Deloitte Tax Challenge 2025
Team Category – Grand Finals
Live Oral Assessment

<u>Question 1 – 40 marks</u>

Effective 1 January 2026, Malaysia will implement the self-assessment system for stamp duty (*Sistem Taksir Sendiri Duti Setem* - STSDS). The implementation of STSDS will be rolled out in 3 phrases based on the type of agreements or instruments involved:

Phase	Effective date	Types of instruments
1	1 January 2026	Instruments or agreements relating to rental or lease, general stamping and securities.
2	1 January 2027	Instruments of transfer of property ownership.
3	1 January 2028	Instruments or agreements other than those stated in Phase 1 and Phase 2.

Under the new STSDS, the duty payer or their appointed agent will need to upload information in the Stamp Assessment and Payment System (STAMPS), self-asses the duty value and make the payments within the specified timeframe. This contrast with the current formal assessment system, where the Inland Revenue Board of Malaysia (IRBM) calculates the stamp duty and issue notice of assessment based on the information uploaded by duty payer. The duty payers will make stamp duty payments based on the notice of assessment issued by IRBM via STAMPS. In line with the introduction of STSDS, IRBM has also issued a new Stamp Duty Audit Framework (*Rangka Kerja Audit Duti Setem*), which takes effect 1 January 2025. The Stamp Duty Audit Framework explains the legal provisions that will be applied by IRBM in conducting audits, the rights and responsibilities of the duty payer / agent / representative and the ethical standards expected during audits.

It is important to note that stamp duty is levied on instruments, not transactions, and the classification of an instrument depends on its substance and true nature. These classifications of instruments are based on the interpretation of the Stamp Act 1949, which was a statute that turns 75 this year. The implementation of STSDS coupled with the active enforcement of stamp duty audits has raised genuine concerns among the taxpayers in Malaysia.

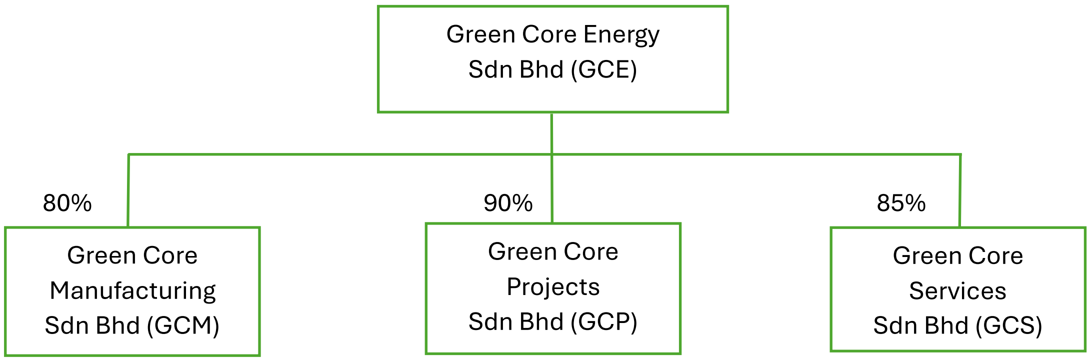
Required:

i) **Discuss the possible concerns and challenges that taxpayers may face with the implementation of the Self-Assessment System for Stamp Duty (STSDS).**
ii) **Propose practical solutions or strategies to facilitate a smooth and effective implementation of STSDS.**

(40 marks)

Question 2 – 60 marks

Sandra is the Chief Executive Officer (CEO) of Green Core Energy group. She has sought for your expertise to evaluate the group's tax position and advise on tax planning opportunities. She has shared the following information with you:



All 4 companies are incorporated in Malaysia and have been actively operating in Malaysia for the past 15 years. Each company has a paid-up capital of more than RM2.5 million and annual turnover of more than RM100 million. GCE group's vision is to be the global leader in sustainable energy solutions, by delivering innovative and reliable renewable energy technologies that empower communities. GCE is an investment holding company and oversees the group's strategy, financing and investments. GCM manufactures solar panels, wind turbines and renewable energy equipment. GCP focuses on development and management of renewable energy projects such as developing solar farms and wind farms. Lastly, GCS provides customer support and after sales services for installed system and equipment. To align with the group's mission and vision of sustainable growth and responsible business practices, the group is considering the possibility of participating in the Tax Corporate Governance (TCG) Programme. Sarah, the CEO, thinks that it could enhance the group's reputation with tax authorities and stakeholders. She also believes that companies will not be subject to audit and investigation if they have participated in the TCG Programme. The group has established a tax control framework.

GCE group is considering conducting R&D activities to drive innovation in renewable energy technology. The group needs to invest RM12 million for the purchase of fixed assets and another RM8 million as operating expenses to maintain the R&D projects. Alternatively, the group is open to the idea of outsourcing the R&D efforts to a reputable R&D company, called NextGen. NextGen will charge GCE group a research fee of RM18 million and the group will not own any R&D fixed assets at the end of project. The R&D activity is a promoted activity as listed by MIDA. Additionally, NextGen is a contract R&D company which has an approved R&D status. It provides R&D services to non-related companies only. GCE group has not previously enjoyed any form of tax incentive.

GCM purchased a plant for its solar panel manufacturing factory from Raukao Green Co., Ltd (RGC), a non-resident company in Japan on 5 September. RGC will send 3 engineers to Malaysia to supervise the installation and operation of the plant for a week. The amount paid to RGC are as follow:

	RM
Plant purchase price	150,000
Reimbursement of air tickets	6,000
Service fees related to supervision of installation	20,000
Total invoice amount	176,000

Required:

a) **Kindly advise Sarah, the CEO, regarding the Tax Corporate Governance (TCG) Programme on the following matters:**

   i) **What conditions must the companies in the GCE group fulfill to be eligible to participate in the TCG Programme and how likely is their participation based on these eligible criteria? (5 marks)**
   ii) **Briefly summarize the purpose and principles of TCG Framework (TCGF). (5 marks)**
   iii) **What are the benefits of implementing TCGF and discuss whether it will meet Sarah's expectations. (5 marks)**

b) **Kindly evaluate the two options presented in the case for R&D incentives:**

   i) **Option 1: GCE group will conduct in-house R&D activities. (20 marks)**
   ii) **Option 2: The R&D will be outsourced to the contract R&D company, NextGen. (10 marks)**
   For each option, your evaluation should address the following matters:
   - *State the R&D incentive that is eligible to be claimed by GCE group.*
   - *Explain the conditions that need to be fulfilled for the R&D incentive claim.*
   - *Explain how the R&D incentive is computed.*
   - *Calculate the total amounts deductible, including capital allowances, and the tax savings for each option.*

   iii) **Advise GCE group which option is the best option based on tax and non-tax considerations. (5 marks)**

c) **Address the withholding tax issue as follows:**

   i) **State whether withholding tax will apply for the payment to Raukao Green Co., Ltd (RGC) and support your answer with explanations. (4 marks)**
   ii) **Calculate the amount of withholding tax that will need to be remitted to IRBM, supported by brief explanations. (5 marks)**
   iii) **What is GCM's responsibility for remitting the withholding tax to IRBM. (1 mark)**

(60 marks)

- [END OF QUESTION] -