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# Answers

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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 Integrated Development Co

Tax adviser  
Firm's address

The board of directors  
Integrated Development Co (IDC)  
Company address

1 January 2019

Dear Sirs

Singapore tax position for IDC and its Singapore subsidiaries

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

(a) SingCo1 – Singapore income tax implications in respect of trading companies in Asia

**Dividends received**

As an intermediate holding company which will acquire equity stakes in trading companies incorporated in various Asian countries, SingCo1 will likely not be taxed in Singapore on the receipt of dividends from these companies in the year 2020 and beyond. This is on the premise that SingCo1 is a Singapore tax resident company, the exemption is beneficial to SingCo1 and the foreign dividends are paid out of corporate profits in the various jurisdictions in Asia which suffer underlying corporate taxes in these locations. Moreover, the headline tax rate in each of these two countries, i.e. Malaysia and Thailand, exceeds the minimum 15% rate condition.

**Subsequent divestment**

There is no capital gains tax in Singapore. Gains from the disposal of investments would ordinarily constitute capital gains if the company disposing of these investments can substantiate that they are held for long-term and strategic reasons and not in the course of an investment dealing business.

There are safe harbour rules which can provide SingCo1 certainty of non-taxation of gains from the future disposal of ordinary shares in the target companies. This is provided that prior to the disposal of these equity stakes, SingCo1 has a minimum holding of 20% of the company's ordinary shares and has held these shares for at least two years prior to disposal.

Applying these safe harbour rules to the two planned acquisitions in 2019, the first acquisition stake of 19% in the Malaysian company falls short of the minimum 20% stake, though it will meet the minimum holding period of two years. SingCo1 could consider increasing its stake in the Malaysian company to at least 20% to ensure the safe harbour rules apply. The second acquisition in the Thailand company meets the minimum 20% stake, but SingCo1 could consider disposing of its holding on or after 1 July 2021, in order to meet the minimum holding period of two years for the safe harbour rules to apply.

(b) SingCo2 – Tax incentive schemes

(i) Pioneer incentive

For SingCo2 to apply for the pioneer incentive, it must first ascertain whether it is operating in a pioneer industry or if the proposed product will be declared as a pioneer product. For this to be the case, the Minister must consider that:

- it is in the public interest;
- the current industry is not of a sufficient scale adequate to Singapore's economic needs; and
- there are favourable prospects for the development of the industry.

Building on the success of IDC's pharmaceutical products which have already been developed in Country C, SingCo2 may develop certain products which fit the above requirements. In this case, the profits derived from selling these products would be exempt from tax throughout the tax relief period granted.

The duration of the tax relief period would depend on the nature and extent of the investments involved but would be for a period of at least five years from the production day and may be extended up to 15 years. The production day signifies the start of the tax relief period and is normally the date on which marketable quantities of the product commence production; however, this date can be amended to commence either earlier or later on application to the Minister.

(ii) Writing down allowances for intellectual property (IP) rights

SingCo2 may be able to claim writing down allowances on capital expenditure incurred in acquiring the pharmaceutical patents from IDC, as patents constitute qualifying IP rights under the Income Tax Act.

The claim for writing down allowances is based on a straight-line method and can be made over 5, 10 or 15 years. This claim would be possible provided SingCo2 acquires both the legal and economic ownership of the IP rights from IDC. The legal ownership requirement may be waived by the Singapore Economic Development Board on a case-by-case basis.

As the transfer of the patents is between related parties, the transacted value must be reflective of the open market value and an independent valuation report will have to be submitted when the capital expenditure incurred is at least \$500,000.

### **(iii) Research and development (R&D) incentive**

To be eligible for the R&D incentive, SingCo2 must be able to demonstrate that it benefits from the R&D activities. In general, a beneficiary of R&D activities is expected to:

- bear the financial burden of carrying out the R&D activities; and
- effectively own and be able to commercially exploit the know-how, IP or other results of the R&D activities.

In addition, to qualify for R&D tax benefits the project itself must satisfy certain conditions as follows:

- (1) Have as its objective the acquisition of new knowledge; the creation of new products or processes; or the improvement of existing products or processes;
- (2) Involve novelty or technical risk;
- (3) Involve a systematic, investigative and experimental (SIE) study in a field of science or technology;
- (4) Not fall into one of the categories on the excluded list which essentially relate to routine activities in respect of quality control, testing of materials, devices or products and data collection; or post-manufacturing activities, such as efficiency surveys or management studies and market research or sales promotion.

Development of new products in Singapore should satisfy the requirements under (1) and (2) provided they are the first of their kind in Singapore. Improving products already developed in Country C to cater for the Singapore market may still qualify too.

**Tutorial note:** *Candidates were not expected to reproduce the complete list of exclusions.*

If SingCo2 qualifies for the R&D incentive, then it would be able to claim a 250% deduction for qualifying expenditure with no cap, as long as the R&D is undertaken in Singapore.

### **(iv) IP development incentive**

Effective from 1 July 2018, this incentive may be relevant to SingCo2 in the future if it builds up a good track record and derives certain specified income from the use and commercialisation of the qualifying IP rights arising from its R&D activities. SingCo2 must also meet certain economic commitments, including a minimum incremental fixed asset investment, incremental number of skilled jobs created and total annual business expenditure.

The qualifying income includes royalties or other income receivable as consideration for the commercial exploitation of qualifying IP rights.

A certain percentage of qualifying IP income may be subject to a concessionary tax rate of 5% or 10%, depending on the level of commitment. The percentage is determined by the modified nexus approach.

The initial incentive period will not exceed ten years and there can be a further extension for a period not exceeding ten years each.

## **(c) SingCo 3 – Goods and services tax (GST) and stamp duty implications**

### **Acquisition**

GST is only payable on the purchase of immovable property classified as non-residential in cases where the seller is GST registered with the Inland Revenue Authority of Singapore (IRAS). GST is not charged on the purchase of residential properties, which is treated as an exempt supply. Hence, SingCo3 will not incur GST on the purchase of the bungalow, a residential property, but will do so if it purchases the office units which are categorised as commercial properties from GST registered sellers. SingCo3 can claim any input GST incurred on the acquisition of the office units, provided they were acquired for business purposes. Similarly, SingCo3 can also claim input tax on any expenses which were incurred in relation to the office units.

### **Stamp duty**

#### **Buyer's stamp duty (BSD)**

Buyers of commercial properties in Singapore have to pay BSD based on a certain percentage of the higher of the market value or the value of consideration paid for the property, as follows:

- 1% for up to the first \$180,000;
- 2% for up to the next \$180,000; and
- 3% above \$360,000.

SingCo3 will have to incur the above BSD when it purchases the office units.

For residential properties, such as the bungalow, an additional 1% stamp duty applies for the value of properties in excess of \$1 million, on top of the BSD rates indicated above.

#### Additional buyer's stamp duty (ABSD)

In addition to BSD, ABSD is payable on the acquisition of residential properties. The rate is 25% if the buyer is an entity, which is the case for SingCo3.

#### Subsequent disposal

##### GST

When SingCo3 sells residential properties, GST is not charged as it is an exempt supply.

On the other hand, SingCo3 will have to charge output GST when it sells commercial properties.

##### Stamp duty

##### Seller's stamp duty (SSD)

There is no SSD when sellers dispose of commercial properties. Hence, SingCo3 will not have to incur SSD when it sells the office units.

SSD is imposed on sellers when they dispose of a residential property within a short time frame following its acquisition, as follows:

Property disposed of within one year of purchase	12%
Property disposed of within more than one year and up to two years of purchase	8%
Property disposed of within more than two years and up to three years of purchase	4%

No SSD is payable if the property is disposed of more than three years after purchase. To ensure there is no SSD exposure for SingCo3, it has to sell its bungalow after 1 July 2022. An earlier sale would trigger an SSD of 4%, 8% or 12%, depending on the exact date of disposal.

#### (d) Stamp duty implications if Victor Han were to acquire and dispose of properties instead of SingCo3

Upon acquisition of properties, Victor Han will similarly have to pay BSD for both residential and commercial properties.

There is also ABSD if he acquires residential properties, but the rate is 20% if the buyer is a foreigner, compared to 25% if the purchase is made in the entity's name. There is no ABSD for the purchase of commercial properties.

Similarly, there is SSD (based on the same rates) when Victor Han sells his residential properties within three years of purchase, but no SSD is applicable when he sells his commercial properties.

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

Yours faithfully

Tax adviser

## 2 Donny

### (a) Disposable income for the year of assessment 2020 under the three options

#### Option 1

	\$	\$	<i>Marks</i>
Salary (8,000 x 12)		96,000	0-5
Bonus		24,000	0-5
Total employment income		<u>120,000</u>	
Less personal reliefs:			
Earned income relief	1,000		0-5
Parent relief (9,000 x 2)	18,000		0-5
Central Provident Fund (CPF) contributions			
– ordinary wages (capped at 6,000 x 12 x 20%)	14,400		1-0
– additional wages (24,000 x 20%)	4,800		0-5
		<u>(38,200)</u>	
Chargeable income		<u>81,800</u>	
Tax on first \$80,000		3,350	
Tax on the next \$1,800 at 11.5%		207	
Net tax payable		<u>3,557</u>	0-5
Disposable income (120,000 – 14,400 – 4,800 – 3,557)		97,243	1-0

## Option 2

	\$	\$	<i>Marks</i>
Trade income (self-employed)		120,000	0·5
Less personal reliefs:			
Earned income relief	1,000		
Parent relief (9,000 x 2)	18,000		
CPF contributions			
– Medisave (lower of 8% of 120,000 or 5,760)	<u>5,760</u>		1·0
		<u>(24,760)</u>	
Chargeable income		<u>95,240</u>	
Tax on first \$80,000		3,350	
Tax on the next \$15,240 at 11·5%		<u>1,753</u>	
Net tax payable		<u>5,103</u>	0·5
Disposable income (120,000 – 5,760 – 5,103)		109,137	1·0

## Option 3

	\$	\$	
Trade income (company)		120,000	0·5
Less start-up tax exemption (SUTE):			
First \$100,000 at 75%	75,000		0·5
Balance \$20,000 at 50%	<u>10,000</u>		0·5
		<u>(85,000)</u>	
Chargeable income		<u>35,000</u>	
Tax at 17%		5,950	0·5
Amount available to pay as dividend (120,000 – 5,950)		114,050	1·0
One-tier tax exempt dividend received from company		<u>No tax</u>	0·5
Disposable income		114,050	<u>0·5</u>
			<u>12</u>

### (b) Most viable and tax optimal option

Both options 1 and 2 are viable as both are legal and are not tax avoidance schemes.

A tax avoidance arrangement normally involves an arrangement which is artificial, contrived or has little or no commercial substance and is designed to obtain a tax advantage which is not intended by Parliament.

Option 3 results in the highest amount of disposable income, however, it may be regarded as a tax avoidance arrangement. There appears to be no commercial reason for setting up a company, apart from trying to exploit the tax benefit under the SUTE scheme. This is especially so when Donny is the only person in the company performing services which yield income for the company, and yet is not paid any remuneration.

This option is therefore not viable as it is likely to be challenged by the Comptroller as a tax avoidance arrangement on the grounds that it alters the incidence of tax which is payable by or would otherwise be payable by Donny. Accordingly, the Comptroller is likely to disregard the arrangement and make the relevant adjustments to cancel out the tax advantage which Donny seeks to gain, i.e. he is likely to be assessed to tax in his personal name, i.e. reverting to Option 1 or 2. However, no penalties will be payable.

Between the remaining viable Options 1 and 2, Option 2 would provide Donny with the highest amount of disposable income.

### (c) Tax savings from CPF and other savings schemes

#### Option 1

The inheritance, being a windfall, is not taxable in the hands of Donny.

As an employee, Donny would not be able to claim further relief in respect of any voluntary CPF contributions he makes.

However, he could claim a maximum CPF cash top-up relief of \$7,000 if he tops up his own CPF special account as well as a further maximum relief of \$7,000 if he tops up in cash the CPF retirement account of either or both of his parents. This is because they are both above the age of 55, have no income and have negligible CPF savings. The monthly allowance given to his parents does not constitute their income.

In addition, he could participate in the Supplementary Retirement Scheme (SRS) whereby he could claim a maximum relief of \$15,300 if he were to make a similar contribution to his SRS account.

	\$
Chargeable income previously computed	81,800
Less additional personal reliefs (7,000 + 7,000 + 15,300)	(29,300)
Revised chargeable income	<u>52,500</u>
Tax on first \$40,000	550
Tax on the next \$12,500 at 7%	875
Net tax payable	<u>1,425</u>
Maximum tax savings (3,557 – 1,425)	2,132

#### Option 2

As a self-employed person, Donny can claim a maximum relief for voluntary CPF contributions of \$37,740. Therefore he could make voluntary CPF contributions of \$31,980 (37,740 – 5,760).

As for Option 1, he could also claim a maximum CPF cash top-up relief of \$7,000, a further maximum relief of \$7,000 if he tops up the CPF retirement account(s) of his parents and a maximum relief of \$15,300 for contributions to his SRS account.

	\$
Trade income previously computed	120,000
Less personal reliefs (24,760 + 7,000 + 7,000 + 15,300 + 31,980, capped at \$80,000)	(80,000)
Revised chargeable income	<u>40,000</u>
Tax on first \$40,000	550
Maximum tax savings (5,103 – 550)	4,553

### 3 Fednix Global Limited (FGL)

#### (a) Tax obligations of FGL arising from appointment of Mark

FGL has to establish whether Mark's appointment constitutes a contract of service as an employee or a contract for service as an independent contractor.

##### (i) Employee

If regarded as an employee, then FGL has no obligations to withhold tax when paying his salary so long as he remains employed in Singapore. This is because the responsibility to pay individual income tax lies with the individual and not the employer.

However, FGL as the employer will have to prepare Mark's Return of Employee's Remuneration (Form IR8A) for any calendar year and provide it to him by 1 March the following year. Should Mark, a foreigner, cease employment in Singapore, or plan to leave Singapore for more than three months, then FGL must notify the Inland Revenue Authority of Singapore (IRAS) at least one month in advance and withhold all moneys due to Mark from the date it is aware of his impending cessation of employment or departure from Singapore.

##### (ii) Independent contractor

If regarded as an independent contractor, then FGL has to withhold tax at 15% of the gross payment made to Mark, a non-resident of Singapore. Being a foreigner, the only possibility for Mark to be treated as a tax resident of Singapore is to be physically present or employed in Singapore for at least 183 days in any relevant calendar year. This is not the case here as Mark will be based in Singapore for a period which is less than 183 days in total. Consequently, he also cannot avail himself of the two-year administrative concession to be treated as a tax resident for both years (i.e. 2019 and 2020).

Based on the facts of the question, Mark is likely to be treated as an independent contractor for the following reasons:

- The relationship between FGL and Mark is that of a client–consultant type of relationship instead of a master–servant relationship as he does not occupy an office or a post.
- Mark has no fixed working hours nor is he entitled to leave and other benefits.
- Mark is performing similar duties for other foreign companies with similar operations to FGL.

Accordingly, FGL has to withhold tax at the rate of 15% of the gross amount paid to Mark each month. The amount has to be withheld and paid to the Comptroller by the 15th of the second month following the date of each payment, failing which late payment penalties up to a maximum of 20% of the withholding tax due are applicable.

#### (b) Mark's individual income tax liability

##### (i) Employee

If Mark is treated as an employee, he would only be taxed at the rate of 15% on his income of \$25,000 (10,000 x 2.5 months) received for the period from 16 October 2019. This works out to \$3,750 (25,000 x 15%). His employment

covering the period from 1 January 2020 to 29 February 2020 is not subject to tax as it constitutes short-term employment of 60 days or less.

**(ii) Independent contractor**

Based on a monthly remuneration of \$10,000, his total fees of \$45,000 (10,000 x 4.5 months) for the period from 16 October 2019 to 29 February 2020 should subject him to tax of \$6,750 (45,000 x 15%).

Mark has the option to be taxed on a net basis, i.e. after claiming deductible expenses incurred in earning his fees, but at the rate of 22%, if he chooses to.

**(c) Corporate income tax exposure for FGL**

As a foreign entity, FGL should not have any Singapore corporate income tax exposure unless it has a permanent establishment (PE) in Singapore and profits can be attributable to the PE in Singapore.

FGL has no fixed place of business which would tantamount to a PE since it does not have any legal presence or office.

FGL also does not have an agency PE as Mark is likely to be regarded as an independent agent who acts for FGL in the ordinary course of business.

**(d) Goods and services tax (GST) obligations for FGL**

FGL is in the business of providing digital services in the form of downloadable music and videos. Prior to 1 January 2020, it does not have any obligation to register for GST and collect output tax when making taxable supplies to Singapore customers as it does not have any form of business or fixed establishment in Singapore and therefore does not belong in Singapore. When a supplier does not belong in Singapore, the supplies it makes take place outside Singapore and hence GST is not applicable.

However, based on the new GST rules from 1 January 2020, FGL will have an obligation to register by 30 January 2020 at the latest (i.e. within 30 days of the end of the relevant calendar year) and account for GST since it has a global turnover exceeding \$1 million and makes business-to-consumer supplies of digital services to Singapore customers exceeding \$100,000 (Singapore turnover was \$200,000 (2,000,000 x 10%) in 2018 and this is expected to increase).

Under the overseas vendor registration regime, FGL must register under a simplified pay-only regime whereby it collects only output tax from supplies of digital services made to non-GST registered customers belonging in Singapore and is not eligible to claim any input tax. Like other GST-registered entities, it has to file quarterly GST returns and make payments within one month from the end of each quarter. It is also required to maintain proper business and accounting records for five years.

**4 A&E Limited Liability Partnership (LLP)**

**(a) Adam – Assessable income and relevant deductions**

	\$	Marks
<b>Year of assessment (YA) 2019</b>		
Trade loss from A&E LLP (profit share 1:1)	(100,000)	0.5
Capital allowance	(40,000)	0.5
	<u>(140,000)</u>	
Director fees	200,000	0.5
Less current year relevant deductions from A&E LLP	(140,000)	1.0
Assessable income	<u>60,000</u>	
Contributed capital at 31 December 2018	300,000	0.5
Relevant deductions	(140,000)	0.5
Restricted deductions	Nil	0.5
<b>YA 2020</b>		
Trade loss from A&E LLP (200,000 + 40,000 deemed trade loss)	(240,000)	0.5
Capital allowance	(60,000)	0.5
	<u>(300,000)</u>	
Director fees	250,000	0.5
Share of profit from A&P	20,000	0.5
Deemed income from A&E LLP (140,000 – 100,000)	40,000	1.0
Assessable income	<u>310,000</u>	
Contributed capital at 31 December 2019	100,000	0.5
Past relevant deductions	(100,000)	0.5
Available relevant deductions for current year	Nil	

		<b>Marks</b>
The following qualifying loss items can only be carried forward and set off against Adam's future income from A&E LLP. It cannot be set off against other income, unlike normal qualifying loss items.		1·0
	<b>\$</b>	
Trade loss carried forward	(240,000)	0·5
Capital allowance carried forward	(60,000)	0·5
	<u>(300,000)</u>	
		<u>10</u>

**(b) If Adam and Ella set up general partnership**

If Adam and Ella set up a general partnership, there would be no restrictions on the carry forward of qualifying loss items. 0·5

There would be no change in Adam's assessable income for YA 2019. 0·5

For YA 2020, his assessable income would be as follows:

	<b>\$</b>	
Director fees	250,000	0·5
Share of profit from A&P	20,000	0·5
Less current year relevant deductions from A&E LLP (200,000 + 60,000)	<u>(260,000)</u>	2·0
Assessable income	<u>10,000</u>	<u>4·0</u>

**(c) The contributed capital of a partner of an LLP is the aggregate of:**

- The amount which the partner has contributed to the LLP (in cash or in kind, excluding any loan to the LLP) as capital which has not been directly or indirectly drawn out or received back by them (whether as a distribution or a loan); and
- The amount of profits or gains of the trade, business, profession or vocation derived by the LLP from any past YA which the partner is entitled to (whether as a distribution or a loan), but has not received.

**(d) A&E LLP – Goods and services tax (GST) registration**

In determining whether a partnership, whether a normal partnership or LLP, needs to register for GST, it has to apply both the retrospective and prospective test.

Under the new retrospective test applicable from 1 January 2019, the partnership has to ascertain whether its taxable turnover for the calendar year ended 31 December 2019 exceeded \$1 million.

Under the prospective registration test, the partnership has to ascertain if its taxable turnover is expected to exceed \$1 million for the next 12 months at any point in time.

In determining the taxable turnover, it includes the value of all standard rated and zero rated supplies, but excludes exempt supplies and sales of assets.

Also, the partnership has to combine the turnover of all the partnership businesses with the same composition of partners.

Applying the above tests to A&E LLP, it does not need to consider the \$280,000 turnover from A&P as the composition of partners is different for each partnership.

Based on the retrospective test, A&E LLP need not register for GST as its turnover for the calendar year ended 31 December 2019 had not exceeded \$1 million. This is despite the fact that the turnover for the current quarter and the three preceding quarters as at 31 December 2018 had exceeded \$1 million, so long as A&E LLP can explain that it did not expect the turnover to exceed \$1 million (i.e. for the year ended 31 December 2018) at any point in time when applying the prospective test.

	<i>Available</i>	<i>Maximum</i>
<b>1 Integrated Development Co</b>		
<b>(a) SingCo1 – Singapore income tax implications</b>		
No tax on receipt of dividends and reasons	3.0	
No tax on capital gains and reasons	1.0	
Certainty on non-taxation and conditions to qualify	2.0	
Application to the two acquisitions	2.0	
	<u>8.0</u>	6.0
<b>(b) SingCo2 – Tax incentive schemes</b>		
Pioneer incentive	5.0	
Writing down allowances for intellectual property (IP) rights	4.0	
Research and development incentive	5.0	
IP development incentive	3.0	
	<u>17.0</u>	16.0
<b>(c) SingCo3 – Goods and services tax (GST) and stamp duty implications</b>		
GST on acquisition of properties	1.0	
Buyer's stamp duty (BSD) and rates	2.0	
Additional buyer's stamp duty for residential properties and rate	2.0	
GST on disposal of properties	1.0	
Seller's stamp duty (SSD) for residential properties and rates	2.0	
	<u>8.0</u>	6.0
<b>(d) Stamp duty implications for Victor Han</b>		
Same BSD implications	1.0	
Different ABSD rate for residential properties	2.0	
Same SSD for residential properties	1.0	
	<u>4.0</u>	3.0
<b>Professional marks</b>		
Appropriate format and presentation of the letter	1.0	
Structure including relevant headings	1.0	
Effectiveness of communication	1.0	
Logical flow	1.0	
	<u>4.0</u>	4.0
		<u><b>35.0</b></u>

	<i>Available</i>	<i>Maximum</i>
<b>2 Donny</b>		
<b>(a) Disposable income for the year of assessment 2020 under the three options</b> Tax computation (see answer for detailed allocation of marks)		12·0
<b>(b) Most viable and tax optimal option</b>		
Both Options 1 and 2 are viable and not tax avoidance schemes	1·0	
What is a tax avoidance scheme	1·0	
Option 3 likely regarded as a tax avoidance scheme and reasons	3·0	
Consequences of treating Option 3 as a tax avoidance scheme	1·0	
Overall conclusion on tax optimal option	1·0	
	<u>7·0</u>	5·0
<b>(c) Tax savings from Central Provident Fund (CPF) and other savings schemes</b>		
Inheritance not taxable	0·5	
No relief for voluntary CPF contribution by employee	0·5	
Can claim relief for CPF top-ups to self and parents	2·0	
Can claim relief for Supplementary Retirement Scheme (SRS) contribution	1·0	
Calculations showing maximum tax savings under Option 1	2·0	
Can claim voluntary CPF contributions under Option 2	1·0	
Can also claim reliefs for CPF top-ups and SRS contribution	1·0	
Calculations showing maximum tax savings under Option 2	1·0	
Cap on total personal relief claim of \$80,000 applicable	1·0	
	<u>10·0</u>	8·0
		<u><b>25·0</b></u>
<b>3 Fednix Global Limited (FGL)</b>		
<b>(a) Tax obligations of FGL arising from appointment of Mark</b>		
No withholding tax if Mark is an employee	1·0	
Obligation to prepare Form IR8A or seek tax clearance	2·0	
Withholding tax applicable if Mark is an independent contractor	2·0	
Mark likely regarded as an independent contractor and reasons	3·0	
Overall logical conclusion	1·0	
	<u>9·0</u>	6·0
<b>(b) Mark's individual income tax liability</b>		
Tax liability if Mark is treated as an employee	2·5	
Tax liability if Mark is treated as an independent contractor	2·0	
Option to be taxed on net basis	0·5	
	<u>5·0</u>	4·0
<b>(c) Corporate income tax exposure for FGL</b>		
Foreign entity normally has no corporate tax exposure	1·0	
No permanent establishment (PE) based on 'fixed place' test	1·0	
No agency PE as Mark is likely an independent agent	2·0	
	<u>4·0</u>	4·0
<b>(d) Goods and services tax (GST) obligations for FGL</b>		
No GST obligations prior to 1 January 2020 and reasons	2·0	
Need to register for GST from 30 January 2020 and reasons	2·0	
Filing and other obligations once registered	2·0	
	<u>6·0</u>	6·0
		<u><b>20·0</b></u>

	<i>Available</i>	<i>Maximum</i>
<b>4 A&amp;E Limited Liability Partnership (LLP)</b>		
<b>(a) Adam – Assessable income and relevant deductions</b>		
Tax computation (see answer for detailed allocation of marks)		10·0
<b>(b) If Adam and Ella set up a general partnership</b>		
No restrictions on carry forward of loss items	0·5	
No change for YA2019	0·5	
YA2020 (see answer for detailed allocation of marks)	<u>3·0</u>	4·0
<b>(c) Contributed capital of a partner of an LLP</b>		
Definition		2·0
<b>(d) Goods and services tax (GST) registration</b>		
New retrospective test for GST registration	1·0	
Prospective test for GST registration	1·0	
Application and logical conclusion	<u>2·0</u>	<u>4·0</u>
		<b><u>20·0</u></b>