

TECHNICAL

Direct Taxation

[INCOME TAX \(DEDUCTION FOR EMPLOYMENT OF SENIOR CITIZEN, EX-CONVICT, PAROLEE, SUPERVISED PERSON AND EX-DRUG DEPENDANT\) RULES 2019 \[P.U. \(A\) 164/2019\]](#)

The above Rules were gazetted (gazette date 11 June 2019) to give effect to the proposal in Appendix 16 on page 73 of the [2019 Budget Speech](#) to allow a double deduction on remuneration paid by an employer for employees who are senior citizens or ex-convicts. The Rules have effect for the years of assessment 2019 and 2020.

Application (Rule 2)

These Rules apply to an employer who has a business source of income only.

Deduction (Rule 3)

In ascertaining the adjusted income of an employer for the basis period for a year of assessment (YA) a deduction is allowed for remuneration of the kind that is allowable under S.33 of the Income Tax Act 1967 (ITA) which is payable by him to his employee who is a Malaysian citizen and resident in Malaysia, and is a person who fits any of the following descriptions –

- (a) A senior citizen whose age is 60 and above;
- (b) An ex-convict who has been convicted of an offence by a court and has served his/her sentence of imprisonment;
- (c) A parolee as defined in the Prison Act 1995 (PA);
- (d) A supervised person who is a prisoner directed by an Officer-in-charge to work at such labour under subpara. 47(1)(b)(iii) of the PA; or
- (e) An ex-drug dependant who has undergone treatment / rehabilitation, or has undergone or was placed under supervision under any of the Acts mentioned in [Rule 3\(1\)\(e\) items \(i\) to \(iii\)](#), and is registered with the National Anti-Drugs Agency (MyAADK system). [Rule 3(1)]

The above deduction is in addition to any deduction allowed under S.33 of the ITA. [Rule 3(4)]

Conditions

The conditions for allowing the deduction are as follows [Rule 3(2)] –

- (a) The employee is employed on a full-time basis;
- (b) The remuneration paid to him by the employer does not exceed RM4,000; (see Note below.)
- (c) The employer and employee are not the same person.
- (d) The employer is not a relative of the employee. The relationship of “relative” is specified under items (i) to (v) under Rule 3(2)(d) and includes a spouse, a parent, a child, a brother or sister and a grandparent or grandchild.

Note: The proposal in Appendix 16 on page 73 of the [2019 Budget Speech](#) refers to monthly remuneration but this is not specified in these Rules.

A claim for the above deduction must be supported by written confirmation from –

- (a) the Malaysian Prison Department , confirming that the employee is an ex-convict, a parolee or a supervised person; or
- (b) the National Anti-Drugs Agency, confirming that the employee is an ex-drug dependant. [Rule 3(3)]

Members may read the Rules in full at the official website of the [Attorney-General's Chambers](#).

Disclaimer

This document is only meant for members of the Chartered Tax Institute of Malaysia (CTIM) only. Although the CTIM has taken all reasonable care in the preparation and compilation of the information contained in the CTIM e-circular, the Institute / each party providing the material displayed herein expressly disclaim all and any liability or responsibility to any person(s) for any errors or omissions in the contents of the CTIM e-circular or for anything done or omitted to be done by any such person in reliance whether wholly or partially, upon the whole or any part of the contents of the CTIM e-circular.