INLAND REVENUE AUTHORITY OF SINGAPORE

IRAS e-Tax Guide

CARRY-BACK RELIEF SYSTEM
(Seventh Edition)

Published by
Inland Revenue Authority of Singapore

Published on 5 Mar 2021

First edition on 09 Jul 2012
Second edition on 26 May 2014
Third edition on 2 Apr 2018
Fourth edition on 9 Apr 2019
Fifth edition on 8 May 2020
Sixth edition on 3 Dec 2020
Seventh edition on 5 Mar 2021

Table of Contents

1 Aim

1.1 This e-Tax Guide provides details on the carry-back relief system.

1.2 The e-Tax Guide is relevant to you if you have unabsorbed capital allowances [1] ("CA") or unabsorbed trade losses from your trade, business, profession or vocation for the current year.

2 At a glance

2.1 The carry-back relief under section 37E of the Income Tax Act ("ITA") is available to all persons carrying on a business, including sole-proprietorships and partnerships. The relief will be given only if a claim is made for it.

2.2 Under the system, a person may carry back its current year qualifying deductions ("QD") and deduct them against its assessable income of the immediate preceding YA. For YAs 2020 and 2021, a person may elect to carry back QD and deduct them against its assessable income for up to three YAs immediately preceding the relevant YA of loss (i.e. YA 2017, YA 2018 and YA 2019 where the YA of loss is YA 2020, and YA 2018, YA 2019 and YA 2020 where the YA of loss is YA 2021) (referred to as "enhanced carry-back relief" in this e-Tax Guide[2]). To ease businesses' cash flow, a person may also elect for carry-back relief or enhanced carry-back relief based on an estimate of the QD for YAs 2020 and 2021. Please refer to the e-Tax Guide on "Enhanced Carry-back Relief System" (Fourth Edition) published on 5 March 2021 for more details on the enhanced carry-back relief for YAs 2020 and 2021.

2.3 The maximum amount of QD that can be carried back is capped at $100,000.

2.4 The QD will be deducted in the following order:
(i) current year's unabsorbed CA, if any,
(ii) current year's trade losses, if any.

2.5 The carry-back of unabsorbed CA is subject to the "same business" test. A company will have to satisfy the shareholding test as well.

A company can elect to carry back its QD after transferring its loss items under the group relief system[3], if applicable.

[1] In this e-Tax guide, the term "capital allowances" refer to allowances given under sections 16, 17, 18B, 18C, 19, 19A, 19B, 19C, 19D or 20 of the ITA.

[2] The e-Tax Guide on Enhanced Carry-back Relief System can be found on the IRAS website at: https://www.iras.gov.sg/irashome/e-Tax-Guides/

[3] Please refer to IRAS e-Tax Guide on 'Group Relief System (Second Edition)' issued on 29 Mar 2019.

3 Glossary

3.1 Assessable income

Assessable income of a company refers to its income from all sources after deducting CA, trade losses, approved donations (including those transferred from related companies under the group relief system) and other relevant deductions like incremental research and development expenses or investment allowances.

Assessable income of an individual refers to the individual's income from all sources after deducting CA, losses, and approved donations.

3.2 Immediate Preceding YA

The immediate preceding YA refers to the YA immediately before the YA in which the person has trade losses or capital allowances available for carry back. For example, if the person incurred trade losses or was granted capital allowances in YA 2020, the immediate preceding YA would be YA 2019.

3.3 Loss items

For group relief purposes, loss items refer to the unabsorbed CA, trade losses and donations for the current year that can be transferred by a company ("transferor company") to another company of the group ("claimant company").

3.4 Person

A person in this e-Tax Guide refers to:

a. a company;

b. an individual, being the sole-proprietor or partner of a partnership [including a limited liability partnership ("LLP") and a limited partnership ("LP")];

c. a body of persons, such as clubs and associations; and

d. a trustee of a trust or an executor of an estate.

3.5 Qualifying deductions (QD)

For carry-back relief purposes, QD are the unabsorbed CA and unabsorbed trade losses for the current year.

3.6 **Relevant deductions**

A limited partner's share of CA and trade losses from a limited liability partnership ("LLP") or limited partnership ("LP") allowed against the partner's income from other sources.

3.7 **Same business test**

This test determines if a person continues to carry on the same trade, business or profession for which capital allowances are granted when carrying forward or back the unabsorbed capital allowances. The test is satisfied if the same trade, business or profession is being continued at the point when the unabsorbed capital allowances are utilised.

3.8 **Shareholding test**

This test computes the percentage of the shareholdings of a company (or its ultimate parent company) that is held by the same persons as at the relevant dates. If the percentage is 50% or more, there is no substantial change in the shareholders and the company is said to have satisfied the shareholding test.

Relevant dates for unabsorbed CA:
First day of the YA in which the capital allowances were granted and the last day of the immediate preceding YA in which the capital allowances are to be deducted.

Relevant dates for unabsorbed trade losses:
First day of the year in which the trade losses were incurred and last day of the immediate preceding YA in which the trade losses are to be deducted.

3.9 **Unabsorbed capital allowances (CA)**

The capital allowances claimed by a person (under section 16, 17, 18B, 18C, 19, 19A, 19B, 19C, 19D or 20 of the ITA) for a YA that exceed the person's aggregate taxable income for that YA.

3.10 **Unabsorbed trade losses**

The trade losses incurred by a person for a YA that exceed the person's income from all sources for that YA.

3.11 **Unabsorbed donations**

The approved donations made by a person in a YA that exceeds its statutory income for that YA. Approved donations are donations qualifying for tax deduction and made to recipients under sections 37(3)(b), (c), (d), (e) or (f) of the ITA.

4 Background

4.1 Before YA 2006, a person may carry forward its unabsorbed CA and trade losses to future YAs if it satisfies certain conditions under the ITA.

4.2 To help small businesses cope with cash-flow problems, especially in a cyclical downturn, a one year carry-back of QD was introduced from the YA 2006.

5 Carry-back relief system

5.1 Subject to conditions, the carry-back relief is available to you as a person (defined in paragraph 3.4 above) who carries on a trade, business, profession or vocation.

5.2 You may carry back the QD to the immediate preceding YA to be deducted from your assessable income of the immediate preceding YA in the order set out in paragraphs 6.8 and 6.9.

6 General Conditions Governing the Carry-Back Relief

6.1 Your claim for carry-back relief is subject to the following general conditions:

(a) Same business test

6.2 To qualify for carry-back relief, you must satisfy the same business test. This means that you will not be able to carry back the unabsorbed CA granted for the first basis period that you commenced a trade, business or profession. However, you can carry back the trade loss incurred for that period as the same business test does not apply to trade losses.

<u>To illustrate</u>:

During the basis period for YA 2018 that you commenced a business, you incurred a trade loss of $50,000 and had unabsorbed CA of $20,000. You could carry back the trade loss of $50,000 (but not the unabsorbed CA of $20,000) to be deducted against your assessable income for YA 2017.

(b) Shareholding test

6.3 If you are a company, in addition to the same business test, you have to satisfy the shareholding test in order to carry back your QD.

<u>To illustrate:</u>

For YA 2018, your accounting period is 1 Jan 2017 to 31 Dec 2017. You can carry back your QD for YA 2018 to YA 2017 if your shareholders as at the following dates are substantially the same:

Carry-back of		Dates for comparison	
Carry-back of	Unabsorbed CA	1 Jan 2018 & 31 Dec 2017	1st day of the YA in which the CA arose; & Last day of the YA in which the CA is utilised
	Trade loss	1 Jan 2017 & 31 Dec 2017	1st day of the year in which the loss was incurred; & Last day of the YA in which the loss is utilised

6.4 The Comptroller of Income Tax (“CIT”) may waive the shareholding test if it is satisfied that the substantial change in the shareholders is not for the purpose of deriving any tax benefit or obtaining any tax advantage. If the CIT grants the waiver, you can only deduct the QD against the income from the same trade or business for which the CA was granted or to which the trade loss relates.

(c) Amount of Qualifying deductions to be carried back

6.5 The amount of QD that you can carry back is restricted to the lowest of:

(i) your actual amount of the QD;
(ii) your assessable income of the immediate preceding YA; and
(iii) $100,000.

6.6 The excess that is not carried back can be carried forward for deduction against your future taxable income if you satisfy the same business test (and shareholding test if you are a company).

To illustrate:

Your assessable income for YA 2017	= $60,000
Your QD for YA 2018	= $72,000
Amount of QD you can carry back to YA 2017	= $60,000
Excess that you can carry forward for deduction against future taxable income	= $12,000

Annex A shows how to determine the amount of QD to be carried back.

6.7 If your functional currency is not S$, the exchange rate to use for the purpose of computing the cap of $100,000 is based on the exchange rate of the year in which the loss arose.

To illustrate:

Your functional currency is the US$.
The exchange rate is 1.3833 for YA 2017 and 1.3749 for YA 2018.
You incurred a trade loss of US$150,000 for the YA 2018.

The amount of trade loss that you can carry back for deduction against your assessable income for YA 2017 is computed as follows:

	YA 2018 US$
Adjusted trade loss before carry back	(150,000)
Less: Loss carry back to YA 2017	**72,733***
Unabsorbed loss c/f	(77,267)

* *S$100,000 / 1.3749*

	YA 2017 US$	YA 2017 S$
Adjusted trade profit before carry back	300,000	414,990*
Less: Loss carry back to YA 2017	**72,733**	100,612#
CI after loss carry-back (before partial tax exemption)	227,267	314,378

* *S$300,000 x 1.3833*
# *S$72,733 x 1.3833*

(d) Order of Deduction

6.8 The QD carried back will be deducted from your assessable income of the immediate preceding YA in the following order:

(a) current year unabsorbed CA, if any; and then
(b) current year trade loss, if any.

6.9 If you have other income in addition to trade income, the unabsorbed CA and trade losses will be deducted against the other sources of income in the order as follows:

1st : Income from same trade
2nd : Income from other trade (proportionately if there is more than one other trade, business, profession or vocation)
3rd : Income from all other sources (proportionately if there is more than one other sources)

6.10 Where your QD exceed $100,000, and they arose from more than one trade, business, profession or vocation, the amount you can carry back for each of the trade, business, profession or vocation is also determined on a proportionate basis.

Annex B provides examples on the order of deducting the QD carried back where there is more than:

(i) one trade source; and
(ii) one source of other income.

7 Carry- back relief under specific scenarios

(a) Where income is taxed at concessionary rate

7.1 If you are a company with income chargeable to tax at the normal corporate tax rate, but your QD relate to income chargeable to tax at concessionary tax rate, the adjustment provided under section 37B of the ITA, ("adjustment factor") has be applied for deduction across income chargeable under different tax rates.

7.2 In addition, the amount of QD (up to $100,000) is determined based on the following formula:

A + B

where A = any amount deducted against assessable income subject to tax at the normal corporate tax rate (currently 17%);

B = any amount deducted against assessable income subject to tax at any concessionary rate of tax divided by the adjustment factor for that concessionary rate of tax;

and

the adjustment factor = Normal corporate tax divided by the Concessionary tax rate

7.3 Annex C is an example on the carry-back of QD for a company deriving income that is subject to tax at a concessionary rate.

Annexes D1 and D2 give more examples on the carry-back of QD where there is income from more than one other trade, or more than one other source of income.

(b) Where group relief is claimed

7.4 If you are a company which has elected for group relief, the amount of QD you can carry back is the net amount after deducting the loss items transferred out to the eligible claimant company or companies. Annex E illustrates how this is being done.

7.5 Annex F shows the order of deduction for companies at a glance.

(c) Where the relief reduces personal reliefs

7.6 If you are an individual, you are entitled to the following personal reliefs based on your earned income for that YA:

(a) earned income relief;

(b) working mother child relief (for a married woman); and

(c) deduction for CPF contributions by a self-employed.

7.7 As the QD carried back would reduce your earned income of the immediate preceding YA, your personal reliefs for the immediate preceding YA would have to be revised accordingly based on your revised earned income for that YA.

(d) Where the relief is for limited partners of an LLP or a LP

7.8 If you are a limited partner of an LLP or a LP, your relevant deductions, together with all of your relevant deductions allowed in all past YAs, must not exceed your contributed capital as at the end of the basis period relating to that YA. This restriction is known as the "relevant deduction restriction[4]". Any excess of the relevant deductions over your contributed capital may then (subject to conditions) be carried forward to be deducted against your future share of income from the same LLP or LP.

7.9 The relevant deduction restriction also applies for the purpose of carry-back relief. Your capital contribution as at the end of the basis period relating to the YA that the QD arise will be used for the relevant deduction restriction. This is because your QD to be carried back relate to that YA and not the immediate preceding YA.

7.10 Annex H shows how the carry back deduction and restriction of the qualifying deductions are applied to partners of an LLP.

8 Specific exclusions for carry-back relief

8.1 You will not be able to carry back your QD if the QD arise from certain trade or activity carried on. They are:

(a) **Qualifying deductions of a trade where the income is wholly exempt from tax**

If you carry on such a trade (e.g. pioneer trade), you are not allowed to carry back the QD relating to that trade for deduction against other exempt or non-exempt income.

[4] For an explanation of what is "contributed capital" and more details of the relevant deduction restriction", please refer to IRAS e-Tax Guide on "Income Tax Treatment of Limited Liability Partnerships (Second Edition)" issued on 1 Mar 2014.

(b) **Qualifying deductions of specific activity or trade**

If you carry on specific types of activity or trade where there are rules restricting the deduction of the QD only against such trade or activity, or restricting the carry forward of the QD, you are to apply the same restriction in the carry back of the QD. The QD from such trade or activities are not allowed to be deducted against your other sources of income.

These activities or trades include:

(i) finance leasing where the income is taxable under section 10D of the ITA; and

(ii) the business of hiring out motor cars where the income is taxable under section 10H of the ITA.

(c) **Qualifying deductions of a Section 10E company**

If you carry on a business of the making of investments, you are not allowed to carry forward your QD arising from that business. As the QD are disregarded, the carry- back relief does not apply.

(d) **Loss of eligible investors in approved start-up companies under the Enterprise Investment Incentive Scheme (EII)** [5]

Currently, an eligible investor holding qualifying shares in approved start-up under the Enterprise Investment Incentive scheme (EII) may incur a capital loss upon:

(i) the sale of its qualifying shares; or

(ii) the liquidation of the approved start-up companies.

As the loss is capital in nature, it does not qualify for carry- back relief.

[5] Section 97V of the Economic Expansion Incentives (Relief from Income Tax) Act [repealed in 2016]

9 Administrative requirements for the carry-back relief

9.1 If you wish to carry back the QD of any current YA to the immediate preceding YA, you must make an election within the timeframe stated below:

Companies	No later than the time of filing the income tax return for the current YA
Bodies of persons	
Trustees	
Executors	
Individuals	No later than 30 days from the date of service of the notice of assessment for the current YA on him

9.2 The election, once made, is irrevocable.

(i) <u>Companies making the election</u>

9.3 Companies should indicate the election in their Income Tax Return (Form C) and the tax computation when filing their Form C for the relevant YA[6]. Companies that wish to make the election cannot use Form C-S. Companies are also required to submit the revised tax computation for the preceding YA **separately** through the "Submit Document" e-service found on the "Submit Document" page where they would be directed to immediately after e-filing their Form C. The document type "Revised TC and supporting schedules for Loss-Carry back relief and Income not previously reported" should be selected[7].

---

6 In addition, companies must have submitted the income Tax Return (Form C), financial accounts (may be audited or unaudited depending on whether the company qualifies for audit exemption under the Companies Act) and tax computation for the preceding YA. This requirement is however not applicable to taxpayers which have submitted Form C-S in the preceding YAs.

7 Companies can also separately submit the revised tax computation for the preceding YA through the "Submit Document" e-Service at myTaxPortal.

(ii) Individuals or partners of a partnership/LLP/LP making the election

9.4 An individual taxpayer or the partner of a partnership/LLP/LP making the election is required to complete and sign an prescribed election form[8]. Apart from the election form, you have to submit the documents set out in the following tables:

Election made before or at the time of filing the income tax return

	Tax Computation for: Immediate preceding YA	Tax Computation for: Current YA	Certified financial accounts for the basis period relating to current YA
Sole proprietors: Revenue ≥ \$500,000	√	√	√
Sole proprietors: Revenue < \$500,000	Not required, but to indicate in the election form, the amount of QD to be carried back (including his share of the QD from a partnership/LLP/LP.		
Partners of businesses, regardless of the turnover	Not required, but to indicate in the election form, your share of the QD to be carried back.		

9.5 If you are a partner of a partnership/LLP/LP and have elected to carry back your share of the QD from the partnership/LLP/LP, you need not submit the financial accounts of the trade, business, profession or vocation carried on through the partnership/LLP/LP. However, you must, at the time of making the election, ensure that the precedent partner of the partnership/LLP/LP has already submitted to the CIT the following documents:

(a) the certified statement of financial accounts; and

(b) the tax computation showing your share of CA/loss from the partnership/LLP/LP.

9.6 The precedent partner may submit a set of provisional accounts and tax computation if the certified statement of financial accounts and tax computation are not finalised when the partner makes the election.

9.7 The CIT may treat the election as invalid if the precedent partner does not comply with the requirements.

---

[8] The prescribed election form is available at IRAS' website.

Election made after filing the income tax return

9.8 As an individual you may elect for the carry-back relief after filing your income tax return for the relevant current YA (but no later than 30 days from the date of service of the notice of assessment for the current YA on you). You only need to submit the completed and signed prescribed election form.

Bodies of persons/trustees/executors making the election

9.9 Bodies of persons/trustees/executors may elect for the carry-back relief by submitting the completed and signed prescribed election form, together with a provisional/finalised set of tax computation and financial accounts for the current YA and the revised tax computation for the immediate preceding YA (no later than the time of filing the income tax return for the current YA). The body of person/trustee/executor must also have submitted the income tax return and original audited/ certified statements of accounts for the preceding YA.

10 Refund of excess tax

10.1 Where there is tax to be refunded from the carry-back of the QD, the CIT will refund the amount within 3 months from the date you make the election. If there is any tax owing by you (including that for other tax types, e.g. property tax), the amount of tax to be refunded to you is the net amount after deducting your outstanding tax liabilities.

11 Time limit for CIT to raise additional assessments

11.1 If the CIT discovers that the amount of QD carried back and deducted against your assessable income of any immediate preceding YA was excessive, the CIT would make an assessment on the amount which should be charged to tax within 5 years after the end of that YA.

11.2 To illustrate:

Example 1

You have carried back your trade loss of $80,000 for YA 2018 to be deducted against your assessable income for YA 2017. The trade loss is subsequently reduced to $57,000. CIT may:

(a) revise the assessment for YA 2018 (to reduce the amount of the loss); and

(b) raise an additional assessment for YA 2017 (in respect of $23,000 over allowed) by 31 Dec 2022.

12 Contact information

12.1 If you have any enquiries or need clarification on this Guide, please call:

1800-3568 300 (Individual Income Tax)

1800-3568 622 (Corporate Income Tax)

6351 3883 (Taxation of Body of Persons)

6351 3363 (Taxation of Trust/Estate)

13 Updates and amendments

	Date of amendment	Amendments made
1	09 Jul 2012	Paragraph 6.7 is inserted to clarify the exchange rate that a company should use to compute the cap of $100,000 for the qualifying deductions if its functional currency is non S$.
2	26 May 2014	Paragraph 7.9 amended to incorporate the Budget 2014 tax changes in relation to the removal of spousal transfer scheme. The subsequent paragraphs were renumbered.
3	2 Apr 2018	The main amendments include: a) Deletion of paragraph 1.3 and amendment of paragraph 4.2 due to the expiry of the Enhanced Carry-Back Relief System. b) Deletion of paragraphs 7.6 to 7.8 and amendment of paragraph 7.9 to update the Spousal Transfer Scheme. c) Revisions to paragraphs 9.3-9.9 on the administrative requirements in making the election. The revisions to administrative requirements for companies take effect from YA 2010. d) Removal of the time limit of 7 years for YA 2007 and before in paragraph 11. e) Updating of examples and the Annexes.
4	9 Apr 2019	Paragraph 9.3 amended to incorporate changes to the administrative requirements in making the election.
5	8 May 2020	a) Paragraph 2.2 to make reference to the e-Tax Guide on “Enhanced Carry-back Relief System” for YA 2020 b) Deletion of paragraphs 2.7 and original paragraph 7.6 due to the phasing out of spousal transfer scheme from YA 2016. Example 1A in Annex G is amended accordingly. c) Paragraphs 9.3 and 9.9 to incorporate clarifications on the documents to be submitted
6	3 Dec 2020	Paragraph 9.3 amended to incorporate changes to the administrative requirements in making the election.

7	5 Mar 2021	Updated paragraph 2.2 and footnote 2 to incorporate the extension of the enhanced carry-back relief system to the QD for YA 2021, as announced in the 2021 Budget Statement.

Annex A – Illustration of how the amount of qualifying deductions to be carried back is determined

1. ABC Pte Ltd has unabsorbed CA and loss for YA 2018 and has claimed for carry-back relief
2. ABC Pte Ltd has normal chargeable income, donation and investment allowance for YA 2017
3. ABC Pte Ltd's accounting year end is 31 Dec.

(Assumption: The same business test and the shareholding test are satisfied. YA 2017 and 2018 are not ABC Pte Ltd's first 3 YAs which qualify for the tax exemption for new start-up companies.)

Tax Computations of ABC Pte Ltd for YAs 2017 and 2018

	YA 2018	
	$	$
Trade		
Adjusted profit before CA	0	
Less : Current CA	(35,000)	(35,000)
Other income		
Rental		24,000
		(11,000)
Less: CA carried back to YA 2017		11,000
Unabsorbed CA for YA 2018 c/f		NIL
Current year adjusted trade loss		(70,000)
Less: Loss carried back to YA 2017		70,000
Unabsorbed loss for y/e 31.12.2017 c/f		NIL
Unutilised investment allowance for YA 2018 c/f **(Note 1)**		(25,000)
Chargeable income		NIL
Tax thereon		NIL

Annex A (continued)

	YA 2017			
	Original Assessment		**Revised Assessment**	
	(before carry-back is allowed)		**(with carry-back allowed)**	
	$	$	$	$
Trade				
Adjusted profit before CA	220,000		220,000	
Less : Current CA	40,000	180,000	40,000	180,000
Other income				
Rental		30,000		30,000
		210,000		210,000
Less: Donation - $1,000 **(Note 2)**		(2,500)		(2,500)
Investment allowance		(40,000)		(40,000)
		167,500		167,500
Less: CA carried back from YA 2018			(11,000)	
Loss carried back from YA 2018			(70,000)	(81,000)
Chargeable income (before deducting exempt amount)		167,500		86,500
Less: Exempt amount **(Note 3)**		(86,250)		(45,750)
Chargeable income (after deducting exempt amount)		81,250		40,750
Tax thereon		13,812.50		6,927.50
Less: 50% CIT rebate (capped at $25,000)		(6,906.25)		(3,463.75)
		6,906.25		3,463.75
Less: Tax previously assessed				(6,906.25)
Tax to be discharged				(3,442.50)

Note:

1. Investment allowance is not eligible for carry-back.

2. Donation made qualifies for 250% tax deduction under s37(3A) of the ITA.

3. Computation of exempt amount of normal chargeable income:

On the first $10,000 (75% of the income)	7,500	7,500
On the next $157,500 (50% of the income)	78,750	
On the next $76,500 (50% of the income)		38,250
Total exempt income	86,250	45,750

Annex B – Illustration of carry-back of qualifying deductions and order of deduction where there is more than one trade

1. Mr Guan is a sole-proprietor of business X & Y, and a partner of partnership Z.
2. Mr Guan has unabsorbed CA and loss for YA 2018 and has claimed for carry-back relief, but not the unabsorbed full CA is carried back.
3. He wishes to claim wife and child relief.
4. The accounting year end of Mr Guan's sole proprietorship and partnership businesses is 31 Dec.

Tax Computations of Mr Guan for YAs 2017 and 2018

	YA 2018	
	$	$
Trade		
Sole-proprietorship business X - Adjusted profit before CA	0	
Less : Current CA	(80,000)	(80,000)
Sole-proprietorship business Y - Adjusted profit before CA	50,000	
Less : Current CA	(70,000)	(20,000)
Partnership business Z - Share of adjusted profit before CA	0	
Less : Share of current CA	(60,000)	(60,000)
		(160,000)
Other Income		
Employment		24,000
Rental		12,000
		(124,000)
Less: CA carried back to YA 2017 **(Note 1)**		100,000
Unabsorbed CA for YA 2018 c/f **(Note 2)**		(24,000)
Sole-proprietorship business X - Current year adjusted loss		(60,000)
Partnership business Z - Share of current year adjusted loss		(35,000)
Unabsorbed loss for y/e 31.12.2017 c/f		(95,000)
Chargeable Income		NIL
Tax thereon		NIL

Annex B (continued)

	YA 2017			
	Original Assessment **(before carry-back is allowed)**		**Revised Assessment** **(with carry-back allowed)**	
	$	$	$	$
Trade				
Sole-proprietorship X - Adjusted profit before CA	80,000		80,000	
Less: Current CA	(35,000)	45,000	(35,000)	45,000
Sole-proprietorship Y - Adjusted profit before CA	95,000		95,000	
Less: Unabsorbed CA for YA 2016 b/f	(20,000)		(20,000)	
Current CA	(25,000)	50,000	(25,000)	50,000
Partnership Z - Share of adjusted profit before CA	0		0	
Less: Share of current CA	(12,000)	(12,000)	(12,000)	(12,000)
		83,000		83,000
Partnership Z - Share of adjusted loss		(6,000)		(6,000)
		77,000		77,000
Other income				
Employment		40,000		40,000
Rental		18,000		18,000
		135,000		135,000
Less: CA carried back from YA 2018				(100,000)
Assessable income		135,000		35,000
Less: Personal reliefs				
- Earned Income	1,000		1,000	
- Spouse	2,000		2,000	
- Child	4,000		4,000	
- CPF	8,000	15,000	8,000	15,000
Chargeable income		120,000		20,000
Tax thereon		7,450.00		0.00
Less: Tax previously assessed				7,450.00
Tax repayable				(7,450.00)

Note:

1. Computation of amount of CA to be carried back from each trade on a proportionate basis:

Sole-proprietorship business X: 100,000 x ^{80,000} / 160,000 = 50,000
Sole-proprietorship business Y: 100,000 x ^{20,000} / 160,000 = 12,500
Partnership business Z: 100,000 x ^{60,000} / 160,000 = 37,500
} Total = $100,000

2. Computation of amount of CA to be carried forward from each trade on a proportionate basis:

Sole-proprietorship business X: 24,000 x ^{80,000} / 160,000 = 12,000
Sole-proprietorship business Y: 24,000 x ^{20,000} / 160,000 = 3,000
Partnership business Z: 24,000 x ^{60,000} / 160,000 = 9,000
} Total = $24,000

Annex C – Carry back of qualifying deductions for a company deriving income subject to tax at a concessionary rate

1. GHI Pte Ltd has trade loss from its trade which was granted concessionary rate of tax of 10% for YA 2018 and has claimed for carry-back relief.
2. GHI Pte Ltd's accounting year-end is 31 Dec.

(Assumption: The same business test and the shareholding test are satisfied.)
YA 2017 and 2018 are not GHI Pte Ltd's first 3 YAs which qualify for the tax exemption for new start-up companies)

Tax Computations of GHI Pte Ltd for YAs 2017 and 2018

	YA 2018	
	Concessionary income (Taxed at 10%)	**Normal Income (Taxed at 17%)**
	$	$
<u>Trade</u>		
Adjusted Profit before CA	0	0
Less : Current CA	(20,000)	(15,000)
	(20,000)	(15,000)
Less: CA carried back to YA 2017	20,000	15,000
Unabsorbed CA for YA 2018 c/f	NIL	NIL
Current year adjusted trade loss	(180,000)	(70,000)
Less: Loss carried back to YA 2017 **(Note 1)**	74,950	29,147
Unabsorbed loss for y/e 31.12.2017 c/f	(105,050)	(40,853)
Chargeable Income		NIL
Tax thereon		NIL

Annex C (continued)

	YA 2017			
	Original Assessment (before carry-back is allowed)		**Revised Assessment (with carry-back allowed)**	
	Concessionary income (10%)	**Normal income (17%)**	**Concessionary income (10%)**	**Normal income (17%)**
Trade	$	$	$	$
Adjusted Profit before CA	240,000	170,000	240,000	170,000
Less: Current CA	(30,000)	(25,000)	(30,000)	(25,000)
	210,000	145,000	210,000	145,000
Less: CA carried back from YA 2018	0	0	(20,000)	(15,000)
	210,000	145,000	190,000	130,000
Less: Loss carried back from YA 2018	0	0	(74,950)	(29,147)
Chargeable Income (before exempt amount)	210,000	145,000	115,050	100,853
Less: Exempt amount **(Note 2 and 3)**	0	(75,000)	0	(52,927)
Chargeable Income (after exempt amount)	210,000	70,000	115,050	47,926
Tax at 10%		21,000.00		11,505.00
Tax at 17%		11,900.00		8,147.42
		32,900.00		19,652.42
Less: 50% CIT rebate (capped at $25,000)		(16,450.00)		(9,826.21)
		16,450.00		9,826.21
Less: Tax previously assessed				(16,450.00)
Tax to be discharged				(6,623.79)

Note:

1. The amount of loss c/f is computed as follows:

(a) Amount of CA carried back under 10% rate = $ 20,000 (which is equivalent to 20,000 x $^{10}/_{17}$ = $11,765 @ 17%)

(b) Total CA carried back = $15,000 + $11,765 [i.e. amount in (a)] = $26,765

(c) Amount of loss that can be carried back = $100,000 - (b) = $73,235

(d) Total amount of adjusted loss available for carry-back = $180,000 x$^{10}/_{17}$ (under 10%) +$70,000 (under 17%) =$175,882

(e) Amount of loss to be carried back [i.e. amount in (c)] apportioned as follows:

Under 10% : ($^{105,882}/_{175,882}$ x 73,235 x $^{17}/_{10}$) = $ 74,950

Under 17% : ($^{70,000}/_{175,882}$ x 73,235) = $ 29,147

2. Nil as the partial tax exemption is not applicable to concessionary income.

3. Computation of exempt amount for normal chargeable income:

On the first $10,000 (75% of the income)	7,500	7,500
On the next $135,000 (50% of the income)	67,500	
On the next $90,853 (50% of the income)		45,427
Total exempt amount	75,000	52,927

Annex D1 – Illustration of carry-back of qualifying deductions and order of deduction where there is more than one trade subject to tax at different tax rates

1. JKL Pte Ltd has income/loss from 2 or more tax rate categories, and has claimed for carry-back relief in respect of unabsorbed CA and loss for YA 2018. A new trade (Trade A) with income subject to tax at concessionary rate of 5% commenced only in YA 2018.
2. JKL Pte Ltd 's accounting year-end is 31 Dec.

(Assumption: The same business test and the shareholding test are satisfied. YA 2017 and 2018 are not JKL Pte Ltd's first 3 YAs which qualify for tax exemption for new start-up companies.)

Tax Computations of JKL Pte Ltd for YAs 2017 and 2018

	YA 2018		
	Trade A	**Existing Trade**	
	Concessionary income (Taxed at 5%)	**Concessionary income (Taxed at 10%)**	**Normal Income (Taxed at 17%)**
	$	$	$
Trade			
Trade Profit before CA	0	40,000	0
Less : Current CA	(90,000)	(50,000)	(45,000)
	(90,000)	(10,000)	(45,000)
Other income			
Interest	-	-	5,000
Rental	-	-	20,000
	(90,000)	(10,000)	(20,000)
Less: CA carried back to YA 2017 **(Note 1)**	0	10,000	20,000
Unabsorbed CA for YA 2018 c/f	(90,000)	NIL	NIL
Current year adjusted trade loss	(560,000)		(35,000)
Less: Loss carry back to YA 2017			
($^{164,706}/_{199,706}$ x 74,118 x $^{17}/_{5}$) **(Note 2)**	207,836		
($^{35,000}/_{199,706}$ x 74,118)			12,990
Unabsorbed loss for y/e 31.12.2017 c/f	(352,164)	0	(22,010)
Chargeable Income			NIL
Tax thereon			NIL

Annex D1 (continued)

	YA 2017			
	Original Assessment (before carry-back is allowed)		**Revised Assessment (with carry-back allowed)**	
	Concessionary income (10%)	**Normal income (17%)**	**Concessionary income (10%)**	**Normal income (17%)**
<u>Trade</u>	$	$	$	$
Adjusted Profit before CA	150,000	135,000	150,000	135,000
Less: Current CA	(60,000)	(15,000)	(60,000)	(15,000)
	90,000	120,000	90,000	120,000
<u>Other Income</u>				
Interest	0	15,000	0	15,000
Rental	0	40,000	0	40,000
	90,000	175,000	90,000	175,000
Less: CA carried back from YA 2018			(10,000)	(20,000)
	90,000	175,000	80,000	155,000
Less: Loss carried back from YA 2018				
- Loss from same trade				(12,990)
- Loss from other trade **(Note 3)**			(36,476)	(39,672)
Chargeable Income (before exempt amount)	90,000	175,000	43,524	102,338
Less: exempt amount **(Note 4 and 5)**	0	(90,000)	0	(53,669)
Chargeable Income (after exempt amount)	90,000	85,000	43,524	48,669
Tax at 10%		9,000.00		4,352.40
Tax at 17%		14,450.00		8,273.73
		23,450.00		12,626.13
Less: 50% CIT rebate (capped at $25,000)		(11,725.00)		(6,313.07)
		11,725.00		6,313.07
Less: Tax previously assessed				(11,725.00)
Tax to be discharged				(5,411.93)

Note:

1. JKL is not allowed to carry back the CA in respect of Trade A as it was not carrying on Trade A during the basis period for YA 2017 (i.e. the same business test is not satisfied.)

2. The loss to be carried back is computed as follows

(a) Amount of CA carried back under 10% rate =10,000 (which is equivalent to 10,000 x $^{10}/_{17}$ = 5,882 @ 17%)

(b) Total CA carried back = $5,882 + $20,000 = $25,882

(c) Amount of loss that can be carried back =$100,000 - $25,882 = $74,118

3. (a) The computation of adjusted assessable income for YA 2017 available for deduction from the loss carry-back is as follows:

	Concessionary income (10%)	Normal Income (17%)
- $80,000 x $^{10}/_{17}$ (adjustment factor)	$47,059	
- Adjusted profit		$135,000
- Less: Current year CA		($15,000)
CA carried back from YA 2018		($20,000)
Loss carried back from YA 2018		($12,990)
		$87,010

(b) The loss (incurred under 5% tax rate category) of $207,836 carried back from YA 2018 to be apportioned to the concessionary income and normal income for YA 2017 is as follows:

- under 10% tax rate category: $47,059/$134,069 x $207,836 x $^{5}/_{10}$ = $36,476
- under 17% tax rate category: $87,010/$134,069 x $207,836 x $^{5}/_{17}$ = $39,672

4. Nil as the partial tax exemption is not applicable to concessionary income

5. Computation of exempt amount for normal chargeable income:

On the first $10,000 (75% of the income)	7,500	7,500
On the next $165,000 (50% of the income)	82,500	
On the next $92,338 (50% of the income)		46,169
Total exempt amount	90,000	53,669

Annex D2 – Illustration of carry-back of qualifying deduction and order of deduction where there is one source of income subject to tax at different tax rate and one other source of income

1. MNO Pte Ltd has normal chargeable income (including foreign dividend from a country with headline tax rate of less than 15%) and tax loss from its trade that was granted concessionary tax rate of 10% for YA 2018, and has claimed for carry-back relief.
2. MNO Pte Ltd's accounting year-end is 31 Dec.

(Assumption: The same business test and the shareholding test are satisfied. YA 2017 and 2018 are not MNO Pte Ltd's first 3 YAs which qualify for tax exemption for new start-up companies.)

Tax Computations of MNO Pte Ltd for YAs 2017 and 2018

	YA 2018	
	Concessionary income (taxed at 10%)	**Normal Income (taxed at 17%)**
	$	$
Trade		
Trade Profit before CA	0	60,000
Less : Current CA	(50,000)	(15,000)
	(50,000)	45,000
Other income		
Net foreign dividend [net of tax at 10% of $1,000]	0	9,000
Rental	0	20,000
	(50,000)	74,000
Less: S37B offset for CA (50,000 x $^{10}/_{17}$)	50,000	(29,412)
Unabsorbed CA for YA 2018 c/f	0	44,588
Current year adjusted trade loss	(1,000,000)	0
	(1,000,000)	44,588
Less: S37B offset for loss (44,588 x$^{17}/_{10}$)	75,800	(44,588)
	(924,200)	0
Less: Loss carried back to YA 2017 (100,000 x $^{17}/_{10}$)	170,000	0
Unabsorbed loss for y/e 31.12.2017 c/f	(754,200)	0
Chargeable Income		NIL
Tax thereon		NIL

Annex D2 (continued)

	YA 2017			
	Original Assessment **(before carry-back is allowed)**		**Revised Assessment (with carry-back allowed)**	
	Concessionary Income (10%)	**Normal income (17%)**	**Concessionary income (10%)**	**Normal income (17%)**
Trade	$	$	$	$
Adjusted Profit before CA	100,000	72,000	100,000	72,000
Less: Current CA	(40,000)	(25,000)	(40,000)	(25,000)
	60,000	47,000	60,000	47,000
Other Income				
Gross foreign dividend [tax on div at 10%]	0	20,000	0	20,000
Rental	0	35,000	0	35,000
	60,000	102,000	60,000	102,000
Less: Loss carried back from YA 2018			(170,000)	0
	60,000	102,000	(110,000)	102,000
Less: S37B offset (110,000 x $^{10}/_{17}$)			110,000	(64,706)
Chargeable Income (before exempt amount)	60,000	102,000	0	37,294
Less: exempt amount **(Note 1 and 2)**	0	(53,500)	0	(21,147)
Chargeable Income (after exempt amount)	60,000	48,500	0	16,147
Tax at 10%		6,000.00		0.00
Tax at 17%		8,245.00		2,744.99
		14,245.00		2,744.99
Less: Foreign tax relief **(Note 3 and 4)**		(1,616.67)		(998.14)
Net Tax Payable		12,628.33		1,746.85
Less: 50% CIT rebate (capped at $25,000)		(6,314.17)		(873.43)
		6,314.16		873.42
Less: Tax previously assessed				(6,314.16)
Tax to be Discharged				(5,440.74)

Note:

1. Nil as the partial tax exemption is not applicable to concessionary income.

2. Computation of exempt amount for normal chargeable income:

	Original	Revised
On the first $10,000 (75% of the income)	7,500	7,500
On the next $92,000 (50% of the income)	46,000	
On the next $27,294 (50% of the income)		13,647
Total exempt amount	53,500	21,147

3. Computation of foreign tax relief = 20,000/102,000 x 48,500 x 17% = 1,616.67

4. Computation of foreign tax relief:

(a) Based on the order of deduction, the loss carried back of $170,000 (@10% will be deducted from the same trade income (i.e. $60,000 @10%) first, followed by other trade income (i.e. $47,000 @17%). The balance of loss carried back of $17,706 [i.e. $64,706 - $47,000] will be deducted proportionately between foreign dividend ($20,000) and rental income ($35,000).

(b) Loss of $17,706 attributable to:
- foreign dividend : $17,706 x $^{20,000}/_{55,000}$ = $6,439
- rental income : $17,706 x $^{35,000}/_{55,000}$ = $11,267

(c) Foreign dividend net of loss carried back = $20,000-$6,439 = $13,561

(d) Rental income net of loss carried back = $35,000 - $11,267 = $23,733

(e) Foreign tax relief = lower of:

(i) 10% of $20,000 (i.e. $2,000) or

(ii) $\frac{13,561}{13,561+23,733}$ x 16,147x17% = $998.14

Annex E – Illustration on how carry-back relief is effected where transfer under group relief system is made

> 1. PQR Pte Ltd has unabsorbed CA and loss for YA 2018. It has elected to transfer its loss items to its related company, STU Pte Ltd, whose assessable income for YA 2018 is $30,000.
> 2. PQR Pte Ltd has also elected for carry-back relief. For its YA 2017 assessment, PQR Pte Ltd has elected to claim loss items from its related company, VWX Pte Ltd, which has unabsorbed CA of $15,000.
> 3. PQR Pte Ltd's accounting year end is 31 Dec.
>
> (Assumption: The same business test and shareholding test, as well as all conditions stated in S37C of the ITA, are satisfied. YAs 2017 and 2018 are not PQR Pte Ltd's first 3YAs which qualify for tax exemption for new start-up companies.)

Tax Computations of PQR Pte Ltd for YAs 2017 and 2018

		YA 2018	
		$	$
Trade			
Adjusted profit before CA		0	
Less:	Current CA	(80,000)	(80,000)
Other income			
Interest			25,000
Rental			10,000
			(45,000)
Less:	Loss items transferred to STU Pte Ltd		30,000
			(15,000)
Less:	Current CA carried back to YA 2017		15,000
Unabsorbed CA for YA 2018 c/f			NIL
Current year adjusted trade loss			(160,000)
Less:	Loss carried back to YA 2017 (100,000 - 15,000)		85,000
Unabsorbed loss for y/e 31.12.2017 c/f			(75,000)
Chargeable income			NIL
Tax thereon			NIL

Annex E (continued)

		YA 2017			
		Original Assessment *(before carry-back is allowed)*		**Revised Assessment** *(with carry-back allowed)*	
		$	$	$	$
Trade income					
Adjusted profit before CA		240,000		240,000	
Less:	Current CA	(55,000)	185,000	(55,000)	185,000
Other income					
Interest			36,000		36,000
Rental			25,000		25,000
			246,000		246,000
Less:	Current year CA transferred from VWX Pte Ltd		(15,000)		(15,000)
			231,000		231,000
Less:	CA carried back from YA 2018			(15,000)	
	Loss carried back from YA 2018			(85,000)	(100,000)
Chargeable income (before deducting exempt amount)			231,000		131,000
Less:	Exempt amount **(Note 1)**		(118,000)		(68,000)
Chargeable income (after deducting exempt amount)			113,000		63,000
Tax thereon			19,210.00		10,710.00
Less:	50% CIT rebate (capped at $25,000)		(9,605.00)		(5,355.00)
			9,605.00		5,355.00
Less: Tax previously assessed					(9,605.00)
Tax to be Discharged					(4,250.00)

Note 1

Computation of exempt amount for normal chargeable income:		
On the first $10,000 (75% of the income)	7,500	7,500
On the next $221,000 (50% of the income)	110,500	
On the next $121,000 (50% of the income)		60,500
Total exempt amount	118,000	68,000

Annex F – Diagram showing order of deduction for companies at a glance

Company XYZ

Immediate preceding YA

Adjusted profit - Trade 1	AA	
Less: Unabsorbed CA b/f	(BB)	
	CC	
Less: CA for current year	(DD)	(EE)
Adjusted profit -Trade 2	FF	
Less: CA for current year	(GG)	HH
		II
Less: Unabsorbed loss - Trade 2 b/f		JJ
		KK
Adjusted loss - Trade 3		(LL)
		MM
Rental income	NN	
Interest income	OO	PP
		QQ
Less: Unutilised donation b/f		(RR)
		SS
Less: current year donation		(TT)
		UU
Less: Amt transferred from Group Co under s 37C:		
- CA transferred	(VV)	
- Loss transferred	(WW)	
- Donation transferred	(XX)	(YY)
		ZZ
Less: Amt carried back under s37E		
- CA **(Note 1)**	ZA	
- Loss **(Note 1)**	ZB	(ZC)
CI before exempt amt under s43(6) or (6A)		ZD
Less: Exempt amt under s43(6) or (6A)		ZE
Chargeable income		**ZF**

Note 1:
The total amount of CA and Losses to be carried back must not exceed $100,000

Current YA

Adjusted profit - Trade 1	ZG	
Less: CA for current year	(ZH)	(ZI)
Adjusted profit -Trade 2	ZJ	
Less: CA for current year	(ZK)	ZL
		(ZM)
Rental income	ZN	
Interest income	ZO	ZP
		(ZQ)
Less: Amt transferred to Group Company under s37C		ZR
		(ZA)
Less: Amt carried back under s37E		ZA
Unabsorbed CA c/f		NIL
Current year trade loss - Trade 3		(ZT)
Less: Amt carried back under s37E		ZB
Unabsorbed current year loss c/f		(ZU)
Unabsorbed current year donation c/f		ZV
Unutilised investment allowance c/f		ZW
Chargeable income		**NIL**

Company A

Current YA

Adjusted profit -Trade 1	ZX	
Less unabsorbed CA b/f	(ZY)	
	YA	
Less: CA for current year	(YB)	(YC)
Adjusted profit -Trade 2	YD	
Less: CA for current year	(YE)	YF
		YG
Less: Unabsorbed loss - Trade 2 b/f		YH
		YI
Adjusted loss - Trade 3		(YJ)
		(YK)
Rental income	YL	
Interest income	YM	YN
		YO
Less: Unabsorbed donation b/f		(YP)
		YQ
Less: Current year donation		(YR)
		ZR
Less: Amt transferred from Group Company under s37C:		
- CA transferred		(ZR)
Chargeable income		**NIL**

Annex G – Illustration on how carry-back relief is effected for an individual

Example 1A:

1. Mr Tan has only 1 source of trade income from his sole-proprietorship. He also derived employment and rental income for YA 2018.
2. Mr Tan has unabsorbed CA and loss for YA 2018 from his sole-proprietorship business, of which the accounting year end is 31 Dec.
3. Mr Tan wished to claim qualifying child relief in respect of his only child.
4. Mr Tan has elected to carry-back his unabsorbed CA and loss for YA 2018 to his YA 2017 assessment.

Tax Computations of Mr Tan for YAs 2017 and 2018

	YA 2018	
	$	$
Trade		
Sole-proprietorship business – Adjusted profit before CA	0	
Less: Current CA	(55,000)	(55,000)
Other income		
Employment		24,000
Rental		12,000
		(19,000)
Less: CA carried back to YA 2017 assessment		19,000
Unabsorbed CA for YA 2018 c/f		NIL
Sole-proprietorship business – Current year adjusted trade loss		(154,000)
Less: Loss carried back to YA 2017 assessment **(Note 1)**		81,000
Unabsorbed loss for y/e 31.12.2017 c/f		(73,000)
Chargeable income		NIL
Tax thereon		NIL

Annex G (continued)

	YA 2017			
	Original Assessment *(before carry-back is allowed)*		**Revised Assessment** *(with carry-back allowed)*	
	$	$	$	$
Trade				
Sole-proprietorship - Adj profit before CA	77,000		77,000	
Less: Current CA	(35,000)	42,000	(35,000)	42,000
Other income				
Employment		40,000		40,000
Rental		21,000		21,000
		103,000		103,000
Less: CA/Loss carried back from YA 2018 **(Note 1)**		-		(100,000)
Assessable income		103,000		3,000
Less: Personal reliefs				
- Earned income **(Note 2)**	1,000		1,000	
- Child	4,000		4,000	
- CPF	8,000	13,000	8,000	13,000
Chargeable income		90,000		Nil
Tax thereon		4,500.00		0.00
Less: Tax previously assessed				4,500.00
Tax to be refunded				(4,500.00)

Note:

1. As Mr Tan has elected for carry-back relief, the full amount of $100,000 (i.e. $$19,000 + $81,000) must be carried back even though he has $13,000 personal reliefs to deduct from his assessable income of $103,000.

2. Computation of earned income relief:

   (a) Based on the order of deduction, the loss carried back of $100,000 will be deducted from trade income of $42,000 first. The balance of loss carried back of $58,000 [i.e. $100,000 - $42,000] will be deducted proportionately between the employment income ($40,000) and rental income ($21,000).

   (b) Loss of $58,000 attributable to employment income = $58,000 x $40,000 / $61,000 = $38,033

   (c) Employment income net of loss carried back = $40,000 - $38,033 = $1,967

Annex G (continued)

Example 2:

1. Mr Lim is a sole-proprietor of businesses U and V, and a partner of partnership W.
2. The accounting year end of his businesses is 31 Dec.
3. Mr Lim has unabsorbed CA and loss for YA 2018 from all his businesses.
4. Mr Lim wished to claim qualifying child relief in respect of his child.
5. Mr Lim has elected to carry-back his unabsorbed CA and loss for YA 2018 to his YA 2017 assessments.

Tax Computations of Mr Lim for YAs 2017 and 2018

	YA 2018	
	$	$
Trade		
Sole-proprietorship business U – Adjusted profit before CA	0	
Less: Current CA	(48,000)	(48,000)
Sole-proprietorship business V – Adjusted profit before CA	50,000	
Less: Current CA	(35,000)	15,000
Partnership business W – Share of adjusted profit before CA	0	
Less: Share of current CA	(35,000)	(35,000)
		(68,000)
Other income		
Employment		24,000
Rental		12,000
		(32,000)
Less: CA carried back to YA 2017		32,000
Unabsorbed CA for YA 2018 c/f		NIL
Sole-proprietorship business U – Current year adjusted loss		(75,000)
Partnership business W – Share of current year adjusted loss		(45,000)
		(120,000)
Less: Loss carried back to YA 2017		68,000
Unabsorbed loss for y/e 31.12.2017 c/f		(52,000)
Chargeable income		NIL
Tax thereon		NIL

Annex G (continued)

	YA 2017			
	Original Assessment *(before carry-back is allowed)*		**Revised Assessment** *(with carry-back allowed)*	
	$	$	$	$
Trade income				
Sole-proprietorship U - Adj profit before CA	91,600		91,600	
Less: Current CA	(35,000)	56,600	(35,000)	56,600
Sole-proprietorship V- Adj profit before CA	65,000		65,000	
Less: CA b/f	(20,000)		(20,000)	
Current CA	(25,000)	20,000	(25,000)	20,000
Partnership W – Share of adj profit before CA	0		0	
Less: Share of current CA	(12,000)	(12,000)	(12,000)	(12,000)
		64,600		64,600
Trade loss				
Partnership W – Share of adjusted loss		(6,000)		(6,000)
		58,600		58,600
Other income				
Employment		40,000		40,000
Rental		18,000		18,000
		116,600		116,600
Less: CA/Loss carried back from YA 2018		-		(100,000)
Assessable income		116,600		16,600
Less: Personal reliefs				
- Earned income	1,000		1,000	
- Child	4,000		4,000	
- CPF	8,000	13,000	8,000	13,000
Chargeable income		103,600		3,600
Tax thereon		5,564.00		0.00
Less: Tax previously assessed				5,564.00
Tax to be refunded				(5,564.00)

Annex H – Illustration of deduction and restriction of capital allowances and trade losses of partners of an LLP

Partnership S&T is an LLP and has two partners (i.e. Mr Song and Topmost Pte Ltd). The LLP's accounting year end is 31 December. Both partners have claimed for carry-back relief. The details of the LLP for YA 2017 and 2018 are:

	Mr Song (Example 1)		**Topmost Pte Ltd (Example 2)**	
(A) Profit sharing ratio	30%		70%	
(B) Contributed capital as at: a) 31.12.16 b) 31.12.17	$20,000 $60,000		$120,000 $175,000	
(C) Adj profit/loss of LLP for y/e: a) 31.12.16 - Profit $ 93,000 b) 31.12.17 - Loss $120,000	$27,900 ($36,000)		$ 65,100 ($84,000)	
(D) CA for: a) YA 2017 - $180,000 b) YA 2018 - $150,000	$54,000 $45,000		$126,000 $105,000	
(E) CA & losses - Cumulative	**YA 2017**	**YA 2018**	**YA 2017**	**YA 2018**
	$54,000	$135,000	$126,000	$315,000
(F) Contributed capital as at end of basis period	$20,000	$60,000	$120,000	$175,000
(G) Excess of cumulative CA and losses over contributed capital [(E)-(F)]	$34,000	$85,000	$6,000	$140,000
(H) Past relevant deduction	CA - $20,000 Loss - $ 0 $20,000	CA - $60,000 Loss - $ 0 $60,000	CA - $60,900 Loss - $ 0 $60,900	CA - $165,900 Loss - $ 1,175 (i.e. 9,100 - 7,925) $167,075

Annex H (continued)

Example 1 - Tax Computations of Mr Song for YAs 2017 and 2018

	YA 2018		
	$	$	$
Trade			**Restrict**
- Sole-proprietorship business- Adjusted profit before CA	0		
Less: CA	(35,000)	(35,000)	
- LLP – Adjusted profit before CA	0		
Less: CA b/f	(6,100)	(6,100)	
: Current CA	(45,000)	(33,900)	(11,100)
		(75,000)	
Employment income		38,000	
Rental Income		22,000	
		(15,000)	
Less: CA carried back to YA 2017		15,000	
Unabsorbed CA c/f		NIL	
Unabsorbed LLP CA for YA 2018 c/f		(11,100)	
Sole-proprietorship business – Adjusted loss		(70,000)	
Add: LLP adjusted loss		0	(36,000)
		(70,000)	
Less: Loss carried back to YA 2017		70,000	
Unabsorbed loss for y/e 31.12.17 from sole-proprietorship c/f		NIL	
Add: Unabsorbed LLP loss for y/e 31.12.17 c/f		(36,000)	
Total unabsorbed losses c/f		(36,000)	
Chargeable Income		NIL	
Tax payable		NIL	
Cumulative LLP CA & losses (54,000 + 45,000 + 36,000)		(135,000)	
Less: Deduct from LLP profit in YA 2017		27,900	
Deduct from other sources in YAs 2017 & 2018		60,000	
LLP CA & losses c/f:			
- CA for YA 2018 c/f	(11,100)		
- Loss for y/e 31.12.2017	(36,000)	(47,100)	

Summary of relevant deductions allowed in respect of:

(i) YA 2017 LLP CA = $20,000

(ii) YA 2018 LLP CA

- deduct from YA 2018 income
  $60,000 x $^{(6,100+33,900)}/_{75,000}$ = $32,000
- deduct from YA 2017 income
  $15,000 x $^{(6,100+33,900)}/_{75,000}$ = $8,000

$60,000

Annex H (continued)

	YA2017 Original Assessment (before carry-back is allowed) $	$	$ Restrict	YA2017 Revised Assessment (after carry-back is allowed) $	$	$ Restrict
Trade						
- Sole-proprietorship biz - Adj profit before CA	170,000			170,000		
Less: Current year CA	(15,000)	155,000		(15,000)	155,000	
- LLP – Adjusted profit before CA	27,900			27,900		
Less: Current year CA	(54,000)	(20,000)	(6,100)	(54,000)	(20,000)	(6,100)
		135,000			135,000	
Employment income		48,000			48,000	
Rental Income		30,000			30,000	
		213,000			213,000	
Less : CA carried back from YA 2018				(15,000)		
Loss carried back from YA 2018				(70,000)	(85,000)	
		213,000			128,000	
Less: Personal Relief						
- Earned Income	1,000			1,000		
- Spouse	2,000			2,000		
- Child	4,000			4,000		
- CPF	9,600	16,600		9,600	16,600	
Chargeable Income		196,400			111,400	
Unabsorbed LLP CA for YA 2017 c/f		(6,100)			(6,100)	
Tax payable		20,002.00			6,461.00	
Less: Tax previously assessed					20,002.00	
Tax to be refunded					(13,541.00)	
Cumulative LLP CA & losses		(54,000)				
Less: Deduct from LLP profit in YA 2017		27,900				
Deduct from other sources in YA 2017		20,000				
LLP CA & losses c/f:						
- Unabsorbed CA for YA 2017	(6,100)					
- Unabsorbed loss for y/e 31.12.2016	0	(6,100)				

Annex H (continued)

Example 2 - Tax Computations of Topmost Pte Ltd for YAs 2018 and 2017

	YA 2018		
	$	$	$ **Restrict**
Trade income			
- Topmost Pte Ltd's operations - Adjusted profit before CA	0		
Less: Current year CA	(55,000)	(55,000)	
- LLP - Adjusted profit before CA	0		
Less: Current CA	(105,000)	(105,000)	
		(160,000)	
Interest income		15,000	
Rental Income		72,000	
		(73,000)	
Less: CA carried back to YA 2017		73,000	
Unabsorbed CA for YA 2017 c/f		NIL	
Trade loss			
Topmost Pte Ltd's operations – Adjusted loss		(200,000)	
Add: LLP current loss		(9,100)	(74,900)
		(209,100)	
Less: Loss carried back to YA 2017		27,000	
Unabsorbed loss for y/e 31.12.17 c/f [i.e. LLP loss $7,925 (i.e. 9,100 - 1,175) and trade loss $174,175 (i.e. 200,000 - {27,000-1,175})]		(182,100)	
Add: Unabsorbed LLP loss for y/e 31.12.17 c/f		(74,900)	
Total unabsorbed losses c/f		(257,000)	
Chargeable Income		NIL	
Tax payable		NIL	
Cumulative LLP CA & losses (126,000 + 105,000 + 84,000)		(315,000)	
Less: Deduct from LLP profit in YA 2017		65,100	
Deduct from other sources in YAs 2017 & 2018		167,075	
LLP CA & losses c/f:			
- CA for YA 2018	0		
- Unabsorbed loss for y/e 31.12.2017 (9,100 – 1,175) c/f	(7,925)		
- Unabsorbed loss for y/e 31.12.2017 c/f	(74,900)	(82,825)	

Summary of relevant deductions allowed in respect of:

(i) YA 2017 LLP CA = $60,900

(ii) YA 2018 LLPCA

- against YA 2018 income

$87,000 x $^{105,000}/_{160,000}$ = $57,094

- against YA 2017 income

$73,000 x $^{105,000}/_{160,000}$ = $47,906

(ii) YA 2018 LLP loss

- against YA 2018 income

$27,000 x $^{9,100}/_{209,100}$ = <u>$1,175</u>

<u>$167,075</u>

Annex H (continued)

	YA 2017					
	Original Assessment (before carry-back is allowed)			**Revised Assessment (after carry-back is allowed)**		
	$	$	$ Restrict	$	$	$ Restrict
Trade income						
- Topmost Pte Ltd's operations – Adj profit before CA	300,000			300,000		
Less: Current year CA	(50,000)	250,000		(50,000)	250,000	
- LLP – Adj profit before CA	65,100			65,100		
Less: Current CA	(126,000)	(60,900)		(126,000)	(60,900)	
		189,100			189,100	
Interest income		20,000			20,000	
Rental Income		60,000			60,000	
		269,100			269,100	
Less : CA carried back from YA 2018				(73,000)		
Loss carried back from YA 2018				(27,000)	(100,000)	
Chargeable income (before deducting exempt amount)		269,100			169,100	
Less: Exempt amount[1]		(137,050)			(87,050)	
Chargeable Income		132,050			82,050	
Tax payable		22,448.50			13,948.50	
Less: 50% CIT rebate (capped at $25,000)		(11,224.25)			(6,974.25)	
Net tax payable		11,224.25			6,974.25	
Less: Tax previously assessed					(11,224.25)	
Tax to be refunded					(4,250.00)	
Cumulative LLP CA & losses		(126,000)				
Less: Deduct from LLP profit in YA 2017		65,100				
Deduct from other sources in YA 2017		60,900				
LLP CA & losses c/f:						
- Unabsorbed CA for YA 2017 c/f	0					
- Unabsorbed loss for y/e 31.12.2016 c/f	0	0				

		Original	Revised
1. Computation of exempt amount of normal chargeable income:	On the first $10,000 (75% of the income)	7,500	7,500
	On the next $259,100 (50% of the income)	129,550	
	On the next $159,100 (50% of the income)		79,550
	Total exempt income	137,050	87,050