

Annex G – Illustration on how carry-back relief is effected for an individual and his spouse where transfer under section 37D is made⁷

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 2015.
2. Mr Tan has unabsorbed CA and loss for YA 2015 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 2014 assessment.

Tax Computations of Mr Tan for YAs 2014 and 2015

	YA 2015	
	\$	\$
<u>Trade</u>		
Sole-proprietorship business – Adjusted profit before CA	0	
Less: Current CA	<u>(55,000)</u>	(55,000)
<u>Other income</u>		
Employment		24,000
Rental		<u>12,000</u>
		(19,000)
Less: CA transferred to Mrs Tan's YA 2015 assessment (s37D)		<u>19,000</u>
Unabsorbed CA for YA 2016 c/f		<u><u>NIL</u></u>
Sole-proprietorship business – Current year adjusted trade loss		(154,000)
Less: Loss transferred to Mrs Tan's YA 2015 assessment (s37D)		<u>9,000</u>
		(145,000)
Less: Loss carried back to YA 2014 (Note 1)		<u>100,000</u>
Unabsorbed loss for y/e 31.12.2014 c/f		<u><u>(45,000)</u></u>
Chargeable income		<u><u>NIL</u></u>
Tax thereon		<u><u>NIL</u></u>

⁷ The spousal transfer scheme is applicable up to YA 2015.

Annex G (continued)

YA 2014					
		Original Assessment		Revised Assessment	
		(before carry-back is allowed)		(with carry-back allowed)	
		\$	\$	\$	\$
<u>Trade</u>					
Sole-proprietorship - Adj profit before CA		77,000		77,000	
Less:	Current CA	<u>(35,000)</u>	42,000	<u>(35,000)</u>	42,000
<u>Other income</u>					
Employment			40,000		40,000
Rental			<u>21,000</u>		<u>21,000</u>
			103,000		103,000
Less:	Loss carried back from YA 2015 (Note 1)		<u>-</u>		<u>(100,000)</u>
Assessable income			103,000		3,000
Less:	<u>Personal reliefs</u>				
	- Earned income (Note 2)	1,000		1,000	
	- Child	4,000		4,000	
	- CPF	<u>8,000</u>	<u>13,000</u>	<u>8,000</u>	<u>13,000</u>
Chargeable income			<u>90,000</u>		<u>Nil</u>
Tax thereon			<u>4,500.00</u>		0.00
Less:	Tax previously assessed				<u>4,500.00</u>
Tax to be refunded					<u>(4,500.00)</u>

Note:

- As Mr Tan has elected for carry-back relief, the full amount of \$100,000 must be carried back even though he has \$13,000 personal reliefs to deduct from his assessable income of \$103,000.
- Computation of earned income relief:
 - 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).
 - Loss of \$58,000 attributable to employment income = $\$58,000 \times \frac{\$40,000}{\$61,000} = \$38,033$
 - Employment income net of loss carried back = $\$40,000 - \$38,033 = \$1,967$

Annex G (continued)

Example 1B:

Mrs Tan derived rental income. She 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 2015.

Tax Computation of Mrs Tan for YA 2015

	YA 2015			
	Original Assessment		Revised Assessment	
	<i>(before s37D claim is allowed)</i>		<i>(with s37D claim allowed)</i>	
	\$	\$	\$	\$
Rental		<u>28,000</u>		<u>28,000</u>
		28,000		28,000
Less: CA transferred from Mr Tan			19,000	
Loss transferred from Mr Tan		<u> </u>	<u>9,000</u>	<u>28,000</u>
Assessable income		28,000		Nil
Less: <u>Personal reliefs</u>				
- Earned income		0		
		0		0
Chargeable income		<u><u>28,000</u></u>		<u><u>Nil</u></u>
Tax thereon		<u><u>80.00</u></u>		0.00
Less: Tax previously assessed				<u>80.00</u>
Tax to be refunded				<u><u>(80.00)</u></u>

Annex G (continued)

Example 2:

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 2018 from all his businesses.
4. Mr Lim wished to claim qualifying child relief in respect of his child.
5. Mr Lim has elected to carry-back his unabsorbed CA and loss for YA 2018 to his YA 2017 assessments.

Tax Computations of Mr Lim for YAs 2017 and 2018

	YA 2018	
	\$	\$
<u>Trade</u>		
Sole-proprietorship business U – Adjusted profit before CA	0	
Less: Current CA	<u>(48,000)</u>	(48,000)
 Sole-proprietorship business V – Adjusted profit before CA	 50,000	
Less: Current CA	<u>(35,000)</u>	15,000
 Partnership business W – Share of adjusted profit before CA	 0	
Less: Share of current CA	<u>(35,000)</u>	<u>(35,000)</u>
		(68,000)
<u>Other income</u>		
Employment		24,000
Rental		<u>12,000</u>
		(32,000)
Less: CA carried back to YA 2017		<u>32,000</u>
Unabsorbed CA for YA 2018 c/f		<u><u>NIL</u></u>
 Sole-proprietorship business U – Current year adjusted loss		(75,000)
Partnership business W – Share of current year adjusted loss		<u>(45,000)</u>
		(120,000)
Less: Loss carried back to YA 2017		<u>68,000</u>
Unabsorbed loss for y/e 31.12.2017 c/f		<u>(52,000)</u>
 Chargeable income		<u>NIL</u>
Tax thereon		<u><u>NIL</u></u>

Annex G (continued)

YA 2017				
Original Assessment			Revised Assessment	
<i>(before carry-back is allowed)</i>			<i>(with carry-back allowed)</i>	
	\$	\$	\$	\$
<u>Trade income</u>				
Sole-proprietorship U - Adj profit before CA	91,600		91,600	
Less: Current CA	<u>(35,000)</u>	56,600	<u>(35,000)</u>	56,600
Sole-proprietorship V- Adj profit before CA	65,000		65,000	
Less: CA b/f	(20,000)		(20,000)	
Current CA	<u>(25,000)</u>	20,000	<u>(25,000)</u>	20,000
Partnership W – Share of adj profit before CA	0		0	
Less: Share of current CA	<u>(12,000)</u>	<u>(12,000)</u>	<u>(12,000)</u>	<u>(12,000)</u>
		64,600		64,600
<u>Trade loss</u>				
Partnership W – Share of adjusted loss		<u>(6,000)</u>		<u>(6,000)</u>
		58,600		58,600
<u>Other income</u>				
Employment		40,000		40,000
Rental		<u>18,000</u>		<u>18,000</u>
		116,600		116,600
Less: CA/Loss carried back from YA 2018		<u>-</u>		<u>(100,000)</u>
Assessable income		116,600		16,600
Less: <u>Personal reliefs</u>				
- Earned income	1,000		1,000	
- Child	4,000		4,000	
- CPF	<u>8,000</u>	<u>13,000</u>	<u>8,000</u>	<u>13,000</u>
Chargeable income		<u>103,600</u>		<u>3,600</u>
Tax thereon		<u>5,564.00</u>		0.00
Less: Tax previously assessed				<u>5,564.00</u>
Tax to be refunded				<u>(5,564.00)</u>