



GES NewsFlash

Proactive Perspective—It's what's needed most.

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:

Quota for hiring foreign workers in the manufacturing sector to be reduced in two phases

What is the change?

In the 2021 Singapore budget presented on 16 February 2021, the government announced that it intends to reduce the hiring quota of foreign workers that qualify for an S Pass in the manufacturing sector in a two-step process in 2022 and 2023.

What does the change mean?

Under the current policy, the number of S Pass holders that a company in the manufacturing sector may hire is restricted to 20% of the company's total workforce. As from 1 January 2022, this cap would be reduced to 18%, with a further reduction to 15% as from 1 January 2023.

- **Implementation time frame:** Two-phase implementation on 1 January 2022 and 1 January 2023.
- **Visa/permit holders affected:** S Pass holders; Employment Pass (EP) holders who may potentially be downgraded depending on their EP eligibility.
- **Business impact:** Companies in the manufacturing sector should plan for the proposed changes, including potentially reducing their reliance on foreign workers and upskilling their Singaporean workforce.

The allowable percentage of foreign workers to Singaporean workers is referred to as the Dependency Ratio Ceiling (DRC) and S Passes are a subcategory of the overall DRC. The government’s aspiration is to balance the local and foreign manpower in various industry sectors by upskilling the local workforce and moderating the reliance on foreign labour. One of the consequences of the effects of the COVID-19 pandemic on Singapore’s economy is that the inflow of foreign workers needs to be carefully regulated to ensure that fair job opportunities continue to be created for Singaporeans.

The following chart shows the changes to the DRC and sub-DRC across all sectors in the years to 2023:

Sector	DRC		Sub-DRC		
	Current	Changes	Current	1 January 2022	1 January 2023
Construction	87.5%	No change	18%	18%	15%
Marine shipyard	77.8%	No change	18%	18%	15%
Processing	87.5%	No change	18%	18%	15%
Manufacturing	60%	No change	20%	18%	15%
Services	35%	No change	10%	10%	10%

Deloitte Singapore’s view

Following the announcement in the 2020 budget that the DRC in the manufacturing industry would be reviewed, this year’s announcement has not come as a surprise. Manufacturing continues to be a significant industry in Singapore and to sustain Singapore’s position as a global advanced manufacturing hub, companies must prioritise building a skilled local core of employees within their firms to reduce reliance on foreign workers. The S Pass category will be reviewed periodically and businesses should prepare for the possibility of it being abolished in the future.

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

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