

TECHNICAL

---

Direct Tax

**INCOME TAX (DEDUCTION FOR EXPENDITURE IN RELATION TO MINIMUM WAGES) RULES 2014 [P.U. (A) 206/2014]**

The above Rules were gazetted on 14 July 2014 and have effect from the year of assessment (YA) 2014.

According to the Rules, for the purposes of ascertaining the adjusted income of a *qualifying person* from his business, there shall be allowed to that *qualifying person*, (in addition to the deduction in relation to the payment of wages to the employee which is allowable under section 33 of the Act), a deduction on *the expenditure* incurred by that *qualifying person*, to pay **minimum wages**\* to his **employee**\* between the months of January 2014 until December 2014 in that basis period for that YA.

*The expenditure* is the difference between the amount of minimum wages paid by a qualifying person to his employee for the month of January 2014 and the amount of wages paid by that qualifying person to the same employee for the month of December 2013.

The *qualifying person* is

- (a) a small and medium enterprise (SME) in the manufacturing sector which is resident in Malaysia, which at the end of the basis period for a year of assessment—
  - (i) has not more than two hundred full-time employees; or
  - (ii) has achieved annual sales of not more than fifty million ringgit;
- (b) a SME in the services sector and other sectors which is resident in Malaysia, which at the end of the basis period for a year of assessment—
  - (i) has not more than seventy five full-time employees; or
  - (ii) has achieved annual sales of not more than twenty million ringgit;
- (c) a co-operative society established under the Co-operative Societies Act 1993 [Act 502] and resident in Malaysia; or
- (d) a society established under the Societies Act 1966 [Act 335] and resident in Malaysia.

*\*As defined in the Rules.*

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

You may write to the Institute at [technical@ctim.org.my](mailto:technical@ctim.org.my) or [secretariat@ctim.org.my](mailto:secretariat@ctim.org.my) in respect of any suggestions, concern or comments you may have on the above Rules so that we may raise them to the authorities.

Disclaimer

This document is meant for the members of the Chartered Tax Institute of Malaysia (CTIM) only. CTIM has taken all reasonable care in the preparation and compilation of the information contained in this E-CTIM. CTIM herein expressly disclaims all and any liability or responsibility to any person(s) for any errors or omissions in reliance whether wholly or partially, upon the whole or any part of this E-CTIM.