
Answers

				<i>Marks</i>
1 (a) Encik Albert and Puan Sherry				
Tax payable for the year of assessment 2007: (Basis period 1 January to 31 December 2007)				
	(i) Albert	(i) Sherry	(ii) Joint Assessment	
	RM	RM	RM	
Employment income		40,000	40,000	1
Dividends (gross)	1,000			1/2
Interest		Nil	Nil	1
Rents	6,050	21,930	21,930	1 1/2
Aggregate income	<u>7,050</u>	<u>61,930</u>	<u>61,930</u>	
Less: Donation	(50)			1/2
Sherry's total income			61,930	1/2
Albert's total income			7,000	1/2
Total income	<u>7,000</u>	<u>61,930</u>	<u>68,930</u>	
Less: Personal reliefs:				
Self	(8,000)	(8,000)	(8,000)	1 1/2
Husband			(3,000)	1/2
Employees Provident Fund		(4,400)		1/2
Life insurance	(1,500)		[5,900]	1
Medical expense – mother		(2,300)	(2,300)	1
Purchase of books	(800)	(300)	(1,000) max	2
Purchase of computer	(2,700)		(2,700)	1
Child – disabled		(5,000)	(5,000)	1 1/2
university student		(4,000)	(4,000)	1 1/2
Chargeable income	<u>Nil</u>	<u>37,930</u>	<u>37,030</u>	1/2
Tax on RM35,000	1,525			
Tax on RM2,930 at 13%	<u>381</u>			
Tax charged		1,906		1/2
Tax on RM35,000	1,525			
Tax on RM2,030 at 13%	<u>264</u>			
Tax charged			1,789	1/2
Less: s.110 RM1,000 at 27%	(270)		(270)	1
Tax payable (repayable)	<u>(270)</u>	<u>1,906</u>	<u>1,519</u>	1/2
				<u>19</u>
(b) The tax benefits arise from the fact that Encik Albert's income is not large enough to utilise the personal reliefs due to him. By electing for his income to be jointly assessed in his wife's name, expenses incurred by him are deemed to be incurred by his wife, thus enabling his wife to claim the higher relief. The amount of these personal reliefs exceeds the income that is added to the wife's total income resulting in tax savings for them.				1
				1 1/2
				1 1/2

The tax savings are calculated as follows:

	RM	
Life insurance premium	1,500	
Cost of books – net (RM800 – RM100)	700	1/2
Purchase of computer	2,700	
Total	<u>4,900</u>	1/2
Relief for husband	3,000	1/2
	<u>7,900</u>	
Less: husband's total income	(7,000)	1/2
Higher reliefs (net)	<u>900</u>	
Tax on RM900 at 13% (tax savings)	<u>117</u>	<u>1</u>
		<u>7</u>

- (c) Encik Albert must make the election to have his income jointly assessed in his wife's name, by completing the relevant part of his tax return. 1
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- (d) Encik Albert is a Malaysian resident. Encik Albert and Puan Sherry lived together as husband and wife in the basis year 2007 and did not in that basis year cease to live together as husband and wife. Puan Sherry did not herself elect for joint assessment. 1
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2 (a) JJ Sdn Bhd

Year of assessment 2007

(Basis period 1 October 2006 to 30 September 2007)

	Note	RM000's +	RM000's –	
Profit before taxation		4,291	–	
Compensation from supplier	1		Nil	1/2
Rental income	2		18	1/2
Maintenance of residential property:				
Quit rent	3	1		1/2
Assessment	3	4		1/2
Fire insurance	3	3		1/2
Unrealised loss – silk from China	4	13		1/2
Realised gain – silk from India	4		Nil	1/2
Sales tax written off as part of bad debt	5	15		1
Specific provision c/f	5	Nil		1/2
General provision c/f	5	59		1/2
Bad debts recovered	5		5	1
Specific provision b/f	5		Nil	1/2
General provision b/f	5		28	1/2
Leave passages	6	25		1/2
Leave passage – family day	6	Nil		1
Salaries – disabled employees (double deduction)	6		24	1
Foreign arts (RM230,000 – RM200,000)	7	30		1
Local cultural performances (RM380,000 – RM300,000)	7	80		1
Penalty for late payment of sales tax		34		1/2
Depreciation		900		1/2
Donation		22		1/2
		<u>5,477</u>	<u>75</u>	
		(75)		
Adjusted income		<u>5,402</u>		

				Marks
Less: Capital allowances – plant and machinery (RM499 + RM128)	627			
Balancing allowance	<u>8</u>			
		(635)		1
Industrial building allowance (RM375 + RM13)		<u>(388)</u>		1/2
Statutory income		4,379		
Add:				
Rental – statutory income (RM18–RM8)	3	<u>10</u>		
Aggregate statutory income		4,389		1
Less: Approved donation		<u>(22)</u>		1/2
Chargeable income		<u>4,367</u>		
Workings:				
Capital allowances	RM	RM		
Machinery (heavy)				
Qualifying expenditure				
Cost of machinery		280,000		1/2
Cost of alteration to factory		33,000		1/2
Incidental costs		<u>7,000</u>		1/2
Total		320,000		
Less: Initial allowance (IA) 20%	64,000			
Annual allowance (AA) 20%	<u>64,000</u>			
		128,000		1/2
Residual expenditure (RE) as at 30 September 2007		<u>192,000</u>		
Old van				
Qualifying expenditure		75,000		
Less: IA 20%	15,000			
AA 20% x 3	<u>45,000</u>			
		60,000		
RE as at 1 October 2006		15,000		1
Sold year of assessment 2007		<u>(7,000)</u>		
Balancing allowance		<u>8,000</u>		1/2
Industrial building allowance				
Partitions (non-movable)		100,000		1
Less: IA 10%	10,000			
AA 3%	<u>3,000</u>			
		13,000		1
RE as at 30 September 2007		<u>87,000</u>		<u>22</u>
(b) (i) Repairs and maintenance in respect of the rented residential property (note 3)				1
The expenses of quit rent, assessment, and fire insurance were incurred in respect of a non-business source. Therefore, they are added back in the computation of statutory income from business and deducted against the rental source.				
(ii) Realised gain from the purchase of silk from India (note 4)				1 1/2
The gain is taxable as it is realised in the course of carrying on the trade and it is revenue in nature.				
(iii) Bad debt written off (note 5)				1/2
Sales tax is not part of the trade debt, therefore it is not deductible.				<u>3</u>
				<u>25</u>

		Marks
3 (a) (i)	The amount of service tax is RM30 (RM630 x 5/105). The due date for the above service tax is 28 September 2007, being 28 days after the end of the taxable period which is July to August 2007.	1/2 1 1/2 <hr/> 2
(ii)	Invoice issued to Mayo Sdn Bhd on 17 April 2006	
	RM	
	Surveying service – Johore Bahru 9,300	1/2
	Consultancy fees – Kuala Lumpur 14,200	1/2
	<u>23,500</u>	
	Service tax at 5% 1,175	1/2
	Valuation fees – Singapore 10,500	1/2
	<u>Total</u> 35,175	
	The due date is 17 April 2007, being the day immediately after the expiry of the 12-month period from the date of the issue of the invoice. This date falls into the taxable period of March–April 2007 and the tax becomes payable on 28 May 2007, being 28 days after the end of the taxable period.	2 <hr/> 4
(iii)	Service tax due on 28 July 2007 RM29,000	1/2
	Penalty for late payment:	
	RM	
	29 July 2007 to 27 August 2007 (30 days) 10% 2,900	1
	28 August 2007 to 26 September 2007 (30 days) 10% 2,900	1
	27 September 2007 to 26 October 2007 (30 days or part thereof) 10% 2,900	1 1/2
	<u>Total</u> 30% 8,700	<hr/> 4
(b)	Encik Julian – Year of assessment 2007 (Basis period 1 January to 31 December 2007)	
	RM	
s.13(1)(a)		
	Salary 174,000	1/2
	Travelling allowance 18,000	1/2
	Reimbursement of driver's salary 11,400	1
	<u>203,400</u>	
s.13(1)(b)		
	First car 3,600 x 9/12 x 1/2 1,350	1
	Petrol 1,200 x 9/12 x 1/2 450	1
	Second car 7,000 x 3/12 1,750	1/2
	Petrol 1,800 x 3/12 450	1/2
	Leave passage (RM4,600 – RM3,000) 1,600	1
	<u>5,600</u>	
s.13(1)(c)		
	Defined value RM8,000 x 12 = RM96,000 or	1
	30% x RM203,400 = RM61,020	1
	whichever lower RM61,020 x 1/2 30,510	1
	<u>239,510</u>	
	Less: Travelling expenses (19,000)	1
	<u>Statutory income</u> 220,510	<hr/> 10
		<hr/> 20

		Marks
4	(a) The employer is not required to give notice where the employer has been deducting tax under the schedular tax deduction (STD) scheme or would have been so deducting tax if the employee had not been under the exemption limit and where it is known to him that the individual is not retiring from any employment.	1 <hr/> 2
	(b) In determining whether an expense is deductible in arriving at the adjusted income from a business source, the following are the relevant considerations to be taken into account. The expense is revenue in nature. The expense falls within the general (wholly and exclusively) principle or the specific provisions of subsection (1) (a) to (d) of s.33 of the Income Tax Act (ITA). The expense is not specifically disallowed under s.39, ITA. The expense is specifically deductible under s.34, ITA. Relevant PU orders. Relevant case law. Relevant Public Rulings issued by the Inland Revenue Board. One mark for each point, maximum six marks.	1 1 1 1 1 1 1 <hr/> 6
	(c) Ruby Sdn Bhd is required to withhold 10% of the royalty payable to Encik Reno. i.e. RM12,000, upon paying the royalty. Ruby Sdn Bhd must render an account and pay the amount of the tax to the Director General of Inland Revenue within one month after paying the royalty. [s.109 (1), ITA]	1 <hr/> 2
	(d) Sales tax is imposed on taxable goods which are imported into Malaysia for home consumption or manufactured in Malaysia or acquired tax free and sold, used or disposed of by taxable persons except when sold to an approved licensed manufacturer. [s.6, Sales Tax Act]	2 2 1 <hr/> 5 <hr/> 15

5	(a)	Year	Resident Status	Explanations	
		2003	Resident	Present for a period of 12 days in the short period (2003) which is linked to the long period (2004) of presence for 182 consecutive days or more [s.7(1)(b)]	1 <hr/> 1
		2004	Resident	Present for 182 days or more [s.7(1)(a)]	1
		2005	Resident	Present for a period of five days in the short period (2005) which is linked by the long period (2004) of presence for 182 consecutive days or more. [s.7(1)(b)]	1 <hr/> 1
		2006	Resident	Deemed resident – resident in the following year (2007) and resident in three immediately preceding years (2005, 2004 and 2003). [s.7(1)(d)]	1 <hr/> 1
		2007	Resident	Present for 90 days or more in 2007 and three out of the four immediately preceding years he was resident (from 2003 to 2005). [s.7(1)(c)]	1 <hr/> 9

- (b) Under the resident rules, Miss Nonaka is deemed to be in Malaysia on both the 8th and 9th of October 2007 as she was present in Malaysia for part of each of those days.
[s.7(1A), ITA]

Marks

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