



UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION

JANUARY 2016 SEMESTER

**SUBJECT CODE** : EAB20903  
**SUBJECT TITLE** : TAXATION 1  
**LEVEL** : BACHELOR  
**TIME / DURATION** : 2.00 PM - 5.00 PM / 3 HOURS  
**DATE** : 24th MAY 2016

INSTRUCTIONS TO CANDIDATES

1. Please read the instructions given in the question paper CAREFULLY.
2. This question paper is printed on both sides of the paper.
3. This question paper consists of FIVE (5) questions.
4. Answer ALL questions.
5. Calculations and workings should be made to the nearest RM and all workings should be shown.
6. Please write your answers on the answer booklet provided.
7. All questions must be answered in English (any other language is not allowed).
8. This question paper must not be removed from the examination hall.

THERE ARE FIFTEEN (15) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

**INSTRUCTION: Answer ALL questions.**

**Please use the answer booklet provided.**

**Question 1**

A. The pattern of stay in Malaysia for Miss Liang, a Chinese national was as follows:

Period of stay	Number of days
01.06.2007 – 30.11.2007	183
01.03.2008 – 31.05.2008	92
01.01.2009 – 31.03.2009	90
15.04.2009 – 15.07.2009	92
22.07.2009 – 31.12.2009	163
10.01.2010 – 28.02.2010	50
01.02.2011 – 28.02.2011	28
01.04.2011 – 01.06.2011	62
01.11.2012 – 31.12.2012	61
01.01.2013 – 31.03.2013	90
15.04.2013 – 31.08.2013	139
01.01.2014 – 31.01.2014	31
01.01.2015 – 31.03.2015	90

**Additional information:**

1. Miss Liang went to Bangkok for a training related to her employment from 1 April 2009 until 14 April 2009.
2. Miss Liang visited relatives in Shanghai from 16 July 2009 to 21 July 2009.  
Miss Liang went for a social visit in Hong Kong from 1 January 2010 to 9 January 2010.
4. Miss Liang went back to Shanghai to take care of her sick mother from 1 April 2013 to 14 April 2013.

**Required:**

Determine Miss Liang's residence status for the relevant years of assessment in accordance with Section 7(1) of the Income Tax Act 1967. Please state clearly the specific sub-sections determining her residence.

(10 marks)

- B. Mr. Nathan is an engineer with a manufacturing company for the last seven years. His salary for the year ended 31 December 2015 was RM84,000.

Mr. Nathan also has a bonus receivable of RM10,000 for the year ended 31 December 2010, which was only received on 30 June 2015.

**Required:**

As the tax consultant for Mr. Nathan, explain:

- i. when the sum of RM84,000 is assessable to tax; and

(2 marks)

- ii. when the sum of RM10,000 is treated as income in accordance with Section 25(3) of the Income Tax Act 1967.

(3 marks)

**Total: 15 marks**

**Question 2**

- A. Madam Roshahida is the Marketing Manager in Alam Gemilang Berhad since 1 January 2010. On 31 December 2015, her employment was terminated as part of the company's internal reorganization plan. She was 46 years old at the time of termination. Gratuity and compensation of RM100,000 and RM184,000 respectively were paid to her in 2015.

Madam Roshahida's income for the year ended 31 December 2015 is as follows:

	RM
Net salary per month (after Employees Provident Fund (EPF) deduction at 11%)	20,025
Travelling allowance per month	500
Entertainment allowance per month	1,000
Bonus for the year ended 31 December 2015	67,500

The company provides Madam Roshahida with benefits and expenses as detailed below. Unless otherwise stated, the benefits were provided for the full year ended 31 December 2015:

1. A new Mercedes costing RM150,000. No fuel was provided.
2. Mobile phone costing RM2,500.
3. Medical benefit for Madam Roshahida RM30,000.
4. A fully furnished house in Klang for RM4,000 per month (excluding the furniture amount of RM1,000) for Madam Roshahida.

**Additional information:**

1. Madam Roshahida went on vacation trip to Jeju Island in Korea with her husband and children. Total expenses incurred were as below:
  - Air tickets - Paid by the company for two adults and two children.
    - The cost of the air ticket is RM5,000 for each adult and RM3,500 for each child.
  - Food - Paid by Madam Roshahida and reimbursed by the company amounted to RM2,500.
  - Hotel bills - Paid by the company amounted to RM6,140.

2. Two local leave passages to Kota Kinabalu, Sabah costing RM1,800 and Kuching, Sarawak costing RM1,700.
3. In November 2015, Madam Roshahida withdrew a sum of RM55,000 from an unapproved fund. The amount represents contribution made by the company together with interest received of RM5,000.
4. On 15 February 2015, she exercised the 5,000 units share option granted by the company in 2013. The value of the option price was RM5.00 and the market value at the point the option granted and exercised was RM8.00 and RM7.00 respectively.
5. Madam Roshahida made a claim of RM10,000 in respect of entertainment expenses spent on her clients.

**Required:**

Compute the statutory employment income of Madam Roshahida for the year of assessment 2015.

**(20 marks)**

- B. List **FIVE (5)** circumstances of gratuity that an employee would be exempted from income tax.

**(5 marks)**

**[Total: 25 marks]**

**Question 3**

A. Dorae-Mun Sdn Bhd was incorporated on 1 April 2010 and closes its accounts on 31 March every year. The following assets were acquired by the company:

(i) **Honda**

On 1 January 2013, a new Honda (not for commercial use) was bought on hire purchase. The cash price of the car was RM125,000 and a deposit of RM25,000 was paid on 1 January 2013. Installment payment is RM2,650 per month for 40 months commencing from 1 February 2013. On 1 February 2015 the motor vehicle was sold for RM50,000. The rate of annual allowance is 20%.

(ii) **Machine**

Dorae-Mun Sdn Bhd brought in a used machinery from Korea into Malaysia on 1 January 2015. The machine was used solely for business purpose when it was in Korea. The market value and net book value on the date of transfer were RM20,000 and RM25,000 respectively.

**Required:**

Compute the amount of capital allowance, balancing charge and balancing allowance (if any) for Dorae-Mun Sdn Bhd for all years of assessment until year of assessment 2015.

**(10 marks)**

B. Intan Sdn Bhd is a property developer based in Kuantan. As part of the business expansion, a factory qualified for industrial building allowance is being built on a piece of Land in Tanjung Lumpur. The building was completed in August 2014 and brought into use in November 2014. The company closes its accounts annually as at 30 June.

The following were the cost incurred in the construction of the factory:

Date	Expenditure incurred	RM
1 Jan 2013	Cost of land	250,000
2 Feb 2013	Architects fees	9,500
3 Feb 2013	Legal fees- agreement with contractor	15,000
4 Apr 2013	Cost of laying foundations for electric cables	20,000
8 May 2013	The cost of preparing plan for approval of the local authority	5,500
1 Sept 2013	Labour, materials, management and supervision	185,000
5 May 2014	Cost of installing fittings forming part of the factory	3,200

The company occupies 75% of the building for factory use, 12% for use of administrative activities and the remaining areas for storage of materials.

A special machine was later installed in the factory in May 2015. The following is the capital expenditure incurred:

	RM
Cost of machinery installed	95,000
Cost for clearing land to prepare a site to install the machine	205, 000

In December 2014, the company purchased a house from the original buyer for use of living accommodation for the administrative workers. The house, which cost RM250,000 includes RM155,000 being the cost of land.

For its staff welfare, Intan Sdn Bhd has also built a canteen at the cost of RM55,000 at 1 Jan 2015. The canteen was only put in use in July 2015.

**Required:**

Compute the industrial building allowance for the year assessment 2015 for Intan Sdn Bhd.

(10 marks)

**[Total: 20 marks]**

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**Question 4**

Encik Faizal Tahir and his wife Puan Jameela are tax residents in Malaysia. Encik Faizal Tahir who is the General Manager and the owner of Tapak Inteltek Enterprise has the following income for 2015:

	RM	RM
Revenue		400,000
<b>Less: Expenses:</b>		
Cost of sales	160,000	
Rental of shop ( one-third for personal use)	24,000	
Salaries, and wages	107,000	
Depreciation	18,000	
Repairs and maintenance of office	5,000	
Utilities	12,000	
Entertainment Expenses (potential customer)	5,000	
Net Profit		<u>(331,000)</u>
		<u>69,000</u>
<b>Note:</b>		
Capital Allowance	45,000	
Balancing Charges	20,000	
Unabsorbed losses brought forward from 2014	(2,000)	

Encik Faizal Tahir has provided the following additional information in respect of the year ended 31 December 2015.

1. Encik Faizal Tahir received exempt dividend from Amanah Saham amounting to RM12,000. In addition to that, he also received an interest from his savings in BIMB Berhad amounting to RM 5,500. BIMB Berhad is licensed under the Banking and Financial Institutions Act 1989.
2. Encik Faizal Tahir also received a royalty RM70, 000 from Suria Record Company for composing songs.
3. Encik Faizal Tahir also received rental income from a condominium that he has rented out since January 2013. Information regarding the condominium is as follows:



	Condominium (RM)
Rental income per month	3,000
Quit rent per year	1,000
Advertisement cost	100
Extension of the kitchen on 5 October 2015	5,000
Repair and maintenance on 31 July 2015	500

On 13 March 2015, Encik Faizal Tahir and Puan Jameela divorced. Encik Faizal Tahir has been paying alimony amounting to RM18,000 to Puan Jameela after the divorce until 31 December 2015.

On 1 July 2015, Encik Faizal Tahir married Puan Aisyah. Puan Aisyah, 50 years old, decided to retire and leave her job as Financial Manager at MayFin Bank on October 2015. Below is the income pertaining to Puan Aisyah for the year 2015.

1. Monthly gross salary was RM8,500 (before deducting EPF of 11%).
2. Upon her resignation, she received RM130,000 as gratuity from her previous employer. She started working for MayFin Bank since 1 January 2005.
3. Puan Aisyah is a knowledgeable financial analyst and has a strong personality. Due to these reasons she is often invited to deliver talks and conduct seminars for organisations. The income derived from these activities was RM25,000.
4. She also received single tier dividends from Amanah Ikhtiar and Blue Bhd of RM10,000 and RM20,000 respectively.

**Additional information:**

1. Encik Faizal Tahir and Puan Jameela were blessed with four children.

Adlina	Aged 27 years old, not working and married.
Adila	Aged 21 years old, studying in Ireland
Alif	Aged 17, waiting for SPM result.
Akmal	14 years old

Both Encik Faizal Tahir and Puan Jameela are claiming for child relief.

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2. Throughout the year, Encik Faizal Tahir incurred RM5,500 on his father's medical treatment.
3. He paid RM3,000 as zakat to Majlis Agama Islam Wilayah Persekutuan and spent RM1,200 on books and magazines.
4. Puan Aisyah incurred RM3,000 for her life insurance premium and RM1,500 for medical insurance premium.
5. Puan Aisyah also spent RM5,000 for her mother's eye treatment but only managed to produce original receipt for RM4,500.
6. Puan Aisyah donated RM3,000 to Majlis Kanser Negara (MAKNA) and RM3,500 to YaPiem (both are approved under Sec 44(6) of Income Tax Act 1967).
7. She purchased a new Acer laptop of RM6,000. No claim was made since 2011.
8. She incurred RM6,500 for sports equipment.
9. She paid an amount of RM5,000 as zakat to Majlis Agama Islam Wilayah Persekutuan.

**Required:**

Compute the income tax payable for Encik Faizal Tahir and Puan Aisyah for the year of assessment 2015. Puan Aisyah **DOES NOT** elect for joint assessment.

**(20 marks)**

**[Total: 20 marks]**

**Question 5**

Amin and his wife Bella are partners running a trading business for several years. For the period 1 January 2015 to 30 June 2015, their profit/loss sharing ratios were 50% for Amin and 50% for Bella. For the period 1 July 2015 to 31 December 2015, their profit/loss sharing ratios were 40% for Amin and 60% for Bella.

The partnership's trading, profit and loss account for the year ended 31 December 2015 was as follows:

Revenue	800,000
Less: Cost of sales	<u>(500,000)</u>
Gross profit	300,000
Less:	
General overhead	<u>(220,000)</u>
Net profit for the year	<u><u>80,000</u></u>

**Additional information:**

- Included in the general overhead are:

Partners' salaries:

Amin	60,000
Bella	48,000

Partners' interests on capital:

Amin	1,000
Bella	600

Depreciation	30,000
Approved donation paid in July 2015	16,000
Payment of private expenses for Bella	14,000

- Amin owns a house which is rented out in 2015. The adjusted rental income for the year ended 31 December 2015 amounted to RM6,000.
- Bella claimed child relief for her daughter, aged 12.
- Capital allowance for the year amounted to RM25,000.

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**Required:**

- A. Compute the partnership's provisional adjusted income and divisible income for the year ended 31 December 2015. (7 marks)
- B. Determine each partner's statutory income from the partnership source for the year of assessment 2015. (6 marks)
- C. Compute each partner's chargeable income for the year of assessment 2015. Bella **DOES NOT** elect for joint assessment. (7 marks)

**Total: 20 marks**

**END OF QUESTION PAPER**

TAX RATES AND ALLOWANCES

Income tax rates

Resident individuals

Chargeable Income	RM	YA 2010 - 2012		YA 2013 - 2014		YA 2015	
		Tax Rate (%)	Income Tax Payable (RM)	Tax Rate (%)	Income Tax Payable (RM)	Tax Rate (%)	Income Tax Payable (RM)
First	2,500	0	0	0	0	0	0
Next	<u>2,500</u>	1	<u>25</u>	0	<u>0</u>	0	<u>0</u>
On	5,000		25				0
Next	<u>5,000</u>	3	<u>150</u>	2	<u>100</u>	1	<u>50</u>
On	10,000		175		100		50
Next	<u>10,000</u>	3	<u>300</u>	2	<u>200</u>	1	<u>100</u>
On	20,000		475		300		150
Next	<u>15,000</u>	7	<u>1,050</u>	6	<u>900</u>	5	<u>750</u>
On	35,000		1,525		1,200		900
Next	<u>15,000</u>	12	<u>1,800</u>	11	<u>1,650</u>	10	<u>1,500</u>
On	50,000		3,325		2,850		2,400
Next	<u>20,000</u>	19	<u>3,800</u>	19	<u>3,800</u>	16	<u>3,200</u>
On	70,000		7,125		6,650		5,600
Next	<u>30,000</u>	24	<u>7,200</u>	24	<u>7,200</u>	21	<u>6,300</u>
On	100,000		14,325		13,850		11,900
Next	<u>150,000</u>	26	<u>39,000</u>	26	<u>39,000</u>	24	<u>36,000</u>
On	250,000		53,325		52,850		47,900
Next	<u>150,000</u>		<u>39,000</u>		<u>39,000</u>	24.5	<u>36,750</u>
Exceeding	400,000	26		26		25	

Companies with paid up capital ≤ RM2.5 million (at the beginning of YA)

YA	2004 - 2006	2007	2008	2009 - 2015
	Take rate %	Take rate %	Take rate %	Take rate %
Chargeable income ≤ RM500,000	20	20	20	20
Excess	28	27	26	25

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**Non residents**

Company	25%
Individuals	25%

**Reliefs**

YA		2013 - 2014	2015
		RM	RM
Self		9,000	9,000
Disabled self, additional		6,000	6,000
Medical Expenses expended for parents	(maximum)	5,000	5,000
Medical expenses expended on self, spouse or child with serious disease, including up to RM500 for medical examination.	(maximum)	5,000	6,000
Basic supporting equipment for disabled self, spouse, child or parent	(maximum)	5,000	6,000
Purchase of sport equipment	(maximum)	300	300
Fees expended for skills or qualifications	(maximum)	5,000	5,000
Expenses on books for personal use	(maximum)	1,000	1,000
Spouse relief		3,000	3,000
Disabled spouse, additional		3,500	3,500
Child ( $\leq 18$ years)	(each)	1,000	1,000
Child - ( $> 18$ years) studying in universities or college	(each)	6,000	6,000
Disabled child	(each)	5,000	6,000
Disabled child, additional ( $> 18$ years) studying in universities or college	(each)	6,000	6,000
Life insurance premiums, contributions to approved provident funds	(maximum)	6,000	6,000
Premium on deferred annuity contract	(maximum)	-	-
Premium on deferred annuity contract + private retirement scheme	(maximum)	3,000	3,000
Medical and/or educational insurance premiums for self, spouse or child	(maximum)	3,000	3,000

Purchase of a personal computer (restricted to once every 3 years)	(maximum)	3,000	3,000
Deposit for a child into the National Education Savings Scheme	(maximum)	6,000	6,000

**Rebates**

Chargeable income not exceeding RM35,000	RM
Individual	400
Individual entitled to a deduction in respect of a spouse or a former wife	800

**Value of benefits in kind**

Car scale

Cost of car (When new) RM	Prescribed annual value of private usage of car (RM)	Fuel per annum
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 RM500,000	21,250	2,700
RM500,001 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.
- Where a driver is provided by the employer, the value of the benefit per month is fixed at RM600.

**Other benefits**

Household furnishings, apparatus and appliances:	RM per month
Semi-furnished with furniture in the lounge, dining room or bedroom	70
Semi-furnished with furniture as above plus air-conditioned and/or curtains and carpets	140
Fully furnished premises	280

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Domestic help (maid)	400
Gardener	300
Guard	400
Driver	600

**Capital allowances**

	Initial allowance (IA), Rate %	Annual allowance (IA), Rate %
Industrial Buildings	10	3
Plant and machinery – general	20	14
Motor vehicles and heavy machinery	20	20
Office equipment, furniture and fittings	20	10

**Industrial building allowances**

Category	Para of Sch 3	Initial Allowance %	Annual Allowance %
1. Factory - mill, workshop - building used to house machinery, raw materials - building within the same cartilage to factory used for storage of raw materials.	64	10	3
2. Canteen, restroom, recreation room, lavatory, bathhouse, bathroom, washroom for employees. Pre-requisite: An industrial building exist	65(1)	10	3
3. Living accommodation for employees – constructed building. Pre-requisite: An industrial building exist	42(1)	40	3
4. Building used for storage of goods for export or storage on imported goods for processed and distributed or re-exported	37(C)	-	10