

# Tax Implications on Employees' Tax Reporting in the Face of COVID-19

- Exemption for Employment Benefits for Accommodation, Food, Transport and Daily Necessities (Applicable to YA 2021 only)



# General tax treatment

All benefits whether in money or otherwise are taxable unless they are:

- Specifically exempted from income tax; or
- Granted administrative concession.



# Tax treatment of accommodation, food, transport & daily necessities benefits

## Accommodation Benefits-in-Kind and Allowances

### Property rented by employer



Total rent (including rent for furniture and fittings) paid by the employer less total rent paid by employee

### Property owned by employer



AV of the property less total annual rent paid by employee

### Hotel accommodation provided



Actual costs incurred by the employer for the hotel stay less the amount paid by employee

### Housing allowance



Taxable in full

## Allowances for Food, Transport or Daily Expenses

### Fixed meal allowances



Taxable in full

### Fixed transport allowances



Taxable in full

### Fixed daily allowances



Taxable in full

### Overtime meal allowances & reimbursements

Not taxable provided:

- ✓ It is for working beyond official working hours on an ad-hoc basis
- ✓ The payment policy is generally available to all staff

# Background for the tax exemption



- Movement restrictions have been imposed within and across borders due to COVID-19 pandemic
- Employers may have provided accommodation and other types of benefits to support employees who are affected by such circumstances
- The exceptional treatment is to recognise that the affected employees received such benefits from their employers due to exceptional circumstances (such as Malaysia's Movement Control Order).

# Tax Exemption for Accommodation, Food, Transport & Daily Necessities Benefits for YA 2021

Cash allowance, reimbursement or benefits-in-kind for any of the following items are tax exempt:

## **Accommodation in Singapore**

(including furniture and fittings provided together with the accommodation)



## **Food, transport and daily necessities for consumption in Singapore**



# Tax Exemption for Accommodation, Food, Transport & Daily Necessities Benefits for YA 2021

## Qualifying Conditions



a. The employee (and other employees performing a similar job scope) did not ordinarily receive such benefits in Singapore before **1 Feb 2020\***; and



b. The employer has provided the benefits either because:

- i. the employee normally resides outside Singapore, but is required to reside here to ensure the continuity of his employer's business at any time between 1 Feb 2020 and 31 Dec 2020 (both dates inclusive); or
- ii. the provision of the benefit will reduce the risks that the employee will be infected with COVID-19, or infect others with COVID-19.

\* For benefits for food, transport and daily necessities, if the employee has received these benefits on/after 1 Feb 2020 due to reasons in condition (b), such benefits received on/after 1 Feb 2020 will qualify for the exemption even if employee may have received similar benefits before 1 Feb 2020 due to work exigencies.

# Tax Exemption for Accommodation, Food, Transport & Daily Necessities Benefits for YA 2021

## **Qualifying Conditions (Continued)**

The benefits are treated as being provided to reduce the mentioned risks in the following scenarios:

- A. For provision of accommodation or allowance for accommodation
  - i. Where there is a high risk of the employee contracting COVID-19 due to the nature of his employment, or because the employee is required to travel out of Singapore for his employment at any time between 1 Feb 2020 and 31 Dec 2020, the provision of accommodation will reduce the risk that the employee will infect others with COVID-19.
- B. For provision of basic necessities or allowance for basic necessities:
  - i. Where there is a high risk of the employee contracting COVID-19 due to the nature of the employee's employment, or because the employee is required to travel out of Singapore for his employment at any time between 1 Feb 2020 and 31 Dec 2020, the provision of basic necessities will reduce the risk of the employee contracting COVID-19, or the risk that the employee will infect others with COVID-19; or
  - ii. Where there is an elevated risk of the employee contracting COVID-19 due to a requirement of his employment that is imposed at any time between 1 Feb 2020 and 31 Dec 2020 in order to ensure business continuity, the provision of basic necessities will reduce that risk.

# Amount of Tax Exemption

## **Benefits for accommodation**

(including furniture and fittings provided with the accommodation)



Amount of cash allowance, reimbursement or value of the accommodation (including furniture and fittings), subject to a total cap of \$75 per day per employee

## **Benefits for food, transport, and/or daily necessities**



Amount of cash allowance, reimbursement or value of benefits for food, transport, and/or daily necessities, subject to a cap of \$50 (applied on the total amount for all items) per day per employee



## Example 1 – Benefits for accommodation (including furniture and fittings in the accommodation)



- Steven lives in Malaysia but has been travelling to Singapore to work on daily basis since 2 years ago.
- Due to Malaysia's lockdown, his employer arranged for him to temporarily stay in a hotel in Singapore for 2 weeks in March 2020.
- He was reimbursed by the employer for the costs of hotel stay of \$90 per day.

## Example 1 – Benefits for accommodation (including furniture and fittings in the accommodation)



### Computation of Taxable Amount

Total number of days for hotel stay	14
Total costs for hotel stay reimbursed by employer [\$90 x 14 days]	\$1,260
The exemption is capped at \$75 x 14 days	\$1,050
Taxable employment income [\$1,260 - \$1,050]	\$210

## Example 2 – Benefits for food, transport, and/or daily necessities



- Company A is in the business of providing essential services.
- During the circuit breaker period from 7 Apr to 1 Jun 2020, it provided a one-time cash allowance of \$500 to each of the employees who supported the business operations in the office.
- The payment is to subsidize them for food and transport expenses.
- No such benefits were provided to these employees before except when they had to work overtime occasionally.

## Example 2 – Benefits for food, transport, and/or daily necessities

### Computation of Taxable Amount



Total number of days for benefits provided	55
Total amount of cash benefits provided	\$500
The exemption is capped at $\$50 \times 55$	\$2,750
Taxable employment income [\$500 - \$2,750]	Nil

# Treatment of Lump-sum cash allowance



For lump-sum cash allowance provided upfront, the employer should state the period to which the allowance is applicable, so as to determine whether the amount meets the exemption threshold on a per day basis.

## Example

An upfront cash allowance of \$5,000 was provided to cover accommodation costs from 1 Mar 2020 and 30 Apr 2020. In this case, the computation of the exempt /taxable amount

Total number of days [March 31 days + April 30 days]	61
The exemption is capped at \$75 x 61 days	\$4,575
Taxable employment income [\$5,000 - \$4,575]	\$425

# Scope of Items Exempted from Tax

## Accommodation Benefits in Kind and Allowances



The exemption will cover that part of the benefits relating to furniture and fittings in the accommodation if it is furnished, subject to the overall cap.



The provision of furniture and fittings alone, without the provision of accommodation, would not be covered within the exemption.



An employee who received accommodation benefits in Singapore before 1 Feb 2020 cannot qualify for the exemption on accommodation.

## Allowances for Food, Transport or Daily Expenses



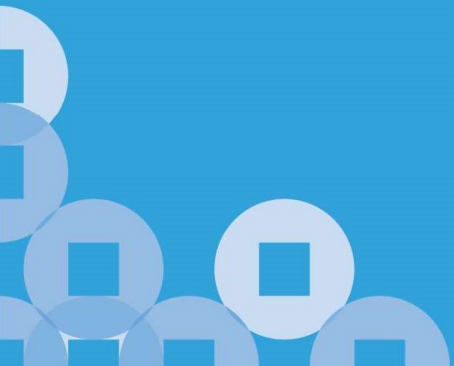
Includes transport benefits provided for employees to travel from home to office and vice versa or travel from home to an alternative workplace as part of business continuity plans for purpose of reducing the risk of COVID-19 infection for the employee, and/or risk that the employee will infect others.



Includes meal payments and food provided for essential staff working in office premises during the COVID-19 period.

# Exemption for Employment Benefits for Accommodation, Food, Transport and Daily Necessities

## FAQs



## FAQ 1 – Accommodation at Company's Own Premises



**Q. Due to Malaysia lockdown, we arranged for the Malaysian workers to stay temporarily in the company's own premises with no additional costs incurred. Is this benefit taxable?**

**A.** IRAS is prepared to accept that the value of accommodation provided is not more than \$75 per day and therefore the benefit is exempt from tax.



## FAQ 2 - Employees on Leave of Absence/Stay Home Notice



**Q. Due to COVID-19, my company provided an allowance to cover the accommodation and meals for the employees who were on Leave of Absence/ Stay Home Notice in March 2020. There is no other COVID-19 related allowance given besides the above. Is the allowance taxable?**



**A.** If it is one lump sum, the company has to state the allowance applicable to accommodation and meals respectively, the daily cap of \$75 per employee for accommodation allowance and the daily cap of \$50 per employee for daily allowance have to be separately applied to each of the allowance to determine if there is any balance remaining to be taxed.



## FAQ 3 – One-Time Allowances

**Q. My company provided a one-time allowance of \$2,000 in Mar 2020 for every employee to subsidise him for costs for the period 1 Mar 2020 to 31 Mar 2020:**

- ✔ **Protective equipment or supplies to prevent the spread of COVID-19**
- ✔ **Child or dependent care expenses due to facility closures**
- ✔ **Transport expenses necessary to prevent spread of COVID-19**
- ✔ **Medical costs or healthcare supplements related to COVID-19 prevention or care**
- ✔ **Home office related expenses**
- ✔ **Other expenses related to the COVID-19 pandemic**

**Is the one-time allowance taxable?**

## FAQ 3 – One-Time Allowances (continued)

- A. Only the items on transport and daily necessities are covered under the tax exemption. Other items like child or dependent care expense and work from home expenses are not covered. The company needs to state the period to which the allowance is applicable and apply the cap of \$50 per day per employee applicable for “food, transport, and/or daily necessities” to work out the exempt/taxable amount. For example, if \$1,500 per employee is applicable to items covered under the tax exemption and \$500 is applicable for items not covered under the exemption. The taxable amount is computed as follows:

Total number of days	31
The exemption is capped at \$50 x 31 days	\$1,550
Taxable income [\$1,500 - \$1,550] applicable to items covered (a)	Nil
Taxable income applicable to items not covered under exemption (b)	\$500
Total income (a) + (b)	\$500

## FAQ 4 – Costs of Stay Home Notice (SHN)

**Q. Upon returning from an overseas business trip in 2020, the employee has to serve a 14-day SHN at a dedicated facility, would the SHN costs borne by the employer be taxable on the employee? Would the tax treatment be the same if the SHN is due to a personal trip?**

- A. Where an employee has to serve the SHN after returning from an overseas business trip, the SHN costs paid by employer will not be regarded as employment benefit to the employee. Where an employee has to serve the SHN after returning from an overseas personal trip, the following SHN costs borne by the employer are considered employment benefits and are taxable as employment income:
- Hotel accommodation be it at a government dedicated facility or employer paid accommodation
  - Meals
  - Transport to and from hotel to test facility

## FAQ 5 – Costs of Stay Home Notice/Quarantine

**Q. What if a foreign employee relocates to Singapore to commence a new employment here and the employer bears his quarantine costs and those of his family members, would these be taxable?**

**A.** Similar to other relocation expenses that an employee would ordinarily be reimbursed for, the quarantine costs borne by the employer for him and his family members are not taxable on the employee.

## FAQ 6 – Work From Home Allowances



**Q.** During the circuit breaker period, my employer provided a one-time cash allowance of \$200 for each of the employees who are required to work from home. The allowance is to subsidise the employees for additional home utilities expenses incurred when working from home. Is this allowance taxable?

**A.** The benefit does not fall within the types of benefits that qualify for tax exemption. Hence, the \$200 is taxable. Employees may claim tax deduction on additional electricity and telecommunication expenses incurred when working from home.

# Thank you

The information presented in the slides aims to provide a better general understanding of taxpayers' tax obligations and is not intended to comprehensively address all possible tax issues that may arise. This information is correct as at the date of presentation. While every effort has been made to ensure that this information is consistent with existing law and practice, should there be any changes, IRAS reserves the right to vary its position accordingly.

