Computation of FTC for a company that receives foreign income (Foreign Tax Credit Pooling)

Company ABC Pte Ltd derived and received the following income during financial year 2020 [i.e. Year of Assessment (YA) 2021]:

<table>
<thead>
<tr>
<th>Description</th>
<th>Headline tax rate of country*</th>
<th>Amount</th>
<th>Foreign tax paid</th>
<th>Expenses applicable to foreign income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Income – Local</td>
<td></td>
<td>$300,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Income – From Country X</td>
<td>20%</td>
<td>$50,000</td>
<td>$10,000</td>
<td></td>
</tr>
<tr>
<td>Deductible expenses &amp; capital allowances for service income</td>
<td></td>
<td>$15,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign income – interest (Country Y)</td>
<td>30%</td>
<td>$20,000</td>
<td>$1,000</td>
<td>$100</td>
</tr>
</tbody>
</table>

* Headline tax rate refers to the highest corporate tax rate of the foreign jurisdiction from which the income is derived

Company ABC Pte Ltd elects for FTC pooling on the service income from Country X and the interest income Country Y (both income qualify for double tax relief). The company’s tax computation and calculation of foreign tax credit for YA 2021 are shown below:

**Tax Computation for YA 2021**

\[
\begin{align*}
\text{Service income - Local} & \quad 300,000 \\
\text{Service income - Foreign Country X} & \quad 50,000 \quad (A) \\
\text{Total service income} & \quad 350,000 \quad (B) \\
\text{Less: Deductible expenses and capital allowances} & \quad (15,000) \\
\text{Interest (Country Y) [20,000 - 100]} & \quad 19,900 \quad (D) \\
\text{Total statutory income} & \quad 354,900 \quad (E) \\
\text{Less: Approved donations (assumed)} & \quad (1,000) \\
\text{Chargeable income (before exempt amount)} & \quad 353,900 \\
\text{Less: Partial tax exemption} & \quad (102,500) \\
\text{Chargeable income (after exempt amount)} & \quad 251,400 \\
\text{Tax payable @ 17%} & \quad 42,738.00 \quad (F) \\
\text{Less: Foreign tax credit} & \quad (8,159.49) \quad # \\
\text{Net tax payable} & \quad 34,578.51
\end{align*}
\]
Calculation of Foreign Tax Credit

$5,763.08\times\frac{A}{B}\times\frac{C}{E}\times\frac{F}{F}$

$2,396.41\times\frac{D}{E}\times\frac{F}{F}$

$8,159.49$

Total foreign tax paid $11,000.00$

FTC = lower of total Singapore tax payable or foreign tax paid $8,159.49$