

Worked Examples on In-House Training of Employees

Example 1

In the year 2016, Company J's employee, Employee A, is a Workforce Skills Qualification (WSQ) certified trainer. He conducted a 5-day in-house training course accredited by the Singapore Workforce Development Agency (WDA)* for Company J's employees. Employee A's salary for the 5-day period was \$2,000. Training materials costing S\$500 was provided for the participants.

In the same year, Employees B and C, two of Company J's employees, conducted a 10-day in-house training on non-accredited courses for other employees of Company J. The salaries of Employees B and C over the 10-day period amounted to \$12,000.

Other information on Company J:

- The company was incorporated on 1 Jan 2005.
- The company's financial year ends on 31 Dec.
- The net profit before tax for the year 1 Jan to 31 Dec 2016 (relating to the Year of Assessment (YA) 2017) was \$150,000
- The company wishes to claim PIC benefits on the staff training costs incurred during the year.
- Apart from the claim of PIC benefits on staff training costs, there are no other tax adjustments to be made when computing the company's tax for YA 2017.

Find out how Company J can claim PIC benefits in each of the scenarios below:

[Scenario A: Claim for Enhanced Deduction](#)

[Scenario B: Elect for Cash Payout](#)

[Scenario C: Claim for Enhanced Deduction and Elect for Cash Payout](#)

*The training course was accredited by WDA before 3 Oct 2016.

Scenario A: Claim for Enhanced Deduction

Company J claims enhanced deduction on the staff training costs.

Computation of Enhanced Deduction

The enhanced deduction on the staff training costs is computed as follows:

Activity	Cost \$	Base deduction (100%) \$	Enhanced deduction (300%) \$	Total \$
In-house training of WDA accredited course	2,500 (2,000 + 500)	2,500	7,500	10,000
In-house training of non-accredited course	12,000	12,000	30,000 (capped at 10,000 x 300%)	42,000
Total	14,500*	14,500	37,500	52,000

* Within the combined expenditure cap of \$1,200,000 for YA 2016 to YA 2018

Tax Computation for YA 2017

Company J's tax computation for YA 2017 is as follows:

	\$
Net profit before tax	150,000.00
Less: Enhanced deduction for staff training costs	(37,500.00)
Chargeable income (before exempt amount)	<u>112,500.00</u>
Less: Exempt amount	
- First \$10,000 @ 75%	(7,500.00)
- Next \$102,500 @ 50%	(51,250.00)
Chargeable income (after exempt amount)	<u>53,750.00</u>
Tax thereon @ 17%	9,137.50
Less: Corporate Income Tax Rebate (50% x \$9,137.50)	(4,568.75)
Net tax payable	<u>4,568.75</u>

Scenario B: Elect for Cash Payout

Company J converts the expenditure on staff training costs of \$14,500 (\$2,500 + \$12,000) to a cash payout for YA 2017.

Computation of Cash Payout

	\$
In-house training of WDA accredited course	2,500
In-house training of non-accredited course (capped at \$10,000)	10,000
Total	12,500
Convert to cash payout at 60%* (60% x \$12,500)	7,500

* The qualifying staff training costs that have been converted to cash payout were incurred before 1 Aug 2016.

Tax Computation for YA 2017

Company J's tax computation for YA 2017 is as follows:

	\$
Net profit before tax	150,000.00
Add: Staff training costs converted to cash payout [#]	12,500.00
Chargeable income (before exempt amount)	<u>162,500.00</u>
Less: Exempt amount	
- First \$10,000 @ 75%	(7,500.00)
- Next \$152,500 @ 50%	(76,250.00)
Chargeable income (after exempt amount)	<u>78,750.00</u>
Tax thereon @ 17%	13,387.50
Less: Corporate Income Tax Rebate (50% x \$13,387.50)	<u>(6,693.75)</u>
Net tax payable	<u>6,693.75</u>

The qualifying staff training costs have been converted to cash payout and therefore will not be eligible for tax deduction.

Scenario C: Claim for Enhanced Deduction and Elect for Cash Payout

Company J claims enhanced deduction on the in-house accredited training costs of \$2,500 and converts the in-house non-accredited training costs of \$12,000 into a cash payout.

Computation of Cash Payout

In-house training of non-accredited course (capped at \$10,000)	\$10,000
Convert to cash payout @ 60%* (60% x \$10,000)	\$ 6,000

* The qualifying staff training costs that have been converted to cash payout were incurred before 1 Aug 2016.

Computation of Enhanced Deduction

The enhanced deduction on the staff training costs is computed as follows:

Activity	Cost \$	Base deduction (100%) \$	Enhanced deduction (300%) \$	Total \$
Staff Training - In-house training of WDA accredited course	2,500 (2,000 + 500)*	2,500	7,500	10,000

* Within the combined expenditure cap of \$1,200,000 for YA 2016 to YA 2018

Tax Computation for YA 2017

Company J's tax computation for YA 2017 is as follows:

	\$
Net profit before tax	150,000.00
Add: Staff training costs converted to cash payout [#]	10,000.00
Less: Enhanced deduction for staff training costs	(7,500.00)
Chargeable income (before exempt amount)	<u>152,500.00</u>
Less: Exempt amount	
- First \$10,000 @ 75%	(7,500.00)
- Next \$142,500 @50%	<u>(71,250.00)</u>
Chargeable income (after exempt amount)	<u>73,750.00</u>
Tax thereon @ 17%	12,537.50
Less: Corporate Income Tax Rebate (50% x \$12,537.50)	<u>(6,268.75)</u>
Net tax payable	<u>6,268.75</u>

The qualifying staff training costs have been converted to cash payout and therefore will not be eligible for tax deduction.