



**Malaysian Institute of Accountants**

(Established under the Accountants Act 1967)

**Institut Akauntan Malaysia**

(Diperbadankan di bawah Akta Akauntan 1967)

## **QUALIFYING EXAMINATION**

### **Taxation**

Date : 15 March 2018  
Time : 2.15 pm – 5.30 pm  
Reading and Planning : 15 minutes  
Writing : 3 hours

#### **INSTRUCTIONS TO CANDIDATES:**

This question paper contains 6 questions on 17 printed pages.

Answer ALL questions.

**Answer Questions 1, 2 and 3 in separate booklet(s) from Questions 4, 5 and 6.**

**Do not open this paper until instructed by the invigilator.**

During reading and planning time only the question paper may be annotated. You must **NOT** write in your answer booklet until instructed by the invigilator.



**UNIVERSITI TEKNOLOGI MARA**  
**Examination Body**

**Paper: Taxation**

- The following tax rates are to be used in answering the questions.

		Income tax rates
(a)	Companies	24%
(b)	Small companies	
	Chargeable income: On first RM500,000	19%
	Subsequent Balance	24%
(c)	Resident individuals	

	Chargeable Income RM	Rate	Cumulative Tax RM
First	2,500	0	0
Next	2,500	0	0
On	5,000		0
Next	5,000	1	50
On	10,000		50
Next	10,000	1	100
On	20,000		150
Next	15,000	5	750
On	35,000		900
Next	15,000	10	1,500
On	50,000		2,400
Next	20,000	16	3,200
On	70,000		5,600
Next	30,000	21	6,300
On	100,000		11,900
Next	50,000	24	12,000
On	150,000		23,900
Next	100,000	24	24,000
On	250,000		47,900
Next	150,000	24.5	36,750
On	400,000		84,650
Next	200,000	25	50,000
On	600,000		134,650
Next	400,000	26	104,000
On	1,000,000		238,650
Exceeding	1,000,000	28	

(d)	Non-resident individuals	25%
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- Benefits-in-kind (BIK) scale rates as per Inland Revenue Board (IRB) guidelines

Cost of car when new RM	Annual prescribed benefit of motorcar RM	Annual prescribed benefit of petrol 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 equivalent to half of the above rates is taken if the car provided is more than five years old.

- Prescribed value of household furnishings, apparatus and appliances

Category	Type of Benefit	Annual Prescribed value of BIK provided RM
1	Semi-furnished with furniture in the lounge, dining room or bedroom.	840
2	Semi-furnished with furniture as in Category 1 and one or two of the following: <ul style="list-style-type: none"> <li>• air-conditioners</li> <li>• curtains and alike</li> <li>• carpets</li> </ul>	1,680
3	Fully furnished with benefits as in Category 1 and 2 plus one or more of kitchen equipment, crockery, utensils and appliances.	3,360
<b>Other benefits</b>		<b>RM per month</b>
Household servant		400
Gardener		300
Driver		600

- **Rates of Capital Allowances**

	Motor Vehicles/ Heavy Machinery	Plant & Machinery	Computers	Others	Industrial Building
Initial allowance	20%	20%	20%	20%	10%
Annual allowance	20%	14%	80%	10%	3%

- **Real property gains tax**

**With effect from 01.01.2014 the tax rates that apply depending on the holding period from the date of acquisition of the asset at follows:**

Period of Disposal	Company (%)	Individual (Citizens and Permanent Resident) (%)	Individual (Non-Citizens) (%)
Within 3 years	30	30	30
In the 4th year	20	20	30
In year 5	15	15	30
In its 6th year onwards	5	0	5

- **Goods and services tax (GST)**

Standard rate	6%
Registration limit	RM500,000

**QUESTION 1**

Ravi Three Star Manufacturing Sdn Bhd ('the company') is a Malaysian resident company engaged in manufacturing of car seats. The company has a paid up capital of RM5 million of which eighty- one percent (81%) are held by Malaysian citizens.

The company closes its accounts on 31 December each year, and has appended the following results for the period ended 31 December 2017:

**Ravi Three Star Manufacturing Sdn Bhd**  
**Statement of profit or loss for the year ended 31 December 2017**

	Note	RM'000	RM'000
Sales		539,000	
Less: Cost of sales		<u>296,000</u>	
Gross profit		243,000	
Add: Other income			
Dividend	1	61	
Interest	2	50	
Insurance recovery	3	60	171
		<u>243,171</u>	
Less: Expenses			
Remuneration	4	1,560	
Compensation to director	5	175	
Loan interest	6	120	
Entertainment	7	580	
Depreciation		119	
Repair and maintenance	8	480	
Bad and doubtful debts	9	870	
Motor vehicle expenses	10	185	
Lease charges	11	360	
Advertisement and publicity	12	1,050	
Professional fees	13	100	
Insurance	14	120	
Foreign exchange loss	15	60	
Donation	16	100	5,879
Profit before taxation		<u>237,292</u>	

The company has provided the following notes and information to the accounts:

**Notes to the accounts:****1. Dividend**

A single tier dividend of RM35,000 was received in November 2017 from investment in a local public listed company. Another RM26,000 was received from investments in a company in Thailand. The amount was remitted to Malaysian in early December 2017.

**2. Interest**

The company charges interest on late settlement; and accordingly RM50,000 was received from customers who settled their trading debts late in 2017.

**3. Insurance recovery**

The company received RM60,000 from an insurance company for some inventory destroyed in factory fire.

**4. Remuneration**

The remuneration charges paid to Encik Rudi Ahmad, a managing director who holds 30% of the company's shares are as follows:

Particulars	RM'000
(a) Salary	470
(b) EPF contribution	108
(c) One free holiday trip to Thailand	30
Total	608

**5. Compensation to director**

Encik Richard Tan who was with the operations department for more than 10 years was found to be in declining health. He was asked to resign voluntarily, and on compassionate grounds, the following compensation package was negotiated:

- (i) A lump sum payment of RM150,000 upon tendering his voluntary resignation; and
- (ii) An annual pension of RM25,000 payable for the next five years. The pension is conditional on Encik Richard Tan not disclosing or divulging any information pertaining to the company's operation, management and other matters.

On 1 May 2017 he was paid RM175,000 [RM150,000 plus RM25,000] upon his letter of resignation being accepted by the company's Board of Directors.

**6. Loan interest**

During the year 2017 the company incurred the following expenses:

- (i) Interest on a loan taken to invest in a local company amounting RM20,000;
- (ii) Interest on a loan taken to invest in a company in Thailand amounting RM15,000; and
- (iii) Interest on a loan taken to purchase inventory amounting RM85,000

## 7. Entertainment

The entertainment expenditure details are as follows:

Particulars	RM'000
(a) Entertainment of suppliers	320
(b) Entertainment allowance of marketing staff	140
(c) Annual dinner for staff	40
(d) Gift to customers for purchases above RM2,000	30
(e) Promotion expenses of launching a new sports car seat	50
Total	<u>580</u>

## 8. Repair and maintenance

The following expenses were incurred during the year and charged under repair and maintenance:

- (a) Extending the administrative and showroom amounting RM350,000.
- (b) The factory roof leaked badly and was replaced with an improved quality tiles at a cost of RM30,000
- (c) RM100,000 was spent on the maintenance of the plant and machinery.

## 9. Bad and doubtful debts

During the year, the company write off long overdue trade debts totaling RM180,000 as the recovery prospects were negligible.

Based on the company's experience, a general provision of 10% of the outstanding debtors as at 31 December 2017 amounting to RM400,000 was made.

A provision of RM200,000 was made on several customers who are either experiencing slow business or had filed for bankruptcy.

RM40,000 advanced made to an old customer, and RM50,000 to a long time supplier were written off during the year.

## 10. Motor vehicle expenses

The company incurred RM30,000 due to traffic offences such as speeding and illegal parking. These expenses were incurred by its marketing staff in the course of carrying out their employment duties.

During the year, the company acquired a badly damaged trailer for RM5,000 and spent RM100,000 for repairs [A new trailer would have cost RM200,000]. Capital allowance was claimed on the RM5,000.

RM55,000 refers to the repairs and maintenance of the company motor vehicles used in the business.

### 11. Lease charges

A new saloon car, which cost RM890,000, was leased in July 2017 and a lease rental payment of RM80,000 was paid during the year. Another RM160,000 was paid for the lease of a production machine to meet seasonal demand.

The company renegotiated a more advantageous term for the factory during the year, and in return for a premium of RM120,000 to the owner, the revised lease agreement for the remaining 15-year period was signed in October 2017.

### 12. Advertisement and publicity

The company also has its own brand that is properly registered in Malaysia, and RM150,000 was spent to promote this brand name in the course of sponsoring an approved international event held in Kuala Lumpur.

The company acquired the rights to a proprietary patent for RM750,000 in 2017 from a foreign company and was properly registered in its name in the same year.

The company sponsored several art and cultural activities during the year in connection with the promotion of its products. It spent RM500,000 on local art activities and RM400,000 on foreign art activities. Both activities had been formally approved by the Minister in charge of arts, culture and heritage.

### 13. Professional fees

A trade related dispute arose with a third party ('the party'). The party then filed a civil suit for damages. The court ordered the company to pay RM45,000 in damages to the plaintiff. The legal fees incurred to defend the civil suit was RM10,000.

Other details of the professional fees incurred during the year are as follows:

	Particulars of expenditure	RM'000
(a)	Secretarial fees	15
(b)	Income tax filing fees	20
(c)	GST appeal	10
	Total	45

### 14. Insurance

Expenditure relating to insurance are as follows:

	Particulars of expenditure	RM'000
(a)	Amount paid to a local insurance firm for import of raw materials	30
(b)	Insurance premium paid to a foreign firm for export of its product	40
(c)	Fire insurance relating to its inventories and machineries	50
	Total	120

**15. Foreign exchange loss**

The foreign exchange loss for the current year are as follows:

- (a) RM20,000 realised loss was on the import of trading stock.
- (b) RM10,000 realised loss on import of machinery spare parts.
- (c) RM30,000 realised loss was incurred on the import of a production machine in December 2017.

**16. Donation**

As part of its corporate social responsibility, the company made a donation in kind worth RM100,000 to an approved Malaysian charitable body during Chinese New Year in February 2017.

**17. Other information:**

For the year of assessment 2017, the company is claiming capital allowance of RM46,019,000 on its qualifying plant and machinery and other assets used in the business.

**Required:**

Based on the information given, compute the chargeable income of Ravi Three Star Manufacturing Sdn Bhd for the year of assessment 2017.

**Note:**

*Your computation should start with the profit before taxation figure and follow the description used in the profit and loss account, and where applicable the description used in the notes to the accounts. In making your tax adjustments to the entries, you should indicate 'Nil' where no adjustments are made or are not required. You do not need to explain the adjustments that you are making.*

(20 marks)

**QUESTION 2**

A. Encik Manaf had acquired a landed property from Encik Zainal for RM308,516. He signed the agreement on 16 August 2014 and settled the payment on 1 October 2014. He had taken a loan for this purpose. The property ownership was then transferred to his name on 25 November 2014. In acquiring the property, Encik Manaf incurred stamp duty of RM5,170 and legal fees of RM2,610.

Upon acquisition, Encik Manaf spent RM42,507 on renovating the property. On 11 April 2015, the property was partially damaged by fire and he received compensation of RM27,199. On 16 September 2015, the property was affected by flood, and he was paid a compensation of RM27,177 from the developer. He also managed to make an insurance recovery of RM13,575 from his insurer.

On 31 October 2016, Encik Manaf was approached by a buyer, Encik Ali to purchase the property. Encik Ali paid a deposit of RM7,000 and he proceeded to make an application for a bank loan. Encik Ali however, was not successful in his application and Encik Manaf forfeited the deposit.

Encik Manaf's brother had filed a claim for the ownership of the property. Encik Manaf then hired a lawyer who successfully defended his right to total ownership. The legal fee was RM8,647.

Encik Manaf sold the property to Mr George for RM397,767, and an agreement for the sale was signed on 16 April 2017. The payment was settled on 17 June 2017. The ownership was transferred to Mr George on 17 July 2017.

In securing a buyer for the property, Encik Manaf had incurred the following expenditure:

- valuation fee totaling RM6,171
- brokerage fee totaling RM8,638
- advertisement expenses totaling RM1,097

Encik Manaf had incurred an interest charge of RM57,630 on the bank loan he took to buy the property.

**Required:**

In relation to the Real Property Gains Tax 1976 (as amended), compute the chargeable gain arising from the disposal of the property, after exemption under Schedule 4 of the said Act.

*Note: Ignore any tax effects and implications arising on account of the application of the Goods and Services Tax Act 2014 (as amended) in the determination of the chargeable gain.*

(10 marks)

B. MJ Holdings Sdn Bhd ('the company') is a Malaysian incorporated resident investment holding company with a paid up capital of RM7 million. It closes the accounts on 31 December each year.

Its income is derived mainly from investments. The investments consists of fixed deposit in local financial institutions, shares in companies listed on the Bursa Malaysia and some real properties including shop lots. There is no support or maintenance services provided for the shop lots.

The company has produced the following result for the financial year ended 31 December 2017:

**MJ Holdings Sdn Bhd****Statement of profit or loss for the year ended 31 December 2017**

	RM	RM
Fixed deposit interest		100,171
Rent - shop lot		81,754
Dividends (Malaysian single tier)		
Investment 1	26,952	
Investment 2	<u>117,915</u>	144,867
Gains from realization of investment		<u>120,000</u>
Total gross income		446,792
<b>Less: Expenses</b>		
Director's remuneration	80,777	
Staff salary	48,466	
Accounting and secretarial fees	16,159	
Audit fees	32,073	
Interest charges (loan for investments)	62,888	
Printing and stationary	3,230	
Management expenses	45,233	
Office rent	80,640	
Quit rent and assessment (shop lots )	3,257	
Entertainment	4,845	
Depreciation	<u>7,000</u>	384,568
Net profit		<u>62,224</u>

Single tier dividends were received from the investments made in two lots of shares and rental income from the shop lot. The details of the investment are as follows:

<b>Cost of investment</b>	<b>RM</b>
Shop lot	1,179,150
Investment 1 - shares	2,080,806
Investment 2 - shares	<u>1,173,500</u>
Total cost of investments	<u>4,433,456</u>

MJ Holdings Sdn Bhd took substantial loans to make the investments in the shop lots and the shares, for which interest charges incurred were charged in the accounts.

**Required:**

With reference to the Income Tax Act 1967 (as amended), compute the chargeable income of MJ Holdings Sdn Bhd for the year of assessment 2017. You must show all the relevant workings.

(10 marks)

**QUESTION 3**

A. Georgiana Aroma Sdn Bhd ('the company) is a Malaysian company associated with a famous Italian designer perfume house. The company makes various types of scents, perfumes and fragrances in its factory in Cyberjaya, with professional and technical input from its Italian partner.

The company exports products to Japan, China and Europe. Owing to stiff competition, especially from Korea, the company's profit began to decline. At a recent Board of Director's meeting, in which some Italian executives also took part in an advisory capacity, the company made a decision to downsize the workforce and cut down production of certain line of perfumes.

In the first phase, older employees were retrenched, especially those without critical skills. The company paid the retrenched older employees a sum of RM5 million and this amount was charged to the accounts for the year ended 31 December 2017. The second phase will be put into effect next year.

**Required:**

With reference to the Income Tax Act 1967 (as amended), discuss whether the compensation of RM5 million paid by Georgiana Aroma Sdn Bhd would be deductible in arriving at the adjusted income from its business for the year of assessment 2017.

*Note: Candidates are encouraged to quote the relevant provisions of the law and case laws where appropriate.*

(Total: 5 marks)

B. Mr. Alex Tan was the marketing executive of 1Malaysia Enterprise Sdn Bhd ('the company') and holds 40% of the company's shares. Part of his duties includes collection of outstanding debts from big account customers who are way behind in their settlement. He also has the authority to write off those debts that, in his view are not recoverable. The company's Board of Director's ('the Board') rely on his judgement, and accept such practice since frequently cases where legal action are taken to recover debts, besides costing a tidy sum in legal fees, have very little effect on recovery of the outstanding debts.

In the last two years it was found that an unusual large sums of bad debts were written off by Mr. Alex Tan. At Board meetings, he gave some vague reasons for the write offs. Towards the end of the year, the other members of the Board were not satisfied and arranged for a team of auditors to check out the write offs. Audit checks showed that the debts were in fact collected but was not brought into account in the company's books. It later transpired that Mr. Alex Tan had used the money to gamble. The auditors also found that Mr. Alex Tan is also indebted to illegal money lenders, making any recovery from him impossible. They recommended to the Board to write off that sum [sums collected but not accounted for in the company's books] in the profit or loss account for the year ended 31 December 2017.

**Required:**

Based on the information provided, discuss whether 1Malaysia Enterprise Sdn Bhd could claim the sum written off as an expense deductible in arriving at the adjusted business income under the Income Tax Act 1967 (as amended). You are encouraged to quote relevant case laws to support your discussion.

(5 marks)

**QUESTION 4**

A. Mr Seto, a Japanese citizen, was employed as an engineer by Tenaga Sdn Bhd for turnkey project. He arrived in Malaysia for the first time on 20 May 2012 and his contract with the company began on 1 June 2012 and ended on 31 August 2017. He left Malaysia permanently on 30 September 2017. Details of his stay in Malaysia are as follows:

Year	Periods of stay	Note
2012	20 May to 17 July 19 November to 31 December	
2013	1 January to 15 April 1 May to 20 August	1
2014	10 April to 30 September 5 November to 12 December	
2015	1 February to 30 May	
2016	15 January to 10 April	2
2017	1 July to 30 September	

**Notes:**

1. Mr Seto was in the Australia from 16 April 2013 to 30 April 2013 attending an academic conference.
2. Mr Seto was in Japan from 1 January 2016 to 14 January 2016 for a holiday.

**Required:**

Determine the residence status of Mr Seto for the years of assessment 2012 to 2017. Give reasons and quote the relevant provisions of the Income Tax Act 1967 to support your answer.

(5 marks)

B. (i) Explain the tax implications of non-compliance with withholding tax provisions.

(3 marks)

(ii) State whether withholding tax is applicable or not, to each of the following payments. If applicable, state the amount of withholding tax due and the due date to remit the tax. If not applicable, state the reason why:

- a. Advance payment of 15% was paid on 28 July 2017 upon issuance of an interim invoice so that services can commence. The technical services was provided by a non-resident company to Hafiz Sdn Bhd valued at RM500,000. The services were performed in Malaysia in August 2017 and balance of the payment for the services rendered was paid on 7 September 2017.
- b. Puteri Sdn Bhd signed a technical service agreement with a non-resident company valued at RM300,000. Puteri Sdn Bhd was required to pay a deposit of 5% upon signing the agreement on 1 October 2017. The balance was paid upon issuance of the invoice on 9 November 2017 after the services were performed. The services were performed in Malaysia and Puteri Sdn Bhd has paid according to the terms of the agreement.
- c. Afeeq Sdn Bhd signed a technical service agreement with a non-resident company valued at RM800,000. Afeeq Sdn Bhd was required to pay a deposit of 10% upon signing the agreement on 23 December 2016. The deposit was refunded upon completion of the service. Full payment for the service rendered in Malaysia was paid after the completion of the service on 18 February 2017.

(9 marks)

- (iii) Encik Johan transfers his bungalow house to his daughter, Puan Shafiqah, aged 25 and married. The house is located in Petaling Jaya, Selangor and every month Mr Johan received rental of RM5,000 from the tenant. An assumption is made that the settlement is irrevocable and Mr Johan used the rental income for the year of assessment 2017 for his own purposes.

**Required:**

Briefly discuss the tax treatment for the rental income received by Encik Johan for the year of assessment 2017.

(3 marks)

(Total: 20 marks)

**QUESTION 5**

- A. Given below is the information pertaining to the tax returns of Encik Eman and his wife, Puan Farah for the year of assessment 2017:

**Encik Eman**

Encik Eman, a Malaysian resident works with Safura Holdings Bhd since 1 July 2008. With effect from 1 January 2017, the company paid him a monthly salary and entertainment allowance of RM15,000 and RM5,000 respectively. He claimed that entertainment allowances received from the company during the year 2017 have been fully spent for entertaining the company's clients. In addition, the company also provides Encik Eman the following benefits during the year 2017:

- (i) A fully furnished apartment with annual value of RM40,000, including the value for the furniture of RM600 a month.
- (ii) A servant with a salary of RM800 a month paid by Encik Eman and reimbursed by the company.
- (iii) A golf club corporate membership with entrance fee of RM2,500 and a monthly subscription of RM250 paid by the company.
- (iv) A mobile phone under the company's name. The phone bills paid by the company for the year 2017 amounted to RM900.
- (v) A new car which was purchased in April 2016 for RM180,000; and a driver with monthly salary of RM1,000 paid by the company. Fuel was provided by the company.
- (vi) A holiday package to Europe for which the company paid for the air tickets, meals and accommodation of RM8,000, RM4,000 and RM5,000 respectively.
- (vii) Medical expenses of RM3,500 for Encik Eman and his family.
- (viii) Tuition fees for his children of RM400 a month.
- (ix) For the year of assessment 2017, Encik Eman made the following claims:
  - Child relief for three schooling children, all are below 18 years old.
  - RM900 for purchase of books for his children.
  - RM2,600 for the purchase of smartphone for his own use.
  - Contribution to EPF is 9% of his salary.
  - RM6,800 for his parents medical expenses.
  - Zakat payment of RM12,000 to Lembaga Zakat Selangor (LZS).

### **Puan Farah**

Puan Farah is a Malaysian resident, and operates a food catering partnership business with her partner, Melly. Puan Farah received a statutory income from her partnership business with Melly amounting to RM121,000 for the year of assessment 2017.

Puan Farah provided the following information for the year of assessment 2017:

- She purchased basic supporting equipment of RM5,500 for her mother.
- Life Insurance premium for herself paid during the year was RM4,800.
- She paid RM3,600 and RM4,500 for her children's medical and education insurance premiums respectively.
- She donated RM8,800 to an approved charitable institution.

### **Required:**

a) Compute the statutory income from employment of Encik Eman for the year of assessment 2017. (8 marks)

b) Compute the income tax payable (if any) by Encik Eman and Puan Farah for the year of assessment 2017. (9 marks)

B. Firstworld Sdn Bhd is to commence business and seeks your advice about the Goods and Services Tax (GST) which was implemented by the Government of Malaysia on 1 April 2015.

**Required:**

Explain the followings:

(i) The threshold for a business to apply for GST license. (1 mark)

(ii) Zero-rated supply and give two (2) examples. (2 marks)

(Total: 20 marks)

**QUESTION 6**

A. Encik Khairul, an entrepreneur and a director of several companies died on 1 July 2017. He was a resident and domiciled in Malaysia at the time of his death. He left behind a wife, Puan Kamilia (resident and not working) and two children. His brother, Encik Kaharuddin (non-resident) is appointed as the executor of his estate. Encik Kaharuddin provided the following information for the basis year 2017:

	RM
1. <b>Manufacturing business</b>	
Adjusted income	200,000
Adjusted loss brought forward from year of assessment 2016	44,000
Capital allowance for year of assessment 2017	12,000
Capital allowance brought forward from year of assessment 2016	10,000
Balancing charge for year of assessment 2017	28,000
2. <b>Directors fees</b>	
Received in April 2017 from a Malaysian resident company	60,000
Received in June 2017 from a foreign company	50,000
3. <b>Gratuity</b>	
Gratuity paid by a company in September 2017 to the executor on behalf of Encik Khairul's family.	200,000
4. <b>Dividend income</b>	
Received from Malaysian resident company in June 2017 (single tier).	12,000
Received from a foreign company in August 2017 (remitted)	16,000

5.	<b>Annuity payable</b> Annuity payable to Puan Kamilia in 2017	24,000
6.	<b>Distributions made to his children in 2017 (not an annuity)</b> Shima (non-resident), 21 years old, studying in an Australian University. Faris (resident), 20 years old, studying in a Malaysian University.	7,000 5,000
7.	Executor fees paid during the year 2017	26,000
8.	Encik Khairul donated two units of computer to an approved institution in February 2017.	4,500
9.	Medical insurance premium paid for the period 1 January 2017 until 30 June 2017.	2,400
10.	Purchase of books spent in January 2017 for Encik Khairul's children.	800

**Required:**

Compute the income tax payable by the deceased and the executor of the estate of the deceased for the year of assessment 2017.

(5 marks)

B. Bersatu Sdn Bhd (BSB), a resident company has been granted investment tax allowance for its promoted product. The production day of the promoted product was on 1 July 2016. The business operation is located in Negeri Sembilan.

The projected statutory income of BSB are RM1,500,000; RM1,600,000; RM2,000,000 for the year of assessment 2016, 2017 and 2018 respectively. The qualifying capital expenditure amounted to RM1,000,000 is incurred in the year of assessment 2016 but none in the year of assessment 2017 and 2018.

BSB closes its account on 31 December annually.

**Required:**

With reference to the investment tax allowance, advise Bersatu Sdn Bhd on the following matters:

(i) The duration of the tax relief period; and  
(2 marks)

(ii) The amount of investment tax allowance that could be utilised (if any) in the year of assessment 2016, 2017 and 2018.  
(Support your answer with relevant computations)  
(3 marks)  
(Total: 10 marks)