



**FACULTY OF BUSINESS**

**FINAL EXAMINATION**

Student ID (in Figures) : 

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

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

Course Code & Name : **ACC2313 TAXATION 1**  
Semester & Year : **MAY – AUGUST 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.

**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**

Encik Kamarul was appointed as a retail manager of Bagus Corporation Bhd (BCB) in Johor Bahru since 1 February 2014. BCB restructured its business operation in 2022 and Kamarul was retrenched on 31 July 2022. He had been working with BCB for 8 years.

On 1 August 2022, he joined his brother's company as a director of controlled company, Shah Development Sdn Bhd (SDSS).

Below are the particulars to Kamarul employment for the basis year 2022:

**a) Monthly remuneration and other benefits in cash:**

BCB

- Net salary of RM9,300 per month (net 11% EPF contribution, RM2,815 STD and RM425 SOCSO).
- Bonus equivalent to one month salary. Kamarul's monthly travelling and entertainment allowances were of RM2,250 and RM2,700 respectively.
- Gratuity of RM20,000 was received for his past services with the company.
- Kamarul incurred entertainment expenses of RM8,200 and travelling expenses of RM10,000 in carrying out his official duties.

SDSS:

- Monthly director fees of RM15,000.
- Reimbursement of salary of RM800 per month for a domestic servant employed by Kamarul.
- Tuition fees of RM5,000 was paid by the company for his youngest daughter's education in private school.

**b) Benefits in kind:**

BCB:

- A brand-new Honda Accord costing RM180,000 and a driver were provided to Kamarul since his first day with the company until 31 July 2022.
- A servant and a driver were provided to Kamarul until 31 July 2022. They were each paid RM1,000 per month by the company.
- Kamarul and his wife went for a vacation in France and Pulau Pinang in May 2022. The following expenses were paid by the company:

<b>Destinations</b>	<b>Airfare (RM)</b>	<b>Hotel (RM)</b>	<b>Food (RM)</b>
France	15,000	9,500	2,000
Pulau Pinang	3,500	2,500	2,000

SDSS:

- Corporate membership to the Selangor Golf Club, both entrance fee of RM3,450 and monthly subscription fee of RM500 were paid by company.
- Medical and dental expenses for Kamarul and his family for the year 2018 was RM2,600.
- A gardener with a salary of RM700 per month was paid by the company.
- Group personal insurance of RM1,200 was paid by the company.

**c) Accommodation benefits:**

BCB:

- An unfurnished condominium was provided to Kamarul until 31 July 2022. The condominium rental paid by the employer was RM1,500 per month.

SDSS:

- The company provided him a fully furnished bungalow with a monthly rental value of RM3,600, inclusive of RM750 for monthly furniture rental, effective from 1 August 2022.

**d) Unapproved scheme:**

- Withdrew RM20,000 from an unapproved fund whereby 60% of the fund was contributed by BCB.

**e) Loss of employment:**

- Received compensation for loss of employment of RM200,000 from BCB.

**f) Additional information:**

(i) Kamarul received interest from Maybank of RM3,500.

(ii) Kamarul also owned a stationary shop in Larkin, Johor. The following are the information which relate to his stationary shop business:

	RM
Adjusted business income	80,000
Capital allowance (current year)	10,000
Capital allowance (brought forward)	6,000
Balancing charge	7,000

(iii) Kamarul's wife, Zahilah is a non-working spouse.

(iv) Kamarul and Zahilah have 3 children. The details of their children are as follows:

- The first child, Razif (20 years old) (disabled) is studying at Universiti Malaya.
- The second child, Razman (18 years old) is a matriculation student at Universiti Putra Malaysia.
- The third child, Rozlina (15 years old) is schooling at Wangsa Maju International School.

- (v) Kamarul incurred the following:
- RM1,600 education insurance and RM1,400 medical insurance for her daughter, Rozlina
  - RM6,500 medical expenses for his parents.
  - RM2,500 on books and magazines.
  - RM640 for his own and Zahilah medical examination.
  - RM300 paid for the COVID-19 detection test.
  - RM7,500 for Razif's basic supporting equipment.
- (vi) Kamarul made a deposit into SSPN account during the year 2022 amounting to RM13,500 for his daughter, Rozlina.
- (vii) During the year, Kamarul made the following contributions:

	<b>(RM)</b>
Zakat	14,000
Disable Association (Approved Institution)	2,000

**Required**

- a) Calculate the income tax payable for Encik Kamarul for the year of assessment 2022. Clearly categorize each item of employment income under appropriate sub-sections of the relevant provision of the ITA 1967. Indicate Nil for any item that may not be chargeable or not to be included under business and employment income. (25 marks)
- b) Assuming you are the tax consultant for both husband and wife, advise them on the following matters:
- (i) If Kamarul was a director (not service director) of BCB, a controlled company, explain the tax treatments in relation to the payment of RM200,000 in consideration for his loss of employment. (2 marks)
- (ii) Justify in what situation, Kamarul should elect for a joint assessment. (3 marks)

**[Total 30 marks]**

**QUESTION 2**

Miss Tiara owns two shop houses and a residential house which were all rented out during the year 2022. The receipts and payments in respect of each of the properties for the period 1 January 2022 to 31 December 2022 are as follows:

**Shop house in Cheras**

<b>Receipts:</b>	<b>RM</b>	<b>RM</b>
Rental	54,000	
Rent deposit forfeited	10,800	
Water and electricity deposit (refundable)	2,200	67,000
<b>Payments:</b>		
Assessment and quit rent	3,710	
Fire insurance	2,400	

Loan interest	42,400	48,510
		<b>18,490</b>

- Rental at RM5,400 per month.
- The current tenant has been renting the shop house since 2021 and in December 2022, the tenant has discontinued the tenancy agreement. Miss Tiara agreed to offset the two months deposit against the November and December month rental.
- Included in the assessment and quit rent consist of a penalty for late payment of assessment for 2022 of RM190.00.

#### Shop house in Ampang

	RM	RM
Rental	43,500	
Rent deposit (refundable)	17,400	
Water and electricity deposit (refundable)	4,000	64,900
<b>Payments:</b>		
Water and electricity deposit refunded	4,000	
Fire insurance	1,550	
Assessment and quit rent	3,600	
Agent's fees to find tenant	900	
Repairs to the property	19,200	
New air conditioner units	12,000	41,250
		<b>23,650</b>

- Rental at RM8,700 per month.
- The first tenant moved out in April 2022 and the repairs were carried out to the property which consist of replacement for damaged bathrooms and repainting of walls.
- During the renovation, Miss Tiara also installed 2 new air conditioners units.
- Miss Tiara paid a property agent to look for a new tenant. The new tenant occupied the shop from August 2022.
- The payments for the refundable water and electricity deposit are refunded to the previous tenant.

#### Residential house in Bangi

	RM	RM
Rental	20,400	
Rent deposit (refundable)	10,200	
Water and electricity deposit (refundable)	2,500	
Advance rental for January and February 2023	10,200	43,300
<b>Payments:</b>		
Assessment and quit rent	3,600	
Valuation report	1,000	
Agent's fees to find tenant	1,800	
Fire insurance	800	

Furniture and fitting	4,200	
Renovation	6,110	
Legal fee for sales and purchase agreement	3,500	
Loan interest	12,000	33,010
		<b>10,290</b>

- Rent at RM5,100 per month
- The residential property was bought in January 2022 from a developer company and it has not been rented out previously.
- In June 2022, Miss Tiara carried minor renovation amounting to RM6,110.
- Tiara bought furniture and fitting to semi- furnished the house.
- Miss Tiara engaged a valuer to revalued the market price of the residential house.
- The first tenant occupied the house from September 2022 onwards.
- As the tenant is going for an overseas trip, he paid an advance rental of 2 months for January and February 2023.

**Required**

- a) Compute Miss Tiara's statutory income from rent for the year of assessment 2022. Indicate Nil for any item that may not be chargeable or not to be included under rental income. (14 marks)
- b) Explain the tax treatment for expenses incurred during the period of non-occupancy. (2 marks)
- c) There is a difference between source of rental income deriving from business and non-business. Indicate in what situation the rental income will be assessed under section 4(a) and section 4(d). (4 marks)
- d) Discuss the tax treatment for losses on rental income assessed under section 4(a) and section 4(d). (5 marks)

**[Total 25 marks]**

**QUESTION 3**

Roda Sdn Bhd (RSB) is a resident company in the business of the manufacture and assembly of automobile vehicles and accessories. The financial year of RSB is at 30 June 2022. The following capital expenditure was incurred by RSB:

**Year 2021**

- (i) The acquisition on hire purchase of a non-commercial car for the production manager was purchased in June 2021. The on-the-road price of the car was RM120,000 and details of the payments made by RSB are as follows:

	<b>RM</b>
Road tax and insurance	3,000
Deposit	50,000
Capital portion of each monthly instalment commencing from 1 June 2021	5,000

**Year 2022**

- (ii) On 1 January 2022, RSB purchase a spraying machine which cost RM70,000 and incurred RM2,000 for the cost of preparing the site for the installation.
- (iii) On 1 April 2022, RSB incurred RM750 for preparing, cutting and levelling of land for the installation of a hoist machine which cost RM6,000.
- (iv) On 10 June 2022, RSB disposed an office equipment for RM25,000 which it no longer required. The equipment had been purchased for RM30,000 on 3 March 2020.

*Both the spraying machine and hoist machine are to be treated as general plant and machinery under the capital allowance.*

**Required**

- a) Compute the capital allowances and residual expenditure for motor vehicle for the year assessment 2021 and 2022. (6 marks)
- b) Determine the qualifying plant and building expenditure for spraying machine and Hoist machine. Justify the reason whether the installation costs could be included as part of the qualifying expenditure. (9 marks)
- c) Compute the capital allowances and residual expenditure for both the machines for the year assessment 2022. (4 marks)
- d) Compute the capital allowances and residual expenditure for office equipment for year assessment 2020 and 2021. (3 marks)
- e) Calculate the balancing charge or balancing allowance arising from the disposal of office equipment. (1 mark)
- f) Determine the tax treatment if the balancing charge exceeds the amount of cumulative capital allowance. (2 marks)

**[Total 25 marks]**

**QUESTION 4**

Mr Vijay a UK resident first came to Malaysia on 15 October 2018. He was employed as lecturer in a private university in Kuala Lumpur. Given below are details of Vijay's stay in and outside Malaysia since the day he arrived in Malaysia:

Year	Period of stay	Place of stay	No. of days
2018	15 October to 28 December	In Malaysia	74
	29 December to 31 December (Note 1)	In UK	3
2019	1 January to 15 January (Note 1)	In UK	15
	11 January to 31 July	In Malaysia	197
	1 August to 31 December (Note 2)	In China	153

2020	1 January to 31 March (Note 2)	In China	90
	1 April to 31 July	In Malaysia	122
	1 August to 30 September (Note 2)	In Japan	61
	1 October to 31 December	In Malaysia	92
2021	1 January to 10 October (note 3)	In Sydney	283
	11 October to 31 December	In Malaysia	71
2022	1 January to 1 April (note 4)	In Malaysia	91

Note:

1. He was in UK as he needed to seek medical treatment in a private hospital.
2. His visit to China and Japan were entirely for holidays.
3. He was in Sydney to attend to his family business.
4. He left Malaysia on 2 April 2022 for another employment in China.

**Required**

- a) Determine the residence status of Mr Vijay for the years of assessment 2018 to 2022. Give reasons and quote the relevant provisions of the ITA 1967 to support your answer. (15 marks)
- b) Temporary of absence is deemed as period of presence under S7(1)(b), state **THREE (3)** situations where temporary of absence is permitted. (3 marks)
- c) State in which category of tax payers apply under subsection 7(1B) of the ITA 1967. (2 marks)

**[Total 20 marks]**

**END OF QUESTION PAPER**