

Computation of FTC for a company that receives foreign income (Foreign Tax Credit Pooling)

Company ABC Pte Ltd derived and received the following income during financial year 2019 [i.e. Year of Assessment (YA) 2020]:

	Headline tax rate of country*	Amount	Foreign tax paid	Expenses applicable to foreign income
Service Income – Local		\$300,000		
Service Income – From Country X	20%	\$50,000	\$10,000	
Deductible expenses & capital allowances for service income		\$15,000		
Foreign income – interest (Country Y)	30%	\$20,000	\$1,000	\$100

* Headline tax rate refers to the highest **corporate** tax rate of the foreign jurisdiction from which the income is derived

Company ABC Pte Ltd elects for FTC pooling on the service income from Country X and the interest income Country Y (both income qualify for double tax relief). The company's tax computation and calculation of foreign tax credit for YA 2020 are shown below:

Tax Computation for YA 2020

	\$	
Service income - Local	300,000	
Service income - Foreign Country X	50,000	(A)
Total service income	<u>350,000</u>	(B)
Less: Deductible expenses and capital allowances	(15,000)	
	<u>335,000</u>	(C)
Interest (Country Y) [20,000 - 100]	19,900	(D)
Total statutory income	<u>354,900</u>	(E)
Less: Approved donations (assumed)	(1,000)	
Chargeable income (before exempt amount)	<u>353,900</u>	
Less: Partial tax exemption	(152,500)	
Chargeable income (after exempt amount)	<u>201,400</u>	
Tax payable @ 17%	34,238.00	(F)
Less: Foreign tax credit	<u>(6,536.67)</u>	#
	27,701.33	
Less: Corporate income tax rebate (25% x \$27,701.33)	<u>(6,925.33)</u>	
Net tax payable	<u>20,776.00</u>	

#Calculation of Foreign Tax Credit

	\$
Singapore tax payable on service income from Foreign Country X [A/B x C/E x F]	4,616.87
Singapore tax payable on interest income from Foreign Country Y [D/E x F]	<u>1,919.80</u>
Total Singapore tax payable on income qualifying for FTC	<u>6,536.67</u>
Total foreign tax paid	<u>11,000.00</u>
FTC = lower of total Singapore tax payable or foreign tax paid	<u>6,536.67</u>