

Fundamentals Level – Skills Module

Taxation (Malaysia)

September/December 2016 – 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

Rates of tax and tables are printed 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.

Think Ahead

ACCA

Paper F6 (MYS)

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				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
Next	200,000	(400,001 – 600,000)		25	134,650
Next	400,000	(600,001 – 1,000,000)		26	238,650
Exceeding	1,000,000			28	

Resident company

Paid up ordinary share capital

	First RM500,000	Excess over RM500,000
RM2,500,000 or less	19%	24%
More than RM2,500,000	24%	24%

Non-residents

Company	24%
Individual	28%

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
Parental care	(each) 1,500
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) 7,000
Expenses on books for personal use	(maximum) 1,000
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
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
Contribution to Social Security Organisation (SOCSSO)	(maximum) 250

Rebates

	RM
Chargeable income not exceeding RM35,000	
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 Rate %	Individuals – non-citizens and non-permanent residents Rate %	All other persons 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 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) Patel and his wife, Neeta, are both Malaysian citizens. Patel bought an apartment for RM480,000 on 3 September 2014 and incurred stamp duty and legal fees of RM10,000. He has decided to make a gift of the apartment to Neeta as a present for her 50th birthday which is on 25 December 2016. The market value of the apartment has been estimated to be RM510,000 on that date.

Required:

Explain the real property gains tax implications, if any, of the gift of the apartment from Patel to Neeta on 25 December 2016 and state the acquisition price for Neeta.

Note: Detailed computations are NOT required. (3 marks)

- (b) Jeram Sdn Bhd (Jeram) acquired an acre of land from the state government for RM25,000 and incurred legal fees of RM1,000 and stamp duty of RM3,000. There was no written sale and purchase agreement but Jeram paid the full consideration of RM25,000 on 28 May 2010 and the ownership of the land title was transferred to Jeram on 27 January 2011. Jeram built a badminton hall on the land for RM120,000 which was completed on 3 March 2011. During a rain storm part of the badminton hall was damaged and Jeram received RM160,000 on 15 January 2013 after making a claim under its insurance policy.

Jeram signed an agreement to dispose of the land and badminton hall for RM220,000 on 20 June 2016.

Required:

State the date of acquisition of the land and compute the real property gains tax, if any, payable by Jeram Sdn Bhd on the disposal.

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

(10 marks)

2 OK Sdn Bhd (OK), a manufacturer of air-conditioners, makes up its accounts annually to 30 September.

OK commenced operations on 1 April 2016 and prepared its first two sets of accounts as follows:

Period from 1 April 2016 to 30 September 2016

Year from 1 October 2016 to 30 September 2017

The following additions were recorded in the company's non-current asset register in the year 2016:

Date acquired	Asset description	Cost RM'000
12 February	Mould machinery	500
1 April	Factory building, which includes a showroom and accounts office equal to 20% of its area	12,000
1 June	Non-commercial motor car acquired on hire purchase The agreement provided for an initial deposit of RM50,000 and 12 monthly instalments commencing from June 2016 of RM8,000 including interest of RM500	145

Required:

(a) **State the basis periods applicable to OK Sdn Bhd for each of the years of assessment 2016 and 2017.**
(1 mark)

(b) **Compute the capital allowances claimable by OK Sdn Bhd for the years of assessment 2016 and 2017.**
(9 marks)

(10 marks)

3 Trolak Estates Sdn Bhd (Trolak) is a plantation company, which is registered for goods and services tax (GST) purposes and submits its GST returns on a monthly basis.

(a) Trolak is considering purchasing a six-seater passenger motor vehicle (2,000 kilograms) exclusively for the use of the company's sales and marketing team.

Required:

(i) Briefly explain the term 'blocked input tax' and give an example. (1 mark)

(ii) State any THREE conditions which must be met by Trolak Estates Sdn Bhd in order to claim the input tax on the proposed purchase of the passenger motor vehicle. (3 marks)

(b) Trolak recorded the following transactions in June 2016:

Transactions	RM'000
(i) Supplied palm oil to Refinery Mills Sdn Bhd, a GST registered trader. The palm oil was delivered on 3 June 2016 and the invoice was issued on 15 July 2016	300
(ii) Supplied cocoa to Sibu Sdn Bhd, a GST registered trader. The cocoa was delivered on 22 June 2016 and the invoice was issued on 2 July 2016	110
(iii) Rented one of its tractors to a neighbouring estate, Elimina Enterprise, a non-GST registrant. The rental was for ten days from 5 June 2016 and the invoice was issued on 14 June 2016	10
(iv) Disposed of a conference table on 17 June 2016 to Tenamaram Plantations Sdn Bhd, a non-GST registrant. The table had been acquired by Trolak on 11 September 2014	3
(v) Gave an employee, Kong, a best employee award for not taking medical leave. The award was made in cash during the company's annual dinner on 29 June 2016	2

All the amounts stated above are exclusive of any applicable GST.

Trolak's accounting system showed total input tax for June 2016 of RM20,000.

Required:

Compute the net amount of GST payable or recoverable by Trolak Estates Sdn Bhd for the month of June 2016.

Note: You should indicate by the use of the word 'nil', where appropriate, any item referred to in the question for which no GST is chargeable/claimable. (6 marks)

(10 marks)

- 4 Azure and June, who are both unmarried tax residents, are partners in an architect firm which commenced operations on 1 March 2016. Azure's capital contribution was RM360,000 and June's was RM240,000. The partnership agreement provided for profits and losses to be shared equally after paying interest at 10% on the capital contributed by the partners and a salary of RM5,000 per month to each partner.

Details of the partnership for the period ended 31 December 2016 are as follows:

	RM'000
Provisional adjusted income/(loss)	(40)
Capital allowance	(12)
Donations to approved institutions	(1)

Other details relating to the partners are as follows:

	RM'000
Azure	
Gross rental income – flat in Johor, Malaysia	28
Allowable expenses related to the Johor flat	(30)
June	
Interest income from a loan given to a company in Malaysia	13

Required:

Compute the total income of each of the partners for the year of assessment 2016 and state the amount of any unabsorbed business losses and capital allowance carried forward to the year of assessment 2017.

(10 marks)

**This is a blank page.
Question 5 begins on page 10.**

- 5 Hybrid Auto Sdn Bhd (Hybrid) is a resident company in the business of the manufacture and sale of motor cars under the brand name 'Lofty'. Hybrid makes up its accounts annually to 30 June. The issued share capital of Hybrid is RM2 million and is wholly owned by a company resident in Thailand.

Hybrid's statement of profit or loss for the financial year ended 30 June 2016 is as follows:

	Note	RM'000s	RM'000s
Sales			12,500
Less: Cost of sales	1		(9,300)
Gross profit			3,200
Add: Other income	2		129
			<u>3,329</u>
Less: Expenses			
Statutory audit fees		35	
Advertising and promotion expenses	3	362	
Foreign exchange differences	4	15	
Impairment loss on receivables	5	74	
Salaries	6	1,850	
			<u>(2,336)</u>
Profit before tax			<u>993</u>

Notes:

- (1) The cost of sales includes the following:

	RM'000
(i) Depreciation of plant, property and equipment	1,600
(ii) Allowance for inventory obsolescence:	
Balance brought forward	62
Add: Allowance for the current year	7
	<u>69</u>
Less: Amount utilised	(45)
Balance carried forward	<u>24</u>
(iii) Inventory transferred to non-current assets	
During the year the company transferred two motor vehicles from its inventories for use by staff in its sales division and reclassified the motor vehicles as non-current assets. The cost of the vehicles was RM32,000 each and their standard selling price was RM78,000 each.	
(iv) Marine insurance premiums paid to a locally incorporated insurance company on the import of cargo	16

- (2) Other income comprises:

	RM'000
Interest income from a loan made to a related company in Thailand. Only RM20,000 of this interest was remitted to Malaysia during the year of assessment 2016	110
Deposit forfeited on a land transaction. The deposit was received from a potential buyer of a portion of the company's land, who subsequently decided to abort the deal	19
	<u>129</u>

(3) Advertising and promotion expenses comprise:

	RM'000
Advertisements in newspaper and online portals to advertise brand name 'Lofty' in the Malaysian market	138
Economy class fare for the marketing manager for a day-trip to Thailand to negotiate a contract, but the contract was not successful	1
Entertainment expenses – gifts and trips for dealers for achieving sales targets	71
Donation-in-kind to a local public university for the provision of library facilities	103
Donation-in-kind for sponsoring a national sports athletics event (approved by the relevant authority)	49
	<u>362</u>

(4) Foreign exchange differences comprise:

	RM'000
Unrealised foreign exchange loss arising from trade payables	17
Realised foreign exchange gain from the sales of inventories	(2)
	<u>15</u>

An unrealised gain of RM8,000 arising from trade receivables in the previous year of assessment was realised during the current year of assessment.

(5) Impairment loss on receivables.

Hybrid wrote off the following amounts relating to trade debts:

	RM'000
XV Sdn Bhd – this debt was taken over from a company which was acquired by Hybrid in 2013 (legal action had been taken for recovery)	66
UB Sdn Bhd (legal action had been taken for recovery)	8
	<u>74</u>

(6) The salaries costs include air fares amounting to RM15,000 for a company trip to Tioman Island, Malaysia for company employees and their immediate families.

(7) The capital allowances for the year of assessment 2016 have been correctly computed as RM2,354,000.

Required:

(a) Commencing with the profit before tax figure of RM993,000, compute the chargeable income of Hybrid Auto Sdn Bhd for the year of assessment 2016.

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. (13 marks)

(b) Hybrid is negotiating the purchase of 100% of the shares in an overseas company. Hybrid's financial controller has heard that a tax deduction is available to a company in Malaysia which acquires a foreign-owned company for the purpose of acquiring high technology for use in its production in Malaysia.

Required:

State, giving reasons, whether Hybrid Auto Sdn Bhd will be entitled to claim this deduction. (2 marks)

(15 marks)

- 6 (a) Zarina is a Malaysian citizen and tax resident and single. On 2 January 2016, she accepted a job offer as a design engineer in a company manufacturing consumable products such as toiletries and soaps.

Details of the income, benefits and expenses incurred by Zarina in 2016 are shown below:

- A salary for the year of RM160,000.
- A contribution of RM23,400 paid by her employer towards her employees' provident fund.
- During the year, Zarina purchased company-own products such as toiletries and soaps worth RM5,000.
- Traditional medical treatment at an approved hospital costing RM650, paid for by her employer.
- Hotel accommodation provided by her employer for the month of January 2016 at a cost of RM200 per day for 30 days.
- A personal computer worth RM3,000 for her personal use as a gift from her employer.
- A reimbursement claimed from her employer of RM9,000 to cover the cost of part of the wages of a maid employed by Zarina.
- RM14,000 earned from her musical compositions during the year. Zarina is recognised as a talented musical composer.
- During an overseas trip, Zarina bought books costing RM1,010. Zarina has the original receipts for all these purchases.
- A payment of RM2,000 for her broadband subscription.
- Zakat contributions made of RM12,000.
- A donation of books worth RM2,300 to Rumah Anak Bagus, an approved charitable institution in Malaysia.
- Payments of RM7,000 towards a deferred annuity scheme, which was approved by the relevant authorities, as part of her retirement plans.

Required:

Compute the income tax payable by Zarina for the year of assessment 2016.

Note: You should indicate by the use of the word 'nil' any item referred to in the question which is not taxable or not deductible. (11 marks)

- (b) Ms Cee and Ms Kay, both Canadian citizens, are moderators for an international accounting professional body based in Canada. They arrived in Malaysia for the first time in August 2016 to conduct moderation work relating to the examinations conducted by the professional body in Malaysia. During the period they were in Malaysia, they exercised their employment in Malaysia but were not paid any salary in Malaysia. Their salaries were paid in Canada.

Ms Cee returned to Canada after 65 days in Malaysia which included a ten-day holiday. Ms Kay returned to Canada after 65 days in Malaysia, all of which were for work. Neither Ms Cee nor Ms Kay is expected to return to Malaysia in the next two years.

Required:

Advise Ms Cee and Ms Kay on the Malaysian income tax implications relating to the exercise of their employment during the period of their stay in Malaysia. (4 marks)

(15 marks)

End of Question Paper