

Singapore: Lapse of concession allowing citizens to elect nonresident tax status

September 6, 2019

In brief

The Inland Revenue Authority of Singapore (IRAS) announced in August that the administrative concession that allows Singapore citizens to elect Singapore nonresident tax status if they have been away from Singapore six months or more in the year will lapse. The change will take effect from Year of Assessment 2021 (i.e., for the tax year beginning January 1, 2020.)

In detail

Nonresident tax election

Singapore citizens (Singaporeans) working overseas generally are regarded as Singapore tax residents under a qualitative resident test – their absence from Singapore would be regarded as temporary and they would be expected to return to Singapore in due course.

Prior to January 1, 2004, foreign-sourced income remitted into Singapore by Singapore tax residents was subject to tax. To remove any disincentive for Singaporeans to work overseas, the IRAS had allowed Singaporeans who have been away for at least six months in the calendar year to elect to be assessed as tax nonresidents; as a result, any remittances

made would not be subject to Singapore tax.

However, from January 1, 2004, with the introduction of Section 13(7A) of the Singapore Income Tax Act (SITA), remittances of foreign-sourced income by Singapore tax residents are tax exempt. As a result, the administrative concession no longer is relevant in the context of its original intention. It is therefore proposed to be withdrawn.

Nonetheless, there were other reasons for Singaporeans to opt as tax nonresidents, and we explore the ramifications of the proposed action below.

Not ordinarily resident (NOR) scheme

The NOR scheme currently allows individuals (including Singaporeans) who have been

Singapore tax nonresident for three continuous years before re-establishing Singapore tax residency to enjoy the ‘time-apportionment’ of employment income, if certain other qualifying conditions are met.

That being said, the NOR scheme also is set to lapse on January 1, 2020. As a result, making this election beyond December 31, 2019 is now a moot issue, and the proposed withdrawal will not have any adverse effect.

For more information, please see our previously published [Mobility Insight](#).

Business travel back to Singapore

Income pertaining to periods spent in Singapore on business is regarded as Singapore

sourced and subject to tax, even if the individual does not hold a Singapore employment contract and is not based in Singapore. Where the business

visitor is a tax nonresident however, they are eligible to claim exemption from tax under Section 13(6) of the SITA provided their total employment

period in Singapore does not exceed 60 days in the calendar year.

Prior to January 1, 2020	With effect from January 1, 2020
A Singaporean working overseas who has traveled to Singapore on business not exceeding 60 days in the year can elect to be taxed as a nonresident and claim exemption from tax under S13(6).	A Singaporean working overseas who has traveled to Singapore on business will be subject to tax on income attributable to the employment periods in Singapore. There is no de minimis exception applicable. The overseas employer would need to prepare a Form IR8A (Return of employee's remuneration) to declare the relevant income.

The takeaway

With the lapse of the administrative concession, Singaporeans working overseas, and their employers, will need to track all business trips to Singapore and complete the appropriate tax filing. Employers should develop a robust travel tracking mechanism to record all such trips.

Employment income reportable in Singapore also is likely subject to tax in the country where the employee is based, which could lead to double taxation. Although this problem may be resolved via double-tax treaties (subject to conditions), the employer and employee could face increased tax compliance and administrative costs.

On a broader level and as part of good corporate governance, employers should implement controls on all business travelers across different locations and help ensure that they are aware of all trips undertaken, as there has been increased focus on stricter compliance by various tax authorities on business travelers.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact your regular Global Mobility Services engagement team or the following team member in Singapore:

Global Mobility Services – Singapore

Sakaya Johns Rani
+65 9088 8347
sakaya.johns.rani@pwc.com

Global Mobility Services – United States

Peter Clarke, *Global Leader*
+1 (646) 471-4743
peter.clarke@pwc.com

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