

# Advanced Taxation Singapore (SGP) (P6) 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 blue print 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 the examiner 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 three-hour paper based examinations. The structure of papers varies from ten questions in the Corporate and Business Law (F4) paper to four 25 mark questions in Performance Management (F5) and 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 choices 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 regulations, practice notes or circulars **issued** by the relevant authorities including the Inland Revenue Authority of Singapore (IRAS) or legislation **passed** on or before 31<sup>st</sup> March annually, will be assessed from December 1<sup>st</sup> of the same year to June 30<sup>th</sup> of the year after. Therefore, paper based examinations in December 2009 and June 2010 will be assessed on regulations, practice notes or circulars **issued** by the relevant authorities including the IRAS or legislation passed on or before 31<sup>st</sup> March 2009.

Regulations, practice notes or circulars **issued** by the relevant authorities including the IRAS 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 regulations, practice notes or circulars or legislation has been released.

The term effective relates to when regulations, practice notes or circulars **issued** by the relevant authorities including the IRAS or legislation passed 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.

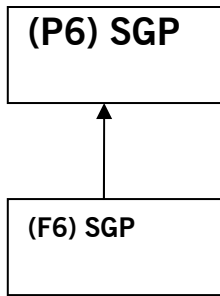
Singapore is one of the exceptions to this rule due to the timing of legislation. The cut-off date for Singapore will be 31<sup>st</sup> March, with effect from the December 2009 exam. Therefore, the cut off for the June 2009 exam will remain unchanged at 30 November 2008, and the December 2009 examination will be assessed on regulations, practice notes or circulars **issued** by the relevant authorities including the IRAS or legislation passed on or before 31<sup>st</sup> March 2009.

Students preparing for examinations are required to have the skill and knowledge of applying the law and practice as they become effective on 31 March.

This is effective from the December 2009 examination session. Students preparing for the December 2009 paper will be tested on their skill and knowledge of the law and practice as they exist on 31 March 2009 so long as the law and practice continue to be relevant. The focus is on the law and practice that are examinable for each examination session and could be for any year of assessment.

From 2010 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, and annually thereafter.

# Syllabus



## AIM

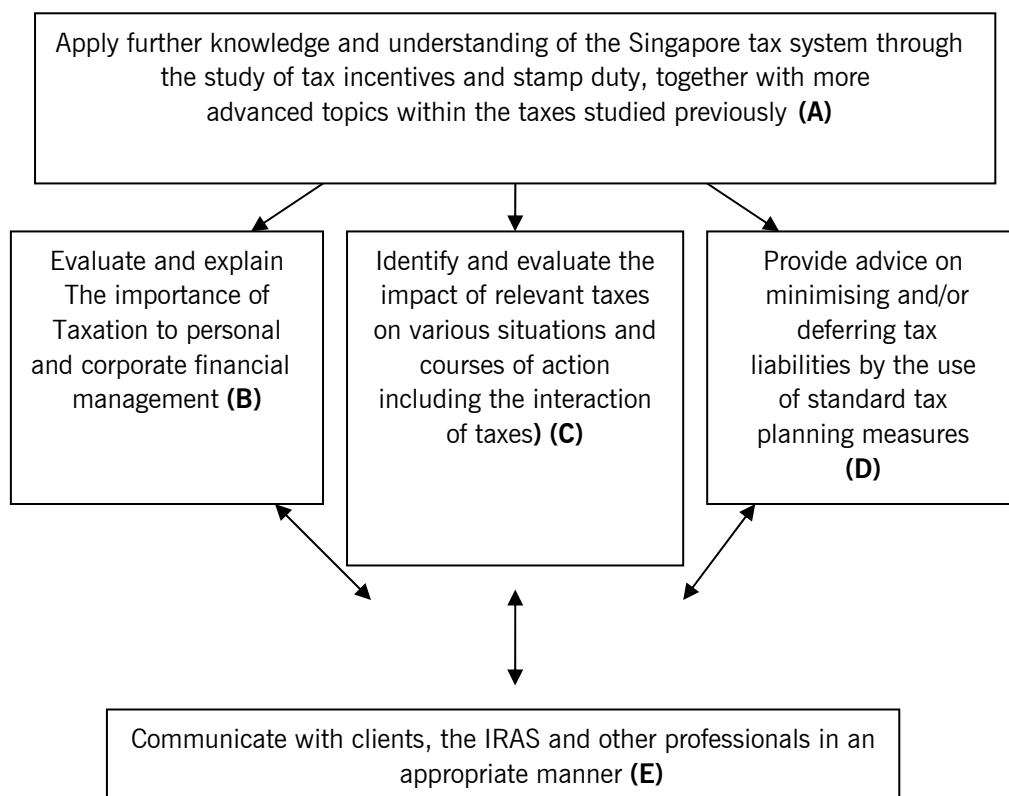
To apply relevant knowledge, skills and exercise professional judgement in providing relevant information and advice to individuals and businesses on the impact of the major taxes on financial decisions and situations

## MAIN CAPABILITIES

After completing this examination paper students should be able to:

- A** Apply further knowledge and understanding of the Singapore tax system through the study of tax incentives and stamp duty, together with more advanced topics within the taxes studied previously.
- B** Evaluate and explain the importance of taxation to personal and corporate financial management.
- C** Identify and evaluate the impact of relevant taxes on various situations and courses of action, including the interaction of taxes.
- D** Provide advice on minimising and/or deferring tax liabilities by the use of standard tax planning measures.
- E** Communicate with clients, the Inland Revenue Authority of Singapore (IRAS) and other professionals in an appropriate manner.

## RELATIONAL DIAGRAM OF MAIN SYLLABUS CAPABILITIES



## RATIONALE

The *Advanced Taxation* syllabus further develops the key aspects of taxation introduced in the compulsory Taxation syllabus within the Skills module and extends the candidates' knowledge of the tax system, together with their ability to apply that knowledge to the issues commonly encountered by individuals and businesses; such that successful candidates should have the ability to interpret and analyse the information provided and communicate the outcomes in a manner appropriate to the intended audience.

The syllabus builds on the basic knowledge of core taxes from the earlier taxation paper and introduces candidates to tax incentives and stamp duty. As this is an optional paper, aimed at those requiring/desiring more than basic tax knowledge for their future professional lives, the syllabus also extends the knowledge of income tax and corporation tax to encompass further overseas aspects of taxation, the taxation of trusts and additional exemptions and reliefs.

Candidates are not expected to concentrate on the computational aspects of taxation. Instead this paper seeks to develop candidates' skills of analysis, interpretation and communication. Candidates are expected to be able to use established tax planning methods and consider current issues in taxation.

## DETAILED SYLLABUS

### **A Knowledge and understanding of the Singapore tax system through the study of tax incentives and stamp duty together with more advanced topics within the taxes studied previously.**

1. Income and income tax liabilities in situations involving further overseas aspects and in relation to trusts, and the application of additional exemptions and reliefs
2. Corporate income tax liabilities in situations involving further overseas and group aspects and in relation to special types of company, and the application of additional exemptions and reliefs

3. Tax incentives provided for under the Income Tax Act and Economic Expansion Incentives (Relief from Income Tax) Act

4. Stamp duty

5. Goods and services tax and tax administration

### **B The importance of taxation to personal and corporate financial management**

1. The principles underlying personal financial management
2. How an individual's personal financial objectives may differ depending on his/her circumstances and expectations
3. The common forms of personal finance, investment and/or protection products in a given set of circumstances, including any ethical considerations
4. How a business' financial objectives may differ depending on its circumstances and the business environment
5. How taxation can affect the financial decisions made by businesses (corporate and unincorporated) and by individuals
6. Other considerations, personal and commercial, which might affect a financial decision.

### **C The impact of relevant taxes on various situations and courses of action, including the interaction of taxes**

1. Taxes applicable to a given situation or course of action and their impact.
2. Alternative ways of achieving personal or business outcomes may lead to different tax consequences.
3. Tax advantages and/or disadvantages of alternative courses of action.
4. Statutory obligations imposed in a given situation, including any time limits for action and the implications of non-compliance.

**D Minimising and/or deferring tax liabilities by the use of standard tax planning measures**

1. Types of investment and other expenditure that will result in a reduction in tax liabilities for an individual and/or a business.
2. Legitimate tax planning measures, by which the tax liabilities arising from a particular situation or course of action can be mitigated.
3. The appropriateness of such investment, expenditure or measures, given a particular taxpayer's circumstances or stated objectives.
4. The mitigation of tax in the manner recommended, by reference to numerical analysis and/or reasoned argument.
5. Ethical and professional issues arising from the giving of tax planning advice.
6. Current issues in taxation, including local tax cases

**E Communicating with clients, the Inland Revenue Authority of Singapore (IRAS) and other professionals**

1. Communication of advice, recommendations and information in the required format.
2. Presentation of written information, in language appropriate to the purpose of the communication and the intended recipient.
3. Conclusions reached, together where necessary with relevant supporting computations.
4. Assumptions made or limitations in the analysis provided; together with any inadequacies in the information available and/or additional information required to provide a fuller analysis.
5. Other significant non-tax factors that should be considered.

**APPROACH TO EXAMINING THE SYLLABUS**

The paper consists of two sections:

Section A consists of two compulsory questions for a total of between 50 and 70 marks. Marks may not be allocated evenly between the two questions.

Section B consists of three questions, two of which must be answered. Each question will have the same number of marks, ranging from 15 marks each to 25 marks each.

Questions will be scenario based and will normally involve consideration of more than one tax, together with some elements of planning and the interaction of taxes. Computations will normally only be required in support of explanations or advice and not in isolation.

The examination is a three-hour paper.

Tax rates, allowances and information on certain reliefs will be given in the examination paper.

# Study Guide

## **A APPLY FURTHER KNOWLEDGE AND UNDERSTANDING OF THE SINGAPORE TAX SYSTEM THROUGH THE STUDY OF TAX INCENTIVES AND STAMP DUTY, TOGETHER WITH MORE ADVANCED TOPICS WITHIN THE TAXES STUDIED PREVIOUSLY**

### **1. Income and income tax liabilities in situations involving further overseas aspects and in relation to trusts, and the application of exemptions and reliefs**

- a) The contents of the Paper F6 SGP study guide for income tax, under headings:
- B1 The scope of income tax
  - B2 Income from employment
  - B3 Income from self employment
  - B4 Property and investment income
  - B5 The comprehensive computation of taxable income and the income tax liability
  - B6 The use of exemptions and reliefs in deferring and minimising income tax liabilities

The following additional material is also examinable:

- b) The scope of income tax:<sup>[3]</sup>
- i) Explain and apply the concepts of residence, and advise on the relevance to income tax
  - ii) Advise on the tax position of individuals coming to and leaving Singapore
  - iii) Determine the income tax treatment of overseas income
  - iv) Understand the relevance of the OECD model double tax treaty to given situations
- c) Income from employment:<sup>[3]</sup>
- i) Advise on the tax treatment of equity based remuneration schemes
  - ii) Advise on the tax treatment of lump sum receipts
  - iii) Identify service companies and advise on the tax consequences of being a service company
  - iv) Explain and apply the not-ordinarily resident (NOR) scheme
- d) Income from self employment:

- i) Establish the relief available on the transfer of a business to a company <sup>[3]</sup>
  - ii) Recognise the tax treatment of the investment income of a partnership <sup>[2]</sup>
  - iii) Understand the tax implications of a transition from a partnership to a limited liability partnership and vice versa <sup>[3]</sup>
- e) Property and investment income: <sup>[3]</sup>
- i) Advise on the tax implications of jointly held assets
  - ii) Income from trusts and settlements: Understand the income tax position of trust beneficiaries
- f) The comprehensive computation of taxable income and the income tax liability:<sup>[3]</sup>
- i) Determine the taxability of the income of minor children
- g) The use of exemptions and reliefs in deferring and minimising income tax liabilities: <sup>[3]</sup>
- i) Understand and apply the rules relating to both the Central Provident Fund (CPF) and the Supplementary retirement Scheme (SRS) for employed persons and self-employed persons

### ***Excluded topics***

None

### **2. Corporate income tax liabilities in situations involving further overseas and group aspects and in relation to special types of company, and the application of additional exemptions and reliefs**

- a) The contents of the Paper F6 SGP study guide, for corporate income tax, under headings:
- C1 The scope of corporate income tax
  - C2 Profits chargeable to corporate income tax
  - C3 The comprehensive computation of corporate income tax liability
  - C4 The effect of a group structure for corporate income tax purposes
  - C5 The use of exemptions and reliefs in deferring and minimising corporate income tax liabilities

The following additional material is also examinable:

- b) The scope of corporate income tax: <sup>[3]</sup>
  - i) Identify and calculate corporate income tax for companies with investment business
  - ii) Identify and evaluate the significance of accounting periods on administration or winding up
  - iii) Advise on the tax implications of a purchase by a company of its own shares
  - iv) Identify service companies and advise on the tax consequences of being a service company
- c) Profits chargeable to corporation tax: <sup>[3]</sup>
  - i) Advise on the impact of the transfer pricing rules
  - ii) Calculate and advise on the allowances for approved cost sharing agreements for research and development activities
- d) The comprehensive calculation of tax liability: <sup>[3]</sup>
  - i) Assess the impact of the OECD model double tax treaty on corporation tax
  - ii) Evaluate the meaning and implications of a permanent establishment
  - iii) Advise on the tax position of overseas companies trading in Singapore
- e) The effect of a group structure for corporate income tax purposes: <sup>[3]</sup>
  - i) Advise on the tax consequences of a transfer of intangible assets
  - ii) Determine the effects of the anti-avoidance provisions.
  - iii) Advise on the effects of a corporation becoming a member of a group for only part of a year
  - iv) Understand the position where a member of a group enjoys a concessionary rate of tax

#### **Excluded topics**

Detailed knowledge of anti-avoidance provisions (except as stated in the Study Guide).

Detailed knowledge of specific double taxation agreements.

### **3. Tax incentives provided for under the Income Tax Act and Economic Expansion Incentives (Relief from Income Tax) Act.**

- a) Advise on the availability of incentives available for relevant trading activities and business situations. <sup>[3]</sup>

### **4. Stamp duty**

- a) The scope of stamp duty <sup>[2]</sup>
  - i) Advise on the duties payable on transfers of shares and securities
  - ii) Advise on the duties payable on transfers of immovable properties
- b) The use of exemptions and reliefs in deferring and minimising stamp duties: <sup>[3]</sup>
  - i) Identify transfers involving no consideration
  - ii) Advise on group transactions
- c) Understand and explain the systems by which stamp duties are administered. <sup>[2]</sup>

#### **Excluded topics**

- The systems by which stamp duties are administered:
- Detailed rules on interest and penalties

### **5. Goods and services tax and tax administration**

- a) The contents of the Paper F6 SGP study guide for goods and services tax (GST) under headings:

- D1 The scope of GST

Additional subject included in P6 SGP:

- i) Advise on the impact of the transfer of a business for GST purposes. <sup>[3]</sup>

- D2 The GST registration requirements:

Additional subject included in P6 SGP:

- i) Advise on the impact of group registration and divisional registration. <sup>[3]</sup>

- D3 The computation of GST liabilities:

Additional subjects included in P6 SGP: <sup>[3]</sup>

- i) Advise on the GST implications of the supply of land and buildings in Singapore
  - ii) Advise on the GST implications of imports and exports, including the major exporter scheme
  - iii) Advise on the GST implications of partial exemption
- b) The contents of the Paper F6 SGP study guide for the obligations of taxpayers and/or their agents under headings:
- E1 The time limits for the submission of information, claims and payment of tax
  - E2 The procedures relating to enquiries, appeals and disputes
  - E3 Penalties for non-compliance

## **B THE IMPORTANCE OF TAXATION TO PERSONAL AND CORPORATE FINANCIAL MANAGEMENT**

### **1. The principles underlying personal financial management**

- a) Calculate the receipts from a transaction, net of tax and compare the results of alternative scenarios and advise on the most tax efficient course of action.<sup>[3]</sup>

### **2. How an individual's personal financial objectives may differ depending on his/her circumstances and expectations**

- a) Understand and apply the effect of age, family commitments, aspirations and the economy on personal financial objectives.<sup>[3]</sup>

### **3. The applicability of the common forms of personal finance and investment products in a given set of circumstances, including ethical considerations**

- a) Understand and be able to compare and contrast the tax treatment of the sources of finance available to individuals.<sup>[3]</sup>
- b) Understand and be able to compare and contrast the tax treatment of investment products:<sup>[3]</sup>
  - i) Deposit based investments
  - ii) Equities
  - iii) REITS

- iv) Unit trusts

### **4. How a business' financial objectives may differ depending on its circumstances and the business environment**

- a) Understand and be able to explain the effect of profitability, future plans, actions of competitors and the economy on a business' financial objectives.<sup>[3]</sup>

### **5. How taxation can affect the financial decisions made by businesses (corporate and unincorporated) and by individuals**

- a) Understand and explain the effect of the raising of equity and loan finance on tax.<sup>[3]</sup>
- b) Explain the tax differences between decisions to lease, use hire purchase or purchase outright.<sup>[3]</sup>
- c) Understand and explain the impact of taxation on the cash flows of a business.<sup>[3]</sup>

### **6. Other considerations, personal and commercial, which might affect a financial decision<sup>[3]</sup>**

## **C THE IMPACT OF RELEVANT TAXES ON VARIOUS SITUATIONS AND COURSES OF ACTION, INCLUDING THE INTERACTION OF TAXES**

### **1. Identifying and advising on the taxes applicable to a given course of action and their impact.<sup>[3]</sup>**

### **2. Identifying and understanding that the alternative ways of achieving personal or business outcomes may lead to different tax consequences.<sup>[3]</sup>**

### **3. Assessing the tax advantages and disadvantages of alternative courses of action.<sup>[3]</sup>**

### **4. Understanding the statutory obligations imposed in a given situation, including any time limits for action and advising on the implications of non-compliance.<sup>[3]</sup>**

## **D MINIMISING AND/OR DEFERRING TAX LIABILITIES BY THE USE OF STANDARD TAX PLANNING MEASURES**

1. Identifying and advising on the types of investment and other expenditure that will result in a reduction in tax liabilities for an individual and/or a business.<sup>[3]</sup>
2. Advising on legitimate tax planning measures, by which the tax liabilities arising from a particular situation or course of action can be mitigated.<sup>[3]</sup>
3. Advising on the appropriateness of such investment, expenditure or measures given a particular taxpayer's circumstances or stated objectives.<sup>[3]</sup>
4. Advise on the mitigation of tax in the manner recommended by reference to numerical analysis and/or reasoned argument.<sup>[3]</sup>
5. Be aware of the ethical and professional issues arising from the giving of tax planning advice.<sup>[3]</sup>
6. Be aware of and give advice on current issues in taxation, including the effect of decisions in recent major tax cases on the interpretation of existing legislation<sup>3]</sup>

## **E COMMUNICATING WITH CLIENTS, THE IRAS AND OTHER PROFESSIONALS IN AN APPROPRIATE MANNER**

1. Communication of advice, recommendations and information in the required format.<sup>[3]</sup>

For example the use of:

- Reports
- Letters
- Memoranda
- Meeting notes

2. Presentation of written information, in language appropriate to the purpose of the communication and the intended recipient.<sup>[3]</sup>
3. Communicating conclusions reached, together, where necessary with relevant supporting computations.<sup>[3]</sup>

4. Stating and explaining assumptions made or limitations in the analysis provided; together with any inadequacies in the information available and/or additional information required to provide a fuller analysis.<sup>[3]</sup>

5. Identifying and explaining other, significant non-tax, factors that should be considered.<sup>[3]</sup>

## **READING LIST**

1. IRAS Website (download General Information, Brochures, Downloadable Forms and E-Tax Guides)
2. Income Tax Act, GST Act, Economic Expansion Incentives Act – download from Lawnet
3. Ministry of Finance Website - Yearly Budgets
4. Economic Review committee – Proposal for Changes in the Singapore Tax System
5. Singapore-China Double Taxation Agreement
6. Budget Commentary 2009 – Deloitte & Touche Singapore Website- [www.deloitte.com](http://www.deloitte.com)
7. Budget Commentary 2009 – Ernst & Young Singapore Website – [www.eyi.com](http://www.eyi.com)
8. Budget Commentary 2009 – KPMG Singapore Website – [www.kpmg.com](http://www.kpmg.com)
9. Budget commentary 2009 – PWC Singapore Website – [www.pwc.com](http://www.pwc.com)
10. Tax issues: Articles and Case Notes compiled by CCH Tax Editors
11. Singapore Master Tax Guide Handbook 2009/10  
Publisher: CCH
12. Tax Planning & Compliance in Singapore (web version)  
Publisher: CCH
13. Singapore tax briefing  
Publisher: CCH Asia.
14. Singapore Master Tax Guide Manual (web version)  
Publisher: CCH
15. Lexis-Nexis Database – Local Tax cases
16. Singapore Tax Workbook 2009 – Sum Yee Loong 12<sup>th</sup> edition  
Publisher: CCH

The study of relevant articles in *student accountant* magazine is also recommended.

## **SUMMARY OF CHANGES TO PREVIOUS STUDY GUIDE**

### **June 2009**

GUIDE TO EXAMINATION ASSESSMENT on page 3  
updated to provide clarity

Reading list updated