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# Claims for medical expenses

Can you claim for your Internet connection under the personal computer tax exemption? What are considered serious illnesses? These are some of the questions our readers are asking. Tax consultant company PremierOne answers their queries below.

**JOSEPH LOH**

**Can I claim medical expenses for my mother-in-law? She is staying with me and I pay for all her medical fees.**

The tax relief of up to a maximum of RM5,000 is in respect of medical expenses expended by taxpayer for his parents. In your case, you are not entitled to claim the tax relief for your mother-in-law.

If your wife is working and/or earning an income, she would be entitled to claim the medical expenses for her mother provided that the claim is evidenced by a medical practitioner's receipt.

**> We bought insurance coverage for my two children under my wife's name but I am paying the premium using auto debit from my credit card. Can I claim this?**

The tax relief is up to a maximum of RM3,000 in respect of insurance premiums paid for insurance on education or for medical benefits for individual, spouse or children. To qualify for the relief, the insurance policy must be in your name (as the claimant) and the insurance coverage for your two children must be in relation to education or medical benefits.

**> What disease is considered a serious disease and where can I find the list in the Tax Guide Book?**

The tax relief for medical expenses expended on self, spouse or child of up to a maximum of RM5,000 is available in respect of treatment of serious diseases which is defined to include AIDS, Parkinson's, cancer, renal failure, leukaemia and other similar diseases such as heart attack, pulmonary hypertension, chronic liver disease, fulminant viral hepatitis, head trauma with neurological deficit, brain tumour or vascular malformation, major burns, major organ transplant and major amputation of limbs.

The definition can be found under item D6 in the IRB Tax Guide Book (*Buku Panduan BE2009*).

**> Can I claim under serious diseases when I was hospitalised for cataract or ulcer in the stomach?**

See above. Since the definition exemplifies diseases which are serious and chronic in nature, we think cataract and stomach ulcer may not fall within this definition.

**> I purchased supplements which helps in controlling my sinus. However, this is not a prescription from a doctor. Am I able to claim for it?**

See above. The purchase of supplements would not fall within this definition and therefore it is not claimable as a tax deduction.

**> My daughter has been on anti-allergy medication for more than a year. Are her medical costs claimable?**

See above. Since the definition exemplifies diseases which are serious and chronic in nature, this is unlikely to fall within this definition.

**> I want to claim for my parents' medical expenses but receipts are under their name. What should I do?**

Tax relief of up to a maximum of RM5,000 is available in respect of medical expenses expended by an individual for his parents provided that the claim is evidenced by a medical practitioner's receipt to certify that the treatment was provided for your parents.

Where the receipts are issued in your parents' names, you may substantiate your relationship with your parents by showing proof such as your birth certificate, in the event of an audit by the Inland Revenue Board.

## **Combined assessment**

**> My wife only has dividend income of about RM3,500, so is it more beneficial for me to return a combined assessment?**

You should opt for a combined assessment if your wife's total chargeable income is less than RM3,000 (RM3,000 being the wife relief in a combined assessment).

In your case, you should opt for separate assessment. Otherwise, the RM500 excess of her dividend income over RM3,000 (wife relief) will be added to your own total chargeable income and assessed on you at your highest applicable tax rate.

However, please note that if your wife's dividend income is a single-tier or tax-exempt dividend, then it is not taxable and need not be declared in your tax return.

## **Disabled family member**

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**> I have a brother who has mental problems and has been staying at a nursing home in Petaling Jaya for at least four years. He is on full-time medication and consultation at Universiti Hospital. His monthly nursing home fee is RM650 per month, which totals RM7,800 per year. Can I claim tax relief of RM6,000 under disabled individual?**

The tax relief of RM6,000 for disabled individual is applicable to a taxpayer who is himself/herself disabled. In addition, there is also a tax relief of RM3,500 for the taxpayer if his/her spouse is disabled.

In your case, you are not entitled to the tax relief in relation to your disabled brother.

### **Overseas and Internet income**

**> I am a Malaysian citizen. If I take up an offer as an independent consultant for a company registered outside of Malaysia, will I be taxed for my income? My monthly income will be TT into my Malaysian bank account from any of the above countries.**

**> SEE NEXT PAGE**

# **Allowable allowances**

**> FROM PREVIOUS PAGE**

**My work will be mainly based in Malaysia with short trips to those countries.**

Where your work is mainly based in Malaysia, your income as an independent consultant is taxable in Malaysia. The short trips overseas would most likely be regarded by the IRB as part of or incidental to your Malaysian business activities.

Your income would be taxable in Malaysia regardless of the fact that your principal is not a Malaysian company or that your monthly income is TT from a foreign country.

**> I work for WHO. We have been getting two conflicting answers whenever this time of the year comes around. Every April, we will receive a letter (from WHO) stating that we are tax-free but depending on who we ask in LHDN, we would get various answers – from “yes, you are tax-free” to “no, you have to pay!” Can you clarify?**

Our response is based on the premise that the letter from WHO specifically states that you, as an employee of WHO, are exempt from tax on your employment income.

If this is so, we suggest that you request from WHO a copy of the Malaysian government exemption order which specifically states that employees of WHO in Malaysia are not taxable on their employment income.

Without this order, your employment income is taxable income in respect of having or exercising employment in Malaysia.

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### **Freelance work**

**> How do you start paying tax if you are a Malaysian who has not lived or worked in the country as an adult but has now returned at age 50? I did pay tax in the other countries I lived and worked in, of course. I now work on a freelance basis.**

You would need to firstly register yourself as a taxpayer. We suggest you visit the nearest IRB office to inquire on this. The IRB will be able to assess, from your annual freelance income and your applicable tax reliefs, whether you are taxable or not.

If you are taxable, then the IRB will register you and issue the Form B for your completion.

### **Employee allowances**

**> If the company provides a car and petrol for its employee's use, why does it fall under taxable income? How does it compute?**

When the company provides to its employees a car for private use and pays for petrol, this is considered a benefit-in-kind and is taxable to the employees.

The computation of the car and petrol BIK is set out at length with examples in the IRB's Public Ruling No.2/2004 on Benefits-in-kind ("BIK") dated Nov 8, 2004. From YA 2008, the computation of the petrol BIK is fully set out in the Third Addendum of the Public Ruling No 2/2004 dated April 17, 2009, where the benefit on free petrol is taken to be the total value of petrol provided to the employees.

You can obtain these Public Rulings from the IRB's website.

**> Is there any way that this provision can fall under a category to minimise tax?**

From YA 2008, the amount of the petrol BIK is exempted in respect of:

(a) RM2,400 per year with effect from YA 2008 to YA 2010 for travelling from home to place of work and from place of work to home;

(b) RM6,000 per year for travelling in exercising an employment.

The Third Addendum to the Public Ruling also sets the tax treatment for certain situations such as where an employee receives free petrol exceeding RM6,000 in exercising his employment.

The Finance Ministry has, on July 10, 2009, given the option for employees to either:

(a) Use the prescribed BIK value for petrol in the Public Ruling on BIK dated Nov 8, 2004, or

(b) Follow the provisions in the Third Addendum for petrol BIK.

**> May I know whether a company that provides meals to its staff has to declare it in its Borang EA?**

With effect from year of assessment 2008, meal allowance paid by employers is fully exempted from income tax to the employees. The amount of such exempted allowance is to

be specified in Part G of the Form EA provided by the employer. The employees are not required to report such exempted allowance in their respective Form BE.

Further clarification on meal allowance exemption can be obtained from the Third Addendum to Public Ruling No.1/2006 and BE2009 Explanatory note, which can be found in the IRB's website.

### **Rent income**

**> Can we deduct the initial costs to set up an apartment for rental – such as washing machine and television – against the rental income?**

Where rental income is treated as a non-business income source, these initial costs cannot be deducted against the rental income because these costs are capital expenditure.

However, the IRB, in their Public Ruling No.1/ 2004 dated June 30, 2004, on Income from Letting of Real Property, allows the replacement cost of such equipment as a deduction against the rental income.

**> Can the estate agent's fee be deducted against the rental income?**

Where rental income is treated as a non-business income source, the estate agent's fees are deductible against rental income only when it is incurred after the date of first letting of the property. If it is incurred before letting commences, it is not deductible. Agent's fees incurred after commencement are deductible.

**> If there are a number of properties for rent, can this be consolidated in terms of rental income and expenses for the purpose of arriving at the taxable income? This is because a property may not have a rental income but has expenses, so can these expenses be set off against the other properties?**

Based on the IRB's Public Ruling No.1/2004 where rental income is treated as a non-business income source, the IRB has granted a

concession where in computing the adjusted income from rent, the properties can be grouped into categories of residential properties, shophouse/commercial properties and vacant land.

The grouping into the three categories should include only those properties which have commenced receiving rental income.

**> The rental income received on an apartment property is banked into a wife's bank account even though the husband is the registered owner. The apartment was purchased in the husband's name for loan purposes. The strata title to the property has not been issued. Is the income to be reported under the husband's or the wife's tax returns? (They have been filing separate assessments.)**

The rental income is to be reported under the husband's tax return since the property is

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registered under his name.

**> In the same case as above, if the wife stopped work in the middle of last year, should the income come under the wife to maximise tax savings?**

Yes. If the wife is not working and not earning income, it is more tax efficient to declare the rental income under her name but this is only possible for future reporting after/if the property is transferred to her as owner. For last year's, the rental income has to be reported under the husband's name.

**> The property was rented out up till the middle of last year, so should the quit rent, assessment, insurance premiums, maintenance fee and sinking fund be taken proportionately?**

Yes, the rental expenses should be taken proportionately.

**> How and how much of the repairs and maintenance expenses are deductible?**

Any expenses (except capital in nature or initial outlay) expended directly to generate the rental income from the property, including property quit rent and assessment, insurance and repairs and maintenance can be deducted against the rental income.

There is no maximum limit on the expenses incurred for tax deduction except that any

excess over the rental income is not allowed to be carried forward to the next year. Say, if your rental income is RM24,000 and your expenses are RM30,000, the excess of RM6,000 is lost.

### **Computer**

**> The current tax deduction for the purchase of a personal computer for non-business use of up to a maximum of RM3,000 is**

**given on an individual basis once in every three years of assessment. I bought a desktop computer in 2009 and submitted the tax deduction in year of assessment 2009. I intend to buy a notebook this year (2010). Am I entitled to claim the tax deduction in year of assessment 2012 or do I need to buy it only in 2012 in order to be eligible for the deduction?**

You are entitled to claim a tax relief once in every three years of assessment for the purchase of a personal computer. Since you have purchased a desktop computer in year of assessment 2009 and made a claim for year of assessment 2009, you will not qualify for the tax deduction for the years of assessment 2010 and 2011.

In your case, you need to buy your notebook in year of assessment 2012 itself or thereafter in order to qualify for the next RM3,000 tax relief.

**> The Internet line in my house is under my wife's name but I am the one paying the bill every month. Can I claim for this?**

There is currently no tax relief for Internet subscriptions. However, with effect from year of assessment 2010 until 2012, an annual relief of up to RM500 will be given on broadband subscription fees.

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