

26 MAY, 2021

What to do if you terminate your employment

New Straits Times, Malaysia

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QUITTING work means you will no longer receive your monthly income. There are several reasons for termination of employment, either quitting work because the employee no longer wants to work in the company, retirement, the employee is leaving Malaysia for more than three months or the employee has died.

If during the employment period you have made a Monthly Tax Deduction (PCB) by your employer, this means you have an Income Tax File registered with the Inland Revenue Board (IRBM).

This means that you are a taxpayer who has to report your income and pay income tax (if any) every year to the IRBM.

Many people have complained that the IRB is still looking for them when they no longer have a source of income either because they have stopped working, are retired or left Malaysia.

If you have terminated your employment, make sure you apply for a Tax Settlement Letter (SPC).

If you have not applied for a SPC, this means that no official notification has been made to the IRB stating that you are no longer working.

WHAT IS SPC?

SPC is a certificate issued by the IRB to employers related to income tax matters of employees who have stopped working, are retired, want to leave Malaysia or employees who have died.

Employers, regardless of whether

they are from the public or private sector, are both responsible under Subsections 83 (3) and (4) of the Income Tax Act (ITA) 1967 to inform the IRB within the prescribed period of retrenchment or retrenchment due to death and employees who want to leave Malaysia for the purpose of obtaining the SPC.

This is to ensure that the amount of rewards and benefits that employees will enjoy after retirement or resignation is obtained immediately and the amount is not reduced due to failure to report previous income before resignation.

The employer is responsible to inform the IRB in not less than 30 days before the date of retrenchment, retirement or when the employees

are expected to leave Malaysia.

If the employee has died, they must ensure that the notification is made no later than 30 days after being notified of the employee's death. In addition, the employer is also responsible to withhold any payment to the employee who resigned or has died and not pay any part of the money without the permission of the IRB until a period of 90 days from the date of Form CP1, CP22A or CP22B (as applicable) is received by the IRB.

Finally, the employer is responsible to pay all or part of the amount withheld to the IRB when instructed at any time during the period.

TAX COMPLIANCE

An employee's tax compliance record is an important component that will be reviewed by the IRB before the SPC is issued.

Employees must ensure that income received in connection with an employment is reported by submitting a Return Form either Form B, BE, BT, Mor MT. Employees who have employment income only and have Monthly Tax Deduction (MTD) can choose MTD as the Final Tax where they no longer need to submit the Return Form to the IRBM effective from the Year of Assessment 2014.

Further information on eligibility requirements and treatment on this final tax can be obtained at www.hasil.gov.my - Legislation - Practice Note - Practice Note No. 1/2021: Tax Service On Final Tax.

Also make sure that you check your tax compliance records with the IRB before the employer submits the SPC application form and keep your records and tax documents for any income and relief claims made at least seven years from the last year to which the income and claims are linked.

So, make sure your tax compliance



CAUSES OF TERMINATION OF EMPLOYMENT

NOTIFICATION PERIOD

- Inform IRB not less than 30 days before the date of retrenchment/retirement/employee is expected to leave Malaysia
- Not more than 30 days after being notified of the employee's death

OBTAIN PERMISSION FROM IRB

- Does not pay any part of the money to the employee without the permission of the IRB until a period of 90 days from the date form CP21, CP22A or CP22B (as applicable) is received by the IRB

PAYMENT

- Pay all or part of the amount of money withheld to IRB when directed at any time during the period

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Make sure you apply for a Tax Settlement Letter when you quit your job.

**CP21
FORM**

Notification of employees leaving Malaysia

**CP22
FORM**

New employee notification

**CP22A
FORM**

Notice of termination of employment or termination due to death for a private sector employee

**CP22B
FORM**

Notification of termination of employment or termination due to death for employees of government agencies

records are complete and organised every year.

SPC APPLICATION EXEMPTION

Employers are given an exemption not to submit Forms CP22A and CP22B to the IRB if an employee's income is not subject to MTD or if the employee's monthly remuneration is below the minimum amount eligible for MTD but provided that the employee will continue to work or not retire from anywhere in Malaysia. Form CP21 does not need to be submitted if the IRB is satisfied that an employee is required to leave Malaysia regularly in connection with his employment.

NOTIFICATION TO IRB

Employers must use the form provided by the IRB for notification purposes:

The form can be downloaded through IRB's Official Portal at www.hasil.gov.my. The completed form must be resubmitted to the branch that handles the employee's income tax file or to the nearest IRB branch.

EVERYTHING AT YOUR FINGERTIPS

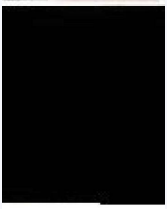
The IRB has provided an online service to enable employers to submit Forms CP21, CP22A and CP22B which can be accessed on its Official Portal, www.hasil.gov.my > MyTax > ezHasil Services > e-SPC.

The SPC will be issued in accordance with the IRB Client's Charter, which is within 14 working days from the date Forms CP21, CP22A and CP22B are received and subject to receipt of complete documents and information.

The SPC will also be sent to the employer and copied to the employee for information. The cooperation provided by employers and employees in the SPC application is very important to enable the IRB to process the application smoothly.

Know your rights as an employee and make sure employers carry out their responsibility to ensure your tax matters are well managed.

Visit www.hasil.gov.my for more information.



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SUMMARIES

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