

Examiner's report

P6 Advanced Taxation (SGP)

June 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.

The time allotted for this paper appears sufficient as almost all candidates were able to attempt all the selected 4 questions within the time given. Some candidates failed to answer parts of certain questions in certain scripts, but this was not prevalent.

Candidates were generally well prepared for the bulk of Question 1, but many struggled with Question 2. Out of the three optional questions, most candidates attempted Question 5 which they did well generally.

The overall performance was below average.

Specific Comments

Question One

This question was divided into several parts dealing with diverse tax issues based on the company's background. Part (i) tests candidates on the factors that make Singapore an attractive country to locate overseas holding companies and was generally well answered, except for some scripts which did not score well as they chose to elaborate on the non-tax factors instead. Part (ii) was badly attempted as many candidates answered out of context. Instead of discussing tax incentives available to qualifying headquarters companies, many touched on other tax incentives such as pioneer status and investment allowances. Others wrote on the full and partial tax exemption schemes, group relief and the productivity and innovation credit schemes which are generally available to all companies and not specific to qualifying headquarters companies. The other parts of this question yielded mixed results, although majority were able to handle part (iii) on R&D tax incentives well.

Question Two

This is the only computation question in the whole paper, but only a handful of scripts demonstrated a good understanding of the tax computation applicable to companies that are awarded the pioneer enterprise status.

Whilst a number of candidates were not familiar with the application of the abatement of the pioneer income in both scenarios (a) and (b), those who did right made other mistakes. These include attributing interest income to pioneer trade, apportioning the claim for donations to both the pioneer and non-pioneer trade and failing to apportion the claim for capital allowances based on turnover. Part (c) was well answered as many students managed to score the maximum 4 marks allocated.



Question Three

Amongst the three optional questions, this question was the least frequently attempted.

For part (a), some candidates were able to identify most of the scenarios where a permanent establishment is created and the ensuing tax consequences.

However, for part (b), very few managed to explain the treaty protection accorded to individuals exercising employment in another country. Many were not at all clear on the meaning of the terms “tax equalisation policy” and “tax protection policy”, and some poor attempts to apply the layman interpretation was not beneficial in terms of earning marks..

Question Four

This question was not well answered.

Many candidates concluded wrongly that a Singapore branch of a foreign parent company can ordinarily be treated as a tax resident. Many also have problems identifying the various ways to avoid the withholding tax or minimise the cash flow disadvantage caused by the withholding tax. In particular, they missed out on the application for waiver which would have been the ideal solution if granted by the Comptroller.

The majority of the students were not familiar with the transfer pricing methods recommended by the OECD Transfer Pricing Guidelines. For those who did study this topic, they were only able to identify and discuss one or two methods. Some elaborated on the transfer pricing guidelines for inter-company loans and services which were not asked in this question.

Question Five

This is the best attempted question in the whole paper.

It is apparent that students are familiar with the major exporter scheme leading them to score well in part (b). For part (a), many were able to identify the correct GST issues in interpreting the advice provided by the different parties in the question.