

Certified Accounting Technician Examination
Advanced Level

Preparing Taxation Computations (Singapore)

Tuesday 15 December 2009

Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

This paper is divided into two sections:

Section A – ALL TEN questions are compulsory and **MUST** be attempted

Section B – ALL FOUR questions are compulsory and **MUST** be attempted

Tax rates and allowances are on pages 2–4.

Do NOT open this paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants

Certified Accounting Technicians (Singapore) Ltd

Paper T9 (SGP)

ACCA

CATS

SUPPLEMENTARY INSTRUCTIONS

1. Calculations and workings need only be made to the nearest \$.
2. All apportionments should be made to the nearest month.
3. All workings should be shown.

TAX RATES AND ALLOWANCES

The following tax rates and allowances should be used when answering the questions.

Selected reliefs/rebates for the year of assessment 2009

Earned income relief

Age	Normal	Handicapped
Below 55	\$1,000	\$2,000
55 to 59	\$3,000	\$5,000
60 and above	\$4,000	\$6,000

Wife relief \$2,000

Handicapped dependant spouse relief \$3,500

Parents/Handicapped parents relief

	Normal	Handicapped
Parent NOT staying with taxpayer	\$3,500	\$6,500
Parent staying with taxpayer	\$5,000	\$8,000

Grandparent caregiver relief (GCR) \$3,000

Dependant handicapped sibling relief \$3,500

Foreign maid levy

The relief is two times the amount of foreign maid levy paid in 2008 up to a maximum of \$6,360.

Nsman relief

	Key command and staff appointment holder	Non-key command and staff appointment holder
Active Nsman	\$5,000	\$3,000
Non-active Nsman	\$3,500	\$1,500
For wife of operationally ready Nsman		\$750
For each parent of operationally ready Nsman		\$750

Provident fund

Compulsory contributions to Central Provident Fund (CPF)/approved pension or provident fund by Singaporeans and Singapore permanent resident employees, subject to not more than the statutory contributions under the Central Provident Fund Act.

CPF top-up scheme

Actual top-ups by individuals themselves and his/her employer capped at \$7,000; and actual top-ups by individuals for family members capped at \$7,000.

Voluntary CPF contributions made by self-employed persons

34.5% of s.10(1)(a) assessable trade income up to a maximum of \$26,393 for contributions made in 2008.

Life insurance

Premiums paid on own life and wife's life insurance policies

Restricted to – (1) 7% of capital sum insured

(2) No claim if CPF contributions claimed exceeds \$5,000.

Supplementary Retirement Scheme (SRS)

The relief for contributions to the SRS can be claimed subject to a cap of \$11,475 for Singapore citizens and Singapore permanent residents. The cap for foreigners is \$26,775.

Child relief

Qualifying child relief (QCR)

Per child \$4,000
Relief given for all qualifying children.

Handicapped child relief (HCR)

Per handicapped child \$5,500

Working mother's child relief (WMCR)

First child 15% of mother's earned income
Second child 20% of mother's earned income
Third and each subsequent child 25% of mother's earned income
Maximum per child (total of WMCR + QCR/HCR) \$50,000

Maximum total WMCR is capped at 100% of the mother's earned income.

Course fees

The relief for course fees up to \$3,500 can be claimed for eligible fees incurred on courses studied or seminars and conferences attended.

Parenthood tax rebate (PTR)

First child \$5,000
Second child \$10,000
Third and each subsequent child \$20,000

Rebate given to all Singaporean children that are born or legally adopted on or after 1 January 2008.

Personal income tax rates – Part A

	Chargeable income	Tax rate	Tax
	\$	%	\$
On the first	20,000	0	0
On the next	10,000	3·5	350
On the first	30,000		350
On the next	10,000	5·5	550
On the first	40,000		900
On the next	40,000	8·5	3,400
On the first	80,000		4,300
On the next	80,000	14·0	11,200
On the first	160,000		15,500
On the next	160,000	17·0	27,200
On the first	320,000		42,700
Above	320,000	20·0	

Resident individuals are entitled to an income tax rebate of 20% capped at \$2,000.

Corporate tax

Year of Assessment	Tax rate
2009	18%
Partial tax exemption	
Up to the first \$10,000 of chargeable income:	75% exemption
On the next \$290,000 of chargeable income:	50% exemption
Full tax exemption for new start-up companies	
Up to first \$100,000 of chargeable income:	100% exemption
On the next \$200,000 of chargeable income:	50% exemption

Goods and services tax

Standard rate	7%
Registration threshold	\$1 million

Section A – ALL TEN questions are compulsory and MUST be attempted

Please use the space provided on the inside cover of the Candidate Answer Booklet to indicate your chosen answer to each multiple choice question.

Each question is worth 2 marks.

- 1 Peter Smith, an Australian was recruited by a Singapore company as its regional marketing manager. He commenced employment in Singapore on 1 August 2008 and was paid the following remuneration for the period 1 August 2008 to 31 December 2008:

Salary	\$75,000
Bonus	\$10,000

He returned to Australia for his home leave over Christmas and the total air passage of \$4,000 was paid by the company.

What is the amount of Peter Smith's employment income assessable to tax for the year of assessment 2009?

- A \$89,000
 - B \$85,000
 - C \$85,800
 - D \$85,400
- 2 Mr John Loo owns two properties A and B. He resides in property A. His brother Jack resides in property B. Mr John Loo did not charge his brother Jack any rent for occupying his property B. During the year 2008, the details in respect of the two properties were as follows:

	Property A	Property B
	\$	\$
Gross annual value	40,000	36,000
Property tax	1,600	3,600
Repairs and maintenance	6,000	5,000

What is the amount of income from property that is assessable to tax for Mr John Loo for the year of assessment 2009?

- A \$59,800
 - B \$27,400
 - C \$0
 - D \$13,700
- 3 Andy Ng is the sole proprietor of Alfa Management Services. In the income and expenditure account for the year ended 31 December 2008 he included expenses in respect of premiums paid for insurance policies for:

Staff workmen's compensation	\$500
Fire on business premises	\$200
Life insurance of Andy Ng	\$1,200

In preparing the computation of the adjusted profits for income tax purposes, what is the amount of insurance premium which is NOT deductible?

- A \$1,900
- B \$1,200
- C \$1,700
- D \$0

- 4 BSC Pte Ltd carries on the business of manufacturing precision engineering parts in its own factory premises. The agreed qualifying cost of the factory building for the purposes of the company's claim of industrial building allowances (IBA) is \$2,900,000.

During the year 2008, the company needed to install a generator and electricity supply transformers in order to upgrade the electricity supply for the production operations. A room annexed to the existing building had to be constructed to house the new generator and electricity transformers.

The following costs were incurred during the year 2008:

Cost of construction of the annexe room	\$80,000
Cost of plan and fees for the construction of the annexe room	\$5,000
Cost of the transformers	\$100,000

What is the amount of the annual allowance (AA) claimable by BSC Pte Ltd in respect of the industrial building (IBA) for the year of assessment 2009?

- A \$89,550
B \$92,550
C \$84,900
D \$92,400
- 5 Madam Tina Ong a retiree, only received rental income during the year 2008. She pays premiums on the following life insurance policies:

	Capital sum assured	Annual premium
Policy A	\$150,000	\$5,800
Policy B	\$80,000	\$6,000

Both policies are insured with the same insurance company, which has an office in Singapore.

What is the total amount of relief that is claimable by Tina Ong for the year of assessment 2009 in respect of the life insurance premiums paid?

- A \$11,800
B \$11,400
C \$5,000
D \$10,600
- 6 Ms Peggy Tan, an accountant is employed by a Singapore company as its finance manager. During the year 2008, she attended the following courses/seminars:

Institute of Certified Public Accountants of Singapore – seminars on Financial Reporting Standards	\$300
IT course on Microsoft office skills	\$2,000

Her assessable income for the year of assessment 2009 is \$70,000.

What is the amount of course fees relief Peggy Tan can claim for the year of assessment 2009?

- A \$2,300
B \$3,500
C \$300
D \$0

- 7 Tom and Harry are partners of THY Management Consultancy Services. Tom is an active partner, whilst Harry is a sleeping partner. Their basis of sharing profits is as follows:

Tom	50%
Harry	50%

The following has been computed for the partnership for the financial year ended 31 December 2008:

Divisible profits	\$454,000
Salary paid to Tom	\$48,000
Capital allowances	\$12,000

What is the amount of the partnership income that is assessable to tax for Tom for the year of assessment 2009?

- A \$227,000
 - B \$269,000
 - C \$251,000
 - D \$245,000
- 8 Mr John Smith from Canada arrived in Singapore on 15 June 2008. The remuneration he received for the period 15 June to 31 December 2008 was \$80,000.

By which date should Mr John Smith have submitted his personal income tax return (Form B) for the year of assessment 2009?

- A 31 January 2009
 - B 31 March 2009
 - C 15 April 2009
 - D 30 April 2009
- 9 JAN Pte Ltd was incorporated on 10 June 2007. The company received a notice of assessment for the year of assessment 2009 issued by the Comptroller of Income Tax on 15 December 2008.
- The tax liability assessed was \$10,000. The company wishes to lodge an objection to the notice of assessment issued.

By which date is the company required to lodge the notice of objection to the notice of assessment issued?

- A 29 December 2008
- B 14 January 2009
- C 31 January 2009
- D 15 March 2009

10 KBC Pte Ltd is a goods and services tax (GST) registered trader. The company received a substantial order for goods during September 2009. The following events took place:

A customer placed a substantial order for goods on 20 September 2009

The goods were delivered to the customer on 28 September 2009

An invoice for the goods sold was issued to the customer on 10 October 2009

The customer paid for the goods on 15 November 2009

For the purposes of goods and services tax (GST), state which is the date of the supply of the goods?

- A** 20 September 2009
- B** 28 September 2009
- C** 10 October 2009
- D** 15 November 2009

(20 marks)

Section B – ALL FOUR questions are compulsory and MUST be attempted

- 1 Mr Bob Tan, a Singapore citizen, is an active partner of a partnership business. During the year 2008, the partnership business incurred losses and the following were computed for the year of assessment 2009:

Share of adjusted trade losses	\$11,500
Share of capital allowances	\$2,000

For the year 2009, the partnership business is also expected to incur losses.

Mr Tan is a non-key command operationally ready Nsman, but was a non-active reservist during the year 2008.

His wife Mrs May Tan, also a Singapore citizen, is the Vice-president, public relations of a Singapore company. Her salary and bonus earned from the company during the year 2008 totalled \$82,000.

The following additional information relates to the other income received and expenditure incurred by Mr and Mrs Tan for the year ended 31 December 2008:

	Mr Bob Tan	Mrs May Tan
Year of birth	1968	1970
	\$	\$
Rent (from a jointly owned property)	9,000	9,000
Singapore dividends – per CDP statement		
Tax exempt one-tier	700	800
Interest from OCBC (approved bank)	60	80
Statutory CPF contributions	–	11,600
Donations to approved institutions of a public character		
– Singapore Cancer Society	–	500

Mr and Mrs Tan have two children who are both Singapore citizens. Janice was born in 1996 and Ken was born in 2000.

Mr Tan's elderly mother, who is 68 years old, resides at their apartment and she helps to look after the children. As she has no income, she is fully maintained by Mr and Mrs Tan.

Required:

Compute the minimum tax liabilities of Mr and Mrs Tan for the year of assessment 2009.

(25 marks)

- 2 Didi Bakery and Confectionery Pte Ltd is an exempt private company, which has been incorporated in Singapore since August 2006. The principal activity of the company is that of a bakery and the sale of pastries and cakes.

The trading, profit and loss account of the company for the financial year ended 30 June 2008 is as below:

	Notes	\$
Income		
Sales		1,806,000
Less: Cost of goods sold		812,000
Gross profit		<u>994,000</u>
Add: Other income	1	<u>2,400</u>
		<u>996,400</u>
Less: Expenses		
General and administrative	2	144,000
Staff	3	248,000
Selling and promotion	4	212,000
Other expenses	5	141,000
		<u>745,000</u>
Net profit before tax		<u><u>251,400</u></u>

Notes:

1. Other income comprises:	\$
Interest	300
Commissions	2,100
	<u>2,400</u>

2. General and administrative expenses include:	\$
Rental of business premises	96,000
Depreciation	22,000
Insurance – fire and public liability	4,300
Legal fee re: claim by trade creditors	5,000
Repairs and maintenance:	
– installation of security system	1,800
– maintenance of shop equipment	1,200

3. Staff expenses include:	\$
Directors salaries	96,000
Staff salaries and bonuses	68,000
CPF	18,300
Medical fees*	6,800
Prayer offerings for the lunar seventh month	1,000

*The company did not implement the portable medical benefits scheme or the transferable medical insurance scheme.

4. Selling and promotion expenses include:	\$
Publicity and promotions	60,000
Subscription to trade association	2,400
Licence fee	2,000
Motor car expenses – reimbursements to directors	8,600

5. Other expenses include:	\$
NETS/Credit card charges	5,500
Loan interest	11,000
Penalty for late filing of GST return	200
Cash donation to Community Chest (an approved institution of a public character)	2,000

The company utilised the loan facilities for the purchase of shop equipment

Additional information:

Capital allowances for the year of assessment 2009 in respect of the qualifying plant and machinery as stated in the balance sheet have been computed at \$36,000.

The company met the qualifying conditions for the full tax exemption scheme for new companies for the year of assessment 2009.

Required:

Compute Didi Bakery and Confectionery Pte Ltd's chargeable income and tax liability for the year of assessment 2009.

Note: you should start your computation with the net profit before tax, and include a list of all of the items referred to in Notes 1 to 5, indicating with a '0' those items for which no adjustment is necessary.

(22 marks)

- 3 ABRIT Pte Ltd is in the business of wholesalers, supplying and trading in groceries and related services. The company's financial year-end is 31 December.

During the year 2008, the company moved its business premises from Bedok to Tampines and the following assets were acquired:

	Cost \$
Motor vehicles	
Van	27,000
Plant and equipment	
Air-conditioning system	12,000
Installation costs of air-conditioning system	3,500
Chillers and refrigeration equipment	74,500
Automated warehousing equipment and software	28,000
Carpets for office	5,000
Office furniture – each item costing less than or equal to \$1,000	4,000
Office furniture – each item costing more than \$1,000	7,000
Leasehold improvement	
Wall tiles	12,000

During the year the company disposed of its old refrigeration equipment and furniture originally purchased in 2004, the details of which are as follows:

	\$
Cost	75,000
Written down value brought forward at 1 January 2008	0
Sales proceeds	2,000

The written down values of the company's s.19A claim assets at 31 December 2007 as agreed with the Comptroller of Income Tax were:

	\$
Remaining years	
2	16,000
1	9,000

Required:

Compute the maximum capital allowances claimable by ABRIT Pte Ltd for the year of assessment 2009 and the written down values of its assets as at 31 December 2008.

(17 marks)

- 4 (a) BBS Pte Ltd is a goods and services tax (GST) registered trader. For the quarter ended 31 October 2009, the company had a turnover of \$400,000, which comprised:

	\$
Standard rated sales	350,000
Zero-rated sales	50,000

The company incurred the following expenses and goods and services (input) tax for the quarter ended 31 October 2009:

	\$	GST
	\$	\$
Purchases – cost of goods for sale	180,000	12,600
Staff salaries	40,000	0
Rental of business premises	12,000	840
Purchase of equipment	50,000	3,500
Other expenses	30,000	2,100

Required:

- Calculate the amount of goods and services tax (GST) payable by BBS Pte Ltd to the Comptroller of Goods and Services Tax for the quarter ended 31 October 2009 and state by when it must be paid.** (8 marks)
- (b) **State the circumstances in which individuals can claim the carry-back of trade losses and capital allowances, together with the conditions to be satisfied.** (8 marks)

(16 marks)

End of Question Paper