

## SINGAPORE CA QUALIFICATION EXAMINER'S REPORT

**MODULE:** Taxation (TX)

**EXAMINATION DATE:** 28 December 2020

### **Section 1**

#### **General comments**

Candidates did not fare well on qualitative questions which required them to apply their conceptual understanding. Most of the Candidates did not score well for **Questions 2(b)(i), 3(a), and 4(b)(ii)**. This exemplified that they did not have sufficient grasp of the topics tested to apply the technical concepts to the questions.

Candidates also did not score well on the qualitative question (**Question 4(c)**) as they were unable to display awareness and familiarity on the current international tax trends.

Candidates generally scored well on computational questions and straightforward qualitative questions which did not require more elevated application of knowledge.

### **Section 2**

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

##### **Question 1**

This question covered mainly on withholding tax and personal tax. Overall, most Candidates performed very well for this question.

Candidates who were unable to score on the withholding tax questions in **parts (a) to (e)** because they did not have a good conceptual understanding of the Singapore withholding tax system. In addition, it was observed that there was quite a wide difference in the level of details provided in Candidates' responses. Many Candidates were also unable to correctly compute the penalty to be imposed for late payment in **part (b)**.

For **part (f)** on the computation of personal tax, not many Candidates were able to obtain high scores. One common mistake made by the Candidates was the failure to apportion the car benefit to 10 months. Some Candidates treated foreign interest received as taxable.

##### **Question 2**

This is question tested Candidates on the computation of corporate tax liability, provide advice on unabsorbed allowances and compute the most efficient claim of foreign tax credits.

Many Candidates were able to score well on the computation of XYZ's tax liability in **part (a)**, except for some errors noted in the computation of M&A allowance or 19B allowance, and the failure to mention that group relief is not applicable for Subsidiary A Co.

On the other hand, most Candidates were unable to apply their knowledge to respond to **part (b)(i)**. The Candidates were asked to recommend ways to mitigate the risk of forfeiture of unabsorbed allowances, but they were unable to provide reasonable recommendations. It was poorly attempted because many Candidates failed to understand the requirements and did not complete the question. Some Candidates answered out of point.

**Part (c)** tested the Candidates' knowledge and conceptual understanding on foreign tax credits. Many Candidates were unable to apply their knowledge and showed that they did not fully understand the concepts. For example, some Candidates re-grossed the foreign income received and used it in their tax computation.

Majority of Candidates were unable to score well on this question. Although the computation of foreign tax credit is a fundamental topic, a high percentage of Candidates did not have the full grasp on it.

### Question 3

Generally, Candidates performed poorly for this question. **Part (a)** is a straightforward qualitative question where Candidates could score well if they correctly identify the issues and extract the relevant answers from their reference materials. However, many Candidates were unable to properly identify the issues. While some Candidates did mention Section 13Z in their answers, most of them did not mention the badges of trade. Some Candidates veered out of point. **Part (a)** was poorly done by most Candidates.

Most Candidates were able to score some marks in **parts (b) and (c)**. The quality of the answers varied among Candidates. Some Candidates provided very comprehensive and well-articulated answers, whereas the others were not very well written, and marks were lost because their answers were incomplete. It is noted that for **part (b)(ii)**, many Candidates did not point out that foreign tax credit could be claimed if double taxation was suffered.

### Question 4

Candidates did very poorly for this question. Candidates managed to pass **part (a)**. Most Candidates did not score well for **parts (b)(i) and (b)(ii)**. Most Candidates were unable to articulate their conceptual understanding of the deductibility of interest expense and distinguish the difference between instances where interest expense is deductible, not deductible, or have no deduction value. The responses from some Candidates were out of point.

**Part (c)** is a question on the latest international tax trends which is covered in the Candidates' supplementary guide. However, majority of the Candidates were unable to identify the topic and scored poorly on this question. Many of the Candidates provided responses which were out of point.

It appears that Candidates were not well versed with the syllabus to identify the issues to be addressed in the question.