



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

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

PERSONAL TAXATION

JUNE 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

Miss Mamamia, an architect from Tanzania, was under an employment contract in Malaysia with Syikin Sdn Bhd since 1 November 2009. Since then, her pattern of stay until she left Malaysia permanently on 31 December 2016 was as follows:

Period of stay	Place of stay
01.11.2009 to 31.12.2010	In Malaysia
01.01.2011 to 30.09.2011	In Australia doing consultancy work in connection with her service
01.10.2011 to 31.10.2013	In Tanzania visiting families
01.11.2013 to 03.07.2014	In Malaysia
04.07.2014 to 31.07.2015	In Singapore for holidays
01.08.2015 to 17.11.2015	In Malaysia
18.11.2015 to 30.11.2016	In Indonesia for holidays
01.12.2016 to 31.12.2016	In Malaysia

Required:

- (i) **Determine the residence status of Miss Mamamia for all the years of assessment between 2009 and 2016. (Your answer should state the reasons and the relevant Sections of the Income Tax Act 1967).**

(12 marks)

- (ii) Miss Mamamia has been reliably informed by her colleague that she will have many benefits being a tax resident in Malaysia.

Explain to her the tax benefits of being a resident under the Income Tax Act 1967.

(4 marks)

- (iii) In determining the resident status of an individual, certain period of absence is deemed to be period of presence under Income Tax Act 1967.

Briefly list and explain the period of deemed presence, together with the relevant section.

(4 marks)

[Total: 20 marks]

Question 2

Taufiq was a financial controller working with Telcom Malaysia Berhad since 31 August 2009 until his compulsory retirement on 31 December 2015. He was paid a gratuity on 31 January 2016 which amounted to RM227,000. Taufiq then commenced employment with Tafron Consulting Sdn Bhd in Kuching, Sarawak as a financial consultant on 1 August 2016. For the basis year 2016, he was paid a gross monthly salary of RM5,120. As a consultant, he was entitled to a monthly entertainment allowance of RM500 per month and he incurred RM4,250 on entertaining company's customers for the year. He was also eligible for a two-month bonus for the year 2016, which was paid on 31 January 2017.

Taufiq was also provided with a six-year-old company car that cost RM199,000 when new, together with fuel for the period 10 August 2016 to 31 October 2016. From 1 November 2016 onwards he was provided with a new company car costing RM333,000 together with fuel and a driver who was paid RM1,900 per month by the employer.

Tafron Consulting Sdn Bhd provided Taufiq with accommodation in a hotel for the first two months of his employment. For the remaining months, accommodation was provided in a semi furnished bungalow. The rental was RM3,300 per month including RM700 per month for the furnishings. He was also entitled to a domestic servant and a gardener for the upkeep of the bungalow. Tafron Consulting Sdn Bhd reimbursed Taufiq for the monthly salary paid to the servant and gardener which amounted to RM600 and RM700, respectively.

Taufiq's salary package included the following benefits in kind, applicable for the period 1 August 2016 to 31 December 2016:

	RM
One leave passage to South Korea	3,311
A life insurance policy on the life of Taufiq	750
Golf club subscriptions to promote business	21,500
Schooling payment for Taufiq's children	12,250

Required:

- (a) **Compute the total employment income for the year of assessment 2016.** (26 marks)
- (b) **Outline the scope of Section 13(1)(a) and Section 13(1)(b) of the Income Tax Act, 1967 in relation to the assessment of gross income from an employment.** (4 marks)

[Total: 30 marks]

Question 3

Ibrahim Edogan is a 55 year old Turkish citizen settled in the island of Penang under the 'Malaysia: My Second Home' programme since 2012. Ibrahim is a well-known author who likes the Malaysian food and climate. His wife, Azlina Hameed is a Malaysian citizen and she is currently a homemaker. She opted for early retirement from the government service due to ill-health and receives a pension of RM2,300 a month.

On 12 February 2012, Ibrahim brought his savings into Malaysia which was equivalent to RM5 million. He bought a condominium in Gurney Drive, Penang for RM1.2 million. He also purchased shares in public-listed companies and unit trusts in Malaysia, United Kingdom and Singapore. He purchased an exclusive office unit in Gelugor, Penang with an existing tenant. The office unit cost him RM980,000.

Ibrahim declared the following income to the Inland Revenue Board of Malaysia (IRBM) for the basis year 2016:

i. **Business Income**

Ibrahim is in a partnership, sharing equally the profits and losses with a Malaysian in a Turkish restaurant business in Penang. His statutory income from the partnership business is RM122,000.

ii. **Dividend income**

- Single tier dividend from Nestle Bhd. of RM22,000 was declared in December 2015 but received on 6 January 2016.
- Dividend income equivalent to RM125,000 from share investments in the United Kingdom remitted to Malaysia during the year.

iii. **Income from unit trust**

A sum of RM39,000 distributed from BLH Premier Unit Trust, Singapore was received during the year. The income was remitted to Malaysia from Singapore on 5 December 2016.

iv. **Royalty income**

Royalty income of RM110,000 was received in respect of writing a novel, it was paid by a local publisher. He incurred RM12,000 on research and he paid RM14,000 for editing his manuscript during the year 2016.

v. **Rental income**

Rental income was received from an office unit in Penang which was rented out at RM5,000 per month for the last three years to a travel agent. It became vacant on 30 April 2016. It was rented to a new tenant after repairs on 1 September 2016 for RM6,000 per month. For the basis year 2016, Ibrahim incurred the following expenses towards the office unit.

	RM
Interest on bank loan of RM350,000	12,000
Quit rent and assessment	2,800
Fire insurance	3,200
Repairs	5,000
Installation of burglar alarm	2,500
Advertisement cost to find a new tenant	1,400
Service charges for building maintenance	4,800

- vi. Ibrahim has four children. The first child Zalik, aged 22, is pursuing an engineering degree at the Multimedia University. The second child, Faridah, aged 19, is pursuing medicine at Glasgow University. Her father spent RM140,000 towards her fees and accommodation. She received RM50,000 per annum from a trust fund set up by her grandfather. The third child Rosmah, aged 15, is studying at a government secondary school. A fourth child, named Normah was born during the year.

- vii. Ibrahim pursued a post-graduate Masters degree in Business Administration on a part time basis at University Science Malaysia and he incurred fees amounting to RM13,000 in 2016.
- viii. Azlina, suffering from cancer, underwent surgery and chemotherapy at a private medical centre in October 2016. Ibrahim incurred medical expenses of RM74,000 during the year.
- ix. He paid life assurance premiums of RM15,000.
- x. Ibrahim bought a laptop computer for himself for RM3,300 and a treadmill for the family amounting to RM3,200. He bought books and magazines for the family for RM870. Ibrahim has the necessary supporting documentation for these expenditure.
- xi. His mother, who is 80 years old, lives with him and she has no independent income of her own.
- xii. He contributed RM1,200 in Zakat to fulfil his religious duty.

Required:

Compute the total income, chargeable income and tax payable of Ibrahim Edogan for the year of assessment 2016 under joint assessment, assuming Azlina is the one who elected to be assessed with her husband's income.

[Total: 30 marks]

Question 4

- (a) **What do you understand by an original assessment made under the self-assessment system? Explain briefly any other TWO types of assessment that may be made by the Inland Revenue Board.**
(7 marks)
- (b) Four taxpayers have approached you to ask about whether they will need to pay penalty for late-payment and whether they are entitled to any compensation from the IRB for delays in refunding their overpaid taxes.

The amount and date of payment / refund is tabulated below:

Taxpayer	Tax payable / (Tax refundable)	Date when tax is paid	Date when tax refund is approved
Ali	RM 10,000	15 June 2016	-
Bala	RM 10,000	15 July 2016	-
Chong	(RM 10,000)	-	15 July 2016
Damshal	(RM 10,000)	-	15 August 2016

Assume the following apply to the above scenarios:

- The deadline for submission and payment of tax is **30 April 2016** (ignore any 'extension of time' granted by IRB).
- All taxpayers used **e-filing** to submit their tax returns.
- There are **366 days** in 2016 (leap year).

Required:

- (i) **How much is the penalty payable by Ali?**
- (ii) **How much is the penalty payable by Bala?**
- (iii) **How much compensation (for late refund) can Chong expect to receive?**
- (iv) **How much compensation (for late refund) can Damshal expect to receive?**

(8 marks)

- (c) Mr. Ken and Ms. Kara are partners in Ken & Co. where they hold equal shares of the partnership. For avoidance of doubt, Ken & Co. is a 'partnership' under Section 55 of the Income Tax Act 1967, and it is not a Limited Liability Partnership.

Ken does not have any other source of income apart from the partnership and Kara is a 'sleeping partner'. She has a full time job at Kenchana Sdn Bhd and derives employment income therefrom.

Required:

- (i) **Since the partnership submits the partnership tax return each year, does Mr. Ken need to report his share of partnership income into his own personal income tax return?**

(1 mark)
- (ii) **Assuming Ken & Co. is profitable, state the tax return form and the deadline for Ms. Kara to report her income? (State the deadline prescribed in the Act and ignore 'extension of time' granted by IRB).**

(2 marks)
- (iii) **Assuming Ken & Co. is making a loss and only has adjusted losses, when is the deadline for Kara (who, in a year of partnership loss, would only receive employment income from her full time job) to submit her income tax return?**

Justify your answer.

(2 marks)

[Total: 20 marks]

(END OF QUESTION PAPER)