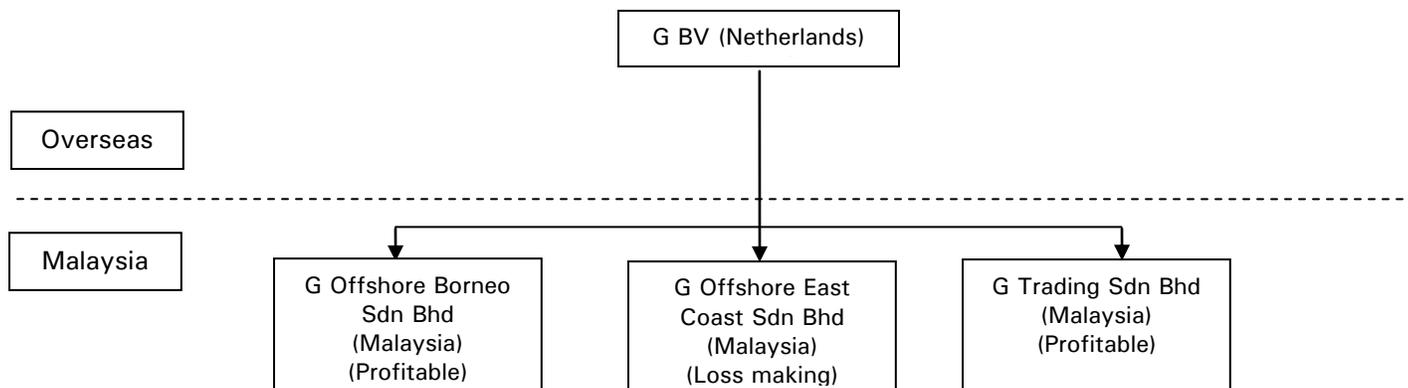


## DELOITTE TAX CHALLENGE 2009 Individual Category Finals

### CASE STUDY – G Group

The diagram below shows the group structure of G Group of Companies. All subsidiaries are 100% owned by the parent company, G BV, a company incorporated and tax resident in the Netherlands.



The CEO of G Group has met you recently and discussed the possibility of achieving greater tax efficiency for the Malaysian Group. He provided you with the following information:

1. G Offshore Borneo is a company that provides the oil & gas engineering services to its clients that operate in Sabah and Sarawak. It is a highly profitable company. It owns valuable plant and machinery which generates much capital allowances currently and for the next 3 years. It also has inventory (stock in trade) and trade debtors both good debts as well as those where realization is in doubt. This company is however, not cash rich.
2. G Offshore East Coast is a company that provides the same oil & gas engineering services to its clients that operate in the East Coast of Peninsular Malaysia. G Offshore East Coast has been incurring losses and has unabsorbed capital allowances as well as brought forward tax losses. As it has incurred much losses, its cash resources are small.
3. Given that G Offshore Borneo and G Offshore East Coast provide the same services, the CEO has not discounted the possibility of merging the operations of both companies. If this takes place, some staffing efficiencies will arise and several staff would be made redundant with related redundancy payments.

4. G Trading is involved in the trading of branded perfumes. It imports the goods from third party overseas suppliers (e.g. in Italy and France). Thereafter, it re-exports the same goods to third party customers in China, Thailand, Korea, etc. At present, there is no plan to sell the goods to Malaysian customers. G Trading is paying Malaysian corporate tax on its trading profits. Its financial year end is that adopted by all companies in the group, 31 October.

## REQUIREMENT

You are required to present your preliminary thoughts to the Board of Directors of G BV orally (with the aid of PowerPoint slides) on how greater tax efficiency can be achieved given the above facts. You are allowed to make reasonable assumptions as and when necessary. The CEO reminded you that any tax planning exercise must be commercially justified. Should you recommend any restructuring, the CEO wants to know the reasons for each step, the tax costs arising directly from the restructuring like income tax and stamp duty payable, if any, and tax minimization avenues plus the recommended timing of any restructuring transactions. He also emphasized that as you be given only 15 minutes for your board presentation, you must be succinct, emphasize important points and not reproduce text book material.

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