Examiner's report
P6 Taxation (SGP)
June 2012

General Comments

The candidates were required to attempt two compulsory questions in Section A where Question 1 was for 38 marks and Question B for 26 marks, totalling 64 marks. In addition they were required to attempt two questions in Section B. Three questions were provided in Section B, each for 18 marks.

The time allotted for this paper appears sufficient as almost all candidates were able to attempt 4 questions. Blank answers for parts of certain questions appear to be due to lack of knowledge and not because of insufficient time.

Candidates were generally well prepared for the compulsory questions although very few scored well due to the lack of depth in the answers. Out of the three optional questions, most candidates attempted Question 3 which they did well generally.

The overall performance was satisfactory.

Specific Comments

Question One
This question was divided into two parts. Part (i) focused on corporate tax implications whilst part (ii) tested on other tax implications. There were a number of scripts which did not differentiate their answers for the 2 parts, but they were not penalised in the marking. Most candidates were able to identify the main tax implications, in particular the taxability of the rental income, the claiming of relevant deductions and the six badges of trade in determining whether the potential gain from the sale of real property would be taxable. However, many did not know how to treat the concessionary tax treatments for the rental income whilst others left out many compliance requirements such as the filing of returns. Except for property tax, the answers produced for the other tax types such as stamp duty, personal tax and GST were above expectations.

Question Two
This question, which has four parts, yielded mixed results.

For the well prepared candidates, they managed to score very high marks in each of these four parts.

On the other hand, many scripts did not answer adequately the expected requirements, especially the transfer pricing requirements on the charging of management fees and interest amongst the related companies in the group. There were also a handful of candidates who were confused about the conditions required for group relief and tax loss carry forward.

Question Three
Amongst the three optional questions, this question turned out to be the most popular and also the best attempted question.

Many candidates were well prepared to discuss the various tax implications on the transfer of business, as well as the conditions and benefits of the merger and acquisition scheme. Those who did not study this new tax scheme either produced brief or incomplete answers.

Question Four
This question is generally poorly answered.

For part (a), many candidates did not apply correctly the “headline tax rate” condition for the dividend income from Country B, ignoring the fact that the headline tax rate actually refers to the highest corporate tax rate and not the actual tax rate suffered by the company. Also, no candidate managed to answer correctly the treatment of consultancy fees from Country D. Due to the absence of a permanent establishment or fixed place of operation, the income should not qualify for exemption or foreign tax credit in the absence of an applicable tax treaty.

The calculations for parts (b) and (c)(ii) were not done well and very few candidates got the calculations for the foreign tax credits correct.

Question Five
For part (a), It is disappointing to note that quite a few students were either not able to identify correctly the standard-rated, zero-rated and exempt supplies; and/or not able to compute correctly the input tax claimable by applying correctly the de minimis rule.

The results for part (b) were more acceptable as most students seemed to be familiar with the Not Ordinarily Resident calculations, though many did not manage to compute correctly the apportioned employment income.