

How to Compute Estimated Chargeable Income (ECI) If There is a Claim for Relief

1. If there is claim of foreign tax credit, the ECI is computed using one of the following formulae:

For companies under the partial tax exemption scheme^(a)

- \$425.00 < Estimated tax payable (ETP) < \$16,575.00
- Estimated tax payable (ETP) ≥ \$16,575.00
- Estimated tax payable (ETP) ≤ \$425.00

$$ECI = \left(\frac{100 \times ETP}{8.5} \right) + \$5,000$$

$$ECI = \left(\frac{50 \times ETP}{8.5} \right) + \$102,500$$

$$ECI = \left(\frac{200 \times ETP}{8.5} \right)$$

For companies under the tax exemption scheme for new start-up companies^(b)

- \$4,250.00 < Estimated tax payable (ETP) < \$12,750.00
- Estimated tax payable (ETP) ≥ \$12,750.00
- Estimated tax payable (ETP) ≤ \$4,250.00

$$ECI = \left(\frac{100 \times ETP}{8.5} \right) + \$50,000$$

$$ECI = \left(\frac{50 \times ETP}{8.5} \right) + \$125,000$$

$$ECI = \left(\frac{200 \times ETP}{8.5} \right)$$

EXAMPLES

2. Companies need not factor in the tax exemption scheme for new start-up companies or partial tax exemption when filing their ECI. IRAS will compute these and allow the new start-up companies/ partial tax exemption automatically.

This example illustrates how a company can compute the ECI using the Profit and Loss statement information.

Example 1: Calculation of ECI for YA 2021

Your company's Profit and Loss statement for financial year 2020 (YA 2021) is as follows:

	S\$
Sales	80,000
Less: Cost of Goods Sold	<u>(35,000)</u>
Gross Profit	45,000
Other income:	
Rental income	1,200
Less: Expenses	
Advertisement	(790)
CPF	(2,300)
Depreciation	(300)
Director's fees	(9,000)
Printing and Stationery	(290)
Property Tax (relating to rental property)	(300)
Salaries of employees	(24,000)
Secretarial fees	(310)
Transport fees (\$200 was incurred on car SJX 123)	(780)
Travelling	(560)
Water & Electricity	<u>(925)</u>
Net Profit before Tax	<u>6,645</u>

The company also purchased a new private car (SJX 123), a computer for \$1,200 and a filing cabinet for \$300 in YA 2021. There were no unutilised capital allowances brought forward from the previous YA.

The calculation of the company's ECI is as follows:

	S\$
Net Profit before Tax	6,645
Less: Separate Source Income	
Rental income	(1,200)
Add: Disallowable expenses	
Depreciation	300
Property Tax (relating to rental property)	300
Transport (relating to S-plated car)	<u>200</u>
Adjusted profit before capital allowance	6,245
Less: Capital allowance for YA 2021 ¹	
100% write-off for Low Value Asset - Filing Cabinet	(300)
100% write-off in one year - Computer	<u>(1,200)</u>
Adjusted profit after capital allowance	4,745
Add: Separate Source Income	
Rental income (net of Property Tax for rental income)	<u>900</u>
Estimated Chargeable Income (before exempt amount)	<u>5,645</u>

¹ No capital allowance is to be given on private cars (S-plated cars), RU-plated cars and company cars (Q-plated or S-plated cars).

Fill in the ECI to be taxed at 17% as "5645".

Examples 2 and 3 explain how to complete the ECI Form for companies **who are claiming double taxation relief** and are under the:

- Example 2 - partial tax exemption scheme
- Example 3 - tax exemption scheme for new start-up companies

Example 2: For companies under the partial tax exemption scheme^(a)		S\$
Net income (including an interest income* of \$12,800 which was subject to foreign withholding tax of \$1,280)		\$392,500
ECI (before deducting exempt amount)		392,500
Less: Exempt amount [(75% x \$10,000) + (50% x \$190,000)]		102,500
ECI (after deducting exempt amount)		290,000
Estimated tax thereon @ 17%		49,300.00
Less: Double taxation relief (lower of foreign tax paid or Singapore tax payable)		1,280.00
Estimated tax payable (ETP)		48,020.00
Using the formula,		
ECI	$= \left(\frac{50 \times \text{ETP}}{8.5} \right) + \$102,500$	
	$= \left(\frac{50 \times \$48,020}{8.5} \right) + \$102,500$	
	$= \$384,971$	
Fill in the ECI to be taxed at 17% as “384971”.		
*Assumption is that there is no expense attributable to the foreign interest income		

Example 3: For companies under the tax exemption scheme for new start-up companies^(b)		S\$
Net income (including an interest income* of \$12,800 which was subject to foreign withholding tax of \$640)		450,000
ECI (before deducting exempt amount)		450,000
Less: Exempt amount [(75% x \$100,000) + (50% x \$100,000)]		125,000
ECI (after deducting exempt amount)		325,000
Estimated tax thereon @ 17%		55,250.00
Less: Double taxation relief (lower of foreign tax paid or Singapore tax payable)		640.00
Estimated tax payable (ETP)		54,610.00
Using the formula,		
ECI	$= \left(\frac{50 \times \text{ETP}}{8.5} \right) + \$125,000$	
	$= \left(\frac{50 \times \$54,610}{8.5} \right) + \$125,000$	
	$= \$446,235$	
Fill in the ECI to be taxed at 17% as “446235”.		
*Assumption is that there is no expense attributable to the foreign interest income		

The following example explains how to complete the ECI Form for companies that are transferring or claiming loss items under the Group Relief system.

Example 4: Transfer/ Claim of loss items under Group Relief system		
Transferor company X	S\$	S\$
Interest income		80,000
Less: Unutilised capital allowances b/f	8,000	
Current year capital allowance	<u>10,000</u>	<u>18,000</u>
		62,000
Less: Current year loss		100,000
Current year unutilised loss		<u>38,000</u>
Less: Loss items transferred to claimant company Y		<u>38,000</u>
ECI		<u>NIL</u>
Fill in the ECI to be taxed at 17% as "0".		
Note: If Company X's annual revenue for the financial year is not more than \$5 million, it does not need to file the ECI.		
Claimant company Y		S\$
Trade income		215,000
Interest income		20,000
		<u>235,000</u>
Less: Loss items transferred from transferor company X		<u>38,000</u>
ECI (before deducting exempt amount)		<u>197,000</u>
Less: Exempt amount ^(a) [(75% x \$10,000) + (50% x \$187,000)]		<u>101,000</u>
ECI (after deducting exempt amount)		<u>96,000</u>
Estimated tax payable		16,320.00
Fill in the ECI to be taxed at 17% as "197000".		
Note: If claimant company Y is under the tax exemption scheme for new companies, its ECI after deducting the exempt amount of \$123,500 [i.e. {(75% x \$100,000) + (50% x \$97,000)}] would be \$73,500. However, please fill in the ECI to be taxed at 17% as "197000".		

(a) Partial tax exemption scheme

From YA 2020, partial tax exemption is given on the first \$200,000 of a company's chargeable income which is subject to tax at the normal corporate tax rate of 17%:

- 75% tax exemption for the first \$10,000 chargeable income
- 50% tax exemption for the next \$190,000 chargeable income

(b) Tax exemption scheme for new start-up companies

From YA 2020, for a qualifying new start-up company, the following exemption is given on the first \$200,000 of its normal chargeable income, for any of its first 3 consecutive YAs:

- 75% tax exemption for the first \$100,000 chargeable income
- 50% tax exemption for the next \$100,000 chargeable income

To qualify for this exemption for each relevant YA, the company must satisfy all the following conditions:

- (a) It is incorporated in Singapore;
- (b) It is a tax resident of Singapore for that YA of claim;
- (c) Its total share capital is beneficially held directly by no more than 20 shareholders throughout the basis period for that YA where:
 - all of the shareholders are individuals; or
 - at least one shareholder is an individual holding at least 10% of the issued ordinary shares of the company;
- (d) If it is incorporated after 25 Feb 2013,
 - it does not undertake property development for sale, for investment, or for both investment and sale; and
 - its principal activity is not that of investment holding.