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**QQI**

**BA (Hons) Accounting and Finance (Year 3)**

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## **SUMMER 2024 EXAMINATIONS**

*Module Code:* **B8AF104**

*Module Description:* **TAXATION SYSTEMS (MALAYSIA)**

*Examiner:* **SYAHIRA MD NOR**

*Internal Moderator:* **ROSDIANA RAPPA**

*External Examiner:*

*Date:*

*Time:*

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### **INSTRUCTIONS TO CANDIDATES**

**Answer ALL questions in Section A.**

**Answer TWO questions in Section B.**

**Calculations and workings should be made to the nearest RM.**

**All apportionments should be made to the nearest whole month.**

**All workings must be clearly shown and cross-referenced.**

Exam questions will be based on the table given below:

### Personal Reliefs (YA 2023)

		<b>RM</b>
Self		9,000
Disabled self, additional		6,000
Medical expenses, expended on parents	(maximum)	8,000
Medical expenses expended on self, spouse or child with serious disease, including up to RM 1,000 for medical examination + vaccination, includes fertility treatment for spouses, COVID-19 detection test or mental health	(maximum)	10,000
Basic supporting equipment for disabled self, spouse, child or parent	(maximum)	6,000
Study course fees for skills or qualifications	(maximum)	7,000
Lifestyle allowance	(maximum)	2,500
Additional lifestyle allowance for sports related items	(maximum)	500
Spouse relief		4,000
Disabled spouse, additional		5,000
Child – basic rate	(each)	2,000
Child – higher rate	(each)	8,000
Disabled child	(each)	6,000
Disabled child, additional	(each)	8,000
Childcare (below six years old)	(maximum)	3,000
Breastfeeding equipment (child below 2 years old)	(maximum)	1,000
Life insurance (public servant)		7,000
Life insurance premiums RM 3,000 (max) and contributions to approved funds EPF RM 4,000 (max)	(maximum)	7,000
Private retirement scheme contributions, deferred annuity premiums	(maximum)	3,000
Medical and/or education insurance premium for self, spouse or child	(maximum)	3,000
Deposit for a child into the National Education Savings Scheme	(maximum)	8,000
Contribution to Social Security Organisation (SOCSO)	(maximum)	350

### Rebates

<b>Chargeable income not exceeding RM 35,000</b>	<b>RM</b>
Individual – basic rate	400
Individual entitled to a deduction in respect of a spouse or a former wife	800

### Value of Benefits in Kind

Car and fuel scale		
Cost of motor car (when new)	Prescribed annual value of private usage of motor car	Prescribed annual value of private petrol
RM	RM	RM
Up to 50,000	1,200	600
50,001 to 75,000	2,400	900
75,001 to 100,000	3,600	1,200
100,001 to 150,000	5,000	1,500
150,001 to 200,000	7,000	1,800
200,001 to 250,000	9,000	2,100
250,001 to 350,000	15,000	2,400
350,001 to 500,000	21,250	2,700
500,001 and above	25,000	3,000

Note:

1. The value of the car benefit equal to half the prescribed annual value (above) is taken if the car provided is more than five (5) years old.

### Other Benefits

	RM per month
Household furnishings, apparatus and appliances:	
Semi-furnished with furniture in the lounge, dining room or bedroom	70
Semi-furnished with furniture as above plus air-conditioners and/or curtains and carpets	140
Fully furnished premises	280
Domestic help	400
Gardener	300
Driver	600

### Capital Allowances

	Initial Allowance (IA) Rate %	Annual Allowance (AA) Rate %
Industrial buildings	10	3
Warehouse	Nil	10
Plant and machinery – general	20	14
Computer	20	20
Motor vehicles and heavy machinery	20	20
Office equipment, furniture and fittings	20	10
<b>Agriculture allowance</b>		
Buildings for the welfare of or as living accommodation for farm employees	Nil	20
Other buildings used in the business	Nil	10
All other qualifying agricultural expenditure	Nil	50

### Real Property Gains Tax

	Companies	Individuals – non-citizens and non-permanent residents	All other persons
	Rate %	Rate %	Rate %
<b>Category of disposal</b>			
Disposal within three years of the date of acquisition	30	30	30
Disposal in the fourth year after the date of acquisition	20	30	20
Disposal in the fifth year after the date of acquisition	15	30	15
Disposal in the sixth year after the date of acquisition or thereafter	10	10	0

RPGT is levied on any capital gains from the disposal of real property situated in Malaysia.

### Calculation of Income Tax Payable

Income Tax Rates (Resident Individuals)				
Chargeable income	RM	RM	Rate %	Cumulative tax RM
First	5,000	(0 – 5,000)	0	0
Next	15,000	(5,001 – 20,000)	1	150
Next	15,000	(20,001 – 35,000)	3	600
Next	15,000	(35,001 – 50,000)	6	1,500
Next	20,000	(50,001 – 70,000)	11	3,700
Next	30,000	(70,001 – 100,000)	19	9,400
Next	150,000	(100,001 – 250,000)	25	46,900
Next	150,000	(250,001 – 400,000)	25	84,400
Next	200,000	(400,001 – 600,000)	26	136,400
Next	400,000	(600,001 – 1,000,000)	28	248,400
Next	1,000,000	(1,000,001 – 2,000,000)	28	528,400
Exceeding	2,000,000		30	

### Calculation of Income Tax Payable

Paid up ordinary share capital	Chargeable income			
	First RM 150,000	Next up to RM 600,000	Excess over RM 600,000	Fixed
<b><u>Resident company:</u></b>				
i) RM 2,500,000 or less & gross business income ≤ RM 50million	15%	17%	24%	
ii) More than RM 2,500,000 capital	24%	24%	24%	
<b><u>Non - Resident:</u></b>				
iii) Company				24%
iv) Individual				30%

### Sales and service tax

Sales tax rate	0% / 5% / 10%
Service tax rate	6%

**Section A: Both questions are COMPULSORY.****Question 1**

Ansell Sdn Bhd, a Malaysian tyre production company employed Amin as a quality control officer. Amin is married with a child aged 9. He does not elect to file a joint assessment with his wife.

Details of his income, perquisite, benefits in kind and expenditure for the year ended 31 December 2023 provided by Ansell Sdn Bhd are as follows:

<b>Income and Benefits:</b>	<b>RM</b>
Salary per annum (Net of 11% EPF contribution).	128,160
A three-year-old car that originally cost RM180,000 was provided to Amin together with fuel.	180,000
The company provides an interest subsidy on his condominium of RM360,000. The interest subsidy paid by the company amounted to RM54,000.	To be computed
The bonus amounted to two months of gross salary. RM8,000 was expected to be paid in February 2024 while the balance was paid during 2023.	To be computed
Entertainment allowance provided with effect from 1 June 2023.	2,000 per month
A domestic servant was provided to Amin with effect from 1 July 2023 and paid by Ansell Sdn Bhd.	1,000 per month
Reimbursement of salary in respect of a gardener employed by Amin during the year.	21,000
Childcare allowance for Amin's 9 years old son.	5,000
Parking allowance	3,600
Amin is provided with unfurnished accommodation by Ansell Sdn Bhd from 1 March 2023. Ansell Sdn Bhd incurred a rental expense of RM 8,000 per month. Amin was required by Ansell Sdn Bhd to contribute a sum of RM250 per month for the maintenance of the premises, commencing from 1 March 2023.	To be computed
The income tax payable by Amin is borne by the company. Income tax payable by Amin for YA 2022 amounted to:	2,000
Holiday trip to Langkawi provided free of charge to Amin. The breakdown of the costs are as follows: Air fares – RM600 Hotels and meals – RM1,000	1,600
Other sources of income: 1. Interest on fixed deposit with Maybank	15,000

2. <u>Partnership</u>	
Share of adjusted income	106,000
Share of capital allowance	3,000
Share of approved cash donation	9,000
<b>Expenditure incurred by Amin:</b>	
Entertainment expenses incurred to entertain company's clients.	9,000
A gift of money donated to an approved institution.	5,000
Employee Provident Fund (EPF)	15,840
Life insurance premium	2,000

**Required:**

**Compute the Income Tax Payable of Amin for the year of assessment 2023.**

**Total: 25 marks**

**Notes:**

- (1) Where relevant, your computation should state an item of income / expenditure as NIL, '0' or '-' for which no adjusting entry needs to be made in the tax computation.
- (2) Marks will be awarded for the use of accurate technical terms to describe the figures calculated at various stages of your tax computation.

**Question 2**

Sonic Sdn Bhd is a large resident company with paid-up ordinary share capital of RM2,700,000. The company is engaged in the manufacturing of semiconductors for electrical equipment. Details of the company's profit and loss account for the year ended 31 December 2023 is as follows:

	Note	RM'000	RM'000
Revenue			80,500
Add: Rental Income		140	
Dividend income	1	30	
Other income	2	70	
			<u>240</u>
			80,740
Less: Cost of sales			<u>(50,740)</u>
Gross profit			<u>30,000</u>
Less: Salary, bonus and EPF	3	1,028	
Repairs and maintenance costs	4	430	
Depreciation		200	
Audit fee	5	150	
Entertainment costs	6	90	
Donation	7	350	
Motor vehicles expenses	8	36	
Foreign exchange	9	55	
Bad and doubtful debts	10	350	
Miscellaneous expenses	11	920	
			<u>(3,609)</u>
Net profit before taxation			<u>26,391</u>

**Notes:****(1) Dividend income:**

The dividend income is in relation to foreign dividend income received from a UK company.

**(2) Other income:**

Other income includes profit on disposal of van amounting to RM20,000 and fixed deposit interest from Public Bank Berhad of RM50,000. The balancing charge for this van has been computed at RM15,000.



**(3) Salary, Bonus and EPF includes:**

<b>Expenses</b>	<b>Staff</b>	<b>Directors</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Salary	500	300	800
Bonus	50	40	90
<b>Company's EPF</b>	66	71.4	137.4
<b>Total</b>			<b>1,027.4</b>

(i) The Company's Employees Provident Fund (EPF) contribution is at the rate of 12% for staff and 21 % for directors, based on salary and bonus.

(ii) The salary and bonus include RM80,000 paid to disabled employees.

**(4) Repair and maintenance:**

Included in this figure in an initial repair of RM5,000 incurred on a newly acquired asset. The balance in the account is in relation to routine repair work.

**(5) Audit fee:**

Audit fee incurred during the year includes tax filing fee of RM10,000 and secretarial fee of RM6,000.

**(6) Entertainment consists of:**

	<b>RM'000</b>
Staff annual dinner	20
Entertainment for customers (wholly related to sales)	20
Annual dinner for suppliers	50

**(7) Donation:**

Donation made during the year to approved institution was RM100,000 in cash and RM200,000 in kind. In addition, included in this account is business zakat paid of RM50,000.

**(8) Motor vehicle expenses consists of:**

	<b>RM'000</b>
Lease rental of car	30
Interest on hire purchase	6
	<b>36</b>

The company leased a second-hand Toyota car costing RM70,000 for the sales manager at a lease rental of RM2,500 per month commencing on 1 April 2022.

**(9) Foreign exchange**

The exchange difference was in respect of the following transactions:

	<b>RM'000 (Loss)</b>
Settlement of trade payable (Realised)	25
Settlement of trade receivables (Unrealised)	30
Total net loss in exchange for the year	55

**(10) Bad and doubtful debts comprise:**

	<b>RM'000</b>
General impaired trade debt brought forward	(300)
Specific impaired trade debt brought forward	(50)
General impaired trade debt carried forward	400
Specific impaired trade debt carried forward	<u>300</u>
	<u>350</u>

**(11) Miscellaneous expenses**

The miscellaneous expenses inclusive of RM30,000 legal fees incurred for embezzlement by director.

**(12) Capital allowances on factory machinery are as follows:**

	<b>RM'000</b>
Capital allowance brought forward	75
Capital allowance for current year	740

The company has brought forward business loss of RM100,000 from previous year.

**Required:**

Compute the tax payable by Sonic Sdn Bhd for the year assessment 2023. Every item mentioned in the **notes** to the accounts must be listed in your computation, indicating it with 'NIL', '0' or '-' in the appropriate column where no adjustment is necessary. Start your computation from net profit before taxation. Showing clearly adjusted and statutory business income, aggregate income, and chargeable income.

**Total: 25 marks**

**SECTION B: Answer ANY Two (2) questions**

Meena, a resident in Malaysia is the owner of a condominium unit located in Eco City, Puncak Alam. Currently, she is renting out the unit to a tenant. The details of her investment property for the year of assessment (YA) 2023 are as follows:

**Eco City Condominium, Puncak Alam:**

	RM	RM
<b><u>Receipts:</u></b>		
Rental: -		
January - June	18,000	
July - September	10,500	
October - December	12,000	
Refundable deposit	6,000	
Advance rental	4,000	
Deposit for electricity & water	2,000	
		52,500
<b><u>Payments:</u></b>		
Bank interest (housing loan)	2,400	
Renovation to living hall	5,200	
Installation of air conditioning	1,300	
Replacement of damaged sink	350	
Quit rent:		
2023	1,500	
2024	1,750	
Assessment	3,000	
Penalty for late payment of assessment	250	
		(15,750)
Net rental		36,750

**Required:**

a. Compute the adjusted income from rental for Meena for YA 2023.

**(15 marks)**

b. Explain the tax treatment for the following items: -

i. Rental loss under S4(d).

**(2 marks)**

- ii. Revenue expenses incurred during the temporary non-occupation period.

**(2 marks)**

- iii. Rental income if the maintenance and support services are comprehensively and actively provided in relation to the rented property.

**(1 mark)**

- c. In addition, Meena's also is a freelance translator and author. The following is related to her income and expenditures from royalties for the YA 2023: -

	<b>RM</b>
<b><u>Income:</u></b>	
From translation (specific request from the Ministry of Higher Education)	18,000
From books	70,000
<b><u>Expenditures:</u></b>	
Cost of computer	4,000
Editing expenses	5,000

**Required:**

Compute the adjusted income from royalties for Meena for the year of assessment 2023.

**(5 marks)**

**Total: 25 marks**

**Question 4**

Sainsbury Sdn Bhd closes its account on 30 September annually. The company carried on a manufacturing business in a rented factory up to 30 September 2022. It completed the construction of its own factory, office premises as well as showroom and commenced the manufacturing operations in its new building in October 2022. 20% of the total floor space of the factory building was used as an office and showroom. The details of its expenditure for the year ended 30 September 2023 are as follows:

	<b>RM</b>
Land	300,000
Legal fees for:	
- Agreement for purchase of land	6,000
- Agreement with the building contractor	2,000
Consultants' fees and building plans	35,000
Architect fees	4,000
Construction costs	275,000
	622,000

**Required:**

- a. Compute the industrial buildings allowance (IBA) due to the company, if any for the years of assessment (YAs) 2022 and 2023. State clearly the residual expenditure for YA 2023.

**(10 marks)**

- b. Compute the statutory income for the company for YA 2023 if the adjusted income and capital allowances (before IBA in (a) above) are:

	<b>Adjusted income</b>	<b>Capital allowances</b>
	<b>RM</b>	<b>RM</b>
YA 2023	600,000	150,000

**(2 marks)**

- c. State two (2) conditions for a person to be eligible to claim IBA.

**(2 marks)**

In addition, the company acquired a new Honda City on 4 July 2021 which cost RM110,000. However, on 20 August 2023, the company traded in the car for a new Hilux to be used in the business.

Details are as follows:

	<b>RM</b>
Cost of the Hilux	140,000
Trade-in value of the Honda City	(50,000)
Hire-purchase loan (excluding interest)	90,000

Total number of instalments	24
Date of first instalment	1 September 2023

- d. Explain the applicable tax rules in determining the qualifying expenditure for commercial and non-commercial vehicles for capital allowances purposes.

**(3 marks)**

- e. Compute the capital allowances in respect of the Honda City for YAs 2021 and 2022 and balancing allowance / balancing charge upon its disposal in YA 2023. Clearly state the residual expenditure for each YAs.

**(6 marks)**

- f. Determine the qualifying expenditure for capital allowance purposes in respect of the Hilux for YA 2023.

**(2 marks)**

**Total: 25 marks**

**Question 5**

On 1 May 2020, Shah, a citizen of Malaysia, signed a sale and purchase agreement with a property developer to purchase his first bungalow for RM730,000. He incurred legal fees and stamp duty of RM21,000 and RM15,000 respectively. He also paid RM70,000 interest on loan to acquire the bungalow.

Shah renovated the property incurring capital expenditure of RM35,000. Once the renovation was completed, Shah took up residence in the house on 15 August 2020.

In October 2022, Reena made an offer to Shah to buy his bungalow. She already paid a deposit amounting to RM10,000. Unfortunately, she is unable to obtain a loan to fund her plan bungalow purchase. The deposit paid earlier was subsequently forfeited by Shah.

On 30 November 2023, Shah signed a sale and purchase agreement to sell the house to his colleague, Aireen for RM900,000.

The full consideration was transferred to Shah's account on 31 December 2023, but the legal title of the property was only transferred to Aireen on 5 January 2024. In selling the bungalow, Shah incurred the following incidental costs:

	<b>RM</b>
Brokerage fee	1,000
Advertisement cost	4,600

Shah had a brought forward RPGT loss of RM3,000 arising from a sale of a factory as at the start of year of assessment 2013.

**Required:**

- State, with reasons for real property gains tax purposes, the date Shah acquired the house and the date he disposed of the house to Aireen.  
(3 marks)
- Compute Shah's real property gains tax (RPGT) liability on the disposal of the property by Shah to Aireen. Assume that Shah did not elect for exemption from real property gains tax in respect of private residence.  
Your answer should clearly indicate Disposal price and Acquisition price.  
(16 marks)
- If Shah and Aireen had not signed a written agreement, but merely agreed orally to the price of RM900,000, state, with reasons, what the date of disposal would have been.  
(3 marks)

- d. Advise Shah on his RPGT filing obligation on the disposal of the bungalow.  
**(2 marks)**
- e. Advise Shah regarding his real property gains tax implication if he gives the house to his son as a birthday present.  
**(1 mark)**

**Total: 25 marks**

**END OF EXAMINATION**