

IRAS CIRCULAR

31 AUGUST 2002

NOT ORDINARILY RESIDENT SCHEME

INTRODUCTION

On 3 May 2002, DPM and Minister for Finance announced in his Budget Statement 2002 the introduction of the Not Ordinarily Resident (hereinafter referred to as the “NOR”) scheme¹. The NOR scheme is to attract talents to relocate to Singapore.

2. Under the NOR scheme, an individual who is accorded the NOR status can enjoy one or more of the following tax concessions provided that the qualifying criteria of each of the tax concessions are met:

- (a) Time apportionment of Singapore employment income²;
- (b) Tax exemption of pre-assignment income remitted to Singapore; and
- (c) Tax exemption of employer’s contribution to non-mandatory overseas pension fund or social security scheme.

3. This circular provides details of the NOR scheme.

EFFECTIVE DATE

4. The NOR scheme takes effect from year of assessment (YA) 2003.

QUALIFYING CRITERIA FOR THE NOR SCHEME

5. An individual can qualify for the NOR scheme from any YA commencing from YA2003, in which he first meets the following criteria:

¹ This is also one of the tax recommendations made by the ERC Sub-Committee on Policies Related to Taxation, the CPF System, Wages and Land in its report “Restructuring the Tax System for Growth and Job Creation”, submitted to the Government on 11 April 2002. The report is available on <http://www.erc.gov.sg>.

² Singapore employment income refers to income from the exercise of any employment in Singapore.

- (a) He is a resident³ of Singapore for income tax purposes (hereinafter referred to as “resident”) for that YA, and
- (b) He is not a resident of Singapore for income tax purposes (hereinafter referred to as “non-resident”) for the 3 consecutive YAs immediately before that YA.

QUALIFYING PERIOD FOR THE NOR SCHEME

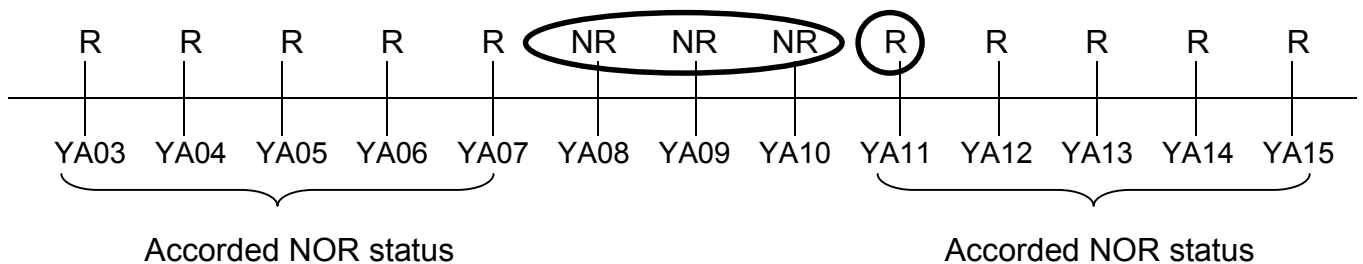
6. An individual who meets the qualifying criteria set out in paragraph 5 would be accorded the NOR status (an individual who is accorded such a status is hereinafter referred to as “NOR taxpayer”) for 5 consecutive YAs, starting from the YA in which he first meets the criteria. Other than the first YA⁴, there is no requirement of the NOR taxpayer to be a resident for any YA during the 5-year qualifying period in order for him to retain his status as an NOR taxpayer.

7. An individual taxpayer can also be accorded the NOR status more than once so long as the qualifying criteria set out in paragraph 5 are met. In addition, in determining whether or not that individual can qualify as an NOR taxpayer for any subsequent 5-year period, all YAs for which he is a non-resident, including any such YA that may fall within an earlier 5-year qualifying period for which he was accorded the NOR status, will be taken into account.

8. The two diagrams below illustrate how the NOR status for the first and subsequent 5-year qualifying periods for an individual under different circumstances are determined:

Diagram 1

“R” - resident
 “NR” - non-resident



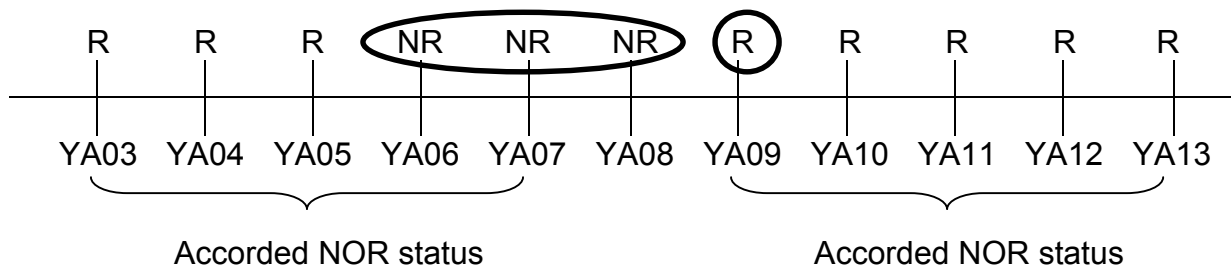
³ To be determined strictly based on the definition in section 2(1) of the Singapore Income Tax Act (“SITA”). The 3-year administrative concession shall not be available to an individual in determining whether or not he meets the qualifying criteria for the NOR scheme. Please refer to paragraph 44 for an explanation of the 3-year administrative concession.

⁴ This is so by virtue of the qualifying criteria set out in paragraph 5.

Diagram 2

“R” - resident

“NR” - non-resident



TAX CONCESSIONS AVAILABLE UNDER THE NOR SCHEME

9. An NOR taxpayer can enjoy one or more of the 3 tax concessions mentioned in paragraph 2 in any YA during the 5-year qualifying period only if he is a resident (NOR taxpayer who is a resident is hereinafter referred to as “resident NOR taxpayer”) for that YA and the qualifying criteria under each tax concession is met for that YA. During the 5-year qualifying period, the NOR taxpayer shall not be entitled to avail himself of the 3-year administrative concession for purposes of determining his residence status in any of the 5 YAs⁵. Details of the 3 tax concessions, including their respective qualifying criteria, are set out in the paragraphs below.

(A) Time Apportionment of Singapore Employment Income

10. The first tax concession available to a resident NOR taxpayer under the NOR scheme is the time apportionment of Singapore employment income (hereinafter referred to as “time apportionment concession”).

11. Currently, an employee who exercises any employment in Singapore (hereinafter referred to as “Singapore employee”) is liable to tax on his full employment income in Singapore, regardless of the number of days he may have spent outside Singapore for business reasons pursuant to the employment exercised in Singapore (hereinafter referred to as “Singapore employment”).

Scope of Time Apportionment Concession

12. Under the time apportionment concession, a resident NOR taxpayer who is a Singapore employee (hereinafter referred to as “resident NOR Singapore employee”)

⁵ In other words, the 3-year administrative concession would not be available to an individual enjoying the NOR status. As a corollary, an individual enjoying the 3-year administrative concession would not be accorded the NOR status. Please refer to paragraph 44 for an explanation of the 3-year administrative concession.

would not be subject to tax on the portion of his Singapore employment income⁶ that corresponds to the number of days he has spent outside Singapore for business reasons pursuant to his Singapore employment, if the qualifying criteria set out in the paragraphs below for this tax concession are satisfied.

Qualifying Criteria for Time Apportionment Concession

Criterion I: Resident NOR Singapore Employee Must Spend At Least 90 Days Outside Singapore for Business Reasons Pursuant to Singapore Employment

13. A resident NOR Singapore employee can qualify for the time apportionment concession for any YA only if he has spent at least 90 days outside Singapore for business reasons pursuant to his Singapore employment in the year preceding that YA. To substantiate that he has met this condition, he is required to produce a certification from his Singapore employer. The Singapore employer is required to certify that the days spent outside Singapore by that resident NOR Singapore employee are for the performance of duties for the Singapore employer.

14. Where a resident NOR Singapore employee has exercised employment for more than one Singapore employer in any year, the following rules shall apply for purposes of determining whether or not he has spent at least 90 days outside Singapore for business reasons pursuant to his Singapore employment and consequently the apportioned amount of Singapore employment income that is liable to tax in Singapore for that year:

- (a) if there are no overlapping of the employment periods for the different Singapore employers, the employment period of each Singapore employer (*D*) and the number of days spent outside Singapore for business reasons pursuant to each Singapore employment (*B*) are to be respectively aggregated;
- (b) if there are overlapping of the employment periods for the different Singapore employers, the rule in paragraph (a) above still applies except that -
 - (i) any overlapping employment period(s) for the different Singapore employers should only be counted for one employment for purposes of computing the aggregated employment period; and
 - (ii) any days spent outside Singapore for business reasons to perform duties for more than one Singapore employer should only be counted for one employment for purposes of computing aggregated number of days spent outside Singapore for business reasons pursuant to Singapore employment.

⁶ The following gains or profits from employment do not qualify for the time apportionment concession: wife's employment income (in cases of combined assessment), leave passage, commuted leave, director's fees and benefits-in-kind received whose values are independent of whether or not, the employee travels out of Singapore for business reasons. Such gains or profits from employment are to be taxed in full in Singapore. Please see paragraph 15.

15. The apportioned Singapore employment income of a resident NOR Singapore employee that is liable to tax in Singapore for a year shall be computed as follows:

$$\text{Apportioned Singapore employment income} = \left(\frac{\sum_{i=1}^n D_i - \sum_{i=1}^n B_i}{\sum_{i=1}^n D_i} \right) \left(\sum_{i=1}^n (Y_i - Z_i) \right) + \sum_{i=1}^n Z_i + W$$

where B_i : number of days in the year spent outside Singapore for business reasons pursuant to Singapore employment i ⁷

D_i : number of days in the year for Singapore employment i ⁸

W : wife's employment income (in cases of combined assessment)

Y_i : total Singapore employment income from Singapore employment i

Z_i : following Singapore employment income from Singapore employment i

- leave passage;
- commuted leave;
- director's fees; and
- benefits-in-kinds received whose values are independent of whether or not, the employee travels out of Singapore for business reasons [e.g. accommodation and accommodation related benefits-in-kind (such as furniture, gardener etc), car benefit, entrance and annual subscription fees to recreation clubs, etc].

Criterion II: Tax of At Least 10% of Total Singapore Employment Income

16. In order to enjoy the time apportionment concession, the resident NOR Singapore employee's tax on his total Singapore employment income (hereinafter referred to as "qualifying tax"), as defined below, must also be greater than 10% of the total Singapore employment income.

Qualifying tax = total Singapore employment income at graduated tax rates⁹

17. Further, where the tax on the apportioned Singapore employment income (hereinafter referred to as "qualifying apportioned tax"), as defined below, is less than 10% of his total Singapore employment income, the resident NOR Singapore employee would be subject to a tax of 10% of his total Singapore employment income (hereinafter referred to as "10% floor rate").

⁷ Where any day spent outside Singapore is for the purposes of performing duties for more than one Singapore employer, please refer to paragraph 14(b).

⁸ Where there is overlapping of employment period for different Singapore employers, please refer to paragraph 14(b). The total employment period in any year shall not exceed 365 or 366 days, as the case may be.

⁹ Based on tax rates provided in Part A of the Second Schedule of the SITA.

Qualifying apportioned tax = apportioned Singapore employment income at graduated tax rates¹⁰

18. The flowchart at Annex A sets out how the net tax payable of a resident NOR Singapore employee under the time apportionment concession is computed. Various examples are also provided in Annex B to illustrate the computation of the concession for such an employee under different scenarios.

(B) Tax Exemption of Pre-Assignment Income Remitted to Singapore

19. The second tax concession available to a resident NOR taxpayer under the NOR scheme is the tax exemption of pre-assignment income remitted to Singapore (hereinafter referred to as “pre-assignment income concession”).

20. Currently, any remittance of foreign income to Singapore by a resident individual is liable to tax in Singapore unless tax exemption is specifically granted. A tax credit is generally given against the Singapore tax payable for any foreign tax paid on the foreign income. The tax credit if given, is restricted to the lower of the Singapore tax payable or the actual foreign tax paid on the income. However, as an administrative concession, remittances of pre-assignment income by resident individuals who had migrated to Singapore¹¹ are not taxable in Singapore.

Scope of Pre-assignment Income Concession

21. Under the pre-assignment income concession, any remittances of pre-assignment income (i.e. income earned prior to his relocation to Singapore) by a resident NOR taxpayer would be exempt from tax. The tax exemption however is only available for the period he is a resident NOR taxpayer. In other words, any pre-assignment income remitted to Singapore by any resident individual who ceases to be an NOR taxpayer (i.e. after the 5-year qualifying period) would be subject to tax in Singapore.

(C) Tax Exemption of Employer’s Contribution to Non-Mandatory Overseas Pension Fund or Social Security Scheme

22. The third tax concession available to a resident NOR taxpayer under the NOR scheme is the tax exemption of employer’s contribution to non-mandatory overseas pension fund or social security scheme (hereinafter referred to as “non-mandatory overseas contribution scheme concession”).

¹⁰ Based on tax rates provided in Part A of the Second Schedule of the SITA.

¹¹ Please refer to Compass Article Vol 3 No 3 (dated 28 December 1995) or E tax guide 1995/IT/5. As an administrative concession, section 10(19) will not be applied to tax the foreign income received in Singapore by individuals who migrate to Singapore where it can be shown that the foreign income received after such individuals take up residence in Singapore was earned prior to their relocation to Singapore.

23. Currently, an employer's contribution to an overseas pension fund or social security scheme for his employee is taxable in the hands of the employee in the year of contribution. As a corollary, such contribution is also tax deductible to the employer in the year of contribution.

24. An exception to the above tax treatment has however been made for an employer's contribution to any approved mandatory overseas pension fund or social security scheme (hereinafter referred to as "approved mandatory overseas contribution scheme"). In such cases, the employer's contribution is not taxable in the hands of the employee in the year of contribution provided that the employer also does not claim tax deduction for such contribution made.

Scope of Non-Mandatory Overseas Contribution Scheme Concession

25. Under this concession, tax exemption is granted to a resident NOR Singapore employee on any contribution made by his employer to any non-mandatory overseas contribution scheme, provided he is neither a permanent resident of Singapore (a permanent resident of Singapore is hereinafter referred to as "SPR") nor a Singapore citizen. The tax exemption given to the non-SPR/non-Singapore citizen resident NOR taxpayer is however subject to a cap (hereinafter referred to as "NOR cap").

26. The NOR cap is to be determined based on the total amount of contribution made by an employer, whether to an approved mandatory overseas contribution scheme or a non-mandatory overseas contribution scheme or to both, in respect of the non-SPR/non-Singapore citizen resident NOR taxpayer, except that no cap applies if the employer were to only make contribution to approved mandatory overseas contribution scheme. This cap is computed based on CPF (Central Provident Fund) capping rules as if the employer had made the contribution to the CPF for a Singapore citizen as required under the CPF Act. Annex C provides the basis of computation of the NOR cap.

Deductibility to the Employer for Contribution made to Non-Mandatory Overseas Contribution Scheme for a Non-SPR/Non-Singapore Citizen Resident NOR Taxpayer

27. An employer who has made contribution to a non-mandatory overseas contribution scheme for a non-SPR/non-Singapore citizen resident NOR taxpayer is entitled to claim tax deduction on such contribution in full, even though tax exemption granted to the non-SPR/non-Singapore citizen resident NOR taxpayer on such contribution is subject to the NOR cap.

28. The table in Annex D summarizes the taxability of an employer's contribution to an approved mandatory overseas contribution scheme and/or a non-mandatory overseas contribution scheme for a non-SPR/non-Singapore citizen resident NOR taxpayer and the deductibility of such contribution to the employer.

TRANSITIONAL RULES

29. In his Budget Statement 2002 on 3 May 2002, DPM and Minister for Finance announced that the NOR scheme would take effect from YA2003. Subsequent to the Budget Statement, the Ministry of Finance (MOF) issued a press release on 10 May 2002 which sets out certain transitional rules under the NOR scheme.

30. Under the transitional rules announced by MOF on 10 May 2002, individuals who have been in Singapore for less than 5 years will be treated as if they had been accorded the NOR status at the start of their stay here, provided they were non-resident in Singapore for at least 3 years before that. Such individuals may therefore enjoy the tax concessions under the NOR scheme for a few YAs, beginning from YA2003, depending on the period of their NOR status.

31. MOF has since reviewed the above-mentioned transitional rules and decided to enhance these rules further to allow more individuals who are resident for YA2003, and who could not have qualified for the NOR scheme under the earlier announced transitional rules, to qualify for the NOR Scheme for the first time. These revised transitional rules are elaborated in paragraphs 34 to 37.

32. In addition to the above transitional rules for individuals who are resident for YA2003, MOF has also since decided to put in place another set of transitional rules. These rules are intended to enable individuals who are non-resident for YA2003 to qualify for the NOR scheme for the first time, without having to meet the qualifying criteria for the NOR scheme set out under paragraph 5, so long as they become resident either for YA 2004 or YA 2005. These additional transitional rules are elaborated in paragraphs 38 to 40.

33. Other than cases to which the above two sets of transitional rules apply, individuals in all cases must meet the qualifying criteria set out in paragraph 5 to qualify for the NOR scheme.

Transitional Rules for Individuals who are Resident for YA2003

34. This set of transitional rules is only applicable to an individual who is a resident for YA2003 and is applying for the NOR status for the first time. Under the transitional rules, such an individual will be treated to have qualified for the NOR scheme starting from YA 2003, or a prior YA as if the NOR scheme had existed then, in which he last meets the following criteria:

- (a) He is a resident for that YA; and
- (b) He is a non-resident for the YA immediately before that YA.

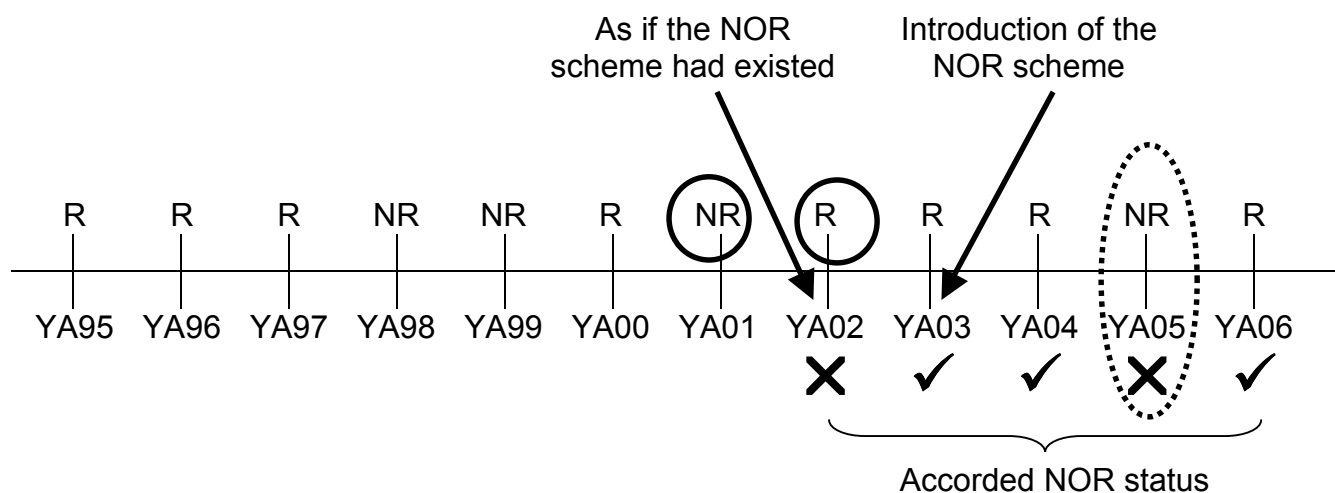
In other words, under the above transitional rules, the individual only needs to be a non-resident for one YA instead of 3 consecutive YAs immediately prior to YA2003 or to any last YA before YA 2003 (i.e. as if the NOR scheme had existed then), as the case may be, for which he is a resident in order to first qualify for the NOR scheme. Once he meets the above criteria in any YA, he will be accorded the NOR status for 5 YAs from that YA. However, as there will be no backdating of the tax

concessions under the NOR scheme, the NOR taxpayer could only enjoy the tax concessions¹² starting from YA2003 (i.e. the first YA in which the NOR scheme takes effect).

35. For example, if an individual was a resident for YA1995 to YA1997, YA2000 and YA2002 to YA2003 but was a non-resident for YA1998 to YA1999 and YA2001, he would be accorded the NOR status from YA2002 to YA2006 (i.e. the period is determined as if the NOR scheme had existed before YA 2003). However, as there will be no backdating of the tax concessions under the NOR scheme, he can only enjoy the tax concessions under that scheme from YA2003 (i.e. the first YA in which the NOR scheme takes effect) to YA2006¹³. This is as illustrated in diagram 3 below.

Diagram 3

- “R” - resident
- “NR” - non-resident
- ✗ - cannot enjoy any tax concessions under the NOR scheme
- ✓ - can enjoy the tax concessions under the NOR scheme if the qualifying criteria of each tax concession are satisfied



36. Alternatively, if the individual in the example in paragraph 35 was a resident for YA1996 to YA1997, YA2000 to YA 2001 and YA2003 but was a non-resident for YA1998 to YA1999 and YA2002, he would be accorded the NOR status from YA2003 to YA2007. In such a case, he can enjoy the tax concessions under the scheme from YA2003 (i.e. the first YA in which the NOR scheme takes effect) to YA2007¹⁴. This is as illustrated in diagram 4 below.

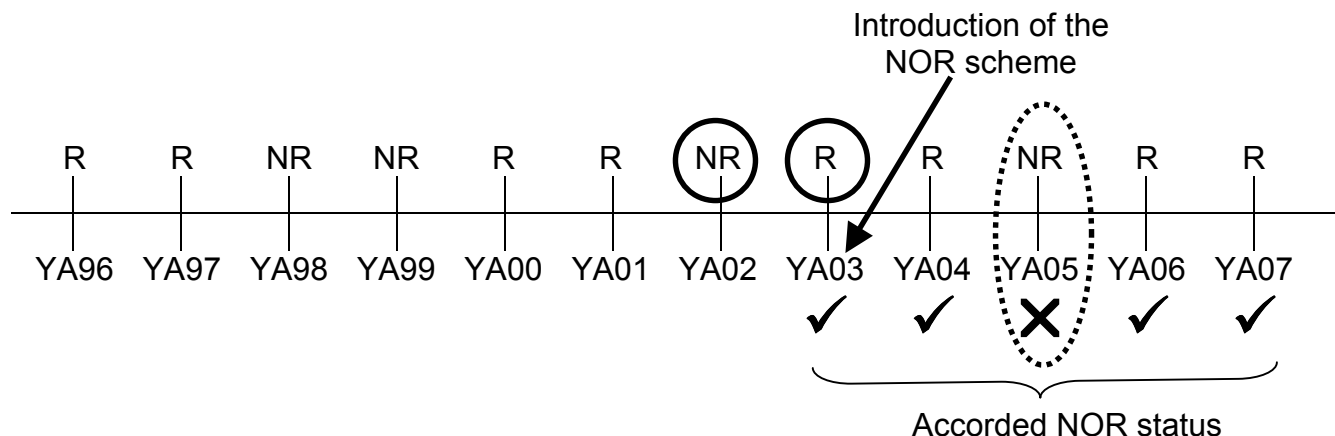
¹² This is provided he also satisfies the qualifying criteria, if any, of the tax concessions for the YA concerned.

¹³ This is provided he is a resident for the YA concerned and satisfies the qualifying criteria, if any, of the tax concessions for that YA.

¹⁴ This is provided he is a resident for the YA concerned and satisfies the qualifying criteria, if any, of the tax concessions for that YA.

Diagram 4

- “R” - resident
- “NR” - non-resident
- ✗ - cannot enjoy any tax concessions under the NOR scheme
- ✓ - can enjoy the tax concessions under the NOR scheme if the qualifying criteria of each tax concession are satisfied



37. The effect of the above transitional rules on individuals who are resident for YA2003 is summarized in the table below.

If individual was a resident for -	Individual must be a non-resident for -	NOR status accorded for the period of -	Tax concessions under the NOR scheme applicable for ¹⁵ -
On or before YA1998 to YA2003	N.A.	N.A.	Nil
YA1999 – YA2003	YA1998	YA1999 – YA2003	YA2003
YA2000 – YA2003	YA1999	YA2000 – YA2004	YA2003 – YA2004
YA2001 – YA2003	YA2000	YA2001 – YA2005	YA2003 – YA2005
YA2002 – YA2003	YA2001	YA2002 – YA2006	YA2003 – YA2006
YA2003	YA2002	YA2003 – YA2007	YA2003 – YA2007

Transitional Rules for Individuals who are Non-Resident for YA2003

38. This set of transitional rules is only applicable to an individual who is a non-resident for YA2003 but who subsequently becomes a resident for YA 2004 or YA 2005, as the case may be, and applies for the NOR status for the first time -

- (a) in YA2004, to be accorded for the period of YA2004 to YA2008, or
- (b) in YA2005, to be accorded for the period of YA2005 to YA2009.

¹⁵ This is provided he is a resident for the YA concerned and satisfies the qualifying criteria, if any, of the tax concessions for that YA.

39. In other words, under the above transitional rules, an individual only needs to be a non-resident for less than 3 consecutive YAs prior to YA 2004 or YA 2005 (i.e. non-resident for 1 YA or 2 YAs respectively) to first qualify for the NOR scheme for YA 2004 to YA 2008 and YA 2005 to YA 2009 respectively.

40. The 2 scenarios whereby the above transitional rules would be applicable are illustrated in the diagrams below.

Diagram 5

- “R” - resident
- “NR” - non-resident
- ✗ - cannot enjoy any tax concessions under the NOR scheme
- ✓ - can enjoy the tax concessions under the NOR scheme if the qualifying criteria of each tax concession is satisfied

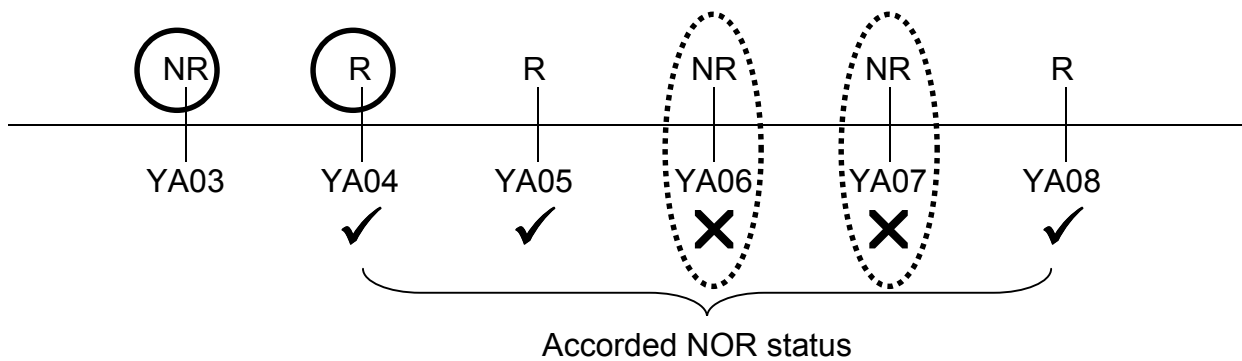
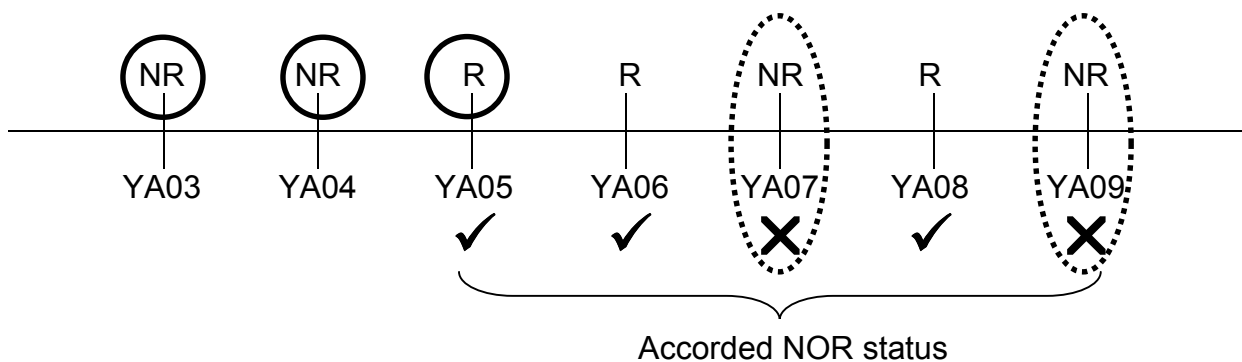


Diagram 6

- “R” - resident
- “NR” - non-resident
- ✗ - cannot enjoy any tax concessions under the NOR scheme
- ✓ - can enjoy the tax concessions under the NOR scheme if the qualifying criteria of each tax concession is satisfied



ADMINISTRATIVE CONCESSION

Method of Computing Number of Days In Singapore

41. Under section 2(2) of the SITA, where an individual is present in Singapore for any part of a day, his presence on that day shall be counted as one day in Singapore.

42. As an administrative concession, an NOR taxpayer can opt for an alternative method of computing the number of days in Singapore on a yearly basis (please refer to "Section B" of the application form as attached in Annex F). Under this alternative method, where a NOR taxpayer -

- (a) leaves Singapore and returns on the same day, he is considered as being present in Singapore on that day (as per section 2(2)); but if
- (b) leaves Singapore on any part of a day and returns on any part of another day other than the day he leaves Singapore, the day of departure from Singapore would not be counted as one day in Singapore. Only the day of arrival in Singapore would be counted as a day in Singapore.

43. Once the above-mentioned option is made by a NOR taxpayer, the method of computing the number of days in Singapore (or vice-versa, the number of days out of Singapore) as provided under section 2(2) of the SITA would no longer apply for that year. The option once made is irrevocable.

Revocation of Residence Status of an Individual Granted under the 3-Year Administrative Concession for any YA from YA1998 to YA2002

44. Under the 3-year administrative concession, an individual who has been physically present or working in Singapore for 3 consecutive years even though the number of days present in Singapore is less than 183 days in the first and third year, would be granted the resident status for the YAs to which the first and third year relate.

45. For an individual who would have been taxed as a non-resident for any YA from YA1998 to YA2002 based on the general tax residence rule (as provided under section 2(1) of the SITA) if not for the 3-year administrative concession, he may opt to revoke his resident status and be taxed as a non-resident for those YAs (please refer to "Section B" of the application form as attached in Annex E). Once this option is exercised, it would be irrevocable and the income tax assessment for the affected YAs would be re-opened.

Option for a Singapore citizen or SPR Working Overseas to be a Non-Resident for any YA from YA1998 to YA2002

46. Under section 2(1) of the SITA, an individual is a resident of Singapore if he resides in Singapore except for temporary absences. As such, a Singapore citizen who goes on his own or is sent by his employer to work overseas is treated as a resident during the period of his overseas employment because he intends to return

to Singapore. Consequently, he is taxed in Singapore on that portion of his overseas employment income, which he remits to Singapore¹⁶ and other income derived from Singapore.

47. To remove any disincentive for Singapore citizens to work abroad, an administrative concession is given for Singapore citizens whose overseas employment is for a period of at least 6 months in any calendar year to opt to be treated as a non-resident for the YA following the year of his overseas employment¹⁷. This administrative concession is also available to a SPR.

48. For a Singapore citizen or SPR who has previously not exercised this option to be a non-resident when he was exercising an overseas employment for at least 6 months in any calendar year, he may now retrospectively exercise this option for any YA from YA1998 to YA2002 (please refer to "Section B" of the application form as attached in Annex E). Once this option is exercised, it would be irrevocable and the income tax assessment for the affected YAs would be re-opened.

ADMINISTRATIVE REQUIREMENTS

Application for the NOR Status

49. The NOR status is accorded to an individual who meets the qualifying criteria for the NOR scheme only upon his application to the Comptroller of Income Tax ("CIT") in such form or manner as may be required by the CIT. The application form as attached in Annex E is to be submitted to the CIT by the dates as stipulated below

—

- (a) in order to qualify for the NOR status from any YA on or after YA2003, by 15 April of that YA;
- (b) in order to qualify for the NOR status from any YA during YA1999 to YA2002 (i.e. as if the NOR scheme had existed then), by 15 April 2003.

The NOR status once given would be irrevocable and the individual would enjoy the NOR status for a 5-year period from the YA in which he is first accorded the status.

Application for the Tax Concessions under the NOR Scheme

50. To enjoy the tax concessions available to a resident NOR taxpayer under the NOR scheme for any YA within the 5-year qualifying period, the resident NOR taxpayer is required to complete the form as attached in Annex E, indicating the type of tax concessions he wishes to avail himself of for that YA. The tax concession(s) once given are irrevocable. This form is to be submitted to the CIT on an annual

¹⁶ Should his overseas employment be already taxed there, a credit for the foreign tax is allowed if the country he works has a tax treaty with Singapore or is one of the countries where credit for foreign tax is allowed without a tax treaty.

¹⁷ Please refer to Compass Article Vol 1 No 1 (dated 25 February 1993) or E tax guide 1993/IT/3.

basis no later than 15 April of that YA in which he wishes to avail for the tax concession(s).

51. In cases where the NOR taxpayer wishes to avail himself of the time apportionment concession and the non-mandatory overseas contribution scheme concession, the employer of the NOR taxpayer must duly complete the relevant sections of the form as attached in Appendices A and B of Annex F.

52. In the absence of the above completed form (as attached in Annex F) or where the said form has not been duly completed or submitted to the CIT by the stipulated date, no tax concessions would be allowed to the resident NOR taxpayer even though he has been granted the NOR status.

Late Applications

53. For an individual who wishes to enjoy the NOR status commencing from a particular YA but does not submit the application form (as attached in Annex E) by the stipulated date in paragraph 49, the individual would be granted the NOR status with retrospective effect from the YA he first meets the qualifying criteria for the NOR scheme.

54. However, in order for the individual to enjoy any of the tax concessions under the NOR scheme for any YA, the application form (as attached in Annex F) must be submitted by the stipulated date in paragraph 50 for that YA. No late application shall be allowed.

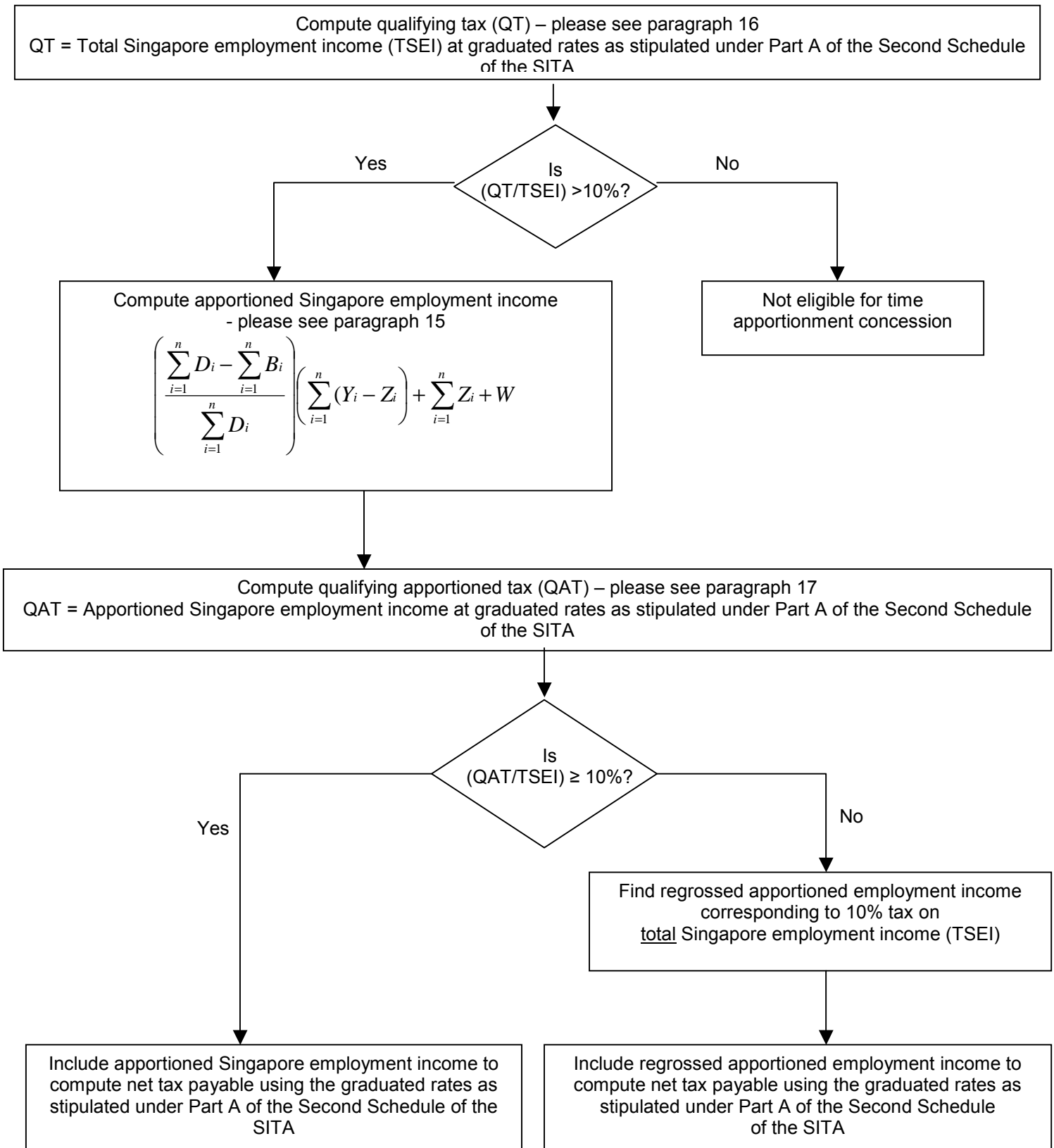
55. In other words, an individual who has submitted a late application for the NOR status will be accorded the status retrospectively from the YA he first meets the qualifying criteria but will not get to enjoy the tax concessions for those YAs in which he has not submitted the application for the tax concessions. For example, Mr X only sends in his application form for the NOR status to be accorded to him from YA2005 to YA2009 and to enjoy the tax concessions under the NOR scheme for YA 2005 to YA 2007 by 15 April 2007. Mr X will be granted the NOR status from YA2005 to YA2009 but his applications for the tax concessions under the NOR scheme will only be allowed from YA 2007.

ENQUIRIES

56. Taxpayers who have any queries concerning the NOR scheme may contact our Taxpayer Services Division at 1800-252 8677 for clarifications.

Inland Revenue Authority of Singapore

Flow Chart Showing how the Net Tax Payable of a Resident NOR Singapore Employee under the Time Apportionment Concession is Computed



Example 1: Computation of Tax Payable for a Resident NOR Singapore Employee who Enjoys Time Apportionment of Singapore Employment Income without being subject to 10% floor rate

Mr A is a resident of Singapore for income tax purposes for YA2010. From YA2007 to YA2009, he is not a resident of Singapore for income tax purposes. Mr A exercises an employment in Singapore with effect from 1 March 2009 and his salary for YA2010 is \$500,000. During the year 2009, Mr A travels out of Singapore for business reasons pursuant to his employment in Singapore for a total of 90 days and is on vacation in the United States for 21 days. Mr A also derives net rental income of \$20,000 for YA2010. Mr A is only entitled to earned income relief of \$1,000 for YA2010. Assume no change in personal income tax rates from YA2003.

Mr A applies for the NOR scheme by 15 April 2010 and is accorded the NOR status for YA2010 to YA2014 since he satisfies the qualifying criteria¹⁸ to enjoy the NOR scheme.

For YA2010, Mr A satisfies one of the criteria to qualify for the time apportionment (“TA”) concession as he has spent at least 90 days outside Singapore for business reasons pursuant to his employment in Singapore. He also applies for the time apportionment concession for YA2010 by 15 April 2010 and meets other stated requirements.

Computation of Tax Payable (assume YA2003 tax rate structure applies for YA2010):

Step 1:	Tax payable on total Singapore employment income (\$500,000) = \$86,600.00 ¹⁹	
Step 2:	\$86,600.00/\$500,000 = 17.32% (i.e. >10%, therefore satisfy this criterion to enjoy the TA concession)	
Step 3:	Apportioned Singapore employment income based on the number of days in Singapore = ((306-90)/306 ²⁰)*\$500,000 = \$352,941	
Step 4:	Tax payable on apportioned Singapore employment income (\$352,941) = \$54,247.02 ²¹	
Step 5:	\$54,247.02/\$500,000 = 10.85% (i.e. > 10%, therefore not subject to 10% floor rate)	
Step 6:	<u>Final Tax Computation</u>	
	Salary	\$352,941
	Rental	<u>\$ 20,000</u>
	Assessable Income	\$372,941
	Less: Earned Income Relief	<u>\$ 1,000</u>
	Chargeable Income	<u>\$371,941</u>
	Tax on first \$320,000	\$ 47,000.00
	Tax on balance (\$371,941 - \$320,000)*22%	<u>\$ 11,427.02</u>
	Net tax payable	<u>\$ 58,427.02</u>

¹⁸ Resident in YA2010 and non-resident in YA2007 to YA2009.

¹⁹ Tax on first \$320,000 + Tax on next \$180,000 = \$47,000.00 + \$39,600.00

²⁰ Total Singapore employment period for YA2010 is from 1 March 2009 to 31 December 2009, i.e. 306 days.

²¹ Tax on first \$320,000 + Tax on next \$32,941 = \$47,000.00 + \$7,247.02

Example 2: Computation of Tax Payable for a Resident NOR Singapore Employee who Enjoys Time Apportionment of Singapore Employment Income but subject to 10% floor rate

Mr A, a resident of Singapore for income tax purposes for YA 2011, who is accorded the NOR status from YA2010 to YA2014 receives salary income of \$500,000 during the year 2010. During the year 2010, Mr A travels out of Singapore for business reasons pursuant to his employment in Singapore for a total of 200 days and is on vacation in the United States for 21 days. Mr A also derives net rental income of \$20,000 for YA2011. Mr A is only entitled to earned income relief of \$1,000 for YA2011. Assume no change in personal income tax rates from YA 2003.

For YA2011, Mr A satisfies one of the criteria to qualify for the time apportionment ("TA") concession as he has spent at least 90 days outside Singapore for business reasons pursuant to his employment in Singapore. He also applies for the time apportionment concession for YA2011 by 15 April 2011 and meets other stated requirements.

Computation of Tax Payable (assume YA2003 tax rate structure applies for YA2011):

Step 1:	Tax payable on total Singapore employment income (\$500,000) = \$86,600.00 ²²		
Step 2:	\$86,600.00/\$500,000 = 17.32% (i.e. >10%, therefore satisfy this criterion to enjoy the TA concession)		
Step 3:	Apportioned Singapore employment income based on the number of days in Singapore = ((365-200)/365)* \$500,000 = \$226,027		
Step 4:	Tax payable on apportioned Singapore employment income (\$226,027) = \$29,145.13 ²³		
Step 5:	\$29,145.13/\$500,000 = 5.83% (i.e. < 10%, therefore subject to 10% floor rate)		
Step 6:	Regressed apportioned Singapore employment income = \$333,636 ²⁴		
Step 7:	<u>Final Tax Computation</u>		
	Salary	\$333,636	
	Rental Income	<u>\$ 20,000</u>	
	Assessable Income		\$353,636
	Less: Earned Income Relief		<u>\$ 1,000</u>
	Chargeable Income		<u>\$352,636</u>
	Tax on first \$320,000		\$ 47,000.00
	Tax on balance	(\$352,636 - \$320,000)*22%	<u>\$ 7,179.92</u>
	Net Tax Payable		<u>\$ 54,179.92</u>

²² Tax on first \$320,000 + Tax on next \$180,000 = \$47,000.00 + \$39,600.00

²³ Tax on first \$160,000 + Tax on next \$66,027 = \$16,600.00 + \$12,545.13

²⁴ 10% on total Singapore employment income of \$500,000 = \$50,000.00

Tax payable on \$320,000 = \$47,000.00

Therefore \$47,000.00 + (\$X@22%) = \$50,000.00

\$X = \$13,636.36

Regressed apportioned Singapore employment income = \$320,000 + \$13,636 = \$333,636

Example 3: Computation of Tax Payable for a Resident NOR Singapore Employee who Will Not Enjoy Time Apportionment of Singapore Employment Income

Mr A, a resident of Singapore for income tax purposes for YA2012, who is accorded the NOR status from YA2010 to YA2014 receives salary income of \$120,000 during the year 2011. During the year 2011, Mr A travels out of Singapore for business reasons pursuant to his employment in Singapore for a total of 150 days and is on vacation in the United States for 21 days. Mr A also derives net rental income of \$20,000 for YA2012. Mr A is only entitled to earned income relief of \$1,000 for YA2012. Assume no change in personal income tax rates from YA 2003.

For YA2012, Mr A satisfies one of the criteria to qualify for the time apportionment (“TA”) concession as he has spent at least 90 days outside Singapore for business reasons pursuant to his employment in Singapore. He also applies for the time apportionment concession for YA2012 by 15 April 2012 and meets other stated requirements.

Computation of Tax Payable (assume YA2003 tax rate structure applies for YA2012):

Step 1:	Tax payable on Singapore employment income (\$120,000) = \$10,600.00 ²⁵	
Step 2:	\$10,600.00/\$120,000 = 8.83% (i.e. <10%, therefore would not enjoy the TA concession as he fails to satisfy this criterion)	
Step 3:	<u>Final Tax Computation</u>	
	Salary	\$120,000
	Rental Income	<u>\$ 20,000</u>
	Assessable Income	\$140,000
	Less: Earned Income Relief	<u>\$ 1,000</u>
	Chargeable Income	<u>\$139,000</u>
	Tax on first \$80,000	\$ 4,600.00
	Tax on balance (\$139,000 - \$80,000)*15%	<u>\$ 8,850.00</u>
	Net Tax Payable	<u>\$ 13,450.00</u>

²⁵ Tax on first \$80,000 + Tax on next \$40,000 = \$4,600.00 + \$6,000.00

Example 4: Computation of Tax Payable for a Resident NOR Singapore Employee

Mr A, a resident of Singapore for income tax purposes for YA2013, who is accorded the NOR status from YA2010 to YA2014 takes up employment with another Singapore employer during the year 2012, in addition to his first employment. Mr A's second employment commences from 1 June 2012.

Mr A receives salary income of \$450,000 from the first employment and \$200,000 from the second employment. He also exercises his stock option granted to him from his first employment and derives a gain of \$300,000 from the exercise of the option.

During the year 2012, Mr A travels out of Singapore for business reasons pursuant to his employment in Singapore for his 2 different employers²⁶ as follows:

<u>Period of Overseas Trip for Business Reason</u>		<u>No. of days outside Singapore</u> ²⁷
<u>For first employer</u>		
03 Jan 2012	to 12 Feb 2012	40
28 Jun 2012	to 04 July 2012	06
09 Sep 2012	to 17 Sep 2012	08
Total business days for first employer		54
<u>For second employer</u>		
10 Aug 2012	to 10 Aug 2012	0
03 Sep 2012	to 15 Sep 2012	12
07 Oct 2012	to 08 Oct 2012	01
06 Nov 2012	to 30 Dec 2012	54
Total business days for second employer		67
Total number of days out of Singapore for business reasons		115 ²⁸

Mr A is also on vacation in the United States for 21 days during the year 2012. Mr A is only entitled to earned income relief of \$1,000 for YA2013. Assume no change in personal income tax rates from YA2003.

For YA2013, Mr A satisfies one of the criteria to qualify for the time apportionment ("TA") concession as he has spent at least 90 days outside Singapore for business reasons pursuant to his employment in Singapore. He also applies for the time apportionment concession for YA2013 by 15 April 2013 and meets other stated requirements.

²⁶ Mr A's employers must duly certify that Mr A's absences from Singapore are for the purposes of performing his duties for them.

²⁷ Mr A opts for the administrative concession for the alternative method of computing the number of days in Singapore (please see paragraph 42).

²⁸ As there is an overlapping period (9 Sep to 17 Sep for first employer and 3 Sep to 15 Sep for second employer), the number of days travelled out of Singapore during this period for business reasons is 14 days (i.e. from 3 Sep to 17 Sep). Therefore total number of days travelled out of Singapore for business reasons is 115 (i.e. 40 + 6 + 14 + 1 + 54).

Computation of Tax Payable (assume YA2003 tax rate structure applies for YA2013):

Step 1:	Tax payable on total Singapore employment income (\$950,000 ²⁹) = \$185,600.00 ³⁰	
Step 2:	\$185,600.00/\$950,000 = 19.54% (i.e. >10%, therefore satisfy this criterion to enjoy the TA concession)	
Step 3:	Apportioned Singapore employment income based on the number of days in Singapore = ((365-115)/365)*\$950,000 = \$650,684	
Step 4:	Tax payable on apportioned Singapore employment income (\$650,684) = \$119,750.48 ³¹	
Step 5:	\$119,750.48/\$950,000 = 12.61% (i.e. > 10%, therefore not subject to 10% floor rate)	
Step 6:	<u>Final Tax Computation</u>	
	Salary	<u>\$650,684</u>
	Assessable Income	\$650,684
	Less: Earned Income Relief	<u>\$ 1,000</u>
	Chargeable Income	<u>\$649,684</u>
	Tax on first \$320,000	\$ 47,000.00
	Tax on balance (\$649,684 - \$320,000)*22%	<u>\$ 72,530.48</u>
	Net tax payable	<u>\$119,530.48</u>

²⁹ Total employment income
= salary from first employment + salary from second employment + stock option gains
= \$450,000 + \$200,000 + \$300,000

³⁰ Tax on first \$320,000 + Tax on next \$630,000 = \$47,000.00 + \$138,600.00

³¹ Tax on first \$320,000 + Tax on next \$330,684 = \$47,000.00 + \$72,750.48

Example 5 Computation of Tax Payable for a Resident NOR Singapore Employee

Mr A, a resident of Singapore for income tax purpose for YA2014, who is accorded the NOR status from YA2010 to YA2014 is granted Singapore permanent residence status from 1 January 2013. He has resigned from his first employment. His salary income from his second employment for YA2014 is \$500,000³².

During the year 2013, Mr A travels out of Singapore for business reasons pursuant to his employment in Singapore for a total of 200 days and is on vacation in the United States for 21 days.

In the year 2013, a fully furnished apartment is also provided by Mr A's employer. The rent paid by Mr A's employer is \$100,000. The furnishings in the apartment and utilities bills which amount to \$5,000 are fully paid by Mr A's employer.

In addition, Mr A also receives net interest income of \$20,000 (tax at 10%) from Australia. He is entitled to earned income relief of \$1,000. Mr A's tax on his employment income is fully borne by his employer. Assume no change in personal income tax rates from YA2003.

For YA2014, Mr A satisfies one of the criteria to qualify for the time apportionment ("TA") concession as he has spent at least 90 days outside Singapore for business reasons pursuant to his employment in Singapore. He also applies for the time apportionment concession for YA2014 by 15 April 2014 and meets other stated requirement.

Computation of Tax Payable (assuming YA2003 tax rate structure applies for YA2014):

- Step 1: Tax payable on total employment income (\$557,260³³) = \$99,197.20³⁴
- Step 2: $\$99,197.20 / \$557,260 = 17.80\%$
(i.e. >10%, therefore satisfy the other criteria to enjoy the TA concession)
- Step 3: Apportioned employment income based on the number of days in Singapore
 $= ((365-200)/365) * (\$557,260 - \$50,660 - \$5,000) + (\$50,660 + \$5,000)$
 $= \$226,750.68 + \$55,660$
 $= \$282,410$

³² The breakdown of salary is \$350,000 (as ordinary wages "OW") and \$150,000 (as additional wages "AW"). Mr A opts to make CPF contribution at 20% in the first year he becomes an SPR. Mr A's CPF contribution amounted to \$42,400 (i.e. 20% of (\$72,000 + 40% of \$350,000)). His employer made CPF contribution (assuming the current rate of 16%) of \$11,520 on Mr A's OW and \$24,000 on Mr A's AW.

Excess employer's CPF contribution on AW deemed as income in the hand of Mr A is \$1,600 (i.e. \$24,000 – 16%(40%*\$350,000)).

³³ Total employment income
 $= \text{salary} + \text{accommodation} + \text{furnishings} + \text{utilities bills} + \text{excess employer's CPF contribution}$
 $= \$500,000 + 50,660^{\wedge} + \$5,000 + \$1,600$
 $= \$557,260$

^{\wedge} 10% of total employment income (i.e. \$500,000 + \$5,000 + \$1,600) or rent paid by employer (i.e. \$100,000), whichever is lower.

³⁴ Tax on first \$320,000 + Tax on next \$237,260 = \$47,000.00 + \$52,197.20

Step 4: Tax payable on apportioned employment income (\$282,410) = \$39,857.90³⁵

Step 5: $\$39,857.90/\$557,260 = 7.15\%$
(i.e. < 10%, therefore subject to 10% floor rate)

Step 6: Regressed apportionment employment income = \$359,663³⁶

Step 7: Computation of tax allowance for YA2014

Apportioned Regressed Salary	\$320,939 ³⁷	
Apportioned Regressed Excess		
Employer's CPF contribution	\$ 1,027	
Furnishings & utilities bills	\$ 5,000	
Accommodation	<u>\$ 32,696³⁸</u>	
Assessable Income		\$359,662
Less: Earned Income Relief	\$ 1,000	
CPF Relief (OW +AW) ³⁹	<u>\$ 32,372</u>	<u>\$ 33,372</u>
Notional Chargeable Income		<u>\$326,290</u>
Tax on first \$320,000		\$ 47,000.00
Tax on balance (\$326,290 - \$320,000)*22%		<u>\$ 1,383.80</u>
Notional Tax Payable		<u>\$ 48,383.80</u>

³⁵ Tax on first \$160,000 + Tax on next \$122,410 = \$16,600.00 + \$23,257.90

³⁶ 10% on total employment income of \$557,260 = \$55,726.00

Tax payable on \$320,000 = \$47,000.00

Therefore \$47,000.00 + (\$X@22%) = \$55,726.00

\$X = \$39,663.

Regressed apportionment employment income = \$320,000 + \$39,663 = \$359,663.

Breakdown of regressed apportioned employment income:

- Furnishings & utilities bills	\$5,000
- Salary	\$S
- Excess employer's CPF contribution	\$C
- Accommodation#	<u>10% of (\$S + \$C + \$5,000)</u>
	\$359,663

$\$359,663 = \$5,000 + \$S + \$C + 10\% \text{ of } (\$S + \$C + \$5,000)$

$\$S + \$C = \$321,966.36$

$S = 321,966.36 * (\$500,000 / (\$500,000 + \$1,600)) = 320,939$

$C = 321,966.36 * (\$1,600 / (\$500,000 + \$1,600)) = 1,027$

accommodation = 10% of (\$S + \$C + \$5,000) or \$100,000, whichever is lower

³⁷ Breakdown of \$S into:

OW = $[\$320,939 / (\$350,000 + \$150,000)] * \$350,000$
= \$224,657.30

AW = $[\$320,939 / (\$350,000 + \$150,000)] * \$150,000$
= \$96,281.70

³⁸ 10% of (\$320,939 + \$1,027 + \$5,000) or \$100,000, whichever is lower

³⁹ 20% of (\$72,000 + 40% of OW)
= 20% of (\$72,000 + \$89,862.92)

Tax-on-tax on remuneration		
$\$48,383.80 \times (22\% / (100\% - 22\%))$		<u>\$ 13,646.71</u>
		\$ 62,030.51
Tax-on-Tax on accommodation		
$10\% \times \$62,030.51 \times 22\% / (100\% - 22\%)$		\$ 1,749.58
$10\% \times \$1,749.58 \times 22\% / (100\% - 22\%)$		\$ 49.35
$10\% \times \$49.35 \times 22\% / (100\% - 22\%)$		\$ 1.39
$10\% \times \$1.39 \times 22\% / (100\% - 22\%)$		\$ 0.04
Tax Allowance		<u>\$ 63,830.87</u>

Step 8: Computation of Double Taxation Relief

Employment income:		
- Salary	\$320,939	
- Excess employer's CPF contribution	\$ 1,027	
- Tax Allowance	\$ 63,830	
- Furnishings & utilities bills	\$ 5,000	
- Accommodation ⁴⁰	<u>\$ 39,079</u>	\$429,875
Interest (regrossed) ⁴¹		<u>\$ 22,222</u>
Assessable Income		\$452,097
Less: Earned Income Relief	\$ 1,000	
CPF Relief (OW+AW)	<u>\$ 32,372</u>	<u>\$ 33,372</u>
Notional Chargeable Income		<u>\$418,725</u>
Tax on first \$320,000		\$ 47,000.00
Tax on balance ($\$418,725 - \$320,000$)*22%		<u>\$ 21,719.50</u>
Notional Tax Payable		<u>\$ 68,719.50</u>

Singapore Effective Rate = $(\$68,719.50 / \$452,097) \times 100\%$
= 15.20% (> foreign rate of 10%)

Double Taxation Relief = $\$22,222.22 - \$20,000$
= \$2,222.22

Step 9: Final Tax Computation

Employment income		\$429,875
Interest (regrossed)		<u>\$ 22,222</u>
Assessable Income		\$452,097
Less: Total Relief		<u>\$ 33,372</u>
Chargeable Income		<u>\$418,725</u>
Tax on first \$320,000		\$ 47,000.00
Tax on balance ($\$418,725 - \$320,000$)*22%		<u>\$ 21,719.50</u>
Gross Tax Payable		<u>\$ 68,719.50</u>
Less Double Tax Relief		<u>\$ 2,222.22</u>
Net tax payable		<u>\$ 66,497.28</u>

⁴⁰ $10\% \times (\$320,939 + \$1,027 + \$63,830 + \$5,000)$

⁴¹ $(\$20,000 / 90\%) \times 100\%$

Computation of the NOR Cap for Purposes of the Non-Mandatory Overseas Contribution Scheme Concession

The NOR cap will apply in the calculation of the amount of employer's contribution to a non-mandatory overseas contribution scheme to be exempted in the hands of a non-SPR/non-Singapore citizen resident NOR taxpayer. All figures used for purposes of the NOR cap is to be at all times pegged to that used for purposes of computing the CPF cap for employer's contributions to the CPF for a Singapore citizen employee. For purposes of illustration of the computation of the NOR cap only, it is assumed that the rate of contribution by employer to CPF remains at 16%.

The NOR cap

$$= 16\% \times (\text{cap on Ordinary Wages (OW)} + \text{cap on Additional Wages (AW)})$$

where:

Cap on Ordinary Wages

$$= \$72,000 \text{ or OW, whichever is lower}$$

Cap on Additional Wages =

- i) the actual AW,
if $OW \leq \$72,000$ and $OW+AW \leq \$100,000$
- ii) $\$100,000 - OW$,
if $OW \leq \$72,000$ and $OW+AW > \$100,000$
- iii) 40% of OW, or actual AW, whichever is lower,
if $OW > \$72,000$

The computation of the NOR cap is as summarised in the table below.

	OW ≤ \$72,000	
	OW + AW ≤ \$100,000	OW + AW > \$100,000
Maximum OW cap	OW	OW
Maximum AW cap	AW	\$100,000 – OW
NOR cap	16% of (OW + AW)	16% of \$100,000
	OW > \$72,000	
	40% of OW ≤ AW	40% of OW > AW
Maximum OW cap	\$72,000	\$72,000
Maximum AW cap	40% of OW	AW
NOR cap	16% of (\$72,000 + 40% of OW)	16% of (\$72,000 + AW)

Table Summarizing the Taxability of Employer's Contribution to an Approved Mandatory Overseas Contribution Scheme and/or a Non-Mandatory Overseas Contribution Scheme to a Non-SPR/Non-Singapore Citizen Resident NOR Taxpayer and Deductibility of Such Contribution to his Employer

	Employer contributes to Approved Mandatory Overseas Contribution Scheme only (\$A)	Employer contributes to Non-Mandatory Overseas Contribution Scheme only (\$B)	Employer contributes to both Approved Mandatory Overseas Contribution Scheme and non-Mandatory Contribution Scheme (\$A + \$B)
Taxability to a non-SPR/non-Singapore citizen resident NOR Taxpayer	Not taxable	Not taxable but subject to the NOR cap Any excess above the NOR cap would be taxable	<p><u>where \$A > 0</u></p> <p>If \$A ≥ NOR cap</p> <ul style="list-style-type: none"> • \$A would be exempted as per current tax treatment • \$B would be taxable <p>If \$A < NOR cap</p> <p><u>Scenario I: \$A + \$B ≤ NOR cap</u></p> <ul style="list-style-type: none"> • \$A + \$B would be exempted <p><u>Scenario II: \$A + \$B > NOR cap</u></p> <ul style="list-style-type: none"> • \$A would be exempted as per current tax treatment • partial \$B (computed as NOR cap – \$A) would be exempted <p><u>where \$A = 0</u></p> <p><u>Scenario I: \$B ≤ NOR cap</u></p> <ul style="list-style-type: none"> • \$B would be exempted <p><u>Scenario II: \$B > NOR cap</u></p> <ul style="list-style-type: none"> • partial \$B (equivalent to NOR cap) would be exempted
Deductibility to the employer of a non-SPR/non-Singapore citizen resident NOR Taxpayer	Not deductible	Full deduction of \$B allowed	Tax deduction for \$B only