
Answers

1 (a)	John Tax computation 2003			Marks
	RM	RM	RM	
Employment: MNC Bhd				
Salary			60,000	1/2
Benefit-in-kind: car (5,000 x 6/12)			2,500	1
Benefit-in-kind: fuel (1,500 x 6/12)			750	1
Compensation for loss of employment		40,000		1/2
Less exempted: 6,000 x 4 completed years		<u>24,000</u>		1
Compensation assessable to tax			<u>16,000</u>	
			79,250	
Super Trading Sdn Bhd				
Salary		48,000		1/2
Travelling allowance		2,000		1/2
Entertainment allowance		<u>2,400</u>		1/2
		52,400		
Less Travelling expenses	950			1
Entertainment expense	<u>2,400</u>			1
		<u>3,350</u>		
			49,050	
Statutory income from employment			128,300	1/2#
Interest income from MayBank			nil	1
Dividend – gross 1,080/72 x 100			<u>1,500</u>	1
Aggregate income			129,800	1/2#
Donation to approved institution			<u>(500)</u>	1
Total income			129,300	1/2#
Less Personal reliefs				
Self		8,000		1/2
Child (disabled)		5,000		1 1/2
Wheelchair for disabled child (maximum)		5,000		1
Education insurance premium for child (maximum)		3,000		1
EPF & Life insurance premium (maximum)		<u>5,000</u>		1
			<u>26,000</u>	
Chargeable income			<u>103,300</u>	1/2#
Tax on first RM100,000			14,475	
Tax on remaining 3,300 at 27%			891	1/2
Tax charged			<u>15,366</u>	1/2#
Less s.110 set-off (1,500 at 28%)			<u>(420)</u>	1
Tax payable			<u>14,946</u>	1/2#

(b)	Mary Tax computation YA2003	RM	RM	Marks
Employment income: Salary			40,000	1/2
Accommodation benefit in a hostel 3% of income under s.13(1)(a)			1,200	1 1/2
Statutory income from employment			41,200	
Interest on loan to brother			600	1
Royalty income (exempted)			nil	1
Aggregate income			41,800	1/2 #
Less Donation (in kind)			nil	1/2
Total income			41,800	1/2 #
Less personal reliefs				
Self		8,000		1/2
Medical expense for parent (maximum)		5,000		1
Fees expended for graphic design course (maximum)		5,000		1
Books (maximum)		500		1
EPF		3,600		1/2
			22,100	
Chargeable income			19,700	1/2 #
Tax on first 5,000		25		
Tax on remaining 14,700 at 3%		441		1/2
Tax charged		466		1/2 #
Tax rebates				
Individual with chargeable income not exceeding RM35,000	350			1
Personal computer	400			1
restricted to	466	1/2		
Tax payable			Nil	1/2 #

(Note: Marks indicated with a # are awarded for the allocation of the appropriate description to the figure calculated, not the figure itself.)

2 (a) Happy Sdn Bhd's responsibilities and rights under the self assessment system are:

(i) **Estimating tax for YA2005**

- The company must furnish a tax estimate not less than 30 days before 1 January 2005 (the commencement of the basis period for YA2005) i.e. latest by 1 December 2004. 1
- The amount estimated must not be less than the tax estimate of RM30,000 for YA2004. 1
- However, it can revise its estimate in the 6th and/or the 9th month i.e. in June and September 2005. 2
- If the difference between the final tax for YA2005 and the estimate or revised estimate exceeds 30%, there will be a penalty of 10% for the excessive difference. 2

(ii) **Paying the tax instalments for YA2005**

- 12 equal monthly instalments of RM2,500 (30,000/12) each will be payable by the 10th day of each month from February 2005 through to January 2006. 1
- Late payment of any instalment will render the company liable to a penalty of 10%. 2
- Late payment of any instalment will render the company liable to a penalty of 10%. 1

(iii) **Filing the tax return for YA2004**

- The tax return for YA2004 must be filed latest by 31 July 2005 i.e. seven months after the closing of accounts. 2
- A late submission will attract a penalty for late lodgement. 1

(iv) **Paying the balance of tax for YA2004**

- If there is any balance of tax payable, such payment must be paid by 31 July 2005. 1
- Any late payment will attract a penalty of 10% and a further 5% after 60 days. 2

(b) Happy Sdn Bhd is subject to the provisions of Service Tax Act because:

- The company is a taxable person when it operates a restaurant; 1
- It provides a taxable service i.e. provision of food and drinks; and 1
- Its turnover has exceeded RM300,000 per annum. 1

- | | Marks |
|---|-------|
| (c) The prevailing service tax rate is 5% ad valorem. | 1 |
| The taxable period is two calendar months and service tax is payable to the customs authorities within 28 days after the end of the taxable period i.e. every two months. | 1 |

- 3 (a) Wong acquired the house on 1 February 1999 i.e. the date of the written agreement with the property developer. 1
 He disposed of the house to Zulkifli on 30 November 2002, i.e. when he signed the written agreement with Zulkifli. 1

(b) Disposal of the property

Computation of RPGT liability for Wong

	RM	RM	RM	
Disposal consideration		680,000		1/2
Less: Renovation cost		20,000		1
Disposal price			660,000	1/2#
Acquisition price		550,000		1/2
Add Legal fees	850			1/2
Stamp duty	9,150			1/2
		10,000		
Acquisition price			560,000	1/2#
Chargeable gain			100,000	1/2#
Less exemption for individual: the greater of 10% or RM5,000			(10,000)	1 1/2
			90,000	
Acquisition date	1 Feb 1999			
Disposal date	30 Nov 2002			
Disposal in the 4th year				1
RPGT rate at 15% on RM90,000			13,500	1

(Note: Marks indicated with a # are awarded for the allocation of the appropriate description to the figure calculated, not the figure itself.)

- (c) Had Wong and Zulkifli not signed a written agreement but merely agreed orally to a price, the date of disposal would have been the date the transaction was completed, i.e. the date the consideration was settled in full or the date of transfer, whichever was earlier. 2
 In this case, the date of completion was when the full consideration was paid on 3 February 2003, as this was earlier than the date of transfer on 10 March 2004. 1

Computation of RPGT liability for Wong would be as follows:

	RM	RM	
Disposal price		660,000	
Acquisition price		560,000	
Chargeable gain		100,000	
Less exemption for individual: the greater of 10% or 5,000		(10,000)	
		90,000	1/2
Acquisition date	1 Feb 1999		
Disposal date	3 February 2003		
Disposal in the 5th year			1
RPGT rate at 5% on RM90,000			4,500

- (d) Wong is entitled to the exemption of his private residence from real property gains tax as he fulfills all three requisite conditions: 1
 He is a citizen of Malaysia 1
 The property is fit for residential purposes 1
 He has not elected for the exemption of private residence before as this is his first property. 1

4 (a) Fortune Sdn Bhd

Computation of capital allowance, balancing allowance and balancing charge

Asset	Rate %	Cost RM	QPE/QBE RM	RE RM	IA RM	AA RM	
			275,000				
New factory	3		(235,000+ 40,000)	NA	27,500	8,250	2
Production machinery	14		195,000	NA	39,000	27,300	1½
Office equipment	10		18,000	NA	3,600	1,800	1½
New computer system	40		85,000	NA	17,000	34,000	1½
New motor car	20	125,000	100,000	NA	20,000	20,000	2
Motor car	20	75,000	50,000	10,000	nil	nil	½
Lorry	20		150,000	60,000	nil	30,000	½
Office equipment	10		25,000	7,500	nil	nil	½

Disposal of assets

Asset	RE RM	Disposal value RM	BA RM	BC RM	
Motor car (used)	10,000	12,000*		2,000	1
Office equipment	7,500	2,400	5,100		1

*As the motor car was acquired as a used car, QPE would have been RM50,000
Upon disposal, only a proportionate amount is to be taken as disposal value i.e.

$$\frac{50,000}{75,000} \times 18,000 = 12,000$$

(b) Residence status of Mr Gurmi

YA	Comments	Duration		
2003	In Malaysia from 1.9.2003 – 22.12.2003	113 days	1	
	Social visit 23.12.2003 – 5.1.2004	14 days	1	
	Part of a day in Malaysia is considered as the entire day in Malaysia. Therefore, the days of departure from KL and return to KL are counted as days in Malaysia.			1
	As the social visit did not exceed 14 days, the period qualifies as a temporary absence i.e. deemed to be present in Malaysia.			1
	As Mr Gurmi was in Malaysia immediately prior to and after the temporary absence, the 14 days are deemed presence in Malaysia. Therefore linkage to another period of more than 183 days (see below) is established.			1
	Mr Gurmi was a tax resident of Malaysia by virtue of s.7(1)(b).		1	
2004	Was in Malaysia from 6.1.2004 – 15 July 2004	192 days	1	
	Mr Gurmi was a tax resident of Malaysia by virtue of s.7(1)(a) i.e. more than 183 days in aggregate.		1	