



**LEMBAGA HASIL DALAM NEGERI  
INLAND REVENUE BOARD**

**PUBLIC RULING**

**BENEFITS-IN-KIND**

*Translation from the original Bahasa Malaysia text.*

**PUBLIC RULING NO. 2/2004**

**DATE OF ISSUE: 8 NOVEMBER 2004**



## **BENEFIT-IN-KIND**

**Public Ruling No. 2/2004**  
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### **INLAND REVENUE BOARD MALAYSIA**

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A Public Ruling may be withdrawn, either wholly or in part, by notice of withdrawal or by publication of a new ruling which is inconsistent with it.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



**INLAND REVENUE BOARD  
MALAYSIA**

**BENEFIT-IN-KIND**

**Public Ruling No. 2/2004  
Date of Issue : 8 November 2004**

1. This Ruling explains:
  - i. the tax treatment in relation to benefit-in-kind (BIK) received by an employee from his employer for exercising an employment; and
  - ii. the method of ascertaining the value of BIK in order to determine the amount to be taken as gross income from employment of an employee.
2. The related provisions in the Income Tax Act 1967 (*the Act*) pertaining to BIK are -
  - **Paragraph 13(1)(b)** - which provides that BIK is part of gross income from employment of an employee; and
  - **Subsection 32(1)** - which determines the amount of BIK to be taken as gross income from employment of an employee.
3. The words used in this Ruling have the following meanings:
  - 3.1 “Members of his/her immediate family” means his wife or wives and his children, or her husband and her children.
  - 3.2 “Child” means a legitimate child or step-child of an individual or his wife, or a child proved to the satisfaction of the Director General to have been adopted by the individual or his wife in accordance with any law.
  - 3.3 “New” in relation to a motorcar means a motorcar including a reconditioned motorcar at the time when it was first registered in Malaysia.
  - 3.4 “Motorcar” means a motor vehicle other than a motor vehicle licensed by the appropriate authority for commercial transportation of goods or passengers.
  - 3.5 “Cost of motorcar” means actual cost of the motorcar inclusive of accessories but excluding financial charges, insurance premium and road tax at the time when it was new.
  - 3.6 “Cost of leave passage” means cost of fares.
  - 3.7 “Employer” in relation to an employment means-
    - a. the master, where the relationship of master and servant subsists;
    - b. where the relationship does not subsist, the person who pays or is responsible for paying any remuneration to the employee who has the employment, notwithstanding that the person and the employee may be the same person acting in different capacities.
  - 3.8 “Employee” in relation to an employment means-
    - a. the servant, where the relationship of master and servant subsists;
    - b. where the relationship of master and servant does not subsist, the holder of the appointment or office which constitutes the employment.
  - 3.9 “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 the remuneration is payable.

3.10 "Perquisites" means benefits that are convertible into money received by an employee from the employer or third parties in respect of having or exercising the employment.

#### **4. What is BIK?**

4.1 Paragraph 13(1)(b) of the Act provides that the gross income of an employee from an employment also includes any amount equivalent to the BIK provided to the employee by/on behalf of his employer to be personally enjoyed by that employee.

4.2 BIKs are benefits not convertible into money, even though they have monetary value. The phrase 'not convertible into money' means that when the benefit is provided to the employee, that benefit cannot be sold, assigned or exchanged for cash either because of the employment contract or due to the nature of the benefit itself.

4.3 All BIKs received by an employee are taxable except:

- i. medical, dental or child-care benefit;
- ii. a benefit consisting of -
  - a. leave passage in Malaysia of not more than 3 times in one calendar year; or
  - b. overseas leave passage of not more than once in any calendar year limited to a maximum amount of RM3,000.The exemption of this benefit is only applicable if it is provided to the employee and members of his immediate family.
- iii. benefits used by the employee solely for purposes of performing his employment duty.

4.4 However, in addition to the above, the following benefits are also regarded as not taxable:-

- (i) Goods and services offered at discounted prices;
- (ii) food and drink provided free of charge;
- (iii) free transportation between pick-up points or home and the place of work (to and fro);
- (iv) insurance premiums which are obligatory for foreign workers as a replacement to SOCSO contributions; and
- (v) group insurance premium to cover workers in the event of an accident.

4.5 In the case of accommodation provided by/on behalf of the employer to his employee, this benefit is not covered under paragraph 13(1)(b) of the Act. Instead, it is specifically dealt with under paragraph 13(1)(c) of the Act and will be explained in detail in a separate ruling.

4.6 The same applies to benefits that are convertible into money. They represent perquisites from the employment of an employee and are taxable under paragraph 13(1)(a) of the Act. These benefits will also be explained in detail in a separate ruling.

#### **5. Ascertainment of the value of BIK**

5.1 Subsection 32(1) of the Act provides that the value of BIK to be taken as gross income from an employment of an employee is an amount which is just and reasonable in the circumstances. Two methods may be used to determine the value of BIK provided to the employee by the employer. The methods are:

- the formula method; and
- the prescribed value method.

### 5.2 The formula method

5.2.1 Under this method, each benefit provided to the employee is ascertained by using the formula below:

$$\frac{\text{Cost of the asset that is provided as benefit/amenity}}{\text{Prescribed average life span of the asset}} = \text{Annual value of the benefit}$$

Here, cost means the actual cost incurred by the employer.

5.2.2 For the purposes of applying the formula method, the prescribed average life span of the various assets are as in Appendix 1.

#### *Example 1*

Employee A is provided with a refrigerator. The cost of the refrigerator is RM2,000 and the prescribed average life span of the asset is 10 years.

*Based on the above formula, the annual value of the BIK for refrigerator is:*

$$\frac{RM2,000}{10} = RM200$$

*The amount of RM200 must be taken into account as part of Employee A's gross income from employment and this amount should be reported by the employer in the employee's CP8A/8C.*

5.2.3 The prescribed average life span of the assets as tabulated in Appendix 1 must be applied for any benefit/amenity provided regardless whether the asset is old or new.

5.2.4 The value of BIK based on the formula method provided to the employee by the employer can be abated if the BIK is-

- i. provided for less than a year; or/and
- ii. shared with another employee; or/and
- iii. used for purpose of the business of the employer.

### 5.3 The prescribed value method

5.3.1 As a concession, the prescribed value method can be used as an alternative to determine the value of the BIK provided by the employer to his employee.

5.3.2 The schedules for the prescribed values of the benefits commonly provided to the employee are provided in Appendix 2.



- 5.3.3 The value of BIK based on the prescribed value method provided to the employee by the employer can be abated if the BIK is-
- i. provided for less than a year; or/and
  - ii. shared with another employee.

Under the prescribed value method, there is no abatement for business usage on the BIK provided to the employee.

#### 5.4 Consistency

Whichever method is used in determining the value of the benefit provided, the basis of computing the benefit (whether the formula method or the prescribed value method) must be consistently applied throughout the period of the provision of the benefit.

### 6. Particular benefit-in-kind

#### 6.1 Motorcar and other related benefits

- 6.1.1 Where a motorcar is provided, the benefit to be assessed is the private usage of that motorcar and the petrol provided. A motorcar which is provided to the employee is regarded to be used privately if:
- it is used for travelling between the office and the employee's home; and
  - it is kept at the employee's home where the motorcar can be used by the employee or his family at any time.

However, toll fees which are paid by the employer is regarded as inclusive in the value of the BIK on the motorcar. Maintenance costs such as servicing, repairs, annual road tax and annual insurance premium are not regarded as part of the benefit of the employee.

- 6.1.2 The computation of BIK in respect of a motorcar should be based on the formula method. Under this method, an abatement of 20% is given which is deemed to be the value of the motorcar at the time when it is returned to the employer by the employee. Hence, the formula to be applied in respect of BIK on a motorcar is as follows:

$$\frac{\text{Cost of the motorcar}}{8 \text{ (Prescribed Average Life Span )}} \times 80\% = \text{Annual value of benefit of the motorcar}$$

#### ***Example 2***

Employee A is provided with a new Honda City. The benefit is provided to him throughout the year 2004. The cost of the motorcar is RM81,000.

*The annual value of BIK in respect of the motorcar which is taxable as part of Employee A's gross income from employment for the year of assessment 2004 is as follows:*



$$\frac{81,000}{8} \times 80\% = RM8,100$$

6.1.3 However, as a concession, the prescribed value method can be used. The prescribed value for a motorcar is given in Appendix 2. Under the prescribed value method, the valuation of the benefit will be based on the cost of the motorcar at the time when it was new. This treatment is also applicable to:

- a secondhand motorcar; and
- a leased / rented motorcar

**Example 3**

The facts are the same as in Example 2.

*Using the prescribed value method, the annual value of BIK in respect of the motorcar which is taxable as part of Employee A's gross income from employment for the year of assessment 2004 is RM3,600.*

**Example 4**

Employee B is provided with a used car which was purchased by his employer for RM120,000. The cost of the motorcar when new was RM205,000.

*Using the prescribed value method, the annual value of BIK in respect of the motorcar which is taxable as part of Employee B's gross income from employment for the year of assessment 2004 is RM9,000 instead of RM5,000.*

**Example 5**

Employee C is provided by his employer with a new car which is leased from a leasing company. The cost of the motorcar when new is RM90,000. The employer paid a monthly lease rental of RM3,000 for 48 months.

*Using the prescribed value method, the annual value of BIK which is taxable as part of Employee C's gross income from employment for the year of assessment 2004 is RM3,600. Payment for the lease rental is ignored.*

6.1.4 Where an employee enjoys the benefit of a motorcar with free petrol, the value of BIK in respect of petrol to be included as part of the employee's gross income from employment will depend on the method used to value the BIK of the motorcar. The table below indicates the manner in which BIK in respect of petrol is determined:

<b><i>Based on the formula method</i></b>	<b><i>Based on the prescribed value method</i></b>
Amount to be taken is:- the actual amount of petrol	The amount to be taken is:- the prescribed value as provided in

expenditure incurred by employer.	Appendix 2 under The Prescribed Value Of Motorcar And Its Related Benefits.
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**Example 6**

Throughout the year 2004, Employee D 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 2004 was RM6,000.

*The annual value of BIK in respect of the motorcar and petrol which are taxable as part of Employee D's gross income from employment for the year of assessment 2004 are as follows:*

<b>Type of BIK</b>	<b>Based on the formula method (RM)</b>	<b>Based on the prescribed value method (RM)</b>
<i>Motorcar</i>	$\frac{180,000}{8} \times 80\% = 18,000$ <i>Cost of motorcar</i> X 80% <i>Average life span of the motorcar</i>	9,000 (instead of 7,000)
<i>Petrol</i>	6,000 (actual value of petrol)	2,100 (instead of 1,800)

- 6.1.5 Where the motorcar is not provided throughout the calendar year, the value should be adjusted appropriately in accordance to the period provided.

**Example 7**

Employee E is provided with a new motorcar costing RM120,000 for the period of January to September 2004. He is also provided with the amenity of free petrol. The cost of petrol incurred by his employer for this period on the motorcar is RM2,700.

*The annual value of BIK in respect of the motorcar and petrol which are taxable as part of Employee E's gross income from employment for the Year of Assessment 2004 are as follows:*

<b>Type of BIK</b>	<b>Based on the formula method (RM)</b>	<b>Based on the prescribed value method (RM)</b>
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<i>Oct-Dec 2004</i>	$180,000/8 \times 80\% \times 3/12 = 4,500$	$7,000 \times 3/12 = 1,750$
<b><i>Petrol:</i></b>		
<i>Jan-Sept 2004</i>	$2,700 \times 9/12 = 2,025$	$1,500 \times 9/12 = 1,125$
<i>Oct-Dec 2004</i>	$1,200 \times 3/12 = 300$	$1,800 \times 3/12 = 450$

- 6.1.8 Where the prescribed value method is applied to value the BIK in respect of the motorcar provided and where the motorcar provided is more than 5 years old, the annual value of the BIK in respect of that motorcar can be reduced to half (1/2) of the prescribed value. However, the value of the BIK in respect of petrol remains unchanged.

(Note: This abatement is not applicable if the value the BIK in respect of the motorcar is determined under the formula method.)

***Example 10***

Employee G is provided with a 7-year old Volvo with free petrol throughout the year 2004. The cost of the Volvo when new was RM285,000. His employer has incurred RM6,000 on petrol in respect of this Volvo.

*The annual value of BIK in respect of the Volvo and petrol which are taxable as part of Employee G's gross income from employment for the year of assessment 2004 are as follows:*

<b><i>Type of benefit</i></b>	<b><i>Based on the formula method (RM)</i></b>	<b><i>Based on the prescribed value method (RM)</i></b>
<b><i>Motorcar</i></b>	$\frac{285,000 \times 80\%}{8} = 28,500$ <p><i>(there is no entitlement to reduce the BIK in respect of the motorcar to 1/2 if the motorcar provided is more than 5 years old)</i></p>	$15,000 \times \frac{1}{2} = 7,500$ <p><i>(value of BIK in respect of motorcar can be reduced to 1/2 if the motorcar provided is more than 5 years old)</i></p>
<b><i>Petrol</i></b>	6,000	2,400

- 6.1.9 However, where the BIK in respect of the motorcar and its related benefit are valued under the formula method, a reduction in the value of the benefits can be made if the:
- motorcar is used partly for business purposes; or/and
  - employee is required to pay a sum of money to his employer for the benefit provided.

- 6.1.10 In order to substantiate claims made for business purposes, sufficient records must be kept by the employee as evidence for purpose of verification in the case of an audit.

**Example 11**

Employee J is provided with a 6-year old motorcar with free petrol throughout the year 2004. The motorcar was purchased by the employer at a cost of RM200,000. The total mileage of the motorcar in the year 2004 is 36,000 km out of which 12,000 km is in respect of J's private use. His employer has expended RM8,400 on petrol in respect of this motorcar. J is required to pay his employer RM1,200 to subsidize the cost of petrol that is incurred by his employer. The cost of the motorcar when new was RM280,000.

*The annual value of BIK which are taxable as part of Employee J's gross income from employment for the Year of Assessment 2004 are as follows:*

<b>Type of benefit</b>	<b>Based on the formula method (RM)</b>	<b>Based on the prescribed value method (RM)</b>
<b>Motorcar</b>	<p><i>Steps:</i></p> <p>i. <math>200,000/8 \times 80\% = 20,000</math></p> <p>ii. <math>20,000 \times 12,000/36,000 = 6,667</math></p> <p><i>The value to be included as gross income from employment = RM6,667.</i></p> <p><i>(There is no abatement to reduce the value to 1/2 of the prescribed value although the motorcar is &gt; 5 years old. However, a reduction is given for business use.)</i></p>	<p><math>15,000 \times 1/2 = 7,500</math></p> <p><i>The value is to be included in as gross income from employment is RM7,500.</i></p> <p><i>(The value in respect of the motorcar is reduced to 1/2 of the prescribed value since the motorcar is &gt; 5 years old..)</i></p>
<b>Petrol</b>	<p><i>Steps</i></p> <p>i. <math>8,400 \times 12,000/36,000 = 2,800</math></p> <p>ii. <math>2,800 - 1,200 = 1,600</math></p> <p><i>The value to be included as gross income from employment is RM1,600.</i></p> <p><i>(Abatement/deduction can be given in respect of:</i></p> <p>i. <i>the business use of the benefit; and</i></p> <p>ii. <i>expenses paid by the employee.)</i></p>	<p><math>2,400</math></p> <p><i>The value is to be included in as gross income from employment is RM2,400.</i></p> <p><i>(There is no abatement for business use or payment made by the employee.)</i></p>

6.1.11 In all cases where motorcar and/or petrol is provided to an employee, the employer should report in each of the employee's statement of remuneration the type, year of manufacture and the model of the motorcar provided.

**6.2 Petrol provided without car**

The benefit that is taxable is the total value of petrol provided to the employee.

**6.3 Driver provided**

Where a driver is provided, the value of this benefit to be included as gross income from employment is fixed at RM600 per month. In the case where a driver is not specifically provided to any employee but he comes from a pool of drivers provided by the employer solely for business purposes, no benefit will be taxable on the employee.

**6.4 Household furnishings, apparatus and appliances**

6.4.1 The formula method as given in paragraph 5.2 is to be used to determine the value of any BIK related to household furnishings, apparatus and appliances provided to the employee by his employer. As a concession, the prescribed value method may be used. However, if this method of valuation is chosen, there will be no further deduction for any expense incurred by the employee in acquiring the benefit. The prescribed value in respect of these benefits is given in Appendix 2 under the heading of "Prescribed value of household furnishings, apparatus and appliances".

6.4.2 The value may be adjusted by reference to whether any or all of the above categories of furnishings are provided.

***Example 12***

Employee K is being provided with all the benefits related to household furnishings, apparatus and appliances as stated in Appendix 2 except for those in Category 1.

*He will be assessed on the value of these BIKs amounting to RM3,360 - RM840 = RM2,520.*

6.4.3 The values may also be adjusted suitably by reference to the period provided.

***Example 13***

Employee Z is provided with all the benefits under Category 1 with effect from 1.4.2004.

*The value of the BIK in respect household furnishings, apparatus and appliances of for the year of assessment 2004 is RM840 X 9/12 = RM630.*

6.4.4 An adjustment on the value of the BIK may also be made if the furnishing / apparatus / appliances are shared with other employees.

***Example 14***

The facts are the same as in Example 13 and Employee Z is required to share the benefits provided to him with another employee.



*The value of these BIK for the year of assessment 2004 will be  $RM630 \times \frac{1}{2} = RM315$ .*

6.4.5 Fans and water heaters are disregarded as they are treated as forming part of the residential premises.

**6.5 Other assets**

Other assets provided to the employees for entertainment, recreation or other purposes such as piano, organ, television, stereo set, swimming pool and others will constitute as additional benefits and should be separately assessed based on the formula.

**7. Other benefits**

7.1 The prescribed value for other benefits are listed in Appendix 2 under the heading of "Prescribed values of other benefits".

7.2 Other benefits not listed should be valued based on the formula:

$$\frac{\text{Cost of asset provided as benefit}}{\text{Prescribed average life span of the asset}} = \text{Annual value of the benefit}$$

7.3 Where a telephone (including mobile telephone) is provided to the employee by the employer, the benefits can be categorized as follows:

- the private usage of the hardware; and
- the private bills of the employee that is being paid by the employer.

7.3.1 The BIK in respect of private usage of telephone can be calculated either by using the formula method or the prescribed value method. However, the principle of consistency must be applied throughout the period the benefit is provided whichever method is used.

7.3.2 Where the prescribed value method is used, the value of the BIK in respect of this benefit is as stated in Appendix 2 under the heading of "Prescribed value of other benefits".

7.3.3 Where the formula method is used to value the BIK in respect of the private usage of telephone, the calculation of the benefit is as follows:

- In respect of the benefit on the hardware -

$$\frac{\text{Cost of the asset (telephone)}}{\text{Prescribed average life span of the asset}} = \text{Annual value of the benefit}$$

- In respect of the private usage of the telephone bills -  
actual cost of the employee's private bills paid by the employer.

8. In accordance with subsection 83(1) of the Act, the employer is required to report annually in the employee's Statement of Remuneration and in the Form E for Employer, all values of the BIK provided to his employees including benefits provided for wife, family, servants,



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dependent or guest of the employee. Failure to comply with this subsection will render the employer liable to prosecution under subsection 120(1) of the Act.

9. A claim for a deduction can only be made in respect the formula method. Any claim for deduction in respect of official use of any BIK must be made by the employee himself in his annual return. Records pertaining to the claims must be kept for a period of seven years for purpose of audit.
10. This Ruling is effective from the year of assessment 2004 and subsequent years of assessment. This Ruling supercedes Income Tax Ruling 1997/2 issued on 25 August 1997.

**Director General  
of Inland Revenue**

**APPENDIX 1**

**PRESCRIBED AVERAGE LIFE SPAN OF VARIOUS ASSETS PROVIDED BY  
EMPLOYERS TO EMPLOYEES**



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<b>ASSETS</b>	<b>PRESCRIBED AVERAGE LIFE SPAN (YEARS)</b>
1. Motorcar	8
2. Furniture and fittings: i. Curtains and carpets i. Furniture, sewing machine i. Air conditioner i. Refrigerator	5 15 8 10
3. Kitchen equipment (i.e. crockery, rice cooker, electric kettle. Toaster, coffee maker, gas cooker, cooker hood, oven, dish washer, washing machine, dryer, food processor, etc.)	6
4. Entertainment and recreation: ii. Piano iii. Organ iv. TV, video recorder, CD/ DVD player, stereo set v. Swimming pool (detachable), sauna	20 10 7 15
5. Miscellaneous	5

**APPENDIX 2**

**PRESCRIBED VALUE OF BENEFITS IN KIND  
COMMONLY PROVIDED BY EMPLOYERS TO EMPLOYEES**



**1. THE PRESCRIBED VALUE OF MOTORCAR AND ITS RELATED BENEFITS**

<b>Cost of motorcar (New) RM</b>	<b>Annual prescribed benefit of motorcar RM</b>	<b>Annual prescribed benefit of petrol RM</b>
Up to 50,000	1,200	600
50,001-75,000	2,400	900
75,001-100,000	3,600	1,200
100,001-150,000	5,000	1,500
150,001-200,000	7,000	1,800
200,001-250,000	9,000	2,100
250,001-350,000	15,000	2,400
350,001-500,000	21,250	2,700
500,001 and above	25,000	3,000

**2. PRESCRIBED VALUE OF HOUSEHOLD FURNISHINGS, APPARATUS AND APPLIANCES**

<b>CATEGORY</b>	<b>TYPE OF BENEFIT</b>	<b>ANNUAL PRESCRIBED VALUE OF BIK PROVIDED (RM)</b>
1	Semi-furnished with furniture in the lounge, dining room or bedroom.	840
2	Semi-furnished with furniture as in Column 1 and one or two of the following: <ul style="list-style-type: none"> <li>▪ air-conditioners</li> <li>▪ curtains and alike</li> <li>▪ carpets</li> </ul>	1,680
3	Fully furnished with benefits as in Columns 1 and 2 as above plus one or more of kitchen equipment, crockery, utensils and appliances	3,360
4	Service charges and other bills such as water, electricity and telephone	Service charges and bill paid by the employer.

**APPENDIX 2 (Continuation)**

**3. PRESCRIBED VALUE OF OTHER BENEFITS**

<b>Item</b>	<b>Type of benefit</b>	<b>Value of BIK per year RM</b>
1	Telephone (including mobile phone)	Hardware: 300 per telephone Bills : 300 per telephone



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2	Gardener	3,600 per gardener
3	Household servant	4,800 per servant
4	Recreational club membership	Membership subscription paid by the employer