# Chapter 10

# Tax Planning

## Chapter Objectives

Students must be able to:

- Explain the Scope of Charge to Malaysian Taxation
- Explain the Tax Treatment of Remittance Income
- Explain the Persons Chargeable to Tax
- Explain the Tax Treatment of Partnerships
- Identify the Different Classes of Income
- State the Meaning of 'Special Class of Income'
- Determine the Resident Status of Individuals
- Explain the Reasons for Determining Resident Status
- Demonstrate the Mechanics of Computing Chargeable Income
- Explain Gross Income, Adjusted Income and Statutory Income
- Identify the Deductions Available in Computing Aggregate Income and Total Income
- Identify All the Personal Relief Available to Resident Individuals
- Compute the Tax on Chargeable Income Using the Schedule 1 Tax Rates
- Identify the Tax Rebates Available to Resident Individuals
- Briefly Explain What Constitutes Employment Income
- Explain the Nature of Business Income
- Differentiate Assessment and Collection Procedures
- Note the Key Considerations in the Tax Administration
- Differentiate Between Tax Audits and Tax Investigations
- Identify Basic Tax Planning Opportunities.

# Chapter 10

# Tax Planning

## Introduction

Tax planning is a vital component in financial planning. The author believes it is grossly under utilized. Malaysia has a very reasonable tax regime. The tax system is very basic and principally the tax is territorial in scope. With the exemption of remittance income from tax in Year of Assessment 2004 the stage is set for Malaysians to venture abroad and not worry about Malaysian tax on income earned overseas and remitted to Malaysia. However 4 types of businesses namely banking, insurance, shipping and air transport business are subject to world income scope. They are the only businesses that will suffer tax on remittance income.

Knowledge of tax is important because it is one of the key areas of concern for clients. High net worth individuals state tax reduction as one of their key objectives. Malaysia does not have capital gains tax. Neither does it have an estate duty. Gifts are not taxed like in other countries. Malaysia is a capital gains haven with plenty of incentives for entrepreneurship in the information, communication and technology areas and other technical areas including agriculture. Tax has been used as an incentive to draw foreign direct investments.

However, in financial planning the focus of tax planning is usually with individuals and their enterprises. Tax planning as a discipline requires you to understand how tax is computed. Only when you understand the tax computation process will tax planning opportunities be realized. Therefore any book on tax planning will only make sense if you have the overall framework of how tax is computed. This subject is covered in more detail in Module 4. In module 1 the subject is introduced as an overview for students to come to grip with it later. So rather than cover it in detail only important principles of tax computation will be presented.

## Why Study Taxation?

- Taxation affects almost every aspect of our life. Why is that?
- Taxation is a tax on our income or gains or goods and services, which we consume. It involves cash and therefore affects our disposable income.
- Money is in the middle of everything; it is the medium of exchange, a store of value and a unit of account. Therefore it affects everything and everyone.
- Knowing our tax system will allow us to pay our due taxes but at the same time allows us to pay no more than what is required by law.

## What is the Focus of this Tax Planning chapter?

- Income taxation is the focus of this chapter. There are many other types of taxes. We conveniently classify them as Direct taxes and Indirect taxes.
- Indirect taxes refer to the tax on goods and services and taxes, which are administered by The Customs and Excise Department.
- It is not a tax on income but on imports, exports, manufacturing output and consumption of goods and services.
- It is usually based on an ad valorem (fixed percentage) rate and therefore involves little explanation or study

## The Income Tax Act 1967

- The Income Tax Act will form the basis of tax computation.
- It will tell us when to pay and how much to pay.
- How tax is computed
- Tax rates
- Tax relief and tax credits
- Tax exemptions

## Scope of Charge

The very first thing we need to understand is the scope of charge as delineated under section 3.

- It states: a tax to be known as income tax shall be charged for each year of assessment upon the income of any person accruing in or derived from Malaysia or received in Malaysia from outside Malaysia.

**The key concepts contained in section 3**

- This is an income tax
- Income tax is paid each year of assessment
- The tax is on the income of any person
- The income to be taxable must accrue in Malaysia or be derived from Malaysia.
- The phrase Received in Malaysia from outside Malaysia is still contained in section 3.

The first terminology to be understood is the word Year of Assessment. All technical definitions are contained in section 2 of the Act. Year of Assessment is defined as the calendar year. Therefore this is the year of assessment 2008, calendar year 2008. The next question would be, income of which year is taxed in year of assessment 2008. You get the answer in section 20 and 21. The income of which year refers to the 'basis year'. The basis year for year of assessment is also the calendar year coinciding with the year of assessment. This means the basis year for 2008 is calendar year 2008. This is the meaning of the term 'current year' basis of taxation.

## Remittance Income

Schedule 6 states all the income which is exempted under the Act. In this schedule remittance income has been exempted. Paragraph 28 states:

- ***Para 28(1): without prejudice to the provisions of section 130, income of any person, other than a resident company carrying on the business of banking, insurance or sea or air transport, for the basis year for a year of assessment derived from sources outside Malaysia and received in Malaysia.***

## Tax Entity

It is important to know who the taxpayer is. In section 3 the tax is upon any 'person' who derives income from Malaysia. Section 2 defines the meaning of 'person'.

### The meaning of 'person'

- A person in the Act "includes a company, a body of persons and a corporation sole."
- A 'company' means a body corporate and includes any body of persons established with a separate legal identity by or under the laws of a territory outside Malaysia.
- A 'body of persons' means an unincorporated body of persons (not being a company), including a Hindu joint family but excluding a partnership.
- An individual is a natural person.

### Any Person

- It is important to note that under section 3 any person is taxable if they derive income from Malaysia.
- It is immaterial if they are citizens or non-citizens, resident or non-resident.
- And as defined a person includes artificial persons like a company or a body of persons like an association, club or society.
- So to be taxable in Malaysia it does not matter who or what you are as long as you have income derived from Malaysia.

## Partnerships

- A major point to note here is that a partnership is not a taxable entity.
- Partners in a partnership are taxed as individuals having a business source like sole proprietors.
- Taxation of Partnerships is covered under sections 55 to 59 of ITA 1967.

The importance of partnerships will be realized in tax planning when the possibility of income shifting is discussed.

## Sources of Income

The next big step in taxation is to classify the different types of income.

A person can have one or more sources of income.

Section 4 of the Act outlines the various classes of income.

- 4(a) refers to Gains or profit from a business, for whatever period of time carried on
- 4(b) refers to Gains or profits from an employment
- 4 (c ) refers to Dividends, interest or discounts
- 4(d) refers to Rents, royalties or premiums
- 4(e) refers to Pensions, annuities or other periodical payments not falling under any of the foregoing paragraphs
- 4(f) refers to Gains or profits not falling under any of the foregoing paragraphs.

The classification of income is important because of the tax treatment for the different types of income. There are specific provisions in the Act relating to each of the different types of income.

## Special Class of Income

- Non-resident persons have a special class of income that is chargeable to tax.
- It is called, ‘4A Special Class of Income’
- It includes amounts paid in consideration of services rendered by the person or his employee in connection with the use of property or rights belonging to, or the installation or operation of any plant, machinery or other apparatus purchased from such person;
- Amounts paid in consideration of technical advice, assistance or services rendered in connection with technical management or administration of any scientific, industrial or commercial undertaking, venture, project or scheme;

- Rent or other payments made under any agreement or arrangement for the use of any moveable property.

## The Tax to be Charged

- Income tax is computed on the basis of "Chargeable Income" of a person.
- There is a precise methodology to follow to compute the chargeable income of a person.
- The tax rates applicable to chargeable income are dependent on whether the person is resident or non-resident.
- Tax rates are specifically detailed under Schedule 1 of ITA 1967.

## Persons Chargeable to Tax

Tax collection is a very important subject although everyone focuses on the assessment of tax. There are situations where it is not clear who is responsible for paying tax, especially when bodies or associations are involved. The Act spells out the person chargeable to tax under section 66 and 68.

- Section 66: Where under this Act the income of any person is assessable and chargeable to tax, that person shall, subject to this Part, be the person assessable and chargeable to tax in respect of that income.
- Section 68: The Director General may if he thinks fit, by notice in writing appoint any person to be the agent of any other person for all or any of the purpose of this Act, and, where any person is so appointed for all those purposes, he shall be assessable and chargeable to tax on behalf of that other person.

## Why Study Resident Status of Individuals?

We understood from section 3 that any person is chargeable to tax as long as he has income derived from Malaysia. Therefore a question could be posed as to why study the residence status. There are several reasons why we need to know the residence status of an individual.

1. The first is the availability of **'Personal Relief'** to deduct against Total Income in arriving at the Chargeable Income. Tax is computed on the Chargeable Income of a person. Personal Relief refers to the deduction for self, spouse and children expenses, medical, insurance and provident fund contributions.

2. The second is **the tax rate** that is applicable to a resident individual. Resident individuals are entitled to be taxed at the **scale rates of tax**. The scale rates of tax are gradual rates of tax that start at 0% and moves up in stages to the highest rate of 28%.

- There was a third important reason for establishing the resident status – to determine the taxability of remittance income. Prior to YA2004 resident individuals were taxable on remittance income. With the revision to Paragraph 28 Schedule 6 the scope of taxation has changed.
- A resident individual is entitled to a rebate of RM350 for himself and another RM350 for his spouse if his Chargeable Income is less than RM 35,000. This rebate, which is deducted from the tax payable, is only available to residents. Non-residents are not entitled to this rebate.
- Resident individuals are taxed at a favourable rate of 5% on interest income from deposits placed with Malaysian banks, finance companies and other approved deposit-taking companies or persons. This is in the form of a withholding tax by the banks. They will retain the 5% and hand it over to the Inland Revenue Board.
- Interest income in the main is exempted under various exemption orders. However, when taxable the 5% applies to resident individuals. Interest on deposits of less than RM 100,000 and on deposits of 12 months or more is exempted.
- Paragraph 33 of Schedule 6 exempts non-residents from any tax on interest income from banks and finance companies.

## Company Resident Status

We also need to study the residence of companies. The main reason is to determine whether the income is derived from Malaysia.

- Dividends are derived from Malaysia if a Malaysian resident company distributes the dividends.
- Under section 13(2) of ITA 1967 directors' fees are derived from Malaysia if a Malaysian resident company pays them. Even if the director is not resident in Malaysia he is taxable in Malaysia because he has a Malaysian derived employment income.
- If an individual is employed in a ship or aircraft operated by a person who is resident in Malaysia then the employment income is derived from Malaysia. However, Paragraph 34 of Schedule 6 exempts the income of an individual derived from exercising an employment on board a Malaysian ship.
- Under section 108 a resident company is required to deduct tax at the corporate tax rate on dividends distributed unless the dividends are exempted. With effect from Year of Assessment 2008 Malaysia has moved to the single tier company tax system. Company dividends are now taxed at only the corporate tax level and individuals no longer need to report their dividend income. This means they now forfeit their section 110 set-off of tax paid by the company under the tax imputation system. There is a transition period of 6 years for companies to claim their section 108 tax credit available. After this period all tax credits available is lost.
- Only resident companies involved in banking, insurance, shipping or air transport is subject to taxation on a world income scope. A non-resident bank or insurance company will not be subject to this world income scope. They will only pay tax on income derived from Malaysia.

## The Mechanics of Computing Resident Status

The provisions relating to computing residence status of individuals is set in section 7 of the Act.

### S7(1)(a) - 182 Days test

This is the main provision. It states that if, ‘he is in Malaysia in that basis year for a period or periods amounting in all to 182 days or more, he will be resident for that basis year.

### S7 (1)(b) - Less Than 182 Days

To be a tax resident under section 7(1)(b), he is in Malaysia in that basis year for a period of less than 182 days and that period is linked by or to another period of 182 or more consecutive days throughout which he is in Malaysia. The linking period applies to both the immediately preceding year and the immediately following year.

### Temporary absences for Section 7 (1) (b)

A proviso to Section 7(1) (b) provides that certain temporary absences are allowed for ascertaining “the 182 or more consecutive days throughout which he is in Malaysia”.

- The temporary absences must be for the following reasons:
- connected with his service in Malaysia and owing to service matters or attending conferences or seminars or studies;
- owing to ill-health involving himself or a member of his immediate family; and
- in respect of social visits not exceeding 14 days in aggregate.

### S7 (1)(c) - 90 Days in the relevant year and in 3 out of 4 Preceding Years

He is in Malaysia in that basis year for a period or periods amounting in all to 90 days or more, having been with respect to each of any three of four years of assessment immediately preceding the particular year of assessment, either

1. Resident in Malaysia or

2. In Malaysia for a period or periods amounting in all to 90 days or more.

### S.7(1)(d) – not in the country rule

This last rule is unusual in that an individual can still be regarded as a tax resident even if he is entirely absent from Malaysia for the whole of the calendar year in question.

This arises when the individual has been a tax resident in Malaysia for the 3 immediately preceding years and is also a tax resident in the following year of assessment.

For Companies and bodies of persons: Section 8 applies

If management and control of the business or its affairs are exercised in Malaysia, then it is resident in Malaysia. Management and control of a company is exercised by the Board of Directors. Therefore where the directors hold their board meetings is deemed evidence of management and control being exercised in Malaysia.

## Computing Chargeable Income

- There is a precise methodology to compute the chargeable income of a person.
- It does not matter if he/she has numerous sources of income or the type of income. They follow a certain order of computation. It is best to start with business income.

### Business income from sole proprietorship or Partnership

**Gross Income** (Start with Net Profit)
Less: **Allowable expenses**, Double deductions, Special deductions
Add: **Not allowable expenses** (based on the provisions of the Act)

**Adjusted Income**
Add: Balancing charge
Less: Capital allowances,
Less: Balancing allowances

**Statutory Income from business**
**Add other statutory income from business**
Less: **previous year business losses**, reinvestment allowances
Add: Recoveries
Add: Other **non-business statutory incomes**
(**Employment dividend, rent, pension**)

**Aggregate Income**

Less: **current year business losses**
Less**: trust annuity**
Less: **approved donations** (restricted to 7% of aggregate income)

**Total income**
Less: **personal relief** for resident individuals

**Chargeable income**

Apply **tax rates** to arrive at tax payable

Deduct: **tax rebates**
Dividend set-off
Double tax relief
**Tax payable**

This is the format for computing tax payable. This format must be thoroughly understood by students. Knowing this tax format allows you to conceptualize some tax planning opportunities.

## Section 5, Income Tax Act 1967

The authority on how to compute the chargeable income is contained in the provisions of section 5 of the Act.

The chargeable income of a person, upon which tax is chargeable for a year of assessment shall be ascertained in accordance with Section 5 of ITA 1967 as follows:

a) First, the basis period for each of his sources of income for that year of assessment shall be ascertained.

b) next, his Gross Income from each source for the basis period for that year of assessment, shall be ascertained

c) Next, his Adjusted Income from each source for the basis period for that year of assessment. shall be ascertained

d) Next, his Statutory Income from each source for that year of assessment. shall be ascertained

e) Next, his Aggregate Income and Total Income for that year of assessment. shall be ascertained

f) Next his Chargeable Income for that year of assessment, shall be ascertained

## Proviso to Section 5, ITA 1967

The proviso to section 5 states that, …in ascertaining the chargeable income of an individual resident in Malaysia, there shall be **excluded the income consisting of interest accruing in or derived from Malaysia** and received from persons referred to under section 109C (e.g. a bank or finance company) in respect of interest paid or credited to that individual. It will be noted that such interest will be taxed at 5% and deducted at source. **Interest income received by companies is not included** in the above and will be taxed as a separate source at the prevailing corporate tax rate.

Summary of the various category of income referred to in the computation of Chargeable Income

## Gross Income

This is the most important category. There are specific provisions in the ITA 1967 that outlines what constitutes Gross Income for business, employment, dividends, interest, rent, royalties, pension and other classification of incomes outlined in section 4. For each class of income we have to explore the various sections to identify Gross Income.

## Adjusted Income

The adjusted income from each source of income for the basis period for a year of assessment is the Gross Income from each source reduced by expenditure wholly and exclusively incurred in the production of that gross income. Expenditure, which qualifies for deduction, must be revenue in nature. In addition, it should be expenditure, which is not specifically disallowed under section 39 of the ITA 1967. A basic example would be domestic or private expenditure and capital expenditures

## Statutory Income

This is a description of income, which is peculiar to income taxation only. The key issue here is about allowance for capital expenditure. Section 39 specifically disallows capital expenditure in arriving at the Adjusted Income of the person. In normal accounting, capital expenditure is depreciated over the economic life of the asset or following some accounting rules. The ITA however does not allow capital expenditure and specifically disallows depreciation as it is regarded as a provision only. A provision is not an expense incurred in the production of income.

Therefore under the ITA 1967, under schedule 3, capital allowances are allowed for qualifying capital expenditure. Only a business source is entitled to capital allowances. The capital allowances are separately calculated for each source and allowed against Adjusted Income in arriving at Statutory Income.

## Aggregate Income

The 'aggregate income' of a person for a year of assessment consists of: -

a) The aggregate of his statutory income from business, reduced by an amount of brought forward business loss,

b) The aggregate of his other sources of income; and

c) Any additions falling to be made under Schedule 4 or 4A.

## Total Income (Section 44)

The total income of a person shall consist of the amount of his aggregate income for the year of assessment reduced by deductions allowed under Section 44 in the following order: -

a) Adjusted loss from a business source for the basis period;

b) Abortive prospecting expenses under Schedule 4;

c) Certain pre-operating expenses incurred in respect of an approved business venture outside Malaysia under Schedule 4B.

d) Section 44(6) - Approved donations

## The Personal Relief Available to Resident Individuals

| | | |
|---|---|---|
| Self | | 8,000 |
| Medical expenses for parents (max) | | 5,000 |
| Medical expenses for taxpayer, spouse and children on serious diseases (including RM500 for medical examination expenses) | | 5,000 |
| Disabled person | Taxpayer | 6,000 |
| | Spouse | 3,500 |
| Supporting equipment for disabled member of family | | 5,000 |
| Wife – has no total income or elects for combined Assessment | | 3,000 |
| Children –each child below 18 years | | 1,000 |
| Local college 4 * 1000 | | 4,000 |
| Overseas education 4 * 1000 | | 4,000 |
| Life insurance premiums/EPF | | 6,000 |
| Insurance premiums for education or medical Benefit | | 3,000 |
| EPF annuity or insurance scheme | | 1,000 |
| Fees for acquiring technical, vocational, industrial, scientific or technological skills, law and accounting | | 5,000 |
| Purchase of books, journals, magazines for family | | 1,000 |

### Personal Relief

- Personal relief is often and regularly amended in the Budget. Therefore it is necessary to keep up with the changes to the ITA during the Budget announcement by the Finance Minister in September or October each year.
- The rebate of RM 500 that is given for the purchase of personal computer will be amended to a Personal relief of RM 3,000 every three years, from Year of Assessment 2007 onwards.
- The relief for books and magazines has been increased to RM 1,000 from Year of Assessment 2007

## Schedule 1 – Rates of Tax for Resident Individuals

| **Chargeable income** (RM) | **Tax Rates** (%) | **Tax Payable** | **Cumulative Tax (RM)** |
|---|---|---|---|
| 1to 2,500 | 0 | 0 | |
| 2,501to 5,000 | 1 | 25 | 25 |
| 5,001 to 20,000 | 3 | 450 | 475 |
| 20,001 to 35,000 | 7 | 1,050 | 1,525 |
| 35,001 to 50,000 | 13 | 1,950 | 3,475 |
| 50,001 to 70,000 | 19 | 3,800 | 7,275 |
| 70,001 too 100,000 | 24 | 7,200 | 14,475 |
| 100,001 to 250,000 | 27 | 40,500 | 54,975 |
| Above 250,000 | 28 | | |

Corporations, trusts and non-resident individuals pay tax at a flat rate of 28%.

Small and medium scale companies with paid-up capital of 2.5 million and below pay tax at the rate of 20% on the first RM 500,000 chargeable income. The corporate tax rate of 26% will apply for chargeable income above RM 500,000 in the year of assessment 2008.

## How do We Use the Tax Schedule?

1. If we are to calculate the tax payable for a Chargeable Income of RM 65,000, we will do the following:

2. We will go to column one and see in which tax bracket RM 65,000 falls in. In this case it is the sixth bracket, which says 50,001 to 70,000.

3. We then go to the fifth bracket and column 4 and take the cumulative tax payable. This is the tax payable up to chargeable income of 50,000. In this case it is RM 3,475

4. We then take the difference of 65,000 and 50,000 and apply the tax rate for the sixth bracket found in the second column. In this case it is 19%. Therefore we take 19% of RM 15,000 which gives us RM 2,850

5. The tax payable will be the addition of the two figures 3,475 and 2,850, which gives us RM 6,325. This is the tax payable for a Chargeable Income of RM 65,000.

## Other Tax Rates

- Small-scale company – 20% on the first RM 500,000 chargeable income and 26% thereafter from year of assessment 2008.
- Co-operative societies have their own tax rate structure.
- Non-resident persons who derive income from interest derived from Malaysia which are not exempt will be taxed at 15% and will pay a tax of 10% on royalty derived from Malaysia. The tax rate on payments to non-resident public entertainers is 15%. The tax on Special Class of income is 10%.

## Tax Rebates

- Tax rebates are given as a direct set-off against taxes payable. They are therefore different from Personal Relief, which is a deduction from Total Income. Rebates directly reduce taxes. There are three common rebates.
- A Basic Rebate of RM 350 each to taxpayer and wife if the Chargeable Income of the taxpayer is less than RM 35,000.
- Rebate for Zakat and Fitrah or any other Islamic religious dues which is obligatory, paid in the year, evidenced by receipt by appropriate religious authority.
- Rebate of RM 500 to an individual for the purchase of personal computer once in five years. This rebate has now been converted into a personal relief for computers of RM 3,000 once every three years. For higher tax bracket taxpayers this would be a better benefit.

## Bilateral Credit under Double Tax Agreements

- Bilateral credit is available only if you are resident in Malaysia for that year of assessment
- Malaysian tax payable is reduced by the amount of the bilateral credit
- Bilateral credit is limited by : Malaysian tax payable * Foreign income/Total Income
- Bilateral credit cannot exceed the total Malaysian tax payable.
- Bilateral credit must be claimed within two years of the relevant year of assessment
- Where there is no DTA the taxpayer is entitled to unilateral tax relief. The relief is calculated the same way as in the bilateral credit calculation but is limited to half the foreign tax payable.
- Malaysia has signed DTAs with over 61 countries to date and is continuing to sign more and even new agreements with existing countries.

## Computation of Gross Income

- Special provisions exist for the computation of gross income under the Income Tax Act 1967.
- For each source there is first the recognition of what constitutes gross income.

- The Gross Income must be accrued or derived from Malaysia. Special derivation rules exist for each source of income
- Next the income is adjusted according to the provisions in the Act. The main provisions are contained in Section 33 and Section 39.

## Employment Income – Key Considerations

- Computation of Gross, Adjusted and Statutory Income.
- Review the many provisions in the Act.
- Five categories of gross income
- Special guidelines and Public Rulings issued by Inland revenue Board
- Basis periods
- Case laws that have a bearing on many issues relating to employment income.

## Business Income – Key Considerations

- Numerous provisions in the Act to compute Gross, Adjusted and Statutory Income
- Derivation rules.
- Basis periods
- Allowable deductions
- Capital allowances
- Treatment of business losses
- Case laws relating to allowable expenses like repairs
- Public Rulings of IRB

## Investment and Other Passive Income – Key Considerations

- Provisions in the Act relating to investment income
- Derivation rules
- Basis periods
- Gross income
- Allowable deductions
- Interest restriction
- Special exemptions and relief
- Case laws

## Tax Administration – Key Considerations

- Previous tax administration system
- Current self-assessment system
- Compliance procedures
- Collection procedures
- Offences and penalties
- Persons Responsible
- Tax collection by other parties
- Withholding tax

## Tax Investigations and Audit – Key Considerations

- IRB procedures to ensure compliance
- Investigation process and techniques
- Basis of audits
- Types of audit
- Settlement procedures
- Fines and penalties
- Record-keeping guidelines

## Tax Planning – Key Areas

- Business tax planning
- Employment remuneration packaging
- International tax planning
- Canons of tax planning
- Challenge by IRB
- Appeal procedures

## Conclusion

It can therefore be observed that tax is truly an extensive course of study. One chapter or even one module will not be enough to address its various areas. Not only is tax a complex subject it also changes every year. Every Budget day we see numerous changes to the various provisions of the Act. The detail study of the different types of income especially business and employment is reserved for the tax module 4. This chapter only outlines the length and breadth of this very difficult but absorbing subject. I hope you are all looking forward to digging your teeth into this subject in module 4.

# Self Assessment

1. The scope of charge under section 3 of the ITA 1967 has the following important criteria except:

   A. Only income is taxable

   B. Only persons who are resident are taxable

   C. Income must be derived from Malaysia to be taxable

   D. Income received from outside Malaysia is within the scope of charge

2. Which of the following incomes are taxable under the ITA 1967?

   A. rent received by Ahmad from his property in Hong Kong

   B. dividends received by Gurmit Singh from his shareholdings in HSBC, Hong Kong

   C. Income earned by Air Asia in Bangkok

   D. Annuity income received from England by Mr. Pereira of Ipoh, Perak

3. Bala's resident history is as follows. He is resident in Malaysia by virtue of section?

   In Malaysia from 1st March 2007 to June 30th 2007. He returned to Malaysia from his secondment in Dubai on October 10, 2007. He left again for Dubai on 11th of November and returned on 24th of December 2007. He has been resident in Malaysia for the years 2004, 2005 and 2006.

   A. Section 7(1) (c)

   B. Section 7(1) (a)

   C. Section 7(1) (b)

   D. He is non-resident for YA 2007

4. The resident status of an individual is important for the following reasons except:

   A. To determine the taxability of remittance income

   B. To be entitled to personal rebates

   C. To be entitled to personal relief

   D. To be taxed at the scale rates of tax

5. The following are personal relief available to a resident individual, except:

   A. Self relief of RM 8,000

   B. Zakat and Fitrah as per receipts shown

   C. Child relief of RM 1,000 per child

   D. Computer relief of RM 3,000 every three years

6. Which of the following statement(s) is/are true?

   I Combined assessment gives an additional relief of RM 3,000 for wife

   II Separate assessment is better than combined assessment because of the scale rates of tax.

   A. I only

   B. II only

   C. Neither

   D. Both

7. Compute the tax payable for an individual resident who has a chargeable income of RM 68,000. Assume that he is single.

   A. RM 12,920

   B. RM 6,895

   C. RM 11,400

   D. RM 5,375

8. Which of the following is the correct sequence in computing Total Income?

   A. Gross income – Adjusted income – Statutory income – Total Income

   B. Statutory income – Aggregate Income – Chargeable income – Total income

   C. Adjusted income - Statutory Income – Aggregate income – Total income

   D. Gross income – Adjusted income – Aggregate income – Total income

9. All of the following are Collection matters except:

   A. Submission of estimated income tax

   B. Raising of penalty for late payment

   C. Scheduler Tax deduction

   D. Submission of Tax returns

10. Which of the following statements is true?

   A. Self-assessment means we compute the tax payable by ourselves

   B. The basis year for year of assessment 2007 is 2006.

   C. The preceding calendar year is the basis year for a year of assessment

   D. Self-assessment requires us to pay the tax in the following year

Answers: 1- B, 2- C. 3- A, 4- A, 5- B, 6- D, 7- B, 8- C, 9- D, 10- A.