

## SINGAPORE CA QUALIFICATION EXAMINER'S REPORT

**MODULE:** TAXATION (TX)

**EXAMINATION DATE:** 2 December 2025

### **Section 1**

#### **General comments**

From the Candidates' responses to the questions, Candidates generally did better with familiar/ common topics such as corporate and individual tax computation.

For case study question that required Candidates to explain tax implications based on given case facts, Candidates did not perform as well generally. Candidates should be mindful that it is not sufficient to merely copy/ lift textbook answers. They must demonstrate their understanding by applying the technical knowledge to the case facts and provide an explanation for their conclusion.

### **Section 2**

#### **Analysis of individual questions**

##### **Question 1**

**Part (a)** required Candidates to explain stamp duty implications on the acquisition and subsequent disposal of industrial property. This question is generally well attempted. Some Candidates did not discuss mitigation of stamp duty and a few only mentioned either buyer stamp duty or seller stamp duty but not both.

**Part (b)** required Candidates to compute the individual income tax liabilities based on the facts provided. Overall, this part was reasonably well attempted, and most Candidates were able to identify the taxable and non-taxable items. Common errors as follows:

- Computed the amount of taxable share award benefit incorrectly.
- Wrongly bring to tax the retrenchment benefit.
- Incorrect calculation of earned income for purpose of computing working mother's child relief.
- Incorrectly taxed local unit trust distributions when they should be exempted.

**Part (c)** tested on the differences between operating a business under a sole proprietorship and a company and was not well attempted. Most Candidates did not explain the claim of capital allowance on the acquisition of machine and S.14N special deduction on renovation apply to both type of businesses.

Most Candidates also failed to explain the differences in the conditions for the carry forward and carry back of the unabsorbed capital allowance and unabsorbed trade loss under both type of businesses. It is noted that some Candidates had identical answers, evidently they merely copied textbook answers.

## Question 2

The responses for **Part (a)** were mixed. Many Candidates misapplied Section 13W on gain on sale of shares by extending it to John Lee, an individual, or to both CPL and John, instead of applying it only to CPL. Some unnecessarily analysed CPL's disposal using the badges of trade despite the availability of the S13W exemption. Others discussed Section 10L at length, which was irrelevant, as the issue concerned the capital or revenue nature of the gain and the applicability of S13W. A common weakness was the failure to clearly distinguish between the tax treatment of CPL as a company and John as an individual.

**Part (b)** required the preparation of a corporate income tax computation and was generally quite well done. Common mistakes are as follows:

- Very few Candidates claimed capital allowance for the demountable partition. Some of the Candidates erroneously claimed S.14N special deduction instead.
- A significant number of Candidates were not able to compute balancing charge and claw back of enhanced WDA for Patent A and WDA claim for Patent B. Where the WDA was computed, most Candidates claimed the entire expenditure in full (without considering the write down period).
- In ascertaining the medical expenses subject to restriction, a number of Candidates incorrectly treated the cash allowance in lieu of medical expenses as part of total remuneration rather than as medical expenses.
- Not many Candidates were able to correctly compute foreign tax credit (FTC) on the foreign interest income. Many did not claim FTC at all.

## Question 3

**Part (a)** required Candidates to comment on the tax deductibility of various payments made by FEPL to FranCo from FEPL's perspective. Common mistakes are as follows:

- Only a handful of Candidates could explain the tax implications of the expenses relating to the initial setting up of FEPL's outlets as capital in nature and the application of S14R of the Income Tax Act (i.e. deduction on pre-commencement expenses).
- Some Candidates failed to read the question requirement properly despite "**tax deductibility**" being bold in the requirement and provided comments relating to withholding tax and GST as opposed to tax deductibility of the payments. As withholding tax are tested under Parts (c) and (d), it should not be repeated in Part (a).

**Part (b)** required Candidates to comment on the income tax exposure in Singapore on the manager sent by FranCo. Most Candidates were able to conclude that his employment income will be tax exempt under S13(6) of the Income Tax Act as his

employment period in 2024 was only 2 weeks (i.e. less than 60 days). However, some Candidates concluded that he was non-resident because he was in Singapore for less than 60 days, instead of referring to the 183 days quantitative test condition.

**Part (c)** Most Candidates were able to perform the calculation of withholding tax (WHT) correctly. However, some Candidates did not explain the deemed sourced rules on why WHT is applicable or not applicable.

**Part (d)** required Candidates to evaluate any change in the WHT requirement under the tax treaty. This question was surprisingly not done well.

Part (c) and (d) concerning withholding tax have been tested repeatedly in the past exams. Yet, the performance on these questions is not satisfactory.

#### Question 4

**Part (a)** required Candidates to explain whether management fee to related parties is arm's length and whether there is a need to prepare transfer pricing documentation. This is generally answered well by Candidates. They understood that related party transactions should be carried out at arm's length and the concept of safe harbour rules and the relevant conditions.

**Part (b)** required Candidates to explain stamp duty implication on the transfer of shares. Handful did not attempt the question. Generally, the Candidates were able to answer the question. However some answers were not precise e.g. did not mention that buyer stamp duty is based on higher of consideration or net asset value, despite the topic being tested a few times in past exams.

**Part (c)** required Candidates to explain carry forward of unabsorbed capital allowance and trade loss. Most Candidates did not apply the case facts to indicate the relevant dates for the shareholders' test but merely provided textbook answer on the general concept of shareholder's test.

**Part (d)** required Candidates to consider choosing between carry forward and/ or group relief. Most Candidates did not manage to arrive at the conclusion. Again, few applied the case fact to indicate the relevant dates for the shareholders' test on the carry forward relief. Few Candidates could explain which companies in the group qualify/ do not qualify for group relief.

**Part (e)** required Candidates to explain compulsory GST registration and voluntary GST registration. Many Candidates did not attempt the question. Most likely these Candidates did not have sufficient time to complete this last question.

For those who attempted, many Candidates struggled with this question. For **compulsory registration**, errors included incomplete or incorrect calculations on the different types of GST supplies. Many were confused on what constitute zero-rated, standard-rated, and out-of-scope supplies. For **voluntary registration**, Candidates often misunderstood compliance costs, focused on negative sales impact, or failed to link registration to export activities, import GST recovery, and the requirement to remain GST registered for two years.

This question concerning GST registration tested on very basic GST concepts and yet the performance was below expectation, likely due to insufficient time as this is the last question of the paper.