
Answers

1 Report

To: Ms Long, Burong Products Sdn Bhd (BP)
From: Tax associate, Tax Firm
Date: 1 December 2020
Subject: Tax issues arising from the planned initial public offer (IPO) by Burong Holding Bhd (BHB)

We refer to the initial public offer exercise to be undertaken by Burong Holding Bhd (BHB) and your request for our assistance relating to tax issues.

(a) Tax incentives available to BP

- (i) We have considered the following potential tax incentives which may be relevant given that BP will register substantial increase in exports, has expansion plans and intends to spend on research and development (R&D).

Allowance for significant increase in exports (ASIE)

This incentive measure is available if the following conditions are satisfied:

- The company is incorporated in Malaysia and tax resident in Malaysia;
- At least 60% of the paid-up ordinary share capital is directly owned by Malaysian citizens;
- The company manufactures and exports a product;
- The value of increased exports is at least 50% in a year of assessment (YA).

As BP is incorporated in Malaysia and a tax resident, is 100% owned by the Lee family, who are Malaysian citizens, the production of birds' nest essence and related products is considered as 'manufacturing', and it expects to register value of increased exports of 60% to 80% each YA, BP potentially qualifies for the ASIE in YAs 2021–2023.

Upon BHB's takeover of the ownership of BP after the listing exercise, BP will no longer be directly owned by Malaysian citizens: BHB, being a company rather than an individual, is incapable of being a citizen. Hence BP will not be eligible for ASIE for YA 2024 and thereafter.

ASIE is an amount equal to 30% of the value of increased exports, estimated to be about RM50 million each year, i.e. RM15 million (RM50 million x 30%). This RM15 million is an allowance deducted from the statutory income (SI) of BP, subject to a maximum of 70% of the SI each year. Any unabsorbed amount may be carried forward.

Reinvestment allowance (RA)

As BP has plans to undertake upward integration by producing its own raw birds' nest, there is expansion which constitutes a qualifying project eligible for RA. The RM18 million for the building of birds' hotels will be the qualifying capital expenditure (QCE).

60% of the QCE of RM18 million will yield an RA of RM10.8 million (RM18 million x 60%) which is effectively exempt from tax. Each year, the RA allowed is up to 70% of SI. Any unabsorbed amount may be carried forward.

- (ii) As the ASIE and RA are mutually exclusive, the respective claim must not occur in the same YA. BP expects to register 60% to 80% increase in value of exports during the YAs 2021, 2022 and 2023, so BP will be able to claim ASIE in YAs 2021 to 2023.

The qualifying capital expenditure on birds' hotels of RM18 million will be incurred in October 2023. If claimed, RA will be available in YA 2024 because RM18 million is incurred during the basis period 1 October 2023 to 30 September 2024.

BP must be mindful that the timing of the claims for ASIE and RA happens in different YAs as explained above to avoid the mutual exclusion.

(b) Birds' hotels: building or plant?

Birds' hotels are buildings within which the raw materials, i.e. birds' nests, are manufactured. It is a structure which provides a setting within which the business activity of manufacturing is carried out. Therefore, the birds' hotels are industrial buildings (IBs).

On the other hand, it could be argued that birds' hotels are purpose-built structures which carry out a specific function, that of attracting the birds to come into the buildings and facilitate the building of their nests therein by providing a conducive environment. As such, they would be designated 'plant' for capital allowance purposes.

As IBs, the industrial building allowance (IBA) will comprise an initial allowance (IA) of 10% and an annual allowance (AA) of 3%. It takes 30 YAs to fully claim the qualifying building expenditure.

As 'plant', the capital allowance (CA) will be IA of 20% and AA of 14%. It takes six YAs to fully write off the qualifying plant expenditure.

It is clearly more beneficial to BP if the birds' hotels are designated as 'plant' as the CA provides a much faster write-off within six YAs. On balance, we are of the view that a good case can be argued that the birds' hotels are 'plant' as they fulfil the functional test.

(c) Tax deductibility of expenditure

(i) IPO expenditure of RM1.8 million

This expenditure is incurred to enable the listing of BHB on the Bursa Malaysia. It is therefore capital in nature and not deductible in arriving at the adjusted income of the deemed business source/s of BHB.

(ii) Corporate headquarters expenditure

The annual operating expenses of RM750,000 are revenue in nature as they are for the maintenance of the corporate headquarters of the Burong Group. The law [s.60FA, the Income Tax Act, 1967] provides that each investment income source of a listed investment holding company is a deemed business, against which the common expenses such as corporate headquarters expenses can be proportionately set off. Thus, the proportionate operating expenses can be effectively allowed against the interest income, but not the expenses relating to the exempt single-tier dividend income.

(d) Claim for R&D incentive

(i) BR&D – potential eligibility as an R&D company, and associated tax savings

BR&D is potentially eligible for the status of R&D company because it provides R&D services to its related company. Product innovation and improvement, *prima facie*, constitutes R&D as defined. Upon approval for investment tax allowance (ITA), BR&D will be eligible for the 100% ITA to be set off against 70% of statutory income each YA.

[**Tutorial note:** R&D is defined in the Income Tax Act [s.2] to mean any systematic, investigative and experimental study which involves novelty or technical risk carried out in the field of science or technology with the object of acquiring new knowledge or using the results of the study for the production or improvement of materials, devices, products, produce, or processes, but does not include quality control, routine testing, research in social sciences, management studies, market research, routine modification of products or cosmetic modifications to products.]

Tax savings

Refer to the attached Appendix for the tax savings.

(ii) BP's eligibility for double deduction, and associated tax savings

The RM5 million to be spent on R&D services to be rendered by BR&D will qualify for double deduction under the Income Tax Act [s.34B], provided that the related R&D company has not availed itself of ITA under the Promotion of Investments Act.

Tax savings

Refer to the Appendix for the computation of tax savings.

(iii) Our recommendation

As seen in the comparative tax savings in the attached Appendix, the tax savings are:

RM1,440,000 if BR&D claims ITA as an R&D company; and
RM2,400,000 if BP claims the double deduction.

However, BP cannot claim the double deduction if BR&D has claimed ITA under the Promotion of Investments Act. Nevertheless, BP can claim a single deduction [under s.34(7), Income Tax Act 1967]. With the combined tax savings of RM2.64 million (RM1.2 million by BP + RM1.44 million by BR&D), it appears that BR&D should apply for the status of R&D company and obtain the ITA incentive.

– End of report –

Appendix

Computation of tax savings under R&D incentives

	BR&D (RM)	BP (RM)
Double deduction of R&D expenditure to R&D company		5,000,000 x 2 = 10,000,000
Tax exempt income based on investment tax allowance	6,000,000 at 100% = 6,000,000	
Tax savings at 24% over three YAs	1,440,000	2,400,000

2 (a) Closure of retail outlets

(i) Sale of store furniture and equipment

The loss on sale of store furniture and equipment of RM1.1 million is a loss on the disposal of non-current assets, hence capital in nature and not tax deductible.

All the assets were acquired on or after 1 July 2019. As the disposal date will be 31 March 2021, the period of holding the assets (1 July 2019 to 31 March 2021) is less than two years. The 'claw-back' provision [paragraph 71, Schedule 3, Income Tax Act, 1967] therefore applies: all the capital allowances granted in YA 2020 (basis period 1 April 2019 to

31 March 2020) will constitute a balancing charge in the tax computation for YA 2021. However, as the early disposal of the assets is due to the closure of the outlets, this constitutes a valid commercial reason for the non-application of the claw-back provision.

(ii) Retrenchment of employees

The compensation payable to the retrenched employees is part of doing business, a normal cost of hiring and retrenchment, and no advantage or right has been secured. The expense is tax deductible for YA 2021 (basis period 1 April 2020 to 31 March 2021).

To the employees, the three months' compensation is for loss of employment, forming part of employment income [under s.13(1)(e), Income Tax Act, 1967] duly assessable to income tax. However, there is an exemption of RM10,000 for each completed year of service. In this case, all the retrenched employees have been employed for not more than two years, so the amount exempted is RM10,000. Any balance will be assessable for YA 2021 (basis year 31 December 2021) on the employees.

(iii) Cancellation of store tenancy contracts

The tenancy contracts are assets of the business as they secure a right to occupy the premises for the tenancy period of three to five years. The compensation payable is therefore capital in nature and not tax deductible.

However, as there are many tenancy agreements, they take on the character of trade contracts. Moreover, five out of 23 may not substantially affect the capital structure of the business as a whole. The compensation may therefore be argued to be revenue in nature, thereby eligible for tax deduction.

(b) Starting online selling

The start-up costs are incurred in order that online selling may be conducted by Harimau. Hence they are capital in nature.

However, if online selling is seen as another way of selling the same goods, then online selling is an integral part of the retail business. Setting up online selling may then be viewed as part and parcel of the same retail business. The costs are incurred in the course of carrying out the activity of retailing, and therefore tax deductible.

(c) Estimate of tax for YA 2022

The original tax estimate must be furnished to the tax authorities in a prescribed form not later than 30 days before the beginning of the basis period for YA 2022, i.e. 1 April 2021. Therefore, the estimate for YA 2022 must be furnished by 2 March 2021.

The minimum amount of the original tax estimate for YA 2022 must not be less than 85%* of the tax estimate of RM30 million (for YA 2021), i.e. RM25.5 million. The monthly instalments will be RM2.125 million each.

Harimau should keep in mind to revise the tax estimate down to RM20 million in the sixth month, before 15 September 2021. The revised tax instalment will be reduced as follows:

	RM
Revised estimate	20,000,000
Less: First to fourth instalments for May to August 2021 RM2,125,000 x 4	(8,500,000)
Balance in eight instalments	11,500,000
Each instalment	1,437,500

[*Tutorial note: In practice, a company can apply to the Inland Revenue Board (IRB) for the first estimate of tax to be at less than 85% if it has valid and compelling reasons. However, IRB's approval is sparingly given.]

(d) Software engineers

Contract of service creates an employer–employee relationship where the employees work under exclusive employment contracts stipulating work conditions and how duties will be performed. The Hong Kong engineers work under 'contract of service': they receive employment income derived from Malaysia as they exercised employment in Malaysia. Being employees of Harimau, their remuneration is subject to monthly tax deduction.

If they fulfil the conditions, they may also elect for the 'monthly deductions being final tax' regime and opt not to file annual tax returns. Otherwise they must file their annual tax return by 30 April of the following year.

When their employment contracts come to an end after two years, Harimau must notify the tax authorities of their cessation and impending departure from Malaysia.

Contract for service connotes a principal–agent relationship where the agent performs specific duties for the principal. The agent is not precluded from performing services for other principals. The fees payable to the Malaysian freelancers constitute their business income. As they are tax residents, the fees are not subject to withholding tax at source. When their contract for service comes to an end, there is no requirement to notify the tax authorities of the cessation.

The Malaysian engineers must file their annual tax return on all their income derived from Malaysia by 30 June in the following year.

3 (a) MB Sdn Bhd

(i) Real property company (RPC) status of MB Sdn Bhd (MB)

RPC status

A company may become a RPC when it is a controlled company, it acquires a real property or shares in another RPC company, and the defined value of the real properties or shares in a RPC or both is not less than 75% of the total tangible assets of the company.

The first acquisition of real property by MB was when it acquired the industrial land. For real property gains tax (RPGT) purposes, the date of acquisition of the real property is generally the date of the agreement, unless the agreement is conditional upon the approval of the Government or State Government, in which case, the date of acquisition would be taken when such approval is obtained.

In the present case, since the agreement was conditional upon the approval of the State Government and the vendor's shareholders, the date of acquisition was based on the date of the State Government's approval, i.e. 1 July 2011. The date when the approval from the vendor's shareholders was obtained is not relevant here.

Being wholly owned by two shareholders, MB is a controlled company. In order for MB to become a RPC, the defined value of the real property should be at least 75% of the total tangible asset of the company. On 1 July 2011, the defined value of the real property owned by the company was RM5 million. As the company had only cash from the share subscription by Margaret and Ben of RM1 million (2 million shares x RM0.50), the total tangible assets of the company were RM6 million. In this respect, MB was regarded as a RPC since the percentage of the defined value of real properties over total tangible asset is 83.3% (more than 75%).

Acquisition date and price of the RPC shares

As MB is a RPC, the shares held by the shareholders, i.e. Margaret, Ben and Jeremy, would be regarded as RPC shares.

Share subscription by Margaret and Ben

When Margaret and Ben subscribed for MB's shares on 2 January 2010, the company was not a RPC. It became a RPC on 1 July 2011. In this respect, the date of acquisition of the RPC shares owned by Margaret and Ben would be the date when the company became a RPC, i.e. 1 July 2011.

The acquisition price of the shares would be computed based on the prescribed formula of $A/B \times C$ where:

A is the number of shares deemed to be chargeable asset

B is the total number of issued shares in the relevant company

C is the defined value of the real property or shares or both owned by the relevant company

Based on the above, the acquisition price of MB's shares owned by Margaret and Ben respectively would be RM2.5 million (1 million/2 million shares x RM5 million).

Share subscription by Jeremy

Jeremy subscribed for MB shares on 1 August 2011 when MB was already a RPC. Therefore, the date of acquisition of the RPC shares would be 1 August 2011.

As MB is already a RPC when Jeremy acquired the shares, the acquisition price of the 4 million ordinary shares would be based on the actual consideration paid for the shares, i.e. RM4 million (4 million shares x RM1).

Bonus shares

The date of acquisition of the bonus shares issued by MB to its shareholders would be the date when the shares were acquired/issued, i.e. 15 June 2019.

As MB was already a RPC when the bonus shares were issued, the acquisition price would be determined based on the consideration payable for the shares. As bonus shares were issued without any consideration, the acquisition price of the shares would be nil.

Significance of the market valuation as at 1 January 2013

The rebasing of the acquisition price based on 1 January 2013 is only relevant for real properties owned by individuals. As the chargeable asset in question is RPC shares, the rebasing to the market valuation of 1 January 2013 is not relevant.

(ii) RPGT payable in relation to the disposal of MB's shares by Jeremy to Margaret

	Initial subscription	Bonus shares
	RM'000	RM'000
Disposal consideration (4m/8m x RM12m)	6,000	6,000
Less: Acquisition price	(4,000)	0
Chargeable gain	2,000	6,000
Less: Exemption		
10% of chargeable gain or RM10,000 or part thereof, whichever is higher	(200)	(600)
Gain subject to RPGT	1,800	5,400
RPGT payable at 5% (more than five years)	90	
RPGT payable at 30% (within three years)		1,620

(b) Rasa Sdn Bhd (Rasa)

(i) Determination of 'companies within the same group'

Rasa and the wholly owned subsidiaries

On the basis that Rasa holds a 100% shareholding in the subsidiaries, both Rasa and the wholly owned subsidiaries should be regarded as companies within the same group.

Rasa and the associated company

Rasa holds a 25% shareholding in the associated company. Under the service tax legislation, where a company only holds a 20% to 50% shareholding in the other company, control can still exist if the company has the ability to appoint or remove the majority directors of the other company. In this particular case, as Rasa can only appoint one director representation over the four directors in the company, the associated company cannot be regarded as company within the same group.

UK company and Rasa

As both companies are not related, they are not companies within the same group.

Rasa Group Ltd (RGL) and Rasa

RGL owns a 40% shareholding in Rasa and has the ability to appoint three out of five directors in Rasa. In this instance, as RGL has the ability to appoint and remove the majority of the directors in Rasa, both RGL and Rasa are regarded as companies within the same group.

(ii) Management services regarded as taxable services?

Where the management services are provided to companies within the same group, the management services should not be regarded as taxable services.

However, where a company provides the same services to another person outside the group of companies, such services will be treated as taxable services regardless of for whom the services are performed. Effective from 1 January 2020, this rule is relaxed to allow for the same services to be rendered to persons outside the group, provided that the value of the services does not exceed 5% of the total value of services provided by that company within 12 months.

As the associated company is not regarded as a company within the same group, the provision of services to the associated company is a taxable service. For the first year, the service fee to be provided to the associated company is more than 5% [i.e. 5.26% ($RM25,000/RM475,000 \times 100\%$)] of the total value of services and, therefore, this would result in the entire management fee charged by Rasa to become a taxable service. However, as the amount charged is below the registration threshold of RM500,000, there is no requirement for Rasa to be registered for service tax.

For the second year, the fees charged is estimated to be RM625,000 while the service fee to be charged to the associated company is retained at RM25,000, i.e. 4% ($RM25,000/RM625,000 \times 100\%$) of the total value of services provided. Hence, the provision of the services to the associated company should not taint the non-taxability of management services provided to group companies. In this respect, the taxable service portion provided by Rasa is only RM25,000 and falls below the registration threshold.

(iii) Service tax treatment on specialised engineering services and IT services

Specialised engineering services

The specialised engineering services were procured by Rasa from a UK company which forms part of the engineering services to be provided to its customers, which is subject to service tax. As the service provider is outside Malaysia, the specialised engineering services are regarded as an imported taxable service.

In order to mitigate the double 'service tax' taxation, there is a business to business (B2B) exemption available in respect of the provision of taxable services to a taxable person which uses the same taxable services directly in the provision of taxable services. As the scope of the B2B exemption is extended to include imported taxable service, Rasa can rely on the B2B service tax exemption. In this instance, Rasa does not need to account for service tax when paying the specialised engineering service fee to the UK company.

IT services

The provision of IT services is regarded as a taxable service and since this is provided by a company outside Malaysia, there is a requirement for Rasa to account for service tax if the service is regarded as an imported taxable service.

However, where a company in a group of companies acquires taxable management services from any company within the same group outside Malaysia, such service shall not be regarded as an imported taxable service. In this case, as RGL and Rasa are regarded as companies within the same group, the IT services do not fall within the ambit of taxable service and, therefore, there is no requirement for Rasa to account for service tax on the IT services.

4 (a) Badrul

Tutoring fee

The fee received for the part-time tutoring is regarded as an employment income and assessed to income tax when the amount is received by Badrul.

Mobile application development

The shares received by Badrul from the entrepreneur effectively represent the consideration for the right to commercialise the mobile application.

Badrul developed the mobile applications as a hobby, initially for personal enjoyment by himself and his friends. He has never developed and sold any applications before. There is no indication of any intention for the application to be commercialised: Badrul did not seek out any opportunity. In this regard, it can be argued that the mobile application is not developed for sale and therefore the disposal of the mobile application is likely capital in nature. Moreover, it is a one-off transaction. Hence, the consideration should not be taxable.

Introduction of business

The luxury watch was received by Badrul in recognition for his effort to introduce his friend to his aunt. While the consideration is received in kind in the form of the watch, the amount may still be taxable if this constitutes a source of income to Badrul. The amount is likely to be seen as casual income to Badrul. While this is one-off, Badrul put in efforts to ensure that his friend secured the business by facilitating the negotiation of the deal. Therefore, the market value of the watch received should be assessed to income tax.

Dealing with shares listed on the local stock exchange

Badrul is an engineer graduate and does not have a financial and investment background. He acquired and sold the shares based on the recommendations given by his friends. He did not actively monitor the performance of the shares. Moreover, while he has purchased three share counters, he only sold one share counter in that year.

Based on the above, it is likely that his dealing in shares is more of a capital transaction and any gains arising therefrom should not be taxable. Conversely, any losses arising from the share disposal should not be deductible. Therefore, the loss from the share disposal by Badrul cannot be used to shelter his other taxable income.

(b) PoPo Trust (PTrust)

(i) Tax residence of PTrust

A trust is regarded as resident if any of the trustee members of the trust body is resident in Malaysia in the relevant year. As Simon, the sole trustee of PTrust, is a tax resident in Malaysia, the trust is tax resident in Malaysia. The residence status of the beneficiaries is not relevant in this case.

For tax purposes, the significance of the residence status of a trust is as follows:

- A resident trust may deduct from its total income the share of trust income due to resident beneficiaries;
- A resident trust may deduct any annuity payable to a beneficiary; and
- Any annuity paid to its beneficiary by a resident trust is deemed derived from Malaysia, regardless of whether the trust has any total income for the relevant year of assessment.

(ii) Total income of PTrust for the year of assessment 2020

	RM'000	RM'000
Dividend income from share investment listed in local stock exchange		0
Interest income from Government bonds		0
Interest income from fixed deposits		500
Rental income from letting of shoplots	800	
Less: Depreciation	0	
Less: Trustee remuneration	0	
Less: Quit rent and assessment	(40)	
Less: Accounting fee	0	
	<u> </u>	<u>760</u>
Aggregate income		1,260
Less: Annuity paid to Pei		(300)
Total income		<u>960</u>
Less: Share of total income to beneficiaries		0
Chargeable income		<u>960</u>
Tax payable at 24%		<u>230.4</u>

(iii) Trust distribution to the beneficiaries

The trust beneficiaries will be responsible for reporting and assessing their share of income from the trust in their individual tax returns. As Keong and Boon are entitled to 80% of the trust income in equal proportion, each beneficiary will be assessed on RM384,000 (1/2 x 80% x RM960,000) at 30% (tax rate for non-resident individuals) regardless of the actual trust distribution received. As the trust has also been taxed, the beneficiaries would be eligible for the corresponding tax credit to set off against their tax liabilities. The applicable tax credit would be RM92,160 (24% x RM384,000), to be set off against the tax charged of RM115,200 (30% x RM384,000), giving rise to a tax payable of RM23,040.

		<i>Marks</i>
1	Burong Products Sdn Bhd (BP)	
(a)	(i) Allowance for significant increase in exports (ASIE)	
	Conditions and how met	0.5 x 6
	Why not eligible after listing	3
	Mechanism	1
	Reinvestment allowance (RA)	1
	Qualifying project, amount, mechanism	1 x 3
		<u>3</u>
		8
	(ii) Timing of each incentive	1.5 + 1.5
		<u>3</u>
(b)	Industrial buildings or plant	
	IBs	2
	Plant	2
	Conclusion	1
		<u>5</u>
(c)	Deductibility	
	(i) IPO expenditure	1
	(ii) Annual operating expenses	1 + 1 + 1
		<u>3</u>
(d)	(i) R&D company, how qualify, tax savings	2 + 2
		<u>4</u>
	(ii) R&D fees and tax savings	2 + 2
		<u>4</u>
	(iii) Recommendation	1 + 1 + 1
		<u>3</u>
	Professional marks	
	Format and presentation of the report	1
	Clarity and effectiveness of communication including logical flow	2
	Appropriate use of appendix	1
		<u>4</u>
		<u>35</u>

2 Harimau Sdn Bhd

(a) Cost of closing retail outlets

(i) Loss on sale of assets: capital, clawback BC 1 + 1 + 1
3

(ii) Retrenchment of employees

Employer 1
 Employee: taxable, exemption, when balance taxable 1 + 1 + 1
4

(iii) Cancellation of tenancy contracts

Capital 1 + 1
 Revenue 1 + 1
4

(b) Online selling start up costs

Capital in nature 1 + 1
 Revenue in nature 1 + 1
4

(c) Estimate of tax

Due date 0.5 x 3 1.5
 Original estimate 85%, instalment amount 0.5 + 0.5 + 0.5
 Revised estimate by when, amount of instalment 0.5 + 0.5 + 0.5 + 0.5
Available 5
Maximum 4

(d) Software engineers

Contract of service, employment income, Hong Kong engineers, monthly tax deductions, annual return, notification on cessation 1 + (0.5 x 5) 3.5
 Contract for service, business income, no withholding, no notification on cessation, annual return 1 + (0.5 x 4) 3
Available 6.5
Maximum 6

25

3 (a) MB Sdn Bhd

(i) RPC assessment

When company becomes RPC

Acquires RP/RPC shares	0.5
75% test	0.5
Date of acquisition of land	1
Application of the rule	1

Acquisition date and price

Initial subscription by Margaret and Ben	1 + 1
Initial subscription by Jeremy	0.5 + 0.5
Bonus shares	0.5 + 0.5
	<u>7</u>

(ii) Disposal price

Acquisition price	0.5 + 0.5
Exemption	0.5
RPGT rate	0.5
	<u>3</u>

(b) Rasa Sdn Bhd

(i) Companies within the same group

Rasa and wholly owned subsidiary	0.5
Rasa and associated company	1
UK company and Rasa	0.5
RGL and Rasa	1
	<u>3</u>

(ii) Management service regarded as taxable service?

Group relief provision (general rule + tainting)	1 + 1
First year analysis	1.5
Second year analysis	1.5
	<u>5</u>
Available	<u>5</u>
Maximum	<u>4</u>

(iii) Specialised engineering and IT services

Specialised engineering services (imported taxable service + B2B exemption)	1 + 1
IT services (group relief and non-taxable services)	0.5 + 1
	<u>3.5</u>
Available	<u>3.5</u>
Maximum	<u>3</u>
	<u>20</u>

		<i>Marks</i>
4 (a) Badrul		
	Tutoring fee	
	Employment income + taxable upon receipt	1 + 0.5
	Mobile app technology	
	Share consideration for exploitation of mobile app technology	1
	Analysis + conclusion	2 + 1
	Business introduction	
	Analysis + conclusion	2 + 1
	Dealing in shares	
	Analysis + conclusion	2 + 1
	Available	11.5
	Maximum	10
(b) PoPo Trust		
	(i) Residence status	
	Residence status of trustee + residence of beneficiaries not relevant	1 + 1
	Identify two significances for tax purposes	2
	Available	4
	Maximum	3
	(ii) Tax payable for trust	
	Each item	0.5 each
	Tax payable	4.5
		0.5
		5
	(iii) Taxation of beneficiaries	
	Share of total income	1
	Actual distribution not relevant	1
	Tax credit	0.5
	Available	2.5
	Maximum	2
		20