

ADJUSTMENT OF THE MARRIAGE AND PARENTHOOD TAX MEASURES

As part of the Government’s efforts to strengthen support for Singaporeans who wish to have children and raise a family, Deputy Prime Minister and Minister for Finance Lawrence Wong has announced in his Budget speech on 14 Feb 2023 changes to the support for Marriage and Parenthood (“M&P”) measures.

For more information on support for M&P, please refer to <https://www.mof.gov.sg/docs/librariesprovider3/budget2023/download/pdf/annexe2.pdf>

Overview of Tax Changes

As part of the review of the Government’s support for M&P, the following tax changes to Working Mother’s Child Relief and Foreign Domestic Worker Levy Relief will take effect from the Year of Assessment (“YA”) 2025.

A Working Mother’s Child Relief (“WMCR”)

- i. The WMCR will be changed from a percentage of an eligible working mother’s annual earned income to a fixed dollar tax relief for working mothers in respect of qualifying children who are Singapore citizens born or adopted on or after 1 January 2024¹. Eligible working mothers of these qualifying Singaporean children of the same Child Order will benefit from the same amount of tax relief. Effectively, this will provide more help to lower- to middle-income working mothers.

- ii. There is no change to the WMCR that eligible working mothers can claim in respect of their qualifying Singapore citizen children born or adopted before 1 Jan 2024. Eligible working mothers of these qualifying children can continue to claim the WMCR in respect of these children based on the existing WMCR design and quantum, i.e. based on a percentage of their earned income.

With this change,

| Child Order | WMCR for a Qualifying Singaporean child born/adopted before 1 Jan 2024² | WMCR for a Qualifying Singaporean child born/adopted on or after 1 Jan 2024 |
|----------------------------|---|--|
| 1 st | 15% of mother’s earned income | \$8,000 |
| 2 nd | 20% of mother’s earned income | \$10,000 |
| 3 rd and beyond | 25% of mother’s earned income | \$12,000 |

¹ For a child born to a mother before she is married to her spouse/ex-spouse, the date of marriage would be used to determine the type of WMCR the mother is eligible for. For a child who is not a Singapore citizen at birth, it would be the date of approval of Singapore citizenship. ² The total child relief cap [i.e. Qualifying Child Relief (QCR)/Child Relief (Disability) plus WMCR] is \$50,000 per child.

There are no changes to the qualifying conditions of WMCR. The total WMCR amount that an eligible working mother can claim for all her qualifying children remains capped at 100% of the mother's earned income.

Example 1: Claiming WMCR on 2 children

A working mother has 2 Singapore citizen children. She has annual earned income of \$15,000 and annual rental income of \$30,000.

| Child Order | Amount of WMCR allowable (assuming both children born/adopted before 1 Jan 2024) | Amount of WMCR allowable (assuming both children born/adopted on or after 1 Jan 2024) |
|-----------------|--|---|
| 1 st | \$2,250 (15% of \$15,000) | \$8,000 |
| 2 nd | \$3,000 (20% of \$15,000) | \$7,000* |
| Total | \$5,250 | \$15,000 |

*WMCR for 2nd child is limited to \$7,000 (i.e. \$15,000 - \$8,000) because total WMCR allowable is capped at \$15,000 (i.e. 100% of mother's earned income)

Example 2: Claiming WMCR on 2 children; one born/adopted before 1 Jan 2024 and the other born/adopted on/after 1 Jan 2024

Mrs X has 2 Singapore citizen children and her earned income in year 2024 is \$40,000. The amount of WMCR that Mrs X may claim in YA 2025 is:

| Child Order | Child born/adopted in | WMCR amount |
|-----------------|-----------------------|------------------------------|
| 1 st | 2022 | \$6,000 (15% of \$40,000) |
| 2 nd | 2024 | \$10,000 |
| | Total | \$16,000 |

Example 3: Claiming other reliefs on same children

Mrs Y has 3 Singapore citizen children and her earned income in year 2024 is \$300,000. Mrs Y is also claiming the full amount of QCR on her 3 children. The amount of WMCR that Mrs Y may claim in YA 2025 is:

| Child Order | Child born/adopted in | QCR amount | WMCR amount |
|-----------------|-----------------------|------------|-------------------------------|
| 1 st | 2019 | \$4,000 | \$45,000 (15% x \$300,000) |
| 2 nd | 2021 | \$4,000 | \$46,000* |
| 3 rd | 2024 | \$4,000 | \$12,000 |
| | Total | \$12,000 | \$103,000^ |

*The WMCR for the second child based on Mrs Y's earned income is \$60,000 (i.e. 20% x \$300,000). However, because the total child relief (i.e., QCR/Child Relief (Disability) plus WMCR) is subject to a cap of \$50,000 per child, thus the amount of WMCR allowable to Mrs Y is \$46,000 (i.e., \$50,000 - \$4,000).

^Note: The total personal income tax reliefs allowable is capped at \$80,000.

Example 4: Claiming WMCR on child who is adopted

Mr and Mrs Z have 2 Singapore citizen children, Alex and Bernice born to their family in 2020 and 2022 respectively. In 2023, they commence the legal adoption of a Singapore citizen child, Charlie, who was born in 2021. The adoption process is completed in 2024.

Mrs Z's earned income is \$30,000 in year 2024 and the amount of WMCR that she may claim in YA 2025 is:

| Child | Child Order | Child born/adopted In | WMCR amount |
|---------|-----------------|-----------------------|-----------------------------|
| Alex | 1 st | 2020 | \$4,500 (15% x \$30,000) |
| Bernice | 2 nd | 2022 | \$6,000 (20% x \$30,000) |
| Charlie | 3 rd | 2024 | \$12,000 [^] |

[^]As the date of adoption for Charlie is after 1 Jan 2024, the fixed dollar WMCR relief will be claimable by Mrs Z for Charlie.

Example 5: Claiming WMCR on child who is granted citizenship on/after 1 Jan 2024

Mrs A's only child, Dennis was born in 2020 and holds foreign citizenship. The Singapore citizenship for Dennis is approved in 2024 after Mrs A submits the application in 2023.

Mrs A will be eligible to claim for WMCR from YA 2025 onwards because Dennis is only granted Singapore citizenship on/after 1 Jan 2024.

The amount of WMCR that Mrs A may claim in respect of Dennis from YA 2025 onwards is \$8,000.

Example 6: Claiming WMCR on 2 children; one child is granted citizenship on/after 1 Jan 2024

Mr and Mrs B became Singapore citizens in 2022. They have 2 children:

- Esther, born in 2018 and her Singapore citizenship is approved in 2024.
- Felix, born in 2023 and is a Singapore citizen at the time of his birth.

Mrs B's earned income in year 2024 is \$100,000 and the amount of WMCR that she may claim in YA 2025 is:

| Child | Child Order | Child born/adopted in | Year of child's citizenship | WMCR amount |
|--------|-----------------|-----------------------|-----------------------------|--------------------------------|
| Esther | 1 st | 2018 | 2024 | \$8,000* |
| Felix | 2 nd | 2023 | 2023 | \$20,000~ (20% x \$100,000) |

*The fixed dollar relief will be claimable by Mrs B for Esther because Esther is granted Singapore citizenship in 2024.

~Felix is born in 2023 and is a Singapore citizen at birth, thus the WMCR is based on a percentage of Mrs B's earned income.

Example 7: Claiming WMCR on child whose biological parents subsequently marries

Mr and Mrs C registered their marriage in 2024. They have a Singapore citizen child, George who was born in 2022. Mrs C will only be eligible to claim for WMCR in respect of George from YA 2025 onwards. The amount of WMCR that Mrs C may claim is \$8,000, subject to a cap based on the amount of earned income she has in YA2025.

B Foreign Domestic Worker Levy Relief (“FDWLR”)

The FDWLR was introduced in 1989 to support working married women who needed the help of a migrant domestic worker. Since then, the Government has introduced numerous schemes to directly support working mothers. In particular, those living with children below 16 years old, elderly or persons with disabilities who require the help of a migrant domestic worker enjoy a concessionary levy of \$60 per month, instead of the usual levy of \$300 or \$450 per month for the first and subsequent helper respectively. This concessionary levy directly benefits all families who need help with caring for their dependents, including those who do not pay income tax.

FDWLR will lapse for all taxpayers from YA 2025.