

Examiner's report

P6 (SGP) Advanced Taxation

June 2017



General Comments

This examination requires candidates 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 attempt two questions in Section B. Three questions were provided in Section B, each for 20 marks.

Almost all candidates attempted all four questions. There were a handful of scripts which left out one or two questions. The failure rates for these and other candidates who struggled with this paper are likely attributable to inadequate preparation.

The overall results are not conclusive of a better or worse performance for the two compulsory questions compared to the remaining three choice questions.

Specific Comments

Question One

This 35-mark question tested the candidates on their knowledge on a wide range of tax types including corporate and individual income tax, goods and services tax (GST) as well as stamp duties relating to the purchase and disposal of a residential property. It also covered tax compliance matters, tax minimisation strategies and application of tax treaties.

On the whole, the majority of candidates handled most of the four parts of this question well.

The few who performed unsatisfactorily in this question could not explain the tax planning strategies and the impact of tax treaties on the tax resident status of the taxpayer in the scenario.

Question Two

Unlike Question one, this compulsory question was not answered well.

It appears that candidates were ill prepared for this question, although this tax incentive had been tested before and tax computations on incentive companies such as those awarded the pioneer status had also been examined in the past.

Most candidates were unable to identify correctly the classification of global trader programme (GTP) and non-GTP qualifying income and attribute the relevant deductible expenses to the respective income category, thus losing precious marks.

A number of candidates were not able to list the quantitative benchmark criteria areas for consideration although they are not expected to know the exact quantum involved.

Only a few candidates were able to identify a few non-qualifying transactions for this incentive whilst the majority attempted to guess.



Question Three

This question was moderately well attempted, particularly parts (a) and (c) where candidates had no problem defining and distinguishing the different terminologies for tax evasion, tax avoidance, tax planning, taxpayer audits and tax investigations.

Those candidates who did not do well did so as they could not explain the factors pointing to a tax avoidance arrangement under the Comptroller's guidelines tested in part (b).

Question Four

This question contains two parts.

For part (a), most candidates were able to identify the various conditions that must be satisfied before a GST-registered person can claim input tax on expenses incurred in the provision of fringe benefits. They were also generally able to explain the GST implications for the specific fringe benefits identified.

Part (b) was also well attempted. Only some candidates were unable to identify and compute the qualifying productivity and innovation credit expenditure.

Question Five

This question produced mixed results.

Candidates fared a bit better in part (a) as they were able to explain the concept of permanent establishment and withholding tax implications as well as other income tax implications as applied to the facts provided.

Part (b) did not produce satisfactory results as a number of candidates could not explain the GST implications for e-commerce business conducted through the internet.