

Certified Accounting Technician Examination
Advanced Level

Preparing Taxation Computations (Singapore)

Tuesday 14 December 2010

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 2010

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

Wife relief \$2,000

Handicapped dependant spouse relief \$3,500

Parents/Handicapped parents relief

	Normal	Handicapped
Parent NOT staying with taxpayer	\$3,500	\$6,500
Parent staying with taxpayer	\$5,000	\$8,000

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

Provident fund

Compulsory contributions to the 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

34.5% of s.10(1)(a) assessable trade income up to a maximum of \$26,393 for contributions made in 2009.

Life insurance

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

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

– (2) 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

The relief for course fees up to \$3,500 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
2010	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

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Section A begins on page 6.**

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 George Tan earned the following income from his employment with Company S during the year 2009.

Salary	\$72,000
Bonus	\$10,000

On 15 July 2009, he exercised the company's employees' share option plan he had been granted. The market price of the shares at the time of the exercise of the option was \$7,800. The share option price paid was \$2,500.

What is the amount of George Tan's employment income assessable to tax for the year of assessment 2010?

- A \$82,000
- B \$87,300
- C \$89,800
- D \$84,500

- 2 Bob and his ex-wife Anna have been divorced since 2007. Anna has the custody of their son Jack and Bob has to pay Anna the following under a High Court Order:

Alimony of \$2,000 per month
Maintenance of their son Jack of \$1,000 per month

Anna received all the monthly payments ordered from Bob during the year 2009. She also received fees of \$5,000 from her part-time employment at a tuition centre during 2009 but she has no other income.

What is Anna's total amount of income that is assessable to tax for the year of assessment 2010?

- A \$41,000
- B \$36,000
- C \$29,000
- D \$5,000

- 3 Peter and his wife Irene jointly own an apartment, which is rented out. For the year 2009 the rental income and expenses are:

Rent received	\$54,000
Expenses:	
Annual property tax	\$5,400
Annual maintenance contributions	\$3,600
Repairs and servicing of air-conditioners	\$800
Annual loan interest	\$15,000
Loan repayments	\$24,000

What is the amount of net rental income assessable to tax on Peter for the year of assessment 2010?

- A \$14,600
- B \$29,200
- C \$2,600
- D \$5,200

- 4 CCT Pte Ltd, a company incorporated in Singapore since 1995, carries on the business of manufacturing and trading in machinery and machine tools. The company's financial year end is 31 December.

During the year 2007, the company purchased a piece of land on which it built a factory. The construction commenced in 2008 and the factory was completed and put to use in 2009.

The following expenditure was incurred:

		\$
November 2007	Cost of land and legal costs	315,000
January to December 2008	Construction costs of factory building	1,300,000
January to September 2009	Construction costs of factory building	900,000

What is the total amount of industrial building allowances (IBA) claimable by CCT Pte Ltd for the year of assessment 2010?

- A \$694,750
- B \$616,000
- C \$291,000
- D \$66,000

- 5 During the year 2009, Daniel Tay, a Singapore citizen, made the following contributions in cash to retirement accounts under the CPF Minimum Sum Topping-Up Scheme for:

His wife	\$2,500
His father	\$2,500
His mother	\$2,500

His employer paid a contribution of \$5,000 to Daniel's retirement account under the CPF Minimum Sum Topping-Up Scheme.

Daniel's total income earned during 2009 was \$60,000. Neither his wife nor either of his parents received income exceeding \$2,000 for the year 2009.

What is the total amount of CPF cash top-up relief that can be claimed by Daniel Tay for the year of assessment 2010?

- A \$7,500
- B \$14,000
- C \$12,500
- D \$12,000

- 6 James Koo, a Singapore citizen, made contributions of \$10,500 to a supplementary retirement scheme (SRS) during the year 2009.

What is the total amount of SRS tax relief that James Koo can claim for the year of assessment 2010?

- A \$10,500
- B \$11,475
- C \$26,393
- D \$26,775

- 7 Tony and Lina have been married since June 2005. Their first child Anne, a Singapore citizen baby, was born on 10 October 2009. Their income tax liability as computed for the year of assessment 2010 is:

Tony	\$3,000
Lina	\$1,600

What is the total amount of parenthood tax rebate that can be claimed and utilised by Tony and Lisa for the year of assessment 2010?

- A \$5,000
B \$4,600
C \$3,000
D \$1,600
- 8 BCC Consultancy Services is a partnership business that has been registered with the Accounting and Corporate Regulatory Authority (ACRA) since March 2005.

The partners have agreed to change the business' financial year end from 31 December to 30 September. To achieve this, the next set of accounts will be made up for the period 1 January 2010 to 30 September 2010.

In view of the change of financial year end, by which date will BCC Consultancy Services have to furnish its estimate of their chargeable income (ECI) relating to the year of assessment 2011 to the Comptroller of Income Tax?

- A 31 October 2010
B 30 November 2010
C 31 December 2010
D 31 January 2011
- 9 SCC Pte Ltd received a notice of additional assessment for the year of assessment 2008 for additional tax payable of \$18,000. The notice of assessment was issued on 15 November 2010. The company's accountant John Lee wishes to object to the notice of additional assessment.

By which date must the notice of objection be lodged with the Comptroller of Income Tax?

- A 30 November 2010
B 15 December 2010
C 31 December 2010
D 15 January 2011
- 10 CMT Pte Ltd is a goods and services tax (GST) registered trader. The company's quarterly GST accounting periods are:
- 31 March
 - 30 June
 - 30 September
 - 31 December

For the quarter ended 30 September 2010, the company has computed a GST payable amount of \$8,000.

State by when the GST payable for the quarter ended 30 September 2010 has to be paid.

- A 7 October 2010
B 14 October 2010
C 31 October 2010
D 30 November 2010

(20 marks)

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

1 John Tan, a Singapore citizen is a doctor employed by T Medical Centre Pte Ltd, which is a Singapore company. During the year 2009, he received salary and bonus totalling \$280,000 from the company.

John is a non-key command operationally ready Nsman, but was a non-active reservist during the year 2009.

His wife Mrs Lily Tan is a distributor for a multi-level marketing company and the commissions she earned for the year 2009 is \$230,000.

Lily also invested in a partnership business. She is a sleeping partner of the partnership business and her share of profits computed for the year of assessment 2010 is \$20,000.

The following additional information relates to the other income received and expenditure incurred by Mr and Mrs Tan for the year ended 31 December 2009:

	Mr John Tan	Mrs Lily Tan
Year of birth	1970	1972
	\$	\$
Net rental as computed for a property owned by Mrs Lily Tan	–	12,600
Singapore dividends – per CDP statement		
Tax exempt one-tier	900	800
Interest from OCBC (an approved bank)	80	100
Statutory CPF contributions	18,800	–
Voluntary CPF contributions	–	27,600
Foreign maid levy	3,180	–
Donations to approved institutions of a public character		
– Singapore Cancer Society	2,500	–
– Assissi Hospice	–	2,000

Mr and Mrs Tan have three children who are all Singapore citizens. Nancy was born in 1995, Sara in 1998 and Tony in 2000.

Required:

Compute the minimum tax liabilities of Mr and Mrs Tan for the year of assessment 2010.

(25 marks)

- 2 (a) MTT Entertainment Pte Ltd is an exempt private company, which has been incorporated in Singapore since May 2005. The principal activity of the company is that of the services of a karaoke box and lounge.

The trading, profit and loss account of the company for the financial year ended 30 June 2009 is as below:

	Notes	\$
Income		
Sales		1,620,000
Less: Cost of sales		287,000
		<hr/>
Gross profit		1,333,000
Add: Other income	1	600
		<hr/>
		1,333,600
		<hr/>
Less: Expenses		
General and administrative	2	536,000
Staff	3	512,000
Selling and promotion	4	142,000
Other expenses	5	17,000
		<hr/>
		1,207,000
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Net profit before tax		126,600
		<hr/> <hr/>

Notes:

1. Other income comprises:

	\$
Game machine takings	600
	<hr/>
	600
	<hr/> <hr/>

2. General and administrative expenses include:

	\$
Rental of business premises	362,000
Depreciation	99,600
Insurance – fire and public liability	1,300
Legal fees – re: claim by a dismissed employee for compensation	1,200
Repairs and maintenance – maintenance of equipment	7,600
– projector purchased for use in function rooms	3,000

3. Staff expenses include:

	\$
Directors' fees	110,000
Staff salaries and bonuses	359,000
CPF contributions	17,300
Medical fees*	2,300
Staff loans written off	1,000

*The company did not make any contribution to the employees' medisave accounts and did not implement the portable medical benefits scheme or the transferable medical insurance scheme.

4. Selling and promotion expenses include:

	\$
Publicity and promotions	40,000
KTV licensing	30,000
Upkeep of motor vehicles	
– motor cars (S-plate)	4,500
– van	2,500

5. Other expenses include:

	\$
Realised exchange loss on purchase of equipment	1,800
Loss on disposal of equipment	3,000
Penalty for late filing of income tax return	600
Cash donation to the Society of Moral Charities (an approved institution of a public character) paid on 31 May 2009	1,500

Additional information:

Capital allowances for the year of assessment 2010 in respect of the qualifying plant and machinery as stated in the balance sheet have been computed at \$136,000.

Required:

Compute MTT Entertainment Pte Ltd's chargeable income and tax liability for the year of assessment 2010.

Note: You should start your computation with the net profit before tax, and include a list of all of the items referred to in Notes 1 to 5, indicating with a '0' those items for which no adjustment is necessary.

(19 marks)

(b) State the meaning of the term 'basis period'.

(2 marks)

(21 marks)

3 YIN Singapore Pte Ltd is in the business of the supply and sale of Chinese herbs and medicinal products and related services. The company's financial year end is 31 December.

During the year 2009, the company acquired a second shop unit adjacent to its existing premises and carried out renovation works to both shop units.

The following assets were acquired during the year 2009:

	Cost \$
Plant and equipment	
Air-conditioners	9,000
Showcase and display counters	18,000
Cash registers	6,000
Computers with accessories	3,500
Chairs – each item costing less than \$1,000	2,500
Leasehold improvements	
Glass door and wall panels	12,000
Automatic sliding door operating system	3,000
Floor tiles	28,000
Fittings and shelves	22,000

During the year the company disposed of some old fittings and equipment purchased in 2007, details of which are as follows:

	\$
Cost	15,000
Written down value brought forward at 1 January 2009	5,000

There was no disposal value for the old fittings and equipment.

The written down values of the company's s.19A claim assets at 31 December 2008 (excluding the assets disposed of) as agreed with the Comptroller of Income Tax were:

Remaining years	\$
2	26,000
1	12,000

Required:

Compute the maximum capital allowances claimable by YIN Singapore Pte Ltd for the year of assessment 2010 and the written down values of its assets as at 31 December 2009.

(17 marks)

- 4 (a) Mr Peter Smith arrived in Singapore from Australia on 30 August 2009 to commence his employment contract in Singapore. His contract of employment is for two years commencing on 1 September 2009 and will expire on 31 August 2011.

Peter wishes to know whether he will be treated as a resident for income tax purposes for the assessment of his income for the period of his employment in Singapore from 1 September 2009 to 31 August 2011.

Required:

State the conditions necessary for an individual to qualify as a 'resident' for income tax purposes and state, giving reasons, whether Mr Peter Smith will qualify as a 'resident' for the years of assessment 2010, 2011 and 2012. (6 marks)

- (b) DMT Pte Ltd, a Singapore company is a goods and services tax (GST) registered trader. For the quarter ended 30 September 2010, the company wrote-off the following bad debts which it had been unable to recover despite legal action being taken:

	Sales value \$	GST \$	Outstanding balance \$
Sales invoices issued during the year ended 31 December 2007	50,000	3,500	53,500
Sales invoices issued during the year ended 31 December 2008	30,000	2,100	32,100
	80,000	5,600	85,600

The GST on the goods supplied had been accounted for and paid up in 2007 and 2008 respectively.

For the quarter ended 30 September 2010, the company had a taxable turnover of \$500,000, which comprised:

	\$
Standard rated sales	460,000
Zero-rated sales	40,000

The taxable purchases made for the quarter ended 30 September 2010 were as follows:

	\$
Total value of taxable purchases	320,000
GST on taxable purchases	22,400

Required:

- (i) **State whether DMT Pte Ltd is eligible to claim the bad debt relief for goods and services tax (GST) purposes and the conditions to be satisfied in order to make such a claim;** (7 marks)
- (ii) **Calculate the amount of goods and services tax (GST) payable to the Comptroller of Goods and Services Tax by DMT Pte Ltd for the quarter ended 30 September 2010.** (4 marks)

(17 marks)

End of Question Paper