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# Answers

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	Mr Donald Loo	Mrs Daisy Loo	Marks
	\$	\$	
Partnership			
Share of adjusted trade profits	–	58,000	1·0
Employment			
Salary & bonus	86,000	–	1·0
Housing provided (10% of \$86,000)	8,600	–	1·5
Rental			
– Jointly owned properties	32,000	32,000	2·0
Dividends			
– Singapore (gross)	7,800	8,400	2·0
Interest			
– DBS Bank (1)	125	125	2·0
– Through partnership	–	300	1·0
	<u>134,525</u>	<u>98,825</u>	
Less: Donations (2)	8,000	4,000	2·0
Assessable income	<u>126,525</u>	<u>94,825</u>	
Less: Personal Reliefs			
Earned Income	3,000	1,000	2·5
Child – Kenny (QCR)	2,000	0	1·0
Kenny (WMCR 5% of earned income)	0	2,900	1·5
Lena (QCR)	0	0	0·5
Lena (WMCR)	0	0	0·5
Mark (HCR)	3,500	0	1·0
Mark (WMCR 20% of earned income)	0	11,600	1·5
CPF	10,750	19,140	2·0
Nsgman	750	750	2·0
Foreign maid levy	0	8,280	1·0
	<u>20,000</u>	<u>43,670</u>	
Chargeable income	<u>106,525</u>	<u>51,155</u>	
Tax on 1st \$40,000	–	1,000·00	0·5
Tax on next \$11,155 at 9%	–	1,003·95	0·5
Tax on 1st \$80,000	4,600·00	–	0·5
Tax on next \$26,525 at 15%	3,978·75	–	0·5
	<u>8,578·75</u>	<u>2003·95</u>	
Less: Tax deducted from dividends	(1,560·00)	(1,680·00)	2·0
Tax payable	<u>7,018·75</u>	<u>323·95</u>	
			<u>30·0</u>
Notes:			
(1) Interest received from approved banks is only taxable up to the benchmark of \$125.			
(2) Donations claimed	(4,000 x 2) 8,000	(2,000 x 2) 4,000	
<b>(b) Claim of deduction of expenses against employment income</b>			
Expenses must be for official duties and not reimbursed by the employer and include:			1·0
(1) travelling expenses (other than expenses incurred on motor cars)			1·0
(2) entertainment expenses			1·0
(3) subscriptions paid to professional bodies			1·0
Marks will be awarded for alternative examples up to a maximum of 3 valid items			
			<u>4·0</u>
			<b><u>34·0</u></b>

## 2 (a) KPI Engineering Pte Ltd

## Tax computation for Year of Assessment 2005

	\$	\$	
Net profit per accounts		611,000	
Less: Other income – Rental from subletting office premises		(24,000)	1·0
Gain on disposal of fixed assets		(291,000)	1·0
		<u>296,000</u>	
<i>Add:</i> Repairs & maintenance of machinery	0		0·5
Depreciation of machinery	688,000		1·0
Rental of factory premises	0		0·5
HP interest – machinery	0		0·5
Depreciation of office equipment	106,000		1·0
Rental of office premises	0		0·5
Legal fee re: claim of trade debts	0		0·5
Staff salaries and bonuses – administration office	0		0·5
CPF and related costs – administration office	0		0·5
Staff loans written off	3,300		1·0
Commissions	0		0·5
Rental of distribution office in Malaysia	0		0·5
Upkeep of motor cars – Singapore	5,200		1·0
Upkeep of motor cars – Malaysia	0		0·5
Bad debts written off	0		0·5
Realised exchange loss re: purchase of machinery	15,000		1·0
Realised exchange loss re: settlement of trade debts	0		0·5
Composition fine for late filing of Annual Return	400		1·0
HP interest re: motor car in Singapore	2,300		1·0
Donation to Community Chest of Singapore	3,000		1·0
		<u>823,200</u>	
Adjusted profits		1,119,200	
Less: Capital allowances – current year		(910,000)	1·0
Unutilised capital allowances brought forward		(88,000)	1·0
		<u>121,200</u>	
<i>Add:</i> Rental received		24,000	1·0
Assessable income		145,200	
Less: Donations (2 x \$3,000)		(6,000)	1·0
		<u>139,200</u>	
Total income		139,200	
Less: Exemption on 1st \$10,000 at 75%		(7,500)	1·0
Exemption on next \$90,000 at 50%		(45,000)	1·0
		<u>86,700</u>	
Chargeable income		86,700	
Tax thereon at 20%		<u>17,340·00</u>	1·0
			<u>23·0</u>

## (b) Claim of bad debt relief for Goods and Services Tax (GST) purposes

Generally a claim for bad debt relief can be made for the purposes of GST as long as the ownership of the goods has been transferred to the customer and the value of supply is equal to or less than its open market value.

The claim must be made within seven years from the date of supply. 1·5

In order to be eligible for the bad debt relief claim, the following conditions must be satisfied:

- (1) The GST on the goods or services supplied have been accounted for and paid 1·0
- (2) The debt due must be written off as bad debts in the accounts 1·0
- (3) A period of twelve months beginning with the date of supply has elapsed or the debtor has become insolvent before the period of twelve months has elapsed 1·0
- (4) Reasonable steps were taken to recover the debts 1·0

Based on the information available, KPI Engineering Pte Ltd is eligible for the claim of bad debt relief in respect of the GST applicable to the bad debts written off.

0·5

6·0

29·0

## 3 (a) NSB Pte Ltd

## Capital allowances computation

	1	2	Section 19A Claim 3	Total \$	Section 19 Claim 6	Non- Claim	
Number of years to run							
Written down value b/f	\$ 3,000	\$ 8,000	\$	\$	\$	\$	1.0
Additions during the year 2004							
<b>Motor Vehicles –</b>							
1 van					27,000		1.0
1 motor-car						63,000	1.0
<b>Equipment &amp; furniture</b>							
Generator and electricity supply transformers			600,000				1.0
Installation costs – generator and electricity supply transformers			12,000				1.0
Air-conditioning system with accessories			33,000				1.0
1 automatic cutting machine	42,000						1.0
Office furniture			15,000				1.0
<b>Leasehold Improvement</b>							
Fixed partitions – office						22,000	1.0
	<u>45,000</u>	<u>8,000</u>	<u>660,000</u>		<u>27,000</u>		
Year of Assessment 2005							
S19 – IA 20%X 27,000					5,400		1.0
AA80%X 27,000/6					3,600		1.5
S19A – AA	<u>45,000</u>	<u>4,000</u>	<u>220,000</u>	<u>269,000</u>			1.5
Written down value	<u>0</u>	<u>4,000</u>	<u>440,000</u>		<u>18,000</u>		1.0
							<u>14.0</u>

## (b) NSB Pte Ltd

## Industrial building allowances computation

	Building Cost \$	Qualifying Cost \$	IBA \$	
Expenditure agreed		2,600,000		0.5
Expenditure incurred in 2004 –				
Cost of construction of the annex room	60,000	60,000		0.5
Cost of plans & fees in connection with the construction of the annex room	<u>8,000</u>	<u>8,000</u>		0.5
	<u>68,000</u>	<u>2,668,000</u>		0.5
Year of Assessment 2005 –				
Initial allowance – 25% of \$68,000			17,000	1.0
Annual allowance – 3% of \$2,668,000			<u>80,040</u>	1.0
			<u>97,040</u>	
				<u>4.0</u>
				<u><b>18.0</b></u>

4 (a) (i) Evergreen Services  
Computation of adjusted profits for the Year of Assessment 2005

	\$	
Net profit per accounts	150,000	
Add: Depreciation	28,000	1·0
Donations	3,000	1·0
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Divisible profits	181,000	
Add: Partners' salaries	57,000	1·0
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Adjusted profits	238,000	
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		3·0

(ii) Evergreen Services  
Allocation of profits and deductions among partners  
Year of Assessment 2005

	John	Kelvin	Total	
Basis of share of profits	60%	40%	100%	
	\$	\$	\$	
Divisible profits	108,600	72,400	181,000	2·0
Partners' salaries	21,000	36,000	57,000	2·0
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Adjusted profits	129,600	108,400	238,000	
Less: Capital allowances	(21,600)	(14,400)	(36,000)	2·0
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Total statutory income	108,000	94,000	202,000	1·0
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Donations:				
20·05.2004 Kidney Dialysis Foundation	600	400	1,000	1·0
28.10.2004 Singapore Chung Hwa Medical Institution	1,200	800	2,000	1·0
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	1,800	1,200	3,000	
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/>
				9·0

(b) Claim of deductible expenses against rental income from property:

Generally only expenses incurred during the period of the tenancy can be claimed for deduction for income tax purposes and include:

- |   |     |
|---|-----|
| (1) Interest expense on the mortgage loan obtained for the purchase of the property | 1·0 |
| (2) Property tax  | 1·0 |
| (3) Fire insurance on the property  | 1·0 |
| (4) Commission paid on getting a subsequent tenant                                  | 1·0 |
| (5) Repairs and maintenance on the property   | 1·0 |
| (6) Cost of renewing a lease  | 1·0 |

Marks will be awarded for alternative examples up to a maximum of 6 valid items

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**19·0**