Answers

Section B *Marks*

1 (a) Patel – Gift of apartment to his wife

The transfer of real property as a gift between a husband and wife is treated as at no gain no loss if the transfer is made within five years from the date of acquisition of the real property by the person making the gift. 1 + ½

Therefore, there will be no real property gains tax (RPGT) payable by Patel on the gift of the apartment to Neeta. ½

For RPGT purposes, Neeta will be deemed to acquire the property for the acquisition price paid and the permitted expenses incurred by Patel, which total RM490,000. ½ + ½

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(b) Jeram Sdn Bhd – RPGT on the disposal of the land and badminton hall

Deemed disposal on 15 January 2013

		RM	RM	Marks
Disposal consideration			Nil	½
Disposal price			Nil	
Acquisition consideration		25,000		½
Add: Stamp duty and legal fees (3,000 + 1,000)		4,000		½ + ½
Less: Insurance recovery		(160,000)		½
Acquisition price			131,000	
Chargeable gain [deemed disposal]			131,000	
Holding period:				
Date of acquisition:	28 May 2010			½
Date of disposal:	15 January 2013			½
Disposal within three years, RPGT at 30%			39,300	½

Actual disposal on 20 June 2016

		RM	Marks
Disposal consideration		220,000	½
Less: Permitted expenses			
Enhancement costs for hall		(120,000)	½
Disposal price		100,000	
Less: Acquisition price		(Nil)	1
Chargeable gain		100,000	
Holding period:			
Date of acquisition:	28 May 2010		½
Date of disposal:	20 June 2016		
Disposal after five years, RPGT at 5%		5,000	½
			7
			10

Tutorial note: *The date of acquisition where there is no sale and purchase agreement is the date of completion. The date of completion is the earlier of the date when the full consideration was paid and the title was transferred.*

				Marks

2 OK Sdn Bhd

(a) Basis periods for the years of assessment 2016 and 2017

Year of assessment	Basis period	Marks
2016	1 April to 30 September 2016	½
2017	1 October 2016 to 30 September 2017	½
		1

(b) Capital allowances for the years of assessment (YA) 2016 and 2017

			RM'000	Qualifying expenditure RM'000	Marks
Mould machinery					
Cost (deemed incurred on the day the business commenced)				500	½
YA 2016	Initial allowance (IA)	20%	100		½
	Annual allowance (AA)	14%	70	(170)	½
	Residual expenditure (RE)			330	
YA 2017	AA			(70)	½
	RE			260	
Factory building					
Cost			12,000		
Less: Non-industrial portion – 20%			(2,400)		
Qualifying expenditure for industrial buildings allowance				9,600	½
YA 2016	IA	10%	960		½
	AA	3%	288	(1,248)	½
	RE			8,352	
YA 2017	AA			(288)	½
	RE			8,064	
Motor car (on hire purchase)					
Cost of RM145,000 restricted to				100	½
YA 2016	Deposit paid			50	½
	Instalments ((8,000 – 500) x 4)			30	½ + ½
	(June to September 2016 = 4 months)				
	Qualifying expenditure			80	
	IA	20%	16		½
	AA	20%	16	(32)	½
	RE			48	
YA 2017	Current year instalments:				
	(7,500 x 8) = 60,000 restricted to				
	(100,000 – 80,000)			20	½
	IA	20%	4		½
	AA	20%	4	(8)	½
	Previous year instalments:				
	AA (80,000 x 20%)	20%		(16)	½
	RE			44	
					9
					10

Marks

3 Trolak Estates Sdn Bhd

(a) (i) Blocked input tax is goods and services tax (GST) incurred by a taxable person relating to purchases of a type which are not eligible for an input tax credit. Such purchases include entertainment of potential customers, subscriptions to sports and recreational clubs, passenger motor vehicles. ½ + ½

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Marking note: *Only one example is required for full credit.*

(ii) The conditions to be met for input GST to be claimed on a motor car which is used exclusively for the purposes of business are:

- an application must be made to the Director General of Customs for approval;
- the motor car must be registered in the name of the company;
- the motor car must not be let on hire;
- the company must have no intention to make the motor car available for private use;
- the motor car must be kept at the business premises, used for business trips and not be taken home overnight by any employee; and
- the motor car must have the business's name/logo displayed prominently.

ANY THREE items required, 1 mark each, maximum 3

(b) Net GST payable or recoverable for the taxable period from 1 June to 30 June 2016

	Transaction	Value RM		GST RM	
(i)	Supply of palm oil	300,000	(300,000 x 6%)	18,000	1
(ii)	Supply of cocoa	Nil		Nil	1
(iii)	Rental of tractor	10,000	(10,000 x 6%)	600	1
(iv)	Disposal of table	3,000	(3,000 x 6%)	180	1
(v)	Cash award	Nil		Nil	1
Total output tax				18,780	
Less: Input tax credit				(20,000)	½
Net GST recoverable				(1,220)	½
					6
					10

Tutorial notes:

1. *The time of supply for the palm oil is 3 June 2016 (i.e. the date of delivery) as the tax invoice was not issued within 21 days of the date the goods were delivered, i.e. within 21 days of 3 June 2016.*
2. *The time of supply for the cocoa is 2 July 2016 (i.e. the date of invoice) as the tax invoice was issued within 21 days of the date the goods were delivered, i.e. within 21 days of 22 June 2016.*
3. *The cash award is not within the scope of GST.*

4 Azure and June

Partnership – Divisible income for the year of assessment (YA) 2016

	RM'000	RM'000	
Provisional adjusted income (loss)		(40)	
Less: Salary			
– Azure (10 months x 5,000)	(50)		½
– June (10 months x 5,000)	(50)	(100)	½
Less: Interest on capital contribution			
– Azure 10% x 360,000 = 36,000 x 10/12	(30)		½
– June 10% x 240,000 = 24,000 x 10/12	(20)	(50)	½
Divisible income/(loss)		(190)	

Marks

Partners – Chargeable income for YA 2016

	RM'000 Azure	RM'000 June	RM'000 Total	
Salary	50	50	100	½ + ½
Interest on capital contribution	30	20	50	½ + ½
Divisible loss	(95)	(95)	(190)	½ + ½
Adjusted loss	(15)	(25)	(40)	
Capital allowance unused and carried forward (50:50)	6	6		½ + ½
Statutory income	Nil	Nil		
Interest income		13		½
Rental income (28 – 30)	Nil			½
Aggregate income	Nil	13		
Less: Current year loss		(13)		1
Less: Donations (lost)	Nil	Nil		½ + ½
Total income	Nil	Nil		
Unabsorbed business losses carried forward (June 25 – 13)	15	12		½ + ½
				10

5 **Hybrid Auto Sdn Bhd**

(a) Chargeable income for the year of assessment 2016
(Basis period 1 July 2015 to 30 June 2016)

	Note	RM'000 –	RM'000 +	
Profit before taxation			993	
Depreciation	1		1,600	½
Allowance for inventory obsolescence	1	45	7	½ + ½
Inventory transferred to non-current assets (78,000 x 2)	1		156	1
Marine insurance premiums paid on import	1	Nil		½
Interest income – foreign source income	2	110		½
Deposit forfeited – capital	2	19		½
Statutory audit fees			Nil	½
Advertisement in local media	3		Nil	½
Economy class for promotion of exports (double deduction)	3	1		1
Entertainment expenses (wholly related to sales)	3		Nil	½
Donation to public library (103,000 – 100,000)	3		3	1
Donation-in-kind for sports activity (approved)	3		49	½
Foreign exchange loss – unrealised	4		17	½
Foreign exchange gain – trade and realised	4	Nil		½
Foreign exchange gain – realised in YA 2016	4		8	½
XV Sdn Bhd (debt taken over – capital)	5		66	½
UB Sdn Bhd	5		Nil	½
Leave passages – company trip to Tioman	7		Nil	½
		175	2,899	
			(175)	
Adjusted income			2,724	
Less: Capital allowances			(2,354)	½
Statutory income			370	
Add: Interest income – exempt			Nil	½
Aggregate income			370	
Donations in-kind (approved sports activity)		49		
(restricted to 10% of aggregate income) (10% x 370,000)			(37)	½ + ½
Total/chargeable income			333	
				13

Marks

(b) Hybrid will not be entitled to claim the deduction. This is because Hybrid is 100% foreign owned and so does not meet the necessary condition which states that, for a company which is not listed on Bursa Malaysia, at least 60% of its paid-up ordinary share capital must be directly owned by Malaysian citizens. 2

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6 (a) Zarina – Income tax payable for the year of assessment 2016

	RM	RM	
Employment [Sec 4(b)]			
[Section 13(1)(a)]			
Salary		160,000	½
Employees' provident fund (EPF)		Nil	½
Discount on company's own goods	5,000		½
Less: Exempt	(1,000)	4,000	1
Personal computer – gift		3,000	½
Reimbursement – maid's wages		9,000	½
		176,000	
[Section 13(1)(b)]			
Traditional medical benefit – exempt		Nil	½
		176,000	
[Section 13(1)(c)]			
Hotel accommodation			
3% x Section 13(1)(a)			
(3% x 176,000 x 1 month/12 months)		440	½ + ½
Gross employment income/Adjusted/statutory income		176,440	
[Sec 4(d)]			
Royalties – musical composition	14,000		½
Less: Exempt [para 32B, Sch 6]	(20,000)	Nil	1
Aggregate income		176,440	
Less: Donations-in-kind		(Nil)	½
Total income		176,440	
Less: Reliefs			
Self	(9,000)		½
Employees' provident fund (EPF) (maximum)	(6,000)		½
Books (RM1,010) (maximum)	(1,000)		½
Broadband subscription (not eligible)	Nil		½
Deferred annuity scheme (maximum)	(3,000)		½
		(19,000)	
Chargeable income		157,440	
Tax liability			
Tax on first RM100,000		11,900	½
Tax on RM57,440 at 24%		13,786	½
		25,686	
Less: Zakat payments		(12,000)	½
Tax charged/payable		13,686	
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(b) Ms Cee and Ms Kay

Generally, an individual is subject to income tax on the employment income derived during the period the individual exercises employment in Malaysia. ½

However, an exemption is available in the case of a non-resident individual who exercises employment in Malaysia for not more than 60 days in a year (or for not more than 60 days over a two-year period). ½ + ½

	Marks
Ms Cee exercised her employment in Malaysia for a period of 55 days, excluding the ten-day period when she was not exercising employment. As this was not more than 60 days during 2016, she is eligible for the exemption on her income from employment exercised in Malaysia.	½ + ½
Ms Kay exercised her employment in Malaysia for a period of 65 days. This period exceeds 60 days in 2016 and, therefore, she will be subject to income tax on the income from employment exercised in Malaysia.	½ + ½
The fact that Ms Kay's salary was not paid in Malaysia is not relevant.	½
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