

A STUDY ON CO-OPERATIVE TAX  
PLANNING AND COMPUTATION COMPARED WITH OTHER TYPES OF BUSINESS

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## PREFACE AND ACKNOWLEDGEMENT

A large number of co-operative societies which are subjected to taxation are not aware of the provisions of the Malaysian Income Tax Act 1967 and types of taxes that are applicable to them. They should also know the action that they have to take in regard to determining whether assessment has been made correctly or not.

My intension has been to make this study as readable as possible. This small publication is meant to bring to an average employee in a co-operative society the relevant of the provisions in the Income Tax Act 1967 to the business undertaken by the society. I hope the reader can share the same pleasure and enjoy reading the study as much as I had in developing it.

I take great pleasure in expressing my gratitude to the following who had been instrumental in making the study the reality. I am indebted to Puan Faridah Ahmad ITM Lecturer for a critical reading of the manuscript and many useful suggestions. My thanks to Puan Faridah Hj. Omar, Assistant Director, Inland Revenue (HQ) for certain material and helpful comment and to Puan Noorhayati Ismail, Administrative Officer Department of Inland Revenue (HQ) for valuable assistance and permission to use the Income Tax Library.

## STRUCTURE OF THE STUDY

The study is structured into seven modules.

- I. Chapter 1 to introduce the purpose of the study, the objectives and the historical aspect of the co-operative in Malaysia.
- II. Chapter 2 and 3 to describe the method employed throughout the study and the inherent limitations.
- III. Chapter 4 give the general preview of the cooperative tax before until the current treatment.
- IV. Chapter 5, 6 and 7 to introduce the tax planning definition as well as the cooperative tax planning available. Chapter 7 give the implication and impact of cooperative tax planning on the relevant income tax Act.
- V. Chapter 8, 9 and 10 to introduce the computation of Chargeable income as well as comparison with other types of business such as company and trade union.
- VI. Chapter 10 and 11 to describe the practical aspects and limitation as well as highlight the tax position

CHAPTER ONE  
INTRODUCTION

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1.0 PURPOSE OF THE STUDY

A co-operative organisation is basically a voluntary association of individuals having common economic interests. The objective of the formation of a society by a homogenous group is to save themselves from exploitation. In keeping with the basic economic objective and the principles of co-operation, this society should be limited and the members should get facilities in proportion to the patronage they extend to the co-operative society. Because of their special status, it was sought to exempt co-operatives from income tax.

They have however been considerable changes in the cooperative society activity. It appears that the co-operatives at various levels today are engaged in complex operations of trade involving turnover of several millions dollars. They have also established in various function such as Credit and Banking, Consumer, Commercial and Industrial, Transportation, Housing, Land Development, Insurance as well as School Cooperatives.