



## Singapore CA Qualification (Foundation) Examination

15 June 2020

### Singapore Taxation

#### INSTRUCTIONS TO CANDIDATES:

1. The time allowed for this examination paper is **3 hours 15 minutes**.
2. This examination paper has **FOUR (4)** questions and comprises **THIRTY-THREE (33)** pages (including this instruction sheet, Appendix A and Appendix B). Each question may have **MULTIPLE** parts and **ALL** questions are examinable.
3. This is a restricted open book examination. You are allowed to have only the following materials with you at your exam location:
  - One A4-sized double-sided cheat sheet
  - One A4-sized double-sided blank scratch paper
4. During the examination, you are allowed to use your laptop and any calculators that comply with the SAC's regulations. Please note that watches, mobile phones, tablets, and all other electronic devices **MUST NOT** be used during the examination and **MUST NOT** be within reach or sight or hearing from where you are seated to write the exam. Use of these devices, or, the sight or hearing of these devices, will be flagged as integrity breaches and investigated, unless it is for the purpose as stated under paragraph 6 below.
5. During the examination, videos of you and your computer screen will be recorded for the purpose of ensuring examination integrity and you have consented to these recordings.
6. Should you encounter any issues during the examination, please contact any of these four (4) hotlines for an invigilator to assist you. The hotlines will be operational from one hour before the scheduled start time of the examination to one hour after the scheduled end time of the examination.

Name of invigilator	Hotline number
N.A.	N.A.
N.A.	N.A.
N.A.	N.A.
N.A.	N.A.

7. This examination paper and all video recordings of this exam are the property of the Singapore Accountancy Commission.

**MODULE-SPECIFIC INSTRUCTIONS:**

8. Assume that all dollar amounts are in Singapore dollar (S\$) unless otherwise stated.

**Exemplify  
Question  
Number**

**1**

**Compulsory pre-exam steps to be recorded in video**

Before you begin this exam, you are to perform a 360 degrees environment scan (via webcam), including a view of your table top, so that the location where you are taking the exam is being recorded in the video.

Next, show each side of your A4-sized double-sided cheat sheet to the webcam so that your cheat sheet is being recorded in the video.

Lastly, if you are using a calculator and a blank sheet of A4-sized scratch paper, show the calculator and both sides of the blank scratch paper to the webcam so that these items will be recorded in the video.

Should you encounter any issues during the examination, please contact any of these four (4) hotlines for an invigilator to assist you.

<b>Name of invigilator</b>	<b>Hotline number</b>
N.A.	N.A.
N.A.	N.A.
N.A.	N.A.
N.A.	N.A.

**Question 1 – (a)**

Clutterfree Pte Ltd (“CPL”) is a wholly owned subsidiary of Motherearth Inc, a company tax resident in Country X. CPL was incorporated in Singapore in 1995, and it is in the plastic waste recycling business. The Directors of CPL hold their meetings in Singapore.

For the year ended 31 August 2019, CPL made a net profit before tax of \$1,490,000 on turnover of \$25,000,000. The profit was arrived at after taking into consideration the following income and expenses:

<b>Income</b>	<b>S\$</b>
Interest income received from a Singapore corporate bond investment.	(20,000)
Dividend income received during the year from the following subsidiaries: <ul style="list-style-type: none"><li>• Tidy Maintenance Limited (“TML”), a company tax resident in Country P. The dividend income was reinvested into additional shares in TML - \$55,000.</li><li>• Organise Engineering Pte Ltd (“OEPL”), a company tax resident in Singapore - \$45,000.</li></ul>	(100,000)
Profit on the sale of delivery truck. The truck was acquired from OEPL in financial year 2017 at the transfer price of \$38,000, and Section 24 was elected on the acquisition. The truck was purchased by OEPL in financial year 2015 at the price of \$96,000. The truck was sold by CPL for \$40,000.  Both OEPL and CPL claimed accelerated allowances under Section 19A on the vehicle.	(12,000)
Grant from National Environment Agency (“NEA”) for purchase of energy-efficient recycling and extrusion machine.	(50,000)

<b>Expenses</b>	<b>S\$</b>
Depreciation	535,000
Interest expense on bank loans used to acquire the following:	
• Purchase of investments (the loan of \$2.1m was disbursed as follows - \$250,000 on Singapore corporate bond, \$1.1m on TML and \$750,000 on OEPL).	84,000
• Energy-efficient recycling and extrusion machine.	60,000
Legal fees for:	
• Lease renewal of factory premises for another 5 years.	5,000
• Settlement of penalty imposed by NEA for wrongful discharge of hazardous industrial waste into the national water collection system.	10,500
Cost of clean-up required by NEA to rectify the damage caused as a result of the wrongful discharge of hazardous waste.	45,000
Premiums paid on:	
• Staff medical and hospitalisation plan.	105,000
• Work injury compensation policy as required for foreign workers employed.	22,000
The company has not implemented any portable or transferable medical schemes.	
The company's total staff remuneration of \$8,400,000 comprise staff salaries, bonus and employer's CPF contribution (but not including allowances) as well as Directors' fees of \$120,000 paid to members of the Board of Directors.	
Transportation expenses comprising:	
• Transport allowance given to staff to cover business-related travel expenses.	60,000
• Car rental in Country X for General Manager on business trip to visit customers and suppliers.	3,700
Exchange (gain)/loss arising from:	
• Revaluation of investment in TML.	100,000

• Settlement of accounts payable and receivable.	(65,000)
Delivery and installation charges in respect of recycling and extrusion machine.	45,000
Cost of sculpture donated to National Heritage Board (“NHB”) under the Public Art Tax Incentive Scheme. CPL commissioned a sculpture out of recycled materials, and it was presented to the NHB for public display and education purposes. The value of the sculpture was assessed by the NHB at \$35,000.	43,000

### **Note 1**

The following capital expenditure (capitalised to the Balance Sheet) were incurred in the respective financial years as follows:

<b>Item</b>	<b>Financial year</b>	<b>S\$</b>
Lockers for staff use (each locker costs \$2,300).	2018	43,700
Recycling and extrusion machine (the machine is certified to qualify for 100% capital allowance claim).	2019	890,000
Non-structural renovation works to staff changing and shower area: <ul style="list-style-type: none"> <li>• Demolition and hacking works;</li> <li>• Non-slip floor tiles to replace existing tiles which were <b>not</b> non-slip tiles;</li> <li>• Benches (each costing \$2,000); and</li> <li>• Additional water heaters (each costing \$4,800).</li> </ul> <p>The company had carried out extensive non-structural renovation works costing \$275,000 in financial year 2018. There was no Section 14Q compliant costs incurred prior to Year of Assessment 2019.</p>	2019	4,000 23,000 6,000 14,400

### **Note 2**

The company’s policy is to maximise its capital allowances claim under Section 19A.

**Exemplify  
Question  
Number**

**2**

**Question 1 required:**

**(a)** Calculate the minimum tax liability of CPL for Year of Assessment 2020. Show all relevant workings in relation to the following:

- Special deductions under Section 14Q of the Singapore Income Tax Act; and
- Capital allowances.

**(25 marks)**

**(Total: 25 marks)**

## Question 2 – (a)

Josie Koh, 48 years old and Singapore Citizen, was the head of marketing at a pharmaceutical company based in Singapore. Following a corporate restructuring exercise, the Singapore company's operations were downsized, and the marketing department was relocated to Bangkok. As a result, Josie was retrenched from her job with effect from 1 January 2019. The following compensation was paid to Josie on 10 January 2019 under the terms of the severance package:

- \$400,000 for loss of office;
- \$150,000 gratuity for 20 years of long service; and
- \$20,000 compensation in lieu of one month's notice period.

In 2017, Josie had an inkling that she would be in danger of losing her job and so, she started a sole proprietorship business in medical tourism. The business commenced in December 2017 and was managed by her husband, Benson Koh. She became actively involved and started working for her business **after** she lost her job. For the year ended 31 December 2019, the business registered a profit of \$35,000 on turnover of \$350,000, after taking into consideration the following expenses:

- Salaries and employer's CPF contribution, where applicable, of \$229,620, of which \$24,000 was paid to Benson for his role as the General Manager of the business (the market rate for a similar role would have been \$60,000) and Josie took a nominal salary of \$1,000/month (\$12,000 for the year) when she started working for the business in January 2019.
- Medical-related expenses of \$5,500, inclusive of \$3,200 medical insurance premium for Josie. The business did not implement any portable or transferable medical schemes.
- Trade mission expenses of \$55,000 spent on trade fairs supported by Enterprise Singapore. No more than 2 employees participated in these trade fairs.
- Laptops costing \$16,000 to be used by employees as all of them work from home.



### Other information:

- Josie has not made any CPF contribution in 2019 on her self-employed income.
- Benson is Josie's second husband; Josie's first husband passed away 15 years ago. Benson is 50 years old and is no longer required to perform his National Service duties. Besides the salary drawn from Josie's business, he has dividend income totalling \$30,000 in year 2019, which were paid by companies that are tax resident in Singapore. The spouses have agreed that Josie will claim all relevant reliefs available.
- Josie owns a fully paid-up residential property which was used as the family home. In January 2019, the family moved out of the property to live with Benson's elderly parents. Josie's property was rented out with effect from 1 March 2019, and the following are the income derived and expenses incurred thereof:
  - Rental income from 1 March to 31 December 2019: \$50,000
  - Property tax for year 2019: \$7,896
  - Maintenance expense for year 2019: \$7,200
  - Cleaning expense incurred in February 2019: \$1,800
  - Agent's commission: \$5,000

Josie will be claiming actual expenses incurred in respect of the property, where possible. This is Josie's first time deriving rental income.

- Josie and Benson have a pair of 10-year old twins who are studying in a local primary school. Josie also has a son, James, from her first marriage. James was legally adopted by Benson. He commenced his studies at Singapore Institute of Technology after completing his National Service in 2019. His National Service allowance for the year 2019 was \$2,400.
- Benson's parents do not have any income for the year 2019. They help to take care of their grandchildren.
- Josie's father, a widower, lives on his own. He receives a monthly annuity of \$790 from CPF Life; the annuity is exempted from Singapore tax. A foreign domestic worker was hired to look after the father and Josie pays the monthly salary of \$690 and a monthly levy of \$60 for the maid. Josie's father is the employer of the foreign domestic worker.

**Exemplify  
Question  
Number**

**3**

**Question 2 required:**

- (a)** Compute Josie's minimum tax payable for the Year of Assessment 2020, showing the net taxable income from **each source separately** and maximising the claim for reliefs available to Josie. All relevant reliefs available to Josie should be considered and included in your answer.

**(25 marks)**

**(Total: 25 marks)**

### Question 3 – (a), (b) and (c)

Stone Care Pte Ltd (“SCPL”) is in the business of supplying and installation as well as providing cleaning and maintenance services for top quality natural stone flooring products. It has a showroom and a factory in Singapore. It is a GST-registered company which is entitled to full input tax credit. The following SCPL transactions were conducted in the quarter ended 31 December 2019 and **unless otherwise stated**, all purchases made in Singapore were from GST-registered suppliers and all sales value stated are exclusive of GST (*Goods and Services Tax*).

(i) Made sales during the quarter as follows:

- (i-1) Sales of granite flooring worth \$275,000 which was delivered to a residential project in Singapore, of which \$100,000 deposit (inclusive of GST) was received in September 2019. (You are to account for the balance to be collected from the customer in the current quarter).
- (i-2) Sales of travertine flooring to a Malaysian couple on 15 November 2019. The tiles will be picked up by the transport company engaged by the couple to truck the tiles back to their home in Kuala Lumpur. As the tiles are only required in February 2020, SCPL agreed to keep the tiles sold till 31 January 2020. The total charge to the customer was \$85,000, inclusive of \$5,000 for the storage of goods till 31 January 2020.
- (i-3) Deposit of \$230,000 received from Angsana Putra, a company resident in Indonesia, in December 2019 for sales of onyx stone tiles worth \$460,000. The tiles were exported to the customer in January 2020 and the final invoice was raised in January 2020.
- (i-4) Sales of paper and wood packaging at the GST inclusive price of \$20,000 to Karung Guni Pte Ltd.

(ii) SCPL received the following from its new tenant:

- (ii-1) Security deposit of \$15,000; and
- (ii-2) Rental income of \$45,000 for the quarter from the lease of residential property, comprising \$36,000 for rental of bare property and \$9,000 for

rental of furnishings. The annual value of the residential property is \$150,000.

- (iii)** Paid \$3,200 for cleaning services to clean the residential property before the new tenant moved in.
- (iv)** Imported a stone laser engraving machine from Europe in late September. The supplier, Cooke Brothers Laser Inc (“CBL”), sent its employees to Singapore in October 2019 to oversee the installation of the machine as well as to train SCPL’s employees on the use of the machine. CBL’s employees spent 6 days in Singapore. A training fee of \$10,200 was charged by CBL which is tax resident in Country J. Country J does not have a tax treaty with Singapore.
- (v)** Bad debts are written off in respect of the following:
  - (v-1)** Loan of \$8,000 given to ex-manager who can no longer be located.
  - (v-2)** Sales of \$50,000 made to a Singapore company in March 2018, involving the local delivery of the goods; the customer has gone into receivership.

If bad debt relief is available, indicate if the relief is to be claimed as part of Output (‘O’) or Input (‘I’) tax.

- (vi)** Provided granite polishing services worth \$5,000 to one of the company Directors at no charge.

**Exemplify  
Question  
Number**

**4**

**Question 3 required:**

- (a)** For each of the above transactions referred to by the roman numeral code, and with reference only to the quarter ended 31 December 2019, state the type of supply, calculate the amount of output tax chargeable or input tax claimable and state whether the GST amount is an output tax chargeable or input tax claimable. Round your answers to the nearest whole dollar.

*Present your answers in the following format (using the abbreviations indicated in the legend and the example answer as a guide):*

*Transaction: (xi) Purchase from a non-GST registered supplier.*

***Example answer: (xi) OS, \$0, I***

*Legend for the example answer:*

**(xi)** – Is the unique line number identifying the transaction in the case;

**OS** – Is the ***Type of Supply***

(where **SR**-Standard Rated, **ZR**-Zero Rated, **OS**-Out-of-Scope, **EX**-Exempt, and **NS**-No Supply);

**\$0** – Is the ***Amount of GST***; and

**I** – Indicates whether the GST amount should be shown as ***Output Tax Chargeable (O)*** or ***Input Tax Claimable (I)*** or ***Not Applicable (NA)***.

**(18 marks)**

**Exemplify  
Question  
Number**

**5**

**(b)** With reference to Section 12(7) of the Income Tax Act on income deemed to be derived from Singapore, explain if withholding tax is applicable to the training fees of \$10,200 (refer to transaction **(iv)** mentioned in Question 3 above). If applicable, please state the rate of tax to be withheld and the withholding tax compliance deadline in order to avoid late payment penalties as well as any measures to reduce any Singapore tax payable.

**(4 marks)**

**6**

**(c)** Explain if the employees of CBL will be subject to Singapore tax as a result of their work in Singapore.

**(3 marks)**

**(Total: 25 marks)**

#### **Question 4 – (a), (b) and (c)**

Arthur Lee and Luxe Homes Pte Ltd (“LHPL”) are partners in Art and Homes Partnership (“AHP”), a general partnership business providing interior design services in Singapore and its neighbouring countries. They have agreed to share the partnership profits and losses equally. The net accounting profit of AHP for the year ended 31 March 2019 is \$140,600 after charging/crediting the following items:

##### **Receipts**

- Interest income of \$25,000 from deposit placement with SBC Bank, an approved bank that is tax resident in Singapore.
- Interest income of \$35,000 from SBC Bank, Hong Kong branch. There is no interest withholding tax in Hong Kong. The interest income was used to settle various expenses incurred by AHP on overseas business trips undertaken by Arthur and employees of AHP in the financial year 2019.

##### **Expenses**

- Reimbursement of the petrol and parking charges of \$8,000 incurred by Arthur on his vehicle, SLP 3598J, of which \$2,500 was in respect of business-related travels while the remaining were personal in nature.
- Salary of \$60,000 paid to Arthur.
- 5% interest on capital contributed by Arthur of \$70,000 and LHPL of \$150,000.
- Depreciation of office equipment and furniture of \$48,000.
- Sponsorship of lucky draw prizes worth \$5,000 at LHPL’s annual staff dinner and dance. This was mandated under the partnership agreement.
- Installation of tiles in reception area costing \$24,000. The existing carpet was replaced with tiles for easier maintenance. This is the first time AHP has done upgrades to its rented premises.

**Exemplify  
Question  
Number**

**Question 4 required:**

The case facts and transactions mentioned in Question 4 should be considered when answering part **(a)**, **(b)** and **(c)**.

**7**

- (a)** Compute the adjusted profit and divisible profit for AHP for the Year of Assessment 2020. **(7 marks)**

**8**

- (b)** LHPL has unabsorbed capital allowances of \$5,000 from AHP arising from the year ended 31 March 2016. LHPL was 100% owned by Luxington and Sons Limited ("Luxington"), a private company tax resident in the United Kingdom, since its incorporation until 31 August 2018. On 1 September 2018, Luxington sold 20% of its stake in LHPL to Caplan Builders PLC, a publicly listed company in the United Kingdom. Luxington is owned by cousins, Tom (40%), Rory (30%) and Kenneth (30%).

Explain if LHPL can deduct the unabsorbed capital allowances in YA 2020. LHPL is in the business of general building contractors since incorporation. All relevant conditions, comparison dates and shareholdings by the relevant shareholders considered must be provided in your answer.

**(6 marks)**



**Exemplify  
Question  
Number**

**9**

**(c)** Compute the chargeable income (before partial exemption) for LHPL, showing clearly the net taxable income from each source, for Year of Assessment 2020, taking into account the following additional information:

- (i)** LHPL's share of capital allowances from AHP is \$52,500.
- (ii)** LHPL's adjusted profit from its business of general building contractors is \$106,000, and its capital allowance claim for YA 2020 is \$46,000.
- (iii)** LHPL made a cash donation of \$8,000 to an approved Institution of Public Character.
- (iv)** LHPL has unabsorbed capital allowances of \$5,000 from AHP arising from the year ended 31 March 2016 to be considered, based on your conclusion in **(b)**.
- (v)** On 1 October 2018, LHPL subscribed to additional shares issued by Resort Living Pte Ltd ("RLPL"), a Singapore incorporated company. With the new subscription, LHPL's shareholdings was increased from 60% to 80%. LHPL and RLPL share the same accounting year-end of 31 March. For YA 2020, RLPL's tax position is as follows:
  - Unabsorbed capital allowances (YA 2017): \$50,000
  - Unabsorbed capital allowances (YA 2020): \$40,000
  - Unabsorbed trade losses (YA 2020): \$80,000

All workings to determine the amount transferable should be shown in your answer. There were 365 days in year ended 31 March 2019 and 28 days in February 2019.

**(12 marks)**

**(Total: 25 marks)**

**END OF PAPER**

**Appendix A**  
**Standardised Common Content Reference Material**  
**Singapore Taxation**

*(For Jun 2020 Exam, last updated: 20 May 2020)*

**Important notes**

1. This Standardised Common Content Reference Material (Reference Material) was first published on the SAC website on 4 May 2020.
2. The Reference Material was updated and published on SAC website on:
  - 20 May 2020 - Update of YA 2020 tax rates
3. The latest Reference Material will be incorporated into the examination question paper as an Appendix, and will be uploaded within your Exam in the e-exam software, Exemplify.

**1. Tax computation for resident individuals**

	<b>S\$</b>
<b>INCOME</b>	
Employment income	X
Less: Employments expenses	(X)
<b>Net employment income</b>	<b>Y</b>
Add: OTHER INCOME	
Dividends	X
Interest	X
Rent from Property	X
Royalty Charge Estate/ Trust Income	X
Gains or Profits of an Income Nature	X
<b>TOTAL INCOME</b>	<b>Y</b>
Less: Approved Donations	(X)
<b>ASSESSABLE INCOME</b>	<b>Z</b>
Less: Personal Reliefs	
For examples:	
Earned Income Relief	(X)
Spouse/handicapped spouse relief	(X)
Qualifying/handicapped child relief	(X)
<b>Total Personal Reliefs (capped at \$80,000)</b>	<b>Y</b>
<b>CHARGEABLE INCOME</b>	<b>Z</b>

Tax Payable on Chargeable Income	ZZ
Less: Personal Tax Rebate, where applicable	
Less: Parenthood Tax Rebate, where applicable	(X)
<b>NET TAX PAYABLE</b>	<b>ZZZ</b>

## 2. Tax computation for trading company

	<b>S\$</b>
<b>NET PROFIT / (LOSS) BEFORE TAX</b>	<b>X</b>
Less: Non-trade and non-taxable receipts / gains	
For examples:	
Interest Income	(X)
Gain on disposal of fixed assets	(X)
Add: Non-trade related / Non-Tax-Deductible Expenses	
Depreciation	X
Loss on disposal of fixed assets	X
Medical expense	X
<b>ADJUSTED PROFIT / LOSS BEFORE OTHER DEDUCTIONS</b>	<b>Y</b>
Less: Special Deductions (e.g. Sections 14H, 14Q, etc)	(X)
Less: Further Deductions	(X)
<b>ADJUSTED PROFIT / (LOSS) BEFORE CAPITAL ALLOWANCES</b>	<b>Y</b>
Add: Balancing Charge (BC)	X
Less: Unutilised Capital Allowances brought forward	
Current year capital allowances	X
Balancing Allowance (BA)	X
<b>ADJUSTED PROFIT / (LOSS) AFTER CAPITAL ALLOWANCES</b>	<b>Y</b>
Less: Unutilised losses brought forward	X
<b>ADJUSTED PROFIT / (LOSS) AFTER CAPITAL ALLOWANCES AND UNUTILISED LOSSES BROUGHT FORWARD</b>	<b>Y</b>
Add: Non-trade income, net of deductible expenses	
"Please add in detail"	X
<b>TOTAL INCOME/ (LOSSES) BEFORE DONATIONS</b>	<b>Y</b>
Less: Unutilised donations brought forward	(X)
Donations to approved institutions of public character	(X)
<b>CHARGEABLE INCOME (BEFORE EXEMPT AMOUNT)</b>	<b>Y</b>
Less: Exempt amount	(X)
<b>CHARGEABLE INCOME (AFTER EXEMPT AMOUNT)</b>	<b>Z</b>
Tax @ 17%	ZZ
Less: Corporate Income Tax (CIT) Rebate	(X)
<b>NET TAX PAYABLE</b>	<b>Z</b>
Unutilised capital allowances c/f	C
Unutilised losses c/f	C
Unutilised donations c/f	C

### 3. Capital Allowances

#### Section 19 of the Income Tax Act (ITA)

Period	Qualifying assets	Annual Allowance
Over Working life of asset	All qualifying assets Refer to 6 <sup>th</sup> Schedule of the ITA for working life	IA = 20% of costs AA= (80% of cost)/ no. of years of working life
Two-year write-off	All qualifying assets acquired during YA 2021	First year AA = 75% of cost 2 <sup>nd</sup> year AA = 25% of cost
Three-year write-off	All qualifying assets	AA = 1/3 of cost
One-year write-off	Computers/automation equipment Low-value assets (< \$5,000)	AA = 100% of cost

#### Implications of a Section 24 Election

- The asset is treated as sold for a sum equal to the tax written down value (TWDV) of the asset immediately before the sale;
- It is not necessary to calculate balancing allowance or balancing charge for the seller;
- No initial allowance (IA) is given to the buyer;
- The buyer will claim annual allowance based on the TWDV of the asset over the remaining useful life; and
- If the buyer subsequently sells the asset, the buyer will be subject to the balancing charge / balancing allowance.

<b>SIXTH SCHEDULE</b>	
Sections 19(2), (2A) and (2B), 19A(2FA) and (2G) and 106(3)	
NUMBER OF YEARS OF WORKING LIFE OF ASSET	
<i>Item</i>	<i>Numbers of years of working life of asset</i>
1. Aircraft	5
2. Bank vaults	16
3. Building and construction equipment (including assets such as rollers, mixers, piling and drilling plants, loaders, dumpers, excavators, bull-dozers and support structure)	6
4. Cable cars and equipment	12
5. Cables and related assets	16
6. Containers used for the carriage of goods by any mode of transportation	10
7. Electric, gas, water and steam, utility plant	16

	(including tanks and generators)	
8.	Electrical equipment (including assets such as electrical and industrial apparatus, domestic and commercial appliances, air-conditioning and ventilating equipment)	8
9.	Electronic equipment (including assets such as electronic detection, guidance, control, radiation, computation, test and navigation equipment)	8
10.	Equipment used in personal and professional services (including assets used in the provision of personal and professional services which are not elsewhere classified)	10
11.	Farming equipment	8
12.	Fire safety device	10
13.	Floating and dry docks	16
14.	Gas cylinders	16
15.	Manufacturing and industrial processing plant and machinery	6
16.	Materials and passenger handling equipment (including assets such as lifts, escalators, weighing machines, conveyor belts, forklifts, lifting gears, trolleys and cranes)	6
17.	Motion picture films	5
18.	Musical instruments and other related assets	10
19.	Office equipment:	
	(a) furniture and fixtures (including furniture and fixtures which are not a structural component of a building)	10
	(b) data handling equipment (including typewriters, calculators, adding and accounting machines, copiers and duplicating equipment)	8
	(c) telecommunication equipment	10
20.	Plant for recreation and amusement purposes (including assets used in the provision of entertainment services on payment of a fee or admission charge, as in the operation of bowling alleys, billiard and pool establishments, theatres, cinemas, concert halls, amusement parks and miniature golf courses)	10
21.	Railway wagons, lines and related equipment	16
22.	Transport equipment:	
	(a) buses	6
	(b) business service passenger vehicles	6
	(c) taxis	5
	(d) trucks, lorries, trailers and vans	6
	(e) motorcycles and bicycles	8
23.	Vessels, barges, tugs and similar water transportation equipment	16
24.	Wholesale and retail trade service assets (including assets used in such activities as the operation of restaurants and cafes)	8

#### 4. Goods and Services Tax

	Taxable Supplies		Non-Taxable Supplies	
	Standard-Rated Supplies	Zero-Rated Supplies	Exempt Supplies	Out-of-Scope Supplies
	7% GST	0% GET	GST is not applicable	
Goods	Most local sales	Export of goods	Sale and rental of unfurnished residential property  Importation and local supply of investment precious metals	Sale where goods are delivered from overseas to another place overseas  Private transactions
Services	Most local provisions of services	Services that are classified as international services	Financial services  Digital payment tokens	

#### 5. Taxable and Non-taxable income

**Taxable income** refers to:

- Gains or profits from any trade or business;
- Income from investment such as dividends, interest and rental;
- Royalties, premiums and any other profits from property; and
- Other gains that is revenue in nature.

A company is liable to pay tax in Singapore on income that is:

- accrued in or derived from Singapore; or
- received in Singapore from outside of Singapore.

##### **Non-taxable income**

- Capital gains are not taxable
  - Gains on sale of fixed assets; and
  - Gains on foreign exchange on capital transactions.
- Income exempted from Tax under the ITA
  - Certain shipping income derived by a shipping company under S13A and S13F;
  - Foreign-sourced dividends, branch profits & service income received by a resident company under S13(8); and
  - Company's gains on disposal of equity investments under S13Z.

## 6. Business Expenses

**Deductible business expenses** are those 'wholly and exclusively incurred in the production of income'.

They must satisfy all these conditions:

- a. expenses are solely incurred in the production of income
- b. expenses are not a contingent liability
- c. expenses are revenue, and not capital in nature
- d. expenses are not prohibited from deduction under the ITA

**Non-deductible business expenses** are payments that do not fulfil the conditions above.

Examples included:

- a. personal expenses
- b. capital expenses

## 7. Tax computation for partnership

	<b>S\$</b>
<b>NET PROFIT / (LOSS) BEFORE TAX</b>	<b>X</b>
Less: Non-trade and Non-taxable receipts/ gains	
Add: Non-trade related / Non-tax-deductible expenses	
<b>ADJUSTED PROFIT / LOSS BEFORE OTHER DEDUCTIONS</b>	<b>Y</b>
Less: Special Deductions (e.g. Sections 14H, 14Q, etc)	(X)
Less: Further Deductions	(X)
<b>ADJUSTED PROFIT / (LOSS) BEFORE CAPITAL ALLOWANCES</b>	<b>Y</b>
Less: Appropriation by partners	(X)
<b>DIVISIBLE PROFITS</b>	<b>Y</b>

### Example on allocation of profits among partners

<b>Partner</b>	<b>A</b>	<b>B</b>	<b>Total</b>
Basis of sharing	60%	40%	100%
<b>DIVISIBLE PROFITS</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>
Add: Appropriation by partners	<b>Y</b>	<b>Y</b>	<b>Y</b>
<b>TOTAL ADJUSTED PROFITS</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>

### Utilisation of Loss Items

A company with unabsorbed capital allowances, trade losses or donations can:

- a. transfer the current year unabsorbed capital allowances, trade losses and donations to its related companies for deduction against their assessable income via group relief;
- b. keep them for deduction against its future assessable income; or

- c. carry back its current year unabsorbed capital allowances and trade losses for deduction against its assessable income of the immediate preceding year of assessment.

To claim the carry-forward or carry-back relief, the company must satisfy two tests, namely the same business test and shareholding test, where applicable.

### **Same business test**

This test determines if a company continues to carry on the same trade or business for which capital allowances are given when carrying forward or back the unabsorbed capital allowances.

### **Shareholding test**

This test compares the percentage of the shareholdings of a company (or its ultimate parent company) that is held by the same persons as at the relevant dates. The test is satisfied if there is no substantial change in the shareholders as at the relevant dates.

### **Relevant dates (for unabsorbed capital allowances)**

**Carry-forward relief:** Last day of the YA in which the capital allowances were given and the first day of the YA in which the capital allowances are to be deducted.

**Carry-back relief:** First day of the YA in which the capital allowances were given and the last day of the immediate preceding YA in which the capital allowances are to be deducted.

### **Relevant dates (for unabsorbed trade losses and donations)**

**Carry-forward relief:** Last day of the year in which the trade losses and donations were incurred and first day of the YA in which the trade losses and donations are to be deducted.

**Carry-back relief:** First day of the year in which the trade losses were incurred and last day of the immediate preceding YA in which the trade losses are to be deducted.

In Budget 2020, Minister for Finance announced that for the YA 2020, businesses will be allowed to carry back up to \$100,000 of current year unutilised capital allowances and trade losses to offset the income for the preceding three YAs – YAs 2017, 2018 and 2019 instead of only the immediate preceding YA.

The above reliefs are available to all businesses, including sole-proprietors and partners of a partnership (including a limited liability partnership).



## **Group relief**

From YA 2003, the group relief system allows a company (“transferor”) to transfer its loss items of a YA to another company (“claimant”) for deduction against the latter’s assessable income for the same YA when they satisfy the following conditions:

- (a) Both companies are Singapore incorporated companies belonging to the same group of companies, and
- (b) Both companies have the same accounting year end.

## 8. Standard Taxation Rates

### Goods and Services Tax

Standard rate 7%

Compulsory Registration threshold

- taxable supplies exceeding \$1 million (either under the retrospective or prospective basis)
- imported services, within the scope of reverse charge, in excess of S\$1 million in a 12-month period (either under the retrospective or prospective basis) and importer of service is not entitled to full input tax credit when GST-registered.

### Corporate Income Tax Rate

Year of Assessment 2020 17%

### Computation of exempt income under Partial/Start-up Tax Exemption Scheme Up to Year of Assessment 2019:

<u>Partial Tax Exemption</u>	\$
First \$10,000 of chargeable income is 75% exempt	7,500
Next \$290,000 of chargeable income is 50% exempt	<u>145,000</u>
Total	<u>152,500</u>

#### Start-up Tax Exemption

First \$100,000 of chargeable income is 100% exempt	100,000
Next \$200,000 of chargeable income is 50% exempt	<u>100,000</u>
Total	<u>200,000</u>

### Effective Year of Assessment 2020:

<u>Partial Tax Exemption</u>	\$
First \$10,000 of chargeable income is 75% exempt	7,500
Next \$190,000 of chargeable income is 50% exempt	<u>95,000</u>
Total	<u>102,500</u>

Start-up Tax Exemption

First \$100,000 of chargeable income is 75% exempt	75,000
Next \$100,000 of chargeable income is 50% exempt	<u>50,000</u>
Total	<u>125,000</u>

**Note:**

The corporate tax rebate for the respective years are as follows:

YA 2016 – 50% capped at \$20,000;

YA 2017 – 50% capped at \$25,000;

YA 2018 – 40% capped at \$15,000;

YA 2019 – 20% capped at \$10,000; and

YA 2020 – 25% capped at \$15,000.

**Personal Income Tax effective from Year of Assessment 2017 (Resident)**

<b>Chargeable Income</b>	<b>Rate (%)</b>	<b>Gross Tax Payable (\$)</b>
First \$20,000	0	0
Next \$10,000	2.0	200
First \$30,000	-	200
Next \$10,000	3.5	350
First \$40,000	-	550
Next \$40,000	7.0	2,800
First \$80,000	-	3,350
Next \$40,000	11.5	4,600
First \$120,000	-	7,950
Next \$40,000	15.0	6,000
First \$160,000	-	13,950
Next \$40,000	18.0	7,200
First \$200,000	-	21,150
Next \$40,000	19.0	7,600
First \$240,000	-	28,750
Next \$40,000	19.5	7,800
First \$280,000	-	36,550
Next \$40,000	20.0	8,000
First \$320,000	-	44,550
Above \$320,000	22.0	

**Personal Income Tax for the Year of Assessment 2020 (Non-resident)**

General Rate: 22%

**Section 40B Relief for Non-resident Employees**

Tax payable on the Singapore employment income of a non-resident individual is calculated at a flat rate of 15% or on a resident basis, whichever results in a higher tax amount.

### **Central Provident Fund (CPF)**

Contributions for individuals of ages 55 years and below, and earning at least \$750 per month.

Rates of CPF contributions (effective from 1 January 2016 onwards)

Employee	20%
Employer	17%

Maximum monthly ordinary wages (OW) attracting CPF	\$6,000
Maximum annual ordinary wages (OW) attracting CPF	\$72,000
Maximum annual additional wages (AW) attracting CPF	\$102,000 less OW subject to CPF

### **Ad-hoc Contribution to Medisave**

Cap on deductible ad hoc contribution by employers to employees' Medisave accounts

- Up to 31 December 2017, \$1,500 per employee per year.
- Effective from 1 January 2018, \$2,730 per employee per year.

## Personal Income Tax Reliefs for the Year of Assessment 2020

With effect from YA 2018, the overall personal income tax relief available to resident individuals, as detailed below, will be capped at \$80,000.

### Earned income

Age	Normal (able-bodied) maximum	Handicapped maximum
Below 55 years	\$1,000	\$4,000
55 to 59 years	\$6,000	\$10,000
60 years and above	\$8,000	\$12,000

### Other reliefs

Type of relief	Amount of relief
Spouse relief	\$2,000
Handicapped spouse relief	\$5,500
Qualifying child relief (per child) (QCR)	\$4,000
Handicapped child relief (per child) (HCR)	\$7,500
Handicapped sibling relief (per sibling)	\$5,500
Parent relief	
- Staying with dependant	\$9,000
- Not staying with dependant	\$5,500
Handicapped parent relief	
- Staying with dependant	\$14,000
- Not staying with dependant	\$10,000
Working mother's child relief (WMCR)	% of mother's earned income
- First child	15%
- Second child	20%
- Third and subsequent child	25%
- Maximum cumulative WMCR	100%
Maximum relief per child (comprising QCR or HCR and WMCR)	\$50,000
Grandparent caregiver relief	\$3,000
Life insurance relief	\$5,000 (max)

Type of relief	Amount of relief
Voluntary CPF contribution of self-employed	<p>Your tax relief will be capped at the lower of:</p> <ul style="list-style-type: none"> <li>• 37% of net trade income assessed; or</li> <li>• CPF relief cap of \$37,740; or</li> <li>• Actual amount contributed in basis period.</li> </ul>
Course fee relief	\$5,500 (max)
Foreign domestic worker levy relief	
- Up to 31 March 2019	\$6,360 (max)
- Effective from 1 April 2019	\$7,200 (max)
Supplementary Retirement Scheme	
- Singapore citizens and PRs	\$15,300 (max)
- Foreign citizens	\$35,700 (max)

#### National Service Man (NSman) relief

	Normal Appointment	Key Appointment Holder
Active NSman	\$3,000	\$5,000
Nan-active NSman	\$1,500	\$3,500
Wife/widow/parent of NSman	\$750	\$750

## Withholding tax rates

<b>Nature of income</b>	<b>% rates payable</b>
Interest and other payments in connection with loan or indebtedness	15%
Royalty or other lump sum payments for the use of, or the right to use movable properties	10%
Payment for the use of, or the right to use, scientific, technical, industrial, or commercial knowledge or information	10%
Technical assistance and service fees	Prevailing Corporate Tax Rate
Management fees	Prevailing Corporate Tax Rate
Rent or other payments for the use of movable properties	15%
Director's remuneration	22%
Non-resident professional	15% of gross or 22% of net



## Appendix B – Common verbs used by the Examiners

Verb	Description
<b>Advise / Give advice</b>	This type of question requires you to give specific guidance, so your answer <u>must</u> provide specific information or make a <b>recommendation</b> tailored to the individual or group and <b>justify</b> your position.
<b>Calculate / Compute</b>	Do the number crunching and derive the correct answer. Make sure that you write down your workings and crosscheck your numbers.
<b>Explain</b>	<b>Explain</b> requires you to write at least several sentences conveying how you have <b>analysed</b> the information in a way that a layperson can easily understand the concept or grasp the technical issue at hand.
<b>State</b>	<b>State</b> is similar to <b>list</b> , but the items require your professional judgement. For instance, " <b>State</b> any restrictions that apply". One of the easiest ways to make sure that you state comprehensively is to think, " <b>list and justify</b> ".
<b>With reference to</b>	This instruction requires you to relate your answer back to a specific document/s or set of facts. For instance, " <b>With reference to</b> relevant Singapore Financial Reporting Standards, <b>explain</b> the risk of material misstatements relating to ...". In this example, relevant <u>Singapore Financial Reporting Standards</u> acts as a qualifier ( <b>with reference to</b> 'what'). Failure to make specific mention of the document/s or facts in your answer will result in a substantial loss of marks.