



Examiner's report

F6 Taxation (MYS)

June 2009

General Comments

The examination consisted of five compulsory questions (Question 1 for 30 marks, Question 2 for 25 marks, Question 3 for 20 marks, Question 4 for 15 marks and Question 5 for 10 marks).

Most candidates attempted all five questions. Some candidates did not attempt questions 3, 4 or 5. The most well answered question was Q1 for some candidates and Q2 for other candidates.

Performance at this session showed results at two ends of the scale. On the plus side the score was very high whereas on the minus side the marks gained were very poor. This seemed to be the phenomenon at many centres. The overall performance was good, not only in terms of more passes but also in terms of good scores.

Specific Comments

Question One

This 30-mark question tested candidates' abilities to prepare a tax computation for a company as well as their abilities to explain the tax treatment of certain items adjusted in the computation. The computation part was rather good, better than the narrative part.

Common errors in the tax computation were:

- * giving double deduction to expenditure on international standardisation activities
- * failing to restrict the qualifying plant expenditure of the motor car
- * failing to restrict the disposal price of the motor car
- * failing to identify the notional allowance for the year in which the company did not claim capital allowance for the motor car
- * failing to include the notional allowance figure in arriving at the residual expenditure.
- * regarding mineral water sale in China as foreign income
- * incorrect calculation of stock reserve
- * splitting the qualifying plant expenditure of the van which was shared by two businesses equally instead of allocating the capital allowances between the two businesses after calculating initial allowance and annual allowance.

The narrative part was unsatisfactory with most candidates showing a lack of understanding and in some cases lacking the abilities to explain the items. Candidates were expected to illustrate the fundamental point when explaining the tax treatment. For example:

- * sale of mineral water in China should have been explained in the context of s.12(1)(b)(i) of the Income Tax Act i.e. deeming the income from the sale in China as gross income derived from Malaysia (although actual legislation references are not required). Simply explaining with reference to "in the course of carrying on the business" is not enough.
- * gifts of monthly subscription fees should cover two points:
 - That the deduction is allowed by a specific enactment of the law like a PU order; and
 - The reason that Taiji Sdn Bhd satisfied the condition of being a resident company
- * The appropriate term to use in explaining the rental income is "tax exempt" rather than "not taxable".

In short, in answering the tax treatment of items adjusted in the computation, candidates are expected to firstly show consistency with what they have done in the computation, and secondly to go for the specific provisions of the law where this applies, along with the main conditions that qualify the taxpayer for such treatment.

A few candidates scored near full marks for this question. On the whole performance was good among those who achieved a pass in this question.

Question Two

This 25-mark question required candidates to show their knowledge and skill in preparing a tax computation for an individual whose only source of income was employment. Candidates were tested on the concept of gross income, allowable expenses and personal reliefs.

Common errors in tax computation included:

- * taking the tax payable for both the years of assessment (2007 and 2008) as taxable income for the year of assessment 2008
- * taking the tax payable for the year of assessment 2008 as taxable income for the year of assessment 2008.
- * comparing hotel accommodation with defined value of the house/ hotel room charges
- * apportioning defined value of the house and 30% of s.13(1)(a) on a time basis before making the comparison
- * apportioning defined value of the house on a time basis with the full year s.13(1)(a) income.
- * giving maximum personal relief to parent's medical expense instead of taking the actual lower figure.
- * treating golf club membership as a taxable benefit under s. 13 (1)(b) instead of s. 13 (1)(a).
- * failing to apportion the value of fridge on a time basis.

In answering Q 2(a)(i) some candidates failed to relate the non-taxable/exempt benefits to the items mentioned in the given scenario.

In answering Q 2(a)(iii) the common errors were:

- * Most candidates omitted to mention that tax borne by the employer is treated as perquisite.
- * The majority of the candidates failed to mention "in a calendar year" with regard to exemption of both overseas and local leave passages.

Most candidates did very well in this question.

Question Three

This question was in two parts. Part (a) was a test on resident status of an individual and part (b) was a test on tax compliance in filing tax returns and payment of tax.

In part (a)(i), some candidates omitted to identify the temporary absence. Here candidates should state the precise period of absence i.e 15 June to 18 June 2004.

Some candidates put a limit of 14 days to the seminar whereas the limit of 14 days is not relevant to seminar.

In part (a)(ii), many candidates failed to pick up marks due to:

- * failing to state the law accurately i.e. "more than 182 days" instead of "182 days or more" ; omitting to use the key word "consecutive" when referring to s.7 (1)(b) of the Income Tax Act
- * Some candidates were confused over s.7 (1)(c) and s. 7(1)(d) provisions.

In answering part (b) candidates were expected to give the answer with reference to the given scenario. They should also be precise when stating the deadline for filing tax return i.e. by 30 April 2009 or another way of stating it, "on or before 30 April 2009"

The answer as a whole was unsatisfactory. Most candidates did not pick up marks due to inaccurate description of the provisions of the law.

Question Four

This 15-mark question required candidates to determine the basis periods and adjusted income of a company which commenced business.

The main error was treating this case as a change of accounting date instead of commencement of business.

The common error was failure to read the requirements of the question. Part (a) required candidates to determine the adjusted income before considering the overlapping periods. Part (b), on the other hand, required the candidates to show the adjusted income which falls within the overlapping periods. In this regard, some candidates gave the answer in part (a) which was meant for part (b) .

Some candidates scored high marks for this question whereas others scored very low marks.

Question Five

This question comprised two parts. Part (a) was a test on sales tax.

The common errors were:

- * treating each period of 12 months separately when determining whether or not Long Sdn Bhd was exempt from licensing and payment of sales tax.
- * failing to recognise the relevance of each of the 12 months periods
- * treating Long Sdn Bhd as having to pay sales tax on the basis that the company was a manufacturer of taxable goods.

Part (b) was a test on service tax requiring candidates to show the particulars appearing in the invoice issued to Zee Sdn Bhd and the items that should be chargeable with sales tax by Thinn & Co.

The common errors were

- * adjusting the consultancy fees to exclude the sales tax already imposed by another taxable person
- * omitting to impose sales tax on courier charges.

Most candidates scored good marks for part (b) and poor marks for part (a). Candidates who did well in service tax had good grasp of the concept of single stage tax.