

Certified Accounting Technician Examination  
Advanced Level

# Preparing Taxation Computations (Singapore)

Tuesday 14 June 2011

**Time allowed**

Reading and planning: 15 minutes

Writing: 3 hours

This paper is divided into two sections:

Section A – ALL TEN questions are compulsory and MUST be attempted

Section B – ALL FOUR questions are compulsory and MUST be attempted

Tax rates and allowances are on pages 2–4.

**Do NOT open this paper until instructed by the supervisor.**

**During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.**

**This question paper must not be removed from the examination hall.**

The Association of Chartered Certified Accountants

Certified Accounting Technicians (Singapore) Ltd

# Paper T9 (SGP)

**ACCA**

**CATS**

**SUPPLEMENTARY INSTRUCTIONS**

1. Calculations and workings need only be made to the nearest \$.
2. All apportionments should be made to the nearest month.
3. All workings should be shown.

**TAX RATES AND ALLOWANCES**

The following tax rates and allowances should be used when answering the questions.

**Selected reliefs/rebates for year of assessment 2011**

**Earned income relief**

Age	Normal	Handicapped
Below 55	\$1,000	\$2,000
55 to 59	\$3,000	\$5,000
60 and above	\$4,000	\$6,000

**Spouse relief** \$2,000

**Handicapped dependant spouse relief** \$3,500

**Parents/Handicapped parents relief**

	Normal	Handicapped
Parent NOT staying with taxpayer	\$4,500	\$8,000
Parent staying with taxpayer	\$7,000	\$11,000

**Grandparent caregiver relief (GCR)** \$3,000

**Dependant handicapped sibling relief** \$3,500

**Foreign maid levy**

The relief is two times the amount of foreign maid levy paid in 2009 up to a maximum of \$6,360.

**Nsman relief**

	Key command staff appointment holder	Non-key command staff appointment holder
Active Nsman	\$5,000	\$3,000
Non-active Nsman	\$3,500	\$1,500
For wife of operationally ready Nsman	\$750	\$750
For each parent of operationally ready Nsman	\$750	\$750

**Provident fund**

Compulsory contributions to Central Provident Fund (CPF)/approved pension or provident fund by Singaporeans and Singapore permanent resident employees, subject to not more than the statutory contributions under the Central Provident Fund Act.

**CPF top-up scheme**

Actual top-ups by individuals themselves and his/her employer capped at \$7,000; and actual top-ups by individuals for family members capped at \$7,000.

**Voluntary CPF contributions made by self-employed persons**

35% of s.10(1)(a) assessable trade income capped at \$26,775.

**Life insurance**

Premiums paid on own life and wife's life insurance policies

Restricted to – (1) 7% of the capital sum insured

– (2) \$5,000 if CPF contributions claimed is less than \$5,000

– (3) No claim if CPF contributions claimed exceeds \$5,000.

**Supplementary retirement scheme (SRS)**

The relief for contributions to the SRS can be claimed subject to a cap of \$11,475 for

Singapore citizens and Singapore permanent residents. The cap for foreigners is \$26,775.

**Child relief****Qualifying child relief (QCR)**

Per child \$4,000

Relief given for all qualifying children.

**Handicapped child relief (HCR)**

Per handicapped child \$5,500

**Working mother's child relief (WMCR)**

1st child 15% of mother's earned income

2nd child 20% of mother's earned income

3rd and each subsequent child 25% of mother's earned income

Maximum per child (total of WMCR+QCR/HCR) \$50,000

Maximum total WMCR is capped at 100% of the mother's earned income.

**Course fees**

Relief for course fees up to \$5,500 can be claimed for eligible fees incurred on courses studied or seminars and conferences attended.

**Parenthood tax rebate (PTR)**

1st child \$5,000

2nd child \$10,000

3rd and each subsequent child \$20,000

Rebate given to all Singaporean children that are born or legally adopted on or after 1 January 2008.

### Personal income tax rates – Part A

	Chargeable income	Tax rate	Tax
	\$	%	\$
On the first	20,000	0	0
On the next	<u>10,000</u>	3·5	<u>350</u>
On the first	30,000		350
On the next	<u>10,000</u>	5·5	<u>550</u>
On the first	40,000		900
On the next	<u>40,000</u>	8·5	<u>3,400</u>
On the first	80,000		4,300
On the next	<u>80,000</u>	14·0	<u>11,200</u>
On the first	160,000		15,500
On the next	<u>160,000</u>	17·0	<u>27,200</u>
On the first	320,000		42,700
Above	320,000	20·0	

### Corporate tax rates

Year of assessment	Rate
2011	17%

### Partial tax exemption

Up to the first \$10,000 of chargeable income:	75% exemption
On the next \$290,000 of chargeable income:	50% exemption

### Full tax exemption for new start-up companies

Up to the first \$100,000 of chargeable income:	100% exemption
On the next \$200,000 of chargeable income:	50% exemption

### Goods and services tax

Standard rate	7%
Registration threshold	\$1 million

**Section A – ALL TEN questions are compulsory and MUST be attempted**

Please use the space provided on the inside cover of the Candidate Answer Booklet to indicate your chosen answer to each multiple choice question.

Each question is worth 2 marks.

- 1 Peter Smith, an expatriate, completed his contract of employment with Company S in Singapore on 30 September 2010. He returned to Australia on 2 October 2010 with his family.

The following payments were made to him by Company S during the period 1 January 2010 to 30 September 2010:

Salary	\$81,000
Pay in lieu of leave	\$5,000

Company S provided him with accommodation and the rental paid for the period 1 January 2010 to 30 September 2010 was \$27,000.

Company S also paid for the airfare of \$8,300 to repatriate him with his family to Australia.

**What is the amount of Peter Smith's employment income assessable to tax for the year of assessment 2011?**

- A \$94,600
  - B \$86,000
  - C \$94,300
  - D \$103,730
- 2 John Lim solely owns property A. He and his brother James Lim jointly own properties B and C. John resides in property A and his brother James resides in property C. Property B is rented out.

For the year 2010, the annual value, rental income and expenses in respect of the three properties are as follows:

	Property A	Property B	Property C
	\$	\$	\$
Gross annual value	48,000	–	40,000
Gross rental received	–	42,000	–
Expenses:			
Annual property tax	1,920	4,200	1,600
Annual maintenance contributions	3,600	3,500	3,000
Annual loan interest	15,000	16,000	12,000

**What is the amount of income from property that is assessable to tax for John Lim for the year of assessment 2011?**

- A \$20,850
- B \$9,150
- C \$17,150
- D \$34,850

- 3 Alan Tan was physically disabled after a motor accident in 2007. He lost his job and his wife Mrs Tammy Tan became the sole breadwinner of the family. During the year 2010, Alan received \$3,000 in respect of interest and dividends from his investments. He had no other income. No relief had been claimed by other members of the family in respect of the maintenance of Alan Tan.

**What is the amount of spouse/handicapped spouse relief that can be claimed by Mrs Tammy Tan for the year of assessment 2011?**

- A \$2,000
- B \$500
- C \$3,500
- D \$0

- 4 Jack Goh is the sole-proprietor of the business ACC Consultancy Services. During the year 2010, he made the following contributions to his CPF account:

Medisave contributions	\$3,100
Voluntary contributions to Ordinary account	\$12,000

He also has a life insurance policy with a capital sum of \$100,000 on which he paid an annual premium of \$1,500 during the year 2010. The insurance company has an office in Singapore.

**What is the total amount of relief that is claimable by Jack Goh for the year of assessment 2011 in respect of the CPF contributions and life insurance premiums paid?**

- A \$16,600
- B \$15,100
- C \$13,500
- D \$5,000

- 5 Mr TT Ang is a security officer employed by a Singapore company. He attended the following courses during the year 2010:

IT course on Microsoft Excel spreadsheet	\$1,500
Course on IT security management	\$3,000
Advance course on English Language	\$1,200

His annual income earned during the year 2010 was \$30,000.

**What is the amount of course fees relief TT Ang can claim for the year of assessment 2011?**

- A \$5,700
- B \$4,200
- C \$5,500
- D \$3,000

- 6 BAC Pte Ltd (BAC), a company incorporated in Singapore, carries on the business of manufacturing electronic products. BAC purchased a building for carrying on its manufacturing activities in 2008. The purchase price of the land and building was \$2,300,000 and BAC has a leasehold interest of 30 years. Based on valuation, the amount applicable to the land was \$900,000. The building has been occupied and used by the company since May 2009.

**What is the total amount of industrial building allowance (IBA) claimable by BAC Pte Ltd for the year of assessment 2011?**

- A \$392,000
- B \$69,000
- C \$27,000
- D \$42,000

- 7 TPP Pte Ltd (TPP) is a company incorporated in Singapore on 1 March 2009. TPP meets the qualifying conditions for the full tax exemption scheme for new companies for the years of assessment 2010 to 2012.

The following chargeable income before tax exemption has been computed for TPP:

Year of assessment	Chargeable income
2010	0 Adjusted losses computed of \$10,000
2011	\$120,000

**What is the amount of TPP Pte Ltd's chargeable income after tax exemption for the year of assessment 2011?**

- A \$5,000
- B \$10,000
- C \$20,000
- D \$60,000

- 8 Joe and Richard venture into a partnership business and registered the partnership business as MCC Agency with the Accounting Corporate and Regulatory Authority on 1 February 2010. The first set of partnership accounts will be made up for the period 1 February 2010 to 31 December 2010. Joe is the precedent partner of the business.

**By which date is Joe required to file the partnership income tax return (Form P) for the year of assessment 2011?**

- A 31 January 2011
- B 31 March 2011
- C 30 April 2011
- D 15 April 2011

- 9 XYZ Pte Ltd (XYZ), a company incorporated in Singapore, received a notice of assessment for the year of assessment 2010 on 15 October 2009 based on the estimated chargeable income furnished on 30 September 2009.

The finalised accounts of XYZ and Form C for the year of assessment 2010 were submitted on 30 November 2010, on the basis of which the Comptroller of Income Tax issued a notice of additional assessment for the year of assessment 2010 and additional tax payable of \$10,000 on 15 December 2010.

**By which date does the additional tax liability of \$10,000 have to be paid by XYZ Pte Ltd?**

- A 22 December 2010
- B 31 December 2010
- C 15 January 2011
- D 31 January 2011

**10** DDP Pte Ltd (DDP) was granted an exemption from registration for goods and services tax (GST) as DDP makes only zero-rated supplies.

During the quarter ended 31 March 2011, there was a material change in the nature of supplies made by DDP.

**By which date must the DDP Pte Ltd inform the Comptroller of Goods and Services Tax of the material change in the nature of its supplies?**

- A** 30 April 2011
- B** 15 April 2011
- C** 31 March 2011
- D** 31 May 2011

**(20 marks)**

**Section B – ALL FOUR questions are compulsory and MUST be attempted**

1 Joe Toh, a Singapore permanent resident, is a partner in a management consultancy firm. The following was computed for his partnership business for the year of assessment 2011:

Share of adjusted profits	\$126,000
Share of capital allowances	\$6,000

His wife Mrs Ann Toh, a Singapore citizen, employed by a Singapore company for more than six years, was retrenched on 31 May 2010 and received the following:

Salary from 1 January 2010 to 31 May 2010	\$30,000
Retrenchment benefits – compensation for loss of employment	\$36,000

Mrs Toh was employed by another Singapore company with effect from 1 August 2010. The salary and bonus received by her from 1 August 2010 to 31 December 2010 was \$28,000.

The following additional information relates to the other income received and expenditure incurred by Mr and Mrs Toh for the year ended 31 December 2010:

	Mr Joe Toh	Mrs Ann Toh
Year of birth	1971	1973
	\$	\$
Net rental computed from a property jointly owned	10,500	10,500
Singapore dividends (per CDP statement) – tax exempt one-tier	900	1,200
Interest from UOB (approved bank)	50	80
Statutory CPF contributions	4,141	9,600
Voluntary CPF contributions	15,000	–
Cash donations to approved institutions of a public character		
– Moral Society for the Disabled	2,000	–
– Singapore Children Society	–	1,500

Mr and Mrs Toh have three children who are all Singapore citizens. Anita was born in 1997, Benny was born in 1999 and Celia was born in 2001.

Mrs Toh's elderly mother, who is aged 63, resides at their apartment and helps to look after the children. As she has no income, she is fully maintained by Mr and Mrs Toh.

**Required:**

**Compute the minimum tax liabilities for Mr and Mrs Toh for the year of assessment 2011.**

**(25 marks)**

- 2 ANN Pte Ltd (ANN) is an exempt private company, which has been incorporated in Singapore since June 2006. The principal activity of the company is that of an event and exhibition organisers.

ANN's income statement for the financial year ended 30 June 2010 is as below:

	Notes	\$
Income		
Event and exhibition services		1,010,000
Consignment sales		60,000
		<u>1,070,000</u>
<i>Less: Cost of sales</i>		
Event project costs		610,000
Consignment costs		48,000
		<u>658,000</u>
Gross profit		412,000
<i>Add: Other income</i>	1	2,000
		<u>414,000</u>
<i>Less: Expenses</i>		
General and administrative	2	75,000
Staff	3	175,000
Selling and promotion	4	93,000
Other expenses	5	38,000
		<u>381,000</u>
Net profit before tax		<u><u>33,000</u></u>

**Notes:**

1. Other income comprises:

	\$
Insurance claim (public liability claim)	<u>2,000</u>

2. General and administrative expenses include:

	\$
Rental of business premises	25,200
Depreciation	6,300
Insurance – fire and public liability	2,800
Legal fees – re: recovery of trade debts	1,200
Repairs and maintenance – maintenance of equipment	1,300
– purchase of a digital camera for events	1,800

3. Staff expenses include:

	\$
Directors' salaries	130,000
Staff salaries and bonuses	26,000
CPF contributions	14,600
Medical fees*	2,400

\*ANN does not make any contribution to its employees' medisave accounts and did not implement the portable medical benefits scheme or the transferable medical insurance scheme.



**3** YUMI Teahouse Pte Ltd (YUMI) is in the business of the sale of food and beverages, desserts, sweets and the provision of related services. YUMI's financial year end is 31 December.

During the year 2010, YUMI carried out renovation and refurbishment works to its shop premises incurring the following expenditure:

	\$
<b>Kitchen equipment</b>	
Refrigerators and chillers	15,000
Heaters and cookers	5,000
<b>Equipment and furniture</b>	
Cashier's counter	2,000
Cash register	2,500
CPU system with accessories	3,500
Tables and chairs – each item costing less than or equal to \$1,000	12,000
<b>Leasehold improvement</b>	
Glass door and wall panels	15,000
Floor tiles	18,000
Electrical wiring and lighting	4,000
Kitchen sinks and pipe fittings	5,000

The written down values of YUMI's s.19A claim assets at 31 December 2009 as agreed with the Comptroller of Income Tax were:

	Remaining years	\$
Assets acquired prior to 2009	1	9,000
Assets acquired in 2009	1	3,000

**Required:**

- (a) **Compute the maximum capital allowances claimable by YUMI Teahouse Pte Ltd for the year of assessment 2011 and the written down values of its assets as at 31 December 2010.** (14 marks)
- (b) **For the items of expenditure incurred during the year 2010 which you have treated as not qualifying for capital allowances in part (a), identify and calculate any alternative claim for deductions that can be made under the provisions of the Singapore Income Tax Act.** (4 marks)

**(18 marks)**

- 4 ENZ Pte Ltd (ENZ), a Singapore company, has been a goods and services tax (GST) registered trader since 2004. ENZ's financial year end is 31 December and the company's quarterly GST accounting periods were:
- 31 March
  - 30 June
  - 30 September
  - 31 December

ENZ ceased all trading activities in November 2010 and has been dormant since 1 December 2010.

On 2 June 2011 Bob Tan, the director of ENZ, received a notice of assessment issued by the Comptroller of Goods and Services Tax with an estimated tax liability of \$10,000 for the quarter ended 31 March 2011. He also received notice of a penalty being imposed of \$200.

Mr Bob Tan did not submit the GST return for the quarter ended 31 March 2011 as ENZ did not have any business transactions after 1 December 2010.

During the year 2010, ENZ had incurred losses. Based on the accounts for the financial year ended 31 December 2010, the following were computed for the year of assessment 2011:

Unutilised trade losses	\$50,000
Unutilised capital allowances	\$5,000

ENZ had been assessed for income tax for the year of assessment 2010 and the following information was provided by Mr Bob Tan:

	\$
Assessable income	110,000
Chargeable income after partial exemption	52,500
Tax thereon at 17%	8,925

Mr Bob Tan has held 90% of the shares in ENZ since the incorporation of the company.

**Required:**

- (a) **Explain why it is necessary for ENZ Pte Ltd's GST return for the quarter ended 31 March 2011 to be submitted, the consequences of the non-submission of this GST return and the action(s) that now need to be taken by Mr Bob Tan.** (6 marks)
- (b) **Advise Mr Bob Tan whether ENZ Pte Ltd can be de-registered for goods and services tax.** (3 marks)
- (c) (i) **State the reasons why ENZ Pte Ltd can claim the carry-back relief in respect of its unutilised trade losses and capital allowances for the year ending 31 December 2010;** (2 marks)  
(ii) **Assuming ENZ Pte Ltd makes a claim for loss carry-back relief, compute the company's revised chargeable income for the year of assessment 2010 and the tax refund claimable.** (5 marks)

**(16 marks)**

**End of Question Paper**