

Basic Format of Tax Computation for an Investment Holding Company

(To be used as a guide only)

Tax Reference No :
 Name of Company :
 Year of Assessment (Note 1) :
 Basis Period (Note 1) :

	S\$		S\$
Statutory & Regulatory Expenses		Investment income	
- Audit fee	.....	- Total dividends (Note 2)	.....
- Secretarial fee	.....	- Interest	.....
- Accounting fee	.....	- Rent	.....
- Annual listing fee	.....	- Other income (Note 3)	.....
- Income tax service fee	.....	Total income	..... [B]
Total statutory & regulatory expenses	.....	
Other allowable expenses (Notes 5 & 7) (not exceeding 5% of [B])	.....	
Total common expenses	..... [A]		

	S\$	S\$	S\$
Dividends			
Other Countries (Note 4)		[C]
Less: Direct expenses (Notes 6 & 7)		
Share of common expenses [C/B x A] (Note 8)

Interest		.....
Less: Direct expenses	.....	
Share of common expenses	.....	.....	.....

Rent		.....
Less: Direct expenses	.....	
Interest expenses	.....	
Property tax	.....	
Insurance	.....	
Repair and maintenance	.....	
MCST management fees	.....	
Other expenses (please specify)	.....	
Share of common expenses	.....	.....	.....

Other income (exclude foreign income not remitted)		.....
Less: Direct expenses	.....	
Share of common expenses	.....	.....	.....

Total net investment income		.....	.....
Less: Approved donations (Note 9)			.....

Chargeable income before deducting exempt amount			.....
Less: Exempt amount (Note 10 & 11)			
First \$10,000 @ 75%		.....
Next@ 50%		.....	.....
Chargeable income after deducting exempt amount			.....

Tax thereon @ 17%			.....
Less: Foreign tax credit (Note 12)			.....

Less: Corporate income tax rebate (Note 13)			.....
Net tax payable			.....

EXPLANATORY NOTES

Companies which have been incorporated with the objective of holding investments and deriving investment income are advised to prepare the tax computation in the manner shown.

1. Year of Assessment and Basis Period

Income is assessed to tax on a preceding year basis. The basis period for a Year of Assessment (YA) is the financial year ending in the year preceding that YA. The examples below illustrate the concept of YA and basis period:

a) If your financial year end is 31 Mar of each year, the basis period for YA 2020 is 1 Apr 2018 to 31 Mar 2019.

b) If your financial year end is 31 Dec of each year, the basis period for YA 2020 is 1 Jan 2018 to 31 Dec 2019.

2. Total Dividends

The amount to be entered is the total dividends, including Singapore exempt dividends, foreign dividends not remitted to Singapore and foreign dividends that qualify for tax exemption. For details on tax exemption for foreign-sourced dividends, please refer to our e-Tax Guide "Tax Exemption for Foreign-Sourced Income".

3. Other Income

These may include royalties and other foreign-sourced income not remitted to Singapore.

4. Dividends from Other Countries

Enter the taxable amount only. Do not include foreign dividends not remitted to Singapore and foreign dividends that qualify for tax exemption.

5. Other Allowable Expenses

These include directors' fees, staff salaries, approved provident fund contributions, office rental, office water and light, general expenses, administrative and management expenses.

As a guide, the total amount of these expenses should not exceed 5% of the company's gross investment income.

6. Direct Expenses

These are revenue expenses directly incurred to earn the income. Only amount(s) attributable to income-producing investments are allowed.

7. Supporting Schedules

Attach supporting schedules showing your basis of arriving at the other allowable expenses (Note 5) and direct expenses (Note 6).

8. Share of Common Expenses

The common expenses are to be apportioned in the following manner:

$$\frac{\text{Investment Income}}{\text{Total Income}} \times \text{Total common expenses}$$

E.g. Share of common expenses attributable to foreign dividend income:

$$\frac{\text{Foreign Dividend [C]}}{\text{Total income [B]}} \times \text{Total common expenses [A]}$$

9. Approved Donations

For donations made to approved Institutions of a Public Character (IPCs) and other approved recipients, 2.5 times the amount of donations made will be given as a deduction.

Subject to the shareholding test, unutilised donations can be carried forward to offset against income of the company for subsequent years, up to a maximum of 5 years. For example, if the company as at the end of YA 2018 has remaining unutilised donations brought forward from YA 2013, these should be disregarded and not carried forward to YA 2019.

For more information, please refer to www.iras.gov.sg (Businesses > Companies > Working out Corporate Income Taxes > Business Expenses > Donations).

10 **Partial Tax Exemption**

For YA 2019, partial tax exemption is given on chargeable income of up to \$300,000 as follows:

Chargeable income	% exempted from tax	Amount exempted from tax
First \$10,000	@ 75%	= \$7,500
Next \$290,000	@ 50%	= \$145,000
Total \$300,000		= \$152,500

From YA 2020, partial tax exemption is given on chargeable income of up to \$200,000 as follows:

Chargeable income	% exempted from tax	Amount exempted from tax
First \$10,000	@ 75%	= \$7,500
Next \$190,000	@ 50%	= \$95,000
Total \$200,000		= \$102,500

For more information, please refer to www.iras.gov.sg (*Businesses > Companies > Learning the Basics of Corporate Income Tax > Corporate Tax Rates, Corporate Income Tax Rebates and Tax Exemption Schemes*).

11 **Tax Exemption for New Start-up Companies**

An investment holding company is not eligible to claim the tax exemption for new start-up companies. The company will still enjoy the partial tax exemption.

12 **Foreign Tax Credit (FTC)**

Amount allowable is the lower of the Singapore tax payable on the net foreign income or the foreign tax paid.

Under the FTC pooling system, the amount of FTC allowable is to be restricted to the lower of total Singapore tax payable on the foreign income under pooling and the pooled foreign taxes paid on those income.

FTC is not applicable for foreign-sourced dividends that are treated as exempt income in Singapore (Note 4)

For more information, please refer to www.iras.gov.sg (*Businesses > Companies > Working out Corporate Income Taxes > Claiming Reliefs > Foreign Tax Credit*).

13 **Corporate Income Tax (CIT) rebate**

YA 2019: 20% CIT rebate (capped at \$10,000)

YA 2020: 25% CIT rebate (capped at \$15,000)

For more information, please refer to www.iras.gov.sg (*Businesses > Companies > Learning the Basics of Corporate Income Tax > Corporate Tax Rates, Corporate Income Tax Rebates and Tax Exemption Schemes*).

More information on preparing tax computation for an investment holding company is available on www.iras.gov.sg (*Businesses > Companies > Working out Corporate Income Taxes > Specific Industries > Investment Holding Companies*).