

EXPLANATORY NOTES FOR COMPLETING FORM IR21

Use the Tax Clearance calculator to check if clearance is required!

(www.iras.gov.sg > Responsibilities as an employer > Getting tax clearance for Foreign & SPR employees (IR21) > What is Tax Clearance)

You may e-file the Form IR21 at *myTax Portal* (<https://mytax.iras.gov.sg>) or fax us the completed paper form at Fax: 6351 2707. Do not fax duplicate copies to us.

If you e-file, you can generally get tax clearance within 7 working days. Paper Form IR21 will generally be processed within 21 days.

You can check the tax clearance status, view and print the clearance directive via *myTax Portal*.

GENERAL

1 The Form IR21 and Appendix 1/2/3 (if applicable) must be completed and signed by the company secretary/director, precedent partner, sole-proprietor, manager, honorary secretary/treasurer, representative of a non-resident company or a person authorised by the employer, as the case may be. The name and designation of the authorised person and contact number must be given.

2 If you are e-filing Form IR 21, please refer to the online help at *myTax Portal*. For the paper Form IR21, please write in black ink and use the format DD/MM/YY for dates. Enter 'NA' for items that are not applicable.

3 Complete this form at least one month before your non-citizen employee ceases employment with you in Singapore (including posting to an overseas location) or plans to leave Singapore for more than 3 months. If you are not able to give one month's notice, state reason in Section D, item 15 of Form IR21. Unless the Comptroller accepts shorter notice, employers who fail to comply may be liable to a fine not exceeding \$1,000.

4 You are also required to withhold any monies (including overtime pay, leave pay, allowances for transport, entertainment, gratuities and lump sum payments, etc.) due to your employee from the day he notifies you of his intention to cease employment or when you decide to terminate the employment or post the employee to an overseas location. If you are unable to withhold monies, state reason in Section D, item 20. If an employer fails to comply and does not give valid reasons, he may be held liable for the tax that is owing by the employee.

5 **Do not release any monies** to the employee until tax clearance is given or 30 days after the Comptroller has been notified through the Form IR21, whichever is earlier.

6 If there are any changes or further remuneration payable to the employee after tax clearance has been sought, please complete another Form IR21 and indicate "Amended" or "Additional" in Section A.

7 **Do not complete Form IR21** for the following categories of employees, as tax clearance is not required:

- Singapore Citizens
- Singapore Permanent Residents who are not leaving Singapore permanently after cessation of employment. You may obtain a Letter of Undertaking from the SPR employee to confirm that he is not leaving Singapore permanently. This administrative concession does not apply to overseas posting.
- Non-Singapore citizens who worked in Singapore not exceeding 60 days in a calendar year (Scenario 1). This does not apply to directors of a company, public entertainers or individuals exercising a profession, vocation or employment of a similar nature.

Scenario 1: 60 days or less

Year	Period	No. of days
1	28.11.2008 to 30.12.2008	33

- Non-Singapore citizens who worked in Singapore for at least 183 days within a calendar year (Scenario 2) or a continuous period straddling 2 years* (Scenario 3) and earned less than \$20,000 annually.

Scenario 2: 183 days or more and income is < \$20,000

Year	Period	No. of days	Income
1	01.06.2008 to 03.12.2008	186	\$18,000

Scenario 3: 183 days or more (continuous employment period including physical presence) and income is < \$20,000 for each year

Year	Period	No. of days	Income
1	03.11.2008 to 31.12.2008	59	\$18,000
2	01.01.2009 to 07.05.2009	127	\$19,000
Total		186	

*This 2-year administrative concession is only applicable for foreign employees who enter Singapore from 01 Jan 2007. It does not apply to directors of a company, public entertainers or individuals exercising a profession, vocation or employment of a similar nature.

- Non-Singapore citizens who worked in Singapore for 3 continuous years or more and earned less than \$20,000 per year (Scenario 4).

Scenario 4: Continuous employment over three consecutive years (even though the number of days may be less than 183 days in the first and third year) and income is < \$20,000 for each year

Year	Period	No. of days	Income
1	03.11.2007 to 31.12.2007	59	\$6,000
2	01.01.2008 to 31.12.2008	366	\$19,000
3	01.01.2009 to 07.05.2009	127	\$8,000

- Non-Singapore citizens who are transferred to work in another company in Singapore as a result of re-structuring, re-engineering, merger or take-over
- Non-Singapore citizens who are away from Singapore for training or business purposes (excluding overseas posting) for 3 to 6 months

EMPLOYMENT RECORD (Section D)

8 Date of Arrival

Indicate 'NA' if the employee has been working in Singapore prior to his employment with your company.

9 Date of Cessation

This refers to the last day of service with your company and not the date of cancellation of work pass.

Example: Employee resigned on 28/1/2008, giving one month's notice. Date of cessation will be 27/2/2008 even though employee may take his remaining leave entitlement from 18/2/2008.

10 Employee's Income Tax borne by Employer

Where the employee's income tax liability is borne by the employer, the tax borne is taxable as part of the employee's income. The employee's tax is not 'borne' by you if you are merely deducting the tax from the employee's salary or withholding his salary for tax clearance. If you are bearing the tax partially, please indicate:

- (i) the amount and type of remuneration on which the tax is borne *or*
- (ii) the amount of tax to be borne by employer and employee respectively, *or*
- (ii) Whether it is a tax reimbursement

INCOME TO BE REPORTED IN FORM IR21 (Section F)

11 Income

Your employee's remuneration to be shown in this Form are the respective amounts (in Singapore Dollars) due for the year of cessation and the year prior to cessation (if such income information has not been transmitted electronically to us via the Auto-Inclusion Scheme for Employment Income):

- a) whether it was paid within the year in which it was due; and
- b) whether it was paid/is payable in Singapore or outside Singapore.

Include remuneration paid by overseas employer to your employee performing personal services in Singapore.

12 Bonus, & Director's Fee & Allowances

State the full amount of bonus or director's fees which were paid/are payable. Bonuses will be assessed in the year in which they become due and payable:

a) Contractual Bonus is due and payable under the terms of the contract of service. It is regarded as the employee's income in the year specified by the contract. This is usually the year in which the employee's services are rendered.

Example: Contractual bonus paid in 2009 for the services rendered in 2008 should be reported as 2008 income.

b) Non-contractual Bonus is due and payable at the discretion of the employer. It is regarded as the employee's income on the date the employer decides the bonus is payable. Indicate the date on which the non-contractual payment was declared payable.

Example: When an employer decides in Dec 2008 to pay a non-contractual bonus in Jan 2009, this bonus should be reported in the Form IR21 as income for the year 2008.

c) Director's fees are regarded as paid to the director on the date on which the fees are voted for and approved at a company's Annual General Meeting or Extraordinary General Meeting of that calendar year. Where the company held more than one meeting during the calendar year to approve payments of director's fees for the same financial year, please enter the date of approval of the latest meeting held.

d) Allowances include:

- Transport / Entertainment
- SRS contributions by employer (from Year of Assessment 2009);
- Cash top-ups to CPF Minimum Sum Topping-up Scheme by employer (from Year of Assessment 2009); and
- Any other monetary benefits provided /paid by employer.

13 Compensation for Loss of Office

Generally, severance payments made to compensate for the loss of employment are not taxable to the retrenched employee because they are capital receipts. However, other payments such as salary in-lieu of notice and gratuity for past services are taxable as they are not payments for loss of office (see IRAS circular "Retrenchment Pay that Constitutes Payment for Loss of Employment is not taxable" at www.iras.gov.sg > e-Tax Guides).

Employers should check with IRAS on the taxability of the payments once the retrenchment package has been finalised by sending an email to taxclear@iras.gov.sg with the details below:

- a) the circumstances why the staff are leaving the company
- b) detailed breakdown of the package and state the basis of arriving at each component
- c) the number of employees affected (breakdown to be given for Singaporeans and Foreigners)
- d) the name and contact number of the person administering the payout

IRAS will confirm the taxability of each component. With this confirmation, the employer needs to declare only the taxable items in Section F 'item 4e' of the Form IR21.

14 Employer's Contributions to any Pension/Provident Fund Constituted Outside Singapore

Such contributions by the employer are taxable as part of your employee's income. State the full amount of the contributions and indicate whether the contributions were made to the employees' home country social security schemes and whether the contributions were charged to the accounts of or deductions were claimed by your company.

15 Excess/ Voluntary contributions to CPF by employer

a) Employer's contributions to CPF for non-citizens are not compulsory under the CPF Act. Such contributions are considered voluntary contributions and are taxable as your employee's income. State the amount of employer's voluntary CPF contributions if any.

b) Employer's contributions for Singapore Permanent Residents which are more than the compulsory contributions under the CPF Act or exceed the overall income cap (as published by the CPF Board on its website <http://www.cpf.gov.sg>) are taxable as your employee's income. State the amount of employer's excess contribution and complete Form IR8S.

16 **Gains from Employee Stock Option Plans (ESOP)/ Share Ownership Plans (ESOW)**

Gains derived by the employee either directly or indirectly from the exercise, assignment or release of a right or benefit to acquire shares in any company where such right or benefit was obtained by him by reason of any office or employment are taxable. The gain is the difference between the open market price of shares on the date of exercise/ vesting or date the selling restriction is lifted as the case may be and the exercise price/ price paid for the shares.

ESOP/ESOW granted from 1 Jan 2003 while exercising employment in Singapore

- i) Any gain from the exercise of such ESOP will be taxed in Singapore, regardless of where the ESOP is exercised. Such gain is taxable in the year in which the ESOP is exercised.
- ii) Any gain from such ESOW (with vesting imposed) will be taxed in Singapore, regardless of whether the employee is in or outside Singapore on the date of vesting. Such gain is taxable in the year in which the shares are vested. For ESOW Plans with no vesting imposed, the gain will be taxed in the year in which the shares are granted.
- iii) Any gain from such ESOP/ESOW (with selling restriction) will be taxed in Singapore in the year in which the selling restriction is lifted.
- iv) Where such ESOP/ESOW have yet to be exercised or are unvested at point of tax clearance, the “deemed exercise” rule would apply.

The deemed gain is the difference between the market price of the share as at one month before the date of cessation of employment or date of grant, whichever is later and the exercise price/ price paid for the share. Where the actual gain is less than the deemed gain, employees may make an application for re-assessment within 4 years.

Please complete details of taxable gains (i) to (iv) in Appendix 2. The amount to be stated in item 4(i) in page 2 of Form IR21 is the total gross amount in Section E of Appendix 2. Where deferral of tax payment has been granted on gains from ESOP/ESOW, such deferral will cease to apply upon tax clearance. All tax outstanding will become due immediately.

v) The “deemed exercise” rule will not apply if the employer has been granted approval to track all unexercised ESOP or unvested ESOW and seek tax clearance on such gains when the income realization event occurs. Please complete Appendix 3 and furnish the Letter of Undertaking to collect and pay the tax thereof to the Comptroller.

Unexercised ESOP/Unvested ESOW granted before 1 Jan 2003 while exercising employment in Singapore

Where the employee has such unexercised ESOP/ESOW as at the point of seeking tax clearance, please give details separately. If such ESOP was exercised or ESOW had vested before departure from Singapore, please complete additional Form IR21.

ESOP/ESOW granted while exercising employment overseas

Gains from such ESOP exercised or ESOW which vest in Singapore, on or after 1.1.2002 are not taxable.

At A Glance: Taxability of ESOP/ESOW Plans

ESOP/ESOW plan granted while an individual is exercising employment in Singapore	
Granted before 1 Jan 2003	The gains from any ESOP/ESOW plans are taxable in Singapore if the ESOP/ESOW plans are exercised/vested while you are physically present in Singapore or holding an employment in Singapore.
Granted on or after 1 Jan 2003	The gains from any ESOP/ESOW plans are taxable in Singapore. This is regardless of where you exercise/vest the ESOP/ESOW plans, as the gains will be taxed to the extent that they are connected with Singapore employment.

ESOP/ESOW plans granted while an individual is NOT exercising employment in Singapore*	
Exercised before 1 Jan 2002	The gains from any ESOP/ESOW plans are taxable in Singapore if the ESOP/ESOW plans are exercised/vested while you are physically present in Singapore or holding an employment in Singapore.
Exercised on or after 1 Jan 2002	The gains from any ESOP/ESOW plans are not taxable in Singapore even if the ESOP/ESOW plans are exercised/vested while you are physically present in Singapore or holding an employment in Singapore. Please note that you need NOT report such gains

* This does not apply to an employee who was temporarily away as such absence from Singapore would be treated as incidental to his Singapore employment

EXPLANATORY NOTES FOR COMPLETING APPENDIX 1

Complete Appendix 1 if benefits-in-kind are provided to the employee. Where benefits provided are shared with other employees, **enter the amount applicable to the employee concerned only.**

A Value of Place of residence

The taxable benefit is annual value of the place of residence as shown in the respective Property Tax Bill/rent paid by employer or 10% remuneration, whichever is lower, less rent paid by employee. Rent paid by the employer is the difference between the gross rent (includes monthly maintenance charges) and rental for furniture and fittings. Where the place of residence is provided for part of the year, the taxable benefit is apportioned based on the no. of days it was provided.

Example:

- Employment Period: 1.1.07 to 31.12.07 (365 days)
- Place of Residence provided: 1.3.07 to 29.5.07 (90 days)
- Annual Value/Rent paid by employer (A5) \$40,000
- Taxable Value of Furniture & Fittings (B9) \$ 78
- PUB bills provided (B13) \$ 250
- Rent paid by employee (A4) \$ 2,000
- No. of employee(s) sharing the premise: 1
- Employee’s Remuneration for the whole year: \$180,000 i.e. Total of (Items 1 to 4(i) of Income Details) + D12
- Value of Place Of Residence (A6) = Lower of Annual Value/ rent paid by employer (i.e \$40000) or 10% [(employee’s remuneration x No.of days occupying the premise/ No. of days employed in the year) + B9 + B13] + B9 less rent paid by employee (A4)
- = \$2549 (to be entered as Taxable Value of Place of Residence under Section A6)

Where the accommodation provided to an employee is a service apartment, the basis of assessing the taxable value will be as described above. Rental paid for hire of furniture & fittings, utilities & housekeeping services should be declared as benefits-in-kind in Appendix 1. This item must also be declared for cases where no salary is paid but employee is provided with place of residence. If however, the service apartment is located within the hotel building, the hotel accommodation rates, in Appendix 1, can be applied to compute the taxable value of the accommodation.

B Value of furniture & fittings/driver/gardener

Calculate the value of the benefits-in-kind using the rates shown in Section B of Appendix 1.

Example: Housing was provided with furniture (hard/soft), fans (2 units), air-cooler, TV and refrigerator to 2 employees from 1.3.07 to 29.5.07 (90 days) in the year 2006. PUB bills paid by employer for the said period was \$500.

Calculation of the benefits-in-kind:

Furniture: Hard & Soft	\$120 x 90 days/365 days x 1/2 employees	\$14.79
Fan (2 units)	\$12 x 90 days/365 days x 1/2 employees x 2	\$ 2.96
Air cooler (1 unit)	\$12 x 90 days/365 days x 1/2 employees	\$ 1.48
TV (1 unit)	\$360 x 90 days/365 days x 1/2 employees	\$44.38
Refrigerator (1 unit)	\$120 x 90 days/365 days x 1/2 employees	\$14.79

Period of occupying the premise provided by employer is entered as: From 1.3.06 to 29.5.06.

The value of benefits-in-kind to be entered under Section B: Value of Furniture & Fittings/Driver/Gardener is as follows:-

Items	A No. of Unit	B Rate/unit p.a (\$)	Value = A x B x (No. of days/365) (\$) Please apportion the values to the share applicable to this employee
1. Furniture : Hard & Soft		\$120.00	\$14.79
2. Refrigerator Video Recorder	1	\$120.00/240.00	\$14.79
3. Washing Machine Dryer Dish Washer		\$180.00	
5. TV Radio Amplifier Hi-Fi/Electric Guitar	1	\$360.00	44.38
8. Others (see Explanatory Note – Appendix 1) <i>Fans, Air cooler</i>			4.44 (2.96 + 1.48)
9. Taxable Value of Furniture & Fittings (total of B1 to B8) to be included in the computation of Taxable Value of Place of Residence (item A6) above			78.40
10. PUB/Telephone/Pager/Suitcase/Golf bag & accessories Camera/Servant		Actual Amount	250.00
11. Driver	Annual Wages X (private / total mileage)		
12. Gardener	\$420/yr or Actual wages, whichever is lower		
13. Taxable Value of Driver/Gardener/PUB, etc (Total of B10 to B12)			250.00

Annual rate for other benefits-in-kind (For items not listed below, please give details if any):-

- | | | | |
|--|---------|---|--|
| a) Fan, Toaster, Iron, Air cooler,
Light Fittings | \$12.00 | g) Fax Machine – | |
| b) Vacuum Cleaner | 24.00 | i) \$240 per annum + Total telephone bill paid by employer for the year
(if employer pays for the telephone charges linked to the fax machine). | |
| c) Cooker, Water Heater,
Jet-Steam Oven | 30.00 | ii) \$240 per annum (if employee pays for the telephone charges). | |
| d) Juicer, Blender, Kettle | 36.00 | iii) Full cost of the fax machine incurred by employer in the year of
purchase (if employee retains the fax machine when he resigns) | |
| e) Floor Polisher | 48.00 | iv) Full cost of the fax machine incurred by employer in the year of
purchase + the telephone bill paid by employer (if case is similar to (iii)
above and employer pays for the telephone charges) | |
| f) Lawn Mower | 60.00 | | |

C Value of Hotel Accommodation

Calculate the value of hotel accommodation using the rates shown in Section C of Appendix 1.

Example:

Hotel accommodation was provided to the employee, his wife and child, aged 5 years from 1.1.07 to 31.5.07 (151 days).

Calculation of taxable value:-

Self:	1 person x \$3000 p.a. x 151 days/365 days	=	\$1,241.10
Wife:	1 person x \$3000 p.a. x 151 days/365 days	=	\$1,241.10
Child:	1 child x \$600 p.a. x 151 days/365 days	=	\$ 248.22
Basic Salary (say \$25,000 per annum):	2% x (151 days/365 days x 25,000)	=	\$ 206.85
	<u>\$2,937.26</u> (to be entered as Value of Hotel Accommodation under Section C7)		

D Leave Passage

Calculate the taxable value of leave passages as shown in Table 1.

Table 1 : Taxable Value of Leave passages

	Value of benefit
For expatriate employees	- 20% of the cost of one home leave passage provided to the employee, his wife and 2 passages for each child annually - full cost of any subsequent leave passages provided to the employee, his wife and children - full cost of any leave passages provided to other family members
For non-expatriate employees (including Singapore Permanent Residents)	- full cost of any leave passage provided to employee and his family

Indicate if the company was enjoying Pioneer/Export/Operation Headquarters (OHQ) status.

E Motor car benefit

Calculate the car benefit as shown in Table 2.

Table 2 : Calculation of Car Benefit

Car Benefit	Value of Benefit
Car provided by employer & petrol cost borne by Employee	$3/7 \times (\text{Car Cost} - \text{Residual Value})/10 + (\$0.45/\text{km} \times \text{private mileage})$
Car provided by employer & petrol cost borne by Employee	$3/7 \times (\text{Car Cost} - \text{Residual Value})/10 + (\$0.55/\text{km} \times \text{private mileage})$
Car rented by employer & petrol cost borne by Employee	$3/7 \times \text{Rental Cost incurred by the employer}$
Car rented by employer & petrol cost borne by Employee	$3/7 \times \text{Rental Cost incurred by the employer} + (\$0.10/\text{km} \times \text{private mileage})$

Note

If the car is not provided to the employee for the full year, the cost of the car can be apportioned.

Car cost

This refers to the acquisition cost of a car (inclusive of COE) paid or payable at the date of purchase. If the car was company registered (i.e. Q-plate) before 1/4/1998, the cost of the car should be pegged to that of an identical private car. If you rented a car for your employee's use, the rental cost of the car should be used instead of the car cost.

Residual Value is equal to:

- 80% of the Open-Market Value (OMV) of the car if the car was registered on or after 1/11/1990. The OMV of the car at the time of purchase can be found on the vehicle registration card.
- NIL if the car was registered before 1/11/1990.

EXPLANATORY NOTES FOR COMPLETING APPENDIX 2

Complete Appendix 2 giving details of the gains from ESOP/ESOW derived by the employee, segregating the gains into the following schemes, where applicable:-

Section A - Employee Equity-Based Remuneration Scheme (EEBR)

Section B – Equity Remuneration Incentive Scheme (ERIS) SMEs (formerly known as EEEBR)

Section C – Equity Remuneration Incentive Scheme (ERIS) All corporations (formerly known as CEEBR)

Section D – Equity Remuneration Incentive Scheme (ERIS) Start-Ups

For details of the schemes, please refer to IRAS website at <http://www.iras.gov.sg> under E-Tax Guides.

Tax exemptions under the (ERIS) SMEs, (ERIS) All corporations and (ERIS) Start-Ups schemes will NOT apply under circumstances where the employee receives cash compensation for the release of his right or benefit to acquire shares in a qualifying company by reason of:

- Resignation; or
- Termination of employment due to misconduct.

For such employee, state the full amount of cash compensation under item 4(b) "Allowances" of Income Details. **DO NOT** complete Appendix 2.

When completing Sections B to E of the Appendix 2, please ensure that your company's stock plan had satisfied the required vesting or holding period as well as the qualifying and administrative requirements as elaborated in the following IRAS Circulars (www.iras.gov.sg > e-Tax Guides (under Quick Link):

Scheme	IRAS Circular
ERIS (SMEs) (Formerly known as EEEBR)	Entrepreneurial Employee Stock Option Scheme
	Changes to tax treatment of employee stock options and other forms of employee share ownership plans
ERIS (All Corporations) (Formerly known as CEEBR)	Company Stock Option Scheme
	Changes to tax treatment of employee stock options and other forms of employee share ownership plans
ERIS (Start-Ups)	Equity Remuneration Incentive Scheme (Start-ups)