

ANNEX B-6: Other Tax Changes

Tax changes to encourage voluntary savings through CPF and Supplementary Retirement Scheme (SRS)

S/N	Name of Tax Change	Current Treatment	New Treatment
1	CPF Minimum Sum Topping-Up Scheme	<p>Individuals can claim tax relief for cash top-ups to their own Minimum Sum and top-ups to siblings, spouses¹¹, parents and grandparents' Minimum Sums, provided that the recipients are aged 55 and above.</p> <p>Total tax relief for self top-ups and family top-ups is capped at \$7,000 per year of assessment (YA).</p> <p>Employers cannot make Minimum Sum cash top-ups for their employees.</p>	<p>Individuals can claim tax relief for top-ups by themselves or their employers to their own Minimum Sum and top-ups to siblings, spouses¹², parents and grandparents' Minimum Sums, regardless of the age of the recipients.</p> <p>Tax relief for top-ups by the member and his employer is capped at \$7,000 per YA. There will also be a separate tax relief for family top-ups, which is capped at another \$7,000 per YA.</p> <p>Employers can make Minimum Sum cash top-ups for their employees and receive a tax deduction on the entire top-up¹³. Employees are taxable on the employer's top-ups to their Minimum Sum. However, the employees may claim tax relief for the employer top-ups. Total tax relief for employer top-ups and self top-ups is capped at \$7,000 per YA.</p> <p>These changes will take effect from YA2009.</p>
2	Voluntary	Individuals cannot claim tax relief for	Individuals will now be able to claim tax relief for

¹¹ For top-ups to siblings/spouses, the recipient must have earned \$2,000 or less in the preceding year for the tax relief to be claimed.

¹² For top-ups to siblings/spouses, the recipient must have earned \$2,000 or less in the preceding year for the tax relief to be claimed.

¹³ Any voluntary contributions to the CPF made by the individual or in the case where the individual is an employee, by his employer (whether on the employee's behalf or not), that are not specifically made to the Minimum Sum are still not allowed as tax deduction for the employer or tax relief for the employee.

S/N	Name of Tax Change	Current Treatment	New Treatment
		Individuals without any earned employment income in the previous year cannot contribute to SRS in the current year.	Individuals without any earned employment income in the previous year can contribute to the SRS in the current year. These changes will take effect from YA2009.

Encouraging portable medical benefits

S/N	Name of Tax Change	Current Treatment	New Treatment
1	Tax deduction for expenses employers incurred for medical benefits for employees: To encourage portable medical benefits	Currently, the tax deduction limit for costs of medical benefits incurred by employers for their employees is generally 1% of total wage bill. However, companies which have implemented the Portable Medical Benefits Scheme (PMBS) or Transferable Medical Insurance Scheme (TMIS) can qualify for tax deduction for the costs they incur on medical benefits at 2% of total wage bill. This is to encourage more employers to adopt the PMBS or TMIS, which provide portable medical insurance coverage for employees that employees can continue to enjoy, if	With effect from YA2008, employers who provide their employees with inpatient medical insurance benefits in the form of portable medical shield plans can 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 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 YA, and every local employee who commences his employment during the basis period for that YA.

S/N	Name of Tax Change	Current Treatment	New Treatment
		they wish to, even when they switch jobs or retire ¹⁶ .	<p>The medical insurance expenses qualifying for the additional 1% of tax deduction will exclude premiums for “riders”¹⁷ that cover deductibles and co-payments.</p> <p>In addition, with effect from YA2008, if employers make ad-hoc contribution to employees’ Medisave account (subject to a cap of \$1,500 per employee per year), the 1% tax deduction limit will be lifted for these ad-hoc contributions (but subject to the cap of 2% of total wage bill for total medical benefits expenses). Tax deduction for all other medical benefits will remain capped at 1% of total remuneration if employers are not on PMBS or TMIS or do not provide portable Shield plans for their employees (as above).</p> <p>The above changes are introduced in recognition that employers’ provision of portable medical shield plans or ad-hoc contributions to the Medisave accounts of employees achieve the same objective as the PMBS and TMIS, namely, to provide portability of medical benefits. MOM will release more details by March 2008.</p>

¹⁶ For more information on the PMBS and TMIS, please refer to Ministry of Manpower’s circular at: [http://www.mom.gov.sg/publish/etc/medialib/mom_library/Workplace_Standards/files2.Par.34919.File.tmp/Information%20booklet%20on%20PMBS%20&%20TMIS%20\(Mar%202007\).pdf](http://www.mom.gov.sg/publish/etc/medialib/mom_library/Workplace_Standards/files2.Par.34919.File.tmp/Information%20booklet%20on%20PMBS%20&%20TMIS%20(Mar%202007).pdf) .

¹⁷ A policy rider is a provision or modification to an existing insurance policy that provides additional coverage to an insurance policy.