
TECHNICAL

Direct Taxation

PUBLIC RULING NO. 1/2019 - PROFESSIONAL INDEMNITY INSURANCE

The Inland Revenue Board of Malaysia (LHDNM) issued [Public Ruling \(PR\) No.1/2019 \(Fourth Edition\)](#) on 18 February 2019 (reported in our [e-CTIM TECH-DT 16/2019](#) dated 26 February 2019). It replaces [PR 8/2017](#) dated 19 December 2017 (please refer to our [e-CTIM TECH-DT 9/2018](#) dated 30 January 2018).

A summary of the updates and amendments to the contents of that PR is given in [paragraph 9](#) of this edition of the PR. The following is a summary of the new contents which have been added in this PR:

New Para. #	All sections quoted below refer to sections of the ITA unless otherwise stated.
5.1	Prerequisite for a Professional to Carry on or to Practise a Profession If a professional is registered with a professional body outside Malaysia, the professional body must be recognized by written law or statute in Malaysia. (Example 1)
8.4	Tax Treatment on Insurance Proceeds and Compensation Any proceeds received in connection with professional indemnity insurance (PII) (in a case where a deduction has been allowed for the premium paid) is not restricted to any expenditure incurred to pay compensation to the claimant (of compensation). The full amount of proceeds is taxed even if it exceeds the amount of compensation paid. (Example 14)
8.5	If a professional chooses not to claim a deduction under S33(1) for PII premium paid, any proceeds received in connection with the PII will be taxed as gross income of the chargeable person under S22(2)(a)(ii). (Example 15)

Please read the PR in full at the websites 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.1/2019.

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