



# STAMFORD COLLEGE

## SCHOOL OF BUSINESS

### DIPLOMA IN CORPORATE ADMINISTRATION (SEMESTER 6)

#### DCA 210: TAXATION

**Date : 24 May 2008 (Saturday)**

**Time : 9.00 AM – 11.00 AM**

**Duration: 2 hours**

#### **Instructions to Candidates**

Question 1 from Section A is compulsory. Answer TWO out of FOUR questions from Section B.

Please ensure that this examination paper contains FIVE questions on EIGHT printed pages before you start the examination.

Books, papers and other written materials are not allowed to be brought into the examination hall. A candidate who violates the examination rules of Stamford College or commits a malpractice will be disqualified from the examination.

Candidates may use calculators provided the calculators give no printout, have no work display facilities, are silent and cordless.

Write your Examination Index Number on each page of your answer booklet.

**SECTION A****Question 1 (Compulsory)**

Jehan is in Malaysia on 1.1.2004 and recorded the following periods of stay:

<b>Year</b>	<b>Dates</b>	<b>Remarks</b>
2004	1.1.2004 – 31.3.2004	In Malaysia
	1.4.2004 – 16.4.2004	Seminar in Hawaii
	17.4.2004 – 17.7.2004	In Malaysia
2005	1.12.2005 – 30.12.2005	In Malaysia
	31.12.2005	1 social visit in Africa
2006	1.1.2006 – 13.1.2006	13 social visit in Africa
	14.1.2006 – 1.7.2006	In Malaysia
2007	1.7.2007 – 31.12.2007	In Malaysia

**Required:**

State, with reasons, the residence status for Malaysian tax purposes of Jehan, for the years of assessment 2004 to 2007.

(Total = 10 marks)

**SECTION B**

**Answer TWO out of FOUR questions.**

**Question 2**

Maisara is the engineer for Oldies Sdn Bhd since 1 September 1998. However, on 30 August 2007, she was retrenched and paid compensation.

Thereafter, Newbies Bhd has employed Maisara. She was provided with a 5-year-old company car (cost when new: RM135,000). The company paid for her unfurnished house in Bangsar which cost RM1,500 per month.

Maisara is a single mother with an eight year-old disabled child. She bought a wheelchair for the child costing RM3,900.

Other information relating to her income and expenditure for the year ended 31 December 2007 is as follows:

	RM	RM
<b>Oldies Sdn Bhd:</b>		
Salary per month		4,000
EPF Contribution	(5,400)	
Compensation on retrenchment		40,000
<b>Newbies Bhd:</b>		
Salary per month		4,500
EPF Contribution	(4,300)	
Travelling allowance (fully expended for her duty as an engineer)		2,000
<b>Other information:</b>		
Life insurance (for self) premium	(3,600)	
Medical insurance	(600)	
Books and magazines	(1,500)	
Medical check-up	(480)	

**Other income:**

Dividend from Wealthy Sdn Bhd	3,285
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Newbies Bhd paid for her domestic bills in 2007 as follows:

	<b>RM</b>
Medical	1,200
Streamyx connection	1,500
Utilities	1,000

Maisara donated RM800 worth of books to the State Library that she regularly attends. During last August, her father underwent major surgery and she paid the medical expenses costing RM15,000.

**Required:**

Show the tax computation of Maisara for the year of assessment 2007.

Note: Show all workings.

You should note that marks would be awarded for the use of accurate technical terms to describe the figures calculated at various stages of the computation.

(Total = 20 marks)

**Question 3**

- (a) Nonald (Pte) Ltd, a company resident in Brunei, has established a Malaysian branch in Melaka. On 1 January 2007, the company appointed Puan Venice as the Director in charge of the outlet in Melaka. She holds 23% of the issued share capital of the company.

The details of her remuneration for the year 2007 are as follows:

Director's fees monthly	9,000
Incentive bonus	18,000
Air passage for her and her family:	
Beijing	9,000
Pulau Redang	2,000
Sarawak	4,000

Note:

- (i) In addition to the above, the company also provided Puan Venice with a driver (salary RM1,000 per month) and reimbursed her for RM600 per month, being monthly salary of a servant employed by her.
- (ii) A fully-furnished condominium in Klebang for which the company paid a monthly rental of RM2,000.
- (iii) The company also paid the tuition fees for her first child studying in Brunei. The total amount paid in the year 2007 amounted to RM17,000.

**Required:**

Compute the adjusted employment income of Puan Venice for the year of assessment 2007.

(8 marks)

- (b) State the circumstances under which compensation for loss of employment is exempted from tax under the Act.

(4 marks)

- (c) Wendy purchased her first ever property for RM260,000 in Year 2000. She incurred legal fees of RM850 and stamp duty of RM4,150 on the purchase of this property.

On 1 October 2003, the completed property was duly handed over to Wendy by the property developer. Wendy, who is single, took up residence in the house on 1 January 2004.

Since she was transferred to Penang at the end of 2006, she advertised to let her house. On 28 February 2007, Wendy signed a rental agreement with Mr Chong for RM580 per month.

The payments made during 2007 are as follows:

	RM
Advertisement cost	700
Repainting cost	1,000
Replacement of bathroom door	500
Additional air-conditioner installed	1,500
Assessment	2,400

Replacement of sliding door (1 piece)	500
Quit rent	300

**Required:**

Based on the above information, calculate the aggregate income of Wendy for the year of assessment 2007.

(5 marks)

- (d) The employer will not receive any notification from the tax authorities regarding the directive for tax deduction. This is because the rules have been gazetted and it becomes an obligation of the employer to comply with the requirement of Schedules Tax Deduction System. State THREE other responsibilities/duties of employers as required under the Act.

(3 marks)

(Total = 20 marks)

**Question 4**

- (a) John is an employee for Kikik Sdn. Bhd. His salary is RM3,800 per month for the year of assessment (YA) 2008. Explain to John the following:

- (i) The deadline for submitting his tax return for the year of assessment 2008.

(2 marks)

- (i) If he also runs his family retail business during his free time, how should the tax payments be made with respect to his business income.

(4 marks)

- (ii) The possibility of making appeal when he is dissatisfied with the fact that the tax authorities had disallowed the claim of professional fees of RM500 in arriving at his employment adjusted income.

(2 marks)

- (b) Boon acquired shares in Bank Rakyat on 14 February 2007, and he received dividend on 1 March 2007 amounting to RM73. Boon had to submit his dividend warrant to IRB in year of assessment (YA) 2007 in order to claim the refund.

He received the following income for the year of assessment (YA) 2007:

	RM
Employment income	30,600
Interest from the fixed deposit in Maybank	2,000

Additional Note:

As a result of a disagreement with the General Manager, his contract for year 2008 will not be renewed. He will receive RM40,000 as compensation for the loss of employment only in February 2008.

- (i) Compute the tax payable, if any, assuming that Boon is a non-resident for year of assessment (YA) 2007. (5 marks)
- (ii) Explain the income tax treatment of the RM40,000. (2 marks)
- (c) Pandir will be receiving a gratuity of RM69,000 upon his retirement on 30 September 2007, at the age of 56. He has been working with Fashion Jewelry since 1 January 2001. Explain to Pandir whether or not his retirement gratuity will be exempted from income tax. If not, how would the lump sum be taxed?

(5 marks)

(Total = 20 marks)

### Question 5

- (a) Akmal and his wife Alisya were resident in Malaysia for the basis year 2007. They have a 20-year-old child who is suffering down syndrome and unmarried. Akmal has total income of RM55,000 for the year ended 31.12.2007 whereas Alisya is a full time housewife. Akmal made payments as follows:-

	RM
Contribution to the EPF	4,950
Zakat and fitrah	850
Purchased basic supporting equipment for the child	6,000
Insurance premium:	
- Policy 1: Sum insured on himself	70,000
Premium paid	700
- Policy 2 : Sum insured on their joint lives	30,000
Premium paid	2,000
Magazines (only RM500 with receipt)	650
Complete medical examination	300

**Required:**

Compute the tax payable, if any, for the year of assessment (YA) 2007.

(7 marks)

- (b) (i) An accounting firm resident in Singapore was engaged by a Malaysian company to advise on matters regarding taxation planning. The services were performed wholly in Singapore. State, with reasons, whether withholding tax would be applicable for this situation.
- (ii) Ah Long submits a duly completed return for year of assessment 2007 on his own behalf. He declares income from his employment only. It is discovered during a tax audit that he has not declared his income from the business of selling imported souvenirs that he has been carrying on for the past 5 years. Explain the implications of his action.
- (3 marks)
- (b) Kim, aged 50, had served his employer for 20 years. Upon his resignation, he was awarded a lump sum payment of RM70,000 by them in appreciation of his past services. The company remitted this amount directly to the Employees Provident Fund (EPF) for the credit of Kim's account with EPF.

**Required:**

State, with reasons, whether the lump sum payment awarded to Kim is assessable to tax.

(4 marks)

- (d) Farukh and wife were resident in Malaysia for the basis year 2007. Farukh has total income of RM25,000 while his wife has total income of RM15,000. Farukh's wife elects for combined assessment with her husband under paragraph 45(2)(a) Income Tax Act for the year of assessment 2007.

They have two unmarried children:

- (i) Amran, the first child aged 14 is studying at a secondary school,
- (ii) Kaisara, the second child, aged 10 is physically disabled.

**Required:**

Compute the tax liabilities, if any, of Mr. and Mrs. Farukh for the year of assessment (YA) 2007.



(6 marks)

(Total = 20 marks)

**– END OF PAPER –**

**ATTACHMENT**

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

**Resident individuals**

	Chargeable income		Rate	Cumulative tax
	RM	RM	%	RM
First	2,500	(0 – 2,500)	0	0
Next	2,500	(2,501 – 5,000)	1	25
Next	15,000	(5,001 – 20,000)	3	475
Next	15,000	(20,001 – 35,000)	7	1,525
Next	15,000	(35,001 – 50,000)	13	3,475
Next	20,000	(50,001 – 70,000)	19	7,275
Next	30,000	(70,001 – 100,000)	24	14,475
Next	150,000	(100,001 – 250,000)	27	54,975
Next	250,000		28	

**Personal reliefs and allowances**

	RM	
Self	8,000	
Disabled self - additional	6,000	
Medical expenses expended for parents	5,000	maximum
Medical expenses expended for self, spouse or child with serious disease, including up to RM500 for medical examination	5,000	maximum
Basic supporting equipment for disabled self, spouse, child or parent	5,000	maximum
Fees expended for skills or qualifications	5,000	maximum
Expenses on books for personal use	1,000	maximum
Spouse relief	3,000	
Disabled spouse	3,500	
Unmarried child relief (either claimed by husband or wife):		
Disabled child	5,000	each
Others (less or 18 years)	1,000	each
Children (>18 years) (studying in universities or college)	4,000	each
Disabled children (>18 years) (studying in universities or college)	9,000	each
Life insurance premiums and contributions to approved provident funds	6,000	maximum
Medical or education insurance premiums for self, spouse or child	3,000	maximum
Personal computer for personal use (restricted to once every 3 years)	3,000	

**Rebates**

	RM
Resident individual – chargeable income up to RM35,000	350
Resident individual who has been given a deduction in respect of wife (or former wife) or husband – chargeable income up to RM35,000 - additional	350
Purchase of personal computer	-
Zakat / fitrah (with receipts)	Amount incurred

**Value of benefits in kind:****Car benefit scale**

Cost of car (when new)	Prescribed annual value of private usage of car	Fuel per annum
RM	RM	RM
Up to 50,000	1,200	600
50,001 – 75,000	2,400	900
75,001 – 100,000	3,600	1,200
100,001 – 150,000	5,000	1,500
150,001 – 200,000	7,000	1,800
200,001 – 250,000	9,000	2,100
250,001 – 350,000	15,000	2,400
350,001 – 500,000	21,250	2,700
500,001 and above	25,000	3,000

The value of the car benefit equal to half the prescribed annual value (above) is taken if the car provided is more than five years old, but the value of fuel provided remains unchanged.

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

**Other benefits:**

Household furnishings, apparatus & appliances:	Per month (RM)
Semi-furnished with furniture in the lounge dining room, or bedrooms	70
Semi-furnished with furniture as above and one or more of the following: air conditioners, curtains, carpets	140
Fully furnished premises	280
Domestic servant	400
Gardener	300
Telephone (including mobile phone) – for hardware only	25
Telephone (including mobile phone) – for bills only	25