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Singapore | Global Employer Services (GES) | 26 September 2019

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 following administrative concession for Singapore citizens working overseas, effective from Year of Assessment (YA) 2021 (i.e., income year 2020).

Currently, a Singapore citizen is regarded as a tax resident by default. However, under an administrative concession, if the Singapore citizen works overseas for at least six months during the calendar year, he or she may elect to be treated and assessed as a nonresident for tax purposes.

In addition, if such an election is made, the Singapore citizen may qualify for tax exemption as a nonresident short-term visiting employee under Section 13(6) of the Singapore Income Tax Act (SITA), commonly referred to as the "60-day exemption," if he or she travels back to Singapore for work purposes for not more than 60 days during a calendar year.

With effect from YA 2021 (i.e., income year 2020), the administrative concession will no longer be available.

Impact of the change

Employee
With the removal of the administrative concession, Singapore citizens who work outside of Singapore and travel back to Singapore for business purposes can no longer claim the 60 day exemption. Accordingly, the Singapore citizen would be subject to Singapore tax with respect to the employment income attributable to time spent in Singapore for business.

This could potentially increase tax costs for Singapore citizens based overseas for employment. In fact, they may need to explore the possibility of claiming foreign tax credits for Singapore income taxes paid on the same income that is also subject to tax in the country of employment.

Employer
Employers are obligated to submit the Form IR8A or Form IR8E (i.e., Annual Return of Employee's Remuneration) to report the employment income of Singapore citizens who work overseas, but who travel to Singapore for business purposes, even for less than 60 days in a calendar year.

Accordingly, employers and employees must track business travel and maintain sufficient records to ensure they are compliant with tax reporting requirements. If an employee is tax equalized to Singapore, this may result in an increase in tax costs to the employer, unless it is possible to claim a tax credit in the country of employment for the Singapore tax paid on the same income subject to tax in both countries.

Deloitte Singapore's view

Prior to 1 January 2004, the remittance of foreign-sourced income into Singapore by a tax resident individual would be subject to Singapore tax, whereas foreign-sourced income remitted into Singapore by nonresident individuals was not subject to tax. The administrative concession to elect to be assessed as nonresidents for tax purposes was intended to enable Singapore citizens who work overseas to remit their foreign-sourced income (e.g., remuneration from employment earned outside Singapore) into Singapore without attracting any Singapore tax liability.

Since 1 January 2004, the law was changed to enable Singapore tax

resident individuals to be tax exempt from the remittance of foreign-sourced income into Singapore (except for foreign-sourced income received through a partnership business in Singapore). For this purpose, the administrative concession to allow Singapore citizens to elect to be assessed as nonresidents for tax purposes will no longer be relevant.

However, the removal of the above-mentioned administrative concession will affect Singapore citizens who work overseas, but travel to Singapore for business purposes. Since these citizens can no longer elect to be treated as nonresidents for Singapore tax purposes, they will also not qualify as nonresident short-term visiting employees, even if they are in Singapore for not more than 60 days during a calendar year. Accordingly, exemption under SITA Section 13(6) will no longer be available to them.

Employers will need to track the business travels of their employees, including Singapore citizens based overseas who may be required to make business trips to Singapore. This is likely to increase the administrative burden on employers to track their employees' travels and result in higher tax compliance costs.

For Singapore citizens who work overseas, to the extent possible, they should ensure that when they travel back to Singapore, it is for only personal reasons and not for business purposes, to mitigate their Singapore tax exposures.

In addition, communications should be made to such employees on the impending changes as the IRAS can impose penalties for the under-reporting income in the event of an audit.

Contacts

Should you have any comments or questions arising from this newsletter, please contact either the listed contacts below, or any member of the **Singapore Tax & Legal team**.

Global Employer Services

Jill Lim
Southeast Asia GES Leader
Deloitte Singapore

+65 6530 5519
jilim@deloitte.com

Sabrina Sia
Singapore GES Leader
Deloitte Singapore

+65 6216 3186
ssia@deloitte.com

Christina Karl
GES Partner
Deloitte Singapore

+65 6800 3997
ckarl@deloitte.com

Dion Thai
GES Partner, Vietnam Tax Desk Leader
Deloitte Singapore

+65 6800 3986
dthai@deloitte.com

Lisa Alton
GES Partner
Deloitte Singapore

+65 6800 2880
lialton@deloitte.com

Michele Chao
GES Partner
Deloitte Singapore

+65 6216 3387
micchao@deloitte.com

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

Yeoh Lian Chuan
Managing Director
Sabara Law LLC
+65 6800 2253
lcyeoh@sabaralaw.com.sg

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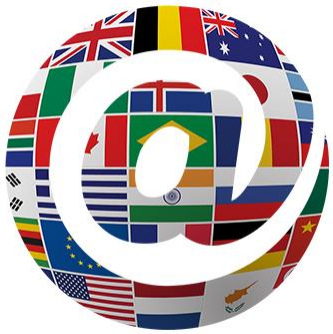

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