CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
OCTOBER 2024 SEMESTER

COURSE CODE	:	**EAB 41203**
COURSE NAME	:	**TAXATION 2**
PROGRAMME NAME	:	**BACHELOR IN ACCOUNTING (HONS)**
DATE	:	**12 FEBRUARY 2025**
TIME	:	**9:00 AM – 12:00 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

(a) Discuss the potential overlap between special classes of income (s4A) and contract payment (s107A) in withholding tax.

(5 marks)

(b) BWM Sdn. Bhd. (BSB) is a Malaysia resident company operates internationally and is renowned for providing service and maintenance for elevators.BSB has an issued share capital of RM100 million and makes up its accounts annually to 31 December. BSB has entered into a technical service agreement with WWW Ltd, a non-resident company.

Under the terms of this agreement, BSB is required to pay a technical fee of RM2,000,000 for technical services provided in Malaysia for the various plants and machinery purchased from them. For the year ended 31 December 2023, technical fee of RM1,500,000 was paid to WWW Ltd on 20 January 2024. Due to a change in personnel, the payment of the withholding tax on technical fee due to be remitted to the IRB was inadvertently omitted.

BSB submitted its tax return for the YA 2023 on 31 July 2024 and claimed a deduction for the payment of technical fee in arriving at its adjusted income.

Extracts from the return submitted and the tax computation for the YA 2023 are as follows:

	RM
Chargeable income	10,000,000
Income tax payable	2,400,000

Required :

i. Determine the date by which the withholding tax on the technical fee should have been remitted to the IRB.

(1 marks)

ii. State the consequences for BSB of its non-compliance with the withholding tax requirements.

(7 marks)

iii. Compute the amount of withholding tax due and the penalty for its late payment.

(3 marks)

iv. Compute the income tax underpaid by BSB for the YA 2023, and penalty for submitting an incorrect return.

Note : assuming the penalty rate for incorrect return submission is 75%.

(3 marks)

[19 marks]

Question 2

Dr. Ye Jin Woo (Malaysian citizen) acquired a penthouse near Petronas Twin Tower, KLCC for a consideration of RM10,750,000. The sum was paid in full on 24 June 2020. The penthouse was transferred to him on 6 November 2020. There was no written agreement for purchase of the penthouse.

Other costs incurred by Dr. Ye Jin Woo were as follows:

	RM
Interest expense on acquisition of real property	2,000,000
Legal fees	80,000
Stamp duty on transfer	120,000
Tax agent fee	30,000
Advertising cost for seeking the property	20,000
Cost of renovation of penthouse	1,900,000

In January 2024, Dr. Ye JIn Woo received the following sum of monies as follows

	RM
Compensation for damages	50,000
Insurance recoveries for the damage	10,000
Deposit forfeited from potential buyer who called off the deal on 25 October 2024.	940,000

Dr. Ye Jin Woo sold his penthouse for RM20,000,000 as evidenced by the Sale and Purcase Agreement dated 21 November 2024. He incurred the following expenditure in connection with the sale :

	RM
Legal fees related to disposal of property	20,000
Brokerage fee	50,000
Valuation fee	10,000
Cost of advertising to find a buyer	20,000

Required :

(a) Compute the chargeable gain subject to real property gain tax for the YA 2024 arising from Dr. Ye JIn Woo disposal of penthouse.

(11 marks)

(b) State the date of acquisition of the penthouse by Dr. Ye Jin Woo and explain reason for your answer.

(4 marks)

(c) State the date of disposal of the penthouse by Dr. Ye Jin Woo and reason for your answer.

(3 marks)

(d) If this is the first time Dr. Yen Jin Woo has disposed of his property, compute the chargeable gain subject to real property gain tax for the YA 2024 and explain the reason for your answer.

(3 marks)

(e) State **FOUR (4)** conditions under which Malaysian citizens or permanent resident individuals are given RPGT exemption on the disposal of one residential property.

(4 marks)

[25 marks]

Question 3

Wonder Sdn. Bhd. (WSB), a register manufacture under STA 2018, imported raw materials for manufacture of taxable goods in Malaysia. They did not apply certificate of exemption on importation.

The details of cost incurred as follows:

	RM'000
The purchase price of the raw materials	9,000
Insurance	195
Freight	105

- Import duty at the rate of 15%
- WSB paid sales tax for the above import on 1 February 2024.
- WSB incurred processing cost of RM1,950,000

Beside manufactured goods, WSB also acquired taxable good from LSS Sdn. Bhd. on 28 February 2024 for local sale. The particulars are as follows

	RM'000
Sale value	4,500
Sales tax @ 5%	225
Total	4,725

However, 50% of total was subsequently exported within three months on 10 April 2024. WSB stated in the form K2 that a claim for drawback would be made.

The sale value output was RM18,000,000. WSB had always prompt in the payment of sale tax except the one invoice dated 24 June 2025 billed to LCS Sdn. Bhd. The sales tax payable of a RM9,000 for this invoice was paid on 6 November 2024. The sales tax rate applies to the taxable goods was 10%.

Required :

(a) Compute the amount of the sales tax payable on import and the drawback that Wonder Sdn. Bhd. can claim in respect of the goods which were subsequently exported.

(5 marks)

(b) Compute the sales tax levied on output and goods manufactured upon sale to customer.

(1 mark)

(c) State the time period in which Wonder Sdn. Bhd. can claim the drawback.

(2 marks)

(d) Compute the amount of penalty and state the taxable period involved.

(5 marks)

[13 marks]

Question 4

(a) The Chief Executive Officer (CEO) of Gemilang Berhad wants the company to make a cash donation of RM300,000 to the Public Libraries in Malaysia for YA 2024. As the Chief Accountant, you are required to advise the CEO of Gemilang Berhad on the nature and extent of any tax relief available for the donations, including the relevant sections of the law.

(9 marks)

(b) Teras Gemilang Sdn. Bhd. (TGSB) providing project management services in Kota Kinabalu, Sabah. TGSB is a service tax registrant with RMC, taking effect on 1 November 2023.

For the taxable period from 1 March 2024 – 30 April 2024, TGSB received a total payment of RM1,500,000, where 6% service tax was charged on those invoices, amounted to RM90,000. Due to cash flow constraint, TGSB made the payments to RMC as follows:

	RM
26 May 2024	45,000
28 June 2024	20,000
1 September 2024	20,000

Required :

Compute the relevant penalties on late payment of service tax.

(8 marks)

[17 marks]

Question 5

Hans Dodo Sdn Bhd. a company with a paid-up ordinary share capital of RM2 million, is in the business of shoe making. The company's profit or loss account for the year ended 31 December 2024 is as follows:

	Note	RM'000	RM'000
Sales	1		9,744
Less: Cost of sales	2		3,224
			6,520
Add: Gain on sales of machinery	3		15
Fixed deposit interest			30
			6,565
Less:			
Staff remuneration	4	2,895	
Repairs and maintenance	5	288	
Lease rentals	6	168	
Insurance premiums	7	31	
Retirement gratuities	8	420	
Foreign exchange (net)	9	430	
Donations	10	204	
Financial expenses	11	213	
Legal fees - purchases of a storage building		13	
Depreciation		94	4,756
Profit before taxation			1,809

Notes:

(1) Sales includes RM3,000 for late-payment interest received from trade debtors.

(2) Cost of sales includes a sum of RM274,000 paid to a distributor to terminate his contract, which had become onerous.

(3) Fixed deposit interest is in respect of fixed deposit pledged with a local bank for banking facilities.

(4) Staff remunerations includes:

(i) Entertainment allowance amounting to RM200,000 paid to marketing personnel to enable them to entertain the company's clients.

(ii) Employees Provident Fund Contributions:

The rate of contributions for senior management staff is 21% in respect of total remunerations of RM300,000. For marketing personnel, the rate of contributions is 12%.

(iii) The conduct of the marketing executive was detrimental to business of the company. The company therefore required him to retire and agreed to pay him compensation of RM120,000 in two annual instalments of RM60,000 each. Only the first installment paid in October 2024 was included in the profit and loss account of Hans Dodo.

(5) Repairs and maintenance includes

(i) A sum of RM66,000 incurred on repairs to the storage building purchased in December 2024 for the storage of raw material. These extensive repairs were carried out immediately after the purchases.

(ii) Repainting and repair work on the showroom amounting to RM10,000.

(iii) New roofing for senior management car park. Existing carpark does not have any roof structure amounting to RM12,000

(6) Hans leased three motor cars for its executives. The first lease commenced in February 2024 at RM5,000 per month, the second commenced in August 2024 also RM5,000 per month and the third leased commenced in October 2024 at RM9,000 per month. Cost of motor car leased are:

Lease	**Cost of car (RM)**
First	165,000
Second	145,000
Third	250,000

(7) Insurance premiums include export credit insurance premiums of RM22,000 paid to an insurance company approved by Minister (Malaysia Export Credit Insurance Berhad).

(8) Retirement gratuities include a provision of RM27,000.

(9) The foreign exchange loss (net) comprise the following:

	RM
(i) Realised loss (on settlements of amounts due for stocks acquired)	192,000
(ii) Realised loss (repayment of loan)	240,000
(iii) Unrealised loss (on settlement of trade debts)	120,000
(iv) Unrealised gain (on amounts due for purchased of stock)	(122,000)
Total	430,000

(10) Donation comprise of :

	RM
Cash donation to orphans	180,000
Donation of furniture to orphanage an approved institution	24,000
Total	204,000

(11) Financial expenses comprised:

	RM
Bank overdraft interest	180,000
Finance lease interest of machinery	33,0000
Total	213,000

From the total bank overdraft of RM3 million, RM600,000 was used to invest in Chewbacca Sdn.Bhd.

The company lease machinery during the year. Lease rental of RM200,000 was incurred during the year. The interest portion amounted to RM33,000 and the capital portion was capitalized in the company's statement of financial position.

(12) The following additional information was provided by the company:

(i) Current year capital allowance and capital allowances brought forward from year of assessment 2023 at RM316,000 and RM71,000 respectively.

(ii) Current year balancing charge amounted to RM10,000

(13) Hans Dodo has unabsorbed business loss of RM25,000.

Required:

(a) Compute the tax payable by Hans Dodo Sdn. Bhd. for the year of assessment 2024. Your computation should start with the figure of profit before taxation and follow the description used in the notes to the profit and loss account indicating "NIL" in the appropriate column for every item that does not require adjustment.

(19 marks)

(b) Explain the tax treatment of items referred to Notes 1,2,3,5 and 10.

(7 marks)

[26 marks]

END OF EXAMINATION PAPER

TAX RATES AND ALLOWANCES

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

Tax rates for company – YA 2024

Type of company	Chargeable income (RM)	Company Income Tax rate (%)
Resident company (other than company described below)		24
Resident company: • with paid-up capital of MYR 2.5 million or less, and gross income from business of not more than MYR 50 million • that does not control, directly or indirectly, another company that has paid-up capital of more than MYR 2.5 million • is not controlled, directly or indirectly, by another company that has paid-up capital of more than MYR 2.5 million, and • with no more than 20% of its paid-up capital being owned, directly or indirectly, by a foreign company or non-Malaysian citizen.	First RM150,000	15
	Next RM450,000	17
	Excess RM600,000	24
Non-resident company		24

Capital allowance

	Initial allowance (IA) %	Annual allowance (AA) %
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; Permanent Resident (PR); Estate of deceased person (executor) who is Malaysian Citizen or PR; Limited Liability Partnership; Partnership

Holding period of property	YA 2024
Disposal within 3 years or less	30%
In the 4th year after acquisition	20%
In the 5th year after acquisition	15%
In the 6th year after and thereafter from the acquisition date of property	0%

Company incorporated in Malaysia; Trustee of a trust; Body of persons registered under any written law in Malaysia

Holding period of property	YA 2024
Disposal within 3 years or less	30%
In the 4th year after acquisition	20%
In the 5th year after acquisition	15%
In the 6th year after and thereafter from the acquisition date of property	10%

Non-Malaysian citizen individual; Not a permanent resident individual; executor of the estate of a deceased person who is non-citizen or not a permanent resident; company not incorporated in Malaysia (foreign company).

Holding period of property	YA 2024
Less or equal to 5 years	30%
In the 6th year after and thereafter from the acquisition date of property	10%

Witholding Tax Rates

	Rate
Special classes of income	10%
Interest	15%
Royalty	10%
Contract payment	10% + 3%
Public entertainer	15%
Other income in S4(f)	10%
Pre-55 years old withdrawal from private retirement scheme	8% (Resident & Non-Resident)