

Taxation - Singapore (SGP) (F6) December 2009

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

THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram of paper with other papers

This diagram shows where any direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other, such as links existing between the accounting and auditing papers. The links between these are shown as dotted line arrows. This diagram 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 the 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, tuition providers and publishers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be potentially 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)

Reading lists

ACCA examiners will recommend study texts and text books where these are available, which students may read as part of their preparation for the exam. Relevant articles will also be published in *student accountant*.

INTELLECTUAL LEVELS

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1: Knowledge and comprehension

Level 2: Application and analysis

Level 3: Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Knowledge module, the Skills module and the Professional level are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript denoting intellectual level marked at the end of each relevant line. This gives an indication to what intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with the Knowledge module, level 2 equates to the Skills module and level 3 to the Professional level, some lower level skills can continue to be assessed as the student progresses through each module and level. This reflects that at each stage of study there will be a requirement to broaden as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

LEARNING HOURS

The ACCA qualification does not prescribe or recommend any particular number of learning hours because increasingly study and learning patterns and styles vary greatly between people and organisations and in different personal, professional and educational circumstances.

Each syllabus contains between 23 and 35 main subject area headings depending on the nature of the subject and how these areas have been broken down in those particular papers.

GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Fundamentals level examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

The Knowledge module is assessed by equivalent two-hour paper based and computer based examinations.

The Skills module examinations are all paper based three-hour papers. The structure of papers varies from ten questions in the *Corporate and Business Law* (F4) paper to four 25 mark questions in *Financial Management* (F9). Individual questions within all Skills module papers will attract between 10 and 30 marks.

The Professional level papers are all three-hour paper based examinations, all containing two sections. Section A is compulsory, but there will be some choice offered in Section B.

For all three hour examination papers, ACCA has introduced 15 minutes reading and planning time.

This additional time is allowed at the beginning of each three-hour examination to allow candidates to read the questions and to begin planning their answers before they start writing in their answer books. This time should be used to ensure that all the information and exam requirements are properly read and understood.

During reading and planning time candidates may only annotate their question paper. They may not write anything in their answer booklets until told to do so by the invigilator.

The Essentials module papers all have a Section A containing a major case study question with all requirements totalling 50 marks relating to this case. Section B gives students a choice of two from three 25 mark questions.

Section A of each of the Options papers contains 50-70 compulsory marks from two questions, each attracting between 25 and 40 marks. Section B will offer a choice of two from three questions totalling 30-50 marks, with each question attracting between 15 and 25 marks.

The pass mark for all ACCA Qualification 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 financial accounting, audit and assurance, law and tax papers except where indicated otherwise, ACCA will publish *examinable documents* once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions..

For paper based examinations regulation **issued** or legislation **passed** on or before 30th September annually, will be assessed from June 1st of the following year to May 31st of the year after. Therefore, paper based examinations in June 2009, December 2009 (and March 2010 where applicable) will be assessed on regulations issued and legislation passed on or before 30 September 2008.

Regulation issued or legislation passed in accordance with the above dates may be examinable even if the **effective** date is in the future.

The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to an entity transactions and business practices.

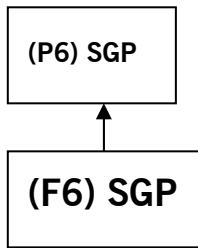
The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

Singapore is one of the exceptions to this rule due to the timing of legislation. The cut off date for the June 2009 exam remained unchanged at 30

November 2008. However, the cut-off date for Singapore for the December 2009 exam will be 31 March 2009, for this one sitting.

Thereafter, Singapore will no longer be an exception to the rule and the annual cut-off date will be 30 September. The June and December 2010 examinations will be assessed on regulations issued and legislation passed on or before 30 September 2009.

Syllabus



AIM

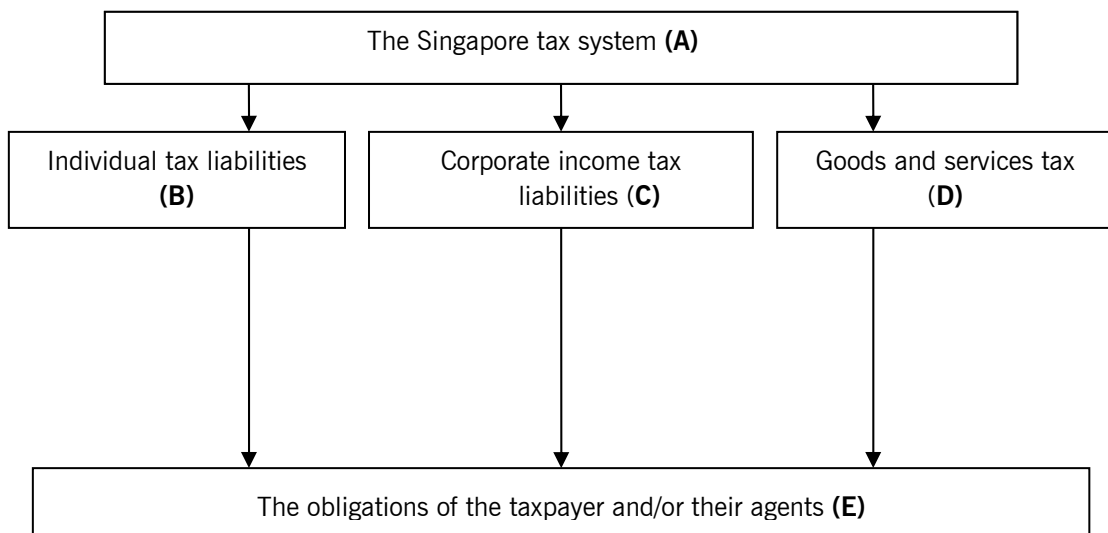
To develop knowledge and skills relating to the tax system as applicable to individuals, single companies and groups of companies.

MAIN CAPABILITIES

After completing this examination paper students should be able to:

- A** Explain the operation and scope of the tax system
- B** Explain and compute the income tax liabilities of individuals
- C** Explain and compute the corporate income tax liabilities of individual companies and groups of companies
- D** Explain and compute the effect of goods and services tax on incorporated and unincorporated businesses
- E** Identify and explain the obligations of tax payers and/or their agents and the implications of non-compliance.

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



RATIONALE

This syllabus introduces candidates to the subject of taxation and provides the core knowledge of the underlying principles and major technical areas of taxation, as they affect the activities of individuals and businesses.

In this syllabus, candidates are introduced to the rationale behind and the functions of the tax system. The syllabus then considers the separate taxes that an accountant would need to have a detailed knowledge of, such as income tax from self employment, employment and investments; the corporation tax liability of individual companies and groups of companies; and the goods and services tax liability of businesses.

Having covered the core areas of the basic taxes, the candidate should be able to compute tax liabilities, explain the basis of their calculations, apply tax planning techniques for individuals and companies and identify the compliance issues for each major tax through a variety of business and personal scenarios and situations.

DETAILED SYLLABUS

A. The Singapore tax system

1. The overall function and purpose of taxation in a modern economy
2. Different types of taxes
3. Principal sources of revenue law and practice
4. Tax avoidance and tax evasion

B. Individual tax liabilities

1. The scope of income tax
2. Income from employment
3. Income from self-employment
4. Property and investment income
5. The comprehensive computation of taxable income and income tax liability

6. The use of exemptions and reliefs in deferring and minimising income tax liabilities

C. Corporate income tax liabilities

1. The scope of corporate income tax
2. Profits chargeable to corporate income tax
3. The comprehensive computation of the corporate income tax liability
4. The effect of a group corporate structure for corporate income tax purposes
5. The use of exemptions and reliefs in deferring and minimising corporate income tax liabilities

D. Goods and Services Tax

1. The scope of goods and services tax (GST)
2. The GST registration requirements
3. The computation of GST payments/refunds

E. The obligations of tax payers and/or their agents

1. The time limits for the submission of information, claims and payment of tax
2. The procedures relating to enquiries, appeals and disputes
3. Penalties for non-compliance

APPROACH TO EXAMINING THE SYLLABUS

The paper will be mainly computational and will have five questions, all of which will be compulsory.

- Questions one and two will be for a total of 55 marks with one of the questions being for 30 marks and the other for 25 marks. One of these two questions will focus on individual income tax and the other question will focus on corporate income tax.
- Questions three, four and five will be on any area of the syllabus and will be for 15 marks each.

There will always be at a minimum of 10 marks on goods and services tax on any paper. These marks will normally be included as part of questions three, four and five or there might be a separate question on goods and services tax.

Any of the five questions might include the consideration of issues relating to the minimisation or deferral of tax liabilities.

Study Guide

A THE SINGAPORE TAX SYSTEM

1. The overall function and purpose of taxation in a modern economy

- a) Describe the purpose (economic, social etc) of taxation in a modern economy.^[2]

2. Different types of taxes

- a) Identify the different types of revenue tax.^[1]
- b) Explain the difference between direct and indirect taxation.^[2]

3. Principal sources of revenue law and practice

- a) Describe the overall structure of the Singapore tax system.^[1]
- b) State the different sources of revenue law.^[1]
- c) Appreciate the interaction of the Singapore tax system with that of other tax jurisdictions.^[2]

Excluded topics

- *Detailed knowledge and application of tax treaties*

4. Tax avoidance and tax evasion

- a) Explain the difference between tax avoidance and tax evasion.^[1]
- b) Explain the need for an ethical and professional approach.^[2]

Excluded topics

- *Anti-avoidance legislation.*

B INDIVIDUAL TAX LIABILITIES

1. The scope of income tax

- a) Explain how the residence of an individual is determined.^[1]

Excluded topics

- *Not-ordinarily resident individuals*
- *Double taxation relief*
- *Income from trusts and settlements.*

2. Income from employment

- a) Recognise the factors that determine whether an engagement is treated as employment or self-employment and the tax implications thereof.^[2]
- b) Recognise the basis of assessment for employment income for an individual who is a resident or a non-resident of Singapore.^[2]
- c) Distinguish between gains and profits from employment capital receipts. [2]
- d) Compute the income assessable.^[2]
- e) Recognise the allowable expenses that can be deducted from employment income, ^[2]
- f) Compute the amount of benefits assessable, including share options, share awards and excess CPF contributions made by an employer.^[2]

Excluded topics

- *Entrepreneurial employee equity-based remuneration scheme (section 13J)*
- *Company employee equity-based remuneration scheme (Section 13L)*
- *Not-ordinarily resident (NOR) scheme*
- *Foreign tax credit*

3 Income from self-employment

- a) Recognise the basis of assessment for self-employment income, including the cases of change of accounting date, commencement and cessation.^[2]
- b) Distinguish between income receipts and capital receipts.^[2]

- c) Describe and apply the badges of trade.^[2]
- d) Recognise the expenditure that is allowable in calculating the tax-adjusted trading profit.^[2]
- e) Recognise the relief that can be obtained for pre-trading expenditure.^[2]
- f) Capital allowances
 - i) Define plant and machinery for capital allowances purposes^[1]
 - ii) Compute capital allowances claimable including accelerated and one-year write-off^[2]
 - iii) Compute balancing allowances and balancing charges^[2]
 - iv) Define an industrial building for industrial buildings allowance purposes^[1]
 - v) Compute industrial buildings allowance for new and second-hand buildings^[2]
 - vi) Compute the balancing adjustment on the disposal of an industrial building^[2]
 - vii) Understand how capital allowances can be carried forward and carried back^[2]
 - viii) Understand how capital allowances can be claimed against total income^[2]
 - ix) Understand the order of set-off of current and previous years capital allowances^[2]
- g) Relief for trading losses
 - i) Understand how trading losses can be carried forward and carried back^[2]
 - ii) Understand how trading losses can be claimed against total income^[2]
 - iii) Understand the order of set-off of current and previous years' trading losses^[2]
- h) Partnerships and limited liability partnerships
 - i) Explain how a partnership is assessed to tax^[2]
 - ii) Compute the assessable profits for each partner following a change in the profit sharing ratio^[2]
 - iii) Compute the assessable profits for each partner following a change in the membership of the partnership^[2]
 - iv) Explain the capital allowances, industrial building allowances and trade loss relief restriction that applies to the partners of a limited liability partnership^[1]
- i) Recognise Singapore sourced professional income of non-residents^[2]

Excluded topics

- *Writing down allowances for approved cost sharing agreements for research and development activities*
- *The disposal of an industrial building at less than original cost following a period of non-industrial use (sales for more than original cost are examinable).*
- *Transition from partnership and/or corporation to a limited liability partnership and vice versa.*

4. Property and investment income

- a) Compute the net income from investments in properties, equities, placement of funds on deposits with banks and loans granted both within and outside Singapore.^[2]
- b) Explain the treatment of losses from investments.^[2]
- c) Recognise the difference between a business being carried on and pure investment intent.^[2]
- d) Compute the tax payable on dividend income.^[2]
- e) Recognise the exemptions available for certain types of investment income^[2]

Excluded topics

- *Investments in unit trusts*

5 The comprehensive computation of taxable income and income tax liability

- a) Prepare a basic income tax computation involving different types of income.^[2]
- b) Calculate the amount of personal allowance available to individuals aged below 50 and recognise the principle reliefs claimable, such as earned income, wife, children, working mother's child relief, life assurance, aged parents, grandparent caregiver, course fees, foreign maid levy and NSman.^[2]

- c) Understand the relief given for donations and the carry forward of unabsorbed donations.^[2]
- d) Compute the amount of income tax payable.^[2]
- e) Explain the treatment of property owned jointly by a married couple, and the exemption granted on owner-occupied residential property.^[2]

Excluded topics

- *All reliefs and rebates not included above*

6. The use of exemptions or reliefs in deferring and minimising income tax liabilities.

- a) Explain and compute the relief given for contributions to the Central Provident Fund (CPF) made by employees and the self-employed..^[2]
- b) Explain the application of the separate assessment regime and the transfer of deductions between spouses, together with an understanding of the restrictions imposed. ^[2]
- c) Recognise the tax implications of a shareholder/director extracting profits from an owner managed company by way of remuneration versus dividend payments. ^[2]

Excluded topics

- Supplementary retirement scheme

C CORPORATE INCOME TAX LIABILITIES

1. The scope of corporate income tax

- a) Define the terms basis period and the year of assessment.^[1]
- b) Determine the basis period for assessing corporate profits, including the case of a change of accounting date. ^[2]
- c) Recognise the factors that must be considered when incorporating a business. ^[2]
- d) Explain how the residence of a company is determined.^[2]

- e) Understand the differences between an incorporated company, a branch of a foreign company and a representative office.^[2]

Excluded topics

- *Close companies*
- *Companies in receivership or liquidation*
- *Reorganisations*
- *The purchase by a company of its own shares (except in the case of such treasury shares that are given to employees as a reward for services).*
- *Specialised industry such as shipping, banking, insurance etc.*

2. Profits chargeable to corporate income tax

- a) Distinguish between income receipts and capital gains ^[2]
- b) Recognise the tax treatment of income from trade/business ^[2]
- c) Recognise the expenditure that is allowable in calculating the tax-adjusted trading profit.^[2]
- d) Recognise the tax treatment of income from sources other than trade/business. ^[2]
- e) Recognise the tax treatment of foreign sourced income received or deemed received in Singapore. ^[2]
- f) Explain how relief can be obtained for pre-trading expenditure.^[1]
- g) Compute capital allowances (as for individual income tax).^[2]
- h) Compute capital allowances in respect of intellectual property rights. ^[2]
- i) Compute income from the business of the making of investments.^[2]
- j) Recognise the income that is exempt from tax.^[1]

- k) Understand how trading losses can be carried forward and forfeited.^[2]
- l) Understand how trading losses can be claimed against income of the current or previous accounting periods.^[2]
- m) Recognise the order of set-off of capital allowances and losses of the current and previous years.^[2]
- n) Compute profits chargeable to corporation tax.^[2]

Excluded topics

- *Research and development expenditure.*

3. The comprehensive computation of the corporate income tax liability

- a) Prepare a basic tax computation for a company involving the different types of income.^[2]
- b) Understand the relief given for donations and the carry forward of unabsorbed donations.^[2]
- c) Understand the tax implications arising from the distribution of profits by a company to its shareholders.^[2]
- d) Compute the corporation tax liability, including the basic calculation of unilateral tax credit.^[2]
- e) Explain how exemptions and reliefs can defer or minimise corporation tax liabilities.^[2]

Excluded topics

- *Incentives under the Economic Expansion Incentive Act*
- *Incentives by way of exemption or concessionary rate of tax on certain trade/business activities such as shipping income.*

4. The effect of a group corporate structure for corporate income tax purposes

- a) Define members of the same group and recognise the effect of being a member of the same group for corporation tax purposes.^[2]

- b) Recognise the reliefs that are available to members of such a group.^[2]
- c) Explain the basic principles contained in the transfer pricing guidelines.^[2]

Excluded topics

- *A corporation becoming a member of the same group during a part of a year*
- *A member of the same group enjoying a concessionary rate of tax*

5. The use of exemptions and reliefs in deferring and minimising corporate income tax liabilities (The use of such exemptions and reliefs is implicit within all of the above sections 1 to 4 of part C of the syllabus, concerning corporate income tax)

D GOODS AND SERVICES TAX

1. The scope of goods and services tax (GST)

- a) Describe the scope of GST.^[2]
- b) List the principal zero-rated and exempt supplies.^[1]

2. The GST registration requirements

- a) Recognise the circumstances in which a person must register for GST.^[2]
- b) Explain the advantages of voluntary GST registration.^[2]
- c) Explain the circumstances in which pre-registration input GST can be recovered.^[2]
- d) Explain how and when a person can deregister for GST.^[1]

Excluded topics

- *Group registration.*

3. The computation of GST liabilities

- a) Explain how GST is accounted for and administered.^[2]
- b) Recognise the tax point when goods or services are supplied.^[2]
- c) List the information that must be given on a GST invoice.^[1]
- d) Explain and apply the principles regarding the valuation of supplies including imports.^[2]
- e) Recognise the circumstances in which input GST is non-deductible.^[2]
- f) Recognise the de minimis rules
- g) Compute the relief that is available for trade debts that are bad.^[2]

Excluded topics

- *Major Exporter Scheme*
- *Partial exemption*
- *Second hand goods scheme*
- *Cash accounting scheme*
- *International arrangements and reliefs*
- *Detailed knowledge of penalties*

E THE OBLIGATIONS OF TAXPAYERS AND/OR THEIR AGENTS

1. The time limits for the submission of information, claims and payment of tax.

- a) Recognise the time limits that apply to the filing of returns, including estimates of chargeable income and the making of claims.^[2]
- b) Explain the withholding tax implications arising in respect of payments made to non-residents.^[2]
- c) Recognise the due dates for the payment of tax including instalment arrangements and tax assessed on estimated chargeable income and withholding tax.^[2]

- d) List the information and records that taxpayers need to retain for tax purposes.^[1]

2. The procedures relating to enquiries, appeals and disputes

- a) Explain the circumstances in which the Comptroller can enquire into the tax affairs of taxpayers.^[2]
- b) Explain the procedures for dealing with appeals and disputes.^[1]

3. Penalties for non-compliance

- a) State the penalties that can be charged for non-compliance with the requirements of the Income Tax Act.^[2]
- b) Calculate late payment penalties on overdue tax and withholding tax.^[2]

READING LIST

- Income Tax Act Cap 134 - 2004 Ed.
- Singapore Master Tax Guide - CCH Asia Ltd
- Singapore Tax Workbook - CCH Asia Ltd
- ICPAS Taxation & Levies Practice Guidelines
- IRAS E-Tax Guide – www.iras.gov.sg
- IRAS Annual Report