

GOODS AND SERVICES TAX

SECONDMENT OF STAFF



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1 INTRODUCTION

- 1.1 Secondment of staff refers to a situation when a staff contractually employed by one company is supplied to another company to perform certain work specifically assigned to them.
- 1.2 The secondment of staff is considered to be a supply of services for GST purposes. That being the case, the person seconding the staff ("Seconding Company") has to charge GST on the value of the supply if he is registered or liable to be registered for GST. The value of the supply is either the amount actually charged by the person who secondes the staff or, if there is no charge, the amount of remuneration (money or otherwise) which such person is obliged to pay the seconded staff.
- 1.3 In practice, it is not uncommon for a corporate group to have staff secondment arrangements to meet the operational needs of the companies in the group. The company receiving the seconded staff ("Recipient Company") generally regards itself to have hired the seconded staff rather than buying the services of the staff from the Seconding Company. For such cases, the Comptroller of GST is prepared, as an administrative concession, not to treat the secondment as a supply made by the Seconding Company and waive the need to charge and account GST if certain conditions are met.
- 1.4 This E-tax Guide sets out the conditions whereby the administrative concession to disregard the supply of the secondment of staff among companies within a corporate group. It updates on the previous Guide issued on this subject.

2 ADMINISTRATIVE CONCESSION

- 2.1 As an administrative concession, GST need not be charged on the staff costs under a staff secondment arrangement if **all** the following conditions¹ are met:
- (a) No secondment fees or mark-up charges are levied by the Seconding Company;
 - (b) Both the Seconding Company and Recipient Company are related within the meaning of section 6 of the Companies Act;
 - (c) The staff is seconded to one company only at any one time;
 - (d) The Recipient Company exercises exclusive control over the allocation and performance of the duties of the staff during the period of secondment; and
 - (e) The Seconding Company is not allowed to claim any input tax directly relating to the secondment of staff.
- 2.2 If the Seconding Company satisfies all the above conditions, the secondment can be treated as not constituting a supply and GST need not be charged on the recovery of staff costs.
- 2.3 On the other hand, if any of the above conditions are not satisfied, GST has to be charged on the full value of staff cost recoverable by the Seconding Company

¹ The conditions (d) and (e) are effective from the date of the 2nd edition of this E-tax Guide. The conditions (a) to (c) were applicable since the 1st edition of this E-Tax Guide.

(salaries, CPF contribution, medical benefits and other related staff expenses) and any handling charges or administrative fees imposed by the Seconding Company.

3 CLARIFICATIONS

3.1 Condition (a): No secondment fees or mark-up charges are levied by the Seconding Company

The Seconding Company must not charge any mark up, handling charges or administrative fees to the Recipient Company.

3.2 Condition (b): Both the Seconding Company and Recipient Company are related within the meaning of section 6 of the Companies Act

If Company A is a subsidiary or holding company of Company B or if Companies A and B are subsidiaries of the same holding company, Companies A and B are considered as related companies.

3.3 Condition (c): The staff is seconded to one company only at any one time

The above administrative concession is not intended for cases where the staff is assigned to perform services for several companies and the staff cost is allocated to the various companies receiving the services. In such cases, the staff cannot be described as being on secondment. Hence, the staff must be seconded to one company only.

3.4 Condition (d): The Recipient Company exercises exclusive control over the allocation and performance of the duties of the staff during the period of secondment

In a secondment, the staff continues to be legally employed by the Seconding Company but reports to the Recipient Company. In some situations, the Recipient Company reimburses the Seconding Company the salaries and other related expenses of the staff. In other situations, the Recipient Company may pay the staff his salaries and related expenses directly. In substance, the Recipient Company becomes a substitute employer for the staff. Hence, the Recipient Company must have exclusive control over the allocation and performance of the duties of the staff during the period of secondment.

3.5 Condition (e): The Seconding Company is not allowed to claim any input tax directly relating to the secondment of staff

Since the secondment of staff is treated as not a supply under the administrative concession, input tax that directly relates to the secondment of staff should not be claimed. Examples of input tax that should not be claimed would include tax incurred on fringe benefits for the seconded staff such as accommodation and course fees.