



**FACULTY OF BUSINESS**

**FINAL EXAMINATION**

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Course Code & Name : **ACC3313 TAXATION 2**  
Semester & Year : JANUARY – APRIL 2024  
Lecturer/Examiner : JAMES LIOW  
Duration : 3 Hours

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**INSTRUCTIONS TO CANDIDATES**

1. This question paper consists of 1 part:  
PART A (100 marks) : Answer all 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.

## TAX SCHEDULE

### Income tax rate

a) Resident company with paid up capital not more than RM2.5 million	
▪ On first RM150,000	15%
▪ RM150,001 to RM600,000	17%
▪ RM600,001 and 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/hospital/hotel	10%	3%
Living accommodation for employee	-	10%

### Real property gain tax

Year of Disposal	Part I Schedule 5 RPGT Individual (Citizens & PRs)	Part II Schedule 5 RPGT Companies	Part III Schedule 5 RPGT Individual (Non-citizen & foreigner)
1 <sup>st</sup>	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%	20%	30%
5 <sup>th</sup> year	15%	15%	30%
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**

Kenanga Sdn Bhd (KSB), a Malaysian tax resident company, is in the business of manufacturing. KSB's paid-up ordinary share capital is RM2 million and the company closes its accounts annually on 31 December.

KSB's statement of profit or loss for the financial year ended 31 December 2023 is as follows:

<b>Statement of Profit or Loss for the Year Ended 31 December 2023</b>			
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue			81,635
Less: Cost of sales	1		(63,536)
Gross profit			18,099
Add: Other income	2		536
			18,635
Less: Expenditure			
Salary and remuneration costs	3	11,390	
Employees Provident Fund contributions	4	2,050	
Consultancy and professional fees	5	185	
Marketing expenses	6	1,250	
Repair and maintenance expenses	7	540	
Finance cost	8	21	
Foreign exchange	9	(18)	
Amortisation	10	12	
Bad debts and doubtful debts	11	2	
Miscellaneous expenses	12	55	(15,487)
<b>Profit before tax</b>			<b>3,148</b>

Note:

1)	<b>Cost of sales</b>	<b>RM,000</b>
	(i) Depreciation of non-current assets	1,870
	(ii) Cost of trading stock stolen	23
	(i) Research and development (R&D) expenses	4
	Note: KSB submitted an application to the Director General of Inland Revenue for approval of its R&D expenses comprising salaries and materials of RM4,000. However, only RM1,000 is approved for a double deduction under subsection 34(A) of the ITA.	

2)	<b>Other income</b>	<b>RM,000</b>
	(i) Interest income from placing a fixed deposit in a local bank	102
	(ii) Irrecoverable trade debts recovered	404
	Note: The irrecoverable trade debts relate to a trade debt which was previously treated as irrecoverable and claimed as a deduction.	
3)	<b>Salaries and remuneration</b>	<b>RM'000</b>
	(i) Leave passage for a trip outside Malaysia for a director	6
	(ii) Remuneration of senior management staff	1,500
	Note: Additional contributions at the rate of 10% to the KSB. The scheme is approved by the Inland Revenue Board.	
4)	<b>Employees Provident Fund</b>	<b>RM'000</b>
	Contributions to the Employees Provident Fund at 12% of salaries and wages in respect of all employees.	2,050
5)	<b>Consultancy and professional fees</b>	<b>RM'000</b>
	Statutory audit fees (unpaid as at 31 July 2023)	160
	Secretarial fees (paid as at 31 July 2023)	25
		<u>185</u>
6)	<b>Marketing expenses</b>	<b>RM'000</b>
	(i) Entertainment expenses	60
	Note: 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.	
	(ii) Donation of computers to an approved institution	6
7)	<b>Repair and maintenance expenses</b>	<b>RM'000</b>
	Renovation of KSB's office to provide better access for disabled employees (duly certified by the relevant authority).	9
	Lease rentals for a motor vehicle	65
	Note: During the year ended 31 December 2023, KSB leased a motor vehicle for a marketing manager and paid an initial amount of RM45,000. The cost of the new vehicle was RM210,000.	
8)	<b>Finance cost</b>	<b>RM'000</b>
	Hire purchase interest expenses on motor vehicles	21
9)	<b>Foreign exchange</b>	<b>RM'000</b>
	Unrealised foreign exchange gain on payments for raw materials	(30)
	Realised loss from the purchase of heavy machinery from Germany (Note 13 (ii))	12
		<u>(18)</u>

10)	<b>Amortisation</b>	<b>RM'000</b>
	Amortisation is charged to profit or loss in respect of the leasehold land acquired.	12
11)	<b>Bad debts and doubtful debts</b>	<b>RM'000</b>
	Increase in general allowance for doubtful debts	1
	Bad debts	2
		3
12)	<b>Miscellaneous expenses</b>	<b>RM'000</b>
	(i) Petty cash written off Note: An employee of KSB absconded with the company's petty cash. The management decided not to pursue the case as the employee is related to the managing director of KSB.	14
	(ii) The gross equivalent of a royalty payment net of 10% withholding tax which was paid on 1 March 2023 to a company in German for the use of a patent. However, KSB remitted only partial payment to the Inland Revenue Board and the balance of withholding tax is still unpaid for the year assessment 2023.	27
13)	<b>Capital allowance</b>	<b>RM'000</b>
	Capital allowances for the year of assessment 2023. Note: KSB 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 2023:	1,080
	(i) A machine costing RM150,000 was bought on hire purchase. The company paid a deposit of RM50,000 on 1 March 2023 and commenced the first monthly instalment payment in March 2023. The capital portion of each instalment is RM3,000.	
	(ii) A heavy machine costing RM520,000 was purchased from Germany. On making payment, the company incurred a foreign exchange loss amounting to RM12,000.	

**Required**

- a) Compute the tax payable by Kenanga Sdn Bhd for the year of assessment 2023. (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) The company has just incorporated and incurred expenses in relation to the incorporation such as cost of registration and preparation of memorandum and articles of association.
  - (ii) The employee is involved in the embezzlement of company fund and the said employee is related to one of the members of the board of directors and they have agreed not to lodge a police report.
  - (iii) Interest expenses incurred on borrowed money to construct a building prior to commencement of business.
  - (iv) Increase in specific allowance for doubtful debts.

(4 marks)

**[Total 30 marks]**

## QUESTION 2

Puchong Private Hospital Sdn Bhd is a locally incorporated company carrying on the business of providing private medical and healthcare services. It closes the accounts on 31 December each year.

On 1 October 2021, the company bought a piece of land and completed construction of a hospital building on 1 November 2023 and the building was immediately brought into use for the purposes of the business.

The details of the cost of construction are as follows:

	RM
Cost of land	136,104
Legal fee for transfer of land	13,611
Cutting and levelling land	78,327
Excavation and preparation of site for construction	27,562
Piling and foundation works	49,338
Construction of building	3,491,000
Architect fee-hospital building design	47,804
Legal fees for obtaining various building approval	22,117
Living quarter for nursing staff	1,200,000
Landscaping charges after the building is completed	27,222
<b>Total cost of construction</b>	<b>5,093,085</b>

### **Required**

- a) Discuss whether the land costs and associated costs incurred on the acquisition of the land and the landscaping costs are eligible for industrial building allowance. (1 mark)

- b) Discuss how the architect fees and legal fees associated with the building to be allocated between the living quarter for nursing staff and the hospital building. (2 marks)
- c) Calculate the following total qualifying industrial building expenditure:
- (i) Costs of the hospital building (7 marks)
- (ii) Cost of the living quarter for nursing staff (5 marks)
- d) Calculate the industrial building allowances and residual expenditure for the hospital building and living quarter for the relevant year of assessment 2023. (7 marks)

In March 2024, the company decided to set up orthopaedic facility and incurred the following expenditure:

	RM
Cost of the special machine equipment	800,000
Cost of preparing the site for installation	3,200,000
<b>Total expenditure</b>	<b>4,000,000</b>

**Required**

- e) Justify whether the installation site can be considered as part of the qualifying expenditure for building. (3 marks)

**[Total 25 marks]**

**QUESTION 3**

Zamri and Samad are partners in a petrol station business Kedai Mesra Enterprise since 2018. Each has agreed on an equal profit-sharing ratio.

On 1 July 2023, Haris was admitted as a new partner and he is responsible to manage the Kedai Mesra Enterprise. The profit-sharing ratio effective from 1 July 2023 for Zamri: Samad: Haris are 2.1.1. The partnership accounting year ends on 31 December.

The statement of profit or loss for the year ended 31 December 2023 is as follows:

	Note	RM	RM
Sales revenue			800,000
Less Expenditure:			
Staff salaries		84,500	
Non obligatory contribution to approved pension fund		32,000	
Partners' life insurance premiums	(i)	7,500	
Partners' interest on capital	(ii)	23,000	

Utilities for office		12,580	
Interest on hire purchase loan for Zamri's car		5,400	
Partners' salaries	(iii)	96,000	(260,980)
<b>Net profit</b>			<b>539,020</b>

Note:

(i) Partners' life insurance premium is as follows:

Zamri	Samad	Haris
RM3,000	RM3,000	RM1,500

(ii) Partners' capital contribution is as follows:

Zamri	Samad	Haris
RM100,000	RM80,000	RM100,000

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

(iii) Each partner is entitled the following salaries:

Zamri	Samad	Haris
RM24,000	RM48,000	RM24,000

**Required**

- Compute provisional adjusted income and divisible income for the year of assessment 2023. (10 marks)
- Compute the partners' statutory income for the year of assessment 2023. (12 marks)
- Assume that the Mesra Kedai 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**

Puan Rokiah acquired a landed property from Setia Development Sdn Bhd for RM930,000. She signed the agreement on 16 August 2020 and had taken a loan for this purpose. The property ownership was then transferred to her name on 25 November 2020. In acquiring the property, Puan Rokiah incurred stamp duty of RM5,370 and legal fees of RM12,610. Upon acquisition, Puan Rokiah spent RM142,507 on renovating the property.



On 11 April 2021, the property was partially damaged by fire and she received compensation of RM25,100. On 16 September 2021, the property was affected by flood, and she was paid a compensation of RM17,300 from the developer. She also managed to make an insurance recovery of RM13,650 from her insurance company.

On 31 October 2022, Puan Rokiah was approached by a buyer, Mr Chan Ah Tit to purchase the property. Mr Chan paid a deposit of RM5,000 and he proceeded to make an application for a bank loan. Mr Chan however, was not successful in his application and Puan Rokiah forfeited the deposit.

Puan Rokiah's brother had filed a claim for the ownership of the property. Puan Rokiah then hired a lawyer who successfully defend her right to total ownership and had incurred a legal fee was RM9,647.

Puan Rokiah sold the property to Mr John Lim for RM1,500,000 and an agreement for the sale was signed on 16 April 2023. The payment was settled on 17 June 2023. The ownership was transferred to Mr John Lim on 17 July 2023.

In securing a buyer for the property, Puan Rokiah had incurred the following expenditure:

	RM
Valuation fee	7,170
Brokerage fee	9,300
Advertisement expenses	2,500

Puan Rokiah had incurred an interest charge of RM157,630 on the bank loan she took to buy the property.

**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 property 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 Puan Rokiah had gifted the property to her son in April 2023. (2 marks)
- c) Assuming Puan Rokiah had gifted the property to her son, calculate the deemed acquisition price of the property. (3 marks)

**[Total 20 marks]**

**END OF QUESTION PAPER**