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What is corporate income tax?

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WHAT DOES IT MEAN?

Corporate income tax refers to the income tax payable by a company on the taxable income it earns in the preceding financial year. The tax is levied on a net basis, that is, net of deductible expenses.

For every source of taxable income derived by a company, it can claim any relevant expenses that are wholly and exclusively incurred in earning that income.

Typically, taxable income that may be earned by a company includes trading income, dividends, interest, rental and royalty income.

However, capital gains derived from the disposal of investments that were not made for the purpose of deriving trading profits, and that had been held for the long term, are not taxable.

Examples are gains from the disposal of shares, properties, gold, bitcoins or any form of investments.

Whether or not the gains are treated as capital gains (in which case they are not taxable) or trading gains (in which case they are taxable) is a question of fact, to be determined after looking at all the relevant circumstances.

Unlike individuals, companies are taxed on the remittance of income earned from outside Singapore, whether or not such income was already taxed in the foreign jurisdiction.

This is unless such income takes the form of foreign dividends, foreign branch profits or foreign service income, which may be exempted, subject to qualifying conditions.

WHY IS IT IMPORTANT?

It is the responsibility of every company to file an annual corporate income tax return as well as to prepare a tax computation to determine how the income tax payable is arrived at.

The normal deadline is Nov 30 for paper filing and Dec 15 for electronic filing.

E-filing of corporate income tax returns has already been made compulsory for companies with revenue of more than $10 million in Year of Assessment (YA) 2017.

For YA 2019, it is compulsory for companies to e-file their corporate income tax returns if their revenue exceeded $1 million in YA 2018.

Severe penalties may be levied on incorrect filings, non-filings as well as tardiness in filing by the due dates. Hence, companies should exercise extra vigilance to get this annual chore right.

IF YOU WANT TO USE THE TERM, JUST SAY:

By YA 2020, all companies, regardless of revenue, will have to file their corporate income tax returns electronically.

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