

Annex E – 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 2018. It has elected to transfer its loss items to its related company, STU Pte Ltd, whose assessable income for YA 2018 is \$30,000.
2. PQR Pte Ltd has also elected for carry-back relief. For its YA 2017 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 2017 and 2018 are not PQR Pte Ltd's first 3YAs which qualify for tax exemption for new start-up companies.)

Tax Computations of PQR Pte Ltd for YAs 2017 and 2018

	<u>YA 2018</u>	
	\$	\$
<u>Trade</u>		
Adjusted profit before CA	0	
Less: Current CA	<u>(80,000)</u>	(80,000)
<u>Other income</u>		
Interest		25,000
Rental		<u>10,000</u>
		(45,000)
Less: Loss items transferred to STU Pte Ltd		<u>30,000</u>
		(15,000)
Less: Current CA carried back to YA 2017		<u>15,000</u>
Unabsorbed CA for YA 2018 c/f		<u><u>NIL</u></u>
Current year adjusted trade loss		(160,000)
Less: Loss carried back to YA 2017 (100,000 - 15,000)		<u>85,000</u>
Unabsorbed loss for y/e 31.12.2017 c/f		<u><u>(75,000)</u></u>
Chargeable income		<u><u>NIL</u></u>
Tax thereon		<u><u>NIL</u></u>

Annex E (continued)

YA 2017

	Original Assessment		Revised Assessment	
	<i>(before carry-back is allowed)</i>		<i>(with carry-back allowed)</i>	
	\$	\$	\$	\$
<u>Trade income</u>				
Adjusted profit before CA	240,000		240,000	
Less: Current CA	<u>(55,000)</u>	185,000	<u>(55,000)</u>	185,000
<u>Other income</u>				
Interest		36,000		36,000
Rental		<u>25,000</u>		<u>25,000</u>
		246,000		246,000
Less: Current year CA transferred from VWX Pte Ltd		<u>(15,000)</u>		<u>(15,000)</u>
		231,000		231,000
Less: CA carried back from YA 2018			(15,000)	
Loss carried back from YA 2018			<u>(85,000)</u>	<u>(100,000)</u>
Chargeable income (before deducting exempt amount)		231,000		131,000
Less: Exempt amount (Note 1)		<u>(118,000)</u>		<u>(68,000)</u>
Chargeable income (after deducting exempt amount)		<u>113,000</u>		<u>63,000</u>
Tax thereon		19,210.00		10,710.00
Less: 50% CIT rebate (capped at \$25,000)		<u>(9,605.00)</u>		<u>(5,355.00)</u>
		9,605.00		5,355.00
Less: Tax previously assessed				<u>(9,605.00)</u>
Tax to be Discharged				<u>(4,250.00)</u>

Note 1

Computation of exempt amount for normal chargeable income:

On the first \$10,000 (75% of the income)	7,500	7,500
On the next \$221,000 (50% of the income)	110,500	
On the next \$121,000 (50% of the income)		60,500
Total exempt amount	<u>118,000</u>	<u>68,000</u>