

## SINGAPORE CA QUALIFICATION EXAMINER'S REPORT

MODULE: TAXATION (TX)

EXAMINATION DATE: 3 December 2024

### Section 1

#### General comments

From the Candidates' responses to the questions, Candidates scored better for more familiar/ common topics such as deemed remittance of foreign-sourced income, tax residency tests and preparation of a tax computation.

However, where the questions were more qualitative or open-ended, such as those which required the Candidate to explain the potential tax implications arising from a certain transaction or compare the tax differences between two options, Candidates did not score that well on those. In particular, Candidates who did not perform well failed to provide an explanation/ elaboration/ conclusion for their answers.

Candidates also performed unsatisfactorily on the special categories of writing down allowances on intellectual property rights and non-income tax topics, especially stamp duty and the interaction of domestic tax and international tax. Candidates either did not attempt the question or provided responses that were irrelevant to the questions asked.

### Section 2

#### Analysis of individual questions

##### Question 1

The responses for **part (a)** were mixed. Most Candidates were able to correctly identify that the individual is a non-resident for tax purposes for both years of assessment. However, only a handful of Candidates were able to correctly identify and apply the tax exemption treatment under Section 13(6). In addition, some Candidates misinterpreted the question as a withholding tax question, which resulted in these Candidates providing responses that were irrelevant.

For **part (b)**, Candidates did not score well. Most Candidates managed to compute the adjusted profit of the partnership correctly. However, many were unable to correctly describe the tax filing obligations of a partnership, or identify that partnership income is taxed in the hands of the partners. Most Candidates did not obtain full credit for **part (b)**.

**Part (c)** required Candidates to work out a personal income tax calculation. Most Candidates performed reasonably well. Common mistakes here included being unable to compute the company car benefit and car running costs benefit, incorrect calculations for CPF and WMCR, and incorrect application of reliefs available only to specific genders.

## Question 2

**Part (a)** was done well with most Candidates scoring full or close to full marks.

However, Candidates did not perform as well in **part (b)**. Many Candidates did not address the question and covered irrelevant points, for example discussing the substantial shareholders' test in the context of the group relief scheme.

In **part (c)**, Candidates demonstrated that they were familiar with the taxability and treatment of dividend income, interest income and capital gain/loss. However, most of the candidates did not claim writing-down allowances on capital expenditure incurred to acquire IPRs (Patent) for both base allowance \$64,000 and the enhanced allowances \$192,000 under the Enterprise Innovation Scheme (EIS). Apart from IPRs, Candidates demonstrated that they were aware of the further deductions for patent registration costs and staff training under the EIS.

Overall, Question 2 was the best-performing question of this paper.

## Question 3

Most Candidates were able to correctly explain how Section 14 applied to the specified transactions in **part (a)**. However, quite a number of Candidates misinterpreted the question as a withholding tax question (as opposed to a tax deductibility question), which resulted in these Candidates providing responses that were irrelevant.

**Parts (b) and (c)** were reasonably attempted. However, many Candidates failed to state that withholding tax obligations would be triggered at the earliest of the 3 dates. Some common errors observed in this section were that Candidates unable to identify the reduced treaty rates, or stating the incorrect Article within the Treaty.

**Part (d)** required Candidates to identify the transfer pricing implications arising from the non-arm's length related party transaction provided. While most Candidates were able to identify that the transaction was not at arm's length, only a number of Candidates were able to provide the correct transfer pricing implications. It was also noted that a number of Candidates did not attempt this question.

## Question 4

**Parts (a) to (c)** were poorly attempted and/ or not attempted. From the Candidates' responses to the questions, most of the Candidates were not very familiar with the technicalities of the GST concepts. They also confused the implications of SG Co and US Co.

For **part (a)**, many of the Candidates were confused with the implications associated with SG Co and US Co. Many Candidates covered irrelevant points on GST import relief schemes and Overseas Vendor Registration (OVR) regimes. A fair share of Candidates were able to articulate the general GST registration threshold but most were not able to differentiate or use the appropriate technical terms such as "out of scope" etc.

For the Candidates that attempted **part (b)**, most Candidates managed to state the import GST implications and/ or mentioned the GST registration liability and claim of import tax. However, most Candidates did not grasp technical aspects of GST concepts such as terms such as "place of supply" or "taxable" person.

For the Candidates that attempted **part (c)**, many provided answers on the conditions required for the approved third party logistics company scheme, which did not answer the question.

Some Candidates did not attempt **part (d)** – this was perhaps due to time constraint. For those who did answer **part (d)**, Candidates generally performed well.

Overall, Question 4 was the weakest performing question of this paper.