

## Explanatory Notes to Estimated Chargeable Income (ECI) Form (YA2010)

- 1 Fill in the estimated chargeable income (ECI) in the boxes corresponding to the appropriate tax rates.
- 2 If the ECI is to be taxed at a rate other than the normal corporate tax rate of 17% or the concessionary tax rate of 10%, fill in the appropriate tax rate in the box provided.
- 3 Fill in the ECI, rounded off to the nearest dollar, and not the estimated tax payable in the boxes provided.
- 4 The ECI should be the gross amount **before** deducting the exempt amount under the partial tax exemption scheme<sup>a</sup> or tax exemption scheme for new companies<sup>b</sup>.
- 5 If you are claiming the tax exemption for new companies<sup>b</sup>, complete the relevant sections in the ECI Form to declare that the company has met all qualifying conditions and indicate its first Year of Assessment (YA). For example, if the company was incorporated on 15 April 2009 and has accounting year ending on 30 June, the company's first YA would be YA 2010 (basis period is 15 April 2009 to 30 June 2009).
- 6 Fill in "0" in the box of the first row if the ECI is NIL.
- 7 If you are a developer, your ECI should be reported based on the Completed Contracts Method.
- 8 Enter the "Revenue" amount (i.e. the main income source of a company as reflected in its profit and loss account). For instance, the revenue of a trading company would be its gross sales and an investment holding company would be its investment income.

### 9 Claim for relief

If there is a claim for relief, the ECI is computed using one of the following formulas:

- For companies under the partial tax exemption scheme<sup>a</sup>

- Estimated net tax payable (ENTP) ≤ \$425.00  $ECI = \left( -\frac{200 \times ENTP}{8.5} \right)$
- \$425.00 < Estimated net tax payable (ENTP) ≤ \$25,075.00  $ECI = \left( -\frac{100 \times ENTP}{8.5} \right) + \$5,000$
- Estimated net tax payable (ENTP) > \$25,075.00  $ECI = \left( -\frac{50 \times ENTP}{8.5} \right) + \$152,500$

- For companies under the tax exemption scheme for new companies<sup>b</sup>

- \$0.00 < Estimated net tax payable (ENTP) ≤ \$17,000.00  $ECI = \left( -\frac{100 \times ENTP}{8.5} \right) + \$100,000$
- Estimated net tax payable (ENTP) > \$17,000.00  $ECI = \left( -\frac{50 \times ENTP}{8.5} \right) + \$200,000$

#### **Example (for companies under the partial tax exemption scheme<sup>a</sup>):**

	S\$
Trade (including an amount of \$12,800 which was subject to foreign withholding tax of \$1,280)	\$392,500
ECI (before deducting exempt amount)	392,500
Less: Exempt amount <sup>a</sup> [(75% x \$10,000) + (50% x \$290,000)]	152,500
ECI (after deducting exempt amount)	240,000
Estimated tax thereon @ 17%	40,800.00
Less: Double taxation relief (lower of foreign tax paid or Singapore tax payable)	1,280.00
Estimated net tax payable (ENTP)	39,520.00

Using the formula,

$$\begin{aligned}
 ECI &= \left( -\frac{50 \times ENTP}{8.5} \right) + \$152,500 \\
 &= \left( -\frac{50 \times \$39,520}{8.5} \right) + \$152,500 \\
 &= \$384,970
 \end{aligned}$$

**Fill in the ECI to be taxed at 17% as "384970".**

#### **Example (for companies under the tax exemption scheme for new companies<sup>b</sup>):**

	S\$
Trade (including an amount of \$12,800 which was subject to foreign withholding tax of \$640)	450,000
ECI (before deducting exempt amount)	450,000
Less: Exempt amount <sup>b</sup> [(100% x \$100,000) + (50% x \$200,000)]	200,000
ECI (after deducting exempt amount)	250,000
Estimated tax thereon @ 17%	42,500.00
Less: Double taxation relief (lower of foreign tax paid or Singapore tax payable)	640.00
Estimated net tax payable (ENTP)	41,860.00

Using the formula,

$$\begin{aligned}
 ECI &= \left( -\frac{50 \times ENTP}{8.5} \right) + \$200,000 \\
 &= \left( -\frac{50 \times \$41,860}{8.5} \right) + \$200,000 \\
 &= \$446,235
 \end{aligned}$$

**Fill in the ECI to be taxed at 17% as "446235".**

10 **Claim for Group Relief**

If there is a transfer/ claim of loss items under the Group Relief System, the ECI should be the amount after taking into account the loss items transferred/ claimed but before deducting the exempt amount under the partial tax exemption scheme<sup>a</sup> or tax exemption scheme for new companies<sup>b</sup>.

<b>Example:</b>		
<b>Transferor company X</b>	S\$	S\$
Interest income		80,000
Less: Unutilised capital allowances b/f	8,000	
Current year capital allowance	<u>10,000</u>	<u>18,000</u>
		62,000
Less: Current year loss		<u>100,000</u>
Current year unutilised loss		38,000
Less: Loss items transferred to <b>claimant company Y</b>		<u>38,000</u>
ECI		<u><u>NIL</u></u>
<b>Fill in the ECI to be taxed at 17% as "0".</b>		
<b>Claimant company Y</b>		S\$
Trade income		215,000
Interest income		<u>20,000</u>
		235,000
Less: Loss items transferred from <b>transferor company X</b>		<u>38,000</u>
ECI (before deducting exempt amount)		197,000
Less: Exempt amount <sup>a</sup> [(75% x \$10,000) + (50% x \$187,000)]		<u>101,000</u>
ECI (after deducting exempt amount)		<u><u>96,000</u></u>
<b>Fill in the ECI to be taxed at 17% as "197000".</b>		
<b>Note: If claimant company Y is under the tax exemption scheme for new companies, its ECI after deducting the exempt amount of \$148,500 [i.e. {(100% x \$100,000) + (50% x \$97,000)}] would be \$48,500. However, please fill in the ECI to be taxed at 17% as "197000".</b>		

11 Please ensure that the ECI Form is duly completed and signed. Also, please provide the name and designation of the person completing the Form.

12 To encourage you to e-file, the number of instalments you get for e-filing your company's ECI is more than that for paper-filing.

- For e-filers, e-file by the 26<sup>th</sup> of each qualifying month to enjoy the maximum number of instalments allowable for that month.
- For paper-filers, your ECI Form should reach us by the 24<sup>th</sup> of each qualifying month to enjoy the maximum number of instalments allowable for that month.

Example: December year-end company

E-file by	Number of instalments	Paper-file by	Number of instalments
26 <sup>th</sup> January	10	24 <sup>th</sup> January	5
26 <sup>th</sup> February	8	24 <sup>th</sup> February	4
26 <sup>th</sup> March	6	24 <sup>th</sup> March	3
After 26 <sup>th</sup> March	No instalments	After 24 <sup>th</sup> March	No instalments

If your company qualifies for instalments and has previously paid its tax by instalments, the instalment plan will be sent to your company together with your Notice of Assessment. However, if your company has not paid its tax by instalments previously and would like to do so, please let us know your preference to pay the tax by instalments before you file your ECI. You can email us at ctpayment@iras.gov.sg or contact us on 1800 356 8622.

If you are paying by GIRO for the first time, you must complete and submit the GIRO Application Form.

For more information, please refer to our website <http://www.iras.gov.sg> under <Businesses - For companies> <Filing Estimated Chargeable Income (ECI)> <How to file>.

<sup>a</sup> A partial tax exemption is given on the first \$300,000 of a company's chargeable income which is subject to tax at the normal corporate tax rate:

- 75% tax exemption for the first \$10,000 chargeable income
- 50% tax exemption for the next \$290,000 chargeable income

<sup>b</sup> For a qualifying new start-up company, the following exemption is given on the first \$300,000 of its normal chargeable income, for any of its first 3 consecutive YAs:

- Full tax exemption for the first \$100,000 chargeable income
- 50% tax exemption for the next \$200,000 chargeable income

To qualify for this exemption for each relevant YA, the company must satisfy all the following conditions:

- It is incorporated in Singapore;
- It is a tax resident of Singapore for that YA;
- It has no more than 20 shareholders throughout the basis period for that YA
  - i) where all of the shareholders are individuals beneficially holding the shares in their own names; or
  - ii) where at least one shareholder is an individual beneficially holding at least 10% of the issued ordinary shares of the company.