

Mobility: Immigration alert

April 2021

Singapore

Foreign manpower policy updates

Executive summary

The Singapore government has announced various updates to the foreign manpower policy in the Budget and Committee of Supply debate.

Reduction in S Pass sub-Dependency Ratio Ceiling (DRC)

As announced in Budget 2021, to encourage the manufacturing sector to develop a strong, highly-skilled local core in their workforce and to moderate further the reliance on foreign workers, the government will be adjusting the S Pass sub-Dependency Ratio Ceiling (DRC) in 2 phases starting from 1 January 2022. This is to allow firms more time to adjust. The two phases are:

- Phase 1: reduce the S Pass sub-DRC from 20% to 18% from 1 January 2022
- Phase 2: reduce the S Pass sub-DRC from 18% to 15% from 1 January 2023

Firms in the manufacturing sector that have exceeded the revised sub-DRC will not be able to hire or renew the S Passes of their foreign employees. However, they can retain excess S Pass holders until the expiry of the work passes to minimise business disruptions.

Foreign worker levy rates

There will be no change to the Foreign Worker Levy (FWL) rates for all sectors. The earlier-announced adjustments to FWL rates for the marine shipyard and process sectors will be deferred for another year.

Work arrangements of Dependant's Pass (DP) holders

Currently, DP holders who are dependants of Employment Pass, EntrePass or Personalised Employment Pass holders can apply for a Letter of Consent (LOC) to work in Singapore.

Effective 1 May 2021, DP holders will need an applicable work pass, such as an Employment Pass, S Pass or Work Permit in order to work during their stay in Singapore. This requirement will apply to all DP holders unless they are business owners who meet specified criteria.

Existing DP LOC holders will be allowed to continue working until the expiry of their LOC. Employers will need to apply for an applicable work pass should they wish to continue employing the existing DP LOC holders after their current LOC expires.

Consistent with obtaining an applicable work pass, the relevant qualifying salary, work pass quotas, and/or levies for the respective work pass categories will apply. MOM will facilitate the transition of DP LOC holders to a work pass. More information is expected to be released in due course.

DP holders who are business owners

DP holders who are business owners will be eligible to continue running their business on a LOC, provided that their business creates local employment. They will need to meet the following criteria:

1. The DP holder is a sole proprietor, partner, or company director with at least 30% shareholding in the business; and
2. The business hires at least one Singaporean/Permanent Resident who earns at least the prevailing Local Qualifying Salary (currently S\$1,400) and receives CPF contributions for at least 3 months.

DP holders who currently do not meet the above criteria can continue to run their business on their existing LOC until its expiry or apply for a one-off extension of their LOC until 30 April 2022. Thereafter, they will need to meet the criteria stated above in order to renew their LOC or obtain an applicable work pass to continue working in Singapore.

DP holders who wish to start a new business can apply for a LOC to do so, provided they fulfil the criteria set out above.

Implications to employers

Considering the above updates to the foreign manpower policy, employers may wish to direct their attention to the following considerations:

- ▶ Employers should review manpower projections taking into account sector-specific reduction of the sub-DRC when recruiting and deploying foreign employees.
- ▶ Employers should reassess their manpower and talent strategies to ensure they remain relevant with the adjustments to the foreign workforce policy.
- ▶ Employers are advised to review the expiry of their existing DP LOC holders in advance. This may include assessing the eligibility of transitioning the DP LOC holders to a regular work pass at the earliest to ensure continued employment.

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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