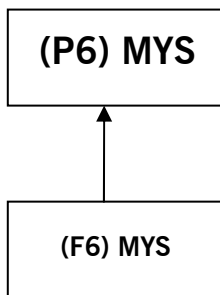


# Syllabus



## AIM

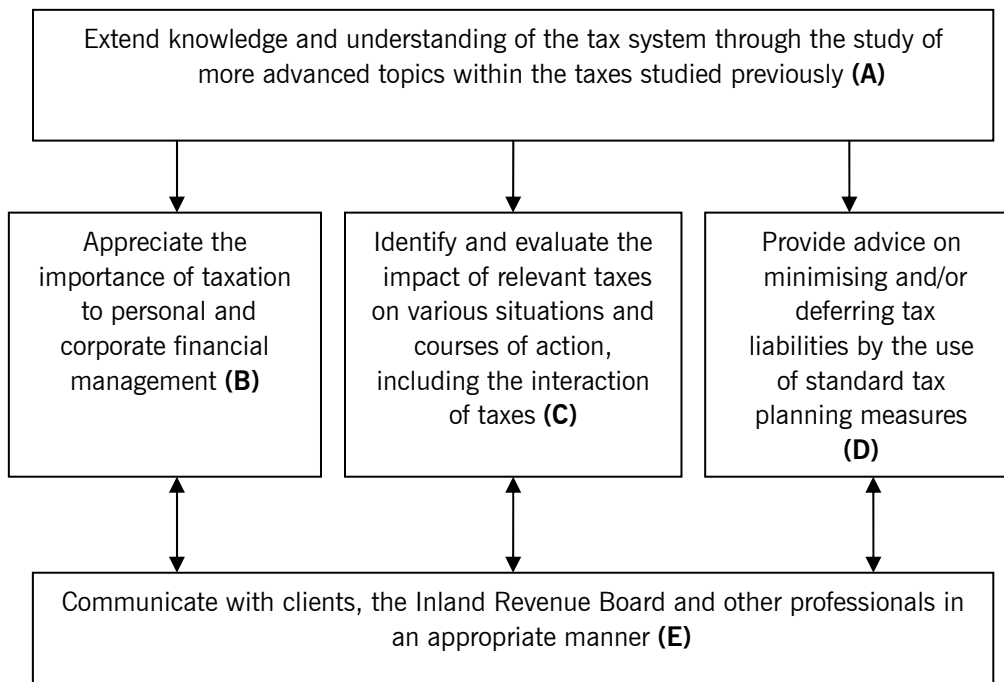
To apply relevant knowledge, skills and exercise professional judgement in providing relevant information and advice to individuals and businesses on the impact of the major taxes on financial decisions and situations

## MAIN CAPABILITIES

After completing this examination paper students should be able to:

- A** Apply further knowledge and understanding of the Malaysian tax system through the study of more advanced topics within the taxes studied previously
- B** Evaluate and explain the importance of taxation to personal and corporate financial management
- C** Identify and evaluate the impact of relevant taxes on various situations and courses of action, including the interaction of taxes
- D** Provide advice on minimising and/or deferring tax liabilities by the use of standard tax planning measures
- E** Communicate with clients, the Inland Revenue Board and other professionals in an appropriate manner

## RELATIONAL DIAGRAM OF MAIN SYLLABUS CAPABILITIES



## RATIONALE

The Advanced Taxation syllabus further develops the key aspects of taxation introduced in the compulsory Taxation syllabus within the Skills module and extends the candidates' knowledge of the tax system, together with their ability to apply that knowledge to the issues commonly encountered by individuals and businesses; such that successful candidates should have the ability to interpret and analyse the information provided and communicate the outcomes in a manner appropriate to the intended audience.

The syllabus builds on the basic knowledge of core taxes from the earlier taxation paper and introduces candidates to more advanced topics. As this is an optional paper, aimed at those requiring/desiring more than basic tax knowledge for their future professional lives, the syllabus also extends the knowledge of income tax, to encompass, further overseas aspects of taxation, the taxation of trusts and additional exemptions and reliefs.

Candidates are not expected to concentrate on the computational aspects of taxation. Instead this paper seeks to develop candidates' skills of analysis, interpretation and communication. Candidates are expected to be able to use established tax planning methods and consider current issues in taxation.

## DETAILED SYLLABUS:

### A More advanced topics

1. Income and income tax liabilities in situations involving further overseas aspects and the application of additional exemptions and reliefs.
2. Income tax liabilities of companies and other bodies in situations involving further overseas and group aspects and in relation to special types of activity, and the application of additional exemptions and reliefs.
3. Labuan business activity tax.
4. Chargeable gains and real property gains tax liabilities in situations involving closely related persons, parties under common control and real property companies, and the application of

additional exemptions, reliefs, administrative and compliance provisions.

5. Stamp duty
- 6.. Other aspects of the Paper F6 MYS syllabus and study guide.

### B The importance of taxation to personal and corporate financial management

1. The principles underlying personal financial management.
2. How an individual's personal financial objectives may differ depending on their circumstances and expectations.
3. The applicability of the common forms of personal finance, investment and/or protection products in a given set of circumstances, including any ethical considerations.
4. How a business' financial objectives may differ depending on its circumstances and the business environment.
5. How taxation can affect the financial decisions made by businesses (corporate and unincorporated) and by individuals.
6. Other considerations, personal and commercial, which might affect a financial decision.

### C The impact of relevant taxes on various situations and courses of action, including the interaction of taxes

1. Taxes applicable to a given situation or course of action and their impact.
2. Alternative ways of achieving personal or business outcomes may lead to different tax consequences.
3. Tax advantages and/or disadvantages of alternative courses of action.
4. Statutory obligations imposed in a given situation, including any time limits for action and the implications of non-compliance.

5. Inland Revenue enforcement procedures by way of tax audit and investigation.

**D Minimising and/or deferring tax liabilities by the use of standard tax planning measures**

1. Types of investment and other expenditure that will result in a reduction in tax liabilities for an individual and/or a business.
2. Legitimate tax planning measures, by which the tax liabilities arising from a particular situation or course of action can be mitigated.
3. The appropriateness of such investment, expenditure or measures, given a particular taxpayer's circumstances or stated objectives.
4. The mitigation of tax in the manner recommended, by reference to numerical analysis and/or reasoned argument.
5. Ethical and professional issues arising from the giving of tax planning advice.
6. Current issues in taxation.

**E Communicating with clients, the Inland Revenue Board and other professionals**

1. Communication of advice, recommendations and information in the required format.
2. Presentation of written information, in language appropriate to the purpose of the communication and the intended recipient.
3. Conclusions reached, together where necessary with relevant supporting computations.
4. Assumptions made or limitations in the analysis provided; together with any inadequacies in the information available and/or additional information required to provide a fuller analysis.
5. Other non-tax factors that should be considered.

**APPROACH TO EXAMINING THE SYLLABUS**

The paper consists of two sections:

Section A consists of two compulsory questions for a total of between 50 and 70 marks. Marks may not be allocated evenly between the two questions.

Section B consists of three questions, two of which must be answered. Each question will have the same number of marks, ranging from 15 marks each to 25 marks each.

Questions will be scenario based and will normally involve consideration of more than one tax together with some elements of planning and the interaction of taxes. Computations will normally only be required in support of explanations or advice and not in isolation.

The examination is a three hour paper.

Tax rates, allowances and information on certain reliefs will be given in the examination paper.

# Study Guide

## **A APPLY FURTHER KNOWLEDGE AND UNDERSTANDING OF THE MALAYSIAN TAX SYSTEM THROUGH THE STUDY OF MORE ADVANCED TOPICS WITHIN THE TAXES STUDIED PREVIOUSLY.**

### **1. Income and income tax liabilities in situations involving further overseas aspects and in relation to trusts, and the application of exemptions and reliefs**

- a) The contents of the Paper F6 study guide for income tax liabilities (individuals), under headings:
- B1 The scope of income tax
  - B2 Income from employment
  - B3 Income from self employment
  - B4 Income from investments and other sources
  - B5 The comprehensive computation of taxable income and the income tax liability
  - B6 The use of exemptions and reliefs in deferring and minimising income tax liabilities

The following additional material is also examinable:

- b) The scope of income tax: <sup>[3]</sup>
- Explain and apply the concept of residence and advise on the relevance to income tax
  - Advise on the tax position of individuals coming to and leaving Malaysia
  - Determine the income tax treatment of overseas income
  - Understand the relevance of the OECD model double tax agreement to given tax situations
  - Understand the income tax position of trustees, settlors and beneficiaries in respect of income from trusts and settlements <sup>[3]</sup>
- c) Income from employment: <sup>[3]</sup>
- Advise on the tax treatment of share option and share incentive schemes
  - Advise on the tax treatment of payments on termination of office and other lump sum receipts by employees.

- d) Income from self employment:
- Recognise the tax relief available for increased exports of qualifying services <sup>[3]</sup>
  - Understand the tax consequences of the transfer of business assets to a company <sup>[2]</sup>
  - Recognise the tax treatment of the investment income of a partnership <sup>[2]</sup>
- e) Income from investments and other sources:
- Recognise the tax treatment of rental income of an individual <sup>[2]</sup>
  - Understand the tax treatment of dividend income in the period of transition to the single tier system <sup>[3]</sup>
- f) The comprehensive computation of taxable income and the income tax liability: <sup>[3]</sup>
- Determine the taxability of the income of minor children
- g) The use of exemptions and reliefs in deferring and minimising income tax liabilities: <sup>[3]</sup>
- Understand and apply the rules relating to investments in venture companies

### **Excluded topics**

- *Detailed knowledge of all PU Orders not specifically mentioned below.*

#### *The scope of income tax*

- *Further source income of a trust beneficiary*
- *Detailed knowledge of anti-avoidance provisions not referred to in the study guide.*

#### *Income from employment:*

- *Explanation of the schedular tax deduction system.*

#### *The comprehensive computation of taxable income and income tax liability*

- *Compute the amount of income tax payable under joint/separate assessment*

### **2. Income tax liabilities of companies and other bodies in situations involving further overseas and group aspects and in relation to special types of activity, and the application of additional exemptions and reliefs**

- a) The contents of the Paper F6 study guide, for income tax liability (companies), under headings:

- C1 The scope of income tax
- C2 Income chargeable to income tax
- C3 The comprehensive computation of income tax liability
- C4 The use of exemptions and reliefs in deferring and minimising income tax liabilities

The following additional material is also examinable:

- b) The scope of income tax for companies and other bodies: <sup>[3]</sup>
- i) Identify and calculate income tax for investment holding companies
  - ii) Identify and calculate income tax for unit trusts and real estate investment trusts (REITs)
  - iii) Identify and calculate income tax for companies carrying on leasing activities
  - iv) Conclude on the tax treatment of returns to shareholders after winding up has commenced
  - v) Advise on the tax implications of a purchase by a company of its own shares
  - vi) identify and calculate the amount of the 108 balance during the period of transition to the single tier dividend system
  - vii) Advise on the application of tax franking to dividends paid or credited during the period of transition to the single tier system
- c) Income chargeable to income tax: <sup>[3]</sup>
- i) Advise on the tax consequences of a transfer of a business and assets where there is common control
  - ii) Identify qualifying research and development expenditure and determine the amount of relief available
  - iii) Identify the eligibility conditions for approval of pioneer status and determine the tax treatment of adjusted income, adjusted losses and capital allowances In relation to activities of the following kinds:
    - manufacturing;
    - agriculture;
    - hotels and tourism;
    - research and development;
    - information and communication technology and multi-media super corridor;
    - location in and relocation to promoted areas;
    - reinvestment.
- iv) Identify the eligibility conditions for approval of investment tax allowance and determine the tax treatment of adjusted income, adjusted losses, capital allowances and investment tax allowance In relation to activities of the kinds mentioned in iii) above.
  - v) Identify the eligibility conditions for reinvestment allowance and determine the tax treatment of adjusted income, adjusted losses, capital allowances and reinvestment allowance
  - vi) Identify the eligibility conditions for the exemption for increased exports and determine the tax treatment of adjusted income, adjusted losses and capital allowances
  - vii) Advise on the impact of the transfer pricing rules including advance pricing arrangements and thin capitalisation on companies
  - viii) Advise on the restriction on the use of losses on a change in ownership of a company
  - ix) Advise on the deduction for the cost of acquisition of proprietary rights
  - x) Advise on the deduction for the cost of acquisition of a foreign owned company
  - xi) Identify the applicability of the deductions for capital expenditure on mines and expenditure on prospecting operations
  - xii) Identify the eligibility conditions for the exemptions for operational headquarters companies, regional distribution centre companies and international procurement centre companies and determine the tax treatment of adjusted income, adjusted losses, and capital allowances
- d) The comprehensive calculation of tax liability: <sup>[3]</sup>
- i) Advise on the tax implications of distributing a company's profits/assets to its shareholders
  - ii) Evaluate the meaning and implications of a permanent establishment
  - iii) Advise on the tax position of non-residents carrying on business in, and/or deriving income from, Malaysia
- e) The effect of a group structure for income tax purposes: <sup>[3]</sup>

- i) Advise on the tax consequences of a transfer of intangible assets
- ii) Understand the meaning of related company for the purposes of group relief
- iii) Advise on the operation of group relief
- iv) Advise on the penal consequences for a surrendering company which gives incorrect information about its adjusted loss

### **Excluded topics**

- *Detailed knowledge of all PU Orders not specifically mentioned below.*

#### *The scope of income tax:*

- *Detailed knowledge of anti-avoidance provisions not referred to in the study guide. Cooperative societies*
- *Other societies and clubs*
- *Charitable and religious Institutions and organisations*
- *Trade associations*
- *Insurance businesses*
- *Banking businesses*
- *Sea and air transport undertakings*
- *Property development and other long term contracting activities*
- *Foreign fund management companies*
- *Closed-end fund companies*

#### *Income chargeable to income tax:*

- *All tax incentives for the promotion of investments other than those mentioned under headings 2c)(iii) and (iv) above.*
- *Approved service projects*

#### *The comprehensive calculation of the income tax liability:*

- *Detailed knowledge of specific double taxation agreements.*

### **3. Labuan Business Activity Tax<sup>[3]</sup>**

- i) Identify the scope of charge for Labuan trading and non-trading companies and trusts.
- ii) Advise on the legal constraints faced by a Malaysian resident in dealing with a Labuan entity.
- iii) Exemptions and reliefs.
- iv) Advise on the tax status of residents and non-residents in respect of income

received by them from Labuan companies.

- v) Advise on the impact of election to be charged to tax under the Income Tax Act 1967.

### **Excluded topics**

- *The scope of charge:*
- *Offshore banking business*
- *Offshore insurance business*

- 4. Chargeable gains and real property gains tax liabilities in situations involving closely related persons, parties under common control, real property companies and the application of additional exemptions, reliefs, administrative and compliance requirements

- a) The contents of the Paper F6 study guide for chargeable gains under headings:
  - D1 The scope of real property gains tax
  - D2 The basic principles of computing chargeable gains and allowable losses
  - D3 Gains and losses on the disposal of real property
  - D4 The computation of the real property gains tax payable
  - D5 The use of exemptions and reliefs in deferring and minimising tax liabilities arising on the disposal of real property

- b) The following additional material is examinable:

(i) The treatment of real property company shares;

### **5. Stamp duty**

- a) The scope of stamp duty: <sup>[3]</sup>
  - i) Advise on the stamp duty payable on transfers of land
- b) The use of exemptions and reliefs in deferring and minimising stamp duties: <sup>[3]</sup>
  - i) Identify the relief available on reconstruction or amalgamation of companies

- ii) Identify the relief available on transfer of properties between associated companies

**Excluded topics**

*The system by which stamp duty is administered:*

- Detailed rules on interest and penalties

**6. Other aspects of the paper F6 MYS syllabus and study guide included within this syllabus:**

- a) The contents of the Paper F6 study guide for sales tax under headings:

- E1 The scope of sales tax

Additional subject included in P6:

- i) Advise on the impact of a direction to treat persons as a single taxable person.<sup>[3]</sup>

- E2 The sales tax registration requirements:
- E3 The computation of sales tax liabilities:

- b) The contents of the Paper F6 study guide for service tax under headings:

- E1 The scope of service tax

Additional subjects included in P6:

- i) Advise on the impact of a direction to treat persons as a single taxable person <sup>[3]</sup>
- ii) Advise on the impact of the provision of taxable services within a group of companies <sup>[3]</sup>

- E2 The service tax registration requirements:
- E3 The computation of service tax liabilities:

- c) The contents of Paper F6 study guide for the obligations of taxpayers/taxable persons/employers and/or their agents under headings:

- F1 The systems for self assessment/assessment and the making of returns

- F2 The time limits for the submission of information, claims and payment of tax, including payments on account
- F3 Withholding tax at source
- F4 The procedures relating to enquiries appeals and disputes
- F5 Penalties for non-compliance

- d) The contents of the Paper F6 study guide for the Malaysian tax system under headings:

- A1 The overall function and purpose of taxation in a modern economy
- A2 Different types of taxes
- A3 Principal sources of revenue law and practice
- A4 Tax avoidance and tax evasion.

**B THE IMPORTANCE OF TAXATION TO PERSONAL AND CORPORATE FINANCIAL MANAGEMENT**

**1. The principles underlying personal financial management**

- a) Calculate the receipts from a transaction, net of tax and compare the results of alternative scenarios and advise on the most tax efficient course of action.<sup>[3]</sup>

**2. How an individual's personal financial objectives may differ depending on their circumstances and expectations**

- a) Understand and apply the effect of age, family commitments, aspirations, religious convictions and the economy on personal financial objectives.<sup>[3]</sup>

**3. The applicability of the common forms of personal finance and investment products in a given set of circumstances**

- a) Understand and be able to compare and contrast the tax treatment of the sources of finance available to individuals.<sup>[3]</sup>

- b) Understand and be able to compare and contrast the tax treatment of investment products:<sup>[3]</sup>

- i) Deposit based investments
- ii) Fixed interest securities

- iii) Packaged investments
- iv) Collective investments
- v) Equities
- vi) Venture capital companies
- vii) Government securities

**4. How a business' financial objectives may differ depending on its circumstances and the business environment.**

- a) Understand and be able to explain the effect of profitability, future plans, actions of competitors and the economy on a business' financial objectives.<sup>[3]</sup>

**5. How taxation can affect the financial decisions made by businesses (corporate and unincorporated) and by individuals.**

- a) Understand and explain the effect of the raising of equity and loan finance on tax.<sup>[3]</sup>
- b) Explain the tax differences between decisions to lease, use hire purchase or purchase outright.<sup>[3]</sup>
- c) Understand and explain the impact of taxation on the cash flows of a business.<sup>[3]</sup>

**6. Other considerations, personal and commercial, which might affect a financial decision.<sup>[3]</sup>**

**C THE IMPACT OF RELEVANT TAXES ON VARIOUS SITUATIONS AND COURSES OF ACTION, INCLUDING THE INTERACTION OF TAXES**

1. Identifying and advising on the taxes applicable to a given course of action and their impact.<sup>[3]</sup>
2. Identifying and understanding that the alternative ways of achieving personal or business outcomes may lead to different tax consequences.<sup>[3]</sup>
3. Assessing the tax advantages and disadvantages of alternative courses of action.<sup>[3]</sup>
4. Understanding the statutory obligations imposed in a given situation, including any

time limits for action and advising on the implications of non-compliance.<sup>[3]</sup>

**5. Understanding the Inland Revenue enforcement procedures by way of tax audit and investigation.<sup>[3]</sup>**

**6. Be aware of the significance of the general tax anti-avoidance provisions [3].**

**7. Understand the significance and application of the Inland Revenue Board public rulings and advance rulings.<sup>[3]</sup>**

**D MINIMISING AND/OR DEFERRING TAX LIABILITIES BY THE USE OF STANDARD TAX PLANNING MEASURES**

1. Identifying and advising on the types of investment and other expenditure that will result in a reduction in tax liabilities for an individual and/or a business.<sup>[3]</sup>
2. Advising on legitimate tax planning measures, by which the tax liabilities arising from a particular situation or course of action can be mitigated.<sup>[3]</sup>
3. Advising on the appropriateness of such investment, expenditure or measures given a particular taxpayer's circumstances or stated objectives.<sup>[3]</sup>
4. Advise on the mitigation of tax in the manner recommended by reference to numerical analysis and/or reasoned argument.<sup>[3]</sup>

**5. Be aware of the ethical and professional issues arising from the giving of tax planning advice.<sup>[3]</sup>**

**6. Be aware of and give advice on current issues in taxation.<sup>[3]</sup>**

**E COMMUNICATING WITH CLIENTS, THE INLAND REVENUE BOARD AND OTHER PROFESSIONALS IN AN APPROPRIATE MANNER**

1. Communication of advice, recommendations and information in the required format:<sup>[3]</sup>

For example the use of:

- Reports
  - Letters
  - Memoranda
  - Meeting notes
2. **Presentation of written information, in language appropriate to the purpose of the communication and the intended recipient.**<sup>[3]</sup>
  3. **Communicating conclusions reached, together, where necessary with relevant supporting computations.**<sup>[3]</sup>
  4. **Stating and explaining assumptions made or limitations in the analysis provided; together with any inadequacies in the information available and/or additional information required to provide a fuller analysis.**<sup>[3]</sup>
  5. **Identifying and explaining other, non-tax, factors that should be considered.**<sup>[3]</sup>

**Veerinderjeet Singh: Veerinder on Taxation (latest edition) Arah Pendidikan Sdn Bhd**

Additional reading for paper P6 MYS:

**Choong Kwai Fatt; Advanced Malaysian Taxation: Principles and Practice (latest edition) Infoworld**

**Mary George: Malaysian Trust Law Pelanduk Publications**

Relevant articles in *student accountant* and on the ACCA website

Relevant Inland Revenue Board Public Rulings

## READING LIST

Candidates are expected to build on the knowledge of core topics from paper F6 MYS. Reading should therefore include the books and materials recommended for that examination as well as the additional books and materials recommended for this paper.

Recommended reading for paper F6 MYS:

**Choong Kwai Fatt: Malaysian Taxation – Principles and Practice (latest edition) Infoworld**

**Richard Thornton: Thornton’s Malaysian Tax Commentaries (latest edition) Sweet & Maxwell Asia**

**Richard Thornton: 100 Ways to Save Tax in Malaysia for Individuals (latest edition) Sweet & Maxwell Asia**

**Richard Thornton: 100 Ways to Save Tax in Malaysia for Small Businesses (latest edition) Sweet & Maxwell Asia**

**Richard Thornton: 100 Ways to Save Tax in Malaysia for Property Investors (latest edition) Sweet & Maxwell Asia**

**List of PU orders examinable for paper P6 MYS:**

Title	PU number	Study guide
Income Tax (Capital Allowances and Charges) Rules 1969		
Income Tax Leasing Regulations 1986	131/1986	A2(b)(iii)
Income Tax (Exemption) (No.16) Order 1991 (Income received from offshore companies)	160/1991	A4(iv)
Income Tax (Exemption) (No.9) Order 2002 (Income from the export of qualifying services)	57/2002	A2(c)(vi)
Income Tax (Exemption) (No.10) Order 2000 (Dividends paid from dividends received from offshore companies)	99/2000	A4(iv)
Income Tax (Deduction for Cost of Acquisition of Proprietary Rights) Rules 2002	63/2002	A2(c)(ix)
Income Tax (Exemption) (No.12) Order 2002 (Income of a Malaysian International trade corporation arising from increased exports)	60/2002	A2(c)(vi)
Income Tax (Deduction for Cost on Acquisition of a Foreign Owned Company) Rules 2003	310/2003	A2(c)(x)
Income Tax (Deduction for Investment in a Venture Company) Rules 2005	76/2005	A1(g)(i)
Income Tax (Exemption) (No.17) Order 2005 (Income from increased exports of manufactured products and agricultural produce)	158/2005	A2(c)(vi)
Income Tax (Exemption) (No.22) Order 2006 (Income from government grants)	207/2006	A3(ii), (iii)
Income Tax (Deduction for Establishment Expenditure of Real Estate Investment Trust or Property Trust Fund) Rules 2006	135/2006	A2(b)(ii)
Income Tax (Exemption) (No.6) Order 2007 (Income from qualifying professional services rendered in Labuan)	83/2007	A2(c)(vi)
Income Tax (Exemption) (No.40) Order 2005 (Income of operational headquarters companies)	307/2005	A2(c)(xii)
Income Tax (Exemption) (No.41) Order 2005 (income of regional distribution centre companies)	308/2005	A2(c)(xii)
Income Tax (Exemption) (No.40) Order 2005 (Income of international procurement centre companies)	309/2005	A2(c)(xii)
Income Tax (Exemption) Order 2009	152/2009	
Income Tax (Deduction for Benefit and Gift from Employer to Employee) Rules 2009	153/2009	
Income Tax (Deduction for Expenses relating to Remuneration of Employee) Rules 2009.	110/2009	
Income Tax (Accelerated Capital Allowance) (Plant & Machinery) Rules 2009.	111/2009	
Income Tax (Exemption)(No.4) Order 2009 [Section 4(f) income exemption where payer is Labuan entity	389/2009	
Income Tax (Exemption)(No.6) Order 2009, as amended by corrigendum (Income from healthcare service to foreign clients	412/2009	
Income Tax (Deduction for expenditure on registration of patent and trade mark) Rules 2009	418/2009	
Real Property Gains Tax (Exemption)(No. 2) Order 2009	486/2009	

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#### Examinable public rulings & guidelines

- Public Ruling 3/2001 Addendum - Appeal against notification of non-chargeability – issued 18/05/09
- Public Ruling 2/2004 Addendum 3 - Benefits-in-kind amended - issued 17/04/09
- Public Ruling 4/2005 Addendum 2 – Withholding tax on special classes of income amended – issued 04/01/10
- Public Ruling 3/2009 Professional indemnity insurance – issued 30/07/09
- Guidelines on Government grants and subsidies – issued 21/01/10
- Guidelines on RPGT - issued 02/02/10

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**Any new laws or public rulings introduced after 31 March 2010 WILL NOT be examinable at December 2010 and June 2011.**

For the avoidance of doubt, the following are not examinable: Public Ruling 2/2004 Addendum 4 issued on 19 April 2010; and Public Ruling 1 of 2010 issued on 19 April 2010.

#### **SUMMARY OF CHANGES TO PREVIOUS SYLLABUS AND STUDY GUIDE**

- In page 3, under “Guide to Examination Assessment”, the cut-off date for December 2010 and June 2011 is indicated as 31 March 2010.
- In page 5, under “Detailed Syllabus”, Item A3 “The nature and taxability of miscellaneous receipts” has been deleted.
- In page 5, under “Detailed Syllabus”, Item A4 “Labuan business activity tax” is re-numbered as Item 3.
- In page 5, under “Detailed Syllabus”, Item A5 “Petroleum income tax” has been deleted.
- The renumbered Item A4 now refers to real property gains tax.
- In page 9, under the “Study Guide”, item A3 regarding Labuan has been updated in line with legislative changes.
- In page 9, under “Study Guide”, item A4 regarding RPGT is inserted.
- In page 13 & 14, the list of PU orders is updated.