



INLAND REVENUE BOARD OF MALAYSIA

**TAXATION OF A RESIDENT INDIVIDUAL
PART III –
COMPUTATION OF INCOME TAX AND
TAX PAYABLE**

PUBLIC RULING NO. 6/2018

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PART III – COMPUTATION OF INCOME
TAX AND TAX PAYABLE**

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DIRECTOR GENERAL'S PUBLIC RULING

Section 138A of the Income Tax Act 1967 (ITA) provides that the Director General of Inland Revenue is empowered to make a Public Ruling in relation to the application of any provisions of the ITA.

A Public Ruling is published as a guide for the public and officers of the Inland Revenue Board of Malaysia. It sets out the interpretation of the Director General of Inland Revenue in respect of the particular tax law and the policy as well as the procedure applicable to it.

The Director General of Inland Revenue may withdraw this Public Ruling either wholly or in part, by notice of withdrawal or by publication of a new ruling.

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

1. Objective

The objective of this Public Ruling (PR) is to explain the computation of income tax and the tax payable by an individual who is resident in Malaysia.

2. Relevant Provisions of the Law

2.1 This PR takes into account laws which are in force as at the date this PR is published.

2.2 The provisions of the Income Tax Act 1967 (ITA) related to this PR are sections 2, 6, 7, 45 to 51 and Schedule 1.

3. Interpretation

The words used in this PR have the following meaning:

3.1 “Individual” means a natural person.

3.2 “Total income” for a year of assessment (YA) is the aggregate income less business losses for the basis year, expenditure under Schedule 4, 4B and gifts of money and contributions in kind, manuscripts, artefacts and paintings under section 44 of the ITA.

3.3 “Basis period” in relation to a person, a source of his and a YA, means such basis period, if any, as is ascertained in accordance with section 21 of the ITA.

3.4 “Year of assessment” means calendar year.

4. Computation of Income Tax and Tax Payable

4.1 After ascertaining the chargeable income as explained in detail in PR No. / 2018 titled "Taxation of a Resident Individual Part II - Computation of Total Income and Chargeable Income", the next step is to compute the income tax charged and the income tax payable by an individual or tax repayable to the individual.

4.2 The format for the computation of the income tax charged and tax payable by / repayable to the individual is as follows:

	RM	RM
Chargeable income		<u>XX</u>
Tax on the first XX of chargeable income		XX

Tax on the balance XX of chargeable income @ XX%		<u>XX</u>
Income tax charged		XX
Less: Tax Rebate		
• Individual	XX	
• Spouse	XX	
• Zakat dan fitrah	<u>XX</u>	XX
Less: Tax credit		
• Tax credit from unit trust, real estate investment trust	XX	
• Bilateral credit on foreign income where there is a double taxation agreement	XX	
• Unilateral credit on foreign income where there is no double taxation agreement	<u>XX</u>	<u>XX</u>
Income tax payable / repayable		<u>XX</u>

- 4.3 For a resident individual, income tax shall be charged upon the chargeable income of the individual at the scale rate as specified in Schedule 1 of the ITA.

5. Tax Rebate

- 5.1 Tax rebate is given to an individual who is resident in Malaysia for the basis year for a YA in accordance with subsection 6A(2) and (3) of the ITA to reduce the amount of tax payable by that individual. The amount of tax rebate is deducted from the income tax charged in ascertaining the tax payable.

- 5.2 There are two types of tax rebates allowed, as follows:

- a) tax rebate which is given without being related to any expenses when the conditions laid down are fulfilled such as personal rebate; and
- b) tax rebate which is given when a taxpayer expended the actual expense such as rebate for zakat or fitrah.

- 5.3 Pursuant to subsection 6A(4) of the ITA, where in a YA, the tax rebate is greater than the income tax charged, the excess is not to be –

- a) refunded to the taxpayer; or

- b) carried forward as a credit to be allowed against the individual's tax liability for subsequent years of assessment.

5.4 Personal rebate

Subsection 6A(2) of the ITA provides that the tax rebate can be claimed by an individual who is resident and has chargeable income for the basis year for a YA as follows:

- i) A rebate of RM400 is granted to an individual who has been allowed a deduction for self and dependant relatives under paragraph 46(1)(a) of the ITA for that year of assessment and his chargeable income for the basis year does not exceed RM35,000 – paragraph 6A(2)(a) of the ITA.

The rebate granted prior to YA 2009 was RM350.

- ii) A rebate of RM 400 is granted to a husband who has been allowed a deduction for wife under subsection 47(1) or (2) of the ITA for that year of assessment and his chargeable income for that basis year does not exceed RM35,000 – paragraph 6A(2)(b) of the ITA.

The rebate granted prior to YA 2009 was RM350.

- iii) A rebate of RM400 is granted to a wife who has been allowed a deduction for husband under section 45A of the ITA for that year of assessment and her chargeable income for the basis year does not exceed RM35,000 – paragraph 6A(2)(c) of the ITA.

The rebate granted prior to YA 2009 was RM350.

Example 1

Nadia, who is resident in Malaysia for the year 2016, has employment income of RM40,000 for the year ended 31.12.2016. In that year, she made contributions to EPF amounting to RM3,600.

Computation of Nadia's Chargeable Income for YA 2016

	RM	RM
Total income		40,000
Less: Allowable deduction		
Self and dependent relatives	9,000	
EPF contribution	<u>3,600</u>	<u>12,600</u>
Chargeable income		<u>27,400</u>

As Nadia –

- is resident in Malaysia;
- is entitled to a deduction for self and dependent relatives under paragraph 46(1)(a) of the ITA; and
- has chargeable income not exceeding RM35,000

she is entitled to a personal rebate of RM400 for YA 2016.

Income Tax Payable by Nadia for YA 2016

	RM
Tax on the first RM20,000 of chargeable income	150.00
Tax on the balance of chargeable income RM7,400 @ 5%	<u>370.00</u>
Total income tax charged	520.00
Less: Self rebate - paragraph 6A(2)(a) of the ITA	<u>400.00</u>
Income tax payable	<u>120.00</u>

Example 2

Jeremy and his wife, Lisa are resident in Malaysia in the year 2016. The total income and contribution to EPF by Jeremy and Lisa for the year ended 31.12.2016 are as follows:

	Jeremy RM	Lisa RM
Total income	45,000	35,000
Contribution to EPF	4,000	2,700

Computation of Chargeable Income of Jeremy and Lisa for YA 2016

	Jeremy RM	Lisa RM
Total income	45,000	35,000
Less: Allowable deduction		
Self and dependent relatives	9,000	9,000
Contribution to EPF	<u>4,000</u>	<u>2,700</u>
Chargeable income	<u>32,000</u>	<u>23,300</u>

As Jeremy and Lisa respectively are –

- residents in Malaysia;
- entitled to a deduction for self and dependent relatives under paragraph 46(1)(a) of the ITA; and
- has chargeable income not exceeding RM35,000

Jeremy and Lisa are both entitled to a personal rebate of RM400 for YA 2016.

Computation of Income Tax Payable by Jeremy and Lisa for YA 2016

	Jeremy RM	Lisa RM
Tax on the first RM20,000 of chargeable income	150.00	150.00
Tax on the balance of chargeable income of:		
RM12,000 @ 5%	<u>600.00</u>	
RM3,300 @ 5%		<u>165.00</u>
Total income tax charged	750.00	315.00
Less: Self rebate	<u>400.00</u>	315.00 <u>(limited to)¹</u>
Income tax payable	<u>350.00</u>	<u>Nil</u>

Note:

¹However, the grant of self rebate to Lisa is limited to her total income tax charged. The excess of RM85 (RM400 - RM315) cannot be refunded to her or carried forward and deducted against her income tax liability charged for subsequent YAs.

Example 3

Karim and his wife, Azira are residents in Malaysia for the basis year 2016 and has a total income of RM32,000 and RM15,000 respectively. For YA 2016, Azira elects for combined assessment with her husband under paragraph 45(2)(a) of the ITA.

Computation of Karim's Chargeable Income for YA 2016

	RM	RM
Total income of Karim		32,000
Total income of Azira		<u>15,000</u>
Aggregate total income of Karim and Azira		47,000
Less: Allowable deductions		
Self and dependent relatives	9,000	
Wife	<u>4,000</u>	<u>13,000</u>
Chargeable income		<u>34,000</u>

As Karim –

- is resident in Malaysia;
- is entitled to a deduction for himself and dependent relatives under paragraph 46(1)(a) of the ITA;
- is entitled to a deduction for wife under subsection 47(2) of the ITA; and
- has chargeable income not exceeding RM35,000,

Karim is entitled to a personal rebate of RM800 that is RM400 for himself and RM400 for his wife for YA 2016.

Computation of Income Tax Payable by Karim for YA 2016

	RM	RM
Tax on the first RM20,000 of chargeable income		150.00
Tax on the balance of chargeable income RM14,000 @ 5%		<u>700.00</u>
Total income tax charged		850.00
Less: Personal rebate		
Self	400.00	
Wife	<u>400.00</u>	<u>800.00</u>
Income tax payable		<u>50.00</u>

Example 4

Salman, a resident in Malaysia, divorced his wife on 15.1.2016. He paid alimony of RM7,000 in 2016 to his former wife pursuant to a court order. The total income of Salman for YA 2016 is RM45,000.

Computation of Salman's Chargeable Income of Salman for YA 2016

	RM
Total income	45,000
Less: Allowable deductions	
Self and dependent relatives	9,000
Alimony to former wife (restricted to RM4,000)	<u>4,000</u> <u>13,000</u>
Chargeable income	<u>32,000</u>

As Salman –

- is resident in Malaysia;
- is entitled to a deduction for himself and dependent relatives under paragraph 46(1)(a) of the ITA;
- is entitled to a deduction for wife under subsection 47(2) of the ITA; and
- has chargeable income not exceeding RM35,000,

Salman is entitled to a personal rebate of RM800 that is RM400 for himself and RM400 for his wife for YA 2016.

Computation of Income Tax Payable by Salman for YA 2016

	RM	RM
Tax on the first RM20,000 of chargeable income		150.00
Tax on the balance of chargeable income of RM12,000 @ 5%		<u>600.00</u>
Total income tax charged		750.00
Less: Personal rebate		
Self	400.00	
Wife	<u>400.00</u>	
	800.00	750.00 <u>(limited to)²</u>
Income tax payable		<u>Nil</u>

Note:

²However, the self rebate granted to Salman is limited to his total income tax charged. The excess of RM50 (RM800 – RM750) cannot be refunded to him or carried forward and deducted against his income tax liability charged for subsequent YAs.

5.5 Tax rebate for zakat and fitrah payments

5.5.1 Subsection 6A(3) of the ITA provides that an individual who is a resident in Malaysia and has chargeable income is entitled to claim tax rebate for any zakat, fitrah or other Islamic dues, payment which is obligatory and which are paid to an appropriate religious authority established under any written law. The amount of the rebate allowed to the individual is limited to the total income tax charged for a YA.

5.5.2 “The appropriate religious authority established under any written law” includes Pusat Pungutan Zakat and Majlis Agama Islam Negeri.

5.5.3 “Written law” means—

- (a) the Federal Constitution and the Constitutions of the States and subsidiary legislation made thereunder;
- (b) Acts of Parliament and subsidiary legislation made thereunder;
- (c) Ordinances and Enactments and subsidiary legislation made thereunder; and
- (d) any other legislative enactments or legislative instruments which are in force in Malaysia or any part thereof.

5.5.4 For a husband and wife who are assessed separately, each will be given tax rebate for zakat paid by them respectively.

5.5.5 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 husband or the wife who is assessed under his or her name is allowed a tax rebate for the zakat payment made by him or her. Zakat payment made by the wife or the husband who elects for a combined assessment is not allowed as a tax rebate against the total tax charged of the spouse who is assessed. Zakat payment made by

the wife / husband who is unemployed or has no source of income or has no total income is not allowed as a rebate against the tax charged on the spouse.

Example 5

Azizi and his wife were residents in Malaysia for the basis year 2016. Azizi's wife is unemployed. The total income and zakat paid by Azizi for the year ended 31.12.2016 is as follows:

	RM	RM
Total income		280,000
Zakat paid to:		
• Pusat Pungutan Zakat Wilayah Persekutuan	6,000	
• Zakat collection centre in Australia	3,000	

Computation of Income Tax Payable by Azizi for YA 2016

	RM	RM
Total income		280,000
Less: Allowable deductions		
• Self and dependent relatives	9,000	
• Wife	<u>4,000</u>	<u>13,000</u>
Chargeable income		<u>267,000</u>
Tax on first RM250,000 of chargeable income		47,900.00
Tax on the balance chargeable income of RM17,000 @ 24.5%		<u>4,165.00</u>
Total income tax charged		52,065.00
Less: Rebate for zakat ³		<u>6,000.00</u>
Income tax payable		<u>46,065.00</u>

Note:

³Only zakat paid to Pusat Pungutan Zakat Wilayah Persekutuan is allowed as a rebate. Payment of zakat made to a zakat collection centre in Australia will not be granted a rebate as that zakat collection centre is not established under any written law enforced in Malaysia.

Example 6

Rahman and his wife, Yati were residents in Malaysia for the basis year 2016. Rahman has a total income of RM52,000 for the year ended 31.12.2016 whereas his wife is unemployed. Rahman made payments as follows in the basis year 2016:

- i) Contribution to EPF of RM4,600; and
- ii) Zakat and fitrah of RM825

Computation of Income Tax Payable by Rahman for YA 2016

	RM	RM
Total income		52,000
Less: Allowable deductions		
• Self and dependent relatives	9,000	
• Wife	4,000	
• EPF contribution	<u>4,600</u>	<u>17,600</u>
Chargeable income		<u>34,400</u>
Tax on first RM20,000 of chargeable income		150.00
Tax on the balance chargeable income of RM14,400 @ 5%		<u>720.00</u>
Income tax charged		870.00
Less: Rebate		
• Self	400.00	
• Wife	400.00	
• Zakat	<u>825.00</u>	
	1,625.00 limited to ⁴	<u>870.00</u>
Income tax payable		<u>Nil</u>

Note:

⁴The excess rebate of RM755 (RM1,625 – RM870) cannot be refunded or carried forward as a credit to be allowed against income tax liability charged on Rahman for subsequent YAs.

Example 7

Aimeen and his wife, Sofia were residents in Malaysia for the basis year 2016. The total income and zakat paid by Aimeen and Sofia for the year ended 31.12.2016 is as follows:

	Aimeen RM	Sofia RM
Total income	Nil (business loss 15,000)	47,000
Zakat	250	1,000

Computation of Income Tax Payable by Sofia for YA 2016

	RM
Total income	47,000
Less: Allowable deductions	
• Self and dependent relatives	9,000
• Husband	<u>4,000</u>
Chargeable income	<u>13,000</u> <u>34,000</u>
Tax on the first RM20,000 of chargeable income	150.00
Tax on the balance of chargeable income of RM14,000 @ 5%	<u>700.00</u>
Income tax charged	850.00
Less: Tax rebate	
Self and dependent relatives	400.00
Husband	<u>400.00</u>
Zakat	800.00 <u>1,000.00⁵</u> 1,800.00 limited to
	<u>850.00</u> <u>Nil</u>

Note:

⁵Only the zakat which is paid by the wife is allowed as a rebate against the income tax charged on the wife. Zakat paid by the husband is not allowed as a rebate against the tax charged on the wife.

Example 8

Farhan and his wife, Mastura were residents in Malaysia for the basis year 2016. Farhan has a total income of RM80,000 while the total income of his wife is RM35,000. The zakat payment made by Farhan and Mastura are RM1,600 and RM700 respectively.

Computation of Income Tax Payable by Farhan and Mastura for YA 2016

	Farhan RM	Mastura RM
Total income	80,000	35,000
Less: Allowable deductions		
Self and dependent relatives	<u>9,000</u>	<u>9,000</u>
Chargeable income	<u>71,000</u>	<u>26,000</u>
Total income tax charged	5,810.00	450.00
Less: tax rebate		
• Self and dependent relatives	Tiada	400.00
• Zakat	<u>1,600</u>	<u>700.00</u>
		<u>450.00⁶</u>
Income tax payable	<u>4,210</u>	<u>Nil</u>

Note:

⁶The rebate which can be claimed by Mastura is limited to the amount of income tax payable – subsection 6A(4) of the ITA.

Example 9

Rafiq and his wife, Aida were both residents in Malaysia for the basis year 2016. Aida elects for a combined assessment with her husband for YA 2016. They both have a total income and paid zakat for the basis year 2016 as follows:

	Rafiq RM	Aida RM
Total income	95,000	25,000
Zakat	2,000	400

Computation of Income Tax Payable by Rafiq for YA 2016

	Rafiq RM
Total income	95,000
Add: Total income of wife	<u>25,000</u>
Aggregate total income	<u>120,000</u>
Less: Allowable deductions	
• Self and dependent relatives	9,000
• Wife	<u>4,000</u> <u>13,000</u>
Chargeable income	<u>107,000</u>
Tax on the first RM100,000 chargeable income	11,900.00
Tax on the balance chargeable income of RM7,000 @ 24%	<u>1,680.00</u>
Income tax charged	13,580.00
Less: Tax rebate	
Zakat	<u>2,000.00⁷</u>
Income tax payable	<u>11,580.00</u>

Note:

⁷Only zakat paid by Rafiq can be claimed as a rebate against the income tax charged on him. Zakat which is paid by the wife is not allowed as a rebate against the tax charged on the husband.

6. Bilateral Credit and Unilateral Credit

- 6.1 Bilateral credit can be claimed by an individual who is resident in Malaysia as provided for under section 132 of the ITA. Unilateral credit can be claimed by an individual whether or not he is resident in Malaysia as provided under section 133 of the ITA.
- 6.2 For further information, please refer to the PR No. 11/2011 titled “Bilateral Credit and Unilateral Credit” which can be obtained from the official portal of Income Revenue Board of Malaysia at www.hasil.gov.my.

7. Payment of Husband's or Wife's Tax under a Combined Assessment

Where there is aggregation of the total income of the husband and the wife in a combined assessment, the individual in whose name the assessment is made is responsible to pay the tax. However, where necessary, the portion of tax applicable to either the wife's or the husband's income may be collected from either one of them in accordance with the following formula:

Tax charged on the husband / wife	=	$\frac{\text{Total income of husband / wife}}{\text{Aggregate total income of husband and wife}}$	X	Total tax charged on the husband / wife for the relevant YA
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8. Application

8.1 This PR must be read together with the PR No. 4/2018 entitled "Taxation of a Resident Individual Part I – Gifts and Contributions and Allowable Deductions" and PR No. 5/2018 entitled "Taxation of a Resident Individual Part II – Computation of Total Income and Chargeable Income".

8.2 This PR replaces PR No. 2/2005 entitled "Computation of Income Tax Payable by a Resident Individual".

9. Disclaimer

The examples in this PR are for illustration purposes only and are not exhaustive.

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