

Examiner's report

F6 Taxation (SGP)

June 2010



General Comments

The examination consisted of five compulsory questions (Question 1 for 30 marks, Question 2 for 25 marks and three other questions for 15 marks each). Approximately 70 percent of the marks were awarded for computational skill and the remaining 30 percent of the marks were awarded for essay based questions.

Most candidates attempted all five questions. Question 4 and Question 5(a) were most frequently omitted by those candidates who did not attempt all five questions. As in previous examinations, candidates did well in most computational questions but less well on essay based questions.

All candidates answered each question on a new page of the script and there was certainly a marked improvement in the order the questions were answered.

The overall performance was disappointing.

Specific Comments

Question One

This was a computational question requiring candidates to determine the chargeable income of three companies within the same group of companies. Candidates were tested on their ability to identify the taxability of income from various sources, the deductibility of expenses, the claim for capital allowances on fixed assets, group relief claims and carry back of losses.

This 30 marks question was divided into three parts; one part for each of the three companies within the same group (8 marks, 13 marks and 9 marks respectively).

Candidates displayed sufficient capability in dealing with issues on taxability of income and deductibility of expenses. On the claim for capital allowances on machinery purchased under hire purchase terms, candidates were not able to determine the correct amount of capital expenditure qualifying for capital allowances and many were not aware of the change in the rate of capital allowances claimable. A good percentage of the candidates did not claim group relief and where claims were made, did not apply the limits imposed on the claims.

All candidates attempted this question and a good percentage scored well.

Question Two

This was also a computational question requiring the candidates to determine the chargeable income of a husband and his wife. The candidates were tested on their ability to determine the taxability of income derived from various sources including income from a limited liability partnership (LLP) and a partnership. Candidates were also required to claim deductible expenses and personal relief to arrive at the chargeable incomes.

This 25 mark question was divided into two parts. The first part was on the husband for 13 marks and the second part was on the wife for 12 marks.

Candidates were weak in dealing with the taxation of income from a LLP. Most candidates either did not recognise the need to or made incorrect adjustments to the situation where past relevant deductions exceeded contributed capital. A good percentage of the candidates were also not able to distinguish the difference between tax adjusted profits and divisible profits of a partnership. As a consequence, incorrect adjustments were made to arrive at the share of the partnership income to be subject to taxation.

The question did not require spousal transfer yet some candidates provided for this concession in the answers.



All candidates attempted this question and did reasonably well.

Question Three

This 15 mark question was on goods and services tax (GST) and was divided into three parts. The first part for 3 marks required the candidates to state the circumstances when open market value was to be used in place of the cash consideration. Generally, candidates did poorly.

The second part of the question for 5 marks required the candidates to state the circumstances under which GST registration could be cancelled and the procedures involved. Candidates performed poorly.

The third part for 7 marks required the candidates to compute the GST payable for a given quarter. Candidates did well and many achieved high scores.

Question Four

This 15 marks question was divided into three parts.

The first part for 4 marks required the candidates to state the four conditions that must be satisfied for a business to transfer their fixed assets at their tax written down values. The question required the application of section 24 of the Income Tax Act (Act). Many candidates incorrectly applied a different section of the Act and some candidates did not attempt this question.

The second part for 4 marks was a test on candidates' knowledge relating to the grant of share options. Candidates were asked to state when the employer could claim, and the amount claimable, on the award of share options. Candidates were also asked to determine when the employee was taxable and the amount assessable to tax on the award of share options. The candidates' performance was far from satisfactory.

The third part for 7 marks was on tax administration. Candidates were asked to state the date when notice of chargeability was to be given when a tax return was not received. Candidates were also tested on the process of disputing a Notice of Assessment and the process when the objection period had expired. Generally, candidates did not do well.

This performance of the candidates on this question highlighted the concern of the Examiner that candidates were not thorough and complete in their preparation for this examination. There appeared to be a concentration of effort in perfecting computational questions and neglecting the other areas of the syllabus.

Question Five

This two-part question for 15 marks tested candidates on the taxation of a non-resident professional for 9 marks, and the computation of industrial building allowances (IBA) for 6 marks.

Candidates failed to make a distinction between the taxation of a non-resident professional and a non-resident employee. Many attempted the question by treating the professional as an employee. Where the distinction was correctly made, the few candidates did well. Many candidates did not attempt this question

The IBA question saw better performance by the candidates.