

# Examiner's report

## P6 Advanced Taxation (SGP)

### June 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.

The vast majority of candidates attempted the required four questions. There was little evidence of time pressure. In the few occasions where parts of the questions were left unanswered by candidates, this appeared to be due to a lack of knowledge or poor examination technique, as opposed to time pressure.

Candidates performed moderately well on the 2 compulsory questions, and almost all attempted these questions.

Overall, candidates performed relatively well on Questions 1, 2(b) and 4(a), but generally did not perform as well in Questions 2(a), 3 and 4(b).

#### Specific Comments

##### Question One

This question required candidates to discuss the various Singapore tax implications arising from the proposed establishment of a legal presence in Singapore by a foreign entity. This question was divided into three parts with a roughly equal mark allocation; it tested candidates' knowledge of the different types of taxes. Those candidates who did well devoted substantial time to discuss each of the types of tax in sufficient depth. However, some candidates were too brief in their treatment of each part. Part (ii) focussed on whether there was a corporate tax exposure arising from the creation of a permanent establishment. This point was not particularly well answered with some candidates choosing to write on basic corporate tax principles such as the partial tax exemption and what incomes/expenses are taxable/deductible. For part (iii), many candidates did not elaborate on the different tax consequences resulting from different lengths of employment.

## Question Two

This question consisted of two independent parts.

Part (a) tested candidates on their knowledge and skills in utilisation of unabsorbed trade losses and capital allowances. Many candidates were able to discuss the various conditions for the three different ways in which the loss items could be utilised but many candidates were not able to apply their knowledge to the facts of this question to arrive at the correct conclusion.

Part (b) on productivity and innovation credit was well answered although quite a few candidates wrongly concluded that PIC bonus and PIC cash payout option was applicable.

## Question Three

The tax issue in this question was whether the services provided by the individual constitute a contract for services or a contract of service.

Candidates were expected to identify the factors present in the case to arrive at a logical conclusion on this issue and the ensuing tax consequences.

Very few candidates attempted this question and, for those who did, most of them either missed this issue or proved unable to apply their knowledge to the facts of the case.

## Question Four

This question produced mixed results for the two related parts.

For part (a), most candidates provided satisfactory answers and were able to identify correctly the income tax, GST and stamp duty implications. However, a crucial point that was not satisfactorily addressed was whether the income could be considered sourced outside Singapore. If this contention is valid, then such income will not be taxed even if is remitted to Singapore since it is derived by an individual taxpayer, and not through a partnership.

A number of candidates were not able to distinguish Option 2 from Option 1 and consequently did not perform well in part (b). Some candidates wrongly commented that Singapore stamp duty is applicable. In part (b), unlike part (a), candidates were required to consider the sale of shares of a foreign company and hence Singapore stamp duty should not be applicable.

## Question Five



This question consisted of two independent parts and produced mixed results.

For part (a), most candidates are familiar with the conditions to be satisfied for remitted foreign dividend income to qualify for tax exemption and application was generally satisfactory. However, many candidates struggled with part (ii) where the exemption did not apply as the headline tax rate condition was not satisfied. Many candidates struggled with the calculation of the unilateral tax relief in this scenario.

For part (b), whilst many candidates were familiar with the tax residence test and the withholding tax timeline, some candidates failed to discuss the deductibility of the expenses depending on whether the parties are related.