Annex D2 – 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 2018, 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 2017 and 2018 are not MNO Pte Ltd's first 3 YAs which qualify for tax exemption for new start-up companies.)

Tax Computations of MNO Pte Ltd for YAs 2017 and 2018

	YA 2018	
	Concessionary income (taxed at 10%)	**Normal Income (taxed at 17%)**
	$	$
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 $^{10}/_{17}$)	50,000	(29,412)
Unabsorbed CA for YA 2018 c/f	0	44,588
Current year adjusted trade loss	(1,000,000)	0
	(1,000,000)	44,588
Less: S37B offset for loss (44,588 x$^{17}/^{10}$)	75,800	(44,588)
	(924,200)	0
Less: Loss carried back to YA 2017 (100,000 x $^{17}/_{10}$)	170,000	0
Unabsorbed loss for y/e 31.12.2017 c/f	(754,200)	0
Chargeable Income		NIL
Tax thereon		NIL

Annex D2 (continued)

	YA 2017			
	Original Assessment **(before carry-back is allowed)**		**Revised Assessment (with carry-back allowed)**	
	Concessionary Income (10%)	**Normal income (17%)**	**Concessionary income (10%)**	**Normal income (17%)**
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 2018			(170,000)	0
	60,000	102,000	(110,000)	102,000
Less: S37B offset (110,000 x $^{10}/_{17}$)			110,000	(64,706)
Chargeable Income (before exempt amount)	60,000	102,000	0	37,294
Less: exempt amount **(Note 1 and 2)**	0	(53,500)	0	(21,147)
Chargeable Income (after exempt amount)	60,000	48,500	0	16,147
Tax at 10%		6,000.00		0.00
Tax at 17%		8,245.00		2,744.99
		14,245.00		2,744.99
Less: Foreign tax relief **(Note 3 and 4)**		(1,616.67)		(998.14)
Net Tax Payable		12,628.33		1,746.85
Less: 50% CIT rebate (capped at $25,000)		(6,314.17)		(873.43)
		6,314.16		873.42
Less: Tax previously assessed				(6,314.16)
Tax to be Discharged				(5,440.74)

Note:

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

2. Computation of exempt amount for normal chargeable income:

	Original	Revised
On the first $10,000 (75% of the income)	7,500	7,500
On the next $92,000 (50% of the income)	46,000	
On the next $27,294 (50% of the income)		13,647
Total exempt amount	53,500	21,147

3. Computation of foreign tax relief = 20,000/102,000 x 48,500 x 17% = 1,616.67

4. Computation of foreign tax relief:

(a) Based on the order of deduction, the loss carried back of $170,000 (@10% will be deducted from the same trade income (i.e. $60,000 @10%) first, followed by other trade income (i.e. $47,000 @17%). The balance of loss carried back of $17,706 [i.e. $64,706 - $47,000] will be deducted proportionately between foreign dividend ($20,000) and rental income ($35,000).

(b) Loss of $17,706 attributable to:
- foreign dividend : $17,706 x $^{20,000}/_{55,000}$ = $6,439
- rental income : $17,706 x $^{35,000}/_{55,000}$ = $11,267

(c) Foreign dividend net of loss carried back = $20,000-$6,439 = $13,561

(d) Rental income net of loss carried back = $35,000 - $11,267 = $23,733

(e) Foreign tax relief = lower of:

(i) 10% of $20,000 (i.e. $2,000) or

(ii) $\frac{13,561}{13,561+23,733}$ x 16,147x17% = $998.14