



Thinking beyond borders: Management of extended business travelers - Singapore



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01

Key message

1 Key message

A frequent business traveler or short-term visiting employee who exercises employment in Singapore for more than 60 days in a calendar year will be subject to tax in Singapore on the income derived from the individual's services performed in Singapore, unless exempt by treaty.

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Income tax

2 Income Tax

2.1 Liability for income tax

A person's liability for Singapore tax is determined by the source of the person's income as well as their residence status.

Singapore adopts the territorial basis of taxation where an individual, whether resident or non-resident, is subject to tax on income derived from or accrued in Singapore. Foreign-sourced income remitted into Singapore by an individual is exempt from tax. However, this tax exemption does not apply to foreign-sourced income received by a resident individual through a partnership in Singapore.

The residence status of the individual would affect the tax rates to be applied on the taxable income.

An individual is treated as a resident if they reside in Singapore except for such temporary absences therefrom as may be reasonable and not inconsistent with a claim by such individual to be a resident in Singapore (i.e. Qualitative rule) and includes an individual who is physically present or who exercises an employment in Singapore for 183 days or more in a calendar year (i.e. Quantitative rule). Physical presence in Singapore for any part of the day shall be counted as one day in Singapore.

A non-resident of Singapore is generally someone who spends less than 183 days in Singapore during the year preceding the year of assessment. The Inland Revenue Authority of Singapore ("IRAS") may, on a concessionary basis, assess an individual to tax as a resident for all years where their employment in Singapore is expected to cover a continuous period of at least 183 days straddling over 2 calendar years (i.e. 2-year administrative concession) notwithstanding that the period of employment in the year of arrival or departure is less than 183 days.

2.2 Definition of source

Employment income is generally treated as Singapore-sourced if the services are performed in Singapore, regardless of where the payment is made, or the contract of employment is concluded.

2.3 Tax trigger points

A short-term visiting employee who exercises employment in Singapore for no more than 60 days in a calendar year (other than as a director or a public entertainer) is exempt from tax. The dates of arrival and departure are to be included in determining the 60 days.

Based on the above, a frequent business traveler whose stay in Singapore exceeds 60 days in a calendar year would be subject to tax in Singapore on the income derived from the individual's work performed in Singapore. To the extent that the individual qualifies for exemption under the conditions of the dependent personal services article of the applicable double tax treaty, there will be no tax liability. Note that approval for tax treaty exemption must be obtained from the IRAS.

Notwithstanding that tax-exemption may apply in accordance with the local tax laws or the double - taxation agreement, there may be filing requirements for the employer and the employee.

2.4 Types of taxable income

As a general rule, all payments (whether in the form of cash or benefits-in-kind) made by an employer to an employee for employment in Singapore are taxable, unless specifically exempted under the Income Tax Act or by concession.

The following payments made by the employer for employees based outside Singapore and travelling into Singapore for business purposes are not taxable:

- accommodation
- travelling and entertainment (which have been expended for business purpose)
- per diem allowance not exceeding the yearly acceptable rate determined by the IRAS.

2.5 Tax rates

A resident is taxed on the resident's chargeable income (after deducting applicable personal reliefs) at graduated rates ranging from 0 percent to 24 percent from Year of Assessment 2024 (i.e. calendar year 2023).

Non-residents are subject to tax on employment income at a flat rate of 15 percent or at the resident tax rates, whichever yields a higher tax payable. Other income of a non-resident individual is generally taxed at 24 percent, unless specifically exempt or subject to a reduced treaty rate.

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Social Security

3 Social Security

3.1 Liability for social security

All foreign citizens are currently exempt from participation in Singapore's national social security scheme, the Central Provident Fund ("CPF"). Upon becoming a permanent resident of Singapore or Singapore citizen, however, participation in the CPF is compulsory if the individual is exercising an employment in Singapore.

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Compliance obligations

4 Compliance obligations

4.1 Employee compliance obligations

Notification to file Income tax returns (Form B1/B/M) are issued by the IRAS in February each year. Individuals are required to complete and submit the form to the IRAS by 15 April for paper filing or 18 April for electronic filing. The IRAS may grant an extension beyond the 15 April deadline if there are valid reasons.

4.2 Employer reporting and withholding requirements

There is no requirement for the employer to withhold monthly taxes from the employee. Employers, however, are required to complete a Return of Employee's Remuneration form (Form IR8A) setting out the various payments under the employment for the year. The form is to be completed and given to employees by 1 March of the following year. With effect from the Year of Assessment 2022, it is mandatory for employers who have five or more employees (in total) for the entire year to submit their employees' income information to IRAS electronically via Auto-Inclusion Scheme (AIS).

In general, when a non-Singapore citizen employee is departing for a period exceeding 3 months, written notice (Form IR21 – Notice of Cessation of Employment of non-Singapore Citizens) must be given at least 1 month prior to the date on which the person ceases employment or leaves Singapore permanently. In addition, the employer must withhold any monies that are due to the employee. The employer can release the money to the employee only when the IRAS grants the tax clearance, or upon the expiration of 30 days after receipt by the IRAS of the Form IR21, whichever is earlier. Form IR21 tax clearance is however not required for short-term visiting employees working for no more than 60 days in a calendar year. For such cases, the employer may be required to file a Form IR8A by 1 March of the following year.

Where a frequent business traveler travels to Singapore for business purposes for no more than 60 days within a calendar year, the requirement to file a Form IR8A may be waived, upon approval by the IRAS, if the employee had been in employment with the same employer for the full calendar year. The following documents are to be provided for the IRAS' review for the waiver request:

- Full name
- Foreign Identification Number
- Schedule of physical presence in Singapore (Date of Arrival and Date of Departure) during the calendar year.

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Immigration

5 Immigration

5.1 Work permit/visa requirements

A work pass will be required for a foreign individual who would like to be engaged in some form of business, profession, occupation or paid employment while in Singapore.

Generally, if the foreign individual wishes to work in managerial, executive or specialized jobs in Singapore, the foreign individual must apply to the Work Pass Division, Ministry of Manpower (MOM) Singapore, for a work pass regardless of the length of the assignment. A registered entity in Singapore will generally need to sponsor the work pass for the foreign individual.

It is in the sole discretion of the MOM to grant an Employment Pass (EP) / S Pass to an individual typically taking into consideration an applicant's qualifications, work experience, salary, track records, skill sets and role to be performed in Singapore. Specifically for EP applications, candidates need to pass the points-based Complementarity Assessment Framework (COMPASS) in addition to meeting the EP qualifying salary.

5.2 Other immigration considerations

Under the Fair Consideration Framework (FCF), all employers in Singapore are required to consider the workforce in Singapore fairly for job opportunities. Employers should not discriminate candidates based on non-job-related characteristics such as age, gender, nationality or race. In order to promote fair employment practices and improve market transparency, employers must advertise job vacancies on MyCareersFuture administered by the Workforce Singapore Agency (WSG) for at least 14 calendar days before submitting new EP / S Pass applications to ensure that job seekers are aware of the job opportunities and have a chance to apply for it.

Exemption from advertising on MyCareersFuture applies for any of the following: -

- The company has fewer than 10 employees.
- The fixed monthly salary for the vacancy is \$22,500 and above.
- The vacancy is to be filled by an overseas intra-corporate transferee (ICT) as defined by the World Trade Organisation's General Agreement on Trade in Services (GATS) or any applicable Free Trade Agreement (FTA) that Singapore is part of. It is important to note that the definition of an overseas ICT may vary depending on the FTA. Each FTA has its own definition of overseas ICTs.
- According to WTO GATS, the candidate must have worked for the company outside Singapore for at least one year before being posted to a branch, affiliate, or subsidiary in Singapore. Additionally, the candidate must hold a managerial, executive, or specialist role.
- The vacancy is short-term, i.e. not more than 1 month.

Please note that all employers should practice fair hiring even if the job vacancies qualify for exemption from advertising. MOM will take action against employers who do not adhere to the Tripartite Guidelines on Fair Employment Practices, which includes work pass debarment of up to a maximum period of 24 months.

In addition, employers are advised to hire and develop a Singaporean core by making efforts to attract and consider Singaporeans for job positions on merit, and to train and develop their potential and careers. MOM may place companies on the FCF Watchlist if they identify employers with indications of discriminatory hiring practices which include the following:

- Complaints of discriminatory HR practices (e.g. involving age, race, religion or nationality bias)
- Hiring practices that differ significantly from industry peers. For example, employers with exceptionally high share of foreign Professionals, Managers, Executives and Technicians (PMETs), or very high concentration of a single nationality.

Once the company is placed on the FCF watchlist, MOM will closely scrutinize their EP and S Pass applications. The Tripartite Alliance for Fair and Progressive Employment Practices will engage these employers to help them improve their HR practices.

5.3 COVID-19 – Immigration and Travel Restrictions

There are **no longer any COVID-19 measures** for travellers arriving in Singapore regardless of vaccination status or traveller profile.

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Other issues

6 Other issues

6.1 Double taxation treaties

Singapore has entered into double taxation treaties with numerous countries/jurisdictions to mitigate double taxation and allow cooperation between Singapore and overseas tax authorities in enforcing their respective tax laws.

6.2 Permanent establishment implications

A permanent establishment (PE) could potentially be created as a result of frequent business travels but this would generally depend on the type of services performed and the level of authority the employee has.

6.3 Indirect taxes

Goods and service tax (GST) is currently applicable at 9 percent on domestic consumption. GST is levied on the sale of goods and services in Singapore by GST-registered traders and on goods imported into Singapore. Businesses whose turnover exceeds 1 million Singapore dollars (SGD) are required to register for GST.

6.4 Transfer pricing

Transfer pricing implications could arise to the extent that the employee is being paid by an entity in one jurisdiction but performing services for the benefit of the entity in another jurisdiction for a related entity. In other words, a cross-border benefit is being provided.

This would also be dependent on the nature and complexity of the services performed.

6.5 Local data privacy requirements

Personal data in Singapore is protected under the Personal Data Protection Act.

6.6 Exchange control

Singapore does not currently impose exchange controls.

6.7 Non-deductible costs for assignees

Non-deductible costs incurred by employers relating to assignees generally include private passenger car expenses and medical expenses exceeding a certain cap.

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