

## SINGAPORE CA QUALIFICATION EXAMINER'S REPORT

**MODULE:** Taxation (TX)

**EXAMINATION DATE:** 9 December 2022

### **Section 1**

#### **General comments**

From the Candidates' responses to the questions, Candidates scored better for more familiar/ common topics such as tax exemption of foreign-sourced income, income tax computations of individuals and tax implications arising from a partnership.

However, where the question was more qualitative or open-ended, such as those which required the Candidates to explain the potential tax implications arising from a certain transaction, Candidates did not score that well on those.

Candidates also performed poorly on non-income tax topics, such as GST, transfer pricing and international tax. Candidates either did not attempt the question or provided responses that were not relevant to the requirements of the question.

### **Section 2**

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

##### **Question 1**

This question covered residency, taxation of foreign-sourced income and the potential implications when such income is remitted/ deemed remitted. While **part (a)** was mostly well responded, a number of Candidates confused the concept of tax residency with the permanent establishment. Furthermore, while discussing the tax benefits that were available only to a Singapore tax resident, some Candidates also erroneously indicated group relief, tax incentives and partial tax exemption.

Candidates performed fairly well for **part (b)**, although some indicated erroneously that the conditions for tax exemption were not met in the case of Vietnam due to the incentive. Many Candidates also confused the subject to tax condition with the headline tax rate.

It was surprising that many Candidates left out the partial tax exemption in the tax computation for **part (c)**. Lastly, **part (d)** which required Candidates to brainstorm alternatives to the present structure, and therefore more open-ended, was not well attempted.

##### **Question 2**

Overall, Candidates performed the best in Question 2.

**Part (a)** was well attempted, with 90% of the Candidates able to split the computation of the adjusted loss into the relevant periods. Also, most of the disallowed items were correctly identified.

Candidates also handled **part (b)** fairly well, with most being aware of the 15% deemed expense concession available on rental income and its relevant application. However, most Candidates erroneously included earned income relief in their computation.

While most of the Candidates could identify the relevant implications required in **part (c)**, many did not include supporting numbers to the concepts.

### Question 3

Overall, question 3 was not well attempted, presumably because it was a question relating to non-income tax concepts. Some Candidates lost marks in **parts (a) and (b)** as they were unable to identify the safe harbour rule relating to related party services and/ or failed to tax the cost-plus margin.

The GST question in **part (c)** was also poorly answered – many could cite the criteria for GST registration but failed to apply the condition to the facts and did not state categorically whether SG Co was required to register for GST purposes. Also, many of them could not identify the potential alternative to reduce compliance GST burden within the group.

**Part (d)** was the best-answered sub-question here where most Candidates were able to state that SG Co was able to claim writing-down allowances, its basis to do so and the relevant conditions.

The responses to **part (e)** were mixed. Many Candidates could correctly identify the relevant incentive (and went on to explain the features of the incentive), but a significant number of Candidates also incorrectly mentioned R&D deduction claims. Lastly, many Candidates were aware of Pillar Two and its potential impact on the incentive.

### Question 4

Candidates were generally able to tackle **part (a)** and correctly identified the tax implications arising from transfer of cash and trade receivables, and stamp duty issues.

As for **part (b)**, most Candidates performed well in explaining the income tax procedures but performed less favourably for the GST procedures with many not even addressing this. Candidates also failed to discuss the tax implications which could arise on the liquidation proceeds.

**Part (c)** was not well attempted. Many Candidates either did not attempt the question or indicated concepts relating to individual tax exiting Singapore rather than withholding tax requirements of the Singapore company.