




SELF ASSESSMENT SYSTEM

**EA & EC GUIDE NOTES
REMUNERATION FOR THE
YEAR 2021**

A circular inset image showing a modern, multi-story building with a curved facade and many windows, set against a blue sky with white clouds.

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

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 on or before **28 February 2022** 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 and/or payable to the employee or on behalf of the employee in respect of his employment for the year ended 31 December 2021.
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. 5/2019 - Perquisites From Employment
Public Ruling No. 11/2016 - Tax Borne By Employers
Public Ruling No. 9/2016 - Gratuity
Public Ruling No. 11/2012 - Employee Share Scheme Benefit

(b) **Paragraph 13(1)(b)**

Benefits in kind 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. 11/2019 - 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 (Original and Addendum) – Living Accommodation Benefit Provided For The Employee By The Employer

(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.

Reference: Public Ruling No. 1/2012 - Compensation For Loss Of Employment

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.
 - (c) 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.
5. With effect from year of assessment 2016, any gross income from employment in respect of any period shall be taxed in the year in which it is received [subsection 25(1) ITA 1967]. This includes arrears and any other remuneration for preceding years, employment income paid in advance for the relevant year, bonus and director's fee, which when paid in the basis year, shall be declared in Part B of Form C.P.8A / C.P.8C for the basis year.
6. **Approved donations / gifts / contributions via salary deduction**
- (a) Reference: Public Ruling No. 5/2021 - Taxation Of A Resident Individual Part I - Gifts Or Contributions And Allowable Deductions
 - (b) Approved donations / gifts / contributions via salary deduction shall include cash and in-kind contributions to combat the COVID-19 pandemic. Please refer to the LHDNM Official Portal, www.hasil.gov.my > Quick Links > FAQs MCO 3.0 – National Recovery Plan & Economic Stimulus Package > Frequently Asked Questions On Contribution / Donation.
7. **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 (Original and 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 *
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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	}	whichever is lower
	= 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	}	whichever is lower
	= 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].