

Public Consultation of the Income Tax (Amendment) Bill 2012: Submission of comments by AWARE

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Summary of feedback:	<p>AWARE thanks the Ministry of Finance for seeking public feedback on the Draft Income Tax (Amendment) Bill 2012. We applaud the Ministry's efforts in proposing a total of 30 legislative amendments, which includes changes brought about by Budget 2012, as well as non-Budget changes. In particular, we commend the Ministry for four legislative amendments that provide more flexibility in tax reliefs and top-up limits:</p> <ol style="list-style-type: none">1) Enhancement to the Earned Income Relief2) Enhancement to CPF Minimum Sum Topping-up ("MSTU") Scheme3) Tax exemption of receipt of Workfare payments4) Refinement to Working Mother's Child Relief <p>However, we would like to suggest that the scope of the amendment titled 'Enhancement to the Earned Income Relief Earned Income Relief' be expanded to include caregivers who return to the workforce after leaving to be caregivers of dependents. We believe that this enhancement would help to incentivize such caregivers to return to work. To ensure affordability and sustainability, we suggest that the EIR given to such a caregiver be equal to the number of years that he or she has been out of the workforce. We believe that this expansion of scope will align this amendment with other policies that seek to attract caregivers, especially women, to return to the workforce after leaving it. This will tap our latent pool of local manpower. See below for details.</p>

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Details:							
No.	Tax change (Amendment to Income Tax Act) ^a	Comments ^b	Proposed change to draft Income Tax (Amendment) Bill				
1	Enhancement to the Earned Income Relief	<p>Caring for dependents is a major reason for workers to leave the workforce. While either men or women may be caregivers, a recent study found that caregiving at home is carried out mainly by female family members (excluding domestic help): 43% by daughters, compared to 17% by sons, and 12% by wives compared to 3% by husbands.¹</p> <p>Dropping out of paid employment affects women adversely. Although year-on-year growth of women's average net CPF balance has been increasing, the CPF balance of females has been consistently lower than that of males over the last 15 years. The significant difference in CPF between men and women, greater in the age groups of 46 – 50 and 51 – 54, is probably due to women dropping out of the workforce.² 2011 labour statistics show that women make up nearly two-thirds of economically inactive residents in Singapore.³ Women are also earning less than men⁴ and at retirement have less than half of the CPF that men have,⁵ with the consequence that women have significantly less Medisave, which may be insufficient for</p>	Age group	EIR	Handicapped EIR	AWARE's suggestion: EIR for caregivers returning to work, for the number of years they were out of the workforce	
			Below 55	\$1,000	\$4,000	\$12,000	
			55 to 59	\$6,000	\$10,000		
			60 and above	\$8,000	\$12,000		

¹ Chia Ngee Choon *et al.* 2008. 'Feminization of ageing and long term care financing in Singapore.' Singapore: Paper No. 2008/06, National University of Singapore, Singapore Centre for Applied and Policy Economics, <http://www.fas.nus.edu.sg/ecs/pub/wpscape/0806.pdf>

² CPF Trends March 2012. 'Analysis of balances of CPF members by gender', http://mycpf.cpf.gov.sg/NR/rdonlyres/698FBC52-F5B4-4348-9BC5-6632EBC77C3B/0/CPFTrends_AnalysisofCPFBalancesbyGender2012.pdf [accessed on 8 August 2012]

³ Ministry of Manpower, *Singapore Workforce 2011*, page 17.

⁴ MOM Report on Labour Force in Singapore 2011, Table 21, <http://www.mom.gov.sg/statistics-publications/national-labour-market-information/publications/Pages/statistical-tables-2011.aspx#em> [accessed on 2 February 2012]

⁵ AWARE and Tsao Foundation for Successful Ageing, 2005. *Beyond youth: women growing older and poorer*. Singapore. Pages 4-5.

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	<p>their medical bills. Furthermore, Singapore women are living longer than men.⁶ The combination of insufficient Medisave and increasing health needs of the elderly impacts drastically on older women.</p> <p>AWARE thus suggests expanding the scope of the Enhancement to the Earned Income Relief to help compensate women for the income and CPF they would have lost by leaving the workforce to care for their dependents. Documentary proof of the dependents they left the workforce to care for can be substantiated by reference to birth certificates (in the case of young children), doctors' letters of support (in the case of elderly relatives), and so on.</p> <p>AWARE suggests that the same amount of \$12,000 be given uniformly to the three different age groups: below 55, 55 – 59, 60 and above. This is because most women who drop out of the workforce to care for dependents are those who are younger. As the purpose of the enhanced EIR is to incentivise them to return to the workforce, this should be provided to them at an earlier age. Finally, we suggest that female caregivers returning to the workforce receive this enhanced relief for the same number of years that she has been out of the workforce to compensate for the income and CPF lost during those years.</p>	
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⁶ Department of Statistics Singapore. 2011. *Population Trends 2011*. Page v.
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