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# Answers

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	<b>Marks</b>
(2) be looking after any of her children who is a citizen of Singapore and is 12 years old or younger in the year preceding the year of assessment of claim; and	1·5
(3) not carrying on any trade, business, profession or employment during the year preceding the year of assessment of claim.	1·0
Only one person is allowed to claim this relief in respect of the same caregiver	1·5
	7·0
	<b>35·0</b>

**2 (a) TRI Pte Ltd**

**Tax computation for the Year of Assessment 2007**

	<b>\$</b>	<b>\$</b>	
Net profit per accounts		122,200	
Less: Other income – Interest		800	1·0
Insurance claims		0	0·5
		121,400	
<i>Add:</i> Office rental	0		0·5
Insurance	0		0·5
Depreciation	3,300		1·0
Legal fee re: trademark application	4,500		1·0
Legal fee re: defending trade creditors claims	0		0·5
Directors' salaries	0		0·5
Staff salaries	0		0·5
CPF and related costs	0		0·5
Directors' fee	0		0·5
Medical fees	0		0·5
Publicity and promotions	0		0·5
Club membership – entrance fee for golf club in Malaysia	8,000		1·0
Club membership subscriptions	0		0·5
Annual trademark licensing fee	0		0·5
Rental of motor cars – outside Singapore	0		0·5
Reimbursements of taxi fares	0		0·5
Reimbursements of motor car expenses to directors	6,600		1·0
Bad debts written-off	0		0·5
Realised exchange loss on settlement of trade debts	0		0·5
Penalty for late payment of income tax	500		1·0
Donation to an approved institution	2,000		1·0
		24,900	
Adjusted profits		146,300	
Less: Capital allowances – current year		(6,000)	1·0
		140,300	
<i>Add:</i> Interest		800	1·0
		141,100	
Less: Donations (2 x \$2,000)		(4,000)	1·0
		137,100	
Less: Exemption on 1st \$10,000 at 75%		(7,500)	0·5
Exemption on next \$90,000 at 50%		(45,000)	0·5
Chargeable income		84,600	
Tax thereon at 20%		16,920	1·0
			<b>20·0</b>

**(b) (i) Payment of income tax**

The additional tax assessed of \$8,000 has to be paid within one month from the date of issue of the notice of additional assessment, that is on or before 2 January 2008.

1·0

(ii) Notice of Objection

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| (1) Should the company wish to dispute the assessment, a formal notice of objection, in writing should be given to the Comptroller of Income Tax within 30 days from 3 December 2007, that is on or before 2 January 2008. | 1.5         |
| (2) The formal notice of objection should state the precise grounds of the objection to the notice of assessment.  | 1.0         |
| (3) Notwithstanding the objection, the tax assessed has to be paid within one month after the service of the notice of assessment.   | 0.5         |
|  | 3.0         |
|  | <b>24.0</b> |

3 (a) BBS Pte Ltd

Capital allowances computation

Number of years to run	Section 19A Claim			Total	Section 19 Claim	Non- claim	
	1	2	3		6	6	
	\$	\$	\$	\$	\$	\$	
Written down value brought forward		15,000	20,000				1.0
Additions during the year 2006:							
<b>Leasehold improvement</b>							
Fixed partitions					40,000		1.0
<b>Motor vehicles</b>							
Motor car						120,000	1.0
Van					24,000		1.0
<b>Equipment and furniture</b>							
Spa equipment			108,000				1.0
Air-conditioners with accessories			12,000				1.0
Computer system with accessories		15,000					1.0
Furniture (see note)	5,000			15,000			2.0
	5,000	30,000	20,000	135,000	24,000	160,000	
Year of Assessment 2007							
S19 – Initial allowance							
20% x 24,000					4,800		1.0
Annual allowance							
80% x 24,000/6					3,200		1.0
S19A – Annual allowance	5,000	30,000	10,000	45,000	90,000		2.0
Written down value carried forward	0	0	10,000	90,000		16,000	2.5
Total capital allowances claim:						\$	
Section 19A – Annual Allowance						90,000	
Section 19 – Initial Allowance						4,800	
Annual Allowance						3,200	
						98,000	0.5
							16.0

Note:

Items of furniture costing less than or equal to \$1,000 per item qualify for a 100% write-off.

**(b) Claim of unutilised trade losses**

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| (1) For the claim of unutilised trade losses carried forward, the Comptroller of Income Tax must be satisfied that there is no substantial (50% or more) change in the shareholders and their respective shareholdings in the company on the relevant dates.   | 1·0                |
| (2) The relevant dates are the last day of the year in which the loss was incurred and the first day of the year of assessment in which the loss is to be deducted.  | 1·5                |
| (3) The Minister has given discretion to the Comptroller of Income Tax to allow companies to deduct unutilised trade losses from a prior year even where there has been a substantial change in the shareholders and their respective shareholdings, i.e. to waive the continuity of ownership requirement in certain specified circumstances. However, in such cases, the unutilised trade losses carried forward can only be deducted against profits of the same trade. | 1·5                |
|  | <u>4·0</u>         |
|  | <u><b>20·0</b></u> |

**4 (a) Tom and Sandy**

**Assessable income from properties for the Year of Assessment 2007**

(i)	Jointly owned Property A Rental \$	Tom Property B Net annual value \$	Sandy Property C Net annual value \$	
Rental income: 1 January 2006 to 31 December 2006	45,600			0·5
Gross annual value: 1 January 2006 to 31 December 2006		42,000	–	0·5
1 January 2006 to 31 July 2006		–	21,000	1·0
		<u>42,000</u>	<u>21,000</u>	
Less: Expenses				
Property tax	4,200	1,680	840 (1)	1·5
Maintenance contributions	4,800	3,600	1,400 (1)	1·5
Insurance	120	100	70 (1)	1·5
Bank Interest	18,000	0	0	0·5
	<u>27,120</u>	<u>5,380</u>	<u>2,310</u>	
Net rental	<u>18,480</u>			
Net annual value		<u>36,620</u>	<u>18,690</u>	<u>7·0</u>

Note:

(1) Expenses relate to the period 1 January 2006 to 31 July 2006.

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|--|--------------|--------|---|------------|
| (ii) Property A:<br>Share attributable to – Tom (1/2)  | 9,240        |        |   | 1·0        |
| – Sandy (1/2)  | <u>9,240</u> |        |   | 1·0        |
| As property B is owner-occupied the net annual value of this property is exempt from tax.  |              | Exempt |   | 1·0        |
| As property C was vacant from 1 January 2006 to 31 July 2006 when it was sold, the annual value is not assessable to tax   |              |        | 0 | 1·0        |
|  |              |        |   | <u>4·0</u> |
| (iii) As property C had been held by Sandy for her own use and not for trading, the gain from the sale of this property is likely to be treated as a capital gain and not taxable. |              |        |   | <u>2·0</u> |

	<i>Marks</i>
<b>(b) (i) Taxable persons, taxable supplies and registration for goods and services tax (GST):</b>	
(1) A taxable person is liable to register for goods and services tax (GST) if the amount of the annual turnover of taxable supplies exceeds or is expected to exceed \$1,000,000.	1·0
(2) A taxable person is a person who for the purposes of the Goods and Services Tax Act is or is required to register under that Act.  A taxable person may include a sole-proprietor, a partnership, a company, a club or association, a non-profit organisation, a statutory board and a government body.	2·0
(3) Taxable supplies must be made in the course or furtherance of business:	
– include standard-rated and zero-rated supplies.	1·0
– exclude exempt and out-of-scope supplies.	1·0
	5·0
 <b>(ii) Exemption from registration:</b>	
Application can be made to the Comptroller of Goods and Services Tax for exemption from registration if a taxable person makes or intends to make only zero-rated supplies, even if the annual turnover exceeds \$1,000,000.	1·0
If after being so exempted, there is a material change in the nature of the supplies made, the taxable person is required to inform the Comptroller of Goods and Services Tax:	
– within 30 days of the date on which the change occurs; or	
– within 30 days of the end of the quarter in which it occurs if no particular date is identifiable	2·0
	3·0
	<b>21·0</b>