PP

Singapore CA Qualification Examination

19 June 2026

Taxation

INSTRUCTIONS TO CANDIDATES

1. The time allowed for this examination paper is **3 hours 15 minutes**.
2. This examination paper has **FOUR (4)** questions and comprises **TWENTY-SEVEN (27)** pages (including this instruction sheet and Appendix A). Each question may have **MULTIPLE** parts and **ALL** questions are examinable.
3. This is an open-book examination. During the examination, you are allowed to use your laptop and any calculators that comply with the ISCA's regulations. Please note that watches, mobile phones, tablets, and all other electronic devices **MUST NOT** be used during the examination and **MUST NOT** be within reach or sight or hearing from where you are seated to write the exam.
4. During the examination, videos of you and your computer screen will be recorded for the purpose of ensuring examination integrity and you have consented to these recordings.
5. This examination paper and all video recordings of this exam are the property of the Accounting and Corporate Regulatory Authority.

MODULE-SPECIFIC INSTRUCTIONS:

6. Assume that all dollar amounts are in Singapore dollar (S$) unless otherwise stated.

IMPORTANT NOTICE:

If you are not feeling well, please do not press "Start Assessment". If you have started and leave during the exam, you would be deemed to have attempted the paper.

e-Exam Question Number	
1	

VERY IMPORTANT NOTICE

1. Your question paper is attached under the **"Resources"** tab found at the bottom right of **EACH** question.

2. You may also download the question paper that allows annotation throughout your exam in Question 1 of the e-Exam portal.

Other important information:

3. You will be allowed to access your reference materials but **will not be allowed** to communicate with anyone either physically or through any electronic means.

4. You are **NOT ALLOWED** to access any websites during the exam.

5. You are **NOT ALLOWED** to print the question paper.

6. You are **NOT ALLOWED** to use any Generative Artificial Intelligence tools or systems during the exam.

7. **Please take note that your screen will be monitored throughout the examination. If you are found to have accessed any websites, or if you cheat or attempt to cheat, you will be liable to severe disciplinary action.**

   Should you encounter any issues during the exam, please call the following numbers:

   +65 6028 9811

8. **You do not need to fill in an answer to this instruction question.**

Appendix A - Tax Rates and Allowances - Year of Assessment 2025

Goods and Services Tax

Standard rate	9.0%
Compulsory Registration threshold	$1 million

Stamp Duty

Category	% rates
a. Conveyance, assignment, or transfer of immovable non-residential properties (on or after 15 February 2023)	Percentage of the higher of the market value or the consideration
- Up to the 1st $180,000	1.0%
- Up to the next $180,000	2.0%
- Up to the next $640,000	3.0%
- Up to the next $500,000	4.0%
- Over $1,500,000	5.0%
b. Conveyance, assignment, or transfer of stocks or shares	0.2% of the higher of the net asset value or the consideration
c. Mortgage of stocks, shares or immovable properties	0.2% or 0.4% of the loan amount granted on the mortgage, up to maximum duty of $500
d. Gift of immovable non-residential properties	Same as a.
e. Gift of stocks and shares	Same as b.
f. Lease of immovable properties	
- Annual average rent calculated is $1,000 and below	Exempt
- Annual average rent calculated exceeds $1,000	Lease period of 4 years or less: 0.4% of the total rent for the period of the lease
	Lease period of more than 4 years (or for an indefinite term): 0.4% of 4 times the average annual rent for the period of the lease

Stamp Duty (Cont'd)

The rates of Seller Stamp Duty (SSD) payable on industrial property acquired on and after 12 January 2013 and disposed of within certain duration, are summarised in the table below:

Date of purchase/ acquisition or date of change of zoning/ use	Holding period	SSD rate (on the actual price or market value, whichever is higher)
On or after 12 January 2013	Up to 1 year	15%
	More than 1 year and up to 2 years	10%
	More than 2 years and up to 3 years	5%
	More than 3 years	No SSD payable

Corporate Income Tax Rate

Year of Assessment 2025	17.0%

Corporate Income Tax (CIT) Rebate for Year of Assessment 2025

50% of the corporate tax payable (capped at $40,000). Companies that have employed at least one local employee in 2024 (referred to as "local employee condition") will receive $2,000 in cash payout (referred to as "CIT Rebate Cash Grant"). Where the company meets the local employee condition and receives CIT Rebate Cash Grant of $2,000:

- If CIT Rebate ≤ $2,000, no CIT Rebate to be given.
- If CIT Rebate > $2,000, CIT Rebate (capped at $40,000) less $2,000 to be given.

Partial Tax Exemption	**$**
First $10,000 of chargeable income is 75% exempt	7,500
Next $190,000 of chargeable income is 50% exempt	95,000
Total	102,500

Start-up tax exemption

First $100,000 of chargeable income is 75% exempt	75,000
Next $100,000 of chargeable income is 50% exempt	50,000
Total	125,000

Withholding tax rates

Nature of income	% rates payable
Interest and other payments in connection with loan or indebtedness	15.0%
Royalty or other lump sum payments for the use of, or the right to use, movable properties	10.0%
Payment for the use of, or the right to use, scientific, technical, industrial, or commercial knowledge or information	10.0%
Technical assistance and service fees	Prevailing Corporate Tax rate
Management fees	Prevailing Corporate Tax rate
Rent or other payments for the use of movable properties	15.0%
Payment to Non-Resident Director	24.0%
Non-resident professional	15.0% of gross income or 24.0% of net income

Non-residential property tax

Non-residential buildings and land are taxed at 10% of the annual value.

Appendix A - Tax Rates and Allowances - Year of Assessment 2025

Personal Income Tax Rates for the Year of Assessment 2025 (Resident)

Chargeable Income	Rate (%)	Gross Tax Payable ($)
First $20,000 Next $10,000	0.0 2.0	0 200
First $30,000 Next $10,000	- 3.5	200 350
First $40,000 Next $40,000	- 7.0	550 2,800
First $80,000 Next $40,000	- 11.5	3,350 4,600
First $120,000 Next $40,000	- 15.0	7,950 6,000
First $160,000 Next $40,000	- 18.0	13,950 7,200
First $200,000 Next $40,000	- 19.0	21,150 7,600
First $240,000 Next $40,000	- 19.5	28,750 7,800
First $280,000 Next $40,000	- 20.0	36,550 8,000
First $320,000 Next $180,000	- 22.0	44,550 39,600
First $500,000 Next $500,000	- 23.0	84,150 115,000
First $1,000,000 In excess of $1,000,000	- 24.0	199,150

Personal tax rebate for YA 2025: 60% of tax payable (capped at $200)

Personal Income Tax Rates (Non-resident)

General Rate: 24.0% (YA 2024 onwards)

Section 40B Relief for Non-resident Employees

Tax payable on the Singapore employment income of a non-resident individual is calculated at a flat rate of 15.0% or on a resident basis, whichever results in a higher tax amount.

Appendix A - Tax Rates and Allowances - Year of Assessment 2025

Central Provident Fund (CPF)

Contributions for individuals of ages 55 years or below and earning at least $750 per month.

Rates of CPF contributions (effective from 1 January 2016 onwards)

Employee	20.0%
Employer	17.0%
Maximum monthly ordinary wages (OW) attracting CPF *(from 1 January 2024 to 31 December 2024)*	$6,800
Maximum annual ordinary wages (OW) attracting CPF *(from 1 January 2024 to 31 December 2024)*	$81,600
Maximum annual additional wages (AW) attracting CPF	$102,000 less OW subject to CPF

Mandatory Medisave contributions of a self-employed person with net trade income of above $18,000.

Below 35 years of age	8.0%; $5,856 (max)
35 to below 45 years of age	9.0%; $6,588 (max)
45 to below 50 years of age	10.0%; $7,320 (max)
50 years of age and above	10.5%; $7,686 (max)

Personal Income Tax Reliefs for the Year of Assessment 2025

With effect from YA 2018, the overall personal income tax reliefs available to resident individuals, as detailed below, will be capped at $80,000.

Appendix A - Tax Rates and Allowances - Year of Assessment 2025

Earned income

Age	Normal (able-bodied) maximum	Handicapped maximum
Below 55 years	$1,000	$4,000
55 to 59 years	$6,000	$10,000
60 years and above	$8,000	$12,000

Other reliefs

Spouse relief	$2,000
Handicapped spouse relief	$5,500
Qualifying child relief (per child) (QCR)	$4,000
Handicapped child relief (per child) (HCR)	$7,500
Handicapped sibling relief (per sibling)	$5,500
Parent relief - Staying with dependant - Not staying with dependant	 $9,000 $5,500
Handicapped parent relief - Staying with dependant - Not staying with dependant	 $14,000 $10,000
Working mother’s child relief (WMCR) • First child • Second child • Third and subsequent child • Maximum cumulative WMCR • Maximum relief per child (including QCR/HCR) • First child • Second child • Third and subsequent child	% of mother’s earned income For qualifying child born or adopted before 1/1/2024 15% 20% 25% 100% $50,000 For qualifying child born or adopted on or after 1/1/2024 $8,000 $10,000 $12,000
Grandparent caregiver relief	$3,000
Life insurance relief	Capped at $5,000 less CPF contributions or 7% of insured value or actual insurance premium, whichever is lowest.

Voluntary CPF contribution of self-employed	Capped at $37,740 or 37% of s10(1)(a) net trade income assessed less any trade losses from prior years or actual amount contributed by the taxpayer, whichever is lowest.
Course fee relief (lapse with effect from YA 2026)	$5,500 (max)
Supplementary Retirement Scheme • Singapore citizens and PRs • Foreign citizens	 $15,300 (max) $35,700 (max)
CPF Cash Top-up Relief • Below $8,000 • $8,000 or more	 Exact amount of cash top-up $8,000

National Service Man (NSman) relief

	Normal appointment	**Key appointment holder**
Active NSman	$3,000	$5,000
Non-active NSman	$1,500	$3,500
Wife/widow/parent of NSman	$750	$750

<u>Question 1 – (a), (b) and (c)</u>

Collin Tan, a Singapore citizen, has been employed by GenZ Ltd, a manufacturing company in Singapore, as its regional Chief Financial Officer (CFO).

Collin derived the following employment benefits in the year 2024:

- Annual salary of $216,000 at $18,000 per month.

- He was entitled to a contractual bonus for service rendered in 2024 based on one month of his salary. The bonus was credited to his bank account in Singapore on 15 January 2025.

- He is also entitled to a discretionary bonus based on two months of his salary which was declared and payable to him on 31 January 2024 in respect of his service rendered in the year 2023.

- On 1 July 2024 Collin was granted a share option to purchase 10,000 shares in GenZ Ltd at a price of $2 per share. On 13 September 2024, he exercised the option to purchase 3,000 shares and subsequently sold all the shares on 9 November 2024. The open market price per share of GenZ Ltd shares on the relevant dates were as follows. The shares of GenZ Ltd are not listed in the SGX:

  - 1 July 2024 - $2.20
  - 13 September 2024 - $2.50
  - 9 November 2024 - $2.90

- Collin's employer purchased a group critical illness policy, where the employees are not entitled to the insurance payout contractually. The employer has the discretion to decide on the disbursement of the insurance payout to the employees. The annual insurance premium pertaining to each employee amounted to $900.

- Collin was reimbursed medical and dental expenses of $1,000 for himself and $500 for his spouse. Such benefits are available to all employees.

- Both Collin and his employer made mandatory contributions to the Central Provident Fund (CPF). Collin made maximum contributions to the Supplementary Retirement Scheme (SRS).

- <u>Other information</u>
  GenZ Ltd plans to set up a plant in Thailand and Collin has been asked to relocate to Thailand for 3 years to assist in the setting up. Collin has a choice to move back to Singapore after 3 years. Collin intends to relocate to Thailand alone in order not to disrupt his daughter's education. He plans to return to Singapore after 3 years.

Collin's wife, May runs a spa business under a sole proprietorship. The sole proprietorship derived a net profit of $7,000 in the financial year ended 31 December 2024 after charging the following:
- May's annual salary of $60,000;
- May's cousin, Beatrice's salary of $30,000. Beatrice worked part-time after May's assistant resigned. Beatrice was paid the same salary as the assistant.
- A micro-wave oven of $1,000 for the staff pantry

May made mandatory CPF contributions for self-employed of $6,000 in 2024.

May has been invited by a business associate, Anita, to join a limited - partnership (LP) which carries on F&B business as a limited partner in 2025. Currently, the LP has two partners where Anita is a general partner and Nicole is a limited partner. The LP incurred a loss in the financial year ended 31 December 2024 but is expected to turn in a profit in the near future. Anita advised that she has contributed capital of $20,000 and had used $30,000 and $5,000 of the allocated LP loss and capital allowance respectively to set off against her profits from another LP in the financial year ended 31 December 2024.

Anita further advised that, in the event the LP were to incur a loss in 2025, May should be able to use the LP loss and capital allowance to offset her sole proprietorship profits. Any excess LP loss and capital allowance can be carried forward or carried back by May to set off against income from any source. Anita proposed that May contribute capital of $10,000 for a start. Anita further suggested that May can choose to increase or reduce her contributed capital in future, with no income tax implications for doing so.

- <u>Other information</u>

  Collin and May co-own a residential property in Singapore (each has 50% ownership). The property was tenanted to an expatriate for 2 years from 1 April 2022 to 31 March 2024 at a monthly rental of $5,000. As the expatriate planned to return to his home country and not to renew the tenancy agreement, a property agent was engaged immediately to look for a subsequent tenant. A tenant was secured after 2 months, and the property was rented out from 1 June 2024 under a one-year lease, with the same rental of $5,000 per month.

  The couple had obtained a loan from a bank to fund the acquisition of the above property and made monthly principal repayments and interest payments of $1,500 and $2,000, respectively. They incurred annual property tax of $6,000 and monthly maintenance fee of $700. Agent commission of $5,000 was incurred to secure the subsequent tenant.

  Collin and May were 46 and 43 years old, respectively, as at 31 December 2024. Both are Singapore citizens. May's 80-year-old widowed mother lives in Malaysia. She stayed with May's family in Singapore for two months in the year 2024 while she recovered from an operation. May gave her mother a monthly allowance of $1,000 and her mother has no income. Collin's 75-year-old widowed mother lives with them and Collin is her only child. She helped look after Collin's 12-year-old daughter, who is a Singapore citizen. Collin's mother derived one-tier dividend income and interest income amounting to $5,500 in 2024.

  Collin is a national service man (NSman) and key appointment holder. He was an inactive NSman during the period of 1 April 2024 to 31 March 2025.

e-Exam Question Number	Question 1 required:
2	**(a)** **Advise** on Collin's tax residency during the 3 years of his relocation to Thailand for Singapore tax purposes. In addition, **explain** the Singapore income tax treatment of his employment income derived in Thailand when he remits the income to Singapore. **(2 marks)**
3	**(b)** **Prepare** Collin's and May's Singapore income tax computations for the Year of Assessment (YA) 2025. Where certain items are not taxable (or exempt) or not deductible (or not claimable), please state so. The couple wishes to minimise their total income liability as a household. **(19 marks)**
4	**(c)** **Evaluate** the validity of Anita's advice regarding the utilisation of the LP's loss and capital allowance to set off against the LP partner's income from other sources. In addition, **advise** on any income tax implications on the increase or reduction in May's contributed capital. **(5 marks)** **(Total: 26 marks)**

Question 2 – (a), (b) and (c)

Golden Pte Ltd (GPL) is a company incorporated in Singapore in 2007. It is a Singapore resident company and is GST-registered in Singapore. It is in the business of manufacturing of high-end furniture. GPL and its group of companies derived revenue of $200 million and $250 million in the financial year 2023 and 2024 respectively. It has 70 employees.

GPL's Profit and Loss statement for the financial year ended 31 December 2024 is as follows:

	S$	Notes
Revenue	8,000,000	
Less: Cost of sales	(3,900,000)	1
Gross profit	4,100,000	
Add: Other income		
Dividend income	45,000	2
Foreign branch profits	79,200	3
Interest income	1,800	4
Less: Operating expenses		
Interest expenses	(10,000)	5
Depreciation	(500,000)	
Staff costs	(150,000)	6
Salaries and statutory CPF	(1,200,000)	
Impairment of trade receivable	(60,000)	7
Professional fees	(300,000)	8
Renovation expenses	(18,000)	9
Miscellaneous expenses	(400,000)	10
Net profit before tax	**1,588,000**	

Notes:

1) Included insurance payout of $80,000 in respect of inventory which was destroyed in a fire. The fire happened in 2023 and the loss of inventory of $100,000 was reflected in the accounts in the financial year ended 31 December 2023. GPL claimed, and was allowed, a deduction for $20,000 of the loss in Year of Assessment 2024 in anticipation of the insurance payout of $80,000 to be received in the financial year 2024.

2) Foreign dividend income amounting to $45,000 was received from Silver Inc, a company resident in Country S. Country S has a corporate tax rate of 10% in 2024. The dividend was paid out of after-taxed profits (taxed at 10%) and there is no dividend withholding tax in Country S. GPL has been holding 30% of the shares in Silver Inc since 2020. The interim dividend was declared in December 2023 and credited to GPL's bank account in Singapore in December 2024. Singapore has no tax treaty with Country S.

3) GPL has a branch in Country B. The after-tax profits of the branch for the financial year ended 31 December 2023 were used to acquire equipment which was shipped to Singapore in July 2024. Country B's corporate tax rate in 2023 and 2024 is 12% and remittance of branch profits is subject to a further 10% withholding tax in 2024. $79,200 stated in the accounts is after deduction of the withholding tax. Singapore has no tax treaty with Country B.

4) The interest was derived from a one-year time deposit placed with Bank Xanadu, a bank resident in Country X, and the deposit matured on 31 May 2024. The interest, together with the principal, was rolled over for another year, from 1 June 2024 to 31 May 2025. Country X's corporate tax rate is 25% and levies 10% withholding tax on interest payments to non-residents. Country X has a tax treaty with Singapore.

5) The interest expenses were incurred on a loan from a bank in Country S to fund the acquisition of the shares in Silver Inc mentioned in note 2 above. Based on the loan agreement, the gross interest amount is $10,000, with a tax of $1,500 to be withheld by GPL and remitted to the Inland Revenue Authority of Singapore, and the remaining $8,500 remitted to the bank.

6) Staff costs, inter alia, included the following:
- Rental of a condominium unit for an expatriate employee - $60,000
- Reimbursement of course fee of $10,000 (before subsidy from SSG) to employees. The courses were funded by SkillsFuture Singapore (SSG). GPL obtained a subsidy of $2,000 from SSG.The employees did not use their SkillsFuture credit to pay for the course.

7) Arising from a restructuring exercise two years ago, trade receivable of $100,000 was transferred from a related company to GPL. Impairment loss of $60,000 was made in respect of the trade receivable which was considered to be irrecoverable.

8) Professional fees, inter alia, included the following:
   - GPL has launched a new product line to produce state-of-the-art gaming chairs and incurred registration fees of $90,000 to register the patent for the chairs (Patent B)
   - Professional fee of $50,000 was paid to a law firm for advice and assistance in the application to register the patent (Patent B). GPL has both legal and economic ownership of Patent B.

9) Renovation comprised the following:
   - Installation of window grille for the rented condominium unit for expatriate staff - $3,000
   - Installation of a platform to support the new machine acquired in 2024 mentioned in note 12 below - $15,000

   The first time GPL carried out renovation works was in 2023, during which qualifying renovation expenditure of $270,000 was incurred.

10) Miscellaneous expenses, inter alia, included the following:
   - Cash donations of $4,000 to a nursing home, an approved Institution of a Public Character
   - Donation of wheelchairs worth $2,000 to the same nursing home

Fixed assets reflected in the balance sheet as at 31 December 2024 included the following:

Description	**Year in which the asset was purchased**	**Cost (S$)**
Factory premises (Note 11)	2015	700,000
Machinery (Note 12)	2024	105,000
Patent A (Note 13)	2022	700,000
Office furniture – 8 items cost $4,500 each	2023	36,000

11) The factory has been approved by the Economic and Development Board for Land Intensification Allowance claim.

12) Not prescribed automation equipment for purpose of capital allowance claim.

13) Patent A was acquired from a non-related party and GPL has both legal and economic ownership of the patent. As at 31 December 2023, the tax written down value of the patent was $560,000.

GPL has always been in a tax-paying position and will continue to be so in future. It has therefore always maximised its claims of capital allowances and special deduction, unless the context otherwise suggests.

e-Exam Question Number	**Question 2 required:**
5	**(a)** **Explain** whether each of the foreign-sourced income (FSI) mentioned in Notes 2, 3 and 4 qualifies for foreign tax credit (FTC) pooling. You should discuss all conditions of FTC pooling and whether they are met. **(5 marks)**
6	**(b)** Referring to Note 8 relating to the registration of Patent B, **explain** whether GPL should opt for cash payout or claim deduction under the enterprise innovation scheme (EIS). You should show the relevant calculations to support your explanation. **(5 marks)**
7	**(c)** Prepare the Singapore corporate income tax computation for GPL for YA 2025. Regardless of your answer to Part (a) and (b) above, you should assume that: - GPL does **NOT elect** for FTC pooling, - GPL is **NOT eligible** for FTC pooling and - GPL does **NOT opt** for cash payout under the enterprise innovation scheme. Show all workings. Where certain items are not taxable (or exempt) or not deductible (or not claimable), please state so. In preparing the tax computation, maximise the possible reliefs and make the most beneficial claim of capital allowances. **(20 marks)** **(Total: 30 marks)**

Question 3 – (a), (b), (c), (d) and (e)

Clear Optics Private Limited ("COPL") is a Singapore-incorporated and tax-resident company. It is in the business of manufacturing of precision optical equipment. COPL is 80% owned by Clear Vision Ltd (CVL), a company incorporated and tax resident in Finland. The remaining 20% is owned by Mr David Tong, a Singaporean. As part of COPL's expansion plan, it would like to invest in advanced technology equipment which can be aided by artificial intelligence. It is looking to raise $1 million to fund the acquisition of the equipment.

COPL's Chief Financial Officer is considering the following financing options:

(i) Obtain a 3-year term loan from its holding company, CVL, bearing an arm's length fixed interest rate of 4% per annum. The loan will be denominated in Euro.

(ii) Enter an operating lease arrangement with Future Leasing ("FL") a leasing company incorporated and tax resident in Finland. COPL will make annual lease payments denominated in Euro.

(iii) Enter a hire purchase arrangement with the Singapore branch of Fin-Finance ("FF"), a finance company incorporated and tax resident in Finland.

(iv) As an alternative to the three options mentioned in (i) to (iii) above, COPL's shareholder David Tong is contemplating to invest additional $1 million equity investment to fund COPL's acquisition of the equipment.

To fund his additional investment in COPL under option (iv) above, David plans to take up a term loan of $100,000 from a local bank in Singapore. To fund the remaining $900,000, David plans to sell his shares in JB Sdn Bhd, a company incorporated in Malaysia, and shares in KS Pte Ltd, which is JB Sdn Bhd's subsidiary in Singapore. The shares will be sold to Elvis Lim, a Singaporean, who is an existing shareholder of both companies. The shares in both companies have been yielding dividends every year. David also plans to sell an industrial property situated in Tuas in Singapore as

Elvis is keen to acquire this property. David acquired the shares in JB Sdn Bhd and KS Pte Ltd in 2016. The industrial property was acquired in 2019 and has been yielding rental income.

Where withholding tax is applicable, such tax will be borne by the foreign companies.

CVL and FL do not have any business operations in Singapore except the above transactions with COPL.

The relevant extracts of the Singapore – Finland tax treaty are as follows:

Article 5 – Permanent Establishment

1. *For the purposes of this Agreement, the term "permanent establishment" means a fixed place of business through which the business of the enterprise is wholly or partly carried on.*

2. *The term "permanent establishment" shall include especially:*
   - *a) A place of management;*
   - *b) a branch;*
   - *c) an office;*
   - *d) a factory;*
   - *e) a workshop; and*
   - *f) a mine, oil well or gas well, a quarry or other place of extraction of natural resources*

3. *The term "permanent establishment" also includes:*
   - *a) a building site or construction or assembly or installation project or supervisory activities in connection therewith, but only where such site, project or activities continue for a period or periods aggregating more than 6 months within any twelve-month period;*
   - *b) the furnishing of services, including consultancy services, by a resident of Contracting State through employees or other personnel engaged by the enterprise for a period or periods aggregating more than 183 days within any twelve-month period.*

Article 7 – Business Profits

1. The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

2. Where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.

Article 11 – Interest

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the recipient is the beneficial owner of the interest, the tax so charged shall not exceed 5 per cent of the gross amount of the interest.

3. Interest shall be deemed to arise in a Contracting State when the payer is a resident of that State…

Article 12 – Royalties

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, such royalties may also be taxed in the Contracting State in which they arise and according to the laws of that State, but if the recipient is the *beneficial owner of the royalties, the tax so charged shall not exceed 5 per cent of the gross amount of the royalties.*

3. *The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including software, cinematograph films, and films or tapes for radio or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.*

………

5. *Royalties shall be deemed to arise in a Contracting State when the payer is a resident of that State...*

e-Exam Question Number	Question 3 required:
8	**(a)** Considering ONLY the Singapore domestic income tax law, **discuss**, from COPL's perspective, the income tax implications (excluding withholding tax implications) of each of its payments (i) to (iii) in the case above. **(5 marks)**
9	**(b)** Considering ONLY the Singapore domestic income tax law, **discuss** the Singapore withholding tax implications which may arise on each of the transactions (i) to (iii) in the case above. **(4 marks)**
10	**(c)** **Evaluate** if your answers to Question 3(b) above would change under the Singapore – Finland tax treaty. In your explanation, make references to the relevant Articles in the Singapore – Finland tax treaty. **(3 marks)**
11	**(d)** **Discuss** the income tax implications of transaction (iv) from both (1) COPL's perspective; and (2) David's perspective. From COPL's perspective, you should consider the differences in tax deductions claimable (excluding withholding implications) between options (i) to (iii) as opposed to (iv). From David's perspective, you should consider the income tax implications of the disposal of shares in JB Sdn Bhd and KS Pte Ltd and deductibility of interest from the term loan taken from the local bank in Singapore. **(7 marks)**

12 (e) **Discuss** the stamp duty implications on the proposed acquisition of shares and property and any subsequent disposal from Elvis's perspective. You do not have to compute stamp duties or comment on penalties for non-compliance.

(5 marks)

(Total: 24 marks)

Question 4 – (a), (b), (c) and (d)

Assume that today is 31 December 2024.

Nutri Health Co ("N Co") is a company incorporated in the United States. It is in the business of distributing health products and supplements, and providing online or in-person training and consulting services on nutrition and diet to consumers. N Co's sales and marketing team is based in the United States. The nutritionists and dietitians providing the training and consultancy services are based in the United States. The recording of the training videos and online consultations are all done in the United States. N Co has an annual global turnover of $5 million. There is no double tax treaty between Singapore and United States.

Currently, N Co does not have any physical presence in Singapore. It enters into a distributorship agreement with a third-party distributor in Singapore. The distributor purchases the products from N Co,imports the products from the United States and resells them on its own account to Singapore consumers. Sales by the distributor to Singapore consumers are approximately $200,000 annually.

N Co started providing online training and consulting services on nutrition and diet to non-GST registered consumers in Singapore in January 2024. Revenue of $90,000 from such online services was derived in 2024. The revenue is expected to increase by 50% in the year 2025.

N Co is considering using Singapore as a hub to expand its business in Southeast Asia. N Co plans to incorporate a wholly owned subsidiary, Nutri Health Pte Ltd ("NHPL") in Singapore in early 2026 to distribute its products in Singapore as well as to countries in Southeast Asia. The board of director meetings of NHPL will be held in Singapore. It will discontinue using the current distributor. In addition, NHPL will employ a team of nutritionists and dieticians to provide training and consultancy services both in-person and online to end consumers in Singapore and online services to consumers in other Southeast Asian countries.

In the first year of operation, NHPL is expected to generate an annual turnover of $700,000 from the sale of health products and supplements. These sales involve deliveries from Singapore and comprise $280,000 of sales to Singapore consumers and $420,000 of sales to customers in the other Southeast Asian countries. The products will be imported from the United States into Singapore by NHPL to fulfil the abovementioned sales.

NHPL's provision of training and consulting services is expected to generate an annual fee of $500,000 in the first year, comprising $200,000 for services to Singapore consumers and $300,000 for online services to consumers in the other Southeast Asian countries.

e-Exam Question Number	**Question 4 required:**
13	**(a)** **Explain** whether N Co has any income tax exposure in Singapore, including any withholding tax implications based on its current operations in Singapore. **(4 marks)**
14	**(b)** **Explain** the Singapore income tax implications on the proposed plan to set up a subsidiary, NHPL, in Singapore. In your answer, you should **briefly discuss** the tax residency of NHPL, how NHPL's profits will be taxed in Singapore, the Singapore tax treatment on repatriation of profits to N Co and any transfer pricing issue. **(4 marks)**
15	**(c)** **Explain** whether there is any GST registration obligation in Singapore for N Co under its current operation in Singapore. You should support your answer with calculations of the relevant GST supplies. **(6 marks)**

16 **(d)** **Explain** whether there is any GST registration obligation in Singapore for NHPL under the proposed plan to set up a subsidiary in Singapore. You should support your answer with calculations of the various types of GST supplies.

(6 marks)

(Total 20 marks)

END OF PAPER