

## DELOITTE TAX CHALLENGE

### Team Category - Semi-finals

### Oral presentation (15 minutes)

#### Question 1

The spillover of US-China trade frictions is said to have negative impact on global economic activity through lower global trade flows as well as increasing cost of living for households and product costs for manufacturers.

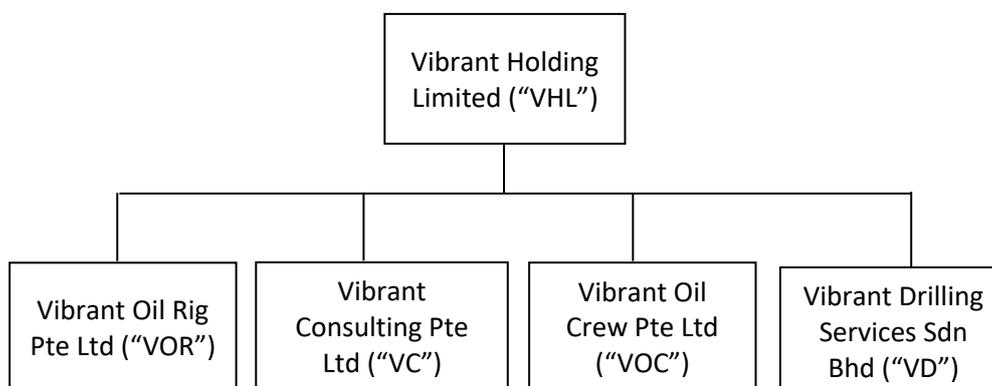
However, it has been suggested that there may be a silver lining effect. It is foreseeable that the Malaysia government officials would emphasise on the possible gain from the US–China trade war.

#### **Required**

You are required to present a proposal to the Government on suggestion(s) on how Malaysia could take the advantage of the opportunities arising from escalating trade tensions between the US and China. Your suggestions may include both tax and non-tax measure(s).

## Question 2

The Chief Financial Officer of Vibrant Holdings Limited would like to seek know the tax implications arising from the cross border transactions as detailed below:



VHL is an investment holding company incorporated in Cayman Island.

VOR, a company tax resident in Australia, is principally engaged in the business of leasing oil rigs to customers worldwide.

VC, also a company tax resident in Australia, is principally engaged in the business of provision of oil drilling consultancy services.

VOC, a company tax resident in the United Kingdom, is involved in the business of provision of rig crews for onsite supervision.

VD, a tax resident company in Malaysia is in the business of provision of oil drilling services and is expected to secure a one year oil drilling contract which is to be performed in offshore Sarawak. In this connection, VD intends to lease a rig from VOR, seek consultation service from VC and engage the crew service of VOC.

VOR and VOC would complete the above project within 1 year whilst VC would complete its consultancy services in Malaysia within 2 months.

### Required

You are required to brief the CFO on the following:

- (i) State, with reasons, whether VOR, VC and VOC have a permanent establishment in Malaysia.
- (ii) State, with reasons, whether withholding tax under Section 107A or Section 109B of the Act is applicable on the lease payment, crew fees and consultancy fees made by VD to VOR, VC and VOC respectively.
- (iii) State, how the above leasing business can be restructured in Labuan to mitigate the withholding tax exposure.
- (iv) State, how the above crew arrangement can be restructured to mitigate the withholding tax exposure.

**Note: Visual aids is not required. However, you are required to submit a brief script (may be in bullet or point form).**



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