



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

PROFESSIONAL EXAMINATION

INTERMEDIATE LEVEL

PERSONAL TAXATION

DECEMBER 2021

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) Dr Richard Moore is a Canadian citizen and he is 49 years old. Dr Richard is a researcher in biomedical science and he was offered a three-year contract by Safe Pharmaceuticals Bhd (SPB) effective from 1 July 2019. His basic salary is RM25,000 per month. He has received a bonus of RM50,000 on 28 February 2021.

In addition, his employer has provided him with a new car costing RM170,000 since 2019. Petrol expenses for the car were borne by SPB. He also received parking allowance of RM1,800 per annum.

He was given a leave passage by his employer to travel to Canada in June 2021 costing RM12,500. He underwent a brain surgery to remove a tumour in March 2021 and his employer has paid for his medical expenses amounting to RM52,000.

During the period of his stay in Malaysia, Dr. Richard was provided with a fully furnished bungalow in Kuala Lumpur at the monthly rental of RM4,000. The rental of RM4,000 included RM1,000 for furnishings.

SPB has reimbursed Dr. Richard RM20,000, being the cost of employing a domestic helper.

In January 2021, SPB gave Dr Richard an option to acquire 10,000 ordinary shares in SPB at a nominal sum of RM1.00 per share. The shares had a market value of RM3.00 at the time of option. Dr Richard exercised the option and sold the shares for RM5.60 per share in October 2021.

In November 2021, Dr Richard won a television worth RM4,500 as a prize in a lottery organised by the company.

The business of SPB is affected by the partial COVID-19 Lockdown in Malaysia. His employer has informed him of the retrenchment exercise effective from 30 November 2021. He was given RM150,000 as retrenchment benefit in December 2021. He left Malaysia with his family on 13 December 2021.

Further personal details are provided by Dr Richard:

1. Dr Richard is a widower and has an adopted son, William, aged 14. William is studying at a private school in Kuala Lumpur and lives together with him.
2. Dr Richard's parents followed him to Malaysia and have lived together with him in Malaysia. His father has undergone a heart surgery in October 2021 and Dr Richard spent RM92,000 on his father's operation at a local private medical hospital.
3. He contributes to Employees Provident Fund at 11% and continues to pay life insurance premium equivalent to a sum of RM13,900 for a life insurance policy taken in Canada.
4. He continues to pay RM5,400 for the medical insurance policy taken in Canada in 2007.
5. He spent RM770 on books and purchased a smartphone for his son, William for RM2,300 for which he was able to produce receipts.
6. Dr Richard donated RM5,000 cash to an approved charitable organisation in Malaysia.
7. He went for a holiday in Langkawi with his friends in September 2021. He spent RM2,000 on accommodation and food at a hotel registered with the Commissioner of Tourism under the Tourism Industry Act 1992.

Dr Richard, his son and parents have been resident in Malaysia under section 7 of the Income Tax Act 1967 for the year of assessment 2021.

Required:

In respect of year of assessment 2021, compute the chargeable income of Dr Richard Moore.

Note:

Indicate Nil/Exempt where appropriate.

(20 marks)

(b) Discuss the differences between compensation for loss of employment and gratuity and their respective treatment under Income Tax Act 1967.

(10 marks)

[Total: 30 marks]

Question 2

Dr Sam is a service director of YTC Corporation Berhad (YTC), a multinational company with extensive operations in South East Asian countries. He joined YTC on 15 November 2018. His employment income and other relevant information for the year of assessment 2021 are as follows:

1. Dr Sam received an annual director fee of RM30,000.
2. He was paid a monthly salary of RM20,000 and an entertainment allowance of RM3,000 per month. During the year, he spent RM30,000 on entertaining the company's clients.
3. YTC's contribution towards Dr Sam's EPF is at 15% and Dr Sam's contribution towards his EPF is at 11% of his salary.
4. During the year, he made a total claim of RM25,500 on travelling expenses for his business trips and official duties and the claim was fully reimbursed by YTC.
5. An imported reconditioned car costing RM245,000 and a driver with a monthly salary of RM2,000 were provided to him from 1 May 2021 onwards. The car was first registered in Malaysia on 15 April 2021.
6. An unfurnished condominium together with the weekly cleaner services were provided to him for the whole year. YTC reimbursed Dr Sam for the monthly rental of RM3,000 for the condominium. Throughout the year, he incurred RM15,500 for the utilities bills and paid RM4,800 in total for the cleaner services provided. All these expenses were reimbursed by YTC subsequently.
7. YTC offered Dr Sam a share option of 20,000 units under a conditional share scheme at an option price of RM2.00 on 1 February 2018 when the market price was RM2.80. He is required to serve his employer for at least 3 years. He accepted the offer and fully exercised the option on 10 October 2021 when the market price was RM3.50.

Other income:

1. Dr Sam had invested in the quoted share market and received the dividends from the following tax resident companies:
 - Genting Berhad RM5,500
 - CIMB RM2,200
2. During the year, he also received a net distribution of RM15,200 from his investment in the Public Mutual unit trust fund. The tax deducted at the source was RM4,800.

Other information:

1. Dr Sam is married to Susan and they have three children.

Their children:

- Samuel, 20 years old, is studying for a full-time degree at the University of Malaya.
- Jane, 10 years old, is disabled and currently is studying in a special school catering for disabled children in Kuala Lumpur.
- Josephine, 5 years old, is attending kindergarten class.

Susan is a freelancer. She has the following income for the year of assessment 2021:

- She was paid RM4,500 as the commission for editing some articles published in a local journal.
 - She also received a royalty income of RM30,000 for a book written by her three years ago from a well-known publisher in Malaysia.
2. He spent RM9,000 on his parents' medical expenses. Both of his parents are tax residents for the year of assessment 2021.
 3. He purchased a new iPhone worth RM4,800 for himself and books and magazines costing RM500.
 4. He donated an Electrocardiogram (ECG) machine costing RM25,000 to Institut Jantung Negara (IJN). IJN is an institute approved by the Ministry of Health.
 5. Dr Sam and Susan are tax residents for the year of assessment 2021. They did not elect for joint assessment. Dr Sam will claim all the child relief.

Required:

- (i) **Explain to Dr Sam the difference between perquisites and benefits-in-kind.** (4 marks)
- (ii) **With reference to the ITA, compute the chargeable income of Dr Sam and Susan for the year of assessment 2021. All items stated in the question are to be included in the computation. Where the item is not taxable or deductible, indicate 'NIL' in the computation.** (16 marks)

- (iii) Assuming that Dr Sam was sent to Philippines to oversee a construction project in Manila for two months from 1 August 2021 to 30 September 2021. The instructions and decisions made for this project were from YTC to him and the reports of this project were sent to YTC for further action. During these 2 months, his remuneration was borne by YTC.

With reference to the ITA, discuss the taxability of Dr Sam's remuneration for the 2-month job performed in the Philippines.

(5 marks)

[Total: 25 marks]

Question 3

- (a) In February 2019, Peter set-up his own practice, Peter & Co, Advocates and Solicitors, together with his best friend, Eric. Both of them have agreed to share profit and loss equally.

Peter received the Notice of Instalment Payment, Form CP500 in January 2020 from the Inland Revenue Board (IRB). The instalment payments for the year of assessment 2020 in respect of the tax liability for the year of assessment 2020 are as follows:

Instalment no.	Amount (RM)	Due Date
1	2,500	1 March 2020
2	2,500	1 May 2020
3	2,500	1 July 2020
4	2,500	1 September 2020
5	2,500	1 November 2020
6	2,500	1 January 2021
Total	15,000	

However, according to the estimation by Peter, his tax liability on his income from the partnership business for the year of assessment 2020 is only RM10,400. As such, on 1 June 2020, Peter made an application to the IRB to revise the instalment payments based on the estimated tax liability of RM10,400. Peter has paid RM5,000, being the instalment for March and May 2020 before the application of instalment variation. The IRB has approved the application via the issuance of Form CP503, Variation Notice of Instalment Payments to Peter. The revised instalments schedule is as follows:

Instalment no.	Amount (RM)	Due Date
1	2,500	1 March 2020
2	2,500	1 May 2020
3	1,350	1 July 2020
4	1,350	1 September 2020
5	1,350	1 November 2020
6	1,350	1 January 2021
Total	10,400	

Peter paid the instalments on the following dates:

Instalment no.	Due Date	Actual Payment Date
1	1 March 2020	29 March 2020
2	1 May 2020	15 May 2020
3	1 July 2020	2 August 2020
4	1 September 2020	5 October 2020
5	1 November 2020	7 December 2020
6	1 January 2021	3 February 2021

The actual tax liability of Peter on his income from the partnership business is RM16,500.

Required:

- (i) Determine the due date by which Peter must file his income tax return following the formation of his partnership. (1 mark)
- (ii) Determine the penalties imposed on Peter, if any, based on the actual dates of his instalment payments. (4 marks)
- (iii) Calculate the penalty, if any, that Peter will have to pay as a result of his request for an instalment variation under section 107B of the Act. Show your workings. (5 marks)
- (iv) Assuming Peter only filed his tax return and paid the balance of his tax on 1 August 2021, advise Peter on the tax implications and compute the penalty, if any, in accordance with the Income Tax Act (as amended). (4 marks)

- (b) Shahzam is an employee of a manufacturing firm in Malaysia. Besides the monthly salary, he also received other benefits from his employer in year 2021 as follows:

	Particulars	Amount (RM)
i	Broadband subscription fee under Shahzam's name	1,068
ii	Allowance for traveling to clients' place	7,400
iii	Parking allowance	2,160
iv	One local leave passage to Langkawi	1,500 (inclusive of the cost of meal of RM300 and accommodation of RM800)
v	Cash award of 'Best Employee of the Year 2021'	8,000

Required:

- (i) Calculate the amount of taxable and exempted perquisites/benefit-in-kind for the year of assessment 2021 for Shahzam.

Note:

You need to show the tax treatment for each and every item listed in part (b) i-v. (10 marks)

- (ii) Determine the due date by which Shahzam must file his income tax return to the IRB. (1 mark)

[Total: 25 marks]

Question 4

- (a) Ariff is an Indonesian and an expert in marketing services. He arrived in Malaysia on 3 October 2017 and began to work as a marketing consultant for an international advertising firm on 5 October 2017. He left Malaysia for a social visit in Australia on 25 December 2017 and returned to Malaysia on 9 January 2018.

On 5 July 2018, he flew from Malaysia to Singapore, and started his new job there. Ariff later accepted an offer to become a marketing director for Tineco Bhd, a public-listed company in Malaysia. He was supposed to start work on 4 April 2019, according to his job offer letter. Ariff arrived back in Malaysia on the 3 April 2019 and stayed in Malaysia until 29 December 2019.

Effective from 30 December 2019, he was in China to promote his employer's business and was expected to stay there for four (4) months. However, due to the Movement Control Order (MCO) implemented by the Malaysian government to curb Covid-19 pandemic in March 2020, Ariff extended his stay until 1 August 2020. During his stay in China, he continued to exercise his duties online. He arrived back in Malaysia on 2 August 2020 and continued to work from home until his contract of employment ended on 3 April 2021. He left Malaysia permanently on 1 May 2021.

Required:

- (i) **Determine the resident status for Ariff for all relevant years of assessment up to the year of assessment 2021 by quoting the relevant provisions of the Income Tax Act 1967 (as amended) where appropriate.**

(15 marks)

- (ii) **State two benefits that Ariff is entitled to if he is classified as a Malaysian tax resident for a particular year of assessment.**

(2 marks)

- (b) Elisa is a marketing executive of T&T Sdn Bhd. On 30 April 2021, she submitted her Form BE via the IRB's e-filing system. Her Monthly Tax Deductions (MTD) for each month in YA2020 is RM895.35 while her final income tax payable is RM6,280. She received her income tax refund from the IRB on 10 October 2021.

Required:

- (i) **Explain to Elisa whether the refund she received is considered as a late refund.**

(1 mark)

- (ii) **Determine the amount of compensation which should be made by the IRB, if any. Show your workings where applicable.**

(2 marks)

[Total: 20 marks]

(END OF QUESTION PAPER)