

Examiner's report

F6 Taxation (SGP)

December 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 80 percent of the marks were awarded for computational skill and the remaining 20 percent of the marks were awarded for essay based questions.

Most candidates attempted all five questions. Where not all questions were attempted, Questions 4 and Question 5 were most frequently omitted.

Candidates did well in most computational questions but less well on essay based questions. This is evident from the higher marks scored for Questions 1(b), 2(a) and 3, as contrasted with the lower marks registered for Question 5, an entirely essay based question.

Although some questions were not answered as well as expected, the overall performance was pleasing.

Specific Comments

Question One

This question was divided into two parts. Question 1(a) for 3 marks, required candidates to state the rules for determining the Singapore tax resident status of a company. Whilst a small percentage of the candidates scored full marks for this part of the question, there were others who mistakenly stated the rules for determining the Singapore tax resident status of an individual instead. Quite a few students erroneously stated that the place of incorporation as well as the place where the company conducts its day to day activities could also determine the company's resident status, certainly not the case for Singapore.

Most candidates did well for Question 1(b) which carried 27 marks. This part of the question required them to identify mostly the deductibility of expenses, the claim for capital allowances on fixed assets and the utilisation of prior years' tax loss items.

Most candidates were able to identify the common disallowable items and capital allowances to be claimed. There were a handful who did not compute the disallowed medical expenses and interest correctly, while others forgot about the temporary enhanced capital allowance claims applicable for the Year of Assessment 2010. Some candidates were not careful with claiming the correct percentage for qualifying donations – this should be 250% for the Year of Assessment 2010 and 200% for the Year of Assessment 2009. There were other students who completely omitted the brought forward capital allowances, trade losses and donations, thus losing valuable marks.

All candidates attempted this question and some scored very high marks.

Question Two

This was also a largely computational question and was divided into 3 parts; one part for each of the respective individuals where candidates need to compute the minimum tax liability.

Many candidates scored well for Question 2(a)(i) and (ii). Nevertheless, common mistakes made include the incorrect computation of housing benefit, relief for CPF, taxable royalty income (this should be 10% of gross royalty income) and working mother child relief (some include interest income which is not earned income). In contrast, many students did not do well for Question 2(b). Their weakness in concept can be inferred from their inability to distinguish between taxation of non-resident professionals and employees. There were also quite a number who did not compute the net rental income correctly by claiming deduction for capital items such as renovation cost and the cost of the valuation report.



Question Three

This 15 mark question was on goods and services tax (GST) and candidates were clearly asked to identify the type of GST supply and any input tax that cannot be claimed.

Whilst the majority did well overall, marks were lost in certain instances when either the type of supply involved was not stated or stated wrongly. Many candidates confused the terms 'out-of-scope' and 'zero-rated' and used these terms interchangeably even though they refer quite clearly to different types of transactions for GST purposes. Output tax either was not computed or was incorrectly computed in respect of the rental of furniture and fittings.

Question Four

This 15 mark question was divided into two parts.

Both parts required the candidates to compute the assessable income of the respective individuals for the years of assessment 2009 and 2010 and to show clearly any unabsorbed loss items to be carried forward, if any.

For part (a), a number of candidates did not deduct the capital allowances of \$3,000 against the net rental income. Instead, they deducted the LLP losses against the net rental income and carried forward the capital allowances. Many students were also not able to handle the restriction of the deduction of the LLP unabsorbed items against income from non-LLP trade sources.

For part (b), most candidates did not take the loan of \$15,000 into account when computing the contributed capital.

Overall, candidates did not do well and quite a number also omitted answering this question.

Question Five

This question for 15 marks had 5 independent parts and tested candidates on a variety of small topics.

Many candidates encountered difficulties handling parts (1), (4) and (5). Even though part (1) involved directors' fees, many students wrongly applied the quantitative test for employment. For part (4), many merely stated that the gain was of a capital nature with no reference to the badges of trade. As for part (5) which focused on the rules to determine the date of payment for withholding tax, many missed out on the concept of deemed payment which could still crystallise the withholding tax obligation.

Many candidates either did not attempt this question, or only attempted selected parts of this question. The results for this question were therefore, not surprisingly, poor.