



# SINGAPORE KNOWLEDGE SERIES #12 – TAXABILITY OF CORPORATES





For income tax purposes, the following are considered to be a company / corporate :

- A business entity **incorporated or registered under the Companies Act 1967**. It usually has the words '**Pte Ltd**' or '**Ltd**' as part of its name
- A **foreign company registered in Singapore** such as a branch of a foreign company
- A foreign company incorporated or registered **outside Singapore**

**Sole-proprietorship or partnership business are not considered as a company.**

# Tax Treatment

A company is taxed on its income earned in the preceding financial year which is known as **Basis Period** (generally for the **12-month period preceding the Year of Assessment (YA)**). Tax on corporate income is imposed at a **flat rate of 17%** on its chargeable income. Chargeable income refers to the company's taxable income\* (after deducting tax-allowable expenses) for a YA.



Singapore follows a **territorial basis for corporate taxation** where resident and non-resident companies\*\* are taxed on income accruing in or derived from Singapore as well as on foreign income remitted (actual or deemed) into Singapore

Upon satisfaction of certain conditions, receipt of **specific foreign income** - dividends, branch profits, services income, etc., may be **tax exempt** when received by a Singapore resident company.

A company files an estimate of its income within 3 months of the end of the accounting period followed by a tax return which needs to be filed by 30 November of the YA. To understand further about Estimated chargeable income and various forms for corporate tax return, refer our **upcoming series #15 & #16**.

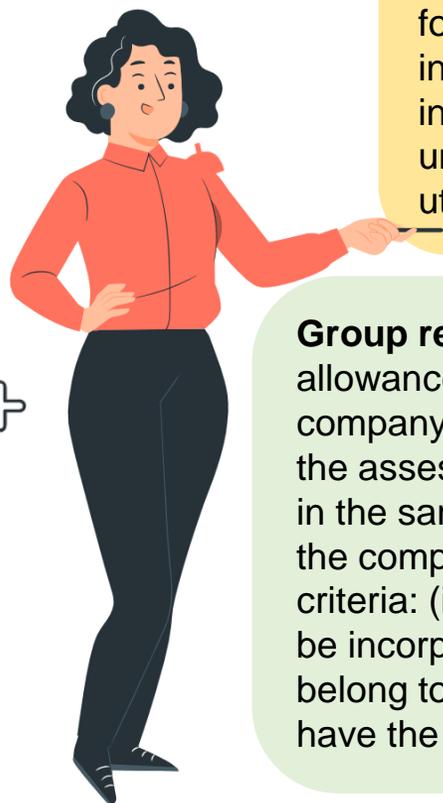
\*Taxable Income refers to gains or profits from any trade or business, income from investments such as interest and rental income, royalties, premiums and any other profits from property or any other gains that are considered revenue.

\*\*Under Singapore tax law, the tax residency of a company is determined at the place where the business is controlled and managed. The residential status of a company may change from year to year. (To understand more about the residential status of a company, refer our upcoming Series #13)

# Taxation Framework



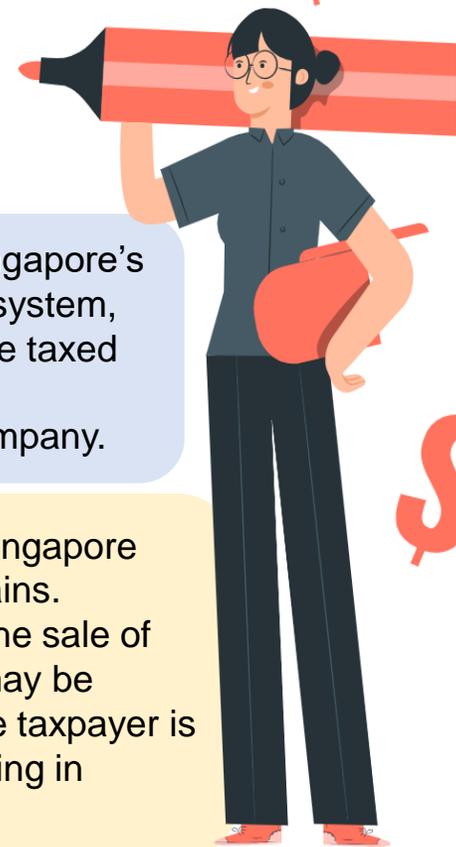
**Carrying forward of unutilized losses & allowances** - Unutilized losses & allowances can be carried forward to subsequent years indefinitely to offset against the income of those subsequent years until all trade losses are fully utilized.



**Group relief** - Unutilized capital allowances / trade losses / donations of one company can be claimed as deduction from the assessable income of another company in the same group. To qualify for group relief the companies must fulfil the following criteria: (i) the transferor and claimant must be incorporated in Singapore (ii) they must belong to the same group (iii) they must have the same financial year end.



**Dividends** - Under Singapore's one-tier corporate tax system, shareholders will not be taxed on dividends paid by a Singapore resident company.



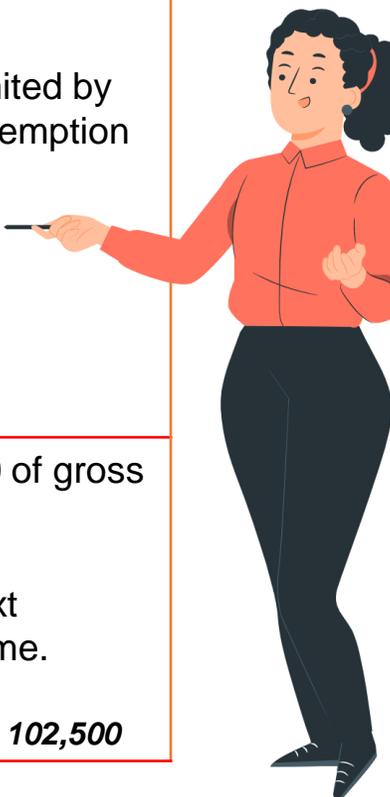
**Capital gains tax** – Singapore does not tax capital gains. However, gains from the sale of shares or properties may be chargeable to tax if the taxpayer is in the business of trading in shares or properties.



# Tax Exemption

The tax exemption scheme for new start-up companies and partial tax exemption scheme for existing companies (other than new start up companies) are tax reliefs available to reduce companies' tax bills.

Particulars	Start-up Tax Exemption	Partial Tax Exemption
Qualification period	Start-up companies are eligible for the start-up tax exemption during the first 3 years of YA after incorporation.	
Qualifying Criteria	<ul style="list-style-type: none"> <li>The company must be a tax resident of Singapore</li> <li>The company must not have more than 20 individual shareholders / at least 1 shareholder is holding at least 10% of the issued shares</li> <li>The company must not be a property or investment holding company</li> </ul>	All companies, including companies limited by guarantee, are eligible for partial tax exemption (PTE), unless they are claiming the tax exemption for new start-up companies.
Exemption Available	<ul style="list-style-type: none"> <li>75% exemption on the first \$100,000 of gross chargeable income; and</li> <li>A further 50% exemption on the next \$100,000 of gross chargeable income.</li> </ul> <p>The maximum exemption for each YA is <b>SGD 125,000</b></p>	<ul style="list-style-type: none"> <li>75% exemption on the first \$10,000 of gross chargeable income; and</li> <li>A further 50% exemption on the next \$190,000 of gross chargeable income.</li> </ul> <p>The maximum exemption for each YA is <b>SGD 102,500</b></p>



# Upcoming Singapore Knowledge Series

Please find below the list of completed & upcoming alerts from the series. In case you have missed the previous alerts, click on the hyperlink for the completed alerts to refer the same.

1. [Incorporation of Company](#)
2. [Allotment of shares](#)
3. [Issuance of share certificate](#)
4. [Register of registerable controllers](#)
5. [Employment Pass](#)
6. [XBRL Filing](#)
7. [Annual General Meeting](#)
8. [ACRA Return filing](#)
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