PP

Chartered Accountant SINGAPORE

Singapore CA Qualification Examination

20 June 2025

Taxation

INSTRUCTIONS TO CANDIDATES

1. The time allowed for this examination paper is **3 hours 15 minutes**.
2. This examination paper has **FOUR (4)** questions and comprises **TWENTY-FIVE (25)** pages (including this instruction sheet and Appendix A). Each question may have **MULTIPLE** parts and **ALL** questions are examinable.
3. This is an open-book examination. During the examination, you are allowed to use your laptop and any calculators that comply with the ISCA's regulations. Please note that watches, mobile phones, tablets, and all other electronic devices **MUST NOT** be used during the examination and **MUST NOT** be within reach or sight or hearing from where you are seated to write the exam.
4. During the examination, videos of you and your computer screen will be recorded for the purpose of ensuring examination integrity and you have consented to these recordings.
5. This examination paper and all video recordings of this exam are the property of the Accounting and Corporate Regulatory Authority.
6. Only answers in **English** are accepted.

MODULE-SPECIFIC INSTRUCTIONS:

7. Assume that all dollar amounts are in Singapore dollar (S$) unless otherwise stated.

IMPORTANT NOTICE:

If you are not feeling well, please do not press "Start Assessment". If you have started and leave during the exam, you would be deemed to have attempted the paper.

e-Exam Question Number	
1	

VERY IMPORTANT NOTICE

1. Your question paper is attached under the **"Resources"** tab found at the bottom right of **EACH** question.

2. You may also download the question paper that allows annotation throughout your exam in Question 1 of the e-Exam portal.

Other important information:

3. You will be allowed to access your reference materials but **will not be allowed** to communicate with anyone either physically or through any electronic means.

4. You are **NOT ALLOWED** to access any websites during the exam.

5. You are **NOT ALLOWED** to print the question paper.

6. **Please take note that your screen will be monitored throughout the examination. If you are found to have accessed any websites, or if you cheat or attempt to cheat, you will be liable to severe disciplinary action.**

   Should you encounter any issues during the exam, please call the following numbers:

   +65 6028 9811

7. **You do not need to fill in an answer to this instruction question.**

Goods and Services Tax

Standard rate	9.0%
Compulsory Registration threshold	$1 million

Stamp Duty

Category	% rates
a. Conveyance, assignment, or transfer of immovable non-residential properties (on or after 15 February 2023)	Percentage of the higher of the market value or the consideration
- Up to the 1st $180,000	1.0%
- Up to the next $180,000	2.0%
- Up to the next $640,000	3.0%
- Up to the next $500,000	4.0%
- Over $1,500,000	5.0%
b. Conveyance, assignment, or transfer of stocks or shares	0.2% of the higher of the net asset value or the consideration
c. Mortgage of stocks, shares or immovable properties	0.2% or 0.4% of the loan amount granted on the mortgage, up to maximum duty of $500
d. Gift of immovable non-residential properties	Same as a.
e. Gift of stocks and shares	Same as b.
f. Lease of immovable properties	
- Annual average rent calculated is $1,000 and below	Exempt
- Annual average rent calculated exceeds $1,000	Lease period of 4 years or less: 0.4% of the total rent for the period of the lease
	Lease period of more than 4 years (or for an indefinite term): 0.4% of 4 times the average annual rent for the period of the lease

Stamp Duty (Cont'd)

The rates of Seller Stamp Duty (SSD) payable on industrial property acquired on and after 12 January 2013 and disposed of within certain duration, are summarized in the table below:

Date of purchase/ acquisition or date of change of zoning/ use	Holding period	SSD rate (on the actual price or market value, whichever is higher)
On or after 12 January 2013	Up to 1 year	15%
	More than 1 year and up to 2 years	10%
	More than 2 years and up to 3 years	5%
	More than 3 years	No SSD payable

Corporate Income Tax Rate

Year of Assessment 2024	17.0%

Corporate Income Tax (CIT) Rebate for Year of Assessment 2024

50% of the corporate tax payable (capped at $40,000). Companies that have employed at least one local employee in 2023 (referred to as "local employee condition") will receive $2,000 in cash payout (referred to as "CIT Rebate Cash Grant"). Where the company meets the local employee condition and receives CIT Rebate Cash Grant of $2,000:

- If CIT Rebate ≤ $2,000, no CIT Rebate to be given.
- If CIT Rebate > $2,000, CIT Rebate (capped at $40,000) less $2,000 to be given.

Partial Tax Exemption	$
First $10,000 of chargeable income is 75% exempt	7,500
Next $190,000 of chargeable income is 50% exempt	95,000
Total	102,500

Start-up tax exemption

First $100,000 of chargeable income is 75% exempt	75,000
Next $100,000 of chargeable income is 50% exempt	50,000
Total	125,000

Withholding tax rates

Nature of income	**% rates payable**
Interest and other payments in connection with loan or indebtedness	15.0%
Royalty or other lump sum payments for the use of, or the right to use, movable properties	10.0%
Payment for the use of, or the right to use, scientific, technical, industrial, or commercial knowledge or information	10.0%
Technical assistance and service fees	Prevailing Corporate Tax rate
Management fees	Prevailing Corporate Tax rate
Rent or other payments for the use of movable properties	15.0%
Payment to Non-Resident Director	24.0%
Non-resident professional	15.0% of gross income or 24.0% of net income

Non-residential property tax

Non-residential buildings and land are taxed at 10% of the annual value.

Appendix A - Tax Rates and Allowances - Year of Assessment 2024 & 2025

Personal Income Tax Rates for the Year of Assessment 2024 & 2025 (Resident)

Chargeable Income	Rate (%)	Gross Tax Payable ($)
First $20,000 Next $10,000	0.0 2.0	0 200
First $30,000 Next $10,000	- 3.5	200 350
First $40,000 Next $40,000	- 7.0	550 2,800
First $80,000 Next $40,000	- 11.5	3,350 4,600
First $120,000 Next $40,000	- 15.0	7,950 6,000
First $160,000 Next $40,000	- 18.0	13,950 7,200
First $200,000 Next $40,000	- 19.0	21,150 7,600
First $240,000 Next $40,000	- 19.5	28,750 7,800
First $280,000 Next $40,000	- 20.0	36,550 8,000
First $320,000 Next $180,000	- 22.0	44,550 39,600
First $500,000 Next $500,000	- 23.0	84,150 115,000
First $1,000,000 In excess of $1,000,000	- 24.0	199,150

Personal tax rebate for YA 2024: 50% of tax payable (capped at $200)

Personal Income Tax Rates (Non-resident)

General Rate: 22.0% (YA 2023 and before) / 24.0% (YA 2024 onwards)

Section 40B Relief for Non-resident Employees

Tax payable on the Singapore employment income of a non-resident individual is calculated at a flat rate of 15.0% or on a resident basis, whichever results in a higher tax amount.

Central Provident Fund (CPF)

Contributions for individuals of ages 55 years or below and earning at least $750 per month.

Rates of CPF contributions (effective from 1 January 2016 onwards)

Employee	20.0%
Employer	17.0%
Maximum monthly ordinary wages (OW) attracting CPF *(until 31 August 2023)*	$6,000
Maximum monthly ordinary wages (OW) attracting CPF *(from 1 September 2023 to 31 December 2023)*	$6,300
Maximum monthly ordinary wages (OW) attracting CPF *(from 1 January 2024 to 31 December 2024)*	$6,800
Maximum annual ordinary wages (OW) attracting CPF *(from 1 January 2023 to 31 December 2023)*	$73,200
Maximum annual ordinary wages (OW) attracting CPF *(from 1 January 2024 to 31 December 2024)*	$81,600
Maximum annual additional wages (AW) attracting CPF	$102,000 less OW subject to CPF

Mandatory MediSave contributions of a self-employed person with net trade income of above $18,000.

Below 35 years of age	8.0%; $5,856 (max)
35 to below 45 years of age	9.0%; $6,588 (max)
45 to below 50 years of age	10.0%; $7,320 (max)
50 years of age and above	10.5%; $7,686 (max)

Personal Income Tax Reliefs for the Year of Assessment 2024

With effect from YA 2018, the overall personal income tax reliefs available to resident individuals, as detailed below, will be capped at $80,000.

Appendix A - Tax Rates and Allowances - Year of Assessment 2024 & 2025

Earned income

Age	Normal (able-bodied) maximum	Handicapped maximum
Below 55 years	$1,000	$4,000
55 to 59 years	$6,000	$10,000
60 years and above	$8,000	$12,000

Other reliefs

Spouse relief	$2,000
Handicapped spouse relief	$5,500
Qualifying child relief (per child) (QCR)	$4,000
Handicapped child relief (per child) (HCR)	$7,500
Handicapped sibling relief (per sibling)	$5,500
Parent relief - Staying with dependant - Not staying with dependant	 $9,000 $5,500
Handicapped parent relief - Staying with dependant - Not staying with dependant	 $14,000 $10,000
Working mother's child relief (WMCR) • First child • Second child • Third and subsequent child • Maximum cumulative WMCR • Maximum relief per child (including QCR/HCR) • First child • Second child • Third and subsequent child	% of mother's earned income For qualifying child born or adopted before 1/1/2024 15% 20% 25% 100% $50,000 For qualifying child born or adopted on or after 1/1/2024 $8,000 $10,000 $12,000
Grandparent caregiver relief	$3,000
Life insurance relief	Capped at $5,000 less CPF contributions or 7% of insured value or actual insurance premium, whichever is lowest.

Voluntary CPF contribution of self-employed	Capped at $37,740 or 37% of s10(1)(a) net trade income assessed less any trade losses from prior years or actual amount contributed by the taxpayer, whichever is lowest.
Course fee relief	$5,500 (max)
Foreign domestic worker levy relief (for the first domestic worker) Relief lapse with effect from YA 2025	$7,200 (max)
Supplementary Retirement Scheme • Singapore citizens and PRs • Foreign citizens	 $15,300 (max) $35,700 (max)
CPF Cash Top-up Relief • Below $8,000 • $8,000 or more	 Exact amount of cash top-up $8,000

National Service Man (NSman) relief

	Normal appointment	Key appointment holder
Active NSman	$3,000	$5,000
Non-active NSman	$1,500	$3,500
Wife/widow/parent of NSman	$750	$750

Question 1 – (a), (b) and (c)

Tim Wong, a permanent resident of Hong Kong worked with Woolmax Inc in Hong Kong. He has been posted to Woolmax Pte Ltd ("Woolmax"), a wholly owned Singapore subsidiary of Woolmax Inc, as its Chief Financial Officer for three years from 1 January 2023 to 31 December 2025. Tim arrived in Singapore on 1 December 2022, together with his wife and their 4-year-old son.

Tim and his wife were 40 and 39 years old, respectively, as at 31 December 2023. His wife worked part-time as a Pilates instructor and derived annual income of $7,000 in 2023. Tim's 70-year-old widowed mother lives in Hong Kong although she visited Singapore and stayed with Tim's family for 3 months in 2023. Tim gave his mother a monthly allowance of $1,000 and his mother has no income.

Tim's employment in Singapore commenced on 1 January 2023. He received the following benefits from Woolmax in the year 2023:

- Annual salary of $240,000 at $20,000 per month.

- He is entitled to a contractual bonus based on one month of his salary for each year of service in Singapore. In addition, Woolmax declared a 2-month non-contractual (non-binding) bonus on 1 December 2023. Both contractual and non-contractual bonuses were credited to Tim's bank account in Singapore on 1 February 2024.

- In addition to the above bonuses, Woolmax also paid an upfront bonus of $36,000 to Tim which was based on $12,000 per year for three years. In the event Tim terminates his 3-year employment contract prematurely, he would have to return a proportionate amount of the bonus to his employer.

- From 1 January 2023, Tim was provided with a partially furnished apartment in River Valley (Singapore) owned by Woolmax. Tim paid rent of $1,000 per month to Woolmax. The annual value of the apartment is $84,000.

- Tim was paid a monthly transport allowance of $1,000. He spent $6,000 of the total annual allowance for business travelling by taxi and $5,000 for personal travelling by taxi and other public transport.

- Tim spent $15,000 for his son's kindergarten and enrichment classes. The entire amount was reimbursed by his employer.

- Tim incurred $4,000 airfare for himself and his family for travelling to Singapore to take up the employment. In addition, Tim and his family returned to Hong Kong for Christmas and incurred airfare of $5,000. His employer reimbursed all of the airfares.

- Tim's son was hospitalized from an accident while travelling to school. Woolmax paid for the hospital bill of $2,000.

- Had Tim worked in Hong Kong in 2023, he would have had to pay tax of $60,000 (hypothetical tax) in Hong Kong. Woolmax would reimburse Tim any additional Singapore income tax that he would have to pay in excess of the hypothetical tax under the tax protection plan.

- Tim obtained a loan from OCBC Bank in Singapore to acquire a property (see "Other information" below). Total interest expense from June to December 2023 was $42,000 ($6,000 x 7 months). Woolmax subsidised 50% of the interest.

- <u>Other information</u>

  Tim remitted $200,000 of his savings from his past Hong Kong employment income to Singapore in June 2023 to partly fund the acquisition of a residential investment property at Holland Road in Singapore. He obtained a ten-year housing loan from OCBC Bank in Singapore to fund the balance of the purchase price of the property. The principal repayment and interest payment starting from June 2023, amounted to $2,000 and $6,000 per month respectively. 50% of the interest was borne by

Tim, the rest was subsidised by his employer, as mentioned above. The property was rented out for 5 months in 2023 starting from August 2023, at $9,000 per month.

Tim is considering applying for permanent resident (PR) status in Singapore as his sister is a PR of Singapore. If he decides to stay in Singapore beyond 2025, he plans to live in the Holland Road property. In the event he decides to return to Hong Kong at the end of his employment contract in December 2025, he plans to sell the property before leaving Singapore. He intends to renovate the property prior to the sale as it will by then be a bit run-down, hoping to fetch a better price.

Tim rented out his residential property in Hong Kong while he is working in Singapore. The net annual rental income of $50,000 derived in the year 2023 was remitted to his Singapore bank account in February 2024.

e-Exam Question Number	Question 1 required:
2	**(a)** Explain the objective of the tax protection plan. Indicate the Year of Assessment in which Tim's additional income tax for Year of Assessment 2024 reimbursed by his employer in 2024 is to be taxed. **(2 marks)**
3	**(b)** Prepare Tim's Singapore income tax computation for the Year of Assessment 2024. Where certain items are not taxable (or exempt) or not deductible (or claimable), please state so. Tim wishes to minimise his income tax liability. **(17 marks)**
4	**(c)** Advise Tim whether any gain on sale of the property in Singapore is a capital or revenue receipt, should he decide to sell the property prior to returning to Hong Kong. You should apply the badges of trade in your advice. **(6 marks)** **(Total: 25 marks)**

Question 2 – (a) and (b)

Sintex Pte Ltd (SPL) is a company incorporated in Singapore in 2005. It is a Singapore resident company and is GST-registered. It is in the business of manufacturing computer components and peripherals. It has 100 employees.

SPL's Profit and Loss statement for the financial year ended 31 December 2023 is as follows:

	(S$)	Notes
Revenue	10,170,000	
Less: Cost of sales	(6,920,000)	1
Gross profit	3,250,000	
Add: Other income		
- Dividend income from subsidiary	10,000	2
- Net interest income from related company	4,500	3
- Fire insurance payout	200,000	4
- Rental income	240,000	5
Less: Operating expenses		
- Audit fees	(20,000)	
- Depreciation	(500,000)	
- Foreign exchange loss (net)	(1,000)	6
- Insurance	(85,000)	7
- Interest expenses	(17,000)	8
- Medical expenses for staff	(10,000)	9
- Professional fees	(32,000)	10
- Renovation expenses	(93,000)	11
- Miscellaneous expenses	(510,000)	12
- Salaries and statutory CPF	(1,500,000)	
- Travelling expenses	(50,000)	13
Net profit before tax	**886,500**	

Notes:

1) Included write-off of stocks destroyed in a fire of $250,000. The amount was before deducting the fire insurance payout mentioned in Note 4 below.

2) The foreign dividend income was derived from SPL's wholly owned subsidiary in Country X. The dividend was used to settle an amount owing to SPL's trade supplier in Country X in 2023. Country X's prevailing corporate income tax rate during the year 2023 was 30%. The dividend was paid out of after-tax profits of the subsidiary. There is no dividend withholding tax in Country X. Country X has no tax treaty with Singapore.

3) The net foreign interest income was derived from a loan extended by SPL to its related company in Country Y. The interest was used to acquire equipment in January 2023 and the equipment was shipped to Singapore in February 2023. The interest has been subject to 10% withholding tax in Country Y and the net amount stated in the accounts is after deduction of the foreign withholding tax. Country Y's corporate tax rate is 12% in 2023. Country Y has a tax treaty with Singapore.

4) The fire insurance payout was in relation to the loss of stocks destroyed in a fire as mentioned in Note 1.

5) Rental income was from sub-letting part of the office premises. The sub-let area comprised 10% of the total floor area of the office.

6) Included unrealised exchange gain of $2,000 on revaluation of investment in subsidiary in Country X, and unrealised exchange loss of $3,000 on revaluation of loan to related company in Country Y (see Notes 2 and 3).

7) Insurance comprised the following:
   - Fire insurance premium for entire office premises, of which 10% of the floor area was rented out as mentioned in Note 5: $50,000
   - Medical insurance: $35,000

8) The following interest expenses were incurred on loans used for the following purposes:

- $10,000 for the construction of the factory premises (see Note 14).
- $4,000 to acquire shares of the subsidiary in Country X (see Note 2).
- $3,000 to on-lend to related company in Country Y (see Note 3).

9) SPL has provided portable medical benefits to its employees.

10) Professional fees comprised the following:

- Tax compliance fees: $12,000
- Tax appeal fee relating to a dispute with the tax authority on SPL's industrial building allowance claim: $5,000
- Due diligence on setting up of factory in Batam, Indonesia: $15,000

11) Renovation included the following:

- Installation of new sanitary fittings for the office premises for SPL's own use (that part of the office rented out has separate toilets): $90,000

  The first time SPL carried out renovation works to its office was in 2021, during which qualifying expenditure of $240,000 was incurred.

12) Miscellaneous expenses included the following:

- Cash donations to Red Cross Society, an approved Institution of a Public Character: $2,000
- Donations of mooncakes to senior activities centres: $1,000
- Loss on disposal of delivery van: $10,000

  The van was acquired from a related party in the year 2020 at a net book value of $50,000. The related party acquired the van in 2018 at a cost of $60,000 and claimed maximum capital allowance. Section 24 had been elected on the acquisition from the related party. SPL sold the van to an unrelated party at a sale proceed of $15,000 in the year 2023.

13) Travelling expenses included the following:

- Transport allowance to senior staff to defray their private car expenses: $20,000
- Airfares for staff to participate in overseas trade fairs which qualify for further deduction: $7,000

Fixed assets reflected in the balance sheet as at 31 December 2023 included the following:

Description	Year in which the asset was purchased	Cost (S$)
Factory premises (Note 14)	2009	700,000
Machinery (Note 15)	2021	50,000
Equipment (Note 15)	2022	120,000
7 office chairs costing $4,500 each	2023	31,500
Computer hardware and software	2023	20,000

14) The factory's construction was completed in 2009, and the factory was put to use in the same year for manufacturing. The cost relates entirely to the construction of the factory, excluding the office premises which is in a separate building.

15) Not prescribed automation equipment for purpose of capital allowance claim.

SPL has always been in a tax-paying position and has therefore, always maximised the claim of capital allowances and special deduction.

e-Exam Question Number	**Question 2 required:**
5	**(a)** Explain whether the foreign dividend income from Country X and foreign interest income from Country Y (under Note 2 and 3) have been received/deemed received in Singapore in Year of Assessment (YA) 2024. In addition, explain whether the dividend and interest income qualify for any **double taxation relief(s),** state the **qualifying conditions** and **consider whether the conditions are met**. **(8 marks)**
6	**(b)** Prepare the Singapore corporate income tax computation for SPL for YA 2024. Show all workings. Where certain items are not taxable (or exempt) or not deductible (or claimable), please state so. In arriving at the above, maximise the possible reliefs and make the most beneficial claim of capital allowances. **(25 marks)** **(Total: 33 marks)**

<u>Question 3 – (a), (b), (c) and (d)</u>

Pharmax Private Limited ("PPL") is a company incorporated and resident in Singapore that is in the business of manufacturing pharmaceutical products. PPL has an annual revenue of about $200 million in 2023. PPL is part of the Pharmax group and the group's annual revenue in 2023 is about $400 million (including PPL's revenue).

PPL entered into the following transactions with a (third-party) foreign company, GenCo, during the year 2023:

(i) PPL paid an annual license fee of $120,000 to GenCo for the use of <u>Patent A</u> owned by GenCo. The patent is pertaining to PPL's manufacturing of existing products.

(ii) PPL rented a specialised equipment from GenCo. The equipment was used to apply the technology patented by GenCo for PPL's manufacturing process. An annual rental payment of $100,000 was made to GenCo.

(iii) GenCo sent two employees to Singapore to provide advice and guidance on the maintenance and servicing of the equipment. The employees were in Singapore for one week and GenCo charged a fee of $9,000.

Where withholding tax is applicable, such tax will be borne by the foreign company (i.e. GenCo).

GenCo is a resident of Hungary for tax purposes, and does not have any business operations in Singapore except for the services performed by the two employees over a period of one week in January 2023.

PPL acquired <u>Patent B</u> from a non-related company in Singapore. The new patent would allow PPL to manufacture certain new products to combat new strains of viruses. PPL paid $700,000 to acquire Patent B in 2023.

In addition, PPL paid $50,000 to the relevant authority to register Patent B. PPL is the legal and economic owner of Patent B.

PPL derived adjusted trade profits of $10 million in the financial year ended 31 December 2023 and expects to derive similar or more profits in the next 5 years.

The financial controller of PPL is aware of the Enterprise Innovation Scheme (EIS) and that the company may possibly claim enhanced deductions/writing down allowance on the patents. He was told that the company can even claim a 20% cash payout under the EIS.

The relevant extracts of the Singapore – Hungary tax treaty are as follows:

*"**Article 5 – Permanent Establishment***

1. *For the purposes of this Agreement, the term "permanent establishment" means a fixed place of business through which the business of the enterprise is wholly or partly carried on.*

2. *The term "permanent establishment" shall include especially:*

   a) *A place of management;*
   b) *a branch;*
   c) *an office;*
   d) *a factory;*
   e) *a workshop; and*
   f) *a mine, oil well or gas well, a quarry or other place of extraction of natural resources*

3. *The term "permanent establishment" also includes:*

   a) *a building site or construction or assembly or installation project, but only if it lasts more than 12 months;*

b) *the furnishing of services, including consultancy services, by a resident of Contracting State through employees or other personnel engaged by the enterprise for a period or periods aggregating more than 6 months within any twelve-month period.*

Article 7 – Business Profits

1. *The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.*

2. *…, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment..*

Article 12 – Royalties

1. *Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.*

2. *However, such royalties may also be taxed in the Contracting State in which they arise and according to the laws of that State, but if the recipient is the beneficial owner of the royalties, the tax so charged shall not exceed 5 per cent of the gross amount of the royalties….*

3. *The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work (including cinematograph films, and films or tapes for radio or television broadcasting), any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.*

…

5. *Royalties shall be deemed to arise in a Contracting State when the payer is a resident of that State...*

…”

e-Exam Question Number	**Question 3 required:**
7	**(a)** Considering <u>ONLY</u> the Singapore domestic income tax law, discuss the Singapore withholding tax implications <u>and</u> filing requirements which would arise on the 3 transactions (i), (ii) and (iii) stated in the case above, and calculate the amount of withholding tax which would be applicable for each transaction. Show calculations/workings, where relevant. **(6 marks)**
8	**(b)** Evaluate if your answers to **Question 3(a)** above would change under the Singapore – Hungary tax treaty and recompute the withholding tax payable, if applicable. In your explanation, make reference to the relevant Articles in the Singapore – Hungary tax treaty. **(5 marks)**
9	**(c)** Explain whether PPL meets the conditions under the Enterprise Innovation Scheme (EIS) to claim enhanced deductions and/or writing down allowance (WDA) on the licensing, acquisition and registration of patents. In addition, advise whether it would be beneficial for PPL to claim the 20% cash payout under the EIS. You need <u>NOT</u> discuss the claw back provisions. **(6 marks)**
10	**(d)** Regardless of your answer to Part (c) above concerning the claim of cash payout, assume that **<u>no cash payout</u>** has been claimed in Part (d). Compute the **<u>maximum</u>** base and enhanced deductions and/or writing down allowance (WDA) to be claimed by PPL in Year of Assessment 2024 under the EIS. Show workings and breakdown on the computation of base and enhanced WDA. **(3 marks)** **(Total: 20 marks)**

<u>Question 4 – (a) and (b)</u>

Jeremy Mah, an individual with high net worth, has obtained permanent resident status in Singapore in 2023. Having settled down in Singapore, he incorporated a Singapore company, SingCo Private Limited ("SingCo") in December 2023 with the intention to use the newly incorporated company as a vehicle to acquire Singapore companies in the business of data management and provision of data security services. SingCo is equally owned by Jeremy and his wife.

After doing his research and due diligence, Jeremy has identified CosCo Private Limited ("CosCo"), a Singapore company in the business of data management and provision of data security services. CosCo has been registered for GST since its incorporation in 2000.

CosCo is wholly owned by a Singapore incorporated company, HoldCo Private Limited ("HoldCo") since its incorporation. HoldCo is in turn wholly owned by its founder, Tan Beng Heng (TBH). As TBH has no successor to his business and intends to retire, he planned to sell his business interests to Jeremy. The following options were considered for SingCo to either acquire the shares in CosCo or acquire the business of CosCo. The proposed transaction was expected to take place in August 2024.

Option 1
HoldCo would sell 80% of its shareholding in CosCo to SingCo for $5 million. CosCo has 20 employees and has incurred an unabsorbed trade loss of $90,000 in the financial year ended 31 December 2023.

Option 2
CosCo would transfer its business and assets to SingCo for $5 million. CosCo's assets as at 31 December 2023 comprised mainly trade receivables, office furniture and equipment, and a non-residential property. The property has not been subject to Industrial Building Allowance and Land Intensification Allowance claim.

The transfer of business does not constitute a qualifying amalgamation.

Jeremy is aware of the merger and acquisition (M&A) scheme in Singapore. He would like to know whether the scheme could apply to the two options.

e-Exam Question Number	Question 4 required:
11	**(a)** Advise the relevant companies on the following under Option 1: **(i)** Singapore income tax implications on any gain on disposal of shares derived by HoldCo, CosCo's unabsorbed trade loss and whether SingCo qualifies for the M&A scheme. (8 marks) **(ii)** GST implications on the transfer of shares in CosCo. (1 mark) **(iii)** Stamp duty implications on the transfer of shares in CosCo. (2 marks) **(11 marks)**
12	**(b)** Advise the relevant companies on the following under Option 2: **(i)** Singapore income tax implications on the transfer of assets from CosCo to SingCo and CosCo's unabsorbed trade loss. (7 marks) **(ii)** GST implications on the transfer of assets from CosCo to SingCo. (3 marks) **(iii)** Stamp duty implications on the transfer of non-residential property. (1 mark) **(11 marks)** **(Total: 22 marks)**

END OF PAPER