

Examiners' report

F6 Taxation (SGP)

June 2008

General Paper Comments

The paper consisted of five compulsory questions (Question 1 for 30 marks, Question 2 for 25 marks and the three remaining questions, each for 15 marks). Approximately 75% of the total marks were on computational skill and 25% on narrative skill.

The majority of the candidates attempted all five questions and Question 3 was most frequently not attempted.

Generally, the candidates did exceedingly well in answering Questions 1 and 2. These two questions tested the candidates' ability in computing the income tax liabilities of a company and that of a married couple respectively. The question most candidates had difficulty with was on the limited liability partnership in Question 3. Overall performance had improved.

Candidates must be encouraged to consider presentation of answers, and to start each question on a new page and avoid continuing a question several pages later. Questions should also be clearly labeled.

Question 1 (30 marks)

This question was on the taxation of a corporation.

Candidates were tested on their ability to identify the various sources of income and the correct tax treatment of each of the various sources of income. Having identified the income sources, candidates were required to identify the expenses that were deductible against the various sources of income, and the applicable capital allowances claimable against income from the carrying on of trade or business. In calculating capital allowances, candidates were tested on the treatment of replacement assets, assets purchased under hire purchase scheme and industrial building allowances.

Generally candidates did extremely well in answering this question. The quality of the answers showed their intimate knowledge of the taxability of the various sources of income, the deductibility of expenses and claims for industrial building allowances and capital allowances. The only area that needed improvement was the order of set-off of losses and capital allowances for both the carried forwards and current claims.

Question 2 (25 marks)

This question on individual taxation tested the candidates' knowledge and application of the law in arriving at the tax liabilities of a husband and his wife.

This question was purely computational in nature and as in Question 1, the candidates did exceedingly well. They were able to identify the various sources of income and the expenses deductible against each of the various sources of income. The candidates had no difficulty in the claims of personal reliefs. The only area of weakness was in the application of the tax treatment relating to spousal transfers and the limits imposed.

Question 3 (15 marks)

This question was on the taxation of a limited liability partnership. Candidates were required to narrate the concept of contributed capital and to apply the concept in the determination of the assessable income of the partners.

Most candidates found it difficult to provide a written understanding on the concept of contributed capital and struggled to apply this concept in limiting the amount of capital allowances and losses arising from the limited liability partnership that were claimable against the partners' other income.

It was apparent that most candidates were not well prepared in dealing with the taxation of a limited liability partnership. This could possibly be due to the fact this area of the syllabus was new and there were insufficient guidance provided by examination kits prepared by the various tuition schools.

Question 4 (15 marks)

There were two parts to Question 4.

The first part (3 marks) required the candidates to state the necessary steps in issuing a notice of objection to a notice of assessment. Most candidates were able to state correctly the requirements relating to the filing of an objection notice and the settlement of the tax notwithstanding the notice of objection.

The second part of the question (12 marks) was on the computation of industrial building allowances and capital allowances under different scenarios. Candidates had no difficulty in computing the two types of allowances to be claimed.

Question 5 (15 marks)

This question on goods and services tax (GST) was structured into three-parts.

The first part (9 marks) required the candidates to identify the various types of supplies in the context of GST. There was clearly confusion between zero rated, exempt and out-of-scope supplies. There was also confusion on the concept of blocked input GST claims. Although input GST may be blocked on certain supplies, they were nevertheless taxable GST supplies.

A good percentage of the candidates did not read the requirement of the question carefully and as a result identified the types of supplies without providing the applicable amounts of GST.

The second part (3 marks) was a follow-up of the first part of the question. Having identified the different types of supplies and the amount of GST charged/paid, candidates were required to compute the amount of GST payable/refundable. This was where the block input GST was being tested. Generally the candidates did not do well.

The third part (3 marks) was a test on the administrative aspect of GST. The candidates were required to state when GST must be accounted for to the Comptroller and the penalty for not complying with the statutory requirements. The candidates did reasonably well in answering this part of the question.