

THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

June 2024

MODULE 2.08 – SINGAPORE OPTION

SUGGESTED SOLUTIONS

PART A

Question 1

Part 1

Note Locus non-resident with legal reference.

Locus only likely to get dividends from Singapore subsidiary, note these not taxable with reference.

Subsidiary in Xeno has no Singapore source income, and no Singapore residence can have no Singapore tax.

Singapore subsidiary could be resident, discuss issues around this (but also focus of later subparts); Would need central management and control and satisfy registration requirements with substance etc.

Dividends received from Xeno subsidiary and remitted to Singapore not taxable in Singapore due to exemption.

Due to DTA, Xeno withholding tax should be reduced (assuming qualifies as Singapore resident)

Various service income needs to be considered to see if they have a source in Singapore.

Likely yes as they are being delivered from Singapore.

Will be taxable.

May get a tax incentive depending on other aspects of business.

DTA will protect any claim to tax on these in Xeno as no PE.

Part 2

The goal here could be tax and business related

There are significant tax benefits if it is done correctly

These arise from the Singapore DTA with Xeno which:

- Allows a lower dividend withholding tax rate; and
- Protects or reduces taxation in Xeno on various business profits and royalties.

Part 3

Singapore polices treaty shopping carefully.

To be able to benefit from Singapore's DTAs, the subsidiary will need to satisfy the administration requirements for registration.

This will consider the substance of the operations.

Failure may lose all the tax benefits of the structure.

May also fail against any anti avoidance rules such as transfer pricing in Xeno if not done in the right way.

Question 2

Note Singapore residence of company due to CM & C through directors, give section.

Note core principle that it is taxable on (give legal reference):

- Singapore source income
- Foreign source income remitted to Singapore.

May be exempt on some of this if it falls within a statutory exemption.

Provide adequate analysis of Source issues.

Provide legal references.

Note that the source is where the underlying activities that generate profit happen and not where money comes from

Note source can be divided between jurisdictions.

Provide legal references for these principles.

Note all the activities and facilities that exist in Singapore and give a portion of Source to Singapore.

Design, prototype manufacture, marketing, management, shop activities and assets

These result in a portion of source in Singapore.

Discuss how to go about making the apportionment.

Note that this portion is taxable in Singapore regardless of remittance and location of sale or customer.

For the non-Singapore source income, it has to be determined:

- whether it is linked to an exempt permanent establishment; and
- whether it has been remitted.

Consider if Kodo has foreign PEs that could be exempt.

Factory in Lodo; shop in Zaro

Factory in Lodo is a PE.

Both seem to qualify for exemption due to tax rates and incidence of foreign countries.

Discuss what income should be apportioned to them based on their nature.

Consider income that is not related to the two PEs or Singapore.

Discuss remittance and bank accounts.

Note the remitted portion can be taxed in Singapore.

Law and reasons throughout.

PART B

Question 3

Discuss the law of Singapore for individual residence.

Analyse Rebecca under all parts of the test and determine when she might become a resident of Singapore.

Note dual residence if she becomes a Singapore resident.

Discuss DTA and dual resident tie breaker test.

Apply to Rebecca

Note that her permanent home in Singapore would allocate her to Singapore.

Note how the DTA will therefore protect her from taxation in Vernia on interest, dividends, rent, royalties and salary without the DTA connection to Vernia.

Give reasons and law.

Discuss Singapore tax claim for residents.

Most foreign source income exempt from tax for individuals.

Discuss what Singapore source income may also be exempt with references – dividends.

Describe tax treatment of taxable amounts – rates, deductions. Etc.

Demonstrate understanding of the scope of Singapore taxation with respect to applicability to resident individuals and any recourse to exemptions and applicable conditions thereon.

Question 4

Note residence.

Explain tax claim to income sourced in Singapore.

Demonstrate ability to differentiate between trading income and gains of a capital nature.

Identify that capital gains are not assessable income.

Question requires and elaborate analysis of whether the gain is a capital gain.

Identify relevant factors and debate them:

- General corporate/ business context;
- Intentions and motivations;
- Timing;
- Distinction between intentions and actual outcomes; and
- The unexpected nature of the quick sale.

Reference to case law and other sources on capital vs revenue.

Marks will be commensurate with the extent of analysis.

PART C

Question 5

Essay question, main marks given for quality and clarity of analysis.

Show an awareness of Pillar 2 requirements.

Note how it can impact all.

Note Singapore's participation.

Note that Singapore's general tax rate is above the minimum.

Note however that the calculation is on accounting figures and the actual tax may be lower due to Singapore's small tax base.

Note the issue of tax concessions.

Note the way that concessions might be adjusted for compliance.

Debate all factors for good result.

Question 6

Essay question, main marks given for quality and clarity of analysis.

Note the importance of the DTA network.

Note why it is appealing in a structure.

Protection from other country tax

Reduced withholding tax.

Note the clear focus on the benefit of them in the industry.

Discuss Singapore's actions against the prevention of treaty abuse.

Note in particular the requirements for residence.

Note other reasons for having DTAs.

Question 7

Essay question, main marks given for quality and clarity of analysis.

Discuss the statement, with points for and against.

Note that Singapore does claim taxation of foreign source income remitted.

However, note that in fact nearly all of this is exempt for individuals.

Note the small part that is taxable (partnership income) and how it will not impact many people.

Conclude that the statement is largely true on the above basis.

However, note that double tax can also arise from dual residence of individuals.

It can also arise from conflicting definitions of source and income.

In both the above the DTA can help prevent double taxation.

Give explanation and law.

Question 8

Question tests broad understanding of GST law.

Explain GST registration requirements.

Explain general application of GST and how it is determined.

Note scope of what is taxed.

Explain input credits.

Explain treatment of imported supplies.

Explain treatment of exported services.

Explain treatment of exported goods.

Legal references for all.