CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2026 SEMESTER

COURSE CODE	:	EAB21204
COURSE NAME	:	TAXATION 1
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING (HONS)
DATE	:	23 JUNE 2026
TIME	:	2.00 PM – 5.00 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 concept of record-keeping requirements under Income Tax Act 1967.

(2 marks)

(b) State **FOUR (4)** responsibilities of individual taxpayers in relation to tax assessment in Malaysia.

(4 marks)

(c) Explain **TWO (2)** differences between desk audit and field audit.

(4 marks)

(d) The Inland Revenue Board (IRB) issued a Notice of Instalment Payment (Form CP500) for YA2025 of RM610,000 under section 107B to Cheng, a sole trader, in February 2025.

Cheng estimated his tax liability for the year of assessment 2025 to be RM300,000 and requested for a variation of the installment scheme. The IRB agreed and issued an amended notice of installment payments of six bi-monthly payment of RM50,000 each.

Cheng submitted his YA2025 Form B on 28 June 2026 showing a deemed tax payable of RM480,000.

Required:

State the date by which any request for variation of installments must be made by Cheng.

(2 marks)

[12 marks]

Question 2

Samson Sdn. Bhd., a local delivery company that closes its accounts on 31 December every year. The company purchased a new van costing RM155,000 under a hire purchase term. The company paid RM35,000 as the deposit in December 2023. Beginning 1 January 2024, Samson Sdn. Bhd. paid an equal monthly instalment of RM2,500 for 60 months.

However, without any concern from the Director General of Inland Revenue Board, Samson Sdn. Bhd. traded in the existing van with a new delivery truck on 1 May 2025. The trade in value of the van was RM120,000 and the cost of the new truck was RM150,000. The company paid the remaining value of the truck by cash.

A warehouse for the storage of exported goods at the cost of RM300,000 were constructed and completed on 31 June 2024.

The company bought a backhoe is used solely at construction sites for earthworks. The cost of the asset amounted to RM151,000 and was bought on November 2025.

As part of its expansion activities, the company also installed a packing machine costing RM25,000 in March 2025. The costs of installation and preparing site for that machine were RM3,000 and RM5,000 respectively.

During the board of directors meeting on 2 June 2025, it was determined that there was an increase in demand for Samson's products in Malaysia and the finance manager was instructed to look into constructing a storage warehouse exclusively for the Malaysian market. He is considering the following two options:

Option 1 : To construct a warehouse within the curtilage of the current factory premises.
Option 2 : To construct a warehouse 20 kilometres away in Port Klang.

Required:

(a) State **THREE (3)** conditions that must be fulfilled in order to claim annual allowance.

(3 marks)

(b) Compute the capital allowance and industrial building allowance, including any balancing charge or allowances for the relevant years of assessment up to year of assessment 2025.

(16 marks)

(c) Apply the income tax implications of each of the options for the construction of the warehouse from the perspective of claiming industrial building allowance and advise which would be more tax efficient.

(3 marks)

[22 marks]

Question 3

Nazim, Fairuz and Delima have been partners since 2000 in a company distributing computers. The partnership accounting year end is 31 December each year. On 1 October 2025, Fairuz retired from the partnership business and withdrew all her capital. However, Nazim and Delima continued with the partnership business.

The partnership agreement before the retirement of Fairuz:

	Nazim	**Fairuz**	**Delima**
Salaries per annum (RM)	14,400	18,000	21,600
Capital contributed (RM)	40,000	60,000	70,000
Interest on capital per annum	5%	5%	5%
Personal expenses per month (RM)	1,500	2,000	2,500
Profit sharing ratio	2	4	4

Immediately after the retirement of Fairuz, Nazim contributed additional capital of RM50,000. The other terms of the partnership remain the same except the profits sharing ratio of Nazim and Delima was changed to 1:1.

For the year ended 31 December 2025, the partnership accounts showed a net profit of RM221,000 after deducting depreciation of RM5,200. The partnership's capital allowance and approved donation was RM3,500 and RM4,000 respectively.

Fairuz works as an executive with one of the private colleges in Kuala Lumpur and earning a monthly salary of RM4,000 after leaving partnership on 1 October 2025. Delima received interest income from CIMB bank amounted RM1,200 while Nazim received rental income amounted to RM9,600.

Required:

(a) Explain how a partnership is assessed to tax and who is responsible for filing of the partnership return.

(2 marks)

(b) Compute the total income for Nazim, Fairuz and Delima for the year of assessment 2025.

(16 marks)

[18 marks]

Question 4

Sharizat is running a business in Kajang. The following is the Statement of Profit or Loss for the year ended 31 December 2025.

Statement of Profit or Loss for the year ended 31 December 2025			
	Note	**RM**	**RM**
Sales			900,000
Less: Purchases	1		(250,000)
Gross profit			650,000
Add: Other income	2		54,200
			704,200
Less: Expenses			
Salary, bonus and EPF	3	333,400	
Professional fees	4	29,000	
Entertainment expenses	5	43,440	
Upkeep and maintenance	6	81,600	
Finance cost	7	4,400	
Depreciation expense		30,000	
Provision for bad debts	8	13,120	
Lease rental	9	56,400	
Other expenses	10	50,000	
			(641,360)
Net profit			62,840

Notes:

1. Included in the cost of goods sold were goods valued at RM6,000 which taken by the owner for her personal use. The cost of the goods was RM4,000.

2. Other incomes comprise of:

	RM
Dividend income from investment in Amanah Saham Nasional	24,200
Interest income from CIMB bank	22,000
Interest income charged to customer due to late payment	4,500
Gain on disposal of fixed asset	3,500
	54,200

3. Salary and EPF are as follows:

	Salary (RM)	Bonus (RM)	EPF (RM)
Sharizat	120,000	20,000	24,000
Normal employees	96,000	18,000	22,400
Disabled employees	24,000	4,000	5,000
	240,000	42,000	51,400

4. Professional fees comprise:

	RM
Fees paid to tax agents	8,000
Cost of legal proceeding in pursuing a claim for unlawful dismissal by an employee	16,000
Trade association membership – entrance fee	2,000
Trade association membership – annual fee	3,000
	29,000

5. Entertainment expenses consist of:

	RM
Entertainment incurred on suppliers	16,000
Leave passage for staff to Bandung, Indonesia	25,000
Lucky draw prizes for customers	2,440
	43,440

6. Upkeep and maintenance comprise of:

	RM
Purchase of capital assets	30,000
Initial repair on machinery	10,000
Maintenance of delivery van used in the business	7,200
Construction of parking space in business premise	20,000
Upkeep of garden at Sharizat's residential property	14,400
	81,600

7. Finance cost refers to interest expense paid to the bank on loan made for the business purpose.

8. Provision for bad debt consist of:

	RM
Non trade debt write-off	6,000
Net increase in general provision	10,000
Trade debts recovered	(2,880)
	13,120

8. Lease rental for two vehicles is as follows:

	Cost of car	Instalment per month RM	Instalment commencing	Lease rental for the year ended 31 Dec 2025
Delivery van	146,000	1,500	February 2023	18,000
Toyota Harrier	220,000	3,200	September 2024	38,400
				56,400

10. Other expenses comprise of:

	RM
Promotional gift given out free at sport event open to public	20,000
Compound and fines	800
Cash donation to approved institution	7,200
Business zakat	14,000
Cash donation to library (under Sec 34)	8,000
	50,000

Additional information:

For the current year, capital allowance claimed was RM8,500 while the balancing allowance amounted to RM3,000.

Required:

(a) List **TWO (2)** examples thar are partially deductible under entertainment expenses when determining the adjusted income from a business income source.

(2 marks)

(b) Compute the statutory business income for Sharizat for the year of assessment 2025.

(22 marks)

[24 marks]

Question 5

The following information is related to Encik Faizal, a sole proprietor who is resident in Malaysia for tax purposes in the basis year for the year of assessment 2025.

	RM
Business A:	
Business income	204,000
Capital allowance	60,000
Balancing charge	30,000
Business loss brought forward from year of assessment 2024	27,000
Business B:	
Current year business losses	10,000
Income from employment (part time job as lecturer)	30, 000
Dividend from Malaysian resident company	5,200
Interest from fixed deposit	2,800

Encik Faizal is married to Puan Suhaila (disabled) who is employed as an account executive in Gloria Sdn Bhd. Her salary and bonus from employment during the year 2025 was RM120,000 and RM8,000 respectively.

Puan Suhaila owns a house in Selayang. She rented the house since January 2025. Rental received and expenses incurred for the year of assessment 2025 are as follow:

Income	Rental	RM1,500 per month
	Deposit on electricity and water	RM300
	Refundable deposit	RM3,000
Expenses:	Repairs and maintenance	RM1,200
	Quit rent	RM300
	Interest on loan (starting February 2025)	RM120 per month
	Advertising to find tenant	RM1,000
	Legal fee	RM2,000

Encik Faizal and wife has four (4) children:

Faizah	-	Age 25, married and pursuing a degree in Universiti Kuala Lumpur.
Fateh	-	Age 20, single and pursuing diploma in Adelaide University, Australia.
Firdaus	-	Age 18, single and pursuing foundation at Kolej MARA Kuala Nerang.
Faiqah	-	Age 2, was legally adopted since 2024.

During the year, Encik Faizal and his wife made the following expenses:

Encik Faizal

1. Cash donation to charitable institution amounted RM35,500. He also donated computer to approved welfare institutions worth RM5,700.

2. Encik Faizal purchased breastfeeding equipment for the first time worth RM2,200.

3. Encik Faizal paid RM3,600 for his life insurance policy and RM4,200 premium for medical insurance policy.

4. A payment of RM8,200 of medical expenses for his uncle's treatments in specialist hospital. The payments were supported with receipts.

5. He paid RM5,000 as zakat.

Puan Suhaila

1. Cash donation to charitable institution amounted RM18,800 and RM30,000 for zakat.

2. Puan Suhaila incurred electronic vehicle charging hardware and services amounted RM3,200.

3. She deposited RM7,000 for Skim Simpanan Pendidikan Nasional.

Required:

(a) Compute the taxable payable (if any) by Encik Faizal and Puan Suhaila for the year of assessment 2025.

Note: For any item that does not impact the computation, indicate it with zero (0).

(22 marks)

(b) The Malaysian government has granted relief on any expense incurred on an electric vehicle charging facility. The purposes are to promote a green environment and to reduce air pollution.

Identify **TWO (2)** conditions to be eligible to claim such relief.

(2 marks)

[24 marks]

END OF EXAMINATION PAPER

TAX RATES AND ALLOWANCES

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

Income tax rates

Resident individuals – YA2025

Chargeable income RM	Computation RM	Rate %	Tax RM
0 – 5,000	First 5,000	0	0
5,001 – 20,000	First 5,000 Next 15,000	1	0 150
20,001 – 35,000	First 20,000 Next 15,000	3	150 450
35,001 – 50,000	First 35,000 Next 15,000	6	600 900
50,001 – 70,000	First 50,000 Next 20,000	11	1,500 2,200
70,001 – 100,000	First 70,000 Next 30,000	19	3,700 5,700
100,001 – 400,000	First 100,000 Next 300,000	25	9,400 75,000
400,001 – 600,000	First 400,000 Next 200,000	26	84,400 52,000
600,001 – 2,000,000	First 600,000 Next 1,400,000	28	136,400 392,000
Exceeding 2,000,000	First 2,000,000 For every next ringgit	30%	528,400 …………

Non-residents individual – YA2025

Individuals 30%

Personal reliefs

No.	Individual Relief Types		RM
1	Self		9,000
2	Disabled self, additional		7,000
3	Medical expenses expended on parents or grandparents	(maximum)	8,000
4	Medical expenses expended on self, spouse or child with serious disease, and for fertility treatment, including up to RM1,000 for medical examination and RM1,000 for vaccination, up to RM1,000 for dental examination / treatment, up to RM4,000 for child with learning disability	(maximum)	10,000
5	Basic supporting equipment for disabled self, spouse, child or parent	(maximum)	6,000
6	Study course fees for skills or qualifications including up to RM2,000 for recognised upskilling and self-enhancement courses	(maximum)	7,000
7	Lifestyle relief	(maximum)	2,500
8	Additional lifestyle allowance for sport related items	(maximum)	1,000
9	Spouse relief		4,000
10	Disabled spouse, additional		6,000
11	Child – basic rate	(each)	2,000
12	Child – higher education	(each)	8,000
13	Disabled child	(each)	8,000
14	Disable child, additional	(each)	8,000
15	Childcare fees (below six years old)	(maximum)	3,000
16	Breastfeeding equipment	(maximum)	1,000
17	Life insurance premiums	(maximum)	3,000
18	Contributions to approved funds	(maximum)	4,000
19	Deferred Annuity and Private Retirement Scheme (PRS)	(maximum)	3,000
20	Medical and/or education insurance premiums for self, spouse or child	(maximum)	3,000
21	Contribution to the SOCSO and EIS	(maximum)	350
22	Green technology equipment	(maximum)	2,500
23	Net deposit in Skim Simpanan Pendidikan Nasional	(maximum)	8,000
24	Interest on housing loan for first-time homeowner • RM7,000: House Price not more than RM500,000 RM5,000: House price above RM500,000 to RM750,000	(maximum)	7,000

Rebates

Chargeable income not exceeding RM35,000	RM
Individual – basic rate	400
Individual entitled to a deduction in respect of a spouse or a former wife	800

Value of benefits in kind

Car and fuel scale

Cost of car (when new) RM	Prescribed annual value of private usage of car RM	Prescribed annual value of Private petrol RM
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.

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 Rate %	Annual allowance 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
ICT equipment & software (including customised software)	40	20

Agriculture allowances

	Initial allowance Rate %	Annual allowance Rate %
Buildings for the welfare of or as living accommodation for farm employees	Nil	20
Other buildings used in the business	Nil	10
All other qualifying agriculture expenditure	Nil	50