

Fundamentals Level – Skills Module

Taxation (Malaysia)

Thursday 10 December 2015



Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

This question paper is divided into two sections:

Section A – ALL 15 questions are compulsory and MUST be attempted

Section B – ALL SIX questions are compulsory and MUST be attempted

Rates of tax and tables are printed on pages 2–4.

Do NOT open this question paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

Do NOT record any of your answers on the question paper.

This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants

Paper F6 (MYS)

The ACCA logo, consisting of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black rectangular background.

SUPPLEMENTARY INSTRUCTIONS

1. Calculations and workings should be made to the nearest RM.
2. All apportionments should be made to the nearest whole month.
3. All workings should be shown in Section B.

TAX RATES AND ALLOWANCES

The following tax rates, allowances and values are to be used in answering the questions.

Income tax rates

Resident individuals				Rate	Cumulative tax
Chargeable income				%	RM
	RM	RM			
First	5,000	(0 – 5,000)		0	0
Next	15,000	(5,001 – 20,000)		1	150
Next	15,000	(20,001 – 35,000)		5	900
Next	15,000	(35,001 – 50,000)		10	2,400
Next	20,000	(50,001 – 70,000)		16	5,600
Next	30,000	(70,001 – 100,000)		21	11,900
Next	150,000	(100,001 – 250,000)		24	47,900
Next	150,000	(250,001 – 400,000)		24.5	84,650
Exceeding	400,000			25	

Resident company

Paid-up ordinary share capital	First RM500,000	Excess over RM500,000
RM2,500,000 or less	20%	25%
More than RM2,500,000	25%	25%

Non-residents

Company	25%
Individual	25%

Personal reliefs and allowances

	RM
Self	9,000
Disabled self, additional	6,000
Medical expenses expended on parents	(maximum) 5,000
Medical expenses expended on self, spouse or child with serious disease, including up to RM500 for medical examination	(maximum) 6,000
Basic supporting equipment for disabled self, spouse, child or parent	(maximum) 6,000
Purchase of sports equipment	(maximum) 300
Study course fees for skills or qualifications	(maximum) 5,000
Expenses on books for personal use	(maximum) 1,000
Spouse relief	3,000
Disabled spouse, additional	3,500
Child – basic rate	(each) 1,000
Child – higher rate	(each) 6,000
Disabled child	(each) 6,000
Disabled child, additional	(each) 6,000
Life insurance premiums and contributions to approved funds	(maximum) 6,000
Private retirement scheme contributions, deferred annuity premiums	(maximum) 3,000
Medical and/or education insurance premiums for self, spouse or child	(maximum) 3,000
Purchase of a personal computer	(maximum) 3,000
Deposit for a child into the National Education Savings Scheme	(maximum) 6,000

Rebates

Chargeable income not exceeding RM35,000	RM
Individual – basic rate	400
Individual entitled to a deduction in respect of a spouse or a former wife	800

Value of benefits in kind

Car and fuel scale

Cost of car (when new) RM	Prescribed annual value of private usage of car RM	Prescribed annual value of private petrol RM
Up to 50,000	1,200	600
50,001 to 75,000	2,400	900
75,001 to 100,000	3,600	1,200
100,001 to 150,000	5,000	1,500
150,001 to 200,000	7,000	1,800
200,001 to 250,000	9,000	2,100
250,001 to 350,000	15,000	2,400
350,001 to 500,000	21,250	2,700
500,001 and above	25,000	3,000

The value of the car benefit equal to half the prescribed annual value (above) is taken if the car provided is more than five (5) years old.

Where a driver is provided by the employer, the value of the benefit is fixed at RM600 per month.

Other benefits

	RM per month
Household furnishings, apparatus and appliances:	
Semi-furnished with furniture in the lounge, dining room or bedroom	70
Semi-furnished with furniture as above plus air-conditioners and/or curtains and carpets	140
Fully furnished premises	280
Domestic help	400
Gardener	300

Capital allowances

	Initial allowance (IA) Rate %	Annual allowance (AA) Rate %
Industrial buildings	10	3
Plant and machinery – general	20	14
Motor vehicles and heavy machinery	20	20
Office equipment, furniture and fittings	20	10
Agriculture allowance		
Buildings for the welfare of or as living accommodation for farm employees	Nil	20
Other buildings used in the business	Nil	10
All other qualifying agricultural expenditure	Nil	50

Real property gains tax

	Companies	Individuals – non-citizens and non-permanent residents	All others
	Rate %	Rate %	Rate %
Date of disposal			
Disposal within three years after the date of acquisition	30	30	30
Disposal in the fourth year after the date of acquisition	20	30	20
Disposal in the fifth year after the date of acquisition	15	30	15
Disposal in the sixth year after the date of acquisition or thereafter	5	5	0

Goods and services tax (GST)

Standard rate	6%
Registration limit	RM500,000

Section A – ALL 15 questions are compulsory and MUST be attempted

Please use the grid provided on page two of the Candidate Answer Booklet to record your answers to each multiple choice question. Do not write out the answers to the MCQs on the lined pages of the answer booklet. Each question is worth 2 marks.

1 XYZ Sdn Bhd incurred expenditure on the following during the year of assessment 2015:

- (1) Statutory audit fee
- (2) Entertainment expenses at the company's annual general meeting
- (3) Acquisition of a new procurement system
- (4) Development of the company's website

Which of the above expenses qualify for a FULL deduction in ascertaining XYZ Sdn Bhd's adjusted income for the year of assessment 2015?

- A** 3 and 4
- B** 1 and 2 only
- C** 1 only
- D** 1, 2 and 4

2 ABC Sdn Bhd (ABC) disposed of an office lot for RM2 million. ABC had acquired the office lot four years earlier for RM500,000. Stamp duty paid on the acquisition was RM6,000. ABC took out a loan to finance the acquisition of the office lot and incurred interest expenses of RM22,000 on this loan.

What is ABC Sdn Bhd's chargeable gain in respect of the disposal of the office lot for real property gains tax (RPGT) purposes?

- A** RM1,472,000
- B** RM1,478,000
- C** RM1,494,000
- D** RM1,500,000

3 Biasa Sdn Bhd (Biasa) makes up its accounts to 31 December each year. In April 2015, Biasa received technical services from a non-resident person. These technical services were all rendered in Malaysia. On 20 June 2015, Biasa paid the service provider RM450,000, being the invoiced amount net of the 10% withholding tax applicable. The withholding tax plus the penalty for late payment were remitted by Biasa to the Inland Revenue Board in September 2015.

What is the amount of the deduction allowed to Biasa Sdn Bhd in respect of this transaction in arriving at its adjusted income for the year of assessment 2015?

- A** RM505,000
- B** RM500,000
- C** RM450,000
- D** RM0

- 4 During the year 2015, James made the following payments:
- a contribution of RM4,000 to the employee's provident fund (EPF);
 - a medical insurance premium for himself of RM1,900;
 - a life insurance premium on his own life of RM3,800; and
 - an education insurance premium for his children of RM1,500.

What is the total amount of personal relief available to James in respect of the above payments for the year of assessment 2015?

- A RM11,200
- B RM9,000
- C RM9,700
- D RM7,900

- 5 Othman has two unmarried daughters, Nur and Noor. Nur is 19 years old and is pursuing her bachelor degree in Malaysia. Noor is 21 years old and, despite being blind, is pursuing her doctorate studies in New Zealand. Neither Nur nor Noor earned any income during the year 2015.

What is the total amount of child relief available to Othman for the year of assessment 2015?

- A RM12,000
- B RM6,000
- C RM17,000
- D RM18,000

- 6 PQR Sdn Bhd makes up its accounts to 30 September each year.

What is PQR Sdn Bhd's basis period and basis year for the year of assessment 2015?

	Basis period	Basis year
A	1 October 2015 to 30 September 2016	1 October 2015 to 30 September 2016
B	1 October 2015 to 30 September 2016	1 January 2015 to 31 December 2015
C	1 October 2014 to 30 September 2015	1 October 2014 to 30 September 2015
D	1 October 2014 to 30 September 2015	1 January 2015 to 31 December 2015

- 7 **Which of the following statements regarding voluntary registration for goods and services tax (GST) is/are correct?**

- (1) A company which does not carry on any business may still register voluntarily
- (2) The Director General of Customs and Excise may accept or reject an application made for voluntary registration
- (3) A person who registers voluntarily is eligible to claim input tax credit on their acquisitions but does not have to account for output tax on the taxable supplies that they make
- (4) A business which only makes exempt supplies is not permitted to register voluntarily

- A 1, 2 and 4
- B 2 and 3
- C 2 and 4 only
- D 4 only

- 8 **Which of the following statements is correct?**

- A Malaysia imposes both direct and indirect taxes on businesses
- B Malaysia does not impose tax on any kind of capital gain
- C Income tax is an example of an indirect tax
- D Companies which register for goods and service tax (GST) enjoy a lower rate of corporate income tax

9 Which of the following is NOT a responsibility of an employer under the Income Tax Act 1967?

- A** To deduct tax from the remuneration of its employees each month and remit this tax to the Director General of Inland Revenue (DGIR).
- B** To ensure that each of its employees submits their tax return on time
- C** To provide each of its employees with a statement of their remuneration
- D** To submit a return to the DGIR each year with details of the tax deductions made from its employees

10 Murali, who is employed by Supreme Sdn Bhd, is paid an annual salary of RM110,000 and an entertainment allowance of RM12,000 each year. No other allowances or reimbursements are paid to Murali.

Murali incurred the following expenses in relation to his employment with Supreme Sdn Bhd during the year of assessment 2015:

- RM1,300 for travelling between his home and Supreme Sdn Bhd's offices
- RM14,400 for the entertainment of clients

What is Murali's adjusted income from employment for the year of assessment 2015?

- A** RM110,000
- B** RM108,700
- C** RM106,300
- D** RM107,600

11 DEF Sdn Bhd (DEF) initially estimated its tax payable for the year of assessment 2015 as RM10 million. However, business was more favourable than originally thought and DEF, therefore, revised the estimate to RM12 million during the basis period.

In the 12th month of its basis period, DEF paid a further RM1 million in addition to the normal instalment. Therefore, the total tax instalments paid in the year were RM13 million. The actual tax payable for the year of assessment 2015 was RM20 million.

What is the penalty payable by DEF Sdn Bhd in respect of the underestimation of its tax for the year of assessment 2015?

- A** RM100,000
- B** RM200,000
- C** RM560,000
- D** RM440,000

12 George first arrived in Malaysia on 1 September 2013, to work in Malaysia for MNO Sdn Bhd for 24 months. George did not travel to any destination outside Malaysia during the 24-month period and he returned to his home country on 31 August 2015, immediately at the end of the contract.

What is George's Malaysian tax residence status for the years of assessment (YA) 2013, 2014 and 2015?

- | | YA 2013 | YA 2014 | YA 2015 |
|----------|--------------|--------------|--------------|
| A | Resident | Resident | Resident |
| B | Not resident | Resident | Resident |
| C | Resident | Not resident | Not resident |
| D | Resident | Resident | Not resident |

13 Which of the followings statements regarding a company's tax residence status is correct?

- A** A company is resident in Malaysia only if the management and control of all of its businesses are exercised in Malaysia
- B** A company is resident in Malaysia only if all of its board meetings are conducted in Malaysia
- C** The location of a company's board meetings is irrelevant in determining the company's Malaysian tax residence status
- D** Where a company does not carry on any business, it is treated as resident in Malaysia if the management and control of its affairs are exercised in Malaysia

14 In which of the following case(s) does the Director General of Inland Revenue have the authority to raise an assessment on the acquirer of a property in respect of the amount of real property gains tax (RPGT) payable by the disposer?

- (1) The acquirer failed to remit 3% of the consideration to the Inland Revenue Board
- (2) Both the acquirer and the disposer failed to submit returns in respect of the transaction
- (3) The two parties exchanged their real properties
- (4) The consideration for the disposal of the real property is below market value

- A** 1 only
- B** 1, 3 and 4
- C** 2, 3 and 4
- D** 2 and 4 only

15 TUV Sdn Bhd (TUV), which makes up its accounts annually to 31 December, made the following gifts to one of its employees, Alan, during the year of assessment 2015:

- On 10 April 2015, a hamper as a birthday gift. The hamper was acquired on the same day it was gifted for a cost of RM318 (including goods and service tax (GST)).
- On 25 December 2015, a laptop acquired earlier in the year for RM4,240 (including GST). The open market value of the laptop on 25 December 2015 was RM2,500.

TUV gives surprise birthday gifts to its employees at its discretion but there is no written policy on the matter nor is anything contained within the employees' contract of employment.

What is the total amount of output tax which TUV Sdn Bhd will have to account for in respect of the two gifts made to Alan?

- A** RM160
- B** RM169
- C** RM258
- D** RM230

(30 marks)

Section B – ALL SIX questions are compulsory and MUST be attempted

Please write your answers to all parts of these questions on the lined pages within the Candidate Answer Booklet.

1 (a) State ANY THREE types of capital expenditure which qualify for agriculture allowance. (3 marks)

(b) Choc Farm Sdn Bhd (Choc Farm) operates an agriculture business producing cocoa and makes up its accounts to 31 December each year. In June 2013, Choc Farm constructed an estate office building for RM120,000 and it was used during the basis period for the year of assessment 2013. On 31 March 2015, Choc Farm disposed of the estate office to Tawau Farm Sdn Bhd for RM88,000.

Required:

Compute the agriculture allowances claimable in respect of the estate office in each of the years of assessment 2013 to 2016 by both Choc Farm Sdn Bhd and Tawau Farm Sdn Bhd.

Note: You are NOT required to compute any balancing charge arising on the disposal of the estate office. (5 marks)

(c) Sarimah operates a restaurant. In order to expand her restaurant business, she needs a van but does not have sufficient funds to buy one. Sarimah's brother, Zaid, runs a profitable grocery store business and Sarimah has asked him to buy her a van. Zaid will pay for the van in cash and he will be responsible for the maintenance of the van. The van will be registered in Sarimah's name and will be used in Sarimah's restaurant business. The van will not be used in Zaid's grocery store business.

Required:

State, with reasons, whether (1) Sarimah or (2) Zaid can claim capital allowances on the van. (2 marks)

(10 marks)

2 Matty and Patty are partners in an engineering firm in Malaysia. The terms of their partnership agreement are as follows:

Profits and losses	Shared equally (50: 50)
Annual salary: Matty	RM45,000
Patty	RM55,000
Annual interest on capital contribution – Matty	RM10,000

For the year ended 31 December 2015, the partnership had provisional adjusted income of RM110,000 and was entitled to capital allowances of RM6,000. During the year 2015, the partnership paid a private expense on behalf of Patty of RM4,000.

In addition to the partnership business, Matty and Patty have the following other sources of income:

- (1) Patty has a sole proprietor business in Malaysia which generated an adjusted loss of RM4,000 for the year of assessment 2015.
- (2) Matty derives rental income from a Malaysian property which she holds for investment purposes. In the year of assessment 2015, Matty's rental income (net of allowable expenses) was RM9,000.

Both Matty and Patty are unmarried and Malaysian citizens, but Patty has not been resident in Malaysia since 2012.

Required:

Compute the divisible income of the partnership and the income tax payable by Matty and Patty respectively for the year of assessment 2015.

(10 marks)

3 Sheikh Ali, a citizen of Qatar, arrived in Malaysia on 20 March 2011. On 2 June 2011, Sheikh Ali acquired a condominium for RM5,200,000, incurring stamp duty of RM50,000 and legal fees of RM10,000.

Sheikh Ali renovated the condominium, incurring enhancement costs of RM80,000 and purchased furniture for RM19,000. Following a dispute with the seller of the condominium, Sheikh Ali incurred legal fees of RM5,000 to defend his legal title to the condominium.

In September 2014, Sheikh Ali received an offer to sell the condominium to Zaheer, who paid him a deposit of RM9,000. However, due to a lack of loan facility, Zaheer decided not to pursue the acquisition and the deposit was forfeited to Sheikh Ali.

On 5 April 2015, Sheikh Ali signed a sale and purchase agreement to dispose of the condominium to Avenue Sdn Bhd for RM5,400,000. The agent's brokerage fees for the sale were RM15,000.

Required:

(a) Compute the real property gains tax (RPGT) arising from the disposal of the condominium by Sheikh Ali to Avenue Sdn Bhd. Clearly identify the disposal price, the acquisition price and the tax rate applicable to the disposal.

Note: You should indicate by the use of the word 'nil' any item referred to in the question for which no adjusting entry needs to be made in the tax computation. (7 marks)

(b) Advise Sheikh Ali on the following:

(i) His RPGT filing obligations on the disposal of the condominium. (2 marks)

(ii) Whether he is entitled to elect for the lifetime private residence exemption. (1 mark)

(10 marks)

- 4 Poon is the sole proprietor of Mas Enterprise, which trades in hardware goods. Mas Enterprise is registered for goods and services tax (GST).

Mas Enterprise recorded the following deliveries and sales for November 2015:

	RM
– Delivered hardware goods to Park Sdn Bhd, a GST registered business, on 2 November 2015. This was in fulfilment of an order placed by Park Sdn Bhd on 15 October 2015	20,000
– Supplied hardwood to Mok & Co, a GST registered business	10,000
– Supplied hardwood to Gano, a non-GST registrant	1,000
– Supplied scrap stocks to Dirzan, a non-GST registrant	5,000

All the amounts stated above are exclusive of any GST which may be chargeable.

Mas Enterprise has not received permission to issue simplified tax invoices to its customers and, therefore, must issue full tax invoices. Mas Enterprises issued the relevant invoices in respect of the above sales to Park Sdn Bhd, Mok & Co, Gano and Dirzan on 2 December 2015.

On 12 November 2015, Mas Enterprise received a GST invoice dated 10 November from ABC Sdn Bhd, a GST registered business, for the supply of tools and hardware inventory (stock) for RM10,600 (including GST of RM600). ABC Sdn Bhd has given Mas Enterprise a credit period of three months in which to pay this invoice.

Required:

- (a) **State ANY THREE items which must be stated on a valid goods and service tax (GST) invoice issued by Mas Enterprise as a supplier.** (3 marks)
- (b) **State, with reasons, on which date the supply of goods to Park Sdn Bhd is deemed to have taken place for GST purposes.** (2 marks)
- (c) **State whether Mas Enterprise must charge GST output tax on the supplies made to each of Mok & Co, Gano and Dirzan and, if so, compute the GST chargeable.** (4 marks)
- (d) **State whether Mas Enterprise can claim GST input tax of RM600 on the invoice received from ABC Sdn Bhd, and, if so, in the GST return for which month.** (1 mark)

(10 marks)

- 5 Emory Sdn Bhd (Emory) is in the business of manufacturing hardwood and has a Malaysian brand 'Solid' which has been duly registered with the relevant authorities. Emory's issued share capital is RM3,500,000 and all of its shares are owned by Malaysian residents.

Emory makes up its accounts to 30 September each year and the following information relates to its year ended 30 September 2015:

	RM'000	RM'000
Gross sales		
Local market	19,000	
Export market (Note 1)	800	
	<hr/>	19,800
Cost of sales		
Depreciation	1,000	
Import duties	10	
Freight charges	29	
Insurance premiums on exports of cargo (paid to a locally incorporated insurance company)	2	
Other deductible expenses	10,859	
	<hr/>	(11,900)
Other income		
Dividend income from a subsidiary in Penang, Malaysia	35	
Sale of sundry scrap inventory (stock)	1,000	
Foreign exchange gains from trade receivables (unrealised)	88	
	<hr/>	1,123
General and administration expenses		
Audit fees	50	
Staff remuneration (Note 2)	2,400	
Cash donations to approved institutions	103	
Staff entertainment expenses	18	
Leave passages	6	
	<hr/>	(2,577)
Selling and distribution expenses		
Cash contribution to sponsor a local artist's activity (approved by the relevant authority)	505	
Irrecoverable debt written off on a car loan to an employee	39	
Advertisement and promotion expenses to promote the Malaysian brand 'Solid' in the local newspapers	9	
	<hr/>	(553)
Finance charges		
Interest expenses		(8)

Notes:

1. The export sale was made from Emory's factory in Shah Alam, Malaysia to a distributor in Brunei. The distributor had not settled the amount of RM800,000 as at 30 September 2015. The total exports for the current year are expected to be not more than 5% of total sales.
2. The staff remuneration comprises salaries of RM2,000,000 and the related employees' provident fund (EPF) contributions of RM400,000.
3. The capital allowances claimable for the year are RM1,230,000.

Required:

Compute the income tax payable by Emory Sdn Bhd for the year of assessment 2015.

Note: You should start your computation with the gross sales figure(s) and indicate by the use of the word 'nil' any item referred to in the question which is not deductible or taxable, as appropriate.

(15 marks)

6 Karam, a Malaysian tax resident, is married to Susan and has a 19-year-old son, David. David is pursuing a full-time degree at a local Malaysian university and received a full scholarship from a multi-national company in Malaysia for his university fees. Susan has no income.

Karam is employed by Olive Sdn Bhd as an operations manager based in Ipoh, Malaysia. Details of his employment income for the year 2015 are as follows:

- A salary of RM48,000.
- An entertainment allowance of RM3,000. During the year 2015, Karam spent RM2,000 on entertaining the company's clients.
- Employees' provident fund (EPF) contributions by Olive Sdn Bhd of RM5,760. Karam made EPF contributions of RM5,280.

Olive Sdn Bhd also provided Karam with the following benefits during the year 2015:

- Semi-furnished accommodation. Olive Sdn Bhd paid a monthly rental of RM2,100 for an apartment which included RM100 for the furniture in the lounge and dining room.
- Medical benefits of RM250.

Karam also runs a part-time business selling computer games software. Details of his business income for the year 2015 are as follows:

Adjusted income	RM30,000
Capital allowances	RM5,000
Unabsorbed business loss brought forward	RM1,000

In addition, in 2015, Karam received RM3,000 as a commission from his neighbour for assisting him in securing a buyer for the sale of the neighbour's small office, home office (SOHO) unit.

Details of Karam's other expenditure for the year 2015 are as follows:

- Medical expenses for a weight reduction and wellness programme for his wife of RM2,000.
- A donation of goods worth RM10,000 to an approved institution.
- Deferred annuity premiums paid of RM3,500.
- Books purchased for his own personal use of RM1,200.

Required:

Compute the income tax payable by Karam for the year of assessment 2015.

Note: You should indicate by the use of the word 'nil', as appropriate, any item referred to in the question for which no adjusting entry needs to be made in the tax computation.

(15 marks)

End of Question Paper