

FINAL LEVEL ADVANCED TAXATION 2

OBJECTIVE:

To examine the ability of the candidates to provide a comprehensive and practical response to specific tax issues.

CONTENTS:

1. The syllabus incorporates the knowledge studied in earlier taxation papers and further develop the understanding of advanced aspects of Malaysian taxation.
2. Questions would test on areas of taxes covered in Personal Taxation, Business Taxation, Advanced Taxation 1 and Revenue Law, as well as reports, letters or computations that tax practitioners may encounter.
3. Candidates are required to demonstrate their understanding through application of tax knowledge, interpret and apply it to various scenarios and reporting where applicable.
4. Candidates are required to express clearly the tax implications and advise on the appropriate solutions to address the issues identified.
5. This paper comprises computational skills and interpreting the tax principles with a greater emphasis on the latter aspect.

(A) Double Deduction and Income Tax Incentives

1. Double deduction for promotions of exports
2. Double deduction for research expenditures
3. Double deduction for approved training
4. Deduction for pre-commencement of business training expenses
5. Income Tax (Deduction for Cost Acquisition of Proprietary Rights) Rules 2002
6. Income tax (Allowance for Increased Export) Rules 1999
7. Tax incentives for export
8. Malaysian International Trading Company (MITC)

(B) Approved Service Sector (ASP)

1. Criteria in approving tax incentives for ASP
2. Income tax exemption
3. Investment allowance
4. Reinvestment Allowance (focus on complex practical applications)
5. Tax planning including profit exemption and investment allowance
6. Industrial building allowance
7. Duty exemption on machinery and materials
8. Double deduction on promotion of export services
9. Double deduction for R & D
10. Double deduction on training
11. Tax administration

(C) Multimedia Super Corridor (MSC)

1. Income tax exemptions
2. Investment tax allowance (ITA)
3. Industrial building allowance (IBA)
4. Duty-free importation of multimedia equipment
5. Research and development grants for local SME
6. Withholding tax exemptions
7. Non-financial incentives
8. Administration

(D) Principal Hub and Global Trading Centre

1. Features
2. Incentives
3. Criteria
4. Additional Benefits

(E) Tax Incentives for Research and Development (R&D)

1. Application
2. Tax administration
3. Tax incentives for contract R&D, contributions to approved research institutes and in-house R&D
4. Special deduction on approved research expenses, investment in subsidiary company undertaking commercialization of resource-based R&D findings

(F) Specialised tax treatments

1. Joint - Development Areas (JDA) between Malaysia and Thailand
2. Section 12 of the Income Tax Act, 1967. Deeming provision – the understanding and application of the tax treatment on having “a place of business” in Malaysia

(G) Labuan – International Business and Financial Centre (IBFC)

1. Scope of Chargeability in Labuan IBFC
2. Tax Treatment & Labuan Business Activity Tax Act (LBATA)
3. Substance Requirements in Labuan IBFC
4. Compliance and Administrative Provisions in LBATA & relevant rulings & Guidelines
5. Tax Incentives in Labuan IBFC

(H) International Tax Developments

Basis understanding of the international tax developments undertaken by the Organisation for Economic Co-operation and Development (“OECD”)

1. Based Erosion Profits Shifting (“BEPS”) 15 Action Plans
2. Multilateral Instrument (MLI)
3. Country-by-Country Reporting (CbCR)

(I) Field Audit and Understatement of Tax

1. Types of tax audit
2. Provision of reasonable facilities and assistance
3. Keeping of records
4. Understatement of tax
5. Directors’ liabilities
6. Tax Audit Framework requirements

(J) Back Duty Investigations

1. Matters that trigger off tax investigations
2. Test applied to discover tax evasion
3. Computation methods
4. Powers vested in the DGIR in investigation
5. Period of investigation and time bar
6. Reasonable care and responsibility of tax advisor
7. Offences and penalties
8. Anti-Money Laundering and Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFPUA) (as amended)
9. Tax avoidance and evasion - Malaysian case laws and principles

(K) Tax Management for Companies

1. Commencement of business
2. Financing arrangement
3. Related party transactions
4. Disposal of assets
5. Controlled transfer and implications for disposer and acquirer
6. Distinction between business income and investment income
7. Investment income
8. Interest restriction
9. Investment strategy in a company – Equity and debt financing

(L) Taxation for Company Reorganization, Reconstruction and Amalgamation

1. Stamp duty and RPGT relief /exemption

(M) Group Relief Companies

(N) Transfer pricing

1. Tax authorities' practice
2. Types of methodologies used in transfer pricing
3. Anti-avoidance
4. Transfer Pricing Guidelines
5. Transfer Pricing Audit Framework

(O) Stamp Duty

1. Legislation
2. Types of stamp duty
3. Instrument chargeable with duty
4. Stamp duty on transfer shares
5. Stamp Duty Self-Assessment System

(P) Tax Policies

1. Types of tax systems
2. Role of taxation in economic development
3. Design of tax policy
4. Tax reforms
5. Code of Ethics

(Q) Sales and Service Tax (SST ACT)

1. Scope of Sales Tax

- a. Rates, taxable goods, thresholds
- b. Registration
- c. Taxable period
- d. Furnishing of returns and payment of sales tax
- e. Recovery of sales tax
- f. Sales tax exemption
- g. Refunds, drawback and remission
- h. Special provisions relating to designated areas/special areas

2. Scope of Service Tax

- a. Rates, taxable person, taxable service & threshold
- b. Registration
- c. Taxable periods & returns
- d. Furnishing of returns and payment of service tax
- e. Recovery of service tax
- f. Exemption, refund and remission of service tax
- g. Special provisions relating to designated areas/special areas

(R) Double Taxation Agreements (DTA)

1. Double taxation and the role of tax conventions
2. Purpose of tax treaties and avoidance of double taxation
3. Concept of residence
4. Permanent establishment
5. Taxation of business profits
6. Taxation of interest
7. Taxation of royalties
8. Taxation of technical fees
9. Taxation of dependent personal services
10. Taxation of other income

(S) Investment Incentives for Specific Industry

1. Incentives for Services Sector - under Income Tax Exemption under Section 127 and Investment Allowance under Schedule 7B
2. Allowance for Increased Exports
3. Malaysian International Trading Companies
4. Acquisition of Proprietary Rights
5. Acquisition of Foreign-Owned Companies
6. Incentives for Wellness Zones
7. Venture Capital
8. Single & Double Deductions

(T) Professional Ethics

1. Form of practice and matters relating thereto
2. Obligations to clients and confidentiality
3. Matters relating to the affairs of new clients
4. Handling client work and all matters relating thereto
5. Charging for services
6. Matters giving rise to conflict of interest
7. Disclosures in tax returns, computations and correspondence with the Inland Revenue
8. Dealing with Inland Revenue errors in favor of taxpayers, tax evasion, tax avoidance and ethical/moral issues

(U) Digital Economy

1. E-Commerce Guidelines
2. Application of PE in the digital economy
3. Source and residence rules application in digital economy
4. New business models in digital economy as of the results of the evolution and expansion of information and communication technology (ICT) across the economy:
 - a. E-commerce including business-to-business (B2B), business-to-consumers (B2C) and consumer-to-consumer (C2C)
 - b. App stores
 - c. Digital advertising
 - d. Cloud computing

(V) Capital Gains Tax

READING LIST – ADVANCED TAXATION 2

1. **Income Tax Act 1967.** (as amended)
2. **Promotion of Investments Act, 1986.** (as amended)
3. **Public Rulings and Operational Guidelines.**
4. Choong Kwai Fatt. **Malaysian Taxation Principles & Practice.** (Latest edition)
5. Choong Kwai Fatt. **Advanced Malaysian Taxation Principles & Practice.** (Latest edition)
6. Veerinderjeet Singh. **Veerinder on Taxation.** (Latest edition)
7. Jeyapalan Kasipillai. **A Guide to Malaysian Taxation.** (Latest edition)
8. Richard Thornton. **Thornton's Malaysian Tax Commentaries.** (Latest edition)
9. CCH Tax Editors. **Malaysian Master Tax Guide.** (Latest edition)
10. Arjunan Subramaniam. **Malaysian Stamp Duty Handbook** (Latest edition)
11. Arjunan Subramaniam. **Subject Index of Principles of Revenue Law** (Latest edition)
12. **Tax Guardian**, Journal of the Chartered Tax Institute of Malaysia
13. Transfer Pricing Guidelines
14. Tax Audit Framework
15. Tax Investigation Framework
16. Organization for Economic Co-operation and Development (OECD) on of the “Base Erosion and profit Shifting” (BEPS) on **Action 1- Tax Challenges Arising from Digitalisation- Interim Report 2018**
17. United Nations (UN) Model Double Taxation Convention