

PERSONAL INCOME TAX

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LEARNING OUTCOMES

By the end of this chapter, student should be able to :

- identify allowance deductions for income tax purposes,
- determine chargeable income,
- use the tax schedule to determine the tax amount,
- recognize that tax rebate is allowed for a chargeable income of less than RM35,000 and that zakat is an allowable rebate, and
- calculate tax payable.

INTRODUCTION

- Income tax is the normal tax which is paid on your taxable (chargeable) income.
- Two types of Assessment
 - Separate Assessment
 - Joint Assessment

Separate

- Tax is calculated individually.
- For instance : bachelor, husband only, wife only.
- Husband the only one working (wife get relief and rebate).
- Children are assessed under husband unless it is requested by wife.

Joint

- Tax is calculated together.
- For instance : husband + wife.
- For Parents Medical Expenses, only husband part is calculated.

- Calculation of tax consists of 5 PARTS
 - Aggregate Income
 - Donation
 - Reliefs
 - Taxable Income
 - Rebates

AGGREGATE INCOME

- Annual Income (the salary for 12 months)
- For joint assessment, the aggregate income must be the combination income of husband and wife.



DONATION

CONTRIBUTION	AMOUNT
Gift of money to the Government, State Government or Local Authorities.	NIL
Gift of money to Approved Institutions or Organisations.	(Amount is limited to 7% of aggregate income)
Gift of money or cost of contribution in kind for any Approved Sports Activity or Sports Body.	(Amount is limited to 7% of aggregate income)
Gift of money or cost of contribution in kind for any Approved Project of National Interest Approved by Ministry of Finance.	(Amount is limited to 7% of aggregate income)
Gift of artifacts, manuscripts or paintings.	NIL
Gift of money for provision of Library Facilities or to Libraries.	NIL



RELIEFS

	INDIVIDUAL RELIEF TYPES	AMOUNT (RM)
1	Self and Dependent	9,000
2	Husband/Wife/Alimony Payments	4,000 (Limited)
3	Children below 18 years, and each unmarried child of 18 years and above who is receiving full-time education ("A-Level", certificate, matriculation or preparatory courses).	2,000
4	Each unmarried child of 18 years and above that: (i) receiving further education in Malaysia in respect of an award of diploma or higher (excluding matriculation/preparatory courses). (ii) receiving further education outside Malaysia in respect of an award of degree or its equivalent (including Master or Doctorate). (iii) the instruction and educational establishment shall be approved by the relevant government authority.	8,000
5	Disabled child. Additional exemption of RM6,000 disable child age 18 years old and above, not married and pursuing diplomas or above qualification in Malaysia @ bachelor degree or above outside Malaysia in program and in Higher Education Institute that is accredited by related Government authorities	6,000 8,000

RELIEFS (CONT. ...)

	INDIVIDUAL RELIEF TYPES	AMOUNT (RM)
6	Life insurance and EPF	7,000 (Limited)
7	Medical expenses for parents	5,000 (Limited)
8	Medical expenses for serious diseases for self, spouse or child	6,000 (Limited)
9	Lifestyles – Expenses for the use / benefit of self, spouse or child in respect of:	2,500 (Limited)
10	Education Fees (Individual)	7,000 (Limited)
11	Net saving in SSPN's scheme (Total Deposit – Total Withdrawal in the assessment year)	8,000 (Limited)
12	Contribution to the Social Security Organization (SOCSO)	250 (Limited)
13	Insurance premium for education or medical benefit	3000 (Limited)

Note: Refer to the tax reliefs notes from the LHDN for a complete information.



TAXABLE INCOME TAX RATE SCHEDULE

Assessment Year 2018-2019			
Chargeable Income	Calculations (RM)	Rate %	Tax (RM)
0 - 5,000	On the First 5,000	0	0
5,001 - 20,000	On the First 5,000 Next 15,000	1	0 150
20,001 - 35,000	On the First 20,000 Next 15,000	3	150 450
35,001 - 50,000	On the First 35,000 Next 15,000	8	600 1,200
50,001 - 70,000	On the First 50,000 Next 20,000	14	1,800 2,800
70,001 - 100,000	On the First 70,000 Next 30,000	21	4,600 6,300
100,001 - 250,000	On the First 100,000 Next 150,000	24	10,900 36,000
250,001 - 400,000	On the First 250,000 Next 150,000	24.5	46,900 36,750
400,001 - 600,000	On the First 400,000 Next 200,000	25	83,650 50,000
600,001 - 1,000,000	On the First 600,000 Next 400,000	26	133,650 104,00
Exceeding 1,000,000	On the First 1,000,000 Next ringgit	28	237,650



REBATES

NO	TAX REBATE	AMOUNT (RM)
1	Husband (taxable income below RM35 000)	400
2	Wife (taxable income below RM35 000)	400
3	Zakat	NIL

EXAMPLE 1

Syamsul and his wife have six children. Four of the children are schooling and the other two are studying at the local universities. Particulars regarding their incomes for 2018 are as follows:

	Syamsul	Wife
Salary	RM 100,000	RM 72,000
EPF	RM 12,100	RM 7,920
LIP	-	RM 3,000
Cash Donation	-	RM 500
Medical Expenses on parents	RM 400	RM 2,000
Zakat	RM 50	RM 400

Assess their tax payable if they choose separate assessments.

(12 marks)

Tax Assessment for Syamsul

Aggregate Income			100,000
Donation			(0)
		Total Income	100,000
Reliefs			
Self	9,000		
Children			
4 x 2000	8,000		
2 x 8000	16,000		
EPF + LIP	7,000		
Parents Medical Expenses	400		
		Total Reliefs	(40,400)
		Taxable Income	59,600

From the taxable income
 First 50,000 = 1,800 (from taxable table)
 Balance = 59,600 – 50,000 = 9,600 @ 14%



Using Tax Rate			
On the first 50 000	1,800		
On the next 9,600 x 14%	1,344		
		Total Tax	3,144
Rebates			
Zakat	50		
		Total Rebates	(50)
		Payable Tax	RM3,094

Tax Assessment for Syamsul's Wife

Aggregate Income			72,000
Donation			(500)
		Total Income	71,500
Reliefs			
Self	9,000		
EPF + LIP	7,000		
Parents Medical Expenses	2,000		
		Total Reliefs	(18,000)
		Taxable Income	53,500

From the taxable income
 First 50,000 = 1,800 (from taxable table)
 Balance = 53,500 – 50,000 = 3,500 @ 14%



Using Tax Rate			
On the first 50 000	1,800		
On the next 3,500 x 14%	490		
		Total Tax	2,290
Rebates			
Zakat	400		
		Total Rebates	(400)
		Payable Tax	RM1,890

EXAMPLE 2

Adam Mukhlis and his wife, Ain Hawa have 5 children. Three of their children are studying in a local university doing their first degree while the rest are still schooling. Their income and expenditures for 2018 were as follows:

	Adam Mukhlis (RM)	Ain Hawa (RM)
Annual Income	81,540	45,600
EPF Contribution	7,200	4,000
Life Insurance Premium	2,400	600
Books and Magazines	1,050	300
Parents` Medical Expenses	–	6,800
Donations	2,000	500
Zakat	1,500	800

Determine their tax liability for the assessment year if they chose separate assessments.
(12 marks)

Tax Assessment for Adam Mukhlis

Aggregate Income			81,540
Donation			(2,000)
		Total Income	79,540
Reliefs			
Self	9,000		
Children			
2 x 2000	4,000		
3 x 8000	24,000		
EPF + LIP	7,000		
Lifestyles	1,050		
		Total Reliefs	(45,050)
		Taxable Income	34,490

From the taxable income
 First 20,000 = 150 (from taxable table)
 Balance = 34,490 – 20,000 = 14,490 @ 3%



Using Tax Rate			
On the first 20 000	150		
On the next 14,490 x 3%	434.70		
		Total Tax	584.70
Rebates			
Zakat	1,500		
Self	400	Total Rebates	(1,900)
		Payable Tax	RM 0

Tax Assessment for Ain Hawa

Aggregate Income			45,600
Donation			(500)
		Total Income	45,100
Reliefs			
Self	9,000		
EPF + LIP	4,600		
Lifestyles	300		
Parents Medical Expenses	5,000		
		Total Reliefs	(18,900)
		Taxable Income	26,200

From the taxable income
 First 20,000 = 150 (from taxable table)
 Balance = 26,200 – 20,000 = 6,200 @ 3%



Using Tax Rate			
On the first 20,000	150		
On the next 6,200 x 6%	186		
		Total Tax	336
Rebates			
Self	400		
Zakat	800	Total Rebates	(1,200)
		Payable Tax	RM 0

EXAMPLE 3

Idris and his wife have four children. Three of the children are still schooling and one is doing his Bachelor's degree in a local university. Particulars regarding the income of Idris and his wife for the year 2018 were as follows:

	Idris (RM)	Wife (RM)
Annual Salary	54,000	31,200
EPF Contribution	4,320	2,496
Books	800	300
Cash Donation	1,000	-
Zakat	500	-
Parents' Medical fees	2,500	1,000
Life insurance premium	1,800	1,200

(12 marks)

Joint Tax Assessment for Idris and his wife

Aggregate Income			85,200
Donation			(1,000)
		Total Income	84,200
Reliefs			
Self	9,000		
Wife	4,000		
Children: 3 x 2000	6,000		
1 x 8000	8,000		
EPF + LIP	7,000		
Lifestyles	1,100		
Parents Medical Fees	2,500	Total Reliefs	(37,600)
		Taxable Income	46,600

From the taxable income
 First 35,000 = 600 (from taxable table)
 Balance = 46,600 – 35,000 = 11,600 @ 8%



Using Tax Rate			
On the first 35,000	600		
On the next 11,600 x 8%	928		
		Total Tax	1,528
Rebates			
Zakat	500		
		Total Rebates	(500)
		Payable Tax	RM 1,028