



FINAL EXAMINATION
MARCH 2024

COURSE TITLE	SALES TAX AND SERVICE TAX
COURSE CODE	ATAX4213
DATE/DAY	22 JUNE 2024 / SATURDAY
TIME/DURATION	01:00 PM - 04:00 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 6 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.

[80 MARKS]

QUESTION 1

(22 Marks)

- a) Explain **THREE (3)** main differences between the principles of sales tax implemented in Malaysia, and the typical goods and services tax (GST) or value-added tax (VAT) systems adopted in other countries. (6 marks)
- b) Explain **THREE (3)** main differences between the principles of service tax implemented in Malaysia, and the typical goods and services tax (GST) or value-added tax (VAT) systems adopted in other countries. (6 marks)
- c) Explain **THREE (3)** main differences between sales tax and service tax. (6 marks)
- d) Name the types of professional services that are prescribed as taxable services for service tax purposes. (4 marks)

QUESTION 2

(38 Marks)

- a) Discuss the sales tax facilities available under Sales Tax Act 2018. (10 marks)
- b) Discuss briefly the imposition of late payment penalty under Section 26(8) of Sales Tax Act 2018. (3 marks)
- c) State briefly the responsibilities of a taxable person in relation to the collection and recovery of service tax. (3 marks)
- d) State the particulars that must be indicated in the sales tax invoice. (3 marks)
- e) Explain briefly the record keeping requirements under Sales Tax Act 2018 and Service Tax Act 2018. (4 marks)
- f) Explain the circumstances under which an exemption from licensing can be obtained for the manufacturer of taxable goods. (3 marks)
- g) Calculate the sales tax or service tax, if any, for the following transactions:
 - (i) KAYU Sdn Bhd manufactures furniture since the year 2015. The annual sales turnover since the past 5 years have been around RM650,000. The company sold its furniture to a wholesaler in Labuan Island amounted to RM55,000 in December 2023. (1 mark)

- (ii) MAKAN Sdn Bhd is a restaurant that is involved in selling food and drink to its customers. Since the year 2018, the company started getting annual sales turnover of RM1,600,000. The amount of sales for the company's food and drink in December 2023 was RM100,000. (1 mark)
- (iii) SEW Sdn Bhd manufactures sewing machines since 2018. The annual net profit since the past 4 years have been around RM550,000. The company sold its sewing machine to a wholesaler amounted to RM80,000 in December 2023. (1 mark)
- (iv) EYE Sdn Bhd is an optical company that is involved in selling spectacles. The annual sales since the past 4 years have been around RM550,000. The amount of sales that the company has collected in December 2023 amounted to RM80,000. (1 mark)
- (v) MAMAM Group operates a food and beverage business with annual sales turnover for the past 4 years around RM4 million. The company has various subsidiaries with more than 50% shareholding in each of them. The intragroup transactions in September 2023 amounted to RM400,000. (1 mark)
- (vi) CRANE Rental Sdn Bhd provides rental services of all types of cranes recorded the annual sales turnover of RM1,600,000 last two years. The amount of rental services in August 2023 was RM178,000. (1 mark)
- (vii) DEMA Manufacturing Sdn Bhd is a registered manufacturer of taxable goods under Sales Tax Act 2018. On 1 December 2023, the company donated taxable goods costing RM80,000 to a charitable institution. The market value of the goods is RM100,000. (1 mark)
- (viii) WWW Sdn Bhd is a registered manufacturer of taxable goods under Sales Tax Act 2018. The company sold 200 units of taxable goods at RM200 per unit to a customer on 1 December 2023. On 20 December 2023, the customer returned 55 units as the products were found to be damaged. (2 marks)

NB: Assume sales tax of 10% and service tax of 6% for all the above scenarios.

- h) KK Sdn Bhd was established as the sole importer of widgets which is a taxable good for sales tax. KK Sdn Bhd began to import components of the widget and assembled them in Malaysia before selling them to the distributors from 1 January 2023. The monthly sales data for 2023 are as follows:

	Year 2023
	(RM)
January	60,000
February	50,000
March	30,000
April	80,000

May	60,000
June	50,000
July	60,000
August	70,000
September	60,000
October	70,000
November	80,000
December	<u>60,000</u>
Total	<u>730,000</u>

Required:

Analyse and state when is KK Sdn Bhd liable to be registered for sales tax, its deadline to register and its effective date of registration. (3 marks)

QUESTION 3

(10 Marks)

- a) AB & BB Partners are service tax registered persons. They provide taxable services to customers on 1 October 2022 where the total value of the services including service tax is RM53,000 and the invoice was issued on the same day. AB & BB Partners has paid service tax of RM3,000 on 1 October 2023 (after 12 months from the date the invoice is issued). On 15 November 2023, they received a payment of RM43,000 from a customer. However, six months later, the debtor was declared bankrupt and unable to pay the remaining debt of RM10,000. How much AB & BB Partners can claim refund or repayment of service tax arising from this bad debts situation? Show your calculations. (4 marks)
- b) DD & EE Associates is a taxable person under service tax who has claimed a bad debt refund and has received a refund of RM3,000 out of a service value of RM53,000. Four years later, his debtors were released from bankruptcy and had repaid a debt of RM10,000 including service tax to DD & EE Associates to settle his debts. How much DD & EE Associates must repay the service tax to Royal Malaysian Customs Department (RMCD)? Show your calculations. (4 marks)
- c) Serdang Sdn Bhd (SSB) is a sales tax registrant. SSB sold goods to K Sdn Bhd (KSB) for RM500,000, excluding sales tax of 5%. The value of the goods and corresponding sales tax amount was billed to KSB, and SSB remitted the sales tax to the Royal Malaysian Customs Department (RMCD). KSB immediately settled RM210,000 and the balance remained outstanding for eight months. The outstanding balance was written off in SSB's books as irrecoverable after SSB took all reasonable actions to recover the outstanding amount. What is the amount of sales tax refund Serdang Sdn Bhd can claim from the RMCD on the outstanding debt? (2 marks)

QUESTION 4

(10 Marks)

Scenario 1:

K & Co has been operating several car parks with an annual sales turnover of RM1 million. However, it is not registered for service tax purposes and has issued invoices to customers without imposing any service tax. K & Co is concerned that it may need to be registered for service tax purposes with the Royal Malaysian Customs Department (RMCD).

Required:

Explain why the Director General of the Royal Malaysian Customs Department may assess service tax and impose a penalty on K & Co. (3 marks)

Scenario 2:

Quality & Co provides legal services and is registered for service tax purposes. The firm undertook the following transactions during the period November 2023 and December 2023.

Date		Value (note) RM	Date payment received
10 November 2023	Invoice issued to Jeb Sdn Bhd for consultancy services	12,000	6 December 2023
13 November 2023	Invoice issued to Law & Co, another legal firm registered for service tax purposes, to provide legal services	5,000	13 November 2023
14 November 2023	Invoice issued to Karim Sdn Bhd for a local property transfer	20,000	21 January 2024
1 December 2023	Stamp duty paid to the relevant statutory authority on behalf of Karim Sdn Bhd	3,000	2 December 2023

Note: The amounts are stated before any service tax.

Required:

Calculate, with brief explanatory notes, the service tax payable by Quality & Co for the taxable period 1 November to 31 December 2023. Note: You should list all transactions referred to in the question, indicating by the use of zero (0) any item on which service tax is not due.

(4 marks)

Scenario 3:

Dua Sdn Bhd (DSB) is a sales tax registrant and imposes the sales tax rate of 10%. The company's accountant has provided you with the following information pertaining to the sales tax return for the period from 1 January 2023 to 28 February 2023, during which there were only two transactions for the sale of taxable goods:

Invoice date	Customer	Value (note) RM	Date payment received
4 January 2023	Olo Sdn Bhd	100,000	90 days after invoice date
5 February 2023	Kedai Runcil	12,000	5 February 2023

Note: The amounts are stated before any sales tax.

DSB submitted the sales tax return within the due date, and the sales tax was paid on 15 April 2023.

Required:

Calculate the sales tax due on the sale of goods by Dua Sdn Bhd (DSB) for the taxable period of 1 January to 28 February 2023 including the penalties. (3 marks)

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