776390
Lembaga Hasil Dalam Negeri, <b>Cawangan Keningau,</b> Blok H, Lot 68-72 , Jalan Masak, Kompleks Perniagaan Adika, 89007 Keningau, Sabah.	087-339448 087-339452 087-339414 087-339412 087-339442 Fax: 087-339451
Lembaga Hasil Dalam Negeri, <b>Cawangan Labuan,</b> Level 15 (A2), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Wilayah Persekutuan Labuan.	087-415636 087-415417 087-415321 087-415101 087-415331 Fax: 087-415385

- Lembaga Hasil Dalam Negeri, 087-417292  
**Cawangan Penaksiran,** 087-417293  
Tingkat 2 & 3, 087-417294  
Bangunan Tabung Haji, Fax: 087-415385  
Jalan Bunga Kesuma,  
Peti surat 80464,  
87014 Wilayah Persekutuan Labuan.
14. Sarawak
- Lembaga Hasil Dalam Negeri, 082-243905  
**Cawangan Kuching,** 082-243211  
Aras 3-4, 6-8, 10-12A, 082-243903  
Wisma Ting Pek Khiing , 082-243101  
No 1, Jalan Padungan, 082-243102  
93100 Kuching, Sarawak Fax: 082-244475
- Lembaga Hasil Dalam Negeri, 082-240877  
**Bahagian Penaksiran,** 082-240830  
Aras 3-4, 6-8, 10-12A, 082-414318  
Wisma Ting Pek Khiing , Fax: 082-414862  
No 1, Jalan Padungan,  
93100 Kuching, Sarawak.
- Lembaga Hasil Dalam Negeri, 082-253267  
**Bahagian Syarikat,** 082-259099  
Tingkat 4, Bangunan Fax : 082-427581  
Wisma Bukit Mata Kuching,  
Jalan Tuanku Abd. Rahman,  
93100 Kuching, Sarawak.
- Lembaga Hasil Dalam Negeri, 082-253129  
**Pusat Penyiasatan & Perisikan,** 082-253267  
Tingkat 6, Bangunan 082-259099  
Wisma Bukit Mata Kuching, Fax: 082-233475  
Jalan Tuanku Abd. Rahman,  
93100 Kuching, Sarawak.
- Lembaga Hasil Dalam Negeri, 086-316601  
**Cawangan Bintulu,** 086-316602  
Lot 3730-3733, 086-337975  
Medan Jaya, Batu 3 ½, 086-316603  
Jalan Bintulu Miri, 086-316604  
97000 Bintulu, Sarawak Fax: 086-316608
- Lembaga Hasil Dalam Negeri, 084-331442  
**Cawangan Sibul,** 084-332292  
Tingkat 2 dan 3, Blok T, 084-319934  
Wisma Persekutuan, 084-332200  
Jalan Awang Ramli Amit, 084-332206  
96000 Sibul, Sarawak. Fax: 084-320894
- Lembaga Hasil Dalam Negeri, 085-433000  
**Cawangan Miri,** 085-434000

Wisma Hasil,  
 Lot 2996, Jalan Adenium,  
 Taman MDL, 98000 Miri, Sarawak.

085-432000  
 Fax: 085-413824

## APPENDIX B 1

### CAPITAL ALLOWANCES RATES (Applicable up to Y/A 2000 Preceding Year Basis)

<b>A. Annual Rates For Particular Industries</b>	<b>Rates</b>
<b>Air Transport</b>	
Air crafts .....	16 %
Precision machinery and equipment, testing equipment, flight simulators and trainers .....	14 %
Other general plant and machinery .....	8 %
<b>Amusement and Recreation Services</b>	
Billiard tables, bowling lanes and equipment, ice-skating rinks and merry-go-round .....	10 %
Gramophones, juke boxes, pin tables, radio and television receivers, electric dodgems, midget cars and trains, racing and rail tracks and other entertainment equipment .....	14 %
<b>Cinema and Theatre</b>	
Projectors, stage lights, sound equipment and other electrical apparatus .....	12 %
Motion picture making equipment .....	12 %
Seating and other furniture and fittings .....	8
%	
Sporting and other games equipment .....	8 %
<b>Building and Construction</b>	
Earth-moving plant and heavy equipment bulldozers, ditchers excavators, graders, loaders, rippers, rollers, rooters, scrapers, shovels, tractors .....	20 %
Concrete plant-mixers, batchers, dumpers (motorised) immersion vibrators, vibrating screeders, pumps .....	16 %

General plant-bending machines (bar, angle and rod), compressors, elevators, cranes, scaffolding, welding units, crushers and bins, asphalt plant (road building).....	12 %
Imported earth-moving plant and heavy equipment bulldozers, ditchers, excavators, graders, loaders, rippers, rollers, rooters, scrapers, shovels, tractors .....	10 %
<b>Chemicals, etc.</b>	
Ammonia and sulphur plant .....	12 %
Asbestos and concrete products plant .....	10 %
Battery manufacturing plant .....	12 %
Cement manufacturing plant .....	10 %
Fertilizer manufacturing plant.....	8 %
Gelatin and glue manufacturing plant.....	10 %
Glass manufacturing plant .....	10 %
Insecticide manufacturing plant .....	12 %
Oxygen and gas plant .....	8 %
Petroleum refinery :	
Cracking stills .....	10 %
Condensers, storage tanks and other plant .....	8 %
Paint, colour and varnish manufacturing plant .....	8 %
Plastic products manufacturing :	
General plant .....	8 %
Moulds .....	16 %
Rubber Products Manufacturing :	
General plant .....	10 %
Moulds .....	16 %
Soap and candle manufacturing plant.....	8 %
General plant and machinery used for manufacturing of chemicals (not elsewhere specified) .....	8 %

### **Containers, Printing and Assembly Works**

Canning, packing and bottling plant .....	10 %
Cardboard boxes and carton manufacturing plant .....	8%
Cases, containers, bags, nets and bottle manufacturing equipment .....	8 %
Motor-vehicle assembly plant and equipment.....	14 %
Printing machinery and related equipment .....	10 %

### **Clay Industry**

Brick and tile manufacturing plant .....	10 %
Pottery works equipment .....	10 %

### **Food and other consumer goods**

Bakery, biscuit, processed food, aerated water, milk and milk based drinks and other beverages equipment .....	10 %
Cigarette manufacturing plant.....	10 %
Cold storage, refrigeration and ice making plant .....	10 %
Distillery and brewery :	
Casks .....	12 %
General Plant .....	10 %
Fishing :	
Boats, ships, traps and divers' equipment .....	12 %
Processing, canning and refrigeration plant .....	10 %
Flour milling plant and machinery .....	8 %
Rice milling plant and machinery .....	8 %
Sugar refinery plant and machinery .....	8 %
Tea factory and related equipment .....	8 %
General plant and machinery used for the manufacture, milling and processing of consumer goods and products (Intermediate and final users) .....	8 %

## **Electricals and Electronics**

Electrical appliances and accessories manufacturing and assembling plant .....	12 %
Electronic data processing :	
Computer and data processing systems and other information technology equipment .....	40 %
Free access floors .....	8 %
Electronic manufacturing assembling and testing equipment .....	14 %

## **Iron, steel and smelters**

Blast furnaces, sheet mills, wire rod mills, plate mills, structural mills .....	16 %
General plant - ore smelters, iron and steel mills .....	14 %

## **Metal working and metal products**

Annealing ovens, hydraulic presses, drop hammers .....	12 %
General Plant .....	8 %
Milling machines .....	12 %
Lathes .....	10 %

## **Primary Industries**

### **Agriculture :**

Cultivators, harvestors, tractors and other farming equipment .....	12 %
Feed for animals and livestock-processing plant and machinery .....	8 %
Inland fishing : Fish ponds .....	10 %
Livestock farms and buildings.....	10 %
Livestock pens and cages .....	14 %
Orchards and flower gardens : Green houses and wells .....	10 %

### **Mining :**

Earth moving plant and heavy equipment .....	20 %
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Dredges .....	12 %
Mining and quarrying plant and machinery .....	10 %
Imported earth-moving plant and heavy equipment (17.10.1997 onwards)	10%
Plantations:	
Earth moving plant and heavy equipment .....	20 %
Tractors, cultivators and other haulage vehicles .....	12 %
S.M.R. factories and palm oil mills including environmental control equipment .....	12 %
General plant machinery .....	10 %
Imported earth-moving plant and heavy equipment (17.10.1997 onwards)	10%
Timber :	
Heavy equipment including bulldozers, tractor engines, tractors and timber haulage vehicles .....	20 %
General plant and machinery .....	10 %
Sawmilling plant and machinery .....	10 %
Imported heavy equipment - bulldozers, tractor engines, tractors and timber haulage vehicles (17.10.1997 onwards) .....	10%

### **Professional and Personal Services**

Hairdresser's equipment .....	8 %
Hospital, dental and medical equipment .....	12 %
Hotels, Boarding Houses and Restaurants :	
Carpets, electrical appliances and kitchen equipment .....	14 %
Furniture and fittings .....	12 %
Bedding, linen, cutlery, crockery, glassware and cooking utensils .....	
Replacement	
Laundry equipment .....	10 %

Photographer's equipment .....	10 %
Service station and motor gauge equipment .....	10 %
General plant and machinery used in the provision of professional and personal services (not elsewhere specified) .....	8 %

### **Sea and water transport**

Dry and floating docks and related equipment used for ship building and repairing .....	8 %
Ships - steel tankers .....	8 %
steel (other than tankers) .....	6 %
Wooden (including junks and sampans) .....	10 %
Launches-motorized .....	10 %
Outboard motors .....	12 %
Lighters :	
Steel .....	6 %
Wooden .....	10 %
Steam winches .....	10 %
Tugs .....	10 %
Oil rigs (ocean digger).....	8 %

### **Textiles**

Sewing and knitting machines, electric motors, bleaching and dyeing machines, looms and weaving machines .....	10 %
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### **Utilities**

Electricity Undertakings :

Steam turbine generator, boiler plant equipment, transmission distributor equipment and related generating plant .....	10 %
Cables, meters .....	8 %

**B. Annual Rates For Particular Types Of Plant Not Confined To Specific Industries.**

**Advertising signs** ..... 10 %

**Amenities for employees :**

Fixtures and fittings ..... 14 %

Plant and equipment used in providing meals or facilities  
for meals of employees ..... 16 %

**Bank vaults** ..... 6 %

**Fire and Security Protection Equipment** ..... 10 %

**Furnaces, kilns and ovens** ..... 12 %

**Goods and Passengers Handling Equipment :**

Escalators, lifts, hoisting machines, conveyor belts, forklifts,  
lifting gears, trolleys, cranes and weighing machines.....12 %

**Land Transport Equipment :**

Motorcars, motorcycles ..... 16 %

Motor vehicles licensed for commercial transportation  
of goods and passengers-lorries, truck, bus, minibus, vans,  
taxicabs and hire-cars ..... 20 %

Bicycle..... 10 %

Railway locomotive ..... 12 %

Railway wagons, lines and related equipment ..... 8 %

**Office equipment :**

Accounting and adding machines, typewriters, calculators  
cash registers, copiers and duplicating machine, postal  
franking machines ..... 12 %

**Air conditioning systems :**

Central type including ducts and vents ..... 10 %

Room units ..... 12 %

**Furniture and fittings** ..... 8 %

**Telecommunication equipment** ..... 10 %

<b>Radio and Radio Transmitter Set</b> .....	14 %
<b>Television sets</b> .....	14 %
<b>Machinery or plant used directly or indirectly for the purposes of storage, treatment or disposal of "scheduled wastes" as defined in the Environmental Quality Regulations 1989 (Scheduled Wastes)</b> .....	20 %
<b>Natural Gas Refueling Outlet</b> .....	20 %

## APPENDIX B 2

### CAPITAL ALLOWANCE RATES (With effect from Year of Assessment 2000 current year basis)

#### Annual Rates According To Types Of Asset :

No.	Type of Asset	Rate
1	Office equipment, Furniture and fittings	10%
2	Plant and Machinery (general)	14%
3	Heavy machinery, motor vehicles	20%

Note: For certain types of plant and machinery such as computer, annual capital allowance rate is 40%. In such a situation, the company is allowed to continue using the higher rate.

## APPENDIX C

### ALLOWABLE CONTRIBUTIONS AS DEDUCTION FROM AGGREGATE INCOME

No.	Types of Contribution	Amount
1	(a) Cash donations (b) Cash donations/contributions to Libraries	(a) Approved Donation (b) Max RM20,000

2	Gift of artifact, manuscript or painting	Amount determined by Department of Museum or Archives (Include Painting)
3	Contribution for the benefit of disabled person	To be determined by local authority
4	Contribution for healthcare centre	Max RM20,000
5	Gift of painting	Amount determined by National Art Gallery or any state art gallery.

## APPENDIX D

### SUMMARY OF PERSONAL RELIEF FOR RESIDENT INDIVIDUAL

No	Types of Personal Relief	Amount RM
1	Self and Dependent	8000
2	Disabled individual	5000
3	Disabled wife	2500
4	Fees for education in scientific, technology or vocational (max)	2,000
5	Medical expenses for parents (max)	5000
6	Medical expenses on individual, spouse and children for serious diseases Self (max) Wife (max)	5,000 5,000
7	Purchases of basic supporting equipment for disabled person (max)	5,000
8	Wife/Wives	3000
9	Child relief RM800 each child	(No Limit on number of children)
10	Increased child relief studying in local university and college (max)	(800 x 4)
11	Child relief studying in overseas university /college (max)	(800)*
12	Disabled child	5000
13	Life insurance premium and contribution to approved fund Self (max) Wife (max)	5,000 5,000
14	Insurance premium for education or medical benefit Self (max) Wife (max)	3,000 3,000
15	Annuity premium purchased through EPF annuity scheme	

Self (max)	1,000
Wife (max)	1,000

\* A child who has commenced receiving education outside Malaysia (college/university).

- prior to 1.1.1994 will continue to be given maximum RM 800 x 4 = RM 3,200 until he completed his education.
- commenced from 1.1.1994 up to 16.10.1997, will continue to be given maximum RM 800 x 2 = RM 1,600 until he completed his education.

## APPENDIX E

### INCOME TAX REBATE FOR INDIVIDUAL WITH CHARGEABLE INCOME LESS THAN RM 10,000

Tax Rebate	Amount
<b>(a) Combined Assessment</b>	
Husband	110
Wife (Irrespective wife has income or not)	60
Total	<u>170</u> ===
<b>(b) Separate Assessment</b>	
Husband	110 ===
Wife	110 ===

### OTHER TAX REBATE

Other rebate	Amount
(a) Zakat/Fitrah	Subject to the maximum of tax charge
(b) Purchase of personal computer for own use	RM 400
(c) Levy on foreign workers	Subject to the

	maximum of tax charge
--	-----------------------

**APPENDIX F**

**SUMMARY OF PERSONAL RELIEF FOR RESIDENT INDIVIDUAL  
ACCORDING TO TYPES OF ASSESSMENT**

NO.	TYPES OF PERSONAL RELIEF	INDIVIDUAL			
		SINGLE	MARRIED		
			SEPARATE ASSESSMENT		COMBINED ASSESSMENT
			HUSBAND	WIFE	HUSBAND AND WIFE
1	Self and dependant RM8,000	x	x	x	x
2	Disabled individual RM5,000	x	x	x	x
3	Disabled wife RM2,500	-	-	-	x
4	Fees for education in acquiring technical, vocational of industrial skills ( max - RM2,000)	x	x	x	x
5	Medical expenses for parents (Max - RM5,000)	x	x	x	x
6	Medical expenses for serious diseases - individual, spouse and children. Self (Max RM5,000) Wife (Max RM5,000)	x	x	x	x
7	Purchases of basic supporting equipment for disabled person. (Max - RM5,000)	x	x	x	x
8	Wife/wives RM3,000	-	-	-	x
9	Child relief RM800 each child (No limit on no. of. Children)	-	x	x	x
	Increased child relief studying in local university/college. (4 x RM800 x no. of children)	-	x	x	x
	Child relief studying in overseas university/college. (RM800 x no. of children) *	-	x	x	x

NO.	TYPES OF PERSONAL RELIEF	INDIVIDUAL			
		SINGLE	MARRIED		
			SEPARATE ASSESSMENT		COMBINED ASSESSMENT
			HUSBAND	WIFE	HUSBAND AND WIFE
10	Disabled child RM5,000	-	X	X	X
11	Life insurance premium and contribution to approved fund Self (Max - RM5,000) Wife (Max - RM5,000)	X	X	X	X
12	Insurance premium for education or medical benefit. Self (Max - RM3,000) Wife (Max - RM3,000)	X	X	X	X
13	Annuity premium purchased through EPF Annuity Scheme Self (Max - RM1,000) Wife (Max - RM1,000)	X	X	X	X

\* Please refer to **Appendix D** for clarification.

## APPENDIX G

### EXAMPLE OF TAX COMPUTATION

#### TAX COMPUTATIONS

**STATUTORY INCOME**  
(of each source)

(Gross Business Income less allowable expenses and Business Capital Allowances Claimed)

**GROSS INCOME**  
(of each source)

(Employment Income, Dividend, Interest, Rent and Occupation of Non-business Premises and Value Of Living

Accommodation).

**TOTAL INCOME OF ALL SOURCES**

( )

*Less* : Donations/Gifts to State Government and approved Institutions

( )

**TOTAL INCOME**

( )

*Less* : Personal Relief  
- Self and dependents.

( )

- Medical expenses for parents.	( )
- Medical expenses for serious disease.	( )
- Disabled individual	( )
- Disabled wife	( )
- Fees for education in acquiring technical, vocational or industrial skills	( )
- Cost of purchase of necessary basic supporting equipment for disabled person.	( )
- Wife.	( )
- Child/children/disabled child.	( )
- Insurance premiums and obligatory contributions to an approved fund.	( )
- insurance premium on education or medical benefit.	( )
- annuity premium purchased through EPF annuity scheme	( )
<b>CHARGEABLE INCOME</b>	( )
<b>INCOME TAX CHARGEABLE</b> (as per tax rates Appendix H)	( )
<i>Less</i> : Rebates	
(i) Self	( )
(ii) Wife	( )
(iii) Zakat, Fitrah	( )
(iv) Purchase of personal computer	( )
(v) Levy on foreign workers	( )
	( )
<i>Less</i> : Relief for foreign tax/tax deducted at source from dividends	( )
<b>TOTAL TAX PAYABLE</b>	( )

## APPENDIX H

### INCOME TAX RATES FOR RESIDENT INDIVIDUALS (with effect from Year of Assessment 2000 current year)

Chargeable Income		Rate	Tax
On the first	2,500	0%	0
On the next	2,500	1%	25
	5,000		25
On the next	5,000	3%	150
	10,000		175
On the next	10,000	5%	500
	20,000		675

On the next	15,000	9%	1350
	<hr/> 35,000		<hr/> 2025
On the next	15,000	15%	2250
	<hr/> 50,000		<hr/> 4275
On the next	20,000	20%	4000
	<hr/> 70,000		<hr/> 8275
On the next	30,000	25%	7500
	<hr/> 100,000		<hr/> 15775
On the next	50,000	28%	14000
	<hr/> 150,000		<hr/> 29775
Exceeding	150,000	29%	