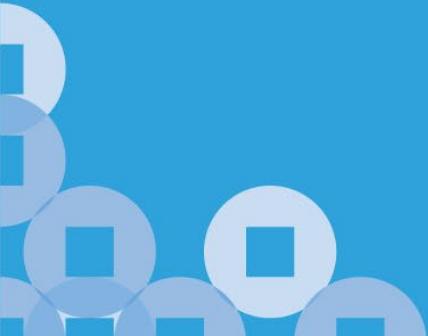




INLAND REVENUE
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IRAS e-Tax Guide

Group Relief System
(Third Edition)



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Table of Contents

	Page
1 Aim.....	2
2 At A Glance	2
3 Glossary	3
4 Background.....	5
5 Group Relief System.....	5
6 Definition Of Group Companies.....	5
7 First Level Test – Ordinary Shareholding Requirement.....	8
8 Second Level Test – Profits & Assets Available For Distribution.....	9
9 Same Accounting Year End Requirement.....	9
10 Specific Exclusions From Group Relief.....	10
11 Transfer Rules For Group Relief System	11
12 Quantum Of Loss Items For Transfer Under Group Relief System	13
13 Transfer/Claim Loss Items To/From More Than One Companies	14
14 Administrative Requirements	15
15 Anti-Avoidance Measure	19
16 Payments For Benefits Of Group Relief	19
17 Newly Incorporated Company Whose First Set Of Accounts Is For A Period Exceeding 12 Months	19
18 Common Errors.....	20
19 Contact Information	20
20 Updates And Amendments	21
Annex 1 – Illustration Of Whether Two Or More Singapore-Incorporated Companies Are Members Of The Same Group.....	22
Annex 2 – Application Of Shareholding Test.....	27
Annex 3 – Illustration Of Ordinary Shareholding Requirement And Entitlement To Profits & Assets Test.....	28
Annex 4 – Illustration Of Requirement For Group Companies To Have Same Accounting Year End.....	32
Annex 5 – Illustration Of How Loss Items Are Transferred Under Group Relief System...	36
Annex 6 – Quantum Of Loss Transfer Under Group Relief System	44
Annex 7 – Order Of Priority Specified By Transferor & Claimant.....	48
Annex 8 – Common Errors.....	49

Group Relief System

1 Aim

- 1.1 This e-Tax Guide provides information on the group relief system under section 37B of the Income Tax Act 1947 ("ITA")¹. It is relevant to any Singapore-incorporated company electing:
 - a. to transfer unabsorbed capital allowances, losses and donations (collectively known as "loss items") for any year of assessment ("YA") to another Singapore-incorporated group company to offset against the assessable income of that other company for the same YA; or
 - b. to claim loss items for any YA from another Singapore-incorporated group company to offset against its assessable income for the same YA.

2 At a glance

- 2.1 For tax purposes, companies within a group are treated as separate legal entities. Each company's tax liabilities are determined independently from those of other companies within the same group.
- 2.2 Under the group relief system, group companies are recognised as one single entity for the purpose of group relief. This means that a company with loss items for any YA can:
 - a. keep the loss items for deduction against its future assessable income²; or
 - b. elect to deduct the loss items against another group company's assessable income in the same YA under the group relief system.
- 2.3 To enjoy the group relief for any YA, the company with loss items to transfer and the company that receives such items must:
 - a. be incorporated in Singapore,
 - b. belong to the same group of companies on the last day of the basis period relating to that YA (paragraph 6), and
 - c. have the same accounting year end (paragraph 9).

¹ This e-Tax guide replaces the IRAS e-Tax guide "Loss transfer system of group relief" published on 23 Oct 2002.

² Company can also elect to carry back unabsorbed capital allowances and losses subject to conditions imposed under the ITA.

3 Glossary

3.1 Assessable Income

Assessable income of a company refers to its income from all sources after deducting capital allowances, losses, approved donations and other relevant deductions like incremental research and development expenses or investment allowances.

3.2 Claimant

A claimant is a company that claims loss items from another company in the same group for deduction against its assessable income.

3.3 Commercial Loan

Commercial loan refers to any borrowing that entitles the creditor to only a fixed return. This return can be a fixed amount, a fixed rate per cent (including a specified floating rate) of the principal amount of the loan, or a fixed rate per cent of the profits of the borrower.

3.4 Equity Holder

Equity holder means any holder of ordinary shares (i.e. all shares excluding shares that carry only a right to fixed dividends) in the company and any creditor of the company in respect of any non-commercial loan.

3.5 Non-Commercial Loan

Non-commercial loan is any borrowing other than commercial loan which entitles the creditor to variable profit participation in a company.

3.6 Residual Assets

Residual assets available for distribution to equity holders refer to net assets of the company upon a notional winding up, after distribution to commercial loan creditors and shareholders other than ordinary shareholders.

3.7 Residual Profits

Residual profits available for distribution to equity holders refer to the profits of the company that equity holders would be entitled to receive if there is a distribution of the company's profits. Accordingly, residual profits represent profits of the company:

- a) after deducting any fixed dividends on all shares (including ordinary shares);
- b) but before deducting any non-fixed return on non-commercial loans and any non-fixed dividend on ordinary shares.

3.8 Transferor

A transferor is a company that transfers its loss item to another company in the same group.

3.9 Unabsorbed Capital Allowances

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

3.10 Unabsorbed Trade Losses

The trade loss incurred by a company for a YA that exceeds the company's income from all sources for that YA.

3.11 Unabsorbed donations

The donations in kind or cash to approved recipients as provided under section 37(3)(b), (c), or (f) of the ITA for a YA that exceed the company's statutory income for that YA.

4 Background

4.1 Each company within a group is a single corporate legal entity although it may be related to each other through common shareholding. For income tax purposes, the tax liability of each company within the same group is determined separately. Thus, prior to the group relief system, a company could not deduct its unabsorbed capital allowances, trade losses and donations for the current year (collectively known as “loss items”) against another group company’s assessable income. The company could, however, carry them forward for setoff against its future assessable income subject to satisfying certain conditions under the ITA (e.g. shareholding test, maximum five YAs for carrying forward of donations, etc.).

5 Group Relief System

5.1 From YA 2003, the group relief system³ allows a company (“transferor”) to transfer its loss items for a YA to another company (“claimant”) for deduction against the latter’s assessable income for the same YA when they satisfy the following conditions:

- Both companies are Singapore-incorporated companies belonging to the same group of companies on the last day of the basis period for that YA, and
- Both companies have the same accounting year end.

5.2 The claim for group relief is subject to:

- the rules governing the order of transfer of loss items and the quantum to be transferred (paragraphs 11 to 13).
- the administrative procedures spelt out in paragraph 14 and imposed by the Comptroller of Income Tax (“CIT”) from time to time.

6 Definition of Group Companies

6.1 For the purpose of group relief, a group must consist of a Singapore-incorporated company and its Singapore-incorporated group members. The transferor and claimant are members of the same group if:

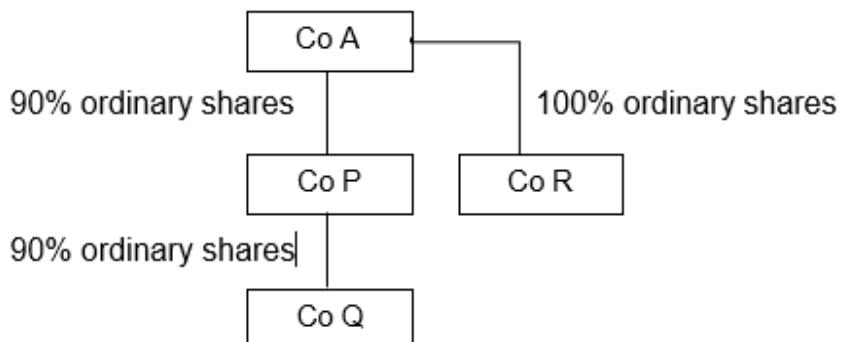
- at least 75% of the total number of issued ordinary shares in one company are beneficially held, directly or indirectly, by the other (i.e. the relevant holding company); or
- at least 75% of the total number of issued ordinary shares in each of the two companies are beneficially held, directly or indirectly, by a third Singapore-incorporated company (i.e. the relevant holding company).

³ The group relief system is provided under section 37B of the ITA.

6.2 In other words, a transferor and claimant are members of the same group so long as the ordinary shareholding level (direct or indirect) of the relevant holding company is at least 75%. This is illustrated in the example below.

Example 1—Illustration of Direct and Indirect Shareholding

The diagram below shows Co A and its group of companies and their ordinary shareholdings. All the companies are incorporated in Singapore.



Members	Percentage of ordinary shareholding	75% met?
A & P	90% (direct shareholding) [paragraph 6.1(a)]	Yes
A & Q	81% (indirect shareholding) $(90\% \times 90\%)^4$ [paragraph 6.1(a)]	Yes
P & Q	90% (direct shareholding) [paragraph 6.1(a)]	Yes
P & R	Both P and R are at least 75% directly owned by A [paragraph 6.1(b)]	Yes
Q & R	Both Q and R are at least 75% directly or indirectly owned by A [paragraph 6.1(b)]	Yes

⁴ Where:

- a Singapore-incorporated company (P) beneficially owns directly or indirectly a fraction of the ordinary shares (X%) of a second Singapore-incorporated company (S1);
- S1 beneficially owns directly or indirectly a fraction of the ordinary shares (Y%) of a third Singapore-incorporated company (S2);

P's beneficial ownership of the ordinary shares of S2 is deemed to be the multiplication of X% and Y%. This process may be followed through any number of companies.

In this example, A has indirect shareholding of 81% in Q. This is determined by multiplying its direct shareholding of 90% in P with P's direct shareholding of 90% in Q.

6.3 In determining the ordinary shareholding level, any direct or indirect shareholdings by:

- a company not incorporated in Singapore; or
- an entity which is not a Singapore-incorporated company (e.g. a trade association, an individual, etc.)

would be disregarded. Please refer to Annex 1 for more examples on when two or more Singapore-incorporated companies are considered as members of the same group.

6.4 The 75% ordinary shareholding requirement under paragraph 6.1 is considered met if these two level tests are met:

- First Level Test: Ordinary shareholding requirement (paragraph 7)
- Second Level Test: Profits and assets available for distribution (paragraph 8)

6.5 To be eligible for group relief, the relevant holding company not only has to maintain direct or indirect ordinary shareholding level of at least 75%, it must also maintain such level on the last day of the basis period for a YA. Please refer to the table below.

Table 1 – Determining Eligibility for Group Relief

Shareholding level of relevant holding company	Eligible for group relief?
At least 75% throughout the basis period for the YA	Yes. This is because the companies are considered as members of the same group for the purpose of the group relief system.
At least 75% on the last day of the basis period but had fallen below 75% during the basis period for the YA	<p>Yes, but is limited to the continuous period ending on the last day of the basis period during which the companies were members of the same group (see paragraph 12).</p> <p>The companies are not eligible for group relief relating to the loss items attributable to the period when the ordinary shareholding level falls below 75%. This is because the companies are no longer considered as members of the same group for the purpose of the group relief system. Please see example 1 in Annex 2.</p>

Shareholding level of relevant holding company	Eligible for group relief?
Below 75% on the last day of the basis period for the YA	No, even though there may be periods during the basis period when the ordinary shareholding level is maintained at or above 75%. Please see example 2 in Annex 2.

7 First Level Test – Ordinary Shareholding Requirement

7.1 Under the group relief system, the 75% ordinary shareholding is determined based on ordinary shares only. Ordinary shares are all shares issued by a company apart from:

- Treasury shares [as defined in section 4(1) of the Companies Act 1967], and
- Shares that carry only a right to fixed dividends, i.e. dividends payable based on:
 - a fixed amount;
 - a fixed rate per cent of the value of the shares; or
 - a fixed rate per cent of the profits of the company

7.2 In other words, ordinary shares are shares (other than treasury shares) which carry a right to variable profit participation. The table below illustrates when shares would be considered as ordinary shares.

Table 2 – Determining Ordinary Shares

Scenario	Ordinary shares?
A company with no share capital (e.g. a company limited by guarantee)	No. Since ownership is based on holdings of ordinary shares, the company would not qualify for group relief.
Shares which carry rights to fixed dividends and a right to participate in profits of the company remaining after payment of fixed dividends	Yes
Shares which carry only a right to a fixed dividend but no right to variable profit participation	No

Scenario	Ordinary shares?
Shares that carry a right to fixed dividends, together with rights other than variable profit participation e.g. rights of conversion to shares of other description or rights to acquire new shares	No

8 Second Level Test – Profits & Assets Available for Distribution

- 8.1 The holders of the ordinary shares must also demonstrate that they are beneficially entitled, directly or indirectly, to at least 75% of:
 - a) Any residual profits of the company available for distribution to the company's equity holders; and
 - b) Any residual assets of the company available for distribution to the company's equity holders upon winding up of the company.
- 8.2 The holders of ordinary shares must be beneficially entitled to the profits and assets of the company in proportion to their equity interest.
- 8.3 Please refer to Annex 3 which illustrates the application of the first and second level test.
- 8.4 Where a company has positive residual assets, the ordinary shareholders' percentage entitlement to residual assets will be determined based on the actual value of residual assets distributable to them in a notional winding up. Where a company has no residual profits or has negative residual assets, a notional residual profit or residual assets of \$100 is used to calculate equity holders' notional entitlement.
- 8.5 The beneficial entitlement of the equity holders to the notional residual assets of \$100 is determined based on the ratio of sharing residual assets agreed among the equity holders (generally based on the respective values of the ordinary shares held and the principal values of the non-commercial loans).

9 Same Accounting Year End Requirement

- 9.1 Group companies are usually required to have the same accounting year end for financial reporting purposes. Thus, to simplify the claim for group relief, the transferor and claimant must have the same accounting year end to qualify for group relief.

9.2 This requirement is only applicable to the transferor and claimant. For example:

- Transferor (A) and claimant (B) are directly or indirectly held by a third company (C) within the same group
- A and B have the same accounting year end
- C has different accounting year end
- C is not claiming or transferring loss items
- A and B are eligible for group relief even though C does not have the same accounting year end

9.3 Please refer to Annex 4 which illustrates the requirement for members of the same group to have the same accounting year end.

10 Specific Exclusions from Group Relief

10.1 Loss items that do not qualify for transfer under the group relief system include:

- a) Losses attributable to the operations of foreign branches.
- b) Loss items of a company's trade or activity which if they were income, are wholly exempt from tax (e.g. income from an activity of a pioneer enterprise approved under the Economic Expansion Incentives (Relief from Income Tax) Act 1967 ("EEIA")). Such loss items will continue to be deducted only against such exempt income within the same company. This is so even if there are provisions for such loss items to be deducted against other non-exempt income within the same company at the end of the incentive period (e.g. under the pioneer incentive).
- c) Loss items from specific categories of activities or trade where there are rules limiting the deduction of such loss items to the income from such activities or trade (e.g. income from finance leases under section 10C of ITA, income from business of hiring out motor cars under section 10F of ITA, etc.).

10.2 Investment allowance given under the EEIA will not be available for transfer under the group relief system.

10.3 A company deriving income from the business of making of investments and subject to tax in accordance with section 10D of the ITA may claim loss items under the group relief system. But it can only transfer its loss items to a limited extent as shown in the table below.

Table 3 – Eligibility of Group Relief for Loss Items Under S10D

Type of loss items of company (S10D)	Eligible for group relief?
Excess of a) outgoings and expenses, and b) capital allowances granted under sections 19, 19A, 19B, 19C, 19D, 20 and 21 of the ITA over the company's income derived from income-producing investments in any year which are not allowed to be carried forward	No
Current year unabsorbed donations	Yes
Current year unabsorbed industrial building allowances granted under sections 16, 17, 18B and 18C of the ITA	Yes with effect from YA 2007

11 Transfer Rules for Group Relief System

11.1 In determining the income chargeable to tax for a company, capital allowances, losses and donations are set off against its gains or profits from all sources in the following order:

- a) First : Capital allowances brought forward from prior YAs in the order of earliest to latest YAs
- b) Second : Capital allowances for the current YA
- c) Third : Trade losses brought forward from prior YAs in the order of earliest to latest YAs
- d) Fourth : Trade losses for the current YA
- e) Fifth : Donations brought forward from prior YAs in the order of earliest to latest YAs
- f) Sixth : Donations for the current YA

11.2 The same order of setoff applies for the purpose of group relief.

Table 4 – Order of Setoff for Group Relief

Transferor
<p>1) <u>Determining loss items available for transfer</u></p> <p>The order of setoff against the transferor's adjusted profit to determine the loss items available for transfer is the same as paragraph 11.1.</p> <p>By applying the order of setoff, a transferor cannot pick and choose the category of loss items to be transferred. Please see the example below.</p>

<u>Transferor</u>	<u>Quantum</u>	<u>Loss items available for transfer</u>
Adjusted profit	\$100,000	
<u>Capital allowances</u>		
- Prior YA	\$ (60,000)	Order of setoff – First Not a loss item
- Current year	(35,000)	Order of setoff – Second Net income of \$40,000 (100,000 – 60,000) is more than enough to set off current YA capital allowance of \$35,000. Thus, no loss item is available for transfer.
<u>Trade losses</u>		
- Prior YA	\$ (40,000)	Order of setoff – Third Not a loss item
- Current year	-	
<p>In this example, the company has no loss item to be transferred. The company cannot choose to set off the trade losses brought forward from prior YA against the net trade income of \$40,000 so as to transfer its capital allowances for current YA of \$35,000 under the group relief system.</p>		
2) <u>Transferring loss items</u>		
<p>The loss items of a transferor are transferred out in the order as follows:</p> <p>1st : Unabsorbed capital allowances for current year 2nd : Unabsorbed trade losses for current year 3rd : Unabsorbed donations for current year</p> <p>Where within each category of loss item, there are amounts relating to more than one tax rate, any amount relating to the higher tax rate will be transferred first followed by the amount relating to a lower tax rate (subject to the adjustment under section 37A of the ITA).</p>		
Claimant		
3) <u>Determining assessable income available for loss items</u>		
<p>The order of setoff to determine the claimant's assessable income is the same as paragraph 11.1.</p>		
4) <u>Claiming loss items</u>		
<p>The loss items are claimed in the same order as item 2 above.</p> <p>Where the claimant has assessable income subject to tax at more than one rate of tax, the loss items will be deducted first against assessable income subject to tax at the higher tax rate followed by assessable income subject to tax at the lower tax rate (subject to the adjustment under section 37A of the ITA).</p>		

11.3 Other rules:

- a) A claimant's normal chargeable income (i.e. income subject to tax at the normal corporate tax rate) up to \$102,500⁵ or \$125,000⁶ is exempt from tax. The normal chargeable income is computed after taking into account the setoff of loss items.
- b) When computing the balancing charge or allowance for a transferor upon disposal or write-off of its assets, any capital allowances relating to such assets which have been transferred under the group relief system must be taken into account. This is because capital allowances have been made to the transferor.

11.4 Please refer to the examples in Annex 5 on the application of the transfer rules.

12 Quantum of Loss Items for Transfer Under Group Relief System

12.1 The quantum of loss items that can be transferred for a YA is lower of:

- a) available assessable income of the claimant based on:

$$\frac{A}{B} \times C; \text{ and}$$

- b) available quantum of loss item of the transferor based on:

$$\frac{A}{D} \times E,$$

where A is the number of days in the continuous period ending on the last day of the basis period for that YA during which the companies were members of the same group. Where the continuous periods of the transferor and claimant are different, it will be the number of days in the shorter continuous period.

B is the number of days in the basis period of the claimant for that YA;

C is the assessable income of the claimant for that YA;

D is the number of days in the basis period of the transferor for that YA; and

E is the amount of loss items of the transferor for that YA.

Please see example 1 in Annex 2 on the continuous period.

⁵ Applicable to all companies from YA 2020 (S43(6B) of ITA). Prior to YA 2020, the amount was \$152,500

⁶ Applicable to a qualifying start-up company from YA 2020 (S43(6D)(b) of ITA). For YA 2008 to YA 2019, the amount was \$200,000

12.2 Any current year loss items that cannot be transferred due to insufficient available assessable income of the claimants will be retained by the transferor. Such loss items may be carried back to set off against income of the immediate preceding YA or carried forward to set off against income in future YAs, subject to the conditions imposed under the ITA (e.g. shareholding test, maximum five YAs for carrying forward of donations, etc.).

13 Transfer/Claim Loss Items to/from More Than One Companies

13.1 A claimant may claim loss items from more than one transferor by specifying the transferors in order of priority. The loss items transferred from the first transferor must be fully deducted against the claimant's available assessable income before loss items from the second transferor can be deducted against the claimant's remaining available assessable income and so on.

13.2 As a result, the assessable income of the claimant available to utilise loss items from any transferor, for the purpose of paragraph 12.1(a) will be:

$$\left(\frac{A}{B} \times C \right) - F,$$

where F is the total loss items previously claimed from any other transferor for the same YA.

13.3 Similarly, a transferor may transfer its loss items to more than one claimant by specifying the claimants in order of priority. The loss items must be fully set off against the available assessable income of the first claimant according to the transfer rules before any excess loss items can be set off against the available assessable income of the second claimant and so on.

13.4 As a result, the loss items of the transferor available for transfer to any claimant, for the purpose of paragraph 12.1(b) will be:

$$\left(\frac{A}{D} \times E \right) - G$$

where G is the total loss items previously transferred to any other claimant for the same YA.

13.5 Please refer to the illustrations in Annex 6.

14 Administrative Requirements

14.1 Companies wishing to transfer or claim loss items under the group relief system would need to observe the following administrative requirements:

Table 5 – Administrative requirements

	Questions	Administrative requirements
1	How to claim?	<p>The company, when e-filing its Form C, is required to make an irrevocable election by completing the relevant sections in Form C.</p> <p>A company that wishes to make the group relief claim cannot use Form C-S or Form C-S (Lite).</p>
2	Which prescribed form to use?	<p>There are two types of forms:</p> <ol style="list-style-type: none"> 1) Form GR A for transferor 2) Form GR B for claimant <p>The company should submit Form GR A or GR B as part of their Form C e-filing as follows:</p> <p>Step 1: Indicate the amount of group relief transferred or claimed in the "Assessment" tab of Form C.</p> <p>Step 2: Complete the details in the "Group Relief" tab of the Form C e-Service.</p>
3	When to submit?	The company is to complete the section on Form GR A or GR B as part of its Form C e-filing by the filing due date.
4	Can a company change its election?	Once an election is made, it is final and irrevocable. The company is not allowed to make changes to its election.
5	Can a company transfer or claim loss items if it fails to complete Form GR A or GR B sections in the Form C?	The company will be disqualified from the group relief system.

	Questions	Administrative requirements
6	How to transfer loss items to more than one claimant?	<ul style="list-style-type: none"> • The company is to specify the priority of the claimants in the Form GR A. • The company cannot alter the priority once the form is submitted. • This is to ensure that the transfer is done according to the priority.
7	How to claim loss items from more than one transferor?	<ul style="list-style-type: none"> • The company is to specify the priority of the transferors in the Form GR B. • The company cannot alter the priority once the form is submitted. • This is to ensure that the claim is done according to the priority.
8	What if company is unable to establish the exact number of claimants when completing the Form GR A in Form C (as their final tax positions are subject to agreement)?	<p>The transferor may specify a list of claimants in Form GR A even though their combined provisional assessable income is higher than its provisional quantum of loss items available for setoff.</p> <p>This will ensure that where:</p> <ol style="list-style-type: none"> a) the quantum of loss items of the transferor is subsequently increased, or b) the assessable income of any claimant is subsequently reduced, <p>the transferor may be able to transfer its loss items to the extent possible to the remaining claimants in the order of priority listed in its Form GR A.</p>
9	What if company is unable to establish the exact number of transferors at the time of completing the Form GR B in Form C (as their final tax positions are subject to agreement)?	<p>The claimant may specify a list of transferors in the Form GR B even though their combined provisional quantum of loss items available for set off is higher than its provisional assessable income.</p> <p>This will ensure that where:</p> <ol style="list-style-type: none"> a) the assessable income of the claimant is subsequently increased, or b) the quantum of loss items of any of the transferors is subsequently reduced, <p>the claimant may be able to claim loss items to the extent possible from the remaining transferors in the order of priority listed in its Form GR B.</p>

	Questions	Administrative requirements
10	What if there are inconsistencies in the order of priority specified by the transferor and claimant?	<p>If a transfer of loss items cannot be done based on the priority specified by both parties because of the inconsistencies, the order of priority specified by the transferor will take precedence over that specified by the claimant.</p> <p>See Annex 7 for an illustration on this scenario.</p>
11	Can the estimated chargeable income ("ECI") take into account group relief?	<ul style="list-style-type: none"> Companies that qualify for group relief may include it in their computation of the ECI for each YA. The quantum of group relief may be based on the provisional tax computations of both the claimant and transferor at the time of submission of the ECI. Form GR A and Form GR B are not required to be submitted at this stage.
12	How to determine the quantum of loss items when filing Form GR A and annual tax returns?	The quantum of loss items to be transferred may be based on the tax computations of each company within the group submitted to the CIT.
13	What if there are changes to the loss items and assessable income when the assessments are completed or reviewed?	<ul style="list-style-type: none"> The quantum of group relief may have to be adjusted whenever the tax assessments of the transferors and claimants are revised. Once the tax assessment of a transferor has been completed and the quantum of loss items is ascertained, the CIT will revise the assessments of the claimants based on the priority specified in the Form GR A and GR B. Similarly, if the assessments of the claimants are revised, the CIT will revise the quantum of loss items to be transferred by the transferor to each claimant based on the priority specified in the Form GR A and GR B. The transferors and claimants need not submit a revised Form GR A or GR B whenever there is a revision of assessment.

14.2 A company reporting assessable income in its tax return would not have completed Form GR A as part of e-filing of its Form C. However, if the assessable income is reduced to loss items upon completion of its tax assessment by the CIT, the company may transfer its loss items to other companies (claimants) within the same group provided that the Forms GR A and GR B, which are available on IRAS website, are submitted to IRAS as follows:

- a) The company (“new transferor”) must submit a Form GR A within 2 months from the date of the notice of assessment which shows that it has loss items available for transfer for that YA.
- b) Claimants claiming the loss items from the new transferor must submit a Form GR B within 2 months from the date of the said notice of assessment.
- c) If the claimants had previously submitted a Form GR B specifying the priority of other transferors for that YA, they cannot alter the original priority specified in their Form GR B. They can only add the new transferor to this list after the transferors originally specified.

If either Form GR A or Form GR B (new or revised) is not submitted within 2 months, the CIT would not allow the transfer of loss items from the new transferor to the claimants.

14.3 A company reporting loss items in its tax return would not have completed Form GR B as part of e-filing of its Form C. However, if the CIT determines that the company has assessable income upon completion of its tax assessment, the company may also receive loss items from other companies (transferors) within the same group provided that the Forms GR A and GR B, which are available on IRAS website, are submitted to IRAS as follows:

- a) The company (“new claimant”) must submit Form GR B within 2 months from the date of the notice of assessment showing that it has assessable income for that YA. Any Form GR A previously submitted by the new claimant for that YA would be set aside.
- b) Transferors from which loss items will be claimed by the new claimant must submit a Form GR A within 2 months from the date of the said notice of assessment.
- c) If the transferors had previously submitted a Form GR A specifying the priority of other claimants for that YA, they cannot alter the original priority specified in the form. They can only add the new claimant to this list after the claimants originally specified.

If either Form GR A (new or revised) or Form GR B is not submitted within 2 months, the CIT would not allow the transfer of loss items from the transferors to the new claimant.

15 Anti-avoidance Measure

15.1 Notwithstanding the above paragraphs, where the CIT discovers that any transfer or claim of loss items under the group relief system has become excessive, the CIT may make an assessment on the amount which should rightly be charged to tax.

15.2 For example, Company A anticipates losses on some of its existing projects that have not been recognised in the profit and loss accounts. Company B acquires Company A with the intent of claiming the loss items that Company A will recognise after the acquisition. In such instances, the CIT may, according to the best of his judgement, determine the quantum of loss items that have already been incurred by Company A prior to being acquired and deny the transfer of this amount. This is for the purposes of countering tax avoidance schemes aimed at exploiting the group relief system

16 Payments for Benefits of Group Relief

16.1 For tax purposes, there is no requirement that a claimant receiving the benefit of a deduction under group relief should pay for such a benefit. Nevertheless, a compensatory payment may be made by the claimant in recognition of the rights of minority shareholders of the transferor. Where a claimant makes such payment to the transferor for the benefit of claiming loss items from the transferor under the group relief system, it would not be entitled to claim a tax deduction for such payment. Likewise, the transferor would not be subject to tax on such a payment.

17 Newly Incorporated Company Whose First Set of Accounts is for a Period exceeding 12 months

17.1 Where the first set of accounts is submitted for a period exceeding 12 months, the losses to be transferred or claimed under group relief should be ascertained after the losses or income of the newly incorporated company have been apportioned to its respective YAs.

17.2 For example, if the first set of accounts is for the period from 1 Jun 20X7 to 31 Dec 20X8, the losses should be apportioned to YA 20X8 (i.e 1 Jun 20X7 to 31 Dec 20X7) and YA 20X9 (1 Jan 20X8 to 31 Dec 20X8). The new company has to submit the following documents by the filing due date of 30 Nov 20X9

- YA 20X9 income tax return;
- Financial accounts for the period from 1 Jun 20X7 to 31 Dec 20X8;
- Tax computations for YA 20X8 and YA 20X9; and
- Form GR A (for transferor)/ Form GR B (for claimant) for YA 20X8 and/ or YA 20X9, where applicable.

18 Common Errors

18.1 Please refer to Annex 8 for the common errors.

19 Contact Information

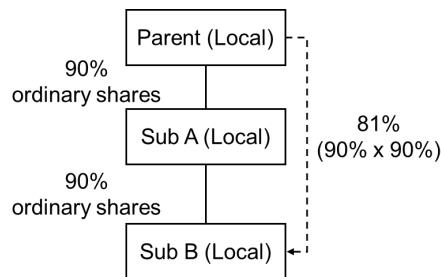
19.1 If you have any enquiries or need clarification on this Guide, please call 1800-356 8622.

20 Updates and Amendments

	Date of amendment	Amendments made
1	29 Mar 2019	<ul style="list-style-type: none">Revised former paragraphs 10.1(d) and deleted paragraphs 10.1(e) and 10.3(a), (c) and (d) relating to repealed EEIA provisions.Amended paragraph 12.2 to clarify that GR is allowed before loss carry back relief.Amended paragraph 14.2 and 14.3 to reflect the changed timelines for filing of new/revised Form GR A or GR B, which had been aligned with the time frame for objection against tax assessment.
2	30 Jan 2026	<ul style="list-style-type: none">The provisions have been updated to make reference to the renumbered provisions in the Income Tax Act 1947 (2020 Revised Edition).Former paragraphs 10.1(d) and 10.3 are deleted as they relate to repealed EEIA provisions.Paragraph 11.3 updated to reflect the current tax exempt amount.Paragraph 14 updated for e-filing of group relief claims via digital services.New paragraphs 17 and 18 are added.Annex 8 – Common Errors is added.The examples in the Annexes have been updated to more recent dates.Changes that are editorial in nature.

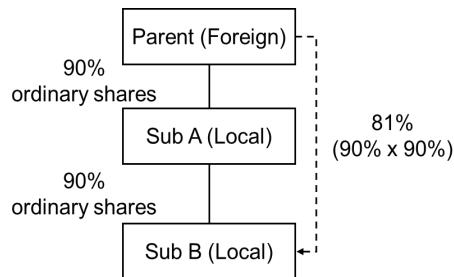
Annex 1 – Illustration of whether two or more Singapore-incorporated companies are members of the same group

Example 1



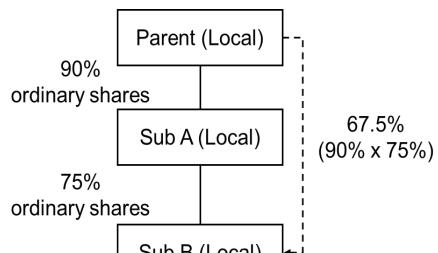
Companies	Same group?	Rationale
Parent (L) & Sub A (L)	Yes	Parent (L) owns at least 75% of the ordinary shares in Sub A (L).
Parent (L) & Sub B (L)	Yes	Parent (L) owns, indirectly, at least 75% of the ordinary shares in Sub B (L).
Sub A (L) & Sub B (L)	Yes	Sub A (L) owns at least 75% of the ordinary shares in Sub B (L).

Example 2



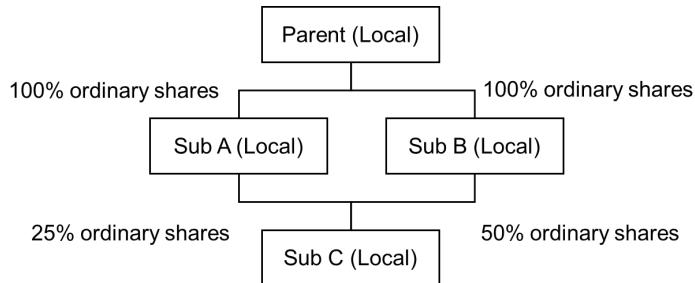
Companies	Same group?	Rationale
Parent (F) & Sub A (L)	No	Being foreign-incorporated, Parent (F)'s ownership of Sub A (L)'s ordinary shares is disregarded.
Parent (F) & Sub B (L)	No	Being foreign-incorporated, Parent (F)'s indirect ownership of Sub B (L)'s ordinary shares is disregarded.
Sub A (L) & Sub B (L)	Yes	Sub A (L) owns at least 75% of the ordinary shares in Sub B (L).

Example 3



Companies	Same group?	Rationale
Parent (L) & Sub A (L)	Yes	Parent (L) owns at least 75% of the ordinary shares in Sub A (L).
Parent (L) & Sub B (L)	No	Parent (L) owns, indirectly, less than 75% of the ordinary shares in Sub B (L).
Sub A (L) & Sub B (L)	Yes	Sub A (L) owns at least 75% of the ordinary shares in Sub B (L).

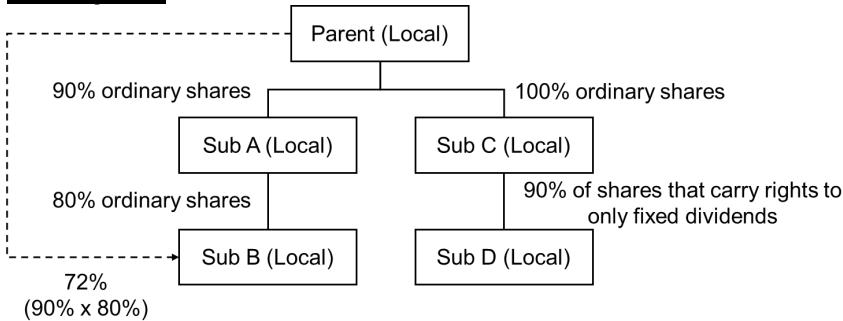
Example 4



Companies	Same group?	Rationale
Parent (L) & Sub A (L)	Yes	Parent (L) owns at least 75% of the ordinary shares in Sub A (L).
Parent (L) & Sub B (L)	Yes	Parent (L) owns at least 75% of the ordinary shares in Sub B (L).
Parent (L) & Sub C (L)	Yes	Parent (L) owns, indirectly, at least 75% of the ordinary shares in Sub C (L). Note: $(100\% \times 25\%) + (100\% \times 50\%) = 75\%$.
Sub A (L) & Sub C (L)	Yes	Parent (L) owns, directly and indirectly, at least 75% of the ordinary shares in Sub A (L) and Sub C (L), respectively.
Sub B (L) & Sub C (L)	Yes	Parent (L) owns, directly and indirectly, at least 75% of the ordinary shares in Sub B (L) and Sub C (L), respectively.
Sub A (L) & Sub B (L)	Yes	Parent (L) owns at least 75% of the ordinary shares in Sub A (L) and Sub B (L).

Group Relief System

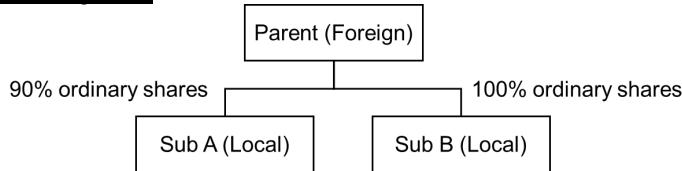
Example 5



- Sub D (local) is not part of the group for the purpose of the Group Relief system as its relationship with the Sub C (local) is via shareholdings in shares that carry rights to only fixed dividends and not via shareholdings in ordinary shares.

Companies	Same group?	Rationale
Parent (L) & Sub A (L)	Yes	Parent (L) owns at least 75% of the ordinary shares in Sub A (L).
Parent (L) & Sub B (L)	No	Parent (L) owns, indirectly, less than 75% of the ordinary shares in Sub B (L).
Parent (L) & Sub C (L)	Yes	Parent (L) owns at least 75% of the ordinary shares in Sub C (L).
Parent (L) & Sub D (L)	No	Parent (L)'s indirect shareholding in Sub D (L) is disregarded as Sub C (L)'s shareholding in Sub D (L) relates to shares other than ordinary shares.
Sub A (L) & Sub B (L)	Yes	Sub A (L) owns at least 75% of the ordinary shares in Sub B (L).
Sub A (L) & Sub C (L)	Yes	Parent (L) owns at least 75% of the ordinary shares in Sub A (L) and Sub C (L).
Sub A (L) & Sub D (L)	No	Parent (L)'s indirect shareholding in Sub D (L) is disregarded as Sub C (L)'s shareholding in Sub D (L) relates to shares other than ordinary shares.
Sub B (L) & Sub C (L)	No	Parent (L) owns, indirectly, less than 75% of the ordinary shares in Sub B (L).
Sub B (L) & Sub D (L)	No	Parent (L) owns, indirectly, less than 75% of the ordinary shares in Sub B (L). In addition, Parent (L)'s indirect shareholding in Sub D (L) is disregarded as Sub C (L)'s shareholding in Sub D relate to shares other than ordinary shares.
Sub C (L) & Sub D (L)	No	Sub C (L)'s direct shareholding in Sub D (L) is disregarded as it relates to shares other than ordinary shares.

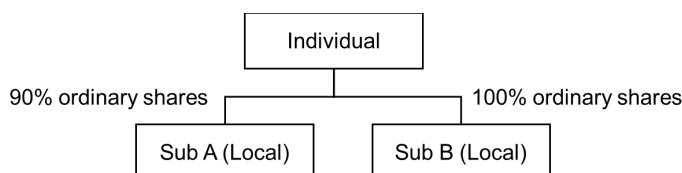
Example 6



Explanation

Sub A (local) and Sub B (local) are not members of the same group as they are not owned by a Singapore-incorporated company

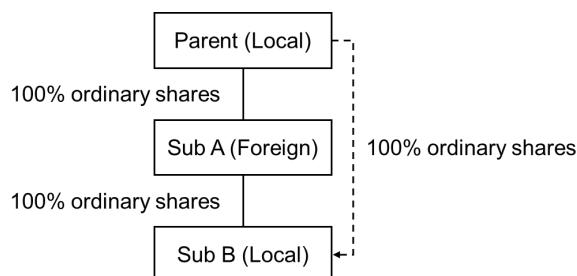
Example 7



Explanation

Sub A (local) and Sub B (local) are not members of the same group as they are not owned by a Singapore-incorporated company.

Example 8

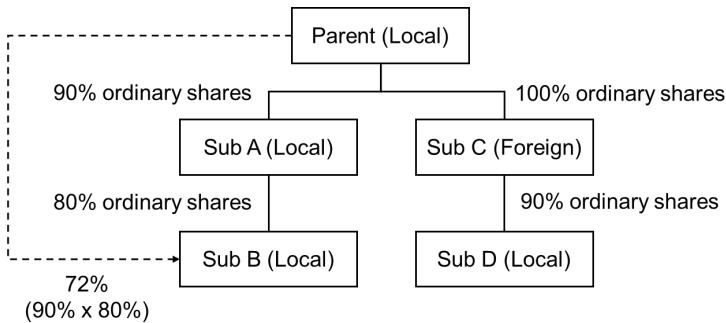


Explanation

As there is a foreign-incorporated company [i.e. Sub A (F)] in the ownership chain, shareholdings by Sub A (F) will not be considered when determining direct shareholding of Sub A (F) in Sub B (L) or indirect shareholding of Parent (L) in Sub B (L) via Sub A (F). Therefore, Parent (L) and Sub B (L) are not members of the same group under the group relief system

Group Relief System

Example 9

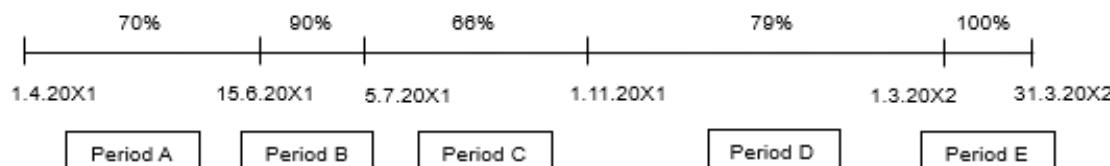


Companies	Same group?	Rationale
Parent (L) & Sub A (L)	Yes	Parent (L) owns at least 75% of the ordinary shares in Sub A (L).
Parent (L) & Sub B (L)	No	Parent (L) owns, indirectly, less than 75% of the ordinary shares in Sub B (L).
Parent (L) & Sub C (F)	No	Sub C (F) cannot be a member of the same group as Parent (L) for the purpose of the group relief system as it is not a Singapore-incorporated company
Parent (L) & Sub D (L)	No	Parent (L)'s indirect shareholding in Sub D (L) via Sub C (F) is disregarded as Sub C (F) is a foreign-incorporated company
Sub A (L) & Sub B (L)	Yes	Sub A (L) owns at least 75% of the ordinary shares in Sub B (L).
Sub A (L) & Sub C (F)	No	Sub C (F) cannot be a member of same group as Sub A (L) for the purpose of the group relief system as it is not a Singapore-incorporated company
Sub A (L) & Sub D (L)	No	Parent (L)'s indirect shareholding in Sub D (L) via Sub C (F) is disregarded as Sub C (F) is a foreign-incorporated company.
Sub B (L) & Sub C (F)	No	Sub C (F) cannot be a member of the same group as Sub B (L) for the purpose of the group relief system as it is not a Singapore-incorporated company. In addition, Parent (L) owns, indirectly, less than 75% of the ordinary shares in Sub B (L).
Sub B (L) & Sub D (L)	No	Parent (L)'s indirect shareholding in Sub D (L) via Sub C (F) is disregarded as Sub C (F) is a foreign-incorporated company. In addition, Parent (L) owns, indirectly, less than 75% of the ordinary shares in Sub B (L).
Sub C (F) & Sub D (L)	No	Sub C (F) cannot be a member of the same group as Sub D (L) for the purpose of the group relief system as it is not a Singapore-incorporated company

Annex 2 – Application of shareholding test

Example 1

Relevant holding company's (Company A) levels of ordinary shareholding in Company B (with loss items) for the accounting year end Mar 20X2 are as follows (both companies have the same accounting year end):

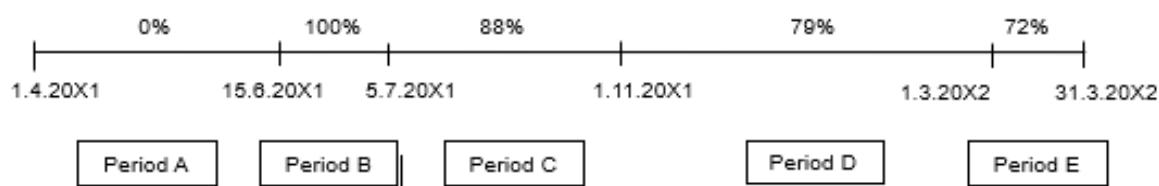


The ordinary shareholding level of the relevant holding company (i.e. Company A) on the last day of the basis period for YA 20X3 is at or above 75%. However, the ordinary shareholding level of Company A is not maintained at or above 75% throughout the basis period for the YA. Thus, Company B is allowed to transfer to Company A the amount of loss items* (generally determined on a pro-rated basis) applicable to the continuous period ending on 31.3.20X2 within which Company A's ordinary shareholding level is maintained at or above 75% (i.e. periods D and E).

* limited to the assessable income of Company A applicable to the same continuous period, if this is lower.

Example 2

Relevant holding company (Company C) acquires ordinary shares in Company D (with loss items) on 15.6.20X1 and its level of ordinary shareholding in Company D for the accounting year end Mar 20X2 are as follows (both companies have the same accounting year-end):



Since the ordinary shareholding level of the relevant holding company (i.e. Company C) on the last day of the basis period for YA 20X3 is below 75%, Company D is not allowed to transfer any loss item to Company C notwithstanding that there were periods during the basis period for which the ordinary shareholding level of Company C was maintained at or above 75% (i.e. periods B, C and D).

Annex 3 – Illustration of ordinary shareholding requirement and entitlement to profits & assets test

Example 1

Company X is a Singapore-incorporated company with accounting profits of \$100 for YA 20X1. The table below shows the shareholding structure of Company X:

	Type I shares which carry right to share in profits based on number of shares held		Type II shares yielding fixed dividend at 10% on value of shares		Type III shares yielding fixed dividend at 8% on value of shares, with right to share in profits based on number of shares held	
	Company A 600 shares	Company B 200 shares	Company A 120 shares	Company B 120 shares	Company A 150 shares	Company C 50 shares
Ordinary share@	Yes	Yes	No#	No#	Yes	Yes
Shareholding Percentage	600/1000** = 60%	200/1000 = 20%	-	-	150/1000 = 15%	50/1000 = 5%

@ does not include treasury shares.

this is not an ordinary share since it only carries a right to fixed dividend (i.e. in this case, dividend at a fixed rate percentage of the value of shares).

** 1000 ordinary shares made up of Type I shares (600+200) and Type III shares (150+50).

To determine whether Company A and X are members of the same group for YA 20X1:

Ordinary Shareholding Requirement

Company A owns (60% + 15%) = 75% of the ordinary shares issued by Company X. Therefore, it satisfies the ordinary shareholding requirement.

Profits/Assets Test

Assume that Company X has taken 2 loans as follows:

	Principal Amount	Rate of Return	Annual Return
Loan 1 (from Co Y)	\$400	5% p.a.	\$20
Loan 2 (from Co Z)	\$500	3% p.a. + right to share in profits based on principal value of loan	\$15 + variable profit

Loan 1 is a commercial loan whilst Loan 2 is a non-commercial loan since in addition to a fixed return, the creditor is also entitled to a right to share in profits of the company.

Example 1 (continued)

Company X's profits of \$100 are distributed to shareholders in the following manner:

Accounting Profit (after deduction of fixed return on loans i.e. \$20-Loan 1 and \$15-Loan 2 but before deducting non-fixed return on non-commercial loans)				\$100
Less: Distribution of fixed dividend on shares other than ordinary shares (i.e. Type II shares)				
(a) Shareholder A \$120 at 10%		\$120 x 10%	\$ 12	
(b) Shareholder B \$120 at 10%		\$120 x 10%	<u>\$ 12</u>	\$24
				\$76
Less: Distribution of fixed dividend on ordinary shares				
(a) Shareholder A 150 Type III shares at 8% (fixed dividend)		\$150 x 8%	\$ 12	
(b) Shareholder C 50 Type III shares at 8% (fixed dividend)		\$ 50 x 8%	<u>\$ 4</u>	\$16
Residual Profits distributed to equity holders based on the ratio agreed* among the equity holders:				\$60
(a) Shareholder A (600 + 150)/1500@ x \$60 (note 1)		\$ 30		
(b) Shareholder B 200/1500 x \$60 (note 2)		\$ 8		
(c) Shareholder C 50/1500 x \$60 (note 3)		\$ 2		
(d) Non-commercial loan creditor (Loan 2) 500/1500 x \$60 (note 4)		\$ 20		

* For this example, it is assumed that the agreed ratio is the ratio determined using the value of the ordinary shares and the value of the non-commercial loans.

Note 1: Shareholder A	Share value = \$600 + \$150	= \$ 750 (Type I and III shares)
Note 2: Shareholder B	Share value	= \$ 200 (Type I shares)
Note 3: Shareholder C	Share value	= \$ 50 (Type III shares)
Note 4: Creditor (Loan 2) (non-commercial loan)	Loan value	= \$ 500 \$ 1,500 @

(a) Residual Profits

Company A's percentage entitlement to the residual profits of Company X
= \$30/\$60 = 50%

(a) Residual Assets

If Company X has negative residual assets, notional residual assets of \$100 will be used to compute Company A's beneficial entitlement to residual assets⁷. In this example, it is assumed that Company A's agreed percentage entitlement to the notional residual assets of \$100 is based on the same proportion as its percentage entitlement to the residual profits of Company X. Therefore, Company A fails to satisfy the profits/assets test of being entitled to at least 75% of the residual profits and assets of Company X available for distribution to equity holders of Company X.

⁷ If residual assets of Company X amount to \$1,200 (i.e. a positive residual asset) and the non-commercial loan creditors are entitled to distribution of residual assets in priority to ordinary shareholders. \$500 is returned to non-commercial loan creditors, with the remaining amount of \$700 (\$1,200-\$500) being returned to ordinary shareholders based on their percentage shareholdings. The entitlement of Company A to residual assets = \$750/\$1,000 x \$700 = \$525. The percentage entitlement of Company A to residual assets = \$525/\$1,200 = 43.8%. Therefore, Company A also fails to satisfy the assets test.

Example 2

Assuming that all the facts remain the same as example 1, but Company A (instead of Company Z) is now the party to Loan 2.

(a) Residual Profits

The percentage entitlement of A to residual profits of Company X
= $[\$30 + \$20 \text{ (return on non-commercial loan)}] / \$60 = 83.3\%$

(b) Residual Assets

The percentage entitlement of A to residual assets⁸ of Company X
= $[\$750 \text{ (value of ordinary shares)} + \$500 \text{ (value of non-commercial loan)}] / \$1,500 = 83.3\%$

Company A would now satisfy the profits/assets test of being entitled to at least 75% of the residual profits/assets of Company X available for distribution to equity holders of Company X.

⁸ If residual assets of Company X amount to \$1,200 (i.e. a positive residual asset) and the non-commercial loan creditors are entitled to distribution of residual assets in priority to ordinary shareholders. \$500 is returned to non-commercial loan creditors, with the remaining amount of \$700 (\$1,200 - \$500) being returned to ordinary shareholders based on their percentage shareholdings. The entitlement of Company A to residual assets = $(\$750/\$1,000 \times \$700) + \$500 = \$1,025$. The percentage entitlement of Company A to residual assets = $\$1,025/\$1,200 = 85.4\%$. Company A's percentage entitlement to residual profits = $(\$30+\$20)/\$60 = 83.3\%$. Therefore, Company A would satisfy the profits/assets test.

Example 3

Assume Company X has no profits and negative residual assets for the YA 20X1. Notional residual profit of \$100 and notional residual assets of \$100 are used.

Residual Profit available for distribution to equity holders i.e. after deduction of (a) fixed dividends and (b) fixed return on loans i.e. \$20-Loan 1 and \$15-Loan 2	\$100
Residual Profits distributed to equity holders based on the ratio agreed* among the equity holders	\$100
(a) Shareholder A $(600 + 150)/1500 \times \100	\$50.00
(b) Shareholder B $200/1500 \times \$100$	\$13.30
(c) Shareholder C $50/1500 \times \$100$	\$ 3.30
(d) Non-commercial loan creditor (Loan 2) $500/1500 \times \$100$	\$33.40

* For this example, it is assumed that the agreed ratio is the ratio determined using the value of ordinary shares and the value of the non-commercial loans.

(a) Residual Profits

Company A's percentage entitlement to the residual profits/assets of Company X
= $\$50/\$100 = \underline{50\%}$

(b) Residual Assets

In this example, it is assumed that Company A's agreed percentage entitlement to the notional residual assets of \$100 is based on the same proportion as its percentage entitlement to the residual profits of Company X.

The percentage entitlement of A to residual assets of Company X
= $\$750/\$1500 = 50\%$.

Therefore, Company A fails to satisfy the profits/assets test of being entitled to at least 75% of the residual profits/assets of Company X available for distribution to equity holders of Company X.

Example 4

Assuming that all the facts remain the same as example 3, but Company A (instead of Company Z) is now the party to Loan 2.

(a) Residual Profits

Company A's percentage entitlement to the residual profits/assets of Company X
= $[\$50 + \$33.40 \text{ (return on non-commercial loan)}] / \$100 = \underline{83.4\%}$

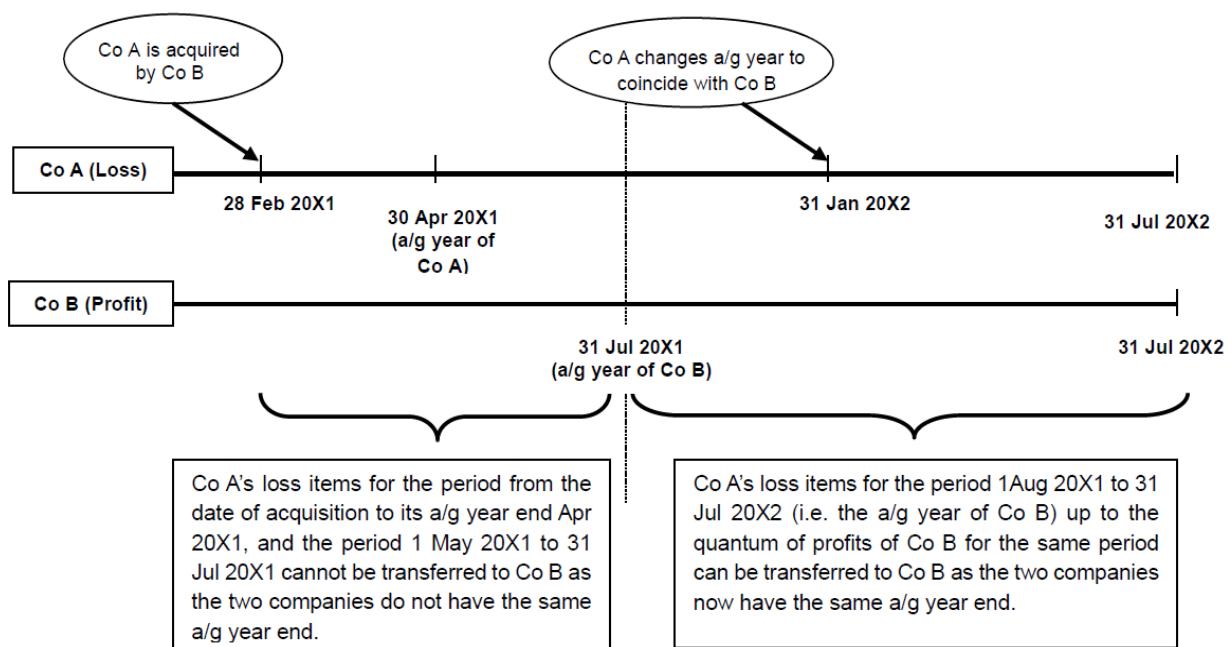
(b) Residual Assets

The percentage entitlement of A to residual assets of Company X
= $[\$750 \text{ (value of ordinary shares)} + \$500 \text{ (value of non-commercial loan)}] / \1500
= 83.3%

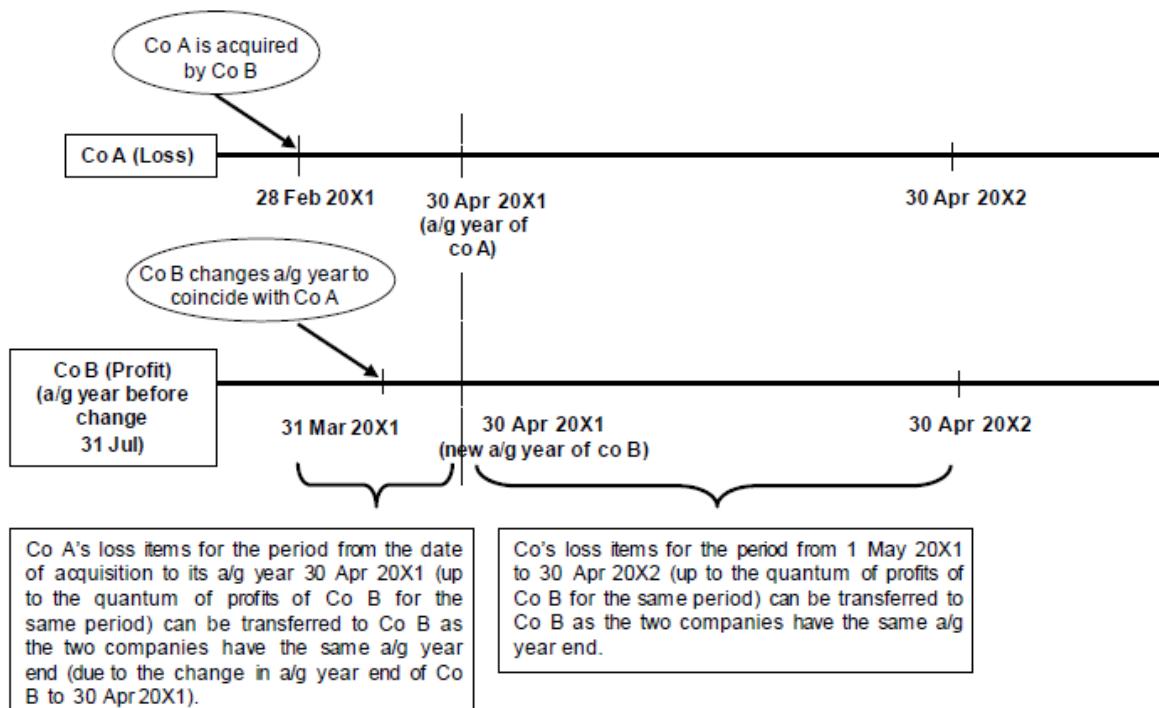
Company A would now satisfy the profits/assets test of being entitled to at least 75% of the residual profits/assets of Company X available for distribution to equity holders of Company X.

Annex 4 – Illustration of requirement for group companies to have same accounting year end

Example 1

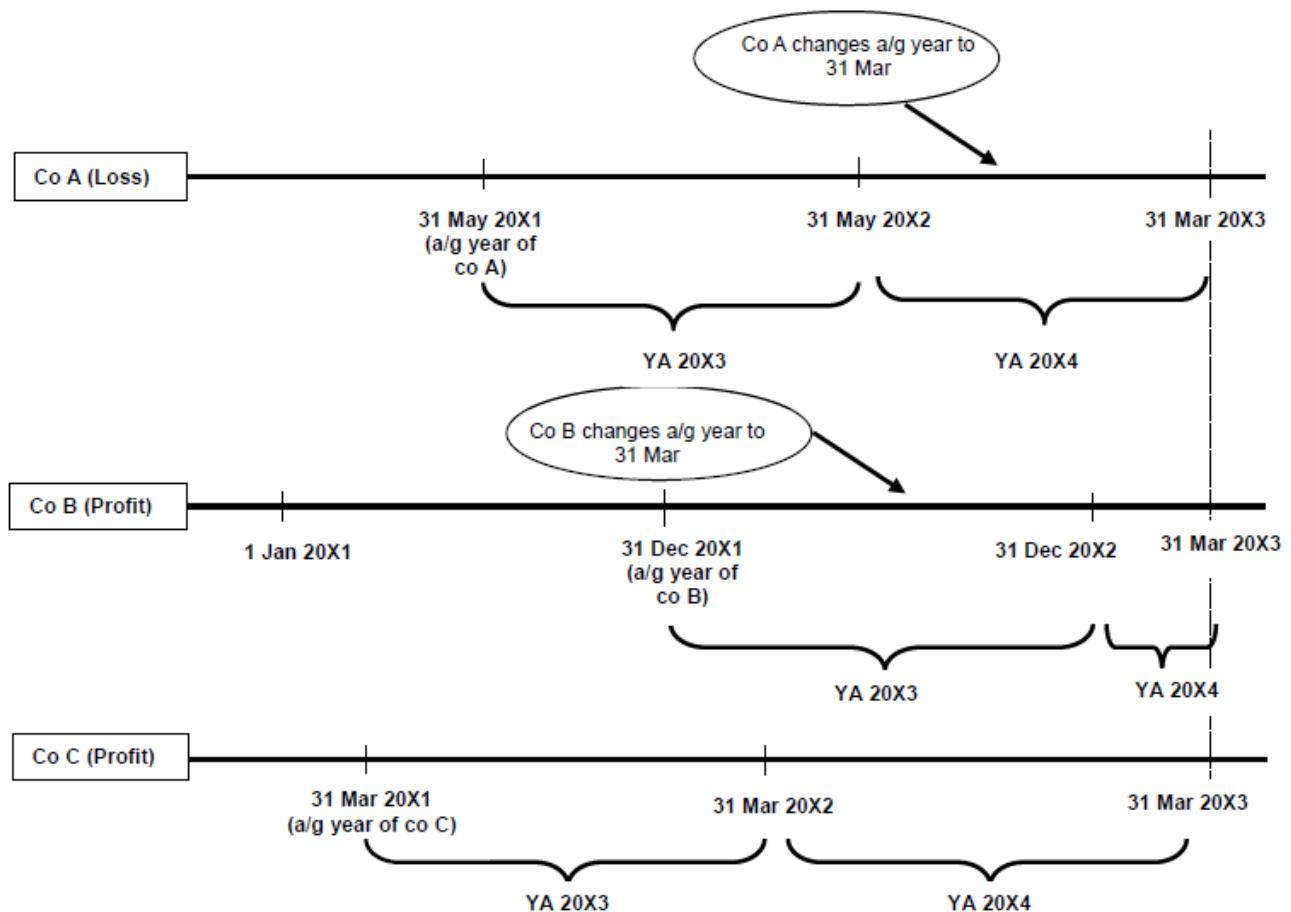


Example 2



Example 3

Companies A, B and C have been members of the same group since 1.1.20X1 and they satisfy all conditions to be members of the same group for periods stated below. Company A has indicated that it will transfer loss items in priority to Company B first, followed by Company C.



(a) Transfer of Loss Items between Company A and Company B for YA 20X3

Loss items of Company A cannot be transferred to Company B because they have different accounting year-ends for YA 20X3.

(b) Transfer of Loss Items between Company A and Company C for YA 20X3

Loss items of Company A cannot be transferred to Company C because they have different accounting year-ends for YA 20X3.

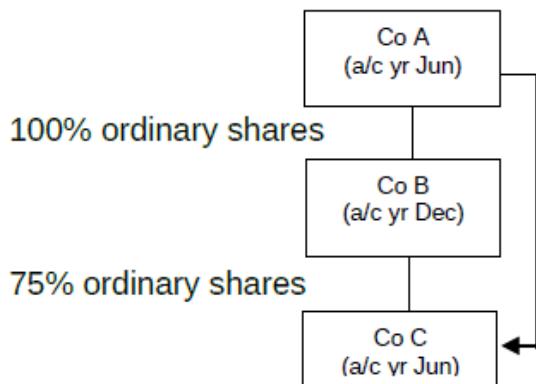
(c) Transfer of Loss Items between Company A and Company B for YA 20X4

	Company A	Company B
Basis period	1.6.20X2 to 31.3.20X3 i.e. 304 days	1.1.20X3 to 31.3.20X3 i.e. 90 days
Continuous period ending on the last day of the basis period for YA 20X4 during which company A was in the same group as company B	1.6.20X2 to 31.3.20X3 i.e. 304 days	1.1.20X3 to 31.3.20X3 i.e. 90 days
Common continuous period for Company A and B	Shorter of the two continuous periods i.e. 90 days	
Available quantum of loss item of Company A	90/304 x loss item	-
Available assessable income of Company B	-	90/90 x assessable income of Co B
Quantum of loss item of Company A allowed to be transferred to Company B		Limited to available assessable income of Company B

(d) Transfer of Loss Items between Company A and Company C for YA 20X4

	Company A	Company C
Basis period	1.6.20X2 to 31.3.20X3 i.e. 304 days	1.4.20X2 to 31.3.20X3 i.e. 365 days
Continuous period ending on the last day of the basis period for YA 20X4 during which company A was in the same group as company C	1.6.20X2 to 31.3.20X3 i.e. 304 days	1.4.20X2 to 31.3.20X3 i.e. 365 days
Common continuous period for Company A and C	Shorter of the two continuous periods i.e. 304 days	
Available quantum of loss item of Company A	(304/304 x loss item) less amount of loss item transferred to Co C	
Available assessable income of Company C		304/365 x assessable income of Co C
Quantum of loss item of Company A allowed to be transferred to Company C		Limited to available assessable income of Company C

Example 4



In this example, Company A is the transferor and Company C is the claimant. Company A and Company C must therefore have the same accounting year-end.

For the purpose of determining Company A's indirect ordinary shareholding in Company C (through Company B) as at any date within any basis period of Companies A and C (e.g. 1 Jul 20X1 to 30 Jun 20X2 for YA 20X3), Company A's ordinary shareholding in Company B, and in turn, Company B's ordinary shareholding in Company C as at the respective dates will be considered, even though Company B has a different accounting year end from Companies A and C.

Annex 5 – Illustration of how loss items are transferred under group relief system

Example 1

Tax computation of company A (transferor with accounting year end 30 June) for YA 20X2:

NORMAL INCOME (TAXED AT 17%)		CONCESSIONARY INCOME (TAXED AT 10%)	
	\$	\$	\$
Interest		20,000	410,000
Rental income		50,000	
Royalty income		10,000	
		80,000	
Less:			
Unabsorbed capital allowance b/f		(50,000)	
Current year capital allowance		(100,000)	
		(150,000)	
		(70,000)	
Section 37A set off		70,000	
Unabsorbed capital allowance c/f		0	
Adjusted profit/(loss)		(60,000)	
Add unabsorbed loss b/f		(120,000)	
		(180,000)	
Section 37A set off		150,000	
Current year unabsorbed loss		(30,000)	
Less: Amt transferred to claimant	(X)	30,000	
Unabsorbed loss c/f		0	
Donation made in y/e 31.12.20X1 - \$3,200*		8,000	
Less: Amt transferred to claimant	(Y)	(5,000)	
Unabsorbed donation c/f		3,000	
Investment allowance for YA 20X2 c/f		30,000	
Chargeable Income (CI)		Nil	

* Donation made qualifies for tax deduction at 2.5 times under S37(3A) of ITA and is apportioned using basis of allocating common expenses

CI

Example 1 (continued)**Tax computation of company B (claimant with accounting year end 30 June) for YA 20X2:**

NORMAL INCOME (TAXED AT 17%)		CONCESSIONARY INCOME (TAXED AT 10%)	
	\$	\$	\$
Adjusted profit/(loss)		747,647	500,000
Less:			
Unabsorbed capital allowance b/f	(10,000)		(480,000)
Current year capital allowance	(40,000)	(50,000)	(880,000)
		697,647	(860,000)
Less:			
Unabsorbed loss b/f		(100,000)	860,000
		597,647	Nil
Rental income		55,000	
		652,647	
Less: Donation made in y/e 31.12.20X1 - \$8,000*		(20,000)	(20,000)
		632,647	20,000
Section 37A set off (860,000 x 10/17)		(505,882)	
Section 37A set off (20,000 x 10/17)		(11,765)	Nil
		115,000	
Less: Investment allowance		(80,000)	
		35,000	
Less:			
Loss transferred from transferor	(X)	(30,000)	
Donation transferred from transferor	(Y)	(5,000)	
CI		Nil	

* Donation made qualifies for tax deduction at 2.5 times under S37(3A) of ITA and is apportioned using basis of allocating common expenses

Example 2

Tax computation of company C (transferor with accounting year end 30 Apr) for YA 20X2:

NORMAL INCOME (TAXED AT 17%)		CONCESSIONARY INCOME (TAXED AT 10%)	
	\$ 20,000	\$ 394,000	
Interest	50,000		
Rental income	10,000		
Royalty income	80,000		
Less:			
Unabsorbed capital allowance b/f	(50,000)		
Current year capital allowance	(100,000)	(150,000)	
		(70,000)	
Section 37A set off	70,000		
Unabsorbed capital allowance c/f	0		
Adjusted profit/(loss)	(60,000)		
Add unabsorbed loss b/f	(120,000)		
	(180,000)		
Section 37A set off	150,000		
Current year unabsorbed loss	(30,000)		
Less: Amt transferred to claimant	(X) 30,000		
Unabsorbed loss c/f	0		
Donation made in y/e 31.12.20X1 - \$3,200*	8,000		
Less: Amt transferred to claimant	(Y) (8,000)		
Unabsorbed donation c/f	0		
Investment allowance for YA 20X2 c/f	30,000		
CI	Nil		

* Donation made qualifies for tax deduction at 2.5 times under S37(3A) of ITA and is apportioned using basis of allocating common expenses

Example 2 (continued)

Tax computation of company D (claimant with accounting year end 30 Apr) for YA 20X2:

NORMAL INCOME (TAXED AT 17%)		CONCESSIONARY INCOME (TAXED AT 10%)	
	\$ 947,647		\$
Adjusted profit/(loss)		Adjusted profit/(loss)	505,000
Less:		Unabsorbed capital allowance b/f	(480,000)
Unabsorbed capital allowance b/f	(10,000)	Current year capital allowance	(900,000)
Current year capital allowance	(40,000)		(875,000)
	897,647		875,000
Less:		Section 37A set off	
Unabsorbed loss b/f	(100,000)	CI	Nil
	797,647		
Rental income	55,000	Donation made in year ended	(5,000)
	852,647	31.12.20X1 - \$2,000*	
Less: Donation made in y/e		Section 37A set off	5,000
31.12.20X1 - \$8,000*	(20,000)		Nil
	832,647		
Section 37A set off (880,000 x 10/17)	(517,647)	Note A: Computation of exempt amount for normal CI, limited to	
	315,000	\$200,000.	
Less: Investment allowance	(80,000)	On the first \$10,000, 75% of the income	\$ 7,500
	235,000	On the next \$187,000, 50% of the income	\$ 93,500
Less:		Total exempt amount	\$ 101,000
Loss transferred from transferor	(X) (30,000)		
Donation transferred from transferor	(Y) (8,000)		
CI before deducting exempt amount	197,000		
Less exempt amount (See note A)	(101,000)		
CI	96,000		
Tax at 17%	16,320.00		

* Donation made qualifies for tax deduction at 2.5 times under S37(3A) of ITA and is apportioned using basis of allocating common expenses

Example 3**Tax computation of company E (transferor with accounting year end 31 Dec, acquired by Co F on 1 Jul) for YA 20X2:**

NORMAL INCOME (TAXED AT 17%)		CONCESSIONARY INCOME (TAXED AT 10%)		
	\$	\$	\$	
Interest		20,000	Adjusted profit/(loss)	410,000
Rental income		50,000	Less:	
Royalty income		10,000	Unabsorbed capital allowance b/f	(10,000)
		80,000	Current year capital allowance	(6,000)
Less:				394,000
Unabsorbed capital allowance b/f		(50,000)	Less: Donation made in y/e	
Current year capital allowance		(100,000)	31.12.20X1 - \$8,000(#)	(20,000)
Section 37A set off		(70,000)		374,000
Unabsorbed capital allowance c/f		70,000	Section 37A set off	
		0	(a) 70,000 x 17/10	(119,000)
Adjusted profit/(loss)		(60,000)	(b) 150,000 x 17/10	(255,000)
Add unabsorbed loss b/f		(120,000)	CI	Nil
Section 37A set off		(180,000)		
Current year unabsorbed loss		150,000		
Less: Amt transferred to claimant*	(X)	(30,000)	* Since Co E and Co F are members of the same group only from 1 st July 20X1, Co E is only allowed to transfer to Co F the lower of:	
Unabsorbed loss c/f		15,123	(a) the amount of loss item of Co E, attributable to the period from 1 st July 20X1 to 31 st December 20X1 [computed on a pro-rated basis – i.e. 184/365 x (30,000+8,000)]; or	
Donation made in y/e 31.12.20X1 - \$3,200(#)	(Y)	8,000	(b) the amount of assessable income of Co F (after deducting investment allowance) attributable to the period from 1 st July 20X1 to 31 st December 20X1 [computed on a pro-rated basis – i.e. 184/365 x 35,000].	
Less: Amt transferred to claimant*		(2,521)	Since (b) is lower and applying the prescribed order of transfer, the full amount of losses will be transferred and the amount of donation to be transferred is limited to \$2,521.	
Unabsorbed donation c/f		5,479		
Investment allowance for YA 20X1 c/f		30,000		
CI		Nil		

* Since Co E and Co F are members of the same group only from 1st July 20X1, Co E is only allowed to transfer to Co F the lower of:

- (a) the amount of loss item of Co E, attributable to the period from 1st July 20X1 to 31st December 20X1 [computed on a pro-rated basis – i.e. 184/365 x (30,000+8,000)]; or
- (b) the amount of assessable income of Co F (after deducting investment allowance) attributable to the period from 1st July 20X1 to 31st December 20X1 [computed on a pro-rated basis – i.e. 184/365 x 35,000].

Since (b) is lower and applying the prescribed order of transfer, the full amount of losses will be transferred and the amount of donation to be transferred is limited to \$2,521.

(#) Donation made qualifies for tax deduction at 2.5 times under S37(3A) of ITA and is apportioned using basis of allocating common expenses

Example 3 (continued)

Tax computation of company F (claimant with accounting year end 31 Dec) for YA 20X2:

NORMAL INCOME (TAXED AT 17%)		CONCESSIONARY INCOME (TAXED AT 10%)
Adjusted profit/(loss)	\$ 747,647	\$ 515,000
Less:		
Unabsorbed capital allowance b/f	(10,000)	(480,000)
Current year capital allowance	(40,000)	(900,000)
	697,647	865,000
Less:		
Unabsorbed loss b/f	(100,000)	Nil
	597,647	
Rental income	55,000	
	652,647	
Less: Donation made in y/e 31.12.20X1 - \$8,000*	(20,000)	(15,000)
	632,647	15,000
Section 37A set off (880,000 x 10/17)	(517,647)	Nil
	115,000	
Less: Investment allowance	(80,000)	
	35,000	
Less:		
Loss transferred from transferor	(X) (15,123)	\$ 7,500
Donation transferred from transferor	(Y) (2,521)	\$ 3,678
CI before deducting exempt amount	17,356	Total exempt amount
Less exempt amount (See note A)	(11,178)	\$ 11,178
CI	6,178	
Tax at 17%	<u>1,050.26</u>	

* Donation made qualifies for tax deduction at 2.5 times under S37(3A) of ITA and is apportioned using basis of allocating common expenses

Note A: Computation of exempt amount for normal CI, limited to \$200,000.

On the first \$10,000, 75% of the income	\$ 7,500
On the next \$7,356, 50% of the income	\$ 3,678
Total exempt amount	\$ 11,178

Example 4**Tax computation of company G (transferor with accounting year end 30 June) for YA 20X2:**

NORMAL INCOME (TAXED AT 17%)		CONCESSIONARY INCOME (TAXED AT 10%)	
	\$	\$	\$
Interest		20,000	(38,500)
Rental income		50,000	(50,000)
Royalty income		<u>10,000</u>	<u>(88,500)</u>
		80,000	
Less:			
Unabsorbed capital allowance b/f		(50,000)	(29,750)
Current year capital allowance		<u>(100,000)</u>	<u>(58,750)</u>
		(70,000)	
Less current year capital allowance transferred to claimant		(A1) 70,000	(20,000)
Current year capital allowance c/f		<u>Nil</u>	<u>(50,000)</u>
Adjusted profit/(loss)		(60,000)	(70,000)
Add unabsorbed loss b/f		<u>(120,000)</u>	
		(180,000)	
Less current year loss transferred to claimant		(B1) 47,500	20,000
Unabsorbed loss c/f		<u>(B2) 12,500</u>	<u>(50,000)</u>
		(120,000)	
Donation made in y/e 31.12.20X1 - \$3,200*		8,000	2,000
Less: Amt transferred to claimant		(C1) (8,000)	(2,000)
Unabsorbed donation c/f		<u>Nil</u>	<u>Nil</u>
Investment allowance for YA 20X2 c/f		<u>30,000</u>	
CI		<u>Nil</u>	<u>Nil</u>

* Donation made qualifies for tax deduction at 2.5 times under S37(3A) of ITA and is apportioned using basis of allocating common expenses

Example 4 (continued)

Tax computation of company H (claimant with accounting year end 30 June) for YA 20X2:

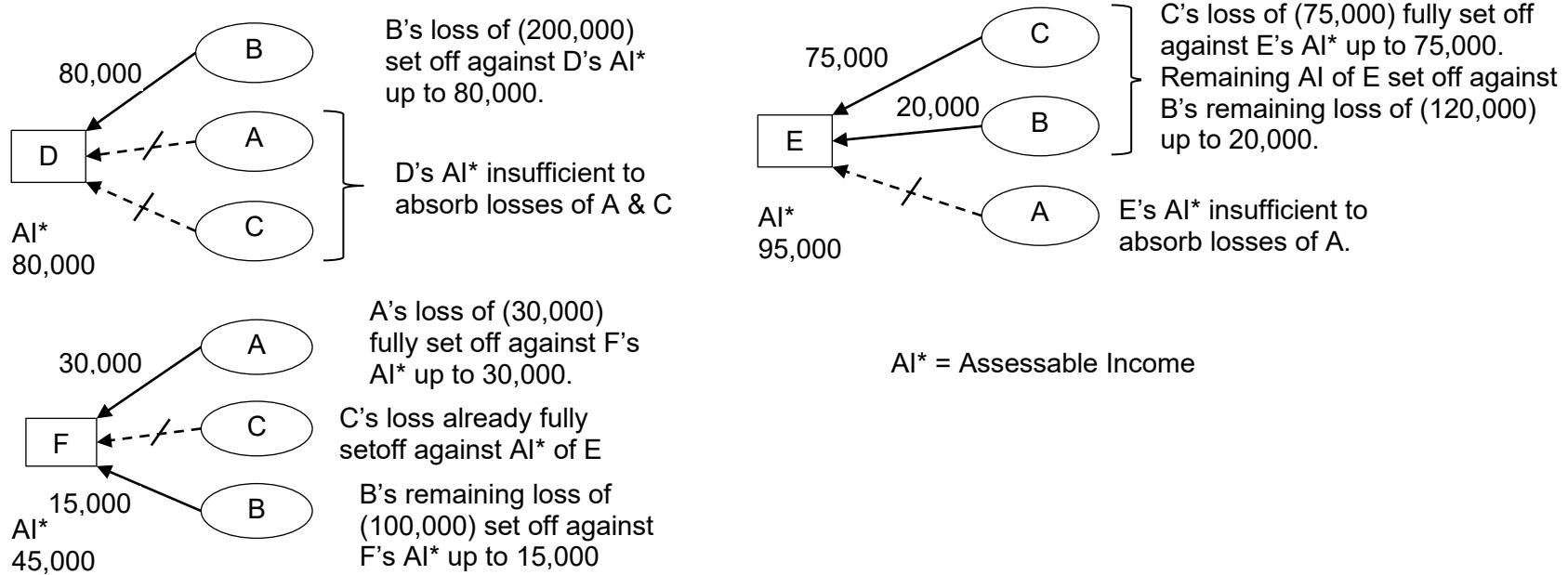
NORMAL INCOME (TAXED AT 17%)		CONCESSIONARY INCOME (TAXED AT 10%)	
	\$ 330,000		\$ 500,000
Adjusted profit/(loss)		Adjusted profit/(loss)	
Less:		Less:	
Unabsorbed capital allowance b/f	(10,000)	Unabsorbed capital allowance b/f	(80,000)
Current year capital allowance	(40,000)	Current year capital allowance	(10,000)
	280,000		410,000
Less:		Less: Donation made in year ended	
Unabsorbed loss b/f	(100,000)	31.12.20X1 - \$8,000*	(20,000)
	180,000		390,000
Rental income	55,000	Less: Amount transferred from	
	235,000	transferor	
Less: Donation made in y/e 31.12.20X1		- Loss	
- \$8,000*	(20,000)	(B2) 12,500 x 17/10	(21,250)
	215,000	(B3)	(20,000)
Less: Investment allowance	(80,000)	- Donation	
	135,000	(C1) 8,000 x 17/10	(13,600)
Less: Amount transferred from		(C2)	(2,000)
transferor			333,150
- Capital allowance		CI	
(A1)	(70,000)		
(A2) 29,750 x 10/17	(17,500)		
- Loss	(B1) (47,500)	Tax at 10%	33,315
CI	<u>Nil</u>		
		* Donation made qualifies for tax deduction at 2.5 times under S37(3A) of ITA and is apportioned using basis of allocating common expenses	

Annex 6 – Quantum of loss transfer under group relief system

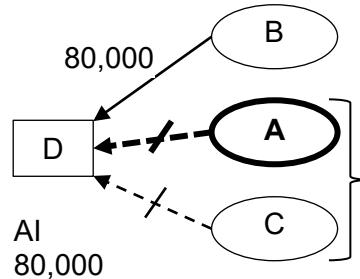
Companies A – F are all members of the same group.

	Company A	Company B	Company C	Company D	Company E	Company F
Unabsorbed current year trade loss	(30,000)	(200,000)	(75,000)			
Assessable Income				80,000	95,000	45,000
Priority of companies specified in GR A	D, E, F	D, E, F	E, F, D			
Priority of companies specified in GR B				B, A, C	C, B, A	A, C, B

Overall position of companies A – F:



Transfer of company A's loss items

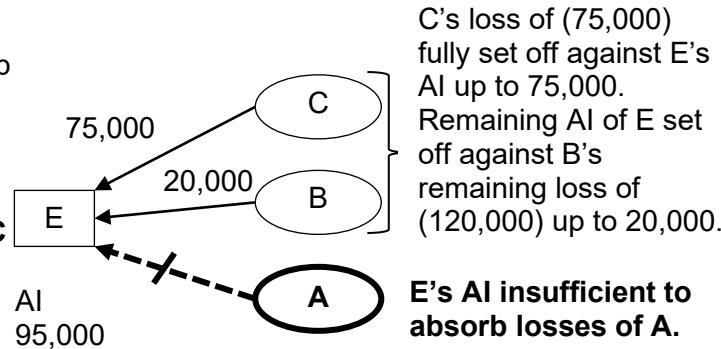


B's loss of (200,000)
set off against D's AI up
to 80,000.

**D's AI insufficient to
absorb losses of A & C**

1) Company D

Both A and B have specified D as the first company to which their losses are to be transferred. However, D has indicated that it would absorb losses from B first. AI of D has to be reduced by B's losses first before any remaining AI of D can be reduced by A's losses.

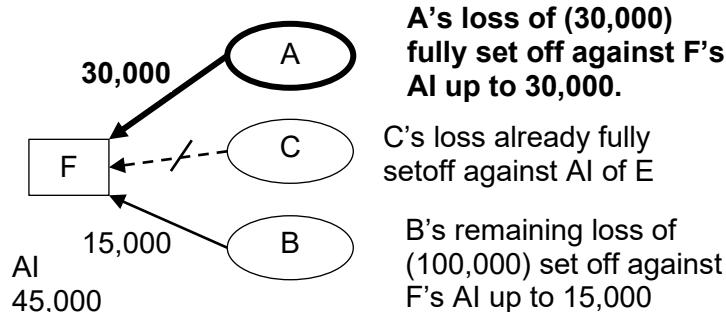


C's loss of (75,000)
fully set off against E's
AI up to 75,000.
Remaining AI of E set
off against B's
remaining loss of
(120,000) up to 20,000.

**E's AI insufficient to
absorb losses of A.**

2) Company E

Similarly, both A and B have specified E as the second company to which their losses are to be transferred. However, AI of E is to be reduced by C's losses first, followed by B, before any remaining AI of E can be reduced by A's losses.



A's loss of (30,000)
fully set off against F's
AI up to 30,000.

C's loss already fully
setoff against AI of E

B's remaining loss of
(100,000) set off against
F's AI up to 15,000

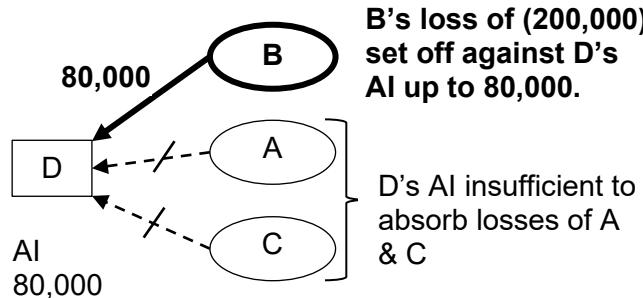
3) Company F

A has priority for loss setoff
against F's AI.

The order of setoff of A's losses is as follows:

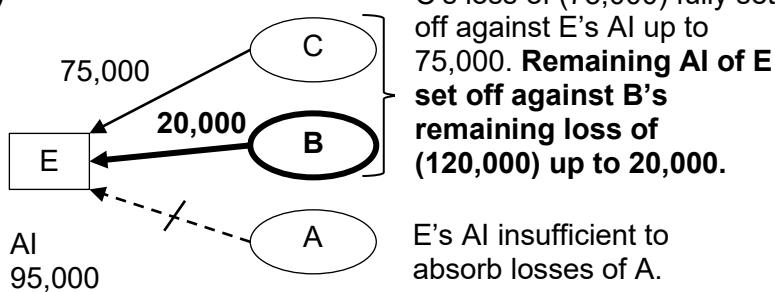
Company A's losses	Transferred to D, E, F in order of priority:	Has D/E/F opted to receive losses from another company in priority to A?	Transferor from which losses are received in priority to A's losses	Was AI of D/E/F reduced in priority by losses of other transferor	AI of Company D/E/F available to be reduced by losses of A	AI of D/E/F remaining after reduction of losses of other transferor or A
(30,000)						
Setoff against D - NIL	Company D – 80,000	Yes	Company B	Yes	-	NIL
Setoff against E - NIL	Company E – 95,000	Yes	Company C & B	Yes	-	NIL
Setoff against F – 30,000	Company F – 45,000	No	-	No	45,000	15,000
Net losses of A - NIL						

Transfer of company B's loss items



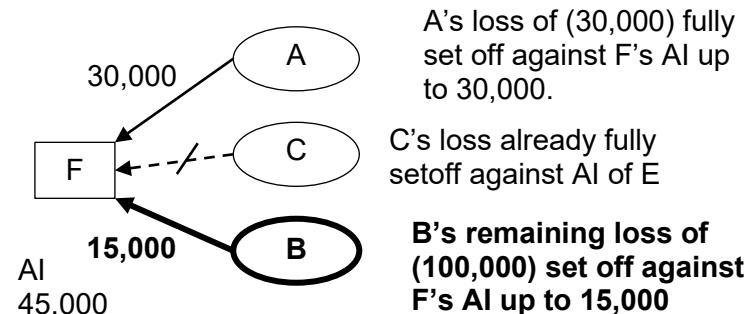
1) Company D

Both A and B have specified D as the first company to which their losses are to be transferred. D has indicated that it would absorb losses from B first. Therefore, B has priority for loss setoff against D's AI.



2) Company E

Similarly, both A and B have specified E as the second company to which their losses are to be transferred. However, AI of E has to be reduced by C's losses first before any remaining AI of E can be reduced by B's losses.



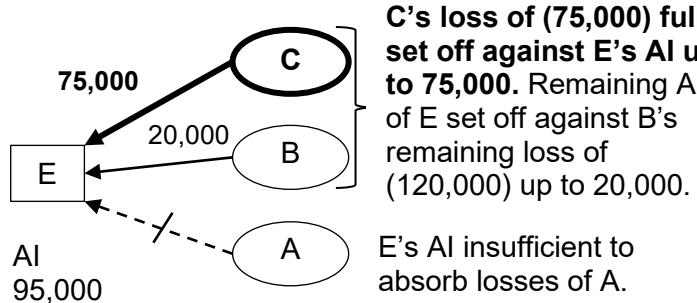
3) Company E

F's AI must be reduced by A and C's losses first before any remaining AI of F can be reduced by B's losses.

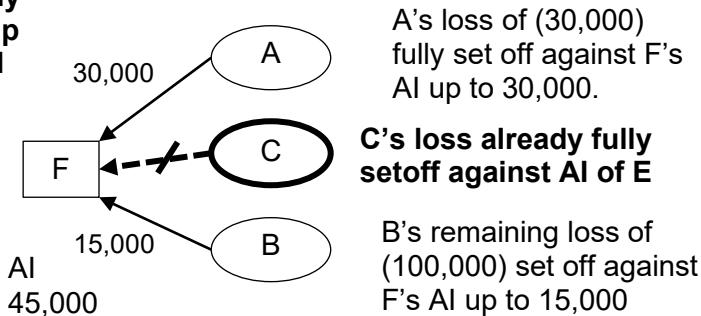
The order of setoff of B's losses is as follows:

Company B's losses	Transferred to:	Has D/E/F opted to receive losses from another company in priority to B?	Transferor from which losses are received in priority to B's losses	Was AI of D/E/F reduced in priority by losses of other transferor?	AI of Company D/E/F available to be reduced by losses of B	AI of D/E/F remaining after reduction of losses of other transferor or B
(200,000)						
Setoff against D – 80,000	Company D – 80,000	No	-	No	80,000	NIL
Setoff against E – 20,000	Company E – 95,000	Yes	C	Yes	20,000	NIL
Setoff against F – 15,000	Company F – 45,000	Yes	Company A & C	Yes	15,000	NIL
Net losses of B – (85,000)						

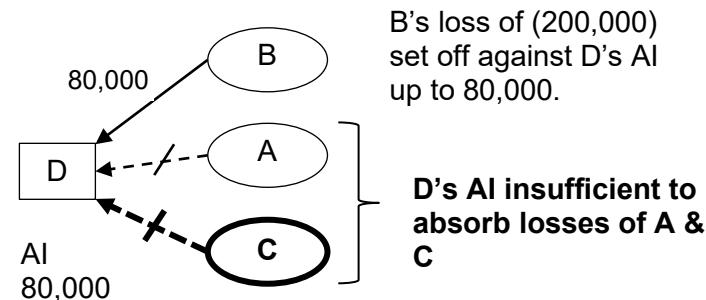
Transfer of company C's loss items



1) Company E
C has priority for loss setoff against E's AI.



2) Company F
F's AI must be reduced by A's losses first before any remaining AI of F can be reduced by C's losses.



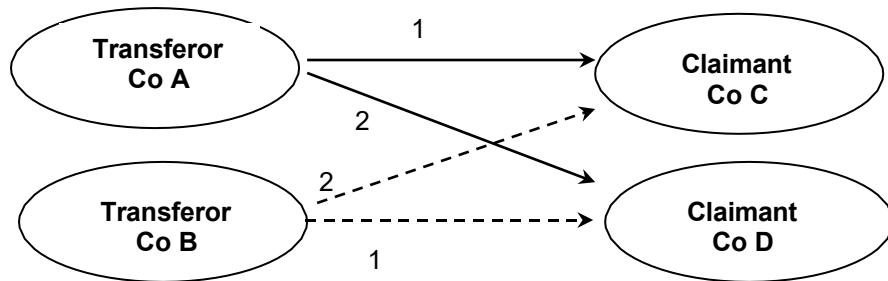
2) Company D
D's AI must be reduced by B and A's losses first before any remaining AI of D can be reduced by C's losses.

The order of setoff of C's losses is as follows:

Company C's losses	Transferred to:	Has D/E/F opted to receive losses from another company in priority to C?	Transferor from which losses are received in priority to C's losses	Was AI of D/E/F reduced in priority by losses of other transferor?	AI of Company D/E/F available to be reduced by losses of C	AI of D/E/F remaining after reduction of losses of other transferor or C
(75,000)						
Setoff against E - 75,000	Company E – 95,000	No	-	No	95,000	20,000
Setoff against F – NIL	Company F – 45,000	Yes	Company A	Yes	15,000	15,000
Setoff against D – NIL	Company D – 80,000	Yes	Company B & A	Yes	-	NIL
Net losses of C – NIL						

Annex 7 – Order of priority specified by transferor & claimant

	Order of Priority Specified in Form GR A or GR B	
Transferor Co A	C	D
Transferor Co B	D	C
Claimant Co C	B	A
Claimant Co D	A	B



In the example above, A has indicated C as the first claimant to which its loss items will be transferred, followed by D.

Based on the order of priority indicated by C, it must receive loss items from B first, and prior to it receiving loss items from B, it cannot receive loss items from A. On the other hand, B is to transfer loss items to D first, before it can transfer loss items to C. However, D will not receive loss items from B before it receives loss items from A.

It is therefore not possible for A to transfer loss items to C first, and still satisfy the order of priority indicated by C.

Under such circumstances, the order of priority specified by A and B (the transferors) will take precedence over the order of priority specified by C and D (the claimants). Therefore,

- (a) A will transfer loss items to C first, before D; and
- (b) B will transfer loss items to D first, before C.

Annex 8 – Common Errors

Errors	Correct tax treatment	Reference
Incorrect Loss Quantum		
<ul style="list-style-type: none"> Transferor's loss items were not fully transferred out to the claimant which had sufficient profit to absorb the loss items 	<p>The quantum of loss items that can be transferred is the <u>lower</u> of:</p> <ol style="list-style-type: none"> Available assessable income of the claimant; or Available quantum of loss items of the transferor 	Paragraph 12
<ul style="list-style-type: none"> Loss items were not fully transferred to set off against the available assessable income of the first claimant before being transferred to the subsequent claimants 	<p>The loss items must be fully set off against the available assessable income of the first claimant according to the transfer rules before any excess loss items can be set off against the available assessable income of the second claimant and so on</p>	Paragraph 13
<ul style="list-style-type: none"> Prior years' loss items were transferred out together with current year loss items 	<p>Only <u>current year loss items</u> can be transferred out under the GR system</p>	Paragraph 5
Different Continuous Period		
<ul style="list-style-type: none"> Both the transferor and the claimant have the same accounting year end <p>The claimant claimed full amount of losses from transferor though its continuous period is different from that of transferor</p> <p>E.g. shareholding increased to 75% during the financial year or the transferor/ claimant is newly incorporated during the financial year</p>	<p>The amount of loss items is limited to the lower of:</p> <ol style="list-style-type: none"> Available assessable income of the claimant applicable to the continuous period ending on the last day of the basis period for that YA; or Available quantum of loss items of the transferor applicable to the continuous period ending on the last day of the basis period for that YA 	Paragraph 12

<p>Transferor and Claimant are not in the Same Group</p>	<ul style="list-style-type: none"> There is non-Singapore incorporated company/entity between the transferor and claimant <p>For the purpose of group relief, a group must consist of a Singapore-incorporated company and its Singapore-incorporated group members. The transferor and claimant are members of the same group if the ordinary shareholding level (direct or indirect) of the relevant holding company is at least 75%</p> <p>In determining the ordinary shareholding level, any direct or indirect shareholding by:</p> <ol style="list-style-type: none"> A company not incorporated in Singapore; or An entity which is not a Singapore-incorporated company (e.g. trade association, an individual, etc) <p>would be disregarded</p>	<p>Paragraph 6</p>
<p>Form GR A or B related errors</p>	<ul style="list-style-type: none"> Order of priority stated in Form GR A or Form GR B is different from the tax computation Claim loss items even though claimant is not listed in the Form GR A Submit revised tax computation to claim group relief when there is no change in tax position (e.g. from loss to profit) Form GR A or GR B are not submitted <p>E.g. Claimant claimed group relief in its tax computation and Form C but did not submit Form GR B. Transferor did not indicate any group relief transfer in its tax computation. As transferor has filed Form C-S, there was no Form GR A submitted</p> <p>Company must submit the Form GR A or GR B together with its annual tax return</p> <p>The Form GR A or GR B submitted is final and irrevocable. Company is not allowed to make changes to the GR form after submission</p> <p>For companies claiming group relief, both the transferor and claimant are to submit Form C instead of Form C-S or Form C-S (Lite)</p> <p>If company fails to submit Form GR A or GR B with its annual tax return, it will be disqualified from claiming group relief</p>	<p>Paragraph 14</p>