

Examples on how tax-on-tax is computed

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For reference: [Tax Rates](#)

Resident Tax Rates from Year of Assessment (YA) 2024 onwards:

Chargeable Income	Income Tax Rate (%)	Gross Tax Payable (\$)
First \$20,000	0	0
Next \$10,000	2	200
First \$30,000	-	200
Next \$10,000	3.5	350
First \$40,000	-	550
Next \$40,000	7	2,800
First \$80,000	-	3,350
Next \$40,000	11.5	4,600
First \$120,000	-	7,950
Next \$40,000	15	6,000
First \$160,000	-	13,950
Next \$40,000	18	7,200
First \$200,000	-	21,150
Next \$40,000	19	7,600
First \$240,000	-	28,750
Next \$40,000	19.5	7,800
First \$280,000	-	36,550
Next \$40,000	20	8,000
First \$320,000	-	44,550
Next \$180,000	22	39,600
First \$500,000	-	84,150
Next \$500,000	23	115,000
First \$1,000,000	-	199,150
In excess of \$1,000,000	24	

Examples on how tax-on-tax is computed

Resident Tax Rates from YA 2017 to YA 2023:

Chargeable Income	Income Tax Rate (%)	Gross Tax Payable (\$)
First \$20,000	0	0
Next \$10,000	2	200
First \$30,000	-	200
Next \$10,000	3.5	350
First \$40,000	-	550
Next \$40,000	7	2,800
First \$80,000	-	3,350
Next \$40,000	11.5	4,600
First \$120,000	-	7,950
Next \$40,000	15	6,000
First \$160,000	-	13,950
Next \$40,000	18	7,200
First \$200,000	-	21,150
Next \$40,000	19	7,600
First \$240,000	-	28,750
Next \$40,000	19.5	7,800
First \$280,000	-	36,550
Next \$40,000	20	8,000
First \$320,000	-	44,550
In excess of \$320,000	22	

The employment income of **Non-Residents** is taxed at the flat rate of 15% or the progressive resident tax rates (see table above), whichever is the higher tax amount.

Examples on how tax-on-tax is computed

Example 1: Tax is **fully** borne by employer



Full tax borne by employer refers to the total tax payable amount borne by employer. The benefit derived from the tax borne by the employer is taxed as employment income (i.e. tax allowance).

The employee was employed by Company A from 1 Jan 2021 to 31 Dec 2021. For Year of Assessment (YA) 2022, his income tax is fully borne by Company A:

- Salary: \$50,000
- No other sources of income
- Total personal reliefs: \$7,000

Tax Allowance Computation

	\$
Employment Income	50,000.00
Less: Personal Reliefs	<u>-7,000.00</u>
Notional Chargeable Income	43,000.00
Tax on first \$40,000	550.00
Tax on next \$3,000 @ 7%	<u>210.00</u>
Notional Tax Payable	760.00
Tax-on-Tax on Remuneration: \$760 x [0.07/(1-0.07)]	<u>57.20</u>
Tax Allowance	<u>817.20</u>

Final Tax Computation

	\$
Employment Income	50,000.00
Tax Allowance	<u>817.20</u>
Total Income	50,817.20
Less: Personal Reliefs	<u>-7,000.00</u>
Chargeable Income	43,817.20
Tax on first \$40,000	550.00
Tax on next \$3,817.20 @ 7%	<u>267.20</u>
Tax Payable	<u>817.20</u>

The employee's income tax of **\$817.20** will be fully borne by Company A.

Examples on how tax-on-tax is computed

Example 2(a): Tax is **partially** borne by employer - An amount of income for which tax is borne by employer



Partial tax borne by employer either refers to (a) an amount of income for which tax is borne by employer, where the tax is calculated based on aggregate basis i.e. notional tax X income for which tax is borne by employer / total income; or (b) a fixed amount of tax is borne by employer based on employer-employee agreement, and any remaining tax is borne by employee (this method is used by employers that do not adopt the aggregate basis method). The benefit derived from the tax borne by the employer is taxed as employment income.

The employee was employed by Company A from 1 Jan 2021 to 31 Dec 2021. For Year of Assessment (YA) 2022, his income tax on allowance of \$20,000 is borne by Company A:

- Salary: \$130,000
- Allowance: \$20,000
- No other sources of income
- Total personal reliefs: \$7,000

Tax Allowance Computation

	\$
Salary	130,000.00
Allowance - <i>tax borne by Employer</i>	20,000.00
Total Income	150,000.00
Less: Personal Reliefs	-7,000.00
Notional Chargeable Income	143,000.00
Tax on first \$120,000	7,950.00
Tax on next \$23,000 @ 15%	3,450.00
Notional Tax Payable	11,400.00
Notional Tax Borne by Employer to Regross: \$11,400 x (\$20,000/\$150,000)	1,520.00
Tax-on-Tax on Allowance: \$1,520 x [0.15/(1-0.15)]	268.24
Tax Allowance	1,788.24

Examples on how tax-on-tax is computed

Final Tax Computation

	\$
Salary	130,000.00
Allowance	20,000.00
Tax Allowance	1,788.24
Total Income	151,788.24
Less: Personal Reliefs	-7,000.00
Chargeable Income	144,788.24
Tax on first \$120,000	7,950.00
Tax on next \$24,788.24 @ 15%	3,718.24
Tax Payable	11,668.24

The employee's income tax of **\$1,788.24** will be borne by Company A, while the remaining tax payable of **\$9,880** (\$11,668.24 - \$1,788.24) will be borne by the employee.

Examples on how tax-on-tax is computed

Example 2(b): Tax is **partially** borne by employer - A fixed amount of tax that is borne by employee and the remaining tax is borne by employer

The employee was employed by Company A from 1 Jan 2021 to 31 Dec 2021. For Year of Assessment (YA) 2022, a private arrangement has been agreed whereby the tax borne by employee will be \$3,000, while the remaining tax is borne by employer:

- Salary: \$150,000
- No other sources of income
- Total personal reliefs: \$7,000

Tax Allowance Computation

	\$
Employment Income	150,000.00
Less: Personal Reliefs	<u>-7,000.00</u>
Notional Chargeable Income	143,000.00
Tax on first \$120,000	7,950.00
Tax on next \$23,000 @ 15%	<u>3,450.00</u>
Notional Tax Payable	11,400.00
Tax Borne by Employee based on Private Agreement	<u>-3,000.00</u>
Notional Tax Borne by Employer to Regross	8,400.00
Tax-on-Tax on Remuneration:	
\$8,400 x [0.15/(1-0.15)]	<u>1,482.35</u>
Tax Allowance	<u>9,882.35</u>

Final Tax Computation

	\$
Employment Income	150,000.00
Tax Allowance	<u>9,882.35</u>
Total Income	159,882.35
Less: Personal Reliefs	<u>-7,000.00</u>
Chargeable Income	152,882.35
Tax on first \$120,000	7,950.00
Tax on next \$32,882.35 @ 15%	<u>4,932.35</u>
Tax Payable	<u>12,882.35</u>

The employee's income tax of **\$3,000** will be borne by the employee, while the remaining tax payable of **\$9,882.35** will be borne by Company A.

Examples on how tax-on-tax is computed

Example 3(a): **Multiple employers** during the year - Tax is fully borne by only 1 employer

The employee was employed by Company A from 1 Jan 2021 to 30 Jun 2021 and Company B from 1 Jul 2021 to 31 Dec 2021. For Year of Assessment (YA) 2022, his income tax is fully borne by only Company A:

- Salary from Company A (1 Jan 2021 to 30 Jun 2021): \$50,000
- Salary from Company B (1 Jul 2021 to 31 Dec 2021): \$120,000
- No other sources of income
- Total personal reliefs: \$7,000

Tax Allowance Computation

	\$
Employment Income (Company A) - <i>tax borne by Employer</i>	50,000.00
Employment Income (Company B)	120,000.00
Total Income	170,000.00
Less: Personal Reliefs	-7,000.00
Notional Chargeable Income	163,000.00
Tax on first \$160,000	13,950.00
Tax on next \$3,000 @ 18%	540.00
Notional Tax Payable	14,490.00
Notional Tax Borne by Company A to Regross: \$14,490 x (\$50,000/\$170,000)	4,261.76
Tax-on-Tax on Remuneration (Company A): \$4,261.76 x [0.18/(1-0.18)]	935.51
Tax Allowance (Company A)	5,197.27

Final Tax Computation

	\$
Employment Income (Company A)	50,000.00
Employment Income (Company B)	120,000.00
Tax Allowance (Company A)	5,197.27
Total Income	175,197.27
Less: Personal Reliefs	-7,000.00
Chargeable Income	168,197.27
Tax on first \$160,000	13,950.00
Tax on next \$8,197.27 @ 18%	1,475.51
Tax Payable	15,425.51

The employee's income tax of **\$5,197.27** will be borne by Company A, while the remaining tax payable of **\$10,228.24** (\$15,425.51 - \$5,197.27) will be borne by the employee.

Examples on how tax-on-tax is computed

Example 3(b): **Multiple employers** during the year - Tax is fully borne by 1 employer and partially borne by the other employer

The employee was employed by Company A from 1 Jan 2021 to 30 Jun 2021 and Company B from 1 Jul 2021 to 31 Dec 2021. For Year of Assessment (YA) 2022, his income tax on income from Company A is fully borne by Company A, while the income tax on an allowance of \$10,000 from Company B is borne by Company B:

- Salary from Company A (1 Jan 2021 to 30 Jun 2021): \$50,000
- Salary from Company B (1 Jul 2021 to 31 Dec 2021): \$40,000
- Allowance from Company B (1 Jul 2021 to 31 Dec 2021): \$10,000
- No other sources of income
- Total personal reliefs: \$7,000

Tax Allowance Computation

	\$	\$
Salary (Company A) - <i>tax borne by Employer</i>		50,000.00
Salary (Company B)		40,000.00
Allowance (Company B) - <i>tax borne by Employer</i>		10,000.00
Total Income		100,000.00
Less: Personal Reliefs		-7,000.00
Notional Chargeable Income		93,000.00
Tax on first \$80,000		3,350.00
Tax on next \$13,000 @ 11.5%		1,495.00
Notional Tax Payable		4,845.00
Notional Tax Borne by Company A to Regross:		
\$4,845 x (\$50,000/\$100,000)	2,422.50	
Tax-on-Tax on Remuneration (Company A):		
\$2,422.50 x [0.115/(1-0.115)]	314.79	2,737.29
Notional Tax Borne by Company B to Regross:		
\$4,845 x (\$10,000/\$100,000)	484.50	
Tax-on-Tax on Remuneration (Company B):		
\$484.50 x [0.115/(1-0.115)]	62.96	547.46
Tax Allowance (Company A + B)		3,284.75

Final Tax Computation

	\$
Salary (Company A)	50,000.00
Salary (Company B)	40,000.00
Allowance (Company B)	10,000.00
Tax Allowance (Company A + B)	3,284.75

Examples on how tax-on-tax is computed

Total Income	103,284.75
Less: Personal Reliefs	<u>-7,000.00</u>
Chargeable Income	96,284.75
Tax on first \$80,000	3,350.00
Tax on next \$16,284.75 @ 11.5%	<u>1,872.75</u>
Tax Payable	<u>5,222.75</u>

The employee's income tax of **\$2,737.29** and **\$547.46** will be borne by Company A and Company B respectively, while the remaining tax payable of **\$1,938** (\$5,222.75 - \$2,737.29 - \$547.46) will be borne by the employee.

Examples on how tax-on-tax is computed

Example 4(a): Difference in formula when there is **Personal Tax Rebate** in the year - Tax rebate already capped during notional tax computation

The employee was employed by Company A from 1 Jan 2018 to 31 Dec 2018. For Year of Assessment (YA) 2019, his income tax is fully borne by Company A:

- Salary: \$50,000
- No other sources of income
- Total personal reliefs: \$7,000

Tax Allowance Computation

	\$
Employment Income	50,000.00
Less: Personal Reliefs	<u>-7,000.00</u>
Notional Chargeable Income	43,000.00
Tax on first \$40,000	550.00
Tax on next \$3,000 @ 7%	<u>210.00</u>
Notional Tax Payable Before Rebate	760.00
Less: 50% Personal Tax Rebate Capped at \$200* (YA2019)	<u>-200.00*</u>
Notional Tax Payable After Rebate	560.00
Tax-on-Tax on Remuneration:	
$\$560 \times [0.07/(1-0.07)]^*$	<u>42.15</u>
Tax Allowance	<u>602.15</u>
*No difference in TOT formula if rebate is already capped	

Final Tax Computation

	\$
Employment Income	50,000.00
Tax Allowance	<u>602.15</u>
Total Income	50,602.15
Less: Personal Reliefs	<u>-7,000.00</u>
Chargeable Income	43,602.15
Tax on first \$40,000	550.00
Tax on next \$3,602.15 @ 7%	<u>252.15</u>
	802.15
Less: 50% Personal Tax Rebate Capped at \$200 (YA2019)	<u>-200.00</u>
Tax Payable	602.15

The employee's income tax of **\$602.15** will be fully borne by Company A.

Examples on how tax-on-tax is computed

Example 4(b): Difference in formula when there is **Personal Tax Rebate** in the year - Tax rebate not yet capped during notional tax computation

The employee was employed by Company A from 1 Jan 2016 to 31 Dec 2016. For Year of Assessment (YA) 2017, his income tax is fully borne by Company A:

- Salary: \$50,000
- No other sources of income
- Total personal reliefs: \$7,000

Tax Allowance Computation

	\$
Employment Income	50,000.00
Less: Personal Reliefs	-7,000.00
Notional Chargeable Income	43,000.00
Tax on first \$40,000	550.00
Tax on next \$3,000 @ 7%	210.00
Notional Tax Payable Before Rebate	760.00
Less: 20% Personal Tax Rebate Capped at \$500* (YA2017)	-152.00*
Notional Tax Payable After Rebate	608.00
Tax-on-Tax on Remuneration:	
$\$608 \times [0.07 \times (1-0.2)] / [1 - \{0.07 \times (1-0.2)\}]^*$	36.07
Tax Allowance	644.07
*Tax rebate is still applicable during TOT computation since it is not capped at \$500	

Final Tax Computation

	\$
Employment Income	50,000.00
Tax Allowance	644.07
Total Income	50,644.07
Less: Personal Reliefs	-7,000.00
Chargeable Income	43,644.07
Tax on first \$40,000	550.00
Tax on next \$3,644.07 @ 7%	255.08
	805.08
Less: 20% Personal Tax Rebate Capped at \$500 (YA2017)	-161.02
Tax Payable	644.06

The employee's income tax of **\$644.06** will be fully borne by Company A.

Examples on how tax-on-tax is computed

Example 5(a): **Change in marginal tax rate** during tax-on-tax computation - Single change in marginal tax rate

(i) The employee was employed by Company A from 1 Jan 2021 to 31 Dec 2021. For Year of Assessment (YA) 2022, his income tax is fully borne by Company A:

- Salary: \$300,000
- No other sources of income
- Total personal reliefs: \$7,000

Tax Allowance Computation

	\$	\$
Employment Income - <i>tax borne by Employer</i>		300,000.00
Less: Personal Reliefs		<u>-7,000.00</u>
Notional Chargeable Income		293,000.00
Tax on first \$280,000		36,550.00
Tax on next \$13,000 @ 20%*		<u>2,600.00</u>
Notional Tax Payable		39,150.00[^]
Tax-on-Tax on Remuneration:		
\$27,000 x 20%	5,400.00	①
\$12,150 x 22%	<u>2,673.00</u>	②
\$8,073 x [0.22/(1-0.22)]		<u>2,277.00</u>
Tax Allowance		<u>49,500.00</u>
 *Marginal Tax Rate will change to 22% after another \$27,000 (\$40,000 - \$13,000)		
 Workings		
①	\$40,000 - \$13,000 = \$27,000	
②	\$39,150 - \$27,000 = \$12,150	

Final Tax Computation

	\$
Salary	300,000.00
Tax Allowance	<u>49,500.00</u>
Total Income	349,500.00
Less: Personal Reliefs	<u>-7,000.00</u>
Chargeable Income	342,500.00
Tax on first \$320,000	44,550.00
Tax on next \$22,500 @ 22%	<u>4,950.00</u>
Tax Payable	<u>49,500.00</u>

The employee's income tax of **\$49,500** will be fully borne by Company A.

Examples on how tax-on-tax is computed

(ii) The employee was employed by Company A from 1 Jan 2021 to 31 Dec 2021. For Year of Assessment (YA) 2022, his income tax on Bonus of \$77,000 is borne by Company A:

- Salary: \$200,000
- Bonus: \$77,000
- No other sources of income
- Total personal reliefs: \$7,000

Tax Allowance Computation

	\$	\$
Salary		200,000.00
Bonus - <i>tax borne by Employer</i>		77,000.00
Total Income		277,000.00
Less: Personal Reliefs		-7,000.00
Notional Chargeable Income		270,000.00
Tax on first \$240,000		28,750.00
Tax on next \$30,000 @ 19.5%*		5,850.00
Notional Tax Payable		34,600.00
Notional Tax Borne by Employer to Regress:		
\$34,600 x (\$77,000/\$277,000)		9,618.05
Tax-on-Tax on Remuneration:		
\$9,618.05 x 0.195		1,875.52
\$381.95 x 0.195	74.48	①
\$1,493.57 x 0.2	298.71	②
\$373.19 x [0.2/(1-0.2)]		93.30
Tax Allowance		11,960.06
*Marginal Tax Rate will change to 20% after another \$10,000 (\$40,000 - \$30,000)		
Workings		
①	(\$40,000 - \$30,000) - \$9,618.05 = \$381.95	
②	\$1,875.52 - \$381.95 = \$1,492.57	

Final Tax Computation

	\$
Salary	200,000.00
Bonus	77,000.00
Tax Allowance	11,960.06
Total Income	288,960.06
Less: Personal Reliefs	-7,000.00
Chargeable Income	281,960.06

Examples on how tax-on-tax is computed

Tax on first \$280,000	36,550.00
Tax on next \$1,960.06 @ 20%	<u>392.01</u>
Tax Payable	<u>36,942.01</u>

The employee's income tax of **\$11,960.06** will be borne by Company A, while the remaining tax payable of **\$24,981.95** (\$36,942.01 - \$11,960.06) will be borne by the employee.

Examples on how tax-on-tax is computed

Example 5(b): **Change in marginal tax** rate during tax-on-tax computation - Double change in marginal tax rate (i.e. 19.5% → 20% → 22%)

The employee was employed by Company A from 1 Jan 2021 to 31 Dec 2021. For Year of Assessment (YA) 2022, his income tax is fully borne by Company A:

- Salary: \$290,000
- No other sources of income
- Total personal reliefs: \$11,000

Tax Allowance Computation

	\$	
Employment Income - tax fully borne by Employer	290,000.00	
Less: Personal Reliefs	-11,000.00	
Notional Chargeable Income	<u>279,000.00</u>	
 Tax on first \$240,000	 28,750.00	
Tax on next \$39,000 @ 19.5%*	<u>7,605.00</u>	
Notional Tax Payable	36,355.00	
 Tax-on-Tax on Remuneration:		
\$805 x 0.195 / (1-0.195)	195.00	①
\$32,000 x 0.2 / (1-0.2)	8,000.00	②
\$3,550 x 0.22 / (1-0.22)	<u>1,001.28</u>	③
Tax Allowance	<u>45,551.28</u>	
 *Marginal Tax Rate will change to 20% after another \$1,000 and further change to 22% with another \$40,000		
 Workings		
①	$(\$40,000 - \$39,000) \times 19.5\% = \195 $\$195 \times 0.805 / 0.195 = \805	
②	$\$40,000 \times 20\% = \$8,000$ $\$8,000 \times 0.8 / 0.2 = \$32,000$	
③	$\$36,355 - \$805 - \$32,000 = \$3,550$ $\$3,550 \times 0.22 / 0.78 = \$1,001.28$	

Final Tax Computation

	\$
Salary	290,000.00
Tax Allowance	<u>45,551.28</u>
Total Income	335,551.28
Less: Personal Reliefs	<u>-11,000.00</u>
Chargeable Income	324,551.28
 Tax on first \$320,000	 44,550.00
Tax on next \$4,551.28 @ 22%	<u>1,001.28</u>

Examples on how tax-on-tax is computed

Tax Payable	<u>45,551.28</u>
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The employee's income tax of **\$45,551.28** will be fully borne by Company A.