

Fundamentals Level – Skills Module

# Taxation (Malaysia)

March/June 2018 – 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
<b>Chargeable income not exceeding RM35,000</b>	
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
<b>Agriculture allowance</b>		
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 other persons
	Rate %	Rate %	Rate %
<b>Category of disposal</b>			
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** Kinabalu Farm (Kinabalu) grows vegetables. Kinabalu commenced its operations on 1 January 2016 and closes its accounts on 31 December annually. Details of the expenditure incurred by Kinabalu in the two years ended 31 December 2016 and 2017 are as follows:

**Assets acquired or constructed during the year ended 31 December 2016**

	RM
(i) Land	25,000
(ii) Mill	300,000
(iii) Clearing of land for cultivation	10,000
(iv) Planting of vegetable seedlings	8,000

**Assets acquired or constructed during the year ended 31 December 2017**

	RM
(v) Construction of bridge	60,000
(vi) Shed for farm tools	12,000
(vii) Worker accommodation located on the farm	140,000
(viii) Residential house used by a senior manager in an estate in town about ten kilometres from the farm	160,000
(ix) Replanting of vegetable seedlings	2,000

**Required:**

- (a) Compute the agriculture allowances available to Kinabalu Farm for each of the years of assessment 2016 and 2017.**

Note: You should list all of the items (i) to (ix) and indicate by the use of the word 'nil' any item for which an allowance is not available. (7 marks)

- (b) Compute the agriculture charge for the year of assessment 2019, if any, if Kinabalu Farm disposed of the mill for RM180,000 on 10 January 2019.** (2 marks)

- (c) State, with reasons, whether there would be an agriculture charge if Kinabalu Farm did not dispose of the mill until the year 2023.** (1 mark)

**(10 marks)**

**2 (a)** Sabah Sdn Bhd (SSB), which constructs residential apartments, is registered for goods and services tax (GST) and closes its accounts on 31 December annually. Nancy, Wah San, Mazlin and Veena are all employees of SSB. Details of gifts awarded to each of them during the company's annual dinner held on 31 December 2017 are as follows:

- (1) Nancy was given a smart phone as a prize for being the most innovative employee of the year. SSB had bought the smart phone on 23 August 2016 for RM4,240 inclusive of GST. The smart phone had an open market value of RM2,500 as at December 2017.
- (2) Wah San was given a luxury watch worth RM21,200 as a 15-year long service award in accordance with the terms of his contract of employment and SSB's employees' hand book.
- (3) Mazlin won a hamper as first prize in a lucky draw. The hamper had been bought by SSB for RM212 inclusive of GST.
- (4) Veena was given an apartment worth RM250,000 for achieving the highest annual sales in SSB's history.

SSB has a policy of only making awards to employees during the company's annual dinner.

**Required:**

- (i) **State, with reasons, whether salaries paid to employees are within the scope of goods and services tax (GST).** (1 mark)
- (ii) **In respect of each of the gifts awarded to the four employees during Sabah Sdn Bhd's annual dinner, briefly explain whether GST output tax would apply and, if so, compute the GST output tax applicable.** (6 marks)

**(b)** Java Sdn Bhd (JSB) disposed of a passenger vehicle on 24 January 2017 for RM20,000. The passenger vehicle, which had been used by the group finance manager, had been bought by JSB on 21 August 2014 for RM100,000.

**Required:**

**Compute the goods and services tax (GST) output tax on the disposal of the passenger vehicle by Java Sdn Bhd.** (1 mark)

**(c) Briefly explain whether a pro-forma invoice is acceptable for the purposes of claiming an input tax credit by a goods and services tax (GST) registrant.** (2 marks)

**(10 marks)**

**3** Anusha, a Malaysian citizen, entered into a sales and purchase agreement with Miri Sdn Bhd (MSB) on 18 July 2013 to purchase an area of land in Penang, Malaysia, for RM330,000. Anusha paid the full consideration due to MSB on 25 October 2013 and she incurred legal fees of RM12,000 on the purchase.

During her period of ownership of the land, Anusha incurred the following expenses:

- Total interest expense of RM69,000 for a loan she took out to finance the purchase of the property.
- Legal fees of RM9,000 to defend her title to the land from a claim by MSB on 2 May 2016.

In July 2016, Anusha received compensation of RM8,000 for damages to the property from a third party and also an insurance amount of RM2,000 relating to the damages.

Anusha disposed of the property to Kinta Sdn Bhd for RM680,000 and signed the sales and purchase agreement on 10 August 2017. The following expenses were incurred in relation to the disposal:

- |  |         |
|--|---------|
| – Agent commission (inclusive of GST of RM293)                               | RM5,180 |
| – Tax agent fees for the filing of the real property gains tax (RPGT) return | RM300   |

In 2011, Anusha had disposed of a property which gave rise to an allowable loss of RM2,168.

**Required:**

**(a) State, with reasons, the acquisition date of the land for Anusha.** (1 mark)

**(b) Compute the real property gains tax (RPGT) payable on the disposal of the land by Anusha.**

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. (9 marks)

**(10 marks)**

- 4 (a) Kedah Sdn Bhd (KSB), a tax resident, has been in operations for many years and closes its accounts on 31 May annually. KSB's tax estimate for the year of assessment 2017 was RM120,000 and the final tax payable for the year was RM150,000.

**Required:**

**In respect of Kedah Sdn Bhd for the year of assessment 2018:**

- (i) State and explain the due date for submission of its tax return. (1 mark)
  - (ii) State and explain the date by which it should furnish its initial tax estimate. (1 mark)
  - (iii) State and explain the minimum amount of estimate it must furnish. (1 mark)
  - (iv) State when the tax estimate may be revised. (1 mark)
  - (v) State, with reasons, the due dates for the first and last tax instalments to be paid. (2 marks)
- (b) State any FOUR powers of the Director General Inland Revenue available under the Income Tax Act, 1967 (as amended). (2 marks)
- (c) Klang Sdn Bhd made a payment of RM10,000 on 14 February 2017 as sales commission to Kaoshing Ltd, a non-resident, for introducing a customer in India. Kaoshing Ltd's main business activity is manufacturing media storage equipment and on an ad-hoc basis undertaking to introduce customers for a commission.

**Required:**

- (i) Compute the withholding tax applicable on the sales commission payment of RM10,000, and state the due date to remit the withholding tax to the Inland Revenue Board. (1 mark)
- (ii) Assuming the payment of withholding tax to the Inland Revenue Board was not made within the due date, compute the late payment penalty and state whether the penalty is deductible for tax purposes. (1 mark)

**(10 marks)**



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Question 5 begins on page 10.**

- 5 Volition Sdn Bhd (VSB) manufactures and sells audio speakers. VSB is registered for goods and services tax (GST) and closes its accounts to 31 October annually. VSB has an issued share capital of RM1,000,000 and is wholly owned by Ultime Sdn Bhd (USB), a company with an issued share capital of RM25,000,000. Malaysian individuals own 70% of the shares in USB.

VSB's statement of profit or loss for the financial year ended 31 October 2017 is as follows:

	Note	RM'000	RM'000
Sales			8,366
Less: Cost of sales	1		(4,233)
Gross profit			4,133
Add: Other income			
Special skilled training grant from the government	2	1	
Interest income	3	27	
			28
			4,161
Less: Expenses			
Bad debts written off	4	4	
Consultancy fees	5	16	
Donations/sponsorships	6	121	
Foreign exchange loss	7	34	
Interest expense	8	14	
Miscellaneous expenses	9	3	
Repairs and maintenance expenses	10	470	
Staff costs	11	2,205	(2,867)
Profit before tax			1,294

**Notes:**

- (1) The cost of sales includes:

	RM'000
Allowance for slow moving inventories (see below)	100
Depreciation	120

The allowance for slow moving inventories account showed the following:

	RM'000
Balance brought forward	31
Add: Allowance for current year	111
	142
Less: Allowance no longer required	(11)
Less: Amounts written off	(28)
Balance carried forward	103

- (2) VSB received the grant from the government in respect of a skills training programme which the company undertook as part of its human capital development programme (see also note 9 below).

- (3) Interest income comprises:

	RM'000
Interest from fixed deposits placed in a local bank (see also note 8 below)	23
Interest received on overdue trade debts	4
	27

(4) VSB advanced a sum of RM4,000 to a supplier who required funds to meet some working capital requirements. The supplier was subsequently declared bankrupt during the year and documentary evidence of this is available.

(5) Consultancy fees paid comprise:

	RM'000
Income tax return filing fees	11
Tax fees for a report on the acquisition of a new business	5
	<u>16</u>

(6) Donation/sponsorships comprise:

	RM'000
Sponsorship of bus stops as part of a 'public amenities for community' programme approved by the relevant authorities	119
Donation to an approved institution	2
	<u>121</u>

(7) The foreign exchange loss relates to an unrealised payment due to a supplier.

(8) The interest expense relates to a loan taken from an overseas company, the funds from which were placed in a fixed deposit in Malaysia (as in note 3 above). No withholding tax was deducted from this interest or paid to the Inland Revenue Board.

(9) The miscellaneous expenses include the cost of the skills training programme undertaken as part of the government's human capital development programme (as in note 2 above) attributable to the grant of RM1,000 received from the government. It has been confirmed that this expense was not eligible for any further deduction.

(10) The repairs and maintenance expenses include the cost of purchasing a table of RM1,000.

(11) Staff costs include:

	RM'000
Salary paid to a disabled staff member (duly certified by the relevant authorities)	21
Equipment expenses incurred to enable the disabled staff member to gain access to the office	3

(12) The capital allowances for the current year of assessment have been computed as RM236,000.

**Required:**

**Commencing with the profit before tax, compute the chargeable income and income tax payable by Volition 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.

**(15 marks)**

6 Nikhil and Sweta, who are married, are both Malaysian citizens and tax residents. They have a ten-year-old son, Milan.

Details of Nikhil's employment income and amounts expended for the year of assessment (YA) 2017 are as follows:

- (i) Salary for the year of RM60,000.
- (ii) Performance incentive of RM2,000 for YA 2017, paid on 3 March 2018.
- (iii) The use of a new car costing RM40,000 provided to him for the entire year without fuel.
- (iv) Social security contributions (SOCSO) of RM8,000.
- (v) The minimum employment provident fund (EPF) contributions of 11% were deducted from his salary.
- (vi) A cash donation of RM25,000 made to a public library.

Sweta operates a floral business as a sole proprietorship business. She also rents out a property located in Malaysia which she holds for investment purposes.

The following details relate to Sweta in respect of YA 2016 and YA 2017:

(1) Extracts from her tax computation for YA 2016 are as below:

	<b>Business RM</b>	<b>Rental RM</b>
Gross income	122,000	12,000
Less: Allowable expenses	(130,000)	(16,000)
Net loss	<u>(8,000)</u>	<u>(4,000)</u>
Adjusted income	<u>Nil</u>	<u>Nil</u>
Capital allowances carried forward	RM3,400	

None of the losses were utilised during YA 2016.

(2) Details of her business income for YA 2017 are:

Adjusted income	<b>RM</b> 68,000
Capital allowances for current year	3,000

(3) Her rental income and expenses for YA 2017 comprises:

Gross rentals	<b>RM</b> <u>12,000</u>
Expenses	
Insurance	1,000
Interest expense	<u>7,900</u>
	<u>8,900</u>

(4) She received interest income of RM900 from a fixed deposit placed in an overseas bank.

(5) Payments made by Sweta in 2017 were:

Purchase of a computer	<b>RM</b> 5,000
Purchase of books	1,200
Payments to an approved private retirement scheme	5,500
Maintenance of the couple's son, Milan, including schooling	3,100

Nikhil and Sweta have agreed that Sweta would claim the child relief for Milan.

**Required:**

**Assuming that the couple elect for separate assessment, compute the income tax payable for the year of assessment 2017 by:**

**(a) Nikhil; and** (6 marks)

**(b) Sweta.** (9 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 or reliefs or rebates given in the tax computation.

**(15 marks)**

**End of Question Paper**