

CHANGE IN BASIS FOR COMPUTING TAXABLE CAR BENEFIT

INTRODUCTION

- 1 Gains or profits derived by an individual from the exercise of any employment in Singapore is liable to tax under Section 10(1)(b) of the Singapore Income Tax Act (SITA).
- 2 The term “gains or profits from any employment” has been defined under Section 10(2) of the SITA. Briefly, such gains or profits refer not only to wages/salaries derived by an employee but also other benefits received by him in respect of his employment.
- 3 Two of the most common benefits provided by employers are:
 - (a) a travelling/transport allowance;
 - and
 - (b) the provision of a car.
- 4 Where an employee is given a travelling/transport allowance by his employer, the full amount of the allowance is assessable on him as provided for under Section 10(2) of the SITA. However, the employee may claim deduction for travelling/transport expenses if:
 - (a) the expenses are incurred by him wholly and exclusively in the production of his employment income;
 - and
 - (b) the deduction is not otherwise specifically prohibited under the SITA (eg. expenses incurred by the employee for using his own private car).
- 5 In the case where an employee is provided with a car, he is currently assessed to tax only on the value of the benefit derived from his private usage of the car (referred to as “car benefit” for the purpose of this Practice Note).
- 6 The present formulae for computing car benefit are as follows:
 - (a) Car provided by employer, cost of petrol borne by employee
Value of benefit = \$0.0621/km x private mileage
 - (b) Car provided by employer, cost of petrol borne by employer
Value of benefit = \$0.1863/km x private mileage

(c) Driver provided by employer

Value of benefit = Annual cost of driver x (private mileage/total mileage)

- 7 The rates used in the formulae at paragraph 6 above were set in the early 1960s. Given the current cost of cars and their running expenses, these rates are no longer reflective of the car benefit enjoyed by the employee.
- 8 The purpose of this Practice Note is to spell out the new basis of computing car benefit for employees with effect from the Year of Assessment 1995.

ADMINISTRATIVE PRACTICE

- 9 An employee who is not provided with a car by his employer may have to purchase one. Therefore, where he is provided with a car, the car benefit derived by him should take into account the capital cost of the car. In addition, the running expenses of cars are now much higher than in the 1960s. Therefore, the car benefit which accrues to an employee from the private mileage travelled should accordingly be higher than the amount computed using the rates determined in the 1960s.
- 10 In view of paragraph 9, the current basis of determining car benefit accruing to an employee who is provided a car by his employer has been revised. With effect from the Year of Assessment 1995, the car benefit shall be determined based on the following formulae:-

(a) Car provided by employer, cost of petrol borne by employee

Value of benefit = $\frac{3}{7} \times [(\text{Car cost} - \text{Residual Value})/10] + (\$0.45/\text{km} \times \text{private mileage})$

(b) Car provided by employer, cost of petrol borne by employer

Value of benefit = $\frac{3}{7} \times [(\text{Car cost} - \text{Residual Value})/10] + (\$0.55/\text{km} \times \text{private mileage})$

(c) Driver provided by employer

Value of benefit = Annual cost of driver x (private mileage/total mileage)
ie same basis as before

Where:

“Car cost” refers to the acquisition cost of a car (inclusive of COE) paid or payable at the date of purchase. If the car is “company-registered” (ie Q-plate), the cost of the car should be pegged to that of an identical private car.

“Residual Value” is equal to:

(a) the amount of rebate allowable under the Road Traffic Act if the car is registered prior to 1 November 1990;

or

(b) 80% of the Open-Market Value (OMC) of the car if the car is registered on or after 1 November 1990.

11 The revised basis is intended to fairly reflect the value of the benefit enjoyed by an employee who is provided a car by his employer. For employees who are given travelling/transport allowances by the employer in addition to being provided with a car, such allowances shall continue to be assessable to tax in full as explained at paragraph 4 above.

12 When preparing the annual return of remuneration (ie Form IR8A/C) for the calendar year ending 31 Dec 1994 and subsequent years, employers are required to compute the car benefits provided to their employees based on the above new formulae.