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

PROFESSIONAL EXAMINATION

FINAL LEVEL

ADVANCED TAXATION 2

SEPTEMBER 2026

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.

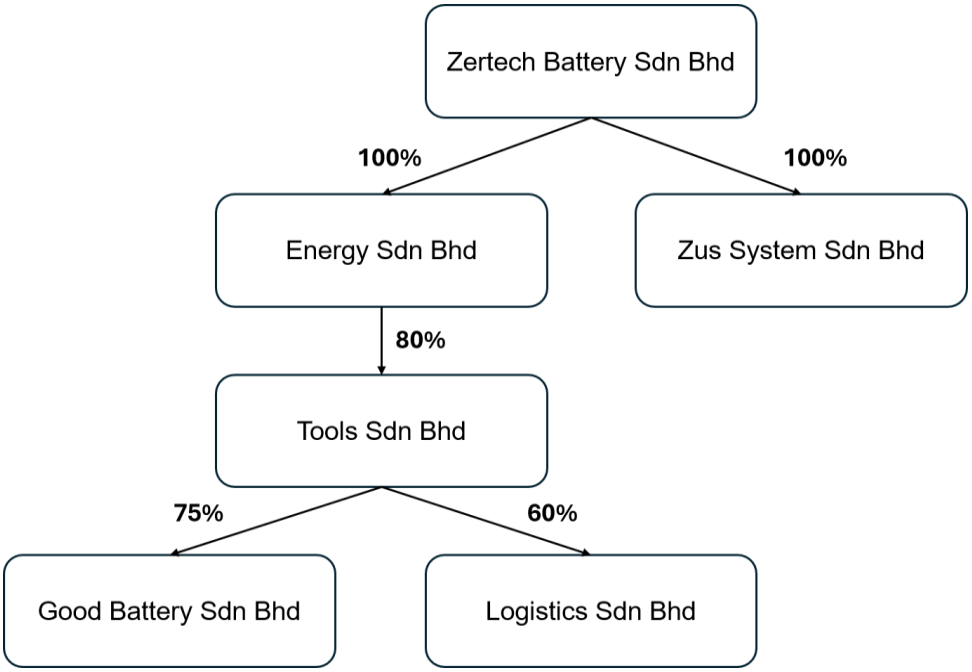
3. Each answer should begin on a separate answer template.

4. All workings **MUST** be shown as marks will be awarded.

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Question 1

Zertech Battery Sdn Bhd, a Malaysian resident company, is the holding company of a group of companies engaged in wholesale and retail sales of all kinds of batteries, parts, components, supplies, tools and accessories for motor vehicles. The group of companies have the same accounting year end i.e. 31 December. The group structure is as follows:



The financial information of the above companies for the year ended 31 December 2025 is as follows:

Company	Adjusted Income/(Loss) [RM]	Capital Allowance (RM)
Energy Sdn Bhd	(2,500,000)	900,000
Zus System Sdn Bhd	4,000,000	2,400,000
Tools Sdn Bhd	1,800,000	600,000
Good Battery Sdn Bhd	3,000,000	1,450,000
Logistics Sdn Bhd	2,000,000	900,000

Other relevant information:

1. All companies have ordinary paid-up share capital exceeding RM2.5 million.
2. Energy Sdn Bhd received an annual net rental income of RM100,000.
3. Zus System Sdn Bhd claimed reinvestment allowance of RM100,000 in the current year of assessment (YA).
4. Tools Sdn Bhd made an approved donation of RM120,000 to an approved institution under subsection 44(6) of the Income Tax Act 1967.
5. Good Battery Sdn Bhd has an unabsorbed business loss brought forward of RM30,000 from previous YA.
6. Logistics Sdn Bhd received a fixed deposit interest of RM100,000 from a local bank.

Required:

(a) Briefly explain the conditions required of a company to be eligible to participate in group relief.

(5 marks)

(b) Determine, with reasons, whether Energy Sdn Bhd may surrender its current year adjusted business losses to each of the following companies:

(i) Zus System Sdn Bhd

(ii) Tools Sdn Bhd

(iii) Good Battery Sdn Bhd

(iv) Logistics Sdn Bhd

(4 marks)

(c) Compute the chargeable income for the YA 2025 for each of the companies in the group taking into account the group relief.

(11 marks)

[Total: 20 marks]

Question 2

Tax on gains or profits from the disposal of capital assets known as capital gains tax (CGT) was introduced through the Finance (No.2) Act 2023 [Act 851]. The imposition of CGT has changed the taxation landscape under the Income Tax Act 1967 which was previously only imposed on revenue or income other than capital gains.

Required:

(a) Who is chargeable to CGT?

(2 marks)

(b) To state those disposals that will be impacted by CGT.

(4 marks)

(c) To define "disposal" for the purposes of CGT.

(2 marks)

(d) How to determine the date of disposal for CGT?

(4 marks)

(e) JJ Holding Sdn Bhd (JJ) disposed of two unlisted companies' shares held by it in the year 2025. The first disposal suffered a loss of RM250,000.

The second disposal was done on 1.12.2025 involving 300,000 units of shares in MM Sdn Bhd (MM) with a disposal price of RM900,000. These shares were acquired at RM450,000 on 1.7.2024. JJ has paid RM2,100 on stamp duty and RM9,900 on legal fees when acquired these shares. JJ has incurred RM18,000 in legal fees during the disposal of the shares.

In YA2024, JJ disposed of some unlisted shares in another company and incurred a loss of RM60,000. This loss is allowed to be carried forward to the following year.

JJ's accounting period ends on 31 December every year.

Required:

Compute the CGT for the year ended 2025 (tax rate is 10%)

(8 marks)

[Total: 20 marks]

Question 3

Stamp duty is a type of direct tax collected by the Inland Revenue Board Malaysia. It is imposed under Section 4(1) of the Stamp Act 1949 on instruments specified in the First Schedule to the Act. Stamp duty may be charged at either a fixed rate or an ad valorem rate, depending on the nature of the instrument.

Required:

(a) Briefly explain the general principles of stamp duty.

(2 marks)

(b) State whether the following instruments are chargeable with stamp duty and briefly justify your answers:

(i) Tenancy agreement
(ii) Share transfer form
(iii) Employment contract
(iv) Loan agreement

(8 marks)

(c) On 14 March 2026, TechPro Sdn Bhd entered into a service agreement with Digital Solutions Sdn Bhd for the provision of information technology (IT) maintenance and technical support services for its computer systems. The agreement is for a period of three years, with a total contract value of RM360,000 payable quarterly.

Required:

(i) Determine whether the service agreement is subject to stamp duty under the Stamp Act 1949. If applicable, calculate the stamp duty payable. For the purpose of this question, ignore any available remission, exemption or relief.

(4 marks)

(ii) Explain the prescribed time period for stamping the agreement under the Stamp Act 1949.

(2 marks)

(iii) Discuss the consequences of failing to stamp the agreement within the prescribed time period.

(4 marks)

[Total: 20 marks]

Question 4

(a) (i) What is a 'non-reviewable contract' for service tax purposes?

(2 marks)

(ii) What is the service tax treatment for a tenancy agreement which constitutes as a 'non-reviewable contract'? Cite the legislation for this service tax treatment and the conditions that must be fulfilled.

(4 marks)
[Sub-total: 6 marks]

(b) ST Enterprise Sdn Bhd is an investment holding company and it owns three commercial buildings and a residential property. ST Enterprise Sdn Bhd derives solely rental income from letting out its properties as follows:

i. Building A is tenanted by a group of companies. A tenancy agreement is entered into with a listed company, Vulcan Holdings Bhd, which sub-lets some floors of Building A to other tenants.
ii. Building B is a smaller building tenanted by Clingon Sdn Bhd which is an MSME.
iii. Building C is a building located in Changi, Singapore. It is tenanted by United Federation Bhd which is a large non-MSME Malaysian company.
iv. The residential property is a bungalow which has been rented to an expatriate family.

Required:

Analyse the rental income of ST Enterprise Sdn Bhd and advise its management on the application of service tax, and any exemption or exclusions available in regards to each of the properties.

(14 marks)

[Total: 20 marks]

Question 5

Multinational enterprises frequently structure their operations to benefit from preferential tax regimes and favourable tax rulings offered by different jurisdictions. The Organisation for Economic Co-operation and Development (OECD), through its Base Erosion and Profit Shifting (BEPS) 15-point Action Plan, sought to address these concerns.

BEPS Action 5: Harmful Tax Practices is one of the four BEPS minimum standards to which Malaysia, as a member of the OECD/G20 Inclusive Framework, has committed.

Required:

(a) State the other three (3) BEPS minimum standards and explain what is meant by the term "minimum standard".

(4 marks)

(b) Explain the key factors used by the Forum on Harmful Tax Practices (FHTP) to assess whether a preferential tax regime is harmful.

(4 marks)

(c) Explain the substantial activity requirement under BEPS Action 5 and describe how this requirement has influenced the design of tax incentives in Malaysia. Support your answer with relevant Malaysian examples.

(6 marks)

(d) Explain the compulsory spontaneous exchange of tax rulings under BEPS Action 5 (including the categories of rulings caught) and state the obligations of the Inland Revenue Board of Malaysia (IRBM) in giving effect to this minimum standard.

(6 marks)

[Total: 20 marks]

Question 6

(a) Under the provisions of Article 12 of the UN Model Convention, royalties may be subject to tax in the contracting state and in the other contracting state under certain circumstances, including a limit to the amount of the tax to be charged.

Required:

Discuss the circumstances under which royalties would be taxed in the contracting state and in the other contracting state, with reference to Article 12 of the UN Model Convention.
(Note: Excerpt of Article 12 of the UN Model Convention is appended.)

(12 marks)

Article 12
ROYALTIES

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, royalties arising in a Contracting State may also be taxed in that State and according to the laws of that State, but if the beneficial owner of the royalties is a resident of the other Contracting State, the tax so charged shall not exceed ___ per cent [the percentage is to be established through bilateral negotiations] of the gross amount of the royalties. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.

3. The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films, or films or tapes used for radio or television broadcasting, any patent, trademark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience.

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with
(a) such permanent establishment or fixed base, or with
(b) business activities referred to in (c) of paragraph 1 of Article 7.
In such cases the provisions of Article 7 or Article 14, as the case may be, shall apply.

5. Royalties shall be deemed to arise in a Contracting State when the payer is a resident of that State. Where, however, the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment or fixed base, then such royalties shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

6. Where by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

(b) Briefly discuss the four (4) basic principles of a double taxation agreement signed between sovereign states.

(8 marks)

[Total: 20 marks]

(END OF QUESTION PAPER)