



**INLAND REVENUE BOARD OF MALAYSIA**

**TAXATION OF A RESIDENT INDIVIDUAL  
PART II -  
COMPUTATION OF TOTAL INCOME AND  
CHARGEABLE INCOME**

**PUBLIC RULING NO. 5/2018**

*Translation from the original Bahasa Malaysia text.*

**DATE OF PUBLICATION: 13 SEPTEMBER 2018**



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<b>CONTENTS</b>	<b>PAGE</b>
1. Objective	1
2. Relevant Provisions of the Law	1
3. Interpretation	1
4. Determination of Total Income and Chargeable Income	1
5. Determination of Basis Period	2
6. Residence Status	2
7. Computation of Gross Income	2
8. Computation of Adjusted Income/Loss	5
9. Computation of Statutory Income	12
10. Computation of Aggregate Income	17
11. Computation of Total Income	20
12. Taxation of Husband and Wife	23
13. Computation of Chargeable Income	26
14. Updates and Amendments	36
15. Disclaimer	36



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**DIRECTOR GENERAL'S PUBLIC RULING**

Section 138A of the Income Tax Act 1967 (ITA) provides that the Director General is empowered to make a Public Ruling in relation to the application of any provisions of the ITA.

A Public Ruling is published as a guide for the public and officers of the Inland Revenue Board of Malaysia. It sets out the interpretation of the Director General in respect of the particular tax law and the policy as well as the procedure applicable to it.

The Director General may withdraw this Public Ruling either wholly or in part, by notice of withdrawal or by publication of a new Public Ruling.

**Director General of Inland Revenue,  
Inland Revenue Board of Malaysia.**

## 1. Objective

The objective of this Public Ruling (PR) is to explain the computation of total income and chargeable income of a resident individual who derives income from business, employment and other sources.

## 2. Relevant Provisions of the Law

2.1 This PR takes into account laws which are in force as at the date this PR is published.

2.2 The provisions of the Income Tax Act 1967 (ITA) related to this PR are sections 5, 13, 21, 24, 34A, 34B, 38, 38A, 39, 40, 42 to 50 and 150.

## 3. Interpretation

The words used in this PR have the following meaning:

3.1 “Individual” means a natural person.

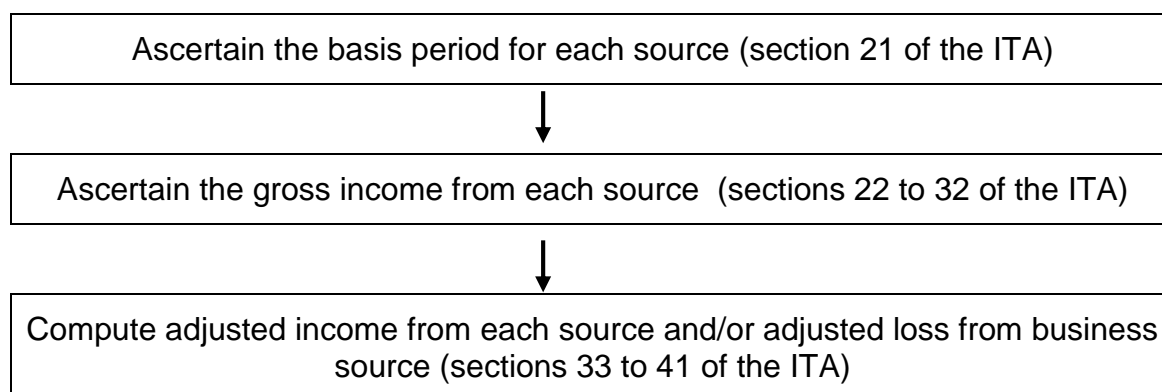
3.2 “Total income” for a year of assessment (YA) is the aggregate income less business losses for the basis year, expenditure under Schedule 4, 4B and gifts of money and contributions in kind, manuscripts, artefacts and paintings under section 44 of the ITA.

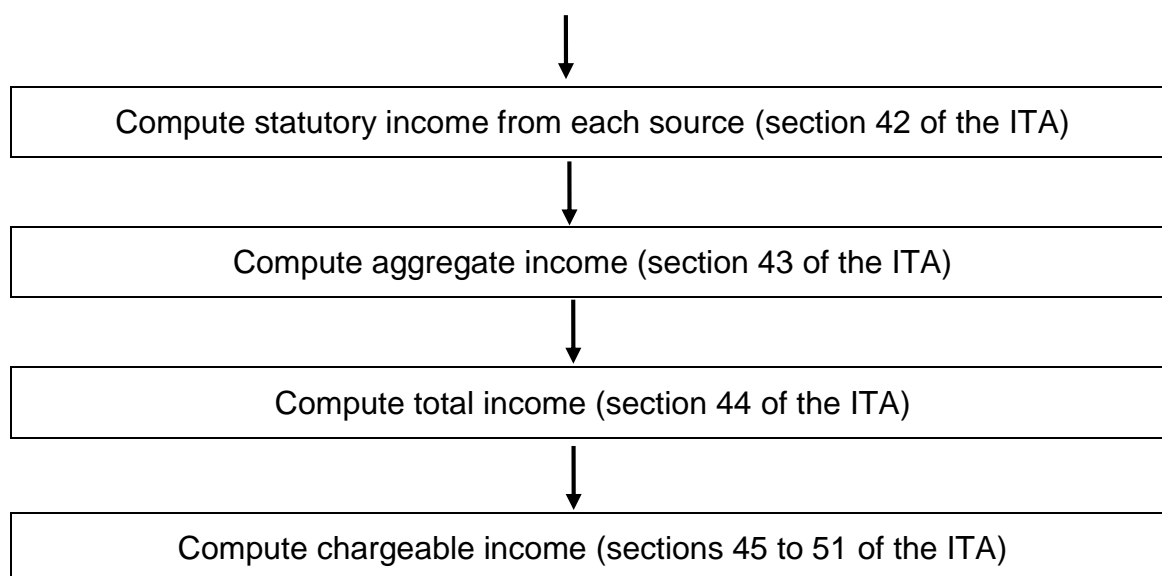
3.3 “Basis period” in relation to a person, a source of his and a YA, means such basis period, if any, as is ascertained in accordance with section 21 of the ITA.

3.4 “Year of assessment” means calendar year.

## 4. Determination of Total Income and Chargeable Income

The chargeable income of a resident individual for a YA is ascertained in accordance with section 5 of the ITA as shown below.





## 5. Determination of Basis Period

Section 21 of the ITA provides that the calendar year is the basis period for a YA in relation to the source of income of a person other than a company, limited liability partnership, trust body and co-operative society. This means that for any individual, the basis period for a YA for each source of income is the year ended 31 December.

## 6. Residence Status

Generally, the residence status of an individual for a basis year for a YA is determined by reference to the physical presence of that individual in Malaysia and not by his nationality or citizenship.

For further information, please refer to PR No. 11/2017 entitled "Residence Status of Individuals" which can be obtained from the official portal of the Inland Revenue Board of Malaysia (IRBM) at [www.hasil.gov.my](http://www.hasil.gov.my).

## 7. Computation of Gross Income

The gross income from each source of income for a basis period for a YA needs to be ascertained separately in accordance with sections 22 to 32 of the ITA.

### 7.1 Gross income from a business source

The components of gross income from a business source include:

- a) Receipts in cash for goods sold or services rendered or to be rendered in the course of carrying on a business;

- 
- b) Debts arising in respect of goods sold and services rendered or to be rendered or of any property dealt with or to be dealt with at any time in the course of carrying on a business;
- c) Any sum received in the course of carrying on a business in respect of any services to be rendered or the use of any property to be dealt with;
- d) Stock in trade withdrawn;
- e) Recovery of trading debts, where deduction has been made in ascertaining the adjusted income from a business, which is written off as bad debts;
- f) Trading debts where deduction has been made in computing the adjusted income of a business for the basis period for a YA prior to the relevant year and that debt (whole or part of the debt) is released; and
- g) Recovery of money received in respect of business losses obtained through –
- insurance;
  - agreement of payment from the employee;
  - legal action; or
  - other recovery actions to recover the loss

where the loss has been allowed in computing the adjusted income.

For further information, please refer to PR No. 4/2012 entitled “Deduction for Loss of Cash and Treatment of Recoveries” which can be obtained from the official portal of the IRBM at [www.hasil.gov.my](http://www.hasil.gov.my).

## 7.2 Gross income from employment

The components of gross income from an employment source are as follows:

a) **Paragraph 13(1)(a) of the ITA**

Wages, salary, remuneration, leave pay, fee, commission, bonus, gratuity, perquisite or allowance (whether in money or otherwise) in respect of having or exercising the employment.

b) **Paragraph 13(1)(b) of the ITA**

Value of benefit in kind (not convertible into money) provided for the employee by the employer.

However, the following receipts are not included in the component of gross income from employment:

- Medical/dental treatment benefit;
- Child care benefit;
- Leave passage:
  - Local leave passage not exceeding 3 times in a calendar year; and
  - One overseas leave passage in a calendar year, limited to a maximum of RM3,000
- Benefits used by the employee solely in connection with the performance of his duties.

c) **Paragraph 13(1)(c) of the ITA**

Value of living accommodation in Malaysia provided for the employee by or on behalf of the employer rent free or otherwise.

d) **Paragraph 13(1)(d) of the ITA**

Amount received by the employee, whether before or after his employment ceases, from an unapproved pension or provident fund, scheme or society.

e) **Paragraph 13(1)(e) of the ITA**

Amount received by the employee, whether before or after his employment ceases, by way of compensation for loss of the employment.

Employment income under subsection 13(1) of the ITA includes any amount of output tax under the Goods and Services Tax Act 2014 (GSTA) which is borne by the employer in respect of perquisites, benefits in kind or value of living accommodation that is given or provided to an employee.

### 7.3 Gross income from other sources

In respect of other sources of income such as dividends, interest, rents, royalties, pensions, annuities and other income, the gross income from each of the sources above is the amount comprising of any sums received or deemed to have been received for that basis period in relation to that source.



## 8. Computation of Adjusted Income/Loss

8.1 Subsection 33(1) of the ITA provides that the adjusted income of an individual from a source of income for a basis period for a YA is the gross income from that source less all deductible expenses wholly and exclusively incurred in the production of gross income for that source as provided for under the general and specific provisions of the ITA.

8.2 Section 40 of the ITA provides that for income from a business source, the adjusted loss arises when the allowable expenses exceed the gross income of the business. The adjusted loss from the business source is given a deduction from all other sources of income in the current year. For other sources of income, if the expenses exceed the gross income, the loss is not deductible against any other sources of income and it cannot be carried forward. The said loss is disregarded.

### 8.3 Computation of adjusted income/loss from a business source

8.3.1 The computation of adjusted income/loss from a business source is as follows:

	RM	RM
Gross income from business		XX
Less:		
General provision (subsection 33(1) of the ITA)		
• Expenses wholly and exclusively incurred in the production of gross income from the business	XX	
Specific provision (sections 34, 34A and 34B of the ITA)		
• Specific deductible expenditure (section 34 of the ITA)	XX	
• Approved research expenditure (section 34A of the ITA)	XX	
• Contribution to an approved research institute or payment for use of services of an approved research institute or company (section 34B of the ITA)	<u>XX</u>	<u>XX</u>
Adjusted income/loss from business		<u>XX</u>

8.3.2 General Provision of Subsection 33(1) of the ITA

Expenses which are allowed under the general provision of subsection 33(1) of the ITA for a business source include:

a) Wages and salary of an employee

- b) Interest payments arising from loans/overdraft taken and used solely:
  - i. for business purposes; or
  - ii. for the purchase of assets held or used in the business
- c) Rent payable in respect of any land or building or part thereof occupied for the purposes of the business.
- d) Expenses incurred for the repair of premises, plant, machinery or fixtures or for the renewal, repair or alteration of any implement, utensil or article so employed in the business excluding the cost of reconstructing or rebuilding any premises, buildings, structures or works of a permanent nature, any plant or machinery or any fixtures.
- e) Other deductions as may be prescribed.

#### 8.3.3 Specific Provision of Section 34 of the ITA

Among the allowable deductions in the computation of adjusted income/loss under the specific provision of section 34 of the ITA from the business sources are as follows:

- a) Irrecoverable bad debts written-off and specific doubtful trade debts which are estimated to be irrecoverable (general provision for doubtful debts and non-trading bad debts written off are not deductible).
- b) Contribution made by an employer to a scheme approved by the Director General of Inland Revenue (DGIR) in respect of his employee. Section 2 of the ITA defines “approved scheme” as the Employees Provident Fund (EPF), private retirement scheme or any pension or provident fund, scheme or society approved by the DGIR under section 150 of the ITA. The amount allowable for deduction is an amount equal to the contribution or 19% of the employee’s remuneration, whichever is the lesser.
- c) Expenses incurred on the provision of any equipment or on the alteration or renovation of premises necessary to assist disabled employees in the performance of their duties.
- d) Expenses incurred in respect of translation into or publication in the national language of cultural, literary, professional, scientific or technical books approved by the Dewan Bahasa dan Pustaka.

- e) Expenses not exceeding RM100,000 incurred on the provision of library facilities which are accessible to the public and contributions to public libraries and libraries of schools and institutions of higher education.
- f) Expenses incurred on the provision of services, public amenities and contributions to a charity or community project pertaining to education, health, housing, conservation or preservation of environment, enhancement of income of the poor, infrastructure, information and communication technology, approved by the Minister of Finance.
- g) Expenditure incurred (not being capital expenditure) on the provision and maintenance of a child care centre for the benefit of the employees employed in the business.
- h) Expenditure incurred in establishing and managing a musical or cultural group approved by the Minister of Finance.
- i) Expenses not exceeding RM700,000 incurred for sponsoring any arts, cultural or heritage activity approved by the Minister responsible for arts, culture or heritage, and provided that the amount of the expenditure incurred in sponsoring foreign arts, cultural or heritage activity shall not exceed RM300,000. Prior to YA 2017, the allowable amount of deduction is RM500,000 and RM200,000 respectively. The local and foreign arts, cultural or heritage activity must be held locally.

### **Example 1**

Tekak Warisan Sdn. Bhd. sponsored a cultural event held at Istana Budaya, Kuala Lumpur in June 2017. This activity was approved by the Ministry of Tourism and Culture. The expenses incurred by the company to sponsor the local cultural activities was RM500,000 while RM370,000 was incurred to sponsor the foreign cultural activities.

Tekak Warisan Sdn. Bhd. is eligible for a deduction for the expenses of RM700,000 that is RM500,000 for sponsoring the local cultural activities and RM200,000 for sponsoring the foreign cultural activities.

- j) Expenses incurred on the provision of practical training in Malaysia related to the business of the person to a resident individual who is not an employee of that person.

- k) Expenses incurred (not being capital expenditure) on scientific research related to the business directly undertaken by him or on his behalf.

**8.3.4 Special provision sections 34A and 34B of the ITA**

- a) Other than the deductions under section 34 of the ITA, a special deduction for research expenditure as provided under section 34A of the ITA is also allowed in ascertaining the adjusted income of a person from a business. Under this provision, any revenue expenditure incurred on research approved by the Minister of Finance can be claimed as a double deduction in ascertaining the adjusted income from the business.

For further information, please refer to PR No. 5/2004 entitled “Double Deduction Incentive on Research Expenditure” which can be obtained from the official portal of the IRBM at [www.hasil.gov.my](http://www.hasil.gov.my).

- b) Section 34B of the ITA provides that a double deduction is also allowed on the following revenue expenditure incurred in ascertaining the adjusted income from a business:
- contribution in cash to an approved research institute;
  - payment for the use of the services of an approved research institute or an approved research company; or
  - payment for the use of the services of a research and development company or a contract research and development company.

**8.4 Computation of adjusted income from an employment source**

The computation of adjusted income from an employment source is as follows:

	RM	RM
Gross income from employment - paragraphs 13(1)(a) to (e) of the ITA		XX
Less: Allowable expenditure		
General provision (subsection 33(1) of the ITA)		
<ul style="list-style-type: none"> <li>• Expenses wholly and exclusively incurred in the production of gross income such as:</li> </ul>		

<ul style="list-style-type: none"> <li>➤ Travelling expenses which are incurred by an individual in the course of exercising his duties as an employee</li> <li>➤ Annual subscriptions paid to professional bodies where membership to such bodies is a requirement to the performance of duties</li> </ul>	<p>XX</p> <p>XX</p>	
Specific provision (sections 38 and 38A of the ITA)		
<ul style="list-style-type: none"> <li>• Payment for rent of premises/ furniture/ public rates/ insurance premiums on living accommodation provided by an employer to employees (limited to the value of living accommodation and furniture taken as gross income from an employment) (section 38 of the ITA)</li> <li>• Entertainment expenses (limited to the amount of entertainment allowance paid by an employer) (section 38A of the ITA)</li> </ul>	<p>XX</p> <p>XX</p>	
Adjusted income from employment		<p><u>XX</u></p> <p><u>XX</u></p>

**8.5 Computation of adjusted income from other sources of income (dividends, interest, rents, royalties, premiums and others)**

The computation of adjusted income from other sources of income is as follows:

	<b>RM</b>
Gross income	XX
Less: Allowable expenditure	
General provision [subsection 33(1) of the ITA]	
<ul style="list-style-type: none"> <li>• Expenses wholly and exclusively incurred in the production of gross income from that source</li> </ul>	XX
Adjusted income	<u>XX</u>

**8.6 Deductions not allowed**

In computing the adjusted income from each source of income, there are several expenses which are not allowed as provided under section 39 of the ITA. The expenses are as follows:

- a) Domestic or private expenses.

- 
- b) Expenses which are not wholly and exclusively expended for the purpose of producing the gross income.
- c) Capital withdrawn or any sum used or intended to be used as capital. For example, payments for purchase of fixed assets or private assets such as private residence, cars and shares.
- d) Payment to any pension, provident, savings, widows, widowers and orphans fund or other similar fund or society which is not an approved scheme.
- e) Any qualifying expenditure incurred for the purposes of Schedule 2, 3 or 4 of the ITA.
- f) <sup>1</sup>Interest or royalty derived from Malaysia which are subject to withholding tax under section 109 of the ITA but withholding tax has not been deducted therefrom and paid to the DGIR within the specified time.
- g) Any sum payable (other than to a State Government or with the approval of the Minister, a statutory authority or other body in which the capital or fund is wholly or substantially owned by a State Government or a statutory authority) for the use of a license or permit to extract timber from a forest in Malaysia.
- h) <sup>2</sup>Any contract payment to a non-resident contractor which is subject to withholding tax as provided under section 107A of the ITA but tax has not been deducted therefrom and paid to the DGIR within the specified time.
- i) <sup>3</sup>Any payment made to a non-resident which is subject to withholding tax under section 109B or 109F of the ITA but tax has not been deducted therefrom and paid to the DGIR within the specified time.
- j) Rentals of a motor vehicle (other than a motor vehicle licensed for commercial transportation) in excess of RM50,000.

In cases where:

- the motor vehicle is brand new (not a reconditioned motor vehicle) and has not been used by any person for any purpose prior to the rental; and
- the total cost of the motor vehicle does not exceed RM150,000, then rentals in excess of RM100,000 are disallowed.

The amount of deduction allowed in respect of the rentals of such motor vehicle in the YA and subsequent YA shall not in the aggregate exceed RM50,000 or RM100,000, as the case may be.

- k) An amount equal to 50% of the expenses incurred on entertainment including any sums paid to the employees for the provision of entertainment.

However, entertainment expenses as provided under proviso (i) to (viii) to paragraph 39(1)(l) of the ITA are fully allowed as deduction.

For further explanation, please refer to PR No. 4/2015 entitled "Entertainment Expenses" which can be obtained from the official portal of the IRBM at [www.hasil.gov.my](http://www.hasil.gov.my).

- l) Expenditure incurred in the provision of a benefit or amenity to an employee consisting of a leave passage to local or overseas destinations. However, this expenditure is subject to paragraphs 39 (1)(l) (i) and (viii) of the ITA.

For further explanation, please refer to PR No. 1/2003 and Addendum to PR No. 1/2003 entitled "Tax Treatment of Leave Passage" which can be obtained from the official portal of the IRBM at [www.hasil.gov.my](http://www.hasil.gov.my).

- m) Input tax which is claimable from the Royal Malaysian Customs Department (RMCD) and input tax of a person who is liable to be registered under the Goods and Services Tax Act 2014 (GSTA) but fails to do so.

- n) Output tax which is borne by a person who is registered or liable to be registered under the GSTA.

For further explanation regarding input tax and output tax, please refer to PR No. 1/2017 entitled "Income Tax Treatment of Goods and Services Tax Part I – Expenses" which can be obtained from the official portal of the IRBM at [www.hasil.gov.my](http://www.hasil.gov.my).

- o) <sup>4</sup>Any remuneration or other income paid to a public entertainer in respect of services performed or rendered in Malaysia in which withholding tax under section 109A of the ITA has not been deducted therefrom and paid to the DGIR within the specified time.

For further explanation, please refer to PR No. 6/2017 entitled "Withholding Tax on Income of a Non-Resident Public Entertainer" which can be obtained from the official portal of the IRBM at [www.hasil.gov.my](http://www.hasil.gov.my).

**Note:**

<sup>1-4</sup>Payments will only be allowed as a deduction after the withholding tax together with the penalty imposed is remitted to the DGIR.

**9. Computation of Statutory Income**

Paragraph 5(1)(d) of the ITA provides that the statutory income from each source of income for a basis period for a YA is ascertained according to the provision under section 42 of the ITA.

**9.1 Statutory income from a business source**

9.1.1 Statutory income from a business source is ascertained as follows:

	<b>RM</b>	<b>RM</b>
Adjusted income		XX
Add:		
Balancing charge or the aggregate of the balancing charges	XX	
Agriculture charge or the aggregate of the agriculture charges	XX	
Forest charge or the aggregate of the forest charges	<u>XX</u>	<u>XX</u>
		XX
Less:		
Allowance or the aggregate allowances under Schedule 3 related to the business source		<u>XX</u>
Statutory income		<u>XX</u>

**Example 2**

Adam carried on a business and the information on his business for the year ended 31.12.2016 is as follows:

	<b>RM</b>
Adjusted income from business source	100,000
Balancing charge	15,000
Capital allowance	20,000

Adam's statutory income for YA 2016 is as follows:



	<b>RM</b>
Adjusted income	100,000
Add: Balancing charge	<u>15,000</u>
	115,000
Less: Capital allowance	<u>20,000</u>
Statutory income	<u>95,000</u>

- 9.1.2 Statutory income from business source for a basis period for a YA can still arise even though there is an adjusted loss in respect of a business source, if its balancing charge exceeds its capital allowance.

**Example 3**

Amirul has a business source and the information regarding his business for the year ended 31.12.2016 is as follows:

	<b>RM</b>
Adjusted business loss	(50,000)
Balancing charge	10,000
Capital allowance	5,000

Amirul's statutory income from business for YA 2016 is as follows:

		<b>RM</b>
Adjusted income from business	(loss 50,000)	Nil
Add: Balancing charge		<u>10,000</u>
		10,000
Less: Capital allowance		<u>5,000</u>
Statutory income		<u>5,000</u>

**Note:**

The adjusted loss of RM50,000 is loss incurred in the current year. This loss can be deducted from Amirul's aggregate income in computing his total income for YA 2016 [subsection 44(1) of the ITA].

- 9.1.3 Where there is capital allowance which cannot be absorbed by the adjusted income from a business source, the unabsorbed capital allowance will be carried forward and allowed in computing the

statutory business income from the same business source in the following YA.

**Example 4**

Zahid has income from the following sources for years ended 31.12.2015 and 31.12.2016:

	<b>Year ended 31.12.2015</b>	<b>Year ended 31.12.2016</b>
	<b>RM</b>	<b>RM</b>
<b>Business:</b>		
Adjusted income	5,000	12,000
Capital allowance	6,500	7,000
<b>Rent:</b>		
Adjusted income	25,000	29,000

Zahid's statutory income from each source of income for YA 2015 and YA 2016 are computed as follows:

	<b>YA 2015</b>		<b>YA 2016</b>	
	<b>RM</b>		<b>RM</b>	
<b>Business:</b>				
Adjusted income		5,000		12,000
Less:				
Capital allowance	6,500		YA 2016 7,000	
Restricted to	<u>5,000</u>	<u>5,000</u>	b/f from YA 2015	<u>1,500<sup>5</sup></u>
Capital allowance c/f to YA 2016				<u>8,500</u>
Statutory income		<u>Nil</u>		<u>3,500</u>
<b>Rent:</b>				
Adjusted/statutory income		<u>25,000</u>		<u>29,000</u>

**Note:**

<sup>5</sup>The capital allowance of RM1,500 that cannot be absorbed by income from the business source for YA 2015 will be carried forward to YA 2016 and can only be deducted from the same business source.

**9.2 Statutory income from a source other than business**

Statutory income from each non-business source for a basis period for a YA is the total amount of gross income from that source after deducting any expenses which are deductible in accordance with the ITA. In other words, the statutory income from a non-business source is the adjusted income of that source for the basis period for that YA.

$$\text{Adjusted income from a non-business source} = \text{Statutory income from a non-business source}$$

**Example 5**

Jane is a marketing manager in a company in Kuala Lumpur. Her employment income for the year ended 31.12.2016 is as follows:

	<b>RM</b>
Salary	125,000
Travelling allowance	24,000
Entertainment allowance	<u>15,000</u>
	<u>164,000</u>

Jane made claims for the following expenses:

- a) Expended the full sum of RM24,000 of the travelling allowance provided by her employer to provide services to the existing clients of the company; and
- b) Expended RM16,000 for the purpose of entertaining existing clients of the company.

Jane's statutory income from employment source for YA 2016 is as follows:

	<b>RM</b>	<b>RM</b>
Salary		125,000
Travelling allowance		24,000
Entertainment allowance		<u>15,000</u>

		164,000
Less: Expenses (subsection 33(1) and section 38A of the ITA)		
Travelling	24,000	
Entertainment (limited to the entertainment allowance)	<u>15,000</u>	<u>39,000</u>
Adjusted/statutory income		<u>125,000</u>

**Note:**

- i. Travelling expenses incurred by Jane are allowed under subsection 33(1) of the ITA provided that the amount is expended in the course of exercising her employment duties and is certified by the employer. Any private travelling expenses such as travelling between his residence and place of employment is not allowable.
- ii. Entertainment expenses incurred by Jane in entertaining existing clients of the company are allowable as a deduction under subsection 33(1) of the ITA provided that the entertainment is carried out in the performance of her duties. However, the amount of entertainment expenses that can be allowed is limited to the amount of entertainment allowance paid by the employer (section 38A of the ITA).

**Example 6**

Imran, a project manager, has income from the following sources for the year ended 31.12.2016:

Employment	RM
Salary	90,000
Travelling allowance	15,000
Entertainment allowance	8,000
<b>Rent</b>	
Gross income	22,000

Imran made claims for expenses from the following sources of income:

For employment income:

- a) RM14,000 for visiting construction project site; and
- b) RM8,400 for entertaining the company's clients.

For rental income:

- a) RM7,000 for housing loan interest; and
- b) RM1,600 for house assessment and quit rent.

Imran's statutory income for each source of income for the YA 2016 is as follows:

	RM	RM
<b>Employment</b>		
Gross income (90,000 + 15,000 + 8,000)		113,000
Less:		
Allowable expenditure (subsection 33(1) and section 38A of the ITA)		
Travelling	14,000	
Entertainment (limited to allowance received)	<u>8,000</u>	<u>22,000</u>
Adjusted/statutory income from employment		<u>91,000</u>
<b>Rent</b>		
Gross income		22,000
Less:		
Allowable deduction (subsection 33(1) of the ITA)		
Housing loan interest	7,000	
House assessment and quit rent	<u>1,600</u>	<u>8,600</u>
Adjusted/statutory income from rent		<u>13,400</u>

## 10. Computation of Aggregate Income

10.1 The provision under section 43 of the ITA explains how aggregate income is computed. In accordance to that provision, the aggregate income of an individual for a YA includes:

- a) The aggregate of the statutory income from each business source for a YA and reduced by the business loss brought forward from previous YA which has not been deducted against any other sources of income;
- b) The aggregate of the statutory income from each non-business source (employment, dividends, interest, discounts, rents, royalties, premiums, pensions, annuities, other periodical payments and other income) that is derived for the YA; and

- c) Amount received in respect of qualifying prospecting expenditure under Schedule 4 of the ITA.

**Example 7**

Raziq has income from the following sources for the year ended 31.12.2016:

	RM	RM
Adjusted income from business		75,000
Capital allowance	18,000	
Balancing charge	2,500	
Adjusted income from employment		48,000
Adjusted income from rent		14,000

**Computation of Raziq's aggregate income for YA 2016**

	RM
Adjusted income from business	75,000
Add: Balancing charge	<u>2,500</u>
	77,500
Less: Capital allowance	<u>18,000</u>
Statutory income from business	59,500
Statutory income from employment	48,000
Statutory income form rent	<u>14,000</u>
Aggregate income	<u>121,500</u>

**10.2 Unabsorbed business loss**

Where the whole or part of the adjusted loss from a business for a basis period cannot be deducted against the aggregate income from all sources for that YA due to insufficiency or the absence of the aggregate income, the amount of unabsorbed loss will be carried forward and deducted from the aggregate of the statutory income from business sources for the following YAs until the loss is fully absorbed.

**Example 8**

Ananda's income information for the year ended 31.12.2016 is as follows:



Aggregate statutory income from businesses		61,000
Less:		
Business loss b/f (subsection 43(2) ITA)		<u>7,700<sup>7</sup></u>
Aggregation of statutory income from business sources		53,300
Statutory income from employment		46,000
Statutory income from rental		<u>Nil<sup>8</sup></u>
Aggregate income		<u>99,300</u>

**Note:**

<sup>6</sup>The current year adjusted loss from Business II of RM9,200 is deductible against the current year aggregate income.

<sup>7</sup>The adjusted loss from business which cannot be absorbed from the aggregate income of previous year will be deducted from the aggregate statutory income from business for YA 2016.

<sup>8</sup>Loss of RM3,000 from the rental source cannot be deducted against any other sources of income.

## 11. Computation of Total Income

Total income is computed in accordance with section 44 of the ITA. Total income of an individual for a YA is his aggregate income for that YA less certain deductions allowed in the following order:

a) **First deduction: Current year adjusted business loss [subsection 44(2) of the ITA]**

Adjusted loss from a business source or sources for the current year is the first deduction to be allowed against the aggregate income of an individual in computing his total income for a YA. Where the current year adjusted loss cannot be absorbed wholly against the aggregate income from all sources, the balance of loss which cannot be absorbed shall be carried forward to the following year and can only be deducted from the aggregate of the statutory income from business sources [subsection 43(2) of the ITA].

### Example 9

Farhan has income from the following sources for the year ended 31.12.2015 and 31.12.2016:



	Year ended 31.12.2015 RM	Year ended 31.12.2016 RM
<b>Business I</b>		
Adjusted loss	(14,000)	(7,000)
Balancing charge	6,000	Nil
Capital allowance	3,500	4,000
<b>Business II</b>		
Adjusted income	8,000	12,000
Capital allowance	9,000	5,000
<b>Rent</b>		
Adjusted income	10,000	10,000

**Computation of Farhan's total income for YA 2015 and YA 2016**

	YA 2015		YA 2016	
<b>Business I</b>				
Adjusted income	(loss 14,000) <sup>9</sup>	Nil	Loss (7,000) <sup>12</sup>	Nil
Add: Balancing charge		6,000		
Less: Capital allowance		<u>3,500</u>		<u>Nil</u>
Statutory income		2,500	C/A c/f 4,000 <sup>13</sup>	Nil
<b>Business II</b>				
Adjusted income		8,000		12,000
Less: Capital allowance	9,000		5,000	
Restricted to	<u>8,000</u>	<u>8,000</u>		
Capital allowance c/f	1,000 <sup>10</sup>			
Capital allowance b/f			<u>1,000<sup>10</sup></u>	<u>6,000</u>
Statutory income		<u>Nil</u>		<u>6,000</u>
Aggregate statutory income from businesses		2,500		6,000
Less: Business loss b/f		<u>Nil</u>		<u>1,500<sup>11</sup></u>
Aggregate statutory income from business sources		2,500		4,500

Add:			
Statutory income from rent		<u>10,000</u>	<u>10,000</u>
Aggregate income		12,500	14,500
Less:			
Current year business loss	14,000 <sup>9</sup>		<u>7,000</u> <sup>12</sup>
Restricted to	<u>12,500</u>	<u>12,500</u>	
Business loss c/f	1,500 <sup>11</sup>		
Total income		<u>Nil</u>	<u>7,500</u>

**Note:**

<sup>9</sup> & <sup>12</sup>Current year loss is deducted against the aggregate income.

<sup>10</sup>Unabsorbed capital allowance of RM1,000 from Business II is carried forward to YA 2016 and allowed as a deduction against the adjusted income from the same business source.

<sup>11</sup>Current year loss which cannot be wholly absorbed against the aggregate income is carried forward to YA 2016 and allowed a deduction against the aggregate of the statutory income from businesses.

<sup>13</sup>Unabsorbed capital allowance of RM4,000 from Business I is carried forward to the following YAs and allowed as a deduction against the adjusted income from the same business source.

b) **Second deduction: deduction for qualifying prospecting expenditure (Schedule 4 of the ITA) and qualifying pre-operational business expenditure (Schedule 4B of the ITA)**

Qualifying prospecting expenditure and qualifying pre-operational business expenditure allowed as a deduction from the aggregate income after allowing the deduction for current year business loss under subsection 44(2) of the ITA.

c) **Third deduction: gifts or contribution [subsections 44(6) to (11C) of the ITA]**

Deduction for gifts and contribution in cash under subsections 44(6) to (11C) of the ITA made in the basis year is allowed where there is an aggregate income after deducting the first and second deduction. Where there is insufficient aggregate income after those deductions, gifts and contribution which cannot be deducted from the aggregate income shall not be carried forward to the following YA.

## 12. Taxation of Husband and Wife

12.1 The ITA provides that a husband and a wife are taxed as two separate individuals. As such, income from all sources that are earned by the wife will be assessed separately from the income of her husband. However, if the husband and wife find it beneficial in terms of a lower tax liability when they have their total income aggregated, the ITA allows the husband or the wife to elect to have their total income aggregated in a combined assessment, subject to the conditions as stated in subsection 45(2) of the ITA.

12.2 Paragraphs 45(2)(a) and (b) of the ITA provide that –

- a) a wife may elect (in writing) to have her total income aggregated with the total income of her husband for that YA and the assessment shall be made in the husband's name; or
- b) a husband may elect (in writing) to have his total income aggregated with the total income of his wife for that YA and the assessment shall be made in the wife's name.

12.3 Paragraph 12.2 applies where -

- a) The wife and the husband were living together in the basis year for a YA and did not in that basis year cease to live together or to be husband and wife of each other;
- b) The wife or the husband must have total income to be aggregated with the total income of the husband or wife;
- c) The wife who elects or the husband who elects is a resident or a Malaysian citizen;
- d) Where the husband has more than one wife, no other wife/wives elects to have her total income aggregated with the total income of the husband; and
- e) The husband can only elect to have his total income aggregated with the total income of one wife only.

12.4 A wife who elects or a husband who elects for her/his total income to be aggregated with the total income of her/his spouse shall be treated as having no chargeable income for that particular YA [subsection 45(4) of the ITA].

### Example 10

Anuar and his wife, Marina both residents in Malaysia were living together in the basis year 2016. Anuar elects to have his total income aggregated with the total income of his wife for and the assessment to be made in her name.

The income of Anuar and his wife for the year ended 31.12.2016 are as follows.

Source of Income	Anuar RM	Marina RM
Employment	15,000	72,000
Rent	Nil	6,000

**Computation of total income for Anuar and Marina for YA 2016**

Income	Combined Assessment	
	Anuar RM	Marina RM
Employment	15,000	72,000
Rent	<u>Nil</u>	<u>6,000</u>
Total income	15,000	78,000
Aggregate total income		<u>93,000</u>

The aggregate of Anuar's and Marina's total income is RM93,000 (RM15,000 + RM78,000) and is assessed in Marina's name.

A husband who elects that his total income to be aggregated with the total income of his wife and is assessed in the wife's name shall be treated as having no chargeable income for YA 2016.

**Example 11**

Ashraf and his wife, Nadia were residents in Malaysia for the basis year 2016. They have income from the following sources for the year ended 31.12.2016:

Source of income	Ashraf RM	Nadia RM
Business (loss)	(27,000)	Nil
Employment	Nil	60,000
Rent	8,400	Nil

**Computation of total income of Ashraf and Nadia for YA 2016**

Source of income	Ashraf RM	Nadia RM
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Statutory income from business (loss RM27,000)	Nil	Nil
Statutory income from employment	Nil	60,000
Statutory income from rent	<u>8,400</u>	<u>Nil</u>
Aggregate income	8,400	60,000
Less: Current year loss (restricted)	<u>8,400</u>	<u>Nil</u>
Total income	<u>Nil</u>	<u>60,000</u>
	[loss RM18,600 (RM27,000 – RM8,400) carried forward]	

Ashraf cannot elect for combined assessment as he has no total income. Nadia is assessed in her own name and the business loss of RM18,600 suffered by Ashraf is carried forward to the following year to be deducted from his statutory business income [subsections 44(5) and 43(2) of the ITA].

- 12.5 The phrase “living together” means living together in intention. A husband and a wife are treated as living together even though they are temporarily separated because one or the other is away on business or holiday. For example, a spouse who is sent overseas for a certain period or temporarily working overseas is treated as “living together”.

A husband and a wife are treated as living together unless they are separated—

- a) by a court order;
- b) by a deed of separation; or
- c) in such circumstances that the separation is likely to be permanent.

- 12.6 Where a husband and a wife cease to live together due to any one of the three circumstances mentioned in paragraph 12.5, the condition of “living together” for the purpose of aggregation of the total income of a husband with the total income of his wife is not fulfilled. Hence –

- a) the total income of the former wife cannot be aggregated with the total income of the former husband; and
- b) the former wife will be assessed separately in her own name on her taxable income in the YA the husband and wife cease to live together.

- 12.7 Where a husband or a wife has total income and elects for combined assessment, whether the assessment is made in the husband's or the wife's name, the husband who elects or the wife who elects must fill in a separate Income Tax Return Form (ITRF). The husband who elects or the wife who elects must indicate in his/her ITRF that an election is made for combined assessment.
- 12.8 Where either the husband or the wife passed away in the basis year for a YA, their income for the basis year will be assessed separately. If the husband passed away, the wife will be taxed as a "femme sole". The husband will still be taxed on his income from the beginning of the basis year up to the date of his death in the name of the executor of the deceased person's estate (the husband). Similarly, in the case when the wife passed away, she will still be taxed on her income in the name of the executor of deceased person's estate (the wife) from the beginning of the basis year up to the date of her death.

### 13. Computation of Chargeable Income

- 13.1 Subsection 45(1) of the ITA provides that chargeable income of an individual is computed by allowing several deductions from his total income. The calculation of chargeable income is as follows

	<b>RM</b>
Gross income from business	<b>XX</b>
Less: Allowable expenses (sections 33, 34, 34A and 34B of the ITA)	<b>XX</b>
<b>Adjusted income (section 41 of the ITA)</b>	<b>XX</b>
Add:	
Balancing charge/agriculture charge/forest charge (Schedule 3 of the ITA)	<b>XX</b>
Less:	
Capital allowance - current year and balance brought forward (includes balancing allowance/ forest allowance/agriculture allowance)	<b>XX</b>
<b>Statutory income (section 42 of the ITA)</b>	<b>XX</b>
Statutory income from all business sources	
Less:	
Adjusted business loss brought forward	<b>XX</b>
Add:	
Statutory income from non-business sources	<b>XX</b>
Amount received from prospecting operations (Schedule 4 of the ITA)	<b>XX</b>

<b>Aggregate income (section 43 of the ITA)</b>	<b>XX</b>
Less:	
Current year adjuted business loss [subsection 44(2) of the ITA]	<b>XX</b>
Expenditure on prospecting operations (Schedule 4 of the ITA)	<b>XX</b>
Qualifying pre-operational business expenditure (Schedule 4B of the ITA)	<b>XX</b>
Gifts and contributions [subsections 44(6) - 44(11C) of the ITA]	<b>XX</b>
<b>Total income (section 44 of the ITA)</b>	<b>XX</b>
Less:	
Allowable deductions under sections 45A, 46, 46A, 46B, 47, 48 and 49 of the ITA	<b>XX</b>
<b>Chargeable income (section 45 of the ITA)</b>	<b>XX</b>

For more information on allowable deductions under sections 45A to 49 of the ITA please refer to in PR No. /2018 entitled "Taxation of a Resident Individual: Part I – Gifts or Contributions and Allowable Deductions" which can be obtained from the official portal of the IRBM at [www.hasil.gov.my](http://www.hasil.gov.my).

- 13.2 An individual resident in Malaysia is assessed in his own name and is eligible to claim deductions under sections 45A to 49 of the ITA.
- 13.3 Where a wife is assessed separately in her name, the husband is not allowed a deduction for the wife [subsection 47(4) of the ITA]. Similarly, where a husband who is assessed separately, the wife is not allowed a deduction for the husband. However, according to the provision under subsection 47(2) of the ITA, a husband is entitled to the deduction for payments of alimony made to a former wife.

### Example 12

Yow and his wife, Carmen were resident in Malaysia for the basis year 2016. Yow also has a former wife and he pays alimony of RM8,400 to his former wife in that basis year. Yow and Carmen were assessed separately for YA 2016.

Yow and Carmen are both not entitled to claim deductions for the wife and the husband respectively for the YA 2016 as both are assessed separately in their own names.

However, Yow qualifies to claim alimony payments to his former wife but is limited to a maximum of RM4,000.

### **Example 13**

Rizal and his wife, Linda were resident in Malaysia for the basis year 2016. The information on Rizal's and Linda's income for the year ended 31.12.2016 is as follows:

	<b>Rizal RM</b>	<b>Linda RM</b>
Statutory income from employment	56,000	140,000
Statutory income from rent	24,000	Nil

#### **Additional information:**

- a) Linda's mother suffered from stroke and the doctor's report certified that her mother required the service of a carer. Linda expended an amount of RM6,000 to pay for the carer. Rizal also spent RM2,000 on the purchase of medical equipment and special needs such as urine bag and disposable diaper for his mother in law.
- b) Rizal and Linda both expended RM3,000 each for medical expenses on their child who is suffering from leukemia.
- c) Rizal and Linda both made contributions to Social Security Organization (SOCSSO) pursuant to the Employees Social Security Act 1969 of RM160 and RM230 respectively .
- d) The couple have three unmarried children:
  - Their first child aged 20 years old and is studying at a degree level in Biotechnology at Universiti Putra Malaysia.
  - Their second child aged 18 years old and is studying A-Level program at Kolej Yayasan UEM.
  - Their third child aged 16 years old and is schooling at Sekolah Menengah Sri Aman, Petaling Jaya.

Rizal made a claim for their third child while Linda claimed deduction for their first two children.
- e) The total payments expended by Rizal and Linda in the basis year 2016 are as follows:



Types of payment /Contribution	Rizal RM	Linda RM
Contribution to EPF	4,500	12,000
Life insurance premium (on individual's life)	3,500	5,000
Education insurance premium	Nil	2,000
Medical insurance premium	2,400	3,600
Private Retirement Scheme Fund	Nil	4,500
Deferred annuity	3,600	4,000

**Computation of chargeable income of Rizal and Linda for YA 2016**

	Rizal RM	Linda RM
Statutory income from employment	56,000	140,000
Statutory income from rent	<u>24,000</u>	<u>Nil</u>
Aggregate income/Total income	80,000	140,000
Less: Allowable deductions		
Self and dependant relatives	9,000	9,000
Medical expenses for parents	Nil <sup>14</sup>	5,000 <sup>15</sup>
Medical expenses for serious diseases	3,000	3,000
Contribution to SOCSO	160	230
Child:		
First (Linda)	8,000	
Second(Linda)	<u>2,000</u>	10,000
Third (Rizal)	2,000	
Contribution to EPF and life insurance	6,000 <sup>16</sup>	6,000 <sup>16</sup>
Education/medical insurance	2,400	3,000 <sup>17</sup>
Private Retirement Scheme and deferred annuity	<u>3,000<sup>18</sup></u>	<u>3,000<sup>18</sup></u>
Chargeable income	<u>54,440</u>	<u>100,770</u>

**Note:**

<sup>14</sup>The expenses of RM2,000 incurred by Rizal to purchase the equipment for medical and special needs for Linda's mother is not allowable as a deduction as only expenses incurred for own parents are allowed.

<sup>15</sup>Salary paid to carer can be claimed by Linda as a deduction, restricted to RM5,000 [paragraph 46(1)(c) of the ITA].

<sup>16</sup>Contribution made to EPF and the life insurance premium can be claimed as a deduction by Rizal and Linda, restricted to RM6,000 [subsection 49(1) of the ITA].

<sup>17</sup>The amount of insurance premium on education and medical benefits which can be claimed as a deduction by Linda is restricted to RM3,000 [subsection 49(1B) ITA].

<sup>18</sup>The amount of contribution made to private retirement scheme and premium for deferred annuity which can be claimed by Rizal and Linda is restricted to RM3,000 [subsection 49(1D) of the ITA].

13.4 In a case of a combined assessment:

- a) Deduction for husband under section 45A of the ITA and deduction for wife under subsection 47(1) of the ITA can only be claimed by the wife or the husband in whose name the assessment is made.
- b) Deduction for medical treatment, special needs and carer expenses for parents under paragraph 46(1)(c) of the ITA can only be claimed by the husband or the wife in whose name the assessment is made.
- c) The wife or the husband in whose name the assessment is made is entitled to claim the deduction for children.

13.5 Where in a YA,

- a) wife/husband elects for combined assessment; or
- b) wife/husband has no total income,

the amount expended by the wife/husband who elects or the wife/husband with no total income is deemed to have been expended by the spouse for the following expenses:

- i) the purchase of any necessary basic supporting equipment – paragraph 46(1)(d) of the ITA

- ii) medical expenses for serious diseases – paragraph 46(1)(g) of the ITA
- iii) complete medical examination expenses – paragraph 46(1)(h) of the ITA
- iv) net deposits in Skim Simpanan Pendidikan Nasional (SSPN) account - paragraph 46(1)(k) of the ITA
- v) lifestyle - paragraph 46(1)(p) of the ITA
- vi) child care centre and kindergarten fees - paragraph 46(1)(r) of the ITA
- vii) premium for life insurance policy - subsections 49(1) and 50(2) of the ITA
- viii) premium for deferred annuity and contribution to a private retirement scheme – subsections 49(1D) and 50(2) of the ITA
- ix) premium for insurance on education and for medical benefits – subsections 49(1B) and 50(2) of the ITA

Contribution to EPF or to an approved scheme made by a wife or a husband who elects for combined assessment is deemed to have been paid by the spouse. Contribution made by the wife or the husband with no total income is not deemed to be paid by the spouse and not allowable as a deduction – subsections 49(1) and 50(3) of the ITA.

The amount allowable as a deduction in computing the chargeable income is the amount expended or deemed to be expended and restricted to the maximum amount which can be claimed by an individual in whose name the assessment is made.

#### **Example 14**

Raymond and his wife, Janet were resident in Malaysia for the basis year 2017. They both have sources of income and made the payments for the year ended 31.12.2017 as follows:

	<b>Raymond RM</b>	<b>Janet RM</b>
Statutory income from employment	120,000	30,000
Statutory income from rent	Nil	10,000
Purchase of basic supporting equipment for child	2,000	1,800
Purchase of a personal computer for child	1,900	Nil

Purchase of books for personal use	500	250
Bill for internet subscription (own name)	1,700	1,200

**Additional information:**

- i) Raymond expended RM4,200 for the expenses on his mother's medical treatment and Janet expended RM1,500 for the purchase of her father's special needs. The doctor's reports confirmed that the medical conditions of both Raymond's mother and Janet's father required medical treatment and special needs.
- ii) Raymond and Janet have two children aged 9 and 5 years old. Raymond and Janet both paid RM2,000 for the child care centre fee for their 5 year old child respectively. The child care centre is registered with the Department of Social Welfare (DSW).
- iii) Premiums for insurance policy and deferred annuity and contributions made by Raymond and Janet are as follows:

	Raymond RM	Janet RM
Insurance Policy 1: Sum insured on his own life Premium paid	12,000	Not applicable
Insurance Policy 2: Sum insured on their joints lives Premium paid	6,000	Not applicable
Insurance Policy 3: Sum insured on her own life Premium paid	Not applicable	4,200
Contribution to EPF	7,200	2,250
Deferred Annuity Policy: Sum insured on his own life Premium paid	2,400	2,400
Premium for insurance on education	3,600	Not applicable
Premium for insurance on medical benefits	3,600	2,000

- iv) Janet elects for combined assessment with her husband as provided under paragraph 45(2)(a) of the ITA.

**Computation of chargeable income of Raymond and Janet for YA  
2017**

	<b>Raymond RM</b>	<b>Janet RM</b>
Statutory income from employment	120,000	30,000
Statutory income from rent	<u>Nil</u>	<u>10,000</u>
Aggregate income/Total income	120,000	40,000
Add:		
Total income transferred from wife	<u>40,000</u>	
Total income of wife		Nil
Aggregate of total income	160,000	
Less: Allowable deductions		
Self and dependant relatives	9,000	
Medical treatment for parents	4,200 <sup>19</sup>	
Basic supporting equipment	3,800 <sup>20</sup>	
Lifestyle:		
Personal computer	1,900	
Purchase of books		
- husband	500	
- wife	250	
Bill for internet subscription		
- husband	1,700	
- wife	<u>1,200</u>	
	5,550	
	Restricted to 2,500 <sup>21</sup>	
Child care centre fees	1,000 <sup>22</sup>	
Wife	4,000	
Child:		
First	2,000	
Second	<u>2,000</u>	
	4,000 <sup>23</sup>	

Life insurance and contribution to EPF	6,000		
Deferred annuity	3,000		
Education and medical insurance	3,000	<u>40,500</u>	
Chargeable income		<u>119,500</u>	<u>Nil</u>

**Note:**

<sup>19</sup>The amount of RM1,500 expended by Janet to purchase the special needs for her father is not allowable as a deduction as Janet elects to be assessed with her husband and the assessment is made in his name.

<sup>20</sup>The amount of RM1,800 expended by Janet on the purchase of basic supporting equipment for her child is deemed to be expended by Raymond [subsection 46(3) of the ITA].

<sup>21</sup>The amount of RM250 expended by Janet for the purchase of books and payment for the internet subscription bill amounting to RM1,200 is deemed to be expended by Raymond [subsection 46(3) of the ITA].

<sup>22</sup>The child care centre fees expended by Janet is deemed to be expended by Raymond. The total amount of allowable deduction is restricted to RM1,000 [paragraph 46(1)(r) of the ITA and subsection 46(3) of the ITA].

<sup>23</sup>Raymond is entitled to claim a deduction for child as the assessment is made in his name.

13.6 Where an individual is resident in Malaysia and who has a husband or a wife with no total income because of –

- a) business loss; or
- b) where the expenditure exceeds the gross income,

that individual is entitled to claim the deduction for husband or wife for RM4,000 [subsections 45A(1) and 47(5) of the ITA]. Where the husband or the wife is a disabled person as certified by the DSW, an additional deduction of RM3,500 can be claimed by the spouse.

**Example 15**

Azizi and his wife, Zahira were resident in Malaysia for the basis year 2016. They both have sources of income and made the payments for the year ended 31.12.2016 as follows:

<b>Sources of Income</b>	<b>Azizi RM</b>	<b>Zahira RM</b>
Employment	150,000	Nil
Business	Nil	Nil (business loss 10,000)
Rent (expenditure exceeds income)	(5,000)	Nil
Purchase of basic supporting equipment for own use	Nil	800
Complete medical examination expenses	1,500	1,000
Premium for insurance policy insured on his own life	2,400	1,200
Contribution to EPF	12,000	Nil
Premium for insurance policy on education and medical benefits	1,000	1,000

**Additional information:**

Zahira was involved in a road accident which resulted in one of her legs being amputated. She was certified by the DSW as a disabled person.

**Computation of chargeable income of Azizi and Zahira for YA 2016**

	<b>Azizi RM</b>	<b>Zahira RM</b>
Statutory income from business	Nil	Nil (business loss 10,000)
Statutory income from employment	150,000	
Statutory income from rent	<u>Nil</u>	<u>Nil</u>
Aggregate income/Total income	150,000	Nil
Less: Allowable deductions		
Self and dependant relatives	9,000	
Basic supporting equipment	800 <sup>24</sup>	

Complete medical examination expenses	500 <sup>25</sup>		
Wife	4,000 <sup>26</sup>		
Wife who is disabled	3,500 <sup>27</sup>		
<b>Life insurance and EPF:</b>			
Life insurance - Azizi	2,400		
Life insurance - Zahira	1,200		
EPF - Azizi	<u>12,000</u>		
	15,600		
	restricted to	6,000 <sup>28</sup>	
Education and medical insurance	<u>2,000<sup>29</sup></u>	<u>25,800</u>	
Chargeable income		<u>124,200</u>	<u>Nil</u>

**Note:**

<sup>24, 25, 28 and 29</sup>The amount expended by Zahira and the insurance premium on life, education and medical benefits paid by Zahira is deemed to be expended by Azizi as Zahira has no total income because of business loss.

<sup>26 and 27</sup>Even though Zahira cannot elect for combined assessment as she has no total income that can be aggregated with the total income of her husband, Azizi is still entitled to claim the deduction for wife for RM4,000 [subsection 47(5) of the ITA]. An additional deduction of RM3,500 can be claimed by Azizi as Zahira is certified by DSW as a disabled person.

**14. Updates and Amendments**

This PR replaces PR No. 1/2005 dated 5 February 2005, PR No. 2/2005 dated 6 June 2005, Addendum to PR No.2/2005 dated 6 July 2006 and Second Addendum to PR No. 2/2005 dated 3 January 2008 that has been amended, updated and rearranged. This PR must be read together with PR No. 4/2018 entitled "Taxation Of A Resident Individual Part I – Gifts or Contributions and Allowable Deductions" and PR No. 6/2018 entitled "Taxation of a Resident Individual Part III – Computation of Income Tax and Tax Payable".

**15. Disclaimer**

The examples in this PR are for illustration purposes only and are not exhaustive.

**Director General of Inland Revenue,  
Inland Revenue Board of Malaysia**