

THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

June 2026

MODULE 2.08 – SINGAPORE OPTION

SUGGESTED SOLUTIONS

PART A

Question 1

Part 1

Residence and Charging Framework

Helios is Singapore tax resident → taxed on:

- Income accruing in or derived from Singapore (s 10(1) ITA), and
- Foreign-sourced income received in Singapore (s 10(25)).

Candidates should identify that the core issue is source and characterisation, not residence.

Strong answers explicitly distinguish:

- Source vs receipt basis
- Business income vs passive income

Characterisation of Income (Royalty vs Business Profits)

Payments from Orion may be characterised as:

- Royalties (use of IP), or
- Business profits (integrated commercial licensing model)

Determined by substance over form:

- Scope of rights granted (exclusive licence, sublicensing)
- Degree of operational involvement by Helios
- Whether Helios retains ongoing control / functions

Legal support (s 12(7) ITA (royalty concept))

Good answers:

- Recognise this is arguably a hybrid arrangement
- Argue both sides (royalty (IP exploitation), business income (platform + services + control))

Source of Income – Operations Test

Apply operations test (Hang Seng Bank, HK-TVB)

Identify what operations produce the profit and where they occur

Relevant factors:

- In Singapore (development and control of IP, strategic management, contract negotiation (sales director))
- Outside Singapore (software use (customers), customisation and support (but by Orion), revenue generation from end-users)

Key distinction:

- If royalty → weight on place of use (overseas)
- If business profits → weight on profit-generating activities (mixed, significant Singapore nexus)

Strong answers:

- Avoid simplistic “place of customer” reasoning
- Recognise multi-jurisdictional profit generation

Foreign-Sourced Income & Receipt

If income is foreign-sourced, taxable only if received in Singapore (s 10(25))

Consider:

- Whether funds are remitted to Singapore
- Whether retained offshore

Possible exemption is s 13(8) foreign-sourced income exemption (subject to tax overseas, ≥15% headline rate, beneficial exemption)

High-quality answers:

- Note that royalty income rarely relies on s 13(8)
- Identify fact dependency

Permanent Establishment – Helios in Germany

Fixed place PE unlikely:

- No premises at Helios' disposal
- Short-term engineer visits insufficient

Dependent agent PE (critical issue): provide analyses under DTA

Key issue being is Orion:

- Independent licensee, or
- Economically dependent distributor/agent?

Strong answers:

- Focus on economic dependence + functional role
- Recognise MLI expansion lowers threshold

Servers / Digital Infrastructure

Servers located in Ireland:

- Owned by third party
- Consider under DTA

Conclusion: no PE in Ireland for Helios

Treaty Allocation (and foreign tax)

If business profits, taxable only where PE exists (Article 7)

If royalties, taxable in source country, subject to limits (Article 12)

Strong answers link characterisation to treaty outcome

Withholding Tax

Critical correction: Singapore withholding tax (s 45) does NOT apply (Payment is Germany → Singapore)

Relevant issue instead:

- German withholding tax on royalties may apply under German domestic law
- Limited by Singapore–Germany DTA (Art 12)

Singapore implication: foreign tax credit (s 50 ITA)

Good answers explicitly state that Singapore withholding tax is not engaged due to payment direction

Key Uncertainties / Additional Facts

Candidates should identify missing facts such as:

- Nature of Orion (Independent distributor vs dependent agent)
- Contracting process (who actually concludes contracts?)
- Degree of Helios control over pricing/customers
- Whether income is remitted to Singapore
- Extent and function of Singapore office
- Whether German tax is imposed on royalties

Strong answers treat uncertainty as analytical strength, not weakness

Overall Analytical Structure

High-scoring answers should:

- Follow logical sequence (characterisation, source, PE, treaty, foreign tax / credits)
- Apply substance over form, fact-sensitive reasoning
- Avoid mechanical rule listing and ignoring ambiguity

Question 2

Residence of Nexcess

Identify:

- Incorporated in Country L → prima facie non-resident
- Test: central management and control

Apply board decisions in Country L → supports non-residence

But note that substantive negotiations in Singapore → potential challenge

Conclusion: likely non-resident, but fact-sensitive

Authority:

- Income Tax Act s 2(1) (definition of residence)
- De Beers Consolidated Mines Ltd v Howe [1906] AC 455 (residence where central management and control is exercised)

Source of Nexcess' income

Core test: where are the profit-generating operations carried out?

Apply:

- Singapore (negotiation of contracts, customer engagement)
- Country L (formal contract execution, servers and platform)

Key issue: whether Singapore activities are core income-producing operations or merely preparatory

Likely: at least part of income sourced in Singapore

Authority:

- Income Tax Act s 10(1)
- Any relevant case law (the below are just some example key cases internationally, good Singapore cases may score better)
- CIR v Hang Seng Bank Ltd [1991] 1 AC 306 (source = what operations produce the profits and where)
- CIR v HK-TVB International Ltd [1992] 2 AC 397 (focus on profit-generating transactions, not antecedent acts)

Carrying on business / PE in Singapore

Consider:

- Physical presence (co-working office → place of business)
- Employees in Singapore (negotiate and effectively conclude contracts)

Likely findings:

- Carrying on business in Singapore
- Permanent establishment exists (fixed place PE, potential dependent agent PE (substance over form))

Key issue: contracts signed offshore but substantively concluded in Singapore

Authority: Income Tax Act s 2(1) (business)

Absence of DTA

No treaty between Singapore and Country L, so no restriction on Singapore taxing Singapore-sourced income, or income attributable to Singapore PE

No treaty relief (no limitation of taxing rights, no tie-breaker rules)

Authority: domestic law applies in full in absence of DTA

Withholding tax exposure

Consider whether payments from Singapore customers may be subject to withholding tax if characterised as royalties or services

However, if Nexcess has PE in Singapore, income taxed on net basis instead

Key distinction: PE vs no PE → gross vs net taxation

Authority:

- Income Tax Act s 12(6), s 12(7) (source of services/royalties)
- s 45 (withholding tax obligation)

Dividends to shareholders

Singapore operates a one-tier system (dividends from foreign company generally not taxed unless received in Singapore and not exempt)

For Singapore shareholders, if dividends remitted to Singapore, potentially taxable unless exemption applies

Consider foreign-sourced income exemption

For non-resident shareholders, Singapore does not tax dividends paid by foreign company

Authority: Income Tax Act s 10(25) (receipt in Singapore), s 13(8) (foreign-sourced income exemption)

Identification of uncertainties (bonus integrated across answers)

Credit where students identify:

- Whether Singapore staff have authority to bind company
- Nature of office (degree of permanence)
- Whether income is service vs royalty vs business profits
- Whether dividends are remitted to Singapore
- Whether foreign tax is paid (for exemption)

Strong answers:

- Correctly apply Hang Seng / HK-TVB (or other relevant cases)
- Identify PE risk despite offshore signing
- Distinguish source vs characterisation vs PE

Avoid credit for over-reliance on server location, and treating formal contract signing as decisive

PART B

Question 3

Main issue: Revenue vs capital gain on disposal

Core issue: whether disposal of Orchard Tower is:

- Trading income (taxable) or
- Capital gain (not taxable in Singapore)

Approach: apply “badges of trade” / intention + conduct analysis

Relevant factors:

- Intention at acquisition (evidence of long-term hold (rental yield) → capital; But redevelopment/resale modelling → trading indicator)
- Nature of asset (real estate capable of both investment and trading)
- Length of holding (3 years → ambiguous (not determinative))
- Frequency of transactions (if isolated → capital leaning (unless other factors strong))
- Work done on asset (refurbishment and reconfiguration, if to enhance rental → capital/investment, if to prepare for sale → trading indicator)
- Circumstances of sale (unsolicited offer → capital indicator, but contemporaneous redevelopment planning → mixed)

Conclusion: Fully arguable both ways; marks for balanced analysis

Authority:

- Any relevant authority accepted; Singapore cases preferred depending on context (distinction between realisation of investment vs trading operation)
- Marson v Morton [1986] STC 463 (sets out badges of trade)
- Singapore practice adopts badges of trade principles

Source and taxability for non-resident

Rental and disposal relate to Singapore immovable property

Gains (if revenue) are Singapore-sourced

Authority:

- Income Tax Act s 10(1)(a)
- General principle: income from Singapore property → Singapore source

Rental income and expenses

Secondary issue; cover that it is assessable income and expenses can be deducted if tests met etc

Rental income is income from property → taxable in Singapore

Non-resident carrying on rental activity likely treated as carrying on business in Singapore

Authority: Income Tax Act s 10(1)(a) (income from property/business)

Deductibility of expenses

- General rule, deductible if wholly and exclusively incurred in production of income

Authority: Income Tax Act s 14(1)

Interest expense, deductible if loan used to acquire income-producing property

Identification of uncertainties (marks built into the core issues marks above)

Credit for identifying:

- True intention at acquisition (documents vs actual conduct)
- Extent and nature of refurbishment works
- Whether StrataVista carries on business in Singapore
- Whether sale was opportunistic vs part of profit-making scheme

Question 4

Residence status in Singapore

Identify individual resident if ≥ 183 days in Singapore in the relevant year

Greta present ~210 days → Singapore tax resident

Authority: Income Tax Act s 2(1) (definition of resident for individuals)

Dual residence and tie-breaker

Identify Country D treats Greta as resident → dual residence

Apply OECD tie-breaker (Art 4(2))

Sequential tests:

1. Permanent home (available in both Singapore (leased apartment) and Country D (owned home) → inconclusive)
2. Centre of vital interests (family in Country D, work and economic activity in Singapore → mixed)
3. Habitual abode (more days in Singapore → points to Singapore)
4. Nationality (if needed)

Conclusion: likely treaty resident in Singapore, but arguable

Authority: Singapore–Country D DTA (OECD Model), Article 4(2)

Employment income

Identify taxable if derived from employment exercised in Singapore

Apply:

- Work performed in Singapore → taxable in Singapore
- Work performed overseas still taxable if employment is based in Singapore (practical approach)

Authority: Income Tax Act s 10(1)(b) (employment income)

Consulting fees

Identify nature (independent services / business income)

Apply:

- Work performed largely in Singapore → Singapore source
- Taxable regardless of payment into foreign account

Authority: Income Tax Act s 10(1)(a) (source principle: place where services performed)

Foreign passive income

Dividends (Country D):

- Foreign-sourced
- Not remitted → not taxable in Singapore

Rental income (Country D property):

- Foreign-sourced
- Not remitted → not taxable in Singapore

Authority:

- Income Tax Act s 10(25) (receipt in Singapore)
- General rule: foreign income taxed only if received in Singapore

Interest income (Singapore bank)

Singapore-sourced

For individuals, often exempt

Authority: Income Tax Act s 13(1)(i) (interest exemption for individuals)

Identification of uncertainties

Credit for noting:

- Strength of centre of vital interests (family vs work)
- Whether consulting constitutes trade vs isolated activity
- Whether any foreign income is remitted or used in Singapore
- Exact scope of employment duties performed overseas

PART C

Question 5

Framework: s 13(8) conditions

To qualify for exemption, foreign-sourced income (received in Singapore) must satisfy:

1. Subject to tax in foreign jurisdiction
2. Foreign jurisdiction has headline tax rate $\geq 15\%$
3. Exemption is beneficial to the taxpayer

Applies to:

- Foreign dividends
- Foreign branch profits

Authority:

- Income Tax Act s 13(8)
- IRAS e-Tax Guide: Foreign-Sourced Income Exemption

Titan Ltd (Country A – 5% incentive rate)

Issues:

- Headline rate = 25% $\rightarrow$ satisfies $\geq 15\%$ condition
- But profits taxed at 5% under special regime

Subject to tax: income has been taxed, albeit at concessional rate

Generally satisfies “subject to tax”

Key issue:

- Whether low effective tax undermines exemption
- Singapore law focuses on headline rate, not effective rate
- BUT the existence of major special regimes needs careful consideration

Conclusion: possibly qualifies for exemption (subject to beneficial test)

Nova Corp (Country B – dividend exempt, underlying tax paid)

Issues:

- Dividend itself not taxed in Country B
- But underlying profits taxed at corporate level

Subject to tax: can be satisfied via underlying tax on profits

Headline rate 20% $\rightarrow$ satisfies $\geq 15\%$

Conclusion: Likely qualifies for exemption

Origin LLC (Country C – fully exempt regime)

Issues:

- Profits not taxed at all due to special regime
- Headline rate = 12% ($< 15\%$)

Subject to tax not satisfied (no tax at entity level)

Headline rate fails ($< 15\%$)

Conclusion: does not qualify for exemption

Branch profits (Country D – taxed at 30%)

Profits taxed at 30%, subject to tax

Headline rate $\geq 15\%$

Conclusion: qualifies for exemption

Beneficial condition

Generally satisfied if:

- Foreign tax already paid
- Exemption avoids double taxation

Likely satisfied for Titan, Nova, and branch income

Not relevant for Origin (fails earlier conditions)

Identification of key nuances

Credit where students recognise:

- Headline rate vs effective rate distinction
- Underlying tax counts for dividends
- Special regimes can defeat “subject to tax”
- Dividend exemption at shareholder level does not automatically fail s 13(8)

Question 6

Domestic retail sales

Sale of home décor in Singapore → standard-rated supply (9%)

Authority:

- GST Act s 7(1) – GST charged on taxable supplies made in Singapore
- GST Act s 8 – standard rate

Export of goods

Goods exported from Singapore → zero-rated supply

Conditions: goods must be exported and evidence retained

Authority: GST Act s 21(3) – zero-rating of exports of goods

Cross-border consultancy services

Services supplied to Malaysian client → potentially zero-rated (international services)

Conditions:

- Recipient belongs outside Singapore
- Services not directly related to land in Singapore, goods located in Singapore

Partly performed in Singapore → still can qualify if conditions met

Authority:

- GST Act s 21(3) (international services provisions)
- IRAS GST Guide on “International Services” (interpretive guidance)

Digital supplies

Sale of downloadable templates:

- To Singapore customers → standard-rated
- To overseas customers → may be zero-rated (if conditions satisfied)

Key issue: belonging status of customer

Authority:

- GST Act s 7 (taxable supply)
- GST Act s 21(3) (zero-rating of international services)

Dividends

Dividend income → outside scope of GST (not a supply)

Authority:

- GST Act s 7(1): GST applies only to supplies of goods/services
- Financial returns like dividends are not consideration for a supply

Residential rental

Rental of residential property → exempt supply

Authority: GST Act Fourth Schedule, para 2 – exemption for residential property

Input tax recovery

General rule: input tax recoverable if incurred for taxable supplies

Authority: GST Act s 19(1)

Restriction: input tax attributable to exempt supplies (residential rental), not recoverable

Mixed supplies must apportion input tax between taxable and exempt activities

Authority:

- GST Act s 19(3) (restriction where attributable to exempt supplies)
- IRAS Guide on Input Tax Apportionment (administrative practice)

Identification of uncertainties

Credit for noting:

- Whether consultancy services are directly connected to Singapore land/goods
- Whether overseas customers “belong outside Singapore” (digital supplies)
- Whether export documentation is sufficient

Question 7

Marks are granted for this question based on the overall quality of the essay, how comprehensive it is (10), how clear it is (2) and how well it is supported with references to regimes and relevant sources etc(3). The issues below are all important but it is possible for students to approach it in a different way.

Framing the issue

Singapore's model: low rate, broad base, targeted incentives

High-tech industries: mobile, IP-driven, sensitive to tax + regulation

BEPS: shift from tax competition → substance and alignment with value creation

Features of Singapore's tax regime supporting high-tech growth

Competitive corporate tax rate (17%)

Targeted incentives:

- Pioneer Certificate Incentive
- Development and Expansion Incentive
- R&D tax deductions / enhanced allowances

Intellectual property environment: writing-down allowances for IP (s 19B ITA)

Foreign-sourced income exemption (s 13(8)): facilitates regional holding and IP structures

No capital gains tax

Strong treaty network

BEPS developments and constraints

Transfer pricing rules strengthened:

- Alignment with OECD guidelines
- Documentation requirements

Substance requirements real activities (R&D, decision-making) must occur in Singapore

Anti-avoidance / transparency:

- Country-by-country reporting
- Exchange of information

Global minimum tax (Pillar Two):

- Limits effectiveness of low-tax incentives
- Push toward qualified domestic minimum top-up tax

Interaction between Singapore's regime and BEPS

Shift from pure tax arbitrage → substance-based attraction

Singapore adapts by:

- Emphasising real R&D activity and talent
- Structuring incentives to be BEPS-compliant

Tension:

- Incentives vs global minimum tax
- Tax competition vs international legitimacy

Advantages for high-tech and research industries

Stable legal system and regulatory certainty

Integration of tax + infrastructure + talent + funding

Ability to support:

- regional headquarters
- IP management and commercialisation

Limitations and risks

Reduced flexibility in using low-tax or stateless income structures

Increased compliance costs

Global minimum tax reduces marginal benefit of incentives

Competition from other jurisdictions adopting similar BEPS-compliant models

Sustainability and future direction

Singapore moving toward real economic substance model

Likely continued role as innovation and regional hub

But:

- less reliance on tax rate differentials
- more on ecosystem advantages

Overall evaluation

Regime remains conducive, but for different reasons than pre-BEPS

Success depends on balancing compliance with BEPS, and maintaining targeted competitiveness

Question 8

Explanation of Pillar 2 Framework

Explains the basics of Pillar 2 under the OECD/G20 BEPS 2.0 initiative:

- Global Anti-Base Erosion (GloBE) rules imposing a minimum effective tax rate (ETR) of 15% on large multinational enterprises (MNEs) with consolidated revenues above €750 million.
- Outlines how the Income Inclusion Rule (IIR) and Undertaxed Profits Rule (UTPR) operate to top up low-taxed income.
- Notes possibility of a Qualified Domestic Minimum Top-up Tax (QDMTT) for jurisdictions like Singapore to collect the top-up domestically.
- Briefly mentions safe harbours and substance-based carve-outs (5% of payroll and tangible assets).

Singapore's Current Corporate Tax and Incentive Regime

Singapore's headline corporate tax rate is 17%, but many MNEs enjoy effective rates below this due to:

- Pioneer Certificate Incentive or Development and Expansion Incentive (reduced rates of 5%-10%).
- Other industry-specific or sector-specific tax exemptions or concessions.

Highlights Singapore's longstanding use of tax incentives as a key part of its economic strategy to attract regional headquarters, high-tech industries, and investment.

Discusses territorial tax system (foreign-sourced income generally taxed only if received in Singapore) and absence of capital gains tax.

Analysis of Pillar 2's Potential Impact on Singapore

Critically assesses how Pillar 2 could erode the effectiveness of tax incentives (e.g., if Singapore offers a 5% incentive rate, but other countries apply IIR to top up to 15%, Singapore loses the "benefit" of the incentive).

Discusses Singapore's likely response via QDMTT, allowing Singapore to collect the top-up domestically rather than ceding it to other jurisdictions.

Considers business competitiveness concerns:

- Loss of traditional tax-driven advantages.
- Singapore may need to pivot towards non-tax factors (e.g., infrastructure, skilled workforce, political stability) to retain MNEs.

Considers revenue impact: potential increase in Singapore's tax revenue through QDMTT, but loss of competitive edge could affect investment inflows.

May mention Singapore's commitment to implementing Pillar 2 by 2025 (per Ministry of Finance announcements) and steps to consult stakeholders.

Conclusion and Forward-Looking Commentary

Concludes that while Singapore will face challenges to its traditional incentive model, it is also well-positioned to adapt through QDMTT and by strengthening non-tax value propositions.

Acknowledges that the full impact remains uncertain, dependent on global coordination and corporate behaviour.

Legal/Policy References

OECD Pillar 2 Blueprints (2021/2022).

Singapore Income Tax Act (for reference to corporate tax system and incentives).

Singapore Ministry of Finance public consultations or announcements on Pillar 2.