

## Evening Crest Sdn Bhd (1296186-U)

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# Employees – Types of Allowances

## Introduction

Malaysia's diverse employment landscape is characterised by multinational corporations, small and medium-sized enterprises, and government agencies. This dynamic environment necessitates a comprehensive understanding of the types of allowances for employees and their associated tax implications.

The types of allowances for employees will be a key factor in ensuring compliance with tax laws and fair treatment at the workplace.

This company guide aims to provide a clear and concise overview of the various types of allowance for the company's employees in Malaysia and their tax implications.

## 1. Overview of Employee Allowances

Employee allowances are additional benefits provided to employees beyond their base salary. These benefits can be categorised into two main types: **fixed and reimbursable**. The former are provided as a set amount, while the latter are intended to cover specific expenses related to the employee's job duties.

That being said, it is essential to distinguish between salary and allowance to protect interests. The former is the base pay, which employees receive at regular intervals. Contrarily, supplementary payments or allowances are reimbursed for incurring job-related expenses.

There are numerous types of allowances for the company's employees in Malaysia, and some of them include meal allowances, entertainment allowances, overtime allowances, and more.

Providing these extra benefits makes the company lucrative to top talents and portrays the care for their employees. With better candidates, ultimately, the organisation's performance will be boosted.

## Types of Allowances for Employees

Although there are various types of allowances, generally, they are classified into three categories.

### 2.1. Fixed Allowances

The type of employee compensation provides a predetermined amount to cover specific expenses related to their job or personal well-being. Fixed allowances are typically to be paid regularly and can be monthly or weekly. They are generally not tied to the employee's performance or the company's profitability. Here is what you can expect under such perks.

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### 2.1.1. Housing Allowance

These are a common component of employee compensation packages who are joining the company, ECSB. Housing allowances are provided to help employees offset the cost of living, particularly in posh areas. They can be allowed in various forms, such as a fixed monthly amount or a percentage of the employee's basic salary. Although they are generally taxable as a part of the worker's income, they can be exempt under certain conditions.

**Purpose:** To support employees with housing costs.

#### Common Practices:

- **Fixed amount:** A set amount provided monthly or annually.
- **Percentage of salary:** A percentage of the employee's basic salary.
- **Location-based:** Allowance varies based on the cost of living in the employee's location.

### 2.1.2. Transport Allowance

Among the various types of allowances, the transport allowance is a crucial one in offsetting the cost of commuting to and from work. The type of allowance offered will depend on the company policy and the nature of the employee's job. However, it is essential to note that the benefit will vary depending on specific circumstances.

#### Types:

- **Fixed amount:** A set amount for transportation costs.
- **Mileage rate:** A rate per kilometre travelled for the personal use of a vehicle.
- **Public transport pass:** Reimbursement for public transport passes.

#### Usage:

- **Manufacturing:** Employees commuting to factories.
- **Sales:** Employees travelling to client sites.
- **Healthcare:** Doctors and nurses travelling to hospitals or patient homes.

### 2.1.3. Meal Allowance

It is generally provided to cover the cost of refreshments and meals during working hours. Meal allowance can be excluded from the tax exemption in Malaysia as long as the amount is reasonable. Moreover, it is provided regularly at the same rate to be exempted from taxation.

- **Purpose:** To subsidise meal expenses.
- **Situations:**
- **Shift work:** Employees working long or irregular hours.
- **Remote work:** Employees working from home.
- **Fieldwork:** Employees working in remote locations.

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### 2.1.4. Entertainment Allowance

The entertainment allowance is crucial in covering client entertainment and networking expenses. They can be used for various purposes, such as **client dinners, business lunches, or attending industry events.**

However, the tax treatment of entertainment allowances can vary greatly depending on specific circumstances. Generally, they can be deductible for employers if they can demonstrate that the expenses are directly related to business activities and have been incurred to generate income.

- **Purpose:** To facilitate client entertainment and *professional networking*.
- **Prevalence:** Common in sales, marketing, and hospitality sectors.

### 2.2 Variable Allowances

As one of the prominent types of allowances in Malaysia, we offer additional benefits that fluctuate depending on certain factors. It can vastly improve the company's financial performance, specific working conditions, etc.

#### 2.2.1. Overtime Allowance

It is generally provided to employees who work beyond the regular working hours. Overtime allowance is typically calculated at a premium rate, usually 1.5 to 2 times the employee's regular hourly wage. Although this premium rate is intended to compensate employees for the additional effort, the allowance will greatly depend on the company policy.

- **Purpose:** To compensate for extra hours worked.
- **Calculation:** Usually 1.5 to 2 times the regular hourly rate.
- **Regulations:** Adherence to labour laws and minimum wage requirements.

#### 2.2.2. Shift Allowance

For the dedicated employees who work shifts outside of regular business hours, these types of allowances are compensated. It is generally provided to reimburse the inconvenience and challenges associated with working during nonstandard hours. It is common in industries that require round-the-clock operations, such as construction, ICT, security and others related works.

- **Purpose:** To provide additional pay for shift work.
- **Common Sectors:** Healthcare, manufacturing, and security.

#### 2.2.3. Hazard Allowance

This is a type of allowance for employees in Malaysia that is intended to offset the increased risk associated with hazardous jobs. Apart from providing additional financial security, we compensate for the willingness of the employee to go the extra step to serve the company. Examples of industries where hazard allowance might be applicable include construction, mining, chemical manufacturing, etc.

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- **Purpose:** To compensate for hazardous working conditions.
- **Industries:** Construction, mining, chemical manufacturing.

### 2.3. Reimbursable Allowances

Contrasting with other types of allowances, reimbursement allowance in Malaysia is an employee benefit that provides financial compensation for specific expenses sustained in relation to job duties. The goal of such allowances is to help our employees offset costs associated with their work, thereby taking a load off their shoulders and improving **job satisfaction**. Here is what our employee can expect.

#### 2.3.1. Travel Allowance

Employees frequently travelling for work are entitled to such allowances to cover their expenses. It includes airfare, accommodation, transportation, and daily meal allowance or incidental costs. The specific amount allotted and the eligibility criteria will vary depending on the company policies and the nature of the employee's job.

- **Purpose:** To reimburse business travel expenses.
- **Reimbursement:** Typically includes airfare, accommodation, and transportation.
- **Corporate Policy:** Companies often have specific travel policies detailing allowable expenses.

#### 2.3.2. Medical Allowance

Medical allowance is a common component of employee compensation packages in Malaysia. The employees are provided to help with medical expenses such as doctor visits, medication hospitalisation, dental treatments, and more. To make things convenient, they are offered in various forms, including fixed amounts, reimbursement of actual expenses, and contributions to health insurance premiums.

- **Purpose:** To cover medical expenses.
- **Practices:** Reimbursement for medical bills and contribution to health insurance premiums.

#### 2.3.3. Education Allowance

These are common types of allowances our company offer to support our employees in professional development. Such benefits can be used to cover expenses related to various educational endeavours, such as tuition fees, exam fees, and course materials. Although the reimbursement and eligibility criteria will depend on the company policy, approaching your employer to ask about such opportunities is never a bad idea. Thankfully, as the education allowance is tax-free, we are an attractive component of the compensation package.

- **Purpose:** To support educational expenses.
- **Applications:** Tuition fees for further studies, professional certifications, and course materials.

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Here is an overview of the types of allowances you can expect while joining our company, Evening Crest Sdn. Bhd. (ECSB) as an employee(s).

### A. Fixed Allowances

Types of Allowances	Subdivision	Importance
<b>Fixed Allowances</b>	Housing Allowance Transport Allowance Entertainment Allowance	<b>Benefits for Employees:</b> Financial Stability Reduced Financial Burden Improved Work-Life-Balance Tax Benefits <b>Benefits for Employers:</b> Attracting and Retaining Talent Increased Employee Satisfaction Reduced Turnover Enhanced Company Reputation

### B. Variable Allowances

Types of Allowances	Subdivision	Importance
<b>Variable Allowances</b>	Overtime Allowance Shift Allowance Hazard Allowance	<b>Benefits for Employees:</b> Increased Earnings Motivation Flexibility Recognition <b>Benefits for Employers:</b> Cost-Effectiveness Performance Alignment Attracting and Retaining Talent Improved Productivity Employee Satisfaction

### C. Reimbursable Allowances

Types of Allowances	Subdivision	Importance
<b>Reimbursable Allowances</b>	Travel Allowance Medical Allowance Education Allowance	<b>Benefits for Employees:</b> Financial Relief Increased Morale Tax Benefits <b>Benefits for Employers:</b> Attracting and Retaining Talent Increased Productivity Cost-Effective Compliance