



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

PROFESSIONAL EXAMINATION

INTERMEDIATE LEVEL

PERSONAL TAXATION

DECEMBER 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) Albert is a Singaporean who works as a diving superintendent in an oil and gas company in Singapore. He has been seconded to the Malaysian subsidiary by his Singapore employer under a 2-year contract effective from February 2022. He came to Malaysia with his wife, Leena, one of their two unmarried children, Kenny aged 6, and his parents. Their eldest child, Keith, aged 16, chose not to accompany his parents to Malaysia since he was studying in New Zealand. Leena has no source of income.

According to Albert's employment contract, his monthly salary is RM50,000. In 2022, Albert also received an allowance of RM35,000 for working more than 50 hours weekly as per employment contract.

Albert was also provided with the following benefits during the year of assessment 2022:

1. A semi-furnished double-story terrace house in Malaysia. The company paid a monthly rental of RM1,600 for the house (including RM400 per month for the furniture), effective from February 2022.
2. Professional subscription fee to maintain Albert's commercial diving license. The company had reimbursed Albert the annual subscription fee, which amounted to RM900.
3. Cleaning service of a part-time domestic maid. Albert paid RM4,000 for the services in the year 2022. He had claimed this amount from his employer.
4. In 2022, the employer reimbursed Albert the utility bill of RM6,000.
5. Albert is entitled to medical benefits under the company's group insurance scheme. He claimed reimbursement of medical costs amounted to RM10,000 from this scheme. The bill details showed that the amount was related to medical treatments for his wife and children.
6. Albert was given a free smartphone for RM4,000 by his employer in November 2022.

Other information relating to Albert in the year 2022 is as follows:

1. He contributed 11% of his gross salary to the Employees' Provident Fund.
2. He paid RM4,800 and RM5,000, respectively, for his own life and medical insurance policy, which he undertook in Singapore since 2019.
3. His father is a diabetes patient and underwent treatment at a private hospital in Selangor. He spent RM30,000 on the medical bills for his father.
4. He brought his family to Cameron Highlands for a holiday in October 2022. He spent RM2,300 on accommodation at a hotel registered with the Commissioner of Tourism under the Tourism Industry Act 1992.
5. In December 2022, he brought his family to Thailand for holidays. He spent RM8,000 on his Thailand trip.
6. The eldest child, Keith, aged 16, is an adopted child. He was studying in New Zealand in 2022. The maintenance and tuition fees amounted to RM200,000 and was paid by Albert.
7. The second child, Kenny, aged 6, is a disabled child. He was enrolled in a special school for disabled children in 2022. Albert paid school fees that amounted to RM14,000 in 2022.
8. He spent RM3,000 to purchase a mechanical watch for his wife for her birthday.
9. He incurred RM5,000 on fertility treatment for his wife.
10. He spent RM1,100 to purchase sports equipment listed under the Sports Development Act 1997.
11. He purchased a new iPad worth RM3,000 for himself. Besides, he also bought books and magazines costing RM1,600 for his family.
12. He incurred expenses of a broadband subscription (under Albert's name) of RM800.

13. He donated goods worth RM500 and cash amounted to RM1,200 to approved charitable organisations in Malaysia.

Albert, his wife Leena, and his parents were Malaysian residents for tax purposes in 2022.

**Required:**

**Compute chargeable income of Albert 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.

(22 marks)

- (b) Andy is a chemical engineer who has worked for his employer for almost 25 years. In 2022, he was diagnosed with a severe heart disorder, forcing him to opt for early retirement at 54. He submitted his medical report from Melaka General Hospital, and his employer finally approved his request. Based on his company's policy, Andy received a gratuity amounting to RM60,000 in that year.

**Required:**

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

(2 marks)

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

(6 marks)

**[Total: 30 marks]**

## Question 2

Charles, arrived in Malaysia on 10 October 2021 to take up a 2-year employment contract commencing from 1 November 2021 as a Chief Financial Officer (CFO) at Berjaya Hotels & Resorts (BHR), in Kuala Lumpur.

His remuneration package in 2022 includes the following:

1. A monthly salary of RM50,000. Charles contributed 11% of his gross salary to the Employees Provident Fund (EPF).
2. A 3-month bonus received in December 2022.
3. Reimbursement by BHR of total travelling expenses of RM18,000 incurred on official duties in 2022.
4. BHR provided him with a fully furnished bungalow in Damansara Heights for the whole year with a monthly rent of RM6,000 (including RM1,000 for the furniture).
5. Charles was provided with a new company car that cost RM320,000 together with petrol.
6. For the first two months of 2022, BHR reimbursed Charles the salary of a domestic helper employed by him at a monthly salary of RM1,600. From 1 March 2022, BHR employed the domestic helper and provided the domestic helper free of charge to Charles.
7. BHR also reimbursed a part-time gardener's salary employed by Charles amounting to RM6,000.

8. During the year, BHR also provided him with two overseas leave passages. One trip was to London costing RM20,000 to visit his parents while the other was a holiday trip to Japan costing RM15,000.
9. On 2 January 2022, BHR offered Charles a share option of 10,000 shares at an option price of RM6.50. The market price of BHR shares on that date was RM7.50. He fully exercised the option on 15 November 2022 when the market price was RM8.20.

In addition to his employment income, Charles also received the following income for the year ended 31 December 2022:

1. Interest income of £10,000 from his fixed deposit savings with HSBC UK Bank. The placement was made before he came to Malaysia. In December 2022, he transferred an amount equivalent to RM20,000 to Malaysia.
2. A dividend income equivalent to RM25,000 from his share investment with Unilever UK Limited, a listed company in the United Kingdom. The full amount was remitted to Malaysia on 31 October 2022.
3. Charles also purchased shares in Malaysian-listed companies and received dividends as follows:

	<b>RM</b>
Zhulian Corporation Bhd	12,000
Hong Leong Industries Bhd	20,000

4. Charles disposed of a landed property in Liverpool, United Kingdom, resulting in a gain of approximately RM35,000, which was transferred to his bank account in Malaysia.

Charles made the following claims in his tax return for the year of assessment 2022:

1. Charles, a United Kingdom citizen and is a Malaysian tax resident for the year of assessment 2022.
2. He is divorced and is required to pay a monthly alimony of £2,000 to his ex-wife, Emma. He also has to financially support his 19-year-old unmarried daughter, Jessica, who is currently studying a degree programme at Edinburgh Napier University, Scotland.
3. In December 2022, Charles spent RM2,800 on a complete medical examination at Prince Court Medical Centre in Malaysia.
4. He made a contribution of RM15,000 to a private retirement scheme approved by the Securities Commission.
5. He also made a cash donation of RM1,000 to an approved orphanage in Kuala Lumpur.

**Required:**

- (a) **With reference to the Income Tax Act 1967, compute the chargeable income of Charles for the year of assessment 2022. 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.**  
(17 marks)
- (b) **Explain to Charles the tax treatments of the transfer of RM35,000 to Malaysia from the disposal of the property in the United Kingdom.**  
(3 marks)
- (c) **Explain the differences between a personal relief and a rebate, and give one example of each personal relief and rebate.**  
(5 marks)

**[Total: 25 marks]**

### Question 3

Brain and his wife, Bell, are Malaysian citizens. In 2022, they became tax residents in Malaysia.

Brain incorporated Bright Trading Sdn Bhd (BTSB), owning 80% of its ordinary shares. He is also the managing director of BTSB. The company's financial year ends on 31 December annually.

Bell is a pharmacist and has been working at the General Hospital, Kuala Lumpur (GHKL) since 1 June 2022.

Details of Brain and Bell's income for the year ended 31 December 2022 are as follows:

<b>Brain's employment income from BTSB – 1 January 2022 to 31 December 2022</b>			
A monthly gross salary of RM10,000. Brain contributed 11% of his gross salary to the Employee Provident Fund, Malaysia.			
A new car, costing RM300,000 (without petrol benefit) was provided effective from July 2022.			
Brain's total phone bills borne by BTSB from 1 July 2022 to 31 December 2022 is RM4,000.			
The 2022 director fee is based on the BTSB's performance and an amount of RM50,000 was paid to Brain in February 2023.			
<b>Bell's employment income from GHKL – from 1 June 2022 to 31 December 2022</b>			
A monthly gross salary of RM6,000. Bell contributed 11% of her gross salary to the Employee Provident Fund, Malaysia.			
GHKL paid Bell a monthly housing allowance of RM500 - from August 2022 to December 2022.			
Properties owned by Brain and Bell in Malaysia and the rental income and expenses are as follows:			
	Shoplot, owned by Brain	Superlink house, owned by Brain and Bell (50% each)	Condo owned by Bell
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Gross rental income per month:</b>			
January 2022 to December 2022	50,000	-	-
January 2022 to April 2022	-	4,000	Vacant
May 2022 to December 2022	-	5,000	3,000 (first time let out)
<b>Expenses incurred (per annum):</b>			
Assessment and quit rent	15,000	2,600	1,400
Fire insurance	4,800	1,900	1,000
Advertising (to secure the first tenant)	-	-	2,000
Commission to the estate agent	-	-	3,000
Bank loan interest	13,800	8,700	6,000
Renovation	-	-	25,000
Repair the roof damaged by fire	10,000	-	-
Repair the kitchen in November 2022	-	-	7,500

**Required:**

- (a) Explain the difference between joint assessment vs separate assessment. (2 marks)
- (b) Compute the adjusted income from rental sources for the year of assessment 2022 in respect of Brain and Bell. Indicate 'Nil' where appropriate. (10 marks)
- (c) Compute Brain's and Bell's tax payable for the year of assessment 2022 on a separate assessment basis. Indicate 'Nil/Exempt' where appropriate. (10 marks)
- (d) Advise Brain and Bell on the type of tax returns and the deadline for submission to the Inland Revenue Board for the year of assessment 2022. (3 marks)

**[Total: 25 marks]**

**Question 4**

- (a) Leonardo has worked for Uttu (UK) Ltd, an Italian interior design company based in UK since 2018. In August 2021, his employer informed him that he had been appointed as a site supervisor to supervise the renovation work of a retail outlet in a famous shopping mall in Klang Valley. As part of his new role, Leonardo travelled to Malaysia as and when necessary to meet with local contractors and oversee the renovation progress.

Leonardo arrived in Malaysia on 1 December 2021 to meet his old friends for island hopping in Langkawi. He reported for duty on 2 January 2022 and worked in Malaysia until 16 October 2022. He left Malaysia on 17 October 2022 to Singapore for vacation while visiting his girlfriend for two weeks. He returned to Malaysia on 1 November 2022 to continue his job. He left Malaysia again on 27 December 2022 to represent his company to attend a conference in the UK and returned to Malaysia on 5 January 2023. Leonardo left Malaysia for UK permanently on 30 April 2023 after completing his duty in Malaysia.

While Leonardo was in Malaysia, he still received his remuneration from Uttu (Italy) Ltd, the holding company based in Italy. He received an entertainment allowance of RM12,000 per annum for the year ended 31 December 2022 from Uttu's subsidiary company, Uttu Sdn Bhd, in Malaysia.

**Required:**

- (i) Determine Leonardo's tax resident status in Malaysia for the year of assessment 2021 up to the year of assessment 2023 under the Income Tax Act 1967. (9 marks)
- (ii) List three (3) types of documents that Leonardo needs to keep to determine his residence status in Malaysia. (3 marks)
- (iii) Explain two (2) advantages of becoming a tax resident in Malaysia to Leonardo. (2 marks)

- (iv) Concerning Leonardo, who is due to leave Malaysia, state the action(s) that Uttu Sdn Bhd needs to undertake as an 'employer' to comply with Section 83 (4) & (5) of the Income Tax Act 1967.

(3 marks)

- (b) Martin is an employee. His MTD deduction is RM800 and his income tax payable is RM10,000 in year of assessment 2022.

**Required:**

- (i) When is the due date for Martin to account for the difference of his income tax payable to IRB? State the type of tax return that he needs to use.

(2 marks)

- (ii) Assume he files his tax return on 31 July 2022, determine the late payment penalty, if any, in accordance with the Income Tax Act 1967

(1 mark)

**[Total: 20 marks]**

**(END OF QUESTION PAPER)**