



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

PROFESSIONAL EXAMINATION

INTERMEDIATE LEVEL

PERSONAL TAXATION

DECEMBER 2020

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 template.
6. All workings **MUST** be shown as marks will be awarded.

DO NOT TURN OVER THIS PAGE UNTIL INSTRUCTED BY THE INVIGILATOR

Question 1

- (a) John Tan, a mechanical engineer and a Malaysian tax resident, has been working with the Robson Steel group for 18 years. He has been working in the United Kingdom but was posted back to Malaysia from 1 January 2020.

He has submitted the following information of his income from the company in his tax return for the year 2020.

	RM
Salary	18,000 per month
Bonus (received on 28 February 2020)	44,000
Parking allowance	200 per month
Entertainment allowance	1,200 per month
Air passage for him to London (unofficial)	10,000
Medical bill for John for his spine surgery (paid by company)	42,000

John was also given the following benefits:

1. Services of a full time household servant and a gardener.
2. A fully furnished bungalow located at Bandar Sunway. The company paid a monthly rental of RM7,500 (inclusive of RM2,500 for furniture).
3. He was given the option on 1 February 2020 to buy 5,000 units of the company's shares at a price of RM3.20 per unit. He exercised this option on 1 June 2020. The market value of the share at 1 February 2020 was RM4.00 per unit. The market value at 1 June 2020 was RM2.50 per unit.
4. A new Honda car costing RM180,000 which was bought in 2019 by the company. Fuel was also provided by the company.
5. The company reimbursed John's expenses of RM18,000 on his moving back to Malaysia.
6. John retired on 31 December 2020 upon reaching the compulsory retirement age and received a gratuity of RM220,000.

John received interest income from fixed deposits in Maybank of RM12,567. He also incurred an adjusted rental loss of RM5,500 from a landed property in Nilai.

John and his wife, Patricia (who has no source of income), have 3 unmarried children:

1. Their first child Janice (20 years old) is pursuing an accounting program at a university in Britain since June 2019.
2. The second child Rachel (17 years old) is studying at an international school in Kuala Lumpur.
3. The third child Raymond (10 years old) is a physically handicapped child (certified by the Malaysian Welfare Department), and not attending any school.

John claimed the following expenses:

1. Actual entertainment expenses incurred was RM9,600 of which 2/3 of the expenses were expended for official purposes.
2. Annual subscription fee of RM300 paid to the Institute of Mechanical Engineers.
3. He contributed 11% of his salary to Employees Provident Fund.
4. Cash donation to the National Cancer Society, an approved organization under Section 44(6), amounting RM5,000.
5. In June 2020, John's mother was hospitalized in Sunway Medical Centre. John paid his mother's bill of RM12,000. The original receipt was enclosed with his tax return.

6. In 2020. John bought a computer costing RM4,300 and books costing RM760 for his family. He made a claim for these expenses. The original receipts were enclosed.
7. His elderly mother has no source of income and stays with him.
8. He paid RM7,800 life insurance premium on his own life insurance policy. The capital sum insured is RM300,000.

Required:

Compute the chargeable income and tax payable of John Tan for the year of assessment 2020. State 'NIL' for every item of income that is not taxable.

Note:

You are required to make proper classification (by reference to sections 4 and 13 of the ITA).

[Total: 30 marks]

Question 2

- (a) Kid and Lena are partners of a law firm, K&L Partners, located in the centre of Kuala Lumpur. Both Kid and Lena are lawyers by profession. They receive annual salaries of RM100,000 each from the firm. Kid and Lena share profit of the law firm equally.

The partnership has an unabsorbed loss of RM80,000 brought forward from the previous year of assessment. Given below is the statement of profit and loss of K&L Partners for the year ended on 31 December 2020.

	Note	RM '000	RM '000
Revenue from legal services			1,000
Investment income from property	(1)		500
Less: Expenses			
Partner's salaries		200	
Leave Passage for Ms Lena to Pulau Pangkor		7	
Depreciation		10	
Entertaining existing clients		200	
Other expenses*	(2)	300	
			(717)
Profit before taxation			783

Note:

1. No direct expenses incurred for generating the rental income.
2. The "Other expenses" are all allowable deductions.

Required:

Compute the provisional adjusted income of K&L Partners for the year of assessment 2020.

(8 marks)

(b) Rory and Logan, both Malaysian residents, are partners of R & L law firm. The accounts of the partnership are made up to 31 December every year. Given below are some of the terms of the partnership agreement:

- Interest of 5% per annum to be paid to Rory and Logan on their capital contribution of RM400,000 each.
- Rory and Logan are to be paid salaries of RM10,000 and RM7,000 per month respectively.
- Rory and Logan are to share profit equally.

Other information:

- Capital allowance of the partnership for 2020 is RM40,000
- Divisible income of partnership for year of assessment 2020 is RM50,000
- Rory provided the following information for year of assessment 2020:
 - i. Rory claimed full amount of lifestyle relief.
 - ii. Rory paid RM4,000 and RM5,300 for her children's medical and education insurance premium respectively.

Required:

- (i) Show computation of the statutory income for Rory and Logan.**
- (ii) Compute chargeable income for Rory for year of assessment 2020.**

(12 marks)

(c) Briefly explain the main features of a Limited Liability Partnership and discuss why choosing a Limited Liability Partnership is considered advantages as compared with a conventional partnership.

(5 marks)

[Total: 25 marks]

Question 3

(a) Mawar, an individual, received a notification of instalment payment under section 107B from the Inland Revenue Board (IRB) in February 2020. The total tax instalment required by the IRB for the year of assessment 2020 amounted to RM24,000. Nevertheless, Mawar applied for variation of the instalment scheme and her application was approved.

Below is the information concerning the revised instalment scheme:

Instalment no.	Amount (RM)	Due Date	Actual Payment Date
1	3,500	1 March 2020	17 April 2020
2	3,500	1 May 2020	30 May 2020
3	3,500	1 July 2020	5 August 2020
4	3,500	1 September 2020	1 October 2020
5	3,500	1 November 2020	5 December 2020
6	3,500	1 January 2021	5 January 2021
Total	21,000		

Mawar's actual tax liability for the year of assessment 2020 is RM31,000.

Required:

- (i) State the due date on which Mawar needs to request for variation of instalment for the year of assessment 2020.

(1 mark)

- (ii) Determine the penalties, if any, imposed on Mawar based on the actual dates of payment made by her.

(4 marks)

- (iii) Compute the penalty, if any, payable by Mawar, arising from her request for variation of instalment under section 107B of the Act. Show your workings.

(5 marks)

- (b) Lucky Lai is a Singaporean and found a job as an engineer in BP Bhd in Malaysia in 2020. He arrived in Malaysia on 15 January 2020 and commenced his employment on 1 February 2020. Due to personal reason, he has decided not to continue with his employment and left Malaysia permanently on 31 December 2020.

Required:

- (i) Based on the scenario above, advice Lucky Lai as to when he needs to notify the Inland Revenue Board (IRB) that he will be chargeable to tax.

(2 marks)

- (ii) Determine as to when BP Bhd needs to notify the IRB that Lucky Lai will be chargeable to tax.

(2 marks)

- (iii) In relation to Lucky Lai's cessation of employment, state any TWO (2) responsibilities of BP Bhd (the employer) under the ITA.

(4 marks)

- (c) Goh has received a notice of additional assessment for the year of assessment 2020 on 15 June 2020 where he was required to pay an additional RM1,000 of tax.

Required:

- (i) Advise Goh on the time frame that he needs to file a notice of appeal if he does not agree with the additional assessment imposed on him.

(2 marks)

- (ii) Does Goh still need to pay the additional RM1,000 if appeal against the additional assessment have been made by him? Explain your answer.

(3 marks)

- (iii) Assume Goh does not intend to appeal against the additional assessment, and settle the payment on 20 July 2020, will any penalty be imposed on him? If yes, calculate the amount of penalty. Show your workings.

(2 marks)

[Total: 25 marks]

Question 4

Daniel Chan, from Australia is an engineer by profession. Daniel was under an employment contract in Malaysia with TLM Sdn Bhd since 3 March 2015. Since then, his pattern of stay until he left Malaysia permanently on 1 September 2020 is as follows:

Year	Period of stay in Malaysia	Days
2015	3 March to 31 December 2015	304
2016	1 January to 8 January 2016	8
2017	8 October 2017 to 31 December 2017	85
2018	1 January 2018 to 9 July 2018 22 July 2018 to 10 November 2018	302
2019	Nil (not in Malaysia)	Nil
2020	1 January 2020 to 31 August 2020	244

Daniel provided the following information regarding his emoluments and benefits in kind derived from TLM Sdn Bhd for the period 1 January 2020 to 31 August 2020:

1. A monthly salary RM20,000.
2. The company provided Daniel with a new car costing RM120,000, together with fuel and a driver.
3. He was provided with an unfurnished house by the company with a monthly rental RM3,000.
4. Expenses of RM1,800 for medical treatments for his family, paid by the company.
5. Leave passages to Penang Island, amounting to RM3,800.

Required:

- (i) a. Determine the residence status of Daniel Chan for the years of assessment 2015 to 2020. Your answer should state the relevant legislation under the ITA.
b. Explain the distinction between perquisites and benefits-in-kind.
c. Kindly ascertain the category of benefits received by Daniel Chan for items no. (2) to (5) above.
(10 marks)
- (ii) In respect of an individual taxpayer earning only employment income,
 - a. state the deadline for filing his/her annual tax returns.
 - b. discuss the process of registering a tax file by the individual or the individual's employer.
(5 marks)
- (iii) Explain to Daniel Chan the tax benefits of being a tax resident under section 7 of the ITA.
(5 marks)

[Total: 20 marks]

(END OF QUESTION PAPER)