



Staff Discount

Tax treatment of staff discounts on products and services given to employees, employees' family members, relatives and friends.

Tax Treatment of Staff Discount (Summary Table)

Nature		Taxable/ Not taxable
1	Staff discount (excluding interest free or subsidized loans and discounted stock options or awards).	Staff discount is not taxable if the value of the goods or service does not exceed \$500 and the staff discount scheme is available to all employees.
	The employer and/or related entities offers the discount to employees, employees' family members, relatives and friends.	If the staff discount scheme is available to a small group of employees or if the value of the item of goods or service exceeds \$500, the whole amount of staff discount is taxable.

Reason for Tax on Staff Discounts

As employees obtain the goods or services at a price lower than the market price due to the employees' relationship with their employer, the staff discount enjoyed is a benefit from employment and is therefore taxable in the hands of the employees.

Calculating Taxable Staff Discounts

The taxable value of the staff discount enjoyed by an employee is the difference between the market value of the item and the amount paid by the employee.

Market Value - Amount Paid by Employee = Taxable Staff Discount

Market Value of Items

The market value to be used is the lowest of either

- 1. the recommended retail price (RRP);
- 2. lowest market price in a calendar year; or
- 3. the most preferred customer price in a calendar year.

RRP is the price the manufacturer recommends the retailer to sell the product for and is usually the highest price quoted in the market.

Market price is the price that a good or service is offered or will fetch, depending on market forces.

Most preferred customer price is the arm's length price that is lower than RRP chargeable to a group of unrelated third parties. Examples include VIP members, privilege cardholders, credit card holders and corporate clients (i.e. some forms of identification is needed).

"Available to All" Price

The price to be used must be one that is generally made available to all i.e. no restriction on the number of buyers that can enjoy the price.

Where a special price of \$X is given to the first N buyers, that price cannot be used as the price of an item for staff discount purposes, even if it may be the lowest market price or most preferred customer price in that calendar year.

Value of Goods or Services Exceeding \$500

If the market value of goods or services offered to the employee exceeds \$500, the full amount of the staff discount enjoyed is taxable.

For example, if the market value of a handphone is \$600 and the employee is able to purchase the handphone at \$550 from his employer, the taxable amount is \$50 (\$600 - \$550).

The benchmark of \$500 is applicable to market value inclusive of GST where applicable.

Value of Goods or Services on Per Item Basis

The benchmark of \$500 is applicable per item (i.e. goods or service) offered. Separate items of goods (e.g. a bicycle) or supply of services (e.g. a haircut) would be counted as an item by itself.

a. Per Bundle or Per Package Basis

Where the goods or services are sold as a bundle or package (e.g. a box of four mooncakes, a package of twelve spa sessions), that bundle or package would be counted as an item.

b. Per Bill Basis

The separate item or per bundle/package basis **does not apply** to employers who are in the hotel, food and beverage industry.

As most of these establishments quote prices that are exclusive of service charges, GST and other miscellaneous charges (i.e. their displayed prices are not the final prices that consumers would ultimately pay), the hotel accommodation, food and beverage consumed at eateries or restaurants would be counted on a per **bill basis** instead.

Examples

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Example 1: Value Per Item Exceeds \$500	▼
Example 2: Value Per Item Below \$500	▼
Example 3: One Item Exceeds \$500	▼
Example 4: Employer Supplies Hotel Services	▼
Example 5: Staff Discount Same as Discount Granted to Unrelated Third Parties	▼
Example 6: Staff Discount for Small Group of Employees	▼

Example 7: Employees Get \$X Worth of Goods Free Annually



Example 8: Staff Discount Extended to Family Members



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