



Tax Bytes

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Greetings from your Tax & Legal team at Deloitte Singapore.

We are pleased to update you on the following:

Taxable and non-taxable income

On 29 December 2023, the Inland Revenue Authority of Singapore (IRAS) has updated its website on:

- [taxable and non-taxable income](#): reporting requirement for foreign income with effect from the Year of Assessment (YA) 2024.

Income received in Singapore from outside Singapore

Briefly, Singapore's tax laws prescribe that income tax is payable on foreign income (i.e., income that is sourced outside Singapore) that is received in Singapore.

Further, Section 10(25) of the Income Tax Act 1947 (ITA) stipulates that foreign income is considered received in Singapore when it is:

- remitted to, transmitted or brought into Singapore;
- used to satisfy any debt incurred in respect of a trade or business carried on in Singapore; or
- used to purchase any movable property (such as equipment, raw material, etc.) brought into Singapore.

Reporting requirements

Since foreign income should not be subject to Singapore income tax until they are received in Singapore, companies are required to track the location of their foreign income¹ and may be called upon to substantiate the tax treatment through furnishing of records (for example, bank statements).

Effective from YA 2024, the IRAS has stipulated the specific details that companies² must provide in their income tax computations:

- unremitted foreign income brought forward from previous YAs;
- foreign income earned in the current financial year;
- foreign income received in Singapore during the said financial year;
- foreign income utilised during the year and not received in Singapore;
- unremitted foreign income carried forward; and
- tracking of allowable expenses attributable to the foreign income if the company is electing for the [liberalised treatment of expenses](#) incurred in Singapore.

To aid compliance with these requirements, the IRAS has introduced a downloadable standard template for tracking foreign income—[standard template of foreign income tracking schedule](#) and [accompanying explanatory notes](#). Nevertheless, companies can modify this standard template or continue using their existing templates if they include all required information.

For completeness, we reiterate the foreign income information which needs to be submitted by companies in their tax computations:

No.	Column	Description
1	Nature of income	Type of foreign income derived in the respective years (e.g., interest, dividend, royalty, branch profit, etc.)
2	Unremitted income—balance brought forward (A)	<ul style="list-style-type: none"> • Amount of foreign income earned in the respective years that have yet to be remitted or used by the company as at the beginning of the basis period of the reporting YA. • Includes unremitted income earned prior to YA 2024. Where it is not possible for the company to provide a year-by-year breakdown of the income, to present a cumulative unremitted quantum for each type of income. • For foreign income derived from YA 2024, they must be tracked as separate rows and maintained until the income is entirely remitted or used in a manner that is not considered as received in Singapore under Section 10(25), such that the income becomes permanently unavailable for subsequent remittance.
3	Current year income (B)	Amount of foreign income derived during the basis period of the reporting YA.
4	Income received in Singapore	<ul style="list-style-type: none"> • Amount of foreign income which is received during the basis period of the reporting YA under Section 10(25).

¹ This includes foreign income received in Singapore during the year that qualify for tax exemption under Section 13(8) or Section 13(12) of the ITA.

² Companies that are eligible to file either Form C-S or Form C-S (Lite) must ensure that they prepare and retain this schedule, ready to be submitted to the IRAS upon request.

	during the year (C)	<ul style="list-style-type: none"> Includes foreign income received in Singapore during the year that qualify for tax exemption under Section 13(8) or Section 13(12) of the ITA.
5	Income used during the year and not received in Singapore (D)	<ul style="list-style-type: none"> Amount of foreign income that is used by the company that is not considered to have been received in Singapore under Section 10(25), such that the income becomes permanently unavailable for subsequent remittance. An example of such use is when the foreign income kept offshore is used to pay one-tier tax exempt dividends directly to the off-shore bank account(s) of the shareholder(s). The IRAS has also in its FAQs page on taxable income received in Singapore from outside Singapore, listed other examples of such scenarios and outlined the necessary conditions that need to be met. In addition to the above, the company should provide additional details in the tax computation to substantiate its claim (e.g., describe the usage of the income, and the basis for claiming that the income was considered not received in Singapore and can no longer be remitted even in the future).
6	Unremitted income— balance carried forward (E)	<p>(E) = (A) or (B), whichever is applicable – (C) – (D)</p> <p>Includes foreign income:</p> <ul style="list-style-type: none"> which is not remitted and not used in any manner; that is used in any manner that may subsequently be received in Singapore under Section 10(25), e.g., foreign income that is used for reinvestment overseas.
7	Allowable expenses incurred in Singapore (F)	<ul style="list-style-type: none"> Expenses that are wholly and exclusively incurred to derive the foreign income, provided that the deduction of the expenses is not prohibited by the ITA. To indicate if the company is electing for the liberalised treatment of expenses incurred in Singapore to derive the foreign income.
8	Allowable expenses— balance brought forward (G)	Amount of allowable expenses that corresponds to unremitted income brought forward (A).
9	Share of allowable expenses attributable to income received in Singapore during the year (H);	Amount of expenses attributable to the foreign income received in Singapore (C).

	<p>Share of allowable expenses attributable to income used during the year and not received in Singapore (I); and</p> <p>Allowable expense— balance carried forward (J)</p>	<ul style="list-style-type: none"> • Amount of expenses attributable to foreign income used by the company in a manner that is considered not received in Singapore under Section 10(25), such that the income becomes permanently unavailable for subsequent remittance (D). • To provide the basis as to how the amount is derived. <p>(J) = (F) or (G), whichever is applicable – (H) – (I)</p>
10	<p>Net income considered received and subject to tax in Singapore (K)</p>	<p>(K) = (C) – (H)</p> <p>To indicate if the income is exempted under Section 13(8) or Section 13(12) or the company is claiming foreign tax credit for taxes paid in foreign jurisdictions against Singapore tax payable on the same income and furnish the required information in the tax computation.</p>

Essentially, the unremitted foreign income earned in different years are required to be tracked as separate rows and maintained until the income is entirely remitted or used in a manner that is not considered as received in Singapore under Section 10(25), such that the income becomes permanently unavailable for subsequent remittance.

Additionally, the IRAS has provided [illustrative examples](#) to assist companies in understanding these requirements.

Closing remarks

Overall, these changes reflect a broader shift towards greater accountability and transparency in the corporate tax landscape. The reporting requirements may necessitate adaptations in corporate tax practices given the (now prescribed) need to track and report various components of foreign income accurately, including unremitted income, expenses and income received in Singapore.

In light of the fungibility of cash, companies deriving diverse forms of foreign income (for example, dividends, interest, royalties) and/or multiple foreign income streams (for example, interest from various loans) are advised to re-evaluate their record-keeping protocols so that they are able to substantiate the tax treatment when the relevant foreign income is received in Singapore. This includes tracking the foreign exchange differences that may arise before the unremitted foreign income is considered received in Singapore. Where the amounts involved are material, it is prudent to seek concurrence from the IRAS regarding the tracking methodology to pre-empt potential disputes in the future.

Contacts

Should you have any comments or questions arising from this newsletter, please contact either the listed contacts below, or any member of the [Singapore Tax & Legal team](#).



Daniel Ho
Head of Tax
Deloitte Singapore

+65 6216 3189
danho@deloitte.com



Chua Kong Ping
Tax Partner
Deloitte Singapore

+65 6800 2966
kchua@deloitte.com



Loh Eng Kiat
Tax Partner
Deloitte Singapore

+65 6800 2779
ekloh@deloitte.com



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