

DEDUCTION OF TAX FROM SINGAPORE DIVIDEND**Example**

On 15 January 2001, Company Z, shareholder of Company A, received the following dividend from Company A:

Gross dividend (Singapore)	\$200,000
Tax deducted at source at 25.5%	<u>\$ 51,000</u>
Net dividend	<u>\$149,000</u>

Besides Singapore dividends, Company Z also derived trade income of \$50,000 for the financial year ending 31 March 2001. The company does not enjoy any tax incentive.

Re-grossing of Singapore dividend

The amount of net dividend of \$149,000 received by Company Z shall be deemed to have been paid without deduction of tax. Company Z would be treated to have received an amount of dividend, re-grossed as follows, and assessed to tax on the dividend accordingly:

Gross dividend (\$149,000 X 100/75.5)	\$197,351
Tax deducted at source at 24.5%	<u>\$ 48,351</u>
Net dividend	<u>\$149,000</u>

Computation of tax liability of Company Z for the year of assessment 2002

Trade Income	\$ 50,000
Singapore Dividend (as re-grossed above)	<u>\$197,351</u>
Chargeable income (before deducting exempt amount)	\$247,351
Less exempt amount (as computed below – note 1)	<u>\$ 27,500</u>
Chargeable income (after deducting exempt amount)	<u>\$219,851</u>
Tax at 24.5% (note 2)	\$53,863.50
Less tax deducted at source	<u>\$48,351.00</u>
Net tax payable	<u>\$ 5,512.50</u>

Note 1 - Computation of exempt amount for normal chargeable income excluding Singapore dividend (i.e. \$50,000)

On the first \$10,000, 75% of the income	\$ 7,500
On the next \$40,000, 50% of the income	<u>\$20,000</u>
Total exempt amount	<u>\$27,500</u>

Note 2 - The tax assessed of \$53,863.50 is the amount to be credited to the company's section 44 account for purposes of franking taxed dividends.