

Certified Accounting Technician Examination
Advanced Level

Preparing Taxation Computations (Malaysia)

Tuesday 14 December 2010

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-resident

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 provident 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
Chargeable income not exceeding RM35,000	
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) 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 %
Date of disposal	
Disposal within 2 years after date of acquisition	30
Disposal in the 3rd year after date of acquisition	20
Disposal in the 4th year after date of acquisition	15
Disposal in the 5th 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 Tiger won a service award for the Most Innovative Employee from his employer and received RM2,500 in the year of assessment 2010.

How much of the award received of RM2,500 is taxable and how much is exempt for the year of assessment 2010?

- A Taxable: RM2,500; Exempt: Nil
- B Taxable: RM2,000; Exempt: RM500
- C Taxable: Nil; Exempt: RM2,500
- D Taxable: RM500; Exempt: RM2,000

- 2 Akash Sdn Bhd, which has a year end of 31 December 2010, bought a machine under hire purchase (HP) details of which are as follows:

Cost of machine – RM15,000

Details of HP instalment scheme (capital portion):

Term – five years

Deposit paid in 2010 – RM3,000

Monthly instalments paid during 2010 – six

How much is the qualifying expenditure for the purposes of claiming capital allowances for the year of assessment 2010?

- A RM3,000
- B RM4,500
- C RM4,200
- D RM15,000

- 3 Beta Sdn Bhd provides professional services and is licensed for service tax purposes. The company issued an invoice on 14 February 2010 and the customer settled the invoice on 18 February 2010. The company remitted the service tax in respect of the invoice on 31 March 2010.

State the rate of penalty, if any, that will apply for the late payment of service tax.

- A Nil
- B 10%
- C 20%
- D 30%

- 4 Jaffar is employed by Casa Sdn Bhd. Jaffar is entitled to one leave passage every calendar year. During 2010 he went on leave passage to Langkawi in April 2010 and the total cost incurred for the leave passage was RM3,100.

State the amount of benefit-in-kind in respect of the leave passage, if any, that is assessable on Jaffar.

- A Nil
- B RM3,000
- C RM3,100
- D RM100

5 'Under the self-assessment system, an assessment is deemed to have been made by the Director General of Inland Revenue on the date the tax return is submitted.'

The above statement is:

- A True
- B False
- C True only for companies
- D True only for individuals and non-corporates

6 Lee is a Canadian employed by a Malaysian company. Lee arrived in Malaysia on 1 June 2010 and has been physically present in Malaysia since that date except for a period of ten days in August 2010 when he went to India for a holiday. Lee intends to stay in Malaysia for the remainder of 2010.

Which of the following statements describes Lee's tax residence status in Malaysia for the year of assessment 2010?

- A He is not resident in Malaysia because he is not present in Malaysia for a continuous period of 180 days.
- B He is resident in Malaysia because he is physically present in Malaysia for a period of 182 days or more in 2010.
- C He is non-resident for year of assessment 2010.
- D He is not resident because he was not in Malaysia for the three preceding years of assessment and the following year of assessment.

7 Devi has one condominium in Bukit Kenny. She has no other properties.

Devi's tax computation from rental source for the year of assessment 2010 is as follows:

	RM
Gross rental income	100,000
Less:	
Quit rent and assessment	(10,000)
Mortgage interest	(80,000)
Insurance	(5,000)
Maintenance expenses	(10,000)
	<hr/>
Adjusted income/(loss)	(5,000)

Which of the following applies to the adjusted loss arising from the rental source?

- A It can be carried forward and set off against future rental income
- B It is available for set off against business sources
- C It is permanently lost and not available for carry forward
- D It is available for set off against other non-business sources

- 8 Ace Sdn Bhd hired a car for their managing director under an operating lease from Budget Rent-A-Car. The cost of the new car is RM125,000. The company commenced paying lease rentals in the year 2009 and the total lease rentals paid to-date are as follows:

Year 2009 – RM25,000;

Year 2010 – RM100,000

What is the maximum amount of lease rentals paid by Ace Sdn Bhd that can be claimed and will be disallowed for tax purposes for the year of assessment 2010?

- A Claim: RM0; Disallow: RM100,000
- B Claim: RM125,000; Disallow: RM0
- C Claim: RM100,000; Disallow: RM0
- D Claim: RM75,000; Disallow: RM25,000

- 9 Feroz was employed in a company as a marketing director. In 2010 he sold the house in which he had lived making a gain on its disposal of RM20,000. He had owned the house for more than ten years and it was his only property. Feroz also works on a part-time basis as a real estate agent and earned commission income of RM5,000 in 2010.

Which of the following statements describes the income tax position of the gain of RM20,000 and the commission income earned of RM5,000?

- A Both the gain and commission are subject to income tax
- B Only the gain is subject to income tax
- C Only the commission is subject to income tax
- D Both the gain and commission are not subject to income tax

Note: you are not required to consider the real property gains tax issues.

- 10 A company has two different business sources:
- (i) the manufacture and sale of air-conditioners; and
 - (ii) the manufacture and sale of floor tiles.

There is an unutilised capital allowance from the floor tile business of RM100,000 brought forward from the year of assessment 2009.

For the year of assessment 2010, the company's tax computation showed an adjusted income from the air-conditioning business.

Which of the following statements describes what the company can do with the unutilised capital allowances brought forward from the tile manufacturing business?

- A They can be set off against the air-conditioning manufacturing business.
- B They cannot be set off against the air-conditioning manufacturing business.
- C They can only be set off against the air-conditioning manufacturing business if there are no capital allowances from that business source.
- D They can only be set off against the air-conditioning manufacturing business in the same year of assessment.

(20 marks)

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

1 Ray, who had a sole proprietorship business of trading personal computers, ceased his business on 30 June 2010. He commenced employment as a Chief Operating Officer in a Malaysian company with effect from 1 July 2010.

Details of Ray’s sole proprietorship business up to cessation are as follows:

	RM
Current year adjusted loss from business	(30,000)
Balancing charge	1,000
Capital allowances for current year	1,000

Details of Ray’s employment income and benefits and other income and expenditure for the year to 31 December 2010 are expected to be as follows:

	RM
Income	
Salary	120,000
Entertainment allowance (Ray actually spent RM7,000 on entertaining business customers)	6,000
Interest income from a loan extended to his brother	200
Expenditure	
EPF contributions	14,400
Benefits	
Medical expenses for Ray paid by his employer	800
Cost of a new personal computer given to Ray by his employer	3,500
Broadband subscription fee paid by his employer (bill in the name of the employer and paid by the employer)	700
Utility bills paid by employer (bills in the name of employee)	720

Ray was provided with free living accommodation by his employer from 1 July 2010 in a fully furnished house at a monthly rental of RM15,000, which includes RM3,000 for the rental of furniture and household amenities.

Ray made a donation of RM100 to an approved institution but has confirmed that he does not have the official receipt or any other documentary record for the said donation.

Dr Rita, Ray’s wife, is a partner in a private clinic in which she has a 50% share of profits.

Details of the partnership business for the year ended 31 December 2010 are expected to be:

	RM
Divisible income	210,000
Capital allowance	24,000

In addition to her share of profits, Dr Rita received the following payments from the partnership in 2010:

	RM
Salary	10,000
Interest on capital	5,000
Private expenses	6,000

During the year of 2010, Dr Rita received royalty income of RM21,000 from musical compositions. To keep fit, she bought a treadmill for RM1,000. She made a cash donation of RM1,000 to an approved institution for which she has a receipt.

Required:

Assuming that Ray and Dr Rita do not elect for combined assessment, compute the chargeable income and income tax payable for the year of assessment 2010 by:

(a) Ray; and (17 marks)

(b) Dr Rita. (9 marks)

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.

(26 marks)

2 Chong Enterprise is in the business of mould fabrication. It commenced business during the period ended 31 December 2009 and has been in business for two years.

Details of Chong Enterprise's fixed assets are as follows:

During the current year ended 31 December 2010 it incurred/acquired the following assets:

	RM
(i) Office equipment	100,000
(ii) Passenger motor vehicle (new)	145,000
(iii) Lorry	160,000
(iv) Heavy machinery	10,000
(v) Repairs capitalised	3,000

In January and February 2009 it had acquired the following assets:

	RM
(i) Furniture and fittings	1,000
(ii) Plant and machinery	100,000
(iii) Office equipment	20,000
(iv) Computers	10,000

During the year ended 31 December 2010, the following assets acquired in the year ended 31 December 2009 were stolen/destroyed:

- (i) The computers were stolen and the necessary police reports were made and the insurance claim received was RM7,000.
- (ii) The furniture and fittings were destroyed by fire. Chong Enterprise was not eligible to make any claim for this loss.

The adjusted income of Chong Enterprise for the year of assessment 2010 (before any adjustments relating to the fixed assets as detailed above) is RM1,000,000.

Note: you should apply the following rates when answering the question:

	Initial allowance	Annual Allowance
Assets acquired in 2009		
Computer	20%	80%
Other Assets	Apply normal rates as given	
Assets acquired in 2010		
All assets	20%	40%

Required:

(a) Compute the residual expenditure and the balancing charge(s) and/or balancing allowance(s) in respect of the assets destroyed/damaged.

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 the assets destroyed/damaged will be made. (5 marks)

(b) Compute the capital allowances for Chong Enterprise for the year of assessment 2010 in respect of:

- (i) the assets brought forward after taking into account the assets destroyed/damaged; and** (3 marks)
- (ii) the new assets acquired in 2010.** (7 marks)

(c) Compute the statutory income of Chong Enterprise for the year of assessment 2010. (4 marks)

(19 marks)

3 (a) A Malaysian company intends to make the following payments to non-residents:

- Interest of RM10,000 payable to a non-resident bank in respect of the financing of its Malaysian factory expansion. The terms of the agreement state that the withholding tax will not be borne by the bank.
- Services performed by a non-resident service provider, based in Hong Kong, for technical design fees of RM20,000 where half the services will be performed in Malaysia and the balance performed outside of Malaysia.

Required:

- (i) State when withholding tax is normally due and payable to the Inland Revenue Board;** (1 mark)
 - (ii) State the consequences of non-compliance with the withholding provisions;** (2 marks)
 - (iii) Compute the amount of withholding tax on the interest income derived by the non-resident bank;** (2 marks)
 - (iv) Explain the tax implications for the Malaysian company of bearing the withholding tax on the interest paid to the non-resident bank;** (2 marks)
 - (v) State the basis used to determine the amount on which withholding tax will be due in respect of the technical design fees paid to the non-resident service provider and compute the withholding tax payable.** (3 marks)
- (b) List any FOUR of the powers vested in the Director General of Inland Revenue.** (4 marks)
- (c) Kay Sdn Bhd commenced its business operations on 1 March 2010. The company's paid-up share capital is RM5 million and it expects to have an income tax payable for the year of assessment 2010.**

Required:

- (i) State, giving reasons, the due date for the filing of Kay Sdn Bhd's estimate of income tax payable for the year of assessment 2010;** (3 marks)
- (ii) State the due date for Kay Sdn Bhd to pay its first monthly instalment and the total number of instalments by which the tax estimate will be settled.** (3 marks)

(20 marks)

- 4 (a) Splendid Sdn Bhd is a manufacturer who is licensed for sales tax purposes. The company imported raw materials from overseas with a purchase price of RM100,000 and in addition incurred insurance and freight charges of RM10,000.

The sales tax rate applicable to the raw materials imported is 10%.

Required:

- (i) **Compute the amount of sales tax payable on the import of the raw materials;** (2 marks)
- (ii) **State how many months there are in a taxable period and the due date for remitting sales tax to the Royal Customs and Excise Department.** (2 marks)

- (b) Kris is employed as a waiter in a hotel. In 2010, he received tips amounting to RM800. He got married during the year 2010 and received a cash gift of RM1,000 for his wedding from his employer.

Required:

State, giving reasons, whether the above receipts will be taxable in the hands of Kris for the year of assessment 2010. (4 marks)

- (c) CP Sdn Bhd is a trading company 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
(i) Fine for the late payment of EPF contributions	100
(ii) Professional fee for taxation services for the preparation of the company's tax computation	1,000
(iii) Small value assets (blinds)	700
(iv) Amortisation of fixed assets	10,000
(v) Cash donations made to approved charitable institutions	300
(vi) Leave passage for an employee's overseas trip	600
(vii) Entertainment of the company's suppliers	2,000

The company's accounting profit before tax (after deduction of the above items) for the year 2010 is expected to be RM90,000.

Required:

Compute the adjusted income of CP Sdn Bhd for the year of assessment 2010. (7 marks)

(15 marks)

End of Question Paper