



Deloitte Tax Challenge 2011

Team Category – Preliminary Stage

Preliminary Stage – Case Study: Mr. Tan

Mr. Tan who has worked as a front desk manager in a 3-star hotel for the last 10 years recently won a prize money of RM40 million. To fulfill his long-time ambition, he intends to start his own business by investing this windfall in properties and shares. He is willing to borrow up to 50% of the value of investments in properties and the balance of 50% will be from his winnings. He thinks the banks will be more than willing to grant him the loans as the risk to the banks is minimal since the investments will be used as collateral.

Mr. Tan has identified the following assets which he will acquire:

(a) A 50-room budget hotel in Jalan Petaling, Kuala Lumpur	RM22 million (Note 1)
(b) 5 units of showroom cum office in Jalan Ipoh, Kuala Lumpur	RM10 million (Notes 2, 4)
(c) 5 units of 3-storey shop-houses in Jalan Ipoh, Kuala Lumpur	RM 8 million (Notes 3, 4)
(d) 30 units of service apartments in one low-rise building block in Jalan Ampang	RM20 million (Note 1)
(e) Shares and unit trust	RM 5 million

Note

1. He plans to operate the hotel and service apartments.
2. The showroom cum office will be rented to car dealers, antique furniture dealers or interior decorators.
3. He plans to operate a seafood restaurant on the ground floor of two adjoining shop-houses. The other shop-houses will be rented to retail sundry shops, hardware shops, clinics or offices.
4. As the price of the shop-houses and the showroom cum office will have increased substantially in five years time, he anticipates he will sell some of these units depending on the price increase.

He has commissioned your team to prepare a tax plan for his proposed acquisitions. He wants it to be ready in 3 hours as he thinks the best ideas are created when one works under pressure. He will pay your team a fee of RM30,000.

Prepare a tax plan for Mr. Tan covering, among others, the following aspects:



- (a) Should he acquire the properties / investments under his own name or under the names of companies.
- (b) How he can gain relief from losses as he expects the budget hotel to run at a loss in the early years .
- (c) How he can maximize capital allowances.
- (d) How he can minimize income tax (focus on areas where the tax savings is more than RM20,000).
- (e) Plan for other taxes / duties, if any.

Mr. Tan does not want basic generic information. He wants planning ideas so that his investments are tax efficient. State how your plans improve his tax position.

(Consider only laws that are applicable as at 1 September 2011. You may ignore the restaurant business in your proposal).

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