

## Basis of Taxation

Income tax for a Year of Assessment is based on income earned in the preceding calendar year. An individual is subject to tax on income accrued in or derived from Singapore regardless of his residency status. Any income from employment exercised in Singapore shall be deemed to be derived from Singapore whether that income is received in Singapore or in elsewhere.

## Tax Exemption for Foreign Sourced Income

Any foreign sourced income received in Singapore by a resident individual (apart from foreign income received by him through a partnership in Singapore) on or after 1 January 2004 will be exempted from tax. Effectively, the tax treatment for foreign sourced income received in Singapore by individuals either resident or non-resident from the year 2004 onwards would be the same i.e. exempted from tax.

## Taxation of Residents

A resident individual is defined as one who is physically present or exercises an employment in Singapore for 183 days or more in a calendar year or whose temporary absence is not inconsistent with a residency claim. However, if an expatriate is employed in Singapore for a period covering 3 consecutive years of assessment, it is the practice of the Inland Revenue Authority of Singapore (IRAS) to regard the expatriate as a Singapore resident for the entire 3 years of assessment (also known as the 3-year administrative concession).

For expatriates who commenced employment from 1.1.2007, the 3-year administrative concession used to determine tax resident status has been replaced by a 2-year administrative concession.

Resident individuals are subject to tax on a graduated scale from 0% to 20% with the availability of personal reliefs being granted. You may visit IRAS' website at [www.iras.gov.sg](http://www.iras.gov.sg) if you wish to see the scaled income tax rates.

## Taxation of Non-Residents

An individual who is in Singapore for less than 183 days in a calendar year is considered as a non-resident. Non-resident employees are assessed at 15% flat on his gross remuneration without any personal reliefs being allowed. Non-resident director's fee is subject to withholding tax at 20%.

A non-resident individual who exercises an employment in Singapore for less than 60 days in a calendar year will be exempt from tax. This exemption however, does not apply to directors of a company.

## Not Ordinarily Resident (NOR) Scheme

Any individual may qualify for the NOR status for a 5-year period if the following criteria are met:

- He must not be a Singapore tax resident in the 3 years of assessment prior to the year he qualifies for the NOR scheme;
- He must be a tax resident for the year of assessment in which he wishes to qualify for the NOR scheme;
- He must spend 90 days or outside Singapore for business; and
- He must have at least \$160,000 employment income.

NOR taxpayers will enjoy the following benefits:

- Time apportionment of Singapore employment income will be subject to tax; and
- Employer's contributions to approved mandatory overseas pension funds on behalf of the non-citizen NOR will be exempt from income tax in the hands of the employees. Where the employer's contributions are to non-approved mandatory overseas pension funds, only the amount that is up to the prescribed Central Provident Fund ("CPF") contribution cap will be exempt from tax.

## Taxation of Area Representatives

Area representative status is accorded to an individual who is employed and remunerated by a company outside Singapore with duties covering territories other than Singapore. His employment contract should cover more than one territory.

An area representative is assessable to tax based on his prorated income attributable to his presence in Singapore. Hence, he must keep a schedule of his travelling outside Singapore and such schedule should reflect the dates of arrival and departure from Singapore and places visited. In determining the numbers of days in and outside Singapore, part of a day in Singapore is regarded as a day in Singapore.

Where an area representative is treated as tax resident in Singapore, he will be taxed at graduated rates and will also be entitled to personal reliefs. Otherwise, non-resident rules mentioned above will apply.

## Multiple Employments

An individual who is employed by a subsidiary or branch of an overseas company may have separate employment contracts if he is required to spend part of his time for the overseas company. The salary paid by the overseas company under a separate contract will not be subject to Singapore tax if:-

- (i) the duties provided in the overseas contract are exercised outside Singapore and;
- (ii) the salary expense is not recharged to the Singapore entity's accounts.

## Partnership

Partnerships are required to file tax returns and accounts each year but the partnership is not subject to tax. Tax is however, levied on the individual partners according their share of income from the partnership.

## Sole-proprietor

Sole-proprietors are required to file accounts and are assessed in the same manner as an individual.

## COMPLIANCE TIMELINES

### Filing of Tax Return

Every person is required to furnish to the Comptroller a return of his income by 15 April every year or by 18 April, if the return is filed electronically.

After filing, the Comptroller may take a few months or earlier to review the tax return and thereafter issue the Notice of Assessment (i.e. the tax bill).

### Payment of Tax Liability

Notwithstanding any objection or appeal against the Notice of Assessment raised, the tax levied thereon has to be paid within 1 month after the service of that Notice.

A person may also arrange with the Comptroller, to settle his tax liability via automatic GIRO bank deductions (for lump sum or instalments payment) or via cheque payment (for lump sum only).

### Objections to the Notice of Assessment raised

If a person disputes the assessment, a written objection has to be filed within 30 days from the date of service of the Notice of Assessment stating precisely the grounds of his objection. Otherwise, the Comptroller may treat the assessment as final and conclusive.

## EMPLOYER'S OBLIGATIONS

### Return of Employees' Remuneration

Every employer is required to prepare a return of its employees' remuneration (Form IR8A and Appendices 8A and 8B, where applicable) showing the employees' gross salaries, overtime pay, allowances, bonuses, director's fee, gains on share options, etc and benefits-in-kind for the preceding year. This return has to be given to the employees by 1 March yearly for their tax return submission purposes.

### Notification of Cessation of Employment or Departure from Singapore for Foreign Employees

The employer has to file a Form IR21 for his non-Singapore citizen employee who ceases employment in Singapore, or, if he has knowledge that his employee intends to leave Singapore for more than 3 months. The Form IR21 has to be filed with the Comptroller not later than 1 month **before** the employee ceases to be employed in Singapore or from the expected date of departure respectively.

The employer also has to withhold any monies which may be payable to the employee (as at date of notice of resignation or termination) for 30 days from the date of filing of the above Form IR21 or until a tax clearance directive is issued by IRAS, whichever is earlier.

Failure to do so will result in the Comptroller imposing a fine of up to \$1,000. The Comptroller is also empowered by law to collect any unsettled employees' outstanding tax from the employer or direct the Immigration authorities and/or police to prevent the employee from leaving Singapore.

### Central Provident Fund (CPF) contributions

The employer is obliged to contribute to the CPF for Singapore Citizen and Singapore Permanent Residents at rates stipulated by the CPF Board. You may visit CPF Board's website at [www.cpf.gov.sg](http://www.cpf.gov.sg) for further information.

## OTHER TAXES

### GOODS AND SERVICES TAX

Goods and Services Tax (GST) is administered by the Comptroller of Goods and Services Tax. Certain imports and exports matters are handled by the Customs and Excise Department. The current standard GST rate is 7%.

GST is applicable for the supply of goods and services in Singapore. Any person is required to register with the Comptroller of GST if he makes taxable supply of goods or services in Singapore with an annual turnover in excess of S\$1 million or which is expected to exceed S\$1 million. You may however, apply for voluntary registration if your annual turnover is less than S\$1 million. Once you have volunteered for registration, you must remain registered for a minimum period of 2 years.

GST collected must be paid over to the Comptroller of GST within 1 month following the GST quarter ended. However, you may offset any GST paid on purchases against the GST collected.

It is an offence to charge or collect GST if you have not been registered as a GST supplier with IRAS.

### ESTATE DUTY

Estate duty has been abolished for deaths occurring on and after 15 February 2008.

### CAPITAL GAINS TAX

There is no capital gains tax in Singapore.