

# More work for employers

## MEF: Monthly tax deductions on allowances time consuming

**PETALING JAYA:** The move to deduct transport and other allowances under Schedular Tax Deduction (STD) for income tax purposes will only create more work for employers, according to the Malaysian Employers Federation.

MEF executive director Shamsuddin Bardan said that making monthly deductions on employees' claims was not conducive for companies as it only increased red tape and paperwork.

"It is as if the Inland Revenue Board (IRB) has nothing better to do than to go into small details such as this," he said yesterday.

Shamsuddin was commenting on a report that staff allowances, including those given for relocation, displacement, transport and parking, clothing, car wash and telephone bills were now subjected to STD.

IRB Principal Assistant Director Rahimah Abdullah had said that such benefits were part of the gross income

from employment and thus, taxable. But taxpayers could later claim tax deduction against the allowances if they had documented evidence to prove that the expenses were incurred as part of their duties or employment.

According to Rahimah, the deduction was in line with the IRB Public Ruling No. 1/2006 on Perquisites from Employment, issued on Jan 17, 2006.

Taxpayer Simon Kow, 38, is upset with the move to deduct his allowances on a monthly basis as it would further reduce his take-home pay.

His job as an assistant sales manager, he explained, required a substantial amount of travelling, which took a toll on his fuel consumption and daily expenditure.

"I don't see the point in going through the hassle of having allowances deducted monthly and then writing to IRB to claim tax deduction at

the end of the year," Kow said.

Subang Jaya state assemblyman Datuk Lee Hwa Beng, an accountant by profession, however, said the ruling was nothing out of the ordinary, adding that the process had been practised for a long time.

"Most allowances or benefit-in-kind have always been a taxable income as far as I know.

"This is the reason why many companies opt to allow their employees to claim their mileage or entertainment fees, rather than place an amount of allowance for them," he said.

"It would then be charged as company expenditure in place of an allowance.

"Given that the IRB was previously lax about the issue, many firms have ignored this ruling, resulting in their employees suffering the consequences now as a result of the sudden change," he said.



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