Answers

Section B *Marks*

1 Kinabalu Farm

(a) Agriculture allowances – years of assessment (YAs) 2016 and 2017

		Qualifying agriculture expenditure RM	Rate	Agriculture allowance RM	
YA 2016					
(i)	Land [Non-qualifying]	Nil		–	½
(ii)	Mill	300,000	10%	30,000	½
(iii)	Clearing land	10,000	50%	5,000	½
(iv)	Planting of vegetable seedlings	8,000	50%	4,000	½
YA 2017					
(ii)	Mill	300,000	10%	30,000	½
(iii)	Clearing land	10,000	50%	5,000	½
(iv)	Planting of vegetable seedlings	8,000	50%	4,000	½
(v)	Construction of bridge	60,000	50%	30,000	½
(vi)	Shed for farm tools	12,000	10%	1,200	½
(vii)	Accommodation for workers	140,000	20%	28,000	½
(viii)	Residential house for senior manager [Non-qualifying]	Nil		–	1
(ix)	Replanting of vegetable seedlings [Non-qualifying]	Nil		–	1
					7

(b) **Agriculture charge on disposal of mill in 2019**

Total agriculture charge		RM90,000	½
Linked to agriculture allowances claimed for:			
YA 2016	RM30,000		½
YA 2017	RM30,000		½
YA 2018	RM30,000		½
			2

(c) There would be no agriculture charge on the disposal of the mill in 2023 as the asset would have been disposed of more than five years from the date of incurring the expenditure. 1

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2 **(a)** Sabah Sdn Bhd

(i) Salaries paid to employees are neither a supply of goods nor a supply of services and, hence, are not subject to goods and services tax (GST). 1

Marking note: *Marks were also awarded for stating other reasons such as out of scope.*

(ii) **GST output tax on awards made to employees**

(1) The award of the smart phone to Nancy would be subject to GST output tax as the value of the goods exceeds RM500. ½ + ½

The GST is based on the open market value of RM2,500, which is inclusive of GST. ½ + ½

GST output tax = RM142 [RM2,500 x 6%/106%]. ½

(2) The gift of the luxury watch to Wah San would not be subject to GST output tax as such a gift is provided for in the contract of employment and employees' handbook. ½ + ½

(3) The hamper provided to Mazlin worth RM212 would not be subject to GST output tax as the supply of goods worth RM500 or below given to the same person in the same year is not a supply. ½ + 1

(4) The gift of the apartment to Veena would not be subject to GST output tax as it is an exempt supply. ½ + ½

6

Marks

(b) **Java Sdn Bhd**

GST output tax on the disposal of the passenger vehicle is RM1,200 [RM20,000 x 6%]. 1

(c) A pro-forma invoice is not regarded as a tax invoice for GST purposes and so is not acceptable for claiming a GST input tax credit. 1 + 1

2

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Tutorial note: *For the purposes of claiming an input tax credit, a full tax invoice is required and the GST registrant can request a full tax invoice from their supplier.*

3 **Anusha**

(a) The date of acquisition coincides with the date of disposal for Miri Sdn Bhd, which is 18 July 2013. 1

(b) **Real property gains tax (RPGT) on disposal of the land**

	RM	RM	
Disposal consideration		680,000	½
Less: Permitted expenses			
– Legal fees to defend title		(9,000)	½
Less: Incidental costs			
– Agent commission	5,180		1
– Tax agent fees	300	(5,480)	1
Disposal price		665,520	
Less: Acquisition consideration	330,000		½
Add: Legal fees on purchase	12,000		½
Interest expense on loan	Nil		½
Less: Compensation received	(8,000)		½
Insurance received	(2,000)		½
Acquisition price		(332,000)	
Chargeable gain (CG)		333,520	
Less: Schedule 4 exemption			
Higher of RM10,000 or 10% of CG		(33,352)	½ + ½
		300,168	
Less: Allowable loss		(2,168)	1
CG subject to tax		298,000	

Holding period:			
Date of acquisition	18 July 2013		
Date of disposal	10 August 2017		½
Disposal in 5th year			
RPGT rate		15%	½
RPGT payable		44,700	½

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Marks

4 (a) Kedah Sdn Bhd

(i) Kedah Sdn Bhd must submit its annual tax return to the Inland Revenue Board within seven months from the close of the accounting period which constitutes the year of assessment (YA). Therefore for YA 2018, the annual tax return is due on or before 31 December 2018 (i.e. within seven months from 31 May 2018). ½ + ½

1

(ii) The initial estimate of tax for YA 2018 must be furnished at least 30 days before the commencement of the basis period for YA 2018, i.e. at least 30 days before 1 June 2017 which is on or before 1 May 2017. ½ + ½

1

(iii) The estimate of tax for YA 2018 must be at least 85% of the preceding year's estimate or revised estimate, if any, i.e. RM102,000 (85% x RM120,000). ½ + ½

1

(iv) The tax estimate may be revised in the sixth and/or ninth months in the basis period, i.e. in the month of November 2017 and/or February 2018. ½ + ½

1

(v) The first instalment is due on the 15th of the second month of the basis period, i.e. 15 July 2017, and the last instalment is due on the 15th of the first month of the following basis period, i.e. 15 June 2018. 1 + 1

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(b) The powers of the Director General Inland Revenue (DGIR) under the Income Tax Act, 1967 (as amended) are:

(1) To call for specific returns [s.78]
(2) To require the attendance of the tax payer [s.78]
(3) To call for bank statements [s.79]
(4) To search and seize books and documents [s.80]
(5) To access buildings and documents [s.80(1)]
(6) To require the keeping of records and give receipts [s.82]
(7) To make a best judgement assessment [s.90]
(8) To prevent a taxpayer leaving the country [s.104]
(9) To prosecute taxpayers for wilful tax evasion [s.114(1)]
(10) To compound offences and abate or remit penalties [s.124]

Only FOUR items required, ½ mark each maximum 2

(c) (i) The withholding tax is RM1,000 [RM10,000 x 10%] and the due date to remit it is 13 March 2017. ½ + ½

1

(ii) The penalty for the late payment of withholding tax is RM100 [10% x 1,000]. ½

The penalty is not tax deductible. ½

1

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Marks

5 Volition Sdn Bhd

Chargeable income and income tax payable for the year of assessment 2017
(Basis period: Year ended 31 October 2017)

	Note	RM'000	RM'000	
		–	+	
[Sec 4(a) Business source income]				
Profit before taxation			1,294	
Allowance for slow moving inventories current year	1		111	½
Allowance for slow moving inventories no longer required	1	11		½
Slow moving inventories written off	1	28		½
Depreciation	1		120	½
Government grant	2	1		½
Interest income on fixed deposits	3	23		½
Interest income from overdue debts	3	4		½
Bad debt written off (capital)	4		4	½
Tax fees [11,000 – 10,000]	5		1	½ + ½
Tax fees – new business	5		5	½
Sponsorship – approved public amenities	6		Nil	1
Donation	6		2	½
Foreign exchange loss (unrealised)	7		34	½
Interest expense	8		14	½
Training expenses relating to the grant	9		1	1
Table	10		1	½
Salary paid to disabled staff (double deduction)	11	21		½
Equipment for disabled staff (single deduction)	11		Nil	1
		88	1,587	
			(88)	
Adjusted income			1,499	
Less: Capital allowances (CA)		236		½
Less: CA on table (small value asset 100% allowance)		1	(237)	½
Statutory income – business			1,262	
[Investment income]				
Add: Interest income on fixed deposits		23		½
Less: Interest expense (not eligible for deduction due to non-compliance with withholding tax requirement)		Nil		1
		23		
Add: Interest on overdue debts		4	27	½
Aggregate income			1,289	
Less: Donation			(2)	½
Total income/chargeable income			1,287	
Tax liability				
Income tax at 24% (non-SME)			309	½
				15

Tutorial note: *Government grants received are exempt from tax and the expenses attributable to such grants are not deductible.*

Marks

6 Nikhil and Sweta

Income tax payable under separate assessment for the year of assessment 2017

(i) Nikhil

	RM	RM	
[Sec 13(1)(a)]			
Salary		60,000	½
Incentive (paid in 2018)		Nil	½
[Sec 13(1)(b)]			
Car benefit (per table)		1,200	½
Gross employment income/adjusted income/statutory income		61,200	
Aggregate income			
Less: Donation (maximum RM20,000 s.44(8))		(20,000)	1
Total income		41,200	
Less: Reliefs			
Self	(9,000)		½
SOCSO (maximum)	(250)		½
EPF (11% x RM60,000 but limited to maximum)	(6,000)	(15,250)	1
Chargeable income		25,950	
Tax liability:			
Tax on first RM20,000		150	
Tax on RM5,950 at 5%		298	½
		448	
Less: Rebate (maximum)		(400)	1
Tax charged/payable		48	
			6

			Marks
(ii) Sweta			
	RM	**RM**	
Business income [Sec 4(a)]			
Adjusted income		68,000	½
Less: Capital allowances – brought forward	3,400		½
Less: Capital allowances – current year	3,000	(6,400)	½
Statutory income		61,600	
Less: Losses brought forward [Sec 43(2)]		(8,000)	1
Statutory income (after losses)		53,600	
Interest income [Sec 4(c)] [exempt]		Nil	1
Rental income [Sec 4(d)]			
Gross rental	12,000		½
Less: Expenses			
Insurance	(1,000)		½
Interest expenses	(7,900)		½
	(8,900)		
Adjusted income/statutory income		3,100	
Less: Losses (non-business so not available)		Nil	1
Aggregate income/total income		56,700	
Less: Reliefs			
Self	(9,000)		½
Lifestyle allowance (maximum) [Computer and books]	(2,500)		1
Payments to approved private retirement scheme (maximum)	(3,000)		½
Child relief	(2,000)		½
		(16,500)	
Chargeable income		40,200	
Tax liability:			
Tax on first RM35,000		900	
Tax on RM5,200 at 10%		520	½
Tax charged/payable		1,420	
			9
			15

Tutorial note: *The maximum which can be claimed for the purchase of the computer and books is RM2,500 as they are both part of the lifestyle allowance.*