

Certified Accounting Technician Examination
Advanced Level

Preparing Taxation Computations (Malaysia)

Tuesday 9 June 2009

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 2–3.

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 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 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
Child – higher rate	(each)	4,000
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.

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 servant	400
Gardener	300
	RM per annum
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

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

Please use the Candidate Registration Sheet provided to indicate your chosen answer to each multiple choice question. Each question within this section is worth 2 marks.

- 1 Timmy, an employee, received a bonus of RM27,000 on 1 October 2008 for outstanding achievement in sales in 2008.

How much of the RM27,000 is taxable in the year of assessment 2008?

- A Bonus is exempted
- B RM27,000 is fully taxable
- C Only half of RM27,000 is taxable in the year of assessment 2008
- D RM2,700 is taxable per year

(2 marks)

- 2 Madam Aminah is a supplier of foodstuff. She made a provision for a doubtful debt of RM38,000 owing to her by Fast Foods Sdn Bhd (for the purchase of foodstuff) because the company experienced serious financial difficulties.

How much of the provision is tax deductible?

- A RM38,000
- B Nil
- C RM19,000
- D RM3,800 per year

(2 marks)

- 3 Zee Sdn Bhd buys a new lorry for use in its trade for RM250,000 during the basis period for the year of assessment 2008.

What is the amount of capital allowance that the company may claim in respect of the lorry for the year of assessment 2008?

- A RM250,000
- B RM25,000
- C RM100,000
- D RM20,000

(2 marks)

4 Shoes-R-Us Sdn Bhd constructed a new building for use in its business for RM1,000,000. The component costs are:

	RM
Land cost	200,000
Legal fees for land	10,000
Construction costs	
Shoe factory	500,000
Showroom	100,000
General office	190,000
	1,000,000
	1,000,000

What is the qualifying building expenditure for the purposes of calculating industrial building allowance?

- A RM1,000,000
- B RM500,000
- C RM690,000
- D RM510,000

(2 marks)

5 On 1 August 2008, Johan received interest income of RM3,500 from his fixed deposit with a licensed bank in Malaysia.

What is the amount of interest income that Johan should report in his annual tax return for the year of assessment 2008?

- A nil
- B RM3,500
- C RM1,750
- D RM3,000

(2 marks)

6 Mr Landlord's rental statement for the year of assessment 2008 is as follows:

	RM
Rental income	36,000
Expenditure	
Quit rent and assessment	(4,000)
Replaced 15-year-old grilles	(3,000)
Mortgage interest	(30,000)

What is Mr Landlord's adjusted income/(loss) from rent for the year of assessment 2008

- A Adjusted loss of RM1,000
- B Adjusted income RM36,000
- C Adjusted income of RM2,000
- D Adjusted income or loss: nil

(2 marks)

- 7 In 2008, two of Encik Ahmad's four children were 20-year-olds studying in local universities, while the third child attended secondary school. The youngest child was disabled.

State the total child relief Encik Ahmad is entitled to claim for the year of assessment 2008.

- A RM8,000
- B RM12,000
- C RM10,000
- D RM14,000

(2 marks)

- 8 AL Sdn Bhd, a construction company, leased cranes for use in its business from a non-resident and paid a lease rental of RM100,000 on 20 December 2008. It did not deduct any withholding tax and did not pay any withholding tax in respect of the payment to the tax authorities.

When computing the adjusted income from its business for tax purposes what adjustment must be made to the tax computation in respect of the lease expense for the year of assessment 2008?

- A No tax adjustment is necessary
- B Double deduction i.e. deduct another RM100,000
- C Add back RM100,000
- D Add back RM50,000

(2 marks)

- 9 Mr Tan derives business income from running a tuition centre in the evening. In the morning, he is employed as a sales assistant, drawing a monthly salary.

By what date must Mr Tan submit his annual tax return for the year of assessment 2008?

- A By 31 May 2009
- B By 30 June 2009
- C By 30 April 2009
- D By 30 June 2008

(2 marks)

- 10 XYZ Sdn Bhd manufactures packaging materials (not included in the list of exempted goods) in Malaysia for sale exclusively in the domestic market. Its annual sales exceed RM2 million.

Is the company subject to the sales tax provisions?

- A Yes
- B No
- C Depends on the location of the factory
- D None of the above

(2 marks)

(20 marks)

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

1 Mr and Mrs Adil are partners in their law firm. Details regarding their income from the partnership for the year ended 31 December 2008 are as follows:

	Mr Adil RM	Mrs Adil RM
Share of divisible income	40,000	60,000
Partner's salary	–	72,000
Share of capital allowances	6,400	9,600

Mr Adil is also a director of a public listed company and was provided with a new company car (cost: RM180,000) as well as a driver for the entire 12 months in 2008. Petrol was not provided by the company.

Mr Adil also has an unabsorbed loss of RM95,000 (agreed with the Inland Revenue Board) from a failed business brought forward from the year of assessment 2007.

Other details regarding the income and expenditure of Mr and Mrs Adil for the year ended 31 December 2008 are as follows:

	Mr Adil RM	Mrs Adil RM
Income		
Director's fee	30,000	–
Interest on a loan to a Malaysian company	–	19,500
Single-tier dividend from a Malaysian company		2,880
Foreign dividend remitted to Malaysia	–	6,000
Expenditure		
Contributions to the Employees Provident Fund	3,600	–
Life insurance premium	5,000	2,410
Approved donation in cash	10,000	1,900
Books and magazines	–	2,350
Annual medical check-up	–	490

Mrs Adil claims the child relief in respect of their only child who is 19 years old and an under-graduate at a foreign university.

Required:

Assuming that Mrs Adil elects for separate assessment, compute the chargeable income and the income tax payable for the year of assessment 2008 by:

(a) Mr Adil; and (14 marks)

(b) Mrs Adil. (12 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 (a) Happy Kiddos, a kindergarten, incurred the following expenditure for the year ended 31 December 2008:

	RM
Rental of premises	60,000
Purchase of chairs and tables	4,500
Foodstuff, writing materials and other supplies	27,000
Salary to the sole proprietor of Happy Kiddos	36,000
Utilities, maintenance and upkeep of premises	16,300
Training of helpers and assistants	3,800
Advertisements and marketing	4,730

Required:

Briefly explain whether each item of expenditure is or is not deductible in arriving at the adjusted income of the kindergarten for the year of assessment 2008. (10 marks)

(b) Quick Sdn Bhd closes its accounts annually to 31 December. For the year of assessment 2007, it estimated its tax at RM100,000 and did not revise its tax estimate thereafter. The actual tax charged for the year of assessment 2007 was RM168,000.

Required:

- (i) **State, with reasons, the minimum amount of estimated tax for Quick Sdn Bhd for the year of assessment 2008;** (3 marks)
- (ii) **Identify the two months during which Quick Sdn Bhd may revise its estimated tax for the year of assessment 2008;** (3 marks)
- (iii) **Compute the penalty that Quick Sdn Bhd is liable to pay in respect of its under-estimation of tax for the year of assessment 2007.** (5 marks)

(21 marks)

3 De Ole Place is an established restaurant run by a sole proprietor.

During the year ended 31 December 2008, De Ole Place acquired the following assets:

	RM
Kitchen equipment	350,000
Restaurant furniture and fittings	80,000
Personal computer system	7,000

Also during 2008, a motor car was acquired with hire purchase finance. Relevant details are as follows:

	RM
Cost	189,000
Deposit paid	45,000
Hire purchase loan (excluding interest) repayable in 48 equal monthly instalments. The first instalment was paid on 1 October 2008.	144,000

Assets brought forward from the year of assessment 2007 are as follows:

	Cost	Residual expenditure as at 1 January 2008
	RM	RM
Van	78,000	31,200
Furniture and fittings	30,000	6,000

De Ole Place disposed of its old kitchen equipment on 15 December 2008 for RM15,000. The old kitchen equipment had cost RM75,000 15 years ago.

Required:

(a) Compute the capital allowances for De Ole Place for the year of assessment 2008 in respect of:

- (i) the new assets acquired in 2008; (8 marks)
- (ii) the motor car acquired under hire purchase; and (5 marks)
- (iii) the assets brought forward. (4 marks)

(b) Compute the balancing charge/allowance in respect of the disposal by De Ole Place of the old kitchen equipment in the year of assessment 2008. (3 marks)

(20 marks)

- 4 (a) Abang, a healthy 51-year-old, and Adik, a strong 35-year-old, had worked for the same employer for 10 years and one month as at 30 November 2008, when the company implemented a downsizing exercise. The company did not have any collective agreement in place.

Abang thus took up the early retirement offered to those above 50 years of age while Adik was made redundant.

Both received lump sum payments upon ceasing employment with the company.

Required:

Explain the income tax treatment of

- (i) **Abang's retirement gratuity of RM60,000;** (4 marks)
- (ii) **Adik's compensation for loss of employment of RM75,000.** (4 marks)
- (b) **Briefly explain the service tax provisions for a person providing a taxable service in Malaysia.** (5 marks)

(13 marks)

End of Question Paper