



FINAL EXAMINATION
MARCH 2024

COURSE TITLE	TAXATION
COURSE CODE	ATAX1123
DATE/DAY	26 JUNE 2024 / WEDNESDAY
TIME/DURATION	09:00 AM - 12:00 PM / 03 Hour(s) 00 Minute(s)

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 provided. [80 MARKS]

QUESTION 1

(20 Marks)

On 1 July 2023, Aswan Sulaiman (M) Sdn Bhd received a notice of additional assessment dated 25 June 2023 for the year of assessment 2021. The notice of additional assessment stated an additional tax payable of RM68,000. The company found that the assessment was excessive due to the non-deduction of advertising expenses.

Required:

- i. Determine the latest date for the company to raise an objection to the tax authorities. (2 marks)
- ii. Explain the ways in which the appeal may be disposed of prior to its being transmitted to the Special Commissioner of Income Tax. (8 marks)
- iii. Assume that the company submitted the appeal on 14 July 2023. However, the Director General has failed to respond although a period of five months has elapsed. Advise the company on the appropriate course of action to be taken so that the appeal process will proceed. (5 marks)
- iv. Discuss the onus of proof of the tax appeal. (5 marks)

QUESTION 2

(20 Marks)

Osman is employed as a senior manager in the marketing department of Nice Outfit Sdn Bhd. His income for the year ended 31st December 2023 is expected to be as follows:

	RM
Salary	174,000
Travelling Allowance	18,000

The company paid the following payments and provided him with the following benefits. The benefits are for the whole year, unless stated otherwise.

- a) Reimbursement of salary of the driver employed by Osman, amounting to RM11,400 for the first 8 months. The remaining 4 months, the driver was employed by the company at a salary of RM800 per month.
- b) A gardener and a domestic servant were employed by the company at a salary of RM500 and RM700 respectively for the whole year.
- c) Osman was also provided with a new company car costing RM165,000 for his own use. Petrol was provided by the company for the whole year.
- d) Leave Passage to Europe taken by Osman and his wife in August 2023, at a cost of RM4,600.

- e) Furnished living accommodation provided to Osman from 1st July to 31st December 2023, at a cost of RM8,000 per month. Furnishings amounting to RM1,000 was included in the rental of R8,000.
- f) Osman claimed travelling expenses incurred on visiting company clients, amounting to RM19,000.

Required

Compute the Statutory income from employment of Osman for the year of assessment 2023.

(Use the prescribed value method for the benefits provided by the company.)

QUESTION 3

(20 Marks)

- a) Explain the tax treatment of deductible revenue expenses and qualifying capital expenditure. (5 marks)
- b) State the conditions that must be satisfied to qualify for capital allowances. (5 marks)
- c) Kuala Sdn Bhd (KSB), a resident company, manufactures and sells car speakers. KSB closes its accounts annually on 31 July. During its financial year ended 31 July 2023, the company acquired the following assets:
 - i) On 22 January 2023, KSB incurred RM 120,000 to acquire a machine for its manufacturing operations. A further RM10,000 was incurred in respect of site preparation and cutting and levelling of land to install the machine. The machine was first put into use in the business on 11 February 2023.

Required:

Briefly explain the tax treatment with respect to the site preparation cost of RM10,000 for capital allowance purposes, and compute the capital allowances for the above machine for the year of assessment 2023. Assume the annual allowance for the machine is 14%. (5 marks)

- ii) A machine was purchased by KSB for RM60,000 on 1 January 2022 (the previous financial year), for business use. The machine was disposed of on 15 April 2023 for RM50,000 because the machine was not able to accommodate the growing production.

Required:

Compute the balancing charge for the above asset for the year of assessment 2023. Assume the annual allowance for the machine is 14%. (5 marks)

QUESTION 4

(20 MARKS)

- a) Explain with examples, what is meant by “basis year” and ‘basis period” for a year of assessment. (5 marks)
- b) Jengka Sdn Bhd (‘the company’) was incorporated on 18 May 2019 and commenced the business of manufacturing various cleaning fluids. It closes its accounts to 30 June each year.

In July 2021 the company decided to change its accounting date to 28 February 2023. On 1 March 2023, the Board of Director of the company once again passed the resolution to change the company’s year end from 28 February to 31 December.

The accounting periods and adjusted income (loss) for the relevant years are as follows:

Accounting period	Adjusted Income (RM)
18.05.2019 – 30.06.2020	10,000
01.07.2020 – 30.06.2021	45,000
01.07.2021 – 28.02.2023	68,500
01.03.2023 – 28.02.2023	80,000
01.03.2023 – 31.12.2023	120,000
01.01.2024 – 31.12.2024	200,000
01.01.2025 – 31.12.2025	250,000

Required:

Determine the basis periods and the adjusted income/(loss) for each relevant years of assessment. (Round up to the nearest ringgit). (15 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

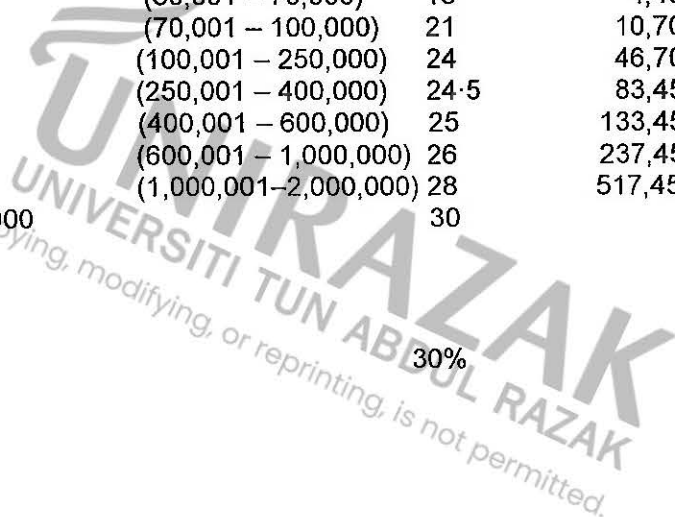
Resident individuals

Chargeable income	Rate		Cumulative tax
	RM	%	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 (maximum)	8,000
Parental care (each)	1,500
Basic supporting equipment for disabled self, spouse, child or parent (maximum)	6,000
Self-Study course 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
Vaccination cost for personal self, spouse and children(max)	1,000
Lifestyle allowance (maximum)	2,500
Electric Charging Facilities	2,500
Sports Equipment	500

*Additional Lifestyle allowance— Purchase of personal computer, smartphone or tablet for self, spouse or child and not for business use (Additional deduction for purchase made within the period of 1st June 2020 to 31st December 2022) (maximum) 2,500

**Payment for accommodation at domestic premises registered with the Commissioner of Tourism and entrance fee to a tourist attraction (Accommodation expenses at premises registered with the Ministry of Tourism, Arts and Culture Malaysia and entrance fees to tourists attractions incurred on or after 1st March 2020) (maximum) 1,000

Rebates

Chargeable income not exceeding RM35,000

RM

Individual

400

Individual who has been given a deduction in respect of a spouse or former wife 800

Value of benefits in kind

Car 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 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)	Annual allowance (AA)
	Rate %	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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