



**FACULTY OF BUSINESS**

**FINAL EXAMINATION**

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Course Code & Name : **ACC2313 TAXATION 1**  
Semester & Year : SEPTEMBER – DECEMBER 2022  
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 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.

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**QUESTION 1**

Encik Talib Hisham (Talib) was a financial controller working with Telcom Malaysia Berhad (TMB) since 1 July 2013 until his termination on 30 June 2021. He had been working with TMB for 8 years.

Talib then commenced employment with Saffron Consulting Sdn Bhd (SCSS) in Sabah as a financial consultant on 1 July 2021.

Below are the particulars to Talib employment for the basis year 2021:

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

TMB:

- Total net salary of RM44,586 (net 12% EPF contribution, RM2,815 STD and RM119 SOCSO)
- Gratuity of RM27,000 was received for his past services with the company.

SCSS:

- Total net salary of RM29,839 drew from SCSS (net 12% EPF contribution, RM1,722 STD and RM119 SOCSO)
- Monthly entertainment allowance of RM500 per month and he incurred RM4,250 on entertaining company's customers for the year.
- He was also eligible for a two-month bonus for the year 2021 and was paid on 31 December 2021.
- Schooling payment of RM12,250 for Talib's children

**b) Benefits in kind:**

- Traditional medical treatment at an approved hospital costing RM550 was paid by TMB.
- Holiday leave passage to Seoul, South Korea in February 2021 for Talib and his family. The air fare which amounted to RM8,800 and accommodation for their one week stay in Seoul which amounted to RM3,500 were all paid by TMB.
- In June 2021, Talib and his family 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 TMB.
- SCSS provided a new car costing RM250,000 together with a driver in July 2021. The driver's salary of RM1,800 per month was paid by the company.
- Talib's salary package included the following benefits in kind from SCSS, applicable for the period 1 July to 31 December 2021:

	<b>RM</b>
Group personal insurance	750
Golf club entrance fees paid by SCSS	21,500
Golf club monthly subscription fees paid by SCSS	6,000

**c) Accommodation benefits:**

- Accommodation was provided in a semi furnished terrace house by SCSS. The rental was RM3,300 per month including RM700 per month for the furnishing paid by the company.

**d) Unapproved scheme:**

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

**e) Loss of employment:**

- Received RM50,000 as compensation for loss of employment from TMB.

Additional information:

- (i) Talib's wife, Zahilah is a non-working spouse.
- (ii) Talib runs a grocery shop since 1 January 2017. The adjusted income from the business for the period ended 31 December 2021 was RM70,000. For year assessment 2021, the capital allowance was RM8,500.
- (iii) In August 2021, Talib received dividend from ASB amounted to RM5,000.
- (iv) Talib 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 Sekolah Menengah Wangsa Maju.
- (v) Talib 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) Talib made a deposit into SSPN account during the year 2021 amounting to RM13,500 for his daughter, Rozlina.
- (vii) During the year, Talib and Zahilah made the following contributions:

	<b>Talib (RM)</b>	<b>Zahilah (RM)</b>
Zakat	14,000	2,500
Disable Association (Approved Institution)	2,000	-

**Required:**

- a) Calculate the income tax payable for Encik Talib Hisham for the year of assessment 2021. 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. (25 marks)
- b) Assuming you are the tax consultant for both husband and wife, advise them on the following matters:
- (i) If Talib was a director (not service director) of TMB, a controlled company, explain the tax treatments in relation to the payment of RM80,000 in consideration for his loss of employment. (2 marks)
- (ii) Justify in what situation, Talib should elect for a joint assessment. (3 marks)
- [Total 30 marks]**

**QUESTION 2**

Mr Steve Chong (Steve) bought a terrace house at Damansara Utam , Petaling Jaya in 2014 and had it rented out since then.

On 1 April 2020, A tenancy agreement was signed with Jojo Airbnb to rent out as a vacation accommodation. After the tenancy expired at the end of March 2019, Steve started to advertise using the same platform to look for her next tenant.

Steve then engaged a contractor for some minor renovation and interior design work before it is renting out on 1 June 2021. He also advertised on property website to search for potential tenant.

On 2 May 2021, Steve managed to secure a 2-year tenancy agreement with Gilbert Soo commencing on 1 June 2021.

Steve engaged the services of tax consultant, KK Consultancy to prepare his tax computations and tax returns. As he is inexperienced of the tax submission, he submitted the following simplified statement of income and expenditure from 2021:

	RM	RM
<b>Receipts:</b>		
January – March (RM2,500 x 3)	7,500	
June – December (RM3,600 x 7)	25,200	
Deposit (refundable)	7,200	
Deposit for utilities such as electricity and water	1,000	36,500
<b>Payments:</b>		
Renovation to extend the master bedroom	15,000	
Installation of new kitchen cabinet	8,500	

Repainting the wall after the first tenant moved out	1,500	
Replacement of damaged bathroom door	640	
Replacement of the old air conditioner	1,800	
Extension of storage space to kitchen	3,000	
Advertising to secure tenant	500	
Rental agreement fees - Gilbert Soo	100	
Deposit refundable to Jojo Airbnb (2 months)	5,000	
Loan interest – year 2021	8,010	
Municipal assessment	780	
Parcel rent (cukai petak)	330	
Deposit refunded to previous tenant	2,500	
Fire insurance	1,350	49,010
<b>Net rental</b>		<b>(12,510)</b>

Additional information

- (i) Parcel rent of RM330 includes RM30.00 being amount short paid for the previous year.
- (ii) Penalty for late payment of assessment for 2021 Of RM50.
- (iii) As Gilbert Soo will be away for holidays with his family in Osaka, Japan, he has paid an advance rental of RM7,200 on 20 December 2021 being the payment for the month of January and February 2022 respectively. This advance rental is not included in the rent receipts of the income and expenditure submitted to KK Consultancy.

**Required:**

- a) Compute Pearl Chong's statutory income from rent for the year of assessment 2021. 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.  
(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]**

### QUESTION 3

Maju Sdn Bhd (MSB), a manufacturer of valves and pipe fittings, makes up its accounts annually to 30 September.

Maju commenced operations on 1 April 2020 and prepared its first two sets of accounts as follows:

- Period from 1 April 2020 to 30 September 2021
- Year from 1 October 2021 to 30 September 2022

#### **Required**

- a) State the basis periods applicable to MSB for each of the years of assessment 2021 and 2022.

(2 marks)

Due to expansion of the factory, MSB recorded the following non-current asset register in the year 2021:

Date acquired	Asset description	Cost (RM'000)
12 February	High precision CNC machine	300
1 April	Factory building, which includes a showroom and accounts office equal to 30% of its area	15,000
1 June	Non-commercial motor car acquired on hire purchase. The agreement provided for an initial deposit of RM30,000 and 12 monthly instalments commencing from June 2020 of RM2,000 including interest of RM500.	160

#### **Required:**

- b) Compute the qualifying expenditure, capital allowances/industrial building allowance and residual expenditure claimable by MSB for the years of assessment 2021 and 2022. (13 marks)

On 28 November 2020, the following buildings were completed and put into use for the business from January 2021:

	RM
A semi factory	150,000
A restroom and canteen	20,000
Living quarters for administrative staff	30,000
Legal fees on the contract agreement for the construction of the factory	15,000
Architect fees regarding the building premises	22,000
<b>Total cost</b>	<b>237,000</b>

- 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 MSB for the year of assessment 2021. (3 marks)

**[Total 25 marks]**

#### QUESTION 4

Mr Jason Li, an Information Technology senior executive from mainland China, was under an employment contract in Malaysia with MSC Sdn Bhd since 1 November 2016. Since then, his pattern of stay until he left Malaysia permanently on 31 December 2021 is as follows:

Year	Period of stay	Place of stay	No. of days
2016	1 November - 31 December	In Malaysia	62
2017	1 January - 31 December	In Malaysia	365
2018	1 January - 25 June	In New Zealand, staying with his uncle	176
	26 June - 13 July	In France undertake a company project	19
	14 July - 31 December	In Malaysia	170
2019	1 January - 1 November	In China	335
	2 November - 31 December	In Malaysia	30
2020	1 January - 17 November	In Malaysia	322
	18 November - 30 November	In China for a vacation	13
	1 December - 18 December	In Malaysia	18
	19 December - 31 December	Family holidays in France	12
2021	1 January - 24 March	In Malaysia	84
	25 March	He left China for another company	

**Required:**

- a) Determine the residence status of Mr Jason Li for the years of assessment 2016 to 2021. Give reasons and quote the relevant provisions of the ITA 1967 to support your answer. (12 marks)
- b) List **TWO** (2) advantages of being a tax resident in Malaysia. (2 marks)
- c) 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)
- d) State in which category of tax payers apply under subsection 7(1B) of the ITA 1967. (3 marks)

**[Total 20 marks]**

**END OF QUESTION PAPER**