



CHARTERED TAX INSTITUTE OF MALAYSIA (225750 T)
(Institut Percukaian Malaysia)

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

PERSONAL TAXATION

DECEMBER 2017

Student
Registration No.

Date

Desk No.

Examination Centre

Time allowed: 3 hours

INSTRUCTIONS TO CANDIDATES

1. You may answer this paper **EITHER** in English **OR** in Bahasa Malaysia. Only **ONE** language is to be used.
2. This paper consists of **FOUR** questions.
3. Answer **ALL** questions.
4. The Income Tax Act 1967 (as amended) is referred to as ITA.
5. Each answer should begin on a separate answer booklet.
6. All workings **MUST** be shown as marks will be awarded.
7. Answers should be written in either black or blue ink.
8. No question paper or answer booklet are to be removed from the examination hall.

DO NOT TURN OVER THIS PAGE UNTIL INSTRUCTED BY THE INVIGILATOR

Question 1

- (a) Mr. Norman a Malaysian tax resident provided the following information related to his income in Malaysia for the year ended 31 December 2017.

Business Income:	Business 1 (RM'000)	Business 2 (RM'000)	Business 3 (RM'000)
Adjusted Income/ (loss)	(144)	290	245
Capital Allowances	80	300	140
Balancing Charge	100	-	80
Balancing Allowances	10	30	20
Unabsorbed business loss brought forward	-	-	95

Other income:	RM'000
Director's fees (received from resident company)	120
Net Distribution from Malaysian Real Estate Investment Trust (REIT) (figure received of RM9,000 is NET after 10% withholding tax of RM1,000 deducted at source)	9

Required:

Based on the information provided, compute the amount of Total Income for Mr Norman for the year of assessment 2017.

(12 marks)

- (b) Mr. Andy, a tax resident in Malaysia, owns a consulting firm in Malaysia. Mr. Andy also owns a separate consulting firm in Indonesia, carried out through an Indonesian office. The Indonesian firm's accounts are kept separate from Mr. Andy's Malaysian firm's accounts. During the year 2017, Mr. Andy performed some consulting services in Indonesia through the Indonesian office. He earned an equivalent of RM 27,000 and all of this earning was remitted back to Malaysia.

Required:

Explain the tax treatment on the income derived from the consulting firms in Malaysia and Indonesia. Cite any relevant provision as per the ITA.

(4 marks)

- (c) Mr. Benji is a gambler by profession. He has no other means of income and lives on his betting gains. He uses computer programmes to assist him in systematically making bets online.

Required:

- (i) **Would his winnings be taxable under the ITA?**
- (ii) **Is he allowed to claim deductions for any expenditure or losses incurred on his betting activities?**

(4 marks)

[Total: 20 marks]

Question 2

Jason Dompok, aged 34, is a Malaysian tax resident. He provided the following details regarding his income for the basis year 2017:

Income from non-business sources:

- i. Jason owns a house in Johore Bahru. He provides the following information for the year ended 31 December 2017:

Income	RM
January 2017 to May 2017 (RM3,000 per month)	15,000
June 2017 to August 2017 (vacant)	Nil
September 2017 to December 2017 (RM3,200 per month)	12,800
Expenses	
Refund of one month deposit to previous tenant	3,200
Commission to real estate agent for finding replacement tenant	3,200
Interest on loan (January 2017 to December 2017)	18,400
Quit rent and assessment	1,600
Repainting of the house	13,400
Porch extension	18,500
Fire insurance premium	1,600

ii. **Dividends**

- a) On 14 July 2017, Jason received RM12,000 as dividends from Sarawak Chemicals Bhd.
- b) He also received the equivalent of RM10,300 in dividends on 28 November 2017 from shares invested in Hong Kong. Of this amount, only RM 7,000 was remitted back to Malaysia as at 31 December 2017.

iii. **Royalty**

Royalty of RM62,000, was derived from Malaysia and was received during the year for writing a book on Malaysian gardening. During the year, he incurred typing and proof reading expenses of RM14,400.

Jason's wife, Eleanor a Malaysian tax resident, is a tailor and runs her business from home.

- a) The net income from her business after deducting allowable expenses was RM19,600.
- b) As a part time real estate agent, Eleanor received commission of RM22,000 on sale of properties in Malaysia.
- c) She also received interest income of RM7,450 from Maybank in 2017 on her fixed deposit account.

Jason and Eleanor provided the following additional information for the year ended 31 December 2017:

	Jason RM	Eleanor RM
Donations to approved institution:		
• Cash	5,000	1,000
• Computer and school supplies to orphanage	2,400	-
Medical expenses incurred in respect of:		
• complete medical examination (for Jason and Eleanor)	570	980
• Daughter Barbara	26,600	-
Purchase of books and magazines	1,400	-
Insurance premiums:		
• Life policy (life of Jason and Eleanor)	7,000	4,000
• Medical and education policy	5,100	-
Treadmill for family		4,500
Computer (replaced after 3 years)	4,500	-

The couple have three children:

- a) The first son, Harry, aged 5, is studying in a kindergarten registered under the Education Act 1996. Eleanor spent RM12,000 on his fees for the year.
- b) The second daughter, Barbara, aged 4 is disabled. She had a heart operation during the year due to a “serious disease”.
- c) Their youngest daughter, Diana is 1 year old and Eleanor spent RM1,200 on breast feeding equipment.

Eleanor’s mother is 70 years old and has no income of her own. She lives with them. She was hospitalized during the year and Eleanor incurred medical expenses of RM9,300.

Required:

- (a) **Compute the income tax payable by Jason and Eleanor for the year of assessment 2017. Eleanor is not electing for joint assessment, and would be claiming all the child relief.**

(24 marks)

- (b) **Based on the facts above, list three advantages to Jason and Eleanor in NOT electing for joint assessment.**

(6 marks)

[Total: 30 marks]

Question 3

- (a) Mah Chong is employed for many years as a supervisor with Poo Chung Berhad, a company selling furniture. His contract also provides that, when there is an overseas assignment he is required to serve the overseas centre, for which he will be paid RM10,000 separately for each overseas assignment. During the year 2017 he went twice to Dubai at the request of his employer. The payment for this service was paid into his Dubai bank account and is not remitted to Malaysia.

Details of his income, benefits-in-kind and expenditure for the year to 31 December 2017 based on local employment provided by Mah Chong's employer are as follows:

Income and Benefits:	RM
Salary per annum (Net of 11% EPF contribution)	80,100
Bonus (2 months gross salary based on local work) of which RM3,000 was expected to be paid in January 2018, the balance was paid during 2017	To be computed
Gross commission income	5,500
The use of a new car (Honda City) costing (no petrol benefit is provided)	78,000
Mah Chong was offered 12,500 company shares at RM2 per share, he accepted the offer and subscribed for 10,000 shares when the market price was RM8 per share	Market price at offer date 5.00
Paid by employer to stay in Poo Inn Hotel in Malaysia between 1 January 2017 to 31 December 2017	3,000
Travelling allowance	7,000
Child care allowance	3,400
Poo Chung Berhad subsidised 3% pa of the interest paid by Mah Chong on a bank loan RM250,000 taken to acquire his principal private residence	Official interest 10% pa
Reimbursement paid to Mah Chong by his employer to hire a domestic help	20,000
Dental expense paid for Mah Chong by his employer	6,000
Medical expenses for Mah Chong (non-serious disease) paid by his employer	5,000
Fully furnished accommodation (house), rental paid by Poo Chung Berhad (inclusive rental of furniture at RM2,000 pa) The house was not available until 1 April 2017.	26,000 pa
Entertainment allowance	10,000
Food and drinks provided free of charge by the employer to Mah Chong	2,400
Gift of company's products	5,000
Expenditure incurred by Mah Chong:	
Entertainment expenses incurred on company's clients	11,000

Required:

Compute the Statutory Employment Income of Mah Chong for the year of assessment 2017.

Notes:

1. Where relevant, your computation should state an item of income/expenditure as NIL.
2. Marks will be awarded for the use of accurate technical terms to describe the figures calculated at various stages of your tax computation

(24 marks)

- (b) Malaysia has a territorial basis of taxation. However, employment income can be deemed to be derived from Malaysia even when a person receives income from work he does outside the country.

Required:

State four (4) circumstances where this can take place.

(6 marks)

[Total: 30 marks]

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Question 4

- (a) Mr. Kennedy is an American citizen who has never been to Malaysia before 2016. In 2016, he was engaged as an English tutor in a Malaysian college, earning RM10,000 each month. His stay and employment in Malaysia was as follows:

- Came to Malaysia and immediately commenced employment on 1 October 2016.
- Left Malaysia permanently on 15 June 2017 (and had not return to Malaysia since then)

Mr. Kennedy's belief is that since he was in Malaysia for 182 days or more, he would be entitled to be taxed at the scale rates for income earned throughout his stay from 1 October 2016 to 15 June 2017.

Required:

- (i) **Based on the scenario above and according to the ITA, state when is Kennedy required to notify the Inland Revenue Board to open a tax file in Malaysia?**

(2 marks)

- (ii) **Determine whether Kennedy is entitled to be taxed at the scale rates for the Year of Assessment 2017. Cite relevant sections of the ITA.**

For part (ii), a tax computation is NOT required, but the 'number of days' calculations is necessary.

(3.5 marks)

- (iii) **Explain why Kennedy's belief (of treating his entire stay as a continuous period for the purpose of qualifying for the 182 days) is NOT correct in the context of the 'basis period'.**

(3.5 marks)

- (iv) Kennedy left Malaysia permanently on 15 June 2017.

In relation to Kennedy having 'left Malaysia permanently', state the two responsibilities of his employer under the ITA. Include any deadline/timeline to fulfil the said responsibility.

(3 marks)

- (b) Cik Siti Surihani received a notice of additional assessment (Form JA) for year of assessment 2013 where she was required to pay an additional tax of RM1,000. The Form JA was dated 1 November 2017.

Required:

- (i) Assuming Siti does NOT intend to appeal against the additional assessment, and she pays the additional tax of RM1,000 on 15 February 2018.

What is the amount of penalty for the late payment?

(3 marks)

- (ii) Assume that Siti appeals against the additional assessment by submitting the required appeal form on 28 November 2017 together with all the relevant documents to support her appeal.

Is the appeal within the deadline allowed by the ITA? Explain your answer.

(2 marks)

- (iii) **Continuing from (ii) above, since Siti has already appealed against the Form JA, would Siti be required to pay the additional tax of RM1,000?**

Justify your answer with reference to the relevant section of the ITA.

(3 marks)

[Total: 20 marks]

(END OF QUESTION PAPER)