



Personal Tax Express

Issue 3 • December 2006

A Personal Taxation publication by PricewaterhouseCoopers Human Resource Services.

Keeping international assignments on track

Do you have international assignees in various locations worldwide? Are you always aware of the number of assignees you have in each of these locations at any one time? Do you have issues with tracking your assignments, in terms of actual assignee numbers, host locations, start and end dates as well as overall assignment cost, payroll and data management?

Based on a survey conducted by PricewaterhouseCoopers (PwC) in 2005, an overwhelming number of companies continue to project growth in the volume of cross-border assignments. This means that companies are facing greater challenges in managing these assignments, in particular, tracking and accounting for this increased population in order to ensure compliance with tax, social security, immigration and other legal requirements in the host location.

At PwC, the International Assignment Management team specialises in global mobility solutions. Depending on your requirements, our consultants can work with you to develop solutions that provide you with immediate access to assignment documentation, critical management data and reports. Our specialist tools and technology can help you keep things on track, ensure compliance and reduce your risks.

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Technical update: Stock plan deductibility

Under a global employee stock plan, the parent company making share awards to employees of the Singapore entity often recharges its costs to the local subsidiary. In this context, the Inland Revenue Authority of Singapore (IRAS) recently indicated that the amount of recharge will be allowed to the subsidiary company as a corporate tax deduction only in cases where the shares were acquired by the parent company through market purchases.

The IRAS has also clarified that the corporate tax deduction to be allowed will not be based on the expense accounted for as per FRS 102 in the company's books but will be based on the amount actually incurred by the company, i.e. the difference between the costs of acquiring the shares through market purchase (based on certain valuation methods) and the amount payable by the local employees for the shares. Large multinational companies which grant stock to employees of their subsidiaries worldwide may not be able to provide the details of costs calculated on the basis prescribed by the IRAS to their Singapore subsidiaries.

The parent company may be using intermediate vehicles to administer their stock plans (e.g. employee benefit trusts), in which case the local subsidiary may only be aware of the cost recharged by the intermediate entity. Alternatively, the parent company may have purchased 'options' to buy their own shares from financial institutions to hedge their exposure under the employee stock plans. In such cases, the Singapore subsidiary may face a potential loss of the corporate tax deduction if they are unable to provide the basis of costs recharged to the IRAS.

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Equalisation? Protection? What's your policy?

The human resource function of multinational corporations is often required to support a diverse range of expatriate arrangements from regional short-term commuter assignments and "rotators" through to the traditional, long-term expatriate assignments.

To ensure equity between employees, encourage compliance and provide a consistent, transparent approach, it is imperative to have an international assignment tax policy in place which suits the particular needs of your organisation.

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Planning opportunities from shared service centres

Globalisation has driven organisations to adopt innovative ways to grow and enhance shareholder value. One recent trend is to reduce costs by harmonising and standardising processes and operations. The main objectives are to reap efficiencies and costs savings through the consolidation of activities, knowledge and people skills.

A possible approach is to manage this through a shared service centre, which can be an extremely effective way to achieve operational gains and costs savings. If properly structured, the shared service centre can also operate as the regional employment company, allowing greater control of HR and payroll processes, ensuring personal tax and visa compliance, and maximising the application of regional tax planning opportunities.

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How PricewaterhouseCoopers can help you

With more than 6,000 professionals in over 100 countries, PricewaterhouseCoopers is one of the world's largest human resources advisory organisations. PwC offers a full range of international assignment services in consulting, compliance and administration. We assist companies in harnessing the value of global mobility while managing risks. Our multi-disciplinary approach allows us to advise on all aspects of people management, helping our clients to create value. Visit our website at www.pwc.com/sg/hrs

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