

Foundations in Taxation (MYS) December 2014 & June 2015

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram of paper with other papers

This diagram shows direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other such as links existing between the accounting and auditing papers. The links between these are shown as dotted line arrows. This diagram indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall aim of the syllabus

This explains briefly the overall objective of the paper and indicates in the broadest sense the capabilities to be developed within the paper.

Main capabilities

This paper's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Relational diagram of the main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

Syllabus rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

Study Guide

This is the main document that students, tuition providers and publishers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations. These outcomes are described using verbs indicating what exams may require students to demonstrate, and the broad intellectual level at which these may need to be demonstrated (*see intellectual levels below).

INTELLECTUAL LEVELS

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1: Knowledge and comprehension

Level 2: Application and analysis
Level 3: Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Knowledge module, the Skills module and the Professional level are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript, denoting intellectual level, marked at the end of each relevant line. This gives an indication of the intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with the Knowledge module, level 2 equates to the Skills module and level 3 to the Professional level, some lower level skills can continue to be assessed as the student progresses through each module and level. This reflects that at each stage of study there will be a requirement to broaden, as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

LEARNING HOURS AND EDUCATION RECOGNITION

The ACCA qualification does not prescribe or recommend any particular number of learning hours for examinations because study and learning patterns and styles vary greatly between people and organisations. This also recognises the wide diversity of personal, professional and educational circumstances in which ACCA students find themselves.

As a member of the International Federation of Accountants, ACCA seeks to enhance the education recognition of its qualification on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualifications are recognized and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognized on the education frameworks in several countries. Please refer to your national education framework regulator for further information.

Each syllabus contains between 23 and 35 main subject area headings depending on the nature of

the subject and how these areas have been broken down.

GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Fundamentals level examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

The Knowledge module is assessed by equivalent two-hour paper based and computer based examinations.

The Skills module examinations F5-F9 are all paper based three-hour papers containing a mix of objective and longer type questions. The *Corporate and Business Law* (F4) paper is a two-hour computer based objective test examination which is also available as a paper based version from the December 2014 examination sitting.

The Professional level papers are all three-hour paper based examinations, all containing two sections. Section A is compulsory, but there will be some choice offered in Section B.

For all three hour examination papers, ACCA has introduced 15 minutes reading and planning time.

This additional time is allowed at the beginning of each three-hour examination to allow candidates to read the questions and to begin planning their answers before they start writing in their answer books. This time should be used to ensure that all the information and exam requirements are properly read and understood.

During reading and planning time candidates may only annotate their question paper. They may not write anything in their answer booklets until told to do so by the invigilator.

The Essentials module papers all have a Section A containing a major case study question with all requirements totalling 50 marks relating to this case. Section B gives students a choice of two from three 25 mark questions.

Section A of both the P4 and P5 Options papers contain one 50 mark compulsory question, and Section B will offer a choice of two from three questions each worth 25 marks each.

Section A of each of the P6 and P7 Options papers contains 60 compulsory marks from two questions; question 1 attracting 35 marks, and question 2 attracting 25 marks. Section B of both these Options papers will offer a choice of two from three questions, with each question attracting 20 marks.

All Professional level exams contain four professional marks.

The pass mark for all ACCA Qualification examination papers is 50%.

GUIDE TO EXAMINATION ASSESSMENT

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the financial accounting, audit and assurance, law and tax papers except where indicated otherwise, ACCA will publish *examinable documents* once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions.

For paper based examinations regulation *issued* or legislation *passed* on or before 30th September annually, will be assessed from June 1st of the following year to May 31st of the year after. Please refer to the examinable documents for the paper (where relevant) for further information.

Regulation issued or legislation passed in accordance with the above dates may be examinable even if the *effective* date is in the future.

The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to an entity transactions and business practices.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide

should therefore be read in conjunction with the examinable documents list.

Malaysia is one of the exceptions to this rule due to the timing of legislation, and the annual cut-off date for FTX (MYS) is 31 March.

Legislation and public rulings and guidelines must have been passed by 31 March in order to become examinable in examination sessions being held in December of the same year and in June the following calendar year.

This means that legislation having been passed by 31 March 2014 will be examinable in December 2014 and June 2015 examinations.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

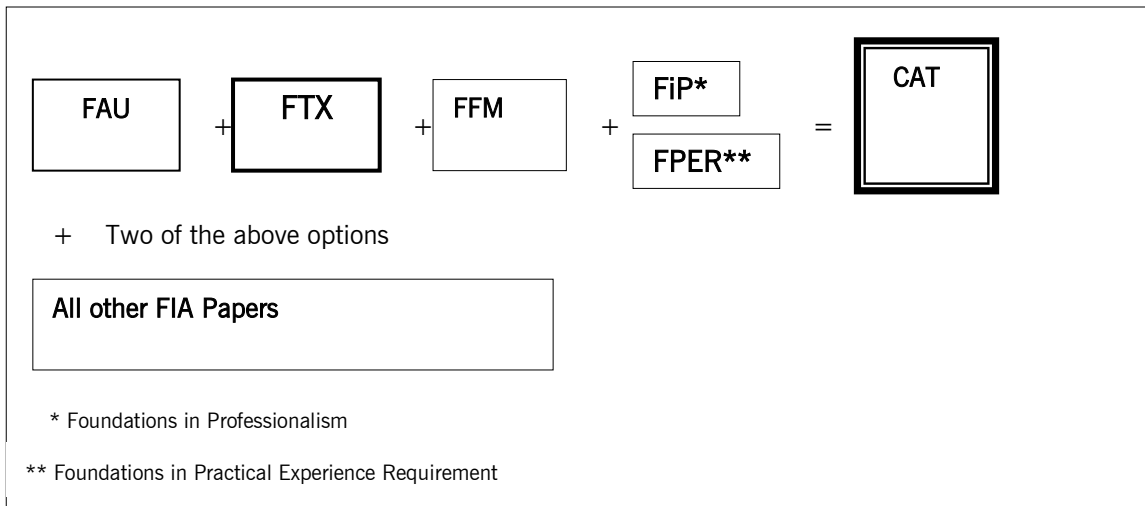
Tax rates and allowance tables will be provided at the front of the examination paper.

Calculations should be made to the nearest month and the nearest RM.

Knowledge of section numbers will not be needed to understand questions in this paper, nor will students be expected to use them in their answers. If students wish to refer to section numbers in their answers, they may do so and will not be penalised if old, or even incorrect section numbers, are used.

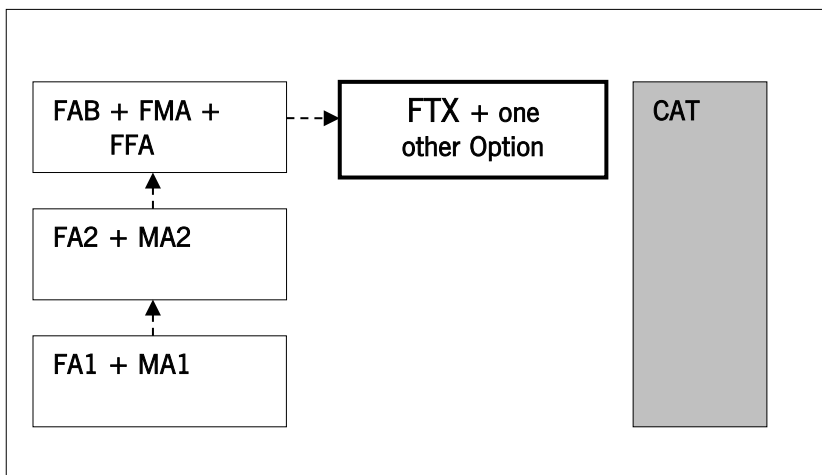
Qualification structure

The Certified Accounting Technician (CAT) Qualification consists of nine papers which include seven of the FIA examination papers, at all three levels, plus two examinations from three of the specialist options papers. The CAT qualification also requires the completion of the Foundations in Professionalism (FiP) module and 12 months relevant work experience, including the demonstration of 10 work based competence areas. Exemptions can be claimed from a maximum of the first four FIA papers for relevant work experience.



Syllabus structure

The CAT syllabus is designed at three discrete levels. To be awarded the CAT qualification, students must either pass or be exempted from all nine examinations including two specialist options papers. Exemptions based on relevant work experience can be claimed from up to the first four FIA papers.



Syllabus

AIM

To develop the ability to prepare computations of tax liability for both individuals and companies resident in Malaysia for the purposes of income tax, real property gains tax and sales and service tax. In addition, to develop knowledge and understanding of the manner in which dealings must be conducted with the Inland Revenue Board and Royal Customs and Excise Department, including knowledge of the statutory timescales for the submission of claims and returns and the due dates for the payment of tax liabilities.

RATIONALE

The syllabus for the foundation in taxation paper introduces candidates to the subject of taxation and provides the core knowledge of the underlying principles and the major technical areas of taxation, as they affect the activities of individuals and businesses, at a level appropriate for someone working at technician level.

Candidates are introduced to the rationale behind – and the functions of – the tax system. The syllabus then considers the separate taxes that a technician accountant would need to have knowledge of, such as income tax from employment, businesses and investments and other sources of income, the income tax liability of individual companies, the sales and service tax liability of businesses and companies, and the chargeable gains arising on

disposals of real property by both individuals and companies. In addition an understanding of the administration aspects of these taxes should be gained, such as knowledge of the statutory timescales for the submission of claims and returns and the due dates for payment of tax liabilities.

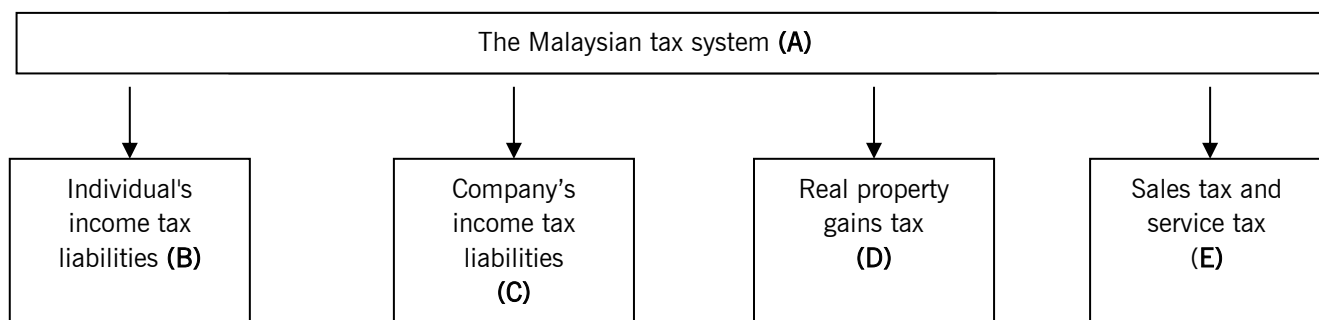
Having covered the core areas of the basic taxes, candidates should be able to compute tax liabilities, explain the basis of their calculations, complete the tax returns and identify the compliance issues for each major tax through a variety of business and personal scenarios and situations.

MAIN CAPABILITIES

On successful completion of this paper candidates should be able to:

- A Explain the basic operation of the Malaysian tax system
- B Compute an individual's income tax liability from employment and business sources
- C Compute the chargeable income and tax payable by a company
- D Explain and compute real property gains tax
- E Explain and compute sales tax and service tax

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



DETAILED SYLLABUS

A. Introduction to the Malaysian tax system

1. Sources of revenue law and practice
2. Scope of different types of income
3. Classification of income
4. Tax residence
5. Basis of assessment
6. Rates of tax

B. Individual's income tax liabilities

1. Income from employment
2. Exemptions
3. Allowable expenses
4. Personal reliefs and tax rebates
5. Income from self-employment
6. Other sources of income
7. Computation of chargeable income and tax payable
8. Prepare relevant pages of a tax return
9. Administration and obligations

C. Company's income tax liabilities

1. Income chargeable to income tax
2. Business expenses
3. The comprehensive computation of income tax liability
4. Complete the company tax return
5. Administration and obligations

D. Real property gains tax

1. Scope

2. Basic principles of computation
3. Gains and losses on disposal of real property
4. Exemptions and reliefs
5. Administration and obligations

E. Sales and service tax

1. Scope
2. Basic principles of computation
3. Administration

APPROACH TO EXAMINING THE SYLLABUS

The syllabus is assessed by a two hour paper-based examination. Questions will assess all parts of the syllabus.

The examination will consist of two sections structured as follows:

	Marks
Section A – 10 compulsory multiple choice questions worth 1, 2 or 3 marks each	20
Section B – Nine compulsory questions	
Q1 +2 (15 marks each)	30
Q3 +4 (10 marks each)	20
Q5 to Q9 (6 marks each)	<u>30</u>
	100

Question 1 will focus on individual's income tax and question 2 will focus on company's income tax. The remaining questions will examine topics from any area of the syllabus.

Study Guide

A INTRODUCTION TO THE MALAYSIAN TAX SYSTEM

1. Sources of revenue law and practice

- a) Identify the sources of revenue law and practices.^[K1]
- b) State the scope of charge for various taxpayers.^[K1]
- c) Identify and explain the powers of the Director General of Inland Revenue.^[K1]
- d) Machinery of assessment
 - i) Identify the types of assessment.
 - ii) Explain the statutory time bar.
 - iii) Be aware of the taxpayer's ability to object to an assessment.^[K1]

2. Scope of different types of income

- a) Explain the concept of capital versus revenue.^[K1]

3. Classification of income

- a) Outline the classification of income under section 4.^[K1]

4. Tax residence

- a) Explain the significance of tax residence status.^[K1]
- b) Explain in detail all four rules of tax residence for individuals under section 7. Illustrate worked examples for each rule.^[K1]
- c) Briefly explain the residence rules for companies under section 8 - include only place of control and management exercised by the board of directors (case law is not required).^[K1]

5. Basis of assessment

- a) Explain the various concepts of basis of assessment: year of assessment, basis year, basis period, financial year and accounting year.^[K1]

6. Rates of tax

- a) Relate the structure of tax rates to individuals and companies.^[K1]

Excluded topics

- *Case law*
- *Mutual and Illegal transactions*
- *Determination of basis periods and change of accounting date*
- *Anti-avoidance legislation*
- *Types of entities:*
 - *Investment holding companies*
 - *Clubs and societies*
 - *Trusts and co-operatives*

B INDIVIDUAL'S INCOME TAX LIABILITIES

1. Income from employment

- a) Define employment, employer, employee.^[K1]
- b) Differentiate between employment and self-employment.^[K1]
- c) Explain the different types of employment income under section 13(1)
 - i) Salary emolument, allowances, bonus
 - ii) Benefits in kind; Inland Revenue Board's Guidelines and Public Rulings
 - iii) Living accommodation, illustrate with worked examples.^[K1]
- d) Explain the rules for the derivation of employment income under Section 13(2).^[K1]
- e) Explain the responsibilities of an employer under the Income Tax Act.^[K1]

2. Exemptions

- a) List the exemptions.^[K1]

3. Allowable expenses

- a) Identify the allowable expenses.^[K1]

4. Personal reliefs and tax rebates

- a) Explain the types of personal reliefs.^[K1]
- b) Explain the tax rebates.^[K1]

5. Income from self-employment

- a) Define "business".^[K]
- b) Explain the aspects of derivation of business income:
 - i) Accrual concept
 - ii) Business expenses
 - iii) Capital allowances
 - iv) Relief for business losses^[K]
- c) Explain the general rules for deductions under section 33(1) - illustrate each type of deduction with an example.^[K]
- d) Explain the prohibited deductions in section 39.^[K]
- e) Be aware of the list of special deductions in section 34.^[K]
- f) Explain and illustrate the treatment of common expenses
 - i) Interest
 - ii) Rent
 - iii) Repairs and renewals
 - iv) Legal and professional fees
 - v) Bad and doubtful debts
 - vi) Proprietor's remuneration and benefits.^[K]
- g) Capital allowances
 - i) Define plant.^[K]
 - ii) Determine components of qualifying plant expenditure.^[K]
 - iii) Establish when plant expenditure is "incurred".^[K]
 - iv) Explain the conditions for claiming initial allowance and annual allowance.^[K]
 - v) Explain the treatment of small value assets.^[K]
 - vi) State the treatment of unutilised capital allowances carried forward.^[K]
 - vii) Define disposal.^[K]
 - viii) Calculate balancing allowance or balancing charge.^[S]
 - ix) Show calculations for assets acquired under hire purchase.^[S]
 - x) Define and give examples of industrial buildings.^[K]
 - xi) Identify and determine the components of qualifying building expenditure.^[K]
 - xii) Calculate initial and annual allowances on:

- Constructed buildings
- Purchased buildings (new and used)
- Explain the treatment of industrial buildings on disposal.^[S]

- h) Partnerships
 - i) Explain the meaning of "partnership".^[K]
 - ii) Determine divisible income.^[S]
 - iii) Ascertain provisional adjusted income.^[S]
 - iv) Allocate capital allowances to partners.^[S]
- i) Withholding tax
 - i) Identify the payments subject to withholding tax
 - ii) Explain the requisite conditions
 - iii) State the rates of withholding tax
 - iv) Explain the compliance requirements
 - v) State the penalties and consequences for non-compliance, being able to demonstrate this with worked examples.^[K]

Excluded topics

- *Tax incentives*
- *Controlled sales*
- *Agriculture and forest allowance*
- *Approved agricultural projects*
- *Mining allowance and exploration expenditure*
- *Relief on food production*
- *Anti-avoidance legislation*

6. Other sources of income

- a) Explain the treatment of interest income including exemptions.^[K]
- b) Explain the treatment of single-tier dividends; net dividends, gross dividends and imputation credits.^[K]
- c) Calculate rental income and premiums - including consideration of whether expenses are allowable.^[S]
- d) Explain the treatment of royalties including exemptions.^[K]

7. Computation of chargeable income and tax payable

- a) Adjusted income and statutory Income
 - i) Compute adjusted income

- ii) Compute statutory income.^[S]
- b) Aggregate income and total income
 - i) Compute aggregate income.^[S]
 - ii) Compute total income
 - Illustrate the treatment of a current year business loss
 - Explain approved donations and the requirements for deduction.^[S]
 - iii) Explain and illustrate combined assessment for husband and wife.^[K]
- c) Prepare proforma computations to highlight the treatment of capital allowances and business losses and adjusted income, statutory income, aggregate income and total income.^[S]

- o *Interest restriction*
- o *Non-resident relief*
- o *Double tax relief*

8. Prepare relevant pages of a tax return

- a) Complete the self-employed or partnership supplementary pages of the tax return for individuals, with business source income and also for individuals with employment income and other non-business source income, and submit them within the statutory time limits.^[S]

9. Administration and obligations

- a) Explain the self-assessment system for individuals:
 - i) Tax instalment payments and payment of any balance of tax due.
 - ii) Submission of tax returns (Form B, Form BE and Form P)
 - iii) Time limits
 - iv) Offences and penalties relating to the above aspects of self-assessment.^[K]
- b) Explain the responsibilities of individual taxpayers to:
 - i) Notify chargeability to tax
 - ii) Notify change of address
 - iii) Maintain sufficient records.^[K]

Excluded topics

- *Employee share options*
- *Withdrawal from unapproved funds*
- *Compensation for loss of employment*
- *Gratuities*
- *Deductions and reliefs*
 - o *Maintenance and alimony payments*
 - o *Double or further deductions*

C. COMPANY'S INCOME TAX LIABILITIES

1. Income chargeable to income tax

- a) Explain the treatment of interest income including exemptions.^[K]
- b) Explain the treatment of single-tier dividends; net dividends, gross dividends and imputation credits.^[K]
- c) Calculate rental income and premiums - including consideration of whether expenses are allowable.^[S]
- d) Explain the treatment of royalties including exemptions.^[K]
- e) Compute capital allowances (as for income tax liabilities of individuals).^[S]
- f) Compute withholding tax (as for income tax liabilities of individuals).^[S]

2. Business expenses

- a) Explain the general rules for deductions under section 33(1) - illustrate each type of deduction with an example.^[K]
- b) Explain the prohibited deductions in section 39.^[K]
- c) Be aware of the list of special deductions in section 34.^[K]
- d) Explain and illustrate the treatment of common expenses
 - i) Interest
 - ii) Rent
 - iii) Repairs and renewals
 - iv) Legal and professional fees
 - v) Bad and doubtful debts.^[K]

3. The comprehensive computation of income tax liability

- a) Compute chargeable income.^[S]

b) Explain the treatment of relief for losses (excluding group relief).^[K]

c) Calculate tax payable.^[K]

4. Complete the company tax return

a) Complete company tax returns correctly and submit them within statutory time limits.^[S]

5. Administration and obligations

a) Explain the self-assessment system for companies:

- i) Timely provision of tax estimates and revised estimates
- ii) Payment of tax instalments and balance of tax payments
- iii) Timely submission of tax returns (Form C & Form R)
- iv) Time limits
- v) Offences and penalties related to the above aspects of self-assessment.^[K]

b) Explain the responsibilities of companies to:

- i) Notify chargeability to tax
- ii) Notify change of address
- iii) Maintain sufficient records.^[K]

Excluded topics

- *Group relief*

D. REAL PROPERTY GAINS TAX

1. Scope

a) Describe the scope of real property gains.^[K]

b) Explain the situations where the acquirer may be assessed.^[K]

2. Basic principles of computation

a) Compute real property gains tax.^[S]

b) Calculate allowable losses.^[S]

c) Explain how acquisition price and disposal price are calculated.^[K]

d) List the incidental expenses and costs.^[K]

e) Recognise the expenditure that is excluded in computing acquisition price and disposal price.^[K]

f) Explain the meaning of "permitted expenses".^[K]

g) Explain the tax implications of transfers between husband and wife.^[K]

3. Gains and losses on disposal of real property

a) Define the terms "real property", "land", "acquire" and "disposal".^[K]

b) Explain what constitutes acquisition and disposal.^[K]

c) Determine the date of acquisition and date of disposal.^[K]

d) Explain the determination of "acquisition price" and "disposal price".^[K]

4. Exemptions and reliefs

a) Calculate the exemption on a chargeable gain accruing to individuals.^[S]

b) Explain the exemption on the disposal of private residences.^[K]

c) Compute the amount of real property gains tax payable.^[S]

d) Recognise the tax advantage on disposal of private residences.^[K]

e) Identify the appropriate timing for the disposal of real property.^[K]

5. Administration and obligations

a) Explain the responsibilities of both the disposer and the acquirer for:

- i) Filing returns
- ii) Payment of tax
- iii) Offences and penalties relating to the above.^[K]

Excluded topics

- *Bodies of persons, partnerships and co-proprietorships.*

- *Incapacitated persons.*
- *Real property companies.*
- *Real property acquired prior to 1 January 1970.*
- *Transfers related to death or inheritance.*
- *Receipt of a capital sum.*
- *Conditional contracts.*
- *Leases and options.*
- *Contingent liabilities.*
- *Dealings for enforcement of security.*
- *Disposal of leases and creation of sub-leases.*
- *Transfer of assets between companies in the same group.*
- *Transfer of assets to controlled companies.*
- *Real property companies - gains on the disposal of RPC shares and shares issued in exchange for a transfer of property.*
- *Distribution of assets of a partnerships*
- *Dealings by nominees and certain trustees*
- *Trustees and partners*

E . SALES TAX AND SERVICE TAX

1. Scope

- a) Explain the scope of sales tax and service tax.^[K]

2. Basic principles of computation

- a) Explain the basic principles of computation of sales tax and service tax.^[K]

3. Administration

- a) Illustrate the need for registration.^[K]
- b) Explain aspects of the administration of sales tax and service tax:
 - i) Filing of returns
 - ii) Payment of tax
 - iii) Offences and penalties relating to the above.^[K]
- c) List the information that must be given on a tax invoice.^[K]

Excluded topics

- *Import duties and sales tax on imported products.*

SUMMARY OF CHANGES TO FTX (MYS)

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers.

Amendments to FTX (MYS):

Section and subject area	Amendment
B9 - Administration and obligations – <i>Excluded Topics</i>	<i>Transitional provisions from the imputation system to the single-tier system</i> have been removed from excluded topics as the transitional period has lapsed.