



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

PROFESSIONAL EXAMINATION

INTERMEDIATE LEVEL

PERSONAL TAXATION

SEPTEMBER 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) Anderson, a chef specializing in Italian cuisine from Paris, was employed by the Ames Hotel in Malaysia under a 3-year contract, with the possibility of renewal for another 3 years upon its expiration. He arrived in Malaysia on 15 December 2022, accompanied by his parents and his two children, Peter (aged 19) and Jane (aged 6). Anderson commenced his duties on 1 January 2023. According to his employment contract, Anderson's monthly salary is RM20,000.

In the year of assessment 2023, Anderson received the following benefits from his employment:

- A bonus equivalent to two months' salary.
- Dental benefits amounting to RM100 per year.
- Medical benefits under his employer's group insurance scheme. He claimed reimbursement of medical costs amounted to RM3,000 from this scheme. The details of the bill showed that the amount was related to his children.
- Total annual utilities amounting to RM4,000 was paid by the employer.
- A fully furnished double-story terrace house where the employer paying a monthly rental of RM3,000 (excluding furniture) starting from February 2023.
- Reimbursement of the RM5,000 annual professional subscription fee for membership in the International Association of Culinary Professionals.
- The employer also reimbursed a part-time maid employed by Anderson amounting to RM5,000 in 2023.
- A new Lexus car valued at RM200,000, with fuel expenses covered by the employer.
- In December 2023, Anderson brought his family to Thailand for vacation and the cost of trip amounted to RM8,000 was reimbursed by his employer.

Additional information about Anderson's spending in 2023 includes:

- Contribution of 12% of his remuneration into the Employee Provident Fund.
- Personal accident insurance policy for himself of RM2,000 per annum.
- Payment of EUR 1,000 per month (equivalent to RM 5,500) to his ex-wife as alimony.
- Medical check-up costs of RM1,000 for his parents upon their arrival in Malaysia.
- Medical expenses amounting to RM65,000 for his mother's heart disease treatment in a private hospital in Malaysia.
- Personal purchases in March 2023: a new iPhone worth RM3,500 and a laptop costing RM3,000.
- His eldest child, Peter (aged 19 and unmarried), enrolled in a private university in Malaysia pursuing a Diploma in Accounting.
- His youngest child, Jane (aged 6), a disabled child, attending a registered kindergarten catering for special needs children.
- Payment of RM6,000, RM5,000 and RM4,000 respectively, for life, medical and educational insurance policy which he undertook in Paris since 2021.
- He gave RM5,000 to his parents during Christmas as present.

Required:

- (i) **Compute Anderson's chargeable income for the year of assessment 2023.**

Note: Include all items mentioned in the question in your computation. Indicate 'nil' or 'exempt' where appropriate for non-taxable or non-deductible items.

(26 marks)

- (ii) **Explain to Anderson on how to differentiate between income that should be classified under s13(1)(a) and s13(1)(b) under the ITA.**

(2 marks)

- (b) Mable has been employed as an accountant at a medium-sized accounting firm in Melaka for five years since obtaining her bachelor's degree in accounting. Following her marriage this year, she is considering a transition to freelance accountant, where she would undertake taxation and accounting jobs from clients.

Required:

Explain why Mable's understanding of the terms "contract of service" and "contract for service" is important as a taxpayer in Malaysia.

(2 marks)

[Total: 30 marks]

Question 2

Artisan Architects is a partnership firm specializing in architectural design and consultancy services. The firm consists of three partners: Alex, Brenda and Charlie, who work collaboratively to deliver innovative and sustainable architectural solutions.

The terms of the partnership agreement show the following:

	Alex	Brenda	Charlie
Salary (monthly)	RM8,000	RM5,000	RM5,000
Entertainment allowance (monthly)	RM3,000	RM2,000	RM2,000
Car allowance (monthly)	RM2,000	RM1,500	RM1,500
Housing allowance (monthly)	RM2,000	RM1,000	RM1,000
Capital contribution	RM500,000	RM250,000	RM250,000
Interest on capital per annum	RM15,000	RM7,500	RM7,500
Profit/Loss Sharing Ratio	2	1	1

The profit or loss account for the year ended 31 December 2023 is as follows:

		Notes	RM	RM
Revenue				1,800,000
Less	Cost of services			(720,000)
:				
Gross profit				1,080,000
Other income		1		24,000
Less	Expenses			
	Depreciation		30,000	
	Staff salaries	2	80,000	
	Office rent and utilities		36,000	
	Entertainment of consultants and other professionals		16,000	
	Memberships and licenses	3	3,900	
	Partners' salaries		216,000	
	Partners' entertainment allowances		84,000	
	Partners' car allowances		60,000	
	Partners' housing allowances		48,000	
	Interest on partners' capital		30,000	
	Miscellaneous expenses	4	32,100	(636,000)
Net profit				468,000

Notes:

1. Other income includes:

- | | |
|---|---------|
| - Fixed deposit interest from Maybank Berhad. | RM8,500 |
| - Dividend income from Malaysian listed companies as follows: | |
| MPHB Capital Berhad | RM5,700 |
| Dutch Lady Milk Industries Berhad | RM9,800 |

2. Staff salaries included Alex's personal driver's salary of RM24,000. This driver is employed by Alex to cater for both his business and personal needs.

3. Memberships and licenses consist of:

- An annual subscription fee of RM800 per partner is paid to the Malaysian Institute of Architects to maintain their membership.
- The renewal of the practising license fee of RM500 per partner is paid to the Board of Architects Malaysia to ensure compliance with regulatory requirements for practising architecture in Malaysia.

4. Miscellaneous expenses include:

- Golf club membership at a cost of RM1,800 for each partner.
- Personal indemnity insurance premiums for the partners: Alex RM5,000, Brenda RM3,500, and Charlie RM3,500.
- A cash donation of RM8,000 to an approved non-profit organisation.

All other miscellaneous expenses are tax deductible.

5. The capital allowance for the year of assessment 2023 was RM28,000.

Required:

(a) Compute the provisional adjusted income and divisible income of the partnership for the year of assessment 2023.

(11 marks)

(b) The partner, Alex, is a tax resident for the year of assessment 2023. He is married to Cecelia. Cecelia is a full-time housewife with no source of income. They have two children, Adam and Sandy, aged 8 and 10 respectively.

Compute the chargeable income of Alex for the year of assessment 2023.

(8 marks)

(c) Briefly explain the taxability of partnership income under the ITA and distinguish between an active partner and a salaried partner.

(6 marks)

[Total: 25 marks]

Question 3

Mr Aizat is a young entrepreneur who has established a sole proprietorship in Bangsar, Kuala Lumpur. His sole proprietorship, named "Star Bright Training" focuses on providing leadership training for corporate clients. Mr Aizat receives monthly salary and benefits in kinds from his sole proprietorship. Star Bright Training (SBT) employs an assistant, Jenny, who is paid a monthly salary of RM3,000.

Mr Aizat's SBT is a three-floor shop-lot situated in the center of busy Bangsar area. The ground floor and the first-floor area has been rented out to a Tuition Center and a Beauty Saloon respectively, for a rental income of RM8,000 per month (for both). The second floor is used by Aizat for his business operations. Additionally, Aizat receives dividend income of RM20,000 from overseas companies and RM10,000 from local companies, all under his personal name.

Mr Aizat's wife, Amy is a housewife. She is also a freelancer baker. She sells handmade birthday cakes, muffins, cookies, and varieties of cakes to corporate and individual customers. She earns RM60,000 for the year 2023 in total from selling her homemade pastries.

Mr Aizat and Amy have three children:

- Aishah (8 years old) studying in SRK Raja Ekram
- Zaara (5 years old) currently going to playschool
- Zeena (6 months old)

All child relief claimed by Mr Aizat.

Given below details of Income and Expenses for Star Bright Training for the year 2023.

	RM	Note
Leadership Training Services	120,000	
Rental Income	96,000	
Total Income	216,000	
Sole Proprietor Salary	120,000	1
Benefit in Kind for Mr Aizat: <ul style="list-style-type: none">• Leave Passage (Overseas): RM10,000 per year• Medical: RM3,000 per year• Servant: RM6,000 per year• Driver: RM5,000 per year	24,000	
Assistant (Jenny's) Salary	36,000	2
Rental Expenses (related to the first and second floor) <ul style="list-style-type: none">• Repair of broken doors• Repainting• Renovation of kitchen tiles	5,000 4,000 15,000	
Depreciation of Capital Expenditure	3,000	3
Total Expenses	207,000	
Net Profit	9,000	

Note:

1. Assistant Jenny's salary is considered the cost of administrative and related services.
2. This is the annual depreciation expenses for the renovation of the shop house spread over 10 years.

Other details for year 2023:

Mr Aizat's expenses:

- Mr Aizat pays for a life insurance premium of RM200 per month every year.
- Bought books for Aishah's school, amounting to RM1,800 for the whole year.

Mrs Aizat's expenses:

- Purchase breastfeeding equipment for Zeena amounting to RM3,000.
- Child- care fees to a registered child-care centre for Zaara, RM700 per month.

Required:

Given Mr and Mrs Aizat's respective income, compute Chargeable Income for Mr and Mrs Aizat for Year of Assessment 2023 based on Separate Assessments.

[Total: 25 marks]

Question 4

- (a) Benny worked as an IT support staff for Navia Ltd, an IT company based in New Zealand since 2020. He arrived in Malaysia on 10 May 2021 to provide support services to local clients. His work permit was issued under the Malaysian branch office- Navia Sdn Bhd. After completing his initial contract, Benny returned to New Zealand on 23 December 2021 to visit his parents during the Christmas season. He returned to Malaysia on 2 January 2022 for his second contract and departed on 1 March 2022 upon its completion.

On 1 May 2023, Benny returned to Malaysia as instructed by his employer in New Zealand for his third and fourth employment contracts. Following the successful completion of his tasks in Malaysia, Benny permanently left Malaysia on 1 August 2023.

During his stays in Malaysia in 2021, 2022, and 2023, Benny received a monthly traveling and accommodation allowance of RM3,000 from his New Zealand employer. His tax obligations in Malaysia was borne by his New Zealand employer.

Required:

- (i) **Determine Benny's tax resident status in Malaysia for the year of assessment 2021, 2022 and 2023 under the ITA.**
(8 marks)
- (ii) **How would your answer in (a) change if the number of days that Benny visiting his parents in New Zealand during Christmas season was from 23 December 2021 to 7 January 2022.**
(2 marks)
- (iii) **Determine as to when the employer in Malaysia needs to notify the IRB that Benny will be chargeable to tax.**
(1 mark)

- (iv) Concerning Benny, who is due to leave Malaysia, state the action(s) that Navia Sdn Bhd needs to undertake as an 'employer' to comply with Section 83 (4) & (5) of the ITA.

(4 marks)

(b) Sonia is an employee of Crest Sdn Bhd.

- (i) Determine the type of income tax return form Sonia should use when filing her income tax to the Director General of IRBM for YA 2023.

(1 mark)

- (ii) Advise Sonia concerning the deadline of tax return submission for the employment income earned in 2023 and the offence (s) should she fail to submit her tax return on time.

(4 marks)

[Total: 20 marks]

(END OF QUESTION PAPER)