MIA QUALIFYING EXAMINATION
STUDY GUIDE

TAXATION

NO	CONTENT	LEVEL OF KNOWLEDGE

1	**An Introduction to the Malaysian Tax System**
	- The scope of income tax
	  o Territorial basis
	  o Derived and remittance basis
	  o World income basis
	- The objectives of taxation
	  (such as raising revenue to finance government expenditure and to regulate the distribution of income between different types of taxpayers.)
	- Type of direct taxes
	  o Income Tax
	  o Real Property Gains Tax
	- Type of indirect taxes
	  o Sales Tax
	  o Service Tax
	- Basis year, basis period and year of assessment
	  o Preceding year basis
	  o Current year basis
	- The tax rates and tax assessment system
	  o Scale rate
	  o Flat rate
	  o Official system
	  o Self-assessment system
		A

2	**Tax Administration – Assessment and Collection**
	- The organisational structure of Inland Revenue
	  o Power and authority of the Director General of the Inland Revenue Board
	- Type of return forms and statements
	  o EA, EC, B, M, C, C1, P,E, etc.
	- Filing of tax returns and collection of taxes
	  o Due date, payment of tax, penalties
	- Self- assessment system
	  o Individuals
	  o Companies
	  o Partnerships and others
	  o Features of self-assessment
		A

	- Right of appeal
	  o Forms
	  o Procedures
	  o Time limit
	- Responsibility of taxpayers and employers
	  o Submission of return
	  o Payment of tax liability
	  o Schedular Tax Deduction (STD)
	- Tax audits and tax investigations
	  o Meaning of a tax audit and a tax investigation
	  o Differences between tax audits and tax investigations	

3	**Basis of Assessment**
	- Commencement of business, determination of basis period, change of accounting date, cessation of business
	- The effect of a change of accounting date on a going concern business
	- Basis periods and change of accounting date
	  o Accounting period ending on 31 December
	  o Accounting period ending on non-31 December
		A

4	**Principles of Taxation**
	- The distinction between trade and non-trade activities
	  o Definition of profession, vocation, adventure in the nature of trade
	  o Badges of Trade
	- Revenue and capital receipts
	  o Differences between both type of receipts
	- Format of arriving at chargeable income
	  o Adjusted income
	  o Statutory income
	  o Aggregate income
	  o Total income
	  o Chargeable income
		A

5	**Personal Taxation**
	- Scope of charge
	  o Accrual
	  o Derivation
	  o Receivable
	  o Remittance
		A

	- Importance and determination of residence status
	  o Section 7 (1) (a) to (d)
	  o Meaning of temporary absence
	  o Advantages and disadvantages of being a resident individual	

6	**Employment Income**
	- Definition of employment
	  o Master and servant relationship
	  o Distinction between employment and profession
	- Basis of assessment
	  o Calendar year basis
	- Allowable deductions
	  o Section 33, etc.
	  o Wholly and exclusively incurred
	- What constitutes gross income
	  o Section 13(1)(a) – cash items
	  o Section 13(1)(b) – benefit-in kind
	  o Section 13(1)(c) – living accommodation
	  o Section 13(1)(d) – contributions to unapproved funds
	  o Section 13(1)(e) – compensation for loss of employment
	  o Inland Revenue Board public rulings
	- Exemptions and deductions
	  o Gratuity
	  o Dental treatment
	  o Medical expenses
	  o Leave passage (domestic and overseas)
	  o Compensation for loss of employment
	  o Differences between allowances and disbursements
	  o Others
		A

7	**Non-Business Sources of Income**
	- Dividend income
	  o Gross and net income
	  o Source of dividend income (Malaysian and foreign derived income)
	  o Basis of assessment
	  o Deduction at source
	  o Types of exempt dividends
	  o Treatment of foreign dividends
	  o Deductible expenses
	- Interest income and Discounts
	  o Source of interest income
	  o Withholding tax on interest received by resident individuals
		A

	○ Withholding tax on non-residents ○ Taxable interest and exempt interest ○ Tax at source ○ Basis of assessment ○ Deductible expenses - Rental and Premium income ○ Gross and adjusted income from rental/premiums ○ Exemptions ○ Basis of assessment - Royalty income ○ Adjusted income ○ Sources of royalty income ○ The exemptions under Schedule 6 ○ Basis of assessment - Pensions, annuities and other periodical payments ○ Sources of income ○ Basis of assessment ○ Adjusted income ○ Exemptions available	
8	**Computation of tax liability** - Reliefs ○ Types of reliefs ○ Conditions for claiming reliefs ○ Computation of reliefs - Rebates ○ Types of rebates ○ Conditions for claiming rebates ○ Computation of rebates - Computation of chargeable income ○ Application of the tax rates for resident and non-resident individuals ○ Computation of the tax liability of individual taxpayers	**A**
9	**Business/Corporate Taxation** - Determination of the residence status of a company ○ Section 8 ○ Meaning of management and control ○ Board of Directors meetings - Expenditure ○ Allowable ○ Non-allowable ○ Double deductions ○ Specific deductions	**A**

	- Incorporation expenses
	  o Paid-up capital more than RM2.5 million
	  o Paid-up capital of not more than RM2.5 million
	- Computation of chargeable income
	  o Adjusted income
	  o Statutory income
	  o Aggregate income
	  o Total/Chargeable income
	- Computation of tax liability
	  o Application of the tax rates (20% and 28%)
	- Imputation system for corporations – Section 108
	  o Compared Aggregate
	  o Compared Total
	  o Credit balance
	  o Section 108 (8) shortfall
	  o Penalties	

10	**Capital Allowance on Plant, Machinery and Industrial Buildings**
	- Plant and Machinery
	  o Definition of Plant and Machinery
	  o Definition of Qualifying Plant Expenditures
	  o Type of capital allowances – Initial allowance, Annual allowance, Notional allowance
	- Conditions for claiming capital allowances
	  o New Plant and Machinery
	  o Used Plant and Machinery (Para 2A and 2C)
	- Rate of capital allowance
	  o Initial allowance
	  o Annual allowance
	  o Computation of residual expenditure
	- Cars as plant and machinery
	  o Licensed as commercial vehicles
	  o Licensed as non-commercial vehicles
	  o Restriction of qualifying expenditure
	- Method of acquisition
	  o Cash
	  o Hire-purchase
	- Balancing adjustments
	  o Computation of balancing charge
	  o Computation of balancing allowance
	- Disposal of assets
	  o Disposal within two years of acquisition
	  o Disposal after two years of acquisition
		B

	- Controlled Transfers
	  o Meaning of controlled transfer
	  o Conditions for application of controlled transfer rules
	  o Computation of capital allowances
	  o The effect of controlled transfers
	- Industrial Building
	  o Definition of an industrial building
	  o Buildings deemed as industrial buildings
	  o Definition of qualifying building expenditure
	  o Type of capital allowances
	- Conditions for claiming capital allowances
	  o Constructed building
	  o Purchased building
	- Balancing adjustments
	  o Computation of balancing charge
	  o Computation of balancing allowance
	- Disposal of assets
	  o Disposal within two years of acquisition
	  o Disposal after two years of acquisition	

11	**Agriculture/ Forest Allowances**
	- Meaning of qualifying expenditure
	  o Allowances for agriculture
	  o Allowances for forest
	  o Computation of allowances
	- Meaning of disposals
	  o Disposal less than ten years
	  o Disposal more than ten years
	  o Agriculture charge
	  o Forest charge
	  o Spreading back of charges
		B

12	**Mining/ Prospecting Expenditures**
	- Meaning of qualifying prospecting expenditure
	  o Treatment of prospecting expenditure
	  o Effect of disposals/ recoveries
	- Meaning of qualifying mining expenditure
	  o Computation of mining allowances
	  o Effect of disposals/ recoveries
	  o Election for spreading back mining allowances
		B

13	**Investment Incentives**
	- Incentives under Promotion of Investments Act 1986
	  o Pioneer status
	  o Investment Tax Allowance
	  o Export incentives
		B

	○ Infrastructure Allowance ○ Double Deductions expenses ○ Other incentives available - Incentives under Income Tax Act 1967 ○ Reinvestment Allowance ○ Double Deductions ○ Approved Service Projects ○ Other special deductions including acquisition of proprietary rights and acquisition of a foreign company ○ Other incentives / exemptions (including operational headquarters, regional distribution centres and regional procurement centre) - Labuan Offshore International Financial Centre ○ Trading and non-trading activities ○ Tax rates applicable ○ Exemptions given • The nature of each incentive • Explain the circumstances in order to qualify for each incentive • Calculate the exempted /abated income • Explain other fiscal incentives related to the incentives • Explain the nature and purpose of the tax exempt account	
14	**Withholding Tax** - The scope of withholding taxes ○ Types of income (royalty, special classes of income, interest, contract payments and public entertainer) ○ Rates of tax applicable to each type of income ○ Basis of derivation - Responsibilities of the payer ○ Time limit for the payment of withholding tax ○ Implications for non-compliance ○ Penalties for non-compliance - Exemptions available ○ Conditions to be fulfilled ○ Type of income affected	**B**
15	**Indirect Taxes (Sales Tax and Service Tax)** - Sales Tax ○ The scope of charge ○ Taxable person (manufacturer and importer of taxable goods) ○ Taxable goods ○ Exemptions available	**B**

	- Responsibilities of taxable person
	  o Licensing requirements
	  o Filing of tax returns
	- Payment of sales tax
	  o Rate of tax
	  o Taxable period
	  o Determination of sales value
	  o Computation of sales tax
	  o Due date for payment
	  o Penalties for non-compliance
	- Service Tax
	  o The scope of charge
	  o Taxable services
	  o The threshold limit for service tax
	  o Information that must be stated on a service tax invoice
	  o Exemptions available
	  o The valuation of taxable goods/taxable services in determining the service tax chargeable
	- Payment of service tax
	  o Filing of tax returns
	  o Rate of tax
	  o Taxable period
	  o Determination of service value
	  o Computation of service tax
	  o Out-of-pocket expenses
	  o Due date for payment of tax
	  o Penalties for non-compliance	

16	**Cross Border Activities**
	- The objectives of double taxation agreements
	  o Reducing the burden of double taxation
	  o Double taxation agreements i.e. main articles in such agreements
	  o The standard format of a double taxation agreement
	- 'Trading in' or `Trading with' Malaysia – distinction and effect
	- Permanent Establishment and other Aspects
	  o Meaning of permanent establishment
	  o Deemed permanent establishment
	  o Taxation of employees and exemptions
	  o Explain the effect of the conflict between the tax rate in domestic tax legislation with that in the double taxation agreement
		B

	- Conditions for double tax reliefs
	  o Bilateral relief – Section 132
	  o Unilateral relief – Section 133	

17	**Partnerships**
	- Definition of partnership
	  o Partnership agreement
	  o Different types of partners
	- Factors in determining the existence of a partnership
	  o Sharing of profit and loss
	  o Contribution of capital
	  o Sharing of skills and responsibilities
	- Computation of total income of partners
	  o Provisional adjusted income
	  o Divisible income
	  o Different situations including a change in partnership's accounting dates, change in profit sharing ratios, retirement or admission of partners.
		B

18	**Deceased Persons, Estate and Trust Bodies**
	- Estate under Administration
	  o Basis of assessment
	  o The tax treatment of a deceased individual and executor
	- Domicile status
	  o Domiciled
	  o Non-domiciled
	  o The significance of domiciled status
	- Computation of the chargeable income of a deceased person (or an estate under administration)
	  o Basis of apportionment for income
	  o Deceased individual
	  o Executor
	- Trust Bodies
	  o Types of trust bodies
	  o Discretionary trust
	  o Non-discretionary trust
	  o Mixed trust
	  o Trust for accumulation
	- Computation of total income of a trust body
	  o Difference between distributable income and total income
	  o Tax rates applicable
		B

	- Computation of income tax payable by beneficiaries
	  o Ordinary source
	  o Further source
	  o Annuities
	  o Section 110(8) set-off	

19	**Specialised Industries**
	  o Scope of charge (world,territorial etc.)
	  o Basis of assessment
	  o Derivation
	  o Calculation of the income tax payable
	  o Adjusted income
	  o Statutory income
	  o Aggregate income
	  o Total income
	  o Exemptions available
	  o Tax Rates
	
	[This includes clubs, trade associations, co-operatives societies, insurance, sea and air transport, banking, leasing, unit trusts and investment holding activities]
		B

20	**REAL PROPERTY GAINS TAX**
	- Definition of real property
	  o Land and building
	  o Para 3(b) shares
	  o Shares acquired in a real property company (RPC)
	- Determination of the acquisition and disposal price
	  o Consideration paid and received
	  o Incidental cost
	  o Permitted expenditure
	  o Acquisition and disposal date
	- Calculation of the chargeable gain or allowable loss
	  o Exemptions available
	  o Schedule 4 exemption
	  o Private residence exemption- Section 8
	  o Tax rate applicable
	  o Allowable loss relief
	- The circumstances where disposal price equals acquisition price
	  o No Gain No Loss situations
	- Exemptions available including inter-company transfers
	  o Para 17(1)(a)
	  o Para 17(1)(b)
	  o Para 17(1)(c)
		B

	- Real Property Company (RPC)
	  o Meaning of a RPC
	  o Defined value
	  o Total Tangible Assets
	  o 75% ruling
	- Determination of the date of acquisition of shares in a RPC
	- Calculation of the acquisition price of shares in a RPC
	  o Before 17 October 1997
	  o After 17 October 1997
	- Tax administration
	  o Filing of tax return
	  o Payment of tax
	  o Penalties imposed	

21	**Tax Planning & Avoidance**
	- The objectives of tax planning
	  o Minimising the tax burden
	  o Maximising the benefits available
	- Tax Evasion vs Tax avoidance
	  o Anti-avoidance provisions
	- Remuneration packages
	  o Payment of cash allowances
	  o Benefits -in-kind
	  o Share option or share option schemes
	  o Compensation for loss of employment
	  o Retirement gratuity
	  o Design of remuneration packages
	- Employment vs self-employed
	  o Basis of assessment
	  o Scope of charge
	- The significance of corporate structure and its dividend flows
	  o Section 108 account
	  o Disposal of business operations and restructuring of activities
	  o The effect of the transfer of real properties
	  o The transfer pricing issues
		B