

Certified Accounting Technician Examination  
Advanced Level

# Preparing Taxation Computations (Malaysia)

Tuesday 14 June 2011

**Time allowed**

Reading and planning: 15 minutes

Writing: 3 hours

This paper is divided into two sections:

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

Section B – ALL FOUR 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.**

**During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.**

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

The Association of Chartered Certified Accountants

# Paper T9 (MYS)

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black rectangular background.

**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 to be used in answering the questions.

**Income tax rates**

**Resident individuals**

Chargeable income	RM		Rate %	Cumulative tax RM
First	2,500	(0 – 2,500)	0	0
Next	2,500	(2,501 – 5,000)	1	25
Next	15,000	(5,001 – 20,000)	3	475
Next	15,000	(20,001 – 35,000)	7	1,525
Next	15,000	(35,001 – 50,000)	12	3,325
Next	20,000	(50,001 – 70,000)	19	7,125
Next	30,000	(70,001 – 100,000)	24	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

	RM
<b>Chargeable income not exceeding RM35,000</b>	
Individual	400
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) RM	Prescribed annual value of private usage of car 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 the 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 %
<b>Date of disposal</b>	
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	5

**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.

Each question within this section is worth 2 marks.

- 1 Aladdin, a finance director in a local company, was provided as part of his remuneration package with living accommodation for himself and his family throughout the year 2010.

The following are the monthly details of the living accommodation provided by his employer:

Rental portion for premises/defined value – RM2,000

Rental portion for full furnishing – RM500

A service director, Aladdin's monthly salary was RM10,000 and he had no other income apart from his salary.

**What is the amount of assessable benefit arising from the living accommodation for the year of assessment 2010?**

- A RM36,000
  - B RM27,360
  - C RM24,000
  - D RM30,000
- 2 I See Property Sdn Bhd acquired its first investment property, a residential apartment in 2010 to derive rental income. The rental income is not a business source income.

The company incurred the following expenses in 2010 in connection with the rental property:

	RM
(i) Quit rent and assessment	1,000
(ii) Insurance for premises	1,100
(iii) Interest expense for bank loan	2,000
(iv) Grill for apartment for security	3,000
(v) Air-conditioners and water heater	5,000

**Which of the above items is/are deductible against the rental income for purposes of computing the income tax liability of the company?**

- A All the above items
  - B Only items (iv) and (v)
  - C Only item (i)
  - D Only items (i), (ii) and (iii)
- 3 Ash Sdn Bhd pays a royalty to a non-resident company in the United States of America (USA) under a licensing agreement. The company made a royalty payment to the US company on 23 August 2010.

**What is the withholding tax rate applicable on the royalty payment to the non-resident US company and the due date for Ash Sdn Bhd to remit the withholding to the Inland Revenue Board to avoid any late payment penalty?**

- A Withholding tax rate of 15% and the due date for remitting the withholding tax of 22 September 2010 (within a month of paying the non-resident)
- B Withholding tax rate of 10% and the due date for remitting the withholding tax of 19 September 2010 (within 30 days of paying or crediting the non-resident)
- C Withholding tax is not applicable on the above payment to the non-resident
- D Withholding tax rate of 10% and the due date for remitting the withholding tax of 22 September 2010 (within one month of paying or crediting the non-resident)

- 4 Dr Bee gave a private loan to his neighbour to start a new business. Dr Bee charged interest at 5% per annum. He also placed a fixed deposit in a local bank and derived interest therefrom.

**What is the income tax treatment of the interest from the loan extended to the neighbour and the interest from the fixed deposit placed in the bank?**

- A The interest from the loan is subject to income tax while the interest from the bank fixed deposit is exempt
  - B Both the interest receipts are exempt
  - C The interest from the bank fixed deposit is taxable while the interest from the loan is exempt
  - D Both the interest receipts are subject to tax
- 5 Clint bought a personal computer for his home use in April 2010 for RM3,100. The last time he acquired a personal computer was in 2008 for which a claim for personal relief was made.

**How much of the amount paid by Clint for his personal computer in 2010 can be claimed as a relief against his total income for the year of assessment 2010?**

- A Claim: RM0
  - B Claim: RM3,100
  - C Claim: RM3,000
  - D Claim: RM400
- 6 Megatron Sdn Bhd closes its accounts to 31 December annually. Details of a passenger motor vehicle purchased for cash, which has been used as a pool car are as follows:

Date of acquisition:	1 March 2008
Cash cost of vehicle:	RM200,000
Date of disposal:	1 September 2010
Disposal proceeds:	RM100,000
Residual expenditure brought forward from the year of assessment 2009:	RM20,000

**What is the balancing charge or allowance arising from the above disposal for the year of assessment 2010?**

- A Balancing charge of RM80,000
  - B Balancing allowance of RM100,000
  - C Balancing charge of RM5,000
  - D Balancing charge of RM30,000
- 7 Mat Tricks Sdn Bhd closes its accounts to 31 December annually. The company's chief financial officer was informed by the tax agent that the company can make two revisions to its tax estimate for the year of assessment 2010 in the sixth month i.e. June 2010 and in the ninth month i.e. September 2010.

**Which of the following is an accurate description of the above statement made by the tax agent?**

- A False
- B True
- C True only for sole proprietors and partnerships and not for a company
- D True only if the company has a share capital of RM2.5 million or less

8 Ali Enterprise's accounting records showed the following for the year of assessment 2010:

**Extracts from the General Ledger for Trade Debtors:**

	RM	
ABC Sdn Bhd	5,000	Trade debt written-off as the directors are not traceable
PQR Sdn Bhd	10,000	Waiver of debt owing by a related company
XYZ Sdn Bhd	20,000	Provision for doubtful debt for a trade debt; legal action taken
	35,000	

**What is the amount of debts that is deductible for the purposes of Ali Enterprise's income tax computation for the year of assessment 2010?**

- A Nil
- B RM25,000
- C RM35,000
- D RM5,000

9 'When a taxpayer does not agree with an assessment issued by the Director General of Inland Revenue, he can appeal in writing stating the grounds of appeal within 30 days after the service of the notice of assessment.'

**Which of the following is an accurate description of the above statement?**

- A False as the appeal has to be within one month of the date of furnishing the tax return
- B False as the taxpayer has no right of recourse to make an appeal once an assessment is issued
- C True
- D True only if the Director General of Inland Revenue agrees to it

10 Hope Sdn Bhd manufactures and sells widgets. To promote sales, the company gave away 5,000 units of widgets for free.

The sales value of a unit of widget is RM2 while the cost of producing each unit is RM1. The sales tax rate on the product is 10%.

**What is the sales tax payable on the 5,000 units given away for free?**

- A Nil sales tax payable
- B Sales tax payable of RM1,000
- C Sales tax payable of RM10,000
- D Sales tax payable of RM500

**(20 marks)**

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

- 1 (a) Don has been employed as a science lecturer in the Goode International School in Malaysia since 1 January 2005. Don and his wife divorced many years ago and he obtained custody of their only child now aged 15.

Details relating to Don's income, expenditure and benefits for the year to 31 December 2010 are as follows:

	RM
<b>Income</b>	
Salary	200,000
Bonus	20,000
Gain from disposal of shares quoted on the Bursa Malaysia	2,000
Dividend income (single tier)	750
<b>Expenditure</b>	
Contributions to the Employers' Provident Fund	24,200
<b>Benefits provided by Don's employer</b>	
Medical expenses for Don's visits to the panel doctor	250
Treatment by a registered approved traditional practitioner	200
Cost of leave passage to Sipadan, Sabah	3,500
Cost of leave passage to Langkawi, being part of his previous year's entitlement that he deferred to this year	1,000
Parking fees paid by his employer	100
Discount in fees given for Don's child studying in the Goode International School (it was confirmed that this benefit is not transferrable)	6,000
Amount deposited for his child into the National Educational Savings Scheme	3,100
Insurance premiums paid for child (medical and education)	6,000
Purchase of personal computer (first time)	3,500
Purchase of sports equipment	1,000
Books (including RM200 for local newspapers)	700
Amount expended on basic supporting equipment for his father, who has been certified as disabled	11,000

Don enrolled for a Masters in Business Administration under the distance learning programme with Oxbridge School of Management and spent RM4,900 during the year for course fees.

In 2010 Don made a contribution of RM240 (Singapore \$100) to a Singapore charitable institution approved by the Singapore tax authorities.

As a talented part-time musician Don produced music on recording discs and received royalties amounting to RM11,000 for the year 2010.

**Required:**

**Compute Don's chargeable income and income tax payable for the year of assessment 2010.**

**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. (21 marks)



- (b) Imran, an expatriate from Finland, was employed as a managing director in Fine Sdn Bhd. He commenced employment in Malaysia on 1 August 2009. He was re-assigned to Russia and departed Malaysia on 2 July 2010.

Details of his trips are shown below:

Year	Days in Malaysia	Days out of Malaysia	Remarks
2009	1 June to 31 August 2009 92 days	1 September to 20 September 2009 20 days	Flew to Russia to meet potential customer on business trip
	21 September to 22 December 2009 93 days	23 December 2009 to 3 January 2010 12 days	Social visit to family
2010	4 January to 2 July 2010 180 days		Departed Malaysia on 2 July 2010 on a 11 pm flight

**Required:**

**State, with reasons, Imran's tax resident status for the years of assessment 2009 and 2010.** (4 marks)

**(25 marks)**

2 Whitewater Sdn Bhd, a manufacturing company, closes its accounts to 31 December annually. Details relating to the company's land and buildings are as given below.

**Old factory building**

The old factory building was completed in 2005 and the company commenced business operations in the same year.

Relevant costs are as follows:

	<b>RM</b>
Land	100,000
Qualifying building expenditure	1,000,000
Residual expenditure brought forward to 2009	750,000

**New factory building**

The new factory building was constructed on a piece of land adjoining the old factory, which the company purchased in December 2008. The total area of the new factory building is 25,000 square feet, of which 5,000 square feet are used as the showroom. The construction was completed in the year 2009 and the factory was immediately used in the business.

Relevant costs are as follows:

	<b>RM</b>
Land	175,000
Legal fees (RM5,000 relating to the land)	10,000
Levelling of land	20,000
Construction of factory	565,000
Construction of canteen and staff room	30,000
Construction of the research and development laboratory	25,000

Due to a slowdown in the economy, Whitewater Sdn Bhd made a strategic decision to move their operations to India and China. Consequently during the year 2010 the company disposed of its new factory building to Redsea Sdn Bhd, and its old factory to Bluechip Sdn Bhd.

The details of these disposals during the year of assessment 2010 are as follows:

	<b>Old factory RM</b>	<b>New factory RM</b>
Disposal proceeds:		
Land	100,000	200,000
Buildings	700,000	800,000
Total	<u>800,000</u>	<u>1,000,000</u>

**Required:**

- (a) Determine the qualifying building expenditure in respect of the new factory. (8 marks)
- (b) Compute the industrial building allowances for Whitewater Sdn Bhd for the year of assessment 2009 and the resulting residual expenditure carried forward to the year of assessment 2010 in respect of:
- (i) the old factory; and (2 marks)
  - (ii) the new factory. (3 marks)
- (c) Compute the residual expenditure and the balancing charge(s) and/or balancing allowance(s) in respect of the old and new factory buildings disposed of during the year of assessment 2010.
- Note: you should assume that the provisions of Paragraph 71 of the Income Tax Act, 1967 are not applicable and therefore no claw back of capital allowances claimed for assets disposed of within two years of acquisition will be made. (5 marks)
- (d) Compute the industrial building allowance for Redsea Sdn Bhd for the year of assessment 2010 in respect of the new factory purchased from Whitewater Sdn Bhd. (3 marks)

**(21 marks)**

- 3 (a) Teh bought a shophouse in Mont Kinabalu in Ipoh for RM500,000 on 20 April 2007. He incurred stamp duty of RM9,000 and legal fees of RM2,000 on the purchase and enhancement costs of RM25,000.

Teh borrowed money to purchase the shophouse and he incurred an annual interest expense of RM3,000 on this loan.

In 2010, Teh decided to take up employment in Iraq and he disposed of his shophouse on 2 July 2010 for RM700,000. He paid a commission of RM15,000 to a real estate agent for the sale.

Prior to the actual disposal, there was another potential buyer who paid Teh a deposit of RM1,000 but decided not to proceed with the purchase transaction; the deposit was forfeited to Teh.

**Required:**

- (i) **Compute the chargeable gain subject to real property gains tax after allowing for the exemptions available to Teh as an individual, arising on the disposal of the shophouse. Clearly show the disposal price and the acquisition price taking into account all necessary adjustments.**

Note: you are not required to compute the chargeable gain based on the holding period or take into account exemptions other than the exemptions available to an individual. (5 marks)

- (ii) **State the due date by which Teh has to furnish the real property gains tax (RPGT) return form to the Inland Revenue Board;** (1 mark)

- (iii) **State in respect of the disposal of the shophouse the rate and the amount to be retained, the person who is required to retain the amount and the due date for remitting the amount retained to the Inland Revenue Board.** (2 marks)

- (b) Aishwarya and Aileen were partners in Double A Wellness Spa Centre. Up to 30 June 2010 they shared their profits in the ratio of 50:50. From 1 July 2010 their profit sharing ratio was changed to 25:75.

Aileen left the partnership to set up her own spa centre on 1 October 2010. Also on 1 October 2010 Aida was admitted to the partnership and the agreed profit sharing ratio between her and Aishwarya from that date was 50:50.

The relevant details of the partnership for the year of assessment 2010 are:

	RM
1. Divisible income (as computed)	200,000
2. Partners' salaries	2,000/month
All three partners were each paid a salary for each month they worked in the partnership.	
3. Capital allowance (as computed)	10,000

**Required:**

- (i) **Show how the divisible income would be allocated to each of the three partners for the year of assessment 2010;** (5 marks)

- (ii) **For the year of assessment 2010 compute the statutory income from the partnership of each of the three partners (Aishwarya, Aileen and Aida).** (5 marks)

(c) Orchid Resort Sdn Bhd operates a hotel chain and is a licensed establishment for service tax purposes.

Details of the invoices issued and amount received for the service tax period January and February 2010 are:

	RM
Invoices issued for the month of January 2010	10,000
Invoices issued for the month of February 2010	30,000
Amount received for the months of January and February 2010	20,000

**Required:**

(i) **State the due date for the service tax to be remitted by Orchid Sdn Bhd to the Royal Customs & Excise Department and the amount of service tax to be remitted for the taxable period January and February 2010;** (2 marks)

(ii) **State the penalty rate that would apply if the service tax was not paid until 30 March 2010.** (1 mark)

**(21 marks)**

4 (a) Rajesh is in the business of rearing livestock.

His actual tax payable was computed to be RM200,000 for the year of assessment 2010.

He had revised his taxable estimate for the year to RM120,000 within the due date and settled his instalments on time.

As his accountant is on extended leave, his accounts will only be finalised in July 2011. He expects to submit his tax return and pay the balance of tax payable of RM80,000 for the year of assessment 2010 by 14 July 2011.

**Required:**

(i) **State the due date for Rajesh to submit his tax return and the due date for the payment of the balance of tax payable by Rajesh for the year of assessment 2010;** (1 mark)

(ii) **Compute the penalty due for the excessive difference between the estimated tax and the final tax payable by Rajesh, together with the penalty for the late payment of his balance of tax, if it is paid as expected on 14 July 2011.** (4 marks)

(b) Happy Homes Sdn Bhd is in the business of trading in home decoration items, with an accounting year end of 31 December. The information below is an extract of the company's profit and loss account for the year ended 31 December 2010:

	RM	RM
Sales		1,000,000
Less Cost of goods sold		(900,000)
		<hr/>
Gross profit		100,000
Add Other income		
Interest on overdue debt from trade debtors	2,000	
Interest from loan given to subsidiary in India	8,000	
	<hr/>	
		10,000
		<hr/>
		110,000
Less Expenses		
Donations (unapproved)	2,000	
Donations (approved)	18,000	
Gift of personal computers to employees	10,000	
Foreign exchange (FOREX) trade loss (unrealised)	5,000	
Leave passage (local company trip to Endau Rompin for employees and their families organised by employer)	40,000	
Other deductible expenses	5,000	
	<hr/>	
		80,000
		<hr/>
Profit before tax		30,000
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Additional information:

- Capital allowances for the year of assessment 2010 (as computed): RM180,000.
- FOREX trade gain for the year of assessment 2009 realised in the year of assessment 2010: RM10,000.

**Required:**

**Compute the statutory income of Happy Homes Sdn Bhd for the year of assessment 2010.**

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. (8 marks)

**(13 marks)**

**End of Question Paper**