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 4 printed pages including the front page.

QUESTION 1

The emerging nation of Country M is now undergoing an extensive reform of its tax structure with the aim of promoting equitable tax revenue distribution and improving economic growth. The government intends to include tax concepts that include fairness, effectiveness, simplicity, flexibility, transparency, and comprehensiveness. These ideas have been chosen to address certain issues affecting the nation, such as administrative burdens, economic inefficiencies, and income inequality. A group of tax specialists has been tasked by Country M's Ministry of Finance with determining how to best apply these ideas to the next tax system reform. The objective is to provide a framework for tax policy that promotes social fairness, stability in the economy, and sustainable development.

Required:

a. Discuss the aim of the government imposing taxes and provide relevant examples.
(10 marks)

b. Identify **FIVE (5)** tax principles as in the case study above, and explain each principle that could be used for new tax reform in Country M.
(15 marks)

(Total: 25 marks)

QUESTION 2

A medium-sized business, Syarikat Red Fire Sdn Bhd, manages a small manufacturing firm specializing in producing fire extinguishers. Over the past several years, the corporation has been the subject of an extensive investigation by tax officials due to significant discrepancies in its tax filings. During the investigation, it was discovered that the company had engaged in both tax avoidance and tax evasion. These issues were identified through a detailed examination of the company's financial records, revealing a mix of legal and illegal activities aimed at reducing the company's tax liabilities. The investigation highlighted specific instances where the company exploited loopholes in the tax laws to minimize taxes legally and instances where it deliberately concealed income or falsified records to evade taxes illegally.

Required:

a. Differentiate between tax evasion and tax avoidance with definitions, legality, and examples.
(10 marks)

b. Discuss **FIVE (5)** difficulties that tax authorities have while trying to resolve cases of tax evasion and avoidance.
(15 marks)

(Total: 25 marks)

QUESTION 3

In a time when technology dominates daily life, businesses are always changing to take advantage of the advantages of information technology, which has completely changed the way they operate. The adoption of electronic invoicing (e-invoicing), a paradigm change that promises improved efficiency, fewer mistakes, and tax compliance, is one transformational element. Even while the digital era is bringing with it previously unheard-of opportunities, businesses especially small and medium-sized organizations (SMEs), in particular, are lagging behind in adopting new software and technologies. The issue that keeps coming up is: Why is it so difficult for these businesses to follow the rules set forth by the government?
(*The Edge Malaysia, March 15, 2024*).

Required:

a. Do you think that there are a lot of problems with taxing using electronic commerce? Discuss this issue.

(10 marks)

b. Deliberate **FIVE (5)** best practices and lessons discovered from dealing with difficulties about technology and tax administration in international contexts.

(15 marks)

(Total: 25 marks)

QUESTION 4

Country A, a developing nation with a rapidly growing economy, faces significant tax compliance challenges among its small and medium-sized enterprises (SMEs), such as GreenTech Innovations, which specializes in eco-friendly manufacturing solutions.

These businesses struggle with complex tax regulations, limited administrative resources, and the high cost of compliance. The intricate tax code demands extensive record-keeping and a deep understanding of tax laws, which places a heavy burden on their limited administrative staff. Inconsistent enforcement mechanisms and a lack of financial resources to hire specialized tax professionals further exacerbate the issue, making it difficult for SMEs to stay compliant.

This case study explores these challenges in detail and proposes strategic solutions to improve tax compliance among SMEs in Country A, ensuring they can continue to contribute positively to the economy while adhering to tax laws. By addressing the root causes of non-compliance and offering practical support, Country A aims to foster a more equitable and efficient tax system for its SMEs.

Required:

a. Discuss **FIVE (5)** difficulties in obtaining high tax compliance.

(10 marks)

b. Suggest recommendations for how the government of Country A might improve tax compliance among small and medium-sized businesses (SMEs).

(15 marks)

(Total: 25 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER