IRAS e-Tax Guide

CARRY-BACK RELIEF SYSTEM
(Second edition)

INLAND REVENUE
AUTHORITY
OF SINGAPORE

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CARRY- BACK RELIEF SYSTEM

1 Aim

1.1 This e-Tax Guide provides details on the carry-back relief system[1].

1.2 The e-Tax Guide is relevant to you if you have unabsorbed capital allowances[2] ("CA") or unabsorbed trade losses from your trade, business, profession or vocation for the current year.

1.3 It applies for year of assessment ("YA") 2006 to 2008 and from YA 2011. It does not apply to YA 2009 and 2010 when temporary enhanced measures[3] were given.

2 At a glance

2.1 The carry-back relief under section 37E of the Income Tax Act ("ITA") is available to all persons carrying on a business, including sole-proprietorships and partnerships. The relief will be given only if a claim is made for it.

2.2 Under the system, a person may carry back its current year qualifying deductions ("QD") and deduct them against its assessable income of the immediately preceding YA.

2.3 The maximum amount of QD that can be carried back is capped at $100,000.

2.4 The QD will be deducted in the following order:
(i) current year's unabsorbed CA, if any,
(ii) current year's trade losses, if any.

2.5 The carry-back of unabsorbed CA is subject to the "same business" test. A company will have to satisfy the shareholding test as well.

2.6 A company can elect to carry back its QD after transferring its loss items under the group relief system[4], if applicable.

2.7 An individual can elect to carry back his QD after transferring the QD to his spouse[5] for the same YA, if applicable.

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[1] It replaces the guide published on 10 Jun 2005 (revised on 15 Jun 2005 and 30 Jul 2009).

[2] In this e-Tax guide, the term "capital allowances" refer to allowances given under sections 16, 17, 18A (repealed), 18B, 18C, 19, 19A, 19B, 19C, 19D or 20 of the ITA.

[3] The temporary enhancements made for the 2 YAs are:
- To increase the cap for the qualifying deductions from $100,000 to $200,000; and
- To increase the number of YAs to which the qualifying deductions may be carried back from 1 to 3 YAs.

Details are in IRAS e-Tax Guide on 'Enhanced Carry-Back Relief System' issued on 23 Jan 2009 (revised on 30 Jan 2009 and 30 Jul 2009).

[4] Please refer to IRAS e-Tax Guide on 'Group Relief System' issued on 6 Sep 2011.

3 Glossary

3.1 Assessable income

Assessable income of a company refers to its income from all sources after deducting CA, trade losses, approved donations (including those transferred from related companies under the group relief system) and other relevant deductions like incremental research and development expenses or investment allowances.

Assessable income of an individual refers to the individual's income from all sources after deducting CA, losses, and approved donations (including those transferred from spouse).

3.2 Immediate Preceding YA

The YA immediately before the YA in which the person has trade losses or capital allowances available for carry back. For example, if the person incurred trade losses in year 2011 or is given capital allowances for YA 2012, the immediate preceding YA would be YA 2011.

3.3 Loss items

For group relief purposes, loss items refer to the unabsorbed CA, trade losses and donations for the current year that can be transferred by a company ("transferor company") to another company of the group ("claimant company").

3.4 Person

Under section 2 of the ITA, a person includes a company, body of persons and a Hindu Joint Family.

3.5 Qualifying deductions (QD)

For carry-back relief purposes, QD are the unabsorbed CA and unabsorbed trade losses for the current year.

3.6 Relevant deductions

A limited partner's share of CA and trade losses from a limited liability partnership ("LLP") or limited partnership ("LP") allowed against the partner's income from other sources.

3.7 Same business test

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[5] The spousal transfer scheme is only applicable up to YA 2015. For more information on the transitional arrangement, please refer to the e-Tax Guide on 'Changes to Assess the Income of a Husband and Wife as Separate Individuals' issued on 26 May 2014.

This test determines if a person continues to carry on the same trade, business, profession or vocation for which capital allowances are granted when carrying forward or back the unabsorbed capital allowances. The test is satisfied if the same trade, business, profession or vocation is continued.

3.8 Shareholding test

This test computes the percentage of the shareholdings of a company (or its ultimate parent company) that is held by the same persons as at the relevant dates. If the percentage is 50% or more, there is no substantial change in the shareholders and the company is said to have satisfied the shareholding test.

Relevant dates for unabsorbed CA:
First day of the YA in which the capital allowances were granted and the last day of the immediate preceding YA in which the capital allowances are to be deducted.

Relevant dates for unabsorbed trade losses:
First day of the year in which the trade losses were incurred and last day of the immediate preceding YA in which the trade losses are to be deducted.

3.9 Unabsorbed capital allowances (CA)

The capital allowances claimed by a person (under section 16, 17, 18A (repealed), 18B, 18C, 19, 19A, 19B, 19C, 19D or 20 of the ITA) for a YA that exceed the person's aggregate taxable income for that YA.

3.10 Unabsorbed trade losses

The trade losses incurred by a person for a YA that exceed the person's income from all sources for that YA.

3.11 Unabsorbed donations

The approved donations made by a person in a YA that exceeds its statutory income for that YA. Approved donations are donations qualifying for tax deduction and made to recipients under sections 37(3) (b), (c), (d), (e) or (f) of the ITA.

4 Background

4.1 Before YA 2006, a person may carry forward its unabsorbed CA and trade losses to future YAs if it satisfies certain conditions under the ITA.

4.2 To help small businesses cope with cash-flow problems, especially in a cyclical downturn, a one year carry-back of QD was introduced from the YA 2006. The carry-back features were temporarily enhanced for YA 2009 to 2010[3].

5 Carry-back relief system

5.1 Subject to conditions, the carry-back relief is available to you as a person who carries on a trade, business, profession or vocation. You may be :

(a) a company;

(b) an individual sole-proprietor or partner of a partnership, including an LLP and a LP;

(c) a body of persons, such as clubs and associations; and

(d) a trustee of trusts or executor of estates.

5.2 You may carry back the QD to the immediate preceding YA to be deducted from your assessable income of the immediate preceding YA in the order set out in paragraphs 6.8 and 6.9.

6 General Conditions Governing The Carry-Back Relief

6.1 Your claim for carry-back relief is subject to the following general conditions:

(a) Same business test

6.2 To qualify for carry-back relief, you must satisfy the same business test. This means that you will not be able to carry back the unabsorbed CA granted for the first basis period that you commenced a trade, business or profession. However, you can carry back the trade loss incurred for that period as the same business test does not apply to trade losses.

<u>To illustrate</u>:

During the basis period for YA 2006 that you commenced a business, you incurred a trade loss of $50,000 and had unabsorbed CA of $20,000. You could carry back the trade loss of $50,000 (but not the unabsorbed CA of $20,000) to be deducted against your assessable income for YA 2005.

(b) Shareholding test

6.3 If you are a company, in addition to the same business test, you have to satisfy the shareholding test in order to carry back your QD.

<u>To illustrate:</u>

For YA 2006, your accounting period is 1 Jan 2005 to 31 Dec 2005. You can carry back your QD for YA 2006 to YA 2005 if your shareholders as at the following dates are substantially the same:

<table>
<tr><th rowspan="3">Carry-back of</th><th>Unabsorbed CA</th><th colspan="2">Dates for comparison</th></tr>
<tr><th></th><td>1 Jan 2006
&
31 Dec 2005</td><td>1st day of the YA in which the CA arose; &

Last day of the YA in which the CA is utilised</td></tr>
<tr><th>Trade loss</th><td>1 Jan 2005
&

31 Dec 2005</td><td>1st day of the year in which the loss was incurred; &

Last day of the YA in which the loss is utilised</td></tr>
</table>

6.4 The Comptroller of Income Tax (“CIT”) may waive the shareholding test if it is satisfied that the substantial change in the shareholders is not for the purpose of deriving any tax benefit or obtaining any tax advantage. If the CIT grants the waiver, you can only deduct the QD against the income from the same trade or business for which the CA was granted or to which the trade loss relates.

(c) Amount of Qualifying deductions to be carried back

6.5 The amount of QD that you can carry back is restricted to the lowest of:

(i) your actual amount of the QD;
(ii) your assessable income of the immediate preceding YA; and
(iii) $100,000.

6.6 The excess that is not carried back can be carried forward for deduction against your future taxable income if you satisfy the same business test (and shareholding test if you are a company).

To illustrate:

Your assessable income for YA 2005	= $60,000
Your QD for YA 2006	= $72,000
Amount of QD you can carry back to YA 2005	= $60,000
Excess that you can carry forward for deduction against future taxable income	= $12,000

Annex 1 shows how to determine the amount of QD to be carried back.

6.7 If your functional currency is not S$, the exchange rate to use for the purpose of computing the cap of $100,000 is based on the exchange rate of the year in which the loss arose.

To illustrate:

Your functional currency is the US$.
The exchange rate is 1.3607 for YA 2011 and 1.2556 for YA 2012.
You incurred a trade loss of US$150,000 for the YA 2012.

The amount of trade loss that you can carry back for deduction against your assessable income for YA 2011 is computed as follows:

	YA 2012 US$
Adjusted trade loss before carry back	(150,000)
Less: Loss carry back to YA 2011	**79,643***
Unabsorbed loss c/f	(70,357)

* *S$100,000 / 1.2556*

	YA 2011 US$	YA 2011 S$
Adjusted trade profit before carry back	300,000	408,210*
Less: Loss carry back to YA 2011	**79,643**	108,371#
CI after loss carry-back (before partial tax exemption)	200,357	299,839

* *S$300,000 x 1.3607*
# *S$79,643 x 1.3607*

(d) Order of Deduction

6.8 The QD carried back will be deducted from your assessable income of the immediate preceding YA in the following order:

(a) current year unabsorbed CA, if any; and then
(b) current year trade loss, if any.

6.9 If you have other income in addition to trade income, the unabsorbed CA and trade losses will be deducted against the other sources of income in the order as follows:

1st	:	Income from same trade
2nd	:	Income from other trade (proportionately if there is more than one other trade, business, profession or vocation)
3rd	:	Income from all other sources (proportionately if there is more than one other sources)

6.10 Where your QD exceed $100,000, and they arose from more than one trade, business, profession or vocation, the amount you can carry back for each of the trade, business, profession or vocation is also determined on a proportionate basis.

Annex 2 provides examples on the order of deducting the QD carried back where there is more than:

(i) one trade source; and
(ii) one source of other income.

7 Carry- back relief under specific scenarios

(a) Where income is taxed at concessionary rate

7.1 If you are a company with income chargeable to tax at the normal corporate tax rate, but your QD relate to income chargeable to tax at concessionary tax rate, the adjustment provided under section 37B of the ITA, ("adjustment factor") has be applied for deduction across income chargeable under different tax rates.

7.2 In addition, the amount of QD (up to $100,000) is determined based on the following formula:

$$A + B$$

where A = any amount deducted against assessable income subject to tax at the normal corporate tax rate (currently 17%);

B = any amount deducted against assessable income subject to tax at any concessionary rate of tax divided by the adjustment factor for that concessionary rate of tax;

and

the adjustment factor = Normal corporate tax divided by the Concessionary tax rate

7.3 Annex 3 is an example on the carry-back of QD for a company deriving income that is subject to tax at a concessionary rate.

Annexes 4A and 4B give more examples on the carry-back of QD where there is income from more than one other trade, or more than one other source of income.

(b) Where group relief is claimed

7.4 If you are a company which has elected for group relief, the amount of QD you can carry back is the net amount after deducting the loss items transferred out to the eligible claimant company or companies. Annex 5 illustrates how this is being done.

7.5 Annex 6 shows the order of deduction for companies at a glance.

(c) Where transfer to spouse is made

7.6 If you are an individual who has elected under section 37D to transfer your QD for any YA to be deducted against your spouse's assessable income for the same YA, then the amount you can carry back is the net amount after such a transfer.

7.7 If the amount of QD available for carry-back exceeds your assessable income of the immediate preceding YA, you and your spouse may elect to carry back the excess to be deducted against your spouse's assessable income of the immediate preceding YA under section 37F of the ITA.

7.8 The total amount carried back for deduction against your and your spouse's assessable income of the immediate preceding YA is capped at $100,000. Annex 7 illustrates such an example.

7.9 As announced in Budget 2014, the spousal transfer scheme would be phased out with effect from YA 2016. Any QD arising from YA 2016 (basis year 2015) onwards would no longer enjoy spousal transfer. However, under section 37E, you may continue to carry-back the QD to deduct against your assessable income of the immediate preceding YA.

(d) Where the relief reduces personal reliefs

7.10 If you are an individual, you are entitled to the following personal reliefs based on your earned income for that YA:

(a) earned income relief;

(b) working mother child relief (for a married woman); and

(c) deduction for CPF contributions by a self-employed.

7.11 As the QD carried back would reduce your earned income of the immediate preceding YA, your personal reliefs for the immediate preceding YA would have to be revised accordingly based on your revised earned income for that YA. Example 2B of Annex 7 shows this.

7.12 Annex 8 shows the order of deduction for individuals at a glance.

(e) Where the relief is for limited partners of an LLP or a LP

7.13 If you are a limited partner of an LLP or a LP, your relevant deductions, together with all of your relevant deductions allowed in all past YAs, must not exceed your contributed capital as at the end of the basis period relating to that YA. This restriction is known as the "relevant deduction restriction[6]". Any excess of the relevant deductions over your contributed capital may then (subject to conditions) be carried forward to be deducted against your future share of income from the same LLP or LP.

7.14 The relevant deduction restriction also applies for the purpose of carry-back relief. Your capital contribution as at the end of the basis period relating to the YA that the QD arise will be used for the relevant deduction restriction. This is because your QD to be carry-back relate to that YA and not the immediate preceding YA.

7.15 Annex 9 shows how the carry back deduction and restriction of the qualifying deductions are applied to partners of an LLP.

8 Specific exclusions for carry-back relief

8.1 You will not be able to carry back your QD if the QD arise from certain trade or activity carried on. They are:

(a) **Qualifying deductions of a trade where the income is wholly exempt from tax**

If you carry on such a trade (e.g. pioneer trade), you are not allowed to carry back the QD relating to that trade for deduction against other exempt or non-exempt income.

(b) **Qualifying deductions of specific activity or trade**

If you carry on specific types of activity or trade where there are rules restricting the deduction of the QD only against such trade or activity, or restricting the carry forward of the QD, you are to apply the same restriction in the carry back of the QD. The QD from such trade or activities are not allowed to be deducted against your other sources of income or your spouse's income.

These activities or trades include:

(i) finance leasing where the income is taxable under section 10D of the ITA; and

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6 For an explanation of what is "contributed capital" and more details of the relevant deduction restriction", please refer to IRAS e-Tax Guide on "Income Tax Treatment of Limited Liability Partnerships" issued on 29 June 2012.

(ii) the business of hiring out motor cars where the income is taxable under section 10H of the ITA.

(c) **Qualifying deductions of a Section 10E company**

If you carry on a business of the making of investments, you are not allowed to carry forward your QD arising from that business. As the QD are disregarded, the carry- back relief does not apply.

(d) **Trade loss of eligible investors in approved start-up companies**

Currently, an eligible investor holding qualifying shares in approved start-up under the Enterprise Investment Incentive[7] scheme (EII) may incur a capital loss upon:

(i) the sale of its qualifying shares; or

(ii) the liquidation of the approved start-up companies.

As the loss is capital in nature, it does not qualify for carry- back relief.

9 Administrative requirements for the carry-back relief

9.1 If you wish to carry back the QD of any current YA to the immediate preceding YA, you must make an election within the timeframe stated below:

Companies Bodies of persons Trustees Executors	No later than the time of filing the income tax return for the current YA
Individuals	No later than 30 days from the date of service of the notice of assessment for the current YA on him

9.2 The election, once made, is irrevocable.

9.3 Apart from the completed and signed prescribed election form[8], you have to submit the documents set out in the following tables:

[7] Section 97V of the Economics Expansion Incentives (Relief from Income) Act.
[8] The prescribed election form is available at www.iras.gov.sg.

(i) Election made at the time of filing the tax return

<table>
<tr><th colspan="2" rowspan="2"></th><th colspan="2">Tax Computation for:</th><th colspan="3">Accounts for the basis period relating to current YA which is:</th></tr>
<tr><th>Immediate preceding YA</th><th>Current YA</th><th>Audited</th><th>Unaudited ^</th><th>Certified</th></tr>
<tr><td rowspan="3">COMPANIES</td><td>Qualify for audit exemption* and accounts not audited</td><td>√</td><td>√</td><td>NA</td><td>√</td><td>NA</td></tr>
<tr><td>Qualify for audit exemption but chose to have accounts audited</td><td>√</td><td>√</td><td>√</td><td>NA</td><td>NA</td></tr>
<tr><td>Do not qualify for audit exemption **</td><td>√</td><td>√</td><td>√</td><td>NA</td><td>NA</td></tr>
<tr><td rowspan="3">INDIVIDUALS</td><td>Sole proprietors: Business turnover ≥ $500,000</td><td>√</td><td>√</td><td>NA</td><td>NA</td><td>√</td></tr>
<tr><td>Sole proprietors: Business turnover < $500,000</td><td>X</td><td>X</td><td>NA</td><td>NA</td><td>No, unless requested by the CIT</td></tr>
<tr><td>Partners of businesses, regardless of the turnover</td><td colspan="5">NA, in respect of the business carried on through the partnership</td></tr>
<tr><td colspan="2">Body of Persons, Trustees of Trusts and Executor of Estates</td><td>√</td><td>√</td><td>NA, except for certain categories#</td><td>NA</td><td>√</td></tr>
</table>

Notes:

* Under the Companies Act, dormant companies and private exempt companies with annual revenue below the prescribed threshold (currently $5m) do not need to have their accounts audited for financial year beginning on or after 1 June 2004.

** Companies in liquidation may submit certified statement of accounts instead of audited accounts.

^ Unaudited accounts must be prepared in accordance with the Companies Act. The unaudited accounts must be accompanied by the notes to the accounts, the Directors' report and the Statement by Directors.

These are:

- societies registered under the Societies Act, with gross income or expenditure exceeding $500,000 in the basis period relating to the current YA; and
- Management Corporations registered under the Building Maintenance and Strata Management Act 2004, unless specifically exempted under this Act

(ii) Election made before filing the income tax return

<table>
<tr><th colspan="2" rowspan="2"></th><th colspan="2">Finalised tax computation* for</th><th rowspan="2">Finalised set of Accounts* showing the loss incurred</th></tr>
<tr><th>Immediate preceding YA</th><th>Current YA</th></tr>
<tr><td colspan="2">COMPANIES</td><td>√</td><td>√</td><td>√</td></tr>
<tr><td rowspan="2">INDIVIDUALS</td><td>Sole proprietors: Business turnover ≥ $500,000</td><td>√</td><td>√</td><td>√</td></tr>
<tr><td>Sole proprietors with Business turnover < $500,000</td><td colspan="3">NA, but to indicate in the election form, the amount of QD to be carried back (including his share of the QD from a partnership/LLP/LP, if applicable)</td></tr>
<tr><td colspan="2">PARTNERS OF PARTNERSHIP/LLP/LP</td><td colspan="3">NA, but to indicate in the election form, his share of the QD to be carried back.</td></tr>
<tr><td rowspan="2">BODY OF PERSONS, TRUSTESS OF TRUSTS AND EXECUTORS OF ESTATES</td><td>Own trade or business</td><td>√</td><td>√</td><td>√</td></tr>
<tr><td>As partners of partnership/LLP/LP</td><td colspan="3">NA, but to indicate in the election form, the share of the QD to be carried back.</td></tr>
</table>

Note:

* This refers to the computation and accounts of the trade, business or profession from which the QD arise for carry back. You may submit provisional tax computation or accounts if the finalised set is not ready at the time of making the election. The tax computation should reflect your share of CA/loss from a partnership/LLP/LP (if applicable). If you elect to carry back the share of CA/Loss from the partnership/LLP/LP, you must ensure that the precedent partner of the partnership/LLP/LP has already submitted to the CIT the certified statement of accounts and tax computation (if applicable) of the trade, business, profession or vocation carried on through the partnership/LLP/LP. You must submit your actual tax computation and accounts together with the income tax return once they are finalised.

(iii) Election made after filing the income tax return

9.4 As an individual you may elect for the carry-back relief after filing your income tax return for the relevant current YA (but no later than 30 days from the date of service of the notice of assessment for the current YA on you). You only need to submit the completed and signed prescribed election form.

Documents to be submitted by Precedent Partner

9.5 If you are a partner of a partnership/LLPs/LP and have elected to carry back your share of the QD from the partnership/LLP/LP, you need not submit the accounts of the trade, business profession or vocation carried on through the partnership/LLP/LP.

9.6 However, you must, at the time of making the election, ensure that the precedent partner of the partnership/LLP/LP has already submitted to the CIT the following documents:

(a) the certified statement of accounts; and

(b) the tax computation (if applicable) of the trade, business, profession or vocation carried on through the partnership/LLP/LP

9.7 The precedent partner may submit a set of provisional accounts and tax computation if the certified statement of accounts and tax computation are not finalised when the partner makes the election.

9.8 The CIT may treat the election as invalid if the precedent partner does not comply with the requirements.

Documents to be submitted by an individual who elects to transfer the excess qualifying deductions to his spouse

9.9 Where the amount of QD exceeds your assessable income in the immediate preceding YA, in addition to electing for carry-back to offset against your own assessable income, you may (with your spouse's consent) also elect to transfer the excess QD to your spouse[9]. In this instance, both you and your spouse must complete and sign the prescribed election form and submit it to CIT not later than 30 days from the date of service of the notice of assessment on you or your spouse, whichever is the later.

10 Refund of excess tax

10.1 Where there is tax to be refunded from the carry-back of the QD, the CIT will refund the amount within 3 months from the date you (or together with your spouse) make the election. If there is any tax owing for the other tax types (e.g. property tax), the amount of tax to be refunded to you is the net amount after deducting your other outstanding tax liabilities.

11 Time limit for CIT to raise additional assessments

[9] The spousal transfer scheme is only applicable up to YA 2015.

11.1 If the CIT discovers that the amount of QD carried back and deducted against your assessable income of any immediate preceding YA was excessive, the CIT would make an assessment on the amount which should be charged to tax within the time frame stated below:

(i) within 7 years after the end of that YA, if that YA is 2007 or before; or

(ii) within 5 years after the end of that YA, if that YA is 2008 or after.

11.2 To illustrate:

Example 1

You have carried back your trade loss of $100,000 for YA 2006 to be deducted against your assessable income for YA 2005. The trade loss is subsequently reduced to $70,000. CIT may:

(a) revise the assessment for YA 2006 (to reduce the amount of the loss); and

(b) raise an additional assessment for YA 2005 (in respect of $30,000 over allowed) by 31 Dec 2012.

Example 2

You have carried back your trade loss of $80,000 for YA 2009 to be deducted against your assessable income for YA 2008. The trade loss is subsequently reduced to $57,000. CIT may:

(c) revise the assessment for YA 2009 (to reduce the amount of the loss); and

(d) raise an additional assessment for YA 2008 (in respect of $23,000 over allowed) by 31 Dec 2013.

12 Contact information

12.1 If you have any enquiries or need clarification on this Guide, please call:

1800-3568300 (Individual Income Tax)

1800-3568622 (Corporate Income Tax)

6351-3883 (Taxation of Body of Persons)

6351-3363 (Taxation of Trust/Estate)

13 Updates and amendments

	Date of amendment	Amendments made
1	09 Jul 2012	Paragraph 6.7 is inserted to clarify the exchange rate that a company should use to compute the cap of $100,000 for the qualifying deductions if its functional currency is non S$.
2	26 May 2014	Paragraph 7.9 amended to incorporate the Budget 2014 tax changes in relation to the removal of spousal transfer scheme. The subsequent paragraphs were renumbered.

Annex 1 – Illustration of how the amount of qualifying deductions to be carried back is determined

1. ABC Pte Ltd has unabsorbed CA and loss for YA 2006 and has claimed for carry-back relief 2. ABC Pte Ltd has normal chargeable income, donation and investment allowance for YA 2005 3. ABC Pte Ltd's accounting year end is 31 Dec. (Assumption: The same business test and the shareholding test are satisfied. YA 2005 and 2006 are not ABC Pte Ltd's first 3 YAs which qualify for tax exemption under the incentive for new start-up.)

Tax Computations of ABC Pte Ltd for YAs 2005 and 2006

	YA 2006	
	$	$
Trade		
Adjusted profit before CA	0	
Less : Current CA	(35,000)	(35,000)
Other income		
Rental		24,000
		(11,000)
Less: CA carried back to YA 2005		11,000
Unabsorbed CA for YA 2006 c/f		NIL
Current year adjusted trade loss		(70,000)
Less: Loss carried back to YA 2005		70,000
Unabsorbed loss for y/e 31.12.2005 c/f		NIL
Unutilised investment allowance for YA 2006 c/f **(Note 1)**		(25,000)
Chargeable income		NIL
Tax thereon		NIL

Annex 1 (continued)

	YA 2005			
	Original Assessment (before carry-back is allowed)		**Revised Assessment** (with carry-back allowed)	
	$	$	$	$
Trade				
Adjusted profit before CA	220,000		220,000	
Less : Current CA	40,000	180,000	40,000	180,000
Other income				
Rental		30,000		30,000
		210,000		210,000
Less: Donation - $1,000 **(Note 2)**		(2,000)		(2,000)
Investment allowance		(40,000)		(40,000)
		168,000		168,000
Less: CA carried back from YA 2006			(11,000)	
Loss carried back from YA 2006			(70,000)	(81,000)
Chargeable income (before deducting exempt amount)		168,000		87,000
Less: Exempt amount **(Note 3)**		(52,500)		(46,000)
Chargeable income (after deducting exempt amount)		115,500		41,000
Tax thereon		23,100.00		8,200.00
Less: Tax previously assessed				(23,100.00)
Tax repayable				(14,900.00)

Note:

1. Investment allowance is not eligible for carry-back.
2. Donation made qualifies for double deduction under s37(3) of the ITA.
3. Computation of exempt amount of normal chargeable income, excluding Singapore dividend:

On the first $10,000 (75% of the income)	7,500	7,500
On the next $90,000 (50% of the income)	45,000	38,500
On the next $77,000 (50% of the income)		
Total exempt income	52,500	46,000

Annex 2A – Illustration of carry-back of qualifying deductions and order of deduction where there is more than one trade

1. Mr Guan is a sole-proprietor of business X & Y, and a partner of partnership Z.
2. Mr Guan has unabsorbed CA and loss for YA 2006 and has claimed for carry-back relief, but not the unabsorbed full CA is carried back.
3. He wished to claim wife and child relief.
4. The accounting year end of Mr Guan's sole proprietorship and partnership businesses is 31 Dec.

Tax Computations of Mr Guan for YAs 2005 and 2006

	YA 2006	
	$	$
Trade		
Sole-proprietorship business X - Adjusted profit before CA	0	
Less : Current CA	(80,000)	(80,000)
Sole-proprietorship business Y - Adjusted profit before CA	50,000	
Less : Current CA	(70,000)	(20,000)
Partnership business Z - Share of adjusted profit before CA	0	
Less : Share of current CA	(60,000)	(60,000)
		(160,000)
Other Income		
Employment		24,000
Rental		12,000
		(124,000)
Less: CA carried back to YA 2005 **(Note 1)**		100,000
Unabsorbed CA for YA 2006 c/f **(Note 2)**		(24,000)
Sole-proprietorship business X - Current year adjusted loss		(60,000)
Partnership business Z - Share of current year adjusted loss		(35,000)
Unabsorbed loss for y/e 31.12.2005 c/f		(95,000)
Chargeable Income		NIL
Tax thereon		NIL

Annex 2A (continued)

	YA 2005			
	Original Assessment **(before carry-back is allowed)**		**Revised Assessment** **(with carry-back allowed)**	
	$	$	$	$
Trade				
Sole-proprietorship X - Adjusted profit before CA	80,000		80,000	
Less: Current CA	(35,000)	45,000	(35,000)	45,000
Sole-proprietorship Y - Adjusted profit before CA	95,000		95,000	
Less: Unabsorbed CA for YA 2004 b/f	(20,000)		(20,000)	
Current CA	(25,000)	50,000	(25,000)	50,000
Partnership Z - Share of adjusted profit before CA	0		0	
Less: Share of current CA	(12,000)	(12,000)	(12,000)	(12,000)
		83,000		83,000
Partnership Z - Share of adjusted loss		(6,000)		(6,000)
		77,000		77,000
Other income				
Employment		40,000		40,000
Rental		18,000		18,000
		135,000		135,000
Less: CA carried back from YA 2006				(100,000)
Assessable income		135,000		35,000
Less: Personal reliefs				
- Earned Income	1,000		1,000	
- Wife	2,000		2,000	
- Child	2,000		2,000	
- CPF	8,000	13,000	8,000	13,000
Chargeable income		122,000		22,000
Tax thereon		10,900.00		80.00
Less: Tax previously assessed				10,900.00
Tax repayable				(10,820.00)

Note:

1. Computation of amount of CA to be carried back from each trade on a proportionate basis:

$$\left.\begin{array}{ll}\text{Sole-proprietorship business X:} & 100{,}000 \times {}^{80,000}/_{160,000} = 50{,}000 \\ \text{Sole-proprietorship business Y:} & 100{,}000 \times {}^{20,000}/_{160,000} = 12{,}500 \\ \text{Partnership business Z:} & 100{,}000 \times {}^{60,000}/_{160,000} = 37{,}500\end{array}\right\}\text{Total = \$100,000}$$

2. Computation of amount of CA to be carried forward from each trade on a proportionate basis:

$$\left.\begin{array}{ll}\text{Sole-proprietorship business X:} & 24{,}000 \times {}^{80,000}/_{160,000} = 12{,}000 \\ \text{Sole-proprietorship business Y:} & 24{,}000 \times {}^{20,000}/_{160,000} = 3{,}000 \\ \text{Partnership business Z:} & 24{,}000 \times {}^{60,000}/_{160,000} = 9{,}000\end{array}\right\}\text{Total = \$24,000}$$

Annex 2B – Illustration of carry-back of qualifying deductions and order of deduction where there is more than one other source of income

1. DEF Pte Ltd has unabsorbed CA and loss for YA 2006 and has claimed carry-back relief.
2. DEF Pte Ltd has normal chargeable income, including Singapore franked dividend and rental, for YA 2005
3. DEF Pte Ltd's accounting year end is 31 Dec.

(Assumption: The same business test and the shareholding test are satisfied. YAs 2005 and 2006 are not DEF Pte Ltd's first 3 YAs which qualify for tax exemption under the incentive for new start-up.)

Tax Computations of DEF Pte Ltd for YAs 2005 and 2006

	YA 2006	
	$	$
Trade		
Adjusted profit before CA	0	
Less : Current CA	(50,000)	(50,000)
Other Income		
Gross Singapore franked dividend [net of allowable expense of $400]		9,600
Rental		20,000
		(20,400)
Less: CA carried back to YA 2005		20,400
Unabsorbed CA for YA 2006 c/f		NIL
Current year adjusted loss		(120,000)
Less: Loss carried back to YA 2005 **(Note 1)**		79,600
Unabsorbed loss for y/e 31.12.2005 c/f		(40,400)
Chargeable Income		NIL
Tax thereon		NIL
Less: Tax deducted at source ($10,000 x 20%)		2,000.00
Net Tax repayable		(2,000.00)

Annex 2B (Continued)

	YA 2005			
	Original Assessment **(before carry-back is allowed)**		**Revised Assessment** **(with carry-back allowed)**	
Trade	$	$	$	$
Adjusted profit before CA	140,000		140,000	
Less : Current CA	(45,000)	95,000	(45,000)	95,000
Other income				
Gross franked dividend (Singapore) [net of allowable expenses of $1,500]		28,500		28,500
Rental		35,000		35,000
		158,500		158,500
Less: CA carried back from YA 2006 **(Note 2)**			(20,400)	
Loss carried back from YA 2006 **(Note 2)**			(79,600)	(100,000)
Chargeable income (before deducting exempt amount)		158,500		58,500
Less: Exempt amount **(Note 3)**		(52,500)		(18,622)
Chargeable income (after deducting exempt amount)		106,000		39,878
Tax thereon		21,200.00		7,975.60
Less: Tax deducted at source ($30,000 x20%)		6,000.00		6,000.00
Net Tax Payable		15,200.00		1,975.00
Less: Tax previously assessed				(15,200.00)
Tax repayable				(13,224.40)

Note:

1. Loss to be carried back = $100,000 less CA carried back of $20,400 = $79,600.

2. Based on the order of deduction, the CA carried back of $20,400 will be deducted against the trade income of $95,000 first, followed by the loss carried back of $79,600. The balance of loss carried back of $5,000 [i.e. $79,600 - (95,000-20,400)] will be set off proportionately between dividend and rental income.

3. Computation of exempt amount for normal chargeable income, excluding Singapore dividend:

	Original	Revised
On the first $10,000 (75% of the income)	7,500	7,500
On the next $90,000 (50% of the income)	45,000	
On the next $22,244 (50% of the income) (**Note 4**)		11,122
Total exempt amount	52,500	18,622

4. The amount of $22,244 (i.e. $32,244 – 1st $10,000) is computed as follows:

(a) Total Singapore dividend and rental income = $28,500 + $35,000 = $63,500

(b) Amount of loss carried back to be apportioned to dividend and rental = $5,000 (**Note 2**)

(c) Amount in (b) attributable to Singapore dividend = $5,000 x $^{\$28,500}/_{\$63,500}$ = $2,244

(d) Singapore dividend net of loss carried back = $28,500 - $2,244 = $26,256

(e) Normal chargeable income excluding net Singapore dividend = $58,500 - $26,256 = $32,244

(f) Balance of exempt amount for the normal chargeable income = $32,244 – 1st $10,000 = $22,244

Annex 3 – Carry back of qualifying deductions for a company deriving income subject to tax at a concessionary rate

1. GHI Pte Ltd has trade loss from its trade which was granted concessionary rate of tax of 10% for YA 2006 and has claimed for carry-back relief.
2. GHI Pte Ltd's accounting year-end is 31 Dec.

(Assumption: The same business test and the shareholding test are satisfied.)

Tax Computations of GHI Pte Ltd for YAs 2005 and 2006

	YA 2006	
	Concessionary income (Taxed at 10%)	**Normal Income (Taxed at 20%)**
	$	$
Trade		
Adjusted Profit before CA	0	0
Less : Current CA	(20,000)	(15,000)
	(20,000)	(15,000)
Less: CA carried back to YA 2005	20,000	15,000
Unabsorbed CA for YA 2006 c/f	NIL	NIL
Current year adjusted trade loss	(180,000)	(70,000)
Less: Loss carried back to YA 2005 **(Note 1)**	84,375	32,813
Unabsorbed loss for y/e 31.12.2005 c/f	(95,625)	(37,187)
Chargeable Income		NIL
Tax thereon		NIL

Annex 3 (continued)

	YA 2005			
	Original Assessment <u>(before carry-back is allowed)</u>		**Revised Assessment <u>(with carry-back allowed)</u>**	
	Concessionary income (10%)	**Normal income (20%)**	**Concessionary income (10%)**	**Normal income (20%)**
<u>Trade</u>	$	$	$	$
Adjusted Profit before CA	240,000	170,000	240,000	170,000
Less: Current CA	(30,000)	(25,000)	(30,000)	(25,000)
	210,000	145,000	210,000	145,000
Less: CA carried back from YA 2006			(20,000)	(15,000)
	210,000	145,000	190,000	130,000
Less: Loss carried back from YA 2006			(84,375)	(32,813)
Chargeable Income (before exempt amount)	210,000	145,000	105,625	97,187
Less: Exempt amount **(Note 2 and 3)**	0	(52,500)	0	(51,094)
Chargeable Income (after exempt amount)	210,000	92,500	105,625	46,093

	Original Assessment	Revised Assessment
Tax at 10%	21,000.00	10,562.50
Tax at 20%	18,500.00	9,218.60
	39,500.00	19,781.10
Less: Tax previously assessed		(39,500.00)
Tax to be Discharged		(19,718.90)

Note:

1. The amount of loss c/f is computed as follows:

(a) Amount of CA carried back under 10% rate = $ 20,000 (which is equivalent to 20,000 x $^{10}/_{20}$ = $10,000 @ 20%)

(b) Total CA carried back = $15,000 + $10,000 [i.e. amount in (a)] = $25,000

(c) Amount of loss that can be carried back = $100,000 - (b) = $75,000

(d) Total amount of adjusted loss available for carry-back = $180,000 x$^{10}/_{20}$ (under 10%) +$70,000 (under 20%) =$160,000

(e) Amount of loss to be carried back [i.e. amount in (c)] apportioned as follows:

Under 10% : ($^{90,000}/_{160,000}$ x 75,000 x $^{20}/_{10}$) = $ 84,375

Under 20% : ($^{70,000}/_{160,000}$ x 75,000) = $ 32,813

2. Nil as the partial tax exemption is not applicable to concessionary income.

3. Computation of exempt amount for normal chargeable income: excluding Singapore dividend:

	Original	Revised
On the first $10,000 (75% of the income)	7,500	7,500
On the next $90,000 (50% of the income)	45,000	
On the next 87,187 (50% of the income)		43,594
Total exempt amount	52,500	51,094

Annex 4A – Illustration of carry-back of qualifying deductions and order of deduction where there is more than one trade subject to tax at different tax rates

1. JKL Pte Ltd has income/loss from 2 or more tax rate categories, and has claimed for carry-back relief in respect of unabsorbed CA and loss for YA 2006. A new trade (Trade A) with income subject to tax at concessionary rate of 5% commenced only in YA 2006.
2. JKL Pte Ltd 's accounting year-end is 31 Dec.

(Assumption: The same business test and the shareholding test are satisfied. YA 2005 and 2006 are not JKL Pte Ltd's first 3 YAs which qualify for tax exemption under the incentive for new start-up.)

Tax Computations of JKL Pte Ltd for YAs 2005 and 2006

	YA 2006		
	Trade A	**Existing Trade**	
	Concessionary income (Taxed at 5%)	**Concessionary income (Taxed at 10%)**	**Normal Income (Taxed at 20%)**
	$	$	$
Trade			
Trade Profit before CA	0	40,000	0
Less : Current CA	(90,000)	(50,000)	(45,000)
	(90,000)	(10,000)	(45,000)
Other income			
Interest	-	-	5,000
Rental	-	-	20,000
	(90,000)	(10,000)	(20,000)
Less: CA carried back to YA 2005 **(Note 1)**	0	10,000	20,000
Unabsorbed CA for YA 2006 c/f	(90,000)	NIL	NIL
Current year adjusted trade loss	(560,000)		(35,000)
Less: Loss carry back to YA 2005			
($^{140,000}/_{175,000}$ x 75000 x $^{20}/_{5}$) **(Note 2)**	240,000		
($^{35,000}/_{175,000}$ x 75,000)			15,000
Unabsorbed loss for y/e 31.12.2005 c/f	(320,000)	0	(20,000)
Chargeable Income			NIL
Tax thereon			NIL

Annex 4A (continued)

	YA 2005			
	Original Assessment (before carry-back is allowed)		**Revised Assessment (with carry-back allowed)**	
	Concessionary income (10%)	**Normal income (20%)**	**Concessionary income (10%)**	**Normal income (20%)**
Trade	$	$	$	$
Adjusted Profit before CA	150,000	135,000	150,000	135,000
Less: Current CA	(60,000)	(15,000)	(60,000)	(15,000)
	90,000	120,000	90,000	120,000
Other Income				
Interest	0	15,000	0	15,000
Rental	0	40,000	0	40,000
	90,000	175,000	90,000	175,000
Less: CA carried back from YA 2006			(10,000)	(20,000)
	90,000	175,000	80,000	155,000
Less: Loss carried back from YA 2006				
- Loss from same trade				(15,000)
- Loss from other trade **(Note 3)**			(38,400)	(40,800)
Chargeable Income (before exempt amount)	90,000	175,000	41,600	99,200
Less: exempt amount **(Note 4 and 5)**	0	(52,500)	0	(52,100)
Chargeable Income (after exempt amount)	90,000	122,500	41,600	47,100
Tax at 10%		9,000.00		4,160.00
Tax at 20%		24,500.00		9,420.00
		33,500.00		13,580.00
Less: Tax previously assessed				(33,500.00)
Tax to be discharged				(19,920.00)

Note:

1. JKL is not allowed to carry back the CA in respect of Trade A as it was not carrying on Trade A during the basis period for YA 2005 (i.e. the same business test is not satisfied.)

2. The loss of $75,000 to be carried back is computed as follows

(a) Amount of CA carried back under 10% rate =10,000 (which is equivalent to 10,000 x $^{10}/_{20}$ = 5,000 @ 20%)

(b) Total CA carried back = $5,000 + $20,000 = $25,000

(c) Amount of loss that can be carried back =$100,000 - $25,000 = $75,000

3. (a) The computation of adjusted assessable income for YA 2005 available for deduction from the loss carry-back is as follows:

	Concessionary income (10%)	Normal Income (0%)
- $80,000 x $^{10}/_{20}$ (adjustment factor)	$40,000	
- Adjusted profit		$135,000
- Less: Current year CA		($15,000)
CA carried back from YA 2006		($20,000)
Loss carried back from YA 2006		($15,000)
		$85,000

(b) The loss (incurred under 5% tax rate category) of $240,000 carried back from YA 2006 to be apportioned to the concessionary income and normal income for YA 2005 is as follows:

- under 10% tax rate category: $40,000/$125,000 x $240,000 x $^{5}/_{10}$ = $38,400
- under 20% tax rate category: $85,000/$125,000 x $240,000 x $^{5}/_{20}$ = $40,800

4. Nil as the partial tax exemption is not applicable to concessionary income

5. Computation of exempt amount for normal chargeable income: excluding Singapore dividend:

On the first $10,000 (75% of the income)	7,500	7,500
On the next $90,000 (50% of the income)	45,000	
On the next $89,200 (50% of the income)		44,600
Total exempt amount	52,500	52,100

Annex 4B – Illustration of carry-back of qualifying deduction and order of deduction where there is one source of income subject to tax at different tax rate and one other source of income

1. MNO Pte Ltd has normal chargeable income (including foreign dividend from a country with headline tax rate of less than 15%) and tax loss from its trade that was granted concessionary tax rate of 10% for YA 2006, and has claimed for carry-back relief.
2. MNO Pte Ltd's accounting year-end is 31 Dec.

(Assumption: The same business test and the shareholding test are satisfied. YA 2005 and 2006 are not MNO Pte Ltd's first 3 YAs which qualify for tax exemption under the incentive for new start-up.)

Tax Computations of MNO Pte Ltd for YAs 2005 and 2006

	YA 2006	
	Concessionary income (taxed at 10%)	**Normal Income (taxed at 20%)**
	$	$
Trade		
Trade Profit before CA	0	60,000
Less : Current CA	(50,000)	(15,000)
	(50,000)	45,000
Other income		
Net foreign dividend [net of tax at 10% of $1,000]	0	9,000
Rental	0	20,000
	(50,000)	74,000
Less: S37B offset for CA (50,000 x $^{10}/_{20}$)	50,000	(25,000)
Unabsorbed CA for YA 2006 c/f	0	49,000
Current year adjusted trade loss	(1,000,000)	0
	(1,000,000)	49,000
Less: S37B offset for loss (49,000 x$^{10}/_{20}$)	98,000	(49,000)
	(902,000)	0
Less: Loss carried back to YA 2005 (100,000 x $^{20}/_{10}$)	200,000	0
Unabsorbed loss for y/e 31.12.2005 c/f	(702,000)	0
Chargeable Income		NIL
Tax thereon		NIL

Annex 4B (continued)

	YA 2005			
	Original Assessment (before carry-back is allowed)		**Revised Assessment (with carry-back allowed)**	
	Concessionary Income (10%)	**Normal income (20%)**	**Concessionary income (10%)**	**Normal income (20%)**
Trade	$	$	$	$
Adjusted Profit before CA	100,000	72,000	100,000	72,000
Less: Current CA	(40,000)	(25,000)	(40,000)	(25,000)
	60,000	47,000	60,000	47,000
Other Income				
Gross foreign dividend [tax on div at 10%]	0	20,000	0	20,000
Rental	0	35,000	0	35,000
	60,000	102,000	60,000	102,000
Less: Loss carried back from YA 2006			(200,000)	0
	60,000	102,000	(140,000)	102,000
Less: S37B offset (140,000 x $^{10}/_{20}$)			140,000	(70,000)
Chargeable Income (before exempt amount)	60,000	102,000	0	32,000
Less: exempt amount **(Note 1 and 2)**	0	(52,500)	0	(18,500)
Chargeable Income (after exempt amount)	60,000	49,500	0	13,500
Tax at 10%		6,000.00		0.00
Tax at 20%		9,900.00		2,700.00
		15,900.00		2,700.00
Less: Foreign tax relief **(Note 3)**		(2,000.00)		(981.79)
Net Tax Payable		13,900.00		1,718.21
Less: Tax previously assessed				(13,900.00)
Tax to be Discharged				(12,181.79)

Note:

1. Nil as the partial tax exemption is not applicable to concessionary income.
2. Computation of exempt amount for normal chargeable income: excluding Singapore dividend:

	Original	Revised
On the first $10,000 (75% of the income)	7,500	7,500
On the next $90,000 (50% of the income)	45,000	
On the next $22,000 (50% of the income)		11,000
Total exempt amount	52,500	18,500

3. Computation of foreign tax relief:
   (a) Based on the order of deduction, the loss carried back of $200,000 (@10% will be deducted from the same trade income (i.e. $60,000 @10%) first, followed by other trade income (i.e. $47,000 @20%). The balance of loss carried back of $23,000 [i.e. $70,000 - $47,000] will be deducted proportionately between foreign dividend ($20,000) and rental income ($35,000).
   (b) Loss of $23,000 attributable to:
   - foreign dividend : $23,000 x $^{20,000}/_{55,000}$ = $8,364
   -rental income : $23,000 x $^{35,000}/_{55,000}$ = $14,636
   (c) Foreign dividend net of loss carried back
   $20,000 -$8,364 = $11,636
   (d) Rental income net of loss carried back = $35,000 - $14,636 = $20,364
   (e) Foreign tax relief = lower of:
   (i) 10% of $20,000 (i.e. $2,000) or
   (ii) $\frac{11,636}{11,636 + 20,364}$ x 13,500 x 20% = $981.79

Annex 5 – Illustration on how carry-back relief is effected where transfer under group relief system is made

1. PQR Pte Ltd has unabsorbed CA and loss for YA 2006. It has elected to transfer its loss items to its related company, STU Pte Ltd, whose assessable income for YA 2006 is $30,000.
2. PQR Pte Ltd has also elected for carry-back relief. For its YA 2005 assessment, PQR Pte Ltd has elected to claim loss items from its related company, VWX Pte Ltd, which has unabsorbed CA of $15,000.
3. PQR Pte Ltd's accounting year end is 31 Dec.

(Assumption: The same business test and shareholding test, as well as all conditions stated in s37C of the ITA, are satisfied. YAs 2005 and 2006 are not PQR Pte Ltd's first 3YAs which qualify for tax exemption under the incentive for new start-up.)

Tax Computations of PQR Pte Ltd for YAs 2005 and 2006

	YA 2006	
	$	$
Trade		
Adjusted profit before CA	0	
Less: Current CA	(80,000)	(80,000)
Other income		
Interest		25,000
Rental		10,000
		(45,000)
Less: Loss items transferred to STU Pte Ltd		30,000
		(15,000)
Less: Current CA carried back to YA 2005		15,000
Unabsorbed CA for YA 2006 c/f		NIL
Current year adjusted trade loss		(160,000)
Less: Loss carried back to YA 2005 (100,000 - 15,000)		85,000
Unabsorbed loss for y/e 31.12.2005 c/f		(75,000)
Chargeable income		NIL
Tax thereon		NIL

Annex 5 (continued)

		YA 2005			
		Original Assessment *(before carry-back is allowed)*		**Revised Assessment** *(with carry-back allowed)*	
		$	$	$	$
Trade income					
Adjusted profit before CA		240,000		240,000	
Less:	Current CA	(55,000)	185,000	(55,000)	185,000
Other income					
Interest			36,000		36,000
Rental			25,000		25,000
			246,000		246,000
Less:	Current year CA transferred from VWX Pte Ltd		(15,000)		(15,000)
			231,000		231,000
Less:	CA carried back from YA 2006			(15,000)	
	Loss carried back from YA 2006			(85,000)	(100,000)
Chargeable income (before deducting exempt amount)			231,000		131,000
Less:	Exempt amount **(Note 1)**		(52,500)		(52,500)
Chargeable income (after deducting exempt amount)			178,500		78,500
Tax thereon			35,700.00		15,700.00
Less:	Tax previously assessed				35,700.00
Tax to be refunded					(20,000.00)

Note 1 - Computation of exempt amount for normal chargeable income, excluding Singapore dividend:

On the first $10,000 (75% of the income)	7,500
On the next $90,000 (50% of the income)	45,000
Total exempt amount	52,500

Annex 6 – Diagram showing order of deduction for companies at a glance

Company XYZ

Immediate preceding YA

Adjusted profit - Trade 1	AA	
Less: Unabsorbed CA b/f	(BB)	
	CC	
Less: CA for current year	(DD)	(EE)
Adjusted profit -Trade 2	FF	
Less: CA for current year	(GG)	HH
		II
Less: Unabsorbed loss - Trade 2 b/f		JJ
		KK
Adjusted loss - Trade 3		(LL)
		MM
Rental income	NN	
Interest income	OO	PP
		QQ
Less: Unutilised donation b/f		(RR)
		SS
Less: current year donation		(TT)
		UU
Less: Amt transferred from Group Co under s 37C:		
- CA transferred	(VV)	
- Loss transferred	(WW)	
- Donation transferred	(XX)	(YY)
		ZZ
Less: Amt carried back under s37E		
- CA **(Note 1)**	ZA	
- Loss **(Note 1)**	ZB	(ZC)
CI before exempt amt under s43(6) or (6A)		ZD
Less: Exempt amt under s43(6) or (6A)		ZE
Chargeable income		**ZF**

Note 1:
The total amount of CA and Losses to be carried back must not exceed $100,000

Current YA

Adjusted profit - Trade 1	ZG	
Less: CA for current year	(ZH)	(ZI)
Adjusted profit -Trade 2	ZJ	
Less: CA for current year	(ZK)	ZL
		(ZM)
Rental income	ZN	
Interest income	ZO	ZP
		(ZQ)
Less: Amt transferred to Group Company under s37C		ZR
		(ZA)
Less: Amt carried back under s37E		ZA
Unabsorbed CA c/f		NIL
Current year trade loss - Trade 3		(ZT)
Less: Amt carried back under s37E		ZB
Unabsorbed current year loss c/f		(ZU)
Unabsorbed current year donation c/f	ZV	
Unutilised investment allowance c/f	ZW	
Chargeable income	**NIL**	

Company A

Current YA

Adjusted profit -Trade 1	ZX	
Less unabsorbed CA b/f	(ZY)	
	YA	
Less: CA for current year	(YB)	(YC)
Adjusted profit -Trade 2		YD
Less: CA for current year	(YE)	YF
		YG
Less: Unabsorbed loss - Trade 2 b/f		YH
		YI
Adjusted loss - Trade 3		(YJ)
		(YK)
Rental income	YL	
Interest income	YM	YN
		YO
Less: Unabsorbed donation b/f		(YP)
		YQ
Less: Current year donation		(YR)
		ZR
Less: Amt transferred from Group Company under s37C:		
- CA transferred		(ZR)
Chargeable income		**NIL**

Annex 7 – Illustration on how carry-back relief is effected for an individual and his spouse where transfer under section 37D is made[10]

Example 1A:

1. Mr Tan has only 1 source of trade income from his sole-proprietorship. He also derived employment and rental income for YA 2006.
2. Mr Tan has unabsorbed CA and loss for YA 2006 from his sole-proprietorship business, of which the accounting year end is 31 Dec.
3. Mr Tan wished to claim qualifying child relief in respect of his only child.
4. Mr Tan has elected to claim for his unabsorbed CA to be transferred to his wife, Mrs Tan and the balance to be carried-back to his YA 2005 assessment.

Tax Computations of Mr Tan for YAs 2005 and 2006

		YA 2006	
		$	$
Trade			
Sole-proprietorship business – Adjusted profit before CA		0	
Less:	Current CA	(55,000)	(55,000)
Other income			
Employment			24,000
Rental			12,000
			(19,000)
Less:	CA transferred to Mrs Tan's YA 2006 assessment (s37D)		19,000
Unabsorbed CA for YA 2006 c/f			NIL
Sole-proprietorship business – Current year adjusted trade loss			(154,000)
Less:	Loss transferred to Mrs Tan's YA 2006 assessment (s37D)		9,000
			(145,000)
Less:	Loss carried back to YA 2005 **(Note 1)**		100,000
Unabsorbed loss for y/e 31.12.2005 c/f			(45,000)
Chargeable income			NIL
Tax thereon			NIL

[10] The spousal transfer scheme is applicable up to YA 2015.

Annex 7 (continued)

		YA 2005			
		Original Assessment *(before carry-back is allowed)*		**Revised Assessment** *(with carry-back allowed)*	
		$	$	$	$
Trade					
Sole-proprietorship - Adj profit before CA		77,000		77,000	
Less:	Current CA	(35,000)	42,000	(35,000)	42,000
Other income					
Employment			40,000		40,000
Rental			21,000		21,000
			103,000		103,000
Less:	Loss carried back from YA 2006 **(Note 1)**		-		(100,000)
Assessable income			103,000		3,000
Less:	Personal reliefs				
	- Earned income **(Note 2)**	1,000		1,000	
	- Child	2,000		2,000	
	- CPF	8,000	11,000	8,000	11,000
Chargeable income			92,000		Nil
Tax thereon			6,400.00		0.00
Less:	Tax previously assessed				6,400.00
Tax to be refunded					(6,400.00)

Note:

1. As Mr Tan has elected for carry-back relief, the full amount of $100,000 must be carried back even though he has $11,000 personal reliefs to deduct from his assessable income of $103,000.

2. Computation of earned income relief:

   (a) Based on the order of deduction, the loss carried back of $100,000 will be deducted from trade income of $42,000 first. The balance of loss carried back of $58,000 [i.e. $100,000 - $42,000] will be deducted proportionately between the employment income ($40,000) and rental income ($21,000).

   (b) Loss of $58,000 attributable to employment income = $58,000 x $^{\$40,000} / _{\$61,000}$ = $38,033

   (c) Employment income net of loss carried back = $40,000 - $38,033 = $1,967

   (d) Earned income relief is lower of actual income (which is $1,967) or $1,000

Annex 7 (continued)

Example 1B:

1. Mrs Tan derived employment and rental income. She wished to claim working mother child relief (WMCR) in respect of her only child.
2. Mrs Tan has elected to claim for Mr Tan's unabsorbed CA of $19,000 and loss of $9,000 to be deducted from her assessable income for the YA 2006.

Tax Computation of Mrs Tan for YA 2006

		YA 2006			
		Original Assessment *(before s37D claim is allowed)*		**Revised Assessment** *(with s37D claim allowed)*	
		$	$	$	$
Employment			25,000		25,000
Rental			3,000		3,000
			28,000		28,000
Less:	CA transferred from Mr Tan			19,000	
	Loss transferred from Mr Tan			9,000	28,000
Assessable income			28,000		Nil
Less:	Personal reliefs				
	- Earned income **(Note 1)**	1,000		0	
	- WMCR **(Note 2)**	1,250		0	
	- CPF	5,000	7,250	0	0
Chargeable income			20,750		Nil
Tax thereon			28.12		0.00
Less:	Tax previously assessed				28.12
Tax to be refunded					(28.12)

Note:

1. With the CA and loss transferred from Mr Tan, Mrs Tan's earned income relief is nil as the earned income has been reduced to nil.

2. WMCR refers to working mother child relief and is computed based on 5% of Mrs Tan' earned income of $25,000. With the CA and loss transferred from Mr Tan, Mrs Tan's WMCR is nil as the earned income has been reduced to nil.

Annex 7 (continued)

Example 2A:

1. Mr Lim is a sole-proprietor of businesses U and V, and a partner of partnership W.
2. The accounting year end of his businesses is 31 Dec.
3. Mr Lim has unabsorbed CA and loss for YA 2006 from all his businesses.
4. Mr Lim wished to claim qualifying child relief in respect of 2 of his children.
5. Mr Lim has elected to transfer his unabsorbed CA and loss for YA 2006 to his wife, Mrs Lim and to carry-back the balance of his unabsorbed loss to his and his wife's YA 2005 assessments.

Tax Computations of Mr Lim for YAs 2005 and 2006

	YA 2006	
	$	$
Trade		
Sole-proprietorship business U – Adjusted profit before CA	0	
Less: Current CA	(48,000)	(48,000)
Sole-proprietorship business V – Adjusted profit before CA	50,000	
Less: Current CA	(35,000)	15,000
Partnership business W – Share of adjusted profit before CA	0	
Less: Share of current CA	(35,000)	(35,000)
		(68,000)
Other income		
Employment		24,000
Rental		12,000
		(32,000)
Less: CA transferred to Mrs Lim's YA 2006 assessment		32,000
Unabsorbed CA for YA 2006 c/f		NIL
Sole-proprietorship business U – Current year adjusted loss		(75,000)
Partnership business W – Share of current year adjusted loss		(45,000)
		(120,000)
Less: Loss transferred to Mrs Lim's YA 2006 assessment		16,600
		(103,400)
Less: Loss carried back to YA 2005	96,600	
Loss carried back to Mrs Lim's YA 2005 assessment	3,400	100,000
Unabsorbed loss for y/e 31.12.2005 c/f		(3,400)
Chargeable income		NIL
Tax thereon		NIL

Annex 7 (continued)

	YA 2005			
	Original Assessment		**Revised Assessment**	
	(before carry-back is allowed)		***(with carry-back allowed)***	
	$	$	$	$
Trade income				
Sole-proprietorship U - Adj profit before CA	71,600		71,600	
Less: Current CA	(35,000)	36,600	(35,000)	36,600
Sole-proprietorship V- Adj profit before CA	65,000		65,000	
Less: CA b/f	(20,000)		(20,000)	
Current CA	(25,000)	20,000	(25,000)	20,000
Partnership W – Share of adj profit before CA	0		0	
Less: Share of current CA	(12,000)	(12,000)	(12,000)	(12,000)
		44,600		44,600
Trade loss				
Partnership W – Share of adjusted loss		(6,000)		(6,000)
		38,600		38,600
Other income				
Employment		40,000		40,000
Rental		18,000		18,000
		96,600		96,600
Less: Loss carried back from YA 2006		-		(96,600)
Assessable income		96,600		0
Less: Personal reliefs				
- Earned income **(Note 1)**	1,000		0	
- Child	4,000		0	
- CPF	8,000	13,000	0	0
Chargeable income		83,600		Nil
Tax thereon		5,140.00		0.00
Less: Tax previously assessed				5,140.00
Tax to be refunded				(5,140.00)

Note 1: With the loss carried back, Mr Lim's earned income relief is nil as the earned income has been reduced to nil.

Annex 7 (continued)

Example 2B:

1. Mrs Lim derived employment and rental income for the YA 2006.
2. Mrs Lim wished to claim working mother child relief in respect of her 2 children.
3. Mrs Lim has elected to claim:
   - Mr Lim's unabsorbed CA and loss for YA 2006 to be deducted from her YA 2006 assessment; and
   - the excess unabsorbed loss carried back by Mr Lim to be deducted from her YA 2005 assessment.

Tax Computations of Mrs Lim for YAs 2005 and 2006

		YA 2006			
		Original Assessment *(before s37D claim is allowed)*		**Revised Assessment** *(with s37D claim allowed)*	
		$	$	$	$
Employment			45,000		45,000
Rental			3,600		3,600
			48,600		48,600
Less:	CA transferred in from Mr Lim		-	32,000	
	Loss transferred in from Mr Lim		-	16,600	48,600
Assessable income			48,600		0
Less:	Personal reliefs				
	- Earned income **(Note 1)**	1,000			
	- WMCR **(Note 2)**	9,000			
	- CPF	9,000	19,000		0
Chargeable income			29,600		Nil
Tax thereon			360.00		0.00
Less:	Tax previously assessed				360.00
Tax to be refunded					(360.00)

Annex 7 (continued)

		YA 2005			
		Original Assessment		**Revised Assessment**	
		(before carry back is allowed)		***(with carry back allowed)***	
		$	$	$	$
Employment			40,000		40,000
Rental			4,000		4,000
			44,000		44,000
Less:	Loss carried back from Mr Lim		-		3,400
Assessable income			44,000		40,600
Less:	Personal reliefs				
	- Earned income	1,000		1,000	
	- WMCR **(Note 3)**	8,000		7,382	
	- CPF	8,000	17,000	8,000	16,382
Chargeable income			27,000		24,218
Tax thereon			280.00		168.72
Less:	Tax previously assessed				280.00
Tax to be refunded					(111.28)

Note 1: With the CA and loss transferred from Mr Lim, Mrs Lim's earned relief is nil as the earned income has been reduced to nil.

Note 2: WMCR refers to working mother child relief and is computed based on 5%+15% of Mrs Lim's earned income of $30,000.

Note 3: Since Mrs Lim does not have any trade income from which the loss carried back is to be deducted first, the loss carried back is to be apportioned between her employment and rental income. The WMCR is to be computed as follows:

(a) Gross earned income (employment)	40,000	40,000
(b) Loss carried back	-	3,400
(c) Amount in (b) attributable to earned income $\frac{40,000}{40,000 + 4,000} \times 3,400$	-	3,091
(d) Earned income net of loss carried back	40,000	36,909
(e) WMCR computed based on 5%+15% of (d)	8,000	7,382

Annex 8 – Diagram showing order of deduction for individuals at a glance[11]

Mr Toh

Immediate preceding YA

Adj profit - S/P 1	XA	
Less CA for current year	(XB)	XC
Adj profit - Partnership	XD	
Less: CA for current year	(BE)	(XF)
		(XG)
Interest income		XH
Rental income		XI
		XJ
Less: Unabsorbed loss b/f -S/P 2		(XK)
		XL
Less: Current year loss -S/P 2		(XM)
		XN
Less: Current year donation		(XO)
		XP
Less: Amt carried back under s37E **(Note 3)**		(XP)
		Nil
Less: Personal Relief **(Note 2)**		Nil
Chargeable income		**Nil**

Current YA

Adj profit - S/P 1	XR	
Less: CA for current year	(XS)	(XT)
Adj profit - Partnership	XU	
Less: CA for current year	(XV)	(XW)
		(XY)
Interest income		XZ
Rental income		WA
		WB
Less: Current year loss -S/P 2		(WC)
		(WD)
Less: Amt transferred to spouse under s37D: - Current year loss		WE
		(WF)
Less: Amt carried back under s37E: - Current year loss **(Note 3)**		XP
		(WG)
Less: Amt carried back to spouse under s37F: - Current year loss **(Note 3)**		WH
Unabsorbed loss for current yr c/f		(WI)
Current year donation c/f		(WJ)
Chargeable Income		**NIL**

Mrs Toh

Current YA

Adj profit - Partnership 1	WK	
Less: Unabsorbed CA b/f	(WL)	
	WM	
Less: CA for current year	(WN)	WO
Employment income		WP
Interest income		WQ
Rental income		WR
		WE
Less: Amt transferred from Mr Toh under s37D: **(Note 1)** - Current year loss		(WE)
		Nil
Less: Personal Relief **(Note 2)**		Nil
Chargeable income		**Nil**

Immediate preceding YA

Adj profit - Partnership 1	WS	
Less: Unabsorbed CA b/f	(WT)	
	WU	
Less: CA for current year	(WV)	WW
Employment income		WX
Interest income		WY
Rental income		WZ
		VA
Less: Unabsorbed donation b/f		(VB)
		VC
Less: Current year donation		(VD)
		VE
Less Amt transferred from Mr Toh under s37F **(Note 3)**		(WH)
		VF
Less: Personal Relief		
Earned income	VG	
Child	VH	
CPF	VI	VJ
Chargeable income		**VK**

Note:

(1) The amount of losses transferred from spouse under s37D must be the lower of Mrs Toh's assessable income or Mr Toh's losses available for transfer.

(2) Personal Relief claim is nil as after the carry-back relief or loss transfer from spouse, there is nil assessable income.

(3) The total amount to be carried back by an individual under s37E and amount transferred to spouse under s37F is capped at $100,000, and for each amount (be it back to himself or back to his spouse), it must be the lower of the assessable income of the immediate preceding YA or the balance of current year CA/loss available for carry-back/transfer at each stage. An individual must transfer to his spouse for the current YA first under s37D (if applicable), then back to himself under s37E (if applicable) and lastly to his spouse under s37F (if applicable).

[11] The spousal transfer scheme is applicable up to YA 2015.

Annex 9 – Illustration of deduction and restriction of capital allowances and trade losses of partners of an LLP

Partnership S&T is an LLP and has two partners (i.e. Mr Song and Topmost Pte Ltd). The LLP's accounting year end is 31 December. Both partners have claimed for carry-back relief. The details of the LLP for YA 2005 and 2006 are:

	Mr Song (Example 1)		Topmost Pte Ltd (Example 2)	
(A) Profit sharing ratio	30%		70%	
(B) Contributed capital as at: a) 31.12.04 b) 31.12.05	$20,000 $60,000		$120,000 $175,000	
(C) Adj profit/loss of LLP for y/e: a) 31.12.04 - Profit $ 93,000 b) 31.12.05 - Loss $120,000	$27,900 ($36,000)		$ 65,100 ($84,000)	
(D) CA for: a) YA 2005 - $180,000 b) YA 2006 - $150,000	$54,000 $45,000		$126,000 $105,000	
(E) CA & losses - Cumulative	**YA 2005**	**YA 2006**	**YA 2005**	**YA 2006**
	$54,000	$135,000	$126,000	$315,000
(F) Contributed capital as at end of basis period	$20,000	$60,000	$120,000	$175,000
(G) Excess of cumulative CA and losses over contributed capital [(E)-(F)]	$34,000	$85,000	$6,000	$140,000
(H) Past relevant deduction	CA - $20,000 Loss - $ 0 $20,000	CA - $60,000 Loss - $ 0 $60,000	CA - $60,900 Loss - $ 0 $60,900	CA - $165,900 Loss - $ 1,175 (i.e. 9,100 - 7,925) $167,075

Annex 9 (continued)

Example 1 - Tax Computations of Mr Song for YAs 2006 and 2005

	YA 2006		
	$	$	$
Trade			**Restrict**
- Sole-proprietorship business- Adjusted profit before CA	0		
Less: CA	(35,000)	(35,000)	
- LLP – Adjusted profit before CA	0		
Less: CA b/f	(6,100)	(6,100)	
: Current CA	(45,000)	(33,900)	(11,100)
		(75,000)	
Employment income		38,000	
Rental Income		22,000	
		(15,000)	
Less: CA carried back to YA 2005		15,000	
Unabsorbed CA c/f		NIL	
Unabsorbed LLP CA for YA 2006 c/f		(11,100)	
Sole-proprietorship business – Adjusted loss		(70,000)	
Add: LLP adjusted loss		0	(36,000)
		(70,000)	
Less: Loss carried back to YA 2005		70,000	
Unabsorbed loss for y/e 31.12.05 from sole-proprietorship c/f		NIL	
Add: Unabsorbed LLP loss for y/e 31.12.05 c/f		(36,000)	
Total unabsorbed losses c/f		(36,000)	
Chargeable Income		NIL	
Tax payable		NIL	
Cumulative LLP CA & losses (54,000 + 45,000 + 36,000)		(135,000)	
Less: Deduct from LLP profit in YA 2005		27,900	
Deduct from other sources in YAs 2005 & 2006		60,000	
LLP CA & losses c/f:			
- CA for YA 2006 c/f	(11,100)		
- Loss for y/e 31.12.2005	(36,000)	(47,100)	

Summary of relevant deductions allowed in respect of:

(i) YA 2005 LLP CA = $20,000

(ii) YA 2006 LLP CA

- deduct from YA 2006 income

$\$60,000 \times {}^{(6,100+33,900)}/_{75,000}$ = $32,000

- deduct from YA 2005 income

$\$15,000 \times {}^{(6,100+33,900)}/_{75,000}$ = $8,000

$60,000

Annex 9 (continued)

	YA2005					
	Original Assessment (before carry-back is allowed)			**Original Assessment (after carry-back is allowed)**		
	$	$	$ **Restrict**	$	$	$ **Restrict**
Trade						
- Sole-proprietorship biz - Adj profit before CA	170,000			170,000		
Less: Current year CA	(15,000)	155,000		(15,000)	155,000	
- LLP – Adjusted profit before CA	27,900			27,900		
Less: Current year CA	(54,000)	(20,000)	(6,100)	(54,000)	(20,000)	(6,100)
		135,000			135,000	
Employment income		48,000			48,000	
Rental Income		30,000			30,000	
		213,000			213,000	
Less : CA carried back from YA 2006				(15,000)		
Loss carried back from YA 2006				(70,000)	(85,000)	
		213,000			128,000	
Less: Personal Relief						
- Earned Income	1,000			1,000		
- Wife	2,000			2,000		
- Child	2,000			2,000		
- CPF	9,600	14,600		9,600	14,600	
Chargeable Income		198,400			113,400	
Unabsorbed LLP CA for YA 2005 c/f		(6,100)			(6,100)	
Tax payable		23,896.00			9,610.00	
Less: Tax previously assessed					23,896.00	
Tax to be refunded					(14,286.00)	
Cumulative LLP CA & losses		(54,000)				
Less: Deduct from LLP profit in YA 2005		27,900				
Deduct from other sources in YA 2005		20,000				
LLP CA & losses c/f:						
- Unabsorbed CA for YA 2005	(6,100)					
- Unabsorbed loss for y/e 31.12.2004	0	(6,100)				

Annex 9 (continued)

Example 2 - Tax Computations of Topmost Pte Ltd for YAs 2006 and 2005

	YA 2006		
	$	$	$ Restrict
Trade income			
- Topmost Pte Ltd's operations - Adjusted profit before CA	0		
Less: Current year CA	(55,000)	(55,000)	
- LLP - Adjusted profit before CA	0		
Less: Current CA			
	(105,000)	(105,000)	
		(160,000)	
Interest income		15,000	
Rental Income		72,000	
		(73,000)	
Less: CA carried back to YA 2005		73,000	
Unabsorbed CA for YA 2005 c/f		NIL	
Trade loss		(200,000)	
Topmost Pte Ltd's operations – Adjusted loss			
Add: LLP current loss		(9,100)	(74,900)
		(209,100)	
Less: Loss carried back to YA 2005		27,000	
Unabsorbed loss for y/e 31.12.05 c/f [i.e. LLP loss $7,925 (i.e. 9,100 - 1,175) and trade loss $174,175 (i.e. 200,000 - {27,000-1,175})]		(182,100)	
Add: Unabsorbed LLP loss for y/e 31.12.05 c/f		(74,900)	
Total unabsorbed losses c/f		(257,000)	
Chargeable Income		NIL	
Tax payable		NIL	
Cumulative LLP CA & losses (126,000 + 105,000 + 84,000)		(315,000)	
Less: Deduct from LLP profit in YA 2005		65,100	
Deduct from other sources in YAs 2005 & 2006		167,075	
LLP CA & losses c/f:			
- CA for YA 2006	0		
- Unabsorbed loss for y/e 31.12.2005 (9,100 – 1,175) c/f	(7,925)		
- Unabsorbed loss for y/e 31.12.2005 c/f	(74,900)	(82,825)	

Summary of relevant deductions allowed in respect of:

(i) YA 2005 LLP CA = $60,900

(ii) YA 2006 LLPCA

- against YA 2006 income

$87,000 x $^{105,000}/_{160,000}$ = $57,094

- against YA 2005 income

$73,000 x $^{105,000}/_{160,000}$ = $47,906

(ii) YA 2006 LLP loss

- against YA 2006 income

$27,000 x $^{9,100}/_{209,100}$ = $1,175

$167,075

Annex 9 (continued)

	YA 2005					
	Original Assessment (before carry-back is allowed)			Original Assessment (after carry-back is allowed)		
	$	$	$ Restrict	$	$	$ Restrict
Trade income						
- Topmost Pte Ltd's operations – Adj profit before CA	300,000			300,000		
Less: Current year CA	(50,000)	250,000		(50,000)	250,000	
- LLP – Adj profit before CA	65,100			65,100		
Less: Current CA	(126,000)	(60,900)		(126,000)	(60,900)	
		189,100			189,100	
Interest income		20,000			20,000	
Rental Income		60,000			60,000	
		269,100			269,100	
Less : CA carried back from YA 2006				(73,000)		
Loss carried back from YA 2006				(27,000)	(100,000)	
Chargeable income (before deducting exempt amount)		269,100			169,100	
Less: Exempt amount		(52,500)			(52,500)	
Chargeable Income		216,600			116,600	
Tax payable		43,320.00			23,320.00	
Less: Tax previously assessed					43,320.00	
Tax to be refunded					(20,000.00)	
Cumulative LLP CA & losses		(126,000)				
Less: Deduct from LLP profit in YA 2005		65,100				
Deduct from other sources in YA 2005		60,900				
LLP CA & losses c/f:						
- Unabsorbed CA for YA 2005 c/f	0					
- Unabsorbed loss for y/e 31.12.2004 c/f	0	0				