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## Examples on how tax-on-tax is computed



## Examples on how tax-on-tax is computed

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Click on the following examples on how tax-on-tax is computed:

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## Examples on how tax-on-tax is computed

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### Example 1: Tax fully borne by employer (Year of Assessment 2016)

The employee was employed by Company A from 1 Jan 2015 to 31 Dec 2015. His income tax for Year of Assessment (YA) 2016 is fully borne by Company A:

- Total salary from Company A: \$220,000
- No other sources of income
- Total personal reliefs: \$7,000

#### Tax Allowance Computation (YA 2016)

	\$
Salary from Company A	220,000
Less: Personal reliefs	(7,000)
Notional chargeable income	<u>213,000</u>
Tax on first \$200,000	20,750.00
Tax on next \$13,000 @ 18%	<u>2,340.00</u>
Notional tax payable	23,090.00
Tax-on-tax on remuneration: \$23,090.00 x [0.18/(1-0.18)]	<u>5,068.54</u>
<b>Tax allowance</b>	<b><u>28,158.54</u></b>

#### Actual Tax Computation (YA 2016)

	\$
Salary from Company A	220,000.00
<b>Tax allowance</b>	<b>28,158.54</b>
Total income	<u>248,158.54</u>
Less: Personal reliefs	(7,000)
Chargeable income	<u>241,158.54</u>
Tax on first \$200,000	20,750.00
Tax on next \$41,158.54 @ 18%	<u>7,408.54</u>
<b>Net tax payable</b>	<b><u>28,158.54</u></b>

## Examples on how tax-on-tax is computed

### **Example 2: Change employer during the year and tax fully borne by both employers (Year of Assessment 2016)**

The employee was employed by Company A from 1 Jan 2015 to 30 Jun 2015 and Company B from 1 Jul 2015 to 31 Dec 2015. His income tax for Year of Assessment (YA) 2016 is fully borne by both companies.

- Total salary from Company A (1 Jan 2015 to 30 Jun 2015): \$100,000
- Total salary from Company B (1 Jul 2015 to 31 Dec 2015): \$120,000
- No other sources of income
- Total personal reliefs: \$7,000

The salaries are added together and the tax to be paid by each company is apportioned based on the salary earned from the respective company.

Where tax clearance had been sought previously by Company A, adjustments will be made to the tax liability of Company A. The adjustment may result in an additional tax to be borne by Company A.

#### Tax Allowance Computation (YA 2016)

	\$	
Salary from Company A	100,000	
Salary from Company B	120,000	
Total income	220,000	
Less: Personal reliefs	(7000)	
Notional chargeable income	213,000	
Tax on first \$200,000	20,750.00	
Tax on next \$13,000 @ 18%	2,340.00	
Notional tax payable	23,090.00	
Tax borne by Company A:		
$(\$100,000/\$220,000) \times \$23,090.00$	10,495.45	
Tax-on-tax on remuneration (Company A):		
$\$10,495.45 \times [0.18/(1-0.18)]$	2,303.88	
<b>Tax allowance (Company A)</b>	<b>12,799.33</b>	<b>(A)</b>
Tax borne by Company B:		
$(\$120,000/\$220,000) \times \$23,090.00$	12,594.55	
Tax-on-tax on remuneration (Company B):		
$\$12,594.55 \times [0.18/(1-0.18)]$	2,764.66	
<b>Tax allowance (Company B)</b>	<b>15,359.21</b>	<b>(B)</b>
<b>Total tax allowance (A+B)</b>	<b>28,158.54</b>	

## Examples on how tax-on-tax is computed

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### Actual Tax Computation (YA 2016)

	\$
Salary from Company A	100,000.00
<b>Tax allowance (Company A)</b>	<b>12,799.33</b>
Salary from Company B	120,000.00
<b>Tax allowance (Company B)</b>	<b>15,359.21</b>
Total income	<u>248,158.54</u>
Less: Personal reliefs	<u>(7,000.00)</u>
Chargeable income	241,158.54
Tax on first \$200,000	20,750.00
Tax on next \$41,158.54 @ 18%	<u>7,408.54</u>
<b>Net tax payable</b>	<b><u>28,158.54</u></b>

## Examples on how tax-on-tax is computed

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### **Example 3: Change employer during the year and tax borne by one of the employers (Year of Assessment 2016)**

The employee was employed by Company A from 1 Jan 2015 to 30 Jun 2015 and Company B from 1 Jul 2015 to 31 Dec 2015. His income tax for Year of Assessment (YA) 2016 is borne by only Company A.

- Total salary from Company A (1 Jan 2015 to 30 Jun 2015): \$100,000
- Total salary from Company B (1 Jul 2015 to 31 Dec 2015): \$120,000
- No other sources of income
- Total personal reliefs: \$7,000

#### Tax Allowance Computation (YA 2016)

	\$
Salary from Company A	100,000
Salary from Company B	120,000
Total income	<u>220,000</u>
Less: Personal reliefs	(7,000)
Notional chargeable income	<u>213,000</u>
Tax on first \$200,000	20,750.00
Tax on next \$13,000 @ 18%	<u>2,340.00</u>
Notional tax payable	23,090.00
Tax borne by Company A: $(\$100,000/\$220,000) \times \$23,090.00$	10,495.45
Tax-on-tax on remuneration (Company A): $\$10,495.45 \times [0.18/(1-0.18)]$	2,303.88
<b>Tax allowance (Company A)</b>	<b><u>12,799.33</u></b>
Tax borne by employee: $(\$120,000/\$220,000) \times \$23,090.00$	12,594.55
	<u><b>25,393.88</b></u>

## Examples on how tax-on-tax is computed

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### Actual Tax Computation (YA 2016)

	\$
Salary from Company A	100,000.00
<b>Tax allowance (Company A)</b>	<b>12,799.33</b>
Salary from Company B	120,000.00
Total income	<u>232,799.33</u>
Less: Personal reliefs	(7,000)
Chargeable income	<u>225,799.33</u>
Tax on first \$200,000	20,750.00
Tax on next \$25,799.33 @ 18%	<u>4,643.88</u>
Net tax payable	<b><u>25,393.88</u></b>

## Examples on how tax-on-tax is computed

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### **Example 4: Tax fully borne by employer (Year of Assessment 2017 – with personal tax rebate)**

The employee was employed by Company A from 1 Jan 2016 to 31 Dec 2016. His income tax for Year of Assessment (YA) 2017 is fully borne by Company A:

- Total salary from Company A: \$220,000
- No other sources of income
- Total personal reliefs: \$10,000

#### Tax Allowance Computation (YA 2017)

	\$
Salary from Company A	220,000
Less: Personal reliefs	(10,000)
Notional chargeable income	210,000
Tax on first \$200,000	21,150.00
Tax on next \$10,000 @ 19%	1,900.00
	23,050.00
Less: 20% personal tax rebate capped at \$500	(500.00)
Notional tax payable	22,550.00
Tax-on-tax on remuneration: \$22,550.00 x [0.19/(1-0.19)]	5,289.51
<b>Tax allowance</b>	<b>27,839.51</b>

#### Actual Tax Computation (YA 2017)

	\$
Salary from Company A	220,000.00
<b>Tax allowance</b>	<b>27,839.51</b>
Total income	247,839.51
Less: Personal reliefs	(10,000)
Chargeable income	237,839.51
Tax on first \$200,000	21,150.00
Tax on next \$37,839.51 @ 19%	7,189.51
	28,339.51
Less: 20% personal tax rebate capped at \$500	(500.00)
<b>Net tax payable</b>	<b>27,839.51</b>

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## Examples on how tax-on-tax is computed

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### **Example 5: Change employer during the year and tax fully borne by both employers (Year of Assessment 2017 – with personal tax rebate)**

The employee was employed by Company A from 1 Jan 2016 to 30 Jun 2016 and Company B from 1 Jul 2016 to 31 Dec 2016. His income tax for Year of Assessment (YA) 2017 is fully borne by both companies.

- Total salary from Company A (1 Jan 2016 to 30 Jun 2016): \$100,000
- Total salary from Company B (1 Jul 2016 to 31 Dec 2016): \$120,000
- No other sources of income
- Total personal reliefs: \$10,000

The salaries are added together and the tax to be paid by each company is apportioned based on the salary earned from the respective company.

Where tax clearance had been sought previously by Company A, adjustments will be made to the tax liability of Company A. The adjustment may result in an additional tax to be borne by Company A.

#### Tax Allowance Computation (YA 2017)

	\$
Salary from Company A	100,000
Salary from Company B	<u>120,000</u>
Total Income	220,000
Less: personal reliefs	<u>(10,000)</u>
Notional chargeable income	<u>210,000</u>
Tax on first \$200,000	21,150.00
Tax on next \$10,000 @ 19%	<u>1,900</u>
	23,050.00
Less: 20% personal tax rebate capped at \$500	<u>(500.00)</u>
Notional tax payable	<u>22,550.00</u>
Tax borne by Company A: (\$100,000/\$220,000) x \$22,550.00	10,250.00
Tax-on-tax on remuneration (Company A): \$10,250 x [0.19/(1-0.19)]	<u>2,404.32</u>
<b>Tax allowance (Company A)</b>	<b>12,654.32 (A)</b>
Tax borne by Company B: (\$120,000/\$220,000) x \$22,550.00	12,300.0

Examples on how tax-on-tax is computed

Tax-on-tax on remuneration (Company B):	
\$12,300.00 x [0.19/(1-0.19)]	2,885.19
<b>Tax allowance (Company B)</b>	<b>15,185.2 (B)</b>
<b>Total tax allowance (A+B)</b>	<b>27,839.51</b>

Actual Tax Computation (YA 2017)

	\$
Salary from Company A	100,000.00
<b>Tax allowance (Company A)</b>	<b>12,654.32</b>
Salary from Company B	120,000.00
<b>Tax allowance (Company B)</b>	<b>15,185.19</b>
Total income	247,839.51
Less: Personal reliefs	(10,000)
Chargeable income	237,839.51
Tax on first \$200,000	21,150.00
Tax on next \$37,839.51 @ 19%	7,189.51
	28,339.51
Less: 20% personal tax rebate capped at \$500	(500.00)
<b>Net tax payable</b>	<b>27,839.51</b>

## Examples on how tax-on-tax is computed

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### **Example 6: Change employer during the year and tax borne by one of the employers (Year of Assessment 2017 – with personal tax rebate)**

The employee was employed by Company A from 1 Jan 2016 to 30 Jun 2016 and Company B from 1 Jul 2016 to 31 Dec 2016. His income tax for Year of Assessment (YA) 2017 is borne by only Company A.

- Total salary from Company A (1 Jan 2016 to 30 Jun 2016): \$100,000
- Total salary from Company B (1 Jul 2016 to 31 Dec 2016): \$120,000
- No other sources of income
- Total personal reliefs: \$10,000

#### Tax Allowance Computation (YA 2017)

	\$
Salary from Company A	100,000
Salary from Company B	120,000
Total income	220,000
Less: Personal reliefs	(10,000)
Notional chargeable income	210,000
Tax on first \$200,000	21,150.00
Tax on next \$10,000 @ 19%	1,900.00
	23,050.00
Less: 20% personal tax rebate capped at \$500	(500.00)
Notional tax payable	22,550.00
Tax borne by Company A: (\$100,000/\$220,000) x \$22,550.00	10,250.00
Tax-on-tax on remuneration (Company A): \$10,250 x [0.19/(1-0.19)]	2,404.32
<b>Tax allowance (Company A)</b>	<b>12,654.32</b>
Tax borne by employee: (\$120,000/\$220,000) x \$22,550.00	12,300.00
	<b>24,954.32</b>

## Examples on how tax-on-tax is computed

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### Actual Tax Computation (YA 2017)

	\$
Salary from Company A	100,000.00
<b>Tax allowance (Company A)</b>	<b>12,654.32</b>
Salary from Company B	120,000.00
Total income	<u>232,654.32</u>
Less: Personal reliefs	(10,000)
Chargeable income	<u>222,654.32</u>
Tax on first \$200,000	21,150.00
Tax on next \$22,654.32 @ 19%	<u>4,304.32</u>
	25,454.32
Less: 20% personal tax rebate capped at \$500	(500.00)
Net tax payable	<u><b>24,954.32</b></u>

## Examples on how tax-on-tax is computed

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### **Example 7: Tax fully borne by employer (Year of Assessment 2017 – with personal tax rebate & change in marginal tax rate)**

The employee was employed by Company A from 1 Jan 2016 to 31 Dec 2016. His income tax for Year of Assessment (YA) 2017 is fully borne by Company A: – Total salary from Company A: \$174,900

- No other sources of income
- Total personal reliefs: \$15,000

#### Tax Allowance Computation (YA 2017)

	\$
Salary from Company A	174,900
Less: Personal reliefs	<u>(15,000)</u>
Notional chargeable income	159,900
Tax on first \$120,000	7,950.00
Tax on next \$39,900 @ 15%	<u>5,985.00</u>
	13,935.00
Less: 20% personal tax rebate capped at \$500	<u>(500.00)</u>
Notional tax payable after personal tax rebate	13,435.00 (A)
<u>Tax-on-tax on remuneration -</u>	
As there is a change in marginal tax rate from 15% (for first \$160,000) to 18% (for next \$40,000), the notional tax payable is therefore broken down into:	
– \$100 x 15% (\$100 is derived from \$160,000 – \$159,900)	15.00
– \$13,335 x 18% (\$13,335 is derived from \$13,435 – \$100)	<u>2,400.30 (B)</u>
	2,415.30
\$2,415.30 x [0.18/(1-0.18)]	<u>530.19 (C)</u>
<b>Tax allowance (A+B+C)</b>	<b><u>16,380.49</u></b>

## Examples on how tax-on-tax is computed

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### Actual Tax Computation (YA 2017)

	\$
Salary from Company A	174,900.00
<b>Tax allowance</b>	<b>16,380.49</b>
Total income	191,280.49
Less: Personal reliefs Chargeable income	(15,000.00)
	176,280.49
Tax on first \$160,000	13,950.00
Tax on next \$16,280.49 @ 18%	2,930.49
	16,880.49
Less: 20% personal tax rebate capped at \$500	(500.00)
<b>Net tax payable after personal tax rebate</b>	<b>16,380.49</b>

## Examples on how tax-on-tax is computed

### **Example 8: Tax partially borne by employer (Year of Assessment 2017 – with personal tax rebate)**

The employee was employed by Company A from 1 Jan 2016 to 31 Dec 2016. His income tax on education allowance of \$20,000 is borne by Company A for Year of Assessment (YA)

2017: – Education allowance: \$20,000

– Salary: \$38,000

– No other sources of income

– Total personal reliefs: \$4,000

#### Tax Allowance Computation (YA 2017)

	\$	
Salary	38,000	
Education allowance	20,000	
<b>Total income</b>	<b>58,000</b>	
Less: Personal reliefs	(4,000)	
<b>Notional chargeable income</b>	<b>54,000</b>	
Tax on first \$40,000	550.00	
Tax on next \$14,000 @ 7%	980.00	
<b>Notional tax payable before personal tax rebate</b>	<b>1530.00</b>	
Less: 20% personal tax rebate capped at \$500	(306.00)	
<b>Notional tax payable after personal tax rebate</b>	<b>1,224.00</b>	
Tax borne by Company A on education allowance: (\$20,000/\$58,000) x \$1,224.00	422.07	(A)
Tax-on-tax on education allowance: \$422.07 x [0.07 x (1 – 0.2) / 1 – {0.07 x (1-0.2)}]	25.04	(B)
<b>Tax allowance (A+B)</b>	<b>447.11</b>	
Tax borne by employee: (\$38,000/\$58,000) x \$1,224.00	801.93	
	<b>1249.04</b>	

## Examples on how tax-on-tax is computed

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### Actual Tax Computation (YA 2017)

	\$
Salary	38,000.00
Education allowance	20,000.00
<b>Tax allowance</b>	<u>447.11</u>
Total income	58,447.11
Less: Personal reliefs	<u>(4,000.00)</u>
Notional chargeable income	54,447.11
Tax on first \$40,000	550.00
Tax on next \$14,447.11 @ 7%	<u>1,011.30</u>
Net tax payable before personal tax rebate	1,561.30
Less: 20% personal tax rebate capped at \$500	<u>(312.26)</u>
Net tax payable after personal tax rebate	1,249.04



## Examples on how tax-on-tax is computed

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### Contact Information

For enquiries on this user guide, please call 1800 356 8300 or email [taxqueries@iras.gov.sg](mailto:taxqueries@iras.gov.sg)

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