



Deloitte Tax Challenge 2016

Individual Category – Stage 2

Oral Test

Question 1

Owning a home for shelter and comfort is central to most families' ultimate plans. However, as the home prices surged continuously in Malaysia, rakyat are finding it very difficult to own a house.

Required

You are given 5 minutes to propose what can the government or private sectors do to increase the home ownership.

(40 marks)

Written Test

Question 2

Best Furniture & Fittings Sdn. Bhd. ("BFF") is a manufacturer of furniture and fittings in Malaysia. The company receives orders from retailers as well as individual customers throughout the country. BFF is a Goods and Services Tax ("GST") registered company and currently having a monthly taxable period.

Required

- a) State the general rules for time of supply for goods under Goods and Services Tax Act, 2014 ("GSTA").

(4 marks)

- b) State with reason the time of supply for each of the following scenarios and compute the GST output tax amount (all quoted price is exclusive of 6% GST unless otherwise mentioned):

- i) BFF received an online purchase order for crystal marble table priced RM15,000 on 10 September 2016 and delivered the goods on 15 September 2016. BFF issued a tax invoice on 3 October 2016 and received full payment from customer on 12 October 2016.

(3 marks)

- ii) BFF received a deposit of RM15,000 on 5 September 2016 for a purchase order received for 150 units of sofas from a retailer. BFF issued a tax invoice for the whole amount of RM31,800 (inclusive of 6% GST) on 4 October 2016. The balance of RM16,800 is received on 9 October 2016. BFF delivered 150 units of sofas to the retailer on 12 October 2016.

(7 marks)

- iii) On 15 August 2016, BFF supplied 50 units of armchairs to a hypermarket on a consignment basis. On 21 September 2016, BFF received a statement of sales from the hypermarket stating all armchairs were sold with a total proceed of RM2,120 (inclusive of 6% GST). BFF issued a tax invoice on 1 October 2016. The consignee paid 20% of the payment on 10 October 2016 and the balance 80% of the payment on 12 October 2016.

(6 marks)

Question 3

Kuantan Development Sdn Bhd ("KD") has entered into a joint venture arrangement with a local conglomerate to embark into a property development activity on 10 acres of prime land and it is the first integrated green luxury development anchored by prime commercial offices, high-end retail outlets, world-class serviced residences and luxury residential towers which uses industrial building system technology.

For the purpose of this new landmark development, KD will be making various payments to the non-residents as follows:-

A) AnYeong Ltd ("AY"), a tax resident company in South Korea

AY will carry out the design and procurement works in Korea and undertake construction activity in Malaysia for 9 months and the total cost is RM32 million, of which RM2 million is in relation to design and procurement works whilst RM30 million related to construction work.

B) JianZu Co., Ltd ("JZ"), a tax resident company in China

JZ has been contracted for supplying a customized Industrial Building System ("IBS") machine and the contract price of RM1.2m comprises of the following:

	RM
Design customized IBS machine (wholly performed in China)	200,000
Supply and delivery of IBS machine parts	800,000
Install of IBS machine (wholly performed in Malaysia for 3 months)	200,000

The senior engineers of JZ reimbursed RM30,000 and RM20,000 from KD for their travelling expenses and hotel accommodation respectively during the work performed in Malaysia.

C) P.T. ComAgensi ("CA"), a tax resident company in Indonesia

CA has introduced AH and JZ to KD and has charged a commission fee of IDR 1,000,000. CA carries on the business of a commission agency in Indonesia.

D) Treasury Management Pte Ltd ("TM"), a tax resident company in Singapore

TM, a cash cow subsidiary of KD has advanced 6% loan to KD to finance the development project. The annual interest payment for the advance of RM2 million.

Required:

i) The finance director of KD is unsure if the services to be performed by AY will create a permanent establishment in Malaysia and withholding tax under Section 107A would apply to the construction service fee to be paid by KD to AY. If so, due to some unforeseen circumstance, AY foresees it is likely make loss in this project and the advance withholding tax collection would give rise to cash flow constraint to AY.

The finance director has requested you to advise on whether AY has a PE in Malaysia and if so, suggest a tax planning idea to manage the cash flow for AY in Malaysia.

(10 marks)

ii) State with reasons whether JZ has a permanent establishment ("PE") in Malaysia under the double taxation agreement between Malaysia and China;

(5 marks)

- iii) State with reasons whether withholding tax is applicable on each of the above payment (A) to (D) made to the non-resident payees and if withholding tax is applicable, state the domestic WHT rate and tax treaty rate (if applicable);

(10 marks)

Question 4

Triple A Sdn Bhd ("AAA") was incorporated in January 2015 to carry on plantation business. On 14 February 2015, AAA acquired its first real property, a 30-acres plantation at a bargain price of RM1,000,000. The only available assets other than the real property was cash of RM300,000. The business is yet to be commenced.

Triple B Sdn Bhd ("BBB") has a profitable manufacturing business. BBB acquired 1,000,000 shares of AAA for a consideration of RM2m on 15 May 2015 while the total issued shares of AAA were 2,000,000. On the date of acquisition, BBB has the following financial position:-

	RM'000
Land and factory building (market value)	5,800
Plant and machinery	1,000
Goodwill	2,000
Inventories	600
Trade receivables	500
Cash and cash equivalent (before acquisition)	3,200

BBB further acquired 1 piece of commercial land with a market value of RM1,100,000 on 30 August 2015.

Triple C Sdn Bhd ("CCC") was incorporated in Malaysia ten years ago to carry out trading business. CCC acquired 1,000,000 shares of BBB for a consideration of RM2,000,000 while the total issued shares of BBB were 3,000,000 on 22 June 2015. CCC has the following financial position:-

	22 March 2015	30 June 2015
	RM'000	RM'000
Shoplots (market value)	8,000	10,000
Plant and machinery	3,000	3,500
Goodwill	3,500	8,000
Cash and cash equivalent (after acquisition)	2,500	500

CCC dispose of 500,000 shares in BBB with a market consideration of RM2,000,000 to Triple D Sdn Bhd ("DDD") on 12 October 2016.

All the above-mentioned companies are controlled companies and not engaged in property development.

Required

- (a) Determine whether AAA, BBB and CCC is RPC.

(10 marks)

- (b) Compute the amount of RPGT payable by CCC on the disposal of 500,000 shares in BBB, if any.

(5 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/my/about to learn more about our global network of member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and high-quality service to address clients’ most complex business challenges. To learn more about how Deloitte’s approximately 225,000 professionals make an impact that matters, please connect with us on [Facebook](#), [LinkedIn](#), or [Twitter](#).

About Deloitte Southeast Asia

Deloitte Southeast Asia Ltd – a member firm of Deloitte Touche Tohmatsu Limited comprising Deloitte practices operating in Brunei, Cambodia, Guam, Indonesia, Lao PDR, 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 270 partners and over 7,300 professionals in 25 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.

All services are provided through the individual country practices, their subsidiaries and affiliates which are separate and independent legal entities.

About Deloitte in Malaysia

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

Disclaimer

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. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.