



DECEMBER 2009 AND JUNE 2010 – STUDY GUIDE  
CERTIFIED ACCOUNTING TECHNICIAN EXAMINATION

**ACCA**

Paper 9 (MYS)  
Preparing Taxation  
Computations

# Introduction

This booklet contains the Study Guide for the ACCA's Certified Accounting Technician Paper 9 (MYS): Preparing Taxation Computations.

The Study Guide is designed to help you plan your studies and to provide more detailed interpretation of the syllabus for ACCA's Certified Accounting Technician examinations. It contains both the Syllabus and the Study Sessions for the paper, which you can follow when preparing for the examination.

The Syllabus outlines the content of the paper and how that content is examined. The Study Sessions take the syllabus and expand it into teaching or study sessions of similar length. These sessions indicate what the examiner expects of candidates for each part of the syllabus, and therefore gives you guidance in the skills you are expected to demonstrate in the examinations. The time to complete each session will vary according to your individual capabilities and the time you have available to study. Tuition providers offering face-to-face tuition are recommended to design courses with a minimum of two hours tuition per study session. However, repeated coverage of the material is vital to ensure your understanding and recall of the subject. Be sure to practice past examination questions to consolidate your knowledge and read your *student accountant* magazine regularly.

If you have any queries concerning the study guide, please direct them to:

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## **ABOUT ACCA**

ACCA is the largest and fastest-growing international accountancy body with 362,000 students and 131,500 members in 170 countries. We aim to offer first choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. ACCA works to achieve and promote the highest professional, ethical and governance standards and advance the public interest.

# Preparing Taxation Computations (MYS)

## AIMS

- To develop the ability to prepare computations of tax liability for an individual in respect of his income from employment, business and other income.
- To develop an understanding of statutory compliance requirements and the administrative aspects of tax compliance
- To develop the ability to prepare computations of tax liability for companies
- To develop knowledge and understanding of the principles relating to the application of sales tax and service tax
- To develop knowledge and understanding of the manner in which dealings should be conducted with the Inland Revenue Board.

## OBJECTIVES

On completion of this paper, candidates should be able to:

- Compute the adjusted income from business sources
- Calculate an individual's income from employment sources
- Compute adjusted income from property and investment sources
- Calculate capital allowances including balancing charge and balancing allowance
- Compute provisional adjusted income and divisible income from a partnership business source
- Prepare income tax computations
- Identify the due dates for submission of returns and the payment of tax liabilities
- Calculate and comply with withholding tax requirements
- Prepare computations of chargeable income and tax payable by companies under the imputation system
- Explain and apply the principles relating to sales tax and service tax
- Conduct dealings with the Inland Revenue Board and clients in a timely and competent manner.

## POSITION OF THE PAPER IN THE OVERALL SYLLABUS

An understanding of the format of accounts used for sole proprietorships, partnerships and companies is assumed from Paper 3, *Maintaining Financial Records* and Paper 6, *Drafting Financial Statements*, but no prior knowledge of taxation is required.

## SYLLABUS CONTENT

### 1 Introduction to the Malaysian tax system

- (a) Revenue law and practices
- (b) Scope of charge
- (c) Capital versus revenue
- (d) Classification of income
- (e) Tax residence
  - (i) Companies
  - (ii) Individuals - in detail
  - (iii) Significance of residence status
- (f) Basis of assessment
- (g) Rates of tax
- (h) Steps in computing chargeable income and tax payable, including the combined or separate assessment of husband and wife

### 2 Gross income from employment

- (a) Definition of employment, employer and employee
- (b) Types of employment income
  - (i) Salary - emoluments, allowances, bonus, gratuity etc
  - (ii) Benefits of kind
  - (iii) Living accommodation
  - (iv) Compensation and gratuity
  - (v) Withdrawals from unapproved funds
  - (vi) Contributions to approved provident funds (including EPF) by employer and employee
- (c) Rules for derivation of employment income
- (d) Exemptions
- (e) Allowable expenses

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### 3 Gross income from business

- (a) Definition in section 2
- (b) Derivation of business income
  - (i) accrual concept
  - (ii) business expenses
  - (iii) capital allowances
  - (iv) relief for business losses.

### 4 Business expenses

- (a) Rules for deductions
- (b) Prohibited deductions
- (c) Special deductions
- (d) Common expenses
  - (i) Interest
  - (ii) Rent
  - (iii) Repairs and renewals
  - (iv) Legal and professional fees
  - (v) Bad and doubtful debts
- (e) Proprietor's remuneration and benefits.

### 5 Capital allowances - plant and machinery

- (a) Definition of plant
- (b) Qualifying plant expenditure
- (c) When plant expenditure is "incurred"
- (d) Initial allowance and annual allowance
- (e) Definition of disposal
- (f) Balancing allowance or balancing charge
- (g) Assets under hire purchase
- (h) Set-off and carry forward of capital allowances.

### 6 Industrial buildings

- (a) Industrial buildings
- (b) Qualifying building expenditure
  - (i) Constructed buildings
  - (ii) Purchased buildings (new and used)
- (c) Initial allowance and annual allowance
- (d) Disposals.

### 7 Other sources of income

- (a) Interest
- (b) Dividends
- (c) Rents and royalties

### 8 Personal reliefs & tax rebates

- (a) Types of personal reliefs
- (b) Tax rebates
- (c) Computation of chargeable income and tax payable for an individual
- (d) Self-assessment system for individuals
  - (i) tax installment payments
  - (ii) time limits
  - (iii) penalties

### 9 Partnerships

- (a) Meaning of "partnership"
- (b) Divisible income
- (c) Provisional adjusted income.

### 10 Taxation of companies

- (a) Computation of chargeable income
- (b) Relief for losses (excluding group relief)
- (c) Calculation of tax payable
- (d) Self-assessment system
  - (i) tax estimates and revision of tax estimates
  - (ii) tax payments
  - (iii) time limits
  - (iv) penalties

### 11 Withholding tax

- (a) Payments subject to withholding tax
- (b) Compliance requirements
- (c) Penalties for non-compliance.

### 12 Tax administration and compliance requirements

- (a) Notification of chargeability
- (b) Returns and assessments
- (c) Payment of tax
- (d) Appeals
- (e) Offences and penalties

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- (f) Powers of the Director General
- (g) Responsibilities of employer and employee.

## 13 Sales tax and service tax

- (a) Scope
- (b) Basic principles of computation
- (c) Registration
- (d) Administration.

### EXCLUDED TOPICS

The following topics are specifically excluded from Paper 9 (MYS):

#### General

- Case law
- Mutual and illegal transactions
- Transitional provisions from the imputation system to the single-tier system

#### Types of entities

- Investment holding companies
- Clubs and societies
- Trusts and co-operatives

#### Basis of assessment

Determination of basis periods and change of accounting date

#### Types of employment income

Employee share options

#### Deductions and reliefs

- Double or further deductions
- Interest restriction
- Non-resident relief
  
- Double tax relief
- Group relief

#### Relief on capital expenditure

- Tax incentives
- Controlled sales
- Agriculture and forest allowance

- Approved agricultural projects
- Mining allowance and prospecting expenditure
- Relief on approved food production

### KEY AREAS OF THE SYLLABUS

The key topic areas are as follows:

- Computation of an individual's income from employment
- Computation of adjusted income from sole-proprietor businesses and partnerships
- Calculation of capital allowances
- Calculation of income from property and other investments
- Detailed computation of individual's chargeable income and tax payable, including the combined or separate assessment of husband and wife
- Computation of chargeable income of and tax payable by companies.

### APPROACH TO EXAMINING THE SYLLABUS

Paper 9 (MYS) is a three-hour written paper with 15 minutes reading time.

The examination will be mainly computational and will comprise 2 sections. There will be no optional questions.

Section A will comprise 10 multiple choice questions (MCQ) each worth 2 marks. This will total 20 marks.

Section B will comprise four long form compulsory questions adding up to a total of 80 marks.

Question 1 will always relate to a computation of income tax payable by an individual (or individuals) for a minimum of 23 and no more than 27 marks.

Questions 2 and 3 will relate to the taxation of businesses (incorporated or unincorporated). Each will carry between 18 to 22 marks.

Question 4 may include topics from any area of the syllabus not examined elsewhere in the paper. It will be worth between 13 to 18 marks.

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Sales/service tax will not be examined as a whole question, only as part of a question either linked to the business scenario contained in the remainder of that question or as a distinct and separate subpart to a question.

### ADDITIONAL INFORMATION

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the financial accounting, audit and assurance, law and tax papers except where indicated otherwise, ACCA will publish examinable documents once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions.

For paper based examinations regulation issued or legislation passed on or before 30th September annually, will be assessed from June 1st of the following year to May 31st of the year after. Therefore, paper based examinations in June 2009, December 2009 (and March 2010 where applicable) will be assessed on regulations issued and legislation passed on or before 30 September 2008.

Regulation issued or legislation passed in accordance with the above dates may be examinable even if the effective date is in the future.

The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to an entity transactions and business practices.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

Malaysia is one of the exceptions to this rule due to the timing of

legislation. With effect from the December 2009 exam, the annual cut-off date will become 31 March.

Legislation must have been passed by 31 March in order to become examinable in examination sessions being held in December of the same year and in June the following calendar year. This means that all legislation having been passed by 31 March 2009 will be examinable in December 2009 and June 2010 examinations.

Exceptionally, although passed or issued in April 2009, the following are hereby confirmed to be examinable for the December 2009 and June 2010 examinations:

- (a) Gazette Order P.U.(A)152 Exemption of benefits or gifts received by an employee from his employer, gazette on 16 April 2009.
- (b) Benefits- in-kind: Third Addendum to Public Ruling No 2/ 2004 issued on 17 April 2009.
- (c) Income Tax (Deduction for Benefit and Gift from Employer to Employee) Rules 2009. PU(A)153/2009. Gazetted 16/4/2009.

In addition, although passed in March 2009, the following are hereby confirmed NOT to be examinable for the December 2009 and June 2010 examinations:

- (a) Income Tax (Deduction for Expenses relating to Remuneration of Employee) Rules 2009. PU(A)110/2009. Gazetted 10/3/ 2009.
- (b) Income Tax (Accelerated Capital Allowance) (Plant & Machinery) Rules 2009. PU(A)111/2009. Gazetted 10/3/2009.

Tax rates, personal reliefs, value of private use of motor vehicles and other benefits and rates of capital allowances will be provided at the front of the examination paper.

Calculations should be made to the nearest Ringgit.

Knowledge of certain specified section numbers is expected.

They are:

- Section 4 - classification of income
- Section 7 - residence of individuals
- Section 13 - employment income

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Section 33(1) - general rules of deductibility

Knowledge of section numbers will otherwise not be needed to understand questions in this paper nor will students be expected to use them in their answers. If students wish to refer to section numbers in their answers they may do so and will not be penalised if old, or even incorrect section numbers, are used.

Working knowledge of the following Public Rulings issued by the Inland Revenue Board, Malaysia is expected:

4/2000 (Revised)	Keeping sufficient records (companies and co-operatives)
5/2000 (Revised)	Keeping sufficient records (individuals and partnerships)
7/2000	Providing reasonable facilities and assistance
8/2000	Wilful evasion of tax and related offences
1/2001	Ownership of plant and machinery for the purpose of claiming capital allowances
2/2001	Computation of initial and annual allowances in respect of plant and machinery
3/2001	Appeal against an assessment
1/2003	Tax treatment of leave passage
2/2004	Benefits in kind
1/2005	Computation of total income
2/2005	Computation of total income tax payable by a resident individual
3/2005	Living accommodation benefit provided for the employee by the employer
4/2005	Withholding tax on special classes of income
1/2006	Perquisites from employment
5/2006	Professional indemnity insurance
6/2006	Tax treatment of legal and professional expenses
1/2008	Special allowances for small value assets

## RECOMMENDED TEXTS

Choong Kwai Fatt **Malaysian Taxation - Principles and Practice** latest edition Inforworld

Alan Yeo Miow Cheng **Preparing Taxation Computations and Returns [Malaysia]**, latest edition YSB Management Sdn Bhd

## REFERENCE MATERIAL

**Malaysian Master Tax Manual**, latest edition

**Tax National**, Official Journal of the Malaysian Institute of Taxation.

Wider reading is also recommended, especially regular study of relevant articles in ACCA's *student accountant* magazine.

## STUDY SESSIONS

### 1 Introduction to the Malaysian tax system

- Identify the sources of revenue law and practice
- State the scope of charge for various taxpayers
- Explain the concept of capital versus revenue
- Outline the classification of income under Section 4
- Explain the various concepts of basis of assessment: year of assessment, basis year, basis period, financial year and accounting year
- Relate the structure of tax rates to individuals and companies
- Briefly explain tax residence.

### 2 Introduction to the Malaysian tax system (continued)

- Explain and illustrate the four rules of tax residence for individuals under Section 7. Be able to provide worked examples for each rule
- Briefly explain the tax residence rule for companies - include only place of control and management exercised by the board of directors (case law is not required)
- Explain the significance of tax residence status
- Illustrate the steps in computing chargeable income and tax payable
- Prepare proforma computations to highlight treatment of capital allowances and business losses.

### 3 Income from employment 1

- Define employment, employer, employee
- Explain the difference between employment and self-employment
- Explain the different types of employment income under Section 13 (1)
  - Salary emolument, allowances, bonuses, gratuities etc

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- Benefits in kind; Inland Revenue Board Guidelines
- Living accommodation - illustrate with worked examples
- Compensation for loss of employment - illustrate with worked examples
- Withdrawal from unapproved funds
- Explain the rules for derivation of employment income under section 13(2)

### 4 Income from employment 2

- Explain the treatment of gratuities and compensation- illustrate with worked examples
- List the exemptions
- Identify the allowable expenses
- Explain the treatment of respective contributions to approved provident funds (including EPF) by employer and employee.

### 5 Income from employment 3

- Recapitulate and summarise re employment income
- Calculate adjusted income from employment

### 6 Gross and adjusted income from business

- Define a 'business'
- Explain aspects of the derivation of business income
  - accrual concept
  - business expenses
  - Capital allowances and
  - relief for business losses
- Explain the general rules for deductions under section 33(1) - to be able to illustrate each type of deduction with an example.

### 7 Business expenses (continued)

- Explain the prohibited deductions in section 39
- Be aware of the list of special deductions in section 34.

### 8 Adjusted income from business

- Explain and illustrate the treatment of common expenses
  - Interest
  - Rent

- Repairs and renewals
- Legal and professional fees
- Bad and doubtful debts
- Proprietor's remuneration and benefits
- Prepare computations of adjusted income from business.

### 9 Capital allowances - plant and machinery 1

- Define plant
- Determine components of qualifying plant expenditure
- Establish when plant expenditure is "incurred"
- Explain the conditions for claiming initial allowance and annual allowance
- Treatment of small value assets
- Define disposal

### 10 Capital allowances - plant and machinery 2

- Calculate balancing allowances or balancing charge
- Show calculations for assets acquired under hire purchase
- State the treatment of unutilised capital allowances carried forward

### 11 Industrial buildings

- Define and give examples of industrial buildings
- Determine the components of qualifying building expenditure
- Calculate initial and annual allowances on:
  - Constructed buildings
  - Purchased buildings (new and used)
- Explain the treatment of industrial buildings on disposal

### 12 Other sources of income

- Explain the treatment of interest income including withholding tax and exemptions
- Explain the treatment of franked dividends and one-tier dividend; net dividends, gross dividends and imputation credits
- Calculate rental income and premiums - including consideration of whether expenses are allowable

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- Explain the treatment of royalties including exemption

### 13 Aggregate income and total income

- Compute aggregate income
- Compute total income
  - Illustrate the treatment of a current year business loss
  - Explain approved donations and the requirements for deduction.
- Explain and illustrate combined assessment of husband and wife

### 14 Personal reliefs & tax rebates

- Explain the types of personal reliefs
- Explain the tax rebates
- Explain the self-assessment system for individuals:
  - tax installment payments
  - time limits
  - penalties

### 15 Exemptions

State and explain the comprehensive list of exemptions available for tax purposes (some of these may have been mentioned in earlier sessions).

### 16 Computation of chargeable income and tax payable for an individual

Calculate chargeable income and tax payable by an individual

### 17 Partnerships

- Explain the meaning of "partnership"
- Determine divisible income
- Ascertain provisional adjusted income
- Allocate capital allowances.

### 18 Taxation of companies

- Understand the main features of self-assessment system for companies
  - Timely provision of tax estimates and revised estimates

- Payment of tax by installments and balance of tax
- Timely submission of tax returns (Form C and Form R)
- Time limits
- Offences and penalties related to the above aspects of self assessment of companies
- Put up computation of chargeable income and tax payable by a company

### 19 Withholding tax

- Identify the payments subject to withholding tax
- Explain the requisite conditions
- State the rates of withholding tax
- Explain the compliance requirements
- State the penalties for non-compliance, being able to demonstrate this with worked examples

### 20 Tax administration and compliance requirements 1

- Explain the organisational structure of the Inland Revenue Board
- Identify the types of assessments
- Explain the responsibility of the taxpayer to:
  - notify chargeability
  - file annual returns
  - pay tax
  - notify change of address
  - maintain sufficient records

### 21 Tax administration and compliance requirements 2

- Explain the right of appeals and the passage of appeals through the courts
- Explain the statutory time bar
- Identify and explain the offences and penalties
- Explain the powers of the Director General
- Explain the responsibilities of an employer

# Preparing Taxation Computations

## 22 Sales Tax and Service Tax

- Explain the scope of Sales Tax and Service Tax
- Explain the basic principles of the computations of Sales Tax and Service Tax
- Illustrate the need for registration
- Explain aspects of the administration of the tax:
  - Filing of returns
  - Penalties

## 23 Revision of computations of tax payable for individuals and spouses

## 24 Revision of tax residence, capital allowances and withholding tax

## 25 Revision of aspects of tax administration

## 26 Revision of Sales Tax and Service Tax, and general winding-up

### List of amendments

- Under "Excluded topic - General", a new line has been added: *Transitional provisions from the imputation system to the single tier system*
- Under "Additional information", the 6-month rule is deleted. A new paragraph regarding 30 September 2008 being the cut-off time for the June 2009 examination has been inserted.
- Under "Study session 18 - Taxation of dividends", the last line regarding the distribution of dividend and imputation credit has been deleted.