LEMBAGA HASIL DALAM NEGERI MALAYSIA

ADDENDUM TO SPECIFICATION FOR MONTHLY TAX DEDUCTION (MTD) CALCULATIONS USING COMPUTERISED CALCULATION METHOD FOR PCB 2010
1. This Addendum provides clarification in relation to Mini Budget 2009 and Budget 2010 pursuant to amendment for computerized calculation method of Monthly Tax Deduction (MTD) 2010 in respect of:

a) **Increase / additional personal relief**

   i. **Mini Budget 2009 - Tax deduction on housing loan Interest – RM10,000**

   To stimulate the housing sector and to increase the disposable income of individual tax payer, tax deduction up to RM10,000 per year be given on housing loan interest for house purchased from developer or third party subject to the following conditions:

   a. the tax payer is a Malaysian citizen and a resident;

   b. limited to one residential house including flat, apartment or condominium; and

   c. sale and purchase agreement is executed between 10 March 2009 and 31 December 2010.

   The tax deduction is given for 3 consecutive years from the first year the housing loan interest is paid.

   The proposal is effective from year of assessment 2009.

   ii. **Budget 2010 - Tax deduction on broadband subscription fees – RM 500**

   Tax deduction on broadband subscription fees up to RM 500 per year.

   The proposal is effective from year of assessment 2010 until year of assessment 2012.

   iii. **Budget 2010 - Deduction for annuity scheme premium – RM1,000**

   Existing personal tax relief of RM6, 000 (Year 2009) on contribution to Employees Provident Fund (EPF) and life insurance premium be increased to RM 7,000 (Year 2010). The increased relief amount of **RM1, 000** is given solely on **annuity scheme premium** from insurance companies commencing payment from 1 January 2010. The increased relief amount is also applicable to additional premium paid on existing annuity scheme commencing payment from 1 January 2010.

   * Annuity premium is categorised as optional deduction and claims through TP 1 form. For the purpose of calculation, please capping the amount of **RM1, 000** in TP 1 form as optional deduction and **any exceeding amount** have to include on contribution to Employees Provident Fund (EPF) and life insurance premium as **K1**. 

   $K + K_1 + K_2 + K_t$ not exceeding RM6,000.00 per year.
Example 1:

<table>
<thead>
<tr>
<th>Individual</th>
<th>Contribution &amp; payment (EPF &amp; Life insurance) (RM)</th>
<th>Deferred annuity on or after 01/01/2010 (RM)</th>
<th>Total Deduction allowed (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>6,500</td>
<td>1,200</td>
<td>7,000</td>
</tr>
<tr>
<td>B</td>
<td>8,000</td>
<td>800</td>
<td>6,800</td>
</tr>
<tr>
<td>C</td>
<td>5,000</td>
<td>1,500</td>
<td>6,500</td>
</tr>
</tbody>
</table>

Please refer to example below for detail of EPF or other Approved Scheme, life insurance premium and annuity scheme premium (K1) calculation:

Example 2: Determination of annuity scheme premium **without** EPF and life insurance deductions.

<table>
<thead>
<tr>
<th>Individual</th>
<th>EPF &amp; Life Insurance (Max RM6,000)</th>
<th>Annuity Scheme Premium (Max RM1,000)</th>
<th>Computerized calculation method PCB 2010</th>
<th>Accumulated EPF, Life Insurance &amp; Annuity Scheme Premium (Max RM7,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>6,500</td>
<td>400 (1,000 - 600)</td>
<td>K</td>
<td>K1 (exceeding annuity amount + EPF + life insurance restricted to RM6,000)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,300 (600 + 400 + 300)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Expended Allowable Deduction</td>
<td>600</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expended Allowable Deduction</td>
<td>Total (RM)</td>
<td>K1 (exceeding annuity amount + EPF + life insurance restricted to RM6,000)</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>600</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>700</td>
<td>400</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>6,500</td>
<td>0</td>
<td>300</td>
</tr>
<tr>
<td>March</td>
<td></td>
<td></td>
<td></td>
<td>5,700 (7,000 - 1,000 - 300)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7,000 (1,300 + 5,700)</td>
</tr>
</tbody>
</table>
Example 3: Determination of annuity scheme premium with EPF and life insurance deductions.

<table>
<thead>
<tr>
<th>Individual A</th>
<th>EPF &amp; Life Insurance (Max RM6,000) (RM)</th>
<th>Annuity Scheme Premium (Max RM1,000) (RM)</th>
<th>Computerized calculation method PCB 2010</th>
<th>Accumulated EPF, Life Insurance &amp; Annuity Scheme Premium (Max RM7,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>K</td>
<td>K1 (exceeding annuity amount + EPF + life insurance restricted to RM6,000)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Accumulated EPF, Life Insurance &amp; Annuity Scheme Premium (Max RM7,000)</td>
</tr>
<tr>
<td>Expended</td>
<td>Allowable Deduction</td>
<td>Expended</td>
<td>Allowable Deduction</td>
<td>Total (RM)</td>
</tr>
<tr>
<td>January</td>
<td>700</td>
<td>700</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td>February</td>
<td>700</td>
<td>700</td>
<td>500</td>
<td>400</td>
</tr>
<tr>
<td>March</td>
<td>700</td>
<td>700</td>
<td>7,000</td>
<td>0</td>
</tr>
<tr>
<td>April</td>
<td>700</td>
<td>0</td>
<td>1,000</td>
<td>0</td>
</tr>
</tbody>
</table>

Example 4:

<table>
<thead>
<tr>
<th>Individual A</th>
<th>EPF &amp; Life Insurance (Max RM6,000) (RM)</th>
<th>Annuity Scheme Premium (Max RM1,000) (RM)</th>
<th>Computerized calculation method PCB 2010</th>
<th>Accumulated EPF, Life Insurance &amp; Annuity Scheme Premium (Max RM7,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>K</td>
<td>K1 (exceeding annuity amount + EPF + life insurance restricted to RM6,000)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Accumulated EPF, Life Insurance &amp; Annuity Scheme Premium (Max RM7,000)</td>
</tr>
<tr>
<td>Expended</td>
<td>Allowable Deduction</td>
<td>Expended</td>
<td>Allowable Deduction</td>
<td>Total (RM)</td>
</tr>
<tr>
<td>January</td>
<td>300</td>
<td>300</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>February</td>
<td>300</td>
<td>300</td>
<td>1,800</td>
<td>1,000</td>
</tr>
<tr>
<td>March</td>
<td>300</td>
<td>300</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
b) Review of individual tax rate – Budget 2010

i. Tax rate for chargeable income group exceeding RM 100,000 reduced by 1 % from 27 % (Year 2009) to 26 % (year 2010).

<table>
<thead>
<tr>
<th>Category (RM)</th>
<th>P (RM)</th>
<th>M (RM)</th>
<th>R (%)</th>
<th>B Category 1 &amp; 3 (RM)</th>
<th>B Category 2 (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,500 – 5,000</td>
<td>2,500</td>
<td>2,500</td>
<td>1</td>
<td>1,400</td>
<td>800</td>
</tr>
<tr>
<td>5,001 – 20,000</td>
<td>5,000</td>
<td>5,000</td>
<td>3</td>
<td>75</td>
<td>775</td>
</tr>
<tr>
<td>20,001 - 35,000</td>
<td>20,000</td>
<td>7</td>
<td></td>
<td>1,525</td>
<td>1,525</td>
</tr>
<tr>
<td>35,001 - 50,000</td>
<td>35,000</td>
<td>12</td>
<td></td>
<td>3,325</td>
<td>3,325</td>
</tr>
<tr>
<td>50,001 - 70,000</td>
<td>50,000</td>
<td>19</td>
<td></td>
<td>7,125</td>
<td>7,125</td>
</tr>
<tr>
<td>70,001 - 100,000</td>
<td>70,000</td>
<td>24</td>
<td></td>
<td>14,325</td>
<td>14,325</td>
</tr>
<tr>
<td>Exceeding 100,000</td>
<td>100,000</td>
<td>26</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ii. Tax rate for non-resident individuals be reduced by 1 % from 27 % (Year 2009) to 26 % (Year 2010).

<table>
<thead>
<tr>
<th>Category</th>
<th>Year 2009</th>
<th>Year 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>27%</td>
<td>26%</td>
</tr>
</tbody>
</table>

2. This Addendum also provides clarification in relation to previous employments remuneration information within the same basic period (current year) received by an employee pursuant to his employment.

Employer’s responsibilities under the Rules to inform every employee to submit TP 3 (Previous employment remuneration information) form if employee commence employment with new employer and received remuneration from previous employer.

Employer shall include TP 3 form information received from employee to input in their payroll system to deduct the Monthly Tax Deduction (MTD) from the remuneration of employee accordance to computerized calculation method and pay it to the Director General.

Note : Amendment to TP 1 form and new TP 3 form will be release before 1st of January 2010.
3. Procedure for verification of computerised calculation method:

i. Software providers/employers much complies with specification and provides accurate answer and calculation for all question of testing formula/specification of MTD calculation through email.

ii. IRBM shall arrange appointment (if necessary) to verify software providers/employers system if all the answer provided is accurate.

iii. IRBM shall issue verification/approval letter for MTD 2010 to software providers/employers if all answer and calculation presented comply with specification.

iv. Employers using the computerised payroll system provided by software providers/employers who complied with the MTD calculation specifications need not obtain further verification from IRBM.

v. IRBM will upload the list of software providers of the computerised payroll system (updated biweekly) which complied with the MTD calculation specifications in IRBM website.

vi. Please forward application to:

Lembaga Hasil Dalam Negeri Malaysia
Jabatan Pungutan Hasil
Bahagian Dasar dan Operasi Pungutan
Tingkat 10 Kiri, Blok 8A
Kompleks Bangunan Kerajaan
50600 Jalan Duta Kuala Lumpur

or, email to:

1. En. Anim Omar
e-mail : anim@hasil.gov.my
Tel: 03-62091000 – 31292

2. En. Chua Tiang Siang
e-mail : ctsiang@hasil.gov.my
Tel: 03-62091000 – 34152

3. Pn. Maliatul Amaliah Muhammad Sulaiman
e-mail : maliatulamaliah@hasil.gov.my
Tel: 03-62091000 - 31762
1. MONTHLY TAX DEDUCTION (MTD) FORMULA FOR COMPUTERISED CALCULATION METHOD

MTD for current month \[=\] \frac{[\mathbb{P} - \mathbb{M}] \times \mathbb{R} + \mathbb{B} \times \mathbb{X}}{\mathbb{n} + 1} \]

where \(\mathbb{P} = \sum (\mathbb{Y} - \mathbb{K})\)

\(\mathbb{Y}\) Total chargeable income for a year;

\(\sum (\mathbb{Y} - \mathbb{K})\) Total accumulated net remuneration including net additional remuneration which has been paid to an employee until before current month including net remuneration which has been paid by previous employer (if any);

\(\mathbb{K}\) Total contribution to EPF or other Approved Scheme made on all remuneration (monthly remuneration, additional remuneration and remuneration from previous employer), life insurance premium paid (including life insurance premium claimed under previous employment, if any) not exceeding RM6,000.00 per year and any deferred annuity premium claimed in current year (including deferred annuity premium claimed under previous employment, if any);

\(\mathbb{Y}_1\) Current month's normal remuneration;

\(\mathbb{K}_1\) Contribution to EPF or other Approved Scheme and life insurance premium paid for current month's remuneration subject to total qualifying amount not exceeding RM6,000.00 per year (Deferred annuity premium is categorised as optional deduction \((\sum \mathbb{LP} + \mathbb{LP}_1)\) which claim is limited to a maximum of RM1,000.00 per year if the amount of contribution to EPF or other Approved Scheme and life insurance premium has reached the limit of RM6,000.

If contributions to the EPF or any other Approved Scheme and payment of life insurance premiums has not reached the limit of RM6,000, any excess from the deferred annuity premium which is exceeding RM1,000 can be claimed and considered together with the amount of contributions to the EPF or any other Approved Scheme and life insurance premiums subject to the total amount claimed for the contributions to the EPF or any other Approved Scheme, life insurance premiums, and the deferred annuity premium is not exceeding RM7,000.);

\(\mathbb{Y}_2\) Estimated remuneration as per \(\mathbb{Y}_1\) for the following month;

\(\mathbb{K}_2\) Estimated balance of total contribution to EPF or other Approved Scheme and life insurance premium paid for the qualifying monthly balance \([\text{RM 6,000 (Limited)} - (\mathbb{K} + \mathbb{K}_1)] / \mathbb{n}\) or \(\mathbb{K}_1\), whichever is lower;

\(\mathbb{Y}_1 - \mathbb{K}_1\) Net additional remuneration for current month;

\(\mathbb{Y}_1\) Gross additional remuneration for current month;

\(\mathbb{K}_1\) Contribution to EPF or other Approved Scheme for current month's additional remuneration subject to total qualifying amount not exceeding RM6,000.00 per year;

\(\mathbb{n}\) Remaining working month in a year;

\(\mathbb{n} + 1\) Remaining working month in a year including current month;

\(\mathbb{D}\) Deduction for individual of RM9,000.00;

\(\mathbb{S}\) Deduction for spouse of RM3,000.00;

\(\mathbb{C}\) Number of children.

Value of \(\mathbb{D}, \mathbb{S}\) and \(\mathbb{C}\) are determined as follows:
i. If category 1 = Single;
   Value of D = RM9,000.00, S = 0 and C = 0.

ii. If category 2 = Married and spouse is not working;
   Value of D = RM9,000.00, S = RM3,000.00 and C = number of children.

iii. If category 3 = Married and spouse is working;
    Value of D = RM9,000.00, S = 0 and C = number of children.

\[ \sum_{LP} \text{Other accumulated allowable deductions including from previous employment (if any);} \]
\[ LP_1 \text{Other allowable deductions for current month;} \]

\[ *(K + K_1 + K_2 + K_t) \text{ not exceeding RM6,000.00 per year;} \]

\[ M \text{Amount of first chargeable income for every range of chargeable income a year;} \]
\[ R \text{Percentage of tax rates;} \]
\[ B \text{Amount of tax on M less tax rebate for individual and spouse (if qualified);} \]
\[ Z \text{Accumulated fee/zakat paid other than fee/zakat for current month;} \]
\[ X \text{Accumulated MTD paid for previous month including from previous employment (including MTD on additional remuneration).} \]

**SCHEDULE 1: VALUE OF P, M, R AND B**

<table>
<thead>
<tr>
<th>P (RM)</th>
<th>M (RM)</th>
<th>R (%)</th>
<th>B Category 1 &amp; 3 (RM)</th>
<th>B Category 2 (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,500 – 5,000</td>
<td>2,500</td>
<td>1</td>
<td>- 400</td>
<td>- 800</td>
</tr>
<tr>
<td>5,001 – 20,000</td>
<td>5,000</td>
<td>3</td>
<td>- 375</td>
<td>- 775</td>
</tr>
<tr>
<td>20,001 - 35,000</td>
<td>20,000</td>
<td>7</td>
<td>75</td>
<td>325</td>
</tr>
<tr>
<td>35,001 - 50,000</td>
<td>35,000</td>
<td>12</td>
<td>1,525</td>
<td>1,525</td>
</tr>
<tr>
<td>50,001 - 70,000</td>
<td>50,000</td>
<td>19</td>
<td>3,325</td>
<td>3,325</td>
</tr>
<tr>
<td>70,001 - 100,000</td>
<td>70,000</td>
<td>24</td>
<td>7,125</td>
<td>7,125</td>
</tr>
<tr>
<td>Exceeding 100,000</td>
<td>100,000</td>
<td>26</td>
<td>14,325</td>
<td>14,325</td>
</tr>
</tbody>
</table>

* Annuity premium is categorised as optional deduction and claims through TP 1 form. For the purpose of calculation, please capping the amount of **RM1, 000** in TP 1 form as optional deduction and **any exceeding amount** have to include on contribution to Employees Provident Fund (EPF) and life insurance premium as **K1**.

\[ K + K_1 + K_2 + K_t \text{ not exceeding RM6,000.00 per year.} \]
2. ADDITIONAL REMUNERATION FORMULA FOR COMPUTERISED CALCULATION METHOD

Step 1 – Determine MTD on net remuneration for a year (not including current month’s additional remuneration)

[A] Determine category of employee.

[B] Determine chargeable income for a year \( [P] \):

\[
P = \left[ \sum (Y-K) + (Y_1-K_1^*) + [(Y_2-K_2^*) \times n] + (Y_t-K_t^*) \right] - [D+S+1000C + (\sum LP + LP_1)]
\]

where \( (Y_t-K_t^*) = 0 \)

[C] Determine monthly MTD for net normal remuneration. Once value of \( P \) in Step [B] is determined, value of \( M \), \( R \) and \( B \) are determined based on Schedule 1 below.

<table>
<thead>
<tr>
<th>( P ) (RM)</th>
<th>( M ) (RM)</th>
<th>( R ) (%)</th>
<th>( B ) Category 1 &amp; 3 (RM)</th>
<th>( B ) Category 2 (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,500 – 5,000</td>
<td>2,500</td>
<td>1</td>
<td>– 400</td>
<td>– 800</td>
</tr>
<tr>
<td>5,001 – 20,000</td>
<td>5,000</td>
<td>3</td>
<td>– 375</td>
<td>– 775</td>
</tr>
<tr>
<td>20,001 – 35,000</td>
<td>20,000</td>
<td>7</td>
<td>75</td>
<td>– 325</td>
</tr>
<tr>
<td>35,001 – 50,000</td>
<td>35,000</td>
<td>12</td>
<td>1,525</td>
<td>1,525</td>
</tr>
<tr>
<td>50,001 – 70,000</td>
<td>50,000</td>
<td>19</td>
<td>3,325</td>
<td>3,325</td>
</tr>
<tr>
<td>70,001 – 100,000</td>
<td>70,000</td>
<td>24</td>
<td>7,125</td>
<td>7,125</td>
</tr>
<tr>
<td>Exceeding 100,000</td>
<td>100,000</td>
<td>26</td>
<td>14,325</td>
<td>14,325</td>
</tr>
</tbody>
</table>

MTD for current month = \( \frac{(P - M) \times R + B}{n+1} - (Z + X) \)

Net MTD = MTD for current month – zakat and fee/levy for current month

[D] Determine total MTD for a year

Total MTD for a year = Total paid accumulated MTD + [MTD for current month at Step [C] \times \text{remaining month in a year include current month}]

= \( X + [(\text{MTD for current month at Step [C]} \times (n + 1))] \)

Step 2 – Determine chargeable income for a year \( [P] \) (including additional remuneration for current month) and additional remuneration which has been paid.

[A] Determine category of employee.

[B] Determine chargeable income for a year \( [P] \):

\[
P = \left[ \sum (Y-K^*) + (Y_1-K_1^*) + [(Y_2-K_2^*) \times n] + (Y_t-K_t^*) \right] - [D+S+1000C + (\sum LP + LP_1)]
\]
Step 3 – Determine total tax for a year based on value of P in Step 2. [B] Value of M, R and B are based on value as per Schedule 1 below:

SCHEDULE 1: VALUE OF P, M, R AND B

<table>
<thead>
<tr>
<th>P (RM)</th>
<th>M (RM)</th>
<th>R (%)</th>
<th>B Category 1 &amp; 3 (RM)</th>
<th>B Category 2 (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,500 – 5,000</td>
<td>2,500</td>
<td>1</td>
<td>– 400</td>
<td>– 800</td>
</tr>
<tr>
<td>5,001 – 20,000</td>
<td>5,000</td>
<td>3</td>
<td>– 375</td>
<td>– 775</td>
</tr>
<tr>
<td>20,001 - 35,000</td>
<td>20,000</td>
<td>7</td>
<td>75</td>
<td>– 325</td>
</tr>
<tr>
<td>35,001 - 50,000</td>
<td>35,000</td>
<td>12</td>
<td>1,525</td>
<td>1,525</td>
</tr>
<tr>
<td>50,001 - 70,000</td>
<td>50,000</td>
<td>19</td>
<td>3,325</td>
<td>3,325</td>
</tr>
<tr>
<td>70,001 - 100,000</td>
<td>70,000</td>
<td>24</td>
<td>7,125</td>
<td>7,125</td>
</tr>
<tr>
<td>Exceeding 100,000</td>
<td>100,000</td>
<td>26</td>
<td>14,325</td>
<td>14,325</td>
</tr>
</tbody>
</table>

Total tax for a year = (P – M) x R + B

Step 4 – Determine MTD for current month additional remuneration where total tax (Step 3) less total MTD for a year (Step 1[D]), zakat and fee/levy which have been paid

MTD for additional remuneration = Step 3 – [Step 1[D] + zakat and fee/levy which have been paid]

Step 5 – MTD for current month which shall be paid

= Net MTD + MTD for current month on additional remuneration
= Step 1[C] + Step 4

3. TERMS AND CONDITIONS

i. Calculations is limited to 2 decimal points, truncate the remaining figure:

Example : 123.4567 = 123.45

ii. Final amount of MTD must be rounding up to the highest 5 cents:

Example 1: 287.02 ≈ 287.05
Example 2: 152.06 ≈ 152.10

iii. Amount of total MTD and MTD less than RM10 before deductions of zakat/fee or levy is not required to deduct the MTD payment. However, if the amount of MTD is less than RM10 after zakat/fee/levy, the employer is required to make the deduction.

a) To determine the normal monthly remuneration MTD (without additional remuneration).

Example 1: MTD = RM8.00 (Below RM10, not required to deduct) Zakat = RM5.00 Balance of Zakat = RM5.00 (Carry forward to following month)

Example 2: MTD = RM15.00 Zakat = RM8.00 Balance of MTD = RM7.00 (MTD must be paid)
Example 3:  
\[
\begin{align*}
\text{MTD} & = \text{RM15.00} \\
\text{Zakat} & = \text{RM20.00} \\
\text{Balance of Zakat} & = \text{RM5.00 (Carry forward to following month)}
\end{align*}
\]

b) To determine the total of MTD for additional remuneration (with additional remuneration in step 3 formula additional remuneration).

Example 1:  
\[
\begin{align*}
\text{MTD for current month} & = \text{RM8.00} \\
\text{Zakat for current month} & = \text{RM5.00} \\
\text{Balance of MTD} & = \text{RM3.00 (Carry forward to step 5)}
\end{align*}
\]

Example 2:  
\[
\begin{align*}
\text{MTD for current month} & = \text{RM15.00} \\
\text{Zakat for current month} & = \text{RM8.00} \\
\text{Balance of MTD} & = \text{RM7.00 (Carry forward to step 5)}
\end{align*}
\]

Example 3:  
\[
\begin{align*}
\text{MTD for current month} & = \text{RM15.00} \\
\text{Zakat for current month} & = \text{RM20.00} \\
\text{Balance of Zakat} & = \text{RM5.00 (Carry forward to step 5)}
\end{align*}
\]

iv. In the situation where employees do not receive any normal remuneration but only additional remuneration, then value of \(Y_1\) is equal to 0.

v. If additional remuneration paid before the monthly remuneration, value of \(Y_1\) shall refer to the monthly remuneration which will be paid for that month.

vi. MTD is to be deducted from the employee’s taxable remuneration only. All the tax exemption on allowances, benefit-in-kind and perquisites shall be excluded from the remuneration for MTD purposes.

Example:  
\[
\begin{align*}
\text{Normal remuneration} & : \text{RM5,000 per month} \\
\text{Car allowance} & : \text{RM 800 per month} \\
\text{Meal allowance} & : \text{RM 300 per month (Exempted)} \\
\text{Childcare allowance} & : \text{RM 300 per month (Exempted – limit to RM2,400 per year)} \\
\text{Total} & : \text{RM6,400 per month}
\end{align*}
\]

To determine MTD amount, taxable income as follow:

\[
\begin{align*}
\text{Normal remuneration} & : \text{RM5,000 per month} \\
\text{Car allowance} & : \text{RM 800 per month} \\
\text{Total taxable remuneration} & : \text{RM5,800 per month}
\end{align*}
\]

vi. All allowable deductions are limited up to the maximum amount under the Income Tax Act 1967.

vii. Total contribution to EPF or other Approved Scheme made on all remuneration (monthly remuneration, additional remuneration and remuneration from previous employer), life insurance premium and *annuity scheme premium* paid (including premium claimed under previous employment, if any) not limited to RM500.00 per month but not exceeding RM6,000.00 per year.

viii. PCB for computerised calculation method must be paid for the actual amount (including the decimal point amount).
4. SPECIFICATION FORMAT

INLAND REVENUE BOARD OF MALAYSIA

MTD Data Specification

Header:

<table>
<thead>
<tr>
<th>No</th>
<th>Field Name</th>
<th>Start</th>
<th>End</th>
<th>Length</th>
<th>Type</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Record Type</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<td>H - ‘Header’</td>
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<td>Employer No. (HQ)</td>
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<tr>
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<tr>
<td>7</td>
<td>Total MTD Records</td>
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<td>5</td>
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<td>Right justify with zeroes</td>
</tr>
<tr>
<td>8</td>
<td>Total CP38 Amount</td>
<td>43</td>
<td>52</td>
<td>10</td>
<td>Num</td>
<td>Right justify with zeroes and with 2 decimal point</td>
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<tr>
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<td>Total CP38 Records</td>
<td>43</td>
<td>57</td>
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Transaction Record Length = 57

Transaction record (Details):

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<th>Type</th>
<th>Notes</th>
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<td>D - ‘Detail’</td>
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<tr>
<td>3</td>
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<td>12</td>
<td>1</td>
<td>Num</td>
<td>0-9</td>
</tr>
<tr>
<td>4</td>
<td>Employee’s Name</td>
<td>13</td>
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<td>60</td>
<td>Alphabet</td>
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</tr>
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<td>Old IC No.</td>
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<tr>
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<td>New IC No.</td>
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<td>A valid New IC No. (without '-') or just leave it blank if not applicable</td>
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<tr>
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<td>Passport No.</td>
<td>97</td>
<td>108</td>
<td>12</td>
<td>Alphanum</td>
<td>Left justify or just leave it blank if not applicable</td>
</tr>
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<td>Country Code</td>
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<td>Refer to Country Code list</td>
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<td>MTD Amount</td>
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<tr>
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<td>Employee No. or Salary No.</td>
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Transaction Record Length = 136
The Example of Data as required (IRB Diskette Specification)

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<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
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<td>0363135208</td>
<td>0363135208</td>
</tr>
</tbody>
</table>

1. Record Type: H for Header

2. Employer’s No. (Headquarter)
   Please complete with 10 digits without the letter E
   Example 1: E 908915-10 have to be filled as 090891510
   Example 2: E 6918546-05 have to be filled as 0691854605
   Example 3: E 90002135-00 have to be filled as 9000213500

3. Employer’s No.
   Same as No. 2 above

4. Year of Deduction
   Please complete the year of deduction with 4 digits
   Example : Year 2005 have to be filled as 2005

5. Month of Deduction
   Example : Month of August have to be filled as 08

6. Total MTD Amount
   Please complete the deduction amount without RM and decimal point
   Example : RM8350.00 have to be filled as 0000835000

7. Total MTD Records
   The total must be tally with employees whom subject to MTD
   Example : 6 employees have to be filled as 00006

8. Total CP38 Amount
   Please complete the deduction amount without the word RM and decimal point
   Example : RM1500.50 have to be filled as 0000150050

9. Total CP38 Records
   The total must be tally with employees whom subject to MTD
   Example : 2 employees have to be filled as 0002

10. Record Type: D for Details

11. and 12. Tax Reference No. and Wife code
    A. Please complete the Tax Reference No. with 11 digit without SG/OG
       Example 1 : SG  531367-08 (0) have to be filled as 00531367080
       Example 2 : OG1054355-08 (1) have to be filled as 1054355081
    B. 1. For Male / Single Woman - the last digit is 0
        2. For Married Woman - the last digit is between 1 until 9
    C. If the tax reference no. is not known, please fill as 00000000000

13. Employee’s Name
    Please complete the employee’s full name as IC / Passport

    Please complete the IC no. for local employee (if applicable)
    Example 1 : Old IC No. A 4457334 have to be filled as A4457334
    Example 2 : New IC No. 530706-01-5641 have to be filled as 530706015641

16. Passport No.
    Please complete the Passport No. for foreigner employee (if applicable)
    Example : J 1294567 have to be filled as J1294567

17. Country Code
    Please complete the Country Code for foreigner employee only. The code is for
    which country that has issued the passport.

18. and 19. MTD Amount and CP38 Amount
    Please complete the deduction amount without the word RM and decimal point
    Example 1 : RM900.00 have to be filled as 0000900000
    Example 2 : RM500.50 have to be filled as 0000500500

20. Employee’s No
    Complete Employee’s No. or Salary No.
    Example : AB012283 have to be filled as AB012283
**EXAMPLE OF CALCULATION**

**MTD Calculation for January**

Employee (Married) and wife working
3 children entitle for deduction

| Monthly normal remuneration for January | = RM 5,500.00 |
| EPF | = RM605.00 |
| Additional deduction | = Nil |
| MTD paid | = Nil |

**Additional remuneration – Bonus**

Received in month of April

= RM8,250.00

EPF = RM908.00

-----------------------------------------------------------------------------------------------------------------------------

[A] Determine category of employee

Category 3 / KA3

[B] Determine chargeable income for a year \([P]\)

Firstly determine value \(K_2\)

\[K_2 = \text{Estimated balance of total contribution to EPF or other Approved Scheme and life insurance premium for the balance of the qualifying month} \]

\[= \left[ \frac{[RM6,000.00 \text{ (limited)} - (K + K_1 + K_t)]}{n} \right] \text{ or } K_1, \text{ whichever is lower} \]

\[= \left[ \frac{[RM6,000.00 - (RM0.00 + RM605.00 + RM0.00)]}{11} \right] \]

\[= RM490.45 \]

*Total EPF = \(K + K_1 + K_t + (K_2 \times n) \leq RM 6,000.00 \text{ (limit)} \)

\[= RM0.00 + RM605.00 + RM0.00 + (RM490.45 \times 11) \leq RM 6,000.00 \text{ (limit)} \]

\[= RM605.00 + RM5,394.95 \leq RM 6,000.00 \text{ (limit)} \]

\[= RM5,999.95 \leq RM 6,000.00 \text{ (limit)} \]

where; \(n = 11\)

\[P = [\sum (Y_1 - K_1^*) + (Y_2 - K_2^*) + (Y_t - K_t^*)] \times n + \sum LP + LP_1] \]

Where \((Y_t - K_t^*) = 0\)

\[= [\sum (RM0.00 - RM0.00) + (RM5,500.00 - RM605.00) + [(RM5,500.00 - RM490.45) \times 11] + (RM0.00 + RM0.00)] \]

\[-[RM9,000.00 + RM0.00 + RM1,000.00(3) + (RM0.00 + RM0.00)] \]

\[= [(RM4,895.00) + (RM5,009.55 \times 11)] - [RM9,000.00 + RM3,000.00] \]

\[= RM 4,895.00 + RM55,105.05 - RM12,000.00 \]

\[= RM 48,000.05 \]

[C] Determine monthly MTD for net normal remuneration. Once value of \(P\) in Step [B] is determined, value of \(M\), \(R\) and \(B\) are determined based on Schedule 1 above.

\[\text{MTD for current month} = \left[ \frac{(P - M) \times R + B}{n + 1} \right] - (Z+ X) \]

\[= [RM48,000.05 - RM35,000.00] \times 12\% + RM1,525.00 - (RM0.00 + RM0.00)] \]

\[\approx RM257.08 \approx RM257.10 \]
**MTD Calculation for February**

Employee (Married) and wife working
3 children entitle for deduction

Monthly normal remuneration for February = RM 5,500.00
EPF = RM605.00
Additional deduction = Nil
MTD paid = January  RM257.10

---

[A] Determine category of employee

Category 3 / KA3

[B] Determine chargeable income for a year [P]

Firstly determine value \(K_2\)

\(K_2 = \text{Estimated balance of total contribution to EPF or other Approved Scheme and life insurance premium for the qualifying monthly balance}
\)

\[K_2 = \begin{cases} \frac{[\text{RM}6,000.00 \text{ (limited)} - (K + K_1 + K_t)}{n} \text{ or } K_1, \text{ whichever is lower}}{10} \\ = \frac{[\text{RM}6,000.00 - (\text{RM}605.00 + \text{RM}605.00 + \text{RM}0.00)]}{10} \\ = \text{RM} 479.00 \end{cases}\]

\(^*\text{Total EPF}\)

\[K = K_1 + K_t \leq \text{RM} 6,000.00 \text{ (limit)}\]

\[= \text{RM} 605.00 + \text{RM} 605.00 + \text{RM} 0.00 + (\text{RM} 479.00 \times 10) \leq \text{RM} 6,000.00 \text{ (limit)}\]

\[= \text{RM} 605.00+ \text{RM} 605.00 + \text{RM} 4,790.00 \leq \text{RM} 6,000.00 \text{ (limit)}\]

\[= \text{RM} 6,000.00 \leq \text{RM} 6,000.00 \text{ (limit)}\]

\(P = [(Y - K^*) + (Y_1 - K_1^*) + (Y_2 - K_2^*) ] \times n + (Y_t - K_t^*) - [D+S+1000C+(\Sigma LP + LP_1)]\)

Where \((Y_t - K_t) = 0\)

\[= [(\text{RM}5,500.00 - \text{RM}605.00) + (\text{RM}5,500.00 - \text{RM}605.00) + [(\text{RM}5,500.00 - \text{RM}479.00) \times 10] + (\text{RM}0.00 + \text{RM}0.00)] - [\text{RM}9,000.00 + \text{RM}0.00 + \text{RM}1,000.00(3) + (\text{RM}0.00 + \text{RM}0.00)]\]

\[= (\text{RM}4,895.00) + (\text{RM}4,895.00) + [(\text{RM}5,021.00 \times 10)] - (\text{RM}9,000.00 + \text{RM}3,000.00)\]

\[= \text{RM} 4,895.00 + \text{RM} 4,895.00 + \text{RM} 50,210.00 - \text{RM} 12,000.00\]

\[= \text{RM} 48,000.00\]

[C] Determine monthly MTD for net normal remuneration. Once value of \(P\) in Step [B] is determined, value of \(M, R\) and \(B\) are determined based on Schedule 1 above.

\[\text{MTD for current month} = \frac{(P - M) \times R + B}{n + 1} - (Z + X)\]

\[= \frac{(\text{RM}48,000.00 - \text{RM}35,000.00) \times 12\% + \text{RM}1,525.00 - (\text{RM}0.00 + \text{RM}257.10)}{10 + 1}\]

\[= \text{RM} 257.08 \approx \text{RM} 257.10\]
**MTD Calculation for Mac**

Employee (Married) and wife working 3 children entitle for deduction

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly normal remuneration for February</td>
<td>RM 5,500.00</td>
</tr>
<tr>
<td>EPF</td>
<td>RM 605.00</td>
</tr>
<tr>
<td>Additional remuneration</td>
<td>Nil</td>
</tr>
<tr>
<td>Additional deduction</td>
<td></td>
</tr>
<tr>
<td>i) Purchase of books</td>
<td>RM 100.00</td>
</tr>
<tr>
<td>ii) Medical expenses for parent</td>
<td>RM 200.00</td>
</tr>
<tr>
<td></td>
<td>RM 300.00</td>
</tr>
</tbody>
</table>

MTD paid = January until February = RM 514.20

---

**[A] Determine category of employee**

Category 3 / KA3

**[B] Determine chargeable income for a year [P]**

Firstly determine value $K_2$

$K_2 = \text{Estimated balance of total contribution to EPF or other Approved Scheme and life insurance premium for the qualifying monthly balance}$

$ = \left[ \frac{\text{[RM6,000.00 (limited)]} - (K + K_1 + K_t)}{n} \right] \text{or } K_1, \text{ whichever is lower}$

$ = \left[ \frac{\text{[RM6,000.00} - (\text{RM605.00 x 2}) + \text{RM605.00 + RM0}}{9} \right]$  

$ = \text{RM 465.00}$

Total EPF  

$= K + K_1 + K_t + (K_2 \times n) \leq \text{RM 6,000.00 (limit)}$

$= (\text{RM605.00 x 2}) + \text{RM605} + \text{RM0} + (\text{RM465.00 x 9}) \leq \text{RM 6,000.00 (limit)}$

$= \text{RM1,210.00 + RM605.00 + RM4,185.00} \leq \text{RM 6,000.00 (limit)}$

$= \text{RM6,000.00} \leq \text{RM 6,000.00 (limit)}$

where; $n = 9$

$P = \left[ \sum (Y - K^*) + (Y_1 - K_1^*) + [(Y_2 - K_2^*) \times n] + (Y_t - K_t^*) \right] - [\text{D+S+1000C+(} \sum \text{LP + LP}_1)]$

Where $(Y_t - K_t) = 0$

$= \left[ (\text{RM11,000.00} - \text{RM1,210.00}) + (\text{RM5,500.00} - \text{RM605.00}^*) + \text{[[RM5,500.00} - \text{RM465.00}^*] \times 9} + (\text{RM0.00} + \text{RM0.00}) - \text{[RM9,000.00 + RM0.00} + \text{RM1,000.00} + \text{RM0.00} + \text{RM300.00})]$

$= \left[ \text{RM9,790.00 + RM4,895.00 + [[RM5,035.00 x 9]]} - \text{[RM9,000.00} + \text{RM3,000.00} + \text{RM300.00} \right]$

$= \text{RM60,000.00 - RM12,300.00}$

$= \text{RM47,700.00}$

**[C] Determine monthly MTD for net normal remuneration. Once value of P in Step [B] is determined, value of M, R and B are determined based on Schedule 1 above.**

$\text{MTD for current month} = \left[ \frac{(P - M) \times R + B}{n + 1} \right] - (Z + X)$

$= \left[ \text{RM47,700.00 - RM35,000.00} \right] \times \frac{12\% + \text{RM1,525.00} - (\text{RM0.00} + \text{RM514.20})}{9 + 1}$

$= \text{RM253.48} \approx \text{RM253.50}$
**MTD Calculation for April** (receive additional remuneration – using Additional Remuneration Formula)

Employee (Married) and wife working
3 children entitle for deduction

Monthly normal remuneration for February = RM 5,500.00
EPF = RM 605.00
Additional remuneration = Nil
Additional deduction  
  i) Purchase of books = RM 100.00
  ii) Medical expenses for parent = RM 200.00

MTD paid = January until March = RM 767.70

Additional Remuneration – Bonus = RM 8,250.00  EPF = RM 908.00

---

**Step 1 – Determine MTD on net remuneration for a year (not including current month’s additional remuneration)**

[A] Determine category of employee.

Category 3 / KA3

[B] Determine chargeable income for a year [P];

Firstly determine value $K_2$

$K_2 = \text{Estimated balance of total contribution to EPF or other Approved Scheme and life insurance premium for the balance of the qualifying month}$

$= [\text{RM6,000.00 (limited) – (}K + K_1 + K_2 \text{) } ] / n \text{ or } K_1$, whichever is lower

$= [\text{RM6,000.00 – (RM605.00 × 3) + RM605.00 + RM0.00}] / 8$

$= \text{RM 447.50}$

*Total EPF \(= K + K_1 + K_2 + (K_2 x n) \leq \text{RM 6,000.00 (limit)}\)

\(= (\text{RM605.00 × 3}) + \text{RM605.00} + \text{RM0.00} + (\text{RM447.50 × 8}) \leq \text{RM 6,000.00 (limit)}\)

\(= \text{RM1,815.00 + RM605.00 + RM3,580.00 \leq \text{RM 6,000.00 (limit)}\)

\(= \text{RM6,000.00 \leq \text{RM 6,000.00 (limit)}\)

$\text{where; } n = 8$

$P = [\sum (Y_1 – K^*) + (Y_1 – K_1^*) + [(Y_2 – K_2^*) x n] + (Y_1 – K_1^*)] – [D+S+1000C+\sum LP + LP_1)]$

$\text{Where; } (Y_1 – K_1) = 0$

\[= (\text{RM16,500.00– RM1,815.00^*}) + (\text{RM5,500.00– RM605.00^*}) + [(\text{RM5,500.00– RM447.50^*}) \times 8] + (\text{RM0.00 } + \text{RM0.00})] – [\text{RM9,000.00 + RM0.00 + RM1,000.00(3) + (RM300.00 + RM300.00)]$

\[= \text{RM14,685.00 + RM4,895.00 + RM40,420.00} – \text{RM9,000.00 + RM3,000.00 + RM300.00 + RM300.00}\]

\[= \text{RM60,000.00 – RM12,600.00}\]

\[= \text{RM47,400.00}\]

[C] Determine monthly MTD for net normal remuneration. Once value of P in Step [B] is determined, value of M, R and B are determined based on Schedule 1 above.
MTD for current month = \frac{[(P - M) \times R + B] - (Z + X)}{n + 1}

= \frac{[RM47,400.00 - RM35,000.00] \times 12\% + RM1,525.00 - (RM0.00 + RM767.70)}{8 + 1}

= RM249.47

Net MTD = MTD for current month - zakat and fee/levy for current month
= RM249.47 - RM0.00
= RM249.47

[D] Determine total MTD for a year

Total MTD for a year = Total paid accumulated MTD + [MTD for current month at Step [C] x remaining month in a year including current month]
= X + [(MTD for current month at Step [C] x (n + 1)]
= RM767.70 + [(RM249.47 \times (8 + 1))
= RM767.70 + RM2,245.23
= RM3,012.93

Step 2 – Determine chargeable income for a year [P] (including additional remuneration for current month) and additional remuneration which has been paid.

[A] Determine category of employee.

Category 3 / KA3

[B] Determine chargeable income for a year [P]:

Firstly determine value $K_2$

$K_2 = \text{Estimated balance of total contribution to EPF or other Approved Scheme and life insurance premium for the qualifying monthly balance}$

$= \frac{[RM6,000.00 \text{ (limited)} - (K + K_1 + K_2^*)]}{n}$ or $K_1$, whichever is lower

$= \frac{[RM6,000.00 - (RM605.00 \times 3) + RM605.00 + RM908.00]}{8}$

$= RM334.00

\*Total EPF = K + K_1 + K_2 + (K_2 x n) \leq RM 6,000.00 (limit)$

$= (RM605.00 \times 3) + RM605.00 + RM908.00 + (RM334.00 \times 8) \leq RM 6,000.00 (limit)$

$= RM1,815.00 + RM605.00 + RM908.00 + RM2,672.00 \leq RM 6,000.00 (limit)$

$= RM6,000.00 \leq RM 6,000.00$ (limit)

$P = \sum (Y_i - K^*) + (Y_i - K_2^*) x [n] + (Y_i - K_2^*)] - [D+S+1000C+\{\Sigma LP + LP_1\}]$

$= [(RM16,500.00 - RM1,815.00) + (RM5,500.00 - RM605.00) + [(RM5,500.00 - RM334.00) \times 8)] + (RM8,250.00 - RM908.00) - [RM9,000.00 + RM0.00 + RM1,000.00(3) + (RM300.00 + RM300.00)]$

$= [RM14,685.00 + RM4,895.00 + RM41,328.00 + RM7,342.00] - [RM9,000.00 + RM0.00 + RM3,000.00]$ + RM600.00]

$= RM 68,250.00 - RM12,600.00

$= RM55,650.00$
Step 3 – Determine total tax for a year based on value of P in Step 2[B]. Value of M, R and B are based on value as per Schedule 1 below:

Total tax for a year = \((P - M) \times R + B\)
= (RM55,650.00 – RM50,000.00) \times 19\% + RM3,325.00
= RM4,398.50

SCHEDULE 1: VALUE OF P, M, R AND B

<table>
<thead>
<tr>
<th>P (RM)</th>
<th>M (RM)</th>
<th>R (%)</th>
<th>B Category 1 &amp; 3 (RM)</th>
<th>B Category 2 (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,500 – 5,000</td>
<td>2,500</td>
<td>1</td>
<td>– 400</td>
<td>– 800</td>
</tr>
<tr>
<td>5,001 – 20,000</td>
<td>5,000</td>
<td>3</td>
<td>– 375</td>
<td>– 775</td>
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<tr>
<td>20,001 - 35,000</td>
<td>20,000</td>
<td>7</td>
<td>75</td>
<td>– 325</td>
</tr>
<tr>
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<td>1,525</td>
<td>1,525</td>
</tr>
<tr>
<td>50,001 - 70,000</td>
<td>50,000</td>
<td>19</td>
<td>3,325</td>
<td>3,325</td>
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<tr>
<td>70,001 - 100,000</td>
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<td>24</td>
<td>7,125</td>
<td>7,125</td>
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<tr>
<td>Exceeding 100,000</td>
<td>100,000</td>
<td>26</td>
<td>14,325</td>
<td>14,325</td>
</tr>
</tbody>
</table>

Step 4 – Determine MTD for current month additional remuneration where total tax (Step 3) less total MTD for a year (Step 1[D]), zakat and fee/levy which has been paid

MTD for additional remuneration = Step 3 – [Step 1[D] + zakat and fee/levy which has been paid]
= RM4,398.50 – [RM3,012.93 + RM0.00]
= RM1,385.57

Step 5 – MTD for current month which shall be paid

\[
\text{MTD for current month} = \text{Net MTD} + \text{MTD for current month on additional remuneration} = \text{Step 1[C]} + \text{Step 4}
\]
= RM249.47 + RM1,385.57
= RM1,635.04 ≈ RM1,635.05

NOTE:

MTD Calculation for month of May until December is as per example above. Total remuneration, MTD paid and the deductions/rebates will be accumulated and brought forward from month to month until month of December in a current year.