



**FINAL EXAMINATION**  
**MARCH 2024**

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<b>COURSE TITLE</b>	<b>TAXATION 1</b>
<b>COURSE CODE</b>	<b>ATAX2113</b>
<b>DATE/DAY</b>	<b>29 JUNE 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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(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**

**(27 marks)**

Albert is a Singaporean who works as a diving superintendent in an oil and gas company in Malaysia. He came to Malaysia with his wife, Leena, one of their two unmarried children, Kenny aged 6, and his parents. Their eldest child, Keith, aged 16, chose not to accompany his parents to Malaysia since he was studying in New Zealand. Leena has no source of income.

According to Albert's employment contract, his monthly salary is RM50,000 after deducting employee's EPF contribution of 11%. In 2023, Albert also received an allowance of RM35,000 for working more than 50 hours weekly as per employment contract. Albert was also provided with the following benefits during the year of assessment 2023:

1. A semi-furnished double-story terrace house in Malaysia. The company paid a monthly rental of RM1,600 for the house (including RM400 per month for the furniture), effective from February 2023.
2. Professional subscription fee to maintain Albert's commercial diving license. The company had reimbursed Albert the annual subscription fee, which amounted to RM900.
3. Cleaning service of a part-time domestic maid. Albert paid RM4,000 for the services in the year 2023. He had claimed this amount from his employer.
4. In 2023, the employer reimbursed Albert the utility bill of RM6,000.
5. Albert is entitled to medical benefits under the company's group insurance scheme. He claimed reimbursement of medical costs amounted to RM10,000 from this scheme. The bill details showed that the amount was related to medical treatments for his wife and children. In addition, dental surgery expenses for his child, Kenny in November 2023 was paid by his employer.
6. Albert was given a free smartphone for RM4,000 by his employer in November 2023.
7. Albert was given the option to buy 10,000 units of the company's shares at the price of RM10 per share on 1 June 2023. The market value at that time was RM12 per share. He exercised his option on 31 December 2023 when the price was RM14 per share.
8. Albert took an interest free loan of RM120,000 from his employer to finance the purchase of his car. The loan was given from the equity funds of the employer. The interest payable for the loan would have been RM15,000 if it had been borrowed from a Malaysian commercial bank.
9. During the company's annual dinner, Albert received a TV set worth RM8,000 together with a cash prize of RM5,555.

In addition to his employment income, Albert also received the following income for the year ended 31 December 2023:

1. Interest income of \$10,000 from his fixed deposit savings with HSBC Bank. The placement was made before he came to Malaysia. In December 2023, he transferred an amount equivalent to RM20,000 to Malaysia.
2. A dividend income equivalent to RM25,000 from his share investment with Unilever Limited, a listed company in Singapore. The full amount was remitted to Malaysia on 31 October 2023.
3. Albert also purchased shares in Malaysian-listed companies and received dividends as follows:

	RM
Zhulian Corporation Bhd	12,000
Hong Leong Industries Bhd	20,000

4. Albert disposed of a landed property in Singapore, resulting in a gain of approximately RM35,000, which was transferred to his bank account in Malaysia.

Other information relating to Albert in the year 2023 is as follows:

1. He contributed 11% of his gross salary to the Employees' Provident Fund (EPF).
2. He paid RM4,800 and RM5,000, respectively, for his own life and medical insurance policy, which he undertook in Singapore since 2020.
3. His father is a diabetes patient and underwent treatment at a private hospital in Selangor. He spent RM30,000 on the medical bills for his father.
4. He brought his family to Cameron Highlands for a holiday in October 2023. He spent RM2,300 on accommodation at a hotel registered with the Commissioner of Tourism under the Tourism Industry Act 1992.
5. In December 2023, he brought his family to Thailand for holidays. He spent RM8,000 on his Thailand trip.
6. The eldest child, Keith, aged 16, is an adopted child. He was studying in New Zealand in 2023. The maintenance and tuition fees amounted to RM200,000 and was paid by Albert.
7. The second child, Kenny, aged 6, is a disabled child. He was enrolled in a special school for disabled children in 2023. Albert paid school fees that amounted to RM14,000 in 2022.
8. He spent RM3,000 to purchase a mechanical watch for his wife for her birthday.
9. He incurred RM5,000 on fertility treatment for his wife.
10. He spent RM1,100 to purchase sports equipment listed under the Sports Development Act 1997.
11. He purchased a new iPad worth RM3,000 for himself. Besides, he also bought books and magazines costing RM1,600 for his family.
12. He incurred expenses of a broadband subscription (under Albert's name) of RM800.
13. He donated goods worth RM500 and cash amounted to RM1,200 to approved charitable organisations in Malaysia.

Albert, his wife Leena, and his parents were Malaysian residents for tax purposes in 2023.

**Required:**

Compute the tax payable of Albert for the year of assessment 2023.

**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**

**(11 marks)**

**Scenario A**

Li and Peter entered into an agreement for the purpose of jointly tendering for a construction project worth RM1 Million. They were successful in obtaining the contract. Under the provisions of the agreement between Li and Peter, the contract sum of RM 1 million is to be split equally between them. The scope of work to be carried out by each party is clearly identified. The agreement further provides that each of them shall be responsible for the costs incurred in carrying out their respective duties.

**Required:**

Explain whether a partnership is deemed to exist between Li and Peter in the above scenario for tax purposes. (3 marks)

**Scenario B**

Speedy Shines is a partnership between Kuang, Liang and Ali. The accounting year-end is 31.12.2023 are as follows:

Profit and loss accounts for the year ended 31.12.2023.

		RM'000	RM'000
Sales			900
Less:	Cost of sales		
	Stock 1.1.2023	425	
	Purchases	100	
	Stock 31.12.2023	(25)	(500)
Gross Profit			400
Less:			
	Salary and EPF	60	
	Partner's salaries	90	
	Assessment and quit rents on partner's house (Ali)	9	
	Bank Charges	2	
	Depreciation	17	
	Partners' Insurance	15	
	Utility expenses	24	(217)
Net Profit			183

The profit sharing ratio among the partners are: Kuang: Liang: Ali = 1:1:2

The partners insurance covers the partners' live. Each partner charges a salary of RM30,000 per annum.

**Required:**

Compute the partnership provisional adjusted income and divisible income.

**(8 marks)**

**QUESTION 3**

**(10 marks)**

- a) List down the criteria for claiming capital allowance. (3 marks)
- b) Airplant Sdn Bhd (ASB) is a manufacturing company incorporated on 1 March 2016 and it closes its accounts on 31 December annually.
- (i) ASB has installed heavy machine A in its factory in 2023:  
-Cost of machine is 400,000  
-Cost of preparing site for installation of machine is 60,000
- (ii) In the year 2019, ASB purchased a state-of-the art office equipment from Japan for JPY2.5 million which was equivalent to RM100,000. ASB also incurred RM5,000 for freight charges. The office equipment was sold for RM100,000 in February 2023 with a carrying amount of RM40,000.
- (iii) On 31 May 2023, ASB purchased a Proton car for RM151,000 and registered the car in the name of its Sales Director. The car is used by the Sales Director to carry out his duties for ASB.

**Required:**

Compute the capital allowances for all the assets above as well as balancing charge / balancing allowance (if any) for the relevant years of assessment up to year of assessment 2023. (7 marks)

**QUESTION 4**

**(22 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. (4 marks)

**Scenario B**

- a) What do you understand by an original assessment made under the self-assessment system? Explain briefly any other **THREE (3)** types of assessment that may be made by the Inland Revenue Board. (4 marks)
- b) Zoro Land Sdn Bhd closes its accounts on 30 September each year. The company's tax payable for the YA 2022 is RM268,235. On 31.8.2022 the accounts department estimated the tax payable for the YA 2023 to be RM210,000. The estimate originally submitted to the IRB was subsequently revised to RM242,000 and submitted on the 20.3.2023. The tax payable as per the return filed by Zoro Land Sdn Bhd turned out to be RM366,000.
- (i) Discuss with regard to the submission of the estimate/revised estimate of tax payable, remittance of instalment payments and filing of the tax return for the YA 2023 in terms of the amount, the prescribed forms, and the dates prescribed by law where applicable. (5 marks)
- (ii) Compute the amount owing to the IRB by Zoro Land Sdn Bhd at the time of the submission of the tax return, and state when this amount is due and payable. (3 marks)
- c) Nash Sdn Bhd (NSB), a tax resident company, has been in operation for many years and closes its accounts on 31 May annually. NSB's tax estimate for the year of assessment 2022 was RM120,000 and the final tax payable for the year was RM150,000.

**Required:**

In respect of Nash Sdn Bhd for the year of assessment 2023:

- (i) State and explain the due date for submission of its tax return. (1 mark)
- (ii) State and explain the date by which it should furnish its initial tax estimate. (1 mark)
- (iii) State and explain the minimum amount of estimate it must furnish. (1 mark)
- (iv) State when the tax estimate may be revised. (1 mark)
- (v) State, with reasons, the due dates for the first and last tax instalments to be paid. (2 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 %	Cumulative tax 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 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

	<b>RM per month</b>
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) Rate %	Annual allowance (AA) 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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