



Recently, there were several questions from clients in regards to the SRS scheme. We have therefore decided that our inaugural launch would feature this tax saving instrument available to you.

## Saving on Taxes with New SRS Scheme – By Bob Oh

The Supplementary Retirement Scheme (SRS) was established on 1st April 2001 to encourage individuals to save for their retirement by offering tax incentives. The SRS is open to all Singaporeans, Singapore Permanent Residents (PRs) and foreigners who are at least 21 years of age. However the individual must not be a bankrupt or of unsound mind.

Each individual is allowed only one account. **Individuals without any earned employment income in the previous year can contribute to the SRS in the current year.**

### Benefits

1. Claim **tax relief** for contributions made to the SRS.
2. Investment gains in the SRS are **tax free** with the exception of Singapore dividends received, which are taxable.
3. **Tax will be payable only when SRS savings are withdrawn.** If savings are withdrawn in its entirety upon retirement, **only 50%** will be subject to tax.
4. Withdrawals may also be staggered over 10 years to enjoy greater tax savings.

### Making contributions

All SRS contributions are to be made in cash at any time before 31st December each year.

### Capping

Singaporeans and Singapore PRs — S\$11,475

Foreigners — S\$26,775

### What can I do with my SRS funds?

Funds in the SRS account may be invested in a range of financial products. For example,

- ✓ fixed deposits
- ✓ insurance products and unit trusts
- ✓ single premiums with life cover of not more than three times the single premium will be allowed.

**All proceeds** from the realisation of SRS investments **must be returned to the SRS account.**

### Where and how can I contribute?

You can contribute by opening an SRS account with any appointed SRS operator. All SRS contributions must be in the form of cash. Currently the appointed SRS operators are DBS, OCBC, and UOB.

### Can employers contribute directly?

Employers can contribute to their employees' SRS accounts, subject to the current SRS contribution limits, and claim full tax deduction. SRS members will enjoy tax relief on the contributions made by their employers.

That means it is part of employers expense but part of employee's remuneration.

### Example,

Singaporean, director's salary of S\$60,000.  
**No SRS contributions.**

Earned income		S\$60,000
Less: Reliefs		
Earned income	S\$1,000	
CPF	S\$10,800	
SRS relief	S\$0	
Chargeable income		S\$48,200
Tax on first S\$40,000		S\$900
Tax on next S\$8,200 @ 8.5%		S\$697
Total tax payable		S\$1,597

Singaporean, director's salary of S\$60,000.  
**WITH SRS contributions.**

Earned income		S\$60,000
Less: Reliefs		
Earned income	S\$1,000	
CPF	S\$10,800	
SRS relief	S\$11,475 (MAX contribution)	
Chargeable income		S\$36,775
Tax on first S\$30,000		S\$350
Tax on next S\$6,775 @ 5.5%		S\$372.63
Total tax payable		S\$719.88
<b>Tax savings</b>		<b>S\$877.12</b>

### 2<sup>nd</sup> example,

Singaporean, declaring director's fee of S\$32,475.  
**No SRS contributions.**

Earned income		S\$32,475
Less: Reliefs		
Earned income	S\$1,000	
SRS relief	S\$0	
Chargeable income		S\$31,475
Tax on first S\$30,000		S\$350
Tax on next S\$1,475 @ 5.5%		S\$81.13
<b>Total tax payable</b>		<b>S\$431.13</b>

Singaporean, declaring director's fee of S\$32,475.  
**With SRS contributions.**

Earned income		S\$32,475
Less: Reliefs		
Earned income	S\$1,000	
SRS relief	S\$11,475 (MAX contribution)	
Chargeable income		S\$20,000
Tax on first S\$20,000		S\$0
Tax on next S\$-		S\$0
Total tax payable		S\$0
<b>Tax savings</b>		<b>S\$431.13</b>

### What is it worth to you?

<b>S\$11,475 savings for 20 years @ 5% returns p.a.</b>	-	<b>S\$393,050</b>
<b>S\$11,475 savings for 20 years @ 10% returns p.a.</b>	-	<b>S\$726,146</b>
<b>S\$11,475 savings for 20 years @ 15% returns p.a.</b>	-	<b>S\$1,431,735</b>
<b>S\$11,475 savings for 20 years @ 20% returns p.a.</b>	-	<b>S\$2,973,605</b>