

Fundamentals Level – Skills Module

Taxation (Malaysia)

September/December 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

The Association of
Chartered Certified
Accountants

Paper F6 (MYS)

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)	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	18%	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
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) (each, 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

	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 %
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 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) Delia Spa Sdn Bhd (Delia) operates a health wellness and spa services centre. Delia incurred expenditure as follows in the year of assessment 2017:
- (1) Doors to the different spa rooms on the first floor of the centre.
 - (2) A chandelier lamp installed in the reception area. This lamp was acquired primarily for decorative purposes in order to enhance the ambience of the centre and so attract more customers.

Required:

State, with reasons, whether each of the two items of expenditure incurred by Delia Spa Sdn Bhd will be eligible for capital allowances. (4 marks)

- (b) Dark Cycles Sdn Bhd (DC) assembles and distributes motor cycles. DC closes its accounts annually on 30 September and, in its year ended 30 September 2017, it carried out the following transactions relating to non-current assets:

(1) **Machine**

DC acquired a new machine for RM100,000 on 22 July 2017. A further RM360,000 was incurred in respect of site preparation and cutting and levelling the land to install the machine. The machine was first used in the business on 1 September 2017.

(2) **Air-conditioner**

An air-conditioner which had been acquired on 23 April 2015 for RM1,200, was sold for scrap on 2 August 2017 for RM100. DC had claimed this air-conditioner as a small value asset when it was acquired.

(3) **Workshop**

In May 2017, DC constructed a workshop for RM60,000. The workshop was immediately put into use for the repair of motor cycles, an activity which is incidental to DC's business of selling motor cycles.

(4) **Factory**

DC owns a factory building, which was acquired in 2014 for RM1,000,000, and currently has residual expenditure of RM810,000. During the year, DC embarked on an expansion project, which included extending the rear of this factory building to provide storage space to meet increased production. The construction of the extension was completed in December 2017 and cost RM800,000.

Required:

Compute the capital allowance/industrial building allowance claimable by Dark Cycles Sdn Bhd for the above assets, including the balancing charge/allowance on the disposal of the air-conditioner for the year of assessment 2017.

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 computation. (6 marks)

(10 marks)

- 2 (a) Carat Sdn Bhd (Carat), which is registered for goods and services tax (GST) purposes, imported goods into Malaysia on 7 July 2017 as follows.

Value of goods imported including freight and insurance	RM10,000
Import duty rate applicable to the goods imported	20%

Required:

- (i) Assuming Carat Sdn Bhd's (Carat's) application for an import duty exemption was NOT approved by the relevant authorities, compute the goods and services tax (GST) payable on the imported goods and state to whom import duty and GST is payable. (2 marks)
- (ii) Assuming Carat's application for import duty exemption was approved by the relevant authorities, compute the GST payable on the imported goods. (2 marks)
- (iii) State, with reasons, whether Carat can claim the import duty and GST paid as an input tax credit. (2 marks)
- (b) In respect of the voluntary registration available to a person carrying on a business under the Goods and Services Tax Act, 2014 (as amended):
- (i) State the circumstances in which an application may be made and cannot be made. (2 marks)
- (ii) State the consequence and a benefit of being registered voluntarily. (1 mark)
- (iii) State for how many years a person must remain voluntarily registered. (1 mark)

(10 marks)

- 3** Quek, a non-citizen of Malaysia, bought a condominium property in Malaysia for investment and property letting purposes, for RM2 million. The agreement was signed on 16 May 2013, Quek settled the full amount of the consideration on 15 June 2013, and the title was transferred on 8 August 2013. Quek paid stamp duty of RM54,000 and legal fees of RM16,000 on the purchase.

During the period he owned the condominium property, Quek:

- (i) Spent RM32,000 on extending the balcony area.
- (ii) Spent RM2,000 on repairing a minor leak which occurred in the kitchen area two years after the acquisition of the condominium.
- (iii) Instituted legal action against the condominium management body arising from a dispute on the title to the property, and incurred legal fees of RM6,000.
- (iv) Received compensation of RM22,000 as a result of damage to the condominium from his neighbour.

On 13 November 2017, Quek signed an agreement with HL Sdn Bhd to dispose of the condominium property for RM3 million. He incurred valuation fees of RM1,000 and brokerage fees of RM20,000 in connection with the disposal.

Quek has an allowable loss of RM9,000, which arose from the disposal of a commercial property in Malaysia which he had owned for two years from the date of acquisition at the time of its disposal.

Required:

- (a) **Determine the acquisition price of the condominium property for Quek.** (2 marks)
- (b) **Determine the disposal price of the condominium property for Quek.** (3 marks)
- (c) **Compute the chargeable gain subject to real property gains tax (RPGT) on the disposal of the condominium property by Quek.** (3 marks)
- (d) **State, with reasons, the RPGT rate applicable to the gain on the disposal of the condominium property by Quek.** (2 marks)

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 computations for parts (a) and (b).

(10 marks)

- 4 (a) Fresh Produce Sdn Bhd (FP) is a plantation company which owns 100 acres of agricultural land in Pahang, Malaysia. FP has been operating on this land for more than ten years. During the year 2017, FP disposed of two acres of the land to a nearby plantation company in order to settle a dispute over the boundaries of the land. Prior to this, FP had never disposed of any of its land.

Required:

Applying the badges of trade, briefly explain whether the receipt from the disposal of the two acres of land by Fresh Produce Sdn Bhd is capital or revenue in nature. (6 marks)

- (b) Guava Sdn Bhd (Guava), a company resident in Malaysia, is a wholly owned subsidiary of Pear Inc, a US resident entity. During Guava's year ended 31 March 2017, Pear Inc extended a loan of RM600,000 to Guava, to finance its new research and development centre in Malaysia. Interest is payable on this loan at an annual rate of 10% and the total interest payable to Pear Inc for the year ended 31 March 2017 was RM35,000.

Required:

(i) **State, with reasons, why the interest income receivable by Pear Inc is derived from Malaysia.** (2 marks)

(ii) **Compute the withholding tax payable on the interest income of RM35,000, receivable by Pear Inc for the year ended 31 March 2017.** (1 mark)

(iii) **State the income tax implication for Guava Sdn Bhd if it bears the withholding tax amount (as calculated in (ii) above).** (1 mark)

(10 marks)

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Question 5 begins on page 10.**

- 5 Tawau Global Sdn Bhd (TG) manufactures and sells car speakers. TG makes up its accounts annually to 31 May and is registered for goods and services tax (GST).

TG's statement of profit or loss for its financial year ended 31 May 2017 is as follows:

	Note	RM'000s	RM'000s
Sales			1,000,000
Less: Cost of sales	1		(800,800)
Gross profit			<u>199,200</u>
Add: Other income			
Gain on disposal of commercial property		3,000	
Rental of warehouse property in Malaysia	2	<u>7,000</u>	
			<u>10,000</u>
			<u>209,200</u>
Less: Expenses			
Amortisation of plant, property and equipment		20,900	
Advertising and promotion expenses	3	22,000	
Donations	4	23	
Interest expense	5	150	
Consultancy fees	6	27	
Foreign exchange gains	7	(71)	
Lease rentals for motor vehicle	8	60	
Statutory audit fees	9	106	
Salaries and employees' provident fund	10	<u>121,000</u>	(164,195)
Profit before tax			<u>45,005</u>

Notes:

- (1) The cost of sales includes:

	RM'000
Allowance for stock obsolescence (1% of cost)	18
Allowance for warranty (see below)	17
Property, plant and equipment written off	3
Leave passage for chief operating officer	8

The allowance for warranty account shows the following:

	RM'000
Balance brought forward	200
Add: Allowance for current year	17
Less: Amount utilised	<u>(5)</u>
Balance carried forward	<u>212</u>

- (2) TG did not provide any support services in respect of the rental income received from the warehouse.
 (3) Advertising and promotion expenses include:

	RM'000
Entertainment expenses – wedding gift to a customer	3
Overseas patent registration expenses relating to export promotion	10

- (4) TG made a cash donation towards a tree planting and volunteer work programme in a nearby forest reserve.
 (5) 50% of the interest expense relates to the financing of the warehouse which was rented out (see (2) above). The other 50% relates to the financing of the company's working capital.

(6) Consultancy fees comprise:

	RM'000
Tax appeal fee (paid on 23 January 2017)	10
GST return filing fees (paid on 12 August 2017)	17
	<u>27</u>

(7) The foreign exchange gains relate to realised gains made on the settlement of trade receivables.

(8) TG commenced the lease rental of a new motor car costing RM265,000 on 1 April 2016 for RM5,000 per month. This car continued to be leased throughout the whole of the year ended 31 May 2017.

(9) The amount charged for the statutory audit fees is the invoice total of RM106,000, inclusive of GST due to an accounting system error. TG did not claim the input tax in the relevant GST return.

(10) Salaries and employees' provident fund comprises:

	RM'000
Salaries for directors and employees	100,000
Employees' provident fund (EPF)	20,000
Contributions to an approved private pension scheme	1,000
	<u>121,000</u>

(11) The capital allowances computed for the current year of assessment are RM15 million.

Required:

(a) Commencing with the profit before tax, compute the chargeable income of Tawau Global Sdn Bhd for the year of assessment 2017.

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. (14 marks)

(b) Tawau Global Sdn Bhd commenced a new business of manufacturing car security systems on 1 October 2016.

Required:

State the first basis period and year of assessment for the new business of manufacturing car security systems commenced by Tawau Global Sdn Bhd. (1 mark)

(15 marks)

- 6 (a) Roopa, a Malaysian resident, is a widow, with a one-year-old child. She is employed as a research scientist in a local university.

Details of Roopa's employment income, other income and expenditure for the year 2017 are as follows:

Employment income, perquisites and benefits-in-kind (BIK):

- A salary of RM8,000 per month of which 11% was contributed to the employees' provident fund (EPF).
- One month's bonus based on her performance in 2017, which was received on 8 February 2018.
- One local leave passage of RM2,300 and RM800 for meals and accommodation for her and her child.
- A fully furnished living accommodation, rented by her employer at a monthly rent of RM4,000, inclusive of RM1,000 for furniture.
- A domestic maid with a monthly salary of RM800 paid for by Roopa and reimbursed by her employer.
- A new car purchased by the university in 2016 for RM190,000. No fuel was provided by her employer.
- During the university's annual dinner in 2017, an award of RM2,400 for being the most innovative employee of the year.

Other income:

- Roopa received interest income of RM2,000 on fixed deposits from a local bank.

Expenditure in the year 2017:

- Roopa has original receipts for the payments made for the following:
 - purchase of sports equipment of RM300;
 - purchase of a smartphone of RM3,200;
 - purchase of breast feeding equipment of RM1,200; and
 - a cash donation of RM50,000 made to an approved healthcare facility assisting kidney patients on 17 July 2017.
- Roopa paid child care fees totalling RM2,700 to her neighbour who helps take care of her child during working hours on weekdays.

Required:

Compute the income tax payable by Roopa for the year of assessment 2017.

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. (13 marks)

- (b) Roopa's employer is considering offering her one of the following forms of assistance to pursue a two-year course of study:
- a cash allowance; or
 - attendance at a course in the university free of any charge.

Required:

State, with reasons, which of the two alternatives Roopa should accept from a purely tax perspective.

(2 marks)

(15 marks)

End of Question Paper