

## Estimated Chargeable Income (ECI) Form - Explanatory Notes -

### WHO NEEDS TO FILE

1. All companies have to submit their ECI within three months from their financial year end unless they qualify for the Waiver of Requirement to file ECI (see note 2). Companies should self-assess if they qualify for the waiver.

### WAIVER OF REQUIREMENT TO FILE ECI

2. The company does not need to file its ECI if it meets the following criteria:
  - a. Annual revenue (see note 4) is not more than \$5 million for the financial year; and
  - b. ECI (see note 5) is NIL for the Year of Assessment (YA).

### THINGS TO NOTE WHEN COMPLETING THE ECI FORM

#### (A) Claim for tax exemption for new start-up companies

3. If the company is claiming for tax exemption under the scheme for new start-up companies<sup>(a)</sup>, please complete the relevant section of the ECI Form to:
  - Declare that it has met all the qualifying conditions to claim for the tax exemption; and
  - Choose its first YA upon incorporation. In general, the basis period for the first YA cannot exceed 12 months. If your newly incorporated company's first set of financial statements covers more than 12 months, the profit or losses must be apportioned and attributed to two different YAs.

For more information on the attribution of profits or losses to two YAs, please refer to the example under the section on Filing Estimated Chargeable Income (ECI) at [www.iras.gov.sg](http://www.iras.gov.sg) > *Businesses* > *Companies* > *Learning the basics of Corporate Income Tax* > *Basic Guide for New Companies*.

#### (B) Revenue

4. Revenue refers to the main income source of a company, as reflected in its financial statements. For example, the revenue of a trading company would be its gross sales and that of an investment holding company would be its investment income. Do not leave the Revenue field blank when filing ECI.

#### (C) Estimated Chargeable Income (ECI)

5. The ECI to be completed in the ECI Form is the gross amount of income before deducting the amount to be exempted under the partial tax exemption scheme<sup>(b)</sup> or tax exemption scheme for new start-up companies<sup>(a)</sup>.
6. If there is a claim of loss items under the Group Relief System, the ECI should be the amount after taking into account the loss items claimed, but before deducting the amount to be exempted under the partial tax exemption scheme or tax exemption scheme for new start-up companies (see note 12 for an example).
7. Fill in the ECI, rounded off to the nearest dollar. Do not fill in the estimated tax payable in the boxes provided. If the ECI is zero, fill in "0" in the box on the first row beside the tax rate of 17%.
8. 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(s) in the box(es) provided.
9. Property developers should report their ECI based on the Completed Contracts Method.

**(D) How to compute the ECI if there is a claim for relief**

10. If there is claim for relief (e.g. foreign tax credit), the ECI is computed using one of the following formulae:

**For companies under the partial tax exemption scheme<sup>(b)</sup>**

- \$425.00 < Estimated tax payable (ETP) < \$16,575.00
- Estimated tax payable (ETP) ≥ \$16,575.00
- Estimated tax payable (ETP) ≤ \$425.00

$$ECI = \left( -\frac{100 \times ETP}{8.5} \right) + \$5,000$$

$$ECI = \left( -\frac{50 \times ETP}{8.5} \right) + \$102,500$$

$$ECI = \left( -\frac{200 \times ETP}{8.5} \right)$$

**For companies under the tax exemption scheme for new start-up companies<sup>(a)</sup>**

- \$4,250.00 < Estimated tax payable (ETP) < \$12,750.00
- Estimated tax payable (ETP) ≥ \$12,750.00
- Estimated tax payable (ETP) ≤ \$4,250.00

$$ECI = \left( -\frac{100 \times ETP}{8.5} \right) + \$50,000$$

$$ECI = \left( -\frac{50 \times ETP}{8.5} \right) + \$125,000$$

$$ECI = \left( -\frac{200 \times ETP}{8.5} \right)$$

**PAYMENT OF ESTIMATED TAX**

11. e-File by the 26<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
26 <sup>th</sup> January	10
26 <sup>th</sup> February	8
26 <sup>th</sup> March	6
After 26 <sup>th</sup> March	No instalments

If the company qualifies for instalments and had previously paid its corporate tax by GIRO, the instalment plan will be sent to the company together with the Notice of Assessment (NOA). Please also note the following:

1. The instalment plan is subject to a minimum monthly GIRO deduction of \$50.
2. The first few instalments could be combined and deducted on the first GIRO deduction date, depending on the date of filing of ECI.
3. IRAS reserves the right to vary the instalment plan for companies that file revised ECIs.

If the company is not on GIRO for corporate tax purposes, instalments will not be given automatically. If the company wishes to pay its tax by instalment, please sign up for GIRO by submitting a GIRO application at least 3 weeks before e-Filing the ECI. To check whether the company is on GIRO, please use our integrated phone service at 1800 356 8622 and choose Option 4 to enquire about the company's GIRO status.

Please note that only companies that are registered in Singapore **qualify** for instalment payment.

## EXAMPLES

12. Companies need not factor in the tax exemption scheme for new start-up companies or partial tax exemption when filing their ECI. IRAS will compute these and allow the new start-up companies/ partial tax exemption automatically.

This example illustrates how a company can compute the ECI using the Profit and Loss statement information.

### Example 1: Calculation of ECI for YA 2020

Your company's Profit and Loss statement for financial year 2019 (YA 2020) is as follows:

	S\$
Sales	80,000
Less: Cost of Goods Sold	<u>(35,000)</u>
Gross Profit	45,000
Other income:	
Rental income	1,200
Less: Expenses	
Advertisement	(790)
CPF	(2,300)
Depreciation	(300)
Director's fees	(9,000)
Printing and Stationery	(290)
Property Tax (relating to rental property)	(300)
Salaries of employees	(24,000)
Secretarial fees	(310)
Transport fees (\$200 was incurred on car SJX 123)	(780)
Travelling	(560)
Water & Electricity	<u>(925)</u>
Net Profit before Tax	<u>6,645</u>

The company also purchased a new private car (SJX 123), a computer for \$1,200 and a filing cabinet for \$300 in YA 2020. There were no unutilised capital allowances brought forward from the previous YA.

The calculation of the company's ECI is as follows:

	S\$
Net Profit before Tax	6,645
Less: Separate Source Income	
Rental income	(1,200)
Add: Disallowable expenses	
Depreciation	300
Property Tax (relating to rental property)	300
Transport (relating to S-plated car)	<u>200</u>
Adjusted profit before capital allowance	6,245
Less: Capital allowance for YA 2020 <sup>1</sup>	
100% write-off for Low Value Asset - Filing Cabinet	(300)
100% write-off in one year - Computer	<u>(1,200)</u>
Adjusted profit after capital allowance	4,745
Add: Separate Source Income	
Rental income (net of Property Tax for rental income)	<u>900</u>
Estimated Chargeable Income (before exempt amount)	<u>5,645</u>

<sup>1</sup> No capital allowance is to be given on private cars (S-plated cars), RU-plated cars and company cars (Q-plated or S-plated cars).

**Fill in the ECI to be taxed at 17% as “5645”.**

Examples 2 and 3 explain how to complete the ECI Form for companies **who are claiming double taxation relief** and are under the:

- Example 2 - partial tax exemption scheme
- Example 3 - tax exemption scheme for new start-up companies

<b>Example 2: For companies under the partial tax exemption scheme<sup>(b)</sup></b>	
	S\$
Net income (including an interest income* 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 [(75% x \$10,000) + (50% x \$190,000)]	102,500
ECI (after deducting exempt amount)	290,000
Estimated tax thereon @ 17%	49,300.00
Less: Double taxation relief (lower of foreign tax paid or Singapore tax payable)	1,280.00
Estimated tax payable (ETP)	48,020.00
Using the formula,	
ECI = ( $\frac{50 \times \text{ETP}}{8.5}$ ) + \$102,500	
= ( $\frac{50 \times \$48,020}{8.5}$ ) + \$102,500	
= \$384,971	
<b>Fill in the ECI to be taxed at 17% as “384971”.</b>	
*Assumption is that there is no expense attributable to the foreign interest income	

<b>Example 3: For companies under the tax exemption scheme for new start-up companies<sup>(a)</sup></b>	
	S\$
Net income (including an interest income* of \$12,800 which was subject to foreign withholding tax of \$640)	450,000
ECI (before deducting exempt amount)	450,000
Less: Exempt amount [(75% x \$100,000) + (50% x \$100,000)]	125,000
ECI (after deducting exempt amount)	325,000
Estimated tax thereon @ 17%	55,250.00
Less: Double taxation relief (lower of foreign tax paid or Singapore tax payable)	640.00
Estimated tax payable (ETP)	54,610.00
Using the formula,	
ECI = ( $\frac{50 \times \text{ETP}}{8.5}$ ) + \$125,000	
= ( $\frac{50 \times \$54,610}{8.5}$ ) + \$125,000	
= \$446,235	
<b>Fill in the ECI to be taxed at 17% as “446235”.</b>	
*Assumption is that there is no expense attributable to the foreign interest income	

The following example explains how to complete the ECI Form for companies that are transferring or claiming loss items under the Group Relief system.

<b>Example 4: Transfer/ Claim of loss items under Group Relief system</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		100,000
Current year unutilised loss		<u>38,000</u>
Less: Loss items transferred to <b>claimant company Y</b>		<u>38,000</u>
ECI		<u>NIL</u>
<b>Fill in the ECI to be taxed at 17% as "0".</b>		
Note: If Company X's annual revenue for the financial year is not more than \$5 million, it does not need to file the ECI (see note 2).		
<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)		<u>197,000</u>
Less: Exempt amount <sup>(b)</sup> [(75% x \$10,000) + (50% x \$187,000)]		<u>101,000</u>
ECI (after deducting exempt amount)		<u>96,000</u>
Estimated tax payable		16,320.00
<b>Fill in the ECI to be taxed at 17% as "197000".</b>		
Note: If claimant company Y is under the tax exemption scheme for new companies, its ECI after deducting the exempt amount of \$123,500 [i.e. {(75% x \$100,000) + (50% x \$97,000)}] would be \$73,500. However, please fill in the ECI to be taxed at 17% as "197000".		

**(a) Tax exemption scheme for new start-up companies**

From YA 2020, for a qualifying new start-up company, the following exemption is given on the first \$200,000 of its normal chargeable income, for any of its first 3 consecutive YAs:

- 75% tax exemption for the first \$100,000 chargeable income
- 50% tax exemption for the next \$100,000 chargeable income

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

- (a) It is incorporated in Singapore;
- (b) It is a tax resident of Singapore for that YA of claim;
- (c) Its total share capital is beneficially held directly by no more than 20 shareholders throughout the basis period for that YA where:
  - all of the shareholders are individuals; or
  - at least one shareholder is an individual holding at least 10% of the issued ordinary shares of the company;
- (d) If it is incorporated after 25 Feb 2013,
  - it does not undertake property development for sale, for investment, or for both investment and sale; and
  - its principal activity is not that of investment holding.

**(b) Partial tax exemption scheme**

From YA 2020, partial tax exemption is given on the first \$200,000 of a company's chargeable income which is subject to tax at the normal corporate tax rate of 17%:

- 75% tax exemption for the first \$10,000 chargeable income
- 50% tax exemption for the next \$190,000 chargeable income