



## GES NewsFlash

### Singapore – 2011 Budget

March 9, 2011

#### Summary

The Singapore 2011 budget statement was delivered on February 18, 2011. Overall the 2011 budget is likely to be well-received by individuals in view of a one-off personal income tax rebate of 20%, capped at \$2,000, for resident individual taxpayers for Year of Assessment (YA) 2011, a reduction in income tax rates at all levels up to \$120,000 for YA 2012, and an increase in the employer's Central Provident Fund (CPF) contribution rate to 16% along with an increase in CPF salary ceiling to \$5,000. Other changes include increase in contribution cap for Supplementary Retirement Scheme (SRS) and tax treatment of alimony payments and corresponding spouse relief.

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#### Personal Tax Rebate

In view of the stronger-than-expected revenue in 2010, the minister has proposed to give a one-off personal income tax rebate of 20%, capped at \$2,000, for resident individual taxpayers for YA 2011.

#### Deloitte's view

The personal tax rebate could put up to \$2,000 in the hands of each individual taxpayer immediately. For foreign employees who ceased employment in Singapore in 2010 and have completed their Singapore tax clearance, they should expect a reassessment of their YA 2011 tax and a refund for the personal tax rebate.

#### Personal resident tax rates

The minister has proposed a more progressive personal income tax rate structure for resident individual taxpayers effective from YA 2012, with the reduction of the marginal tax rates for the first \$120,000 of chargeable income.

The personal resident tax rates for YA 2012 are:

	Chargeable Income \$	Tax Rate %
On the first	20,000	
On the next	<b>10,000</b>	2.00
On the first	30,000	
On the next	<b>10,000</b>	3.50
On the first	40,000	
On the next	<b>40,000</b>	7.00
On the first	80,000	
On the next	<b>40,000</b>	11.50
On the first	120,000	
On the next	<b>40,000</b>	15.00
On the first	160,000	
On the next	<b>40,000</b>	17.00
On the first	200,000	
On the next	<b>120,000</b>	18.00
On the first	320,000	
Excess over	<b>320,000</b>	20.00

#### Deloitte's view

Although all taxpayers benefit when marginal tax rates are reduced at the bottom of the scale, the new progressive tax rate structure will be more beneficial to the middle-income taxpayers.

### Raising employer's CPF contributions and CPF salary ceiling

Currently, the employer's CPF contribution rate in Singapore is 15%, after the increase in employer's CPF contribution rate by 0.5% in September 2010. There will be another 0.5% increase due in March 2011 and this will bring the employer's CPF contribution rate to 15.5% in March 2011. In 2011 budget statement, the minister has proposed to increase the employer CPF contribution rate by another 0.5% to 16%. This will restore the total contribution rate to the level in year 2003 of 36%. The additional 0.5% will go into the special account.

The minister has also proposed to increase the CPF salary ceiling from \$4,500 to

\$5,000 per month to keep pace with the income growth in recent years. To give employers sufficient time to adjust, both changes will take effect in September 2011.

**Deloitte's view**

The increase in the CPF salary ceiling would result in a higher amount of wages subject to CPF and the employee's mandatory contribution to CPF qualifies for relief on his or her income tax assessment. Overall, the proposed change is aimed at increasing the level of savings for retirement.

**Increase in contribution cap of SRS**

Currently, both an employer and an individual can contribute to the individual's SRS account up to the prevailing statutory retirement age, subject to the current contribution limits of \$11,475 per year for Singapore citizen/Singapore permanent resident employees and \$26,775 per year for foreign employees.

With the increase in the CPF salary ceiling as proposed by the minister from \$4,500 to \$5,000 per month, the contribution cap for the SRS will also be raised. The revised income base computed at 17 months of monthly salary ceiling for CPF will be \$85,000 (17 x \$5,000).

The revised SRS contribution limits per year for a Singapore citizen/Singapore permanent resident employee and foreign employee are \$12,750 (15% x \$85,000) and \$29,750 (35% x \$85,000) respectively in 2011.

**Deloitte's view**

The increase in both the SRS and CPF cap are in line with the Government's efforts to increase savings for retirement. However the take-up rate for SRS has not been widespread as 50% of SRS withdrawal is subject to income tax. A tax-free withdrawal of any capital growth may provide Singaporeans with more incentive to increase their SRS savings.

**Changes in tax treatment of alimony payments and spouse relief**

Currently, taxpayers in receipt of alimony and maintenance payments payable under a court order or deed of separation from their former spouses are liable to tax on such receipts.

Taxpayers who make alimony or maintenance payments to their former spouses can claim for spouse relief/ handicapped spouse relief for the amount of alimony/maintenance paid in the previous year (under court order or deed of separation), subject to a maximum of \$2,000 (\$3,500 if the former spouse is handicapped).

The minister has proposed to exempt the taxpayers from tax on alimony or maintenance payments, whether received under a court order or deed of separation. Consequently, as the intention of the spouse relief is to recognize a taxpayer's support of the spouse, the minister has also proposed that the spouse relief and handicapped spouse relief will no longer be granted to taxpayers for maintaining their former spouses. The above changes are proposed to take place with effect from YA 2012.

#### **Deloitte's View**

The above change is to rationalize the difference in treatment between payment made under court order or deed of separation and those that are not made under such order or deed.

#### **People to contact**

If you have any questions concerning the issues in this GES NewsFlash, please contact one of the tax professionals as follows:

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