



CHARTERED TAX INSTITUTE OF MALAYSIA (225750 T)  
(Institut Percukaian Malaysia)

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

PERSONAL TAXATION

DECEMBER 2014

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Student  
Registration No.

Date

Desk No.

Examination Centre

**Time allowed: 3 hours**

#### INSTRUCTIONS TO CANDIDATES

1. You may answer this paper **EITHER** in English **OR** in Bahasa Malaysia. Only **ONE** language is to be used.
2. This paper consists of **FIVE** questions.
3. Answer **ALL** questions.
4. The Income Tax Act, 1967 (as amended) is referred to as ITA.
5. Each answer should begin on a separate answer booklet.
6. All workings **MUST** be shown as marks will be awarded.
7. Answers should be written in either black or blue ink.
8. No question paper or answer booklet is to be removed from the examination hall.

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

## Question 1

Joseph and his second wife, Betty were both Malaysian tax residents in the basis year for the year of assessment 2014. Joseph divorced his first wife, Ruby in 1990. Both Joseph and Betty derived income from several sources in Malaysia.

### Joseph

For the year 2014, Joseph operates two businesses, as well as deriving income from non-business sources, the particulars of which are as follows:

**Business 1** (trading in stationery), earning a statutory income of RM82,000.

**Business 2** (trading in wholesale food supplies), which registered an adjusted loss of RM10,000 for 2014, and having an unabsorbed adjusted loss RM15,000 brought forward from the year of assessment 2013.

**Interest.** In 2014, Joseph earned an interest of RM8,000 from his fixed deposit account with Maybank in Kuala Lumpur. He also earned another interest of RM4,000 from a loan provided to one of his wholesale business' customers.

**Employment.** (with a company listed on the Bursa Malaysia). He received a net monthly salary of RM4,000 (after deduction of RM450 monthly tax deduction and 11% for the Employee's Provident Fund).

**Royalty.** Joseph is the author of the book "Stress of Operating Business" published by a company in Kuala Lumpur. A sum of RM25,000 royalty was received from the sale of the book.

**Rental.** Joseph owns two residential properties in Pahang, from which he derived rental income, the particulars for 2014 are as follows:

	Apartment (RM)	Terrace House (RM)
Gross rental	9,000	24,000
Quit rent & assessment rates	800	1,200
Repairs	5,000	Nil
Interest on mortgage loan	3,500	Nil
Renovation	Nil	8,000

Joseph won a cash prize of RM12,000 in a "lucky draw" in March 2014 when purchasing a new car.

In 2014, Joseph made a monthly payment of RM600, being alimony to his ex-wife, Ruby. Joseph and Ruby have a 24 year old unmarried son, Henry who is a full time accounting student in an Australian university. In 2014, Joseph paid RM30,000 while Ruby paid RM20,000 to finance Henry's education. Both Joseph and Ruby are claiming relief for the maintenance of Henry.

Other payments made by Joseph in 2014 are as follows:-

Payment of RM15,000 being medical expenses for his mother who sought medical treatment in Singapore.

Contribution of RM6,000 to an approved Private Retirement Scheme.

In March 2014, Joseph deposited RM7,000 in the Sijil Simpanan Pendidikan Nasional (SSPN) account for Henry. However in September, Joseph withdrew RM3,000 from the said account.

Purchase of a personal computer, costing RM4,000. Joseph last claimed relief for purchase of personal computer in 2009.

Cash donation of RM12,000 to Malaysian Red Crescent Society

### **Betty**

Betty is a school teacher, earning a gross salary of RM60,000 in 2014. Betty's contribution to the Employee's Provident Fund amounted to 11% of her gross salary. She also earned RM10,000 in 2014 for conducting private tuition classes and received RM3,000 dividend in August 2014 from Pantai Timur Sdn Bhd in Kuantan.

Joseph and Betty have three unmarried children:

Alex: age 21, a full time law student in Universiti Malaya

Rexy: age 19: a disabled child; not in school

Paul: age 15, in secondary school, Kuantan

In 2014, Betty incurred RM800 for a full medical examination, RM1,200 on purchase of books and other reading materials. She is pursuing a masters degree course in Universiti Putra Malaysia and paying RM6,000 in tuition fees. Betty also paid RM9,000 for her father's medical expenses, as the latter sought medical treatments at a specialist medical centre in Selangor.

Other information

For the year of assessment 2014, Joseph and Betty did not opt for joint assessment. However, Betty opted to claim deduction for all their three children. Betty's monthly tax deduction on her employment income for the year 2014 amounted to RM900 (i.e. RM75 per month).

### **Required:**

**(a) For the year of assessment 2014, determine the income tax (if any) payable by Joseph and Betty.**

(25 marks)

**(b) Discuss the implications on the income tax liabilities of Joseph and Betty should the latter did not make an election under s.48(1) in relation to all her three children.**

(5 marks)

**[Total: 30 marks]**

## Question 2

- (a) In 2012, Niko, a Japanese, but a Malaysian tax resident took a loan from a bank in Japan to acquire a shop lot in Kuala Lumpur. Niko uses the shop lot to operate her restaurant business in Kuala Lumpur. In 2014, for convenience, Niko used her financial resources in Japan to pay the interest on the loan, which amounted to RM5,000, instead of remitting the amount from Malaysia.

**Required:**

**Discuss whether the interest of RM5,000 received by the bank in Japan should be chargeable to tax in Malaysia. Give reasons for your answers.**

(5 marks)

- (b) Kenny, an Australian has been employed as a production engineer in Malaysia since 2005. In October 2013, he submitted his resignation letter, giving his employer a four month notice that his employment would cease on 28 February 2014. Since Kenny was on three months leave (from December 2013 to February 2014) prior to cessation of employment, he left Malaysia in early December 2013 and is not a resident in the basis year 2014. In 2013, Kenny received the following in respect of his employment:

Salary: RM20,000 a month (from January 2013 to November 2013)

Leave pay: RM20,000 a month (from December 2013 to February 2014; all received in December 2013).

**Required:**

- (i) In relation to the salary and leave pay received by Kenny, discuss the conditions under which s. 25(6) is applicable.
- (ii) Assume that s. 25(6) is applicable, discuss with illustrations, the tax treatments in relation to the salary and leave pay received by Kenny.

(10 marks)

- (c) Karim who operates a sole proprietorship business in Kajang, has been employing the same 10 employees since 2008. In the basis year 2014, each employee earned an average of RM4,000 salary per month, with some benefits-in-kind.

**Required:**

**Advise Karim of his responsibilities in respect of rendering statements of remuneration to his employees.**

(5 marks)

**[Total: 20 marks]**

### Question 3

Mr. Singh returned to Malaysia on 1.2.2011 after a five-year absence when he was studying in Australia. He works as an auditor with Sedap Sdn Bhd, a job which requires frequent overseas travel. The following are the particulars of his whereabouts in the period between 1.2.2011 to 31.7.2014:

1.2.2011 – 10.4.2011	In Malaysia
11.4.2011 – 13.7.2011	In Germany (Note 1)
14.7.2011 – 31.8.2011	In Malaysia
1.9.2011 – 29.12.2011	In Austria (Note 2)
30.12.2011 – 31.3.2012	In Malaysia
1.4.2012 – 12.4.2012	In Singapore (Note 3)
13.4.2012 – 1.8.2012	In Malaysia
2.8.2012 – 31.8.2012	In Australia (Note 4)
1.9.2012 – 31.12.2012	In Malaysia
1.1.2013 – 28.2.2013	In Malaysia
1.3.2013 – 31.3.2014	In Japan (Note 5)
1.4.2014 – 31.7.2014	In Malaysia

#### Notes:

- 1 On a long vacation.
- 2 Attending to personal matters.
- 3 Attending a conference.
- 4 Sponsored by employer to attend a short course.
- 5 On a short vacation.

#### **Required:**

- (a) **State, with reasons, whether or not Mr Singh is a resident in Malaysia for all the relevant four years of assessment (indicating relevant sections of the Income Tax Act 1967).**

(8 marks)

- (b) **Robert was a tax resident in the basis year for the year of assessment 2013. His total income for the year of assessment 2013 is RM43,000.**

**Explain to Robert the tax advantages he would enjoy as a tax resident.**

(6 marks)

- (c) **If in a particular basis year (e.g. basis year 2013), an individual was never in Malaysia for even a single day, is there a possibility for that individual to be a resident for that particular basis year (i.e. basis year 2013)? Support your answers with reference to any relevant provision of the Income Tax Act.**

(6 marks)

**[Total: 20 marks]**

#### Question 4

Mr Sambar, born on 1/1/1959 and married to Puan Meenu who is 5 years younger than him. The following data is given in respect of Mr Sambar:

Mr Sambar, aged 55, retired as a manager in Kari Sdn Bhd on 30 Jun 2014. He had worked in Kari Sdn Bhd since 1 December 2002. During the year 2014, Mr Sambar received the following payments and benefits from the company:

1. Net monthly salary of RM7,700 after deducting EPF contribution of 11% and scheduler tax deduction of RM1,200.
2. Upon retirement, he received a gratuity of RM90,000.
3. Watch costing RM1,800 as an appreciation of his long service with the company.
4. A fully-furnished house was provided by the company for the period 1 January 2014 to 30 April 2014. The monthly rent of RM1,200 (including furniture of RM160) was paid by the company.
5. Dental surgery expenses for his child (Idli) of RM4,000.
6. A holiday package for him and his wife to Australia including:
  - (a) Air fares (includes insurance of RM3,000) RM13,000
  - (b) Hotel accommodation RM 11,000
7. He withdrew RM80,000 from the company's unapproved retirement fund of which RM40,000 represents his contributions.

On 1 August 2014, Mr Sambar was offered a post as a non-service director in Rasam Sdn Bhd with the following remuneration scheme:

- 1) Director fees of RM8,000 per month, ignore EPF contribution.
- 2) Entertainment allowance of RM3,000 per month.
- 3) Mr Sambar was provided with a mobile phone. The cost of all business calls were paid by the company.
- 4) A new company car costing RM220,000 was purchased and provided to Mr Sambar with a driver from 1 August 2014. Fixed cash fuel benefit also provided to him, at a cost of RM7,000.
- 5) For the month of August 2014, Mr Sambar was provided with accommodation in a hotel, with daily room rate of RM250, during his visit to the branch office in Kuala Lumpur as Mr Sambar refused to stay in a private house provided by the company. The company gave him RM500 per month for him to pay his house rental from November 2014.
- 6) The company also provided him with a servant and a gardener with a monthly salary of RM600 and RM500 respectively, effective from 1 September 2014.
- 7) Mr Sambar's wife, Puan Meenu is a housewife. The company paid for Puan Meenu's medical bill amounting to RM6,000 being treatment for her cancer disease and to purchase supporting equipment worth RM2,000.

Mr. Sambar made approved cash donations of RM22,000.

**Required:**

**Compute the statutory employment income of Mr Sambar for the year of assessment 2014. All the items listed in the questions must be presented whether they are taxable or not.**

(20 marks)

**[Total: 20 marks]**

**Question 5**

- (a) Miss Simmy a newly employed sales assistant is unsure of her duties and responsibilities of a taxpayer.

**Required:**

**List the duties and responsibilities of a taxpayer.**

(6 marks)

- (b) Certain period of absences are deemed as period of present under Section 7(1)(b) of the Income Tax Act 1967. **List these periods of absences.**

(4 marks)

**[Total: 10 marks]**

**(END OF QUESTION PAPER)**