

**Basic Format of Tax Computation for an Investment Holding Company
that Also Provides Routine Support Services to its Related Parties
(To be used as a guide only)**

Tax Reference No	:			
Name of Company	:			
Year of Assessment (Note 1)	:			
Basis Period (Note 1)	:			
		S\$	S\$	S\$
Service Income			.....
Less: Allowable direct costs (Note 2)		.....	
Share of statutory & regulatory expenses (Notes 3 & 6)		.....	
Share of other allowable expenses (Notes 4 & 6)		.....	

Less: Capital allowance			-----	.....
Dividend			.....
Less: Direct expenses (Note 5)		.....	
Share of statutory & regulatory expenses		.....	
Share of other allowable expenses		.....	
		-----	
Interest			.....
Less: Direct expenses		.....	
Share of statutory & regulatory expenses		.....	
Share of other allowable expenses		.....	
		-----	
Other Income				
Less: Direct expenses		.....	
Share of statutory & regulatory expenses		.....	
Share of other allowable expenses		.....	
		-----	
Less: Approved donation (Note 7)				-----
Chargeable Income before exempt amount				.....
Less: Exempt amount (Notes 8 & 9)				
First \$10,000 @ 75%			.....
Next \$190,000 @50%			.....

Chargeable income after deducting exempt amount				-----
Tax thereon @ 17%				.....
Less: Foreign tax credit (Note 10)				-----
			
Less: Corporate income tax rebate (Note 11)				-----
Net tax payable				-----

EXPLANATORY NOTES

Basic Format of tax computation for an Investment Holding Company

Routine support services refer to those listed in Annex C of the e-Tax Guide "Transfer Pricing Guideline"

1 Year of Assessment and Basis Period

Income is assessed to tax on a preceding year basis. The basis period for a Year of Assessment (YA) is the financial year ending in the year preceding that YA. The examples below illustrate the concept of YA and basis period:

- a) If your financial year end is 31 Mar of each year, the basis period for YA 2021 is 1 Apr 2019 to 31 Mar 2020.
- b) If your financial year end is 31 Dec of each year, the basis period for YA 2021 is 1 Jan 2020 to 31 Dec 2020.

2 Allowable direct costs

Allowable direct costs are costs directly related to the provision of services after adjustments made under Section 14 and 15 of the Income Tax Act.

3 Statutory & Regulatory Expenses and basis of apportionment

Statutory & regulatory expenses are to be apportioned to the relevant income in the following manner:

$$\frac{\text{Relevant income}}{\text{Total income}} \times \text{Total statutory \& regulatory expenses}$$

E.g. Share of statutory & regulatory expenses apportioned to interest income:

$$\frac{\text{Interest income}}{\text{Total income}} \times \text{Total statutory \& regulatory expenses}$$

4 Other Allowable Expenses and basis of apportionment

These include director's fees, general expenses, administrative and management expenses, which are not directly incurred to earn any specific stream of income.

Such expenses are to be apportioned in the same manner as the statutory & regulatory expenses.

As a guide, the total amount of other allowable expenses deductible against investment income should not exceed 5% of the gross investment income.

5 Direct Expenses

These are revenue expenses directly incurred to earn the income. Only amount(s) attributable to income-producing investments are allowed.

6 Supporting Schedules

Attach supporting schedules showing your basis of arriving at the other allowable expenses (Note 2), other allowable expenses (Note 4) and direct expenses (Note 5).

7 Approved Donations

For donations made to approved Institutions of a Public Character (IPCs) and other approved recipients, 2.5 times the amount of donations made will be given as a deduction.

Subject to the shareholding test, unutilised donations can be carried forward to offset against income of the company for subsequent years, up to a maximum of 5 years. For example, if the company as at the end of YA 2020 has remaining unutilised donations brought forward from YA 2015, these should be disregarded and not carried forward to YA 2021.

For more information, please refer to www.iras.gov.sg (Taxes > Other Taxes > Charities > Donations & Tax Deductions).

8 Partial Tax Exemption

From YA 2020, partial tax exemption is given on chargeable income of up to \$200,000 as follows:

Chargeable income	% exempted from tax	Amount exempted from tax
First \$10,000	@ 75%	= \$7,500
Next \$190,000	@ 50%	= \$95,000
Total \$200,000		= \$102,500

For more information, please refer to www.iras.gov.sg (Taxes > Corporate Income Tax > Basics of Corporate Income Tax > Corporate Income Tax Rate, Rebates & Tax Exemption Schemes).

9 Tax Exemption for New Start-up Companies

From YA 2020

Chargeable income	% exempted from tax	Amount exempted from tax
First \$100,000	@ 75%	= \$75,000
Next \$100,000	@ 50%	= \$50,000
Total \$200,000		= \$125,000

For more information, please refer to www.iras.gov.sg (Taxes > Corporate Income Tax > Basics of Corporate Income Tax > Corporate Income Tax Rate, Rebates & Tax Exemption Schemes).

10 Foreign Tax Credit (FTC)

Amount allowable is the lower of the Singapore tax payable on the net foreign income or the foreign tax paid.

Under the FTC pooling system, the amount of FTC allowable is to be restricted to the lower of total Singapore tax payable on the foreign income under pooling and the pooled foreign taxes paid on those income.

For more information, please refer to www.iras.gov.sg (Taxes> Corporate Income Tax> Income & Deductions for Companies> Claiming Reliefs> Foreign Tax Credit).

11 Corporate Income Tax (CIT) rebate

YA 2019: 20% CIT rebate (capped at \$10,000)

YA 2020: 25% CIT rebate (capped at \$15,000)

For more information, please refer to www.iras.gov.sg (Taxes > Corporate Income Tax > Basics of Corporate Income Tax > Corporate Income Tax Rate, Rebates & Tax Exemption Schemes).