

Case 1

Mr DDW - Single, still living with parents, income \$40,000 per annum

Mr DDW
Income Tax Computation
For Year of Assessment 2004

	\$	\$
Salary		40,000
Less reliefs:		
Earned income	1,000	
NSmen relief	3,000	
Aged parent	10,000	
CPF (20% of \$40,000)	<u>8,000</u>	
		<u>(22,000)</u>
Taxable income		<u><u>18,000</u></u>
Tax on 1st	\$ 20,000	<u>0.00</u>
Net tax payable		<u><u>0.00</u></u>

Assumptions:

- 1) Mr DDW is a Singapore citizen under 55 years old.
- 2) Mr DDW is an active reservist.
- 3) Mr DDW does not receive bonus during the year.
- 4) Mr DDW's parents are both above 55 years old and do not have any income during the year. Relief is not claimed by another person(s) in respect of parents.
- 5) Mr DDW stays in a private property with parents.

Analysis:

There is no difference to Mr DDW's situation before and after the budget changes as he is unlikely to be taxable before and after the budget announcement and does not benefit from any of the rebates for HDB conservancy, etc. for the immediate year.

Case 2

Mr & Mrs KRM - Newly-weds, no children, own private apartment, combined household income of \$70,000 per annum

Income Tax Computation For Year of Assessment 2004

	Mr KRM		Mrs KRM	
	\$	\$	\$	\$
Salary		45,000		25,000
Less reliefs:				
Earned income	1,000		1,000	
NSmen/NSmen wife	3,000		750	
Course fee	3,500		-	
CPF (20% of \$45,000/\$25,000)	<u>9,000</u>		<u>5,000</u>	
		(16,500)		(6,750)
Taxable income		<u>28,500</u>		<u>18,250</u>
Tax on 1st	\$ 20,000	0.00		0.00
Tax on balance	\$ 8,500 @ 4%	<u>340.00</u>		<u>0.00</u>
Net tax payable		<u>340.00</u>		<u>0.00</u>

Assumptions:

- 1) Mr & Mrs KRM are Singapore citizens both under 55 years old.
- 2) Mr KRM is an active reservist.
- 3) Mr & Mrs KRM do not receive bonuses and have no other income.
- 4) Mrs KRM's income is \$25,000 per annum and she elects for separate assessment.
- 5) Mr KRM is attending a course in Human Resouce which would allow him to find a job of his interest within 2 years. He is an engineer by background. His course fees are estimated to be \$5,000 per year.
- 6) Mrs KRM does not employ a maid.

Analysis:

- 1) Mr KRM enjoys a course fee relief of \$3,500 for his HR course which previously would not be available for relief. This is a tax saving of \$140 (\$3,500 @ 4%).
- 2) Except for the above, they will not benefit from the rebates of utilities save and S&C charges given to HDB households.

Case 3

Mr & Mrs BMC - Married, two children, own a 5-room HDB flat, combined household income of \$80,000 per annum

Income Tax Computation For Year of Assessment 2004

	Mr BMC		Mrs BMC	
	\$	\$	\$	\$
Salary		50,000		30,000
Less reliefs:				
Earned income	1,000		1,000	
Normal child/Enhanced child	4,000		6,000	
NSmen/NSmen wife	3,000		750	
CPF (20% of \$50,000/\$30,000)	<u>10,000</u>		<u>6,000</u>	
		(18,000)		(13,750)
Taxable income		<u>32,000</u>		<u>16,250</u>
Tax on 1st	\$30,000/\$20,000	400.00		0.00
Tax on balance	\$2,000 @ 6%	<u>120.00</u>		<u>0.00</u>
Net tax payable		<u>520.00</u>		<u>0.00</u>

Assumptions:

- 1) Mr & Mrs BMC are Singapore citizens both under 55 years old.
- 2) Mr BMC is an active reservist.
- 3) Mr & Mrs BMC do not receive bonuses and have no other income.
- 4) Mrs BMC's income is \$30,000 per annum and she elects for separate assessment.
- 5) Mr & Mrs BMC's children are below 12 years of age. Mr BMC claims normal child relief of \$2,000 each while his wife claims enhanced child relief of 5% and 15% of earned income for her 1st and 2nd child respectively. Mrs BMC has a Bachelor of Accountancy degree from the Nanyang Technological University of Singapore.
- 6) Mrs BMC places her younger child in a childcare centre. Her employer subsidises \$500 in respect of the payment to the licensed childcare centre.
- 7) Mrs BMC does not employ a maid.

Analysis:

- 1) Mr BMC would appear to be tax neutral before and after the proposed tax changes in the Budget for the immediate year.
- 2) Although Mrs BMC enjoys an exemption of tax on the childcare subsidy of \$500 provided by her employer which would otherwise have been taxable, she would not have any tax liability even if the childcare subsidy was taxable.
- 3) Mr and Mrs BMC will enjoy the following rebates during year 2003 as they stay in a 5-room HDB flat:

Benefits	
Service & conservancy charges	3 months waiver
Utilities save scheme	\$35

The 3-month waiver of Service & conservancy charges includes an additional month given as compared to the year 2002. The utilities save scheme rebate of \$35 remains the same as per the year 2002.

Case 4

Mr & Mrs CMF - Married, two children, own private property, old parents living with them, combined household income of \$150,000 per annum

Income Tax Computation For Year of Assessment 2004

	\$	\$
Salary		150,000
Interest		<u>1,500</u>
		151,500
Less reliefs:		
Earned income	1,000	
Wife	2,000	
Normal child	4,000	
NSmen relief	1,500	
Aged parent	10,000	
CPF (20% of \$72,000)	<u>14,400</u>	
		<u>(32,900)</u>
Taxable income		<u><u>118,600</u></u>
Tax on 1st	\$ 80,000	4,600.00
Tax on balance	\$ 38,600 @ 15%	<u>5,790.00</u>
Net tax payable		<u><u>10,390.00</u></u>

Assumptions:

- 1) Mr & Mrs CMF are Singapore citizens under 55 years old.
- 2) Mr CMF is an inactive reservist.
- 3) Mr CMF does not receive bonus during the year and has no other income.
- 4) Mr CMF's parents are both above 55 years old and do not have any income during the year. Relief is not claimed by another person(s) in respect of parents.
- 5) Mrs CMF does not work, has no income and does not elect for separate assessment.
- 6) Mr & Mrs CMF's children are below 12 years of age.
- 7) CPF relief for Mr CMF is capped at \$14,400 (20% of \$6,000 x 12 mths).
- 8) Mr CMF has a deposit of \$200,000 in the POSB saving accounts with POSB bank and a fixed deposit of \$150,000 with Citibank. Interest from the POSB account is estimated to be \$2,000 of which \$1,000 relates to deposits in excess of the first \$100,000. Interest from the Citibank deposit is estimated to be \$2,250 of which \$750 relates to deposits in excess of the first \$100,000.

Analysis:

- 1) Mr CMF enjoys an exemption of tax on the interest income of \$1,000 (on the next \$100,000 of deposits with POSB) and \$750 (on the deposits exceeding \$100,000 with Citibank) which would otherwise have been taxable. This is a tax saving of \$262.50 [(\$1,000 + \$750) @ 15%].
- 2) Mr CMF will not benefit from the rebates of utilities save and S&C charges given to HDB households.

The above analysis is based on our interpretation of the tax changes and certain other proposed changes in the Budget Statement. As the proposals are yet to be enacted, and the legislation to enact the proposals is yet to be published, our analysis should not be considered as definitive and should, therefore be used only as a guide.