



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

MARKING SCHEME

Course Code & Name : **ACC3313 Taxation 2**
Trimester & Year : May – August 2019
Lecturer/Examiner : Ng Kean Wai
Duration : 3 Hours

Total Number of pages = 9 (Including the cover page)

QUESTION 1

MUST SUCCESS Sdn Bhd

Statutory Income from Manufacturing Business – Year of assessment 2018

	RM	RM
	+	-
Net profit before tax	4,500,000V	
Keyman insurance policy	160,000V	
Insurance on exports		200,000V
Entertainment allowance (50% of 1,600,000)	800,000V	
EPF disallowed (working 1)	380,000V	
Replacement of temporary wooden wall	400,000 V	
Construction of ramps for disabled employees	Nil*	
Advance payment for future purchases	1,000,000V	
Childcare facilities: legal fees	40,000V	
Maintenance expenses	Nil*	
Promotional expenses	Nil*	
Training expenses – scholarship	Nil*	
Bad debts w/o	Nil*	
Bad debts w/o non-trade	16,000V	
Specific provision	Nil*	
General provision		6,000V
Entrance fees	8,000V	
Subscription	Nil*	
Penalty	2,000V	
AGM expenses	4,000V	
Deposit	8,000V	
	<hr/> 7,318,000V	206,000
	(206,000) V	
Adjusted income	<hr/> 7,112,000V	
<i>Less: Capital Allowance:</i>		
Brought forward	(58,000)V	
Current Year	(200,000)V	
Statutory income	<hr/> 6,854,000	
Less Unabsorbed business loss b/f	(60,000) V	
Chargeable income	<hr/> <hr/> 6,794,000	

Workings:	RM
1 EPF on directors remuneration disallowed:	
Salaries (22 – 19%) = 3% x 6,000,000	180,000*
Entertainment allowance allowed: 3% x 800,000	24,000*
Entertainment allowance disallowed: 22% x 800,000	176,000*
	<hr/>
	380,000
	<hr/>

(1v = 1 mark, 20v x 20m = 20 marks)
(10* = 0.5 mark, 10* x 0.5m = 5 marks)

(Total 25 marks)

QUESTION 2**PART A**

			RM
Determination of qualifying building expenditure			
Cost of land			- √
Legal fee for transfer of land			- √
Cutting and leveling land			- √√
Excavation and preparation of site for construction			37,327 √
Piling and foundation works			624,394 √
Construction of building			4,728,580 √
Construction of perimeter wall			16,129 √
Architect fee- hospital building design			64,515 √
Legal services for obtaining various building approval			29,954 √
Subcontract charges for installation of wiring and plumbing			34,101 √
Landscaping charges			- √√
Qualifying building expenditure			5,535,000 √
<u>Constructed building</u>			
Year of assessment 2016			RM
Qualifying building expenditure			5,535,000 √
Initial allowance	10%	553,500 √√	
Annual allowance	3%	166,050 √	719,550 √
Residual expenditure			4,815,450 √
Year of assessment 2017			
Annual allowance	3%		166,050 √
Residual expenditure			4,649,400 √
<u>Leased building</u>			RM
Renovation expenditure			760,448 √
Year of assessment 2016			
Qualifying Leased building -used as hospital			RM
Qualifying expenditure (80% of 760,448)			608,358 √√
Initial allowance	10%	60,836 √√	
Annual allowance	3%	18,251 √	79,087 √
			529,271 √
Year of assessment 2017			
Annual allowance	3%		18,251
Residual expenditure c/f			511,020 √
<u>Leased building used as administrative office</u>			RM

Year of assessment 2016			
Non-qualifying expenditure (20% of 760,448)			152,090 vV
Initial allowance	10%	- vV	
Notional allowance	3%	4,563 v	
			4,563V
			147,527 v
Year of assessment 2017			
Notional allowance	3%		4,563V
Residual expenditure c/f			142,964 v

(1v = 0.5 mark, 40v x 0.5m = 20 marks)

PART B

Peter – Gift of apartment to his wife	
The transfer of real property as a gift between a husband and wife is treated as at no gain no loss if the transfer is made within five years from the date of acquisition of the real property by the person making profit.	2 marks
Therefore, there will be no real property gains tax (RPGT) payable by Peter on the gift of the apartment to Nini.	1 mark
For RPGT purposes, Nini will be deemed to acquire the property for the acquisition price paid and the permitted expenses incurred by Patel, which total of:	1 mark
RM420,000(400,000+ 20,000).	1 mark

(Sub total: 5 marks)

(Total 25 marks)

QUESTION 3**PART A**

Payment	Subject to WHT	Reason	Amount
Payment to World Pte Ltd for building materials RM10.0 million	No	Payment is for material not a service	Nil (3 marks)
Payment to World Pte Ltd for lease of high-tech equipment RM4.0 million	Yes	Lease of movable equipment from a NR – Special classes of Income. Used in Malaysia. Derived from Malaysia since the payer is resident	10% x 4,000,000 = RM400,000 (3 marks)
Payment to World Pte Ltd contract service RM8.0 million	Yes	Payment to a NR contractor. Project in Malaysia. Service in Malaysia. NR company has a PE in Malaysia. (project > 6 month)	(10%+3%) x 8,000,000= RM1,040,000 Not final tax (3 marks)
Payment to Mega Plc Ltd RM6.0 million	Yes	Payment is royalty paid to a NR. Derived from Malaysia as payer is resident.	10% x 6,000,000 = RM600,000 (3 marks)
Payment to Consult Sdn Bhd RM3 million	No	Consult Sdn Bhd is resident in Malaysia.	Nil (3 marks)

(15 marks)

PART B

Disposal price	RM	RM
Consideration received		630,000v
Less: Permitted expenses		
Cost of enhancement	57,000v	
Legal fees -defending title	8,000v	65,000
		<hr/> 565,000
Less: Incidental cost of disposal		
Valuation fees	9,183v	
Brokerage	11,000v	
Legal fees	4,500v	
Advertisement	1,400v	26,083
Disposal price		<hr/> 538,917v

Acquisition price	RM	RM
Consideration paid		400,000v
Add: Incidental expenses		
Stamp duty on transfer	5,700v	
Legal fees	3,400v	9,100
		<hr/> 409,100
Less: Para 4(1) receipts		
Compensation received	36,000v	
Insurance recoveries	19,300v	
Deposit forfeited	15,000v	70,300
Acquisition price		<hr/> 338,800v
Chargeable gain (538,917-338,800)		<hr/> <hr/> 200,117 v

Less: Para 2 Sch 4 Exemption: Higher of RM10,000; or	10,000	
10% of chargeable gain	20,012	20,012v
Chargeable gain after exemption		180,105v

Acquisition @ 14/07/16	
Disposal @ 15/10/18	
Disposed within 3 yearsv	
Tax liability @ 30%	54,031.50v

(1v = 0.5 mark, 20v x 0.5m = 10 marks)

QUESTION 4

PART A

(i)

	RM	RM
Net Loss per partnership account		(72,000)
Add:		
Depreciation	2,500v	
Entertainment of clients	1,800v	
Donations	1,000v	
Partners' salaries (18,000+24,000)	42,000v	
Partners' interest on capital	<u>900v</u>	
		<u>48,200</u>
Adjusted loss		(23,800)
Less:		
Partners' salaries	(42,000) v	
Partners' interest on capital	<u>(900)v</u>	
		<u>(42,900)</u>
Divisible Loss		<u>(66,700)</u>

(1v = 1 mark, 7v x 1m = 7 mark)

(ii)

Computation of total income:	Buzz RM	Woody RM
Salaries	18,000v	24,000v
Interest on capital	900v	-
Divisible loss	<u>(46,690) v</u>	<u>(20,010) v</u>
Adjusted income from partnership (0.5)	Nil	3,990
Less: Capital Allowance c/f	<u>(1,540) v</u>	<u>(660) v</u>
Statutory income from Partnership	Nil	3,330

Rental income (adjusted)	15,600v	Nilv
Dividend Income		<u>- Exemptedv</u>
Aggregate Income	15,600	3,330
Less: Partnership current year loss (unabsorbed losses c/f RM12,190)	(15,600) v	-v
Approved donation (restricted to 7% of AI)	<u>Nilv</u>	<u>(233) v</u>
Total Income	<u>Nilv</u>	<u>3,097v</u>

(1v = 0.5 mark, 16v x 0.5m = 8 mark)

PART B

- (a) The "Once and For All" (lump sum payment)
A recurring expense suggests a revenue outlay. A once and for all payment suggests an outgoing of a capital nature.
- (b) The "Enduring benefit"
Where an expense is made with a view to bring into existence an asset or an advantage for the enduring (long term) benefit of a trade, the expenditure most probably is capital and not revenue in nature (eg payment for competitor)
- (c) The "Identifiable asset"
An expense will be treated as of a capital nature if some asset of a capital nature (tangible or intangible) has been acquired.
- (d) "Fixed versus circulating capital"
Expenses to buy fixed capital (ie fixed assets) are capital expenditure. Expenses to buy circulating capital (ie stock-in-trade) are revenue expenses.
- (e) The "Business entity"
Expenditure incurred in relation to the profit yielding structure is capital nature. Expenditure incurred in relation t the business process is revenue nature.
- (f) "Initial expenditure"
Expenses incurred prior to the commencement of a business are initial expenditure/capital in nature. Expenses incurred in order to commence the earning are capital expenses.

(Any 5 points with explanation = 5*2m = 10 marks)

(Total 25 marks)

END OF PAPER