

Certified Accounting Technician Examination  
Advanced Level

# Preparing Taxation Computations (Malaysia)

Tuesday 10 June 2008

**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)

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black square.

## SUPPLEMENTARY INSTRUCTIONS

1. Calculations and workings should be made to the nearest RM.
2. All apportionments should be made to the nearest whole 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 individuals			Rate	Cumulative tax
Chargeable income	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	

### Resident company

#### Paid up ordinary share capital

	First RM500,000	Excess over RM500,000
RM2,500,000 or less	20%	27%
More than RM2,500,000	27%	27%

### Non-resident

Company	27%
Individual	28%

### Personal reliefs and allowances

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

### Rebates

<b>Chargeable income not exceeding RM35,000</b>	<b>RM</b>
Individual	350
Individual who has been given a deduction in respect of a spouse or former wife	700

### Value of benefits in kind

#### Car and fuel 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 to 75,000	2,400	900
75,001 to 100,000	3,600	1,200
100,001 to 150,000	5,000	1,500
150,001 to 200,000	7,000	1,800
200,001 to 250,000	9,000	2,100
250,001 to 350,000	15,000	2,400
350,001 to 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 (5) years old, but the value of fuel provided remains unchanged.

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

#### Other benefits

<b>Household furnishings, apparatus and appliances</b>	<b>RM per month</b>
Semi-furnished with furniture in the lounge, dining room, or bedrooms	70
Semi-furnished with furniture as above plus air-conditioners and/or curtains and carpets	140
Fully furnished premises	280
<b>Domestic servant</b>	400
<b>Gardener</b>	300
	<b>RM per month</b>
<b>Telephone</b> (fixed or mobile):	
Hardware	300
Bills	300

### Capital allowances

	Initial allowance (IA)	Annual allowance (AA)
	Rate %	Rate %
Industrial buildings	10	3
Plant and machinery – general	20	14
Motor vehicles and heavy machinery	20	20
Computers, information technology and computer software	20	40
Office equipment, furniture and fittings	20	10

### Sales tax and service tax rates

	Rate %
Sales tax	10
Service tax	5

**ALL FOUR questions are compulsory and MUST be attempted**

1 On 1 March 2007, Junior ceased his employment as a software engineer with Waifai under a voluntary separation scheme. He had worked five years four months with this employer. He received a compensation sum of RM80,000.

On 1 May 2007, Junior became the managing director of Fast Solutions Sdn Bhd. Junior holds 70% of the company's share capital while his father, Senior, holds the remaining 30%. Since 1 July 2007, Fast Solutions Sdn Bhd has provided Junior with a new company car, which cost RM76,000. No fuel is provided.

On 1 September 2007, Senior retired from Stylo at the age of 54 years. He received a retirement gratuity of RM420,000 for his 12 years' service with Stylo. He joined Fast Solutions Sdn Bhd on 1 October 2007 as the finance director. For the period 1 October to 31 December 2007, Senior was provided with free accommodation in an unfurnished apartment which Fast Solutions Sdn Bhd rented at RM4,000 per month.

During the year 2007, the only income received by Senior's wife was a Malaysian net dividend of RM2,628. On 12 April 2007, she made an approved donation of RM600 in cash. Senior's wife elected for combined assessment for the year of assessment 2007.

Other details regarding Senior and Junior's income and expenditure for the year ended 31 December 2007 are as follows:

	Senior RM	Junior RM
Income		
Salary from Waifai	–	16,000
Salary from Stylo	96,000	
Salary from Fast Solutions Sdn Bhd	9,000	64,000
Singapore dividend received in Malaysia	3,250	–
Malaysian dividend (net of tax)	1,460	–
Interest on savings with a Malaysian bank	–	129
Expenditure		
Contributions to the Employees Provident Fund	11,550	8,800
Education insurance	–	4,380
Subscription to professional body	–	1,000
Personal computer	–	6,125
Full medical examination	615	–
Approved donation	4,000	–
Donation of old computer to the community centre	–	450

**Required:**

(a) Explain in detail the treatment for tax purposes of:

- (i) the retirement gratuity received by Senior; (4 marks)
- (ii) the compensation received by Junior; and (3 marks)
- (iii) the living accommodation benefit provided to Senior. (2 marks)

(b) Compute the chargeable income and the income tax payable for the year of assessment 2007 by:

- (i) Senior; and (15 marks)
- (ii) Junior. (11 marks)

**Notes:**

- 1 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.
- 2 marks will be awarded for the use of accurate technical terms to describe the figures comprising the stages in the computation of chargeable income.

**(35 marks)**

2 Niaga Sdn Bhd is an established trading company that has a financial year end of 30 September, annually. During the year ended 30 September 2007, Niaga Sdn Bhd acquired the following additional assets for cash:

	RM
Van	120,850
Motor car	183,050
Computers	45,000
Photocopy machine	8,000

The photocopy machine was acquired on 10 January 2007. After a few months' use in the business, it was found to be unsuitable and was sold on 28 September 2007 for RM5,500.

Assets that were brought forward from the year of assessment 2006 are as follows:

	Cost	Residual expenditure brought forward
	RM	RM
Filing cabinets	12,000	7,200
Mobile phone	1,500	1,050
Projector	23,000	13,800

The projector was disposed of in May 2007 for RM26,000.

**Required:**

- (a) **Compute the capital allowances for Niaga Sdn Bhd for the year of assessment 2007, together with the amounts of residual expenditure carried forward.** (15 marks)
- (b) **Compute for Niaga Sdn Bhd, the balancing charge/allowance in respect of each of the disposals (the photocopy machine and the projector) in the year of assessment 2007.** (6 marks)

**(21 marks)**

**3** Brothers Ahmad, Asri and Azmil are in partnership, carrying on business as the AAA Restaurant, and sharing profits equally.

For the year ended 31 December 2007, the restaurant's statement of profit and loss is as follows:

	RM	RM	RM
Sales turnover			754,590
Expenditure			
Ingredients and foodstuff		205,000	
Staff payroll		115,038	
Salary to Azmil		66,000	
Interest on capital to:			
Ahmad	9,000		
Asri	5,000	14,000	
	<hr/>		
Rental of premises		18,000	
Utilities, telecommunication and office costs		32,352	
Provision for staff outing		6,000	
Depreciation		3,645	
		<hr/>	
Total expenditure			(460,035)
Net profit before tax			<hr/> 294,555 <hr/>

Capital allowances for the partnership for the year of assessment 2007 amounted to RM4,500.

The AAA Restaurant was first licensed for service tax on 1 February 2007.

**Required:**

- (a) **Compute the provisional adjusted income and divisible income of the partnership for the year of assessment 2007.** (6 marks)
- (b) **Compute the statutory income from the AAA Restaurant for Ahmad, Asri and Azmil for the year of assessment 2007.** (8 marks)
- (c) **Explain why the AAA Restaurant is subject to service tax.** (4 marks)
- (d) **State the AAA Restaurant's first taxable period and the date when service tax was first payable.** (3 marks)

**(21 marks)**

- 4 (a) Madam Tan ceased her 20-year-old fruit and vegetable business on 30 June 2006. She did not derive any business income thereafter.

Up to and including the year of assessment 2006, she had submitted her annual tax returns on time.

After taking a break until 31 December 2006, she started work full-time as a salaried house keeper in January 2007.

Madam Tan received the following notices, both dated 1 June 2008:

- an original notice of assessment for the year of assessment 2001; and
- a notice of additional assessment for the year of assessment 2004.

She wants to know if the notice of assessment for the year of assessment 2001 is time-barred. She also wants to object to the additional assessment for the year of assessment 2004.

**Required:**

- (i) Explain the normal concept of time-bar with reference to the original notice of assessment for the year of assessment 2001 and state whether the tax payable on this assessment is collectible by the Director General of Inland Revenue. (5 marks)
  - (ii) Explain the requirements for making a valid appeal with reference to the additional assessment for the year of assessment 2004 and state by when it must be submitted. (3 marks)
  - (iii) State the due date for Madam Tan to submit her annual tax return for the year of assessment 2007. (2 marks)
  - (iv) State the due date by which Madam Tan must pay any balance of tax due for the year of assessment 2007. (1 mark)
- (b) Compare and contrast the tax treatment of resident individuals and non-resident individuals with reference to:
- (i) Personal reliefs and allowances; (3 marks)
  - (ii) Tax rates; and (2 marks)
  - (iii) Withholding tax. (7 marks)

**(23 marks)**

**End of Question Paper**