

Fundamentals Level – Skills Module

Taxation (Malaysia)

March/June 2017 – 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	Individuals – non-citizens and non-permanent residents	All others
Category of disposal	Rate %	Rate %	Rate %
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)** Adora and her husband Zizan, who are both Malaysian citizens, acquired a three-storey shop lot for RM780,000 on 15 July 2015 which was shared equally between them. The stamp duty paid was RM8,000. Details of the usage of the shop-lot are:

Ground floor – used as premises from which Adora and Zizan operated their wellness business.

First floor – rented to a family (unrelated to Adora and Zizan) who occupied it as their residential premise.

Second floor – occupied by Adora and Zizan as their residential premise.

The three-storey shop lot was disposed of to Kindie Sdn Bhd for RM1,200,000 on 17 December 2017. The real estate agent fee paid was RM12,000. The market value of the premise was determined as follows:

	RM
Ground floor	600,000
First floor	400,000
Second floor	200,000
	1,200,000

Adora wishes to make an irrevocable election in writing to the Director General of Inland Revenue to claim the exemption on the disposal of a private residence (under s.8 of the Real Property Gains Tax Act, 1976). Zizan had already made such an election on the disposal of a property prior to his marriage to Adora.

Required:

- (i) **State, with reasons, whether Adora will be entitled to claim the exemption on the disposal of a private residence (as provided for under s.8) and, if so, the floor(s) in respect of which she is entitled to the exemption.** (2 marks)
- (ii) **Compute the real property gains tax (RPGT) payable by Adora and Zizan respectively on the disposal of the shop lot, claiming all available exemptions.** (7 marks)
- (b) **State ANY one circumstance in which a person disposing of a property is entitled to claim goods and services tax (GST) as part of the incidental costs for RPGT.** (1 mark)

(10 marks)

- 2 Nova Sdn Bhd (Nova), which is in the business of manufacturing air-conditioners, makes up its accounts to 31 March annually.

Details of Nova's non-current assets for the year of assessment (YA) 2016 are shown below:

Existing non-current assets as per records carried forward to YA 2016

Asset	Annual allowance rate	Date of acquisition	Costs/qualifying expenditure RM	Residual expenditure RM
1 Line charger machines I and II	14%	YA 2014	200,000	104,000
2 Power lathe machine	14%	YA 2010	500,000	45,000
3 Construction work-in-progress for the construction of a factory building (accumulated amount as at 31 March 2015)			3,200,000	

Asset disposed of in YA 2016

Asset	Date of acquisition	Qualifying expenditure RM	Sales proceeds RM
Line charger machine I	YA 2014	100,000	35,000

Assets acquired/transferred during YA 2016

Asset	Cost incurred RM
1 Conveyor belt machinery	20,000
2 Cost of preparing, cutting and levelling land to install the conveyor belt machine	8,000
3 Amount transferred from construction work-in-progress to cost of new factory building	3,000,000
4 Cost of reconditioned motor vehicle (non-commercial) acquired for use by a director	110,000

In addition to the above, the cost of renovating the office administration area of RM3,600 was charged to the profit or loss account in YA 2016.

Required:

- (a) **Compute the balancing adjustments arising from the disposal of line charger machine I in the year of assessment (YA) 2016.** (2 marks)
- (b) **Compute the capital allowances and industrial building allowances claimable by Nova Sdn Bhd in respect of both its existing and new assets for YA 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. (8 marks)

(10 marks)

3 (a) Akal Sdn Bhd (Akal) is registered for goods and services tax (GST) and submits its GST returns on a monthly basis. Akal, which supplies equipment to both the Malaysian and Indonesian markets, entered into the following transactions during May 2017. All amounts are stated excluding GST, where applicable.

- (1) Purchased a refrigerator for RM1,200 from K Electronics Sdn Bhd, a non-GST registrant. The refrigerator was given as a gift to an employee for her excellent service.
- (2) Purchased uniforms worth RM1,000 from Jega Enterprise, a non-GST registrant, and sold them to CWP Sdn Bhd in Penang for RM1,500.
- (3) Akal has entered into an agreement with Arm Canada Inc (ACI) which provides for Akal to be the distributor of ACI's products in Malaysia. Akal is required to pay a royalty to ACI as holder of the distribution rights at the end of every year. In May 2017, Akal paid a royalty equivalent to RM150,000 to ACI, based on the sales made in Malaysia in 2016.
- (4) Supplied goods with a value of RM73,000 to a customer in Indonesia. The necessary export declaration forms confirming the products were exported are available, and the invoice was issued and payment was settled in May 2017.

Akal files its GST returns by way of e-filing. For the current taxable period, it expects to receive a GST refund as its GST input tax credits are expected to be more than the GST output tax payable.

Required:

- (i) **State, with reasons, whether Akal Sdn Bhd has to impose goods and service tax (GST) output tax on the gift of the refrigerator to an employee for her excellent service.** (2 marks)
 - (ii) **State, with reasons, whether Akal Sdn Bhd has to impose output tax on the uniforms supplied to CWP Sdn Bhd.** (1 mark)
 - (iii) **State, with reasons, whether the reverse charge mechanism will be applicable to the royalty, and if so, state the amount of any output tax and/or input credit applicable.** (3 marks)
 - (iv) **State, with reasons, what GST output tax rate will apply to the sale to the customer in Indonesia.** (1 mark)
 - (v) **State by when Akal Sdn Bhd can expect to receive its refund due for the month of May 2017 from the Royal Malaysian Customs Department.** (1 mark)
- (b) Hong Bhd is a GST registrant supplying luxury furniture to the local market. Its annual sales turnover is RM25 million. On 24 May 2017, Hong Bhd delivered furniture with a value of RM50,000 (exclusive of GST) to Mr Chow for his house in Ipoh and issued the invoice for the sale on 2 June 2017.

Required:

With respect to the sale of furniture by Hong Bhd to Mr Chow:

- **compute the output goods and services tax (GST) chargeable on the sale;**
- **state the taxable period in which the GST should be accounted for; and**
- **state the due date for the GST return to be submitted to the Royal Malaysian Customs Department.** (2 marks)

(10 marks)

4 DAMA Sdn Bhd (DAMA) is a resident company with an issued share capital of RM2,000,000, which is not part of any group. DAMA closes its accounts on 31 March annually.

DAMA has owned a property in Malaysia for investment purposes for many years. On 1 April 2015, DAMA entered into a rental agreement to rent out a portion of this property for three years at a rent of RM1,000 per month and it was agreed that the tenant would pay DAMA the total rental for the three years of RM36,000 in advance.

The following expenses were incurred in respect of the portion of the property rented out under this agreement during the year ended 31 March 2016:

	RM
Interest expenses	5,600
Insurance premium	120
Property management expenses	1,000
Repairs	80
Quit rent and assessment	1,000
A new air-conditioner for the lounge area	1,100
Construction of kitchen cabinets	3,000

Information obtained from DAMA's income tax computation shows a brought forward business loss of RM2,300 from the year of assessment 2015.

Required:

- (a) **State the conditions which have to be met in order for rental income to be assessed as business income.**
(2 marks)
- (b) **State, with reason, the due date for DAMA Sdn Bhd to submit its tax return for the year of assessment 2016.**
(1 mark)
- (c) **Compute the income tax payable, if any, by DAMA 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.
(7 marks)

(10 marks)

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Question 5 begins on page 10.**

- 5 Aiyoh Sdn Bhd (ASB) is a resident company, wholly owned by a company resident in Hong Kong. ASB is in the business of direct selling and marketing of products with the brand name 'No Way'. It makes up its accounts to 30 November annually.

ASB's statement of profit or loss for its financial year ended 30 November 2016 is as follows:

	Note	RM'000	RM'000
Sales			110,000
Less: Cost of sales	1		(78,000)
Gross profit			32,000
Add: Other income			
Interest income from overseas subsidiary	2	2,300	
Interest income from overdue trade receivables		36	
			2,336
			34,336
Less: Expenses			
Selling and distribution expenses	3	1,140	
Administration expenses	4	21,600	
Finance costs	5	2,006	
			(24,746)
Profit before tax			9,590

Notes:

- (1) Cost of sales includes the following:

	RM'000
Amortisation and depreciation of plant, property and equipment	7,330
Acquisition of proprietary rights (note (i))	200
Rental of factory premise (note (ii))	360

Note (i): In January 2016, ASB acquired a proprietary right for RM200,000 from a foreign owned company as part of its business development strategy.

Note (ii): On 1 December 2015, ASB entered into a three-year rental agreement for a factory premise for RM10,000 per month and it was agreed that ASB would pay the total rental for the three-year period of RM360,000 to the landlord in advance.

- (2) The interest income from the overseas subsidiary relates to a loan of RM30,000,000 extended to the subsidiary, AA Korea Ltd, by ASB from borrowed funds (see (5) below).
- (3) Selling and distribution expenses include:

	RM'000
Sponsorship of foreign arts and culture activities (approved by the relevant Ministry)	505
Registration of an overseas patent for the promotion of exports	14
Entertainment expenses – lucky draw prizes given to purchasers of goods as part of a sales promotion campaign	360
Realised foreign exchange gain arising from the settlement of trade receivables	(41)

- (4) Administration expenses include:

	RM'000
Statutory audit fees	69
Fees paid for payroll processing services	58
Entertainment expenses for a visiting management team from the parent company	12
Donation of computers to approved charitable institutions	120

- (5) The finance costs relate to the interest paid on a loan borrowed from a Malaysian bank of RM60,000,000. ASB used half of this amount to fund the RM30,000,000 advanced to its subsidiary, AA Korea Ltd (see (2) above), and the balance to finance its own Malaysian operations.
- (6) The capital allowances for the year of assessment 2016 have been computed as RM8,510,000.

Required:

- (a) **Commencing with the profit before tax figure, compute the chargeable income of Aiyoh 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. (12 marks)

- (b) The financial controller of ASB requires clarification on the income tax treatment of goods and services tax (GST) charged in respect of certain expenses incurred by ASB's related companies for the purposes of their respective business operations.

Company	NN Sdn Bhd	JJ Sdn Bhd
GST registration status	GST registered under voluntary registration approved by the Royal Malaysian Customs Department	Liable to be registered for GST as at March 2017 but has not yet registered with the Royal Malaysian Customs Department
Annual sales turnover	RM380,000	RM858,000
Details of purchase	New five-seater passenger vehicle for use by a director, costing RM74,200 and capitalised as part of non-current assets	Rental of a factory building for RM42,400, charged as an expense in the profit or loss account
Note: All purchases were made and paid for in June 2017 and all are inclusive of GST.		

Required:

For each purchase, state, with reasons, whether or not the goods and services tax (GST) charged can be claimed as a deductible expense for income tax purposes by the respective companies.

Note: You are NOT required to discuss the GST implications under the Goods and Services Tax Act, 2014 (as amended). (3 marks)

(15 marks)

- 6 (a) Rita, a tax resident, is married to Param, a non-resident for Malaysian tax purposes. The couple have two children, Maria, aged 20 years, and Renga, aged 19 years. It has been agreed that Rita will claim any available child reliefs for both of the children.

Rita has been employed as an actress by Lol Productions Sdn Bhd (LoIP) since 1 March 2016. Details of her employment income for 2016 are as below:

- (1) A monthly salary of RM4,500.
- (2) Employees' Provident Fund (EPF) contributions of 20% by LoIP and 11% by Rita.
- (3) Social security contributions (SOCSO) assumed of 2% per month by LoIP and 1% per month by Rita.
- (4) Rent-free accommodation provided to her by LoIP from 1 March 2016 with an annual rateable value of RM46,000 as determined by the local authority. The premises is owned by her employer.
- (5) Traditional medical treatment of RM1,200 for Rita paid for by LoIP.
- (6) A mobile phone costing RM3,500 provided to Rita by LoIP. The phone is registered in LoIP's name and LoIP paid phone bills totalling RM1,200 in 2016.

Details of Rita's other income and expenditure incurred during the year 2016 are as follows:

- (i) Dividend income of RM20,000 received from an investments in the shares of an Australian company.
- (ii) Maria is studying in a local university under a full scholarship. Rita incurred RM1,000 for her studies in 2016.
- (iii) Renga is pursuing a professional accountancy course and serving under an articleship with a firm in Malaysia and has received a total allowance of RM5,000 per annum from this employer for the past two years. Rita incurred RM1,000 for his studies in 2016.
- (iv) A personal computer was acquired for RM4,000. Rita's last claim for relief on a personal computer was in the year 2013.
- (v) Full medical examination fees paid of RM1,200 for Rita and RM300 for Renga.
- (vi) A medical insurance premium of RM3,800 for the year 2016 for Rita. This amount was only paid on 17 January 2017.
- (vii) A private retirement scheme contribution of RM5,500. The scheme is approved by the relevant authority.
- (viii) A donation of RM1,000 paid on 16 July 2016 to an approved charitable institution in Malaysia.

Required:

Compute the income tax payable by Rita 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. (12 marks)

- (b) Param was employed as a director by MAL Sdn Bhd (MAL) from 1 October to 31 December 2016 at a gross monthly salary of RM20,000. MAL deducted the required amount of monthly tax deduction from his salary each month.

Required:

- (i) **State the basis MAL Sdn Bhd should use to calculate the monthly tax deduction from Param's director's salary for each month and the due date for it to remit the deduction to the Inland Revenue Board.** (1 mark)
- (ii) **Compute the income tax payable by Param for the year of assessment 2016, clearly indicating the reliefs (if any) to which he is entitled.** (2 marks)

(15 marks)

End of Question Paper