

Tax Implications on Employees' Tax Reporting in the Face of COVID-19 (Common Scenarios for YA 2021 & YA 2022)

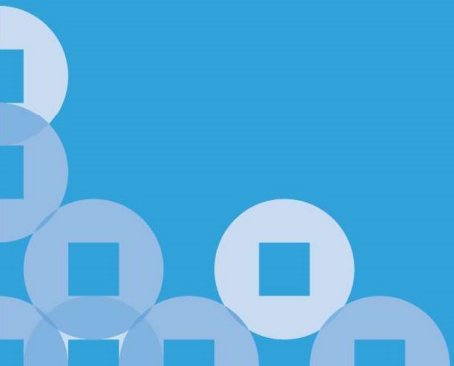


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Coverage

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- ❑ Singapore-based employees stranded overseas
- ❑ COVID-19 Tax Guidance FAQs

Overseas-based Singaporeans/Singapore PRs Working Remotely from Singapore



Example 1 - Working remotely from Singapore till June 2021



- Andrew is a Singaporean working in Country A since 1 Jan 2017.
- He returned to Singapore on 1 Nov 2020 due to COVID-19 and returned to Country A on 28 June 2021 after the travel restriction was lifted.
- While in Singapore, he continued to work remotely for his overseas employer and this was a temporary work arrangement due to COVID-19.
- There was no change in his terms of employment before and after his return to Singapore.
- The work performed by him during his stay in Singapore would have been performed overseas if not for the travel restrictions caused by COVID-19.
- His employment income earned during the stay in Singapore from 1 Nov 2020 to 28 Jun 2021 was subject to tax in Country A.

Example 1 - Working remotely from Singapore till June 2021



Tax Treatment

- IRAS is prepared to continue to assess Andrew as a non-resident for YA 2021 & YA 2022 since he was temporarily in Singapore due to COVID-19.
- Andrew will not be considered as exercising an employment in Singapore for the period from his date of return on 1 Nov 2020 to the date he left Singapore in June 2021 and his income thereof will not be taxable in Singapore.

Example 2 - Working remotely from Singapore till Nov 2021



- Gary is a Singaporean working overseas since 1 May 2019.
- He came back to Singapore on 30 Mar 2021 due to the escalating second wave of COVID-19 infections in Country B.
- Country B had suspended international passenger flights into the country since Mar 2021 and foreign nationals who wanted to re-enter must have specific reasons e.g. to visit a sick family member.
- With the launch of Vaccinated Travel Lane (VTL) in late Nov 2021, Gary returned to Country B on 1 Dec 2021.
- While he was in Singapore, he continued to work remotely for his overseas employer.
- The work done during his stay in Singapore was not connected to any business assignment in Singapore and would have been performed overseas if not for COVID-19.
- There was no change in the terms of his employment overseas before and after his return to Singapore.
- This was a temporary work arrangement due to COVID-19 and his employment income earned during the stay in Singapore from 30 Mar 2021 to 30 Nov 2021 was subject to tax in Country B.

Example 2 - Working remotely from Singapore till Nov 2021



Tax Treatment

- IRAS is prepared to continue to assess Gary as non-resident for YA 2022 since he was temporarily in Singapore due to COVID-19.
- He will not be considered as exercising an employment in Singapore for the period from date of return to 30 June 2021 and his income thereof will not be taxable in Singapore as he met the qualifying conditions.
- For the period from 1 July 2021 to 30 Nov 2021, as he was not able to enter Country B prior to the availability of VTL and he departed Singapore as soon as he was able to do so, IRAS is also prepared to treat him as not exercising an employment in Singapore for the period. His employment income for this period will not be taxed.

Example 3 - Working remotely from Singapore till Dec 2021



- Albert is a Singaporean working in a neighboring Country C since 2 Jan 2018.
- He used to travel back to Singapore every weekend. Since the outbreak of COVID-19, he started to stay in Singapore from 15 Mar 2020 and has been working remotely from Singapore for his employer in Country C.
- Country C had eased travel restrictions since June 2021 and allowed foreigners with work pass to enter the country, subject to quarantine rules.
- He continued working remotely from Singapore as his employer had allowed him to do so until 31 Dec 2021.
- The work done during his stay in Singapore was not connected to any business assignment in Singapore.
- There was no change in his terms of employment overseas before and after his return to Singapore.
- His employment income earned during the stay in Singapore from 15 Mar 2020 to 31 Dec 2021 was subject to tax in the Country C.

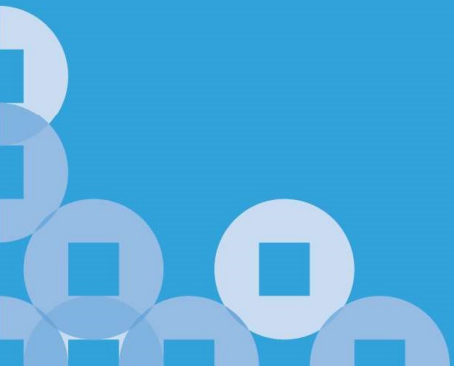
Example 3 - Working remotely from Singapore till Dec 2021



Tax Treatment

- Albert has not met all the conditions for COVID-19 tax treatment as he did not leave Singapore as soon as he is able to do so before 30 Jun 2021 (i.e. he chose to continue working remotely from Singapore even though he was able to return to Country C).
- As such, his employment income in relation to his work done in Singapore from 1 July 2021 onwards will be subject to tax in Singapore. He is required to declare his employment income for the period from 1 July 2021 to 31 Dec 2021 when he files his tax return for YA 2022.
- Under Singapore's domestic tax law, Albert will be regarded as a tax resident of Singapore since he has stayed/worked in Singapore for at least 183 days during the calendar year 2021. If he is also regarded as a tax resident of Country C, Singapore will still have taxing right over the employment income attributable to the period where the employment was being exercised in Singapore. Albert will have to claim tax credit from Country C for the tax paid in Singapore.

Singapore-based Employees Stranded Overseas



Singapore-based Employees Stranded Overseas

Example 1 - A Singapore-based employee stranded overseas for more than 183 days

- Sandra is a Singaporean exercising an employment in Singapore.
- In Mar 2021, she travelled to a neighboring Country D for a business assignment.
- Upon completion of her assignment on 28 Mar 2021, she was unable to return to Singapore due to COVID-19 travel restrictions.
- When she was in that country, she continued to work remotely for her Singapore employer till she returned to Singapore on 1 Sep 2021 (stay in that country is > 183 days).



Singapore-based Employees Stranded Overseas

Example 1 – Tax Treatment

- Sandra's tax residence status in Singapore for YA 2022 will not be affected as she is ordinarily a Singapore tax resident and her absence is temporary.
- Her employment income will continue to be taxed in full in Singapore.
- She may claim for double tax relief against her Singapore tax payable if she has to pay tax in Country D on her employment income relating to her work done in that country, in line with the provisions of the relevant Double Taxation Agreement (DTA) between Singapore and that country.



Singapore-based Employees Stranded Overseas

Example 2 - A Singapore-based foreign employee stranded in her home country and returned to Singapore subsequently

- Angel is a foreigner and has been based in Singapore for more than 5 years.
- In Mar 2021, she went back to her home country to visit her family.
- Due to COVID-19 travel restrictions, she was unable to return to Singapore and remained in her home country for 190 days before returning to Singapore in Sep 2021.
- While she was in her home country, she continued to work remotely for her Singapore employer.



Singapore-based employees stranded overseas

Example 2 – Tax Treatment

- IRAS is prepared to treat Angel as a tax resident for YA 2022 since:
 - Her absence of 190 days is temporary;
 - The extended period of stay in her home country is due to COVID-19 travel restrictions.
- Her employment income will continue to be taxed in full in Singapore.
- However, upon MAP request and after discussion between the competent authorities of Singapore and her home country, she could be treated as a resident of her home country under the tie-breaker rules of the relevant DTA as a result of her stronger family ties in her home country. If that is the case, her employment income relating to her work in her home country will not be taxed in Singapore and she will only be assessed as a tax resident in Singapore for her remaining employment income. Otherwise, the whole of her employment income will be assessed on her as a tax resident.



Singapore-based employees stranded overseas

Example 3 - A Singapore-based foreign employee worked remotely from his home country and ceased employment thereafter

- Nick is an employment pass holder and has been based in Singapore for the past 2 years, since 2019.
- In Mar 2021, he went back to his home country to visit his family.
- Due to the pandemic, he has been working remotely from his home country for his Singapore employer until 31 Dec 2021 when his employment contract ended. He did not renew his contract.



Singapore-based Employees stranded overseas

Example 3 - Tax Treatment

- IRAS is prepared to assess Nick as a tax resident for YA 2022 under the tax residency concession as he commenced employment in Singapore since 2019.
- His employment income for the period 1 Jan 2021 to 31 Dec 2021 will continue to be taxed in full in Singapore for YA 2022.
- However, if his employment income for the period from Mar 2021 to 31 Dec 2021 is also subject to tax in his home country, his tax residency and the taxing right over his employment income will be dealt with in accordance with the DTA between Singapore and his home country, if any.



Singapore-based employees stranded overseas

Example 4 - A Singapore-based employee commenced employment while he was still overseas

- A Singapore company employed an expatriate, Jason, whose employment contract explicitly states the workplace is in the Singapore office and the employment contract is for 2 years from 1 Mar 2021 to 28 Feb 2023.
- The company has applied for a Singapore Employment Pass for him and the employment pass has been approved. However, due to the COVID-19 situation, he could not travel into Singapore. He began working remotely from his home country on 1 Mar 2021 until he arrived in Singapore on 1 Oct 2021.



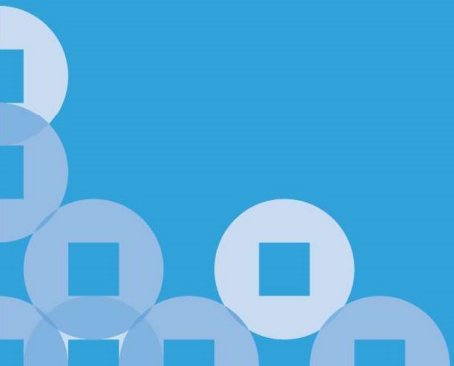
Singapore-based Employees stranded overseas

Example 4 - Tax Treatment

- As the arrangement to work from his home country was temporary due to the COVID-19 travel restrictions, Jason's employment income from 1 Mar 2021 to 31 Dec 2021 will be considered as Singapore sourced and subject to tax under section 10(1)(b) of the Income Tax Act for the YA 2022.
- He will be assessed as a resident for YA 2022 under the tax residency concession if he continues to work in Singapore till the end of his employment contract.
- His employment income relating to his work in his home country i.e. 1 Mar 2021 to 30 Sep 2021 will not be taxed in Singapore only if:
 - He can be treated as a resident of his home country under the tie-breaker rules of the relevant DTA as a result of his stronger family ties in his home country; and
 - His employment income for the said period is subject to income tax in his home country.



COVID-19 Tax Guidance FAQs



FAQ 1 - DTA issues relating to remote working

Q. If an employee's employment income is liable to income tax in Singapore as well as in other state due to the temporary remote working arrangement, what are the information / documents that are necessary for IRAS' review?

- A.** You may provide information/documents including the following for IRAS' review:
- a) Period of remote working from Singapore or overseas and reasons for the arrangement
 - b) Date you travelled or intend to travel into Singapore or date you departed or intend to depart from Singapore, as the case may be
 - c) A copy of your employment contract
 - d) Your residency status in the other state for the period concerned
 - e) Document from the tax authority of the other state to substantiate that you are required to pay tax on the same employment income
 - f) Whether the other state implements some temporary relief measures to provide exemption to their residents who are forced to remain in a certain location to work due to unforeseen circumstances.

FAQ 2 – Cessation of overseas allowance



Q. For overseas-based Singaporeans/SPRs who returned to Singapore, their overseas allowances (e.g. costs of living, accommodation etc.) cease following their return. Would the cessation of overseas allowance be considered as a change in their contractual terms governing their employment?

A. No, the cessation of the overseas allowance would not be considered as a change in their contractual terms governing their employment.

-  Not in Singapore
-  Temporarily in Singapore

FAQ 3 – Individual commencing a new employment with an overseas employer



Q. An individual took up a new employment with an overseas employer in 2020 and was allowed to start work remotely from Singapore for the overseas employer as a result of COVID-19 travel restrictions. Would the Covid-19 tax concession apply to him?

A. No, the COVID-19 tax concession does not automatically extend to this group. IRAS has to assess if his income can qualify for exemption. The individual has to substantiate with relevant documents that the new employment requires him to be based overseas and the current work arrangement is temporary due to travel restrictions together with details as follows:

- Job responsibilities and scope, and a copy of employment contract
- Name and designation of person whom the individual is reporting to
- Nature of work to be performed from Singapore
- Documents to support that he is unable to leave Singapore due to travel restrictions

Send the email via myTax Mail (mytax.iras.gov.sg.ESWeb/default.aspx).

FAQ 4 – Stay Home Notice (SHN) /Quarantine period (QP)



Q. An overseas-based employee was required to serve out the 14-day SHN or QP in Singapore. Would this period be considered as his workdays in Singapore and also for determining his residency status?

A. If the employee has to serve out a SHN or QP and as a result of which would not be allowed to perform any work in connection with his Singapore assignment during the period, it:

- would not be included for the purpose of counting the number of workdays in Singapore or extended stay in Singapore.
- would also not be counted for determining his residency status.

Taxpayers are advised to keep relevant supporting documents and forward them to IRAS upon its request.

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.

