Answers

Note: ACCA does not require candidates to quote section numbers or other statutory or case references as part of their answers. Where such references are shown below, they are given for information purposes only.

1 Simon Hamilton Corporation Pte Ltd

Tax Adviser
Firm's address

The board of directors
Simon Hamilton Corporation Pte Ltd (SHCPL)
Company address

1 December 2018

Dear Sirs

Singapore tax position for SHCPL and its subsidiaries

We refer to your request for advice following our recent meeting and are pleased to set out our advice on the respective issues as follows:

(a) Computation of pioneer profits and assessable income of Justin Sinclair Pte Ltd

	Pioneer $	Non-pioneer $	*Marks*
Adjusted trade income before capital allowances (CAs)	400,000	40,000	1·0
Abatement	(20,000)	20,000	1·0
Adjusted trade income after abatement	380,000	60,000	Note
Less: CAs on assets for pioneer trade (60,000/6)	(10,000)		1·0
Less: CAs on common assets (330,000/10) – 2·4:1·2	(22,000)	(11,000)	2·0
Adjusted trade income	348,000	49,000	
Rental income		4,000	0·5
Statutory income		53,000	
Less: donations (250% x 20,000)	0	(50,000)	0·5
Pioneer profit/assessable income	348,000	3,000	
			6·0

Tutorial note: *5% of $1,200,000 is $60,000. The adjusted non-pioneer trade income is accordingly increased by $20,000 to $60,000 and the pioneer trade income abated by $20,000.*

(b) Loss relief options available to Great Titanic Pentagon Pte Ltd (GTPPL)

Faced with a tax loss of $1 million in the year of assessment (YA) 2019, the fifth and final year of the global trader programme incentive period, the following options are available to GTPPL:

(i) It could carry back at most $100,000 of this tax loss for YA 2019 to set off against its assessable income for YA 2018 and carry forward the balance of this loss of $900,000 to set off against any future assessable income from YA 2020 onwards.

The carry back would result in a maximum refund of $10,000 (i.e. 10% of $100,000). To carry forward any balance of the tax loss, an adjustment factor (10/17) has to be applied to the remaining balance of $900,000 assuming the incentive is not renewed when it expires at the end of YA 2019. This will result in an adjusted tax loss amount of $529,412 (i.e. $900,000 x 10/17) to carry forward.

(ii) GTPPL could choose not to carry back any of the tax loss and instead carry forward the maximum amount of the tax loss of $1 million. Again, assuming that the incentive is not renewed when it expires at the end of YA 2019, the adjustment factor (10/17) has to be applied on the $1 million, resulting in an adjusted tax loss of $588,235 ($1,000,000 x 10/17).

(iii) GTPPL could ask for a revocation of the incentive after the first four years, so that the entire loss of $1 million for YA 2019 can be preserved and carried forward without being subjected to the adjustment factor. This is subject to approval by the relevant authority who may not grant it due to the late application.

(iv) Finally, GTPPL could apply for renewal of the global trader programme tax incentive to extend it for another five years. This is on the premise that the loss situation in 2018 is only temporary and all qualifying conditions can be satisfied. If so, the $1 million tax loss can be set off against future assessable income without the need to apply an adjustment factor.

(c) Singapore income tax implications for Simon Isaac Hamilton Pte Ltd (SIHPL) in respect of dividends received in Singapore from Shanghai Luxurious Properties Ltd (SLPL) and capital gains tax implications of a future sale

Any dividends received by SIHPL in Singapore from SLPL shall be exempted from Singapore tax as all the following conditions are met:

(i) SIHPL is tax resident in Singapore.

(ii) The dividend is foreign-sourced, being paid by an entity which is tax resident in China.

(iii) The dividend is paid out of profits from rental income on which tax is paid or payable in China.

(iv) The headline tax rate of the foreign country where the income is derived (China) is at least 15%.

(v) The tax exemption is beneficial to SIHPL.

In the absence of a capital gains tax regime in Singapore, any potential gains derived from a future sale of SLPL by SIHPL will not be taxable in Singapore so long as they are regarded as capital in nature. This is regardless of whether the gain has been taxed in China, or whether the proceeds are remitted to Singapore.

(d) Stamp duty (including any additional conveyance duties) payable by SIHPL on acquisition of a 15% or 55% stake in Company A

The agreement for the transfer of shares executed in Singapore is subject to stamp duty. The rate of stamp duty for the transfer of shares in a Singapore company is 0·2% on the higher of the consideration or the market value of the shares transferred. The net asset value is used where the market value is not readily available.

(i) 15% stake acquired

Based on a consideration of $1·5 million for a 15% stake in Company A, the stamp duty payable by SIHPL would be $3,000 (i.e. 0·2% of $1·5 million).

However, additional conveyance duties (ACDs) are applicable on qualifying acquisitions of equity interests in property-holding entities (PHEs) on or after 11 March 2017.

Company A is a Type 1 PHE as almost 100% (i.e. at least 50%) of its total tangible assets comprises immovable properties in Singapore in the form of residential properties.

An acquisition of a 15% stake in Company A would not constitute a qualifying acquisition as SIHPL would not become a significant owner of the PHE after acquisition since it would have only acquired 15% (i.e. less than 50%) of the shares in Company A. There is consequently no ACD for SIHPL.

(ii) 55% stake acquired

Based on a consideration of $5·5 million for a 55% stake in Company A, the stamp duty payable by SIHPL would be $11,000 (i.e. 0·2% of $5·5 million).

In terms of ACDs, an acquisition of a 55% stake in Company A would constitute a qualifying acquisition as SIHPL would become a significant owner of Company A after acquisition.

Being a qualifying acquisition, and based on an underlying value of $20 million on Company A's residential property, SIHPL would have to pay additional conveyance duties for buyers (ACDB) of $3,731,530 calculated as follows:

		$
On the first $180,000	1% x $180,000	1,800
On the next $180,000	2% x $180,000	3,600
On the next $640,000	3% x $640,000	19,200
Exceeding $1,000,000	4% x $19,000,000	760,000
On the entire $20,000,000	30% x $20,000,000	6,000,000
Total		6,784,600
55% thereof		$3,731,530

(e) Tax implications for SHCPL if treated as a passive investment holding company or an investment dealing company

A passive investment holding company is not regarded as carrying on a business of dealing in investments. Its investment income is regarded as passive investment income and is assessed under s.10(1)(d) or 10(1)(f) of the Singapore Income Tax Act (SITA). If the profits on the sale of investments are held to be capital gains, then the profits are not subject to tax. Otherwise, the profits are taxable. Pre-commencement expenses are not deductible. On the other hand, expenses incurred directly in the production of income are deductible. Deduction for other expenses is calculated as follows:

(i) First, determine the total statutory expenses incurred to earn the investment income;

(ii) Next, compute the other indirect allowable expenses (e.g. director's fees, salaries, etc) based on the lower of the actual indirect expenses or 5% of total investment income;

(iii) Add up (i) and (ii) to arrive at the total common expenses which can be claimed;

(iv) Finally, determine the share of common expenses which can be claimed against the respective investment income based on the formula below:

$$\frac{\text{Gross investment income chargeable to Singapore tax}}{\text{Total investment income}} \times \text{Total common expenses}$$

No capital allowances can be claimed on plant and machinery. Where expenses exceed income, losses cannot be set off against other income nor are they available for carry forward against income in future years or transferred to other group members under the group relief system.

An investment dealing company, on the other hand, is regarded as carrying on a business of dealing in investments. Its income including profits on the sale of investments are regarded as trading income and are assessed under s.10(1)(a) of SITA.

Expenses wholly and exclusively incurred in the production of income are deductible subject to the rules under s.14 and 15 of SITA. Capital allowances are claimable on plant and machinery used in the production of income. Unabsorbed capital allowances and losses can be set off against non-business income within the same year. Where there is no other income, the unabsorbed capital allowances and losses can be carried forward for set off against income in future years; carried back for set off against the immediately preceding year's income subject to the shareholders' continuity test; or transferred to other group members under the group relief system.

I hope the above is useful. Please do not hesitate to contact me if you need further clarification.

Yours sincerely

Tax adviser

2 Jason and Jennifer

(a) Jason – Not ordinarily resident scheme and implications for the year of assessment (YA) 2019

Jason qualifies for the not ordinarily resident (NOR) scheme in YA 2019 as he meets the following conditions:

– He is a resident of Singapore for income tax purposes for the YA in which he is applying to be taxed under the scheme (i.e. YA 2019) since he is physically employed for at least 183 days in the calendar year 2018; and

– He was not a resident of Singapore for income tax purposes for the three consecutive YAs immediately preceding that YA. This condition is met as he was neither physically present nor exercising employment in Singapore during the calendar years 2015 to 2017.

Notwithstanding that he previously qualified for NOR status for YAs 2011 to 2015 inclusive, he can still qualify for NOR status again for YA 2019 as he is able to satisfy the required conditions.

The main implication of qualifying for the NOR scheme is the time apportionment basis of taxation which Jason will enjoy as he also met the following conditions:

– He spent 92 days (i.e. at least 90 days) in the calendar year 2018 outside Singapore for business reasons with respect to his Singapore employment.

– His total annual Singapore employment income in the calendar year 2018 is $500,000 (i.e. at least $160,000).

– Once the time apportionment benefit is granted, the amount of tax payable on Jason's time apportioned income must be at least 10% of his total employment income before apportionment. This condition is met too as demonstrated below (see note 2).

Individual income tax liability for YA 2019

	$	$	*Marks*
Total employment income		500,000	1·0
Less: portion outside Singapore (92/365 x $500,000)		(126,027)	1·5
Assessable income		373,973	
Less personal reliefs:			
Earned income relief	(1,000)		0·5
Supplementary retirement scheme (SRS) contributions (note 1)	(20,000)	(21,000)	1·0
Chargeable income		352,973	
Tax on the first $320,000		44,550	
Tax on the next $32,973 at 22%		7,254	
Net tax payable		51,804	1·0
			5·0

Notes:
1. There is no need for Jason to become a citizen to be able to claim relief for his SRS contributions. In fact, as a foreigner, his cap for relief is higher at $35,700, compared to only $15,300 for Singapore citizens and permanent residents.
2. Tax payable of $51,804 is more than 10% of his employment income of $500,000 for YA 2019.

(b) **Jennifer – Individual income tax computation for YA 2020**

	$	$	*Marks*
Employment income:			
Salary (12 x $28,000)		336,000	0·5
Sign-on bonus		0	0·5
Special bonus		28,000	0·5
Earned income		364,000	
Interest from pawnshop		36,000	0·5
Statutory/assessable income		400,000	
Less personal reliefs:			
Earned income relief	(1,000)		0·5
Qualifying child relief (husband claims balance of $2,860)	(1,140)		0·5
Working mother child relief (15% x $364,000, capped at $50,000 including qualifying child relief)	(46,000)		1·0
Grandparent caregiver relief (child above 12)	0		1·0
CPF – ordinary wages (20% x $6,000 x 12)	(14,400)		1·0
CPF – additional wages (20% x $28,000)	(5,600)		1·0
Foreign maid levy relief (2 x $265 x 12)	(6,360)		1·0
Parent relief	(5,500)		0·5
	(80,000)		
Total personal reliefs (capped)		(80,000)	1·0
Chargeable income		320,000	
Net tax payable (tax on the first $320,000)		44,550	0·5
			10·0

Jennifer is affected by the $80,000 cap if she has proceeded to maximise her claim for personal reliefs. The most optimal manner for her to manage any potential wastage is to let her husband, Jason, claim any of the applicable personal reliefs.

Jason is unable to claim working mother child relief, grandparent caregiver relief and foreign maid levy relief, because all of these reliefs can only be claimed by working mothers and not male taxpayers.

However, all or part of the qualifying child relief of $4,000 and/or parent relief of $5,500 can be claimed by Jason to avoid Jennifer wasting any personal reliefs in excess of the $80,000 cap.

Tutorial notes:
1. *The answer assumes the child received full-time education and did not derive an income exceeding $4,000 in the year 2019. Appropriate marks were awarded if candidates made a different assumption and concluded that child relief was not applicable.*
2. *In the tax computation above, it is assumed that Jennifer only claims $1,140 qualifying child relief with the remaining amount of $2,860 ($4,000 – $1,140) claimed by Jason. Candidates who showed Jennifer claiming the full $4,000 of qualifying child relief but only $2,640 parent relief with Jason claiming the remaining amount of $2,860 ($5,500 – $2,640) were awarded equal credit.*

3 (a) **Leonard and Philip**

(i) **Utilisation of prior years' unabsorbed capital allowances, trade losses and donations**

Leonard and Philip are planning to form and register an LLP to take over the business of Blue Bell Pte Ltd (BBPL). Whether the unabsorbed capital allowances, trade losses or donations (collectively termed as 'relevant deductions') of the transferred business of BBPL can be used by the partners of the new LLP will depend on whether the business continuity test and/or the shareholding test are/is satisfied.

Unabsorbed capital allowances

In order for unabsorbed capital allowances of the transferred business to be carried forward and utilised by the partners of the new LLP, there is a need to satisfy the business continuity test. This means the trade, business or profession of the transferor (BBPL) must be transferred to the new LLP. BBPL's unabsorbed capital allowances of that same trade, business or profession which has been transferred can then only be carried forward to a future year of assessment (YA) for set off against the LLP's future income.

For income tax purposes, a change in the business structure through which a person carries on a trade, business or profession does not necessarily constitute a cessation of that trade, business or profession.

A company transferring a trade, business or profession to a transferee LLP may dissolve thereafter. If this were to be the case, BBPL would cease to exist and, therefore, there would be no question of carrying forward its unabsorbed capital allowances of the transferred trade, business or profession remaining in the YA of transfer for set off against its income in a future YA.

With the new LLP formed to take over the business of BBPL, to satisfy the business continuity test, BBPL must become a partner of the new LLP. It does not matter whether BBPL continues to carry on another trade, business or profession after the transfer. In addition, BBPL must also satisfy the shareholding test. Only when both tests are satisfied can BBPL, being the partner of the new LLP, utilise the unabsorbed capital allowances for set off against its share of the future income from the new LLP.

On the other hand, if BBPL does not become a partner of the new LLP, the company would be considered to have ceased to carry on that trade, business or profession. BBPL would therefore not meet the business continuity test and, as such, it would not be able to carry forward its unabsorbed capital allowances in the YA of transfer to a future YA for set off against its future income.

Unabsorbed trade loss

If BBPL were to transfer its trade, business or profession to the new LLP and dissolve thereafter, there is no question of carrying forward its unabsorbed trade losses from the YA of transfer to a future YA for set off against its future income.

Alternatively, if BBPL does not dissolve after the transfer, its unabsorbed trade loss of the transferred trade, business or profession remaining in the YA of transfer can be carried forward to a future YA for set off against its future income, subject to the satisfaction of the shareholding test. This is regardless of whether the company becomes a partner of the new LLP.

Unabsorbed donation

Subject to the satisfaction of the shareholding test, BBPL can carry forward to a future YA (up to the fifth YA after the YA relating to the basis period in which the donation was made) for set off against its future income, any unabsorbed donations of its transferred trade, business, profession or vocation remaining in the YA of transfer, except if it were to dissolve after the transfer. This is regardless of whether BBPL becomes a partner of the new LLP.

(ii) Limited liability partnership v general partnership

Similar to a general partnership, tax will not be imposed on the new LLP at the entity level. Instead, each partner of the LLP (whether Leonard and Philip as individuals or BBPL as a company) will be taxed on their respective share of the partnership profits.

For an LLP, the amount of tax losses and capital allowances which can be carried forward indefinitely is restricted to the amount of contributed capital of each partner. In contrast, for a general partnership, there is no limit on the amount of tax losses and capital allowances which can be carried forward indefinitely.

The contributed capital of a partner of an LLP is the total sum of:

- Its actual contributions to the LLP (in cash or in kind but not including any loan given to the LLP) as capital less any amounts drawn out or received back by the partner (whether as a distribution or a loan or otherwise); and
- The amount of profits or gains of the trade, business, profession or vocation derived by the LLP from any past year of assessment to which the partner is entitled (whether as a distribution or a loan or otherwise) but which the partner has not received.

(b) Additional tax benefits of tax treaties for Singapore tax resident companies

Arnold is correct that whether any tax exemption under the foreign source income exemption regime can be claimed does not depend on whether the foreign income is earned in a country which has concluded a comprehensive tax treaty with Singapore.

In most cases, claims for foreign tax credits are granted regardless of whether the foreign income is earned in a country which has concluded a comprehensive tax treaty with Singapore. So, for example, where withholding tax is suffered in a foreign jurisdiction in respect of non-business income such as interest or royalties, the Singapore tax resident company would be able to claim double taxation relief (if Singapore has a treaty with the other country) or unilateral tax relief (if Singapore has no tax treaty with the other country).

However, there are certain areas where tax treaties accord better tax benefits to the Singapore tax resident. These include:

- Whilst claims for unilateral tax relief in respect of dividend income also include the underlying tax suffered, the claimant needs to have a minimum shareholding of 25%, unless this requirement is waived by the Minister of Finance; certain tax treaties accord better treatment by prescribing a threshold lower than 25%.
- Certain tax treaties may provide for tax sparing relief, either unilaterally or mutually, and so a tax resident company may be able to claim relief for tax deemed suffered under such circumstances. This is not available under Singapore domestic laws.
- A tax treaty increases certainty to taxpayers in situations when two contracting countries will apply their own tax laws to a cross-border transaction. For example, the treaty permanent establishment concept sets the threshold for the source state to be allowed to tax the business profits of the non-resident.

– Mutual agreement procedures provide an avenue for resolving transfer pricing disputes, and double taxation occurring as a result of conflict in domestic source rules.

– Exchange of information helps to prevent cross-border tax evasion between two countries which have signed a tax treaty.

– A number of tax treaties provide reduced withholding tax rates for certain non-business income such as interest and royalties.

4 Maximus United Pte Ltd (MUPL) and Red Devils Pte Ltd (RDPL)

(a) Goods and services tax (GST) implications of secondment arrangement

When a company assigns an employee to work for another company under a secondment arrangement and recovers salary and staff related costs from that other company, the secondment is ordinarily regarded as a provision of human resource services, i.e. there is a supply. Generally, the recovery of expenses relating to the secondment is subject to GST.

However, under an administrative concession, companies do not need to charge GST provided all the following conditions are satisfied:

(i) Both the seconding company and the company to which the staff member is seconded are related, e.g. parent and subsidiary;

(ii) The seconded staff member works only for one company at any point in time;

(iii) The company to which the staff member is seconded has total control over the staff member;

(iv) No input tax which relates to the secondment of staff is claimed; and

(v) No extra fees are charged to the company to which the staff member is seconded.

In this case, MUPL will be able to satisfy only conditions (i) to (iv), since:

(i) MUPL and RDPL are related (RDPL is the 100% subsidiary of MUPL);

(ii) The five seconded staff members will work only for RDPL during the one-year secondment from 1 July 2019;

(iii) RDPL will have total control over the five seconded staff members; and

(iv) It is assumed that there will be no claim for input tax relating to the secondment.

As MUPL will be recovering salary and staff related costs plus a 5% margin, it will not meet the last condition (that no extra fees are charged to RDPL).

Accordingly, the concession is not applicable and MUPL must therefore charge GST on the provision of human resource services through the secondment of staff to RDPL. Based on an annual recovery of $630,000 ($50,000 x 12 x 1·05), the GST which needs to be charged by MUPL to RDPL is $44,100 ($630,000 x 7%) per year. As RDPL is not registered for GST, it will not be able to claim a refund on the input tax it pays to MUPL.

(b) Circumstances in which RDPL would be obliged to register for GST or able to register voluntarily

Under the GST Act, every person who makes annual taxable turnover (i.e. standard or zero-rated supplies) exceeding or expected to exceed $1 million in value is required to register for GST within 30 days from the date of liability to register. In determining whether this threshold is met, there are two bases used:

Retrospective basis

Under the retrospective basis, registration is compulsory if the taxable turnover of the person at the end of the calendar quarter and the past three quarters is more than $1 million.

Tutorial note: *Candidates who applied the new retrospective basis and concluded that GST registration is compulsory if the taxable turnover of the person at the end of any calendar year on or after 1 January 2019 is more than $1 million were also awarded full credit.*

Prospective basis

Under the prospective basis, registration is compulsory if, at any time, the person can reasonably expect their taxable turnover in the next 12 months to be more than $1 million.

If a person is not liable to register for GST under either of these tests, they can still apply for voluntary registration. Such applications are reviewed on a case-by-case basis by the Comptroller who has the discretion to approve or reject the application. Once voluntary registration is approved, the taxable person must remain registered for at least two years.

The decision to register voluntarily is often motivated by the potential to claim input tax incurred, which would otherwise not be possible for a trader who is not registered for GST. However, the decision to register voluntarily would involve a cost-benefit analysis to weigh the benefit of claiming input GST against the costs of GST compliance. Once the company decides to volunteer for GST registration, it must fulfil its obligations as a GST trader and comply with the GST laws.

RDPL is not required to register for GST under the retrospective test, as its taxable turnover for the past four quarters, i.e. for the period from 1 April 2018 to 31 March 2019, is only $720,000 ($60,000 x 12). As the company's projected

taxable turnover for the next 12 months is also only $720,000 ($60,000 x 12) (note that the sales of $500,000 constitute out-of-scope supplies and should not be counted in the $1 million threshold), RDPL would also not be expected to register under the prospective test.

As to whether RDPL would benefit from voluntarily registering for GST, one should look at the potential input GST claims compared with the compliance costs of being registered for GST. Based on the facts, no input tax is incurred on salaries and bonuses borne directly by RDPL on its own staff, as these are out of scope. However, the input tax attributable to the provision of human resource services through the secondment of five of MUPL's staff members amounting to $44,100 (as calculated in (a)) appears substantial enough to justify voluntary registration.

(c) GST group registration

MUPL and RDPL could apply for GST group registration provided the following conditions are met:

(i) Both entities are or will be registered for GST individually.

(ii) Each entity must have at least one of the following attributes:

  (a) Is a resident in Singapore or has an established place of business in Singapore;

  (b) Has an annual turnover of at least $1 million;

  (c) Is listed on a securities exchange established in or outside Singapore;

  (d) Is a subsidiary of a body corporate which fulfills (b) or (c); or

  (e) Is financed by an entity (as part of its venture capital investment business) which fulfills (b) or (c).

(iii) The GST group is able to nominate a representative member which must be a Singapore resident or have an established place of business in Singapore.

(iv) Control exists as there is a holding company–subsidiary relationship.

The advantages for MUPL and RDPL of being in a GST group are:

(i) Both companies can centralise their administration for GST reporting purposes.

(ii) Supplies made between companies within a group are not subject to GST. This yields cash flow benefits for RDPL who would otherwise have to pay GST on the secondment costs first and claim back the refund for the input tax paid later.

		Available	Maximum
1	**Simon Hamilton Corporation Pte Ltd (SHCPL)**		
(a)	**Tax computation of Justin Sinclair Pte Ltd**		
	Tax computation (see answer for detailed allocation of marks)		6·0
(b)	**Loss relief options available to Great Titanic Pentagon Pte Ltd**		
	Carry back $100,000 and carry forward balance	2·0	
	Carry forward	2·0	
	Revoke incentive	2·0	
	Renewal of incentive	2·0	
		8·0	6·0
(c)	**Singapore income tax implications for Simon Isaac Hamilton Pte Ltd (SIHPL) in respect of dividends received from Shanghai Luxurious Properties Ltd and capital gains implications of a future sale**		
	Satisfies all five conditions for tax exemption for dividends	5·0	
	No tax on capital gains	2·0	
		7·0	6·0
(d)	**Stamp duty (including any additional conveyance duties) payable by SIHPL**		
	Stamp duty implications for 15% stake	1·0	
	Additional conveyance duties (ACD) explained	2·0	
	No ACD for 15% stake	1·0	
	Stamp duty implications for 55% stake	1·0	
	Computation of ACD for 55% stake	3·0	
		8·0	6·0
(e)	**Tax implications for SHCPL if treated as an investment holding company or an investment dealing company**		
	Tax implications for investment holding company	5·0	
	Tax implications for investment dealing company	3·0	
		8·0	7·0
	Professional marks		
	Appropriate format and presentation of the letter	1·0	
	Structure including relevant headings	1·0	
	Effectiveness of communication	1·0	
	Logical flow	1·0	4·0
			35·0

		Available	Maximum
2	**Jason and Jennifer**		
(a)	**Jason – Not ordinarily resident scheme and implications**		
	Satisfies both conditions	2·0	
	Irrelevant that he qualified previously	1·0	
	Satisfies the three conditions for time-apportionment benefit	4·0	
	Tax computation (see answer for detailed allocation of marks)	5·0	
	Can claim $20,000 SRS relief due to a higher cap for foreigners	2·0	
		14·0	13·0
(b)	**Jennifer – Income tax computation and $80,000 cap**		
	Tax computation (see answer for detailed allocation of marks)	10·0	
	Most tax efficient way to manage the $80,000 cap	3·0	
		13·0	12·0
			25·0

				Available	Maximum
3	**(a)**	Leonard Pang and Philip Lee			
		(i)	**Utilisation of prior years' unabsorbed capital allowances, trade losses and donations**		
			Availability of deduction items subject to conditions	1·0	
			Conditions for carry forward of unabsorbed capital allowances	5·0	
			Conditions for carry forward of unabsorbed trade loss	2·0	
			Conditions for carry forward of unabsorbed donation	2·0	
				10·0	9·0
		(ii)	**Limited liability partnership v general partnership**		
			Similarity – taxed not at entity level, but at partner level	1·0	
			Difference lies in the restriction of carry forward of tax losses	2·0	
			Discussion of contributed capital	1·0	
				4·0	3·0
	(b)	**Additional benefits of tax treaties for Singapore resident companies**			
		Similarities with local legislation		3·0	
		Differences (1 mark for each difference – maximum six marks)		6·0	
				9·0	8·0
					20·0

			Available	Maximum
4	Maximus United Pte Ltd (MUPL) and Red Devils Pte Ltd (RDPL)			
	(a)	**Goods and services tax (GST) implications of secondment arrangement**		
		General rule for secondment is that there is a supply	1·0	
		Administrative concession and conditions	3·0	
		Correct application and consequences for both entities	5·0	
			9·0	7·0
	(b)	**Circumstances in which RDPL would be obliged to register for GST or able to register voluntarily**		
		Tests for compulsory registration	2·0	
		Option for voluntary registration	3·0	
		Correct application and logical conclusion	3·0	
			8·0	7·0
	(c)	**GST group registration**		
		Conditions for group registration	4·0	
		Benefits of group registration	2·0	6·0
				20·0