CALIFORNIA FRANCHISE TAX BOARD

Legal Ruling No. 121

May 8, 1958

DIVIDEND TAX: SINGAPORE

Syllabus:

Singapore net income tax withheld on dividends does not qualify as a credit or deduction. However, only the amount received by the shareholder is includible in gross income.

Advice is requested whether the net income tax imposed upon the profits of corporations by the Colony of Singapore is deductible in computing a shareholder's California income tax. In distributing profits, the corporation deducts the tax from each dividend payment and remits only the net amount to the shareholder.

The Singapore law is similar in this respect to that of Great Britain and treatment should be uniform. These taxes are levied upon the profits of the corporation and are corporate taxes rather than taxes of the shareholder. Hence, they cannot be used either as a credit or a deduction in computing the shareholder's California tax. They do, however, reduce the amount of the dividend received and the shareholder is required to report only the net amount.