

Frequently Asked Questions on Corporate Income Tax (CIT) Rebate and SME Cash Grant

Q1. How do I apply for the CIT rebate or the SME cash grant for my company?

A1. You do not need to apply for the CIT rebate or SME cash grant. IRAS will compute the amount of the CIT rebate or the SME cash grant based on your YA 2011 income tax return (i.e. Form C) which is to be submitted by 30 Nov 2011.

Q2. How is the CIT rebate computed?

A2. The CIT rebate is computed based on 20% of the YA 2011 tax payable amount after deducting tax set-offs (e.g. double taxation relief and unilateral tax credit), subject to a cap of \$10,000.

Q3. How is the SME cash grant computed?

A3. The one-off SME cash grant is computed based on 5% of total company's revenue for YA 2011, subject to a cap of \$5,000. The revenue amount will be based on the company's declaration in Box 35 of YA 2011 Form C.

Q4. How do I know whether the CIT rebate or the SME cash grant is more beneficial to my company?

A4. The amount given is based on the higher of the CIT rebate or the SME cash grant. IRAS will compute and give the company the higher amount accordingly.

Q5. My company is in a loss position for YA 2011. Will my company receive any CIT tax rebate or SME cash grant?

A5. There is no tax rebate as there is no tax payable in YA 2011. However, if the company has made CPF contributions during the basis period of YA 2011, it will receive a SME cash grant which is computed based on 5% of revenue for YA 2011, capped at \$5,000.

Q6. Will I get the CIT rebate or SME cash grant if my YA 2011 assessment was finalised before the Budget 2011 announcement without the rebate or cash grant?

A6. Yes, the CIT rebate or SME cash grant, where applicable, will be automatically computed when IRAS does a re-assessment starting from Sept 2011. Any amount due will be refunded automatically to the company within thirty days from the date the credit arises.

Q7. Is there a minimum amount of CPF contribution before the company is entitled to the SME cash grant? What happens if the company has only 1 employee?

A7. There is no minimum threshold set for the amount of CPF contribution or the number of employee. So long as the company made a CPF contribution for any employee (including

shareholders, directors who are employees) during the basis period of YA 2011, the company will be eligible for the SME cash grant.

Q8. Will the CIT rebate or the SME cash grant be factored in the estimated tax assessment when I filed my company's Estimated Chargeable Income?

A8. As the CIT rebate or the SME cash grant is computed after IRAS receives the Form C, neither the CIT rebate nor the SME cash grant will be taken into account in the estimated tax assessment. However, you may reduce your ECI based on the net tax payable after CIT rebate and file the company's ECI for YA 2011 based on the reduced amount.

Q9. What happens if there is a revised tax assessment for YA 2011? Must the company refund IRAS the SME cash grant which it has previously received if it is more beneficial for the company to be given the CIT rebate instead of the SME cash grant?

A9. The company will be required to refund the SME cash grant to IRAS if the revised tax assessment result in additional tax payable and the CIT rebate is higher than the SME cash grant. IRAS will issue a SME Cash Grant Recovery Notice to the company requiring repayment of the SME cash grant within one month from the date of the notice. Late payment penalties may apply if the sum is not received within the specified timeframe.

Please see the following illustration.

Original Assessment for YA 2011

Revenue = \$20,000

Chargeable income = 0

CIT rebate = 0

Cash grant paid to the company = \$1,000 (5% x revenue \$20,000)

Additional Assessment for YA 2011

Chargeable income after exempt amount = \$30,000

Gross tax payable = \$5,100

CIT rebate = \$1,020* (20% x \$5,100)

(*CIT rebate is higher than the SME cash grant \$1,000)

Additional tax payable = \$4,080

SME cash grant given previously to be recovered = \$1,000**

**The amount of \$1,000 will have to be repaid to IRAS within one month from the date of the SME Cash Grant Recovery Notice.

Q10. How will the CIT rebate and the SME cash grant be computed if my company has both concessionary and normal income?

A10. In cases where the company has both concessionary income and normal income, the CIT rebate will be computed based on the aggregate gross tax payable of both concessionary and

normal income. The SME cash grant will be computed based on the aggregate revenue i.e. Box 35 of Form C. See the illustration.

Chargeable Income @10% = \$100,000
Chargeable Income @17% after exempt amount = \$500,000
Gross tax payable = \$95,000 (\$100,000x10% + \$500,000x17%)
CIT rebate = \$10,000*, capped at \$10,000
Net tax payable = \$85,000

Revenue as declared in Form C (i.e. Box 35) = \$4,000,000
SME cash grant = \$5,000, capped at \$5,000

*CIT rebate is given as it is higher than the SME cash grant

Q11. How will I be notified if my company is entitled to the SME cash grant?

A11. You will receive a SME Cash Grant Notice stating the amount of SME cash grant that will be paid to the company.

Q12. How long does it take for IRAS to process the SME cash grant after I have submitted the company's Form C for YA 2011?

A12. IRAS has started disbursing the SME cash grant since Aug 2011. You can expect to receive the SME cash grant within six months from the submission of the Form C for YA 2011.

Q13. How will the payment of SME cash grant be made?

A13. Companies can expect the SME cash grant to be credited into their GIRO account (in IRAS' records). Companies without GIRO accounts will receive cheques from IRAS. If you have received the payment via cheque, please deposit it into your company's bank account within three months.

Where the SME cash grant payable is less than \$15, the cash grant will be used to offset your company's future tax liability. If you would like the SME cash grant to be paid to your company, please email to ctmail@iras.gov.sg within one month from the date of the SME Cash Grant Notice. Your payment request will be processed within 30 days from the date the email or correspondence is received.

Q14. Will the SME cash grant be used to offset my company's tax arrears?

A14. Yes. The SME cash grant will be used to offset any tax arrears (such as Income Tax, Property Tax, GST) of the company before any remaining amount is paid. We will notify the company on the offset accordingly.

Q15. My company uses different bank accounts for GIRO payment of income tax and GST. In which bank account will the SME cash grant be credited to?

A15. The SME cash grant will be credited into your company's income tax GIRO account. If the GIRO credit is unsuccessful, a cheque will be issued to your company instead.

Q16. Are there any restrictions as to how the company should use the SME cash grant?

A16. No, there are no restrictions. The company may decide how to use the SME cash grant.

Q17. Is the SME cash grant taxable?

A17. No, the SME cash grant is not taxable.