

How do I compute my final income tax with time apportionment?

Compute the income tax rate on **apportioned employment income**:

- a. If the rate is **more than 10%**, your apportioned employment income is added to your other sources of income and your final income tax is computed accordingly.
- b. If the rate is **less than 10%**, your employment income is then recomputed such that it corresponds to 10% of your total employment income. The recomputed employment income is then added to your other sources of income and your final income tax is computed accordingly.

Examples:

Scenario 1

In YA2005, Mr A earns \$400,00 per annum as the regional production manager of XYZ Pte Ltd. He travels out of Singapore on business reasons for 100 days in a year. Mr A has satisfied the 3 qualifying conditions for the time apportionment incentive.

Total Singapore employment income = \$400,000
 Number of days outside of Singapore = 100
 Income tax on total employment income = \$64,600

Apportioned employment income = $(365-100/365) \times \$400,000$
 =\$290,411

Income tax on apportioned employment income = \$41,378
 (assuming YA2003 income tax rate)

Income tax rate on apportioned employment income = $\$41,378/\$400,000$
 =10.34%

As income tax rate on apportioned employment income is more than 10%, the employment income that is finally subjected to income tax is \$290,411.

Income tax savings = $\$64,600-\$41,378/\$64,600$
 = 36%

Scenario 2

In YA2006, Mr A's employment income remains the same. Due to expansion of XYZ's business in the region, Mr A has to travel more. He travels 200 days in the year. Mr A has satisfied the 3 qualifying conditions for the time apportionment incentive.

Total Singapore employment income	= \$400,000
Number of days outside of Singapore	= 200
Apportioned employment income	= $(365-200/365) \times \$400,000$ = \$180,822
Income tax on apportioned employment income (assuming YA2003 income tax rate)	= \$20,556
Income tax rate on apportioned employment income	= $\$20,556/\$400,000$ = 5.14%

As income tax rate on apportioned **employment income is less than 10%**, Mr A's final employment income that is subjected to income tax must be restated such that it corresponds to 10% of his employment income before time apportionment.

Therefore, Mr A's employment income	= \$283,158
Income tax savings	= $\$64,600 - \$40,000 / \$64,600$ = 38.1%

Workings:

10% on total Singapore employment income of \$400,000	= \$40,000
Tax payable on first \$160,000	= \$16,600
Y x 19% + 16,600	= 40,000
Solving for Y	= \$123,158
Therefore, \$160,000 + \$123,158	= \$283,158