Answers

Marks

1 Kepayang Sdn Bhd

Chargeable income and tax payable for the year of assessment 2013
(Basis period 1 July 2012 to 30 June 2013)

	Note	RM –	RM +	Marks
Profit before taxation			5,810,000	
Provision for stock obsolescence	1		30,000	1
Amortisation and depreciation	1		1,100,000	½
Provision for royalty	1		12,000	½
Royalty payments	1	10,000		1
Rental income	2	120,000		1
Gain on disposal of shares		18,000		½
Advertising on website	3	50,000		1
Patent registration overseas	3	50,000		1
Foreign arts and cultural performances sponsorship (208,000 – 200,000)	3		8,000	1
Local arts and cultural performances sponsorship (302,000 – 300,000)	3		2,000	1
Cash contribution	3		2,000	½
Gifts with logo	3		Nil	1
Gifts without logo (4,000 x 50%)	3		2,000	1
Bad debts written off	4		Nil	1
Tax audit fees	5		5,000	½
Real estate agent brokerage fees	5		10,000	½
Patent registration for SME	5		Nil	1
Donations to approved charitable institutions	6		20,000	½
Contributions for facilities for the disabled in a private supermarket	6		3,000	1
Fixed assets written off			32,000	½
Foreign exchange loss – loan repayment	7		3,000	1
Foreign exchange loss – trade payables	7		Nil	1
Foreign exchange gain – realised in YA 2013	7		4,000	1
Marine insurance premiums	8	29,000		1
Freight charges	8		Nil	1
Quit rent and assessment and cleaning expenses	9		15,000	1
Research and development expenditure (approved)	10	10,000		1
Employees' provident fund EPF [excess over 19%]	11		20,000	1
Corporate membership	12		5,000	½
		287,000	7,083,000	
			(287,000)	
Adjusted income			6,796,000	
Less:				
Capital allowances			(2,000,000)	½
Statutory income			4,796,000	
Add:				
Rental income				
Gross rental income		120,000		1
Less:				
Quit rent and assessment and cleaning expenses		(15,000)		1
Brokerage fees		Nil		1
			105,000	
Aggregate income			4,901,000	
Less: Donation to approved institutions			(20,000)	½
(restricted to 10% of aggregate income)				½
Total/Chargeable income			4,881,000	
Tax liability				
Tax on first RM500,000 at 20%			100,000	½
Balance of RM4,381,000 at 25%			1,095,250	½
Tax charged/payable			1,195,250	
				30

				Marks
2	Sita and Kwek			

(a) Sita – Income tax payable for the year of assessment 2013

	RM	RM	Marks
Employment			
[Section 13(1)(a)]			
Salary (15,000 x 10 months)		150,000	½
Entertainment allowance (500 x 10)		5,000	½
Travelling allowance (800 x 10)	8,000		½
Less: Exempt	(6,000)	2,000	1
Maid salary reimbursed		11,000	1
Service excellence award	3,000		½
Less: Exemption [Paragraph 25C, Schedule 6]	(2,000)	1,000	1
		169,000	
[Section 13(1(c)]			
Living accommodation			
Lower of			
[30% x s.13(1)(a)] (30% x 169,000)	50,700		1
Defined value (4,000 x 10)	40,000		1
Lower		40,000	½
Gross employment income		209,000	
Less: Rent paid by Sita (500 x 10)		(5,000)	1
Less: Entertainment expenses (restricted to allowance)		(5,000)	1
Adjusted income/statutory income from employment		199,000	
Add:			
Interest income from Singapore		Exempt	1
Royalty income from books	32,000		½
Less: Exemption [Paragraph 32B, Schedule 6]	(20,000)	12,000	1
Aggregate income		211,000	
Less: Approved donations (restricted to 7% x aggregate income)		(14,770)	1
Total income		196,230	
Less: Personal reliefs			
Self	9,000		½
Employees' provident fund (maximum)	6,000		½
Dental expenses for child	Nil		1
Spouse relief	3,000		½
Spouse – disabled	3,500		1
Child relief: First child	Nil		1
Second child	1,000		½
Private retirement scheme (maximum)	3,000		1
		(25,500)	
Chargeable income		170,730	
Tax liability			
Tax on RM100,000		13,850	½
Tax on next RM70,730 at 26%		18,390	½
Tax payable		32,240	
			20

Tutorial note: *Sita is not entitled to claim the higher child relief rate of RM6,000 for her first child as the child's total income of RM7,000 exceeded the relief amount of RM6,000.*

(b) The benefit of a leave passage enjoyed by an employee and members of his or her immediate family is tax exempt for up to three local leave passages and for one overseas leave passage of up to RM3,000 in a calendar year. 1 + 1

Hotel accommodation and meals provided for local leave passages are tax exempt but are taxable on the employee for overseas leave passages. 1 + 1

Sita should request for a local leave passage so that the entire benefit will be tax exempt. 1

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25

Marks

3 (a) Rose Fusion Café

(i) The conditions and compliance requirements for a person to satisfy for a claim for initial and annual allowances in respect of qualifying plant expenditure (QPE) are as follows:

		Marks
(1)	The person was carrying on a business during the basis period.	½
(2)	The asset was used for business purposes.	1
(3)	For the initial allowance, the person has incurred QPE on the asset during the basis period; and	½
	– was either the owner of the asset at the end of the basis period or at the time of disposal if the asset was disposed of in the basis period.	1
(4)	For the annual allowance, the person has incurred QPE on the asset; and	½
	was the owner of the asset as at the end of the basis period.	1
(5)	The person must make a written claim for capital allowances in the prescribed form providing the required particulars.	½
		5

(ii) Capital allowances for the year of assessment 2013

Asset		Cost/Qualifying expenditure RM	Capital allowance RM	
Table and chairs				
Qualifying plant expenditure		20,000		
Initial allowance (IA)	20%	(4,000)		½
Annual allowance (AA)	10%	(2,000)	6,000	½
Residual expenditure		14,000		
Linen		10,000		
No capital allowances but a deduction will be made in arriving at the adjusted income when the assets are replaced on a replacement basis.				½ + 1
Crockery and glass dinner plates and mugs		5,000		
No capital allowances but a deduction will be made in arriving at the adjusted income when the assets are replaced on a replacement basis.				½ + 1
Stainless steel cooking equipment				
Qualifying plant expenditure		10,000		
Initial allowance (IA)	20%	(2,000)		½
Annual allowance (AA)	14%	(1,400)	3,400	½
Residual expenditure		6,600		
Kitchen cooking oven				
Qualifying plant expenditure		100,000		
Initial allowance (IA)	20%	(20,000)		½
Annual allowance (AA)	14%	(14,000)	34,000	½
Residual expenditure		66,000		
Passenger vehicle on hire purchase				
Qualifying plant expenditure (restricted)		100,000		1
Initial allowance	20%	(20,000)		½
Annual allowance	20%	(20,000)	40,000	½
Residual expenditure		60,000		
Less: Private use (25%)			(10,000)	1
			30,000	
				9

				Marks
(b) Eight Sdn Bhd				
Selangor factory building – capital allowances				
		RM	**RM**	
Land (non-qualifying)			0	½
Construction costs for building			4,000,000	½
			4,000,000	
Less: Office (20%) [exceeding 10%]			(800,000)	1
Qualifying building expenditure			3,200,000	
Less: YA 2013 Initial allowance	10%	320,000		½
Annual allowance	3%	96,000		½
			(416,000)	
Residual expenditure			2,784,000	
Less: YA 2014 Annual allowance	3%		(96,000)	½
Residual expenditure			2,688,000	
Disposal proceeds		6,000,000		
Less: 20% adjustment for office (non-qualifying)		(1,200,000)		1
Disposal value			4,800,000	½
Balancing charge			2,112,000	
Balancing charge restricted to capital allowances claimed (416,000 + 96,000)			512,000	1
				6
				20

4 (a) Karan and Candy

(i) Divisible income of the partnership

	RM	
Loss before tax	(39,000)	½
Add:		
Depreciation of fixed assets	4,000	½
Partner's salary – Karan	32,000	½
Partner's interest on capital – Candy	24,000	½
Provisional adjusted income	21,000	
Less:		
Karan's salary	32,000	½
Candy's interest on capital	24,000	½
Divisible loss	(35,000)	
Capital allowances	20,000	
		3

(ii) Total income of the partners

	RM	
Karan		
Divisible loss (35,000 x ½)	(17,500)	½
Salary	32,000	½
Adjusted income	14,500	
Capital allowance (20,000 x ½)	(10,000)	½
Statutory income	4,500	
Less: Unabsorbed losses brought forward	(500)	1
Statutory income	4,000	
Rental income (net of allowable expenses)	1,000	½
Aggregate income/total income	5,000	

	RM	*Marks*
Candy		
Divisible loss (35,000 x ½)	(17,500)	½
Interest on capital	24,000	½
Adjusted income	6,500	
Capital allowance (20,000 x ½) (utilised up to)	(6,500)	1
Statutory income	0	
Employment income	12,000	½
Aggregate income	12,000	
Less: Current year loss	(2,000)	1
Total income	10,000	
Unabsorbed losses available for carry forward to YA 2014	500	½
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(b) Whistler Sdn Bhd

(i) Years of assessment 2014 and 2015

Year of assessment (YA)	Basis period	Adjusted income/(loss) RM	
2014	1 May 2013 to 30 April 2014	56,000	½
2015	1 May 2014 to 30 April 2015	(36,000)	½
			1

(ii) The new business will be treated as having the same basis period as the old business. Therefore, the basis period for the catering business is: 1 February 2014 to 30 April 2014 for the year of assessment 2014. 1

(iii) The due date for completing and submitting the real property gains tax (RPGT) form by the acquirer, Whistler Sdn Bhd, to the Inland Revenue Board (IRB) is within 60 days of the date of signing the sales and purchase agreement, i.e. on or before 18 June 2014. ½ + ½

1

(iv) The acquirer, Whistler Sdn Bhd, will be required to retain from the consideration payable to Silver Sdn Bhd an amount of 2% of the value of the consideration or the whole of the consideration which consists of money, if it is less. ½ + ½

The amount retained based on 2% of the disposal consideration is RM20,000 (2% x RM1,000,000). ½

Whistler Sdn Bhd is required to remit the amount retained to the IRB. ½

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5 (a) Sales tax: Exemption from licensing

An exemption from licensing can be obtained by a manufacturer of taxable goods in the following circumstances:

(1) The sales value of the goods manufactured by the manufacturer during the preceding 12 months does not exceed RM100,000 and the sales value of such goods is unlikely to exceed RM100,000 during the next 12 months. 1

(2) The manufacturer is a contractor who performs work on taxable material supplied by another person and the total amount charged for such work done by him during the preceding 12 months does not exceed RM20,000 and the total charges for his work to be done during the next 12 months is unlikely to exceed RM20,000. 1

AND in both cases, an application for a certificate of exemption to the Director General of Royal Customs. 1

(3) Any person who manufactures solely any of the goods exempted as listed in Schedule A/B of the Sales Tax Exemption Order 1980. ½

Marks

(4) A manufacturer of taxable goods in which the manufacturing operations are exempted from licensing under the Sales Tax (Exemption of Licensing) Order 1997. ½

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(b) Pix Sdn Bhd

The amount of the sales tax deduction based on the credit system is:

RM22,000 x 8% = RM1,760. 1

Pix Sdn Bhd will deduct the amount of RM1,760 from the total sales tax to be paid to the Director General of Royal Customs. 1

In the event there is any unutilised credit, it can be carried forward and deducted in the next taxable period. 1

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(c) Petai Sdn Bhd

The amount due to be paid to the Royal Customs Department is:

$$\frac{4,240}{10,600} \times 600 = RM240.$$ ½ + ½ ½

The taxable period for the payment of the RM240 is 1 November to 31 December 2013. ½

The due date to remit the service tax is within 28 days from the end of the taxable period, i.e. on or before 28 January 2014. 1

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Tutorial note: *The amount paid is based on the formula A/B x C where:*
A is the amount of the payment received in respect of the provision of the taxable service;
B is the sales value of the taxable service plus the service tax payable; and
C is the service tax payable.