
Answers

Section A

1 D Five years from the year of assessment to which the records relate.

2 A \$4,000 (5,000*(\$3.80 – \$3.00))

3 C Balancing charge of \$25,000

Description	Cost	CA claim in YA 2013 (QPL)	CA claim in YA 2014 (TPL)	TWDV as at 31 December 2013	Sales proceeds	Balancing charge
	\$	\$	\$	\$	\$	\$
Computers	60,000	60,000	0	0	15,000	(15,000)
Exhaust machine	90,000	30,000	30,000	30,000	40,000	(10,000)
Total						<u>(25,000)</u>

4 D

	\$
Net profit per accounts (financial year ended 31 December 2014)	63,600
Less:	
PIC training expense (\$2,000*3)	(6,000)
Pre commencement expenses (from year 2013 only)	<u>(26,400)</u>
Chargeable income	<u>31,200</u>

5 C \$35 (500*7%)

6 A

Withholding tax	<u>\$1,000</u>
	\$
5% penalty	50
1% for every completed month	<u>50</u>
	100

7 A

Qualifying employee remuneration	
Employees' salaries, allowances and bonuses	<u>\$300,000</u>
Maximum medical expense deductible – 1% thereof	<u>\$3,000</u>
Medical expense for employees	<u>\$25,000</u>
	\$
Disallowable for employees (\$25,000 – \$3,000)	22,000
Peter's medical expense	<u>20,000</u>
	<u>42,000</u>

8 B

9 B

	\$
Publications in the local newspaper	20,000
Royalties from musical work	
Lower of net royalty income (\$30,000 – \$5,000) or 10% of gross royalty (10%*\$30,000)	<u>3,000</u>
Assessable income	<u>23,000</u>

10 D

	\$
Section 14Q claim – 31 December 2013 acquisition	90,000
Section 14Q claim – 31 December 2014 acquisition (capped at \$30,000)	10,000
Display cabinets	<u>4,800</u>
	<u>104,800</u>

11 A

12 C \$145,000 (\$200,000 – \$5,000 – \$50,000)

13 B

	\$
Amount allowed (under s.14)	42,000
Double deductions:	
Trade fair in China	
Travel and accommodation for two staff	10,000
Rental of exhibition booth	15,000
Trade fair in Singapore	
Samples and promotional materials	<u>7,000</u>
	<u>74,000</u>

14 C

15 D \$5,500 (\$3,000 + \$2,500)

2 marks each

30

Section B

Marks

1 (a) Sports Pte Ltd – Goods and service tax (GST) for the period 1 January to 31 March 2015

	Value \$	GST rate	Output tax /(input tax) \$	
Revenue				
Local sales	800,000	7%	56,000	0·5
Export sales	100,000	0%	0	0·5
Expenditure				
Purchases from GST registered traders	100,000	7%	(7,000)	0·5
Purchases from non-GST registered traders – no GST charged	20,000		–	0·5
Salary and CPF contributions – out of scope	30,000		–	0·5
Employee routine medical expenses – blocked input tax	1,000		–	1·0
Warehouse rental	30,000	7%	(2,100)	0·5
Singapore Island Country Club subscription – blocked input tax	6,000		–	1·0
Interest on bank overdraft – exempt supply	2,000		–	1·0
Petrol cost of S-plate car – blocked input tax	1,000		–	1·0
Air tickets (international services)	4,000	0%	0	1·0
Net GST payable			<u>46,900</u>	<u>8</u>

(b) An extension of time for filing a GST return may be granted by the Comptroller to a GST registered trader who:

- (i) is a newly registered business;
- (ii) has valid supporting documents for the following circumstances:
 - a fire disaster;
 - the breakdown of a computer system;
 - the purchase of new accounting software and/or IT system;
 - key accounting personnel being on long-term medical leave.

Any two points – one mark each, maximum

2

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2 Alpha Pte Ltd, Beta Pte Ltd and Ci Pte Ltd

(a) Beta Pte Ltd (BPL) loss items available for transfer

Year of assessment 2015

Basis period: 1 January to 31 December 2014

	\$	
Tax adjusted loss	100,000	0·5
Capital allowances	200,000	0·5
Total loss items	<u>300,000</u>	

Alpha Pte Ltd's shareholding in BPL

1 January to 28 February 2014	0%
1 March to 30 June 2014	60%
1 July to 31 December 2014	75%

Hence, the continuous period which qualifies for group relief is six months (1 July to 31 December 2014). 1·0

Continuous period of qualifying ownership of Ci Pte Ltd (CPL) and BPL by APL is also six months (1 July to 31 December 2014). 1·0

BPL's loss items available for group relief to either APL or CPL (\$300,000*6/12)	150,000	1·0
		<u>4</u>

(b) Alpha Pte Ltd and Ci Pte Ltd – Corporate tax liability for the year of assessment 2015**Alpha Pte Ltd (APL)****Basis period: 1 January to 31 December 2014**

	\$	
Accounting profit	500,000	
Add:		
Incorporation expenses	10,000	0.5
Professional fees for due diligence	90,000	0.5
Adjusted profit	600,000	
Less: Loss items transferred from BPL	(150,000)	1.0
Chargeable income before exempt amount	450,000	
Less:		
Start-up tax exemption		
\$100,000*100%	(100,000)	0.5
\$200,000*50%	(100,000)	0.5
Chargeable income after exempt amount	250,000	
Tax at 17%	42,500	0.5
Less: Corporate income tax rebate at 30%	(12,750)	0.5
Net tax payable	29,750	

Ci Pte Ltd (CPL)**Basis period: 1 July to 31 December 2014**

Tax adjusted profit	500,000	
Less:		
Partial tax exemption		
\$10,000*75%	(7,500)	0.5
\$290,000*50%	(145,000)	0.5
Chargeable income after exempt amount	347,500	
Tax at 17%	59,075	0.5
Less: Corporate income tax rebate at 30%	(17,723)	0.5
Net tax payable	41,352	
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Tutorial note: *The start-up exemption is not available as there are no individual shareholders.*

3 (a) Fabulous Pte Ltd

	\$	
Land intensification allowance claim		
Qualifying cost		
Building cost – piling and construction	2,000,000	0·5
Legal and other professional fees to obtain approvals for the construction	50,000	0·5
	<u>2,050,000</u>	
<i>Less:</i>		
Initial allowance – Year of assessment (YA) 2012 (25%)	(512,500)	0·5
Annual allowance – YA 2012 to 2014 (3*5%)	<u>(307,500)</u>	0·5
Tax written down value	1,230,000	
Insurance proceeds	<u>(1,000,000)</u>	0·5
Balancing allowance	<u>230,000</u>	0·5
Automated conveyor system		
Qualifying cost	1,200,000	
<i>Less:</i> Base capital allowance YA 2014	<u>(1,200,000)</u>	0·5
Tax written down value	0	
Insurance proceeds	<u>(1,000,000)</u>	0·5
Balancing charge	<u>(1,000,000)</u>	0·5
Enhanced PIC allowance to be deemed as income chargeable to tax in YA 2015 as the system was 'disposed' of within one year of acquisition	3,600,000	1·0
Clawback of PIC bonus	<u>15,000</u>	0·5
Furniture		
Qualifying cost YA 2012	20,000	
<i>Less:</i>		
Capital allowance claimed (note)	<u>(20,000)</u>	1·0
Tax written down value	0	
Insurance proceeds	<u>(3,000)</u>	0·5
Balancing charge	<u>(3,000)</u>	0·5
		<u>8</u>

Note: As the furniture was acquired in YA 2012, the cost will have been fully allowed whether capital allowances are claimed on a one-year (YA 2012) or three-year (YA 2012 to YA 2014) basis.

- (b) The claw-back/recovery provision will be automatically waived if in the year of disposal, the cost of the remaining qualifying equipment (excluding the cost of the equipment disposed of) acquired in the same basis period as the equipment disposed of is more than or equals the expenditure cap applicable for the period.

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			Marks
4 Alice – Income tax for the year of assessment 2015			
	\$	\$	
Trade – Partnership			
Partnership tax adjusted profit	50,000		0·5
Less: Reimbursement of tuition fee	(5,000)		1·0
Partnership tax divisible profit	45,000		
Alice's 20% share	9,000		1·0
Add: Reimbursement of tuition fee	5,000		0·5
	14,000		
Less: Share of capital allowances (20%*\$6,000)	(1,200)	12,800	1·0
Employment income		48,000	1·0
Rental income	33,000		0·5
Add: Mortgage interest	10,000		0·5
		43,000	
Statutory income		103,800	
Less: Personal reliefs			
Earned income	(1,000)		0·5
Spouse relief	(2,000)		1·0
Qualifying child relief	(4,000)		0·5
Working mother child relief (15%*\$48,000)	(7,200)		0·5
CPF (20%*\$48,000)	(9,600)	(23,800)	1·0
Chargeable income		80,000	
Tax on first \$80,000		3,350	0·5
			10

5 Brat Roberts

(a) Tax residence

Brat will be considered tax resident in Singapore for the years of assessment (YA) 2016, 2017 and 2018. 1·0

He is a tax resident in YA 2017 and YA 2018 because he will be physically present and has an employment contract in Singapore for 183 days or more in the calendar years 2016 and 2017 (i.e. the basis years for those YAs). 1·0

He will be a tax resident in YA 2016 under the three-year administrative concession as he has an employment contract which straddles across three years of assessment. Therefore, even though Brat will be in Singapore for less than 183 days in 2015, he will be regarded as a tax resident for the YA 2016. 1·0

3

(b) Benefits-in-kind

(i) Items (1) to (3)

1 Accommodation

	\$	
Housing benefit-in-kind		
Annual value	36,000	0·5
Value of furniture and fittings (50% of annual value)	18,000	1·0
	54,000	

Monthly housing allowance		
Fully taxable (\$5,000*12)	60,000	1·0
Brat should opt for the housing benefit-in-kind.		0·5

2 Home leave passage

One passage – taxed at 20%*\$9,600	1,920	0·5
Travel allowance (\$800*12)	9,600	0·5
Brat should opt for the home leave passage.		1·0

		Marks
3	Transport	
	Leased car ($3/7 \times 4,000 \times 12$)	20,571 1·0
	Private mileage ($\$0.10 \times 5,000$)	500 1·0
		<u>21,071</u>
	Monthly transport allowance ($\$4,000 \times 12$)	48,000 0·5
	Brat should opt for the leased car.	0·5
		<u>8</u>
(ii)	Items (4) and (5)	
4	Interest subsidy versus interest-free loan	
	An interest subsidy is fully taxable.	0·5
	However, as the interest-free loan is a scheme which is available to all the company's employees, by concession, such a benefit-in-kind is not taxable.	1·0
	Brat should choose the interest-free loan option.	0·5
5	Holiday subsidy	
	Both a reimbursement of a holiday expense and a fixed sum yearly holiday allowance are taxable in full amount.	1·5
	Therefore, Brat would be indifferent between the two options.	0·5
		<u>4</u>
		<u>15</u>

6 (a) Creation Pte Ltd – Corporate tax liability for the year of assessment 2015

Basis period: 1 October 2013 to 30 September 2014

	\$	\$	
Net profit per accounts		840,000	
Add/(less)			
Recovery of non-trade debt which had been written off in the financial year ended 30 September 2013		(10,000)	1·0
Compensation from a supplier for defective supplies		0	0·5
One-tier dividend		(3,000)	0·5
Gain on the disposal of the managing director's car		(2,800)	0·5
Golf club membership – initial joining fee		25,000	0·5
Golf club membership – subscription fee		0	0·5
Hire purchase interest for the car		6,000	0·5
Hire purchase interest for extrusion machine		0	0·5
FRS 39 impairment loss on trade debts		0	0·5
Penalties for late payment of withholding tax		2,000	0·5
Cleaning of public road caused by a leakage of caustic chemicals from a delivery truck		0	0·5
Legal fee paid to a solicitor to defend the leakage claim		0	0·5
Write off of computers donated to the National Kidney Foundation		8,000	0·5
Adjusted profit before capital allowances		865,200	
Less: Capital allowances (CA)			
Extrusion machine (s.19A) (($\$180,000/36 \times 6$)/3)	(10,000)		1·0
Extrusion machine – PIC enhanced CA (($\$180,000/36 \times 6$)/3)*3	(30,000)		1·0
Balancing charge – assessed value of computers donated	10,000	(30,000)	1·0
Adjusted profit after CA		835,200	
Other income:			
One-tier dividend (exempt)		0	0·5
		835,200	
Less:			
Donation of computers to an institution of public character ($\$10,000 \times 2 \cdot 5$)		(25,000)	1·0
Chargeable income before exempt amount		810,200	
Less:			
Partial tax exemption			
75% on the first \$10,000	7,500		
50% on the next \$290,000	145,000	(152,500)	0·5
Chargeable income after exempt amount		657,700	
Tax at 17%		111,809	0·5
Less:			
Corporate income tax rebate (capped)		(30,000)	0·5
Net tax payable		81,809	
			13

(b) To qualify for the full exemption on the first \$100,000 chargeable income, a company must have no more than 20 shareholders throughout the basis period for that year of assessment where:

- all of the shareholders are individuals beneficially and directly holding the shares in their own names; or
- at least one shareholder is an individual beneficially and directly holding at least 10% of the issued ordinary shares of the company.

2

15