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Chapter 1

BASIC TAX CONCEPTS

¶1-100

Summary checklist

• The tax system is territorial, ie income is taxable in Singapore if it is sourced here or received, or deemed received, here.	¶1-101
• Income is taxed on a preceding year basis, ie income earned in the year is assessed to tax in the next year of assessment.	¶1-102
• Tax is assessed on chargeable income, ie total statutory income less capital allowances, losses and reliefs.	¶1-103
• The prevailing rate of tax for companies and non-residents is 17%; resident individuals are taxed based on graduated rates.	¶1-104
• Residence of a person determines how a person will be taxed.	¶1-105
• Not Ordinarily Resident scheme.	¶1-106
• Tax computation for a resident individual.	¶1-107
• Tax computation for a company.	¶1-108

¶1-101

Charge to tax

The tax system in Singapore operates on a territorial basis. The charging section of the *Income Tax Act* (ITA) can be found in s 10(1) which states that:

“Income tax shall, subject to the provisions of this Act, be payable at the rate or rates specified hereinafter for each year of assessment upon the income of any person accruing in or derived from Singapore or received in Singapore from outside Singapore in respect of:

- (a) gains or profits from any trade, business, profession or vocation, for whatever period of time such trade, business, profession or vocation may have been carried on or exercised;
- (b) gains or profits from any employment;
- (c) *(Deleted)*
- (d) dividends, interest or discounts;
- (e) any pension, charge or annuity;
- (f) rents, royalties, premiums and any other profits arising from property; and
- (g) any gains or profits of an income nature not falling within any of the preceding paragraphs.”