

Annex A – 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 2018 and has claimed for carry-back relief
2. ABC Pte Ltd has normal chargeable income, donation and investment allowance for YA 2017
3. ABC Pte Ltd's accounting year end is 31 Dec.

(Assumption: The same business test and the shareholding test are satisfied. YA 2017 and 2018 are not ABC Pte Ltd's first 3 YAs which qualify for the tax exemption for new start-up companies.)

Tax Computations of ABC Pte Ltd for YAs 2017 and 2018

	YA 2018	
	\$	\$
<u>Trade</u>		
Adjusted profit before CA	0	
Less : Current CA	(35,000)	(35,000)
<u>Other income</u>		
Rental		24,000
		(11,000)
Less: CA carried back to YA 2017		11,000
Unabsorbed CA for YA 2018 c/f		NIL
Current year adjusted trade loss		(70,000)
Less: Loss carried back to YA 2017		70,000
Unabsorbed loss for y/e 31.12.2017 c/f		NIL
Unutilised investment allowance for YA 2018 c/f (Note 1)		(25,000)
Chargeable income		NIL
Tax thereon		NIL

Annex A (continued)

	YA 2017			
	Original Assessment		Revised Assessment	
	(before carry-back is allowed)		(with carry-back allowed)	
	\$	\$	\$	\$
<u>Trade</u>				
Adjusted profit before CA	220,000		220,000	
Less : Current CA	<u>40,000</u>	180,000	<u>40,000</u>	180,000
<u>Other income</u>				
Rental		<u>30,000</u>		<u>30,000</u>
		210,000		210,000
Less: Donation - \$1,000 (Note 2)		(2,500)		(2,500)
Investment allowance		<u>(40,000)</u>		<u>(40,000)</u>
		167,500		167,500
Less: CA carried back from YA 2018			(11,000)	
Loss carried back from YA 2018			<u>(70,000)</u>	<u>(81,000)</u>
Chargeable income (before deducting exempt amount)		167,500		86,500
Less: Exempt amount (Note 3)		<u>(86,250)</u>		<u>(45,750)</u>
Chargeable income (after deducting exempt amount)		<u>81,250</u>		<u>40,750</u>
Tax thereon		13,812.50		6,927.50
Less: 50% CIT rebate (capped at \$25,000)		<u>(6,906.25)</u>		<u>(3,463.75)</u>
		6,906.25		3,463.75
Less: Tax previously assessed				<u>(6,906.25)</u>
Tax to be discharged				<u>(3,442.50)</u>

Note:

- Investment allowance is not eligible for carry-back.
- Donation made qualifies for 250% tax deduction under s37(3A) of the ITA.
- Computation of exempt amount of normal chargeable income:

On the first \$10,000 (75% of the income)	7,500	7,500
On the next \$157,500 (50% of the income)	78,750	
On the next \$76,500 (50% of the income)		38,250
Total exempt income	<u>86,250</u>	<u>45,750</u>