

INCOME TAX COMMON QUERIES

Questions And Answers- Compiled By Lembaga Hasil Dalam Negeri (IRB)

1.REQUEST FOR TAX RETURN

Q: I have not received my Income Tax Return Form. How do I obtain a copy of the said form?

A: Contact the Assessment Branch where your income tax file is registered or the nearest Inland Revenue office and request for the relevant forms.

2.TRANSFER OF FILE

Q: I have changed my place of work from Kuantan and I am currently working in Shah Alam but my income tax file is at the Inland Revenue Branch in Kuantan. Can my income tax file be transferred to Shah Alam?

A: You may by way of telephone or letter to the Inland Revenue Branch Kuantan request for your tax file to be transferred to the Inland Revenue Branch Shah Alam. You have to inform the new Branch (in this case the Shah Alam branch) of any future change of address.

3.MEDICAL EXPENSES

Q: Can I make a claim on medical expenses expended on myself ?

A: You may claim medical expenses for serious diseases expended on you, your spouse or child up to a maximum of RM 5,000.00 a year and medical expenses for parents up to a maximum of RM 5,000.00 a year. Such a claim must be supported by original receipts issued by a medical practitioner.

5.SCHEDULAR TAX DEDUCTION (STD)

Q: My employer has been making Schedular Tax Deductions (STD or PCB as it is more commonly known) from January up to December 2001. I have received my Form J (Notice of Assessment) in May 2001 and the tax payable is RM 1,200.00. Do I have to settle the tax raised ? The STD deduction from January - December 2001 totalled RM 1,000.00.

A: If you are in the payment scheme under STD, you do not have to pay the tax separately. In this case, you only have to pay the balance RM 200.00.

6. TO STOP STD DEDUCTION

Q: According to my calculation, I am not liable to tax for the year of Assessment 2001. What should I do to enable my employer to stop / cancel my deductions under STD?

A: You may contact the Assessment Branch directly for confirmation of your non-liability, then inform the Collections Branch and request the issuance of a letter to your employer to stop the STD deductions.

7. STD DEDUCTIONS ARE TOO LOW

Q: My monthly STD deductions are too low compared to the actual tax payable (according to the Form J). How can I increase my deductions to settle the tax payable?

A: You can request your employer to increase your monthly deductions to settle the tax payable. Employers do not have to wait for instructions from the Collections

Branch to increase monthly deductions for purposes of paying tax.

8. STD DEDUCTIONS ARE IN EXCESS

Q: My monthly deductions are in excess of the total tax assessed. How do I apply to cancel further monthly deductions and also obtain my over payment of tax?

A: You can contact the Collections Branch directly to obtain a letter to stop the deductions. You can apply for a refund of your credit on condition that all assessments have been finalised to-date.

9. CHILD RELIEF

Q: Is there a limit to the number of children entitled to child relief under the Income Tax Act?

A: There is no limit to the number of children, but relief will only be given for any dependent unmarried child who at the time is:

i)below 18 years of age;

ii)if above 18 years of age, was in receipt of full time education or is under articleship or indenture in trade or profession; or

iii)is physically or mentally disabled (relief for physically or mentally disabled child is RM 5,000.00).

10. RETIREMENT

Q: I am going to retire from civil service, how do I obtain my income tax clearance certificate?

A: You can contact the Assessment Branch where your income tax file is registered and bring along your Form CP 22 B (Notice of Cessation of Employment) that has been completed by your employer. Please ensure that your employer forwards the Form CP 22 B to the relevant IRB Assessment Branch, 6 months before your retirement.

11. BI-MONTHLY INSTALMENT SCHEME

Q: I run a provision shop and from time to time sell provisions at the night market. Can I pay my income tax through the Scheduler Tax Deduction (STD) scheme?

A: No, the STD is strictly for person (s) under employment contract only. If you are in business or self -employed, you can pay your tax through the bi-monthly installment payment scheme. If you are not in the installment scheme, you have to settle your tax within 30 days from the date on the Notice of Assessment (Form J).

12. PENALTY ON LATE LODGEMENT OF RETURN FORM

Q: Would a penalty be imposed if I delay the submission of my return form?

A: Yes, a penalty will be imposed if there is a delay in the submission. All return forms must be submitted within 30 days from the date stated on the form or a period that has been stipulated.

13. ZAKAT / FITRAH REBATE

Q: If I pay zakat or fitrah (religious tithes), can I make a claim of set-off against

the tax payable?

A: Yes, you can if you are a Muslim. You have to forward the original receipts to substantiate your claim. The receipts must be in the name of the taxpayer.

14. DEDUCTION FOR DONATION

Q: If I make a donation to the Masjid Fund, can I make a claim for deduction from my tax?

A: You can make a claim for deduction for the donation made but the donation must be made to a body or fund approved by the Director General. Usually the approval (gazette notification) will be stated on the receipt. You have to forward the original receipt with your Form B for the relevant year of assessment.

PAYMENT OF TAX

Q1 : What is STD / PCB?

A1 : Schedular Tax Deduction (STD or PCB) which was introduced in 1st January 1995, is a system of tax recovery where employers make deductions from their employees' remuneration every month in accordance with a **Schedule**. This is mandatory, in that neither the employer nor employee has any choice in the matter. Any deviation from the requirements of the **Income Tax (Deduction from Remuneration) Rules 1994** can only be upon written authorization from the Board.

Q2 : How does STD differ from CP38 deduction?

A2 : As explained in above, STD is an automatic deduction made every month, while CP 38 deduction arise only when the Board issues a specific **direction to the employer** requiring him to make deductions of certain amounts for specified months. Such CP 38 deductions are generally towards settlement of outstanding taxes while STD is on current income (PAY AS YOU EARN)

Q3 : Can STD be remitted through tapes or diskettes?

A3 : This form of remitting STD is allowed; in fact employers having more than 20 employees are encouraged to submit their STD payments through tapes or diskettes because in this way, processing can be achieved faster and there would be no mistakes in transcribing the details into IRB's computer system.

However, whatever mode of remittance that may be used, employers are reminded that they should furnish complete and accurate particulars of all employees so as to avoid delay in crediting the deductions to the respective individual accounts.

Q4 : What are the payments liable to STD?

A4 : STD is due only on employment income, i.e., on **remuneration** that arises from a master servant relationship, and this includes all payment other than benefits-in-kind [Section 13(1)(b)], accommodation benefits [Section 13(1)(c)] and reimbursements. Employment income subject to STD includes salary, wages, commission, overtime, allowances, director' fees, tips and bonuses arising out of

exercising the employment. The employer adds up such income, subtracts the employee's EPF contribution (subject to a maximum of RM416. per month or RM 5000 per year), and deducts the STD in accordance with the relevant category in the Schedule that the employee comes under. However, where the payment is ***bonus or other lump sum*** amount, a special formula has to be adopted to determine the STD.

Q5 : Please explain how Form CP159 is to be completed?

A5 : The **Form CP 159** issued to employers forms part of the Form E and the employer is required to show in it details of remuneration and deduction made in each month of the relevant year. The Form CP 159 is a statement of fact; it shows, among other things, the total remuneration paid and the STD deducted therefrom in each of the given months notwithstanding the basis year to which the payment refers. E.g. Bonus for 2000 is paid in February 2001. This will not feature in the CP 159 for 2000 in spite of **being payable** for 2000. It will only be stated in the CP 159 for 2001, as it was **actually paid** in 2001.

THE FORM CP 159 IS TO BE COMPLETED IN DUPLICATE.

[Refer to **Statement Of Tax Deductions Under Income Tax (Deduction From Remuneration) Rules 1994 - Form CP159**]

Q6 : How to calculate the STD for director's fees?

A6 : In cases where the Director's Fees is paid monthly together with other monthly remuneration, both the relevant amounts must be added together in order to determine the STD.

For cases where only Director's Fees is paid monthly, the STD is determined in the usual manner.

Where a director is paid a monthly remuneration and he receives Director's Fees in a lump sum, the STD is calculated by using the **Bonus Formula**.

In instances where the director receives only Director's Fees and paid in a lump sum, the relevant amount is divided by the number of months for which the payment relates. STD is determined accordingly and then multiplied by the number of months in question. E.g. A director receives annual Director's Fee of RM36,000.00, without any other remuneration. Therefore the amount applicable per month is RM3,000.00 (RM36,000.00 / 12). The STD for RM3,000 is determined and then multiplied by 12.

Q7 : How to deduct STD if the reference number of the employee is not known?

A7 : Contact the nearest Inland Revenue branch to check for the tax reference number. If that employee does have a tax reference number, action must be taken to register a tax file.

Q8 : What reference number should be used if the employee has two or more reference number as, for example, in the case of a married woman?

A8 : In the case of a married women, quote the husband's reference number but ensure that the wife's code is stated. For other cases, contact the nearest IRB

branch for assistance.

Q9 : An over-deduction has been deducted in respect of an employee for a particular month. Will a refund of the excess amount be made to the employee?

A9 : No. As the monthly deduction is made from the employee's remuneration, any refund will accrue to the employee in question.

Q10: Remittance of an amount in excess of that stated in the deduction table has been discovered? Can an adjustment be made in the following month's deduction?

A10: An adjustment is acceptable provided a covering letter explaining the position is sent together with the adjusted deduction. Adjustments are not allowed for different years, for example, an error relating to the deduction in December 1999 cannot be rectified by an adjustment in the deduction made in January 2000. It is advised that you seek assistance from the nearest IRB Branch before making any adjustments.

Q11: An employee is about to cease working. Are tax deductions still required?

A11: Yes. In addition to complying with the monthly tax deduction, the following must also be complied with if that employee is known to be retiring from employment:

All monies due to the employee must be withheld.

A notification of cessation through Form CP 22A (Form CP 22B for employees in the public sector) must be immediately forwarded to the relevant Inland Revenue Assessment Branch.

The correct amount of tax to be paid (if any) must be remitted to the Inland Revenue immediately upon receipt of the certificate of tax clearance.

Q12: An employee has income from other employment sources too. How should his tax deduction be calculated?

A12: An employer is required to deduct tax only in respect of the remuneration paid by him to his employee. The other employers of the employee will be responsible for making the necessary deductions on the remuneration they pay.

Q13: An employee wants tax to be deducted at higher amount than that determined by the table. Can this be complied with?

A13: An employee's actual tax liability may be higher than the total amount of his deductions because of income from other sources. Higher deductions can be made if the employee so requests.

Q14: Will tax deductions be applicable to an employee who makes zakat payments?

A14: Where an employee pays zakat through monthly deduction from his salary, the employer may off-set such zakat payments against the amount of tax deduction for the respective month.

However if zakat is paid in other manner, the employee concerned should

contact the IRB branch which handles his tax file for further assistance.

Q15: Will tax deductions be applicable to an employee who is entitled to a refund after taking into account tax deducted at source from dividend income?

A15: Tax deductions are applicable. However, the employee concerned may contact the Inland Revenue office which handles his tax file for assistance.

Q16: If a direction to employer to deduct tax (Form CP38) is received by the employer in respect of one of his employees, will the employer still have to deduct tax under the schedular tax deduction scheme?

A16: Yes, the Direction To Employer To Deduct Tax (Form CP 38) will be issued for the purpose of recovering outstanding tax only.

Q17: If a taxpayer, on receiving his form J, Finds that his STD deductions are insufficient to cover the total tax payable, what should he do?

A17: He should pay the difference within 30 days from the date of Notice of Assessment.

Source: Lembaga Hasil Dalam Negeri