



Mobility, Payroll & Immigration Singapore—2022 budget changes

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:

Changes in personal income tax rates with effect from YA 2024 (income year 2023)

Currently, the top marginal personal income tax (PIT) rate in respect of a resident individual is 22% for chargeable income exceeding SG\$320,000 per annum. The rate of 22% also applies to Singapore-source income (other than employment income) derived by a non-resident of Singapore.

The Minister has proposed the following changes to the PIT rates with effect from year of assessment (YA) 2024:

- An increase in the marginal tax rate from 22% to 23% for annual chargeable income exceeding SG\$500,000 and up to SG\$1 million; and
- An increase in the marginal tax rate from 22% to 24% for annual chargeable income exceeding SG\$1 million.

With the above, the top marginal tax rate for a resident individual will be increased from 22% to 24%. Similarly, the rate of 24% will apply to other Singapore-source non-employment income derived by a non-resident individual with effect from YA 2024.

Extension of the withholding tax (WHT) exemption for non-resident mediators (NRMs) and non-resident arbitrators (NRAs)

Currently, non-resident professionals are subject to WHT at 15% of gross income from their profession. However, they may also elect to be taxed at 22% of their net income. As a concession, the income derived by NRMs from mediation work carried out in Singapore from 1 April 2015 to 31 March 2022 is exempt from tax, subject to conditions. In addition, the income derived on or after 3 May 2002 by NRAs from arbitration work carried out in Singapore is also exempt from tax, subject to conditions. The WHT exemption is scheduled to lapse after 31 March 2022.

The Minister has proposed that the WHT exemption be extended until 31 March 2023.

From 1 April 2023, gross income derived by NRMs from mediation work and NRAs on arbitration work carried out in Singapore will be subject to a concessionary WHT tax rate of 10% until 31 December 2027, subject to conditions. NRMs and NRAs may alternatively elect to be taxed at 24% of net income with effect from YA 2024.

Increase in senior workers central provident fund (CPF) contribution rates

The Minister has proposed that the employer and employee CPF contribution rates for Singaporean and Singapore permanent resident workers ages above 55 to 70 be increased on 1 January 2023, by 1.5% to 2%, as follows:

Worker's age	Employer CPF contribution rate	Employee CPF contribution rate
Above 55 to 60	14.5%	15%

Above 60 to 65	11%	9.5%
Above 65 to 70	8.5%	7%

Deloitte Singapore's view

- The change in the top marginal tax rate was last made in YA 2017 (income year 2016). With the expectation that substantial funding would be required for the various initiatives to transform the Singapore economy, as well as in anticipation of burgeoning future health care expenditures due to the aging population, an increase in tax rates seems inevitable. However, as the two additional tax bands and an increase in the top marginal rate will apply to chargeable income exceeding SG\$500,000 per annum, the change is generally only expected to impact the top income earners. This is aligned with the objective of making our PIT regime more progressive.
- Given that the WHT exemption for NRMs and NRAs has served its objectives to build Singapore as an international mediation and arbitration centre, now is an appropriate time to remove the tax exemption. A one-year extension will allow time for grandfathering the schemes.
- The increase in CPF contribution rates for senior workers is in line with the government's efforts to strengthen support for the older workers as they plan for their retirement, as well as to encourage them to continue to stay employed.

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