

## SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

**MODULE:** Singapore Taxation (TXF)

**EXAMINATION DATE:** 5 December 2025

### Section 1

#### General comments

The examination format remained broadly similar; a restricted open-book format with an Appendix containing information relating to tax rates, rebates, personal reliefs, and allowances. In addition, Candidates were allowed to bring one (1) A4-sized double-sided cheat sheet and a blank scratch paper to the examination.

The following were noted for the current cohort:

- Most Candidates attempted all four (4) questions, although the essay-type questions remain poorly attempted. Candidates' performance on computational questions like **Q1(a)**, **Q2(b)**, and GST was mostly competent. However, answers also showed gaps in Candidates' basic knowledge and understanding of those taxes.
- Performance for the qualitative question **Q4(c)** was rather poor with low pass rates for the December 2025 paper. The Examiner would like to remind Candidates that qualitative questions (including short essay-type questions) seek to test Candidates' ability to apply the relevant tax rules and concepts to the case scenario posed. Simply regurgitating the conditions and rules in their answers is not sufficient. Candidates must apply the rules and conditions to the information provided to explain how those rules and conditions are met or not in the scenarios posed. This is important in our daily work, whether we are reporting or making recommendations to clients or top management.
- Candidates who incorporated workings in their answers made it easier for markers to award marks for the correct application despite continued careless computational or transposition errors.

Candidates are reminded to prepare well for the examination through reading, comprehending, and applying the relevant sections from i) the Income Tax Act and associated regulations applicable to the TXF syllabus, ii) the Goods and Services Tax Act and related regulations, and iii) the Inland Revenue Authority of Singapore (IRAS) e-Tax guides.

There is much tax-related information in the public domain (for example, the IRAS website). Sieving through all the information available can be overwhelming, especially when taxation is not part of the daily work routine. Attending tax courses will help alleviate some of the stress of understanding this information and bridge any gaps in your tax knowledge. If the self-study route is taken, please ensure that your tax knowledge is current by checking the IRAS website.

Candidates must also put in enough time and effort to reinforce and clarify their understanding. Please avoid rote learning as much as possible. Before cross-checking the suggested solutions, past-year examination questions should preferably be attempted independently. This is especially important for Candidates who are switching from a non-accounting background.

Candidates are also reminded to seek to learn and understand all areas of taxation covered in the syllabus. The examination tests Candidates' understanding and ability to **apply** their tax knowledge. In our bid to be good tax preparers, professional accountants, consultants, or key business decision-makers, a solid foundation and clear understanding of the rules will help us avoid costly mistakes or make inferior decisions. We should strive to understand the principles of what we are doing instead of merely carrying out our tasks mechanically and by rote.

Candidates are strongly encouraged to explore the IRAS website and make good use of the resources available. For instance, Candidates can improve their knowledge by undertaking the free online courses offered by IRAS at <https://elearn.iras.gov.sg/iraslearning/content/iras/startpage/index.aspx#>.

## **Section 2**

### **Analysis of individual questions**

#### **Question 1**

Question 1 centred on the determination of the minimum chargeable income for Year of Assessment ("YA") 2025 of a recently incorporated company which is also tax resident in Singapore. Its first tax filing was for YA 2024, and it commenced its business in the same YA. For YA 2025 tax computation, Candidates will need to determine if the company qualifies for tax exemption under the start-up tax exemption scheme. One of the company's shareholders is an individual and he holds at least 10% shareholdings. Since YA 2025 is within the first three YA for the company, it is entitled to tax exemption under the start-up tax exemption scheme. However, Candidates largely did not consider this and claimed tax exemption under the partial exemption scheme instead.

Almost all Candidates could prepare the corporate tax computation in the correct format to arrive at adjusted trade profit. However, a number did not treat the claim under Section 14N for renovation and refurbishment expenses as part of the adjusted trade profit. Instead, the claim was made as part of capital allowances. Although most could consider the maximum allowed under Section 14N (i.e. \$300,000), many did not seem to be able to identify the type of costs that qualifies for deduction under Section 14N.

As always, this question tested Candidates' understanding of tax principles and rules relating to the taxation of income from various sources (trade vs non-trade sources) and deductibility of expenses (in general and against the respective income source), including special deductions and capital allowances claims.

Although most Candidates could generally determine the taxability of the various receipts and deductibility of most expenses given in the question, many faltered on the following adjustments:

### Receipts

- Most Candidates could correctly identify the non-trade receipts which are to be assessed separately. However, many failed to identify the grant as a capital receipt which is not taxable. The grant should also be set-off against the costs incurred in YA 2025 on the acquisition of the computers

### Expenses

- Many Candidates could not compute the excess medical expense that should be disallowed. This is due in part to Candidates not identifying correctly the staff remuneration that will be used to determine the maximum medical expenses allowed – most did not include the transport allowance of \$450,000 that is captured under “Transportation expenses”. Additionally, the total medical expense subjected to restriction should include the cash allowance given to cover employees’ medical consultations. Again, many Candidates did not include the allowance.
- Many Candidates disallowed the transport allowance of \$450,000. As the allowance is given to employees to cover their transport expenses and regardless of actual amount incurred by employee, the allowance should be viewed as cash remuneration for employment services rendered and thus deductible.
- The interest expenses were incurred for various transactions that produced taxable income and should be deductible. However, the interest incurred on the replacement loan was utilized to produce non-trade income. Thus, the interest expense should be deducted from the taxable foreign dividend income derived. Whilst many Candidates correctly disallowed the interest expense of \$58,000 to determine adjusted trade profits, most did not go on to claim deduction of the interest expense against the taxable foreign dividend remitted during the YA.
- Of the cost incurred in relation to the objection lodged with CIT, only the costs relating to the initial objection of \$8,400 is deductible under Section 14V as it constitutes statutory compliance costs. After the initial objection is rejected and further costs are incurred to pursue the matter, the subsequent costs should not be deductible as it is money spent not to produce income nor for statutory compliance purpose but to reduce tax payable.
- Donations are not deductible as they are not spent to produce income. However, where the donations given are qualifying donations, deduction at 2.5 times will be granted but the deduction must be taken against statutory income. Thus, the actual amounts donated should be disallowed fully and only the qualifying donation of \$20,000 should be deducted at 2.5 times from statutory income. Several Candidates did not make the adjustment correctly.

### Special deductions

- Some Candidates claimed Section 14N deduction on the meeting room chairs and fire protection system when their functional roles should qualify them as plant and machinery for capital allowances claim.

- Some Candidates continue to wrongly treat Section 14N deduction as part of capital allowances.

### Capital allowances

- Most Candidates could determine the capital allowances on the various plant and machinery apart from the computers acquired in the previous YA. The remaining costs of the computers are repayable over 20 instalments. For YA 2025, Candidates were required to ascertain the instalments due and payable in the basis period. Very few Candidates did so.
- Some Candidates failed to claim capital allowances on the deposit paid for the refrigeration equipment. This could be because of the Candidates' misunderstanding that capital allowances can only be claimed in the next year when equipment will be delivered. However, accelerated capital allowances can be claimed based on costs incurred (i.e. due and payable) in the basis period to the YA.

### Non-trade income

- The interest and dividend income are taxable, and the interest expenses incurred in relation to the acquisition of the overseas share investment that produced the dividend income should be deducted from taxable dividend income. While many Candidates made adjustments to exclude the interest expense from adjusted profit, many also forgot to deduct the same expenses from gross dividend income.
- Most could correctly identify the taxable amount of interest income from staff loans but that from the fixed deposit placement was not correctly identified. Interest income from fixed deposit is earned when the deposit matures. Thus, the taxable amount would be the amount received during the financial year.
- The foreign dividend is considered remitted in the basis period to YA 2025 as the foreign income was used to settle a debt arising from a trade/business carried out in Singapore.

### Question 2

Question 2 is a two-part question with part (a) requiring Candidates to explain the tax residence status of the individual using the quantitative test and relevant administrative concession and part (b) requiring Candidates to compute the tax liability of a tax resident individual who derived Singapore-sourced employment and interest income.

#### Part (a)

Most Candidates could answer **part (a)** competently although many could not apply the 3-year administrative concession to confirm the individual qualifies to be tax resident in Singapore. The 3-year administrative concession can be applied so long as the individual stays or works in Singapore continuously over 3 consecutive years

even though in the first and third year, time spent in Singapore is less than the entire year.

### **Part (b)**

Candidates are required to compute the net tax payable by the individual and it is clearly stated that the computation is to be done on the basis that the individual is a tax resident in Singapore. As some Candidates had erroneously concluded that the individual is a non-resident under part (a), this led to some Candidates to perform the computation on the basis that the individual is a non-resident. This caused them to lose marks. Additionally, the following errors were noted:

#### **Employment income**

- Of the bonus received in year 2024, only the discretionary bonus confirmed in year 2024 following her performance review in January 2024 will be taxable in YA 2025. The contractual bonus is taxable in YA 2024 as it is earned on completion of employment duties in 2023.
- Most Candidates could ascertain the taxable accommodation benefit using the annual value of the property as proxy rent paid. As the individual did not stay in the accommodation for the entire year, the annual value has to be pro-rated to the period of stay using actual number of days of use. Year 2024 was a leap year, and so, the total number of days in the basis period should be 366. Most Candidates did not seem to be aware of this.
- Many Candidates could not assess correctly the tax treatment of the various components of the retrenchment package. Components that are paid to compensate for loss of future income (i.e. \$80,000) is capital in nature, not taxable. Components that reward (i.e. gratuity) employment services already rendered or to be rendered is income in nature and thus, taxable. Payments to compensate for loss of income during employment (i.e. \$40,000 or payment in lieu of notice) is income in nature and taxable. Of the two reimbursements, the payment for personal expenses is income in nature as it is a reward for employment services rendered. Both the reimbursement for expenses incurred in the discharge of employment duties (i.e. car hire charge of \$750) and the repatriation air passage (i.e. air tickets of \$14,000) are not income as they relate to the employer's cost of operations.
- Some Candidates wrongly claimed taxi fares for daily commute as deductible, which is incorrect as it is private expenses and prohibited under Section 15.

#### **Interest income**

- Some Candidates did not seem to know that interest income from deposit placements with approved banks in Singapore is tax exempt when received by individuals.

#### **Personal relief**

- Some Candidates claimed Working Mother's Child Relief on the children. This relief is not available as the children are not Singapore citizens.
- CPF relief is not to be considered as the individual is neither a Singaporean nor a Singapore Permanent Resident.
- Parent relief is not available as the dependent parent did not reside in Singapore for at least 8 months in year 2024.

### Question 3

#### Part (a)

The GST analysis of transactions given in the question was mostly well-attempted although some Candidates had problems determining if the GST consideration should be on the output tax or input tax. Most Candidates could answer in the format required. To be clear,

- The three columns under "Value of Supply" are meant to capture values relating to sales or income received by the GST-registered trader. Thus, where the output tax is \$0, there should be a value of supply under columns marked "ZR" or "EX" or insert "OS" (out of scope supply made) or "NS" (no supply made) under the column marked "Others".
- The "Value of Taxable Purchases" is meant to capture the value of supply in respect of purchases made where the input GST is claimable. Where the input GST is not claimable, you need to explain why there is no input tax claim by denoting under the column marked "Others" as follows:
  - "EX" for purchases exempted from GST, e.g., transaction (ix) – interest paid to OCBC Bank.
  - "EXS" for purchases where the input tax credit is not allowed as the purchase was made to generate sales exempted from GST.
  - "BL" for blocked input tax claim.
  - "NS" where there is no supply in respect of the payment made.
  - "OS" where the purchase is out of scope.
  - "ZR" where the purchase qualifies for zero-rating, e.g. transaction (xi-2) – bad debt relief on an export sale.

It is stated in the opening paragraphs that all expenses, sales and income values given are exclusive of GST. However, where reference is made to cash received/recovered or cash paid, the amounts given would be inclusive of GST (this corresponds to our own personal experience making payments to vendors/suppliers).

The following errors were noted:

- Some Candidates could not work out the value of supply where GST is absorbed.

- Interest income from overseas customer is a service that qualifies for zero rate as the customer/borrower is outside Singapore when the service was performed. However, when the customer or borrower is in Singapore, then the interest income will be exempted from GST.
- In respect of stocks written off due to spoilage, there is no supply of goods and services as there is no actual sale of goods nor are the goods given away or put to private use at no charge.
- The stocks written off during the sales promotion drive gives rise to a deemed supply as business goods are given away at no charge. Thus, output tax needs to be accounted on the market value of the stocks given away. However, where the value of the goods given away to each party is not more than \$200, there is no need to account the output tax, which is the case here.

### Part (b)

The withholding tax question showed gaps in Candidate's understanding of withholding tax. This is primarily an income tax collection mechanism to allow CIT to collect income tax on Singapore sourced income derived by non-residents who do not have any presence in Singapore. To answer questions on withholding tax, we should address why there is Singapore sourced income – the specified income is borne by a Singapore tax resident person or permanent establishment; or the income is claimed for deduction from Singapore sourced income. If the income is covered by any exclusions from the deeming provision prescribed under Sections 12(6) and (7), highlight the exclusion before concluding withholding tax is not applicable since there is no income deemed sourced in Singapore. Otherwise, state the correct rate of withholding tax. Again, if the need to withhold tax is covered by any exclusions (e.g. payments made to Singapore branches), highlight in the answer before stating that withholding tax is not applicable.

In the current paper, part of the payment to the non-resident company is deemed sourced in Singapore while the payment relating to services performed outside Singapore is not sourced in Singapore and thus, not subject to withholding tax. Many Candidates omitted the latter in their answer.

### Question 4

The last question comprises three parts, with **part (a)** requiring Candidates to compute the adjusted profits arising from a partnership business to each partner. **Part (b)** then required the answer in part (a) to be incorporated into the tax computation for the corporate partner to arrive at the partner's assessable income. **Part (c)** required Candidates to determine how loss items arising in a newly acquired Singapore incorporated company may be most efficiently utilised under different structures – the 100% shareholdings in the newly acquired company held directly by the individual vs the 100% shareholdings held through another Singapore incorporated company. This part of the question was poorly attempted with Candidates not submitting any answer, either because they ran out of time or they could not figure out the answer.

### Part (a)

Most Candidates were able to work out the partnership computation in Q4(a) to varying degree of accuracy. The following errors are noted:

- Some Candidates did not provide the split of the divisible profit between HHC (70%) and Mr. Wee (30%) as the first step before making the relevant tax adjustments to arrive at the adjusted partnership profit attributable to each partner. Instead, most Candidates applied the profit-sharing ratio to the adjusted partnership profit. This is incorrect.
- Some Candidates omitted the adjustments required of interest paid on capital contribution.
- The entertainment allowance of \$18,000 paid to Mr Wee should be treated as partner's appropriation. The actual amount spent by Mr Wee on business-related entertainment will be claimed for deduction by Mr Wee in his tax return.
- Of the payment made to the corporate partner (HHC), only the annual contribution to HHC's annual staff dinner and dance event of \$32,000 represents partner's appropriation as it is not a business-related expense. Some Candidates wrongly treated the accounting and administrative support of \$132,000 as partners' appropriation. Since the corporate partner is providing services in return for remuneration, the accounting and administrative support payment should be a business-related expense and hence deductible.

### Part (b)

Most Candidates were able to work out the corporate partner's assessable income in Q4(b) to varying degree of accuracy. The following errors are noted:

- Some Candidates omitted the adjustments required of bringing the bank interest income earned of \$2,800 (70% of \$4,000) to tax. Although derived from an approved bank in Singapore, the interest income does not qualify for tax exemption when received by a company in Singapore.
- Some Candidates did not claim the unabsorbed tax losses and approved donations in the correct order. Further, the quantum of deductible donations was not fully accounted for.
- Some Candidates did not claim the correct amount of capital allowances that the corporate partner is entitled to – allowances arising from the corporate partner's construction business as well as 70% of the capital allowances arising from the partnership business.

### Part (c)

The answers submitted for Q4(c) were generally poor. Most Candidates were able to provide the concept and conditions required under group relief (for purposes of transferring the losses between NF and JTF) and shareholding test (for purposes of

utilising the unabsorbed trade losses). However, very few Candidates were able to furnish the correct amounts that were the most tax efficient under each group structure, including the applicability of carry-back relief. A handful of Candidates were able to articulate the reasons why group relief would not be applicable if Gideon were to hold the shareholdings in NF directly due to having no corporate shareholding relationship of at least 75% connecting JTF and NF. Some Candidates were able to furnish the relevant dates to ascertain whether the shareholding test would be considered as met for purposes of utilising the unabsorbed trade losses and/or carry-back relief, where applicable.