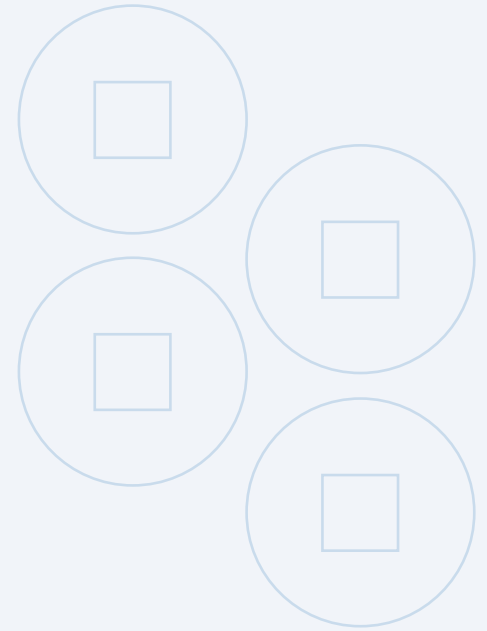


In this video, we will cover the following topics:

1. Capital Allowances
2. Utilisation of Unabsorbed Items
3. Tax exemptions and CIT rebates



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Capital Allowances

Capital Allowances

- Capital allowances are given in place of depreciation and other capital expenditure, which are not tax-deductible
- Given on qualifying fixed assets bought and used for trade purposes
 - Exception: S-plated private passenger car
- Not granted on items that are part of setting or part of premises in which business is carried on
 - E.g. Windows, floor/ wall tiles, gates, stairs



Refer to IRAS' website at [iras.gov.sg](https://www.iras.gov.sg):

[Taxes > Corporate Income Tax > Income & Deductions for Companies > Claiming Allowances > Capital Allowances](#)



Capital Allowances

Examples of qualifying fixed assets:

- Carpet
- Electrical and electronic equipment (e.g. air-conditioning system, security/ alarm system, sprinkler system and electrical appliances)
- Furniture and fixtures
- Industrial plant and machinery
- Motorcycle and bicycle
- Motor vehicle (e.g. goods/ commercial vehicle such as lorry, truck and van)
- Movable partition
- Office equipment (e.g. computer, printer, photocopier, fax machine and telecommunication equipment)
- Blinds and curtain

Capital Allowances

How to calculate	Types of CA	Qualifying assets	Annual allowance (AA)
Over working life of asset	Section 19	• Applies to all qualifying assets • Refer to Sixth Schedule of Income Tax Act 1947 for working life	• Initial allowance (IA) = 20% of cost • $AA = (80\% \text{ of cost}) / \text{No. of years of working life}$
1-year write-off (for specific assets)	Section 19A(2)	• Computers • Prescribed automation equipment listed in Income Tax (Automation Equipment) Rules 2004	AA = 100% of cost

Capital Allowances

How to calculate	Types of CA	Qualifying assets	Annual allowance (AA)
3-year write-off	Section 19A(1)	Applies to all qualifying assets	AA = 1/3 of cost
1-year write-off (only for low-value assets)	Section 19A(10A)	• Low-value assets • Cost of each asset not more than \$5,000 • Total claim for 1-year write-off of all such assets capped at \$30,000 per YA	AA = 100% of cost



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Approved Donations
Unutilised Donations
Unutilised Capital Allowances
Unutilised Trade Losses
Carry-Forward & Carry-Back

Approved Donation

- Donations are **non-deductible expenses** as they are not incurred in the production of income
 - Add back donation amount to arrive at adjusted profit
- However, companies can claim deduction on donations made to approved Institutions of a Public Character (IPCs) or other approved recipients for Singapore charitable purposes
 - **Claim deduction of 2.5 times** the amount of donations
 - View donations made to approved IPCs via the “View Donations” digital service at mytax.iras.gov.sg
 - Tax deductions for qualifying donations are automatically prefilled in the tax returns based on the information from the approved Institution of Public Character (IPC)



Refer to IRAS' website at [iras.gov.sg](https://www.iras.gov.sg):

[Taxes > Other Taxes > Charities > Donations & Tax Deductions](https://www.iras.gov.sg/OtherTaxes/Charities/Donations&TaxDeductions)



Carry-Forward of Unutilised Capital Allowances (UCA), Unutilised Trade Losses (UL) & Unutilised Donation (UD)

- **Unutilised Capital Allowances (UCA), Unutilised Losses (UL) & Unutilised Donation (UD)**
 - UCA/ UL/ UD refer to capital allowances/ tax deductions/ donations respectively that could not be fully utilised as there was insufficient income to set off against
 - UCA, UL and UD may be carried forward to set off future income of company
 - UD can **only be carried forward** and **for up to 5 years**
 - Example: Unutilised donations from YA 2019 must be disregarded in YA 2025
- **Investment holding companies** cannot claim current year capital allowances or carry forward any current year unutilised capital allowances or unutilised losses to offset the income of future Years of Assessment. Investment holding companies are companies that derive only passive incomes such as dividend and interest income.

Carry-Forward of Unutilised Capital Allowances (UCA), Unutilised Trade Losses (UL) & Unutilised Donation (UD)

- Conditions for claiming UCA, UL and UD brought forward:

	Condition for claiming		Requirement
	UCA	UL & UD	
Same business test	✓		No change in the company's principal activities
Shareholding test*	✓	✓	Percentage of shareholding of common shareholders as at 2 relevant dates are 50% or more Note: UD can only be carried forward and for up to 5 years

* The company may apply for a waiver of the shareholding test if there is a substantial change in the shareholders of the company. The Comptroller of Income Tax has to be satisfied that the substantial change in shareholders is not for deriving any tax benefit or obtaining any tax advantage.

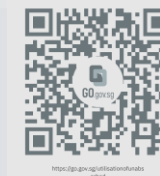
Carry-Forward of Unutilised Capital Allowances (UCA), Unutilised Trade Losses (UL) & Unutilised Donation (UD)

	Unutilised Item	First Relevant Date	Second Relevant Date
Definition of relevant dates	UCA	Last day of YA (31 Dec) in which CA arose	First day of YA (1 Jan) in which UCA is set off
	UL & UD (5-year limit for UD)	Last day of Year (31 Dec) in which trade losses were incurred	First day of YA (1 Jan) in which UL is set off
Example of relevant dates for UCA, UL and UD for financial year ended 31 Oct 2022 (YA 2023) to be set off against income in YA 2025	UCA	31 Dec 2023	1 Jan 2025
	UL & UD	31 Dec 2022	1 Jan 2025



Refer to IRAS' website at [iras.gov.sg](https://www.iras.gov.sg):

[Taxes > Corporate Income Tax > Income & Deductions for Companies
> Unutilised Items \(Capital Allowances, Trade Losses & Donations\)](https://www.iras.gov.sg/corporate-income-tax/income-deductions-for-companies/unutilised-items-capital-allowances-trade-losses-donations)



Carry-Back of Unutilised Capital Allowances (UCA) & Unutilised Trade Losses (UL)

- Current year unutilised capital allowances and trade losses (collectively referred to as 'Qualifying Deductions' or 'QD') can be carried back for 1 YA immediately preceding that YA in which the capital allowances are granted or the trade losses incurred.
- The maximum amount of QD that can be carried back is \$100,000.
- The QD is to be deducted from your company's assessable income of the immediate preceding YA in the following order:
 - Current year's unutilised capital allowances, if any
 - Current year's trade losses, if any
- Carry back relief is **not available** for unutilised donations.



Refer to IRAS' website at [iras.gov.sg](https://www.iras.gov.sg):

[Taxes > Corporate Income Tax > Income & Deductions for Companies > Claiming Reliefs > Loss Carry-Back Relief](https://www.iras.gov.sg/Taxes/CorporateIncomeTax/Income&DeductionsforCompanies/ClaimingReliefs/LossCarry-BackRelief)



Carry-Back of Unutilised Capital Allowances (UCA) & Unutilised Trade Losses (UL)

- Conditions for claiming UCA and UL carried back:

	Condition for claiming		Requirement
	UCA	UL	
Same business test	✓		No change in the company's principal activities
Shareholding test*	✓	✓	Percentage of shareholding of common shareholders as at 2 relevant dates are 50% or more Note: \$100,000 cap in total allowed for carry-back to the immediate preceding YA Carry back relief is not available for unutilised donation

* The company may apply for a waiver of the shareholding test if there is a substantial change in the shareholders of the company. The Comptroller of Income Tax has to be satisfied that the substantial change in shareholders is not for deriving any tax benefit or obtaining any tax advantage.

Carry-Back of Unutilised Capital Allowances (UCA) & Unutilised Trade Losses (UL)

	Unutilised Item	First Relevant Date	Second Relevant Date
Definition of relevant dates	UCA	First day of YA (1 Jan) in which CA arose	Last day of YA (31 Dec) in which UCA is set off
	UL	First day of Year (1 Jan) in which trade losses were incurred	Last day of YA (31 Dec) in which UL is set off
Example of relevant dates for UCA and UL for financial year ended 31 Oct 2024 (YA 2025) to be set off against income in YA 2024	UCA	1 Jan 2025	31 Dec 2024
	UL	1 Jan 2024	31 Dec 2024



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Common Tax Reliefs That Help Reduce The Tax Bill

Tax Exemption Scheme for New Start-Up Companies

- Granted to a **qualifying new company** for its first 3 consecutive YAs from its incorporation
- Exemption is granted on the first \$200,000 of normal chargeable income (i.e. chargeable income taxed at 17%):

Chargeable income	% Exempted from tax	Amount exempted from tax
First \$100,000	75%	\$75,000
Next \$100,000	50%	<u>\$50,000</u>
		\$125,000 (maximum per YA)



Tax Exemption Scheme for New Start-Up Companies

Qualifying conditions for the new start-up company:

- Be incorporated in Singapore
- Be tax resident in Singapore for that YA
 - A company is tax resident in Singapore if control and management of its business is exercised in Singapore
- Have not more than 20 shareholders beneficially and directly holding shares throughout the basis period for that YA where:
 - All shareholders are individuals; or
 - At least one shareholder is an individual holding at least 10% of the issued ordinary shares of the company

Tax Exemption Scheme for New Start-Up Companies

- The following companies are not eligible for the tax exemption scheme:
 - 1) Property development companies**
 - Any company that undertakes property development for sale, investment, or both
 - 2) Investment holding companies**
 - A company whose principal activity is that of investment holding
 - Derives investment income such as rental, dividend or interest income
- Companies that do not qualify for this scheme are still eligible for the partial tax exemption



Refer to IRAS' website at [iras.gov.sg](https://www.iras.gov.sg):

[Taxes > Corporate Income Tax > Basics of Corporate Income Tax > Corporate Income Tax Rate, Rebates & Tax Exemption Schemes](https://www.iras.gov.sg/taxes/corporate-income-tax/basics-of-corporate-income-tax/corporate-income-tax-rate-rebates-tax-exemption-schemes)



How to Claim Tax Exemption Scheme for New Start-Up Companies

- Indicate 'YES' in the Corporate Income Tax Return, if your company satisfies the conditions for Tax Exemption Scheme for New Companies
- IRAS will automatically compute the exempt amount

Tax Exemption Scheme for New Start-up Companies ⓘ

26. Has the company satisfied all conditions to qualify for the tax exemption scheme for new start-up companies? * ⓘ

Yes ▼

Partial Tax Exemption (PTE)

- PTE is granted on the first \$200,000 of normal chargeable income (i.e. chargeable income taxed at 17%):

Chargeable income	% Exempted from tax	Amount exempted from tax
First \$10,000	75%	\$7,500
Next \$190,000	50%	<u>\$95,000</u>
		\$102,500 (maximum per YA)



Refer to IRAS' website at [iras.gov.sg](https://www.iras.gov.sg):

[Taxes > Corporate Income Tax > Basics of Corporate Income Tax > Corporate Income Tax Rate, Rebates & Tax Exemption Schemes](https://www.iras.gov.sg/taxes/corporate-income-tax/basics-of-corporate-income-tax/corporate-income-tax-rate-rebates-tax-exemption-schemes)



Corporate Income Tax (CIT) Rebate and CIT Rebate Cash Grant for YA 2025

- Companies that are **active** and employed at least **one local employee** in 2024 **will receive a \$2,000 cash payout** (referred to as “CIT Rebate Cash Grant”) by 3Q 2025. The maximum total benefits is \$40,000, and it will be granted as follows:

If company meets local employee condition and receives CIT Rebate Cash Grant of \$2,000	If company does not meet local employee condition and does not receive CIT Rebate Cash Grant of \$2,000
If CIT Rebate $\leq$ \$2,000, no CIT Rebate to be given. If CIT Rebate $>$ \$2,000, CIT Rebate (capped at \$40,000) less \$2,000 to be given.	If CIT Rebate $>$ \$0, CIT Rebate (capped at \$40,000) to be given

- IRAS will compute and allow the CIT Rebate automatically in the company’s YA 2025 tax assessment based on the Corporate Tax Return filed by the company.
- The CIT Rebate Cash Grant is **not taxable**.

Corporate Income Tax (CIT) Rebate and CIT Rebate Cash Grant for YA 2025

- **Active company-** company that is carrying on a trade or business (including the activity of holding any investments) at the point of disbursement of the CIT Rebate Cash Grant. Inactive companies include:
 - i. Companies that are not carrying on any trade or business;
 - ii. Companies that are in liquidation;
 - iii. Companies that are under receivership in respect of all of their properties; and
 - iv. Companies that have ceased to exist as a result of an amalgamation with another company.
- **Local employee condition**
A company is considered to have met the local employee condition if it has made CPF contributions to at least one local (Singapore citizen or permanent resident) employee, not including shareholders who are also directors of the company, in the calendar year 2024.



Refer to IRAS' website at [iras.gov.sg](https://www.iras.gov.sg):

[Taxes > Corporate Income Taxes > Basics of Corporate Income Tax > Corporate Income Tax Rate, Rebates & Tax Exemption Schemes](https://www.iras.gov.sg/CorporateIncomeTax/CorporateIncomeTaxRateRebates&TaxExemptionSchemes)

