

Examiner's report

P6 Advanced Taxation (SGP)

December 2013



General Comments

The 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 were required to attempt two questions in Section B. Three questions were provided in Section B, each for 20 marks.

Almost all candidates attempted four questions, and there was little evidence of time pressure. In the rare occasions where parts of the questions were left unanswered by candidates, this appeared to be due to a lack of knowledge or poor exam technique, as opposed to time pressure.

Candidates performed better in the compulsory questions under Section A. Particularly, they were able to score well in part (ii) of Question 1 and parts (a) and (b) of Question 2. In contrast, the results were less satisfactory for Section B where the majority attempted Questions 4 and 5. Many candidates avoided Question 3 which tested them on the concepts of double taxation agreements (DTAs). Those who attempted this question did not fare that badly, due to adequate preparation.

The overall performance was slightly below average.

Specific Comments

Question One

This question tests the knowledge of the different types of taxes applicable to the different stakeholders in a public listing exercise. Many candidates were familiar with the concepts tested and accumulated most of the marks in part (ii) which carried most of the total 35 marks allocated for this question.

For part (i), a number of candidates only focused on the stamp duty considerations and did not cover the income tax considerations for the individuals who sold their shares. Some made the mistake of discussing the stamp duty rates for real properties (when the subject matter should be shares) while others erroneously touched on the safe harbour rules which are applicable only to companies and not individuals who sold their equity stakes in the target company.

For the GST issues in part (iii), the GST registration eligibility as applicable to companies providing management services, as well as the consequent input tax claims, were not well explained.

Question Two

Most candidates were conversant with and correctly applied the concepts of capital allowance claims and the withholding tax implications tested in parts (a) and (b) of this question. A few marks were lost mainly due to the lack of depth in the explanations.

Part (c) was not well attempted as the candidates were generally unable to differentiate between the two options given or able to conclude as to why Option 2 is preferred due to withholding tax considerations.

Part (d) was straightforward but less than half answered it correctly. Given that only one mark was allocated, some candidates wasted time when they produced a lengthy unwarranted discussion.

Question Three

Amongst the three optional questions, this question was attempted by the least number of candidates. The most logical explanation is that students did not study this topic on DTAs and hence were not well equipped to take this challenge.

On the contrary, for those who did select this question, they did rather well, especially part (a) which only required them to explain the main functions of DTAs and outline their key features.

However, part (b) did not produce satisfactory answers as the taxing rights for business profits and royalties were not sufficiently explained.

Question Four

This question was not well answered.

Whilst part (a) was supposed to be a fairly straightforward, many candidates surprisingly discussed the conditions to qualify for the not ordinarily resident scheme, instead of the area representative scheme.

This is the only computation question in the whole paper, but many performed badly in parts (b) and (c), primarily due to the misinterpretation of this question. A number produced an ordinary tax computation without applying the time apportionment concept for the area representative scheme.

Some marks were salvaged in part (d) for those candidates who are familiar with the supplementary retirement scheme, but the quality of analysis to assess the tax efficiency of the scheme with the given scenario is still lacking.

Question Five

This question produced mixed results.

Students were generally familiar with the global trader programme incentive leading them to score well in part (a).

For part (b), fewer candidates were able to identify all the conditions for the recovery of expenses to qualify as a disbursement for GST purposes, with the given scenario.