
Answers

1	Mr Teng Tax computation YA2004	RM	RM	Marks
Employment income				
Research company				
Salary (7000 x 9)			63,000	1
Gratuity			<u>10,000</u>	1
			73,000	
Less Annual subscription			<u>(5,000)</u>	1
Statutory income from employment			68,000	
Rent				
Rental received	50,000			1/2
Less Quit rent and assessment (5/10 x 3,800)	(1,900)			1
Kitchen & air-conditioners (capital expenditure)	nil			1
Estate agent's fee (initial, therefore not revenue in nature)	nil			1
Deposits (capital in nature)	nil			1
Rental income	<u>48,100</u>			
Half share (1/2 x 48,100)			<u>24,050</u>	1
Pension (foreign remittance is exempted)			nil	1
Aggregate income			92,050	1/2*
Less Approved donation			<u>12,050</u>	1
Total income			80,000	1/2*
Personal reliefs				
Self	8,000			1/2
Disabled child relief	5,000			1
Medical insurance (3,900 – restricted to)	3,000			1
Basic support equipment – artificial leg (7,500 restricted to)	<u>5,000</u>			1
			(21,000)	
Chargeable income			<u>59,000</u>	1/2*
Tax on first RM50,000			3,475.00	
On next RM9,000 at 19%			<u>1,710.00</u>	
Tax charged			<u>5,185.00</u>	1/2

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

Marks

Mrs Teng
Tax computation YA2004

	RM	RM	
Employment income			
Salary (2,500 x 6)		15,000	1/2
Car benefit (6/12 x 9,000)		4,500	1
Fuel (6/12 x 2,100)		1,050	1
Full furnishings (6 x 280)		1,680	1
Domestic servant (6 x 400)		2,400	1
Accommodation benefit (5,000 x 6)		30,000	1
[no comparison with s.13(1) (a): director of a controlled company]			1
Statutory income from employment		<u>54,630</u>	
Half share of rental income		24,050	1
Dividend from family company (21,600/72 x 100)		30,000	1
Interest from overseas deposits (remittance exempted)		nil	1
Aggregate income		<u>108,680</u>	1/2*
Less Approved donation (in kind)		nil	1
Total income		<u>108,680</u>	1/2*
Personal reliefs			
Self	8,000		1/2
EPF (15,000 x 11%)	1,650		1/2
		<u>(9,650)</u>	
Chargeable income		<u>99,030</u>	1/2*
Tax on first RM70,000		7,275.00	
Tax on next RM29,030 at 24%		<u>6,967.20</u>	
Tax charged		14,242.20	1/2
Less s.110 set-off 30,000 x 28%		<u>8,400.00</u>	1
Tax payable		<u>5,842.20</u>	1/2*
			<u>31</u>

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

2	(a)	Printing machine	Office equipment	Delivery truck	Personal computer system 1	Personal computer system 2	Furniture & Fittings	Marks
	(i)	YA2002	RM	RM	RM	RM	RM	
		QPE	150,000	35,000	85,000	15,000		1
		Initial allowance						
		20%	30,000	7,000	17,000	3,000		2
		Annual allowance	14%	10%	20%	40%		
			21,000	3,500	17,000	6,000		2
		R.E.	99,000	24,500	51,000	6,000		
		YA2003						
		Annual allowance	14%	10%	20%	40%		
			21,000	3,500	17,000	6,000		2
		R.E.	78,000	21,000	34,000	0		2
								<u>9</u>
	(ii)	YA2004			Disposed			
		QPE				10,000	5,000	1
		Initial allowance						
		20%			n.a.	2,000	1,000	1
		Annual allowance	14%	10%	20%	n.a.	40%	10%
			21,000	3,500	17,000		4,000	500
		R.E.	57,000	17,500	17,000	n.a.	4,000	3,500
								2 ^{1/2}
								2 ^{1/2}
								<u>7</u>
	(iii)	Disposal of personal computer system 1						
		R.E.		nil				
		Disposal value		<u>1,000</u>				1
		Balancing charge		<u>1,000</u>				1
								<u>2</u>
	(b) Service tax for Mamak Shop?							
	(i)	Mamak Shop provides food, drinks and tobacco products. This is a taxable service.						1/2
		In 2004 Mamak Shop's turnover is about RM240,000 (20,000 x 12).						
		This is below the minimum annual sales turnover of RM300,000 for service tax to be applicable.						1
		For 2004, Mamak Shop is not a taxable person and therefore not subject to service tax.						1/2
		In 2005, the sales turnover for the first six months would have rendered the cumulative annual turnover to exceed RM300,000 i.e.						
		RM120,000 (July to Dec 2004: 20,000 x 6) + RM192,000 (Jan to June 2005: 32,000 x 6)						1
		Effective from July 2005, Mamak shop is a taxable person providing a taxable service.						1
								<u>4</u>
	(ii)	Mamak Shop should apply for a service tax licence on 1 July 2005 because its turnover has exceeded RM300,000 by 30 June 2005						1
		The first taxable period will be July/August 2005.						1
								<u>2</u>
								<u>24</u>

3 (a) Computation of real property gains tax (RPGT)

	RM	RM	
For Father			
Gift from Father to Son – deemed at no-gain-no-loss			1/2
Disposal date: 5 February 2003			
Disposal price (deemed to be at acquisition price)		420,000	1/2
Acquisition date: 1 February 1999			
Acquisition price		<u>420,000</u>	1/2
Chargeable gain		nil	1/2*
RPGT		nil	
For Son			
Disposal date: 3 July 2004			
Disposal price		450,000	1/2
Acquisition date: 5 February 2003			
Acquisition price (deemed at acquisition price of Father)		<u>420,000</u>	1
Chargeable gain		30,000	1/2*
Schedule 4 exemption			
Greater of 10% of 30,000 or 5,000		<u>5,000</u>	1
		<u>25,000</u>	
Disposal within two years			1/2
RPGT at 30%		7,500.00	1/2
For Mr A			
Disposal date: 6 September 2005			
Disposal consideration	1,350,000		1/2
Less			
Enhancement cost – cost of house construction	<u>600,000</u>		1/2
Disposal price		750,000	1/2*
Acquisition date: 3 July 2004			
Acquisition cost of land	450,000		1/2
Stamp duty	8,000		1/2
Legal fee	<u>1,000</u>		1/2
Acquisition price		<u>459,000</u>	1/2*
Chargeable gain		291,000	1/2*
Schedule 4 exemption			
The greater of 10% (of 291,000) or 5,000		<u>29,100</u>	1
		<u>261,900</u>	
Disposal within two years			1/2
RPGT at 30%		<u>78,570.00</u>	1/2
			<u>12</u>

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

(b) Private residence exemption

Son

He is not eligible for the private residence exemption because

- the property he sold was land,
- therefore not fit for residential purposes.

1/2
1/2
1

Mr A

He is eligible for the private residence exemption because:

- he has not elected for this once-in-a-lifetime exemption before
- he has built a house and lived in it i.e. the property he sold is fit for residential purposes

1/2
1/2
1

4

(c) Disposal by Father direct to Mr A

Disposal date: 3 July 2004

Disposal price

RM
450,000

1/2

Acquisition date: 1 February 1999

Acquisition price

420,000

1/2

Chargeable gain

30,000

1/2*

Schedule 4 exemption

Greater of 10% of 30,000 or 5,000

5,000

1/2

25,000

Disposal in the 6th year

RPGT at 0%

Nil

1/2
1/2

3

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4 (a) (i) Residence status of Mr Globetrotter

YA2002

In Malaysia from 29 June 2002 to 31 December 2002 – 186 days

1/2

Resident under s.7(1)(a): in Malaysia for an aggregate of 182 days or more

1

YA2003

In Malaysia from 1 January 2003 to 5 February 2003 – 36 days

1/2

Resident under s.7(1)(b): in Malaysia for less than 182 days but that period is linked to a period of 182 consecutive days in 2002 (see above)

1
1

YA2004

In Malaysia during

- 2 February 2004 to 31 May 2004 – 120 days
- 8 July 2004 to 30 August 2004 – 54 days
- 20 December 2004 to 31 December 2004 – 12 days

186 days

1/2

Resident under s.7(1)(a): in Malaysia for an aggregate of 182 days or more

1

YA2005

In Malaysia during 1 January 2005 to 15 April 2005 – 105 days

1/2

Resident under s.7(1)(c): in Malaysia for 90 days or more and resident or in Malaysia for 90 days for three out of four immediately preceding basis years.

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7

(ii) Two differences in the tax treatment between a resident individual and a non-resident individual

A resident individual is eligible for personal reliefs and rebates while a non-resident is not eligible;

A resident individual is taxed at scale rates from 0% to 28%

while a non-resident individual is taxed at the fixed rate of 28%

1 + 1
1
1
4

	Marks
(b) Self-assessment system for Encik Ahmad:	
(i) The deadline for submitting his tax return for the year of assessment 2005 As Encik Ahmad has a business source of income, he should submit his tax return for the year of assessment 2005 by 30 June 2006	1 1
(ii) The deadline for submitting his tax return for the year of assessment 2005 if he did not have the retail business source If he does not have a business source of income, the deadline to submit his tax return for the year of assessment 2005 is 30 April 2006	1 1
(iii) How the tax instalments will be prescribed with respect to his employment income and business income The schedular tax deductions will be made from his monthly remuneration from employment. With regards to the business source, the IRB will issue the tax instalment scheme with six bimonthly instalments. Each instalment should be paid within 30 days of the due date.	1 1 1 1
(iv) The penalty for late payment of tax instalment payments A 10% penalty is leviable for late payment of tax instalments	1 1
(v) The due dates for paying the balance of tax in respect of the year of assessment 2005 are 30 June 2006 – where there is a business source. 30 April 2006 – in all other cases.	1 1
(vi) The basis period for Encik Ahmad's business Under the self-assessment system, all businesses carried on by individuals have the calendar year as their basis period. Therefore, the basis period for Encik Ahmad's retail business for the year of assessment 2005 is 1 January 2005 to 31 December 2005.	1 1 1
(vii) The timeframe for a valid appeal against an assessment A taxpayer must lodge an appeal to the IRB within 30 days of the deemed assessment on submission of the tax return.	1 1
(viii) If the Inland Revenue Board cannot come to an agreement with Encik Ahmad in the case of a dispute, to whom will the appeal be forwarded for determination. The appeal will be forwarded to the Special Commissioners of Income Tax for determination.	1 1
	<u>15</u>
	<u>26</u>