

Deloitte Tax Challenge 2014

Individual Category – Stage 2

1. Since the recession in 2008, some countries have managed to get their economies out of the recession and others are in danger of falling back into recession. In the light of such uncertainties in the world economies, you are given the opportunity to address the Minister of Finance on the measures that Malaysia should take to maintain, if not increase, the momentum of growth in the Malaysian economy. Your 5-minute speech should be delivered in English.

(30 marks)

2. Mr Lim owns a trading company in Kuala Lumpur and the business is very profitable. He also owns several properties in Kuala Lumpur and Selangor as follows:
 - (a) Ten 4-storey shop houses in Jalan Ipoh, Kuala Lumpur valued at RMRM20 million. All the shops are rented out except for two 3rd floors which have been vacant for a year.
 - (b) Four 2-storey terrace houses in Taman Tun Dr Ismail, Kuala Lumpur value at RM6 million which are rented to different tenants.
 - (c) Five bungalows in Jalan Ampang, Selangor valued at RM20 million which are rented to foreign embassies.

Mr Lim intends to transfer all the properties to one or more companies as he thinks it is more efficient and manageable. The consideration for the transfer of properties to the new companies will be in the form of shares. The shares will be in the names of Mr. Lim 60%, Mrs Lim 20% and his two children 10% each.

Mr Lim has engaged you to advise him on the steps he should take and what tax considerations should he be aware of. In your advice you should cover income tax, real property gains tax and stamp duty issues.

(35 marks)

3. You have applied for a position as a Tax Associate with one of the major tax firms. Before the interview proper, you have been given a tax question to answer in writing. The question is shown below:

The main activity of a resident company in Malaysia is that of owning and hiring of ships. The company entered into "Time Charter" contracts with a non-resident company for the hire of vessels, services and crews to the company. In consideration for the hire of vessels with crew, the company made full payment to the non-resident company. The payments were charter fees for the time charter of ships and crews. The non-resident company is resident in Singapore. It carries on a business of hiring ships, providing shipping services and the hire of crew. It has no permanent establishment in Malaysia.

In view of a recent case law decided in October 2013, discuss:

- (a) the taxability of the payments received by the Singapore company; and
 - (b) the deductibility of the payments made by the Malaysian company,
- with reference to the Income Tax Act 1967 and double taxation agreement.

(35 marks)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's more than 200,000 professionals are committed to becoming the standard of excellence.

About Deloitte Southeast Asia

Deloitte Southeast Asia Ltd – a member firm of Deloitte Tohmatsu Limited comprising Deloitte practices operating in Brunei, Cambodia, Guam, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam – was established to deliver measurable value to the particular demands of increasingly intra-regional and fast growing companies and enterprises.

Comprising over 270 partners and 6,300 professionals in 24 office locations, the subsidiaries and affiliates of Deloitte Southeast Asia Ltd combine their technical expertise and deep industry knowledge to deliver consistent high quality services to companies in the region.

About Deloitte Malaysia

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

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2014 Deloitte Tax Services Sdn Bhd