

FOUNDATIONS IN ACCOUNTANCY

Foundations in Taxation (Singapore)

Monday 11 June 2012



Time allowed: 2 hours

This paper is divided into two sections:

Section A – ALL TEN questions are compulsory and **MUST** be attempted

Section B – ALL NINE questions are compulsory and **MUST** be attempted

Tax rates and allowances are on pages 2–4.

Do NOT open this paper until instructed by the supervisor.

This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants

Certified Accounting Technicians (Singapore) Ltd

Paper FTX (SGP)

ACCA

CATS

SUPPLEMENTARY INSTRUCTIONS

1. Calculations and workings need only be made to the nearest \$.
2. All apportionments should be made to the nearest month.
3. All workings should be shown.

TAX RATES AND ALLOWANCES

The following tax rates and allowances should be used when answering the questions.

Selected reliefs/rebates for year of assessment 2012

Earned income relief

Age	Normal	Handicapped
Below 55	\$1,000	\$2,000
55 to 59	\$3,000	\$5,000
60 and above	\$4,000	\$6,000

Spouse relief \$2,000

Handicapped dependant spouse relief \$3,500

Parents/Handicapped parents relief

	Normal	Handicapped
Parent NOT staying with taxpayer	\$4,500	\$8,000
Parent staying with taxpayer	\$7,000	\$11,000

Grandparent caregiver relief (GCR) \$3,000

Dependant handicapped sibling relief \$3,500

Foreign maid levy

The relief is two times the amount of foreign maid levy paid in 2011 up to a maximum of \$6,360.

Nsman relief

	Key command staff appointment holder	Non-key command staff appointment holder
Active Nsman	\$5,000	\$3,000
Non-active Nsman	\$3,500	\$1,500
For wife of operationally ready Nsman	\$750	\$750
For each parent of operationally ready Nsman	\$750	\$750

Provident fund

Compulsory contributions to the Central Provident Fund (CPF)/approved pension or provident fund by Singaporeans and Singapore permanent resident employees, subject to not more than the statutory contributions under the Central Provident Fund Act.

CPF top-up scheme

Actual top-ups by individuals themselves and his/her employer capped at \$7,000; and actual top-ups by individuals for family members capped at \$7,000.

Voluntary CPF contributions made by self-employed persons

36% of s.10(1)(a) assessable trade income capped at \$30,600.

Life insurance

Premiums paid on own life and wife's life insurance policies

Restricted to – (1) 7% of capital sum insured

– (2) \$5,000 if CPF contributions claimed is less than \$5,000

– (3) No claim if CPF contributions claimed exceeds \$5,000.

Child relief**Qualifying child relief (QCR)**

Per child \$4,000

Relief given for all qualifying children.

Handicapped child relief (HCR)

Per handicapped child \$5,500

Working mother's child relief (WMCR)

1st child 15% of mother's earned income

2nd child 20% of mother's earned income

3rd and each subsequent child 25% of mother's earned income

Maximum cumulative WMCR per child (total of WMCR + QCR/HCR) \$50,000

Maximum total WMCR is capped at 100% of mother's earned income.

Course fees

Relief for course fees up to \$5,500 can be claimed for eligible fees incurred on courses studied or seminars and conferences attended.

Parenthood tax rebate (PTR)

1st child \$5,000

2nd child \$10,000

3rd and each subsequent child \$20,000

Rebate given to all Singaporean children that are born or legally adopted on or after 1 January 2008.

Personal income tax rates – Part A

	Chargeable income	Tax rate	Tax
	\$	%	\$
On the first	20,000	0	0
On the next	10,000	2·0	200
On the first	30,000		200
On the next	10,000	3·5	350
On the first	40,000		550
On the next	40,000	7·0	2,800
On the first	80,000		3,350
On the next	40,000	11·5	4,600
On the first	120,000		7,950
On the next	40,000	15·0	6,000
On the first	160,000		13,950
On the next	40,000	17·0	6,800
On the first	200,000		20,750
On the next	120,000	18·0	21,600
On the first	320,000		42,350
Above	320,000	20·0	

Corporate tax rates

Year of assessment	Rate
2012	17%

Partial tax exemption

Up to the first \$10,000 of chargeable income:	75% exemption
On the next \$290,000 of chargeable income:	50% exemption

Full tax exemption for new start-up companies

Up to the first \$100,000 of chargeable income:	100% exemption
On the next \$200,000 of chargeable income:	50% exemption

Productivity and Innovation Credit (PIC) – years of assessment 2011 and 2012

- Training (enhanced deduction)
- Prescribed automation equipment (enhanced capital allowance)

An enhanced deduction/allowance can be claimed at 300% on up to \$400,000 of qualifying expenditure, instead of the usual deduction/allowance. The annual expenditure cap of \$400,000 can be pooled to give a combined cap of \$800,000 for the years of assessment 2011 and 2012.

Goods and services tax

Standard rate	7%
Registration threshold	\$1 million

Section A – ALL TEN questions are compulsory and MUST be attempted

Please use the space provided on the inside cover of the Candidate Answer Booklet to indicate your chosen answer to each multiple choice question.

1 By which date should a partnership submit Form P to the Comptroller of Income Tax?

- A** 30 November of the tax year
- B** 15 April of the tax year

(1 mark)

2 Natalie Vaughn, an American was hired by a Singapore company to head up its research and development team. She arrived in Singapore on 25 January 2011 and commenced employment on 1 February 2011. Natalie's Form IR8A for the year ended 31 December 2011 showed the following items:

Salary	\$100,000
Bonus	\$5,000
Home leave (cost of air passage)	\$6,000

What is the amount of Natalie Vaughn's employment income assessable to tax for the year of assessment 2012?

- A** \$111,000
- B** \$105,000
- C** \$106,200
- D** \$108,000

(2 marks)

3 On 15 October 2011, ADA Pte Ltd received a notice of additional assessment for the year of assessment 2010 showing additional tax payable of \$7,800.

ADA Pte Ltd wishes to object to this notice of additional assessment.

By which date should ADA Pte Ltd lodge the notice of objection with the Comptroller of Income Tax?

- A** 15 November 2011
- B** 14 November 2011

(1 mark)

4 FT Sporting League Singapore Pte Ltd (FT) has a new mid-fielder – Andro Gajski, Andro is from Croatia and commenced employment with FT with effect from 1 June 2011.

By which date should FT Sporting League Singapore Pte Ltd notify the Comptroller of Income Tax of the commencement of employment of Andro Gajski?

- A** 31 August 2011
- B** 15 July 2011
- C** 31 July 2011
- D** 30 June 2011

(2 marks)

- 5 Donald Lee, a retired career diplomat with the Ministry of Foreign Affairs received the following income for the year ended 31 December 2011:

	\$
Pension from the Ministry of Foreign Affairs, Singapore	120,000
Payout from the maturity of an endowment policy with a locally registered Swiss insurer	50,000

What is the amount of Donald Lee's income for the year ended 31 December 2011 that will be assessable to tax for the year of assessment 2012?

- A \$120,000
- B \$170,000
- C \$50,000
- D \$0

(3 marks)

- 6 Inno-8 Pte Ltd (I8) is a Singapore resident company specialising in software design. During its financial year ended 30 June 2010, I8 made the following donations:

	\$
Cash donation to Boys' Town Singapore	10,000
Cash donation to Canossaville Children's Home	15,000
Donation of air-tickets for lucky draw prize at charity dinner organised by the Singapore Red Cross Society	5,000
Donation of customised software to The Singapore Cheshire Home	3,000

All of the above are approved institutions of public character.

What is the amount of donations that is eligible for tax deduction by Inno-8 Pte Ltd for the year of assessment 2012?

- A \$33,000
- B \$30,000
- C \$25,000
- D \$50,000

(3 marks)

- 7 Rita Jones Pte Ltd (RJPL), a goods and service tax (GST) registered apparel manufacturer in Singapore makes up its accounts to 30 September every year. On 30 August 2011, a delivery order request, inclusive of the payment of \$10,000, was placed with RJPL by CG Fashion Mart (CGFM) in Melbourne, Australia for 20,000 pieces of superfine cotton t-shirts. RJPL invoiced CGFM on 1 September 2011. The t-shirts arrived in CGFM's warehouse in Melbourne on 15 September.

What was the time of supply and the GST amount chargeable on this supply of t-shirts by Rita Jones Pte Ltd?

- A Time of supply, 15 September 2011; GST chargeable to CGFM, \$700
- B Time of supply, 30 September 2011; GST chargeable to CGFM, \$700
- C Time of supply, 30 August 2011; GST chargeable to CGFM, \$700
- D Time of supply, 30 August 2011; no GST chargeable to CGFM

(3 marks)

- 8 Mandy Smith is planning to return to Australia on 15 August 2011 for a sabbatical of 24 weeks after a three-year employment stint in Singapore.

By which date must Mandy's employer notify the Comptroller of Income Tax of her intended departure from Singapore?

- A At least two months before the intended date of departure
- B At least one month before the intended date of departure

(1 mark)

- 9 Singco Pte Ltd commenced business on 1 September 2010 and prepared its first set of accounts for the 15 months to 30 November 2011.

What is Singco Pte Ltd's basis period for the year of assessment 2012?

- A 1 September 2010 to 30 November 2011
- B 1 December 2010 to 30 November 2011

(1 mark)

- 10 G Co Pte Ltd (GPL) was incorporated on 1 January 2011. In its first year of financial reporting ended 31 December 2011, GPL's chargeable income was \$310,000. GPL satisfied all the conditions for the full tax exemption scheme for new start-up companies.

What is G Co Pte Ltd's tax liability for the year of assessment 2012?

- A \$52,700
- B \$17,850
- C \$26,775
- D \$18,700

(3 marks)

Section B – ALL NINE questions are compulsory and MUST be attempted

- 1** Mrs Betty Lien, a Singapore citizen, is the Chief Executive Officer and member on the board of directors of a Singapore company. During the year ended 31 December 2011, she received the following income from the company:

	\$
Salary and bonus	210,000
Director's fee for the financial year ended 31 December 2010 (declared at the company's annual general meeting held on 30 June 2011)	70,000

Mrs Betty Lien's husband, Mr Bill Lien is also a Singapore citizen and is an active partner of a partnership business. Mr Lien's share of profits from the partnership as computed for the year of assessment 2012 is \$135,000.

The following additional information relates to the other income and expenditure incurred by Mr and Mrs Lien for the year ended 31 December 2011:

	Mr Bill Lien 1969 \$	Mrs Betty Lien 1970 \$
Year of birth		
Singapore dividends – per CDP statement:		
One-tier tax exempt	120,000	80,000
Interest from DBS Bank (approved bank)	5,000	3,000
Statutory CPF contributions	4,050	23,333
Levy paid for the hire of a Filipino domestic helper	–	3,180
Donations to approved institutions of a public character		
– Assisi Home Hospice	8,000	–
– Saint Vincent De Paul	8,000	–

Mr and Mrs Lien do not have any children.

Required:

Compute the minimum tax liabilities for each of Mr Bill Lien and Mrs Betty Lien for the year of assessment 2012.

(15 marks)

- 2 Generic Pte Ltd (G Co) is an exempt private company in the business of original equipment manufacturing (OEM). G Co was incorporated in Singapore in September 2009 and qualifies for the full tax exemption scheme for new start-up companies.

G Co's statement of comprehensive income for the financial year ended 31 December 2011 is as below:

	Notes	\$
Income		3,500,000
Cost of sales		(1,250,000)
Gross profit		2,250,000
Administrative and general expenses	1	(215,500)
Freight, logistics and distribution costs	2	(95,700)
Other expenses	3	(17,600)
Profit before tax		1,921,200

Notes:

1. Administrative and general expenses include:

	\$
Depreciation	35,000
Legal fee re: a legal action against a trade supplier for defaulting on the delivery of parts	17,000
Write-off of personal loan to the sales manager of a supplier	3,000
Staff salaries, bonuses and CPF contributions	154,800
Medical fees*	5,200

*The company did not make any contribution to the employees' medisave accounts and did not implement the portable medical benefits scheme or the transferable medical insurance scheme.

2. Freight, logistics and distribution expenses include:

	\$
Travelling expenses for participation in the annual OEM Convention in Singapore	33,500

3. Other expenses include:

	\$
Parts and tools damaged due to dampness	1,000
Penalty for late filing of accounts with the Accounting and Corporate Regulatory Authority Singapore (ACRA)	500

Required:

Compute Generic Pte Ltd's chargeable income and tax liability for the year of assessment 2012.

Note: You should start your computation with the profit before tax figure, and list all of the items referred to in Notes 1 to 3, indicating with a '0' those items for which no adjustment is necessary.

(15 marks)

- 3 ACE Pte Ltd (ACE) is in the printing business. During the financial year ended 31 December 2011, ACE opened a new facility at Woodlands industrial park and the following assets were acquired:

	Cost \$
Motor vehicles	
Delivery van	67,500
Second-hand motor car	105,000
Plant and equipment	
High-tech and computerised silk-screen printer	80,000
Ten sets of mechanical sorters costing \$500 each	5,000
Leasehold improvement	
Venetian blinds	7,500

The written down values of ACE's s.19A claim assets at 31 December 2010 as agreed with the Comptroller of Income Tax were:

Remaining years	\$
1	12,000

Required:

Compute the maximum capital allowances claimable by ACE Pte Ltd for the year of assessment 2012, clearly identifying any items of expenditure which do not qualify for capital allowances.

(10 marks)

- 4 Ms Clare Tan acquired two units of office space at the end of 2010. Both properties are located at the Marina Bay Financial Centre and were let for the first time in the year 2011.

The following details relate to the income and expenses in respect of these two properties for the year ended 31 December 2011.

	Property A	Property B
Income:		
Rental received		
Property A let for full year 1 January to 31 December 2011	\$9,000 per month	
Property B let from 1 July to 31 December 2011 only		\$12,000 per month
Expenses:	\$	\$
Property tax	10,800	7,200
Maintenance fees	5,000	7,500
Repairs	2,000	3,000
Agent's commission (first lease)	9,000	24,000
Fire insurance	500	650
Loan interest	24,000	60,000
Loan repayments made	40,000	—

Required:

Compute Ms Clare Tan's net rental income assessable to tax for the year of assessment 2012.

Note: indicate with a '0' those items for which no adjustment is necessary.

(10 marks)

- 5 Joe and Luke are partners of SHAC Pte Ltd (SPL). According to their partnership agreement, the agreed profit sharing ratio (PSR) will be:

Joe – 60%

Luke – 40%

SPL made a net profit of \$1,500,000 during the financial year ended 31 March 2011, after deducting the following items:

Salary paid to Joe	\$65,000
Salary paid to Luke	\$35,000
Depreciation	\$22,000

Required:

Calculate the amount of the partnership income assessable to tax for Joe and Luke respectively for the year of assessment 2012.

(6 marks)

- 6 (a) **State the circumstances in which an individual exercising an employment in Singapore will be regarded as a non-resident for Singapore income tax purposes** (2 marks)

(b) **Explain the income tax treatment of a non-resident employee.** (4 marks)

(6 marks)

- 7 **In the case of each of the following six items, state whether the receipt is taxable or non-taxable.**

- (i) **Foreign sourced dividend income received by an individual through a partnership on 1 October 2010.**
- (ii) **Income from employment earned by a non-resident who was sent by his accounting firm in the UK to train employees of its Singapore office for a period of 45 days.**
- (iii) **Insurance premiums paid by a company on an insurance policy under which the family of one of its employees is the ultimate beneficiary.**
- (iv) **A joining bonus received by an individual for taking up employment with a company.**
- (v) **Windfall gains received by an individual from a game of chance.**
- (vi) **A gain on the disposal of fixed assets used by a company in the course of its trade.**

Note: you are not required to give a reason for your decision.

(6 marks)

- 8 State whether the following statements are true or false with respect to the utilisation of unabsorbed losses, capital allowances and donations.
- (i) Current year unabsorbed donations can be carried forward for up to five years for set-off against future income.
 - (ii) All unabsorbed capital allowances incurred by an individual can be transferred to his/her spouse for set-off against the spouse's assessable income for any year of assessment.
 - (iii) In order to carry-forward unabsorbed capital allowances from prior years of assessment to future years of assessment, a company needs to satisfy both the business continuity and the shareholders continuity tests.
 - (iv) An individual who has incurred a loss can deduct that loss from his/her other sources of income provided the loss has arisen from the carrying on of a trade, business, profession or vocation.
 - (v) Unabsorbed losses are to be set-off in the following order: losses from a trade, business, profession or vocation, followed by capital allowances and lastly, donations.
 - (vi) Unabsorbed capital allowances of a partnership are allocated to the partners in accordance with their capital contribution ratio.

Note: you are not required to give a reason for your decision.

(6 marks)

- 9 Retailer Pte Ltd (RPL) is a goods and services tax (GST) registered trader. The following information relates to RPL's transactions for the quarter ended 30 September 2011:

	\$
Sales	880,000
Purchases	250,000
Delivery charges	53,500
Retail space leased out	28,000

All monetary values are stated exclusive of any applicable GST and all payments to external parties were made to GST-registered persons.

The following is an extract of the GST return (F5):

GST F5 GOODS AND SERVICES TAX RETURN Goods and Services Tax Act (Cap 117A)	
Name	Retailer Pte Ltd
Tax Reference No.	201001234A
GST Registration No.	201001234A
Due Date	31 October 2011
Period covered by this return	(i)
	S\$
Supplies	
Total value of standard-rated supplies	(ii)
Total value of zero-rated supplies	(iii)
Total value of exempt supplies	(iv)
Total value of supplies	
Purchases	
Total value of taxable purchases	(v)
Taxes	
Output tax due	(vi)
Less:	
Input tax and refunds claimed	(vii)
Equals:	
Net GST to be paid to IRAS	
Revenue	
Revenue for the accounting period	(viii)

Required:

In your answer booklet, state the entries that Retailer Pte Ltd should have entered in each of the boxes identified as (i) to (viii) for the quarter ended 30 September 2011.

(6 marks)

End of Question Paper

Answers

Section A

Marks

- 1 B** A partnership is required to submit their Form P by 15 April of each year. 1
- 2 C** \$106,200 2
- | | |
|----------------------------|----------------|
| | \$ |
| Salary | 100,000 |
| Bonus | 5,000 |
| Home leave (20% x \$6,000) | 1,200 |
| | <u>106,200</u> |
- 3 B** 14 November 2011 1
- A formal notice of objection in writing should be given to the Comptroller of Income Tax within 30 days from 15 October 2011.
- 4 A** 31 August 2011 2
- An employer has to notify the Comptroller of Income Tax of the commencement of employment no later than three months after the date of commencement of an employee's employment.
- 5 D** Both payments are exempt from tax. 3
- \$120,000 – exempt from tax under s.13(1)(x).
\$50,000 – exempt from tax under s.13(1)(ze)(iv)
- 6 C** \$25,000 3
- | | |
|---|---------------|
| | \$ |
| Cash donation to Boys' Town Singapore | 10,000 |
| Cash donation to Canossaville Children's Home | 15,000 |
| #Purchase of air-tickets for charity dinner in aid of the Singapore Red Cross Society | 0 |
| #Supply and installation of customised software to The Singapore Cheshire Home | 0 |
| | <u>25,000</u> |
- #Generally, donations in kind other than specific exemptions, e.g. in the form of shares of public companies as listed in the Singapore Stock Exchange, computers, artefacts, land and buildings, do not qualify for tax deduction.
- 7 D** Time of supply, 30 August 2011; no GST chargeable 3
- With effect from 1 January 2011, the general time of supply rule has been simplified for most transactions to the earlier of two events, i.e. the date of issue of the tax invoice or the date of receipt of payment. Time of supply in this case is therefore 30 August 2011, i.e. the date of receipt of payment. Moreover, RJPL invoiced CGFM on 1 September 2011 which took place after payment was received. The supply relates to an export of goods out of Singapore to CGFM in Melbourne, Australia. The goods are therefore zero rated and hence there is no need to charge GST on the supply of goods.
- 8 B** At least 1 month before the date of intended departure. 1
- A Singapore employer is required to notify the Comptroller of Income Tax and seek tax clearance at least a month before a non-citizen employee ceases employment in Singapore or leaves Singapore for any period exceeding three months.

9 B	1 December 2010 to 30 November 2011	Marks
	YA 2011 – 1 September 2010 to 30 November 2010	1
	YA 2012 – 1 December 2010 to 30 November 2011	
10 D	\$18,700	3
	Chargeable income	\$ 310,000
	Less: Exempt income	
	100% of first \$100,000	(100,000)
	50% of next \$200,000	(100,000)
	Chargeable income after exempt income	110,000
	Tax at 17%	18,700
		20

Section B

1 Mr Bill Lien and Mrs Betty Lien

Computation of employment income assessable for the year of assessment 2012

	Mr Bill Lien \$	Mrs Betty Lien \$	
Partnership:			
Share of profits	135,000	–	1
Employment:			
Salary and bonus		210,000	1
Director's fee (approved for payment on 30 June 2011)		70,000	1
Singapore dividends – Singapore (one-tier tax exempt)	0	0	1
Interest from DBS bank	0	0	1
	135,000	280,000	
Less: Donations (\$16,000 x 2.5)	(40,000)	–	2
Assessable income	95,000	280,000	
Less: Personal reliefs			
Earned income	1,000	1,000	2
CPF contributions	4,050	23,333	2
Foreign maid levy (2 x \$3,180)	–	6,360	1
	5,050	30,693	
Chargeable income	89,950	249,307	
Tax payable on the first \$200,000	–	20,750	0.5
Tax on the next \$49,307 at 18%	–	8,875	1
Tax payable on the first \$80,000	3,350	–	0.5
Tax on the next \$9,950 at 11.5%	1,144	–	1
Total tax payable	4,494	29,625	
			15

Tutorial notes:

1. Interest received from approved banks in Singapore by individuals is exempt from tax.
2. Donations are eligible for a 2.5 times tax deduction.

2 Generic Pte Ltd

Tax computation for the year of assessment 2011

	\$	\$	
Net profit per accounts		1,921,200	
Add: Depreciation	35,000		1
Legal fees re: legal action against trade supplier	0		1.5
Personal loan to sales manager of supplier	3,000		1.5
Staff salaries and bonuses and CPF contributions	0		1
Medical expenses 5,200 – {1% x (\$154,800)}	3,652		2.5
Travelling expenses for participation in annual OEM Convention in Singapore	0		1.5
Parts and tools damaged due to dampness	0		1.5
Penalty for late filing of accounts with the Accounting and Corporate Regulatory Authority (ACRA)	500		1.5
		42,152	
Chargeable income before exempt income		1,963,352	
Less: Exemptions			
– First \$100,000 at 100%		(100,000)	1
– Next \$200,000 at 50%		(100,000)	1
Chargeable income		1,763,352	
Tax thereon at 17%		299,770	1
			15

3 ACE Pte Ltd

Capital allowances computation for the year of assessment 2012

	Section 19A claim	2011 additions	Productivity and innovation credit	Total	Non-claim	
Number of years to run	1	3				
	\$	\$	\$	\$	\$	
Written down value Brought forward	12,000					1
Motor vehicles						
Delivery van		67,500				1
Second-hand motor car					105,000	1
Plant and equipment						
High-tech and computerised silk-screen printer	80,000		240,000			2
Mechanical sorters	5,000					1
Leasehold improvement						
Venetian blinds		7,500				1
	97,000	75,000	240,000		105,000	
Year of assessment 2012						
S.19A – annual allowance (AA)	97,000	25,000	240,000	362,000		3
Written down value carried forward	0	50,000	–			
						10

Tutorial notes:

- Items of equipment costing less than \$1,000 per item qualify for a 100% write-off.
- Enhanced productivity and innovation credit (PIC) capital allowances are computed based on 300% of cost.

4 Ms Clare Tan**Assessable income from properties for year of assessment 2012**

	Property A \$	Property B \$	Total	
Rental income				
\$9,000 x 12	108,000			1
\$12,000 x 6		72,000		1
Less: Expenses				
Property tax	10,800	7,200		1
Maintenance fees	5,000	7,500		1
Repairs	2,000	3,000		1
Agent's commission (first lease)	0	0		1
Fire insurance	500	650		1
Loan interest	24,000	60,000		1
Loan repayments made	0	–		1
	<u>42,300</u>	<u>78,350</u>		
Net rental assessable to tax	<u>65,700</u>	<u>(6,350)</u>	<u>59,350</u>	<u>1</u>
				10

5 Joe and Luke partnership**Income assessable for the year of assessment 2012**

			\$	
Net profit of partnership			1,500,000	0.5
Add:				
Depreciation			22,000	1
Salaries to partners			<u>100,000</u>	1
Adjusted profit			1,622,000	
Less: Salaries to partners			<u>(100,000)</u>	0.5
Divisible profit			<u>1,522,000</u>	
	Joe	Luke	Total	
Basis of share of profits	60%	40%		
	\$	\$	\$	
Divisible profits	913,200	608,800	1,522,000	1.5
Salary	<u>65,000</u>	<u>35,000</u>	<u>100,000</u>	1.5
Assessable income from partnership	<u>978,200</u>	<u>643,800</u>	<u>1,622,000</u>	<u>6</u>

6 Taxation of employment income of non-residents

- (a) An individual (other than a company director or public entertainer) who exercises an employment in Singapore for a period or periods aggregating no more than 183 days in any calendar year will be regarded as a non-resident. 2
- (b) An individual who has exercised an employment in Singapore for no more than 60 days will be exempt from Singapore income tax. 1
- However, where an individual exercises an employment in Singapore for a period or periods aggregating between 61 to 182 days in any calendar year, he/she will be assessed to tax on income derived from the exercise of that employment at the higher of:
- (i) a 15% flat rate on the employment income; and
 - (ii) the resident rates on the employment income applicable to him/her.
- Where the 15% rate is applied on employment income, the individual will be taxed on his/her employment income net of deductible expenses without any deduction for personal reliefs. 3

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	Marks
7 Taxability of receipts	
(i) Taxable <i>(not exempt from income tax under s.13(7A) as received via a partnership)</i>	1
(ii) Not taxable <i>(employment exercised in Singapore for less than 60 days)</i>	1
(iii) Taxable <i>(perquisite (benefit-in-kind) received by the employee from his/her employer)</i>	1
(iv) Taxable <i>(payment in advance for future services)</i>	1
(v) Not taxable <i>(not regarded as income for the purposes of the ITA)</i>	1
(vi) Not taxable <i>(capital receipt)</i>	1
	<hr/> 6
Note: Candidates were not expected to provide reasons.	
8 Utilisation of unabsorbed losses, capital allowances and donations	
(i) True	1
(ii) True	1
(iii) True	1
(iv) True	1
(v) False <i>(the correct order is capital allowances, trade losses and, lastly, donations)</i>	1
(vi) False <i>(unabsorbed capital allowances are allocated to the partners in accordance with the profit sharing ratio of the partnership)</i>	1
	<hr/> 6
Note: Candidates were not expected to provide reasons.	
9 Retailer Pte Ltd	
Goods and service tax (Form F5) entries	
(i) 1 July 2011 to 30 September 2011	0.5
(ii) \$908,000 (\$880,000 + \$28,000)	1
(iii) 0	0.5
(iv) 0	0.5
(v) \$303,500 (\$250,000 + \$53,500)	1
(vi) \$63,560 (\$908,000 x 7%)	1
(vii) \$21,245 (\$303,500 x 7%)	1
(viii) \$908,000	0.5
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