



Insurance Premium

Tax treatment of insurance premiums paid by employers including personal insurance policies, group insurance policies, travel insurance policies and workman compensation.

Tax Treatment of Insurance Premium (Summary Table)

Nature of insurance policy for which the premium is paid by employer		Taxable / Not taxable
1	Personal Insurance policy where employee is the policyholder.	Taxable
2	Group Medical Insurance policy (covering employee, employee's spouse and children) where the benefit is available to all staff.	Not taxable
3	<p>Group Insurance policy (e.g. group insurance policies covering life, personal accident or critical illness) where employees are entitled to the payout contractually.</p> <p>Example:</p> <ul style="list-style-type: none">employee is the named beneficiary of the group insurance policy; orwhere the employee is not the named beneficiary, and the payout would be paid to the policyholder (employer), who is under contractual obligation (e.g. as provided in the employment contract) to disburse the insurance payout to the employee, employee's nominated beneficiaries or employee's next-of-kin.	<p>The employee is taxable on the premium as he receives benefits in the form of an insurance protection.</p> <p>In the event of a claim, the insurance payout is not taxable as it is a capital receipt.</p> <p><u>Administrative Concession Effective YA 2013</u></p> <p>Employer, who is not an investment holding company, tax exempt body or service company that adopts the cost plus mark up basis of tax assessment, can elect not to claim a tax deduction for the said group insurance premiums in the corporate/business tax filing for the relevant year so that the group insurance premiums will be exempt from tax in the hands of the employees.</p> <p>See Group Insurance Premium Paid by Employers (below).</p>
4	<p>Group Insurance policy (e.g. group insurance policies covering life, personal accident or critical illness) where employees are not entitled to the payout contractually.</p> <p>Example:</p> <p>Group insurance policy where the employee is not the named beneficiary, and the payouts would be paid to the policyholder (employer), who has a choice to decide whether he wants to disburse the payouts to the employee, employee's nominated beneficiaries or employee's next-of-kin.</p>	<p>The premiums are not taxable as no benefits-in-kind are granted to employees.</p> <p>If the employer subsequently disburses the insurance payout to its employees, the payout is taxable as additional remuneration, unless it is received by way of death gratuity or as compensation for death or injuries (namely, bodily injuries caused by accidents).</p> <p>See Group Insurance Premium Paid by Employers (below).</p>

Nature of insurance policy for which the premium is paid by employer		Taxable / Not taxable
5	Travel insurance covering the period of business travel	Not taxable
6	Work injury compensation	Not taxable

Group Insurance Premium Paid by Employers

To find out the beneficiary, check the policy document or check with the insurance provider.

Employer Not Under Legal Obligation to Payout to Employee

Employer has taken up a group term life insurance policy for the employees who are not the named beneficiary.

The premiums are **not taxable** if the employer (policyholder) has a choice or the discretion to decide whether he wants to disburse the insurance payout from the group insurance policy to the employee or his next-of-kin.

Employer Under Legal Obligation to Payout to Employee

The employees will be **subject to tax** on the share of benefits of premium paid if the employer is under legal obligation to disburse the payout to the employee in the event of claim.

Documents such as the employment contract, HR policy, staff handbook, collective agreement etc could contain the details of the contractual obligation by the employer.

Administrative Concession Effective YA 2013

Effective YA 2013, for group insurance policy where the employees are entitled to the payout contractually, employer can take up an administrative concession where the **employees will not be taxed on the premiums** , provided the **employer does not claim a tax deduction** for the said group insurance premiums in the corporate/business tax filing for the relevant year.

No upfront approval for this administrative concession is required. Once the employer avails himself of the administrative concession, he should apply the treatment consistently for all employees covered by the group insurance policy (i.e. employer cannot choose to report the staff benefit on the share of premiums paid for only some employees covered by the group insurance policy and claim a partial deduction of premium paid in their corporate/business tax filing).

Preparation of IR8A

When an employer does not take up the administrative concession and the beneficiary is the employee or the employer is under contractual arrangement to give the insurance payout to the employee or his next-of-kin, the employee will be taxed on the amount of premium attributable to him.

When preparing IR8A, attribution can be done using average premium per staff or any other appropriate method which is reasonable and consistent across years.

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Example 1: Total Premium Divided by Number of Employees



Example 2: Pro-Rating Insurance Premiums



Example 3: Pro-Rating Insurance Premiums



Example 4: Amending IR8A After Filing



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