

Annex H – 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 2017 and 2018 are:

	Mr Song (Example 1)		Topmost Pte Ltd (Example 2)	
(A) Profit sharing ratio	30%		70%	
(B) Contributed capital as at:				
a) 31.12.16	\$20,000		\$120,000	
b) 31.12.17	\$60,000		\$175,000	
(C) Adj profit/loss of LLP for y/e:				
a) 31.12.16 - Profit \$ 93,000	\$27,900		\$ 65,100	
b) 31.12.17 - Loss \$120,000	(\$36,000)		(\$84,000)	
(D) CA for:				
a) YA 2017 - \$180,000	\$54,000		\$126,000	
b) YA 2018 - \$150,000	\$45,000		\$105,000	
(E) CA & losses - Cumulative	YA 2017	YA 2018	YA 2017	YA 2018
	\$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 <u>\$20,000</u>	CA - \$60,000 Loss - \$ 0 <u>\$60,000</u>	CA - \$60,900 Loss - \$ 0 <u>\$60,900</u>	CA - \$165,900 Loss - \$ 1,175 (i.e. 9,100 - 7,925) <u>\$167,075</u>

Annex H (continued)

Example 1 - Tax Computations of Mr Song for YAs 2017 and 2018

	YA 2018		
	\$	\$	
<u>Trade</u>			\$ 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)
Employment income		(75,000)	}
Rental Income		38,000	
		22,000	
		(15,000)	
Less: CA carried back to YA 2017		15,000	
Unabsorbed CA c/f		<u>NIL</u>	
Unabsorbed LLP CA for YA 2018 c/f		<u>(11,100)</u>	
Sole-proprietorship business – Adjusted loss		(70,000)	
Add: LLP adjusted loss		0	(36,000)
Less: Loss carried back to YA 2017		(70,000)	
Unabsorbed loss for y/e 31.12.17 from sole-proprietorship c/f		70,000	
Add: Unabsorbed LLP loss for y/e 31.12.17 c/f		<u>NIL</u>	
Total unabsorbed losses c/f		<u>(36,000)</u>	
Chargeable Income		<u>NIL</u>	
Tax payable		<u>NIL</u>	
Cumulative LLP CA & losses (54,000 + 45,000 + 36,000)		(135,000)	
Less: Deduct from LLP profit in YA 2017		27,900	
Deduct from other sources in YAs 2017 & 2018		<u>60,000</u>	
LLP CA & losses c/f:			
- CA for YA 2018 c/f	(11,100)		
- Loss for y/e 31.12.2017	(36,000)	(47,100)	

Summary of relevant deductions allowed in respect of:

(i) YA 2017 LLP CA = \$20,000

(ii) YA 2018 LLP CA

- deduct from YA 2018 income

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

- deduct from YA 2017 income

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

\$60,000

Annex H (continued)

	YA2017				
	Original Assessment (before carry-back is allowed)		Revised Assessment (after carry-back is allowed)		
	\$	\$	\$	\$	\$
<u>Trade</u>					
- 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)	(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 2018			(15,000)		
Loss carried back from YA 2018			(70,000)	(85,000)	
		213,000		128,000	
Less: <u>Personal Relief</u>					
- Earned Income	1,000		1,000		
- Spouse	2,000		2,000		
- Child	4,000		4,000		
- CPF	9,600	16,600	9,600	16,600	
Chargeable Income		196,400		111,400	
Unabsorbed LLP CA for YA 2017 c/f		(6,100)		(6,100)	
Tax payable		20,002.00		6,461.00	
Less: Tax previously assessed				20,002.00	
Tax to be refunded				(13,541.00)	
Cumulative LLP CA & losses		(54,000)			
Less: Deduct from LLP profit in YA 2017		27,900			
Deduct from other sources in YA 2017		20,000			
LLP CA & losses c/f:					
- Unabsorbed CA for YA 2017	(6,100)				
- Unabsorbed loss for y/e 31.12.2016	0	(6,100)			

Annex H (continued)

Example 2 - Tax Computations of Topmost Pte Ltd for YAs 2018 and 2017

	YA 2018		
	\$	\$	\$
<u>Trade income</u>			Restrict
- 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 2017		73,000	
Unabsorbed CA for YA 2017 c/f		NIL	
<u>Trade loss</u>			
Topmost Pte Ltd's operations – Adjusted loss		(200,000)	
Add: LLP current loss		(9,100)	(74,900)
		(209,100)	
Less: Loss carried back to YA 2017		27,000	
Unabsorbed loss for y/e 31.12.17 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 31.12.17 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 2017		65,100	
Deduct from other sources in YAs 2017 & 2018		167,075	
LLP CA & losses c/f:			
- CA for YA 2018	0		
- Unabsorbed loss for y/e 31.12.2017 (9,100 – 1,175) c/f	(7,925)		
- Unabsorbed loss for y/e 31.12.2017 c/f	(74,900)	(82,825)	

Summary of relevant deductions allowed in respect of:

(i) YA 2017 LLP CA = \$60,900

(ii) YA 2018 LLPCA

- against YA 2018 income

$\$87,000 \times \frac{105,000}{160,000} = \$57,094$

- against YA 2017 income

$\$73,000 \times \frac{105,000}{160,000} = \$47,906$

(ii) YA 2018 LLP loss

- against YA 2018 income

$\$27,000 \times \frac{9,100}{209,100} = \$1,175$

\$167,075

Annex H (continued)

	YA 2017				
	Original Assessment (before carry-back is allowed)			Revised Assessment (after carry-back is allowed)	
	\$	\$	\$	\$	\$
<u>Trade income</u>			Restrict		Restrict
- 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 2018				(73,000)	
Loss carried back from YA 2018				(27,000)	(100,000)
Chargeable income (before deducting exempt amount)		269,100			169,100
Less: Exempt amount ¹		(137,050)			(87,050)
Chargeable Income		132,050			82,050
Tax payable		22,448.50			13,948.50
Less: 50% CIT rebate (capped at \$25,000)		(11,224.25)			(6,974.25)
Net tax payable		11,224.25			6,974.25
Less: Tax previously assessed					(11,224.25)
Tax to be refunded					(4,250.00)
Cumulative LLP CA & losses		(126,000)			
Less: Deduct from LLP profit in YA 2017		65,100			
Deduct from other sources in YA 2017		60,900			
LLP CA & losses c/f:					
- Unabsorbed CA for YA 2017 c/f	0				
- Unabsorbed loss for y/e 31.12.2016 c/f	0	0			
1. Computation of exempt amount of normal chargeable income:					
		On the first \$10,000 (75% of the income)		7,500	7,500
		On the next \$259,100 (50% of the income)		129,550	
		On the next \$159,100 (50% of the income)			79,550
		Total exempt income		137,050	87,050