

Certified Accounting Technician Examination
Advanced Level

Preparing Taxation Computations (Malaysia)

Tuesday 11 December 2007

Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

ALL FOUR questions are compulsory and MUST be attempted.

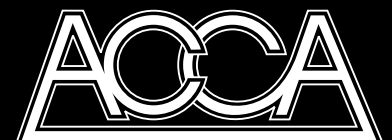
Tax rates and allowances are on pages 2–3.

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 T9 (MYS)

SUPPLEMENTARY INSTRUCTIONS

1. Calculations and workings need only be made to the nearest RM.
2. All apportionments should be made to the nearest month.
3. All workings should be shown.

TAX RATES AND ALLOWANCES

The following tax rates, allowances and values are to be used in answering the questions

		Income tax rates		
		Resident company		
Paid up capital	Chargeable income			
	First RM500,000	In excess of RM500,000		
RM2,500,000 or less	20%	27%		
More than RM2,500,000	27%	27%		
Non-resident company			27%	
Non-resident individual			28%	

Resident individuals				
	Chargeable income		Rate	Cumulative tax
	RM	RM	%	RM
First	2,500	(0 – 2,500)	0	0
Next	2,500	(2,501 – 5,000)	1	25
Next	15,000	(5,001 – 20,000)	3	475
Next	15,000	(20,001 – 35,000)	7	1,525
Next	15,000	(35,001 – 50,000)	13	3,475
Next	20,000	(50,001 – 70,000)	19	7,275
Next	30,000	(70,001 – 100,000)	24	14,475
Next	150,000	(100,001 – 250,000)	27	54,975
Exceeding	250,000		28	

Personal reliefs and allowances

	RM
Self	8,000
Disabled self – additional	6,000
Medical expenses expended for parents	5,000 maximum
Medical expenses expended on self, spouse or child with serious disease, including up to RM500 for medical examination	5,000 maximum
Basic supporting equipment for disabled self, spouse, child or parent	5,000 maximum
Fees expended for skills or qualifications	5,000 maximum
Expenses on books for personal use	1,000 maximum
Spouse relief	3,000
Disabled spouse – additional	3,500
Child	1,000 each
Disabled child	5,000 each
Life insurance premiums and contributions to approved provident funds	6,000 maximum
Medical or education insurance premiums for self, spouse or child	3,000 maximum
Purchase of a personal computer	3,000 maximum

Rebates

	RM
Resident individual – chargeable income up to RM35,000	350
Resident individual who has been given a deduction in respect of wife (or former wife) or husband – chargeable income up to RM35,000 – additional	350

Value of benefits in kind

Car benefit scale

Cost of car (when new) RM	Prescribed annual value of private usage of car RM	Fuel per annum 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 value of the car benefit equal to half the prescribed annual value (above) is taken if the car provided is more than five years old, but the value of fuel provided remains unchanged.

Where a driver is provided by the employer, the value of the benefit is fixed at RM600 per month.

Other benefits

Household furnishings, apparatus and appliances		
Semi-furnished with furniture in the lounge, dining room, or bedrooms	–	RM70 per month
Semi-furnished with furniture as above and one or more of the following:		
air-conditioners, curtains, carpets	–	RM140 per month
Fully furnished premises	–	RM280 per month
Domestic servant	–	RM400 per month
Gardener	–	RM300 per month

Capital allowances

	Initial allowance (%) rate	Annual allowance (%) rate
Motor vehicles and heavy machinery	20	20
Plant and machinery	20	14
Office equipment, furniture and fittings	20	10
Industrial buildings	10	3
Computer, information technology equipment and computer software	20	40

Sales and service tax rates

Sales tax	10%
Service tax	5%

ALL FOUR questions are compulsory and MUST be attempted

1 Mr East first arrived in Malaysia in August 2006 to work for a Malaysian company. His wife, Nora, is employed as an interpreter in Malaysia. Their twenty-year-old daughter is an undergraduate at a foreign university and their twelve-year-old son attends the International School in Kuala Lumpur. The son’s annual school fees of RM20,000 are borne by Mr East’s employer. Mr East and Nora legally adopted a six-month-old child on 10 October 2007.

Throughout the year 2007, Mr East was provided with a car (which cost RM180,000 when new), free petrol and a driver. His employer also provided him with free accommodation in a fully furnished apartment which his employer rented for RM5,500 per month (RM500 of this was in respect of the furnishings).

Mr East receives rental income in respect of a property he owns in Ipoh.

Information relating to Mr East and Nora’s income and expenditure, including in respect of the property in Ipoh, for the year ended 31 December 2007 is expected to be as follows:

	Mr East RM	Nora RM
Income		
Salary	120,000	36,000
Overtime pay	–	4,150
UK dividend received in Malaysia	9,250	–
Malaysian dividend (net of tax)		936
Interest on fixed deposits in a Malaysian bank	1,156	–
Rent from the Ipoh property (gross)	20,000	–
Expenditure		
Medical insurance	5,900	–
Books and magazines	100	450
Full medical check-up	820	–
Approved donation in cash	1,360	–
Donation of art supplies to an approved orphanage	–	800
Mortgage interest on rental property	15,600	–
Repair and maintenance of rental property	4,800	–
Quit rent and assessment for rental property	5,000	–

Required:

Assuming that Nora does not elect for combined assessment or child relief, compute the income tax payable for the year of assessment 2007 by:

(a) Mr East; and (23 marks)

(b) Nora. (8 marks)

Note: You should indicate by the use of the word ‘nil’ any item referred to in the question for which no adjusting entry needs to be made in the tax computation.

Marks will be awarded for the use of accurate technical terms to describe the figures calculated at various stages of the computation.

(31 marks)

- 2 (a) A motor car which cost RM100,000 has been wholly used in its owner's sole trader business since its acquisition on 12 January 2004.

On 21 November 2006, the owner traded in the motor car for a new van to be wholly used in his business. Details are as follows:

	RM
Cost of the van	110,000
Trade-in value of the motor car	(62,000)
	<hr/>
Hire purchase loan (excluding interest)	48,000
	<hr/>
Total number of instalments	24
Date of first instalment	1 December 2006

Required:

- (i) **Compute the capital allowances in respect of the motor car for the years of assessment 2004 and 2005 and the balancing allowance/charge upon its disposal in the year of assessment 2006;** (7 marks)
- (ii) **Compute the capital allowances in respect of the van for the years of assessment 2006 and 2007.** (9 marks)
- (b) Miss Enterprise operates a business providing cleaning services. For the year ended 31 December 2007, the business' statement of profit and loss is expected to be as follows:

	RM	RM
Turnover		320,000
Expenditure		
Salary and allowances to staff	100,000	
Salary to the proprietor	60,000	
Interest on overdraft	5,300	
Provision for specific doubtful trade debt	1,200	
Loss on the sale of a fixed asset	900	
Detergents and supplies	70,000	
Depreciation	1,600	
	<hr/>	
Total expenditure		(239,000)
Net profit before tax		<hr/> 81,000 <hr/>

Required:

For each item of expenditure, state the tax deductibility, giving reasons for your answers.

Note: no computation is required.

(7 marks)

(23 marks)

3 AhBeng Sdn Bhd started a business of manufacturing precision tools on 1 January 2007. The company employed three engineers and sent one of them to Japan for training for six months commencing 1 December 2007. All three engineer employees are residents of Malaysia and chargeable to tax in Malaysia.

AhBeng Sdn Bhd will make up its first set of accounts to 31 December 2007 and has made the following payments to its parent company, resident in Spain, in 2007:

- royalties;
- interest; and
- the cost of purchase of machinery and equipment.

Required:

(a) State AhBeng Sdn Bhd's responsibilities as an employer under the Income Tax Act 1967 regarding:

- (i) The commencement of employment of the three engineers;** (2 marks)
- (ii) The payment of monthly salary to the three engineers;** (3 marks)
- (iii) The departure of the engineer to Japan.** (3 marks)

(b) State, giving reasons, whether withholding tax is applicable in respect of each or any of the payments made by AhBeng Sdn Bhd to its parent company in Spain. If applicable, state the rate of withholding tax. (8 marks)

(c) With regards to AhBeng Sdn Bhd's tax compliance:

- (i) State the date by which it must furnish the estimate of tax for the year of assessment 2007;** (3 marks)
- (ii) State the due date for submitting its tax return for the year of assessment 2007.** (2 marks)

(21 marks)

- 4 (a) Mr Diligent is the book-keeper for a company. In his spare time, he tends his market garden, producing vegetables and fruits which he sells in the neighbourhood night market.

Mr Diligent is also a partner in a canteen business. He has an unabsorbed partnership business loss of RM5,600 brought forward from the year of assessment 2006.

For the year ended 31 December 2007, details regarding his income and expenditure are expected to be as follows:

	RM	RM
Business of growing and selling vegetables and fruits:		
Adjusted income		52,000
Balancing charge	600	
Capital allowance brought forward	(890)	
Capital allowance current year	(1,110)	
Canteen partnership business:		
Share of current year partnership adjusted loss	(5,800)	
Share of partnership capital allowances	(1,970)	
Salary as a book-keeper		26,400
Malaysian dividend (net)		14,400
Cash donation to an approved institution	(600)	

Required:

- (i) **Compute the total income of Mr Diligent for income tax purposes for the year of assessment 2007.**

Note: marks will be awarded for the use of accurate technical terms to describe the figures calculated at various stages of the computation. (12 marks)

- (ii) **State the circumstances in which sales tax is applicable and whether Mr Diligent is subject to the provisions of sales tax in respect of his business of growing and selling vegetables and fruits, giving reasons for your answer.** (4 marks)

- (b) Since her first visit to Malaysia in June 2003, Miss Motivasi has been regularly visiting Malaysia to conduct public seminars and corporate consultations. Her passport shows that she was in Malaysia as follows:

8 June 2003 to 10 September 2003
 12 December 2004 to 4 July 2005
 29 December 2005 to 18 February 2006
 1 July 2006 to 20 November 2006
 6 April 2007 to 28 July 2007

Required:

State whether Miss Motivasi was a tax resident of Malaysia for each of the years of assessment 2003 to 2007, giving reasons for your answer. (9 marks)

(25 marks)

End of Question Paper