

Fundamentals Level – Skills Module

Taxation (Malaysia)

March/June 2016 – Sample Questions



Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

This question paper is divided into two sections:

Section A – ALL 15 questions are compulsory and **MUST** be attempted

Section B – ALL SIX questions are compulsory and **MUST** be attempted

Rates of tax and tables are printed on pages 2–4.

Do NOT open this question paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

Do NOT record any of your answers on the question paper.

This question paper must not be removed from the examination hall.

Paper F6 (MYS)

Think Ahead

ACCA

The Association of
Chartered Certified
Accountants

SUPPLEMENTARY INSTRUCTIONS

1. Calculations and workings should be made to the nearest RM.
2. All apportionments should be made to the nearest whole month.
3. All workings should be shown in Section B.

TAX RATES AND ALLOWANCES

The following tax rates, allowances and values are to be used in answering the questions.

Income tax rates

Resident individuals		Rate		Cumulative tax
Chargeable income	RM	RM	%	RM
First	5,000	(0 – 5,000)	0	0
Next	15,000	(5,001 – 20,000)	1	150
Next	15,000	(20,001 – 35,000)	5	900
Next	15,000	(35,001 – 50,000)	10	2,400
Next	20,000	(50,001 – 70,000)	16	5,600
Next	30,000	(70,001 – 100,000)	21	11,900
Next	150,000	(100,001 – 250,000)	24	47,900
Next	150,000	(250,001 – 400,000)	24.5	84,650
Exceeding	400,000		25	

Resident company

Paid up ordinary share capital	First RM500,000	Excess over RM500,000
RM2,500,000 or less	20%	25%
More than RM2,500,000	25%	25%

Non-residents

Company	25%
Individual	25%

Personal reliefs and allowances

	RM
Self	9,000
Disabled self, additional	6,000
Medical expenses expended on parents	(maximum) 5,000
Medical expenses expended on self, spouse or child with serious disease, including up to RM500 for medical examination	(maximum) 6,000
Basic supporting equipment for disabled self, spouse, child or parent	(maximum) 6,000
Purchase of sports equipment	(maximum) 300
Study course fees for skills or qualifications	(maximum) 5,000
Expenses on books for personal use	(maximum) 1,000
Spouse relief	3,000
Disabled spouse, additional	3,500
Child – basic rate	(each) 1,000
Child – higher rate	(each) 6,000
Disabled child	(each) 6,000
Disabled child, additional	(each) 6,000
Life insurance premiums and contributions to approved funds	(maximum) 6,000
Private retirement scheme contributions, deferred annuity premiums	(maximum) 3,000
Medical and/or education insurance premiums for self, spouse or child	(maximum) 3,000
Purchase of a personal computer	(maximum) 3,000
Deposit for a child into the National Education Savings Scheme	(maximum) 6,000

Rebates

Chargeable income not exceeding RM35,000	RM
Individual – basic rate	400
Individual entitled to a deduction in respect of a spouse or a former wife	800

Value of benefits in kind

Car and fuel scale

Cost of car (when new) RM	Prescribed annual value of private usage of car RM	Prescribed annual value of private petrol RM
Up to 50,000	1,200	600
50,001 to 75,000	2,400	900
75,001 to 100,000	3,600	1,200
100,001 to 150,000	5,000	1,500
150,001 to 200,000	7,000	1,800
200,001 to 250,000	9,000	2,100
250,001 to 350,000	15,000	2,400
350,001 to 500,000	21,250	2,700
500,001 and above	25,000	3,000

The value of the car benefit equal to half the prescribed annual value (above) is taken if the car provided is more than five (5) years old.

Where a driver is provided by the employer, the value of the benefit is fixed at RM600 per month.

Other benefits

	RM per month
Household furnishings, apparatus and appliances:	
Semi-furnished with furniture in the lounge, dining room or bedroom	70
Semi-furnished with furniture as above plus air-conditioners and/or curtains and carpets	140
Fully furnished premises	280
Domestic help	400
Gardener	300

Capital allowances

	Initial allowance (IA) Rate %	Annual allowance (AA) Rate %
Industrial buildings	10	3
Plant and machinery – general	20	14
Motor vehicles and heavy machinery	20	20
Office equipment, furniture and fittings	20	10
Agriculture allowance		
Buildings for the welfare of or as living accommodation for farm employees	nil	20
Other buildings used in the business	nil	10
All other qualifying agricultural expenditure	nil	50

Real property gains tax

	Companies	Individuals – non-citizens and non-permanent residents	All others
	Rate %	Rate %	Rate %
Date of disposal			
Disposal within three years after the date of acquisition	30	30	30
Disposal in the fourth year after the date of acquisition	20	30	20
Disposal in the fifth year after the date of acquisition	15	30	15
Disposal in the sixth year after the date of acquisition or thereafter	5	5	0

Goods and services tax (GST)

Standard rate	6%
Registration limit	RM500,000

Section A – ALL 15 questions are compulsory and MUST be attempted

Please use the grid provided on page two of the Candidate Answer Booklet to record your answers to each multiple choice question. Do not write out the answers to the MCQs on the lined pages of the answer booklet. Each question is worth 2 marks.

1 Which of the following is NOT a source of Malaysian revenue law?

- A Acts passed by Parliament
- B Orders and Regulations made by Ministers as empowered by the Act
- C Internal memos issued by the Director General of the Inland Revenue Board to Inland Revenue Board officers
- D Case law created by decisions of the Malaysian courts

2 Baru Sdn Bhd (Baru) was incorporated on 14 February 2015 but only commenced business on 1 October 2015 and makes up its accounts to 31 December each year. In June 2015, Baru incurred professional fees of RM30,000 to recruit skilled workers. These workers all commenced their employment with Baru on 1 July 2015. In July and August 2015, Baru incurred RM50,000 of training costs for these employees. No approval has been sought for the training expenses.

What is Baru Sdn Bhd's total tax deductible amount in respect of the professional fees and training costs for the year of assessment 2015?

- A RM160,000
- B RM50,000
- C RM80,000
- D RM30,000

3 The following employees are expected to cease employment with XYZ Sdn Bhd (XYZ) in the near future.

Anwar: A 30 year old who is resigning from his post as a manager with XYZ to join another company in Malaysia.

Wong: A 23 year old whose employment with XYZ is being terminated due to misconduct.

Mohan: A 60 year old who is retiring from employment with XYZ.

Monthly tax deductions are being made from the remuneration of Anwar and Mohan. Wong's remuneration is below the threshold for monthly tax deductions.

In respect of which of these three employees is it mandatory for XYZ Sdn Bhd to give written notice of cessation of employment to the Inland Revenue Board?

- A Anwar
- B Wong only
- C Mohan only
- D Wong and Mohan

4 DEF Sdn Bhd (DEF) disposed of a ten-storey building in the year 2015. The building had been acquired in the year 2000 for RM250,000, and DEF had incurred RM15,000 on the cost of transfer and legal fees. Shortly after the acquisition, the top floor of the building was destroyed by fire and DEF received RM30,000 from its insurance company as compensation for the damage. However, DEF only spent RM25,000 of the compensation on repairing the floor.

What is the acquisition price of the building for the purposes of real property gains tax?

- A RM235,000
- B RM260,000
- C RM250,000
- D RM265,000

- 5 For the year of assessment (YA) 2015, Azman has statutory income from business of RM56,000. His wife Lily's only income in YA 2015 is rental income of RM4,000.

During YA 2015, Azman spent RM4,000 on Lily's parents' medical expenses and Lily spent an additional RM1,200 on her parents' medical expenses.

Lily elects for her income to be jointly assessed with that of Azman.

What is Azman's chargeable income for the year of assessment 2015?

- A RM44,000
- B RM43,000
- C RM48,000
- D RM46,800

- 6 LMN Sdn Bhd (LMN) is a company with a financial year end of 30 September. LMN submitted its tax estimate for the year of assessment 2016 by the due date but would now like to revise the estimate.

During which months may LMN Sdn Bhd revise its tax estimate for the year of assessment 2016?

- A October 2015 to March 2016 inclusive
- B December 2015 and/or March 2016
- C March 2016 and/or June 2016
- D June 2016 and/or September 2016

- 7 Which of the following factor(s) supports the view that there is a contract of service (i.e. an employment relationship exists) and not a contract for services?

- (1) Employees' provident fund (EPF) deductions are made from the payments made to the individual
- (2) The individual is expected to use their own laptop and stationery in performing the work
- (3) The individual has to work from 9 am to 5 pm every working day
- (4) The individual does not have the flexibility to contract another person to perform the work

- A 1 only
- B 1 and 3 only
- C 2 and 3 and 4
- D 1, 3 and 4

- 8 TVA Sdn Bhd (TVA) is registered for goods and services tax (GST) and files its GST returns on a monthly basis. During its financial year ended 31 December 2015, TVA made the following gifts to one of its employees, Barbara:

6 June – a television. The television had been acquired by TVA from a GST-registered supplier on 5 May 2015 and, at the time of the gift, it had a net book value of RM250 and an open market value of RM424.

11 November – a power bank. The power bank was acquired by TVA from a GST-registered supplier for RM106 on the same day it was gifted to Barbara.

TVA can make gifts to its employees at its discretion. However, there is nothing contained within Barbara's contract of employment on the matter. All amounts are stated inclusive of GST.

What is the amount of output tax which TVA Sdn Bhd should account for in respect of the gifts to Barbara in its GST return for the relevant months?

	June 2015	November 2015
A	24	6
B	0	30
C	0	0
D	14	6

- 9 For the year of assessment 2015, Ahmad's chargeable income was RM30,000. During the year, he paid RM2,000 of alimony to his former wife and RM50 of zakat.

What is the amount of personal tax rebates to which Ahmad is entitled for the year of assessment 2015?

- A RM50
- B RM850
- C RM450
- D RM2,050

- 10 During the year of assessment 2015, WHY Durian Estate Sdn Bhd incurred the following costs in respect of its agriculture and farming activities:

Road and bridge construction	RM12,000
Estate office	RM5,000
Replanting of durian seedlings	RM3,000

What is the total amount of agriculture allowance which WHY Durian Estate Sdn Bhd is eligible to claim in respect of these costs in the year of assessment 2015?

- A RM1,700
- B RM7,000
- C RM8,000
- D RM6,500

- 11 Easy Sdn Bhd (Easy), which is registered for goods and service tax (GST), incurred the following amounts of GST on payments made during its latest taxable period:

Payment	GST amount
Corporate golf course subscription	RM60
Medical treatment for an employee	RM2,000
Key-man insurance premium	RM600

What is the total input tax which Easy Sdn Bhd is entitled to claim in respect of these payments?

- A RM2,600
- B RM600
- C RM2,000
- D RM2,660

- 12 PQR Sdn Bhd (PQR) had the following sources of income in the year of assessment 2015:

Business 1	Adjusted income RM500,000
Business 2	Adjusted loss RM200,000
Rental	Adjusted income RM150,000

PQR also had a business loss brought forward in respect of Business 2 from the year of assessment 2014 of RM80,000.

What is PQR Sdn Bhd's aggregate income for the year of assessment 2015?

- A RM570,000
- B RM370,000
- C RM650,000
- D RM450,000

- 13** Doris owns four properties in Malaysia, which are let out to tenants. Doris does not provide any maintenance services in respect of any of the properties. Details of these properties for the year of assessment 2015 were as follows:

	Rental received RM	Deductible expenses RM	Net income per property RM	Industrial building allowance RM
Apartment	24,000	3,000	21,000	–
Vacant land	120,000	4,000	116,000	–
Factory building A	76,000	12,000	64,000	6,000
Factory building B	60,000	20,000	40,000	103,000

What is Doris's statutory income from rental sources for the year of assessment 2015?

- A** RM132,000
 - B** RM195,000
 - C** RM137,000
 - D** RM241,000
- 14** A manufacturing company incurred legal fees of RM65,000 as follows:

Renewal of loan agreement	RM20,000
Settling a dispute on safeguarding the legal title to its factory building	RM30,000
Collection of trade receivables from customers	RM15,000

What is the total amount of legal expenses which will NOT be deductible for tax purposes?

- A** RM20,000
 - B** RM30,000
 - C** RM50,000
 - D** RM15,000
- 15 Which of the following fall within the meaning of 'land' for the purposes of the Real Property Gains Tax Act 1976?**
- (1) Buildings and anything attached to land
 - (2) Earth below the surface and the substances therein
 - (3) The substances forming the surface of the earth
 - (4) Standing timber, trees and crops growing on land
- A** 1 only
 - B** 2 and 3 only
 - C** 1, 2 and 3 only
 - D** 1, 2, 3 and 4

(30 marks)

Section B – ALL SIX questions are compulsory and MUST be attempted

Please write your answers to all parts of these questions on the lined pages within the Candidate Answer Booklet.

- 1** Kini Sdn Bhd (Kini) acquired two office units for a total of RM560,000. There was no written agreement but the full consideration was paid to the disposer on 24 July 2013 and the ownership was transferred to Kini on 15 August 2013. Kini paid stamp duty of RM10,800 and legal fees of RM12,200 on the acquisition and renovated both office units at a cost of RM48,000.

In 2014, Kini received RM22,000 as compensation for damage caused to both office units by a leakage in the piping system from a neighbouring unit and also paid quit rent and assessment totalling RM3,000.

Kini was interested in acquiring the neighbouring office unit and paid RM40,000 as a deposit but subsequently decided not to pursue the acquisition due to difficulty in obtaining bank borrowings and the deposit was forfeited.

Kini signed a sale and purchase agreement with Zeenat on 16 June 2016 for the disposal of one of the office units for a total price of RM320,000, comprising cash of RM9,000 and a property valued at RM311,000. The cash consideration was received by Kini and the ownership of both assets was transferred (i.e. the office unit to Zeenat and the property to Kini) on 3 August 2016. Kini paid its real estate agent commission of 2% of the total consideration.

Required:

- (a) Compute the real property gain tax payable by Kini Sdn Bhd on the disposal of the office unit, clearly identifying the acquisition date and disposal date.**

Note: You should indicate by the use of the word 'nil', where appropriate, any item referred to in the question for which no adjusting entry needs to be made in the tax computation. (8 marks)

- (b) In respect of the acquisition of the office unit by Zeenat, state, giving reasons, the amount to be retained and remitted to the Inland Revenue Board and identify the person responsible for doing this. (2 marks)**

(10 marks)

- 2 R8 Bhd (R8) is a trading company which has been in operation for five years and makes up its accounts to 30 April annually.

Details of R8's existing non-current assets, including assets disposed of, and of new assets acquired in the year ended 30 April 2015 are as follows:

Existing assets and assets disposed of during the year ended 30 April 2015

- (1) Showroom and office administration area
Construction was completed on 12 December 2012 for a total cost of RM500,000. The costs relating to the office administration area are RM30,000.
- (2) Air-conditioner
The air-conditioner was acquired on 3 October 2013 for RM900 and capital allowances were claimed as a small value asset in the year of acquisition.

The air-conditioner was damaged due to a fire and was written off on 25 February 2015.
- (3) Inventory (stock) grading machine (general)
The machine was imported from Germany on 22 September 2013 for RM234,000 at the point of acquisition. There was a subsequent realised foreign exchange loss of RM4,000 on the purchase price.

The machine was sold to a supplier for RM240,000 on 29 December 2014.

New assets acquired during the year ended 30 April 2015

- (1) Renovation costs
RM35,000 was incurred on 11 February 2015 for an extension to the showroom. Included in these renovation costs was a racking system costing RM5,000 and the balance of the expenditure was for tiling, walls and doors and electrical installations.
- (2) Motor car (non-commercial)
A second-hand motor car was acquired on 18 January 2015 for RM102,000, for the use of R8's chief executive officer. The original cost of the car when new was RM165,000.

Required:

- (a) **Compute the capital allowances claimable, if any, by R8 Bhd on its existing assets for YA 2015 as well as the balancing charge or balancing allowance on the disposal/write off of the air-conditioner and the inventory grading machine.**

Note: You should assume that the provisions of Paragraph 71 of the Income Tax Act, 1967 are NOT applicable and therefore no claw back of capital allowances claimed for the assets disposed of within two years of acquisition will be made. (7 marks)

- (b) **Compute the capital allowances claimable in respect of each of the new assets acquired by R8 Bhd during YA 2015.** (3 marks)

(10 marks)

- 3 (a) Din has operated the Mahal Café for the last two years. The café is not currently registered for goods and services tax (GST) purposes as its annual sales turnover has been approximately RM450,000.

Din has been reviewing details of the café's annual turnover and has determined the following:

- the value of the taxable supplies for June 2016 (the current month) is RM100,000;
- the total taxable supplies for the previous eleven months from July 2015 to May 2016 is RM402,000; and
- the future sales turnover for the eleven months from July 2016 to May 2017 is estimated to be RM390,000.

Required:

- (i) **Determine whether, and if so from when, Mahal Café is required to register for goods and services tax (GST).** (4 marks)
- (ii) **Assuming Mahal Café does have to register for GST, state, with reasons, how frequently Mahal Café will have to submit its regular GST returns.** (2 marks)
- (b) Bay Area Crabs Sdn Bhd, a restaurant which is registered for goods and services tax (GST), purchased goods and services from GST registered suppliers as shown below. All amounts are stated inclusive of GST, where applicable.

Item	RM
(1) Purchases of vegetables	1,300
(2) Electricity and water for business premises	1,060
(3) Entertainment of potential new customers	424
(4) Repair and maintenance of company passenger car (used by the finance manager)	9,540

Required:

Compute the input tax which is claimable by Bay Area Crabs Sdn Bhd on each of the above purchase items (1) to (4). If no input tax is claimable indicate this by the use of the word 'nil'. (4 marks)

(10 marks)

- 4 (a) Tull is a Brazilian citizen. He arrived in Malaysia on 1 November 2014 and commenced employment in Malaysia on the same date. He left Malaysia on 28 February 2015 for an assignment in Japan related to his employment in Malaysia and returned on 1 May 2015. He left Malaysia again on 31 May 2015 for South America to review the sales development of the South American market for his employer and returned on 1 August 2015. He left Malaysia on a social visit on 30 September 2015 and returned on 21 October 2015. On 31 October 2015, he resigned from his position with his employer and left Malaysia on the same date. He has not returned to Malaysia since.

Required:

State, with reasons, Tull's resident status for each of the years of assessment 2014 and 2015. (4 marks)

- (b) **Assuming that Tull IS resident in Malaysia for both years of assessment, state the notifications which should be made to the Director General of the Inland Revenue (DGIR) regarding Tull's chargeability to income tax, including by whom the notifications should be made and by when.** (2 marks)
- (c) **Assuming that Tull is NOT resident in Malaysia for both years of assessment, state how this will affect the computation of his income tax liability in Malaysia and the action which can be taken against Tull by the DGIR to recover any taxes, sums or debts due by him.** (4 marks)

(10 marks)

- 5 Drone Tech Sdn Bhd (Drone), a company with an issued share capital of RM2.2 million, makes up its accounts annually to 30 April. Drone is a wholly owned subsidiary of S Tech Bhd, whose issued share capital is RM10 million. Drone manufactures high technology equipment.

Drone's statement of profit or loss for the financial year ended 30 April 2015 is as follows:

	Note	RM'000s	RM'000s
Sales			30,007
Less: Cost of sales	1		(21,000)
Gross profit			9,007
Add: Other income			
Dividend income	2	7	
Interest income on overdue trade receivables		50	
			57
			9,064
Less: Expenses			
Company secretarial fees (paid to a company secretary registered with relevant authority)		10	
Finance expenses/charges	3	(75)	
Marketing expenses	4	140	
Motor vehicle expenses	5	110	
Salaries	6	5,906	
Tax filing fees (paid to approved tax agent)		19	
			(6,110)
Profit before tax			2,954

Notes:

- (1) Cost of sales includes:

	RM'000s
– Depreciation of plant, property and equipment	12,000
– Research and development (R&D) expenditure (see below)	1,200

Drone carried out an in-house R&D project and submitted and obtained approval from the Inland Revenue Board (IRB) for the project expenditure to be eligible for a double deduction. The analysis of the R&D expenditure, which does not include any capital expenditure, is as follows:

	RM'000s
Materials for research project	150
Research staff salaries	1,000
Daily allowances (RM500 per day for 10 days) for visits relating to the project by the research head	5
Quality control and routine testing of products	45
	1,200

Note: The maximum daily allowance rate available for double deduction is RM400.

- (2) The dividend was received from an investment in EZ Berhad, a company listed on the Bursa Malaysia. The investment of RM250,000 was wholly financed by a bank loan (see (3) below).

(3) Finance expenses/charges comprise:

	RM'000s
Interest expense arising from the bank loan to finance the share investment in EZ Berhad as in (2) above	10
Foreign exchange gain on trade receivables (realised)	(85)
	(75)

(4) Marketing expenses comprise:

	RM'000s
Entertainment expenses – gifts of company products with logo for a customer's annual dinner	87
Sponsorship of local football league entitling Drone to free advertisement showcasing the company logo and products	33
Cash donation to an approved institution	20
	140

(5) Motor vehicle expenses include the following lease rentals for a motor car (non-commercial) used by Drone's chief executive officer:

	Cost (new) RM'000s	Year of assessment		
		2013 RM'000s	2014 RM'000s	2015 RM'000s
Motor car – W 1 N	140	35	35	35

(6) Salaries include remuneration of RM12,000 for a member of staff who was certified disabled by the relevant authority.

(7) The capital allowances for the year of assessment 2015 have been computed at RM13,700,000.

Required:

(a) Compute the income tax payable by Drone Tech Sdn Bhd for the year of assessment 2015.

Note: You should start your computation with the profit before tax figure of RM2,954,000 and indicate, by the use of the word 'nil', any item referred to in the question for which no adjusting entry needs to be made in the tax computation. (13 marks)

(b) Drone Tech Sdn Bhd (Drone) intends to acquire a second-hand machine for RM12,000 from a company which is ceasing operations. The machine cannot be used in Drone's business without significant repair costs being incurred which are estimated to be RM5,000.

Required:

State, with reasons, whether the repair costs should be treated as revenue or capital expenditure for tax purposes by Drone Tech Sdn Bhd. (2 marks)

(15 marks)