

Fundamentals Pilot Paper – Skills module

Taxation (Singapore)

Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

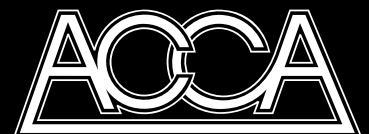
ALL FIVE questions are compulsory and MUST be attempted.
Rates of tax and tables are printed on pages 2–4.

Do NOT open this paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants



Paper F6 (SGP)

The following tax rates and allowances are to be used in answering the questions

Goods and services tax

Standard rate	
From 1 January 2004	5%
Registration threshold	\$1 million

New corporate tax regime

First \$10,000 of chargeable income is 75% exempt	\$7,500
Next \$90,000 of chargeable income is 50% exempt	\$45,000
	<u>\$52,500</u>

Corporate income tax

Year of assessment	Tax rate
2005 onwards	20%

Central Provident Fund (CPF) contributions for individuals below the age of 50 years

	Employee	Employer
Rates of CPF contributions	20%	13%
1 January 2006 to 31 December 2006		
Maximum annual ordinary wages (OW) attracting CPF		\$54,000
Maximum annual additional wages (AW) attracting CPF		\$76,500 less OW subject to CPF

Personal income tax rates for resident individuals

	Chargeable income	Year of assessment 2007	
		Tax rate	Tax
	\$	%	\$
On the first	20,000	0	0
On the next	<u>10,000</u>	3.5	<u>350</u>
On the first	30,000		350
On the next	<u>10,000</u>	5.5	<u>550</u>
On the first	40,000		900
On the next	<u>40,000</u>	8.5	<u>3,400</u>
On the first	80,000		4,300
On the next	<u>80,000</u>	14	<u>11,200</u>
On the first	160,000		15,500
On the next	<u>160,000</u>	17	<u>27,200</u>
On the first	320,000		42,700
Above	320,000	20	

Personal income tax reliefs
Year of assessment 2007

Earned income	Normal (max)	Handicapped (max)
Below 55 years	\$1,000	\$2,000
55 to 59 years	\$3,000	\$5,000
60 years and above	\$4,000	\$6,000
Wife relief	\$2,000 (max)	
Normal/Qualifying child relief		
1st, 2nd, or 3rd child	\$2,000	
4th child born on/after 1 January 1988	\$2,000	
Handicapped child relief	\$3,500	
Working mother's child relief		
	% of mother's earned income	
First child	5%	
Second child	15%	
Third child	20%	
Fourth child (born on or after 1987)	25%	
Maximum relief per child	\$25,000	
Parent Relief		
	Normal (max)	Handicapped (max)
Not staying with parent	\$3,500	\$6,500
Staying with parent	\$5,000	\$8,000
Life assurance	\$5,000 (max)	
SRS contribution rates		
Singapore citizens & permanent residents	15%	
Others	35%	
Voluntary CPF contribution of self-employed		
Year of assessment 2007	Cap: \$25,245 or 33% of s.10(1)(a) assessable income whichever is lower	
Course fees	\$3,500 (max)	
NSman		
Active NSman	\$3,000	
Non-active NSman	\$1,500	
Wife/widow	\$750	
Foreign maid levy	\$7,380 (max)	

All FIVE questions are compulsory and MUST be attempted

- 1 Impetus Singapore Private Ltd (Impetus) was incorporated on 1 March 2004. All of its ten shareholders are individuals. It qualifies as a resident of Singapore as its board of directors meets in Singapore.

Impetus manufactures clinical thermometers for sale to local distributors and for export to regional markets.

For the financial year ended 30 September 2006, Impetus reported a net profit of \$238,000 after charging/(crediting) the following items

Interest paid

- \$3,200 relating to a bank loan obtained to finance an advance made to a shareholder of the company.
- \$8,000 relating to a bank loan obtained to finance the purchase of shares in a Singapore company that has yet to distribute any dividend.

Bad debts

- \$6,000 relating to a loan advanced to a Chinese company, with which Impetus does not trade and which became insolvent and was liquidated in 2005.
- \$2,000 relating to a loan made to an employee after he had terminated his employment contract.

Employees' Remuneration

- \$350,000 in salaries and obligatory contributions made to the CPF.
- \$9,000 in staff medical fees paid to a medical clinic. The company did not make any contribution to medisave accounts nor did it provide for medical insurance plan for its employees.
- \$24,000 paid to an expatriate employee as housing allowance.

Legal fees

- \$1,500 paid in respect of a new tenancy agreement.
- \$3,700 paid to defend a suit for wrongful dismissal by an employee.

Repairs and maintenance

- \$1,850 incurred in repairing the motor car used by a director.
- \$26,000 incurred in repairs and general maintenance of plant and machinery.

Transport and travel

- \$8,400 paid for airfares and hotel accommodation on a trip to China by two directors to explore the feasibility of a new business venture.
- \$5,200 paid as reimbursements to employees who used their cars for business purposes.
- \$15,000 paid to employees as transport allowances.

Other expenses

- \$23,500 provided for depreciation of plant and machinery.
- \$14,000 provided for depreciation of its factory building.
- \$20,000 cash donations made to an institution of a public character.

Additional information

During the financial year, the company acquired the following fixed assets

- \$4,800 paid for the purchase of a computer.
- \$35,000 in total paid for 40 chairs of equal value.
- \$65,000 paid for a motorcar used to ferry customers and business visitors.

The company's manufacturing activity is carried on within a factory building that Impetus constructed, the construction of which was completed on 1 May 2004. The capital expenditure incurred on the construction of the building was:

- | | |
|-------------------------------------|-----------|
| • Purchase price of land | \$650,000 |
| • Land valuation fee | \$12,000 |
| • Architect's fee | \$30,000 |
| • Contractor's fee | \$190,000 |
| • Plumbing and drainage works | \$120,000 |
| • Installation of doors and windows | \$90,000 |

Required:

- (a) State the conditions that must be satisfied before a Singapore tax resident company is granted tax exemption on foreign sourced dividends received in Singapore. (3 marks)
- (b) Identify a more tax efficient arrangement for the expatriate employee than the housing allowance payment (included under "Employees' remuneration"). Provide a numerical example to illustrate the effect of the alternative arrangement. (3 marks)
- (c) Compute the minimum tax liability of Impetus Singapore Private Ltd for the year of assessment 2007. (24 marks)

(30 marks)

- 2 For the year ended 31 December 2006, Robert Lee and his wife, Ruby reported the following income and expenses in their respective tax returns for the year of assessment 2007.

Types of income	Robert	Ruby
Partnership		
Share of partnership's tax adjusted profits	\$138,000	Nil
Share of partnership's capital allowances	\$228,000	Nil
Share of partnership's cash donations to Institutions of a public character	\$10,000	Nil
Sole-proprietorship		
Tax adjusted profit	Nil	\$34,000
Capital allowances claimed	Nil	\$114,000
Employment		
Remuneration (Note 1)	\$150,000	Nil
Property related income		
Net annual value (Note 2)	\$230,000	Nil
Properties rented out		
Gross rental income	\$15,000	\$22,000
Less: depreciation	(\$2,000)	(\$2,600)
Less: property tax	(\$1,600)	(\$2,400)
Less: general repair and maintenance	(\$3,000)	(\$1,200)
Less: mortgage interest	(\$10,000)	(\$19,800)
Net rental loss	(\$1,600)	(\$4,000)
Investment income		
Net interest remitted from Country A (Note 3)	\$800	Nil
Singapore one-tier dividend	\$2,000	\$10,000
Singapore franked dividend	Nil	\$1,600
Personal particulars		
Refer to Note 4		

Note 1

The remuneration of \$150,000 included the following items:

- (a) Taxi fare reimbursements of \$1,000 for travelling between home and the airport on overseas business trips.
- (b) Per diem allowance in accordance with the acceptable rate totalling \$3,500

Note 2

The net annual value of \$230,000 was in respect of the residential property owned by Robert and used as his home.

Note 3

The interest was derived from a loan granted by Robert to a person in Country A. The interest paid to Robert was after deduction of withholding tax at the rate of 20%.

Note 4

- (a) Robert and Ruby were both 35 years old during 2006.
- (b) They have two children; Emily was thirteen years old and Brian was 11 years old.
- (c) In 2006, Robert performed operationally ready national service.
- (d) Robert maintained his widowed mother who was 60 years old in 2006. The mother stayed in an apartment, which is walking distance from Robert's home. She had no income in 2006 and Robert gave her a monthly allowance of \$500.

Required:

Compute the minimum tax liabilities of Robert and Ruby Lee for the year of assessment 2007.

(25 marks)

- 3** Singapore Cosmic Pte Ltd (SCPL) is a Singapore incorporated company and tax resident in Singapore. It carries on the trade of buying and selling tropical fish and is GST registered as a taxable trader.

For its financial year ended 31 December 2006, SCPL reported a net accounting profit of \$200,000 after charging depreciation of \$50,000; the only item reflected in its accounts that was not tax deductible.

In the last quarter of 2006, SCPL:

- Sold tropical fish amounting to \$2,000,000 (before GST) of which 25% were exported directly to Japan.
- It incurred input GST of \$97,500 on purchases of its trading stock.
- In addition, SCPL acquired the following items of plant and machinery, all from GST registered traders except for the photocopier, which was purchased from a non-GST registered trader:

Description	Cost (inclusive of GST)
Computers	\$5,040
Photocopier	\$2,100
Machinery	\$10,080
Conference table	\$1,260

In the same quarter, SCPL also sold an antique vase (purchased in 2004) at its net book value of \$33,075 (inclusive of GST). The sale was made on 30 November 2006. The vase was not subject to a capital allowance claim.

Required:

- (a) **Compute the minimum chargeable income of Singapore Cosmic Private Limited for the year of assessment 2007 assuming that the tax written down values of all its fixed assets as at 1 January 2006 were nil.**
(5 marks)
- (b) **Compute the amount of input and output GST reported by Singapore Cosmic Private Limited in its GST return for the quarter ended 31 December 2006 together with the amount of net GST payable/refundable for that quarter.**
(7 marks)
- (c) **State the differences in treatment between a zero-rated supply and an exempt supply. Give an example of each type of supply.**
(3 marks)

(15 marks)

4 (a) Required:

Explain the fundamental differences between direct and indirect taxation.

(4 marks)

- (b) XYZ Private Limited, a company incorporated in Singapore closes its accounts on 30 September each year. On 1 April 2007, it borrowed \$1,000,000 from Beta Technology Inc, a US incorporated company. Interest, at the rate of 6% per annum, is payable on this loan at the end of each calendar quarter. The loan was used to finance the acquisition of new machinery to replace machinery that was obsolete.

Required:

For the financial year ended 30 September 2007:

- (i) **State, giving reasons, the amount of interest that XYZ Private Limited can claim as a deduction for the year of assessment 2008 in respect of the loan from Beta Technology Inc.** (2 marks)
- (ii) **State, giving reasons, whether or not XYZ Private Limited is obliged to deduct withholding tax from the payment made in (i) above, and if so, at what rate..** (3 marks)
- (iii) **Assuming that withholding tax is deductible state the consequences for XYZ Private Limited of not deducting the tax due from the amount of interest paid to Beta Technology Inc.** (2 marks)
- (iv) **State the due date for payment of any withholding tax and the penalties for not making due payment of the tax deducted to the Comptroller.** (4 marks)

(15 marks)

- 5** Banner Express is a partnership registered in Singapore. The partners are Ivan Tan and Everett Chan. Each of the partners contributed \$50,000 as capital to the partnership and they share equally in the profit or loss of the partnership.

The partnership carries on the business of providing internet marketing services. In the financial year ended 31 December 2006, the partnership recorded a net loss of \$79,000 after charging the following items of expenses:

	(\$)
Interest on capital paid equally to the partners	5,000
Ivan's salary and bonuses	12,000
Everett's salary and bonuses	15,000
Everett's airfares for business purposes	4,800
Ivan's taxi fare reimbursements for business travels	1,200
Motor car expenses reimbursed to employees	3,000
Depreciation	6,000
Interest on loans to fund operating expenses	2,800

Besides his involvement in the partnership, Ivan is also the Chief Executive Officer of a medium size Singapore incorporated company. He was paid annual remuneration of \$78,000 by the company for the year 2006.

Required:

- (a) **Compute the amount of tax adjusted profit or loss of the Banner Express partnership for the year of assessment 2007.** (4 marks)
- (b) **Compute the assessable income of Ivan Tan for the year of assessment 2007.** (6 marks)
- (c) **State the major difference in a partner's ability to utilise the losses arising from a partnership and from a limited liability partnership.** (5 marks)

(15 marks)

End of Question Paper

Answers

- 1 (a)** The conditions that must be satisfied (as stated in Section 13(9) of the Singapore Income Tax Act) before a Singapore tax resident company is granted tax exemption on foreign sourced dividends that were directly remitted and received in Singapore are:
- (i) the dividend is subject to tax of a similar character to income tax under the law of the territory from which the income is received;
 - (ii) at the time the dividend is received, the highest rate of tax imposed by the territory on the income of the company paying the dividend is not less than 15%; and
 - (iii) the Comptroller is satisfied that the tax exemption would be beneficial to the person resident in Singapore.

- (b)** The housing allowance of \$24,000 paid to the expatriate employee is fully taxable as it forms part of his remuneration. On the other hand, if the company provides him with a rented place of residence and pays the rent, although the expatriate employee will be taxed on such housing benefit granted to him by his employer, the taxable quantum of the housing benefit shall be not more than 10% of his total remuneration less any rent paid by the expatriate employee.

Assuming that the expatriate employee is paid a total remuneration of \$100,000 (excluding the housing allowance and housing benefit), his employment income that is chargeable to income tax under the two scenarios will be as follows:

	\$	\$
Employment remuneration	100,000	100,000
Housing allowance	24,000	0
Housing benefit (10% of remuneration)	0	10,000
Total employment income	<u>124,000</u>	<u>110,000</u>

- (c) Impetus Singapore Private Ltd**

Year of assessment 2007

Basis period 1 October 2005 – 30 September 2006.

	\$	\$
Net profit as per accounts		238,000
Add/(less)		
Interest expense		
Interest paid (shareholder's loan)	3,200	
Interest paid (non-income producing shares)	<u>8,000</u>	11,200
Bad debts		
Non-trade loan to a Chinese company	6,000	
Loan to an ex-employee	2,000	8,000
Employees' remuneration		
Salaries and CPF	No adjustment	
Medical fees (Note 1)	5,110	
Housing allowance	<u>No adjustment</u>	5,110
Legal fees		
New tenancy agreement	1,500	
Wrongful dismissal suit	<u>No adjustment</u>	1,500
Repairs and maintenance		
Repair of motor car	1,850	
Repair of plant and machinery	<u>No adjustment</u>	1,850
Transport and travel		
Trip to China	8,400	
Reimbursements to employees	5,200	
Transport allowances	<u>No adjustment</u>	13,600
Others		
Depreciation of plant and machinery	23,500	
Depreciation of factory building	14,000	
Cash donations	<u>20,000</u>	57,500
Tax adjusted profit		<u>336,760</u>
Less industrial building allowances (Note 2)	12,900	
Less capital allowances on plant and machinery (Note 3)	<u>36,300</u>	49,200
Assessable income		287,560
Less donations		<u>40,000</u>
Chargeable income		247,560
Less chargeable income exempt		<u>100,000</u>
Taxable amount		147,560
Tax at 20%		<u>29,512</u>

Note 1

The deductible medical expenses are restricted to 1% of the total employees' remuneration. The non-deductible medical expenses of \$5,110 were arrived at as follows:

Salaries and CPF contributions	\$350,000
Housing allowances	\$24,000
Transport allowances	\$15,000
Total employees' remuneration	<u>\$389,000</u>
Medical expenses incurred	\$9,000
Less 1% of \$389,000 deductible	<u>\$3,890</u>
Amount disallowed	<u>\$5,110</u>

Note 2

Capital expenditure qualifying for industrial building allowances

Architect's fee	\$30,000
Contractor's fee	\$190,000
Plumbing and drainage works	\$120,000
Installation of doors and windows	\$90,000
Total qualifying capital expenditure	<u>\$430,000</u>
Annual allowances (3%)	<u>\$12,900</u>

Note 3

Capital allowances on plant and machinery

	Cost (\$)	Basis of claim	Amount claimed (\$)
Computer	4,800	100%	4,800
Chairs *	29,750	100%	29,750
Chairs	5,250	33 1/3%	1,750
Total			36,300

* Assets costing \$1,000 or less may be claimed on the basis of 100% provided that the total cost of such assets does not exceed \$30,000. Accordingly, as each chair costs \$875 (\$35,000/40), to be within the restriction of not exceeding \$30,000 in total, the number of chairs would have to be restricted to 34 so as to arrive at \$29,750 (34 X \$875). The balance of 6 chairs is subject to a normal capital allowances claim.

**2 Computations of the tax liabilities of Robert and Ruby Lee
Year of assessment 2007**

		Robert	Ruby	
	(\$)	(\$)	(\$)	(\$)
Partnership				
Share of tax adjusted profit	138,000			
Less: share of capital allowances	<u>(228,000)</u>	(90,000)		Nil
Sole-proprietorship				
Tax adjusted profit			34,000	
Less: capital allowances		Nil	<u>(114,000)</u>	(80,000)
Employment				
Remuneration	150,000			
Less: taxi fares	(1,000)			
Less: per diem allowances	<u>(3,500)</u>	145,500		Nil
Investment income				
Singapore one-tier dividend	Exempt		Exempt	
Singapore franked dividend	Nil		2,000	
Interest from Country A	<u>Exempt</u>	Nil	<u>Nil</u>	2,000
Rent				
Net rental losses	(1,600)		(4,000)	
Add: depreciation	<u>2,000</u>		<u>2,600</u>	
Tax adjusted rental income/(loss)	400		(1,400)	
Transfer of loss between spouses	<u>(400)</u>	Nil	<u>400</u>	<u>Disregarded</u>
Owner-occupied property				
Net annual value	230,000			
Less: exemption	<u>150,000</u>	80,000		
Statutory income		135,500		(78,000)
Transfer of qualifying deductions		<u>(78,000)</u>		<u>78,000</u>
Net statutory income		57,500		0
Less: donations		<u>20,000</u>		<u>Nil</u>
Assessable income		37,500		Nil
Less: personal reliefs				
Earned income	1,000			
Child	4,000			
Parent	3,500			
Nsman	<u>3,000</u>	11,500		Nil
Chargeable income		26,000		Nil
Tax payable on the first \$20,000/\$0	0		0	
On the balance of \$6,000/\$0 at 3.5%	<u>210.00</u>	210.00	0	0
Tax deducted at source		0		400
Tax payable/(refund)		<u>210.00</u>		<u>(400)</u>

3 (a) Singapore Cosmic Pte Ltd
Year of assessment 2007
Basis period – 1 January 2006 to 31 December 2006

Net profit as per account	\$200,000
Add: depreciation	\$50,000
Adjusted profit	<u>\$250,000</u>
Less capital allowances (Note 1)	\$9,100
Chargeable income	<u>\$240,900</u>

Note 1

Fixed assets	Cost (inclusive of GST) (\$)	Cost (before GST) (\$)	Basis of claim	Amount of capital allowances claimed (\$)
Computer	5,040	4,800	100%	4,800
Photocopier	2,100	2,100	33 1/3%	700
Machinery	10,080	9,600	33 1/3%	3,200
Table	1,260	1,200	33 1/3%	400
Total				<u>9,100</u>

(b) Output tax	Value (\$)	Rate of GST (%)	Output tax (\$)
Sale of tropical fish (75%)	1,500,000	5	75,000
Sale of tropical fish (25%)	500,000	0	0
Sale of antique vase	31,500	5	1,575
Total Output tax			<u>76,575</u>

Input tax	Value (\$)	Rate of GST (%)	Input GST (\$)
Purchases of tropical fish	1,950,000	5	97,500
Computer	4,800	5	240
Machinery	9,600	5	480
Table	1,200	5	60
Total input tax			<u>98,280</u>

The amount of input GST refund claimable by SCPL in the quarter ended 31 December 2006 is \$21,705 (\$98,280 less \$76,575)

- (c) No output tax is chargeable on a zero rated supply (since the tax rate chargeable is 0%) or on an exempt supply (since it has been specifically excluded as a taxable supply). However, input tax attributable to the making of a zero-rated supply is recoverable from the IRAS as an input tax credit, whereas input tax attributable to the making of an exempt supply is generally not recoverable as an input tax credit.

Supplies involving the export of goods or the provision of international services within the meaning of Section 21(3) of the GST Act are zero-rated. Sales or leases of residential properties and the provision of financial services under the Fourth Schedule to the GST Act are exempt.

- 4 (a)** Direct taxation is a tax charged on the income of any person such as Singapore income tax. It is based on the principle that the burden of taxation is in accordance with a person's ability to pay. Therefore the higher the income level of a person, the higher would be his tax burden.

On the other hand, indirect taxation is based on the consumption pattern of a person. It is a regressive tax, as it does not conform to the principle of taxation based on one's ability to pay. A person in the high-income bracket pays the same amount of indirect tax as a person in the low-income bracket if both persons consume the same value of goods or services.

- (b) (i) The amount of interest expense incurred by XYZ Private Limited as at 30 September 2007 was \$30,000 [(\$1,000,000 X 6%) X 6/12]. This amount is claimable as a deduction for tax purposes as the loan amount was employed to acquire machinery used for the purposes of the trade/business conducted by XYZ Private Limited in the generation of its income.
- (ii) The provisions of Section 45 require any person paying interest to a person not known to him to be resident in Singapore to deduct tax at the applicable rate, XYZ Private Limited is thus obliged to deduct withholding tax at the rate of 15% from the interest paid to Beta Technology Inc, and pay this over to the Comptroller.
- (iii) The provisions of Section 45(3) stipulate that where a person fails to make a deduction of tax which he is required to make under Section 45(1), any amount which he fails to deduct shall be a debt due from him to the Government and shall be recoverable as such.

(iv) The tax deducted from the interest payment must be paid over to the Comptroller by the 15th of the month following the month in which such interest is paid or deemed to be paid (the due date). Failure to comply with this requirement shall be subject to the following penalties:

- 5% of the amount of the tax if the tax is not paid by the due date.
- An additional 1% of the amount of the tax for every month the tax remains outstanding after the due date provided that the total additional penalty shall not exceed 15%.

5 (a) Computation of tax adjusted profit/loss of Banner Express

Year of assessment 2007

Basis period – 1 January 2006 to 31 December 2006.

	\$	\$
Net loss as per accounts		(79,000)
Less		
Interest on partners' capital account	5,000	
Ivan's salary and bonuses	12,000	
Everett's salary and bonuses	15,000	
Everett's airfares	NA	
Ivan's taxi fare reimbursements	NA	
Motor car expenses reimbursed	3,000	
Depreciation	6,000	
Interest expense	NA	41,000
Tax adjusted loss		<u>(38,000)</u>

(b) Ivan Tan's assessable income for the year of assessment 2007

	\$	\$
Share of partnership's divisible loss (Note 1)		(35,000)
Employment income		78,000
Salary and bonuses from the partnership		12,000
Share of interest from the partnership		2,500
Assessable income		<u>57,500</u>
 Note 1		
Partnership tax adjusted loss		(38,000)
Add		
Interest on capital paid to the partners	(5,000)	
Ivan's salary and bonuses	(12,000)	
Everett's salary and bonuses	(15,000)	(32,000)
Partnership's divisible loss		<u>(70,000)</u>
Ivan Tan's share of the partnership's divisible loss		<u>(35,000)</u>

(c) In the case of a partner who has been allocated partnership losses, the partner is able to offset the allocated losses of a partnership against his other income without any restriction imposed on his ability to use the allocated partnership losses.

In the case of a partner who has been allocated limited liability partnership (LLP) losses, the partner is only able to offset the allocated LLP losses against his other income so long as the amount of the allocated losses together with the amounts of any LLP losses that the partner has previously utilised do not exceed the amount of the contributed capital he has injected into the LLP.

		Marks
1	(a) The three conditions (1 mark each)	3.0
	Sub-total	3.0
	(b) Explaining the difference in tax treatment between housing allowance and housing benefit	2.0
	Give an example	1.0
	Sub-total	3.0
	(c) Net profit as per accounts	0.5
	Interest paid (shareholder's loan)	1.0
	Interest paid (non-trade debtor)	1.0
	Bad debt – Chinese company	1.0
	Bad debt – ex-employee	1.0
	Salaries and CPF (no adjustment)	0.5
	Medical fees	2.0
	Housing allowances (no adjustment)	0.5
	Legal fees – new tenancy agreement	1.0
	Legal fee – wrongful dismissal suit (no adjustment)	0.5
	Repair of motor car	1.0
	Repair of plant and machinery (no adjustment)	0.5
	Trip to China	1.0
	Reimbursement to employees	1.0
	Transport allowances (no adjustment)	0.5
	Depreciation – plant and machinery	0.5
	Depreciation – factory building	0.5
	Cash donations	0.5
	IBA – qualifying capital expenditure	2.0
	IBA – 3% annual allowance	1.0
	Capital allowance – computer	1.0
	Capital allowance – 34 chairs	2.0
	Capital allowances – 6 chairs	1.0
	Donations – double deduction	1.0
	Exempt chargeable income	1.0
	20% tax rate	0.5
	Sub-total	24.0
	Total	30.0
2	Robert's tax liability	
	Share of partnership profit	1.0
	Share of partnership's capital allowances	1.0
	Employment remuneration	1.0
	Taxi fare – not taxable	1.0
	Per diem – allowances not taxable	1.0
	One-tier dividend – exempt	1.0
	Interest from Country A – exempt	1.0
	Depreciation – rental	1.0
	Rental loss transferred from wife	1.0
	Net assessable value (NAV)	0.5
	Exemption of net annual value	1.0
	Transfer of qualifying deduction from wife	1.0
	Donations – double deduction	1.0
	Earned income	0.5
	Child relief	1.0
	Parent	1.0
	NSman	1.0

	Marks
Ruby's tax liability	
Tax adjusted profit	1.0
Capital allowances	1.0
One tier dividend – exempt	1.0
Singapore franked dividend	1.0
Depreciation – rental	1.0
Loss transferred to husband	1.0
Rental loss disregarded	1.0
Transfer of qualifying deduction to husband	1.0
Tax deducted at source	1.0
Total	<u>25.0</u>
3 (a) Depreciation	1.0
Capital allowances – computer	1.0
Capital allowances – photocopier	1.0
Capital allowances – machinery	1.0
Capital allowances – table	1.0
Sub-total	<u>5.0</u>
(b) Output tax (1 mark each)	3.0
Input tax (1 mark each)	4.0
Sub-total	<u>7.0</u>
(c) Zero-rated supply	1.0
Exempt supply	1.0
Examples (0.5 for each example)	1.0
Sub-total	<u>3.0</u>
Total	<u>15.0</u>
4 (a) Direct taxation	2.0
Indirect taxation	2.0
Sub-total	<u>4.0</u>
(b) (i) Amount of interest paid	1.0
Justification of deductibility	1.0
Sub-total	<u>2.0</u>
(ii) Obligation to withhold tax in the case of payments to a non-resident	2.0
15% withholding tax rate	1.0
Sub-total	<u>3.0</u>
(iii) Debt due to the government	2.0
Sub-total	<u>2.0</u>
(iv) The due date	1.0
The 5% penalty	1.0
The additional 1% penalty	1.0
The maximum of 15% that can be imposed	1.0
Sub-total	<u>4.0</u>
Total	<u>15.0</u>

		Marks
5	(a) Partnership's tax adjusted profit	
	Partners' interest	0.5
	Ivan's salary and bonuses	0.5
	Everett's salary and bonuses	0.5
	Everett's airfares – no adjustment	0.5
	Ivan taxi fare reimbursement – no adjustment	0.5
	Motor car expenses	0.5
	Depreciation	0.5
	Interest expense – no adjustment	0.5
	Sub-total	4.0
	(b) Ivan's share of divisible loss	3.0
	Employment income	1.0
	Partnership's salary and bonuses	1.0
	Partnership's interest	1.0
	Sub-total	6.0
	(c) Loss from a partnership	2.0
	Loss from a limited liability partnership	3.0
	Sub-total	5.0
	Total	15.0