

Description

How to reduce your income tax!

When I graduated and landed my first job which paid me a miserable \$2,500 each month, my annual income tax was only \$200. This was based on a total yearly income of \$30k (of which I saved \$20k!) as I had no bonuses either.

Very affordable taxes ??? I don't mind paying taxes too much as I understand and appreciate the fact that these monies are channeled for the government to help the lower-income.

But ever since I got headhunted to my current job and received a pay raise, my tax jumped too!

If you earn \$3.5k a month and get 13th month bonus, your annual tax is \$935 ?

\$1000 can buy me 2 holidays, but I gotta pay that to the government instead to do my part as a citizen ??

That's a HUGE increase from my previous \$200 isn't it! ??

If you're luckier than me and get more (3 months) bonuses, you can expect to pay another additional \$490 in taxes...in total \$1,425.

So I've been actively looking at ways on how I can cut down on the #incometax I need to pay next year in April. Here are some good methods which I'm personally using:

1. Top up your CPF account (or that of your parents)

I've been giving my parents their monthly allowance in cash. However, I'm now changing this to put the money as voluntary contributions to their CPF accounts instead. Given that my dad is already retired and my mum will soon be eligible to withdraw her funds, this makes a lot of sense to me.

My parents still get their money, and I get to concurrently enjoy tax rebate for money that I'm already giving them. #dayresavings

Since the maximum tax relief we can claim is \$7000, you can also make voluntary top-ups to your CPF Special Account where it can earn attractive interest.

I'm doing this in November when all my performances and crunch times are over. As long as this is done before end of year you'll still qualify for the tax relief.

2. Donate to charity.

It pays to be kind! ? like how IRAS literally pays us to be kind!

I truly believe in contributing to charity to help those who may be less well-off. After all, I came from a family who couldn't even afford to send me to university, so I'm familiar with the struggles of not having enough money.

Because of my background, I prefer to donate to my university to repay them for the kindness they showed me when I was a broke student. Thus, my money goes towards their bursaries for needy students.

3. Claim tax relief for supporting dependent or handicapped parents.

If you have grandparents or parents living with you who are older than 55 and earns no more than \$4000 annually, you can claim up to \$9000 tax relief for supporting them.

If you have siblings, you need to split that evenly with them.

Unfortunately this doesn't apply to me as my dad only just retired this year, so I'll only be able to claim this in April 2018. Nonetheless, leaving it here as perhaps some of you might be able to enjoy this!

4. For the older folks, claim parenthood tax rebate / qualifying child relief / foreign maid levy relief.

I know these schemes but won't elaborate too much here as this doesn't really apply to me, and I doubt most of you on Dayre qualify for this either?

Maybe with the exception of @audt01 for now! So will write this in brief.

Claim up to \$4000 per child if your child is younger than 16.

Working mums can claim foreign maid levy too!

Claim \$750 if your husband or son is an NSman.

The Parenthood rebate ranges from \$5k to \$20k depending on some conditions so do check on IRAS website directly.

Working mums can claim the foreign maid levy rebate even if it is your husband who is paying for it! Heh!

Many of my friends are earning \$5k a month now with 13th month bonus as a minimum = \$2300 of

taxes!

Just using my CPF method alone can help them save \$500 in taxes.

For those who earn more than me, you're also "lucky" enough to have to pay more taxes as you're now in the next income bracket.

You realise that your income taxes rise disproportionately the moment you get any pay raise, commissions or bonuses. So this is where saving on your taxes become increasingly important!

#dayrefinance #dayremoney

Just don't try to avoid paying taxes as our government now considers that as a predicate to anti money-laundering! That has personal and criminal liability so just be a good citizen and pay okay ? not worth it to evade taxes!

Feeling of accomplishment when I successfully cut down on my taxes, haha!

Category

1. Family
2. Savings

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