INLAND REVENUE AUTHORITY OF SINGAPORE

IRAS e-Tax Guide

Income Tax: Enhanced Carry-back Relief System (Fourth Edition)

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1. Aim

1.1 This e-Tax Guide provides details on the enhanced carry-back relief system and should be read in conjunction with Sections 6 to 8 and the relevant Annexes of the e-Tax Guide on “Carry-Back Relief System”.

1.2 The e-Tax Guide will be relevant to you if you have current year unabsorbed capital allowances (“CA”) or unabsorbed trade losses from your trade, business, profession or vocation for the Years of Assessment (“YAs”) 2020 and 2021.

2. At a glance

2.1 DPM and Minister for Finance had announced in his 2020 Budget Statement that the carry-back relief system would be enhanced for YA 2020, where the maximum number of YAs to which the qualifying deductions may be carried back would be increased from one YA to three YAs. This enhancement was part of the Stabilisation and Support Package to help businesses with their cash flow.

2.2 To continue providing support to businesses, DPM and Minister for Finance has announced in his 2021 Budget Statement that the above enhancement will be extended to apply to qualifying deductions for YA 2021, subject to the same parameters.

2.3 In other words, for YA 2020 and YA 2021, if you are a person carrying on a trade, business, profession or vocation, you may elect to carry back qualifying deductions of up to $100,000 for each of the YA 2020 and YA 2021 (i.e. the YA of loss) to set-off against:

2.3.1 your assessable income for up to three YAs immediately preceding the relevant YA of loss (i.e. YA 2017, YA 2018 and YA 2019 where the YA of loss is YA 2020, and YA 2018, YA 2019 and YA 2020 where the YA of loss is YA 2021) (referred to as “enhanced carry-back relief” in this e-Tax Guide); or

2.3.2 your assessable income for the YA immediately preceding the relevant YA of loss (i.e. YA 2019 where the YA of loss is YA 2020, and YA 2020 where the YA of loss is YA 2021) (referred to as “current carry-back relief” in this e-Tax Guide).

2.4 To ease businesses’ cash flow, you may elect for the current or enhanced carry-back relief based on an estimate of the qualifying deductions for YA 2020 and YA 2021. You may provide your estimated qualifying deductions after your financial year-end by submitting the prescribed carry-back relief election form any time before the filing of your YA 2020 and YA 2021 income tax returns.

3. Glossary

3.1 Assessable income

Assessable income of a company refers to its income from all sources after deducting CA, trade losses, approved donations (including those transferred from related companies under the group relief system) and other relevant deductions like mergers and acquisitions allowance or investment allowances.

Assessable income of an individual refers to the individual's income from all sources after deducting CA, trade losses and approved donations.

3.2 Immediate preceding YA

The immediate preceding YA refers to the YA immediately before the YA in which the person has trade losses or CA available for carry-back. For example, if the person incurred trade losses or was granted CA in YA 2020, the immediate preceding YA would be YA 2019.

3.3 Person

A person in this e-Tax Guide refers to:

a. a company;

b. an individual, being the sole-proprietor or partner of a partnership [including a limited liability partnership ("LLP") and a limited partnership ("LP")];

c. a body of persons, such as clubs and associations; and

d. a trustee of a trust or an executor of an estate.

3.4 Qualifying deductions ("QD")

For the purpose of carry-back relief, QD are the unabsorbed CA and the unabsorbed trade losses for the current year.

For specific exclusions of QD under the enhanced carry-back relief system, please refer to Section 8 of the e-Tax Guide on Carry-back Relief system[1].

3.5 **Same business test**

This test determines if a person continues to carry on the same trade, business or profession for which CA were granted. The test is satisfied if the same trade, business or profession is being continued at the point when the unabsorbed CA are utilised.

3.6 **Shareholding test**

This test computes the percentage of shareholdings of a company (or its ultimate parent company) that is held by the same persons as at the relevant dates. If the percentage is 50% or more at the relevant dates, it is regarded as there is no substantial change in the shareholders and the company is said to have satisfied the shareholding test.

Relevant dates for unabsorbed CA:
First day of the YA in which the CA were granted and the last day of the preceding YA in which the CA are to be deducted.

Relevant dates for unabsorbed trade losses:
First day of the year in which the trade losses were incurred and last day of the preceding YA in which the trade losses are to be deducted.

3.7 **Unabsorbed CA**

The CA claimed by a person (under sections 16, 17, 18B, 18C, 19, 19A, 19B, 19C, 19D or 20 of the Income Tax Act) in a YA that exceed the person's aggregate income chargeable to tax for that YA.

3.8 **Unabsorbed trade losses**

The trade losses incurred by a person for a YA that exceed the person's income from all sources for that YA.

4. Background

4.1 Under the current carry-back relief system, if you are a person who carries on a trade, business, profession or vocation, you may carry back QD (capped at $100,000) to the immediate preceding YA to be deducted from your assessable income of the immediate preceding YA, subject to conditions. The carry-back relief is given on due claim.

4.2 As announced in the 2020 and 2021 Budget Statements, the carry-back relief system is enhanced for YA 2020 and YA 2021 to ease taxpayers' cashflow. Under the enhanced carry-back relief system, you may elect to carry back QD arising in YA 2020 and YA 2021 (also capped at $100,000 for each YA) up to three immediate preceding YAs.

4.3 The enhanced carry-back relief is subject to the same conditions as the current carry-back relief, which include the shareholding test and same business test, as provided in section 37E of the Income Tax Act and explained in Section 6 of the IRAS e-Tax Guide on Carry-back Relief System[1].

4.4 For unabsorbed CA of YA 2020 and YA 2021 to be set-off against the assessable income for YAs 2017 to 2020 (as applicable), there must not be any substantial change in shareholders of the company (or its ultimate parent company) as at the following relevant dates:

<table>
<tr><td colspan="2"></td><td colspan="4">Set-off against assessable income from</td></tr>
<tr><td colspan="2">Carry-back of unabsorbed CA from</td><td>YA 2017</td><td>YA 2018</td><td>YA 2019</td><td>YA 2020</td></tr>
<tr><td>YA 2020</td><td>1 Jan 2020 and</td><td>31 Dec 2017</td><td rowspan="2">31 Dec 2018</td><td rowspan="2">31 Dec 2019</td><td>Not applicable</td></tr>
<tr><td>YA 2021</td><td>1 Jan 2021 and</td><td>Not applicable</td><td>31 Dec 2020</td></tr>
</table>

4.5 For unabsorbed losses of YA 2020 and YA 2021 to be set-off against the assessable income for YAs 2017 to 2020 (as applicable), there must not be any substantial change in shareholders of the company (or its ultimate parent company) as at the following relevant dates:

<table>
<tr><td colspan="2"></td><td colspan="4">Set-off against assessable income from</td></tr>
<tr><td colspan="2">Carry-back of unabsorbed trade losses from</td><td>YA 2017</td><td>YA 2018</td><td>YA 2019</td><td>YA 2020</td></tr>
<tr><td>YA 2020</td><td>1 Jan 2019 and</td><td>31 Dec 2017</td><td rowspan="2">31 Dec 2018</td><td rowspan="2">31 Dec 2019</td><td>Not applicable</td></tr>
<tr><td>YA 2021</td><td>1 Jan 2020 and</td><td>Not applicable</td><td>31 Dec 2020</td></tr>
</table>

5. Order of set-off under the enhanced carry-back relief system

5.1 For the purpose of carrying back QD for YA 2020 and YA 2021 under the enhanced carry-back relief system, the carry-back shall be made in the following order:

a. Firstly, to the third YA immediately preceding the relevant YA of loss;

b. Secondly, where there are QD remaining after (a), the balance will be carried back to the second YA immediately preceding the relevant YA of loss; and

c. Finally, where there are QD remaining after (b) above, the balance will be carried back to the YA immediately preceding the relevant YA of loss.

d. The excess of QD that are not carried back can be carried forward for deduction against your future taxable income, subject to the meeting of conditions.

5.2 The above order of carrying back is summarised in the following table:

YA of loss	**Order of carry-back of QD**		
	Third YA immediately preceding YA of loss	Second YA immediately preceding YA of loss	YA immediately preceding YA of loss
YA 2020	YA 2017	YA 2018	YA 2019
YA 2021	YA 2018	YA 2019	YA 2020

5.3 The QD carried back will be deducted from your assessable income of the preceding YA (to which the QD is carried back) in the following order:

a. Current year unabsorbed CA, if any; and then

b. Current year trade loss, if any.

5.4 If in the relevant preceding YA, there is more than one YA of QD carried back, the QD of the earlier YA will be deducted first against the assessable income of that preceding YA. To illustrate, if a taxpayer has unabsorbed losses from both YA 2019 and YA 2020 and would like to claim loss carry-back for YA 2018, the QD from YA 2019 will be deducted first against the YA 2018 assessable income followed by the QD from YA 2020. In addition, where a taxpayer has QD from YA 2020 to be carried back under the enhanced carry-back relief, and also QD from another YA (say, YA 2019) to be carried back under the current carry-back relief system, the maximum amount of QD that may be used to set-off against the assessable income of a particular YA (YA 2018 in this example) would be $200,000. You may refer to the example in Annex A for an illustration of the order for which the QD for YA 2019 (under the current carry-back relief system) and YA 2020 (under the enhanced carry-back relief system) should be carried back to YA 2018.

5.5 The following table shows the maximum amounts of QD available for each YA of set-off and summarises the order of set-off in alphabetical order:

YA of set-off / YA of loss	YA 2017	YA 2018	YA 2019	YA 2020	Maximum QD relating to each YA of loss ($)
YA 2018	a	-	-	-	a ≤100,000
YA 2019	-	b	-	-	b ≤100,000
YA 2020	c	d	e	-	c+d+e ≤ 100,000
YA 2021	-	f	g	h	f+g+h ≤ 100,000
Maximum QD available for each YA of set-off ($)	a+c ≤ 200,000	b+d+f ≤ 300,000	e+g ≤ 200,000	h ≤ 100,000	-

5.6 If you have other income in addition to trade income in that preceding YA, the unabsorbed CA and trade losses will be deducted against the sources of income in the following order:

a. Firstly: Income from the same trade

b. Secondly: Income from other trade (proportionately if there is more than one other trade, business, profession or vocation)

c. Thirdly: Income from all other sources (proportionately if there is more than one other sources)

5.7 Annexes A and B show examples of the carry-back of QD under the enhanced carry-back relief system, for a company and an individual respectively.

6. Enhanced carry-back relief under specific scenarios

6.1 The scenarios highlighted in Section 7 of the e-Tax Guide on Carry-back Relief System[1] are similarly applicable to the enhanced carry-back relief system.

6.2 Where you have QD for YA 2020 or YA 2021 to be carried back to the preceding YAs under the specific scenarios (e.g. where group relief is claimed, where the relief reduces personal reliefs or where the relief is for limited partners of an LLP or a LP), you can refer to the respective Annexes in the abovementioned e-Tax Guide for examples on how to carry-back the QD arising from one YA to a preceding YA.

6.3 You may also refer to Annex D of the same e-Tax Guide for other examples of carry-back of QD where there is more than one trade / one source of income subject to tax at different tax rates.

6.4 If you are a company with income chargeable to tax at the normal corporate tax rate, but your QD relate to income chargeable to tax at the concessionary tax rate, the adjustment provided under section 37B of the Income Tax Act has to be applied for deduction of QD against income chargeable under different tax rates.

6.5 In addition, the amount of QD (up to $100,000) is determined based on the following formula:

QD = A+B

where A = an amount deducted against assessable income subject to tax at the normal corporate tax rate (currently at 17%);

B = an amount deducted against assessable income subject to tax at any concessionary tax rate divided by the adjustment factor for that concessionary tax rate;

and for this purpose, the adjustment factor = normal corporate tax rate divided by the concessionary tax rate

6.6 Annex C of this e-Tax Guide shows an example of the carry-back of QD under the enhanced carry-back relief system for a company deriving income that is subject to tax at a concessionary tax rate and how the adjustment factor is applied to cap the QD at $100,000.

7. Administrative requirements for the carry-back relief for YA 2020 and YA 2021

7.1 For YA 2020 and YA 2021, you can elect to carry-back the QD under either the current carry-back relief system mentioned in paragraph 4.1 above or the enhanced carry-back relief system mentioned in paragraph 4.2 above.

7.2 The election timeframe and requirements for election are as shown below:

	When to make the election	How to make the election	Other conditions to be met
*To elect for carry-back of **estimated** QD for YA 2020 and YA 2021 (i.e. YA of loss)*			
Companies	Any time before the filing of the income tax return for the relevant YA of loss	Submit the following via 'Submit Document' e-Service at myTax Portal: 1) Election Form for Enhanced Carry-Back Relief System; and 2) Revised tax computations for all three Yas (where applicable) immediately preceding the relevant YA of loss ("relevant preceding YAs")	Must have submitted the following documents for all three YAs (where applicable) immediately preceding the relevant YA of loss (if elect for enhanced carry-back relief) or for the YA immediately preceding the relevant YA of loss (if elect for current carry-back relief): 1) Income tax returns; 2) Financial accounts[2] (may be audited / unaudited depending on whether the company qualifies for audit exemption under the Companies Act); and 3) Tax computations[2] Also must have filed a nil Estimated Chargeable Income ("ECI") for the relevant YA of loss except for companies who qualify for waiver to file ECI (i.e. companies whose annual revenue is not more than $5 million and ECI is nil).

[2] Applicable only to taxpayers who have submitted Form C in the preceding YAs. Taxpayers who have submitted Form C-S in the preceding YAs are not required to submit these documents when electing for the enhanced carry-back relief.

	When to make the election	How to make the election	Other conditions to be met
Bodies of persons Trustees Executors		Submit to IRAS the prescribed carry-back relief election form [3] and the revised tax computations for the relevant preceding YAs.	Must have submitted the following documents, for all three YAs (where applicable) immediately preceding the relevant YA of loss (if elect for enhanced carry-back relief) or for the YA immediately preceding the relevant YA of loss (if elect for current carry-back relief): 1) Income tax returns; and 2) Original audited / certified statements of accounts
Individuals		Submit to IRAS the prescribed carry-back relief election form[4] and if the business revenue is $500,000 or more, the revised tax computations for the relevant preceding YAs.	Must have submitted the following documents, for all three YAs immediately preceding the relevant YA of loss (if elect for enhanced carry-back relief) or for the YA immediately preceding the relevant YA of loss (if elect for current carry-back relief): 1) Income tax returns; and 2) If the business revenue is $500,000 or more, the certified statements of accounts
*To elect for carry-back of **actual** QD for YA 2020 and YA 2021 (i.e. YA of loss)*			
Companies	No later than the time of filing the income tax return for the relevant YA of loss	Indicate the election in the Income Tax Return (Form C) and tax computation for the relevant YA of loss, and submit them with the financial accounts for the relevant YA of loss (may be audited / unaudited	Must have submitted the following documents for all three YAs (where applicable) immediately preceding the relevant YA of loss (if elect for enhanced carry-back relief) or for the YA immediately preceding the relevant YA of

[3] The form for Bodies of persons and Trusts to elect for the carry-back of estimated or actual QD for YA 2020 and YA 2021 is available on the IRAS' website.
[4] The form for Individuals to elect for the carry-back of estimated or actual QD for YA 2020 and YA 2021 is available on the IRAS' website.

	When to make the election	How to make the election	Other conditions to be met
		depending on whether the company qualifies for audit exemption under the Companies Act). Companies that wish to make the election cannot use Form C-S. Upon e-filing Form C, companies are required to submit the revised tax computations for the relevant preceding YAs **separately** through the "Submit Document" e-service found on the "Submit Document" page where they would be directed to immediately after e-filing their Form C. The document type "Revised TC and supporting schedules for Loss-Carry back relief and Income not previously reported" should be selected for this purpose.	loss (if elect for current carry-back relief): 1) Income tax returns; 2) Financial accounts[2] (may be audited / unaudited depending on whether the company qualifies for audit exemption under the Companies Act); and 3) Tax computations[2]
Bodies of persons Trustees Executors		Indicate the election using the prescribed carry-back relief election form[3] and submit the form, together with the: 1) Income tax return for the relevant YA of loss 2) Finalised set of tax computation and financial accounts for the relevant YA of loss; and 3) Revised tax computations for the	Must have submitted the following documents for all three YAs (where applicable) immediately preceding the relevant YA of loss (if elect for enhanced carry-back relief) or for the YA immediately preceding the relevant YA of loss (if elect for current carry-back relief): 1) Income tax returns; and 2) Original audited / certified statements of accounts

	When to make the election	How to make the election	Other conditions to be met
		relevant preceding YAs.	
Individuals	No later than 30 days from the date of service of notice of assessment for the relevant YA of loss on you	Indicate election using the prescribed carry-back relief election form[4] and submit the form, together with the: 1) Income tax return for the relevant YA of loss; and 2) If the business revenue is $500,000 or more, the: a. Certified statement of accounts and tax computation for the relevant YA of loss; and b. Revised tax computations for the relevant preceding YAs	Must have submitted the following documents, for all three YAs immediately preceding the relevant YA of loss (if elect for enhanced carry-back relief) or for YA immediately preceding the relevant YA of loss (if elect for current carry-back relief): 1) Income tax returns; and 2) If the business revenue is $500,000 or more, the certified statements of accounts

7.3 For loss carry-back relief based on a share of estimated or actual QD of the trade, business, profession or vocation carried on through a partnership (including LP and LLP), the precedent partner must have submitted the certified statement of accounts and tax computation for the relevant YA of loss showing your share of CA / loss from the partnership when you make the election. Provisional statement of accounts and tax computation may be submitted by the precedent partner if the documents have not been finalised when you make the election. The precedent partner of an LLP / LP is also required to state the equity partner's contributed capital as at the end of the accounting period of the relevant YA of loss.

7.4 The election once made, for either the enhanced carry-back relief or current carry-back relief, is irrevocable.

7.5 Before you make the election, you are advised to take into account the amount of tax rebates, tax exemptions and / or other related considerations applicable to you in the relevant YAs to evaluate whether the current carry-back relief or the enhanced carry-back relief is more beneficial to you.

7.6 If you have made an election after the 2020 Budget Statement but before 8 May 2020, you are allowed to make a one-time revision to your election for the enhanced carry-back relief to the current carry-back relief by submitting a covering letter and the relevant documents to IRAS as detailed in paragraphs 7.2 and 7.3 for the Comptroller of Income Tax ("CIT")'s consideration.

7.7 Once you have submitted the prescribed carry-back relief election form, the CIT will not accept any revision to the estimated QD until the actual filing of the income tax return (except in the case mentioned in paragraph 7.6). You are not required to submit another carry-back relief election form when you submit your income tax return. However, you are required to show the actual QD in your tax computation.

8. Refund of excess tax

8.1 Subject to the conditions listed in paragraphs 7.2 and 7.3 above, the CIT will revise the assessment(s) and refund the tax for the relevant preceding YA(s) to which the QD are carried back, within three months from the date you submit the election for the carry-back relief.

8.2 If there is any tax owing by you (including that for other tax types, e.g. property tax), the amount of tax to be refunded to you is the net amount after deducting your outstanding tax liabilities.

9. Time limit for CIT to raise additional assessments

9.1 If the CIT discovers that the amount of QD carried back and deducted against your assessable income of any preceding YA was excessive, the CIT would make an additional assessment for the relevant YA of loss (to reduce the amount of QD) and for the relevant preceding YAs in which the QD was utilised, by 31 December 2024 (where QD of YA 2020 is used to set-off the assessable income of the relevant preceding YAs) and 31 December 2025 (where QD of YA 2021 is used to set-off the assessable income of the relevant preceding YAs).

9.2 To illustrate:

You have carried back your trade loss of $80,000 for YA 2020 to be deducted against your assessable income for YA 2017. The trade loss is subsequently reduced to $57,000. CIT would:

a. Revise the assessment for YA 2020 (to reduce the amount of the loss); and

b. Raise an additional assessment for YA 2017 (in respect of $23,000 over allowed) by 31 December 2024.

10. Contact information

10.1 If you have any enquiries or need clarification on this e-Tax Guide, please call:

1800-356 8300 (Individual Income Tax)

1800-356 8622 (Corporate Income Tax)

6351 3352/ 6351 3883 (Club & Associations Income Tax)

6351 3363 (Trust and Unit Trust Income Tax)

11. Updates and amendments

	Date of amendment	Amendments made
1	8 May 2020	• Updated paragraph 1.1 to refer to the revised e-Tax Guide on Carry-back Relief System published on 8 May 2020 • Updated paragraphs 2.1 to 2.3, 4.2 and section 7 to clarify that: - taxpayers can elect to carry-back the estimated or actual amount of QD under either the enhanced carry-back relief system or current carry-back relief system for YA 2020; and - taxpayers can revise their election if they had made an election after the 2020 Budget Statement but prior to 8 May 2020 as stated in paragraph 7.6 • Updated footnote 2 to clarify the documents not required for submission by taxpayers who had filed Form C-S • Updated paragraphs 3.1 and 6.1 to remove reference made to spousal transfer which has been phased out with effect from YA 2016 • Consequential editorial amendments made to paragraphs 5.1 and 8.1
2	3 Dec 2020	• Updated the administrative procedures for companies that elect for carry-back of actual QD for YA 2020 in paragraph 7.2.
3	5 Mar 2021	• Updated the following paragraphs and section to incorporate the extension of the enhanced carry-back relief system to the QD for YA 2021, as announced in the 2021 Budget Statement: - Paragraph 1.2 - Section 2 - Paragraph 3.6 - Paragraphs 4.2, 4.4, 4.5 - Paragraphs 5.1 to 5.5

		- Paragraph 6.2 - Paragraphs 7.1 to 7.3 - Paragraph 9.1

Annex A – Illustration of how the amount of QD to be carried back from YA 2020 is determined for a company

1. ABC Pte Ltd has unabsorbed CA and trade loss for YA 2020 and has claimed for enhanced carry-back relief to carry-back QD from YA 2020 to YAs 2017, 2018 and 2019.

2. ABC Pte Ltd has normal chargeable income and investment allowance. It has paid tax of $3,867.50 for YA 2017 and $4,335.00 for YA 2018.

3. ABC Pte Ltd's accounting year end is 31 Dec.

4. Assume the same business test and the shareholding tests are satisfied and none of the relevant YAs (i.e. YAs 2017 to 2020) falls within its first three YAs of incorporation.

Tax computations of ABC Pte Ltd for YAs 2017 to 2020

	YA 2020	
	$	**$**
Trade		
Adjusted profit before CA		0
Less: Unabsorbed CA b/f – YA 2019	(50,000)	
Current year CA – YA 2020	(11,000)	(61,000)
Other income		
Rental		24,000
		(37,000)
Less: CA carried back to YA 2017[5]		11,000
Unabsorbed CA c/f – YA 2019[6]		(26,000)
Current year adjusted trade loss		(190,000)
Add: Unabsorbed losses brought forward – YA 2019[6]		(2,000)
Less: Current year loss carried back to YA 2017[5]		85,000
Current year loss carried back to YA 2018[7]		4,000
Unabsorbed losses c/f (includes YA 2019 losses b/f of $2,000[6])		(103,000)
Unutilised investment allowance for YA 2020 c/f[8]		(25,000)
Chargeable income		0
Tax thereon		0.00

[5] Per order of carry-back in paragraphs 5.1 to 5.3 above. QD restricted to the assessable income for YA 2017.

[6] Unabsorbed CA and losses brought forward from prior years cannot be carried back.

[7] Total QD restricted to $100,000 available for carry-back from YA 2020 (CA of $11,000 + Loss of $85,000 + Loss of $4,000).

[8] Investment allowance is not eligible for carry back.

	YA 2017			
	Original Assessment (before carry-back is allowed)		**Revised assessment (after carry-back is allowed)**	
	$	**$**	**$**	**$**
Trade				
Adjusted profit before CA	148,000		148,000	
Less: Current year CA	(40,000)	108,000	(40,000)	108,000
Other income				
Rental		28,000		28,00(
		136,000		136,000
Less: Investment allowance		(40,000)		(40,000
		96,000		96,000
Less: CA carried back from YA 2020[7/9]			(11,000)	
Loss carried back from YA 2020[7/9]			(85,000)	(96,000)
Less: Exempt amount[10]		(50,500)		(
Chargeable income (after deducting exempt amount)		45,500		(
Tax thereon @ 17%		7,735.00		0.00
Less: 50% CIT rebate (capped at $25,000)		(3,867.50)		0.0(
Tax payable		3,867.50		0.00
Less: Tax previously assessed				(3,867.50)
Tax to be discharged				(3,867.50)

[9] Under the enhanced carry-back relief system.

[10] On the first $10,000 (75% of the income) $7,500
On the next $86,000 (50% of the income) $43,000
Exempt amount $50,500

	YA 2018			
	Original Assessment (before carry-back is allowed[9])		**Revised assessment (after carry-back is allowed[9])**	
	$	**$**	**$**	**$**
Trade				
Adjusted profit before CA	210,000		210,000	
Less: Current year CA	(40,000)	170,000	(40,000)	170,000
Other income				
Rental		20,000		20,000
		190,000		190,000
Less: CA carried back from YA 2019[11]		(100,000)		(100,000)
Loss carried back from YA 2020[7/9]				(4,000)
Chargeable income (before exempt amount)		90,000		86,000
Less: Exempt amount[12/13]		(47,500)		(45,500)
Chargeable income (after deducting exempt amount)		42,500		40,500
Tax thereon @ 17%		7,225.00		6,885.00
Less: 40% CIT rebate (capped at $15,000)		(2,890.00)		(2,754.00)
Tax payable		4,335.00		4,131.00
Less: Tax previously assessed				(4,335.00)
Tax to be discharged				(204.00)

[11] Under the current carry-back relief system. QD is capped at $100,000.

[12]
On the first $10,000 (75% of the income)	$7,500
On the next $80,000 (50% of the income)	$40,000
Exempt amount	$47,500

[13]
On the first $10,000 (75% of the income)	$7,500
On the next $76,000 (50% of the income)	$38,000
Exempt amount	$45,500

	YA 2019			
	Original Assessment (before carry-back is allowed[9])		**Revised assessment (after carry-back is allowed[9])**	
	$	**$**	**$**	**$**
Trade				
Adjusted profit before CA	0			
Less: Current year CA	(170,000)	(170,000)		
			NO CHANGE SINCE NO ASSESSABLE INCOME	
Other income				
Rental		20,000		
		(150,000)		
Less: CA carried back to YA 2018[11]		100,000		
Unabsorbed CA c/f		(50,000)		
Current year adjusted trade loss c/f		(2,000)		
Chargeable income (after exempt amount)		0		
Tax thereon		0.00		

Annex B – Illustration of how the amount of QD to be carried back from YA 2020 is determined for an individual

1. Mr Lim has only one source of trade income from his sole-proprietorship. He also derived employment income and rental income for YA 2020. He is 40 years old.
2. He has unabsorbed CA and trade losses for YA 2020 from his sole-proprietorship.
3. His sole proprietorship business' accounting year end is 31 Dec.
4. He has made a claim for enhanced carry-back relief for YA 2020.
5. Assume the same business test is satisfied for YAs 2017 to 2020.

Tax computations of Mr Lim for YAs 2017 to 2020

	YA 2020	
	$	**$**
Trade: Sole-proprietorship business		
Adjusted profit before CA	0	
Less: Current year CA	(55,000)	(55,000)
Other income		
Employment		24,000
Rental		12,000
		(19,000)
Less: CA carried back to YA 2017[14/15]		19,000
Unabsorbed CA c/f		0
Sole-proprietorship business		
Current year adjusted trade loss		(140,000)
Less: Loss carried back to YA 2017	47,000	
Loss carried back to YA 2018	30,000	
Loss carried back to YA 2019	4,000	81,000[14/15]
Unabsorbed loss c/f		(59,000)
Chargeable income		0
Tax thereon		0.00

[14] Maximum YA 2020 QD available to Mr Lim for carry-back is $100,000 (CA of $19,000 + Loss of $81,000).

[15] As Mr Lim has elected for enhanced carry-back relief, the full amount of $100,000 must be carried back and set-off against his assessable income in the preceding YAs first, notwithstanding that for each of YAs 2017 to 2019, he has personal reliefs to set-off against his assessable income.

	YA 2017			
	Original Assessment (before carry-back is allowed[9])		**Revised assessment (after carry-back is allowed[9])**	
	$	**$**	**$**	**$**
Trade: Sole-proprietorship business				
Adjusted profit before CA	62,000		62,000	
Less: Current year CA	(35,000)	27,000	(35,000)	27,000
Other income				
Employment		18,000		18,000
Rental		21,000		21,000
		66,000		66,000
Less: CA carried back from YA 2020[14/15]			(19,000)	
Loss carried back from YA 2020[14/15]		0	(47,000)	(66,000)
Assessable income		66,000		0
Less: Personal reliefs				
- Earned income	(1,000)		0[16]	
- CPF contributions by self-employed	(4,000)		0[17]	
- Compulsory employee CPF contribution	(3,600)	(8,600)	(3,600)	(3,600)
Chargeable income		57,400		0
Tax thereon		1,768.00[18]		0.00
Less: 20% personal tax rebate (capped at $500)		(353.60)		
Tax payable		1,414.40		
Less: Tax previously assessed				(1,414.40)
Tax to be discharged				(1,414.40)

16 (a) Based on the order of set-off, the CA and loss carried back of $66,000 will be set-off against trade income of $27,000 first. The balance of loss carried back of $39,000 [i.e. $66,000 - $27,000] will be set-off proportionately between employment ($18,000) and rental income ($21,000).
(b) Loss of $39,000 attributable to employment income:
$39,000 x ($18,000/ $39,000) = $18,000
(c) Employment income net of loss carried back
$18,000 - $18,000 = $0
(d) Earned income relief is lower of actual earned income (i.e. $0) or $1,000.

17 (a) Assume that the amount of self-employed obligatory and voluntary CPF contributions is $4,000.
(b) Based on the order of set-off, the loss carried back of $66,000 will be set-off against trade income of $27,000 first. With the loss carried back, the assessable income from trade is nil.
(c) Deduction for CPF contributions by self-employed (capped at 37% of assessable income from trade) is nil.

18 $550 on 1st $40,000 of income + 7% on next $17,400 of income

	YA 2018			
	Original Assessment (before carry-back is allowed[9])		**Revised assessment (after carry-back is allowed[9])**	
	$	**$**	**$**	**$**
Trade: Sole-proprietorship business				
Adjusted profit before CA	37,000		37,000	
Less: Current year CA	(35,000)	2,000	(35,000)	2,000
Other income				
Employment		18,000		18,000
Rental		10,000		10,000
		30,000		30,000
Less: Loss carried back from YA 2020[14/15]				(30,000)
Assessable income		30,000		0
Less: Personal reliefs				
- Earned income	(1,000)		0[19]	
- CPF contributions by self-employed	(4,000)		0[20]	
- Compulsory employee CPF contribution	(3,600)	(8,600)	(3,600)	(3,600)
Chargeable income		21,400		0
Tax payable		28.00[21]		0.00
Less: Tax previously assessed				(28.00)
Tax to be discharged				(28.00)

[19] (a) Based on the order of set-off, the CA and loss carried back of $30,000 will be set-off against trade income of $2,000 first. The balance of loss carried back of $28,000 [i.e. $30,000 - $2,000] will be set-off proportionately between employment ($18,000) and rental income ($10,000).
(b) Loss of $28,000 attributable to employment income:
$28,000 x ($18,000/ $28,000) = $18,000
(c) Employment income net of loss carried back
$18,000 - $18,000 = $0
(d) Earned income relief is lower of actual earned income (i.e. $0) or $1,000.

[20] (a) Assume that the amount of self-employed obligatory and voluntary CPF contributions is $4,000.
(b) Based on the order of set-off, the loss carried back of $30,000 will be set-off against trade income of $2,000 first. With the loss carried back, the assessable income from trade is nil.
(c) Deduction for CPF contributions by self-employed (capped at 37% of assessable income from trade) is nil.

[21] $0 on 1st $20,000 of income + 2% on next $1,400 of income

	YA 2019			
	Original Assessment (before carry-back is allowed[9])		**Revised assessment (after carry-back is allowed[9])**	
	$	**$**	**$**	**$**
Trade: Sole-proprietorship business				
Adjusted profit before CA	48,000		48,000	
Less: Current year CA	(35,000)	13,000	(35,000)	13,000
Other income				
Employment		18,000		18,000
Rental		10,000		10,000
		41,000		41,000
Less: Loss carried back from YA 2020[14/15]				(4,000)
Assessable income		41,000		37,000
Less: Personal reliefs				
- Earned income	(1,000)		(1,000)[22]	
- CPF contributions by self-employed	(4,000)		(3,330)[23]	
- Compulsory employee CPF contribution	(3,600)	(8,600)	(3,600)	(7,930)
Chargeable income		32,400		29,070
Tax payable		284.00[24]		181.40[25]
Less: 50% personal tax rebate (capped at $200)		(142.00)		(90.70)
Tax payable		142.00		90.70
Less: Tax previously assessed				(142.00)
Tax to be discharged				(51.30)

[22] (a) Based on the order of set-off, the CA and loss carried back of $4,000 will be set-off against trade income of $13,000 first. Hence, there would be no further CA and loss carried back to be set-off against the other sources of income (i.e. employment income and rental income).
(b) Actual earned income:
$18,000 - $0 = $18,000
(c) Earned income relief is lower of actual earned income (i.e. $0) or $1,000.

[23] (a) Assume that the amount of self-employed obligatory and voluntary CPF contributions is $4,000.
(b) Based on the order of set-off, the loss carried back of $4,000 will be set-off against trade income of $13,000 first. With the loss carried back, the assessable income from trade is $9,000.
(c) Deduction for CPF contributions by self-employed (capped at 37% of assessable income from trade) is $3,330.

[24] $200 on 1st $30,000 of income + 3.5% on next $2,400 of income

[25] $0 on 1st $20,000 of income + 2% on next $9,070 of income

Annex C – Illustration of how the amount of QD to be carried back from YA 2020 is determined for a company deriving income subject to tax at a concessionary rate

1. GHI Pte Ltd has trade loss from its trade which was granted concessionary rate of 10% for YA 2020 and has elected for enhanced carry-back relief.
2. GHI Pte Ltd's accounting year end is 31 Dec.
3. Assume the same business test and the shareholding tests are satisfied and none of the relevant YAs (i.e. YAs 2017 to 2020) falls within its first three YAs of incorporation.

Tax computations of GHI Pte Ltd for YAs 2017 to 2020

	YA 2020	
	Concessionary income (taxed at 10%) $	**Normal income (taxed at 17%) $**
Trade		
Adjusted profit before CA	0	0
Less: Unabsorbed CA b/f - YA 2019[6]	(15,652)	(26,087)
Less: Current year CA	(34,000)	(80,000)
	(49,652)	(106,087)
Other income		
Interest from qualifying debt securities	15,652	
Rental		66,087
	(34,000)	(40,000)
Less: CA carried back to YA 2017[26]	34,000	40,000
Unabsorbed CA c/f	0	0
Current year adjusted trade loss	(17,000)	(70,000)
Less: Loss carried back to YA 2017[26/27]		30,000
Loss carried back to YA 2018[27]	8,500	5,000
Unabsorbed loss for the year ended 31 Dec 2019 c/f	(8,500)	(35,000)
Chargeable income		0
Tax thereon		0.00

[26] CA carried back to YA 2017 arises from current year CA of $34,000 and $40,000 under the 10% and 17% tax rates respectively:
(a) Amount of CA carried back under 10% tax rate = (34,000 x $\frac{10}{17}$) = $20,000 at 17% tax rate.
(b) Amount of CA carried back under 17% tax rate = $40,000
Total CA carried back = $60,000 at 17% tax rate
(c) Therefore, the remaining losses that can be carried back is restricted to $40,000 ($100,000 - $60,000)
(d) Total amount of losses available for carry-back = 17,000 x $\frac{10}{17}$(under 10% tax rate) + 70,000 (under 17% tax rate) = $80,000 at 17% tax rate
(e) Amount of losses of $80,000 to be apportioned as follows:
Under 10% tax rate: (17,000 x $\frac{10}{17}$) / 80,000 x 40,000 x $\frac{17}{10}$ = $8,500
Under 17% tax rate: 70,000 / 80,000 x 40,000 = $35,000 ($30,000 carried back to YA 2017 and $5,000 carried back to YA 2018 = $35,000)

[27] Since the remaining assessable income in YA 2017 can only offset $30,000 of losses carried back from YA 2020 under the 17% tax rate, the balance of the losses will be carried back to off-set directly dollar for dollar against the assessable income in YA 2018.

	YA 2017			
	Original Assessment (before carry-back is allowed[9])		**Revised assessment (after carry-back is allowed[9])**	
	Concess-ionary income (taxed at 10%) $	**Normal income (taxed at 17%) $**	**Concess-ionary income (taxed at 10%) $**	**Normal income (taxed at 17%) $**
Trade				
Adjusted profit before CA	38,500	107,000	38,500	107,000
Less: Current year CA	(30,000)	(40,000)	(30,000)	(40,000)
	8,500	67,000	8,500	67,000
Other income				
Rental		18,000		18,000
	8,500	85,000	8,500	85,000
Less: CA carried back from YA 2020			(34,000)	(40,000)
			(25,500)	45,000
Less: Section 37B adjustment[28]			25,500	(15,000)
Loss carried back from YA 2020[29]				(30,000)
Chargeable income (before exempt amount)	8,500	85,000	0	0
Less: Exempt amount		(45,000) [30]		
Chargeable income (after deducting exempt amount)	8,500	40,000	0	0
Tax thereon @10%		850.00		0.00
Tax thereon @ 17%		6,800.00		0.00
		7,650.00		0.00
Less: 50% CIT rebate (capped at $25,000)		(3,825.00)		
Tax payable		3,825.00		
Less: Tax previously assessed				(3,825.00)
Tax to be discharged				(3,825.00)

[28] Amount of CA carried back under 10% adjusted to normal tax rate = 25,500 x $\frac{10}{17}$= $15,000

[29] $30,000 is the balance of assessable income against which the YA 2020 loss carried back can be deducted in YA 2017 under the 17% tax rate.

[30] On the first $10,000 (75% of the income) $7,500
On the next $75,000 (50% of the income) $37,500
Exempt amount $45,000

	YA 2018			
	Original Assessment (before carry-back is allowed[9])		**Revised assessment (after carry-back is allowed[9])**	
	Concess-ionary income (taxed at 10%)	**Normal income (taxed at 17%)**	**Concess-ionary income (taxed at 10%)**	**Normal income (taxed at 17%)**
	$	**$**	**$**	**$**
<u>Trade</u>				
Adjusted profit before CA	120,000	180,000	120,000	180,000
Less: Current year CA	(25,000)	(40,000)	(25,000)	(40,000)
	95,000	140,000	95,000	140,000
<u>Other income</u>				
Rental		20,000		20,000
	95,000	160,000	95,000	160,000
Less: Investment allowance		(10,000)		(10,000)
	95,000	150,000	95,000	150,000
Less: CA carried back from YA 2019[31]	(44,348)	(73,913)	(44,348)	(73,913)
	50,652	76,087	50,652	76,087
Loss carried back from YA 2020[32]			(8,500)	(5,000)
Chargeable income (before exempt amount)	50,652	76,087	42,152	71,087
Less: Exempt amount		(40,544) [33]		(38,044)[34]
Chargeable income (after deducting exempt amount)	50,652	35,543	42,152	33,043
Tax thereon @ 10%		5,065.20		4,215.20
Tax thereon @ 17%		6,042.31		5,617.31
		11,107.51		9,832.51
Less: 40% CIT rebate (capped at $15,000)		(4,443.00)		(3,933.00)
Tax payable		6,664.51		5,899.51
Less: Tax previously assessed				(6,664.51)
Tax to be discharged				(765.00)

[31] Refer to footnote 35 below.

[32] Refer to footnote 27 above.

[33]

On the first $10,000 (75% of the income)	$7,500
On the next $66,087 (50% of the income)	$33,044
Exempt amount	$40,544

[34]

On the first $10,000 (75% of the income)	$7,500
On the next $61,087 (50% of the income)	$30,544
Exempt amount	$38,044

	YA 2019			
	Original Assessment (before carry-back is allowed[9])		**Revised assessment (after carry-back is allowed[9])**	
	Concess-ionary income (taxed at 10%)	**Normal income (taxed at 17%)**	**Concess-ionary income (taxed at 10%)**	**Normal income (taxed at 17%)**
	$	**$**	**$**	**$**
<u>Trade</u>				
Adjusted profit before CA	8,000	30,000		
Less: Current year CA	(68,000)	(150,000)		
	(60,000)	(120,000)	NO CHANGE SINCE NO ASSESSABLE INCOME	
<u>Other income</u>				
Rental		20,000		
	(60,000)	(100,000)		
Less: CA carried back to YA 2018[35]	44,348	73,913		
Unabsorbed CA c/f	(15,652)	(26,087)		
Chargeable income	0	0		
Tax thereon @ 10%		0.00		
Tax thereon @ 17%		0.00		
Tax payable		0.00		

[35] (a) Total CA available for carry-back to YA 2018 = (60,000 x $\frac{10}{17}$) + 100,000 = $135,294 at 17% tax rate

(b) As maximum amount carry-back to YA 2018 is $100,000 under the normal tax rate category, the amount to be apportioned is as follows:
Under 10% tax rate: (35,294/135,294 x 100,000 x $\frac{17}{10}$) = $44,348
Under 17% tax rate: (100,000/135,294 x 100,000) = $73,913