

SUPPLEMENTARY RETIREMENT SCHEME (SRS)

The SRS is part of the Singapore government's multi-pronged strategy to address the financial needs of a greying population by helping Singaporeans to save more for their old age. It began in 2001 and is operated by the private sector.

The SRS complements the Central Provident Fund (CPF). CPF savings are meant to provide for housing and medical needs and for basic living needs after retirement. Unlike the CPF scheme, participation in SRS is *voluntary*. SRS members can contribute a varying amount to SRS (subject to a cap) at their own discretion. The contributions may be used to purchase various investment instruments.

The SRS offers attractive **tax benefits**. Contributions to SRS are eligible for tax relief, investment returns are accumulated tax-free and only 50% of the withdrawals from SRS are taxable at retirement (referred to as a "50% tax concession").

This handbook tells you how the SRS works, and who can participate in it. It also explains the benefits of the scheme, provides information on when and how you can make contributions or withdrawals, and on where you can invest your SRS funds.

WHAT YOU NEED TO KNOW ABOUT THE SRS

ELIGIBILITY

1. Who is eligible to open an SRS account?

All Singaporeans, Singapore Permanent Residents (SPRs) and foreigners who

- are at least 18 years old;
- are not undischarged bankrupts; and
- are not mentally disordered and are capable of managing themselves and their affairs.

2. Who is allowed to contribute to SRS?

If you earned any form of income (including directors' fees) in the current year, you are allowed to contribute to SRS. With effect from 1 Oct 2008, the SRS is no longer restricted to individuals with employment income.

3. Can my employer contribute to my SRS account?

Yes. With effect from 1 Oct 2008, your employer can contribute to your SRS account on your behalf, provided that you have given written instruction or authorization to your employer to do so.

However, if your SRS account is suspended, no further contribution is allowed, and the above instruction or authorization to your employer must be immediately revoked in writing.

As the contributions made by your employer to your SRS account on your behalf constitutes your remuneration, such contributions are taxable in your hands and must be declared by your employer in your Form IR8A for the relevant year. Based on the information provided by the SRS operator, you will then be given a tax relief for such contributions in the subsequent year of assessment.

BENEFITS

4. Why should I contribute to SRS?

Besides the benefit of having more savings to draw on when you retire, you will enjoy the following tax benefits on contributions to SRS:

- You can claim tax relief for contributions made to SRS. Each dollar of SRS contribution will reduce your income chargeable to tax by a dollar.
- Investment gains will accumulate tax-free in SRS.
- Tax will be payable only when you withdraw your SRS savings (comprising both your SRS contributions and gains on investments). If you withdraw your SRS savings upon retirement*, only 50% of the savings withdrawn will be subject to tax. You may also spread your withdrawals over a period of up to 10 years to meet your financial needs. Spreading out your withdrawals will generally result in greater tax savings.

(* upon reaching the statutory retirement age that was prevailing when you made your first SRS contribution.)

PARTICIPATION

5. How do I participate in SRS?

You must first open an SRS account. You can open an SRS account at participating branches of any of the 3 SRS operators:

- Development Bank of Singapore (DBS) Ltd
- Overseas-Chinese Banking Corporation (OCBC) Ltd
- United Overseas Bank (UOB) Ltd

6. Can I have more than one SRS account?

No. You may not have more than one SRS account at any point in time. Do note that if you previously had an SRS account, but had withdrawn all the monies in it after having attained the relevant retirement age* or on medical grounds and then closed it, you will also not be permitted to open a new account.

(* The statutory retirement age that was prevailing when you made your first SRS contribution.)

7. Can I transfer my SRS account from one SRS operator to another and continue to make SRS contributions?

Yes. You may transfer your SRS account between different SRS operators and continue to make SRS contributions. However, if you have already made a withdrawal from your account after having attained the relevant retirement age* or on medical grounds, you are not allowed to make new contributions to your account both before and after the transfer.

(* The statutory retirement age that was prevailing when you made your first SRS contribution.)

8. Will I be charged for operating an SRS account?

Each SRS operator may levy charges according to its own schedule of charges. The charges will be deducted from your SRS account.

9. I am interested in joining the SRS scheme. If I contribute for 6 years and then cease employment in Singapore, what is the status of my SRS account?

There is no change to your SRS account. Your funds will remain in the account for you to withdraw them later.

10. If I have lost my Singapore Permanent Resident (SPR) status due to a permanent posting to another country, am I still entitled to participate in the SRS scheme and withdraw the money after retirement? Will I be forced to make a lump-sum withdrawal instead and be taxed on the full withdrawal amount?

If you lose your SPR status, you are still eligible for participation in the SRS scheme. You may also decide to make SRS withdrawals at a later stage. However, as a foreigner, you would qualify for an additional concession (penalty-free withdrawal). This concession is available to foreigners who withdraw their SRS monies entirely in one withdrawal transaction. The conditions for this concession are as follows:

- i) you are neither a Singapore Citizen nor a SPR for a continuous period of 10 years preceding the date of withdrawal; and
- ii) you have maintained your SRS account for a period of not less than 10 years from the date of your first contribution to your SRS account.

Under the above conditions, only 50% of the lump-sum withdrawal is taxable.

SRS CONTRIBUTIONS

11. What is the amount I can contribute to SRS? Is there a limit?

You may contribute any amount to your SRS account up to your SRS contribution cap.

12. How is my SRS contribution cap determined?

Your SRS contribution cap is determined by multiplying the appropriate SRS contribution rate by an absolute income base.

SRS contribution rate

The SRS contribution rate for Singaporeans and Singapore Permanent Residents (SPRs) is 15% while the SRS contribution rate for foreigners is 35% in view of the fact that they do not enjoy tax relief on their CPF contributions. If you are a foreigner, you are required to give a written declaration of your foreign status for the calculation of your SRS contribution cap. You must make such a declaration on an annual basis for the SRS operator to calculate your SRS contribution cap.

Income base

From 1 Jan 2016, the absolute income base will be raised from \$85,000 per annum to \$102,000.

Contribution cap

This works out to a contribution cap of \$12,750 per annum for Singaporeans and SPRs (to be raised to \$15,300 from 1 Jan 2016), and \$29,750 for foreigners (to be raised to \$35,700 from 1 Jan 2016).

13. I am currently contributing to the SRS at the rate of 35% as a Foreigner. Is my SRS contribution cap still valid if I obtain Singapore Permanent Resident (SPR) status in the later part of the year?

No. You should contact the SRS operator to have your contribution cap recalculated.

14. Is there an age limit for contributions to the SRS?

With effect from 1 October 2008, there will no longer be an age ceiling for contributions to the SRS. You can contribute to the SRS up to any age, until the point where you make the first withdrawal from the SRS:

- (i) at or after the statutory retirement age that was prevailing when you made your first SRS contribution; or
- (ii) on medical grounds.

Once such a withdrawal is made, SRS members will no longer be allowed to make new contributions to their SRS accounts.

15. Under what situations am I not allowed to contribute to my SRS account?

You may no longer contribute to SRS after you start withdrawing from your SRS account:

- (i) at or after the statutory retirement age that was prevailing when you made your first SRS contribution; or
- (ii) on medical grounds.

16. Do I need to contribute regularly to SRS?

No. You may contribute to your SRS account at any time and as often as you wish on or before 31 December each year* but your total annual contributions cannot exceed the SRS contribution cap.

(* Only applicable if you are still able to contribute to the SRS. Please see Q.15.)

17. What documents do I need to submit to the SRS operator when I wish to make SRS contributions?

If you are a Singaporean Citizen or Singapore Permanent Resident, no documents are needed.

If you are a foreigner, you are required to give a written declaration of your foreign status for the calculation of your SRS contribution cap. You must make such a declaration on an annual basis for the SRS operator to calculate your SRS contribution cap.

18. Can I make SRS contributions in the form of investments (i.e. transfer investments into my SRS account)?

No. All SRS contributions must be made in cash.

19. Why is there a cap on SRS contribution?

SRS is meant to help individuals to save part of their income for their retirement, on top of their CPF contributions, and should not become a tax shelter for the asset-rich or high-income individuals. There is hence a cap on the SRS contributions. The 15% cap for locals' contributions was decided after a public consultation in the early part of year 2000. The absolute income base is similar to that for CPF contributions (i.e. capped at \$85,000 per annum from 1 January 2011, to be raised to \$102,000 per annum from 1 January 2016).

20. If I have made a withdrawal from my SRS account, can I still make SRS contributions?

If you withdraw funds from your SRS account before retirement, you can still continue to contribute to SRS after the withdrawal.

However, you may no longer contribute to SRS if you start withdrawing from your SRS account:

- (i) at or after the statutory retirement age that was prevailing when you made your first SRS contribution; or
- (ii) on medical grounds.

21. Some employees have payments made to them via cheques from the company. Are they able to deposit these cheques into their SRS accounts?

Yes, employees may deposit their pay cheques into their SRS account, subject to the SRS contribution cap.

22. Since the Ministry says that an SRS contribution made on or before 31 December would qualify for tax relief in the following Year of Assessment, can an SRS operator stop accepting an SRS contribution before 31 December?

The cut-off date for SRS contribution (at any SRS operator) is a commercial decision. SRS members should ask their SRS operator about the cut-off date for SRS contributions.

23. Can a retiree who is under the statutory retirement age of 62 years make SRS contributions with the money that he has withdrawn from his CPF account?

Anyone can make SRS contributions at any age, unless they have started withdrawing from the SRS: (i) at or after the statutory retirement age that was prevailing when you made your first SRS contribution, or (ii) on medical grounds.

24. If a person is a non-PR in 2001 but is a PR in 2002, what will be his SRS contribution cap in 2002?

If a person is a non-PR in 2001 but is a PR in 2002, his SRS contribution cap in 2002 should be computed at the rate of 15%, which is the rate applicable to PRs.

WITHDRAWALS FROM SRS

25. When can I make a withdrawal from my SRS account?

Any time. However if you make a withdrawal before the statutory retirement age prevailing at the time of your first contribution, 100% of the sum withdrawn will be subject to tax. A 5% penalty for premature withdrawal will also be imposed (unless it is made under exceptional circumstances; see Q.27)

26. How can I make a withdrawal from my SRS account?

You may approach your SRS operator to submit an application for making withdrawals.

27. Are there circumstances under which the 5% penalty for premature withdrawal does not apply?

Yes, these circumstances are:

- a. death;
- b. medical grounds;
- c. bankruptcy; and
- d. the full withdrawal of the SRS balance by a foreigner who has maintained his SRS account for at least 10 years from the date of his first contribution.

28. I made a premature withdrawal recently and had to pay a penalty on the withdrawal. Am I allowed to reinstate the amount withdrawn, and have the penalty refunded to my account?

No. You are not allowed to reinstate the amount withdrawn. Accordingly, the penalty imposed for the premature withdrawal will not be refunded.

29. How much can I withdraw from the SRS account?

You may withdraw any amount of SRS savings from your account. There is no specified minimum or maximum sum of withdrawal.

30. Can I make SRS withdrawals in the form of investments (i.e. transfer investments out of SRS account), and if so, how can I make such a withdrawal?

Prior to Jul 2015, all SRS withdrawals must be made in cash.

From Jul 2015, SRS members will be able to apply to their SRS operators¹ to withdraw an SRS investment by transferring the investment out of their SRS accounts (e.g. into their personal Central Depository (CDP) account), without having to liquidate their SRS investments. This is only applicable for the following types of withdrawals, which qualify for the 50% tax concession:

- a. withdrawal on or after the statutory retirement age prevailing at the time of an SRS member's first contribution (prescribed retirement age);
- b. withdrawal on medical grounds;
- c. withdrawal in full by a foreigner who has maintained his SRS account for at least 10 years from the date of his first contribution; and
- d. actual withdrawal made by an SRS member or his legal personal representative (if he is deceased) from his SRS account, after the SRS investment that is to be withdrawn had earlier been deemed withdrawn upon death or after the expiry of the 10-year withdrawal period².

All other withdrawals from an SRS account, including premature withdrawals, must be made in cash. Except for the four types of withdrawals highlighted above, where savings in the SRS account have been used to acquire investments, the investments must be liquidated before the sales proceeds are withdrawn in cash from the SRS account.

¹ An SRS operator would not be able to approve an application to withdraw an SRS investment where among other factors; the investment cannot be separately valued or identified (e.g. where the SRS investment that the SRS member wishes to withdraw from his SRS account is an inseparable part of an insurance policy).

² For an SRS member who withdraws his SRS savings: (i) at or after the statutory retirement age that was prevailing when he made his first SRS contribution or (ii) on medical grounds, the 10-year withdrawal period will start from the date of his first such withdrawal (See Q. 34 and 35 of the SRS booklet).

For a withdrawal of type a, b or c above, an SRS investment that is withdrawn will be valued by the SRS operator or the financial product provider (where applicable) and its value will be brought to tax. This is similar to the treatment for cash withdrawn from an SRS account. For a withdrawal of type d above, the earlier deemed withdrawal would have already been subject to tax. The date of withdrawal of an SRS investment is the date on which your SRS operator approves the withdrawal. **Table A** provides details on the date of approval by your SRS operator. **Table B** provides the dates that would be used for the purpose of valuation.

Table A – Date of approval by your SRS operator

If you are:	Your SRS operator will review your application and inform you of whether your application³:	Date of approval by your SRS operator
(i) a Singapore citizen	is approved	date on which your application to withdraw an SRS investment is received by your SRS operator
(ii) a non-citizen	can be approved after your SRS operator has collected tax from you on 50% of the value of the SRS investment that is to be withdrawn. See Q. 39.	date on which your SRS operator has collected tax from you on 50% of the value of the SRS investment that is to be withdrawn

Table B – Date used for the purpose of valuation

If your withdrawal of an SRS investment from your SRS account is:	Date used for the purpose of valuation
(i) of type a, b or c above	date on which your application to withdraw an SRS investment is received by your SRS operator
(ii) of type d above	date of the earlier deemed withdrawal upon death or after the expiry of the 10-year withdrawal period ⁴

³ An SRS operator would not be able to approve an application to withdraw an SRS investment where among other factors, the investment cannot be separately valued (e.g. where the SRS investment that the SRS member wishes to withdraw from his SRS account is an inseparable part of an insurance policy).

⁴ This means that the value of the SRS investment to be withdrawn is the same as the value of that investment determined upon the earlier deemed withdrawal.

31. What is the rationale for allowing withdrawal of investment products?

This is to allow SRS members to hold their SRS investments outside of the SRS scheme without having to incur the transaction costs to first liquidate their SRS investments (so as to withdraw cash from their SRS accounts) and thereafter re-purchase the same investments outside of the SRS scheme.

32. What are the restrictions on the types of withdrawals allowed to be made in the form of investments? What is the rationale for these restrictions?

Withdrawals in the form of investments are not allowed in the following conditions:

- a. Withdrawals on the grounds of bankruptcy
- b. Withdrawals before the statutory retirement age
- c. Withdrawals of contributions in excess of the SRS contribution cap

Withdrawals on the grounds of bankruptcy should be made in cash in view of the need for immediate cash to make debt repayments.

As we wish to encourage members to keep their savings for their old age, the flexibility to make withdrawals in the form of investments would not be extended to withdrawals made before the statutory retirement age. Early withdrawals would only be allowed in the form of cash, are fully subject to tax, and attract a 5% penalty.

Withdrawals of contributions in excess of the SRS contribution cap would be made as if the member has not contributed, hence such withdrawals would also be made in cash.

33. How will my withdrawals be taxed?

Withdrawals from SRS accounts are subject to tax in the Year of Assessment following the year of withdrawal.

For example, if you withdraw \$6,000 from your SRS account in 2009, either 50% or 100% of the withdrawal amount, depending on the type of withdrawal (see below), will be regarded as part of your income in 2009 and subject to tax for Year of Assessment 2010.

50% of the sum withdrawn will be taxed for the following types of withdrawal:

- a. withdrawal on or after the statutory retirement age prevailing at the time of your first contribution (prescribed retirement age);
- b. withdrawal on medical grounds;
- c. withdrawal on death; and

- d. withdrawal by a foreigner who has maintained his SRS account for at least 10 years from the date of his first contribution.

100% of the sum withdrawn will be deemed as your income and taxed in all other situations.

If you are a non-Singaporean who no longer works and lives in Singapore, you will be taxed as a non-resident when you withdraw the fund from your SRS account.

From YA 2016, up to \$400,000 of an amount of a deemed withdrawal upon the death of an SRS member or a full withdrawal made by an SRS member on the grounds of terminal illness, would be exempt from tax. 50% of any remaining amount of such a deemed withdrawal or full withdrawal would then be subject to tax. (Please refer to Q. 38 for the calculation of the amount of deemed withdrawal or full withdrawal that is exempt from tax).

34. Can I spread my withdrawals over a period of time so as to enjoy the 50% tax concession?

Yes, if you withdraw your SRS savings at or after the statutory retirement age that was prevailing when you made your first SRS contribution or on medical grounds. The maximum period over which you can spread your withdrawals is 10 years. The 10-year period will start from the date of your first such withdrawal.

While you may make partial withdrawals in the form of investment for eligible withdrawals, an SRS operator would not be able to approve your application to withdraw, if the investment to be deducted cannot be separately valued or identified (e.g. where the SRS investment that the SRS member wishes to withdraw from his SRS account is an inseparable part of an insurance policy).

35. How exactly is the withdrawal period determined at retirement?

The withdrawal period starts when you make your first withdrawal at or after the statutory retirement age that was prevailing when you made your first SRS contribution. It will end 10 years from this date.

However, the 10-year period does not apply to investments in life annuities. So long as you continue to receive your annuity streams in perpetuity, the 50% tax concession will apply. (Please see Q. 68.)

36. Do I have to withdraw all my SRS funds at the end of the 10-year withdrawal period?

No. However, 50% of the balance remaining in your SRS account at the end of the withdrawal period will be subject to income tax.

37. Why is tax exemption granted to SRS funds (i) deemed withdrawn upon death or (ii) withdrawn in full on the grounds of terminal illness?

From year of assessment 2016, a specified amount of SRS funds (i) deemed withdrawn upon death, or (ii) withdrawn in full on the grounds of terminal illness, would be exempt from tax, to ensure that SRS members are not unduly disadvantaged due to death or terminal illness.

Currently, an SRS member can withdraw up to \$40,000 per year⁵ from his SRS account tax-free on or after reaching the prescribed retirement age⁶, assuming that he has no other taxable income. Over the maximum withdrawal period of 10 years, he can withdraw up to \$400,000 tax-free.

However, if an SRS member passes away before completing his SRS withdrawals or made a full withdrawal on the grounds of terminal illness, he would not be able to enjoy the full benefit from spreading out his SRS withdrawals over a 10-year period.

Hence, a tax exemption of up to \$400,000 would be granted for SRS funds deemed withdrawn upon an SRS member's demise or a withdrawn in full on the grounds of terminal illness.

38. How is the specified amount of a relevant withdrawal (i.e. (i) deemed withdrawal upon death or (ii) full withdrawal on the grounds of terminal illness) that is exempt from tax computed?

Computation of amount exempt from tax

SRS members, who have not made any withdrawal⁷ prior to the relevant withdrawal (i.e. (i) deemed withdrawal upon death or (ii) full withdrawal on the grounds of terminal illness), will receive the full tax exemption of \$400,000 on the relevant withdrawal.

If the SRS member had made such prior withdrawal, the exemption amount of \$400,000 will be lowered by:

- (i) \$40,000 for every year since the first year of the prior withdrawal, to the year immediately before the year of the relevant withdrawal (both years inclusive); and
- (ii) the lower of \$40,000 and the sum of all prior withdrawals⁸, made in the year of the relevant withdrawal. (Please refer to example below).

⁵ While 50% of the withdrawal of \$40,000 (i.e. \$20,000) is subject to tax, the tax rate on the first \$20,000 of chargeable income is 0% from YA 2003.

⁶ The prescribed retirement age is the statutory retirement age prevailing at the time of your first SRS contribution.

⁷ Withdrawal upon or after the statutory retirement age, or on medical grounds.

Application of exempt amount for tax withheld/collected by SRS operators for actual withdrawals made by non-citizens

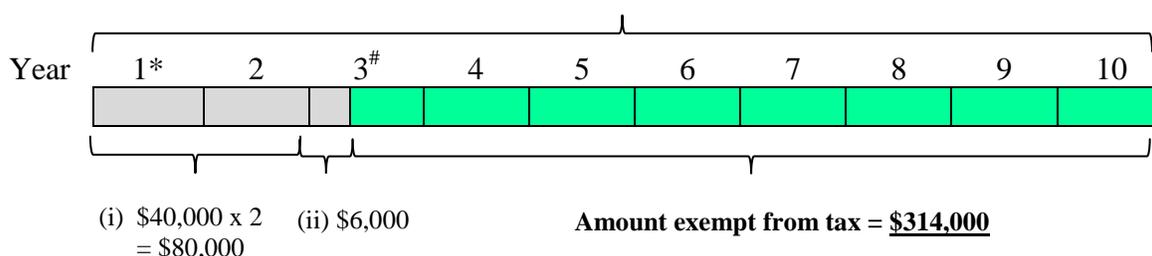
From 1 July 2016, the amount on which tax is withheld or collected by the SRS operator for a full withdrawal made by a non-citizen SRS member, on the ground that he is suffering from a terminal illness or disease, will accordingly be reduced by the specified amount of withdrawal that is exempt from tax. (Withholding tax or collection of tax by the SRS operator only applies to actual withdrawals made by non-citizens, and hence do not apply to deemed withdrawals upon death.)

Example

As an illustration, consider an SRS member who made his first withdrawal after reaching the prescribed retirement age in year 2013. He withdrew \$6,000 in Jan 2015 before he passed away with \$420,000 standing in his SRS account on 1 Aug 2015. The specified amount of the deemed withdrawal upon death that is exempt from tax is \$314,000, computed as follows:

Full exemption	\$400,000
Less: (i) \$40,000 for every year from 2013 to 2014 (i.e. the year of first such withdrawal to the year immediately before the year of deemed withdrawal (both years inclusive))	\$80,000
Less: (ii) the lower of \$40,000 and the sum of all withdrawals upon or after the prescribed retirement age, or on medical grounds, made in the year in which the relevant withdrawal took place.	\$6,000
Specified amount exempt from tax	\$314,000

Full exemption = \$40,000 x 10 years = \$400,000



* Year of first withdrawal
Year of death

⁸ Withdrawal upon or after the statutory retirement age, or on medical grounds

The amount of deemed withdrawal upon death that is chargeable to tax is computed as follows:

Amount deemed withdrawn upon death	\$420,000
Less: amount exempt from tax	\$314,000
Amount of deemed withdrawal upon death chargeable to tax (50%)	\$53,000 [50% x (\$420,000 - \$314,000)]

The amount of withdrawal made in Jan 2015 after the prescribed retirement age, is also chargeable to tax:

Amount withdrawn on 1 Jan 2015 after reaching prescribed retirement age	\$6,000
Amount chargeable to tax (50%)	\$3,000 (50% x \$6,000)

39. Will the SRS operator deduct any tax on my SRS withdrawals? How do I calculate the tax to be paid?

The SRS operator will withhold/collect an amount of tax at the prevailing non-resident tax rate for all SRS withdrawals by foreigners and Singapore Permanent Residents (SPRs). This withholding tax is in addition to the 5% premature withdrawal penalty, if applicable.

	Non-resident tax rate/ withholding tax
Year of Assessment (YA) 2016	20%
From YA 2017	22%

A concessionary withholding tax rate of 15% will apply to an SRS withdrawal in the form of cash/ investment if the following conditions are met:

- (i) Cumulative amount withdrawn (in the form of cash/ investment) by the SPR/ foreigner SRS account holder in the calendar year in which the withdrawal is made, does not exceed \$200,000; and
- (ii) The SPR/ foreigner SRS member does not have any other income besides the SRS withdrawal(s) during the calendar year in which the withdrawal(s) is/are made.

To enjoy this concession, the SRS account holder must submit to his SRS operator, a declaration that he fulfills the two conditions above.

i) Withholding tax on withdrawals in cash

For example, if a SPR/foreigner withdraws the full amount of \$200,000 in his SRS account by the age of 62 (the statutory retirement age) in cash at year 2016 (i.e. YA 2017), the tax withheld on the withdrawal will be computed as follows⁹:

Amount withdrawn in cash	\$200,000
Amount deemed chargeable to tax (50%)	\$100,000 (50% x \$200,000)
Tax withheld on withdrawal (Assuming withholding tax rate of 22%)	\$22,000 (22% x \$100,000)
Amount received after tax is withheld	\$178,000 (\$200,000 - \$22,000)

ii) Tax imposed on withdrawal of SRS investments

Withdrawals of SRS investments are taxed at the applicable tax rate¹⁰ on 50% of the value of the investment to be withdrawn from his SRS account¹¹. The SRS member may withdraw cash from his SRS account to settle this amount. Cash withdrawn from his SRS account is subject to a withholding tax. Hence, the SRS member would have to withdraw a higher amount of cash to take into account the amount of tax that is payable by him to his SRS operator.

To illustrate this, if an SRS member aged 62 (i.e. he has reached the statutory retirement age), transfers his shares valued at \$200,000 from his SRS account to his personal Central Depository (CDP) account, the amount of tax to be collected on the withdrawal is computed as follows:

Amount withdrawn in the form of investment	\$200,000
Amount deemed chargeable to tax (50%)	\$100,000 (50% x \$200,000)
Tax to be collected on withdrawal in the form of investment (Assuming applicable tax rate of 22%)	\$22,000 (22% x \$100,000)

⁹ In the case of a full withdrawal from the SRS account of an SRS member who is not a citizen, on the grounds that he is suffering from a terminal illness or disease, the amount on which tax is withheld or collected by the SRS operator is reduced by the specified amount of withdrawal that is exempt from tax, from 1 July 2016. Please refer to Q. 38 on how the specified amount is computed.

¹⁰ The applicable tax rate is the applicable withholding tax rate had the SRS withdrawal been in the form of cash instead of in the form of investment.

¹¹ In the case of a full withdrawal from the SRS account of an SRS member who is not a citizen, on the grounds that he is suffering from a terminal illness or disease, the amount on which tax is withheld or collected by the SRS operator is reduced by the specified amount of withdrawal that is exempt from tax, from 1 July 2016. Please refer to Q. 38 on how the specified amount is computed.

If he wishes to pay the tax of \$22,000 using cash withdrawn from his SRS account, he will need to withdraw \$24,720 in order to receive a net cash withdrawal of more than \$22,000. This is because the second cash withdrawal is also subjected to withholding tax.

Amount withdrawn in cash	\$24,720
Amount deemed chargeable to tax (50%)	\$12,360 (50% x \$24,720)
Tax withheld on withdrawal in cash (Assuming applicable tax rate of 22%)	\$2,719 (22% x \$12,360)
Remaining amount (For payment of tax on \$200,000 withdrawn in the form of investment)	\$22,001 ((\$24,720 - \$2,719))

The SRS member's application to withdraw the investment from his SRS account can only be approved by the SRS operator, after such tax has been collected by the SRS operator from the SRS member.

Calculating the final tax payable

The final tax payable is determined by the actual tax rate applicable for the SRS withdrawal:

	Singapore tax residents	Non-Singapore tax residents.
Actual tax rate for SPRs and foreigners	Based on graduated personal income tax rates ranging from 0%-20% (up to 22% starting from YA 2017)	15% or based on the graduated personal income tax rates, whichever is higher

The tax withheld or tax collected on the withdrawal is a tax credit which the taxpayer can use to offset his actual tax liability. Any unused tax credit will be refunded to the taxpayer.

To illustrate this, suppose that in the example in part (i), the actual tax rate applicable for the SRS withdrawal is finally determined to be 15%. If the SRS member has no other tax liability, the amount to be refunded will be computed as follows:

Tax withheld on withdrawal (Assuming withholding tax rate of 22%)	\$22,000 (22% x \$100,000)
Actual tax payable (Assuming tax rate applicable for SRS withdrawal is 15%)	\$15,000 (15% x \$100,000)
Refund by IRAS to SRS member	\$7,000 ((\$22,000 - %15,000))

40. Will there be any fees and charges involved in withdrawing an investment from my SRS account?

Please check with your SRS operator for the fees and charges involved, if any. You will need to have sufficient funds in your SRS account for a deduction of such fees or charges. You may liquidate part of your SRS investments to pay for a deduction of such fees or charges.

41. As savings withdrawn from SRS are subject to tax, would I not be paying a lot of tax when I retire?

No, only 50% of your withdrawals are subject to tax. Moreover, you are allowed to spread out your withdrawals over a period of time. With lower or nominal income at retirement, you may end up paying little or no income tax.

42. Can I withdraw my SRS money before the age of 62? I might be in poor health and need the money for medical treatment, or I might retire early before the age of 62.

SRS members may withdraw their SRS savings anytime, albeit early withdrawals are fully subject to tax and attract a 5% penalty.

To encourage individuals to withdraw their SRS savings at age 62 (the statutory retirement age) or later, the Government grants a 50% tax concession for such withdrawals (i.e. only 50% of the withdrawal is subject to tax). Such withdrawals also do not attract a 5% penalty.

We appreciate that some individuals may wish to retire before the age of 62, but we would still like to encourage them to keep their savings for their old age. Individuals who are physically or mentally handicapped (for example, bedridden) may withdraw their SRS savings at any time, without penalty and with the 50% tax concession, regardless of their age.

From YA 2016, up to \$400,000 of an amount of a full withdrawal made by an SRS member on the grounds of terminal illness would be exempt from tax. 50% of any remaining amount of full withdrawal would then be subject to tax. (Please refer to Q. 38 for the calculation of the amount of full withdrawal that is exempt from tax).

- 43. If I am a foreigner and start contributing to SRS at the age of 55, am I allowed to withdraw my SRS contribution without penalties, at the age of 62? Do I need to wait for 10 years to make a penalty-free withdrawal?**

Any SRS member, regardless whether he is a foreigner or not, may withdraw his SRS without penalties at the age of 62, if that is the statutory retirement age prevailing at the time of his first contribution.

- 44. I am a foreigner who no longer works and lives in Singapore and I make an SRS withdrawal. How will I be taxed?**

A foreigner will be taxed as a non-resident in this instance. He will generally be taxed at 15% or the local resident rate, whichever is higher. If the withdrawal is made after the statutory retirement age or more than 10 years after the date of the first contribution, only 50% of the SRS withdrawal will be subject to tax.

(Please also see Q.39.)

- 45. I am a foreigner/ SPR. Upon the expiry of my 10 year-withdrawal period¹² in a prior year, the balance (comprising of cash and listed shares) remaining in my SRS account was deemed withdrawn and 50% of such balance was subject to tax. If I subsequently make an actual withdrawal of the cash and listed shares from my SRS account, will my withdrawal be subject to withholding tax?**

Yes. Your withdrawal will be subject to withholding tax. However, if you have already paid tax on the deemed withdrawal in the prior year and there is no further tax outstanding, IRAS will refund the amount of tax withheld. Please also see Q. 39.

- 46. I am thinking of withdrawing all my SRS monies. After making a full withdrawal, can I open a new account and make new contributions again?**

If your withdrawals are made either at or after the prescribed retirement age* or on medical grounds, you will not be able to open a new account to contribute again.

Otherwise, you may open a subsequent SRS account with any SRS operator. The date of first SRS contribution, if it is relevant in deciding your qualification for any SRS concession, will be the date of first contribution to your new account and NOT the date of first contribution to your previous account.

(* The statutory retirement age that was prevailing when you made your first SRS contribution.)

¹² For an SRS member who withdraws his SRS savings: (i) at or after the statutory retirement age that was prevailing when he made his first SRS contribution or (ii) on medical grounds, the 10-year withdrawal period will start from the date of his first such withdrawal (See Q. 34 and 35 of the SRS booklet).

47. I am a foreigner. What happens to my SRS deposits when I leave Singapore?

Any cash proceeds from the maturity of your SRS investments or deposits will be retained in your SRS account. You may withdraw your SRS monies at any time. You may also continue to operate your SRS account after leaving Singapore.

As for the taxability of SRS withdrawals, all withdrawals are generally taxable. In addition, all withdrawals made before the retirement age (currently 62) attract a 5% penalty.

As a concession, the 5% penalty is waived for foreigners who withdraw their SRS monies in one lump sum after maintaining their SRS accounts for at least 10 years. The SRS operators will be withholding tax (and the 5% penalty if applicable) on withdrawals made by foreigners and Singapore Permanent Residents (SPRs). (Please also see Q. 39.)

48. I am a Singapore Permanent Resident (SPR) now. If I cancel my SPR status before I reach the statutory retirement age, when can I withdraw my SRS funds without penalty?

Currently all SRS members, regardless of their nationalities, can withdraw their SRS monies penalty-free if they:

- a) have reached the statutory retirement age prevailing at their first contribution; or
- b) are physically or mentally incapacitated from ever continuing in any employment, are found to be mentally disordered and incapable of managing himself or his affairs, or are suffering from a terminal illness or disease.

Only 50% of the withdrawal is subject to tax under the above circumstances. From YA 2016, up to \$400,000 of an amount of full withdrawal made by an SRS member on the grounds of terminal illness would be exempt from tax. 50% of any remaining amount of full withdrawal would then be subject to tax. (Please refer to Q. 38 for the calculation of the amount of full withdrawal that is exempt from tax).

Subject to the conditions below, after you have cancelled your PR status (and have not applied for Singapore citizenship), you would qualify for an additional concession (penalty free withdrawal):

- i) you are neither a Singapore Citizen nor a SPR for a continuous period of 10 years preceding the date of withdrawal;
- ii) you have maintained your SRS account for a period of not less than 10 years from the date of your first contribution to your SRS account; and
- iii) you make a one-time full withdrawal from your SRS account.

Similarly, only 50% of the withdrawal is subject to tax.

- 49. Would the authorities consider waiving the tax on withdrawal completely and raising penalties for early withdrawal instead? This may encourage even non-taxpayers, who already do not benefit from tax deductions, to make SRS contributions.**

People who do not pay tax today (i.e. lower income earners) are unlikely to pay tax on their SRS withdrawals. This is because of the significant effective tax exemption on much of their SRS withdrawals, as elaborated below.

With effect from Year of Assessment 2003, all taxpayers are not subject to tax on their first \$20,000 of income (zero tax rate income band). Retirees will also enjoy a further 50% tax concession on their SRS withdrawals, that is, only 50% of SRS withdrawal is subject to tax. The result is that a retiree is taxed only on the amount of SRS withdrawals exceeding \$40,000, assuming that he has no other sources of income.

To illustrate, consider a retiree making an SRS withdrawal of \$50,000. As a result of the 50% tax concession, only \$25,000 is subject to tax. However due to the zero tax rate for the first \$20,000 of income, the retiree is actually subject to tax on only \$5,000 of SRS withdrawal. Non-taxpayers should therefore not be deterred from making SRS contributions by the tax on withdrawals. Over a 10-year withdrawal period, a retiree can withdraw up to \$400,000 from SRS tax free (based on current marginal tax rates).

- 50. If a foreigner who has held her SRS account for 7 years is leaving Singapore, can she opt to leave the account alone for 3 more years, to take advantage of the 50% tax concession and not be subjected to the withdrawal penalty?**

Yes, she may, provided that she withdraws all funds in her SRS account at least 10 years after the date of her first SRS contribution. In addition, she should also have been a foreigner for a continuous period of at least 10 years preceding the date of withdrawal.

INVESTING SRS FUNDS

- 51. What investment instruments can I purchase using my SRS funds?**

You may invest in a wide range of financial assets, including those offered by financial institutions (product providers) other than your SRS operator. Your product providers will be able to provide information on the products that they are offering for SRS. However, direct property investments are not allowed. As for life insurance products, the following conditions shall apply:

- Only single premium products are allowed (including recurrent single premium products, encompassing both annuity and non-annuity plans).
- Life cover (including total and permanent disability benefits) will be capped at 3 times the single premium.

- Plans can allow for a contribution continuation feature/benefit upon disability.
- Other types of life insurance e.g. critical illness, health and long-term care are excluded.
- Trust nomination is not allowed for life insurance products purchased using SRS funds.

You should note that investment choices are made on a caveat emptor basis.

52. When can I sell the investments bought using my SRS funds?

At any time.

53. Does the use of SRS funds for investment constitute a withdrawal from the account?

No.

54. Must all proceeds from the sale of my SRS investment instruments be returned to my SRS account?

Yes.

55. Is there a guaranteed rate of return on the investments I make with my SRS funds?

No.

56. Is there any interest paid on the balance in the SRS account, and if yes, what is the interest rate?

Funds in SRS accounts earn the market rate. You may wish to approach the SRS operators for further information.

57. What happens if the SRS operator or the financial institution where I make my SRS investments goes bankrupt? Can I still get back my money since it is meant for my retirement?

Savings and investment products placed with financial institutions are not guaranteed under the SRS against losses in the event of the financial institution's bankruptcy. Generally, when placing their monies with any financial institution, investors should assess and monitor for themselves the financial soundness of that institution.

58. What investment products can I purchase within SRS? Is there a list of approved SRS investment products?

The Government has few restrictions on SRS investments with the exception of direct property investments and certain insurance products. You should be able to make a wide variety of investments, including share, insurance, bond, unit trust and fixed deposit.

We currently do not maintain a list of financial institutions offering products under SRS as this is a commercial decision on the part of the SRS operators. We suggest that you seek advice from the SRS operators and the financial institutions which you are interested in purchasing products from.

59. Why is it that I cannot use my SRS funds to purchase the investment product I want? The range of investment products in SRS is limited.

The range of investment products on offer is determined by the SRS operators. The Government prescribes few restrictions on the range of possible SRS investments, other than those on certain insurance products and property investments. You may wish to take up the matter with your SRS operator.

60. Are ETFs (Exchange Traded Funds) which are traded in Singapore Stock Exchange eligible SRS investments?

The Government does not have any restriction on the use of SRS money for the purchase of Exchange Traded Funds (ETFs) listed on the Singapore Stock Exchange. You may wish to make an enquiry with your SRS operator on whether your SRS funds can be used to purchase ETFs.

61. Are distributions received from unit trusts purchased with SRS funds taxable?

Distributions from unit trusts purchased with SRS funds and deposited into the SRS account are not taxed when they are credited into the SRS account. However, tax will be imposed on the amount subsequently withdrawn from the SRS account.

62. Can I use the SRS funds to exercise the stock options issued by my company?

The Government does not restrict the exercise of stock options within SRS, provided that the following conditions are met:

- i) The monies used to exercise the stock options must come from the SRS account;
- ii) The shares from the exercise of the stock options must be retained within the SRS account; and
- iii) The proceeds from the sale of the shares (from the exercise of the stock options) must be returned to the SRS account.

The conditions listed above are also applicable for most other investments.

It is the prerogative of the SRS operators to decide on the specific products to offer to SRS members, including the exercise of stock options. We advise that you approach your SRS operator for more information.

- 63. Can I surrender my annuity policy after my SRS account is deemed closed i.e. 10 years from the date of the first withdrawal made having attained the statutory retirement age that was prevailing when I made my first SRS contribution?**

An SRS member is not allowed to surrender the policy after the SRS account has been closed or deemed closed.

- 64. Must the investment mature when one reaches the prescribed retirement age, i.e. currently at age 62? E.g. can an investor purchase a single-premium endowment plan maturing at age 62, another maturing at age 63, and so on until age 71?**

The investment need not mature at the prescribed retirement age. An investor may purchase a single-premium endowment plan maturing at age 62, another maturing at age 63, etc. If the investment is a life annuity, please also see Q.68 on the tax treatment. If the investment is not a life annuity and matures beyond the ten-year withdrawal period, it will be valued and taxed at 50% tax concession at the end of the ten-year period.

- 65. Can a customer purchase a single premium endowment policy that matures at age 65 under SRS? What happens to the cash proceeds upon maturity?**

An SRS member may purchase a single premium endowment policy that matures when he/she reaches the age of 65. The cash proceeds upon the maturity of any investment (including a single premium endowment policy) would generally have to be returned to the SRS account.

- 66. How long will it take before I can utilize my money in the SRS account for investment after I have contributed it to my SRS account?**

You should generally be able to utilise your SRS monies for investment once your SRS operator has confirmed the receipt of the monies (for example after it has cleared your cheque) and credited the monies to your SRS account. You may wish to check with your SRS operator on the actual time lag between making a contribution and being able to make an SRS investment.

- 67. Can I do a direct purchase of equities on the Singapore Stock Exchange or any other exchange in the world?**

The Government does not prohibit a person from purchasing shares listed in Singapore or any other countries. The range of investment products on offer depends on the individual SRS operator; we suggest you consult your SRS operator if you wish to purchase a share listed on a foreign exchange.

- 68. If I buy an annuity using my SRS funds, will the monthly annuity payouts be paid into my SRS account or can they be paid into my bank account directly? Will I be taxed only on 50% of the total annuity payouts for each year of the 10-year withdrawal period? If I live longer than that, will my monthly annuity payouts be no longer taxable under the SRS scheme?**

If your SRS account is still open, your monthly annuity payouts must be returned to the SRS account before you withdraw them. If your SRS account is closed, your monthly annuity payouts may be directly paid into your bank account. After reaching the statutory retirement age prevailing at the point of first SRS contribution, an SRS member is taxed on only 50% of the total annuity payouts each year, for as long as the annuity payouts are received.

CLAIMING TAX RELIEF

- 69. When can I get a tax relief on my SRS contributions?**

Tax relief will be granted in the year following the year of contribution provided that you are assessed as a tax resident. For example, you will get tax relief for contributions made in year 2009 and the tax relief will be given in Year of Assessment 2010, if you are regarded as a tax resident in Year of Assessment 2010.

- 70. How do I make a claim for the tax relief that I am entitled to because of my SRS contributions?**

You do not need to make a claim in your annual income tax return. IRAS will grant the tax relief to you automatically, based on information provided by the SRS operators. To open an SRS account, you will need to authorise your SRS operator to provide this information to IRAS.

- 71. I am a foreigner who is leaving the country in the middle of the year. How do I claim SRS tax relief when seeking tax clearance before leaving the country?**

You should obtain a statement of account specifically for the purpose of tax clearance from your SRS operator. The IRAS will grant you the tax relief when you present such a statement.

OTHER CLARIFICATIONS

- 72. Can I use my SRS account balance as collateral, security or guarantee for any financial transaction?**

No.

73. Is my SRS account balance protected from creditors?

No.

74. What are the criteria for Approved SRS fund managers and how does a fund manager register itself as an approved manager?

Any financial institution licensed by MAS may offer its products to SRS account holders. There is no additional registration process for SRS product providers. However product providers should clarify with the SRS operators the settlement procedures for SRS transactions. The product providers also need to adhere to the requirements prescribed under the SRS Regulations.

We want to highlight that SRS product providers must generally 'tag' the product purchased with SRS funds. Specifically, an SRS product provider must comply with the following:

- It must return the cash from the liquidation of any product originally purchased with SRS fund to the SRS account (i.e. to the SRS operator) and not to the account holder directly.
- All returns from the investments (distributions, dividends etc) must also be paid to the SRS account and not to the account holder directly.
- It should be prepared to supply any information relating to the SRS investments to the SRS operators (which they may need in fulfilling their reporting requirement prescribed by the authorities).

75. Can I nominate a beneficiary for my SRS funds?

No. We do not have a provision in the SRS allowing for the nomination of a beneficiary of an SRS account. This is because SRS savings are meant for the SRS members' own retirement purposes. However, if the SRS member passes away, the SRS balances will form part of his estate and will be distributed according to his will or the law (if a will does not exist). There will be no 5% penalty on withdrawal and only 50% of the sum standing in the SRS account after deducting the amount of deemed withdrawal upon death that is exempt from tax will be subject to income tax. (Please refer to Q. 38 for the calculation of the amount of deemed withdrawal that is exempt from tax).

Please also note that SRS operators may require the Grant of Probate or Letters of Administration to be produced by the executor or administrator of the estate to ensure that the assets in the SRS are distributed correctly.

76. Can an SRS member transfer his balance in the SRS account to the CPF special account?

An SRS member is not permitted to transfer his balance in the SRS account to the CPF special account. This is because the SRS and CPF are two different schemes, and have separate tax treatments. Unlike the CPF scheme, which is a completely tax-exempt scheme, the SRS scheme is a tax deferral scheme. SRS contributions qualify for a tax relief but 50% of the withdrawals made at or after retirement are taxable. Any transfer of balances out of the SRS account constitutes a taxable withdrawal.

CPF qualifies for more favourable tax treatment than SRS because CPF caters for basic retirement needs while SRS caters for supplementary retirement needs. Allowing the transfer of monies between the two schemes blurs the distinction between the schemes and goes against the objective of having two schemes in the first place.

77. Which income group is most likely to benefit from the SRS scheme?

The tax relief from for SRS contributions can be used to offset his assessable income when he files his tax return in the following year. Any individual who is likely to pay tax on his income earned in the current year can benefit from making SRS contributions in the same year.

78. 50% of SRS withdrawal is taxable without distinguishing capital gains, income and contribution. Is the Government taxing capital gains with the introduction of SRS?

SRS is a tax deferral scheme. Under a typical tax deferral scheme where a sum of money is not taxed upfront but instead taxed at a later time after netting off all subsequent capital gains and losses from investments, the individual will be no worse off than if the sum of money was taxed upfront and all subsequent capital gains were exempt from tax.

As an illustration, consider a person who has an earned income of \$10,000. Assume his marginal tax rate is 10%. He pays an income tax of \$1,000 and invests the balance of \$9,000. He makes a capital gain of 3% each year until he reaches the retirement age 10 years later. Assume his marginal tax rate remains at 10% at retirement. At the end of 10 years, he will have a total of \$12,095.

$$\text{Total} = (\$10,000 * 0.9) * 1.03 * 1.03 * \dots(\text{for 10 years}) = \$12,095$$

Next, consider another person with the same earned income of \$10,000 but who invests the sum under a tax deferral scheme. He does not pay income tax on \$10,000 and is able to invest the full \$10,000. He makes the same capital gain of 3% each year until he reaches the retirement age 10 years later. The capital gains accumulate tax-free in the account. At the end of 10 years, everything in the account is taxed at the same marginal tax rate of 10%. After paying tax, he will also have a total of \$12,095.

$$\text{Total} = \$10,000 * 1.03 * 1.03 * \dots(\text{for 10 years}) * 0.9 = \$12,095$$

In fact, under the SRS, the individual will be better off, as only 50% of the withdrawals will be taxed. The same person above will have a total of \$12,768 if he withdraws everything in the first year of retirement.

$$\begin{aligned} \text{Total} &= 0.5 * (\$10,000 * 1.03 * 1.03 * \dots(\text{for 10 years})) \\ &+ 0.5 * (\$10,000 * 1.03 * 1.03 * \dots(\text{for 10 years})) * 0.9 \\ &= \$12,768 \end{aligned}$$

He will have even more if he spreads his SRS withdrawals over a period of 10 years (or more if the statutory retirement age increases), which is allowed under the SRS.

79. Why is the tax treatment of SRS withdrawals not changed even though locally-sourced investment income is now exempted from tax?

The current tax treatment of SRS withdrawals is already attractive. Only 50% of SRS withdrawals at/after retirement age are taxed. With careful planning, a retiree who is likely to have a low marginal tax rate, may end up paying little or no tax on his SRS withdrawals.

80. If I have already contributed an amount up to my SRS contribution cap, but still do not have sufficient cash in my SRS account to exercise my rights entitlement in respect of shares bought using my SRS funds previously, can I make an additional contribution to meet the shortfall?

No. You may however sell your rights entitlements or sell some other investments in your SRS account to exercise your rights entitlements. You may wish to approach the SRS operators for further information.

81. Are contributions made by an employer on his employee's behalf to the SRS account of his employee tax deductible?

Yes. As such contributions constitute employees' remuneration, they are tax deductible to the employer as staff costs.

If you have further queries, you may refer them to your SRS operator, or contact us via the following:

Ministry of Finance website	: http://www.mof.gov.sg
Ministry of Finance SRS website	: http://app.mof.gov.sg/supplementary_retirement_scheme.aspx
IRAS website	: http://www.iras.gov.sg
IRAS Enquiry Telephone Number :	1800-356-8300