

Certified Accounting Technician Examination
Advanced Level

Preparing Taxation Computations (Malaysia)

Tuesday 9 December 2008

Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

ALL FOUR questions are compulsory and MUST be attempted.

Tax rates and allowances are on pages 2–3.

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 square.

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			Rate	Cumulative tax
Chargeable income	RM		%	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)	13	3,475
Next	20,000	(50,001 – 70,000)	19	7,275
Next	30,000	(70,001 – 100,000)	24	14,475
Next	150,000	(100,001 – 250,000)	27	54,975
Exceeding	250,000		28	

Resident company

Paid up ordinary share capital

	First RM500,000	Excess over RM500,000
RM2,500,000 or less	20%	26%
More than RM2,500,000	26%	26%

Non-resident

Company	26%
Individual	28%

Personal reliefs and allowances

		RM
Self		8,000
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
Disabled child	(each)	5,000
Life insurance premiums and contributions to approved provident funds	(maximum)	6,000
Medical or education insurance premiums for self, spouse or child	(maximum)	3,000
Purchase of a personal computer	(maximum)	3,000
Deposit for a child into the National Education Savings Scheme	(maximum)	3,000

Rebates

Chargeable income not exceeding RM35,000	RM
Individual	350
Individual who has been given a deduction in respect of a spouse or former wife	700

Value of benefits in kind

Car and fuel scale

Cost of car (when new) RM	Prescribed annual value of private usage of car RM	Fuel per annum 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 car benefit equal to half the prescribed annual value (above) is taken if the car provided is more than five (5) years old, but the value of fuel provided remains unchanged.

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
Driver	600

		RM per month
Telephone (fixed or mobile):	Hardware	300
	Bills	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
Computers, information technology and computer software	20	40
Office equipment, furniture and fittings	20	10

Sales tax and service tax rates

	Rate %
Sales tax	10
Service tax	5

ALL FOUR questions are compulsory and MUST be attempted

- 1 Mr Resident and Mr West are close friends from their student days. For the past 30 years, Mr Resident has lived and worked in Malaysia while Mr West has remained in his home country.

Starting in the year 2008, Mr West decided to make Malaysia his second home, spending up to five months each year in Malaysia. Mr West thus arrived in Malaysia for the first time on 10 January 2008 and left Malaysia on 25 March 2008. He next returned to Malaysia on 1 November 2008 and will stay continuously in Malaysia until 15 March 2009.

Mrs Resident writes books and derived royalty income of RM22,500 for the year of assessment 2008, this being her only source of income. She has elected for combined assessment with Mr Resident for the year of assessment 2008.

Other details regarding the two friends' income and expenditure for the year ended 31 December 2008 are expected to be as follows:

	Mr Resident RM	Mr West RM
Income		
Salary from employment	120,000	–
Travelling allowance from employer	12,000	–
Entertainment allowance from employer	9,600	–
Interest on fixed deposits with a Malaysian bank	5,600	10,000
Gross rental income from property in Malaysia	–	90,000
Expenditure		
Contributions to the Employees Provident Fund	13,200	–
Health insurance premium	4,175	–
Subscription to professional body	2,980	–
Work-related travelling expenses	10,020	–
Business entertainment expenses	12,000	–
Approved donation in cash	2,000	3,000
Repairs and maintenance of the rental property in Malaysia	–	1,500
Quit rent and assessment rates on the rental property in Malaysia	–	2,800
Additional security grilles for the rental property	–	5,000

Required:

- (a) Explain why Mr West fails to fulfil each of the FOUR rules for tax residence under section 7 of the Income Tax Act, for the year of assessment 2008. (7 marks)
- (b) Compute the chargeable income and the income tax payable for the year of assessment 2008 by:
- (i) Mr Resident; and (16 marks)
- (ii) Mr West. (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.

(32 marks)

- 2 Dr Manis runs a medical clinic under the name of Klinik Harapan. Her husband, Mr Cekap, is employed as the operations and finance manager of the clinic.

For the year ended 31 December 2008, Klinik Harapan's statement of profit and loss is expected to be as follows:

	RM	RM
Income		
Consultation fees and medicines		683,975
Expenditure		
Medicines and supplies	108,250	
Loss on sale of X-ray equipment	1,900	
Staff payroll	85,742	
Dr Manis's attendance at a medical conference	12,000	
Salary to Mr Cekap	60,000	
Clinic upkeep and utilities	21,235	
Cash donation to approved charity	1,000	
Depreciation	7,363	
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Total expenditure		(297,490)
Net profit before tax		<hr/> 386,485 <hr/>

Capital allowances for Klinik Harapan for the year of assessment 2008 will amount to RM9,380 while an unabsorbed capital allowance of RM18,900 has been brought forward from the year of assessment 2007.

Dr Manis has a current year business loss of RM21,800 from another business. She also received a dividend of RM4,440 net of tax at 26% in November 2008.

Required:

- (a) Briefly explain whether each item of expenditure in the profit and loss statement is or is not deductible in arriving at the adjusted income of the clinic. (12 marks)

- (b) Assuming that the adjusted income from Klinik Harapan, when it is finally ascertained, is RM450,000, compute the total income of Dr Manis for the year of assessment 2008.

Note: marks will be awarded for the use of accurate technical terms to describe the figures comprising the stages in the computation of total income. (7 marks)

- (c) State the general basis of taxation for service tax and explain whether Klinik Harapan is subject to the service tax provisions in the year 2008. (5 marks)

(24 marks)

3 Able Sdn Bhd is an established manufacturing company that has a financial year end of 30 June, annually.

On 31 March 2008, Able Sdn Bhd completed the construction of its new factory building at a cost of RM830,200 analysed as follows:

Items included in cost	RM
Cost of factory land	220,150
Legal fees and stamp duty on acquiring the factory land	4,050
Legal fees on the construction contract	1,000
Cost of construction and fittings	545,000
Professional fees for design and supervision	60,000
	<hr/>
	830,200
	<hr/>

The professional fees for design and supervision were paid to an architect who was a non-resident. The architect travelled to Malaysia to perform all the design and supervision work on this project.

The new factory was immediately used in the company's manufacturing business.

Able Sdn Bhd disposed of its old factory premises on 15 May 2008 for RM1,500,000, of which RM1,000,000 related to the factory building. The old factory had been constructed on 1 February 2004 at a cost of RM800,000 and has been used in the business since its completion.

Required:

- (a) **Determine the qualifying building expenditure in respect of the new factory, giving brief explanations of the treatment of each cost item listed.** (6 marks)
- (b) **Compute the industrial building allowance for Able Sdn Bhd for the year of assessment 2008, together with the amount of residual expenditure carried forward.** (3 marks)
- (c) **Compute the balancing charge/allowance in respect of the disposal by Able Sdn Bhd of the old factory in the year of assessment 2008.** (6 marks)
- (d) **Explain whether withholding tax is applicable in respect of the payment of professional fees for the design and supervision of the new factory.** (6 marks)

(21 marks)

- 4 (a) After being employed in Korea by a Korean company for ten years, Zamri was transferred to Malaysia to be the local representative for his Korean employer in Malaysia with effect from 1 March 2008. He arrived in Kuala Lumpur on 1 March 2008 and was based in Malaysia from that date.

Zamri resigned from his job with the Korean employer with effect from 30 November 2008, to take up employment with a Malaysian company as its representative based in Dubai.

All of Zamri's emoluments from employment from 1 January 2008 to 31 December 2008 were paid into his bank account in a Malaysian bank in Kuala Lumpur.

Details of Zamri's income for the year 2008 are as follows:

Period	Employer	Location of employment	Emoluments RM
1 January 2008 to 29 February 2008	Korean company	Korea	20,000
1 March 2008 to 30 November 2008	Korean company	Malaysia	135,000
1 December 2008 to 31 December 2008	Malaysian company	Dubai	50,000

Required:

- (i) In respect of Zamri's income for each of the three periods in 2008, state, giving reasons:

- (1) whether the income is derived from Malaysia; and
- (2) whether the income is subject to tax in Malaysia.

Note: it is not necessary for you to consider Zamri's tax residence position. (13 marks)

- (ii) Assuming that Zamri is subject to tax in Malaysia for the year of assessment 2008, state, giving reasons, whether Zamri has a duty under the Income Tax Act to notify the Director General of Inland Revenue of his chargeability to tax in Malaysia and, if so, state the date by which such a notification must be made. (5 marks)

- (b) Briefly explain the requirements under the Income Tax Act for a person carrying on a business with regards to keeping records; in particular, the place in which the records should be kept, the period for which they should be kept and the giving of receipts. (5 marks)

(23 marks)

End of Question Paper