

SALARIES TAX

Revision of tax bands and standard rate

<i>Present</i>		<i>Proposed</i>	
Tax Band	Marginal Tax Rate (%)	Tax Band	Marginal Tax Rate (%)
First \$35,000 chargeable income	2.0	First \$40,000 chargeable income	2.0
Next \$35,000	7.0	Next \$40,000	7.0
Next \$35,000	12.0	Next \$40,000	12.0
Remainder	17.0	Remainder	17.0
	Standard Rate (%)		Standard Rate (%)
	16.0		15.0

Revision of allowances and deductions

	<i>Present</i> (\$)	<i>Proposed</i> (\$)
Personal Allowances:		
Basic	100,000	108,000
Married	200,000	216,000
Single Parent	100,000	108,000
Additional Allowances:		
Child:		
1st to 9th child		
Year of birth	100,000	100,000
Other years	50,000	50,000
Dependent Parent/Grandparent:		
Aged 60 or above		
Basic	30,000	30,000
Additional allowance (for dependant living with taxpayer)	30,000	30,000
Aged 55 to 59		
Basic	15,000	15,000
Additional allowance (for dependant living with taxpayer)	15,000	15,000
Dependent Brother/Sister	30,000	30,000
Disabled Dependant	60,000	60,000
Deduction Ceilings:		
Self-Education Expenses	60,000	60,000
Home Loan Interest	100,000	100,000
Approved Charitable Donations	25% of Income	35% of Income
Elderly Residential Care Expenses	60,000	60,000
Contributions to Recognised Retirement Schemes	12,000	12,000

Estimated tax savings of taxpayers by income group after implementation of the proposed salaries tax measures (i.e. increase in personal allowances, widening of tax bands, reduction of standard rate and increase in the deduction ceiling on approved charitable donations)

Annual income	No. of taxpayers with reduced liabilities	Average tax savings per taxpayer benefiting from the proposal	Tax savings as a percentage of tax payable
\$108,001 to \$200,000	394 000	\$490	34.0%
\$200,001 to \$300,000	323 000	\$1,510	24.3%
\$300,001 to \$400,000	204 000	\$2,340	16.5%
\$400,001 to \$600,000	197 000	\$3,010	9.7%
\$600,001 to \$900,000	94 000	\$3,340	4.8%
\$900,001 and above	91 000	\$10,520	3.8%
Total	1 303 000	—	—

Effect of the proposed salaries tax measures (i.e. increase in personal allowances, widening of tax bands, reduction of standard rate and increase in the deduction ceiling on approved charitable donations) on different households

	Tax payable		Tax savings
	Present	After implementation of proposed measures	
A. Annual income \$120,000			
1. Single person	\$400	\$240	\$160 (40.0%)
B. Annual income \$216,000*			
2. Single person	\$9,220	\$6,960	\$2,260 (24.5%)
3. Married couple	\$320	—	\$320 (100.0%)
4. Single person with 1 dependent parent aged 60 or above living with the taxpayer	\$2,170	\$1,360	\$810 (37.3%)
C. Annual income \$300,000			
5. Single person	\$23,500	\$20,640	\$2,860 (12.2%)
6. Single person with 1 dependent parent aged 60 or above living with the taxpayer	\$13,300	\$10,440	\$2,860 (21.5%)
7. Married couple or single parent with 1 child	\$1,750	\$680	\$1,070 (61.1%)
D. Annual income \$360,000			
8. Single person	\$33,700	\$30,840	\$2,860 (8.5%)
9. Single person with 2 dependent parents, one of whom aged 60 or above and the other aged 55 to 59, living with the taxpayer	\$18,400	\$15,540	\$2,860 (15.5%)
10. Married couple or single parent with 1 child	\$8,200	\$5,280	\$2,920 (35.6%)

* Median household income.

	Tax payable		Tax savings
	Present	After implementation of proposed measures	
11. Married couple or single parent with 1 child and 2 dependent parents aged 60 or above not living with the taxpayer	\$1,750	\$680	\$1,070 (61.1%)
12. Married couple or single parent with 2 children, one of whom being a newborn child	\$200	—	\$200 (100.0%)
<u>E. Annual income \$480,000</u>			
13. Single person	\$54,100	\$51,240	\$2,860 (5.3%)
14. Married couple or single parent with 1 child	\$28,600	\$24,380	\$4,220 (14.8%)
15. Married couple or single parent with 1 child and 2 dependent parents aged 60 or above not living with the taxpayer	\$18,400	\$14,180	\$4,220 (22.9%)
16. Married couple or single parent with 2 children, one of whom being a newborn child	\$11,600	\$7,680	\$3,920 (33.8%)
17. Married couple or single parent with 3 children and 2 dependent parents aged 60 or above living with the taxpayer	\$200	—	\$200 (100.0%)
<u>F. Annual income \$720,000</u>			
18. Single person	\$94,900	\$92,040	\$2,860 (3.0%)
19. Married couple or single parent with 1 child	\$69,400	\$65,180	\$4,220 (6.1%)
20. Married couple or single parent with 1 child and 2 dependent parents aged 60 or above not living with the taxpayer	\$59,200	\$54,980	\$4,220 (7.1%)
21. Married couple or single parent with 2 children, one of whom being a newborn child	\$52,400	\$48,180	\$4,220 (8.1%)

	Tax payable		Tax savings
	Present	After implementation of proposed measures	
22. Married couple or single parent with 3 children and 2 dependent parents aged 60 or above living with the taxpayer	\$32,000	\$27,780	\$4,220 (13.2%)
<u>G. Annual income \$1,200,000</u>			
23. Single person	\$176,500	\$173,640	\$2,860 (1.6%)
24. Married couple or single parent with 1 child	\$151,000	\$146,780	\$4,220 (2.8%)
25. Married couple or single parent with 1 child and 2 dependent parents aged 60 or above not living with the taxpayer	\$140,800	\$136,580	\$4,220 (3.0%)
26. Married couple or single parent with 2 children, one of whom being a newborn child	\$134,000	\$129,780	\$4,220 (3.1%)
27. Married couple or single parent with 3 children and 2 dependent parents aged 60 or above living with the taxpayer	\$113,600	\$109,380	\$4,220 (3.7%)
<u>H. Annual income \$1,800,000</u>			
28. Single person	\$278,500	\$270,000	\$8,500 (3.1%)
29. Married couple or single parent with 1 child	\$253,000	\$248,780	\$4,220 (1.7%)
30. Married couple or single parent with 1 child and 2 dependent parents aged 60 or above not living with the taxpayer	\$242,800	\$238,580	\$4,220 (1.7%)
31. Married couple or single parent with 2 children, one of whom being a newborn child	\$236,000	\$231,780	\$4,220 (1.8%)
32. Married couple or single parent with 3 children and 2 dependent parents aged 60 or above living with the taxpayer	\$215,600	\$211,380	\$4,220 (2.0%)

Comparison of allowances, deductions and tax bands and rates between 2002/03 and 2008/09

		2002/03	2008/09
Allowances			
Basic Allowance		\$108,000	\$108,000
Married Person's Allowance		\$216,000	\$216,000
Child Allowance	1st and 2nd child	\$30,000	\$50,000
	3rd to 9th child	\$15,000	\$50,000
	For each child born during the year, the Child Allowance will be increased by	0	\$50,000
Dependent Brother/Sister Allowance		\$30,000	\$30,000
Dependent Parent/Grandparent Allowance	Aged 60 or above		
	Basic	\$30,000	\$30,000
	Additional	\$30,000	\$30,000
	Aged 55 to 59		
Basic	0	\$15,000	
Additional	0	\$15,000	
Single Parent Allowance		\$108,000	\$108,000
Disabled Dependant Allowance		\$60,000	\$60,000

Deductions

Self-Education Expenses	\$40,000	\$60,000
Elderly Residential Care Expenses	\$60,000	\$60,000
Home Loan Interest (Maximum years for deduction)	\$150,000 (5 years)	\$100,000 (10 years)
Mandatory Contributions to Recognised Retirement Schemes	\$12,000	\$12,000
Approved Charitable Donations	10%	35%

Tax Bands and Rates

On the First	\$35,000	2%	\$40,000	2%
On the Next	\$35,000	7%	\$40,000	7%
On the Next	\$35,000	12%	\$40,000	12%
Remainder	17%		17%	
Standard Rate	15%		15%	