



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

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<b>COURSE TITLE</b>	<b>PRINCIPLES OF TAXATION</b>
<b>COURSE CODE</b>	<b>ATAX1113</b>
<b>DATE/DAY</b>	<b>27 JUNE 2024 / THURSDAY</b>
<b>TIME/DURATION</b>	<b>02:00 PM - 04:00 PM / 02 Hour(s) 00 Minute(s)</b>

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**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 given.

[70 MARKS]

QUESTION 1

(15 Marks)

Benjy, Badrul, and Benno are partners in a partnership business named BBB Enterprise selling car accessories. The partnership accounts for the year ended 31 December 2023 are as follows:

	RM
Sales	4,300,200
Less: Cost of sales	<u>(3,588,800)</u>
Gross profit	711,400
Less:	
Partners' salaries	(162,000)
Interest on capital	(277,500)
Other tax-deductible expenses	(208,700)
Depreciation	(31,000)
Net profit for the year	32,200
Add: Rental income	<u>11,000</u>
	43,200
Less: Approved donation	<u>(30,000)</u>
Net profit for the year	<u>13,200</u>

The partnership agreement provides the following:

1. Monthly salaries of the partners are as follows:

	RM
Benjy	4,900
Badrul	3,100
Benno	5,500

2. Interest on capital was calculated at 10% per annum. The respective capital contribution of the partners is as follows:

	RM	RM
Benjy (no change during the year)		700,000
Badrul (no change during the year)		1,300,000
Benno		
As at 1 January 2023	400,000	
Additional capital on 1 April 2023	<u>500,000</u>	
As at 31 December 2023		900,000

3. Partnership profit were shared as follows:

Benjy	2/5
Badrul	2/5
Benno	1/5

4. Capital allowances for the year of assessment 2023 were RM89,000.

**Required:**

- a) Compute the provisional adjusted income and divisible income of BBB Enterprise Partnership for the year of assessment 2023. (7 marks)
- b) Compute the aggregate income and total income of each partner for the year of assessment 2023. (8 marks)

**QUESTION 2**

**(25 marks)**

Dr Sam is a service director of YTC Corporation Berhad (YTC), a multinational company with extensive operations in South East Asian countries. He joined YTC on 15 November 2018. His employment income and other relevant information for the year of assessment 2023 are as follows:

1. Dr Sam received an annual director fee of RM30,000.
2. He was paid a monthly salary of RM20,000 and an entertainment allowance of RM3,000 per month. During the year, he spent RM30,000 on entertaining the company's clients.
3. YTC's contribution towards Dr Sam's EPF is at 15% and Dr Sam's contribution towards his EPF is at 11% of his salary.
4. During the year, he made a total claim of RM25,500 on travelling expenses for his business trips and official duties and the claim was fully reimbursed by YTC.
5. An imported reconditioned car costing RM245,000 and a driver with a monthly salary of RM2,000 were provided to him from 1 May 2023 onwards. The car was first registered in Malaysia on 15 April 2023.
6. An unfurnished condominium together with the weekly cleaner services were provided to him for the whole year. YTC reimbursed Dr Sam for the monthly rental of RM3,000 for the condominium. Throughout the year, he incurred RM15,500 for the utilities bills and paid RM4,800 in total for the cleaner services provided. All these expenses were reimbursed by YTC subsequently.
7. YTC offered Dr Sam a share option of 20,000 units under a conditional share scheme at an option price of RM2.00 on 1 February 2020 when the market price was RM2.80. He is required to serve his employer for at least 3 years. He accepted the offer and fully exercised the option on 10 October 2023 when the market price was RM3.50.

Other income:

1. Dr Sam had invested in the quoted share market and received the dividends from the following tax resident companies:
  - Genting Berhad RM5,500
  - CIMB Berhad RM2,200
2. During the year, he also received a net distribution of RM15,200 from his investment in the Public Mutual unit trust fund. The tax deducted at the source was RM4,800.

Susan is a freelancer. She has the following income for the year of assessment 2021. She was paid RM4,500 as the commission for editing some articles published in a local journal. She also received a royalty income of RM30,000 for a book written by her three years ago from a well-known publisher in Malaysia.

Other information:

1. Dr Sam is married to Susan and they have three children. Their children:
  - Samuel, 20 years old, is studying for a full-time degree at the University of Malaya.
  - Jane, 10 years old, is disabled and currently is studying in a special school catering for disabled children in Kuala Lumpur.
  - Josephine, 5 years old, is attending kindergarten class.
2. He spent RM9,000 on his parents' medical expenses. Both of his parents are tax residents for the year of assessment 2023.
3. He purchased a new iPhone worth RM4,800 for himself and books and magazines costing RM500.
4. He donated an Electrocardiogram (ECG) machine costing RM25,000 to Institut Jantung Negara (IJN). IJN is an institute approved by the Ministry of Health.
5. Dr Sam and Susan are tax residents for the year of assessment 2023. They did not elect for joint assessment. Dr Sam will claim all the child relief.

**Required:**

With reference to the ITA, compute the chargeable income and tax payable of Dr Sam and Susan for the year of assessment 2023. All items stated in the question are to be included in the computation. Where the item is not taxable or deductible, indicate 'NIL' in the computation.

**QUESTION 3**

**(20 Marks)**

- a) List down the criteria for claiming capital allowance. (4 marks)
- b) What do you understand by “balancing allowance”. (2 marks)
- c) Setia Sdn Bhd is an engineering company with a financial year end of 31 December. Assets that were brought forward from the year of assessment 2022 are as follows:

	Cost (RM)	Residual expenditure brought forward (RM)
Heavy machinery	120,000	48,000
Furniture	23,000	16,100

The furniture above (which was purchased more than two years ago), was disposed of on 17 July 2023 for RM23,700. In the year 2023, Setia Sdn Bhd purchased additional assets for the business as listed below:

1. A machine was acquired in January 2023 on credit at a cost of RM170,000.
2. A new Honda CR-V was purchased on July 2023 for RM168,000 for business purpose during the financial year ended 31 December 2023.
3. A computer was acquired in August 2023 for RM8,000. However, it was found to be unsuitable and was disposed of on 16 September 2023 for RM5,500.

**Required:**

- i) State the qualifying plant expenditure for each of the assets acquired during the year. (3 marks)
- ii) Calculate the initial allowance and capital allowance for all business' assets for the year of assessment 2023 and state the residual expenditure of each asset at the end of the year of assessment 2023. (6 marks)
- iii) Calculate the balancing allowance or balancing charge in respect to the assets disposed of in the year 2023. (5 marks)

**QUESTION 4**

**(10 Marks)**

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:**

- a) Using badges of trade principles, explain whether the gain on disposal of the land by KX Sdn Bhd is likely to be subject to income tax. (5 marks)
  
- b) Explain briefly any **FIVE (5)** types of assessment that may be made by the Inland Revenue Board. (5 marks)

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

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## 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

**RM**

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**

**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) 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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