

# Tax Alert

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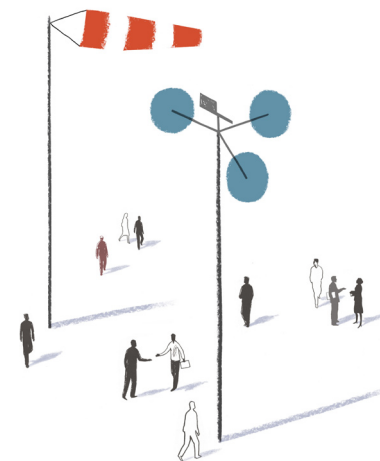
## Make Good Use of Tax Exemption on Perquisites

**This issue focuses on some significant tax proposals reflected in the Malaysian Budget 2009**

In an attempt to reduce the Rakyat's burden vastly due to petrol price hike and to encourage employers to provide more benefits to their employees in tackling higher cost of living, Budget 2009 saw the Government announce new exemptions on allowances, benefits-in-kind and perquisites received by employees from their employers.

A host of items are now tax exempted and they include the following :

- petrol card or petrol allowance or travel allowance between the home and work place up to RM2,400 a year;
- petrol card or petrol allowance or travel allowance and toll card for official duties up to RM6,000 a year;
- allowance or fees for parking;
- meal allowance;
- allowance or subsidies for childcare of up to RM2,400 a year;
- telephone and mobile phone, telephone bills, pager, personal data assistant (PDA) and internet subscription;
- employers' own goods provided free of charge or at discounted value where the value of the discount does not exceed RM1,000 a year;
- employers' own services provided free or at a discount given such benefits are not transferable;
- subsidies on interest on loans totaling up to RM300,000 for housing, passenger motor vehicles and education. The exemption will be given to existing and new loans; and
- medical benefits exempted from tax to be extended to include expenses on maternity and traditional medicines such as ayurvedic and acupuncture.



The above exemptions are not extended to directors of controlled companies, sole proprietors and partnerships.

Expenses on allowances paid, benefits-in-kind and perquisites provided by employers are to be given full deduction even though such benefits are not stipulated in the service contract of the employee.

All the above proposals are effective from year of assessment 2008 except for proposal number one which is effective for a limited time from year of assessment 2008 to year of assessment 2010 only.

Besides the above tax exemptions, the Government has also reduced the tax rate by 1% from 13% to 12% for the RM35,000 to RM50,000 chargeable income bracket group; and 1% from 28% to 27% for the RM250,000 highest chargeable income bracket group. In addition, for employees with chargeable income of less than RM35,000, the tax rebate has been increased from RM350 to RM400.

On the fact that a host of items are now tax exempted, employers should consider designing remuneration package and benefits that are tax efficient to employees as well as the company especially those from the low-to-middle income group who might face heavy monthly commitments ranging from travelling expenses to children welfare.

As the employers work to remunerate their employees differently under the new rules, the employers should also take note of their important responsibilities under the Income Tax Act to ensure full and correct compliance in the employees' monthly tax deductions and the yearly reporting of Form E and issuance of Form EA to the employees. These aspects need to be managed well and proper to avoid mistakes in reporting and the unnecessary penalties during a tax audit.