

### Annex D1 – Illustration of carry-back of qualifying deductions and order of deduction where there is more than one trade subject to tax at different tax rates

1. JKL Pte Ltd has income/loss from 2 or more tax rate categories, and has claimed for carry-back relief in respect of unabsorbed CA and loss for YA 2018. A new trade (Trade A) with income subject to tax at concessionary rate of 5% commenced only in YA 2018.
2. JKL 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 JKL Pte Ltd's first 3 YAs which qualify for tax exemption for new start-up companies.)

#### Tax Computations of JKL Pte Ltd for YAs 2017 and 2018

	YA 2018		
	<u>Trade A</u>	<u>Existing Trade</u>	
	<u>Concessionary</u>	<u>Concessionary</u>	<u>Normal</u>
	<u>income</u>	<u>income</u>	<u>Income</u>
	<u>(Taxed at 5%)</u>	<u>(Taxed at 10%)</u>	<u>(Taxed at 17%)</u>
	\$	\$	\$
<u>Trade</u>			
Trade Profit before CA	0	40,000	0
Less : Current CA	(90,000)	(50,000)	(45,000)
	(90,000)	(10,000)	(45,000)
<u>Other income</u>			
Interest	-	-	5,000
Rental	-	-	20,000
	(90,000)	(10,000)	(20,000)
Less: CA carried back to YA 2017 <b>(Note 1)</b>	0	10,000	20,000
Unabsorbed CA for YA 2018 c/f	(90,000)	NIL	NIL
Current year adjusted trade loss	(560,000)		(35,000)
Less: Loss carry back to YA 2017			
$(\frac{164,706}{199,706} \times 74,118 \times \frac{17}{5})$ <b>(Note 2)</b>	207,836		
$(\frac{35,000}{199,706} \times 74,118)$			12,990
Unabsorbed loss for y/e 31.12.2017 c/f	(352,164)	0	(22,010)
Chargeable Income			NIL
Tax thereon			NIL

## Annex D1 (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%)
<u>Trade</u>	\$	\$	\$	\$
Adjusted Profit before CA	150,000	135,000	150,000	135,000
Less: Current CA	(60,000)	(15,000)	(60,000)	(15,000)
	90,000	120,000	90,000	120,000
<u>Other Income</u>				
Interest	0	15,000	0	15,000
Rental	0	40,000	0	40,000
	90,000	175,000	90,000	175,000
Less: CA carried back from YA 2018			(10,000)	(20,000)
	90,000	175,000	80,000	155,000
Less: Loss carried back from YA 2018				
- Loss from same trade				(12,990)
- Loss from other trade (Note 3)			(36,476)	(39,672)
Chargeable Income (before exempt amount)	90,000	175,000	43,524	102,338
Less: exempt amount (Note 4 and 5)	0	(90,000)	0	(53,669)
Chargeable Income (after exempt amount)	90,000	85,000	43,524	48,669
Tax at 10%		9,000.00		4,352.40
Tax at 17%		14,450.00		8,273.73
		23,450.00		12,626.13
Less: 50% CIT rebate (capped at \$25,000)		(11,725.00)		(6,313.07)
		11,725.00		6,313.07
Less: Tax previously assessed				(11,725.00)
Tax to be discharged				(5,411.93)
<b>Note:</b>				
1.	JKL is not allowed to carry back the CA in respect of Trade A as it was not carrying on Trade A during the basis period for YA 2017 (i.e. the same business test is not satisfied.)			
2.	The loss to be carried back is computed as follows			
	(a) Amount of CA carried back under 10% rate = 10,000 (which is equivalent to $10,000 \times \frac{10}{17} = 5,882$ @ 17%)			
	(b) Total CA carried back = \$5,882 + \$20,000 = \$25,882			
	(c) Amount of loss that can be carried back = \$100,000 - \$25,882 = \$74,118			
3.	(a) The computation of adjusted assessable income for YA 2017 available for deduction from the loss carry-back is as follows:			
		Concessionary income (10%)	Normal Income (17%)	
	- \$80,000 $\times \frac{10}{17}$ (adjustment factor)	\$47,059		
	- Adjusted profit		\$135,000	
	- Less: Current year CA		(\$15,000)	
	CA carried back from YA 2018		(\$20,000)	
	Loss carried back from YA 2018		(\$12,990)	
			\$87,010	
	(b) The loss (incurred under 5% tax rate category) of \$207,836 carried back from YA 2018 to be apportioned to the concessionary income and normal income for YA 2017 is as follows:			
	- under 10% tax rate category: $\$47,059/\$134,069 \times \$207,836 \times \frac{5}{10} = \$36,476$			
	- under 17% tax rate category: $\$87,010/\$134,069 \times \$207,836 \times \frac{5}{17} = \$39,672$			
4.	Nil as the partial tax exemption is not applicable to concessionary income			
5.	Computation of exempt amount for normal chargeable income:			
	On the first \$10,000 (75% of the income)	7,500	7,500	
	On the next \$165,000 (50% of the income)	82,500		
	On the next \$92,338 (50% of the income)		46,169	
Total exempt amount		90,000	53,669	