# **Explanatory Notes**

# A. Essential Information

- With effect from the Year of Assessment (YA) 2024, companies deriving foreign income are required to provide specific information as stated on IRAS' <u>website</u> in their tax computations to track the movement of the foreign income.
- To facilitate the preparation and provision of the required information, IRAS has developed this standard template, which companies are strongly encouraged to adopt. This template was designed to cover the list of key information stated on IRAS' website. Companies may modify this template to include additional details such as the jurisdictions from which the income is sourced, or the amount of foreign taxes suffered. Companies may also continue using their existing templates, as long as the specific information as stated on IRAS' website are included.
- In this standard template, unremitted foreign income earned in different years are tracked as separate rows and maintained until the particular income is entirely remitted or used in a manner that is not considered as received in Singapore under Section 10(25) of the Income Tax Act 1947 ("ITA"), such that the income becomes permanently unavailable for subsequent remittance.

# B. How to use this template

The numbered items below match the notes in the standard template and serve as explanation of the various columns within the template.

### 1. Nature of income

Enter the type of foreign income derived in the respective years (e.g. interest, dividend, royalty, branch profit). For ease of presentation, you may prepare separate schedules for each type of income.

### 2. Unremitted income - balance b/f

Enter the amount of foreign income earned in the respective years that have yet to be remitted or used by the company as at the beginning of the basis period of the reporting YA. This includes unremitted income earned in years prior to YA 2024.

If Companies are unable to provide a year-by-year breakdown of the income earned prior to YA 2024, they may present a cumulative unremitted quantum for each type of income. Foreign income earned from YA 2024 onwards should be tracked as separate rows and maintained until the particular income is entirely remitted or used in a manner that <u>is not considered as</u> received in Singapore under Section 10(25) of the ITA, such that the income becomes permanently unavailable for subsequent remittance.

### 3. Current year income

Enter the amount of foreign income derived during the basis period of the reporting YA.

### 4. Income received in Singapore during the year

Under Section 10(25) of the ITA, income from outside Singapore is considered received in Singapore when it is:

- Remitted to, transmitted or brought into Singapore;
- Used to satisfy any debt incurred in respect of a trade or business carried on in Singapore; or
- Used to purchase any movable property (such as equipment, raw material, etc.) brought into Singapore.

Enter the amount of foreign income which is received during the basis period of the reporting YA. This includes foreign income received in Singapore during the year that qualify for tax exemption under Section 13(8) or Section 13(12) of the ITA.

#### 5. Income used during the year and not received in Singapore

This refers to foreign income that is used by the company in a manner that <u>is considered</u> <u>not</u> received in Singapore under Section 10(25) of the ITA, such that the income becomes permanently unavailable for subsequent remittance. One example of such use is when the foreign income is kept offshore and used for payment of one-tier tax exempt dividends directly to the shareholder's bank account. You may refer to the <u>FAQs</u> on taxable income received in Singapore from outside Singapore for some of such scenarios, and the conditions that will need to be met.

Please provide additional details in the tax computation (e.g. describe the usage of the income, and the basis for claiming that the income was considered not received in Singapore and can no longer be remitted even in the future).

#### 6. Unremitted income- balance c/f

This includes:-

- Foreign income which is not remitted and not used in any manner.
- Foreign income that is used in any manner that may subsequently be received in Singapore under Section 10(25) of the ITA. One such example is foreign income that is reinvested overseas without being repatriated to Singapore. As an administrative concession, the foreign income is not considered received in Singapore at the point of reinvestment and the taxation of such income is deferred until the investment is sold and the proceeds are brought into Singapore.

Companies must maintain source documents and records in relation to the following and be ready to submit them upon IRAS' request.

- Details of how the unremitted income is kept/ used overseas.
- Why the foreign income is not considered received in Singapore during the relevant year under section 10(25) of the ITA.

### 7. Allowable expenses incurred in Singapore

This refers to expenses that are wholly and exclusively incurred to derive the foreign income, provided that the deduction of the expenses is not prohibited by the ITA.

Please indicate if the company is electing for the liberalised treatment of expenses incurred in Singapore to derive the foreign income. You may refer to the <u>e-Tax Guide</u> "Liberalised Treatment of Expenses Incurred in Singapore to derive Foreign Income" for more details.

### 8. Allowable expenses – balance b/f

Enter the amount of allowable expenses that corresponds to (A).

### 9. Share of allowable expenses attributable to (C) and (D)

This refers to the amount of expenses attributable to the foreign income received in Singapore (i.e. column C), and the amount of expenses attributable to foreign income used by the company in a manner that <u>is considered not</u> received in Singapore under Section 10(25) of the ITA, such that the income becomes permanently unavailable for subsequent remittance (i.e. column D).

Please provide the basis of arriving at the amount in the tax computation.

### 10. Net income considered received and subject to tax in Singapore

If the foreign income is subject to tax in Singapore and overseas, tax reliefs may be available to Singapore tax residents to alleviate the double taxation suffered. This includes tax exemption under Section 13(8) or Section 13(12) of the ITA, and foreign tax credit for taxes paid in foreign jurisdictions against Singapore tax payable on the same income. You may refer to the IRAS' website for more information.

Please indicate if the Company is claiming tax relief and furnish the required information in the tax computation.