



# Car and Car-related Benefits

Car and car-related benefits given to an employee are taxable based on the value of benefit derived from the employee’s private usage of the car or car-related items.

## Tax Treatment of Various Car and Car-related Benefits (Summary Table)

S/n	Nature	Taxable or Not Taxable
1	Car provided by employer	Taxable  See <a href="#">Taxable Value of Car Benefits From YA 2020</a> and <a href="#">Taxable Value of Car Benefits Before YA 2020 (below)</a> .
2	Driver / chauffeur services	Taxable [Annual cost of driver x (private mileage / total mileage)]
3	Car park charges reimbursed or provided by employer when an employee drives from home to work and parks his own car in the office car park or a nearby car park (season parking or daily car park charges)	Taxable
4	Reimbursement on car park charges for client meetings (i.e. for work purposes)	Not Taxable
5	Car park charges reimbursed by employer when an employee parks his own car at the airport when he goes on business trips	Taxable
6	Allowance on ERP Charges	Taxable
7	Reimbursement on ERP Charges	Not taxable if the charges are incurred for work purposes
8	Reimbursement on mileage for business usage	Not taxable The rate of reimbursement for mileage depends on the company's policy. While there is no prescribed mileage rate, the reimbursement made by the company should be reasonable.
9	Taxes, repairs and maintenance expenses of employee's own vehicle	Taxable

S/n	Nature	Taxable or Not Taxable
10	Private benefit (including any reimbursement of petrol and car park charges) derived from commercial vehicle provided by employer (e.g. motorcycle, van, truck, minibus, lorry) when the employee drives the vehicle home from work and vice versa	Not taxable

## Car Provided by Employer: Taxable Value of Car Benefits From YA 2020

### A. New Car (i.e. Employer is the first owner of the car)

The value of benefit derived from a new car is computed as follows:

<b>Value of Benefit</b>
$3/7 \times [(car\ cost - PARF\ rebate)/10 + actual\ running\ and\ maintenance\ costs\ incurred\ by\ the\ employer]$

Where:

- 3/7 refers to the use of car outside office hours for private matters which is estimated at three out of seven days in a week.
- Car cost refers to the acquisition cost of the car (inclusive of COE) paid or payable at the date of purchase.
- PARF rebate refers to the Preferential Additional Registration Fee rebate to be granted when the car is de-registered at the age of above 9 but not exceeding 10 years.
- Actual running and maintenance costs incurred by the employer (including reimbursements made to the employee by the employer) refer to costs such as road tax, petrol, car park charge, ERP charge, car insurance, repairs and maintenance, if any.
- See [Example 1](#) and [Example 2](#)

### B. Second-hand Car

The value of benefit derived from a second-hand car is computed as follows:

Less than 10 years old at the time of purchase	More than 10 years old at the time of purchase
$3/7 \times [(car\ cost - PARF\ rebate)/B] + actual\ running\ and\ maintenance\ costs\ incurred\ by\ the\ employer]$	$3/7 \times (car\ cost/B) + actual\ running\ and\ maintenance\ costs\ incurred\ by\ the\ employer]$

Where:

- Car cost refers to the actual cost of the car (inclusive of COE) paid or payable by the employer at the date of purchase.
- B refers to the remaining period from the date of purchase of the car to the date of expiry of the COE or the renewed COE (if the second-hand car is more than 10 years old at the time of purchase)
- Actual running and maintenance costs incurred by the employer (including reimbursements made to the employee by the employer) refer to costs such as road tax, petrol, car park charge, ERP charge, car insurance, repairs and maintenance, if any.
- See [Example 3](#)

### C. Car with Renewed COE

The value of benefit where the employer renews the COE for an existing car and continues to provide the employee with that car is computed as follows:

Value of benefit

$3/7 \times [(C+D)/E + \text{actual running and maintenance costs incurred by the employer}]$

Where:

- C refers to the amount payable on renewal of COE for the continued use of the car after the end of the 10th year.
- D refers to the amount of PARF rebate which would have been granted on the first COE when the car is de-registered between 9 and 10 years old, if not for the renewal.
- E refers to the remaining period from the date of renewal of COE to the date of expiry of the renewed COE (currently either 5 or 10 years)
- Actual running and maintenance costs incurred by the employer (including reimbursements made to the employee by the employer) refers to costs such as road tax, petrol, car park charge, ERP charge, car insurance, repairs and maintenance, if any.
- See [Example 4](#)

D. Leased Car

The value of the car benefit where the employer leases a car for the employee's use is computed as follows:

Value of benefit

$3/7 \times (\text{rental cost incurred by the employer} + \text{actual running and maintenance costs incurred by the employer})$

Where:

- Actual running and maintenance costs incurred by the employer (including reimbursements made to the employee by the employer) refers to costs not borne by the car hiring company, such as petrol, car park charge, ERP charge, if any.
- See [Example 5](#)

You may use the [Car Benefit Calculator from YA 2020](#) (Excel,107KB) to check the taxable value of car benefits.

Examples on Computation of Taxable Car Benefits From YA 2020

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Example 1: Employer provides a new car to an employee



Example 2: Employer provides a new car to an employee for part of the year



Example 3: Employer provides a second-hand car to an employee for part of the year



Example 4: Employer renews the COE of an existing car



Example 5: Employer provides a leased car to an employee



# Car Provided by Employer: Taxable Value of Car Benefits Before YA 2020

## A. New Car

The value of benefit derived from a new car is computed as follows:

Value of Car Benefit = either (a) or (b)	
a) Employee pays for the petrol	$3/7 \times [(\text{car cost} - \text{residual value})/10] + (\$0.45 \text{ per km} \times \text{private mileage})$
b) Employer pays for the petrol	$3/7 \times [(\text{car cost} - \text{residual value})/10] + (\$0.55 \text{ per km} \times \text{private mileage})$

Where:

- 3/7 refers to the use of car outside office hours for private matters which is estimated at three out of seven days in a week.
- Car cost refers to the acquisition cost of the car (inclusive of COE) paid or payable at the date of purchase.
- Residual value depends on when the car is registered.
  - **Car registered on or after 1 Nov 1990**, residual value is 80% of the open-market value of the car. The open-market value at the time of purchase can be found on the vehicle registration card.
  - **Car registered before 1 Nov 1990**, residual value is nil.
- Private mileage refers to the mileage made for personal (i.e. not business) purposes. The employee should keep records of the mileage and inform the employer.

## B. Second-hand Car

The value of benefit derived from a second-hand car is computed as follows:

Less than 10 years old at the time of purchase	More than 10 years old at the time of purchase
$3/7 \times [(A - \text{residue value})/B] + (\$0.45 \text{ per km} \times \text{private mileage})$ , if employee pays for the cost of petrol	$3/7 \times (A/F) + (\$0.45 \text{ per km} \times \text{private mileage})$ , if employee pays for the cost of petrol

Where:

- If employer pays for the cost of petrol, use the rate of \$0.55 per km instead of \$0.45 per km.
- A = actual cost (inclusive of COE) of the car paid or payable by the employer at the date of purchase
- B = the remaining period from the date of purchase of the car to the date of expiry of the first COE (i.e. at the end of the 10th year)
- F = the remaining period from the date of purchase of the car to the date of expiry of the renewed COE

## C. Car with Renewed COE

The value of benefit derived from an existing car with renewed COE is computed as follows:

$3/7 \times (G+D)/E + (\$0.45 \text{ per km} \times \text{private mileage})$ , if employee pays for the cost of petrol

Where:

- If employer pays for the cost of petrol, use the rate of \$0.55 per km instead of \$0.45 per km.
- D = the amount payable on renewal of COE for the continued use of the car after the end of the 10th year.

- E = the remaining period from the date of renewal of COE to the date of expiry of the renewed COE (currently either five or 10 years)
- G = the amount of residual value which would have been allowable as set-off against the cost of the private car for purposes of computing the car benefit for the period prior to the expiry of the first COE

D. Leased Car

The value of the car benefit where the employer bears the full cost of rental of the leased car and all other running and maintenance expenses are borne by the car hiring company is computed as follows:

Employer pays for the petrol	Employee pays for the petrol
(3/7 x rental cost incurred by the employer) + (\$0.10 km x private mileage)	3/7 x rental cost incurred by the employer

You may use the [Car Benefit Calculator](#) (XLS, 84KB) to check the taxable value of car benefits.

FAQs

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- Why is there a change in the formula for computing the taxable value of car benefit from the Year of Assessment 2020 onwards?
- Our company pays car allowances to our employees. Are we affected by the change in the formula for computing taxable car benefit?
- Our company pays the annual road tax and car insurance for the period from 1 June every year to 31 May of the following year. For computing the value of taxable car benefit for an employee to whom we have provided the car from 1 January 2019 to 31 December 2019, do we have to pro-rate the annual road tax and car insurance?

Related Content

DOCUMENTS

Car Benefit Calculator (XLS, 84KB)

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DOCUMENTS

Car Benefit Tax Calculator from YA 2020 (XLS, 110KB)

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DOCUMENTS

Change in Basis for Computing Taxable Car Benefit (PDF, 628KB)

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