Specimen Exam

Exam Name: Taxation (E1 SGP)
Time Allowed: 3 hours
Pass Mark: 50%

This exam contains 2 sections:

Section A:
15 questions, each worth 2 marks
30 marks in total

Section B:
4 questions, each worth 10 marks
2 questions, each worth 15 marks
70 marks in total

Note: This specimen examination has been prepared based on legislation passed by 30 September 2025 (to be updated).

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Section A

Question 1

Blue Sky Limited, a company incorporated and tax resident in Country A, set up a Singapore branch (BSL-SB) on 1 July 2023. For the financial year ended 30 June 2025, BSL-SB has an annual revenue of $190,000 and sale proceeds of $30,000 from the sale of an automated processing system.

Which of the following corporate income tax forms (if required) should the Singapore branch BSL-SB file for the year of assessment 2026?

A Form C
B Form C-S Lite
C Form C-S
D Form B1

Question 2

Details of Esther's rental income from her residential property in the year 2025 are as follows:

	$
Rental: Tenant One – 1 January 2025 to 30 June 2025	48,000
Forfeiture of rental deposit from Tenant One	11,000
Rental: Tenant Two – 1 December 2025 to 31 December 2025 (Note)	10,000
	69,000
Repairs to make good the damage to the wall by Tenant One	(8,500)
Full year maintenance charges	(6,000)
Net rental income	**54,500**

Note: Esther had been actively seeking a new tenant since July 2025.

What is the minimum rental income on which Esther will be subject to tax in the year of assessment 2026?

A $54,500
B $58,650
C $43,500
D $60,542

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Question 3

Queen Pte Ltd made the following payments in its financial year ended 31 December 2025:

	$
Interest on late Central Provident Fund (CPF) contribution	500
Purchase of carbon credits to comply with regulatory obligations	1,000
Digital service tax on acquisition of a digital service from an overseas vendor	300

Calculate the total tax-deductible payment for Queen Pte Ltd in the year of assessment 2026.

$ ☐

Question 4

Which THREE of the following statements describing the actions which may be taken by the Inland Revenue Authority of Singapore (IRAS) for a failure to file a corporate income tax return are correct?

A Issue an estimated Notice of Assessment which must be paid within one month

B Issue a notice to the director of the company to request the submission of the corporate income tax return and required information to the IRAS

C Issue a notice to the shareholders of the company to request for the submission of the corporate income tax Return and required information to the IRAS

D Issue a summon to the director of the company to attend Court

E Issue a summon to the appointed tax agent of the company to attend Court

F Issue a query letter to the company to request for detailed information based on prior years' tax return.

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Question 5

Snow Mountain Pte Ltd (Snow) is a goods and services tax (GST) registered company incorporated in Singapore. In 2025, it received the following payments:

- Initial payment for the upholstering of an old sofa - this amount will be set-off against the invoice for the service to be provided. If this job is cancelled, Snow will refund the unused portion of the initial payment.

- Security deposit for the subletting of a factory space. This amount will be refunded at the end of the tenancy.

Which TWO of the following statements describing the goods and services tax (GST) treatment of the above receipts are correct?

A GST is chargeable on the initial payment
B GST is chargeable on the security deposit
C GST is not chargeable on the initial payment
D GST is not chargeable on the security deposit

Question 6

Johnson, who is not tax resident in Singapore, exercised employment in Singapore for 59 days in the year of assessment 2026. While he was working in Singapore, he invested in a local immovable property and rented it out.

Which TWO of the following statements reflect Johnson's tax position in respect of his rental income and employment income in the year of assessment 2026?

A Johnson's rental income is subject to tax at the prevailing rate of 24%
B Johnson's rental income is subject to tax at a flat rate of 15% or as a resident, whichever is higher
C Johnson's employment income is subject to tax at a flat rate of 15% or as a resident, whichever is higher
D Johnson's employment income is exempt from tax
E Johnson's employment income is subject to tax at the prevailing rate of 24%

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Question 7

Bryan closed his sole proprietorship business after making losses in the year of assessment (YA) 2025. The agreed loss, available for carry forward, is $30,000.

In the YA 2026, Bryan has the following income:

	$
Gains from the sale of antiques which he bought 20 years ago	60,000
Interest from a loan extended to a friend	10,000
Freelance consultancy income	40,000

Calculate Bryan's chargeable income in the YA 2026.

$ ☐

Question 8

Lydia has the following receipts from her employment with Chewy Chocolate Pte Ltd in the year of assessment (YA) 2026:

- Luxury watch costing $10,000 with the company logo engraved on the watch, for completing five years of service
- Cash award of $200 for passing her examination
- Referral fee of $800 for successfully referring a friend to work for the company

Calculate the total value of Lydia's taxable benefits for the YA 2026.

$ ☐

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Question 9

Silver Fence Pte Ltd incurred the following expenses in the financial year ending 31 December 2025:

	$
General electrical installations and wiring	35,000
Hacking of the shopfront (Note)	6,000
Designer fees (Note)	2,000
Antiques displayed at the reception	5,000
	48,000

Note: Both costs relate to the minor re-work of the shopfront for which the Commissioner of Building Control's approval is not required.

What is the maximum tax deduction which Silver Fence Pte Ltd can claim in the year of assessment 2026?

A $35,000
B $43,000
C $41,000
D $37,000

Question 10

For income tax purposes, a company is regarded as a tax resident in Singapore if it is managed and controlled in Singapore.

Which TWO of the following factors are relevant in ascertaining whether a company is managed and controlled in Singapore?

A The Board of Directors' meetings are held in Singapore
B The shareholders' meetings are held in Singapore
C The company's registered office is in Singapore
D The key management team (i.e. chief executive officer, chief operating office and chief finance officer) are based in Singapore

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Question 11

First Frost Pte Ltd incurred the following costs for participating in an approved local trade fair, accorded the Approved International Fair status by the relevant authority, in the financial year ended 30 September 2025:

	$
Airfare and accommodation of three overseas buyers attending the trade fair	3,000
Insurance for exhibits	10,000
Stand construction cost	4,000
	17,000

What is the maximum amount of tax deduction claimable by First Frost Pte Ltd in the year of assessment 2026?

A $26,000
B $25,000
C $33,000
D $28,000

Question 12

D-Sports Pte Ltd, a goods and services tax (GST) registered company, incurred the following expenses in the quarter ended 30 September 2026:

	Cost ($)	**GST ($)**
Sports and recreation club subscription fee	2,500	225
Medical and accident insurance premium as required under the Work Injury Compensation Act	3,000	270
Annual dinner and dance (40% of the attendees are family members of the staff)	50,000	4,500

What is the amount of input goods and services tax GST which D-Sports Pte Ltd can claim for the quarter ended 30 September 2026?

A $2,970
B $3,195
C $4,770
D $2,925

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Question 13

Fresh Durian Pte Ltd (Fresh) is a Singapore incorporated and tax resident company.

In 2026, Fresh will be making the following payments to its parent company, Fresh Durian Inc. (FDI), a company incorporated in Country X:

- $100,000 royalty payment for the formula used to make the durian puff; and
- $30,000 consultancy fee payment for assistance in troubleshooting FDI's production process in Country X.

FDI does not carry on any business and does not have a permanent establishment in Singapore. All the work in relation to these payments is carried out in Country X and Singapore does not have a tax treaty with Country X.

What is the total withholding tax which Fresh Durian Pte Ltd must account for to the Inland Revenue Authority of Singapore (IRAS)?

A $13,000
B $10,000
C $15,000
D $19,500

Question 14

Susan became a partner of Glitter LLP (Glitter) on 1 January 2025. As at 31 December 2025, Susan's contributed capital is $10,000. Her share of Glitter's trade loss, capital allowance and other income is as follows:

	$
Trade loss	(8,000)
Capital allowance	(6,000)
Other income - rental	35,000

Susan has borrowed from a Singapore bank to fund her capital contribution in Glitter. For the year ended 31 December 2025, she has paid interest of $500.

What is Susan's chargeable income from Glitter LLP which will be subject to tax in the year of assessment 2026?

A $24,500
B $20,500
C $25,000
D $21,000

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Question 15

Robotics Pte Ltd seconded a staff member to the Institution of Public Character (IPC) and has incurred the following related expenses in its financial year ending 31 December 2025:

	$
Wages of the staff member (this will not be reimbursed by the IPC)	12,000
Purchase of toys for the beneficiaries of the IPC	6,000

What is the maximum tax deduction under the Corporate Volunteer Scheme which Robotics Pte Ltd can claim in the year of assessment 2026?

A $30,000
B $0
C $18,000
D $45,000

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Section B

Question 16

The following scenario relates to one requirement.

Miracle Wish Ltd (Miracle) is a goods and services tax (GST) registered company, in the business of conducting classroom training and online training in Singapore. For the quarter ended 30 September 2026, Miracle recorded the following transactions:

	$
Receipts	
Revenue for classroom training:	
The first five customers who have signed up for this training have been given free training materials, costing $120 each and a total cost of $1,050	9,000
Revenue for online training:	
Billed to customers with a residential and internet protocol (IP) address in Singapore	20,000
Billed to customers with a residential and IP address in Malaysia	10,000
Dividends from a Bermuda company	5,000
Expenditure	
Realised foreign exchange loss	900
Rental of a fully-furnished residential apartment (the annual value of the apartment is $12,000)	4,800
Printing of training materials	3,600
Salary cost	9,000

Note: All amounts are stated excluding any applicable GST and all input tax will be claimed. All suppliers are registered for GST where applicable.

Requirements:

(a) Summarise the goods and services tax (GST) registration requirements for an overseas vendor which provides digital services to customers in Singapore under the retrospective basis.

(2 marks)

(b) For each transaction of Miracle Wish Ltd, analyse the nature of each supply/purchase for the quarter ended 30 September 2026 and calculate, where applicable, the GST output tax chargeable or input tax claimable.

(8 marks)

(10 marks)

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Question 17

The following scenario relates to one requirement.

Ammoria Pte Ltd (Ammoria), a Singapore incorporated and tax resident company, has taken tax filing positions on the following items:

(1) Ammoria has paid interest of $8,500 to Bank A in Country A on a loan taken to fund its operations in Singapore. Singapore does not have a tax treaty with Country A. Ammoria has claimed a tax deduction on the $8,500.

(2) In accordance with the loan agreement, the withholding tax has to be borne by Ammoria. The re-grossed withholding tax is $1,500. Ammoria did not claim any tax deduction on the $1,500.

(3) Ammoria has received, in Singapore, its Branch's net profit of $10,000, after suffering a withholding tax of 10%, from the branch operating in Country B in the year of assessment 2026. The corporate tax rate of Country B is 30%.
Ammonia has subjected the Branch's net profit to tax in its corporate income tax computation.

(4) A cashier of Ammoria stole $1,500 from the cash register of the company. Ammoria has taken a tax deduction of this amount in its corporate income tax computation.

(5) Ammoria has claimed tax deductions on the following payments:

- Cost to issue new shares: $1,200
- Cost to provide secretarial services: $1,800

Requirement:

For each of the transactions (1) to (5), assess whether the corporate income tax treatment of each item is correct.

(10 marks)

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Question 18

The following scenario relates to one requirement.

George is the sole proprietor of a law firm. Details of his income and expenditure for the financial year ended 31 December 2025 are as follows:

Sole proprietorship	**Note**	**$**
Revenue		50,000
Less:		
Staff costs	1	320,000
Interest expense	2	8,000
Medical insurance (staff)		1,000
Entertainment	3	18,000
Taxi fares for attending meetings with clients		6,000
Overseas client meeting	4	16,000
Course fees (George)		10,000
Course fees (staff)		20,000
Bouquets of flowers for staff on their birthdays		3,000
Office rental		11,000
Net profit		**87,000**
Investment income		
On-tier dividend from a company listed on the Singapore Exchange		3,000
Rental income - Shophouse		
Gross rent		10,000
Less:		
Interest expense on loan obtained to purchase the shophouse		12,000
Property tax		6,000
Net loss		**(8,000)**

Notes:

1. This includes total remuneration of £120,000 paid to his daughter who has worked as a secretary of his firm. The total remuneration of a typical secretary is $60,000.
2. This was paid on a loan taken to fund a property in Malaysia.
3. George has agreed with the Inland Revenue Authority of Singapore (IRAS) that only 50% of the entertainment cost relates to client entertainment.
4. The meeting was in Japan. Following the meeting, George holidayed with his family in Japan. The base cost for the meeting is $6,000.

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Requirement:

Calculate George's assessable income for the year of assessment 2026.

Note: You should indicate by the use of zero (0) any items for which no adjustment is required.

(10 marks)

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Question 19

The following scenario relates to three requirements.

Gigantic Pte Ltd (Gigantic) is a passive investment holding company. For the year ended 31 December 2025, Gigantic has the following income and expenses:

	$
Investment income	
Royalty income	60,000
Interest from a local bank	20,000
Dividend income from a Singapore-resident company	88,000
Total investment income	**168,000**
Expenses	
Interest from a loan obtained to acquire the know-how on which royalty income is earned	55,000
Audit and secretarial fee	12,000
Staff salaries and Central Provident Fund (CPF)	36,000
Total expenses	**103,000**
Net income	65,000

Requirements:

(a) Calculate the tax deductible statutory and common expenses attributable to each source of income of Gigantic Pte Ltd (Gigantic) for the year of assessment (YA) 2026.

(4 marks)

(b) For each source of income, calculate Gigantic's assessable amount for corporate income/losses for the YA 2026.

(4 marks)

(c) Calculate Gigantic's total chargeable income for the YA 2026.

(2 marks)

(10 marks)

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Question 20

The following scenario relates to two requirements.

Daryl, a Singapore citizen, aged 45 and married, is the chief executive officer of Mighty Pte Ltd (Mighty), a Singapore incorporated and tax resident company. Mighty is a wholly-owned subsidiary of Magnificent International Limited (MIL), a listed company on the Stock Exchange of Singapore. Daryl was a corporal (i.e., he did not hold any key appointment) when serving his National Service duty.

In 2025, Daryl derived the following employment income:

- A monthly salary of $20,000.
- He has made a monthly compulsory Central Provident Fund (CPF) contribution of $1,480, being 20% of $7,400.
- A fully furnished apartment - the annual value of the apartment is $36,000. Mighty rented it for a total cost of $72,000 in the year. The total rent paid by Daryl in the year is $6,000.
- Reimbursement of $2,400 car park charges incurred to meet clients and suppliers.
- Reimbursement of medical expenses of $3,200, comprising $1,200 incurred by his wife and $2,000 by his mother. The reimbursement policy is available to all the employees of Mighty.
- A subsidy of $3,600 for his son's student care.
- Exercised the option to acquire 10,000 shares in MIL on 1 August 2025 at the exercise price of $3 per share, having met all the conditions of the award. The share option had been awarded to him on 1 August 2020.
- Awarded 12,000 shares in MIL on 1 July 2025. These shares were subject to a sales restriction which would be lifted on 1 July 2026.
- The share prices of MIL shares at the relevant dates were as follows:

	$
1 August 2020	5.00
1 July 2025	6.00
1 August 2025	7.00
1 July 2026	8.00

In addition to his employment income, Daryl derived the following income during the year 2025:

- $5,000 interest from a deposit placed with an approved bank in Singapore.

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- $3,000 dividend from a company incorporated and tax resident in Country Z. The headline tax rate of Country Z is 20% and withholding tax on dividends is 10%

Other information:

- Daryl's son, aged 10, is studying in a primary school.
- His wife, Doreen, an Australian, is a homemaker. She has rental income of $60,000 from her property rented out in Australia.
- His mother, Jasmine, aged 67, lives with him. She has no income.

Requirements:

(a) Calculate the minimum amount of Singapore tax payable by Daryl for the year of assessment 2026.

Note: You should indicate by the use of zero (0) any items that are not taxable or not deductible.

(13 marks)

(b) Contrast the tax treatment that you have adopted in part (a) for the stock option exercised on 1 August 2025 to that adopted for shares awarded on 1 July 2025.

(2 marks)

(15 marks)

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Question 21

The following scenario relates to one requirement.

High Low Pte Ltd (High) was incorporated on 1 January 2000. Hilary and Lawrence each held 50% of the shares in High from incorporation until 30 December 2024. On 30 December 2024, following the sale of some shares to Ken, their respective shareholdings were as follows:

	%
Hilary	30
Lawrence	10
Ken	60

High continued to carry on the same business following the acquisition of shares by Ken.

High has the following unabsorbed items:

	$
Year of assessment (YA) 2024 unabsorbed capital allowances	100,000
YA 2024 unabsorbed losses	500,000
YA 2025 unabsorbed losses	200,000

During the year ended 31 December 2025, High posted a net accounting profit of $1,800,000 after accounting for the following items:

Other income	**Note**	**$**
Interest income accrued. This relates to an 18-month fixed deposit which will mature on 31 December 2026. The total interest receivable on maturity is $18,000		6,000
Cash grant for the purchase of a special purpose automated machine which cost $200,000. The machine, delivered in August 2025, was put into use in September 2025.		30,000
Expenses:		
Depreciation expense		8,000
Depreciation of right-of-use asset recorded on the tenancy agreement for an office space lease	1	80,000
Notional interest expense recognised on the right-of-use asset recorded on the tenancy agreement for an office space lease	1	20,000
Legal fee – collection of debt owed by an ex-employee		5,000
Write off of debt owed by an ex-employee		4,000
Penalties for late filing of Corporate Tax returns		1,000
Provision for credit impaired trade debt		7,000
Repairs and maintenance of private-plated motor cars		8,000
Repairs and maintenance of vans		10,000

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Staff medical insurance – High does not operate the Portable Medical Benefits Scheme or Transferable Medical Insurance Scheme		30,000
Staff remuneration including statutory Central Provident Fund (CPF)		1,000,000
Leasing of computers		1,962
Training expense before government subsidy	2	5,000
Government subsidy – approved training	2	(200)
Directors' fees	3	70,000

Notes:

1. These items represent the IFRS/FRS 116 accounting adjustments for the right-of-use assets recognised in relation to the tenancy agreement for the office space. The actual payment based on the tenancy agreement is $90,000.
2. The training expense relates to approved SkillsFuture courses attended by High's employees. The government subsidy is separately reflected.
3. Directors' fees are paid to non-Singapore tax resident directors. Due to an oversight, High has not paid withholding tax to IRAS when paying the directors.

Requirement:

Prepare a computation of the minimum chargeable income for High Low Pte Ltd (High) for the year of assessment (YA) 2026.

Note: Your computation should start with the net accounting profit of $1,800,000. You should list all items referred to in the question, indicating by the use of zero (0) any items which do not require adjustment.

(15 marks)

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