

GMS Flash Alert

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Singapore – Tax Clearance Refresh

This *GMS Flash Alert* provides a recap of the Singapore tax clearance rules – as well as the recent updates – which govern the tax payment and declaration for departing employees. Among the updates are matters concerning non-Singapore citizens who are transferred from one company to another company in Singapore within the same group of companies; and those who are away from Singapore for three to six months for overseas postings.

WHY THIS MATTERS

Under Singapore law, the employer is responsible to obtain tax clearance from the Inland Revenue Authority of Singapore (“IRAS”) to ensure all taxes are paid by foreign employees who cease employment or leave the country. Unless an exception applies or valid reasons are given, the IRAS will not hesitate to bring non-compliant employers to task.

The Requirements

In general, employers must file tax clearance for foreign employees (i.e., non-Singapore citizens including Singapore permanent residents) who:

- cease employment;
- start an overseas posting; or
- leave Singapore for more than three months.¹

In particular, the employer must file Form IR21 at least one month before the last date of employment to report the employee’s taxable remuneration. A two-month extension of time to file may be allowed where the taxes are borne by the employer.

In addition, the employer must withhold any monies due to the employee from the day the employee serves notice of his intention to cease employment.

The Consequences

The employer may be fined up to \$1,000 for each failure to file Form IR21 on time without valid reasons. (All dollar figures expressed are Singapore dollars.)

In addition, if an employer fails to withhold monies without a valid explanation, IRAS may hold the employer liable for any tax which the IRAS cannot recover from the employee.

S\$1 = US\$0.7426 | S\$1 = £0.565 | S\$1 = €0.67 | S\$1 = A\$0.976

KPMG NOTE

The IRAS has recently been actively assessing late filing composition fees ranging from \$100 to \$300 on employers.

The Exceptions

Tax clearance is not required for the following situations:

Employee Category	Additional Matters to Take Note of
<ul style="list-style-type: none">Singapore Citizens	
<ul style="list-style-type: none">Singapore Permanent Residents who are not leaving Singapore permanently	Employer should obtain from the employee a Letter of Undertaking to not leave Singapore permanently. Exception does not cover overseas posting or employment.
<ul style="list-style-type: none">Non-Singapore Citizens who<ol style="list-style-type: none">worked for not more than 60 days in a year;worked for at least 183 days in a year and earned less than \$21,000;worked for at least 183 days in a continuous period straddling two years and earned less than \$21,000 annually;worked for at least three continuous years and earned less than \$21,000 annually.	<p>Scenario 1 is not applicable to company directors, public entertainers, or individuals exercising a profession, vocation, or employment of a similar nature.</p> <p>For all scenarios, the employee must not have not been previously employed by another employer within the cessation year or the year prior to the cessation year.</p>
<ul style="list-style-type: none">Non-Singapore Citizens who are transferred to another company in Singapore due to merger or takeover; or restructuring or posting within the same group of companies. UPDATE!	
<ul style="list-style-type: none">Non-Singapore Citizens who are away from Singapore for three to six months for training, business purposes or overseas posting. UPDATE!	<p>For overseas posting UPDATE!, the following requirements must be met:</p> <ul style="list-style-type: none">- Posting period does not exceed six months;

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- Employee would return to Singapore to work for the same employer;
 - Employee continues to hold a valid work pass under the same employer during the posting period; and
 - Salary continues to be paid by the Singapore employer.
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For the above exceptions, notwithstanding tax clearance not being required, the employer must still file the employee's remuneration information on the annual Form IR8A (Return of Employee's Remuneration) by 1 March of the following year.

However, for short-term visiting employees who are based overseas², IRAS has further dispensed with the Form IR8A as long as the visits to Singapore do not exceed in aggregate 60 days in a calendar year and the employee remained in employment with the same employer for the full calendar year. For cases where work/employment passes have been issued to the employees, the employer should provide IRAS the employee's name, FIN number, and schedule of physical presence in Singapore.

KPMG NOTE

Employers need to make sure that tax clearance requirements are met for their foreign employees to avoid any failure-to-file consequences.

FOOTNOTES:

1 For more on Tax Clearance and Form IR21, see the IRAS Web page at:

<https://www.iras.gov.sg/IRASHome/Businesses/Employers/Tax-Clearance-for-Foreign-SPR-Employees/Tax-Clearance-for-Employees/>.

2 For related coverage, see GMS [Flash Alert 2014-117](#) (16 December 2014).

Contact us

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