PP

Chartered Accountant
SINGAPORE

Singapore CA Qualification Examination

10 June 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-SIX (26)** 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.

ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

SINGAPORE ACCOUNTANCY COMMISSION

e-Exam Question Number	****VERY IMPORTANT NOTICE****
1	1. Your question paper is attached under the **"Resources"** tab found at the bottom right of **EACH** question.

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.

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

Other important information:

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 **NOT ALLOWED** to access any websites during the exam.

6. You are **NOT ALLOWED** to print the question paper.

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.**

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

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

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 1st $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

Corporate Income Tax Rate

Year of Assessment 2021	17%

Partial Tax Exemption	**$**
First $10,000 of chargeable income is 75% exempt	7,500
Next $190,000 of chargeable income is 50% exempt	95,000
Total	102,500

Start-up tax exemption	
First $100,000 of chargeable income is 75% exempt	75,000
Next $100,000 of chargeable income is 50% exempt	50,000
Total	125,000

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.

Personal Income Tax Rates for the Year of Assessment 2021 (Resident)

Chargeable Income	Rate (%)	Gross Tax Payable ($)
First $20,000 Next $10,000	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 2021 (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 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 2021

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

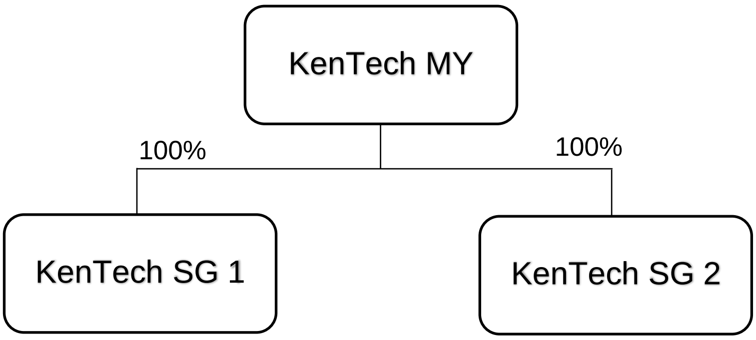
Spouse relief	$2,000
Handicapped spouse relief	$5,500
Qualifying child relief (per child) (QCR)	$4,000
Handicapped child relief (per child) (HCR)	$7,500
Handicapped sibling relief (per sibling)	$5,500
Parent relief - Staying with dependant - Not staying with dependant	 $9,000 $5,500
Handicapped parent 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 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	$6,990 (max)
Supplementary Retirement Scheme • Singapore citizens and PRs • Foreign citizens	 $15,300 (max) $35,700 (max)

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

Question 1 – (a) to (e)

KenTech Group is a corporate group with its holding company in Malaysia (KenTech MY). It currently holds 2 subsidiaries, KenTech SG 1 and KenTech SG 2, both of which are companies incorporated in Singapore. Control and management of the businesses of both KenTech SG 1 and KenTech SG 2 is exercised in Singapore.



More information on the Singapore companies can be found below:

KenTech SG 1: KenTech SG 1 was incorporated on 21 February 2017, with a financial year-end of 31 December. Its principal business is the manufacturing and distribution of chips in Asia Pacific region.

Due to the substantial activities and headcount located in Singapore, it has been granted with the Development and Expansion Incentive ("DEI") with an incentivised rate of 5% on qualifying income. Its base income is S$0 as agreed with the Economic Development Board. KenTech SG 1 only derives income from qualifying DEI activities.

KenTech SG 2: KenTech SG 2 was incorporated on 1 February 2020. As December is the sales peak season, the Group decided to go with a financial year-end of 30 June instead of 31 December.

Its principal business is the import and processing of raw materials used for manufacturing of products.

Its financial results for the first 3 financial periods/ years are presented as follows:

	1 Feb 2020 – 30 Jun 2020 (S$)	1 Jul 2020 – 30 Jun 2021 (S$)	1 Jul 2021 – 30 Jun 2022 (S$)
Revenue	-	-	15,000
Less: Expenses			
- Public transport	(10,000)	(8,000)	(15,000)
- Depreciation	(20,000)	(22,000)	(22,000)
- Salaries and CPF	(35,000)	(50,000)	(168,000)
- Subscriptions	(5,000)	(5,000)	(5,000)
Net profit before tax	**(70,000)**	**(85,000)**	**(195,000)**

e-Exam Question Number	**Question 1 required:**
2	**(a)** State the deemed date of commencement for KenTech SG 2 and explain how it was arrived. **(2 marks)**
3	**(b)** Calculate the amount of unabsorbed trade losses to be carried forward for KenTech SG 2 in the Year of Assessment 2023 only. Show all workings. You are not required to do up the computation for Year of Assessment 2021 and 2022. **(6 marks)**
4	**(c)** The group Tax Director of KenTech MY heard that it might be possible for loss-making companies to surrender unutilised tax loss items to profitable companies, in Singapore. Advise the Tax Director on the scheme above, and whether the above is possible for KenTech SG 1 and KenTech SG 2. If otherwise, discuss the potential hurdles preventing the above. **(4 marks)**

e-Exam Question Number	Question 1 required:
5	**(d)** On 1 July 2022, it is intended for KenTech MY to transfer the shares in KenTech SG 2 to KenTech SG 1 in exchange for additional ordinary shares to be issued by KenTech SG 1 to KenTech MY. After the internal restructuring, KenTech SG 2 will be a wholly-owned subsidiary of KenTech SG 1. Discuss the Singapore income tax, stamp duty and GST implications on the transfer of the shares, and whether there will be any forfeiture of the losses. Where adverse tax implications may arise, explore any alternatives to minimise the tax impact. **(9 marks)**
6	**(e)** After the internal restructuring, KenTech SG 2 will be a wholly-owned subsidiary of KenTech SG 1. The Group would now like to know if this changes the conclusion under **part (c)** above and if there are any other changes that would need to be made, to make the transfer of losses possible. Also, assuming the transfer of losses is now possible, discuss if there are any adjustments required as regards the transfer of loss items between KenTech SG 1 and KenTech SG 2. **(5 marks)** **(Total: 26 marks)**

Question 2 – (a), (b) and (c)

SingCo is a company incorporated in Singapore that is wholly-owned by Mr Tang. SingCo is in the business of selling customised furniture. It is resident in Singapore for income tax purposes.

To better serve the region and to facilitate future expansion, SingCo set up a branch office in Taiwan to carry out trading and support activities.

Due to the COVID-19 situation, SingCo experienced a loss for the first time in 2021 since its incorporation. The Profit and Loss Account of SingCo for the financial year ended 31 December 2021 is shown below:

	SingCo Head Office (S$)	**Taiwan Branch Office (S$)**	**Total (S$)**
Revenue	1,000,000	120,000	1,120,000
Less: Cost of sales	(750,000)	(90,000)	(840,000)
Gross profit	250,000	30,000	280,000
Add: Other income			
- Interest income from overseas bank account ***(Note 1)***	20,000	-	20,000
Less: Operating expenses			
- Audit fees	(20,000)	(4,000)	(24,000)
- Donations ***(Note 2)***	(10,000)	-	(10,000)
- Travel expenses ***(Note 3)***	(92,000)	-	(92,000)
- Foreign exchange ***(Note 4)***	(40,000)	-	(40,000)
- Salaries and CPF	(250,000)	(10,000)	(260,000)
- Medical expenses ***(Note 5)***	(10,000)	-	(10,000)
- Professional fees ***(Note 6)***	(55,000)	-	(55,000)
- Depreciation	(90,000)	(2,000)	(92,000)
Net profit/ (loss) before tax	**(297,000)**	**14,000 *(Note 7)***	**(283,000)**

Note:

1) Will be remitted into Singapore during the year ended 31 December 2022.
2) Comprised S$4,000 made to an approved IPC and S$6,000 made to an overseas charitable organisation.
3) Included transport allowances of S$22,000.
4) Included unrealised exchange gains re: trade of S$(10,000) and realised exchange loss re: capital of S$7,500.
5) SingCo has not provided any portable medical benefits to its employees and has also not implemented any transferable medical insurance schemes.
6) Comprised tax fees of S$8,000, corporate secretarial fees for declaration of dividend of S$2,000 and legal service fees re: trade matters of S$45,000.
7) Cash of S$82,000 which was in relation to the above current year branch profits of S$14,000, together with prior year branch profits of S$68,000, were deposited in SingCo's Singapore bank account during the year ended 31 December 2021. Both the current year and prior year branch profits were subject to tax at 20% in Taiwan.
8) Assume all other revenue and expenditure are revenue in nature, unless stated otherwise.

The list of fixed assets in SingCo's balance sheet as at 31 December 2021 are as follows:

Asset	**Year purchased**	**Cost**
Patent ***(Note 9)***	2017	500,000
Computers	2018	10,000
Office furniture ***(Note 10)***	2020	15,000
Computers	2021	20,000
Office furniture	2021	30,000
Truck: YZ2190X ***(Note 11)***	2021	220,000

Note:

9) The patent was purchased from an unrelated company for use in SingCo's business. It was determined in YA 2018 that writing-down allowances would be available on the same over a 5-year period.
10) SingCo had claimed capital allowances over a 2-year write-off on the above.

11) YZ2190X was purchased to replace the previous Truck YZ1122X which was disposed of on 31 May 2021 for S$40,000. The Truck YZ1122X was purchased in year 2016 at a cost of S$200,000.
12) Before the year 2021, SingCo had always been in a tax paying position and had therefore always maximised the claim of capital allowances. There are no unabsorbed capital allowances brought forward from prior Year of Assessments to Year of Assessment 2022.

Due to the COVID-19 situation, SingCo sought financing from external sources and had been in talks with various investors. After lengthy negotiations, SingCo has finally secured the financing from several third-party investors.

The debt financing provided by these third-party investors will be converted into shares in SingCo on 1 January 2023. It is expected that SingCo will then be owned by Mr Tang (40%) and third-party investors (60%) as at 1 January 2023.

e-Exam Question Number	**Question 2 required:**
7	**(a)** Discuss the tax treatment of the branch profits of the Taiwan branch, which have been remitted into Singapore. **(3 marks)**
8	**(b)** Compute the adjusted profit of SingCo for the Year of Assessment 2022, and present the amount of unabsorbed trade losses, capital allowances and donations (where applicable). Show all workings. In arriving at the above, do maximise the possible reliefs and take into account the most beneficial tax treatment for the claim of capital allowances. **(16 marks)**
9	**(c)** Discuss the tax impact of the conversion of shares on 1 January 2023 specific to each type of unabsorbed tax loss item arrived at under **part (b)** and indicate the relevant dates for each item. Also, recommend how any negative tax impact can be mitigated (if any) and if there are any conditions. **(7 marks)** **(Total: 26 marks)**

Question 3 – (a) to (e)

SG Co is a GST-registered company incorporated in Singapore that is in the business of assembling specialised machinery. It is expanding its manufacturing division in Singapore and will have to obtain the required expertise from its parent company based in Italy ("Italy Co"). In order to finance its expansion plans, SG Co has obtained a loan from its related company in the United States ("US Co"). For now, the borrowed funds are intended to be used by SG Co to increase the share capital in one of its Singapore subsidiaries ("SG Sub").

Based on the loan agreement between US Co and SG Co:

- Loan amount will be up to S$5,000,000;
- Interest will be billed to SG Co on a yearly basis at a rate of 3%*;
- No specific payment/ settlement terms are mentioned in the agreement;
- US Co invoiced the first interest payment of S$85,000 to SG Co on 1 July 2021.

**This differed from the transfer pricing documentation prepared by the Group which concluded an arm's length interest rate range of 4% - 5% for the intercompany loans (including that between SG Co and US Co). A lower interest rate was charged to SG Co in view of its need for cash flow.*

SG Co's accountant heard from a friend that withholding tax may be applicable on the interest payment made to US Co but only when the interest is eventually paid to US Co. As the interest was paid to US Co only on 14 October 2021, SG Co filed its withholding tax return and paid withholding tax of S$12,750 to the IRAS on 1 December 2021.

During the year 2021, SG Co had also entered into the following transactions:

<u>Transaction (a)</u>

SG Co paid a royalty of S$45,000 to Italy Co for the use of a patent owned by Italy Co. Under the relevant royalty agreement, Italy Co is entitled to receive the full royalty payment at gross (i.e. without deduction of taxes), and taxes (if any) will be borne by SG Co.

Transaction (b)

SG Co declared dividends of S$1,000,000 to Italy Co on 20 December 2021.

Transaction (c)

SG Co paid a service fee of S$200,000 to Italy Co for management services comprising accounting, HR, IT, legal and management services. The services were provided for the entire year of 2021. Due to COVID-19 travel restrictions, the employees of Italy Co did not manage to fly into Singapore to perform the said services, which were all undertaken in Italy Co's premises overseas.

The relevant excerpts of the Singapore – Italy 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 in 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 mine, quarry or other place of extraction of natural resources;
   (g) a building site or construction or assembly or installation project which exists for more than twelve months.

3. *The term "permanent establishment" shall not be deemed to include:*

   (a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;

(b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;

(c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;

(d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or for collecting information, for the enterprise;

(e) the maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for the enterprise.

4. An enterprise of a Contracting State shall be deemed to have a permanent establishment in the other Contracting State if it carries on supervisory activities in that other Contracting State for more than twelve months in connection with a building site, construction, installation or assembly project which is being undertaken in that other Contracting State.

…

Article 7 – Business Profits

1. The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

…

Article 10 – Dividends

1. Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State.

2. However, such dividends may be taxed in the Contracting State of which the company paying the dividends is a resident, and according to the law of that State, but if the recipient is the beneficial owner of the dividends, the tax so charged shall not exceed 10 per cent of the gross amount of the dividends.

…

Article 12 – Royalties

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, such royalties may be taxed in the Contracting State in which they arise, and according to the law of that Contracting State, but if the recipient is the beneficial owner of the royalties, the tax so charged shall not exceed:

(a) fifteen per cent of the gross amount of the royalties in respect of payments of any kind received as a consideration for the use of, or the right to use, any copyright of scientific work, 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 or scientific experience;

(b) twenty per cent of the gross amount of the royalties in respect of payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary or artistic work including cinematograph films or tapes for television or broadcasting."

e-Exam Question Number	**Question 3 required:**
10	**(a)** Explain the tax treatment of the interest payment made to US Co, and evaluate whether SG Co had met the necessary withholding tax obligations of the interest payment made to US Co. If otherwise, comment on the possible penalties which may apply. **(6 marks)**
11	**(b)** Advise SG Co on the Singapore transfer pricing requirements (if any), which may be applicable to the intercompany loan obtained from US Co. **(3 marks)**
12	**(c)** Explain whether the interest payments made to US Co would be deductible to SG Co and explore alternatives to avoid the non-deductibility (where applicable). **(5 marks)**

e-Exam Question Number	Question 3 required:
13	**(d)** Advise SG Co on the Singapore tax treatment (quoting the relevant sections of the Singapore Income Tax Act, where applicable) and withholding tax requirements for transactions (a) to (c), and state the amount of withholding tax that needs to be accounted to IRAS. Please take into account any exemptions under domestic law and the Singapore – Italy treaty. **(7 marks)**
14	**(e)** Evaluate if there are any Singapore GST implications on transaction (c). Make reasonable assumptions (if required). **(3 marks)** **(Total: 24 marks)**

Question 4 – (a), (b) and (c)

SingCo is a company incorporated in Singapore on 10 November 2020.

Given that it is newly incorporated, SingCo's holding company in China sent an employee ("the China employee") to provide support for the operations in Singapore. The China employee arrived in Singapore on 12 November 2020 and left Singapore on 15 January 2021. The China employee was paid a monthly salary of S$10,000. There was no requirement to contribute to the Singapore Central Provident Fund.

On 1 January 2021, SingCo managed to hire a Singapore Citizen as its general manager ("the Singapore employee"). The Singapore employee is married, 38 years old and an active NSman who had served as a key appointment holder during his NS days. His wife is a full-time housewife but had received S$6,000 of one-tier dividend income in 2021. He has two children – the older son is currently studying full-time in an overseas university, while the younger daughter is still in secondary school.

For his employment period in 2021 commencing from 1 January 2021, the Singapore employee received the following benefits from SingCo:

- His monthly salary is S$7,500. He has a 2-month guaranteed bonus, but such bonus is only payable on 1 February of the next year.

- He was provided with a car by SingCo. The cost of the car is S$160,000 and has a scrap value of S$20,000. In 2021, the running cost of the car of S$11,000 was paid entirely by SingCo.

- He received a reimbursement of S$7,500 from SingCo. S$4,500 pertained to business expenses which he had earlier paid on behalf of SingCo, S$2,500 was in relation to his private expenses and S$500 was on medical care for himself. SingCo's employment policy states that all employees are entitled to medical expense reimbursement up to a maximum cap of S$600.

- SingCo paid for the Singapore employee's subscription fee for his personal gym membership amounting to S$2,400 for the year 2021. The gym membership was used only for his private purposes.

- SingCo agrees to bear the income tax on only the Singapore employee's salary and bonus.

Apart from the above, he also received the following gains:

- The Singapore employee received bank interest of S$1,000 from his DBS savings account.

- He owns a condominium unit in central Singapore, and the rental income and expenses of the condominium for 2021 are as follows:

	S$
Rental income	144,000
Less: Expenses:	
- Bank interest	(36,000)
- Maintenance	(8,000)
- Property tax	(6,500)
- Insurance	(2,000)
- Cleaning	(1,200)
	90,300

- The Singapore employee received S$1,500 in dividends from a Singapore listed company that is tax resident in Singapore. He also received S$2,000 from shares in an overseas company (non-tax resident of Singapore), but incurred a foreign exchange loss of S$120 when remitting the foreign dividends back to Singapore.

He also made a cash donation of S$5,000 to NKF (an IPC) and S$8,000 to Harvest Church (a charity but not an IPC) during the year 2021.

e-Exam Question Number	**Question 4 required:**
15	**(a)** Discuss the tax residency and compute the Singapore personal tax liability of the China employee for the relevant Year(s) of Assessment. **(4 marks)**
16	**(b)** Prepare the Singapore personal tax computation (presenting both the notional and actual computations) of the Singapore employee for the relevant Year of Assessment. Where certain gains are not taxable or certain personal reliefs are not applicable, please state so. **(15 marks)**

e-Exam Question Number	Question 4 required:
17	**(c)** The Group intends to implement a stock-based compensation plan to encourage its employees to be aligned to the overall Group strategy by implementing one of the following: i) Singapore employees who meet the qualifying conditions and the minimum service period will be granted stock options. Once the options are exercised, the employees pay the exercise price and in turn, receive shares in SingCo's parent company which is a listed company in China. The Group is deciding whether to include a sales moratorium after the exercise of the stock options. ii) Singapore employees will be enrolled into a phantom share plan once they meet the qualifying conditions and the minimum service period. In addition, holders of the phantom share plan will receive a cash payment equal to the value of the shares of SingCo's parent company as at the dates of certain events designated in the phantom share plan. No foreigners will be included in the aforementioned Singapore employees. Discuss the difference in tax impact from a Singapore tax perspective on the above. **(5 marks)** **(Total: 24 marks)**

END OF PAPER