PP

Singapore CA Qualification Examination

24 June 2024

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 (30)** 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 ISCA's regulations. Please note that smartwatches, 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 and all video recordings of this examination are the property of the Accounting and Corporate Regulatory Authority.

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e-Exam Question Number

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<u>VERY IMPORTANT NOTICE**</u>**

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.

3. Please download the relevant required Appendices in Question 1 of the e-Exam portal.

<u>Other important information:</u>

4. 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.

5. You are **<u>NOT ALLOWED</u>** to access any websites during the exam.

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7. **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.**

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   +65 6028 9811

8. **You do not need fill in an answer to this instruction question.**

Goods and Services Tax

Standard rate	8.0%
Compulsory Registration threshold	$1 million

Stamp Duty

Category	% rates
a. Conveyance, assignment, or transfer of immovable non-residential properties (on or after 15 February 2023)	Percentage of the higher of the market value or the consideration
- Up to the 1st $180,000	1.0%
- Up to the next $180,000	2.0%
- Up to the next $640,000	3.0%
- Up to the next $500,000	4.0%
- Over $1,500,000	5.0%
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% of the loan amount granted on the mortgage, 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 average rent calculated is $1,000 and below	Exempt
- Annual average rent calculated exceeds $1,000	Lease period of 4 years or less: 0.4% of the 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

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Stamp Duty (Cont'd)

The rates of Seller Stamp Duty (SSD) payable on industrial property acquired on and after 12 January 2013 and disposed of within certain duration, are summarized in the table below:

Date or purchase/ acquisition or date of change of zoning/ use	Holding period	SSD rate (on the actual price or market value, whichever is higher)
On or after 12 January 2013	Up to 1 year	15%
	More than 1 year and up to 2 years	10%
	More than 2 years and up to 3 years	5%
	More than 3 years	No SSD payable

Corporate Income Tax Rate

Year of Assessment 2023	17.0%
<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>
<u>Start-up tax exemption</u>	
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	15.0%
Royalty or other lump sum payments for the use of, or the right to use, movable properties	10.0%

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Payment for the use of, or the right to use, scientific, technical, industrial, or commercial knowledge or information	10.0%
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	15.0%
Payment to Non-Resident Director	22.0%
Non-resident professional	15.0% of gross income or 22.0% of net income

Non-residential property tax

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

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Appendix A - Tax Rates and Allowances - Years of Assessment 2023 & 2024

Personal Income Tax Rates for the Year of Assessment 2023 (Resident)

Chargeable Income	Rate (%)	Gross Tax Payable ($)
First $20,000 Next $10,000	0.0 2.0	0 200
First $30,000 Next $10,000	- 3.5	200 350
First $40,000 Next $40,000	- 7.0	550 2,800
First $80,000 Next $40,000	- 11.5	3,350 4,600
First $120,000 Next $40,000	- 15.0	7,950 6,000
First $160,000 Next $40,000	- 18.0	13,950 7,200
First $200,000 Next $40,000	- 19.0	21,150 7,600
First $240,000 Next $40,000	- 19.5	28,750 7,800
First $280,000 Next $40,000	- 20.0	36,550 8,000
First $320,000 Above $320,000	- 22.0	44,550

Personal Income Tax Rates for the Year of Assessment 2024 (Resident)

Chargeable Income	Rate (%)	Gross Tax Payable ($)
First $20,000 Next $10,000	0.0 2.0	0 200
First $30,000 Next $10,000	- 3.5	200 350
First $40,000 Next $40,000	- 7.0	550 2,800
First $80,000 Next $40,000	- 11.5	3,350 4,600
First $120,000 Next $40,000	- 15.0	7,950 6,000
First $160,000 Next $40,000	- 18.0	13,950 7,200
First $200,000 Next $40,000	- 19.0	21,150 7,600
First $240,000 Next $40,000	- 19.5	28,750 7,800
First $280,000 Next $40,000	- 20.0	36,550 8,000
First $320,000 Next $180,000	- 22.0	44,550 39,600
First $500,000 Next $500,000	- 23.0	84,150 115,000
First $1,000,000 In excess of $1,000,000	- 24.0	199,150

Personal Income Tax Rebate Year of Assessment 2024 (Resident): 50% of the payable, **up to $200**

Personal Income Tax Rates (Non-resident)

General Rate: 22.0% (YA 2023 and before) / 24.0% (YA 2024 onwards)

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 15.0% or on a resident basis, whichever results in a higher tax amount.

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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	20.0%
Employer	17.0%

Maximum monthly ordinary wages (OW) attracting CPF *(until 31 August 2023)*	$6,000
Maximum annual ordinary wages (OW) attracting CPF *(until 31 August 2023)*	$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 net trade income of above $18,000.

Below 35 years of age	8.0%; $5,760 (max)
35 to below 45 years of age	9.0%; $6,480 (max)
45 to below 50 years of age	10.0%; $7,200 (max)
50 years of age and above	10.5%; $7,560 (max)

Personal Income Tax Reliefs for the Year of Assessment 2023

With effect from YA 2018, the overall personal income tax reliefs 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

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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 - Not staying with dependant	 $9,000 $5,500
Handicapped parent relief - Staying with dependant - Not staying with dependant	 $14,000 $10,000
Working mother's child relief (WMCR) • First child • Second child • Third and subsequent child • Maximum cumulative WMCR • Maximum relief per child (including QCR/HCR)	% of mother's earned income 15% 20% 25% 100% $50,000
Grandparent caregiver relief	$3,000
Life insurance relief	Capped at $5,000 less CPF contributions or 7% of insured value, whichever is lower.
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 (for the first domestic worker)	$7,200 (max)
Supplementary Retirement Scheme • Singapore citizens and PRs • Foreign citizens	 $15,300 (max) $35,700 (max)
CPF Cash Top-up Relief • Below $8,000 • $8,000 or more	 Exact amount of cash top-up $8,000

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National Service Man (NSman) relief

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

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Question 1 – (a), (b) and (c)

SingCo is a company incorporated in Singapore, and its principal activity is that of trading of computer chips. SingCo is a subsidiary of a Japanese company.

In 2022, SingCo's holding company in Japan seconded Mr Takagi, a Japanese employee ("the Japanese expatriate") to Singapore as SingCo's General Manager for a period of at least three years. The Japanese expatriate arrived in Singapore on 1 March 2022, together with his wife and their 8-year-old son.

The Japanese expatriate and his wife are 41 and 39 years old, respectively, as at January 2022. His wife is a full-time housewife but received $6,500 of Singapore one-tier dividend income in 2022. Their son was enrolled at the Singapore Japanese School for full-time primary school studies.

For the Japanese expatriate's employment period in 2022 (commencing 1 March 2022), he received the following benefits from SingCo:

- His monthly salary was $7,200. Half of his monthly salary was paid into the Japanese expatriate's Singapore bank account and the other half to his Japanese bank account.

- He has a 1.5-month guaranteed bonus for each year of service in Singapore, which is prorated (by month) for services of less than a year. This guaranteed bonus is only payable on 1 March of the next year (i.e., 1 March 2023), and will be credited fully to his Japanese bank account.

- As his intended accommodation at Havelock Road was only available from 1 April 2022, SingCo provided him with hotel accommodation at a nearby hotel from 1 March 2022 to 31 March 2022. He and his family were provided with a small suite room for $400/night. The hotel charges were fully paid by SingCo. The Japanese expatriate checked out on 1 April 2022.

- From 1 April 2022, the Japanese expatriate was provided with a fully furnished apartment near Robertson Quay by SingCo. The rental of the apartment (including the furniture and fixtures) was $9,000 per month. The annual value of the apartment is $90,000.

- From 1 April 2022, the Japanese expatriate was provided with a new car by SingCo. The cost of the car is $165,000 and has a scrap value of $25,000. During the time of his use in 2022, SingCo paid for all the running costs of the car amounting to $10,500.

- On behalf of the Japanese expatriate, SingCo also contributed:

Name of pension fund	**Amount contributed (and borne) by SingCo on behalf of the Japanese expatriate ($)**	**Remarks**
Kokumin Nenkin	15,000	A compulsory pension fund that all Japanese nationals have to mandatorily contribute to, regardless of their place of employment. SingCo did not claim a deduction on the amount of $15,000 for Singapore corporate income tax purposes.

- SingCo also paid for the school fees of the Japanese expatriate's son, which amounted to $7,900 in 2022.

- SingCo paid for home leave passage for the Japanese expatriate and his family in December 2022. The amount paid by SingCo was $6,000.

- The Japanese expatriate undertook a few days of business travel within the Southeast Asia region in 2022. SingCo paid $350 for travel insurance to cover these business travels.

- The Japanese expatriate was given membership access to The Japanese Association, which is a recreational club located in Singapore. Only 30% of the Japanese expatriate's use of the club facilities was for business usage. SingCo paid $8,000 for the membership access from 1 March 2022 to 31 December 2022.

- As per the secondment contract, SingCo will bear all Singapore income taxes on the Japanese expatriate's Singapore employment income.

e-Exam Question Number	Question 1 required:
2	**(a)** Evaluate if the Japanese expatriate can be considered as a tax resident of Singapore for Year of Assessment 2023. **(2 marks)**
3	**(b)** Prepare the Singapore income tax computation (presenting both the notional and actual computations) of the Japanese expatriate for the Year of Assessment 2023. Where certain items are not taxable (or exempt) and not deductible (or claimable), please state so. **(15 marks)**
4	**(c)** Another Japanese expatriate (Mr Takoshi) will be arriving in Singapore and will commence his Singapore employment with SingCo on 1 January 2023. Mr Takoshi is a single 31-year-old male and is expected to stay in Singapore for two years (i.e., till 31 December 2024). For 2023, he will receive (i) a salary of $4,500/month, (ii) a contractually guaranteed fixed bonus of $4,000 payable in 2023, and (iii) an overseas allowance of $3,500/month. These are payable to his Singapore bank account. All Singapore income taxes are borne by Mr Takoshi. Mr Takoshi intends to use his overseas allowance to rent an apartment in Singapore for his own stay. He viewed an apartment at Beach Road and was going to sign a tenancy agreement with the owner for the rental of the fully furnished apartment for $3,200/month. Mr Takoshi discussed the above with the HR Manager of SingCo but was told that SingCo owns a small apartment in the

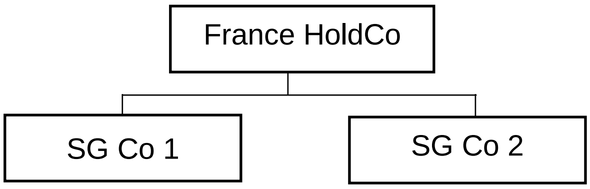
same condominium at Beach Road, with an annual value of $35,000. The HR Manager proposed that Mr Takoshi consider having SingCo provide the fully furnished apartment to him, but in return, SingCo will not pay him the $3,500 monthly overseas allowance.

Advise Mr Takoshi whether he should take up the HR Manager's proposal from the Singapore income tax and consequential cashflow perspectives. Show all workings to justify the advice. **(9 marks)**

(Total: 26 marks)

Question 2 – (a) to (f)

The InCom (IC) Group is in the business of distribution of vessel spare parts. The Group has a June year-end. A snapshot of the corporate structure is as follows:



Both of the Singapore subsidiaries (i.e., SG Co 1 and SG Co 2) are companies incorporated in, and residents of Singapore. Both companies were incorporated by France HoldCo in 2016 and have been wholly owned subsidiaries of France HoldCo since 2018. France HoldCo is a company incorporated and resident in France and does not have a permanent establishment and/or carry out any operations in Singapore.

More information about the Singapore subsidiaries is as follows:

- In 2019, SG Co 1 acquired 3 patents from a third-party company in Singapore. Patent NJJ and Patent NJK were acquired by SG Co 1 on 13 March 2019 for $45,000 and $50,000 respectively. Patent ZI was acquired by SG Co 1 on 15 July 2019 for $100,000. As SG Co 1 has been in a profitable position since 2016, it opted to claim writing-down allowances on such patents on a 5-year basis.

  Other than the above, SG Co 1 has not purchased/sold any patents. SG Co 1 does not own any real property or land in Singapore.

- SG Co 2 is a support company. It provides routine back-office accounting and general administrative services to SG Co 1 (and future companies to be set-up within the region).

  SG Co 2 does not own any real property or land in Singapore.

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As part of an internal restructuring, the following transactions were undertaken:

Transaction	Description
1	France HoldCo has plans to use SG Co 2 as the regional holding company to hold future companies within the region. As part of this internal restructuring, France HoldCo sold all the ordinary shares in SG Co 1 to SG Co 2, in return for new ordinary shares that were issued by SG Co 2 to France HoldCo. A gain was derived from the said sale, which occurred on 28 June 2022. The share transfer and contribution agreements were deliberated, executed and signed by France HoldCo outside Singapore.
2	To centralise all intellectual property within France HoldCo, upon completion of Transaction 1, SG Co 1 sold all 3 patents to France HoldCo on 30 June 2022. France HoldCo conducted a valuation exercise of the various patents and the purchase prices paid by France HoldCo to SG Co 1 were as follows: • Patent NJJ: $10,000 • Patent NJK: $27,000 • Patent ZI: $120,000

The relevant extracts of the Singapore – France tax treaty are as follows:

*"**Article 5 – Permanent Establishment***

1. *For the purposes of this Convention, the term "permanent establishment" means a fixed place of business through which the business of the enterprise is wholly or partly carried on.*

2. *The term "permanent establishment" shall include especially:*

a) *A place of management;*

b) *a branch;*

c) *an office;*

d) *a factory;*

e) *a workshop;*

f) *a farm or plantation;*

g) *a mine, oil well, quarry or other place of extraction of natural resources.*

…

Article 12 – Royalties

1. *Royalties arising in a Contracting State and beneficially owned by a resident of the other Contracting State shall be taxable only in that other State.*

2. *The term "royalties" as used in this Article means payments of any kind received as consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work, including cinematograph films and tapes for television or broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.*

…

5. *Royalties as defined in paragraph 2 of this Article shall be treated as arising from sources within the Contracting State in which the property referred to in that paragraph is used.*

…

Article 13 – Capital Gains

*1. Gains from the alienation of immovable property, as defined in paragraph 2 of Article 6 (**^^^**) may be taxed in the Contracting State in which such property is situated.*

2. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State, including such gains from the alienation of such a permanent establishment (alone or together with the whole enterprise) may be taxed in the other State.

*3. Gains from the alienation of shares or other rights in a company… the assets or property of which consist of more than 50 per cent of their value, …, from immovable property referred to in Article 6 **(^^^)** and situated in a Contracting State … may be taxed in that State …*

4. Gains from the alienation of any property other than those mentioned in paragraphs 1, 2 and 3, shall be taxable only in the Contracting State of which the alienator is a resident."

***(^^^)** The term "immovable property" in Article 6(2) shall be defined in accordance with the law of the Contracting State in which the property in question is situated.*

e-Exam Question Number	Question 2 required:
5	**(a)** France HoldCo is of the view that no income tax would be collectible from the gain on sale of SG Co 1 in Transaction 1. Considering ONLY the Singapore domestic income tax law, provide ALL possible explanation(s) as to why France HoldCo may assert that no income tax would be collectible from the said gain in Transaction 1. **(3 marks)**
6	**(b)** Based on the relevant provisions under the Singapore/ France tax treaty, evaluate and discuss whether France HoldCo may be subject to Singapore income tax on the gain in Transaction 1. **(3 marks)**
7	**(c)** Discuss the Singapore stamp duty implications on the transfer of shares in SG Co 1 in Transaction 1 and where applicable, the basis of computing the amount of stamp duty that is payable and if any reliefs are available. Detailed calculations on the amount of stamp duty are not required. **(3 marks)**
8	**(d)** Considering ONLY the Singapore domestic income tax law, discuss the Singapore corporate income tax implications which would arise on the sale of the 3 patents by SG Co 1 in Transaction 2. Show calculations/ workings, where relevant. Candidates are not required to explain the Singapore tax implications that may arise for France HoldCo. **(8 marks)**

e-Exam Question Number	**Question 2 required:**
9	**(e)** Subsequent to Transaction 2, SG Co 1 will then be required to make royalty payments to France HoldCo for the use of the patents. Considering **both** (i) the Singapore domestic income tax law and then (ii) the provisions of the Singapore/ France tax treaty, discuss the Singapore withholding tax implications of the said royalty payment to be made by SG Co 1 to France HoldCo. **(3 marks)**
10	**(f)** As SG Co 1 and SG Co 2 are both Singapore companies, SG Co 2 has over the years, borne all the expenses it has incurred to provide the said routine services to SG Co 1 (i.e., it has not recharged its expenses to SG Co 1). SG Co 2 wants to understand if there is any risk from a Singapore transfer pricing perspective on the above arrangement, the corrective actions (where applicable) and if it needs to put in place transfer pricing documentation. Please advise SG Co 2 on the above. **(6 marks)** **(Total: 26 marks)**

Question 3 – (a) and (b)

SG Co is a company incorporated in Singapore more than three years ago. It is in the business of chip manufacturing and its financial year-end is in December. It is resident in Singapore for income tax purposes.

Due to its substantial investments and headcount in Singapore, it was granted the Development and Expansion Incentive (DEI) for a period of five years, starting 1 January 2022. Under the DEI, SG Co would enjoy a concessionary tax rate of 5% on its expansionary income (i.e., qualifying income that is earned over and beyond its base income, which was determined to be **$1,500,000**).

SG Co has met all the conditions required to enjoy the tax benefits under the DEI for the year 2022.

SG Co has prepared a split of its financial results for the year 2022 and has segregated its income and expenses between DEI-qualifying and non-DEI qualifying activities. Its results for the year 2022 are as follows:

Financial results for the year ended 31 December 2022			
	DEI-qualifying activities (S$)	**Non-DEI qualifying activities (S$)**	**Notes**
Revenue	10,100,250	-	
Less: Cost of sales	(6,700,220)	-	1
Gross profit	**3,400,030**	-	
Add: Other income			
- Dividend income from subsidiary	-	260,000	2
- Interest income from related Singapore company	-	50,000	3

- Gain on sale of lorry	30,000	-	4
<u>Less:</u> Operating expenses			
- Audit fees	60,000	-	
- Depreciation	200,000	-	5
- Foreign exchange loss	125,900	-	6
- Insurance	60,000	-	7
- Interest expenses	50,000	-	8
- Medical expenses for staff	40,000	-	9
- Professional fees	68,000	-	10
- Renovation expenses	90,000	-	11
- Salaries and CPF	1,000,400	-	12
- Staff benefits	68,000	-	13
- Travelling expenses	109,000	-	14
Net profit before tax	**1,558,730**	**310,000**	

<u>Notes:</u>

1) Included a general provision for stock obsolescence of $100,000.

2) The dividend income was derived from SG Co's Malaysia subsidiary and was remitted directly into SG Co's Singapore bank account during the year ended 31 December 2022. Malaysia's prevailing corporate income tax rate during the year 2022 was 24%. However, due to substantive activities in Malaysia, SG Co's subsidiary in Malaysia was granted a pioneer incentive, and therefore, no corporate income tax was paid on the underlying profits in Malaysia (i.e., income tax rate applicable to the Malaysia subsidiary is 0%).

   There is no dividend withholding tax in Malaysia.

3) The interest income was derived from a loan extended by SG Co to its related Singapore company. The interest rate charged on the said loan is on an arm's length basis and supportable by transfer pricing documentation. $5,000 of the

said interest was accrued for accounting purposes and not due receivable by SG Co as at 31 December 2022.

4) The lorry was acquired in the year 2021 for $80,000. Its net book value at the time of disposal was $15,000.

5) Depreciation was recorded for the following assets which were all used to derive qualifying income under the DEI trade:

Description	Year in which the asset was purchased	Cost (S$)
Computers	2020	19,000
Office furniture	2020	30,000
Heavy machinery to manufacture chips	2021	500,000
Delivery vans	2021	120,000
Computer hardware and software	2022	20,000

6) Included unrealised exchange gains re: trade of $(20,000) and realised exchange loss re: capital of $12,000.

7) Comprised the following:
   - Office insurance: $16,000
   - All-risks insurance: $19,000
   - Medical insurance: $25,000

8) $39,000 of interest expenses was incurred on borrowed funds used to derive trade income while $11,000 of interest expenses was incurred on borrowed funds used to acquire the shares of the Malaysia subsidiary (see Note 2).

9) SingCo has not provided any portable medical benefits to its employees and has also not implemented any transferable medical insurance schemes.

10) Comprised the following:

- Tax compliance fees: $14,000
- Legal fees for reduction in capital: $6,000
- Routine corporate secretarial fees: $15,000
- Outsourced accounting fees: $8,000
- Staff salary review report: $25,000

11) The first time SG Co carried out renovation works to its office was in 2021, during which an expenditure of $240,000 was incurred.

12) CPF contributions were at the statutory rates and made on the prescribed wage limits.

13) Included cash allowances paid to staff of $12,000.

14) Included the following:

- Upkeep of vans: $20,000
- Public transport claims: $5,600
- Parking fines incurred by staff: $2,000

SG Co has always been in a tax-paying position and has therefore, always maximised the claim of capital allowances. There are no unabsorbed tax loss items brought forward from prior year of assessment to Year of Assessment 2023.

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e-Exam Question Number	**Question 3 required:**
11	**(a)** Discuss the Singapore income tax treatment of the dividend income from SG Co's subsidiary in Malaysia, which has been remitted to Singapore. Where relevant exemption(s) may be applicable, state the qualifying conditions and consider whether the conditions are met. **(5 marks)**
12	**(b)** Prepare the Singapore corporate income tax computation for SG Co for YA 2023. Show all workings. Where certain items are not taxable (or exempt) and not deductible (or claimable), please state so. In arriving at the above, maximise the possible reliefs and make the most beneficial claim of capital allowances. **(20 marks)** **(Total: 25 marks)**

Question 4 – (a) to (d)

SG Co is a company incorporated in Singapore that has been in the FinTech business since incorporation. It commenced business and earned its first dollar of revenue in the financial year ended 2019. Its financial year-end is 30 June.

Due to a slowdown in the global economy in the past few years, SG Co has been in a loss position. Based on the latest Notice of Assessment issued for the YA 2022, the tax loss items as agreed with the Inland Revenue Authority of Singapore (IRAS) are as follows:

<u>Total unabsorbed capital allowances: $305,000</u>

- YA 2020: $200,000
- YA 2021: $100,000
- YA 2022: $5,000

<u>Total unabsorbed trade losses: $475,000</u>

- Financial year ended 30 June 2019: $150,000
- Financial year ended 30 June 2020: $190,000
- Financial year ended 30 June 2021: $135,000

Due to the completion of a key project, SG Co is now expecting substantial taxable profits for YA 2023. SG Co is looking to set off the unabsorbed capital allowances and trade losses from prior YAs against the chargeable income in YA 2023.

SG Co has undergone several rounds of investor fundraising, and the list of the company's shareholders is as follows:

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Shareholders	% of shareholding held in SG Co as at								
	30 Jun 2019	**31 Dec 2019**	**30 Jun 2020**	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2021**	**1 Jul 2022**	**31 Dec 2022**	**1 Jan 2023**
Mr A	50%	40%	40%	40%	40%	20%	20%	20%	20%
Mr B	50%	40%	40%	30%	20%	20%	20%	20%	20%
Mr C	-	10%	10%	10%	-	40%	40%	20%	-
Ms D	-	10%	-	-	-	-	10%	30%	20%
Mrs E	-	-	10%	15%	35%	15%	5%	5%	-
Mr F	-	-	-	5%	5%	5%	5%	5%	15%
Ms G	-	-	-	-	-	-	-	-	25%

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e-Exam Question Number	Question 4 required:
13	**(a)** State the conditions for SG Co to utilise the unabsorbed capital allowances and trade losses brought forward from the previous YAs for set-off against its future taxable income. State clearly the relevant dates for each unabsorbed tax loss item and explain whether the unabsorbed tax loss items can be set off against the taxable profits derived in YA 2023. **(10 marks)**
14	**(b)** Where there is any forfeiture of tax loss items in **part (a)** above, explain to SG Co if there is any avenue to preserve these tax loss items and the conditions that may apply. **(3 marks)**
15	**(c)** SG Co provides technology services to both local and overseas customers (without any operations/ fixed establishment in Singapore) and its turnover is expected to exceed $1 million in the calendar year 2023. Advise SG Co if it is required to register for GST in Singapore, and if so, describe the type of GST supply for the services it provides to its customers. **(3 marks)**

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e-Exam Question Number	Question 4 required:
16	**(d)** To expand its business, SG Co is also looking to acquire the entire business of a competitor firm. The competitor firm is registered for Singapore GST. It will acquire all the business assets of the competitor firm which comprise only inventory, trade receivables and fixed assets (i.e., computers). Discuss the Singapore corporate income tax and GST implications which may arise from the asset acquisition above. Evaluate if there are any measures that may be taken by both parties to minimise their respective income tax and GST implications (if any). **(7 marks)** **(Total: 23 marks)**

END OF PAPER

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