Answers

Marks

1 (a) Mr and Mrs Teo – Income tax computations for the Year of Assessment 2007

	Mr Danny Teo \$	Mrs Sally Teo \$	
Trade	·	·	
Year ended 31 December 2006			
 Sole-proprietorship adjusted profits 	=	110,000	1.0
Employment	100.000		1.0
Salary and bonus Director's fee (year ended 30 September 2005)	120,000 20,000	_	1·0 1·0
Part-time lecture fees	20,000	25,000	1.0
Rental		23,000	1 0
Jointly owned properties	12,200	12,200	1.0
Mrs Teo's apartment	,	10,600	1.0
Dividends			
Singapore (tax exempt – one-tier) (1)	0	0	1.0
Singapore (gross)	=	1,600	1.0
Interest		•	
– UOB Bank (2)	0	0	1.0
	152,200	159,400	
Less: Donations (3)	1,000	4,000	2.0
Assessable income	151,200	155,400	
Less: Personal reliefs			
Earned income	3,000	3,000	2.0
Child – Vera (QCR)	2,000	0	1.0
Vera (WMCR 15% of earned income)	0	20,250	1.5
Zoe (QCR)	2,000	0	1.0
Zoe (WMCR 20% of earned income) (4) Parent	0 5,000	23,000 0	2·0 1·0
CPF (5)	8,250	25,245	2.5
Nsman	750	750	2.0
Foreign maid levy	0	7,080	1.0
	21,000	79,325	
Chargeable income	130,200	76,075	
Chargeable income	=====		
Tax on 1st \$40,000	_	900	0.5
Tax on next \$36,075 at 8.50%	=	3,066	0.5
Tax on 1st \$80,000	4,300	-	0.5
Tax on next \$50,200 at 14%	7,028		0.5
	11,328	3,966	
Less: Tax deducted from dividends	_	(320)	1.0
Tax payable	11,328	3,646	
			28.0

Notes:

- (1) Tax exempt one-tier dividends are not taxable in the hands of shareholders.
- (2) Interest income from approved banks received by resident individuals is exempt from tax.
- (3) Donations claimed Mr Danny Teo ($$500 \times 2$) \$1,000 Mrs Sally Teo ($$2,000 \times 2$) \$4,000
- (4) Maximum relief per child (QCR + WMCR) is restricted to \$25,000.
- (5) Claim of statutory and voluntary CPF contributions is capped at \$25,245.

(b) Claim of grandparent caregiver relief (GCR)

A working mother who is married, divorced or widowed can claim the GCR in respect of her parent or grandparent or her spouse's/ex-spouse's parent or grandparent.

2.0

Her parent or grandparent or her spouse's/ex-spouse's parent or grandparent must:

(1) be living in Singapore;

1.0

year preceding the year of assessment of claim; and (3) not carrying on any trade, business, profession or employment of assessment of claim. Only one person is allowed to claim this relief in respect of the same		eding the year of	$ \begin{array}{r} 1.0 \\ \hline 1.5 \\ \hline 7.0 \\ \hline 35.0 \end{array} $
TRI Pte Ltd Tax computation for the Year of Assessment 2007	\$	\$	===
Net profit per accounts Less: Other income – Interest		122,200 800	1.0
Insurance claims		0	0.5
Add: Office rental Insurance Depreciation Legal fee re: trademark application Legal fee re: defending trade creditors claims Directors' salaries Staff salaries CPF and related costs Directors' fee Medical fees Publicity and promotions Club membership – entrance fee for golf club in Malaysia Club membership subscriptions Annual trademark licensing fee Rental of motor cars – outside Singapore Reimbursements of taxi fares Reimbursements of motor car expenses to directors Bad debts written-off Realised exchange loss on settlement of trade debts Penalty for late payment of income tax Donation to an approved institution	0 0 3,300 4,500 0 0 0 0 0 0 8,000 0 0 0 0 0 0 0 0 0 0	121,400	0·5 0·5 1·0 1·0 0·5 0·5 0·5 0·5 0·5 0·5 0·5 0
Adjusted profits		24,900 146,300 (6,000)	1.0
Less: Capital allowances – current year Add: Interest		(6,000) 140,300 800	1.0
Less: Donations (2 x \$2,000)		141,100 (4,000)	1.0
Total income Less: Exemption on 1st \$10,000 at 75% Exemption on next \$90,000 at 50%		137,100 (7,500) (45,000)	0·5 0·5
Chargeable income		84,600	
Tax thereon at 20%		16,920	1·0 20·0

2 (a)

(b)

1.0

notice of additional assessment, that is on or before 2 January 2008.

			Marks
(ii)	Not	ce of Objection	
	(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
			24.0

3 (a) BBS Pte Ltd

Capital	al	lowances	computation
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oupital unowanies computat		Sectio Cla	n 19A iim			Section 19 Claim	9 Non- claim	
Number of years to run	1	1	2	3	Total	6	6	
	\$	\$	\$	\$	\$	\$	\$	
Written down value brought forward Additions during the year 200 Leasehold improvement	06:	15,000	20,000					1.0
Fixed partitions							40,000	1.0
Motor vehicles							100.000	1.0
Motor car Van						24,000	120,000	1·0 1·0
Equipment and furniture						2 1,000		1 0
Spa equipment				108,000				1.0
Air-conditioners with accessories Computer system				12,000				1.0
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						4.000		1.0
20% x 24,000 Annual allowance						4,800		1.0
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	า։							
Section 19A – Annual Allowa Section 19 – Initial Allowand Annual Alloward	e						\$ 90,000 4,800 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

- (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

1.5

- (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.
- (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.

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20.0

2.0

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 1 January 2006 to 31 July 2006		42,000 - 42,000	21,000 21,000	0·5 1·0
	Less: Expenses Property tax Maintenance contributions Insurance Bank Interest	4,200 4,800 120 18,000 27,120	1,680 3,600 100 0 5,380	840 (1) 1,400 (1) 70 (1) 0 2,310	1·5 1·5 1·5 0·5
	Net rental	18,480			
	Net annual value Note: (1) Expenses relate to the period 1 January	ary 2006 to 31 July	36,620 = 2006.	<u>18,690</u> -	7.0
(ii)	Property A: Share attributable to - Tom (1/2)	9,240			1.0
	- Sandy (1/2)	9,240			1.0
	As property B is owner-occupied the net annual value of this property is exempt from tax. As property C was vacant from 1 January to 31 July 2006 when it was sold, the and value is not assessable to tax		Exempt	0 _	1·0 1·0 4·0
(iii)	As property C had been held by Sandy for	her own use and no	ot for trading, the gain f	rom the sale of	4.0

this property is likely to be treated as a capital gain and not taxable.

(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. (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. (3) Taxable supplies must be made in the course or furtherance of business: - include standard-rated and zero-rated supplies. - exclude exempt and out-of-scope supplies. 1-0 5-0 (ii) Exemption from registration: 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. 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			••••	arks
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				2.0
21.0				3.0
			2	21.0