

## **a) ASSESSMENT OF TAX - General About Income Tax**

### **Scope of Taxation**

**1. For Resident Individual** A Resident individual is assessable on income derived from sources in Malaysia and income received in Malaysia from outside Malaysia. W.e.f. Y/A 2004 income remitted into Malaysia from overseas by a resident individual, a trust body, a cooperative and a Hindu Joint Family be exempted from income tax

**2. For Non-Resident Individual** A Non-Resident individual is assessable only on income derived from sources in Malaysia.

**3. For Resident Company** A Resident company is assessable on income derived from Malaysia and income remitted to Malaysia from sources outside Malaysia.

Starting Year of Assessment 1995 onwards only income derived from Malaysia are taxable.

Banking, insurance, shipping and air transport businesses are taxed on world income scope. The **Imputation System** is applicable.

**4. For Non-Resident Company** A Non-Resident company is liable to Malaysian tax when it carries on a business through a permanent establishment in Malaysia and is assessable on income derived only from sources within Malaysia.

### **Resident Status**

#### **1. Resident Status of Individuals**

For tax purposes, the tax residence status is determined by the duration of stay in Malaysia, and is not bound by reference to the nationality or citizenship. If a person stays in Malaysia for at least 182 days (not necessarily consecutive) in a calendar year, he would be treated as a resident. However, there are other conditions where the individual can be treated as a resident even if he stays for less than 182 days.

An individual is resident in Malaysia in the basis year of assessment if he:

- i. is in Malaysia for not less than 182 days in the relevant basis year,
- ii. is in Malaysia for a period of less than 182 days in the basis year and that period is linked to another period where he is continuously in Malaysia for not less than 182 days immediately before or after the relevant basis year. Where temporary absence occur, the period of temporary absence can be taken to form part of such period, where he is in Malaysia, immediately prior to or after the temporary absence,
- iii. is in Malaysia for not less than 90 days (need not be consecutive) in the basis year and is resident or has been in Malaysia for 90 days or more in 3 out of the 4 preceding years of assessment; or

iv. has not been in Malaysia in the relevant basis year but he is deemed to be resident in Malaysia in the relevant basis year if he is resident in Malaysia in the following basis year and also in the each of the 3 basis year immediately preceding the relevant basis year.

### **Example 1 : Resident Status**

John arrived in Malaysia on 1.4.2003 and stayed on until 15.11.2003 (total 229 days). Hence, John is resident for the year of assessment 2003 since he stayed in Malaysia for more than 182 days in the year 2003.

## **2. Resident Status of Companies**

A company is deemed to be resident if at any time during a basis year for a Year of Assessment, the management and control of its business is exercised in Malaysia.

## **Types Of Income Chargeable To Tax**

### **Income Chargeable To Tax**

1. Gains or profits from a business for whatever period of time carried on.
2. Gains or profits from an employment.
3. Dividends, Interests or Discounts.
4. Rents, Royalties or Premiums.
5. Pensions, annuities or other periodical payments not falling under any of the foregoing paragraphs.
6. Gains or profits not falling under any of the foregoing paragraphs.
7. Special classes of income

## **Tax Exemptions For Individuals**

1. Leave passages within Malaysia not exceeding three times on a year and one leave passage outside Malaysia not exceeding RM3000
2. Medical and dental benefit.
3. Retirement gratuity

The full amount of gratuity received by an employee on retirement from employment is exempt if:

- i. He retires due to ill health;

ii. He is an employee in the public sector who has opted for optional retirement or on termination of a contract of employment; or

iii. If he retires at the age of 55 or at the compulsory age of retirement under any written law provided that he has been in the service of the same employer or with companies in the same group, for at least 10 years

#### 4. Compensation For loss Of Employment

Compensation payment received by an employee for the loss of employment is exempt from tax at a sum of RM6,000 per completed year of service with the same employer or with companies in the same group. However, the compensation payment received by an employee will be fully exempted from tax if the loss of employment is due to ill health. The tax exemption of RM6,000 per completed year of service is not given in respect of the compensation received by a director (not being a service director) of a controlled company.

#### 5. Pensions

Pensions received by an individual are exempt under the following conditions:

i. He retires at the age of 55 or at the compulsory age of retirement under any written law; or

ii. He retires due to ill health

For an employee in the public sector who elects for optional retirement, his pension will be taxed until he attains the age of 55 or the compulsory age of retirement under any written law. Where an individual receives more than one pension, the exemption is restricted to the highest pension received by him

#### 6. Death gratuities.

#### 7. Scholarships.

8. Income of an individual resident in Malaysia in respect of his appearances in cultural performances approved by the Minister.

#### 9. Interests

An individual resident in Malaysia is exempt from tax in respect of the interest received from the following savings or investments:-

i. Interest that accrues in respect of any savings deposited with Bank Simpanan Nasional (BSN).

ii. Interest or bonus which accrues in respect of money deposited with Bank Simpanan Nasional under the "Save as You Earn" scheme.

iii. Interest which accrues on savings deposits of up to RM100,000 with a registered cooperative society, Bank Pertanian Malaysia, Malaysia Building Society Berhad, Borneo Housing Mortgage Finance Bhd. Or with any other institution approved by the Minister of Finance.

iv. Bonus which accrues in respect of money deposits in any savings account with Lembaga Tabung Haji.

- v. Interest which accrues on savings deposits of up to RM100,000 with a bank or finance company licensed under the Banking and Financial Institutions Act 1989 (BAFIA 1989).
- vi. Interest which accrues in respect of any fixed deposits account (including negotiable certificates of deposits) of up to RM100,000 for a period not exceeding twelve months with Bank Pertanian Malaysia, Bank Kerjasama Rakyat Malaysia Bhd., Bank Simpanan Nasional, Borneo Housing Mortgage Finance Bhd., Malaysia Building Society Bhd., or a Bank of finance company licensed under BAFIA 1989.
- vii. Interest which accrues in respect of any fixed deposit account (including negotiable certificates of deposits) for a period exceeding twelve months with Bank Pertanian Malaysia, Bank Kerjasama Rakyat Malaysia Bhd., Bank Simpanan Nasional, Borneo Housing Mortgage Finance Bhd., Malaysia Building Society Bhd., or a bank or finance company licensed under BAFIA 1989.
- viii. Gains or profits which accrues on deposits of up to RM100,000 in respect of money deposited in any savings account under the interest-Free Banking Scheme (IFBS) with a bank or finance company licensed under BAFIA 1989 or the Islamic Banking Act 1983, Bank Kerjasama Rakyat and Bank Simpanan Nasional.
- ix. Gains or profits which accrues in respects of money deposited in any investment account of up to RM100,000 for a period not exceeding twelve months with a bank or finance company licensed under BAFIA 1989 or the Islamic Banking Act 1983, Bank Kerjasama Rakyat and Bank Simpanan Nasional.
- x. Gains or profits which accrues in respect of money deposited in any investment account for a period of twelve month or more under the interest Free Banking Scheme with a bank or finance company licensed under BAFIA 1989 or the Islamic Banking Act 1983.
- xi. Gains or profits which accrues in respect of money deposits in any investment account under the interest Free Banking Scheme of up to RM100,000 for a period of twelve months or more with Bank Kerjasama Rakyat and Bank Simpanan Nasional.
- xii. Interest from securities or bonds issued or guaranteed by the Malaysian Government.
- xiii. Interest from debenture (other than convertible loan stock) approved by the Securities Commission.
- xiv. Interest earned from Bon Simpanan Malaysia issued by the Bank Negara Malaysia.
- xv. Interest earned from the Merdeka Bonds issued by the Bank Negara Malaysia (effective year of assessment 2004).
- xvi. Interest earned from a unit trust which is derived from Malaysia and paid or credited by any bank or financial institution licensed under the Banking and Financial Institution Act 1989 (BAFIA 1989) or the Islamic Banking Act 1983.

## 10. Dividends

The following dividends are exempt from tax:

- i. Dividends received from exempt accounts of companies.
- ii. Dividends received from cooperative societies.
- iii. Dividends received from a unit trust approved by the Minister of Finance such as Amanah Saham Bumiputra.
- iv. Dividends received from a unit trust approved by the Minister of Finance where 90% or more of the investment is in government securities.

## 11. Royalties

An individual resident in Malaysia is exempt from tax in respect of royalties are as follows:

Types of Services/ Amount per annum

art works payment for to be exempted (RM)

- i. Artistic work (other than original paintings) 6,000
- ii. Recording discs or tapes 6,000
- iii. Translation upon request by any agency
  - a. of the Ministry of Education or Attorney
  - b. General Chambers 12,000
- iv. Literary work or original painting 20,000
- v. Musical composition 20,000
- vi. Cultural performances Approval by Minister

However, the exemption does not apply to paragraph (iii), (v) and (vi), if the payment received forms part of his emoluments in the exercise of the individual's official duties.

## 12. Income Remitted from Outside Malaysia

With effect from the year of assessment 2004, income derived from outside Malaysia and received in Malaysia by resident individual is exempted from tax.

## 13. Fees or Honorarium for Expert Services

With effect from the year of assessment 2004, fees or honorarium received by an individual in respect of services provided for purposes of validation, moderation or accreditation of franchised education programmes in higher educational institutions is exempted. The services provided by

an individual concerned have to be verified and acknowledged by the Lembaga Akreditasi Negara (LAN). However, the exemption does not apply if the payment received forms part of his emoluments in the exercise of his official duties.

#### 14. Income Derived from Research Findings

With effect from the year of assessment 2004, income received by an individual from the commercialization of the scientific research finding is given tax exemption of 50% on the statutory income in the basis year for a year of assessment for 5 years from the date the payment is made. The individual scientist who received the said payment must be a citizen and a resident in Malaysia. The commercialized research findings must be verified by the Ministry of Science, Technology and Environment

#### **Notification Of Chargeability To Tax**

If an individual is taxable and has never received any income tax return form before, he has a duty to notify chargeability to the nearest LHDNM office and request for an Income Tax Return Form.

If an individual already has an income tax file but has not received an income tax return form by 31st March, he must immediately request for the said form from the LHDNM office which issued his last income tax return form. A taxpayer could also download an income tax return form from the LHDNM website <http://www.hasil.org.my>. He must then complete and submit the return to the LHDNM office using the address where his income tax file is situated.

In the case of a foreigner employed in this country he must give notice of chargeability to the nearest LHDNM office within 2 months of arrival in Malaysia

#### **Change of Mailing Address**

A registered taxpayer must inform LHDNM of any change in the correspondence address within three months from the date a change to avoid any penalty. The income tax file reference number must be quoted in all the correspondences with LHDNM

#### **Filing Of Tax Return**

1. The completed and signed Income Tax Return is to be submitted to LHDNM office before or by the required date.
2. The completed tax return should be sent to the address of LHDNM office indicated on the said form.

#### **Non-Resident Citizen Relief**

1. Non-Resident Citizen Relief shall be allowed to an individual who is a citizen but not resident for the basis year for a year of assessment by reason of his employment (in the public services or the services of a statutory authority) which is exercised outside Malaysia.
2. An individual who is claiming relief under this provision, should make his claim in the prescribed form and should furnish such further particulars as may be required by the LHDNM.

## **Temporary Visitors Professional Visit Pass**

All non-residents entering Malaysia using professional visit passes (excluding public entertainers) are categorised as temporary visitors.

A sponsor for a temporary visitor is required to submit a letter of notification from the LHDNM to the Immigration Department when applying for a professional visit pass. The sponsor should make a written application to the LHDNM providing personal details of the temporary visitor and also submit a copy of the contract / offer letter or other relevant documents.

The application for the letter of notification has to be made to:

*Director, Inland Revenue Board of Malaysia, Non-Resident Branch, Unit 11 (NR/IV), 10th & 11th Floor, Block 11, Government Office Complex, Jalan Duta, 50600 Kuala Lumpur.*

## **Imputation System**

The income tax chargeable on a resident company is credited into a tax account which can be utilised to frank payment of dividends to shareholders. Income tax paid by a company is imputed to the shareholders by means of imputation credits attached to dividends.

Where the franking of payment of dividends exceeds the tax credit available in the tax account, the deficit becomes a debt due which is payable by the company upon requisition.

The imputation system does not apply to a non-resident company and such companies are not subject to dividend franking

## **b) ASSESSMENT OF TAX - Business Income**

### **Gross Income**

Gross income from business includes :

- (a) receipts in cash for goods sold or services rendered;
- (b) all debts arising in respect of goods sold and services rendered;
- (c) receipts in kind;
- (d) recovery of trading debts written off as bad;
- (e) insurance recovery for loss of profit.

Taxpayers are required to maintain proper accounts and keep accurate records of all business transactions.

### **Allowable Expenses**

Business expenses are deductible while private and capital expenses are not deductible. Expenses which qualify for deduction include:

- (a) Wages and salaries for staff.
- (b) Employees Provident Fund (EPF) deduction for employees.
- (c) Rental paid for business premises.
- (d) Interest paid towards bank loans / overdrafts taken and used for business purposes.
- (e) Repairs on business premises / motor vehicles.
- (f) Insurance premiums paid - fire / burglary.
- (g) Transportation costs.
- (h) Other expenses incurred in the production of business income.

### **Allowable Specific Expenses**

- (a) **Expenditure incurred by employer to assist disabled employees** Expenses on equipment to assist disabled employees in the performance of his duties.
- (b) **Expenditure for National Language Publications** Expenses in respect of translation into or publication in the national language of cultural, literary, professional, scientific or technical books approved by the Dewan Bahasa dan Pustaka.
- (c) **Contributions to Libraries** Expenses on the provision of library facilities, which are accessible to the public and in respect of contributions to public libraries and libraries of schools or Institutions of higher learning. (The amount that may be deducted shall not exceed RM100,000).
- (d) **Expenditure on providing services, public amenities and contributions to charity or community project** Expenses on the provision of services, public amenities and contributions to a charity or community project pertaining to education, health, housing or infrastructure approved by the Minister.
- (e) **Employers Expenditure: Childcare centre for the benefit of the persons employed in the business** Expenses on the provision and maintenance of a childcare centre (not being capital expenditure) for the benefit of the employees.
- (f) **Expenditure for sponsoring an art or cultural activity** Expenses for sponsoring any arts or cultural activity approved by the Ministry of Culture, Arts and Tourism (The amount that may be deducted shall not exceed RM200,000).



## Non-Allowable Expenses

The following expenses are not allowed as a deduction against profits in arriving at the adjusted income of the business:

- (a) Domestic or private expenditure.
- (b) Disbursements or expenses not wholly and exclusively laid out or expended for the purposes of producing gross income from the business.
- (c) Capital sums withdrawn or any sums employed or intended to be employed as capital.
- (d) Any payment to an unapproved pension, provident fund, savings, widows and orphans scheme.
- (e) Qualifying mining expenditure, qualifying expenditure on plant and machinery, industrial buildings, plantations, forests, abortive expenditure on prospecting operations and capital expenditure on approved agricultural projects for which allowances are given under Schedules 2, 3, 4 and 4A of the Income Tax Act 1967.
- (f) Interest or royalty derived from Malaysia from which tax is deductible under section 109 of the Income Tax Act 1967, if tax has not been deducted there from and paid to the Director General.
- (g) Any sum paid or payable, otherwise than to a State Government, for the use of a license or permit to extract timber from a forest in Malaysia.
- (h) Any contract payment from which tax is deductible under section 107A of the Income Tax Act, 1967, if tax has not been deducted therefrom and paid to the Director General.
- (i) Any payments from which tax is deductible under section 109B of the Income Tax Act, 1967, if tax has not been deducted therefrom and paid to the Director General.
- (j) Any sum paid by way of rentals in respect of a motor vehicle, other than a motor vehicle licensed by the appropriate authority for commercial transportation of goods or passengers.
- (k) Any expenses incurred in the provision of entertainment including any sums paid to an employee of that person.
- (l) Any expenditure incurred in the provision of a benefit or amenity to an employee consisting of a leave passage, within or outside Malaysia.

## Adjusted Income

Adjusted Income from business is ascertained by deducting from Gross Income the following expenses (where applicable):

- (a) Allowable business expenses
- (b) Allowable specific expenses.
- (c) Double Deduction Expenses provided under the Income Tax Act 1967.
- (d) Export Allowance.

## Statutory Income

Statutory Income from business is ascertained by adding balancing charges (if any) and deducting capital allowances and balancing allowances from Adjusted Income

## Capital Allowances

- (a) Capital allowances which are deducted from the Adjusted Income is an alternative to depreciation. The rate of allowance depends on the type of asset used in the business.
- (b) Claims for capital allowance can be made in the relevant column provided in the Return Form.
- (c) Equipment purchased for a disabled employee / employees will not qualify for capital allowances, if a deduction had been given.

## Capital Allowances Computation

- (a) **Plant and Machinery**
  - Capital allowance for plant and machinery is computed as follows :-
  - (i) **1st year (i.e. Year of purchase)** :-Initial Allowance - 20 % on cost. Annual Allowance - a specified rate (as prescribed) on cost.
  - (ii) **Subsequent Year** :-Annual Allowance - a specified rate (as prescribed) on cost until the whole cost is written off.
- (b) **Industrial Building**
  - Capital Allowance for Industrial Building is as follows:-
  - (i) **1st year ( Year of Construction or Purchased )** -Initial Allowance - 10 % on cost.
  - (ii) **Subsequent year** : -Annual Allowance - 3 % on cost.(With effect from Year of Assessment 2002).

Special Industrial Building Allowance of 10 % annually is given for the following:-

  - (i) Building constructed or purchased for housing employees in manufacturing, tourism and hotel business and also to approved service projects.
  - (ii) Building used for educational purposes.
  - (iii) Building used for industrial, technical or vocational training.
  - (iv) Warehouse building used for the storage of goods for export or for the storage of imported goods to be processed and distributed or re-exported

## **c) TAX ASSESSMENT - Employment Income**

### **Type of Employment Income**

- (i) The income of an employee from an employment includes wages, salary, remuneration, leave pay, fee, commission, bonus, gratuity, perquisite, or allowance (whether such items are paid in money or otherwise) in respect of having or exercising the employment.
- (ii) The scope is very wide and includes virtually all forms of remuneration. All types of allowances, for example housing allowances, traveling allowances, entertainment allowances, are to be included as gross income **provided it can be shown that such allowances etc., arise out of having or exercising the employment.**

### **Benefits-In-Kind**

**VALUATION OF BENEFITS - IN - KIND (BIK)** The gains or profits from an employment chargeable under Section 13 of the Income Tax Act, 1967 have been defined to include the value of any Benefits - In - Kind (BIK) provided for the use or enjoyment by the employee. As such, employers are required to declare the value of BIK that the employers have borne in respect of services of an employee in the Form CP8A annually. In 1997, the Inland Revenue Board reviewed the **1987 Guidelines for Valuation of BIK Provided to Employees** taking into consideration the increased costs of providing the benefits and the new BIK applicable. Beginning from the **Year of Assessment 1998** the following valuation of BIK are to be applied.

#### **(a) Motorcars and Related Benefits**

#### **(b) Household Furnishings, Apparatus & Appliances**

#### **(c) Other Benefits**

#### **(d) Tax Exempt Benefits**

#### **(e) Other Benefits Not Listed**

#### **(f) The Prescribed Life Span** **(a) Motorcars and Related Benefits**

##### **(i) Motorcars and Fuel Provided**

<b>Cost Of Car When New (RM)</b>	<b>Annual Value Of BIK (RM)</b>	<b>Fuel Per Annum (RM)</b>
Up to 50,000	1,200	600
50,001 - 75,000	2,400	900
75,001 - 100,000	3,600	1,200
100,001 - 150,000	5,000	1,500
150,001 - 200,000	7,000	1,800
200,001 - 250,000	9,000	2,100
250,001 - 350,000	15,000	2,400
350,001 - 500,000	21,250	2,700
500,001 and above	25,000	3,000

##### **(ii) Fuel Provided Without Motorcar**

The actual value of fuel provided is treated as benefit received.

##### **(iii) Driver Provided**

The value of the benefit is fixed at RM 300 per month.

**(b) Household Furnishings, Apparatus & Appliances**

	Types Of BIK	Annual Value Of BIK
(a)	Semi-furnished with furniture in the lounge, dining room or bedrooms.	RM 840 (RM 70 per month)
(b)	Semi-furnished with furniture as and one or more of the following:-air-conditioners, curtains and carpets	RM 1,680 (RM 140 per month)
(c)	Fully-furnished with benefits as in plus one or more of the following kitchen equipment, crockery, utensils and appliances.	RM 3,360 (RM 280 per month)
(d)	Service charges and other bills such as for water, electricity and telephone.	Service charges and bills paid by the employer.

**(c) Other Benefits**

	Types Of BIK	Annual Value Of BIK
(a)	Mobile telephone (rental & charges)	RM 600
(b)	Gardeners	RM 3,600
(c)	Domestic servants	RM 4,800
(d)	(i) Interest free loan(ii) Subsidised loan/interest below the market value rate	(i) Value of interest paid by employer.(ii) Subsidised loan interest paid by employer.
(e)	Insurance premium	Annual insurance premium paid by employer excluding:(i) Premiums which are obligatory for foreign workers in lieu of contributions to SOCSO.(ii) Group Policy Insurance premiums for workers in case of accident/ injury.
(f)	School / Tuition fees	Actual school / tuition fees paid by employer.
(g)	Membership in recreation clubs	Membership fees paid by employer.

**(d) Tax Exempt Benefits**

(a) Goods and services offered at a lower price or at a discount.

(b) Food and drinks provided / subsidised.

(c) Free transport.

(d) Child care facilities.

(e) Medical / Dental benefits.

(f) Leave passages:

- (i) Within Malaysia not exceeding three times in any calendar year.
- (ii) Outside Malaysia not exceeding one passage in any calendar year (subject to the maximum of RM3,000).

**(e) Other Benefits Not Listed**

Value of benefits may be made by reference to the formula :

$$\frac{\text{cost of the asset providing benefits / amenities}}{\text{Prescribed average life span of asset}} = \text{annual value of benefits}$$

Cost means the actual cost incurred by the employer or market value of the asset. Thus, in the case of an asset costing RM 10,000 and having a life span of 10 years the annual value would be RM 1,000.

**(f) The Prescribed Life Span**

The prescribed life span of the various assets is as follows:

	<b>Asset</b>	<b>Prescribed Average Life Span (Year)</b>
(a)	Motorcar	8
(b)	Furniture and Fittings: Curtains, carpets Furniture, sewing machine Air-conditioner Refrigerator	-515810
(c)	Kitchen Equipment (i.e. crockery, rice cooker, electric kettle, toaster, coffee-maker, gas cooker, cooker hood, oven, dish-washer, washing machine, dryer, food processor etc.)	6
(d)	Entertainment and Recreation: Piano Organ Colour television, video player, stereo set Swimming pool (detachable), sauna	2010715
(e)	Miscellaneous: Mobile telephone	5

**Value of Living Accommodation**

The value of any living accommodation including accommodation in premises occupied by the employee provided in Malaysia by the employer is to be included in the employee's gross income. Value to taken into account:

<b>Categories of Employees.</b>	<b>% of Employment Gross Income</b>
Employees and directors of controlled companies (Not Service Directors)	30 %
Government Officers in occupation of assisted accommodation e.g. mess, chalet or hotel and officers in occupation of rented premises.	3 %
Officers in occupation of rented premises from the private sector (statutory body).	3 %

## **d) ASSESMENT OF TAX - Employers**

### **Who is An employer**

An employer is defined in Section 2 of the Income Tax Act (ITA) 1967. In general, employer means the party that pays remuneration to the employees, where there is an "employer-employee" relationship. For instance:

- (i) (i) A manager, agent or person responsible for the payment of salary or wages to an employee, e.g. manager of a company, sole proprietor / partnership.
- (ii) Any body of persons, whether or not statutory incorporated, e.g. an association.
- (iii) Statutory Boards, Federal and State Governments.

### **Responsibilities of an Employer**

#### **Under Section 83(1) Income Tax Act 1967**

Furnish within 30 days a Return (Form E).

#### **Under Section 83(2) Income Tax Act 1967**

Notify the Director-General in writing of a new employee.

#### **Under Section 83(3) Income Tax Act 1967**

Notify the Director-General in writing of an employee who is about to cease employment except if the employee has tax deducted under the Schedular Tax Deduction scheme and is not retiring from employment.

#### **Under Section 83(4) Income Tax Act 1967**

Notify the Director-General in writing of an employee who is about to leave Malaysia for a period exceeding 3 months.

#### **Under Section 83(5) Income Tax Act 1967**

Withhold money payable to the employee who is about to cease employment or is about to leave Malaysia for a period of more than 3 months.

#### **Under Section 83(6) Income Tax Act 1967**

Deduct tax from the remuneration as directed by the Collection Branch.

With effect from 1 January 1995, monthly tax deduction under the Schedular Tax Deduction Scheme.

### **Offences and Penalties (Employer)**

- (i) Failure to notify the Inland Revenue Board of the cessation of employment and / or the departure of an employee from Malaysia, the Director-General of Inland Revenue is empowered to recover from the employer any tax due from the employee.
- (ii) Failure to comply with any of the requirements will render an employer liable to prosecution and on conviction, liable to a fine of not less than RM 200.00 and not more than RM 2,000.00 or to imprisonment for a term not exceeding six months or to both.
- (iii) Failure to deduct and / or remit monthly tax deduction of employees' by the 10th. of the following month is an offence and upon conviction, an employer can be fined up to RM1,000 or jailed up to 6 months or both

## **e) ASSESSMENT OF TAX - Offences And Penalties (Individuals)**

**An offence is committed under the Income Tax Act 1967 if you :**

- (i) Fail to submit a completed tax return within the stipulated period..
- (ii) Submit an incorrect tax return.
- (iii) Fail to give notice of your chargeability to tax within the stipulated period.
- (iv) Give incorrect information on matters effecting your liability..
- (v) Fail to comply with a notice asking for certain information.

Any person who is guilty of an offence and shall on conviction be liable to a fine of not less than RM 200.00 and not more than RM 10,000.00 (depends on the type of offence) or to imprisonment for a term not exceeding six months or to both