

Notes to the Financial Statements

Year ended December 31, 2020

B. Our Performance (cont'd)

B3. Taxation (cont'd)

a. Tax expenses

i. Current tax expense

<i>(S\$ million)</i>	Group	
	2020	2019*
Current tax expense		
Current year	55	133
Over provided in prior years	(17)	(9)
Foreign withholding tax	18	17
	56	141
Deferred tax expense		
Movements in temporary differences	(29)	(48)
Under / (over) provided in prior years	4	(9)
Effect of changes in tax rates	*	(1)
	(25)	(58)
Land appreciation tax		
Current year	1	32
	32	115
Tax expense on continuing operations	32	115
Reconciliation of effective tax rate		
Profit for the year from continuing operations	179	333
Total tax expense	32	115
Share of results of associates and joint ventures, net of tax	(233)	(186)
(Loss) / Profit before share of results of associates and joint ventures, and tax expense from continuing operations	(22)	262
Tax using Singapore tax rate of 17%	(4)	45
Effect of changes in tax rates	*	(1)
Effect of different tax rates in foreign jurisdictions	22	20
Tax incentives and income not subject to tax	(22)	(29)
Expenses not deductible for tax purposes	42	47
Utilisation of deferred tax benefits not previously recognised	(27)	(8)
Over provided in prior years	(13)	(18)
Deferred tax benefits not recognised	5	16
Foreign withholding tax	18	17
Deferred tax on unremitted dividend income	5	-
Land appreciation tax	1	32
Effect of tax reduction on land appreciation tax	*	(8)
Others	5	2
Tax expense on continuing operations	32	115

B. Our Performance (cont'd)

B3. Taxation (cont'd)

b. Deferred tax assets and liabilities

Accounting policies

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax liabilities and assets on a net basis.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Key estimates and judgements

Certain subsidiaries of the Group have tax benefits arising from unutilised tax losses, tax credits and deductible temporary differences, which are available for set-off against future taxable profits. Of these, the utilisation of these tax benefits, for which deferred tax asset was recognised, is premised on these subsidiaries' ability to generate taxable profits in the foreseeable future.

Discontinued operation

In 2019, the realisability of SCM's deferred tax assets was also highly dependent on macroeconomic conditions impacting the offshore and marine sector, expected movements and recovery of oil prices, and financial strength of the subsidiaries' customers.

Notes to the Financial Statements

Year ended December 31, 2020

B. Our Performance (cont'd)

B3. Taxation (cont'd)

b. Deferred tax assets and liabilities (cont'd)

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

<i>(\$ million)</i>	At January 1	Recognised in profit or loss continuing operations (Note B3(a))	Recognised in profit or loss discontinued operation (Note G3)	Recognised in equity (Note B3(c))	Acquisition of subsidiary (Note G2)	Disposal of subsidiary (Note G2)	Distribution of a subsidiary (Note G3)	Translation adjustments	At December 31
Group									
2020									
Deferred tax liabilities									
Property, plant and equipment	445	53	(5)	*	2	(1)	(85)	(9)	400
Other financial assets	28	*	–	(4)	–	–	–	*	24
Trade and other receivables	25	5	–	–	–	–	–	–	30
Intangible assets	62	(3)	(1)	–	2	–	(28)	(2)	30
Other items	5	3	*	(2)	–	*	(1)	*	5
Total	565	58	(6)	(6)	4	(1)	(114)	(11)	489
Deferred tax assets									
Property, plant and equipment	(160)	(7)	2	–	–	*	79	*	(86)
Inventories	(2)	*	*	–	–	–	*	–	(2)
Trade receivables	(3)	*	*	–	–	*	*	*	(3)
Trade and other payables	(28)	(1)	(4)	*	*	–	21	*	(12)
Tax losses	(6)	(52)	(57)	–	–	*	65	5	(45)
Provisions	(45)	*	*	–	–	–	15	*	(30)
Other financial liabilities	(29)	(1)	–	3	–	–	1	*	(26)
Retirement benefit obligations	6	*	*	–	–	–	*	*	6
Other items	(12)	(22)	–	–	–	*	*	*	(34)
Total	(279)	(83)	(59)	3	*	*	181	5	(232)

<i>(\$ million)</i>	At January 1	Recognised in profit or loss (Note B3(a))	Recognised in equity (Note B3(c))	Acquisition of subsidiaries (Note G2)	Disposal of subsidiaries (Note G2)	Transfer to held for sale	Translation adjustments	At December 31
Group								
2019								
Deferred tax liabilities								
Property, plant and equipment	485	(38)	–	–	(1)	(1)	*	445
Other financial assets	28	*	*	–	–	–	*	28
Trade and other receivables	26	(1)	–	–	–	–	–	25
Intangible assets	81	(19)	–	–	–	–	*	62
Other items	15	(12)	1	*	–	(1)	2	5
Total	635	(70)	1	*	(1)	(2)	2	565
Deferred tax assets								
Property, plant and equipment	(168)	2	–	–	–	5	1	(160)
Inventories	(3)	1	–	–	–	–	–	(2)
Trade receivables	2	(6)	–	–	–	1	*	(3)
Trade and other payables	(26)	(3)	*	–	–	1	*	(28)
Tax losses	(3)	(6)	–	–	–	2	1	(6)
Provisions	(49)	3	–	–	–	*	1	(45)
Other financial liabilities	(34)	(1)	6	–	–	–	*	(29)
Retirement benefit obligations	6	*	–	–	–	–	*	6
Other items	(2)	(11)	*	–	–	1	*	(12)
Total	(277)	(21)	6	–	–	10	3	(279)

Notes to the Financial Statements

Year ended December 31, 2020

B. Our Performance (cont'd)

B3. Taxation (cont'd)

b. Deferred tax assets and liabilities (cont'd)

<i>(\$ million)</i>	At January 1, 2019	Recognised in profit or loss	At December 31, 2019	Recognised in profit or loss	At December 31, 2020
Company					
Deferred tax liabilities					
Property, plant and equipment	57	(21)	36	(1)	35
Deferred tax assets					
Provisions	(7)	–	(7)	*	(7)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the balance sheet are as follows:

<i>(\$ million)</i>	Group		Company	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Deferred tax liabilities	294	348	28	29
Deferred tax assets	(37)	(62)	–	–
	257	286	28	29

As at December 31, 2020, a deferred tax liability of S\$2 million (2019: S\$14 million) for potential taxable temporary differences arising from undistributed retained earnings related to investment in subsidiaries and joint ventures was not recognised.

Deferred tax assets have not been recognised in respect of the following items, which are available to set off against future taxable income subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions:

<i>(\$ million)</i>	Group	
	December 31, 2020	December 31, 2019
Deductible temporary differences	44	133
Tax losses	771	1,656
Capital allowances	49	49
	864	1,838

Tax losses of the Group amounting to S\$44 million (2019: S\$44 million) will expire between 2023 and 2026 (2019: 2020 and 2027). The remaining tax losses, capital allowances and deductible temporary differences do not expire under current tax legislation.

Deferred tax assets have not been recognised under the following circumstances:

- i. Where they qualify for offset against the tax liabilities of member companies within the Group under the Loss Transfer System of Group Relief but the terms of the transfer have not been ascertained as at year end; or
- ii. Where it is uncertain that future taxable profit will be available against which certain subsidiaries of the Group can utilise the benefits.

B. Our Performance (cont'd)

B3. Taxation (cont'd)

c. Other comprehensive income

Tax effects relating to each component of other comprehensive income:

<i>(\$ million)</i>	Group					
	2020			2019		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Foreign currency translation differences for foreign operations	(17)	–	(17)	(94)	–	(94)
Exchange differences on monetary items forming part of net investment in a foreign operation	(2)	–	(2)	(3)	–	(3)
Share of other comprehensive income of associates and joint ventures	(16)	–	(16)	(12)	–	(12)
Cash flow hedges: net movement in hedging reserves (Note (i))	(38)	1	(37)	21	(6)	15
Cost of hedging reserve:						
– Changes in fair value	(43)	–	(43)	–	–	–
– Reclassified to profit or loss	42	–	42	–	–	–
Financial assets at FVOCI: net movement in fair value reserve (Note (ii))	(14)	–	(14)	40	–	40
Realisation of reserves upon the Distribution	(125)	–	(125)	–	–	–
Realisation of reserve upon disposal of joint venture	–	–	–	(1)	–	(1)
Realisation of reserve upon disposal of subsidiaries	36	–	36	(3)	–	(3)
Defined benefit plan actuarial gains and losses	(11)	2	(9)	7	(1)	6
Other comprehensive income	(188)	3	(185)	(45)	(7)	(52)

i. Cash flow hedges:

<i>(\$ million)</i>	Group	
	2020	2019
Net change in fair value of hedging instruments	(143)	36
Amount reclassified to profit or loss	105	(15)
Tax expense	1	(6)
Net movement in the hedging reserve during the year recognised in other comprehensive income	(37)	15

ii. Financial assets at FVOCI:

<i>(\$ million)</i>	Group	
	2020	2019
Changes in fair value	(14)	40
Tax expense	–	–
Net changes in fair value during the year recognised in other comprehensive income	(14)	40