



**FINAL EXAMINATION  
BACHELOR OF ACCOUNTANCY (HONOURS)**

<b>COURSE</b>	<b>: ADVANCED TAXATION AND PLANNING/ ADVANCED TAX AND PLANNING</b>
<b>COURSE CODE</b>	<b>: TAX302/TAX4053</b>
<b>DURATION</b>	<b>: 3 HOURS</b>

**INSTRUCTIONS TO CANDIDATES :**

1. This question paper consists of **THREE (3)** questions.
2. Answer **ALL** questions.
3. Your answer must be hand-written.
4. Write down your name, ID No, Subject Code, and Section No on the front page of the answer sheet.
5. After you have finished, scan your answer and save it to pdf format. Please save your file as : **TAX302 1120 FE – Full Name (ID No) for TAX302**  
**TAX4053 1120 FE – Full Name (ID No) for TAX4053**
6. You must submit your answer through Google Classroom.

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**DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO**

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*The question paper consists of 5 printed pages including front page*

**QUESTION 1**

Down to Earth Plantation Bhd, a resident company in Malaysia was incorporated on 1 January 2012, located in Seremban, Negeri Sembilan, and carries the business of operating a cocoa and coconut plantation. The company also runs trading activities that relate to cocoa and coconut products. The company prepares its accounts to 31 July every year.

The adjusted income/(loss) and other information for three year assessment are as follows:

	<b>2018</b> <b>RM</b>	<b>2019</b> <b>RM</b>	<b>2020</b> <b>RM</b>
<b>Promoted product :</b>			
Adjusted Income/(loss)	500,000	(35,000)	1,500,000
Capital allowances*	450,000	200,000	250,000
<b>Non-promoted product :</b>			
Adjusted Income/(loss)	(120,000)	250,000	(85,000)
Capital allowances	40,000	30,000	75,000
Balancing charge	20,000		100,000
<b>Other income :</b>			
Dividend from the fixed deposit	25,000	18,000	44,000
Rental of warehouse in Ampang	30,000	30,000	50,000
Interest income from Bank Islam	20,000	40,000	30,000
Donation - approved institutions	15,000	25,000	10,000

\* This amount includes the capital allowances on the capital expenditure

The company applied for the investment tax allowance and application was approved in October 2015 and the following is the capital expenditure incurred by the company :

<b>Capital Expenditure</b>	<b>Date incurred</b>	<b>RM</b>
Cost of land	25 January 2016	150,000
Levelling and terracing of land	15 March 2018	60,000
Seedlings and fertilizing	24 March 2018	40,000
Road and drainage on farm	7 October 2018	80,000
Construction of smoke house	14 June 2019	45,000
Replantation	29 November 2019	72,500

**Required :**

Compute the chargeable income and the amount to be credited to exempt income account of Down to Earth Plantation Bhd for the years of assessment 2018 to 2020.

(30 marks)

## QUESTION 2

- a. For each of the following independent situations, advise an effective tax planning strategy that could minimise the income tax liability of the company.
- (i) Company decides to increase the percentage of depreciation to all non-current assets, in order to reduce tax liability.
  - (ii) Company spends RM50,000 on Annual General Meeting to welcome new investors from German and France.
  - (iii) Company allocates RM15,000 each for tax and secretarial fees every year.
  - (iv) Royalty paid RM30,000 to BTS, a Korean band for an online presentation organized in collaboration with Celcom and Pepsi in mid 2020. However, the withholding tax was not yet paid to Inland Revenue Board.
  - (v) Yusuf Bina Company is a construction company and has 1,000 employees in the construction work division.
  - (vi) The replacement of the entire roof of the premises damaged by several trees that fell on part of the roof of the premises at a cost of RM45,000

(12 marks)

- b. Azhar Othman is recently promoted as the Head of Digital Designer in Wings & Associate. The promotion will involve a salary increase of RM250 per month starting from September 2020. In addition, a bungalow is also provided by the company with a monthly rental of RM2,200 when he is in the post. Azhar Othman may also choose one of the following remuneration packages :

**Package A** - Use of a company car costing RM150,000 together with petrol. The petrol is expected to cost the company RM5,000 per annum.

**Package B** - An entertainment allowance of RM500 per month with no stipulation that he should spend.

Currently, Azhar Othman is paid a monthly salary of RM7,000 with no fringe benefits. His contribution rate to the Employees Provident Fund is 11% of his salary. He is married, with five children.

**Required :**

- (i) Choose the best option between the two remuneration packages above and support your answer with the reason.

(5 marks)

- (ii) What are the factors that Azhar Othman should consider when deciding between the two remuneration packages above.

(3 marks)

(Total : 20 marks)

**QUESTION 3**

Hafeez is the owner of Haff Enterprise, a sole proprietorship business in Bandar Kinrara, Puchong. He started his first business in Bandar Kinrara on 1 August 2012 with a capital of RM120,000. His capital was increased by RM10,000 in every year starting year 2015. An investigation was carried out by the Inland Revenue Board of Malaysia on his premises and various documents were confiscated for audit and investigation purposes. As a result of the investigation, the following information was obtained :

- (i) The retained earnings account from the year 2017 was RM75,000 and current profit for year 2018 was RM100,000. The amount of profit and loss will increase by five percent from the previous year, each year starting year 2019.
- (ii) In April 2016, Hafeez bought 2-acre land located in Hulu Langat, Selangor from his brother for RM20,000. The land was inherited by his brother from their mother who acquired it in 2000 for RM10,000. The market value of the land in 2019 and 2020 were RM70,000 and RM80,000 respectively.
- (iii) In December 2017, Hafeez gave an interest-free loan of RM25,000 to his friend. His friend made a monthly installment of RM500 per month since March 2018.
- (iv) Hafeez has made monthly donations to approved institutions of RM200 since August 2017 and his donation amount has increased by RM50 for every six month starting from March 2019.
- (v) In January 2020, Hafeez opened a restaurant in Bandar Baru Bangi, Selangor. Hafeez has made a bank loan of RM200,000 with interest rate of 5% per annum. He made partial repayment amounting RM2,000 per month starting from March 2020. In the year ended 2020, the net assets of the restaurant in Bandar Baru Bangi area worth RM85,000.
- (vi) Hafeez purchased shares of One Bhd for RM100,000 in 2018. In April 2020, Hafeez sold all the shares for RM85,000, and he incurred expenses of RM1,500 upon disposal of the shares.
- (vii) Hafeez acquired a plot of land for RM25,000 in November 2018. An initial payment of RM10,000 cash was made in December 2018 and the balance was financed by an interest free loan taken from his wife. He made partial repayment amounting to RM1,000 per month to his wife starting May 2019.
- (viii) Balances of other assets owned by Hafeez as at 31 December were as follows:

	<b>2019</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Current accounts as per bank statement	50,000	50,000
Savings accounts	100,000	100,000
Fixed deposits :		
Principal	50,000	250,000
Interest	8,000	10,000

- (ix) In June 2020, Hafeez sold the 2-acre land to his friend, Faiz for RM50,000 and then used the proceeds to buy a terrace house in Tasik Permaisuri, Kuala Lumpur for RM250,000. The remaining amount was financed by a bank loan with interest rate of 8% per annum starting August 2020. The outstanding loan balances were RM185,000 as at 31 December 2020.
- (x) Hafeez and his wife went to London for their son's convocation in December 2020. The cost of the trip amounted to RM10,000 each.
- (xi) A Toyota Tacoma car was acquired by Hafeez by way of hire purchase in March 2018. The cost of car was RM100,000. The deposit was RM25,000 paid in April 2018 and the installments were RM2,800 per months for 30 months commencing June 2018. However, Hafeez sold the car to his brother for RM50,000 in August 2020.
- (xii) Hafeez made no declaration of income in the years of assessment in 2019 and 2020 because he felt that he would not be liable to tax.

**Required:**

- a) Based on the information given above, compute the amount of undisclosed income, if any, for the year of assessment 2020.  
(45 marks)
- b) The Inland Revenue Board Malaysia (LHDN) has issued a new Tax Investigation Framework 2020 to replace the Tax Investigation Framework issued on May 15, 2018. The new framework, which took effect on Jan 1, 2020, is aimed at informing taxpayers about LHDN's tax investigation procedures. In general, the framework outlines the rights and responsibilities of officers, taxpayers, and tax agents; assists taxpayers to fulfill their obligations; and informs taxpayers of the legal provisions relating to a tax investigation.

What are the reasons for a person not to pay taxes? Can you recommend and clarify two ways to boost tax compliance?

(5 marks)

(Total : 50 marks)

**(100 MARKS)**

**END OF QUESTION PAPER**