

**Singapore CA Qualification Examination**  
**9 December 2022**  
**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 **TWENTY (20)** pages (including this instruction sheet and Appendix A). Each question may have **MULTIPLE** parts and **ALL** questions are examinable.
3. This is an open book examination. 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.
4. Assume that all dollar amounts are in Singapore dollar (S\$) unless otherwise stated.
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. This examination paper is the property of the Singapore Accountancy Commission.

**IMPORTANT NOTICE:**

**If you are not feeling well, please do not press "Start Assessment". If you have started and leave during the exam, you would be deemed to have attempted the paper.**

**\*\*VERY IMPORTANT NOTICE\*\***

1. Your question paper is attached under the "**Resources**" tab found at the bottom right of **EACH** question.
2. You may also download the question paper that allows annotation throughout your exam in Question 1 of the e-Exam portal.

**Other important information:**

3. You will be allowed to access your reference materials but **will not be allowed** to communicate with anyone either physically or through any electronic means.
4. You are **NOT ALLOWED** to access any websites during the exam.
5. You are **NOT ALLOWED** to print the question paper.
6. **Please take note that your screen will be monitored throughout the examination. If you are found to have accessed any websites, or if you cheat or attempt to cheat, you will be liable to severe disciplinary action.**

Should you encounter any issues during the exam, please call the following numbers:  
+65 6100 0516

7. **You do not need fill in an answer for this question.**

## Appendix A - Tax Rates and Allowances - Year of Assessment 2022

### Goods and Services Tax

Standard rate	7%
Compulsory Registration threshold	\$1 million

### Stamp Duty

Category	% rates payable on the amount of value of consideration
a. Conveyance, assignment, or transfer of immovable non-residential properties	
- Up to the 1 <sup>st</sup> \$180,000	1%
- Up to the next \$180,000	2%
- Over \$360,000	3%
b. Conveyance, assignment, or transfer of stocks or shares	0.2% of the higher of the net asset value or the consideration
c. Mortgage of stocks, shares or immovable properties	0.2% or 0.4% up to maximum duty of \$500
d. Gift of immovable non-residential properties	Same as a.
e. Gift of stocks and shares	Same as b.
f. Lease of immovable properties	
- Annual rent and other consideration calculated is \$1,000 and below	Exempt
- Annual rent and other consideration calculated exceeds \$1,000	Lease period of 4 years or less: 0.4% of total rent for the period of the lease  Lease period of more than 4 years (or for an indefinite term): 0.4% of 4 times the average annual rent for the period of the lease

## Appendix A - Tax Rates and Allowances - Year of Assessment 2022

### Corporate Income Tax Rate

Year of Assessment 2022 17%

<u>Partial Tax Exemption</u>	<b>\$</b>
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>

### Withholding tax rates

Nature of income	% rates payable
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%
Payment to Non-Resident Director	22%
Non-resident professional	15% of gross or 22% of net

### Non-residential property tax

Non-residential buildings and land are taxed at 10% of the annual value.

## Appendix A - Tax Rates and Allowances - Year of Assessment 2022

### Personal Income Tax Rates for the Year of Assessment 2022 (Resident)

Chargeable Income	Rate (%)	Gross Tax Payable (\$)
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 Rates for the Year of Assessment 2022 (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.

## Appendix A - Tax Rates and Allowances - Year of Assessment 2022

### Central Provident Fund (CPF)

Contributions for individuals of ages 55 years or 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

Mandatory medisave contributions of a self-employed person with annual s10(1)(a) assessable income of above \$18,000

Below 35 years of age 8%; \$5,760 (max)

35 to below 45 years of age 9%; \$6,480 (max)

45 to below 50 years of age 10%; \$7,200 (max)

50 years of age and above 10.5%; \$7,560 (max)

### Personal Income Tax Reliefs for the Year of Assessment 2022

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

## Appendix A - Tax Rates and Allowances - Year of Assessment 2022

### Other reliefs

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 (including QCR/HCR)	\$50,000
Grandparent caregiver relief	\$3,000
Life assurance relief	\$5,000 (max)
Voluntary CPF contribution of self-employed	Capped at \$37,740 or 37% of s10(1)(a) net trade income assessed less any trade losses from prior years or actual amount contributed by the taxpayer, whichever is lowest.
Course fee relief	\$5,500 (max)
Foreign domestic worker levy relief	\$7,200 (max)
Supplementary Retirement Scheme	
• Singapore citizens and PRs	\$15,300 (max)
• Foreign citizens	\$35,700 (max)

## Appendix A - Tax Rates and Allowances - Year of Assessment 2022

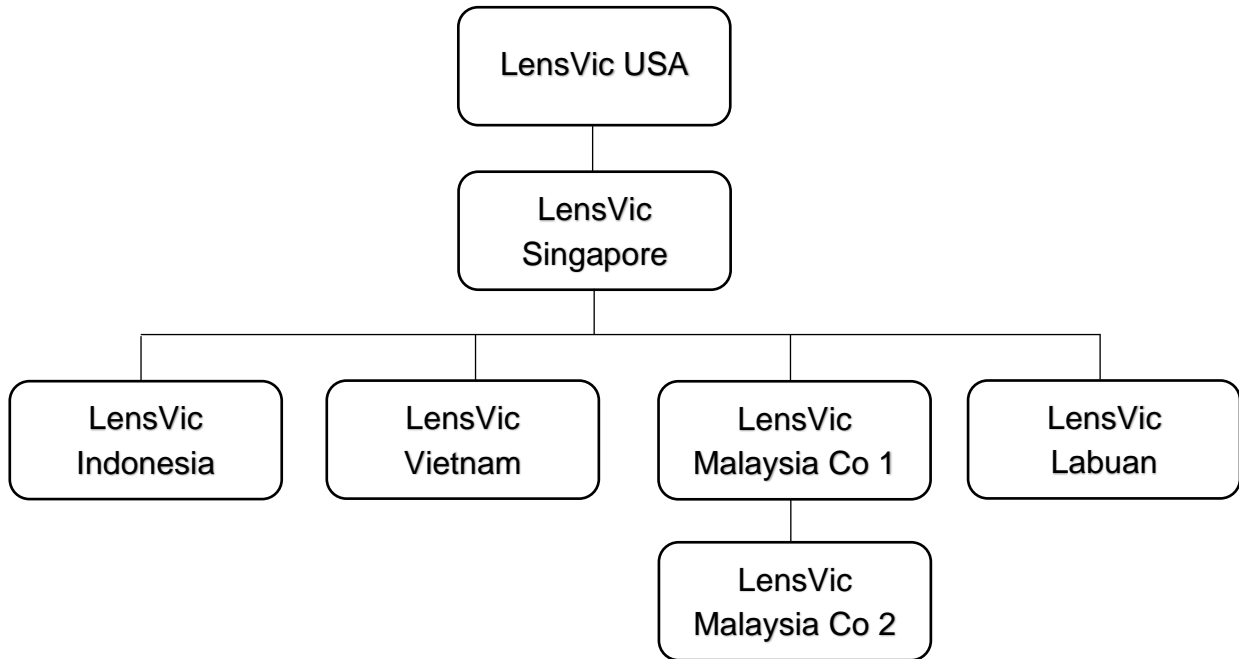
### National Service Man (NSman) relief

	<b>Normal appointment</b>	<b>Key appointment holder</b>
Active NSman	\$3,000	\$5,000
Non-active NSman	\$1,500	\$3,500
Wife/widow/parent of NSman	\$750	\$750



**Question 1 – (a), (b), (c) and (d)**

LensVic Group is in the business of manufacturing and distributing lenses. Although it is headquartered in the US, it has major operations in Southeast Asia (SEA). The corporate structure of its wholly-owned subsidiaries in SEA are as follows:



All the respective subsidiaries are incorporated and resident in the respective countries as indicated above. More information on the subsidiaries is as follows:

Subsidiary	Comments
LensVic Singapore	<ul style="list-style-type: none"> <li>Investment holding company</li> </ul>
LensVic Indonesia	<ul style="list-style-type: none"> <li>Newly incorporated company that requires funding for the construction of a factory in Indonesia</li> </ul>
LensVic Vietnam	<ul style="list-style-type: none"> <li>Derives business income from trading operations in Vietnam</li> <li>Granted a tax holiday in Vietnam (i.e. LensVic Vietnam's corporate tax rate in Vietnam is 0% instead of the prevailing tax rate of 20%) due to substantial business presence and operations carried out in Vietnam</li> <li>Vietnam does not impose withholding tax on dividends</li> </ul>
LensVic Malaysia Co 1	<ul style="list-style-type: none"> <li>Investment holding company that derives <u>only</u> dividend income from LensVic Malaysia Co 2</li> <li>Similar to Singapore, Malaysia operates a one-tier dividend system and therefore, the dividend income received from LensVic Malaysia Co 2 is not taxed in the hands of LensVic Malaysia Co 1</li> <li>Malaysia does not impose withholding tax on dividends</li> </ul>
LensVic Malaysia Co 2	<ul style="list-style-type: none"> <li>Derives business income from trading operations carried out in Malaysia</li> <li>Subject to Malaysia corporate income tax at the rate of 24%</li> </ul>
LensVic Labuan	<ul style="list-style-type: none"> <li>Trading company that is incorporated in a special economic zone in Malaysia</li> <li>Instead of Malaysia's tax rate of 24%, LensVic Labuan is subject to 3% tax rate on its chargeable income, purely because it is incorporated in Labuan (and not due to any substantive activities carried on in Labuan)</li> <li>Labuan does not impose withholding tax on dividends</li> </ul>

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**Question 1 required:**

- 2**      **(a)** State what is required in order for LensVic Singapore to be considered as a tax resident in Singapore, and TWO tax benefits for LensVic Singapore for being resident in Singapore.

**(4 marks)**

- 3**      **(b)** LensVic Vietnam, LensVic Malaysia Co 1 and LensVic Labuan are intending to pay dividends to LensVic Singapore in the future. Discuss (i) when such dividends may be taxable in Singapore and (ii) whether the exemption under Section 13(8) may be applicable. When discussing Section 13(8) (where applicable), explain clearly whether each condition would be met with respect to each dividend above.

Where Section 13(8) is not available, discuss briefly whether there may be other domestic tax exemptions under the Singapore Income Tax Act to consider. A detailed analysis is not required.

**(13 marks)**

- 4**      **(c)** Assume that LensVic Singapore receives dividend income of \$679,000 from LensVic Labuan in the year 2022, but does not wish to claim any domestic tax exemption under the Singapore Income Tax Act (where applicable) on the said dividend income. Assuming LensVic Singapore has no other taxable income and expenses in the relevant Year of Assessment, compute the net tax payable on such dividend income, taking into account foreign tax credit where applicable.

**(5 marks)**

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**5**

**Question 1 required:**

- (d)** Assuming no domestic exemptions under the Singapore Income Tax Act are applicable to the dividend income received by LensVic Singapore from LensVic Vietnam, LensVic Malaysia Co 1 and LensVic Labuan, discuss if there is/are any alternative(s) for LensVic Indonesia to tap onto the funds from these other LensVic Group entities, while minimising Singapore income tax implications.

**(3 marks)**

**(Total: 25 marks)**

## Question 2 – (a), (b) and (c)

Mrs Lim and Mr Chin are active partners in a Singapore limited liability partnership (LLP) which was set up on 1 January 2021. They contributed capital of \$30,000 each into the LLP.

On 1 July 2021, they admitted a new active partner (Mdm Tan), who contributed capital of \$60,000 into the LLP.

The results of the LLP for the year of 2021 are as follows:

	<b>1 January 2021 – 30 June 2021 (\$)</b>	<b>1 July 2021 – 31 December 2021 (\$)</b>	<b>Total (\$)</b>
Revenue	50,000	64,000	114,000
Less: Expenses			
- Small value assets expensed off ( <b>Note 1</b> )	(48,000)	(72,000)	(120,000)
- Depreciation on fixed assets capitalised	(80,000)	(80,000)	(160,000)
- Other expenses ( <b>Note 2</b> )	(20,000)	(20,000)	(40,000)
- Rental of office and utilities	(70,000)	(70,000)	(140,000)
- Statutory penalties	(4,000)	-	(4,000)
<b>Net profit/(loss) before tax</b>	<b>(172,000)</b>	<b>(178,000)</b>	<b>(350,000)</b>

### Note:

- 1) The assets pertained to office furniture and installation of cabinets.
- 2) Other expenses during the year comprised \$10,000 for secretarial fees, \$15,000 for legal fees (for trade purposes), \$5,000 for photocopying/ printing and \$10,000 for marketing.
- 3) No capital allowances were claimed during the Year of Assessment 2022.

4) The agreed profit-sharing ratios between the partners are as follows:

1 January 2021 to 30 June 2021

Mrs Lim : Mr Chin = 1 : 1

1 July 2021 to 31 December 2021

Mrs Lim : Mr Chin : Mdm Tan = 1 : 1 : 2

One of the partners, Mrs Lim, also derived rental income from a private bungalow which she owns in her own name. The rental income and expenses of the bungalow for 2021 are as follows:

	\$
Rental income	100,000
<u>Less: Expenses:</u>	
- Bank interest	(20,000)
- Repair	(5,000)
- Property tax	(4,500)
- Insurance	(2,200)
- Cleaning/maintenance	<u>(1,300)</u>
	<u>67,000</u>

Mrs Lim is 45 years old, single and stays alone.

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**Question 2 required:**

- 6**      **(a)** Compute the share of adjusted tax losses for each partner in the LLP for YA 2022. Also, comment on the conditions for the utilisation of such adjusted tax losses derived from the LLP against other sources of income.
- (8 marks)**
- 7**      **(b)** Prepare the Singapore personal income tax computation for Mrs Lim for YA 2022. Show all workings and state her relevant deduction as at YA 2022. Show clearly whether earned income relief is available.
- (8 marks)**
- 8**      **(c)** Explain the income tax implications if Mrs Lim were to withdraw contributed capital of \$10,000 in the year 2022. Similar to 2021, the LLP is expected to be in a significant loss position in 2022. Provide the relevant amounts to support your explanation. Full computation on the exact tax impact is not required.
- (6 marks)**
- (Total: 22 marks)**

### Question 3 – (a) to (e)

Currently, SG Co is a service company newly incorporated in 2022 that provides services only to its related parties within the corporate group. The related parties comprise companies incorporated both in Singapore and overseas. The other Singapore related companies are currently individually registered for GST purposes in Singapore.

The services that SG Co provides are limited only to the following:

- Accounting services: Maintaining accounting records and conducting financial internal audits
- IT support: Provide technical assistance services and acting as a helpdesk to troubleshoot IT issues
- Payroll and HR support: Compile work claims, disburse salaries and comply with employer requirements
- Tax: Helping related companies to prepare and file company tax returns

Due to changes of laws in the European Union (EU), it is increasingly non-tenable for the Group's Intellectual Property Rights (IPRs) to be maintained in EU. As such, a decision was made to transfer the legal and economic ownership of these IPRs from the Netherlands sister company to SG Co sometime in 2023.

Preliminary estimates of the value of the respective components of the IPRs are as follows:

- Registered patents: \$10 million
- Detailed list of customers and their requirements: \$0.4 million
- Copyrights: \$0.3 million

Once the IPRs are transferred over, SG Co will cease the provision of services to its related parties and carry on an active business of managing the IPRs. It will also hire a significant team of qualified professionals (i.e. more than 50) to carry out research and development (R&D) activities in Singapore in relation to its IPRs.



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**Question 3 required:**

- 9**            **(a)** Advise SG Co on the Singapore transfer pricing and documentation requirements (if any) which may be applicable to the support services it provides to its related companies.  
**(6 marks)**
- 10**            **(b)** Assume SG Co's full costs in providing the aforementioned support services in 2022 is \$960,000. **Explain** how SG Co may be taxed on the service income and **prepare** its YA 2023 income tax computation, taking into consideration the transfer pricing requirements in **part (a)** above.  
**(5 marks)**
- 11**            **(c)** Advise SG Co if it is required to register for GST in Singapore, and if so, the GST treatment for the services it provides to its related companies. Explain if there is any scheme to reduce the GST filing obligations for SG Co and the rest of the related companies, and if so, the relevant benefits under such scheme.  
**(6 marks)**
- 12**            **(d)** Explain to SG Co whether claim of writing-down allowances (WDA) would be available on the IPRs which it will acquire in 2023 and the basis of claim. Where claim of WDA is available, explain whether there are any conditions attached to the claim of WDA.  
**(7 marks)**

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**13**

**Question 3 required:**

- (e)** Identify an appropriate income tax incentive which SG Co may be eligible for with respect to its IPRs and R&D activities, and its key features. Discuss also if there may be any international tax trends which may reduce the benefits of tax incentives in Singapore.

**(6 marks)**

**(Total: 30 marks)**

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

SG Co is a company incorporated and tax resident in Singapore. It is in the business of pest control.

In 2021, a US incorporated company (“Boscombe US”) acquired 100% of the shares in SG Co. Boscombe US also holds 100% of the shares in a Singapore subsidiary (“Boscombe SG”). As a result of the aforementioned acquisition, SG Co and Boscombe SG became sister companies, and are both 100% subsidiaries of Boscombe US. Both SG Co and Boscombe SG are in a tax-paying position and are registered for Singapore GST purposes.

As Boscombe SG is also in the same business as SG Co, it was decided that a rationalisation exercise be conducted to reduce the number of Singapore entities. The option which is under consideration involves 2 steps as follows:

- 1) Transfer all the business assets in SG Co to Boscombe SG. Such business assets pertain only to cash, trade receivables and fixed assets (i.e. computers).
- 2) SG Co will cease its business and commence liquidation immediately after.

During this rationalisation exercise, Boscombe US will officially second a US employee to Boscombe SG to help with the overall coordination of the transition. Under the secondment arrangement, the employee will be exercising employment solely for Boscombe SG. The employee is expected to be in Singapore for at least 1 year and is expected to leave in November 2023.

Salary of this US employee will continue to be paid by Boscombe US to the employee’s US bank account. In turn, Boscombe US will recharge the salaries of the employee (at cost) to Boscombe SG. Separately, Boscombe US will also bill Boscombe SG a small facilitation fee of \$5,000 for its services to help coordinate the payment of salaries into the employee’s US bank account.

Other than the seconded employee, no other employees of Boscombe US will be physically present in Singapore.

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**Question 4 required:**

**14**            **(a)** Discuss the Singapore corporate income tax, GST and stamp duty implications which may arise on step 1 (i.e. transfer of business assets). Evaluate if there are any elections to mitigate the adverse tax implications (if any).

**(8 marks)**

**15**            **(b)** **Discuss** the Singapore corporate income tax implication of step 2. Also, **outline the administrative procedures** (specific to income tax and/or GST) that may be required.

**(5 marks)**

**16**            **(c)** Comment on the Singapore withholding tax requirements which may arise on the payment of the salaries and facilitation fee from Boscombe SG to Boscombe US, stating the amount of withholding tax which may be due.

Where relevant, quote the relevant sections of the Singapore Income Tax Act to explain why withholding tax requirements may or may not need to be considered.

**(4 marks)**

**17**            **(d)** Explain to Boscombe SG the employer obligations which may arise for Boscombe SG (i) when the US employee is based in Singapore and (ii) when the employee eventually leaves Singapore in November 2023. Where applicable, state the dates by when these obligations need to be met.

**(6 marks)**

**(Total: 23 marks)**

**END OF PAPER**