



THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

June 2016

PAPER 2.08 – SINGAPORE OPTION

ADVANCED INTERNATIONAL TAXATION (JURISDICTION)

TIME ALLOWED – 3¼ HOURS

You should answer **FIVE** out of the seven questions: **BOTH** questions from Part A; the **ONE** question in Part B; and **TWO** questions from Part C.

Part A questions are worth 25 marks each. The Part B question is worth 20 marks. Part C questions are worth 15 marks each.

You should aim to spend approximately half of your exam time answering Part A, and the remaining half answering Parts B and C. The amount of time you spend answering each question should correspond broadly to the number of marks available for that question.

Start each answer on a new page. If you are using the on-screen 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.

All workings should be made to the nearest month and Singapore Dollar, unless the question requires otherwise.

Marks are specifically allocated for presentation.

PART A

You are required to answer BOTH questions from this Part.

1. Mango PL (Mango) is a Singapore tax resident company involved in agriculture. Mango owns orchards in its own name, in neighbouring countries X and Y, and also owns all shares in Pawpaw PL (Pawpaw), a company that is tax resident in Country Z. Pawpaw owns orchards in Country Z. Mango sells its fruit all over the world, through independent sales agents. In Country B, however, it owns retail premises through which fruit is sold. Fruit is never physically transported to Singapore, but is instead sent directly from where it is grown to the country of sale. All of Pawpaw's produce is all sold first to Mango, and then sold on to customers. However, the produce is still transported directly from the orchard to the customer's country and not to Singapore.

Pawpaw pays dividends to Mango.

All countries involved in any part of this scenario have a standard form double taxation agreement (DTA) with Singapore. With the exception of Singapore, all countries involved consider Mango to be a non-tax resident, and all countries tax non-residents on income sourced in their country at a rate of 20%.

You are required to outline the Singapore tax consequences of the above information for Mango. You should limit your analysis to income tax issues, and provide reasons and legal references in support of your answer. If you believe the tax treatment is uncertain, then the reason(s) why should be explained in full. (25)

2. David is from Gorath, a country which taxes its residents on their worldwide income at 30%. Gorath has a double taxation agreement (DTA) with Singapore that follows the OECD model. Gorath will treat David as a resident under its tax laws at all times covered in this question.

In the current year David will earn money from:

- 1) Professional salary work, performed while he is based in Singapore for ten months during the year.
- 2) Professional salary work performed in Gorath for his Singapore employer, for one month.
- 3) Professional salary work performed in a third country, Santomino, for his Singapore employer, for one month. Santomino imposes no income tax and has no DTAs.
- 4) Interest on three cash deposits (one each in Singapore, Gorath and Santomino).

Other than the month spent in each of Gorath and Santomino, David will have resided and been physically based in Singapore for three full years.

You are required to explain how David will be taxed in Gorath and Singapore on all amounts. You should provide reasons and legal references in support of your answer. If you believe the tax treatment is uncertain, then the reason(s) why should be explained in full. (25)

PART B

You are required to answer THIS question.

3. The countries of Milovia and Brynland have no double taxation agreement (DTA) with one another. However, both countries have DTAs with Singapore which follow the OECD model. Milovia unilaterally imposes tax on dividends paid to non-residents at a rate of 30%. The Bico Corporation (Bico), resident in Brynland, has a subsidiary, Mico, resident in Milovia. Following some professional advice, Bico has incorporated a company in Singapore in which it holds all shares, before transferring its shares in Mico to the new Singaporean company. Dividends are paid annually by Mico.

You are required to outline the tax advantages which Bico is seeking to obtain through these actions. You should indicate the Singapore tax consequences of the structure, and investigate any risks. Your answer should fully explore all possible outcomes, and explore any uncertainties identified. (20)

PART C

You are required to answer TWO questions from this Part.

4. Jono PL (Jono) is a company incorporated in Singapore. All of Jono's directors live in Singapore, and hold their meetings in Singapore. Jono provides professional advice as its core business. A large proportion of this service is provided by employees situated in Singapore to clients based both in Singapore and outside Singapore. About 20% of fees relate to advice given by employees who have travelled outside Singapore to overseas clients. This advice is provided on the ground in the offshore locations. All the overseas countries in which Jono has clients have double taxation agreements (DTAs) with Singapore. About half of the money received from Jono's entire overseas client base remains overseas in foreign bank accounts.

You are required to explain how Jono's income is likely to be taxed in Singapore. You should limit your analysis to income tax issues, and provide reasons and legal references in support of your answer. If you believe the tax treatment is uncertain, then the reason(s) why should be explained in full. (15)

5. Polly is a citizen of Singapore, and has lived in Singapore for her entire life. Polly earns a salary at an accounting firm in Singapore. Polly also has a number of share investments in Singapore and overseas, on which she receives dividends.

Last year, Polly was able to buy an interest in the accounting firm for which she works. In effect, this consisted of buying an interest in the goodwill. Polly was not, however, happy in this new situation and, after a year, sold the interest to another person. Polly was able to sell the interest for significantly more than she had paid for it. Following the sale, Polly has been sent by her firm to work for a client firm overseas for six months. During this time she is to be paid directly by the client as an employee of theirs.

You are required to explain how Polly is likely to be taxed in Singapore. You should limit your analysis to income tax issues, and provide reasons and legal references in support of your answer. If you believe the tax treatment is uncertain, then the reason(s) why should be explained in full. (15)

6. Jam PL (Jam) is an accounting and business advice company in Singapore. Jam was contacted by ROM Ltd (ROM), a company based in Australia, requesting business advice in relation to ROM's plan to begin operating in South East Asia (but not in Singapore). Following a teleconference, Jam prepared an initial memorandum of advice for ROM. The advice was sent by email to ROM's headquarters in Australia. Jam then invoiced ROM for its fees.

Three months later, an executive from ROM travelled to Singapore and spent two days in face-to-face meetings with Jam, in which Jam delivered further advice. Shortly after this, Jam emailed an invoice to ROM for the advice given at the meetings. It related to the same business issues as the earlier advice.

A year later, as an unrelated matter, ROM became interested in a property development project in Singapore. Again it sought and obtained advice from Jam via teleconference and email. Jam once again issued an invoice to ROM for these advisory services.

Finally, Lopsi PL (Lopsi), a company based in Singapore, has received business advice from Jam on its plan to expand overseas. Jam has invoiced Lopsi for this services.

You are required to explain the Goods and Services Tax (GST) implications of each of the above services and invoices provided by Jam. You should provide reasons and legal references in support of your answer. If you believe the tax treatment is uncertain, then the reason(s) why should be explained in full. (15)

7. “The OECD’s work in relation to Base Erosion and Profit Shifting (BEPS) threatens the effectiveness of Singapore’s tax regime with its goal to attract international business.”

You are required to critically assess this statement.

(15)