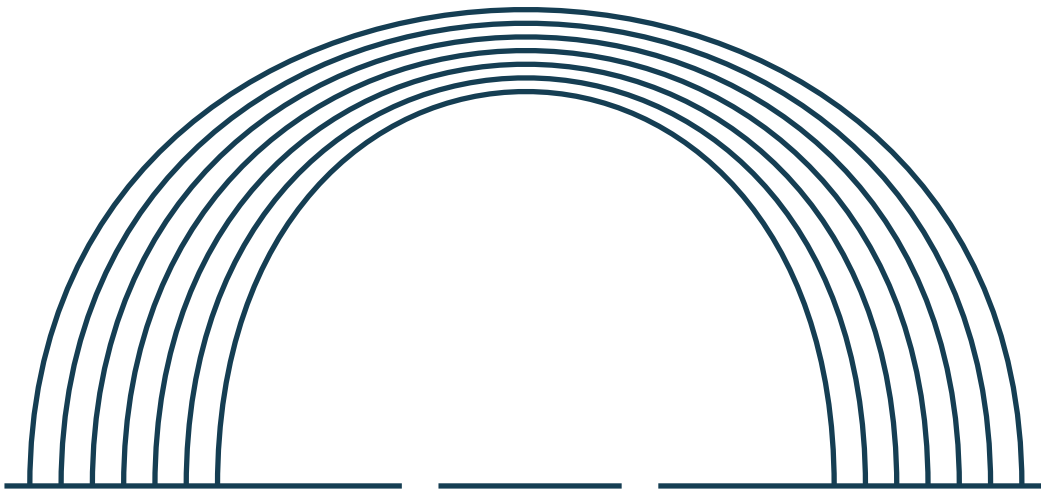


Singapore Taxation

**Practice &
Answer Writing**



COMPLETE THE ANSWER

GaaP Bridge

Bridge the GAAP. Close the Gap.

Contents

Introduction

How to use this practice book	7
-------------------------------	---

Part I Foundations of Tax Analysis

Chapter 1 The Tax Decision Framework

1.1 The Singapore tax map	9
1.2 Year of Assessment and basis period	10
1.3 Capital revenue and source	11

Part II Individual Taxation

Return roadmap Individual return	12
----------------------------------	----

Chapter 2 Residence and Taxable Income

2.1 Individual residence	13
2.2 Employment or self employment	15
2.3 Accommodation and other benefits	16
2.4 Cars shares and tax borne by employer	18
2.5 Rental and investment income	20

Chapter 3 Reliefs and the Personal Tax Computation

3.1 Personal reliefs eligibility first	22
3.2 Relief conditions and family planning	23
3.3 Rate table and non residents	24
3.4 CPF SRS and a complete individual calculation	26

Part III Business and Entity Taxation

Return roadmap Company return	28
-------------------------------	----

Chapter 4 Business Forms and Income Allocation

4.1 Company residence and business forms	29
4.2 Investment entities partnerships trusts and clubs	31
4.3 Partnership allocations and capital restrictions	33
4.4 Self employed income and personal losses	35

Chapter 5 From Accounting Profit to Taxable Business Income

5.1 The business expense decision tree	36
5.2 Interest cars medical costs and pre commencement	38
5.3 Foreign exchange and financial instruments	40

Chapter 6 Capital Expenditure and Asset Lifecycles

6.1 Capital allowances eligibility and method	41
6.2 Renovation buildings and intellectual property	43
6.3 Innovation deductions and the EIS	45
6.4 Disposal balancing adjustments and section 24	47

Chapter 7 Loss Relief and the Corporate Tax Computation

7.1 Losses allowances and donations	48
7.2 Carry back and group relief	50
7.3 PTE SUTE rebates and incentives	52
7.4 The corporate computation waterfall	54

Part IV Cross Border Taxation

Return roadmap Cross-border filings	56
-------------------------------------	----

Chapter 8 Foreign Income Receipt Exemption and Credits

8.1 Foreign income and deemed remittance	57
8.2 Foreign sourced income exemption	59
8.3 Foreign tax credits and pooling	61
8.4 FTC attribution a full worked method	63

Chapter 9 Non Resident Exposure and Withholding Tax

9.1 Withholding tax domestic law first	64
9.2 WHT timing treaties and permanent establishments	67

Chapter 10 Related Party Transactions and International Tax Frameworks

10.1 Transfer pricing and financing	71
10.2 BEPS Pillar Two and information exchange	74

Part V Goods and Services Tax

Chapter 11 GST Liability Supplies and Registration

11.1 GST architecture and supply classification	75
11.2 Place time and value of supply	76
11.3 GST registration and deadlines	77

Chapter 12 GST Recovery Cross Border Transactions and Reporting

12.1 Input tax recovery and partial exemption	79
12.2 Imported services OVR and low value goods	80
12.3 GST return business transfers and schemes	81

Part VI Transactions and Tax Planning

Chapter 13 Stamp Duty and Transaction Reliefs

13.1 Stamp duty instruments and valuation	83
13.2 Property duties and property holding entities	85
13.3 Reconstruction and associated entity relief	87

Chapter 14 Disposals Acquisitions and Financing Decisions

14.1 Share disposals and foreign asset gains	88
14.2 Acquisitions shares or assets	90
14.3 Financing and extracting profits	92
14.4 Planning avoidance and evasion	94

Part VII Compliance and Integrated Exam Practice

Chapter 15 Tax Administration and Dispute Resolution

15.1 Filing payment and records	95
15.2 Assessments objections refunds and penalties	96

Chapter 16 Integrated Cases and Exam Execution

16.1 Exam writing and calculation discipline	97
16.2 Integrated case company and foreign income	98
16.3 Integrated case business sale	99

Practice and reference

[How to use this practice book](#) / p 7

Chapter checks 80 multiple choice questions 100

Chapter check answers and explanations 117

[Start here: choose a practice route](#) / p 125

Complete an integrated answer

[Case A Personal income tax](#) / p 126

[Case B Corporate income tax](#) / p 132

[Case C GST return preparation](#) / p 138

Strengthen a specific skill

[28 focused units: attempt and answer](#) / p 144

28 changed-fact exercises / p 201

[Answers to the 28 focused variations](#) / p 215

[Practice source notes](#) / p 225

Return to the original papers

[Question coverage and reverse index](#) / p 226

Final checks and historical controls / p 228

[Practice year register](#) / p 247

[Source file register](#) / p 250

The topic contents on the preceding pages follow Volume 1. The practice route above provides a second way into the book: choose the answer you want to learn to complete, then return to the topic reference when you need a rule.

Case B learning review and independent attempt / pp 252-254

How to use this practice book

Use the tax law learned in Volume 1 to complete an answer: classify facts, place them in a worksheet, calculate and explain. New to Singapore tax? Follow the paired reading route on p 8 and start with Cases A-C. Use the topic index on pp 9–99 later to select original past-paper practice.

Coverage	Included
Examination sessions	June 2021 to June 2026 inclusive
Source set	11 past papers and 11 examiner reports
Questions	44 main questions and all 166 top-level lettered requirements
Concept links	167 study entries across 53 topics in 16 Chapters
Practice route	3 integrated cases; 28 focused units; 31 changed-fact exercises

Each integrated case separates the facts and blank worksheet from the reasoning, completed computation and written answer. Every focused unit adds an attempt sheet and a changed-fact exercise to a retained worked clinic. The 28 focused variation answers are collected separately so you can attempt them first.

Attempt, check, explain, repeat

First attempt: use Volume 1 for the rule, but write your own working before opening the answer.

Second attempt: close both answers and reconstruct the computation. Finish by writing the conclusion and the reason for any exclusion, adjustment or limit.

Check the decision as well as the amount. Mark whether an error arose from classification, placement in the computation, calculation, or explanation. Correct the earliest wrong decision and carry the revised figure through to final tax.

Use the changed-fact exercise to test transfer. Identify which lines should change, which should stay fixed, and why. A correct final number is not enough if the working uses the wrong source, year or sequence.

The 167 study entries connect past-paper requirements to Volume 1 topics and reported examiner feedback. They are a reference for choosing further practice, not 167 distinct questions or a full official suggested-answer set.

Use the original papers for full facts and requirements; worked reconstructions and original exercises are labelled. Find papers by session and question at scaq.isca.org.sg. In e-readers without active links, use the printed topic and page references; source-file locators are on pp 250-251.

Volume 1 citations are reading references to the companion book; open that book separately.

Examination and study sequence

TX has four compulsory questions with separately marked parts. The written assessment lasts 3 hours 15 minutes; the pass mark is 50%. Read the sitting's instructions and budget time using the original marks.

Start with the Part I framework and Chapter 1 in Volume 1, then follow these pairs. Learn the basic computation before adding exceptions. You do not need to read the long topic index before your first case.

Read in Volume 1	Practise in Volume 2
• Framework pp 19–21; Form B/B1 filing maps pp 22–23. • Topics 2.1-2.3, 2.5 and 3.1-3.4.	Case A / p 126
• Framework pp 49–51; Form C filing maps pp 52–54. • Profit adjustments, allowances and relief: Chapters 5-7.	Case B / p 132
• Framework pp 120–122. • GST classification and recovery: Chapters 11-12.¹	Case C / p 138

Explain every adjustment before checking the answer, then retry the changed facts. Next use focused units for errors, and add tax-on-tax, foreign income and group transactions. Finally attempt complete original requirements under their stated marks and time limits.²

Exam framework and refreshed syllabus: [Volume 1 p 9](#) | [Volume 1 p 10](#) | [Volume 1 p 11](#)

Historical rules: use the paper's YA, dates, Appendix A and special assumptions. For example, the December 2025 cafe question expressly uses YA 2025 law for projected YAs 2026-2028.³

December 2026 / June 2027 exam basis: YA 2026, including Budget 2026 changes. Ministerial Statements or tax changes announced from July 2026 are excluded. Apply the stated effective date of each rule; a Budget 2026 measure starting in YA 2027 does not change a YA 2026 computation. The candidate-portal Supplement and official Examiners' Guides were reconciled on 11 October 2026.

The reverse index connects 44 main questions and 166 lettered requirements to 167 study entries; it does not reproduce every complete answer. Use the original papers and examiner reports with these independent exercises.

Historical frequency does not predict the refreshed syllabus. Pillar Two is covered at the conceptual level tested, not as a detailed current GloBE computation.⁴

¹ Goods and Services Tax: Singapore's consumption tax. Registered businesses account for output tax and claim allowable input tax.

² Tax-on-tax arises when employer-paid income tax is itself a taxable benefit, so the additional tax must also be included in the working.

³ Year of Assessment: the assessment year; ordinary calendar-year 2025 individual income belongs to YA 2026.

⁴ Pillar Two is a global minimum-tax framework for in-scope large multinational groups, with its own effective-tax rules; it is not a universal replacement for 17% CIT.

Global Anti-Base Erosion rules are the core minimum-tax rules within Pillar Two, subject to group scope, jurisdictional calculations and specific exclusions.

Chapter 5 quick check

From Accounting Profit to Taxable Business Income

5.1 Profit before tax is S\$100,000 after charging S\$12,000 depreciation and S\$3,000 private costs. There are no other adjustments. What is adjusted trade profit before capital allowances?

- A. S\$115,000
- B. S\$100,000
- C. S\$85,000
- D. S\$112,000

5.2 Which item normally needs an add-back if it has already reduced accounting profit?

- A. Deductible office rent
- B. Qualifying business insurance
- C. Ordinary deductible staff salaries
- D. Accounting depreciation

5.3 Borrowed money funds both income-producing business activities and a private purpose. How should interest be analysed?

- A. Deduct all interest because a bank charged it
- B. Disallow all interest because it is interest
- C. Trace the use of funds and exclude the private element
- D. Deduct only the loan principal

5.4 Which expenditure is more likely to be a revenue repair rather than an improvement?

- A. Adding an extra floor to a building
- B. Restoring a worn component to its original operating condition
- C. Acquiring a new production line
- D. Extending a machine's capacity substantially

5.5 A company incurs expenditure before trading starts. Which conclusion is correct?

- A. Check the eligible pre-commencement revenue-expense rules
- B. All pre-opening costs are immediately deductible
- C. All pre-opening costs are permanently disallowed
- D. Capital start-up assets are automatically revenue costs

My answers 1 ____ 2 ____ 3 ____ 4 ____ 5 ____ Score ____ / 5

Check the explanations on p 119

Chapter 6 quick check

Capital Expenditure and Asset Lifecycles

6.1 Plant costs S\$90,000 and qualifies for a three-year straight-line tax write-off. A full annual claim is available. What is that claim?

- A. S\$90,000
- B. S\$30,000
- C. S\$45,000
- D. S\$18,000

6.2 Which expenditure needs the specific renovation and refurbishment deduction analysis rather than being assumed to qualify as ordinary plant?

- A. Qualifying non-structural fitting-out of business premises
- B. Trading stock bought for resale
- C. A private holiday
- D. Ordinary office stationery

6.3 S\$30,000 of eligible innovation expenditure has already been deducted in the accounts. Assume a 400% total tax deduction applies to the full amount, with no cash conversion. What further deduction is needed?

- A. S\$30,000
- B. S\$120,000
- C. S\$150,000
- D. S\$90,000

6.4 Plant cost S\$50,000, has tax written-down value S\$15,000, and is sold for S\$60,000. What is the ordinary balancing charge, ignoring any separate disposal-gain rule?

- A. S\$45,000
- B. S\$60,000
- C. S\$35,000
- D. S\$15,000

6.5 Why must an eligible section 24 tax-value transfer be considered separately from the asset's accounting sale price?

- A. Every related-party sale automatically resets tax value to market value
- B. The election may preserve tax value under its statutory conditions
- C. The buyer always deducts the full purchase price immediately
- D. A share purchase always counts as an asset transfer

My answers 1 ____ 2 ____ 3 ____ 4 ____ 5 ____ Score ____ / 5

Check the explanations on p 119

Answers and explanations 5 and 6

Chapter 5

5.1 A. Add back both disallowed accounting charges: $100,000 + 12,000 + 3,000 = 115,000$. Capital allowances are considered separately. **Review: Volume 1 topic 5.1.**

5.2 D. Accounting depreciation is replaced by the statutory asset deduction where available. Do not add back an expense that is already properly deductible. **Review: Volume 1 topic 5.1.**

5.3 C. The purpose and use of the borrowing matter. An appropriate allocation separates deductible business interest from the private element; principal is not interest expense. **Review: Volume 1 topic 5.2.**

5.4 B. A restoration may maintain the existing asset; an extension or substantial improvement usually raises capital questions. Examine the actual work, not the invoice label. **Review: Volume 1 topic 5.1.**

5.5 A. Timing alone does not settle deductibility. Eligible revenue expenses may qualify under specific rules; capital and prohibited expenses remain separate. **Review: Volume 1 topic 5.2.**

Chapter 6

6.1 B. The elected three-year route gives $90,000 / 3 = 30,000$ per year on these facts. Do not apply an accounting depreciation rate. **Review: Volume 1 topic 6.1.**

6.2 A. Qualifying premises work may fall under section 14N, with its own exclusions, cap period and write-off election. Do not assume every capital improvement is plant. **Review: Volume 1 topic 6.2.**

6.3 D. The total deduction is $30,000 \times 400\% = 120,000$. The accounts already include the base 30,000, so the additional deduction is 90,000. **Review: Volume 1 topic 6.3.**

6.4 C. The charge is capped at allowances previously granted: $50,000 - 15,000 = 35,000$. Proceeds above original cost are not additional allowance recapture. **Review: Volume 1 topic 6.4.**

6.5 B. Section 24 provides a conditional tax-value transfer route. It is not an automatic market-value step-up and does not apply indiscriminately to share purchases. **Review: Volume 1 topic 6.4.**

Return to the chapter if your reason differs from the explanation. Then attempt a case from a blank form.

Case B Corporate income tax

ORIGINAL INTEGRATED PRACTICE / YA 2023 / year ended 31 December 2022

Orion Trading Pte. Ltd. is a Singapore tax-resident trading company incorporated more than ten years ago. It is taxed at the normal 17% rate and qualifies for partial tax exemption. It has no start-up exemption, incentives, brought-forward items, foreign tax credits or group relief. Amounts are in Singapore dollars.

Case information	Amount (S\$)
Accounting profit before tax	320,000
Depreciation charged in arriving at that profit	40,000
Running costs of a disallowed S-plated private passenger car	8,000
Regulatory fine charged to profit	2,000
Qualifying IPC cash donation charged to profit	10,000
Non-trade Singapore bank interest included in profit	20,000
Exempt one-tier Singapore dividend included in profit	20,000
Eligible capital allowances per verified schedule	60,000

Your assignment

Reconcile accounting profit to adjusted trade profit, aggregate the taxable sources, claim the donation deduction and compute final corporate tax. Explain why removing bank interest from the trade reconciliation does not exempt it.

[Continue to the blank computation and assumptions](#) / p 133

GUIDED PRACTICE / Start with the supplied treatments; test independence on p 253.

Case B Complete your computation

ATTEMPT / Read the assumptions before calculating

All remaining income and expenses are ordinary trading items and deductible where relevant. The car is subject to the statutory deduction restriction. The fine is non-deductible. The donation qualifies for a 2.5-times deduction. No other allowances or reliefs apply. There is no corporate income tax rebate for YA 2023.

Computation / decision	Your working and answer
Accounting profit before tax	
Add-backs	
Remove non-trade and exempt receipts	
Adjusted trade profit	
Less: capital allowances	
Trade income after allowances	
Add: non-trade income	
Total statutory income	
Less: qualifying donation deduction	
Chargeable income before exemption	
Partial exemption	
Chargeable income after exemption	
Corporate tax payable	

Partial tax exemption: 75% of the first 10,000 of normal chargeable income, plus 50% of the next 190,000. Normal corporate tax rate: 17%. Keep the donation deduction separate from the accounting add-back.¹

Write the explanation on a separate sheet before turning to the answer. Record any uncertainty next to the affected line.

When you have attempted it: classification and reasoning / p 134

¹ Add back reverses a deduction already made in accounting profit when tax does not allow it there; it does not mean cash is received again.

Case B Classify and place the facts

REASONING / Compare with your own classification first

Fact or document	Destination and treatment
Depreciation	Add back; replace with the eligible capital-allowance claim.
Restricted car costs and regulatory fine	Add back; no later deduction on these facts.
IPC donation charged to profit	Add back first; claim the qualifying deduction separately.
Non-trade bank interest	Remove from trade profit, then include as a taxable separate source.
One-tier dividend	Remove from accounting profit; exempt and not reintroduced.
Capital allowances	Deduct from adjusted trade profit before aggregation.

Start from what the accounts already contain

A payment charged to profit has already reduced the starting figure. Adding back the donation prevents an ordinary expense deduction from remaining alongside its separate tax deduction.

Separate sources before aggregating

Bank interest and the dividend are both removed from the trade working, but only the interest returns as taxable non-trade income.

Finish the calculation

Apply capital allowances and the donation before partial exemption. The exemption is not a tax credit: multiply the remaining chargeable income by 17%.

Next: completed computation and written answer / p 135

Case B Complete answer

WORKED ANSWER / YA 2023 / year ended 31 December 2022

Computation line	Working / treatment	Amount (S\$)
Accounting profit	Given	320,000
Add-backs	40,000 + 8,000 + 2,000 + 10,000	60,000
Remove other receipts	20,000 interest + 20,000 dividend	(40,000)
Adjusted trade profit	320,000 + 60,000 - 40,000	340,000
Capital allowances	Verified schedule	(60,000)
Trade income after allowances	340,000 - 60,000	280,000
Non-trade bank interest	Taxable separate source	20,000
Total statutory income	280,000 + 20,000	300,000
Donation deduction	10,000 x 2.5	(25,000)
Chargeable income before exemption	300,000 - 25,000	275,000
Partial exemption	7,500 + 95,000	(102,500)
Chargeable income after exemption	275,000 - 102,500	172,500
Corporate tax payable	172,500 x 17%	29,325

A concise written answer

Orion has chargeable income of 275,000 before partial exemption and tax payable of 29,325. The bank interest is taxable despite its removal from the trade reconciliation. The donation is added back before a separate 25,000 deduction is claimed. Leaving the accounting expense in place would double-count 10,000.

Rule sources: P3, P7, P8, P9. See the linked practice source notes.

[Test the method with changed facts](#) / p 136

Case B Change the facts

SECOND ATTEMPT / Close the worked answer

Orion also acquired and brought into use a qualifying machine costing 30,000 during 2022. The cost was capitalised and no depreciation or expense for it is in the stated profit. It was omitted from the supplied capital-allowance schedule. Assume all conditions for a three-year section 19A(1) write-off are met and that election is made. Recompute the tax.¹

Computation / decision	Your working and answer
Extra annual allowance	
Revised total capital allowances	
Trade income after allowances	
Chargeable income before and after exemption	
Tax payable and tax reduction	

Explain the effect

State the first line that changes, explain the treatment and reconcile the difference in final tax. Identify at least one figure that stays unchanged.

Check only after completing your revised answer / p 137

¹ Income Tax Act section 19A provides accelerated capital-allowance routes for qualifying assets. The relevant asset, period and election conditions still apply.

Case B Review the changed facts

VARIATION ANSWER / Check the method and the result

Computation line	Working	Amount (S\$)
Extra annual allowance	30,000 / 3	10,000
Total capital allowances	60,000 + 10,000	70,000
Trade income after allowances	340,000 - 70,000	270,000
Total statutory income	270,000 + 20,000	290,000
Chargeable income before exemption	290,000 - 25,000	265,000
Chargeable income after exemption	265,000 - 102,500	162,500
Tax payable	162,500 x 17%	27,625
Tax reduction	29,325 - 27,625	1,700

The new claim is a capital allowance of 10,000 for the YA, not an immediate deduction for the full 30,000 cost. Accounting profit stays unchanged under the facts. Partial exemption is already fully used in both cases, so the additional allowance reduces tax by $10,000 \times 17\% = 1,700$.

Self-check

- I checked which amounts had already reduced accounting profit.
- I restored taxable bank interest after removing it from trade profit.
- I applied the extra allowance once and did not invent an accounting add-back.

If a check fails, rewrite the affected part from a blank page and carry the correction to the final result. Record the mistake in the error log on the practice source-notes page.

Find your first error and choose targeted revision / p 252

Choose a focused unit / p 144

Then test yourself without the template / p 253

Case B Find the first wrong decision

DIAGNOSTIC REVIEW / Use after attempting pp 132-137

Case B is guided practice: its facts and worksheet supply the tax treatments and sequence. Completing it shows that you can use that structure; it does not yet establish that you can identify every treatment independently.

Compare intermediate totals, not only final tax

First subtotal that differs	Check the decision before recalculating
Adjusted trade profit: 340,000	Add back 60,000 in total. Remove both the 20,000 bank interest and the 20,000 exempt dividend from the trade reconciliation.
Total statutory income: 300,000	Deduct capital allowances of 60,000, then restore taxable bank interest of 20,000 as a separate source. Do not restore the exempt dividend.
Chargeable income before exemption: 275,000	Deduct 25,000 for the qualifying donation. The accounting donation of 10,000 must already have been added back.
Corporate tax payable: 29,325	Deduct partial exemption of 102,500 from income, then apply 17%. The exemption is not a deduction from tax.

Choose the repair that matches your error

Your error	Targeted reading in Volume 1
Source placement or sequence	p 50: From accounting profit to company tax.
Donation add-back or separate deduction	pp 94-95: The corporate computation waterfall; compare the accounting donation with its separate deduction in Case B.
Depreciation or the extra machine allowance	pp 73-74, section 6.1: method and replacement of accounting depreciation.
Partial exemption treated as a tax credit	p 91, section 7.3, and p 50: exemption before the tax rate.

Record the first incorrect step, why it was wrong and the correction in the error log on p 225. Close the worked answer and redo the affected calculation through to final tax. Volume 1 references are printed reading references to the companion book.

Case B Work without the template

INDEPENDENT ATTEMPT / Keep p 254 and the worked answers closed

1 Rebuild the original computation

Use only the facts and assignment on p 132. For this attempt retain these assumptions: other trading items are deductible where relevant; the donation qualifies for a 2.5-times deduction; no other reliefs apply; YA 2023 has no corporate income tax rebate. Partial exemption is 75% of the first 10,000 and 50% of the next 190,000; the normal rate is 17%.

On a separate blank sheet, create your own computation headings and calculate the final tax. Do not copy the worksheet on p 133. Explain the different destinations of bank interest and the dividend, and why the donation is added back before its separate deduction.

2 Repair an answer with the right final number

A student correctly removes both the bank interest and the exempt dividend from trade profit. When aggregating income, the student omits the taxable bank interest of 20,000 but includes the exempt dividend of 20,000 instead. All other steps are correct.

The student reports total statutory income of 300,000 and final tax of 29,325. Is the answer sound? Identify both errors, write the corrected aggregation and explain why comparing the final number alone would miss the problem.

3 Explain the machine variation

Use the additional machine facts on p 136, keeping the stated three-year election and all original assumptions. Without the worksheet, identify the first computation line that changes, calculate the revised tax and explain why accounting profit is unchanged. Explain why the tax saving is 17% of the extra allowance in this particular case.

Check your reasoning separately from your arithmetic

Before opening the answer, mark each statement as **explained** or **not yet explained**:

- I can explain why removing interest does not exempt it.
- I can explain both stages of the donation treatment.
- I can explain why the new machine creates no accounting add-back.
- I can distinguish an income exemption from a tax credit.

These are learning checks, not an official marking scheme. Use a separate sheet; the Kindle page is not an interactive worksheet. Check your attempt on p 254 only when your calculations and explanations are complete.

Case B Check and explain your answer

REVIEW / A correct result must follow from correct treatments

1 Independent computation checkpoints

$320,000 + 60,000 - 40,000 = \mathbf{340,000}$ adjusted trade profit.

$340,000 - 60,000 + 20,000 = \mathbf{300,000}$ total statutory income.

$300,000 - 25,000 = \mathbf{275,000}$ chargeable income before exemption.

$(275,000 - 102,500) \times 17\% = \mathbf{29,325}$ tax payable.

The interest is removed to separate sources, then restored because it is taxable. The dividend is exempt and stays out. The donation has already reduced accounting profit: adding back 10,000 reverses that expense before the separate 25,000 deduction. See p 135 for the full working.

2 Why the apparently correct answer is wrong

Trade income after allowances is 280,000. The correct aggregation is **280,000 + 20,000 taxable bank interest = 300,000**, with no exempt dividend included. The student instead uses $280,000 + 20,000$ exempt dividend. Omitting taxable income understates the total by 20,000; including exempt income overstates it by 20,000. The errors cancel numerically, but both classifications are wrong.

A further test: suppose only the bank interest increases to 25,000 and accounting profit increases by the same 5,000. Adjusted trade profit remains 340,000 after removing the larger interest receipt. Correct total statutory income becomes 305,000; chargeable income before exemption is 280,000; tax is **30,175**. The incorrect method would still produce 29,325. The two methods no longer agree.

3 Machine variation: change only the affected lines

The extra allowance is $30,000 / 3 = \mathbf{10,000}$; total allowances become 70,000. The first changed computation line is capital allowances. Accounting profit and adjusted trade profit remain 320,000 and 340,000: the new cost was capitalised, with no depreciation or expense in the stated profit.

Total statutory income is 290,000; income before exemption is 265,000; income after exemption is 162,500. Tax is **27,625**, a reduction of **1,700**. Both versions still use the maximum 102,500 partial exemption, so the extra 10,000 allowance reduces tax at 17%. Do not assume this saving rate for every income level.

Decide what to practise next

If the method or explanation failed, use the targeted reading on p 252 and redo the problem on a blank sheet in a later study session. If both are sound, move to a complete original-paper question using the reverse index on p 226. Success here demonstrates this case method, not readiness for every corporate-tax scenario.