UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2024 SEMESTER

COURSE CODE	:	EAB41203
COURSE NAME	:	TAXATION 2
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING (HONS)
DATE	:	5 JULY 2024
TIME	:	3.00 PM – 6.00 PM
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES

1. **Please CAREFULLY read the instructions given in the question paper.**
2. **This question paper has information printed on both sides of the paper.**
3. This question paper consists of **FIVE (5)** questions.
4. Answer **ALL** questions.
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. **This question paper must not be removed from the examination hall.**

THERE ARE ELEVEN (11) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided.

Question 1

Roselle Sdn. Bhd. is a locally incorporated resident company located in Johor. The company, which has an issued share capital of RM3.5 million, is carrying on the business of manufacturing electronic microchips for computer tablets. The company closes its accounts on 31 December each year. For the financial year ended 31 December 2023, the company's statement of profit or loss is as follows:

Roselle Sdn Bhd
Statement of Profit or Loss for the year ended 31 December 2023

	Note	RM`000	RM`000
Sales			19,334
Less: Cost of sales	1		(7,758)
Gross profit			11,576
Add: Interest income	2		168
Less: Expenses			
Staff's remuneration	3	2,250	
Promotion and marketing	4	200	
Professional fees and charges	5	163	
Repairs and maintenance	6	1,275	
Bad and doubtful debts	7	400	
Depreciation		865	
Social responsibility and donation	8	910	
Lease payment	9	75	(6,138)
Net profit before taxation			**5,606**

Notes:

		RM`000
1.	Cost of sales includes the following cost:	
	Provision for slow-moving stock for the year	294
	Stock written off	114
		408

2. Interest on trade receivables settling their late account at 5% of the outstanding balance.

3. Remuneration includes:

	RM`000
Salary for employees:	
- Normal employees, including directors' salary	1,782
- Disabled employee	48
- Senior citizen employees (Note i)	36
Entertainment allowance for directors	360
Internship allowances paid to two undergraduates of engineering and technology students (approved by the Ministry of Human Resources)	24
	2,250

Note (i): Salary paid to a 62-year-old senior citizen at RM3,000 per month. The senior citizen is hired on a full-time basis since the beginning of the financial year.

		RM`000
4.	Promotion and marketing comprise:	
	Registration of patents and product licensing overseas	150
	Return tickets for an overseas trip of the Marketing Director and his family	50
		200
5.	Professional fees and charges comprise:	
	Secretarial fees (RM10,000) and Tax filing fees (RM8,000)	18
	Income tax appeal	155
		173
6.	Repairs and maintenance include:	
	Equipment to facilitate access for a disabled employee to washrooms	123
	Renovation of the company's buildings	1,090

	Installation of closed-circuit television (CCTV) at the company's warehouse in Johor.	<u>62</u>
		1,275
7.	Bad and doubtful debts include:	
	Provision for bad debts (from Super Sdn Bhd, a long overdue customer)	60
	Provision for general trade debts	240
	Bad debts are written off from Mr. Ali, one of the company's trades receivables who died in a road accident during the year	<u>100</u>
		400
8.	Social responsibility and donation include:	
	Sponsorship of washrooms as part of a 'public amenities for community' program approved by the relevant authorities	180
	Sponsorship of approved foreign cultural activities	485
	Contribution to a public-school library in Johor	120
	Business zakat	<u>125</u>
		910
9.	Payment to a leasing company for a lease of a car (which cost RM300,000 in 2023 when the car is new)	75

10. Other additional information:
   i. The company spent RM800,000 on the development of a website in the current year. This transaction has been recorded in the company's statement of financial position.
   ii. Current year and brought forward capital allowances amounted to RM820,000 and RM69,000 respectively.
   iii. Business loss brought forward from the year of assessment 2022 amounted to RM670,000.

Required:

Commencing with the profit before tax, compute the income tax payable by Roselle Sdn Bhd for the year of assessment 2023.

Note: Your computation should indicate by the use of '0' any item referred to in the question for which no adjusting entry needs to be made in the tax computation.

[30 marks]

Question 2

Harvest Farm Sdn. Bhd. a vegetable cultivator prepares its accounts to 31 December. The company incurred the following expenditure:

Expenditure	Date	RM
Clearing of land	12/2/2022	180,000
Construction of roads	14/2/2022	140,000
Construction of workers' quarters	14/3/2022	60,000
Initial planting of vegetables	28/3/2022	70,000
Construction of a surau/prayer room	12/6/2022	40,000
Replanting of vegetables	11/8/2023	80,000

The company commenced to plant corn on 31 October 2023 on an adjacent plot of land/ Previously the land was an old rubber estate purchased at RM180,000. Expenditure on planting corn was RM60,000.

Adjusted income for the year ended 31 December 2023 was RM700,000 before taking into account any of the above items.

Required:

a) Calculate the agriculture allowances due to Harvest Farm Sdn Bhd for the relevant years of assessment up to the year of assessment 2023.

(6 marks)

b) Calculate the statutory income of Harvest Farm Sdn Bhd for the year of assessment 2023.

(4 marks)

Note: Your computation should indicate by the use of '0' any item referred to in the question for which no adjusting entry needs to be made in the tax computation.

[10 marks]

Question 3

Ahmad and Fatimah are spouses. Both are Malaysian residents and have real properties in Malaysia. The followings are information pertaining to their properties:

Fatimah

On 1 May 2020, Fatimah received a piece of land as a wedding gift from her grandmother, Hajjah Shamsiah. The market value of the land on the date of the transfer was RM440,000. Hajjah Shamsiah bought the land for RM290,000 on 27 July 2018 and incurred leveling cost of RM43,000 prior to the transfer. On 10 October 2021, Fatimah disposed of the land to Muaz for RM480,000.

Ahmad

Ahmad purchased an apartment in Selayang Baru and a semi-detached house in Nilai. The price of the apartment was RM270,000. He settled the consideration in full on 13 May 2019 and the title of the apartment was transferred to him on 20 July 2019. On 1 April 2023, he sold the apartment for RM245,000.

On 1 June 2020, Ahmad bought a semi-detached house in Nilai for RM530,000. Upon acquisition, he paid the legal fees of RM26,500 and stamp duty of RM5,300. After the handover, he incurred an additional cost of RM90,000 for the renovation of the house.

On 18 August 2023, Ahmad entered into an agreement to sell the semi-detached house to Zain for RM700,000. Zain paid a 10% deposit of the selling price. Unfortunately, Zain could not obtain a loan to complete the purchase and therefore the deposit was forfeited.

Ahmad finally managed to dispose of the house at RM800,000 on 7 November 2023. He incurred RM3,000, RM27,000, and RM45,000 for the advertising fees, brokerage fees, and valuation fees, respectively on the disposal of the house.

Required:

a) Discuss and state the acquisition price on Fatimah when she disposes of the apartment if her grandmother, Hajjah Shamsiah is a:

   i) citizen of Malaysia

   ii) non-citizen of Malaysia

(4 marks)

b) Calculate the real property gains tax payable (if any) by Ahmad on the disposal of the apartment and semi-detached house

(16 marks)

Note: Private Residence Exemption was not elected by Ahmad and Fatimah.

[20 marks]

Question 4

Top Solar Sdn Bhd (TSSB), a company located in Muar, has been engaged in the manufacturing of solar panels for domestic and foreign markets for several years. The company is resident in Malaysia and closes its account on 31 December annually.

To increase the company's sales, the company signed an agreement with Oscara AB, a resident in Sweden. Under the agreement, TSSB will use Oscara AB's design to produce a new product line. Oscara AB will develop and produce a customized machine for the production of the new product line. Oscara AB will also carry out the installation of the customized machine and train the employees of TSSB on the operations and maintenance of the customized machine.The followings were payments made to Oscara AB in 2023:

No	Details	RM
1.	Royalty fees for the use of copyrighted designs	1,500,000
2.	First and second stages of training, which were performed solely in Sweden	78,000
3.	Installation fee of the customized equipment at TSSB's factory in Malaysia	370,000
4.	The final stage of training, which was conducted at TSSB's factory in Malaysia	52,000

Required:

a) Assess with reason(s) whether each of the above payments made by Top Solar Sdn Bhd is subject to withholding tax.

(12 marks)

b) Calculate the amount of withholding tax and penalty (if any) payable by Top Solar Sdn Bhd to the Inland Revenue Board of Malaysia if Top Solar Sdn Bhd remits the amount of withholding after the due date.

(8 marks)

[20 marks]

Question 5

i) AA Sdn Bhd (AA), closes its account annually on 30 November. AA is a company registered for service tax in the provision of architectural services. AA incurred a design fee of RM500,000 payable to a Korea Architect Firm (service to be rendered in Korea). The invoice receives in Feb 2023 and payment is made in April 2023.

ii) BB Sdn Bhd (BB), closes its account annually on 31 December. BB is a company that provides architectural services and is not registered for service tax. BB incurred a design fee of RM500,000 payable to a Korea Architect Firm (Service to be rendered in Korea). The invoice receives in Feb 2023 and payment is made in April 2023.

iii) CC Sdn Bhd (CC), closes its account annually on 31 December. CC is a company registered for service tax in the provision of architectural services. CC then issued an invoice to a customer amounted to RM500,000 for the design fee. CC issued the invoice to the customer in February 2023 and full payment for the invoice was received from the customer in April 2023.

iv) FF Sdn Bhd (FF) closes its account annually on 31st December. FF is a company registered for service tax in the provision of architectural service. FF provides taxable services to XX Sdn Bhd (XX) amounting to 500,000 and issued the invoice on 1 January 2022. However, up until 31st December 2022, the payment has not been received from XX.

Required:

a) Explain when the service tax is due, which taxable period it should be accounted for by the company and the due date to remit the sales tax to the Royal Malaysian custom department.

(12 marks)

b) Explain the due date for the payment of sales tax for a taxable period January – February 2023 and explain the late payment penalty if the registered manufacturer paid his sales tax for that period on 29 Jun 2023.

(8 marks)

Note: You should indicate by the use of '0' any item referred to in the question for which no adjusting entry needs to be made in the tax computation.

[20 marks]

END OF EXAMINATION PAPER

TAX RATES AND ALLOWANCES

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

Income tax rates

Chargeable income
Resident company

Paid up ordinary share capital	First RM600,000	Excess over RM600,000
RM2,500,000 or less	17%	24%
More than RM2,500,000	24%	24%

Capital allowances

	Initial allowance (IA) Rate %	Annual allowance (AA) 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

REAL PROPERTY GAINS TAX RATE – INDIVIDUAL: MALAYSIAN CITIZEN OR PERMANENT RESIDENT

	YA 2023
Disposal within 3 years after acquisition	30%
In the 4th year after acquisition	20%
In the 5th year after acquisition	15%
After the 5th year	0%

REAL PROPERTY GAINS TAX RATE – INDIVIDUAL: NOT MALAYSIAN CITIZEN AND NOT PERMANENT RESIDENT

	YA 2023
Disposal within 3 years after acquisition	30%
In the 4th year after acquisition	30%
In the 5th year after acquisition	30%
After the 5th year	10%

WITHOLDING TAX RATES:

Contract	10% + 3%
Interest	15%
Royalty	10%
Special classes of income	10%
Public entertainers	15%
Commission / Introduction fee	10%

AGRICULTURE ALLOWANCE RATES

Clearing and preparation of land	50%
New planting	50%
Construction on a farm of a road or bridge	50%
Construction on a farm of a building:	
- Used for business	10%
- Used for welfare of the employees	20%

FOREST ALLOWANCE RATES

Road or building used for timber extraction	10%
Building provided for employees'	20%