

# Tips for lightening your annual tax bill

**THE** annual tax filing season can be a stressful time. Unfortunately, filing tax returns is a responsibility you cannot escape, especially for those drawing an annual gross salary of RM42,350 and above.

By diligently reviewing your tax affairs before the year ends, you may be able to lower your annual tax bill.

What are the commonly overlooked areas in tax reliefs? Did you know that a taxpayer is able to claim tax deductions and personal tax reliefs against the total annual income and ultimately reduce the chargeable income before taxes are levied?

Some commonly overlooked areas include the following:

## Joint or separate assessment

By default, a married couple would be assessed separately. However, you may want to consider if it is worthwhile to file the returns separately or jointly.

Depending on the income disparity between spouses, filing separate or joint returns may help a couple to reduce their overall tax bills by maximising on spouse relief (RM4,000), and also child relief (RM2,000).

## Children

Generally, for a child under the age of 18, parents are entitled to claim a relief of RM2,000. If the child is over 18, parents may still claim the relief provided the child is still pursuing full-time education. To be eligible for the enhanced relief of RM8,000, the child must be pursuing study in a course and educational establishment recognised by the Malaysian government. Details are available at [www.jp.gov.my](http://www.jp.gov.my).

## Disability

A disabled taxpayer is entitled to an additional relief of RM6,000. Similarly, for a taxpayer with a disabled spouse/child, additional relief of RM3,500/RM6,000 is also available. To qualify for this claim, the disabled taxpayer or dependent must be registered and certified in writing by the Department of Social Welfare (DSW).

## Medical expenses

Start the new year with a healthy body. You can claim expenses of up to RM500 annually for a full medical examination. Treatment for serious illnesses such as cancer, AIDS, heart attack, major organ transplant, etc can be costly. To make claims, ensure that you have the relevant

documents from a medical practitioner registered with the Malaysian Medical Council. The reliefs for both the above expenses (with receipts) cannot exceed RM6,000 per annum.

## Lifestyle expenses

Make the most out of this and you can knock off a maximum of RM2,500 a year from your total income. Expenses qualifying for this relief include the purchase of newspapers, reading materials, personal computer, laptop, smartphone and tablet, sports equipment including gym membership as well as broadband subscription. Do keep the supporting receipts.

## Medical/healthcare expenditure and relief for parents

If you have incurred medical expenses for your parents, a claim of up to RM5,000 may be made, but it must be supported with certification by a Malaysian Medical Council-registered practitioner. However, if no claim for medical expenses is made, you may still claim for parental relief. To claim, you and your siblings (if applicable) can collectively claim a maximum of RM1,500 for each parent provided your parents' annual income does not exceed RM24,000 each.

## Purchase of breastfeeding equipment

Once every two years, mothers with children aged up to 2 years can claim a maximum relief of RM1,000 annually for the purchase of breastfeeding equipment.

## Deposits in Skim Simpanan Pendidikan Nasional (SSPN)

Parents saving for their children's higher education with the SSPN are entitled to a maximum relief of RM8,000 each on the net deposits made in 2019. For parents who file separate tax returns, a total of up to RM16,000 is claimable, resulting in a total tax savings of up to RM4,480 for both parents.

## Childcare fees

Parents who send their preschooler to childcare centres and kindergartens registered with the DSW or Education Ministry respectively, may enjoy a tax relief of up to RM1,000 annually.

## Insurance premiums

Effective 2019, the relief for premiums paid for insurance policies contracted on the life of the taxpayer and/or spouse is capped at RM3,000 per annum. Premiums paid for medical and/or education for the taxpayer, spouse or

child may qualify for relief of up to RM3,000 per annum.

## What other deductions can I claim?

**Donations** to approved charitable organisations or directly to the government (e.g. Tabung Harapan Malaysia) would qualify for tax deduction (but limited to 7% of your total income). A receipt is needed to validate your deduction.

## Travel/petrol allowance

As an employee, you may receive travel/petrol allowance for official duties from your employers exceeding RM6,000 per annum. If so, you may make further deduction in respect of the amount spent for official duties in your tax return. Records such as travel log book should be available to support the deduction.

## Any other issues for me to note?

**Rental income** - for taxpayers who are landlords, you can reduce your taxable rental income by deducting expenses such as bank interests, quit rent, assessment, fire insurance and repair and maintenance.

**"Career Comeback Programme"** - if your wife took a career break but has now returned to work, it is worthwhile to explore if she can take advantage of this incentive facilitated by Talent Corporation Malaysia Berhad (TalentCorp). Under this incentive, she would be given a tax exemption on her employment income for a maximum of 12 consecutive months.

This initiative began on Jan 1, 2018, and was due to expire in 2020. In Budget 2020, it was proposed that it be extended for another four years. Applications must be received by TalentCorp by Dec 31, 2023.

Plan ahead, have the right information available and ensure that all receipts pertaining to the claims in your tax return are retained for seven years. For receipts printed on thermal paper, either make a photocopy or have an electronic copy readily available.

If you are selected for a tax audit by the LHDN and fail to produce the relevant receipts, you will be subject to penalties ranging from 10% to 35%. The LHDN may also impose travel restrictions on taxpayers who fail to settle their balance of income tax. For Malaysian taxpayers, you can check your travel status at [www.imi.gov.my](http://www.imi.gov.my).

**Sim Kwang Gek**

Member of MICPA and Tax Leader of Deloitte Malaysia