



CHARTERED TAX INSTITUTE OF MALAYSIA

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

PROFESSIONAL EXAMINATION

INTERMEDIATE LEVEL

BUSINESS TAXATION

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 **FIVE** 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

Orion Sdn Bhd (OSB) is a Malaysian incorporated and resident company engaged in the manufacture of ceramic products. The company sells its products both in the local and international markets. The company has provided the following information in respect of its accounts for the year ended 31 December 2024:

	Note	RM'000	RM'000
Profit before tax (PBT)			907
<i>PBT is arrived at after deducting:</i>			
Remuneration	1	45,400	
Insurance & Freight	2	518	
Donations	3	250	
Registration of trademark	4	400	
Depreciation		240	
Pre operating expenditure	5	154	
Export promotion expenditure	6	35	
Halal certification	7	540	
<i>and adding other income:</i>			
Interest income		85	
Rental income (net of expenses)		100	

### Notes:

#### 1. Remuneration includes

- The company employs two employees with disabilities (registered with the relevant authorities) paying each an annual salary of RM120,000.
- A senior citizen aged 62 years was employed as an accounts executive earning RM 4,500 per month.
- A part time employee who is an ex-drug dependant who has been placed under supervision of the relevant legislation and is registered with the National Anti-Drugs Agency and was paid a monthly allowance of RM 2,000.

#### 2. Insurance & Freight

- RM 190,000 paid to Malaysian Export Credit Insurance Berhad for export credit insurance and premium paid on an endowment keyman insurance policy on the life of the Managing Director amounting to RM 120,000.
- Freight charges of RM40,000 and RM25,000 respectively for sending inventories and a machine by sea from Kota Kinabalu plant to Kuala Lumpur warehouse. The machine required repairs to be carried out at the maintenance department in Kuala Lumpur.

#### 3. Donations comprises

RM'000

- |   |            |
|---|------------|
| a. Donation to Dewan Bandaraya  | 25         |
| b. Contribution for the construction of jogging tracks at a public park approved by the Minister of Finance | 48         |
| c. Cash gift to approved old folks home   | 12         |
| d. Approved sports activity contribution  | 15         |
| e. Purchase of specialised equipment for assisting the staff with disability to perform their duties        | <u>150</u> |
|   | 250        |

#### 4. Registration of trademark

A sum of RM400,000 was incurred in respect of registering the trademark of the company in Vietnam before their ceramic products could be exported and sold there.

5. Pre operating expenditure

This is in respect of qualifying pre-operating business expenditure approved by the Minister of Finance for OSB to venture into a new project in Laos. The expenditure includes the expenses for two project managers who were in Laos for 5 days.

Expenditure	RM '000
Market research & feasibility studies	100
Air fare	30
Hotel accommodation and sustenance	24

6. Export promotion expenditure

With a view to expand the export market in Vietnam, the Business Development Director was there for 24 days, negotiating and concluding contracts with some customers. His expenses include;

- a return airfare ticket (business class) of RM25,000, and
- expenses in respect of hotel accommodation and sustenance of RM 7,000 and RM 3,000.

7. Halal certification

OSB has received certification on the use of certain raw materials in its production from the Malaysian Islamic Development Department (JAKIM). The expenditure incurred for the year ended 31 December 2024 includes a capital expenditure of 30,000 whilst the rest is revenue in nature.

Other Information

- OSB sold a 4-storey building in 2024 which was used by the company as a factory (2 stories), an R & D centre (1 storey) and the remaining storey as its administrative office. The company incurred a qualifying building expenditure of RM 1 million on the construction of the building and the building was ready for use in November 2020 but was brought in to use in its business in February 2021. The company claimed industrial building allowances based on its eligibility under the law. However, due to logistics and accessibility problems the building was classified as asset held for sale in July 2023 and sold on 15 November 2024 for RM 1.4 million (including RM 300,000 for the land)
- The company has brought forward and current year capital allowances of RM 25,000 and RM 20,000 respectively and brought forward business losses of RM 20,000.

**Required:**

- Compute the balancing adjustment in respect of the building sold by Orion Sdn Bhd for year of assessment 2024.**  
(5 marks)
- Based on the information given, compute the chargeable income of Orion Sdn Bhd for the year of assessment 2024.**  
(15 marks)

**[Total: 20 marks]**

## Question 2

- (a) Adam is a fresh graduate who recently joined an IT company. He noticed there is a portion of tax deduction in his monthly pay slips but he was informed that he is also required to file a tax return in April of the following year.

**Required:**

- (i) **Explain two (2) reasons why Adam is subjected to a monthly tax deduction (MTD) and another tax payment based on his tax return in April of the following year.**  
(4 marks)

- (ii) **Can Adam choose not to file the tax return and assume MTD as his final tax? If so, what are the conditions to be met, if any.**  
(3 marks)

- (b) Square Bhd (SB) initially submits the Estimate of Tax Payable Form (CP204 form) for YA 2024 with estimates of tax payable of RM880,000. Due to the economic slowdown, the company revised its tax payable estimates to RM600,000 in the sixth month and subsequently obtained approval from the IRB. It was subsequently found that the actual SB tax payable is RM890,000.

**Required:**

- (i) **Determine the amount of tax and penalty due to the IRB based on the above facts.**  
(5 marks)

- (ii) **Determine the amount of tax and penalties due to the IRB if SB fails to settle the amount due within one month.**  
(3 marks)

**[Total: 15 marks]**

## Question 3

- (a) Selesa Hotel Sdn Bhd (SHSB) obtained approval for its registration from the Companies Commission of Malaysia on 4 March 2024 with a paid-up capital of RM2.2 million. The company completed its internal design and decoration work on 20 March 2024 amounting RM1.2 million. The company also hired and paid RM5,600 to a cleaning company to ensure the hotel is ready for the guests on 28 March 2024.

On 31 March 2024, the hotel is ready to receive its first guest. However, the company received its first booking only on 2 April 2024. The official launch of the hotel was carried out on 5 April 2024.

**Required:**

- (i) **Determine the hotel's business commencement date. Briefly explain the reason(s).**  
(3 marks)

- (ii) **Explain the treatments for renovation and cleaning costs for tax purposes.**  
(4 marks)

- (b) BRP Sdn Bhd normally closes its account on 31 December each year. However, in the accounting period 2024, the company changed its account to close on 31 March 2025.

**Required:**

**Determine the failure year and the basis period for the year of assessment 2023, 2024, 2025, and 2026. Explain your reason(s).**

(8 marks)

**[Total: 15 marks]**

#### **Question 4**

- (a) Explain your understanding of the following expression used in the Income Tax Act 1967 by referring to decided cases where appropriate:

(i) **A source of income**

(5 marks)

(ii) **Business**

(4 marks)

- (b) Raj SdnBhd appointed agents to distribute its products in various parts of Malaysia. It agreed to advance an annual sum of RM36,000 to assist each agent to meet their operating expenses. These advances are to be set off against the commission payable to the agents. Any excess of the advance over the commissions earned during the year is not refundable to Raj. Demi, an agent who is a tax resident earned commission of RM20,000 for the year ended December 31 2024. Raj claimed a deduction in respect of the RM36,000 paid to Demi.

**Required:**

**Explain with reason whether the sum of RM36,000 paid to Demi is deductible for tax purposes.**

(5 marks)

- (c) Tax need not be withheld on royalties, unless they are paid by a Malaysian company to a foreign company where the tax to be deducted is 10%.

**Required:**

**The above statement is inaccurate or incomplete. Explain the correct position pertaining to withholding tax on royalties.**

(4 marks)

- (d) Angel Sdn Bhd is responsible to pay royalties amounting to RM 150,000 to Heaven Pte Ltd in the financial year ended 31 December 2023. Angel Sdn Bhd paid RM135,000, (net of RM15,000 withholding tax) to Heaven Pte Ltd on 30 December 2023. Angel Sdn Bhd claimed the whole RM150,000 as a tax-deductible expense when calculating its chargeable income. Angel Sdn Bhd submitted its tax return form "C" for the year of assessment 2023 on 31 July 2024, showing the tax payable of RM216,000(24% x RM900,000). The withholding tax of RM15,000) together with the penalty of RM1,500, was paid to the Inland Revenue Board on 21 December 2024.

**Required:**

**Compute the amount of the penalty that the Director General can impose on Angel Sdn Bhd for the year of Assessment 2023.**

(2 marks)

**[Total: 20 marks]**

### Question 5

- (a) Adrian, John and Charles are partners in a partnership operating a café business. On 31 August 2024, Charles withdrew as a partner.

The terms of the partnership agreement were as follows:

Partners	Adrian	John	Charles	Total
	RM	RM	RM	RM
Salaries per annum	84,000	72,000	60,000	216,000
Capital contribution	150,000	120,000	90,000	360,000

Partners	Adrian	John	Charles
Profit-sharing ratio			
1 January 2024 to 31 August 2024	45%	35%	20%
1 September 2024 to 31 December 2024	60%	40%	0%
Interest on capital			
1 January 2024 to 31 August 2024	5%	5%	5%
1 September 2024 to 31 December 2024	6%	6%	0%

The provisional adjusted income for the year ended 31 December 2024 was RM320,000. This amount does not include the following items:

1. Cash donation of RM5,000 to an approved institution on 30 July 2024.
2. Repairs and maintenance of café equipment: RM6,800.
3. Entertainment expenses of RM8,000 for clients' promotion.
4. Legal fees of RM7,500 for partnership restructuring upon Charles's withdrawal.

In the year 2024, the partnership paid the following additional expenses:

1. Adrian's medical expenses of RM8,000.
2. Education assistance for Charles' children amounting to RM2,500.

The capital allowance on café assets for 2024 was RM28,000.

**Required:**

- (i) Compute the revised provisional adjusted income and divisible income for the partnership, and the total income of each individual partner for the year of assessment 2024.

(16 marks)

- (ii) Assuming the partners of the café business are tax residents in Malaysia for the year of assessment 2024, explain the tax benefits available to them under the Income Tax Act, 1967. Provide a specific example for your answers.

(6 marks)

- (b) Kassim Manufacturing Sdn Bhd, (KMSB) a company with a financial year ending on 30 June, purchased office equipment for RM5,000 on 1 March 2023, and the equipment was used for business purposes. The equipment was found to be faulty and was disposed of on 1 December 2024 for RM2,000.

**Required:**

- (i) Compute the capital allowances for the relevant years of assessment for KMSB.

(4 marks)

- (ii) Regarding the disposal of the faulty equipment on 1 December 2021, explain the tax treatment under Paragraph 71 of Schedule 3 of the Income Tax Act for KMSB, and discuss any exceptions to this treatment.

(4 marks)

**[Total: 30 marks]**

**(END OF QUESTION PAPER)**