

TECHNICAL

Direct Taxation

PERSONAL DEDUCTION OF EMPLOYEE'S CONTRIBUTION TO SOCSO

The Institute has sought a clarification in its letter dated 22 January 2019 to the Inland Revenue Board of Malaysia ("LHDNM") on whether the employee's contribution made to SOCSO in respect of the Employment Insurance System ("EIS") is included as part of the maximum claim of RM250 in the Form BE.

The LHDNM has responded in its letter to the Institute dated 12 March 2019 that it is of the view that the amount of contribution to SOCSO in respect of the EIS is not eligible for personal deduction under Section 46(1)(n) of the Income Tax Act 1967 because EIS contribution is pursuant to the Employment Insurance System Act 2017 and not pursuant to the Employees' Social Security Act 1969.

*Note: **Section 46(1)(n)** of the Income Tax Act 1967 states:- "**Section 46(1):** In the case of an individual or a Hindu joint family resident for the basis year for a year of assessment, there shall be allowed for that year of assessment personal deductions of – (n) an amount limited to a maximum of two hundred and fifty ringgit in respect of a contribution made or suffered in that basis year by that individual to the Social Security Organization pursuant to the Employees' Social Security Act 1969".*

Members may read the [Institute's letter dated 22 January 2019](#) and the [LHDNM's reply letter dated 12 March 2019](#) in full at the Institute's website.

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