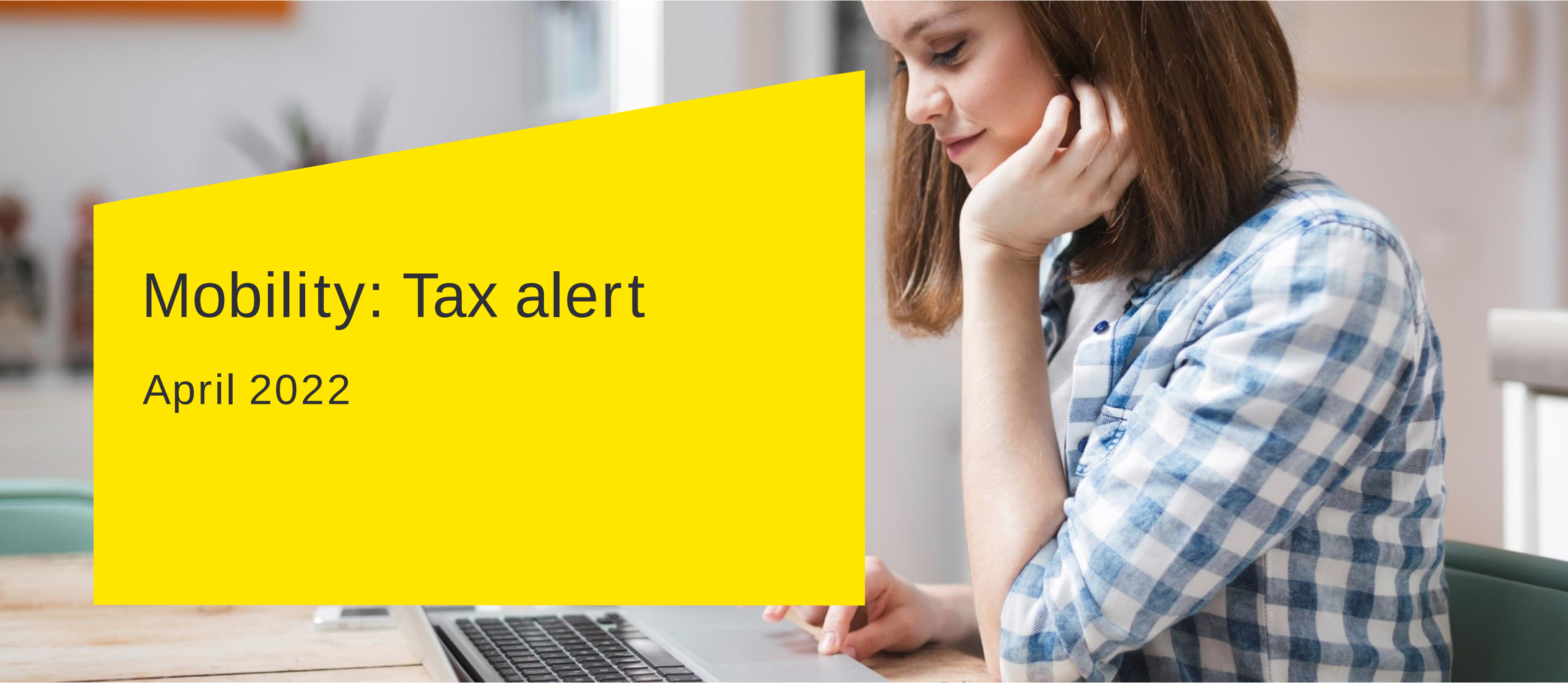

Mobility: Tax alert

April 2022

Singapore

2022 Budget Statement – Increase in top marginal personal income tax rates & updates to foreign workforce policies

Executive summary

On 18 February 2022, the Minister for Finance delivered the annual Budget Statement to Parliament, which included several key tax-related announcements.

Among the announced measures were changes to the tax brackets for individuals, including two new income bracket tiers and an increase to the top marginal personal income tax rate. Additionally, updates to the foreign workforce policies were also announced.

Personal income tax rate changes

With effect from Year of Assessment (YA) 2024, two new income bracket tiers will be introduced and the top marginal personal income tax rate for tax resident individuals will be increased from the current rate of 22% as follows:

- 23% for chargeable income exceeding S$500,000 and up to S$1m
- 24% for chargeable income exceeding $1m

Correspondingly, the income tax rate for non-resident individuals (except for employment income and certain income taxable at reduced withholding rates) will be raised from 22% to 24%, with effect from YA 2024.

No other changes to the personal income tax rates were announced.

EY's view

The personal income tax structure and rates have not changed since YA 2017. The Minister had mentioned there is room for "greater progressivity", where those with high earning power will contribute more. This increase is expected to impact the top 1.2% of personal income taxpayers and is in line with the Government's vision to build a fairer and more resilient tax system.

The expected resulting increase in tax revenue will help to fund the rise in government expenditure, with most of the increased spending going towards healthcare.

Notably, Singapore's personal income tax rates remain low as compared to other jurisdictions in the region. Therefore, it is expected that the proposed increase in top marginal tax rates is unlikely to erode Singapore's competitiveness. In addition, there are other collective factors that are seen to distinguish Singapore as an attractive place to work and live, including its infrastructure, health care system, and a progressive system for businesses and investments.

Changes in minimum qualifying salary

The Employment Pass (EP) minimum qualifying salary will be adjusted for all sectors and the following changes will apply to new EP applications from 1 September 2022 and to renewal applications from 1 September 2023.

Sectors	Revised minimum qualifying salary
All sectors, except for financial services	S$5,000 (increases up to S$10,500 for a candidate in mid-40s)
Financial services	S$5,500 (increases up to S$11,500 for a candidate in mid-40s)

The S Pass minimum qualifying salary will be raised in phases, with the first step on 1 September 2022 for new applications, and subsequently on 1 September 2023 and 1 September 2025.

Building a better working world

A higher S Pass qualifying salary for the financial services sector will also be introduced on 1 September 2022 for new applications.

These changes will apply to renewal applications one year later (i.e., the increase for new applications from 1 September 2022 will only affect renewals from 1 September 2023 onwards).

Sectors	Revised minimum qualifying salary		
	1 September 2022	1 September 2023	1 September 2025
All sectors, except for financial services	S$3,000 (increases up to S$4,500 for a candidate in mid-40s)	At least S$3,150 *	At least S$3,300 *
Financial services	S$3,500 (increases up to S$5,500 for a candidate in mid-40s)	At least S$3,650 *	At least S$3,800 *

*The finalised values will be announced closer to the implementation date.

Changes in Foreign Worker Levy (FWL) rates

The Tier 1 S Pass FWL rate will be progressively raised from S$330 to S$650 by 2025.

Tier	Dependency Ratio Ceiling (DRC)	New levy rates		
		From 1 September 2022	From 1 September 2023	From 1 September 2025
Tier 1	≤10%	S$450	S$550	S$650
Tier 2	>10%**	S$ 650		

**The S Pass sub-DRC is 18% in manufacturing, construction, marine shipyard and process sectors, and 10% in services sector.

Next steps

From a mobility standpoint, employees in the top income brackets (chargeable income exceeding S$500,000) will have a higher tax liability from YA 2024 because of the increase in the top marginal personal income tax rates. This means that companies bearing the tax costs of employees on assignment in Singapore will have to budget for the higher costs. EY can assist to review and advise on the tax efficiency of the remuneration structures of employees relocating to Singapore, if needed.

Companies with foreign employees will need to review the projected salaries of their new and existing work pass holders to ensure that their foreign employees meet the minimum salary thresholds based on their age, qualifications, and experience.

Should you require any clarification with respect to the above, please do not hesitate to contact your EY advisor, or one of the contacts detailed below.

Panneer Selvam
Tel: +65 6309 8483
Email: panneer.selvam@sg.ey.com

Kerrie Chang
Tel: +65 6309 8341
Email: kerrie.chang@sg.ey.com

Sarah Lane
Tel: +65 6309 8041
Email: sarah.lane@sg.ey.com

Pang Ai Lin
Tel: +65 6309 8694
Email: ai-lin.pang@sg.ey.com

Grenda Pua
Tel: +65 6309 8753
Email: grenda.pua@sg.ey.com

Lily Cheang
Tel: +65 6309 8670
Email: lily.cheang@sg.ey.com

EYG no. 002932-22Gbl

2101-3682263
ED None