# Suggested solution

## Section A

### 1 A

BSL-SB must file a Form C

As BSL-SB has business operations in Singapore, it will be required to file a tax return in Singapore.

### 2 A

The minimum rental income on which Esther will be subject to tax in the tax year of assessment 2026 is the net rental income of $54,500.

As the 15% deemed expense ($69,000 x 15% = $10,350) is lower than the actual expenses incurred ($8,500 + $6,000), the actual expenses are claimed.

### 3 $1,300

($1,000 + $300) = $1,300

Late interest payment on Central Provident Fund (CPF) is a penalty and not tax deductible.

Carbon credits purchased to comply with regulatory obligations are tax deductible.
Digital taxes imposed on the purchase of digital service are tax deductible.


© ACCA 2027-2028 All rights reserved.

## 4 A, B and D

The Inland Revenue Authority of Singapore (IRAS) may take the following actions for failure to file a corporate tax return:

- Issue an estimated Notice of Assessment which must be paid within one month
- Issue a notice to the director of the company to request the submission of the corporate income tax return and required information to IRAS
- Issue a summon to the director of the company to attend Court.

Shareholders are not responsible for running the company and so IRAS cannot issue a notice to them requesting submission of the return and required information.

IRAS cannot issue a summon to the appointed tax agent because the responsibility to lodge tax returns is not with the tax agent.

IRAS does not assess current year's tax liability based on prior year's tax return.

## 5 A and D

Option A is correct because, when a deposit forms partial payment for the goods or services supplied, GST must be charged on the amount of deposit and accounted for in the accounting period in which the deposit is received. This treatment applies even if you are prepared to refund the deposit to your customer if the supply is subsequently cancelled.

Option D is correct because GST is not chargeable in relation to a security deposit which will be refunded.

## 6 A and D

As a non-resident person, the rental income will be taxed at the prevailing tax rate of 24%.

As Johnson has exercised employment in Singapore for 60 days or less, his employment income is exempt from tax.


© ACCA 2027-2028 All rights reserved.

**7 $20,000**

($10,000 + $40,000 - $30,000) = $20,000

Gains from the sale of antiques which he bought 20 years ago are not taxable.

Both the interest from a loan extended to a friend and consultancy income are taxable.

The losses brought forward can be deducted against the taxable income.

**8 $10,800**

($10,000 + $800) = $10,800

The watch is a taxable benefit even though the logo of the company is engraved on it.

The referral fee of $800 is a taxable benefit.

As a concession, the cash award $200 for passing her exam is not taxable.

**9 B**

($48,000 - $5,000) = $43,000.

Only the antiques do not qualify for the R&R (sec 14N) deduction.

**10 A and D**

The location of the company's Board of Directors' meetings and key management team operations will be relevant factors in considering a company's tax residency.

**11 C**

([$3,000/3 x 2 x 2] + [$3,000/3] + [$10,000 x 2] + [$4,000 x 2]) = $33,000

Insurance for exhibits and stand construction cost qualify for double deduction.

Airfares and accommodation of only two buyers qualify for double deduction.


© ACCA 2027-2028 All rights reserved.

**12 A**

$270 + $2,700 [$4,500 x 60%] = $2,970

Input tax for sports and recreation club subscription fee and annual dinner benefits provided to family members of staff are both blocked. Input tax may be claimed on medical and accident insurance premium as required under the Work Injury Compensation Act.

**13 B**

($100,000*10%) = $10,000

Only the payment for the use of the formula is subject to withholding tax WHT at the rate of 10%. There is no WHT on the troubleshooting fee as the service is rendered outside Singapore.

**14 A**

$(10,000) + $35,000 - $500 = $24,500

As the contributed capital is $10,000, the relevant deduction is restricted to $10,000. The interest expense is deductible against Susan's share of profits from Glitter.

**15 D**

($12,000 + $6,000) x 250% = $45,000

Wages for the secondment of the staff is a qualifying Corporate Volunteer Scheme (CVS) deduction as long as this is not reimbursed by the IPC. The purchase of toys for the beneficiaries of the IPS is also a qualifying CVS deduction. Total deduction per IPC is $50,000 per calendar year.


© ACCA 2027-2028 All rights reserved.

# Section B

## Question 16

### Miracle Wish Ltd (Miracle)

(a) An overseas supplier of digital services is liable to register for goods and services tax (GST) on a retrospective basis if it has a global turnover exceeding $1 million. and it makes B2C supplies of digital services to customers in Singapore exceeding $100,000 for the calendar year.

**(b) Miracle GST return for the quarter ended 30 September 2026:**

| **Receipts** | **$** | **Nature of supply** | **Output tax $** | **Input tax $** |
|---|---|---|---|---|
| Revenue for classroom training | 9,000 | Standard rated | 810 | |
| Free training materials ($210 x 5) | 1,050 | Deemed supply | 95 | |
| Revenue from online training: | | | | |
| - Billed to customers with residential and IP (internet protocol) address in Singapore | 20,000 | Standard rated | 1,800 | |
| - Billed to customers with residential and IP address in Malaysia | 10,000 | Zero rated | - | |
| Dividends from a Bermuda company | 5,000 | | - | |
| | | | | |
| Expenditure | | | | |
| Realised foreign exchange loss | 900 | Exempt supply | | - |
| Rental of residential apartment – bare rent (3/12 x $12,000) | 3,000 | Exempt supply | | - |
| Rental of residential apartment – furniture and fittings | 1,800 | **Standard rated** | | **162** |
| Printing of training materials | 3,600 | **Standard rated** | | **324** |
| Salary cost | 9,000 | **Not a supply** | | **-** |
| | | | **2,705** | **486** |
| | | | **(486)** | |
| | GST payable | | **2,219** | |


© ACCA 2027-2028 All rights reserved.

**Question 17**

**Ammoria Pte Ltd**

**Item 1**
Yes – this is correct as interest expense incurred to fund its operation is tax deductible.

**Item 2**
No – this is not correct.

As the re-grossing was made in accordance with the loan agreement, the withholding tax has been borne by Ammoria.

This is similar to interest expense, hence the re-grossed withholding tax of $1,500 is tax deductible.

**Item 3**
No – this is not correct.

The branch profit should be exempt from tax in Singapore under s.13(8) as the branch is operating in a jurisdiction where the headline tax rate is at least 15%; and the branch profits have been subject to tax in that jurisdiction.

**Item 4**
Yes – this is correct.

As long as the employee does not have the overriding power or control over the company's operation, the costs incurred from the defalcation by the employee should be tax deductible. Hence, the loss arising from the cash stolen by the cashier should be tax deductible.

**Item 5**
No – the cost incurred for the issuance of new shares is capital in nature and thus, not deductible.

Yes – the cost of the secretarial service would be tax deductible as a revenue expense or a statutory expense.


© ACCA 2027-2028 All rights reserved.

## Question 18

### George

| George: Assessable income for the year of assessment 2026 | $ |
|---|---|
| Net profit per the accounts | 87,000 |
| Add back: | |
| Staff costs (daughter's excessive wages) | 60,000 |
| Interest expense – Malaysian property | 8,000 |
| Medical insurance (staff) – less than 1% of total remuneration | 0 |
| Entertainment (George's benefit) | 9,000 |
| Taxi fares for attending meeting with client | 0 |
| Japan holiday ($16,000 - $6,000) | 10,000 |
| Course fees (George) | 10,000 |
| Course fees (Sam) | 0 |
| Bouquets of flowers for staff on their birthdays | 0 |
| Office rental | 0 |
| | **184,000** |
| One-tier dividend (tax exempt) | 0 |
| | |
| Rental income | |
| Net loss | (8,000) |
| Add: | |
| Mortgage interest (not tax deductible based on s147F of the Singapore Income Tax Act) | 12,000 |
| Property tax (no adjustment) | 0 |
| Net rental income | **4,000** |
| | |
| Total chargeable income | **188,000** |


© ACCA 2027-2028 All rights reserved.

## Question 19

### Gigantic Pte Ltd (Gigantic)

### (a) Total deductible statutory and common expenses

| | $ |
|---|---|
| Statutory expenses: Audit and secretarial fee | 12,000 |
| Common expenses: Staff salaries and Central Provident Fund (CPF) capped at 5% of total investment income i.e. $168,000 x 5%) | 8,400 |
| Total | **20,400** |
| Apportionment of expenses to each source of income: | |
| Royalty ($60,000/$168,000) x $20,400 | 7,286 |
| Interest from local bank ($20,000/$168,000) x $20,400 | 2,429 |
| Dividend from Singapore listed company ($88,000/$168,000) x $20,400 | 10,686 |
| | **20,400** |

### (b) Assessable income for the year of assessment 2026

| | $ |
|---|---|
| Royalty income | 60,000 |
| Less: | |
| Interest on a loan obtained to acquire the know-how on which royalty income is earned | (55,000) |
| Share of common expenses (from part (a)) | (7,286) |
| Net loss - disregarded | **(2,286)** |
| | |
| Interest income | 20,000 |
| Less: | |
| Share of common expenses (from part (a)) | (2,429) |
| | **17,571** |
| | |
| Dividend income from a Singapore listed company – exempt | 0 |
| Less: | |
| Share of common expenses (from part (a)) | 10,686 |
| Net loss – disregarded | **(10,686)** |

### (c) Chargeable income from the year of assessment 2026

| | $ |
|---|---|
| Royalty income | 0 |
| Interest income | 17,571 |
| Dividend income | 0 |
| | **17,571** |


© ACCA 2027-2028 All rights reserved.

## Question 20

### Daryl

### (a) Singapore tax payable year of assessment 2026 (YA 2026)

| **Income tax computation** | **$** | **$** |
|---|---|---|
| Employment income: | | |
| Salary (12 x $20,000) | | 240,000 |
| Fully furnished apartment: | | |
| Total rent by employer | 72,000 | |
| Less: rent paid by employee | (6,000) | 66,000 |
| Reimbursement of car park charges (business use) | | 0 |
| Reimbursement of medical expenses (wife) | | 0 |
| Reimbursement of medical expenses (mother) | | 2,000 |
| Subsidy for son's student care | | 3,600 |
| Stock option exercised in August 2025 (($7 - $3) x 10,000) | | 40,000 |
| Share award (taxable on lifting of sales restriction on July 2025) | | 0 |
| Other income: | | |
| Deposit interest (exempt) | | 0 |
| Dividend from company in Country Z | | 0 |
| | | **351,600** |
| Less: | | |
| Earned income relief | (1,000) | |
| Spouse relief | 0 | |
| Qualifying child relief | (4,000) | |
| Parent relief (living in the same household) | (9,000) | |
| NS man relief (non-key appointment) | (1,500) | |
| CPF ($7,400 x 20% x 12) | (17,760 | (33,260) |
| Chargeable income | | **318,340** |
| | | |
| Tax on the first $280,000 | | 36,550 |
| Tax on the next $38,340 at 20% | | 7,668 |
| | | **44,218** |

### (b) Stock option

The time upon which Daryl is subject to tax on gains from stock option differs from that on share award due to the sales restriction imposed.

As there is no sales restriction on the stock option, the gain on the stock option is taxable on the exercise of the stock option. The taxable amount is the open market price of the share less the price paid for the shares. As there is a restriction on the share award, it will be taxed in the year of the lifting of the restriction.


© ACCA 2027-2028 All rights reserved.

## Question 21

### High Low Pte Ltd

### (a) Tax computation for YA 2026

| | $ | $ |
|---|---|---|
| Net profit per accounts | | 1,800,000 |
| Less: | | |
| Accrued interest income | | (6,000) |
| Cash grant | | (30,000) |
| Add: | | |
| Depreciation expense | | 8,000 |
| IFRS 116/SFRS 116 – depreciation of right of use asset | | 80,000 |
| IFRS 116/SFRS 116 – interest expense | | 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 |
| FRS 109/SFRS 109 – provision for credit impaired trade debt | | 0 |
| Repairs and maintenance of private-plated motor cars | | 8,000 |
| Repairs and maintenance of vans | | 0 |
| Medical expense restriction ($30,000 - 1% x $1,000,000 ) | | 20,000 |
| Staff remuneration including Central Provident Fund (CPF) | | 0 |
| Leasing of computers | | 0 |
| Qualifying training expenses (300% x $5,000 - $200) | | (14,400) |
| Directors' fees (withholding tax not paid) | | 0 |
| | | **1,895,600** |
| Less rental paid | | (90,000) |
| | | **1,805,600** |
| Less capital allowance: | | |
| Special purpose automated machine | 200,000 | |
| Less cash grant | (30,000) | |
| Section 19A – 1 year claim | | (170,000) |
| YA 2024 unabsorbed capital allowances $100,000 | | (100,000) |
| YA 2024 unabsorbed losses $500,000 (forfeited) | | 0 |
| YA 2025 unabsorbed losses $200,000 | | (200,000) |
| Chargeable income | | **1,335,600** |


© ACCA 2027-2028 All rights reserved.

# Mark scheme

## Section A

Questions 1 – 15 (all questions worth two marks)

**Maximum 30 marks**

## Section B

### Question 16

| | | |
|---|---|---|
| **a** | Registration requirements:<br>- Global turnover<br>- Supplies of digital services B2C | <br>1<br>1 |
| **Maximum 2 marks** | | |
| **b** | Analysis of transactions:<br>- Classroom training revenue<br>- Training materials<br>- Online training SGP<br>- Online training Malaysia<br>- Dividends<br>- Forex loss<br>- Bare rent<br>- Furniture and fittings<br>- Printing<br>- Salary | <br>1<br>1<br>1<br>1<br>0.5<br>0.5<br>0.5<br>1<br>1<br>0.5 |
| **Maximum 8 marks** | | |
| **Total 10 marks** | | |

### Question 17

| | | |
|---|---|---|
| **a** | Ammoria Pte Ltd corporation tax treatment of items:<br>- Item 1<br>- Item 2<br>- Item 3<br>- Item 4<br>- Item 5 | <br>1<br>3<br>2<br>2<br>2 |
| **Total 10 marks** | | |


© ACCA 2027-2028 All rights reserved.

## Question 18

| | | |
|---|---|---|
| **a** | George's assessable income for the year of assessment (YA) 2026: | |
| | - Net profit | 0.5 |
| | - Staff costs | 1 |
| | - Interest expense | 0.5 |
| | - Medical insurance | 0.5 |
| | - Entertainment | 0.5 |
| | - Taxi fares | 1 |
| | - Japan holiday | 1 |
| | - Course fees - George | 0.5 |
| | - Course fees - staff | 0.5 |
| | - Bouquets | 0.5 |
| | - Office rental | 0.5 |
| | - Dividend | 0.5 |
| | - Net loss | 0.5 |
| | - Mortgage interest | 1 |
| | - Property tax | 0.5 |
| | - Total chargeable income | 0.5 |
| **Total 10 marks** | | |

## Question 19

| | | |
|---|---|---|
| **a** | Gigantic Pte Ltd deductible expenses: | |
| | - Statutory expenses | 0.5 |
| | - Common expenses | 0.5 |
| | Apportionment of expenses to income | |
| | - Royalty income | 1 |
| | - Interest | 1 |
| | - Dividend | 1 |
| **Maximum 4 marks** | | |
| **b** | Assessable income for the 2026 YA : | |
| | - Royalty income | 2 |
| | - Interest income | 1 |
| | - Dividend income | 1 |
| **Maximum 4 marks** | | |
| **c** | Chargeable income for the 2026 | 2 |
| **Maximum 2 marks** | | |
| **Total 10 marks** | | |


© ACCA 2027-2028 All rights reserved.

## Question 20

| | | |
|---|---|---|
| **a** | Daryl – tax payable for the 2026 YA: | |
| | Income | |
| | - Salary | 1 |
| | - Apartment | 1.5 |
| | - Car park charges reimbursed | 1 |
| | - Medical expenses reimbursed | 1.5 |
| | - Subsidy for son | 1 |
| | - Stock option | 1 |
| | - Share award | 0.5 |
| | - Other income | 1 |
| | Deductions | |
| | - Earned income relief | 0.5 |
| | - Spouse relief | 0.5 |
| | - Qualifying child relief | 0.5 |
| | - Parent relief | 0.5 |
| | - NS man relief | 0.5 |
| | - Central provident fund | 1 |
| | - Tax charge | 1 |
| **Maximum 13 marks** | | |
| **b** | Key difference | 1 |
| | Stock option – tax treatment | 0.5 |
| | Share award – tax treatment | 0.5 |
| **Maximum 2 marks** | | |
| **Total 15 marks** | | |


© ACCA 2027-2028 All rights reserved.

## Question 21

| | | |
|---|---|---|
| **a** | High Low Pte Ltd tax computation for 2026 YA: | |
| | - Accrued interest | 0.5 |
| | - Cash grant | 0.5 |
| | - Depreciation | 0.5 |
| | - IFRS 116 depreciation | 0.5 |
| | - IFRS 116 interest | 0.5 |
| | - Legal fee | 0.5 |
| | - Debt write off | 0.5 |
| | - Penalties | 0.5 |
| | - FRS 109 provision | 0.5 |
| | - Repairs on private plated cars | 0.5 |
| | - Repairs on vans | 0.5 |
| | - Medical expense restriction | 1.5 |
| | - Staff remuneration | 0.5 |
| | - Leasing computers | 0.5 |
| | - Qualifying training expense | 2 |
| | - Directors' fees | 1 |
| | - Rental paid | 1 |
| | - Capital allowance – machine | 1.5 |
| | - YA 2024 unabsorbed allowances | 0.5 |
| | - YA 2024 unabsorbed losses | 0.5 |
| | - YA 2025 unabsorbed losses | 0.5 |
| **Total 15 marks** | | |


© ACCA 2027-2028 All rights reserved.