

Example for illustration purpose only

A Singapore Company X received dividend income from Foreign Country A and royalty income from Foreign Country B in June 2011. Both these incomes would be considered foreign income (“FI”).

Company X incurred foreign income taxes on these foreign incomes in Countries A and B respectively where the headline tax rate of Countries A and B in the year 2011 is at least 15%. Company X is entitled to claim for FTC on these FI under the Income Tax Act.

Foreign income taxes paid on the FI

	Foreign Country A (S\$)	Foreign Country B (S\$)	Total (S\$)
FI remitted	10,000	20,000	30,000
Foreign income taxes paid	500	5,000	5,500

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Under the current FTC system (source-by-source, country-by-country basis)

	Foreign Country A (S\$)	Foreign Country B (S\$)	Total (S\$)
Foreign income (FI) taxes paid	500	5,000	5,500
Singapore tax payable on the FI (based on prevailing CIT rate of 17%)	1,700	3,400	5,100
FTC available (capped at the lower of foreign taxes paid and Singapore tax payable on each FI)	500	3,400	3,900
Net Singapore tax payable on the FI after offsetting FTC (\$5,100 – \$3,900)			1,200

Under the FTC pooling system (wef YA 2012)

	Total (S\$)
Total foreign income taxes paid in Countries A and B	5,500
Total Singapore tax payable on the FI from Countries A and B (as above)	5,100
FTC available (capped at the lower of total foreign taxes paid and total Singapore tax payable on the FI from Countries A and B)	5,100
Net Singapore tax payable on the FI after offsetting FTC (\$5,100 – \$5,100)	0
Decrease in net Singapore tax payable on the foreign income as a result of S\$1,200 increase in FTC with the new FTC pooling system	1,200