



## Deloitte Tax Challenge 2017

### Individual Category – Final Stage

#### **Question 1 (Written Assessment) (50 marks)**

You have recently attended the Transformasi Nasional 2050 (TN50) town hall session in Putrajaya. The Minister of Finance (MOF) was very impressed with your views given during the town hall on how to drive the country's economic development to achieve the vision of TN50.

A week after the town hall, you received a letter from the Minister, seeking your views on the following:-

#### **Part A**

The country has been running a budget deficit for 19 years in a row. What are your suggestions for the government to increase its revenue collection?

(25 marks)

#### **Part B**

The Malaysian Inland Revenue Board ("MIRB") has intensified its audit activities in recent years. What are the objectives of a tax audit and what should the MIRB do to ensure its objectives are met?

(25 marks)

You are required to write a **letter** to the Minister articulating your views in **not more than 250 words**.

**Question 2 (Oral Presentation) (50 marks)**

- a) Chelsia Sim is the owner of Holding Sdn Bhd group of companies. She has met you recently to find out on the ways to improve the group tax efficiency and she shared the following:
- Holding Sdn Bhd ("HSB") is an investment holding company. During the year, its subsidiary company, B Sdn Bhd ("BSB") requires financing from HSB to purchase machinery. For this purpose, HSB will obtain an external bank loan and it has the option to either extend an interest bearing loan to BSB or subscribe additional ordinary shares in BSB.
  - BSB is in the business of extraction of crude palm oil and it is currently claiming reinvestment allowance for an expansion project in respect of its crude palm oil extraction activity. The production manager has recently proposed to embark into the business of manufacturing pulp and paper using empty fruit bunches. The projected machinery cost and estimated profit from this manufacturing business throughout next 5 years is RM7.5 million and RM2 million respectively.

**Required**

- i) Explain whether HSB should extend an interest bearing loan to BSB or subscribe additional ordinary shares in BSB to finance the purchase of machinery from tax perspective.
- ii) Explore the types of tax incentive which can be accorded to the activity of manufacturing pulp and paper using empty fruit bunches. State whether BSB or a new company should be set up to undertake the new business and thereafter, quantify the tax benefit arising from your recommendation.

(15 marks)

- b) Mable Pte Ltd, a company resident in Singapore sells oil palm machinery to BSB. BSB deals with Mable's agent in Malaysia which collates orders on Mable's behalf. You understand that the agent does not hold any stock of goods in Malaysia and has no authority to conclude contract on Mable's behalf. All sales contracts between Mable and its customers are concluded outside Malaysia.

**Required**

Explain whether Mable has a permanent establishment in Malaysia and whether income derived by Mable from the sale of the machinery to BSB is subject to Malaysian income tax.

(5 marks)

- c) HSB has plan to undertake international oleo chemical trading business. These commodities would be procured from overseas vendor and delivered to overseas customers. The purchase and sale of goods will be transacted in US\$ currency. It is estimated that the annual turnover and the annual expenses would be US\$110 million and US\$3 million respectively. There is also plan to employ four professional traders to manage the trading activity.

Chelsia Sim was informed by a consultant that where such activity is to be undertaken by a Labuan International Commodity Trading Company (LITC) set up under the Global Incentives for Trading (GIFT) Program, there will be tax benefits.

**Required**

State the preferential tax treatment granted to a LITC undertaking international oleo chemical trading activity. Explain whether the proposed business can fulfill the conditions to qualify for the GIFT program.

(10 marks)

- d) Under the Goods and Services Tax(GST) framework, there are four types of supply, namely standard rated supply, zero rated supply, exempt supply and out of scope supply.

**Required**

Explain what is standard rated supply, zero rated supply, exempt supply and out of scope supply and how different they are from each other.

(10 marks)

- e) Generally, supply without consideration is not a supply. However, there are exceptions.

**Required**

State three examples where deemed supply occurred.

(5 marks)

- f) BSB received a booking from a customer on 30 September 2017. The following events took place:

Date	Event
30 September 2017	Customer placed order
15 October 2017	Delivery of goods
20 October 2017	BSB issued tax invoice to customer
15 November 2017	Customer settled the payment in full

**Required**

State the time of supply for the supply of crude palm oil based on the above scenario.

(5 marks)

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