Answers

Section B *Marks*

1 (a) Adora and Zizan – Real property gains tax (RPGT)

(i) Adora will be entitled to claim the exemption on the disposal of a private residence (under s.8 of the RPGT Act) as she is a Malaysian citizen and the premises were used as residential premises. ½ + ½

Adora can claim exemption on the gains arising from the disposal of the first and second floors as they were both used as residential premises. ½ + ½

2

(ii) RPGT payable on the disposal of the shop lot

	RM	RM	Marks
Disposal consideration		1,200,000	½
Less: Real estate agent fee		(12,000)	½
Disposal price		1,188,000	
Less: Acquisition consideration	780,000		½
Add: Stamp duty	8,000		½
Acquisition price		(788,000)	
Chargeable gain		400,000	

	Adora RM	Zizan RM	Marks
Shared equally	200,000	200,000	½ + ½
Exempt portion (50% x 200,000) (note)	(100,000)	–	1
Chargeable gain	100,000	200,000	
Less: Exemption (Para 2 of Sch 4 for an individual)			
Higher of RM10,000 or (10% x 100,000/200,000)	(10,000)	(20,000)	1 + 1
Taxable gain	90,000	180,000	
Holding period:			
Date of disposal: 17 December 2017			
Date of acquisition: 15 July 2015			
Disposal within three years 30%			½
RPGT at 30% on RM90,000/ RM180,000	27,000	54,000	½
			7

Note: Value of exempt floors (under s.8)

		RM
First floor		400,000
Second floor		200,000
		600,000
Total for three floors		1,200,000
Portion exempt	(600,000/1,200,000)	50%

(b) The two circumstances in which a person disposing of a property can claim goods and services tax (GST) as part of the incidental costs are:

(1) Any amount paid or to be paid under the Goods and Services Tax Act 2014 (GST Act) by the disposer if he is not liable to be registered under the GST Act.

(2) If he is a registered person for GST any amount on which he is not entitled to claim an input tax credit under the GST Act.

ONE circumstance only required 1

10

Marks

2 Nova Sdn Bhd

(a) **Balancing adjustment on the disposal of line charger machine I in the year of assessment (YA) 2016**

	RM	RM	
Disposal proceeds		35,000	½
Less: Residual expenditure			
Qualifying expenditure	100,000		
Less: Allowances			
YA 2014 (20% + 14%)	(34,000)		1
YA 2015 (14%)	(14,000)		½
		(52,000)	
Balancing allowance		(17,000)	
			2

(b) **Capital allowances/industrial building allowances for YA 2016**

Existing assets

1. Line charger machine II

	RM	
Qualifying expenditure (200,000 – 100,000)	100,000	½
Annual allowance (14%)	14,000	½

2. Power lathe machine

Qualifying expenditure	500,000	
Annual allowance (limited to residual expenditure)	45,000	1

New assets

3. Conveyor belt

	RM	
Machinery cost	20,000	
Site preparation costs	8,000	
Aggregate costs	28,000	½

Site preparation costs exceed 10% of the aggregate costs (8,000 > 10% of 28,000) – non-qualifying ½

	RM	
Qualifying expenditure	20,000	
Initial allowance (20%)	4,000	½
Annual allowance (14%)	2,800	½
	6,800	

4. Factory building

Qualifying expenditure	3,000,000	
Initial allowance (10%)	300,000	½
Annual allowance (3%)	90,000	½
	390,000	

5. Reconditioned non-commercial vehicle

Qualifying expenditure (maximum)	50,000	1
Initial allowance (20%)	10,000	½
Annual allowance (20%)	10,000	½
	20,000	

6. Renovation of office administration area – non-qualifying expenditure 1

8

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Marks

3 (a) Akal Sdn Bhd (Akal) – Goods and services tax (GST)

(i) The supply of a gift exceeding RM500 is a deemed supply. However, Akal does not have to account for output tax on the deemed supply since the refrigerator was acquired from a non-GST registrant and was given free of charge to an employee for her excellent service. ½ + ½ + 1

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(ii) Akal has to account for output tax at 6% on the uniforms supplied to the CWP Sdn Bhd as the goods were sold for valuable consideration to a customer. ½ + ½

1

(iii) The payment of the royalty to Arm Canada Inc is considered an imported service and so is subject to GST under the reverse charge mechanism whereby the service recipient has to account for GST output tax. ½ + ½

Akal has to account for output tax on the royalty relating to the equipment sold in Malaysia of RM150,000 under the reverse charge mechanism, resulting in GST output tax of RM9,000 (150,000 x 6%). Akal would also be entitled to claim a GST input tax credit of RM9,000 as the payment was made for taxable business purposes. 1 + ½ + ½

3

(iv) The sale to the Indonesian customer would be at zero-rate as it is an export sale. ½ + ½

1

(v) Akal can expect the refund within 14 working days from the date it files its GST tax return via e-filing. 1

(b) Hong Bhd – Goods and services tax (GST)

GST due: RM3,000 (50,000 x 6%) ½

Taxable period: 1 June to 30 June 2017 ½

Due date to submit the GST return is the last day of the month following the end of the taxable period, i.e. 31 July 2017. 1

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4 DAMA Sdn Bhd (DAMA)

(a) In order to treat rental income as business income, the property owner has to provide maintenance and support services and the services have to be made comprehensively and actively. 1 + 1

2

(b) A company should submit its tax return within seven months from the date it closes its accounts. Therefore, in DAMA's case no later than 31 October 2016 (seven months from 31 March 2016). ½ + ½

1

Marks

(c) Income tax payable for the year of assessment (YA) 2016

	RM	RM	
Gross income		36,000	1
Less: Allowable expenses			
Interest expenses	5,600		½
Insurance premium expenses	120		½
Property management expenses	1,000		½
Repairs	80		½
Quit rent and assessment	1,000		½
New air-conditioner for the lounge area	Nil		½
Construction of kitchen cabinets	Nil	(7,800)	1
Adjusted income/Statutory income		28,200	
Less: Brought forward loss from YA 2015		Nil	1
Aggregate income/total income/chargeable income		28,200	
Tax liability:			
Tax at 19%		5,358	1
			7
			10

5 Aiyoh Sdn Bhd

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

	Note	RM'000 –	RM'000 +	
Profit before taxation			9,590	
Amortisation and depreciation	1		7,330	½
Acquisition of proprietary rights (non-manufacturing)	1		200	1
Rental of factory (360,000 x 24/36)	1		240	1
Interest income (non-business income)	2	2,300		½
Interest income on overdue trade receivables		36		½
Sponsoring of foreign arts and culture activities (505,000 – 200,000)	3		305	½ + ½
Registration of patent overseas (double deduction)	3	14		1
Entertainment expenses (lucky draw prizes given to purchasers)	3		Nil	½
Foreign exchange gain (trade and realised)	3	Nil		½
Statutory audit fees	4		Nil	½
Fees for payroll services	4		Nil	½
Entertainment of management team	4		12	½
Donations	4		120	½
Interest expense (2,006,000 x 30m/60m)	5		1,003	½ + ½
		2,350	18,800	
			(2,350)	
Adjusted income			16,450	
Less: Capital allowances	6		(8,510)	½
Statutory income			7,940	
Add: Interest income – exempt (foreign source)	2	Nil		½
Less: Interest expenses attributable	5	(1,003)	Nil	1
Add: Interest income on overdue trade receivables			36	½
Aggregate income/total income/chargeable income			7,904	
				12

Marks

(b) NN Sdn Bhd is entitled to claim the goods and services tax (GST) charged on the purchase of the car for the director's use as part of the qualifying plant expenditure for capital allowances purposes because NN Sdn Bhd is registered for GST purposes with the Royal Malaysian Customs Department (RMC) and the GST is blocked as a credit for GST purposes. ½ + ½ + ½

JJ Sdn Bhd is not entitled to claim the GST charged on the factory building rental expense because JJ Sdn Bhd is liable to be registered for GST with the RMC but has not yet done so. ½ + 1

3

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6 Rita and Param

(a) Rita – Income tax payable for the year of assessment (YA) 2016

	RM	RM	
Employment [Sec 4(b)]			
[Section 13(1)(a)]			
Salary (4,500 x 10)		45,000	½
Employee provident fund contributions (EPF)		Nil	½
Social security contributions (SOCSO)		Nil	½
		45,000	
[Section 13(1)(b)]			
Traditional medical treatments		Nil	½
Mobile phone provided by employer		Nil	½
Subscription of line for phone		Nil	½
		45,000	
[Section 13(1)(c)]			
Value of living accommodation			
Defined value = RM46,000			½
30% x Section 13(1)(a) (30% x 45,000) = RM13,500			½
Whichever is lower		13,500	½
Gross employment income/adjusted income/statutory income		58,500	
[Sec 4(c)]			
Dividend income – exempt (foreign source)		Nil	½
Aggregate income		58,500	
Less: Approved donation (< 7% of aggregate income)		(1,000)	½
Total income		57,500	
Less: Reliefs			
Self relief	(9,000)		½
EPF (45,000 x 11%)	(4,950)		½
SOCSO (maximum)	(250)		½
Child – First child	(8,000)		½
– Second child	(8,000)		1
Personal computer	(3,000)		½
Medical examination (maximum)	(500)		½
Medical insurance premiums (not paid in year)	Nil		1
Private retirement scheme (maximum)	(3,000)		½
		(36,700)	
Chargeable income		20,800	
Tax liability			
Tax on first RM20,000		150	
Tax on RM800 at 5%		40	½
		190	
Less: Tax rebate [chargeable income < RM35,000]		(400)	½
Tax charged/payable		0	
			12

Tutorial note: *Where no rent is paid for the living accommodation and the premises is owned by the employer, the defined value is the rateable value as determined by the local rating authority for the purposes of payment of assessment rates.*

Marks

(b) Param

(i) The monthly tax amount to be deducted from the director's salary paid to Param will be based on the non-resident tax rate of 28%. ½

The due date for MAL Sdn Bhd to remit the monthly deduction to the Inland Revenue Board is the 15th of the month following the month of the salary payment. ½

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(ii) Income tax payable for YA 2016

	RM	Marks
Director's salary (20,000 x 3)	60,000	½
Aggregate income/total income	60,000	
Less: Reliefs (not eligible, he is non-resident)	Nil	
Chargeable income	60,000	½
Tax liability		
Tax at 28%	16,800	½
Less: Monthly tax deducted	(16,800)	½
Tax charged/payable	0	
		2
		15