



Deloitte Tax Challenge 2013

Individual Category – Stage 2

1. You are a consultant with a large consulting firm and you have been invited by your alma mater where you had completed your secondary school education to address the 2013 Form 5 students during the school’s career day. Please deliver a 5-minute speech in English on why they should consider taxation as their preferred career path. You may cover areas such as the clients / taxpayers, Government and economy.

(20 marks)

2. Encik Ahmad is the managing director of Chem Rubber Sdn Bhd (“Chem Rubber”), a manufacturing and holding company with three wholly-owned subsidiary companies. The financial accounts of all the companies close on 31 December each year.

Encik Ahmad invites you to a business lunch. He tells you that his companies need to improve on their cash position. He needs ideas on how to improve the cash position of his companies. He engages you for this project and provides you with the following information:

Name	Information
Chem Rubber Sdn Bhd	<ul style="list-style-type: none">(i) Business: Manufacturing and holding company with three wholly-owned subsidiary companies Bright Sdn Bhd, Cleen Sdn Bhd and Trade Sdn Bhd(ii) The company was incorporated in Malaysia in 2000. Its issued and paid-up capital as at 31.12.2012 was RM100 million.(iii) The company incorporated Bright Sdn Bhd in 2002 and Trade Sdn Bhd in 2004.(iv) The company has an outstanding 1st loan of RM20 million as at 31.12.2012 at an interest rate of 5% per annum.(v) It acquired Cleen Sdn Bhd in January 2012 for RM50 million. Part of the financing came from a 2nd loan of

	<p>RM25 million from a bank with interest at 6% per annum. Repayment of the loan over 5 annual instalments would commence after 2 years from date the loan was disbursed.</p>
Bright Sdn Bhd	<p>(i) Business: Manufacturing and dealing in rubber products for automotive and industrial applications</p> <p>(ii) Its paid-up capital as at 31.12.2012 was RM30 million.</p> <p>(iii) It is a profitable company and has been paying tax since it commenced business. As at 31.12.2012 it had fully utilised its Section 108 credit.</p> <p>(iv) As there was a high demand for its products, an additional production line was installed. The cost of building was RM4 million and a certificate of completion was issued in September 2013. The production area is expected to take up 88% of the floor space, the rest room and wash room 2% and the office 10%.</p> <p>(v) Additional machinery costing RM2 million was purchased from a Taiwan manufacturer and installation commenced in October 2013 and is expected to be completed in December 2013 or January 2014. Cost of installation of machinery RM300,000 is payable to the Taiwan manufacturer.</p>
Cleen Sdn Bhd	<p>(i) Business: Manufacturing of clean room products</p> <p>(ii) The company has a paid-up capital of RM25 million as at 31.12.2012.</p> <p>(iii) A new computer system costing RM100,000 was installed and used in June 2013.</p> <p>(iv) It is a profitable company and it has a Section 108 credit of RM3 million as at 31.12.2012.</p>
Trade Sdn Bhd	<p>(i) Business: Trading of latex examination gloves and clean room products.</p> <p>(ii) The company has a paid-up capital of RM5 million as at 31.12.2012.</p> <p>(iii) It sells its products locally and to overseas market.</p> <p>(iv) As the company is facing stiff competition from other companies selling similar products, it had to reduce prices and incur additional promotion expenses. Promotion expenses in 2013 include the following:</p>

	<p>Cost of advertising</p> <p>Star (Malaysia) RM300,000</p> <p>The Mirror (United Kingdom) RM200,000</p> <p>Trade fair expenses (organised by MATRADE)</p> <p>PWTC, KL RM20,000</p> <p>Paris RM50,000</p> <p>(v) It is expected to make a small profit of RM100,000 in 2013.</p>
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Please prepare an advisory to Encik Ahmad on how the companies can improve their tax efficiency based on information provided above. You can look at all incentives except pioneer status and investment tax allowance. Show all calculations in your answers.

(80 marks)

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