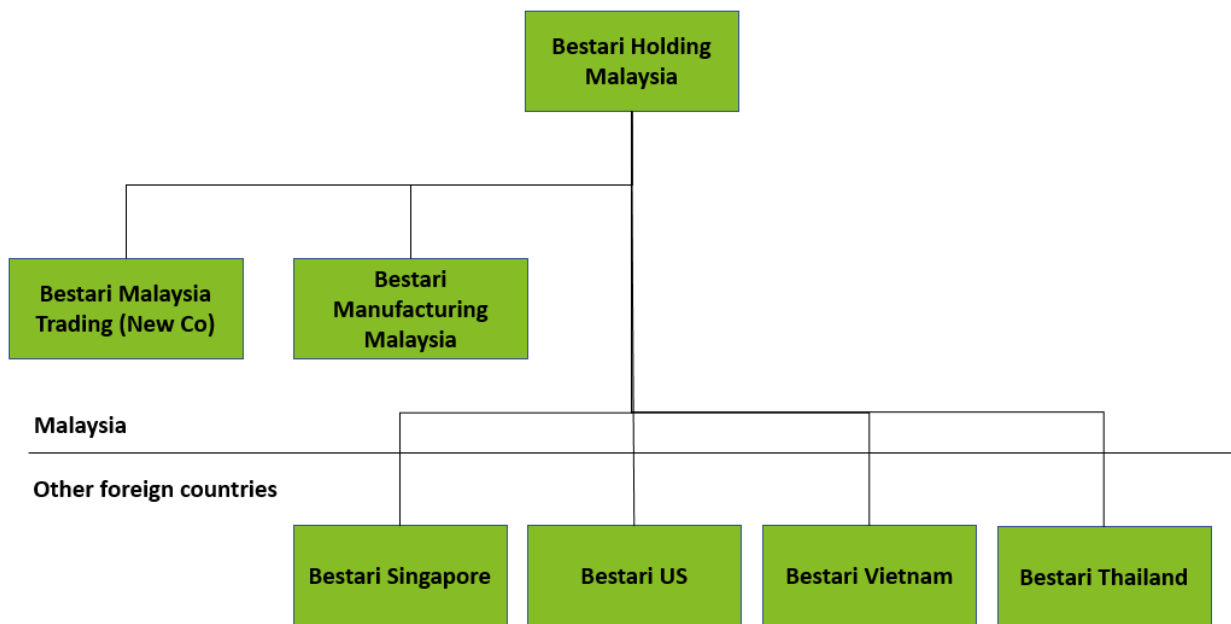


Question 2 (Oral Assessment) (60 marks)

Bestari Group is a Malaysian headquartered group of companies that are involved in manufacturing and trading of automated material handling equipment for industrial usage purposes. Bestari Group has various subsidiaries operating in different countries. Recently, the Chief Financial Officer (“CFO”) of Bestari Group has a few tax-related queries in respect of their proposed business plan and has approached your team for advice.

The information provided by the CFO are set out below:

Group structure:



Bestari Manufacturing Malaysia (“BMM”)

BMM is a long-established Malaysian company that is involved in manufacturing of automated material handling equipment. Bestari Manufacturing Malaysia is a full-fledged manufacturer and sells predominantly to Malaysian market.

Bestari Singapore, Bestari Vietnam, Bestari Thailand

Each of these subsidiaries has its own manufacturing plants in the respective jurisdictions.

Bestari Singapore/ Bestari Vietnam/ Bestari Thailand operates as full-fledged manufacturer and sells predominantly to the customers in its own jurisdiction.

Bestari Malaysia Trading (“BMT”)

BMT is a newly established company within Bestari Group.

Bestari Group is looking into undertaking Business Model Optimization (“BMO”) to create value through business transformation. As part of the BMO exercise, Bestari Group is considering positioning BMT as an international trading base for undertaking strategic sourcing, procurement and distribution of raw materials, components and finished products for BG to its related and unrelated companies in Malaysia and abroad. In view of this, the CFO



would like to know what kind of incentives that are available in Malaysia to further facilitate the strategy and would like you to share your insights on BMO.

In addition, the CFO is currently considering the type of funding strategy that is more suitable for BMT from Malaysian tax perspective for its operation in Malaysia. The options that the CFO is currently considering are:

- BMT to obtain loan from Bestari Singapore as it has generated consistent profits over the years and has excess funds; or
- BMT to obtain equity injection (any form of equity instrument such as ordinary shares, preference shares etc) from Bestari Holding Malaysia.

For intercompany loan, the CFO would like to know whether an interest free loan is acceptable.

Bestari Holding Malaysia (“BHM”)

BHM is the holding company of the all the subsidiaries within Bestari Group. Currently, Bestari Group is assessing the business expansion opportunity through acquisition of an existing robotic solution company in Malaysia ("RobotCo") as part of the group's expansion strategy.

RobotCo is currently enjoying tax incentive in Malaysia as an MSC Malaysia status company (now known as Malaysia Digital Status Company) and is currently in the second year of the exemption period. RobotCo also owns a MSC status building in Cyberjaya. In this regard, the CFO is assessing whether an asset deal or a share deal would be more ideal for their case.

Other information

BHM is currently providing management services to subsidiaries without any cross charges. The CFO is aware that this may post some tax issues and would like to rectify this by having BHM to start charging management fee to the respective subsidiaries.

Bestari US

Bestari US is a manufacturing technology solution company based in United States (“US”). In view of the easing of travelling restrictions and the rise of hybrid working environment (amid Covid 19 pandemic), Bestari US is currently contemplating on the possibility of introducing company-wide remote working policy whereby the employee will be able to work in anywhere around the globe while working for Bestari US.

The employees are mostly technology workers of the company of which some of them are Malaysian nationals. Under the proposed remote working policy, the employees will be renting a hotel room / house when performing the work in Malaysia. Traveling expenses and expenses incurred as a result of working remotely will be incurred and borne by the employee. The period of presence of the employees in Malaysia may vary for each individual, it could range from 50 days to 183 days. Once implemented, the remote working policy will be a long-term policy for Bestari US.

Bestari US is currently considering Malaysia as its pilot location.

The CFO would like to know what are the potential corporate and individual tax implications that the Bestari US needs to be aware of before implementing the abovementioned remote working policy.

Your team is required to prepare a presentation to address the following:

1. Your insights on Business Model Optimization exercise and your explanation on the type of incentives that are applicable for BMT and the conditions to be fulfilled under that incentive.
(14 marks)
2. Explain the Malaysian tax consideration on the funding strategies for BMT. You may include key differences between debt and equity financing proposed by the CFO for BMT and provide your recommendation.
(12 marks)
3. Address the tax considerations in relation to the potential acquisition opportunity for BHM.

You should also explain the differences from tax perspective to the CFO between shares and assets acquisition and provide your recommendation.
(14 marks)
4. Explain the tax considerations that the CFO would need to take note in implementing the management fee charges by BHM to respective subsidiaries within Malaysia and outside Malaysia, from group perspectives.
(10 marks)
5. Explain the potential corporate and individual tax implications in Malaysia that Bestari US needs to be aware before implementing the abovementioned remote working policy.
(10 marks)

[End of Question Paper]

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