

Personal Income Tax and CPF

In the 2015 Budget, the Government announced the changes to CPF salary ceiling and increase in CPF contribution rates for workers aged 50 to 65 for retirement planning. In addition, the foreign worker levies will now be deferred. For personal income tax, the Government has also taken a more progressive approach in making marginal adjustment to the percentage for taxable income above \$160,000.

Enhancing CPF Changes

- To keep pace with wage growth in recent years, the CPF salary ceiling will be raised from \$5,000 to \$6,000. This change is applicable to all age groups and will take effect from 1 January 2016.
- To restore the CPF Contribution rates for workers aged 50 to 55 to the same level as those for younger workers and increase the employer's CPF contribution for workers aged 55 to 65.
- Revision to the Annual Contribution Cap within the SRS (Supplementary Retirement Scheme) to be in line with the higher CPF Salary Ceiling from 1 January 2016 as summarised in the table below:

Years	Singaporean/Singapore Permanent Resident	Foreigner
2011 to 2015	15% of Absolute Income Base (15% x \$85,000) \$12,750	35% of Absolute Income Base (35% x \$85,000) \$29,750
2016 onwards	15% of Absolute Income Base (15% x \$102,000) \$15,300	35% of Absolute Income Base (35% x \$102,000) \$35,700

Recalibrating Foreign Worker Levies

With the progressively monitoring and tightening of the foreign worker policies since 2010, we have seen a success in slowing down the growth of the foreign workforce. With the significant slowdown in 2014, the government has decided to defer the announcement of levy increases for S Pass and Work Permit Holders in every sector, giving SMEs, more time to adapt to the new norm of a permanently tight labour market.

S- Pass Holders - The scheduled S Pass levy increases for all sectors for 01 July 2015, will be deferred by one year, to 01 July 2016.

Work Permit Holders

- For the Manufacturing sector, to freeze levies at 2014 levels for 2015 and 2016
- For the Services, Marine and Process sectors, to defer the announced levy increases to 2016.
- For the Construction sector, to reduce levy for higher skilled R1 workers in 2015 and 2016 and raise levy for basic skilled R2 workers over 2015 to 2017

Reviewing Income Tax rates

With the objective in mind to sustain a vibrant economy and achieving a fair and equitable system of taxes and benefits, bearing in mind to keep the tax burden on the middle-income low, the government has announced a more progressive approach towards the PIT (Personal Income Tax) rate structure from YA 2017.

One of the key highlights is the increase in the top marginal tax rate from 20% to 22% for chargeable income above \$320,000 and increase marginal tax rates for chargeable incomes above \$160,000 to \$320,000 by 1 to 2%.

For YA 2015, a personal income tax rebate of 50% of net tax payable, up to maximum of \$1,000 is granted. This is to ensure the benefits go mainly to the middle- and upper-middle income groups.

To foster and promote the spirit of giving, the tax deduction for qualifying donations made from 1 Jan to 31 Dec 2015 to Institutions of a Public Character (IPC) and other approved recipients will be increased from 2.5 times to 3 times. The benefit of 2.5 times tax deduction for qualifying donations will be extended for a further period of 3 years from 1 Jan 2016 to 31 Dec 2018.

How PwC's Corporate Support Services can help you

Our Corporate Support Services team assists our clients in managing their business from Singapore incorporation and company secretarial compliance, through to preparation of monthly and year end accounts, annual returns, payroll services to meet both internal and statutory deadlines.

The guide is intended as a brief overview only – please contact us for further information and advice.

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