TAX CLEARANCE APPLICATION PROCEDURE (INDIVIDUAL)
WHAT IS TAX CLEARANCE LETTER (TCL)?

IT IS AN APPROVAL BY INLAND REVENUE BOARD OF MALAYSIA (IRBM) TO THE EMPLOYER REGARDING DECEASED/RETIRING/RESIGNING EMPLOYEE’S TAX LIABILITY IN ORDER FOR EMPLOYER TO MAKE FINAL PAYMENT OF SALARY/COMPENSATION/GRATUITY TO THE SAID EMPLOYEES
WHY TCL IS BEING ISSUED?

- **EMPLOYEE MUST SUBMIT THEIR INCOME RETURN FORM ON OR BEFORE THE DATE MENTIONED IN ITA 1967 SO THE FINAL TAX POSITION WILL BE FINALIZED AND RELEASED**

- **SETTLEMENT OF ALL THE TAX OUTSTANDING AMOUNT MUST BE DONE BEFORE THE EMPLOYEE RESIGN/CEASE OR LEAVE THE COUNTRY**
WHEN SHOULD THE EMPLOYER APPLY FOR TAX CLEARANCE LETTER (TCL)?

WHEN THE EMPLOYEE WAS IN THESE SITUATION
EMPLOYER’S RESPONSIBILITIES
<table>
<thead>
<tr>
<th>EMPLOYER’S RESPONSIBILITIES</th>
<th>SUBSECTION</th>
<th>PENALTY / FINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inform IRBM if there are any cessation/retirement of an employee</td>
<td>Subsection 83(3) ITA 1967</td>
<td>Failure to notify, the employer will be charged under paragraph 120(1) (c) and / or subsection 107(4)</td>
</tr>
<tr>
<td>Inform to IRBM not more than 1 month before the date of an employee intending to leave Malaysia</td>
<td>Subsection 83(4) ITA 1967</td>
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<tr>
<td>EMPLOYER’S RESPONSIBILITIES</td>
<td>SUBSECTION</td>
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<tr>
<td>Suspend any money that will or may be paid to an employee who will cease working / retire or intends to leave Malaysia for a period exceeding three (3) months</td>
<td>Subsection 83(5) ITA 1967</td>
<td>If the employer failed, they shall be liable under paragraph 120 (1) (e) and / or subsection 107 (4)</td>
</tr>
<tr>
<td>Employers can not pay any portion of this money without the approval of the DGIR within 90 days from the date the TCL application form is received by the DGIR.</td>
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<tr>
<td>The employer shall pay all or part of the amount detained by the DGIR when ordered at any time during the period</td>
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</tbody>
</table>
Subsection 83(3)
Giving notice within 1 month from the expected cessation date of his employee whom
Chargeable to tax
Likely to be chargeable to tax
FORM;
FORM CP22A (Private)
FORM CP22B (Government)
Electronic platform: ezHasil - eSPC

Example
Mr. Ali is expected to finish his employment on 30/04/2020.
Employer must submit Form CP22A within 1 month before 30/04/2020
Subsection 83(3) ...... (continue)

However, employers do NOT have to give notice if;

a) Income from employment is subject to deduction under Section 154 (1) (a) of the ITA 1967.

b) Monthly remuneration from employment are below the level subject to deduction under Section 154 (1) (a) of the ITA 1967.

and the employer knows the employee is NOT RETIRED from his payroll.

Employers need to send CP22A if PCB is not being deducted.

State the amount of money detained in Form CP22A.
Subsection 83(4)

Providing written notice within a period of not less than 1 month before the departure of the taxable employee who will leave Malaysia or intend to leave Malaysia for a period exceeding 3 months.

FORM : FORM CP21 (Private & Government)

Electronic platform : ezHasil - eSPC

Example 5

Mr. Michael Smith will leave Malaysia on 30/04/2020. Employer must submit Form CP21 within 1 month before 30/04/2020.
EMPLOYER’S RESPONSIBILITIES

Subsection 83(5)

Where notice under Subsection 83 (3) & Subsection 83 (4) is submitted, the employer is required to withhold 90 days of any money to be paid to his employees.

Employers are required to comply with the Tax Clearance Letter issued by IRBM.

State the amount of money retained in Form CP21 / CP22A.

Example 5

Mr. Michael Smith will leave Malaysia / retire on 30/04/2020. Employer must submit Form CP21 / CP22A within 1 month before 30/04/2020.

The employer withholds money for 90 days from the date of CP21 / CP22A Form received by IRBM.

Employer complies with Tax Clearance Letter.
EMPLOYER’S RESPONSIBILITIES

COMPENSATION PAYMENT ON LOSS OF EMPLOYMENT

Payment of compensation for loss of employment can be made;

a) Where employment is terminated before the contract ended. Example;
   i. Excessive workers.
   ii. The job is terminated before the time comes.
   iii. Reduction of workers.
   iv. Termination of certain types of work (redundant).
   v. Closure of business or department.

b. Under a court order due to wrongful termination or breach of contractual terms or by way of settlement between the parties connected with the act of retrenchment or the settlement of a claim relating to the retrenchment action which it may deserve to be taken; or

c. By compensation for the elimination of any right, where the violation on it will caused legal action
EMPLOYER’S RESPONSIBILITIES

TAX TREATMENT ON COMPENSATION ON LOSS OF EMPLOYMENT

Full or partial exceptions are based on Paragraph 15 of the Schedule

**COMPENSATION**

- **FULL EXEMPTION**
  - **PARAGRAPH 15(1)(a)**
    - Health problem.
- **HALF EXEMPTION**
  - **Paragraph 15(1)(b)**
    - An exemption of RM10,000 for each complete year of service if employment is with the same employer or with a company in the same group.

Reference:
COMPENSATION OF LOSS OF EMPLOYMENT
Public Ruling No. 1/2012
Date of Issue: 27 Jan 2012
APPLICATION PROCEDURE
All application should be made by the employer to IRBM not more than one (1) month before the data of cessation of the employee/retirement or the date the employee is expected to leave Malaysia by the following method:

I. e-SPC at IRBM official website

II. Form which can be downloaded from IRBM official website

<table>
<thead>
<tr>
<th>FORM</th>
<th>DETAILS</th>
</tr>
</thead>
<tbody>
<tr>
<td>CP21</td>
<td>To Inform IRBM any employee whom will be leaving Malaysia by private and government sector employer</td>
</tr>
<tr>
<td>CP22A</td>
<td>To inform IRBM of any cessation/retirement or death by private sector employer</td>
</tr>
<tr>
<td>CP22B</td>
<td>To inform IRBM of any cessation/retirement or death by government sector employer</td>
</tr>
</tbody>
</table>
SOFT REMINDER

All complete forms should be submitted to IRBM branches which directly handle the employee’s tax file or visit IRBM nearest branches.
EMPLOYEE’S RESPONSIBILITIES
THE EMPLOYEES MUST

I. If there are any cessation/retirement/leaving the country of an employee, they must make sure that all their Income Tax Return Forms backward were in order and complete.
WHAT IS MONTHLY TAX DEDUCTION AS A FINAL TAX?
INTRODUCTION TO MONTHLY TAX DEDUCTION AS FINAL TAX

• Taxpayers are given an option to either submit the Income Tax Return Form (ITRF) via e-filing or manually.
• Final Tax will be enforced beginning Year of Assessment 2014.
• Taxpayers who have one only employment income and have Monthly Tax Deduction (MTD) need not fill ITRF according to the terms below:
MONTHLY TAX DEDUCTION AS FINAL TAX’S CONDITIONS:

5 conditions that need to be fulfilled:

(a) Having one source of employment including Benefits-In-Kind (BIK) & Value of Living Accommodation (VOLA)
(b) MTD is deducted according to Income Tax Rules;
(c) Service with the same employer
(d) Tax is not borne by the employer; and
(e) Husband and wife elect for separate assessment.
**THE EMPLOYEES MUST**

Employees intend to cease/retire/leaving the country:

<table>
<thead>
<tr>
<th>MTD AS FINAL TAX</th>
<th>NOTIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>QUALIFIED</strong></td>
<td>Income Tax Return Form (ITRF) for current year of assessment <em>NO NEED TO SUBMIT</em> ITRF for the year of which the employee cease from her/his service <em>MUST BE SUBMITTED</em> in the following year</td>
</tr>
<tr>
<td><strong>DISQUALIFIED</strong></td>
<td>Income Tax Return Form (ITRF) for current year of assessment and ITRF for the year of which the employee cease from her/his service <em>MUST BE SUBMITTED</em> in the following year</td>
</tr>
</tbody>
</table>
All documents submitted must be complete for verification process

This checklist will be given by the employer for your reference

<table>
<thead>
<tr>
<th>JENIS BORANG</th>
<th>PEMBERITAHUAN OLEH MAJIKAN BAGI PEKERJA YANG HENDAK MENINGGALAKAN MALAYSIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ CP21</td>
<td>Pemberitahuan Oleh Majikan Bagi Pekerja Yang Hendak Meninggalkan Malaysia</td>
</tr>
<tr>
<td>□ CP22A</td>
<td>Pemberitahuan Pembentukan Kerja (Swasta)</td>
</tr>
<tr>
<td>□ CP22B</td>
<td>Pemberitahuan Pembentukan Kerja (Akeresi Kerajaan)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PERKARA</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ Borang CP21 / CP22A / CP22B telah diisi dengan lengkap</td>
</tr>
<tr>
<td>□ Borang Nyata Cukai Pendapatan (BNCP) sehingga tahun taksiran terkini</td>
</tr>
<tr>
<td>□ Salinan borang EA / EC</td>
</tr>
<tr>
<td>□ Salinan Passport (Kes CP21 sahaja)</td>
</tr>
<tr>
<td>□ Jadual perjalanan keluar / masuk Malaysia (Kes CP21 sahaja)</td>
</tr>
</tbody>
</table>

Makluman: Borang yang lengkap hendaklah dikemukakan ke Cawangan LHDNM yang mengendalikan fal cukai pendapatan pekerja atau ke cawangan LHDNM yang bertanggungjawab

<table>
<thead>
<tr>
<th>KEGUNAAN PEJABAT</th>
<th>COP PENERIMAAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>LENKAP</td>
<td></td>
</tr>
<tr>
<td>TIDAK LENKAP</td>
<td></td>
</tr>
</tbody>
</table>

CATATAN:
LHDNM RESPONSIBILITIES
OUR COMMITMENT

• All TCL complete application will be processed within 14 working days based on LHDNM Client Charter

• All TCL for individual will be handed to their employer and the employee will have the said copy.
OUR CONCERN:

• IRBM may proceed any legal action under subsection 107(4) ITA 1967 to those employers whom failed to pay the amount demanded in the individual TCL

• IRBM may also initiated sanction order from travelling under section 104 ITA 1967 to the employees whom failed to settle their outstanding tax amount
THANK YOU