SINGAPORE CA QUALIFICATION EXAMINER'S REPORT

MODULE: Taxation (TX)

EXAMINATION DATE: 10 December 2021

Section 1
General comments

From the Candidates' responses to the questions, most Candidates were generally able to handle questions with topics such as (i) intellectual property and research and development claims; (ii) Sections 13(8) and 13(12) requirements for the treatment of foreign sourced income; (iii) tax treatment of trusts; and etc. Nonetheless, it was clear that some Candidates did not have a full grasp of the concepts of the topics covered, and were unable to answer every part of the question well. For certain questions that required application of the technical concepts to case scenario – such as Questions 1(e), 2(b), 2(d), 3(c) and 3(e), Candidates were unable to identify the issues and hence did not perform well. Candidates were generally more comfortable in handling straightforward questions that did not require applications.

For the computational questions, majority of the Candidates were able to score well on certain parts but many lacked the ability to gather maximum marks for all parts due to lack of technical understanding and/ or carelessness.

Lastly, Candidates were expected to score well given that the exam is open book. A handful of Candidates did not score well for qualitative questions as they did not read the requirements of the question carefully, and were unable to tailor their responses to the marks awarded to each part of the question.

Section 2
Analysis of individual questions

Question 1

Overall, this was the best performing question for this exam paper. This question dealt with intellectual property and research and development claims.

Most Candidates had a fair understanding of the topic and **parts (a) and (d)** were well attempted. **Parts (b) and (c)** are computational questions where some Candidates were not able to score maximum marks due to various mistakes made in components of the question and computational errors. However, majority of the Candidates scored fairly well for the questions.

Part (d) was a relatively straightforward theoretical question which most candidates were able to answer. **Part (e)** – an application question was however done poorly. Many candidates were not able to identify the tax issue in the question, and did not score any marks.

Question 2

This was the worst-performing question for this paper.

Parts (a) and (b) of the question were poorly done and even though most Candidates were able to score some marks – very few Candidates were able to score full marks due to poor conceptual understanding and / or inability to interpret the tax treaty clause provided. Candidates did not appear to understand the interaction between the treaty clauses, the Section 13Z rules, and the normal rules (badges of trade) that apply to gains / losses arising from the disposal of shares. In general, **part (b)** was fared very poorly.

Part (c) of this question dealt with withholding tax calculation and computation of the relevant penalties on late payment. While most Candidates were able to score marks on the withholding tax calculation, many were not able to calculate the applicable penalties correctly.

Part (d) was also poorly fared. Candidates were asked to propose how the withholding tax penalties could be mitigated and it was surprising many of the Candidates did not seem to be aware of the Voluntary Disclosure Scheme.

Question 3

This was the second-best performing question for this paper. Candidates did relatively okay and were able to answer **parts (a) and (b),** but most provided responses that were not complete and hence were not able to score the full marks.

Part (c) was a qualitative technical question, and many Candidates were not able to grasp the issues contained in the question fully. They were not able to answer parts of the question, and many did not score well for this question.

The computational question on M&A allowance in **part (d)** was generally well answered, and Candidates were able to score the allocated marks.

Part (e) was a qualitative question on the taxability of foreign income where Candidates should have easily identified the tax issue and would have been able to obtain the answer given the exam was an open book. A number of Candidates had shown poor exam skills by not reading the requirement of the questions and taking note of the marks allocated so as to have a sense of the level of details required in their response. Many Candidates lost marks by mentioning the relevant scenario in the IRAS e-tax guide and not specifying the details of the scenario.

Question 4

For **part (a)** on the taxation of trusts, many candidates were able to score marks for the qualitative question, but the computational question was not well attempted. Most Candidates could not score full marks for a relatively straightforward computational question and fared poorly for this question.

Parts 4(b) to (e) related to the GST treatment of exempt supplies and partially exempt trader. The questions were broadly well-answered. Even so, a number of Candidates did not have a full grasp of the topic and were only able to score partial marks, and not many Candidates were able to score full marks for the questions.