



Benefits Relating to Loans

Tax treatment of interest-free loans, subsidised interest loans, waivers on the principal sum, etc. given to employees.

Tax Treatment of Benefits Relating to Loans (Summary Table)

Nature		Taxable/Not taxable
1	Interest benefits arising from interest-free or subsidised interest loans, e.g. housing loans, vehicle loans, computer loans and personal loans.	
	a. Employer provides the loan directly to the employee	Not taxable if the scheme is available to all employees. Employees must not have substantial shareholdings, or control or influence over the company by virtue of their shareholdings or otherwise. See Computing Interest Benefits (below).
	b. Employer or employee obtains a loan from a financial institution and employer pays the interest payment	Taxable
2	Interest benefits on loans to company directors	Taxable See Loans to Company Directors (below).
3	Waiver of principal sum	Amount waived is taxable

Loans to Company Directors

Benefits directors derive from loans are taxable. The Income Tax Act regards company directors as employees, the benefits from interest-free / subsidised loans are taxable as employment benefits.

Computing Interest Benefits

The value of interest benefits is computed based on prime interest rate.

For simplicity, IRAS may accept computation based on the amount of loan outstanding as at 31 December of each year multiplied by the average prime lending rate for that year.

If the loan were taken for less than one calendar year, the interest benefits would be computed according to the number of months in that year for which the loans remain outstanding.

Example 1: Interest Benefit Based on Prime Lending Rate



Average Prime Lending Rate


Information on prime lending rates is available on the MAS website. For your convenience, IRAS has computed the average prime lending rates based on the information found on the MAS website as follows:

Year	Average Prime Lending Rate (%)
2016	5.35
2017	5.28
2018	5.33
2019	5.25
2020	5.25

Related Content


DOCUMENTS

Benefits to Company Directors from Interest-Free / Subsidized Loans (PDF, 224KB)



PAGES

List of Benefits-in-Kind Granted Administrative Concession or Exempt from Income Tax



Inland Revenue Authority of Singapore

Careers

News & Events

Useful links

SUBSCRIBE TO OUR eALERTS

Contact Us

Feedback



Report Vulnerability 

Privacy Policy

Terms of Use & Browser Compatibility

Sitemap

