

## SINGAPORE CA QUALIFICATION EXAMINER'S REPORT

**MODULE:** TAXATION (TX)

**EXAMINATION DATE:** 20 June 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 and withholding tax.

For questions involving case study, requiring candidates to explain tax implications based on given case facts, generally candidates did not perform as well. 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.

Question concerning new tax laws such as the Enterprise Innovation Scheme, candidates generally did not score well.

### **Section 2**

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

##### **Question 1**

**Part (a)** required candidates to explain the objective of the tax protection plan and identify the correct Year of Assessment (YA) in which the benefit should be taxed. Many responses were inaccurate, vague, or incomplete. Quite a number were unsure of the YA in which the benefit is to be taxed.

**Part (b)** required candidates to compute individual income tax liabilities. This question was quite well done. Common mistakes include the following:

- Upfront bonus (only included 1 year - \$12k instead of \$36k)
- Housing benefit (did not include additional 40% for partially furnished accommodation)
- Transport allowance (did not claim deduction of \$6k for business travelling)
- Incorrect calculation of deductible interest expense incurred on rental income

**Part (c)** tested on the badges of trade concerning disposal of a residential property and was surprisingly not well attempted. Responses typically lifted facts directly from the question and merely cited them under each badge without explaining how those facts supported either a capital or revenue characterization.

##### **Question 2**

**Part (a)** The responses were mixed. Many candidates could not apply S10(25) deemed remittance rules accurately on the foreign dividend and interest income.

Some candidates merely copied the conditions regarding foreign tax credit pooling and/or foreign source income exemption scheme and failed to apply the conditions to the case facts and explain whether the conditions are met.

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

- Dividend income: A number of candidates had subjected the foreign dividend income to tax in Singapore, notwithstanding it is exempt under S13(8).
- Foreign interest income: Only a handful of candidates managed to score for this part. Most of the candidates did not claim deduction of the interest expense in the computation of net interest income.
- Foreign tax credit (FTC): Not many candidates were able to correctly compute the FTC. There seems to be confusion on the computation of Singapore effective tax rate in arriving at the Singapore tax payable on the foreign interest income.

### Question 3

**Part (a)** Most candidates were able to perform the calculation of withholding tax (WHT) correctly. However, some candidates did not mention the following:

- WHT filing requirements
- Explain the deemed sourced rules on why WHT is applicable

**Part (b)** Most candidates were able to perform the calculation of WHT correctly. However, explanation on the reasons for the reduction/ exemption of WHT under tax treaty was either omitted or incorrect.

**Part (c) and (d)** were poorly attempted or not attempted.

**Part (c)** Many candidates failed to explain the conditions to claim enhanced deduction and/or writing down allowance (WDA) on the licensing, acquisition and registration of patents under the enterprise innovation scheme (EIS) which was specifically required in the question. Instead, many merely lifted the general conditions to qualify for EIS.

**Part (d)** Many candidates did not compute the deduction claim on licensing of patent at all and consequently failed to show the combined expenditure cap to be applied on licensing and acquisition of patent under the EIS. Surprisingly, many did not seem to be aware that WDA is to be claimed over 5 years (maximum claim).

### Question 4

**Part (a)** Candidates generally were able to answer the capital gain tax and unabsorbed losses portion. However, the portion concerning merger and acquisition (M&A) scheme was poorly answered especially with regard to Singco. Some candidates merely lifted the conditions for the M&A scheme and failed to explain whether the conditions were met based on the given case facts or provided incorrect conclusion.

Most candidates are able to answer the GST and stamp duty implications on the transfer of shares.

**Part (b)** Quite a number of candidates did not attempt this question. Most likely these candidates did not have sufficient time to complete this last question. Candidates are reminded to practise proper time management during examination.

For those who attempted this question, most were able to answer most parts satisfactorily. Common mistakes are as follows:

- Only a handful of candidates mentioned the tax implications (i.e. taxable or deductible) in relation to the balancing charge or balancing allowances from CosCo's perspective.
- Although quite a number of candidates mentioned that CosCo was able to preserve its unabsorbed trade losses, some did not explain the reason being that there was no substantial change in its ultimate shareholders.
- Very few candidates mentioned the M&A scheme was not applicable in the transfer of business.
- Some candidates got confused with the various companies in the case study (e.g. HoldCo was indicated as the transferor when this is not the case).
- Very few candidates were able to identify the GST implications relating to SingCo i.e. able to recover input GST on the acquisition of assets if SingCo is GST-registered.
- Some candidates did not specifically mention buyer's stamp duty or indicated stamp duty relating to shares which is not applicable to this case as the question specifically requested for stamp duty implications on transfer of non-residential property.