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# INDIVIDUAL TAX BOOKLET 2021/2022



## **A. Submission of Individual Annual Tax Return (“Form BE and Form M”)**

The annual income tax return for individuals, i.e. the Form BE and Form M, for the Year of Assessment (“YA”) 2021 must be completed and submitted to the Inland Revenue Board (“IRB”) by 30 April 2022. Failure to submit the Form BE or the Form M within the statutory due date will constitute an offence under the Income Tax Act 1967 (“ITA”), which upon conviction, will be liable to a fine ranging from RM200 to RM20,000 or imprisonment for a term not exceeding 6 months or both. In addition, the IRB may impose a penalty up to 3 times the amount of tax payable.

Nevertheless, submission of the tax return may not be required, if the Monthly Tax Deduction (“MTD”) is elected as Final Tax by the taxpayer. The election is applicable only for Malaysian citizens.

Expatriates are still required to file their income tax return and apply for his or her tax clearance upon leaving the country. If the expatriate’s taxes are not cleared with the IRB, the IRB has the right to claim the outstanding tax payable from the employer. As such, employers need to ensure that expatriate employees have obtained their tax clearance before departing from Malaysia.

**B. Monthly Tax Deduction (“MTD”) (Potongan Cukai Pendapatan (“PCB”)) as Final Tax**

Although the Form BE or the Form M (for taxpayers earning employment income) must be submitted on or before 30 April each year, taxpayers have the option of not submitting the Form BE or the Form M with effect from the YA 2014 (Budget 2014). This is by deeming the MTD as the final tax. However, taxpayers must fulfil the following conditions:-

- a) Having only a single source of employment income;
- b) Benefits-In-Kind (“BIK”) and Value of Living Accommodation (“VOLA”) have been included in the MTD calculation;
- c) Employed by the same employer for 12 months in that YA;
- d) MTD is deducted according to Income Tax Rules;
- e) Taxes are not borne by the employer; and
- f) Husband and wife elect for separate assessment.

The benefit of deeming the MTD as the final tax is for taxpayers to eliminate the daunting task of remembering the due date and collating the relevant documents for completing the Form BE or the Form M. Conversely, the disadvantage of deeming MTD as final tax is that taxpayers would have to forego the tax deduction claims (relief), which may result in a tax refund unless the **Form TP1** (form for claiming deductions and rebates for MTD purpose) has been submitted therefrom.

## C. Residence Status

The determination of a taxpayer's tax resident status in Malaysia is important as it determines the rate of tax (refer to Chapter D) and the entitlement to enjoy tax reliefs and rebates (refer to Chapter F). A taxpayer who is a non-tax resident will be taxed at a flat rate of 30% (refer to Chapter E) and will not qualify for any reliefs and rebates. As an example, an individual who is earning an income of RM100,000, as a tax resident, the tax to be paid will be RM8,810 (or less subject to relief and rebates). However, as a non-tax resident, the tax will be RM30,000.

Regardless of nationality, the tax residency status of a taxpayer in Malaysia is determined based on rules as set in the ITA. A taxpayer is a tax resident in Malaysia for a particular YA if:-

- a) the taxpayer is in Malaysia on that basis year for a period or periods amounting in all to one hundred and eighty-two (182) days or more;
- b) the taxpayer is in Malaysia on that basis year for a period of less than one hundred and eighty-two (182) days and that period is linked by or to another period of one hundred and eighty-two (182) or more consecutive days throughout which he is in Malaysia in that basis year for the YA immediately preceding that particular YA or in that basis year for the YA immediately following that particular YA:-

Relaxation for temporary absence from Malaysia is provided to a taxpayer if the taxpayer was absent due to the following reasons:-

- connected with his service in Malaysia and owing to service matters, attending conferences, seminars or study abroad;
  - owing to ill-health involving the taxpayer or a member of his immediate family. Immediate family refers to parents, spouse and children; and
  - in respect of social visits not exceeding fourteen days (14) days in the aggregate.
- c) the taxpayer is in Malaysia on that basis year for a period or periods amounting in all to ninety (90) days or more, having been with respect to each of any three (3) of the basis years for the four (4) YAs immediately preceding that particular YA either:-
    - resident in Malaysia in accordance with the ITA;
    - in Malaysia for a period or periods amounting in all to ninety (90) days or more in the basis year in question; or

- d) the taxpayer is resident in Malaysia in accordance with the ITA for the basis year for the YA following the particular YA, having been so, resident for each of the basis years for the 3 YAs immediately preceding that particular YA.

### **Tax Residency for the YA 2021**

The COVID-19 pandemic has caused complications in determining the residence status of expatriates submitting their income tax returns in Malaysia. For example, expatriates who attended meetings overseas were denied entry into Malaysia, due to travel restrictions imposed by the Malaysian Government. Although the services rendered by the expatriate is related to its employment in Malaysia, as the expatriate is physically outside of Malaysia, the one hundred and eighty-two (182) physical presence days in Malaysia remained unfulfilled/questionable.

Fortunately, the IRB provides relaxation to allow a period of temporary absence to be taken to form part of the taxpayer's period or periods in Malaysia for the purpose of determining tax residency. However, such temporary absence must be supported by proper documentation and information. This documentation and information must be kept and submitted to the IRB upon request. Examples of documents may include (but are not restricted to) travel documents, local or foreign authority travel restrictions guidelines and similar relevant documents which may prove that the taxpayer's temporary absence or presence in Malaysia was due to COVID-19 travel restrictions or documents which indicate that effort was taken by the taxpayer to return to Malaysia during the Movement Control Order period.

The Movement Control Order period starts from 18 March 2020 as prescribed and extended by the Ministerial Order made under Section 11 of the Prevention and Control of Infectious Diseases Act 1988 and as gazetted from time to time.

Application for the determination of the taxpayer's resident status during the Movement Control Order period must be referred to the IRB's branch that handles the taxpayer's income tax file. Each application will be reviewed and assessed in accordance with the merit of the case. Confirmation of taxability from foreign tax authorities may be requested if such a need arises.

**D. Individual Tax Rate for Tax Resident for the YA 2021 onwards**

<b>Chargeable Income (RM)</b>	<b>Calculations (RM)</b>	<b>Rate %</b>	<b>YA 2021 onwards Tax Payable (RM)</b>
<b>0 - 5,000</b>	On the First 2,500	0	0
<b>5,001 - 20,000</b>	On the First 5,000	1	0
	Next 15,000		150
<b>20,001 - 35,000</b>	On the First 20,000	3	150
	Next 15,000		450
<b>35,001 - 50,000</b>	On the First 35,000	8	600
	Next 15,000		1,200
<b>50,001 - 70,000</b>	On the First 50,000	13	1,800
	Next 20,000		2,600
<b>70,001 - 100,000</b>	On the First 70,000	21	4,400
	Next 30,000		6,300
<b>100,001 - 250,000</b>	On the First 100,000	24	10,700
	Next 150,000		36,000
<b>250,001 - 400,000</b>	On the First 250,000	24.5	46,700
	Next 150,000		36,750
<b>400,001 - 600,000</b>	On the First 400,000	25	83,450
	Next 200,000		50,000
<b>600,001 - 1,000,000</b>	On the First 600,000	26	133,450
	Next 400,000		104,000
<b>1,000,001 – 2,000,000</b>	On the First 1,000,000	28	237,450
	Next 1,000,000		280,000
<b>2,000,001 and above</b>	-	30	-

**E. Individual Tax Rate for Non-Tax Resident for the YA 2021 onwards**

YA 2021 onwards Tax Rate
30%

**F. Relief and Rebate**

Tax Deduction	Description (Compulsory Deduction under MTD)	YA 2021 (RM)	YA 2022 (Proposed) (RM)
Individual	Personal relief	9,000	9,000
Spouse	Non-working spouse (updated 01.01.2017 – working overseas not eligible)  <i>**House expenses not eligible. Husband's responsibility</i>	4,000	4,000
Child	Child below the age of 18 #	2,000	2,000
	Disabled child (unmarried) #	6,000	6,000
	Child above the age of 18 receiving full-time education, diploma and degree onwards (including a disabled child) #  <i>**Courses and universities recognised by the Government, refer: <a href="http://www.jpa.gov.my/">http://www.jpa.gov.my/</a></i>  <i># An individual will not be eligible to claim child relief if the child's total income, wherever derived or accruing, for that year exceeds the amount of the relief that would otherwise be allowed, effective from YA 2006 (Section 48(5) of the ITA).</i>	8,000	8,000
Disabled Person	Additional personal deduction	6,000	6,000
Disabled Spouse	Additional spouse deduction	5,000	5,000
Alimony	Alimony to former wife (mutually exclusive with spouse relief).	4,000	4,000



Tax Deduction	Description (Optional Deduction under MTD)	YA 2021 (RM)	YA 2022 (Proposed) (RM)
Annuity	Annuity Scheme Premium / Private Retirement Scheme ("PRS"). Extended from YA 2021 to YA 2025.	3,000	3,000
Medical Examination	Complete medical examination for self / spouse / child.  <u>Effective YA 2022:</u> It is proposed that the medical examination expenses be extended to include check-up or consultant service costs related to mental health from a registered psychiatrist, clinical psychologist or counsellor.	1,000	1,000
Education	Education fee for technical skills/qualifications at tertiary level or postgraduate. The relief includes up-skilling or self-enhancement courses recognized by the Department of Skills Development, Ministry of Human Resources. The tax relief is limited to RM1,000 for each YA.  <u>Effective YA 2022 and YA 2023:</u> It is proposed that the up-skilling or self-enhancement courses relief will be increased to RM2,000.	7,000	7,000
Medical Insurance	Insurance premium for education or medical benefits for self/spouse/child.	3,000	3,000
Employee Provident Fund	Employee Provident Fund ("EPF") contribution  <u>Effective YA 2022:</u> It is proposed that the scope of tax relief for EPF contributors be expanded to include voluntary contributors and pensionable civil servants.	4,000	4,000
Life Insurance	Life insurance and Takaful contributions for self or spouse.	3,000	3,000
Parent Medical	Medical expenses for parents  Include expenses to care for parents, i.e. through carer, for parents who suffer from diseases, physical or mental disabilities and need regular treatment certified by a qualified medical practitioner. It also includes treatment and care at home, daycare centres or home care centres.	8,000	8,000

Tax Deduction	Description (Optional Deduction under MTD)	YA 2021 (RM)	YA 2022 (Proposed) (RM)
Self Medical	<p>Medical expenses for self/spouse/children on serious diseases (include medical examination RM1,000).</p> <p><u>Serious Diseases:</u></p> <p>Medical expenses on serious diseases include the treatment of acquired immune deficiency syndrome ("AIDS"), Parkinson's disease, cancer, renal failure, leukaemia and other similar diseases such as heart attack, pulmonary hypertension, chronic liver disease, fulminant viral hepatitis, head trauma with neurological deficit, brain tumour or vascular malformation, major burns, major organ transplant and major amputation of limbs. Amount expended on own self/spouse/child is deductible up to a maximum of RM8,000 but total relief allowable for both items, medical examination expenses and medical expenses is restricted to RM8,000.</p> <p><u>Effective YA 2021:</u></p> <p>The scope of income tax relief on medical treatment expenses be expanded to include vaccination expenses up to RM1,000 for taxpayer, spouse and child. Vaccines eligible include Pneumococcal, Human Papillomavirus, Influenza, Rotavirus, Varicella, Meningococcal, combination of tetanus-diphtheria-acellular pertussis, Covid-19 vaccine (Budget 2021) and Covid-19 screenings (PERMAI).</p>	8,000	8,000
Child Education Saving	<p>Net Deposit in National Education Savings Scheme ("SSPN") for a child [up to RM12,000 with Life Insurance (i-SSPN)] (extended from YA 2020 to YA 2022).</p>	8,000	8,000
Social Security Organisation	<p>Social Security Organisation ("SOCSO") Contribution Scheme.</p> <p><u>Effective YA 2022:</u></p> <p>The scope of SOCSO relief is expanded to include Employment Insurance System ("EIS") contributed.</p>	250	350



Tax Deduction	Description (Optional Deduction under MTD)	YA 2021 (RM)	YA 2022 (Proposed) (RM)
Travel	<p>Domestic travel expenses incurred for:-</p> <ul style="list-style-type: none"> <li>Accommodation expenses at premises registered with the Ministry of Tourism, Arts and Culture Malaysia ("MOTAC"); and</li> <li>Entrance fees to tourist attractions.</li> </ul> <p>Through PEMERKASA and Budget 2022, it is expanded to include expenses on tourism packages purchased with local tourism operators registered with MOTAC that comprises of:</p> <ul style="list-style-type: none"> <li>Payment for local tour guide services;</li> <li>Purchase of local handicrafts;</li> <li>Food and beverages; and</li> <li>Transportation including hop-on-hop-off.</li> </ul>	1,000	1,000
Breastfeeding Equipment	<p>Purchase of breastfeeding equipment. Applicable to working women with a child aged up to 2 years (every 2 years).</p>	1,000	1,000
Lifestyle	<p>Purchase of:-</p> <ul style="list-style-type: none"> <li>Books, journals, magazines and printed daily newspapers</li> <li>Sports equipment (refer to Sports Development Act 1997), entry/rental fees for sports facilities and participation fees in sports competitions.</li> <li>Computer, smartphone and tablet (additional RM2,500, in line with new norm and work from home practices).</li> <li>Subscription of broadband internet</li> <li>Gymnasium membership</li> <li>Subscription for electronic newspapers</li> </ul>	<p>2,500</p> <p>+ 500</p> <p>+ 2,500</p>	<p>2,500</p> <p>+ 500</p> <p>+ 2,500</p>

<b>Tax Deduction</b>	<b>Description (Optional Deduction under MTD)</b>	<b>YA 2021 (RM)</b>	<b>YA 2022 (Proposed) (RM)</b>
Fees Paid to Childcare Centres and Kindergartens	Individuals who enrol children up to 6 years of age, in childcare centres or kindergartens registered with the Department of Social Welfare or Ministry of Education.  It is proposed that the relief of RM3,000 be extended until YA 2023.	3,000	3,000
Electric Vehicle	<u>Effective YA 2022 and YA 2023</u>  It is proposed that tax relief up to RM2,500 is claimable on expenses related to cost of installation, rental, purchasing including hire-purchase equipment or subscription fees for electric vehicle charging facilities.	-	2,500
Supporting	Necessary basic supporting equipment for disabled self / spouse / child / parent	6,000	6,000
Zakat	Obligatory payment under Islamic law	No limit	No limit

**G. Tax Exempt Allowance (Part F of Form EA)**

<b>Tax Exempt Allowance</b>	<b>Description</b>	<b>Max Amount (RM)</b>
Petrol & Travelling	Petrol card / allowance / travel allowance / toll payment (for official duties)	6,000
Parking	Parking rate and allowance (limited to the actual amount expended)	-
Meal	Meal allowance on regular basis and given at the same rate to all employees (limited to the actual amount expended)	-
Childcare	Childcare allowance (up to 12 years of age)	2,400
Phone	Mobile phone, tablet and laptop	5,000
Phone Bills	Monthly phone bills	1 line
Perquisite	Awards (including cash and kind)	2,000
Loan Interest	Subsidised interest for housing, education or car loan	-
Perbadanan Tabung Pendidikan Tinggi Nasional ("PTPTN")	Educational loan paid by an employer on behalf of his employee (YA 2019 to YA 2021)	-

## H. Donation to Approved Institution or Organisation

A person is allowed for a deduction against its aggregate income (up to 10%) for gifts of money made to any approved institution or organisation [Section 44(6) of the ITA]. For a comprehensive search of approved institutions or organisations, refer Hasil website [HERE](#).

## I. Additional Expenses Claimable under Employment Income

No.	Description	Amount (RM)
1	Annual subscription to professional bodies which is relevant to the performance of duties	Based on the amount expended
2	Entertainment expenditure incurred by the employee in entertaining existing clients on behalf of the employer	Based on the amount expended
3	Travelling expenditure incurred by an employee in the course of exercising of his / her duties as an employee	Based on the amount expended

## J. Income Tax Rebate and Special Relief

No.	Description	Amount (RM)
1	Rebate given if: <ul style="list-style-type: none"> <li>○ Chargeable income not exceed RM35,000</li> <li>○ Additional rebate for a non-working spouse or combined assessment</li> </ul>	<div>400</div> <div>400</div>



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