



Tax Bytes

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Greetings from your Tax & Legal team at Deloitte Singapore. We hope that you and your loved ones are staying safe and healthy despite these challenging times. As we navigate ourselves through this trying period, we are committed to giving you the support you need.

We are pleased to update you on the following:

Updates on concessionary tax treatment for employer contributions to an overseas pension or provident fund

Currently, as a concession, the Inland Revenue Authority of Singapore (IRAS) has ruled that the employer's contributions to an overseas pension or provident fund are not taxable to the employee, subject to meeting the following qualifying conditions:

1. The contributions are made by the employer to social security schemes' operated and regulated by the employees' home country government;
2. Such contributions are mandatory notwithstanding that the employees are working outside of their home country;
3. Costs of contributions are not borne by or claimed as a corporate tax deduction by any permanent establishment or company in Singapore; and

4. The company in Singapore must not be enjoying any tax exemption or tax incentives during the year of contribution. The IRAS may, on a case-by-case basis, consider extending the concessionary tax treatment for entities that enjoy tax incentives or exemptions, where the employer is required to make compulsory contributions to the provident fund.

What is the change?

The IRAS has updated their website to indicate that the concessionary tax treatment on employer's contributions made on or after 1 January 2024 to an overseas pension or provident fund will cease effective from the Year of Assessment (YA) 2025 (income year 2024).

Accordingly, with the withdrawal of the tax concession, all employers' contributions to any overseas pension or provident fund will be taxable in the hands of the employees, regardless of whether the employer contributions are considered mandatory or non-mandatory during the Singapore employment.

In addition, the employer contributions will be tax-deductible to employers in Singapore as per normal tax rules.

Deloitte Singapore's view

With the removal of another administrative concession previously available in respect of the provision of benefits to foreign employees (previous administrative concessions available for the provision of housing accommodation, home leave benefit, etc., have also been removed) as well as the lapse of the "Not Ordinarily Resident" (NOR) scheme, this would be another measure to increase the tax liability of foreign employees working in Singapore.

This is in line with the Government's intention to maintain progressivity in its tax system.

Contacts

Should you have any comments or questions arising from this newsletter, please contact anyone listed below or any member of the [Singapore Tax & Legal team](#).

Global Employer Services

Sabrina Sia
Singapore and Southeast Asia
GES Leader
Deloitte Southeast Asia

+65 6216 3186
ssia@deloitte.com

Christina Karl
GES Partner
Deloitte Singapore

+65 6800 3997
ckarl@deloitte.com

Michele Chao
GES Partner
Deloitte Singapore

+65 6216 3387
micchao@deloitte.com

Dion Thai
GES Partner
Deloitte Singapore

+65 6800 3986
dthai@deloitte.com

Joanne Lee
GES Partner
Deloitte Singapore

+65 6530 8042
joalee@deloitte.com

Sandip Bhandal
GES Partner
Deloitte Singapore

+65 6800 2257
sbhandal@deloitte.com

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Rashed Idrees
Managing Director
Deloitte Legal International Pte. Ltd.
+65 6800 2775
ridrees@deloittelegal.com.sg

Joanna Yap
Counsel
Sabara Law LLC
+65 6800 4639
joayap@sabaralaw.com.sg



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