

Singapore CA Qualification Examination

11 June 2021

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-FIVE (25)** pages (including this instruction sheet and Appendices A and B) and **ONE (1)** EXCEL spreadsheet (Appendix B). 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.

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****VERY IMPORTANT NOTICE****

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1. Your question paper is attached under the "**Resources**" tab found at the bottom right of **EACH** question.
2. Please download the relevant required Appendix 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 2021

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 st \$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 2021

Corporate Income Tax Rate

Year of Assessment 2021 17%

<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>

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 2021

Personal Income Tax Rates for the Year of Assessment 2021 (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 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.

Appendix A - Tax Rates and Allowances - Year of Assessment 2021

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

Appendix A - Tax Rates and Allowances - Year of Assessment 2021

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 (d)

Mr Dundee is a resident of Australia. He has been seconded by his Australian employer, AusCo, an Australian company listed on the Australian Stock Exchange, to its Singapore subsidiary company, SingCo, for 3 years. He arrived in Singapore on 15 September 2020, and commenced work on 1 November 2020.

In the calendar year 2020, he received the following income from SingCo:

Mr Dundee's remuneration package	2020
Salary and bonus	\$100,000
Employee share awards of shares in the Australian listed company under a group plan	Granted on 1 December 2020, and vesting period of 3 years from the date of grant. No amount is required to be paid by employee.
Rental of accommodation (from 1 November 2020)	\$6,000 per month; Rent paid by SingCo per month = \$5,000; Rent paid by employee per month = \$1,000; Annual value of property = \$20,000
Relocation allowance	\$15,000
Transport allowance	\$5,000 per month
Personal accident insurance policy premium paid by SingCo (employee is beneficiary and has contractual right to the policy)	\$6,000
Other income received:	
Foreign dividends received in Singapore	\$5,000
Foreign interest received in Singapore	\$4,000

On 1 January 2021, Mr Dundee joined Recreation Club as its treasurer. The club is not a proprietary club. He was presented with the Income and Expenditure Account of the Recreation Club for the financial year ended 31 December 2020 as shown below.

Recreation Club – Income and Expenditure Account	\$	\$
<i>Income:</i>		
Members' entrance fees	40,000	
Members' subscriptions	80,000	
Bar and catering revenue (see Note 1)	50,000	
Gross rental income from Singapore property (Note 2)	70,000	
Interest from fixed deposits with Singapore banks	60,000	
		300,000
<i>Less: Expenditure</i>		
Salaries and CPF	40,000	
Professional fee (see Note 4)	8,000	
Utilities	10,000	
Repairs and maintenance (see Note 5)	15,000	
Property tax	20,000	
Structural building works	30,000	
Depreciation	10,000	
Donations (approved)	15,000	
Other miscellaneous expenses (see Note 6)	12,000	
		(160,000)
Excess of income over expenditure		140,000

Note:

1. 50% of bar and catering revenue is from members
2. Gross rental income from non-members.
3. Assume all income and expenditure are revenue in nature, unless otherwise indicated
4. Professional fee of \$4,000 included therein is capital in nature
5. Repairs and maintenance include \$5,000 of capital expenses
6. Other expenses of \$4,000 included therein are capital in nature
7. Assume all capital expenditure do not qualify for capital allowance claim

**e-Exam
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Question 1 required:

- 2** **(a)** Discuss Mr Dundee's tax residency for Year of Assessment 2021. **(2 marks)**
- 3** **(b)** Calculate the personal income tax liability of Mr Dundee for the Year of Assessment 2021. Show all workings. **(8 marks)**
- 4** **(c)** Assume that Mr Dundee returns to Australia at the end of his 3-year secondment and is expected to depart Singapore on 15 November 2023, discuss the income tax implications in relation to the share awards under the group plan when he ceases employment in Singapore on 1 November 2023. **(6 marks)**
- 5** **(d)** Calculate the income tax liability of Recreation Club for Year of Assessment 2021. **(9 marks)**
- (Total: 25 marks)**

Question 2 – (a) to (d)

SG Holdco is a Singapore incorporated company. It owns 45 apartment units in a building and leases them out as serviced apartments to derive rental income. SG Holdco's Profit & Loss Account for the financial year ended 31 December 2020 is shown below.

SG Holdco Profit & Loss Account	\$	\$
<i>Income:</i>		
Rental (Note 1)	200,000	
Singapore dividends	20,000	
Interest from Singapore banks	20,000	
		240,000
<i>Less: Expenses</i>		
Accounting fees	40,000	
Professional fees (Note 2)	8,000	
Utilities	15,000	
Repairs and maintenance (Note 3)	25,000	
Property tax	30,000	
Security	40,000	
Cleaning expenses	35,000	
Advertisement	15,000	
Leasing agent commission	12,000	
Bank charges	2,000	
Administrative and management fees	45,000	
Depreciation	13,000	
General expenses (Note 4)	15,000	
		(295,000)
Net loss before tax		(55,000)

Notes:

1. Rental income is derived from the leasing of the apartment units.
2. Professional fees include expenses of \$3,000 in connection with the setting up of a subsidiary company.
3. Repairs and maintenance include expenses of \$5,000 incurred in respect of property owned by a related company.
4. General expenses include an amount of \$3,000 relating to private entertainment expenses of the Directors.
5. All other expenses are incurred to produce rental income.
6. SG Holdco incurred \$60,000 during the year in acquiring furniture that qualifies for capital allowances. SG Holdco does not own any other fixed assets that qualify for capital allowances and there have been no disposals made during the year.
7. SG Holdco has unabsorbed donations of \$10,000 brought forward from Year of Assessment 2020.
8. Assume that there has been no shareholding change in SG Holdco and there will not be any shareholding change in future.

A Co is an investment holding company and wholly owns B Co and C Co. All three companies are Singapore incorporated companies and tax resident in Singapore. B Co and C Co are operating companies. B Co is engaged in the marketing and sales of machinery and the provision of after-sales maintenance and support services. C Co specialises in repairs and maintenance of the machinery sold by B Co.

To streamline the business, B Co intends to transfer its after-sales maintenance and support services business to C Co in the current year. Thereafter, B Co will only engage in the marketing and sales of machinery, whereas C Co will provide after-sales service and repair and maintenance of the machines.

It is anticipated that the business transfer by B Co to C Co will involve the transfer of fixed assets, trade receivables, inventory, and employees of B Co.

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Question 2 required:

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(a) Describe how SG Holdco is taxed, including the rules that govern the deduction of its expenses and the treatment of its unabsorbed capital allowances and losses, and compute its tax liability for the Year of Assessment 2021.

(17 marks)

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(b) B Co and C Co are both in tax paying position in the year of transfer of the business, and this is expected to be the same in subsequent years. B Co has fixed assets on which capital allowances have been claimed and the tax written down value of these assets in the current year is \$15,000 (1-year remaining life). The fixed assets qualify for capital allowances claim under Section 19A(1). They will be transferred by B Co to C Co as part of the business transfer and the consideration to be paid by C Co is \$18,000. Describe a tax-efficient treatment for the transfer of the fixed assets and describe any additional benefit.

(3 marks)

8

(c) Discuss the tax implications for B Co and C Co in respect of trade receivables and inventory that are transferred.

(2 marks)

9

(d) B Co is registered for GST, but C Co is not registered for GST. Advise B Co and C Co on the GST implications that they should be aware of in relation to the proposed transfer of business, and how a tax efficient outcome can be achieved, including the relevant conditions.

(6 marks)

(Total: 28 marks)

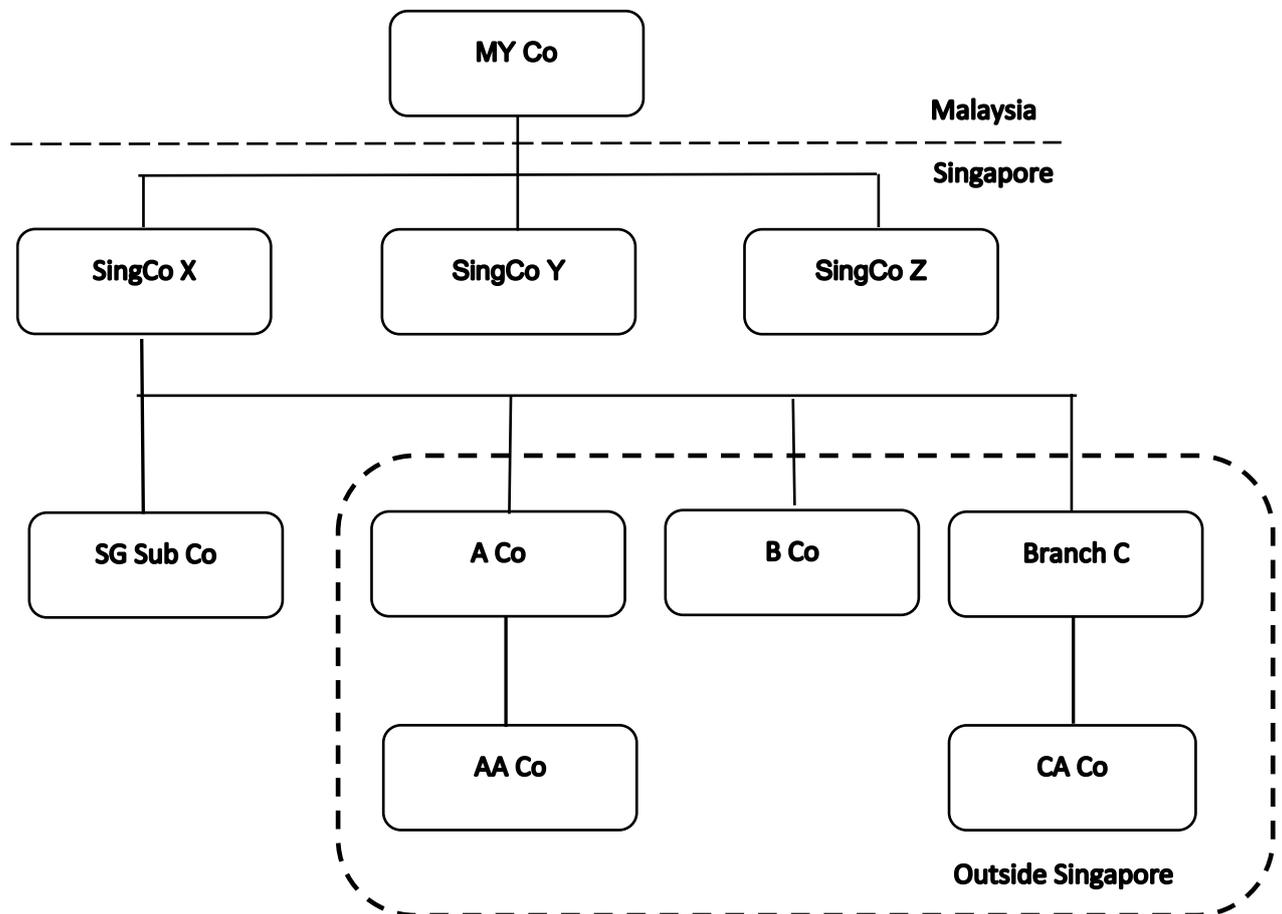
Question 3 – (a), (b) and (c)

Malaysia Co (“MY Co”) is the ultimate holding company of a group of companies. It is incorporated and tax resident in Malaysia. MY Co has three wholly owned Singapore-incorporated subsidiary companies – SingCo X, SingCo Y, and SingCo Z. SingCo X and SingCo Y are tax resident in Singapore. The principal activities of the Singapore-incorporated companies are as follows:

SingCo X – Investment holding

SingCo Y – Manufacturing company

SingCo Z – Provision of software support services



SingCo X has a wholly owned Singapore tax resident subsidiary company (“SG Sub Co”), a wholly owned subsidiary in Country A (“A Co”), a wholly owned subsidiary in Country B (“B Co”), and a branch in Country C (“Branch C”). A Co is tax resident in Country A and B Co is tax resident in Country B.

The Profit and Loss Account of SingCo X for the financial year ended 31 December 2020 is shown below:

SingCo X Profit & Loss Account	\$	\$
<i>Income:</i>		
Dividends from SG Sub Co	500,000	
Dividends from A Co	300,000	
Dividends from B Co	250,000	
Interest income from B Co (Gross)	450,000	
Branch profits from Branch C (Gross)	100,000	
		1,600,000
<i>Less: Expenses</i>		
Statutory expenses	60,000	
Direct expenses	40,000	
Interest expenses	200,000	
Indirect expenses	50,000	
		(350,000)
Net profit before tax		1,250,000

Notes:

1. A Co has a wholly owned subsidiary, AA Co, a tax resident in Country AA, that carries on substantive activities in Country AA and the headline tax rate in Country AA is 18%. However, the profits of AA Co from carrying on substantive activities in Country AA are not taxed in Country AA as it has been granted a tax incentive for such activities.
2. Country A and Country AA do not impose withholding tax on the payment of dividends, and Country A does not impose tax on the receipt of dividends.
3. The dividends received by SingCo X from A Co are declared solely out of dividends received by A Co from AA Co. The dividends paid by AA Co to A Co are declared out of AA Co's profits derived from carrying on substantive activities in Country AA.
4. The dividends paid by B Co are not received or deemed received in Singapore by SingCo X. The headline tax rate in Country B is 12%.

5. The interest paid by B Co is received in Singapore by SingCo X. The tax withheld in Country B on the interest is 10%.
6. Interest expense of \$200,000 was wholly incurred on loans taken to directly on-lend to B Co and derive the interest income of \$450,000
7. Branch C wholly owns a subsidiary company in Country CA, CA Co, which is tax resident in Country CA. Branch C carries on business activities in Country C and derives income from such activities, out of which it pays branch profits to SingCo X.
8. The headline tax rate in Country C is 12% and no withholding tax is applicable on branch profits remitted by Branch C to SingCo X.
9. Countries A, B and C do not have tax treaties with Singapore.
10. Direct expenses of \$40,000 are attributable to dividend income from SG Sub Co.
11. There are no non-deductible items included in direct expenses.

SingCo Y's tax computation for the Year of Assessment 2021 is shown below.

SingCo Y – Year of Assessment 2021 Tax computation	\$
Adjusted profit	1,800,000
<i>Add:</i>	
Foreign interest income - unremitted	NIL
Chargeable income before partial tax exemption	1,800,000
Less: Partial exemption (75% on first \$10,000; 50% on next \$190,000)	(102,500)
Chargeable income after partial tax exemption	1,697,500
Tax assessed at 17%	288,575

SingCo Z provides software support services to its customers. The software support services can be performed remotely from any location. SingCo Z has no employees. Instead, the software support services are wholly rendered by a related company of SingCo Z in Vietnam, V Co. The software support services are performed by employees of V Co. There is no service agreement between SingCo Z and V Co.

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Question 3 required:

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- (a)** Compute the tax liability of SingCo X for the Year of Assessment 2021. Show all workings and provide explanations for the tax treatment of the income and expenses. Please provide your answer using the table in Appendix B.

(16 marks)

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- (b)** SingCo Y informed you that although the funds from the unremitted foreign income of \$340,000 (net of foreign withholding tax at 15%) have been received in a foreign bank account and not remitted into Singapore. SingCo Y has used \$200,000 (of the above net amount) to pay suppliers in the financial year ended 2020 (i.e. Year of Assessment 2021), and the remaining amount was used to invest in shares in an overseas company in the same year. Based on the above information, recompute SingCo Y's tax liability for Year of Assessment 2021, if any change is required.

(7 marks)

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Question 3 required:

(c) SingCo Z is not resident in Singapore as its Directors do not hold board meetings physically in Singapore. SingCo Z claims that since it is not resident in Singapore, and the services that it provides under contracts with customers are performed by employees of V Co (it has no employees), it should not be subjected to Singapore income tax on the profits that it recognises for accounting purposes. Furthermore, all its customers are located outside Singapore, and the funds from payments made by the customers are received in a bank account outside Singapore. SingCo Z had been set up in Singapore as the country has a stable legal and financial system which is beneficial for contracting with customers. Discuss how you would advise SingCo Z and assist the company to minimise its tax risk.

(5 marks)

(Total: 28 mark)

Question 4 – (a), (b) and (c)

SingCo is a company incorporated in Singapore and tax resident in Singapore. Its principal activity is in the manufacturing and assembly of high technology equipment wholly for export to overseas customers. As part of its operations in Singapore, SingCo will import equipment parts from overseas suppliers. It is also required to provide on-site installation and after sales support services where its customers are located. In this regard, SingCo will send its support engineers and other employees to various locations outside Singapore to perform various technical services.

In certain locations such as Vietnam, SingCo will maintain a stock of spare parts in a warehouse from which spare parts are delivered to customers who wish to replace worn out parts on their own.

Furthermore, as part of its marketing and business development efforts, SingCo will send its sales engineers to various locations outside Singapore (including Vietnam) to contact potential customers and solicit new sales.

SingCo has recently secured a new client, a Vietnamese company which is tax resident in Vietnam, and also intends to source for additional investors in Vietnam. The relevant excerpt of the Singapore-Vietnam Double Tax Agreement states the following:

“Article 5 – Permanent Establishment

1. *For the purposes of this Agreement, 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" includes especially:*
 - (a) *a place of management;*
 - (b) *a branch;*
 - (c) *an office;*

- (d) a factory;
 - (e) a workshop;
 - (f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.
- 3. *A building site or construction or installation project constitutes a permanent establishment only if it lasts more than 6 months.*
- 4. *Notwithstanding the preceding provisions of this Article, the term "permanent establishment" shall be deemed not 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 of collecting information, for the enterprise;*
 - (e) *the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;*
 - (f) *the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs (a) to (e), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.*
- 5. *Notwithstanding the provisions of paragraphs 1 and 2, where a person -- other than an agent of an independent status to whom paragraph 6 applies -- is acting on behalf of an enterprise and has, and habitually exercises, in a Contracting State an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise, unless*

the activities of such person are limited to those mentioned in paragraph 4 which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

6. *An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.*
7. *The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.*

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.*
2. *Subject to the provisions of paragraph 3, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.*
3. *In determining the profits of a permanent establishment, there shall be allowed as deductions all expenses, including executive and general administrative*

expenses, which would be deductible if the permanent establishment were an independent enterprise, insofar as they are reasonably allocable to the permanent establishment, whether incurred in the Contracting State in which the permanent establishment is situated or elsewhere.

4. *No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.*
5. *Where profits include items of income which are dealt with separately in other Articles of this Agreement, then the provisions of those Articles shall not be affected by the provisions of this Article.”*

As SingCo has been in a profitable position in recent years, one of its business advisors has advised SingCo to incorporate three Singapore subsidiary companies and to report some of its income in these companies. In this way, SingCo, together with the three Singapore subsidiary companies, as a whole, will be able to reduce their tax liabilities, compared to the situation where all of the income is reported by SingCo. SingCo would like to know if the advice provided by its business advisor is sound and reliable.

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Question 4 required:

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(a) In the year 2020, SingCo had deployed its engineers to Vietnam on the following dates to assist a Vietnam customer in various aspects:-

- 30 January to 15 May – 5 engineers - first phase of installation of the equipment
- 1 June to 31 August – 4 engineers - second phase of installation of the equipment

Identify the tax risks that SingCo will be exposed to in Vietnam in respect of its activities mentioned above, as well as the maintenance of the spare parts in the warehouse, and the soliciting of customers in Vietnam.

(7 marks)

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(b) SingCo is registered for GST. When it imports equipment parts from overseas suppliers, SingCo is the importer on record and is liable to pay for the GST on importation. As the equipment parts will be assembled as part of the machinery that SingCo sells to overseas customers, there is a cash flow disadvantage arising from the delay in receiving a refund from IRAS of the tax paid to Singapore Customs at the time of importation. Advise SingCo the best way to overcome this cash flow disadvantage, and state what conditions, if any, that need to be met. Assume SingCo's zero-rated supplies accounts for more than 80% of its total supplies.

(6 marks)

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Question 4 required:

(c) SingCo has approached you to advise on the plan proposed by its business advisor. Discuss how you would advise SingCo.

(6 marks)

(Total: 19 marks)

APPENDIX B

Question 3(a)

	Tax exempt income (\$)	Unremitted income (\$)	Taxable income (\$)	Total (\$)
Dividends from SG Sub Co				
Dividends from A Co				
Dividends from B Co				
Interest from B Co				
Less:				
Statutory expenses				
Direct expense				
Interest expense				
Indirect expenses				
Net income				
Add:				
Branch profits				
Chargeable income before partial tax exemption				
Sub-total				
Less: Partial exemption				
Chargeable income after partial tax exemption				
Tax assessed at 17%				
Less: Unilateral tax credit				
Net tax payable				
Unilateral tax credit				
Lower of:				
Unilateral tax credit on interest				
OR				
Actual foreign tax suffered				

END OF PAPER