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TO ALL MEMBERS

TECHNICAL

Income Tax (Determination of Approved Individual and Specified Year of Assessment under the Returning Expert Programme) Rules 2012 [P.U. (A) 151/2012]

With effect from the year of assessment of 2012, the chargeable income from employment (with any Malaysian resident person) of an approved individual during the specified years of assessment is subject to tax under Part XV of Schedule 1 of Income Tax Act, 1967 (ITA), and shall be ascertained in accordance with the formula :

$$\frac{A}{B} \times C$$

- Where
- A** is the statutory income from employment with the Malaysian resident person;
 - B** is the aggregate income (in the case of a combined assessment under S45(2) of ITA, including income from spouse); and
 - C** is the chargeable income (from all sources).

The balance of chargeable income of that approved individual shall be charged under Part 1, Schedule 1 of ITA at the relevant rate that would have been applicable to his chargeable income if he had not been an approved individual under these Rules.

The above Rules apply to an approved individual who receives employment income from any Malaysian resident person and the employment commences on or after 1 May 2011.

These Rules shall cease to apply to an approved individual if he ceases to be employed by any Malaysian resident person.

An **approved individual**, in these Rules, is defined as an individual who

- is a Malaysian citizen resident in Malaysia;
- is an expert in a field specified by the Minister;
- has applied to the Minister on or after 12 April 2011 but not later than 31 December 2020 under Returning Expert Programme (REP) (to be subject to tax at a standard rate of 15% under Part XV of Schedule 1, ITA);
- has not derived Malaysian employment income for at least a continuous period of 36 months prior to the date of application; and
- has never been approved under these Rules.

Specified years of assessment means

- 5 consecutive years of assessment commencing from the basis period of a year of assessment an option is made by an approved individual to be subject to tax under Part XV of Schedule 1 of the Act (at a flat rate of 15%); and

- the option shall be made in the year of assessment or the following year of assessment of the approved individual's return to Malaysia;

Returning Expert Programme means a programme managed by the Talent Corporation Malaysia Berhad and approved by the Government.

For more information of the REP, members may view the website at <http://www.talentcorp.com.my/malaysians-abroad/returning-expert-programme/>.

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