
Answers

Section A – Multiple-choice questions

Marks

1 B	\$87,300		2·0
		\$	\$
	Salary		72,000
	Bonus		10,000
	Benefit-in-kind – share option gains		
	Market price on exercise of share option	7,800	
	Less: share option price paid	<u>(2,500)</u>	
			<u>5,300</u>
			<u><u>87,300</u></u>
2 C	\$29,000		2·0
			\$
	Employment – Tuition fees		5,000
	Alimony – (\$2,000 x 12)		<u>24,000</u>
	Total assessable income		<u><u>29,000</u></u>
3 A	\$14,600		2·0
			\$
	Rent received		<u>54,000</u>
	Less: Expenses		
	Annual property tax		5,400
	Annual maintenance contributions		3,600
	Repairs and servicing of air-conditioners		800
	Annual loan interest		15,000
	Loan repayments		<u>0</u>
			<u>24,800</u>
	Net rental		29,200
	Less: 1/2 share attributable to wife		<u>(14,600)</u>
	Net rental assessable		<u><u>14,600</u></u>
4 C	\$291,000		2·0
	Year		\$
	2007	Cost of land and legal costs	0
	2008	Construction costs of factory building	1,300,000
	2009	Construction costs of factory building	<u>900,000</u>
		Total qualifying cost	<u><u>2,200,000</u></u>
	Year of assessment 2010:		
	Initial allowance (IA) 25% of \$900,000		225,000
	Annual allowance (AA) 3% of \$2,200,000		<u>66,000</u>
			<u><u>291,000</u></u>

5 D	\$12,000 CPF cash top-up relief:		2·0
		\$	\$
	Contributions to own retirement account by employer		5,000
	Contributions to retirement accounts of:		
	Wife	2,500	
	Father	2,500	
	Mother	<u>2,500</u>	
	Total relief for contributions for wife and parents capped at \$7,000		<u>7,000</u>
			<u><u>12,000</u></u>
6 A	\$10,500 SRS tax relief claim can be made on the actual SRS contributions made subject to a cap of \$11,475.		2·0
7 B	\$4,600		2·0
			\$
	Tax liability of Tony		3,000
	Tax liability of Lina		<u>1,600</u>
	PTR utilised		4,600
	PTR available		<u>5,000</u>
	Unutilised PTR carried forward		<u><u>400</u></u>
8 C	31 December 2010 Following the change in financial year, the partnership business BCC Consultancy Services will have to furnish an estimate of their chargeable income (ECI) relating to the year of assessment 2011 by 31 December 2010, i.e. within three months from 30 September 2010.		2·0
9 B	15 December 2010 A formal notice of objection in writing has to be lodged with the Comptroller of income Tax within 30 days from 15 November 2010.		2·0
10 C	31 October 2010 The GST is payable no later than 31 October 2010, i.e. one month after the end of the period of account.		2·0
			<u><u>20·0</u></u>

Section B

Marks

1 Mr and Mrs Tan

Tax computation for the year of assessment 2010

	Working	Mr John Tan \$	Mrs Lily Tan \$	
Trade				
Commissions		–	230,000	1·0
Partnership				
Share of profits		–	20,000	1·0
Employment				
Salary and bonus		280,000	–	1·0
Rent		–	12,600	1·0
Interest (exempt)		0	0	1·0
Dividends – Singapore (tax exempt one-tier)		0	0	1·0
		<u>280,000</u>	<u>262,600</u>	
Less: Donations	1	(6,250)	(5,000)	2·0
Assessable income		<u>273,750</u>	<u>257,600</u>	
Less: Personal reliefs				
Earned income		1,000	1,000	1·0
Child – Nancy (QCR)		4,000	0	1·0
– Nancy (WMCR) (15% of \$230,000)		0	34,500	1·5
– Sara (QCR)		4,000	0	1·0
– Sara (WMCR) (20% of \$230,000)		0	46,000	1·5
– Tony (QCR)		4,000	0	1·0
– Tony (WMCR)(25% of \$230,000) – restricted	2	0	46,000	2·0
CPF contributions:				
– statutory		18,800	0	1·0
– voluntary (maximum)		0	26,393	1·5
Foreign maid levy (2 x \$3,180)		–	6,360	1·5
Nsman		1,500	750	2·0
		<u>33,300</u>	<u>161,003</u>	
Chargeable income		<u>240,450</u>	<u>96,597</u>	
Tax on 1st \$80,000		–	4,300	0·5
Tax on next \$16,597 at 14%		–	2,324	0·5
Tax on 1st \$160,000		15,500	–	0·5
Tax on next \$80,450 at 17%		13,677	–	0·5
Tax payable		<u>29,177</u>	<u>6,624</u>	
				<u>25·0</u>

Workings:

- Donations are eligible for a 2·5 times tax deduction. The available relief is thus:
Mr Tan (\$2,500 x 2·5) – \$6,250
Mrs Tan (\$2,000 x 2·5) – \$5,000
- Maximum relief per child (QCR + WMCR) is \$50,000, thus the WMCR for Tony will be restricted to (50,000 – 4,000) = \$46,000

2 (a) MTT Entertainment Pte Ltd

Tax computation for the year of assessment 2010

	\$	\$	
Net profit per accounts		126,600	
Less: Other income			
– game machine takings		<u>0</u>	0.5
		126,600	
Add: Rental of business premises	0		0.5
Depreciation	99,600		1.0
insurance – fire and public liability	0		0.5
Legal fees re: claim by a dismissed employee for compensation	0		0.5
Repairs and maintenance – maintenance of equipment	0		0.5
– projector for function rooms	3,000		1.0
Directors' fees	0		0.5
Staff salaries and bonuses	0		0.5
CPF contributions	0		0.5
Medical fees	0		0.5
Staff loans written off	1,000		1.0
Publicity and promotions	0		0.5
KTV Licensing	0		0.5
Upkeep of motor vehicles			
– motor cars	4,500		1.0
– van	0		0.5
Realised exchange loss on purchase of equipment	1,800		1.0
Loss on disposal of equipment	3,000		1.0
Penalty for late filing of income tax return	600		1.0
Cash donation to Society of Moral Charities	<u>1,500</u>		1.0
		<u>115,000</u>	
Adjusted profits		241,600	
Less: Capital allowances			
– current year as computed		(136,000)	1.0
– projector (\$3,000 at 75%)		<u>(2,250)</u>	1.5
		103,350	
Less: Donations (1,500 x 2.5)		<u>(3,750)</u>	1.0
Assessable income		99,600	
Less: Exemptions			
– 1st \$10,000 at 75%		(7,500)	0.5
– next \$89,600 at 50%		<u>(44,800)</u>	0.5
Chargeable income		<u>47,300</u>	
Tax thereon at 17%		<u><u>8,041</u></u>	0.5
			<u>19.0</u>

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

Year 1 – 75% of the cost

Year 2 – 25% of the cost

(b) Basis period

'Basis period' for any year of assessment means the period on the profits of which tax for that year falls to be assessed.

2.0

21.0

3 YIN Singapore Pte Ltd

Capital allowances computation for the year of assessment 2010

	Section 19A claim			2009 additions	Total	Non-claim	
	1	1	2	2			
	\$	\$	\$	\$	\$	\$	
Written down value brought forward		12,000	26,000				1.0
Plant and equipment							
Air-conditioners				9,000			1.0
Showcase and display counters				18,000			1.0
Cash registers				6,000			1.0
Computers with accessories		3,500					1.0
Chairs (see note 1)	2,500						1.0
Leasehold improvement							
Glass door and wall panels						12,000	1.0
Automatic sliding door operating system				3,000			1.0
Floor tiles						28,000	1.0
Fittings and shelves				22,000			1.0
	<u>2,500</u>	<u>15,500</u>	<u>26,000</u>	<u>58,000</u>		<u>30,000</u>	
Year of assessment 2010							
Section 19A – annual allowance (AA)	<u>2,500</u>	<u>15,500</u>	<u>13,000</u>	<u>43,500</u>	<u>74,500</u>		3.0
Written down value carried forward	<u>0</u>	<u>0</u>	<u>13,000</u>	<u>14,500</u>			2.0
Disposal of plant and equipment:					\$		
Written down value brought forward					5,000		0.5
Sales proceeds					<u>0</u>		0.5
Balancing allowance					<u>5,000</u>		
Total capital allowances claim:						\$	
Section 19A – AA						74,500	
Balancing allowance						<u>5,000</u>	
						<u>79,500</u>	1.0
							<u>17.0</u>

Tutorial notes:

- Items of equipment costing less than \$1,000 per item qualify for 100% write-off
- 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

4 (a) Peter Smith – tax residency for individuals

Under the provisions of the Income Tax Act, an individual is resident in Singapore in a year of assessment if during the preceding year, that individual:

- resides in Singapore (except for such temporary absences as may be reasonable and not inconsistent with a claim to be resident in Singapore); or 1.0
- is physically present or exercises an employment in Singapore for at least 183 days 1.0

The 183 days need not be continuous and an individual's presence in Singapore for any part of a day is counted as one day. 0.5

Under an administrative concession by the Inland Revenue Authority, an individual will be regarded as a resident for income tax purposes if his period of stay (including for work) in Singapore: 0.5

- is at least 183 days for a continuous period over two years; or 1.0
- covers three consecutive years of assessment 1.0

Mr Peter Smith's contract of employment in Singapore for the period 1 September 2009 to 31 August 2011 covers three consecutive years of assessment, he should therefore be assessed on the basis that he is a resident of Singapore for all the three years of assessment 2010, 2011 and 2012.

1·0

6·0

(b) DMT Pte Ltd

(i) Claim for bad debt relief for goods and services tax (GST) purposes

Generally a claim for bad debt relief can be made for the purposes of GST if the ownership of the goods has been transferred to the customer and the value of the supply is equal to or less than its open market value.

1·0

The claim must be made within the following 'relevant periods' from the date of supply:

- (i) seven years for supplies made prior to 1 January 2007; or
- (ii) five years for supplies made on/after to 1 January 2007.

1·0

In order to be eligible for the bad debt relief claim, the following conditions must be satisfied:

- (1) The GST on the goods or services supplied has been accounted for and paid
- (2) The debt due has been written off as a bad debt in the accounts
- (3) A period of 12 months beginning with the date of supply has elapsed or the debtor has become insolvent before the period of 12 months has elapsed.
- (4) Reasonable steps have been taken to recover the debt.

1·0

1·0

1·0

1·0

Based on the information available, DMT Pte Ltd is eligible to claim bad debt relief in respect of the GST applicable to the bad debts written off.

1·0

7·0

(ii) GST payable for the quarter ended 30 September 2010

	Taxable amount \$	GST at 7% \$	
Standard rated supplies	460,000	32,200	1·0
Zero rated supplies	40,000	0	1·0
	<u>500,000</u>		
Total output tax due		<u>32,200</u>	
Less: Input tax claim:			
Taxable purchases made	320,000	22,400	0·5
Bad debt relief	80,000	5,600	1·0
	<u>400,000</u>	<u>28,000</u>	
GST payable (net)		<u>4,200</u>	0·5
			<u>4·0</u>
			<u>17·0</u>