



UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION
JANUARY 2016 SEMESTER

SUBJECT CODE : EBB21003
SUBJECT TITLE : INTRODUCTION TO TAXATION
LEVEL : BACHELOR
TIME / DURATION : 2.00 PM - 5.00 PM / 3 HOURS
DATE : 23rd 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 THIRTEEN (13) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

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(Total: 100 marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided.

Question 1

James Stanley, a British accountant, arrived in Malaysia for a five year contract with a multinational company in Kuala Lumpur on 1 January 2012. The followings are his pattern of stay in Malaysia:

Period of Stay	Remarks	No of days
01.01.2011 – 31.10.2011	in Malaysia	305
01.01.2012 – 31.12.2012	in Malaysia	365
01.01.2013 – 22.01.2013	in Malaysia	22
01.01.2014 – 31.12.2014	was not in Malaysia	Nil
15.05.2015 – 25.12.2015	in Malaysia	225

Required:

A. Determine James Stanley's tax residence status for the year of assessment 2011 to 2015, stating the reasons and relevant provision of the Income Tax Act 1967 to support your answer.

(10 marks)

B. Briefly discuss **TWO (2)** differences between taxation and zakat.

(3 marks)

C. State **THREE (3)** objectives of taxation policies of a country.

(3 marks)

[Total: 16 marks]

Question 2

- A. Fatimah, 40 years old, has been working as a senior accountant for a local company since 1 January 2006. On 31 December 2013, she ceased her employment in order to join another company, MoneyGrow Bhd which is located in Petaling Jaya.

During the basis year of 2015, she received the following income:

1. Salaries (per month) of RM5,000.
2. Bonus, equivalent to four (4) months salary.
3. Medical bills of RM1,000 (per year) paid by the employer.
4. Entertainment allowance (per month) of RM600. On the entertainment allowance received, Fatimah actually spent RM9,000 in 2015 to entertain clients.
5. Leave passages to Pulau Langkawi, Pulau Pinang and Sabah paid by employer, with total cost of RM6,000.
6. A new car was provided by the employer without petrol. The car was purchased at a cost of RM80,000.
7. Accommodation of a fully furnished house with a defined value of RM44,000 per annum (inclusive of RM4,000 being value of furniture).
8. On 1 June 2015, the employer offered Fatimah the option to purchase 10,000 of the company's shares at RM2.50 per share although the current market price was RM4 per share. She accepted the offer and exercised the share option on 30 September 2015 when the market price was RM6 per share.

In addition, Fatimah was also paid a gratuity of RM45,000 from her previous employment.

Required:

Compute the Statutory Employment Income of Fatimah for the year of assessment 2015.

(15 marks)

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- B. Kalilah is a fund manager of an established investment company. At night, she becomes a news anchor for World News, TV7. Under the terms of the contract, she is required to report duties at 9pm to 12am every night and to report news prepared by TV7. She was paid RM2,000 for the 3 hours work. TV7 provides her necessary equipment including workstation, computer, stationeries, make-up artist and clothing.

Required:

Explain whether Kalilah's part-time earnings as news anchor at TV7 is derived from exercising a profession or an employment.

(3 marks)

[Total: 18 marks]

Question 3

Encik Rahman works with Malaysian government service. He is married to Puan Fina and they have four (4) children between the age of 16 and 24 years old.

The followings are the information pertaining to their income and expenses for basis year 2015:

Encik Rahman

<u>Income</u>	RM
Monthly salary (Note: No EPF contribution)	5,340
Dividend: Resident company (single tier)	1,320
Royalty from translation of book (requested by Ministry of Higher Education)	9,400

<u>Expenses</u>	RM
Basic supporting equipment (mother)	3,200
Medical expenses for his mother (receipt produced)	660
Books and magazines	820
Life insurance premium (for self) per month	100
Medical insurance premium for himself per month	120
Sports equipment	600
Zakat payment	5,000

Puan Fina

She is currently running a sole trader business in Cheras.

<u>Income</u>	RM
Net Statutory Business Income	80,000

<u>Expenses</u>	RM
Books and magazines	1,130
Life insurance (for self) per month	110
Medical insurance (for self) per month	200
Zakat payment	3,000

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Children:

- Amira : 24 years old, married and working in Malaysia
- Aiman : 21 years old, medical student at UM
- Adli : 20 years old, studying at UniKL
- Adriana : 16 years old, studying at Kuala Lumpur school

Puan Fina choose for separate assessment and will claim child relief for all children.

Required:

Compute the income tax payable for Encik Rahman and Puan Fina for the year of assessment 2015.

(27 marks)

[Total: 27 marks]

Question 4

A partnership business comprising of Adam, Bazli and Chong commenced business on 1 January 2013. Subsequent changes in the partnership are set out below. The firm's income tax computation for the 3 years from 31 December 2013 to 31 December 2015 are as follows:

Year end	2013	2014	2015
Divisible Income	21,000	33,000	45,000
Partners Salaries	6,000	3,600	2,400
Interest on Capital	630	990	-
Travelling (Partner)	600	600	600
	28,230	38,190	48,000

Additional information on partners:

Adam

1. Entitled to the whole of the interest on capital.
2. He was also entitled to $\frac{1}{2}$ of the profit for the 2013 and $\frac{1}{3}$ of the profit for the year 2014.
3. He left the partnership business on 1 January 2015.

Bazli

1. Entitled to $\frac{1}{6}$ of the profit for year 2013 and $\frac{1}{3}$ for the year 2014. He entitled to $\frac{1}{2}$ of the profit share for the year 2015.
2. He was also entitled to the full amount of travelling allowance.
3. He received a salary of RM300 per month for year 2013 which was reduced to RM100 per month for year 2014 and to nil with effect from 1 January 2015.
- 4.

Chong

1. He received a salary of RM200 per month for year 2013, 2014 and 2015.
2. Entitled to $\frac{1}{3}$ of balance of profit for year 2013 and 2014. Thereafter, in year 2015, he entitled to $\frac{1}{2}$ of the profit.

Required:

- A. Compute the total adjusted income for each partner for the year of assessment 2013, 2014 and 2015.

(25 marks)

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- B. Discuss **FOUR (4)** circumstances or guidelines that can be used in determining the existence of partnership.

(2 marks)

Total: 27 marks

Question 5

- A. Penang Coffee Queen Sdn Bhd has been in business for many years, closing the accounts on 31 July each year. In January 2015, the company opened a new outlet in a premise in Georgetown, renovating it and incurring the following expenses:

1. A new shop front with large glass doors
2. Stairs and handrails
3. A mezzanine floor, floor tiles and wall tiles
4. Special lighting to create a calm atmosphere

Required:

State with reasons, whether the above expenditure qualifies for capital allowances.

(4 marks)

- B. Earthwork Chemical Sdn Bhd (ECSB) is a Malaysian resident company. ECSB has a branch in China manufacturing chemical. Under royalty agreement with Park Technology Ltd of United Kingdom, the branch in China is required to pay Park Technology Ltd a royalty of 4% on its net annual sales. Total royalty to be paid is RM150,000.

Required:

- i. Determine whether the royalty received by Park Technology Ltd is derived from Malaysia.

(2 marks)

- ii. Calculate (if any) and explain the withholding tax treatment.

(4 marks)

- C. Bestie Sdn Bhd has installed a cutting machine in Puchong factory for a cost of RM100,000. The cost of preparing site for such installation of machine amounted to RM15,000.

Required:

Calculate the Qualifying Plant Expenditure (QPE) of the above expenditure.

(4 marks)

Total: 12 marks

END OF QUESTION PAPER

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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		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
	<u>150,000</u>	26	<u>39,000</u>	26	<u>39,000</u>	24.5	<u>36,750</u>
			92,325		91,850		84,650
On	400,000		-		-		-
	<u>200,000</u>						
	600,000						
On	600,000		-		-		-
	<u>400,000</u>						
	1,000,000						
On	1,000,000						
	Exceeding						
	1,000,000						

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

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

Non residents

Company	25%
Individuals	25%

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Reliefs

YA		2013 - 2014 RM	2015 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, journals, magazines for personal use	(maximum)	1,000	1,000
Spouse relief		3,000	3,000
Disabled spouse, additional		3,500	3,500
Child (≤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

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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
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

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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

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