

GMS Flash Alert



2019-179 | December 3, 2019

Singapore - Update to Removal of Non-Residency Election for Singaporeans Working Overseas

This *GMS Flash Alert* explains the recent clarification that the KPMG International member firm in Singapore (“KPMG”) had sought from the Inland Revenue Authority of Singapore (IRAS), and supersedes the *GMS Flash Alert* issued in August 2019 ([GMS Flash Alert 2019-135](#)).

In summary, the clarified updates to the Removal of Non-Residency Election for Singaporeans Working Overseas are as follows:

1. Overseas-based Singaporean employees still have the option to elect to be assessed as nonresidents of Singapore, on the condition that they had been employed overseas during the whole of the year preceding the year of assessment (“YA”).
2. Consequently, the 60-day tax exemption on income derived from employment exercised in Singapore under section 13(6) of the Singapore Income Tax Act may be applied to overseas-based Singaporean employees on business travel to Singapore.

WHY THIS MATTERS

The new rules could lead to a lightening of tax compliance and administrative burdens and a reduction in related costs, because if a Singapore citizen working overseas opts to be assessed as a nonresident and limits his or her business trips to Singapore, he or she could enjoy a tax exemption for the income relating to the business trips in Singapore.

Background

On 6 August 2019, the IRAS announced that the administrative concession which allows Singaporeans the option of being assessed as nonresidents will be removed, as it is no longer relevant in furthering its objective of removing the disincentive for Singaporeans to work overseas.¹ The removal is effective from YA 2021 (Income Year 2020).

In general, this announcement meant that Singapore citizens working overseas would be regarded by the IRAS as tax residents of Singapore, as their absence is viewed as temporary (i.e., without a view or intent to establish a residence abroad).

Prior to 1 January 2004, foreign-sourced income remitted into Singapore by resident individuals was subject to tax. Hence, for Singaporeans working overseas, the portion of the overseas employment income remitted into Singapore was taxable (although foreign tax credit could be claimed). To remove any disincentive for Singaporeans to work overseas, as an administrative concession, the IRAS had allowed Singaporeans the choice of being treated as nonresidents for any tax year during which they had been working abroad for at least six months. As nonresidents, any remittances would then not be subject to tax in Singapore.

From 1 January 2004, remittances of foreign-sourced income by Singapore tax residents have been exempt from tax under section 13(7A) of the Singapore Income Tax Act.

With the exemption of remittances of foreign-sourced income, Singapore tax resident status would generally result in lower tax liability. This is because any Singapore-sourced income is taxed at graduated rates ranging from 0 percent to 22 percent, after deducting personal reliefs; whereas, for a nonresident, Singapore-sourced employment income is taxed at the higher of a flat rate of 15 percent or the graduated rates of a resident. Other types of income (e.g., income from rental properties in Singapore) are taxed at a flat rate of 22 percent.

There are no personal relief deductions for a nonresident individual.

KPMG NOTE

In light of the above, the IRAS views that the administrative concession that allows Singapore citizens to elect to be assessed as nonresidents is no longer relevant. Hence, this concession will be removed with effect from YA 2021.

Further Clarified Updates to Removal of Concession

The IRAS has recently advised KPMG that the change announced on 6 August 2019, would **only** affect Singaporeans who have not been employed overseas for the whole year.² It will **not** affect the treatment of Singaporeans who have been employed overseas during the whole of the year preceding the year of assessment.

Business Travellers to Singapore

Section 13(6) of the Singapore Income Tax Act provides for a tax exemption on income derived from employment exercised in Singapore for not more than 60 days in a year by nonresident individuals (not applicable to company directors and public entertainers).

Hence, under these current rules, if a Singapore citizen working overseas opts to be assessed as a nonresident and limits his or her business trips to Singapore to **not more than 60 days** in a calendar year, the income relating to the business trips in Singapore would be **exempt from tax**.

KPMG NOTE

The availability of the non-residency option is a welcome relief for both Singaporean employees and their overseas employers, as it results in related tax compliance and administrative costs being alleviated or altogether avoided. With this clarification, the section 13(6) exemption would still be applicable to Singaporeans who make business trips to Singapore for not more than 60 days in the calendar year while they are working outside Singapore for the full year.

However, as nonresidents, other Singapore-sourced income (e.g., rental income) will be assessed at nonresident rates.

The non-residency option should be assessed in view of an individual's circumstances and the overall tax position should be carefully considered before an election is made.

FOOTNOTES:

1 For more about changes to the administrative concession which allows Singaporeans to opt to be assessed as nonresidents for tax purposes, go to the IRAS webpage for "[Individual Income Tax](#)" (scroll down to entry dated 6 August 2019).

2 Representatives of the KPMG International member firm in Singapore received this information from the IRAS authorities (please note this information was disclosed to us, but not confidentially or with any restrictions on its use/disclosure).

* * * *

This article is excerpted, with permission, from "Update: Removal of Non-Residency Election for Singaporeans Working Overseas," in *Tax Alert* (Issue 15, November 2019), a publication of the KPMG International member firm in Singapore.

Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in Singapore:



Dennis McEvoy
Partner

Tel. + 65 6213 2645

dennismcevoy@kpmg.com.sg



Anna Low
Partner

Tel. + 65 6213 2547

alow@kpmg.com.sg

The information contained in this newsletter was submitted by the KPMG International member firm in Singapore.

© 2019 KPMG Tax Services Pte Ltd., a Singapore corporation and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. All rights reserved.

www.kpmg.com

kpmg.com/socialmedia



© 2019 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the U.S.A. NDPPS 530159

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.