

# THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

June 2022

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## MODULE 2.08 – SINGAPORE OPTION

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### ADVANCED INTERNATIONAL TAXATION (JURISDICTION)

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TIME ALLOWED – 3¼ HOURS

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This exam paper has **three** parts: **Part A**, **Part B** and **Part C**.

You need to answer **five** questions in total. You will **not** receive marks for any additional answers.

You must answer:

- **Both** questions in **Part A** (25 marks each)
- **The** question in **Part B** (20 marks)
- **Two** questions from **Part C** (15 marks each)

#### Further instructions

- All workings should be made to the nearest month and in Singapore Dollars, unless otherwise stated.
- As you are using the online method to complete your exam, you must provide appropriate line breaks between each question, and clearly indicate the start of each new question using the formatting tools available.
- Marks may be allocated for clarity of presentation of your answers.
- The time you spend answering questions should correspond broadly to the number of marks available for that question. You should therefore aim to spend approximately half of your time answering Part A, and the other half answering questions in Parts B and C.
- There is no separate reading time, so you can start typing your answers as soon as the exam begins. However, we recommend that you set aside some time to thoroughly read each question and plan each of your answers.

## PART A

**You are required to answer BOTH questions from this Part.**

1. Plato is a food retail company incorporated in Country X. Its four directors are all resident in Country X and work from Plato's Country X office. Plato plans to purchase a number of sauces manufactured by unrelated companies in Singapore, and to sell them on to its customers in Country X as well as various neighbouring countries.

In order to achieve this objective, Plato employs Lin, a Singapore resident. Lin negotiates and concludes the purchase of the sauces, including signing the purchase contracts in Singapore.

In year one, sales are made by Plato's sales representatives in Country X and the neighbouring countries. Lin organises the delivery of the product to the sales representatives.

In year two, Plato establishes a website through which sales are subsequently made. The website is managed by Lin in Singapore. Orders are automated through the website; when each order is received, Lin organises the delivery of the sauce to the overseas customers. Sales income is banked directly into Plato's bank account in Country X. All customer queries relating to the sauces and orders are dealt with by Lin. Lin works from home and Plato has no devoted premises in Singapore. Plato does have rented storage space to hold the purchased sauces before Lin sends them out.

Singapore and Country X have concluded a double tax agreement.

**You are required to explain the Singapore income tax implications of the activities described. Explore all issues in full, and provide reasoning and references to relevant law in support of your assertions. In the event of any uncertainties, explain what further information would help provide certainty and how it would affect your answer.** (25)

2. Sunny is 25 years old and was born in Singapore, where she is employed, owns an apartment and had until recently spent her whole life.

Sunny's employer also provides services in Country X, and in 2022 Sunny began flying regularly to Country X as part of her work. Sunny never stayed in Country X for more than four weeks at a time but, as her total time spent in Country X in 2022 totalled seven months, Country X found her to be resident for tax purposes; its domestic law regards any individual who spends more than six months in Country X in a given year as a tax resident.

Sunny always stays in a hotel or short-term homestay when in Country X, using different accommodation on each trip. When she is in Singapore, she lives in her apartment. Sunny expects this pattern of travel to continue for an additional year, after which she will return to living in Singapore full-time.

Sunny's income consists of the following sources:

- Salary for her work;
- Dividends from share investments held in Singapore and Country X companies;
- Interest from term deposits in both Singapore and Country X;
- Profit derived from the sale of shares in a Singapore company; and
- Rent from a commercial office which she owns in Singapore.

Country X taxes resident individuals on their worldwide income, and seeks to tax Sunny on this basis. Country X has a double tax agreement with Singapore, based on the OECD Model Tax Convention.

**You are required to explain the Singapore income tax implications of the activities described, noting how Sunny's relationship to Singapore might affect Country X's tax claim. Explore all issues in full, and provide reasoning and references to relevant law in support of your assertions. In the event of any uncertainties, explain what further information would help provide certainty and how it would affect your answer.** (25)

**PART B**

**You are required to answer THIS question.**

3. Noah is a company incorporated in Singapore, and owns a factory in Country Y where it manufactures food products. All of Noah's directors live and work in Singapore.

The food products are sent from the factory in Country Y to Singapore, where they are packaged on Noah's premises. Half of the packaged units are sold to independent retailers in Singapore, while the remaining half are sold to an independent wholesaler in Country X who sells them on. This distribution agreement with the wholesaler was originally concluded by Noah's directors when they visited Country X three years ago. Funds from the sales made to the wholesaler in Country X are partially left in Country X and partially remitted to Singapore.

Country X has a double tax agreement (DTA) with Singapore, based on the OECD Model Tax Convention. Country Y does not have a DTA with Singapore.

The prevailing income tax rate in Country X is 30%, while the applicable income tax rate in Country Y is 5%.

**You are required to explain the Singapore income tax implications of the activities described. Explore all issues in full, and provide reasoning and references to relevant law in support of your assertions. In the event of any uncertainties, explain what further information would help provide certainty and how it would affect your answer.**

(20)

**PART C**

**You are required to answer TWO questions from this Part.**

4. “One of the advantages of becoming a resident of Singapore for tax purposes is that you are able to take advantage of its double tax agreement network”.

**You are required to consider this assertion, explaining what it refers to and whether there are any limitations or problems with the assertion. (15)**

5. Penny is a citizen of Singapore. She inherited a large private property with a large garden in Singapore from her mother. For three years she rented out the house to tenants on annual leases.

In the fourth year, Penny undertook some renovations to the house. She then hired a manager and attempted to rent various rooms to tourists, naming the house “Penny’s East Cost Bed and Breakfast”. The venture was unsuccessful and, after talking to an adviser, Penny demolished the house and constructed an apartment block on the land. She carried out an extensive marketing campaign and successfully sold all 18 of the apartments that were built, making a very significant sum of money.

**You are required to explain the Singapore income tax implications of the activities described. Explore all issues in full, and provide reasons and reference to relevant law in support of your assertions. In the event of any uncertainties, explain what further information would help provide certainty and how it would affect your answer. (15)**

6. **Discuss the legal concepts in Singapore that may cause a supply of services to be considered ‘made in Singapore’ for the purposes of Goods and Services Tax. You should explain the key concepts in clear terms, provide legal references relating to them, and critically discuss these concepts. (15)**

7. “Section 33 of the Singapore Income Tax is not of significant relevance to the subject of base erosion and profit shifting.”

**You are required to critically assess this statement. (15)**