

## 2 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	20,000	0.00	-
On the next	10,000	3.50	350	3.50	350
On the first	30,000		350		350
On the next	10,000	5.50	550	5.50	550
On the first	40,000		900		900
On the next	40,000	8.50	3,400	8.50	3,400
On the first	80,000		4,300		4,300
On the next	80,000	14.00	11,200	14.00	11,200
On the first	160,000		15,500		15,500
On the next	160,000	17.00	27,200	17.00	27,200
On the first	320,000		42,700		42,700
On income above	320,000	20.00		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	
	<b>Amount of Relief</b>	
• Working Mother's Child Relief (WMCR)		
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 ( WMCR + 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		<b>Rebate</b>
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 Year Assessment 2007-2008)		
Voluntary CPF		
(subject to annual cap of \$25,987.50 & \$26,393 for Year 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
	<b>Inactive</b>	<b>Wife</b>
• Relief for NS men	\$1,500.00	\$750.00
		<b>Parent</b>
• Supplementary Retirement Scheme (SRS)		
Singapore citizens and permanent residents	15% of contributions	
Foreigners	35% 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 ho	Lower of 10% of total remuneration (including other benefits) or annual value of premises. Variations exist for directors.
Hotel accomodation	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 reimburse	Actual amount paid by employer, grossed up
Interest subsidy for loa taken up by employee	Actual cost to employer
Interest-free loans pro by employer	Not taxable. Variations exist for directors.

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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
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"><li>- Company owned car (Q-plate or S-plate): <math>3/7 \times (\text{car cost} - \text{residual value})/10 + \text{private mileage} \times \text{fixed rate};</math></li><li>- Employee owned car: Private mileage/total mileage x total expense paid by employer;</li><li>- Leased / Rented car <math>3/7 \times \text{rental cost} + \text{private mileage} \times \text{fixed rate}</math></li><li>- Driver provided by employer: Annual cost of driver x private mileage/total mileage</li></ul> The fixed rate for private mileage (per km) for motor cars are: <ul style="list-style-type: none"><li>(a) \$0.55 if petrol is borne by the employer;</li><li>(b) \$0.45 if petrol is borne by the employee;</li><li>(c) \$0.10 for the use of leased car if petrol is provided;</li><li>(d) Nil for use of leased car if petrol is not provided.</li></ul>

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## Corporate Tax

Corporate Tax Rate (Year of Assessment 2008 onwards)

Corporate Tax	Rate																		
Normal rate	18%																		
<p>Note: exemption applies as follows:</p> <p><b>Partial tax exemption:</b></p> <ul style="list-style-type: none"> <li>- First \$10,000 @ 75% = \$7,500</li> <li>- Next \$290,000 @ 50% = \$145,000</li> </ul> <p>Total partial exemption for the first \$300,000 is \$152,500</p> <p><b>Tax exemption scheme for new start-up companies</b></p> <p>The tax exemption scheme for new start-up companies was introduced in Year of Assessment (YA) 2005 to support entrepreneurship and to help our local enterprises grow.</p> <p>Under this scheme, a newly incorporated company that satisfies the qualifying conditions can claim full tax exemption on the first \$100,000 of normal chargeable income* (excluding Singapore franked dividends) for each of its first three consecutive Year of Assessment.</p> <p>Starting from YA 2008, a further 50% exemption is given on the next \$200,000 of the normal chargeable income* (excluding Singapore franked dividends) for each of the first three consecutive Year of Assessment.</p> <p>The exempt amount for each YA is summarised as follows:</p> <table border="1" data-bbox="349 1113 1039 1312"> <thead> <tr> <th>Year of As</th> <th colspan="3">Exempt amount for new start up companies</th> </tr> </thead> <tbody> <tr> <td>2005 to 20</td> <td>First \$100,000 @ 100%</td> <td>=</td> <td>\$100,000</td> </tr> <tr> <td rowspan="3">2008 onwards</td> <td>First \$100,000 @ 100%</td> <td>=</td> <td>\$100,000</td> </tr> <tr> <td>Next \$200,000 @ 50%</td> <td>=</td> <td>\$100,000</td> </tr> <tr> <td>Total \$300,000</td> <td></td> <td>\$200,000</td> </tr> </tbody> </table> <p>To qualify for the full tax exemption for a particular YA, a company must:</p> <ul style="list-style-type: none"> <li>(a) be incorporated in Singapore (other than a company limited by guarantee);</li> <li>(b) be a tax resident of Singapore for that YA; and</li> <li>(c) have all its share capital beneficially held, directly or indirectly, by not more than 20 individual shareholders, throughout the basis relating to that YA.</li> </ul> <p><b>With effect from YA 2009</b></p> <p>To qualify for the tax exemption for new start-ups companies, your company must:</p> <ul style="list-style-type: none"> <li>(a) be incorporated in Singapore (and not incorporated as a company limited by guarantee);</li> <li>(b) be a tax resident in Singapore for that YA;</li> <li>(c) has total share capital which is beneficially held, directly or indirectly, by no more than 20 persons                         <ul style="list-style-type: none"> <li>(i) all of whom are individuals, or</li> <li>(ii) of which at least one is an individual shareholder holding at least 10% of total number of issued ordinary shares throughout the basis period for the YA.</li> </ul> </li> </ul> <p>YA 2C</p>		Year of As	Exempt amount for new start up companies			2005 to 20	First \$100,000 @ 100%	=	\$100,000	2008 onwards	First \$100,000 @ 100%	=	\$100,000	Next \$200,000 @ 50%	=	\$100,000	Total \$300,000		\$200,000
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	Total \$300,000		\$200,000																

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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% <sup>a</sup>
Royalties	10% <sup>a b</sup>
Technical assistance and service fee	Prevailing corporate tax rate <sup>c</sup>
Management fees	Prevailing corporate tax rate <sup>c</sup>
Rent or other payments for the use of movable properties	15% <sup>a</sup>
Charter fees	1% - 3%
Proceeds from sales of any real property by a non-resident property trader	15%

<sup>a</sup> 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%*

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

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

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# KONG, LIM & PARTNERS

CERTIFIED PUBLIC ACCOUNTANTS

## 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**

Type 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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