
Answers

Section A

1 C

Of the items listed, only the statutory audit fee (item 1) is deductible in full.

2 C

	RM	RM
Disposal consideration		2,000,000
Acquisition cost	500,000	
Add: Stamp duty	<u>6,000</u>	
		(506,000)
Chargeable gain		<u>1,494,000</u>

Tutorial note: *The interest expense is a revenue cost and thus does not impact on the calculation of the chargeable gain.*

3 B

$RM450,000 + RM50,000 (RM450,000 \times 10/90) = RM500,000$

Tutorial note: *A tax deduction is not permitted in respect of the 10% late payment penalty of RM5,000.*

4 B

Life insurance premiums and contributions to approved funds
 $(RM4,000 + RM3,800) = RM7,800$ – maximum RM6,000

Medical and education insurance premiums for himself and his children
 $(RM1,900 + RM1,500) = RM3,400$ – maximum RM3,000

Total $RM6,000 + RM3,000 = RM9,000$

5 D

	RM
Nur – higher rate child relief:	6,000
Noor – disabled child and additional:	<u>12,000</u>
Total	<u>18,000</u>

6 D

7 C

8 A

9 B

10 A

	RM
Salary	110,000
Add: Entertainment allowance	12,000
Gross income	122,000
Less: Expenses:	
Entertainment (restricted to amount of allowance)	(12,000)
Adjusted income	110,000

Tutorial note: No deduction is permitted in respect of Murali's travel costs between his home and office as this is private expenditure.

11 B

	RM'000
Tax payable	20,000
Total instalment payments (revised)	(12,000)
Difference	8,000
30% x 20,000	(6,000)
Excess subject to penalty	2,000
x 10%	200

12 A

Tutorial note: George is present in Malaysia in the year of assessment (YA) 2013 for 122 days (1 September 2013 to 31 December 2013). Although this is less than 182 days, because it is linked to a period of more than 182 consecutive days in the YA 2014, he is a tax resident in YA 2013 [s.7(1)(b)].

13 D

14 C

15 A

$$(RM318 + RM2,500) \times 6/106 = RM160$$

Tutorial note: Goods provided free of charge to employees are subject to goods and service tax (GST) provided there is nothing stated in the contract of employment and the goods are not zero rated nor exempt nor blocked items. This is subject to the gift rule whereby any goods worth RM500 or less given to the same person in a year are not treated as a supply for GST. The gift rule does not apply here as the total value of the goods given to the same employee exceeds RM500. If goods are given free of charge by a taxable person who is not subject to the gift rule, the value is based on the open market value which is inclusive of GST.

2 marks each

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Section B

Marks

- 1 (a)** The types of capital expenditure incurred by a person which qualify for agriculture allowance are:
- (i) the clearing and preparation of land for agricultural purposes;
 - (ii) the planting (but not replanting) of crops on cleared land;
 - (iii) the construction on a farm of a road or bridge;
 - (iv) the construction on a farm of a building used wholly or partly for the purpose of the working of a farm; and
 - (v) the construction of a building provided for the welfare or as living accommodation for the employees working the farm.

THREE items only required, 1 mark each maximum 3

(b) Agricultural allowances for estate office building for the years of assessment 2013 to 2016

Choc Farm Sdn Bhd

Qualifying agriculture expenditure (QAE)	RM120,000	½
Agriculture allowance rate 10%		
Year of assessment	RM	
2013	12,000	1
2014	12,000	½
2015 (12,000 x 3 months/12 months)	3,000	1

Tutorial note: As the disposal was within five years of the building's acquisition, Choc Farm Sdn Bhd would also be subject to an agriculture charge arising on the disposal, but the question instructed candidates not to calculate this.

Tawau Farm Sdn Bhd

Qualifying agriculture expenditure (QAE)	RM120,000	½
Agriculture allowance rate 10%		
Year of assessment	RM	
2015 (12,000 x 9 months/12 months)	9,000	1
2016	12,000	½
		<u>5</u>

- (c)** Sarimah is not entitled to claim capital allowances on the van because, even though she is the legal owner of the van and the van is being used in her business, she did not incur any qualifying plant expenditure on the van, i.e. she is not the beneficial owner. ½ + ½
- Zaid is also not entitled to claim capital allowances on the van because, even though he incurred expenditure on the van, i.e. he is the beneficial owner, the van is not used in his business. ½ + ½

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2 Matty and Patty

Income tax payable for the year of assessment 2015

Partnership

	RM	RM	
Provisional adjusted income		110,000	½
<i>Less:</i>			
Salary for Matty	45,000		½
Salary for Patty	55,000		½
Interest on capital contribution – Matty	10,000		½
Private expense for Patty	<u>4,000</u>	(114,000)	½
Divisible income/(loss)		<u>(4,000)</u>	

Individual tax computations

	Matty RM	Patty RM	
Salary	45,000	55,000	$\frac{1}{2} + \frac{1}{2}$
Interest on contribution	10,000		$\frac{1}{2}$
Private expense		4,000	$\frac{1}{2}$
Share of divisible loss (50:50)	<u>(2,000)</u>	<u>(2,000)</u>	$\frac{1}{2} + \frac{1}{2}$
Adjusted income	53,000	57,000	
Less: Capital allowances (50:50)	<u>(3,000)</u>	<u>(3,000)</u>	$\frac{1}{2} + \frac{1}{2}$
Statutory income	50,000	54,000	
Rental income	<u>9,000</u>		$\frac{1}{2}$
Aggregate income	59,000	54,000	
Less: Current year adjusted loss		<u>(4,000)</u>	1
Total income	59,000	50,000	
Personal relief – self	<u>(9,000)</u>	Nil	$\frac{1}{2} + \frac{1}{2}$
Chargeable income	<u>50,000</u>	<u>50,000</u>	
Tax liability			
Resident chargeable at scale rates	<u>2,400</u>		$\frac{1}{2}$
Non-resident at 25%		<u>12,500</u>	$\frac{1}{2}$
			<u>10</u>

3 Sheikh Ali

(a) Real property gains tax (RPGT) on disposal of condominium

	RM	RM	
Disposal consideration		5,400,000	$\frac{1}{2}$
Less: Permitted expenses			
Enhancement costs (renovation costs)		(80,000)	$\frac{1}{2}$
Furniture		Nil	$\frac{1}{2}$
Legal fees in defending title		(5,000)	$\frac{1}{2}$
Incidental costs (brokerage fees)		<u>(15,000)</u>	$\frac{1}{2}$
Disposal price		5,300,000	
Acquisition cost	5,200,000		$\frac{1}{2}$
Add: Stamp duty	50,000		$\frac{1}{2}$
Legal fees	10,000		$\frac{1}{2}$
Less: Deposit forfeited	<u>(9,000)</u>		$\frac{1}{2}$
Acquisition price		<u>(5,251,000)</u>	
Chargeable gain (CG)		49,000	
Less: Schedule 4 exemption (higher of 10% of CG or RM10,000)		<u>(10,000)</u>	1
Gain subject to RPGT		<u>39,000</u>	
Tax liability:			
Date of acquisition: 2 June 2011			
Date of disposal: 5 April 2015			
Disposal within four years			$\frac{1}{2}$
RPGT at 30% (non-citizen rate)		<u>11,700</u>	1
			<u>7</u>

- (b) (i) Sheikh Ali as a disposer is required to submit the real property gain tax form [CKHT 1A] to the Inland Revenue Board within 60 days from the date of signing the sale and purchase agreement, i.e. on or before 3 June 2015.

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(ii) Sheikh Ali is not entitled to the lifetime private residence exemption as he is not a citizen nor a permanent resident of Malaysia.

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4 Mas Enterprise

Goods and service tax (GST)

(a) A valid GST invoice must include the following:

- The words 'tax invoice' clearly stated on the invoice
- Mas Enterprise's GST identification number
- A tax invoice serial number
- The date of issue of the tax invoice
- The name of the customer
- A description of the goods and/or services supplied
- The rate of GST charged
- The amount of GST charged
- The total amount payable excluding GST
- The total amount payable inclusive of GST

THREE items only required, 1 mark each maximum 3

(b) The time of supply is 2 November 2015, being the date the goods were delivered (the basic time of supply rule). This is because the tax invoice was not issued within 21 days of the date the goods were delivered.

1 + 1
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(c) As a GST registered trader, Mas Enterprise must charge output tax on all taxable supplies made to its customers, whether the customers are GST registered or not. Thus Mas Enterprises must charge GST to each of Mok & Co, Gano and Dirzan as all of the goods supplied were taxable goods.

1

The GST output tax chargeable is:

	RM	
Mok & Co (10,000 x 6%)	600	1
Gano (1,000 x 6%)	60	1
Dirzan (5,000 x 6%)	<u>300</u>	<u>1</u>
	<u>960</u>	<u>4</u>

(d) Mas Enterprise can claim the input tax of RM600 on the purchase and it can be claimed in the GST return for November 2015, the month the invoice is received from ABC Sdn Bhd.

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5 Emory Sdn Bhd

Income tax payable for the year of assessment 2015
(Basis period: 1 October 2014 to 30 September 2015)

	RM'000	
Local sales	19,000	½
Export sales	800	1
Depreciation	Nil	½
Import duties	(10)	½
Freight charges	(29)	½
Insurance premiums	(2)	½
Insurance premiums (double deduction)	(2)	1
Other deductible expenses	(10,859)	½
Dividend income (non-business)	Nil	½
Sale of sundry scrap inventory	1,000	½
Foreign exchange gains (trade but unrealised)	Nil	½
Audit fees	(50)	½
Salaries	(2,000)	½
EPF (restricted to 19% x 2,000)	(380)	1
Cash donations	Nil	½
Staff entertainment expenses	(18)	½
Leave passages	Nil	½
Contributions to sponsor local artist's activity	(500)	1
Irrecoverable debts written off on a car loan to an employee	Nil	½
Advertisement and promotion expenses	(9)	1
Interest expenses	(8)	½
Adjusted income	6,933	
Less: Capital allowances	(1,230)	½
Statutory income	5,703	
Add: Other income		
Dividend income – exempt	Nil	½
Aggregate income	5,703	
Less: Donation to approved institutions (within 10% of aggregate income)	(103)	½
Total income/chargeable income	5,600	
Tax liability		
Income tax chargeable at 25%	1,400	½

15

Tutorial notes:

- The export sales are subject to tax in Malaysia as they are derived from Malaysia. The full RM800,000 is taxable even though the amounts had not been received by the year end.*
- A double deduction is allowed in respect of the insurance premiums on the export insurance paid to a local insurance company.*

The company is not eligible to claim a double deduction in respect of the advertising expenditure to promote the Malaysian brand name 'Solid' because the product is not of an export quality standard, as export sales are not at least 20% of total sales ($800/19,800 = 4\%$) during the year of assessment 2015.
- Marks for the omission of the dividend income and cash donations will be given in full as long as the dividend income is nil and the donation deduction from aggregate income is the restricted amount.*

6 Karam

Income tax payable for the year of assessment 2015

	RM	RM	
[Section 4(a)]			
Computer software business			
Adjusted income		30,000	½
Capital allowances		(5,000)	½
Statutory income		25,000	
Less: Unabsorbed losses brought forward [Section 43(2)]		(1,000)	1
Statutory income		24,000	
[Section 4(b)]			
Employment			
[Section 13(1)(a)]			
Salary	48,000		½
Entertainment allowance	3,000		½
	<u>51,000</u>		
[Section 13(1)(b)]			
Employer's EPF contributions	Nil		½
Furniture – Semi-furnished (RM70 x 12 months)	840		1
Medical benefit	Nil		½
[Section 13(1)(c)]			
Living accommodation			
30% of s.13(1)(a): (30% x RM51,000) = 15,300			1
Defined value ((RM2,100 – RM100) x 12) = 24,000			1
Lower	15,300		½
Gross employment income	<u>67,140</u>		
Less: Entertainment expenses incurred	(2,000)		½
Adjusted income/statutory income from employment		65,140	
[Section 4(f)]			
Commission income		3,000	1
Aggregate income		92,140	
Less: Donations (in-kind)		Nil	1
Total income		92,140	
Less: Personal reliefs			
Self	9,000		½
Wife	3,000		½
Child	6,000		1
Employees' provident fund (employee's)	5,280		½
Deferred annuity premiums (maximum)	3,000		½
Books (maximum)	1,000		½
Medical expenses on wife	Nil	(27,280)	½
Chargeable income		<u>64,860</u>	
Tax liability			
First RM50,000		2,400	½
Next RM14,860 at 16%		2,378	½
		<u>4,778</u>	

15