
Answers

			Marks
1 (a) Resident in Singapore			
Under the provisions of the Singapore Income Tax Act, an individual is resident in Singapore in a year of assessment if in the preceding year, that individual,			
– resides in Singapore (except for such temporary absences as may be reasonable and not inconsistent with a claim to be resident in Singapore), or			1.5
– is physically present or exercises an employment in Singapore for at least 183 days			1.5
The 183 days need not be continuous and an individual's presence in Singapore for any part of a day is counted as 1 day			1.5
It should be noted that the IRAS current practice is to regard an individual as a resident if his or her stay in Singapore covers at least three consecutive years.			0.5
			5.0
			32.0
(b) Mr Zhao Wen			
Computation of employment income for the Year of Assessment 2004			
	\$	\$	
Employment (commenced 1.02.2003 to 31.12.2003)			
Salary		55,000	1.0
Bonus		5,000	1.0
Incentive allowance		6,000	1.0
Reimbursement of interview expenses		0	1.0
Leave passage (20% of \$3,900)		780	1.5
		66,780	
Housing Period (1.02.2003 to 31.12.2003)			
Benefits-in-kind – per Form IR8A	2,228		1.0
Accommodation – 10% of (\$66,780 + 2,228)	6,900		2.5
		9,128	
Total employment income assessable		75,908	9.0
(c) Tax computation for the Year of Assessment 2004			
	Mr Zhao Wen	Mrs Zhao-Li Yan	
	\$	\$	
Employment income	75,908	0	1.0
Fees from dance lessons	0	23,000	1.0
Interest from DBS Bank (1)	152	152	2.0
Total statutory income	76,060	23,152	
Less: Donations (2)	200	0	2.0
Assessable income	75,860	23,152	
Less: Personal reliefs			
Earned Income	1,000	1,000	2.0
Child – Zhao Nan (QCR)	2,000	0	1.0
Zhao Nan (ECR) 5% of earned income	0	1,150	1.0
Zhao Wei (QCR)	2,000	0	1.0
Zhao Wei (ECR) 15% of earned income	0	3,450	1.0
Dependent	5,000	0	1.0
Life insurance	1,880	1,190	2.0
	11,880	6,790	
Chargeable income	63,980	16,362	
Tax on 1st \$16,362	0	0	1.0
Tax on 1st \$40,000	1,000.00	0	1.0
Tax on next \$23,980 at 9%	2,158.20	0	1.0
Tax payable	3,158.20	0	18.0

Notes:

(1) Interest income that is taxable will be the benchmark interest of \$152 or actual whichever is the lower as per IRAS circular.

(2) Donations claimed (\$100 x 2) = 200

2 (a) Le Gourmet Restaurants Pte Ltd
Tax computation for the Year of Assessment 2004

	\$	\$	
Net profit per accounts		50,800	
<i>Less:</i> Other income:			
Rental from sub-letting part of the premises		(48,000)	1·0
Franchise fees		<u>0</u>	0·5
		2,800	
<i>Add:</i> Depreciation	29,500		1·0
Cleaning	0		0·5
Disposable paperware	0		0·5
Legal fees re: mortgage of premises	8,800		1·0
Repairs & maintenance	0		0·5
Replacements of crockery/utensils etc	0		0·5
Staff salaries & bonuses	0		0·5
Staff overtime	0		0·5
Directors' salaries	0		0·5
Medical expenses	0		0·5
Staff advances written off	3,200		1·0
Subscriptions to trade associations	0		0·5
Reimbursement of upkeep of motor car expenses	3,300		1·0
Competitive shopping – food tasting	0		0·5
Licence fee	0		0·5
Donations	1,000		1·0
Composition fine for the late filing of Annual Return	300		1·0
Realised exchange loss re: purchase of equipment	1,800		1·0
Loss on disposal of equipment	<u>2,100</u>		1·0
		<u>50,000</u>	
Adjusted profits		52,800	
<i>Less:</i> Capital allowances		(31,000)	1·0
		21,800	
<i>Add:</i> Rental income – 1.6.2002 to 31.12.2002		0	0·5
– 1.1.2003 to 31.3.2003		14,400	0·5
– 1.4.2003 to 31.12.2003		<u>41,800</u>	1·0
		78,000	
<i>Less:</i> Donations to approved institutions (\$1,000 x 2)		(2,000)	2·0
Assessable Income		<u>76,000</u>	
<i>Less:</i> Exemption on 1st \$10,000 at 75%		(7,500)	1·0
Exemption on next \$66,000 at 50%		<u>(33,000)</u>	1·0
Chargeable income		<u>35,500</u>	
Tax thereon at 22%		<u>7,810.00</u>	1·0
			<u>23·0</u>

	Marks
(b) As the financial year end falls on 31 March 2004, the company will have to furnish details of its estimated chargeable income to the Comptroller of Income Tax on or before 30 June 2004.	1·5
As losses were incurred by the company for the year ended 31 March 2004, a NIL estimated chargeable income will have to be furnished.	1·0
The Comptroller of Income Tax may estimate the company's chargeable income and serve a Notice of Assessment on the company, if the company does not furnish an estimated chargeable income by 30 June 2004	1·5
	<u>4·0</u>
(c) The company has to file the Year of Assessment 2005 income tax return (Form C) with the audited accounts for the year ended 31 March 2004 by 31 July 2005	1·0
	<u>28·0</u>

**3 (a) TMA Pte Ltd
Capital Allowances Computation**

	Section 19A Claim				Section 19 Claim	Non- claim	
Number of years to run	1	2	3	Total	6		
	\$	\$	\$	\$	\$	\$	
Written down value b/f Motor Vehicles	2,000	8,000					1·0
Van					54,000		1·5
Motor car						150,000	1·0
Equipment and furniture							
Office furniture			15,000				1·0
4 units split-unit air-conditioner with accessories			24,000				1·0
Computer system with accessories	12,000						1·5
Leasehold Improvement Fixed partitions & fixtures						30,000	1·0
	<u>14,000</u>	<u>8,000</u>	<u>39,000</u>		<u>54,000</u>		
Year of Assessment 2004							
S19 – IA 20% x 54,000					10,800		1·0
AA80% x 54,000/6					7,200		1·0
S19A – AA	<u>14,000</u>	<u>4,000</u>	<u>13,000</u>	<u>31,000</u>			1·5
Written down value at 31.12.2004	<u>0</u>	<u>4,000</u>	<u>26,000</u>		<u>36,000</u>		1·5
							<u>13·0</u>

(b) Qualifying costs for industrial building allowances (IBA) claims

Only the construction costs incurred for the building or structure qualifies for the claim of industrial building allowance.

The cost of land site and the related expenses such as legal fees and stamp duty in connection with the title to the land and building are excluded from qualifying costs.

The construction costs which qualify for IBA includes the following:

- (1) architect's fees; 1·0
- (2) cost of preparing plans etc in connection with obtaining approval from the local authority for the erection of the building or structure; 1·0
- (3) costs incurred for the levelling, tunnelling, and cutting for the purpose of laying the foundation; 1·0
- (4) costs of construction include the cost of labour, materials, haulage and supervision; 1·0
- (5) cost of installing fittings which forms part of the building or structure. 1·0

6·0

19·0

4 (a) Elite Publicity Service
Tax computation for the Year of Assessment 2004

	Year ended 31.12.2003 \$	Sole- Proprietorship 1.01.2003 to 30.04.2003 \$	Partnership 1.05.2003 to 31.12.2003 \$	
Net profit per accounts	120,000			
Add: Depreciation	28,000			1.0
Donations	2,000			1.0
Partners salaries	48,000			1.0
Adjusted profits	<u>198,000</u>	<u>66,000</u>	132,000	2.0
Less: Partners salaries			<u>(48,000)</u>	1.0
Divisible profits			<u>84,000</u>	
				<u>6.0</u>

(b) Elite Publicity Service
Allocation of profits and deductions among partners/proprietors

	George \$	Harry \$	Total \$	
1.01.2003 to 30.04.2003				
Sole-proprietorship				
Adjusted profits	66,000			0.5
Less: Capital Allowances	<u>(16,000)</u>			1.0
	<u>50,000</u>			
1.05.2003 to 31.12.2003				
Partnership				
Basis of share of profits	60%	40%	100%	
Divisible profits	50,400	33,600	84,000	1.5
Partners' salaries	<u>24,000</u>	<u>24,000</u>	<u>48,000</u>	1.5
Adjusted profits	74,400	57,600	132,000	
Less: Capital Allowances	<u>(10,800)</u>	<u>(7,200)</u>	<u>(18,000)</u>	1.5
	<u>63,600</u>	<u>50,400</u>	<u>114,000</u>	
Total statutory income	<u>113,600</u>	<u>50,400</u>		1.0
Donations –				
18.05.2003 National Kidney Foundation	600	400	1,000	1.0
22.07.2003 Singapore Cancer Society	<u>600</u>	<u>400</u>	<u>1,000</u>	1.0
	<u>1,200</u>	<u>800</u>	<u>2,000</u>	
				<u>9.0</u>

(c) GST registration

As the partnership business activity is that of providing publicity and advertising services, it is making taxable supplies.	1.0
The partnership business may apply for voluntary registration as a taxable person for Goods and Services Tax (GST) if the turnover does not exceed \$1,000,000	1.0
Approval for such registration is not automatic as each application is reviewed on a case-by-case basis.	1.0
The Comptroller of Goods and Services Tax may register the partnership business from any date as may be agreed upon.	1.0
Once registered, the partnership business will have the same obligations as any other taxable person and must remain registered for a period at least two years.	2.0
	<u>6.0</u>
	<u>21.0</u>