



**KOLEJ YAYASAN PELAJARAN JOHOR
FINAL EXAMINATION**

COURSE NAME : TAXATION 2
COURSE CODE : DAC2133
EXAMINATION : JUNE 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 pack 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 consist of **FOUR (4)** questions.
Answer ALL in the Answering Booklet.

QUESTION 1

Alex Electronic Sdn Bhd (AESB) is a manufacturer of electronic components in Taman Perindustrian Tebrau, Johor. The company closes its accounts on 31 December annually. In 2021, the company expended its business to Selangor and constructed a new factory complex. The construction was completed in July 2022 and the factory complex was immediately used starting from its completion. The following are expenditures incurred pertaining to the factory complex.

Expenditures	Amount (RM)
Cost of land	2,300,000
Legal fee for transfer of land	15,000
Piling and foundation works	64,500
Architect's fee	35,000
Payment to local authority for approval of factory plan	25,600
Construction cost of building	1,500,000
Installation of wiring and plumbing	29,500
Cost of machinery	250,000
Cost of preparing the site for installation of machinery	800,000
Total Cost	5,019,600

The factory was completed and brought into use in July 2022. The factory space has been occupied as follows:

	Square feet
Production (85%)	17,000
Administration office (15%)	3,000
Total (100%)	20,000

On 28 February 2023, the company purchased a building for RM600,000 and used it as accommodation for the company's foreign production employees.

The company also provides child care facilities to its staff by purchasing another adjacent to the hospital building costing RM400,000. The building was purchased in October 2023.

Required:

a) Compute the industrial building allowances/(charges) for AESB for the relevant years of assessment 2023.

(23 marks)

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

(2 marks)

QUESTION 2

Raja and Aqil are partners of R&A Enterprise and have been carrying on a business as cosmetic products for many years. The partnership deed provides the following:

- i. Monthly salary of RM5,000 for each partner
- ii. 5% interest on capital per annum to be paid to Raja and Aqil. Capital contribution by Raja and Aqil is RM300,000 and RM150,000 respectively.
- iii. A profit-sharing ratio of 70% for Raja and 30% for Aqil

On 1 August 2023, Aqil left the partnership and transferred his ownership to Aiman, a Malaysian resident. Aiman contributed RM150,000 as his initial capital and since his admission to the partnership business, he responsible in monitoring the daily operation of the business. He was paid RM4,000 salary per month.

Interest on capital was changed to 8% per annum. Any profit or loss earn from the partnership will be shared equally between Raja and Aiman.

Bonus paid to the partners for the year ended 31 December 2023 is as follows:

Raja	RM10,000
Aiman	RM5,000

The provisional adjusted income of the partnership for the basis year 2023 was RM140,125 and the capital allowance of RM3,600 on its plant and machinery.

On 1 December 2023, the partnership donated RM3,000 to the local authority.

Required:

Compute the taxable income of the partners for the year of assessment 2023.

(25 marks)

QUESTION 3

Kamilah Manufacturing Sdn Bhd is a locally incorporated resident company carrying on the business of manufacturing and selling computer accessories. It has an issued share capital of RM3 million of which 80% are held by Malaysian citizens. The company closes the accounts to 30 June each year. For the financial period ended 30 June 2023, the company's statement of profit and loss is as follows:

Kamilah Manufacturing Sdn Bhd			
Statement of profit or loss for the year ended 30 June 2023			
	Note	RM'000	RM'000
Sales			9,667
Less: Cost of sales	1		3,879
Gross profit			5,788
Add: Other income	2		54
			5,842
Less: Expenses			
Remuneration	3	944	
Entertainment and marketing	4	240	
Depreciation		400	
Repair and maintenance	5	634	
Bad and doubtful debts	6	980	
Corporate Social Responsibility (CSR) expenses	7	460	
Professional fees	8	90	
Insurance	9	10	
Contribution to school library	10	110	3,868
Profit before taxation			1,974

The following additional information and notes are provided in respect of the financial statement of the company:

1. The company provides account for slow moving stocks. During the accounting period, the cost of sales is reflected in the subsidiary's account is as follows:

	Amount
Account for slow moving stock	(RM)
Balance brought forward	42,000
Add: Provision for the year	147,000
	189,000
Less: Amount written off	(57,000)
Balance carried forward	132,000

2. Other income:
 - i. Single tier dividend of RM24,000 received from an investment with a local listed company.
 - ii. RM30,000 rental income received for renting out part of the factory building.
3. The company contributed 15% to the Employee's Provident Fund (EPF) for its employees. However, the EPF contribution for one of the directors was 30%. This director received an annual salary of RM200,000. Additionally, RM24,000 was paid to a disabled employee (certified as one by the Social and Welfare Department).
4. During the year, the company carried out several promotions:
 - i. The company spent RM150,000 on free door gift, lucky draws and special gift for customers who made purchases above a certain amount in the same receipt.
 - ii. The director who is responsible for the marketing initiative was rewarded with two free return trips to him and his family to the United States and Europe which cost RM82,000.
 - iii. Entertainment cost for potential client amounted to RM5,000.
 - iv. Promotional gift (pens and mugs) to customer with company logo RM3,000.

5. Expenses for repairs and maintenance are as follows:
- RM200,000 spend on equipment to facilitate access to the office for a disabled employee in compliance with the specifications of the government agency.
 - RM300,000 refers to the cost of factory renovation.
 - The balance of RM134,000 relates to general repairs and maintenance of the company's plant, machinery, building and motor vehicles.
6. A loan was provided to a long-standing supplier. However, due to financial difficulties, it is expected that he will not be able to repay his loan. Accordingly, the accountant made a provision of RM320,000 with the approval of the Board of Directors.

A new supplier who had a connection with one of directors, was given an advanced of RM540,000 for future supplies. However, he was declared bankrupt, hence, the company had to write off the whole amount of RM540,000.

The management agreed to a provision of RM120,000 for trade debts in general, in view of the weak business condition.

7. During the year, the company incurred the following expenses on the Corporate Social Responsibility (CSR) account:

Particulars of CSR expenditure	Amount (RM)
Establishing and managing a musical group with the approval of the relevant ministries	200,000
Provision of a child care centre for the company's staff	85,000
Cash donation to local authority	10,000
Translation of books in the National language for a local university with the approval of the Dewan Bahasa	130,000
Provision of practical training (The training was given to a resident individual who was not an employee of the company)	35,000
Total	460,000

8. The professional fees and charges of RM90,000 incurred are as follows:

Professional fees and charges	Amount (RM)
Secretarial fees	12,000
Tax filing fees	14,000
Income tax appeal	30,000
Accounting fee	10,000
Audit fee	14,000
Product licensing signed in Germany for the sale and distribution of its products in that country	10,000
Total	90,000

9. The company paid a premium of RM10,000 to a local insurance company in respect of a term life policy and an accident policy for its director who has contributed a lot to the company's growth.
10. The company incurred an expenditure of RM110,000 in respect of contribution to a public-school library in Kajang.
11. Other information:
- The company had incurred during the year expenditure of RM500,000 on the development of a website which is electronic commerce enabled.
 - Capital allowance claim for the year of assessment 2023 amounts to RM270,000.

Required:

- Calculate the income tax payable incurred by Kamilah Manufacturing Sdn Bhd for the year of assessment 2023.
(28 marks)
- What is the due date for Kamilah Manufacturing Sdn Bhd to submit tax return for the year of assessment 2023?
(2 marks)

QUESTION 4

Naqib acquired a piece of land from Kamarul for RM249,750. He signed the agreement on 16 July 2021 and settled the payment from a bank loan on 30 September 2021. The property was then transferred to his name on 23 November 2021. In acquiring the land, Naqib incurred the following cost:

- i. stamp duty of RM3,885
- ii. legal fees of RM2,089.
- iii. spent RM34,410 on clearing, levelling and draining the land

In April 2022, he received a partial compensation of RM84,173 for flood damages to the land.

In October 2022, Naqib was approached by a buyer to purchase the land who paid a deposit of RM5,000 and proceeded to make an application for a bank loan. The buyer however, was not successful in his application and as per the agreement, Naqib then forfeited the deposit of RM6,000. ^{RM 5000} A dispute arose regarding the title to the land (initiated by a contractor who owned the adjacent property) and Naqib retained a lawyer to successfully defend his right to the land. The legal fee was RM7,000.

Naqib sold the land to Rahmad for RM322,000 and the sale and purchase agreement was signed on 17 October 2023. The payment was settled on 16 November 2023. The title was transferred to Rahmad on 17 December 2023.

In securing a buyer for the land, Naqib had incurred the following expenditure:

- valuation fee RM4,995;
- advertisement RM888; and
- brokerage fee RM6,993

Required:

In relation to the Real Property Gains Tax 1976, compute the chargeable gain arising from the disposal of the land, after exemption under Schedule 4 of the said Act.

(20 marks)

[Total: 100 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%

