

RELEVANT TO ACCA QUALIFICATION PAPER F6 (MYS)

Studying Paper F6?

Performance objectives 19 and 20 are relevant to this exam

PERSONAL RELIEFS

Personal reliefs are a significant factor in determining the difference in chargeable income between a resident and non-resident individual. For resident individuals, where the total claim for reliefs exceed the total income of the resident individual, the unabsorbed portion can neither be refunded nor be carried forward.

There is no time apportionment in claiming personal reliefs ie it can be claimed as long as the taxpayer qualifies for the relief at anytime during *a basis year for a year of assessment*. Section 51 of the Income Tax Act 1967 (as amended), states that a claim must be made for reliefs other than personal relief under Section 46. However, since there is no specific manner of claim prescribed in the Act, completion of the relevant sections of the return form relating to the claim for personal reliefs would suffice.

The basic reliefs are generally outlined in the question paper and, therefore, this article is intended to clarify the mechanics of claiming the reliefs.

SECTION 46 – DEDUCTION FOR THE INDIVIDUAL

Self relief – RM9,000

Note that in the case of a married couple being assessed separately, both the husband and the wife will be able to claim a relief of RM9,000 each. There is no time apportionment of the relief, ie the full relief is also available even in the year of birth and the year of death of the individual.

Disabled persons

A 'disabled person' is defined to mean any individual certified in writing by the Department of Social Welfare to be a disabled person.

- **Disabled relief –RM15,000**

A disabled person can make an additional claim of RM6,000 for the basis year for a year of assessment, ie the total claim for self relief would be RM15,000.

- **Purchase of necessary basic supporting equipment – RM5,000 (maximum)**

This is in relation to the purchase of any necessary basic equipment for use of a disabled individual or his spouse, child or parents.

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Reliefs for medical expenses

- **For parents – RM5,000 (maximum)**

Medical expenses for the individual's parents also includes expenses incurred in respect of placing a parent in a nursing home but must be evidenced by a receipt from a medical practitioner indicating that the payment was received from the claimant.

Example 1

Mr Campbell, a father of 12 children, undergoes a major operation costing RM60,000 and the medical bill is paid by his eldest son. Here the son can only claim a maximum of RM5,000.

However, if the 12 children paid the medical bill and receipts are issued accordingly, they can all claim RM5,000 each and obtain relief for the full medical cost.

- **For serious diseases – RM5,000 (maximum)**

This is in relation to medical expenses incurred by the taxpayer on himself, spouse or children suffering from a serious disease. Serious disease is defined as AIDS, Parkinson's disease, cancer, renal failure, leukemia, heart attack, accidental head injury, major burns, major organ transplants and other similar diseases. The claim must be evidenced by a receipt from a medical practitioner.

- **For a complete medical examination – RM500 (maximum)**

For a complete medical examination evidenced by receipts issued by a hospital or a medical practitioner:

However, the total claim in respect of medical expenses for serious diseases and the complete medical examination should not exceed RM5,000 as illustrated in *Example 2*

Example 2

Case	Medical for Serious Diseases (RM)	Complete Medical Examination (RM)	Claim (RM)
1	5,150	400	5,000 (MAX)
2	4,800	500	5,000 (MAX)
3	4,200	800*	4,700

**the claim for a complete medical examination is limited to a maximum of RM500.*

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Reliefs for Information and Communications Technology**▪ Purchase of personal computer – RM3,000 (maximum)**

It must be evidenced by a receipt and must not be used for the purpose of the taxpayer's business. In addition, the claim can only be made once in three years.

▪ Payment of monthly bill for broadband subscription – RM500 (maximum)

The Revenue has confirmed that the scope of the incentive covers all broadband services offered by the various service providers but in the case of prepaid broadband services, the deduction can be given if the service is registered under the name of the taxpayer and broadband subscription statement is issued by the service provider. The taxpayer has to keep both the statement and the payment receipt as evidence. The time of the deduction will be based on the date of the statement.

Reliefs for Education and Reading Materials and Sports Equipment**▪ Study relief – RM5,000 (maximum)**

This is for any course of study up to tertiary level. At undergraduate level, the studies are restricted to those undertaken for the purpose of acquiring law, accounting, Islamic financing, technical, vocational, industrial, scientific or technological skills or qualifications. However, for a degree at Masters or Doctorate level it includes any course undertaken for the purpose of acquiring any skill or qualification. These should be undertaken in any institution or professional body in Malaysia recognised by the Government or approved by the Minister, as the case may be.

▪ Contributions to National Education Savings Scheme – RM3,000 (maximum)

Deposits made by an individual for his child into the Skim Simpanan Pendidikan Nasional account established under the Perbadanan Tabung Pendidikan Tinggi Nasional Act 1997 would rank for a relief. However, if any withdrawal is made from the account by that individual in that basis year, the amount claimed shall be based on the net deposit for the year, as illustrated in *Example 3*.

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Example 3

YA	Deposit during the year(RM)	Withdrawal during the year	Claim (RM)
2010	4,200	Nil	3,000
2011	4,500	2,500	2,000
2012	2,800	3,000	Nil

- **Purchase of reading materials RM1,000 (maximum)**

In line with the government's policy to encourage reading, a claim can be made for the purchase of books, journals, magazines and other similar types of publications (but excludes newspapers and subscription to internet-based information databases) for the purpose of enhancing knowledge. These can be for the use of the individual, spouse or child. The claim must be evidenced by a receipt.

- **Sports Equipment – RM300 (maximum)**

An amount expended by that individual for the purchase of sports equipment for any sports activity as defined under the Sports Development Act 1997 as evidenced by receipts issued in respect of the purchase.

SPOUSE RELIEF – SECTION 45A AND 47

Spouse 3,000
 Disabled spouse – additional RM3,500 = 6,500

This is granted to an individual resident for the basis year for a year of assessment who in that basis year has a wife living together with him and:

- the wife is **NOT** assessed separately in her name, or
- the wife has no total income which can be aggregated with that of her husband.

It is also granted to an individual whose husband has:

- no source of income
- no total income which can be aggregated with that of his wife, or
- elected that his total income be aggregated with that of his wife.

In addition, a relief is granted in respect of the following subject to a maximum of RM3,000:

- payments to a wife by way or in the nature of alimony *pendente lite* (pending court order)
- payments by way of alimony or maintenance (in pursuance of an order of a court or otherwise) to a former wife whose marriage with

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- him was dissolved or annulled (by a court or otherwise) in accordance with any law or customs applicable to him
- payments in pursuance of an order of a court, a deed or a written agreement to a wife from whom he was separated by an order of a court, a deed of separation or a written agreement for separation.

However, note that this relief is only available to an individual who is not claiming wife relief in respect of his current wife.

Example 4

Mr Mun has a wife, Julie, and also pays alimony to his ex-wife, Zen. Let's analyse the wife relief that Mr Mun would qualify for in the year of assessment 2010 under different situations:

Scenario A**Joint Assessment**

Mr Mun can only claim RM3,000 in respect of Julie. There is no claim for the alimony paid to Zen.

Scenario B**Separate Assessment – where Julie has no total income to be aggregated with that of Mr Mun**

It will be exactly as in joint assessment ie Mr Mun can only claim RM3,000 in respect of Julie. There is no claim for the alimony paid to Zen.

Scenario C**Separate Assessment – where Julie has total income**

Mr Mun can claim a relief for the alimony paid to Zen to a maximum of RM3,000. There is no claim in respect of Julie since she will be claiming a self relief of RM 9,000.

CHILD RELIEF – SECTION 48

Child – basic rate

1,000

Child – higher rate

4,000

Disabled child

5,000

Disabled child – higher rate (additional RM4,000) =

9,000

The definition of a 'child' is given in Section 48(9), which states:
 '...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

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General to have been adopted by the individual or his wife in accordance with any law.'

The child relief is generally granted to the father. However where a wife living together with her husband is assessed separately for any year of assessment on her income, she may elect in writing that the appropriate deduction be wholly allowed to her for that year of assessment. Therefore, where the question does not indicate that an election has been made, the child relief is given to the father.

Where two or more individuals are each entitled to claim a deduction for a year of assessment for a payment made in respect of the same child, there shall be allowed to each of those individuals a deduction of 50% of that whole deduction

Example 5

Torg and Elaine are divorced. Their son, Teddy, aged eight is being raised by Elaine and her current husband, Deeban. But Torg contributes RM500 per month towards Teddy's expenses.

The attributable child relief is RM1,000, since Teddy is below the age of 18. Therefore Torg can claim half the child relief RM500 in respect of his contribution towards the maintenance of Teddy. However, in the case of Elaine, the claim for the balance of 50% goes to Deeban and not to her, UNLESS SHE ELECTS FOR THE CHILD RELIEF.

This is because Teddy is now Deeban's step-child and he qualifies to claim the child relief where no election is made by his wife.

Generally the conditions to claim child relief are as follows:

- The claimant should maintain the child
- The child must be unmarried, and
- The child's total income does not EXCEED the attributable child relief.

Clearly a contribution towards the child's maintenance is necessary before a claim can be made. Usually contribution is assumed in the case of married couples but evidence of contribution is required in the case of separated or divorced parents. In Example 5, if Torg did not contribute towards Teddy's maintenance, he does not qualify for the 50% claim for child relief.

In the year of assessment in which the child gets married, the parents (either one) can claim child relief and the spouse (of the child) can claim spouse relief, assuming all other conditions are fulfilled. However, subsequently the parents cannot claim child relief on that child even

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when that child's marriage results in a divorce or annulment. An exception to this would be if the marriage was 'void ab initio' (invalid from the onset).

The third condition is that the child's total income does not exceed the attributable child relief. These generally include income from part-time employment or income from a trust or estate but excluded scholarships, bursaries and other educational endowments.

Example 6

William's son Jason is studying in form four but works part-time in an eatery in KL. His total income for the current year of assessment and the last two are shown below together with William's claim for child relief in respect of Jason

Year of assessment	Jason's total income (RM)	William's claim for child relief (RM)
2008	990	1,000
2009	1,000	1,000
2010	1,010	NIL

CONTRIBUTION TO APPROVED SCHEMES AND INSURANCE PREMIUMS

RM

Total relief for EPF contribution and life insurance premiums or deferred annuity for resident individual does not exceed 7,000

The additional RM1,000 relief to the earlier RM6,000 is solely on annuity scheme premiums from insurance companies contracted on or after January 2010. So where the contributions to EPF and insurance does not reach RM6,000, the shortfall here can be utilised for annuities including the RM1,000 up to a maximum of RM7,000.

An individual resident is granted the above relief where, for the basis year for a year of assessment, he has:

- paid any premium for any insurance or deferred annuity
- as an employee or as a self-employed person made or suffered the making of a contribution to an approved scheme or the Employees Provident Fund as the case may be
- made or suffered the making of any contribution under any written law relating to widows' and orphans' pensions or under any approved scheme within the meaning of any such law.

In addition, where the aggregate amount of deduction allowed above, other than payment of premium for any deferred annuity contracted by

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an individual on or after 1 January 2010, or contributions or both, is RM6,000 or less, there shall be allowed a further deduction on any payment of premium for such deferred annuity. However the total deduction shall not exceed RM7,000.

Education or Medical Insurance Premiums

Educational and medical insurance for self, spouse or child (RM3,000 maximum)

An individual resident for the basis year for a year of assessment who has paid any premium for insurance on education, or for medical benefits, is granted a relief for both, jointly totalling RM3,000.

Insurance in this context means an insurance contracted for by an individual for himself, his wife or child, or in the case of a wife, for herself, her husband or child.

An important point to note is that the maximum deduction available is for both the husband and the wife under separate assessment. However, under joint assessment it is the same maximum limit for the assessed party although they would be combining the amount incurred or contributed by both the joining and the assessed parties.

Example 7

Francis and his wife Pamela have made contributions to EPF and settled insurance premiums for the basis year 2010 as follows:

	<i>Francis</i>	<i>Pamela</i>
	<i>RM</i>	<i>RM</i>
<i>i. EPF contributions</i>	<i>3,200</i>	<i>4,610</i>
<i>ii. Life insurance premiums</i>		
<i>a) On the life of Francis & Pamela</i>	<i>1,250</i>	
<i>b) On the life of wife and son</i>	<i>1,050</i>	
<i>c) On the life of Francis</i>		<i>2,150</i>
<i>iii. Medical policy for wife and daughter</i>	<i>1,900</i>	
<i>iv. Education policy for son</i>		<i>2,500</i>
<i>v. Deferred annuities taken in 2010</i>	<i>2,600</i>	

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Under separate assessment their respective claims would be:

	<i>Francis</i>	<i>Pamela</i>
<i>EPF contributions</i>	3,200	4,610
<i>Life insurance premiums</i>		
<i>On the life of Francis and Pamela</i>	1,250	
<i>On the life of wife and son</i>	Not qualifying	
<i>On the life of Francis</i>		2,150
<i>Deferred annuities (restricted to)</i>	2,550	
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<i>Maximum</i>	<u>7,000</u>	<u>6,000</u>
<i>Medical policy for wife and daughter</i>	1,900	
<i>Education policy for son</i>		2,500
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	<u>1,900</u>	<u>2,500</u>

Under joint assessment, the assessed party's claim would be:

<i>EPF contributions – Francis</i>	3,200
<i>– Pamela</i>	4,610
<i>Life insurance premiums</i>	
<i>On the life of Francis and Pamela</i>	1,250
<i>On the life of wife and son</i>	Not qualifying
<i>On the life of Francis</i>	<u>2,150</u>
<i>Maximum</i>	6,000
<i>Deferred annuities (restricted to)</i>	1,000

<i>Maximum</i>	<u>7,000</u>
<i>Medical policy for wife and daughter</i>	1,900
<i>Education policy for son</i>	2,500

<i>Maximum</i>	<u>3,000</u>

Candidates should have a good comprehension of personal reliefs, as it can significantly reduce a resident individual's income chargeable to tax.

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