

# **Module Outline**

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## TAXATION

### Introduction

This paper is designed to provide students a thorough understanding of the fundamental concepts and principles of the Malaysian taxation system and the relevance of taxation to personal and business decision making.

Students are expected to display an in-depth understanding of the impact of all major taxes on the transactions of individuals, companies and special undertakings and be able to identify, discuss and advise on the tax issues in a particular situation as well as planning opportunities to minimise potential tax liabilities.

At the advanced stage, students must not only be fully conversant with the Malaysian income tax system but also a good understanding of real property gains tax, investment incentives and indirect taxation.

### Module learning outcome

By the end of this module, students should be equipped with:

- (a) An in-depth knowledge and understanding of the concepts and principles of Malaysian taxation.
- (b) The ability to solve practical problems which draw on the interaction of different taxes as well as case law.

### Module requirements

The weightings of assessment for the module are:

|  |                        |
|--|------------------------|
| Project  | 20% (marked out of 20) |
| Exam   | 80% (marked out of 80) |
| To pass a technical module, candidates must meet the following requirements: <ol style="list-style-type: none"> <li>1. Pass the exam by achieving at least 40 marks out of 80 and;</li> <li>2. Pass the module overall by achieving at least 50 marks out of 100.</li> </ol> |                        |

### Examination format

A 3-hour written paper comprising 4 compulsory questions.

**Syllabus content****1. Taxation of Companies**

Computation and advice on the tax liabilities of companies drawing on the relevant principles of taxation stated in the syllabus. This includes the computation of allowances/charges related to the relevant qualifying expenditure incurred in the mining, agriculture and timber industries.

**2. Principles of Taxation**

Advanced aspects of taxation including application of case law decisions relating to the assessability of receipts, deductibility of expenses, commencement and cessation of business, capital allowances (including disposals subject to control), arm's length pricing, thin capitalisation provision, etc.

**3. Taxation of Special Cases**

- (a) Sea and air transport undertakings
- (b) Insurance business, including
  - i General insurance
  - ii Life insurance
  - iii Inward re-insurance
  - iv Offshore insurance
  - v Takaful business (Islamic Insurance)
- (c) Banking institutions
- (d) Leasing business
- (e) Co-operative societies, trade associations and clubs
- (f) Property development/construction contracts
- (g) Unit trusts/investment funds
- (h) Investment holding companies, principal hubs
- (i) Operational headquarters company, regional distribution centre, international procurement centre, etc
- (j) Trusts and estates under administration
- (k) Settlements
- (l) Charitable institutions

**4. Cross Border Activities**

- (a) Trading in/with Malaysia
- (b) Withholding taxes
- (c) Principles of avoidance of double taxation
- (d) Bilateral/unilateral credits under Schedule 7
- (e) Double taxation agreements

**5. Real Property Gains Tax**

Principles, scope, chargeable assets/persons, exemptions, tax rates, administrative aspects and computation of tax under the Real Property Gains Tax Act 1976 including transactions involving shares in real property companies.

**6. Investment Incentives**

Incentives under the Promotion of Investments Act 1986 and the Income Tax Act 1967 including venture capital, Multimedia Super Corridor status and BioNexus status incentives.

**7. Labuan as an International Business and Financial Centre**

Principles, scope, administration and computation of tax under the Labuan Business Activity Tax Act, 1990.

**8. Tax Planning**

Identifying opportunities to legally avoid, mitigate or defer the impact of direct taxation, including utilisation of unabsorbed losses and capital allowances, remuneration packages, restructuring of business operations, etc.

**9. Indirect Taxation**

- (a) Organisational structure and powers of the Royal Malaysian Customs Department.
- (b) Principles, scope, administration and computation of Sales and Service Tax under the Sales Tax Act 2018 and Service Tax Act 2018.
- (c) Stamp duties, customs duties and any other indirect taxes.

**10. Tax Audits and Investigations**

- (a) Distinction between tax avoidance and tax evasion.
- (b) Powers of the Director General of Inland Revenue.
- (c) Procedural and compliance aspects.
- (d) Preparation of capital statement and ascertainment of income understated.

**11. Tax Policies & Other Developments**

Tax reforms and awareness of any recent developments in the field of taxation as well as of transitional provisions, where applicable.

**Required module materials****Recommended basic texts**

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| MICPA                                    | Taxation Study Manual                                    | MICPA        |
| Vincent Josef;<br>Dr Veerinderjeet Singh | Malaysia Master Tax Guide 2019, 36 <sup>th</sup> Edition | CCH Malaysia |

**Recommended reference text**

|  |  |             |
|--|--|-------------|
| Noor Sharoja Sapiei,<br>Mazni Abdullah | Veerinder on Malaysian Tax Theory and Practice, 2019, 5 <sup>th</sup> Edition      | CCH Limited |
| Dr Choong Kwai Fatt                    | Veerinder on Malaysian Tax Theory and Practice, 2019, 5 <sup>th</sup> Edition      | Infoworld   |
| Dr Choong Kwai Fatt                    | Advanced Malaysian Taxation: Principles & Practice, 2019, 20 <sup>th</sup> Edition | Infoworld   |

**Tax legislation/Guidelines (As Amended)**

Finance Acts

Income Tax Act 1967 (Act 53)

Real Property Gains Tax Act 1976 (Act 169)

Promotion of Investments Act 1986 (Act 327)

Labuan Business Activity Tax Act 1990 (Act 445)

Sales Tax Act 2018 (Act 806)

Service Tax Act 2018 (Act 807)

Income Tax Leasing Regulations 1986

Various orders/rules/regulations made under the various tax legislations

Double Taxation Agreements

Public Rulings and Guidelines issued by the Inland Revenue Board