
Answers

			Marks
1 (a) Mr and Mrs Pang – Income tax computations for the Year of Assessment 2006			
	Mr Peter Pang	Mrs Tina Pang	
	\$	\$	
Trade			
Sole-proprietorship adjusted profits	–	43,000	1
Employment			
Salary and bonus	65,000	–	1
Benefit-in-kind (Share option gains) (1)	6,000	–	2
Director's fee	–	12,000	1
Rental			
– Jointly owned properties	3,400	3,400	2
Dividends			
– Singapore (Tax exempt – one-tier) (2)	–	0	1
– Singapore (gross)	2,200	3,800	2
Interest			
– DBS Bank (3)	0	0	2
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	76,600	62,200	
Less: Donations (4)	2,000	3,000	2
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Assessable income	74,600	59,200	
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Less: Personal reliefs			
Earned income	1,000	1,000	2
Child – Nellie (QCR)	2,000	0	1
Nellie (WMCR 5% of earned income)	0	2,750	1.5
Olivia (QCR)	2,000	0	1
Olivia (WMCR 15% of earned income)	0	8,250	1.5
Parent	5,000	0	1
CPF	13,000	14,190	2
Foreign maid levy	0	6,000	1
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	23,000	32,190	
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Chargeable income	51,600	27,010	
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Tax on 1st \$20,000	–	0.00	0.5
Tax on next \$7,010 at 3.75%	–	262.87	0.5
Tax on 1st \$40,000	950.00	–	0.5
Tax on next \$11,600 at 8.75%	1,015.00	–	0.5
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	1,965.00	262.87	
Less: Tax deducted from dividends	(440.00)	(760.00)	2
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Tax payable/(repayable)	1,525.00	(497.13)	
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Notes:			
(1) Share option gains:			
Market price on exercise of share option	\$9,000		
Less: share option price paid	(3,000)		
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Share option gains	\$6,000		
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(2) Tax exempt-one-tier dividends are not taxable in the hands of shareholders.			
(3) Interest income from approved banks received by resident individuals is exempt from tax.			
(4) Donations claimed – Mr Peter Pang (\$1,000 x 2) \$2,000			
– Mrs Tina Pang (\$1,500 x 2) \$3,000			

(b) Claim of relief for life insurance premiums

- (1) A claim for life insurance premiums paid is restricted to 7% of the capital sum insured and no relief will be allowed if the CPF contributions claimed exceeds \$5,000.
- (2) A claim of relief for life insurance premiums can only be allowed for premiums paid on the taxpayer's own or his wife's life assurance policy.
- (3) No relief will be allowable to the wife for premiums paid on her husband's life policies.
- (4) Premiums paid on children's life policies do not qualify for relief
- (5) For policies taken out after 10 August 1973, the insurance company must have an office or branch in Singapore

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534**2 (a) PPC Polyclinic Pte Ltd****Tax computation for the Year of Assessment 2006**

	\$	\$	
Net profit per accounts		710,400	
Less: Other income – Rental from subletting business premises		(30,00)	1
– Insurance claims		0	0.5
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		680,400	
<i>Add:</i> Depreciation of equipment	103,000		1
Rental of business premises	0		0.5
Legal fee re: tenancy agreement for lease of new premises of a new branch	1,200		1
Insurance	0		0.5
Directors' remuneration	0		0.5
Staff salaries and bonuses	0		0.5
CPF and related costs	0		0.5
Medical expenses – \$18,000 – (1% x 830,000 + 658,000 + 69,000)	2,430		1
Professional subscriptions	0		0.5
Technical information systems	0		0.5
Upkeep of motor cars	3,200		1
Application of medical licence for new branch	700		1
NETS transfer/credit card charges	0		0.5
Bad debts written off	0		0.5
Donation to The Yellow Ribbon Fund	3,000		1
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Adjusted profits		793,930	
Less: Capital allowances – current year		(95,000)	1
Unutilised capital allowances brought forward		(15,000)	1
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		683,930	
<i>Add:</i> Rental received		30,000	1
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Assessable income		713,930	
Less: Donations (2 x \$3,000)		(6,000)	1
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Total income		707,930	
Less: Exemption on 1st \$10,000 at 75%		(7,500)	0.5
Exemption on next \$90,000 at 50%		(45,000)	0.5
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Chargeable income		655,430	
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Tax thereon at 20%		131,086.00	1
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(b) PPC Polyclinic Pte Ltd
Proposed dividends

Section 44 balance at 1 January 2006 b/f			\$ 500	0.5
Gross dividends that can be franked – 500.00/0.20			<u>2,500</u>	1.5
Proposed dividends of \$100,000 to be paid as follows:				
	Taxable dividend	Tax exempt-one-tier	Total	
	\$	\$	\$	
Gross dividend	2,500.00	98,000		2
Less: Tax deducted	<u>500.00</u>	<u>–</u>		1
Proposed net dividends payable	<u>2,000.00</u>	<u>98,000</u>	100,000.00	
				<u>5</u>
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3 (a) Speedy Pte Ltd
Capital allowances computation

	Section 19A Claim				Section 19 Claim	Section 19 Claim HP	
Number of years to run	1	2	3	Total	6	6	
	\$	\$	\$	\$	\$	\$	
Written down value b/f	1,000	5,000					1
Additions during the year 2005							
Motor Vehicles							
1 mini-bus						54,000	1
1 van					24,000		1
Equipment & furniture							
Air-conditioners with accessories			12,000				1
Computer system with accessories	13,000						1
Office furniture			<u>9,000</u>				1
	<u>14,000</u>	<u>5,000</u>	<u>21,000</u>		<u>24,000</u>	<u>54,000</u>	
Year of Assessment 2006							
S19 – IA 20% x 24,000					4,800		1
AA80% x 24,000/6					3,200		1
IA 20% x (10,800 + 2,400)						2,640	2
AA80% x 54,000/6						<u>7,200</u>	1
S19A – AA	<u>14,000</u>	<u>2,500</u>	<u>7,000</u>	<u>23,500</u>			1.5
Written down value	<u>0</u>	<u>2,500</u>	<u>14,000</u>		<u>16,000</u>	<u>44,160</u>	1.5
Disposals during the year 2005							
Motor Vehicles							
Written down value b/f					7,200		
Sales proceeds					<u>6,000</u>		
Balancing allowance (BA)					<u>1,200</u>		2
Total capital allowances claim							
Section 19A – AA						23,500	
Section 19 – IA (4,800+2,640)						7,440	
AA (3,200+7,200)						10,400	
BA						<u>1,200</u>	
						<u>42,540</u>	1
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(b) Employers' notification re: departure of non-Singapore citizen employees

Employers have to notify the Comptroller of Income Tax at least one month before a non-Singapore citizen employee ceases or is about to cease employment or is leaving Singapore for any period exceeding 3 months.

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Meanwhile, any monies (including all wages and allowances) due to the non-Singapore citizen employee who is ceasing employment shall not be paid by the employer without the permission of the Comptroller of Income Tax until the expiry of 30 days after the Comptroller has been notified of such cessation.

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If the employer fails to comply with the above tax obligation, he may be liable to pay the full amount of the tax that cannot be recovered by the Comptroller of Income Tax.

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In this case, the company will have to comply with the abovementioned requirements in respect of the resignations of the foreign employees.

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4 (a) S Y Ang

Assessable income from properties for the Year of Assessment 2006

(i)

	Jointly owned with T Y Ang			
	Property A	Property B	Property C	
	Rental	Net annual value	Net annual value	
	\$	\$	\$	
Rental income				
1 January 2005 to 31 December 2005	18,000			1
Gross annual value				
1 January 2005 to 31 December 2005		12,600	13,200	1
Less: Expenses				
Property tax	1,800	400	500	1.5
Maintenance contributions	7,200	2,400	3,000	1.5
Insurance	120	100	100	1.5
Bank Interest	9,500	0	0	0.5
	18,620	2,900	3,600	
Net rental	(620)			
Net annual value		9,700	9,600	
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(ii) Share attributable to S Y Ang (1/2) (310)

4,850

2

As the net rental resulted in a loss, the net rental assessable to tax is 0

1

As property C is owner-occupied the net annual value of this property is exempt from tax.

Exempt

2

His share of the net annual value of property B occupied by his brother is assessable to tax, as only one owner-occupied-property is granted tax exemption.

4,850

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(b) Time of supply for the purposes of goods and services tax (GST)

The time of supply of goods or services is important because it determines when the taxable person should charge the GST on the supply made.

In most cases, the supply is treated as taking place at the earliest of the following events 0·5

- (1) the goods are removed or are made available, or the services are performed; 1
- (2) the supplier issues a tax invoice for that supply; 1
- (3) the supplier receives payment for that supply. 1

Exception:

If the supplier issues a tax invoice within 14 days after the goods are made available, or the services are performed, then the time of supply is the date of the tax invoice. 1

If the supply is on sale and return terms, the time of supply is the earliest of the following events 0·5

- (1) the date when supply status is known; 1
- (2) 12 months after the removal of the goods; 1
- (3) the tax invoice date. 1

Exception:

If the supplier issues a tax invoice within 14 days after the event in (1) or (2), whichever is the earlier, then the time of supply is the date of the tax invoice. 1

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