



Singapore Tax Considerations For Expatriates

For the third year in a row, Singapore was crowned the world's best expat destination¹ in 2017. Surprisingly, it is neither the place where expats draw the highest salaries, nor a place where the cost of living is low. The reasons behind the attractiveness of Singapore as an expat destination are far and wide, with the most common reasons being that it is English-speaking, clean, well-developed, safe and has a good environment for family development.

Apart from these reasons that encourage expats to choose Singapore as their destination, the compensation packages offered are among the most generous.

INVITING TOP TALENTS

Expatriates' pay packages comprise of multiple components such as salary, education, housing, utilities, car and personal tax. In the Asia Pacific region, Singapore has the 9th highest expatriate compensation packages² with the most expensive part being the housing and education component. Despite Singapore's expatriate packages being relatively high, its low tax environment makes the country one of the cheaper countries for companies to send their expats to, especially when compared to other countries in the region such as Japan and Hong Kong.

To be an expatriate in Singapore, an Employment Pass (EP) is required. The Ministry of Manpower (MOM) applies strict guidelines in the EP application process. This is in line with the direction of the Government to encourage companies to only invite top talents to Singapore as expatriates.

LATEST REQUIREMENTS FOR EP APPLICATION

Employers or an authorized third party has to apply for the EP on behalf of the candidate. Candidates for the EP have to work in a managerial, executive or specialised job. To be considered for an EP, candidates have to meet eligibility requirements that include a minimum salary of \$3,600 and acceptable qualifications. In the process of applying for the EP, documents pertaining to the candidate and company will be required.

The MOM has recently made it a requirement for employers to provide additional recruitment-related information when submitting their candidate's EP application. This additional request for information applies to all EP applications filed after 10 November 2017. To avoid any unnecessary delays or appeal required during the application process, it is crucial to have the necessary documents included and forms filled correctly before submission.

An Employment Pass holder can get certain family members to join them in Singapore if eligibility requirements are met. With effect from 1 January 2018, the criteria for dependent privileges (which is linked to the EP application) has been updated. To be eligible, work pass holders will need to meet a minimum salary criteria of \$6,000 to bring in their spouse/children on Dependent Passes, and common-law spouse on a Long Term Visit Pass. To bring in their parents on a Long Term Visit Pass, a minimum fixed monthly salary of S\$12,000 would be required.

SINGAPORE'S TAX ENVIRONMENT

In Singapore, a resident's tax liability depends on their tax residency status. According to the IRAS, someone is considered a tax resident if you stay or work in Singapore:

1. for at least 183 days in a calendar year or;
2. for at least 183 days for a continuous period over two years (this applies to foreign employees who have entered Singapore from 1 Jan 2007 but exclude directors of a company, public entertainers or professionals) or;
3. continuously for three consecutive years.

¹<http://www.straitstimes.com/business/economy/singapore-is-worlds-best-expat-destination-for-third-straight-year-survey>

²<https://www.eca-international.com/news/may-2017/expatriate-salary-and-benefits-packages-singapore>

If your stay in Singapore is less than 183 days, you will be regarded as a non-resident. Tax residency status will be reviewed at the point of tax clearance, which is when the non-Singapore citizen ceases employment with the company in Singapore or plans to leave Singapore for more than three months.

All income earned in or derived from Singapore is chargeable to income tax. Income earned can come from employment, property or investments, trade, business, profession or vocation as well as other sources such as annuities and trust income.

Income tax rates depend on an individual's tax residency status. Singapore's personal income tax rates for resident taxpayers are progressive, where higher income earners pay a proportionately higher tax, with the current highest personal income tax rate at 22%. The resident tax rates are shown in the table to the right:

Chargeable Income	Income Tax Rate (%)	Gross Tax Payable (\$)
First \$20,000	0	0
Next \$10,000	2	200
First \$30,000	-	200
Next \$10,000	3.5	350
First \$40,000	-	550
Next \$40,000	7	2,800
First \$80,000	-	3,350
Next \$40,000	11.5	4,600
First \$120,000	-	7,950
Next \$40,000	15	6,000
First \$160,000	-	13,950
Next \$40,000	18	7,200
First \$200,000	-	21,150
Next \$40,000	19	7,600
First \$240,000	-	28,750
Next \$40,000	19.5	7,800
First \$280,000	-	36,550
Next \$40,000	20	8,000
First \$320,000	-	44,550
In excess of \$320,000	22	

For non-residents, the employment income is taxed at flat rate of 15% or the progressive resident tax rates shown above, whichever is a higher tax amount.

TAX SAVING SCHEMES

One of the special tax schemes available is the Not Ordinarily Resident (NOR) Scheme. The NOR scheme extends favourable tax treatment to individuals who qualify for a period of five consecutive years. NOR taxpayers will enjoy having time apportionment of employment income, where he pays income tax on only the part of his employment income that corresponds with the number of days he spends in Singapore. NOR taxpayers also get to enjoy tax exemption on contributions made by the employer to an overseas pension fund which would otherwise be taxable in his hands.

Singapore also has international tax agreements such as the Avoidance of Double Taxation Agreements (DTAs) with 34 countries to help expats avoid double taxation of income. The DTA also provides for reduction or exemption of tax on certain types of income. These benefits of the DTA applies only to Singapore tax residents and tax residents of the treaty partner. For tax residents of Singapore's treaty partners to claim this benefit, they need to prove that they are a tax resident of the treaty partner by submitting to IRAS, a completed Certificate of Residence from Non-Residents (Claim for relief from Singapore Income Tax Under Avoidance of Double Taxation Agreement) that is certified by the tax authority of their home country.

ENGAGING GOOD CONSULTANTS

Basic knowledge of the tax environment goes a long way in helping expats settle down in the country. Companies can also choose to engage a good consultant that is experienced and knowledgeable with regards to employment applications, best practices and tax regulations to help avoid regulatory issues and unnecessary waiting.

Our experienced team of accredited tax professionals and licensed recruitment consultants focuses on assisting overseas employers process their EP applications rapidly and maximise the chances of success. Thereafter, we help expats with personal tax planning and tax compliance to maximise tax savings and mitigate risks.