

THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

June 2023

MODULE 2.08 – SINGAPORE OPTION

ADVANCED INTERNATIONAL TAXATION (JURISDICTION)

TIME ALLOWED – 3¼ HOURS

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)
- **One** question from **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.
- 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. Logi PL (Logi) is a company incorporated in Singapore, in the dairy production industry. You have been provided with the following information:
- 1) Logi makes yoghurt and cheese at facilities which it owns in Country X.
 - 2) In this process, Logi uses milk purchased from farmers in Country X.
 - 3) The cheese and yoghurt are sold to independent food wholesalers in Country X, Singapore and Country Y.
 - 4) Sales contracts with these wholesalers are the result of marketing operations conducted by Logi from its office in Singapore, as well as sales contracts concluded in Singapore.
 - 5) Logi has four directors. Three are based in Singapore and one is based in Country X. The directors hold four face-to-face meetings in Singapore each year.
 - 6) Country X has a corporate tax rate of 20% on profits sourced in Country X, and a double tax agreement (DTA) with Singapore that follows the OECD Model Tax Convention.
 - 7) Country Y has a 5% tax rate on profits sourced in Country Y and no DTA with Singapore.
 - 8) Sales to customers outside Singapore are partly retained in Logi's foreign bank accounts and partly sent to its Singapore bank account.

You are required to outline the likely Corporate Income Tax consequences of these activities for Logi, assuming that they happened in the calendar year ending 31 December 2022. Provide reasoning and references to relevant law in support of your assertions. In the event of any uncertainties, explain what additional information would help provide certainty and how it would affect your answer. (25)

2. Pogo PL (Pogo) is a company incorporated in Country A. It provides business advice and consulting to its clients, who are based in Singapore, Country A and Country B.

Advice is prepared by Pogo's employees at its office in Country A and in Singapore, and is delivered by email or video conference.

The employees periodically visit Country B and Singapore for the time necessary to undertake their work.

All payments from clients are received into Pogo's bank account in Country A. Each month a portion of these funds is sent to Pogo's Singapore bank account to cover Singapore business costs.

Pogo has only two directors at all times, Holly and Harald, they are also its only shareholders. They have always previously lived in Country A but relocated permanently to Singapore on 1 January 2023. This transfers all the overall management and control of the company to Singapore as this sits entirely with Holly and Harald. The day-to-day operation outlined above, however, continue in Country A. As a result of this change, they apply for and receive a Certificate of Residence (COR) for Pogo.

Country A has a corporate tax rate of 20% on profits sourced in Country A, and a double tax agreement (DTA) with Singapore that follows the OECD Model Tax Convention. It does not have a DTA with Country B.

Country B has a DTA with Singapore. It taxes income sourced in Country B at 25%.

You are required to outline the likely Corporate Income Tax consequences of these activities for Pogo in the two-year period from 1 January 2022 to 31 December 2023. Provide reasoning and references to relevant law in support of your assertions. In the event of any uncertainties, explain what additional information would help provide certainty and how it would affect your answer. (25)

PART B

You are required to answer ONE question from this Part.

3. Links Ltd (Links) is a company incorporated in Singapore, all of whose directors live in Singapore. It holds all shares in Rebt Ltd (Rebt), a company incorporated in Country R, where all of its directors are based. Links also holds all shares in Sync Ltd (Sync), a company incorporated in Country S, where all of its directors are based.

Each year, both Rebt and Sync pay dividends, royalties and interest to Links. 50% of each payment is made to Links' bank account in Country S, and the remaining 50% to its account in Singapore.

Country R has a corporate tax rate of 20% on profits sourced in Country R, and a double tax agreement with Singapore that follows the OECD Model Tax Convention. Country S has a 5% tax rate on profits sourced in Country S and no DTA with Singapore. The domestic law of both countries includes dividends, interest and royalties paid by local companies and local source income.

You are required to outline the likely Corporate Income Tax consequences of these activities for Links. Provide reasoning and references to relevant law in support of your assertions. In the event of any uncertainties, explain what additional information would help provide certainty and how it would affect your answer. (20)

4. Corina was born and raised in Country C. She recently secured a job with a Singapore company that she expects to hold for at least three years. You have been given the following information:
- 1) Corina rented out her apartment in Country C when she relocated to Singapore. She receives the rent payments into her Singapore bank account.
 - 2) Corina took out a lease on a Singapore apartment. However, her employer pays her rent.
 - 3) Corina makes electronic music in her spare time, and uploads it onto a streaming platform. She receives royalty income from this at all times, some in relation to songs that she made before she moved to Singapore and some from songs that she made in Singapore. Corina banks all of these payments in her Singapore account.
 - 4) Corina holds shares in a company in Country D, and receives dividends on these shares.
 - 5) Country C treats Corina as a resident for domestic tax law purposes at all times. It also taxes residents on their worldwide income.
 - 6) Country C has a double tax agreement with Singapore, while Country D does not.
 - 7) Country D does charge any tax on the dividends that Corina receives.

You are required to outline the likely income tax implications in Singapore for Corina. Provide reasoning and references to relevant law in support of your assertions. In the event of any uncertainties, explain what additional 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.

5. **Explain the scope and significance of the decision in the Wee Teng Yau vs. Comptroller of Income Tax [2020] SGHC 236 case, in the context of the taxation of income in Singapore.**

You may cover any relevant matter in your answer, but you must primarily discuss how (if at all) the case has helped understand the concept of tax avoidance in Singapore and in particular the difference between:

- Tax planning;
- Tax avoidance; and
- Tax evasion.

(15)

6. **Discuss what Pillar 2 of the OECD G20 Base Erosion and Profit Shifting (BEPS) project means, in the context of the taxation of income in Singapore.**

(15)

7. Billy lives in Singapore. He recently inherited a traditional Chinese vase from his grandmother. The vase did not match the style of his apartment, so Billy quickly sold it to an antiques shop for \$10,000. He later did some research, and discovered the vase was actually worth \$100,000.

Billy had also inherited an old painting from his grandmother, while his two siblings also inherited antique vases and paintings from the estate. Billy undertook some further research and discovered that all the pieces are highly valuable. He offered to buy the items from his siblings, obtaining all of them for a total cost of \$8,000. Through an agent, he then sold all the items, including his painting, for a net total of \$1 million after deduction of the agent's commission.

You are required to outline any income tax consequences for Billy of his trading activities. Provide reasoning and references to relevant law in support of your assertions. In the event of any uncertainties, explain what additional information would help provide certainty and how it would affect your answer.

(15)

8. Jaco Ltd (Jaco) is a Singapore resident property development company. It buys tracts of land, on which it builds apartments for sale, in a number of countries including Singapore. The administrative work for all projects is conducted in Singapore.

In addition to building new apartment buildings from scratch, Jaco also purchases established buildings, which it renovates and sells. This means that the company purchases older buildings that are run-down, old-fashioned or otherwise unappealing. Jaco then uses its employee architects and designers, as well as its building team, to plan and carry out major changes to the buildings in order to make them modern, stylish and suitable to contemporary tastes. For example, in a recent building, the internal walls of each apartment were altered to make the apartments more open-plan.

You are required to outline the Goods and Services Tax consequences of these activities for Jaco. Provide reasoning and references to relevant law in support of your assertions. In the event of any uncertainties, explain what additional information would help provide certainty and how it would affect your answer.

(15)