



GES NewsFlash

Singapore's 2016 Budget – Individual Income Tax

In this issue:

[Overview](#)

[Personal tax rates](#)

[Personal tax rebate](#)

[Cap on personal income tax reliefs](#)

[Removal of the tax concession on home leave passages for foreign employees](#)

[Contacts](#)

Overview

The Minister for Finance, Mr Heng Swee Keat, presented the budget statement on 24 March 2016. The changes come at an important moment in Singapore's development and will set the blueprint for Singapore's transformation to ensure that we will overcome the expected challenges and steer the country towards SG100.

The following changes have been proposed for the individual income tax:

Personal tax rates

In the 2015 Budget, the Minister had proposed a more progressive personal income tax rate structure for resident individual taxpayers with effect from the Year of Assessment (YA) 2017 (income year 2016), with an increase in the marginal tax rates for income exceeding S\$160,000 and an increase in the top marginal personal income tax rate from 20% to 22% for income exceeding S\$320,000.

The personal tax rates table for YA 2017 is enclosed in [Appendix](#).

[Back to top](#)

Deloitte's view

Given that the Minister has announced a change in the personal income tax rates with effect from the YA 2017 in the 2015 Budget, it is within expectations that no further changes to the personal income tax rates have been announced.

[Back to top](#)

Personal tax rebate

Although there was a one-off personal income tax rebate of 50%, capped at S\$1,000, granted to resident individual taxpayers for the YA 2015, the Minister has not proposed to grant any personal income tax rebate for resident individual taxpayers for the YA 2016.

[Back to top](#)

Deloitte's view

Given the expectation of the increase in funding required for the various initiatives to transform the Singapore economy and the slower economic growth forecasted for the coming year, it is not a surprise that the Minister has not proposed to grant any tax rebate for the YA 2016. In addition, the tax rebate granted in YA 2015 was on account of the Jubilee year and in celebration of SG50.

[Back to top](#)

Cap on personal income tax reliefs

Currently, there is no limit on the total amount of personal income tax reliefs a resident individual taxpayer can claim in any YA, as long as the conditions of claim for the respective reliefs are met.

Proposed

To ensure that the personal income tax regime remains progressive, the Minister has proposed to cap the total amount of personal income tax reliefs that a resident individual taxpayer can claim to S\$80,000 per YA.

Effective date: YA 2018 (income year 2017)

[Back to top](#)

Deloitte's view

The capping of the personal income tax reliefs at S\$80,000 comes as a surprise and appears to be contradictory to the government's efforts to encourage procreation. Typically, it is the female individual taxpayers with Singapore citizen children who are able to enjoy personal tax reliefs that may be in excess of S\$80,000, as they get to enjoy Working Mother's Child Relief with a cap of S\$50,000 on each qualifying child. However, with the S\$80,000 cap on personal income tax reliefs, this may appear to send a message that is inconsistent with the government's policy to encourage families who can afford to have more children, and to incentivise high income earning mothers to remain in the workforce.

[Back to top](#)

Removal of the tax concession on home leave passages for foreign employees

Currently, as an administrative concession granted by the Inland Revenue Authority of Singapore (IRAS), the taxable benefit of the home leave passages provided by an employer to foreign employees and their families (limited annually to one passage each for the employee and spouse, and two passages for each dependent children) is computed based on 20% of the value of the leave passages taken to the home country. Additional home leave passages provided will be taxable in full.

Proposed

The Minister has proposed to remove the administrative concession of computing the taxable benefit of the home leave passages based on 20% of the value of the leave passages provided by employers to foreign employees to go on home leave. With effect from the YA 2018, all home leave passages provided would be taxable in full.

Effective date: YA 2018 (income year 2017)

[Back to top](#)

Deloitte's view

With the removal of the generous administrative concession previously available in respect of the provision for housing accommodation with effect from 1 January 2014, this would appear to be another measure to increase the tax liability of foreign employees working in Singapore.

[Back to top](#)

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[Back to top](#)



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