



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

PROFESSIONAL EXAMINATION

FINAL LEVEL

ADVANCED TAXATION 2

MARCH 2025

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Student  
Registration No.

Date

Desk No.

Examination Centre

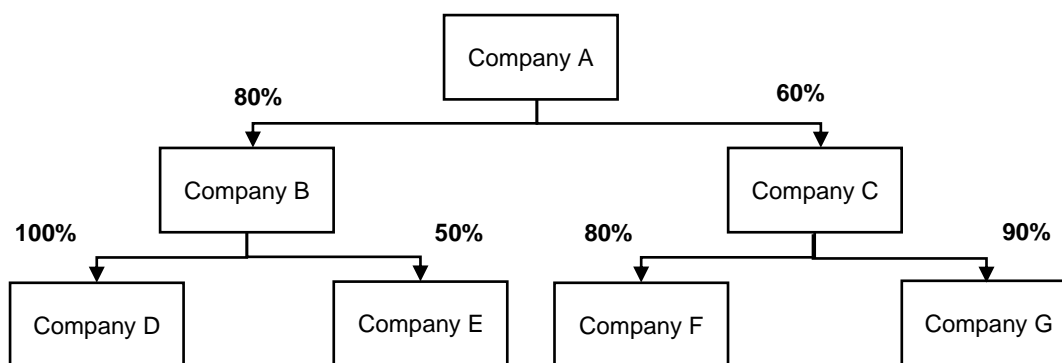
Time allowed: 3 hours

#### INSTRUCTIONS TO CANDIDATES

1. This paper consists of **SIX** questions. **Candidates are ONLY REQUIRED TO ANSWER FIVE QUESTIONS.**
2. The Income Tax Act 1967 (as amended) is referred to as ITA.
3. Each answer should begin on a separate answer template.
4. All workings **MUST** be shown as marks will be awarded.

***DO NOT TURN OVER THIS PAGE UNTIL INSTRUCTED BY THE INVIGILATOR***

## Question 1



The above group of companies was incorporated in Malaysia with 31 March as the financial year end. All the shareholdings remain the same throughout the basis period for the year of assessment and for the previous 12 months. All the companies are resident and incorporated in Malaysia.

The companies had the following financial results for the year ending 31 March 2024. Company F is inactive and has no income.

	A (RM)	B (RM)	C (RM)	D (RM)	F (RM)	G (RM)
Business adjusted profit / (loss)	-	50,000,000	-	(35,000,000)	-	(40,000,000)
Capital allowance	-	25,000,000	-	12,000,000	-	18,000,000
Subsection 43(2) loss	-	22,000,000	-	8,000,000	-	15,000,000
Interest income	50,000,000	2,000,000	25,000,000	4,000,000	-	1,000,000
Approved donation	5,000,000	1,000,000	2,000,000	-	-	-

### Required:

- Explain the conditions to be fulfilled by companies to qualify for group relief for any year of assessment. (5 marks)
- Ascertain which of the above companies are related and able to qualify as a surrendering company and claimant company respectively. (3 marks)
- Calculate the amount of loss available for surrender and the amounts of any defined aggregate income for all the companies in the group. (7 marks)
- Compute the chargeable income for the year of assessment 2024 for each of the companies in the group taking into account the group relief. (5 marks)

[Total: 20 marks]

## Question 2

- (a) Double taxation occurs where income derived by a person from a source is brought to charge in more than one tax jurisdiction.

**Required:**

- (i) Briefly explain the three (3) basic principles of double taxation agreement. (4 marks)
- (ii) Briefly explain under what circumstances resident companies in Malaysia will be faced with double taxation. (3 marks)
- (iii) State any four (4) conditions that must be satisfied for a company to claim relief under double taxation agreements which Malaysia has contracted. (5 marks)

- (b) ABC Insurance Bhd, carries on a general insurance business and is a Malaysian resident company. The company's annual accounts close on 31 December and the information extracted from the accounts for the year ended 31 December 2024 was as follows:

	RM
Net premiums	150,000,000
Allowable expenses	100,000,000
Investment income:	
Rental	32,000,000
Single tier dividend	26,000,000
Interest (Malaysia)	8,000,000
Interest (UK) (taxed in UK: RM90,000)	900,000

**Required:**

- (i) Compute the tax payable from all sources (tax rate is 24%). (4 marks)
- (ii) Compute the bilateral tax relief given in Malaysia. (4 marks)

**[Total: 20 marks]**

### Question 3

- (a) What are the services that became taxable services in the year 2024 for service tax purposes? Cite the relevant legislation in relation to these new taxable services. (12 marks)

- (b) R&R Sdn Bhd operates several homestays providing accommodation to tourists visiting Taman Negara. It offers accommodation packages either on a daily basis or weekly basis and the payment terms depends on the type of accommodation package opted by the guests. Guests staying on daily basis will be invoiced at the end of their stay whereas guests staying on a weekly basis will be invoiced in advance.

In February and March 2024, R&R Sdn Bhd received bookings for accommodation from the following guests:

- i. Lee and family checked-in for daily stay on 27 February 2024 and checked out on 2 March 2024. They paid on checking out on 2 March 2024.
- ii. Wan Ahmad and his wife booked for weekly stay on 15 February 2024 and will arrive on 7 March 2024 and stay until 13 March 2024. He made payment when he made the booking on 15 February 2024.
- iii. On 27 February 2024, Lisa booked for a week's stay from 19 March 2024 to 25 March 2024. R&R Sdn Bhd issued an invoice on 27 February 2024. However, due to Lisa's oversight, she only made payment when she arrived on 19 March 2024.
- iv. On 7 February 2024, Ganesan and his son booked for daily stay from 3 March 2024 to 5 March 2024. He made payment on checking out on 5 March 2024.

**Required:**

**What are the service tax rates that R&R Sdn Bhd should charge on all of the above? Please state the basis of charging the service tax rates.**

(8 marks)

**[Total: 20 marks]**

#### Question 4

- (a) Resident holding company making investment in shares or cash contributions in its subsidiary company with the sole purpose of financing a project on commercialization resource-based R&D findings shall be given a deduction of such investment against its business income. The tax incentive is provided in Income Tax (Deduction for Investment in a Project of Commercialization of R&D Findings) Rules 2005 [PU(A) 269/2005]. It takes effect from 11 September 2004.

**Required:**

- (i) **State the conditions for the resident holding company to fulfil in order to qualify for the tax deduction.**

(5 marks)

- (ii) **Advise the subsidiary company (involved in commercialization resource-based R&D findings) on the tax incentive available. Your answer should include the tax exemption period, % of exemption and the commencement date for that tax incentive.**

(3 marks)

- (b) "Research" means any systematic or intensive study undertaken in the field of science or technology with the object of using the results of the study for the production or improvement of materials, devices, products, produce or processes.

**Required:**

**State any four (4) qualifying criteria for eligibility of research project/activity.**

(4 marks)

- (c) Super Technology Sdn Bhd is a tax resident company and its activities fulfils the definition of R&D and its qualifying criteria. The expenditure incurred and claimed by the company on an approved qualifying R&D activity for YA 2024 are as follows:

	<b>Qualifying R&amp;D Expenditure</b>	<b>RM</b>
1	Attend seminar relevant to R&D activity (travelling cost to Germany)	200,000
2	Manpower	490,000
3	<b>Technical services (outsourced to R&amp;D co. in Japan)</b>	<b>300,000</b>
4	Maintenance	195,000
5	Transportation cost	135,000
	Total allowable expenditure	1,320,000

**Required:**

- (i) **Compute the expenses deductible under subsection 34A(4) of ITA and allowed as double deduction incurred in the YA 2024.**

(4 marks)

- (ii) **How would your answer in (c)(i) change if the technical services (outsourced to R&D co. in Japan) has been revised to RM650,000? Show the details and the total allowable expenditure.**

(4 marks)

**[Total: 20 marks]**

### **Question 5**

Best Fund Group, a global fund management group, is considering establishing a fund management company in Labuan. The company aims to offer fund management services and explore efficient investment holding company options within Labuan. As their tax advisor, you are tasked with providing an analysis to aid in their decision-making process.

**Required:**

- (a) Briefly explain the advantage of setting up the fund management company in Labuan over setting up in Malaysia from a tax perspective.**

(5 marks)
- (b) Briefly explain the substance requirements in Labuan including the minimum substance requirement for a Labuan fund management company and the consequences if the substance requirements are not met.**

(5 marks)
- (c) Identify and assess potential investment holding company options in Labuan that the fund management company can offer to their potential clients, including analysing the substance requirements and tax treatment for the investment holding company options. Which option would you recommend as the most tax-efficient and why?**

(10 marks)

**[Total: 20 marks]**

### Question 6

- (a) Theoretically there are three (3) types of tax systems, namely the Schedular System, the Global System and the Dualistic System.

**Required:**

**Briefly discuss any TWO (2) of the tax systems.**

(6 marks)

- (b) Economists have propounded four (4) theories of taxation or approaches to the taxation of corporate income, namely the Classical System, the Two-Tier System, the Fiscal Transparency System and the Imputation System, having regard to the fact that a company is a separate legal entity, distinct and apart from the shareholders of the company.

**Required:**

**Briefly discuss any TWO (2) of the theories of taxation or approaches to the taxation of corporate income.**

(6 marks)

- (c) With a view to providing basic guidelines in respect of the professional conduct of the accountants, tax advisors and tax practitioners who are members of the Chartered Tax Institute of Malaysia, the institute had issued Rules and Regulations (Professional Conduct and Ethics) on 23 February 2012 that are expected to be strictly adhered to by its members.

**Required:**

**With reference to the Rules and Regulations (Professional Conduct and Ethics), explain any FOUR (4) Fundamental Principles that must be adhered to by members of the Chartered Tax Institute of Malaysia in the course of carrying on their duties and discharging their responsibilities.**

(8 marks)

**[Total: 20 marks]**

**(END OF QUESTION PAPER)**