



INLAND REVENUE BOARD MALAYSIA

ENTERTAINMENT EXPENSE

**ADDENDUM TO
PUBLIC RULING NO. 3/2004**

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A Public Ruling may be withdrawn, either wholly or in part, by notice of withdrawal or by publication of a new ruling which is inconsistent with it.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



**ENTERTAINMENT EXPENSE
ADDENDUM TO PUBLIC RULING NO. 3/2004**

1. This Addendum provides clarification on the change in tax treatment of expenditure incurred by an employer for the provision of local leave passage benefit to an employee.
2. The words used in this Addendum and Public Ruling No. 3/2004 have the following meanings:-
 - 2.1 "Child" means a legitimate child or step-child of an employee, his wife or her husband or a child proved to the satisfaction of the Director General to have been adopted by the employee, his wife or her husband in accordance with any law.
 - 2.4 "Employee", in relation to an employment, means-
 - a. where the relationship of master and servant subsists, the servant;
 - b. where that relationship does not subsist, the holder of the appointment or office which constitutes the employment.
 - 2.3 "Employer", in relation to an employment, means-
 - a. where the relationship of master and servant subsists, the master;
 - b. where that relationship does not subsist, the person who pays or is responsible for paying any remuneration to the employee who has the employment, notwithstanding that that person and the employee may be the same person acting in different capacities.
 - 2.4 "Employment" means-
 - a. employment in which the relationship of master and servant subsists;
 - b. any appointment or office, whether public or not and whether or not that relationship subsists, for which remuneration is payable.
 - 2.5 "Immediate family members" means an employee's wife or wives and his children or an employee's husband and her children.



3. Entertainment expenses allowable extended to provision of local leave passage benefit - proviso (viii) of paragraph 39(1)(l), Income Tax Act (ITA) 1967

Currently, the categories of entertainment expenses which fall under the provisos (i) to (vii) of paragraph 39(1)(l), ITA 1967 are wholly allowable. With effect from year of assessment 2007, these categories have been extended to include the provision of a leave passage benefit, provided by an employer to an employee, to facilitate a yearly event within Malaysia which involves the employer, employee and immediate family members of that employee. This is provided for under a new proviso (viii) of paragraph 39(1)(l), ITA 1967.

Example 1

The facts in Example 3 of Public Ruling No. 3/2004 are used.

To foster family values among its employees, Warna Sdn Bhd provided a family day trip for its employees to Langkawi. The total cost incurred amounted to RM70,000 comprising cost of travel totalling RM40,000 and cost of food, drinks and accommodation which amounted to RM30,000.

Warna Sdn Bhd is allowed a deduction for the cost of leave passage fares incurred for the family day trip amounting to RM40,000 by virtue of proviso (viii) of paragraph 39(1)(l), ITA 1967. The cost of food, drinks and accommodation spent on its employees amounting to RM30,000 is also deductible under proviso (i) of paragraph 39(1)(l), ITA 1967.

4. This Addendum forms part of the Public Ruling No. 3/2004 and is effective from year of assessment 2007.

**Director General
Inland Revenue Board Malaysia**