

Applied Skills

Taxation – Malaysia (TX – MYS)

September/December 2018 – Sample Questions



Time allowed: 3 hours 15 minutes

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

Tax rates and allowances are on pages 2–4.

Do NOT open this question paper 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.

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Think Ahead

ACCA

The Association of
Chartered Certified
Accountants

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

Chargeable income	RM	RM	Rate %	Cumulative tax 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)	3	600
Next	15,000	(35,001 – 50,000)	8	1,800
Next	20,000	(50,001 – 70,000)	14	4,600
Next	30,000	(70,001 – 100,000)	21	10,900
Next	150,000	(100,001 – 250,000)	24	46,900
Next	150,000	(250,001 – 400,000)	24.5	83,650
Next	200,000	(400,001 – 600,000)	25	133,650
Next	400,000	(600,001 – 1,000,000)	26	237,650
Exceeding	1,000,000		28	

Resident company

Paid up ordinary share capital

	First RM500,000	Excess over RM500,000
RM2,500,000 or less	18%	24%
More than RM2,500,000	24%	24%

Non-residents

Company	24%
Individual	28%

Personal reliefs

		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
Parental care	(each)	1,500
Basic supporting equipment for disabled self, spouse, child or parent	(maximum)	6,000
Study course fees for skills or qualifications	(maximum)	7,000
Lifestyle allowance	(maximum)	2,500
Spouse relief		4,000
Disabled spouse, additional		3,500
Child – basic rate	(each)	2,000
Child – higher rate	(each)	8,000
Disabled child	(each)	6,000
Disabled child, additional	(each)	8,000
Childcare (below six years old)	(maximum)	1,000
Breastfeeding equipment	(maximum)	1,000
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
Deposit for a child into the National Education Savings Scheme	(maximum)	6,000
Contribution to Social Security Organisation (SOCSO)	(maximum)	250

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 motor car (when new) RM	Prescribed annual value of private usage of motor 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 motor car benefit equal to half the prescribed annual value (above) is taken if the motor 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 other persons
	Rate %	Rate %	Rate %
Category 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 Which of the following statements in relation to the features of the Malaysian tax system is true?

- A** An individual carrying on a business must submit a tax estimate at least 30 days prior to the commencement of the basis period for the respective year of assessment
- B** A non-resident employee, with the same employer for 12 months, may elect not to submit a tax return provided their remuneration was subject to a monthly tax deduction and they did not have any income other than from employment
- C** An individual carrying on a business, with an instalment scheme issued by the Inland Revenue Board, will be allowed to revise a tax estimate for a year of assessment only in the sixth and ninth month of the basis year
- D** Citizens of a foreign country who derive employment income from Malaysia are not required to declare their Malaysian source income

2 N Enterprise, a goods and services tax (GST) registered person, incurred the following expenses including GST input tax in respect of a passenger motor car used for business purposes in the quarter ended 30 June 2018:

	RM
Repairs	106
Petrol	212
Insurance	424

What is the amount of the input tax credit available to N Enterprise in the quarter ended 30 June 2018 in respect of the passenger motor car expenses?

- A** RM42
- B** RM36
- C** RM18
- D** RM30

3 XYZ Sdn Bhd (XSB) made the following payments in the financial year ended 31 October 2018:

	RM
Payments to Qatar Corporation (non-resident)	
Fee for maintenance services on a machine in XSB factory premises in Malaysia	100,000
Out of pocket expenses – taxi fares during the visit	1,000
Payments to Movers Sdn Bhd (resident)	
Crane rental fee	35,000

Movers Sdn Bhd had rented the crane from Thai Ltd, a non-resident company.

What is the total amount of withholding tax levied on the payments made by XYZ Sdn Bhd in the financial year ended 31 October 2018?

- A** RM10,000
- B** RM3,500
- C** RM10,100
- D** RM13,600

- 4 James, a British citizen, arrived in Malaysia on 1 August 2017 to commence employment. He was physically present in Malaysia until he left permanently on 10 July 2018, with the exception of 20 days in February 2018, when he was in Singapore meeting with his employer's clients.

In which year(s) of assessment is James resident in Malaysia?

- A 2017 only
B 2018 only
C 2017 and 2018
D Not a resident in either year
- 5 **Which of the following statements relating to real property gains tax (RPGT) is true?**
- A Residential properties in Malaysia do not fall within the scope of RPGT
B The disposal of a property in Malaysia is not subject to RPGT if rental income derived from the property has previously been assessed to income tax
C Both RPGT and income tax may apply at the same time on a gain arising from the disposal of a property in Malaysia
D The disposal of a property located outside Malaysia, by a Malaysian citizen, is not subject to RPGT
- 6 Candy, a Singaporean citizen, is resident in Malaysia for the year of assessment 2018. She is a renowned composer and has also published literary books on the history of musical instruments. She derived the following royalties from Malaysia in the year of assessment 2018:

Royalty from musical composition	RM24,000
Royalty from published literary book	RM26,000

What is Candy's statutory income from royalties for the year of assessment 2018?

- A RM50,000
B RM10,000
C RM30,000
D RM20,000
- 7 Karim derives income from both employment and the rental of investment properties. The following information is available for the year of assessment 2018:

	RM
Salary from employment	48,000
Employment allowance for work-related travels	5,600
Work-related travel expenses	4,000
Rental receipts for letting of an apartment	6,000
Quit rent and assessment for the apartment	8,000
Rental receipts for letting of commercial unit	12,000
Quit rent, assessment and repairs for commercial unit	5,000

What is Karim's total income for the year of assessment 2018?

- A RM53,000
B RM55,000
C RM54,600
D RM56,600

- 8 ABC Sdn Bhd was incorporated with a share capital of RM5 million. It commenced trading on 1 November 2016 and closed its first set of accounts on 31 January 2018.

What is ABC Sdn Bhd's first year of assessment, first basis period and the due date of the tax estimate for this basis period?

	First year of assessment	First basis period	Due date of tax estimate
A	2018	1 November 2016–31 January 2018	Within six months of commencement to trade
B	2017	1 November 2016–31 October 2017	Within six months of commencement to trade
C	2018	1 November 2016–31 January 2018	Within three months of commencement to trade
D	2017	1 November 2016–31 December 2017	Within three months of commencement to trade

- 9 Flower Sdn Bhd, a goods and services tax (GST) registered company, charged the following amounts in its income statement for the financial year ended 31 October 2018:

	RM
Blocked input tax in respect of medical insurance for staff	1,200
GST on parking bills	66
GST output tax in respect of gifts to employees	48

The GST on the parking bills is not reclaimable from the Royal Malaysian Customs Department due to lack of supporting tax invoices.

What is the total amount which will be disallowed in Flower Sdn Bhd's adjusted income computation for the year of assessment 2018?

- A RM114
- B RM1,314
- C RM1,266
- D RM48

- 10 Ace Sdn Bhd owns the following buildings:

- (1) Building used to store finished goods within the same curtilage as the factory which produces the finished goods
- (2) Building used to store raw materials within the same curtilage as the factory which uses the raw material
- (3) Building used to store imported products which are to be processed and distributed

Which of the buildings qualify for industrial building allowance?

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

- 11 A non-resident company with paid-up share capital equivalent to RM1 million has a branch in Malaysia. The branch has chargeable income of RM550,000 for the financial year ended 31 July 2018.

What amount of income tax is payable by the company in Malaysia for the year of assessment 2018?

- A RM132,000
- B RM99,000
- C RM102,000
- D RM107,000

12 Which of the following factors are taken into account by an employer in determining the amount of monthly tax deduction from an employee's remuneration?

- (1) The tax residence status of the employee
- (2) The spouse's tax residence status
- (3) Number of children

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

13 Albert and his wife, Catherine, sold a jointly owned Malaysian property on 30 June 2018 for RM3 million. They had each purchased 50% of the property four and a half years previously for a total of RM2 million.

Albert is a Malaysian citizen and Catherine is an Australian citizen and both are non-residents.

What is the total real property gains tax (RPGT) payable in respect of the disposal on 30 June 2018 by Albert and Catherine?

- A** RM202,500
- B** RM217,500
- C** RM300,000
- D** RM225,000

14 Which of the following statements correctly describes a type of indirect taxation?

- (1) Taxes remitted to the Government by an employer in respect of the remuneration of its employees
- (2) Taxes charged by businesses on the supplies which it makes to consumers and other businesses
- (3) Withholding taxes remitted to the Government in respect of payments to non-residents for royalties
- (4) Duties and taxes payable by an importer at the time of importation of goods

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

15 Mara Sdn Bhd (MSB) supplies goods to the local market and is registered for goods and services tax (GST). MSB submits its GST returns on a monthly basis. Details of MSB's transactions in May 2018 are as follows:

	RM
GST charged on actual supplies made	60,000
GST charged on acquisition of inventory	18,000
GST paid on acquisition of capital goods	6,000
GST paid on imported services	12,000
GST accounted for on free gifts	1,000

What is the net amount of GST payable to the Royal Malaysian Customs Department by Mara Sdn Bhd for May 2018?

- A** RM25,000
- B** RM49,000
- C** RM37,000
- D** RM43,000

(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) For part (a) of this question you should assume today's date is 1 July 2018.

Renu, a Canadian citizen, is getting married on 7 July 2018. Renu's grandfather, Kapoor, who is a Malaysian citizen, plans to gift Renu a condominium as a wedding present on her wedding day, but he could make the gift on a later date if this was beneficial for real property gains tax (RPGT) purposes.

Kapoor acquired the property for RM230,000 on 8 July 2013 and the market value of the property on 7 July 2018 is RM378,000. Renu will sell the property for RM400,000 approximately six months after the wedding to raise finance for a new business venture.

Required:

Explain the real property gains tax (RPGT) payable by Renu if Kapoor gifts the property to Renu on:

- **7 July 2018, or**
- **a later date.**

Note: You should include calculations of the RPGT payable in both circumstances. (4 marks)

(b) Uni Bhd (UB) signed a sales and purchase agreement with Khoo on 18 September 2018 to dispose of a factory building for RM1,590,000 inclusive of GST. UB paid valuation fees of RM53,000 inclusive of GST on the sale.

UB had acquired the factory building for use in its manufacturing operations for RM1.2 million on 8 August 2010. UB also paid stamp duty of RM20,000 and tax agent fees of RM4,000 for filing the real property gains tax form to the Inland Revenue Board on the purchase and RM70,000 to extend the factory building in May 2011.

In March 2013, UB received cash compensation of RM367,000 from a supplier for damage to the factory building.

UB is registered for goods and services tax (GST) purposes.

Required:

(i) Compute the real property gains tax (RPGT), if any, on the disposal of the factory building by Uni Bhd on 18 September 2018. (5 marks)

(ii) Assuming Uni Bhd received the notice of assessment dated 30 October 2018 on 15 November 2018, state, with reason, the due date to pay the RPGT to the Inland Revenue Board. (1 mark)

(10 marks)

2 (a) Kite Sdn Bhd (KSB), a resident company, trades in recycling products. KSB closes its accounts annually on 31 May, and in its year ended 31 May 2018, the company acquired the following assets:

(1) Lorry

The lorry was acquired under a hire purchase scheme and the relevant details are as follows:

	RM
Cost	210,000
Deposit paid on 10 January 2018	30,000
Loan	180,000
Interest	2,000
Instalment period	24 months
First instalment due on	1 February 2018

(2) Heavy machine

The heavy machine was acquired for RM3,000 and used in KSB's business.

(3) Van

A reconditioned van was acquired for RM130,000 to transport senior management. The van was not licensed as a commercial vehicle.

(4) Moulding machine

On 3 October 2017, KSB bought a moulding machine from Wau Company, a company resident in Indonesia, for RM120,000. KSB paid an additional amount of RM10,000 for the machine to be installed in Malaysia in November 2017. KSB did not remit any withholding tax to the Inland Revenue Board in respect of the purchase of the machine or the installation costs.

Required:

Compute the total capital allowances claimable by Kite Sdn Bhd for the above assets for the year of assessment 2018.

Note: You should indicate by the use of the word 'nil' any asset which does not qualify for capital allowances. (8 marks)

(b) Johor Sdn Bhd (JSB) closes its accounts annually on 31 December. On 3 May 2018, the company disposed of a company car for RM60,000.

JSB acquired the car on a hire purchase basis on 1 July 2015 for RM200,000 for use by the managing director. The residual expenditure brought forward at 1 January 2018 was RM10,000.

Required:

Calculate the balancing adjustment which arises for Johor Sdn Bhd on the disposal of the car on 3 May 2018 for the year of assessment 2018. (2 marks)

(10 marks)

3 Explain, with reasons, whether goods and services tax (GST) is applicable and/or claimable for each of the following transactions, and where GST is applicable, compute the output tax and/or input tax arising.

- (1) Garam Sdn Bhd (GSB), a GST registrant, received an invoice from a Singapore company for hotel accommodation costs equivalent to RM1,000, incurred when one of GSB's employees attended a conference in Singapore.
- (2) Fay Sdn Bhd (FSB) is not registered for GST purposes. FSB receives an invoice for an amount equivalent to RM4,000 from Taipei Corporation, an overseas supplier, for design services relating to FSB's products.
- (3) Jeram Sdn Bhd, a GST registrant, imports a machine to Malaysia at a cost of USD10,000. The machine is used to manufacture pipes for resale (which is a taxable supply).

On the date of importation, the foreign exchange rate per the Royal Malaysian Customs was RM4 for USD1, and the commercial bank exchange rate was RM3.90 for USD1.

- (4) Glee Sdn Bhd, a GST registrant, gave a cash reward of RM3,000 to one of its employees for his service excellence during the company's annual dinner.
- (5) Krai Sdn Bhd (KSB), a GST registrant, makes wholly taxable supplies of stationery. KSB received an invoice from their auditors for RM10,000 inclusive of GST.

(10 marks)

- 4 (a) Yap and Viji opened a new car wash centre. It was agreed that Yap would manage the operations of the centre and receive a fixed salary each month and Viji would receive a fixed salary and any profits or losses remaining after deduction of expenses and taxes.

Required:

State, with reasons, whether a partnership exists in the above situation.

(1 mark)

- (b) Tara and Neem are partners of T&N Enterprise and have been carrying on a business as taxi operators for many years. The partnership deed provides the following:
- (1) Monthly salary of RM5,000 for each partner.
 - (2) 5% interest per annum to be paid to Tara and Neem on their respective capital contributions of RM100,000 and RM200,000.
 - (3) A profit sharing ratio of 75% for Tara and 25% for Neem.

Details of the partnership's income statement for the year ended 31 December 2018 are as follows:

	RM
Provisional adjusted income	120,000
Capital allowances	10,000

Additional information

- Neem has a brought forward business loss of RM10,000 from the year of assessment 2017.
- Tara also runs a travel agency as a sole proprietorship. During the year of assessment 2018, the business made an adjusted loss of RM7,000.

Required:

Compute the divisible partnership income or loss for both Neem and Tara, and also the total income of each partner for the year of assessment 2018.

(8 marks)

- (c) Neem submitted her tax return for the year of assessment 2017 one day late. Her income tax payable before the deduction of instalments was RM25,000 and instalments paid were RM15,000.

Required:

Compute the penalty which may be levied on Neem for the late filing of her tax return for the year of assessment 2017. Assume a penalty rate of 20%.

(1 mark)

(10 marks)

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Question 5 begins on page 14.**

- 5 Rantau Sdn Bhd (RSB) is a resident company with a paid-up share capital of RM3 million. It is registered for goods and services tax (GST) and closes its accounts annually on 31 December.

RSB's income statement for its financial year ended 31 December 2018 is as follows:

	Note	RM'000	RM'000
Revenue			922,000
Less: Cost of sales	1		<u>(808,000)</u>
Gross profit			114,000
Add: Other income	2		<u>500</u>
			114,500
Less: Expenses			
Administration expenses	3	109,243	
Selling and distribution expenses	4	<u>386</u>	
			<u>(109,629)</u>
Profit before tax			<u>4,871</u>

Notes:

- (1) Cost of sales includes the following:

	RM'000
Freight charges for imports, paid to Malaysian companies	201
Labour Skill Development Training programme expenses (see Note (2)(ii) below)	90
Depreciation	2,200
Allowance for inventory obsolescence	900

The allowance for inventory obsolescence is calculated as follows:

	RM'000
Opening balance	30
Add: Allowance for year	900
Less: Inventory written off	<u>(470)</u>
Closing balance	<u>460</u>

- (2) Other income comprises:

	RM'000
Rental income (note (i))	420
Interest income from a loan to a local subsidiary	35
Government grant (note (ii))	<u>45</u>
	<u>500</u>

Note (i): The rental income relates to a factory building in Malaysia. RSB provides comprehensive and active maintenance and support services.

Note (ii): RSB received a government grant for participating in the Labour Skill Development Training programme for its labour staff. The grant is given to help fund the training expenses RSB incurred of RM90,000 (see Note (1) above).

(3) Administration expenses include:

	RM'000
Key-man insurance under an endowment policy on the life of the marketing manager (RSB is the beneficiary)	21
Statutory audit fees (fees were outstanding at 31 December 2018)	59
Tax audit consultation fees	30
Vendor development programme – Kaizen (approved by the relevant authorities)	422
Donations-in-kind to approved institutions	450
Quit rent and assessment relating to factory building	29

(4) Selling and distribution fees include RM212,000 for gifts to customers at the annual customer dinner. Each gift exceeded the value of RM500 and did not include RSB's business logo. The gifts were purchased from GST registered suppliers.

(5) Capital allowances for the year of assessment 2018 have been calculated as follows:

	RM'000
Manufacturing business	11,698
Factory building which was rented (note (i) below)	385

Note (i): The factory building was constructed during the basis period for the year of assessment 2012 and has been used in the business ever since.

Required:

Commencing with the profit before tax, compute the chargeable income and income tax payable of Rantau Sdn Bhd for the year of assessment 2018.

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.

(15 marks)

- 6 Murni, a resident, is employed as an engineer. On 30 September 2018, Murni married Shah, who is certified as disabled by the relevant authorities and does not have any income. Murni has a 21-year-old married daughter from a previous marriage and an 80-year-old mother who did not receive any income during 2018.

Details of Murni's employment income and benefits, and other income and payments for the year ended 2018 are as follows:

Income and benefits from employment:

- Monthly salary of RM20,000
- Monthly entertainment allowance of RM2,000
- A cash award of RM3,000 for eight-year long service in the company
- Monthly parking allowance of RM100
- Utility bills for the year in the name of the company of RM12,000, paid by the company
- On 1 July 2018, the company provided a car and incurred the following expenses:
 - Cost of the new car of RM180,000
 - Maintenance service of RM2,300
 - Fuel of RM2,100
- The company employed a driver at a monthly salary of RM2,500 from 1 October 2018

Other income:

- Interest income of RM1,900 from an Australian foreign currency account
- Royalties of RM33,000 from the translation of a Japanese technical journal into the national language as requested by the Ministry of Education

Payments/expenses:

- Entertainment expenses incurred on company's clients of RM9,000
- Zakat payment of RM5,000
- EPF contribution of RM26,000
- Purchase of smart phone for RM5,000
- Gymnasium fees of RM3,000
- University fees for her daughter's degree of RM11,000
- Cash donations of RM8,000 paid to a local approved charitable institution

Required:

Compute the income tax payable by Murni for the year of assessment 2018.

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, including any relief or rebate, in the tax computation.

(15 marks)

End of Question Paper