Mobility: tax alert

September 2019

Singapore

Taxation of employment income for Singaporeans working abroad

Executive summary
Singaporeans are generally considered as Singapore tax residents. By concession, they could elect to be treated as non-residents, if they have been working overseas for at least six months in a calendar year.

This concession will be withdrawn from Year of Assessment (YA) 2021 (income year 2020).

This change will have an impact on Singaporeans working overseas, as well as their employers.

Taxation of income from overseas employment
Prior to 1 January 2004, income sourced outside Singapore but remitted into Singapore was taxable to a resident individual. However, a non-resident individual was not taxable on foreign income remitted into Singapore.

As an administrative concession, to remove any disincentive for Singaporeans to work abroad, the Inland Revenue Authority of Singapore (IRAS) had allowed individual taxpayers to elect to be treated as non-residents for any year of assessment where the period of the overseas employment was at least six months.

However, from 1 January 2004, all foreign-sourced income remitted into Singapore by resident individuals are exempt from tax, except income received through a Singapore partnership.

Therefore, the IRAS views that the administrative concession given to Singaporeans to choose to be treated as a non-resident is no longer relevant and hence will remove it with effect from YA 2021.

EY's view

- From YA 2021, Singaporeans who are working outside Singapore permanently or on overseas secondment will no longer have the option to elect to be non-residents for tax purposes. Therefore, if they return to Singapore for business purposes (e.g. meetings or training), income attributable to their employment days in Singapore will be regarded as Singapore-sourced and will be liable to tax in Singapore, unless they can seek treaty protection. Importantly, this means they will not be able to take advantage of the 60-day tax exemption which provides an exemption from Singapore tax for non-residents working in Singapore for less than 60 days in a calendar year.

- Singaporean employees working or seconded overseas will be treated as Singapore tax residents regardless of the number of years they are away from Singapore, unless they are able to prove to the IRAS that their absence from Singapore is not regarded as "temporary absences" as defined in the Singapore Income Tax Act.

- As such, regardless of the number of days these individuals spent working in Singapore in a calendar year during their overseas employment/secondment, their employers will be required to report the taxable employment income attributable to their days spent working in Singapore in the Form IR8A/8E and the employer or employee may possibly incur additional tax costs.

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Next steps
From 2020, employers who have Singaporean tax resident employees working outside of Singapore should update their existing processes to ensure they can identify and track the travel of these employees to Singapore and adhere to the applicable statutory tax reporting requirements.

Companies should also notify the impacted employees of the change to ensure they keep accurate and detailed records of their workdays in Singapore. There may be situations where the employee could be taxed both in the overseas jurisdiction where they are assigned, and in Singapore because of this change. In such cases, the tax treaty provisions will have to be considered to eliminate double taxation.

Should you require any clarification or additional information regarding these updates, please do not hesitate to contact your EY advisor, or one of the contacts detailed below.

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