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Date : 20 September 2018

EMPLOYERS' CIRCULAR NO. 5 / 2018

LEVY CALCULATION GUIDELINES FOR HUMAN RESOURCE MANAGEMENT SOFTWARE OR PAYROLL SOFTWARE UNDER THE PEMBANGUNAN SUMBER MANUSIA BERHAD (PSMB) ACT 2001

1.0 PURPOSE

- 1.1 The purpose of this circular is to inform PSMB's registered employers about levy calculation guidelines for employers who use the human resource management software or payroll software to manage employee salary calculation and Human Resources Development (HRD) levy whether the system is developed in-house or from an external software provider.

2.0 BACKGROUND

- 2.1 The guideline on levy calculations was shared through Employers' Circular No. 1/1995 to all registered employers and it is still in effect. This guideline is based on Pembangunan Sumber Manusia Berhad Act 2001 (PSMB Act 2001).
- 2.2 Currently, the usage of human resource management software or payroll software is seen to be very encouraging among registered employers for the calculation and payment of HRD levy.
- 2.3 This guideline is issued as a reference for PSMB's registered employers, human resource system software providers and payroll software providers for efficient and accurate levy calculation.

3.0 IMPLEMENTATION

- 3.1 Details of the levy calculation guidelines are provided in **ATTACHMENT A**. Any calculations made by software systems that are not in line with the given guidelines will be considered not adherent to the procedure approved by PSMB.
- 3.2 Registered employers must refer to this guideline in reference to their system used to ensure the calculation of levy is in accordance with PSMB levy payment procedures.

- 3.3 Registered employers also need to ensure that the e-slip issued for payment of levy and amount stated on the cheque is consistent with levy calculation as per guidelines provided.
- 3.4 Any difference in the amount of levy payment stated in the cheque and the e-slip will result in payment being rejected by the appointed bank. Any late interest charges on levy payment imposed as a result of rejection by bank is at the liability of the employer.

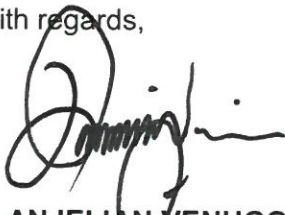
4.0 CLOSING

- 4.1 It is the responsibility of employers to ensure that the calculation and payment of levy for each month complies with procedures and the PSMB Act 2001, by either software or manual calculation.
- 4.2 Should you require further clarification with regard to this circular and guidelines, kindly contact our Call Centre at 1 800 88 4800 or email financesupport@hrdf.com.my.

Thank you.

**PEOPLE, PROWESS, PROGRESS
SAYANGI MALAYSIAKU**

With regards,



**ELANJELIAN VENUGOPAL
CHIEF EXECUTIVE
PEMBANGUNAN SUMBER MANUSIA BERHAD**



HRDF LEVY CALCULATION AND PAYMENT GUIDELINE

1. WHO SHOULD BE REGISTERED

Pursuant to Section 1 (2) of the Pembangunan Sumber Manusia Berhad Act 2001 (PSMB Act 2001), this Act applies to employers within specified industries in Part I of the First Schedule. Section 13 of the PSMB Act explains the obligation of employers liable in the First Schedule to register. Failure to register is an offence liable to a fine not exceeding ten thousand ringgit or imprisonment for a term not exceeding one year or both. In summary, every employer carrying out activities listed in the First Schedule of the Act, which has 10 employees and above, is required to register with PSMB. However, employers who have 5 to 9 employees are given the option to register with PSMB under the optional category as stated in the First Schedule, Part II.

2. IMPOSITION OF LEVY

It is the obligation of every registered employer to make levy payment on a monthly basis pursuant to Section 14 of the PSMB Act 2001. Failure to do so shall be an offence and subject to legal action under the same Act.

3. LEVY CALCULATION

The levy fee for registered employers is 1% of the monthly wages of each employee (Section 14 of the PSMB Act 2001) while for employers under the optional category who choose to register shall pay a levy at the rate of 0.5% of the monthly wages of each employee (Section 15 of PSMB Act 2001).

i. **WAGES**

Wages imposed with levy are basic salaries and fixed allowances including paid leave and wage arrears. The basic salary is the salary paid before making any deductions such as EPF / SOCSO / Zakat / PCB and others.

ii. **EMPLOYEE**

Must be a Malaysian citizen employed under a service contract, not including those employed as domestic servant.

iii. **FIXED ALLOWANCES**

Fixed Allowance refers to allowances paid regularly and are unchanged on a monthly basis. Some examples of fixed allowances are as follows:

- Return allowance / allowance incentive allowance (where the amount per month is fixed);
- Acting allowance;
- Entertainment allowance;
- Long service allowance;
- Machine maintenance allowance;

- Temporary exchange allowance;
- Skill allowance;
- Cost of living allowance;
- Special replacement allowance;
- Housing allowance;
- Sabah / Sarawak allowance; and
- Heat and dust allowance.

However, it is to be noted that the allowances listed above are for guidance only. In the event of other allowances paid on a regular basis and which is unchanged on a monthly basis, such allowances shall be included in the calculation of the levy.

Whereas examples of non-fixed allowance and excluded from levy imposition are as follows:

- Attendance allowance / attendance incentive allowance (for which the amount changes from month to month);
- Production incentive allowances;
- Rate of service allowance;
- Shift allowance;
- Night work allowance;
- Trip allowance;
- Overtime payments;
- Replacement / discomfort allowance;
- Meal allowance / overtime allowance;
- Lunch allowance (when work is continued until lunchtime); and
- Special work allowance.

iv. WAGES EXEMPTED FROM LEVY IMPOSITION

- Any fund or scheme contribution to employee benefits or welfare (pension fund / provident fund / superannuation scheme / retrenchment / termination / lay-off or retirement scheme / thrift scheme);
- Travel allowance or travelling concession value;
- Special expenses for employment needs;
- Gratuity on discharge or retirement;
- Bonuses and commissions;
- Apprenticeship allowance under apprenticeship contract.

4. LEVY PAYMENT DUE DATE

All levy payments shall be made by the employer no later than the 15th day of the following month. For example, the levy for September 2018 must be paid on or before 15 October 2018. The employer will bear the interest due to late payment at the rate of 10% per annum based on the number of days late.

5. CHANGE OF EMPLOYEES AND LEVY RATE FOR OPTIONAL CATEGORY EMPLOYERS

MONTH	NUMBER OF EMPLOYEES	LEVY RATE
JANUARY 2018	9	0.5%
FEBRUARY 2018	9	0.5%
MARCH 2018	9	0.5%
APRIL 2018	10	1% (REMAINED UNTIL DEC 2018)
MAY 2018	8	1%
JUNE 2018	10	1%
JULY 2018	9	1%
AUGUST 2018	8	1%
SEPTEMBER 2018	11	1%
OCTOBER 2018	6	1%
NOVEMBER 2018	5	1%
DECEMBER 2018	6	1%
JANUARY 2019	9	0.5%
FEBRUARY 2019	12	1% (REMAINED UNTIL DEC 2019)

Table 1: Sample Calculation of Levy Rate

The levy rate for employers registered under the compulsory category is maintained at 1% although the number of employees is reduced to less than 10 employees.

6. SAMPLE OF LEVY CALCULATION

*Levy is calculated at up to only 2 decimal points

Workers	Malaysian	Gross Salary (A)	Skill Allowance (Fixed) (B)	Commission (Non-Fixed) (C)	Bonus (D)	Unpaid leave (E)	TOTAL SALARY SUBJECT TO LEVY (A + B – E)	LEVY PSMB (1%) *
A	Yes	1362.58	100	300	1362.58	-	1462.58	14.63
B	Yes	1664.00	120	350	1664.00	-	1784.00	17.84
C	Yes	1746.78	140	320	1746.78	80.00	1806.78	18.07
D	Yes	2123.42	160	400	2123.42	-	2283.42	22.83
E	Yes	4152.14	-	470	4152.14	-	4152.14	41.52
F	NO	3500.00	200	200	3500.00	-	-	-
	TOTAL	14548.92	900	2040	14548.92	80.00	11768.92	114.89

Table 2: Sample of Levy Calculation

Total levy to be paid	RM114.89
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