



Examiner's report

F6 Taxation (SGP)
December 2009

General Comments

The examination consists of five compulsory questions (Question 1 for 30 marks, Question 2 for 25 marks and three other questions of 15 marks each) with approximately 80 percent of the marks allocated to computations.

Most candidates attempted all five questions. Where not all questions were attempted, Question 5 was most frequently omitted.

A good percentage of the candidates did reasonably well on Questions 1 and 2. There were some excellent answers to Question 3. Generally, candidates did poorly on Question 5.

The candidates showed marked improvement in planning and organising the answers to the questions. There were fewer cases of answers being continued on pages after answers to other questions. Candidates must be encouraged to enter the question numbers in the boxes provided rather than at the margins of the pages and answers to questions should commence on a new page.

Generally, most workings were shown and this should be encouraged as it ensures that marks are awarded even if the final answer is not correct.

Specific Comments

Question One

This question was divided into two parts. Question 1(a) for 26 marks, required candidates to identify the various sources of income, the tax treatment of each taxable source of income, the deductibility of the various expenses and the expenses that had been accorded special tax treatment. In addition, the candidates were required to compute the capital allowances claimable against fixed assets purchased and sold.

Candidates did extremely well in the computation of capital allowances and the identification of the various sources of income chargeable to Singapore income tax. There were general weaknesses in the identification of the less common expenses for tax deduction purposes, and in particular the tax treatment of expenses granted special concessionary tax treatment such as approved renovation and refurbishment expenses and premises modification expenses.

Question 1(b) for 4 marks was an extension of Question 1(a). In Question 1(a), candidates were tested on the tax deductibility of retrenchment payments. Question 1(b) required the candidates to state with reasons, the taxability or otherwise of the retrenchment payments when received by the retrenched employees. A small percentage of the candidates scored full marks for this part of the question.

Question Two

This 25 mark question required the candidates to state the rules in the determination of the tax resident status of an individual (5 marks) and to compute the tax liability of a non-resident individual (20 marks).

There appeared to be some confusion as to the rules on the qualitative and quantitative tests used in the determination of the tax resident status of an individual. The common error was in stating the 183 days of physical presence as a qualitative test when it ought to be a part of the quantitative test.

Candidates must be mindful of the situation given in the question. In Question 2(b), candidates were told of a foreigner being seconded to Singapore and exercised employment in Singapore for a continuous period of 100 days. The question required candidates to compute the foreigner's liability to Singapore income tax. There were candidates who, ignoring all the indications given in the question, computed the foreigner's tax liability as if he was a Singapore tax resident. Marks were awarded so long as the candidates were able to compute the foreigner's chargeable income but valuable marks were lost in not applying the non-resident tax rates and the alternative tax assessment if it resulted in a higher tax liability.

Question Three

This 15 mark question tested the candidates' knowledge and application of the carry-back rules in a situation where a new trade commenced alongside an existing trade. The question also required the candidates to observe the order of set-off for capital allowances, losses and donations.

A good number of the candidates did well but the rest were not well prepared to deal with this question. Many were not aware that the carry-back rules do not apply to capital allowances arising from the new trade nor the limits imposed by the carry-back rules.

Question Four

This was a question on goods and services tax (GST). The first part of the question for 11 marks was to identify the different types of supplies, the amount of input/output tax payable/chargeable and the amount of GST payable/refundable. Most candidates did reasonably well although some were confused between zero-rated and exempt supplies.

There was a slight difference in the way the GST question was framed. In the past papers, candidates were given a list of the transactions entered into by the trader. In this current paper, candidates were given an Income and Expenditure Statement for a calendar quarter of a trader. This approach confused many of the candidates. Some candidates did a tax computation to arrive at the chargeable income of the trader and applied the GST rate to determine the amount of GST payable. This was incorrect.

Question 4(b) required the candidates to state the circumstances under which a security deposit was required for GST purposes. Most candidates did poorly. A tuition provider commented that the question was on a subject too remote and obscure to be tested. Nevertheless it is not an excluded topic and therefore is examinable.

Question Five

Question 5(a) for 10 marks tested the candidates on their knowledge of the differences in the tax treatment of the various sources of rental income. From the answers, it was clear that the candidates were not well prepared. Most candidates did not recognise the significance of separating normal trade income from rental income and as a consequence compute the assessable income of the company beginning with "net loss" which was not the correct approach in answering this question.

Question 5(b) was a 5 mark question requiring the candidates to compute the assessable income of an Area Representative. Most candidates were aware of the need to look at days spent in and days spent outside Singapore to form the basis of apportionment of income chargeable to Singapore income tax but many were not able to follow through beyond establishing the basis of income allocation.



This question was most frequently omitted by the candidates who did not attempt all five questions.