

# Completing Employer's Tax Reporting – Form E and EA YA 2018 Model Answers



CA(M), CTIM(M), ACCA(UK)

Q : I employed a new Employee,  
wage monthly RM2,500. Do I  
submit CP22?

Q : My employee wage monthly  
RM2,500 is leaving the  
Company, do I submit CP22A?



A : Not required.

# Director Fee



- Should I disclose Director Fee in Form EA?
- Is Director Fee subject to PCB? PCB or PCB (A)
- What if my Director Fee only decided after AGM / Financial Year Ended?
- Finance Department issue / contra payment without notifying HR?
- I have 2 Directors. 1 received fix director fee on a monthly basis while the other received director fee on a lump sum basis end of the financial year. Which one I should disclose and how do I disclose?

1 : Yes | 2. Can be PCB or PCB (A) depending on the case  
3. This is PCB (A) | 4. Contra payment PCB realized. PCB (A)  
5. Fix = PCB, Lump sum = PCB(A)



# Case Studies

- 1) A sales manager received the following in the Company's annual dinner:-
- a) Laptop costing RM5,000
  - b) Letter of appreciation
  - c) Cash gift of RM10,000

Yes. Subject to tax.

- 2) A waitress received tips from customers when exercising her employment amounting to RM5,000 in 2018.

Yes. Subject to tax.

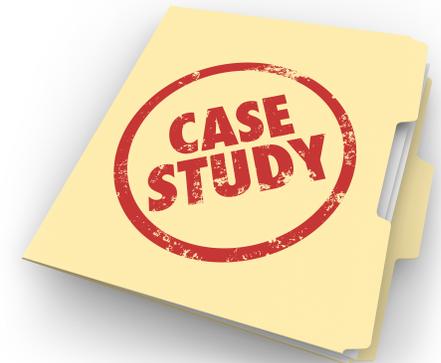


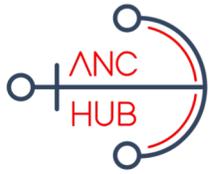
# Case Studies

3) A CEO of listed company obtained a loan in 2018 where he is being charged with interest rate of 4% per annum. The funds for housing loan are obtained from a loan taken by employer from a bank which charges interest rate at 8%, while market rate for similar loan is 10%.

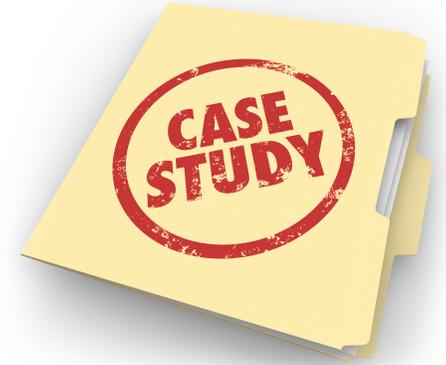
The employer paid interest to bank amounting to RM6,000 while CEO paid interest to employer amount to RM3,200. How much is the value of perquisite?

Perquisite is 4% - RM2,800





# Case Studies



## Recreational club membership

a) CEO subscribed for a recreational club membership of RM12,000 per annum, whereby the membership is owned by the individual. How much is the perquisite to CEO?

RM12,000

b) The company subscribed a recreational club membership of entrance fee RM3,000 and annual subscription of RM2,000. The subscription is shared among 2 directors.

The entrance fee is not a perquisite for the directors as it is owned by employer. However, the annual subscription is a BIK to director. Not perquisite.

Perquisite for Directors : RM1,000 each

# Case Studies

5) Scholarship – Najit who has salary of RM4,000 per month. During his employment, his employer sponsors him a scholarship total of RM40,000 for him to advance for MBA course. During his study leave of 3 months, he continues to receive his salary. How much is his perquisite?

Perquisite is RM40,000

6) Waiver of loan or advance – Azman worked with ANC Hub, an audit firm. His employer gave him a loan of RM20,000 to enable him to attend a professional course in accounting, but he has to sign a contract to work with ANC Hub for 24 months after the completion of the course.

He received the loan in 2015, while the loan is waived in 2018. When and how much is the perquisite? [s.25(2) of ITA]

Perquisite is RM20,000 in 2018

# Case Studies

7) Epal Malaysia is a company selling IT products. The company has a staff purchase plan for its employees to buy its Epal products at a discounted price of 15%.

Assume the cost of the laptop is RM5,000, the market price of the laptop is RM10,000, employee gets to buy it at RM8,500. Is there any perquisite? If yes, how much?

What if the laptop is given free to the employee?

Perquisite is RM1,500





# Case Studies



## 8) Professional Subscriptions

Subscription to a professional body paid by employer **will not be considered as a perquisite** if membership to that professional body is essential to the business of the employer in terms of enhancement of knowledge to facilitate the employee in carrying out his duties. However, if cannot prove, such subscription is a perquisite.

Subro, an employee working in a legal firm subscribed to a taxation professional body - Chartered Tax Institute of Malaysia. The subscription fee is paid by the employer of RM400 per annum. Is this RM400 considered as a perquisite?

Generally subject to perquisite, unless business relation justified

# Case Study 1

For the YA 2017 and YA 2018, Henry - CEO of Ekoworld Sdn Bhd has a consistent monthly PCB of RM3,000. The Company agreed to pay his monthly PCB every month to the IRB.

In April 2018, Henry submitted his income tax return for YA 2017, which has a tax payable of RM30,000.

How much is the perquisite / tax borne by employer to disclose in Form EA 2018?

**Tax Borne is RM30,000**

# Case Study 2



Michael who started his employment with Company A in year of 2016, has an annual income of RM100,000.

His employer agrees to pay his income tax payable as part of his employment contract. His monthly PCB is RM1,000.

Assuming he qualified as a tax resident, how much is his tax payable for YA 2016 to YA 2018.

# Case Study 2

	YA 2016	YA 2017	YA 2018
Chargeable Income	100,000	100,000	100,000
Add : Tax Borne by Employer	-	11,900	14,756
Total	100,000	111,900	114,756
Tax Payable (First 100,000)	11,900	11,900	10,900
Next @ 24%		2,856	3,541
Total Tax Payable		14,756	14,441

# Case Study 3



Michael who started his employment with Company A in year of 2016, has an annual income of RM100,000.

His employer agrees to pay **50% of his income tax payable** as part of his employment contract. His monthly PCB is RM1,000.

Assuming he qualified as a tax resident, how much is his tax payable for YA 2016 to YA 2018.



# Case Study 3

	YA 2016	YA 2017	YA 2018
Chargeable Income	100,000	100,000	100,000
Add : Tax Borne by Employer	-	5,950	6,664
Total	100,000	105,950	106,664
Tax Payable (first 100,000)	11,900	11,900	10,900
Next @ 24%		1,428	1,599
Total Tax Payable		13,328	12,499

# Case Study 4



Michael who started his employment with Company A in year of 2016, has an annual income of RM64,000 and VOLA of RM36,000.

His employer agrees to pay **his income tax payable on VOLA only** as part of his employment contract. His monthly PCB is RM1,000.

Assuming he qualified as a tax resident, how much is his tax payable for YA 2016 to YA 2018.



# Case Study 4

	YA 2016	YA 2017	YA 2018
Chargeable Income	100,000	100,000	100,000
Add : Tax Borne by Employer	-	4,284	4,284
Total	100,000	104,284	104,284
Tax Payable (first 100,000)	11,900	11,900	10,900
Next @ 24%		1,028	1,028
Total Tax Payable		12,928	11,928

# Case Study 1

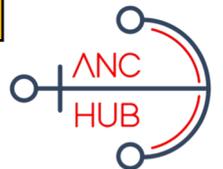


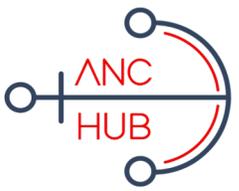
Missing Berhad, a listed company on Bursa offered its manager Rose Ma a right to acquire 1,000 units of shares on 25.03.2018 at the offer price of RM3 per share within 3 years from 01.12.2018.

She exercised the share scheme on 01.01.2019 (exercise date). The price of the share listed was RM4.

How much is the ESOS benefit? Which year of EA should the employer include?

ESOS Benefit : RM1





# Case Study 2



FB Setia Berhad, a listed company on Bursa offered its manager Rosita a right to acquire 1,000 units of shares on 25.09.2016 at the offer price of RM3 per share within 3 years from 01.12.2016.

On 01.12.2016, the market value of the share is RM5.

Rosita decided to exercise the option on 01.01.2018 when the market value is RM7.

How much is the ESOS benefit? Which year of EA should the employer include?

**ESOS Benefit RM2, in YA 2018**

# Gratuity – Full Exemption



## Retirement due to ill-health

Annie who has worked for the employer for 18 years, suffered a stroke and was advised by doctor not to continue with her work. She had no choice but to opt for early retirement at the age of 52. The company paid her a retirement gratuity of RM300,000.

Can Annie qualifies for full exemption?

Yes.



# Gratuity - Full Exemption



## Compulsory Retirement

Ravi worked with XYZ Sdn Bhd for 20 years. She retired upon reaching age of 55 on 30.04.2018 and received a gratuity of RM150,000.

Has Ravi qualifies the following:-

- a) reaching compulsory age of 55 (although new ruling is 60); and
- b) has been working with the same employer for 10 years

Can Ravi qualifies for exemption? Is yes, how much?

Yes, Full exemption.



# Gratuity – Full Exemption



## Compulsory Retirement under Collective Agreement / Employment Contract

Rani worked with XYZ Sdn Bhd for 20 years. She retired upon reaching age of 50 (which is the compulsory age of retirement pursuant to her employment contract / collective agreement) on 30.04.2018 and received a gratuity of RM150,000.

is Rani qualifies for the conditions below?

- a) reaching compulsory age of 50; and
- b) has been working with the same employer for 10 years

How much to be exempted?

Yes, Full exemption.



# Gratuity – Partial Exemption



## Compulsory Retirement (less than 10 years)

Isha retired on 30.06.2018 upon reaching age of 58. She has been with her employer for the past 8 years and her employer gave her a retirement gratuity of RM80,000.

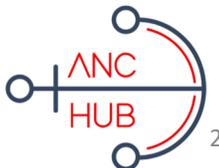
Isha qualified for partial exemption on the retirement gratuity of RM80,000.

How much taxable and how much exempted?

Yes, RM8,000 exemption

How much should the EA disclose?

RM80,000



# Compensation for Loss of Employment



## **Premature termination due to retrenchment**

Coco who has worked with Mass Airline Sdn Bhd for 10 years and 5 months was retrenched in 05.01.2018, due to a restructuring exercise.

The Company paid her RM150,000 as retrenchment benefit. Coco is eligible for an exemption of RM10,000 for each completed year of service.

How much to declare in Form EA? How much is the income chargeable to tax?

RM150,000, 10 years x RM10,000 exemption



# Compensation for Loss of Employment

## **Premature termination due to constructive dismissal**

Constructive dismissal is an act of an employee termination the contract of service with the employer due to the conduct or behavior of the employer. For example:-

Donald Drum who was a regional manager for PiggyBank Berhad for 15 completed years of service was recently demoted and redesignated to customer service due to a bank merger and acquisition. Donald Drum wrote to the bank claiming he had been constructively dismissed due to breach of employment contract.

The bank agreed to compensate him RM300,000. How much to declare in EA and how much is chargeable to tax?

EA : RM300,000.  
Exemption : 15 x RM10,000

# Compensation for Loss of Employment

## Premature termination due to court award

Court award is a compensation awarded from a law suit.  
For example:

John who has been working with his employer for 5 years was terminated prematurely on 31.12.2015. He filed a suit for unjust dismissal. The court awarded him a compensation of RM200,000 on 30.06.2018.

How much is chargeable to tax?

Exemption : RM10,000 x 5 years





# Case Study 1

- Throughout year 2018, Liew was provided with a 3 years old used car which was purchased by the employer for RM150,000 (under GST margin scheme).
- The cost of the motorcar when new was RM200,000.
- How much is the BIK based on prescribed value method?

RM7,000 + RM1,800

# Case Study 2

- Employee A and B shared a new motorcar:-
  - a) costing RM100,000 (inclusive GST) for the period of January to June 2018; and
  - b) costing RM150,000 (inclusive GST) for the period of July to December 2018.
- How much is the BIK each based prescribed value method?

1<sup>st</sup> MV : RM1,200 each  
2<sup>nd</sup> MV : RM1,625 each



# Case Study 3

- May is provided with a 7 year Honda CRV with free petrol throughout 2018. The cost of new CRV is RM180,000. The employer has incurred RM6,000 for petrol in respect of year 2018.
- How much is the BIK each based prescribed value method? **RM5,300**

**tip** : where motorcar is more than 5 years old, the annual value of BIK in respect of motorcar can be reduced to half. However, value of BIK in respect of petrol remains unchanged.



# Case Study 4

- Rosemah is provided with a 2 years old reconditioned BMW imported from Japan with free petrol throughout 2018. The cost of the BMW is RM200,000 + import duty 30% + GST 6%.
- How much is the BIK each based prescribed value method?

$$\text{BIK} = \text{RM}15,000 + \text{RM}2,400$$

# Case Study 1

- William who has a gross income of RM100,000 under Para 13(1)(a) for the year ended 31.12.2018 was given rent free living accommodation by his employer.
- The defined value of living accommodation is RM36,000.
- How much to account for monthly PCB?
- How much William will be taxable for?

EA : RM36,000  
BE : RM30,000

# Case Study 2

- Director B (controlled director) who has a gross income of RM200,000 under Para 13(1)(a) for the year ended 31.12.2018 was given rent free living accommodation by his employer.
- The defined value of living accommodation is RM48,000.
- How much to account in PCB?
- How much Director B will be taxable for?

RM48,000

# Case Study 3

- Yeye who has a gross income of RM50,000 under Para 13(1)(a) for the year ended 31.12.2018 was given rent free hostel accommodation by his employer. The hostel is shared among 10 other employees.
- The rental payment of the hostel is RM24,000.
- How much to declare for PCB?
- How much Yeye will be taxable for?

EA : RM2,400 each employee  
BE : RM1,500

# Case Study 4

- Yoyo who has a gross income of RM100,000 under Para 13(1)(a) for the year ended 31.12.2018 was given rent free fully furnished accommodation for a condominium by his employer.
- The rental payment of the condominium is RM36,000 in which RM4,800 is for the furnishing.
- How much to account for PCB?
- How much Yoyo will be taxable for?

To find Market Value of property when it is empty (VOLA) and furnishing subject to BIK

# Case Study 5

- Company / Employer rented a condominium for RM6,000 and rent out to its employee – Mr OMG. The payment was reimbursed through salary deduction. The total rental collection every month is RM6,000.
- How much to account for VOLA / PCB?
- How much OMG will be taxable for?

VOLA not applicable