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In this post, we will explore the various types of income, their sources, and the role income plays in both individual and societal contexts. What is Income? Income can be broadly defined as the amount of money received for providing labor, capital, or other assets. It is typically measured in terms of a specific time period, such as weekly, monthly, or annually. In the most common sense, income refers to the money earned through employment or business activities. However, it can also encompass other forms of wealth creation, such as investments, property ownership, or government benefits. Types of Income Income is generally classified into several categories depending on the source, nature, and tax treatment. The primary types of income include: 1. Earned Income Earned income refers to money that individuals receive for performing services or providing labor. This is the most common form of income for the majority of people and includes wages, salaries, bonuses, and tips. Earned income is subject to taxes and typically forms the largest portion of an individual's income. Wages and Salaries: These are fixed payments given in exchange for services rendered, typically on an hourly, weekly, or monthly basis. Bonuses and Commissions: These are additional payments made based on performance or sales. They are often given on top of a base salary. Freelance Income: For self-employed individuals, freelance income is another form of earned income where compensation is received for services rendered on a per-project or contract basis. 2. Unearned Income Unearned income refers to money that individuals receive without performing any direct labor or services. This type of income is usually passive and generated through ownership or investment. Interest: Money earned from lending money, typically from bank accounts, bonds, or other fixed-income securities. Dividends: Payments made to shareholders of a corporation from profits or retained earnings. Rent: Income received from renting out property, such as real estate or equipment. Capital Gains: Income earned from selling investments (stocks, bonds, real estate, etc.) for more than their purchase price. 3. Portfolio Income Portfolio income is derived from the returns on financial investments, such as stocks, bonds, and mutual funds. This type of income can include dividends, interest payments, and capital gains. Portfolio income typically requires an initial investment but can be relatively passive once the investment is made. 4. Passive Income Passive income is money earned from ventures in which the individual is not actively involved. It usually requires an initial effort or investment but can generate continuous returns without requiring continuous work. Common examples of passive income include: Rental Income: Earning money from leasing out property or equipment. Royalties: Payments received from intellectual property, such as books, music, patents, or trademarks. Business Ownership: Earning profits from owning a business or shares in a business without managing the day-to-day operations. 5. Transfer Payments Transfer payments refer to money received from the government, typically in the form of social benefits or welfare payments. This type of income does not require an exchange of goods or services. Common forms of transfer payments include: Social Security Benefits: Payments made to eligible individuals who are retired, disabled, or survivors of deceased workers. Unemployment Benefits: Payments made to individuals who have lost their job through no fault of their own. Welfare Assistance: Financial support provided to low-income individuals and families to help meet basic living expenses. Sources of Income Income can come from a variety of sources, depending on an individual's or entity's circumstances. Some of the most common sources of income include: 1. Employment For most individuals, employment is the primary source of income. Employment can be either full-time or part-time, depending on an individual's job and lifestyle preferences. Income from employment comes in the form of wages, salaries, and bonuses. 2. Business and Self-Employment For those who own businesses or are self-employed, income is generated through the sale of goods or services. Business owners typically earn income from profits after deducting business expenses. This income can be highly variable depending on market conditions and the success of the business. 3. Investments Investing in financial assets such as stocks, bonds, real estate, or mutual funds can generate income through dividends, interest payments, and capital gains. Investments often require an initial monetary commitment and are considered a more passive form of income compared to earned income. 4. Government Transfers Government transfer programs provide financial assistance to individuals who meet certain criteria. Examples include Social Security, unemployment benefits, food assistance, and child tax credits. These payments are essential for supporting individuals and families in need, particularly those who are unemployed, retired, or experiencing economic hardship. 5. Rentals Rental income is derived from leasing out property, land, or equipment to tenants. Landlords and property owners typically earn rental income from residential or commercial properties. In addition to real estate, rental income can also come from equipment rentals in various industries. Importance of Income Income plays a central role in an individual's financial well-being and economic health. It directly affects one's ability to meet basic needs, save for the future, and make discretionary purchases. Here are some of the key reasons why income is essential: 1. Basic Needs Income is crucial for meeting everyday living expenses, such as food, housing, transportation, healthcare, and education. Without a stable source of income, individuals and families may struggle to meet these basic needs, leading to financial instability and hardship. 2. Economic Growth At a broader level, income drives economic growth. When individuals and businesses earn money, they spend and invest in goods and services, which stimulates demand and fuels economic activity. This, in turn, creates jobs and further drives growth. 3. Savings and Investments Income provides the foundation for saving and investing. People with higher incomes are typically able to save a larger portion of their earnings, which can then be used to build wealth through investments, such as stocks, bonds, or retirement accounts. 4. Financial Security and Independence Having a reliable source of income offers individuals financial security. It allows them to plan for the future, avoid debt, and maintain a standard of living that is comfortable and sustainable. Financial security also reduces stress and enhances mental well-being. 5. Government Policies Governments often intervene in the economy by creating policies that affect income distribution, tax rates, and welfare programs. Income taxes help fund public services, while transfer payments ensure that those in need receive financial assistance. Conclusion Income is a cornerstone of both personal and national economies. It can come from various sources, including employment, investments, businesses, and government transfers. Understanding the types and sources of income is essential for personal financial planning, economic policy, and business operations. Income not only enables individuals to meet their basic needs and invest in the future but also serves as a driving force behind economic growth and stability. Whether earned through hard work, investments, or passive means, income has a profound impact on quality of life and economic prosperity. SINGAPORE - Median household employment income grew to \$11,297 in 2024, while income inequality fell to its lowest level in 25 years, after accounting for government assistance and taxes. Figures from the Singapore Department of Statistics (SingStat) also showed that resident households got more money from government schemes, due to support measures rolled out in 2024. SingStat's Feb 13 report showed that among resident employed households, median monthly household employment income grew by 3.9 per cent in nominal terms, before adjusting for inflation. This is the third time in a row that the median monthly household employment income has crossed the \$10,000 mark - \$10,099 in 2022, \$10,869 in 2023 and \$11,297 in 2024. Median monthly household employment income rose 1.4 per cent in real terms, or after adjusting for inflation, in 2024. Household employment income includes employer Central Provident Fund contributions. This is lower than the growth in 2023, which was 2.8 per cent. From 2019 to 2024, median monthly household employment income of resident employed households increased 3.6 per cent cumulatively, or 0.7 per cent per annum in real terms. Such households have at least one employed person, and the household reference person - previously referred to as the head of household - is a Singapore citizen or permanent resident. Taking into account household size, median monthly household employment income per household member rose from \$3,500 in 2023 to \$3,615 in 2024 - an increase of 3.3 per cent in nominal terms, or 0.8 per cent after adjusting for inflation. From 2019 to 2024, median monthly household income per household member grew by 6.8 per cent cumulatively, or 1.3 per cent per annum in real terms. In 2024, households across all income deciles saw increases in average household employment income per household member after adjusting for inflation. In 2024, the average household employment income for each household member in resident employed households in all income groups rose in nominal terms, with the increases ranging from 3 per cent to 5.9 per cent. After adjusting for inflation, the increases ranged from 0.6 per cent to 3.2 per cent. Between 2019 and 2024, the average household employment income for each household member in resident employed households in the first nine deciles rose by 0.3 per cent to 1.9 per cent per annum in real terms, while that for households in the top decile declined by 0.7 per cent per annum. A decile is the one-tenth of all households arranged by their incomes from lowest to highest. The last, or 10th, decile is the one-tenth of the households with the highest incomes. The Gini coefficient based on household employment income per household member rose from 0.433 in 2023 to 0.435 in 2024, before taking into account assistance or benefits provided by the Government and taxes. After such adjustments, the Gini coefficient in 2024 was 0.364, lower than the 0.371 in 2023. This is the lowest since records of the measure began in 2000, said SingStat. The Gini coefficient is a measure of income inequality. A Gini coefficient of zero occurs when there is total income equality, and one means there is total inequality. SingStat also reported that resident households, including households with no employed person, received \$7,825 per household member, on average, from government schemes in 2024. This was higher than the \$6,418 received in 2023. "This was due to measures rolled out in 2024 to support households in areas such as cost of living, retirement and healthcare needs," said SingStat. Resident households living in one- and two-room Housing Board flats continued to receive the most government transfers. In 2024, they received an average of \$16,805 per household member from government schemes, more than double the amount received by all resident households. Mr Jester Koh, UOB's associate economist, said the real median household employment income grew by a softer clip in the recent five-year period as the strong nominal growth has been largely eroded by the inflation surge since late 2021. "This is likely driven by a confluence of factors such as the unleashing of post-pandemic pent-up demand, tightening of labour markets amid labour supply shortages, and the Russia-Ukraine war, which led to food and energy price spikes," he said. Going forward, the rapidly ageing population could weigh on the median household employment income growth as the labour force participation rate has been gradually declining since 2021, while the share of resident households comprising solely non-employed people aged 65 and older has been gradually ticking up, Mr Koh said. "Nonetheless, there have been several initiatives to encourage older-age workers to continue working, such as the planned increase in the retirement age to 65 by 2030, re-employment age to 70 by 2030, as well as the Earn and Save Bonus under the Majulah Package, which should go a long way to support median household employment income trends in the long run," he added. Mr Song Seng Wun, economic adviser at CGS International, said median household employment income growth slowed in 2024 as the labour market normalised. This is likely the growth range for the next few years. In contrast, there was faster growth in median monthly household employment income post-pandemic as companies started to hire again, and the economy rebounded strongly. Those in the lower income deciles are aided by the Progressive Wage Model (PWM). Mr Song said, adding that there will be higher growth among the lower-income as more sectors are included in the PWM. The Government's transfers have also helped the lower-income, and helped decrease income inequality. "This is where the Government can calibrate in terms of assistance in the upcoming Budget to help those who need the help most," he said. "The cost of living is still rising, though inflation has slowed down." Associate Professor Walter Theseira from the Singapore University of Social Sciences, who is a labour economist, said higher income growth in lower deciles aligns with efforts to raise wages for lower-income Singaporeans through policies like PWM. For the upper decile, he noted that non-employment income and capital gains, which are not included in the figures, are likely key factors for increasing income inequality, but they are not measured in the report. "Recent strong growth in income for higher deciles outstripping the middle suggests income inequality will worsen without more government intervention," he said. "Policy attention will likely need to be increasingly focused on helping the broad middle - although this is always the case - given the recent pattern of how the lower-income are 'levelling up' and how the higher-income are enjoying above-average gains." Mr Chua Han Teng, an economist at DBS Bank, noted that Singapore's real median monthly household employment income continued the increases observed in the preceding three years from 2021 to 2023. "The sustained real income growth reflects Singapore's economic resilience and healthy labour market performance despite rising global uncertainties," he said. "The ongoing decline in household income inequality reflects the Government's policy focus on greater equality and inclusivity over the years, with government transfers providing crucial support and assurance for vulnerable groups," he added. Income tax rates depend on an individual's tax residency status. Find out the income tax rate that is applicable to you. On this page: Resident tax rates Non-resident tax rates Related Content Income tax rates depend on an individual's tax residency status. You will be treated as a tax resident for a particular Year of Assessment (YA) if you are a: 1. Singapore Citizen or Singapore Permanent Resident who resides in Singapore except for temporary absences; or 2. Foreigner who has stayed/worked in Singapore: a. For at least 183 days in the previous calendar year; or b. Continuously for 3 consecutive years, even if the period of stay in Singapore may be less than 183 days in the first year and/or third year; or c. Foreigner who has worked in Singapore for a continuous period straddling 2 calendar years and the total period of stay is at least 183 days*. This applies to employees who entered Singapore but excludes directors of a company, public entertainers, or professionals. *including your physical presence immediately before and after your employment If you do not meet the conditions stated above, you will be treated as a non-resident of Singapore for tax purposes. Singapore's personal income tax rates for tax resident individuals are progressive, meaning individuals with higher income are taxed at a higher rate. The current highest personal income tax rate is at 24%. Chargeable Income Income Tax Rate (%) Gross Tax Payable (\$) First \$20,000 Next \$10,000 02 0200 First \$30,000 Next \$10,000 -3.50 200350 First \$40,000 Next \$40,000 -7 5502,800 First \$80,000 Next \$40,000 -11.5 3,3504,600 First \$120,000 Next \$40,000 -15 7,9506,000 First \$160,000 Next \$40,000 -18 13,9507,200 First \$200,000 Next \$40,000 -19 21,1507,600 First \$240,000 Next \$40,000 -19.5 28,7507,800 First \$280,000 Next \$40,000 -20 36,5508,000 First \$320,000 In excess of \$320,000 -22 44,550 YA 2019 For YA 2019, a Personal Income Tax Rebate of 50% of tax payable, up to maximum of \$200 was granted to tax resident individuals. YA 2017 For YA 2017, a Personal Income Tax Rebate of 20% of tax payable, up to maximum of \$500 was granted to tax resident individuals. Please refer to How to Calculate Your Tax for more details. You may also use the Tax Calculator for Resident Individuals (XLS, 127KB) to estimate your tax payable. Employment income of a non-resident individual is taxed at the flat rate of 15% or the progressive resident tax rates (see table above), whichever is the higher tax amount. Taxes on director's fee, consultation fees and all other income The tax rate for non-resident individuals is currently at 24%. It applies to all income including rental income from properties, pension and director's fees, except employment income and certain income taxable at reduced withholding rates (please see Withholding taxes on income of non-resident individuals below). Before YA 2024, the tax rate was 22% for non-resident individuals (except on employment income and certain income taxable at reduced withholding rates). Withholding taxes on income of non-resident individuals* Certain income of non-resident individuals is subject to withholding tax when they are due and receivable. The withholding tax rate applicable is dependent on the type of income derived and the YA involved. Type of income Withholding tax rate Withholding tax rate From YA 2017 to YA 2023 From YA 2024 onwards 1. Remuneration including director's fees received by non-resident directors 22% See Tax Obligations for Non-Resident Directors 24% 2. Income received by non-resident professionals (e.g. consultants, trainers and coaches) for services performed in Singapore 15% of gross income or 22% of net income See Taxable Income for Non-Resident Professionals 15% of gross income or 24% of net income 3. Income received by non-resident public entertainers for services performed in Singapore 10% concessionary rate up to 31 Mar 2022; 15% concessionary rate from 1 Apr 2022 See Tax for Non-Resident Public Entertainers 15% concessionary rate 4. SRS withdrawals received by non-Singapore SRS account holders* 22% See Withholding Tax on SRS 24% 5. Interest, commission, fee or other payment in connection with any loan or indebtedness** 15% reduced final withholding tax rate (subject to conditions) or 22% if reduced withholding tax rate is not applicable 15% reduced final withholding tax rate (subject to conditions) or 24% if reduced withholding tax rate is not applicable 6. Royalty or other lump sum payments for the use of movable properties** 10% reduced final withholding tax rate (subject to conditions) or 22% if reduced withholding tax rate is not applicable 7. The same withholding tax rates also apply to the income derived by a Hindu Joint Family that is registered outside Singapore.* With effect from 1 Jul 2014, the concessionary withholding tax rate of 15% will apply if the following conditions are met: i. Cumulative amount withdrawn by the SRS account holder in the calendar year does not exceed \$200,000; and ii. The SRS account holder does not have any other income besides the SRS withdrawals(s) during the calendar year when the withdrawals(s) are made. To enjoy this concession, the SRS account holder must declare that he fulfils the two conditions above using the Form IR37B(1). The Form IR37B(1) is obtainable from the SRS operator.* The reduced withholding tax rate applies if the income is not derived from any trade, business, profession or vocation carried on or exercised by the non-resident individual in Singapore. If the income is derived from any trade, business, profession or vocation carried on or exercised by the non-resident individual in Singapore, then the withholding tax rate is 22% for YA 2017 to YA 2023 or 24% from YA 2024. You may use the Tax Calculator for Non-Resident Individuals (XLS, 122KB) to estimate your tax payable. Documents Documents Pages Pages