



C) WAYS

TO SAVE TAX !!!!!

FOREWORD

Following slides are legal methods
and are permitted by
Inland Revenue Board
(IRB).



1) Savings In SSPN Scheme

Save for your Child's Education.

- Since 2007 , any amount that is deposited into a savings account for your child under national Education Savings Scheme (Skim Simpanan Pendidikan Nasional) allows you to claim tax deductions on the “top up” only.
- This limit has been increased from RM3,000 (~ 2012) to RM 6,000 (2012 ~ 2017).
- **Encouraged to deposit in SSPN Scheme.**

For Mr A :

As he falls in the 24% tax bracket , this deduction translates to a tax saving of RM 1,440/year (RM 6,000@24%) → One Year Only.

2) File Separate File Returns

File Separate tax returns

- A separate assessment allow each spouse to claim personal tax relief of RM 9,000, **→ RM9,000 + RM9,000 = RM18,000**
- While a joint tax return allows a relief of RM9,000 and additional relief of RM3,000, **→ RM9,000 + RM3,000 = RM12,000**
- Savings realized by separate assessment **→ RM6,000.**
- **Encouraged to declare separately.**

3) Change to Cash Reimbursement

Change your cash remuneration to cash reimbursement.

- Fixed allowances given by your employer each month for entertainment and housing or parking fees are taxable at your tax bracket.
- Change this to a “ reimbursement “ based on receipt and you are not taxed on the amount received.
- *Encouraged to reimburse expenses.*

4) Make Charitable Contribution.

Make charitable contributions.

- A gift of money to an approved charitable organization entitles you to a tax deduction for the amount given.
- From 2008 onward , this amount cannot exceed 7% of your aggregate income.
- *Encouraged to donate to registered charitable organizations.*

5) Take Up a Post Graduate Study.

Take Up postgraduate studies.

- A relief of RM 5,000 per year for any course of study at the Master's or doctorate level , the government announced in 2007 Budget the widening of the scope to all postgraduate studies.
- The course does not have to be done full time , but “ must be in an institution or professional body in Malaysia recognized by the government or approved by Minister of Finance.
- *Encouraged Post Graduate studies.*

6) Read, Read, Read.

Read , Read , Read.

- Starting from YA 2007 , taxpayers can claim a personal tax deduction to RM 1,000 for purchase of books, journals , magazines and other publications.
- To maximize this generous deduction , consider giving books as gifts.
- *Encouraged to give books as gift.*

7) Get Sporty.

Get Sporty.

- You will get a deduction of RM 300 for each year of assessment for the purchase of sports and exercise equipment for any sports activities defined under the Sport Development Act 1997.

• *Encouraged to be sporty.*

8) Pay Parents Medical Bills.

Pay your parents' medical bills.

- You are able to claim up to RM 5,000 for payments towards your parents' medical bills.
- *Encouraged to pay your parents medical bill.*

9) Medical Examination.

Medical Examinations.

- Claim a deduction of up to RM 500 per tax year for a full medical examination and RM 5,000 for medical expenses for yourself, spouse or child for serious disease.
- *Encouraged to go for medical examinations yearly.*

10) Pay Zakat (Muslims Only).

Pay Zakat.

- If you are a muslim ,paying any amount in zakat, fitrah or other obligation Islamic dues will entitle you to a tax rebate.
- *Encouraged to pay zakat.*

11) Buy a Computer.

Buy a Computer

- A deduction of up to RM 3,000 can be claimed once every three years for the purchase of computers ,printers and bundled software .
- If separate assessment, each spouse is eligible to claim the relief. But if it is a combined assessment, only one can claim.
- *Encouraged to buy a computer and ungrade every three years once.*

12) Buy Similar Properties.

Buy Similar property.

- Similar property can be grouped together for income tax purposes.
- The IRB has identified categories such as residential , commercial and vacant land.
- If you own two property in the same category , you can reduce the taxable profit made from one property with the loss, if any incurred from the other.
- *Encouraged to invest on similar categories of propoerties.*

13) Real Estate Investment Trust.. Introduction

What it is:

- It is a trust fund that holds/invests in RENTAL properties.
- Its major incomes are rental income and it is required to distribute most of its profits as dividend to its shareholders.
- REITs raise money from a collection of investors and provide them with access to real estate ownership. → REAL ESTATE UNIT TRUST
- Malaysian law requires REITs to distribute almost 90% of its income as dividends in-order to enjoy tax benefits. Thus, REITs are associated with high dividend yields.
- There are 11 REITs listed on the Main Board.
Eg: Sunway, Jusco, Axis, IGB, Atrium etc

REITs (cont)

- Unlike unit trust, which is sold through agents and banks, REIT is traded in stock exchange. It gives investors capital appreciation and dividend (just like any listed company's stock).

Unique features of REITs:

- Its primary business is managing groups of income producing properties.
Eg: Shopping malls, Condos, Offices etc.
- It must distribute most of its income as dividends.

REITs (cont)

Benefits of REITs:

- First, they are highly liquid, unlike traditional real estate.
- Second, REITs enable sharing in non-residential properties as well, such as hotels, malls, and other commercial or industrial properties.
- Third, REITs yields is in the form of dividend no matter how the shares perform.
- Fourth, diversify your real estate investment portfolio.

Invest in REITs.

Invest in REITs.

- You can go into Real Estate Investment Trusts (REITs) if your tax bracket above 10%.
- The tax on dividends given out by these property-related investments are taxed at **10% only if they distribute 90% of their income to shareholders (from 1st Jan 2012 ~ 31st Dec 2016)** as compared to tax on dividend at 26% (under the new single – tier dividend system).
- Only tax brackets exceeding 10% would enjoy some tax savings. Since the distributions received by individual taxpayers have been subject to 10% , the taxpayers are not required to declare the amount in their tax return.
- **Encouraged to invest in REIT.**

14) Register a company in your name (An Enterprise status is sufficient).

Register a company in your name.

- All your expenses in doing your business such as petrol, toll, repair and maintenance etc can be charged to the company to reduce the taxable amount.
- Register your car or transfer the car to the company to enjoy Capital allowance.
- *Encouraged to have your own company.*

15) Hire Your Spouse or Family Members.

Hire your spouse or family member.

- An effective tax-saving strategy is to hire a spouse or family member. “For example, a husband who is a business owner can hire his wife. The wife’s salary is tax deductible but you must be able to show that she is doing something to earn it. In this situation, you would have to contribute to your wife’s Employees Provident Fund (EPF) savings and that amount entitles her to tax relief.
- A salary of less than RM2,500 per month is paid. This amount does not fall into the tax bracket.

Hire Your Spouse or Family Members (cont).

- Another option is to make your spouse or family member a partner in your business. This allows you to divide the income made by the business between the both of you.
- As a partnership has no tax liability, both partners are liable for tax for the respective portion of business income that each earns. “By opting for separate tax assessments, a husband and wife who are partners in a business can each claim individual tax relief.
- *Encouraged employment of family members.*

16) Dedicate a space in your home as your office.

Dedicate a space in your home your office.

- Working in your own house can result in tax deductions for the costs related to your “home office”. This includes electricity, telephone bills, quit rent and service charges of apartments.
- The best way to claim for these deductions is to dedicate a room or place as the working environment.
- Items that are used by the business as well as personal use, such as electricity, must be apportioned. One way to do so is on the basis of floor area.
- ***Encouraged to use your own home as office.***

17) Buy a Company Car.

Buys a company car

- If you are a sole trader or a partner in a business, any car or vehicle that is used for business purposes can bring about tax deductions.
- The business income is reduced by the car's financing cost if you buy the car on hire-purchase.
- You are also deduct a certain amount for capital allowances every year.
- ***Encouraged to register your car under the company.***

Golden Rule.

What ever is said and done it is important to: -

- Maintain books and records from Day 1.
- Keep separate bank accounts for personal and business transactions and establish a basic accounting system.
- The inland Revenue Board recognizes business income on an accrual basis.

This means that as long as a transaction is completed, either a sale of goods or a provision of service , its value is immediately treated as business income and is taxable.

Golden Rule (cont).

- However , unpaid transaction can be reduced your taxable income.
- Any expenses made for the business can be deducted from the business income.
- The General rule is that expenses can be deducted if it is wholly and exclusively incurred in earning your business income.
- So Keep the receipts for all supplies that you buy for your business.

THE END.....

THANK YOU....

*GL Management Consultancy (SA0086650-K)
258-2, 2nd Floor, Persiaran Pegaga,
Taman Bayu Perdana, 41200
Klang, Selangor D.E
Mobile No: 017-6599311*

*Pro-Serve Advisory Sdn Bhd (890197-K)
No: A-1-05, Block A, 1st Floor, Taipan 2,
Taipan 2, Damansara (Fasa 1A)
Ara Damansara, 47301, Petaling Jaya.
Tel No: 03 – 7843 6473
Fax No: 03 – 7843 6472*

Mobile No: 012-3602279