



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

PROFESSIONAL EXAMINATION

INTERMEDIATE LEVEL

PERSONAL TAXATION

JUNE 2023

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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) Haruto is a Japanese who serves at Meiji Ltd in Japan. He has been seconded to the Malaysian subsidiary to act as a managing director under a 3-year contract effective from February 2022. He came to Selangor, Malaysia together with his wife, Hana, and two out of their three children – Kaito and Aya. Kaito aged 16, is a disabled child and Aya aged 14, is their adopted child. Their eldest child, Kenji aged 22, was studying in Japan.

Details of Haruto's employment income and benefits received from the employer for the year ended 31 December 2022 are as shown below:

- A monthly gross salary of RM 35,000.
- Bonus of RM35,000 for his service in the Malaysian subsidiary. However, this amount is paid out by the holding company, Meiji Ltd in Japan instead of the Malaysian subsidiary.
- Travelling allowance of RM300 per month.
- Meal allowance totaling RM450 (RM90 per day for 5 days) when Haruto travelled outstation to meet up with a client located in Sarawak.
- Dental benefit of RM100 per year.
- Medical benefits under his company's group insurance scheme. He claimed reimbursement of medical costs amounted to RM4,900 from this scheme. The details of the bill showed that the amount was related to his wife and his children.
- Entertainment allowance of RM1,000 per month. It was established that 85% of the entertainment allowance was for official purposes.
- Haruto's employer paid the schooling fees for his second and third child. The second child, Kaito, aged 16 (disabled), studied in a special school for handicapped students in Malaysia. The school fees per year amounted to RM20,000. The youngest adopted child, Aya, aged 14, was sent to a Japanese international school in Malaysia. The annual school fees amounted to RM13,000. Kenji, their eldest child, is a student at the University of Tokyo in Japan, received a scholarship for his studies.
- A fully-furnished condominium was provided since February 2022. The employer paid a monthly rental of RM1,600 for the accommodation (inclusive of furniture costing RM480 per month).
- In 2022, the employer paid RM5,000 for the services of a part-time domestic maid.

Other information relating to Haruto in year 2022 is as follows:

- He contributed 11% of his gross salary to Employees' Provident Fund.
- He paid RM4,800 and RM5,000 respectively for his own life and medical insurance policy taken in Japan since year 2019.
- His parents are currently staying in Japan. His father is a cancer patient. He spent RM100,000 on the medical bills for his parents.
- He brought his family to Cameron Highlands for a holiday in December 2022. He spent RM2,300 on accommodation at a hotel registered with the Commissioner of Tourism under the Tourism Industry Act 1992.
- He purchased a new Samsung phone worth RM3,000 for himself. Besides, he also bought a new laptop costing RM3,000 for his wife.
- Hana is a full-time housewife and received rental income amounting to RM30,000 from Japan in 2022.
- He spent RM3,000 to purchase a gold necklace for his wife for during her birthday.
- He incurred RM2,000 for complete medical examination for himself and his wife.
- He contributed RM3,000 to an approved private retirement scheme.
- He spent RM1,100 to purchase sports equipment listed under the Sports Development Act 1997.
- He incurred tuition fees of RM20,000 for his master degree in University of Malaya.

- He donated goods worth RM3,000 and cash amounting to RM5,000 to approved charities.

Haruto, Hana, Kaito and Aya were Malaysian residents for tax purposes in 2022.

**Required:**

**Compute the chargeable income of Haruto for the year of assessment 2022.**

**Note:**

**All items stated in the question are to be included in the computation. Where the item is not taxable or deductible, indicate 'nil' or "exempt" where appropriate in the computation.**

(24 marks)

- (b) **Explain the significance of section 13(2) and the conditions of Malaysian derived employment income by referring to section 13(2)(a) to (c) of the Income Tax Act 1967.**  
(4 marks)

- (c) **Explain how to distinguish between perquisites under section 13(1)(a) and benefits-in-kind under section 13(1)(b) of the Income Tax Act 1967.**  
(2 marks)

**[Total: 30 marks]**

## **Question 2**

Tracy is a Malaysian citizen who has been working in London for the past ten (10) years with her German husband, Hugo. Hugo was attracted to Malaysia My Second Home (MM2H) program and upon his retirement in March 2022, he and his wife moved to Malaysia.

Tracy started her work on 1 June 2022 with Global Multinational Berhad, a multinational company in Malaysia, as a regional partner. On 8 August 2022, Tracy was appointed as an independent director for Elite Berhad, a public listed company on Bursa Malaysia.

Tracy's remuneration for the year ended 31 December 2022:

### Global Multinational Berhad

1. A monthly salary of RM80,000 with her contribution to the Employees' Provident Fund at 11% of her salary.
2. A monthly travelling allowance of RM4,000. Her total travelling expenses incurred for official duties and business trips amounted to RM20,000.
3. A new company car costing RM260,000, fuel and a driver were provided effective from 1 June 2022.
4. A rented fully-furnished bungalow in Bangsar was provided by her employer from 1 June 2022. The monthly rental of RM10,000 which included RM2,000 for the rental of furniture and fittings were paid by Global Multinational Berhad.
5. A maid was paid a monthly salary of RM2,400 by her employer.

6. One leave passage was provided to her (with her husband) to Paris of RM30,000 on 1 December 2022.

Elite Berhad

1. Director's fee of RM50,000 for 2022 paid on 20 January 2023.
2. Total travelling allowance of RM10,000 for 2022.

Investment income received by Tracy and Hugo in Malaysia for the year ended 31 December 2022:

Details	Tracy (RM)	Hugo (RM)
Dividends income from resident companies listed with Bursa Malaysia	80,000	1,000
Interest from bonds and bank interest from overseas remitted to Malaysia	-	800
Rental income (Adjusted) from an apartment in Bangsar, Kuala Lumpur	-	500
Gains from the disposal of foreign investment remitted to Malaysia	-	200,000

**Required:**

- (a) **Compute the chargeable income of Tracy (where Hugo elects for joint assessment with her) for the year of assessment 2022 by virtue of the Income Tax Act (ITA) 1967. All items stated in the question are to be included in the computation. Where any item is not taxable or deductible, indicate 'NIL' in the computation.** (18 marks)
- (b) **Explain the tax benefits resulting from Hugo's election for the joint assessment with his wife, Tracy for the year of assessment 2022.** (5 marks)
- (c) **Explain the tax exemption provided by Schedule 6 of the ITA 1967 with regards to the dividends received by Tracy and Hugo from resident companies in Malaysia for the year of assessment 2022.** (2 marks)

**[Total: 25 marks]**

### Question 3

Danny is a freelance science writer from the UK. His clients are mainly based in the UK, Europe and the US. He moved to Malaysia in June 2022 together with his family. After arriving in Malaysia, he continues to work as a freelance science writer. Before moving to Malaysia, Danny received a royalty income amounted to RM150,000 from his clients in the UK and the US in May 2022. In July 2022, a representative from the Ministry of Higher Education Malaysia approached Danny and offered him to assist in translation work and book publication. In December 2022, he received RM26,000 for the translation work and RM35,000 for the book publication from the Ministry.

The following costs were incurred following Danny's acceptance of the offer from the Ministry of Higher Education:

Items	RM
Proofing reading, editing and typing	3,000
Stationeries	100
Laptop	4,500
Printer	500

In November 2022, Danny set-up a bookstore cum café - The Quiet Place, at Jonker Street, Melaka. The information of his sole-proprietor business is as follows:

The Quiet Place's income and expenses for the year ended 31 December 2022		
	RM	RM
Sales		20,000
Less: Cost of sales		<u>8,000</u>
Gross profit		12,000
Less: Expenses		
Salary and wages *	10,000	
Repair and maintenance**	1,000	
Entertainment allowance for Danny	200	
Banting banner printing for business	100	
Utilities for the business premises	1,600	
Depreciation	2,000	
Premise rental	1,500	
Flood and fire insurance on the business premises	<u>1,200</u>	<u>17,600</u>
Net loss before tax		<u>(5,600)</u>

\* The breakdown of the salary and wages is as follows:

	RM
Salary to Danny	3,000
Salary to Danny's wife	4,000
Salary to a part-timer	3,000

\*\* RM1,000 refers to the repair and maintenance costs incurred for Danny's private residence.

**Other information:**

The business was eligible to claim a capital allowance of RM2,500 for the year of assessment 2022.

Before moving to Malaysia, Danny owned an apartment in the UK and a double storey house in Malaysia. These properties were rented out in year 2022. The information regarding the rented properties is as follows:

1. Double storey house in Malaysia	RM	RM
Rental income received (January 2022-December 2022)		27,600
Deposit (non-refundable)		4,600
Deposit for utilities (refundable)		1,850
Expenses (January 2022-December 2022):		
Quit rent and assessment	550	
Interest on house loan	4,500	
Repair and maintenance	3,000	
Rental collection expense	1,150	
Security services	2,400	
Kitchen renovation	5,000	
Repair of damaged tiles	3,000	
Pest control	1,200	
Fire and flood insurance premium	900	

2. Apartment in the UK	RM	RM
Rental income received (January 2022-December 2022)		200,000
Expenses (January 2022-December 2022):		
Replacement of damaged tiles	35,000	
Repainting	25,000	

**Required:**

- (a) Determine the adjusted royalty income for Danny for the year of assessment 2022. (5 marks)
- (b) Determine the statutory business income for Danny's sole proprietor business for the year of assessment 2022. (6 marks)
- (c) Determine the adjusted rental income for Danny for the year of assessment 2022. (10 marks)
- (d) Advise Danny on the type of income tax return form that he should use when filing his income tax to the Director General of IRBM for YA 2022. (1 mark)
- (e) Advise Danny concerning the deadline of tax return submission for the income earned in 2022 and the penalty(ies) should he fail to submit his tax return on time. (3 marks)

**Note: Danny is a Malaysian tax resident in year 2022. Please indicate 'nil' for any item referred to in the question for which no adjusting entry needs to be made.**

**[Total: 25 marks]**

#### **Question 4**

Ethan has been employed by Aldi Ltd, a retail company in Paris, since 2020. On 1 April 2022, his employer assigned him as a site supervisor to oversee a construction project in Malaysia in preparation for opening a retail outlet in Kuala Lumpur.

Ethan arrived in Malaysia on 25 May 2022 for a short holiday in Penang before starting his supervisory work on 1 June 2022. He stayed in Malaysia until 20 February 2023, except for a visit to his parent in the UK on 18 December 2022 and a vacation in Scotland for a week before his return to Malaysia on 28 December 2022.

While Ethan was in Malaysia he still received his remuneration from Aldi Ltd, he also received a travelling allowance of RM10,000 for the year ended 31 December 2022 from Aldi's subsidiary company, Quality Sdn. Bhd., in Malaysia.

During his stay in Malaysia, Ethan met with an old friend, Jazz, who is a fashion designer and an employee of Quality Sdn Bhd. Jazz shared her plans to resign from the company soon and start her own fashion retail business in Malaysia. She foresaw that there is great potential for the retail market in Malaysia and encouraged Ethan to set up his own business in Malaysia.

#### **Required:**

**Explain the following tax treatments by citing the relevant provision of the Income Tax Act 1967:**

- (a) Determine Ethan's tax resident status in Malaysia for the years of assessment 2022 and 2023.**

(4 marks)
- (b) Discuss the tax treatments on Ethan's travelling allowance of RM10,000 and the consequences if he failed to declare that amount received in his tax income return for the year of assessment 2022 to the Malaysian Inland Revenue Board.**

(8 marks)
- (c) Advise Ethan on the distinctions between "contract of services" and "contract for services" that relate to his current employment as compared to if he were to set up his own business in Malaysia.**

(8 marks)

**[Total: 20 marks]**

**(END OF QUESTION PAPER)**