

Examiner's report

F6 Taxation (SGP)

June 2011



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.

The time allotted for this paper seems sufficient as almost all candidates were able to attempt all the 5 questions. A handful either did not attempt, or briefly answered, Questions 4 and Question 5(b).

Candidates scored pretty well in computational questions like Questions 1(a), 2(a) and 3(c). On the other hand, Question 4, an entirely essay based question, yielded the worst results with many students missing out on the pertinent withholding tax issues. Mixed results were registered for Question 5 as some candidates either answered out of context for part (a) or were not accurate in their calculations for part (b).

The overall performance was satisfactory though.

Specific Comments

Question One

This question was divided into two parts. Question 1(a) for 27 marks, required candidates to be conversant with the various tax rules on taxability of income, deductibility of expenses and claim for capital allowances on fixed assets. Most did not disappoint as sterling results were chalked up by many. For the poorer scripts, marks were mainly lost on the calculations involving the medical cap, excess CPF deductions and capital allowances.

The same cannot be said about Question 1(b), which carried 3 marks, but tested candidates on the fundamental differences between resident and non-resident companies. Many came out with incorrect answers which clearly showed their lack of knowledge of this simple, but yet pertinent, tax concept.

All candidates attempted this question and almost all passed with flying colours.

Question Two

This was also a largely computational question and was divided into two parts. Question 2(a) for 21 marks, required candidates to calculate the various taxable income for the female individual taxpayer and also the personal reliefs that could be claimed. Similar to Question 1(a), many did extremely well. For those who did not fare as well, the more common mistakes were made in the calculation of the taxable stock option exercised, the computation of housing benefit, and the claiming of spouse relief and working mother child relief. On a disappointing note, there are also candidates who were unclear on the different tax treatment for contractual and non-contractual bonus, as well as the taxability of low-quantum benefits-in-kind. Yet there were others who forgot to restrict the claim for partnership loss in the case of a limited liability partnership and the concessionary 10% royalty income for authors.

Question 2(b) was well answered as most students were able to articulate the two types of transfers that are allowed between a married couple. However, a number did not score the full marks allocated as they did not explain the transfers well enough.



Question Three

This 15 mark question on goods and services tax (GST) was divided into three parts.

Parts (a) and (b) which together carried 7 marks, tested students on compulsory and voluntary GST registration requirements. Whilst the majority of the candidates did well, with some scoring full marks, there was a considerable number who produced too brief answers, thus losing some precious marks.

Part (c) which carried 8 marks was very well attempted, though a handful lost marks on the wrong GST treatment for the re-billing of rental cost, rental of office premises and repair of lorries and vans.

Question Four

This 15 mark question was divided into two parts, both testing the withholding tax requirements.

For part (a) which carried 9 marks, candidates were required to identify that the payment related to royalty income which is deemed sourced in Singapore and therefore withholding tax is applicable. A discussion on the ensuing withholding tax requirements would therefore be expected. This was not well understood by many candidates and a few focused only on the deductibility issues, thus losing valuable marks.

For part (b) which carried 6 marks, the payment should be construed as technical services, and the withholding tax implications are slightly different from part (a) as there is an available concession. Candidates would have done well if these were well discussed, but unfortunately only a handful achieved this feat.

Question Five

This question for 15 marks had 2 independent parts.

Part (a) which carried 4 marks required a discussion on only the four (100%/200%/300%/400%) levels of penalties for errors made in the completion of income tax returns.

However, some candidates spent unproductive time talking about late payment penalties, fines, imprisonment terms and even the voluntary disclosure program.

Part (b) carried 11 marks and tested candidates on the tax computation of partnerships. Candidates are also expected to identify the qualifying renovation and refurbishment expenses. Many candidates did not get the latter treatment right, and some even treated this as a capital allowance claim. There were others who were not accurate in the off-setting of the various tax loss items to arrive at the correct final tax position.