

Tax Relief for Year of Assessment 2021: 10 Tax Changes Taxpayers Should Know

Ida Haryanti Mohd Noor

Tax is an imposition of compulsory contribution on individuals or corporations by government entities in order to raise revenue for various government expenditures such as to build and maintain public infrastructures used in the country and is used as an instrument of fiscal policy.

Tax can be categorized into two types which are direct tax and indirect tax. Direct tax is paid directly by individuals or corporations to the imposing entities such as income tax and real property gain tax while indirect tax is a tax on consumption of goods and services such as sales tax and entertainment duties. In Malaysia, administration of direct tax is under the responsibilities of the Inland Revenue Board.

Self-assessment system has been introduced in Malaysia since the year of assessment 2001 while for individuals (employees, sole proprietors and partners in a partnership), self-assessment system was imposed since the year of assessment 2004. Self-assessment system is a tax system whereby taxpayers are responsible to compute their own chargeable income and income tax liability as well as paying the correct amount of tax within the stipulated date.

For individuals without business income, they need to submit their return by 30 April of the following year. While for individuals with business income, their return needs to be submitted by 30 June in the following year.

Apart from several types of taxable incomes that need to be known by taxpayers, they also need to understand how to apply tax reliefs in order to assess their tax liability and at the same time to maximize their tax refund (if possible). Below are the summary of 10 tax changes that taxpayers should know about tax relief for Malaysian resident individual for year of assessment 2021:

- Increase of disabled spouse relief from RM3,500 to RM5,000.
- Increase of medical expenses, special needs and parental care from RM5,000 to RM8,000.
- Increase of medical expenses for serious diseases (taxpayer, spouse and children) from RM6,000 to RM8,000. Included in this relief are expenses for fertility treatment (taxpayer and spouse), full medical check-up including Covid-19 screening up to RM1,000 and cost of approved vaccination expenses up to RM1,000.
- Extension of tax relief on contribution to private retirement scheme and deferred annuity up to the year of assessment 2025.
- Special tax relief for purchase of smartphone, personal computer or tablet for taxpayer, spouse and children and not for business use up to RM2,500.
- Additional tax relief for purchase of sport equipment, facility rental, entrance fee and registration fee for licensed sports competitions up to RM500.
- Tax relief on domestic travel expenses for registered accommodation and entrance fees up to RM1,000.

- Tax relief on education fees up to RM7,000 including any course of study taken for the purpose of upskilling or self-enhancement, conducted by a recognised body up to RM1,000.
- Tax relief for fees paid to registered childcare centres and kindergartens up to RM3,000.
- Extension of tax relief on net savings into SSPN for another 2 years of assessment up to the year of assessment 2022.

Self-assessment system places greater responsibility on the taxpayers to assess their tax debt or refund. It is therefore very important that taxpayers are well acquainted with the tax principles and policies under the Malaysian taxation legislation. It can be achieved if the taxpayers have appropriate knowledge on tax and the system.

Reference:

2021 Budget Commentary and Tax Information, The Malaysian Institute of Certified Public Accountants, Chartered Tax Institute of Malaysia & Malaysian Institute of Accountants.