



CHARTERED TAX INSTITUTE OF MALAYSIA (225750 T)
(Institut Percukaian Malaysia)
Registration Number: 199101015438 (225750-T)

PROFESSIONAL EXAMINATION

INTERMEDIATE LEVEL

PERSONAL TAXATION

JUNE 2022

Student
Registration No.

Date

Desk No.

Examination Centre

Time allowed: 3 hours

INSTRUCTIONS TO CANDIDATES

1. This paper consists of **FOUR** questions.
2. Answer **ALL** questions.
3. The income Tax Act 1967 (as amended) is referred to as ITA.
4. Each answer should begin on a separate answer template.
5. All workings **MUST** be shown as marks will be awarded.

DO NOT TURN OVER THIS PAGE UNTIL INSTRUCTED BY THE INVIGILATOR

Question 1

- (a) Benjamin Setiawan, a 39 years old Indonesian, accepted the offer as an information technology specialist by Putrajaya University (the employer), a private university in Malaysia, two years ago under a two-year employment contract. Benjamin brought along his wife and their adopted daughter when he joined the university. He commenced his employment on 1 January 2020.

Details of Benjamin's employment income and benefits received from the employer for the year ended 31 December 2021 are as shown below:

- A monthly gross salary of RM 8,500.
- Bonus equivalent to one month salary.
- A monthly parking allowance of RM50.
- Dental benefit of RM100 per year.
- Free Oppo Reno mobile phone costing RM1,100. The phone is registered under Benjamin's name.
- Entertainment allowance of RM550 per month. 70% of the entertainment allowance was incurred for official purposes.
- Benjamin enjoyed a waiver of RM12,000 annual tuition fees for his child's schooling in an international school, a related institution of Putrajaya University (the employer).
- A total annual utility bills amounting to RM4,000 was paid by the employer.
- On 31 December 2021, Benjamin received RM10,000 as gratuity payment upon the expiry of his two-year employment contract. The gratuity was awarded as a recognition for his ability to resolve technical problems which affected the operation and developed proper Standard Operating Procedures (SOPs) for filing of documents in softcopy. His contract was renewed for another two years upon expiry of the first contract.

Additional information relating to Benjamin during the year 2021 is as follows:

- Benjamin contributed 11% of his monthly gross salary to the Employees' Provided Fund. He also contributed RM5,100 to an approved private retirement scheme
- Benjamin's wife, a full time housewife does not have any income. As such, he claimed relief for his wife and their 11 years old adopted daughter.
- Benjamin's parents who are from Indonesia, joined him and stayed in Malaysia since 1 February 2021. Both parents are 72 years old and healthy. However, Benjamin's mother was diagnosed as a diabetic patient in August 2021. The medical costs amounting to RM10,000 consisting medications and normal check-ups at a private hospital in Malaysia were borne by Benjamin.
- Benjamin paid life and medical insurance premium amounting to RM5,000 and RM4,000 respectively for his life and medical insurance policy taken in Indonesia since year 2018.
- Benjamin spent RM250 on sports equipment, RM400 on reading materials, and RM2,100 on broadband subscription.
- Benjamin contributed RM300 cash to the Tabung Bencana Negara (approved) and the receipt was provided.

Required:

Compute Benjamin's chargeable income for the year of assessment 2021. Indicate Nil/Exempt where appropriate.

(18 marks)

- (b) Soraya Moore is a Malaysian resident. After winning the Asia's Next Top Model in 2021, she has been receiving attractive offers to promote new designer clothing in commercials and television shows.

Required:

Give four reasons why Soraya Moore's understanding of the terms "contract of service" and "contract for service" is relevant to her as a taxpayer.

(8 marks)

- (c) Anna was an officer at Ministry of Finance for 30 years before she retired at the compulsory age of retirement in 2021. Upon retirement, she received gratuity payment amounting to RM30,000 for her service in the public sector.

Required:

State, with reason(s) whether the gratuity received by Anna is chargeable to tax.

(4 marks)

[Total: 30 marks]

Question 2

- (a) Mr Lim, a director of a Japanese company in Tokyo has been seconded to the company's Malaysia subsidiary as a Regional Director for 3 years since June 2020. He is a Malaysian tax resident. His monthly salary was RM11,200. He also received a contractual bonus equivalent to 2 months salary.

Mr Lim furnished the following information for the year of assessment 2021:

- The Malaysian subsidiary would pay his salary, provide him with a fully furnished accommodation of RM24,000 per annum and a 3-year used car with petrol subsidy up to RM6,000 per annum. The cost of car when new was RM150,000.
- His bonus was paid by the company's HQ in Tokyo. In December 2021, besides the 2-month contractual bonus, Mr Lim was paid an additional one month bonus by the company's HQ.
- He took care of his mother-in-law, who is a cancer patient. The mother-in-law followed the couple who came to Malaysia and continued her medical treatment in Malaysia. His wife spent RM10,000 for her mother's medical expenses.
- They have 2 unmarried children. The eldest child is 26 years old and disabled. He discontinued to study A-level in year 2020. The second child is 19 years old and is studying degree programme in a Japanese university.
- Mr Lim received interest from a fixed deposit in CIMB amounting to RM2,000 and his wife, Mrs Lim received single tier dividend income of RM1,000 from a listed company in Malaysia and interest of RM500 from a bank in Japan.
- He purchased a personal laptop amounting to RM5,400 during that year of assessment and he kept the original receipt. He had not purchased any laptop since 2010.
- He purchased books and newspapers for himself and his children amounting to RM2,700.

Required:

(i) Compute the income tax payable by Mr Lim for the year of assessment 2021. (10 marks)

(ii) a. Distinguish the meaning of separate assessment vs joint assessment. In your explanation, include the taxability of income. (2 marks)

b. State and explain examples of exempt employment income. (1.5 marks)

c. Explain the meaning of single tier dividends. (1.5 marks)

(b) Mr Ahmad, who is employed as an Executive Director of a company, received the following income and benefits for the year ended 31 December 2021.

	RM
Salary	360,000
Entertainment allowance	100,000

The company provided him with:

- A driver at a salary of RM2,000 per month and a domestic helper at a salary of RM1,200 per month.
- A used car costing of RM100,000 when new, together with fuel.

Mr. Ahmad made the following claims:

- Contributions to the Employees Provident Fund amounting to RM39,370.
- Relief for his wife, Mrs Anizah.
- 80% of entertainment allowance incurred for official purposes.

In 2021, Mr Ahmad also received dividend income of RM5,000 from investment in shares and interest of RM5,000 from fixed deposits, totalling RM10,000.

Required:

(i) Explain the meaning of perquisites. (2 marks)

(ii) Compute the income tax payable in respect of the joint assessment of Mr Ahmad and his wife for the year of assessment 2021.

(8 marks)

[Total: 25 marks]

Question 3

- (a) Jayden is a professional accountant. He owned a small practice in Melaka town since 2012 and made up his accounts to 31 December every year. In 2020, his business has been severely affected by the Movement Control Order (MCO) implemented by the Malaysian government in order to curb the spread of corona virus disease. As the decline of business income could no longer sustain the daily operating expenses, Jayden ceased his business on 30 April 2021 with an adjusted loss of RM30,000. He then joined KPMJ, an international accounting firm, as a tax director starting from 1 July 2021.

Jayden received RM20,000 per month from KPMJ. He contributed 11% of his monthly salary towards the Employees' Provident Fund (EPF).

Jayden is married to Leela. Leela is a kindergarten teacher since 2015 with a monthly salary of RM4,000. She contributed 11% of monthly salary to her EPF account every month. Besides the house they are currently residing in, Jayden and Leela also jointly own a condominium and a terrace house. Currently, the two latter properties (i.e. the condominium and terrace house) are rented out, the information of which is as follows:

1. Condominium (fully-furnished, rented out since 2018)	RM	RM
Rental income received (January 2021-December 2021)		23,100
Advance rental		3,850
Deposit for utilities (refundable)		1,750
Expenses:		
Quit rent and assessment per annum	450	
Annual interest for house loan instalment	3,000	
Annual fire insurance premiums	1,150	
Annual management fee	2,400	
Installation of alarm system (carried out in January 2021)	3,000	

2. Terrace house (partially-furnished, rented out since 1 March 2021)	RM	RM
Rental income received (March 2021-December 2021)		18,000
Deposit for damage to the property (non-refundable)		3,600
Expenses:		
Quit rent and assessment per annum	360	
Replacement of damaged door (carried out in November 2021)	12,000	
Repainting (carried out in February 2021)	1,000	
Commission for rent collector (RM90 per month)	900	

Jayden and Leela have two unmarried children. The first child, Tom, 19 years old, is studying for a bachelor degree at University Petronas Malaysia. The youngest child, Lily, 10 years old, is disabled and attending special school.

Jayden and Leela provided the following list of other income and expenses, for their income tax purposes for the year of assessment 2021:

	Jayden	Leela
Other income:	RM	RM
Interest income received on 8-month fixed deposits with RHB Bank Bhd	1,200	800
Dividend received from Tenaga Nasional Bhd. (single-tier dividend)	2,000	
Expenses:		
* Domestic travelling expenses incurred in December 2021	980	
Cash donation to Rumah Bahagia (an approved charitable institution)	600	
Donation in kind to Salvation Army (an approved charitable institution)		200
Annual subscription to Malaysia Institute of Accountants	350	

* Note: Refers to the payment for hotel accommodation. The hotel is a registered tourist accommodation premise under the Commissioner of Tourism Malaysia.

Required:

- (i) **Determine by when the employer of Jayden i.e. KPMJ needs to notify IRBM that Jayden is chargeable to tax on his employment income should Jayden commence his employment on 1 July 2021.** (2 marks)
- (ii) **Determine by when the employer of Jayden i.e. KPMJ needs to remit the monthly tax deduction of Jayden's employment income under the MTD (monthly tax deduction) system to IRBM should Jayden commence his employment on 1 July 2021.** (2 marks)
- (iii) **Determine the type of income tax return Jayden should use when filing his income tax to the Director General of IRBM for year of assessment 2021.** (1 mark)
- (iv) **Advise Jayden and Leela concerning the deadline of tax return submission under separate assessment for the income earned in 2021 and the penalty / penalties should they fail to submit their tax return on time.** (4 marks)
- (v) **Compute the chargeable income of Jayden and Leela for the year of assessment 2021 under separate assessment. This is assuming that Jayden claims child reliefs. Indicate Nil/Exempt where appropriate.** (12 marks)

- (b) Anna bought a service apartment on 1 June 2020 and leased it out from 1 February 2021. She incurred costs of furniture and fittings of RM8,000, advertising expenses of RM600 to find the first tenant and legal fees of RM500 to prepare the rental agreement. On 31 October 2021, the first tenant moved out. Anna spent RM700 of advertisement expenses to find a new (second) tenant. The second tenant moved in on 1 November 2021.

Required:

Determine the deductibility of:

- | | |
|---|----------|
| (i) Costs of furniture and fittings of RM8,000. | (1 mark) |
| (ii) Advertisement expenses to obtain the first tenant of RM600. | (1 mark) |
| (iii) Legal fees for rental agreement of RM500. | (1 mark) |
| (iv) Advertisement expenses to obtain the second tenant of RM700. | (1 mark) |

Provide reason to your answer.

[Total: 25 marks]

Question 4

Mr Hans Klaus is a managing director of an international Information Technology (IT) company located in Berlin, Germany. Since 26 June 2019, Hans has relocated to Malaysia from Germany. He will return to his home country, Germany for vacation every year. He is also responsible to oversee some subsidiaries of the company located in the Asia-Pacific region. Hence, Hans travels frequently throughout the year.

He was in Malaysia from 26 June 2019 to 20 February 2020. He went for a business conference held in Hong Kong on 21 February 2020 and returned to Malaysia on 26 February 2020. He went to Thailand with his family on 4 March 2020 for a social visit until 10 March 2020. He was back in Hong Kong for another month for official duties from 25 July 2020 to 24 August 2020.

On 1 September 2020, Hans left Malaysia to visit his mother in Germany who contracted Covid 19, suffered severe illness and died. He was away in Germany till 30 September 2020. He also went for official meetings in Singapore from 1 November 2020 to 27 November 2020. He went back to Germany from 20 December 2020 to 31 December 2020.

In 2021, he went to Singapore for an official visit from 12 February 2021 to 25 February 2021. He completed his term of employment in June 2021 and left Malaysia on 25 June 2021. Due to his busy schedule, he has overlooked the outstanding tax payable after the filing deadline.

Required:

- (i) **Determine the residence status of Mr Hans Klaus in Malaysia based on Section 7 Income Tax Act (ITA) 1967 (as amended) for the years of assessment 2019 to 2021, providing brief reasons to support your answer.** (10 marks)
- (ii) **Explain to Mr Hans Klaus what are the implications for late payment of outstanding income tax under the Malaysian ITA.** (4 marks)
- (iii) **What are the powers of Director General of IRBM to restrict persons leaving Malaysia?** (6 marks)

[Total: 20 marks]

(END OF QUESTION PAPER)