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GES NewsFlash

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

Greetings from your Tax & Legal team at Deloitte Singapore. We are pleased to update you on the following:

Removal of administrative concession for Singapore citizens working overseas

The Inland Revenue Authority of Singapore (IRAS) recently announced the removal of the administrative concession for Singapore citizens working overseas to elect to be treated and assessed as a non-resident for tax purposes, effective from the Year of Assessment (YA) 2021 (i.e., income year 2020).

The IRAS has informed us that Singapore citizens who have been working overseas during the entire year may still elect to be assessed as a non-resident.

As non-resident, they may qualify for tax exemption as non-resident short-term visiting employees under Section 13(6) of the Singapore Income Tax Act (SITA), commonly referred to as the "60-day exemption," if they travel back to Singapore for work purposes for not more than 60 days during a calendar year.

Separately, in order for Singapore citizens who are working outside Singapore for part of the year to be considered and assessed as a non-resident for that YA, the IRAS would require certain details such as:

- Period of Singapore employment;

- Any other income derived in Singapore; and
- Reasons for requesting to be assessed as a non-resident.

Impact of the change

Employee

Where the election to be treated as a non-resident does not apply, exemption under Section 13(6) of the SITA would not be applicable to overseas-based Singapore-citizen employees who are required to return to Singapore for business trips. If so, they would be subjected to tax in Singapore on income attributable to the entire business trips to Singapore and there would be no de minimis number of days (i.e., 60 days) for exemption of income.

The IRAS has informed us that Singapore citizens may still be allowed to elect or apply to be assessed as non-tax residents, if they meet certain conditions, which the IRAS will review on a case-by-case basis. As a non-tax resident, they are allowed to seek exemption under Section 13(6) in respect of income attributable to business trips to Singapore, if it is beneficial to do so. Nevertheless, individuals should note that as non-residents, any other Singapore-sourced chargeable income derived (e.g., rental income from property situated in Singapore) would be subjected to tax at non-resident rates.

Employer

Employers of Singapore-citizen employees who are working outside of Singapore and who are not assessed as a non-resident for the year, are obligated to prepare Form IR8A or Form IR8E (i.e., Annual Return of Employee's Remuneration) to report their Singapore employment income attributable to business trips to Singapore, as exemption under Section 13(6) would not apply.

However, for individuals who may be assessed as non-residents, there may be no requirement for employers to prepare Forms IR8A or IR8E to declare such income if exemption under Section 13(6) can be utilised.

Deloitte Singapore's view

With further information provided by the IRAS, Singapore citizens who work overseas for the entire year may continue to elect to be assessed as non-residents for tax purposes and, therefore, may be eligible for income exemption under Section 13(6) as short-term visiting employees if they meet all the qualifying conditions.

Although the IRAS has indicated that it is prepared to review the election of non-tax residency on a case-by-case basis, Singapore citizens who have worked overseas during part of

the year may not be able to elect as non-resident, even though the period of overseas employment is more than six months during a year.

In addition, the IRAS has now duly considered equitability for all Singapore citizens, Singapore permanent residents and foreign employees who are based outside of Singapore for employment but are required to return to Singapore for business trips, as they can now enjoy tax exemption under Section 13(6) if all conditions are met.

Both employers and Singapore-citizen employees will need to track their business travel and, to the extent possible, limit their trip(s) to Singapore for business purposes to mitigate their Singapore tax exposures.

Contacts

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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