

Examiner's report

P6 Advanced Taxation (SGP)

June 2011



General Comments

The candidates were required to attempt two compulsory questions in Section A where Question 1 was for 35 marks and Question B for 27 marks, totalling 62 marks. In addition they were required to attempt two questions in Section B. Three questions were provided in Section B, each for 19 marks.

Most candidates attempted Questions 3 and 4. Question 5 which covered taxation of financial arrangements and structures was poorly attempted.

The overall performance of the candidates was moderately sufficient. In most cases, the answers provided were comprehensive and there was little evidence of poor time management.

Specific Comments

Question One

This 35-mark question tested the knowledge of the candidates on the productivity and innovative credit scheme. This was a hot and popular topic. Many candidates scored high or full marks for part (a). For part (b), it was broadly well attempted except for the treatment of the cash grant, subsidy and the conversion option. In many instances, the candidates failed to discuss these issues.

Most candidates were conversant with the 15% or 20% tax rate regime in the domestic withholding tax issue examined in part (c).

Question Two

This question was intended to examine the understanding of the candidates on the Singapore tax implications of cross-border transactions and the activities associated with such transactions.

For part (i), the candidates produced reasonable answers. However, many struggled with part (ii), in particular, with reference to the treatment of the costs of /fees from the staff secondment arrangement and Mr Nathan's employment costs.

In part (iii) many candidates showed sufficient understanding of the taxation of Mr Nathan's employment income.

Question Three

This question covered the differences in the tax treatments accorded to limited partnership and limited liability partnership.

Generally, candidates did not have a good working knowledge and understanding of such partnerships. However, most candidates gave the correct answers for the treatment of the prize winnings, and the tax benefits of using a company to house the recycling plant.

Question Four

This question tested the candidates on their knowledge of the tax treatment on real estate property and certain compensation payments arising from early termination of contracts and legal suits.

For part (a), some candidates wrongly claimed that the property qualified for industrial building allowances. In addition, many candidates failed to discuss the implications arising from the change of intention.

For part (b), the implications for Mr KK Boon were reasonably well discussed.

**Question Five**

Question 5 tested the candidates on their ability to appreciate various structuring and funding options and the accompanying tax considerations.

Very few attempted this question. From those who attempted, there seemed to be a general lack of understanding of normal structuring and financial products options, and candidates did not perform well.