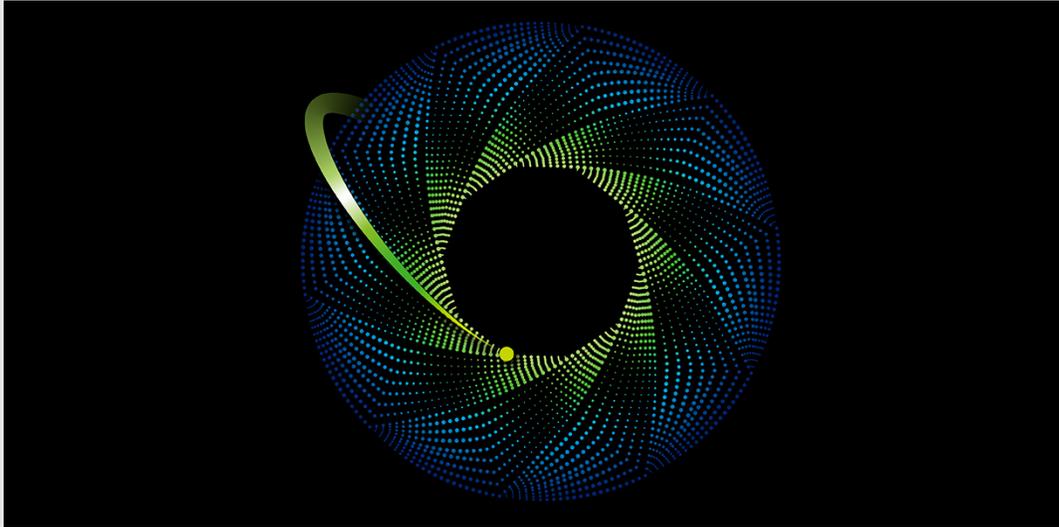


Singapore | Global Employer Services | 25 February 2022



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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:

Adjustments to foreign worker policies

Several changes to policy framework for Employment Pass (EP) holders, S Pass holders, and Work Permit (WP) holders have been introduced in the latest Singapore Budget speech delivered by Minister for Finance, Mr. Lawrence Wong, on 18 February 2022.

Key highlights

1 Raising of minimum qualifying salary for EP holders

- The minimum qualifying salary for EP holders will be raised from \$4,500 to \$5,000.
- The Financial Services sector will continue to have a higher EP minimum qualifying salary, which will be raised from \$5,000 to \$5,500.
- These changes will apply to new EP applications from 1 September 2022, and to renewal applications from 1 September 2023.

Table 1: Revised EP qualifying salaries

Sector	Revised minimum qualifying salary
All sectors, except	\$5,000
Financial Services	(increases up to \$10,500 for a candidate in mid-40s)
Financial Services	\$5,500 (increases up to \$11,500 for a candidate in mid-40s)

2 Raising of minimum qualifying salary for S Pass holders

- The minimum qualifying salary for S Pass holders will be raised in phases, with the first step on 1 September 2022 for new applications, and subsequently on 1 September 2023 and 1 September 2025.
- A higher S Pass qualifying salary for the Financial Services sector will also be introduced on 1 September 2022 for new applications.
- These changes will apply to renewal applications one year later (e.g., the increase for new applications from 1 September 2022 will only affect renewals from 1 September 2023 onwards).

Table 2: Revised S Pass qualifying salaries

Sector	Revised minimum qualifying salary		
	1 Sep 2022	1 Sep 2023	1 Sep 2024
All sectors, except	\$3,000 (increases up to \$4,500 for a candidate in mid-40s)	At least \$3,150*	At least \$3,300*
Financial Services			

Financial Services	\$3,500 (increases up to \$5,500 for a candidate in mid-40s)	At least \$3,650*	At least \$3,800*
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*The finalised values will be announced closer to the implementation date based on prevailing local Associate Professionals and Technicians wages at the time.

3 Raising of Foreign Worker Levy (FWL) rates for S Pass holders

- The Tier 1 S Pass FWL rate will be progressively raised from \$330 to \$650 by 2025.

Table 3: Current S Pass FWL rates

Tier	Dependency Ratio Ceiling (DRC)	Levy rates
Tier 1	≤ 10%	\$330
Tier 2	>10%*	\$650

Table 4: Revised S Pass FWL rates

Tier	DRC	New levy rates		
		From 1 Sep 2022	From 1 Sep 2023	From 1 Sep 2024
Tier 1	≤ 10%	\$450	\$550	\$650
Tier 2	>10%*	\$650	\$650	\$650

*The S Pass sub-DRC is 18% in Manufacturing, Construction, Marine Shipyard, and Process; and 10% in Services sector.

4 Adjustment of FWL rates and reduction in DRC for WP holders in Construction and Process sectors

- From 1 January 2024, the FWL rates for WP holders in the Construction and Process sectors will be adjusted. The Man-Year Entitlement (MYE) framework in both sectors will also be dismantled.

Table 5: Current FWL rates for WP holders in the Construction sector

Construction sector			
Skill level	Non-traditional sources and People's Republic of China (PRC)	Malaysia, North	Off-site

	MYE waiver	MYE	Asian sources	
Higher-skilled (R1)	\$600	\$300	\$300	\$300
Basic-skilled (R2)	\$950	\$700	\$700	\$700

Table 6: Revised FWL rates for WP holders in the Construction sector

Construction sector			
Skill level	Non-traditional sources	Malaysia, North Asian Sources	Off-site
Higher-skilled (R1)	\$500	\$300	\$250
Basic-skilled (R2)	\$900	\$700	\$370

Table 7: Current FWL rates for WP holders in the Process sector

Process sector			
Skill level	Non-traditional sources and PRC		Malaysia, North Asian sources
	MYE waiver	MYE	
Higher-skilled (R1)	\$600	\$300	\$300
Basic-skilled (R2)	\$750	\$450	\$450

Table 8: Revised FWL rates for WP holders in the Process sector

Process sector		
Skill level	Non-traditional sources	Malaysia, North Asian sources
Higher-skilled (R1)	\$300	\$200
Basic-skilled (R2)	\$650	\$450

Note: North Asian sources refer to Hong Kong, Macau, South Korea, and Taiwan. Non-traditional sources refer to Bangladesh, India, Myanmar, Philippines, Sri Lanka, and Thailand.

- The DRC will be reduced for the Construction and Process sectors from 1 January 2024.

Sector	Current	Revised (Effective 1 Jan 2024)
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Construction	87.5%	83.3%
Process	87.5%	83.3%

Additional Information

The adjustments made to the foreign worker policies are intended to allow companies to access a diverse pool of manpower, while ensuring that those entering the country are of the right quality. Specifically, the aim is to ensure that incoming EP and S Pass holders are comparable in quality to the top one-third of their local counterparts. For the Construction and Process sectors, which have been more heavily dependent on foreign workers, adjustments were made to WP policies to spur greater productivity improvements and support more manpower-efficient solutions.

Deloitte Singapore's view

Singapore remains committed in its openness to foreign talent and skills. Nevertheless, the latest adjustments are a clear indication that companies should strive to reduce their reliance on foreign talent and focus on building a strong Singaporean core workforce.

Beyond the increases in minimum qualifying salary levels, we expect the Ministry of Manpower to provide further clarifications or refinements to EP and S Pass assessment processes. In this respect, greater certainty and transparency is needed, especially for the S Pass category, which will have its eligibility criteria tightened at both the pass holder and employer level. Hardest hit are companies in the construction and process sectors that utilise the S Pass category, which are expected to experience multiple adjustments—a higher minimum qualifying salary, increases to FWL, and the reduction of the DRC—all at once.

As this round of adjustments were mainly targeted at the broad middle segment of the workforce, we believe that looking ahead, there is a need for the government to continually tweak the policies to ensure complementarity between Singapore's local and foreign workforce.

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