<table>
<thead>
<tr>
<th>KOD KURSUS</th>
<th>: KT 5013 SEMINAR DALAM PERCUKAIAN</th>
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<tbody>
<tr>
<td>TARIKH</td>
<td>: 25 SEPTEMBER 1999</td>
</tr>
<tr>
<td>MASA</td>
<td>: 9.00 PG. - 12.00 TGH.</td>
</tr>
<tr>
<td>TEMPAT</td>
<td>: SEKOLAH SISWAZAH</td>
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**ARAHAN**

Jawab semua soalan.

<table>
<thead>
<tr>
<th>NO. MATRIK</th>
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<tbody>
<tr>
<td>NO. KAD PENGENALAN</td>
<td>:</td>
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<tr>
<td>NAMA PENSYARAH</td>
<td>: PROF. MADYA DR. JEYAPALAN A/L KASIPILLAI</td>
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</tbody>
</table>

**JANGAN BUKA SOALAN INI SEHINGGA DIBERI ARAHAN**
KOD/NAMA KURSUS:  KT 5013
TARIKH       :  25 SEPTEMBER 1999 (SABTU)
MASA         :  9.00 - 12.00 PAGI
TEMPAT       :  SEKOLAH SISWA ZAH

ARAHAN:
1. This paper consists of FIVE (5) questions.

2. Answer ALL questions.

3. In this paper "ITA" means "Income Tax Act".

4. Write your matriculation number in your answer sheets.
QUESTION 1 (20 MARKS: 36 MINS)

(a) Briefly outline the mechanism of the imputation system applied to companies under the Malaysian Income Tax Act. Also state the treatment of dividends in the hands of the shareholders.

(6 Marks)

(b) Kulim Technology Bhd. has been a resident company in Malaysia for several years. The accounting date of the company is 31 December each year. The following details were provided by the company’s accountant:

- Chargeable income for year ended 31 December 1998 is RM316,000.
- Credit balance at 1 January 1998 under Section 108(6) ITA is RM110,000.
- Gross dividend declared by the company in 1998 amounted to RM320,000.

Required:

(i) Assuming a corporate tax rate of 28 percent, ascertain the company’s Section 108 balance for year of assessment 1999.

(ii) Determine the company’s Section 108 balance for year of assessment 1999, if Kulim Technology Bhd decided to declare gross dividend of RM800,000 (and not RM320,000).

(14 Marks)

(Total: 20 Marks)

QUESTION 2 (22 MARKS: 40 MINS)

(a) (i) Outline the scope of the Service Tax Act 1975 (as amended).

(Marks: 8 marks)
(ii) In respect of the Service Tax Act 1975 (as amended), state the taxable persons and rate of tax.

(Marks: 6 marks)

(b) (i) When are customs duties levied under the Customs Act 1967?

(Marks: 4 marks)

(ii) Outline the importance of classification of goods under the Customs Duties Order 1988.

(Marks: 4 marks)

(Total 22 Marks)

QUESTION 3 (22 MARKS: 40 MINS)

(a) (i) How is a real property company defined under the Real Property Gains Tax Act 1976 (as amended)?

(4 Marks)

(ii) Jalur Gemilang Bhd, a resident company in Malaysia, has been involved in the construction of sailing boats for several years. The company purchased a landed property on 1 June 1996 and sold it on 4 May 1999. The disposal of the property gave rise to a chargeable gain of RM200,000.

In 1998, however, the company disposed of three properties and suffered the following losses:

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<table>
<thead>
<tr>
<th>Category of disposal</th>
<th>Loss suffered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within two years</td>
<td>40,000</td>
</tr>
<tr>
<td>Within three years</td>
<td>50,000</td>
</tr>
<tr>
<td>In the seventh year</td>
<td>80,000</td>
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Required:
Compute the real property gains tax payable for the year of assessment 1999.

(8 Marks)

(b) "With effect from year of assessment 1991, the Labuan Offshore Business Activity Tax Act 1990 makes Labuan a tax shelter for offshore companies carrying on business in or from Labuan".

With reference to the above statement, outline the tax incentives that are provided by the government to promote Labuan as an International Offshore Centre for year of assessment 1999.

(10 Marks)
(Total: 22 Marks)

QUESTION 4 (18 MARKS: 32 MINS)

(a) Outline the tax implications on corporate mergers and acquisitions.
In this regard, you are required to state the relevant tax legislations that would have an impact on corporate exercises involving mergers and acquisitions.

(8 Marks)
(b) State two new incentives that are currently provided by the government to encourage mergers and acquisitions in the financial sector.

(4 Marks)

(c) Briefly explain whether legal expenses and compensation paid to employees as a result of merger exercises are allowable deductions under the ITA.

(6 Marks)
(Total: 18 Marks)

QUESTION 5 (18 MARKS: 32 MINS)

(a) "Section 33 ITA stipulates that expenses wholly and exclusively incurred in the production of gross income are allowable deductions".

With reference to the above statement, outline the general rules that may be applied to determine the deductibility of expenses under the ITA. Appropriate case law could be used to support your answer.

(9 Marks)

(b) Explain whether the following income is taxable in the hands of the recipient for the year of assessment 1999:

(i) Cash awards to senior accounting staff of a large manufacturing company.

(ii) Royalty income derived from publication of academic books.

(iii) Tips received by individuals employed in a flourishing restaurant.

(9 Marks)
(Total: 18 Marks)