

## SINGAPORE CA QUALIFICATION EXAMINER'S REPORT

**MODULE:** Taxation (TX)

**EXAMINATION DATE:** 11 June 2021

### **Section 1**

#### **General comments**

From the Candidates' responses to the questions, Candidates were only familiar with common topics that involve standard individual and corporate tax computation (for example in Questions 1(b) and 3(a)). In addition, Question 4(a) on the application on tax treaty was also generally well answered.

It is noted that for certain parts of computational questions which are less straightforward, such as the computation of foreign tax credits, the tax treatment of clubs and associations, the tax treatment of investment holding companies and companies in the business of making investments. Candidates were unable to handle the question and scored poorly. A majority of Candidates were unable to identify a company which is in the business of making investments. It is expected that they should be able to do so at the Professional level.

For questions that require Candidates to apply the tax concepts and propose tax solutions, many Candidates were not able to grasp the tax issues and were not able to answer the questions, such as, Questions 2(b) and 3(c).

For the remaining questions that test the Candidates on theoretical knowledge, Candidates were expected to score well given that the exam is open book. However, they did not do well, and it appeared that many of them were not able to answer sufficiently according to the marks awarded in the question.

### **Section 2**

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

##### **Question 1**

This question deals with personal income tax. Overall, the majority of Candidates were able to score well for **Parts (a) and (b)** of the question. However, it was surprising that there were a number of Candidates who were not able to identify the concessional tax treatment for **Part (a)**.

Candidates did not score well for **Part (c)** of the question as many did not seem to be familiar with the tax treatment of share awards, especially in the situation where the individual has left his Singapore employment.

Candidates did not score well for **Part (d)** and the Candidates feedback that the topic is uncommon. Many Candidates did not assess whether a club is carrying on a business first before proceeding with the tax computation. Candidates appear to

be unaware of the tax treatment of clubs and associations, but this topic is well covered in their study materials (the Master Tax Guide and the Singapore Tax Workbook).

### Question 2

**Part (a)** was poorly handled by Candidates. It is surprising that Candidates were not able to identify a company in the business of making investments. As a result, many Candidates were not able to score for the computational part as they used the wrong basis.

Candidates generally were able to handle **parts (b) and (c)** and score some marks. However, most, if not all, Candidates were not able to apply the concepts and identify additional benefit in **part (b)**.

For **part (d)**, the majority of the Candidates were able to score some marks. But given that it is a qualitative question where the tax issue is straightforward and they merely had to list the conditions, many Candidates were not able to obtain high marks even though it is an open book exam.

### Question 3

**Parts (a) and (b)** are computational questions and most Candidates fared poorly mainly because they do not possess the conceptual understanding. Candidates have identified income which is taxable or exempt but did not apportion expenses to various streams of income for passive investment holding companies and hence they were not able to calculate foreign tax credit.

**Part (c)** is a practical qualitative application question which the majority of Candidates were not able to answer. From this question, it appears that Candidates' level of knowledge is confined to technical knowledge found in the study materials, whilst practical real-life questions may be too difficult for them.

### Question 4

Most Candidates scored well for **part (a)** which tests them on tax treaty interpretation. This is consistent with the December 2020 exam.

For **part (b)**, the majority of Candidates were able to identify the Major Exporter Scheme as the right answer but did not elaborate on the conditions to qualify for the scheme even when this was specifically mentioned in the question. Since it is an open book exam, the Candidates could easily find all the conditions in the study materials and score well for this part. However, Candidates did not do so.

Most Candidates were able to identify that **part (c)** deals with the general anti-avoidance rules but were not able to expand on their answers to score marks. Again, as it was an open book exam, it is not difficult for the Candidates to elaborate on their response once they have identified the tax issue.