
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](#).

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