



# MEDIA RELEASE

For Immediate Release

## CLARIFICATION ON THE WITHDRAWAL OF PRIVATE RETIREMENT SCHEME (PRS) TAXABLE AND AMENDMENT OF SECTION 75A OF THE INCOME TAX ACT 1967

Inland Revenue Board of Malaysia would like to provide explanation for some of the concerns about the initial withdrawal of Private Retirement Scheme (PRS), which will be subject to withholding tax and the amendment of Section 75A of the Income Tax Act 1967 (ITA 1967) passed in the Parliament recently.

### Private Retirement Scheme (PRS)

Introduction of PRS with effect from Year of Assessment 2012 is to encourage savings among Malaysians after retirement. It is additional savings of an individual other than compulsory savings with the Employees Provident Fund (EPF).

Under the existing provisions of ITA 1967, Life Insurance premiums and EPF are given a tax relief of up to RM6,000 for a year of assessment. Therefore, the relief of the PRS of up to RM3,000 actually qualifies the individual to enjoy a tax relief of up to RM9,000 for a year of assessment. When this amount of relief of up to RM9,000 for both savings for retirement preparation is seen as a reasonable amount.

---

Issued by:

**Corporate Communications Division | Corporate Services Department | Inland Revenue Board of Malaysia**

☎ : 03-8313 8888 ext. 21326 / 21354 | 📠 : 03-8313 7836

Contact Centre : 1-800-88-5436 (LHDN)

Website : [www.hasil.gov.my](http://www.hasil.gov.my)

Early withdrawal before reaching the retirement age of 55 years will cause the original objectives which is to ensure that Malaysians have adequate savings at the time of retirement will not be achieved. If this happens, those desire to enjoy a comfortable life after retirement will not materialise.

**Thus, the imposition of a withholding tax of 8% on PRS before the retirement age of 55 is justified for the purpose of curbing the tendency to withdraw savings before they are due and thus helps achieve the original objectives of the PRS scheme's introduction.**

However, there are exceptions to the imposition of withholding tax, where the initial withdrawal of PRS will not be taxed if the:

- i. Contributor has passed away;
- ii. Contributor has left Malaysia for good;
- iii. Contributor has been diagnosed with serious illness/critical illness by a medical practitioner registered with the Malaysian Medical Council;
- iv. Contributor has certified Permanent Disability, and
- v. Contributor has been diagnosed with mental instability.

**In conclusion, the government remains with the original promise that contributions, gains and income from PRS scheme is exempt from withholding tax if the withdrawal is made after the contributor reaches the retirement age of 55.**

---

Issued by:

**Corporate Communications Division | Corporate Services Department | Inland Revenue Board of Malaysia**

☎ : 03-8313 8888 ext. 21326 / 21354 | 📠 : 03-8313 7836

Contact Centre : 1-800-88-5436 (LHDN)

Website : [www.hasil.gov.my](http://www.hasil.gov.my)

## **Amendment of section 75A of the Income Tax Act 1967**

The provisions of ITA 1967 is not a new provision but an amendment to the existing provisions which reduce the percentage of ownership of the Company's common shares in excess of 50% to at least 20%. Amendment of section 75A of ITA 1967 are in line with the definition of "controlled company" defined under Section 2 of the ITA 1967, where the number of directors does not exceed 5.

Therefore, this amendment is not intended to expand the scope of the tax to the shareholders of the company, rather it as a measure to ensure that each shareholder is responsible for their company's tax obligations, thus, preventing the amount of tax charged on the profits of the company to be outstanding.

This amendment also only applies to company directors who have the authority to make decisions and control the company.

# # #

**THANK YOU**



---

Issued by:

**Corporate Communications Division | Corporate Services Department | Inland Revenue Board of Malaysia**

☎ : 03-8313 8888 ext. 21326 / 21354 | 📠 : 03-8313 7836

Contact Centre : 1-800-88-5436 (LHDN)

Website : [www.hasil.gov.my](http://www.hasil.gov.my)

**Date : 26 December 2013**

**Page 3 of 3**