
Answers

Section A – Multiple-choice questions Marks

1 C \$85,800 2-0

	\$
Salary	75,000
Bonus	10,000
Leave passage (20% of \$4,000)	800
	85,800
	85,800

2 B \$27,400 2-0

	Property A	Property B	Total
	\$	\$	\$
Gross annual value	40,000	36,000	
<i>Less: Expenses</i>			
Property tax	1,600	3,600	
Repairs and maintenance	6,000	5,000	
	7,600	8,600	
Net annual value	32,400	27,400	
Assessable to tax	Exempt	27,400	27,400

3 B \$1,200 2-0

As Mr Andy Ng is the sole-proprietor, his life insurance premium is his personal expense and does not qualify as a business deduction.

4 A \$89,550 2-0

	Qualifying cost
	\$
Agreed qualifying cost of factory building	2,900,000
Cost of construction of annexe room	80,000
Cost of plan and fees	5,000
	2,985,000
Year of assessment 2009	
IBA – Annual allowance (3% of \$2,985,000)	89,550

5 C \$5,000 2-0

The total amount of life insurance premiums relief claim should not exceed \$5,000.

6 C \$300 2-0

Only fees incurred for courses, seminars and conferences attended that relates to her profession or employment, i.e. seminars on Financial Reporting Standards qualifies for the course fees relief.

Marks

7 B \$269,000

2·0

Allocation of partnership profits –

	Tom 50%	Harry 50%	Total
Basis of share of profits	\$	\$	\$
Divisible profits	227,000	227,000	454,000
Salary	48,000	0	48,000
	<u>275,000</u>	<u>227,000</u>	<u>502,000</u>
Less: capital allowances	(6,000)	(6,000)	(12,000)
Assessable income from partnership	<u>269,000</u>	<u>221,000</u>	<u>490,000</u>

8 C 15 April 2009

2·0

The normal due date for all returns, other than Form C, is 15 April annually.

9 B 14 January 2009

2·0

The notice of objection to a notice of assessment issued has to be lodged within 30 days from 15 December 2008.

10 C 10 October 2009

2·0

For the purposes of goods and services tax, if a supplier issues a tax invoice within 14 days after the goods are made available, the time of supply is the date of the invoice.

Section B

1 Mr and Mrs Tan

Tax computation for the year of assessment 2009

	Notes	Mr Bob Tan \$	Mrs May Tan \$	
Partnership –				
Share of adjusted trade losses		(11,500)	–	1·0
Share of capital allowances		(2,000)	–	1·0
Employment –				
Salary and bonus		–	82,000	1·0
Rent		9,000	9,000	2·0
Dividends – Singapore (tax exempt one-tier)		0	0	1·0
Interest	1	0	0	1·0
Unabsorbed trade losses		<u>(4,500)</u>		1·0
			<u>91,000</u>	
<i>Less: Qualifying deductions transferred from husband</i>				
– Unabsorbed trade losses	2		(4,500)	2·0
– Donations (\$500 x 2)	3		<u>(1,000)</u>	1·0
Assessable income		<u>0</u>	<u>85,500</u>	
<i>Less: Personal reliefs</i>				
Earned Income		0	1,000	2·0
Child – Janice (QCR)		0	4,000	1·0
– Janice (WMCR) {15% of (\$82,000 – \$4,500)}		–	11,625	1·5
– Ken (QCR)		0	4,000	1·0
– Ken (WMCR) {20% of (\$82,000 – \$4,500)}		–	15,500	1·5
CPF		–	11,600	1·0
Dependant parent		0	5,000	1·0
Grandparent caregiver (GCR)		–	3,000	1·0
Nsman		<u>1,500</u>	<u>750</u>	2·0
		<u>1,500</u>	<u>56,475</u>	
Chargeable income		<u>0</u>	<u>29,025</u>	
Tax on first \$20,000		0	0	0·5
Tax on next \$9,025 at 3·5%		–	316	0·5
Total tax		<u>0</u>	<u>316</u>	
<i>Less: rebate at 20%</i>		–	(63)	1·0
Tax payable		<u>0</u>	<u>253</u>	
			<u>25·0</u>	

Notes:

- (1) Interest received from approved banks by individuals is exempt from tax.
- (2) Assume that election for the transfer of the excess of the qualifying deduction of trade losses had been made, as Mr Tan is not expecting to earn very high profits for the subsequent year 2009.
- (3) Donations are eligible for a double deduction.

2 Didi Bakery and Confectionery Pte Ltd

Tax computation for the year of assessment 2009

	\$	\$	
Net profit per accounts		251,400	
Less: Other income			
– Interest	300		1-0
– Commission	0		0-5
	<u> </u>		
		(300)	
		<u>251,100</u>	
<i>Add:</i> Rental of business premises	0		0-5
Depreciation	22,000		1-0
Insurance – fire and public liability	0		0-5
Legal fees re: claim by trade creditors	0		0-5
Repairs and maintenance;			
– installation of security system	1,800		1-0
– maintenance of shop equipment	0		0-5
Directors' salaries	0		0-5
Staff salaries and bonuses	0		0-5
CPF	0		0-5
Medical expenses – 6,800 – {1% x (96,000 + 68,000 + 18,300)}	4,977		2-5
Prayer offerings for the lunar seventh month	1,000		1-0
Publicity and promotions	0		0-5
Subscriptions to trade association	0		0-5
Licence fee	0		0-5
Motor car expenses reimbursement to directors	8,600		1-0
NETS/credit card charges	0		0-5
Loan interest	0		0-5
Penalty for late filing of GST return	200		1-0
Cash donation to Community Chest	2,000		1-0
	<u> </u>		
		40,577	
Adjusted profits		291,677	
Less: Capital allowances			
– current year as computed		(36,000)	1-0
– installation of security system (\$1,800/3)		(600)	1-0
		<u> </u>	
		255,077	
<i>Add:</i> Interest		300	1-0
		<u> </u>	
		255,377	
Less: Donations (\$2,000 x 2)		(4,000)	1-0
		<u> </u>	
Assessable income		251,377	
Less: Exemptions			
– Full exemption		(100,000)	0-5
– Next \$151,377 at 50%		(75,688)	0-5
		<u> </u>	
Chargeable income		75,689	
Tax thereon at 18%		<u>13,624</u>	1-0
		<u> </u>	
		22-0	

3 ABRIT Pte Ltd

Capital allowances computation for year of assessment 2009

Number of years to run	Section 19A claim			Total	Non-claim	
	1	1	2			
	\$	\$	\$	\$	\$	
Written down value brought forward		9,000	16,000			1-0
Motor vehicles						
Van				27,000		1-0
Plant and equipment						
Air-conditioning system				12,000		1-0
Installation costs of air-conditioning system				3,500		1-0
Chillers and refrigeration equipment				74,500		1-0
Automated warehousing equipment and software		28,000				1-5
Carpets for office				5,000		1-0
Office furniture (see note)	4,000					1-0
Office furniture				7,000		1-0
Leasehold improvement						
Wall tiles					12,000	1-0
	<u>4,000</u>	<u>37,000</u>	<u>16,000</u>	<u>129,000</u>	<u>12,000</u>	
Year of assessment 2009						
Section 19A – annual allowance (AA)	<u>4,000</u>	<u>37,000</u>	<u>8,000</u>	<u>43,000</u>	<u>92,000</u>	2-0
Written down value carried forward	<u>0</u>	<u>0</u>	<u>8,000</u>	<u>86,000</u>		2-0
					\$	
Disposal of equipment and furniture:						
Written down value brought forward				0		0-5
Sales proceeds				<u>2,000</u>		0-5
Balancing charge				<u>(2,000)</u>		0-5
					\$	
Total capital allowances claim –						
Section 19A – AA					92,000	
Balancing charge					<u>(2,000)</u>	
					<u>90,000</u>	1-0
						<u>17-0</u>

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

4 (a) BBS Pte Ltd

GST Payable for the quarter ended 31 October 2009

	Taxable amount \$	Output tax \$	Input tax \$	
Sales – standard rated	350,000	24,500	–	1-5
Sales – zero-rated	50,000	0	–	1-5
Purchases – cost of goods for sale	180,000	–	12,600	0-5
Staff salaries	40,000	–	–	0-5
Rental of business premises	12,000	–	840	0-5
Purchase of equipment	50,000	–	3,500	1-0
Other expenses	30,000	–	2,100	0-5
Total		<u>24,500</u>	<u>19,040</u>	
		\$		
Total output tax		24,500		
Less: total input tax		<u>19,040</u>		
GST payable (net)		<u>5,460</u>		1-0

The GST is payable no later than 30 November 2009, i.e. one month after the end of the accounting period. 1-0

8-0

(b) Carry-back of business losses and capital allowances

With effect from the year of assessment 2006, current year unutilised trade losses and capital allowances can be carried back for one year of assessment immediately preceding the year of assessment in which the trade loss arose and the capital allowances were granted. 1-0

For the carry-back of capital allowances the same business must be carried on in the basis period immediately preceding the year of assessment in which the unabsorbed capital allowances were granted. 1-0

The main features of the scheme are:

- (1) The maximum amount of loss and capital allowance to be carried back is capped at \$100,000. 1-0
- (2) The loss carry-back feature is available to all businesses including sole-proprietors and partners of a partnership. 1-0
- (3) Individuals claiming the carry-back relief must submit an election form together with the filing of their individual income tax return for the current year of assessment or within 30 days from the date of issue of the notice of assessment for the current year of assessment. 2-0

For the years of assessment 2009 and 2010, unutilised trade losses and capital allowances can be carried back and set-off against assessable income of the three immediate preceding years of assessment subject to a cap of \$200,000. 2-0

8-0

16-0