



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

PROFESSIONAL EXAMINATION

INTERMEDIATE LEVEL

PERSONAL TAXATION

MARCH 2024

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) Johnson, a helicopter pilot from the United Kingdom (UK), received a 1.5-year contract offer from an oil and gas company in Malaysia. Together with his wife, Audrey, and their three children – Joseph, John, and Jane, they arrived in Malaysia on 15 June 2022 and commenced duty on 1 September 2022.

Johnson is entitled to a monthly traveling and meal allowance of RM500 and RM600, respectively, in addition to his monthly basic salary of RM30,000. On 1 December 2023, his employer acknowledged his outstanding performance with a cash gift of RM10,000.

Throughout his stay in Malaysia, Johnson was provided with a fully furnished bungalow in Damansara, Selangor, by his employer. The monthly rental, totalling RM5,000, incorporates RM1,800 for furnishings.

Since November 2022, the employer provided Johnson with a new Toyota car costing RM190,000. Fuel was also paid for by the employer.

Johnson is entitled to medical benefits under his company's group insurance scheme. In 2023, Johnson claimed reimbursement of medical costs amounting to RM50,000, covering treatments for his wife and children. The employer also reimbursed Johnson RM3,000 for his professional membership subscription renewal fees (work related).

Additional information regarding Johnson in 2023 includes:

- Johnson contributed 13% of his remuneration into the Employee Provident Fund during the year.
- In January 2023, Johnson incurred vaccination expenses of RM1,500 for influenza for himself, his wife, and his children.
- He contributed RM400 to the Social Security Organisation (SOCSO).
- He paid annual premiums of RM4,500 and RM6,000, respectively, for his own life and medical insurance policies taken in the UK since 2020.
- Johnson incurred RM6,500 for his wife's medical treatments for breast cancer.
- In October 2023, he took his family to Penang for a holiday, spending RM850 on accommodation at a Commissioner of Tourism-registered hotel. In December 2023, he also brought his family to Thailand for holidays, incurring an expense of RM5,000.
- In 2023, Johnson's eldest child, Joseph (aged 18), pursued a bachelor's degree in Scotland, while his second child, John (aged 8), who is an adopted child, studied in a private international school.
- The youngest child, Jane (aged 6), who is disabled, attended a registered kindergarten catering to special children.
- Johnson purchased a new Vivo smartphone costing RM600 for his wife.
- Johnson paid RM1,900 to purchase a laptop for his eldest son.

Both Johnson and his wife, Audrey, were Malaysian tax residents in 2023. Audrey received an amount equivalent to RM8,000 from her unit trust investment in UK which was credited to her Malaysia's bank account during the year. Audrey has no other source of income.

Required:

- (i) Compute the chargeable income of Johnson for the year of assessment 2023.

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.

(20 marks)

- (ii) Explain to Johnson the distinction between perquisites and benefits in kind under Income Tax Act 1967.

(4 marks)

- (b) Kathy, a renowned Southeast Asian singer, has been offered an opportunity by a Malaysian entertainment company to perform a concert at Stadium Bukit Jalil, Selangor.

Outline THREE reasons why Kathy's understanding of the terms "contract of service" and "contract for service" holds significance if she accepts the offer.

(6 marks)

[Total: 30 marks]

Question 2

Lawrence and Calvin are partners of a cleaning service, LC Cleaning Services PLT, located in Bangsar, Kuala Lumpur. They are tax residents of Malaysia. Lawrence is married to Jane and they have one child (below 18 years old). Jane has no taxable income for the year ended 31 December 2023. Calvin is single.

Based on the limited liability partner agreement, Lawrence and Calvin each received an equal monthly salary of RM10,000 (with equal partner's EPF and SOCSO contributions) from LC Cleaning Services PLT. Each of them also received the following from LC Cleaning Services PLT for the year ended 31 December 2023:

- Car allowance of RM3,600 per annum
- Housing allowance of RM6,000 per annum
- Monthly allowance for home utilities (water and electricity) of RM200

Statement of profit or loss of LC Cleaning Services PLT for the year ended on 31 December 2023

	RM '000	RM '000
Revenue from cleaning services		1,400
Less: Expenses		
Partner's salaries	240	
Partner's EPF and SOCSO contributions	30	
Worker salaries, wages and related expenses	360	
Business operation expenses	70	
Private tuition fees (Lawrence's child)	10	
Food donation to an approved charity home	20	
Depreciation	40	
		(770)
Net profit before taxation		630

On 30 August 2023, LC Cleaning Services PLT acquired two cleaning machines costing RM260,000. The total capital allowance for 2023 is RM150,000 (excluding the two cleaning machines purchased on 30 August 2023).

The unabsorbed capital allowance of RM80,000 was brought forward from the previous year of assessment.

Required:

- (a) Explain the characteristics of a limited liability partnership. (9 marks)
- (b) Compute the chargeable income of LC Cleaning Services PLT for the year of assessment 2023. All items stated in the statement of profit or loss are to be included in the computation. Start with net profit before tax and indicate 'nil' under the appropriate column, where no tax adjustment is required. (8 marks)
- (c) Compute the chargeable income of Lawrence and Calvin for the year of assessment 2023. (8 marks)

[Total: 25 marks]

Question 3

In 2022, Elaine and her friends incorporated a limited liability partnership, IT Consultancy PLT, to provide consultancy on information technology services.

Elaine's husband, Nick (Swiss citizen) has been employed as an IT expert by IT Consultancy PLT since 1 January 2023. Elaine and Nick are tax residents in Malaysia.

Details of Elaine and Nick's income and benefits from 1 January 2023 to 31 December 2023:

	Elaine (RM)	Nick (RM)
Employment income from IT Consultancy PLT		
Salary	360,000	180,000
Leave passage to Langkawi, Malaysia	5,000	-
Parking allowance	2,400	-
Fully furnished condominium. Rent (inclusive of RM3,600 for furniture) paid by IT Consultancy PLT	27,600 *	-
Dividends from public listed resident companies in Malaysia	40,000	-
Dividends from overseas companies (remitted to Malaysia) after suffering 20% of overseas taxes	30,000	-
Net income from High Unit Trust in Malaysia (For YA 2023, High Unit Trust paid 24% of tax before the distribution of the income to its unit holders)	5,320	-
Interest from overseas (remitted to Malaysia)	-	10,000
Net income from listed real estate investment trust (after suffering 10% withholding tax)	5,400	9,000

Elaine and Nick have jointly own several properties (i.e. 50% each) in Pahang, Malaysia. The rental income and expenses for the year ended 31 December 2023:

	Shophouse RM	Two houses RM
Gross rental income		
1 January 2023 to 30 April 2023 (RM10,000 x 4 months) After 30 April 2023, this shophouse was vacant and disposed of on 10 May 2023	40,000	-
1 January 2023 to 28 February 2023 (RM3,000 x 2 months) 1 March 2023 to 31 December 2023 (RM4,000 x 10 months)	-	46,000
Expenses incurred (per annum)		
Assessment and quit rent	7,300	1,800
Fire insurance	4,700	1,400
Bank mortgage loan interest	-	2,800
Repairs to leaking roof on 11 November 2023	-	10,000
Renovation of the kitchen on 8 August 2023	-	15,000

Required:

- Advice Elaine on the differences in the tax treatment between joint assessment vs separate assessment.**
(2 marks)
- Compute the chargeable income of Elaine and Nick (on a separate assessment basis) for the year of assessment 2023 including the computation of the adjusted rental income. Indicate Nil/Exempt where appropriate in the computations.**
(20 marks)
- State the type of tax returns and the deadline for submission to the Inland Revenue Board for the year of assessment 2023 by Elaine and Nick.**
(3 marks)

[Total: 25 marks]

Question 4

Jonathan is an artist from Hollywood. He came to Malaysia for photo shooting on 15 July 2021 and returned to United States on 31 July 2021 after completed his task. He was paid RM50,000 for this job.

In June 2022, Jonathan signed a one-year contract with a Malaysian film company. He arrived in Malaysia on 1 July 2022 to participate in a movie film recording. In between the period he stayed in Malaysia he went to visit his uncle in Thailand for 1 week. He left Malaysia on 20 December 2022 and returned to Malaysia on 28 December 2022. Jonathan again left Malaysia on 31 December 2022 to attend an event in Paris under the instruction of his Malaysian employer and returned to Malaysia on 8 January 2023. He left Malaysia permanently on 1 August 2023 after completing all his task in Malaysia as per his employment contract.

While Jonathan was in Malaysia in 2022 and 2023, he received an entertainment and accommodation allowance of RM30,000 in addition to his remuneration of RM300,000 from his Malaysian employer.

Required:

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

- (a) Determine Jonathan's tax resident status in Malaysia for the year of assessment 2021, 2022 and 2023.**
(9 marks)
- (b) Explain FOUR (4) advantages of becoming a Malaysian tax resident to Jonathan.**
(4 marks)
- (c) State and explain the basis year in which Jonathan will not be taxed in respect of his income received in Malaysia.**
(3 marks)
- (d) State the action(s) that Jonathan's employer needs to undertake to comply with Section 83 (4) & (5) of the Income Tax Act 1967 upon the departure of Jonathan from Malaysia on 1 August 2023.**
(4 marks)

[Total: 20 marks]

(END OF QUESTION PAPER)