



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

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

PERSONAL TAXATION

DECEMBER 2019

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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) Stephen Ah Thong, is a 52 year old Malaysian tax resident. He is the chief executive officer of Sri Aman Sdn Bhd (SASB) since 1 July 2006. He is paid a salary of RM15,000 per month and received a bonus of RM30,000 which was paid on 28 February 2019. He receives an entertainment allowance of RM3,000 per month. In 2019, he spent RM12,000 on official entertainment.

In addition, since 2015, he was given a new car costing RM170,000 for his use. The petrol expenses were borne by SASB. He was given leave passage by the company to Taiwan in February 2019 costing RM8,500. He had a heart attack in March 2019 and the employer paid for his medical expenses amounting to RM52,000.

In January 2019, SASB offered Stephen the option to acquire 20,000 ordinary shares in the company at a nominal sum of RM1.00 per share. The market value of the shares was RM4.00 at the time of option. Stephen accepted the option in April and sold the shares at RM5.20 per share in October 2019.

He received from SASB an iPhone worth RM5,500 as a gift for excellence service award.

Further personal details are provided by Mr Stephen for 2019:

- (i) Stephen received dividend income of RM44,000 from Singapore, of which 50% was remitted to Malaysia.
- (ii) Stephen is a part time writer and received RM25,000 royalty payment in Malaysia in respect of his book on Business Management.
- (iii) Stephen is married to Julie Wong, a Malaysian tax resident and retired teacher who is physically handicapped after a car accident. She is 51 years old. In 2019, Julie earned casual income of RM23,000 by contributing newspaper articles.
- (iv) Stephen bought a motorized wheel-chair for his wife for RM8,500.
- (v) Stephen and Julie have four children. Their first-born daughter, Rihanna aged 23, is married. The second daughter, Joanne, 20 years is pursuing a medical degree in Australia while the younger son, Raymond, 19 years, is pursuing a hotel management degree in a local college. Raymond is physically disabled. Their legally adopted daughter, Janice, is studying in a primary school in Kuching.
- (vi) Stephen contributes to Employees Provident Fund at 11% and paid life insurance premium of RM2,900.
- (vii) He deposited RM8,000 into the Skim Simpanan Pendidikan Nasional (SSPN) for Janice's education.
- (viii) He spent RM970 on books and purchased a smartphone for Janice for RM2,300 for which he was able to produce receipts.
- (ix) Stephen's 84-year old father who lives with him, is a resident and has no means of income for the year.
- (x) Stephen owns a condominium in Malaysia which he rented out for RM3,000 per month. He incurred RM21,000 on mortgage interest, RM900 on fire insurance premium, and RM1,200 on assessment and quit rent. He also paid management fees of RM480 per month. He also spent RM2,200 on electrical and plumbing repairs and RM20,000 on renovating the kitchen.

- (xi) Stephen donated RM5,000 cash to an approved charitable organisation.
- (xii) Julie also received RM3,000 per month as government pension and made a cash donation of RM500 to a Government approved social organisation.

**Required:**

**In respect of year of assessment 2019, compute the chargeable income and tax payable for Stephen and Julie respectively, assuming Julie did not elect for combined assessment under sec. 45(2) ITA.**

**Stephen has made a claim for child relief.**

**Note:**

Indicate Exempt where appropriate.

(22 marks)

- (b) (i) James Tan worked with the Lee Kong Ho Bhd (LKHB) group of companies as an Information Technology officer for five years. He left LKHB group of companies to join Alor Star Bhd Consultation Services (ASBC), when he received a better offer. He worked at ASBC for three years from 1 March 2010. He later re-joined the LKHB group of companies for another five years, from 1 June 2014. His employment was terminated in October 2019 when LKHB group of companies underwent a reorganisation, whereby he received compensation for loss of employment of RM120,000.

**Required:**

**Discuss the tax treatments for the compensation for loss of employment of RM120,000 received by James Tan from LKHB.**

(4 marks)

- (ii) Dr Jacqueline Pinochet, a visiting professor from the United States, came to Malaysia to visit a local university on 12 April 2019, during her sabbatical leave. She worked at the local university giving guest lectures with local academicians on herbal medicine for 45 days. She was paid RM25,000 by the local university. She was in Malaysia for another month during which she visited local destinations.

**Required:**

**Would the income received by Dr Jacqueline Pinochet be taxable under the provisions of the ITA? Provide appropriate reasons for arriving at your answer.**

(4 marks)

**[Total: 30 marks]**

## Question 2

Dr Harvey is a Malaysian tax resident, worked in a private hospital in Kuala Lumpur as an endocrinologists. He was attached to this hospital for more than 15 years. On 30 April 2019, he retired from his service after he reached the compulsory age of retirement. He is married to Donna and they have two children. Donna is a home-maker and has no source of income.

Below are the details of Dr Harvey's income and benefits for the duration of his employment in the private hospital in 2019:

	RM
Monthly salary	10,000 per month
Parking allowance	200 per month
Fully Furnished Apartment paid by employer	2,000 per month (including RM 300 for furniture)
Leave Passage to Langkawi (travelled in January 2019)	4,000
Gratuity upon retirement	120,000
Total On-Call allowances	2,000 per month
Servant benefit paid by employer	2,500 per month

Other Income received by Dr Harvey in 2019:

	RM
Dividend from Malaysia resident company	6,200
Dividend received from a Labuan registered company	7,000
Monthly annuity received from his late mother's trust fund	5,000
Royalty from translation of books as per request from Ministry of Higher Education	16,000
Commission from recommending a patient to a specialist (friend of Dr Harvey)	6,000
Dividend from a company in Singapore (remitted to Malaysia)	6,500
Interest income from a fixed deposit (Maybank)	8,200

Dr Harvey owns an apartment in Kuala Lumpur. He receive rental from his tenant amounting to RM2,000 every month. In 2019, he spent RM500 for plumbing works in this apartment due to water leakage from the main washroom. He also spent an additional RM300 to install two brand new water heaters. In the year 2019, he paid RM150 for quit rent and RM250 for flood and fire insurance premium.

Dr Harvey operates his own pharmacy, "Harvey Parma-care" under his sole proprietorship. Given below details of his Income Statement for the year 2019.

	RM
Sales	120,000
Less: Cost of Goods Sold	20,000
Gross Profit	<b>100,000</b>
Less: Expenses	
Staff salary (one staff)	36,000
Utility	2,400
Rental	24,000
Salary to own-self (Dr Harvey will take care of the shop at night from 7pm to 11pm)	25,000
Net Profit	<b>12,600</b>

Given below are information pertaining to the expenses incurred by Dr Harvey for the year 2019 and details of his children.

	<b>RM</b>
Cash donation to an orphanage (approved institution)	2,000
Basic supporting equipment (for Dr Harvey's sister)	4,000
Medical expenses for his mother (he can only produce receipt for RM600)	1,000
Broadband subscription per month	200
Life insurance premium for self per month	400
Complete medical examination for himself, his wife and children	3,000
Medical insurance premium for his children per month	200
Astro bills (TV subscription) per month	80
Purchase of books for his children	1,200
Childcare expenses for his child per month	1,200

Details of Dr Harvey's children are as below:

1<sup>st</sup> Child: 9 years old. Attending primary school

2<sup>nd</sup> Child: 5 years old. Dr Harvey sent this child to a care center. The childcare center is registered with Department of Social Welfare.

Dr Harvey approached you to assist him in computing his "Chargeable Income" for the year of Assessment 2019.

**(a) You are required to compute his Chargeable Income clearly indicating all relevant sections, exemptions and relief for the Year of Assessment 2019 based on the information given above.**

(20 marks)

**(b) Based on the question above, can Dr Harvey record his rental income under Section 4(a)? Give reasons for your answer.**

(5 marks)

**[Total: 25 marks]**

### Question 3

- (a) George Tan, from China, first arrived in Malaysia on 1.4.2019 and commenced his employment on 1.5.2019 with Abepay Sdn Bhd. He will be a chargeable person for the year of assessment (YA) 2019.

**Required:**

- (i) Advise George Tan, when he needs to inform the Inland Revenue Board (IRB) that he will be chargeable to tax.

(2 marks)

- (ii) Advise George Tan, when he needs to furnish Form BE to IRB. (Ignore any extension of time granted by IRB).

(1 mark)

- (iii) Advise George Tan on the penalties for failure to comply in (i) and (ii) above.

(4 marks)

- (iv) Determine when Abepay Sdn Bhd needs to notify the IRB that George Tan is chargeable to tax.

(2 marks)

- (v) Determine when Abepay Sdn Bhd needs to provide Form EA to George Tan.

(1 mark)

- (b) On 15.1.2019, Kamariah received a notification from IRB to pay her tax by instalments under s107B, commencing in March 2019. The total amount of tax payable shown in the notice was RM36,000. On 30.6.2019, Kamariah successfully obtained the approval from IRB to vary the total amount of tax payable to RM18,000. The actual tax liability of Kamariah was RM30,000.

**Required:**

**Compute the penalty payable by Kamariah under s107B of the Act.**

(5 marks)

- (c) Kelly is an entrepreneur. On 1.4.2019, Kelly received a notice of additional assessment for the year of assessment 2018 where she was required to pay an additional RM1,500 of tax. Kelly decided to make an appeal against the notice of additional assessment.

**Required:**

- (i) Advise Kelly on the timeframe that she needs to make an appeal against the notice of additional assessment.

(2 marks)

- (ii) Assume that Kelly has already appealed against the additional assessment, does Kelly still require to pay the additional RM1,500?

(3 marks)

- (iii) If Kelly had settled the tax on 25.6.2019, calculate the penalty (if any) and the amount due to IRB.

(5 marks)

**[Total: 25 marks]**

#### Question 4

- (a) Mr Jason Lee, an Information Technology senior executive from mainland China, was under an employment contract in Malaysia with MSC Sdn Bhd since 1 November 2014. Since then, his pattern of stay until he left Malaysia permanently on 31 December 2019 was as follows:

Period of stay	Place of stay
01 November 2014 to 31 December 2015	In Malaysia
01 January 2016 to 31 August 2016	In New Zealand, staying with his uncle
01 September 2016 to 19 September 2016	In China visiting mother who was seriously ill
20 September 2016 to 03 February 2017	In Malaysia
04 February 2017 to 31 August 2017	In France to undertake a company project
01 September 2017 to 17 November 2018	In Malaysia
18 November 2018 to 30 November 2018	In China (13 days) for a vacation
01 December 2018 to 31 December 2019	In Malaysia

#### Required:

- (a) **Determine the residence status of Mr Jason Lee for Years of Assessments 2014 to 2019 under the ITA.**

(Your answer should state the relevant legislation under the ITA)

(10 marks)

- (b) **Briefly discuss the features of Section 7(1)(b) of the ITA.**

(5 marks)

- (c) **Distinguish the requirements between Sections 7(1)(b) and 7(1)(c) of the ITA.**

(5 marks)

**[Total: 20 marks]**

**(END OF QUESTION PAPER)**