



Singapore

Introduction

Foreign sourced income of resident individuals is generally exempt from tax. Nonresidents are taxed only on Singapore-sourced income.

Singapore income tax is imposed on a territorial basis whereby the individual is generally taxed on all income accruing in or derived from Singapore. Since the year of assessment 2005, foreign-sourced income received in Singapore by resident individuals is exempt from tax unless the income is received through a partnership in Singapore.

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Key messages

A frequent business traveler whose stay in Singapore exceeds 60 days in a calendar year will be subject to tax in Singapore on the income derived from the individual's services performed in Singapore.

Income tax

Liability for income tax

A person's liability for Singapore tax is determined by residence status. A person can be a resident or nonresident for Singapore tax purposes. A tax resident of Singapore generally refers to an individual who resides in Singapore and includes a person who is physically present in Singapore or exercises employment (other than a director of a company) for 183 days or more during the year preceding the year of assessment. A nonresident of Singapore is generally someone who spends less than 183 days in Singapore during the year preceding the year of assessment.

If a foreign individual (excluding a director of a company and a public entertainer) commences working in Singapore from January 1, 2007 and stays or works in Singapore for a continuous period of at least 183 days straddling two years, the individual may be regarded as a tax resident for both years.

A resident is taxed on all income accrued in or derived from Singapore or received in Singapore from outside Singapore. Nonresidents are taxed only on income accrued in or derived from Singapore. Effective from the year of assessment 2005, all foreign-sourced income received in or remitted into Singapore by a resident individual (except through a partnership in Singapore) is exempt from tax.

Definition of source

Employment income is generally treated as Singaporean-sourced if the services are performed in Singapore, regardless of where the payment is made or the contract of employment is concluded.

Tax trigger points

A short-term visiting employee who exercises employment in Singapore for not more than 60 days in a calendar year (other than as a director or a public entertainer) is exempt from tax. Based on the above, a frequent business traveler whose stay in Singapore exceeds 60 days in a calendar year would be subject to tax in Singapore on the income derived from the individual's work performed in Singapore. To the extent that the individual qualifies for exemption under the conditions of the dependent personal services article of the applicable double tax treaty, there will be no tax liability.

Types of taxable income

As a general rule, all payments (whether in the form of cash or in-kind) made by an employer to an employee for employment in Singapore are taxable in the hands of the employee, unless specifically exempted under the Income Tax Act or by concession.

Tax rates

A resident is taxed on the resident's chargeable income (after deducting applicable personal reliefs) at graduated rates ranging from 3.5 percent (2.5 percent with effect from year of assessment 2012) to 20 percent. Nonresidents are subject to tax on employment income at a flat rate of 15 percent or at the resident tax rates, whichever is higher. Other income of a nonresident individual is generally taxed at 20 percent unless specifically exempt or subject to a reduced treaty rate.

Social security

Liability for social security

All foreign individuals are currently exempted from participation in Singapore's national pension scheme, the Central Provident Fund (CPF). Upon becoming a permanent resident of Singapore, however, participation in the CPF is statutory.

Compliance obligations

Employee compliance obligations

Income tax returns (i.e., Form B1/B/M) are issued by the Inland Revenue Authority of Singapore (IRAS) in January each year. Individuals are required to complete and submit the form to the IRAS by April 15. The IRAS may grant an extension beyond the April 15 deadline if there are valid reasons.

Employer reporting and withholding requirements

There is no requirement for the employer to withhold monthly taxes from the employee. Employers, however, are required to complete a return of remuneration form (Form IR8A) setting out the various payments under the employment for the year. The form is to be completed and given to employees by March 1 of the following year. For the year of assessment 2010, employers with 50 or more employees must electronically file the Form IR8A under the Auto-Inclusion Scheme.

In the case of departing non-Singapore citizens, written notice (i.e. Form IR21 – Notice of Cessation of Employment of non-Singapore Citizens) must be given at least one month prior to the date on which the person ceases employment or leaves Singapore permanently or for a period exceeding three months. In addition, the employer must retain any money that is due to the employee. The employer can release the money to the employee only when the IRAS grants the tax clearance or upon the expiration of 30 days after receipt by the IRAS of the Form IR21.

Other

Work permit/visa requirements

A foreigner who wishes to work in Singapore must apply to the Work Pass Division, Ministry of Manpower Singapore, for an Employment Pass (EP) to enable the individual to take up employment in Singapore. An EP will usually be issued to a foreigner who holds an acceptable degree, professional qualification, or specialist skills and whose monthly salary is above a set amount.

Double taxation treaties

Singapore has entered into double taxation treaties with more than 50 countries to mitigate double taxation and allow cooperation between Singapore and overseas tax authorities in enforcing their respective tax laws.

Permanent establishment implications

There is the potential that a permanent establishment could be created as a result of frequent business travel, but this would generally be dependent on the type of services performed and the level of authority the employee has.

Indirect taxes

Goods and service tax (GST) is currently applicable at 7 percent on domestic consumption. GST is levied on the sale of goods and services in Singapore by GST-registered traders and on goods imported into Singapore. Businesses whose turnover exceeds 1 million Singapore dollars (SGD) are required to register for GST.

Transfer pricing

While there is no specific legislation covering transfer pricing in Singapore, the IRAS has issued transfer pricing guidelines that should be applied.

A transfer pricing implication could arise to the extent that the employee is being paid by an entity in one jurisdiction but performing services for the benefit of the entity in another jurisdiction, in other words, a cross-border benefit is being provided.

This would also be dependent on the nature and complexity of the services performed.

Local data privacy requirements

Singapore has data privacy laws.

Exchange control

Singapore does not currently impose exchange controls.

Nondeductible costs for assignees

Nondeductible costs incurred by employers relating to assignees generally include private passenger car expenses and medical expenses exceeding a certain cap.

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