

SINGAPORE CA QUALIFICATION (FOUNDATION) EXAMINER'S REPORT

MODULE: Singapore Taxation (TXF)

EXAMINATION DATE: 20 June 2025

Section 1

General comments

The examination format remained broadly similar; a restricted open-book format with an Appendix containing information relating to tax rates, rebates, personal reliefs, and allowances. In addition, Candidates were allowed to bring one (1) A4-sized double-sided cheat sheet and a blank scratch paper to the examination.

The following were noted for the current cohort:

- Most Candidates attempted all four (4) questions, although the essay-type questions remain poorly attempted. Candidates' performance on computational questions like **Q1(a)**, **Q2(a)**, and GST was mostly competent. However, answers also showed gaps in Candidates' basic knowledge and understanding of those taxes.
- Performance for the qualitative question **Q4(b)** was rather poor with low pass rates for the Jun 2025 paper. The Examiner would like to emphasise that qualitative questions (including short essay-type questions) seek to test Candidates' ability to apply the relevant tax rules and concepts to the case scenario posed. Simply regurgitating the conditions and rules in their answers is not sufficient. Candidates must apply the rules and conditions to the information provided to explain how those rules and conditions are met or not in the scenarios posed.
- Many Candidates have incorporated workings in their answers, making it easier for markers to award marks for the correct application despite careless computational or transposition errors.

Candidates are reminded to prepare well for the examination through reading, comprehending, and applying the relevant sections from i) the Income Tax Act and associated regulations applicable to the TXF syllabus, ii) the Goods and Services Tax Act and related regulations, and iii) the Inland Revenue Authority of Singapore (IRAS) e-Tax guides.

There is much tax-related information in the public domain (for example, the IRAS website). Sieving through all the information available can be overwhelming, especially when taxation is not part of the daily work routine. Attending tax courses will help alleviate some of the stress of understanding this information and bridge any gaps in your tax knowledge. If the self-study route is taken, please ensure that your tax knowledge is current by checking the IRAS website.

Candidates must also put in enough time and effort to reinforce and clarify their understanding. Please avoid rote learning as much as possible. Before cross-checking the suggested solutions, past-year examination questions should preferably be attempted independently. This is especially important for Candidates who are switching from a non-accounting background.

Candidates are also reminded to seek to learn and understand all areas of taxation covered in the syllabus. The examination tests Candidates' understanding and ability to **apply** their tax knowledge. In our bid to be good tax preparers, professional accountants, consultants, or key business decision-makers, a solid foundation and clear understanding of the rules will help us avoid costly mistakes or make inferior decisions. We should strive to understand the principles of what we are doing instead of merely carrying out our tasks mechanically and by rote.

Candidates are strongly encouraged to explore the IRAS website and make good use of the resources available. For instance, Candidates can improve their knowledge by undertaking the free online courses offered by IRAS at <https://elearn.iras.gov.sg/iraslearning/content/iras/startpage/index.aspx#>.

Section 2

Analysis of individual questions

Question 1

Question 1 is a 2-part question with the main question centred on the determination of the net chargeable income of a company tax resident in Singapore, including a minor question related to the withholding tax implications arising from one of the payments made by the company.

Part (a)

Almost all Candidates prepared the corporate tax computation in the correct format to arrive at adjusted trade profit, and many Candidates scored well on this question part. Most Candidates were able to perform the correct treatment of Section 14N deductions on qualifying renovation and refurbishment expenses .

Candidates were also tested on their ability to apply the provisions given under Section 14R to allow for the deduction of pre-commencement expenses. Most Candidates wrongly claimed deduction of the expenses in the extended pre-commencement period as unabsorbed losses brought forward from YA 2024. This is incorrect as the company had not commenced its business in YA 2024.

This question tested Candidates' understanding of tax principles and rules relating to the taxation of income from various sources (trade vs non-trade sources) and deductibility of expenses (in general and against the respective income source), including special deductions and capital allowances claims.

Although most Candidates could generally determine the taxability of the various receipts and deductibility of most expenses given in the question, many faltered on the following adjustments:

Receipts

- Some Candidates omitted the exchange gains arising from purchase of equipment to arrive at the final taxable income.
- Inclusion of the corporate income tax grant which is not taxable.

Expenses

- Lack of identification of interest expense, property tax and other expenses relating to the letting out of excess premises. Such expenses are not incurred to generate taxable income from carrying on a trade or business but to generate rental income.
- Exclusion of the expenses incurred to obtain additional business premises as deductible expenses.
- Inclusion of expenses incurred on hiring of passenger motor cars used in Singapore as deductible expenses.

Special deductions

- Some Candidates claimed Section 14N deduction on cabinets and fire sprinklers when the functional role these assets perform should qualify them as plant and machinery for capital allowances claim.
- Some Candidates continue to wrongly treat Section 14N deduction as part of capital allowances.
- The capital expenses incurred in the pre-commencement period including the extended period, should be considered for deduction in YA 2025 when business commenced. This is allowed under Section 14N(4) in respect of qualifying renovation or refurbishment expenses incurred in the pre-commencement period

Capital allowances

- As the trade/business commenced in financial year 2024, capital allowance claim will commence from YA 2025. Thus, capital allowances on the assets acquired in financial year 2023, including the costs of shelves written off to P & L A/C, will commence to be claimed in YA 2025.
- The qualifying cost of the scales, dichroscopes, polariscopes, etc. should be \$26,000 as the exchange gain of \$8,000 should be taken into consideration.

Non-trade income

- The interest and rental income are taxable, and the expenses incurred in relation to the area leased out should be deducted from taxable rental income. While many Candidates made adjustments to exclude interest expense, property tax and other property expenses from adjusted profit, many also forgot to deduct the same expenses from gross rental income.

Chargeable income

- Exempt income should be claimed under the partial tax exemption scheme as the company does not have any shareholder that is an individual.

Part (b)

This question part tested Candidates' understanding and knowledge of the deeming provisions under Section 12(6).

Despite the interest being paid to a non-resident company, withholding tax is not applicable as the withholding tax requirement is excluded under Section 45(9)(c); the non-resident company is a branch operating in Singapore.

Question 2

Question 2 is also a two-part question with part (a) requiring Candidates to compute the tax liability of a tax resident individual who derived Singapore-sourced income from three activities – employment, letting of his investment properties and interest income. Part (b) required Candidates to address the actions that a taxpayer may take in the event they do not agree with adjustments made by Comptroller of Income Tax.

Most Candidates could answer **part (a)** competently although the following errors were noted in their answers:

Employment income

- Some Candidates did not know how to determine the taxable benefit arising from accommodation provided to employee using company-owned property. As there is no rental payable to third-party landlords, the annual value of the property will be used as a proxy to ascertain the taxable benefit. Since the accommodation is fully furnished, the taxable benefit will be equivalent to 150% of the annual value of the property. The rental paid by the taxpayer to his employer should be deducted from the gross taxable value to reflect the net cost incurred (or net opportunity cost borne by the employer in the provision of the benefit).
- Many Candidates wrongly claimed car expenses as deductible, which is incorrect as it is prohibited under Section 15. Some Candidates failed to claim a deduction

of chauffeured private hire cars, which is permissible as such cars are viewed as taxis.

Rental income

- Many Candidates did not seem to register that Property #3 is located outside Singapore and thus, the rental income is foreign sourced. Accordingly, the foreign rental income will be tax exempt when remitted back to Singapore. Many Candidates subjected the foreign income to tax.

Donation and Personal relief

- The donation made for the charity's international program does not qualify for deduction as the beneficiaries of the donation are not Singaporeans.
- Child relief is not available on the eldest child, Elijah, he was not studying full time for any period in the basis period.
- Many Candidates omitted to claim CPF relief despite it being stated that the individual and his employer made CPF contributions within the statutory limits.
- NSman Parent relief is not available to the individual as he is not a Singapore citizen. In any case, the taxpayer can only claim one type of NSman relief – either for himself or as a parent to a NSman.

Part (b)

Many Candidates did not seem to be aware of the deadline for lodging an objection to adjustments made by Comptroller. Candidates should note that in addition to lodging an objection within the deadline set by legislation, taxpayers should also ensure settlement of the disputed tax within the payment deadline to avoid imposition of late payment penalties.

Question 3

The GST analysis of transactions given in the question was mostly well-attempted. Most Candidates could answer in the format required. To be clear,

- The three columns under "Value of Supply" are meant to capture values relating to sales or income received by the GST-registered trader. Thus, where the output tax is \$0, there should be a value of supply under columns marked "ZR" or "EX" or insert "OS" (out of scope supply made) or "NS" (no supply made) under the column marked "Others".
- The "Value of Taxable Purchases" is meant to capture the value of supply in respect of purchases made where the input GST is claimable. Where the input GST is not claimable, you need to explain why there is no input tax claim by denoting under the column marked "Others" as follows:

- “EX” for purchases exempted from GST, e.g., transaction (ix) – interest paid to OCBC Bank.
- “EXS” for purchases where the input tax credit is not allowed as the purchase was made to generate sales exempted from GST.
- “BL” for blocked input tax claim.
- “NS” where there is no supply in respect of the payment made.
- “OS” where the purchase is out of scope.
- “ZR” where the purchase qualifies for zero-rating, e.g. transaction (xi-2) – bad debt relief on an export sale.

It is stated in the opening paragraphs that all expenses, sales and income values given are exclusive of GST. However, where reference is made to cash received/recovered or cash paid, the amounts given would be inclusive of GST (this corresponds to our own personal experience making payments to vendors/suppliers).

The following errors were noted:

- Many Candidates did not seem to be aware that the value of supply in respect of goods imported to Singapore includes freight and transport charges even if these charges qualify for zero rating.
- Some Candidates did not seem aware that input tax in respect of expenses relating to passenger motor cars are blocked from input tax claim.
- Some Candidates did not seem aware that input tax in respect of medical expenses is blocked from input tax claim.
- In respect of stocks written off due to spoilage (e.g, termite infestation), there is no supply of goods and services as there is no actual sale of goods nor are the goods given away or put to private use at no charge.
- The stocks written off following their installation at the director’s residence give rise to a deemed supply as business goods are given away at no charge. Thus, output tax needs to be accounted on the market value of the stocks given away. Many Candidates did not consider deemed supply in their answers.
- The legal fees paid to a foreign law firm constitute the import of services; thus, a reverse charge is applicable. Many Candidates did not seem to be able to recognise this transaction as an import of services and thus did not apply a reverse charge.

Question 4

The last question comprises two parts, with **part (a)** requiring Candidates to compute the adjusted profits and divisible profits for a partnership. **Part (b)** required

Candidates to determine if loss items arising from partnership business and which are brought forward from previous years can be utilized in YA 2025.

Part (a)

Most Candidates could work out the partnership computation in **part (a)** to varying degree of accuracy. The following errors are noted:

- Only the interest income from the bank deposit placement is non-trade income to be removed from accounting net profit. The other two receipts are income derived from the partnership business in design and construction. The bespoke furniture sold constitute sale of trading stocks and not fixed assets.
- The car expenses totalling \$10,000 are not deductible as it is prohibited under Section 15 of the Income Tax Act. Of this amount, \$2,400 represents partner's appropriation for personal expenses. Many Candidates did not seem to be able to make a distinction between business related and private expenses.
- Some Candidates omitted to adjustments required of interest paid on capital contribution.
- Of the payment made to the corporate partner, only the sponsorship represents partner's appropriation as it is not a business-related expense. Many Candidates wrongly treated the charge for accounting and administrative support as partners' appropriation. As the corporate partner is providing services in return for remuneration of \$180,000; the charge should be a business-related expense and hence deductible.
- The entertainment allowance of \$12,000 given to Queenie should be treated as partner's appropriation. The actual amount spent by Queenie on business entertainment will be claimed for deduction by Queenie in her tax return.
- Only the medical and dental expense incurred on employees is subject to the capping limits imposed under Section 14. Queenie's medical expenses are to be treated as partner's appropriation.

The answers submitted under **part (b)** were mixed. Many Candidates did not do well in this part as they did not provide detailed analysis such as including comparison dates, the identification of the common shareholders, etc.

Most Candidates did not understand the concept of the shareholders' test. One of the loss items comprised unabsorbed capital allowances of \$26,000 which requires the business continuity test to be satisfied in addition to the shareholders' test. The business that gave rise to the unabsorbed capital allowances is the partnership business of design and construction of bespoke projects. Thus, to utilize the allowances in YA 2025 the corporate partner must continue to remain a partner and receive allocations of profits from the partnership.