

FOUNDATIONS IN ACCOUNTANCY

Foundations in Taxation (Malaysia)

Monday 11 June 2012



Time allowed: 2 hours

This paper is divided into two sections:

Section A – ALL TEN questions are compulsory and **MUST** be attempted

Section B – ALL NINE questions are compulsory and **MUST** be attempted

Tax rates and allowances are on pages 2–4.

Do NOT open this paper until instructed by the supervisor.

This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants

Paper FTX (MYS)

ACCA

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.

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	Rate	Cumulative tax
RM	%	RM
First 2,500	(0 – 2,500)	0
Next 2,500	(2,501 – 5,000)	25
Next 15,000	(5,001 – 20,000)	475
Next 15,000	(20,001 – 35,000)	1,525
Next 15,000	(35,001 – 50,000)	3,325
Next 20,000	(50,001 – 70,000)	7,125
Next 30,000	(70,001 – 100,000)	14,325
Exceeding 100,000		26

Resident company

Paid up ordinary share capital	First RM500,000	Excess over RM500,000
RM2,500,000 or less	20%	25%
More than RM2,500,000	25%	25%

Non-residents

Company	25%
Individual	26%

Personal reliefs and allowances

		RM
Self		9,000
Disabled self, additional		6,000
Medical expenses expended for parents	(maximum)	5,000
Medical expenses expended on self, spouse or child with serious disease, including up to RM500 for medical examination	(maximum)	5,000
Basic supporting equipment for disabled self, spouse, child or parent	(maximum)	5,000
Purchase of sports equipment	(maximum)	300
Fees expended for skills or qualifications	(maximum)	5,000
Expenses on books for personal use	(maximum)	1,000
Spouse relief		3,000
Disabled spouse, additional		3,500
Child	(each)	1,000
Child – higher rate	(each)	4,000
Disabled child	(each)	5,000
Disabled child – additional	(each)	4,000
Life insurance premiums and contributions to approved funds	(maximum)	6,000
Deferred annuity premiums	(maximum)	1,000
Medical and/or education insurance premiums for self, spouse or child	(maximum)	3,000
Purchase of a personal computer	(maximum)	3,000
Broadband subscription	(maximum)	500
Deposit for a child into the National Education Savings Scheme	(maximum)	3,000

Rebates

Chargeable income not exceeding RM35,000	RM
Individual	400
Rate for an individual entitled to a deduction in respect of a spouse or former wife	800

Value of benefits in kind

Car scale

Cost of car (when new)		Prescribed annual value of private usage of car
RM		RM
Up to	50,000	1,200
50,001	to 75,000	2,400
75,001	to 100,000	3,600
100,001	to 150,000	5,000
150,001	to 200,000	7,000
200,001	to 250,000	9,000
250,001	to 350,000	15,000
350,001	to 500,000	21,250
500,001	and above	25,000

The value of the car benefit equal to half the prescribed annual value (above) is taken if the car provided is more than five (5) years old.

Where a driver is provided by the employer, the value of benefit per month is fixed at RM600.

Other benefits

Household furnishings, apparatus and appliances:	RM per month
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

Real property gains tax

Disposal by companies and other than companies

	Rate %
Date of disposal	
Disposal within two years after date of acquisition	30
Disposal in the third year after date of acquisition	20
Disposal in the fourth year after date of acquisition	15
Disposal in the fifth year after date of acquisition or thereafter	5

Note: An exemption is granted which reduces the effective rate to 5% where the disposal takes place within five years of the date of acquisition and to nil thereafter.

Sales and service tax

	Rate %
Sales tax	10
Service tax	6

Section A – ALL TEN questions are compulsory and MUST be attempted

Please use the space provided on the inside cover of the Candidate Answer Booklet to indicate your chosen answer to each multiple choice question.

1 Which one of the following statements is TRUE?

- A** The Malaysian tax system is broadly based on a world income scope basis
- B** Capital allowances should be deducted against aggregate income in order to arrive at statutory income
- C** Capital gains arising from the disposal of real property such as land, are subject to income tax
- D** The Malaysian tax system is broadly based on a territorial and remittance scope with exemption given on remittances

(2 marks)

- 2** On 5 May 2009 Ball Sdn Bhd acquired a mould machine for its manufacturing operations. The machine was disposed of on 3 June 2012 and the profit and loss account for the year ended 31 December 2012 recorded an accounting gain on the disposal of the machine of RM20,000.

Which of the following describes the tax treatment for the gain of RM20,000 arising from the disposal of the machine for the year of assessment 2012?

- A** The gain of RM20,000 on disposal is a capital receipt and not subject to income tax
- B** The gain of RM20,000 on disposal is a revenue receipt and would be subject to income tax

(1 mark)

- 3** Linda, an American, landed in Kuala Lumpur on 1 May 2012. She started her employment with a Malaysian company on 5 May 2012. For her annual leave, Linda left Malaysia for a three-week holiday, returning on 22 September 2012. She was then physically present in Malaysia for the rest of the year.

What is Linda's resident status for the year of assessment 2012?

- A** Non-resident
- B** Resident

(1 mark)

- 4** Shylah is a professional singer from Brazil. She flew into Malaysia and performed a one-night concert, receiving a fee of RM1,000,000 for her performance. She was confirmed as a public entertainer for tax purposes.

What is the withholding tax rate that will apply on Shylah's performance fee?

- A** 10%
- B** 25%
- C** 15%
- D** 13%

(2 marks)

- 5 Ana is employed as a chief financial officer in Bee Sdn Bhd. Ana is entitled to leave passage benefits as per her employment contract. In January 2012, Ana went to Korea as part of her leave passage and the leave passage cost amounted to RM3,100. In September 2012, she went to China and the leave passage cost amounted to RM3,900.

What is the amount of Ana's assessable benefit arising from the leave passages for the year of assessment 2012?

- A RM4,000
- B RM3,100
- C RM7,000
- D RM3,900

(2 marks)

- 6 May is the only child of Rick, a single parent. During the year 2012, Rick signed up for a new medical and education insurance policy for May. The annual insurance premiums paid as per the insurance certificate for the year ended 31 December 2012 showed that the medical portion was RM3,000 and the education portion was RM3,500.

What is the maximum amount Rick can claim for the medical/education insurance premiums paid for May for the year of assessment 2012?

- A RM6,000
- B RM3,000
- C RM7,000
- D RM6,500

(2 marks)

- 7 AB Steel Sdn Bhd (AB Steel) has an accounting year end of 31 December. On 1 March 2012 AB Steel entered into a lease agreement to rent a factory premises for its steel manufacturing operations for RM10,000 per month. On 1 April 2012 AB Steel incurred additional renovation costs of RM100,000 for the factory building and the factory premises were used for the company's steel manufacturing business immediately thereafter. AB Steel has the relevant interest in respect of the renovation costs incurred on the factory premises.

What is the industrial building allowance, if any, that can be claimed by AB Steel Sdn Bhd in respect of the factory building for the year of assessment 2012?

- A Nil
- B RM26,000
- C RM13,000
- D RM3,000

(3 marks)

- 8 North Pole Sdn Bhd acquired a second-hand passenger motor vehicle for RM125,000 on 12 June 2009. The motor vehicle was used by the company's human resources manager. The company disposed of the motor vehicle on 18 June 2012 for RM30,000.

What is the sale proceeds amount that will be used to determine the balancing adjustment arising from the disposal of the second-hand passenger motor vehicle by North Pole Sdn Bhd?

(Note: You are NOT required to calculate the balancing charge or allowance)

- A RM30,000
- B RM24,000
- C RM12,000
- D RM125,000

(3 marks)

- 9 Brat Sdn Bhd is a shoe manufacturer licensed for sales tax purposes and required to impose sales tax at the rate of 10% on the sale of its products. For the month of April 2012, the manufacturing costs and overheads of the company's sales were RM100,000. A profit mark-up of 10% applies on the manufacturing costs and overheads in arriving at the sales value.

What is the sales tax payable by Brat Sdn Bhd for the above sales for the month of April 2012?

- A RM10,000
- B RM1,000
- C RM100,000
- D RM11,000

(3 marks)

- 10 Josh owns and operates a mini market business as a sole proprietor.

What is the due date for Josh to submit his tax return to the Inland Revenue Board incorporating the income derived from the mini market business?

- A 30 April
- B 30 June

(1 mark)

Section B – ALL NINE questions are compulsory and MUST be attempted

- 1** Farah is single and has been employed for many years as a manager.

Details relating to Farah's income, benefits and expenditure for the year to 31 December 2012 are as follows:

	RM
Income	
Salary	120,000
Single tier dividend from Malaysian company	7,500
Benefits provided by employer	
Fully furnished living accommodation benefit	
Monthly rental – RM12,000 which includes RM3,000 for furniture and household amenities	
Expenditure	
Contributions to the Employees' Provident Fund	14,000
Medical check-up for Farah	500
Medical expenses for Farah who was confirmed with a serious disease	4,600

Farah ran a satay stall during the weekends and incurred a loss of RM9,360 for the year 2012.

Required:

Compute Farah's chargeable income and income tax payable for the year of assessment 2012.

Notes:

- (1) 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.
- (2) Marks will be awarded for the use of accurate technical terms to describe the figures comprising the stages in the computation of chargeable income.

(15 marks)

- 2 Cosmic Sdn Bhd is a furniture trading company and closes its accounts to 31 December annually.

Relevant information from the company's income statement for the year ended 31 December 2012 is as follows:

	RM	RM
Sales		8,000,000
Less: Cost of sales		(4,000,000)
Gross profit		4,000,000
Add: Other income		
Interest income from fixed deposit from local bank		300,000
		4,300,000
Less: Expenses		
Costs incurred in connection with setting up new operations in India	300,000	
Legal fees for trade agreement with customer	130,000	
Provision for bad and doubtful debts (See note 1)	100,000	
Cash donations to approved institutions	210,000	
Other deductible expenses	2,560,000	
		(3,300,000)
Profit before tax		1,000,000

Additional notes relevant to the tax computation are as follows:

- The provision for bad and doubtful debts of RM100,000 was made up of the following:

	RM	Remarks
– General provision	80,000	Provision based on 1% of total sales
– Specific provision	20,000	Legal action has been instituted against the debtor in court

- The capital allowance computed for the year of assessment 2012 was RM230,000.
- The company's issued paid-up share capital is RM2,580,000.

Required:

Commencing from profit before tax, compute the chargeable income and the income tax payable of Cosmic Sdn Bhd for the year of assessment 2012.

Notes:

- You should indicate by the use of the word 'nil' any expense item referred to in the question for which no adjusting entry needs to be made in the tax computation.
- Marks will be awarded for the use of accurate technical terms to describe the figures comprising the stages in the computation of chargeable income.

(15 marks)

- 3 Mars Sdn Bhd is in the disk manufacturing business and closes its accounts annually on 31 December.

The company commenced its operations on 1 January 2012 and acquired the following assets during the year:

	RM
Factory building (including land cost of RM80,000)	280,000
Plant and machinery – general	100,000
Van with commercial licence to transport goods	160,000

The van was acquired under a hire purchase agreement, details of which are as follows:

	RM
Cost of van	160,000
Less: Deposit paid	(60,000)
Balance on hire purchase loan	<u>100,000</u>

Hire purchase commenced on 1 March 2012

Instalment payable per month of RM6,000 made up of:

Capital portion – RM5,000

Interest portion – RM1,000

Required:

Compute the industrial building allowances and capital allowances for the assets acquired by Mars Sdn Bhd for the year of assessment 2012.

Note:

1. You are NOT required to apply the accelerated rates for capital allowances.
2. You are NOT required to calculate the residual expenditure.

(10 marks)

- 4 Sealand Sdn Bhd acquired a piece of land for RM180,000 on 11 January 2008 incurring stamp duty on the purchase of RM2,600. The company obtained a loan to finance the property acquisition and incurred a total interest expense of RM12,000.

Sealand Sdn Bhd entered into a sale and purchase agreement on 11 June 2012 to dispose of the property to Airland Sdn Bhd for RM800,000. Legal fees of RM9,400 and valuation fees of RM50,000 were incurred on the disposal of the land.

Sealand Sdn Bhd has a confirmed amount of allowable loss of RM20,000 agreed by the Inland Revenue Board.

Required:

- (a) **State the due date by which the acquirer, Airland Sdn Bhd, has to furnish the real property gains tax (RPGT) form to the Inland Revenue Board.** (2 marks)
- (b) **Compute the chargeable gain subject to RPGT arising from the disposal of the land. Clearly show the disposal price and acquisition price taking into account all necessary adjustments and 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.**

Note:

1. You are NOT required to compute the RPGT.
2. You are NOT required to compute the chargeable gain based on the holding period or take into account any exemptions based on the holding period. (8 marks)

(10 marks)

- 5** August Sdn Bhd provides professional management and consultancy services. The company is licensed for service tax purposes.

The company was awarded an advisory contract for RM10,000 by Lomar Sdn Bhd.

August Sdn Bhd incurred disbursements expenses relating to the Lomar Sdn Bhd contract as follows:

- travelling charges of RM1,000; and
- photocopying charges of RM400.

Required:

- (a) Prepare the service tax invoice that August Sdn Bhd should issue to Lomar Sdn Bhd for the advisory contract. Clearly show the amounts that are/are not subject to service tax.** (4 marks)

- (b) State the annual sales turnover threshold amount for a person who provides advertising services for service tax licensing purposes.** (2 marks)

(6 marks)

- 6** Vast Oil Sdn Bhd made the following payments during the year ended 31 December 2012:

- (i) Payment of interest of RM10,000 to an overseas company based in Hong Kong for a term loan of RM1,000,000 that was used for Vast Oil Sdn Bhd's business in Malaysia.
- (ii) Payment of RM8,000 to Little Rich Sdn Bhd for product design services.
- (iii) Payment of RM12,000 to an overseas supplier from Japan for the purchase of diaries for distribution to Vast Oil Sdn Bhd's customers.

Required:

State, with reasons whether the above payments made by Vast Oil Sdn Bhd are subject to withholding tax or not. For any payment that is subject to withholding tax, compute the withholding tax due.

(6 marks)

- 7 Best and Good are partners running a hotel. Both share the profits equally and both receive a monthly salary of RM10,000 each.

Details of the partnership income statement for the year ended 31 December 2012 is shown below:

	RM	RM
Sales		800,000
Less: Cost of sales		(300,000)
Gross profit		500,000
Less: Expenditure		
Depreciation	20,000	
Partners' salaries	240,000	
Private party for Best's family	12,000	
Other deductible expenses	188,000	
		(460,000)
Profit before tax		40,000

Required

Calculate the provisional adjusted income and the divisible income of the partnership for the year of assessment 2012.

Note: Marks will be awarded for the use of accurate technical terms to describe the figures comprising the stages in the computation.

(6 marks)

- 8 Sports Plaza Sdn Bhd closes its accounts annually on 31 December.

The company furnished an initial estimate of tax payable of RM50,000 for the year of assessment 2012.

A revised estimate of RM360,000 was made in the month of September 2012.

The final tax payable as per the tax computation for the year of assessment 2012 based on the signed audited financial statements was RM600,000.

Required:

- State the date by which Sports Plaza Sdn Bhd must furnish its income tax return and settle the balance of tax due to the Inland Revenue Board in respect of the company's tax computation for the year of assessment 2012.** (2 marks)
- Compute the penalty payable by Sports Plaza Sdn Bhd for the excessive difference between the estimated tax and final tax payable for the year of assessment 2012.** (4 marks)

(6 marks)

- 9 (a) Ronnie is single and resident for tax purposes.

Ronnie's total income for the year of assessment 2012 was computed to be RM36,000. It has been confirmed that Ronnie does not qualify for any relief except for self relief.

Required:

Compute Ronnie's chargeable income for the year of assessment 2012.

(1 mark)

- (b) Below is an extract from page 4 of the tax return for an individual without business (FORM BE)

Part E:		TAX PAYABLE	
		Amount (RM)	
E1	Chargeable income subject to tax	E1	<input type="text"/>
E2	Income tax liability		
E2b	Tax on first <input type="text"/>	E2b	<input type="text"/>
E2c	Tax on balance <input type="text"/> %	E2c	<input type="text"/>
E3	Total income tax	E3	<input type="text"/>
Less: Tax rebates			
E4	Tax rebate for individual 400 <input type="text"/>	E6	Zakat <input type="text"/>
E5	Tax rebate for husband/wife 400 <input type="text"/>	E7	Fees <input type="text"/>

Required

In your answer booklet, state the amounts that would be entered in boxes E1, E2b, E2c and E4 for Ronnie. Indicate '0' if there is no amount to be inserted in the box.

(5 marks)

(6 marks)

End of Question Paper

Answers

Notes:

- (1) All references to legislation or public rulings shown in square brackets are for information only and do not form part of the answer expected from candidates.
- (2) Marks indicated with a ‘*’ are awarded for the allocation of the appropriate description to the figure calculated, not for the figure itself.

Section A

Marks

- 1 **D** The Malaysian tax system is broadly based on a territorial and remittance scope whereby income accrued in or derived from territories of Malaysia are chargeable to income tax. Income that is remitted is exempted.

The Malaysian tax system is not based on world income scope. Only certain specialised industries such as banks, insurance companies and sea and air undertakings are taxed on a world income basis. Capital allowances are deducted against adjusted income in arriving at statutory income and not against aggregate income. Capital gains arising from a disposal of real property are subject to the provisions of real property gains tax and are not subject to income tax. Therefore, statements A, B and C are false. 2
- 2 **A** The gain of RM20,000 is a capital receipt and would not be subject to income tax. The amount of RM20,000 would be adjusted by either reducing the profit before tax or increasing the loss before tax in arriving at the adjusted income or loss in the company's tax computation. 1
- 3 **B** Linda is tax resident for the year of assessment 2012, as she was physically present in Malaysia for a period of 182 days or more during the year 2012 [s.7(1)(a) of the Income Tax Act, 1967]. 1
- 4 **C** Withholding tax of 15% would apply on the fee received by Shylah for her public concert performance on the grounds that the income was derived for services performed in Malaysia as a public entertainer [s.109A of the Income Tax Act, 1967]. 2
- 5 **A** The amount assessable for the leave passage is RM4,000. Both the overseas leave passages are assessable and reduced by an exemption of RM3,000, therefore, the assessable amount is RM4,000 [(3,100 + 3,900) – 3,000]. 2
- 6 **B** Rick is entitled to claim a maximum of RM3,000 in respect of his child's medical and education insurance policy for the year of assessment 2012. 2
- 7 **C** RM13,000. AB Steel Sdn Bhd is entitled to claim industrial building allowance (IBA) on the renovation costs, even though the factory premises are rented. This is because the tenant, AB Steel Sdn Bhd, has the relevant interest and, therefore, the renovation costs of RM100,000 incurred by the company will qualify for IBA. 3

	RM
Qualifying building expenditure	100,000
Initial allowance (IA) at 10%	10,000
Annual allowance (AA) at 3%	3,000
Industrial building allowance	<u>13,000</u>
- 8 **C** RM12,000. The qualifying expenditure for the passenger motor vehicle is RM50,000 as the vehicle is a second-hand vehicle and not a new one. Based on the qualifying expenditure, the sale proceeds of RM30,000 will be restricted to:

$$\frac{\text{RM50,000}}{\text{RM125,000}} \times \text{RM30,000} = \text{RM12,000}$$

3

- 9 D** RM11,000. The sales tax payable on the sales is arrived at as follows:

	RM
Manufacturing costs and overheads	100,000
Add: Profit mark-up at 10% (10% x 100,000)	<u>10,000</u>
Sales value for sales tax purposes	<u>110,000</u>
Sales tax at 10% (10% x RM110,000)	<u>11,000</u>

3

- 10 B** 30 June. The due date for submission of a tax return to the Inland Revenue Board in the case of an individual who is carrying on a business is 30 June.

1

20

Section B

Marks

1	Farah			
	Tax computation for the year of assessment 2012			
	RM	RM	RM	
Employment income				
Salary			120,000	0·5
Living accommodation benefit				
Defined value				
(a) RM9,000 x 12		108,000		1·5
(b) 30% x RM120,000		36,000		1
Lower of (a) and (b)			36,000	1
Furniture benefit (280 x 12)			3,360	1·5
Adjusted/statutory income from employment			159,360	0·5*
Single tier dividend income – tax exempt			Nil	1
Aggregate income			159,360	0·5*
Less: Current year adjusted loss from business			(9,360)	1·5
Total income			150,000	0·5*
Less: Personal reliefs				
Personal relief		9,000		1
Employee's Provident Fund (EPF) contributions (restricted to maximum)		6,000		1·5
Medical check-up for Farah	500			
Medical expenses for Farah's serious disease	4,600			
	<u>5,100</u>			
Restricted to maximum		<u>5,000</u>		1·5
			(20,000)	
Chargeable income			<u>130,000</u>	0·5*
Tax liability:				
Tax on first RM100,000			14,325	
Tax on next RM30,000 x 26%			7,800	1
Tax charged /payable			<u>22,125</u>	
				15

2	Cosmic Sdn Bhd			
	Tax computation for the year of assessment 2012			
		RM		
Profit before tax		1,000,000		0·5
Add/(Less)				
Interest income from local bank		(300,000)		1
Costs relating to setting up operations in India – capital		300,000		1·5
Legal fees re trade agreement		Nil		1
Approved donations		210,000		1
Other deductible expenses		Nil		0·5
Provision for bad and doubtful debts (general)		80,000		1
Provision for bad and doubtful debts (specific)		Nil		1
Adjusted income		1,290,000		0·5*
Less: Capital allowances		(230,000)		1
Statutory income		1,060,000		0·5*
Add: Interest income from local bank		300,000		1
Aggregate income		1,360,000		0·5*
Less: Approved donations cash paid RM210,000				
Restricted to 10% x aggregate income (10% x 1,360,000)		(136,000)		2
Chargeable income		<u>1,224,000</u>		0·5*
Tax charged/payable at 25% on RM1,224,000		<u>306,000</u>		1·5
				15

3

Mars Sdn Bhd
Industrial building allowance and capital allowances for the year of assessment 2012

	RM	RM	
Industrial building allowance (IBA)			
Qualifying building expenditure			
Purchased factory building (RM280,000 – 80,000)		<u>200,000</u>	1.5
IBA for YA 2012			
Initial allowance 10% x 200,000	20,000		1
Annual allowance 3% x 200,000	<u>6,000</u>	<u>26,000</u>	1
Capital allowances (CA)			
Plant and machinery			
Qualifying expenditure		<u>100,000</u>	0.5
Capital allowances for YA 2012			
Initial allowance 20% x 100,000	20,000		1
Annual allowance 14% x 100,000	<u>14,000</u>	<u>34,000</u>	1
Van on hire purchase (HP)			
Cost RM160,000			
Deposit paid	60,000		0.5
Capital portion paid on HP (RM5,000 x 10 months)	<u>50,000</u>		1
Qualifying expenditure for YA 2012		<u>110,000</u>	0.5
Capital allowances for YA 2012			
Initial allowance 20% x 110,000	22,000		1
Annual allowance 20% x 110,000	<u>22,000</u>	<u>44,000</u>	1
			<u>10</u>

4 Sealand Sdn Bhd – Real property gains tax

- (a) The due date for the acquirer to complete and submit the real property gains tax (RPGT) form is within 60 days of the date of signing the sale and purchase agreement, i.e. in Airland Sdn Bhd's case, on or before 10 August 2012.
- 1 + 1 =
2

(b) Computation of chargeable gain on disposal

	RM	RM	
Disposal consideration		800,000	0.5
Less:			
Incidental costs:			
Legal fees relating to disposal		(9,400)	1
Valuation fees		<u>(50,000)</u>	1
Disposal price		740,600	0.5*
Less:			
Acquisition consideration	180,000		0.5
Add:			
Incidental expenses relating to acquisition:			
Interest expenses (not eligible for deduction)	Nil		1
Stamp duty	<u>2,600</u>		1
Acquisition price		<u>(182,600)</u>	0.5*
Chargeable gain		558,000	
Less: Allowable loss		<u>(20,000)</u>	2
Chargeable gain		<u>538,000</u>	
			<u>8</u>
			<u>10</u>

5 August Sdn Bhd – Service tax**(a) Service tax invoice to be issued to Lomar Sdn Bhd**

	RM	
Fees	10,000	0.5
Service tax at 6% (10,000 x 6%)	600	1.5
	<u>10,600</u>	
Disbursements		
Travelling charges (not subject to service tax)	1,000	1
Photocopying charges (not subject to service tax)	400	1
	<u>12,000</u>	
Total		<u>4</u>

- (b)** The threshold amount for a person who provides advertising services is RM300,000 for service tax licence purposes.

2
6

6 Vast Oil Sdn Bhd – Withholding tax

- (i) The payment of interest of RM10,000 is made to a non-resident company in Hong Kong and, therefore, would be subject to withholding tax at the rate of 15% on the gross amount of interest [s.109 of the Income Tax Act, 1967]. 1.5
- The withholding tax amount would be RM1,500 (RM10,000 x 15%). 1
- (ii) The payment for the design services to Little Rich Sdn Bhd would not be subject to withholding tax as it is a payment for services rendered by a resident company. 1.5
- (iii) The payment for the purchase of diaries to an overseas supplier in Japan would not attract any withholding tax on the grounds that it is a payment for the purchase of goods. 2
- 6

7**Best and Good****Partnership provisional adjusted/divisible income for the year of assessment 2012**

	RM	
Profit before tax	40,000	0.5
Add/(Less)		
Depreciation	20,000	0.5
Partners' salaries:		
– Best	120,000	0.5
– Good	120,000	0.5
Private party expenses – Best	12,000	1
	<u>312,000</u>	
Provisional adjusted income		0.5*
Less:		
Partnership salaries		
– Best	(120,000)	0.5
– Good	(120,000)	0.5
Private party expenses – Best	(12,000)	1
	<u>60,000</u>	
Divisible income		<u>0.5*</u>
		<u>6</u>

8 Sports Plaza Sdn Bhd – Compliance

- (a) The latest date for Sports Plaza Sdn Bhd to furnish its tax return for the year of assessment 2012 to the Inland Revenue Board is 31 July 2013, i.e. within seven months from the close of its accounting year end.

The latest date to settle the balance of tax due is also 31 July 2013.

$$1.5 + 0.5 = \underline{2}$$

(b) Penalty for the excessive difference

	RM	
Final tax as per tax computation submitted	600,000	
Estimated tax	360,000	
Difference	240,000	1
Less: 30% of final tax (30% x RM600,000)	(180,000)	1.5
Excess	60,000	
Penalty at 10% thereon 10% x 60,000	6,000	1.5
		<u>4</u>
		6

9 Ronnie – Self-assessment tax return entries**(a) Chargeable income for the year of assessment 2012**

	RM	
Total income	36,000	0.5
Less: Personal relief	(9,000)	0.5
Chargeable income	25,000	<u>1</u>

(b) Self-assessment tax return entries

Box E1		25,000		1
Box E2b	20,000		475	1
Box E2c	5,000	at 7%	350	1.5
Box E4	400			1.5
				<u>5</u>
				6