



**KOLEJ YAYASAN PELAJARAN JOHOR
FINAL EXAMINATION**

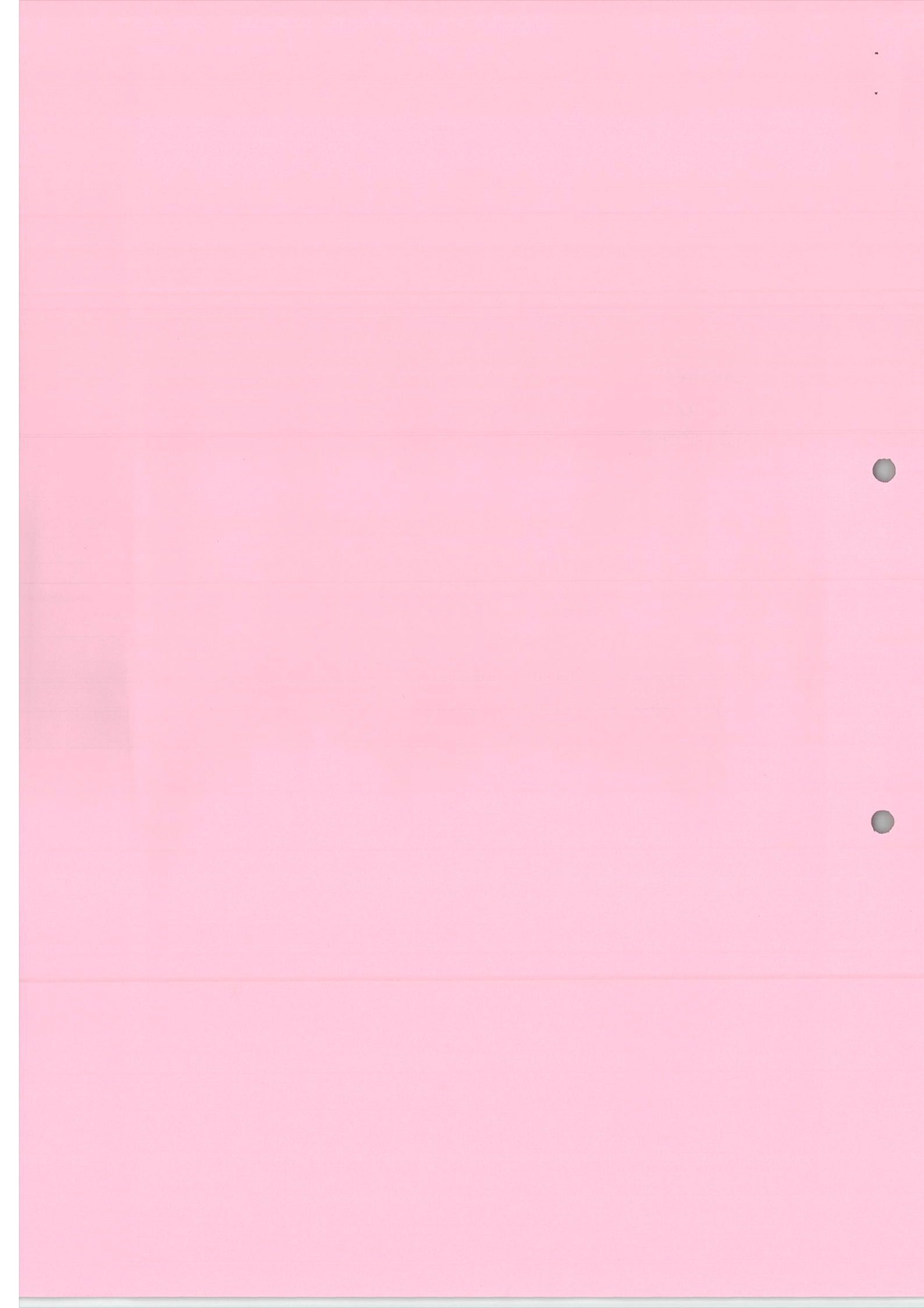
COURSE NAME : TAXATION 2
COURSE CODE : DAC2133
EXAMINATION : JUNE 2023
DURATION : 3 HOURS

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

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO

*This examination paper consists of **12** printed pages including front page*



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

Answer **ALL** in the Answer Booklet.

QUESTION 1

- A. Health Always Sdn Bhd (HASB), a company manufacturing health product, constructed a new factory in Pandan Industrial Area to meet the GMP (Good Manufacturing Practices) standard. Health Always Sdn Bhd ends its accounts on 30 June annually.

The following expenditures were incurred for the construction of the factory:

Expenditures	Amount (RM)
Cost of land	3,000,000
Cost of levelling land (including cost of demolishing squatter houses on the land RM15,000)	105,000
Architect's fee	36,700
Construction cost of building	1,200,000
Payment to local authority for approval of factory plan	20,500
Legal fees (20% relates to purchase of land)	20,000
Cost of machinery	100,000
Cost of preparing the site for installation of machinery	350,000
Total Cost	4,832,200

The factory was completed and brought into use in July 2020. The factory space has been occupied as follows:

	Square feet
Production	18,000
Administration office	2,000
Total	20,000

On 28 February 2021, the company purchased a building for RM600,000 and used it as accommodation for the company's foreign production employees.

In March 2022, the company purchased another building nearby to the factory for storage of finished goods. The purchased price of the building was RM200,000.

On 28 April 2022, the company construct additional buiding in the nearby area for RM500,000. The building was approved under para 42C, Schedule 3 of the Income Tax Act 1967 as training center for its new staff.

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 2022.

Required:

- a) Compute the industrial building allowances/(charges) for HASB for the relevant years of assessment 2022.

(12 marks)

- b) Explain the tax treatment of industrial buildings that are rented out to derive rental income.

(2 marks)

- B. On 31 March 2019, Sinar Plantation Sdn Bhd acquired 900 hectares of virgin land in Mersing, Johor for RM8.5 million. The company cleared the land and planted rubber trees. Sinar Plantation Sdn Bhd makes up its accounts to 31 October annually. Details of the expenditure incurred were as follows:

Date	Transaction	RM
15/05/2019	Clearing the land	200,000
12/8/2019	Planting of rubber	1,500,000
07/02/2020	Construction of road in the estate	300,000
05/08/2020	Shed for farm tools in the estate	75,000
07/09/2020	Residential house of a senior manager in the estate	100,000
30/11/2020	Purchase of lorries	80,000
10/01/2021	Construction of rubber processing plant	1,200,000

On 30 April 2022, the whole farm except the rubber processing plant was sold to Cahaya Sdn Bhd for RM11 million.

Required:

Calculate the agriculture allowances/(charges) for Sinar Plantation Sdn Bhd for the relevant years of assessment up to the year assessment 2022. Sinar Plantation Sdn Bhd made an election under Paragraph 27 of Schedule 3, Income Tax Act 1967.

(10 marks)

[Total: 24 marks]

QUESTION 2

Zikri and Chin set a partnership business of selling computer accessories. Both of them are Malaysian resident. In the partnership business, they agreed to share profits and losses in the ratio of 1:3 respectively. It was also agreed that each partner will receive interest on capital of 10% per annum. Zikri and Chin is to be paid a monthly salary of RM3,000 and RM2,500 respectively.

The partnership ends its accounts on 31 December annually. The following capital balances were obtained from partnership's book on 1 January 2022:

Zikri RM90,000

Chin RM70,000

On 1 October 2022, due to medical illness, Chin retired from the partnership. On the same date, Jason was admitted as a partner, bringing in cash of RM70,000 as his contribution to the partnership business. The new partnership agreement provided that:

- The partners will share profit and losses equally
- Interest on capital is at 10% per annum
- Each partner is entitled to receive a monthly salary and traveling allowance of RM3,000 and RM500 respectively.

Additional information:

1. On 1 August 2022, the partnership has sold a used equipment for RM10,000. This transaction has resulted in a balancing charge of RM2,000.
2. In September 2022, Zikri personally donated RM1,000 to the local authority.
3. The capital allowance calculated on the partner's non-current assets was RM6,000.
4. For the year ended 31 December 2022, the partnership had a provisional adjusted income of RM108,900.
5. Jason also has a sole proprietorship business with a statutory income of RM12,000 for the year of assessment 2022.

Required:

- a) Compute the total income of each partner for the year of assessment 2022.
(18 marks)
 - b) Briefly explain who is the chargeable person for partnership business income.
(2 marks)
- [Total: 20 marks]**

QUESTION 3

CK Manufacturing Sdn Bhd is a locally incorporated resident company carrying on the business of manufacturing and selling smart phone 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 2022, the company's statement of profit and loss is as follows:

CK Manufacturing Sdn Bhd			
Statement of profit or loss for the year ended 30 June 2022			
	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:

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

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:

- a. RM200,000 spend on equipment to facilitate access to the office for a disabled employee in compliance with the specifications of the government agency.
 - b. RM300,000 refers to the cost of factory renovation.
 - c. 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 (Note 1)	35,000
Total	460,000

Note 1: The training was given to a resident individual who was not an employee of the company.

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:
- i. The company had incurred during the year expenditure of RM500,000 on the development of a website which is electronic commerce enabled.
 - ii. Capital allowance claim for the year of assessment 2022 amounts to RM270,000.

Required:

- i. Calculate the income tax payable incurred by CK Manufacturing Sdn Bhd for the year of assessment 2022.
(24 marks)
- ii. What is the due date for CK Manufacturing Sdn Bhd to submit tax return for the year of assessment 2022?
(2 marks)

[Total: 26 marks]

QUESTION 4

- A. Irwan Shah is a citizen and permanent resident of Indonesia. In 2019, his father gave him a house located in Taman Nusa Bayu, Johor as a wedding gift. The following is the information relating to the house:

This house was originally owned by Irwan Shah's father, Putra who is a Malaysian citizen. Putra bought the house for RM250,000 from his brother on 20 January 2015. At the time of the purchase, the market value of the house was RM290,000. Putra incurred RM8,000 for legal fee and RM150,000 for renovation of the living room and kitchen area.

On 1 October 2019, Putra then gave the house to Irwan Shah. An amount of RM8,500 was incurred by Irwan Shah for defending the title of the house. An incident happened when the road widening project nearby caused some damage to Irwan Shah's house. For this reason, he received a compensation of RM50,000 from the construction company.

Irwan Shah later sold the house to Ganesh on 1 June 2022 for RM695,000. The market value of the property at that date was RM720,000. For the disposal of the house, Irwan Shah incurred RM10,700 on valuation fee, RM2,900 on advertising and RM4,800 on brokerage fee.

Required:

- a) Calculate the real property gain tax payable for Irwan Shah, if any, on the disposal of his house in Taman Nusa Bayu for the year of assessment 2022.
(12 marks)
- b) State any **TWO (2)** circumstances the disposal price should be deemed at market price.
(2 marks)

B. Bright Sdn Bhd has been in the manufacturing business since 2007. In 2022, the company acquired a piece of land in Terengganu in order to construct its new factory and store. The company has awarded the contract to the following companies:

- Stylish Construction Sdn Bhd, a resident company in Malaysia
- Oshin International Construction, a resident company in Japan

On 20 May 2022, Bright Sdn Bhd has made the following payments to both of the companies:

1. RM1,000,000 to Stylish Construction Sdn Bhd for construction of internal road and store.
2. RM2,000,000 to Oshin International Construction for construction material supplies.
3. RM10,000,000 to Oshin International Construction for completing the first phase of the factory, of which 40% is for the service portion.

Required:

a) Explain briefly with reason(s) whether the amount received by Bright Sdn Bhd is subject to withholding tax.

(6 marks)

b) Compute the amount of withholding tax and penalty that should be paid by Bright Sdn Bhd if the company remits the withholding tax to the Inland Revenue Board (IRB) on 7 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%

