



Deloitte Tax Challenge 2017

Team Category – Final Stage

Question 1 (Oral Presentation) (50 marks)

Four of you attended the Annual Open House hosted by the Malaysian Inland Revenue Board ("MIRB") and Royal Malaysian Customs Department ("RMCD").

During your interaction with the Director General of Customs, you were enlightened by the RMCD on the Blue Ocean strategy adopted. You have also heard the concerns about the growing differences in tax and accounting treatments, brought up by several taxpayers to the Director General of MIRB.

You have asked for an opportunity to present your thoughts. Towards the end of the Open House, you are given 20 minutes to present to the senior officers on the following:-

Part A

The RMCD deploys the Blue Ocean Strategy to increase collection of GST. In your view, which are the initiatives that would work effectively and what other ideas can you suggest to the RMCD to improve its GST collection?

(25 marks)

Part B

In preparing tax computation, tax adjustments arise when tax treatment of a particular transaction differs from the accounting treatment. How can our tax system be simplified to ease the compliance burden for taxpayers?

(25 marks)

Question 2 (Written Assessment) (50 marks)

Mr Harvey is the owner of Aee Sdn Bhd group of companies. He has recently met your tax partner to discuss on how to improve tax efficiency arising from the merger of business.



Bee Sdn Bhd and Cee Sdn Bhd are both in the business of shrimp farming business. Under the skillful shrimp farm management of Mr Harvey, Bee Sdn Bhd has been making substantial profits. Aee Sdn Bhd has recently acquired shares in Cee Sdn Bhd from a third party and it has been making losses due to the poor farm management of the previous owner. Mr Harvey saw the opportunity to turnaround the business performance of Cee Sdn Bhd.

The following are additional information for two companies:

	Bee Sdn Bhd	Cee Sdn Bhd
	RM'000	RM'000
Assets		
- Land & building @ market value	2,500	3,000
- Land & building @ cost	1,000	1,500
- Machinery @ market value	900	1,500
- Stock @ market value	700	800
- Trade receivables	-	700
Projected annual profit for 5 years	2,000	500
Unabsorbed business loss brought forward	-	6,000
Unabsorbed capital allowance brought forward	-	8,000

For greater efficiency in operation reason, Mr Harvey is looking into merging the entities and arising from this, all assets will be transferred to the surviving entity. The holding period in relation to the land and building for Bee Sdn Bhd and Cee Sdn Bhd is 5 years and 3 years respectively. Both Bee Sdn Bhd and Cee Sdn Bhd are not GST registrant.

Required

- a) Explain from corporate tax perspective which entity should be the surviving entity and what are the tax benefits of merging the two businesses into one entity. Your recommendation should be supported with tax benefit computation.
- b) There will be various tax exposure arising from the transfer of assets from one entity to another entity. Explain the stamp duty, Real Property Gains Tax(RPGT) and Goods and Services Tax(GST) implications arising from the transfer of business assets and compute the relevant tax exposure.
- c) In respect of each tax exposure in item (b) above, state whether there is any relief available. If so, state the conditions to fulfill in order to be eligible for the relief and whether the company qualifies for the relief. Where the company is not eligible for any of the relief(s), state what can be done to enable the company to enjoy the relief.

(50 marks)

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