Answers

Section A

1 **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

2 **B** Petrol and insurance RM36 (212 + 424) x 6/106

3 **C** RM10,100 (101,000 (RM100,000 + RM1,000 + 0)) x 10%

	Wtax	**No Wtax**	**Remarks**
Maintenance services	100,000		Services performed in Malaysia
Taxi fares	1,000		Considered part of the services rendered
Rental of movable property		35,000	Paid to resident so withholding tax not applicable
	101,000 x 10% = 10,100		

4 **A** 2017 only

Tutorial note:
Option A is derived from the correct computation below:

For 2017:
Section 7(1)(a) is not satisfied as he is present in Malaysia for less than 182 days.

However, the requirements in s.7(1)(b) are satisfied as the shorter period in 2017 is linked to a longer period of more than 182 days in 2018 (1 January to 10 July is more than 182 days). The 20 days absence in February 2018 is disregarded as the temporary absence is connected with his service in Malaysia (no time limit applicable).

Hence, James is tax resident in Malaysia for 2017.

For 2018:
Section 7(1)(a) is not satisfied as he is present in Malaysia for less than 182 days.

Section 7(1)(b) is not satisfied as the period in 2018 is not linked by or linked to a period of 182 days or more in 2017 or 2019.

Given the presence in Malaysia is only for two years, ss.7(1)(c) and 7(1)(d) are not satisfied.

Hence, James is not tax resident in Malaysia for 2018.

5 **D** The disposal of a real property located outside Malaysia by a Malaysian citizen is not subject to RPGT

6 **B** RM10,000

Option B correctly applies RM20,000 exemption pursuant to Para 32D, Sch 6 in respect of the royalty from musical composition and RM20,000 exemption pursuant to Para 32B, Sch 6 in respect of the royalty from books.

7 **A** RM53,000

Employment income:		
Salary	48,000	
Allowance for work related travels (exempt)	NIL	
Gross income from employment	48,000	
Less: Work related travel expenses*	NIL	
Statutory income from employment		48,000
Rental receipts for letting of an apartment	6,000	
Rental receipts from letting of commercial unit	12,000	
Gross income from rental	18,000	
Less:		
Quit rent and assessment for the apartment	(8,000)	
Quit rent, assessment and repairs for commercial unit	(5,000)	
Statutory income from rental		5,000
Total Income		53,000

* disallowed due to exemption

8 **C** The first basis period for the year of assessment 2018 is 1 November 2016 to 31 January 2018; and ABC Sdn Bhd is required to furnish an estimate within three months from date of commencement of business.

9 **A** RM114 [= RM66 + 48]

10 **D** 1, 2 and 3

11 **A** RM132,000 [= RM550,000 x 24%]

12 **C** 1 and 3

13 **A** RM202,500

RPGT payable by Albert = ((RM1·5m – RM1m) – RM50,000 exemption (Sch 4, para 2)) x 15%
= RM67,500
RPGT payable by Catherine = ((RM1·5m – RM1m) – RM50,000 exemption (Sch 4, para 2)) x 30%
= RM135,000
Total RPGT = RM67,500 + RM135,000 = RM202,500

14 **D** 2 and 4 only

			Marks
15 C RM37,000			
Output tax:			
GST on actual supplies	RM60,000		
GST accounted on free gifts	RM1,000		
GST on imported services	RM12,000		
		73,000	
Input tax:			
GST on acquisition of inventory	RM18,000		
GST on acquisition of capital goods	RM6,000		
GST on imported services	RM12,000		
		(36,000)	
GST payable to Customs		37,000	

2 marks each **30**

Section B *Marks*

1 (a) Renu

If Renu were to receive the condominium on 7 July 2018, the transfer would be a gift between grandparent and grandchild within five years of acquisition. Threfore, the acquisition price for Renu for real property gains tax (RPGT) purposes would be the acquisition price of RM230,000 paid by Kapoor. ½ + ½

The RPGT payable by Renu would be RM45,900 [RM170,000 (RM400,000 – RM230,000) – RM17,000 x 30%]. 1

If Renu were to receive the property after 7 July 2018 (i.e. not within five years of Kapoor's acquisition), the acquisition price would be RM378,000, the market value as at the date of transfer. ½ + ½

The RPGT payable by Renu would be RM3,600 [RM22,000 (RM400,000 – RM378,000) – RM10,000 x 30%]. 1

4

(b) (i) Uni Bhd

	RM	RM	Marks
Disposal consideration [excluding GST] (1,590,000 x 100/106)		1,500,000	½ + ½
Less: Permitted expenses – enhancement costs		(70,000)	½
Less: Incidental costs			
Valuation fees (excluding GST) (53,000 x 100/106)		(50,000)	½ + ½
Disposal price		1,380,000	
Acquisition consideration	1,200,000		½
Add: Stamp duty	20,000		½
Add: Tax agent fees	4,000		½
Less: Compensation	(367,000)		½
Acquisition price		(857,000)	
Chargeable gain		523,000	
RPGT (disposal after five years of acquisition) at 5%		26,150	½
			5

(ii) The due date for Uni Bhd to pay the real property gains tax to the Inland Revenue Board is 28 November 2018, i.e. within 30 days from the date of assessment. ½ + ½

1

10

Marks

2 (a) Kite Sdn Bhd

Capital allowances (CA) for year of assessment 2018

		RM	CA RM	Marks
(1)	Lorry			
	Deposit	30,000		½
	Instalments (4 months x RM7,500) (Working)	30,000		1
	Qualifying expenditure (QE)	60,000		
	Initial allowance (IA) (20%)	(12,000)		½
	Annual allowance (AA) (20%)	(12,000)	24,000	½
	Residual expenditure (RE)	36,000		

Working: Instalment payments

RM180,000/24 months = RM7,500

		RM	CA RM	Marks
(2)	Heavy machine			
	QE	3,000		
	IA (20%)	(600)		½
	AA (20%)	(600)	1,200	½
	RE	1,800		
(3)	Van			
	QE	50,000		½ + ½
	IA (20%)	(10,000)		½
	AA (20%)	(10,000)	20,000	½
	RE	30,000		

Tutorial note: *The non-commercial van is a reconditioned vehicle and not a new vehicle and so the qualifying expenditure is restricted to RM50,000.*

		RM	CA RM	Marks
(4)	Moulding machine			
	Cost of machine	120,000		½
	Installation fees	Nil		1
	QE	120,000		
	IA (20%)	(24000)		½
	AA (14%)	(16,800)	40,800	½
	RE	79,200		
	Total capital allowances		86,000	
				8

Tutorial note: *The installation fees do not qualify as part of the qualifying expenditure because the withholding tax arising on the fees was not remitted to the IRB.*

(b) Johor Sdn Bhd

Balancing adjustment for year of assessment 2018

	RM	Marks
Disposal proceeds restricted (60,000 x 50,000/200,000)	15,000	1
RE	(10,000)	½
Balancing charge	5,000	½
		2
		10

Marks

3 Goods and services tax

(1) Garam Sdn Bhd does not have to account for output tax under the reverse charge mechanism as the hotel accommodation costs are not within the scope of imported services and the services were not consumed in Malaysia. 1 + ½

(2) Fay Sdn Bhd will have to account for output tax even though it is not a GST registrant as the design fees relate to import services. ½ + ½

Output tax = (RM4,000 x 6%) = RM240 ½

Fay Sdn Bhd cannot reclaim the output tax since it is not registered for GST purposes. 1

(3) Jeram Sdn Bhd (JSB) will have to pay tax on importing the machine, and as JSB is registered for GST purposes and using the machine to make taxable supplies, it can reclaim the amount paid as input tax. ½ + ½ + ½

	RM	Marks
Cost of the machine is US10,000 x RM4 [RMC's FOREX rate]	40,000	½ + ½
GST 6%	2,400	½
GST input tax	(2,400)	1
Net GST payable	Nil	

(4) Glee Sdn Bhd does not have to account for GST output tax as a cash award to an employee is not a supply for GST purposes. 1

(5) Krai Sdn Bhd can reclaim the input tax of RM566 (10,000 x 6%/106%) as the company is registered for GST purposes. 1

10

4 Partnerships

(a) Yap and Viji

A partnership does not exist since the profits or losses are not shared between the partners Yap and Viji. 1

(b) Tara and Neem

	RM	Marks
Provisional adjusted income	120,000	
Less:		
Salaries for		
Tara – 5,000 x 12 = 60,000		
Neem – 5,000 x 12 = 60,000	(120,000)	½
	0	
Interest on capital contribution		
Tara – 5% x 100,000 = 5,000		
Neem – 5% x 200,000 = 10,000	(15,000)	½
Divisible income/(loss)	(15,000)	½

Chargeable income for each partner

	Tara RM	Neem RM	Total RM	Marks
Salaries	60,000	60,000	120,000	½ + ½
Interest on capital	5,000	10,000	15,000	½ + ½
Share of divisible loss 75%/25%	(11,250)	(3,750)	(15,000)	½ + 1
Adjusted income	53,750	66,250	120,000	
Less: Capital allowances 75%/25%	(7,500)	(2,500)	(10,000)	½ + ½
Statutory income	46,250	63,750	110,000	
Less: Brought forward loss		(10,000)		1
Statutory income/aggregate income	46,250	53,750		
Less: Current year loss	(7,000)			1
Total income	39,250	53,750		8

Marks

(c) **Penalty for late submission of tax return**

	RM	
Income tax payable	25,000	
Penalty x 20%	5,000	1
		10

5 **Rantau Sdn Bhd**

Chargeable income and income tax payable for the year of assessment 2018

	Note	RM'000 –	RM'000 +	
[Sec 4(a) Business source income]				
Profit before taxation			4,871	
Freight charges	1		Nil	½
Labour Skill Development Training expenses	1		45	1
Depreciation	1		2,200	½
Allowance for inventory obsolescence	1		900	½
Inventory written off	1	470		½
Rental income	2	420		½
Interest income	2	35		½
Government grant for Labour Skill programme	2	45		1
Key-man's insurance (investment)	3		21	1
Statutory audit fees	3		Nil	1
Tax audit consultation fees	3		30	½
Vendor development programme (maximum deduction)	3	300		1
Donations (in-kind)	3		450	½
Quit rent (rental)	3		29	½
Output tax for gifts (212,000 x 6%/106%)	4		12	1
Gifts without logo (50% disallowed, 200,000 x 50%)	4		100	1
		1,270	8,658	
			(1,270)	
Adjusted income			7,388	
Less: Capital allowance RM11,698,000	5			
Less: Amount utilised (RM7,388,000)			(7,388)	½
Balance carried forward RM4,310,000				
Statutory income – business			Nil	
[Sec 4(a) – Business source income]				
Rental income		420		½
Less: Quit rent and assessment		(29)		½
Adjusted income		391		
Less: Industrial building allowance		(385)	6	½
[Sec 4(c) Investment income]				
Add: Interest income	2		35	½
Aggregate income			41	
Less: Donations-in-kind	3		(Nil)	½
Total income/chargeable income			41	
Income tax payable at 24%			10	½
				15

6 Murni

Income tax payable for the year of assessment 2018

	RM	RM	*Marks*
[Sec 13(1)(a)]			
Salary (RM20,000 x 12 months)		240,000	½
Entertainment allowance (RM2,000 x 12 m)		24,000	½
Long service award (not eligible for exemption of RM2,000)		3,000	½ + ½
Parking allowance [exempt]		Nil	1
Total		267,000	
[Sec 13(1)(b)]			
Utility bills paid by employer		12,000	½
Car (RM7,000 x 6/12) (available six months)		3,500	1
Fuel (RM1,800 x 6/12) (available six months)		900	½ + ½
Maintenance service		Nil	½
Driver (RM600 x 3)		1,800	½ + ½
Gross employment income		285,200	
Less: Entertainment expenses incurred on clients		(9,000)	½
Adjusted income/statutory income		276,200	
Investment income			
Add: Interest income		Nil	½
Add: Translation royalties (RM33,000 – RM12,000) (para 32(A))		21,000	½ + 1
Aggregate income		297,200	
Less: Donations [Sec 44(9)]		(8,000)	½
Total income		289,200	
Less: Reliefs			
Self	(9,000)		½
Employee's provident fund (EPF) (maximum)	(6,000)		½
Spouse relief	(4,000)		½
Disabled spouse	(3,500)		½
Child relief (as married)	(Nil)		½
Lifestyle allowance (maximum)			
Smart phone – RM5,000			
Gymnasium fees – RM3,000			
Total RM8,000 (maximum)	(2,500)		1
Parental care relief	(1,500)		½
		(26,500)	
Chargeable income		262,700	
Tax liability:			
Tax on first RM250,000		46,900	
Tax on RM12,700 at 24·5%		3,111	½
		50,011	
Less: Zakat		(5,000)	½
Income tax payable		45,011	
			15

Tutorial note: *The exemption of RM2,000 for the long service award is available only if the employee exercises employment for more than 10 years.*