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# Answers

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	Mr Alex Chua	Mrs Kathy Chua	<i>Marks</i>
	\$	\$	
Trade			
Insurance agent – adjusted trade profits	–	68,000	1
Employment			
Salary & bonus	100,000	–	1
Director's fee	36,000	–	1
Rental			
– Jointly owned properties	40,200	40,200	2
– Property owned by wife	–	32,000	1
Dividends			
– Singapore (gross)	15,500	23,200	2
Interest			
– POSB (1)	0	0	2
	<hr/>	<hr/>	
	191,700	163,400	
Less: Donations (2)	4,000	2,000	2
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Assessable Income	187,700	161,400	
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Less: Personal Reliefs			
Earned Income	1,000	1,000	2
Child – Harry (QCR)	0	0	1
Harry (WMCR)	0	0	1
Irene (QCR)	2,000	0	1
Irene (WMCR 15% of earned income)	0	10,200	1
Jay (QCR)	2,000	0	1
Jay (WMCR 20% of earned income)	0	13,600	1
CPF	18,700	21,780	2
Nsman	750	750	2
Foreign maid levy	0	8,280	1
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	24,450	55,610	
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Chargeable Income	163,250	105,790	
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Tax on 1st \$80,000	–	4,600.00	0.5
Tax on next \$25,790 at 15%	–	3,868.50	0.5
Tax on 1st \$160,000	16,600.00	–	0.5
Tax on next \$3,250 at 19%	617.50	–	0.5
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	17,217.50	8,468.50	
Less: Tax deducted from dividends	(3,100.00)	(4,640.00)	2.0
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Tax payable	14,117.50	3,828.50	
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Notes:			
(1) All interest income from POSB savings account are exempt from tax			
(2) Donations claimed	(2,000 x 2) 4,000	(1,000 x 2) 2,000	

**Marks**

- (b) Child relief  
Child relief can only be claimed if the child:
- (1) Is a legitimate child, step-child or a legally adopted child; and
  - (2) Is an unmarried child who is under 16 years old.  
If the unmarried child is 16 years old and above, he/she must be receiving full time education at a school, college or university.
  - (3) Does not earn annual income exceeding the Qualifying Child Relief (QCR) amount (for claiming QCR or Working Mother's Child Relief) or \$2,000 (for claiming Handicapped Child Relief)

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**2 (a) F&F Trading Pte Ltd****Tax computation for Year of Assessment 2005**

	\$	\$	
Net profit per accounts		110,000	
Less: Other income – Rental from subletting		(18,000)	1
Commissions		0	0.5
		<hr/> 92,000	
Add: Purchases	0		0.5
Consignment costs	0		0.5
Freight and handling charges	0		0.5
Depreciation of equipment	9,200		1
Rental of premises	0		0.5
Fire and burglary insurance	0		0.5
Legal fee re: lease for a new outlet	1,300		1
Storage of equipment	0		0.5
Staff salaries and bonus	0		0.5
CPF and related costs	0		0.5
Exhibitions and fashion shows	0		0.5
Commissions	0		0.5
Entrance fee re: golf club in Johore	5,000		1
Clubs membership subscriptions	0		0.5
Singapore Retailers Association subscription	0		0.5
Upkeep of motor vehicles – vans	0		0.5
Reimbursements of upkeep of motor cars to directors	6,300		1
Donation to Singapore Cancer Society	2,000		1
Credit card charges	0		0.5
Composition fine for late submission of GST Return	200		1
Penalty for late payment of GST	500		1
Realised exchange loss re: settlement of trade debts	0		0.5
Loss on disposal of equipment	1,900		1
	<hr/>	26,400	
Adjusted profits		118,400	
Less: Capital allowances – current year		(13,000)	1
		<hr/> 105,400	
Less: Unutilised losses brought forward		(9,000)	1
		<hr/> 96,400	
Add: Rental received		18,000	1
		<hr/> 114,400	
Assessable income		114,400	
Less: Donations (2 x \$2,000)		(4,000)	1
		<hr/> 110,400	
Total income		110,400	
Less: Exemption on 1st \$10,000 at 75%		(7,500)	1
Exemption on next \$90,000 at 50%		(45,000)	1
		<hr/> 57,900	
Chargeable income		57,900	
Tax thereon at 20%		11,580.00	1
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**(b) One-Tier Corporate Tax System**

- (1) As the company has no s.44 balance as at 31 December 2002, the company will have been automatically moved to the one-tier system with effect from Year of Assessment 2003.
- (2) Under the one-tier corporate tax system, income tax payable on the normal chargeable income of the company is the final tax in Singapore. This means that companies on the one-tier corporate tax system can issue one-tier exempt dividends.

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**3 (a) ENA Pte Ltd**  
**Industrial Building Allowances computation**

	Building Cost \$	Qualifying Cost \$	IBA \$	
Expenditure incurred in 2003				
Cost of land	0			0.5
Legal fee re: purchase of land	0			0.5
Piling and foundation works	140,000			0.5
Factory building construction – – progress payments	700,000 (1)			0.5
	<u>840,000</u>	840,000		
Expenditure incurred in 2004				
Factory building construction – progress payments	900,000 (1)			0.5
Architect's fee	60,000 (1)			0.5
	<u>960,000</u>	960,000		
		<u>1,800,000</u>		
Year of Assessment 2004 –				
Initial allowance – 25% of \$840,000			210,000	1
Year of Assessment 2005 –				
Initial allowance – 25% of \$960,000			240,000	1
Annual allowance – 3% of \$1,800,000			54,000	1
			<u>294,000</u>	

Note:

- (1) As the bank overdraft is a financing arrangement, the bank overdraft interest should not be capitalised

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## (b) ENA Pte Ltd

## Capital allowances computation

	1	Section 19A Claim 2	3	Total \$	Section 19 Claim 6 (HP) \$	Non- Claim \$	
Number of years to run							
Written down value b/f Motor Vehicles	\$ 5,000	\$ 20,000	\$				1
Van					34,500		1
Machinery & equipment							
Air-conditioning system with chillers & AHU			150,000 (1)				1
1 processing machine with accessories (fully-automatic)	42,000						1
Office Equipment							
Office furniture			18,000				1
Computer system with accessories	12,000						1
Telephone & fax system (fully-automatic)	6,000						1
	<u>65,000</u>	<u>20,000</u>	<u>168,000</u>		<u>34,500</u>		
Year of Assessment 2005							
S19 – IA 20% x {6,900+ (1,150 x 6)}					2,760		1.5
AA 80% x 34,500/6					4,600		1.5
S19A – AA	65,000	10,000	56,000	131,000			1.5
Written down value at 31.12.2005	<u>0</u>	<u>10,000</u>	<u>112,000</u>		<u>27,140</u>		0.5

Note:

As the term loan is a financing arrangement, the repayments should not affect the calculation of the capital allowances

The term loan interest should not be capitalised

0.5

0.5

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## 4 (a) Madam Tina Wang

Assessable Income from properties for  
Year of Assessment 2005

	Property A \$	Property B \$	Total	
Rental income 1.01.2004 to 31.12.2004	48,000	42,000		2
Less: Expenses				
Property tax	4,800	4,200		1
Repainting	0	2,800		0.5
Maintenance contributions	4,900	4,600		1
Repairs and replacements	3,800	2,900		1
Fire insurance	260	230		1
Bank interest	0	18,000		1
Loan repayments	0	0		1
	<u>13,760</u>	<u>32,730</u>		
Net rental assessable to tax	<u>34,240</u>	<u>9,270</u>	<u>43,510</u>	0.5

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**(b) Obligations of a taxable person for GST purposes**

Upon registration for GST, the Taxable Person have the following obligations

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|---|-----|
| (1) To keep records so as to enable the Comptroller of GST to readily assess the GST liability.<br>The records must be kept for 7 years and include the following:                  | 0·5 |
| – the business accounting records;  | 0·5 |
| – copies of serially printed receipts and tax invoices issued by the taxable person;  | 0·5 |
| – tax invoices and receipts received by the taxable person;   | 0·5 |
| – the import/export documents, if any;  | 0·5 |
| – all debit and credit notes;   | 0·5 |
| – any other documents that verify the taxable transactions.   | 0·5 |
| (2) To provide a tax invoice within 30 days of the supply being made or a longer period as allowed by the Comptroller of GST, to a taxable person whenever a supply is made to him. | 1   |
| (3) To complete and submit the GST returns and pay the Comptroller of GST the amount of tax not later than one month after the end of the accounting period.                        | 1   |
| (4) To provide all information as required by the Comptroller of GST and to assist in any audit on the GST accounts   | 1   |
| (5) To inform the Comptroller of GST in writing when the taxable person ceases making taxable supplies.   | 1   |
| (6) To remain registered for at least two years for a voluntary registrant.   | 0·5 |
| (7) To show the price as GST-inclusive when receipts are issued but the total tax chargeable shall be shown as a separate amount on the same receipt.                               | 1   |
| (8) To display prominently the certificate of GST Registration at each of the business premises.  | 1   |

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