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### Singapore – Guidance Issued by IRAS on Taxation of Accommodation Benefits

by KPMG Services Pte Ltd,  
Singapore (KPMG in Singapore  
is a KPMG International  
member firm)

For coverage of the budget,  
see [Flash International  
Executive Alert 2013-038](#) (27  
February 2013).

Following the Singapore government's announcement of the Budget for 2013, the Inland Revenue Authority of Singapore (IRAS) released guidance summarizing significant changes to the taxation of accommodation benefits.<sup>1</sup>

The changes signal an end to the favorable tax treatment of employer-provided accommodation. They also signal a bold move to a more equitable method of taxing accommodation benefits in contrast to the decades-old preferential tax legislation on housing benefits, which is still practiced in other Asian jurisdictions such as Malaysia, Hong Kong, and the People's Republic of China.

Effective 1 January 2014, the new rules will mean that affected taxpayers are very likely to face a higher tax bill and employers may incur more administrative time in order to obtain the Annual Value (AV) of the accommodation.

### Proposed Changes to Tax Treatment of Employer-Provided Accommodation Benefits

The proposed changes released by IRAS are as follows:

	Type of Accommodation Benefit	Tax Treatment Up To YA 2014	Tax Treatment From YA 2015
1	Place of residence or serviced apartment not within hotel building		
a)	Rental of premises, excluding rental of furniture and fittings	Lower of (i) 10% of employment income, or (ii) Annual Value (AV) of premises (or rent paid by employer where AV is unavailable), minus rent paid by employee ("10% Rule")	AV of premises, minus rent paid by employee
b)	Rental of furniture and fittings	Prescribed rates for each piece of furniture and fitting provided	<ul style="list-style-type: none"> <li>40% of the AV if the premises are partially furnished (where there are only fittings such as lighting, air-conditioning, ceiling fan, water heater); or</li> <li>50% of the AV if the premises are fully furnished (i.e., both fittings and furniture/ household appliances are provided)</li> <li> <u>Administrative Concession</u> Actual full rent paid by employer, including rental of furniture and fittings </li> </ul>

	Type of Accommodation Benefit	Tax Treatment Up To YA 2014	Tax Treatment From YA 2015
c)	Utilities and housekeeping costs <ul style="list-style-type: none"> <li>Utilities, telephone and cable bills, household servant</li> <li>Gardener</li> </ul>	<ul style="list-style-type: none"> <li>Actual amount paid by employer</li> <li>\$35 per month or actual wages paid by employer, whichever is lesser</li> </ul>	<ul style="list-style-type: none"> <li>No change</li> <li>Actual wages paid by employer</li> </ul>
2	Hotel accommodation or serviced apartment within hotel building	2% of basic salary plus prescribed value for each occupant during period of stay, minus amount paid by employee	Actual costs incurred by the employer for the hotel stay, minus amount paid by employee

The AV, computed by IRAS for property tax purposes, is the estimated annual rent of the property if it were to be rented out, excluding the furniture, furnishings, and maintenance fees. IRAS reviews the AV annually to keep it in line with the rental market. Nonetheless, the AV could be higher or lower than actual rents as the AV reflects the market rent at the time of review by IRAS, while actual rents may have been committed earlier.

The rationale behind the changes is to tax accommodation benefit in a more equitable manner as the current valuation methods have remained unchanged since the 1960s and under-valued the actual benefits received by the employees.

Effective from year of assessment (YA) 2015 (calendar year 2014), employers are required to apply the new rules to report accommodation benefits provided.

The changes do not apply to any cash allowance payments for accommodation (e.g., housing allowance) as such allowances remain taxable in full. Likewise, where an employee signs a tenancy agreement, but the employer pays the rent to the landlord, the rental payments by the employer are treated as fully taxable cash allowances.

### Illustration of Housing Benefit Calculation

(All dollar figures are Singapore dollars, unless otherwise indicated.)

Assume an employee had received taxable wages of \$400,000 for the year. He was also provided with a fully furnished apartment, of which the actual total rent paid by the employer per the tenancy agreement was \$12,000 per month (assume no breakdown of rental paid for premises, furniture, and fittings) or \$144,000 per year. Further assume two scenarios for AV of the apartment: \$90,000 and \$100,000. Lastly, let's assume the marginal tax rate of the employee was 20 percent. The taxable value of the housing benefit is calculated as shown on the next page.

	Before YA 2015	From YA 2015		
	10% Rule	Scenario 1 AV= \$90,000	Scenario 2 AV= \$100,000	Administrative Concession (Actual Rent)
<b>Taxable Value of Housing</b>				
Premises	\$40,240 <sup>1</sup>	\$90,000 <sup>2</sup>	\$100,000 <sup>3</sup>	-
Furniture and Fittings	2,400 <sup>4</sup>	45,000 <sup>5</sup>	50,000 <sup>6</sup>	-
Total	42,640	135,000	150,000	144,000 <sup>7</sup>
Marginal Tax Rate	20%	20%	20%	20%
Marginal Tax Payable on Housing	\$8,528	\$27,000	\$30,000	\$28,800

<sup>1</sup> Lower of 10 percent x (\$400,000 wages + \$2,400 value of furniture and fittings) or AV of property.

<sup>2</sup> AV of property.

<sup>3</sup> AV of property.

<sup>4</sup> Assume value as calculated based on prescribed rates from IRAS.

<sup>5</sup> 50 percent x AV of \$90,000.

<sup>6</sup> 50 percent x AV of \$100,000.

<sup>7</sup> Actual total rent.

### KPMG Note: Employer Considerations

Given these changes, the employer could end up spending more time on administration as it would need to obtain the AV of the property for rental accommodation in order to report the benefit on the annual return of employee's remuneration. The AV can be found on the property tax bill. It can also be obtained via the IRAS e-Valuation List search service, with each search of the current year's AV of a property costing \$2.50.

On the other hand, under an administrative concession from IRAS, the employer may opt to report the actual full rent paid (including rent paid for furnishings and fittings) as the taxable benefit instead. While the administrative concession would make it easier for the employer from a reporting perspective, it may however produce a higher tax payable, and in certain situations, the concession may even be tax beneficial (refer back to illustration above). It is unclear at this time whether the administrative concession would be available as an annual option or a one-time election, and if the concession can be selectively used for different employees or different properties.

To qualify for tax treatment under the current 10-percent rule, an employer would normally sign house or apartment leases to provide housing accommodation as a benefit to its employees, and assume legal responsibility or additional costs (e.g., lease breakage charges) as a tenant. With the removal of the incentive of the 10-percent rule under the new provisions, there would be less of a

**KPMG Note: Employer Considerations (cont'd)**

reason for employers to take up a corporate lease. It may be possible that more employees could be signing the leases or employers paying housing allowances instead.

If you are concerned by these new rules, you should contact your professional tax adviser and seek assistance with, for example, evaluating and calculating the tax impact of the changes affecting the company; formulating the communication of the new rules to affected employees; and training the personnel in-charge of preparing the returns of employee's remuneration or equipping them with the necessary knowledge to do so.

*Footnote:*

1 For more information from the IRAS on the tax treatment of accommodation, see:  
<http://www.iras.gov.sg/irashome/page04.aspx?id=1758> .

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*For further information or assistance, please contact your local IES professional or one of the following professionals with the KPMG International member firm in Singapore:*

- BJ Ooi, Partner, Head of IES (tel. +65 6213 2657; e-mail: [boonjinooi@kpmg.com.sg](mailto:boonjinooi@kpmg.com.sg))
- Dennis McEvoy, Partner (tel. +65 6213 2645; e-mail: [dennismcevoy@kpmg.com.sg](mailto:dennismcevoy@kpmg.com.sg))

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