

Frequently Asked Questions (FAQ) **– Monthly Tax Deduction (MTD) As Final Tax**

SECTION 1: INTRODUCTION

Q1: What is Monthly Tax Deduction (MTD) as Final Tax?

A1: Tax payers who fulfil the criteria of MTD as Final Tax may elect not to furnish a return (BNCP) to Inland Revenue Board of Malaysia (IRBM).

Q2: Who may elect not to furnish return?

A2: Tax payer may elect not to furnish return, if:

- i. Has income only in respect of gains or profits from an employment other than gains or profits in respect of the use or enjoyment of benefits provided by his employer under paragraph 13(1)(b) or (1)(c);
- ii. MTD have been made by his employer in respect of such gains or profits;
- iii. Working for twelve months in the basis period with the same employer;
- iv. Taxes are not borne by their employers; and
- v. Not opted for joint/combined assessment with the spouse.

SECTION 2: RETURN

Q1: If tax payer do not fulfill with the criteria of MTD as final tax, do he needs to furnish return ?

A1: Yes. Tax payer needs to furnish return, if:

- i. Works more than one employer or change employers during the year;
- ii. Works less than twelve months during the year;
- iii. Tax borne by employer;
- iv. Opt for joint assessment;
- v. Has non-employment income such as business income, rental income, etc during the year;
- vi. Wish to claim refund or deduction/rebate and etc.

Q2: If tax payer works with two or more different company within twelve months in a year, do he needs to furnish return ?

A2: Yes. The tax payer has not complied with the criteria of working for twelve months in the basis period with the same employer.

Q3: If tax payer receive rental or dividen income, do he needs to furnish return ?

A3: Yes. Tax payer has income other than gains or profits from an employment, i.e. rental income, dividen income, commision without MTD deduction is not qualify elect not to furnish return. Therefore, he must submits the return before or at 30th April.

Q4: Tax payer fulfil the criteria of MTD as Final Tax, do he allows to furnish a return ?

A4: Yes. He may submits the return before or at 30th April.

SECTION 3: CALCULATION FOR MTD AS FINAL TAX

Q1: How to verify the MTD as final tax calculation is accurate and correct?

A1: (a) Employer's who use the payroll system (Computerised Calculation Method)
Tax payer may use the 'Kalkulator PCB' at IRBM website to verify the MTD calculation.

(b) Employer's who use manual Table/Schedule of MTD (without payroll system)
Tax payer may use table/schedule of MTD to verify the MTD calculation.

Q2: The MTD calculation using formula (computerised calculation method) is difference from using table/schedule of MTD?

A2: Yes. There is a slightly difference of MTD calculation by using formula (computerised calculation method) compare to table/schedule of MTD. The formula (computerised calculation method) is more accurate and round up to cent

value. But, MTD calculation for table/schedule of MTD is based on the range of RM5.00 within the two value by taking the highest of that particular range as MTD calculation (i.e. RM2,571 – RM 2,575, the MTD calculation is based on RM 2,575).

Q3: If the employer using the wrong method to determine to MTD calculation, is there any compound issue to employer?

A3: Yes. Under the Income Tax (Deduction From Remuneration) (Amendment) Rules, the compound will be issued to the employer whose not comply with using the correct method to determine MTD and deduct less MTD. However, the employer has the right to appeal for that particular compound issued.

Q4: Tax payer received EA/EC form from employer and discovered the MTD as Final Tax is not accurate/correct, What should tax payer do ?

A4: Tax payer may elect to submit return form to verify the accuracy of MTD deduction determined by employer.

If the taxable amount as per return form is different from the MTD deducted by the employer, tax payer may elect to furnish return form before or at 30 April.

SECTION 4: LATE SUBMISSION PENALTY/ FAIL TO FURNISH RETURN FORM

Q1: Tax payer fulfill the criteria MTD as Final Tax and submit the return form after 30 April to claim additional deduction or rebate, is there any late submission penalty?

A1: Yes. There is penalty under Section 112(3), Income Tax Act 1967. The total penalty amount should offset with the refund (if any).

Scenario 1.

The MTD deducted is accurate and correct with deduction and rebate. However, tax payer insists to submit return form and the actual tax to be paid is same as

MTD. Although the return forms received after 30 April, penalty Section 112(3), Income Tax Act 1967 will not be issued.

Scenario 2.

The MTD deducted is accurate and correct with deduction and rebate. However, tax payer wish to submit return form and claim additional deduction or rebate. If the actual tax to be paid is different from MTD (over or under deducted) and return form received after 30 April. Then, there is penalty under Section 112(3), Income Tax Act 1967.

Under Section 112(3), Income Tax Act 1967, the penalty imposed based on tax to be paid before the sett-off. The percentage of penalty is the same between the category of tax payer whether eligible elect to furnish return form or not in order to avoid the discrimination issue. In addition, the late submission penalty is to penalise tax payer whose intentionally late submit the return.