

SINGAPORE CA QUALIFICATION (PROFESSIONAL) EXAMINER'S REPORT

MODULE: Taxation (TX)

EXAMINATION DATE: 23 June 2023

Section 1

General comments

From the Candidates' responses to the questions, Candidates scored better for more familiar/ common topics such as deemed remittance of foreign-sourced income, badges of trade and GST schemes.

However, where the question was more qualitative or open-ended, such as those which required the Candidate to explain the potential tax implications arising from a certain transaction or compare the tax differences between two options, Candidates did not score that well. In particular, Candidates who did not perform well failed to provide an explanation/ elaboration for their answers.

Candidates also performed unsatisfactorily on the non-income tax topics, especially stamp duty and the interaction of domestic tax and international tax. Candidates either did not attempt the question or provided responses that were irrelevant to the questions asked.

Section 2

Analysis of individual questions

Question 1

This question required Candidates to consider the availability of group relief (GR) and carry-forward and carry-back relief for tax loss items. **Part (a)** was the best-performing sub-part of this question.

A significant number of Candidates were confused between the requirements for GR and conditions for carry-forward of unabsorbed capital allowances (UCA) and unabsorbed trade losses (UTL). Accordingly, some Candidates did not manage to appropriately identify the group for GR purposes. Also, Candidates mentioned that the same trade test applied to both unabsorbed UCA and UTL.

In **part (d)**, most Candidates correctly identified Section 13W, but most did not cover the scenario if the exemption did not apply. Also, while many Candidates indicated the correct stamp duty and GST implications, most did not provide additional reasoning or indicate whether it was applicable to the seller (which was required in the question).

Overall, Question 1 was the best-performing question of this paper.

Question 2

Question 2 is a corporate income tax computation question. However, Candidates did not score particularly well for this question, perhaps due to the fact that this computation was to be prepared on an investment holding basis. Candidates were probably unsure of the tax treatment and the need to attribute deductible expenses to all income sources.

For **part (a)**, many Candidates were able to quote Section 10(25) but many also failed to apply the relevant sections to the facts of the case.

For **part (b)**, many Candidates either did not answer or erroneously answered the question on tax treatment of the expenses that were attributable to foreign-sourced income.

The GST question in **part (c)** was the lowest-performing part of this question. A number of Candidates could cite the criteria for GST registration but failed to apply the condition to the case facts and did not state categorically whether SG Co was required to register for GST purposes and if so, the reasons for indicating so.

It was surprising that many Candidates were confused over the applicability of stamp duty on the sale of industrial property, and instead cited stamp duty for the sale of residential property in **part (d)** of the question.

Question 3

Overall, the scores differed across the different sub-questions.

Parts (a) and **(b)** required Candidates to comment on domestic income tax concepts. However, most Candidates went straight to applying the treaty concepts without commenting on the domestic income tax concepts.

As a result, some Candidates lost marks for **part (a)**. **Part (b)**, which tested treaty application, was mostly well-answered, with most Candidates being able to answer the questions in full. The common (albeit minor) mistake related to indicating the incorrect submission date for the Certificate of Residence.

Part (c) was the worst performed part of this question. Candidates, on average, failed despite this question being a factual question. Many simply answered that a subsidiary was taxed as a tax resident and a branch was taxed as a non-resident without further elaboration. Some Candidates also erroneously mentioned that the Singapore branch would be taxed at China's corporate tax rate.

Question 4

This is the paper's weakest-performing question, including its sub-parts.

Candidates were generally able to handle **part (a)** partially but failed to elaborate further on the difference in tax attributes between employment income and income from a trade / profession, which resulted in the loss of marks.

Part (b) was an individual tax computational question. Candidates were generally able to get some or most of the computations correct up to the Assessable Income amount, but none were aware of the deemed expense concession for the commission income. With regards to personal reliefs, Candidates were generally able to get full credit for earned income, NSman and parent reliefs. However, few of them managed to calculate the amount of CPF relief correctly, as many had wrongly capped the OW amount. Accordingly, few or no Candidates managed to compute the final tax payable correctly.

As for **part (c)**, most Candidates could correctly comment that allowances are taxable in full, and reimbursements are non-taxable. However, many Candidates did not elaborate on their answers and compare the tax implications from the company's perspective and individual's perspective as requested by the question. Also, some Candidates did not provide a conclusion as to which option was more beneficial.