

IRAS Consultation

Sharing of Parent Relief



INLAND REVENUE
AUTHORITY
OF SINGAPORE

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1 Invitation To Comment

- 1.1 The Government is currently considering to allow sharing of parent relief among claimants in such proportion as they may agree.
- 1.2 This Consultation Paper sets out three options which the Comptroller of Income Tax (“CIT”) may adopt for cases where claimants cannot agree on the proportion of parent relief to be shared by each of them.
- 1.3 We seek your views and comments on the options set out in section 4.

2 Submission

- 2.1 To facilitate review, please submit clear and succinct comments, using examples to illustrate the basis and rationale for your views and comments wherever possible. Your response should preferably not be more than two pages in length.
- 2.2 We reserve the right to make public all or parts of any written submission made in response to this Consultation Paper and to disclose the identity of the contributor. All views and comments received will be considered.
- 2.3 The closing date for submission of your views and comments is 23 May 2012. Your submission should include your name, your email address and telephone number. Please address your submission to :

Comptroller of Income Tax
Inland Revenue Authority of Singapore
Tax Policy & Ruling Branch
55 Newton Road
Singapore 307987

OR

Email to public_consultation@iras.gov.sg

3 Current Tax Treatment

- 3.1 Parent relief was introduced to promote filial piety and give recognition to individuals who support their or their spouse’s parents, grandparents or great-grandparents.
- 3.2 Currently, an individual can claim parent relief for up to two qualifying parents¹. The amount of parent relief allowable to an individual in respect of each parent is as follows:

¹ In this paper, the term “parent” is used to refer to a claimant’s or his/ her spouse’s parent, grandparent or great-grandparent.

Type of relief	Staying with parents	Not staying with parents
Parent relief	\$7,000	\$4,500
Handicapped parent relief	\$11,000	\$8,000

- 3.3 Parent relief in respect of a qualifying parent can only be claimed by one claimant in any Year of Assessment. The law currently does not allow apportionment of parent relief. Where there are more than one individual claiming relief on the same parent, the CIT will request the affected claimants to agree among themselves on who should be allowed the relief. The claimants have to inform the CIT of their decision within 21 days from the date of request.
- 3.4 For cases where the affected claimants cannot agree on who should be allowed the relief, the CIT is given the discretion to decide on whom the relief will be allowed. Generally, priority is given to the claimant who is living with the parent. Typically, such claimant is likely to expend more time and effort in taking care of the parent. Where none or more than one claimant is living with the parent, the relief is given to the claimant whose parent relief claim will result in the highest tax benefits for the family unit (for example, to the claimant with the highest marginal tax rate or other appropriate criteria).

4 Proposed Tax Treatment

- 4.1 In response to taxpayers' feedback to provide more flexibility in according parent relief, the Government is now considering to allow sharing of parent relief by more than one claimant. This approach also recognises that all family members share in the care and maintenance of their parents and hence should be allowed a share of the relief.
- 4.2 Under the proposed framework², parent relief may be shared among all claimants in the proportion they agree on, so long as the combined amount of claims submitted by all claimants does not exceed the current amount of parent relief. The amount of relief to be granted for each parent will depend on whether the claimants are staying with the parent or not. To maximise the benefit to taxpayers, where at least one claimant is staying with the parent, the higher amount of relief (i.e. \$7,000 or \$11,000 as the case may be) will apply for sharing among the claimants.
- 4.3 If all claimants agree on their respective share of parent relief, each claimant is required to indicate his or her share of the parent relief in his or her personal income tax return.

² The proposed framework only allows sharing of parent relief. There will be no change in the amount of relief claimable in respect of one parent.

4.4 Where combined amount of claims exceeds the parent relief threshold

4.4.1 *Timeline for submission of revised claim*

For cases where the combined amount of claims submitted by all claimants exceeds the total parent relief allowable, the CIT will request the affected claimants to submit a revised proportion as agreed among themselves within 21 days from the date of request.

4.4.2 *Powers given to CIT in the event of dispute among claimants*

Where no reply is received or the affected claimants are unable to reach an agreement within the stipulated timeline, the CIT is considering to adopt one of the following options:

Table 1

Option	Method	Considerations
1	Apportion parent relief equally among all claimants	As care arrangements differ among families and family members, Government is not in the position to decide on who is more deserving of the relief. This is the most straightforward method and each claimant would get an equal amount of relief.
2	Allow parent relief to only <u>one</u> claimant The relief will first be given to the claimant who is staying with the parent. Where there is none, or where more than one claimant is staying with the parent, the relief will be given to the claimant whose parent relief claim will result in the highest tax benefit for the family unit.	This option premises on the assumption that the claimant who is staying with the parent is likely to expend more time and efforts in taking care of the parent. Where it is not possible to accord the parent relief to a sole claimant who is staying with the parent, the relief will be given to the claimant whose parent relief claim will result in the highest tax benefit for the family unit.
3	Disallow parent relief to all claimants	Government is not in the position to, and should therefore not, decide on behalf of the claimants. The family members should strive towards resolving any claim dispute among themselves.

5 **Views and Comments**

5.1 We seek your views and comments particularly in the following areas:

- (a) For cases where the combined amount of claims submitted by all claimants exceeds the allowable relief threshold for each qualifying parent, whether 21 days is a reasonable period of time for the affected claimants to submit the revised agreed proportion to the CIT? If no, what, in your view, is considered a reasonable period. Please explain your basis.
- (b) Which of the options (as outlined in section 4.4.2) should the CIT adopt for cases where no reply is received or the affected claimants are unable to reach an agreement within the stipulated timeline, and why?
- (c) What other option(s) should the CIT consider adopting for cases where no reply is received or the affected claimants are unable to reach an agreement within the stipulated timeline, and why such an option is preferred over those presented in Table 1?