



**KOLEJ YAYASAN PELAJARAN JOHOR
FINAL EXAMINATION**

COURSE NAME : TAXATION 2
COURSE CODE : DAC2133
EXAMINATION : JANUARY 2024
DURATION : 3 HOURS

INSTRUCTION TO CANDIDATES

1. This examination paper consists of **FOUR (4)** questions.
2. Candidates are not allowed to bring any material to examination room except with the permission from the invigilator.
3. Please check to make sure that this examination consists of:
 - i. Question Paper
 - ii. Answer Booklet

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*This examination paper consists of **11** printed pages including front page*



This paper contains **FOUR (4)** questions.

Answer **ALL** in the Answer Booklet.

QUESTION 1

- A. Jaya Hospital Sdn Bhd (JHSB) is a locally incorporated private hospital that closes its account on 31 December annually. On 1 March 2021, the company completed the construction of a hospital building at a cost of RM3,921,000 and commenced operation immediately. 5% of the building was used as an administrative office. Expenditures incurred by Jaya Hospital for the construction of the building are as follows:

Expenditures	Amount (RM)
Cost of land	250,000
Legal fees (20% relates to the purchase of land)	150,000
Payment for local authority for the approval of the building plan	40,000
Piling and foundation works	56,500
Installation of wiring and plumbing	29,300
Installation costs for air conditioning equipment	52,800
Construction of building	3,250,000
Internal road and carpark	70,400
Landscaping charges	22,000
Total	3,921,000

Due to business expansion, in March 2022, the company acquired nearby building costing RM600,000 for hospital operation purposes. 15% of the building was rented out to operators operating in food services and general provisions.

In June 2022, JHSB rent a nearby building and incurred annual rental expenses of RM300,000. This building was used as a training center of its new staff.

The company also provides child care facilities to its staff by purchasing another adjacent to the hospital building costing RM450,000. The building was purchased on 10 September 2022.

Required:

a) Compute the industrial building allowances for the relevant years of assessment 2022.

(14 marks)

b) Explain the tax treatment of interest expense on loan borrowed to construct a building.

(2 marks)

B. Sweetycorn Sdn Bhd was incorporated on 1 November 2017 to carryout a corn plantation business in Pontian, Johor. The company closes up its account on 31 October annually. Expenditures incurred by the company are as follows:

Date	Transaction	RM
5 April 2018	Cost of land	200,000
14 June 2018	Cost of clearing land	80,000
21 May 2019	Cost of labour quarters	60,000
30 April 2020	Planting of corn seedling	180,000
30 June 2021	Construction of store	65,000

On 30 April 2022, the whole farm was sold to Sedapcorn Sdn Bhd for RM760,000.

Required:

a) Calculate the agriculture allowances/(charges) for Sweetycorn Sdn Bhd if election was made under the paragraph 27 Schedule 3 of ITA 1967.

(10 marks)

[Total: 26 marks]

QUESTION 2

Amirah and Farhana are partners in a partnership business. They are residents of Malaysia in the basis year 2022. On 1 July 2022, Farhana left the partnership and transferred her ownership to her brother, Khairul who is also a Malaysian resident. Since Khairul has experience in the operation, he is responsible to monitor the daily operation of the partnership business. The terms provided in the partnership prior to the resignation of Farhana and after the entrance of Khairul are as follows:

Partners	Interest on Capital per year RM	Capital contribution RM	Salary per month RM	Share of profit/loss (%)
1/1/2022-30/6/2022				
Amirah	10%	90,000	5,000	60
Farhana	10%	70,000	4,000	40
1/7/2022-31/12/2022				
Amirah	10%	90,000	5,000	50
Khairul	10%	70,000	4,000	50

For the year ended 31 December 2022, the statement of Profit or Loss of the partnership is as follows:

	RM	RM
Sales		855,450
Less: cost of sales		(350,450)
		505,000
Less: expenses		
Partners' salary	108,000	
Partners' interest on capital	16,000	
General expenses	90,000	
Depreciation	18,000	
Donations	3,000	
Net profit		270,000

Additional information:

- i. General expenses are a deductible expense for the purpose of partnership business

- ii. In April 2022, Farhana received dividend income from Makmur Berhad amounting to RM10,000
- iii. On 1 September 2022, the partnership donated RM3,000 to the local authority.
- iv. Amirah received net of RM10,800 for renting her apartment in Johor Bahru.
- v. Capital allowance for the year of assessment 2022 was RM25,000

Required:

- a) Compute the total income for Amirah, Farhana and Khairul from the partnership business for the year of assessment 2022.

(18 marks)

- b) Explain briefly factors to be considered before a partnership is said to exist.

(2 marks)

[Total: 20 marks]**QUESTION 3**

Baiduri Sdn Bhd was incorporated on 1 April 2012. The company, which is located in Negeri Sembilan, produces tyres for motor vehicles. For the year ended 31 December 2022, its statement of profit or loss was as follows:

	Notes	RM	RM
Sales			2,100,346
Less: cost of sales	1		711,196
Gross profit			1,389,150
Add: other income	2		250,000
			1,829,150
Less: expenses			
Bad and doubtful debts	3	30,000	
Depreciation of non-current assets		182,150	
Donations and zakat	4	62,000	
Entertainment	5	40,000	
Legal and professional fees	6	33,000	

Miscellaneous expenses	7	142,000	
Repair and maintenance	8	47,000	
Remunerations	9	493,000	(928,150)
Net profit before tax			901,000

Notes:**RM**

- Cost of sales included:

Insurance premium for the import of raw materials paid to a foreign insurans company	15,000
Damaged inventory due to fire in the factory	250,000
Provision for stock obsolescene	20,000
- Other income comprised:

Gain on disposal of non-current asset	10,000
Interest income on fixed deposit from:	
Foreign bank	205,000
Malaysian bank	25,000
Rental income - rent part of the factory	10,000
- Bad and doubtful debts comprised:

Bad debts (on trade debt) written off during the year	20,500
Bad debts (on loan to an ex-employee) written of during the year	7,000
General provision for doubtful debts	1,000
Specific provision for doubtful debts	1,500
- Donations and zakat comprised:

Business zakat	24,000
Cash donation to Seremban State Library (the company elected for S44(8))	18,000
Cash donation to Malaysia National Cycling Federation, a body approved by Commissioners of sports	20,000

5.	Entertainment expenses comprised:	
	Annual dinner organised for dealers and distributors	18,000
	Cost of meals for potential customers	7,000
	Refreshment provided to staff	10,000
	Lucky draw prizes to customers for purchase made	4,000
	Promotional gift (pens and mugs) to customer without company logo	1,000
6.	Legal and professional fees comprised:	
	Annual membership fees for trade association	3,000
	Legal fees relating to violation of law	1,000
	Secretarial fees	6,000
	Statutory audit fees	8,000
	Tax agent fees	15,000
7.	Miscellaneous expenses comprised:	
	Cost of registered trademark in the financial year 2022	100,000
	Penalty for late submission of tax return	2,000
	Renovation cost to provide a conducive working environment for the disabled employees	35,000
	Cost of obtaining certification for recognized quality system and standard	5,000
8.	Repair and maintenance	
	Renovation of factory	25,000
	Installation cost of machinery	20,000
	Minor repair of machinery	2,000
9.	Remunerations comprised:	
	Contribution to Employees Provident Fund	70,000
	Salaries, wages and bonus (including wages of RM36,000 and bonus RM3,600 paid to disabled employees)	289,000
	Scholarships to undergraduates at Universiti Teknologi Mara (UiTM)	80,000

Other information:

- a. The capital allowance claimed for the year assessment 2022 is RM120,000.
- b. The unabsorbed business loss brought forward from year assessment 2022 was RM200,000.
- c. Baiduri Sdn Bhd is a resident company with paid up capital of RM3,000,000 on 1 January 2022.

Required:

- i. Calculate the income tax payable incurred by Baiduri Sdn Bhd for the year of assessment 2022.

(24 marks)
- ii. What is the due date for Baiduri Sdn Bhd to submit tax return for the year of assessment 2022?

(2 marks)

[Total: 26 marks]

QUESTION 4

- A. Syazana, a Singaporean citizen but permanent resident of Malaysia, had signed an agreement with Samsul on 20 June 2018 to acquire a piece of land for RM510,000. She acquired a bank loan to pay for the land and had to bear the interest cost of RM40,800 for that loan. Upon receiving a bank loan on 25 January 2019, she made a full payment to Samsul. On 10 November 2019, Samsul then transferred the title of the land to Syazana.

In transferring the title of the land, Syazana incurred RM6,800 for the cost of legal fee and stamp duty. She also spent RM10,000 to defend the title of the land, and RM52,000 on leveling, drainage and fencing of the land.

In April 2020, the land was partially damaged by a fire, she received a compensation of RM43,000 for the damages.

Later, during June 2022, Syazana decided to sell the land. She incurred RM1,200 for advertising the sale of the land and RM7,600 for valuation fee. A buyer responded and paid a deposit of RM5,000 was forfeited because the buyer cancelled the deal.

Following the cancellation, Safiyah who is the cousin of Syazana (a Malaysian citizen) offered to buy the land. Safiyah agreed to pay RM610,000 (market value was RM650,000) and the Sales and Purchase Agreement was signed on 5 October 2022. The legal fee associated with the sale was RM7,900.

Required:

a) Calculate the real property gains tax payable by Syazana, if any, on the disposal of land.

(12 marks)

b) Real property is defined in Section 2 of the RPGT Act 1976 to mean any land situated in Malaysia, and any interest, option or other right in or over such land. Explain briefly the meaning of land as stipulated in the act.

(2 marks)

B. Jennie, a popular Korean artist came to Malaysia for a few days in June 2022 to perform and promote her recent album. Her visit was organised by Good Talent Sdn Bhd, a Malaysian entertainment company.

On 30 September 2022, she received a payment of RM180,000 for the performance and a sum of RM50,000 for the royalty other album that was sold in Malaysia.

A Malaysian artist, Sean Lim (resident) also performed in the show. He was paid RM60,000 by Good Talent Sdn Bhd. However, the payment was only made on 20 October 2022.

Required:

a) Assess with reason(s) whether each of the above payments made by Good Talent Sdn Bhd is subjected to withholding tax or not.

(6 marks)

b) Calculate the amount of withholding tax and penalty that should be paid by Good Talent Sdn Bhd if the company remits the withholding tax to the Inland Revenue Board (IRB) on 30 November 2022.

(8 marks)

[Total: 28 marks]

END OF QUESTION PAPER

APPENDIX 1

- The following tax rates are to be used in answering the questions

Income tax rates

- a) Resident company with paid-up capital of RM2.5 million and below (at the beginning of the YA) AND having gross income from source or sources consisting of a business of not more than RM50 million for the basis period for a YA:
 - On the first RM600,000 chargeable income 17%
 - On the subsequent chargeable income 24%
- b) Resident company with paid-up capital above RM2.5 million (at the beginning of the YA) AND having gross income from source or sources consisting of a business of more than RM50 million for the basis period for a YA. 24%
- c) Non-resident company/branch 24%

- **Rate of Real Property Gains Tax Rates**

Category of disposal	RPGT rate		
	Companies incorporated in Malaysia or Trustee of a Trust	Individual (Citizen/permanent resident)	Individual (non-citizen/non-permanent resident)
Within 3 years after the date of acquisition	30%	30%	30%
Within 4 years after the date of acquisition	20%	20%	30%
Within 5 years after the date of acquisition	15%	15%	30%
Within 6 years after the date of acquisition	10%	5%	10%



