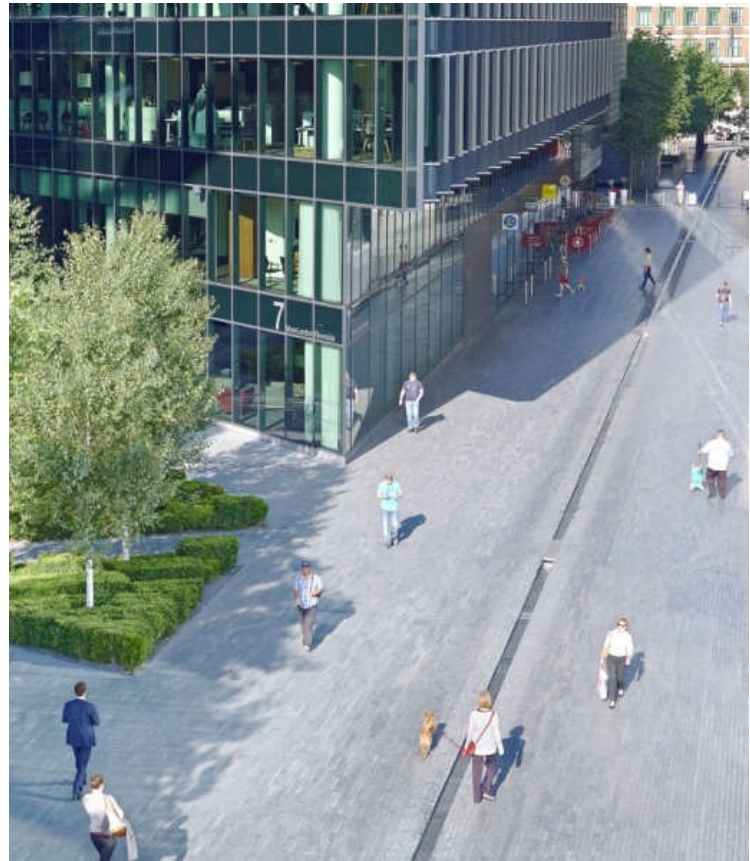


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# *Taxavvy*

## Stay current. Be tax savvy.

Changes to Income Tax  
(Deduction From  
Remuneration) Rules 1994



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## ***Changes to Income Tax (Deduction From Remuneration) Rules 1994 (effective 1 January 2015)***

Amendments to the Income Tax (Deduction from Remuneration) Rules 1994, *Income Tax (Deduction from Remuneration) (Amendment) (No.2) Rules 2014 [P.U. (A) 362/2014]*, has been gazetted and is **effective 1 January 2015**.

The following are the key changes:

### **1. Mandatory inclusion of Benefits-in-kind and Value of Living Accommodation for MTD**

The definition of “remuneration” for Monthly Tax Deduction (MTD) purposes has been expanded to include all gains and profits from an employment under section 13(1) of the Income Tax Act 1967 (the Act), which means that benefits-in-kind and value of living accommodation are now subject to MTD deductions

### **2. MTD remittance by 15<sup>th</sup> of the following month**

The deadline for remitting MTD has now been extended to the 15<sup>th</sup> day of the month following the month of deduction

### **3. Employers (on Computerised MTD Calculation) to process employees’ Form TP1 claims at least twice a year**

With the new Form PCB/TP 1 (1/2015) “*Individual Deduction and Rebate Claim Form*”, it is now mandatory for employers who are computing MTD based on the Computerised Calculation to allow their employees to claim allowable deductions and rebates under the Act, not less than twice in the year

#### Implications on the Employee

- The Form PCB/TP 1 is to be completed by the employee and provided to the employer without receipts or supporting documents
- Employee has the responsibility to keep all receipts or documents relating to the claims together with a copy of the Form TP1 for 7 years from the year the claim is made

#### Implications on the Employer

- The employer is not required to verify the amount claimed against receipt or any supporting documents
- The employer is required to keep the Form PCB/TP 1 (1/2015) for 7 years from the year the claim was made and provide to the IRB upon request

The above changes are in line with the recent introduction of MTD as final tax in 2014 and where the individual elects for MTD as final tax, will eliminate the requirement to file a tax return .

### Take action now...

- Assess your payroll system to ensure that it is able to cater to the new MTD requirements
- Review your internal processes to ensure that expenses/ claims information relating to the employees benefits-in-kind and value of living accommodation are made available to the payroll team for MTD purposes in a timely manner
- Review your compensation and benefits items to ensure that all taxable benefits-in-kind and value of living accommodation are computed correctly and subject to MTD deduction
- Re-look at the HR policy and provide company guidelines to employees for submitting the Form PCB/TP1 claims.
- Communicate to employees regarding :
  - changes to MTD Rules effective 1 January 2015, which may impact the employees' monthly take-home pay
  - Form PCB/TP1 and the employees' responsibility to maintain supporting documents for 7 years to support their claims

In summary, the changes to the MTD Rules are as follows:

Prior to 2015	Effective 1 January 2015
Only cash remuneration is subject to MTD	All remuneration (including benefits-in-kind and value of living accommodation) is subject to MTD
MTD to be remitted by 10 <sup>th</sup> of the following month	MTD to be remitted by 15 <sup>th</sup> of the following month
Form PBC/TP 1 claims subject to employer's agreement	Employer has to process Form PCB/TP 1 claims (at least twice a year)

Further details can be found in the *Income Tax (Deduction from Remuneration) (Amendment) (No.2) Rules 2014 Guidelines*.

The following can be downloaded from the IRB's website at [www.hasil.gov.my](http://www.hasil.gov.my) (Employer > Monthly Tax Deduction > MTD 2015):

- Income Tax (Deduction from Remuneration) (Amendment) (No.2) Rules 2014
- Form PCB/TP 1 (1/2015)
- Income Tax (Deduction from Remuneration) (Amendment) (No.2) Rules 2014 Guidelines

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