



**FACULTY OF BUSINESS**

**FINAL EXAMINATION**

Student ID (in Figures) : 

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Student ID (in Words) : \_\_\_\_\_  
\_\_\_\_\_

Course Code & Name : **ACC3313 TAXATION 2**  
Semester & Year : JANUARY – APRIL 2023  
Lecturer/Examiner : JAMES LIOW  
Duration : 3 Hours

---

**INSTRUCTIONS TO CANDIDATES**

1. This question paper consists of 1 part:  
PART A (100 marks) : Answer FOUR (4) structured questions. Answers and workings are to be written in the Answer Booklet provided.
2. Candidates are not allowed to bring any unauthorized materials except writing equipment and calculator into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
4. Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.

**WARNING:** The University Examination Board (UEB) of BERJAYA University College regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College.

**Total Number of pages = 9 (Including the cover page)**

## TAX SCHEDULE

### Income tax rate

a) Resident company with paid up capital not more than RM2.5 million	
▪ On first RM600,000	17%
▪ Subsequent balance	24%
b) Resident company with paid up capital more than RM2.5 million	24%
c) Non-resident company	24%

### Rate of industrial building allowance

	Initial Allowance	Annual Allowance
Factory	10%	3%

### Real property gain tax

Year of Disposal	Individual (Citizens & PRs)	Individual (Non-citizen & foreigner)	Companies
1 <sup>st</sup> year	30%	30%	30%
2 <sup>nd</sup> year	30%	30%	30%
3 <sup>rd</sup> year	30%	30%	30%
4 <sup>th</sup> year	20%	30%	20%
5 <sup>th</sup> year	15%	30%	15%
6 <sup>th</sup> year & beyond	0	10%	10%

### Qualifying expenditure for motor vehicle

Type	Qualifying Expenditure
Commercial vehicle	No restriction
Non-commercial vehicle – new	RM100,000: cost of vehicle < RM150,000 RM50,000: cost of vehicle > RM150,000
Non-commercial vehicle – 2 <sup>nd</sup> hand	RM50,000

### Withholding Tax

	Withholding tax section	Rate
Special classes of income	109B	10%
Interest	109	15%
Royalty	109	10%
Public entertainer	109A	15%
Contract payment	107A	10% + 3%
Other income in Sec 4f	109F	10%

**PART A : STRUCTURED QUESTIONS (100 MARKS)**

**INSTRUCTION (S)** : There are **FOUR (4)** questions in this section. Answer **ALL** questions. Write your answers in the Answer Booklet(s) provided.

**QUESTION 1**

Sentral Warisan Sdn Bhd (SWSB), a resident company having a paid-up capital of RM3.0 million is engaged in the business of manufacturing boxes. The company submits its profit or loss account for the year ended 31 December 2022 as follows:

<b>Statement of Profit or Loss for the year ended 31 December 2022</b>			
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
Sales			21,790
Less: cost of sales	1		(9,100)
Gross profit			12,690
Less:			
Salaries and wages		3,900	
Employees Provident Fund contributions	2	738	
Foreign exchange	3	(16)	
Entertainment expenses	4	1,828	
Miscellaneous expenses	5	29	
Amortisation charge	6	200	
Royalty	7	525	
Lease rentals	8	77	
Renovation of premises	9	43	
Bad & doubtful debts	10	5	
Hire purchase interest		6	
Depreciation - property, plant and equipment		820	(8,155)
			4,535
Other income: Interest	11		3
Profit before taxation			<b>4,538</b>

Note:

**1. Cost of sales**

- (i) Cost of trading stock stolen amounting to RM129,000.
- (ii) Expenses incurred for hotel accommodation and substance in bringing potential importers to Malaysia amounting to RM75,000.

**2. Employees Provident Fund contributions**

- (i) Contributions to the Employees Provident Fund at 12% of salaries and wages in respect of all employees.

(ii) Additional contributions at the rate of 10% to the SWSB, in respect of the remuneration of senior management staff amounting to RM2.7 million. The scheme is approved by the Inland Revenue Board.

3. **Foreign exchange**

	<b>RM</b>
Unrealised gain from the sale of goods	12,000
Realised loss from the purchase of heavy machinery from Germany (Note 13(ii))	28,000
	<b>(16,000)</b>

4. **Entertainment expenses**

75% of the entertainment expenses are incurred in entertaining the existing customers during the launching of company's new product and the remaining expenses are not exclusively incurred in the production of gross income.

5. **Miscellaneous expenses**

	<b>RM</b>
Purchase of new computers as gifts for employees (SWSB has declared benefit-in-kind in the employees' EA form)	26,000
Withholding tax penalty	3,000
	<b>29,000</b>

6. **Amortisation charge**

A sum of RM200,000 per annum is charged to profit or loss in respect of the land acquired by SWSB.

7. **Royalty**

The gross equivalent of a royalty payment net of 10% withholding tax amounting to RM472,500 which was paid on 1 March 2022 to a company in Europe, for the use of a patent. SWSB remitted RM22,500 to the Inland Revenue Board on 26 March 2022 but the balance of withholding tax is still unpaid.

8. **Lease rentals**

SWSB leased a new motor car for its marketing executive for a period of two years at RM7,000 per month. The cost of the car amounted to RM168,000. SWSB commenced the lease rental in February 2022. The lease rentals are treated as a sale agreement.

9. **Renovation**

The renovation of premises was carried out to enable the company's disabled employees to perform their work.

10. **Bad and doubtful debts**

	<b>RM</b>
Increase in general allowance for doubtful debts	3,000
Bad debts	2,000

11. **Interest income**

The interest income is in respect of fixed deposits with a bank in Kuala Lumpur as follows:

<b>Maturity date</b>	<b>RM</b>
25 January 2022	2,000
13 May 2022	1,000

12. **Equipment for disable employee**

Equipment costing RM15,000 was purchased from Japan to enable the disabled employees to perform their work.

13. **Capital allowance for machine**

SWSB claimed accelerated capital allowances (initial allowance at 20% and annual allowance at 80%) under the Income Tax (Accelerated Capital Allowance) (Plant and machinery) in respect of the following assets purchased during the financial year ended 31 December 2022:

- (i) A machine costing RM180,000 was bought on hire purchase. The company paid a deposit of RM30,000 on 1 March 2022 and commenced the first monthly instalment payment in March 2022. The capital portion of each instalment is RM5,000.
- (ii) A heavy machine costing RM622,000 was purchased from Germany. On making payment, the company incurred a foreign exchange loss amounting to RM28,000.

Capital allowances for the year of assessment 2022 amounted to RM730,000 excluding the assets mentioned in note 13.

**Required**

- a) Compute the tax payable by Sentral Warisan Sdn Bhd for the year of assessment 2022.

(26 marks)

*Note: your computation should start with the profit before taxation figure and follow the descriptions used in the profit or loss account and the notes to the profit or loss account, where applicable, indicating 'nil' in the appropriate column for any item that does not require adjustment.*

- b) State the tax treatment of the following items of expenditure in determining the adjusted income of a business:

- (i) Expenses incurred for hotel accommodation and substance in bringing potential importers to Malaysia.
- (ii) Equipment for disabled employees.
- (iii) Depreciation charges for property, plant and equipment.
- (iv) Increase in general allowance for doubtful debts.

(4 marks)

**[Total 30 marks]**

## QUESTION 2

Jamalah Sdn Bhd is a manufacturing company. In 2020 it constructed the following costs for a new factory complex:

	RM'000
Land	3,000
Legal fees and stamp duty on the acquisition of the land	10
Construction costs:	
- Factory	15,000
- Storage ( <i>Located within the same curtilage as a factory</i> )	200
- General office ( <i>Located within the same curtilage as a factory</i> )	1,000
- Architect's fee on buildings	20
<b>Aggregate costs</b>	<b>19,230</b>

### Required

- Discuss whether the land costs and associated legal fees and stamp duty on the acquisition of the land are eligible for industrial building allowance. (1 mark)
- Calculate the total construction costs of the building. (5 marks)
- Determine whether the general office is eligible for the qualifying building expenditure. (3 marks)
- List **THREE (3)** methods that determine the qualifying expenditure for the general office. (3 marks)
- Calculate the industrial building allowances and residual expenditure for the relevant year of assessment from 2020 to 2022. (8 marks)

In the year 2022, Jamlah Sdn Bhd has incurred the following capital expenditure for the installation of a new precision machine:

	RM
Cost of the machine	40,000
Cost of preparing the site for installation	121,000
<b>Aggregate cost</b>	<b>161,000</b>

### Required

- Discuss the method used to determine whether the installation costs can be treated as qualifying building expenditure. (1 mark)
- Determine whether the installation costs can be considered as part of the qualifying expenditure for building. (3 marks)
- Determine whether the machine cost is eligible for capital allowance. (1 mark)

**[Total 25 marks]**

### QUESTION 3

Yap and Viji opened a new car wash centre. It was agreed that Yap would manage the operations of the centre and receive a fixed salary each month. Viji would receive a fixed salary and any profits or losses remaining after deduction of expenses and taxes.

#### Required

- a) State with reasons whether a partnership exists in the above situation. (2 marks)

Tara and Neem are partners of T&N Enterprise and have been carrying on a business as taxi operators for many years.

The statement of profit or loss for the year ended 31 December 2022 is as follows:

	Note	RM	RM
Sales revenue			600,000
Interest income	(i)		2,500
			602,500
Less Expenditure:			
Staff salaries		54,500	
Non obligatory contribution to approved pension fund		22,000	
Partners' life insurance premiums	(ii)	6,000	
Partners' interest on capital	(iii)	18,000	
Utilities for office		2,480	
Interest on hire purchase loan for Neem's car		2,400	
Partners' salaries	(iii)	72,000	(177,380)
<b>Net profit</b>			<b>425,120</b>

#### Note

- (i) The interest income is received from the placement of fixed deposit for a short-term period. According to the ITA 1967, the income should be assessed under paragraph 4(c).

- (ii) Partners' life insurance premium is paid for RM3,000 each.

- (iii) Partners' capital contribution is as follows:

Tara	Neem
RM100,000	RM80,000

Partners have agreed that interest on capital of 10% per annum to be paid to each partner based on their capital contribution.

- (iv) Each partner is entitled a salary per annum as follows.

Tara	Neem
RM24,000	RM48,000

- (v) The profit-sharing ratio is agreed at Tara 60% and Neem 40%.

- (vi) The following information pertaining to the non-current assets of T&N Enterprise as at 1 January 2022:

	RM	Capital Allowance Rate
<b>Motor vehicle</b>		
Qualifying expenditure	120,000	20%
Residual expenditure	0	
<b>Office Equipment</b>		
Qualifying expenditure	540,000	10%
Residual expenditure	216,000	

**Required**

- b) Compute provisional adjusted income and divisible income for the year of assessment 2022. (10 marks)
- c) Compute the partners' statutory income for the year of assessment 2022. (10 marks)
- d) Assume that the T&N Enterprise is converted into Limited Liability Partnership (LLP) with the same agreed terms, discuss the tax treatment whether the partners' salaries are deductible under section 39(1)(n) of the ITA, 1967. (3 marks)

**[Total 25 marks]**

**QUESTION 4**

Encik Syamil had acquired a landed bungalow house from a developer, Gembila Properties for RM308,516. He signed the agreement on 16 August 2019 and settled the payment on 1 October 2019. He had taken a loan for this purpose. The property ownership was then transferred to his name on 25 November 2019. In acquiring the house, Encik Syamil incurred stamp duty of RM5,170 and legal fees of RM2,610.

Upon acquisition, Encik Syamil spent RM42,507 on renovating the house. On 11 April 2020, the house was partially damaged by fire and he received compensation of RM27,199. On 16 September 2020, the house was affected by flood, and he was paid a compensation of RM27,177 from the developer. He also managed to make an insurance recovery of RM13,575 from his insurer.

On 31 October 2021, Encik Syamil was approached by a buyer, Encik Ahmad to purchase the house. Encik Ahmad paid a deposit of RM7,000 and he proceeded to make an application for a bank loan. Encik Ahmad however, was not successful in his application and Encik Syamil forfeited the deposit.

Encik Syamil's brother had filed a claim for the ownership of the house. Encik Syamil then hired a lawyer who successfully defended his right to total ownership. The legal fee was RM8,647.



Encik Syamil sold the house to Mr Loke for RM397,767, and an agreement for the sale was signed on 16 April 2022. The payment was settled on 17 June 2022. The ownership was transferred to Mr Loke on 17 July 2022. In securing a buyer for the house, Encik Syamil had incurred the following expenditure:

	<b>RM</b>
Valuation fee	6,171
Brokerage fee	8,638
Advertisement expenses	1,097

Encik Syamil had incurred an interest charge of RM57,630 on the bank loan he took to buy the house.

**Required**

- a) In relation to the Real Property Gains Tax 1976 (as amended), compute the chargeable income and tax payable arising from the disposal of the house, after exemption under Schedule 4 of the said Act. (15 marks)
- b) Determine the status under Paragraph 12 Schedule 2 of the RPGTA 1976 if Encik Syamil had gifted the house to his 5-year old daughter in June 2022. (2 marks)
- c) Calculate the deemed acquisition price of the house to the daughter. (3 marks)

**[Total 20 marks]**

**END OF QUESTION PAPER**