

CTIM No.19/2011

10 May 2011

TO ALL MEMBERS

TECHNICAL

15% Flat Income Tax for Knowledge Workers must obtain approval from Minister

The Inland Revenue Board (IRB) has on 27 April 2011 issued a press release that taxpayers who wish to claim the 15% tax rate as knowledge worker in their income tax return must first obtain the approval of the Minister of Finance. The IRB clarified that a knowledge worker will benefit from the 15% flat rate if his annual chargeable income is more than RM106,200. Chargeable income below RM106,200 for a year of assessment will benefit using the normal individual scheduler tax rate which is lower.

Pursuant to Part XIV, Schedule 1 of Income Tax Act 1967 (ITA) as amended by Finance Act 2010 (Act 702), with effect from year of assessment 2010, the chargeable income of a knowledge worker residing in a specified region, in respect of having or exercising employment with a person who is carrying on a qualified activity in a specified region, will be assessed at a flat rate of 15%. Where the qualified knowledge worker has income from a source other than the employment income referred to in the above, the portion of chargeable income of the knowledge worker shall be determined by the Minister by gazetted rules made under the ITA.

The Income Tax (Determination of Knowledge Worker, Qualified Activity and Specified Region) Rules 2010 [P.U.(A) 344/2010], gazetted on 7 October 2010 (and reported in e-CTIM No.49/2010 dated 18 October 2011) set out the following criteria:

1. The Rules apply to qualified individual who has made application to the Minister of Finance between 24 October 2009 and 31 December 2015 via Iskandar Region Development Authority (IRDA) for approval to be subject to tax under Paragraph 1, Part XIV of Schedule I of ITA and whose application has been approved, and to income received by the qualified individual from an employment with a designated company beginning from 1 January 2010;
2. A qualified individual is a knowledge worker who has not derived any employment income in Malaysia for at least three years, or such other period as the Minister may determine, prior to the date of application and is employed in a qualified activity by a designated company commencing on or after 24 October 2009 but not later than 31 December 2015. The qualified individual must reside within the Iskandar Development Region (IDR) for the respective year of assessment;
3. A knowledge worker is a holder of a degree or master degree in any professional or technical field from an institution recognised by the Government of Malaysia and has at least 10 years, or 5 years in the case of holder of doctoral degree, working experience in any of the qualified activity and any other criteria as may be determined by the Minister.
4. Qualified activities are specified in the Schedule of the Rules and include some sub-sectors in biotechnology. Green technology, educational services, healthcare services, creative industries and related services, financial advisory and consulting services, logistic services and tourism.

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5. A designated company is a company which undertakes a qualified activity in the specified region within IDR and is either granted the IDR status, BioNexus status or MSC status; or is incorporated and resident in Malaysia.
6. Specified regions are Nusajaya, Western Gate Development, Johor Bahru Central Business District, Eastern Gate Development and Skudai-Senai within the IDR.
7. Where a qualified individual has income in respect of employment with a designated company in the basis period for a year of assessment, the chargeable income which is subject to tax under Paragraph 1, Part XIV of Schedule I of ITA shall be ascertained in accordance with the formula $(A/B) \times C$ where
 - A is the gross income from employment with the designated company
 - B is the total of gross income from all sources, and in the case of combined assessment under Section 45(2) of ITA, include the income from spouse
 - C is the chargeable income from all sources

Further clarification can be obtained from the official website of the IRDA at <http://iskandarmalaysia.com.my>. The IRB's press release can be viewed at their website at <http://www.hasil.gov.my/pdf/pdfam/KnowledgeWorker2011.pdf>.

CONTINUING PROFESSIONAL DEVELOPMENT

1. National Tax Conference 2011

We are pleased to announce that the Chartered Tax Institute of Malaysia (CTIM) and the Lembaga Hasil Dalam Negeri Malaysia (LHDNM) are organising the National Tax Conference 2011 on 19 & 20 July 2011 at the Kuala Lumpur Convention Centre. The theme of the Conference is “Economic Transformation: Role of Taxation”.

Topics for the Conference are as follows:

- ETP: An Update
- Liberalisation of Tax Services in a Globalised World: Issues and Challenges
- IRBM Transformation: Together Towards Building a High Income Nation
- Economic Transformation: Taxation Issues
- Tax Cases Update
- Compliance & Enforcement Challenges Faced by Regional Tax Authorities
- Issues and Concerns Arising From Audits
- Transformation from a Corporate employee to an Internationally-known Chef

Conference Fees:

	Early Bird Fee (with payment before or on 24 June 2011)	Normal Fee (after 24 June 2011)
LHDNM officer / CTIM member	RM 1000	RM 1200
Member's Firm Staff Member of Supporting Body Member / Staff of Supporting Sponsor	RM 1100	RM 1300
Non-member	RM 1200	RM 1400
Overseas Delegates	Not applicable	USD 500
Premier Plus 1 FREE seat for every 10 delegates registered from the same organisation		

Please contact the Conference Secretariat for more information or clarification.

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We look forward to meeting you at the National Tax Conference 2011!

25 CPD Points

2. [2011 Budget Seminar \(Re-Run\)](#)

CTIM is organising a special seminar on the 2011 Budget for members and tax practitioners who could not attend last year's CTIM Budget Seminar. For those members and practitioners who were unable to attend the seminar last year, please grab this opportunity to attend this seminar sanctioned by the Ministry of Finance to fulfil the requirements for applying or renewing the tax agent's license.

Date : 23 May 2011
Time : 9.00 a.m – 5.00 p.m
Venue : Hotel Istana, Kuala Lumpur

Morning Sessions

2011 Budget Proposals & Latest Tax Developments

Speaker: Ms Farah Rosley
Executive Director, PricewaterhouseCoopers

Afternoon Sessions

Tax Law Issues

Speakers: Mr Saravana Kumar & Ms Siti Fatimah Mohd Shahrom
Lee Hishamuddin, Allen & Gledhill

10 CPD Points

3. [Seminar : Managing and Understanding Financial Reporting Standards \(FRS\) – Unravelling The Tax Issues](#)

Date : 31 May 2011
Time : 9.00 a.m – 5.00 p.m
Venue : Hotel Istana, Kuala Lumpur

Morning Sessions

Chairman : Dato' Raymond Liew
Council Member, CTIM
Topic : ***Updates on the Major Changes of the Malaysian FRS***
Speaker : Mr. Adrian Lee
Partner, KPMG Malaysia
Topic : ***FRS 121: The Effects of Changes in Foreign Exchange Rates***
- *Tax Implications Related to the Implementation of FRS 121*
Speaker : Ms. M. Selverannie
Director, Ernst & Young Tax Consultants Sdn Bhd

Afternoon Sessions

Chairman : Ms. Seah Siew Yun
Council Member, CTIM
Topic : ***FRS 139: Financial Instruments: Recognition and Measurement***
- *Analysing on Tax Implications*
Speaker : Ms. Phan Wai Kuan
Executive Director, PricewaterhouseCoopers Taxation Services Sdn Bhd
Topic : ***FRS 116: Property, Plant & Equipment***
- *Latest Updates*

Speaker : Mr. K.Sandra Segaran
Executive Director, Deloitte KassimChan Tax Services Sdn Bhd
8 CPD Points

4. Workshop: Recent Tax Cases 2010/2011 – Kuala Lumpur

<u>Date</u>	<u>Venue</u>
20 May 2011	Seri Pacific Hotel, Kuala Lumpur

Time : 9.00 a.m – 5.00 p.m
Speaker : Mr. Saravana Kumar & Ms. Siti Fatimah Mohd Shahrom

Course Content

- KPHDN v The Pataling Rubber Estates Limited (2010)
Whether there was a disposal of real estate for the purposes of Real Property Gains Tax 1976
- AlamMaritim (M) Sdn Bhd v LHDN (2010)
Whether the payment made to a non-resident ship operator is subject to withholding tax under Section 4A(iii) of the Income Tax Act?
- Oren-Puba Sdn Bhd v KPHDN (2010)
Whether the diesel purchased by the taxpayer is a deductible expenditure or be disallowed on the ground that the transaction is suspicious?
- KPHDN v Labuan Ferry Corporation Sdn Bhd (2010)
Whether the taxpayer is entitled to claim for tax exemption under Section 54A (1) of the Income Tax Act 1967?
- More cases will be discussed

8 CPD Points

5. Workshop: Recent Tax Cases 2010/2011- Outstation

<u>Date</u>	<u>Venue</u>
16 May 2011	Mutiara Hotel, Johor Bahru

Time : 9.00 a.m – 5.00 p.m
Speaker : Mr. Saravana Kumar & Ms. Siti Fatimah Mohd Shahrom

Course Content

- KPHDN v The Pataling Rubber Estates Limited (2010)
Whether there was a disposal of real estate for the purposes of Real Property Gains Tax 1976
- AlamMaritim (M) Sdn Bhd v LHDN (2010)
Whether the payment made to a non-resident ship operator is subject to withholding tax under Section 4A(iii) of the Income Tax Act?
- Oren-Puba Sdn Bhd v KPHDN (2010)
Whether the diesel purchased by the taxpayer is a deductible expenditure or be disallowed on the ground that the transaction is suspicious?
- KPHDN v Labuan Ferry Corporation Sdn Bhd (2010)
Whether the taxpayer is entitled to claim for tax exemption under Section 54A (1) of the Income Tax Act 1967?

- o More cases will be discussed

8 CPD Points

6. [Workshop: Entertainment & Promotional Activities, Deductibility of Bad Debts – Kuala Lumpur](#)

<u>Date</u>	<u>Venue</u>
18 May 2011	Equatorial Hotel, Kuala Lumpur

Time : 9.00 a.m – 5.00 p.m
Speaker : Mr. Chris Low

Course Content

- o Public Ruling 3/2008 : Entertainment Expenses
 - General provision for deduction
 - Principles in determining the deduction of entertainment Section 39(1)(l)
 - Entertainment matrix
- o Public Ruling 1/2002 : Deduction for bad and doubtful debts and treatment of recoveries
 - General provision for deduction
 - Circumstances when a debt is considered bad
 - Provision for doubtful debts
 - Circumstances where write off or provision not allowed as deduction
- o Tax Case laws
- o Case studies

8 CPD Points

7. [Workshop – How to Prevent Taxes From Eating Into your Investments – Kuala Lumpur](#)

<u>Date</u>	<u>Venue</u>
26 May 2011	Hotel Istana, Kuala Lumpur

Time : 9.00 a.m – 5.00 p.m
Speaker : Mr Harvindar Singh

Course Content

- o Scope of Malaysian taxation affecting investment income and the various classes of income
- o Taxability issues of investment income arising from the following ;
 - Equity investments
 - Investments in bonds
 - Unit trusts
 - Properties
 - Real Estate Investment Trusts
 - Others
- o Deductibility of related expenses

- Exemption orders pertaining to exemption of investment income
- Tax planning ideas pertaining to investment income

8 CPD Points

8. Workshop: Implementation of Single Tier Tax System - Outstation

<u>Date</u>	<u>Venue</u>
19 May 2011	Renaissance Hotel, Malacca
24 May 2011	Impiana Casuarina, Ipoh
9 June 2011	Mutiara Hotel, Johor Bahru
15 June 2011	Hyatt Regency, Kota Kinabalu
16 June 2011	Four Points Sheraton, Kuching

Time : 9.00 a.m – 5.00 p.m

Speaker : Mr. Vincent Josef

Course Content

- The procedures and responsibilities necessary during the Transitional Period in respect of dividends declared and the Section 108 Account. How is the Section 108 Balance determined?
- The requirements on companies and dividend recipients after 31 December 2013. What happens to the Section 108 Balance on 1 January 2014?
- The optimum usage of the available Section 108 balance during the transitional period and the limitations that have been introduced. What are the kinds of Dividends possible?
- The implications of the new system and whether the dividend-paying company and the dividend recipients stand to benefit. What are the benefits of the new system?

8 CPD Points

9. Workshop: Implementation of Single Tier Tax System – Kuala Lumpur

<u>Date</u>	<u>Venue</u>
1 June 2011	Hotel Istana, Kuala Lumpur

Time : 9.00 a.m – 5.00 p.m

Speaker : Mr. Vincent Josef

Course Content

- The procedures and responsibilities necessary during the Transitional Period in respect of dividends declared and the Section 108 Account. How is the Section 108 Balance determined?
- The requirements on companies and dividend recipients after 31 December 2013. What happens to the Section 108 Balance on 1 January 2014?
- The optimum usage of the available Section 108 balance during the transitional period and the limitations that have been introduced. What are the kinds of Dividends possible?
- The implications of the new system and whether the dividend-paying company and the dividend recipients stand to benefit. What are the benefits of the new system?

8 CPD Points

10. Workshop: New Public Rulings 2010/2011 – Ipoh (Re-run)

<u>Date</u>	<u>Venue</u>
20 June 2011	Impiana Casuarina, Ipoh

Time : 9.00 a.m – 5.00 p.m
Speaker : Mr. Chow Chee Yen

Course Content

- Public Ruling 1/2011: Taxation of Malaysian Employees Seconded Overseas
- Public Ruling 2/2011: Interest expenses and interest restriction
- Public Ruling 3/2011: Investment Holding Company
- Public Ruling 4/2011: Income from Letting of Real Property

8 CPD Points

Please visit our website www.ctim.org.my for the latest updates on our events or contact the CPD Secretariat, Ms Fadeah/Ms Yus/Mr Ridzuan at 03-2162 8989 ext 108/113/121/106 for further information. Alternatively, you can email your enquiries to cpd@ctim.org.my

MEMBERSHIP SERVICES

KIND REMINDER FOR OUTSTANDING MEMBERSHIP SUBSCRIPTION

We regret to note from our record that the subscription for some members are still outstanding. We urge you to settle your dues as soon as possible to enjoy uninterrupted membership services. If your payment is on the way, we thank you for your support and would appreciate if you could kindly inform the Secretariat duly.

e-CIRCULAR TO MEMBERS



CHARTERED TAX INSTITUTE OF MALAYSIA (225750-T)

e-CTIM No.19/2011

10 May 2011

OTHER EVENT



MAICSA ANNUAL CONFERENCE 2011
4 & 5 July 2011
Sime Darby Convention Centre Kuala Lumpur

MAICSA 18 CPE Points MIA 16 CPE Credit Hours

We are pleased to inform that The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) will be holding its 2011 Annual Conference on 4th & 5th July 2011 at Sime Darby Convention Centre, Kuala Lumpur with the theme '**Governing Responsibly: Inevitable Changes!**'. As CTIM is the supporting body for this conference, members of CTIM will enjoy the supporting body rate.

Fee: RM1,480 per pax for member of CTIM
 RM1,350 per pax for CTIM member who register in a group of 3 or more
 delegates from the same organisation.

Visit the MAICSA website at <http://www.maicsa.org.my/ac2011> for more details on the conference or contact the Secretariat at 03-2282 9276 ext 606/607/608/611 or email to training@maicsa.org.my

CHARTERED TAX INSTITUTE OF MALAYSIA IS RECRUITING AN ASSISTANT MANAGER / TECHNICAL MANAGER

The Chartered Tax Institute of Malaysia is inviting suitably qualified candidates to apply for the position in the premier body for tax professionals.

Interested applicants, please click on http://www.ctim.org.my/ectim/Advert_techmgr_Jul10.pdf

For queries or feedback on the CTIM e-circular, please email secretariat@ctim.org.my.

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