
Answers

1 (a) Tax Computation for Year of Assessment 2003

	Mr Benny Tan \$	Mrs Doreen Tan \$	Marks
Trade			
Remisier	54,000	0	1
Freelance Commissions	0	5,000	1
Employment			
Salary & bonus	0	26,000	1
Interest			
POSB (2)	0	0	1
UOB	600	600	1
Dividends			
Singapore – gross	3,500	1,600	1
	<hr/>	<hr/>	
	58,100	33,200	
Less: Donations (1)	(200)	0	2
	<hr/>	<hr/>	
Assessable Income	57,900	33,200	
	<hr/>	<hr/>	
Less: Personal Reliefs			
Earned Income	4,000	3,000	2
Wife	0	0	0.5
Child – Harry (QCR)	0	0	0.5
(ECR)	0	0	0.5
– Irene (QCR)	2,000	0	1
(ECR)	0	3,100	1
Dependant	3,500	0	1
Nsman (Parent)	750	750	1
CPF	4,300	3,250	1
Foreign maid levy	0	8,280	1
	<hr/>	<hr/>	
	14,550	18,380	
	<hr/>	<hr/>	
Chargeable Income	43,350	14,820	
	<hr/>	<hr/>	
Tax on 1st \$14,820	0	0	0.5
Tax on 1st \$40,000	1,000.00	0	0.5
Tax on next \$3,350 at 9%	301.50	0	0.5
	<hr/>	<hr/>	
	1,301.50	0	
Less: Tax deducted from dividends	(770.00)	(352.00)	2
	<hr/>	<hr/>	
Net tax payable/(repayable)	531.50	(352.00)	
	<hr/>	<hr/>	
			21

Notes:

- (1) Donations claimed (\$100 x 2) \$200 –
- (2) POSB interest earned from deposits below \$100,000 is specifically exempted under the provisions of the Singapore Income Tax Act.

- (b) 'Earned income' for an individual means the statutory income reduced by any trade losses allowable under the provisions of the Singapore Income Tax Act, from:
- (1) gains or profits from any trade, business or vocation; 1
- (2) gains or profits from employment; and 1
- (3) any pension given to an individual in respect of the past services of such an individual 1

5

	Mark
(c) The conditions to be satisfied before a donation will be allowed as an income tax deduction in the case of an individual are:	
(1) it must be an outright cash donation although there are some specific exceptions, for example in the form of shares of public companies listed on the Singapore Exchange or units in unit trusts that are readily tradable in Singapore	2
(2) donations must be made to approved Institutions of a Public Character (IPC)	1
(3) donations must be made in the calendar year preceding the Year of Assessment	1
(4) deduction of donations are claimed against the total assessable income of an individual. With effect from the Year of Assessment 2003, any unutilised donations can be carried forward to be set-off against income of the donor for subsequent years up to a maximum of five years	1
	<u>5</u>
	31

2 (a) LNL Advertising & Publicity Services Pte Ltd
Tax computation for the Year of Assessment 2003

	\$	\$	
Net profit per accounts		133,000	
Less: Interest on fixed deposits		(1,300)	1
Gain on disposal of fixed assets		(2,200)	1
Realised exchange gain re: settlement of trade debts		0	0.5
		<u>129,500</u>	
<i>Add:</i> Depreciation of equipment	5,200		1
Lease rental of equipment	0		0.5
Property tax – office premises	0		0.5
Bank charges	0		0.5
Legal fee – claim of trade debts	0		0.5
URA processing fee for the change of use of the premises as office	1,200		1
Staff salaries & bonus	0		0.5
Directors' salaries	0		0.5
Medical expenses	0		0.5
Club membership – entrance fee for golf club in Batam	6,000		1
Club membership – subscriptions	0		0.5
Upkeep of motor vehicles – van	0		0.5
Bad debts write-off	0		0.5
Bad debts provision (general)	8,200		1
Donation to the Little Sisters of the Poor	1,000		1
Penalty for the late filing of GST return	400		1
		<u>22,000</u>	
Adjusted Profits		151,500	
Less: Capital allowances		(5,500)	0.5
		<u>146,000</u>	
<i>Add:</i> Interest – Received on maturity of deposit on 15.02.2002		1,100	1
Accrued to 30.06.2002		0	1
		<u>147,100</u>	
Less: Donations to Approved Institutions (\$1,000 x 2)		2,000	2
Chargeable income before exemption c/f		145,100	
Chargeable income before exemption b/f		145,100	
Less: Exemption on 1st \$10,000 at 75%		(7,500)	1
Exemption on next \$90,000 at 50%		(45,000)	1
Chargeable income after exemption		<u>92,600</u>	
Tax thereon at 22%		<u>20,372.00</u>	1
			21

	Mark
(b) For the utilisation of carried forward capital allowances, the Comptroller of Income Tax must be satisfied that there is no substantial (50% or more) change in the shareholders and their shareholdings in the company on the relevant dates. The relevant dates are the last day of the year in which the allowances arise and the first day of the Year of Assessment in which the brought forward allowances will be utilised.	2
In addition, the company must continue to carry on the same trade, profession or business.	2
In practice, the capital allowances will be utilised on a first-in-first-out basis.	1
	1
	<hr/> 6 <hr/>

27

**3 (a) Mayo Restaurants 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	3,000	12,000					1
1 van					36,000		1·5
Equipment and appliances							
Kitchen equipment			35,000				1·5
2 units split-unit air-conditioner with accessories			10,000				1·5
POS computer system with accessories	8,000						1·5
Leasehold Improvement Fixed partitions						16,000	1
	<hr/>	<hr/>	<hr/>		<hr/>	<hr/>	
Year of Assessment 2003	11,000	12,000	45,000		36,000		
S19 – IA 20% x 36,000					7,200		1
AA 80% x 36,000/6					4,800		1·5
S19A – AA	11,000	6,000	15,000	32,000			1·5
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>		
Written down value at 31.12.2003	0	6,000	30,000		24,000		1
	<hr/>	<hr/>	<hr/>		<hr/>		<hr/> 13 <hr/>

	Building Cost \$	Qualifying Cost \$	IBA \$	Mark
(b) ABC Pte Ltd				
Industrial Building Allowances computation				
Expenditure incurred in 2001				
Cost of land	0			0·5
Legal fee re: purchase of land	0			0·5
Piling and foundation works	100,000			0·5
Factory building construction – progress payments	700,000			0·5
	<u>800,000</u>	800,000		
Expenditure incurred in 2002				
Factory building construction – progress payments	800,000			0·5
Architect's fees	100,000			0·5
	<u>900,000</u>	900,000		
Year of Assessment 2002 –				
Initial allowance – 25% of \$800,000			<u>200,000</u>	1
Year of Assessment 2003 –				
Initial allowance – 25% of \$900,000			225,000	0·5
Annual allowance – 3% of \$1,700,000			<u>51,000</u>	0·5
			<u>276,000</u>	
				<u>5</u>
(c) All supplies of goods and services are taxable except for those which have been specifically exempted by the Goods and Services Tax (GST) Act.				
				2
The exempt supplies of goods and services are –				
(1) Financial services; and				1
(2) Sale and lease of residential properties.				1
				<u>4</u>
				<u>22</u>

4 Mr Peter Chen

Assessable income from properties
for the Year of Assessment 2003

	Jointly owned with wife			Total \$	
	Property A \$	Property B \$	Property C \$		
Rental income					
1.01.2002 to 31.12.2002	84,000	72,000	–		2
1.01.2002 to 31.01.2002	–	–	3,800		0.5
1.02.2002 to 31.07.2002 (vacant)	–	–	0		0.5
1.08.2002 to 31.12.2002	–	–	15,000		1
	<u>84,000</u>	<u>72,000</u>	<u>18,800</u>		
<i>Less: Expenses</i>					
Property tax	4,800	4,800	–		1
– (6/12 x \$3,000)	–	–	1,500		1
Repainting	–	–	2,800		1
Maintenance contributions	7,200	7,200	–		1
– (6/12 x \$3,600)	–	–	1,800		1
Repairs and replacements	3,800	2,900	2,600		2
Insurance	500	500	–		1
– (6/12 x \$400)	–	–	200		1
Bank interest	–	–	–		
– (6/12 x \$18,000)	–	–	9,000		1.5
Property management fee	–	–	3,000		1.5
	<u>16,300</u>	<u>15,400</u>	<u>20,900</u>		
Net rental	67,700	56,600	(2,100)		
<i>Less: Share of rental attributable to wife (1/2)</i>	(33,850)	(28,300)	–		2
Net rental assessable to tax	<u>33,850</u>	<u>28,300</u>	<u>(2,100)</u>	<u>60,050</u>	2
					20