

# Examiner's report

## P6 Advanced Taxation (SGP)

### December 2015



#### General Comments

Candidates were required to attempt two compulsory questions in Section A where Question 1 was for 35 marks and Question B for 25 marks, totalling 60 marks. In addition they had to choose two questions in Section B. Three questions were provided in Section B, each for 20 marks.

Although the majority of candidates attempted the required four questions, there were a few scripts which attempted only three or even two questions. These scripts reflect poor preparation of the candidates rather than due to time pressure.

For the compulsory questions, candidates did fairly well for parts (ii) and (iv) of Question 1 and the entire Question 2. Section B was relatively poorly done, particularly all four parts of Question 3 and all three parts of Question 5. Except for part (b), part (a) of Question 4 which carries the bulk of the marks was also badly attempted.

#### Specific Comments

##### Question One

This question tested candidates on the special tax treatment for investment holding company, which caught a few by surprise, particularly part (i) where hardly anyone managed to compute the chargeable income correctly and had difficulty explaining the limitation on claiming deductions as well as articulating the special applicable tax incentives. These contrast with the better performance on the tax compliance issues and the GST implications. Due to the minimal benefit derived from compulsory GST registration, the better approach is for Company C to apply for exemption from GST registration rather than contend with compulsory registration. This point was only correctly explained by a minority of the candidates.

##### Question Two

This question consists of three independent parts.

Part (a) and (b) tested candidates on GST issues relating to the correct classification of GST supplies and the need to account for deemed output tax on the transfer of assets. Most candidates produced satisfactory answers here.

The bulk of the marks came from part (c) which deals with the different tax implications involved in share vs asset deals. Whilst most candidates were able to explain the GST, income tax and stamp duty issues, a number left out the merger and acquisition allowance.

##### Question Three

This question tested candidates on the stamp duty and income tax considerations for properties.

Despite the provision of formulae, the stamp duty was incorrectly computed by many candidates, particularly the additional buyer's stamp duty. There is no stamp duty for sellers of commercial properties but many candidates made this mistake. Some could not distinguish between industrial and commercial properties.



Only part (c) yielded slightly more decent results as many identified intuitively ways to mitigate the stamp duty burden.

For part (d), there are many aspects to consider in arriving at the taxable rental income of commercial properties, including taking advantage of certain concessions. Unfortunately, many marks were lost as the bulk of the answers tended to be brief.

#### **Question Four**

Part (a) of Question 4 which carries the bulk of the marks was badly attempted, as most scripts tended to be brief. An explanation of the various tax implications was seriously lacking.

Part (b) is likely more straightforward and hence most candidates produced satisfactory answers.

#### **Question Five**

This is the least attempted question and most answers were not satisfactory.

For part (a), most candidates did not explain the start-up tax exemption scheme and the possibility that Samuel's advice could be treated as an abuse of the scheme, particularly when the payment of management fees between related companies cannot be substantiated.

For part (b), Ricky's advice may involve tax avoidance and students are expected to explain whether anti-tax avoidance provisions may be substantiated. This was not done adequately by the majority.

Part (c) expects a logical conclusion flowing from the earlier two parts and this was lacking in many scripts too.