Specimen Exam

Exam Name: Taxation Advisory Professional (STA MYS)
Time Allowed: 3 hours 15 minutes
Pass Mark: 50%

This examination contains 2 sections:

Section A:
1 question, worth 50 marks

Section B:
2 questions, each worth 25 marks

Total 100 marks

Note: This specimen examination has been prepared based on Finance Act 2025 874 and relevant supplementary legislation passed by 31 March 2026.

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Section A

Question 1

You should assume that today's date is 1 August 2026.

You are an ACCA student working for Tax Firm. Yesterday, your manager attended a meeting with Nore, the CEO of Baik Sdn Bhd (BSB), a client of Tax Firm.

The following **exhibits** provide information relevant to the question.

1. Baik Sdn Bhd (BSB): notes of the meeting between Nore and your tax manager detailing background information about BSB
2. Expansion measures: email from Nore with details of BSB's expansion measures
3. Work to be carried out - email from manager

1 Baik Sdn Bhd (BSB)

Notes of the meeting between Nore and your tax manager, dated 31 July 2026

BSB is a manufacturing company incorporated on 4 January 2025, which commenced manufacturing on 1 February 2025. BSB is tax resident in Malaysia and has ordinary paid-up share capital of RM2 million. It closed its first set of accounts to 31 October 2025, and thereafter it will close annually to 31 October.

Nore has confirmed that BSB's accounts will be prepared for the following periods:

4 January 2025 to 31 October 2025
1 November 2025 to 31 October 2026
1 November 2026 to 31 October 2027

Manufacturing business

BSB has been carrying out its operations in its factory premises (Factory A) in Rawang, Malaysia, producing a non-promoted product for the domestic market only.

The manufacturing business has proved to be instantly successful as demand for its product is extremely good. BSB must urgently plan for expansion to increase its production as soon as possible to maintain its market share.

In March 2026, BSB had engaged an external consultant based in Malaysia at a cost of RM65,000, to advise on how best to meet the accelerated domestic market demand.

Nore is convinced that the consultancy fees are not tax deductible on the basis that he believes consultancy fees are always capital in nature.

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Nore has agreed to email details of the expansion measures being implemented as a result of the consultant's advice.

2 Expansion measures

Extract of email from Nore, dated 31 July 2026

Factory B

Purchase
On 30 May 2026, BSB signed a sale and purchase agreement with the owner of the property adjacent to its existing Factory A. The agreement is to acquire the land and the existing factory building (Factory B) on the land for RM2.5 million, analysed as follows:

	RM'000
Land	810
Factory B	1,500
Showroom and office	190
Total	**2,500**

The prevailing market value of the property is actually RM2.3 million. BSB was willing to pay the higher sum of RM2.5 million because the seller promised to deliver the property free of any encumbrance by 15 July 2026.

BSB intends to commence using Factory B in its manufacturing business from 2 October 2026.

Reclassification
Despite you informing me that the RM190,000 relating to "showroom and office" will not qualify as part of the industrial building, I am considering reclassifying the cost as part of the "Factory B" costs to avoid separate identification of the showroom and to claim industrial building allowance (IBA) on the full cost.

Factory C

BSB plans to construct a new Factory C next to Factory B on the land purchased on 30 May 2026. The construction should be completed by 31 March 2028, and then immediately used in production from 1 April 2028. Factory C is estimated to cost RM4.5 million, analysed as follows:

	RM'000
Professional design fees	300
Construction costs	4,000
Internal connecting roads for factory complex	200
Total	**4,500**

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Recruitment drive

BSB intends to build a strong management team by promoting internally and recruiting externally from within Malaysia and from outside Malaysia. I would like advice regarding BSB's responsibilities as the employer and the income tax treatment of the new employees arising from the recruitment drive.

3 Work to be carried out - email from tax manager

To: Tax Associate
From: Tax Manager
Subject: Baik Sdn Bhd (BSB)
Date: 1 August 2026

Hi,

Please prepare a letter for Nore which addresses the following issues:

(a) In relation to BSB's manufacturing business:

- **Advise BSB of the basis periods for the first three years of assessment; and**

- **Evaluate whether or not the consultancy fees are likely to be deductible in arriving at the adjusted income of BSB for the year of assessment (YA) 2026 and assess the accuracy of Nore's view.**

(10 marks)

(b) In relation to the purchases of Factory B and Factory C:

- **Advise on the stamp duty payable by BSB on acquiring Factory B with the associated land, showroom and office building;**

- **Justify BSB's eligibility and timing for an industrial building allowance (IBA) claim for Factory B and Factory C, supported with calculations in an appendix; and**

- **With reference to the fundamental principles of the ACCA Code of Ethics and Conduct, advise Nore of Tax Firm's position regarding the proposed reclassification of the RM190,000 expenditure on the "showroom and office".**

(15 marks)

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(c) In relation to BSB's investment of RM1.5 million in Factory B and RM4.5 million in Factory C:

- **Justify why BSB is not eligible for pioneer status, investment tax allowance, and export incentives;**

- **Justify why the reinvestment allowance (RA) is not applicable on the investment in Factory B, but is applicable on the investment in Factory C; and**

- **Advise on the RA available in respect of Factory C, including the YA in which BSB becomes eligible and the mechanism for absorption.**

(10 marks)

(d) Recruitment of management team personnel

Advise on the income tax treatment of the employee and compliance requirements for the employee and BSB as employer, if the employee is recruited:

- **Internally;**
- **Externally from within Malaysia; and**
- **Externally from outside Malaysia.**

Note: assume that each employee recruited to BSB's management team will be a full-time employee of BSB, resident in Malaysia and with employment as their sole income.

(5 marks)

I look forward to seeing your draft letter.

Tax Manager

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Requirements:

You should assume that today's date is 1 August 2026.

Respond to the instructions in the email from your tax manager.

Note: The split of the mark allocation is shown in Exhibit 3 - Work to be carried out

(40 marks)

Professional marks will be awarded for the demonstration of skill in communication, analysis and evaluation, scepticism and commercial acumen in your answer.

(10 marks)

(50 marks)

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Question 2

You should assume that today's date is 1 August 2026.

Lokman, a Malaysian citizen, decided to move to Labuan to start a Labuan investment advisory company.

The following **exhibit** provides information relevant to the question.

1. Lokman – Details of a Labuan company, its business activities, and the related property transactions undertaken by Lokman.

1 Lokman

Labuan company

Lokman incorporated a Labuan company, North East Labuan Pte Ltd (NEL), under the Labuan Companies Act 1990 on 2 February 2026 with an initial paid-up share capital of RM100,000. Lokman is the sole shareholder of the company.

NEL has obtained approval from the Labuan Financial Services Authority (LFSA) to operate as a Labuan fund manager. The approval enables NEL to carry out investment and fund advisory services and it plans to commence its business on 1 April 2026. It will provide its services to customers outside Malaysia. The company plans to close its first set of accounts on 31 December 2026.

NEL has employed three investment consultants. NEL anticipates it will have annual operating expenditure of RM300,000.

Labuan properties

Prior to relocating and incorporating NEL, on 20 July 2022, Lokman signed a sale and purchase agreement with a property developer to acquire two adjacent office units in Labuan for a consideration of RM600,000 each.

However, legal ownership of the office units was not transferred until 3 March 2025, which was considerably late. This resulted in Lokman being entitled to claim contractual liquidated ascertained damages (LAD) of RM20,000 per unit from the developer.

The full purchase consideration, after netting off the LAD, was settled on 10 March 2025. The office units were then renovated at a cost of RM100,000 each.

On 1 July 2025, the units were let out. However, in January 2026, Lokman decided to terminate the tenancy for both units. He had to pay an early-termination compensation of RM15,000 for each unit.

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On 5 March 2026, Lokman transferred one office unit to NEL, for which consideration was fully satisfied with NEL issuing Lokman with new ordinary shares worth RM750,000.

The other office unit was sold to a third party on 25 April 2026 for RM800,000. In relation to the sale, Lokman incurred legal fees of RM20,000 and real estate commission of RM10,000.

In relation to the sale of the office unit to the third party, Lokman wants to understand the tax treatment of:

- the LAD received from the developer;
- legal fees and real estate agent commission;
- compensation to the tenant for early termination; and
- quit rent and assessment expenses paid.

Throughout the period of property ownership, Lokman incurred quit rent and assessment totalling RM30,000 for each office unit.

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Requirements:

(a) Assess the Labuan tax treatment of the income/profits derived by North East Labuan Pte Ltd (NEL).

(4 marks)

(b) Assess the real property gains tax (RPGT) treatment of the transfer of the office unit from Lokman to NEL.

Note: You should consider any possible exemption or relief available in relation to the transfer.

(5 marks)

(c) Calculate the RPGT liability on the sale of the office unit to a third party and advise Lokman on the matters he has raised in relation to the sale.

Note: Your answer should include how the date of acquisition of the office unit is determined.

(11 marks)

Professional marks will be awarded for the demonstration of skill in analysis and evaluation, and commercial acumen in your answer.

(5 marks)

(25 marks)

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Question 3

You should assume that today's date is 1 August 2026.

Gong Inc. proposes to establish a wholly owned subsidiary, Gong Sdn Bhd (GSB) and seeks your advice on several related matters.

The following **exhibit** provides information relevant to the question.

1. Gong Sdn Bhd (GSB) – Details of the incorporation, including factory construction, overseas service providers, use of trademark, and business activities.

1 Gong Sdn Bhd (GSB)

Gong Inc. (GI) is a group of companies based in Atlas, a country outside Malaysia, which specialises in luxury toys. GI had proposed to establish a wholly owned subsidiary, Gong Sdn Bhd (GSB), in Malaysia to venture into the manufacturing of high-end interactive dolls.

On 1 October 2025, GI incorporated a wholly owned subsidiary, Gong Sdn Bhd (GSB), with a paid-up ordinary share capital of RM5 million. GSB will close its first set of accounts on 31 October 2026. Thereafter, it will close annually to 31 October.

GSB acquired a piece of land on 15 October 2025. It immediately appointed Opso Construction Ltd (Opso), a company based in Atlas, to construct a purpose-built factory for a contract value of RM10 million.

For the purpose of this project, Opso registered a branch in Malaysia. The factory construction included the installation of all machinery, and the construction took seven months, and it was agreed that RM6 million of the contract value related to cost of materials and machinery.

On 4 April 2026, Opso imported three new moulding machines from Atlas for installation in the factory. It subcontracted the installation of the machines to another Atlasian company for RM50,000. The installation took one month when two engineers from Atlas came to Malaysia to perform the work.

The factory was completed and ready for use on 2 June 2026. Factory workers were employed on 15 June 2026. On 1 July 2026, raw materials for manufacturing were received from local suppliers who are manufacturers registered for sales tax. The production of the first batch of interactive dolls started on 5 July 2026.

In July 2026, GSB appointed a consultancy company based in Tiana, a country outside Malaysia, to provide technical support for an annual fee of RM500,000. The services will be provided remotely from Tiana.

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GSB has also signed a trademark agreement with GI to licence the use of the trademark "Gong" for its interactive dolls. The agreement provides for a fee calculated as 2% of GSB's sales revenue.

To support its Malaysian distributors, GSB also provides marketing support services to them, with an expected annual charge of RM200,000.

GSB was registered for sales tax on 15 March 2026 but is not a service tax registrant.

For the financial year ending 31 October 2026, GSB is expected to make losses but should be making taxable profits in the following year.

Note: Malaysia does not have a double tax treaty in place with Atlas or Tiana.

Requirements:

(a) Advise on the sales and service tax treatment of the relevant activities of Gong Sdn Bhd (GSB), including any opportunities for exemption/relief.

(8 marks)

(b) Advise on the withholding tax implications of the construction of the factory by Opso, the installation of the moulding machine by the Atlasian company, the technical support services provided by the Tiana company and the use of Gong Inc's trademark.

(7 marks)

(c) Advise on the date of commencement of operations for GSB and the requirement for GSB to submit tax estimates for the years of assessment 2026 and 2027, including any strategy which GSB can adopt to improve its cashflow.

(5 marks)

Professional marks will be awarded for the demonstration of skill in analysis and evaluation, and commercial acumen in your answer.

(5 marks)

(25 marks)

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