

EY Young Tax
Professional of the
Year 2024
Malaysia



Case study

Aumento Growth Fund (AGF) is a private equity fund which focuses on high-growth sectors such as technology, healthcare, and consumer goods. AGF is currently evaluating the acquisition (and growth) of the organic skincare business of one of the largest and most diverse consumer products groups in the world (the Target). Having carried out an initial assessment and pre-feasibility study of the project, AGF has defined and identified the following pillars and challenges for its execution:

1. Raising funds from different investors in different jurisdictions: AGF needs to decide where to incorporate the company that will channel all the resources for the investment. This jurisdiction must not only be tax-efficient, but also easy to manage from a business and operational perspective.
2. Setting up tax compliance processes: The business AGF will be acquiring is very decentralized and historically AGF prefers centrally managed businesses where there is one entity that oversees the whole operation. AGF would like to think through how to manage tax compliance processes and tax risks in the new organization.
3. Creating a simple operating model: The last time AGF acquired a business like this, it inherited a complex operating model that proved difficult to manage. Once the acquisition is completed, AGF expects to structure a much simpler operating model, where the profiles of the businesses are clearly defined and identified.

Other information

- ▶ While Target's organic skincare products are sold in many countries around the world, it only has subsidiaries in 20 countries. In countries where Target does not have a subsidiary, it operates through third-party distributors. Going forward, if there are advantages from the perspectives of operations, direct taxes or indirect taxes in any particular country, AGF is willing to establish a subsidiary there.
- ▶ Target has substantial sales in countries without tax treaties with Malaysia and is trying to navigate what impact the current and future operating models may have on withholding tax implications.



- ▶ Following the acquisition, AGF intends to invest US\$20 billion in research and development as well as technology. This investment aims to enhance the manufacturing operations. AGF is exploring taking up a large loan to fund this investment.

Requirement:

The CFO of AGF has requested for a meeting with you to discuss the issues raised. However, he has only three minutes to meet with you. As such, prepare a presentation on the issues raised by the CFO, covering two specific matters on which the CFO would like your advice.

Additional information

- ▶ AGF is expecting to establish an entity to carry out the management and central functions but is yet to decide if this entity will also own the key intangibles and contain the research and development (R&D) function, or if the R&D function should be located in a different jurisdiction. This entity will be the Global Principal.
- ▶ The CFO has also read about the changes in the international tax and regulatory landscape. The CFO would like to understand the impact of the OECD Base Erosion Profit Shifting (BEPS) model and what the AGF should be focusing on now.



EY | Building a better working world

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2024 Ernst & Young Tax Consultants Sdn. Bhd.
All Rights Reserved.

APAC no. 07010537
ED None.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com/en_my