

Foundations in Taxation (SGP)

June & December 2017

This syllabus and study guide is designed to help with teaching and learning and is intended to provide detailed information on what could be assessed in any examination session.

THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram with other papers

This diagram shows direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers. These links are shown as solid line arrows. The links between papers where there is only an indirect link and no required underpinning are shown as dotted line arrows. The relational diagram therefore indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall aim of the syllabus

This explains briefly the overall objective of the paper and indicates in the broadest sense the capabilities to be developed within the paper.

Main capabilities

This paper's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Relational diagram of main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

Syllabus rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

Study Guide

This is the main document that students and learning and content providers should use as the basis of their studies, instruction and materials respectively.

Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations. These outcomes are described using verbs indicating what exams may require students to demonstrate, and the broad intellectual level at which these may need to be demonstrated (*see intellectual levels below).

LEVEL OF ASSESSMENTS – INTELLECTUAL DEMAND

ACCA qualifications are designed to progressively broaden and deepen the knowledge and skills demonstrated by the student at a range of levels on their way through each qualification.

Throughout, the study guides assess both knowledge and skills. Therefore a clear distinction is drawn, within each subject area, between assessing knowledge and skills and in assessing their application within an accounting or business context. The assessment of knowledge is denoted by a superscript^K and the assessment of skills is denoted by the superscript^S.

VALUE OF ASSESSMENTS – EDUCATION RECOGNITION

ACCA seeks to enhance the education recognition of its qualifications on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualifications are recognized and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognized on the education frameworks in several countries. Please refer to www.accaglobal.com/en/discover/public-value/education-learning/recognition-acca.html for further information.

GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.
The FIA examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.
All FIA examinations are assessed by two-hour paper based examinations.

The pass mark for all FIA examination papers is 50%.

GUIDE TO EXAMINATION ASSESSMENT

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the tax papers, ACCA will publish *examinable documents*, or tax rates and allowances tables, once a year to indicate exactly what legislation could potentially be assessed within identified examination sessions. These should be read in conjunction with the information below.

For **SGP** tax papers, examinations falling within the year 1 April to 31 March will be based on legislation passed, including practice notes or circulars issued by the relevant authorities including the Inland Revenue Authority of Singapore (IRAS), before the previous 30 September i.e. examinations falling in the year 1 April 2017 to 31 March 2018 will be based on legislation passed by 30 September 2016.

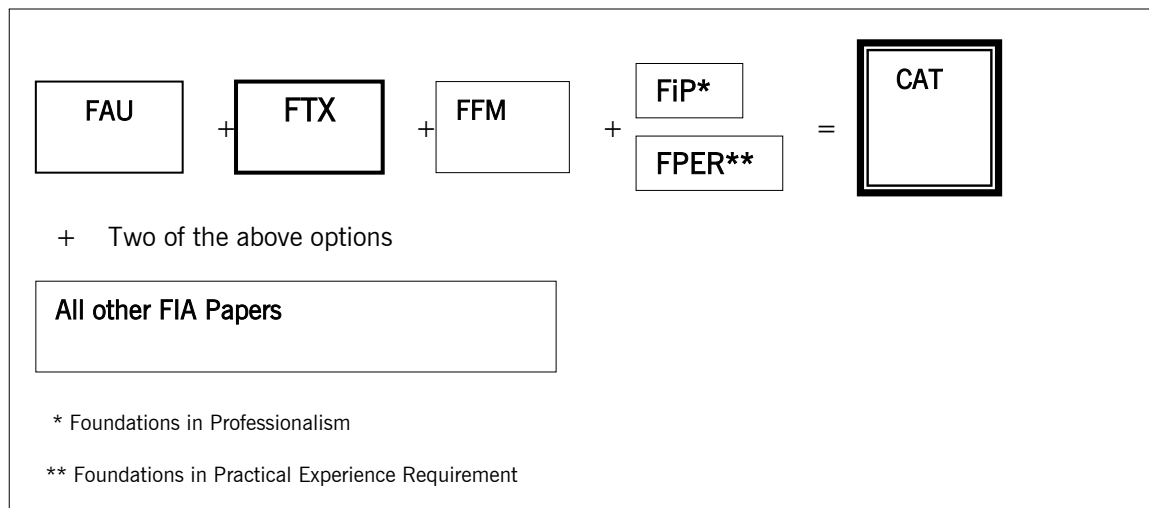
Tax rates and allowance tables will be provided at the front of the examination paper.

Calculations should be made to the nearest month and the nearest \$.

Knowledge of section numbers will not be needed to understand questions in this paper, nor will students be expected to use them in their answers. If students wish to refer to section numbers in their answers, they may do so and will not be penalised if old, or even incorrect section numbers, are used.

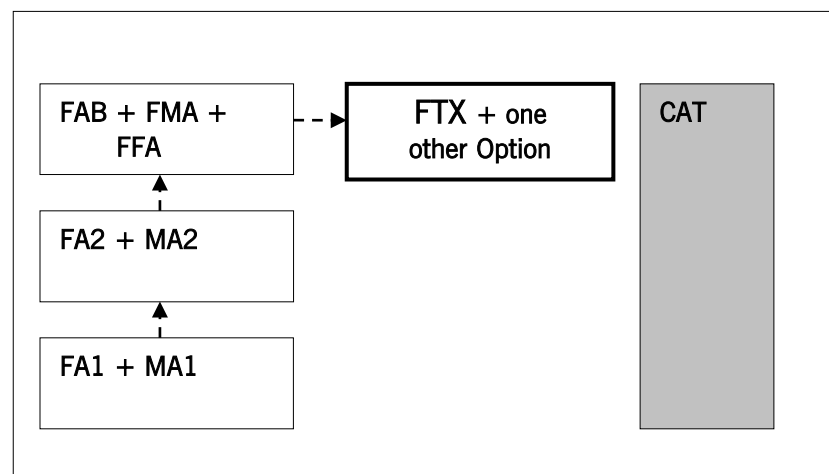
Qualification structure

The Certified Accounting Technician (CAT) Qualification consists of nine papers which include seven of the FIA examination papers, at all three levels, plus two examinations from three of the specialist options papers. The CAT qualification also requires the completion of the Foundations in Professionalism (FiP) module and 12 months relevant work experience, including the demonstration of 10 work based competence areas. Exemptions can be claimed from a maximum of the first four FIA papers for relevant work experience.



Syllabus structure

The CAT syllabus is designed at three discrete levels. To be awarded the CAT qualification, students must either pass or be exempted from all nine examinations including two specialist options papers. Exemptions based on relevant work experience can be claimed from up to the first four FIA papers.



Syllabus

AIM

- To develop knowledge and understanding of Singapore tax law and practice;
- To develop the ability to prepare computations of tax liability for individuals, business (sole-proprietorships and partnerships and companies resident in Singapore for income tax purposes;
- To develop an understanding of the principles and application of Goods and Services Tax (GST);
- To development an understanding of compliance and administrative practices adopted by the Inland Revenue Authority of Singapore.

RATIONALE

The syllabus for the foundation in taxation paper introduces candidates to the subject of taxation and provides the core knowledge of the underlying principles and the major technical areas of taxation, as they affect the activities of individuals and businesses, at a level appropriate for someone working at technician level.

Candidates are introduced to the rationale behind – and the functions of – the tax system. The syllabus then considers the separate taxes that a technician accountant would need to have knowledge of, such as income tax from self-employment, employment

and investments, the corporate tax liability of individual companies, and the Goods and Services Tax (GST) liability of businesses. In addition, an understanding of the administration aspects of these taxes should be gained, such as knowledge of the statutory timescales for the submission of claims and returns and the due dates for payment of tax liabilities.

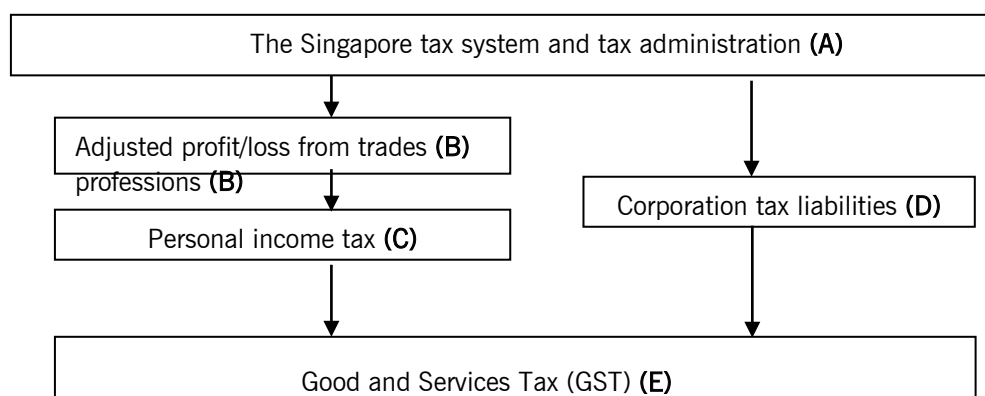
Having covered the core areas of the basic taxes, candidates should be able to compute tax liabilities, explain the basis of their calculations, complete the tax returns and identify the compliance issues for each major tax through a variety of business and personal scenarios and situations.

MAIN CAPABILITIES

On successful completion of this paper candidates should be able to:

- A** Explain the basic operation and scope of the Singapore tax system
- B** Prepare adjusted profit / loss computations for trades and professions
- C** Compute the income tax liability of individuals, and prepare the income tax return
- D** Compute the corporation tax liability of a company and prepare the corporate income tax return
- E** Explain and compute the effects of Goods and Services Tax (GST) tax on incorporated and unincorporated businesses and prepare returns

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



DETAILED SYLLABUS

A. Introduction to the Singapore tax system and Tax administration

1. Main sources of Singapore tax legislation and related reference sources
2. Offences and penalties
3. Income tax administration

B. Adjusted profit/loss computations for trades and professions

1. Adjustment of trading profits/losses for tax purposes
2. Capital allowances
3. Basis of assessments
4. Relief for trading losses
5. Partnerships

C. Personal income tax liabilities

1. Introduction to personal taxation
2. Income from employment
3. Income from other sources including property and investments
4. The comprehensive computation of income tax

D. Corporation Tax Liabilities

1. The scope of corporation tax
2. Profits chargeable to corporate income tax
3. The comprehensive computation of corporate tax liability
4. Relief for losses

E. Goods and Services Tax (GST)

1. Scope of GST
2. The GST registration requirements
3. The basic principles of GST
4. Administration of GST and completion of GST return

APPROACH TO EXAMINING THE SYLLABUS

The syllabus is assessed by a two hour paper-based examination. Questions will assess all parts of the syllabus.

The examination will consist of two sections structured as follows:

Section A-	Marks
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Ten compulsory multiple choice Questions worth 1,2 or 3 marks each	20
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Section B-

Nine compulsory questions

Q1 + 2 (15 marks each)	30
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Q3 +4 (10 marks each)	20
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Q5 to Q9 (6 marks each)	<u>30</u>
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Question 1 will focus on personal income tax and question 2 will focus on corporate income tax. The remaining questions will examine topics from any area of the syllabus.

Study Guide

A INTRODUCTION TO THE SINGAPORE TAX SYSTEM AND TAX ADMINISTRATION

1. Main sources of revenue law and practice

- a) Identify the main source of Singapore tax legislation.^[K]
- b) Identify the key reference sources for Singapore tax legislation (statute, case law, IRAS statements of practice and guidelines).^[K]
- d) Describe the organisation of the Inland Revenue Authority of Singapore.^[K]

2. Offences and penalties

- a) Describe the offences and penalties for non-compliance.^[K]

3. Income tax administration

- a) Describe the duties and powers of the Comptroller of Income Tax.^[K]
- b) Identify the types of income tax returns to be filed by different taxpayers.^[K]
- c) Identify the due dates for filing of income tax returns.^[K]
- d) Identify the due dates of payment of tax assessed and explain the penalties imposed on overdue tax.^[K]
- e) Describe the process for objections and appeals.^[K]
- f) Describe the offences and penalties for non-compliance of the prescribed tax law.^[K]

B ADJUSTED PROFIT / LOSS COMPUTATIONS FOR TRADES AND PROFESSIONS

1. Adjustment of trading profits / losses for tax purposes

- a) Explain the charging section of income from trades, business, professions and vocations under tax statute.^[K]

- b) Distinguish between income receipts and capital gains.^[K]
- c) Distinguish between revenue and capital expenditure.^[K]
- d) State the deductions – rules governing tax deductions under Sections 14 and 15 of the Income Tax Act.^[K]
- e) Explain the treatment of pre-commencement expenses.^[K]
- f) State the qualifying expenditure allowable granted under the provision of section 14Q of the Income Tax Act.^[K]
- g) Recognise the expenditure that is allowable in calculating the tax-adjusted trading profit, including enhanced deductions under the productivity and innovation credit (PIC) incentive and PIC+ incentive for qualifying expenditure incurred in the training of employees .
- h) Prepare claims of available deductions against business income.^[S]
- i) State the tax rules governing the deduction of donations.^[K]

Excluded topics

- *Badges of trade*
- *Change in accounting dates*
- *Cessation provisions*

2. Capital allowances

- a) Wear and Tear Allowances
 - i. State the definition of plant and machinery for wear and tear allowances purposes.^[K]
 - ii. Identify the qualifying expenditure for plant and machinery for the purposes of a claim for wear and tear allowances.^[K]
 - iii. Prepare computations of initial, annual and accelerated allowances under sections 19 and 19A of the Income Tax Act.^[S]
 - iv. Compute the allowances for plant and machinery acquired under hire-purchase.^[S]

- v. Compute enhanced capital allowances under the productivity and innovation credit scheme for prescribed automation equipment.^[2]
- vi. Calculate balancing allowances/charges.^[3]
- vii. Explain the relief for unabsorbed capital allowances and the carry forward and carry back of unabsorbed capital allowances.^[K]

- b) Compute initial and annual allowances for industrial buildings.^[3]

Excluded topics

- *Land Intensification Allowance (LIA)*

3. Basis of assessments

- a) Explain the basis of assessment for sole-proprietorships.^[K]
 - i. Preceding calendar year basis of assessment
 - ii. Accounting year basis of assessment

4. Relief for trading losses

- a) Explain the treatment of losses.^[K]
 - i. How trading losses can be carried forward and carried back
 - ii. The order of set-off against current and previous years trading losses

5. Partnerships

- a) Basis of assessment for partnerships and partners.^[K]
- b) Explain the treatment of partnership non-trade income.^[K]
- c) Compute the allocation of partnership adjusted and divisible profits, donations and capital allowances among partners.^[3]

C PERSONAL INCOME TAX

1. Introduction to personal taxation

- a) Identify the Year of Assessment and basis period.^[K]
- b) Scope of personal income tax:

- i. Persons liable to tax
- ii. Income chargeable to tax.^[K]

- c) Identify the residence for individuals including administrative concessionary treatment.^[K]
- d) Distinguish between the taxation of resident individuals and non resident individuals.^[K]
- e) Outline the key elements of personal income tax computation:
 - i. Earned income
 - ii. Other income from other sources including savings and investments
 - iii. Statutory income
 - iv. Allowable deductions
 - v. Assessable income
 - vi. Available personal reliefs
 - vii. Chargeable income
 - viii. Available tax rebates.^[3]
- f) Transfers of trade losses, capital allowances, donations and deficit of income from property, between spouses.^[K]

2. Income from employment

- a) Explain the charging section of employment income.^[K]
- b) Define gains or profits from employment assessable to tax including:
 - i. Salaries
 - ii. Bonuses
 - iii. Commissions
 - iv. Other payments received from employment
 - v. Benefits-in-kind
 - vi. Directors fees.^[K]
- c) Identify allowable deductions.^[K]
- d) Compute taxable emoluments from employment.^[3]

Excluded topics

- *Share incentive schemes*
- *Trusts, settlements and estates*
- *Special Retirement Scheme (SRS) contributions*

3. Income from other sources including property and investments

- a) Calculate net rental income derived from property.^[S]
- b) Explain exempt income
 - i. One-tier dividend
 - ii. Interest from approved banks in Singapore.^[K]
- c) Define pension, charge and annuity.^[K]
- d) Define dividends, interest and discounts.^[K]
- e) Identify other gains or profits of an income nature including gains on the disposal of immovable property.^[K]
- f) Explain exempt and deemed income.^[K]

4. The comprehensive computation of personal income tax

- a) Compute statutory, assessable and chargeable income.^[S]
- b) Identify the rates of tax for individuals.^[K]

D CORPORATION TAX LIABILITIES

1. The scope of corporation tax

- a) Identify the scope of corporate income tax.^[K]
- b) Identify the residence of companies.^[K]
- c) Calculate the profits chargeable to corporate income tax.^[S]
- d) Explain the one-tier corporate tax system and the treatment of dividends under this system.^[K]
- e) Identify the basis period and the accounting period.^[K]

2. Profits chargeable to corporate income tax

- a) Identify the basis of assessment for all sources of income
 - i. Trade income under section 10 (1)(a)
 - ii. Non-trade income including dividends and interest.^[K]

3. The comprehensive computation of corporation tax liability

- a) Identify the rate of corporate income tax.^[K]
- b) Calculate partial tax exemption.^[S]
- c) Calculate full tax exemption scheme for new companies.^[S]
- d) Calculate the corporate income tax liability.^[S]

4. Relief for losses

- a) Explain the available relief for unabsorbed losses and capital allowances.^[K]

Excluded topics

- *Foreign sourced income, non-residents, withholding tax and double taxation relief*
- *Companies in receivership and liquidation*
- *Company reorganisations*
- *Group relief for companies*
- *Shipping*
- *Operational headquarter companies*
- *Investment companies including unit trusts*
- *Financial institutions including banks, insurance and leasing companies*
- *Approved oil trading companies*
- *Approved international commodity trading companies*
- *Trustee companies*
- *Charitable institutions*
- *Clubs and associations*
- *Economic Expansion Incentives*

E GOODS AND SERVICES TAX

1. The scope of Goods and Services Tax (GST)

- a) Explain the scope of GST.^[K]

2. The GST registration requirements

- a) Explain the circumstances in which a person must register for GST and recognise the applicability of:
- i. compulsory registration
 - ii. voluntary registration
 - iii. de-registration.^[K]

Excluded topics

- *Group registration*
- *Major exporter scheme*

3. The basic principles of GST

- a) Explain the time of supply rules.^[K]
- b) Explain the place of supply rules.^[K]

- c) Explain the principle that applies to the valuation of supplies.^[K]

- d) Explain the types of supply
- i. standard
 - li. zero-rated
 - iii. exempt
 - iv. deemed.^[K]

Excluded topics

- *De Minimis Rule*
- *Exempt and partially exempt businesses*

4. Administration of GST

- a) List the information that must be given on a GST tax invoice.^[K]
- b) Completion of GST returns and state the return period and filing deadline.^[S]

READING LIST

There are a number of sources from which candidates can obtain materials to help them prepare for the FTX SGP examinations:

Singapore tax legislation – Income Tax Act (Cap 134)

IRAS e-tax guides and publications – www.iras.gov.sg

ICPAS Taxation & Levies Practice Guidelines – www.icpas.org.sg

Singapore Master Tax Guide – CCH Asia Ltd

Singapore Tax Workbook – CCH Asia Ltd

SUMMARY OF CHANGES TO FTX (SGP)

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers.

There have been no changes to the syllabus for 2017.