UNIVERSITI POLY-TECH MALAYSIA
UPTM

FINAL EXAMINATION

MASTER OF ACCOUNTANCY

COURSE	:	**CONTEMPORARY ISSUES IN TAXATION**
COURSE CODE	:	**TAX5134**
DURATION	:	**3 HOURS**

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **FOUR (4)** questions.
2. Answer **ALL** questions in the Answer Booklet provided.
3. Please check to make sure that this examination pack consists of:
   i. The Question Paper.
   ii. An Answer Booklet.
4. Do not bring any material into the examination hall. The use of a calculator is allowed.
5. Please write your answer using permanent ink.

MYKAD/PASSPORT NO : ______________________

ID. NO. : ______________________

LECTURER : ______________________

SECTION : ______________________

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

This question paper consists of 5 printed pages including the front page.

QUESTION 1

Rapidly expanding Country M is now reforming its tax structure to achieve equitable tax burden distribution and better promote economic growth. The government wants to include equity, efficiency, simplicity, flexibility, comprehensiveness, and transparency into the tax system through the design and use of these tax principles.

A group of tax specialists has been assigned by the Ministry of Finance in Country M to examine how these ideas might be successfully included into the new tax system reform. The nation wants to establish a framework for tax policy that supports social fairness, economic stability, and sustainable growth.

Required:

a. Explain the **FIVE (5)** purposes of taxation to the government and provide example of each.

(10 marks)

b. Choose and define **FIVE (5)** types of principles of taxes by Adam Smith or from other author and discuss how each principle can be applied to the tax system reform in Country M.

(15 marks)

(Total: 25 marks)

QUESTION 2

Alibaba Sdn Bhd, a large manufacturing company in Country S, has been a key player in the national economy for over 15 years. Known for producing high-quality consumer goods, the company has grown rapidly in the last decade, expanding its operations both domestically and internationally. With the rise in its business activity, Alibaba Sdn Bhd has consistently reported strong revenue growth and increased profitability.

However, as the company's financials have grown more complex, its tax filings have come under scrutiny by the national tax authorities. Over the past few years, tax auditors noticed several inconsistencies in Alibaba Sdn Bhd's tax reports, which led to a formal investigation. The discrepancies appeared in various areas, including declared revenues, expense deductions, and the company's use of offshore subsidiaries.

The investigation, which spanned several months, uncovered two distinct practices: tax avoidance and tax evasion. While these terms are often used interchangeably by the public, they represent significantly different actions with varying legal and ethical consequences.

Required:

a. Differentiate between tax evasion and tax avoidance with definitions, legality, and examples.

(10 marks)

b. Discuss the **FIVE (5)** difficulties that tax authorities experience when dealing with tax evasion and avoidance cases.

(15 marks)

(Total: 25 marks)

QUESTION 3

E-commerce has transformed business globally, but it also presents significant challenges for tax authorities. Tracking cross-border transactions and ensuring tax compliance is difficult due to digital platforms and third-party intermediaries, as businesses can operate without a physical presence in tax jurisdictions (OECD, 2020). In Malaysia, SMEs have faced hurdles like high implementation costs and limited digital literacy when transitioning to electronic invoicing, highlighting the difficulties in modernizing tax administration.

Required:

a. Do you believe that electronic commerce taxation faces numerous challenges? Provide **FIVE (5)** issues and explain why they occur.

(10 marks)

b. Imagine you are the leader of tax agencies in Malaysia. Discuss **FIVE (5)** suggestion to your subordinates to overcome the issues related to e-commerce taxation in Malaysia based on international experiences.

(15 marks)

(Total: 25 marks)

QUESTION 4

Country A, an emerging economy with a high percentage of small and medium-sized enterprises (SMEs), has been struggling with tax compliance issues. SMEs, which play a crucial role in the country's economy, are often hindered by the complexity of tax regulations, a lack of awareness, and high compliance costs. These issues have led to a significant portion of SMEs failing to meet their tax obligations, contributing to a tax revenue shortfall.

The government has recognized the urgency of addressing these compliance challenges but faces barriers in enforcement, limited digital infrastructure, and the widespread use of informal cash-based transactions, which means economic activities where payments are made in cash rather than through formal banking channels or digital payment methods hence complicates accurate tax reporting.

In response to these issues, the government of Country A is considering implementing several strategies to enhance tax compliance among SMEs.

Required:

a. Identify and explain **FOUR (4)** major challenges that Country A, or other nations, face in improving tax compliance rates

(10 marks)

b. Suggest **FIVE (5)** strategies that the government can adopt to increase tax compliance among small and medium-sized enterprises (SMEs) in Country A.

(15 marks)

(Total: 25 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER