

**BERJAYA BUSINESS SCHOOL****FINAL EXAMINATION**

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Course Code & Name : **ACC2313 TAXATION 1**  
Trimester & Year : JANUARY – APRIL 2018  
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 any FOUR (4) structured questions out of FIVE (5). 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 = 11 (Including the cover page)**

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

**INSTRUCTION (S)** : There are **FIVE (5)** questions in this section. Answer only **FOUR (4)** questions. Write your answers in the Answer Booklet(s) provided.

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**QUESTION 1**

Yusuf was employed as a marketing assistant of North Hill Sdn Bhd since 1 March 2010. In 2017, at 48 years of age and still healthy, Yusuf employment was prematurely terminated, effective from 31 October 2017 after working for 7 years and 8 months. Below are the particulars to Yusuf's employment for the basis year 2017.

(a) Monthly remuneration (January to October 2017):

- Salaries of RM8,200 (net of 11% EPF contributions and RM700 STD\*)
- Cost of living allowance of RM1,000
- Entertainment allowance of RM1,500

*\*STD: Schedule Tax deduction*

(b) Other benefits in cash:

- Gratuity of RM90,000, paid on October 2017 and RM100,000 being compensation for loss of employment, paid in November 2017.
- RM45,000 being bonus payment for 2016 and 2017, but actually paid only on February 2017.

(c) Benefits in kind:

- Yusuf enjoyed the service of a driver (from 2012 until October 2017) to fetch his children to and from school. The driver's monthly salary of RM600 was paid by North Hill Sdn Bhd.
- On 10 March 2017, North Hill Sdn Bhd offered Yusuf the option to acquire 20,000 of its shares at RM2.00 per share. Yusuf exercised the option on 20 September 2017. The market price of North Hill Sdn Bhd's share was RM5.00 per share and RM6.00 per share respectively on 10 March 2017 and 20 September 2017.
- In 2017 Yusuf purchased goods produced by North Hill Sdn Bhd at a discount, paying RM18,000 although the market price of these goods amounted to RM22,000.
- Since 2013 until 30 June 2017, North Hill Sdn Bhd provided Yusuf with a new car (costing RM160,000 when purchased in 2013). Yusuf had to bear the expenses for fuel.
- Holiday leave passage to Japan in June 2017 for Yusuf and his wife. The air fare which amounted to RM5,600 and accommodation for their one week stay in Japan which amounted to RM3,500 were all paid by North Hill Sdn Bhd.

- In August 2017, Yusuf and his wife were provided with a fully paid four days holiday in Pulau Tioman. The air fare which amounted to RM500 and accommodation which amounted to RM1,500 were paid for by North Hill Sdn Bhd
- During working days, Yusuf's 3-year old son was placed in a child care centre. The fees for 2017 which amounted to RM2,400 was paid by North Hill Sdn Bhd.

(d) Accommodation benefits:

- From 2010 until 30 June 2017 Yusuf stayed in a fully furnished semi-detached house located in Subang Jaya, which is owned by North Hill Sdn Bhd. The house costing RM800,000 was produced by the company in 2009. The company paid RM30,000 to fully furnish the house. The annual rateable value (as determined by the local authority) was RM24,000. Yusuf needed to pay North Hill Sdn Bhd RM100 a month for occupying the house.

(e) Unapproved scheme:

- In December 2017, Yusuf withdrew RM160,000 from North Hill Sdn Bhd's Staff Fund (an unapproved pension fund). Of this amount, RM60,000 was attributable to Yusuf's contributions, RM90,000 was North Hill Sdn Bhd's contributions and the remainder was interest accrued on the total amount contributed.

(f) Other information:

- In 2017, Yusuf furnished an acceptable document as evidence that he had incurred RM20,000 as entertainment expenses on behalf of North Hill Sdn Bhd.
- In March 2017, Yusuf's wife was taken ill and the hospitalization expenses of RM3,500 was borne by North Hill Sdn Bhd.

**Required:**

- (a) For the year of assessment 2017, determine Yusuf's gross income and statutory income from employment. Clearly categorize each item of employment income under appropriate sub-sections of the relevant provision of the ITA 1967. Include for any item that may not be chargeable or not to be included under employment income. (20 marks)
- (b) If Yusuf was a director (not service director) of North Hill Sdn Bhd, a controlled company, explain the tax treatments regarding the following:
- (i) Payment of RM100,000 in consideration for his loss of employment.
  - (ii) Discount given in relation to the purchase of goods produced by North Hill Sdn Bhd
  - (iii) Value of accommodation in relation to the occupation of the semi-detached house in Subang Jaya.

(5 marks)

**[Total 25 marks]**

## QUESTION 2

### Part A

Satu Sdn Bhd, a resident company with a paid-up capital of RM2.4 million on 1 October 2014, is carrying on a landscaping business. For the year ended 30 September 2017, the following information relates to its fixed assets.

- (i) A heavy machinery was sold for RM56,800 on 23 July 2017. The machine was acquired on 4 March 2014 for RM124,000.
- (ii) A car (for the usage of the chief executive officer) was bought on hire purchase on 1 March 2017 as follows:

	RM
Cost of car	162,480
Deposit paid in March 2017	<u>30,000</u>
Hire purchase amount	<u>132,480</u>

Monthly instalments are payable for 48 months at RM2,760 per instalment. The first instalment commenced in March 2017.

- (iii) A sum of RM11,200 incurred in March 2017 on small value assets each costing not more than RM1,000.

### Required:

Compute the capital allowances due to Satu Sdn Bhd for the year of assessment 2017. (12 marks)

### Part B

Yan Sdn Bhd is a resident manufacturing company. In March 2015 the company constructed the following business premises:

	RM
A factory	600,000
A warehouse	150,000
A restroom and canteen	80,000
Living quarters for administrative staff	210,000
Living quarters for factory workers	160,000
Legal fees and charges on the contract agreement for the construction of the building premises	30,000
Architect fees regarding the building premises	12,000
<b>Total cost</b>	<b>1,242,000</b>

The construction of the buildings was completed in September 2015 and the buildings were put into use for the business from February 2017.

Yan Sdn Bhd closes its accounts on 30 April annually.

**Required:**

Compute the industrial building allowances due to Yan Sdn Bhd for the year of assessment 2017.

(10 marks)

**Part C**

KL Sdn Bhd, a manufacturer, incurred capital expenditure of RM2.8 million on the construction of a building which comprised 18,600 square metres of factory, 2,100 square metres of office and 600 square metres of showroom.

**Required:**

Determine the amount of qualifying building expenditure for the purpose of industrial building allowances and give reasons to support your answer.

(3 marks)

**[Total 25 marks]**

**QUESTION 3**

Beta Sdn Bhd, with a paid up capital of RM2.5 million, is a manufacturer of sports equipment under the brand name “Snookie”. The equipment is of export quality.

The statement of comprehensive income of the company for the year ended 31 October 2017 is as follows:

		Note	RM'000	RM'000
	Sales			5,300
Add	Rental	1	40	
	Gain on sale of vacant land	2	450	
	Interest	3	25	515
				5,815
Less:	Cost of sales	4		(1,890)
				3,925
Less:	Miscellaneous	5	35	
	Donations	6	11.5	
	Leasing	7	33.6	
	Entertainment	8	601.5	
	Repairs and maintenance	9	207.5	
	Professional charges and subscriptions	10	109.5	
	General and administration	11	189	
	Staff welfare	12	350	
	Remuneration	13	745.4	(2,292)
	<b>Net profit before taxation</b>			<b>1,633</b>

**Notes:**

1. Rental is earned from the letting of an unused office space on the second floor of the business premise. The space was earlier used as a meeting room. The unused space was rented out since November 2015 for RM4,000 a month and until 31 October 2017, the rental received was for 10 months only i.e. the amount received is RM4,000 x 10 months.
2. A piece of vacant land situated in Perak was disposed on 15 August 2017 at a gain of RM450,000.
3. Interest from excess funds deposited with an overseas bank was credited and remitted to Malaysia on 30 August 2017:
4. Cost of sales include:

	<b>RM</b>
(i) Provision for stock obsolescence	19,500
(ii) Insurance premium paid to a locally incorporated insurance company for export of cargo to Korea	62,000
(iii) Damaged goods written off	52,400
5. Miscellaneous expenses comprise:

	<b>RM</b>
(i) Stamp duty on increase in authorized share capital	18,000
(ii) Foreign exchange gain on import of trading stock (realized)	(20,000)
(iii) Foreign exchange loss on import of machinery (unrealized)	<u>37,000</u>
	<u>35,000</u>
6. The company donated sports equipment worth RM4,000 to an orphanage (approved institution). In addition, each orphan received a cash donation of RM100. The total cash donation distributed was RM7,500.
7. A new car was leased for the use of the General Manager at a monthly charge of RM2,800 since September 2014. The cost of the car when new was RM250,000.
8. Entertainment expenses include:

	<b>RM</b>
(i) Dinners for clients	24,000
(ii) Entertainment expenses wholly related to sales	80,500
(iii) Sponsorship of a local sporting activity open to public (approved by the Ministry of Culture, Arts and Tourism)	189,000
(iv) Cost of souvenirs at an approved international Trade Fair in Australia to promote Malaysian products.	71,000

9. Repairs and maintenance comprise:	<b>RM</b>
(i) Extension of the factory porch for the Managing Director's parking bay	48,500
(ii) Upgrading of the factory's security system	21,500
(iii) Moveable dividers for new executive offices.	35,000
(iv) Renovation cost to provide a conducive place for a disabled employee	40,000
(v) Depreciation on fixed assets	<u>62,500</u>
	<u>207,500</u>
10. Professional charges and subscriptions comprise:	<b>RM</b>
(i) Legal fees on recovery of trade debt	20,500
(ii) Feasibility study for a new project	40,000
(iii) Fees for renewal of an existing trademark	24,000
(iv) Staff recruitment charges paid to an employment agency	17,000
(v) Income tax appeal	<u>8,000</u>
	<u>109,500</u>
11. General and administration expenses comprise:	<b>RM</b>
(i) Refreshments for shareholders attending the Annual General Meeting	35,500
(ii) Annual subscription to Trade Association of Manufacturers	22,000
(iii) Fine for exceeding speed limit	6,500
(iv) Compensation paid to an ex-staff for loss of employment	95,000
(v) Repairs and maintenance of office building	<u>30,000</u>
	<u>189,000</u>
12. Staff welfare comprises:	<b>RM</b>
(i) Staff medical and dental benefits	80,000
(ii) Entrance fees to a golf club for managing director	18,000
(iii) Loan to employees written off	30,000
(iv) Maintenance of child care centre	102,000
(v) Scholarships for employees' children	<u>120,000</u>
	<u>350,000</u>
13. Remuneration comprises:	<b>RM</b>
(i) Employees' salaries (including salaries of RM40,000 for a disabled employee)	460,000
(ii) Employees Provident Fund (employer's contribution)	114,800
(iii) Bonus (3 months' salary)	115,000
(iv) Salary of an expatriate employee	41,000
(v) Contribution to Beta Provident Fund(unapproved)	<u>14,600</u>
	<u>745,400</u>

**Other information:**

- (i) Capital allowances brought forward from year of assessment 2016 amounted to RM13,600.
- (ii) Capital allowances (excluding new assets acquired) for the year of assessment 2017 amounted to RM182,000.
- (iii) The adjusted loss brought forward from the year of assessment 2016 was RM38,600.

**Required:**

Prepare the computation of the tax payable by Beta Sdn Bhd for the year of assessment 2017. All workings must be clearly stated.

Your computation should start with the profit before taxation figure and follow the description used in the notes to the company's income statement. Indicate 'nil' in the appropriate column for any item that does not require adjustment in your tax computation.

**[Total: 25 marks]**

**QUESTION 4**

**Part A**

Ritchie, an Australian national, arrived in Malaysia on 11 March 2012 and left Malaysia permanently on 30 September 2017. Details of his stay in Malaysia are as follows:

Year	Date	Days
2012	11/3 – 6/9	180
2013	1/7 – 31/12	184
2014	1/1 – 5/1	5
2015	3/6 – 21/8	80
	1/9 – 10/10	40
2016	1/4 – 10/4	10
2017	21/3 – 19/5	60
	1/6 – 29/9	121

Ritchie left Malaysia permanently on 30 September 2017 at noon.

**Required:**

- a) Determine his tax residence status for the Years of Assessment 2012 to 2017. (9 marks)
- b) List **THREE (3)** advantages and **ONE (1)** disadvantage of being a tax resident in Malaysia. (4 marks)



**Part B**

Mr. Fong bought a house in Petaling Jaya for RM1,000,000 on 2.1.2017 with a cash payment of RM600,000 and a housing loan of RM400,000 from B-bank which was released on 1.3.2017.

Mr. Fong spent RM52,000 on renovation that were necessary before renting it out on 1.4.2017. The first tenant was obtained through the service of an estate agent, and RM4,000 was paid for his service. The monthly rent was RM4,000.

The first tenant vacated the house on 31.8.2017 with an advance notice that was stipulated in the rental agreement. Mr. Fong secured another tenant who rented his house on 1.11.2017 for two years with the same monthly rent of RM4,000.

Mr. Fong submitted the following statement of income & expenditure for the year ended 31.12.2017:

	RM	RM
Rent received: (RM4,000 x 9 months)		36,000
Less: Expenditure		
Estate agent's fee (for first tenant)	4,000	
Stamp duty (purchase of house)	24,000	
Loan processing fee	3,000	
Legal fees: sales & purchase agreement	9,000	
House valuation report	3,000	
Loan interest (1.3.17 to 31.12.17)	18,000	
Quit rent	360	
Assessment	3,600	
Fire insurance	900	
Renovation	52,000	
Advertising (to secure tenant) - first tenant	500	
- second tenant	600	
Newly-installed air-conditioner	3,000	121,960
<b>Net income/(loss):</b>		<b>(85,960)</b>

Notes:

- The rent received included rent of RM8,000 for the months of January 2018 and February 2018 paid in advance by the second tenant on 20.12.2017.
- Quit rent, assessment and fire insurance were paid for the whole year 2017.

**Required:**

- Compute Mr. Fong's statutory income from rent for the year of assessment 2017. (10 marks)
- Explain the tax treatment of expenses in respect of the vacant period from September to October 2017. (2 marks)

**[Total 25 marks]**

### Question 5

- (a) Under self-assessment system for companies what is the prescribed period within which a company must furnish an estimate tax payable to the IRB and when can the company revise the estimate of tax payable? (4 marks)

- (b) Details of FGH Bhd (share capital of RM3 million) for Y/A 2017:

- (i) FGH Sdn Bhd, accounting year ending 30 June 2017 furnished its first estimate its first estimate of tax payable for the Y/A 2017 to the IRB within the time prescribed by law. This was for RM120,000.

**Required:**

State when and in what amounts FGH is required to pay its tax estimates for the Y/A 2017 to IRB. (2 marks)

- (ii) An early revised estimate for the Y/A 2017 was furnished to IRB on 15 December 2016 amounted to RM123,850.

**Required:**

What amounts FGH is required to pay the balance of the revised estimated tax? (3 marks)

- (iii) FGH Sdn Bhd submits its tax return for the Y/A 2017 to the IRB on 15 January 2017 and it shows tax payable of RM130,800.

**Required:**

When will FGH be deemed to have been served with the deemed notice of assessment for the Y/A 2017? (2 marks)

- (iv) When will the final tax of FGH for the Y/A 2017 be due and payable? (2 marks)

- (c) F Sdn Bhd was incorporated with a paid up capital in respect of ordinary shares of RM1 million (owned by 4 individuals in equal shares) on 18 December 2016. The company commenced its consultancy business on 1 January 2017 and decided to close its financial year ending 31 December each year.

The company does not expect to increase its share capital for the next 3 years of operation.

**Required:**

- (i) State the Y/A if the first set of accounts was made up from 18 December 2016 (date of incorporation) to 31 December 2017. (3 marks)

- (ii) When must the company provides its estimates of tax payable for Y/A 2017? (3 marks)

- (iii) When must the company settle its tax payable (if any) for Y/A 2017? (3 marks)
- (iv) For Y/A 2019, when must the company submit its tax estimates and make its instalment payment. (3 marks)

**[Total: 25 marks]**

**END OF QUESTION PAPER**