



**LEMBAGA HASIL DALAM NEGERI MALAYSIA
INLAND REVENUE BOARD**

**ADDENDUM TO
PUBLIC RULING NO. 2/2005**

**COMPUTATION OF
INCOME TAX PAYABLE BY
A RESIDENT INDIVIDUAL**

Translation from the original Bahasa Malaysia text

ADDENDUM TO PUBLIC RULING NO. 2/2005

DATE OF ISSUE: 6 JULY 2006

DIRECTOR GENERAL'S PUBLIC RULING

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A Public Ruling may be withdrawn, either wholly or in part, by notice of withdrawal or by publication of a new ruling which is inconsistent with it.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



**ADDENDUM TO PUBLIC RULING NO. 2/2005:
COMPUTATION OF INCOME TAX PAYABLE
BY A RESIDENT INDIVIDUAL**

1. This Addendum provides clarification and the current tax treatment on the following:
 - (a) Deduction for husband - section 45A of the Income Tax Act 1967 (ITA); and
 - (b) Tax rebate for zakat or fitrah payments - subsection 6A(3) of the ITA.

2. **Deduction for husband - section 45A ITA**
 - (a) With effect from the year of assessment 2006, an amendment has been made to section 45A of the ITA in respect of deduction for husband [*Act 644 - Finance Act 2005*]. With this amendment, where a wife having the total income is assessed but the husband has no source of income, the wife is now entitled to the deduction for husband with effect from year of assessment 2006 and subsequent years of assessment.

 - (b) In accordance with the above amendment in the ITA, amendments are made to Public Ruling No.2/2005 which would take effect from year of assessment 2006 and subsequent years of assessment as follows:
 - (i) by substituting for paragraph 6.1.12 the following paragraph:

"Husband - section 45A ITA

Total deduction: RM3,000. A further deduction of RM3,500 with effect from the Y/A 2005 and RM2,500 prior to the Y/A 2005

Details:

 - i. This deduction is given to a wife -
 - a. where the husband has no source of income;
 - b. where the husband elects for a combined assessment with his wife and tax is assessed in the name of the wife; or
 - c. where the husband has no total income.

 - ii. A further deduction is given if the husband is a disabled person.
 - iii. The deduction can be allowed to one wife only.";

 - (ii) by substituting for paragraph 7.6.14 the following paragraph:

"In accordance with the provisions of ITA, the wife in this category is entitled to the deduction for husband."



3. Tax rebate for zakat or fitrah payments - subsection 6A(3) ITA

- (a) In Public Ruling No.2/2005, the Director General has allowed in practice tax rebate for zakat or fitrah payments for the following situations:
- (i) Tax rebate for zakat or fitrah payments allowed to a husband or wife who elects for combined assessment (as set out in subparagraph 8.3.4(iii) and Example 42 of Public Ruling No.2/2005); and
 - (ii) Tax rebate for zakat or fitrah payments paid by his wife who is unemployed and has no source of income or has no total income (as set out in subparagraph 8.3.4(iv) and Example 39 of Public Ruling No.2/2005).
- (b) As a result of a review of this tax treatment in practice, it is hereby clarified that the tax treatment given on the above situations is no longer applicable with effect from year of assessment 2006 and subsequent years of assessment.
- (c) In accordance with paragraph 3(b) above, amendments are made to Public Ruling No.2/2005 which would take effect from year of assessment 2006 and subsequent years of assessment as follows:
- (i) by substituting for subparagraph 8.3.4 (iii) the following subparagraph:
"In accordance with the provisions of the ITA, where -
 - the wife elects for combined assessment in the name of the husband;
or
 - the husband elects for combined assessment in the name of the wife,only the actual zakat payment made by the husband or wife who is assessed is allowed tax rebate. Therefore, the zakat payment made by the wife or the husband who elects for combined assessment is not allowed as tax rebate against the total tax charged of the spouse who is assessed.";
 - (ii) by substituting for subparagraph 8.3.4 (iv) the following subparagraph:
"In accordance with the provisions of the ITA, zakat paid by a wife who is unemployed and has no source of income or has no total income is not allowed a rebate against the tax charged on the husband.";
 - (iii) by substituting for Example 39 the following Example:



Example 39 - rebate for zakat where spouse has no source of income
Isa and his wife were resident in Malaysia for basis year 2006. Isa has total income of RM65,000 for year ended 31.12.2006 while his wife is unemployed. Isa and wife paid zakat as follows:

	RM
Isa	1,500
Wife	1,000

The income tax payable for year of assessment 2006 is:

	RM	RM
Total income		65,000
Less: deduction		
Self and dependent relatives	8,000	
Wife	<u>3,000</u>	<u>11,000</u>
Chargeable income		<u>54,000</u>
Tax on the first 50,000		3,475.00
Tax on the balance 4,000 at 19%		<u>760.00</u>
Total tax charged		4,235.00
Less: tax rebate		
Zakat - subsection 6A(3) ITA ¹		<u>1,500.00</u>
Income tax payable		<u>2,735.00</u>

¹ Zakat paid by the wife is not allowed a rebate against the total tax charged of the husband.

- (iv) by substituting for Example 42 the following example:

Example 42 - rebate of zakat in the case of combined assessment
Mustaffa and his wife were resident in Malaysia for the basis year 2006. Mustaffa's wife has total income and elects for combined assessment with her husband. They have total income and paid zakat for the basis year 2006 as follows:

	Mustaffa (RM)	Wife (RM)
Total income	30,000	10,000
Zakat	500	100



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The computation of rebate for zakat and income tax payable for the year of assessment 2006 is as follows:

	Mustaffa (RM)
Total income	30,000
Add: total income of wife	<u>10,000</u>
Aggregate of total income - paragraph 45(2)(a) ITA	40,000
Less: deduction	
Self and dependent relatives	8,000
Wife	<u>3,000</u>
	<u>11,000</u>
Chargeable income	<u>29,000</u>
Tax on 20,000	475.00
Tax on the balance 9,000 X 7%	<u>630.00</u>
Total income tax charged	1,105.00
Less: tax rebate	
Self - paragraph 6A(2)(a) ITA	350.00
Wife - paragraph 6A(2)(b) ITA	350.00
Rebate for zakat ¹	<u>500.00</u>
	1,200.00 ² Limited to
Income tax payable	<u>Nil</u>

¹ Zakat paid by the wife does not qualify for rebate against tax charged of the husband.

² The amount of rebate allowed is limited to the amount of income tax charged-subsection 6A(4) ITA.

Ketua Pengarah
Hasil Dalam Negeri Malaysia
Date: 6 July 2006