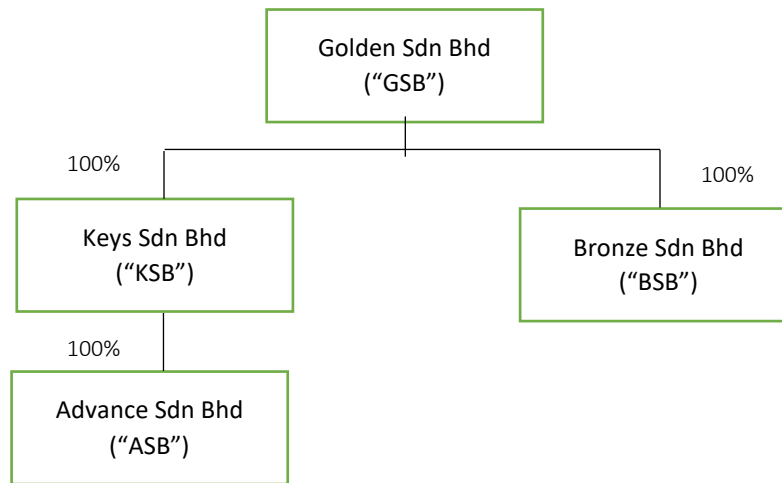


Question 2 – Oral Presentation (60 marks)

The management of Golden Sdn Bhd has appointed you to provide advice on the transactions described below.



GSB

GSB is an investment holding company and also provides management services to its subsidiaries. GSB has obtained bank borrowing of RM 2,000,000 for the following purposes:

- i) Interest free loan of RM 500,000 to BSB and
- ii) Purchase of an office building with ready tenants. The office building is valued at RM 1,500,000

GSB incurs salary cost for provision of management services to its subsidiary companies but does not charge any management fees. The rental income is currently taxed as a non-business income under Section 4(d) of the Income Tax Act 1967.

KSB

KSB is involved in manufacturing of surgical gloves and intends to purchase 2 units of high technology equipment amounting to RM 2,000,000 to automate certain manufacturing process. Due to insufficient funds, KSB plans to obtain financing from its holding company, GSB to finance the purchase of the said equipment. GSB obtained additional borrowing from the bank and has an option to either extend an interest-bearing loan to KSB or subscribe for additional ordinary shares in KSB.

BSB

BSB is involved in the business of trading of surgical gloves which sells to local and overseas markets. BSB engaged agents to sell their products in Singapore, Thailand and Indonesia and pays commission to these agents based on 1% of the value of the sales made by the agents.

ASB

ASB is involved in the business of manufacturing and trading of surgical mask. To achieve operational efficiency, ASB intends to transfer the trading of surgical mask business to BSB. The said transfer would allow ASB to focus on increasing its production capacity. All the assets in the trading business such as office equipment, stocks and warehouse will be transferred to BSB. The sales consideration is as follows:

Assets transferred	Sale consideration (RM)
Office equipment	2,000,000
Warehouse	8,000,000
Stock	500,000
	10,500,000

The above consideration will be settled by cash. The warehouse was acquired on 25 December 2018 at RM 4,000,000.

You are required to prepare a presentation to address the following to the management of GSB:

- a) Please state the tax implications on the interest expense and salary cost incurred by GSB. (6 marks)
- b) Please state how GSB can improve its tax efficiency in respect of the interest expense, salary cost and rental income. (6 marks)
- c) State the types of tax incentives that are available to KSB on its automation project and which tax incentive KSB should opt in order to maximise the tax benefit. (12 marks)
- d) Explain whether GSB should extend an interest-bearing loan to KSB or subscribe additional ordinary shares in KSB to finance the purchase of machinery from tax perspective. (12 marks)
- e) Explain the withholding tax obligations of BSB on the payment of commission to the Singapore, Thailand and Indonesia agents. (3 marks)
- Please advise BSB in what situations withholding tax would not be applicable on the payment of commission to the Singapore, Thailand and Indonesia agents. (2 marks)
- f) State with reason whether BSB is eligible for stamp duty relief under Section 15 or Section 15A of the Stamp Act 1949 on the acquisition of trading of surgical mask business. (12 Marks)
- g) Please quantify the real property gains tax exposure on the disposal of the warehouse by ASB. State with reason whether ASB is eligible for RPGT exemption. (7 marks)

[End of Question Paper]

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

About Deloitte Malaysia

In Malaysia, services are provided by Deloitte Tax Services Sdn Bhd and its affiliates.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.