

Deloitte Tax Challenge 2017

Individual Category – Stage 2

Oral Test

Question 1

Malaysia is a beautiful country. The recent decline of Ringgit Malaysia has made the cost of travel and stay in Malaysia more affordable to foreign tourists. We are seeing more tourists visiting Malaysia.

Required

You are given 5 minutes to present to our Minister of Tourism and Culture Malaysia on the new types of tax incentives that can be offered to the hoteliers and tour operators in order for them to attract more foreign tourists.

(40m)

Written Test

Question 2

Finance Act 2017 had re-imposed withholding tax on the offshore services and redefined public entertainer. During September 2017, your client, ABC Sdn Bhd (a Malaysian tax resident company involves in manufacturing of semi-conductor) had made several payments to the service vendors who are Singaporean tax resident companies to provide the following services:

Name of Entity	Description of services rendered	Place of services rendered	Duration in Malaysia	Amount RM
A-Star (Singapore) Pte Ltd	Technical service	Singapore	-	50,000
Bright (Singapore) Pte Ltd	Technical consultation services	Malaysia	4 months	90,000
Celeste (Singapore) Pte Ltd	Construction of research and development lab	Malaysia	7 months	500,000 (only labour portion)
Distinction (Singapore) Pte Ltd	Speaker to conduct technical training for staff	Malaysia	3 days	20,000

Required

Draft a letter to advise your client on the withholding tax implications arising from the above cross border transactions and compute the applicable withholding tax amount by making reference to the following (whichever is applicable):

- Malaysian Income Tax Act 1967 (You may refer to Section 2, Section 4A, Section 12, Section 15A, Section 107A, Section 109B and Schedule 1);
- Public Ruling No. 1/2014 on Withholding Tax on Special Classes of Income and Practice Note 2/2017 issued by the Malaysia Inland Revenue Board ("MIRB"); and
- Double taxation agreement between Malaysia and Singapore (You may refer to Article 5, Article 7 and Article 13).

(30m)

Question 3

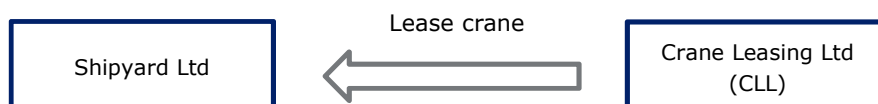
- i) Labuan is one of the duty free islands and a designated area under the Goods and Services Tax Act 2014.

State with reasons, whether the following supply is subject to GST:-

- Goods supplied and consumed in Labuan;
- Goods supplied from Kuala Lumpur to Labuan;
- Goods supplied from Labuan to Kuala Lumpur; and
- Services supplied from Kuala Lumpur to Labuan.

- ii) Shipyard Ltd, a company resident in Netherlands, leased a crane from Crane Leasing Ltd ("CLL"), a resident company in Switzerland in exchange of dayrate of USD200k. CLL does not have any establishment in Malaysia directly connected to its supply.

The arrangement is depicted below:



Required:-

- a) State with reasons, whether the income derived from the lease of crane by CLL to Shipyard Ltd would be subject to Malaysia corporate income tax and withholding tax.
- b) Where withholding tax is applicable to the leasing charges payable by Shipyard Ltd, how the above leasing business can be restructured in Labuan to mitigate the withholding tax exposure.

(30m)

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