



INLAND REVENUE BOARD MALAYSIA

BENEFITS-IN-KIND

**FOURTH ADDENDUM TO
PUBLIC RULING NO. 2/2004**

Translation from the original Bahasa Malaysia text

DATE OF ISSUE: 19 APRIL 2010



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**Fourth Addendum to
Public Ruling No. 2/2004
Date of Issue: 19 April 2010**

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A Public Ruling may be withdrawn, either wholly or in part, by notice of withdrawal or by publication of a new ruling which is inconsistent with it.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



**BENEFITS-IN-KIND
FOURTH ADDENDUM TO PUBLIC RULING NO. 2/2004**

1. This Addendum provides clarification in relation to tax exemption on benefit on free petrol received by an employee pursuant to his employment.
2. Paragraph 2.3.4 of the Third Addendum to Public Ruling No. 2/2004 issued on 17 April 2009 is substituted with paragraph below:

2.3.4 Benefit on free petrol

- i. Benefit on free petrol, whether in the form of petrol card provided by the employer or petrol bill paid by the employer, is benefit-in-kind received by an employee pursuant to his employment. The benefit that is taxable is the total value of petrol provided to the employee and is chargeable to tax as part of gross income from employment under paragraph 13(1)(b) of the ITA.
- ii. Paragraph 6.1.4 of the Public Ruling No. 2/2004 states that if an employee enjoys the benefit of a motorcar with free petrol, the value of benefit on petrol to be included as part of gross income from employment will depend on the method used to value the benefit on motorcar. The benefit on free petrol to be declared is:
 - the actual amount of petrol expenditure incurred by the employer; or
 - the prescribed value as provided in Appendix 2 of the Public Ruling No. 2/2004.
- iii. An employee who has declared the benefit on petrol based on the prescribed value for petrol as per Appendix 2 of the Public Ruling No. 2/2004 is only chargeable to tax on a lower amount compared to his actual private usage. Therefore the exemption on the private usage of petrol has already been enjoyed by the employee.

Example 5:

Simon is provided with a 3 year-old used car which was purchased by his employer for RM180,000 together with the amenity of free petrol. The cost of the motorcar when new was RM206,000. The petrol bill incurred by the employer in respect of this motorcar in the year 2007 was RM8,900.



The annual value of benefits-in-kind on car and petrol for the year of assessment 2007 is computed as follows:

Types of benefits-in-kind	Based on the formula method (RM)	Based on the prescribed value method (RM)
Motorcar	$\frac{180,000}{8} \times 80\% = 18,000$	9,000
Petrol	8,900 (actual value of petrol)	2,100

If Simon chooses to declare the benefit on petrol based on the prescribed value, Simon is only charged to tax on RM2,100 compared to his actual usage of RM8,900.

iv. Based on that basis, from the year of assessment 2008, an employee is given an option to:

- (a) determine the amount of free petrol to be taxed based on the annual prescribed value for petrol as per Appendix 2 of the Public Ruling No. 2/2004 without any exemption given; or
- (b) enjoy the exemption on the amount of petrol used as follows:

if the employer can identify the amount of value of petrol provided to the employee for travel between home and place of work and/or the amount of value of petrol provided to the employee for travel in exercising an employment, the amount of benefit on free petrol exempted is limited to:

- RM2,400 per year for travelling from home to place of work and from place of work to home with effect from the year of assessment 2008 to the year of assessment 2010; and
- RM6,000 per year for travelling in exercising an employment. However, if an employee receives free petrol exceeding RM6,000 in exercising his employment, a claim for deduction for official duties can be made by the employee in computing his employment income. Records pertaining to the exempted amount and the claim for official duties should be kept for a period of 7 years for audit purposes.



If the employer is unable to identify the amount of value of petrol provided to the employee for travel between home and place of work and/or the amount of value of petrol provided to the employee for travel in exercising an employment, the amount of benefit on free petrol exempted is limited to a maximum of RM6,000.

Further to example 5, if the car and petrol are provided by the employer in the year 2008, Simon is given the option to declare the value of the benefit on petrol as follows:

- *chargeable to tax on RM2,100 i.e the prescribed value for petrol as per Appendix 2 of the Public Ruling No. 2/2004.*

or

- *if Simon's employer can establish the actual value of petrol used for travel between home and place of work and from place of work to home or for travel in exercising his employment, the amount of benefit on free petrol exempted is limited to:*
 - *RM2,400 for travelling from home to place of work and from place of work to home; and*
 - *RM6,000 for travelling in exercising his employment.*

If Simon keeps proper records in relation to travelling in exercising his employment, then he is entitled to claim the actual amount expended as a deduction in computing his employment income.

If Simon's employer is unable to identify the amount of actual value of petrol provided to him for travel between home and place of work and/or the amount of value of petrol provided for travel in exercising his employment, the amount of benefit on free petrol exempted is limited to RM6,000. Therefore, the benefit on petrol chargeable to tax is RM2,900.

- v. The exemption is not applicable to the benefit on motorcar. Therefore, the value of benefit on motorcar chargeable to tax is determined based on the formula method or the prescribed value method on motorcar as per Appendix 2 of the Public Ruling No. 2/2004.

Further to example 5, if the car and petrol are provided by the employer in the year 2008, the value of benefit on motorcar chargeable to tax is:



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- *RM18,000 based on the formula method.*
 - *RM9,000 based on the prescribed value method.*
3. This Addendum forms part of the Public Ruling No. 2/2004 and is effective from the year of assessment 2008.

**Director General of Inland Revenue,
Inland Revenue Board Malaysia.**