
Answers

1 (a)	Alex			Marks
	Tax computation for the year of assessment 2005			
	RM	RM	RM	
Employment income				
Director's fees			100,000	1/2
Gratuity			nil	1/2
(Exempted: retirement at 55 years and served more than 10 years)				1
Car benefit (7,000 × 1/2)			3,500	1
Driver benefit (600 × 6)			3,600	1
Fuel (1,800 × 1/2)			900	1
Statutory income from employment			<u>108,000</u>	
Dividends				
Malaysian dividend A (8,640/72 × 100)		12,000		1
Malaysian dividend B (exempt)		nil		1/2
UK dividend (foreign remittance – exempt)		<u>nil</u>		1/2 + 1/2
Statutory income from dividends			12,000	
Interest from bank fixed deposit (exempt or tax already deducted)			<u>nil</u>	1/2 + 1/2
Aggregate income			120,000	1/2*
Less				
Current year business loss from the partnership			<u>(73,135)</u>	1
Total income			46,865	1/2*
Less reliefs:				
Personal relief		8,000		1/2
EPF contribution (restricted to maximum)		6,000		1
Medical insurance (restricted to maximum)		3,000		1
Medical expenses for serious disease				
Heart surgery	42,390			
Full medical check-up	950			
Total	<u>43,340</u>			
Restricted to maximum		5,000		1
Books and magazines		<u>650</u>		1/2
			<u>22,650</u>	
Chargeable income			24,215	1/2*
Tax on first 20,000			475.00	
Tax on next 4,215 at 7%			295.05	
Tax charged			<u>770.05</u>	1/2
Less rebates:				
Individual – chargeable income less than RM35,000	350			1/2
Purchase of personal computer	500			1/2
	<u>850</u>			
Restricted to amount of tax charged			<u>770.05</u>	1
			nil	
Less s.110 set-off (8,640/72 × 28%)			<u>(3,360.00)</u>	1
Tax refund			<u>(3,360.00)</u>	1/2*
			<u>19</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)

Zizah
Tax computation for the year of assessment 2005

Marks

	RM	RM	
Employment income			
Director's fee		120,000	1/2
Travelling allowance		36,000	1/2
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Section 13(1)(a) income		156,000	
Benefit in kind: house furnishings (280 x 12)		3,360	1
Living accommodation [(s.13(1)(c)): Defined value: 5,000 x 12 = 60,000 30% of section 13(1)(a) income = 30% x 156,000 = 46,800 The lower		46,800	1 1 1
		<hr/>	
Gross income from employment		206,160	
Less allowable deductions: Travelling (fully expended)		(36,000)	1
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Adjusted/statutory income from employment		170,160	
Interest income		1,800	1
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Aggregate/total income		171,960	1/2*
Personal reliefs			
Self	8,000		1/2
20-year-old child	4,000		1
Adopted child	1,000		1
EPF contribution (restricted to maximum)	6,000		1
Books and magazines (restricted to maximum)	700		1
Full medical check-up (restricted to maximum)	500		1
		<hr/>	
		(20,200)	
		<hr/>	
Chargeable income		151,760	1/2*
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Tax on first RM100,000		14,475.00	
On next RM51,760 at 27%		13,975.20	
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Tax charged		28,450.20	1/2
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			33
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Note: Marks indicated with a "*" are awarded for the allocation of the appropriate description to the figure calculated, not for the figure itself.

			Marks
2 (a) Capital allowance for the van			
	RM	RM	
Qualifying plant expenditure		69,500	1
Initial allowance 20%	13,900		1
Annual allowance 20%	<u>13,900</u>		1
		<u>27,800</u>	
Residual expenditure		<u>41,700</u>	<u>1</u>
			<u>4</u>
(b) Partnership business			
Net loss		(15,300)	1/2
<i>Add</i>			
Salary to Pedro	48,000		1/2
Salary to Liam	48,000		1/2
Interest to Pedro	3,475		1/2
Depreciation	<u>6,950</u>		1/2
		<u>106,425</u>	
Provisional adjusted income		91,125	1/2*
<i>Less partners' benefits</i>			
Salary to Pedro	48,000		1/2
Salary to Liam	48,000		1/2
Interest to Pedro	<u>3,475</u>		1/2
		<u>(99,475)</u>	
Divisible income/(loss)		<u>(8,350)</u>	<u>1/2*</u>
			<u>5</u>
(c) Partners' statutory income			
Pedro			
1/2 share of divisible loss from Pedroliam Mekanik 1/2 x 8,350		(4,175)	1
<i>Add</i>			
Partner's salary	48,000		1/2
Interest on capital	<u>3,475</u>		1
		<u>51,475</u>	
Adjusted income		47,300	
<i>Less 1/2 of capital allowance on the van</i>		<u>(13,900)</u>	1
Statutory income from Pedroliam Mekanik		<u>33,400</u>	1/2*
Liam			
1/2 share of divisible loss from Pedroliam Mekanik 1/2 x 8,350		(4,175)	1
<i>Add</i>			
Partner's salary	(48,000)		1/2
Adjusted income		43,825	
<i>Less 1/2 of capital allowance on the van</i>		<u>(13,900)</u>	1
Statutory income from Pedroliam Mekanik		<u>29,925</u>	<u>1/2*</u>
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(d) Service tax			
(i) Whether service tax provisions are applicable			
An operator of motor vehicle service and/or repair centres is a taxable person providing a taxable service for the purposes of service tax.			1 + 1
However, the annual sales turnover must exceed RM150,000 for the service tax provisions to apply.			1
As Pedroliam Mekanik's annual turnover for 2005 was less than RM150,000, the service tax provisions are not applicable to Pedroliam Mekanik for the year 2005.			1
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Marks

(ii) The rate of service tax and the duration of a taxable period

The prevailing rate of service tax is 5%.

The taxable period is normally two calendar months.

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3 (a) Computation of real property gains tax for Mr A

	RM	RM	
Disposal date: 5 December 2005 – date of written agreement			1
Sale consideration		1,800,000	1/2
Less Enhancement cost – construction of house		518,000	1
		<hr/> 1,282,000	
Less incidental costs			
Advertisement	4,500		1
Valuation fee	1,750		1
Real estate agent's fee	36,000		1
		<hr/> 42,250	
Disposal price		1,239,750	1/2*
Acquisition date: 1 December 2001			
Purchase consideration of land	356,000		1/2
Legal fees	2,478		1
Stamp duty	6,122		1
	<hr/> 364,600		
Less deposit forfeited	14,600		1
Acquisition price		<hr/> 350,000	1/2*
Chargeable gain		889,750	1/2*
Schedule 4 exemption			
Greater of 10% of 889,750 or 5,000		88,975	1
		<hr/> 800,775	
Disposal in the 5th year			1/2
RPGT at 5%		<hr/> 40,038.75	1
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(b) State the date by which Mr A must submit the disposer's return

The return by the disposer must be submitted within 1 month of the date of the disposal.

Therefore Mr A must submit the return by 4 January 2006.

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(c) Responsibilities of the acquirer Mr B

(i) Mr B must file a return notifying the acquisition of the real property within 1 month of the date of acquisition i.e. by 4 January 2006.

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(ii) Mr B must retain 5% of the sale consideration i.e. RM90,000 (1,800,000 × 5%) and await instructions from the Director General i.e. to pay over to the DGIR or to release the money to the disposer upon receipt of the certificate of clearance from the DGIR.

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		Marks
4 (a) Compliance requirements re the employees		
(i) At recruitment		
	Within one month of the recruitment of the new employees,	1
	Dee is required to notify the DGIR by providing their full names and addresses.	1
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(ii) Payment of monthly salaries		
	Dee must make schedular tax deductions according to the prevailing tax deductions table prescribed by the DGIR, and	1
	pay over the tax deducted to the DGIR by the 10th day of the following month.	1
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(iii) At the end of the calendar year		
	Dee must prepare the annual statement of income in the prescribed form (Form EA) for each employee who has been employed by the company during the basis year.	1
	It also must furnish the employer's return in the prescribed form (Form E) of the DGIR.	1
		1
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(b) Withholding tax		
(i) Whether withholding tax provisions applicable		
	Royalty – Paid to a non-resident, and	1
	Royalty is derived from Malaysia because it was paid by a resident	1
	Therefore withholding tax provisions are applicable	1
	Interest – Paid to a resident,	1
	Therefore withholding tax provisions are not applicable	1
	Technical fees – Paid to a non-resident, and	1
	Technical fees are derived from Malaysia because it was paid by a resident; and	1
	The services were performed in Malaysia.	1
	Therefore withholding tax provisions are applicable	1
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(ii) Rate of withholding tax		
	Royalty – 10% of gross	1
	Technical fees – 10% of gross	1
		<hr/> 2
(iii) Consequences of non-compliance with the withholding tax provisions		
	The payer would have to bear the withholding tax	1
	There would be a penalty of 10% of the gross payment	1
	The payment (royalty or technical fees) would not be tax deductible	1
	until and unless the withholding tax and the 10% penalty have been paid by the payer	1
		<hr/> 4
(c) Due dates		
(i) Tax return and balance of tax for YA2005		
	As Dee closed its accounts on 31 December 2005,	1/2
	the due date for submitting its tax return and payment of the balance of tax	1
	is seven months after the close of accounts	1/2
	i.e. 31 July 2006	<hr/> 2
(ii) Tax estimate for YA2006		
	The tax estimate must be provided to the DGIR not later than 30 days	1/2
	before the beginning of the basis period for the year of assessment 2006.	1/2
	As the basis period for the year of assessment 2006 began on 1 January 2006,	1
	30 days before that date was 2 December 2005.	<hr/> 2
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