MULTIMEDIA COLLEGE
JALAN GURNEY KIRI
54100 KUALA LUMPUR
FOURT SEMESTER FINAL EXAMINATION, 2014 / 2015 SESSION

FIN2073 – TAXATION

DIAW-E-F-1/13, DIAW-E-F-2/13, DIAA-E-F-1/13

28 SEPTEMBER 2014
9.00 AM – 12.00 PM
(3 HOURS)

INSTRUCTION TO STUDENT

1. This Examination paper has FOURTEEN (14) printed pages.

2. This question paper consists of FOUR (4) sections.
   Section A : Answer ALL questions.
   Section B : Answer ALL questions.
   Section C : Answer ALL questions.
   Section D : Answer TWO(2) questions ONLY.

3. Please write all your answers in the Answer Booklet provided.

4. Calculations and workings should shown and made to the nearest RM.


6. Please refer Appendix 1 for Tax Rates, Reliefs and Allowances.
SECTION A : MULTIPLE CHOICE QUESTION (10 MARKS)
INSTRUCTIONS : ANSWER ALL QUESTIONS.

1. Under Section 109(B) (ITA 1967), what is the percentage of payment to the Inland Revenue Board (IRB) for a non-resident individual who charged a professional service fee for his work in Malaysia?
   A. 26%
   B. 15%
   C. 24%
   D. 10%

2. What is the taxation rate for a non-resident individual who is earning income from employment in Malaysia?
   A. 20% to 24%
   B. 28%
   C. 24%
   D. 26%

3. In general, the followings receipts are regarded as income:
   I. Amount received for services rendered.
   II. Amount received for the rights to use an asset.
   III. Amount for compensation of personal injuries.
   IV. Amount received from the normal course of business.

   A. I & II
   B. I, II & III
   C. I, II & IV
   D. All of the above

Continued…
4. Below are the expenses deductible under Rental Income Section 4(d) ITA 1967, **EXCEPT**
   A. Quit rent and assessment.
   B. Insurance premium on the rented property.
   C. Renovation to the kitchen.
   D. Repair of broken roofs.

5. Which best described an individual who is a Malaysian resident that is chargeable to Malaysian tax?
   A. Income accruing in or derived from outside Malaysia.
   B. Income accrued in or derived from Malaysia.
   C. Income from outside Malaysia.
   D. Income outside Malaysia not remitted to Malaysia.

6. En Faizal works as a manager at ABC Sdn.Bhd. In 2012 he claimed medical expenses from the company of RM2,800. On top of that the company paid directly to a Hospital RM2,400 for his son medical treatment. How much is the gross taxable income for his medical benefits?
   A. RM 2,800
   B. RM 5,200
   C. RM 0
   D. RM 2,400

7. When is the final date for the submission of income tax return for an individual who received income from Employment for the calendar year ended 31 December 2013?
   A. 30 April 2014
   B. 31 January 2014
   C. 31 March 2014
   D. 31 December 2013

Continued…
8. Royalty income (Section 15 ITA 1967) is deemed to be derived from Malaysia, **EXCEPT**

I. Responsibility for the payment is with the state or federal government.

II. Responsibility for the payment is with the person who is a resident in the basis year.

III. The payment is made outside Malaysia from a company that carries a business overseas.

IV. The payment is charged as expenses in the account of a business carried on in Malaysia.

A. III only
B. I, II & III
C. II only
D. All of the above

9. Which of the following is regarded as revenue expenditure?

A. Water deposit paid to Syabas.
B. Replacing a water gate for plantation industry drainage system.
C. Upgrading a premise security system.
D. Leave passage for Sales Director.

10. Mr. Adam has 3 children. The first one is a 20 years old who is studying full time at a local university. The second one is 19 years old studying full time at a local college and the third one is taking PMR. State the total child relief Mr. Adam can claim for the year of assessment 2013?

A. RM 3,000
B. RM 10,000
C. RM 12,000
D. RM 9,000

Continued…
SECTION B  : TRUE OR FALSE QUESTIONS (10 MARKS)

INSTRUCTIONS  : ANSWER ALL QUESTIONS.

1. Capital allowance can be claimed by taxpayer who received an employment income.

2. A resident individual will be exempted up to RM 20,000 per year for translation work requested by Ministry of Education.

3. Employment income is defined under Section 3 of ITA 1967.

4. A tax resident individual is exempted up to 3 times a year for overseas leave passages.

5. Any wages, salary or remuneration falls under Section 13(1)(b) of ITA 1967.

6. A tax resident individual personal relief for Year of Assessment 2013 is RM 9,000.

7. Composite assessment may be issued in order to prevent an assessment from becoming time barred.

8. Free clothing given by employer and uniform provided by employer are taxable under Section 13(1)(a) of ITA 1967.

9. Balancing charge arises when the residual expenses of the asset is lower than the disposal value.

10. Fine paid due to law violation is deductible in arriving adjusted income for business tax computation.

Continued…
SECTION C : SUBJECTIVE QUESTIONS (30 MARKS)

INSTRUCTIONS : ANSWER ALL QUESTIONS

1. State THREE (3) differences between Employment Income and Business Income. (6 Marks)

2. List THREE (3) advantages of an individual being granted a tax resident status. (6 Marks)

3. a) Clearly explains Section 114 (ITA 1967) on Willful Evasion of Tax. (2 Marks)

   b) Clearly explains Section 118 (ITA 1967) on Offences by Officials. (2 Marks)

4. State the following tax residence status together with the Section under the Income Tax Act 1967: (10 Marks)

<table>
<thead>
<tr>
<th>Date</th>
<th>Residence status</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 September 2009 to 31 December 2009.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 January 2010 to 2 July 2010.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>29 February 2011 to 29 September 2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 September 2011 to 29 December 2012 (in Australia)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 December 2012 to 5 November 2013</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. En. Zulhilman working as Finance Director at Shahputra Holdings since 1 August 2001. On 5 January 2010 he was offered an option to purchase 20,000 units of shares at RM 3.00 each share. The market price of the share was RM 6.40 per share at that date.

He exercised the option on 31 October 2011 when the market price of the share was RM 8.10 each share. Compute the value of income the form of share option exercised by Encik Zulhilman. (4 Marks)

Continued…
6. Encik Norman employed by Red Water Sdn. Bhd. as Branch Manager since 2006 until now. For the year of 2013, he was given the following benefit:

a. Holiday ticket to the following destinations:
   
   i) Langkawi RM 1,320
   ii) Cameron highland RM 1,290
   iii) Genting highland RM 990
   iv) Pulau Kapas RM 1,000


Calculate the amount of benefit assessable on him for the year assessment 2013.

(5 Marks)
SECTION D : PROBLEM SOLVING QUESTIONS (40 MARKS)
INSTRUCTIONS : ANSWER TWO (2) QUESTIONS ONLY

Question 1
Miss Nabila requires a personal tax planner for her decision on income that she is about to receive from her future employer. She will be employed as a Corporate Communication, General Manager at Entertainment Sdn.Bhd. She has the following options on her income stream:

**Option A**
I. Gross salary of RM15,000 per month with employer’s EPF contribution of 12%.
II. Accommodation allowance of RM3,000 per month.
III. Entertainment allowance of RM2,000 per month.
IV. Car allowance of RM1,500 per month.
V. Overseas leave passage of up to RM18,000 per annum.

**Option B**
I. Gross salary of RM14,000 per month with employer’s EPF contribution of 19%.
II. Fully furnished condominium provided by the company with rental of RM3,000 per month inclusive of RM500 for furniture.
III. Entertainment claimed with receipts of not more than RM2,500 per month.
IV. A brand new company’s car that cost RM150,000.
V. Local leave passage up to 3 times a year and not more than RM18,000 per annum.

Assuming that she is still single, receiving employment income only and pays life insurance premium of RM3,000 per annum. She had a few times in the past submitted her income tax return late.

As a tax planner you are required to advise her on the followings:

a) The tax payable for Miss Nabila under both options and advises her on the best possible option that benefits her from her personal tax point of view.

(15 Marks)

b) Advise Miss Nabila on failure to submit return (Section 112 of ITA 1967) together with the date line, explanation and penalty for the offence.

(5 Marks)
Continued…
Question 2
Mr Adam has been working with Luxury Sdn.Bhd. since 2nd March 2004 as a General Manager. For 2013, he received salary, bonus and allowances. He was also provided by his employer a fully furnished house with rental of RM 4,500 per month inclusive of furniture value at RM 500 per month. He was also provided with a part time gardener with a salary of RM 360 per month and a servant with a salary of RM 500 per month. Both expenses were paid by his employer. A company’s car was also provided for him by the company that cost RM 140,000 brand new in September 2009 with no petrol given.

Below are the details of his income he received in cash for 2013:

I. Net salary after 12% EPF deductions of RM 15,840 per month.
II. Gross bonus RM 18,000.
III. Entertainment allowances RM 700 per month.
IV. Dividend income from a resident company of RM 3,000 (net of 25% Corporate Tax).
V. Net annual rental income from a condominium of RM 20,000 after deduction quit rent RM 400 and installation of new kitchen cabinets of RM 3,600.
VI. Interest income from fixed deposit amounting to RM 1,500.
VII. Reimbursement of his medical expenses of RM 4,800.

Mr Adam was also given a leave passage to Gold Coast, Australia amounting to RM18,000. He is married to an unemployed wife and blessed with 3 children age 14 years old, 16 years old and 19 years old who is studying full time at a local University. He saved a total of RM3,000 per annum in SSPN for his children. For that year, he spent RM 1,200 to buy reading materials.

Please compute the tax payable for Mr Adam for year of assessment 2013.

(20 Marks)

Continued…
Question 3
Ahmad is the sole proprietor of Selera F&B Enterprise. The business is engaged in restaurant and catering business. The following is the income statement of Selera F&B Enterprise for the year ended 31 December 2013:

Selera F&B Enterprise
Income Statement for the year ended 31 December 2013

<table>
<thead>
<tr>
<th>Note</th>
<th>RM</th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>235,000</td>
<td></td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>75,000</td>
<td></td>
</tr>
<tr>
<td>Gross Profit</td>
<td>160,000</td>
<td></td>
</tr>
<tr>
<td>Rental Income</td>
<td>6,000</td>
<td></td>
</tr>
<tr>
<td>Less Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary &amp; Wages</td>
<td>90,000</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>1</td>
<td>4,800</td>
</tr>
<tr>
<td>Bad debts</td>
<td>2</td>
<td>3,600</td>
</tr>
<tr>
<td>Donations</td>
<td>3</td>
<td>2,000</td>
</tr>
<tr>
<td>Utilities</td>
<td>4</td>
<td>12,000</td>
</tr>
<tr>
<td>Taxes &amp; Penalties</td>
<td>5</td>
<td>2,500</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6</td>
<td>3,800</td>
</tr>
<tr>
<td>Repair &amp; Maintenance</td>
<td>7</td>
<td>6,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,600</td>
<td>128,300</td>
</tr>
<tr>
<td>Net Profit</td>
<td>31,700</td>
<td></td>
</tr>
</tbody>
</table>

Notes to the accounts :

I. Interest is on the loan to purchase kitchen equipment for the restaurant.

II. Bad debts were for loan to a friend of RM 1,800 and unpaid catering fees of RM1,800.

III. Donations were for his old school and approved institution amounting to RM1,000 each.

IV. Utilities were for the restaurant of RM 9,600 and his own house RM 2,400.

Continued…
V. Taxes and penalties were for road tax for business vehicle RM 1,600, road tax for Ahmad’s own car RM 600 and penalty for late submission of income tax return RM 300.

VI. Included in miscellaneous expenses were Ali’s son tuition fees amounting to RM 800 the balance is deductible expenses.

VII. Repair and maintenance expenses included kitchen renovation of RM 4,000, stoves repair cost of RM 600 and Ali’s house repair of RM 1,400.

VIII. Capital allowances claimed for the year is RM 3,000 and business loss brought forward amounting to RM 4,000.

Determine the statutory income from Ahmad’s business for year of assessment 2013 (starts the computation using the Gross Profit method). Indicate all allowable and non-allowable expenses in the workings.

(20 Marks)
APPENDIX 1

TAX RATES AND ALLOWANCES

The following tax rates, allowances and values are to be used in answering the questions.

### Income tax rates (Resident Individual)

<table>
<thead>
<tr>
<th>Chargeable Income</th>
<th>Calculations (RM)</th>
<th>Rate %</th>
<th>Tax (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2500</td>
<td>On the First 2,500</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2,501-5,000</td>
<td>Next 2,500</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5,001-10,000</td>
<td>On the First 5,000</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Next 5,000</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>10,001-20,000</td>
<td>On the First 10,000</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Next 10,000</td>
<td>2</td>
<td>200</td>
</tr>
<tr>
<td>20,001-35,000</td>
<td>On the First 20,000</td>
<td></td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>Next 15,000</td>
<td>6</td>
<td>900</td>
</tr>
<tr>
<td>35,001-50,000</td>
<td>On the First 35,000</td>
<td></td>
<td>1,200</td>
</tr>
<tr>
<td></td>
<td>Next 15,000</td>
<td>11</td>
<td>1,650</td>
</tr>
<tr>
<td>50,001-70,000</td>
<td>On the First 50,000</td>
<td></td>
<td>2,850</td>
</tr>
<tr>
<td></td>
<td>Next 20,000</td>
<td>19</td>
<td>3,800</td>
</tr>
<tr>
<td>70,001-100,000</td>
<td>On the First 70,000</td>
<td></td>
<td>6,650</td>
</tr>
<tr>
<td></td>
<td>Next 30,000</td>
<td>24</td>
<td>7,200</td>
</tr>
<tr>
<td>Exceeding 100,000</td>
<td>On the First 100,000</td>
<td></td>
<td>13,850</td>
</tr>
<tr>
<td></td>
<td>Next RM</td>
<td>26</td>
<td>........</td>
</tr>
</tbody>
</table>

Continued…
Personal reliefs and allowances

<table>
<thead>
<tr>
<th>Description</th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self</td>
<td>9,000</td>
</tr>
<tr>
<td>Disabled self, additional</td>
<td>6,000</td>
</tr>
<tr>
<td>Medical expenses expended for parents</td>
<td>(maximum) 5,000</td>
</tr>
<tr>
<td>Medical expenses expended on self, spouse or child with serious disease, including up to RM500 for medical examination</td>
<td>(maximum) 5,000</td>
</tr>
<tr>
<td>Basic supporting equipment for disabled self, spouse, child or parent</td>
<td>(maximum) 5,000</td>
</tr>
<tr>
<td>Purchase of sports equipment</td>
<td>(maximum) 300</td>
</tr>
<tr>
<td>Fees expended for skills or qualifications</td>
<td>(maximum) 5,000</td>
</tr>
<tr>
<td>Expenses on books for personal use</td>
<td>(maximum) 1,000</td>
</tr>
<tr>
<td>Spouse relief</td>
<td>3,000</td>
</tr>
<tr>
<td>Disabled spouse, additional</td>
<td>3,500</td>
</tr>
<tr>
<td>Child (each)</td>
<td>1,000</td>
</tr>
<tr>
<td>Child – higher rate (each)</td>
<td>4,000</td>
</tr>
<tr>
<td>Disabled child (each)</td>
<td>5,000</td>
</tr>
<tr>
<td>Disabled child, additional (each)</td>
<td>6,000</td>
</tr>
<tr>
<td>Life insurance premiums, contributions to approved provident funds</td>
<td>(maximum) 6,000</td>
</tr>
<tr>
<td>Deferred annuity premiums</td>
<td>(maximum) 1,000</td>
</tr>
<tr>
<td>Medical and/or educational insurance premiums for self, spouse or child</td>
<td>(maximum) 3,000</td>
</tr>
<tr>
<td>Purchase of a personal computer</td>
<td>(maximum) 3,000</td>
</tr>
<tr>
<td>Deposit for a child into the National Education Savings Scheme (SSPN)</td>
<td>(maximum) 6,000</td>
</tr>
</tbody>
</table>

Rebates

Chargeable income not exceeding RM 35,000

| Individual | RM 400 |

Value of benefits in kind

Car scale

Cost of car Prescribed annual value of (when new) private usage of car

<table>
<thead>
<tr>
<th>RM</th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 50,000</td>
<td>1,200</td>
</tr>
<tr>
<td>50,001 to 75,000</td>
<td>2,400</td>
</tr>
<tr>
<td>75,001 to 100,000</td>
<td>3,600</td>
</tr>
<tr>
<td>100,001 to 150,000</td>
<td>5,000</td>
</tr>
<tr>
<td>150,001 to 200,000</td>
<td>7,000</td>
</tr>
<tr>
<td>200,001 to 250,000</td>
<td>9,000</td>
</tr>
<tr>
<td>250,001 to 350,000</td>
<td>15,000</td>
</tr>
<tr>
<td>350,001 to 500,000</td>
<td>21,250</td>
</tr>
<tr>
<td>500,001 and above</td>
<td>25,000</td>
</tr>
</tbody>
</table>

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.
Where a driver is provided by the employer, the value of the benefit per month is fixed at RM600.

Continued…
Other benefits

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-conditioned and/or curtains and carpets 140
Fully furnished premises 280
Domestic helper 400
Gardener 300

Capital allowances

<table>
<thead>
<tr>
<th></th>
<th>Initial Allowance (IA)</th>
<th>Annual Allowance (AA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial buildings</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Plant and machinery – general</td>
<td>20</td>
<td>14</td>
</tr>
<tr>
<td>Motor vehicles and heavy machinery</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Office equipment, furniture and fittings</td>
<td>20</td>
<td>10</td>
</tr>
</tbody>
</table>