

Example on Computing the Amount of Tax Exemption Under the Tax Exemption Scheme for New Start-Up Companies

Example 1

My company qualifies for the tax exemption scheme for new start-up companies from YA 2019 to YA 2021. My normal chargeable income before tax exemption for the 3 YAs are \$280,000 for YA 2019, \$250,000 for YA 2020 and \$230,000 for YA 2021. How do I compute the exempt amount and tax payable for YA 2019 to YA 2021?

YA 2019

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

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

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

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

YA 2020

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

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

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

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

YA 2021

The exempt amount on normal chargeable income of \$230,000 is computed as follows:

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

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

Chargeable income before exempt amount	\$ 230,000
Less: Exempt amount	125,000
Chargeable income after exempt amount	<hr/> 105,000 <hr/>
Tax payable @ 17%	<hr/> 17,850.00 <hr/>

Examples on Computing the Amount of Tax Exemption Under the Partial Tax Exemption Scheme

Example 2

My company's normal chargeable income before tax exemption for YA 2021 is \$600,000. How do I compute the exempt amount under the partial tax exemption scheme and tax payable for YA 2021?

YA 2021

The changes to the partial tax exemption as announced in Budget 2018 will apply with effect from YA 2020 onwards.

The exempt amount on normal chargeable income of \$600,000 is computed as follows:

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

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

Chargeable income before exempt amount	\$ 600,000
Less: Exempt amount	102,500
Chargeable income after exempt amount	<hr/> 497,500 <hr/>
Tax payable @ 17%	<hr/> 84,575.00 <hr/>

Example 3

My company's normal chargeable income before tax exemption for YA 2021 is \$50,000. My company also derived chargeable income of \$60,000 to be taxed at a concessionary tax rate of 10% for YA 2021. How do I compute the exempt amount under the partial tax exemption scheme and tax payable for YA 2021?

YA 2021

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

Normal chargeable income before exempt amount	% exempted	Amount exempted
\$		\$
First 10,000	75%	7,500
Next 40,000	50%	20,000
Total 50,000		27,500

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

	Normal chargeable income @ 17% \$	Concessionary income @ 10% \$	Total \$
Chargeable income before exempt amount	50,000	60,000	110,000
Less: Exempt amount	27,500	0 (see note)	27,500
Chargeable income after exempt amount	22,500	60,000	82,500
Tax payable @ 17%/10%	3,825.00	6,000.00	9,825.00

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

Example 4

My company has normal chargeable income and concessionary loss for YA 2021.

	Normal chargeable income @ 17% \$	Concessionary income @ 10% \$
Revenue	1,500,000	3,000,000
Less: Tax allowable expenses	850,000	4,000,000
Net trade income/ (loss)	<u>650,000</u>	<u>(1,000,000)</u>

How do I compute the exempt amount under the partial tax exemption scheme and tax payable for YA 2021?

YA 2021

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

	Normal chargeable income @ 17% \$	Concessionary income @ 10% \$	Total \$
Net trade income/ (loss)	650,000	(1,000,000)	(350,000)
Less: Section 37B set-off (1,000,000 x 10/17)	588,235	1,000,000	411,765
Chargeable income before exempt amount	<u>61,765</u>	<u>0</u>	<u>61,765</u>
Less: Exempt amount	33,383 (see note)	0	33,383
Chargeable income after exempt amount	<u>28,382</u>	<u>0</u>	<u>28,382</u>
Tax payable @ 17%/ 10%	<u>4,824.94</u>	<u>0</u>	<u>4,824.94</u>

Note: The exempt amount on normal chargeable income of \$61,765 is computed as follows:

<i>Normal chargeable income before exempt amount</i>	<i>% exempted</i>	<i>Amount exempted</i>
\$		\$
<i>First 10,000</i>	<i>75%</i>	<i>7,500</i>
<i>Next 51,765</i>	<i>50%</i>	<i>25,883</i>
<i>Total 61,765</i>		<i>33,383</i>

Example 5

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

YA 2022

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

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

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

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