Answers

Marks

1 (a) Muthu is non-resident in Malaysia in YA2005 because he does not qualify for tax residence under any of the four rules i.e.
Section 7(1)(a) – this rule requires him to be in Malaysia for at least 182 days in the basis year: he was in Malaysia for 28 days only. 1
Section 7(1)(b) – his stay of 28 days is not linked to a period of at least 182 consecutive days in the preceding year or the following year since he had been in Malaysia for only one month in the earlier year. 1
Section 7(1)(c) – he was not in Malaysia for at least 90 days in 2005 or in Malaysia for at least 90 days or resident for three out of four immediate preceding years. 1
Section 7(1)(d) – this rule requires him to be resident for YA2002 to 2004 (three years of assessment before) and for YA2006 (one year of assessment after). He was not resident in Malaysia for the years 2002 to 2004. 1

4

(b) (i) Raju
Tax computation YA2005

	RM	RM	RM	Marks
Employment income				
Section 13(1)(a)				
Salary			72,000	1/2
Perquisite: Water & electricity bills			4,500	1
Travelling allowance			6,000	1/2
Entertainment allowance			7,200	1/2
			89,700	
Section 13(1)(b)				
Domestic servant		4,800		1
Medical benefit (exempt)		nil		1
Dental benefit (exempt)		nil		1
Leave passage to Langkawi (1 local trip: exempt)		nil		1
Leave passage to Perth (overseas trip: 4,200 – 3,000)		1,200		1
			6,000	
			95,700	
Less allowable deductions:				
Travelling (fully expended)		(6,000)		1
Entertainment expenses (restricted to allowance)		(7,200)		1
			13,200	
Statutory income from employment			82,500	
Other income: commission			5,000	1
Aggregate income			87,500	1/2*
Less Approved donation			500	1
Total income			87,000	1/2*
Personal reliefs				
Self		8,000		1/2
Wife		3,000		1/2
2nd child		1,000		1/2
Disabled child relief		5,000		1
Vocational course fee (restricted)		5,000		1
EPF (restricted)		6,000		1
			(28,000)	
Chargeable income			59,000	1/2*
Tax on first RM50,000			3, 475·00	
On next RM9,000 at 19%			1,710·00	
Tax charged			5,185·00	1/2
				18

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

			Marks
(ii) **Muthu** **Tax computation YA2005**			
	RM	RM	
Rental received		14,400	1/2
Less Rental manager's fee	(720)		1/2
Service charges	(680)		1/2
Air-conditioner (capital expenditure)	nil		1
		1,400	
Statutory income from rent		13,000	
Dividend from Malaysian company (6,480/72 x 100)		9,000	1
Interest from financial institution by non-resident (exempt)		nil	1
Aggregate income		22,000	1/2*
Donation (not a cash gift to an approved institution)		nil	1
Total income		22,000	1/2*
Personal reliefs		nil	1
Chargeable income		22,000	1/2*
Tax charged on RM22,000 at 28%		6,160·00	1
Less s.110 set-off 9,000 x 28%		(2,520·00)	1
Tax payable		3,640·00	10
			32

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2 (a) **Industrial building**

	RM	RM	
Architect's design fees		35,750	1
Civil and structural works		411,000	1
Electrical and plumbing works		53,250	1
Qualifying building expenditure		500,000	1/2*
Year of assessment 2005			
Initial allowance at 10%	50,000		1
Industrial building allowance at 3%	15,000		1
		(65,000)	
Residual expenditure		435,000	1/2*
			6

			Marks
(b) Motor car			
Year of assessment 2004			
Down payment		45,000	1/2
Instalments: principal portion			
100,800/36 x 9		25,200	1
Qualifying plant expenditure		70,200	
Initial allowance at 20% of RM70,200	14,040		1
Annual allowance at 20% of RM70,200	14,040		1
		(28,080)	
Residual expenditure		42,120	1/2*
Year of assessment 2005			
Instalments: principal portion (100,800/36 x 12) = 33,600			
Qualifying plant expenditure (see working)		29,800	2
		71,920	
Initial allowance at 20% of RM29,800	5,960		1
Annual allowance 20% of RM100,000 (see working)	20,000		1
		(25,960)	
Residual expenditure		45,960	1/2*
Working: Principal payment in 2004		70,200	
Principal payment in 2005 (restricted)		29,800	
Total qualifying plant expenditure (maximum)		100,000	1/2
			9

(c) (i) Information necessary to determine whether Shoes-R-Us is subject to sales tax

	Marks
Sales tax is applicable on goods manufactured in Malaysia unless the product is specifically exempted.	1/2 + 1/2
Therefore, one must ascertain whether shoes are exempted specifically. Otherwise it is a taxable good	1/2
Goods exported are also exempted.	1/2
A minimum sales value of RM100,000 for the preceding 12-month period is necessary for licensing.	1/2 + 1/2
It is therefore necessary to find out the value of sales (excluding exports) made by the company.	1/2 + 1/2
	4

(ii) How often sales tax is payable and the due date for payment

	Marks
The taxable period is normally 2 calendar months	1
The sales tax for a taxable period is due within 28 days after the expiry of the taxable period	1
	2
	21

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

Marks

3 (a) Whether a disposal for real property gains tax (RPGT) purposes

(i) The transfer of the rubber estate is a disposal for RPGT purposes because — 1
– a gift constitutes a disposal — $^1/_2$
– a rubber estate is a chargeable asset: being land situated in Malaysia, it is real property. — $1^1/_2$

3

(ii) The transfer of the motor car is not a disposal for RPGT purposes because a motor car is not a chargeable asset as it is not real property (i.e. land) — 1, 1

2

(b) RPGT liability

(i) Fatimah

	RM	RM	Marks
Gift from mother to daughter within five years of acquisition			
– deemed at no-gain-no-loss			1
Disposal date: 8 September 2003			
Disposal price (deemed to be at acquisition price)		215,000	1
Acquisition date: 12 August 1999			
Acquisition price		215,000	$^1/_2$
Chargeable gain		nil	$^1/_2$
RPGT		nil	
			3

(ii) Daughter

	RM	RM	Marks
Disposal date: 10 August 2005			
Disposal price		380,000	$^1/_2$
Acquisition date: 8 September 2003			$^1/_2$
Acquisition price (deemed at acquisition price of mother)		215,000	1
Chargeable gain		165,000	$^1/_2$*
Schedule 4 exemption			
Greater of 10% of 165,000 or 5,000		16,500	1
		148,500	
Disposal within two years			1
RPGT at 30%		44,550·00	$^1/_2$
			5

(c) Sale by daughter to her husband

	RM	Marks
A sale by a wife to her husband is deemed to be at no-gain-no-loss		1
Disposal date: 10 August 2005		
Disposal price is deemed at her acquisition price	215,000	1
Acquisition date: 8 September 2003		
Acquisition price	215,000	1
Chargeable gain	nil	$^1/_2$*
RPGT	nil	$^1/_2$
		4

			Marks
(d) Sale by the daughter's husband to third party			
Disposal date: 30 December 2005			
Disposal price		420,000	1/2
Acquisition date: 10 August 2005			1/2
Acquisition price deemed at his wife's acquisition price		215,000	1
Chargeable gain		205,000	1/2*
Schedule 4 exemption			
Greater of 10% of 205,000 or 5,000		20,500	1
		184,500	
Disposal within two years			1
RPGT at 30%		55,350·00	1/2
			5
			22

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

4 (a) Tax computation for ZeBest for YA2005

	RM	RM	
Travel business			
Gross income		445,400	
Less Tax deductible expenses		420,400	1/2
Adjusted income		25,000	1/2*
Capital allowance	30,900		
Less absorbed	25,000	25,000	1
Unabsorbed capital allowance c/f	5,900		1/2
Statutory income		nil	1/2*
Retail business			
Gross income	789,000		
Less Tax deductible expenses	839,000		1/2
Adjusted income	nil		
(current year loss 839,000 – 789,000 = 50,000)			1/2
Capital allowance c/f	12,500		1/2
Statutory income		nil	1/2*
Restaurant business			
Gross income	569,200		
Less Tax deductible expenses	419,200		1/2
Adjusted income	150,000		
Capital allowance	9,000		1/2
Statutory income		141,000	1/2*
Statutory income from all businesses		141,000	
Less unabsorbed loss b/d		(35,800)	1
Statutotry income from all businesses		105,200	
Statutory income from dividend		75,000	1
Aggregate income		180,200	1/2*
Less current year loss		(50,000)	1
Total income/chargeable income		130,200	1/2*
Tax charged at 20%		26,040·00	1
Less s.110-set-off (75,000 x 28%)		21,000·00	1
Tax payable		5,040·00	1/2*
			13

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

	Marks
(b) Submission of the tax return for YA2005	
ZeBest must submit its tax return for YA2005 within seven months after its financial year end	1
(30 September 2005) i.e. 30 April 2006.	1
	2
(c) Estimated income tax for YA2006	
The estimated income tax must be provided to the Director General of Inland Revenue at least 1 month	1
before the commencement of the basis period for YA2006 i.e. 1 September 2005	1
	2
(d) Revised tax estimates for YA2006	
ZeBest has two opportunities to revise its tax estimate.	1
In the 6th month of the basis period i.e. March 2006	$1 + \frac{1}{2}$
and in the 9th month of the basis period i.e. June 2006	$1 + \frac{1}{2}$
	4
(e) Due dates for directors' submission of tax returns	
The three directors with employment income only must submit their income tax return for YA2005	1
by 30 April 2006.	1
With regards to the remaining two directors, as they have a business source of income in addition	1
to employment income, their deadline will be 30 June 2006	1
	4
	25