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**INCOME TAX ACT
(CHAPTER 134)**

**INCOME TAX (FUNCTIONAL CURRENCY) REGULATIONS
2004**

ARRANGEMENT OF REGULATIONS

Regulation

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

Citation

1. These Regulations may be cited as the Income Tax (Functional Currency) Regulations 2004.

Transitional provisions for companies

2. Where a company —

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

the company shall convert the following amounts denominated in Singapore dollar into an equivalent amount in the functional currency

in accordance with the applicable rate of exchange referred to in regulation 4:

- (i) the residue of the value of any industrial building or structure, machinery or plant, or right referred to in section 16, 19, 19A, 19B, 19C or 19D of the Act, after deducting any allowance that has been made under any of those sections;
- (ii) any expenses or balance of expenses which are allowed as deductions for the year of assessment 2004 or any subsequent year of assessment, or such earlier year of assessment as may be approved by the Comptroller;
- (iii) income from any source that is chargeable to tax for the year of assessment 2004 or any subsequent year of assessment, or such earlier year of assessment as may be approved by the Comptroller;
- (iv) the value of any asset which has been granted an initial or annual allowance under section 16, 19 or 19A of the Act for the purposes of calculating any balancing charge under section 17 or 20 of the Act;
- (v) the balance of any allowance falling to be made under section 16, 17, 19, 19A, 19B, 19C, 19D or 20 of the Act, or under section 43 of the Economic Expansion Incentives (Relief from Income Tax) Act 1967 at the end of the previous year of assessment;
[S 880/2022 wef 31/12/2021]
- (vi) 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;
- (vii) the amount of any further tax deduction under section 14B, 14E or 14H of the Act which remains unabsorbed at the end of the basis period for the previous year of assessment;
[S 880/2022 wef 11/11/2022]
[S 880/2022 wef 31/12/2021]
- (viii) 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.

Transitional provisions for individuals and partnerships

3. Where an individual or a precedent partner —

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

the individual or precedent partner shall convert the following amounts denominated in Singapore dollar into an equivalent amount in the functional currency in accordance with the applicable rate of exchange referred to in regulation 4:

- (i) the residue of the value of any industrial building or structure, machinery or plant, or right referred in section 16, 19, 19A, 19B, 19C or 19D of the Act, after deducting any allowance that has been made under any of those sections;
- (ii) any expenses or balance of expenses which are allowed as deductions for the year of assessment 2004 or any subsequent year of assessment, or such earlier year of assessment as may be approved by the Comptroller;
- (iii) income from any source that is chargeable to tax for the year of assessment 2004 or any subsequent year of assessment, or such earlier year of assessment as may be approved by the Comptroller;
- (iv) the value of any asset which has been granted an initial or annual allowance under section 16, 19 or 19A of the Act for the purposes of calculating any balancing charge under section 17 or 20 of the Act;
- (v) in the case of an individual, the balance of any allowance falling to be made under section 16, 17, 19, 19A, 19B, 19C,

19D or 20 of the Act at the end of the previous year of assessment.

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.

[S 880/2022 wef 11/11/2022]

Applicable rate of exchange

4.—(1) Subject to paragraph (2), a company, an individual or a precedent partner referred to in regulation 2 or 3, as the case may be, shall make an irrevocable election in writing of one of the following rates of exchange for the purposes of converting the amounts referred to in regulation 2 or 3, as the case may be, denominated in Singapore dollar into an equivalent amount in a non-Singapore dollar functional currency:

- (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 Singapore dollar;
- (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.

(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.

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(2) Where no average rate of exchange referred to in paragraph (1)(a) or (b), or (1A)(a) or (b) is made available by the Monetary Authority of Singapore, the average rate of exchange applicable shall be such rate of exchange as may be determined by the Comptroller.

[S 880/2022 wef 11/11/2022]

Made this 13th day of December 2004.

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*Permanent Secretary,
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Singapore.*

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