UNIVERSITI MALAYSIA TERENGGANU

FINAL EXAMINATION

SEMESTER I SESSION 2025/2026 (BACHELOR DEGREE)

COURSE	**:**	**ZAKAT AND TAX PLANNING**
COURSE CODE	**:**	**FNC3843**
DURATION	**:**	**3 HOURS**

MATRIC NO.	**:**	______________________
PROGRAMME	**:**	______________________
SEAT NO.	**:**	______________________

INSTRUCTIONS TO CANDIDATES

i. This paper consists of **TWO (2)** parts: Part A and Part B. Part A consists of 32 multiple choice questions while Part B consists of 3 structure questions. Answer **ALL** questions.

ii. Part A must be answered in the OMR form, while Part B must be written in the answer booklet provided.

DO NOT OPEN THE QUESTION PAPER UNTIL INSTRUCTED

THIS QUESTION PAPER CONSISTS OF NINE (9) PRINTED PAGES

PART A (40 Marks)

Please choose the most appropriate answer for each question in this part.

1. Under Section 4 of the Income Tax Act (ITA) 1967, the following are classes of income chargeable to tax, EXCEPT: (1.25 marks)

   A. Gains or profits from a business
   B. Gains or profits from employment
   C. Dividends, interest, or discounts
   D. Losses from foreign investments
   E. Rents, royalties, or premiums

2. Which of the following is a key advantage of being a tax resident individual in Malaysia under the ITA 1967? (1.25 marks)

   A. Eligibility to pay tax at a flat rate of 28%.
   B. Entitlement to personal reliefs and rebates.
   C. Exemption from all types of income tax.
   D. Exemption from declaring foreign-sourced income from any business.
   E. Automatic qualification for tax refunds every assessment year.

3. Under Section 44(6), donations to the Government, State Government, or approved institutions are allowed as deductions. However, these deductions are limited to: (1.25 marks)

   A. 10% of total income for companies and 7% for individuals.
   B. 10% of aggregate income for companies and 7% for individuals.
   C. 15% of adjusted income for companies only.
   D. 5% of chargeable income for individuals.
   E. No limit for both companies and individuals.

4. Under Section 2 of the Income Tax Act 1967, which of the following best defines "employment"? (1.25 marks)

   A. Any work performed under a written contract only.
   B. Only appointments within the public sector for which payment is made.
   C. Employment where a master-servant relationship exists or where remuneration is payable for an appointment or office.
   D. Any casual or voluntary work performed without pay.
   E. Only employment contracts recognized under the Employment Act 1955.

5. According to Section 13(1)(a) of the ITA 1967, which of the following constitutes gross income from employment? (1.25 marks)

   A. Dividends received from company shares.
   B. Wages, bonuses, commissions, gratuities, and allowances.
   C. Interest earned from fixed deposits.
   D. Rental income from property owned by the employee.
   E. Business profits from self-employment.

6. Which of the following best explains why there is no statutory definition of "dividend" under the Income Tax Act (ITA) 1967? (1.25 marks)

   A. Because dividends are not considered taxable income in Malaysia.
   B. Because the ITA relies on the ordinary meaning and judicial interpretation of dividends.
   C. Because dividends are only defined in the Companies Act, not the ITA.
   D. Because the Inland Revenue Board defines dividends through annual circulars.
   E. Because dividends only apply to foreign.

7. Which of the following statements about non-cash dividends is TRUE according to the ITA 1967? (1.25 marks)

   A. They are not taxable because they are not monetary in form.
   B. They are taxed only when converted into cash.
   C. They are taken at their market value at the date of distribution.
   D. They are valued based on the company's internal estimate.
   E. They are considered capital repayments and thus exempt.

8. Income of a Co-operative Society remains exempt after five years only if its members' funds are below _______. (1.25 marks)

   A. RM500,000
   B. RM600,000
   C. RM750,000
   D. RM1,000,000
   E. RM1,500,000

9. Which of the following statements best defines trade? (1.25 marks)

   A. Any occasional transaction involving personal assets.
   B. Repetitive or continuous transactions of buying and selling for profit.
   C. Employment of a person by an organisation.
   D. Donation or gift received by an individual.
   E. Passive income from investments.

10. Which of the following best defines *research* under the Income Tax Act 1967? (1.25 marks)

    A. An informal investigation into market trends.
    B. Any experimental or creative work for personal interest.
    C. A systematic and intensive study aimed at gaining scientific knowledge or understanding.
    D. An administrative activity involving data recording.
    E. A marketing study undertaken by a private company.

11. Which of the following sources of income qualifies for capital allowances? (1.25 marks)

    A. Employment income.
    B. Business income.
    C. Rental income.
    D. Dividend income.
    E. Interest income.

12. What is the starting point for computing an individual's chargeable income? (1.25 marks)

    A. Net profit after tax.
    B. Assessable income.
    C. Total income.
    D. Gross salary.
    E. Aggregate income.

13. According to the Income Tax Act, which of the following best defines a *partnership*? (1.25 marks)

    A. An association of individuals formed to carry on charitable work.
    B. A legal relationship between employer and employee.
    C. An association of two or more persons combining resources to carry on business for profit.
    D. A company incorporated under the Companies Act 2016.
    E. A cooperative formed under the Cooperative Societies Act.

14. Under Section 65(1) of the Income Tax Act 1967, income arising from a settlement is deemed to be the income of the Settlor when: (1.25 marks)

    A. The settlement is made during the life of the Settlor or a relative.
    B. The income is payable or may be applied for the benefit of a relative of the Settlor.
    C. The relative is unmarried and below 21 years old at the beginning of the year of assessment.
    D. The income is irrevocably transferred with no condition attached to the beneficiary.
    E. All of the above.

15. Which of the following best describes a *trust* under Section 61(1) of the Income Tax Act 1967? (1.25 marks)

    A. A legal agreement where the trustee transfers ownership to the government.
    B. An equitable obligation binding a trustee to manage trust property for beneficiaries.
    C. A partnership formed between trustees and beneficiaries.
    D. A company incorporated for tax exemption purposes.
    E. A contractual arrangement where beneficiaries act as trustees to manage their own assets.

16. Which of the following statements is **TRUE** regarding unabsorbed tax losses? (1.25 marks)

    A. They can be set off against any source of income without restriction.
    B. They are completely lost upon a change of company ownership.
    C. They can only be used to reduce Aggregate Statutory Business Income.
    D. They can never be carried forward.
    E. They are only applicable to foreign companies.

17. After the introduction of the single-tier tax system, the tax on dividends is ______ . (1.25 marks)

    A. paid by the company only
    B. payable by shareholders only
    C. shared between company and shareholders
    D. paid only on foreign dividends
    E. exempt only for resident individuals

18. Failure to furnish a return or give notice of chargeability under Section 112 can result in _______. (1.25 marks)

    A. fine RM 500 until RM 50,000 only
    B. fine RM 200 until RM 20,000, jail 6 months, or both
    C. fine RM 1,000 until RM 10,000 only
    D. jail 1 year only
    E. no penalty

19. Gratuity is exempt if retirement takes place on or after ______. (1.25 marks)

    A. age 45
    B. age 50 only
    C. age 55 or the compulsory retirement age under any written law, with at least 10 years of service
    D. any age with 5 years of service
    E. age 60, regardless of service

20. Why should zakat be included in a Muslim's financial planning? (1.25 marks)

    A. Because it helps to increase personal wealth.
    B. Because it is a form of voluntary charity.
    C. Because it is a compulsory obligation that affects one's wealth management.
    D. Because it can be used to reduce taxable income.
    E. Because it replaces the need for savings.

21. According to Islamic principles, zakat is compulsory on ______. (1.25 marks)

    A. all individuals regardless of religion
    B. only Muslims whose wealth meets the criteria set by shariah
    C. only business owners and traders
    D. only those who voluntarily wish to contribute
    E. all employed Muslims regardless of income

22. What position does zakat hold among the pillars of Islam? (1.25 marks)

    A. The first pillar after faith and testimony.
    B. The second pillar after prayer.
    C. The third pillar after the declaration of faith and prayer.
    D. The fourth pillar related to fasting.
    E. The fifth pillar after pilgrimage.

> "*And We made them (descendants of Abraham) leaders, guiding by our Command, and We send them inspiration to do good deed, to establish regular Prayers, and to practice Zakat, and they constantly served Us*".
> (al-Anbiya 21':73)

23. How are prayer and zakat related in Islamic teachings? (1.25 marks)

    A. They are two independent acts of worship with no connection.
    B. They complement and support each other; neglecting one affects the other .
    C. They are both voluntary acts of kindness.
    D. They can be replaced by other charitable deeds.
    E. They are performed only during Ramadan.

24. Which of the following correctly distinguishes zakat from the other pillars of Islam? (1.25 marks)

    A. Zakat is a socio-financial act of worship, while others are purely spiritual.
    B. Zakat is only required during pilgrimage.
    C. All pillars have equal socio-economic impacts.
    D. Zakat is purely voluntary compared to the others.
    E. Zakat is less important than fasting and pilgrimage.

25. How does *Exemption of Wealth below Nisab* reflect justice in Islam? (1.25 marks)

    A. Everyone pays zakat equally.
    B. Only the poor are required to pay zakat.
    C. Those with small amounts of wealth are exempted from zakat.
    D. Zakat is deducted from all sources regardless of wealth.
    E. The nisab threshold changes every month.

26. What does *Elimination of Duplicity* in zakat mean? (1.25 marks)

    A. Collecting zakat twice a year.
    B. Avoiding collecting zakat twice from the same source.
    C. Paying zakat both in cash and in kind for the same asset.
    D. Calculating zakat separately for each month.
    E. Combining sadaqah and zakat payments.

27. How does zakat consider personal circumstances? (1.25 marks)

    A. By ignoring personal expenses.
    B. By allowing deductions for debts, family responsibilities, and costs.
    C. By imposing the same rate for all individuals.
    D. By excluding married people from paying.
    E. By delaying payment for the poor.

28. Which of the following time frames for *Zakat Fitrah* payment is considered Makruh according to Islamic rulings? (1.25 marks)

    A. Between sunset on the last day of Ramadan and sunrise the next day
    B. After sunset on the first of Syawal
    C. Throughout the month of Ramadan
    D. After Hari Raya prayer but before sunset on the first of Syawal
    E. Before the end of Ramadan

29. The *nisab* for gold is equivalent to: (1.25 marks)

    A. 40 grams
    B. 85 grams
    C. 100 grams
    D. 595 grams
    E. 20 grams

30. Considering Malaysia's Federal Constitution, which of the following statements most accurately reflects the governance structure of zakat? (1.25 marks)

    A. Zakat is administered centrally by JAWHAR to ensure standardization across all states.
    B. Zakat administration is a federal matter supervised by the Ministry of Finance.
    C. Each state government holds authority over zakat under List II (State List), Schedule 9.
    D. The Conference of Rulers directly manages zakat collection for all states.
    E. Federal and State governments share equal jurisdiction over zakat.

31. The partnership income is taxed ______. (1.25 marks)

    A. at the partnership level
    B. at the company level
    C. at the level of each individual partner
    D. under employment income
    E. not taxed at all

32. Which of the following **correctly** describes a Service Director? (1.25 marks)

    A. Works only as a non-executive.
    B. Owns more than 10% of company shares.
    C. Receives more than 5% of company dividends.
    D. Works in managerial or technical capacity and owns not more than 5% shares.
    E. Has no involvement in management.

PART B (60 Marks)

Please answer all questions.

1. In Malaysia, a Muslim has to make two compulsory payments on the same source of income every year, namely income tax and zakat.

    a. Explain the main differences between zakat and income tax for Muslim individuals in Malaysia in terms of obligation source, recipient, and implications of non-compliance. (10 marks)
    b. Discuss how the dual obligation of zakat and tax on the same income can influence financial compliance behavior and social responsibility among Muslims in Malaysia. (10 marks)

2. Encik Zulkifli, an engineer, earns a gross salary of RM 120,000 per year. His employer agrees to restructure his remuneration package to improve his tax efficiency as follows:

Item	Amount (RM)
Basic salary	80,000
Employer's EPF contribution (19%)	15,200
Unfurnished accommodation provided by employer	24,000
Furnishings	6,000
Car benefit (value as per IRB ruling)	4,800

a. Compute Encik Zulkifli's chargeable income *before* and *after* the remuneration restructuring. Determine the tax savings assuming the marginal tax rate is 24%. (10 marks)

b. "How do joint and separate assessments affect total tax for married couples in Malaysia? Which method is better if one spouse earns RM 60,000 and the other RM 20,000?" (10 marks)

3. The Income Tax Act 1967 serves as the cornerstone of Malaysia's taxation system, establishing the legal framework that governs how individual and companies contribute to the nation's revenue through fair and structured income assessment.

a. Explain the meaning of "business" as defined under Section 2 of the Income Tax Act 1967, and describe the key components with example that constitute business income. (10 marks)

b. Explain with example why the concept of *"Badges of Trade"* is important in determining whether a gain is taxable under the Malaysian Income Tax Act 1967. (10 marks)

End of Question Paper