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

PROFESSIONAL EXAMINATION

INTERMEDIATE LEVEL

PERSONAL TAXATION

SEPTEMBER 2026

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.

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Question 1

(a) Mr. Ethan Brown is an interior designer from the United Kingdom. On 15 December 2024, he arrived in Malaysia after signing a renewable 2½-year employment contract with Luxe Interior Design Sdn. Bhd., an international interior design company in Malaysia.

Mr. Brown was accompanied by his wife, his mother and his four unmarried children aged 23, 17, 14 and 9 respectively.

Mr. Brown commenced his employment in Malaysia on 1 January 2025 and received the following benefits from his employment:

- A monthly salary of RM 18,000, monthly travelling allowance of RM600, monthly utility allowance of RM800 and monthly meal allowance of RM400.
- Employee Provident Fund (EPF) contributions of 12% by the employer while Mr Brown's contribution was 11%.
- Effective from January 2025, the employer provided Mr. Brown and his family with a fully furnished accommodation, paying a rental of RM5,000 per month, of which RM1,200 was for the rental of the furniture and fittings.
- In February 2025, Mr. Brown was reimbursed RM8,000 by the employer for relocation expenses.
- Two professional memberships directly related to his employment, with annual fees of RM2,000 each, were reimbursed by the employer. These professional bodies are listed under LHDN's approved professional bodies.
- Group medical insurance coverage for Mr. Brown and his family, of which Mr. Brown utilised RM10,000 in 2025.
- In December 2025, Mr. Brown and his family went to New Zealand to visit his father. The trip lasted less than 14 days and the airfare of RM14,000 was fully borne by the employer.
- The employer paid RM4,500 premium for a life insurance policy on Mr. Brown, of which his family members are the beneficiaries.

Six months after commencing employment in Malaysia, Mr. Brown purchased an education insurance policy for his two younger children, paying total premiums of RM2,400.

Mr. Brown's wife, Nancy does not have any source of income. She purchased a medical insurance policy in Malaysia, paying annual premiums of RM2,500. She also paid RM6,000 for the medical treatments of her parents in the United Kingdom.

In December 2025, Mr. Brown paid RM5,500 for professional subscription to a professional body in the United Kingdom which is not listed under the LHDN's approved professional bodies.

Other personal expenses incurred by Mr. Brown in YA2025 in Malaysia, as follows:

- A gym membership of RM2,000.
- A smartphone costing RM2,500 for his eldest son.
- A laptop costing RM4,000 for his second child.
- A family trip to Langkawi costing RM10,000.
- A medical insurance premium of RM3,600.
- A life insurance premium of RM2,500. He purchased the policy in the United Kingdom before relocating to Malaysia.

Mr. Brown's eldest son (aged 23) continued his bachelor's degree programme at a Malaysian private university. His second child (aged 17) studied at an international school in Malaysia. His third child (aged 14 and disabled) attended a registered special education school while his youngest child (aged 9) attended a private primary school in Malaysia.

Mr Brown's mother, who is a breast cancer patient, lived together with him throughout the year of 2025. He bore his mother's medical expenses in 2025 as follows:

- Breast cancer treatment of RM8,000.
- Health screening of RM1,200.
- Dental treatment of RM400.

Mr Brown's mother medical treatments were carried out by certified medical practitioners registered in Malaysia.

Required:

(i) Explain to Mr Brown how to differentiate the income that is classified under s13(1)(b) under the Income Tax Act 1967. Give two examples to support your answer.

(4 marks)

(ii) Compute Mr Brown's chargeable income for YA 2025, assuming that he is a Malaysian tax resident. Include all items mentioned in the question and indicate clearly whether an item is "Exempt" or "Nil" where appropriate.

(23 marks)

(b) Sally worked as an account executive at Xchange Sdn Bhd for 15 years. In 2025, she was retrenched due to business restructuring and received RM30,000 in compensation.

Required:

Explain to Sally, the tax treatment of compensation for loss of employment under the Income Tax Act 1967.

(3 marks)

[Total: 30 marks]

Question 2

Kim Sabu Chinese Medical Pharmacy is a business owned by Mr Kim, a Malaysian resident. He is married to Sabu. They have 3 children, Cha, Eun and Jae. Cha, aged 20, is pursuing Bachelor of Medicine (Honours) at University Malaya. Eun, aged 12, and Jae, aged 7, are schooling at Doldam Primary School located near their shop lot property. Mrs Sabu is also a freelance real estate agent, working from home.

For the year ended 31st December 2025, Kim Sabu Chinese Medical Pharmacy generated a profit before tax (PBT) of RM450,000. Among the expenses that have been deducted in deriving the PBT are as follows:

	RM
Staff salaries (including Mr Kim's monthly salary of RM6,000)	190,000
Staff Employees Provident Fund (EPF) The business contributes 20% to the EPF for all staff, including for Mr Kim.	38,000
Utility expenses The utility expenses relate to the shop lot owned by Mr Kim, where the Chinese medicine business occupies the ground floor. During business hours, Mr Kim, Mrs Sabu, and their children also use the ground floor of the premises, resulting in a private or domestic element in the utility consumption. The Inland Revenue Board has accepted that only 70% of the utility expenses are for the business use. These	

expenses relate exclusively to the ground floor, as the first floor is separately metered for utility.	13,000
Interest expense The interest expense entirely relates to Mr Kim's housing and car loans	40,000
Chinese medicine supplies and consumables	71,000
Advertising and promotion expenses	8000
Repairs and maintenance expenses Repairs and maintenance expenses relate to the shop lot, comprising RM25,000 incurred in August 2025 for the entire ground floor and RM3,000 incurred in December 2025 for the entire first floor.	28,000
Quit rent and assessment, which 50% is for ground floor and another 50% is for the first floor.	2,500
Depreciation	26,000

Notes:

1. For the year of assessment 2025, the capital allowances in respect of assets used for the business operations of Kim Sabu Chinese Medical Pharmacy amount to RM19,000.
2. The entire first floor of the shop lot was rented out to Geosan Sdn Bhd, a car accessory business, at RM5,000 per month. In 2025, Mr Kim incurred RM3,000 for repairs and maintenance of the first floor.
3. Mr Kim will claim all child relief for the year of assessment 2025.
4. For year of assessment 2025, the following expenses were incurred by Mr Kim. These expenses are not included in Kim Sabu Chinese Medical Pharmacy's financial statement:
    a. New laptop of RM5,500 for Cha's use.
    b. Education insurance of RM4,000 for all children.
    c. Medical insurance premiums of RM7,000 for all family members.
    d. Approved donation of RM1,000.
5. Mr Kim received interest income of RM4,200 from a fixed deposit with Maybank Berhad in June 2025.
6. Mr Kim received dividend income of RM3,100 from a public-listed company in September 2025.

Required:

(a) Compute the statutory income of Kim Sabu Chinese Medical Pharmacy for the year of assessment 2025. All items stated in the question are to be included in the computation. Where any item is not taxable or deductible, indicate 'NIL' in the computation.

(9 marks)

(b) Compute Mr Kim's chargeable income for the year of assessment 2025. All items stated in the question are to be included in the computation. Where any item is not taxable or deductible, indicate 'NIL' in the computation.

(8 marks)

(c) Explain the term "perquisites" and how "perquisites" are treated for tax purposes with reference to the relevant sections of the Income Tax Act 1967.

(4 marks)

(d) Discuss two (2) main differences between "contract of service" and "contract for service" with reference to Income Tax Act 1967.

(4 marks)

[Total: 25 marks]

Question 3

Mr. Hans Muller, a German national, was employed by Malaysia Airlines Berhad as a Chief Officer commencing from 1 July 2024. He relocated to Malaysia together with his wife, Mrs. Anna Muller, and their only child. His mother-in-law also joined the family and stayed with them in Malaysia.

Mr. Hans received the following remuneration package from his employer for the year ended 31 December 2025:

Particulars	Amount
Basic salary	RM35,000 per month
Telephone allowance	RM500 per month
Parking allowance	RM300 per month
Fully furnished accommodation provided by employer	Provided from July 2024 Defined value per year RM20,000
Child's education fees paid by employer (paid in cash to Mr Hans)	RM40,000
Domestic helper provided by employer	RM1,500 per month

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During the year 2025, Mr. Hans incurred the following expenses:

- Professional aviation licence renewal fee of RM8,000, required for his employment.
- Personal travelling expenses of RM5,000.

Rental Income

Mr. Hans owned three properties in Malaysia:

- Residential property A purchased 7 years ago
- Residential property B purchased 5 years ago
- Office building purchased 2 years ago

All properties were rented out throughout 2025.

The rental details for the year are as follows:

Particulars	Property A (RM)	Property B (RM)	Office Building (RM)
Gross rental income	120,000	150,000	200,000
Property insurance premium	5,000	6,000	8,000
Repairs and maintenance	10,000	15,000	20,000
Quit rent and assessment	4,000	5,000	7,000
Loan repayment (principal portion)	20,000	25,000	30,000
Loan repayment (interest portion)	10,000	10,000	10,000
Renovation expenditure	-	-	50,000

Mr. Hans remitted RM100,000 from his German bank account into Malaysia for investment purposes.

Required:

(a) Compute Mr. Hans' his taxable employment income for the Year of Assessment 2025.

(12 marks)

(b) Compute Mr. Hans' taxable income from rental sources. Determine the allowable deductions and explain the treatments of capital expenditure incurred on the properties.

(10 marks)

(c) Explain the tax treatments for RM100,000 that Mr Hans remitted from his German bank account to Malaysia.

(3 marks)

[Total: 25 marks]

Question 4

Mr. Johan De Vries, a soft skills trainer from the Netherlands, signed an employment contract with Global Excellence Consulting Sdn. Bhd., an international consulting firm in Malaysia. The employment contract period for Mr. De Vries is 2 years and is renewable for the following 2 years, depending on the arrangement.

Mr. De Vries arrived in Malaysia on 1 July 2022 and commenced his employment on 1 September 2022. On 31 January 2023, he left Malaysia for Hong Kong on a work trip and returned to Malaysia on 1 August 2023. He left Malaysia for the Netherlands on 30 September 2023 due to personal matters but continued working remotely for his Malaysian employer. He came back to Malaysia on 1 January 2024. In September 2024, following the renewal of his contract Mr. De Vries remained in Malaysia throughout the year to perform his employment duties.

Mr. De Vries took an unpaid leave to take care of his sick girlfriend in Singapore. He left Malaysia for Singapore on 2 January 2025 and came back to Malaysia on 31 March 2025. On 22 May 2025, he left Malaysia for the Netherlands to visit his parents and returned to Malaysia on 1 June 2025. Mr. De Vries permanently left Malaysia on 1 September 2025 upon the completion of his task in Malaysia.

Mr. De Vries received a monthly salary and a travelling allowance during his stay in Malaysia. His employer arranged for him shared accommodation with other trainers and a motor vehicle for him during the period when he was staying in Malaysia. He was also entitled to a reimbursement for his professional subscription fees.

Required:

(a) Determine Mr. De Vries' residence status for YA 2022 to YA 2025 under Section 7 of the Income Tax Act 1967. Support your answers with references to the relevant provisions.

(12 marks)

(b) Explain the conditions that must be satisfied under Section 7(1)(b) and Section 7(1)(c) of the Income Tax Act 1967.

(4 marks)

(c) **Explain to Mr. De Vries the tax implications of a late payment on his outstanding final tax liability, taking into account his monthly salary deductions (MTD) under the Income Tax Act 1967.**

(2 marks)

(d) **Explain to Mr. De Vries, the powers of Director General of IRBM to restrict persons leaving Malaysia.**

(2 marks)

[Total: 20 marks]

(END OF QUESTION PAPER)