



FINAL EXAMINATION

COURSE : PERSONAL TAXATION

COURSE CODE : PTX1023

DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES :

1. This question paper consists of **FOUR (4)** questions
2. Answer ALL questions in the Answer Booklet provided.
3. Please check to make sure that this examination pack consists of :
 - i. The Question Paper
 - ii. An Answer Booklet
 - iii. Appendices – 1) Appendix 1: Tax Rates of Chargeable Income
2) Appendix 2: Capital Allowance
3) Appendix 3: Real Property Gain Tax Rates
4) Appendix 4: Reliefs
4. Do not bring any material into the examination hall unless permission is given by the invigilator.
5. Please write your answer using a ball-point pen.

MYKAD NO : _____

ID. NO. : _____

LECTURER : _____

SECTION : _____

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

The question paper consists of 07 printed pages including cover page

MAR/A/PTX1023

Essay

1. (20 points)

- a. List **THREE (3)** types of the capital expenditure which can be regarded as qualifying expenditures for the purpose of claiming capital allowance for plant and machinery under Schedule 3 of Income Tax Act 1967. (3 points)
- b. State **TWO (2)** conditions where balancing charge may arise. (2 points)
- c. Selasih Enterprise is a partnership business owned by Adam and Razif. The following are information related to assets of the business for the year ended 31 October 2017:

Assets	Cost (RM)	Date of Purchase
Car (Toyota)	125,000	1 March 2014
Machinery	55,000	1 July 2015
Furniture	8,000	1 April 2016

- (i) Car (Toyota)
The car was purchased for the use of Sales Manager of the business. However, on August 2017, the car was sold for RM45,000.
- (ii) Furniture
On 1 February 2017, Adam disposed the furniture for RM1,500.
- (iii) Machinery
The business also incurred RM12,000 for cost of preparing the site for installation.

Required:

Compute the amount of capital allowance, balancing charge or balancing allowance (if any) for Selasih Enterprise for all years of assessment until year assessment 2017. (15 points)

2. (15 points)

Kamal acquired a bungalow in Pahang for RM435,000 on 13 April 2013. With the purchase, he incurred RM2,000 and RM5,000 for stamp duty and professional fees respectively. Kamal then extend the bungalow by enlarging the kitchen costing RM35,000. On 30 September 2017, Kamal decided to sell his bungalow to his cousin, Emma for RM535,000. However, before selling the house, Kamal discovered a dispute on the original agreement and he subsequently incurred RM4,500 legal fees in establishing his title over the bungalow. On the disposal, he incurred several expenditures as follows:

Legal fees on sale and purchase agreement	RM3,000
Valuation fees	RM3,600
Advertisement	RM400

Required:

- Determine the disposal date and acquisition date and compute the real property gains tax (RPGT) arising from the disposal of the bungalow by Kamal. (10 points)
- List **TWO (2)** incidental cost incurred on the acquisition of real property. (2 points)
- Define permitted expense in the computation of disposal price. (3 points)

3. (30 points)

Solahudin operates a single business, Svision Enterprise that sells spectacle frames and eye-wears in a two storey shop lot. The following is the Statement of Comprehensive Income for the year ended 31st October 2017:

		RM	RM
Sales revenue			450,000
Less: Cost of goods sold			(215,000)
Gross Profit			<u>235,000</u>
Add: Other Income			
Gain on disposal of motor vehicle		20,000	
Dividend	1	<u>30,000</u>	<u>50,000</u>
			285,000
Less: Expenses			
Rental shop	2	12,000	
Utilities bills	3	8,400	
Salaries, Bonus & EPF	4	64,184	
Repair	5	15,000	
Entertainment	6	3,100	
Depreciation		7,600	
Fees	7	2,500	
Penalty	8	3,500	
Bad debts	9	2,000	
Travelling	10	12,000	(130,284)
Net Profit			<u><u>154,716</u></u>

Additional Information:

- Dividend received is single-tier dividend from Mediacorp Sdn.Bhd
- The upper level of the shop was used as a rest room and surau for staff.
- Utilities bills comprise of:

Water and electricity bills	RM8,000
Unifi bill	RM400

4. Salaries, Bonus & EPF

	Salary (RM)	Bonus (RM)	EPF (RM)
Solahudin	24,000	4,000	3,640
Mira (employee)	14,400	2,400	2,184
Jamil (disabled employee)	9,600	2,400	1,560

5. Repair

Repair of eye-test machine	RM8,000
Installation of air-conditioner unit at the upper level	RM4,000
Repair of Solahudin's vehicle	RM3,000

6. Entertainment expenses are refreshment for prospective customers.

7. Fees

Employees training and seminars	RM1,700
Solahudin gym's registration	RM800

8. Penalty expenses is the penalty paid for dengue in business compound.

9. Bad debts

General bad debt	RM500
Specific bad debt	RM1,000
Bad debt written off	RM500

10. Travelling expenses include the air ticket to Australia for personal matters amounted to RM10,000.

11. Solahudin took a spectacle frame costing RM2,000 for his son's use. The market value of the spectacle frame is RM3,000 and it was not recorded in the book.

12. Others information are as follows:

Capital allowance	RM8,000
Balancing charge	RM19,000

Required:

Compute the Statutory Business Income of Solahudin for the year of assessment 2017. (Indicate 'nil' or '-' in the appropriate column for any item/s that does not require any adjustment).

4. (35 points)

- Define the meaning of 'disable person'. (2 points)
- List **THREE (3)** items for rebate. (3 points)
- Mr. Ronijam is an interior designer company in RAINBOW DESIGN BHD since March 2010. He retired at age 52 years old due to ill health on 31 August 2017. His wife, Mrs. Sara work as a teacher in Terengganu. Both of them are tax residents in Malaysia for year of assessment 2017. Below are the details of Mr. Ronijam and Mrs. Sara.

Mr. Ronijam

Employment Income:

Salary	RM6,450 per month (net after EPF at 11%)
Bonus	Equal to three months salary

Dividend Income:

Pioneer Company	RM1,900
Public Bank Berhad	RM2,400

Interest Income:

Agro Bank Berhad	RM1,300
------------------	---------

Royalty Income:

- Mr. Ronijam is an author of simple & classy interior home. In year 2017, he received RM38,000 from the books that he had written.
- In year 2017, he translated a book that requested by Ministry of Education. He received RM17,300 as a translation fees.
- Information regarding business owned by Mr. Ronijam are as follow:

Online Business:

Adjusted Income	RM13,600
Capital Allowance	RM2,400
Balancing Allowance	RM2,900
Unabsorbed loss brought forward from 2016	RM1,700

Mrs. Sara

Employment Income:

Salary	RM4,470 per month (net after EPF at 11%)
--------	--

Rental Income:

House in Kuala Besut, Terengganu

RM

Receipts

Rental for January 2017 – December 2017	22,800
Rental for January 2018 – April 2018	7,600
Deposit for utilities (refundable)	1,300

Expenditure incurred in 2017 (per annum)

Assessment	1,700
Repainting	1,400
Interest on loan for house financing	2,100
Installation of air-conditioner	1,200
Fire insurance premium	1,300

Mr. Ronijam and Mrs. Sara were blessed with four children:

- Share, 23 years old, who studying at University of Malaysia Sabah.
- Nicholas, 21 years old, married studies at University of Sydney, Australia.
- David, 17 years old, disabled, studying in SMK Kuala Besut.
- Painis, 11 years old, studying in SRK Kuala Besut.

Mr. Ronijam elected to claim on child relief.

Additional Information:

1. Life insurance paid by Mr. Ronijam and Mrs Sara are RM6,600 and RM2,300 respectively.
2. Mrs. Sara deposited RM5,500 into SSPN for her children.
3. Total of RM3,300 was paid by Mr. Ronijam on education insurance premium.
4. Mr. Ronijam bought a wheel chair costing RM5,000 for his son, David.
5. Mr. Ronijam bought a smartphone costing RM1,200 replace the one that was bought 5 years ago.
6. Mrs. Sara spent a total of RM4,150 for a medical billed, where her mother's surgery bill, were amounted to RM3,500 and the remaining were for a medical examination for her son's David.
7. Mr. Ronijam and Mrs Sara spent RM1,200 and RM1,500 repectively on reading materials but Mr. Ronijam only can produce RM920 for the official receipt.
8. Cash donation to charitable institution (approved) of RM3,000 by Mr. Ronijam.
9. Mr. Ronijam and Mrs Sara contributed RM320 and RM200 respectively for Social Security Organisation Scheme (SOC SO).
10. Both elected for separate assessment.

Required:

Compute the income tax payable by Mr. Ronijam and Mrs. Sara for year assessment of 2017.
(30 points)

APPENDIX 1: TAX RATES OF CHARGEABLE INCOME

Assessment Year 2017

Chargeable Income	Calculations (RM)	Rate %	Tax(RM)
0-2500	On the First 2,500	0	0
2,501-5,000	Next 2,500	0	0
5,001-10,000	On the First 5,000		0
	Next 5,000	1	50
10,001-20,000	On the First 10,000		50
	Next 10,000	1	100
20,001-35,000	On the First 20,000		150
	Next 15,000	5	750
35,001-50,000	On the First 35,000		900
	Next 15,000	10	1,500
50,001-70,000	On the First 50,000		2,400
	Next 20,000	16	3,200
70,001-100,000	On the First 70,000		5,600
	Next 30,000	21	6,300
100,001-150,000	On the First 100,000		11,900
	Next 50,000	24	12,000
150,001-250,000	On the First 150,000		23,900
	Next 100,000	24	24,000
250,001-400,000	On the First 250,000		47,900
	Next 150,000	24.5	36,750
400,001-600,000	On the First 400,000		84,650
	Next 200,000	25	50,000
600,001-1,000,000	On the First 600,000		134,650
	Next 400,000	26	104,000
Exceeding 1,000,000	On the First 1,000,000		238,650
	Next RM	28

APPENDIX 2: CAPITAL ALLOWANCE

Type Of Asset	Initial Allowance (%)	Annual Allowance (%)
Heavy Machinery / Motor Vehicle	20	20
Plant and Machinery	20	14
Computer and ICT Equipment	20	80
Others	20	10

APPENDIX 3: REAL PROPERTY GAIN TAX RATES

Disposal	Individuals (Citizens & Permanent Residence)	Individuals (Non-Citizens)
Within 3 years	30%	30%
In the 4 th year	20%	30%
In the 5 th year	15%	30%
In the 6 th year and subsequent years	0%	5%

APPENDIX 4: RELIEFS

Type of individual tax relief YA 2017	Amount (RM)
1. Personal (self)	9,000
2. Disabled taxpayer	6,000
3. Medical expenses for taxpayer's parents (with receipts)	5,000
4. Supporting equipment for disabled taxpayer, spouse and children and parents	6,000
5. Child relief	
-per child (below 18 years old)	2,000
-per child (above 18 years old) higher education	8,000
-disabled	6,000
-disabled child studies higher education	14,000
6. Parental care (each parent, limit to 2 parents)	1,500
7. Medical fees for taxpayer, spouse and children on serious diseases (include RM500 for complete medical examination)	6,000
8. Life insurance premiums and EPF contributions	6,000
9. Education or medical insurance – taxpayer, spouse, children	3,000
10. Education fees paid by taxpayer for his/her own improvement in relation to technical, vocational, industrial, law, accounting and all postgraduates studies on all courses	7,000
11. Lifestyle:	2,500
Purchase of reading material	
Personal computer, tablet and smart phone	
Purchase of sports equipment	
Internet subscription	
Gym membership fee	
12. Deposit for child into SSPN	6,000
13. Purchase of breastfeeding equipment	1,000
14. Fees paid to child care centre and kindergarten	1,000
15. SOCSO contribution	250

16. Wife relief (if housewife/wife elects joint assessment)	4,000
17. Disable wife (additional relief)	3,500
18. Husband relief (if husband elects joint assessment)	4,000
19. Disable husband (additional relief)	3,500