Reliefs and Deduction of Expenses

**Question 1: Life insurance premium only**

Jimmy Young has 3 insurance policies with Great Eastern Life, a Singapore insurance company with details as follows:

Policy 1 secures an amount of $10,000 on death and annual premium is $340

Policy2 secures an amount of $5,000 on reaching the age of 60 and annual premium is $650.

Policy 3 secures an amount of $30,000 on death and annual premium is $2,750

Jimmy has not contributed to any approved provident fund or CPF.

**Required**

Calculate the amount of life insurance premium relief that qualify for deduction.

**Question 2: Life insurance premium and CPF contribution < $5,000**

Facts are the same as in Example 18 except that Jimmy’s contribution to CPF is $2,980 per annum.

**Required**

Calculate the amount of life insurance premium relief that qualify for deduction.

**Question 3: Life insurance premium and CPF contribution > $5,000**

Facts are the same as in Example 18 except for that Jimmy’s contribution to CPF is $6,000 per annum.

**Required**

Calculate the amount of life insurance premium relief that qualify for deduction.

**Question 4: Course fee relief – Course lasting more than one year and fee paid upfront**

Mr James paid $9,000 for a three year course in 2014.

State how Mr. James can claim the course fee relief in respect of this course. Also mention the relevant assessment years.

**Question 5: Course fee relief deferral**

Mr sam, a tax resident, incurred course fee (for an approved vocational qualification) of $2,500 in the year of assessment 2014. His assessable income is $20,000

His assessable income is expected to $25,000 and $40,000 for the year of assessment 2015 and 2016.

**Required**

State the options available to Mr Sam in respect of deferment of course fee relief.

**Question 6: Automatic NS Man Relief**

Gerard Ee had completed his NS many years ago and was performing in-camp during the year 2013. He is not key command and staff appointment holder. Calculate the NS man relief available to him and his wife in YA 14.

**Question 7**

Mr Teo (50 years old) and Mrs. Teo (40 years old), both are Singaporeans and they have been married for several years. Their income for the year ended 31/12/13 are shown below:

Mr. Teo Mrs. Teo

$ $

Assessable profit from trade

After capital allowances 55,000 -

Salary - 65,000

Net rental income - 20,000

Interest income from POSB bank deposit - 2,000

They have 2 children, aged 10 and 15 years old. As Mrs. Teo is working, they have a Filipino maid to look after the children. Mr. Teo was exempted from National Service.

During the year, Mr. Teo paid a premium of $4,500 on a life insurance policy with an assured capital sum of $100,000 on death. He contributed $4,400 on his Medisave account for the year 2013. Mr. Teo paid the foreign maid levy relief of $2,040 for the year. Mrs. Teo also contributed CPF of $13,000 (20% x $65,000)

**Required**

Compute minimum tax liability for Mr and Mrs Teo for YA14.

**Question 8**

Jimmy Tay suffered losses in his business as a sole-proprietor and the adjusted trade losses agreed with IRAS for the financial year ended 30/9/13 was $48,000. Mrs. Tay’s employment income for the year 2013 was $65,000. Mr. and Mrs. Tay both are Singaporeans and aged 30 years old have a two year old son. Mr. Tay is an inactive reservist. Employee’s CPF rate is 20%.

**Required**

Calculate the minimum tax payable by Mr. and Mrs. Tay for YA14 on the basis that they elect to transfer qualifying deductions to their spouse.

**Question 9**

The income and trade losses of Mr and Mrs Anthony are as follows:

Mr. Anthony

Assessable income Tax losses Capital allowances

$ $ $

YA 2013 52,000 NA NA

YA 2014 NIL 254,000 19,000

Mrs. Anthony

Assessable income Tax losses Capital allowances

$ $ $

YA 2013 60,000 NA NA

YA 2014 33,000 NA NA

**Required**

Compute the assessable income (AI) and Mr and Mrs Anthony for relevant YA on the basis that Mr and Mrs Anthony both elect for transfer to spouse and carry back relief.

**Question 10**

ABC Pte Ltd has the following loans from DBS Bank:

Loan 1 $500,000 @ 5% interest per annum = $25,000

Loan 2 $100,000 @ 7% interest per annum = $7,000

Loan 1 has been used to finance the company’s working capital whereas Loan 2 was to finance its investment in its subsidiary company XYZ Pte Ltd which paid ABC Pte Ltd a 1 – tier dividend of $10,000 on 31/12/2013. ABC Pte Ltd’s profit (excluding dividend income) before tax for the financial year ended 31/12/2013 was $300,000.

What is the statutory income of ABC Pte Ltd.

**Question 11**

Fastener Ptd Ltd incurred interest expenses of &78,580 during the accounting year ended 30/9/13. Details of these expenses are:

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Bank overdraft 34,560

Loan for purchase of Plant and Machinery 20,450

Loan for purchase of shares 23,570

Total 78,580

**Required**

Calculate the interest expenses that are deductible against the company trading profit and investment income.

**Question 12**

Same facts as Question 2 except that the total interest expenses incurred cannot be directly identified between interest expenses incurred for trading and share investment purposes. The company has $500,000 total assets which include $100,000 non-income producing share investment.

**Required**

Calculate the interest expenses that are deductible against the company trading profit and investment income.

**Question 13**

Hotel Galaxy incurred for the first time $50,000 to install new windows and doors during the financial year ended 31/12/10. During the financial year ended 31/12/13, it incurred $25,000 to replace the windows.

**Required**

State whether the expenses on the windows & doors of $50,000 and $25,000 replacement cost are tax deductible.

**Question 14**

The profit and loss account has been debited with a bad and doubtful debt expense of $9,700 comprising:

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Loans to staff written off 2,000

Bad debts written off 4,000

Trade debts recovered (1,000)

Increase in impairment losses on trade receivables 1,500

Increase in impairment losses on non-trade receivables 3,200

Profit/Loss account 9,700

**Required**

State which expenses are deductible and non-deductible?

**Question 15**

Gummi Pte Ltd has employed 2 local employees (below 50 years old) and one foreign employee, John, with Employment pass. Details of their income during the year 2013 are:

**Employee Salary per month Bonus paid on 31/12/13**

$ $

Moses Lee 4,000 12,000

Stephen 7,000 38,000

John 8,000 40,000

The company’s CPF contribution for each of these employees is:

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Moses 9,600

Stephen 17,060

John 19,000

**Required**

Calculate if any of the contributions are not tax deductible

**Question 16**

a) Carrier Pte Ltd purchased a car for its representative office in Malaysia which cost $70,000. Calcualte the amount of allowable expenses to the company if maintenance of the car is $6,840.

b) the company bought a private car – SBC1234J costing $180,000 for use by sales director for private and business usage. Calcualte the amount of allowable expenses to the company if maintenance of the car is &20,000.

**Question 17**

ABC Pte Ltd incurred total employee’s remuneration of $500,000 for the YA 2014 and the medical expenses incurred were $35,000. The company did not implement any portable or transferable medical insurance scheme. What is deductible medical expenses for that YA.

**Question 18**

Facts as in Question 8 except that the company implemented portable or transferable medical insurance scheme.