



## **INLAND REVENUE BOARD OF MALAYSIA**

**TAXATION OF A RESIDENT INDIVIDUAL  
PART I -  
GIFTS OR CONTRIBUTIONS AND  
ALLOWABLE DEDUCTIONS**

**PUBLIC RULING NO. 8/2020**

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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—

- 1.1 gifts or contributions made by a resident individual that are allowable in determining the total income for a year of assessment (YA); and
- 1.2 tax deductions that are allowable to a resident individual in computing his chargeable income for a YA.

**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 2, 5, 6, 6A, 7, 18, 44, 45, 45A to 51.

**3. Interpretation**

The words used in this PR have the following meaning:

- 3.1 “Child” in relation to an individual or his wife, means a legitimate child or step-child of his or his wife, or a child proved to the satisfaction of the Director General of Inland Revenue (DGIR) to have been adopted by the individual or his wife in accordance with any law.
- 3.2 “Step-child” in relation to an individual or his wife, means a son or daughter of one’s husband or wife by a former marriage.
- 3.3 “Adopted child” in relation to an individual or his wife, means a child adopted by the individual or his wife under the Registration of Adoptions Act 1952 [Act 253] or in accordance with any law (not necessarily Malaysian law) where the adoption is recognised by the DGIR.
- 3.4 “Individual” means a natural person.
- 3.5 “Total income” for a YA is the aggregate income less business losses for the basis year, expenditure under Schedule 4 or 4B, and gifts of money, contributions in kind, manuscripts, artefacts and paintings under section 44 of the ITA.
- 3.6 “Disabled person” means any individual certified in writing by the Department of Social Welfare (DSW) to be a disabled person.
- 3.7 “Medical practitioner” in relation to deductions on medical expenses for parents, means a medical practitioner (doctor) registered with the Malaysian Medical Council (MMC).

3.8 “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.

3.9 “Year of assessment” means calendar year.

#### 4. Introduction

Chargeable income for a YA is ascertained in accordance with section 5 of the ITA. Chargeable income is to be ascertained in the following manner i.e by determining each stage of income:

- (a) Gross income
- (b) Adjusted income
- (c) Statutory income
- (d) Aggregate income and total income
- (e) Chargeable income

In ascertaining the total income of a resident individual, gifts and /or contributions made by an individual to the government and approved institutions or organizations are allowed as deductions from his aggregate income. Certain deductions are also allowed to be deducted from the total income in determining the chargeable income of an individual.

For further information, please refer to –

- (i) PR No. 5/2018 titled “Taxation of A Resident Individual Part II – Computation of Total Income and Chargeable Income”; and
- (ii) PR No. 6/2018 titled “Taxation of A Resident Individual Part III – Computation of Income Tax and Tax Payable”

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).

#### 5. Gifts or Contributions

5.1 The total income of an individual for a YA is the aggregate income of his for a YA less the deductions for any gifts or contributions made in the basis year.

5.2 The gifts or contributions which can be claimed by an individual are as provided under subsections 44(6) to 44(11D) of the ITA as shown below:

**5.2.1 Gift of money to the Government, a State Government, a local authority or an institution or organization or a fund approved by the DGIR – subsection 44(6) of the ITA**

The amount allowed as a deduction is equivalent to the amount of gift of money made to the Government, a State Government, or a local authority with no restrictions.

Gift of money made to any approved institution, organization or fund approved by the DGIR is also allowed as a deduction but restricted to 7% of the aggregate income of an individual. With effect from the YA 2020, the restriction on that allowable deduction is increased to 10% of the aggregate income of an individual.

Effective from the YA 2017, for the purpose of an approval under subsection 44(6) of the ITA, fund means a fund administered and augmented by an institution or organization in Malaysia for the sole purpose of carrying out the objectives for which the fund is established or held and that fund is not established or held primarily for profit – subsection 44(7) of the ITA.

The list of names for approved institution or organization can be obtained from the official portal of IRBM at [www.hasil.gov.my](http://www.hasil.gov.my).

Prior to the YA 2017, a fund administered by an institution or organization cannot be approved under subsection 44(6) of the ITA and no deduction is allowed for any gift of money made to such fund.

**5.2.2 Gift of artefact, manuscript or painting to the Government or State Government – subsection 44(6A) of the ITA**

The amount allowed as a deduction is equivalent to the value of the gift as determined by the Department of Museums Malaysia or the National Archives.

**5.2.3 Gift of money for the provision of library facilities which are accessible to the public, to public libraries and libraries of schools and institutions of higher education – subsection 44(8) of the ITA**

The amount allowed as a deduction is limited to a maximum amount of RM20,000 provided that a claim for the same expenses is not made under paragraph 34(6)(g) of the ITA in computing the adjusted income from a business source.

**5.2.4 Gift of money or contribution in kind for the provision of facilities in public places for the benefit of disabled persons – subsection 44(9) of the ITA**

The amount allowed as a deduction is equivalent to the amount of gift of money or contribution in kind (the value of which is determined by the relevant local authority).

**5.2.5 Gift of money or the cost or value of any gift of medical equipment to any healthcare facility approved by the Ministry of Health – subsection 44(10) of the ITA**

The amount allowed as a deduction is equivalent to the amount of gift of money or the cost or value (as certified by the Ministry of Health) of any gift of medical equipment which is limited to a maximum amount of RM20,000.

**5.2.6 Gift of painting to the National Art Gallery or any state art gallery – subsection 44(11) of the ITA**

The amount allowed as a deduction is equivalent to the value of the gift of painting as determined by the National Art Gallery or the respective state art galleries.

**5.2.7 Gift of money for any sports activity approved by the Minister of Finance – subsection 44(11B) of the ITA**

The amount allowed as a deduction is equivalent to the amount of gift of money made for any sports activity approved by the Minister of Finance. Prior to the YA 2017, any cost of contribution in kind for any sports activity approved by the Minister of Finance or to any sports body approved by the Commissioner of Sports appointed under the Sports Development Act 1997 [Act 576] is also allowable as a deduction.

The amount allowed as a deduction shall not exceed the difference between the amount of 10% of the aggregate income and the total amount that has been deducted pursuant to the proviso to subsections 44(6), 44(11C) and 44(11D) of the ITA. Prior to the YA 2020, the amount allowed as a deduction shall not exceed the difference between the amount of 7% of the aggregate income and the total amount that has been deducted pursuant to the proviso to subsections 44(6) and 44(11C) of the ITA.

**Example 1**

Rowers Extreme Team (RET) is a kayaking sports activity club. In March 2020, RET plans to organize a kayaking expedition touring

Terengganu and intends to raise funds for the expedition. RET seeks an approval from the Ministry of Finance for the expedition

If this sports activity is granted an approval, any gift of money made to RET for the success of this event is eligible for deduction under subsection 44(11B) of the ITA.

However, the allowable deduction shall not exceed the difference between the amount of 10% of the aggregate income and the total amount that has been deducted pursuant to the proviso to subsections 44(6), 44(11C) and 44(11D) of the ITA of that person who contributes.

(Please refer to **Example 2** for further explanation)

**5.2.8 Gift of money or cost of contribution in kind for any project of national interest approved by the Minister of Finance – subsection 44(11C) of the ITA**

The amount allowed as a deduction is equivalent to the amount of gift of money or cost of contribution in kind provided that the amount shall not exceed the difference between the amount of 10% of the aggregate income and the total amount that has been deducted pursuant to the proviso to subsections 44(6), 44(11B) and 44(11D) of the ITA.

Prior to the YA 2020, the amount to be deducted shall not exceed the difference between the amount of 7% of the aggregate income and the total amount that has been deducted pursuant to the proviso to subsections 44(6) and 44(11B) of the ITA.

This means that up to the YA 2019, the maximum amount of gift of money or cost of contribution in kind allowed as deduction under the proviso to subsections 44(6), 44(11B) and 44(11C) of the ITA is 7% of the aggregate income. With effect from the YA 2020, the maximum amount of gift of money or cost of contribution in kind allowed as deduction under the proviso to subsections 44(6), 44(11B), 44(11C) and 44(11D) of the ITA is increased to 10% of the aggregate income.

**5.2.9 Gift of money in the form of wakaf or endowment – subsection 44(11D) of the ITA**

With effect from the YA 2020, subsection 44(11D) of the ITA is introduced to allow a deduction in respect of gift of money in the form of–

- (a) wakaf to any appropriate religious authority established under any written law, body established by that appropriate religious

authority or public university allowed by that appropriate religious authority to receive wakaf; or

(b) endowment to a public university.

The allowable deduction is subject to the following conditions:

- (i) wakaf or endowment is made for the purpose of achieving the objective of establishment of the appropriate religious authority, body or public university;
- (ii) the appropriate religious authority, body or public university is approved by the DGIR for the purposes of subsection 44(11D) of the ITA on the application of the appropriate religious authority, body or public university concerned; and
- (iii) the amount to be deducted shall not exceed the difference between the amount of 10% of the aggregate income and the total amount that has been deducted pursuant to the proviso to subsections 44(6), 44(11B) and 44(11C) of the ITA.

For the purpose of deduction under subsection 44(11D) of the ITA, "public university" means a higher educational institution having the status of a University established under the Universities and University Colleges Act 1971 [Act 30] and the Universiti Teknologi MARA established under the Universiti Teknologi MARA Act 1976 [Act 173].

### Example 2

Farhan's aggregate income from the Perniagaan Nusa Jaya (a sole proprietorship business) for the YA 2020 is RM220,000. The gift of money and the cost of contributions made by the business in that YA are as follows:

	<b>RM</b>
Gift of money to an approved institution under subsection 44(6)	12,000
Contribution under subsection 44(11B)	6,000
Contribution under subsection 44(11C)	3,000
Contribution under subsection 44(11D)	<u>5,000</u>
Total gift and contributions	<u>26,000</u>

The restriction on the gift of money or cost of contribution can be computed using two methods as follows:

**Method 1**

- (a) Restriction on the gift of money under the proviso to subsection 44(6) of the ITA

$$10\% \times \text{RM}220,000 = \text{RM}22,000$$

Therefore, the gift of money of RM12,000 to the approved institution qualifies as a deduction.

- (b) Restriction on the cost of contribution under the proviso to subsections 44(11B), 44(11C) and 44(11D) of the ITA.

10% of the aggregate income minus the deduction under the proviso to subsection 44(6) of the ITA.

$$= (10\% \times \text{RM}220,000) - \text{RM}12,000$$

$$= \text{RM}22,000 - \text{RM}12,000$$

$$= \text{RM}10,000$$

Therefore, Farhan is only allowed a deduction of RM10,000 from the contribution under subsections 44(11B), 44(11C) and 44(11D) of the ITA as shown below:

	<b>RM</b>
Contribution under subsection 44(11B) of the ITA	6,000
Contribution under subsection 44(11C) of the ITA	3,000
Contribution under subsection 44(11D) of the ITA (RM10,000 – RM6,000 – RM3,000)	Restricted to 1,000

**Method 2**

Restriction on the gift of money and the cost of contribution under the proviso to subsections 44(6), 44(11B), 44(11C) and 44(11D) of the ITA.

$$10\% \times \text{RM}220,000 = \text{RM}22,000$$

Therefore, from the total gift and contribution of RM26,000, only RM22,000 can be allowed as a deduction under the proviso to subsections 44(6), 44(11B), 44(11C) and 44(11D) of the ITA in computing the total income.

**6. Allowable Deductions**

An individual may make a claim for the allowable deductions which are provided under sections 45A to 49 of the ITA in computing his chargeable income.

There are two types of deductions which are-

- (a) deductions that are not based on an expense incurred but the deduction allowable is a fixed amount; and
- (b) deductions that are based on an expense incurred and claimed by an individual but restricted to an allowable amount.

The deductions can only be claimed by an individual who is resident in Malaysia. The determination of the residence status of an individual is based on the number of days he is in Malaysia in a basis year for a YA. Please refer to the PR No. 11/2017 titled "Residence Status of Individuals" for further information.

Personal deductions which can be claimed and allowed to be deducted against the total income of an individual resident in Malaysia in a basis year for a YA in computing his chargeable income are as follows:

#### 6.1 Self and dependant relatives

Paragraph 46(1)(a) of the ITA provides that a deduction of RM9,000 is allowed to every individual who has total income and is assessed in his own name.

#### 6.2 Medical treatment, special needs and carer expenses for parents

6.2.1 Paragraph 46(1)(c) of the ITA provides that a deduction up to a maximum of RM5,000 is allowed to an individual on the expenses incurred by him for the medical treatment, special needs and carer for his parents.

6.2.2 Parents refer to natural parents or foster parents where the individual is an adopted child.

6.2.3 Expenses on medical treatment for parents which qualify for deduction include-

- (a) medical treatment and care services provided by a nursing home; and
- (b) dental treatment limited to tooth extraction, filling, scaling and cleaning but not including cosmetic dental treatment expenses such as teeth restoration and replacement involving crowning, root canal and dentures.

6.2.4 The scope on medical treatment for parents also includes expenses on medical treatment and care for parents who suffer from diseases or with physical or mental disabilities and who need regular treatment certified by qualified medical practitioners registered with the MMC. Certification of a medical practitioner is needed to confirm that the medical condition of the parent requires medical treatment, special

needs or a carer. Such treatment and care provided include treatment and care at home or any day care or home care centres.

Qualifying expenses related to the treatment and care are as follows:

- (a) medical treatment expenses supported with receipts issued by registered medical centres or pharmacies, or licensed medical stores; or
- (b) expenses on special needs for parents certified by qualified medical practitioners and supported by receipts as proof of purchase; or
- (c) expenses for the care of parents supported with receipts or written certification from carers or work permit of the carers. Foreign hired carers are required to possess valid visas or special work permits for the care of parents of the individual. Salary paid to carers to take care of parents who are physically and mentally healthy do not qualify for this deduction.

6.2.5 However, the deductions as mentioned in paragraph 6.2 of this PR are subject to the following conditions:

- (a) the carer for parents shall not include that individual, his wife or her husband or the child of the individual;
- (b) the parents shall be individuals resident in Malaysia;
- (c) the medical treatment and care services are provided in Malaysia; and
- (d) the medical practitioner is registered with the MMC.

6.2.6 The list of medical equipment and special needs that qualify for deduction are as per Appendix 1. However, the list is not exhaustive and may include other equipment as determined by medical practitioners registered with the MMC.

### 6.3 Expenses on basic supporting equipment for disabled persons

6.3.1 Paragraph 46(1)(d) of the ITA provides that a deduction of up to RM6,000 can be claimed by an individual or spouse who has incurred the expenditure for the purchase of any necessary basic supporting equipment for the use by-

- (a) the individual, if he or she is a disabled person;
- (b) the spouse, if he or she is a disabled person;
- (c) his or her child, if the child is a disabled person; or

(d) his or her parent, who is a disabled person.

The maximum amount allowed as deduction prior to the YA 2015 is RM5,000.

6.3.2 Basic supporting equipment includes haemodialysis machine, wheelchair, artificial legs and hearing aids but exclude spectacles and optical lenses.

The purchase of basic supporting equipment for disabled persons not registered with the DSW are not allowed as deductions.

### Example 3

Megat lost his right leg in an accident and purchased a wheelchair for his own use. Megat is not registered with the DSW as a disabled person.

Megat does not qualify to claim a deduction for the expenses expended for the purchase of the wheelchair as he is not registered with the DSW as a disabled person.

## 6.4 Disabled person

6.4.1 Paragraph 46(1)(e) of the ITA allows a further deduction of RM6,000 if the individual is a disabled person.

6.4.2 An individual is eligible to claim this deduction if he is certified in writing by the DSW as a disabled person.

## 6.5 Further education fees

6.5.1 Paragraph 46(1)(f) of the ITA provides that a deduction of up to RM7,000 can be claimed by an individual on the fees expended by that individual for any course of study undertaken by him up to tertiary level (up to graduate level), other than a degree at Masters or Doctorate level. The deduction allowed is the fees for courses undertaken to obtain law, accounting, Islamic financing, technical, vocational, industrial, scientific or technological skills or qualifications.

For a degree at Masters or Doctorate level, fees on any course of study undertaken for the purpose of acquiring any skill or qualification is allowed as a deduction.

The maximum amount allowed as a deduction prior to the YA 2016 is RM5,000.

6.5.2 "Scientific skills" means the study of the nature or behaviour of the material and physical universe such as studies in the field of biology,

physics, chemistry, mathematics, information technology, engineering or medicine.

- 6.5.3 The course of study must be undertaken in any institution or professional body in Malaysia recognized by the Government or approved by the Minister of Finance.

For Islamic finance, the course of study must be approved by the Bank Negara Malaysia or the Securities Commission and can be undertaken at any institution or professional body in Malaysia recognized by the Government or approved by the Minister of Finance, including at the International Center for Education in Islamic Finance (INCEIF).

- 6.5.4 The list of local institutions or professional bodies in Malaysia recognized by the Government or approved by the Minister of Finance can be obtained from the official portal of Ministry of Higher Education at <https://www2.mqa.gov.my>.

#### **Example 4**

Lieza is an officer who serves at the National Archives and attends a Masters level archaeological course at a local university. She paid a course fee of RM2,000 in 2014 and graduated in April 2016.

Lieza then decided to pursue her studies to a Doctorate in Philosophy in the same course of study in July 2016. She paid tuition fees of RM3,500 in 2016 and claimed a deduction for the fees paid.

The fees of RM2,000 and RM3,500 paid in the YAs 2014 and 2016 respectively are allowed as deductions because the scope of study that qualifies for deductions has been extended to all courses of study for a degree at Masters or Doctorate level.

#### **Example 5**

Same facts as in **Example 4**.

Due to financial constraints, Lieza decided not to pursue her Doctorate degree in 2017.

The amount of RM3,500 paid in 2016 is not allowed as a deduction as Lieza failed to complete her degree at Doctorate level.

#### **Example 6**

Razif pursued his Bachelor degree in Islamic Finance at a local university and graduated in August 2016. In October the same year, he continued his Masters degree in the same course of study at the same university. In 2016, Razif paid his tuition fees amounting to

RM8,500 (i.e. RM3,000 for his Bachelor degree and RM5,500 for his Masters degree).

Although the course fees for both courses of study qualifies for deduction, Razif is only allowed a deduction subject to a maximum of RM7,000 in the YA 2016.

## 6.6 Medical expenses on serious diseases and fertility treatment

- 6.6.1 Paragraph 46(1)(g) of the ITA provides that a deduction of up to RM6,000 is allowed on the amount expended by the individual for treatment of serious diseases on himself, his or her spouse or his or her child. The maximum amount allowed as a deduction prior to the YA 2015 is RM5,000.
- 6.6.2 For the purpose of this deduction, “serious disease” means acquired immunity deficiency syndrome, Parkinson’s disease, cancer, renal failure, leukaemia or other similar diseases.
- 6.6.3 With effect from the YA 2020, the medical expenses are extended to include the expenses expended or deemed expended by the individual for undergoing fertility treatment to have a baby, on himself or on his wife, or in the case of a wife on herself or on her husband.
- 6.6.4 The claim for fertility treatment is only eligible for married individual.
- 6.6.5 “Fertility treatment” means intrauterine insemination or in vitro fertilization treatment or any other fertility treatment. Besides that, consultation fees and medicines are also part of the fertility treatment for the purpose of claiming this deduction.
- 6.6.6 The claim for medical expenses has to be evidenced by a receipt and certification issued by a medical practitioner registered with the MMC that the serious disease treatment was provided to that individual, spouse or child; or fertility treatment was provided to the individual or the spouse.
- 6.6.7 The total amount of deduction for the medical expenses for serious disease treatment and fertility treatment under paragraph 46(1)(g) is limited to a maximum amount of RM6,000.

### Example 7

In year 2017, the cost of leukaemia treatment suffered by Jasmine amounted to RM12,000. From that amount, Jasmine paid a sum of RM8,000 and her husband, Isaac paid the balance of RM4,000 and separate receipts were issued in Jasmine and Isaac’s name. Isaac and Jasmine are assessed separately in the YA 2017.

For the YA 2017, Jasmine is allowed a deduction for medical expenses paid by her but limited to RM6,000 while Isaac is allowed a deduction of RM4,000 for the treatment of his wife's serious disease.

### Example 8

Fahim and his wife, Anita is married for 10 years but they do not have any children. In year 2020, both of them underwent an in vitro fertilization treatment to have a baby at Hospital Pakar Wanita. The treatment cost of RM16,000 were borne by both of them and the receipt was issued in Fahim's name. Fahim and Anita made a separate assessment whereby each of them made a claim for RM8,000 as a deduction in respect of this treatment in their respective tax computation.

The total deduction that can be claimed for the YA 2020 is as follows:

	Expended amount (RM)	Allowable deduction (RM)
Fahim	8,000	6,000 (Limited)
Anita	8,000	Not eligible

Anita is not eligible to claim this deduction since the receipt was issued in her husband's name even though Anita also incurred the expenses.

### Example 9

Same facts as in **Example 8** except that the receipt was issued separately in the name of Fahim and Anita that is for RM8,000 each respectively. In year 2020, Anita claimed this amount from her employer and her employer has paid her RM5,000. The amount of RM5,000 is declared as benefit in kind in Anita's Income Statement. Anita and Fahim are eligible to claim a deduction on this expenses since both of them have receipt as evidenced that the expenses have been incurred. The allowable deduction is restricted to the maximum of RM6,000 respectively.

### Example 10

In year 2020, Azli expended RM12,000 on the fertility treatment underwent by his wife at Hospital Pakar Wanita and a receipt was issued in Azli's name. Azli also incurred RM6,000 on a serious disease treatment of his son. Azli claimed for deduction on all of the medical expenses incurred by him.

The total deduction for medical expenses which can be claimed by Azli in the YA 2020 is as follows:

Types of medical expenses	Expended Amount (RM)	Allowable deduction (RM)
Serious disease	6,000	6,000 (Limited)
Fertility treatment	12,000	

### Example 11

In year 2020, Nina expended RM15,000 on fertility treatment of *in-vitro fertilisation* (IVF) underwent by her at a specialist hospital. Nina elected for a combined assessment with her husband and tax is assessed in the name of the husband, Syahmi. Syahmi can claimed the medical expense on fertility treatment restricted to RM6,000 because that expense is deemed to be incurred by him.

## 6.7 Complete medical examination expenses

- 6.7.1 Paragraph 46(1)(h) of the ITA provides that a deduction of an amount limited to RM500 for an individual who incurred a complete medical examination expenses on himself or herself, spouse or child.
- 6.7.2 The amount of RM500 forms part of the deduction of RM6,000 which is the deduction allowed for treatment of serious disease under paragraph 46(1)(g) of the ITA.
- 6.7.3 “Complete medical examination” means full medical check-up as defined by the MMC which include-
- (a) physical examination such as eye, ear, nose, throat, neck, chest, heart, breast, abdomen, hand, foot, body weight examinations, blood pressure;
  - (b) x-ray examination;
  - (b) blood and urine test; and
  - (c) discussion with the physician conducting the test on the results of the examination.

A person who undergoes laboratory tests such as blood tests, urine analysis and x-ray examination is not eligible for this deduction as such tests cannot be categorized as a complete medical examination.

- 6.7.4 Where the expenses for a complete medical examination of up to RM500 is already claimed, the deduction for medical expenses for serious diseases treatment and fertility treatment under paragraph

46(1)(g) of the ITA which can be claimed by the individual is restricted to RM5,500 (RM6,000 - RM500).

**6.8 Deposits in Skim Simpanan Pendidikan Nasional (SSPN) account**

- 6.8.1 SSPN is a saving scheme introduced by the Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN). PTPTN was established under the Perbadanan Tabung Pendidikan Tinggi Nasional Act 1997 [Act 566]. SSPN was introduced to enable parents to save and eventually finance their children's education at higher learning institutions. To encourage individuals to deposit into SSPN account, paragraph 46(1)(k) of the ITA was introduced to allow a deduction for individuals who make deposits into the scheme.
- 6.8.2 The amount allowed as a deduction is the net contribution in the relevant year limited to a maximum of RM6,000 effective from the YAs 2012 to 2018. As for the YA 2019 and the YA 2020, the maximum amount of deduction for the net contribution is increased to RM8,000.
- 6.8.3 The net contribution is the amount of deposits made during a year reduced by the amount of any withdrawal made during that year.

**Example 12**

Ariff opened an SSPN account for his 7 year old child in 2016. During the year, Ariff deposited a total sum of RM7,000. No withdrawals were made by Ariff in that year.

In 2017, Ariff deposited a sum of RM7,500 into the account and withdrew RM2,000 from the account in October 2017.

The statement of SSPN account of Ariff is as follows:

Year	2016 RM	2017 RM
Opening balance	Nil	7,000
Deposit	7,000	7,500
Less: Withdrawal	Nil	2,000
<b>Ending balance</b>	<b>7,000</b>	<b>12,500</b>

The amount of deduction for deposits into SSPN account that can be claimed by Ariff is as follows:

YA 2016: RM6,000 (maximum)

YA 2017: RM5,500 (RM7,500 - RM2,000)

### Example 13

Amer and his wife each opened their SSPN accounts in 2019 for their son who is 13 years old. During the year, Amer deposited savings of RM4,800 and his wife deposited a sum of RM8,000. They did not make any withdrawals in that year. Amer and his wife are assessed separately for the YA 2019.

Amer is allowed a deduction for his deposits in his SSPN account of RM4,800 while his wife is allowed a deduction of RM8,000 for deposits made by her for the YA 2019.

- 6.8.4 SSPN accounts can be opened by parents for children aged 18 years and below and maintain the account until the child reaches the age of 29 years old. Deposits made by parents to this account until the child reaches the age of 29 can be allowed as a deduction. For children aged 18 years and above, they have the option to either open an account under their own name or under their parents' name. If the account is opened under the child's name, the child is not eligible for deduction on the deposit made into the account because the deduction under paragraph 46(1)(k) of the ITA is only eligible for the depositor who are the parents or the guardians. The parents are also not eligible for deduction since they are not depositor of the account when it is opened under the child's name.

### 6.9 Contribution to the Social Security Organization (SOCSO)

- 6.9.1 Paragraph 46(1)(n) of the ITA is introduced from the YA 2016 to allow a personal deduction to an individual in respect of a contribution made or suffered in that basis year by that individual to the SOCSO pursuant to the Employees' Social Security Act 1969 [Act 4].
- 6.9.2 The amount allowed as a deduction is limited to a maximum of RM250.

### 6.10 Deduction for parents

- 6.10.1 Paragraph 46(1)(o) of the ITA is introduced to allow an individual a deduction of RM1,500 for each of the parent of the individual. This deduction can be shared with other siblings who have claimed this deduction for the same parent. This deduction is effective for the YAs 2016 to 2020.
- 6.10.2 The deduction is allowed if these conditions are met:
- (a) The sum of the amount claimed by the individual and other siblings does not exceed RM1,500 for each parent;
  - (b) The deduction is allowed for a maximum of two parents that is for a father and a mother;

- (c) The parents are legitimate or natural parents or adopted parents in accordance with the law;
  - (d) The parents are residents in accordance with the provisions of section 7 of the ITA and aged 60 years and above at any time in that basis year;
  - (e) Each parent's annual income (from all sources whether taxable or not) does not exceed RM24,000 for that YA; and
  - (f) An individual shall not be allowed the deduction under this paragraph if he has made a claim under paragraph 46(1)(c) of the ITA for the same basis year. For further information, please refer to paragraph 6.2 of this PR.
- 6.10.3 Where more than one individual are each entitled to claim a deduction in respect of the the same parent, information on all individuals claiming the deduction must be maintained in the working sheets to the Income Tax Return Form (ITRF) for the reference and examination of IRBM in the event of an audit. This is to ensure that the total amount claimed by all individuals does not exceed the allowable amount. The amount of deduction allowed under this paragraph shall be equally apportioned according to the number of individuals making the claim.
- 6.10.4 Where a wife elects for a combined assessment and the assessment is made in her husband's name, this deduction is only allowed for the legitimate or adopted parents of the husband. If a husband elects for a combined assessment and the assessment is made in his wife's name, this deduction is allowed for the legitimate or adopted parents of the wife. The maximum amount for this deduction is RM1,500 for each parent.

#### **Example 14**

Halim and Hasnah, aged 65 and 63 respectively in 2016, have four children i.e. Haziq, Hamid, Hawa and Hanina. Halim received a pension of RM20,000 in year 2016 while Hasnah was a housewife. For the YA 2016, all four children claimed the deduction for the father and the deduction for the mother is only claimed by Haziq, Hamid and Hawa.

The total deduction for parents which can be claimed by each child in the YA 2016 is as follows:

Names of children	Claims made for each parent		Total claimable by each child RM
	Father RM	Mother RM	
Haziq	375	500	875
Hamid	375	500	875
Hawa	375	500	875
Hanina	375	-	375

### 6.11 Lifestyle relief

6.11.1 Paragraph 46(1)(p) of the ITA is introduced to allow a tax deduction for expenses expended by an individual in that basis year –

- (a) for the purchase of books, journals, magazines, printed newspapers and other similar publications for the purpose of enhancing knowledge for his own use, the use of his or her spouse or his or her child. Books would include school textbooks, periodicals, comics whether purchased locally or overseas but exclude any banned reading materials such as morally offensive magazines;
- (b) for the purchase of a personal computer, smartphone or tablet (not being used for the purpose of his own business) for his own use, the use of his or her spouse or his or her child. Additional charge for the warranty is not allowed for deduction under this paragraph;
- (c) for the purchase of sports equipment for any sports activity as defined under the Sports Development Act 1997 which includes the purchase of a bicycle (excluding motorized bicycles) and gym membership for his own use or for the use of his or her spouse or his or her child (excluding club membership which provides gym facilities); and
- (d) for the payment of monthly bill for internet subscription registered under the individual's name for his own use, or the use of his or her spouse or his or her child.

6.11.2 The total deduction for the amount expended under this paragraph is subject to a maximum amount of RM2,500 and must be evidenced by receipts issued in respect of the purchase or payment.

6.11.3 With the new deduction under this paragraph, other deductions under paragraphs 46(1)(i), (j), (l) and (m) of the ITA are no longer applicable with the deletion of the said paragraphs effective from the YA 2017.

6.11.4 The summary for lifestyle relief is as follows:

Prior to YA 2017		From YA 2017	
Item	Amount RM	Deduction [paragraph 46(1)(p) of the ITA]	
Purchase of books, journals, magazines and other similar publications [paragraph 46(1)(i) of the ITA]	1,000	Reading materials (including printed newspaper)	} RM2,500
Purchase of a personal computer [paragraph 46(1)(j) of the ITA]	3,000	Personal computer, smartphone or tablet	
Purchase of sports equipment [paragraph 46(1)(l) of the ITA]	300	Sports equipment including gym membership	
Broadband subscription [paragraph 46(1)(m) of the ITA]	500	Internet subscription	

### Example 15

Mimi, an interior designer expended the following on lifestyle and claimed a deduction for the YA 2017:

- Purchase of printed newspaper for RM55;
- Purchase of e-book for RM280;
- Purchase of a Lenovo Vibe S1 smartphone for RM580; and
- Payment of internet subscription for one year amounting to RM1,800.

All receipts of purchases and payment are kept by Mimi for the purpose of claiming the deductions.

The total sum of the above purchases and payment amounts to RM2,715. However, Mimi is only eligible to claim a deduction for lifestyle expenses subject to a maximum amount of RM2,500.

### Example 16

Brian Wong purchased two bicycles in year 2017, a motorized bicycle costing RM2,400 and a Mountain Bike for RM1,499. He also purchased a new laptop worth RM750 to replace his lost laptop. The lost laptop was purchased in year 2016 and Brian claimed deduction for the purchase of the new laptop.

The amount expended for lifestyle by Brian Wong which can be allowed as a deduction for the YA 2017 is RM2,249 i.e. RM1,499 for the purchase of the Mountain Bike and RM750 for the laptop.

The amount expended on the purchase of the motorized bicycle is not allowed as a deduction as motorized bicycle is not a sport equipment which qualifies for a deduction.

### Example 17

Suraya has registered for gymnasium membership with Premier Fitness in May 2017. She paid a registration fee of RM300 for a period of two years and a monthly fee of RM200. Suraya also signed up for yoga classes with an additional fee of RM80 per month.

The amount expended for lifestyle which can be claimed as a deduction by Suraya for the YA 2017 is the monthly fee for gymnasium membership of RM1,600 (i.e. RM200 x 8 months).

### Note:

Registration fee of RM300 for gymnasium membership and yoga classes fees of RM640 (RM80 x 8 months) are not allowed as a deduction under this relief.

Fees for any fitness classes such as yoga, zumba, aerobics and others which are included in the gymnasium membership can be claimed as a deduction. However, if the fees for these classes are not part of the gymnasium membership fees, the fees for such classes are not allowable as a deduction.

## 6.12 Purchase of breastfeeding equipment

6.12.1 In order to provide support to career women who are still breastfeeding and to encourage working mothers to breastfeed after

returning to work, effective from the YA 2017 the government has allowed a tax deduction exclusively for women taxpayers on the purchase of breastfeeding equipment under paragraph 46(1)(q) of the ITA.

6.12.2 The deduction is allowed provided that the individual –

- (a) is a breastfeeding mother;
- (b) breastfeeds her child aged up to 2 years;
- (c) expended on the purchase of breastfeeding equipment for her own use; and
- (d) makes a claim that is evidenced by receipts issued in respect of the purchase.

6.12.3 Breastfeeding equipment that qualifies for a deduction under this paragraph are as follows:

- (a) a breast pump kit and an ice pack;
- (b) breast milk collection and storage equipment; and
- (c) a cooler set or a cooler bag.

6.12.4 In a case of a combined assessment, this deduction is allowed where the assessment is made in the name of his wife.

6.12.5 The amount of deduction allowed for the purchase of breastfeeding equipment is limited to a maximum of RM1,000 expended in that basis year for that YA regardless of the number of children and the deduction is allowed once in every two YAs.

### **Example 18**

Shahinaz gave birth to her first child in November 2016. She purchased breastfeeding equipment for RM1,450 in January 2017 before she started working after her maternity leave ended. In the YA 2017, Shahinaz was assessed separately and made a claim for a deduction on the purchase of breastfeeding equipment. Receipts for the purchase of breastfeeding equipment were retained by Shahinaz.

Shahinaz satisfied the conditions to claim for the deduction which are–

- (a) she is a breastfeeding mother to her child aged not more than 2 years; and

- (b) she incurred expenses on the purchase of breastfeeding equipment in 2017.

The amount allowed as a deduction to Shahinaz for the purchase of breastfeeding equipment is limited to a maximum of RM1,000.

### Example 19

Same facts as in **Example 18**.

In 2018, Shahinaz purchased a new breast pump kit worth RM950 to replace the old set which is damaged. She made a claim for a deduction on the purchase of the new breast pump kit as evidenced by the receipts retained by her.

The claim made by Shahinaz in year 2018 for the purchase of the new breast pump kit is not allowable because Shahinaz has already been allowed a deduction in the YA 2017. The deduction under paragraph 46(1)(q) of the ITA is allowable once in every two YAs.

### Example 20

Alicia had a second child in June 2017 and purchased a RM750 breastfeeding equipment in that year. For the YA 2017, Alicia's husband elected for a combined assessment in his wife's name.

Alicia is eligible to claim a deduction of RM750 on the purchase of the breastfeeding equipment for the YA 2017 as the assessment is made in her name.

### Example 21

Same facts as in **Example 20** except that for the YA 2017, Alicia elected for a combined assessment in her husband's name.

The deduction on the purchase of breastfeeding equipment for RM750 is not allowable as the assessment is made in her husband's name.

## 6.13 Child care centre and kindergarten fees

6.13.1 To alleviate the burden of working parents, effective from the YA 2017, a new paragraph 46(1)(r) of the ITA was introduced to provide a tax deduction to individuals on the amount expended in respect of the payment for child care fees to a child care centre or a kindergarten for a child of that individual aged six years and below.

6.13.2 The establishment of the child care centre must be registered with the DSW under the Child Care Centre Act 1984 [Act 308] under the Ministry of Women, Family and Community Development while a

kindergarten is subject to the Education Act 1996 [Act 550] and must be registered with the State Education Department under the Ministry of Education.

- 6.13.3 The amount of deduction allowed is limited to a maximum of RM2,000 in a basis year for that YA regardless of the number of children sent to the child care centre or kindergarten. Prior to the YA 2020, the maximum amount of this deduction is RM1,000.
- 6.13.4 This deduction can only be claimed by a husband or a wife and must be supported by –
- (a) birth document of the child such as MyKid or birth certificate; and
  - (b) receipts of the monthly fees issued by such child care centre or kindergarten.
- 6.13.5 Where a husband and a wife are assessed separately, the tax deduction under this paragraph can only be claimed either by the husband or the wife who incurs the expenses.
- 6.13.6 Where a husband and a wife are divorced, the tax deduction can be claimed by the former husband and the former wife provided that they both made payment for the child care fees and that child is not the same child.

### **Example 22**

Puan Nuri and her husband divorced in year 2018 and they have 2 children, Alia and Alisya aged 5 and 3 years old respectively. Puan Nuri obtained full custody of both of her children. In year 2019, Puan Nuri paid fees of RM1,800 to a child care centre for Alisya and her former husband paid RM2,000 for Alia's kindergarten fees. Puan Nuri and her former husband are eligible to claim for this deduction but restricted to RM1,000 each because both of them had incurred expenses on a different child which are allowable for deduction.

### **Note:**

If the divorced spouse has only one child and both of them share expenses for the child care fee, only one of them is entitled to claim for this deduction.

## **6.14 Interest on housing loan**

Section 46B of the ITA was introduced with effect from the YA 2009 in the Mini Budget 2009 to allow an individual to claim a deduction for the interest paid on a loan to finance the purchase of a residential property. The deduction

is granted for purchases made on or after 10 March 2009 but not later than 31 December 2010.

For further information, please refer to the Mini Budget Guidelines 2009 which can be obtained from the official portal of the IRBM at [www.hasil.gov.my](http://www.hasil.gov.my).

**6.15 Deduction for wife and payment of alimony or maintenance to former wife**

6.15.1 Under subsection 47(1) of the ITA, an individual resident in Malaysia who has a wife living together with him in the basis year is entitled to claim a deduction for the wife of RM4,000 for that YA. Prior to the YA 2016, the amount of deduction allowed is RM3,000. A further deduction of RM3,500 is given if the wife is a disabled person.

6.15.2 A summary of deduction for wife and payment of alimony or maintenance to former wife is as follows:

<b>Deduction</b>	<b>Prior to YA 2016 RM</b>	<b>Effective YA 2016 RM</b>
Wife and payment of alimony or maintenance to former wife	3,000	4,000
Further deduction if wife is disabled	3,500	3,500

**Note:**

If the amount of alimony or maintenance paid to a former wife in the basis year is less than the allowable deduction under subsection 47(1) of the ITA, then the amount allowed as a deduction is restricted to the amount of alimony or maintenance actually paid to the former wife.

6.15.3 In the event of a divorce or death of the wife in the basis year, the individual would still be entitled to a full deduction and further deduction under subsection 47(1) of the ITA for the relevant YA.

**Example 23**

Muaz and his wife were married in 2005. In February 2016, Muaz's wife died after being involved in a road accident.

Muaz is eligible to claim a full deduction of RM4,000 for his wife for the YA 2016.

- 6.15.4 An individual is also entitled to claim a deduction for wife if his wife has no total income - subsection 47(5) of the ITA.

However, an individual is not allowed for this deduction if the wife is assessed separately.

- 6.15.5 Subsection 47(2) of the ITA provides that a deduction is allowed for the payment of alimony or maintenance made by an individual to a former wife and that individual is required under the law to make those payments. However, this section is subject to subsection 47(3) of the ITA which provides that the amount of deduction allowed shall not exceed RM4,000 and this deduction is part of wife's deduction under subsection 47(1) of the ITA.

#### **Example 24**

Morris is a resident in Malaysia in the basis year 2018. He was divorced from his wife on 1.2.2018 and starting from 1.10.2018 he made alimony payments of RM12,000 to his former wife in accordance with a court order.

Morris is eligible to claim deduction for a wife in the basis year of 2018 and for alimony payments but limited to a maximum amount of RM4,000 for the YA 2018.

#### **Example 25**

Same facts as in **Example 24**.

On 1.2.2019, Morris married Usha who is not working and has no total income. Morris is eligible to claim deduction for a wife and for alimony payments for his former wife but restricted to a maximum amount of RM4,000 for the YA 2019.

#### **Note:**

If Usha is working and has total income and she elects for a separate assessment, Morris is still eligible to deduct for alimony payment for his former wife but restricted to RM4,000.

- 6.15.6 Voluntary payments of alimony to a former wife under a mutual agreement without any formal agreement would not qualify for a deduction.
- 6.15.7 Where a wife (other than a wife who is a disabled person) has an income which is derived from sources outside Malaysia and her gross income from those sources is more than the amount of deduction allowed for a wife, the husband is not eligible to claim a deduction for wife (effective from the YA 2017).

Prior to the YA 2017, a husband is eligible to claim the deduction for wife even though the wife has income derived from overseas.

### Example 26

Amin is a resident and runs a printing business. His wife, Nabila is a flight attendant with Q Airlines in Qatar. In 2017, the income received by Nabila from Q Airlines is RM180,000.

Amin does not qualify for a deduction for wife as his wife's income which is derived from overseas exceeds the amount of deduction for wife of RM4,000.

## 6.16 Deduction for husband

6.16.1 Section 45A of the ITA allows a wife a deduction of RM4,000 for husband where he—

- (a) has no source of income;
- (b) has no total income which can be aggregated with that of his wife; or
- (c) elects for a combined assessment with his wife and tax is assessed in the name of the wife.

The amount of deduction allowed under this paragraph prior to the YA 2016 is RM3,000.

The deduction can be allowed to one wife only even though the husband has more than one wife.

6.16.2 A further deduction of RM3,500 is allowed if the husband is a disabled person.

6.16.3 Where a husband (other than a husband who is a disabled person) has an income which is derived from sources outside Malaysia and his gross income from those sources is more than the amount of deduction allowed for a husband, the wife is not eligible to claim husband's deduction.

Prior to the YA 2017, a wife is eligible to claim the deduction for husband even though the husband has income which is derived from overseas.

6.16.4 A summary of the deduction for the husband is as follows:

<b>Deduction</b>	<b>Prior to YA 2016 RM</b>	<b>Effective YA 2016 RM</b>
Husband	3,000	4,000
Further deduction if the husband is a disabled person	3,500	3,500

**Example 27**

Intan is a resident in Malaysia and works as an accountant in Kuala Lumpur. Her husband, Rizal is an engineer who works in Dubai and received income of RM300,000 from Dubai in 2017.

Intan does not qualify to claim a deduction for husband as his income which is derived from overseas is more than the amount of deduction allowed for husband of RM4,000.

**6.17 Deduction for children**

6.17.1 Section 48 of the ITA allows an individual to claim a deduction for a child provided that the—

- (a) individual must be resident in Malaysia;
- (b) individual pays wholly or in part for the maintenance of the child; and
- (c) the child must be unmarried.

6.17.2 The amount of deduction allowed for child is as follows:

- (a) A deduction of RM2,000 for an unmarried child who at any time in the basis year is under the age of 18 years – paragraphs 48(1)(a) and 48(2)(a) of the ITA.

A deduction of RM2,000 for an unmarried child who at any time in the basis year is 18 years and above and is receiving full-time instruction – paragraphs 48(1)(b), (c) and 48(2)(a) of the ITA.

The amount of deduction allowed for a child prior to the YA 2016 is RM1,000.

- (b) A deduction of RM6,000 for an unmarried child who is physically or mentally disabled regardless of age and whether the child is receiving full-time instruction – paragraphs 48(1)(d) and 48(2)(b) of the ITA.

The amount of deduction allowed under this paragraph prior to the YA 2015 is RM5,000.

- (c) A deduction of four times the amount of deduction for child under paragraph 48(2)(a) of the ITA which is RM8,000 (RM2,000 x 4) for an unmarried child who is over the age of 18 years and who is—
- (i) receiving full-time instruction (not including matriculation course or pre degree or A-Level) at a university, college or other similar educational establishment in Malaysia; or
  - (ii) serving under articles or indentures with a view to qualify in a trade or profession in Malaysia; or
  - (iii) receiving full-time instruction outside Malaysia in respect of a degree (including a degree at Master or Doctorate level) or the equivalent of a degree.

The deduction allowed prior to the YA 2016 is six times of child's deduction which is RM6,000 (RM1,000 x 6).

- (d) A further deduction of RM8,000 for an unmarried child who is disabled and is receiving a full-time instruction in or outside Malaysia (a degree including a degree at Master or Doctorate level) at any institution approved by the Government. This deduction is in addition to the deduction for a child who is a disabled person.

The deduction allowed prior to the YA 2016 is RM6,000.

- 6.17.3 Deductions for children can be allowed if the child pursues studies in courses and in institutions approved by the government. For further information, please refer to Minister of Higher Education official portal at <https://www2.mqa.gov.my>.

6.17.4 The summary on the deduction for a child is as follows:

<b>Details on children</b>	<b>YA 2014 RM</b>	<b>YA 2015 RM</b>	<b>Effective YA 2016 RM</b>
A child who is under the age of 18 years	1,000	1,000	2,000
A child who is disabled	5,000	6,000	6,000
A child over the age of eighteen years and is receiving full-time instruction in Malaysia	6,000	6,000	8,000
A child over the age of eighteen years and is receiving full-time instruction outside Malaysia (a degree including a degree at Master or Doctorate level)	6,000	6,000	8,000
A child over the age of eighteen years and is serving under articles or indentures with a view to qualify in a trade or profession in Malaysia	6,000	6,000	8,000
A child who is disabled and is receiving full-time instruction in and outside Malaysia	11,000 (5,000 + 6,000)	12,000 (6,000 + 6,000)	14,000 (6,000 + 8,000)

6.17.5 Where a wife is assessed separately in her own name, she may elect by filling in the relevant parts in the ITRF that the appropriate deduction for child be wholly allowed to her – proviso to subsection 48(1) of the ITA.

Where two or more individuals are entitled to claim a deduction for payments in respect of the same child, the deduction for the child to be allowed to each of the individuals is 50% of the allowable deduction – subsection 48(4) of the ITA.

### **Example 28**

Zahid and Nurin have a son. They were divorced in year 2016 when their son was 12 years old. Both Zahid and Nurin claimed the deduction in respect of the child as they both paid for the maintenance of the child.

The deduction allowed for the child in the YA 2016 is RM2,000. Since there are two (2) individuals who are entitled to claim for a deduction,

the deduction allowed to each of them is 50% of allowable deduction. Details are as follows:

<b>Details</b>	<b>Amount</b>
Zahid (father)	50% x RM2,000 = RM1,000
Zurin (mother)	50% x RM2,000 = RM1,000

**Example 29**

A married couple adopted a child on 1.3.2016. The couple then divorced in the same year and both claimed a deduction for the child. The child's legitimate father also claimed for a deduction as he had paid for the maintenance of the child in that year.

The deduction for child which can be allowed in the YA 2016 is as follows:

<b>Details</b>	<b>Amount</b>
Legitimate father	50% x RM2,000 = RM1,000
Adopted father	50% x RM2,000 = RM1,000
Adopted mother	50% x RM2,000 = RM1,000

**Example 30**

Ayu has a son from the previous marriage. She married Raimi and both paid for the maintenance of the child. Ayu's former husband, Amri also claimed a deduction for the child as he had expended on the maintenance of that child.

The deduction for child which can be claimed by Ayu, Raimi and Amri for the YA 2016 is as follows:

<b>Details</b>	<b>Amount RM</b>
Ayu (assessed separately and elects that the deduction for the child be wholly allowed to her)	RM1,000 (50% x RM2,000)
Raimi	-nil-
Amri	1,000 (50% x 2,000)

**Note:**

Although Ayu is assessed separately and elects that the deduction for her child be wholly allowed to her, she is only allowed 50% of the

whole deduction as there are two individuals (Ayu and Amri) who are entitled to claim a deduction in respect of the same child – subsection 48(4) of the ITA.

Raimi is not entitled to claim child deduction in respect of the same child even though he has also paid for the expenses for the child because his wife, Ayu (who is assessed separately) elects that the child deduction be wholly allowed to her – proviso to subsection 48(1) of the ITA.

6.17.6 Additional information pertaining to the deduction for children:

- (a) “Full-time instruction” means the curriculum of the educational establishment requires the child to devote full time to his studies. Where the child is required to spend part of his time away for reading or practice as in the case of musical studies, the deduction for child can be allowed if the course of study is a full-time course.
- (b) “Other similar educational establishment” refer to an establishment which is similar to a university, college or school (where applicable).
- (c) “Serving under articles or indentures” means the child who is studying and working at the same time under articles or indentures is required to devote the whole of his time to the training for a period of not less than two years.

6.17.7 The deduction for child is not allowed to an individual or spouse if the child is in receipt of his own income which his total income exceeds the amount of deduction that would otherwise be allowed – subsection 48(5) of the ITA.

However, the following receipts are not treated as income of a child:

- (a) amount received as a scholarship, grant or allowance of a similar nature – paragraph 24 Schedule 6 of the ITA; and
- (b) payments received by a child who is serving an employer under articles or indentures. At the commencement of the training, an amount of premium is payable by the individual or the spouse to enable the child to undergo training with that employer. Payments received by the child from his employer is treated as a return of premium and not his salary.

### Example 31

Fariz has a child, Julia who is currently studying at degree level in a private institution recognized by the government. Julia received a total income of RM15,000 in year 2016 as an agent selling online nutritious food.

Fariz and his wife are not entitled to claim a deduction for their child as Julia's total income for the YA 2016 exceeds the allowable deduction for that YA which is RM8,000.

## 6.18 Deduction for insurance premiums and contribution to an approved scheme

6.18.1 Subsection 49(1) of the ITA provides that a deduction up to RM6,000 can be claimed by an individual on –

- (a) payment of premium on life insurance policy;
- (b) contribution to an approved scheme (other than a private retirement scheme) made by the employee or by a self-employed person within the meaning of the Employees Provident Fund Act 1991 [Act 452]; or
- (c) contribution made under any written law relating to widow, widower and orphan's pension or under any approved scheme within the meaning of any such law.

6.18.2 With effect from the YA 2019, the total amount of deductions as in paragraphs 6.18.1 (a), (b) and (c) shall not exceed RM7,000 and segregated as follows:

- (a) a deduction not exceeding RM3,000 in respect of premium paid for life insurance;
- (b) a deduction not exceeding RM4,000 in respect of contribution to approved scheme (other than a private retirement scheme) made or suffered by that individual who is an employee or a self-employed person within the meaning of the Employees Provident Fund Act 1991 or;
- (c) a deduction not exceeding RM4,000, in respect of any amount made or suffered by that individual on any contribution under any written law relating to widow, widower and orphan's pension or under any approved scheme within the meaning of any such law.

The summary on the above total deduction is as follows:

<b>Types of Payment or Contribution</b>	<b>Amount (RM)</b>
Payment of premium paid for life insurance	Limited to 3,000
Contribution to approved scheme or under any written law	Limited to 4,000
Total	7,000

**Example 32**

In 2019, the total income received by Ateya is RM90,000. Ateya paid RM2,500 in respect of premium for life insurance and contributed RM7,000 to the Employees Provident Fund (EPF).

The amount allowed as a deduction for Ateya for the payment of premium for a life insurance is RM2,500 and limited to RM4,000 for the contribution made to the EPF.

- 6.18.3 With effect from the YA 2019, a pensionable officer within the meaning of section 2 of the Pensions Act 1980 [Act 227] who made no deduction under paragraph 6.18.2 (a) or (b), such officer is eligible to claim for a deduction on the payment made in respect of premium for life insurance or contribution to family takaful up to RM7,000 – paragraph 49(1A)(c) of the ITA.

**Example 33**

Kavita is a public servant who served for 20 years at the Ministry of Health and she opted for the pension scheme at the beginning year of her service with the government. In 2019, Kavita made payment in respect of premium for life insurance amounting to RM8,000.

Kavita is allowed a deduction for the payment made in respect of the premium for life insurance limited to RM7,000 in the YA 2019.

**Example 34**

Haikal has ceased from his service with a private company on 30.6.2019. With effect from 1.9.2019, Haikal has begun to work as a public servant at the Ministry of Human Resources. In year 2019, Haikal made a payment of premium for life insurance amounting of RM7,100 and made a contribution to EPF for RM3,500.

The total allowable deduction can be claimed by Haikal in the YA 2019 is as follows:

	<b>Actual Expenses (RM)</b>	<b>Allowable Deduction (RM)</b>
Life Insurance Premium	7,100	Limited to 3,000
EPF contribution	3,500	3,500
<b>Total</b>	10,600	6,500

Haikal is not eligible to claim the maximum amount of RM7,000 for premium life insurance because he has not attained pensionable status and he is not yet confirmed in his appointment in pursuant to Pensions Act 1980.

### **Example 35**

Sabri retired as a public servant at Ministry of Women, Family and Community Development in Mac 2019. After retirement, Sabri decided to continue his service as a counsellor at a private company starting from 1.8.2019. His new employer deducted from his salary a total of RM2,800 for EPF contribution from August to December 2019. Sabri also paid RM7,500 in respect of life insurance premium in 2019.

The total allowable deduction can be claimed by Sabri for the YA 2019 is as follows:

	<b>Actual Expenses (RM)</b>	<b>Allowable Deduction (RM)</b>
Life insurance premium	7,500	Limited to 3,000
EPF contribution	2,800	2,800
<b>Total</b>	10,300	5,800

Sabri is only eligible to claim deduction up to RM5,800. After retirement, Sabri is no longer a public servant and he started to make contribution to the EPF when he worked at the private company.

Hence, he is only eligible to claim for deduction limited to RM3,000 for life insurance premium and RM2,800 for EPF.

6.18.4 Only obligatory contribution to an approved scheme can be allowed as a deduction because of –

- (a) a contract of employment of the individual claiming a deduction in respect of the contribution; or
- (b) any provision in the rules, regulations, by-laws or constitution of the scheme.

6.18.5 A voluntary contribution made by an individual to an approved scheme is not allowed as a deduction.

However, the ‘voluntary contribution’ restriction does not apply to a self-employed person who contributed to the EPF.

6.18.6 For the purpose of claims under this deduction, ‘insurance’ means an insurance contracted for by the individual –

- (a) on the individual’s life;
- (b) on the life of the wife, or where the individual is a female, on the life of her husband; or
- (c) on the joint lives of the individual and his wife/wives or on the joint lives of two or more wives of his or, where the individual is a female, on the joint lives of –
  - (i) the individual and her husband;
  - (ii) the individual, her husband and any other wife or wives of his; or
  - (iii) the individual and any other wife or wives of her husband; or
  - (iv) her husband and any other wife or wives of his.

The insurance must be contracted for with –

- (a) an insurance company for securing on death either a capital sum or a deferred annuity or both; or
- (b) a government, a public body or the controlling authority of any nationalized insurance business.

6.18.7 “Premiums” in relation to insurance, includes contributions or instalment payable under a takaful scheme pursuant to the Takaful

Act 1984. Premium on an insurance policy purchased from an overseas company not having a branch in Malaysia is also treated as an allowable premium.

Insurance premiums are not deemed to have been paid unless the actual payment has been made by the taxpayer. Therefore, only insurance premium actually paid are allowable as deduction. However, a deduction is not allowable for –

- (a) premiums which are not in fact paid although treated by the insurance company as having been paid because of a non-forfeiture clause in the policy; and
- (b) premiums or arrears of premiums which are not in fact paid but carried forward as a debt and deducted from the capital sum due on the maturity or surrender of the policy.

#### 6.19 Premium for deferred annuity and contribution to private retirement scheme

Effective from the YA 2012 until the YA 2021, subsection 49(1D) of the ITA provides that a deduction not exceeding RM3,000 can be claimed by an individual who has—

- (a) paid premiums for a deferred annuity; or
- (b) made or suffered the making of a contribution to a private retirement scheme approved by the Securities Commission.

For further information, please refer to PR No. 4/2014 titled “Deferred Annuity” and PR No. 9/2014 titled “Private Retirement Scheme”.

#### 6.20 Premium for insurance on education or for medical benefits

6.20.1 Subsection 49(1B) of the ITA provides that a deduction of up to RM3,000 can be allowed to an individual for premiums paid for insurance on education or for medical benefits.

An education policy must satisfy the following criteria:

- (a) the policy must be contracted by the individual for himself or herself, his or her spouse or child;
- (b) the beneficiary should be the child;
- (c) where the insured is the parent, the child must be the nominee;
- (d) where the child is the insured-

- (i) it is compulsory that the life of the person paying the premium (parent) must be covered (payor benefit rider);
  - (ii) the rider must also have the same duration as the basic policy;
  - (iii) where the rider is packaged together with the basic policy in a single premium, the whole premium paid will qualify for deduction; and
  - (iv) where the parent does not qualify for payor benefit rider, the premium paid for the basic policy will not qualify for deduction;
- (e) in respect of a takaful policy, the participant is the parent and proceeds of the policy must be made “hibah” (*gift*) to the child;
  - (f) the maturity amount in respect of both conventional or takaful policy must be scheduled to be payable when the child is between the ages of 13 and 25.

6.20.2 A medical policy must satisfy the following criteria:

- (a) the expenses should be related to the medical treatment resulting from a disease or an accident or a disability;
- (b) the policy coverage should be for a period of 12 months or more;
- (c) the policy can be a stand-alone policy or as a rider to a life insurance policy. If it is a rider, only the rider premium can qualify for deduction;
- (d) where a dreadful disease cover is attached to a basic policy, the whole amount of the rider premium paid is allowed as a deduction;
- (e) where a dreadful disease cover is packaged together with a term life/personal accident cover, 60% of the package premium is allowed as a deduction;
- (f) group medical policy where the employee pays the premium for the medical benefit also qualifies for deduction; and
- (g) premium for waiver benefit rider and travel and medical expenses insurance are not allowable as a deduction.

**7. Updates and Amendments**

This PR replaces PR No. 4/2018 dated 13.9.2018 with the following amendments:			
Act	Provisions of the ITA	Item	Effective date
Finance Act 2019 [Act 823]	Proviso to subsection 44(6)	Restriction on deduction of gift of money made to any institution or organization or a fund approved by the DGIR is increased from 7% to 10% of the aggregate income.	From YA 2020
Finance Act 2019	Proviso to subsection 44(11B)	Restriction on deduction of gift of money to approved sports activity is increased from 7% to 10% of the aggregate income.	From YA 2020
Finance Act 2019	Proviso to subsection 44(11C)	Restriction on deduction of gift of money or cost of contribution in kind to approved national interest project is increased from 7% to 10% of the aggregate income.	From YA 2020
Finance Act 2019	Subsections 44(11D) and (11E)	Gift of money in the form of wakaf or endowment.	From YA 2020
Finance Act 2019	Paragraph 46(1)(g)	Medical expenses for serious disease treatment is extended to include fertility treatment.	From YA 2020
Finance Act 2019	Paragraph 46(1)(r)	Maximum amount of deduction for child care fees is increased from RM1,000 to RM2,000.	From YA 2020
Finance Act 2018 [Act 812]	Paragraph 46(1)(k)	Maximum amount of deduction for net contribution into the SSPN account is increased from RM6,000 to RM8,000.	For YAs 2019 and 2020

Finance Act 2018	Subsections 49(1) and (1A)	<p>Maximum amount of deduction for payment of insurance premium and contribution to an approved scheme is increased from RM6,000 to RM7,000 and rearranged as follows:</p> <p>(a) not exceeding RM3,000 for insurance premium paid;</p> <p>(b) not exceeding RM4,000 for contribution to approved scheme (other than private retirement scheme) made by the employee or by a self-employed person within the meaning of the Employees Provident Fund Act 1991; or</p> <p>(c) not exceeding RM4,000 for contribution made under any written law relating to widow, widower and orphan's pension or under any approved scheme within the meaning of any such law.</p> <p>In the case of a pensionable officer within the meaning of section 2 of the Pensions Act 1980 who made no deduction under paragraph (b) or (c) as mentioned above, the maximum amount of deduction under paragraph (a) is RM7,000.</p>	From YA 2019
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**8. 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.**

**APPENDIX 1**

**LIST OF EQUIPMENT FOR MEDICAL AND SPECIAL NEEDS**

1. Portable automatic blood pressure monitor
2. Silicone ryles tube
3. Common chair
4. Detachable arm rest wheel chair (much easier for patient to transfer position)
5. Standard wheel chair
6. Walking frame
7. Quadripod
8. Rollator with 2 wheel and brake
9. Roller with elbow support
10. Automatic adjustable bed
11. Ripple mattress
12. J-cushion (relieves pressure for those with risk of pressure sore while sitting)
13. Transfer board
14. Acapella (for lung physiotherapy)
15. Long term oxygen therapy
16. Portable suction machine
17. Food thickener (for patients with swallowing problems especially post stroke)
18. Clean intermittent catheterization
19. Moist dressings (examples are Duoederm including hydrocolloids dressing)
20. Glucometer
21. Diapers
22. Urinary condom and bag
23. Bedpan
24. Nebulizer
25. Inhalers
26. Insulin pen
27. Urinary cathether

**APPENDIX 2**

**DELETED TAX DEDUCTIONS**

<b>Item</b>	<b>Tax deduction</b>	<b>Provisions of the ITA</b>	<b>Effective date</b>
1.	Reading materials	Paragraph 46(1)(i)	Deduction limited to RM1,000 prior to the YA 2017 (this provision was deleted as the new paragraph 46(1)(p) of the ITA was introduced effective from YA 2017)
2.	Bill for broadband subscription	Paragraph 46(1)(m)	Deduction limited to RM500 for YAs 2010 to 2012 (this provision was deleted as the new paragraph 46(1)(p) of the ITA was introduced effective from YA 2017)
3.	Deferred annuity	Subsection 49(1A)	Further deduction in respect of payments of premium for any deferred annuity contracted by an individual on or after 1.1.2010 provided that the total of the aggregate amount of deduction for EPF contribution, premium for life insurance and deferred annuity shall not exceed RM7,000 (for YAs 2010 and 2011) and this provision is replaced with subsection 49(1D) of the ITA.
4.	Insurance policy determined by EPF Board	Subsection 49(1C)	Deduction not exceeding RM1,000 (this provision was deleted effective from YA 2011)

**DELETED TAX REBATES**

<b>Item</b>	<b>Tax deduction</b>	<b>Provisions of the ITA</b>	<b>Effective date</b>
1.	Personal computer	Subsection 6A(3A)	RM400 prior to YA 2005 RM500 prior to YA 2007  (This provision was deleted as the new paragraph 46(1)(j) of the ITA was introduced effective from YA 2007)
2.	Fee for the issuance of working permit for foreign workers	Section 6C	An amount paid to the government for the issue of an employment pass or visit pass  (This provision was deleted effective from YA 2011)