



INLAND REVENUE BOARD MALAYSIA

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

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

Translation from the original Bahasa Malaysia text.

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A Public Ruling may be withdrawn, either wholly or in part, by notice of withdrawal or by publication of a new ruling which is inconsistent with it.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



**COMPUTATION OF INCOME TAX PAYABLE
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SECOND ADDENDUM TO PUBLIC RULING NO. 2/2005**

1. This Second Addendum provides clarification on the change in tax treatment of personal deductions which can be claimed by a resident individual in respect of the following:-

- a. further education fees - paragraph 46(1)(f), Income Tax Act (ITA) 1967.
(effective from year of assessment 2006)
- b. reading material expenses - paragraph 46(1)(i) ITA 1967.
(effective from year of assessment 2007)
- c. purchase of personal computer - paragraph 46(1)(j) ITA 1967.
(effective from year of assessment 2007)
- d. children - subsection 48(3), ITA 1967.
(effective from year of assessment 2006)

2. Deduction for further education fees - paragraph 46(1)(f), ITA 1967

- 2.1 Prior to year of assessment 2006, a resident individual is entitled to claim a deduction of up to RM5,000 on the amount of fees expended for undertaking selected courses of study up to tertiary level in any local institution recognised by the Government. With effect from year of assessment 2006, these selected courses of study can also be undertaken in any professional body in Malaysia approved by the Minister of Finance.
- 2.2 With effect from year of assessment 2006, the scope of courses eligible for deduction is also extended to include professional courses up to tertiary level in accountancy and law. These professional courses can be undertaken in any local institution recognised by the Government or in any professional body in Malaysia approved by the Minister of Finance.
- 2.3 With effect from year of assessment 2007, the scope of courses eligible for deduction is further extended to include courses in Islamic financing which are approved by Bank Negara Malaysia or Securities Commission. These

Islamic financing courses can be undertaken in any local institution recognised by the Government or in any professional body in Malaysia approved by the Minister of Finance, including the International Centre for Education in Islamic Finance (INCEIF).

- 2.4 The list of local institutions recognised by the Government or local professional bodies approved by the Minister of Finance, for purposes of this deduction, will be made available on the Inland Revenue Board Malaysia website from time to time.

3. Deduction for reading materials expenses - paragraph 46(1)(i), ITA 1967

With effect from year of assessment 2007, the maximum amount of deduction in respect of expenses on reading materials has been increased from RM700 to RM1,000.

4. Deduction for purchase of personal computer - paragraph 46(1)(j), ITA 1967

4.1 Prior to year of assessment 2007, a resident individual is entitled to claim a rebate of RM500 for the purchase of a personal computer used for non business purposes. The rebate is given in arriving at the tax payable and is provided under subsection 6A(3A), ITA 1967. The rebate is given on a household basis and is given once in every five years of assessment.

4.2 With effect from year of assessment 2007, the relief for the purchase of a personal computer for non business purposes is given as a deduction in arriving at the chargeable income instead of a rebate. The amount of deduction is limited to a maximum of RM3,000 in respect of expenses expended by the individual on the purchase of a personal computer for non business use in the basis year for a year of assessment. The deduction is given on an individual basis once in every three years of assessment and has to be evidenced by a receipt.

Example 1

Amran purchased a personal computer for his own use for RM5,000 on 01.02.2007. He then buys a laptop for RM8,000 on 02.02.2008.

Amran is entitled for a deduction of RM3,000 in respect of expenses expended on the purchase of a personal computer for year of assessment 2007. However, he is not entitled to any further relief until the year of assessment 2010.

Example 2

Ahmad purchased a personal computer for his own use for RM5,000 on 01.01.2006. Subsequently on 01.11.2007, he purchased a laptop for his own use for RM8,000.

Ahmad qualifies for a rebate of RM500 on the purchase of a personal computer for the year of assessment 2006 under subsection 6A(3A), ITA 1967. He is also entitled for a deduction of RM3,000 on the expenses expended on the laptop for year of assessment 2007 under paragraph 46(1)(j), ITA 1967.

- 4.3 Where a computer is purchased on hire purchase, the full cost of the computer up to a maximum deduction of RM3,000 can be claimed in the year it is purchased.

Example 3

Tara purchased a personal computer for her own use under hire purchase agreement on 01.08.2007. Cost of the computer amounts to RM6,000. According to the terms of the hire purchase agreement, she has to pay monthly instalments of RM500 for a period of twelve (12) months commencing on 01.08.2007 and ending on 01.07.2008. In year 2007, she paid a total monthly instalment of RM2,500 for the purchase of the computer.

Tara is entitled for a maximum deduction of RM3,000 in respect of expenses expended for the purchase of a personal computer for year of assessment 2007. The maximum deduction of RM3,000 can be claimed in the year the computer is purchased even though the amount expended by her in the year 2007 is only RM2,500.

- 4.4 In the case of a separate assessment, both the husband and wife are each eligible to claim an amount of deduction limited to a maximum of RM3,000 once in every three years of assessment in respect of expenses expended on the purchase of a personal computer.

Example 4

Jasmi purchased a personal computer for his own use for RM3,500 on 15.05.2007. His wife purchased a personal computer for her own use for

RM5,000 on 01.06.2007. Jasmi and his wife are assessed separately on their incomes for the year of assessment 2007.

Jasmi and his wife each qualify for a maximum deduction of RM3,000 in respect of expenses expended for the purchase of their personal computers for the year of assessment 2007.

- 4.5 Where there is aggregation of income under subsection 45(2), ITA 1967 the maximum deduction in respect of expenses expended for the purchase of a personal computer is limited to RM3,000 once in every three years of assessment. The expenses expended on the purchase of the computer is deemed to be expended by the husband or wife in whose name the assessment is made, as provided for under subsection 46(3), ITA 1967.

Example 5

Aisyah purchased a personal computer for her own use for RM2,500 and her husband purchased a laptop for his own use for RM2,500 on 02.01.2007. Aisyah elected for her income to be aggregated with that of her husband for the year of assessment 2007.

The sum of RM2,500 is deemed to be expended by her husband under subsection 46(3), ITA 1967. Her husband will qualify for a maximum deduction of RM3,000 in respect of expenses expended on both the personal computer and the laptop for the year of assessment 2007.

5. Deduction for children - subsection 48(3), ITA 1967

- 5.1 Prior to year of assessment 2006, a resident individual is entitled to claim child relief as follows:-
- (i) the actual sums expended in respect of an unmarried child over the age of eighteen who is receiving full-time instruction **in Malaysia** at a university, college, or other similar educational establishment or is serving under articles or indentures with a view to qualifying in a trade or profession. The deduction is limited to a maximum of four times the normal relief for a child that is, RM4,000 (RM1,000 X 4).
 - (ii) RM1,000 in respect of an unmarried child over the age of eighteen who is receiving full-time instruction **outside Malaysia** at a university, college, or other similar educational establishment or is serving under articles or indentures with a view to qualifying in a trade or profession.



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5.2 With effect from year of assessment 2006 a resident individual is entitled to claim child relief as follows:-

- (i) the deduction of four times the child relief that is RM4,000 is given automatically in respect of an unmarried child over the age of eighteen who is receiving full-time instruction **in Malaysia** at a university, college, or other similar educational establishment or is serving under articles or indentures with a view to qualifying in a trade or profession. However, the deduction is not applicable where the child undertakes a matriculation or pre-graduate course.
- (ii) the deduction of four times the child relief that is RM4,000 is also extended to an unmarried child over the age of eighteen undertaking a course of study **outside Malaysia** and the study is for an award of degree (including a degree at Masters or Doctorate level) or the equivalent of a degree.

The resident individual is only entitled for the above deduction where the child pursues study in courses and educational establishments recognised by the Government of Malaysia. The courses of study and the educational establishments recognised by the Government are available in the website of the Public Service Department (www.jpa.gov.my).

5.3 Likewise, a resident individual is entitled for a further deduction of RM4,000 in the case of an unmarried disabled child undertaking a course of study in or outside Malaysia. This is in addition to the disabled child relief of RM5,000 given as a deduction.

6. This Second Addendum forms part of the Public Ruling No. 2/2005.

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