



FINAL EXAMINATION
MARCH 2024

COURSE TITLE	TAXATION FOR SPECIALISED INDUSTRIES
COURSE CODE	ATAX3523
DATE/DAY	22 JUNE 2024 / SATURDAY
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 9 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)

- i. Explain the concept of mutuality in the context of clubs, societies and co-operative societies and its implication for income tax under the Income Tax Act 1967 (as amended). (3 marks)
- ii. How would you determine the resident status of a Trade Association for the purposes of the Income Tax Act 1967 (as amended)? (2 marks)
- iii. Malaysian Brew Coffee Association [MBCA] was registered under the Society Act of 1966 in 2014. Its main objective was to promote and safeguard the business of its members who are mainly operators of coffee bars serving coffee-based drinks and bites. MBCA conducted seminars and workshops to train, educate and update members on matters pertaining to their trade. A reasonable fee was charged to the participating member. MBCA was entitled to a capital allowance of RM2,000 on common assets used in the carrying out its activities for the year of assessment 2023.

It closes the accounts on 31 December each year. For the year ended 31 December 2023, MBCA produced the following accounts:

**The Malaysian Brew Coffee Association
Accounts for the year ended 31 December 2023**

Income		RM
Memberships' subscription fees		220,000
Seminar and workshop fees		80,000
Dividend (Malaysian single tier)		25,000
Fixed deposit interest from a local bank		5,000
Total income		330,000
Less: Expenses		
Salary and wages	95,000	
Rental of seminar hall	6,000	
Speaker fees	15,000	
Employee's Provident Fund	12,000	
Stationery and postage	7,000	
Utility expenses	8,000	
Cash donation (approved)	5,000	
Assessment and quit rent	3,000	
Surplus of income over expenditure		151,000

Required:

Compute the chargeable income of Malaysian Brew Coffee Association for the year of assessment 2023. You must show all workings. (15 marks)

QUESTION 2

(20 marks)

FA Investment Sdn Bhd ("FA")'s principal activity is holding of investments. FA's income statement for the financial year ended 31 December 2023 is as follows:

Gross Income	RM	RM
Rental (Note 1)	60,000	
Interest (exempt)	126,000	
Dividend (exempt)	150,000	
Distribution of income from unit trust	30,000	
Management services fees	12,000	
Gain on impairment of investment	40,000	418,000
Expenses		
Audit fees	15,000	
Salaries and allowances	4,800	
Secretarial fees	2,400	
Professional fees (Note 2)	6,600	
Quit rent and assessment (rented out property)	5,000	
Repair and maintenance (Note 3)	8,000	
Printing and stationery	1,000	
Travelling expenses	3,500	89,500
Net profit before tax		328,500

The capital allowances for the sources of income for the year of assessment 2023 is RM20,000. Common expenses and capital allowances will be apportioned based on gross income from each source.

Note 1

FA provides maintenance and support services comprehensively and actively to its tenant for the derivation rental income.

Note 2

Professional fee	RM
Accounting fee	3,600
Legal fee for purchase property	3,000
	6,600

Note 3

Repair and maintenance	RM
Repair of office equipment	2,500
Maintenance of rented out property	5,500
	8,000

Required:

- i. Determine whether FA is an investment holding company under Section 60F of the ITA. (2 marks)
- ii. Calculate the amount of permitted expenses which is determined in accordance with the prescribed formula under Section 60F (1) of the ITA. (8 marks)
- iii. Assuming that FA is now an investment holding company listed on Bursa Malaysia and subject to income tax provision under Section 60FA of the ITA. Calculate the chargeable income for FA for the year of assessment 2023. (10 marks)

QUESTION 3

(20 Marks)

- A. With reference to the Income Tax Act, 1967, explain briefly the special treatment that was accorded to a Real Estate Investment Trust [REIT] in respect of the followings:
 - i. The deductibility of expenses incurred by a REIT; (2 marks)
 - ii. The deductibility of capital allowance on assets used for the purposes of its business; (2 marks)
 - iii. The treatment for donations by way of gift of money made by a REIT; (2 marks)
 - iv. The threshold and condition for exemption on its total income; and (1 mark)
 - v. Assuming the REIT qualifies for exemption on its total income, explain the tax treatment accorded to a unit holder which is a Malaysian resident company to whom a distribution was made. (3 marks)
- B. AMI Investment Fund (AMIIF) is a real estate investment trust approved by the Securities Commission and invests mostly in real properties and partly in securities. The accounts are made to 31 December and the results for the year ended 31 12.2023 are as follows:

Income	RM	RM
Rental income (gross)	720,000	
Dividend income (single tier)	54,000	
Debenture interest (not exempt)	8,000	
Gains from sales of securities	40,000	<u>826,000</u>
 Expenses		
Rates of assessment	27,000	
Repairs and maintenance on let property	49,000	
Interest expenses on loans:		
i. Shares	12,000	
ii. Real property	<u>65,000</u>	<u>77,000</u>
Depreciation	16,000	
Management fees on let property	14,400	
Insurance premiums on let property	12,000	
Salaries and wages	92,000	

Entertainment of clients	12,000	
Management remuneration	96,000	
Advertising and promotion	60,000	
Secretarial fees	5,000	
Maintenance of register of shareholders	4,000	
Audit and accounting	10,000	
Tax compliance fees	2,000	
Donation to charity (approved)	10,000	
Telephone, printing, stationery, and postage	11,000	497,400
Net profit		<u>328,600</u>

The capital allowance of the REIT is RM38,000. The dividend distributed by the REIT amounted to RM210,000.

Required:

Compute the chargeable income and income tax payable by AMI Investment Fund for the year of assessment 2023. (Assume corporate tax rate is 24%). (10 marks)


UNIRAZAK
UNIVERSITI TUN ABDUL RAZAK
Copying, modifying, or reprinting, is not permitted.

QUESTION 4

(20 Marks)

Mr Ridz died in June 2020. A trust, resident in Malaysia, was created under the terms of his will. The income of a resident trust body for the basis year 2023 is as follows:

Income from Malaysia	RM
Business	120,000
Rent	80,000
Dividend (single tier)	93,600
Interest	5,000
Income from outside Malaysia:	
Remitted to Malaysia	75,000
Not remitted to Malaysia	25,000

The trust deed provides the following payments out of the income of the trust:

- i. Trustee's fees of RM12,000 per annum.
- ii. Annuity of RM10,650 to Madam Sally (the widow of the deceased).
- iii. The trust income is to be distributed equally between Sally and Randy (the deceased only child).
- iv. The trust is to pay a yearly donation of RM15,000 to Orphanage Home (approved).

Madam Sally is a Malaysian resident and not working. She lives with her son, Randy (a Malaysian resident) in a house which was bequeathed to her.

Required:

Compute the income tax payable of the following persons for the year of assessment 2023:

- a) The trust body, if Section 61(2) of the ITA 1967 is not to be applied. (5 marks)
- b) Madam Sally (5 marks)
- c) Randy (10 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 (SOCSSO)/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.