UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2026 SEMESTER

COURSE CODE	:	EAB21504
COURSE NAME	:	TAXATION 2
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING (HONS)
DATE	:	24 JUNE 2026
TIME	:	9 am to 12 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 **SIX (6) 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) Move Up Sdn. Bhd. is a manufacturer of food products. In March 2026, the company registered as a sales tax registrant. As the company's tax agent, you have categorised its sales for April 2026 as follows:

	RM
Pulau Langkawi	40,000
Export	150,000
Other local sales (exclude special and designated areas)	60,000

Required

i. Determine the sales tax payable for each of the category and briefly explain your answer.

(3 marks)

ii. Determine the last date the sales tax is due for payment.

(3 marks)

(b) The company's accountant submitted the tax return (Form C) for the year of assessment 2023. The tax liability was correctly calculated at RM24,441. However, due to an error when completing the return, the accountant reported the tax payable as RM21,444 instead. Despite this mistake, the full amount of RM24,441 was paid and submitted together with the tax return. In 2025, the company was selected for a tax audit, during which the error was identified.
Advise the company on the potential outcome of the tax audit.

(3 marks)

[9 marks]

Question 2

(a) Zulu Manufacturing Sdn. Bhd. (Zulu) commenced operations on 1 July 2021 and is engaged in the manufacturing of halal-certified cosmetics and skincare products for women. The company is classified as a small and medium enterprise (SME) and primarily distributes its products locally through consignment arrangements with pharmacies and supermarkets throughout Malaysia. On 1 August 2025, Zulu expanded its operations by opening its own retail outlets in the Klang Valley to market its products directly to consumers. In addition, Zulu participated in trade missions organised by MATRADE, through which it successfully secured a contract to supply halal-certified cosmetics and skincare products to a wholesaler in the Middle East. As part of the business development process, the marketing manager travelled to Dubai to meet with the wholesaler and negotiate the terms and conditions. The contract was subsequently finalised and signed in Malaysia during a product launch event held in October 2025.

You have been appointed as the tax consultant for Zulu. As part of your engagement, you are required to advise the company on the following matters:

Required

i. Discuss whether the three business streams, manufacturing, retail operations in Malaysia, and export activities should be treated as a single business or as separate businesses for tax purposes. In your answer, explain the deductibility of business expenses and the availability of capital allowances for each stream.

(4 marks)

ii. Explain the basis of derivation for the export business income. Support your answer with relevant reasons.

(3 marks)

(b) Gu Technology Sdn. Bhd. (GTSB) was incorporated in 2024 and is involved in the manufacturing of electronic chips. The company operates from an industrial area in Penang. For the year ended 2025, the following transactions were recorded:

	RM	Payment remitted on
Purchase of machinery Freight charges Insurance	2,500,000 60,000 10,000	1 October 2025
Training and installation charges (Conducted on 11 October 2025)	50,000	10 November 2025

Required:

Using the above information:

i. Calculate the total sales tax payable, considering that import duty is imposed at 20% and sales tax at 10%. Show all relevant workings.

(4 marks)

ii. Determine the withholding tax payable on both payments and state the due date for submission.

(3 marks)

iii. In the event that withholding tax was not paid, determine the penalty for late payment of withholding tax.

(2 marks)

iv. Assuming the company did not pay the withholding tax, compute the tax undercharged and the penalty for an incorrect tax return. Use a company tax rate of 24%.

(4 marks)

[20 marks]

Question 3

Putra, a Malaysian resident, owns several investment properties. For the year ended 2025, the following properties were disposed of to raise funds for the purchase of cryptocurrencies. The details are as follows:

Apartment in Shah Alam

The purchase agreement was signed on 24 October 2020 at a purchase price of RM280,000. The incidental costs related to the purchase are listed below:

	RM
Lawyer's fees	8,000
Stamp duty	1,400

Putra incurred advertising expenses of RM2,500 to secure a buyer. The sale was handled by a real estate agent who charged a fee of RM3,000. The sale and purchase agreement was signed on 2 October 2025 at a consideration of RM390,000.

House in Section 14, Petaling Jaya

Putra purchased a double-storey linked house on 2 June 2023 for RM880,000. Shortly after the purchase, he incurred renovation costs of RM150,000 to enhance the property, and upon completion, the house was rented out as an Air BnB. In 2024, the property was damaged by fire, and Putra received insurance compensation of RM25,000. In 2025, Putra's cousin expressed interest in purchasing the property. Subsequently, Putra transferred the property to his cousin on 12 December 2025, and full payment of RM1,050,000 was received on 21 December 2025.

Required:

(a) Determine the real estate tax payable for the apartment in Shah Alam upon disposal.

(7 marks)

(b) Recommend **ONE (1)** strategy that Putra may adopt to further minimise the real property gains tax payable on the disposal of his property in Shah Alam.

(2 marks)

(c) Determine the disposal date of the property in Petaling Jaya and explain your answer.

(2 marks)

(d) Determine the real estate tax payable for the property in Petaling Jaya.

(6 marks)

[17 marks]

Question 4

(a) Explain the application of interest restriction under section 140C of the Income Tax Act 1967.

(5 marks)

(b) Explain the threshold applicable for interest restriction for the following:

Company	RM	Business Source
A	500,000	1
B	1,000,000	1
C	450,000	4
D	1,000,000	4

(4 marks)

(c) Determine the allowable interest expense using the tax-EBITDA and fixed ratio method for the following companies.

	Company ABC RM	Company XYZ RM
Adjusted Income	(700,000)	1,600,000
Qualifying deductions	100,000	200,000
Interest expenses (as defined under paragraphs 3.6 and 4.2 of the Income Tax guidelines)	650,000	750,000

(8 marks)

[17 marks]

Question 5

Quan Ling Sdn. Bhd. (QLSB) submitted an application for pioneer status on 15.11.2022 and was granted the status on 15.2.2023. The rate of exemption is 70%. The certificate states production day as 1.4.2023. The company closes its accounts to 31 December each year.

Year End	Pioneer business (RM)		Non-pioneer business (RM)			
	Income / (Loss)	Capital Allowance	Income / (Loss)	Capital Allowance	Rental income (gross)	Approved donation
31 December 2023	38,000	21,000	(2,000)	1,000	3,000	100
31 December 2024	(10,000)	18,000	12,000	3,000	5,000	-
31 December 2025	60,000	23,000	(15,000)	4,000	5,000	500

Required:

(a) Determine the tax relief period.

(1 mark)

(b) Compute the exempt income and total income of Quan Ling Sdn. Bhd. for YA 2023 to 2025.

(15 marks)

(c) Explain the treatment of deemed total income from business pioneer in relation to non-pioneer business losses and donation.

(4 marks)

[20 marks]

Question 6

Mango Salsa Sdn. Bhd. (MSSB), a Malaysian tax resident incorporated in 2018, has a paid-up capital of RM4.5 million. The company produces mango-based food products for domestic consumption and markets them under its own brand, which has obtained ISO and halal certification. MSSB's financial year ends on 31 December. The financial results for the year ended 31 December 2025 are as follows:

Statement of Profit and Loss for year ended 31 December 2025

	Notes	RM	RM
Sales	1		5,080,000
(-) Cost of sales	2		(789,000)
Gross profit			4,291,000
(-) Operating expenses			
Salary, wages and overtime	3	1,003,200	
Sales campaign	4	56,000	
Rental (CEO house, office and retail outlets)	5	270,000	
Repair and maintenance	6	110,000	
Royalty	7	50,000	
Insurance premium	8	395,000	
Audit & tax fees	9	62,000	
Bad debt provision	10	67,000	
Promotion of exports	11	155,000	
Other expenses	12	314,000	
(-) Other expenses			
Compensation and loan for retrenched senior manager due to personal scandal	13	100,000	(2,582,200)
Profit before tax			**1,708,800**

Notes

1.	Sales include near expired products donated to orphanages around Klang Valley amounting to RM15,000.
2.	Cost of sales include the following:
3.	Salary, wages, and overtime include EPF contributions for the Managing Director at a rate of 24% of salary. The Managing Director's total annual salary amounted to RM250,000. EPF contributions for other employees are calculated at 12% of basic salary.
4.	The sales campaign comprises the following:
5.	Rental comprised of:
6.	Repair and maintenance are as follows:
7.	MSSB paid a royalty of RM45,000 to a company in Thailand on 31 August 2025. However, the withholding tax of RM5,000 was not remitted upon submission of the tax return (Form C).
8.	Insurance premium consists of the following:
9.	Audit and tax fees consist of:

Note 2:

		RM
i.	Inventory written off due to a flash flood in the factory area	28,600
ii.	Products damaged in a lorry accident along KESAS highway	10,000

Note 4:

		RM
i.	Free gifts for customers participating in lucky draw	41,000
ii.	Advertisement in local radio station	15,000

Note 5:

		RM
i.	CEO house	120,000
ii.	Branch sales office	150,000

Note 6:

		RM
i.	Renovations for newly acquired retail kiosks	30,000
ii.	New drainage around the factory perimeter	80,000

Note 8:

		RM
i.	Staff hospitalisation	300,000
ii.	Public liability and fire	70,000
iii.	Keyman insurance (term life policy)	25,000

<table>
<tr><td></td><td><table><tr><td></td><td></td><td>RM</td></tr><tr><td>i.</td><td>Statutory audit of financial statements</td><td>27,000</td></tr><tr><td>ii.</td><td>Due diligence audit of new subsidiary</td><td>14,000</td></tr><tr><td>iii.</td><td>Tax and company secretary fees</td><td>21,000</td></tr></table></td></tr>
<tr><td>10.</td><td>Bad debt provision is for a wholesaler who has been declared bankcrupt.</td></tr>
<tr><td>11.</td><td>Promotion of exports include:<table><tr><td></td><td></td><td>RM</td></tr><tr><td>i.</td><td>Participation in International Trade Fair in China</td><td>110,000</td></tr><tr><td>ii.</td><td>Feasibility and market studies for a potential market in Qatar</td><td>45,000</td></tr></table></td></tr>
<tr><td>12.</td><td>Other expenses include zakat perniagaan of RM250,000 and expenditure of RM64,000 incurred for the construction of two bus stops near the company's factory for public use.</td></tr>
<tr><td>13.</td><td>MSSB made a one-off payment of RM100,000 to a senior manager upon resignation due to personal reasons.</td></tr>
<tr><td>14.</td><td>Capital allowance for the year is RM402,000.</td></tr>
<tr><td>15.</td><td>MSSB operates a separate trading business in pre-mix coffee and tea, which incurred a current year loss of RM25,000 and has unabsorbed losses of RM89,000. The business also has current year capital allowances of RM10,000 and unabsorbed capital allowances of RM65,000.</td></tr>
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Required

Compute the tax payable for Mango Salsa Sdn. Bhd. for year assessment 2025.

Indicate your answer with "NIL" where no adjustment is required.

[17 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 (%)
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 2025
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 2025
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 2025
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)