
First published in the *Government Gazette*, Electronic Edition, on 11 November 2022 at 5 pm.

No. S 880

INCOME TAX ACT 1947

INCOME TAX (FUNCTIONAL CURRENCY) (AMENDMENT) REGULATIONS 2022

In exercise of the powers conferred by section 62B(11) of the Income Tax Act 1947, the Minister for Finance makes the following Regulations:

Citation and commencement

1.—(1) These Regulations are the Income Tax (Functional Currency) (Amendment) Regulations 2022 and, except for regulation 2(a) and (c), come into operation on 11 November 2022.

(2) Regulation 2(a) and (c) is deemed to have come into operation on 31 December 2021.

Amendment of regulation 2

2. In regulation 2 of the Income Tax (Functional Currency) Regulations 2004 (G.N. No. S 748/2004) (called in these Regulations the principal Regulations) —

- (a) in paragraph (v), replace “section 67 of the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86)” with “section 43 of the Economic Expansion Incentives (Relief from Income Tax) Act 1967”;
- (b) in paragraph (vii), replace “, 14J,” with “or”;
- (c) in paragraph (vii), replace “14K” with “14H”; and
- (d) in paragraph (vii), delete “or 14L”.

New regulation 3A

3. After regulation 3 of the principal Regulations, insert —

“Transitional provisions for licensed insurers

3A.—(1) Subject to paragraph (2), where a licensed insurer —

- (a) is required for any year of assessment to furnish its tax computation and particulars of its income in Singapore dollar; and
- (b) has, in any previous year of assessment, furnished its tax computation and particulars of its income in a non-Singapore dollar functional currency,

the licensed insurer must convert the following amounts denominated in the functional currency into an equivalent amount in Singapore dollar in accordance with the applicable rate of exchange mentioned in regulation 4:

- (c) the residue of the value of any machinery, plant or right mentioned in section 19, 19A, 19B or 19C of the Act, after deducting any allowance that has been made under any of those sections;
- (d) any expenses or balance of expenses which are allowed as deductions for that year of assessment or any subsequent year of assessment, or any earlier year of assessment that is approved by the Comptroller;
- (e) income from any source that is chargeable to tax for that year of assessment or any subsequent year of assessment, or any earlier year of assessment that is approved by the Comptroller;
- (f) the value of any asset which has been granted an initial or annual allowance under section 19 or 19A of the Act for the purposes of calculating any balancing charge under section 20 of the Act;
- (g) any allowance falling to be made under section 19, 19A, 19B, 19C or 20 of the Act which remains unabsorbed at the end of the previous year of assessment;

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- (h) the amount of any loss incurred in any trade or business which remains unabsorbed at the end of the basis period for the previous year of assessment;
 - (i) the amount of deduction allowed in respect of any donation under section 37(3) of the Act which remains unabsorbed at the end of the basis period for the previous year of assessment.

(2) This regulation has effect for any year of assessment corresponding to any basis period beginning on or after 1 January 2023, or any earlier basis period that is approved by the Comptroller.

(3) In this regulation and regulation 4, “licensed insurer” means a company licensed under the Insurance Act 1966 to carry on insurance business in Singapore.”.

Amendment of regulation 4

4. In regulation 4 of the principal Regulations —

(a) after paragraph (1), insert —

“(1A) Subject to paragraph (2), a licensed insurer mentioned in regulation 3A must make an irrevocable election in writing of one of the following rates of exchange for the purposes of converting the amounts mentioned in regulation 3A denominated in a non-Singapore dollar functional currency into an equivalent amount in Singapore dollar:

- (a) the average rate of exchange, as made available by the Monetary Authority of Singapore, calculated on the basis of the rate of exchange at the end of each month for a period of 12 months up to the last day of the last accounting period in which the financial accounts are maintained in a non-Singapore dollar functional currency;

(b) the average rate of exchange, as made available by the Monetary Authority of Singapore, calculated on the basis of the rate of exchange at the end of each month of the accounting period that constitutes the basis period for that year of assessment.”; and

(b) in paragraph (2), after “paragraph (1)(a) or (b)”, insert “, or (1A)(a) or (b)”.

Made on 10 November 2022.

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[AG/LEGIS/SL/134/2020/70 Vol. 1]