



INLAND REVENUE BOARD OF MALAYSIA

TAX BORNE BY EMPLOYERS

PUBLIC RULING NO. 3/2024

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DIRECTOR GENERAL'S PUBLIC RULING

Section 138A of the Income Tax Act 1967 (ITA) provides that the Director General is empowered to make a Public Ruling in relation to the application of any provisions of the ITA.

A Public Ruling is published as a guide for the public and officers of the Inland Revenue Board of Malaysia. It sets out the interpretation of the Director General in respect of the particular tax law and the policy as well as the procedure applicable to it.

The Director General may withdraw this Public Ruling either wholly or in part, by notice or by publication of a new Public Ruling.

**Director General of Inland Revenue,
Inland Revenue Board of Malaysia.**

1. Objective

The objective of this Public Ruling (PR) is to explain the computation of –

- (a) perquisite relating to the income tax of an employee that is borne by an employer; and
- (b) tax payable by the employee who is entitled to this perquisite.

2. Relevant Provisions of the Law

- 2.1 This PR takes into account laws which are in force as at the date this PR is published.
- 2.2 The provisions of the Income Tax Act 1967 (ITA) related to this PR are sections 2, 7, 13, 21, 25, 46, 47, 48, 49, 77, 77C, 83, 107 and Part 1 of Schedule 1.

3. Interpretation

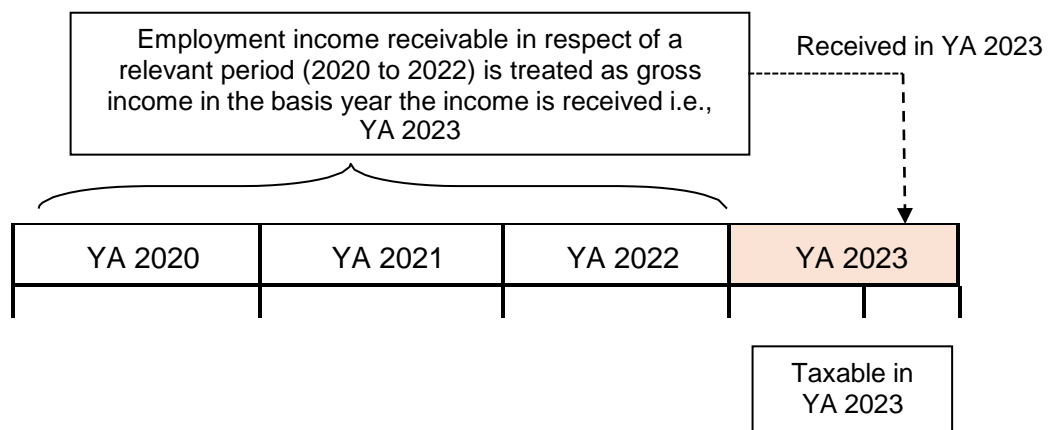
The term used in this PR have the following meaning:

- 3.1 “Resident”, in relation to an employee, is an employee resident in Malaysia for the basis year for a year of assessment (YA) by virtue of section 7 of the ITA.
- 3.2 “Non-resident” for a basis year for a YA in relation to an employee means an employee other than a resident employee.
- 3.3 “Individual” means a natural person.
- 3.4 “Employer”, in relation to an employment, means –
 - (a) where the relationship of master and servant subsists, the master;
 - (b) where that relationship does not subsist, the person who pays or is responsible for paying any remuneration to the employee who has the employment, notwithstanding that that person and the employee may be the same person acting in different capacities.
- 3.5 “Employee”, in relation to an employment, means –
 - (a) where the relationship of servant and master subsists, the servant;
 - (b) where that relationship does not subsist, the holder of the appointment or office which constitutes the employment.

- 3.6 "Employment" means –
- (a) employment in which the relationship of master and servant subsists;
 - (b) any appointment or office, whether public or not and whether or not that relationship subsists, for which remuneration is payable.
- 3.7 "Perquisite", in relation to an employment means benefits in cash or in kind that are convertible into money received by an employee from the employer or third parties in respect of having or exercising the employment.
- 3.8 "Basis year", in relation to a YA for an income from employment source is the basis period for that YA.
- 3.9 "Year of assessment" means the calendar year.

4. Basis Period to which Employment Income is Related

According to section 25 of the ITA, employment income receivable in respect of a relevant period is treated as gross income of the employee in the period it is received. In other words, gross income from an employment which is receivable for any basis year for a YA is taxed in the basis year it is received. This is summarised in the following diagram:



5. Income Tax of the Employee Borne by the Employer - A Perquisite to the Employee

Income tax is a personal monetary liability of an employee. **An agreement by an employer to pay** the income tax of the employee **does not relieve the employee from tax liability** on the amount of income tax borne by the employer. The full or partial amount of the employee's income tax may be paid by the employer. When the income tax liability of an employee is paid by the employer, this benefit falls within the definition of **perquisite** and is part of the gross income from the employment under paragraph 13(1)(a) of the ITA.

6. Tax Treatment of Employee's Income Tax Borne by the Employer

The tax treatment of income tax of the employee borne by the employer is as follows:

6.1 Computation of perquisite in relation to income tax borne by the employer

The income tax of an employee borne by his employer for a basis year for a YA is treated as income of that employee in that basis year when the actual amount of tax for that YA can be ascertained, that is in the following basis year. As such, an employee would not be taxed on the benefit in the basis year when his employment is exercised as the benefit only arises in the following year.

Example 1

Hendrik, a citizen of Sweden who is married and has a preschool child, arrived in Malaysia on 25.3.2023 to commence employment on 1.4.2023. The terms of his employment contract are as follows:

- (a) period of employment in Malaysia is for 2 years from 1.4.2023 to 31.3.2025;
- (b) salary of RM20,000 per month for the first 9 months and after that an annual increment of RM12,000 (RM1,000 per month) for the period 1.1.2024 to 31.12.2024 and RM3,000 (RM1,000 per month) for the period 1.1.2025 to 31.3.2025 until the cessation of the employment contract on 31.3.2025;
- (c) entitled to receive bonus based on the company's performance; and
- (d) Hendrik's income tax is borne entirely by the employer.

Hendrik's employer declared bonus for 2023 in 2024 and he received a sum of RM40,000 for the year ended 31.12.2023 on 30.8.2024. In January 2025, Hendrik received bonus arrears for the year 2024 of RM10,000. Hendrik is a tax resident for the YAs 2023 and 2024. He is not a tax resident for the YA 2025.

The computation of Hendrik's tax payable for the YAs 2023 and 2024 are as follows:

Year of Assessment 2023

	RM	RM
Salary RM20,000 X 9 (1.4.2023 - 31.12.2023)		180,000
Less:		
Deduction for self (section 46 of the ITA)	9,000	
Deduction for wife (section 47 of the ITA)	4,000	
Deduction for child (section 48 of the ITA)	<u>2,000</u>	<u>15,000</u>
Chargeable income		<u>165,000</u>
		RM
Tax on the first RM100,000		9,400.00
Tax on the balance RM65,000 @ 25%		<u>16,250.00</u>
Tax payable ¹		<u>25,650.00</u>

¹Hendrik's tax payable for the YA 2023 is RM25,650.00. The tax borne by Hendrik's employer is a perquisite to Hendrik. This perquisite is treated as part of Hendrik's gross income from employment under paragraph 13(1)(a) of the ITA for the basis year 2024 (YA 2024), i.e in the basis year when the actual tax amount for YA 2023 can be determined.

Year of Assessment 2024

	RM	RM
Salary RM21,000 X 12 (1.1.2024 - 31.12.2024)		252,000
Bonus receivable for 2023 but received in 2024		40,000
Tax for YA 2023 borne by the employer ¹		<u>25,650</u>
Total income		317,650
Less:		
Deduction for self	9,000	
Deduction for wife	4,000	
Deduction for child	<u>2,000</u>	<u>15,000</u>
Chargeable income		<u>302,650</u>
		RM
Tax on the first RM100,000		9,400.00
Tax on the balance RM202,650 @ 25%		<u>50,662.50</u>
Tax payable ²		<u>60,062.50</u>

²Hendrik's tax payable for the YA 2024 is RM60,062.50. The entire tax payable is borne by Hendrik's employer, which is a perquisite to him and is treated as part of his gross income from employment under paragraph 13(1)(a) of the ITA for the YA 2025 and is taxable in the YA 2025, i.e., in the basis year when the actual tax amount for YA 2024 can be determined.

The bonus arrears of RM10,000 receivable for YA 2024 but received in YA 2025 is taxable in YA 2025, i.e., in the YA the bonus is received.

6.2 Computation of perquisite if there is a reduced assessment

Where there is a change in taxable income or chargeable income which results in a reduced assessment for a YA, the tax for that YA and the following YA (regardless whether it results in an additional or reduced assessment) has to be recomputed to ascertain the actual tax payable which should be borne by the employer.

Example 2

Same facts as Example 1

Hendrik had overlooked a claim for a deduction in respect of life insurance premiums under section 49 of the ITA amounting to RM3,000 each year which had been expended by him. He made an appeal under section 131 of the ITA for the assessment for YA 2023 and 2024.

The tax payable for the respective YA must be recomputed to ascertain the tax payable which is borne by the employer. The revised computations are as follows:

Year of Assessment 2023 - Reduced Assessment

	RM	RM
Salary RM20,000 X 9 (1.4.2023 - 31.12.2023)		180,000
Less:		
Deduction for self	9,000	
Deduction for wife	4,000	
Deduction for child	2,000	
Deduction for life insurance premium (section 49 of the ITA)	<u>3,000</u>	<u>18,000</u>
Chargeable income		<u>162,000</u>
Tax on the first RM100,000		9,400.00
Tax on the balance RM62,000 @ 25%		<u>15,500.00</u>
Tax payable ³		24,900.00
Less: Original assessment for YA 2023 ¹		<u>25,650.00</u>
Tax discharged as a result of the claim for life insurance premium		<u>750.00</u>

³The revised tax payable for YA 2023 which was borne by the employer after taking into account the deduction for life insurance premium claimed by Hendrik is reduced to RM24,900.00. Hendrik's tax payable for YA 2024 must also be recomputed as the tax borne by the employer has been revised.

Year of Assessment 2024 – Reduced Assessment

	RM	RM
Salary RM21,000 X 12 (1.1.2024 - 31.12.2024)		252,000
Bonus receivable for 2023 but received in 2024		40,000
Tax for YA 2023 borne by the employer ³		<u>24,900</u>
Total income		316,900
Less:		
Deduction for self	9,000	
Deduction for wife	4,000	
Deduction for child	2,000	
Deduction for life insurance premium	<u>3,000</u>	<u>18,000</u>
Chargeable income		<u>298,900</u>
		RM
Tax on the first RM100,000		9,400.00
Tax on the balance RM198,900 @ 25%		<u>49,725.00</u>
Tax payable ⁴		59,125.00
Less: Original assessment for YA 2024 ²		<u>60,062.50</u>
Tax discharged as a result of the claim for life insurance premium and revised tax allowance for YA 2023		<u>937.50</u>

⁴The revised tax payable for YA 2024 which was borne by the employer after taking into account the life insurance premium claimed by Hendrik and the amendment of the amount of tax borne by the employer for YA 2023 has been reduced to RM59,125.00. This amount is treated as part of Hendrik's gross income from employment for the YA 2025.

6.3 Computation of perquisite if there is an additional assessment

Where there is a change in taxable income or chargeable income which results in an additional assessment for a YA, the tax for that YA and the following YA (regardless whether it results in an additional or reduced assessment) has to be recomputed to ascertain the actual tax payable which should be borne by the employer.

If there is additional tax for a YA which is borne by the employer, this additional tax is an additional perquisite to the employee. This additional perquisite will not be related back to the YA concerned but is regarded as the employee's gross income from employment under paragraph 13(1)(a) of the ITA for the YA in which the additional assessment is made.

Example 3

Same facts as Example 1

Hendrik's employer did not include living accommodation provided to him for free in year 2023 in the Statement of Remuneration from Employment (Form EA) for the year ended 31.12.2023. The defined value of the living accommodation is RM45,000.

This benefit is only declared in year 2025 in the revised EA Form for the year ended 31.12.2023 and an additional assessment on the living accommodation for YA 2023 is raised in year 2025. The employer did not provide living accommodation to Hendrik for year 2024 and 2025.

As Hendrik's employment ceases on 31.3.2025 and he will be leaving Malaysia, the computation of tax payable shall be ascertained in accordance with paragraph 6.6 of this PR. For the purpose of this example, it is assumed that Hendrik makes an election that subsection 25(6) of the ITA is not applicable in relation to his gross income from employment.

The tax payable for the YA 2023 must be recomputed to ascertain the tax payable which is borne by the employer. The revised computation of tax payable for the YA 2023 and the computation of tax payable for the YA 2025 are as follows:

Year of Assessment 2023 – Additional Assessment

	RM	RM
Paragraph 13(1)(a) of the ITA		
Salary RM20,000 X 9 (1.4.2023 to 31.12.2023)		180,000
Paragraph 13(1)(c) of the ITA		
30% X RM180,000 = RM54,000		
Or		
Defined value of accommodation = RM5,000 X 9 =		
RM45,000		
Whichever is lower		<u>45,000</u>
Gross/adjusted/statutory income from employment/total income		225,000
Less:		
Deduction for self	9,000	
Deduction for wife	4,000	
Deduction for child	<u>2,000</u>	<u>15,000</u>
Chargeable income		<u>210,000</u>

	RM
Tax on the first RM100,000	9,400.00
Tax on the balance RM110,000 @ 25%	<u>27,500.00</u>
Tax payable	36,900.00
Less original assessment for YA 2023 ¹	<u>25,650.00</u>
Additional tax	11,250.00
Penalty under subsection 113(2) of the ITA (15%)	<u>1,687.50</u>
Additional tax payable ⁵	<u>12,937.50</u>

⁵The additional tax payable of RM12,937.50 for the YA 2023 which is borne by the employer is an additional prerequisite to Hendrik. This additional prerequisite is only determined in 2025 when the information regarding living accommodation was declared by the employer in the revised EA Form for the year ended 31.12.2023. Therefore, additional prerequisite is treated as gross income from employment under paragraph 13(1)(a) of the ITA for YA 2025, i.e the year in which the additional assessment is made.

For further information on the penalty rates, please refer to the Tax Audit Framework dated 1.5.2022 obtainable from the Inland Revenue Board of Malaysia (IRBM) website at <http://www.hasil.gov.my>.

Year of Assessment 2025 – Non-Resident

Computation of tax borne by the employer for the purposes of the final computation

	RM
Salary RM22,000 X 3 (1.1.2025 to 31.3.2025)	66,000
Bonus arrears receivable for 2024 but received in 2025	10,000
Tax for YA 2024 borne by the employer ²	60,063
Additional tax for YA 2023 borne by the employer ⁵	<u>12,938</u>
Total income/ Chargeable income	<u>149,001</u>

Income tax payable RM149,001 @ 30% = RM44,700.30⁶

Final computation

	RM
Salary RM22,000 X 3 (1.1.2025 to 31.3.2025)	66,000
Bonus arrears receivable for 2024 but received in 2025	10,000
Tax for YA 2024 borne by the employer ²	60,063
Additional tax for YA 2023 borne by the employer ⁵	12,938
Tax for YA 2025 borne by the employer ⁶	<u>44,700</u>
Total income/Chargeable income	<u>193,701</u>

Income tax payable RM193,701 @ 30% = RM58,110.30

The tax payable of RM58,110.30 for the YA 2025 is borne by the employer.

6.4 Computation of perquisite where an employee's tax is partially borne by an employer

Where an employer agrees to pay only a portion of the employee's tax for a YA, only that portion of tax borne by the employer is a perquisite and treated as gross income from employment of the employee under paragraph 13(1)(a) of the ITA.

Example 4

Miyamoto, a Japanese citizen commenced employment in Malaysia with Company A on 1.1.2022. The terms of the employment contract were as follows:

- (a) period of employment in Malaysia is for 2½ years;
- (b) salary of RM18,000 per month;
- (c) half (½) of Miyamoto's income tax liability was borne by his employer; and
- (d) benefits provided are –
 - (i) handphone (one unit) registered under Miyamoto's name and monthly bills will be paid by the employer;
 - (ii) car for personal use and for work purposes (a brand new car is purchased for RM200,000 in 2022);
 - (iii) petrol (actual value of petrol paid by the employer was RM12,000, RM13,000 and RM7,000 respectively for YAs 2022, 2023 and 2024). Miyamoto does not keep records of his work related trips in 2022. He subsequently keeps records which shows that the cost of petrol relating to work amounts to RM9,000 and RM7,000 for YAs 2023 and 2024 respectively;

and

- (iv) free living accommodation. The rent paid by the employer for the unfurnished accommodation is RM5,000 per month.

The value of the benefits provided above are as follows:

No.	Benefit	Tax Treatment	Reference
1.	Handphone and Monthly bills	Exempted from tax	Income Tax (Exemption) Order 2009 [P.U.(A) 152/2009] and PR No. 5/2019-Perquisites From Employment (Paragraph 7.4.1 and 7.4.2)
2.	⁷ Car	If the prescribed value is used to determine the value of the benefit in kind, there is no abatement if the car is used for business purposes. The value of the benefit in kind should be adjusted appropriately in accordance to the period the car is provided.	PR No. 11/2019-Benefits In Kind (BIK) Paragraph 6.1.3 and 6.1.8 Paragraph 6.1.5
3.	⁸ Petrol	An employee is given an option to – (i) determine the amount of free petrol to be taxed based on the annual prescribed value of petrol as per Appendix 2 of PR 11/2019- BIK; or (ii) enjoy the exemption on the amount of petrol used as follows:	PR No. 11/2019-BIK Paragraph 8.2.12

		<p>Petrol allowance is exempted up to a maximum of RM6,000 a year (if the employer is unable to identify the value of petrol related to private and business purposes)</p> <p>If the employer is able to identify the usage of petrol allowance exceeding RM6,000 per year for the business of the employer based on records kept by the employee, the actual sum of the allowance expended for business purposes may be exempted.</p>	<p>Income Tax (Exemption) Order 2009 [P.U.(A) 152/2009] and</p> <p>PR No. 5/2019-Perquisites From Employment [Paragraph 7.2.1 (a) – (d)]</p>
4.	⁹ Living accommodation	The value has to be determined.	Subsection 32(2) of the ITA and PR No. 3/2005 and Addendum to the PR No. 3/2005

Miyamoto is a resident for the YAs 2022 to 2024.

The computation of tax payable by Miyamoto for YAs 2022 and 2023 are as follows:

Year of Assessment 2022

	RM	RM
Paragraph 13(1)(a) of the ITA Salary RM18,000 X 12 (1.1.2022 - 31.12.2022)		216,000
Paragraph 13(1)(b) of the ITA Car (prescribed value method) ⁷	7,000	
Petrol (prescribed value method) ⁸	<u>1,800</u>	8,800
Paragraph 13(1)(c) of the ITA 30% X 216,000 = RM64,800 ⁹		

Or	
Defined value of accommodation = RM5,000 X 12 = RM60,000	
Whichever is lower	<u>60,000</u>
Gross/adjusted/statutory income from employment/total income	284,800
Less:	
Deduction for self	<u>9,000</u>
Chargeable income	<u>275,800</u>

	RM
Tax on the first RM100,000	10,700.00
Tax on the balance RM175,800 @ 24%	<u>42,192.00</u>
Tax payable ¹⁰	<u>52,892.00</u>

As the employer agreed to bear half of the tax payable by Miyamoto, only RM26,446¹¹ (1/2 X ¹⁰RM52,892) is considered a perquisite. This perquisite is regarded as part of Miyamoto's gross income from employment under paragraph 13(1)(a) of the ITA for basis year 2023 (YA 2023).

Year of Assessment 2023

	RM	RM
Paragraph 13(1)(a) of the ITA		
Salary RM18,000 X 12 (1.1.2023 - 31.12.2023)		216,000
Tax for YA 2022 that is partially borne by the employer ¹¹		<u>26,446</u>
		242,446
Paragraph 13(1)(b) of the ITA		
Car (prescribed value method) ⁷	7,000	
Petrol (prescribed value method) ⁸	<u>1,800</u>	8,800

Paragraph 13(1)(c) of the ITA
30% X RM242,446 = RM72,733.80⁹

Or	
Defined value of accommodation = RM5,000 X 12 = RM60,000	
Whichever is lower	<u>60,000</u>
Gross/adjusted/statutory income from employment/total income	311,246
Less:	
Deduction for self	<u>9,000</u>
Chargeable income	<u>302,246</u>

	RM
Tax on the first RM100,000	9,400.00
Tax on the balance RM202,246 @ 25%	<u>50,561.50</u>
Tax payable ¹²	<u>59,961.50</u>

Miyamoto's employer bears half of the tax payable by Miyamoto for the YA 2023 i.e. RM29,980.75¹³ ($1/2 \times$ ¹²RM59,961.50), which is considered a perquisite. This amount is regarded as part of Miyamoto's gross income from employment for the YA 2024.

The computation of tax payable for the YA 2024 is shown in Example 7 under paragraph 6.6.2 of this PR.

Note

If with effect from YA 2024, Miyamoto's taxes are no longer borne by his employer, the portion of tax borne by the employer for YA 2023 will still be regarded as part of Miyamoto's gross income from employment under paragraph 13(1)(a) of the ITA for YA 2024. Miyamoto will have to fully bear his tax payable for the YA 2024. Since Miyamoto's tax for YA 2024 is not borne by his employer, therefore there would not be any tax borne by the employer for YA 2024 to be assessed as gross income from employment under paragraph 13(1)(a) of the ITA in YA 2025.

6.5 Computation of perquisite where an employee defaults in furnishing the Income Tax Return Form

Where an employee has defaulted or has not furnished the Income Tax Return Form (ITRF) on the stipulated date, the employee has committed an offence and shall be subject to a penalty under subsection 112(3) of the ITA. The amount of penalty along with the tax charged is the tax payable by that employee. If the amount of penalty imposed is also borne by the employer, the total amount of tax payable by the employer (including penalty) is a perquisite to the employee and is part of the gross income from employment under paragraph 13(1)(a) of the ITA.

Example 5

Same facts as in Example 4 except that Miyamoto was late in filing the ITRF 2023 on 31.7.2024 instead of on the due date i.e., 30.4.2024. He is charged a penalty under subsection 112(3) of the ITA for late submission of the ITRF. Miyamoto's income tax and penalty for the YA 2023 is partially borne by the employer.

The computation of tax payable and penalty are as follows:

Year of Assessment 2023

Tax payable by Miyamoto must include the penalty imposed on him.

	RM
Tax payable as computed in Example 4 ¹²	59,961.50
Penalty under subsection 112(3) of the ITA (15%)	<u>8,994.23</u>
Tax payable ¹⁴	<u>68,955.73</u>

Miyamoto's employer bears half of the tax payable for the YA 2023 i.e., RM34,477.87 (1/2 X ¹⁴RM68,955.73), which is considered a perquisite that arises in the following YA i.e., in YA 2024.

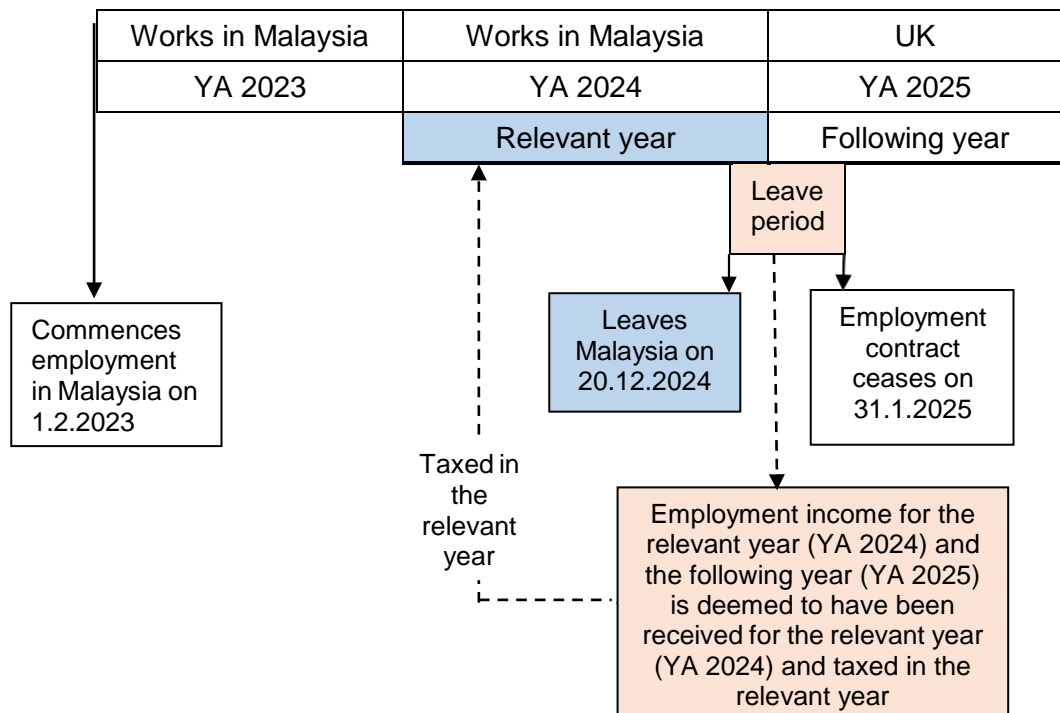
6.6 Computation of perquisite in cases where the employee has left or will be leaving Malaysia

6.6.1 In the case of an employee who has left or intends to leave Malaysia and is entitled to a tax benefit which is considered a perquisite under paragraph 13(1)(a) of the ITA, the provisions of subsection 25(6) of the ITA must be applied as follows:

Where an employee –

- (i) has left or will be leaving Malaysia in the basis year for a YA;
- (ii) is not resident in Malaysia for the basis year for the following YA and does not derive any pension from Malaysia for that basis year; and
- (iii) ceases to derive gross income from employment from Malaysia on the expiration of a period of leave following his departure from Malaysia,

the employment income receivable for the relevant year or for the basis year of the YA following the relevant year shall be deemed to have been received in the basis year in which he leaves Malaysia.



In other words, the employee may elect by way of a written request to the Director General of Inland Revenue (DGIR) that subsection 25(6) of the ITA is not to be applied in relation to his gross income from the employment. This election can be made via a letter at the time the employee files his ITRF for the relevant YA before his departure from Malaysia. In other words, the employee may make a request by writing a letter to the DGIR stating that the gross income for the YA following the YA the employee left Malaysia (YA 2025) shall be treated as income for that YA (YA 2025) and is not deemed received in YA 2024 i.e., YA he left Malaysia.

For further explanation on the determination of the residence status of individuals, refer to PR No.11/2017 dated 22.12.2017 titled "Residence Status of Individuals" which can be obtained from the IRBM website at <http://www.hasil.gov.my>.

6.6.2 For leaver cases as mentioned in paragraph 6.6.1 above, the computation of tax has to be made twice for the final year in which the employee is in Malaysia. The computation is to be carried out as follows:

- Step 1 - Computation of tax borne by the employer; and
- Step 2 - Final computation to determine the actual amount of income tax payable by the employee which includes tax on the final tax borne by the employer.

Example 6

Same facts as Example 1 except that Hendrik's employment contract is terminated effective 31.1.2025 and he leaves Malaysia on 1.12.2024. All remunerations from 1.12.2024 to 31.1.2025 is paid to him in 2025. A notification by the employer of the employee's departure from Malaysia (Form CP21) is submitted by the employer electronically to the IRBM on 30.10.2024. When the Form CP21 is submitted to the IRBM, Hendrik would be required to complete the ITRF for the relevant YA.

Subsection 25(6) of the ITA applies as Hendrik –

- (a) leaves Malaysia on 1.12.2024;
- (b) is not resident in Malaysia for the basis year following the year he left Malaysia (2025);
- (c) does not derive pension from Malaysia for the basis year following the year he left Malaysia (2025); and
- (d) ceases to receive gross income from employment in Malaysia at the end of the leave period (1.12.2024 to

31.1.2025) following his departure (1.12.2024) from Malaysia.

The following income are taxed in the year Hendrik leaves Malaysia i.e YA2024:

- (i) Tax payable by Hendrik for YA 2024 which is borne by his employer (which should be treated as a perquisite and part of the gross income from employment under paragraph 13(1)(a) of the ITA for the basis year 2025) is considered as income for the basis year 2024 i.e basis year he leaves Malaysia;
- (ii) Gross income from employment for the period 1.1.2025 to 31.1.2025 is deemed to have been received in 2024; and
- (iii) Bonus arrears of RM10,000 in respect of 2024 received in 2025 is deemed received in 2024.

Year of Assessment 2023

(As computed in Example 1)

Year of Assessment 2024

Computation of tax borne by the employer for the purposes of the final computation

	RM	RM
Paragraph 13(1)(a) of the ITA		
Salary RM21,000 X 12 (1.1.2024 - 31.12.2024)		252,000
Salary RM22,000 X 1 month (1.1.2025 – 31.1.2025)		22,000
Bonus receivable for 2023 but received in 2024		40,000
Bonus arrears receivable for 2024 but received in 2025		10,000
Tax for YA 2023 that is entirely borne by the employer ¹		<u>25,650</u>
Total income		349,650
Less :		
Deduction for self	9,000	
Deduction for wife	4,000	
Deduction for child	<u>2,000</u>	<u>15,000</u>
Chargeable income		<u>334,650</u>
	RM	
Tax on the first RM100,000	9,400.00	
Tax on the balance RM234,650 @ 25%	<u>58,662.50</u>	
Tax payable ¹⁵	<u>68,062.50</u>	

Final Computation

	RM	RM
Paragraph 13(1)(a) of the ITA		
Salary RM21,000 X 12 (1.1.2024 – 31.12.2024)		252,000
Salary RM22,000 (1.1.2025 – 31.1.2025)		22,000
Bonus receivable for 2023 but received in 2024		40,000
Bonus arrears receivable for 2024 but received in 2025		10,000
Tax for YA 2023 that is entirely borne by the employer ¹		25,650
Tax for YA 2024 that is entirely borne by the employer ¹⁵		<u>68,063</u>
Total income		417,713
Less :		
Deduction for self	9,000	
Deduction for wife	4,000	
Deduction for child	<u>2,000</u>	<u>15,000</u>
Chargeable income		<u>402,713</u>
	RM	
Tax on the first RM400,000	84,400.00	
Tax on the balance RM2,713 @ 26%	<u>705.38</u>	
Tax payable	<u>85,105.38</u>	

Hendrik's tax payable for the YA 2024 amounting to RM85,105.38 is entirely borne by the employer. A clearance letter is issued to the employer to remit the full sum to IRBM.

However, if Hendrik makes an election in writing stating that subsection 25(6) of the ITA is not to be applied, his income tax payable would be computed as follows:

Year of Assessment 2023

(As computed in Example 1)

Year of Assessment 2024

	RM	RM
Paragraph 13(1)(a) ITA		
Salary RM21,000 X 11 (1.1.2024 - 30.11.2024)		231,000
Bonus receivable for 2023 but received in 2024		40,000
Tax for YA 2023 that is entirely borne by the employer ¹		<u>25,650</u>
Total income		296,650
Less :		
Deduction for self	9,000	
Deduction for wife	4,000	
Deduction for child	<u>2,000</u>	<u>15,000</u>
Chargeable income		<u>281,650</u>

	RM
Tax on the first RM100,000	9,400.00
Tax on the balance RM181,650 @ 25%	<u>45,412.50</u>
Tax payable ¹⁶	<u>54,812.50</u>

Year of assessment 2025 – Non-resident

Computation of tax borne by the employer for purposes of the final computation

	RM
Salary RM21,000 X 1 (1.12.2024 - 31.12.2024)	21,000
Salary RM22,000 X 1 (1.1.2025 - 31.1.2025)	22,000
Bonus arrears receivable for 2024 but received in 2025	10,000
Tax for YA 2024 borne by the Employer ¹⁶	<u>54,813</u>
Total income / Chargeable income	<u>107,813</u>

Income tax payable RM107,813 @ 30% - RM32,343.90¹⁷

Final computation

	RM
Salary RM21,000 X 1 (1.12.2024 - 31.12.2024)	21,000
Salary RM22,000 X 1 (1.1.2025 - 31.1.2025)	22,000
Bonus arrears receivable for 2024 but received in 2025	10,000
Tax for YA 2024 borne by the employer ¹⁶	54,813
Tax for YA 2025 borne by the employer ¹⁷	<u>32,344</u>
Total income / Chargeable income	<u>140,157</u>

Income tax payable RM140,157 @ 30% - RM42,047.10¹⁸

Hendrik's tax payable for the YA 2025 is RM42,047.10.

A tax clearance letter is issued to Hendrik's employer to remit the tax borne by them. Hendrik has to ensure that his taxes are settled before his departure from Malaysia in 2024.

Although there was an agreement between Hendrik and his employer that his taxes would be borne entirely by his employer, Hendrik is not relieved of his tax liability should the employer fail to remit the tax payable to IRBM.

It is to be noted that the employer must ensure that –

- (i) Hendrik's last month's salary and any monies due to him are withheld until a tax clearance letter is issued by the DGIR or 90 days after notifying the IRBM of his cessation; and

- (ii) the tax payable is settled in full regardless of who bears the tax.

Example 7

Same facts as Example 4.

Form CP 21 for Miyamoto is submitted electronically by the employer to the IRBM on 31.5.2024.

Half of the tax payable by Miyamoto for the YA 2023 that is borne by his employer is treated as income for the basis year 2024 i.e. in the basis year he left Malaysia.

The tax payable by Miyamoto for the respective YA is computed as follows:

Years of Assessment 2022 and 2023

(As computed in Example 4)

Year of Assessment 2024 (1.1.2024 to 30.6.2024) – Resident

Computation of tax borne by the employer for purposes of the final computation

	RM
Paragraph 13(1)(a) of the ITA	
Salary RM18,000 X 6 months (1.1.2024 - 30.6.2024)	108,000
Tax for YA 2023 partially borne by the employer ¹³	<u>29,981</u>
	137,981
Paragraph 13(1)(b) of the ITA	
Car (prescribed value method) ⁷	
(RM7,000 X 6/12 months)	3,500
Petrol (prescribed value method) ⁸	
(RM1,800 X 6/12 months)	<u>900</u>
	4,400
Paragraph 13(1)(c) of the ITA	
30% X RM137,981 = RM41,394 ⁹	
Or	
Defined value of accommodation = RM5,000 X 6 months = RM30,000	
Whichever is lower	<u>30,000</u>
Total income	172,381
Less:	
Deduction for self	<u>9,000</u>
Chargeable income	<u>163,381</u>

	RM
Tax on the first RM100,000	9,400.00
Tax on the balance RM63,381 @ 25%	<u>15,845.25</u>
Tax payable ¹⁹	<u>25,245.25</u>

Computation of tax partially borne by Co. A for purposes of final computation

$$\frac{1}{2} \times 25,245.25^{19} = 12,622.63^{20}$$

Final computation

	RM
Paragraph 13(1)(a) of the ITA	
Salary RM18,000 X 6 months (1.1.2024 - 30.6.2024)	108,000
Tax for YA 2023 partially borne by Co. A ¹³	29,981
Tax for YA 2024 partially borne by Co. A ²⁰	<u>12,623</u>
	150,604

Paragraph 13(1)(b) of the ITA		
Car (prescribed value method) ⁷		
(RM7,000 X 6/12 months)	3,500	
Petrol (prescribed value method) ⁸		
(RM1,800 X 6/12 months)	<u>900</u>	4,400

Paragraph 13(1)(c) of the ITA
30% X RM150,604 = RM45,181⁹

Or

Defined value of accommodation = RM5,000 X 6 months = RM30,000		
Whichever is lower		<u>30,000</u>
Total income		185,004

Less:		
Deduction for self		<u>9,000</u>
Chargeable income		<u>176,004</u>

	RM
Tax on the first RM100,000	9,400.00
Tax on the balance RM76,004 @ 25%	<u>19,001.00</u>
Tax payable ²¹	<u>28,401.00</u>

Tax partially borne by Co. A when Miyamoto's employment ceased on 30.6.2024

$$\frac{1}{2} \times 28,401^{21} = 14,200.50$$

Tax partially borne by Miyamoto

$$\frac{1}{2} \times 28,401^{21} = 14,200.50$$

Miyamoto's income tax payable for the YA 2024 is RM28,401²¹. A tax clearance letter is issued to the Co. A to remit half of the tax payable amounting to RM14,200.50²² ($\frac{1}{2} \times \text{RM}28,401^{21}$) borne by them, with the remainder of the tax payable (borne by Miyamoto) deducted from Miyamoto's final monies withheld under subsection 83(5) of the ITA.

Example 8

Same facts as in Examples 4 and 7 except that Miyamoto commences employment on 1.11.2024 with a second employer, Co. B in the same year he ceases employment with the first employer, Co. A. His contract with Co. B is from 1.11.2024 to 31.12.2025 and his monthly remuneration is RM50,000. Miyamoto's tax payable on employment income under Co. B will be borne entirely by Co. B.

The tax for YA 2024 would have to be recomputed to take into account gross employment income from Co. B. The amount of tax partially borne by Co. A, the amount fully borne by Co. B and the tax partially borne by Miyamoto would have to be ascertained as follows:

Year of Assessment 2024 (1.1.2024 to 31.12.2024)

Computation of tax on employment income received from Co. A and Co. B

	RM
Paragraph 13(1)(a) of the ITA	
Salary RM18,000 X 6 months (1.1.2024 - 30.6.2024)	108,000
Tax for YA 2023 partially borne by Co. A ¹³	29,981
Tax for YA 2024 partially borne by Co. A ²²	<u>14,201</u>
	152,182
Salary RM50,000 X 2 months (1.11.2024 - 31.12.2024)	<u>100,000</u>
	252,182
Paragraph 13(1)(b) of the ITA	
Car (prescribed value method) ⁷	
(RM7,000 X 6/12 months)	3,500
Petrol (prescribed value method) ⁸	
(RM1,800 X 6/12 months)	<u>900</u>
	4,400
Paragraph 13(1)(c) of the ITA	
30% X RM152,182 = RM45,654.60 ⁹	
Or	

Defined value of accommodation = RM5,000 X 6 months = RM30,000	
Whichever is lower	<u>30,000</u>
Total income	286,582
Less:	
Deduction for self	<u>9,000</u>
Chargeable income	<u>277,582</u>

	RM
Tax on the first RM100,000	9,400.00
Tax on the balance RM177,582 @ 25%	<u>44,395.50</u>
Tax payable ²³	<u>53,795.50</u>

Computation of tax borne by Co. B

		RM
Tax for YA 2024	-	53,795.50 ²³
Less:		
Tax partially borne by Co. A (as per clearance letter)	- 14,200.50 ²²	
Tax partially borne by Miyamoto (employment with Co. A)	- <u>14,200.50</u>	<u>28,401.00²¹</u>
Tax borne by Co. B		<u>25,394.50²⁴</u>

Miyamoto's income tax payable for the YA 2024 is RM53,795.50²³. The tax payable amounting to RM25,394.50²⁴ which is attributable to Miyamoto's employment with Co. B is fully borne by Co. B and is considered a perquisite by virtue of paragraph 13(1)(a) of the ITA for the YA 2025.

Although there is an agreement between Miyamoto and both his employers that his tax payable would either partially or fully be borne by his employer, Miyamoto is not relieved of his tax liability should Co. A or Co. B fail to remit the tax borne by them to IRBM. Miyamoto must ensure that his tax payable is settled before his departure from Malaysia.

It is to be noted that the employer must ensure that Miyamoto's last month's salary and any monies due to him are withheld. The monies must be withheld until a clearance is issued or 90 days after notifying IRBM of his cessation and the tax payable is settled in full regardless of who bears the tax.

7. Monthly Tax Deduction (MTD)

Where an employee receives a perquisite from his employment, the employer shall ensure that the tax to be charged on the perquisite is deducted from the employee's remuneration in accordance with the Schedule of the monthly Income tax deductions under the Income Tax (Deduction From Remuneration) Rules 1994 [P.U.(A) 507/1994] in the month in which the perquisite is given. In the case where the salary of the employee is not sufficient to absorb the monthly income tax deduction on the perquisite, the employer is required to obtain the approval of the IRBM for the payment of MTD on the perquisite by instalments.

8. Responsibility of Employee

8.1 Notification of chargeability and filing of ITRF

An employee is required to –

- (a) give notice to the DGIR within two months of his arrival in Malaysia during a particular YA that –
 - (i) he is chargeable to tax for that particular YA; or that he is not chargeable to tax for that particular year; or
 - (ii) he is not chargeable to tax for that particular year but is chargeable to tax for the YA following that particular year;
- (b) make an assessment for the basis period in which employment income is received;
- (c) furnish for each YA an ITRF i.e., Form BE, BT, M or MT not later than 30 April (if the person does not carry on a business) or Form B not later than 30 June (if the person carries on a business) in the year following that YA;
- (d) specify the chargeable income and the amount of tax payable (if any) on that chargeable income for that YA;
- (e) make a payment of the tax payable under an assessment for a YA that is due and payable by the due date whether or not an appeal has been made against the assessment; and
- (f) furnish such particulars as may be required by the DGIR.

8.2 Non-compliance

An individual who is chargeable to tax and fails to submit a return to the DGIR within the due date or fails to notify the DGIR that he is liable to tax shall be guilty of an offence. He shall upon conviction be liable to a fine of not less than RM200 and not more than RM20,000 or to imprisonment for a term not exceeding six months or to both. In the case where there is a default in filing a return or notification of chargeability, and prosecution has not been instituted, the DGIR may require the individual to pay a penalty not exceeding three times the amount of income tax chargeable. This penalty will be included in the notice of assessment issued to the individual.

8.3 Non-application of deduction of tax as final tax

It is to be noted that pursuant to paragraph 77C(1)(d) of the ITA, where an individual's tax is borne by his employer, the individual is not eligible to make an election not to furnish an ITRF for the relevant YA. In other words, an individual is required to submit his ITRF for a YA if his taxes are borne by his employer for that YA.

9. Responsibility of Employer

9.1 Employer responsibilities are provided under section 83 of the ITA as follows:

ITA	Employer Responsibilities
Subsection 83(1)	Employers are required to submit a Return Form of Employer (Form E) which contains complete information to the DGIR for each year not later than 31 March in the following year.
Subsection 83(1A)	Employers are required to prepare and render to the employee a Statement of Remuneration from Employment (Form EA) in respect of that employee on or before the last day of February of the following year.
Subsection 83(2)	Employers are required to submit a notification via Form CP22 (Notification Form By Employer For Employees) to the DGIR by providing details of new employees who are chargeable to tax or likely to be chargeable to tax not later than 30 days after the date of commencement of employment.
Subsection 83(3)	Employers are required to submit a notification using Form CP22A (Tax Clearance Form for

	<p>Cessation of Employment of Private Sector Employees) / CP22B (Tax Clearance Form for Cessation of Employment of Public Sector Employees) to the DGIR by providing details of employees if the employer intends to cease to employ an employee who is or is likely to be chargeable to tax in respect of income from the employment or where an employee under his employment dies. The notification must be submitted not less than 30 days before the cessation of employment or not more than 30 days after being informed of the death of an employee.</p> <p>However, the employer is not required to submit Form CP22A / CP22B if the employee's income is subject to MTD or if the employee's monthly salary is below the minimum amount eligible for MTD deduction.</p>
<p>Subsection 83(4)</p>	<p>Employers are required to submit a notification using Form CP21 (Notification by Employer of Employee's Departure From Malaysia) to the DGIR by providing details of employees who will be chargeable to tax in respect of their employment and who intend to leave or have the intention to leave Malaysia for a period exceeding three (3) months. The notification must be submitted not less than 30 days before the date the employee is expected to leave Malaysia.</p>
<p>Subsection 83(5)</p>	<p>The employer shall withhold any portion of the money that will be paid or payable to an employee who has ceased or is about to cease to be employed or is about to leave Malaysia for a period of more than three (3) months with no intention of returning. The employer cannot without the permission of DGIR pay any part of the money to or for the benefit of the employee for 90 days after the receipt of the notification (CP22A / CP22B / Form CP21) under subsection 83(3) and 83(4) by the DGIR. The employer shall pay all or part of the withheld amount to the DGIR when instructed at any time during that period.</p>

Starting from YA 2024, all notifications and submissions of Form E, CP22, CP22A, and CP21 to the DGIR must be done electronically.

9.2 Non-compliance by employer

- (a) According to subsection 120(1) of the ITA, an employer who without any reasonable excuse fails to comply with the above requirements as provided in subsections 83(1), (1A), (2), (3), (4), (5) and section 107 of the ITA with respect to an employee of his without reasonable excuse is guilty of an offence. The penalty on conviction is a fine of not less than RM200 and not more than RM20,000 or imprisonment for a term not exceeding six (6) months or to both.
- (b) An employer who fails to comply with the requirements under subsections 83(2), (3), (4), (5) and 107 of the ITA with respect to an employee of his shall be liable to pay the full amount of tax due from his employee. The amount due from the employer shall be a debt due to the Government and may be recovered by way of civil proceedings.

10. Updates and Amendments

	Updates and Amendments	
This PR replaces PR No. 11/2016 dated 8 December 2016	The content of this PR has been amended and updated as follows:	
	Paragraph	Explanation
	3	Paragraph 3 has been updated
	4	Paragraph 4 has been updated
	6	<p>Examples 1, 2, 3, 4, 5, 6, 7 and 8 are amended as follows (whichever applies):</p> <ul style="list-style-type: none"> • Dates are amended to the latest year • The amount of individual tax relief is amended to the latest amount • Tax rates are amended according to the latest YA • The penalty rate is amended to the latest penalty rate • The latest Public Ruling number



	7	Paragraph 7 has been updated
	9	Paragraph 9 has been updated
	10	Paragraph 10 has been updated
	11	Paragraph 11 has been added

11. Disclaimer

The examples in this PR are for illustrative purposes only and are not exhaustive.

**Director General of Inland Revenue,
Inland Revenue Board Malaysia.**