



INLAND REVENUE BOARD MALAYSIA

PERQUISITES FROM EMPLOYMENT

**ADDENDUM TO
PUBLIC RULING NO. 1/2006**

Translation from the original Bahasa Malaysia text.

DATE OF ISSUE: 30 AUGUST 2007



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DIRECTOR GENERAL'S PUBLIC RULING

A Public Ruling as provided for under section 138A of the Income Tax Act 1967 is issued for the purpose of providing guidance for the public and officers of the Inland Revenue Board. It sets out the interpretation of the Director General of Inland Revenue in respect of the particular tax law, and the policy and procedure that are to be applied.

A Public Ruling may be withdrawn, either wholly or in part, by notice of withdrawal or by publication of a new ruling which is inconsistent with it.

**Director General Inland Revenue,
Malaysia**



**PERQUISITES FROM EMPLOYMENT
ADDENDUM TO PUBLIC RULING NO. 1/2006**

1. This Addendum provides clarification on the change in tax treatment of perquisites for service awards received by an employee pursuant to his employment.
2. **Tax exemption under paragraph 25C, Schedule 6, Income Tax Act (ITA)1967**
 - 2.1 With effect from year of assessment 2007, a new paragraph 25C, Schedule 6 ITA 1967 was introduced to exempt perquisites received by an employee, whether in cash or in kind, pursuant to his employment in respect of:-
 - a. past achievement;
 - b. service excellence award; or
 - c. long service on condition that the employee has served with the same employer or with companies within the same group of companies for more than 10 years.
 - 2.2 The amount exempted is limited to a maximum amount or value of RM1,000 for each year of assessment. For awards exceeding the amount or value of RM1,000, only the balance will be subject to tax.

Example 1

Andrew is a manager with Gemilang Sdn. Bhd. At the company's Annual Dinner held on 30.12.2007, he received the following:-

- i. A watch costing RM3,000 for serving the company for 15 years; and
- ii. Letter of appreciation and cash gift of RM5,000 for excellent service.

The tax treatment on Andrew in respect of the above is as follows :-

- a. *The total value of perquisites received by Andrew in the year of assessment 2007, in respect of long service and excellent service amounts to RM8,000. Out of this amount, RM1,000 will be tax exempt by virtue of paragraph 25C, Schedule 6, ITA 1967. The balance of RM7,000 is to be included as part of Andrew's gross income from employment under paragraph 13(1)(a), ITA 1967 and is chargeable to tax under section 4(b), ITA 1967 for the year of assessment 2007.*



- b. *The certificate of appreciation is not chargeable to tax as it has no money's worth and is not convertible into money even though it is related to exercising an employment.*

Example 2

Sarafina commenced employment with Daya Maju Holding Sdn. Bhd. on 01.01.2004. During her first three years of service, she did not take any sick leave. In appreciation of this, she was given a cash award of RM1,000 by her employer on 31.03.2007.

The total value of perquisites received by Sarafina in the year of assessment 2007 amounts to RM1,000. Since the perquisite received is in respect of past achievement, the whole amount is tax exempt in the year of assessment 2007 by virtue of paragraph 25C, Schedule 6, ITA 1967.

3. This Addendum forms part of the Public Ruling No. 1/2006 and is effective from year of assessment 2007.

**Director General
Inland Revenue Board Malaysia**