

---

# Answers

---

Marks

1 Josh and Susan

(a) (i) Josh – Income tax payable for the year of assessment 2013

|   | RM       | RM       |    |
|---|----------|----------|----|
| Employment  |          |          |    |
| [Section 13(1)(a)]                                      |          |          |    |
| Salary  |          | 140,000  | ½  |
| Mobile phone  | Exempt   |          | ½  |
| Monthly bills for mobile phone                          | Exempt   |          | ½  |
| Housing loan interest subsidy                           | 12,000   |          | ½  |
| Less: Exemption $\frac{300,000}{400,000} \times 12,000$ | (9,000)  | 3,000    | 1  |
|   |          | 143,000  |    |
| [Section 13(1)(b)]                                      |          |          |    |
| Leave passage (13,000 – 3,000)                          | 10,000   |          | 1  |
| Car benefit per table                                   | 15,000   |          | ½  |
| Driver (600 x 12)                                       | 7,200    |          | ½  |
|   |          | 32,200   |    |
| Adjusted income/statutory income from employment        |          | 175,200  |    |
| Add:  |          |          |    |
| Royalty income from discs                               | 22,000   |          | ½  |
| Less: Exemption [Paragraph 32, Schedule 6]              | (10,000) | 12,000   | 1  |
| Aggregate income  |          | 187,200  |    |
| Less: Donations   |          |          |    |
| Contribution (approved) [s.44(9)]                       |          | (21,000) | 1  |
| Total income  |          | 166,200  |    |
| Less: Personal reliefs                                  |          |          |    |
| Self  | 9,000    |          | ½  |
| Employees' provident fund (maximum)                     | 6,000    |          | ½  |
| Child relief: first child                               | Nil      |          | 1  |
| Second child  | 1,000    |          | 1  |
| Books   | 400      |          | ½  |
|   |          | (16,400) |    |
| Chargeable income                                       |          | 149,800  |    |
| Tax liability   |          |          |    |
| Tax on RM100,000  |          | 13,850   | ½  |
| Tax on next RM49,800 at 26%                             |          | 12,948   | ½  |
| Tax payable   |          | 26,798   |    |
|   |          |          | 12 |

**Tutorial notes:**

- The exemption relating to the housing loan interest subsidy is restricted to an amount of RM300,000 from the principal loan amount of RM400,000 on the interest subsidised by the employer of RM12,000 as per the second addendum of Public Ruling 1/2006 on Perquisites From Employment.
- Although the first child is pursuing a full-time degree course locally, Josh is not entitled to child relief as the child is married.

**Marks**

**(ii) Susan – Income tax payable for the year of assessment 2013**

|  | RM         | RM             | RM             |           |
|--|------------|----------------|----------------|-----------|
| Gross interest income                  |            |                | 1,000          | 1         |
| Gross rental income                    | 43,000     |                |                | ½         |
| Rental deposit (refundable)            | <u>Nil</u> |                |                | 1         |
|  |            | 43,000         |                |           |
| Less:                                  |            |                |                |           |
| Quit rent and assessment               | 500        |                |                | ½         |
| Maintenance                            | 2,400      |                |                | ½         |
| Interest expense on loan               | 3,600      |                |                | 1         |
| New air-conditioner                    | <u>Nil</u> | <u>(6,500)</u> |                | 1         |
| Adjusted/statutory income              |            |                | <u>36,500</u>  |           |
| Aggregate income                       |            |                | 37,500         |           |
| Cash donation (approved) [s.44(6)(ii)] |            | <u>3,777</u>   |                | ½         |
| Restricted to 7% of aggregate income   |            |                | <u>(2,625)</u> | 1         |
| Total income                           |            |                | 34,875         |           |
| Less: Personal relief                  |            |                |                |           |
| Self                                   |            | 9,000          |                | ½         |
| Books                                  |            | <u>800</u>     |                | ½         |
|  |            |                | <u>(9,800)</u> |           |
| Chargeable income                      |            |                | <u>25,075</u>  |           |
| Tax liability                          |            |                |                |           |
| Tax on RM20,000                        |            |                | 300            | ½         |
| Tax on next RM5,075 at 6%              |            |                | <u>304</u>     | ½         |
|  |            |                | 604            |           |
| Less: Tax rebate [s.6A]                |            |                | <u>(400)</u>   | 1         |
| Tax payable                            |            |                | <u>204</u>     |           |
|  |            |                |                | <u>10</u> |

**(b) Income tax payable under joint assessment for the year of assessment 2013**

|                                    | RM           | RM              |          |
|------------------------------------|--------------|-----------------|----------|
| Josh's total income                |              | 166,200         | ½        |
| Susan's total income               |              | <u>34,875</u>   | ½        |
| Total income                       |              | 201,075         |          |
| Less: Personal reliefs             |              |                 |          |
| Self                               | 9,000        |                 | ½        |
| Wife                               | 3,000        |                 | ½        |
| Employees provident fund (maximum) | 6,000        |                 | ½        |
| Child relief: first child          | Nil          |                 | ½        |
| Second child                       | 1,000        |                 | ½        |
| Books (maximum)                    | <u>1,000</u> |                 | ½        |
|                                    |              | <u>(20,000)</u> |          |
| Chargeable income                  |              | <u>181,075</u>  |          |
| Tax liability                      |              |                 |          |
| Tax on RM100,000                   |              | 13,850          | ½        |
| Tax on next RM81,075 at 26%        |              | <u>21,079</u>   | ½        |
| Tax payable                        |              | <u>34,929</u>   |          |
|                                    |              |                 | <u>5</u> |

- (c)** Based on the above, the tax payable under the joint assessment of RM34,929 is higher than the total tax payable under separate assessment of RM27,002 (26,798 + 204). 1

This is because under separate assessment, the self relief and the book relief available are higher than the spouse (wife) relief and restricted book relief available under joint assessment. 1

Therefore, Josh and Susan should opt for separate assessment.

Marks

1

3

**30**

**Note:** Marks will be awarded for other acceptable explanations and reasons, such as his wife is entitled to a tax rebate of RM400 as her chargeable income does not exceed RM35,000 and her income is subject to lower tax rates under separate assessment.

## 2 Eco Hijau Sdn Bhd

**Chargeable income and tax payable for the year of assessment 2013**  
(Basis period 1 April 2012 to 31 March 2013)

|   | Note | RM<br>–          | RM<br>+            |   |
|---|------|------------------|--------------------|---|
| Profit before taxation                              |      |                  | 6,529,000          |   |
| Marine insurance premiums                           | 1    | Nil              |                    | 1 |
| Depreciation  | 1    |                  | 1,300,000          | ½ |
| Deposit forfeited                                   | 2    | 102,000          |                    | ½ |
| Interest income                                     | 3    | 1,020,000        |                    | ½ |
| Retrenchment expenses – tiles division              | 4    |                  | 30,000             | 1 |
| Retrenchment expenses – furniture division          | 4    |                  | Nil                | 1 |
| Consultancy fee for new project                     | 5    |                  | 32,000             | 1 |
| Legal fees for disposal of land                     | 5    |                  | 10,000             | 1 |
| Leave passage – company trip overseas               | 6    |                  | 33,000             | 1 |
| Trainer allowance for approved training             |      |                  |                    |   |
| 1 instructor x 1 day x RM400/day                    | 7    | 400              |                    | 1 |
| Food allowances for trainees for approved training  |      |                  |                    |   |
| 10 trainees x 1 day x RM100/day                     | 7    | 1,000            |                    | 1 |
| Bad and doubtful debts:                             |      |                  |                    |   |
| Provision for the year – trade                      | 8    |                  | 100,000            | ½ |
| Amount written off – trade                          | 8    | 50,000           |                    | ½ |
| Provision for the year – non-trade                  | 8    |                  | 30,000             | ½ |
| Amount written off – non-trade                      | 8    | Nil              |                    | ½ |
| Repairs   | 9    |                  | Nil                | ½ |
| Foreign exchange loss – trade and realised          | 10   |                  | Nil                | 1 |
| Foreign exchange gain – trade and unrealised        | 10   | 3,000            |                    | 1 |
| Contributions to trade association (dinner)         | 11   |                  | 20,000             | ½ |
| Incorporation fees for subsidiary                   | 12   |                  | 5,000              | 1 |
| Entertainment related to sales campaign             | 13   |                  | Nil                | 1 |
| Samples for export promotion                        | 13   | 89,000           |                    | 1 |
| Expenditure for social responsibility               | 13   |                  | Nil                | 1 |
| Loss on disposal of fixed assets                    | 14   |                  | 20,000             | ½ |
|   |      | <u>1,265,400</u> | <u>8,109,000</u>   |   |
|   |      |                  | <u>(1,265,400)</u> |   |
| Adjusted income                                     |      |                  | 6,843,600          |   |
| Add: Balancing charge (working 1)                   |      |                  | 5,000              | W |
|   |      |                  | <u>6,848,600</u>   |   |
| Less: Capital allowances brought forward            |      | 20,000           |                    | ½ |
| Capital allowances as computed                      |      | <u>3,300,600</u> |                    | ½ |
|   |      |                  | <u>(3,320,600)</u> |   |
| Statutory income                                    |      |                  | 3,528,000          |   |
| Less: Unabsorbed losses brought forward – furniture |      |                  | (30,000)           | ½ |
| Unabsorbed losses brought forward – tiles           |      |                  | (130,000)          | 1 |
|   |      |                  | <u>3,368,000</u>   |   |
| Add: Interest income                                |      |                  | 1,020,000          | ½ |
| Aggregate income                                    |      |                  | <u>4,388,000</u>   |   |
| Less: Donation to unapproved institution            |      |                  | Nil                | ½ |
| Total/Chargeable income                             |      |                  | <u>4,388,000</u>   |   |
| Tax liability                                       |      |                  |                    |   |
| Income tax at 25%                                   |      |                  | <u>1,097,000</u>   | ½ |

**Working: Loss on disposal of fixed assets**

|  |           |   |
|--|-----------|---|
|  | <b>RM</b> |   |
| Cost of motor vehicle                                | 200,000   |   |
| Qualifying expenditure                               | 50,000    | ½ |
| Residual expenditure (as provided)                   | 10,000    | ½ |
| Disposal proceeds (DP) RM60,000                      |           |   |
| DP restricted $\frac{50,000}{200,000} \times 60,000$ | (15,000)  | 1 |
| Balancing charge                                     | 5,000     |   |
|  | <u>25</u> |   |

**Tutorial notes:**

1. The insurance premiums were paid to a branch of a foreign company and not to a locally incorporated insurance company and, therefore, are not entitled to a double deduction.
2. The staff loan written-off amount of RM5,000, although a specific provision, is not allowed as a deduction as it is non-trade in nature.

**3 (a) Healthy Vege Sdn Bhd****Agriculture allowances for the year of assessment 2013**

| Asset  | Amount incurred<br>RM | Agriculture allowance<br>rate | Agriculture allowance<br>RM |       |
|--|-----------------------|-------------------------------|-----------------------------|-------|
| Land   | 120,000               | non-qualifying                | –                           | ½     |
| Clearing and preparation of land                       | 90,000                | 50%                           | 45,000                      | 1 + ½ |
| Construction of an estate office for the farm          | 130,000               | 10%                           | 13,000                      | 1 + ½ |
| Construction of a storage building to store equipment  | 20,000                | 10%                           | 2,000                       | 1 + ½ |
| Construction of a road to access the farm              | 60,000                | 50%                           | 30,000                      | 1 + ½ |
| Construction of living quarters for the farm employees | 200,000               | 20%                           | 40,000                      | 1 + ½ |
|  |                       |                               | <u>8</u>                    |       |

**(b) Uni Sdn Bhd**

|   |                |          |
|---|----------------|----------|
| <b>Qualifying plant expenditure</b>                       | <b>RM</b>      |          |
| Cost of mould machine                                     | 62,000         | ½        |
| Add: Installation costs                                   | 38,000         | 1        |
| Qualifying expenditure as plant and machinery             | <u>100,000</u> |          |
| <b>Capital allowances for the year of assessment 2013</b> |                |          |
| Initial allowance 20%                                     | 20,000         | ½ + ½    |
| Annual allowance 14%                                      | 14,000         | ½        |
|   | <u>34,000</u>  | <u>3</u> |

**Tutorial note:** The installation cost qualifies as part of the cost of the plant and machinery and is not restricted since the alteration is made to the building and not to the land. [Para 2(1)(a), schedule 3]

**(c) Poly Sdn Bhd****Qualifying building expenditure**

|  | RM             |          |
|--|----------------|----------|
| Cost of land   | non qualifying | ½        |
| Cost of architect fees for land  | non-qualifying | ½        |
| Cost of architect fees for extension   | 10,000         | ½        |
| Legal fees for extension's approval  | 20,000         | ½        |
| Interior design fees for extension paid to a non-resident who performed the services in Malaysia but for which no withholding tax was deducted | non-qualifying | 1        |
| Construction of extension  | 570,000        | ½        |
| Total qualifying expenditure   | 600,000        | ½        |
| Less: Non-qualifying expenditure 15% (showroom)  | (90,000)       | 1        |
| Qualifying building expenditure  | 510,000        |          |
|  |                | <u>5</u> |

**(d) Dew Sdn Bhd****Penalty for excessive difference**

|  | RM        |           |
|--|-----------|-----------|
| Final tax payable                          | 1,000,000 |           |
| Less: Second revised estimated tax         | (300,000) | 1         |
| Difference                                 | 700,000   | ½         |
| Less: 30% of final tax (RM1,000,000 x 30%) | 300,000   | 1         |
| Excess                                     | 400,000   | ½         |
| Penalty at 10% of excess                   | 40,000    | 1         |
|  |           | <u>4</u>  |
|  |           | <u>20</u> |

**4 (a) Grow Sdn Bhd and Rohin****(i) Real property gains tax (RPGT) reporting requirements**

Grow Sdn Bhd, as disposer, and Rohin, as acquirer, are both required to submit RPGT forms to the Inland Revenue Board within 60 days of the date of signing the sale and purchase agreement. The due date for them to submit the RPGT returns would be 60 days from 1 August 2013, i.e. on or before 29 September 2013.

1 + 1

The acquirer, Rohin, is required to retain from the consideration payable to Grow Sdn Bhd an amount of 2% of the value of the consideration or the whole of the consideration which consists of money, if the money portion is less. The amount retained should be remitted within 60 days of the date of signing the sales and purchase agreement.

1 + 1

As the consideration in money of RM25,000 is lower than 2% of the value of the consideration of RM30,000 (RM1,500,000 x 2%), Rohin, as acquirer, should retain RM25,000 and remit this amount to the Inland Revenue Board on or before 29 September 2013.

1 + 1

6

**(ii) Chargeable gain on the disposal of the property**

|   | RM       | RM          |       |
|---|----------|-------------|-------|
| Disposal consideration                              |          | 1,500,000   | 1     |
| Less: Permitted expenses                            |          |             |       |
| Enhancement costs (construction of office building) |          | (1,000,000) | 1     |
| Less: Incidental costs (agent fees)                 |          | (20,000)    | 1     |
|   |          | <hr/>       |       |
| Disposal price                                      |          | 480,000     |       |
| Acquisition consideration                           | 330,000  |             | 1     |
| Add: Stamp duty                                     | 9,000    |             | 1     |
| Add: Interest expense                               | Nil      |             | 1     |
| Less: Compensation received                         | (19,000) |             | 1     |
|   | <hr/>    |             |       |
| Acquisition price                                   |          | (320,000)   |       |
| Chargeable gain                                     |          | <hr/>       |       |
|   |          | 160,000     |       |
|   |          | <hr/>       |       |
|   |          |             | <hr/> |
|   |          |             | 7     |

**(b) Tunas Sdn Bhd – Withholding tax**

Tunas Sdn Bhd is required to apply withholding tax at the rate of 10% on the gross royalty payable to the non-resident, Mori Ltd, i.e. RM1,000, upon paying or crediting the royalty to the non-resident. 1

Tunas Sdn Bhd must render an account and remit the withholding tax deducted to the Director General of Inland Revenue within one month of paying or crediting the non-resident, i.e. on or before 17 March 2013, being one month from 18 February 2013. 1

---

2

---

**15****5 (a) Service tax****(i) Minimum annual turnover thresholds**

- (1) There is no minimum annual sales turnover threshold applicable for consultancy and management services. 1
- (2) The minimum annual sales turnover applicable for employment agency services is RM150,000. 1
- (3) The minimum annual sales turnover for advertising services is RM300,000. 1

---

3

**(ii) Surrender of a service tax licence**

A taxable person must surrender a service tax licence in any of the following circumstances:

1. He goes into a partnership, retirement or admission of partner.
2. He ceases providing taxable services.
3. A registered company acquires his business.
4. He becomes a taxable person in another service group category.
5. There is a change in name, location, number of business or addresses of the business.
6. He is requested by the Director General of Customs and Excise to surrender.

Any THREE required – 1 mark per item, maximum 3

---

**(b) Bit Sdn Bhd****(i) Sales tax payable for the period: July and August 2013**

| Date invoice issued | Amount<br>RM  |          |
|---------------------|---------------|----------|
| 23 July 2013        | 20,000        | ½        |
| 6 August 2013       | 10,000        | ½        |
| 20 August 2013      | 5,000         | ½        |
|                     | <u>35,000</u> |          |
| Sales tax at 10%    | <u>3,500</u>  | ½        |
|                     |               | <u>2</u> |

**Tutorial note:** For sales tax purposes, sales tax is due and payable upon the issue of an invoice. Therefore, the invoice issued on 11 June 2012 will not be included in the taxable period July and August 2013.

**(ii) Penalty for the late payment of sales tax for the taxable period July and August 2013**

Sales tax due on 28 September 2013: RM3,500

Date of payment: 20 November 2013

|   |            | RM         |                  |
|---|------------|------------|------------------|
| 29 September 2013 to 28 October 2013 (30 days)                | 10%        | 350        | 1                |
| 29 October 2013 to 27 November 2013 (30 days or part thereof) | 10%        | 350        | 1                |
| Total   | <u>20%</u> | <u>700</u> | <u>2</u>         |
|   |            |            | <u><b>10</b></u> |