

## Computational Example

My company qualifies for the tax exemption scheme for start-up companies from YA 2019 to YA 2021. My normal chargeable income before tax exemption for the 3 YAs are \$280,000 for YA 2019, \$250,000 for YA 2020 and \$50,000 for YA 2021. How do I compute the exempt amount and tax payable for YA 2019 to YA 2021?

In addition, my company's normal chargeable income before tax exemption for YA 2022 is \$290,000. How do I compute the exempt amount under the partial tax exemption scheme and tax payable for YA 2022?

### YA 2019

The exempt amount on normal chargeable income of \$280,000 is computed as follows:

Normal chargeable income before exempt amount	% exempted	Amount exempted
\$		\$
First 100,000	100%	100,000
Next 180,000	50%	90,000
<b>Total 280,000</b>		<b>190,000</b>

Your company's tax payable for YA 2019 is therefore computed as follows:

	<b>\$</b>
Chargeable income before exempt amount	280,000
Less: Exempt amount	190,000
Chargeable income after exempt amount	<u>90,000</u>
Tax payable @ 17%	15,300.00
Less: Corporate income tax rebate (20% x \$15,300)	3,060.00
<b>Net tax payable</b>	<u><b>12,240.00</b></u>

## YA 2020

The changes to the tax exemption scheme for new start-up companies announced in Budget 2018 will apply with effect from YA 2020. The exempt amount on normal chargeable income of \$250,000 is computed as follows:

Normal chargeable income before exempt amount	% exempted	Amount exempted
\$		\$
First 100,000	75%	75,000
Next 100,000	50%	50,000
<b>Total 200,000</b>		<b>125,000</b>

Your company's tax payable for YA 2020 is therefore computed as follows:

	\$
Chargeable income before exempt amount	250,000
Less: Exempt amount	125,000
Chargeable income after exempt amount	<hr/> 125,000 <hr/>
Tax payable @ 17%	21,250.00
Less: Corporate income tax rebate (25% x \$21,250)	5,312.50
<b>Net tax payable</b>	<hr/> <b>15,937.50</b> <hr/>

**YA 2021**

The exempt amount on normal chargeable income of \$50,000 is computed as follows:

Normal chargeable income before exempt amount	% exempted	Amount exempted
\$		\$
First 50,000	75%	37,500

Your company's tax payable for YA 2021 is therefore computed as follows:

Chargeable income before exempt amount	\$ 50,000
Less: Exempt amount	37,500
Chargeable income after exempt amount	<hr/> 12,500 <hr/>
<b>Tax payable @ 17%</b>	<hr/> <b>2,125.00</b> <hr/>

## YA 2022

The company will qualify for the partial tax exemption in YA 2022 as this is its fourth YA after incorporation. The changes to the partial tax exemption as announced in Budget 2018 will apply with effect from YA 2020 onwards.

The exempt amount on normal chargeable income of \$290,000 is computed as follows:

Normal chargeable income before exempt amount	% exempted	Amount exempted
\$		\$
First 10,000	75%	7,500
Next 190,000	50%	95,000
<b>Total 200,000</b>		<b>102,500</b>

Your company's tax payable for YA 2022 is therefore computed as follows

Chargeable income before exempt amount	\$ 290,000
Less: Exempt amount	102,500
Chargeable income after exempt amount	<hr/> 187,500 <hr/>
<b>Tax payable @ 17%</b>	<hr/> <b>31,875.00</b> <hr/>