

Fundamentals Pilot Paper – Skills module

Taxation (Malaysia)

Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

ALL FIVE questions are compulsory and MUST be attempted.
Rates of tax and tables are printed 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 F6 (MYS)

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black square.

The following rates and allowances are to be used in answering this paper

Income tax rates

(Rates applicable to all chargeable income liable to tax and not specifically chargeable at a different rate)

Resident individuals

Chargeable income		Tax payable	
Band	Cumulative	Rate	Cumulative
RM	RM	%	RM
2,500	2,500	0	0
2,500	5,000	1	25
15,000	20,000	3	475
15,000	35,000	7	1,525
15,000	50,000	13	3,475
20,000	70,000	19	7,275
30,000	100,000	24	14,475
150,000	250,000	27	54,975
Excess		28	

Resident companies

Having a paid up ordinary share capital not exceeding RM2.5 million

The first RM500,000	20%
The remainder	28%
Other resident companies	
All	28%

Selected personal deductions

	RM
Single individual – basic rate	8,000
– disabled rate	14,000
Wife/husband – basic rate	3,000
– disabled rate	6,500
Child – basic rate	1,000
– enhanced rate	4,000
– disabled rate	5,000
Life insurance and approved schemes	6,000
Parents' medical expenses	5,000
Own medical costs	5,000
Necessary basic supporting equipment	5,000
Educational and medical insurance	3,000

Rebates

	RM
Single individual – chargeable income up to RM35,000	350
Individual entitled to a deduction for a spouse or a former wife – chargeable income up to RM35,000	700

Prescribed value of a motor car and its related benefits

Cost of motor car (new) RM	Annual prescribed benefit of motor car RM	Annual prescribed benefit of petrol RM
Up to 50,000	1,200	600
50,001 – 75,000	2,400	900
75,001 – 100,000	3,600	1,200
100,001 – 150,000	5,000	1,500
150,001 – 200,000	7,000	1,800
200,001 – 250,000	9,000	2,100
250,001 – 350,000	15,000	2,400
350,001 – 500,000	21,250	2,700
500,001 and above	25,000	3,000

The annual value of the motor car benefit can be reduced to half of the prescribed value if the car provided is more than five years old, but the value of petrol remains unchanged.

Prescribed value of household furnishings, apparatus and appliances

Type of benefit	Annual value RM
Semi-furnished with furniture in the lounge, dining room or bedroom	840
Plus one or more of the following: air-conditioners, curtains and carpets	1,680
Plus one or more of the following: kitchen equipment, crockery, utensils and appliances ie fully furnished	3,360

Prescribed value of other benefits

Types of benefit	Annual value RM
Telephone – fixed or mobile hardware	600
bills	600
Gardener	3,600
Domestic servant	4,800
Driver	7,200

Capital allowances

	Initial %	Annual %
Industrial buildings	10	3
Plant and machinery – general	20	14
Motor vehicles and heavy machinery	20	20
Computers, information technology equipment and computer software	20	40
Office equipment, furniture and fittings	20	10

Real property gains tax

	A	B	Tax rate % C
	Companies	Others except C	'Non- citizens'
Disposals within the following period after the date of acquisition:			
in the first two years	30	30	30
in the third year	20	20	30
in the fourth year	15	15	30
in the fifth year	5	5	30
in the sixth year or thereafter	5	0	5

'Non-citizens' in the above table means individuals who are not citizens and not permanent residents.

Sales Tax	10%
Service Tax	5%

All FIVE questions are compulsory and MUST be attempted

1 (a) Encik Chin has the following income for the year ended 31 December 2006:

(1) Sole proprietorship business:		RM
Net profit per accounts		36,600
After including the following:	RM	
Lottery winnings	3,000	
After deducting the following:		
Salary to Encik Chin	57,000	
Employees Provident Fund (Encik Chins's personal contribution)	6,840	
Van running expenses	9,000 *	
Depreciation	6,300	

* The Inland Revenue Board has agreed that three-quarters of the van running expenses were incurred for business purposes.

The capital allowance in respect of the van for the year of assessment 2006 amounts to RM6,800.

(2) Partnership business:		RM
Divisible income (partnership)	90,000	
Capital allowances (partnership)	300	
Interest on capital (Encik Chin only)	2,900	

The partnership is an accounting firm comprising two partners.
Encik Chin's share of profits and losses is 40%.

(3) Rental income from a furnished house:		
Statement of receipts and outgoings:	RM	
Receipts – rents		
January to July at RM1,500 per month	10,500	
August and September – vacant	–	
October to December at RM1,600 per month	4,800	
	<hr/>	15,300
Outgoings:	RM	
Quit rent and assessment	300	
Cost of replacing the lounge furniture	3,100	
Fire insurance	570	
	<hr/>	(3,970)
Net		<hr/> <u>11,330</u>

(4) A gross dividend amounting to RM1,000 was received in October 2006.

Encik Chin has made the following claims for the year of assessment 2006:

- Tax relief for his wife who was living together with him until their divorce on 1 April 2006.
- Personal contribution to the Employees Provident Fund

Required:

- (i) **Compute the tax payable by Encik Chin for the year of assessment 2006.** (19 marks)
- (ii) **Explain your treatment of the following items in the sole-proprietorship business:**
- Lottery winnings**
- Salary to Encik Chin** (2 marks)
- (iii) **Explain the tax treatment of the claim for wife relief made by Encik Chin.** (1 mark)

- (b) Lee & Chin, a taxable person licensed under the Service Tax Act, rendered audit and accounting service to Ben Sdn Bhd amounting to RM30,000. Lee & Chin also incurred disbursements on behalf of Ben Sdn Bhd consisting of:
- Legal advice amounting to RMRM6,300 by Ravi & Co, including service tax.
 - Fees for despatch of documents by a courier company, which is not licensed under the Service Tax Act, at a cost of RM100.

Required:

- (i) **Prepare an invoice for Lee & Chin to issue to Ben Sdn Bhd incorporating all of the above items.** (4 marks)
- (ii) **Explain the imposition of service tax in relation to the above invoice.** (4 marks)

(30 marks)

- 2 (a) Laju Sdn Bhd, a manufacturer of car accessories, presents its profit and loss account for the year ended 30 November 2006 as follows:

	Note	RM000's	RM000's
Sales			22,410
Cost of sales			<u>8,503</u>
Gross profit			13,907
Less:			
Salaries and wages	1	2,770	
Freight and insurance	2	2,067	
Bad and doubtful debts	3	381	
Consultancy fees	4	144	
Motor vehicles expenses	5	186	
Donations	6	149	
Staff welfare	7	50	
Hire purchase interest	8	5	
Lease rentals	9	<u>63</u>	
			<u>5,815</u>
			8,092
Add: Interest income	10		<u>14</u>
Profit before taxation			<u>8,106</u>

Notes:

- (1) Salaries and wages include a sum of RM18,000 paid to an individual to persuade him to join the company as a technical consultant employed under a contract for a period of five years.
- (2) Freight and insurance includes:
- (i) Export credit insurance premiums of RM554,000 paid to the Malaysia Export Credit Insurance Berhad (MECIB).
 - (ii) Insurance premiums of RM21,000 for whole life insurance policies on the lives of key personnel. The company is the beneficiary of these policies.
- (3) Bad and doubtful debts comprise:

	RM000's
Bad debts written off during the year	183
Net increase in specific provision	33
Net increase in general provision	193
Bad debts recovered during the year	<u>(28)</u>
Profit and loss account	<u>381</u>

All of the debts are trade debts, except for the sum of RM23,000 included in bad debts written off which is in respect of a loan to an ex-employee.

Note: do not know what the position is in Malaysia re general provisions/their rate of progress re adoption of IFRS so will leave this one up to you.

- (4) The consultancy fees were all paid to a local consultant engaged to implement and oversee the usage of information technology for the purpose of improving the management and production processes of the company.
- (5) Motor vehicles expenses include depreciation of RM32,000.
- (6) The donations were made to an approved institution on 20 December 2005.
- (7) The staff welfare expense is in respect of the construction cost of a child care centre.
- (8) The hire purchase interest is in respect of a new motor car costing RM132,000. The car was purchased on 2 January 2006 whereupon a deposit of RM60,000 was paid. The monthly instalments of RM3,500, which includes interest of RM500, commenced on 2 February 2006.
- (9) The lease rentals which relate to a motor car commenced on 5 December 2005 at RM5,250 per month for a period of 24 months. The cost of the vehicle was RM156,000.
- (10) Interest income comprises:
 - RM10,000 on fixed deposits which matured on 15 December 2005; and
 - RM4,000 on fixed deposits which matured on 10 June 2006

Required:

- (i) **Starting with the net profit before taxation compute the chargeable income of Laju Sdn Bhd for the year of assessment 2006. Assume that there is no previous qualifying plant expenditure.**
N.B. Your computation must follow the descriptions used in the profit and loss account, indicating 'nil' for every item that does not require adjustment. (16 marks)
 - (ii) **Explain your treatment of the items in notes 1, 2 and 3.** (5 marks)
- (b) **Explain briefly each of the following facilities which are available to licensed manufacturers to acquire raw materials free from sales tax for use in the manufacturing of taxable goods:**
- the ring system; and
 - the refund system. (4 marks)

(25 marks)

- 3 (a) Encik Zaidi, who is employed as a senior executive, has the following income and benefits for the year ended 31 December 2006:

	RM
Salary	222,000
Entertainment allowance	45,000

The company provided him with:

A domestic servant employed by the company at a salary of RM600 per month

An interest free loan for which the company had to take out a loan from a third party and incurred interest amounting to RM 8,000.

Leave passage for a family holiday within Malaysia at a cost of RM900 per person for Encik Zaidi, his wife and his father in May 2006.

The use of a car costing RM125,000 together with fuel.

Encik Zaidi made the following claims:

- Entertainment expenses incurred by him to entertain the company's clients amounting to RM46,500.
- Contributions to the Employees Provident Fund amounting to RM29,370.
- Relief for his wife, Puan Siti.

Puan Siti has elected for joint assessment. Her income for the year ended 31 December 2006 is as follows:

Income from giving tuition amounting to RM1,600.

Dividend (gross) amounting to RM200.

Required:

Compute the tax payable in respect of the joint assessment of Encik Zaidi and his wife for the year of assessment 2006. (12 marks)

- (b) **Explain the circumstances under which a wife may elect for joint assessment.** (2 marks)

- (c) Yuyu Sdn Bhd which makes up its accounts to 30 April each year has the following payment record:

Instalment payments of RM130,000 per month for the year of assessment 2005

Instalment payments of RM160,000 per month for the year of assessment 2006

Payment of final tax of RM540,000 for the year of assessment 2005

All the above payments were made on time.

The company paid a dividend of RM2.5 million (gross) to its shareholders on 15 January 2006.

The balance of the company's s.108 account as at 30 April 2005 was RM355,000

Required:

Prepare the s.108 account of Yuyu Sdn Bhd for the year of assessment 2006. (6 marks)

(20 marks)

- 4 On 1 June 2003 Mr Yong transferred his house to Miss Grace for RM400,000. The transfer followed an agreement made verbally on 2 January 2003. The consideration was paid in full on 15 April 2003.

The house had been purchased by Mr Yong on 11 May 2000 for RM288,000. Prior to the disposal of the house Mr Yong incurred the following expenditure:

	RM
Stamp duty on purchase	4,700
Interest on a mortgage loan incurred from 1 January to 31 December 2001	13,000

Miss Grace subsequently sold the house for RM478,000 and incurred agents fees of RM7,000 in connection with the disposal. Prior to the disposal of the house Miss Grace spent RM28,000 on an extension to the property. The Sale and Purchase Agreement (S&P) for this disposal was signed on 23 September 2006.

Mr Yong is a citizen of Malaysia but Miss Grace is neither a citizen nor a permanent resident.

Required:

- (a) (i) **State, with reason(s), the date of the disposal of the house by Mr Yong.** (3 marks)
(ii) **State, with reason(s) the date of the acquisition of the house by Miss Grace.** (1 mark)
- (b) **Compute the real property gains tax payable by Mr Yong and Miss Grace respectively.** (11 marks)

(15 marks)

- 5 (a) Link Sdn Bhd signed an agreement with Jones Ltd a Japanese company, for the construction of a building in Penang. Jones set up a project management office in Penang. The total value of the contract is RM7 million of which RM3 million is the service portion, and the balance of RM4 million the cost of materials.

Required

- (i) **Calculate the amount of withholding tax which Link Sdn Bhd must deduct from the payments made to Jones Ltd?** (3 marks)
- (ii) **Explain the tax position of Jones Ltd ? and the tax compliance required of the company.** (3 marks)
- (iii) **State the two features that distinguish the withholding tax applicable to a non- resident contractor under s.107A from other withholding taxes.** (2 marks)
- (b) **State, with brief explanations, the factors that determine the resident status of a company under the Income Tax Act.** (2 marks)

(10 marks)

End of Question Paper

Answers

1 (a) Encik Chin

(i) Year of assessment 2006 (basis period 1 January to 31 December 2006)

Sole-proprietorship business

	RM	RM
Net profit per account	36,600	
Less: Lottery winning	(3,000)	
	<u>33,600</u>	
Add back:		
Salary to Encik Chin (proprietor)	57,000	
Employees Provident Fund contributions (proprietor)	6,840	
Van running expenses (1/4 x RM9,000)	2,250	
Depreciation	6,300	
	<u>72,390</u>	
Adjusted income	105,990 *	
Less: Capital allowance (75% x 6,800)	(5,100)	
	<u>100,890</u>	
Statutory income		100,890 *

Partnership business

	RM	
Divisible income 40% x RM90,000	36,000	
Interest on capital	2,900	
	<u>38,900</u>	
Adjusted income	38,900 *	
Less: Capital allowance 40% x RM300	(120)	
	<u>38,780</u>	
Statutory income		38,780 *

Rental income

Gross rents (RM10,500 + RM4,800)	15,300	
Less:		
Quit rent & assessment	300	
Cost of replacing lounge furniture	3,100	
Fire insurance	570	
	<u>(3,970)</u>	
Adjusted/statutory income		11,330 *
Dividend – statutory income		1,000
		<u>152,000</u>

Aggregate/total income

Less: personal relief	RM	
Self	8,000	
Wife	3,000	
Employees Provident Fund	6,000	
	<u>(17,000)</u>	

Chargeable income

	RM	
Tax on RM100,000	14,475	
Tax on RM35,000 at 27%	9,450	
	<u>23,925</u>	
S.110 set off (1,000 @28%)	(280)	
	<u>23,645</u>	

* Marks are awarded for adjusted income and statutory income in respect of each source for the correct description and not for the figure.

(ii) Lottery winnings are excluded from the tax computation because they are not income of his business.

Salary to the proprietor constitutes drawings from the business, thus not deductible

(iii) A resident individual who has a wife living together with him in the basis year is allowed wife relief amounting to RM3,000. Mr. Chin is therefore allowed wife relief as his wife was living together with him in the basis year 2006 up to the time of their divorce. [s.47(1), Income Tax Act]

(b) (i) Invoice issued by Lee & Chin to Ben Sdn Bhd

	RM
Audit and accounting fees	30,000
Courier charges	100
	<hr/>
	30,100
Service tax at 5%	1,505
	<hr/>
	31,605
Disbursement:	
Legal fee	6,300
	<hr/>
Total	37,905

- (ii) The courier charges are included in the imposition of the service tax along with the audit and accounting fees because both are taxable services. Since the courier is not licensed under the Service Tax Act the imposition of tax has to be made by Lee & Chin.

The legal fee billed to Lee & Chin is inclusive of the service tax because Ravi & Co. is licensed to collect service tax. As service tax is a single stage tax the legal fee is included in the invoice as a disbursement item.

2 (a) (i) Laju Sdn Bhd

Year of assessment 2006
(Basis period 1 December 2005 to 30 November 2006)

	Note	RM000's	RM000's
		+	-
Net profit before tax		8,106	
Interest income			14
Payment to individual	1	18	
Export credit insurance premiums	2		554
Life insurance premiums	2	21	
Bad debts written off	3	23	
Net increase in specific provision	3	Nil	
Net increase in general provision	3	193	
Bad debts recovered	3		Nil
Consultancy fees for IT	4	Nil	
Depreciation	5	32	
Donations to approved institutions		149	
Construction of child care centre		50	
Hire purchase interest		Nil	
Lease rentals		13	
		<hr/>	
		8,605	568
		(568)	
		<hr/>	
Adjusted income		8,037	
Less: Capital allowances (RM5,000 + 36,000)		(41)	
		<hr/>	
Statutory income from business		7,996	
Add: interest income (RM10,000 + 4,000)		14	
		<hr/>	
Aggregate income		8,010	
Less: Donations to approved institutions		149	
		<hr/>	
Total/chargeable income		7,861	

Workings:

Lease rentals RM5,250 x 12 months = RM63,000 restricted to RM50,000.

Construction of child care centre

No initial allowance

Annual allowance 10% x RM50,000 = RM5,000

Motor car (hire purchase)	
Qualifying plant expenditure	RM 90,000
RM60,000 + (3,500 – 500 = 3,000 x 10 months)	
YA 2006	IA 20% 18,000
	AA 20% 18,000
	<u>36,000</u>
Residual expenditure as at 30 November 2006	<u>54,000</u>

(ii) Notes:

(1) Payment to the individual which encourages him to commence a five year employment contract with the company can be considered to be capital expenditure because it procures an asset of an enduring nature.

(2) Export credit insurance premiums qualify for a double deduction as they are paid to the Malaysia Export Credit Insurance Berhad (MECIB) [Income tax (Deductions of Premiums for Export Credit Insurance) Rules 1985]

Life insurance premiums are not deductible because they constitute capital expenditure in that the company has acquired an asset with those premiums.

(3) Bad and doubtful debts

Only trade debts written off/recovered are deductible/taxable, hence the loan written off is added back.

For a provision to qualify for deduction it must be specific and in respect of trade debts, therefore the general provision is added back.

(b) The ring system

A licensed manufacturer may apply to use the ring system to acquire raw materials free from sales tax by submitting a prescribed form (ST No. 5) to the sales office where he is licensed.

The licensed manufacturer must keep an account of the use of the raw materials purchased without payment of sales tax in a manner acceptable to the Customs Department.

The refund system

The refund system is available to a licensed manufacturer who makes sales to the holder of a form ST No. 5 or 5A

The licensed manufacturer may apply to use the refund system by submitting a prescribed form (JKED No. 2). Separate application is required for each transaction for which a refund is claimed. The claim for refund must be made within one year after the sale.

3 (a) Joint assessment of Encik Zaidi and his wife for the year of assessment 2006

	RM	RM	RM
s.13(1)(a)			
Salary			222,000
Entertainment allowance			45,000
Interest free loan (see note)			8,000
			<u>275,000</u>
s.13(1)(b)			
Domestic servant		4,800	
Leave passage (father)		900	
Car		5,000	
Fuel		1,500	
		<u>12,200</u>	
			<u>287,200</u>
Less: entertainment expenses limited to			(45,000)
Total income			242,200
Total income of wife (RM1,600 + 200)			1,800
Aggregate of total income of husband and wife			<u>244,000</u>
Less: Personal reliefs:			
Self	8,000		
Wife	3,000		
Employees Provident Fund	6,000		
			<u>(17,000)</u>
Chargeable income			<u>227,000</u>

Tax on RM100,000	14,475
Tax on RM127,000 x 27%	34,290
	<u>48,765</u>
Less: s.110 set-off (RM200 x 28%)	56
Tax payable	<u>48,709</u>

Note: An interest free loan is treated as a perquisite assessable under s.13(1)(a), Income Tax Act, based on the cost borne by the employer. [Public Ruling No. 1/2006]

- (b) A wife may elect for her income to be assessed in the name of her husband:
- where the individual and his wife were living together in the basis year for a year of assessment and did not in that basis year cease to live together or to be husband and wife of each other; however,
 - where the wife is not resident for the basis year for a year of assessment she may only elect if she is a citizen.

(c) **S.108 account of Yuyu Sdn Bhd for the year of assessment 2006**

	RM
Balance as at 1 May 2005	355,000
Add:	
Final monthly instalment payment for YA 2005 (paid in May 2005)	130,000
Final tax paid for YA 2005	540,000
Monthly instalment payments for YA 2006 (160,000 x 11 months)	<u>1,760,000</u>
Compared aggregate	2,785,000 *
Compared total *	
RM2,500,000 x 28%	
(tax deducted from dividends distributed on 15 January 2006)	<u>700,000</u>
Balance as at 30 April 2006 carried forward to YA 2007	<u>2,085,000</u>

* Marks are awarded for correct description of compared aggregate and compared total and not for the figure.

- 4 (a) (i) In the absence of a written agreement, the date of disposal is the earlier of the date of transfer of the property (1 June 2003) or the receipt of the full consideration by the disposer (15 April 2003). Therefore, 15 April 2003 is deemed to be the date of disposal.
- (ii) The date of acquisition of the house by Miss Grace (the acquirer) is deemed to coincide with the date of disposal of the house by the disposer (Mr Yong) ie 15 April 2003. [Paragraph 15(2), Schedule 2, Real Property Gains Tax Act.]

(b) **Mr Yong – Year of assessment 2003**

	RM
Disposal price	400,000
Acquisition price	
Consideration paid	288,000
Add: Stamp duty	<u>4,700</u>
	<u>292,700</u>
Chargeable gain	107,300
Less: Schedule 4 exemption:	
Higher of RM5,000 or 10% of chargeable gain	<u>10,730</u>
	<u>96,570</u>

Tax at 15% (deemed disposed on 15 April 2003 – fourth year) RM14,485

Miss Grace – Year of assessment 2006

	RM
Disposal price	
Consideration received	478,000
Less: Permitted expenses:	
Cost of extension	<u>28,000</u>
	450,000
Less: Incidental costs of disposal:	
Agents fees	<u>7,000</u>
	443,000
Acquisition price	<u>400,000</u>
Chargeable income	43,000
Less: Schedule 4 exemption	
Higher of RM5,000 or 10% of chargeable gain	<u>5,000</u>
	<u>38,000</u>
Tax at 30% (disposed in the fourth year) (non-citizen and non-permanent resident)	RM11,400

Note: Mortgage loan interest is not a deductible expense.

- 5 (a) (i)** The amount of withholding tax is calculated as follows:

	RM
Service portion	3,000,000
	RM
10% x 3,000,000 =	300,000
3% x 3,000,000 =	90,000
Withholding tax =	390,000

- (ii)** Jones Ltd ? is liable to tax because it is carrying on business in Malaysia and has a management office in Malaysia.

The company is required to submit a return of income and the tax payable.

The company is allowed to set off the 10% tax withheld at source against its income tax liability and pay the difference or claim a refund, as the case may be.

- (iii)** The two distinguishing features are:

- Unlike other withholding taxes, the tax in respect of a non-resident contractor under s. 107A is not a final tax.
- Part of the tax withheld (3%) from the non-resident contractor is in respect of employees' tax liabilities.

- (b)** A company, carrying on a business or businesses, is resident in Malaysia for the basis year for a year of assessment if at any time during that basis year the management and control of its businesses, or any one of its businesses, are exercised in Malaysia. Any other company is resident in Malaysia for the basis year for a year of assessment, if at any time during that basis year the management and control of its affairs are exercised in Malaysia by its directors or other controlling authority.

		Marks
1	(a) (i)	
	Sole-proprietorship business	
	Net profit per account	0.5
	Lottery winning	1
	Salary to Encik Chin	1
	Employees Provident Fund	1
	Van running expenses	1
	Depreciation	0.5
	Adjusted income – for correct description	0.5
	Capital allowance	1
	Statutory income- for correct description	0.5
	Partnership business	
	Divisible income	1
	Interest on capital	1
	Adjusted income – for correct description	0.5
	Capital allowance	1
	Statutory income - for correct description	0.5
	Rental income	
	Gross rents	1
	Quit rent and assessment	1
	Cost of replacing lounge furniture	1
	Fire insurance	1
	Adjusted/statutory income – for correct description	0.5
	Dividend	1
	Personal reliefs: self	0.5
	wife	0.5
	Employees Provident Fund	0.5
	s.110	1
		<u>19</u>
	(ii)	
	Lottery winnings	1
	Salary to proprietor	1
		<u>2</u>
	(iii)	
	Wife relief	1
		<u>1</u>
(b)	(i)	
	Audit and accounting fees	1
	Courier charges	1
	Service tax	1
	Disbursement: legal fee	1
		<u>4</u>
	(ii)	
	Taxable services	1
	Courier company not licensed	1
	Ravi & Co. – licensed	1
	Legal fee – a disbursement item	1
		<u>4</u>
		<u>30</u>

		Marks	
2	(a) (i) Interest income	0.5	
	Payment to individual	1	
	Export credit insurance premiums	1	
	Life insurance premiums	1	
	Bad debts written off	0.5	
	Net increase in specific provision	0.5	
	Net increase in general provision	0.5	
	Bad debts recovered	0.5	
	Consultancy fees for IT	1	
	Depreciation	0.5	
	Donations to approved institutions	1	
	Construction of child care centre	1	
	Hire purchase interest	0.5	
	Lease rentals	1	
	Capital allowances	3.5	
	Interest income	1	
	Donations	1	
		16	
		(ii) Payment to individual	1
		Export credit insurance	1
	Life insurance	1	
	Bad and doubtful debts	2	
		5	
(b)	Ring system	2	
	Refund system	2	
		4	
		25	
3	(a) Salary	0.5	
	Entertainment allowance	0.5	
	Interest free loan	1	
	Domestic servant	1	
	Leave passage	1	
	Car	1	
	Fuel	1	
	Entertainment expenses	1	
	Total income of wife	2	
	Personal reliefs: self	0.5	
	wife	1	
	Employees Provident Fund	0.5	
	s.110	1	
		12	
	(b)	Individual and wife living together	1
		Wife not resident	1
			2
	(c)	Balance as at 1 May 2005	1
		Final instalment – YA 2005	1
		Final tax – YA 2005	1
Instalments – YA 2006		1	
Compared aggregate – for correct description		0.5	
Compared total – for correct description		0.5	
Tax deducted from dividends		1	
		6	
	20		

		Marks
4	(a) (i)	
	Absence of agreement	0.5
	Earlier of the two dates	0.5
	Date of transfer	0.5
	Full consideration received	0.5
	Date of disposal	1
		<hr style="width: 100%; border: 0.5px solid black;"/>
		3
	(ii)	
	Date of acquisition	1
		<hr style="width: 100%; border: 0.5px solid black;"/>
		1
	(b)	
	Mr Yong	
	Disposal price	0.5
	Consideration paid	1
	Stamp duty	1
	Schedule 4 exemption	1
	Correct tax rate	1
	Interest on mortgage loan not deducted	1
	Miss Grace	
	Consideration received	0.5
	Cost of extension	1
	Agents fees	1
	Acquisition price	1
	Schedule 4 exemption	1
	Correct tax rate	1
		<hr style="width: 100%; border: 0.5px solid black;"/>
		11
		<hr style="width: 100%; border: 0.5px solid black;"/>
		15
		<hr style="width: 100%; border: 0.5px solid black;"/>
5	(a) (i)	
	Service portion only	1
	10%	1
	3%	1
		<hr style="width: 100%; border: 0.5px solid black;"/>
		3
	(ii)	
	Jones Ltd ? liable to tax	1
	Submit return	1
	Set off tax withheld	1
		<hr style="width: 100%; border: 0.5px solid black;"/>
		3
	(iii)	
	Not a final tax	1
	Employees' tax liabilities	1
		<hr style="width: 100%; border: 0.5px solid black;"/>
		2
	(b)	
	Management and control of businesses	1
	Management and control of affairs	1
		<hr style="width: 100%; border: 0.5px solid black;"/>
		2
		<hr style="width: 100%; border: 0.5px solid black;"/>
		10
		<hr style="width: 100%; border: 0.5px solid black;"/>