



# Mobility: Tax alert

December 2021

## Singapore

### Changes to COVID-19 tax and Central Provident Fund (CPF) support measures for individuals and employers for Year of Assessment (YA) 2022

#### Executive summary

Since the onset of the COVID-19 pandemic last year, the Inland Revenue Authority of Singapore (IRAS) and CPF Board announced several COVID-19 support measures in 2020 to support employers and their impacted workforce.

With Singapore now embarking on the endemic COVID-19 road map, companies have displayed resilience in rapidly adapting their business strategies to address challenges and opportunities in a post-pandemic future. In response, the IRAS and CPF Board have reviewed their support measures in 2021 and reduced the extent of support measures offered following the gradual reopening of borders.

The key changes have been captured in the table below. In summary, depending on the period in 2021, there are additional qualifying conditions to be met and/or submissions to be made to the authorities for the tax and CPF support measures to continue to apply for Singaporean/Singapore Permanent Resident (SPR) employees working remotely in Singapore for overseas employers. The 60-day tax exemption on income attributable to the extended work period of foreign employees who had completed their Singapore assignment but were stranded in Singapore lapsed on 1 January 2021. Lastly, the tax exemption of up to S\$75/\$50 on benefits (such as accommodation, food, transport, and daily necessities) provided to employees whose work have been impacted by the COVID-19 pandemic also lapsed on 1 January 2021.

Employers will need to note these changes in the upcoming filing of the Form IR8A (Return of Employee's Remuneration) for the calendar year 2021, which is due on 1 March 2022.

#### EY's views

The COVID-19 support measures released by IRAS and the CPF Board were intended to provide immediate support to companies and their employees during the sudden onset of the pandemic crisis in 2020.

With the gradual reopening of borders and easing of travel restrictions in 2021, the IRAS and CPF Board have taken reasonable steps to scale back support measures to normalise the tax and CPF systems and revert to the regular rules. This approach is similarly observed in many other countries with the reduction in COVID-19 support measures going forward.

As Singapore's borders reopen and Vaccinated Travel Lanes with various countries launched, it is no surprise that the IRAS would be seeking to apply a more equitable approach to tax employees who choose to work remotely in Singapore for overseas employers, as in the case for local employees working in Singapore for Singapore employers.

Updated tax/CPF COVID-19 support measures

	2020 COVID-19 Measures	2021 COVID-19 Measures (Updates)								
<p>Tax support measures for Singaporean/SPR employees exercising overseas employment and working remotely in Singapore for their overseas employer</p>	<p>The days during which employees work remotely in Singapore for their overseas employment will not be considered as 'employment days' in Singapore for the period from the date of return to Singapore up to 31 December 2020, provided that the following conditions are met:</p> <ol style="list-style-type: none"> <li>there are no changes in the contractual terms governing the employment overseas before and after the employee's return to Singapore; and</li> <li>this is a temporary work arrangement due to COVID-19.</li> </ol> <p>If all the conditions are met, the employment income for the period of stay in Singapore up to 31 December 2020 will not be taxed in Singapore. Otherwise, normal tax rules will apply to determine the taxability of employment income for such period.</p> <p>There are no application requirements for both the employee and the employer for the above tax exemption to apply. However, documentary evidence to support the tax exemption claim should be maintained and provided upon request by the IRAS.</p>	<p><b>Extension of 2020 Tax Measures till 30 June 2021</b> The IRAS has extended the exemption under the 2020 tax measures till 30 June 2021, subject to meeting three additional qualifying conditions as stated below:</p> <ol style="list-style-type: none"> <li>The work performed during the stay in Singapore would have been performed overseas if not for the travel restrictions caused by COVID-19;</li> <li>The employee left Singapore as soon as they were able to do so before 30 June 2021*; and</li> <li>The employment income earned during the stay in Singapore from 1 January 2021 to 30 June 2021 is subject to tax in the country of the overseas employer.</li> </ol> <p>* Condition 4 will not be breached if the employee is unable to return overseas due to an escalating COVID-19 situation in the overseas country (such as resurgence of cases or new strain of virus) and an elevated risk of contracting COVID-19 overseas.</p> <p>Similarly, there are no application requirements for the above tax exemption to apply.</p> <p>The extended tax relief only applies to employees who first returned to Singapore in 2020, including employees who returned to the overseas location in 2020 and subsequently came back to Singapore in 2021 due to resurgence of COVID-19 cases in the overseas location.</p> <p>Employees who only returned to Singapore in 2021 are not eligible for this tax relief, even if they returned for vaccination purposes and worked remotely during the vaccination dose intervals, unless supported by vacation leave.</p> <p><b>Tax implications from 1 July 2021</b> From 1 July 2021, employees who are still stranded in Singapore due to COVID-19 travel restrictions and will leave Singapore when they are able to do so must write to IRAS for a review of their circumstances for the tax exemption to apply on their employment income from 1 July. The below information has to be submitted to the IRAS for review:</p> <table border="1" data-bbox="774 1131 1452 1646"> <tr> <td>Start date of remote work arrangement in Singapore</td> <td>Nature of work scope and duties before the return to Singapore and during the period of stay in Singapore, with supporting documents</td> </tr> <tr> <td>Name and address of overseas employer and employee's designation</td> <td>Confirmation that the work duties performed in Singapore would have been done overseas if not for the COVID-19 travel restrictions</td> </tr> <tr> <td>Details of reporting lines and the country where they are based, which includes i) number of staff reporting to employee and ii) employee's direct superior</td> <td>Details of related entities of the overseas employer in Singapore and whether work was done for these Singapore entities or for clients in Singapore</td> </tr> <tr> <td>Proof of taxation of income attributable to the Singapore period by the overseas jurisdiction</td> <td>Proof to support that the employee has made every effort to leave Singapore but was unable to do so</td> </tr> </table> <p>If no application is made to IRAS or the employee's application for tax exemption is rejected by IRAS, normal tax rules will apply to determine the taxability of employment income from 1 July 2021. That is, employment income attributable to the period the employee spent working in Singapore from 1 July 2021 would be subject to tax in Singapore and be reportable by the overseas employer.</p> <p>If the employee is a tax resident, the income will be assessed at the progressive resident tax rates. If the employee is a non-resident, income will be assessed at the non-resident flat tax rate of 15% or the resident progressive rates, whichever is higher.</p> <p>The IRAS has confirmed that for an employee who qualifies for tax residency under the 183-day test in a calendar year, the tax residency status will not be impacted even if the employee qualifies for the COVID-19 tax exemption measure from 1 January 2021 to 30 June 2021. This period will be included in the 183-day count for tax residency purposes.</p>	Start date of remote work arrangement in Singapore	Nature of work scope and duties before the return to Singapore and during the period of stay in Singapore, with supporting documents	Name and address of overseas employer and employee's designation	Confirmation that the work duties performed in Singapore would have been done overseas if not for the COVID-19 travel restrictions	Details of reporting lines and the country where they are based, which includes i) number of staff reporting to employee and ii) employee's direct superior	Details of related entities of the overseas employer in Singapore and whether work was done for these Singapore entities or for clients in Singapore	Proof of taxation of income attributable to the Singapore period by the overseas jurisdiction	Proof to support that the employee has made every effort to leave Singapore but was unable to do so
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	2020 COVID-19 Measures	2021 COVID-19 Measures (Updates)
CPF support measures for Singaporean/SPR employees exercising overseas employment and working remotely in Singapore for their overseas employer	Statutory CPF contributions are not required from the date of return to Singapore up to 31 December 2020 if the above qualifying conditions 1 and 2 under the tax support measures are met.	<p><b>Extension of 2020 CPF Measures till 30 June 2021</b> Statutory CPF contributions are not required if the above qualifying conditions 1 to 4 under the tax support measures are met.</p> <p><b>CPF implications from 1 July 2021</b> From 1 July 2021, employees who are still stranded in Singapore due to travel restrictions <u>must</u> write to the CPF Board for a review of their circumstances in order for statutory CPF contributions not to apply on remuneration attributable to the period they are working in Singapore.</p> <p>If a submission is not made to the CPF Board, or the continuation of the remote working arrangement in Singapore is agreed in writing or verbally by the overseas employer despite the employee's ability to return to their overseas location, statutory CPF contributions will be payable by the overseas employer for Singaporean/SPR employees working remotely in Singapore from 1 July 2021.</p> <p>In the reverse situation, where a Singapore employer has Singaporean/SPR employees working remotely overseas and they have agreed in writing or verbally for them to continue to work overseas despite being able to return to Singapore, statutory CPF contributions are not required by the Singapore employer from 1 July 2021.</p>
Tax measures for non-resident foreigners who are on assignment in Singapore and are unable to leave Singapore after the end of the Singapore assignment due to COVID-19	<p>The extended stay in Singapore after the end of their assignment will not be regarded as 'employment days' in Singapore if the following conditions are met:</p> <ol style="list-style-type: none"> <li>the period of the employee's extended stay is not more than 60 days; and</li> <li>the work done during the extended stay is not connected to the Singapore assignment and would have been performed overseas if not for the COVID-19 situation.</li> </ol> <p>If the conditions are met, the income attributable to the period of extended stay in Singapore will not be taxed.</p>	<p>The tax exemption for the extended stay in Singapore after the end of the Singapore assignment has lapsed on 1 January 2021.</p> <p>From 1 January 2021, if the foreign employee is unable to return/relocate to the overseas location due to COVID-19 travel restrictions, income attributable to the Singapore assignment and the extended period of stay in Singapore in a calendar year would be regarded as sourced in Singapore and subject to tax unless the employee qualifies for tax exemption under a tax treaty or claims an exemption under the normal 60-day exemption rule for short-term business assignments.</p>
Tax exemption of employment benefits for accommodation, food, transport, and daily necessities	<p>Tax exemption up to a cap is granted for the following benefits:</p> <ul style="list-style-type: none"> <li>Accommodation in Singapore (including furniture &amp; fittings) up to a cap of S\$75 per day per employee; and/or</li> <li>Food, transport, and/or daily necessities for consumption in Singapore, up to a cap of S\$50 in total per day per employee.</li> </ul> <p>The following conditions have to be met:</p> <ol style="list-style-type: none"> <li>The employees did not ordinarily receive such benefits in Singapore before 1 February 2020; and</li> <li>The employer has provided the benefits either because: <ul style="list-style-type: none"> <li>The employee normally resides outside Singapore, but is required to reside in Singapore during the COVID-19 pandemic to ensure the continuity of his employer's business during the pandemic; <b>or</b></li> <li>The provision of the benefit will reduce the risks that the employee will be infected with COVID-19 or infect others with COVID-19.</li> </ul> </li> </ol> <p>Any amounts in excess of these caps will be taxable as employment income.</p>	<p>The tax exemption of employment benefits for accommodation, food, transport and daily necessities has lapsed on 1 January 2021.</p> <p>From 1 January 2021, the full value of these benefits provided to the employees in similar situations will be subject to tax.</p>

## Next steps

Employers who have Singaporean/SPR employees working remotely in Singapore for overseas companies due to the COVID-19 situation should review their mobility policy/employment terms in line with the updated COVID-19 measures to ensure that their documentation for the affected employees are sufficient to meet the qualifying conditions for the tax and CPF exemptions, where applicable.

With the updates pertaining to an employee's period of stay in Singapore beyond 30 June 2021, there may be double taxation exposure if the employee is liable for taxes in Singapore and in an overseas jurisdiction. The company and the employee will need to be made aware of the exposure and explore other alternatives to mitigate such double taxation.

EY can assist to review and advise the affected employees, if needed. Should you require any clarification with respect to the above, please do not hesitate to contact your EY advisor, or one of the contacts detailed below.

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