



Building a better
working world

Question 1

With the exception of businesses such as banking, insurance, sea and air transport, Malaysia follows the territorial source concept in determining whether business profits should be subject to income tax in Malaysia. In international taxation, countries agree through double taxation agreements not to tax business profits unless those profits are attributable to "permanent establishments" within their borders.

As the above stated principles were established well before the digital era, write an essay that evaluates, in the context of the various business models in the digital economy, whether these principles will or will not lead to an erosion of Malaysia's corporate income tax base.

Question 2

"On the same principle that a tax on corn would raise the price of corn, a tax on any other commodity would raise the price of that commodity. If the commodity did not rise by the sum equal to the tax, it would not give the same profit to the producer which he had before and he would remove his capital to some other employment."

Write an essay that considers the above statement by David Ricardo in *Principles of Political Economy and Taxation* in reference to the proposed Goods and Services Tax (GST) to be introduced in Malaysia with effect from 1 April 2015. Do consumption taxes always work in this way? What are the desirable and undesirable characteristics of such a tax?

Question 3

The widely-accepted criteria for a good tax system stem from Adam Smith's popular publication, *An Inquiry into the Nature and Causes of the Wealth of Nations: Volume V* concerning what is now commonly referred to amongst academics as the "Canons of Taxation".

Write an essay that discusses the merits and demerits of taxes on consumption as compared to taxes on income based on the Canons of Taxation. In your consideration, explain and substantiate which Canon you believe is the most important in the design of a tax system.