

Tax Guide for the Singapore Expatriate

June 2009



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1. Introduction

As an expatriate coming to Singapore, it is essential for you to have an appreciation of its regulatory and fiscal environment. Firstly, this will assist you to comply with those laws and regulations affecting you directly. Secondly, familiarity with the key features of the Singapore system may enable you to organise your affairs in the most advantageous manner, for tax and other purposes.

For easy reference, this booklet is divided into the following chapters:

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2. The Regulatory Framework

2.1 Immigration Rules (Employment Passes)

Expatriate employees working in Singapore require employment passes. The pass must be obtained by means of an application (EP online or manually) sponsored by a Singapore company to the Immigration Department. The following supporting documents should be enclosed for manual application, and same need to be submitted later in the case of application made online upon receiving in-principle approval letter from Ministry of Manpower:

- A copy of applicant's educational certificates including professional qualifications (if any) which must be duly translated into English if they are in other languages;
- A copy of the travel document page showing personal details;
- A passport-sized photograph (taken within the last 3 months);
- Other document may be specifically requested.

We suggest including a copy of the applicant's curriculum vitae.

Your spouse and children (below the age of 21) may apply for dependant passes which are valid for the same period as your employment pass. Spouses on dependant passes may work in Singapore subject to the employer obtaining a Letter of Consent for the dependant pass holder from the Immigration Department.

Employment passes are normally issued for an initial period of up to 1 year and are subject to renewal. A successful applicant is provided with an in-principle approval which allows the applicant to commence employment for one month from the date of in-principle approval letter from the Immigration Department pending the collection of the Employment Pass.

2.2 Taxation

2.2.1 Income Tax

The main tax affecting you will be income tax. Broadly speaking, this is imposed on all Singapore sourced income (see *Section 3* for further details).

Capital gains are not subject to tax in Singapore.

2.2.2 Goods & Services Tax (GST)

GST is levied on the supply of goods and services in Singapore at 7% (see *Section 4.2.2* for comments on the GST rules governing the importation of personal effects).

2.3 Central Provident Fund (CPF)

Singapore citizens and permanent residents and their employers are required to contribute to the CPF, a mandatory superannuation scheme. CPF is not open to employment pass holders.

2.4 Supplementary Retirement Scheme (SRS)

The SRS is a voluntary scheme to encourage working individuals to save for retirement. The scheme is open to individuals who are at least 21 years of age. These include employees, self-employed individuals, individuals without any earned employment income and foreigners working in Singapore.

The SRS is operated by the private sector and participation in SRS is voluntary. Participants can contribute a varying amount to SRS account, subject to a cap. However, from 1 October 2008, employers can contribute to the employee's SRS account subject to prevailing contribution limits.

The amount of SRS contribution is calculated based on the individual's income in the preceding year. The maximum SRS contribution is capped at 17 months of S\$4,500, which is the prevailing CPF monthly salary ceiling, and applies to individuals regardless of the actual level of income.

The prevailing SRS contribution cap is S\$76,500 to which the applicable rate will apply. SRS contribution rate for Singaporean/ Singapore permanent residents is capped at 15% while for foreigners, who do not contribute to CPF, the cap is 35%. Hence, the maximum SRS contribution for a foreigner in the year 2009 is S\$26,775 (35% x S\$76,500) and for a Singaporean/ Singapore permanent resident, it is S\$11,475 (15% x S\$76,500).

Employer's contributions to employee's SRS account are tax deductible for the employer and employee will be subject to tax on the contributions that his employer makes into his SRS account.

Contributions to SRS are eligible for tax relief (see **Appendix B** for details) up to the prevailing applicable contribution limit, provided the individual is a tax resident for that year of assessment. Non-residents do not qualify for any tax relief.

Contributions to SRS may be used to purchase various investment instruments. Investment gains will accumulate tax-free in the SRS account. Tax will however be payable upon withdrawal of savings. If the withdrawal is upon retirement (prevailing statutory retirement age is 62), only 50% of the withdrawn amount is taxable. For foreigners who make a withdrawal before retirement, 50% of the withdrawn amount is taxable only if he has

maintained the SRS account for at least 10 years from the date of the first contribution and has been a non-Singaporean for a continuous period of 10 years before the date of withdrawal.

For any early withdrawal before retirement, 100% of the withdrawn amount is taxable and a 5% penalty is also imposed, except under certain circumstances such as death or on medical grounds.

3. Principles of Personal Taxation

3.1 The Tax Year

The tax year is from 1 January to 31 December each calendar year and income is assessed on a preceding year basis, i.e. income derived in the calendar year to 31 December 2008 will be chargeable to tax for the Year of Assessment 2009 and income derived in the calendar year to 31 December 2009 will be chargeable to tax for the Year of Assessment 2010.

3.2 Residency

The treatment of an individual depends on whether he is a resident for tax purposes. Criteria for determining whether an individual is a resident for tax purposes are:

- a. The primary rule is that if he is physically present or exercises employment for an aggregate of 183 or more days in Singapore in any tax year, he will be resident for that year. This rule is applied by regarding each year separately;
- b. The usual place of residence or the maintenance of a place of residence in Singapore;
- c. By way of IRAS concession, which are as under:
 - Two-year administrative concession: Under this concession the employee will be treated as a tax resident for two years if his stay or work in Singapore is for a continuous period of at least 183 days straddles over two years, even though his stay in the year of arrival and departure may be for less than 183 days each year. This concession applies to foreign employees (excluding directors) who entered Singapore from 1 January 2007 and will be granted automatically to those who qualify.
 - Three-year administrative concession: Under this concession if employee's stay in Singapore covers three or more consecutive calendar years, he will be treated as resident for each of the tax years concerned even though his stay in the years of arrival and departure may be less than 183 days each.

If employee is assessed as a non-resident by IRAS, the employee can request for tax reassessment from non-resident to resident status. See **Appendix A1** for a specimen request form.

3.2.1 Treatment of a Resident

Broadly, a resident individual is taxed on all his Singapore-sourced remuneration and certain other Singapore sourced income. There are tax exemptions for a wide range of Singapore sourced investment income (including dividends, capital gains, distributions from unit trusts and real estate investment trusts, annuities, interest received from deposits with approved

banks or licensed finance companies in Singapore) derived directly by individuals and for all foreign-sourced income remitted to Singapore by individuals (except income received through a partnership).

There is no capital gains tax in Singapore. Therefore, profits of a capital nature are not subject to tax. Similarly, no deduction is allowed for losses of a capital nature.

The advantages of being treated as a tax resident are the availability of personal reliefs (see [Appendix B](#)), deductibility of contributions made to approved provident funds, chargeability of income at graduated rates ranging from 0% to 20% in the Year of Assessment 2009 (see [Appendix C](#)) and personal tax rebates (see [Appendix D](#))

3.2.2 Treatment of a Non-Resident Employee

A non-resident individual is taxed only on his Singapore-sourced income.

There is an exemption in respect of the employment income of a non-resident individual (other than a director or public entertainer) who does not exercise employment in Singapore for more than 60 days during the year.

Otherwise, the employment income of a non-resident individual is charged at the higher of:

- 15% on the gross amount (without any deduction for personal reliefs and contribution to provident funds); or,
- corresponding tax under the resident basis.

Income from other sources (unless exempted) will be taxed at a flat rate which is currently 20%.

3.2.3 Non-Resident Directors

Tax is withheld at 20% on fees paid by a Singapore company to its non-resident directors. However, the IRAS vide circular dated 9 March 2004, clarified that fees paid by non-resident companies with no presence in Singapore to their directors purely in their capacity as directors are sourced in the country where the company is resident. Hence no Singapore withholding tax need to be deducted, notwithstanding that the directors may, on some occasions, conduct their meetings in Singapore.

3.3 Tax Treaties

Singapore has concluded tax treaties with a number of countries (see [Appendix E](#)). Under many of the tax treaties entered into by Singapore, tax residents of other countries may be exempt from Singapore income tax on employment income earned if their period of employment does not exceed 183 days in a calendar year or twelve month period. If your

home country happens to be one of these countries, you should seek professional advice as to how your position may be affected by the provisions in the relevant treaty.

3.4 Taxation of Employment Income (for Resident and Non-Resident)

In general, all remuneration arising from an employment under which duties are performed in Singapore would be fully taxable irrespective of where the funds are made available to you. Three exceptions are the Area Representative, dual contract arrangements and the Not Ordinarily Resident Scheme (see *Sections 3.6, 3.7 and 3.8* respectively).

Taxable income includes all amounts, whether in cash or kind, arising from an employment. As a rule, all payments in cash are included at face value including salary, bonuses and commissions, overseas adjustment, cost of living allowance, housing allowance, education payments, home leave allowance and tax reimbursements.

Daily allowances given / reimbursements to employees on overseas business trips (known as per diem allowances) are also taxable but only on the amount that is in excess of the acceptable rates published by the IRAS. The allowances / reimbursements are meant to cover certain living expenses incurred overseas such as cost of meals, transport expenses and other incidental expenses like laundry.

Non-cash benefits which would give rise to a charge to tax include use of a car, provision of accommodation, home leave passage, stock purchase or savings plans and share options. Detailed treatment of some common items is given in **Appendix F**.

Reimbursement of moving expenses (including travel and moving personal and household effects) is generally not taxable. However, a benefit is imputed in respect of temporary living expenses in a hotel in Singapore.

A significant part of your package would usually go to cover the relatively high cost of accommodation in Singapore. It can be seen from **Appendix F** that, as a rule, it is more beneficial to you to have your employer provides you with accommodation than to receive a housing allowance.

When your employer bears your tax (i.e. your package is on a tax-free basis) an additional benefit is recognised and you will be assessed on a grossed-up basis.

Every employer is required to make an annual return (Form IR8A) of remuneration and taxable benefits-in-kind provided to Singapore employees each calendar year by 1 March of the following year. You should request for the Form IR8A from the employer starting from the second year you are in Singapore. Refer **section 4.3** below for detail about filing of tax return and payment of tax due.

3.5 Taxation of Investment Income

Generally, Singapore-sourced income in the nature of dividends, capital gains, distributions from unit trusts and real estate investment trusts, annuities, interest received from deposits with approved banks or licensed finance companies in Singapore are not taxable unless they are derived from a partnership in Singapore.

All foreign-sourced income (except income received through partnerships in Singapore) received in Singapore is also exempt from tax.

3.6 Area Representatives

By concession, an area representative is taxed in Singapore on a proportion of the total remuneration package corresponding to the proportion of working days spent in Singapore during the year. However benefits-in-kind provided in Singapore are fully taxable.

To qualify as an Area Representative, you must satisfy these four criteria below:

- you work in the representative office of a non-resident employer;
- you are based in Singapore for geographical convenience;
- you are required to travel substantially in the performance of your duties for the foreign employer; and
- your remuneration is paid by your foreign employer and not charged to a permanent establishment in Singapore.

Under the Area Representative Scheme, even though your physical presence in Singapore might be less than 183 days in a calendar year due to substantial travelling, if your employment is a continuous period of at least 183 days straddle over two years (under the two-year administrative concession) or if your employment in Singapore covers three continuous years (under the three-year administrative concession), you will be considered as a tax resident in Singapore for each year.

3.7 Dual Contracts

Alternatively, if you are working for a group of companies it may be possible to have a separate contract of employment for duties to be performed wholly outside Singapore (in respect of a non-resident employer) with a view to exclude the earnings from that offshore employment from Singapore tax.

The IRAS routinely questions whether the duties performed inside and outside Singapore are genuinely separate and whether there are commercial and economic justifications for the employment being split. Therefore, these and other points would have to be considered in assessing whether separate employments would be justifiable. It is expected that most

people who have a bona fide reason for a split contract should qualify under The Not Ordinarily Resident Scheme (see below). For this reason, it is anticipated that the IRAS will closely scrutinise dual contract arrangements implemented after the introduction of the Not Ordinarily Resident Scheme in the Year of Assessment 2003.

3.8 The Not Ordinarily Resident Scheme

The Not Ordinarily Resident (NOR) Scheme extends favourable tax treatment to qualifying individuals for a period of five years of assessment, provided such individuals meet the following criteria:

- The individual must not have been a Singapore resident in the 3 consecutive years of assessment before the year he first qualifies for the NOR scheme; and
- The individual must be a tax resident for the year of assessment in which he wishes to qualify for the NOR scheme and must also be employed by a Singapore employer.

If you satisfy the following conditions, you will only pay income tax on the portion of your employment income (including all benefits-in-kind with effect from Year of Assessment 2009 but excluding director's fees and any income tax payable in Singapore that is borne directly or indirectly by your company) according to the time you spend in Singapore, provided:

- you have spent at least 90 days outside Singapore for business;
- you derive a minimum annual income of S\$160,000 from Singapore employment.

Furthermore, subject to the capping rules of the CPF for Singapore citizens, the employer's contribution to overseas pension funds or social security schemes for non-citizens/ non-permanent residents of Singapore will be tax exempt, provided the employer does not claim deduction for the contribution.

4. Action Checklist

4.1 Before Arrival in Singapore

4.1.1 Employment Pass

Since the Singapore Immigration Department can take up to one month to process an application, you may wish to submit an application whilst still in your home country. If you are taking on an appointment with a new employer, it is preferable to obtain an employment pass before leaving for Singapore.

4.1.2 Employment Contracts

You would naturally wish to finalise and document the terms and conditions of your employment contract whilst still in your home country. In doing so, consideration should be given to the possibility of benefiting from the area representative, dual contract treatment or the NOR scheme (see *Sections 3.6, 3.7 and 3.8*). If you are seconded to Singapore, your employer and the Singapore company for whom you will be working should determine how the charge for your services between them is to be handled.

4.1.3 Remuneration Packages

Before arrival you will want to ensure that your package covers additional expenses which you will incur while living in Singapore.

Your employer's contribution(s) to certain employee plans i.e. savings plans, life insurance plans, and/or overseas pension plans may constitute taxable income to you.

4.2 On Arrival in Singapore

4.2.1 Establishing Residence

As your residence position is of primary importance in establishing your basis of taxation in Singapore, we would highly recommend that you seek professional advice in planning and arranging your financial/tax affairs. For personal tax clients, Shanker Iyer & Co has developed a personal information organiser to help collate the information needed to prepare the annual tax return.

4.2.2 GST on importation of personal effects

GST applies at 7% on the supply of goods and services in Singapore and on the importation of goods into Singapore.

Used household articles and personal effects imported into Singapore within 6 months of first arrival into Singapore will be exempt from import GST provided the following conditions are satisfied:

- You are changing your place of residence from outside Singapore;
- You are the owner of the articles in question; and,
- The articles have been in your possession and use for at least 3 months.

You may be required to give an undertaking that you will not dispose of the articles within 3 months of their importation.

4.3 During the Year

4.3.1 Tax Return

Tax return is due for submission by 15th April of each tax year.

Tax return can be filed in two different modes:

- *E-filing (via internet)*

To e-file tax return, you are required to obtain a SingPass/IRAS Pin to access IRAS e-Services Tax Portal and e-Services Authorisation System (EASY). On obtaining such identification number you are required to log in to your tax portal and e-file tax return by the due date.

- *Paper filing*

An alternative way to file tax return is paper filing. In this case, IRAS can issue tax return (Form B/B1/M) and you are required to complete and submit it by 15th April of that year.

Application for extension of time to file tax return is subject to the approval of the IRAS. Every effort should be made to ensure that the return is submitted as soon as practicable.

If you do not receive an IRAS pin or a paper return from the IRAS, you have a statutory obligation to notify the IRAS not later than 14th April in the year that you are chargeable to tax. Penalties can be imposed for failing to give such notification and for unreasonable delay in submitting the return.

Generally, you are first liable to tax in the second year you are in Singapore, based on earnings in the preceding year. However, if you arrive in and depart from Singapore during the same year, you have to settle your tax based on earnings of that year before departure.

An example of a personal tax computation is shown in [Appendix G](#).

4.3.2 Notices of Assessment

The IRAS issues a notice of assessment after receipt of the tax return. Advance assessment may be issued on an estimated basis if you elect to pay your tax by instalments. If an assessment is incorrect you have only 30 days in which to lodge an objection.

An individual who is an employee of a non-resident company may receive an assessment in advance of the normal time. However, the IRAS may waive the advance assessment if they are provided with a guarantee of payment by a well-established Singapore company or a Singapore bank (refer to [Appendix A2 for a specimen guarantee](#)).

4.3.3 Payment of Tax Due

You can wait until you receive an assessment from the IRAS and pay the full amount of the tax assessed within one month from the issue of the notice of assessment. Alternatively, you can elect to pay the tax due up to a maximum of 12 monthly interest-free instalments which will run from May of the year in which tax return is filed to April of the following year.

Please note that upon receipt of the notice of assessment, tax is payable notwithstanding any objection to the amount of the assessment.

4.4 Before Departure from Singapore

4.4.1 Reporting Departure

When the date of your departure is known, your employer should complete a Form IR21 on which your employment income from 1 January to the date of your departure is reported. This form has to be submitted to the IRAS not later than one month prior to the date of your departure or your cessation date of employment, whichever is earlier.

Payment of the tax due has to be made before the IRAS will grant you tax clearance. Your employer is obliged to withhold all payments to you until such clearance has been obtained or upon the expiry of 30 days after the IRAS has been notified of your cessation of employment or departure from Singapore, whichever is earlier.

APPENDIX A1: Request for tax reassessment from non-resident to resident status

REQUEST FOR TAX REASSESSMENT FROM 'NON-RESIDENT' TO 'RESIDENT' STATUS This form is to be completed by a foreign employee (excluding directors of a company and public entertainers) applying for resident status



It may take you 3 minutes to fill in this form. Please get ready your letter of employment/work pass																																													
Section A : Your Personal Particulars																																													
Full Name (as in passport):	FIN / Passport No :																																												
Address:	Contacts: - Email address _____ - Tel _____																																												
Section B: Application for Resident Status (Please attach a copy of the letter of employment / work pass from your current employer)																																													
Please review my assessment for the year _____ as I qualify to be assessed as a resident for tax purposes.																																													
1. I have been employed by _____ (Name of current employer) with effect from _____.																																													
2. I have been physically present / working in Singapore for:																																													
<input type="checkbox"/> 3 consecutive years from _____ to _____ <input type="checkbox"/> 183 days or more from _____ to _____																																													
My schedule of days in Singapore is as follows: (Please attach separate list if space is insufficient)																																													
<table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; width: 80%;"> <thead> <tr> <th style="width: 10%;">Year</th> <th style="width: 30%;">Date of arrival</th> <th style="width: 30%;">Date of departure^a</th> <th style="width: 30%;">No of days</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> </tbody> </table>		Year	Date of arrival	Date of departure ^a	No of days																																								
Year	Date of arrival	Date of departure ^a	No of days																																										
Section C : Section C : Claim For Refund (Please attach a copy of the bankbook & passport for verification of signature)																																													
<input type="checkbox"/> Please refund my credit balance to my bank account Name of the bank: Account No: <input type="checkbox"/> Or send a refund cheque to my address.																																													
Section D: Your Declaration																																													
I, _____ hereby declare that all information given in this form and in any documents attached is true, correct and complete.																																													
_____ Signature	_____ Date																																												

Under the Singapore Income Tax Act, there are penalties for making a false or incorrect declaration.

Please tick where appropriate

FC-OP-CLE-06/F02-03

APPENDIX A2: Sample of Letter of Guarantee to Avoid Advance Assessment

"SPECIMEN ONLY"

Date : dd/mm/yy

Comptroller of Income Tax
55 Newton Road
Revenue House
Singapore 307987

Dear Sir

GUARANTEE FOR \$ _____
(full name of taxpayer) TAX REFERENCE NO _____

In consideration of your agreement not to issue advance assessment for the Year of Assessment 20____ against _____ (full name of taxpayer) (Current Passport No _____) of _____ (address) we the guarantor, _____ (name of company & ROC number) of _____ (address) hereby guarantee payment to you upon demand of the amount of \$ _____ (Singapore dollars _____) being the income tax liability of the said (full name of taxpayer) for the Year of Assessment 20____ upon his default in payment.

2 This guarantee is valid until 31st December 20____.

Yours faithfully

Signature

(Full name and designation of
authorised officer)

*Note: 1. This Letter of Guarantee should bear the guarantor's official letterhead.
2. Any corrections/amendments should be verified and endorsed by the authorised officer*

APPENDIX B: Personal Reliefs

The following personal reliefs are granted to tax residents according to the circumstances existing in the year immediately preceding the year of assessment:

Earned income relief

Earned income relief is a relief to provide recognition for individuals who receive income from work, trade, business, profession or vocation:

Age	Earned income relief	Earned income relief for handicapped
Below 55	S\$1,000	S\$2,000
55 to 59	S\$3,000	S\$5,000
60 and Above	S\$4,000	S\$6,000

Wife relief

S\$2,000

You can claim wife relief if your wife is living with or supported by you and does not have annual income more than S\$2,000 in the preceding year. If you are divorced or legally separated, wife relief can still be claimed if you support your ex-wife by payments under a court order / deed of separation. The amount of relief allowed is the alimony / maintenance actually paid up to maximum of S\$2,000.

Handicapped spouse (whose annual income is less than S\$2,000)

S\$3,500

Child relief

S\$4,000 for each child

Child relief is only granted in respect of an unmarried legitimate, step or legally adopted child who is under 16 years of age at any time during the preceding year. If the child is of 16 years of age and above, he / she must be:

- Studying full-time at any university, college, school or other educational establishment;
- Serving under articles or indentures with a view to qualify in a trade or profession; or
- Physically or mentally handicapped.

No relief is allowed for any child whose income (including national service pay, but excluding income from a scholarship, bursary or similar educational endowment) for the preceding year exceeds S\$2,000.

There are other generous tax reliefs for children and ‘baby bonuses’ (such as working mother’s child relief and parenthood tax rebate) and these are limited to children who are Singapore citizens.

Parent/handicapped parent and handicapped brother/sister relief

The amount of relief for each dependant is as follows:

	Parent Relief	Handicapped Parent/Brother/Sister relief
Dependent living in the same household	S\$5,000	S\$8,000
Dependent not living in the same household	S\$3,500	S\$6,500
Handicapped brother or sister	-	S\$3,500

This relief is available for resident individuals who maintain dependants living in the same household in Singapore. If dependent lives in a separate household in Singapore the requirement is that the individual pays at least S\$2,000 a year for the maintenance of each dependant.

For parent/handicapped parent relief, the dependant may be a parent, grandparent or great-grandparent who is either over 55 years of age or is incapable of maintaining himself or herself because of physical or mental infirmity (for handicapped relief). The income of the dependant parent must not exceed S\$2,000 per annum. You can claim parent or handicapped parent relief for up to 2 dependants.

The dependant may also be either the brother or sister of the individual / or of the individual’s spouse, who is physically or mentally incapacitated from maintaining himself or herself. In this case the income of the dependant must not exceed S\$2,000 per annum.

Life assurance premiums and contributions to approved pension or provident funds.

Life assurance premiums paid on the life of your own or your spouse and contributions to approved pension or provident funds are allowed subject to a maximum of S\$5,000 per year. If the contribution to approved pension or provident funds exceeds S\$5,000 per year then no relief is given for any life assurance premiums paid during the same year.

If the approved pension or provident contribution is less than S\$5,000 per year, the individual can claim the lower of:

- The difference between S\$5,000 and the contribution to the approved pension or provident funds; or
- Up to 7% of the insured value of his own/his wife's life or the amount of insurance premiums paid whichever is lower.

No relief will be given:

- to a married female for insurance premium paid on her husband’s life assurance policies.
- if the insurance company does not have office or branch office in Singapore for policies taken on or after 10 August 1973.

Course fees

Cost incurred to attend seminars, conferences etc or fees incurred to undertake any course of study for the purpose of gaining an approved academic, professional qualification or vocational qualification even if these seminars, conferences or courses are not related to individual's current trade, business, profession, vocation or employment are deductible subject to a maximum of S\$3,500. The individual should claim the tax relief as soon as he has assessable income above S\$22,000, within a time limit of 2 years of assessment.

Foreign maid levy relief

A married woman will be entitled to claim a tax deduction against her earned income for twice the amount of the foreign maid levy paid in respect of one maid. This relief will also be available to married women whose husband is not resident in Singapore, divorced women and widows with children. This relief is regardless of whether the husband paid the levy.

SRS contribution relief

The relief is the actual SRS contribution made by the individual or his employer on his behalf. SRS contribution rate for Singaporean/ Singapore permanent residents is capped at 15% while for foreigners the cap is 35%. The maximum tax deductible SRS contribution for a foreigner in the year 2009 is S\$26,775 (35% x S\$76,500) and for Singaporean/ Singapore permanent resident is S\$ 11,475 (15% x S\$76,500)

APPENDIX C: Summary of Income Tax Rates for Year of Assessment 2009

Taxable income	Rate (%)	Gross Tax payable (S\$)
First S\$20,000 Next S\$10,000	0 3.50	0 350
First S\$30,000 Next S\$10,000	- 5.50	350 550
First S\$40,000 Next S\$40,000	- 8.50	900 3 400
First S\$80,000 Next S\$80,000	- 14	4 300 11 200
First S\$160,000 Next S\$160,000	- 17	15 500 27 200
First S\$320,000 Above S\$320,000	- 20	42 700

APPENDIX D: Rebates

One-off personal tax rebate for Year of Assessment 2009

A one-off personal tax rebate of 20% is automatically granted to resident individual taxpayers for the Year of Assessment 2009, subject to cap of S\$2,000.

The 20% tax rebate is calculated based on the tax payable after double taxation relief (DTR) and other credits but before set-off of the Parenthood Tax Rebate.

Parenthood tax rebate (PTR)

PTR is a lump sum rebate given to married Singapore tax residents to encourage them to have more Singapore citizen children. Qualifying child is one who is born to your family on or after 1 January 2008 and becomes a Singapore citizen at the time of birth or within 12 months thereafter.

APPENDIX E: Tax Treaties

Countries with which Singapore has concluded a Comprehensive Double Tax Treaty are:

Asia Pacific	Europe	Middle East	Others
Australia	Austria	Bahrain	Canada
Bangladesh	Belgium	Egypt	Mauritius
Brunei	Bulgaria	Israel	Mexico
China	Cyprus	Kuwait	South Africa
Fiji	Czech Republic	Oman	
India	Denmark	Qatar	
Indonesia	Estonia	UAE	
Japan	Finland		
South Korea	France		
Malaysia	Germany		
Mongolia	Hungary		
Myanmar	Italy		
New Zealand	Kazakhstan		
Pakistan	Latvia		
Papua New Guinea	Lithuania		
Philippines	Luxembourg		
Sri Lanka	Malta		
Taiwan	Netherlands		
Thailand	Norway		
Vietnam	Poland		
	Portugal		
	Russian Federation		
	Romania		
	Slovak Republic		
	Sweden		
	Switzerland		
	Turkey		
	United Kingdom		
	Uzbekistan		

In addition, there are 3 comprehensive agreements signed pending ratification: Libya, Morocco and Ukraine.

APPENDIX F: Taxation of Benefits in Kind

Accommodation

The taxable value of accommodation is taken to be the lower of:

- a. the annual value of the house, which is usually equivalent to the unfurnished rent, or
- b. 10% of all income from employment

less rent paid (if any) by employee to the employer for the accommodation.

In the case of a director of a company, whose remuneration from the company is less than the annual value of the accommodation provided for his use, the 10% limitation does not apply, and the taxable housing benefit will be the annual value of the accommodation.

Furniture, Furnishings and Equipment

Where the accommodation provided is furnished, the furnished element derived from the use of the furniture, furnishings and equipment is assessable according to rates which are prescribed by IRAS from time to time. The following rates apply:

<u>Item</u>	<u>Per month</u>
Air conditioner: - Single unit/Additional room (central air con) - Living/Dining room (central air con)	S\$10 per unit/room S\$15 per unit/room
Vacuum cleaner Cooker/Water-heater Fan/Toaster/Iron/Air-cooler/Light fittings (eg. Standing lamps/ lights. Installed lights not included)	S\$2 per unit S\$2.50 per unit S\$1 per unit
Furniture (Soft and Hard)	S\$10
Radio/Amplifier/Hi-fi/Stereo system/Home entertainment theatre/Surveillance system/Television	S\$30 per unit
Refrigerator	S\$10 per unit
Swimming pool	S\$100
Utilities/Pager/Telephone/Camera/Suitcase/Golf bag	Actual cost
Video recorder/DVD player/VCD Player	S\$20 per unit
Washing machine/Dish washer/ Dryer	S\$15 per unit
Blender/Juicer/Kettle/Coffee maker	S\$3 per unit
Floor polisher	S\$4 per unit
Lawn mower	S\$5 per unit
Computer	S\$40 per unit

Note that the above list consists of items which are commonly identified as provided with the accommodation and it is not exhaustive.

Food, clothing and hotel accommodation provided or paid by employer

The taxable value for food and clothing is the cost paid by the employer. Meal allowance/reimbursement to employee for working beyond official working hours on an ad-hoc basis and staff uniforms are not taxable.

Hotel accommodation provided or paid by an employer for an employee and his family is taxable on the following basis:-

	Per month
Self/Wife	S\$250
Children	
Over 20 years of age	S\$250
From 8 to 20 years of age	S\$100
From 3 to 7 years of age	S\$50
Under 3 years of age	S\$25

plus 2% of the employee’s basic salary for the period involved.

OR, actual cost of the hotel accommodation if lower.

Home Leave Passage

The taxable value of home leave passage is restricted to 20% of one return fare each for the taxpayer and his spouse, plus two return fares for each child, for trips to the taxpayer’s home country. Any fares in addition to these and fares to countries other than the taxpayer’s home country taxable at full value.

Motor Car/Driver

In order to arrive at taxable benefit figures more reflective of the real value of a car provided to an individual by his employer, the IRAS prescribe the following two-part formula - one reflecting the capital cost of the vehicle and the other the running costs:

$$\frac{3}{7} \times \left[\frac{\text{Car cost - residual value}}{10} \right] + \text{S\$0.45 / km or S\$0.55 / km x private mileage}$$

Where:

“Car Cost” refers to the acquisition cost of a car (inclusive of COE).

“Residual Value” is 80% of the open-market value of the car acquired post 1 November 1990.

“S\$0.45/km” rate is used if the cost of petrol is borne by the employee.

“S\$0.55/km” rate is used if the cost of petrol is borne by the employer.

For rented vehicles, the formula is:

$$\frac{3}{7} \times \text{rental costs incurred by employer} + (\text{S\$}0.10/\text{km})$$

Where:

“S\$0.10/km” rate is used if the cost of petrol is borne by the employer otherwise nil.

Private mileage - includes travel from home to office and vice versa. Where detailed mileage records are not available, estimates are normally acceptable provided they are realistic.

If a driver is also provided, the value is taken to be the private use proportion of his salary including employer’s contribution to CPF.

Share Options

Where an employee is granted a right or benefit by reason of any office or employment held by him to acquire shares in any company, the gain or profit derived by him from exercising, assigning or releasing the right or benefit is chargeable to tax. The gain or profit is taken to be the open market value or net asset value of the shares at the time of the exercise, assignment or release of the right or benefit less the amount paid for the shares.

Gains from stock options granted for non-Singapore employment will be exempt from tax even if exercised in Singapore. Conversely, gains from stock options granted for Singapore employment will be taxed in Singapore irrespective of where they are exercised.

Tax treatment when a person leaves Singapore

When a non-Singapore citizen leaves Singapore permanently or a non-Singapore citizen who is a Singapore permanent resident leaves Singapore for a period exceeding 3 months, the tax treatment of share options granted after 1 January 2003 but not exercised, to an individual exercising a Singapore employment, is as follows:

- the individual is deemed to have exercised his share options one month before the date the employee ceases employment. The taxable gain is the market value less exercise price; or
- the employer can commit to track the individual and the exercise of the option. The employer must be approved by the IRAS for this option and comply with specified conditions, including the collection and settlement of the tax due. Stringent penalties apply to the company if it fails to comply with the conditions for this option.

Gains from stock options and restricted share awards subject to a moratorium will be taxed only after the moratorium ends. The taxable gain will be the difference between the market price at the end of the moratorium and the exercise price.

Interest Subsidy on Staff Loans

Where an employer provides employees with loans at preferential or below market interest rates, a taxable benefit is derived by the employees on the difference between market rate and the preferential rate. However, as an administrative concession, such benefits although taxable would not be brought to tax if the benefits are generally available to all employees and the employees must not have a substantial shareholding, or control or influence over the company. This concession does not apply to interest payment made by the employer in respect of loans obtained from financial institutions and is therefore fully taxable.

Income Tax Paid by Employer

If an employer bears the personal tax liability of an employee, the amount is treated as “additional income” of the employee. Further tax is due on this “additional income”, which in turn creates further “additional income”. The effect is that a tax-on-tax is payable so that the total tax liability is computed on the basis of the “re-grossed” income.

Medical and Dental Care

Where an employer reimburses for treatment on medical and dental care (excluding optical care) for his employee, employee’s spouse and children, as an administrative concession, such benefits are not taxable provided the benefits are available to all employees.

Insurance Premium

Where an employer pays the life insurance premiums and employer is the beneficiary of the policy, such insurance premiums are not taxable even if the employer subsequently disburses the insurance payouts to its employees. However, in the case where employee is the beneficiary of the policy, the employee will be subject to tax for the amount of premium paid by employer. For medical insurance, as an administrative concession, the premium will not be taxable in the hands of employee even when employee is beneficiary to the policy. Premium on other policies like travel insurance, workmen compensation insurance are not taxable in the hands of employee in any case.

Subscription and Entrance Fee

Subscriptions to clubs or mobile phones or internet are not taxable if they are used for business purposes. The portion relating to personal use is taxable. As regards personal membership of sports clubs, gyms, fitness centres, cable for TV, subscription to professional bodies are taxable in the hands of employees. Employees can claim the membership subscription fees against his income when filing his income tax return.

Transport

The tax treatment for payment relating to transport are summarised as follows:

Nature	Taxable/Not Taxable
Fixed monthly allowance	Taxable
Expenses for discharging official duties	Not taxable
Mileage on private cars - Reimbursements made for private mileage - Reimbursement on mileage for official duties	Taxable Not taxable
Working overtime - Allowance paid or reimbursement made	Not taxable, if allowance/reimbursement is meant for working beyond official working hours on an ad-hoc basis or the payment policy is generally available to all staff.
Taxi trip between office and home	Not taxable if the employee is working overtime.
External business venues/ Travel between home and airport	Reimbursement/allowance not taxable

Per diem charges

Nature	Taxable/Not Taxable
Per diem allowance	Amount in excess of IRAS acceptable rates defined for each country are taxable
Per diem reimbursement for business expenses incurred	Not taxable
Combination of per diem allowance and reimbursement	The reimbursement portion is not taxable. As for the per diem allowance, the amount in excess of IRAS acceptable rates are taxable
Travel insurance premium	Not taxable if it is for the period which an employee is overseas for business

Overtime payments

Overtime allowance and overtime claims both are taxable.

APPENDIX G: Example of Income Tax Computation

Year of Assessment 2010

Basis Period: 1.1.09 - 31.12.09

Employment	S\$
Salary (S\$10,000 per month)	120,000
Bonus	10,000
Leave passage (20% of S\$10,000)	<u>2,000</u>
	132,000
Accommodation - (10% of S\$132,000)	<u>13,200</u>
Assessable income	145,200
Less personal reliefs:	
Earned income	(1,000)
Wife	(2,000)
Child (one)	<u>(4,000)</u>
Chargeable income	<u>138,200</u>
Tax payable on the first S\$80,000	4,300
Tax payable on balance S\$58,200 @ 14%	<u>8,148</u>
Total tax payable	<u>12,448</u>
Net tax payable	<u>12,448</u>

Assumptions:

The taxpayer is Singapore tax resident.

The value of air fare for home leave passage is S\$10,000.

For tax rate bands refer to **Appendix C**.