

**Return Form Of Employer
- Remuneration For The
Year 2016**



E 2016 Explanatory Notes



SELF ASSESSMENT SYSTEM

**Together We
Develop The
Nation**

BASIC INFORMATION

1	NAME OF EMPLOYER AS REGISTERED	Name of employer as registered with the Companies Commission of Malaysia (CCM) or others. If there is any change to the employer's name, please indicate the former name in parenthesis. For an individual who is not registered with CCM or others, fill in the name as per identity card / passport.																														
2	EMPLOYER'S NO. E	Employer's file number. Example: For employer's number E 0123456708 <div style="border: 1px solid black; padding: 5px; display: inline-block; margin: 10px 0;"> <table border="1" style="border-collapse: collapse;"> <tr> <td style="width: 20px; text-align: center;">E</td> <td style="width: 20px; text-align: center;">0</td> <td style="width: 20px; text-align: center;">1</td> <td style="width: 20px; text-align: center;">2</td> <td style="width: 20px; text-align: center;">3</td> <td style="width: 20px; text-align: center;">4</td> <td style="width: 20px; text-align: center;">5</td> <td style="width: 20px; text-align: center;">6</td> <td style="width: 20px; text-align: center;">7</td> <td style="width: 20px; text-align: center;">0</td> <td style="width: 20px; text-align: center;">8</td> </tr> </table> </div>	E	0	1	2	3	4	5	6	7	0	8																			
E	0	1	2	3	4	5	6	7	0	8																						
3	STATUS OF EMPLOYER	Enter the status code of the employer in the box provided. <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #cccccc;"> <th style="width: 15%;">Code</th> <th>Status of Employer</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td>Government</td> </tr> <tr> <td style="text-align: center;">2</td> <td>Statutory</td> </tr> <tr> <td style="text-align: center;">3</td> <td>Private Sector</td> </tr> </tbody> </table>	Code	Status of Employer	1	Government	2	Statutory	3	Private Sector																						
Code	Status of Employer																															
1	Government																															
2	Statutory																															
3	Private Sector																															
4	STATUS OF BUSINESS	Enter the status code of the business in the box provided. <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #cccccc;"> <th style="width: 15%;">Code</th> <th>Status of Business</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td>In operation</td> </tr> <tr> <td style="text-align: center;">2</td> <td>Dormant *</td> </tr> <tr> <td style="text-align: center;">3</td> <td>In the process of winding up</td> </tr> </tbody> </table> <p>* 'Dormant' means: ~Never commenced operations since the date it was incorporated / established; or ~Had previously been in operation or carried on business but has now ceased operations or business.</p>	Code	Status of Business	1	In operation	2	Dormant *	3	In the process of winding up																						
Code	Status of Business																															
1	In operation																															
2	Dormant *																															
3	In the process of winding up																															
5	INCOME TAX NO.	Enter the employer's income tax number as follows: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #cccccc;"> <th style="width: 15%;">Code</th> <th>File Type</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">01</td> <td>SG (Individual – Resident who does not carry on business)</td> </tr> <tr> <td style="text-align: center;">02</td> <td>OG (Individual – Resident who carries on business)</td> </tr> <tr> <td style="text-align: center;">03</td> <td>D (Partnership)</td> </tr> <tr> <td style="text-align: center;">04</td> <td>C (Company)</td> </tr> <tr> <td style="text-align: center;">05</td> <td>J (Hindu Joint Family)</td> </tr> <tr> <td style="text-align: center;">06</td> <td>F (Association)</td> </tr> <tr> <td style="text-align: center;">07</td> <td>TP (Deceased Person's Estate)</td> </tr> <tr> <td style="text-align: center;">08</td> <td>TA (Trust Body)</td> </tr> <tr> <td style="text-align: center;">09</td> <td>TC (Unit / Property Trust)</td> </tr> <tr> <td style="text-align: center;">10</td> <td>CS (Co-operative Society)</td> </tr> <tr> <td style="text-align: center;">11</td> <td>TR (Real Estate Investment Trust / Property Trust Fund)</td> </tr> <tr> <td style="text-align: center;">12</td> <td>PT (Limited Liability Partnership)</td> </tr> <tr> <td style="text-align: center;">13</td> <td>TN (Business Trust)</td> </tr> <tr> <td style="text-align: center;">14</td> <td>LE (Labuan Entity)</td> </tr> </tbody> </table>	Code	File Type	01	SG (Individual – Resident who does not carry on business)	02	OG (Individual – Resident who carries on business)	03	D (Partnership)	04	C (Company)	05	J (Hindu Joint Family)	06	F (Association)	07	TP (Deceased Person's Estate)	08	TA (Trust Body)	09	TC (Unit / Property Trust)	10	CS (Co-operative Society)	11	TR (Real Estate Investment Trust / Property Trust Fund)	12	PT (Limited Liability Partnership)	13	TN (Business Trust)	14	LE (Labuan Entity)
Code	File Type																															
01	SG (Individual – Resident who does not carry on business)																															
02	OG (Individual – Resident who carries on business)																															
03	D (Partnership)																															
04	C (Company)																															
05	J (Hindu Joint Family)																															
06	F (Association)																															
07	TP (Deceased Person's Estate)																															
08	TA (Trust Body)																															
09	TC (Unit / Property Trust)																															
10	CS (Co-operative Society)																															
11	TR (Real Estate Investment Trust / Property Trust Fund)																															
12	PT (Limited Liability Partnership)																															
13	TN (Business Trust)																															
14	LE (Labuan Entity)																															

		<p>Enter the code in the first box, followed by the income tax number in the second box. Example I : For Income Tax No. OG 10234567080</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="width: 20px; text-align: center;">0</td> <td style="width: 20px; text-align: center;">2</td> <td style="width: 20px; text-align: center;">1</td> <td style="width: 20px; text-align: center;">0</td> <td style="width: 20px; text-align: center;">2</td> <td style="width: 20px; text-align: center;">3</td> <td style="width: 20px; text-align: center;">4</td> <td style="width: 20px; text-align: center;">5</td> <td style="width: 20px; text-align: center;">6</td> <td style="width: 20px; text-align: center;">7</td> <td style="width: 20px; text-align: center;">0</td> <td style="width: 20px; text-align: center;">8</td> <td style="width: 20px; text-align: center;">0</td> </tr> </table> <p>Example II : For Income Tax No. D 1234567809</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="width: 20px; text-align: center;">0</td> <td style="width: 20px; text-align: center;">3</td> <td style="width: 20px; text-align: center;">1</td> <td style="width: 20px; text-align: center;">2</td> <td style="width: 20px; text-align: center;">3</td> <td style="width: 20px; text-align: center;">4</td> <td style="width: 20px; text-align: center;">5</td> <td style="width: 20px; text-align: center;">6</td> <td style="width: 20px; text-align: center;">7</td> <td style="width: 20px; text-align: center;">8</td> <td style="width: 20px; text-align: center;">0</td> <td style="width: 20px; text-align: center;">9</td> </tr> </table>	0	2	1	0	2	3	4	5	6	7	0	8	0	0	3	1	2	3	4	5	6	7	8	0	9
0	2	1	0	2	3	4	5	6	7	0	8	0															
0	3	1	2	3	4	5	6	7	8	0	9																
6	IDENTIFICATION NO.	If the employer is a partnership or sole proprietorship business, items no. 6 & 7 have to be completed by the precedent partner or sole proprietor of the business.																									
7	PASSPORT NO.																										
8	REGISTRATION NO. WITH CCM OR OTHERS	Number as registered with the Companies Commission of Malaysia (CCM) or others.																									
9	CORRESPONDENCE ADDRESS	Address to be used for any correspondence with LHDNM.																									
10	TELEPHONE NO.	Telephone number of office / tax agent's firm / residence. Please ensure that the information is correct and accurate. This information is for the official use of LHDNM.																									
11	HANDPHONE NO.	Please ensure that this information is correct. This information is only for the official use of LHDNM.																									
12	e-MAIL	Note: For submission via e-Filing, either one item (No. 11 or 12) is compulsorily required to be completed.																									
13	RETURN OF C.P. 8D	<p>Enter the relevant code for the method of submission in the box provided.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Code</th> <th style="width: 85%;">Method of Submission</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td>Together with Form E</td> </tr> <tr> <td style="text-align: center;">2</td> <td>Via <i>Data Prais</i></td> </tr> <tr> <td style="text-align: center;">3</td> <td>Compact disc</td> </tr> </tbody> </table> <p>Note : Form E will only be considered complete if C.P.8D is submitted before or on the due date for submission.</p>	Code	Method of Submission	1	Together with Form E	2	Via <i>Data Prais</i>	3	Compact disc																	
Code	Method of Submission																										
1	Together with Form E																										
2	Via <i>Data Prais</i>																										
3	Compact disc																										
PART A:		INFORMATION ON NUMBER OF EMPLOYEES FOR THE YEAR ENDED 31 DECEMBER 2016																									
A1	NUMBER OF EMPLOYEES	Total number of employees in the employer's company / business as at 31 December 2016.																									
A2	NUMBER OF EMPLOYEES SUBJECT TO MTD	Total number of employees subject to the Monthly Tax Deduction (MTD) scheme during the year 2016.																									
A3	NUMBER OF NEW EMPLOYEES	Total number of employees who commenced employment in the employer's company / business during the year 2016.																									
A4	NUMBER OF EMPLOYEES WHO CEASED EMPLOYMENT	Total number of employees who ceased employment in the year 2016.																									

A5	NUMBER OF EMPLOYEES WHO CEASED EMPLOYMENT AND LEFT MALAYSIA?	Total number of employees who ceased employment to leave Malaysia ('foreign leaver') in the year 2016.
A6	REPORTED TO LHDNM? (IF A5 IS APPLICABLE)	This item has to be completed if item A5 is applicable. Enter '1' (YES) if the employer has reported the cessation to LHDNM. If '2' (NO) is entered, immediately contact the LHDNM branch in charge of the employee's income tax file.

PART B:

DECLARATION

This declaration must be made by the employer in accordance with the category of employer as provided under Section 66 to Section 76 and Section 86 of the Income Tax Act 1967 (ITA 1967). The use of signature stamp is not allowed. If the return form is not affirmed and duly signed, it shall be deemed incomplete and will not be processed. Notification of Incomplete Return Form will be issued to inform you. Due date to furnish Form E for the Year of Remuneration 2016 is 31 March 2017. Failure to submit the Form E before or on 31 March 2016 is a criminal offense and can be prosecuted in court.

C.P. 8D: RETURN OF REMUNERATION FROM EMPLOYMENT, CLAIM FOR DEDUCTION AND PARTICULARS OF TAX DEDUCTION UNDER THE INCOME TAX RULES (DEDUCTION FROM REMUNERATION) 1994 FOR THE YEAR ENDED 31 DECEMBER 2016

- An employer is required to complete this statement on all employees for the year 2016.
- Employers who have submitted information via *e-Data Prais* need not complete and furnish Form C.P.8D.

A	No.	Numbering in ascending order.								
B	Name Of Employee	Enter the full name of the employee as per identity card / passport.								
C	Income Tax No.	Enter the employee's income tax number in this item. Example: SG 10234567080								
D	Identification / Passport No.	Enter the employee's Identification (Identity Card / Police / Army) or Passport No. in the box provided. Note: Priority is given to New Identity Card followed by Police No., Army No. and Passport No.								
E	Category Of Employee	<p>Please refer to the following Category Of Employee [from Government gazette [P.U. (A) 362/2014] and MTD Guideline], and enter the relevant code for the employee.</p> <table border="1"> <thead> <tr> <th>Code</th> <th>Category Of Employee</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Category 1 : Single</td> </tr> <tr> <td>2</td> <td>Category 2 : Married and husband or wife is not working</td> </tr> <tr> <td>3</td> <td>Category 3 : Married and husband or wife is working, divorced or widowed, or single with adopted child</td> </tr> </tbody> </table> <p>If there is a change in status for example from Category 1 to Category 3, enter the code for the Category Of Employee based on the latest status. Example: An employee married on 24 June 2016 and his wife is working. Enter '3' for the employee in this item.</p>	Code	Category Of Employee	1	Category 1 : Single	2	Category 2 : Married and husband or wife is not working	3	Category 3 : Married and husband or wife is working, divorced or widowed, or single with adopted child
Code	Category Of Employee									
1	Category 1 : Single									
2	Category 2 : Married and husband or wife is not working									
3	Category 3 : Married and husband or wife is working, divorced or widowed, or single with adopted child									
F	Tax Borne By Employer	Enter '1' (YES) if the employee receives benefit from tax borne by his employer (tax allowance) or '2' (NO) if the employee does not receive this benefit in the year 2016.								

Qualifying Child Relief:

G	No. Of Children	State the number of children on whom the employee is eligible to claim tax relief for the year 2016 pursuant to the provision of section 48 of ITA 1967.
H	Total Relief	<p>State the total child relief taken into account in computing the employee's last MTD for the Year of Remuneration 2016.</p> <p>Example:</p> <p>An employee, Mr. Suhaimi has three (3) children on whom he is eligible to claim child relief.</p> <ul style="list-style-type: none"> - The first child commenced work on 1 October 2016. The second child is 20 years old, unmarried and pursuing a degree level course at a local university. The third child is 16 years old and still schooling. - Mr. Suhaimi retired with effect from 1 December 2016. - For the purpose of computing Mr. Suhaimi's November 2016 MTD (last MTD in 2016), the number of children qualified for tax relief is two (2), and his employer has taken into account child relief amounting to RM (8,000 + 2,000) = RM10,000. - The employer is required to enter '10,000' in item 'H' for Mr. Suhaimi.

I	Total Gross Remuneration	The total gross remuneration of employee CHARGEABLE TO TAX INCLUDING: ~ Benefits in kind ~ Value of living accommodation benefit ~ Gross remuneration in arrears in respect of preceding years received in the year 2016.	
J	Benefits In Kind	Value of benefits in kind received by employee from employer (<i>refer to Public Ruling No. 3/2013</i>).	
K	Value Of Living Accommodation	Value of living accommodation benefit received by employee from employer (<i>refer to Public Ruling No. 3/2005</i>).	
L	Employee Share Option Scheme (ESOS) Benefit	Value of benefit from shares received by employee from employer (<i>refer to Public Ruling No. 11/2012</i>).	
M	List of Tax Exempt Allowances / Perquisites / Gifts / Benefits To Be Reported:		
	NO.	SUBJECT	EXEMPTION LIMIT (PER YEAR)
	1.	Petrol card, petrol allowance, travelling allowance or toll payment or any of its combination for official duties. If the amount received exceeds RM6,000 a year, the employee can make a further deduction in respect of the amount spent for official duties. Records pertaining to the claim for official duties and the exempted amount must be kept for a period of 7 years for audit purpose.	RM6,000
	2.	Child care allowance in respect of children up to 12 years of age.	RM2,400
	3.	Gift of fixed line telephone, mobile phone, pager or <i>Personal Digital Assistant</i> (PDA) registered in the name of the employee or employer including cost of registration and installation.	Limited to only 1 unit for each asset
	4.	Monthly bills for fixed line telephone, mobile phone, pager, PDA or subscription of broadband registered in the name of the employee or employer including cost of registration and installation.	Limited to only 1 line for each category of assets
	5.	Perquisite (whether in money or otherwise) provided to the employee pursuant to his employment in respect of:- (i) past achievement award; (ii) service excellence award, innovation award or productivity award; and (iii) long service award (provided that the employee has exercised an employment for more than 10 years with the same employer).	RM2,000
	6.	Parking rate and parking allowance. This includes parking rate paid by the employer directly to the parking operator.	} Restricted to the actual amount expended
	7.	Meal allowance received on a regular basis and given at the same rate to all employees. Meal allowance provided for purposes such as overtime or outstation / overseas trips and other similar purposes in exercising an employment are only exempted if given based on the rate fixed in the internal circular or written instruction of the employer.	
	8.	Subsidised interest for housing, education or car loan is fully exempted from tax if the total amount of loan taken in aggregate does not exceed RM300,000. If the total amount of loan exceeds RM300,000, the amount of subsidized interest to be exempted from tax is limited in accordance with the following formula: $A \times \frac{B}{C}$ Where; A = is the difference between the amount of interest to be borne by the employee and the amount of interest payable by the employee in the basis period for a year of assessment; B = is the aggregate of the balance of the principal amount of housing, education or car loan taken by the employee in the basis period for a year of assessment or RM300,000, whichever is lower; C = is the total aggregate of the principal amount of housing, education or car loan taken by the employee.	

THE ABOVE EXEMPTIONS ARE NOT APPLICABLE TO AN EMPLOYEE HAVING CONTROL OVER HIS EMPLOYER

If the employee has control over his employer, the allowances / perquisites / gifts / benefits received by him is taken to be part of his employment income and subject to tax.

'Control over his employer' means:

- (a) for a company, the power of the employee to secure, by means of the holding of shares or the possession of voting power in or in relation to that or any other company, or by virtue of powers conferred by the articles of association or other document regulating that or any other company, that the affairs of the first mentioned company are conducted in accordance with the wish of the employee;
- (b) for a partnership, the employee is a partner of the employer; or
- (c) for a sole proprietor, the employee and the employer is the same person.

Notes:

1. Only tax exempt allowances / perquisites / gifts / benefits listed above (No. 1 to 8) are **required to declare** in Part M of Form C.P. 8D.
2. Others allowances / perquisites / gifts / benefits which are exempted from tax but **not required to declare** in Part M of Form C.P. 8D are as below:
 - (i) Consumable business products of the employer provided free of charge or at a partly discounted price to the employee, his spouse and unmarried children. The value of the goods is based on the sales price. Benefits received by the employee from a company within the same group of companies as his employer are **not exempted from tax**. The exemption is restricted to RM1,000.
 - (ii) Leave passage for travel (confined only to the cost of fares for the employee and members of his immediate family):
 - (a) within Malaysia including meals and accommodation for travel not exceeding 3 times in any calendar year; or
 - (b) outside Malaysia not exceeding one passage in any calendar year, is limited to a maximum of RM3,000
 - (iii) Services provided free or at a discount by the business of the employer to the employee, his spouse and unmarried children. Benefits received by the employee from a company within the same group of companies as his employer are **not exempted from tax**.
 - (iv) Tax exempt medical benefits are extended to include traditional medicine and maternity expenses. Traditional medicine means Malay, Chinese and Indian Traditional Medicine given by a medical practitioner registered with bodies which are certified or registered in accordance with the rules governing traditional medicine as laid down by the Ministry of Health. *Examples:* Malay traditional massage, ayurvedic or acupuncture. Complimentary medicine and homeopathy such as aromatherapy, reflexology, spa and Thai traditional massage are not included in this exemption.
 - (v) Insurance premiums which are obligatory for foreign workers as a replacement to SOCSO contributions.
 - (vi) Group insurance premium to cover workers in the event of an accident.

Total Claim For Deduction By Employee Via Form TP1:

N	Relief	Total deduction claimed by the employee for the year 2016 ie. the total amount from Part C (Particulars Of Deduction) of Form TP1* (if any) submitted by the employee and processed by his employer. * This Form For Claim On Individual Deduction And Rebate For The Purpose Of Monthly Tax Deduction (MTD) can be downloaded from the LHDNM Official Portal.
O	Zakat	Total amount claimed by the employee for the year 2016 on <u>zakat OTHER THAN</u> that paid via monthly salary deduction ie. the total of amounts from Part D (Rebate) of Forms TP1 (if any) submitted by the employee and processed by his employer.
P	Contribution To Employees Provident Fund	Total compulsory contribution paid by the employee to the Employees Provident Fund (EPF).
Q	Zakat Paid Via Salary Deduction	Total amount of <i>zakat</i> paid by the employee via salary deduction.

Total Tax Deduction:

R	MTD	Total amount of income tax deducted under the Income Tax Rules (Deduction from Remuneration) 1994, and remitted to LHDNM in respect of the employee.
S	CP 38	Total amount of income tax deducted as per Form CP 38 instruction, and paid to LHDNM in respect of the employee.

EA & EC Guide Notes

- Remuneration For The Year 2016



Form C.P. 8A (EA) & Form C.P. 8C (EC)



SELF ASSESSMENT SYSTEM

**Together We
Develop The
Nation**

GUIDE NOTES FOR COMPLETING FORMS C.P. 8A (EA) AND C.P. 8C (EC)

In accordance with subsection 83(1A) of the Income Tax Act 1967 (ITA 1967), the Form C.P. 8A / C.P. 8C must be prepared and rendered to the employees before or on **28 Februari 2017** to enable them to complete and submit their respective Return Form within the stipulated period.

1. If the employer is a company or a body of persons, the manager or principal officer, partner and sole proprietor, is deemed as an employer for the purpose of this return.
2. The amount to be specified is the **gross amount** paid to the employee or on behalf of the employee in respect of his employment for the year ended 31 December 2016.
3. Under subsection 13(1) of ITA 1967, **the gross income from employment INCLUDES:**

(a) Paragraph 13(1)(a)

Wages, salary, overtime pay / allowance, remuneration, leave pay, fee, commission, bonus, gratuity, tip, perquisite, tax allowance / tax borne by the employer, award, reward or allowance (whether in money or otherwise). For the purpose of Forms C.P. 8A and C.P. 8C, subsistence allowances which are exclusively reimbursements for expenditure incurred by the employee in the course of performing his duties are excluded.

Reference: Public Ruling No. 11/2016 - Tax Borne By Employers
Public Ruling No. 2/2013 - Perquisites From Employment
Public Ruling No. 11/2012 - Employee Share Scheme Benefit

(b) Paragraph 13(1)(b)

BIK are benefits/amenities not convertible into money. These benefits are provided by/on behalf of the employer for the personal enjoyment by the employee, wife, family, servants, dependents or guests of that employee.

Reference: Public Ruling No. 3/2013 - Benefits In Kind

(c) Paragraph 13(1)(c)

An amount in respect of the use or enjoyment by the employee of living accommodation in Malaysia provided by or on behalf of the employer rent free or otherwise.

Reference: Guideline For Computation Of The Value Of Living Accommodation Provided For The Employee By The Employer (enclosed),
Public Ruling No. 3/2005 – Living Accommodation Benefit Provided For The Employee By The Employer (issued on 11 August 2005), and
Addendum to Public Ruling No. 3/2005 (issued on 5 Februari 2009).

(d) Paragraph 13(1)(d)

So much of any amount received by the employee from an unapproved pension or provident fund, scheme or society (employer's portion only) as would not have been so received if his employer had not made contributions in respect of the employee to the fund, scheme or society or its trustees.

(e) Paragraph 13(1)(e)

Any amount received by the employee by way of compensation for loss of the employment, whether before or after his employment ceases.

4. (a) Gross income in respect of employment includes any amount received not only for any period during which the employment is exercised in Malaysia but also for any period of leave attributable to the exercise of the employment in Malaysia and for any period during which the employee performs outside Malaysia duties incidental to the exercise of the employment in Malaysia.
- (b) Gross income of a Malaysian citizen in respect of employment in the public service or service of a statutory authority includes the amount receivable for any period during which the employment is exercised outside Malaysia and for any period of leave attributable to the exercise of the employment outside Malaysia.
5. (a) Where gross income from an employment is not receivable in respect of any particular period and first becomes receivable in the year when this return is prepared, the amount has to be included in this return.
- (b) **Bonus and director's fee**
With effect from year of assessment 2009, bonus or director's fee shall, when received in the basis year, be treated as part of the gross income from employment for the basis year in which it is received and declared in Part B of Forms C.P. 8A and C.P. 8C.
- (c) **Arrears and others for preceding years paid in the current year**
With effect from year of assessment 2016, any gross income from employment for preceding years shall be taxed in the year in which it is received.
6. **Tax exempt allowances / perquisites / gifts / benefits**
Please refer to the explanation in item M on pages 5 and 6 of the Form E Explanatory Notes.

GUIDELINE FOR COMPUTATION OF THE VALUE OF LIVING ACCOMMODATION BENEFIT PROVIDED TO THE EMPLOYEE BY THE EMPLOYER [PARAGRAPH 13(1)(c)]

COMPUTATION OF THE VALUE OF LIVING ACCOMMODATION BENEFIT

Where an employer provides living accommodation for the use or enjoyment by his employee, the value of living accommodation benefit determined is to be taken as part of his employee's gross employment income under paragraph 13(1)(c) of ITA 1967.

With effect from year of assessment 2009, gross perquisite income in respect of the right to acquire shares in a company **shall be excluded** from the gross employment income under paragraph 13(1)(a) when computing the value of living accommodation benefit.

Refer to Public Ruling No. 3/2005 and its Addendum (issued on 11th August 2005 and 5th February 2009 respectively) regarding computation.

The value of the living accommodation benefit is determined as follows:

- (i) **Category 1** - 3% x Gross employment income under paragraph 13(1)(a) **EXCLUDING** gross income in respect of any right to acquire shares in a company *.
- (ii) **Category 2** - 30% x Gross employment income under paragraph 13(1)(a) **EXCLUDING** gross income in respect of any right to acquire shares in a company * **OR** the Defined value, whichever is lower
- (iii) **Category 3** - Defined value

For the following examples:-

* Gross employment income [paragraph 13(1)(a)] EXCLUDING gross income in respect of any right to acquire shares in a company	=	T
Value of the living accommodation benefit	=	Z
Period for which the living accommodation is provided	=	n
Length of employment	=	m
Portion of the living accommodation provided	=	X
Living accommodation provided as a whole	=	Y
** Defined value (refer to footnote on page 6)	=	F

CATEGORY 1: Living accommodation provided for employee (other than officer of a Government / Statutory Body) or service director

Living accommodation provided in a:

- Hotel, hostel or similar premise; or
- Premise on a plantation, in a forest or any premise which although in a rateable area, is not subject to public rates).

Value of living accommodation benefit = 3% x Gross employment income under paragraph 13(1)(a) EXCLUDING gross income in respect of any right to acquire shares in a company *
--

Example I:

- Gross employment income * RM36,000 (T)
- Period for which the living accommodation is provided 12 months (n)
- Length of employment in the current year 12 months (m)

Computation of the value of living accommodation benefit:

$$\begin{aligned} \text{Value of living accommodation benefit (Z)} &= 3\% \quad \times \quad \mathbf{T} \quad \times \quad \mathbf{n/m} \\ &= 3/100 \quad \times \quad 36,000 \quad \times \quad 12/12 \\ &= \text{RM1,080} \end{aligned}$$

The taxable value of living accommodation benefit (Z) = RM1,080

Transfer amount Z to item C Working Sheet HK-2

Example II:

If the living accommodation is provided for **less than 12 months in a year**, the value of the living accommodation is calculated **based on the period** the living accommodation is provided.

- Gross employment income *	RM150,000	(T)
- Period for which the living accommodation is provided	7 months	(n)
- Length of employment in the current year	9 months	(m)

Computation of the value of living accommodation benefit:

$$\begin{aligned}
 \text{Value of living accommodation benefit (Z)} &= 3\% \quad \times \quad \mathbf{T} \quad \times \quad \mathbf{n/m} \\
 &= 3/100 \quad \times \quad 150,000 \quad \times \quad 7/9 \\
 &= \text{RM3,500}
 \end{aligned}$$

The taxable value of living accommodation benefit (Z) = RM3,500

Transfer amount Z to item C Working Sheet HK-2**CATEGORY 2: Living accommodation provided for employee (other than officer of a Government / Statutory Body) or service director**

Value of living accommodation benefit = 30% x Gross employment income under paragraph 13(1)(a) **EXCLUDING** gross income in respect of any right to acquire shares in a company *

Or

Defined value, whichever is lower

Example I: Living accommodation is not shared with any other employee

- Gross employment income *	RM150,000	(T)
- Period for which the living accommodation is provided	12 months	(n)
- Length of employment in the current year	12 months	(m)
- Rental of the living accommodation provided	RM2,000 per month	
- Defined value [2,000 x 12 months (m)]	RM24,000	(F)

Computation of the value of living accommodation benefit:

$$\begin{aligned}
 &30\% \quad \times \quad \mathbf{T} \\
 &= 30/100 \quad \times \quad 150,000 \\
 &= \text{RM45,000} \\
 \text{OR} &= \mathbf{F} \\
 &= \text{RM24,000}
 \end{aligned}
 \left. \vphantom{\begin{aligned} &30\% \quad \times \quad \mathbf{T} \\ &= 30/100 \quad \times \quad 150,000 \\ &= \text{RM45,000} \\ &= \mathbf{F} \\ &= \text{RM24,000} \end{aligned}} \right\} \text{whichever is lower}$$

$$\begin{aligned}
 \text{Value of living accommodation benefit (Z)} &= 24,000 \quad \times \quad \mathbf{n/m} \\
 &= 24,000 \quad \times \quad 12/12 \\
 &= \text{RM24,000}
 \end{aligned}$$

The taxable value of living accommodation benefit (Z) = RM24,000

Transfer amount Z to item C Working Sheet HK-2

Example II: Living accommodation is shared equally with another employee

- Gross employment income *	RM150,000	(T)
- Period for which the living accommodation is provided	9 months	(n)
- Length of employment in the current year	9 months	(m)
- Rental of the living accommodation provided	RM3,000 per month	
- 2 persons sharing - portion of living accommodation provided	1	(X)
- living accommodation provided as a whole	2	(Y)
- Defined value [3,000 x 9 months (m)]	RM27,000	(F)

Computation of the value of living accommodation benefit:

	30%	x	T	}	whichever is lower
	= 30/100	x	150,000		
	= RM45,000				
OR	= F	x	X/Y	}	
	= 27,000	x	1/2		
	= RM13,500				
Value of living accommodation benefit (Z)	= 13,500	x	n/m		
	= 13,500	x	9/9		
	= RM13,500				

The taxable value of living accommodation benefit (Z) = RM13,500

Transfer amount Z to item C Working Sheet HK-2

Example III: Part of the living accommodation provided is for official use

- Gross employment income * RM100,000		(T)
- Period for which the living accommodation is provided	9 months	(n)
- Length of employment in the current year	12 months	(m)
- Rental of the living accommodation provided	RM4,000 per month	
- 1/3 is for official use - Portion of living accommodation provided	2	(X)
- Living accommodation provided as a whole	3	(Y)
- Defined value [4,000 x 12 months (m)]	RM48,000	(F)

Computation of the value of living accommodation benefit:

	30%	x	T	}	whichever is lower
	= 30/100	x	100,000		
	= RM30,000				
OR	= F	x	X/Y	}	
	= 48,000	x	2/3		
	= RM32,000				
Value of living accommodation benefit (Z)	= 30,000	x	n/m		
	= 30,000	x	9/12		
	= RM22,500				

The taxable value of living accommodation benefit (Z) = RM22,500

Transfer amount Z to item C Working Sheet HK-2

CATEGORY 3: Living accommodation provided for directors of controlled companies

For the director of a controlled company, the value of the living accommodation benefit shall be the defined value of the living accommodation provided. There is no comparison with 30% of the gross employment income under paragraph 13(1)(a) which **EXCLUDES** the amount of gross income in respect of the right to acquire shares in a company *.

Example I: Living accommodation is not shared

- Gross employment income *	RM200,000	(T)
- Period for which the living accommodation is provided	9 months	(n)
- Length of employment in the current year	10 months	(m)
- Rental of the living accommodation provided	RM3,000 per month	
- Defined value [3,000 x 10 months (m)]	RM30,000	(F)

Computation of the value of living accommodation benefit:

$$\begin{aligned}\text{Value of living accommodation benefit (Z)} &= \text{F} && \times && \text{n/m} \\ &= 30,000 && \times && 9/10 \\ &= \text{RM27,000}\end{aligned}$$

The taxable value of living accommodation benefit (Z) = RM27,000

Transfer amount Z to item C Working Sheet HK-2

Example II: Living accommodation is shared equally with another director / employee

- Gross employment income *	RM200,000	(T)
- Period for which the living accommodation is provided	12 months	(n)
- Length of employment in the current year	12 months	(m)
- Rental of the living accommodation provided	RM3,000 per month	
- 2 persons sharing - portion of living accommodation provided	1	(X)
- living accommodation provided as a whole	2	(Y)
- Defined value [3,000 x 12 months (m)]	RM36,000	(F)

Computation of the value of living accommodation provided:

$$\begin{aligned}\text{Value of living accommodation benefit (Z)} &= 36,000 && \times && \text{X/Y} && \times && \text{n/m} \\ &= 36,000 && \times && 1/2 && \times && 12/12 \\ &= \text{RM18,000}\end{aligned}$$

The taxable value of living accommodation benefit (Z) = RM18,000

Transfer amount Z to item C Working Sheet HK-2

** DEFINED VALUE:

- (i) where the accommodation is not affected by any written law providing for the restriction or control of rents and the person so providing the accommodation holds the accommodation on lease, the rent which is or would have been paid if the accommodation is or had been **unfurnished** and the lessor and the lessee were independent persons dealing at arm's length.
- (ii) in any other case, the rateable value or, in the absence of rateable value, the economic rent.

Where the rental includes the rental of furniture, the amount used to compute the defined value shall be net of the rental of furniture. The rental of furniture is a benefit-in-kind [paragraph 13(1)(b) ITA 1967].