

## ANNEX 1

### **EXAMPLE SHOWING COMPUTATION OF THE TAX PAYABLE OF A COMPANY FOR YEAR OF ASSESSMENT 2004**

#### **Computation of tax payable for Company A for the year of assessment 2004**

	\$	Normal income (taxed at 22%) \$
Net profit as per accounts		20,000
Add/(less):		
Interest expense relating to franked Singapore dividend	1,000	
Interest expense relating to tax exempt(1-tier) dividend	5,000	
Interest expense relating to normal exempt dividends	2,000	
Other disallowable expenses	72,000	
Further tax deduction of expenses (note 3)	<u>(300,000)</u>	<u>(220,000)</u>
Adjusted profit/(loss)		(200,000)
Less: Capital allowance		<u>(100,000)</u>
		(300,000)
Rental income		50,000
Franked Singapore dividend (gross)	6,000	
Less: Interest expense	<u>1,000</u>	5,000
Tax exempt(1-tier) dividend (gross)	15,000	
Less: Interest expense	<u>5,000</u>	0
Exempt Singapore dividend paid out of tax exempt concessionary income (i.e. normal exempt dividend)	10,000	
Less: Interest expense	<u>2,000</u>	0
Foreign dividend (tax on dividend at 30%)		400,000
Other income		<u>10,000</u>
		165,000
Less: Donation		<u>1,000</u>
		164,000
Less: Investment allowance (note 3)		<u>700</u>
Chargeable income (before deducting exempt amount)		163,300
Less: exempt amount (as computed below – note 1)		<u>52,500</u>
Chargeable income (after deducting exempt amount)		<u>110,800</u>
Tax assessed at 22%		24,376.00
Less: Tax deducted at source (\$6,000 x 22%)		1,320.00
Foreign Tax Relief (as computed below - note 2)		<u>20,860.62</u>
Net tax payable (note 4)		<u>2,195.38</u>

## ANNEX 1(continued)

### Note 1

Computation of exempt amount for normal chargeable income, excluding taxable Singapore dividends (i.e. \$163,300 – 5,000, limited to \$100,000)

On the first \$10,000, 75% of the income	\$ 7,500
On the next \$90,000 50% of the income	<u>\$ 45,000</u>
Total exempt amount	<u>\$ 52,500</u>

### Note 2

(a) Foreign dividend	\$400,000
(b) Total comprising:	
Unabsorbed loss/capital allowance	\$300,000
Donation	\$ 1,000
Investment allowance	<u>\$ 700</u>
	<u>\$301,700</u>
(c) Amount in (b) attributable to foreign dividend [(a)/(50,000+5,000+400,000+10,000) X (b)]	\$259,527
(d) Exempt amount applicable to foreign dividend [(a)/(50,000+400,000+10,000) x \$52,500]	\$ 45,652
(e) Net foreign dividend [(a) – (c) –(d) i.e. \$400,000 - \$259,527 - \$45,652]	\$ 94,821
(f) Foreign tax credit [(e) X 22% i.e. \$94,821X 22%]	\$ 20,860.62

### Note 3

The following amount is credited to an exempt income account (regardless of whether Company A remains on the imputation system or moves to the one-tier system), out of which Company A can pay normal exempt dividend:

Amount in relation to further tax deduction of expenses	\$300,000
Investment allowance	\$ 700
Section 13E exempt income (\$20,860.62/22% - \$400,000 X 30%)	<u>\$ 0</u>
	<u>\$300,700</u>

### Note 4

The tax of \$3,515.38 [i.e. tax at 22% less foreign tax credit (\$24,376 - \$20,860.62)], being an amount of tax assessed after 1<sup>st</sup> January 2003, is NOT to be credited to company A's section 44 balance as at 31<sup>st</sup> December 2002 for the purpose of paying franked dividends. This is regardless of whether Company A remains on the imputation system or moves to the one-tier system. Please refer to paragraphs 6 and 44 to 46 of this circular for more details of the effect of a tax assessed/additional tax assessed during the 5-year transitional period.

**Comptroller of Income Tax  
55 Newton Road  
Revenue House  
SINGAPORE 307987**

**OPTION TO MOVE TO ONE-TIER CORPORATE TAX SYSTEM  
FOR THE PURPOSE OF PAYING DIVIDENDS  
(For resident companies only)**

**PART I - COMPANY PARTICULARS**

Name of Company : \_\_\_\_\_  
Tax Reference Number : \_\_\_\_\_  
Registered address : \_\_\_\_\_  
\_\_\_\_\_

**PART II - OPTION**

We opt to move to the one-tier corporate tax system for the purpose of paying dividends with effect from the date of option stated below.

We understand that the option, once made, is irrevocable and any credit balance remaining in the company's section 44 account will no longer be available for payment of franked dividends on or after this date.

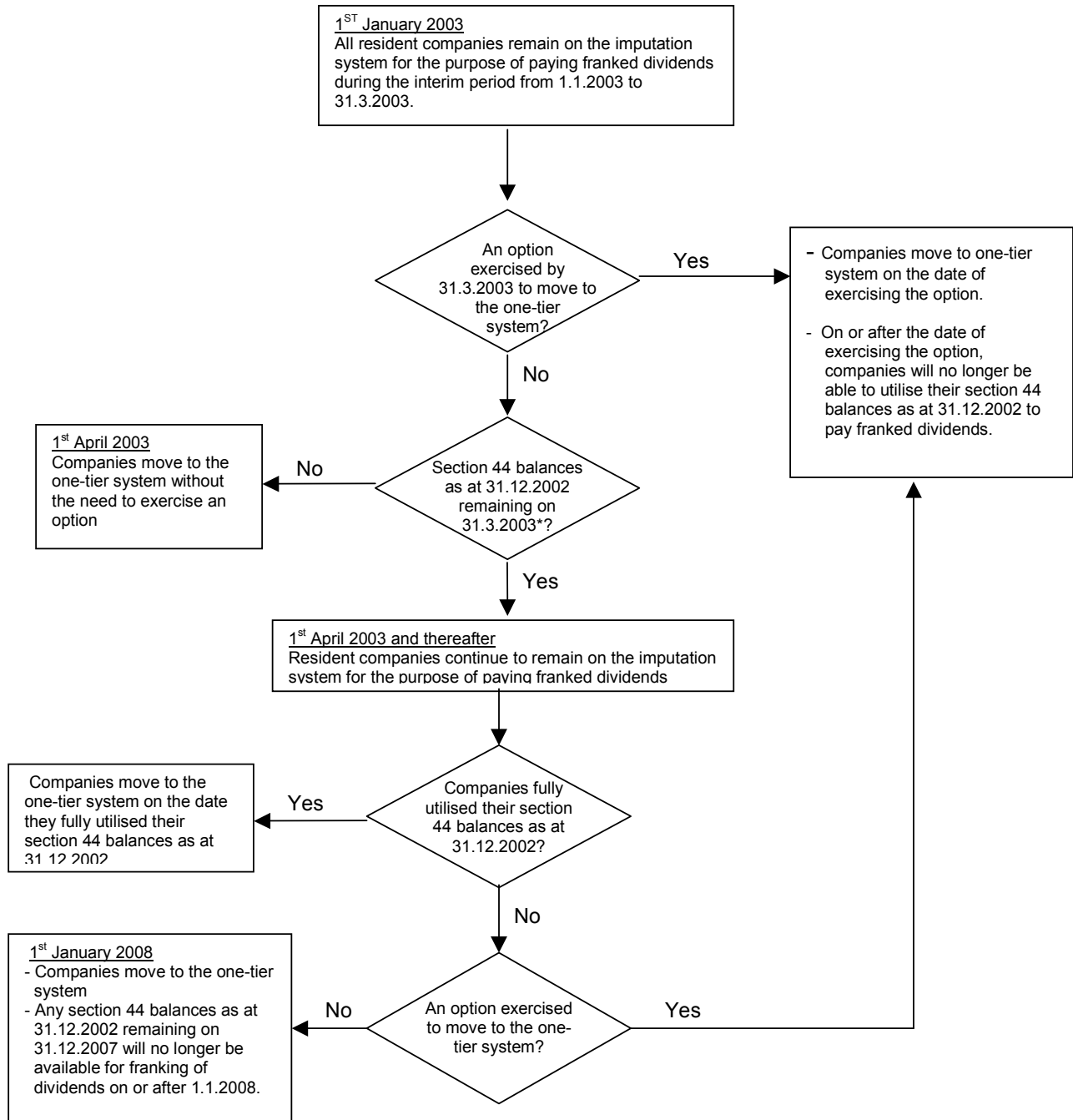
Full name and signature of person making the option : \_\_\_\_\_  
\_\_\_\_\_  
Capacity of person making the option : \_\_\_\_\_  
Date of option : \_\_\_\_\_  
Telephone number : \_\_\_\_\_

**ANNEX 3**

**EXAMPLES ILLUSTRATING THE REQUIREMENT TO SUBMIT THE OPTION FORM DURING THE INTERIM PERIOD FROM 1<sup>ST</sup> JANUARY 2003 TO 31<sup>ST</sup> MARCH 2003**

	<b><u>Example 1</u></b>	<b><u>Example 2</u></b>
	<b>Company B</b>	<b>Company C</b>
Section 44 balance as at 31.12.2002 [before including tax assessed on company's ECI for YA 2003 to be submitted to CIT by 31.3.2003]	Nil	Nil
ECI for YA 2003 submitted to CIT by 31.3.2003	Nil	\$10,000
Section 44 balance as at 31.12.2002 [after including tax assessed on ECI for YA 2003 submitted to CIT by 31.3.2003]	Nil	\$2,200 (i.e. \$10,000 at 22%) assessed say, on 27.1.2003
Date on which company wishes to move to one-tier system for the purpose of paying dividends	1.1.2003 (i.e. within the interim period)	1.2.2003 (i.e. within the interim period)
Any requirement to submit option form in order to move to one-tier system?	Yes	Yes
Effect of submitting option form during the interim period	Company moves to one-tier system on 1.1.2003.	Company moves to one-tier system on 1.2.2003 and from this date, it will no longer be able to utilise its section 44 balance as at 31.12.2002 amounting to \$2,200 to pay franked dividends.
Effect of not submitting option form during the interim period	Company remains on imputation system for the purpose of paying franked dividends during the interim period from 1.1.2003 to 31.3.2003, and would move to one-tier system on 1.4.2003 in view of its nil section 44 balance as at 31.12.2002.	Company remains on imputation system for the purpose of paying franked dividends during the interim period from 1.1.2003 to 31.3.2003, and after 1.4.2003, it would move to one-tier system either by exercising an option or when it has fully utilised its section 44 balance as at 31.12.2002.

**OVERVIEW OF TRANSITIONAL PROVISIONS EXPLAINED UNDER PARAGRAPHS 15 TO 38 OF THE CIRCULAR**



\* Section 44 balances as at 31<sup>st</sup> December 2002 would include tax assessed/tax to be assessed on companies' ECI for YA 2003 submitted to CIT by 31<sup>st</sup> March 2003

## ANNEX 5

### EXAMPLES ILLUSTRATING THE EFFECTS OF THE TRANSITIONAL PROVISIONS (EXPLAINED UNDER PARAGRAPHS 15 TO 38 OF THE CIRCULAR) UNDER DIFFERENT SCENARIOS

The effects of the transitional provisions on companies will differ among companies, depending on when assessments for different YAs are raised, and how much section 44 balances as at 31<sup>st</sup> December 2002 is available. It also depends on whether companies opt to move to the one-tier system during the 5-year transitional period.

The examples in the following table illustrate the effects of the transitional provisions on companies under different scenarios:

	Company D	Company E	Company F	Company G	Company H
<b>Accounting year end</b>	31 <sup>st</sup> December	30 <sup>th</sup> June	31 <sup>st</sup> July	30 <sup>th</sup> June	31 <sup>st</sup> March
<b>Assessment status as at 31.12.2002</b>	Finalised up till YA 2001 Plus ECI assessed for YA 2002	Finalised up till YA 2002	Finalised up till YA 1999 Plus ECI assessed for YA 2000 to 2003	Finalised up till YA 2000 Plus ECI assessed for YA 2001 to 2002	Finalised up till YA 2002
<b>Section 44 balance as at 31.12.2002 remaining on this date</b>	Nil	Nil	\$20,000	\$200,000	S\$180,000
<b>Position as at 1.1.2003</b> (see paragraphs 18 and 19 of the circular)	<ul style="list-style-type: none"> <li>- Remain on the imputation system for the purpose of paying franked dividends.</li> <li>- To move to the one-tier system any time during the period from 1.1.2003 to 31.3.2003, companies must exercise an option.</li> <li>- Companies with section 44 balances as at 31.12.2002 that exercise the option will no longer be able to utilise the said balances for payment of franked dividends on or after the date of exercising the option.</li> </ul>				
<b>Date in year 2003 on which company furnished ECI for YA 2003 to CIT</b>	15.2.2003	Not applicable	Not applicable	2.4.2003	14.2.2003
<b>Tax assessed in the year 2003 on ECI for YA 2003</b>	\$10,000	Not applicable	Not applicable	\$30,000	\$40,000
<b>Date of exercising option during period from 1.1.2003 to 31.3.2003</b>	15.3.2003	Not applicable	Not applicable	Not applicable	Not applicable

	Company D	Company E	Company F	Company G	Company H
<b>Section 44 balances as at 31.12.2002 remaining on 31.3.2003</b> (see paragraph 30 of the circular)	Upon exercising the option, co. can no longer utilise the section 44 balance as at 31.12.2002 amounting to \$10,000 for payment of franked dividends	Nil	\$20,000	\$200,000 (Note The tax assessed on the ECI for YA 2003 is not included in the section 44 balance as at 31.12.2002 since the ECI for YA 2003 was not submitted to CIT by 31.3.2003)	\$220,000
<b>Position as at 1.4.2003</b> (see paragraphs 31 and 32 of the circular)	Already moved to the one-tier system on 15.3.2003	Moved to the one-tier system on 1.4.2003.	- Can remain on the imputation system up till 31.12.2007 or up till the date they fully utilised their section 44 balances as at 31.12.2002, whichever is the earlier; or - Can opt to move to the one-tier system anytime from 1.4.2003 to 31.12.2007. Upon exercising the option companies will no longer be able to utilise the said balances for payment of franked dividends.		
<b>Reason for position as at 1.4.2003</b> (see paragraphs 31 and 32 of the circular)	Co. has made an option on 15.3.2003 to move to the one-tier system	Co. has no section 44 balance as at 31.12.2002 remaining on 31.3.2003	Co. has section 44 balance as at 31.12.2002 remaining on 31.3.2003 and has not opted to move to the one-tier system during the interim period		
<b>Date Co. opts to move to the one-tier system during the period from 1.4.2003 to 31.12.2007</b>	Not applicable		1.1.2004	Nil	
<b>Section 44 balance as at 31.12.2002 remaining on the date of exercising the option</b>	Not applicable		\$5,000 (Assume there was no tax discharge from 1.4.2003 to 31.12.2003, and \$15,000 was utilised to pay franked dividends)	Not applicable	
<b>Effect of exercising option</b>	Not applicable		- Co. can no longer utilise the section 44 balance as at 31.12.2002 amounting to \$5,000 for payment of franked	Not applicable	

	Company D	Company E	Company F	Company G	Company H
			dividends - Co. can pay tax exempt (1-tier) dividends from 1.1.2004		
<b>Date section 44 balance as at 31.12.2002 is fully utilised</b>	Not applicable			30.4.2006 [Assume there was no tax discharge from 1.4.2003 to 30.4.2006, and all its section 44 balance as at 31.12.2002 (amounting to \$200,000) was utilised to pay franked dividends]	Nil
<b>Effect of full utilisation of section 44 balance as at 31.12.2002</b>	Not applicable			From 30.4.2006, co. will move to the one-tier system and can pay tax exempt (1-tier) dividends.	Not applicable
<b>Section 44 balance as at 31.12.2002 remaining on 31.12.2007</b>	Not applicable				\$80,000 (Assume there was no tax discharge from 1.4.2003 to 31.12.2007, and \$140,000 was utilised to pay franked dividend)
<b>Position of Co as at 1.1.2008</b>	- Co. has already moved to the one-tier system				-Section 44 balance as at 31.12.2002 amounting to \$80,000 remaining on 31.12.2007 will no longer be available for payment of franked dividends from 1.1.2008. - Co. is required to move to the one-tier system

**ANNEX 6**

**SUMMARY TABLE OF THE EFFECTS OF PAYMENT OF FRANKED DIVIDEND (IF APPLICABLE) AND TAX DISCHARGED DURING THE 5-YEAR TRANSITIONAL PERIOD (EXPLAINED UNDER PARAGRAPHS 41 TO 58 OF THE CIRCULAR)**

Type of company	During interim period from 1.1.2003 to 31.3.2003				From 1.4.2003 to 31.12.2007		
	Co. remains on the imputation system for the purpose of paying franked dividends	Co. remains on the imputation system for the purpose of paying franked dividends	Co. moves to the one-tier system by exercising an option	Co. moves to the one-tier system by exercising an option	Co. remains on the imputation system for the purpose of paying franked dividends	Co. moves to the one-tier system after fully utilising section 44 balances as at 31.12.2002	Co. moves to the one-tier system by exercising an option
Whether company has section 44 balance [Y] as at 31.12.2002	No	Yes	No	Yes	Yes	No	Yes
<u>Payment of franked dividends (with tax credit [Z])</u>  (a) Effect on section 44 balance as at 31.12.2002	No downward adjustment	Downward adjustment	Not applicable (company is not allowed to pay franked dividend)	Not applicable (company is not allowed to pay franked dividend)	Downward adjustment	Not applicable (company is not allowed to pay franked dividend)	Not applicable (company is not allowed to pay franked dividend)
(b) Basis of computing amount of downward adjustment	Not applicable	The lesser of Z or Y (note 1)	Not applicable	Not applicable	The lesser of Z or Y (note 1)	Not applicable	Not applicable

Type of company	During interim period from 1.1.2003 to 31.3.2003				From 1.4.2003 to 31.12.2007		
	Co. remains on the imputation system for the purpose of paying franked dividends	Co. remains on the imputation system for the purpose of paying franked dividends	Co. moves to the one-tier system by exercising an option	Co. moves to the one-tier system by exercising an option	Co. remains on the imputation system for the purpose of paying franked dividends	Co. moves to the one-tier system after fully utilising section 44 balances as at 31.12.2002	Co. moves to the one-tier system by exercising an option
(c) Whether section 44 charge arises	Yes	Yes, if $Z > Y$ (note 1)	Yes, (if company pays franked dividend despite prohibition)	Yes, (if company pays franked dividend despite prohibition)	Yes, if $Z > Y$ (note 1)	Yes, (if company pays franked dividend despite prohibition)	Yes, (if company pays franked dividend despite prohibition)
(d) Basis of computing amount of section 44 charge (if arises)	Z	$Z - Y$	Z	Z	$Z - Y$	Z	Z
(e) Whether section 44 charge can be used to offset any tax or additional tax assessed subsequently during the transitional period	Yes, but only up to the amount of tax assessed on company's ECI for YA 2003 submitted to CIT by 31.3.2003	Yes, but only up to the amount of tax assessed on company's ECI for YA 2003 submitted to CIT by 31.3.2003	No	No	No	No	No

Type of company	During interim period from 1.1.2003 to 31.3.2003				From 1.4.2003 to 31.12.2007		
	Co. remains on the imputation system for the purpose of paying franked dividends	Co. remains on the imputation system for the purpose of paying franked dividends	Co. moves to the one-tier system by exercising an option	Co. moves to the one-tier system by exercising an option	Co. remains on the imputation system for the purpose of paying franked dividends	Co. moves to the one-tier system after fully utilising section 44 balances as at 31.12.2002	Co. moves to the one-tier system by exercising an option
Whether company has section 44 balance [Y] as at 31.12.2002	No	Yes	No	Yes	Yes	No	Yes
<u>Discharge of tax assessed [W] which has been previously credited to or included in company's section 44 balance as at 31.12.2002</u>							
(a) Effect on section 44 balance as at 31.12.2002	No downward adjustment	Downward adjustment	No downward adjustment	Downward adjustment	Downward adjustment	No downward adjustment	Downward adjustment
(b) Basis of computing amount of downward adjustment [V]	Not applicable	The lesser of W or Y (note 2)	Not applicable	The lesser of W or Y (note 2)	The lesser of W or Y (note 2)	Not applicable	The lesser of W or Y (note 2)
(c) Whether section 44 charge arises (Note 3)	Yes	Yes, if W>Y(note 2)	Yes	Yes, if W>Y(note 2)	Yes, if W>Y(note 2)	Yes	Yes, if W>Y(note 2)

Type of company	During interim period from 1.1.2003 to 31.3.2003				From 1.4.2003 to 31.12.2007		
	Co. remains on the imputation system for the purpose of paying franked dividends	Co. remains on the imputation system for the purpose of paying franked dividends	Co. moves to the one-tier system by exercising an option	Co. moves to the one-tier system by exercising an option	Co. remains on the imputation system for the purpose of paying franked dividends	Co. moves to the one-tier system after fully utilising section 44 balances as at 31.12.2002	Co. moves to the one-tier system by exercising an option
(d) Basis of computing amount of section 44 charge (if arises)	W	W-Y (if any)	W	W-Y (if any)	W-Y (if any)	W	W-Y (if any)
(e) Whether section 44 charge can be used to offset any tax or additional tax assessed subsequently during the transitional period	Yes	Yes	Yes	Yes	Yes	Yes	Yes
(f) Amount of refund that can be made	NIL	V	NIL	V	V	NIL	V

**Note 1**

As ascertained on the day immediately before the date of dividend payment.

**Note 2**

As ascertained on the day of the tax discharge.

**Note 3**

The section 44 charge is actually the amount of tax discharge that has not been adjusted downwards against the company's section 44 balance as at 31<sup>st</sup> December 2002 (due to insufficient section 44 balance as at 31<sup>st</sup> December 2002). As per current tax treatment, it will not be refunded at the point of tax discharge since it relates to tax which has been previously assessed, credited to these companies' section 44 accounts and utilised to pay franked dividends.

**ANNEX 7 (Revised as at 30<sup>th</sup> August 2002)**

**NUMERICAL EXAMPLES ILLUSTRATING APPLICATION OF ANNEX 6 AND EFFECTS OF TAX ASSESSED (INCLUDING ADDITIONAL TAX ASSESSED)**

**Example**

Company J has section 44 balance as at 31<sup>st</sup> December 2002 amounting to \$20,000 and did not pay any franked dividend in the year 2003. Its assessment records for the said year are as follows:

<u>Date of assessment</u>	<u>YA</u>	<u>Type of assessment</u>	<u>Tax assessed/ Additional tax assessed/ (Tax discharged)</u>
30 <sup>th</sup> January 2003	2001	Amended	(\$50,000)
15 <sup>th</sup> February 2003	2003	Original (ECI)	\$40,000
18 <sup>th</sup> October 2003	2001	Amended	(\$60,000)
30 <sup>th</sup> November 2003	2003	Amended	(\$15,000)
15 <sup>th</sup> December 2003	2003	Additional	\$10,000
28 <sup>th</sup> December 2003	2001	Additional	\$65,000

**Analysis of company J's section 44 balance as at 31<sup>st</sup> December 2002**

S44 balance as at 31.12.2002 remaining on 31.12.2002	\$20,000
Less:	
Tax discharged on 30.1.2003(#)	<u>\$20,000</u>
	0
Add:	
Tax assessed on ECI for YA 2003 on 15.2.2003 (\$40,000 less section 44 charge of \$30,000)	<u>\$10,000</u>
	\$10,000
Less:	
Tax discharged on 18.10.2003 (#)	<u>\$10,000</u>
	0
Add:	
Additional tax assessed for YA 2001 on 28.12.2003 (##)	<u>\$10,000</u>
S44 balance as at 31.12.2002 remaining on 28.12.2003	<u>\$10,000</u>

(#) The amount of tax discharged that is adjusted downwards against the section 44 balance as at 31<sup>st</sup> December 2002 is restricted to the amount of section 44 balance as at 31<sup>st</sup> December 2002 remaining on the date of the tax discharge.

(##) See Footnote B of this example.

Analysis of tax discharged/tax assessed

Details	Effect on company's section 44 balance as at 31.12.2002	Other effects on company																
<p><u>Date</u> 30<sup>th</sup> January 2003</p> <p><u>Tax discharged</u> (YA 2001) Amount \$50,000</p>	<table border="0"> <tr> <td>Section 44 balance as at 31.12.2002 remaining on 30.1.2003</td> <td style="text-align: right;">\$20,000</td> </tr> <tr> <td>Downward Adjustment</td> <td style="text-align: right;"><u>(\$20,000)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>0</u></td> </tr> </table> <p><u>Reasons:</u> For YA 2001, there is no additional tax assessed from 1.1.2003 till the date of the tax discharge that was credited to company J's section 44 account. The original tax previously assessed for YA 2001 would have been credited to company J's section 44 account previously. Therefore, the \$50,000 tax discharge is considered as a discharge of tax assessed previously and credited to company J's section 44 account. Accordingly, the said amount, or the section 44 balance as at 31.12.2002 remaining on the date of tax discharge, whichever is lower, should be adjusted downwards against company J's section 44 balance as at 31.12.2002.</p>	Section 44 balance as at 31.12.2002 remaining on 30.1.2003	\$20,000	Downward Adjustment	<u>(\$20,000)</u>		<u>0</u>	<p><u>Tax discharged \$50,000</u></p> <table border="0"> <tr> <td>(a) Amount to be refunded to company J</td> <td style="text-align: right;">\$20,000</td> </tr> <tr> <td>(b) Amount not refundable (i.e. section 44 charge)</td> <td style="text-align: right;"><u>\$30,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$50,000</u></td> </tr> </table> <p>Amount available for setoff against any tax or additional tax assessed subsequently during the transitional period</p> <table border="0"> <tr> <td></td> <td style="text-align: right;"><u>\$30,000</u></td> </tr> </table> <p><u>Reasons:</u> Since company J has section 44 balance as at 31.12.2002 amounting to \$20,000 remaining on the date of tax discharge and the tax discharge amounted to \$50,000, it would have previously utilised \$30,000 (i.e. \$50,000 - \$20,000) franking credit for payment of franked dividend. As such, \$30,000 of the tax discharge (i.e. section 44 charge) will not be refunded but is available for setoff against any tax or additional tax assessed subsequently during the transitional period.</p>	(a) Amount to be refunded to company J	\$20,000	(b) Amount not refundable (i.e. section 44 charge)	<u>\$30,000</u>		<u>\$50,000</u>		<u>\$30,000</u>		
Section 44 balance as at 31.12.2002 remaining on 30.1.2003	\$20,000																	
Downward Adjustment	<u>(\$20,000)</u>																	
	<u>0</u>																	
(a) Amount to be refunded to company J	\$20,000																	
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	<u>\$50,000</u>																	
	<u>\$30,000</u>																	
<p><u>Date</u> 15<sup>th</sup> February 2003</p> <p><u>Original (ECI)</u> (YA 2003) Amount \$40,000</p>	<table border="0"> <tr> <td>Section 44 balance as at 31.12.2002 remaining on 30.1.2003</td> <td style="text-align: right;">\$ 0</td> </tr> <tr> <td>Upward Adjustment</td> <td style="text-align: right;"><u>\$40,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$40,000</u></td> </tr> <tr> <td>Less section 44 charge available as at 15.2.2003</td> <td style="text-align: right;"><u>\$30,000</u></td> </tr> <tr> <td>Section 44 balance as at 31.12.2002 remaining on 15.2.2003</td> <td style="text-align: right;"><u>\$10,000</u></td> </tr> </table>	Section 44 balance as at 31.12.2002 remaining on 30.1.2003	\$ 0	Upward Adjustment	<u>\$40,000</u>		<u>\$40,000</u>	Less section 44 charge available as at 15.2.2003	<u>\$30,000</u>	Section 44 balance as at 31.12.2002 remaining on 15.2.2003	<u>\$10,000</u>	<p><u>Tax discharged</u> – Not applicable</p> <p>Amount available for setoff against any tax or additional tax assessed subsequently during the transitional period</p> <table border="0"> <tr> <td></td> <td style="text-align: right;">\$30,000</td> </tr> <tr> <td>Less: Setoff against tax assessed</td> <td style="text-align: right;"><u>\$30,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>0</u></td> </tr> </table> <p>Tax Payable \$40,000 - \$30,000 = \$10,000</p>		\$30,000	Less: Setoff against tax assessed	<u>\$30,000</u>		<u>0</u>
Section 44 balance as at 31.12.2002 remaining on 30.1.2003	\$ 0																	
Upward Adjustment	<u>\$40,000</u>																	
	<u>\$40,000</u>																	
Less section 44 charge available as at 15.2.2003	<u>\$30,000</u>																	
Section 44 balance as at 31.12.2002 remaining on 15.2.2003	<u>\$10,000</u>																	
	\$30,000																	
Less: Setoff against tax assessed	<u>\$30,000</u>																	
	<u>0</u>																	

Details	Effect on company's section 44 balance as at 31.12.2002	Other effects on company														
	<p><u>Reasons:</u> As company J has furnished its ECI for YA 2003 to CIT on 15.2.2003 (i.e. by 31.3.2003), the tax assessed on its ECI for YA 2003 of \$40,000 net of the amount set off by the section 44 charge (amounting to \$30,000) is to be included and form part of company J's section 44 balance as at 31.12.2002.</p>	<p><u>Reasons:</u> Company J need not pay the \$40,000 in full because it can setoff its unutilised section 44 charge of \$30,000 against the tax assessed of \$40,000.</p>														
<p><u>Date</u> 18<sup>th</sup> October 2003</p> <p><u>Tax discharged (YA 2001)</u> Amount \$60,000</p>	<table border="0"> <tr> <td>Section 44 balance as at 31.12.2002 remaining on 15.2.2003</td> <td style="text-align: right;">\$10,000</td> </tr> <tr> <td>Downward Adjustment</td> <td style="text-align: right;"><u>\$10,000</u></td> </tr> <tr> <td>Section 44 balance as at 31.12.2002 remaining on 18.10.2003</td> <td style="text-align: right;">\$ 0</td> </tr> </table> <p><u>Reasons:</u> For YA 2001, there is no additional tax assessed from 1.1.2003 till the date of the tax discharge that was credited to company J's section 44 account. The original tax previously assessed for YA 2001 would have been credited to company J's section 44 account previously. Therefore, the \$60,000 tax discharge is considered as a discharge of tax assessed previously and credited to company J's section 44 account. Accordingly, the said amount, or the section 44 balance as at 31.12.2002 remaining on the date of tax discharge, whichever is lower, should be adjusted downwards against company J's section 44 balance as at 31.12.2002.</p>	Section 44 balance as at 31.12.2002 remaining on 15.2.2003	\$10,000	Downward Adjustment	<u>\$10,000</u>	Section 44 balance as at 31.12.2002 remaining on 18.10.2003	\$ 0	<table border="0"> <tr> <td colspan="2"><u>Tax discharged \$60,000</u></td> </tr> <tr> <td>(a) Amount to be refunded to company J</td> <td style="text-align: right;">\$10,000</td> </tr> <tr> <td>(b) Amount not refundable (i.e. section 44 charge)</td> <td style="text-align: right;"><u>\$50,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$60,000</u></td> </tr> </table> <p>Amount available for setoff against any tax or additional tax assessed subsequently during the transitional period</p> <p style="text-align: right;"><u>\$50,000</u></p> <p><u>Reasons:</u> Since company J has section 44 balance as at 31.12.2002 amounting to \$10,000 remaining on the date of tax discharge and the tax discharge amounted to \$60,000, it would have previously utilised \$50,000 (i.e. \$60,000 - \$10,000) franking credit for payment of franked dividend. As such, \$50,000 of the tax discharge (i.e. section 44 charge) will not be refunded but is available for setoff against any tax or additional tax assessed subsequently during the transitional period.</p>	<u>Tax discharged \$60,000</u>		(a) Amount to be refunded to company J	\$10,000	(b) Amount not refundable (i.e. section 44 charge)	<u>\$50,000</u>		<u>\$60,000</u>
Section 44 balance as at 31.12.2002 remaining on 15.2.2003	\$10,000															
Downward Adjustment	<u>\$10,000</u>															
Section 44 balance as at 31.12.2002 remaining on 18.10.2003	\$ 0															
<u>Tax discharged \$60,000</u>																
(a) Amount to be refunded to company J	\$10,000															
(b) Amount not refundable (i.e. section 44 charge)	<u>\$50,000</u>															
	<u>\$60,000</u>															



Details	Effect on company's section 44 balance as at 31.12.2002	Other effects on company																		
	<p>relates to tax previously assessed and credited to company J's section 44 account. None of this amount was debited to company J's section 44 account (due to insufficient section 44 balance as at 31.12.2002 remaining on that date of tax discharge). Therefore, the additional tax assessed of \$10,000 on 15.12.2003 will not be adjusted upwards against company J's section 44 balance as at 31.12.2002.</p>	<p><u>Reasons:</u> Company J need not pay the \$10,000 in full because it can setoff its unutilised section 44 charge of \$65,000 against the tax assessed of \$10,000.</p>																		
<p><u>Date</u> 28<sup>th</sup> December 2003</p> <p><u>Additional tax</u> (YA 2001) Amount \$65,000</p>	<table border="0"> <tr> <td>Section 44 balance as at 31.12.2002 remaining on 15.12.2003</td> <td style="text-align: right;">\$ 0</td> </tr> <tr> <td>Upward Adjustment</td> <td style="text-align: right;"><u>\$30,000</u></td> </tr> <tr> <td>Less section 44 charge available as at 15.12.2003</td> <td style="text-align: right;"><u>\$30,000</u></td> </tr> <tr> <td>Section 44 balance as at 31.12.2002 remaining on 28.12.2003</td> <td style="text-align: right;"><u>\$20,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$10,000</u></td> </tr> </table> <p><u>Reasons:</u> Prior to the additional assessment for YA 2001 on 28.12.2003, tax amounting to \$110,000 (\$50,000 on 30.1.2003 and \$60,000 on 18.10.2003) was previously discharged for YA 2001 and relates to tax previously assessed and credited to company J's section 44 account.</p> <p>Out of this amount, \$30,000 (\$20,000 on 30.1.2003 and \$10,000 on 18.10.2003) was debited to company J's section 44 account. Therefore, \$30,000 of the additional tax assessed on 28.12.2003 net of the amount set off by the section 44 charge (amounting to \$20,000) is to be included and form part of company J's section 44 balance as at 31.12.2002 (assuming that company J had made a due request).</p>	Section 44 balance as at 31.12.2002 remaining on 15.12.2003	\$ 0	Upward Adjustment	<u>\$30,000</u>	Less section 44 charge available as at 15.12.2003	<u>\$30,000</u>	Section 44 balance as at 31.12.2002 remaining on 28.12.2003	<u>\$20,000</u>		<u>\$10,000</u>	<p><u>Tax discharged</u> – Not applicable</p> <p>Amount available for setoff against any tax or additional tax assessed subsequently during the transitional period</p> <table border="0"> <tr> <td></td> <td style="text-align: right;">\$55,000</td> </tr> </table> <p>Less:</p> <p>(a) Setoff against tax assessed relating to tax previously discharged during the 5-year transitional period and adjusted downwards against company's section 44 balance as at 31.12.2002 but due to insufficient balance it resulted in section 44 charge</p> <table border="0"> <tr> <td></td> <td style="text-align: right;">\$35,000</td> </tr> </table> <p>(b) Setoff against tax assessed relating to tax previously discharged during the 5-year transitional period and adjusted downwards against company's section 44 balance as at 31.12.2002</p> <table border="0"> <tr> <td></td> <td style="text-align: right;"><u>\$20,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>0</u></td> </tr> </table> <p>Tax Payable \$65,000 - \$35,000 - \$20,000 = \$10,000</p> <p><u>Reasons:</u> Company J need not pay the \$65,000 in full because it can setoff its unutilised section 44 charge of \$55,000 against the tax assessed of \$65,000.</p>		\$55,000		\$35,000		<u>\$20,000</u>		<u>0</u>
Section 44 balance as at 31.12.2002 remaining on 15.12.2003	\$ 0																			
Upward Adjustment	<u>\$30,000</u>																			
Less section 44 charge available as at 15.12.2003	<u>\$30,000</u>																			
Section 44 balance as at 31.12.2002 remaining on 28.12.2003	<u>\$20,000</u>																			
	<u>\$10,000</u>																			
	\$55,000																			
	\$35,000																			
	<u>\$20,000</u>																			
	<u>0</u>																			

Effects at a glance

Date of assessment	YA	Type of asst.	Amount of tax assessed / (discharged)	Section 44 statement			Amount of discharge not refunded but available for offset		Tax refundable	Tax payable
				Debit	Credit	Balance	Amount	Balance		
Bal @ 31.12.02						20,000		0		
30.1.03	2001	Amended	(50,000)	20,000		0	30,000	30,000	20,000	
15.2.03	2003	ECI (Original)	40,000		10,000 (A)	10,000	(30,000)	0		10,000 (A)
18.10.03	2001	Amended	(60,000)	10,000		0	50,000	50,000	10,000	
30.11.03	2003	Amended	(15,000)			0	15,000	65,000	0	
15.12.03	2003	Additional	10,000			0	(10,000)	55,000		0
28.12.03	2001	Additional	65,000		10,000 (B)	10,000	(55,000)	0		10,000

**Footnote A**

Tax assessed on ECI for YA 2003 to be included and form part of section 44 balance as at 31.12.2002	\$40,000
Less: Section 44 charge used to set off against the above figure	<u>\$30,000</u>
Net adjusted amount included and form part of section 44 balances as at 31.12.2002/additional tax payable by company J	<u>\$10,000</u>

**Footnote B**

	Relating to tax assessed not previously credited to or included in the section 44 balance as at 31.12.2002	Relating to tax assessed previously credited to or included in the section 44 balance as at 31 <sup>st</sup> December 2002	
		Adjusted downwards against S44 balance as at 31.12.2002	Adjusted downwards against S44 balance as at 31.12.2002 but due to insufficient balance, it resulted in section 44 charge
Amended assessment for YA 2001 on 30.1.2003 (Tax discharged of \$50,000)	0	20,000	30,000
Amended assessment for YA 2001 on 18.10.2003 (Tax discharged of \$60,000)	0	10,000	50,000
<b>Total</b>	<b>(X) 0</b>	<b>(Y) 30,000</b>	<b>(Z) 80,000</b>

Additional tax of \$65,000 for YA 2001 on 28.12.2003 comprises:

- (i) Amount relating to tax previously discharged during 5-year transitional period but not adjusted downwards against company's section 44 balance as at 31.12.2002 [because tax discharged relates to tax assessed not previously credited to or included in the section 44 balance as at 31.12.2002 – see (X) above]
- (ii) Amount relating to tax previously discharged during 5-year transitional period and adjusted downwards against company's section 44 balance as at 31.12.2002 [see (Y) above]
- (iii) Amount relating to tax previously discharged during 5-year transitional period and adjusted downwards against company's section 44 balance as at 31.12.2002 but due to insufficient balance, it resulted in section 44 charge [ \$65,000 - \$30,000, which is part of (Z)]

\$ 0

\$30,000(R)

\$35,000 (S)

\$65,000

\$55,000

\$35,000

\$20,000

\$30,000

Section 44 charge available for set off against tax payable

Less: Amount (S)

Less: Amount (R)

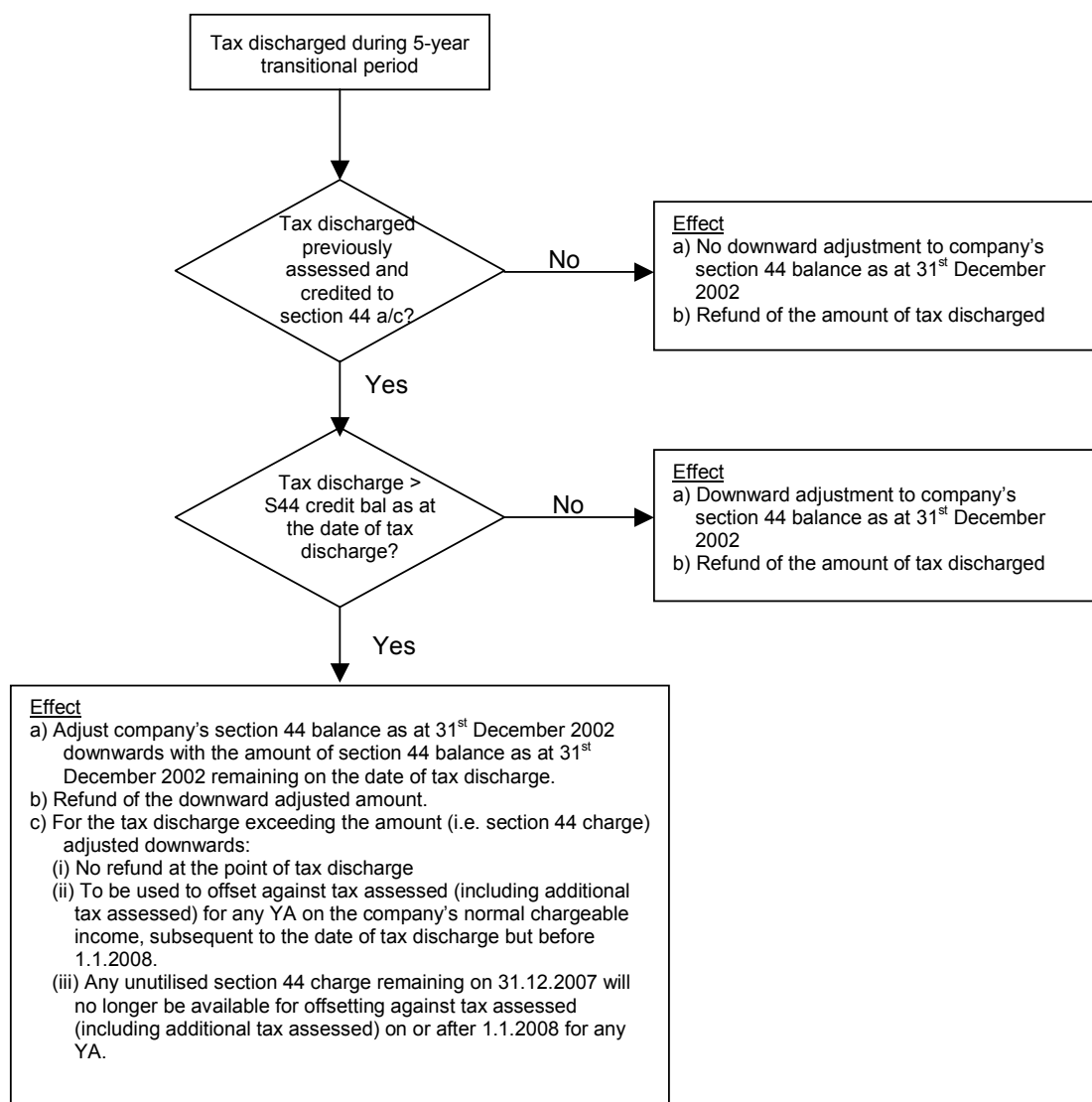
Amount of additional tax not set off by section 44 charge to be paid by company J/  
adjusted upwards against section 44 balance as at 31.12.2002

\$10,000

**OVERVIEW OF EFFECTS OF TRANSITIONAL PROVISIONS (EXPLAINED UNDER PARAGRAPHS 41 TO 58) DURING THE 5-YEAR TRANSITIONAL PERIOD**

**(A) EFFECTS OF TAX DISCHARGE**

**(I) Companies (remaining on imputation system or moved to one-tier system) with section 44 balances as at 31<sup>st</sup> December 2002**



**Note**

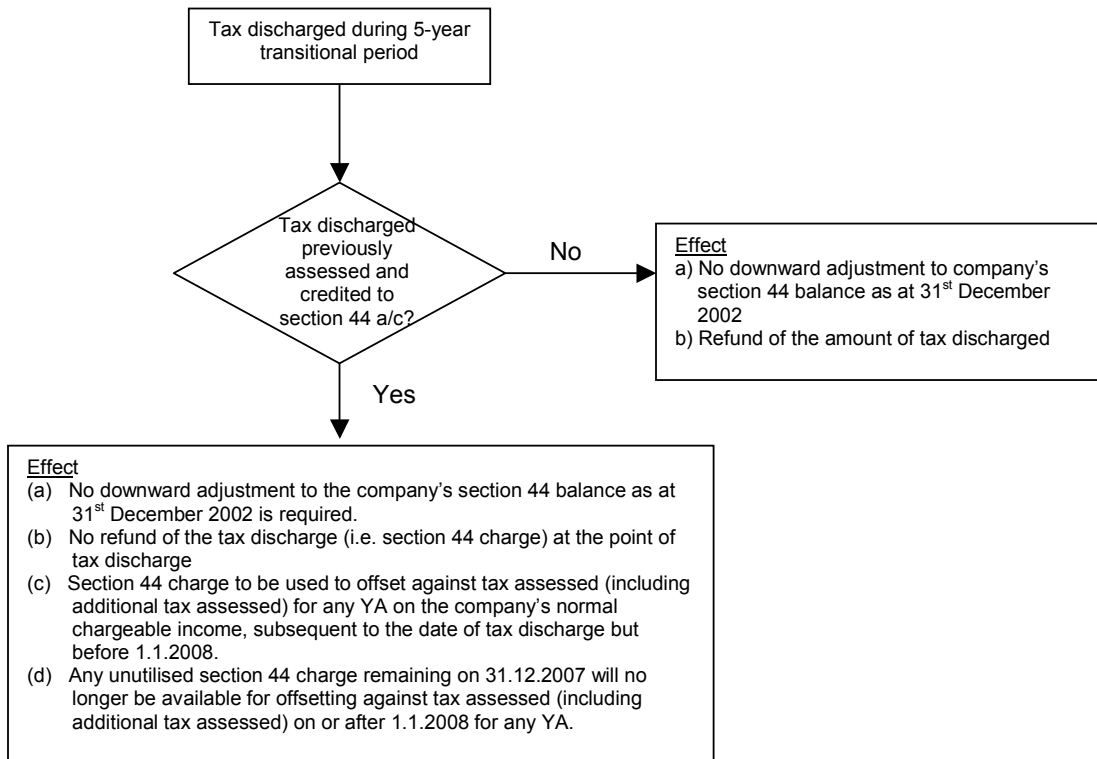
**Tax discharged**

For the purpose of adjusting companies' section 44 balances as at 31<sup>st</sup> December 2002, any amount of tax discharge during the 5-year transitional period for a YA will first be considered as a discharge of tax that has been previously assessed for that YA but not credited to or included in their section 44 balances as at 31<sup>st</sup> December 2002. Thereafter, the remaining amount of tax discharge is considered as a discharge of tax that has been previously assessed and credited to or included in the companies' section 44 balances as at 31<sup>st</sup> December 2002.

**OVERVIEW OF EFFECTS OF TRANSITIONAL PROVISIONS (EXPLAINED UNDER PARAGRAPHS 41 TO 58) DURING THE 5-YEAR TRANSITIONAL PERIOD**

**(A) EFFECTS OF TAX DISCHARGE**

**(II) Companies (remaining on imputation system or moved to one-tier system) with nil section 44 balances as at 31<sup>st</sup> December 2002**



**Note**

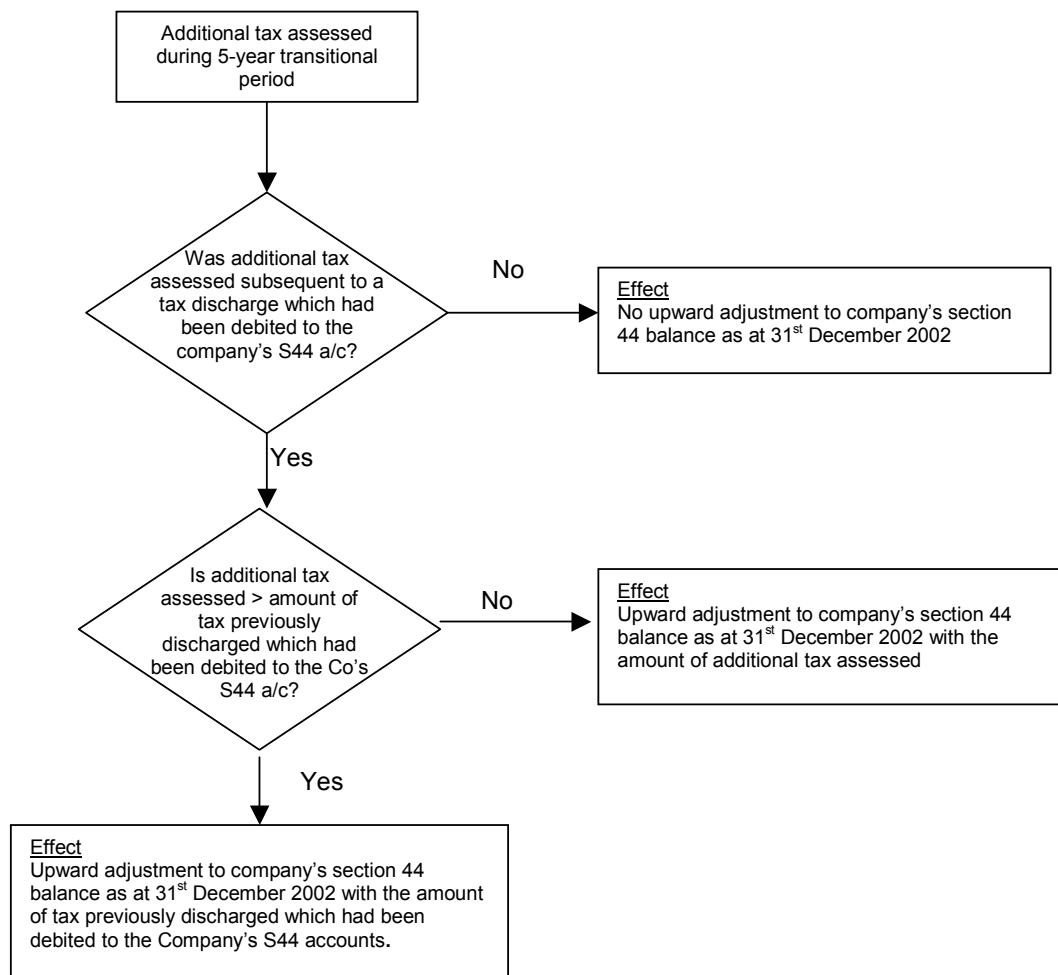
**Tax discharged**

For the purpose of adjusting companies' section 44 balances as at 31<sup>st</sup> December 2002, any amount of tax discharge during the 5-year transitional period for a YA will first be considered as a discharge of tax that has been previously assessed for that YA but not credited to or included in their section 44 balances as at 31<sup>st</sup> December 2002. Thereafter, the remaining amount of tax discharge is considered as a discharge of tax that has been previously assessed and credited to or included in the companies' section 44 balances as at 31<sup>st</sup> December 2002.

**OVERVIEW OF EFFECTS OF TRANSITIONAL PROVISIONS (EXPLAINED UNDER PARAGRAPHS 41 TO 58) DURING THE 5-YEAR TRANSITIONAL PERIOD**

**(B) EFFECTS OF ADDITIONAL TAX ASSESSED**

**(I) Companies (remaining on imputation system or moved to one-tier system) with section 44 balances as at 31<sup>st</sup> December 2002**



**Note**

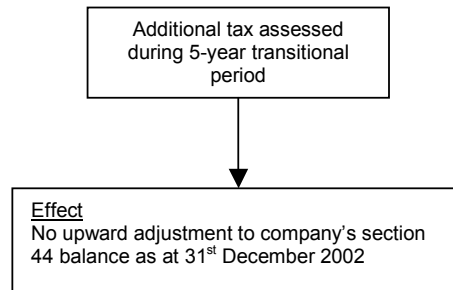
**Additional tax assessed**

Any amount of additional tax assessed on or after 1<sup>st</sup> January 2003 for a YA (subsequent to a discharge of tax during the 5-year transitional period for that YA) will first be considered as an additional tax which relates to an amount of tax previously discharged during the 5-year transitional period but was not adjusted downwards against the company's section 44 balance as at 31<sup>st</sup> December 2002. Thereafter, it will be considered as an additional tax which relates to an amount of tax previously discharged during the 5-year transitional period and was debited to the company's section 44 balance as at 31<sup>st</sup> December 2002.

**OVERVIEW OF EFFECTS OF TRANSITIONAL PROVISIONS (EXPLAINED UNDER PARAGRAPHS 41 TO 58) DURING THE 5-YEAR TRANSITIONAL PERIOD**

**(B) EFFECTS OF ADDITIONAL TAX ASSESSED**

**(II) Companies (remaining on imputation system or moved to one-tier system) with nil section 44 balances as at 31<sup>st</sup> December 2002**



**Note**

**Additional tax assessed**

Any amount of additional tax assessed on or after 1<sup>st</sup> January 2003 for a YA (subsequent to a discharge of tax during the 5-year transitional period for that YA) will first be considered as an additional tax which relates to an amount of tax previously discharged during the 5-year transitional period but was not adjusted downwards against the company's section 44 balance as at 31<sup>st</sup> December 2002. Thereafter, it will be considered as an additional tax which relates to an amount of tax previously discharged during the 5-year transitional period and was debited to the company's section 44 balance as at 31<sup>st</sup> December 2002.