

# **Tax Treatment of Government Assistance Schemes and Payouts for Private Hire Car (PHC)/ Taxi Drivers**

## **Special Relief Fund (“SRF”) payouts funded by the Government (Budget 2020)**

To help PHC/ taxi drivers cope with the impact of the COVID-19 pandemic, the Government provided relief of \$300 per vehicle per month (or \$10 per day) for active eligible PHC/ taxi drivers for the period of February 2020 to December 2020.

The SRF payouts received by PHC/ taxi drivers were exempted from income tax in YA 2021 (i.e. for basis period 2020) as they were meant to provide financial support for PHC/ taxi drivers during the COVID-19 pandemic.

## **COVID-19 Driver Relief Fund (“CDRF”) payouts funded by the Government (Budget 2021)**

The CDRF payouts received by PHC/ taxi drivers which were funded by the Government were exempted from income tax in YA 2022 (i.e. for basis period 2021) as the payouts were meant to provide financial support for PHC/ taxi drivers during the COVID-19 pandemic.

## **Additional support given by PHC/ taxi operators to drivers in year 2020 and year 2021**

Taxi drivers can claim the actual rental expenses which is charged by the operators. Additional monetary payments or e-wallet credits received from the operators will be treated as additional income to the drivers and will be taxable.

For more information on how to report the additional support provided by PHC/ taxi operators and how to claim tax deductions based on actual expenses or the Fixed Expense Deduction Ratio (FEDR) (60% of driving income) for YA 2021 and YA 2022, refer to [Point-to-Point Transport Industry](#).

## **Savings from Road Tax Rebate (“RTR”) given by taxi operators and vehicle lessors to drivers in year 2021 and year 2022**

The Government provided RTR for petrol and petrol-hybrid vehicles for a one-year period from 1 August 2021 to 31 July 2022. Taxi operators and vehicle lessors, who received RTR for their petrol and petrol-hybrid vehicles, were encouraged to pass on the savings from the RTR to eligible PHC/ taxi drivers to help drivers alleviate the higher petrol costs.

The savings from the RTR that were passed on to the drivers were intended to reduce drivers' business expenses in driving a taxi or car. If the drivers received the RTR savings in the form of reduced rental, they could claim the actual rental that was charged by the taxi operator or vehicle lessor. If the drivers received the RTR savings in the form of monetary payments or e-wallet credits, the business expenses claimed by the drivers must be reduced by the amount of the monetary payments or e-wallet credits.

**Additional Petrol Duty Rebate (“APDR”) given by PHC/ taxi operators to drivers in the year 2021**

To help drivers alleviate the higher petrol costs, the Government provided APDR of \$360 to active drivers of petrol and petrol-hybrid PHCs/ taxis in the year 2021. The APDR was disbursed by PHC/ taxi operators, on behalf of the Government, to the drivers. For taxi drivers who owned their own taxis, LTA would have disbursed the APDR directly to them via bank transfers.

The APDR from the Government was intended to reduce drivers' business expenses in driving a taxi or car. If the drivers received the APDR in the form of reduced rental, they could claim the actual rental that was charged by the PHC/ taxi operator. If the drivers received the APDR savings in the form of monetary payments or e-wallet credits, the business expenses claimed by the drivers must be reduced by the amount of the APDR.

Example:

A PHC/ taxi driver earned driving income of \$20,900 in the year 2021. The yearly car/ taxi rental expense (before any deductions) was \$12,000, and the driver also incurred other business expenses of \$1,000 in the year 2021. RTR savings of \$100 and APDR of \$360 were disbursed to the driver (either by the taxi operator to the driver in the form of reduced taxi rental, or by the PHC operator/ vehicle lessor by crediting the savings to the driver's e-wallet).

1. If the driver chooses to claim tax deductions based on actual expenses incurred, the amount of total business expenses that the driver can claim deduction for YA 2022 are as follows:

	Taxi Driver	PHC Driver
Gross PHC/ Taxi Rental Expense	\$12,000*	\$12,000
Less:		
RTR	\$(100)	

APDR	<u>\$(360)</u>	
Net PHC/ Taxi Rental Expense	\$11,540	
Other Business Expense	\$1,000	\$1,000
Less:		
RTR		\$(100)
APDR		<u>\$(360)</u>
<b>Total business expense that can be claimed</b>	<b><u>\$12,540</u></b>	<b><u>\$12,540</u></b>

*\*The actual taxi rental payable by the taxi driver is \$11,540 (i.e. \$12,000 less the RTR of \$100 and APDR of \$360).*

2. If the driver chooses to claim expenses based on 60% of driving income (i.e. FEDR), the amount of business expenses that can be claimed for YA 2022 is \$12,540 (\$20,900 x 60%). The RTR savings and APDR should not be included in the driving income when computing the 60% FEDR as they are meant to reduce the business expenses incurred in driving a car/ taxi and hence there is no change to the driving income.

### **One-off relief payout of \$150 given to eligible taxi main hirers and PHC drivers in August 2022**

In August 2022, the Government provided eligible taxi main hirers and PHC drivers a one-off relief payout of \$150. The payout was disbursed by taxi and PHC operators, on behalf of the Government, to taxi drivers through a reduction in taxi rental fees payable by the drivers and to PHC drivers in the form of additional credits to the drivers' e-wallets.

The usual tax treatment would apply to the \$150 relief payout which was given to cushion the impact of higher operating costs for drivers. If drivers received the payout in the form of reduced rental, they should claim the actual rental expenses charged by the operators. If drivers received the payout in the form of e-wallet credits, it should be treated as additional income to the drivers, and hence taxable.