

COMPTROLLER OF INCOME TAX TO ISSUE COMPUTER-GENERATED YEAR-END SECTION 44 STATEMENT

INTRODUCTION

- 1 Under section 44(1) of the Income Tax Act, every company which is resident in Singapore shall be entitled to deduct tax at the rate of 26% (normally the prevailing corporate tax rate) from the amount of any dividend paid to any shareholder. A company is regarded as being resident in Singapore if the control and management of its business is exercised in Singapore.

- 2 For the purpose of tracking if this requirement under section 44(1) is complied with, every resident company is required to maintain an account which is commonly referred to as the section 44 account. The tax deducted or entitled to be deducted under section 44(1) by the company from a dividend paid is debited to this account while the tax assessed on the company is credited to the same account. Therefore when a resident company pays a dividend and the balance in this account on the date of the payment of dividend is more than the tax to be deducted under section 44(1), the excess shall be carried forward and the company has only to pay out the net dividend i.e. the gross dividend less tax deducted. On the other hand if the balance in the account on the date of dividend payment is less than the tax to be deducted, the company has also to pay the difference, referred to as a section 44 charge, to the Comptroller.

- 3 In connection with the keeping of the section 44 account, section 44(8) provides that on the payment of any dividend, every company shall render to the Comptroller a statement, in such form as the Comptroller may direct, containing such particulars as may be required for the purpose of determining the balance or charge immediately after the payment of the dividend. In addition, section 44(9) provides that within 3 months from the end of each year of assessment, or such longer period as the Comptroller may allow, every company shall render to the Comptroller a statement, in such form as the Comptroller may direct, containing such particulars as may be required for the purpose of determining the balance to be carried forward to the first day of the ensuing year of assessment.

- 4 In view of sections 44(8) and 44(9), every company resident in Singapore, or a company which has declared itself to be a resident of Singapore under Article VII of the Singapore-Malaysia Avoidance of Double Taxation Agreement, is required to file two statements to show the company's section 44 balance; one upon payment of any dividend and another at the end of each year of assessment. The year-end section 44(9) statement is normally filed together with the company's annual tax return (Form C).

ADMINISTRATIVE STATEMENT

- 5 With effect from 1999, the requirement for companies resident in Singapore to file their year-end statements under section 44(9), i.e. beginning with the

section 44 statement as at 31 December 1998, will be suspended. Instead, IRAS will print the year-end section 44 statement for each based on the information stored in its computers, and issue the statements in batches to the companies. The last batch of such statements for any year-end will be issued by 30 June of the following year. IRAS will however not issue the year-end section 44 statements to dormant companies and companies in liquidation or being wound up.

- 6 This change is part of IRAS' continuous efforts to simplify procedures and make it easier for companies to comply with the tax laws. With this change, IRAS has stopped issuing the prescribed form for the year-end section 44 statement together with Form C from the year of assessment 1999. Notwithstanding this, every company resident in Singapore and any company which has declared itself to be a resident of Singapore under Article VII of the Singapore-Malaysia Avoidance of Double Taxation Agreement still has to submit a statement under section 44(8) whenever it pays a dividend. A specimen of the prescribed form for this section 44 statement is at Annex A. This form can be obtain from IRAS' Fax Express Service by calling 1800-3568677(available only from July 1999) or webpage at <http://www.ir.gov.sg>.
- 7 Companies which have any enquiries concerning the above change may call the IRAS Corporate Tax for assistance.