

Examiner's report

P6 Advanced Taxation (SGP)

December 2011

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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 5. Question 4 examined the broad tax principles of sourcing rules and the applications, Very few attempted Question 4.

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

Specific Comments

Question One

This question tested candidates on the taxation of directors' fees and various issues stemming from loans and payments associated with directors.

For part (i) in general, above average marks were obtained by many candidates. However, many were unsure about the withholding tax rate applicable on directors' fees paid/payable to non-residents and the discussions on the approaches to the director's fees foregone by Theresa, were rather limited.

For part (ii), the treatment of the director's loan vis-à-vis director's remuneration was sufficiently articulated. A few mentioned the voluntary disclosure program and the associated penalty regime.

Question Two

The main objectives of this question were to test candidates on the tax treatment accorded to losses incurred by local branches, the foreign income exemption regime and the incentives applicable to research and development expenses including the Productivity and Innovation Credit scheme.

Many candidates were not able to distinguish the differences in the tax treatments of trade losses incurred by local subsidiaries and those incurred by local branches. They mentioned claiming group relief against the main office's profits.

However, many scored high marks for their comments on the various scenarios under the foreign income exemption scheme. As for the calculation of the qualifying research and development expenses under the various incentivised schemes, candidates showed sufficient grasp of the issues.

Question Three

This question consisted of various scenarios that were mutually exclusive. Each contained some simple facts and was intended to test candidates' understanding of the personal and corporate tax implications on the transactions conducted by the individual. This question, by far, appeared to be the most popular choice. Almost all attempted this question, although many went overboard on their comments. On the whole, it was well attempted.

However, a few observations are worth noting. Many candidates omitted to comment on the tax treatment accorded in the books of the recipients of the charitable donations given by the individual. Also only a handful highlighted the tax implications arising from the potentially non-commercial aspect of the losses stemming from the horse breeding activities.

**Question Four**

This question examined candidates' broad understanding and knowledge of sourcing rules in Singapore. Only a rare few attempted it.

Question Five

This question involved a discussion on Goods and Services Tax implications. Details to facilitate the discussion were already provided in the question. Most candidates did well. However, the income tax implications on the staff benefit program were poorly attempted.