

DELOITTE TAX CHALLENGE

Team Category - Semi-finals

Oral presentation (15 minutes)

Question 1

The Government is aware that the emergence of digital economy generates opportunities to attract foreign investments into Malaysia. These foreign investments are anticipated to build and upgrade industries, connect local businesses to international markets, and drive essential innovation and competitiveness.

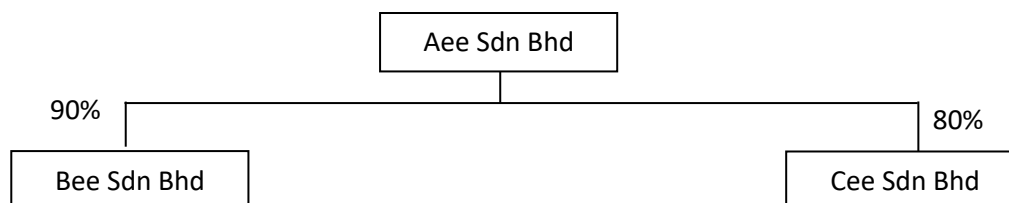
Recognising this, the Government has introduced various tax incentives such as pioneer status, double tax deduction, principal hub, Multimedia Super Corridor (MSC), etc. to attract foreign investments into Malaysia. However, there is still a decline in foreign investments in Malaysia in year 2017, dropping below USD10 billion for the first time since year 2010.

Required

You are required to present a proposal to the Government on suggestion(s) on how Malaysia could take measures to attract foreign investments into Malaysia, particularly in the digital and technology sector. Your suggestions may include both tax and non-tax measure(s).

Question 2

Mr Harvey is the owner of Aee Sdn Bhd group of companies. He has recently met your tax partner to discuss on how to improve tax efficiency arising from the merger of business.



Bee Sdn Bhd and Cee Sdn Bhd are both in the business of shrimp farming business. Under the skillful shrimp farm management of Mr Harvey, Bee Sdn Bhd has been making substantial profits. Aee Sdn Bhd has recently acquired shares in Cee Sdn Bhd from a third party and it has been making losses due to the poor farm management of the previous owner. Mr Harvey saw the opportunity to turnaround the business performance of Cee Sdn Bhd.

The following are additional information for two companies:

	Bee Sdn Bhd	Cee Sdn Bhd
	RM'000	RM'000
Assets		
- Land & building @ market value	2,500	3,000
- Land & building @ cost	1,000	1,500
- Machinery @ market value	900	1,500
- Stock @ market value	700	800
- Trade receivables	-	700
Projected annual profit for 5 years	2,000	500
Unabsorbed business loss brought forward	-	6,000
Unabsorbed capital allowance brought forward	-	8,000

For greater efficiency in operation reason, Mr Harvey is looking into merging the entities and arising from this, all assets will be transferred to the surviving entity. The holding period in relation to the land and building for Bee Sdn Bhd and Cee Sdn Bhd is 5 years and 3 years respectively.

Required

- a) Explain from corporate tax perspective which entity should be the surviving entity and what are the tax benefits of merging the two businesses into one entity. Your recommendation should be supported with tax benefit computation.
- b) There will be various tax exposure arising from the transfer of assets from one entity to another entity. Explain the stamp duty and Real Property Gains Tax (RPGT) implications arising from the transfer of business assets and compute the relevant tax exposure.
- c) In respect of each tax exposure in item (b) above, state whether there is any relief available. If so, state the conditions to fulfill in order to be eligible for the relief and whether the company qualifies for the relief. Where the company is not eligible for any of the relief(s), state what can be done to enable the company to enjoy the relief.

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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