

2012

EXPLANATORY NOTES ON FORM M FOR THE YEAR OF ASSESSMENT 2012

1. LIABILITY TO SINGAPORE INCOME TAX

All non-resident individuals are liable to Singapore Income Tax on the income accruing in or derived from Singapore. The rate of tax chargeable on a non-resident individual is 20%.

Income derived by a non-resident individual from the exercise of an employment (other than as a company director), withdrawals from Supplementary Retirement Scheme or as a public entertainer in Singapore is assessed either at :

- (a) a flat rate of 15%; or
- (b) resident rates after allowing for reliefs, whichever is higher.

2. INCOME TO BE DECLARED

Please declare your income accruing in or derived from Singapore for the year ended 31 Dec 2011 in Section A on page 2 of Form M. Where the income commenced in 2011 the amount to be declared is the income from the date of commencement to 31 Dec 2011. In respect of any income received for prior year(s) and not previously reported, please state the type of income, the period it relates to and the amount in Section B on page 4 of Form M.

3. WIFE'S INCOME

A married woman will be assessed separately in her own name on all her income.

If you are married, your wife's income should be reported separately in her own return. Please request for a separate Form M (FC @ IRAS.gov.sg) if she has not received one.

4. TRADE, BUSINESS, PROFESSION OR VOCATION

Enter the amount of the profits based on your accounts for the year ended on a date on or before 31 Dec 2011 in Section A on page 2 of Form M. For losses, please cross the box beside the amount.

Profits from profession/vocation refer to income earned by self-employed persons, for example, doctor, insurance/ property agent, remisier, private tutor, hawker, taxi-driver, contractor etc.

A married couple will be allowed to transfer the excess of any capital allowance and trade loss between each other if there is any remaining capital allowance or trade loss that cannot be completely offset against the income of respective spouse for a particular Year of Assessment.

5. EMPLOYMENT

EMPLOYMENT INCOME AUTO-INCLUDED IN THE ASSESSMENT

- **Do not** give details but instead enter a "0" for your employment income, CPF contributions, donations and life insurance premiums deducted from your salary in Sections A & D on pages 2 & 4 of Form M if your employer is in the Auto-Inclusion Scheme for Employment Income. Please refer to IRAS website at www.iras.gov.sg for the list of employers participating in the Auto-Inclusion Scheme for Employment Income.

EMPLOYMENT INCOME NOT AUTO-INCLUDED IN THE ASSESSMENT

- Enter the amount of your salary, bonus, director's fees and other types of employment income as per your Form IR8A, including commission, allowances, taxable benefits in cash or in kind such as stock option gains, etc in Section A on page 2 of Form M.
- Send in Form IR8A/S and Appendix 8A/8B where applicable if your employer is not in the Auto-Inclusion Scheme for Employment Income.

Expenses

Expenses claimed must be for **official duties** and not be reimbursed by your employer. For example, travelling expenses (other than expenses incurred on motor cars), entertainment expenses, subscriptions paid to professional bodies, zakat fitrah and mosque building fund (other than those deducted through salary if your employer is in the Auto-Inclusion Scheme for Employment Income). **Please give details of expenses claimed.**

6. PENSIONS, ROYALTY OR CHARGE (INCLUDING ESTATE/TRUST INCOME)

Singapore pension received by a non-resident individual is subject to tax in full.

For royalty, enter the gross amount received and attach statement of expenses incurred, if any.

Charge includes income received under a deed or Order of Court. With effect from the Year of Assessment 2012, alimony and maintenance payment received by a female individual under a court order or deed of separation is exempt from tax.

7. INTEREST

A non-resident individual will not be liable to tax on interest received from deposit of money with any approved bank or licensed finance company in Singapore and interest from approved Asian Dollar Bonds. However, interest income from deposits with non-approved banks or finance companies which are not licensed in Singapore, pawnshops, loans to companies and persons, etc, are taxable in full and has to be declared.

8. NET RENT FROM PROPERTY

For each property, state the gross rent and expenses incurred during the rental period such as property tax, mortgage interest, fire insurance, repairs, maintenance, commission and others. The gross rent is inclusive of rental of furniture and fittings.

If you are a co-owner of the property, state the gross rent, expenses incurred and your share of the net rent.

Any income from property owned by a married woman will be assessed separately in her name.

A married couple with rental income would be allowed to transfer rental deficit to each other. The amount of transfer should strictly be limited up to the net amount of the available rental income of the transferee. Rental deficit of the transferor can only be transferred if the transferee has positive rental income. No amount of rental deficit transferred can be set off against any other income of the transferee.

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9. GAINS OR PROFITS OF AN INCOME NATURE

This includes any income which does not fall within any of the other classifications of income. For example :

Withdrawals from the Supplementary Retirement Scheme (SRS)

The information will be sent electronically to the Comptroller of Income Tax by the SRS operators and will be automatically included in the assessment.

10. DONATIONS

- (a) Tax deduction of **2.5 times** the value of the donation will be given to all cash or specified donations made to Institutions of Public Character (IPCs) and other approved recipients, and for cash donations made through approved grantmaking philanthropic organisations ('grantmakers') to IPCs.
- (b) From 1 January 2011, all individuals and businesses are required to provide their identification number (e.g. NRIC/FIN/UEN) when they make cash donations directly to IPCs, in order to be given tax deductions on the donations. IRAS will no longer accept claims for tax deduction in respect of such donations based on donation receipts. Tax deductions for such donations will be automatically reflected in the tax assessments based on information from IPC.
- (c) If your employer is not in the Auto-Inclusion Scheme for Employment Income, enter the amount of **2.5 times** the value of the donation (rounded up to the nearest dollar) [see point (a) above] deducted through your salary.
- (d) Any unutilised donation can be carried forward to be offset against the income for any subsequent year, up to a maximum of 5 years.
- (e) A married couple would be allowed to transfer the excess of donations between each other if there is any remaining donation that cannot be completely offset against the income of the respective spouse.

11. RELIEF FOR NON- RESIDENT INDIVIDUALS

Relief under Section 40 of the Income Tax Act (Cap.134) is available to the following individuals:

- (a) Non-resident Singapore citizens; or
- (b) Non-resident individuals who are not Singapore citizens deriving pension income from Singapore; or
- (c) Non-resident individuals who are not Singapore citizens residing in a treaty country which provides reciprocal relief to residents of Singapore. The country which currently provides such reciprocal relief is the Netherlands.

12. CLAIM FOR SECTION 40 RELIEF

If you wish to claim relief under Section 40 of the Income Tax Act, please declare your foreign-sourced income from trade, business or profession and interest/dividend received through partnerships in Singapore in Section C on page 4 of Form M.

13. PERSONAL RELIEFS

If you are claiming relief under Section 40 of the Income Tax Act, please complete Section D on page 4 of Form M. **PERSONAL RELIEFS ARE ALLOWABLE BASED ON THE CONDITIONS EXISTING DURING 2011.**

If you are claiming any reliefs for the first time or if the particulars relating to a claim are different from last year, please give details in the Appendix provided.

13a. SPOUSE RELIEF

You may deduct \$2,000 if you were living with or supporting your spouse in 2011. Your spouse's income (including tax exempt income e.g. bank interest, dividend, pension and etc) must not be more than \$4,000 in 2011.

If you are legally separated, you may deduct relief of up to \$2,000 depending on the amount of maintenance paid to your wife under a court order/deed of separation in 2011.

If you have claimed this relief, no other persons are allowed to claim other reliefs on your spouse.

13b. HANDICAPPED SPOUSE RELIEF

You may deduct \$3,500 if in 2011 you have supported a physically or mentally disabled spouse.

If you have claimed for Handicapped Spouse Relief, you cannot claim Spouse Relief.

If you are legally separated, you may deduct up to \$3500 depending on the amount of maintenance paid to your handicapped wife stated in the court order or deed of separation.

If you have claimed this relief, no other persons are allowed to claim other reliefs on your spouse.

13c. CHILD RELIEF

You may claim this relief if the child is your legitimate child, step-child or a child you have legally adopted.

You may divide your claim for Qualifying Child Relief (QCR) or Handicapped Child Relief (HCR) as agreed between you and your spouse.

Qualifying Child Relief (QCR)

You may deduct \$4,000 for each unmarried child that you have supported who was under 16 years old in 2011.

If your unmarried child was 16 years old and above, he/she must have studied full-time at a university, college or school in 2011. Your child must not have income (excluding scholarships and similar allowances) of more than \$4,000 in the year 2011.

Handicapped Child Relief (HCR)

You may deduct \$5,500 if in 2011 you have supported an unmarried child who was physically or mentally disabled.

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Working Mother's Child Relief (WMCR)

A working mother who is married, divorced or widowed can claim WMCR for all her qualifying unmarried children who are citizens of Singapore as at 31 Dec 2011 and who fulfill all the conditions for the claim of QCR or HCR.

You must indicate the order of birth for each child and type of relief (ie. Q for Qualifying Child Relief, H for Handicapped Child Relief) in Section D on page 4 of Form M. WMCR will be calculated automatically based on your eligibility.

If your child's income in his/her own right (excluding scholarships or similar allowances) exceeds the amount of QCR which you and/or your husband may claim, no WMCR will be allowed.

Please see the table for the amount of WMCR allowable for each child.

Child	Relief allowable
1st child	15% of mother's earned income
2nd child	20% of mother's earned income
3rd child and subsequent children	25% of mother's earned income per child
Maximum of QCR/HCR + WMCR	\$50,000 per child
Maximum total WMCR is capped at 100% of mother's earned income	

13d. PROVIDENT FUND/LIFE INSURANCE**(i) Compulsory Contributions to Central Provident Fund (CPF)/ Approved Pension or Provident Fund by Singaporeans and Singapore Permanent Resident Employees**

Such contributions must not be more than the statutory contributions under the CPF Act. The ordinary wage ceiling is \$4,500 per month from 1 Jan 2011 to 31 Aug 2011. With effect from 1 Sep 2011, the ordinary wage ceiling has been increased to \$5,000 per month. Ordinary wages will be capped at \$56,000 (i.e. 8 months x \$4,500 + 4 months x \$5,000) and the overall income cap on compulsory CPF contributions is \$79,333 (i.e. 8/12 x 17 months x \$4,500 + 4/12 x 17 months x \$5,000). Additional wages will be capped at an amount equal to the difference between \$79,333 and the amount of ordinary wages.

If you were an employee (Singaporean or Singapore Permanent Resident) in 2011, you may deduct your compulsory CPF contributions or your contributions to an approved pension or provident fund.

(ii) Contributions to CPF by Self-Employed Persons

As self-employed person, you may claim your compulsory and voluntary CPF contributions made in 2011 up to 36% of your assessable income derived from your trade, business, profession or vocation or \$30,600, whichever is lower.

If your combined compulsory CPF contributions as an employee and as a self-employed person were less than \$30,600, you may claim voluntary CPF contributions. However, your total claims for compulsory and voluntary contributions must not be more than \$30,600.

If your combined compulsory CPF contributions as an employee and as a self-employed person were more than \$30,600, no deduction will be allowed on your voluntary CPF contributions.

(iii) Voluntary contribution to one's own Medisave Account

If you were a Singaporean or Singapore Permanent Resident in 2011, you may claim your voluntary cash contribution within the annual CPF contribution cap of \$30,600 (i.e. 17 months x \$5,000 x 36%) and within the medisave contribution ceiling that is specifically directed by you to be paid to your own Medisave Account. Such voluntary contribution must not have been claimed by you as a self-employed person.

(iv) Life Insurance

You may deduct the insurance premiums you paid in 2011 for insurance policies on your life or your wife's life. The amount of relief you may deduct must not be more than 7% of the insured value of your life or your wife's life. Your insurance company must have an office or branch in Singapore.

If your combined CPF contributions from (i) and (ii) were more than \$5,000, you cannot deduct life insurance premiums.

If your combined CPF contributions from (i), (ii) and (iii) were less than \$5,000, you may combine your deductions for (i), (ii), (iii) and (iv) up to \$5,000.

13e. SUPPLEMENTARY RETIREMENT SCHEME (SRS)

Relief for contributions to the SRS will be allowed automatically if you are claiming relief under Section 40 of the Income Tax Act. The amount of deduction will be based on information provided by the SRS operators.