

# Personal Tax Express

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## Retirement, retention and tax savings – 1 plan, 3 benefits

Recent demographic changes in Singapore have been startling. Falling birth rates and higher life expectancies mean employees have to save more to avoid a collapse in living standards at retirement. This is made worse with significant reductions in company Central Provident Fund (CPF) contribution rates.

Is this just a problem for the individual or for the Singapore HR community? The answer is both. In fact, pressure is building on employers to establish retirement saving schemes for their employees in addition to CPF. But what are the benefits for employers?

Benefits include the ability to cater for both local and foreign workers in a single plan; the option of using benefit vesting schedules as an employee retention tool; increased tax relief and reduced administration costs provided by Section 5 of the Income Tax. Not surprisingly, Section 5 retirement plans are making their way onto HR agendas of most leading employers in Singapore. If they haven't for you, act now.

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## Keeping pace with the dynamics of employee stock plans

Recent accounting regulations (FRS 102 applicable to Singapore unlisted companies from 1 January 2006) have brought employee stock plans back in the limelight. During the 2006 Budget announcement, the Government proposed to allow tax deductibility of the cost incurred by companies in purchasing treasury stock for employee stock plans. Tax reporting for international assignees with stock benefits, remains a significant challenge for HR personnel.

All these issues necessitate a holistic review by companies to determine whether they are complying with the necessary regulations relating to their employee stock plans and to determine whether they are minimising the overall costs of providing such benefits to their employees. To find out more, contact us.

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## Managing expatriate cost and effectiveness

When was the last time you had a chance to improve your company's expatriate processes in terms of both cost and tax effectiveness? Are your overseas employees fully complying with the tax rules abroad?

If expatriate costs are bogging you down, we can help you realise cost savings by identifying and implementing local and regional tax, social security and pension planning opportunities. We can also eliminate tax exposure, and review and enhance tax compliance positions by improving your processes, policies and guidelines.

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## Are you up to date with IRAS' new benefit-in-kind rules?

The Inland Revenue Authority of Singapore (IRAS) announced certain changes in 2005 where certain business expenses were taxed as "benefits-in-kind". Confronted by significant pressure from corporates, the IRAS recently relaxed its position on these items, confirming that overtime meal and transport payments (including on weekends and public holidays), reimbursement of expenses on overseas business trips and other business expenses like taxi fares to/from airport and meeting venues will not be taxable. While allowances, in general, will still be taxable, a request can be made to the IRAS for approving per diem allowances used by companies if they are higher than those prescribed by the IRAS. To gain clarity on tax treatment of such expenses, look us up.

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## How PricewaterhouseCoopers can help you

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