

---

## UPDATES OF TAX CHANGES

### Introduction

The Inland Revenue Authority of Singapore ("IRAS") announced the tax changes to support parenthood which was outlined by Prime Minister Lee Hsien Loong during his National Day Rally Speech on 22 August 2004. We summarise below the tax changes.

### Parenthood Tax Rebate

The Parenthood Tax Rebate ("PTR") will replace the existing special tax rebate scheme. The PTR is given to Singapore tax residents who are married, divorced or widowed.

#### Quantum of PTR

- 2<sup>nd</sup> child \$10,000
- 3<sup>rd</sup> child \$20,000
- 4<sup>th</sup> child \$20,000

The PTR can be shared between husband and wife. Any unutilised PTR can be carried forward indefinitely.

To claim PTR, the following conditions must be met:

- i Applicable to 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> child who is born or legally adopted on or after 1 January 2004; and
- ii The child must be a Singapore citizen at the time of birth or adoption or within 12 months thereafter.

**Effective Date: Year of Assessment 2005**

### Working Mother's Child Relief

The Working Mother's Child Relief ("WMCR") will replace the existing enhanced child relief and further tax rebate. The WMCR is given to working mothers (including widows and divorcees) for her first four children.

#### Quantum of WMCR

- 1<sup>st</sup> child : 5% of mother's earned income
- 2<sup>nd</sup> child : 15% of mother's earned income
- 3<sup>rd</sup> child : 20% of mother's earned income
- 4<sup>th</sup> child : 25% of mother's earned income



---

The 4<sup>th</sup> child must be born on or after 1987 and for adopted child, must be adopted on or after 1 January 2004.

The total child relief is capped at \$25,000 for each child.

To claim WMCR, the following conditions must be met:

- i The child is the mother's natural child, step child or legally adopted child;
- ii The child is a Singapore citizen as at 31 December of the year preceding the Year of Assessment ("YA") of claim;
- iii The child is unmarried and below 16 years old or receiving full time education at any educational institution, or is handicapped; and
- iv The child does not have annual income exceeding \$2,000 in that year.

**Effective Date: Year of Assessment 2005**

### **Grandparent Caregiver Relief**

Each working mother can claim a Grandparent Caregiver Relief ("GCR") of \$3,000 for one parent or one parent-in-law (of the working mother) in each YA.

To claim GCR, the following conditions must be met:

- i GCR is given to a married, divorced or widowed working mother with Singapore citizen children aged 12 years or below during the year preceding the YA of claim;
- ii The child is a legitimate child, step child or legally adopted child;
- iii Claimant's parent/parent-in-law who is taking care of grandchild is not working and is living in Singapore; and
- iv Claimant is the only person claiming the GCR.

**Effective Date: Year of Assessment 2005**

### **Relief for Delivery and Hospitalisation Expenses for 4<sup>th</sup> Child**

The relief for delivery and hospitalisation expenses of up to \$3,000 for the 4<sup>th</sup> child is now removed if incurred on or after 1 August 2004. Singapore tax residents who incurred the said expenses from 1 January 2004 to 31 July 2004 is still entitled to the relief in YA 2005.

**Effective Date: 1 August 2004**

Various new non-tax schemes for parents of Singapore babies were also announced. Details can be found at <http://www.family.gov.sg>.

We summarise below some of these schemes:



---

### **Enhanced Baby Bonus**

The baby bonus is now extended to the 1<sup>st</sup> and 4<sup>th</sup> child born on or after 1 August 2004:

- Cash of \$3,000 for 1<sup>st</sup> child
- Cash and co-savings of up to \$9,000 for 2<sup>nd</sup> child
- Cash and co-savings of up to \$18,000 each for 3<sup>rd</sup> and 4<sup>th</sup> child

**Effective Date: 1 August 2004**

### **Maternity and Childcare Leave**

- A working mother is entitled to 12 weeks paid maternity leave. Employers will pay for 8 weeks maternity leave for the 1<sup>st</sup> and 2<sup>nd</sup> child as per the current obligation. The government will fund the extended 4 weeks maternity leave subject to a maximum of \$10,000 for the 1<sup>st</sup> and 2<sup>nd</sup> child. In respect of the 3<sup>rd</sup> and 4<sup>th</sup> child, the government will fund the entire 12 weeks maternity leave to a maximum of \$30,000. To be eligible for the government reimbursement, certain conditions must be met.
- Each working parent with any child below 7 years old is entitled to 2 days employer-paid childcare leave per year. The employee must have worked for at least 3 months for the employer before the birth of the child.

**Effective Date: 1 October 2004**

### **Infant Care Subsidy**

Infant care subsidy of up to \$400 per month for Singaporean infant aged 2 to 18 months attending an infant care centre if the mother is working or up to \$75 per month for mother who is not working.

### **Foreign Maid Levy Concession**

Employers are entitled to a concession of \$95 in respect of the foreign maid levy if the employer has a child who is a Singapore Citizen below the age of 12 years old. This concession is also extended to employer who has parent, parent-in-law, grand parent or grand parent-in-law who is a Singapore Citizen aged 65 and above living with them. Singaporean who are 65 years old and above who employed foreign maid are also entitled to the \$95 concession.

**Effective Date: 1 August 2004**

Disclaimer note: The contents of this article is summarised based on the results of our research and study and are not intended to be comprehensive. Whilst every effort has been made to ensure the accuracy of information contained in the commentary, no responsibility can be accepted for any errors or omissions. Readers are advised that the contents of this article should not be relied on or acted upon without professional advice. If you need any further clarification or advice, please contact the partners, our Tax Manager, Mrs Tang See Tha, or our Assistant Tax Manager, Ms Esther Choo. No liability can be accepted for any action taken as a result of reading this article without prior consultation with regard to all relevant factors.