



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
MARCH 2025 SEMESTER**

COURSE CODE : EAB41203
COURSE NAME : TAXATION 2
PROGRAMME NAME : BACHELOR IN ACCOUNTING (HONS)
DATE : 30 JUNE 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 THIRTEEN (13) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided

Question 1

- (a) Explain the application of withholding tax within the context of Malaysian tax laws.
(6 marks)
- (b) Contract payments subject to withholding tax are taxed at 10% plus 3%. Explain the application of these payments and any applicable refunds.
(5 marks)
- (c) Wiramaju Sdn. Bhd. (WSB) is a manufacturing company registered in Malaysia that closes its accounts on 31 December each year. It has a paid-up capital of RM15 million. As part of its expansion plans, the company purchased machinery from a company based in China.

The details of the purchase are as follows:

	RM	Date of payment
Cost of machine	2,500,000	1.10.2024
Installation and commissioning	60,000	15.10.2024
Training and technical services	20,000	20.10.2024

The company's policy is to expense the installation and commissioning costs of the machine. For the 2024 assessment year, WSB's chargeable income was recorded as RM7.8 million, and the applicable tax rate is 24%

Required:

- i. Determine which payments are subject to withholding tax and the applicable rate.

(1 mark)

- ii. Determine the deadline by which the withholding tax on the training and technical fee should have been remitted to the IRB.

(1 mark)

- iii. Compute the amount of withholding tax due for installation and commissioning, and the penalty for late payment.

(2 marks)

- iv. In the event that the withholding taxes were not paid but were deducted as business expenses, compute the income tax underpaid by WSB for YA 2024, as well as the total penalty for submitting an incorrect return.

Note : assuming the penalty rate for incorrect return submission is 45%.

(5 marks)

[20 marks]

Question 2

Mr. Putin, a Malaysian citizen, acquired a house in Ipoh for a sum of RM500,000. He signed a sale and purchase agreement with the seller on 1 February 2022. The transfer was completed on 15 February 2022, and the payment was disbursed on the same day. Mr. Putin incurred the following expenses related to the acquisition:

	RM
Legal fees	10,000
Stamp duty on transfer	5,000
Real estate agent fees	8,000
Renovation cost	120,000

An accident occurred where a lorry crashed into his house in Ipoh, causing extensive damage. As a result, he received the following payments in October 2024:

	RM
Compensation for damages	70,000
Insurance recoveries for the damage	50,000

Mr. Putin, feeling disheartened, decided to sell off his house in Ipoh to his friend after the repairs were completed. He managed to sell this house for the price of RM750,000. The full payment was made on 15 December 2024, and the transfer was completed at the Land Office on 18 December 2024. He incurred the following expenses related to this sale:

	RM
Legal fee	7,000
Valuation fee	10,000
Cost of advertising to find a buyer	6,000

Required :

- (a) Compute the chargeable gain subject to Real Property Gain Tax (RPGT) for YA 2024 arising from Mr. Putin's disposal of the house.
(8 marks)
 - (b) State the date of acquisition by Mr. Putin. Explain the reason for your answer.
(3 marks)
 - (c) State the date of disposal of the house by Mr. Putin. Explain the reason for your answer.
(4 marks)
 - (d) Advise Mr. Putin on how he can reduce the real property gains tax upon the disposal of the house.
(2 marks)
 - (e) Assuming Mr Putin has yet to claim once in a lifetime real property gains tax, explain the **FOUR (4)** conditions under which Malaysian citizens or permanent resident individuals are given RPGT exemption on the disposal of one residential property.
(4 marks)
- [21 marks]**

Question 3

- (a) Barangan Minyak Sdn. Bhd. is a Malaysian supplier for oil and gas machinery and equipment. This company imports products mostly from United States and Japan before reselling the products to local oil and gas companies. Imported products are sent to Singapore port and inspected for defects before the products are loaded into lorries that transport the goods to its warehouse in Klang. For year assessment 2024, the company paid RM100,000 for the inspection services.

Explain the service tax applicable. Justify your answer.

(4 marks)

- (b) To avoid tax avoidance, Royal Malaysian Custom (RMC) has the discretion to check for "Artificial Separation". Explain the concept of "Artificial Separation" under Sales Tax Law.

(4 marks)

- (c) Thermos Sdn. Bhd., a Malaysian, manufacturer imports machinery from Germany and incurred the following costs:

	RM
Cost of machine	1,200,000
Freight charges	20,000
Insurance	10,000
Import duty	240,000

Required :

Determine the sales tax value for this import given a rate of 10%.

(3 marks)

- (d) Peranti Manufacturing Sdn. Bhd. is a registered manufacturer of taxable goods under the Sales Tax 2018. In the Year of Assessment 2024, the company recorded the following transactions:

	RM
Sales of goods to its subsidiary (market value RM180,000)	150,000
Export sales amounting to	800,000
Sales to Marmar Sdn. Bhd. (a company in Langkawi)	500,000
Donation of taxable goods costing (Selling price is RM15,000)	10,000

Required :

For each of the transactions above, determine the value to be used in the computation of sales tax. Briefly explain your answer.

(8 marks)

[19 marks]

Question 4

Santapan Klasik Sdn. Bhd. is a Malaysian company established in 2014 specialises in ready-to-eat (RTE) food and beverage. The company is a well known brand in Malaysia and has started to penetrate the international markets. The paid up capital of this company is RM5 million. The company closes its accounts on 31 December each year.

The following is the statement of profit and loss for the year assessment 2024.

	Note	RM'000	RM'000
Sales			12,400
(Less) Cost of sales	1		(6,680)
(Add) Other income	2		
Fixed deposit interest			35
Gain from sale of land			500
(Less)			
Employees remuneration and allowance	3	2,300	
Staff benefits	4	360.4	
Advertising and promotion	5	46	
Certification	6	28	
Repairs and maintenance	7	67	
Insurance premiums	8	122	
Lease rentals	9	72	
Legal fees	10	75	
Donations	11	10	
Depreciation		850	(3,930.4)
Profit before tax			2,324.6

Notes:

(1)	Cost of sales includes: i. Raw materials amounting to RM6,500,000. ii. Expired inventories written off amounting to RM25,000. iii. Compensation paid to customers for a batch recalled due to contamination, amounting to RM150,000.
(2)	Fixed deposit interest is in respect of fixed deposits pledged with a local bank for banking facilities. A piece of land purchased in 2015 was sold at a profit to raise funds for business expansion.
(3)	Employees remuneration include: i. Salary and bonuses RM2,300,000. ii. Employees' Provident Fund contributions amount to RM300,000. The EPF contribution rate for the chief operating officer is 25% of his basic salary of RM360,000 per year. Other employees receive EPF contributions of 15%. iii. Three registered employees who are deaf and mute, with a total salary of RM72,000.
(4)	Staff benefits include : i. Childcare centre (a rented house) near the factory area. The total expenses for rent, childcare, and amenities amounted to RM56,400. ii. An annual dinner at a local hotel, which includes food and beverages costing RM50,000, lucky draws totaling RM10,000, and special awards amounting to RM5,000 for the best client of the year. iii. Phone allowance for management and sales staff totaling RM24,000. iv. Entertainment allowance amounting to RM180,000 paid to marketing personnel to enable them to entertain the company's clients. v. The directors' family vacation cost amounted to RM35,000.

(5)	Advertising and promotions include : i. Advertisements on radio and social media costing RM10,000. ii. Participation in a foreign trade fair overseas to promote its products in the export market. The expenses include: <table border="1" data-bbox="427 380 1326 573"> <thead> <tr> <th></th><th>RM</th></tr> </thead> <tbody> <tr> <td>Flight tickets</td><td>12,000</td></tr> <tr> <td>Accommodation</td><td>5,000</td></tr> <tr> <td>Food and beverage</td><td>4,000</td></tr> </tbody> </table> iii. Sample packets of its new products, distributed at supermarkets, amounting to RM15,000.		RM	Flight tickets	12,000	Accommodation	5,000	Food and beverage	4,000
	RM								
Flight tickets	12,000								
Accommodation	5,000								
Food and beverage	4,000								
(6)	Certification includes: i. Halal certification amounting to RM20,000 issued by JAKIM for its products. The certificate is available on its website. ii. ISO certification for its manufacturing processes, amounting to RM8,000.								
(7)	Repairs and maintenance includes: i. Repainting of factory walls, electrical and plumbing works amounting to RM23,000. ii. Replacing machine components due to wear and tear amounting to RM14,000. iii. An installation charge and training conducted by a technician for a new machine purchased from China amounting to RM30,000. A payment of RM18,000 was made on 1 November 2024, and the remaining RM12,000 was paid on 15 December 2024. RM2,000 withholding tax was paid to the tax authorities within a month from the respective payment date. The remaining withholding tax of RM1,000 was overlooked by the new accountant and remained unpaid until the final tax submission.								
(8)	The following insurance premiums were paid during the year: i. Fire and theft for its business premises and stocks amounting to RM20,000. ii. General and hospitalization insurance policy for employees, amounting to RM80,000. iii. Insurance premiums include export credit insurance premiums of RM22,000 paid to an insurance company approved by the Minister (Malaysia Export Credit Insurance Berhad								

(9)	The company has lease rental agreement for the following vehicles:																
	<table><tr><td></td><td>Cost of vehicle</td><td>Lease rental YA 2024</td><td>Lease Issuance rental YA 2023 (accumulated)</td></tr><tr><td>Factory workers bus</td><td>300,000</td><td>36,000</td><td>72,000</td></tr><tr><td>CEO car</td><td>450,000</td><td>24,000</td><td>96,000</td></tr><tr><td>Sales executive</td><td>80,000</td><td>12,000</td><td>36,000</td></tr></table>		Cost of vehicle	Lease rental YA 2024	Lease Issuance rental YA 2023 (accumulated)	Factory workers bus	300,000	36,000	72,000	CEO car	450,000	24,000	96,000	Sales executive	80,000	12,000	36,000
	Cost of vehicle	Lease rental YA 2024	Lease Issuance rental YA 2023 (accumulated)														
Factory workers bus	300,000	36,000	72,000														
CEO car	450,000	24,000	96,000														
Sales executive	80,000	12,000	36,000														
(10)	Legal fees include: i. Underwriting, stamp duties, and lawyer's fees for the issuance of new ordinary shares amounting to RM45,000. ii. Statutory audit fees of RM12,000. iii. Company secretary and tax agent fees of RM18,000.																
(11)	During the year, the company sponsored a "Majlis Berbuka Puasa" for two registered orphanages, amounting to RM10,000.																
(12)	The following additional information was provided by the company: i. The capital allowance for the current year is RM316,000, and the capital allowances brought forward from the year of assessment 2023 amount to RM71,000. ii. The company has another business, which is a retail outlet for its products. For the assessment year 2024, this business has an adjusted loss of RM60,000. iii. The unabsorbed business loss is RM130,000.																

Required:

Compute the tax payable by Santapan Klasik Sdn. Bhd. for the year of assessment 2024.

Note : 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.

[25 marks]

Question 5

- (a) Mitsuno Sdn. Bhd. obtained a long-term loan amounting to RM1 million. 70% of the loan was disbursed for business expansion in Sabah, 20% for market expansion into Indonesia, and the remaining ten percent was planned for the acquisition of new machinery from Singapore. Due to unforeseen circumstances, the delivery of the machinery was delayed, and the remaining 10% of the loan was placed as a fixed deposit, earning interest of RM2,000. The new accountant discovered that the company had bank overdraft balances, which were settled after collecting payments from customers.

Required:

Advise the accountant on how to further reduce Mitsuno's taxable income.

(3 marks)

- (b) Malaria Sdn. Bhd. made a cash donation of RM100,000 to a political party branch at its business location, offering it as a subtle incentive to local authorities to expedite the renewal of licenses and business permits.

Required:

Advise Malaria on how to get a tax deduction for this type of donation.

(3 marks)

- (c) Wawasan Tegas regularly makes donations to charitable centres such as orphanages and old folks' homes. For year assessment 2024, the company donated a total of RM60,000 to three such centres. In addition to these institutional donations, Wawasan also contributed RM10,000 in personal donations directly to the residents.

Required:

Advise how the company can maximise the tax deductions for the above donations.

(4 marks)

- (d) Mitchell Sdn. Bhd., a trading company, has made multiple investments in real estate. As supplementary income, the company rents out these properties, deriving a gross rental income of RM80,000 per year.

Required:

Advise how the company reduce its aggregate income.

(2 marks)

- (e) Peti Emas Sdn. Bhd. plans to organize a year-end sale for its products. State **THREE (3)** promotional items or events that would be eligible for a 100% business deduction.

(3 marks)

[15 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 and onwards

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 & onwards
Disposal within 3 years or less	30%
In the 4 th year after acquisition	20%
In the 5 th year after acquisition	15%
In the 6 th 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 & onwards
Disposal within 3 years or less	30%
In the 4 th year after acquisition	20%
In the 5 th year after acquisition	15%
In the 6 th 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 & onwards
Less or equal to 5 years	30%
In the 6 th year after and thereafter from the acquisition date of property	10%

Withholding 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)