



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **ACC2313 TAXATION 1**
Semester & Year : SEPTEMBER – DECEMBER 2021
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 = 8 (Including the cover page)

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 Redzuan was terminated from Bukit Gemilang Sdn Bhd at the age of 48 on 30 November 2020 due to company closing down its operation in Malaysia. He had been working with Bukit Gemilang Sdn Bhd for 15 years.

Puan Rahelia (Redzuan's wife) works as a Chemical Engineer at Sunville Sdn Bhd since 2016, a manufacturing company producing consumable products such as bio-soaps and detergent.

Below are the particulars to Encik Redzuan and Puan Rahelia employment for the basis year 2020:

a) Monthly remuneration and other benefits in cash:

Encik Redzuan:

- Salary before EPF deduction for the period from 1 January 2020 to 30 November 2020 amounted to RM85,000.
- Monthly SOCSO contribution was RM450 and total schedule tax deduction (STD) for the year remitted to Lembaga Hasil Dalam Negeri Malaysia was RM2,400.
- Gratuity of RM310,000 was received for his past services with the company.

Puan Rahelia:

- Salary of RM92,060 (net 11% EPF contributions, RM8,890 STD and RM510 SOCSO).
- Bonus received in November 2020 amounted to RM18,000.
- Entertainment allowance of RM600 per month.
- A personal computer worth RM3,000 for her personal use was received as a gift from her employer.
- A reimbursement amounted to RM9,000 was made to cover wages of a maid employed by Rahelia.

b) Benefits in kind:

Puan Rahelia:

- Traditional medical treatment at an approved hospital costing RM650 was paid by the company.
- Holiday leave passage to Osaka, Japan in June 2020 for Puan Rahelia and her husband. The air fare which amounted to RM5,800 and accommodation for their one week stay in Osaka which amounted to RM3,500 were all paid by the company.

- In August 2020, Puan Rahelia and her husband were provided with a fully paid four days holiday in Penang. The air fare which amounted to RM900 and accommodation which amounted to RM1,500 were paid for by the company.
- The company provided a new car costing RM250,000 together with a driver in July 2020. The driver's salary of RM1,800 per month was paid by the company.

c) Accommodation benefits:

Puan Rahelia:

- From February 2020 onwards, the company provides a fully furnished house with a monthly rental of RM1,500 and fully paid by the company.

d) Unapproved scheme:

Encik Redzuan:

- Withdrew RM140,000 from an unapproved fund whereby 60% of the fund was contributed by Bukit Gemilang Sdn Bhd.

e) Loss of employment:

Encik Redzuan:

- Received RM110,000 as compensation for loss of employment from Bukit Gemilang Sdn Bhd.

Additional information:

- (i) Redzuan runs a grocery shop since 1 January 2018. The adjusted income from the business for the period ended 31 December 2020 was RM90,000. For year assessment 2020, the capital allowances was RM10,500. Redzuan also received dividend from ASB amounted to RM22,000.
- (ii) In August 2020, Rahelia received a dividend from Telekom Malaysia (single tier) amounted to RM15,000.
- (iii) Redzuan and Rahelia have 3 children. The details of their children are as follows:
 - The first child, Razif 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 Sekolah Menengah Wangsa Maju.

Note: it is agreed that the child relief will be claimed under Encik Redzuan.
- (iv) Rahelia incurred RM1,600 education insurance and RM1,400 medical insurance for her daughter, Rozlina while Redzuan incurred RM6,500 medical expenses for his parents.
- (v) Redzuan made a deposit into SSPN account during the year 2020 amounting to RM13,500 for her daughter, Rozlina.

- (vi) Redzuan and Rahelia spent RM2,600 and RM2,800 respectively on books and magazines.
- (vii) Rahelia spent RM640 for her own medical examination while Redzuan spent RM7,500 for Razif's basic supporting equipment.
- (viii) During the year, Encik Redzuan and Puan Rahelia made the following contributions:

	Redzuan (RM)	Rahelia (RM)
Zakat	44,000	12,500
Diabetic Association (Approved Institution)	17,000	-
Majlis Perbandaran Ampang Jaya (MPAJ)	-	12,100

Required:

- a) Calculate the income tax payable for Encik Redzuan and Puan Rahelia for the year of assessment 2020. 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 business and employment income. (21 marks)
- b) Assuming you are the tax consultant for both husband and wife, advise them on the following matters:
- (i) If Encik Redzuan was a director (not service director) of Bukit Gemilang Sdn Bhd, a controlled company, explain the tax treatments in relation to the payment of RM110,000 in consideration for his loss of employment.
- (ii) In what situation, Encik Redzuan should elect for a joint assessment.

(4 marks)

[Total 25 marks]

QUESTION 2

Mr Seto, a Japanese citizen, was employed as an engineer by Tenaga Sdn Bhd for turnkey project. He arrived in Malaysia for the first time on 20 May 2015 and his contract with the company began on 1 June 2015 and ended on 31 August 2020. He left Malaysia permanently on 30 September 2020. Details of his stay in Malaysia are as follows:

Year	Periods of stay	No. of days
2015	20 May to 17 July	59
	19 November to 31 December	43
2016	1 January to 15 April (<i>Note i</i>)	105
	1 May to 20 August	112
2017	10 April to 30 September	174
	5 November to 12 December	38
2018	1 February to 30 May	119
2019	15 January to 10 April (<i>Note ii</i>)	86
2020	1 July to 30 September	92

Notes:

- (i) Mr Seto was in the Australia from 16 April 2016 to 30 April 2016 attending an academic conference.
- (ii) Mr Seto was in Japan from 1 January 2019 to 14 January 2019 for a holiday.

Required:

- a) Determine the residence status of Mr Seto for the years of assessment 2015 to 2020. Give reasons and quote the relevant provisions of the Income Tax Act 1967 to support your answer. (18 marks)
- b) Indicate whether all Malaysians will be automatically qualified as tax resident of Malaysia. State the main factor in determining the individual's tax resident status. (2 marks)
- c) List **TWO** (2) advantages of being a tax resident in Malaysia. (2 marks)
- d) 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)

[Total 25 marks]

QUESTION 3

Ozone Sdn Bhd (Ozone), a manufacturer of air-conditioners, makes up its accounts annually to 30 September.

Ozone commenced operations on 1 April 2019 and prepared its first two sets of accounts as follows:

- Period from 1 April 2019 to 30 September 2019
- Year from 1 October 2019 to 30 September 2020

The following additions were recorded in the company's non-current asset register in the year 2019:

Date acquired	Asset description	Cost (RM'000)
12 February	Mould machinery	500
1 April	Factory building, which includes a showroom and accounts office equal to 20% of its area	12,000
1 June	Non-commercial motor car acquired on hire purchase. The agreement provided for an initial deposit of RM50,000 and 12 monthly instalments commencing from June 2018 of RM8,000 including interest of RM500.	145

Required:

- a) State the basis periods applicable to Ozone Sdn Bhd for each of the years of assessment 2019 and 2020. (2 marks)
- b) Compute the qualifying expenditure, capital allowances/industrial building allowance and residual expenditure claimable by Ozone Sdn Bhd for the years of assessment 2019 and 2020. (13 marks)

On 28 November 2019, the following buildings were completed and put into use for the business from January 2020:

	RM
A semi factory	120,000
A restroom and canteen	18,000
Living quarters for administrative staff	50,000
Legal fees on the contract agreement for the construction of the factory	12,000
Architect fees regarding the building premises	15,000
Total cost	215,000

- c) Determine the qualifying building expenditure for the construction of the factory. (7 marks)
- d) Compute the industrial building allowances and residual expenditure claimable by Ozone Sdn Bhd for the year of assessment 2020. (3 marks)

[Total 25 marks]

QUESTION 4

Pearl Chong (Pearl) bought a condominium at SS2, Petaling Jaya on 1 August 2018 with a cash payment of RM500,000 and the balance of RM800,000 from ICBB Finance Berhad and the first loan payment was made on 1 July 2019.

Pearl engaged a contractor for some minor renovation and interior design work before it is renting out on 1 January 2020. She also advertised on property website to search for potential tenant.

In January 2020, Pearl managed to secure a short term tenancy for a period of 3 months with Excel Engineering to provide temporary accommodation for its expatriate engineers. After the tenancy expired at the end of March 2020, Pearl started to advertise using the same platform to look for her next tenant.

On 2 May 2020, Pearl managed to secure a 2-year tenancy agreement with Vijayan Kumar (VK) commencing on 1 June 2020.

Pearl engaged the services of tax consultant, KK Lim to prepare her tax computations and tax returns. As she is inexperienced of the tax submission, she submitted the following simplified statement of income and expenditure from 2019 to 2020:

	RM	RM
Receipts:		
January – March (RM2,500 x 3)	7,500	
June – December (RM3,000 x 7)	21,000	
Deposit (refundable)	6,000	
Deposit for utilities such as electricity and water	2,000	36,500
Payments:		
Renovation	30,000	
Installation of new kitchen cabinet	8,500	
Repainting the wall after the first tenant moved out	1,500	
Loan processing fee	3,000	
Stamp duty (purchase of condominium)	24,000	
Legal fees: sales & purchase agreement	12,000	
Advertising (to secure tenant) – first tenant	500	
– second tenant	600	
Loan interest – 1 July to 31 December 2019	4,100	
– 1 January to 31 December 2020	8,010	
Assessment – 2019	260	
–2020	560	
Penalty for late payment of assessment for 2020	160	
Deposit refunded to previous tenant	2,500	
Fire insurance – 2019	750	
– 2020	1,350	(97,790)
Net rental		(61,290)

Additional notes:

As VK will be away for holidays with his family in Hokkaido, he has paid an advance rental of RM6,000 on 20 December 2020 being the payment for the month of January and February 2021 respectively. This advance rental is not included in the rent receipts of the income and expenditure submitted to KK Lim.

Required:

- Compute Pearl Chong's statutory income from rent for the year of assessment 2020. Include 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 from April to May 2020. (2 marks)
- c) There is a different 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]**

END OF QUESTION PAPER