

MODULE 3
TAX PLANNING & ESTATE PLANNING

SAMPLE QUESTIONS

1. Sam Ho received 10,000 Stock option under his employment. The following sequence of events occurred:

- (1) Granted 2.2.2000 market price \$2.50
- (2) Exercised 1.7.2000 market price \$3.20
- (3) Sold 15.10.2000 market price \$2.00

Identify the taxable event (if any).

- a) (1)
 - b) (2)
 - c) (3)
 - d) (4)
2. Which of the following sentences is ***NOT TRUE***?
- a) Unilateral tax credit is granted only to tax residents.
 - b) Commonwealth tax relief is granted only to tax residents.
 - c) Commonwealth tax relief is only applicable where no tax treaty exists with the other Commonwealth countries.
 - d) Unilateral tax credit may be claimed in respect of dividend income.
3. Mr and Mrs Ong, both born in 1948, work as engineers. They have 2 children; Brian (born on 2 January 1984) and Mary (born on 15 April 1985). Mr and Mrs Ong's employment incomes for the year of assessment 1999 is \$60,000 and \$55,000 respectively. Their CPF contributions made in 1998 amounted to \$12,000 and \$11,000 respectively. Mr Ong paid insurance premiums of \$4,000 in 1998. If they file a joint tax return for the year of assessment 1999, what is their tax payable?
- a) \$7,037.50
 - b) \$7,757.50
 - c) \$7,397.50
 - d) \$8,117.50

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4. John Owen and his wife, Lisa, both Canadian citizens, own an apartment in Singapore under joint tenancy. He intends to give her his share of the apartment on his death. Advise him on the appropriate course of action.
- Execute a will and make a specific devise to Lisa.
 - Transfer the property to trustees to hold in trust for Lisa.
 - No action is required.
 - It is not possible for John and Lisa, who are not Singaporean, to own property under a joint tenancy.
5. Mr Ong is facing a dilemma. His son-in-law is the general manager of the operations in Malaysia which is the most profitable entity of all his conglomerate of companies. However, his daughter is divorcing him on grounds of incompatibility and cruelty. Mr Ong loves his daughter very much and is confused and consults you.

Your answer:

- Family harmony should prevail and he should discuss with his son-in-law.
 - Business objectives should take priority and he should not discuss with his son-in-law.
 - Whether his son-in-law should be dismissed should depend on his competency and not be subject to domestic issues.
 - Whether his son-in-law should be dismissed should depend on Mr Ong's priority to be given to family goals over business goals or vice versa.
6. John has a substantial estate. He does not have any relatives other than his father. He wants to leave his estate to his father and the National Kidney Foundation. He is not convinced of the merits of executing a will. Which of the following is not a reason for John to execute a will?
- The administration procedure for an intestate estate is usually more complex than the probate procedure for a testate estate.
 - The National Kidney Foundation has no entitlement under intestate succession law.
 - His estate duty liability would be lower if he died testate.
 - If his father predeceases him, his estate will go the government.
7. What is an implication of naming a minor as a beneficiary of a trust?
- The trust will be void for lack of certainty of objects.
 - The gift to the minor beneficiary will be clawed back to the settlor's estate to satisfy claims by the settlor's creditors.
 - The gift to the minor beneficiary will be clawed back to the settlor's estate for estate duty purposes.
 - The income attributable to the minor beneficiary may be taxable in the hands of the settlor.

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8. Ah Peng recently realised that he had forgotten to include his bank interest income in his Form B for the year of assessment 1999. He thinks the additional tax that he has to pay is \$100,000 if the income was correctly reported. What is the maximum amount (tax and penalty) that he may have to pay now if he informs the Tax Comptroller now?
- a) \$101,000
 - b) \$200,000
 - c) \$300,000
 - d) \$400,000

Please read the following case and answer Questions 9 –10.

At the end of the calendar year 31 December 2001, Mr Ang, aged 45, received \$60,000 from his employment. His contractual bonus for the year is \$10,000. However, this bonus was paid only in January 2002. His CPF contribution for the year ended 31 December 2001 is \$14,000. Mr Ang also receives interest income of \$1,000 and \$1,500 from his deposits of \$100,000 and \$150,000 in the POSBank and OCBC Bank respectively. In addition, he had sold 1,000 of his DBS shares. He bought the shares at a cost of \$10 each and sold them at \$15 each. He has never served National Service before.

His wife, Mrs Ang, aged 42, is a Diploma holder. She owns a clothing business as a sole proprietor but it has not been doing well. The adjusted loss from her business is \$25,000 for the year ended 31 December 2001. In addition, she received net rental income of \$5,000 from the rental of a shophouse she holds in her own name.

The couple has 2 children, Peter and John. Peter and John, aged 16 and 14 respectively, are schooling at ABC Secondary School.

9. Assuming that a joint assessment is elected, what is Mr and Mrs Ang's tax payable for year of assessment 2002?
- a) \$222.50
 - b) \$492.50
 - c) \$1,910
 - d) \$2,382.50
10. In this case study, which of the following statement is most correct?
- a) Separate assessments should be elected in the year of assessment 2002 since both Mr and Mrs Ang can each claim a separate set of personal reliefs.
 - b) Joint assessment should be elected in the year of assessment 2002 since Mrs Ang's business loss can be utilized against Mr Ang's income.
 - c) Separate assessments should be filed in the year of assessment 2002 since Mrs Ang would be able to enjoy Enhanced Child Relief.
 - d) Joint assessment should be filed in the year of assessment 2002 as joint assessments have been made in the prior years of assessment.

Answers:

1(b) 2(b) 3(b) 4(c) 5(d) 6(c) 7(d) 8(c) 9(b) 10(b)

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