



**UNIVERSITI KUALA LUMPUR  
BUSINESS SCHOOL**

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**FINAL EXAMINATION  
OCTOBER 2025 SEMESTER**

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<b>COURSE CODE</b>	<b>: EAB 21504</b>
<b>COURSE NAME</b>	<b>: TAXATION 2</b>
<b>PROGRAMME NAME</b>	<b>: BACHELOR IN ACCOUNTING (HONS)</b>
<b>DATE</b>	<b>: 27 JANUARY 2026</b>
<b>TIME</b>	<b>: 09:00AM – 12.00PM</b>
<b>DURATION</b>	<b>: 3 HOURS</b>

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**INSTRUCTIONS TO CANDIDATES**

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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.

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**THERE ARE TWELVE (12) 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**

- (a) Syntax Sdn. Bhd., a Malaysian tax-resident manufacturer, imported machinery from Japan and incurred the following costs:

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

**Required:**

- i. Determine the sales tax value for this import given a rate of 10%.  
(3 marks)
- ii. Payment for the machinery was made on 16 April 2025. Determine the final payment date for the sales tax. Explain your answer.  
(2 marks)
- (b) Revolution Sdn. Bhd. (RSB) is a company engaged in the sale of Information Technology devices for both the local and export markets. The company closes its accounts on 31 December each year. It operates in Kuala Lumpur and employs 20 workers across various functions, including sales and marketing, administration, accounting, purchasing, and general operations. The Managing Director is a Malaysian citizen who owns 80% of the company's shares, while the remaining 20% is held by a Singaporean citizen. The company has a paid-up capital of RM2 million. Recently, an accounting staff member was terminated for falsifying financial records. Subsequently, the dismissed employee lodged an anonymous complaint with the Inland Revenue Board of Malaysia (IRBM), alleging tax malpractices.

The allegations include:

1. Non-payment of withholding tax on certain transactions; and
2. The deliberate deferral of revenue for YA 2025 by shifting significant invoices to YA 2026, as YA 2025 was projected to be a highly profitable year for the company.

You have recently been transferred to the Tax Compliance Unit, and your task is to conduct tax audits and investigations.

**Required:**

- i. Determine whether a tax audit or a tax investigation is more appropriate based on the facts provided. Justify your answer with reference to the case details above.  
(2 marks)
- ii. In the event, no complain on malpractices was done, determine if RSB is likely to be selected in a tax audit. State **THREE (3)** reasons to your answer.  
(3 marks)
- iii. When conducting an audit or investigation, list **FIVE (5)** details that should be included in the notification letter to the taxpayer.  
(5 marks)

**[15 marks]**

**Question 2**

- (a) Explain the withholding tax deduction for contract payment at 10% + 3%.

(4 marks)

- (b) Maju Jaya Sdn. Bhd. (MJSB) is a manufacturing company registered in Malaysia and closes its accounts to 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 Taiwan.

The details of the purchase are as follows:

	RM	Date of payment
Cost of machine	2,500,000	1 October 2025
Installation and commissioning	60,000	15 October 2025
Training and technical services	20,000	20 October 2025

The company policy is to expense off installation and commissioning costs of the machine. For the year assessment 2025, chargeable income of MJSB 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 and the final date to submit the withholding tax.

(3 marks)

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

(3 marks)

- iii. In the event, the withholding taxes were not paid, but was deducted as business expenses, compute the income tax underpaid by MJSB for the YA 2025, and penalty for submitting an incorrect return.

Note : Assuming the penalty rate for incorrect return submission is 100%.

(2 marks)

- (c) Speedy Transport Sdn. Bhd. (STSB) is in the business of air freight is a tax resident of Malaysia. For YA 2025, STSB receives air freight services income with the following details:

Statutory Income	RM'000
Local	15,000
Foreign (taxed at 20%)	750

Assuming there are no other income besides the above, calculate the tax payable for STSB given and show the formula for each tax relief :

- i. There is a double taxation agreement with the foreign company resident country. Bilateral tax relief applies.  
(4 marks)
- ii. No double taxation agreement with the foreign company resident country. Unilateral tax relief applies.  
(4 marks)

**[20 marks]**

**Question 3**

Mr. Sandman, a Malaysian citizen, acquired a durian orchard in Raub, Pahang for RM500,000. He signed the sale and purchase agreement with the seller on 1 October 2022. The transfer of ownership was completed on 15 November 2022, and the payment was disbursed on the same day. Mr. Sandman incurred the following expenses related to the acquisition:

	RM
Legal fees	12,500
Stamp duty on transfer	8,000
Real estate agent fees	5,000
Soil levelling and construction of new drainage system	60,000

In March 2025, Mr. Sandman, who was suffering from ill health, decided to sell his orchard. A potential buyer paid a deposit of RM10,000, however, the deposit was forfeited when the buyer failed to secure a loan to purchase the orchard.

He eventually sold the orchard to his cousin, and the transaction was concluded at RM650,000, although the land's market value was estimated at RM700,000. The full payment was made on 12 September 2025, and the transfer of ownership was completed at the Land Office on 18 September 2025. He incurred the following expenses in connection with the sale:

	RM
Legal fee	7,000
Valuation fee	10,000

**Required :**

- (a) Compute the chargeable gain subject to Real Property Gains Tax (RPGT) for YA 2025 arising from Mr. Sandman's disposal of the house.

(8 marks)

- (b) Explain your answer in selecting the disposal consideration for the transfer to Mr. Sandman's cousin.

(2 marks)

- (c) State the date of disposal of the house by Mr. Sandman and provide the reason for your answer. (2 marks)
- (d) Advise Mr. Sandman on **TWO (2)** ways he can reduce or eliminate the real property gains tax payable upon the disposal of his house. (4 marks)
- (e) In a separate scenario where Mr. Sandman does not sell the orchard to his cousin but instead gifts the orchard to his son, Albert Muay, in September 2025.
- i. Determine the real property gains tax for Mr. Sandman. Explain your answer. (2 marks)
- ii. Compute the acquisition price for Albert Muay. (2 marks)
- [20 marks]**

#### Question 4

Ann Sdn. Bhd., incorporated in April 2020, set up a factory in Penang to manufacture industrial chemicals, which qualify as a promoted product. The company's application for pioneer status, submitted on 20 January 2020, was approved, and the production day was certified as 1 January 2021. The company prepared its first set of accounts for the period ending 31 December 2021 and has since adopted 31 December as its annual year-end. The details are as follows:

Year	2021 RM'000	2022 RM'000	2023 RM'000	2024 RM'000	2025 RM'000
Expenditure incurred on:					
Land		-	-	-	-
Factory building	2,000	-	-	-	-
Plant & machinery	1,500	1,000	800	-	-
	2,800	-	-	-	-
Other information:					
Projected adjusted income/(loss)	(600)	(300)	2,800	3,000	4,000

The annual allowance rate for plant and machinery is 10%. Capital Allowances calculation:

Factory building	RM'000	RM'000	Plant and machinery	RM'000	RM'000
<b>YA 2021</b>			<b>YA 2021</b>		
QE		1,500	QE		2,800
IA (10%)	150		IA (20%)	560	
AA (3%)	<u>45</u>	<u>(195)</u>	AA (10%)	<u>280</u>	<u>(840)</u>
RE		1,305	RE		1,960
<b>YA 2022</b>			<b>YA 2022</b>		
AA (3%)		<u>(45)</u>	Add: QE		<u>800</u>
RE		1,260	IA (20% x 800)	160	2,760
			AA (20% x 3600)	<u>360</u>	<u>(520)</u>
			RE		2,240
<b>YA 2023</b>			<b>YA 2023</b>		
AA (3%)		<u>(45)</u>	Add: QE		<u>600</u>
RE		1,215	IA (20% x 600)	120	2,840
			AA (20% x 4200)	<u>420</u>	<u>(540)</u>
			RE		2,300
<b>YA 2024</b>			<b>YA 2024</b>		
AA (3%)		<u>(45)</u>	AA (10%)		<u>(420)</u>
RE		1,170			1,880
<b>YA 2025</b>			<b>YA 2025</b>		
AA (3%)		<u>(45)</u>	AA (10%)		<u>(420)</u>
RE		<u>1,125</u>			<u>1,460</u>

**Required:**

- (a) Compute the company's exempt income and tax payable, if any, for YA 2021 to YA 2025. Assume an income tax rate of 24% for all years of assessment.

(18 marks)

- (b) Determine whether Investment Tax Allowance (ITA) would be a better tax incentive for the company. Show all calculations.

(4 marks)

**[22 marks]**

## Question 5

Fossil Manufacturing Sdn. Bhd. (FMSB), a company registered in Malaysia, closes its accounts annually on 31 December. Established in June 2019 with a paid-up capital of RM4.5 million, the company seeks to broaden its market presence in Europe and has recently taken part in a trade delegation organised by the Malaysia External Trade Development Corporation (MATRADE). Given Malaysia's strong position as an international halal hub, the company plans to leverage this advantage to expand its business overseas.

FMSB's Statement of Profit and Loss for the year ended 31 December 2025:

	Note	RM	RM
Turnover	1		21,180,600
(Less) Cost of sale	2		(6,900,100)
Gross margin			14,280,500
(Add) Other income	3		240,000
(Less)			
Employee salary	4	5,264,000	
Pension scheme contribution	5	1,850,000	
Interest expenses	6	50,000	
Certification	7	160,000	
Repairs and maintenance	8	813,000	
Insurance premiums	9	58,400	
Statutory compliance fees	10	41,200	
Training expenses	11	15,000	
Advertising and promotions	12	74,500	
Donations	13	200,000	
Other expenses		25,000	(8,551,100)
Profit before tax			5,969,400

## Notes:

1.	Turnover includes sale of:	<b>RM</b>
	(a) Material scraps	10,000
	(b) Old machine	23,000
2.	Cost of sales includes the following:	
	(a) Damaged goods	5,000
	(b) Near expiry products donated to employees	7,200
	(c) Depreciation	850,000
3.	Other incomes comprise the following:	
	(a) Dividends from quoted shares	80,000
	(b) Fixed deposits	160,000
4.	Employee salaries include the salaries of two registered disabled employees and one senior citizen aged 62, totalling RM108,000.	
5.	Apart from the statutory EPF contribution of 12%, the company made an initial deposit of RM1.2 million into its approved retirement fund to finance retirement payments for employees who have completed at least 25 years of service.	
6.	The interest expense relates to the purchase of new machinery imported from Japan for use in the production line.	
7.	Certification expenses consist of:	<b>RM</b>
	(a) ISO (certification received)	100,000
	(b) Halal (certification received)	60,000
8.	Repairs and maintenance consist of:	<b>RM</b>
	(a) Addition to factory production area	230,000
	(b) Re-wiring to factory building damaged due to flood	120,000
	(c) Upgrade plumbing system and drainage which included flood mitigation walls	250,000
	(d) Re-tile damaged factory floor due to flood	73,000
	(e) Machine parts replacement and maintenance	527,000
9.	Insurance premiums include:	<b>RM</b>
	(a) Fire and public liability	15,000
	(b) Staff hospitalization insurance	43,400
10.	Statutory compliance fees consist of:	<b>RM</b>
	(a) Statutory audit fees	22,000
	(b) Tax agent fees	9,200
	(c) Company secretary fees	10,000

11.	Training expenses consist of: (a) Staff training (HRDF approved) (b) Internship training programme	RM 8,500 6,500
12.	Advertising and promotion consist of: (a) Advertisement on TV shopping channel (b) Free gifts upon purchase of company's products embossed with company logo. (c) Expenses to join trade delegation by MATRADE: • Flight tickets • Hotel, food and other sustenance (trip was for 2 employees for 10 days)	RM 40,000 10,000 14,000 10,500
13.	Donations consist of: (a) Construction of bus stops (b) Products donated to approved institutions (c) Cash donations to approved institutions	RM 150,000 25,000 25,000
14.	The current year's capital allowance is RM980,000. The machine disposed of in Note 1 has a residual expenditure of RM18,000.	
15.	FMSB has a trading business that recorded : (a) Current year loss (b) Unabsorbed business loss from this business (c) Unabsorbed capital allowance	RM 360,000 140,000 50,000
16.	The company applied for the Reinvestment Tax Allowance and was granted the incentive on 1 March 2025. The qualifying capital expenditures identified are as follows:	
		RM
	Addition to factory production area	230,000
	New machine	950,000

**Required:**

Compute the tax payable for Fossil Manufacturing Sdn. Bhd. for YA 2025.

Start with profit before tax and clearly list all items requiring adjustment (show "nil" for those not requiring adjustment).

**[23 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 2025

Type of company	Chargeable income (RM)	Company Income Tax rate (%)
<b>Resident company</b> (other than company described below)		24
<b>Resident company:</b> <ul style="list-style-type: none"> <li>• with paid-up capital of MYR 2.5 million or less, and gross income from business of not more than MYR 50 million</li> <li>• that does not control, directly or indirectly, another company that has paid-up capital of more than MYR 2.5 million</li> <li>• is not controlled, directly or indirectly, by another company that has paid-up capital of more than MYR 2.5 million, and</li> <li>• with no more than 20% of its paid-up capital being owned, directly or indirectly, by a foreign company or non-Malaysian citizen.</li> </ul>	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 2025
Disposal within 3 years or less	30%
In the 4 <sup>th</sup> year after acquisition	20%
In the 5 <sup>th</sup> year after acquisition	15%
In the 6 <sup>th</sup> 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 2025
Disposal within 3 years or less	30%
In the 4 <sup>th</sup> year after acquisition	20%
In the 5 <sup>th</sup> year after acquisition	15%
In the 6 <sup>th</sup> 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 2025
Less or equal to 5 years	30%
In the 6 <sup>th</sup> 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)