



## Case study

Fashionizta Sdn Bhd (Fashionizta) is a Malaysia-incorporated company that aggregates well-known fashion brands under a single corporate umbrella and markets them globally. The company is based in Malaysia with subsidiaries across the globe and has an extensive global supply chain that manufactures products in owned factories and/or via third party manufacturers.

Coszy Sdn Bhd (Coszy) is a Malaysia-incorporated company that uses scrap and recycled cotton products to create new bedding items. The company uses a proprietary technology to separate cotton fibers and then reconstitute them into bedding products using energy efficient processes and environmentally friendly chemicals. The proprietary technology potentially has applications outside Coszy's current business and may be used to manufacture other cotton products. Coszy currently operates only in Malaysia.

Fashionizta is looking to expand its business through the strategic acquisitions of companies that could benefit from its retail and supply chain strengths. Fashionizta is also interested in business lines that can help it achieve higher environmental, social and governance (ESG) measures. ESG measures are increasingly used by institutional investors to help make investment decisions, and Fashionizta has not fared well in the past due to the waste associated with the fast fashion market.

As part of its expansion plan, Fashionizta has announced the planned acquisition of Coszy and now have three months to sign and close the acquisition.

The Chief Financial Officer (CFO) of Fashionizta has asked for your advice on the key considerations pertaining to the acquisition and a go-forward business model during this period. She does not only expect tax advice, as she views you as a trusted business advisor for non-tax related matters too.

### Other information

- ▶ Fashionizta plans to expand the geographic market for Coszy's bedding products outside Malaysia. Fashionizta is considering leveraging its existing subsidiaries, setting up new subsidiaries or engaging third-party sales agents. In addition, Fashionizta is also considering building additional manufacturing facilities outside of Malaysia to manufacture the bedding products. The CFO would like to understand the key considerations in determining the business model and determining a location.



- ▶ Fashionizta is interested in establishing a shared services center to manage the tax, accounting and payroll functions. Staffing is expected to be a mixture of new and existing employees.

A number of employees may be required to relocate to the new shared services center. In addition, a number of senior executives from other countries are also expected to travel to the shared services center frequently throughout the year to help with the integration and transition of services in setting up the shared services center. The CFO would like to understand the considerations in determining the location of the shared services center and the impact of relocating / travelling employees.

- ▶ Fashionizta's current supply chain attempts to match production capacity with commercial needs in a flexible model where products can be produced in multiple locations. The company has recently faced significant supply chain disruptions due to the COVID-19 pandemic and ongoing global trade policy disputes. The CFO is evaluating different operating model options (i.e., a more dispersed versus centralized operating models) given that the supply chain disruptions are expected to be prolonged. She is looking for help in preparing key information to consider when making these decisions.
- ▶ The CFO understands that institutional investors are interested in understanding the ESG policies of Fashionizta before investing. She wants assistance in understanding what additional measures can be taken now to ensure that Fashionizta will be operating in line within global ESG standards.
- ▶ The CFO has also read about the changes in the international tax and regulatory landscape. She indicates that she does not have a full grasp of them. She does not understand the OECD Base Erosion Profit Shifting (BEPS) model and the emphasis on BEPS 2.0. She would like to understand what the impact is and the most relevant matters to focus on.



**Requirement:**

The CFO of Fashionizta is looking for a provider of tax services (compliance and advisory) and is considering a few professional services organizations, including your own organization, Young Tax Professionals (YTPs). The CFO has requested for a meeting with you to discuss the issues raised.

Prepare a presentation on the issues raised by the CFO, covering:

- a) The specific matters on which the CFO would like your advice
- b) Any other matters which you think relevant
- c) How YTPs may be able to help



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ED None.

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