Answer-to-Question-_1_

Tax Residency of Hofberg Pte Ltd (Hofberg)

It is important to determine tax residency status of Hofberg for the purpose of the analysis of Income Tax implication.

As for the case, it is known that Hofberg is incorporated in Singapore but, under the law of Singapore, the incorporation status could not determine the residency status of Hofberg. Under Section 2 of ITA, the company will be considered as tax resident of Singapore if the company has control and management that exercised in Singapore.

There is no explicit information whether the control and management of Hofberg is exercised in. However, taking into the consideration of the approval of sales, management of website, and product design is exercised in Singapore, and most importantly the director all based in Singapore, it could be considered that substantial and strategic decision of Hofberg is exercised in Singapore. Means, that the control and management could be considered exercised in Singapore. Therefore, based on the Section 2 of ITA, Hofberg could be considered as Tax Resident of Singapore.

Tax Implication if Hofberg is Tax Resident of Singapore

In general, based on the Section 10(1) ITA, tax resident will be taxed on the income which accruing in or derived from Singapore or received in Singapore from outside Singapore.

As for the case Hofberg running a business in various countries, thus, independent analysis of income is needed.

- Activity in Singapore (product design, maintaining website, and etc)

Based on the Section 10(1) ITA, the income which derived in Singapore will be taxed in Singapore. Therefore, the income will be tax by the standard rate of corporate income tax Singapore (17%).

- Manufacturing activity in Country B

Under the Singapore's Law

Income which arise from the activity of business exercised in Country B will be considered as income from outside Singapore. Based on the Section 10(1)(a) of ITA, gains which raised from any trade, business which arise in Country B will be taxed in Singapore if only the income remitted to Singapore. However, the income could be exempted based on the Section 13(8) of ITA.

The exemption for the income which remitted to Singapore could be done if only the conditions stipulated in the Section 13 (9) ITA could be satisfied by Hofberg. The conditions are as follow:
1)the income is subject to tax in Country B;
2)the headline tax in Country B should not less than 15%; and
3) the Comptroller is satisfied that the tax exemption would be beneficial to the person resident in Singapore.

As for the case, the condition 1 is satisfied because there is information that Country B taxes all income of non-residents source. Then, the condition 2 of Section 13(9) ITA is satisfied because the headline tax of Country B is exceed 15% (in this case is 25%). Assuming that the Comptroller satisfied that the tax exemption would be beneficial to the person resident in Singapore, thus, is could be conclude that the income which remitted to Singapore from Country B would be exempted under the Singapore's Law.

Under the DTA Singapore and Country B

Based on the Article 7 of DTA of Singapore and Country B, Country B could taxed the income of Hofberg, if only Hofberg has PE in Country B. Therefore, it is substantial to analyze whether there is PE or not in Country B.

Based on the Article 5.1 and 5.2 of DTA, the manufacturing plan of Hofberg in Country B will be considered as PE. Therefore, it could be conclude that Country B could tax the income but only so much attributable to the PE. Based on the case the income which attributable to PE in Country B will be taxed by the rate of 25%.

Further, based on the DTA, Singapore should grants tax credit for the tax paid in Country B.

- The Activity in Country C

Under Singapore's tax law

Based on the information, Country C is the country where the website is hosted, where the sales are made, and where the monies is collected.

Under the domestic law of Singapore, which is Article 10(1)(1) ITA, The income which arised from the activity exercised in Country C will be taxed in Singapore if only the income remitted to the Singapore. However, the income could be exempted under Section 13(8) of ITA. The exemption could be grants to Hofberg of only the condition in Section 13(9) ITA is satisfied. The conditions are as follow:
1)the income is subject to tax in Country C;
2)the headline tax in Country C should not less than 15%; and
3) the Comptroller is satisfied that the tax exemption would be beneficial to the person resident in Singapore.

Based on the information it could be conclude that the income which remitted to Singapore could not be exempted because Country C is not imposes income tax at all, thus the condition 2 above could not be satisfied.

Under DTA of Country C and Singapore

Under the DTA of Country C and Singapore, Country C will taxed the income which arise in Country C if only Hofberg has PE in Country C. This is based on the Article 7 of DTA. Thus, it is important to determine whether Hofberg has PE in Country C or not.

Based on the Article 5.1 and 5.2 of DTA, Hofberg will be considered having a PE if there is fixed place of business such as branch, store, and etc. As for the case, it seems that Hofberg do not have fixed place of business. Therefore, it could be conclude that Hofberg do not have PE in Singapore.

Based on the Article 7 DTA, income arise in Country C will not be taxed in Country C, because Country C do not have taxing rights.

Even Country C will no taxed the income, under the Section 50 ITA, Singapore could grants unilateral tax credit for Hofberg.

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Answer-to-Question-_2_

Tax Residency of Joan

Based on the information, Joan is considered as tax resident in Country X. However, taking into the consideration of employment position in Singapore, Joan would be dual residency.

Based on the Section 2 ITA, Joan will satisfy the quantitative requirement of tax resident in Singapore. That is, Joan will be in Singapore for two years, means it is exceed 183 days.

From the above, it means Joan will be suffer dual tax residency.

Because of Country X and Singapore has DTA, the problem of dual tax residency could be solved using "tie breaker rule" as stipulated in the Article 4.2 of DTA. Tax residency status of Joan would be determine based on (1) permanent home, if the aspect could not resolve, then the determine by (2) center of vital interest, if it is also could not resolve than the determination would be based on (3) habitual abode, then (4) citizenship status and last by (5) mutual agreement.

As for the case, Joan has permanent home both in Singapore and in Country X, then it sould be determined by the center of vital interest. Taking into the consideration that Joan still has source of income both in Singapore and Country X, the determination of tax residency will be based on the habitual abode. As for the information Joan would be in Singapore for the two years and allowed to outisde singapore no more than five weeks per year. Thus, it could be conclude that Joan would be consider has habitual abode in Singapore and considered as tax resident in Singapore.

The tax implication of new residency status of Joan is as follow:

- Employment income from Singapore's employer
Based on the Section 10(1)(b) of ITA, the employment income of Joan would be taxed in Singapore whether it is exercised in Singapore or in Country X.

Based on the Section 13N Joan actually has possibility to received benefit of being NOR, so that the income which taxed in Singapore will be the proportional based on the days of he is exercise the employment in Singapore. But, as of the information that Joan will be allowed outside Singapore for about five weeks per years. It means Joan not outside Singapore for the minimum of 90 days. Therefore, NOR benefit should not be granted to Joan.

Based on the Article 15 of DTA, the employment income when Joan exercised the activity in Country X could not be taxed by Country X because Joan is not in the Country X for more than 183 days, the salary is paid by the employer which residents of Singapore, and the salary is not borned by the PE in Country X.

- Salary from the Employer X

Based on the Section 10(1)(b) employment income which paid by the employer X might be taxed in Singapore, if only the income is remitted to the Singapore. However, based on the Section 13(7)(b) such income could be exempted if the Comptroller satisfied that the exemption would be beneficial for the resident of Singapore.

Based on the Article 15 DTA, Country X could not taxed the wages because of Joan do not exercised the activity in Country X.

- Real Estate Income

Real estate income which arise in Country X will be taxed in Country X, based on the Article 6 of DTA. Singapore should grants tax credit.

Real estate income which arise in Country Z might be taxed in Country Z. This is based on the domestic tax law which applied in Country Z.

If the income is remitted to Singapore, then based on the Section 10(1)(f) of ITA, the income will be taxed in Singapore.

- Dividends from the Investment

Dividends which arise from the investment in Singapore will not be taxed in Singapore because Singapore adopted "one tier" tax systems.

Dividends which arise in Country X will be taxed by Country X for the maximum 10% based on the Article 10 DTA. If the dividends will be transmitted to Singapore, then based on the Section 10(1)(d) the income will be taxed. However, based on the Section 13(7)(b) such income could be exempted if the Comptroller satisfied that the exemption would be beneficial for the resident of Singapore.

Dividend which arise in Country Z might be taxed by the law of Country Z. If the dividends will be transmitted to Singapore, then based on the Section 10(1)(d) the income

will be taxed. However, based on the Section 13(7)(b) such income could be exempted if the Comptroller satisfied that the exemption would be beneficial for the resident of Singapore.

- Interest Income

Interest income which arise in Singapore will no be taxed because based on the Section 13(zd) ITA, interest is exempted.

Interest which arise in Country X will be taxed by Country X for the maximum 10% based on the Article 11 DTA. If the interest will be transmitted to Singapore, then based on the Section 10(1)(d) the income will be taxed. However, based on the Section 13(7)(b) such income could be exempted if the Comptroller satisfied that the exemption would be beneficial for the resident of Singapore.

Interest which arise in Country Z might be taxed by the law of Country Z. If the interest will be transmitted to Singapore, then based on the Section 10(1)(d) the income will be taxed. However, based on the Section 13(7)(b) such income could be exempted if the Comptroller satisfied that the exemption would be beneficial for the resident of Singapore.

- Sales of shares

In general Singapore is only taxed income from business and there is no capital gains tax in Singapore. Therefore, it is important to determine whether sales of shares considered as capital gains or profit of income in Section 10(1)(g) of ITA.

In determining whether the income is considered as capital gains or income, there are 6 badges of trade which is as follow.

1) the nature of transaction
2) the frequency of transaction
3) the holding period of the object
4) the subsequent jobs to add value to the object

5) the circumstances of the transaction
6) the motive of transaction

As for the case, the sales of shares which done by Joan is more likely to be considered as gains or profit of income because in this case the sales of shares is not once-off transaction. Joan has sales the shares before "from time to time". The motive is to gain profit. Therefore, it could be conclude that the income could be considered as the profit of income.

Further, if the income is remitted to Singapore, based on Section 10(1)(g) of ITA, the income will be taxed in Singapore.However, based on the Section 13(7)(b) such income could be exempted if the Comptroller satisfied that the exemption would be beneficial for the resident of Singapore.

---------DO-NOT-EDIT-THIS-DIVIDER----------

Answer-to-Question-__3_

Based on the Section 2 of ITA, new subsidiary (Singsub) will be consideted as tax resident in Singapore. Because the directors is based on Singapore so that the control and management is based in Singapore.

Tax Implication of the Transfer of Shares
The scenarios which plot by the Bigmin Ltd seems for the purpose of reducing the rate of dividend taxes.

By setting up new subsidiary in Singapore, based on the DTA of Singapore-Country Q, the dividend will only be taxed at 5%. Then, the dividend which will be paid by the Singsub to Bigmin will not be taxed as the Singapore adopt one tier tax systems.

Furthermore, the dividend which remitted by QSub to Singsub will be exempted based on Section 13(8)(a) of ITA if the conditions in Section 13(9) is satisfied. Below is the analysis:

1. Based on the tax systems of Country Q, the dividend would like to tax in Country Q (Section 13(9)(a) satisfied);
2. Based on the tax systems of Country Q, the headline tax which applied is more than 15% (in this case is 25%), means the conditions 2 (Section 13(9)(b) satisfied);
3. assumed the Comptroller satisfied that the tax exemption would be beneficial for the tax resident (Section 13(9)(c) satisfied).
Therefore, the dividend which paid by the Qsub will be exempted.

Compared with the the absence of Singsub, the dividend which paid directly to Bigmin would be taxed at the rate of 20%.

Above transaction might impose to tax risk, it because the beneficial ownership of the dividend is actually Bigmin. As beneficial ownership is very substantial in the DTA. The transaction might be considered as treaty abuse.

Tax implication of service charging obtain from QSub (Country Q)
Based on the Section 10(1)(1) ITA, the income which obtain from Q sub will be taxed in Singapore.

Further, based on the Section 13(8)(c) ITA, the income could be exempted if the conditions in Section 13(9) ITA could be satisfied.

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Answer-to-Question-_7_

Income Tax Implication

In this case, we are assuming that Peter is a tax resident of Singapore.

In general, Singapore is only taxed the income which arise from business, capital gains tax is not exist in Singapore. Therefore, it is important to analyze whether the transaction is considered as capital gains or profit of income.

In order to determine, there is 6 badges of trades which are as follow:
1)the nature of transaction
2) the frequency of transaction
3) the holding period of the object
4) the subsequent jobs to add value to the object
5) the circumstances of the transaction
6) the motive of transaction

In this case, there is three transactions done by Peter. The first one is the sales of action figures to the dealer at the price of $30,000. Second, is the sales of action figures at $40,000 and lastly in website which he received $200,000.

Tax Implication of the Sales of Action Figures $30,000

The nature of transaction is not trade as we know that he sold the action figures which he collected before, not from his supply. The holding period of actions figures seems very long as he start to sell the toys in his fifties. Thus, the action figures hold by Peter in very long time.

Further, the action figures is sold by Peter is once-off transaction. At first, he is not intended to sold the action figure, but decide to sold when he knew the price from the dealer. Before, he also has not meet the dealer and has never sold his action figure.

Peter sold the action figure at the time he knew how much monies he can received but at

first he is just want to know who much is the toys.

From the above circumtances, it could be considered that the sold of action figure is the capital gains income. Therefore, based on the Singapore law, the capital gain will not be taxed in Singapore.

Tax Implication of the Sales of Action Figures $40,000

Differ from the first transaction, the selling of action figures by the $40,000 is his second selling.

The object which sold is also from the "supplies". That is, he sold the action figures which he buy from Bob's collection. Peter also hold the action figures in very short time as he intended to sell the toys.

His motives is not to collect Bob's action figure, but to obtain income as he aware on how much is the worth of the action figure. Therefore, the selling of action figures at $40,000 will be considered as gain from trade, so that the income will be taxed in Singapore.

Further, the purchasing price of the action figure could be the deduction of the taxable income.

Tax Implication of the Sales of Action Figures $200,000

Differ from the first transaction, the selling of action figures by the $200,000 is further selling.

The object which sold is from his collection which he hold in the long time. But, he is has aware about the gains which he could collect and has an eager to build a business as he is no longer needed to sell to the dealer but he will sold to the customer.

Peter also set up a website which he can sold the toys and intended to sell so that he gain the income. He also realised that he could source further items from markets as it means he will selling again another action figures. His motives is to recieved the income.

Therefore, the selling of action figures at $200,000 will be considered as gain from trade, so that the income will be taxed in Singapore.

Further, the expense to set up the website and the purchasing price of the action figure could be the deduction.

Goods and Services Tax
In general the supply of goods in Singapore will be taxed at the rate of 7%.

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Answer-to-Question-_4__
Although Singapore has such a narrow, essentially source-based, income tax-based tax systems, the DTA still related to the issue of double taxation.

Singapore known as semi-territorial basis. Thus,it is not true that the tax resident could avoid double taxation if there is no DTA.

Singapore foreign income could be exempted under the Section 13 ITA so it might seems that Singapore will be taxed only its Singapore-source income. However, the exemption is only grants to the tax resident if the condition as set is satisfy. Means, there is possibility that the income is not exempted in the Singapore and under the law of source country, the income will be taxed in both country. Therefore, there is possibility that the income will suffer double taxation.

Further, DTA applied to share the taxing rights between Singapore and source country. Even the DTA is applied, there is still double tax which occur. Thus, it is not true that DTA do not have relation with the issue of double taxation.