

Fundamentals Level – Skills Module

Taxation (Malaysia)

Tuesday 12 June 2012



Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

ALL FIVE questions are compulsory and MUST be attempted.
Tax rates and allowances are on pages 2–4.

Do NOT open this 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.

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

The Association of Chartered Certified Accountants

Paper F6 (MYS)

ACCA

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.

TAX RATES AND ALLOWANCES

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

Income tax rates			Rate	Cumulative tax
Chargeable income				
Resident individuals	RM		%	RM
First	2,500	(0 – 2,500)	0	0
Next	2,500	(2,501 – 5,000)	1	25
Next	15,000	(5,001 – 20,000)	3	475
Next	15,000	(20,001 – 35,000)	7	1,525
Next	15,000	(35,001 – 50,000)	12	3,325
Next	20,000	(50,001 – 70,000)	19	7,125
Next	30,000	(70,001 – 100,000)	24	14,325
Exceeding	100,000		26	

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	26%

Personal reliefs and allowances		RM
Self		9,000
Disabled self, additional		6,000
Medical expenses expended for parents	(maximum)	5,000
Medical expenses expended on self, spouse or child with serious disease, including up to RM500 for medical examination	(maximum)	5,000
Basic supporting equipment for disabled self, spouse, child or parent	(maximum)	5,000
Purchase of sports equipment	(maximum)	300
Fees expended 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	(each)	1,000
Child – higher rate	(each)	4,000
Disabled child	(each)	5,000
Disabled child, additional	(each)	4,000
Life insurance premiums, contributions to approved provident funds	(maximum)	6,000
Deferred annuity premiums	(maximum)	1,000
Medical and/or educational insurance premiums for self, spouse or child	(maximum)	3,000
Purchase of a personal computer	(maximum)	3,000
Broadband subscription	(maximum)	500
Deposit for a child into the National Education Savings Scheme	(maximum)	3,000

Rebates

Chargeable income not exceeding RM35,000	RM
Individual	400
Rate for an individual entitled to a deduction in respect of a spouse or a former wife	800

Value of benefits in kind

Car scale

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

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 benefit per month is fixed at RM600.

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-conditioned 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

Real property gains tax

Disposal by companies and other than companies

	Rate %
Date of disposal	
Disposal within two years after date of acquisition	30
Disposal in the third year after date of acquisition	20
Disposal in the fourth year after date of acquisition	15
Disposal in the fifth year after date of acquisition or thereafter	5

Note: an exemption is granted which reduces the effective rate to 5% in every case where disposal takes place within five years of the date of acquisition and to nil thereafter.

Sales and service tax

	Rate %
Sales tax	10
Service tax	6

**This is a blank page.
Question 1 begins on page 6.**

ALL FIVE questions are compulsory and MUST be attempted

- 1 Dinishah Sdn Bhd manufactures glass products for both the local and export markets. The company's income statement for the year ended 31 December 2011 is as follows:

	Notes	RM
Sales revenue		1,200,000
less		
Cost of sales	1	230,000
Gross profit		970,000
Operating expenses	2 to 6	(650,000)
Profit before tax		320,000

Notes

1. Cost of sales includes the following

	RM
Provision for stock obsolescence	5,000
Insurance premium paid to a company incorporated in Malaysia, for insuring raw materials supplied from Hong Kong	6,000
	11,000

2. Staff welfare costs includes leave passage of RM15,000 for a director
3. The company incurred the following charges:

	RM
Interest on overdue trade account payables	5,000
Interest on overdue corporate credit card account	2,500
Legal fees on securing a new term loan	12,000
	19,500

4. Bad and doubtful debts (all trade in nature) are as follows:

	RM
Bad debts written off during the year	10,000
General provision at year end 31 December 2011	15,000
Specific provision at year end 31 December 2011	12,000
Bad debts recovered during the year	(9,000)
General provision at 31 December 2010	(12,000)
Specific provision at 31 December 2010	(7,500)
Charged to income statement	8,500

5. Donations and social contributions

	RM
(i) Donations:	
In cash to:	
– a womens' cancer centre (this is an approved community project)	15,000
– a project of national interest (approved by the minister)	6,500
Manuscript to the government (valued at RM100,000 by the Department of Museum Malaysia)	204,000
	225,500

- (ii) As the company's shareholders are Muslim, the company contributed '*zakat perniagaan*' of RM210,000 during the year.
- (iii) The company's office building was renovated at a cost of RM20,000 for the installation of safety features to create a safe environment for disabled workers.
- (iv) The company contributed towards the acquisition and training of guide dogs for blind employees of a shopping complex dedicated to the employment of the blind. The contribution was valued by the city council at RM20,000
6. The company paid the following subscriptions:
- | | |
|--|--|
| | RM |
| Corporate membership subscription to a recreation club | 2,000 |
| Advertising fee on a new billboard | 1,200 |
| Renewal of trade licence fee | 2,000 |
| | <hr style="border-top: 1px solid black;"/> |
| | 5,200 |
| | <hr style="border-top: 1px solid black;"/> |
7. Other information
- (i) The unabsorbed capital allowance brought forward from the year of assessment 2010 is RM11,000.
- (ii) The current year capital allowance is RM18,000.
- (iii) The unabsorbed loss brought forward from the year of assessment 2010 is RM10,000.
- (iv) The company has a balancing allowance of RM7,000 in respect of the disposal of a motor vehicle

Required:

(a) Compute Dinishah Sdn Bhd's chargeable income for the year of assessment 2011.

Note: Your computation should start with the 'Profit before tax' figure and should include all of the items referred to in notes 1 to 7, indicating by the use of the word 'NIL' where no adjustment or inclusion is needed. Marks will be awarded for the use of accurate technical terms to describe the figures comprising the stages in the computation of chargeable income. (25 marks)

- (b)** A manufacturing company in Malaysia exports 20% of its products to Australia. The sales proceeds are credited to the company's bank account in Australia.

Required:

Explain the taxability of the income retained in the company's Australian bank account. (5 marks)

(30 marks)

- 2 Anthony has been employed as an accountant with Taxaton Bhd for many years. He was transferred from Kuantan to its Kuala Lumpur office with effect from 1 January 2011. He resigned on 31 December 2011 and migrated overseas in January 2012. His income for the year ended 31 December 2011 is as follows:

	RM
Net salary (after Employees Provident Fund deductions at 11%)	133,500
Entertainment allowance	2,500 per month
Bonus for the year ended 31 December 2010 paid in 2011	25,000

Anthony was provided with the following benefits for the year ended 31 December 2011:

1. He received a travelling allowance of RM3,000 per month. His travelling expenses for the year amounted to RM26,807
2. He was provided with a mobile phone and a pager costing RM2,000 each.
3. The services of a gardener employed by Taxaton Bhd at a monthly salary of RM400 were provided to Anthony for a period of six months in 2011.
4. In 2009 Anthony had taken a bank loan of RM400,000 to finance the purchase of his house in Kuantan. For the year 2011, Taxaton Bhd subsidised his interest costs on the bank loan to the tune of RM8,000. The loan balance as at 31 December 2011 was RM310,000.
5. Anthony employed a maid solely for his family's use at RM600 per month from 1 April 2011. This cost was reimbursed by Taxaton Bhd. Anthony and his family were provided with short holidays to various local resorts and a trip to India by Taxaton Bhd, which incurred the following expenses:

	Cost of air fare	Cost of meals and accommodation
	RM	RM
Four local trips (per trip)	1,200	900
India trip	10,400	13,600

6. Taxaton Bhd provided medical benefits for Anthony and his family costing RM12,500.
7. Anthony was provided with a car (costing RM127,000 when new) for nine months in 2011, and petrol expenses amounting to RM13,500.
8. Taxaton Bhd rented a fully furnished six-room bungalow in Kuala Lumpur for RM16,000 per month (inclusive of furniture at RM4,000) for Anthony. However, since the house was not available until 1 March 2011, he was placed at a hotel (room rate RM350 per day) until 28 February 2011. Two of the rooms in the house were not used by Anthony and his family but reserved for the use of Taxaton Bhd's clients when they were in Kuala Lumpur. These two rooms were not furnished.

Anthony incurred RM32,000 on entertaining clients during the year and paid his employer a nominal rental of RM150 per month.

Anthony made the following cash donations during the year:

	RM
Old folks home (approved institution)	5,000
State government	26,500
Contribution to sports activities approved by the minister	17,500

Anthony is married to Pamela, who has no total income for the year 2011. They have two children:

- Stanley, aged 21, who is studying for a diploma at a college in Singapore; and
- Paul, aged 20, who is undergoing articleship with a local audit firm. He is paid a monthly stipend of RM330.

Required:

Compute the chargeable income of Anthony for the year of assessment 2011 indicating 'exempt' where a benefit is exempted from tax. In your computation use the prescribed value method for benefits in kind

(25 marks)

- 3 (a) Gemini Sdn Bhd was incorporated on 1 March 2003. It commenced a manufacturing business on 1 May 2003 and prepared its first and subsequent accounts as follows:

	Adjusted income/(loss)
	RM
1 May 2003 to 31 March 2004	44,000
1 April 2004 to 31 March 2005	(60,000)
1 April 2005 to 31 March 2006	66,000

Required:

Determine the basis periods and the adjusted income for Gemini Sdn Bhd for each of the years of assessment 2003 to 2006 inclusive, assuming that there was no income prior to the commencement of business.

(7 marks)

- (b) On 1 June 2006, the entire shareholding of Gemini Sdn Bhd was acquired by Libra Sdn Bhd. Consequently Gemini Sdn Bhd changed its financial year end to 30 September to be co-terminous with that of its holding company and made up accounts as follows:

1 April 2006 to 30 September 2007
1 October 2007 to 30 September 2008

Required:

Determine the basis periods for Gemini Sdn Bhd for each of the years of assessment 2007 and 2008 and give a brief explanation of the period applicable to the year of assessment 2007.

(4 marks)

- (c) In 2009, Gemini Sdn Bhd ceased to be a subsidiary of Libra Sdn Bhd and Gemini Sdn Bhd's directors decided to change the company's financial year end to February making up accounts as follows:

1 October 2008 to 28 February 2010
1 March 2010 to 28 February 2011

Required:

Determine the basis periods for Gemini Sdn Bhd for each of the years of assessment 2009 to 2011 inclusive, give a brief explanation of the periods applicable to the years of assessment 2009 and 2010.

(5 marks)

- (d) On 18 November 2009, Gemini Sdn Bhd commenced a new trading business.

Required:

Determine the basis periods in respect of Gemini Sdn Bhd's new trading business for each of the years of assessment 2010 and 2011, and give a brief explanation of the period applicable to the year of assessment 2010.

(4 marks)

(20 marks)

- 4 (a) Alex owns two properties, a bungalow in Bangsar and a shop lot in Shah Alam. The bungalow was acquired on 13 April 2009 for RM100,000 and the shop lot was purchased for RM150,000 on 14 February 2010.

On 1 May 2011, Alex gifted the bungalow to his daughter when the market value on the property was RM170,000. On 5 May 2011, he sold the shop lot to his son for RM150,000 although the market value at that date was RM175,000.

Required:

Assuming that both the properties have been subsequently disposed of by the children, determine the acquisition price and acquisition date of the properties transferred to:

- (1) the daughter; and
- (2) the son

(4 marks)

- (b) Due to financial constraints, Pauline had to dispose of land which she owned in Seremban on 1 June 2012 for RM350,000. The land had been acquired on 15 June 2009 for RM230,000.

Required:

Compute the real property gains tax liability for Pauline in respect of the disposal of the land in Seremban.

(5 marks)

- (c) **State ANY FOUR circumstances whereby a transfer will be deemed to be a no-gain-no-loss transaction for the purpose of real property gains tax.**

(4 marks)

- (d) **Explain how the date of disposal is determined where there is no written agreement.**

(2 marks)

(15 marks)

- 5 (a) Chris is licensed under the Service Tax Act. He provided services to AB Sdn Bhd amounting to RM30,000 and disbursed courier fees for the dispatch of documents on behalf of AB Sdn Bhd amounting to RM250.

Required:

Compute the amount of service tax that Chris should charge AB Sdn Bhd in respect of the above if:

- (1) the courier is licensed under the Service Tax Act; and
- (2) the courier is NOT licensed under the Service Tax Act.

(3 marks)

- (b) Taya sells manufactured goods which are liable to sales tax. On 1 January 2011, Taya sold goods amounting to RM35,000 to Chinan. The sales tax was paid on 3 March 2011. On 1 April 2011, Taya was paid RM15,000 by Chinan and was told that the remaining amount could not be paid. Taya decided to write off the outstanding balance as it qualifies as a bad debt for sales tax purposes.

Required:

Compute the amount of sales tax that Taya can recover from the Royal Customs and Excise Department in respect of the bad debt.

(3 marks)

- (c) **State ANY FOUR circumstances in which a debt is regarded as irrecoverable for sales tax purposes.**

(4 marks)

(10 marks)

End of Question Paper