

Annex C – Carry back of qualifying deductions for a company deriving income subject to tax at a concessionary rate

1. GHI Pte Ltd has trade loss from its trade which was granted concessionary rate of tax of 10% for YA 2018 and has claimed for carry-back relief.
2. GHI 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 GHI Pte Ltd's first 3 YAs which qualify for the tax exemption for new start-up companies)

Tax Computations of GHI Pte Ltd for YAs 2017 and 2018

	YA 2018	
	Concessionary income	Normal Income
	(Taxed at 10%)	(Taxed at 17%)
	\$	\$
<u>Trade</u>		
Adjusted Profit before CA	0	0
Less : Current CA	(20,000)	(15,000)
	(20,000)	(15,000)
Less: CA carried back to YA 2017	20,000	15,000
Unabsorbed CA for YA 2018 c/f	<u>NIL</u>	<u>NIL</u>
 Current year adjusted trade loss	(180,000)	(70,000)
Less: Loss carried back to YA 2017 (Note 1)	74,950	29,147
Unabsorbed loss for y/e 31.12.2017 c/f	<u>(105,050)</u>	<u>(40,853)</u>
 Chargeable Income		<u>NIL</u>
 Tax thereon		<u>NIL</u>

Annex C (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	240,000	170,000	240,000	170,000
Less: Current CA	(30,000)	(25,000)	(30,000)	(25,000)
	210,000	145,000	210,000	145,000
Less: CA carried back from YA 2018	0	0	(20,000)	(15,000)
	210,000	145,000	190,000	130,000
Less: Loss carried back from YA 2018	0	0	(74,950)	(29,147)
Chargeable Income (before exempt amount)	210,000	145,000	115,050	100,853
Less: Exempt amount (Note 2 and 3)	0	(75,000)	0	(52,927)
Chargeable Income (after exempt amount)	210,000	70,000	115,050	47,926
Tax at 10%		21,000.00		11,505.00
Tax at 17%		11,900.00		8,147.42
		32,900.00		19,652.42
Less: 50% CIT rebate (capped at \$25,000)		(16,450.00)		(9,826.21)
		16,450.00		9,826.21
Less: Tax previously assessed				(16,450.00)
Tax to be discharged				(6,623.79)

Note:

1. The amount of loss c/f is computed as follows:

(a) Amount of CA carried back under 10% rate = \$ 20,000 (which is equivalent to $20,000 \times \frac{10}{17} = \$11,765$ @ 17%)

(b) Total CA carried back = \$15,000 + \$11,765 [i.e. amount in (a)] = \$26,765

(c) Amount of loss that can be carried back = \$100,000 - (b) = \$73,235

(d) Total amount of adjusted loss available for carry-back = $\$180,000 \times \frac{10}{17}$ (under 10%) + \$70,000 (under 17%) = \$175,882

(e) Amount of loss to be carried back [i.e. amount in (c)] apportioned as follows:

Under 10% : $(\frac{105,882}{175,882} \times 73,235 \times \frac{17}{10}) = \$ 74,950$

Under 17% : $(\frac{70,000}{175,882} \times 73,235) = \$ 29,147$

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

3. Computation of exempt amount for normal chargeable income:

On the first \$10,000 (75% of the income)	7,500	7,500
On the next \$135,000 (50% of the income)	67,500	
On the next \$90,853 (50% of the income)		45,427
Total exempt amount	75,000	52,927