

SINGAPORE CA QUALIFICATION EXAMINER'S REPORT

MODULE: TAXATION (TX)

EXAMINATION DATE: 24 June 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 Candidates 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

Part (a) was generally well attempted. However, many Candidates were only able to identify one of the residency tests for individuals, and missed out on the other.

Candidates generally scored well for **part (b)**, since it was an individual tax computation. Common mistakes that the Candidates made were related to the tax treatment for compulsory pension fund contribution, and calculation of car benefits. Also, many Candidates were unable to obtain full credit for the tax-on-tax computation as they did not comprehend the need to account for marginal tax rate changes, where necessary. In addition, many Candidates did not demonstrate a clear understanding on how the tax allowance should equate to the total tax payable (actual).

Candidates did not score well for **part (c)**. While most Candidates were able to calculate the tax liability between both options (with and without overseas allowance), many did not present a cashflow comparison or failed to perform the comparison correctly. Consequently, many Candidates failed to conclude as to which option was more favorable.

Overall, Question 1 was the best-performing question of this paper.

Question 2

Candidates performed better for **part (a) and part (c)**, demonstrating a strong ability to apply the Singapore domestic tax law in their answers. However, certain Candidates presented comments on the application of the tax treaty which was not required.

Part (b) was not well attempted which tested the Candidates on treaty analysis. Many Candidates either applied the wrong provisions, or read the treaty the other way. This suggested that Candidates struggled with the interpretation of the treaty.

Part (d) was badly attempted which required Candidates to comment on the implications of the sale of IPR and to compute balancing adjustments on such sale. Many Candidates failed to compute the tax written down value of the 3 IPRs, and subsequently did not compute balancing adjustments. Even for those who did, some Candidates failed to recognise that balancing allowances are not relevant to IPR disposals, and also to cap the balancing charge to allowances previously claimed. Several Candidates did not attempt this question as well.

Part (e) were generally well-answered, but it was noted that certain Candidates did not explain on the Singapore domestic withholding tax position and went straight to treaty interpretation, thereby losing marks. Some Candidates also elaborated the process of withholding tax filings, payments and its penalties, which were not required.

For **part (f)**, while Candidates were able to identify that it was a transfer pricing question, many failed to address the risk from a transfer pricing perspective, the potential adjustments that IRAS may make, and the required corrective actions.

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

Question 3

Part (a) required Candidates to comment on Section 13(8) and most Candidates were able to tackle the question with explanation on the conditions. Candidates were generally also able to elaborate on the concession where foreign dividends are exempted from tax in the foreign jurisdiction received which is granted as a tax incentive for carrying out substantive business in that jurisdiction.

Part (b) was a corporate income tax computation question, but involved a slight 'twist' in which the company in question also enjoyed a tax incentive – Development and Expansion incentive. Despite this, and given that Candidates were familiar with the format of a standard corporate tax computation, most Candidates had a general idea of how to approach the question. Areas that demonstrated a weaker understanding included deduction under Section 14N: Calculation of balancing adjustments, Medical expense restriction, Claim of capital allowances, and Base income adjustment. Consequently, performance for this question was mixed.

Question 4

For **part (a)**, a handful of Candidates provided detailed solutions (with clear analysis and correct workings). However, a significant number of Candidates had difficulties determining the relevant dates and subsequently, whether there has been a substantial change in shareholders. Many Candidates either gave incomplete responses or left this question unanswered.

Part (b) was generally well-answered as Candidates were able to explain avenues to preserve the tax losses. However, it was noted that a significant minority of Candidates discussed erroneously the feasibility of transferring the losses via group relief (which would only have applied to current year losses).

Most Candidates performed well for **part (c)** and there were no significant misconception or misinterpretations noted.

A few Candidates did not attempt **part (d)** – this was perhaps due to time constraint. Candidates who attempted the question were able to identify the tax implications for trade receivables and inventory, but appeared uncertain about the applicability of Section 24. GST wise, most Candidates were able to identify the transfer of business as a going concern rules but most missed out the point on input tax being claimable if GST registered. It was noted that several Candidates covered irrelevant points such as unabsorbed loss items, stamp duty, and financing costs etc.