

Examples on Computing the Medical Expense Capping

Example 1

The total employee remuneration of the company is \$100,000 in the relevant financial year. The company incurred \$2,500 of medical expenses the same year.

Company did not implement portable medical benefits		Company implemented portable medical benefits	
Amount deductible (capped at 1% of total employee remuneration. Hence, cap is $1\% \times \$100,000 = \$1,000$)	Amount not deductible	Amount deductible (capped at 2% of total employee remuneration)	Amount not deductible
1,000	1,500	2,000	500

Example 2

The total employee remuneration of the company is \$3,000,000 in the relevant financial year. The company did not adopt portable medical benefits arrangements but made ad-hoc contributions to its employees' MediSave accounts (subject to a cap of \$2,730 per employee per year). The total deduction is capped at 2% of the total employee remuneration, which is \$60,000 (2% x \$3,000,000).

Scenario	Medical expenses incurred (excluding ad-hoc MediSave contributions) (A)	Amount deductible (capped at 1% of total employee remuneration. Hence, cap is 1% x \$3,000,000 = \$30,000) (B)	Ad-hoc MediSave contributions (C)	Additional deduction with ad-hoc MediSave contributions Lower of (C) or [\$60,000-(B)]	Total tax deduction claimable in Corporate Income Tax Return (B) + (D)
1	\$27,000	\$27,000	\$15,000	\$15,000 Lower of \$15,000 or \$33,000 (\$60,000 - \$27,000)	\$42,000
2	\$45,000	\$30,000	\$15,000	\$15,000 Lower of \$15,000 or \$30,000 (\$60,000 - \$30,000)	\$45,000
3	\$82,000	\$30,000	\$45,000	\$30,000 Lower of \$45,000 or \$30,000 (\$60,000 - \$30,000)	\$60,000
4	\$27,000	\$27,000	\$45,000	\$33,000 Lower of \$45,000 or \$33,000 (\$60,000 - \$27,000)	\$60,000