INLAND REVENUE AUTHORITY OF SINGAPORE

Worked Examples for Investment Holding Companies

Example 1: Single-Source Income

<u>YA 2024</u>

Investment income	S$
Rental income	3,000

Expenses	S$
Property tax	300
Repair of property	500
Audit fee	2,000
Secretarial fee	1,000
Bank charges	500
Staff salaries & CPF	1,000

Direct Expenses

Statutory/ Regulatory Expenses

Other Expenses

Example 1: Single-Source Income (Cont'd)

YA 2024

Tax Computation - YA 2024	S$	S$
Rental income		**3,000**
Less: Direct Expenses		
Property tax	(300)	
Repair of property	(500)	**(800)**
Less: Statutory and Regulatory Expenses		
Audit fee	(2,000)	
Secretarial fee	(1,000)	
Bank charges	(500)	**(3,500)**
Less: Other Allowable Expenses		
Staff salaries & CPF (Lower of actual expenses or 5% of gross rental income)		**(150)**
Net rental income / loss	**Note: Net rental loss is disregarded**	**NIL**
Chargeable income before exempt amount		**NIL**
Tax Payable @17%		**NIL**

Example 2: Multiple sources of income

YA 2024

Investment income	S$
Rental income	2,000
Interest income	200,000
Total	**202,000**

Expenses	S$	
Property tax	300	Direct Expenses
Repair of property	2,000	
Audit fee	2,000	Statutory/ Regulatory Expenses
Secretarial fee	1,000	
Bank charges	500	
Staff salaries & CPF	1,000	Other Expenses

Example 2: Multiple sources of income (Cont'd)

Common expenses	S$
Audit fee	2,000
Secretarial fee	1,000
Bank charges	500
Staff salaries & CPF Capped at lower off: 5% of total investment income of $202,000 or Actual amount incurred of $1,000	1,000
Total	**4,500**

Statutory/ Regulatory Expenses

Other Allowable Expenses

Source of income	Share of common expenses	S$
Rental	**4,500** x (2,000 / 202,000)	45
Interest	**4,500** x (200,000 / 202,000)	4,455

Example 2: Multiple sources of income (Cont'd)

Tax Computation - YA 2024	S$	S$
Rental income		**2,000**
Less: Direct Expenses		
Property tax	(300)	
Repair of property	(2,000)	(2,300)
Less: Share of Common Expenses		(45)
Net rental income	* Net rental loss is disregarded	NIL*
Interest income		200,000
Less: Direct Expenses		NIL
Less: Share of Common Expenses		(4,455)
Net interest income		195,545

Example 2: Multiple sources of income (Cont'd)

Tax Computation-YA 2024		$
Chargeable income before exempt amount		195,545
Less: Exempt amount		
First $10,000 x 75%	7,500	
Next $185,545 x 50%	92,773	(100,273)
Chargeable income after exempt amount		95,272
Tax payable @17%		16,196.24
Less: Corporate Income Tax (CIT) Rebate [($16,196.24 x 50%) - $2,000] *Assume that company qualifies for the CIT Rebate Cash Grant		(6,098.12)*
Net Tax Payable		10,098.12

What is exempt amount?

What is CIT rebate and CIT Rebate Cash Grant

Refer to IRAS' website at iras.gov.sg:

Taxes > Corporate Income Taxes > Specific Industries > Investment Holding Companies

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Case Study

Case Study 1

- Investment Holding Company with Foreign Tax Credit and Exemption of Foreign-sourced Income

Case Study 1: Investment Holding Company

INLAND REVENUE AUTHORITY OF SINGAPORE

YA 2024 (Basis period: 01/04/2022 to 31/03/2023)

Investment income	S$
Singapore dividend income (1-tier exempt)	35,000
Dividend income received from a Malaysia company	100,000
Interest income received from Indonesia	24,000
Rental income	35,000
Other investment income	10,000
Total income	204,000

Case Study 1: Investment Holding Company (Cont'd)

Expenses	S$
Custodian fee (for Singapore tax-exempt dividends)	2,400
Interest on term loan (acquiring property for rental)	45,000
Property tax (property rented out)	1,600
Repair and maintenance (property rented out)	7,000
Auditor's remuneration	3,000
Bank charges	500
Secretarial and tax services	2,000
Director's fee	60,000
Depreciation	5,000

Non-Deductible Expense

Direct Expenses

Statutory/ Regulatory Expenses

Other Expenses

Case Study 1: Investment Holding Company (Cont'd)

Other allowable expenses not exceeding 5%	**S$**	
Director's fee	60,000	A
Capped at 5% of $204,000 (total income)	10,200	B
Other allowable expenses (Lower of A or B)	**10,200**	

Common expenses	**S$**
Auditor's remuneration	3,000
Bank charges	500
Secretarial and tax services	2,000
Director's fee (capped at 5% of total income)	10,200
Total common expenses	**15,700**

Case Study 1: Investment Holding Company (Cont'd)

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YA 2024 (Basis period: 01/04/2022 to 31/03/2023)

Tax Computation - YA 2024	S$	S$
Singapore tax-exempt dividend		**35,000**
Malaysia dividend (foreign-sourced) - Exempt		**100,000**
		135,000
Less Direct Expenses- custodian fee	(2,400)	
Share of Common expenses		
[135,000/ 204,000 x 15,700]	(10,390)	(12,790)
Net dividend income (subject to tax)		**Tax Exempt**

Malaysia dividend income is exempt under Section 13(8).

Qualifying conditions met:
1) Dividend income has been subjected to tax in Malaysia;
2) Headline tax rate in Malaysia is more than 15%; and
3) Beneficial for tax exemption

Case Study 1: Investment Holding Company (Cont'd)

Tax Computation- YA 2024	S$	S$
Indonesia Interest Income (foreign-source) ^		**24,000**
Less: Direct Expenses	NIL	
Share of Common Expenses	(1,847)	
[24,000/ 204,000 x 15,700]		(1,847)
Net interest income (subject to tax)		**22,153**

^ The interest income has been subjected to withholding tax of 10% in Indonesia

Case Study 1: Investment Holding Company (Cont’d)

INLAND REVENUE AUTHORITY OF SINGAPORE

Tax Computation- YA 2024	S$	S$
Rental income		**35,000**
Less: Direct Expenses		
Interest on term loan	(45,000)	
Property tax	(1,600)	
Repairs and maintenance	(7,000)	
	(53,600)	
Less: Share of Common Expenses		
[35,000/ 204,000 x 15,700]	(2,694)	(56,294)
Net rental income		**NIL***

*** Net rental loss is disregarded**

Case Study 1: Investment Holding Company (Cont'd)

Tax Computation- YA 2024	S$	S$
Other investment income		**10,000**
Less: Direct Expenses	NIL	
Share of Common Expenses		
[10,000/ 204,000 x 15,700]	(770)	
		(770)
Net income (subject to tax)		9,230
Chargeable income before exempt amount		**31,383**

Case Study 1: Investment Holding Company (Cont'd)

INLAND REVENUE AUTHORITY OF SINGAPORE

Tax Computation- YA 2024	SS$	S$
Chargeable income before exempt amount		**31,383**
Less: Exempt Amount		
First $10,000 X 75%	(7,500)	
Next $21,383 X50%	(10,692)	(18,192)
Chargeable income after exempt amount		13,191
Tax Payable @17%		2,242.47
Less: Double Tax Relief (DTR)*		(1,582.94)
Net tax payable after DTR		659.53
Less: Corporate income tax (CIT) rebate ($659.53 x 50%) ** Assume that company did not qualify for the CIT Rebate Cash Gant		(329.77)**
Net tax payable		329.76

*DTR is the **lower** of:
a. S$ 2,400 (The actual amount foreign tax paid to Indonesia); or
b. S$1,582.94 (The amount of Singapore tax attributable to the foreign-sourced income (net of expenses) S$2,242.47 x [S$22,153/ / (S$22,153 + S$9,230)]

For more information on how to compute foreign tax credit, you may click here.

Case Study 2

- Trading & Investment Holding Company

Case Study 2: Trading and Investment Holding Company

YA 2024 (Basis period: 01/04/2022 to 31/03/2023)

Sales		750,000
Less: Cost of goods sold		345,000
Gross Profit		405,000
Other Income		
Dividend (1-tier)		35,000
Interest income		24,000
Rental income		40,000
		504,000
Less:	**Expenses**	
	Custodian fees (for S'pore tax-exempt dividends)	2,400
	Property tax (for property rented out)	1,600
	Repair and maintenance (for property rented out)	7,000
	Audit fee	3,000
	Director fees	12,000
	Depreciation	1,000
	Salaries/bonus/allowances and CPF	80,000
	Secretarial fees	2,000
		109,000
Net Profit Before Tax		395,000

Case Study 2: Trading and Investment Holding Company (cont'd)

Additional Information from the Balance Sheet:

<u>Fixed assets addition</u>
Computer S$1,000

<u>Capital allowances (CA)</u>

Description of asset	**Cost** S$	**100% CA** S$	**Tax written down value** S$
Computer	1,000	1,000	NIL

Case Study 2: Trading and Investment Holding Company (cont'd)

Tax Computation- YA 2024	S$	S$
Net Profit before Tax		**395,000**
Less: Separate Source of Income		
Singapore dividends	(35,000)	
Interest income	(24,000)	
Rental income	(40,000)	(99,000)
		296,000
Add: Disallowable Expenses/ Separate Sources		
Depreciation	1,000	
Property tax (Rent)	1,600	
Repair and maintenance (Rent)	7,000	
Custodian fees (Dividend)	2,400	12,000
Adjusted Profit		308,000
Less: Capital allowance for YA 2024		(1,000)
Adjusted Profit after capital allowances		307,000

Case Study 2: Trading and Investment Holding Company (cont'd)

Tax Computation- YA 2024	S$	S$
Add: Separate Source of Income		
Singapore tax exempt (1-tier) dividends	35,000	
Less: Custodian fees	(2,400)	Tax Exempt
Interest Income		24,000
Rental Income	40,000	
Less: Property Tax	(1,600)	
Repair and maintenance	(7,000)	31,400
		362,400
Less: Exempt Amount		
First $10,000 x @ 75%	(7,500)	
Next $190,000 x @ 50%	(95,000)	(102,500)
Chargeable income after exempt amount		259,900
Tax payable @17%		44,183.00
Less: Corporate income tax (CIT) rebate ($44,183 X 50%) – $2,000 * Assume that company qualifies for the CIT Rebate Cash Grant		(20,091.50)*
Net tax payable		24,091.50

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Thank you

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