



INLAND REVENUE BOARD MALAYSIA

**TAX TREATMENT OF
LEAVE PASSAGE**

**ADDENDUM TO
PUBLIC RULING NO. 1/2003**

Translation from the original Bahasa Malaysia text

DATE OF ISSUE: 23 AUGUST 2007



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DIRECTOR GENERAL'S PUBLIC RULING

A Public Ruling as provided for under section 138A of the Income Tax Act 1967 is issued for the purpose of providing guidance for the public and officers of the Inland Revenue Board. It sets out the interpretation of the Director General of Inland Revenue in respect of the particular tax law, and the policy and procedure that are to be applied.

A Public Ruling may be withdrawn, either wholly or in part, by notice of withdrawal or by publication of a new ruling which is inconsistent with it.

**Director General Inland Revenue,
Malaysia**



**TAX TREATMENT OF LEAVE PASSAGE
ADDENDUM TO PUBLIC RULING NO. 1/2003**

1. This Addendum provides clarification on the change in tax treatment of the following:-
 - a. benefit of meals and accommodation provided by an employer to an employee pursuant to local leave passages - subsubparagraph 13(1)(b)(ii)(A), Income Tax Act (ITA) 1967; and
 - b. deduction for expenditure incurred by an employer on local leave passages provided to an employee - proviso (viii) of paragraph 39(1)(I), ITA 1967.
2. **Benefit of meals and accommodation provided pursuant to local leave passages - subsubparagraph 13(1)(b)(ii)(A), ITA 1967**

Previously, benefit provided to an employee in the form of local leave passages not exceeding three times in any calendar year is excluded from being part of his employment income. The amount of benefit excluded is confined only to the cost of leave passage fares. With effect from year of assessment 2007, the amount of local leave passage benefit excluded has been extended to include cost of meals and accommodation given pursuant to the local leave passages. This amendment is provided under subsubparagraph 13(1)(b)(ii)(A), ITA 1967.

Example 1

Puan Ani is entitled to a yearly local leave passage benefit of RM6,000 according to the terms of her employment. She went on a holiday trip to Kuching with her husband and three children in February 2007. She claimed for the cost of leave passage fares, meals and accommodation amounting to RM3,000 from her employer.

Puan Ani is exempted from tax on the total cost of leave passage fares, meals and accommodation amounting to RM3,000.



3. Deduction for expenditure incurred by an employer on local leave passages - proviso (viii) of paragraph 39(1)(l), ITA 1967

- 3.1 Prior to year of assessment 2007, any expenditure incurred by an employer on the provision of local and overseas leave passages to an employee is not deductible as it is specifically disallowed under paragraph 39(1)(m), ITA 1967.
- 3.2 With effect from year of assessment 2007, leave passage expenditure incurred by an employer to facilitate a yearly event within Malaysia which involves the employer, employee and immediate family members of that employee is categorised as entertainment expense specified under proviso (viii) of paragraph 39(1)(l), ITA 1967. This expenditure is thus, wholly allowable by virtue of that proviso from year of assessment 2007.

Example 2

Meriah Sdn Bhd organised a family day trip to Pulau Redang for its employees in November 2007. The total cost incurred is RM60,000 comprising cost of travel fares amounting to RM40,000 and cost of meals and accommodation amounting to RM20,000.

Meriah Sdn Bhd is allowed a deduction for the cost of travel fares amounting to RM40,000 by virtue of proviso (viii) of paragraph 39(1)(l), ITA 1967. The cost of meals and accommodation spent on its employees amounting to RM20,000 is also allowed a deduction under proviso (i) of subparagraph 39(1)(l), ITA 1967.

4. This Addendum forms part of the Public Ruling No. 1/2003 and is effective from year of assessment 2007.

**Director General
Inland Revenue Board Malaysia**