CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2024 SEMESTER

COURSE CODE	:	EAB20903
COURSE NAME	:	TAXATION 1
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING (HONS)
DATE	:	6 JULY 2024
TIME	:	2.00 PM – 5.00 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 TWELVE (12) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

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

Question 1

Encik Azman and his wife, Puan Ziana (deaf taxpayer) are tax residents in Malaysia. Encik Azman works as Manager at Mitshubishi Automotive Sdn. Bhd. while Puan Ziana runs her own restaurant in Kuala Lumpur. They received the following incomes and benefits-in-kind for year of assessment 2023.

Encik Azman

(a) Received a salary of RM9,980 per month (after deducting EPF 11% and RM700 for schedular tax deduction). He also received two months' bonus.
(b) Received royalties of RM25,000 from the publisher of his book on automotive structures in Malaysia.
(c) Received honorarium of RM6,000 for being part of the committee to validate an automotive programmed offered by private universities in Malaysia. This service was verified by the Lembaga Akreditasi Negara.
(d) Received interest income of RM10,000 in respect of securities issued by Pengurusan Danaharta Nasional Berhad.
(e) Made cash donation of RM15,000 to Majlis Kanser Nasional (MAKNA) an approved institution and RM10,000 to political party in Malaysia.
(f) Paid RM12,000 life insurance policy and RM4,500 for his children's medical educational insurance premium.
(g) Make a zakat contribution of RM5,000 for the year.
(h) Spent RM1,200 on the newspaper, magazines and books for the use of his family.
(i) Paid RM150 monthly on internet subscription for the year.
(j) Encik Azman had made a Umrah pilgrimage to Saudi Arabia on July 2023. He paid RM150 for the departure levy and RM560 for the Umrah visa.

Puan Ziana

(a) Income from restaurant business in Kuala Lumpur

	RM
Adjusted business income	160,800
Balancing charge	18,000
Capital allowance	35,800
Balancing allowance	5,800

(b) Received dividend from a resident company in Malaysia amounted to RM15,000.

(c) Received rental income from her house located in Cheras. The house has been rented out since April 2023. Details information regarding the house are as follows:

	RM
Rental income (per month)	2,300
Non – refundable deposit	2,300
Quit rent and assessment rate (per annum)	900
Fire insurance premium (per annum)	1,500
Repair and maintenance (from April – December 2023)	500
Renovation cost	800

(d) Paid RM1,800 to purchase sport equipment for the use for her family.

(e) Paid life insurance premium of RM3,200.

(f) Incurred RM4,700 for her mother's medical expenses who is suffering from kidney failure. Receipts were available for all medical expenses claimed.

(g) In January 2023, Puan Ziana and her children Arman and Airaa were infected by Covid-19 and she incurred cost of RM750 to perform PCR test at KPJ Ampang Puteri, Hospital.

(h) Donated RM10,000 to the Selangor State Government and paid zakat of RM8,900.

Additional information:

i. Information about their children:

Arman	19 years old, is studying at Malaysia Multimedia University, Malaysia. He is a handicapped person.
Airaa	14 years old, is studying at Ampang International School, Kuala Lumpur, Malaysia.
Armin	8 years old, is studying at Sekolah Kebangsaan Ampang, Kuala Lumpur, Malaysia.
Aisyaa	1 year old.

ii. Encik Azman has chosen to claim child relief for Aisyaa. The rest of the children will be claimed by Puan Ziana.

iii. Encik Azman hire special nurse with a salary of RM2,000 per month to take care of his mother-in-law.

iv. Puan Ziana purchased Toyota electric car for her own use cost RM150,000 and installed the motor vehicle charging at her house. She incurred RM5,000 for the installation cost including labor charges.

Required:

Compute the income tax payable for Encik Azman and Puan Ziana for the year of assessment 2023. Puan Ziana did not elect for combined assessment.

Notes:

- You should indicate by the use of the word 'exempted' or 'nil', where appropriate, any item referred to in the question for which no adjusting entry needs to be made in the tax computation.
- Use the prescribed value method for benefits in kind.
- ***Show all the workings and notes.***

[40 marks]

Question 2

Jing and David have started a partnership of providing auditing services on 1 January 2023 and prepared their accounts to 31 December annually.

Gross profit			160,000
Less:	Salaries – Jing	36,000	
	- David	28,000	
	- Staff	26,400	
	Office rental	18,000	
	Postage & stationery	680	
	Interest on partners' capital		
	- Jing	3,000	
	- David	5,000	
	Depreciation	1,840	
	Renovation of office premises	2,800	
	Life insurance of Jing	1,630	
	Approved cash donation	1,000	
			124,350
	Net profit		35,650

Notes:

(1)	• The profit-sharing ratio is 70% to Jing and 30% to David. • Capital allowances for YA 2023 amounted to RM1,800.
(2)	**Jing** • Jing is unmarried. She has given a personal loan to her brother. In 2023, her brother paid interest of RM600 on the loan. • During the year, Jing's father underwent major surgery and she paid RM6,300 of the medical expenses using her own money. • She has received RM5,500 of royalties from the sale of the book in the year 2023. • She has donated 100 copies of the books, worth RM2,000, to school libraries in her hometown in 2023.
(3)	**David** • David is a divorcee. He was given full custody for both of his children by the court order. He is required to pay the cost of maintenance of his two children as follows:

	Sunny The son is twenty years old. He is attending University Malaya, Malaysia, pursuing a course in medicine. For YA 2023, he incurred RM48,000 on the child's maintenance. **Shirley** The daughter is fifteen years old and attending private school. For YA 2023, David incurred RM36,000 and Irene (ex-wife) incurred RM5,000 on the child's maintenance. Shirley is a disabled child. **Irene Wong** As instructed by the court, David must pay alimony to his ex-wife for RM12,000 per annum.

Required:

(a) Compute the partnership's provisional adjusted income and divisible for the year ended 31 December 2023.

(10 marks)

(b) Determine each partner's statutory income from the partnership source for the YA 2023.

(8 marks)

(c) Compute the tax payable for the YA 2023 by:
   i. Jing;
   ii. David

(12 marks)

Notes:

- You should indicate by the use of the word 'exempted' or 'nil', where appropriate, any item referred to in the question for which no adjusting entry needs to be made in the tax computation.
- ***Show all the workings and notes.***

[30 marks]

Question 3

Bayou Sdn. Bhd. is a company producing pharmaceutical products and prepares its accounts to 30 June annually. The company constructed a factory located in Jelebu, Negeri Sembilan. The construction commenced on 1 January 2018 and completed on 15 December 2019.

The details of the expenditure incurred are as follows:

	RM
Cost of land	350,000
Cost of demolishing an old warehouse which was previously let out to the public	30,000
Professional and legal fees (RM 7,000 related to land)	15,000
Construction cost of building	340,000
Wiring and plumbing	50,000
Fencing	32,000

The company used 88% of the space as factory to produce pharmaceutical products, 7% was used as reception area and the rest was used to store finished goods.

In 2022, due to some internal problems, Bayou Sdn. Bhd. has to stop its manufacturing business and concentrate only on trading pharmaceutical products. Therefore, the factory ceased the operation on 31 March 2022. The factory was subsequently sold to Excellent Sdn. Bhd on 9 July 2022 for RM 1,090,000, including RM 300,000 for the cost of land.

Required:

Calculate the industrial building allowance, balancing charge and/or balancing allowance for Bayou Sdn. Bhd. for all the relevant years of assessment up to YA 2023.

[15 marks]

Question 4

NAS Sdn Bhd. Made up its account 31 March, purchased a second-hand motor-car under hire purchase for its business purpose in July 2018. The cash price of the motor-car was RM55,200. The company traded in its old car for RM18,000 and agreed to pay a monthly instalment of RM1,800 for 24 months, commencing on 1 August 2018. The car was sold for RM22,080 on April 2022. Both, initial and annual allowances are 20%.

Required:

Calculate the capital allowances (balancing charge or balancing allowance) for the company for the relevant year of assessment up to the year of assessment 2023.

[10 marks]

Question 5

Antoinette and Bernadette are France citizens arrived in Malaysia for the first time in June 2023 to conduct evaluation works relating to the International School status of French School of Kuala Lumpur (LFKL). Their salaries entirely paid in France by its employer, Université PSL (Paris Sciences & Lettres).

Antoinette and Bernadette stayed 90 days in Malaysia, of which 25 days are on vacation. They stayed for additional 10 days to amend and finalise the report of LFKL.

Required:

Advise Antoinette and Bernadette on their tax exposure in Malaysia.

[5 marks]

END OF EXAMINATION PAPER

Income tax rates for Resident individuals

Chargeable Income	RM	YA 2023	
		Tax Rate (%)	Income Tax Payable (RM)
First	5,000	0	**0**
Next	15,000	1	**150**
On	20,000		**150**
Next	15,000	3	**450**
On	35,000		**600**
Next	15,000	6	**900**
On	50,000		**1,500**
Next	20,000	11	**2,200**
On	70,000		**3,700**
Next	30,000	19	**5,700**
On	100,000		**9,400**
Next	150,000	25	**37,500**
On	250,000		**46,900**
Next	150,000	25	**37,500**
On	400,000		**84,400**
Next	200,000	26	**52,000**
On	600,000		**136,400**
Next	400,000	28	**112,000**
On	1,000,000		**248,400**
Next	1,000,000	28	**280,000**
On	2,000,000		**528,400**
Exceeding	2,000,000	30	

Relief

YA	2023 RM
Personal relief	9,000
Disabled self, additional	6,000
Parent – medical treatment, special needs and carer expenses	8,000
Basic supporting equipment for disabled person	6,000
Advancement of learning	7,000

(a) Tertiary level (Bachelor degree) (b) Master and PhD (c) Upskill or self-advancement course	2,000
Medical related expenses (a) Medical expenses (i) treatment for serious disease (ii) undergoing fertility treatment (iii) vaccination (up to RM1,000) (b) (i) complete medical examination (ii) covid-19 test (iii) mental health examination or consultation (c) Early intervention expenditure for children (≤18 years old) with learning disabilities (w.e.f YA 2023) (i) learning disability diagnosis (ii) Early intervention programme or rehabilitation treatment	10,000 1,000 4,000
Deposit in SSPN for child's education	8,000
Contribution to (a) SOCSO (b) EIS	350
Lifestyle relief • books, journals, magazines, printed newspapers and other similar publications. • personal computer, smartphone and tablet • sport equipment and approved sport activity • Internet subscription	2,500
Breastfeeding equipment	1,000
Child care fees to child care centre, kindergarten (either husband or wife claim)	3,000
Healthy lifestyle (a) sport equipment for approved sport activity (b) rental or entrance fee for sports facility (c) registration fees for sport competition	500

Electric vehicle charging facility – installation, rental, purchase (including hire purchase) or subscription	2,500
Life insurance and EPF [(a)+(b)+(c)] (a) (i) Life insurance premium (ii) Voluntary contribution to EPF (b) Contribution to EPF/approved scheme (i) Obligatory (ii) Voluntary (c) Contribution under any written law	7,000 3,000 4,000 4,000
Education or medical insurance	3,000
Deferred annuity, private retirement scheme	3,000
Child (<18 years old)	2,000
Disabled child	6,000
Full time instruction at university, college, or other higher education, serving under articleship (child ≥18 years old)	8,000
Disabled child studying full time higher education (child ≥18 years old)	14,000
Spouse not working, elect joint assessment - Wife / husband relief - Payment of alimony/maintenance to former wife	4,000 4,000
Disabled spouse elects for joint assessment or spouse not working	5,000

Rebates

YA	2023 RM
Chargeable income ≤RM35,000	400
Additional rebate when wife relief is claimed	400
Additional rebate when husband relief is claimed	400
Zakat/Fitrah (with proof of payment)	Amount incurred
Departure levy in respect of performing: • umrah; or • pilgrimage to holy places	Amount incurred

(with proof of boarding pass and either umrah visa or confirmation letter on pilgrimage to holy places from religious body; can be claimed twice in a lifetime)	

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
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