



Singapore Business Tax and Individual Income Tax developments

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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 share the following update with you:

- i) Income tax treatment of COVID-19 related payouts to businesses and individuals.
- ii) Exemption for employment benefits for accommodation, food, transport, and daily necessities.
- iii) Passing on of property tax rebate benefit in view of COVID-19.

Income tax treatment of COVID-19 related payouts to businesses and individuals

On 20 July 2020, the Inland Revenue Authority of Singapore (IRAS) published a list of income tax treatment of COVID-19 related payouts to businesses and individuals. The IRAS has provided much needed clarification for businesses and individuals regarding the tax treatment of payouts received. In particular, the IRAS has stated that the following payouts are **not taxable** for income tax purposes either because they are not income in nature or because they are specifically exempted from income tax.

Payout	Purpose of Payout
Self-Employed Person (SEP) Income Relief Scheme payout	To help eligible SEPs tide over this period of economic uncertainty.
COVID-19 Support Grant	To support individuals who have lost their jobs as a result of the COVID-19 pandemic, while they find a new job or attend training.
Workfare Special Payment (under Care and Support Package)	To provide support to Singaporeans during this period of economic uncertainty.
Temporary Relief Fund payout	To support those who require immediate help to cope with basic living expenses as a result of the COVID-19 pandemic.
NTUC Care Fund (COVID-19) payout	To provide one-off financial assistance to National Trades Union Congress (NTUC) union members who are in financial difficulty or retrenched due to the COVID-19 pandemic.
Wage support for tourist guides licensed by the Singapore Tourism Board	To provide wage support for licensed tourist guides.
Payout to Singaporean seafarers funded by the Maritime and Port Authority of Singapore under the Seafarers Relief Package	To assist Singaporean seafarers who are unable to secure shipboard employment.
Jobs Support Scheme payout	To help enterprises retain local employees (Singapore Citizens and Permanent Residents) during this period of economic uncertainty.
COVID-19 Quarantine Order Allowance scheme payout	To manage the financial impact for those who have been served, or whose workers have been served, a Quarantine Order, LOA, or SHN.
COVID-19 Leave-of Absence (LOA) scheme payout	
COVID-19 Stay-Home Notice (SHN) scheme Payout	
Courage Fund COVID-19 Relief schemes	To provide relief and support to low-income families, healthcare workers, and other specified individuals who have supported the national response to COVID-19 and in doing so, contracted COVID-19.

On the other hand, the IRAS guidance states that the following payouts are **taxable** in the hands of employers, as these are considered revenue receipts for businesses.

Payout	Purpose of Payout
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Temporary Housing Support for employers affected by Malaysia's Movement Control Order (MCO)	To help employers defray the additional costs of providing short-term housing to affected workers.
Senior Worker Support Package (including Senior Employment Credit, CPF Transition Offset Scheme, Senior Worker Early Adopter Grant, Part-Time Re-employment Grant)	To support employment of senior workers.
Assistance scheme to defray third-party professional cleaning and disinfection costs for premises with confirmed COVID-19 cases	To provide assistance to defray cleaning costs for premises with confirmed COVID-19 cases.
Special relief for unhired taxis	To help taxi operators defray the costs of their unhired fleet of taxis.
Wage Credit Scheme (including the enhancements made as part of the Stabilisation and Support Package in Budget 2020)	To support wage increases for Singaporean workers

Exemption for employment benefits for accommodation, food, transport, and daily necessities

To support employees who are affected by movement restrictions imposed within and across borders due to the COVID-19 pandemic, employers may provide accommodation and other types of benefits to their employees.

In recognition that employees receive such benefits from their employers due to circumstances arising from the COVID-19 pandemic (such as Malaysia's MCO), tax exemption up to a specified amount, will be granted on these benefits, subject to conditions. This exemption only applies to qualifying benefits that an employee receives from his employer in the calendar year 2020.

Qualifying benefits that are eligible for the tax exemption

Cash allowance, reimbursement, or benefits-in-kind for any of the following items:

- Accommodation in Singapore (including the furniture and fittings provided together with the accommodation).
- Food, transport, and daily necessities for consumption in Singapore.

Qualifying conditions

The exemption is subject to the following two conditions:

1. The employee (and other employees performing a similar job scope) did not ordinarily receive such benefits in Singapore before 1 February 2020; and
2. The employer has provided the benefits either because:
 - i. The employee normally resides outside Singapore, but is required to reside in Singapore during the COVID-19 pandemic to ensure the continuity of his employer's business during the pandemic; or
 - ii. The provision of the benefit will assist to manage the risk exposure of the employee of being infected with COVID-19, or infect others with COVID-19.

If the conditions above are met, the amount of exemption is as follows:

Type of benefit	Amount of exemption
Benefits for accommodation (including furniture and fittings in the accommodation)	Amount of cash allowance, reimbursement, or value of the accommodation (including furniture and fittings), subject to a total cap of S\$75 per day per employee.
Benefits for food, transport, and/or daily necessities	Amount of cash allowance, reimbursement or value of benefits for food, transport, and/or daily necessities, subject to a cap of S\$50 (applied on the total amount for all items) per day per employee.

Benefits that are found in the IRAS' list of benefits-in-kind granted administrative concession or exempt from income tax will not count towards the caps of S\$75 or S\$50 per day per employee indicated above.

If an employer is providing such benefits in the form of a lump-sum cash allowance, the employer should state the period to which the allowance is applicable, so as to determine whether the amount meets the exemption threshold on a per day basis.

As an illustration, where the employer provides a monthly allowance for accommodation of S\$3,000 for the period from February to March 2020 (i.e., S\$6,000 in total for the two months), the exemption is capped at S\$4,500 [S\$75/day x 60 days (29 days in February 2020 + 31 days in March 2020)]. Hence, the excess allowance above the cap, i.e., \$1,500 [S\$6,000 - S\$4,500], is taxable as the employee's employment income and reportable by the employer in the Form IR8E/IR21.

All other employment benefits that do not meet the conditions stated above will be subject to the usual tax treatment.

Passing on of Property Tax (PT) rebate benefit or provision of additional support to tenants

The IRAS has also **provided clarifications** relating to the passing on of PT rebate benefit or provision of additional support to tenants. Owners of qualifying properties are required to unconditionally pass on to their tenants the PT rebate that is attributable to the rented property based on the period it was rented out (referred to as “PT rebate benefits”). Owners can either reduce or offset current or future rentals or make monetary payments to their tenants within the prescribed timeframe. The PT rebate benefit for January 2020 to June 2020 is to be passed on by 31 July 2020, and the PT rebate benefit for July 2020 to December 2020 is to be passed on by 31 December 2020.

For property owners and master-tenants: Tax deductions for passing on of PT rebate benefit or provision of additional support

Scenario	Proposed treatment for property owners and master-tenants
PT rebate benefit passed on or additional support provided in the form of reduced rent or rent offset	<ul style="list-style-type: none">For property owners/master-tenants who have passed on the PT rebate benefit or provided additional support to their tenants/sub-tenants in the form of reduced rent or rent offset, the IRAS has clarified that only the reduced rental income derived will be brought to tax in the hands of the property owners/master-tenants.
PT rebate benefit passed on or additional support provided in the form of monetary payments	<ul style="list-style-type: none">For property owners/master-tenants who have passed on the PT rebate benefit or provided additional support to their tenants/sub-tenants in the form of monetary payments, the IRAS has clarified that such monetary payments are currently not deductible under Section 14(1) of the Income Tax Act (ITA) as they are not regarded as expenses incurred in the production of the rental income.The Ministry of Finance intends to introduce a specific provision in the ITA to allow tax deductions on such monetary payments.The cap will be the lower of (i) the contractual rental amount as stipulated in the relevant tenancy agreement; or (ii) the actual amount of rental income receivable from the tenant/sub-tenant during calendar year 2020, that falls within the basis period of the Year of Assessment (YA) 2021 or YA 2022 respectively.Consequently, property owners/master-tenants will not be allowed tax deductions on any monetary payments that are over and above the contractual rental amount or the actual amount of rental income, whichever is lower.

For tenants and sub-tenants: Tax deductions for rental expenses incurred

Scenario	Proposed treatment for tenants and sub-tenants
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<p>PT rebate benefit or additional support received in the form of reduced rent or rent offset</p>	<ul style="list-style-type: none"> For tenants/sub-tenants who have received the PT rebate benefit or additional support from their property owners/master-tenants in the form of rental reduction or rent offsets, the reduced rental expenses incurred by the tenants/sub-tenants will be allowed as tax deductions, if such rental expenses are incurred in the production of income and not prohibited for deduction under Section 15(1) of the ITA.
<p>PT rebate benefit or additional support received in the form of monetary payments</p>	<ul style="list-style-type: none"> For tenants/sub-tenants who have received the PT rebate benefit or additional support from their property owners/master-tenants in the form of monetary payments, they have benefitted from reduced rental expenses indirectly. The Ministry of Finance intends to introduce a specific provision in the ITA to restrict the amount of allowable rental expenses, to the amount of rental expenses net of the PT rebate benefit or additional support the tenants/sub-tenants received from the property owners/master-tenants in the form of monetary payments.

The IRAS has also provided worked examples for each of the different scenarios on its [website](#).

Deloitte Singapore's views

The IRAS' guidance on the treatment of COVID-19 related payouts are certainly welcomed, and would likely provide much needed clarity for both employees and businesses which are already struggling to cope with the uncertainty brought about by the current COVID-19 situation. While the IRAS had previously clarified on its website that payouts under the Jobs Support Scheme (JSS) will be exempt from income tax in the hands of the employers, the recent list published by the IRAS provides further clarity on the tax treatment of other COVID-19 related payouts to businesses and individuals.

The introduction of the IRAS **acceptable rates for allowances and reimbursements of qualifying benefits** provided to affected employees helps to reduce the tax burden of taxpayers. Companies will need to respond accordingly and implement robust controls and processes to track and collate the necessary information required to fulfil their employer tax reporting obligations, where the qualifying conditions for exemption are not met or where there are amounts in excess of the IRAS' acceptable rates for qualifying benefits paid or provided to the employees, to avoid penalties and enforcement actions by the IRAS.

The clarification on the tax treatment of PT rebate benefits as well as the additional support provided to tenants comes at a good time, especially since the PT rebate will likely be passed on to tenants in the form of cash payouts or through a reduction or waiver in rent, or perhaps even a combination of both. Based on the guidance set out by the IRAS, it is intended that the property owner or master tenant will not be unduly disadvantaged under either option (i.e., either by allowing a deduction for the payment or taxing the reduced rental income). However, given that the amount of deduction for monetary payments are subject to additional capping rules, it would

appear to be administratively simpler for PT rebates to be passed on through either reduced rental or rental offset for tenants.

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