Answers

Section B *Marks*

1 Zabina Pte Ltd

(a) **Goods and services tax (GST) payable/receivable for the quarter ended 31 March 2016**

		$	Types of supply	Input tax $	Output tax $	Marks
(1)	Purchase of two items of specialised equipment from a supplier in Japan (imported into Singapore)	1,000,000	Standard rated purchase, GST paid on importation	70,000		1
(2)	Sold the first specialised equipment to a Singapore-based customer (delivered to the customer's factory in Jurong)	600,000	Standard rated supply		42,000	0·5
(3)	Sold the second special purpose equipment to a US-based customer (delivered to the US customer's factory in China)	700,000	Zero rated supply		0	1
(4)	Staff cost to modify the equipment	50,000	Not a supply		–	0·5
(5)	Local delivery cost	1,000	Standard rated purchase	70		0·5
(6)	Freight charges for the delivery to China	3,000	Zero rated purchase	0		1
(7)	Bought a new private motor car, used solely by the marketing director in the course of the company's business	200,000	Standard rated purchase, but input tax blocked	0		1
(8)	Sold a used computer to a Singapore company	3,000	Standard rated supply		210	1
(9)	Compulsory medical insurance premium for employees under the Industrial Relations Act	5,000	Standard rated purchase	350		1
				70,420	42,210	
					(70,420)	0·5
	GST receivable				(28,210)	
						8

(b) **Conditions to be met for a claim for input tax on local purchases**

1. Local purchases must be supported by a valid tax invoice addressed to the GST-registered person, or simplified tax invoice at the time of claiming the input tax.
2. The input tax must be directly attributable to taxable supplies (i.e. standard rated supplies and zero rated supplies), or out-of-scope supplies which would be taxable supplies if made in Singapore.
3. The input tax claims must not be disallowed under Regulations 26 and 27 of the GST (General) Regulations. (**Note:** *Candidates are not required to cite the regulations*)

Any TWO conditions – 1 mark each, total 2

10

2 Western Singapore companies

(a) Western Singapore 2 Pte Ltd (WS2PL) is not a member of the same group as Western Singapore 1 Pte Ltd (WS1PL) and Western Singapore 3 Pte Ltd (WS3PL) as WS2PL does not hold shares in either of these two companies and its shares are not held by either of the two companies. Group relief is therefore not available to WS2PL. 1

WS1PL and WS3PL are members of the same group as WS1PL holds all of the shares of WS3PL. 1

Therefore, as they have the same accounting period ending on the same day, a transfer of loss items for any year of assessment will be allowed between WS1PL and WS3PL. 1

		Marks
Both companies need to make an election for a group relief transfer of losses to occur.		1
		4

(b) **Tax computations for the year of assessment 2016**

Western Singapore 2 Pte Ltd

	$	
Tax adjusted profits	500,000	0·5
Less: Capital allowances	(10,000)	0·5
Chargeable income	490,000	
Less: Partial tax exemption	(152,500)	0·5
	337,500	
Tax at 17%	57,375	0·5
Less: Corporate income tax rebate (30%)	(17,213)	0·5
	40,162	

Western Singapore 1 Pte Ltd

	$	
Tax adjusted profits	1,000,000	0·5
Less: Capital allowances	(50,000)	0·5
Chargeable income	950,000	
Losses transferred from WS3PL	(950,000)	1
Chargeable income	NIL	

Western Singapore 3 Pte Ltd

	$	
Tax adjusted losses	1,500,000	0·5
Less: Transfer to WS1PL	(950,000)	1
Unabsorbed losses carried forward	550,000	
		6
		10

3 **(a)** **Stuart**

Chargeable income for the year of assessment 2016

		$	
Sole proprietorship			
Net loss per the accounts		(121,100)	0·5
Add back:			
Staff costs		0	0·5
Utilities (private/domestic)		6,000	0·5
Interest on the loan to purchase the home office – private use (75% of interest cost – same ratio as Utilities cost)		9,000	1
Medical insurance (staff) – less than 1% of total remuneration		0	1
Medical insurance (Stuart)		600	0·5
	A	(105,500)	
One-tier dividend (tax exempt)		0	0·5
Rental income		42,000	0·5
Less: Higher of 15% of deemed income or actual deductible expense $5,300 ($2,500 + $2,800)		(6,300)	1·5
Mortgage interest		(10,000)	1
	B	25,700	
Total losses available for carry forward (A + B)		(79,800)	0·5
			8

Marks

(b) **Benefits which are available to a self-employed person and not available to an employee:**

1. A self-employed person can set off his trade losses and capital allowances against other sources of income in the same year of assessment;
2. A self-employed person can carry forward unutilised trade losses and unabsorbed capital allowances to set off against income in the future year of assessment;
3. A self-employed person can carry back current year of assessment trade losses to set off the income of the immediate preceding year of assessment; and
4. A self-employed person is entitled to claim capital allowances for plant and machinery used in his trade, business or profession.

	Marks
ANY TWO – 1 mark each, total	2
	10

4 **(a)** Russell

Year of assessment 2017

Basis period: 1 October 2016 to 31 December 2016

	$	
Salary – paid to his Singapore bank account	30,000	0·5
Salary – paid to his Utopia Land bank account	60,000	1
Hotel accommodation cost borne by employer	12,000	0·5
Meal allowance	3,000	0·5
	105,000	
Tax as an individual tax resident		
Chargeable income	105,000	
Less: Personal relief – earned income relief	(1,000)	0·5
	104,000	
Tax on the first $80,000	3,350	0·5
Tax on the next $24,000 at 11·5%	2,760	0·5
	6,110	
Tax at the flat rate of 15% ($105,000 at 15%)	15,750	1
Since the tax payable at the flat rate is higher than the tax payable as a resident individual, Russell will be taxed at the flat rate of 15%	15,750	1

Year of assessment 2018

Basis period: 1 January 2017 to 15 February 2017

As Russell will be in Singapore for less than 60 days in 2017, his employment income will be exempt from tax. 2

8

(b) Where a foreign employee will be leaving Singapore permanently on the cessation of their employment, the employer is required to:

– do the tax clearance (i.e. file the Form IR 21) one month before the cessation of the employment by the employee; and 1

– withhold monies in their hand (typically the last month's pay) and only release the monies to the employee after the tax clearance is completed. 1

2

10

Marks

5 Tann Manufacturing Pte Ltd

(a) Tax exemption is granted on foreign sourced dividend income when all of the following conditions are met:

1. The highest corporate tax rate (headline tax rate) of the foreign jurisdiction from which the income is received is at least 15% at the time the foreign income is received in Singapore. 1
2. The foreign income had been subjected to tax in the foreign jurisdiction from which it was received (known as the 'subject to tax' condition). The rate at which the foreign income was taxed can be different from the headline tax rate. 1
3. The Comptroller is satisfied that the tax exemption would be beneficial to the person resident in Singapore. 1

3

(b) Tax liability for the year of assessment 2016

Basis period: 1 January 2015 to 31 December 2015

	$	Marks
Net profit before tax	800,000	
Less: Separate source		
Interest income received on maturity of 24 months fixed deposit	(20,000)	0·5
Interest received on outstanding trade debt (trade source – taxed on accrual)	0	0·5
Dividend income from an investment in Country X company	(1,500)	0·5
Add: Non-deductible expense		
Depreciation expense	6,000	0·5
Penalty for late payment of CPF contributions	500	0·5
Legal fee re new tenancy agreement (capital)	2,000	1
Legal fee re recovery of trade debts	0	0·5
Repair and maintenance of private plated motor cars	5,000	0·5
Repair and maintenance of lorries and delivery vans	0	0·5
Write off of a computer	1,000	0·5
Donation – 5,000 shares of SG Limited	5,000	0·5
	798,000	
Less: Capital allowances (CA)		
Automated conveyance system – normal CA ($60,000/3)	(20,000)	0·5
Automated conveyance system – enhanced CA ($60,000/3)*3	(60,000)	1
Carpet ($9,000/3)	(3,000)	0·5
	715,000	
Add: Non-trade source income		
Interest income received on maturity of fixed deposit	20,000	0·5
Dividend income from an investment in Country X company (exempt from tax in Singapore – FSIE conditions are met)	0	1
	735,000	
Less:		
Donations of shares (deduction allowed for individuals only)	0	1
	735,000	
Less: Partial tax exemption	(152,500)	0·5
Chargeable income	582,500	
Tax at 17%	99,025	0·5
Less:		
Corporate income tax rebate (lower of 30% of tax payable or $20,000)	(20,000)	0·5
Net tax payable	79,025	
		12
		15

Marks

6 Tony

(a) **Tax payable for the year of assessment 2016**

	$	$	Marks
Employment income			
Salary (30,000 x 12)		360,000	1
Childcare fee – Thomas		24,000	1
Fully furnished accommodation – bungalow (150%*120,000)		180,000	1·5
Benefit in kind – car			
– Provision of car and petrol by employer (3/7*((300,000 – 60,000)/10)) + (0·55*25,000*20%)		13,036	2
– Provision of chauffeur (20%*24,000)		4,800	1
		581,836	
Sale of antique vase (capital)		0	1
Rental income of office unit (no adjustments)		14,000	1·5
		595,836	
Less: Personal reliefs			
Earned income relief	1,000		0·5
Spouse relief	2,000		0·5
Qualifying child relief	4,000		0·5
CPF (5,000*12*20%)	12,000		1
NSman – inactive key appointment holder	3,500	(22,500)	0·5
		573,336	
Tax on the first $320,000		42,350	0·5
Tax on the next $253,336 at 20%		50,667	0·5
Tax payable		93,017	
			13

(b) Based on the facts provided, the gain on the sale of the antique vase should be considered capital in nature as:

1. Tony is not in the business of trading in antique vases as he has purchased the vase as a collector and not a trader; and 1
2. The sale was not initiated by Tony – the sale was at the request of the buyer. 1

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