

Managing and Growing Your Business

Singapore tax regime

Personal Tax

Resident Individual Income Tax Rates
 (Year of Assessment 2007 to 2008)

	Chargeable Income	2007		2008	
		Rate%	Tax\$	Rate%	Tax\$
On the first		0.00	-	0.00	-
On the next		3.50	350	3.50	350
On the first			350		350
On the next		5.50	550	5.50	550
On the first			900		900
On the next		8.50	3,400	8.50	3,400
On the first			4,300		4,300
On the next			11,200	14.00	11,200
On the first			15,500		15,500
On the next			27,200	17.00	27,200
On the first			42,700		42,700
On income above				20.00	

With effect from Year of Assessment 2008, there will be an income tax rebate of 20% for all resident taxpayers. The rebate is capped at \$2,000.

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Personal Tax (Cont'd)

Resident Taxpayer's Personal Reliefs

Tax reliefs and rebates are given as a recognition for individuals' efforts. Instead of compensating taxpayers for certain type of expenses fully, reliefs and rebates are given to promote certain social objectives. Hence there are reliefs available to encourage family formation, filial piety and upgrading of skills and reliefs given in support of individuals saving for retirement and serving National Service. The main reliefs and rebates are as follows: -

	Normal	Handicapped		
Earned Income Relief				
< 55 years old	\$1,000.00			\$2,000.00
55 - 59 years old	\$3,000.00			\$5,000.00
60 years old and above	\$4,000.00			\$6,000.00
Wife relief	\$2,000.00			\$3,500.00
Qualifying child Relief(QCR)				
1st – 3rd Child	\$2,000.00 each			
4th Child born after 1987	\$2,000.00 each			
Handicapped Child Relief(HCR)				\$3,500.00
Dependant Relief				
Parent Relief				
staying with taxpayer	\$5,000.00			\$8,000.00
not staying with taxpayer	\$3,500.00			\$6,500.00
Handicapped Siblings Relief				\$3,500.00 each
Grandparent Caregiver Relief(GCR)	\$3,000.00			
		Amount of Relief		
Working Mother's Child Relief (WMCF)				
1st child		5% of earned income		
2nd child		15% of earned income		
3rd child		20% of earned income		
4th child		25% of earned income		
Maximum per child (WMCF+QCR/HCR)		\$25,000.00		
Relief for foreign maid levy for married women, divorced women and widow with children				Twice levy paid for 1 maid only
Parenthood Tax Rebate		Rebate		
2nd		\$10,000.00		
3rd & 4th Child		\$20,000.00		
Central Provident Fund (CPF) Relief				
Compulsory CPF				Full Statutory Amount
(subject to monthly cap of \$4,500/annual cap of \$76,500 for the Year Assessment 2007-2008)				
Voluntary CPF				
(subject to annual cap of \$25,987.50 & \$26,393 for Year of Assessment 2007-2008 & 2008-2009 respectively)				
Life Insurance Premiums				
Compulsory CPF contribution less than \$5,000, taxpayer may claim qualifying life insurance premiums on his/wife's life as deduction capped \$5,000 (total deduction for CPF contributions and life insurance premium)				
Relief for course fees				Maximum \$3,500.00
Relief for NS men				
	Active	Inactive	Wife	Parent
	\$3,000.00	\$1,500.00	\$750.00	\$750.00
Supplementary Retirement Scheme (SRS)				
Singapore citizens and permanent residents		15% of contributions		
Foreigners		34% of contributions		
(subject to annual cap of \$76,500)				

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Personal Tax (Cont'd)

Tax Treatment of Employment Fringe Benefits

Note: This list is not exhaustive. Some variations may apply.

Benefit	Assessable Income to Taxpayer
Company-provided housing	Lower of 10% of total remuneration (including other benefits) or annual value of premises. Variations exist for directors.
Hotel accommodation	2% of basic salary plus: (a) \$250 per month per adult (includes child above 20 years of age) (b) \$100 per month per child between eight and 20 years of age; (c) \$50 per month per child between three and seven years of age; and (d) \$25 per month per child under three years of age
Household furnishings	Nominal rates predetermined by the Inland Revenue Authority of Singapore
Round sum allowances	Total amount paid by employer
School fees	Actual cost to employer
Leave passages	20% of leave passage cost paid by employer. Concession restricted to: (a) one home trip for taxpayer and spouse, and (b) two home trips for each child
Income tax reimbursement	Actual amount paid by employer, grossed up
Interest subsidy for loan taken up by employee	Actual cost to employer
Interest-free loans provided by employer	Not taxable. Variations exist for directors.

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Personal Tax (Cont'd)

Tax Treatment of Employment Fringe Benefits

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Benefit	Assessable Income to Taxpayer
Gains from exercise of stock options and share ownership plans	Market value at the end of the moratorium (if any) less amount paid by employee. Note: tax exemptions available for some schemes
Car Benefits	Benefit to taxpayer based on IRAS formulae which take into account the cost of the car and private use. The main formulae are: <ul style="list-style-type: none"> - Company owned car (Q-plate or S-plate): $3/7 \times (\text{car cost} - \text{residual value})/10 + \text{private mileage} \times \text{fixed rate};$ - Employee owned car: $\text{Private mileage}/\text{total mileage} \times \text{total expense paid by employer};$ - Leased / Rented car $3/7 \times \text{rental cost} + \text{private mileage} \times \text{fixed rate}$ - Driver provided by employer: $\text{Annual cost of driver} \times \text{private mileage}/\text{total mileage}$ The fixed rate for private mileage (per km) for motor cars are: <ul style="list-style-type: none"> (a) \$0.55 if petrol is borne by the employer; (b) \$0.45 if petrol is borne by the employee; (c) \$0.10 for the use of leased car if petrol is provided; (d) Nil for use of leased car if petrol is not provided.

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Corporate Tax (Cont'd)

Tax incentives for fixtures and fittings

In an effort to help business, especially SMEs to keep their cost down, the Government has proposed to grant a special allowance for cost incurred on all fixtures, fittings and installations, except those relating to structural works and expansion space to be written off over three years. This allowance is subject to a cap of \$150,000 every three years per business entity. This will be applicable to qualifying expenditure on attached fixtures incurred during the period 16 February 2008 to 15 February 2013. Since it is only valid until 2013, the maximum allowance that any business entity can claim will be \$300,000.

Tax deduction on medical expenses

With effect from Year of Assessment 2008, employers who provide their employees with inpatient medical insurance benefits in the form of portable medical shield plans can also qualify for tax deduction at 2% of the total wage bill for medical expenses they incur for their employees.

Employers can provide such portable medical shield plans, either by paying the insurance premiums on behalf of their employees to the insurance companies directly or by reimbursing the premiums into the employees' Medisave accounts.

To qualify, the employer must provide the portable medical shield plans for at least 20% of existing local employees employed as at the first day of the basis period for the Year of Assessment and every local employee who commences his employment during the basis period for that Year of Assessment.

Tax deduction of employers contribution to top up employees' Supplementary Retirement Scheme

With effect from Year of Assessment 2009, employers will be allowed to claim full deduction for the contributions they make to their employees Supplementary Retirement Scheme (SRS) accounts.

Tax deduction of employers contribution to top up employees' CPF minimum sum

Employers may now make voluntary top-up contributions to the minimum sum of an employees' CPF account. Employer can claim tax deduction for such payments. This will take effect from Year of Assessment 2009.

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Withholding Tax

Under Singapore tax system, withholding tax applies to the following income and payments, which are either sourced or deemed to be sourced in Singapore, to non-residents subject to tax exemption approved by the Minister of reduced rates per treaty provision:

Types of income and payments	Tax Rate
Interest	15% ^a
Royalties	10% ^{a,b}
Technical assistance and service fee	Prevailing corporate tax rate ^c
Management fees	Prevailing corporate tax rate ^c
payments for the use of movable properties	Rent or other 15% ^a
Charter fees	1% - 3%
Proceeds from sales of any real property by a non-resident property trader	15%

a - The withholding tax at 15% or 10% on the gross payment is a final tax. These rates apply when the income is not derived by the non-resident person through its operations carried out in Singapore. For operations carried out in Singapore, the tax rates applicable on the gross payment are as follows: -

Non-resident person (other than individuals): Prevailing corporate tax rate
(with effect from 1 January 07, the prevailing corporate tax rate has been reduce to 18%)

Non-resident individuals: 20%

b - The reduced withholding tax rate of 10% applies to payments due to and payable on or after 01 Jan 05

c - For payments made to non-resident individuals, tax rate is to be withheld at 20% on the gross payment

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Goods and Service Tax ("GST")

GST is a tax on domestic consumption. GST is chargeable on any supply of goods or services made in Singapore if it is a taxable supply made by a taxable person in the course of a business carried on by him.

Registration

A person is required to register for GST if the total value of his taxable supplies exceeds or is expected to exceed S\$1 million. A person who is not liable to register for GST may also choose to register for GST voluntarily subject to the approval from the Comptroller of Income Tax. Once a person voluntarily registered for GST, the person must remain registered for at least 2 years.

GST Tax Rates

Types of supplies	Tax Rate
Supply of goods and services in Singapore	7%
Export of goods and international service from Singapore	0%
Certain financial service	Exempt

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