

Singapore: Tax relief for stranded individuals in Singapore

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In brief

The outbreak of COVID-19 at the start of this year brought about unprecedented volatility for business operations worldwide, pushing companies to alter the way they operate as they adapt to the new normal. As travel restrictions were imposed globally, some individuals were forced to work remotely in a country that is not their country of residence, which could trigger tax impacts for employers and employees.

During this period, the Inland Revenue Authority of Singapore (IRAS) continues to extend its assistance and provide tax certainty to taxpayers through a series of support measures to help businesses and individuals to ease their cash flow. In this publication, we provide an overview of the recent measures that the IRAS have issued in response to COVID-19 and the resulting implications for businesses and their mobile employees.

In detail

Background

As a result of people movement restrictions and temporary closures arising from lockdown, employees who have been exercising overseas employment may end up stranded and working remotely in Singapore. Under normal circumstances, the presence of such individuals in Singapore would have personal tax implications for them on the basis that the employment income is Singapore-sourced. However, during these unprecedented times, IRAS is prepared to treat the individual as not exercising employment in Singapore, provided the following conditions are met.

Tax relief for returning Singaporeans and Singapore Permanent Residents

If Singaporeans or Singapore Permanent Residents (SPRs) are working from Singapore remotely for overseas employers after returning from overseas, the IRAS will continue to consider them as not exercising an employment in Singapore for the period from their date of return to December 31, 2020 (date subject to review as the situation evolves) provided all the following conditions are met:

- There is no change in the contractual terms governing employment overseas before and after their return to Singapore; and
- This is a temporary work arrangement due to COVID-19.

Tax relief for stranded non-resident foreigners

The IRAS will consider non-resident foreigners who are unable to leave Singapore following their short-term assignment or business travel into Singapore, due to travel restrictions, and who have been working remotely from Singapore for their overseas employers during the extended stay in Singapore, as not exercising employment in Singapore for the period of the extended stay provided all the following conditions are met:

- The extended stay is for a period of not more than 60 days; and
- The work done during the extended stay is not connected to the individual's prior business trip/short-term assignment in Singapore, and such work would have been performed overseas if not for COVID-19.

The period of the extended stay starts on the date following the end of the business trip/short-term assignment and ends on the date of the individual's departure from Singapore (both dates inclusive).

However, employment income derived from the business trip/short-term assignment (prior to the forced extended stay) will be subject to normal tax rules.

Other considerations

While the IRAS guidance provides a general overview of the tax support measures and guidance available, some scenarios may not be addressed. Below are additional situations for which the IRAS has provided clarifications.

1. The IRAS have provided further clarification regarding the eligibility of the tax relief for stranded Singaporeans/SPRs who were already in Singapore on business trips or short-term assignments prior to their remote working arrangement.

Example 1: An employee is on a long-term assignment to Japan from January 2018. The individual came back to Singapore for business trips from March 5, 2020 to March 10, 2020 and was stranded in Singapore due to the COVID-19 situation thereafter.

For the above group of employees who are on short-term business assignment and exercising employment in Singapore for their foreign employer (i.e. they must be ordinarily based outside Singapore), the IRAS have confirmed that the current tax concession for Singaporeans/SPRs will apply to them too, provided that qualifying conditions are met.

2. For Singaporean/SPRs who have ceased employment in Singapore and commenced a new employment but are working remotely in Singapore for the overseas employer during this period, the IRAS is also prepared to treat them as not exercising employment in Singapore, subject to review on a case-by-case basis.

Example 2: An employee was due to begin assignment in the UK from April 1, 2020 onwards. However, due to COVID-19, his departure date has been postponed indefinitely and they work from Singapore remotely for their UK employer since April 1, 2020.

To apply for the tax relief, the employee may provide the following details to the IRAS for their consideration:

- Copy of employment contract and letter from employer to show the date of commencement of employment;
 - Job responsibilities and scope;
 - Name of person whom the employee is reporting to;
 - Nature of work to be performed from Singapore and supporting documents on the temporary working arrangement and its terms as agreed with the employer; and
 - Expected date of leaving for overseas to assume the new job position.
3. As the COVID-19 pandemic continues to disrupt travels, the 60-day threshold for tax exemption for foreigners stranded in Singapore may not be sufficient, especially if the foreigners' extended stay in Singapore is a result of government directives. However, the IRAS has provided clarification that there will be no further extension to the 60-

day exemption threshold. As long as the employee's extended stay in Singapore exceeds 60 days, normal tax rules should apply for the full period they exercised employment in Singapore.

4. The IRAS has clarified that the tax relief for stranded non-resident foreigners also extends to tax resident foreigner employees who have completed their long-term assignments in Singapore but are unable to relocate back overseas due to COVID-19 travel restrictions and remain in Singapore working for their overseas employers. However, the relief is strictly up until a period of extended stay of not more than 60 days.
5. Lastly, while the tax guidance discussed above is heavily focused on employees working remotely in Singapore, the tax implications of Singapore-based employees (foreigners) who are unable to return to Singapore due to COVID-19 travel restrictions also should be considered.

Under normal circumstances, when a foreign employee or SPR leaves Singapore for a period of more than three months, the employer has an obligation to file a Singapore tax clearance on behalf of the employee. However, the IRAS has clarified that a tax clearance is not required if a non-Singapore Citizen employee is away for up to six months for training, business purposes, or overseas posting.

For overseas posting, the employee must meet the following conditions:

- The employee would return to Singapore to work for the same employer and continue to hold a valid work pass under the same employer during the period that the employee is away from Singapore; and
- The Singapore employer continues to pay the employee's remuneration during the period.

Should the period of absence exceed six months due to COVID-19, a possible cooperative compliance may be considered by seeking IRAS dispensation on a case-by-case basis, to further waive the tax clearance obligations of both employers and employees.

The takeaway

As the COVID-19 situation continues to evolve, it is important that employers keep abreast with the tax updates and stay agile to quickly adapt their policies, processes and systems following any changes.

Employers should develop a travel tracking mechanism to identify the current location and duration of stay for their employees so as to determine the tax regulatory filing requirements as necessary. In order to determine the employee's eligibility for the tax relief, employers need to ensure proper documentation of contractual terms and assignment arrangements for their employees.

Besides tax filing obligations, employers also should be aware of potential double taxation and Permanent Establishment (PE) implications as employment income reportable in Singapore likely may be subject to tax in the country where the employees are stranded.

Let's talk

For a deeper discussion of how this impacts your business, please contact your Global Mobility Services engagement team or one of the following professionals:

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