



**S A A** GLOBAL  
EDUCATION

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Mock Examination : **CAT Paper T9**  
**Preparing Taxation Computations**

Session : June 2011

Set by : Ms Lee Yuet Lai

Your Lecturer

☐ Ms Lee Yuet Lai

☐ Mr David Wong

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I wish to have my script marked by my lecturer and

☐ collect the marked script at the SAA-GE Reception Counter

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(Please submit your script latest by **6<sup>th</sup> May 2011** for marking)

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OF ICPAS



**Certified Accounting Technician Examination  
Advanced Level  
Paper T9 (SGP)**

**Preparing Taxation  
Computations (Singapore)**

**SAA Global Education  
Mock Examination – May 2011**

**Time allowed**

Reading and planning     15 minutes

Writing                      3 hours

**This paper comprises TWO Sections.**

**Section A (Total 20 marks)**

10 Multiple choice questions (MCQ) – 2 marks each

**ALL questions are COMPULSORY.**

**Section B (Total 80 marks)**

**ALL FOUR questions are COMPULSORY and MUST be answered**

Tax rates and allowances are attached.

In the actual examination, during reading and planning time, only question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

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## ***TAX RATES, RELIEFS AND REBATES***

The following Tax Table is to be used in answering the questions

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

	<b>Normal</b>	<b>Handicapped</b>
Earned Income		
Below 55 years	\$1,000	\$2,000
55 – 59 years old	\$3,000	\$5,000
60 years and above	\$4,000	\$6,000
Spouse relief		\$2,000
Handicapped Spouse relief		\$3,500
	<b>Normal</b>	<b>Handicapped</b>
Parent relief		
- Parents stay with taxpayer	\$7,000	\$11,000
- Parents do not stay with taxpayer	\$4,500	\$8,000
Grandparent Caregiver Relief (GCR)		\$3,000
<i>Dependant handicapped sibling relief</i>		\$3,500
<i>Foreign maid levy</i>		
<i>The relief is two times the amount of foreign maid levy paid in 2010 up to a maximum of \$6,360.</i>		
Nsman relief	<b>Key command and staff appointment holder</b>	<b>Non-key command and staff appointment holder</b>
- Performed National Service (Active)	\$5,000	\$3,000
Completed full time National Service but did not perform any in-camp training (Non-active)	\$3,500	\$1,500
For wife of operationally ready Nsman		\$750

<i>For each parent of operationally ready Nsman</i>	\$750
<i>CPF Relief</i>	
Compulsory contributions to CPF/approved pension or provident fund by Singaporeans and Singapore permanent resident employees, subject to not more than the statutory contributions under the CPF Act.	
<i>CPF top-up scheme</i>	\$7,000
<i>Voluntary CPF contributions made by self-employed persons</i>	
35% of s10(1)(a) assessable trade income up to a maximum of \$26,775 for contributions made in 2010.	
<i>Life insurance</i>	
Premiums paid on own life and wife's life insurance policies restricted to:	
to: (1) 7% of the capital sum insured	
(2) no claim if CPF contributions claimed exceeds \$5,000	
<i>Supplementary retirement scheme (SRS)</i>	
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.	
<i>Child Relief</i>	
<i>Qualifying Child Relief (QCR)</i>	
All qualifying children	\$4,000 each child
<i>Handicapped Child Relief (HCR)</i>	\$5,500 each child
<i>Working Mother Child Relief (WMCR)</i>	
1 <sup>st</sup> child	15% of Mother's Earned Income
2 <sup>nd</sup> child	20% of Mother's Earned Income
3 <sup>rd</sup> child and subsequent child	25% of Mother's Earned Income
Maximum child relief (QCR / HCR plus WMCR)	\$50,000 each child

*Cumulative WMCR% capped at 100% of mother's earned income*

*Course fees relief*

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

**Parenthood Tax Rebate**

<i>1<sup>st</sup> child</i>	<i>\$5,000</i>
<i>2<sup>nd</sup> child</i>	<i>\$10,000</i>
<i>3<sup>rd</sup> child and subsequent child</i>	<i>\$20,000 each</i>

The child must be Singapore citizen babies born or legally adopted on or after 1 January 2009.

***PERSONAL TAX RATES – PART A***

	<b><i>Chargeable Income</i></b> <b><i>S\$</i></b>	<b><i>Tax rate</i></b> <b><i>%</i></b>	<b><i>Tax</i></b> <b><i>S\$</i></b>
<b><i>On the first</i></b>	20,000		0.00
On the next	10,000	3.5	<u>350.00</u>
<b><i>On the first</i></b>	30,000		350.00
On the next	10,000	5.5	<u>550.00</u>
<b><i>On the first</i></b>	40,000		900.00
On the next	40,000	8.5	<u>3,400.00</u>
<b><i>On the first</i></b>	80,000		4,300.00
On the next	80,000	14	<u>11,200.00</u>
<b><i>On the first</i></b>	160,000		15,500.00
On the next	160,000	17	<u>27,200.00</u>
<b><i>On the first</i></b>	320,000		42,700.00
On the income above	320,000	20	

## ***TAX RATES, RELIEFS AND REBATES***

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### **Corporate income tax rate**

<b>Year of Assessment 2011</b>	17%
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### **Partial tax exemption**

1 <sup>st</sup> \$10,000 of chargeable income 75% exempt	\$7,500
Next \$290,000 of chargeable income 50% exempt	<u>\$145,000</u>
	<u>\$152,500</u>

### **Full tax exemption for new start-up company**

1 <sup>st</sup> \$100,000 of chargeable income 100% exempt	\$100,000
Next \$200,000 of chargeable income 50% exempt	<u>\$100,000</u>
	<u>\$200,000</u>

### **Goods and services tax**

Standard rate	7%
Registration threshold	\$1 million

## Section A

**All TEN questions are compulsory and MUST be attempted.**  
**Each question is worth 2 marks.**

1. Mr Chan received a Notice of Assessment for Year of Assessment 2011 from the Comptroller of Income Tax (CIT). The notice was issued on 30 April 2011 indicating tax payable of \$5,000. He is not agreeable to the assessment.

What is his course of action?

- I Lodge an objection with the CIT in writing within 30 days from 30 April 2011
- II State the grounds of objection
- III Settle the tax payable within 1 month from 30 April 2011
- IV Settle the tax payable upon final agreement of the assessment with the CIT

- A. I
- B. I and II
- C. I, II and III
- D. I, II and IV

2. Peter Morie, an American worked in Singapore from March to December 2010. He was paid the following remuneration.

Salary - \$10,000 per month  
Bonus - \$30,000

His company paid for his airfare of \$2,700 for a returned trip to US for home leave.

What is Peter's employment income assessable to tax in YA 2011?

- A. \$130,000
- B. \$120,540
- C. \$130,540
- D. \$131,800



3. Amelia is a widow and has two children (twin) both are 12 years old. Her income during the year 2010 is as follows:

Salary and bonus - \$190,000

Free lance consultancy fee - \$100,000

Rental income - \$20,000

Compute the total child relief available to her for the Year of Assessment 2011.

- A. \$109,500
  - B. \$97,500
  - C. \$108,500
  - D. \$116,500
4. Sophia is the sole proprietor of a beauty salon. Her business income earned during the year 2010 was \$60,000. She made voluntary CPF contribution of \$26,000 and compulsory medisave contribution of \$4,000 during the year 2010.

What is the amount of CPF relief claimable for YA 2011?

- A. \$30,000
  - B. \$21,000
  - C. \$26,775
  - D. \$4,000
5. Jonathan is an Australian and will be terminating his employment with Cambell Pte Ltd on 31 December 2011. He will be leaving Singapore on 15 January 2012 back to Australia. His annual employment income for the year 2011 will be \$150,000. By which date must Cambell Pte Ltd notify the Comptroller of Income Tax of the cessation of employment of Jonathan?
- A. 15 December 2011
  - B. 31 January 2012
  - C. 30 November 2011
  - D. 15 January 2012

6. Marbella Pte Ltd incurred the following renovation cost in the financial year ended 31 December 2010. Compute the tax deduction claimable in YA 2011.

- Replacement of doors and windows - \$2,000
- Repair of air-conditioners - \$1,000
- Installation of new lighting - \$3,000
- Installation of new carpet - \$5,000
- Replacement of floor tiles (with improvement) - \$10,000

- A. \$21,000
- B. \$13,000
- C. \$3,000
- D. \$16,000

7. Compact Pte Ltd has unabsorbed trade loss brought forward from financial year ended 31 March 2009 (Year of Assessment (YA) 2010) to be utilised against its adjusted profit in YA 2011.

State the relevant comparison dates for purposes of the shareholder test in considering whether the company could utilise the brought forward trade loss.

- A. 31 March 2009 and 1 Jan 2010
- B. 31 March 2009 and 1 Jan 2011
- C. 31 December 2009 and 1 Jan 2010
- D. 31 December 2009 and 1 Jan 2011

8. Which of the following statement(s) is/are true for carry back relief to be available in respect of trade losses for YA 2011?

- I Must satisfy the substantial shareholders test on the relevant dates
- II Must satisfy the same trade test
- III Subject to maximum claim of \$100,000
- IV Can be carried back up to a maximum of 3 immediate preceding years of assessment.

- A. I and III
- B. I, II and III
- C. I, III and IV
- D. I, II and IV

9. Island Pte Ltd's financial year end is 31 March. State the respective deadlines for the submission of estimated chargeable income and the filing of tax return to the Comptroller of Income Tax for the Year of Assessment 2011.

- A. 30 June 2011 and 31 December 2011
- B. 30 June 2011 and 30 November 2011
- C. 30 June 2010 and 30 November 2011
- D. 30 June 2010 and 30 October 2011

10. State the time of supply for GST purpose in respect of the following transaction:

Customer placed order	-30 June 2011
Goods delivered to customer	- 3 July 2011
Tax invoice issued to customer	-10 July 2011
Payment received from customer	-28 July 2011

- A. 30 June 2011
- B. 3 July 2011
- C. 10 July 2011
- D. 28 July 2011

**(20 marks)**

**Section B (80 Marks)**

**All FOUR questions are compulsory and must be attempted.**

1. Jeremy Goh worked as a marketing manager in a MNC earning salary of \$5,000 per month. He was retrenched on 1 March 2010 and was paid retrenchment benefit of \$60,000 to compensate him for loss of employment.

After his retrenchment, he set up a cafeteria (sole proprietorship) in a shopping mall. He incurred capital allowance of \$3,000 and loss of \$10,000 from the cafeteria business.

His wife, Janice Goh works in an advertising company. Janice owns a condominium apartment in her own name and rented out the apartment in 2010.

Other details relating to their income and expenditure in 2010 are as follow:

	<u>Jeremy(S\$)</u>	<u>Janice(S\$)</u>
Annual salary and bonus	-	120,000
Monthly salary	5,000	-
Interest from approved bank	500	-
One-tier dividend	-	5,000
Cash donation to NKF*	500	-
Rental loss	-	(2,000)
CPF contribution (statutory)	2,000	15,300
Life insurance premium	-	5,000

\*NKF is an institute of public character

Other information:

1. Jeremy was born in 1965 and Janice in 1969. They have 2 children – Jolin and Jena. Jolin was born in 1998 while Jena was born blind in year 2000. All of them are Singapore citizens.
2. Jeremy is an inactive reservist and he is not a key command and staff appointment holder.
3. Jeremy's mother is 68 years old, living with the family and she helps to take care of her grandchildren. She derived interest and one tier dividend income of \$3,000 in the year 2010.
4. The family employed two foreign maids. Salary and maid levy for each maid was \$350 and \$170 per month respectively. These payments were made by Jeremy.

**Required:**

**Compute the minimum tax liability of Jeremy and Janice for Year of Assessment (YA) 2011. All available reliefs and deductions should be claimed in a manner that would minimise their tax liabilities for YA 2011. Show all workings in detail. (25marks)**

2. Toyago Pte Ltd, a manufacturer of plastic molds has been incorporated since December 2008. It makes up its accounts to 30 September annually. Results for the financial year ended 30 September 2010 are as follows :

	Note	S\$
Gross profit	1	4,273,900
Dividend income (one tier)		75,000
Insurance claim		114,000
Interest income (received on 30.7.10 on a 6mth fixed deposit)		<u>51,000</u>
		4,513,900
Less :		
Staff remuneration	2	2,600,000
Staff benefits	3	130,000
Travelling and transport	4	219,000
Utilities		5,000
Interest for working capital		3,000
Foreign exchange loss	5	70,000
Repairs and maintenance	6	80,000
Advertising and promotion	7	215,000
Bad and doubtful debts	8	30,000
Depreciation of fixed assets		1,377,900
Legal and professional fees	9	230,000
Miscellaneous	10	<u>57,000</u>
Net Loss		<u>(503,000)</u>

Note :

1. *Gross profit*

Gross profit is arrived at after making the following stock obsolescence provisions:

- General provision	S\$50,000
- Specific provision written back	(20,000)

Gross profit also includes salaries for factory supervisors 100,000

2. *Staff remuneration*

Staff salaries and wages	S\$1,000,000
Commission	500,000
Cash allowance in lieu of medical expenses	20,000
Bonus	400,000
CPF (statutory)	400,000
Directors' fee	<u>280,000</u>
	<u>2,600,000</u>

3.	<i>Staff benefits</i>	
	Staff medical expenses [implemented TMS / PMS]	S\$40,000
	Accommodation for staff	45,000
	Staff outings	13,000
	Annual dinner and dance	23,000
	Interest cost on interest-free loans to staff	7,000
	Beverages for pantry	<u>2,000</u>
		<u>130,000</u>
4.	<i>Travelling and transport</i>	
	Local transport (reimbursement of MRT and taxi fare)	S\$30,000
	Overseas business travel	120,000
	Motor van expenses :	
	GH 1122 H	15,000
	Rental of cars for rep office in Vietnam	20,000
	Reimbursements to staff for their private car expenses incurred for business purpose	4,000
	Rental of cars in Singapore	30,000
		-----
		<u>219,000</u>
5.	<i>Foreign exchange difference</i>	
	Realised exchange gains on sales of machinery	(S\$10,000)
	Realised exchange loss on settlement of trade debts	6,000
	Exchange loss on year end revaluation of fixed assets denominated in foreign currencies	<u>74,000</u>
		<u>70,000</u>
6.	<i>Repairs and maintenance</i>	
	Repainting of office	S\$20,000
	Replacement of windows	16,000
	Installation of machinery	21,000
	General cleaning	5,000
	Repairs and maintenance of machinery	<u>18,000</u>
		<u>80,000</u>
7.	<i>Advertising and promotion</i>	
	Advertisement and free samples for customers	S\$215,000

8.	<i>Bad and doubtful debts</i>		
	Trade debts written off	S\$20,000	
	Loans to employees written off	5,000	
	General provision for trade debts	12,000	
	Specific provision for trade debts	6,000	
	Bad debts (non-trade) recovered	<u>(13,000)</u>	
		<u>30,000</u>	
9.	<i>Legal and Professional fees</i>		
	Legal fee for registration of patent	90,000	
	Legal fee for renewal of trademark	100,000	
	Audit and secretarial fee	35,000	
	Legal fee for renewal of tenancy agreement	<u>5,000</u>	
		<u>230,000</u>	
10.	<i>Miscellaneous</i>		
	Penalty for late CPF payment	2,000	
	Gifts to customers	3,000	
	<u>Cash donations:</u>		
	13.10.09 NKF #	5,000	
	14.2.10 Salvation Army #	10,000	
	<u>Non-cash donation:</u>		
	14.8.10 NKF# (donation of beds)	2,000	
			17,000
	Traffic fines		1,000
	Subscription to corporate club membership		4,000
	Entrance fee for corporate club membership		<u>30,000</u>
			<u>57,000</u>

# denotes approved institutions of public character.

11. Capital allowance brought forward from YA 2010 agreed with the Comptroller of Income Tax is \$200,000. The trade and shareholders of the company have remained the same since the company's incorporation

Capital allowance for YA 2011 in respect of plant and machinery as stated in the balance sheet has been computed at \$540,334.

12. The company met the qualifying conditions for the full tax exemption scheme for newly incorporated companies for YA 2011.

**Required :**

**Compute the chargeable income and tax liability of Toyago Pte Ltd for YA 2011.**

**Note: You should start your computation with the net profit/loss before tax, and include a list of all items referred to in Notes 1 to 11, indicating with a "0" those items for which no adjustment is necessary. (27 marks)**

3.Fairplay Pte Ltd is in the business of manufacturing of educational toys. It adopts a 31 March financial year end.

The company incurred the following capital expenditure in the financial year ended 31 March 2010:

<u>Factory building</u>	
Construction cost	\$500,000
(The construction of the factory was completed on 31 January 2010)	
<u>Motor vehicle</u>	
SDF 2022G	130,000
Van	120,000
<u>Furniture and Equipment</u>	
Computer with accessories	10,000
Office furniture :	
-less than \$1,000 each	2,000
-more than \$1,000 each	6,000
Fixed partition	2,000
<u>During the year, the company disposed of some old equipment purchased in 2008, details of which are as follows:</u>	
Cost	\$9,000
Written down value brought forward at 1 April 2009	\$3,000
Sale proceed	\$1,000

The written down values of the company's assets as at 31 March 2009 (excluding the assets disposed of) as agreed with the Comptroller of Income Tax were as follow. Capital allowance under S.19A has been claimed previously.

<u>Remaining years</u>	<u>TWDV</u>
2 years	\$8,000
1 year	\$3,000

**Required:**

**Calculate the maximum capital allowances for Year of Assessment 2011 and the written down values of the assets as at 31 March 2010. (14 marks)**



- 4 (a)** Tanny Pte Ltd is a goods and services tax (GST) registered trader. For the quarter ended 31 December 2010, the company reflected the following in its Profits and Loss account:

Sales to local customers	\$300,000
Sales to overseas customers	100,000
Purchase of stocks	200,000
Staff salaries	80,000
Rental of office	15,000
Purchase of office equipment	9,000
Purchase of office supplies	1,000
Motor car expenses for sales manager	500

All of the above, except the purchase of office supplies, were purchased from GST registered suppliers.

All of the above amounts are excluding GST.

**Required:**

**Calculate the amount of GST payable/receivable by the company for the quarter ended 31 December 2010. (8 marks)**

- 4(b)** April Pte Ltd incurred trade loss of \$300,000, capital allowance of \$10,000 and approved donation of \$2,000 for the Year of Assessment (YA) 2011.

It derived the following assessable income in the YA 2009 and 2010:

Assessable income for YA 2009 - \$70,000  
Assessable income for YA 2010 - \$150,000

The company would like to elect for carry back relief to carry back the qualifying deduction incurred in YA 2011.

**Required:**

**Compute the company's assessable income in all the relevant year of assessment indicating any amount available for carry forward. (6 marks)**