

FinancialQuotient

What is individual income tax?

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WHAT DOES IT MEAN?

Individual income tax refers to the tax payable by an individual on the taxable income that he derives in Singapore.

Typically, such taxable income may include earned income from employment or income derived by a person who runs a business here. This includes income earned by a sole proprietor or in a partnership, and by a self-employed person like a hawker or private hire driver.

It can also include income from renting out properties, royalty income or interest income from sources other than an approved bank or finance company. On the other hand, all overseas income derived by an individual (except when it is through a partnership) and capital gains such as inheritances and winnings from betting in casinos, 4D, Toto and so on, are not taxable.

Income tax is levied on a net basis, that is, net of deductible expenses. For every source of taxable income derived by an individual, he can claim relevant expenses.

For example, an individual who rents out an apartment can claim a deduction for rental-related expenses such as property tax, maintenance charges and interest on loans taken up to finance the

property purchase.

To arrive at the tax payable, taxable income can be reduced by any trade losses or qualifying donations to arrive at the assessable income. He can further claim personal reliefs, and his final tax is determined by referring to the personal tax rate table for residents.

WHY IS IT IMPORTANT?

The individual tax filing season is here again. The normal deadline is April 15 for paper filing of individual income tax returns and April 18 for electronic filing.

Individual taxpayers would have to declare the taxable income for the year of assessment 2019 based on the income earned in the preceding calendar year.

Severe penalties may be levied on incorrect filings, non-filings and tardiness in filing by the due dates. Hence, individuals should make sure they get this annual chore done right.

IF YOU WANT TO USE THE TERM, JUST SAY:

“The individual income tax filing season is here again, so individual taxpayers are reminded to file their income tax returns by the due date”.

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