

Deloitte Tax Challenge 2024

Individual Category – Grand Finals

(Oral Assessment) (100 marks)

HOP Sdn Bhd (“HOP”) is a private limited liability company incorporated in Malaysia and is in the business of investment holding. Currently, there is no employee employed under HOP. However, HOP is outsourcing its investment holding activities as well as other functions such as accounting, legal, secretarial, etc. to its related company, MOP Sdn Bhd (“MOP”).

MOP is a private limited liability company incorporated in Malaysia and is in the business of providing management services. The outsourcing services performed by MOP is overseen by the Chief Financial Officer and the Board of Directors of its group of companies along with three (3) dedicated finance persons from MOP, namely the Chief Financial Officer, finance manager and finance executive. HOP is charged fees for management services provided by MOP, which is supported with transfer pricing documentation.

The following company is a wholly owned subsidiary of HOP from the date of incorporation and is incorporated in Vietnam. The acquisition cost of the shares in the company is appended below.

No.	Company	Date of Acquisition of Shares	Acquisition Value (RM)
1	BOP	25 March 2016	3,000,000

The above company shall be referred to as the Target Company. The Target company does not hold any real property situated in Malaysia or shares of a Malaysian incorporated company at any point of time.

The Share Sale Agreement (“SSA”) in respect of the Target company, would be entered into by HOP with a foreign third party for a consideration of **RM2,600,000**. HOP incurred legal fees of RM400,000 in relation to this transaction.

You are required to prepare a presentation to the CFO to address the following:

- Advise on the income tax [including Capital Gains Tax (“CGT”)] implications to HOP arising from the disposal of shares in the Vietnam subsidiary and evaluate whether any tax exemption is available. (30 marks)
- Compute of tax exposure arising from such disposal and comment on any potential concerns based on the results of the computation. (15 marks)
- Advise on the tax compliance obligation, relevant procedure pertaining to filing of the tax return and repercussions for its non-compliance arising from the disposal of shares in the Vietnam subsidiary. (10 marks)

Apart from the above, he wishes to seek your views on the following:

- Discuss whether Real Property Gains Tax has been made redundant by the introduction of CGT, highlighting any differences or overlaps in scope. (20 marks)
- Aside from the introduction of CGT, discuss the recent measures taken by the Government and/or Inland Revenue Board to enhance tax collection and meet the Government’s objectives. (20 marks)