

---

# Answers

---

**Section A – Multiple-choice questions**

**Marks**

**1 A** \$94,600

2·0

	\$
Salary (1 January 2010 to 30 September 2010 ceased)	81,000
Pay in lieu of leave	5,000
Airfare	0
Accommodation – 10% of (\$81,000 + \$5,000)	8,600
	<u>94,600</u>

**2 B** \$9,150

2·0

	Property A \$	Property B \$	Property C \$
Gross annual value	48,000	–	40,000
Gross rental		<u>42,000</u>	
<i>Less: Expenses</i>			
Annual property tax	1,920	4,200	1,600
Annual maintenance contributions	3,600	3,500	3,000
Annual loan interest	15,000	16,000	12,000
	<u>20,520</u>	<u>23,700</u>	<u>16,600</u>
Net annual value	<u>27,480</u>	–	23,400
Net rental income		18,300	
<i>Less: ½ share attributable to James Lim</i>		<u>(9,150)</u>	<u>(11,700)</u>
Net rental income assessable to tax		<u>9,150</u>	
Net annual value attributable to John Lim			<u>11,700</u>
	Not taxable		Not taxable

**3 C** \$3,500

2·0

Handicapped spouse relief of \$3,500 can be claimed by Mrs Tammy Tan.

**4 B** \$15,100

2·0

	\$
Medisave contributions	3,100
Voluntary CPF contributions to ordinary account	12,000
Life insurance premium (restricted)	0
	<u>15,100</u>

**5 D** \$3,000

2·0

	\$
IT course on Microsoft Excel spreadsheet	0
IT course on security management*	3,000
Advance course on English Language	0
	<u>3,000</u>

\* Only courses attended that relate to his employment qualify for this course fees relief.

		<b>Marks</b>
<b>6 D</b>	\$42,000	2·0
	\$	
	Purchase price of building	2,300,000
	<i>Less: cost applicable to land</i>	<u>(900,000)</u>
	Qualifying cost applicable to building	<u>1,400,000</u>
	Year of assessment 2011	
	Annual allowance (AA) 3% of \$1,400,000	<u>42,000</u>
<b>7 A</b>	\$5,000	2·0
	\$	
	Year of assessment 2011	
	Chargeable income before tax exemption	120,000
	<i>Less: unutilised loss brought forward</i>	<u>(10,000)</u>
		110,000
	<i>Less: tax exemption – 1st \$100,000</i>	<u>(100,000)</u>
	<i>– next \$10,000 at 50%</i>	<u>(5,000)</u>
	Chargeable income after tax exemption	<u>5,000</u>
<b>8 D</b>	15 April 2011	2·0
<b>9 C</b>	15 January 2011	2·0
	The additional tax liability assessed must be paid within one month from 15 December 2010.	
<b>10 A</b>	30 April 2011	2·0
	After being exempted from registration for goods and services tax (GST), the taxable person is required to inform the Comptroller of Goods and Services Tax within 30 days of the end of the quarter in which the material change in the nature of the supplies occurs if no particular date is identifiable.	
		<u><b>20·0</b></u>

## Section B

Marks

## 1 Mr and Mrs Toh

## Tax computation for the year of assessment 2011

	Mr Joe Toh \$	Mrs Ann Toh \$	
Partnership			
Share of profits	126,000	–	1·0
Less: Capital allowances	(6,000)	–	1·0
	<u>120,000</u>		
Employment			
(1) 1 January 2010 to 31 May 2010			
Salary	–	30,000	1·0
Retrenchment benefits	–	0	1·0
(2) 1 August 2010 to 31 December 2010			
Salary and bonus	–	28,000	1·0
Rent			
Jointly owned properties	10,500	10,500	1·0
Interest (exempt)	0	0	1·0
Dividends – Singapore (tax exempt one-tier)	0	0	1·0
	<u>130,500</u>	<u>68,500</u>	
Less: Donations (see working)	(5,000)	(3,750)	2·0
Assessable income	<u>125,500</u>	<u>64,750</u>	
Less: Personal reliefs			
Earned income	1,000	1,000	1·0
Child – Anita (QCR)	4,000	0	1·0
– Anita (WMCR)(15% of \$30,000 + \$28,000)	0	8,700	1·5
– Benny (QCR)	4,000	0	1·0
– Benny (WMCR)(20% of \$30,000 + \$28,000)	0	11,600	1·5
– Celia (QCR)	4,000	0	1·0
– Celia (WMCR)(25% of \$30,000 + \$28,000)	0	14,500	1·5
CPF contributions:			
– statutory	4,141	9,600	2·0
– voluntary	15,000	–	1·0
GCR	–	3,000	1·0
Parent	7,000	–	1·0
	<u>39,141</u>	<u>48,400</u>	
Chargeable income	<u>86,359</u>	<u>16,350</u>	
Tax on 1st \$16,350	–	0	0·5
Tax on 1st \$80,000	4,300	–	0·5
Tax on next \$6,359 at 14%	890	–	0·5
Tax payable	<u>5,190</u>	<u>0</u>	

**25·0****Working:**

Donations are eligible for a 2·5 times tax deduction. The available relief is thus:

Mr Toh (\$2,000 x 2·5) \$5,000

Mrs Toh (\$1,500 x 2·5) \$3,750

## 2 ANN Pte Ltd

## Tax computation for the year of assessment 2011

	\$	\$	
Net profit per accounts		33,000	
Less: Other income			
Insurance claims		<u>0</u>	0·5
		33,000	
<i>Add:</i> Rental of business premises	0		0·5
Depreciation	6,300		1·0
Insurance – fire and public liability	0		0·5
Legal fees re: claim of trade debts	0		0·5
Repairs and maintenance – maintenance of equipment	0		0·5
– digital camera for events	1,800		1·0
Directors' salaries	0		0·5
Staff salaries and bonuses	0		0·5
CPF contributions	0		0·5
Medical fees – \$2,400 – {1% x (130,000 + 26,000 + 14,600)}	694		2·5
Publicity and promotions	0		0·5
Annual trademark licensing fee	0		0·5
Club membership – entrance fee for golf club in Batam	6,000		1·0
– annual subscriptions	0		0·5
Reimbursements of motor car expenses to directors	7,800		1·0
Impaired debts written off (arising from sale of services)	0		0·5
Loss on disposal of equipment	1,200		1·0
Penalty for late payment of GST	300		1·0
Cash donation to Community Chest	<u>1,000</u>		1·0
		<u>25,094</u>	
Adjusted profits		58,094	
Less: Capital allowances			
– current year as computed		(11,000)	1·0
– digital camera (\$1,800 at 75%)		<u>(1,350)</u>	1·5
		45,744	
Less: Donations (1,000 x 2·5)		<u>(2,500)</u>	1·0
Assessable income		43,244	
Less: Exemptions			
– 1st \$10,000 at 75%		(7,500)	0·5
– next \$33,244 at 50%		<u>(16,622)</u>	0·5
Chargeable income		<u>19,122</u>	
Tax thereon at 17%		<u>3,250</u>	1·0
		<u><u>21·0</u></u>	

**Tutorial note:** assets acquired in the basis periods for the years of assessment 2010 and 2011 can claim accelerated allowances write-down over two years as follows:

Year 1 – 75% of the cost

Year 2 – 25% of the cost

## 3 YUMI Teahouse Pte Ltd

## (a) Capital allowances computation for the year of assessment 2011

	Section 19A claim	2009 additions	2010 additions	Total	Non-claim	
Number of years to run	1	1	1	2		
	\$	\$	\$	\$	\$	
Written down value brought forward		9,000	3,000			1·0
<b>Kitchen equipment</b>						
Refrigerators and chillers				15,000		1·0
Heaters and cookers				5,000		1·0
<b>Equipment and furniture</b>						
Cashier's counter				2,000		1·0
Cash register				2,500		1·0
CPU system with accessories		3,500				1·0
Tables and chairs	12,000					1·0
<b>Leasehold improvement</b>						
Glass door and wall panels					15,000	1·0
Floor tiles					18,000	1·0
Electrical wiring and lighting					4,000	1·0
Kitchen sinks and pipe fittings					5,000	1·0
	<u>12,000</u>	<u>12,500</u>	<u>3,000</u>	<u>24,500</u>	<u>42,000</u>	
Year of assessment 2011						
S19A – annual allowance (AA)	<u>12,000</u>	<u>12,500</u>	<u>3,000</u>	<u>18,375</u>	<u>45,875</u>	2·0
Written down value carried forward	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,125</u>		0·5
Total capital allowances claim - Section 19A – AA					<u>\$</u> <u>45,875</u>	<u>0·5</u>
						<u>14·0</u>

**Tutorial notes:**

- Items of equipment costing less than \$1,000 per item qualify for a 100% write-off in the year of purchase
- Assets acquired in the basis periods for the years of assessment 2010 and 2011 can claim an accelerated allowances write-down over two years as follows:

Year 1 – 75% of the cost

Year 2 – 25% of the cost

**(b) Section 14Q claim**

The following expenditure for renovation and refurbishment work qualifies for a claim of deduction under s.14Q of the Income Tax Act:

	\$	
Glass door and wall panels	15,000	
Floor tiles	18,000	
Electrical wiring and lighting	4,000	
Kitchen sinks and pipe fittings	5,000	
	<u>42,000</u>	2·0

A claim under s.14Q normally equates to a deduction over three consecutive years, but renovation and refurbishment costs incurred in the basis periods for the years of assessment 2010 and 2011 may be claimed in full in the first year.

Year of assessment 2011	42,000	<u>2·0</u>
		<u>4·0</u>
		<u><b>18·0</b></u>

## 4 ENZ Pte Ltd

- (a) The company is required to submit a NIL return for the quarter ended 31 March 2011, even when there are no business transactions during the period covered by the return. 2-0

The due date to file the GST return for the quarter ended 31 March 2011 is one month after the end of the accounting period, that is 30 April 2011. 1-0

As the GST return has not been filed by 30 April 2011, a late submission penalty of \$200 will be imposed for every complete month that the GST return remains outstanding. 1-0

The company should file the GST return for the quarter ended 31 March 2011 immediately so that the estimated assessment can be revised. 1-0

All outstanding tax and penalties should be settled immediately, so as to avoid further penalties being imposed by the Comptroller of Goods and Services Tax. 1-0

---

6-0

- (b) An application to de-register for GST has to be made in writing by completing and submitting the required form (GST F9) to the Comptroller of Goods and Services Tax with all the relevant documents showing that the company has ceased business or sales of taxable supplies do not exceed \$1 million. 2-0

As the company ceased business in November 2010 and has been dormant since 1 December 2010, ENZ Pte Ltd can apply for de-registration of GST. 1-0

---

3-0

- (c) (i) ENZ Pte Ltd can carry-back its current year unutilised trade losses and capital allowances to the preceding year of assessment i.e. 2010, because there has been no substantial change in the shareholders and shareholdings in the company and the company carries on the same trade. 2-0

(ii) Computation of the claim for loss carry-back relief for the year of assessment 2010

	\$	
Assessable income as computed	110,000	0-5
Less: Year of assessment 2011 – unutilised capital allowances	(5,000)	1-0
– unutilised losses	(50,000)	1-0
	<u>55,000</u>	
Less: Exemption on 1st \$10,000 at 75%	(7,500)	0-5
Exemption on next \$45,000 at 50%	(22,500)	0-5
Chargeable income	<u>25,000</u>	
Tax thereon at 17%	4,250	0-5
Less: tax assessed and paid	(8,925)	0-5
Tax refund to be claimed	<u>(4,675)</u>	0-5

---

5-0

---

**16-0**