

IRAS CIRCULAR

**TAX TREATMENT OF
PROPERTY DEVELOPMENT COMPANIES :
CONCESSION FOR ONE-PROJECT COMPANIES
– ADDENDUM TO PRACTICE NOTE 1993/IT/13
DATED 2 NOV 1993**



INLAND REVENUE
AUTHORITY
OF SINGAPORE

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IRAS CIRCULAR

INTRODUCTION

1 For a property development company that only undertakes a single project (referred to hereafter as “one-project company”), the Comptroller of Income Tax (“CIT”) has since 1993 granted an administrative concession to allow expenses incurred in a year subsequent to the year or years in which profits from the project have been brought to tax to be carried back and deducted against profits brought to tax in the earlier year(s). This effectively allows a deduction of expenses or losses which would otherwise not have any future profits against which to be set-off. Under the concession announced in 1993¹, any direct development cost incurred by one-project companies to make good defects of the property during the warranty period were allowed to be carried back to the year in which the Temporary Occupation Permit (“TOP”) was issued for set-off against the profits of the TOP year.

2 In 1999, the concession was modified in view of the circumstances then. The modified concession², which superseded the 1993 version, comprised two parts:

i) Part 1

One-project companies which have no prospect of future income after disposing all of their units by TOP date are allowed to carry back all expenses incurred after TOP year (including general administration, selling and other indirect expenses) in respect of the development project to the TOP year.

ii) Part 2

One-project companies that have not sold all the units by the TOP date and incur a net trade loss from the sale of units after TOP year are allowed to carry back such loss after all the units of the development project are sold³. The accumulated unutilised trade loss from the TOP year up to the year in which all the units of the project are completely sold will be allowed to be brought back to set off against the profit of the last taxable Year of Assessment (“YA”). If the profit of the last taxable year is insufficient to absorb the trade loss carried back, such trade loss or expenses will be carried back further and set off against the next prior taxable YA on a last-in, first-out basis.

This concession is subject to the condition that the shareholders of the one-project company claiming the concession as at TOP date and the date when the project is completely sold must remain substantially the same.

¹ The concession was announced in 1993 via IRAS Practice Note 1993/IT/13 dated 2 November 1993.

² The modified concession was announced in May 1999 via a letter to the Real Estate Developers’ Association.

³ During the period between the TOP date and the date when the project is completely sold, the trade loss incurred from the sale of the units will be carried forward as in a continuing business.

3 With the introduction of the carry-back relief system⁴ under section 37E of the Income Tax Act (“ITA”) effective from YA 2006, it has become necessary to carry out a review of the concession for one-project companies to ensure that there are no unintended results arising from the interaction of the concession for the one-project company with the group relief system⁵ and the carry-back relief system.

4 As a result of the review, it was found that certain refinements had to be made to the concession for one-project companies (referred to hereafter as “the revised concession”) to remove unintended results which would otherwise arise in cases where the expenses/trade losses to be carried back under the concession for one-project companies relate to YA 2003 and subsequent YAs. This circular provides details on how the revised concession is to be applied.

SCOPE OF THE REVISED CONCESSION

5 The scope of the revised concession remains substantially the same as that announced in 1999. They are:

(a) One-project companies which have disposed of all their units by TOP year

One-project companies which have disposed of all their units by the TOP year are allowed to carry back all expenses relating to the development project (including general administration, selling and other indirect expenses) as well as capital allowances⁶ (“CA”):

- i) incurred/claimed subsequent to the TOP year; and
- ii) not set off against any income of the year the expenses/capital allowances are incurred/claimed

to the last taxable YA in which income from the project has been brought to tax, to be set off against the assessable income of the last taxable YA.

If the profit of the last taxable YA is insufficient to absorb the expenses carried back, these expenses will be carried back and set off against the next prior taxable YA (in which income from the project has been brought to tax) and so on.

(b) One-project companies which have not disposed of all their units by TOP year

One-project companies that incur a net trade loss from sale of units after the TOP year are allowed to carry back such loss and all expenses (including general administration, selling and other indirect expenses) relating to the development project to the TOP year, only after all the units of the

⁴ For more details of the carry-back relief system, please refer to IRAS Circular on “Carry-back Relief System” dated 10 June 2005 (revised on 15 June 2005).

⁵ For more details of the group relief system, please refer to IRAS Circular on “Loss Transfer System of Group Relief” dated 23 October 2002.

⁶ In this circular, the term “capital allowances” (“CA”) refer to allowances given under sections 16, 17, 19, 19A, 19B, 19C, 19D or 20 of the Income Tax Act (“ITA”).

development project are sold. The total unabsorbed trade loss⁷ and unabsorbed CA⁸ can be carried back for set-off against the assessable income of the last taxable YA in which income from the project has been brought to tax. If the profit of the last taxable YA is insufficient to absorb the trade loss and CA carried back, such trade loss and CA will be carried back further and set off against the next prior taxable YA (in which income from the project has been brought to tax) and so on.

CONDITIONS GOVERNING THE REVISED CONCESSION

6 The revised concession is subject to the conditions as spelt out in paragraphs 7 to 19 below.

Circumstances under which the revised concession may be applied

7 Currently, the concessions as mentioned in paragraphs 1 and 2 above may be given by CIT in the following circumstances:

- (a) where a company goes into liquidation upon the completion of project;
- (b) where a company is unlikely to have sufficient future income to offset the unabsorbed costs.

8 In practice, a one-project company with the circumstances described in paragraph 7(b) has invariably turned out to be a company which is in the process of liquidation or intending to go into liquidation. Therefore, for the purposes of the revised concession, CIT will be prepared to apply the concession in the following circumstances:

- (a) the one-project company has disposed of all its units;
- (b) the company is in the process of liquidation or intending to go into liquidation⁹ after the completion of the project; and
- (c) the company is unlikely to have sufficient income to offset the unabsorbed costs in the years leading to liquidation.

Order of set-off of CA and trade loss

9 Currently, in determining the assessable income of a person carrying on a trade, business, profession or vocation, CA and trade loss will be set off against gains or profits from all sources of that person in the following order:

⁷ Unabsorbed trade loss of a company is the loss from its trade which is in excess of all its income from other sources for any YA.

⁸ Unabsorbed CA of a company is the CA which is in excess of its income from all sources for any YA.

⁹ Where the company adopts the concessionary treatment but has not gone into liquidation, it may be requested to forward an undertaking to CIT that it will go into liquidation after all outstanding claims and matters relating to the project are settled.

- (a) firstly, CA brought forward from a prior YA (due to insufficiency of statutory income of a prior YA), with brought forward CA in respect of an earlier YA deducted first, followed by CA for the current YA; and
- (b) secondly, trade loss brought forward from a prior YA (due to insufficiency of statutory income of a prior YA), with brought forward trade loss of an earlier YA deducted first, followed by trade loss for the current YA.

10 For the purposes of the revised concession, the order of set-off as explained in paragraph 9 above will similarly be applied to the carry-back of CA and trade loss of a one-project company. An example is given in Annex I.

Shareholding test

11 The carry-forward of a company's unabsorbed CA, unabsorbed trade loss or unabsorbed donation¹⁰ for set-off against its income of subsequent YAs is subject to the condition that the shareholders of the company on the last day of the year in which the CA arose or in which the trade loss was incurred or the donation was made must be substantially the same as the shareholders of the company on the first day of the YA in which such CA, trade loss or donation is used for set-off against the company's income. This requirement¹¹ for set-off of CA, trade loss or donation carried forward is commonly known as the "shareholding test".

12 The carry-back of CA and trade loss of a one-project company under the revised concession as described in paragraph 5(a) and (b) is subject to the shareholding test, similar to the requirement imposed on the company for set-off of carried forward CA, trade loss and donation, as well as the carry-back of unabsorbed CA and unabsorbed trade loss under the carry-back relief system. This means that for a one-project company to carry back its CA or trade loss to set off against its income of the last taxable YA in which income from the project has been brought to tax, the shareholders of the company on the first day of the year in which the CA arose or in which the trade loss was incurred must be substantially the same as the shareholders of the company on the last day of the YA in which such CA or trade loss is used for set-off against the company's income.

Interaction of the revised concession with carry-back relief system and quantum of trade loss/CA eligible for carry-back

13 Where a one-project company has any current year unabsorbed CA and unabsorbed trade loss not exceeding \$100,000 which can be fully absorbed by its assessable income for the immediate preceding YA, it can carry-back its current year unabsorbed CA and unabsorbed trade loss under the carry-back relief system set out in the IRAS Circular dated 10 June 2005 (revised on 15 June 2005). It does not have to apply for the concessionary treatment under the revised concession.

¹⁰ Unabsorbed donation of a company in respect of a YA is the donation made by the company in the basis period for that YA which exceeds its statutory income for the same YA.

¹¹ stipulated under sections 23(4) and 37(12) of the ITA

14 In cases other than the one in paragraph 13 above, the unabsorbed CA and unabsorbed trade loss can be carried back under the revised concession. The carry-back under this concession has no other restriction, except that:

- (i) the income of the last taxable YA against which the CA/trade loss carried back is set-off must be one which has income from the project that has been brought to tax; and
- (ii) the amount to be carried back may be subject to restriction in a case where a transfer under the group relief system has also been made (see paragraph 16 below).

Interaction of the revised concession with a transfer under group relief system

15 Where a company is eligible to transfer CA or trade loss under the group relief system, the amount of CA or trade loss available for carry-back under the revised concession is the net amount after taking into account the amount of such items transferred out to a claimant company or claimant companies under the group relief system pursuant to section 37C of the ITA. This is consistent with how the carry-back of unabsorbed CA and unabsorbed trade loss under the carry-back relief system is effected.

16 Where a transfer has been made under the group relief system, the carry-back of unabsorbed CA and unabsorbed trade loss for any YA under the revised concession is subject to the condition that the tax outcome with both the group relief transfer and the revised concession should be no better than that which the one-project company would have gotten under only the revised concession without any group relief transfer. Accordingly, in determining the amount of unabsorbed CA and unabsorbed trade loss that can be carried back under the revised concession for any current YA, the following steps shall apply:

Step 1 – Ascertain the net taxable result of the whole development project up to the YA prior to the current YA (i.e. net income on which tax has been paid) after taking into account any transfers made under the group relief system, as well as amount previously carried back under the revised concession and carry-back relief system.

[Take this amount to be “A”]

Step 2 – Ascertain the net taxable result of the whole development project up to the current YA (i.e. net income on which tax will be payable) after applying the revised concession, but not taking into account any transfers made or to be made under the group relief system.

[Take this amount to be “B”]

Step 3 – Ascertain the net taxable result of the whole development project up to the current YA (i.e. net income on which tax will be payable) after applying the revised concession and taking into account any transfers made or to be made under the group relief system.

[Take this amount to be “C”]

Step 4 – Ascertain the amount eligible for carry-back (“X”) under the revised concession for the current YA as follows:

- Where $A > B$ and $B = C$, then $X = A - B$, and there is no balance to be carried forward
- Where $A > B$ and $B < C$, then $X = A - C$, and there is no balance to be carried forward
- Where $A > B$ and $B > C$, then $X = A - B$, and balance of $(B - C)$ to be carried forward
- Where $A < B$ and $B > C$, then $X = \text{NIL}$ [i.e. no carry-back to be allowed for the current YA under the concession], and balance of $(A - C)$ to be carried forward

Example 1 of Annex II provides an illustration of how the revised concession is applied where a transfer under group relief system is made and where $A > B$.

17 Where a company has already benefited from the group relief system such that the net income on which tax has been paid is lower than the income on which tax would have to be paid had the company been given the revised concession without any group relief transfer, it can continue to enjoy the benefit of the group relief system but not the concessionary treatment under the revised concession. This is illustrated in Example 2 of Annex II (i.e. where $A < B$).

Application/revocation of the revised concession

18 The revised concession as outlined in paragraph 5 above will be granted on a case-by-case basis depending on the specific circumstances of each case. CIT has the right to revoke the concession if the situation warrants it.

19 Cases which have been finalised before this circular without applying the revised concession will not be reopened unless valid objections had previously been lodged with CIT.

ENQUIRIES

20 For any enquiries or clarification on this circular, please call 1800-3568622.

Inland Revenue Authority of Singapore

ILLUSTRATION OF ORDER OF SET-OFF UNDER THE REVISED CONCESSION

XYZ Pte Ltd is a one-project company with accounting year-end of 31 December. Its income is being assessed upon completion on TOP date. TOP was issued in YA 2003 and all units were sold by YA 2005. The details of its income/loss for YA 2003 to YA 2006 are as follows:

	YA 2003	YA 2004	YA 2005	YA 2006
Adj profit/(loss) from trade	\$2,500,000	\$300,000	(\$450,000)	(\$250,000)
Claim of CA	(\$10,000)	(\$15,000)	(\$12,000)	(\$4,000)
Other income (interest)	\$4,000	\$2,000	\$1,000	Nil

XYZ Pte Ltd has adopted the concessionary treatment for one-project companies and has forwarded an undertaking that it will go into liquidation after all outstanding claims and matters relating to the project are settled. Assuming shareholding test is satisfied on all the relevant dates, the tax computations of XYZ Pte Ltd for YA 2003 to YA 2006 are shown below:

	\$
<u>YA 2003 (TOP year but not all units sold)</u>	
Trade – Adj profit before CA	2,500,000
Less: Current CA	<u>(10,000)</u>
	2,490,000
Other income (interest)	<u>4,000</u>
Chargeable income (before deducting exempt amount)	2,494,000
Less: Exempt amount	<u>52,500</u>
Chargeable income (after deducting exempt amount)	<u>2,441,500</u>
Tax @ 22%	<u>537,130.00</u>

ANNEX I (CONTINUED)

<u>YA 2004</u>	\$
Trade – Adj profit before CA	300,000
Less: Current CA	<u>(15,000)</u>
	285,000
Other income (interest)	<u>2,000</u>
Chargeable income (before deducting exempt amount)	287,000
Less: Exempt amount	<u>52,500</u>
Chargeable income (after deducting exempt amount)	<u>234,500</u>
Tax @ 22%	<u>51,590.00</u>

With the revised concession applied to YA 2005 (all units sold)

	<u>YA 2005</u>	<u>YA 2004</u>	<u>YA 2003</u>
	\$	(Revised)	(Revised)
	\$	\$	\$
Trade – Adj profit before CA	-	300,000	2,500,000
Less: Current CA	<u>(12,000)</u>	<u>(15,000)</u>	<u>(10,000)</u>
	(12,000)	285,000	2,490,000
Other income (interest)	<u>1,000</u>	<u>2,000</u>	<u>4,000</u>
	(11,000)	287,000	2,494,000
Less: YA 2005 CA carried back under the concession	<u>11,000</u>	(11,000)	
Unabsorbed CA c/f	<u><u>NIL</u></u>		
Trade - Current year adjusted trade loss	(450,000)		
Less: YA 2005 loss carried back under the concession	<u>450,000</u>	<u>(276,000)</u>	<u>(174,000)</u>
Unabsorbed loss c/f	<u><u>NIL</u></u>		
Chargeable income (before deducting exempt amount)			2,320,000
Less: Exempt amount			<u>52,500</u>
Chargeable income (after deducting exempt amount)		<u>NIL</u>	<u>2,267,500</u>
Tax @ 22%		NIL	498,850.00
Less: Tax previously assessed		<u>(51,590.00)</u>	<u>(537,130.00)</u>
Tax to be discharged		<u>(51,590.00)</u>	<u>(38,280.00)</u>

ANNEX I (CONTINUED)

	YA 2006	YA 2003 (Revised)
	\$	\$
<u>With the revised concession applied to YA 2006</u>		
Trade – Adj profit before CA	-	2,500,000
Less: Current CA	<u>(4,000)</u>	<u>(10,000)</u>
	(4,000)	2,490,000
Other income (interest)	<u>0</u>	<u>4,000</u>
	(4,000)	2,494,000
Less: YA 2006 CA carried back under the concession	<u>4,000</u>	(4,000)
Unabsorbed CA c/f	<u>NIL</u>	
Trade - Current year adjusted trade loss	(250,000)	
Less: YA 2005 loss carried back under the concession		(174,000)
YA 2006 loss carried back under the concession	<u>250,000</u>	<u>(250,000)</u>
Unabsorbed loss c/f	<u>NIL</u>	
Chargeable income (before deducting exempt amount)		2,066,000
Less: Exempt amount		<u>52,500</u>
Chargeable income (after deducting exempt amount)		<u>2,013,500</u>
Tax @ 22%		442,970.00
Less: Tax previously assessed		<u>(498,850.00)</u>
Tax to be discharged		<u>(55,880.00)</u>

ILLUSTRATION OF HOW THE REVISED CONCESSION IS APPLIED WHERE TRANSFER UNDER GROUP RELIEF (GR) SYSTEM IS MADE

Example 1 (where A > B)

UVW Pte Ltd is a one-project company with accounting year-end of 31 December. Its income is being assessed upon completion on TOP date. TOP was issued in YA 2002 and all units were sold by YA 2003. The details of its income/loss for YA 2002 to YA 2005, as well as its claim under the GR system, are as follows:

	YA 2002	YA 2003	YA 2004	YA 2005
Adj profit/(loss) from the development project	\$2,000,000	\$3,000,000	(\$3,300,000)	(\$650,000)
Amount of loss transferred from transferor co. under GR system	-	(\$3,000,000)	-	-
Amount of loss transferred to claimant co. under GR system				
- scenario (i)	-	-	\$3,000,000	-
- scenario (ii)	-	-	\$2,800,000	-
- scenario (iii)	-	-	\$3,100,000	-
- scenario (iv)	-	-	0	-

UVW Pte Ltd has adopted the concessionary treatment for one-project companies and has forwarded an undertaking that it will go into liquidation after all outstanding claims and matters relating to the project are settled.

Assuming shareholding test and all conditions stipulated under section 37C of the ITA are satisfied, the amount of unabsorbed CA and unabsorbed trade loss that can be carried back under the revised concession for the various scenarios is determined as follows (see paragraph 16 on the steps involved in determining the amount to be carried back):

ANNEX II (CONTINUED)

Application of the revised concession to YA 2004

Scenario	(i)	(ii)	(iii)	(iv)
Step 1 - Net taxable result up to YA 2003 [A]	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Step 2 - Net taxable result (without GR) up to YA 2004 [B]	\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000
Step 3 - Net taxable result (with GR) up to YA 2004 [C]	\$1,700,000	\$1,500,000	\$1,800,000	(\$1,300,000)
Step 4 - Amount to be carried back under the concession [X]	Since $A > B$ & $B = C$, $X = A - B = \$300,000$	Since $A > B$ & $B > C$, $X = A - B = \$300,000$	Since $A > B$ & $B < C$, $X = A - C = \$200,000$	Since $A > B$ & $B > C$, $X = A - B = \$300,000$
- Amount to be carried forward	Nil	$B - C = \$200,000$	Nil	$B - C = \$3,000,000$

Application of the revised concession to YA 2005

Scenario	(i)	(ii)	(iii)	(iv)
Step 1 - Net taxable result up to YA 2004 [A]	\$1,700,000	\$1,700,000 <i>[excluding the excess of \$200,000 not allowable for carry-back to YA 2002 when the concession was applied to YA 2004]</i>	\$1,800,000	\$1,700,000 <i>[excluding the excess of \$3,000,000 not allowable for carry-back to YA 2002 when the concession was applied to YA 2004]</i>
Step 2 - Net taxable result (without GR) up to YA 2005 [B]	\$1,050,000	\$1,050,000	\$1,050,000	\$1,050,000
Step 3 - Net taxable result (with GR) up to YA 2005 [C]	\$1,050,000	\$850,000	\$1,150,000	(\$1,950,000)
Step 4 - Amount to be carried back under the concession [X]	Since $A > B$ & $B = C$, $X = A - B = \$650,000$	Since $A > B$ & $B > C$, $X = A - B = \$650,000$	Since $A > B$ & $B < C$, $X = A - C = \$650,000$	Since $A > B$ & $B > C$, $X = A - B = \$650,000$
- Amount to be carried forward	Nil	$B - C = \$200,000$	Nil	$B - C = \$3,000,000$

ANNEX II (CONTINUED)

The tax computations of UVW Pte Ltd in respect of scenario (ii) for YA 2002 to YA 2005 are shown below:

	\$
<u>YA 2002 (TOP year)</u>	
Trade – Adj profit for current year	2,000,000
Other income	<u>0</u>
Chargeable income (before deducting exempt amount)	2,000,000
Less: Exempt amount	<u>52,500</u>
Chargeable income (after deducting exempt amount)	<u>1,947,500</u>
Tax @ 24.5%	477,137.50
Less: Tax rebate (5% of \$477,137.50)	<u>(23,856.88)</u>
Net tax payable	<u>453,280.62</u>
<u>YA 2003 (all units sold)</u>	
Trade – Adj profit for current year	3,000,000
Other income	<u>0</u>
	3,000,000
Less: Loss transferred from transferor company under GR system	<u>(3,000,000)</u>
Chargeable income	<u>NIL</u>
Tax thereon	<u>NIL</u>

ANNEX II (CONTINUED)

	YA 2004	YA 2002
	<u> </u>	<u>(Revised)</u>
	\$	\$
<u>With the revised concession applied to YA 2004</u>		
Trade – Adj profit/(loss) for current year	(3,300,000)	2,000,000
Other income	<u> 0</u>	<u> 0</u>
	(3,300,000)	2,000,000
Less: Loss transferred to claimant company under GR system	<u>2,800,000</u>	<u> </u>
	(500,000)	2,000,000
Less: YA 2004 loss carried back under the concession	<u>300,000</u>	<u>(300,000) *</u>
Unabsorbed loss for year ended 31.12.2003 c/f	<u>(200,000)</u>	
Chargeable income (before deducting exempt amount)		1,700,000
Less: Exempt amount		<u>52,500</u>
Chargeable income (after deducting exempt amount)	<u>NIL</u>	<u>1,647,500</u>
Tax thereon	<u>NIL</u>	403,637.50
Less: Tax rebate (5%)		<u>20,181.88</u>
		383,455.62
Less: Tax previously assessed		<u>(453,280.62)</u>
Tax to be discharged		<u>(69,825.00)</u>

* Only the amount of \$300,000 can be carried back to YA 2002 under the revised concession so as to achieve the same net taxable result of \$1,700,000 for the development project (i.e. tax outcome no better than that which UVW Pte Ltd would have gotten under only the revised concession without any GR transfer).

ANNEX II (CONTINUED)

	<u>YA 2005</u>	<u>YA 2004</u> <i>(Revised)</i>	<u>YA 2002</u> <i>(Revised)</i>
	\$	\$	\$
<u>With the revised concession applied to YA 2005</u>			
Trade – Adj profit/(loss) for current year	(650,000)	(3,300,000)	2,000,000
Add: Unabsorbed loss for y/e 31.12.2003 b/f	<u>(200,000)</u>	<u> </u>	<u> 0</u>
	(850,000)	(3,300,000)	2,000,000
Less: Loss transferred to claimant company under GR system		<u>2,800,000</u>	
		(500,000)	
Less: YA 2004 loss carried back under the concession	▶ 200,000	500,000	(500,000)
YA 2005 loss carried back under the concession	<u>450,000</u>	<u> </u>	<u>(450,000)</u>
Unabsorbed loss for year ended 31.12.2004 c/f	<u><u>(200,000)</u></u>	<u><u> NIL</u></u>	} (950,000)**
Chargeable income (before deducting exempt amount)			1,050,000
Less: Exempt amount			<u>52,500</u>
Chargeable income (after deducting exempt amount)	<u><u> NIL</u></u>		<u><u>997,500</u></u>
Tax thereon	<u><u> NIL</u></u>		244,387.50
Less: Tax rebate (5%)			<u>12,219.38</u>
			232,168.12
Less: Tax previously assessed			<u>(383,455.62)</u>
Tax to be discharged			<u><u>(151,287.50)</u></u>

** Only the amount of \$950,000 (i.e. \$300,000 YA 2004 loss carried back previously + additional \$200,000 YA 2004 loss + \$450,000 YA 2005 loss) can be carried back to YA 2002 under the revised concession so as to achieve the same net taxable result of \$1,050,000 for the development project (i.e. tax outcome no better than that which UVW Pte Ltd would have gotten under only the revised concession without any GR transfer).

ANNEX II (CONTINUED)

Example 2 (where A < B)

RST Pte Ltd is a one-project company incorporated on 1 June 2001 with accounting year-end of 31 December. Its income is being assessed upon completion on TOP. Suppose TOP is issued in YA 2005, with all units sold by YA 2007, and that the details of its income/loss for YA 2005 to YA 2009, as well as its claim under the GR system, are as follows:

	YA 2005	YA 2006	YA 2007	YA 2008	YA 2009
Adj profit/(loss) from the development project	\$500,000	(\$80,000)	\$900,000	(\$300,000)	(\$100,000)
Amount of loss transferred from transferor co. under GR system	-	-	(\$900,000)	-	-

Given the above scenario, RST Pte Ltd is:

- (i) able to carry-back its loss of \$80,000 for YA 2006 for set-off against its income of \$500,000 for YA 2005 under the carry-back relief system (subject to satisfaction of the conditions governing the carry-back relief system); and
- (ii) able to transfer its losses for YA 2008 (\$300,000) and YA 2009 (\$100,000) to claimant companies within the same group if it qualifies to do so under the GR system. However, RST Pte Ltd did not transfer its losses in this example.

RST Pte Ltd is unable to carry-back the losses for YA 2008 (\$300,000) and YA 2009 (\$100,000) under the revised concession for set-off against its income for YA 2005. This is because with the GR transfer for YA 2007, the company is only paying tax on net income of \$420,000 (i.e. \$500,000 less carry-back of YA 2006 loss of \$80,000), which is lower than the net taxable result for the development project of \$1,020,000 (up to YA 2008) and \$920,000 (up to YA 2009). The calculation using the steps as explained in paragraph 16 is shown below:

YA 2008	
Step 1 - Net taxable result up to YA 2007 [A]	\$420,000
Step 2 - Net taxable result (without GR) up to YA 2008 [B]	\$1,020,000
Step 3 - Net taxable result (with GR) up to YA 2008 [C]	\$120,000
Step 4 - Amount to be carried back under the concession [X]	Since A < B & B > C, X = Nil
- Amount to be carried forward	A - C = \$300,000

YA 2009	
Step 1 - Net taxable result up to YA 2008 [A]	\$420,000 <i>[excluding the excess of \$300,000 not allowable for carry-back to YA 2005 when concession was applied to YA 2008]</i>
Step 2 - Net taxable result (without GR) up to YA 2009 [B]	\$920,000
Step 3 - Net taxable result (with GR) up to YA 2009 [C]	\$20,000
Step 4 - Amount to be carried back under the concession [X]	Since A < B & B > C, X = Nil
- Amount to be carried forward	A - C = \$400,000