



**FINAL EXAMINATION**  
**NOVEMBER 2023**

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| <b>COURSE TITLE</b>  | <b>TAXATION 1</b>                                    |
| <b>COURSE CODE</b>   | <b>ATAX2113</b>                                      |
| <b>DATE/DAY</b>      | <b>24 FEBRUARY 2024 / SATURDAY</b>                   |
| <b>TIME/DURATION</b> | <b>09:00 AM - 12:00 PM / 03 Hour(s) 00 Minute(s)</b> |

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1. Please read the instruction under each section carefully.
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(This Question Paper consists of 9 Printed Pages including front page)

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This question paper consists of FOUR (4) questions. Answer ALL questions in the answer booklet given.

[70 MARKS]

**QUESTION 1**

**(30 marks)**

Haruto is a Japanese who serves at Meiji Ltd in Japan. He has been seconded to the Malaysian subsidiary to act as a managing director under a 3-year contract effective from February 2022. He came to Selangor, Malaysia together with his wife, Hana, and two out of their three children – Kaito and Aya. Kaito aged 16, is a disabled child and Aya aged 14, is their adopted child. Their eldest child, Kenji aged 22, was studying in Japan.

Details of Haruto's employment income and benefits received from the employer for the year ended 31 December 2022 are as shown below:

- A monthly gross salary of RM 35,000.
- Bonus of RM35,000 for his service in the Malaysian subsidiary. However, this amount is paid out by the holding company, Meiji Ltd in Japan instead of the Malaysian subsidiary.
- Travelling allowance of RM300 per month.
- Meal allowance totaling RM450 (RM90 per day for 5 days) when Haruto travelled outstation to meet up with a client located in Sarawak.
- Dental benefit of RM100 per year.
- Medical benefits under his company's group insurance scheme. He claimed reimbursement of medical costs amounted to RM4,900 from this scheme. The details of the bill showed that the amount was related to his wife and his children.
- Entertainment allowance of RM1,000 per month. It was established that 85% of the entertainment allowance was for official purposes.
- Haruto's employer paid the schooling fees for his second and third child. The second child, Kaito, aged 16 (disabled), studied in a special school for handicapped students in Malaysia. The school fees per year amounted to RM20,000. The youngest adopted child, Aya, aged 14, was sent to a Japanese international school in Malaysia. The annual school fees amounted to RM13,000. Kenji, their eldest child, is a student at the University of Tokyo in Japan, received a scholarship for his studies.
- A fully-furnished condominium was provided since February 2022. The employer paid a monthly rental of RM1,600 for the accommodation (inclusive of furniture costing RM480 per month).
- In 2022, the employer paid RM5,000 for the services of a part-time domestic maid.
- Investment income received by Haruto in Malaysia for the year ended 31 December 2022 is as follows:

| Details  | RM      |
|--|---------|
| Dividends income from resident companies listed with Bursa Malaysia      | 80,000  |
| Interest from bonds and bank interest from overseas remitted to Malaysia | 8000    |
| Gains from the disposal of quoted Malaysian shares                       | 500,000 |

Before moving to Malaysia, Haruto owned an apartment in Japan and a double storey house in Malaysia. These properties were rented out in year 2022. The information regarding the rented properties is as follows:

| <b>1) Double storey house in Malaysia</b>           | <b>RM</b> |
|---|-----------|
| Rental income received (January 2022-December 2022) | 27,600    |
| Deposit (non-refundable)                            | 4,600     |
| Deposit for utilities (refundable)                  | 1,850     |
| <b>Expenses (January 2022-December 2022):</b>       |           |
| Quit rent and assessment                            | 550       |
| Interest on house loan                              | 4,500     |
| Repair and maintenance                              | 3,000     |
| Rental collection expense                           | 1,150     |
| Security services                                   | 2,400     |
| Kitchen renovation                                  | 5,000     |
| Repair of damaged tiles                             | 3,000     |
| Pest control  | 1,200     |
| Fire and flood insurance premium                    | 900       |

| <b>2) Apartment in Japan</b>                        | <b>RM</b> |
|---|-----------|
| Rental income received (January 2022-December 2022) | 200,000   |
| <b>Expenses (January 2022-December 2022):</b>       |           |
| Replacement of damaged tiles                        | 35,000    |
| Repainting  | 25,000    |

Other information relating to Haruto in year 2022 is as follows:

- He contributed 11% of his gross salary to Employees' Provident Fund.
- He paid RM4,800 and RM5,000 respectively for his own life and medical insurance policy taken in Japan since year 2019.
- His parents are currently staying in Japan. His father is a cancer patient. He spent RM100,000 on the medical bills for his parents.
- He brought his family to Cameron Highlands for a holiday in December 2022. He spent RM2,300 on accommodation at a hotel registered with the Commissioner of Tourism under the Tourism Industry Act 1992.
- He purchased a new Samsung phone worth RM3,000 for himself. Besides, he also bought a new laptop costing RM3,000 for his wife.
- Hana is a full-time housewife and received rental income amounting to RM30,000 from Japan in 2022.
- He spent RM3,000 to purchase a gold necklace for his wife for during her birthday.
- He incurred RM2,000 for complete medical examination for himself and his wife.
- He contributed RM3,000 to an approved private retirement scheme.

- He spent RM1,100 to purchase sports equipment listed under the Sports Development Act 1997.
- He incurred tuition fees of RM20,000 for his master degree in University of Malaya.
- He donated goods worth RM3,000 and cash amounting to RM5,000 to approved charities.

Haruto, Hana, Kaito and Aya were Malaysian residents for tax purposes in 2022.

**Required:**

Compute the tax payable of Haruto for the year of assessment 2022 under separate assessment. Would your answer be different if he opted for joint assessment. Assume that he is a tax resident of Malaysia.

**Note:**

All items stated in the question are to be included in the computation. Where the item is not taxable or deductible, indicate 'nil' or "exempt" where appropriate in the computation.

**QUESTION 2**

**(15 marks)**

**Scenario A**

Eidin owned a seafood restaurant in Petaling Jaya. He recruited two seafood experts, Chef Amir and Chef Fahmi, and ten kitchen assistants. He paid each of them a monthly fixed salary and allowance. He also verbally agreed that he will share 40% of the restaurant's net profit with Chef Amir and Chef Fahmi equally. This verbal understanding has been honoured by Eidin for the past five years even though there is no formal written agreement.

**Required:**

Explain whether a partnership is deemed to exist between Eidin, Amir and Fahmi in the above scenario for tax purposes. (3 marks)

**Scenario B**

Kuna and Luna, both Malaysian residents, are partners of K & L law firm. The accounts of the partnership are made up to 31 December every year. Given below are some of the terms of the partnership agreement:

- Interest of 5% per annum to be paid to Kuna and Luna on their capital contribution of RM400,000 each.
- Kuna and Luna are to be paid salaries of RM10,000 and RM7,000 per month respectively.
- Kuna and Luna are to share profit equally.

**Other information:**

- Capital allowance of the partnership for 2023 is RM40,000
- Divisible income of partnership for year of assessment 2023 is RM50,000
- Kuna provided the following information for year of assessment 2023:

- i. Kuna claimed full amount of lifestyle relief.
- ii. Kuna paid RM4,000 and RM5,300 for her children's medical and education insurance premium respectively.
- iii. Kuna is a resident of Malaysia for the YA 2023.

**Required:**

- a) Show computation of the statutory income for Kuna and Luna. (8 marks)
- b) Compute tax liability of Kuna for year of assessment 2023. (4 marks)

**QUESTION 3**

**(15 marks)**

**Scenario A**

KX Sdn Bhd (KX), Malaysian tax resident manufacturing company acquired a plot of land for investment purposes in the heart of Kuala Lumpur, Malaysia, for RM3 million about ten years ago. Since then, KX has rented out the land and derived rental income. In June 2020, the company decided to apply for a permit from the local authorities to convert the land title to a commercial status, which was approved in December 2020. KX received an offer in June 2023 and disposed of the land for RM23 million. Yew would like to know whether the gain is subject to income tax. KX has never entered into any similar property transactions before.

**Required:**

Explain whether the gain on disposal of the land by KX Sdn Bhd is likely to be subject to income tax. (6 marks)

**Scenario B**

- (a) Emili is a sole proprietor who sells fragrance rice at Kota Laksamana, Melaka. Her actual tax liability for YA 2021 amounted to RM17,828, while the total tax instalments paid amounted to RM9,000. Calculate the penalty (if any). (3 marks)
- (b) Max is a Thai national and found a job as an engineer in BP Bhd in Malaysia in 2020. He arrived in Malaysia on 15 January 2021 and commenced his employment on 1 February 2021. Due to personal reason, he has decided not to continue with his employment and left Malaysia permanently on 31 December 2023.

**Required:**

- (i) Based on the scenario above, advise Max as to when he needs to notify the Inland Revenue Board (IRB) that he will be chargeable to tax. (2 marks)
- (ii) Determine as to when BP Bhd needs to notify the IRB that Max will be chargeable to tax. (2 marks)
- (iii) In relation to Max's cessation of employment, state any **TWO (2)** responsibilities of BP Bhd (the employer) under the ITA 1967. (2 marks)

**QUESTION 4**

**(10 marks)**

- a) List down the criteria for claiming capital allowance. (2 marks)
- b) CC Sdn Bhd is an engineering company with a financial year end of 31 December. Assets that were brought forward from the year of assessment 2022 are as follows:

|                 | Cost (RM) | Residual expenditure brought forward (RM) |
|-----------------|-----------|---|
| Heavy machinery | 120,000   | 48,000                                    |
| Furniture       | 23,000    | 16,100                                    |

The furniture above (which was purchased more than two years ago), was disposed of on 17 July 2023 for RM23,700.

In the year 2023, CC Sdn Bhd purchased additional assets for the business as listed below:

1. A new passenger car was purchased in July 2023 for RM168,000 for business purpose during the financial year ended 31 December 2023.
2. A computer was acquired in August 2023 for RM8,000. However, it was found to be unsuitable and was disposed of on 16 September 2023 for RM5,500.

**Required:**

- (i) Calculate the initial allowance and capital allowance for all business assets for the year of assessment 2023 and state the residual expenditure of each asset at the end of the year of assessment 2023. (5 marks)
- (ii) Calculate the balancing allowance or balancing charge in respect to the assets disposed of in the year 2023. (3 marks)

**\*\*\* END OF QUESTION PAPER \*\*\***

## APPENDIX

### TAX RATES AND ALLOWANCES

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

#### Income tax rates

##### Resident individuals

| Chargeable income   | RM                      | Rate<br>% | Cumulative tax<br>RM |
|---------------------|-------------------------|-----------|----------------------|
| First 5,000         | (0 – 5,000)             | 0         | 0                    |
| Next 15,000         | (5,001 – 20,000)        | 1         | 150                  |
| Next 15,000         | (20,001 – 35,000)       | 3         | 600                  |
| Next 15,000         | (35,001 – 50,000)       | 8         | 1,800                |
| Next 20,000         | (50,001 – 70,000)       | 13        | 4,400                |
| Next 30,000         | (70,001 – 100,000)      | 21        | 10,700               |
| Next 150,000        | (100,001 – 250,000)     | 24        | 46,700               |
| Next 150,000        | (250,001 – 400,000)     | 24.5      | 83,450               |
| Next 200,000        | (400,001 – 600,000)     | 25        | 133,450              |
| Next 400,000        | (600,001 – 1,000,000)   | 26        | 237,450              |
| Next 400,000        | (1,000,001 – 2,000,000) | 28        | 517,450              |
| Exceeding 2,000,000 |                         | 30        |                      |

##### Non-resident Individual

30%

#### Personal reliefs and allowances

|  | RM     |
|--|--------|
| Self   | 9,000  |
| Disabled self, additional  | 6,000  |
| Medical expenses expended on parents (maximum)   | 8,000  |
| Medical expenses expended on self, spouse or child with serious disease/fertility treatment, including up to RM1,000 for medical examination, Covid19 test, mental health exam (maximum) | 10,000 |
| Expenses for child aged 18 and below:  |        |
| i. Assessment of intellectual disability diagnosis   |        |
| ii. Early intervention programme / intellectual disability rehabilitation treatment  | 4,000  |
| Basic supporting equipment for disabled self, spouse, child or parent (maximum)  | 6,000  |
| Self-Study education fees for skills or qualifications (maximum)   | 7,000  |
| Spouse (including alimony pymt)  | 4,000  |
| Disabled spouse, additional  | 5,000  |
| Child – basic rate (each)  | 2,000  |
| Child – higher rate (each)   | 8,000  |
| Disabled child (each)  | 6,000  |
| Disabled child, additional (each)  | 8,000  |
| Childcare fees (below 6 years old) (each, maximum)   | 3,000  |
| Breastfeeding equipment (maximum)(once every 2 yrs)  | 1,000  |

|   |       |
|---|-------|
| Life insurance premiums on self/spouse (maximum)                                | 3,000 |
| Contributions to approved funds (EPF) (maximum)                                 | 4,000 |
| Life insurance (public service) (maximum)                                       | 7,000 |
| Private retirement scheme contributions, deferred annuity premiums (maximum)    | 3,000 |
| Medical and/or education insurance premiums for self, spouse or child (maximum) | 3,000 |
| Deposit for a child into the SSPN/National Education Savings Scheme (maximum)   | 8,000 |
| Contribution to Social Security Organisation (SOCSO)/EIS (maximum)              | 350   |
| Lifestyle allowance (maximum)   | 2,500 |
| Lifestyle allowance -Additional relief  | 500   |
| Expenses on Electric Charging (EV)Facilities                                    | 2,500 |

**Rebates**

Chargeable income not exceeding RM35,000

|   |            |
|---|------------|
|   | <b>RM</b>  |
| Individual  | 400        |
| Individual who has been given a deduction in respect of a spouse or former wife | 800        |
| Zakat, Fitrah or other Islamic religious dues paid                              | Actual amt |

**Value of benefits in kind**

| Car scale<br>Cost of car<br>(when new)<br>RM | Prescribed annual value of<br>private usage of car<br>RM | Prescribed annual value of<br>private petrol<br>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 500,000                           | 21,250   | 2,700  |
| 500,001 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**

|  | RM per month |
|--|--------------|
| Household furnishings, apparatus and appliances  |              |
| Semi-furnished with furniture in the lounge, dining room, or bedroom                     | 70           |
| Semi-furnished with furniture as above plus air-conditioners and/or curtains and carpets | 140          |
| Fully furnished premises   | 280          |
| Domestic help  | 400          |
| Gardener   | 300          |

**Capital allowances**

|  | Initial allowance (IA)<br>Rate % | Annual allowance (AA)<br>Rate % |
|--|----------------------------------|---------------------------------|
| Plant and machinery – general                | 20                               | 14                              |
| Motor vehicles and heavy machinery           | 20                               | 20                              |
| Office equipment, furniture and fittings     | 20                               | 10                              |
| ICT equipment and computer software packages | 20                               | 20                              |

  
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