**PEPERIKSAAN AKHIR SEMESTER**
**PROGRAM SISWAZAH**
**SEMESTER PERTAMA SESI 2000/2001**

**KOD/NAMA KURSUS** : KT 5013 – SEMINAR IN TAXATION  
**TARIKH** : 23 SEPTEMBER 2001 (AHAD)  
**MASA** : 9.00 PAGI – 12.00 TENGAHARI  
**TEMPAT** : DS 1

**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.

**NO. MATRIK :**

<table>
<thead>
<tr>
<th>(dengan perkataan)</th>
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<tbody>
<tr>
<td>(dengan angka)</td>
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</tbody>
</table>

**NO. KAD PENGENALAN :**

**NAMA PENSYARAH : PROF. MADYA DR. JEYAPALAN KASIPILLAI**

**JANGAN BUKA SOALAN INI SEHINGGA DIBERI ARAHAN**
QUESTION 1 (20 MARKS: 36 MINS)

(a) "The Malaysian Government would be implementing a self assessment system in stages with companies in 2001; business, partnerships and cooperatives in 2003, and salaried individuals in 2004".

With reference to the above statement, briefly outline the following:
(i) Procedure for companies to file tax returns in the year 2001;
(ii) Payment of taxes by companies under the current year basis of assessment.

You are also required to explain how companies estimate their annual taxes from 1 January 2000.

(8 Marks)

(b) Bistari Tools Sdn Bhd has furnished the following information in the year 2001.

(i) Bistari Tools Sdn Bhd whose accounting year ending 30 June 2001, furnished its first estimate of tax payable for the year of assessment 2001 to the Inland Revenue Board (IRB) within the time prescribed by law. The sum estimated by the company is RM300,000.

Required:

State when and in what amounts Bistari Tools Sdn Bhd will be required to pay the amount of tax estimated by the company for the year of assessment 2001.

(4 Marks)

(ii) A revised estimate for the year of assessment 2001 was furnished to the IRB within the time prescribed by law in the amount of RM360,000.
Required:

When and in what amounts is Bistari Tools Sdn Bhd required to pay the balance of the revised estimated tax?

(4 Marks)

(iii) It is assumed that Bistari Tools Sdn Bhd submits its tax return for the year of assessment 2001 to the Inland Revenue Board on 30 December 2001 and it shows the tax payable to be RM600,000.

Required:

When will the final outstanding tax of Bistari Tools Sdn Bhd for year of assessment 2001 be due and payable to IRB? Determine the penalty (if any) that would be imposed on the company for under-estimating the tax payable for year of assessment 2001.

(4 Marks)

QUESTION 2 (15 MARKS: 27 MINS)

(a) Briefly outline the legal provisions enabling the imputation of income tax paid by a company to its shareholders under Section 108 ITA.

(6 Marks)

(b) Juta In Sdn Bhd which closed its annual accounts on 31 March 2000 shows a balance of RM132,000 to the credit of the company at the end of year of assessment 2000 (preceding year basis) in its dividend franking account. The company also had a credit balance of RM300,000 in its Section 108 tax exempt account. The tax paid for the year of assessment 2000 (current year basis) is
RM168,000 and the estimated tax payable for the year of assessment 2001 is RM264,000. The company paid dividends as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 February 2000</td>
<td>300 (Paid out of tax exempt account)</td>
</tr>
<tr>
<td>07 May 2000</td>
<td>1,200 (Gross amount)</td>
</tr>
</tbody>
</table>

**Required:**

Determine the dividend franking account balance (if any) of Juta In Sdn Bhd to be carried forward to year of assessment 2001.

(9 Marks)

**QUESTION 3 (22 MARKS: 40 MINS)**

(a) “Stamp duty payable depends not only on the form but also on the substance of an agreement”.

Explain what you understand by the above statement. Appropriate case law should be cited to support your answer.

(8 Marks)

(b) Kumar Akitek & Co. built a banglo for a client and rendered architectural services of RM12,500 and professional consultancy services of RM15,000. In this connection, Kumar Akitek & Co. also sought legal advice from Foo Advocates & Solicitors and fees payable amounted to RM9,000.
Kumar Akitek & Co and Foo Advocates and Solicitors are providing taxable services under the Service Tax Act 1975 (as amended).

**Required:**

State the information to be contained in the invoices for the taxable services provided to and by Kumar Akitek & Co.

(8 Marks)

(c) Explain briefly the facilities available to licensed manufacturers to enable them to acquire raw materials free of sales tax for the manufacture of taxable goods.

(6 Marks)

**QUESTION 4 (22 MARKS: 40 MINS)**

(a) (i) Outline the direct and indirect tax incentives that are provided by the Government to promote Labuan as an International Offshore Centre for year of assessment 2001.

(7 Marks)

(ii) Why is it important to distinguish an offshore trading activity from an offshore non-trading activity?

(3 Marks)
(b) Dana Realty Sdn Bhd sold the following two properties:

(i) **House**
This property was sold for RM400,000 on 05 September 1999. The company incurred expenses as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of purchase (1 September 1996)</td>
<td>500,800</td>
</tr>
<tr>
<td>Advertising cost for buyer</td>
<td>2,000</td>
</tr>
<tr>
<td>Quit rent and assessment (1997 and 1998)</td>
<td>2,500</td>
</tr>
</tbody>
</table>

(ii) **Land**
This property was sold for RM320,000 on 2 May 2000. It was purchased for 220,000 on 20 August 1996.

**Required:**

Compute the real property gains tax payable (if any) by Dana Realty Sdn Bhd for relevant years of assessment.

(12 Marks)

**QUESTION 5 (21 MARKS: 37 MINS)**

(a) “All expenses wholly and exclusively incurred in the production of income are deductible for arriving at the adjusted income of a business source”.

**Required:**

(i) Do you agree with the above statement? Reference should be made to the Income Tax Act, 1967 (as amended).

(3 Marks)
(ii) Outline broad tax principles that would determine the deductibility of expenses from the gross income of a firm that deals computer software.

(6 Marks)

(b) Explain, with reasons, whether each of the following expenses incurred by an enterprise are deductible under the ITA. Relevant sections in the ITA and appropriate case law could be cited to support your answer.

(i) A courier company (financial period ending 31 December) paid RM1,500 on speeding fines imposed on its drivers during the basis period ending 31 December 2000. The fines were initially paid by the drivers and were subsequently reimbursed to them in January 2001.

(4 Marks)

(ii) The management of Sivan, Heng and Jefri Bhd decided to initiate an approved pension fund to improve the retirement benefits of their staff. In 2000, the management appropriated a sum of RM100,000 from the company's reserves as a preliminary contribution to the fund.

(4 Marks)

(iii) Encik Ahmad Faisol is a computer manager of a well established multi-national firm located in Bayan Lepas, Penang. In the year 2000, Encik Ahmad pursued a masters degree with Universiti Utara Malaysia. The multi-national company paid the annual fees of RM8,000 each for the years 2000 and 2001. Encik Ahmad was bound to work with the company for five years after completion of his master degree in October 2001.

(4 Marks)
Income Tax Rates
Year of Assessment 2000 (preceding year basis)

(a) Company 28%
(b) Non-resident person 30%

(c) Resident Individuals

<table>
<thead>
<tr>
<th>Chargeable income</th>
<th>Cumulative</th>
<th>Tax payable Rate</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>band</td>
<td>RM</td>
<td>RM</td>
<td>%</td>
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<tr>
<td>2,500</td>
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<td>2,500</td>
<td>5,000</td>
<td>2</td>
<td>50</td>
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<tr>
<td>5,000</td>
<td>10,000</td>
<td>4</td>
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<td>10,000</td>
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<td>850</td>
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<tr>
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<tr>
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<tr>
<td>Excess</td>
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### Income Tax Rates

**Year of Assessment 2000 (current year basis)**

(a) Company  
28%

(b) Non-resident person  
29%

(c) Resident Individuals

<table>
<thead>
<tr>
<th>Chargeable income Band RM</th>
<th>Cumulative Tax payable Rate Cumulative RM</th>
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<tbody>
<tr>
<td>2,500</td>
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