

TECHNICAL

Direct Taxation

PUBLIC RULING NO. 4/2018 – TAXATION OF A RESIDENT INDIVIDUAL PART I - GIFTS OR CONTRIBUTIONS AND ALLOWABLE DEDUCTIONS

The Inland Revenue Board of Malaysia (LHDNM) issued the above [Public Ruling](#) on 13 September 2018 (reported in our [e-CTIM TECH-DT 61/2018](#) dated 25 September 2018). Paragraph 7 of the PR states that it replaces PR No. 2/2005 dated 6.6.2005 and its Addendum dated 6.7.2006 as well as the Second Addendum dated 3.1.2008.

An outline of the contents as shown by the headings of each paragraph is given below:

Para. #		
1		Objective
		The objective is to explain deductions available to a RESIDENT <u>INDIVIDUAL</u> in respect of the following:
	1.1	- gifts or contributions by the individual that are deductible in determining his <u>total income</u> for a <u>year of assessment</u> (YA);
	1.2	- deductions that are allowable in computing his chargeable income (CI) for a YA.
2		Relevant Provisions of the Law
	2.2	This PR is based on the provisions of S2, 5, 6, 6A, 7, 18, 44, 45, 45A to 51 of the Income Tax Act 1967 (ITA)
3		Interpretation
	3.1 to 3.9	Provides the meanings of words found in this PR. (Words underlined above and below are defined in this paragraph.)
4		Introduction
		Lists the stages of income determination under the ITA (from gross income to chargeable income).
5		Gifts or Contributions
	5.1	Total Income (TI) is the Aggregate Income (AI) less deductions for gifts or contributions made in the basis year.
	5.2	Deductions are allowed for the following gifts or contributions:
		(All sections quoted below (in brackets [–]) refer to sections of the ITA. Please refer to the relevant paragraphs in the PR for the rules relating to each claim for deduction.) Note 1: “Maximum allowed” refers to deductions that are based on the amount/value of the gift/contribution but restricted to a maximum allowable. For example, if the gift of money for the provision of library facilities or to the libraries [S44(8)] amounts to RM10,000, then the amount of deduction allowed is RM10,000 and not the maximum allowed of RM20,000. If the said gift of money amounts to RM25,000, then the amount of deduction allowed is RM20,000 and not RM25,000.
	5.2.1	- Gift of money to the Federal Government, State Government, local authorities or an institution or organization or a fund approved by the DGIR; [S44(6)]
	5.2.2	- Gifts of artefact, manuscript or painting to the Federal or State Government; [S44(6A)] Note 2: Where the amount allowed is the value of the gift, the “value” is to be determined by the authority stated in the relevant paragraph.
		Maximum allowed (Note 1)
		7% of AI of the individual
		Value of gift (Note 2)

	5.2.3	- Gift of money for the provision of library facilities or to the libraries; [S44(8)]	RM20,000
	5.2.4	- Gift of money or contribution for the provision of facilities in public places for the benefit of disabled persons ; [S44(9)]	Value of gift (Note 2)
	5.2.5	- Gift of money or contribution of medical equipment to healthcare facility; [S44(10)]	RM20,000
	5.2.6	- Gift of painting to the National Art Gallery or any state art gallery; [S44(11)]	Value of gift (Note 2)
	5.2.7	- Gift of money for any approved sports activity; [S44(11B)] (Example 1) <u>Note 3:</u> The maximum allowed shall not exceed the difference between the amount of 7% of the AI and the total amount that has been deducted pursuant to the proviso to subsections 44(6) and (11C) of the ITA.	Refer to Note 3
	5.2.8	- Gift of money and cost of contribution to a project of national interest; [S44(11C)] (Example 2) <u>Note 4:</u> The maximum allowed shall not exceed the difference between the amount of 7% of the AI and the total amount that has been deducted pursuant to the proviso to subsections 44(6) and (11B) of the ITA.	Refer to Note 4
6	Allowable Deductions		
	Personal deductions provided under S45A to S49 of the ITA, are deducted against TI for a YA in arriving at CI.		
	(These deductions are listed under para. 6 of the PR. Please refer to the relevant paragraphs in the PR for rules relating to the claim for each deduction.)		
		Deduction <u>Note 5:</u> "Amount allowed" refers to deductions that are not based on an expense incurred but the deduction allowable is a fixed amount. For example, an individual is allowed a deduction of RM9,000 under S46(1)(a). <u>Note 6:</u> "(Maximum)" refers to deductions that are based on an expense incurred and claimed by an individual but restricted to a maximum allowable amount. For example, if the expense incurred on medical needs and carer expenses for parents [S46(1)(c)] amounts to RM2,500, then the amount of deduction allowed is RM2,500 and not the maximum allowed of RM5,000. If the said expense amounts to RM10,000, then the amount of deduction allowed is RM5,000 and not RM10,000.	Example (in this PR) Amount allowed (Note 5) / (Maximum) (Note 6) RM
	6.1	Self and dependent relatives - [46(1)(a)]	9,000
	6.2	Expenses incurred on medical needs and carer expenses for parents – [S46(1)(c)]	(5,000)
	6.3	Expenses incurred on basic supporting equipment for disabled persons (for self/ spouse/ child / parent) – [46(1)(d)]	3 (6,000)
	6.4	<u>Disabled person</u> (further deduction) – [S46(1)(e)]	6,000
	6.5	Further education fees expended for any course of study undertaken by the claimant up to tertiary level (up to graduate level), other than a Masters or Doctorate degree – [S46(1)(f)]	4, 5, 6 (7,000)
	6.6	Medical expenses incurred on treatment of a serious disease for self/ spouse/ child – [S46(1)(g)]	7 (6,000)
	6.7	Expenses incurred for a complete medical examination of self/ spouse/ child – [S46(1)(h)]	(500)
	6.8	The individual's net contribution in the relevant year to Skim	8, 9 (6,000)

		Simpanan Pendidikan Nasional (for YAs 2012 to 2020) – [S46(1)(k)]		
	6.9	Contribution to SOCSO in that basis year – [S46(1)(n)]		(250)
	6.10	Deduction for parents (effective for YAs 2016 to 2020) – [S46(1)(o)]	10	1,500 for each parent
	6.11	Lifestyle relief – expenses incurred on the purchase of: - Books, journals, magazines, etc. - Personal computer; - Sports equipment; - Internet subscription (monthly bills) [S46(1)(p)]	11, 12, 13	Refer to the table in para. 6.11.4
	6.12	Expenses incurred on the purchase of breastfeeding equipment (w.e.f. YA 2017) – [S46(1)(q)]	14, 15, 16, 17	(1,000)
	6.13	Expenses incurred on fees paid to a child care centre or kindergarten for a child of the individual, aged 6 years or less (w.e.f. YA2017) – [S46(1)(r)]		(1,000)
	6.14	Interest paid to finance the purchase of a residential property (w.e.f. YA 2009) subject to specified conditions (refer para. 6.14) - [S46B]		Refer to S.46B(2)
	6.15	Deduction for wife living together with him in the basis year or alimony payments to a former wife, and further deduction for disabled wife – [S47(1)]	18, 19, 20	Refer to summary table in para. 6.15.2
	6.16	Deduction for husband (subject to conditions of eligibility) and further deduction for a disabled husband – [S45A]	21	Refer table in para. 6.16.4
	6.17	Deduction for <u>child</u> – [S48]	22, 23, 24, 25	Refer table in para. 6.17.5
	6.18	Amount paid for life insurance premiums and contribution to an approved scheme – [S49(1)]		(6,000)
	6.19	Payment of premium for deferred annuity and contribution to a private retirement scheme (effective YA 2012 to 2021) – [S49 (1D)]		(3,000)
	6.20	Payment of premium for insurance on education or for medical benefits – [S49(1B)]		(3,000)
7	Updates and Amendments			
8	Disclaimer			
	The examples in this PR are illustrative and not exhaustive.			
APPENDIX 1		LIST OF EQUIPMENT FOR MEDICAL AND SPECIAL NEEDS		
APPENDIX 2		DELETED TAX DEDUCTIONS & REBATES		

Please read the PR in full at the website of the [Institute](#) and the [LHDNM](#).

You may write to the Institute at technical@ctim.org.my or secretariat@ctim.org.my in respect of any suggestions, concern or comments you may have on the [PR No. 4/2018](#).

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