



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

---

<b>COURSE TITLE</b>	<b>TAXATION 2</b>
<b>COURSE CODE</b>	<b>ATAX3113</b>
<b>DATE/DAY</b>	<b>17 FEBRUARY 2024 / SATURDAY</b>
<b>TIME/DURATION</b>	<b>09:00 AM - 12:00 PM / 03 Hour(s) 00 Minute(s)</b>

---

**INSTRUCTIONS TO CANDIDATES :**

1. Please read the instruction under each section carefully.
2. Candidates are reminded not to bring into examination hall/room any form of written materials or electronic gadget except for stationery that is permitted by the Invigilator.
3. Students who are caught breaching the Examination Rules and Regulation will be charged with an academic dishonesty and if found guilty of the offence, the maximum penalty is expulsion from the University.

(This Question Paper consists of 8 Printed Pages including front page)

**\*\*\*DO NOT OPEN THE QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO\*\*\***

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

[80 MARKS]

**QUESTION 1**

**(15 Marks)**

Guna, a Malaysian citizen, and his wife Jasvinder, a Singaporean citizen, transacted as follows with regard to their family home in Ranau, Malaysia:

Date	Details of transaction
23 June 2015	Guna acquired a house in Ranau, Malaysia for RM600,000 and paid stamp duty of RM12,000 and legal fees of RM18,000 in respect of the acquisition.
7 May 2018	Guna gifted the house to Jasvinder. The market value of the property on this date was RM809,000. Jasvinder and Guna occupied the premises as their residential house.
10 September 2019	Jasvinder extended the house at a cost of RM180,000. In order to finance the extension, she obtained a loan from the bank, and she paid legal fees of RM4,000 for the loan agreement.
5 March 2021	Jasvinder received an offer from Liew to acquire the house and received a deposit of RM20,000. Liew decided not to pursue the acquisition and the deposit was forfeited.
3 January 2023	Jasvinder signed an agreement to dispose of the house for RM2,100,000 to Nadira, a Malaysian citizen. Jasvinder paid real estate broker fees of RM31,000.

Jasvinder has an allowable loss of RM51,000 from a previous disposal of a commercial building.

**Required:**

- a) Explain the real property gains tax treatment of the gift of the house by Guna to Jasvinder on 7 May 2018. (3 marks)
- b) Calculate the real property gains tax payable by Jasvinder on the disposal of the house to Nadira on 3 January 2023. (8 marks)

Note: You should list all items referred to in the question, indicating by the use of NIL (0) any item which does not impact the calculation.

- c) Discuss the duties of disposer and acquirer under the Real Property Gain Tax Act 1976. (4 marks)

**QUESTION 2**

**(25 Marks)**

- a) Modal Sdn Bhd (MSB), a newly formed Malaysian tax resident company, closes its accounts annually on 31 December. MSB acquired a piece of land to construct a factory building for the manufacture of refrigeration products. Relevant details are provided below:

Date	Details
18 February 2020	Date of incorporation
26 May 2020	Land acquired
11 August 2020	Agreement signed for construction of factory building
24 October 2021	Construction of factory building was completed and ready for use
1 December 2021	First batch of raw materials received
12 January 2022	First sale of products

**Required:**

Explain when Modal Sdn Bhd will be regarded as having commenced trading. Give reasons for your answer.

(3 marks)

- b) Onlyone Berhad, a Malaysian tax resident company, venturing in the manufacturing of household products with RM3 million paid up capital. For the year ended 31 March 2023. The Statement P/L of the company is presented as follows:

	Note	RM	RM
Sales			1,750,000
Less: cost of sales	1		(700,000)
Gross Profit			1,050,000
Less: operating expenses			
Remuneration	2	113,800	
Research & development	3	81,000	
Professional expenses	4	27,500	
Repair & maintenance	5	17,600	
Bad & doubtful debts	6	25,000	
Leasing	7	6,000	
Donation	8	181,000	
Depreciation		15,000	
Business Zakat		35,000	(501,900)
			548,100
Add: Other income	9		183,000
Foreign exchange gain			32,500
Profit before taxation			<u>763,600</u>

**Notes:**

1. Cost of sales includes:

- Insurance of RM50,000 paid to Tawania, Taiwan largest insurance company, to purchase parts & components from China
- RM22,500, unrealized foreign exchange loss on the purchase of parts & components from China
- Provision for stock obsolescence of RM25,000
- Stock obsolete of RM10,000
- Promotional gift with company logo of RM15,000

2. During the year, the remuneration paid were as follow:

- Salaries RM60,000
- Overtime payment RM15,000
- EPF contribution by the employer RM23,800

Two (2) disabled employees are employed by the company. The amount of monthly salaries received by both of the disabled employees is RM1,750 for each person.

3. Research & development comprise:

	<b>RM</b>
• Approved training expenses	55,000
• Routine product testing	26,000

4. Legal & professional expenses:

	<b>RM</b>
• Legal fees for obtaining a new loan facility	1,500
• Stamp duty for increased share capital	16,000
• Compensation to competitors	25,000
• Cost of annual report	10,000

5. Repair & maintenance

	<b>RM</b>
• Cost of one new desktop computer	4,000
• Maintenance of building & storage	14,000

6. Bad & doubtful debts:

	<b>RM</b>
• General provision	1,600
• Specific provision b/f	(5,175)
• Specific provision c/f	(7,760)
• Bad debt written off – ex Sales Executive	5,000
• Bad debt recovered – trade debtors	6,500

7. A car which was not licensed for commercial transportation was leased at a monthly rate of RM 1,500 since 1 April 2019. The cost of the car was RM80,000.

8. Donation includes sum of RM16,000 for 2 sets of air purifier contributed to Rumah Lambaian Kasih (approved under S.44), and a total of RM15,000 of cash contribution to a Public Library in Shah Alam (elected under S.44)

9. Other incomes comprises

- RM15,000, compensation received from CusMe Supplies Sdn Bhd due to its failure to perform a trading contract.
- RM18,000 Gain from disposal of old machines.
- Fixed deposit interest of RM100,000 from Comell Lotte Bank in Thailand -remitted.
- A sum of RM50,000 received from Kepong Distributors Sdn Bhd, under a restrictive covenant, for an agreement not to distribute household products in Sabah & Sarawak.

10. The capital allowance was computed at RM20,000 for the current year while business loss brought forward from previous year was RM10,000.

**Required:**

Compute the income tax payable for Oneonly Berhad for the year of assessment 2023. Every item in the notes to the statement must be shown in your computation. Write 'NIL' where no adjustment is necessary. (22 marks)

**QUESTION 3**

**(22 Marks)**

**Scenario A**

Aneen & Ajeem Sdn Bhd (AA) is a company that provides engineering / professional consulting services as its main activity. The annual income for the service is RM 400,000. AA company also provides training services for customers upon request. The annual income for training services is RM250,000.

**Required:**

Is AA reached the threshold of RM500,000 under group G, First Schedule Sales Tax Regulation 2018? Explain why. (2 marks)

**Scenario B**

Mr. Faizal opened a restaurant after he retired. The restaurant provides variety of pizzas and is named Fave Pizza Restaurant. It starts operating on 2 July 2022. After 3 months of operations on 5 October 2022, the sales value of the restaurant has exceeded RM 1.5 million. Therefore, Fave Pizza Restaurant has been liable to be registered under STA 2018.

**Required:**

- a) What is the date that he is liable to register his F&B business for service tax? (1 mark)
- b) When is the last day he must apply for service tax registration? (1 mark)

### **Scenario C**

Min Enterprise imported tobacco from Indonesia and the value of goods for the purpose of custom duty is RM43,000. The assumed rate of import duty is 30%, excise duty is 10% and sales tax rate is 10%.

#### **Required:**

Calculate the amount of sales tax payable by Min Enterprise on the imported goods.

(4 marks)

### **Scenario D**

Explain briefly whether service tax apply for the following cases:

- a) Joe Fly Sdn. Bhd. has secured a contract to provide air passenger transport services from Langkawi island to Kuala Lumpur. Is this service subject to service tax?
- b) Kemas Bersih Enterprise (KBE) is a laundry shop operating in Labuan island. KBE got a contract to wash linen and towels at Hotel Corsett Labuan. Is laundry services by KBE to Hotel Corsett Labuan subject to service tax?
- c) Coiler Tech Sdn. Bhd. (CTSB) headquartered in Langkawi Island has signed an air conditioning maintenance management contract with Kuala Kedah Jetty Operating Company, Kedah. Is CTSB services subject to service tax?
- d) Forrelle Fruits Sdn. Bhd. (FFSB) is a company established in Cameron Highland, Pahang and has expertise in fruit cultivation skills. FFSB has conducted a seminar in Labuan on the types of fertilizers suitable for crops to farmers in Sabah for a certain fee. Is training services provided by the FFSB subject to service tax?
- e) Sutabakkusu Manpower Enterprise (SME) is a company registered and operating in the Port Klang Free Trade Zone, Selangor. SME supplies employees to Moshi Coffee Sdn. Bhd. (MCSB) which is a premise with the status of a Licensed Manufacturing Warehouse. Is SME services to MCSB taxable for service tax?
- f) A company in Johor Bahru, Johor provides accounting services to a company located in the Stulang Laut Free Zone, Johor. Accounting services are performed in Johor Bahru, Johor. Is this service subject to service tax?
- g) A company in the Bukit Kayu Hitam Free Zone, Kedah provides consulting services to a company located in Changlun, Kedah. Consulting services are performed in Bukit Kayu Hitam, Kedah. Is this service subject to service tax?

(14 marks)

**QUESTION 4**

**(18 Marks)**

- a) Raina Footwear Sdn Bhd (RFSB) is a company located in Johore and it manufactures footwear. RFSB is planning to expand its production lines to meet the extensive demand for its footwear in Malaysia. RFSB's budgeted profits and capital expenditure in 2021 and 2022 are shown below:

	2021 (RM'000)	2022 (RM'000)
Adjusted income/(loss)	1,980	7,200
Capital allowances	560	1,200
Rental Income (net)	65	58
Approved donations	15	10
Projected capital expenditure:		
Land in Segamat	2,000	Nil
Factory	3,000	1,500
Plant and machinery	1,200	400

RFSB is entitled to 60 percent of the qualifying expenditure to be offset against 70 percent of the company's statutory income.

**Required:**

Calculate the reinvestment allowance claim and compute the chargeable income of RFSB incorporating reinvestment allowance for years of assessment 2021 and 2022.

**(14 marks)**

- b) XX Sdn Bhd, which had been preparing its accounts to year end 31 December, changed its accounting year to 30 September as follows:

Accounting year
1.1.2021 to 31.12.2021
1.1.2022 to 30.09.2022
1.1.2023 to 30.09.2023

**Required:**

Determine the basis periods of XX Sdn Bhd for the years of assessment 2021 until 2023.

**(4 marks)**

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

**APPENDIX:**

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

**Income tax rates**

**Resident company**

	First RM150,000	Next RM150,001- 600,000	Excess over RM600,000
Paid up ordinary share capital < RM2.5m and gross business income <RM50m	15%	17%	24%
Company other than above category	24%	24%	24%

**Non-resident**

Company	24%
---------	-----

**Capital allowances**

	Initial allowance (IA) Rate %	Annual allowance (AA) 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

**Sales tax**

10%

**Service tax**

6%

**Real property gains tax**

Category of disposal	Companies	Individuals (Noncitizens & Non PR) persons	All other persons
	Rate %	Rate %	Rate %
Disposal within three years after the date of acquisition	30	30	30
Disposal in the fourth year after the date of acquisition	20	30	20
Disposal in the fifth year after the date of acquisition	15	30	15
Disposal in the sixth year after the date of acquisition or thereafter	10	10	0