

IRAS CIRCULAR

NOT ORDINARILY RESIDENT SCHEME



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Published by
Inland Revenue Authority of Singapore

Published on 7 July 2008
Annexes B & F updated on 29 August 2008

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NOT ORDINARILY RESIDENT SCHEME

INTRODUCTION

1. The Not Ordinarily Resident (hereinafter referred to as the “NOR”) scheme¹ was introduced in 2002² with the objective of attracting talents to relocate to Singapore. Under the NOR scheme, an individual who is accorded the NOR status (hereinafter referred to as the “NOR taxpayer”) 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 income³;
- (b) Tax exemption of pre-assignment income remitted to Singapore⁴; and
- (c) Tax exemption of employer’s contribution to a non-mandatory overseas pension fund or social security scheme.

2. To enhance the effectiveness of the NOR scheme, Minister for Finance announced in his Budget Statement 2008 certain changes to the qualifying criteria of the tax concessions under the NOR Scheme. These tax changes will take effect from Year of Assessment (YA) 2009 for all NOR taxpayers, except for those identified under the transitional rules as elaborated in paragraphs 36 to 39. For ease of reference, the NOR scheme before and after incorporating the changes announced are hereinafter referred to as “old NOR scheme” and “new NOR scheme”.

3. This circular replaces the earlier circulars that were published on 31 August 2002 (main circular) and 31 January 2004 (supplementary circular) on the “Not Ordinarily Resident Scheme”. It sets out the revised qualifying criteria for each of the tax concessions following the 2008 Budget announcement and provides details on the transitional rules for existing NOR taxpayers under the new NOR scheme.

QUALIFYING CRITERIA FOR THE NOR SCHEME

4. 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.

² The NOR scheme was announced on 3 May 2002 in Budget Statement 2002 and commenced from YA 2003.

³ Singapore employment income refers to income from the exercise of any employment in Singapore.

⁴ This concession under the NOR scheme has ceased to have effect from YA 2005 onwards. This is because all foreign-sourced income received by resident individuals in Singapore (excluding foreign-sourced income received in Singapore through partnerships in Singapore) on or after 1 January 2004, is exempt from tax.

- (a) He is a resident 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.

5. The determination of the resident status of any individual is based on the definition of section 2(1) of the Singapore Income Tax Act (“SITA”).

Effect of the 2-year or 3-year Administrative Concession on NOR Status

6. An individual who has been granted resident status under the 2-year⁵ or 3-year⁶ administrative concession can also be accorded with the NOR status, so long as he satisfies the conditions outlined in paragraph 4. In other words, if an individual is treated as a resident under the 2-year or 3-year administrative concession, he is also regarded as a resident for the purposes of determining his eligibility for NOR status.

7. Similarly, an individual who has been accorded the NOR status can subsequently avail himself of the 2-year or 3-year administrative concession during the period of his NOR status.

8. Annex A illustrates the effect of the 3-year administrative concession on NOR status.

QUALIFYING PERIOD FOR THE NOR SCHEME

9. An individual who meets the qualifying criteria set out in paragraph 4 would be accorded the NOR status for 5 consecutive YAs, starting from the YA in which he first meets the criteria. Other than the first YA where an NOR taxpayer must be a resident of Singapore⁷, there is no requirement for him to be a resident for any YA during the 5-year qualifying period in order to retain his status as an NOR taxpayer.

10. An individual taxpayer can also be accorded the NOR status more than once so long as the qualifying criteria set out in paragraph 4 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

⁵ Under the 2-year administrative concession, a foreigner will be treated as a resident if he stays or works in Singapore for a continuous period of at least 183 days straddling two years. This concession is applicable to foreign employees (excluding directors of a company and public entertainers) who enter Singapore from 1 January 2007.

⁶ Under the 3-year administrative concession, a foreigner who stays or works in Singapore continuously for three consecutive years will be treated as a resident for all the three years even though the number of days in Singapore is less than 183 days in the first and/or third year. This concession is applicable to foreign employees except for directors of a company and public entertainers.

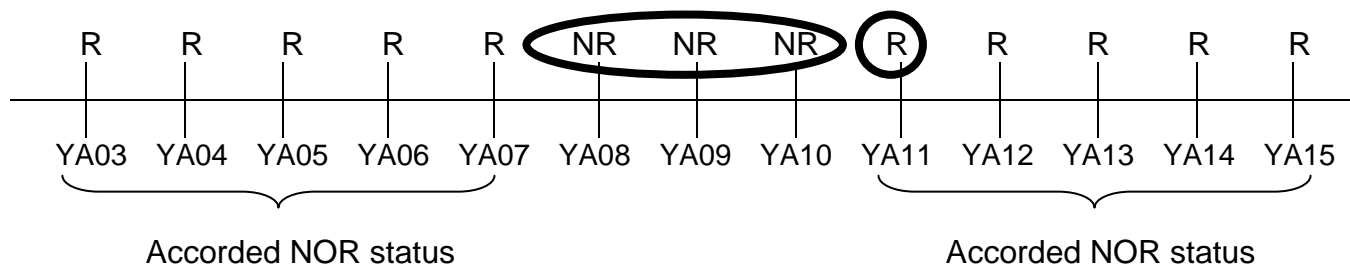
⁷ This is so by virtue of the qualifying criteria set out in paragraph 4.

YA that may fall within an earlier 5-year qualifying period for which he was accorded the NOR status, will be taken into account.

11. 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:

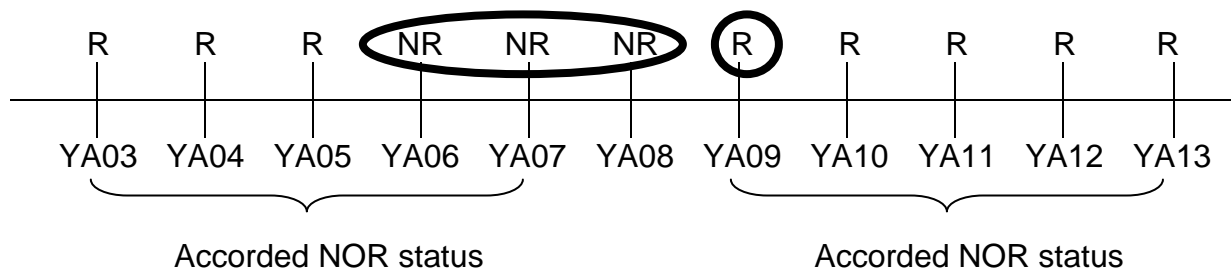
Example 1

“R” - resident
 “NR” - non-resident



Example 2:

“R” - resident
 “NR” - non-resident



TAX CONCESSIONS AVAILABLE UNDER THE NOR SCHEME

12. An NOR taxpayer can enjoy the tax concessions under the NOR scheme in any YA during the 5-year qualifying period only if he is a resident by virtue of section 2(1) of the SITA (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. An NOR taxpayer shall not be entitled to the tax concessions under the NOR scheme for those YAs in which he is a resident by virtue of the 2-year or 3-year administrative concession.

13. Details of the tax concessions, including the respective qualifying criteria under the old NOR scheme and the new NOR scheme, are set out in the paragraphs below.

(A) Time Apportionment of Singapore Employment Income

14. 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”).

15. Currently, an employee who exercises an 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

16. Under the time apportionment concession, a resident NOR taxpayer who is a Singapore employee (hereinafter referred to as “resident NOR Singapore employee”) would not be subject to tax on the portion of his employment income 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

Old NOR Scheme	New NOR Scheme
(1) Resident NOR Singapore employee must spend at least 90 days outside Singapore for business reasons pursuant to Singapore employment.	(1) Resident NOR Singapore employee must spend at least 90 days outside Singapore for business reasons pursuant to Singapore employment.
(2) His tax on his total Singapore employment income must be greater than 10% of his total Singapore employment income.	(2) His total Singapore employment income must be at least \$160,000.

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

17. 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 performing of duties for the Singapore employer.

18. 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.

19. 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 ⁸

D_i : number of days in the year for Singapore employment ⁹

W : wife's employment income (in cases of combined assessment)¹⁰

Y_i : total Singapore employment income from Singapore employment i

Z_i : Under the old NOR scheme, Z_i comprises the 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

⁸ Where any day spent outside Singapore is for the purposes of performing duties for more than one Singapore employer, please refer to paragraph 18(b).

⁹ Where there is overlapping of employment period for different Singapore employers, please refer to paragraph 18(b). The total employment period in any year shall not exceed 365 or 366 days, as the case may be.

¹⁰ The option for combined assessment is no longer available with effect from YA2005.

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].

Under the new NOR scheme, Z_i comprises the following Singapore employment income from Singapore employment i :

- director's fees; and
- any amount of income tax payable in Singapore that is borne, directly or indirectly, by his Singapore employer(s).

Criterion II: Tax of At Least 10% of Total Singapore Employment Income replaced with Minimum Singapore Employment Income Threshold of \$160,000

20. Under the old NOR scheme, 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 rates¹¹

21. To facilitate a resident NOR Singapore employee in determining his eligibility for time apportionment concession, the 10% qualifying tax criterion under the old NOR scheme would be replaced by a minimum Singapore employment income threshold of \$160,000 (hereinafter referred to as "minimum income threshold") from YA 2009 onwards under the new NOR scheme. For the purpose of determining whether the minimum income threshold is met, the Singapore employment income also includes share-based gains which are exempt from tax under the various Equity Remuneration Incentive Schemes¹², contributions to overseas contribution schemes, etc. and before deduction of expenses.

22. Whether under the old NOR scheme or new NOR scheme, 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 income¹³, the resident NOR Singapore employee would still be subject to a tax of 10% of his total Singapore employment income (hereinafter referred to as "10% floor rate").

Qualifying apportioned tax = apportioned Singapore employment income at graduated tax rates¹⁴

¹¹ Based on tax rates provided in Part A of the Second Schedule of the SITA.

¹² Following the 2008 Budget announcement, these Equity Remuneration Incentive Schemes (ERIS) referred to are the ERIS- All Corporations, ERIS- SMEs and ERIS-Start-ups.

¹³ For the purpose of determining the qualifying apportioned tax, the Singapore employment income excludes share-based gains that are exempt from tax under the various Equity Remuneration Incentive Schemes, contributions to overseas contribution scheme, etc. and is after deduction of expenses.

¹⁴ Based on tax rates provided in Part A of the Second Schedule of the SITA.

23. The flowchart at Annex B 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 C to illustrate the computation for the concession for such an employee under different scenarios.

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

24. 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”).

25. Prior to YA 2005, 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 Singapore¹⁵ are not taxable in Singapore.

Scope of Pre-assignment Income Concession

26. 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.

27. Following the 2004 Budget announcement, the pre-assignment income concession has ceased to apply with effect from YA 2005. This is because all foreign-sourced income received by resident individuals in Singapore (excluding foreign-sourced income received in Singapore through partnerships in Singapore) on or after 1 January 2004, is exempt from tax.

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

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

¹⁵ 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(25) 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.

29. 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.

30. 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 and Qualifying Criteria of Non-Mandatory Overseas Contribution Scheme Concession

31. 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. The qualifying criteria for the concession have been rationalized under the new NOR scheme.

Old NOR Scheme	New NOR Scheme
(1) Resident NOR Singapore employee is neither a Singapore citizen nor a permanent resident of Singapore (“SPR”).	
(2) Not applicable	(2) His Singapore employment income must meet the minimum income threshold ¹⁶ of \$160,000.
(3) Not applicable	(3) His employer must not claim deduction on contribution made to non-mandatory overseas pension or provident funds and social security schemes up to the NOR cap.

32. The tax exemption given to the non-SPR/non-Singapore citizen resident NOR Singapore employee must not exceed a cap (hereinafter referred to as “NOR cap”). 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 Central Provident Fund (CPF) capping rules as if the employer had made the contribution to the CPF for a Singapore citizen as required under the CPF Act. Annex D provides the basis of computation of the NOR cap.

¹⁶ This is also the minimum income threshold applicable to the time apportionment concession (see paragraph 21).

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

33. Under the old NOR scheme, 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.

34. Under the new NOR scheme, an employer should not claim a deduction on contributions made to non-mandatory overseas contribution scheme up to the NOR cap if he wishes his non-SPR/non-Singapore citizen resident NOR Singapore employee to be eligible for the Non-Mandatory Overseas Contribution Scheme Concession up to the NOR cap.

35. The table in Annex E summarizes the taxability of an 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 the deductibility to his employer.

TRANSITIONAL RULES ARISING FROM 2008 BUDGET CHANGES¹⁷

36. The changes announced in 2008 Budget to the NOR scheme will take effect from YA 2009 for all NOR taxpayers except for the following 2 groups of NOR taxpayers:

- (a) existing NOR taxpayers who have enjoyed only non-mandatory overseas contribution scheme concession prior to YA 2009, unless they opt into the new NOR scheme (please refer to paragraph 37); and
- (b) existing NOR taxpayers who have enjoyed either time apportionment concession or both time apportionment concession and non-mandatory overseas contribution scheme concession prior to YA 2009, provided they opt out of the new NOR scheme (please refer to paragraph 38).

Transitional Rules for (a) existing NOR taxpayers who have enjoyed only non-mandatory overseas contribution scheme concession prior to YA 2009

37. For this group of NOR taxpayers, the old NOR scheme will continue to apply to them until their respective 5-year qualifying period (as elaborated in paragraph 9) expires, unless they elect to opt into the new NOR scheme. NOR taxpayers who elect to opt in, will be subject to the conditions for all NOR tax concessions under the new NOR scheme, starting from YA 2009. The election, once made, is irrevocable.

¹⁷ Details on transitional rules arising from 2002 Budget changes can be found in Annex F.

Transitional Rules for (b) existing NOR taxpayers who have enjoyed either time apportionment concession or both time apportionment concession and non-mandatory overseas contribution scheme concession prior to YA 2009

38. This group of taxpayers will automatically be placed under the new NOR scheme. However, they can elect to opt out of the new scheme. If they elect to opt out of the new NOR scheme, they will be subject to the conditions for all NOR tax concessions under the old NOR scheme until their respective 5-year qualifying period expires. The election, once made, is irrevocable.

Deadline to Elect to Opt in or Opt out of the New NOR Scheme

39. The election by existing NOR taxpayers to opt into or opt out of the new NOR scheme (depending on which group in paragraph 36 they fall within) is a one-time election to be made no later than **15th April 2009**. The election is to be made using the "Application for Not Ordinarily Resident (NOR) Scheme" form, which can be downloaded from IRAS website. No appeals from those who did not make the election or fail to do so by the deadline would be considered.

40. Annex G summarizes the transitional rules.

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. 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.

ADMINISTRATIVE REQUIREMENTS

Application for the NOR Status

44. The NOR status is accorded to an individual who meets the qualifying criteria for the NOR scheme only upon his application to the CIT in such form or manner as may be required by the CIT. The application form "Application for Not Ordinarily Resident (NOR) Scheme" is to be submitted to IRAS by 15 April of a YA if the individual wishes to qualify for the NOR status from that YA¹⁸. 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

45. 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 "Application for Not Ordinarily Resident (NOR) Scheme", 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 basis no later than 15 April of that YA in which he wishes to avail for the tax concession(s).

46. 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 appendices of the form "Application for Not Ordinarily Resident (NOR) Scheme".

47. In the absence of the completed form 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

48. For an individual who wishes to enjoy the NOR status commencing from a particular YA but does not submit the application form by the stipulated date in paragraph 44, the individual would be granted the NOR status with retrospective effect from the YA he first meets the qualifying criteria for the NOR scheme.

49. However, in order for the individual to enjoy any of the tax concessions under the NOR scheme for any YA, the application form must be submitted by the stipulated date in paragraph 45 for that YA. No late application shall be allowed.

50. 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

¹⁸ An individual was required to submit such an application by 15 April 2003 if he was to qualify for the NOR status for any YAs during YA1999 to YA 2002 (i.e. as if the NOR scheme had existed then).

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

51. Taxpayers who have any queries concerning the NOR scheme may contact IRAS Foreigner & Clearance Branch at 6351 4479/ 6351 2745/ 6351 2725 for clarification.

Inland Revenue Authority of Singapore

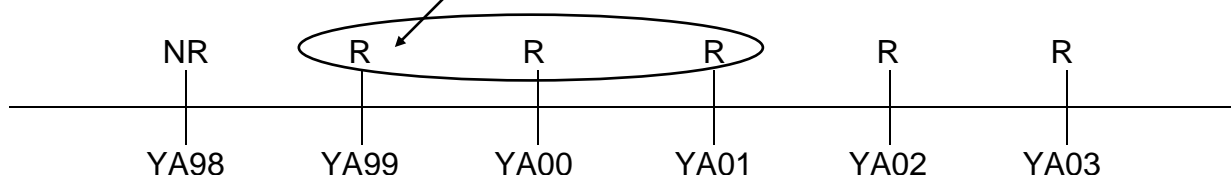
Examples illustrating the treatment of the interaction between the NOR scheme and the 3-year administrative concession

Example 1

“R” - resident

“NR” - non-resident

NR for YA 99 by virtue of section 2(1) but accorded R by virtue of 3-year administrative concession.



Taxpayer can avail himself to the NOR status for YA1999 to YA2003 without having to revoke the 3-year administrative concession (i.e. he will be taxed as a R for YA1999).

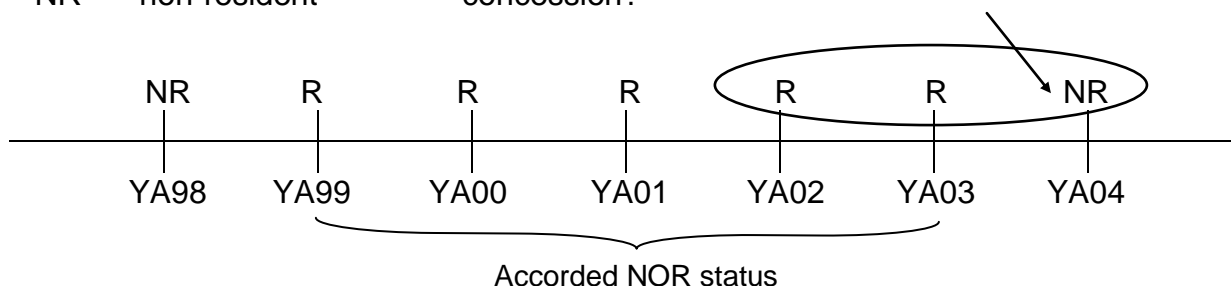
However, taxpayer has to revoke the 3-year administrative concession, i.e. to be taxed as a NR for YA1999 if he wishes to avail himself of the NOR status for YA2000 to YA2004. Taxpayer is not allowed to be taxed as a R by virtue of the 3-year administrative concession and yet at the same time, be considered as a NR for the purpose of the NOR scheme (i.e. for the NOR status for YA2000 to YA2004) for YA1999.

Example 2

“R” - resident

“NR” - non-resident

NR for YA04 by virtue of section 2(1). Will the taxpayer be accorded R by virtue of 3-year administrative concession?

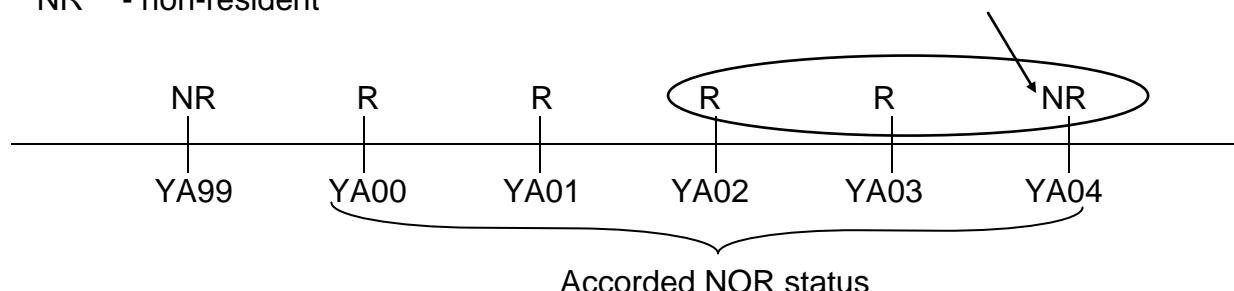


If taxpayer has applied and is accorded the NOR status for YA1999 to YA2003, the 3-year administrative concession will still be available to him for YA2004.

Example 3

“R” - resident
 “NR” - non-resident

NR for YA04 by virtue of section 2(1). Will the taxpayer be accorded R by virtue of 3-year administrative concession?



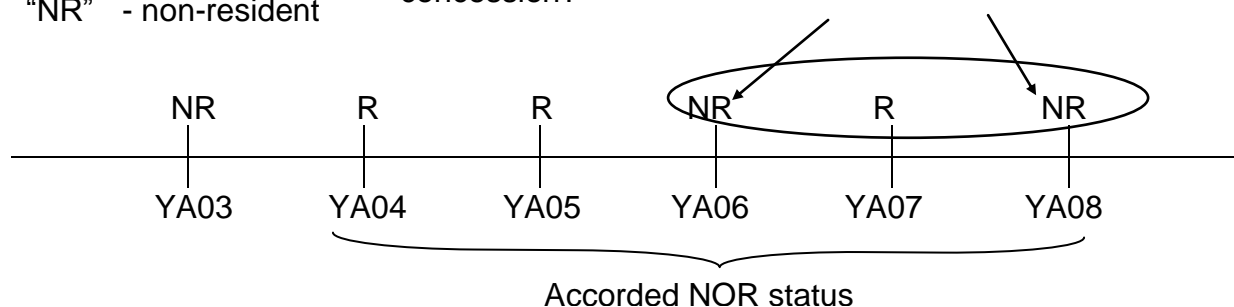
If taxpayer has applied and is accorded the NOR status for YA2000 to YA2004, the 3-year administrative concession will still be available to him for YA2002 to YA2004 (i.e. he will be taxed as a R in YA2004).

However, as the taxpayer is a R for YA2004 by virtue of the 3-year administrative concession and not section 2(1) of the SITA, he shall not be entitled to the tax concessions under the NOR scheme for YA2004.

Example 4

“R” - resident
 “NR” - non-resident

NR for YA06 and YA08 by virtue of section 2(1). Will the taxpayer be accorded R by virtue of 3-year administrative concession?

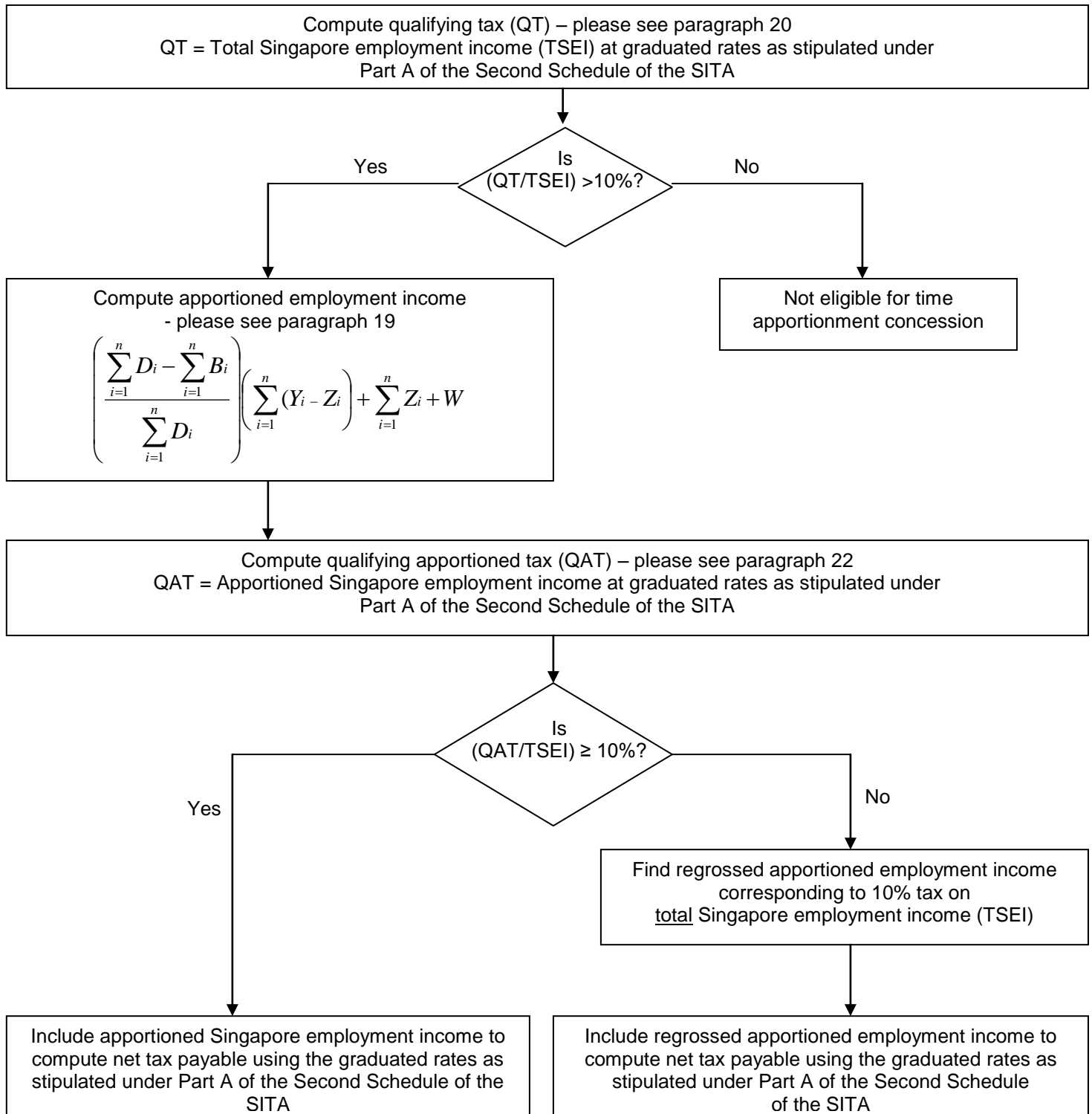


If taxpayer has applied and is accorded the NOR status for YA2004 to YA2008, the 3-year administrative concession shall still be available to him for YA2006 to YA2008 (i.e. he will be taxed as a R in YA2006 and YA2008).

However, as the taxpayer is a R for YA2006 and YA2008 by virtue of the 3-year administrative concession and not section 2(1) of the SITA, he shall not be entitled to the tax concessions under the NOR scheme for YA2006 and YA2008.

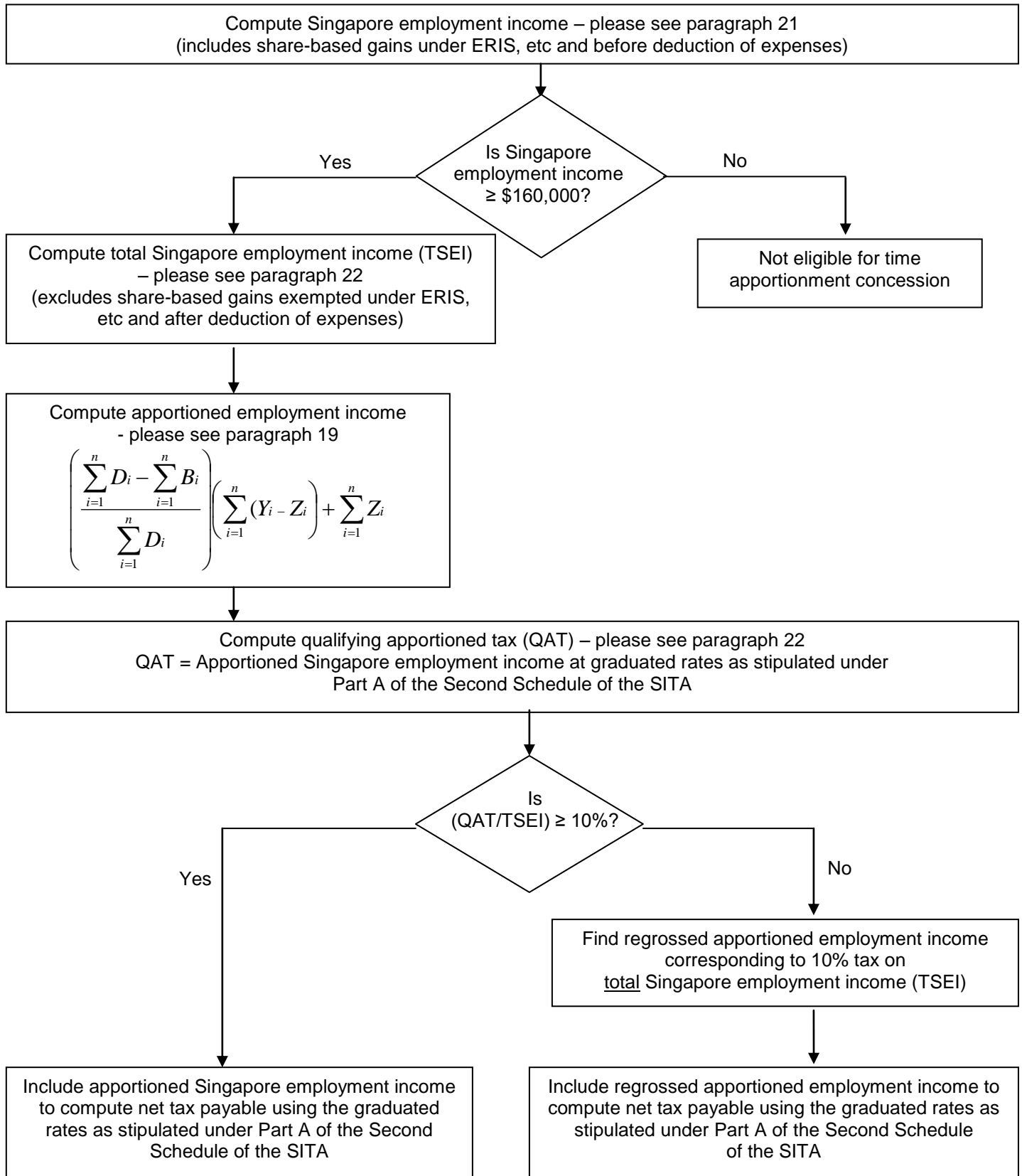
Flow Chart Showing how the Net Tax Payable of a Resident NOR Singapore Employee under the Time Apportionment Concession is Computed

Old NOR Scheme



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

New NOR Scheme



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 YA2009. From YA2006 to YA2008, he is not a resident of Singapore for income tax purposes. Mr A exercises an employment in Singapore with effect from 1 March 2008 and his salary for YA2009 is \$600,000. During the year 2008, 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 YA2009. Mr A is only entitled to earned income relief of \$1,000 for YA2009. Assume no change in personal income tax rates from YA2008.

Mr A applies for the NOR scheme by 15 April 2009 and is accorded the NOR status for YA2009 to YA2013 since he satisfies the qualifying criteria¹⁹ to enjoy the NOR scheme.

For YA2009, 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 TA concession for YA2009 by 15 April 2009 and meets other stated requirements under the new NOR scheme.

Computation of Tax Payable (assume YA2008 tax rate structure applies for YA2009)

Step 1:	Singapore Employment income = \$600,000 (exceeds minimum income threshold of \$160,000, therefore satisfy the other criteria to enjoy TA concession).	
Step 2:	Apportioned Singapore employment income based on the number of days in Singapore = $((306-90)/306^{20}) * \$600,000$ = \$423,529	
Step 3:	Tax payable on apportioned Singapore employment income (\$423,529) = \$63,405.80 ²¹	
Step 4:	\$63,405.80/\$600,000 = 10.56% (i.e. > 10%, therefore not subject to 10% floor rate)	
Step 5:	<u>Final Tax Computation</u>	
	Salary	\$423,529
	Rental	<u>\$ 20,000</u>
	Assessable Income	\$443,529
	Less: Earned Income Relief	<u>\$ 1,000</u>
	Chargeable Income	<u>\$442,529</u>
	Tax on first \$320,000	\$42,700.00
	Tax on balance (\$442,529 - \$320,000)*20%	<u>\$24,505.80</u>
	Net tax payable	<u>\$67,205.80</u>

¹⁹ Resident in YA2009 and non-resident in YA2006 to YA2008.

²⁰ Total Singapore employment period for YA2009 is from 1 March 2008 to 31 December 2008, i.e. 306 days.

²¹ Tax on first \$320,000 + Tax on next \$103,529 = \$42,700 + \$20,705.80

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 is a resident of Singapore for income tax purposes for YA2009. From YA2006 to YA2008, he is not a resident of Singapore for income tax purposes. Mr A exercises an employment in Singapore with effect from 1 January 2008 and his salary for YA2009 is \$600,000. During the year 2008, 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 YA2009. Mr A is only entitled to earned income relief of \$1,000 for YA2009. Assume no change in personal income tax rates from YA2008.

Mr A applies for the NOR scheme by 15 April 2009 and is accorded the NOR status for YA2009 to YA2013 since he satisfies the qualifying criteria²² to enjoy the NOR scheme.

For YA2009, 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 TA concession for YA2009 by 15 April 2009 and meets other stated requirements under the new NOR scheme.

Computation of Tax Payable (assume YA2008 tax rate structure applies for YA2009):

Step 1:	Singapore employment income = \$600,000 (exceeds minimum income threshold of \$160,000, therefore satisfy the other criteria to enjoy TA concession).	
Step 2:	Apportioned Singapore employment income based on the number of days in Singapore = $((365-200)/365) * \$600,000$ = \$271,232	
Step 3:	Tax payable on apportioned Singapore employment income (\$271,232) = \$34,409.44 ²³	
Step 4:	\$34,409.44/600,000 = 5.73% (i.e. < 10%, therefore subject to 10% floor rate)	
Step 5:	Regrossed apportioned employment Income = \$406,500.00 ²⁴	
Step 6:	<u>Final Tax Computation</u>	
	Salary	\$406,500
	Rental Income	<u>\$ 20,000</u>
	Assessable Income	\$426,500
	Less: Earned Income Relief	<u>\$ 1,000</u>
	Chargeable Income	<u>\$425,500</u>
	Tax on first \$320,000	\$42,700.00
	Tax on balance (\$425,500 - \$320,000)*20%	<u>\$21,100.00</u>
	Net Tax Payable	<u>\$63,800.00</u>

²² Resident in YA2009 and non-resident in YA2006 to YA2008.

²³ Tax on first \$160,000 + Tax on next \$111,232 = \$15,500.00 + \$18,909.44

²⁴ 10% on total employment income of \$600,000 = \$60,000.00

Tax payable on \$320,000 = \$42,700.00

Therefore \$42,700.00 + (\$X@20%) = \$60,000.00

\$X = \$86,500.00

Regrossed apportioned Singapore employment income = \$320,000 + \$86,500 = \$406,500

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

Mr A is a resident of Singapore for income tax purposes for YA2009. From YA2006 to YA2008, he is not a resident of Singapore for income tax purposes. Mr A exercises an employment in Singapore with effect from 1 January 2008 and his salary for YA2009 is \$120,000. During the year 2008, 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 YA2009. Mr A is only entitled to earned income relief of \$1,000 for YA2009. Assume no change in personal income tax rates from YA2008.

Mr A applies for the NOR scheme by 15 April 2009 and is accorded the NOR status for YA2009 to YA2013 since he satisfies the qualifying criteria²⁵ to enjoy the NOR scheme.

For YA2009, 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 TA concession for YA2009 by 15 April 2009, notwithstanding he does not meet other stated requirements under the new NOR scheme.

Computation of Tax Payable (assume YA2008 tax rate structure applies for YA2009):

Step 1: Singapore employment income = \$120,000
(minimum income threshold of \$160,000 criterion is not met, therefore does not qualify for TA concession).

Step 2:	<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	\$4,300.00
	Tax on balance (\$139,000 - \$80,000)*14%	<u>\$8,260.00</u>
	Net Tax Payable	<u>\$12,560.00</u>

²⁵ Resident in YA2009 and non-resident in YA2006 to YA2008.

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

Mr A is a resident of Singapore for income tax purposes for YA2009. From YA2006 to YA2008, he is not a resident of Singapore for income tax purposes. Mr A exercises an employment in Singapore with effect from 1 January 2008 and takes up employment with another Singapore employer during the year 2008, in addition to his first employment. Mr A's second employment commences from 1 June 2008.

Mr A receives salary income of \$450,000 and motor car benefit of \$20,000 from the first employment and \$200,000 from the second employment.

During the year 2008, 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 Singapore²⁷</u>
<u>For first employer</u>	
03 Jan 2008 to 12 Feb 2008	40
28 Jun 2008 to 04 Jul 2008	06
09 Sep 2008 to 17 Sep 2008	08
Total business days for first employer	54
<u>For second employer</u>	
10 Aug 2008 to 10 Aug 2008	0
03 Sep 2008 to 15 Sep 2008	12
07 Oct 2008 to 08 Oct 2008	01
06 Nov 2008 to 30 Dec 2008	54
Total business days for second employer	67
Total number of days out of Singapore for business reasons	115²⁸

Mr A is also on vacation in the United States for 21 days during the year 2008. Mr A is only entitled to earned income relief of S\$1,000 for YA2009. Assume no change in personal income tax rates from YA2008.

Mr A applies for the NOR scheme by 15 April 2009 and is accorded the NOR status for YA2009 to YA2013 since he satisfies the qualifying criteria²⁹ to enjoy the NOR scheme.

For YA2009, 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 Singapore employment. He also applies for TA concession for YA2009 by 15 April 2009 and meets other stated requirements under the new NOR scheme.

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).

²⁹ Resident in YA2009 and non-resident in YA2006 to 2008.

Computation of Tax Payable (assume YA2008 tax rate structure applies for YA2009):

Step 1: Singapore employment income = \$670,000
(exceeds minimum income threshold of \$160,000, therefore satisfy the other criteria to enjoy TA concession).

Step 2: Apportioned Singapore employment income based on the number of days in Singapore
= $[(365-115)/365]*\$670,000$
= \$458,904

Step 3: Tax payable on apportioned Singapore employment income (\$458,904)
= \$70,480.80³⁰

Step 4: $\$70,480.80/\$670,000 = 10.51\%$
(i.e. > 10%, therefore not subject to 10% floor rate)

Step 5: Final Tax Computation

Salary		<u>\$458,904</u>
Assessable Income		\$458,904
Less: Earned Income Relief		<u>\$ 1,000</u>
Chargeable Income		<u>\$457,904</u>
Tax on first \$320,000		\$42,700.00
Tax on balance	(\$457,904 - \$320,000)*20%	<u>\$27,580.80</u>
Net tax payable		<u>\$70,280.80</u>

³⁰ Tax on first \$320,000 + Tax on next \$138,904 = \$42,700.00 + \$27,780.80

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

Mr A is a resident of Singapore for income tax purposes for YA 2010. 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 \$233,988. His employer provides him with club subscription amounting to \$2,282, hotel accommodation in Singapore for the whole month of March 2009 and a fully furnished apartment from April 2009 onwards. His employer pays \$45,000 rental on the furnished apartment, which has an annual value of \$45,000.

During the year 2009, Mr A travels out of Singapore for business reasons pursuant to his employment in Singapore for a total of 100 days, of which 14 days fall in March 2009 and is on home leave in the United States for the month of August. He is only entitled to earned income relief of \$1,000 for YA2010. Assume no change in personal income tax rates from YA2008.

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 criteria³¹ 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 TA for YA2010 by 15 April 2010 and meets other stated requirements under the new NOR scheme.

Computation of Tax Payable (assume YA2008 tax rate structure applies for YA2010):

Step 1:	<u>Singapore employment income computation</u>
	Salary \$233,988
	Leave passage \$ 1,054 ³²
	Club subscription \$ 2,282
	Hotel Accommodation \$ 724 ³³
	Quarters \$ 21,328 ³⁴
	<u>\$259,376</u>

(exceeds minimum income threshold of \$160,000, therefore satisfy the other criteria to enjoy TA concession).

Step 2: Apportioned Singapore employment income based on the number of days in Singapore
 = $[(306-100)/306] \times \$259,376$
 = \$174,612

Step 3: Tax payable on apportioned Singapore employment income (\$174,612)
 = \$17,984.04³⁵

³¹ Resident in YA2010 and non-resident in YA2007 to YA2009.

³² This is 20% of the cost of passage.

³³ Hotel Accommodation = \$250 + {2% x (31/306 x \$233,988)}
 = \$724.09

³⁴ Quarters = Lower of 10% of total employment income x number of days accommodation was provided/ number of days employed in that calendar year OR AV of premise x number of days accommodation was provided/ 365 - rent paid by employee
 = 10% x (\$233,988 + \$1,054 + \$2,282) x 275/306
 = \$21,328.14

³⁵ Tax on first \$160,000 + Tax on next \$14,612. = \$15,500.00 + \$2,484.04

Step 4: $\$17,984.04/\$259,376 = 6.93\%$
 (i.e. < 10%, therefore subject to 10% floor rate)

Step 5: Regressed apportioned employment Income
 = $\$221,397^{36}$

Step 6: Final Tax Computation

Salary		\$199,844	
Leave passage		\$ 900	
Club subscription		\$ 1,949	
Hotel Accommodation		\$ 487	
Quarters		<u>\$ 18,215³⁷</u>	
Assessable income			\$221,395
Less: Earned Income Relief			<u>\$ 1,000</u>
Chargeable income			\$220,395
Tax on first \$160,000			\$ 15,500.00
Tax on balance	$(\$220,395 - \$160,000) \times 17\%$		<u>\$ 10,267.15</u>
Net Tax Payable			<u>\$ 25,767.15</u>

³⁶ 10% on total employment income of \$259,376 = \$25,937.60

Tax payable on \$160,000 = \$15,500.00

Therefore $\$15,500 + (\$X @ 17\%) = \$25,937.60$

$\$X = \$61,397.65$

Regressed apportioned Singapore employment income = $\$160,000 + \$61,397.65 = \$221,397.65$

Apportioned Hotel Accommodation = $\{(306 - 100)/306\} \times \$724.09 = \$487.46$

Regressed apportioned Singapore employment income = $(S + \$487.46) + (10\% \times S \times 275/306)$
 $S = \$202,694.21$

Breakdown of S:

- Salary = $\$202,694.21 \times \{233,988/(233,988+1,054+2,282)\} = \$199,844.99$
 - Leave passage = $\$202,694.21 \times \{1,054/(233,988+1,054+2,282)\} = \900.20
 - Club subscription = $\$202,694.21 \times \{2,282/(233,988+1,054+2,282)\} = \$1,949.02$

³⁷ Quarters = $10\% \times (\$199,844 + \$900 + \$1,949) \times 275/306 = \$18,215.87$

Example 6: Computation of Tax Payable for a Resident NOR Singapore Employee

Mr A is a resident of Singapore for income tax purposes for YA2007 and YA2009. From YA2004 to YA2006, he is not a resident of Singapore for income tax purposes. He is granted Singapore permanent residence status from 1 January 2006 and exercised an employment in Singapore with effect from 1 January 2006, earning an annual salary of \$500,000³⁸.

During the year 2006, Mr A travelled out of Singapore for business reasons pursuant to his employment in Singapore for a total of 100 days and was on vacation in the Australia for 15 days. At the same time, Mr A's employer provided him with a fully furnished apartment. His employer paid \$100,000 for rental and \$5,000 for the furnishings in the apartment and utilities bills. The tax on his employment income was fully borne by his employer and he was only entitled to earned income relief of \$1,000 for YA2007.

Mr A applied for the NOR scheme by 15 April 2007 and was accorded the NOR status for YA2007 to YA2011 since he satisfies the qualifying criteria³⁹ to enjoy the NOR scheme.

For YA2007, Mr A satisfied 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 applied for the time apportionment concession for YA2007 by 15 April 2007 and met other stated requirements under the old NOR scheme.

Assuming that for the year 2008, Mr A also derives similar amount of income and enjoys the same benefits and relief as for YA2007. He also travels out of Singapore for business reasons pursuant to his employment in Singapore for a total of 100 days and was on vacation in the United States for 21 days.

He applies for TA concession for YA2009 by 15 April 2009 and elects not to opt out of the new NOR scheme. He satisfies other stated requirements under the new NOR scheme. Assume no change in personal income tax rates from YA2007.

Computation of Tax Payable for YA2007 (Subject to conditions under old NOR scheme)

Step 1: Tax payable on total employment income (\$557,260⁴⁰) = \$90,152⁴¹

Step 2: $\$90,152/\$557,260 = 16.17\%$
(i.e. >10%, therefore satisfy the other criteria to enjoy the TA concession)

³⁸ The breakdown of salary is \$350,000 (as ordinary wages "OW") and \$150,000 (as additional wages "AW").

³⁹ Resident in YA2007 and non-resident in YA2004 to YA2006.

⁴⁰ Total employment income
= salary + accommodation + furnishings + utilities bills + excess employer's CPF contribution
= \$500,000 + 50,660[^] + \$5,000 + \$1,600[#]
= \$557,260

[^] 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.

[#] Mr A opted to make CPF contribution at 20% in the first year he becomes an SPR. His CPF contribution amounted to \$15,300 (i.e. 20% of (\$54,000 + (\$76,500 - \$54,000))). His employer made CPF contribution of \$7,020 on Mr A's OW and \$4,525 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. \$4,525 - 13%*(76,500 - 54,000)).

⁴¹ Tax on first \$320,000 + Tax on next \$237,260 = \$42,700.00 + \$47,452.00.

Step 3: Apportioned employment income based on the number of days in Singapore
 $= ((365 - 100)/365) * (\$557,260 - \$50,660 - \$5,000) + (\$50,660 + \$5,000)$
 $= \$364,175.34 + \$55,660$
 $= \$419,835$

Step 4: Tax payable on apportioned employment income ($\$419,835$) = $\$62,667$ ⁴²

Step 5: $\$62,667/\$557,260 = 11.24\%$
 (i.e. > 10%, therefore not subject to 10% floor rate)

Step 6: Apportioned Singapore employment income = $\$419,835$ ⁴³

Step 7: Computation of tax allowance for YA2007

Apportioned Salary	$\$375,467$ ⁴⁴	
Apportioned Excess		
Employer's CPF contribution	\$ 1,201	
Furnishings & utilities bills	\$ 5,000	
Accommodation	<u>$\\$ 38,167$</u> ⁴⁵	
Assessable Income		$\$419,835$
Less: Earned Income Relief	\$ 1,000	
CPF Relief (OW +AW) ⁴⁶	<u>$\\$ 15,300$</u>	<u>$\\$ 16,300$</u>
Notional Chargeable Income		<u>$\\$403,535$</u>
Tax on first \$320,000		$\$42,700.00$
Tax on balance ($\$403,535 - \$320,000$)*20%		<u>$\\$16,707.00$</u>
Notional Tax Payable		$\\$59,407.00$
Tax-on-tax on remuneration		
$\$59,407 * (20\% / (100\% - 20\%))$		<u>$\\$ 14,851.75$</u>
		$\$ 74,258.75$
Tax-on-Tax on accommodation		
$10\% * \$74,258.75 * 20\% / (100\% - 20\%)$		\$ 1,856.46
$10\% * \$1,856.46 * 20\% / (100\% - 20\%)$		\$ 46.41

⁴² Tax on first \$320,000 + Tax on next \$99,835 = $\$42,700 + \$19,967$

⁴³ Apportioned Singapore employment income = $\$419,835$

Breakdown of apportioned Singapore employment income:

- Furnishings & utilities bills	$\$5,000$
- Salary	\$S
- Excess employer's CPF contribution	\$C
- Accommodation#	<u>10% of (\$S + \$C + \$5,000)</u>
	$\$419,835$

$$\$419,835 = \$5,000 + \$S + \$C + 10\% \text{ of } (\$S + \$C + \$5,000)$$

$$\$S + \$C = \$376,668.18$$

$$S = \$376,668.18 * (\$500,000 / (\$500,000 + \$1,600)) = \$375,467$$

$$C = \$376,668.18 * (\$1,600 / (\$500,000 + \$1,600)) = \$1,201$$

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

⁴⁴ Breakdown of \$S into:

$$\text{OW} = [\$375,467 / (\$350,000 + \$150,000)] * \$350,000$$

$$= \$262,826.90$$

$$\text{AW} = [\$375,467 / (\$350,000 + \$150,000)] * \$150,000$$

$$= \$112,640.10$$

⁴⁵ 10% of ($\$375,467 + \$1,201 + \$5,000$) or \$100,000, whichever is lower

⁴⁶ 20% of ($\$54,000 + (\$76,500 - \$54,000)$)

10%*\$46.41*20%/(100% - 20%)	\$ 1.16
10%*\$1.16*20%/(100% - 20%)	\$ 0.02
Tax Allowance	<u>\$ 76,162.80</u>

Step 8: Final Tax Computation

Employment income:		
- Salary	\$375,467	
- Excess employer's CPF contribution	\$ 1,201	
- Tax Allowance	\$ 76,163	
- Furnishings & utilities bills	\$ 5,000	
- Accommodation ⁴⁷	<u>\$ 45,783</u>	
Assessable Income		\$503,614
Less: Total Relief		<u>\$ 16,300</u>
Chargeable Income		<u>\$487,314</u>

Tax on first \$320,000		\$ 42,700.00
Tax on balance (\$487,314 - \$320,000)*20%		<u>\$ 33,462.80</u>
Net Tax Payable for YA2007		<u>\$ 76,162.80</u>

⁴⁷ 10%*(\$375,467 + \$1,201 + \$76,163 + \$5,000) or \$100,000 whichever is lower

Computation of Tax Payable for YA2009 (Subject to conditions under new NOR scheme)

- Step 1: Singapore employment income > \$160,000
(exceeds minimum income threshold of \$160,000, therefore satisfy the other criteria to enjoy TA concession).
- Step 2: Apportioned Singapore employment income based on the number of days in Singapore
= $((365 - 100)/365) * \$557,260^{48}$
= \$404,586
- Step 3: Tax payable on apportioned Singapore employment income (\$404,586) = \$59,617.20⁴⁹
- Step 4: $\$59,617.20/\$557,260 = 10.69\%$
(i.e. > 10%, therefore not subject to 10% floor rate)
- Step 5: Apportioned Singapore employment Income = \$404,586⁵⁰

⁴⁸ Total employment income
= salary + accommodation + furnishings + utilities bills + excess employer's CPF contribution
= \$500,000 + 50,660[^] + \$5,000 + \$1,600[#]
= \$557,260

[#] Mr A's CPF contribution amounted to \$15,300 (i.e. 20% of (\$54,000 + (76,500 - 54,000))). Assuming employer's CPF contribution rate is at 14.5%, Mr A's employer makes CPF contribution of \$7,830 on Mr A's OW and \$4,863 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. \$4,863 - 14.5%*(76,500 - 54,000)).

⁴⁹ Tax on first \$320,000 + Tax on next \$84,586 = \$42,700 + \$16,917.20

⁵⁰ Apportioned Singapore employment income = \$404,586

Breakdown of apportioned Singapore employment income:

- Furnishings & utilities bills	\$ F&F
- Salary	\$S
- Excess employer's CPF contribution	\$C
- Accommodation [#]	<u>10% of (\$S + \$C + \$ F&F)</u>
	\$404,586

$\$404,586 = \$S + \$C + \$F\&F + 10\% \text{ of } (\$S + \$C + \$F\&F)$
 $\$S + \$C + \$F\&F = \$367,805.45$

$S = \$367,805.45 * (\$500,000 / (\$500,000 + \$1,600 + \$5,000)) = \$363,014$

$C = \$367,805.45 * (\$1,600 / (\$500,000 + \$1,600 + \$5,000)) = \$1,162$

$F\&F = \$367,805.45 * (\$5,000 / (\$500,000 + \$1,600 + \$5,000)) = \$3,630$

[#] accommodation = 10% of (\$S + \$C + \$ F&F) or \$100,000, whichever is lower

Step 6:	<u>Computation of tax allowance for YA2009</u>	
	Apportioned Salary	\$363,014 ⁵¹
	Apportioned Excess	
	Employer's CPF contribution	\$ 1,162
	Furnishings & utilities bills	\$ 3,630
	Accommodation	<u>\$ 36,781⁵²</u>
	Assessable Income	\$404,587
	Less: Earned Income Relief	\$ 1,000
	CPF Relief (OW +AW) ⁵³	<u>\$ 15,300</u>
	Notional Chargeable Income	<u>\$388,287</u>
	Tax on first \$320,000	\$42,700.00
	Tax on balance (\$388,287 - \$320,000)*20%	<u>\$13,657.40</u>
	Notional Tax Payable	<u>\$56,357.40</u>
	Tax-on-tax on remuneration	
	\$56,357.40*20%/(100% - 20%)	<u>\$ 14,089.35</u>
		<u>\$ 70,446.75</u>
	Tax-on-Tax on accommodation	
	10%*\$70,446.75*20%/(100% - 20%)	\$ 1,761.16
	10%*\$1,761.16*20%/(100% - 20%)	\$ 44.02
	10%*\$44.02*20%/(100% - 20%)	\$ 1.10
	10%*\$1.10*20%/(100% - 20%)	<u>\$ 0.02</u>
	Tax Allowance	<u>\$ 72,253.05</u>

Step 7:	<u>Final Tax Computation</u>	
	Employment income:	
	- Salary	\$363,014
	- Excess employer's CPF contribution	\$ 1,162
	- Tax Allowance	\$ 72,253
	- Furnishings & utilities bills	\$ 3,630
	- Accommodation ⁵⁴	<u>\$ 44,006</u>
	Assessable Income	\$484,065
	Less: Total Relief	<u>\$ 16,300</u>
	Chargeable Income	<u>\$467,765</u>
	Tax on first \$320,000	\$42,700.00
	Tax on balance (\$467,765 - \$320,000)*20%	<u>\$29,553.00</u>
	Net Tax Payable for YA2009	<u>\$72,253.00</u>

⁵¹ Breakdown of \$S into:
OW = [$\$363,014 / (\$350,000 + \$150,000)$]*\$350,000
= \$254,109.80
AW = [$\$363,014 / (\$350,000 + \$150,000)$]*\$150,000
= \$108,904.20

⁵² 10% of (\$363,014+ \$1,162 + \$3,630) or \$100,000, whichever is lower

⁵³ 20% of (\$54,000 + (\$76,500-54,000))

⁵⁴ 10%*($\$363,014 + \$1,162 + \$72,253 + \$3,630$)

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 14.5%, monthly ordinary wage ceiling at \$4,500 and annual total wages cap at \$76,500.

The NOR cap
 = 14.5% X [Total Ordinary Wages (OW) subject to CPF contribution + Total Additional Wages (AW) subject to CPF contribution]

where:

Total OW subject to CPF contribution = OW based on a monthly OW ceiling of \$4,500

Total AW subject to CPF contribution = Annual total wages cap – total OW subject to CPF contribution in the year, or actual AW, whichever is lower

Example

Mr A started working from February 2008. In 2008, he received a monthly salary of \$5,500 (from February to December) and a year-end bonus of \$30,000 in December.

Total OW subject to CPF contribution = \$4,500 x 11
 = \$49,500

Total AW subject to CPF contribution = \$76,500 - \$49,500 or actual AW of \$30,000, whichever is lower
 = \$27,000

NOR cap = 14.5% x (\$49,500 + \$27,000)
 = \$11,092.50

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 (including 2008 Budget changes)

	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 under the old and new NOR schemes	Not taxable but subject to the NOR cap under the old and new NOR schemes. Any excess above the NOR cap would be taxable under the old and new NOR schemes	<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 under the old and new NOR schemes	Full deduction of \$B is allowed under old NOR scheme Tax deduction is allowed on the portion of \$B that is above NOR cap under new NOR scheme	Tax deduction for \$B only under old NOR scheme Tax deduction for the portion of \$B that is in excess of the NOR cap under the new NOR scheme

Transitional Rules Arising from 2002 Budget

1. 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.
2. Following a review, MOF subsequently decided to enhance these rules further to allow more individuals who are residents 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 below in paragraphs 5 to 8 of this Annex.
3. In addition to the above transitional rules for individuals who are resident for YA2003, MOF has 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 4 (of the main text), so long as they become resident either for YA 2004 or YA 2005. These additional transitional rules are elaborated below in paragraphs 9 to 11 of this Annex.
4. 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 4 (of the main text) to qualify for the NOR scheme.

Transitional Rules for Individuals who are Resident for YA2003

5. 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 concessions⁵⁵ starting from YA2003 (i.e. the first YA in which the NOR scheme takes effect).

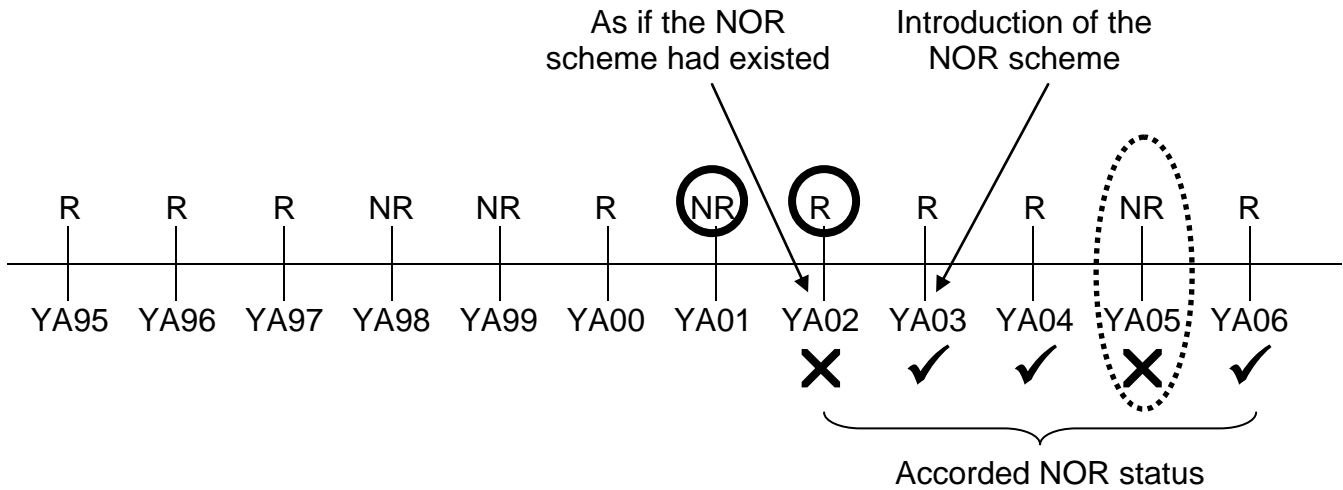
6. For example, if an individual was a resident for YA1995 to YA1997, YA2000 and YA2002 to YA2003 but was a non-resident for YA1998 to YA1999 and YA2001, he would be accorded the NOR status from YA2002 to YA2006 (i.e. the period is determined as if the NOR scheme had existed before YA 2003). However, 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 YA2006⁵⁶. This is as illustrated in Diagram 1 below.

⁵⁵ This is provided he also satisfies the qualifying criteria, if any, of the tax concessions for the YA concerned.

⁵⁶ 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 1

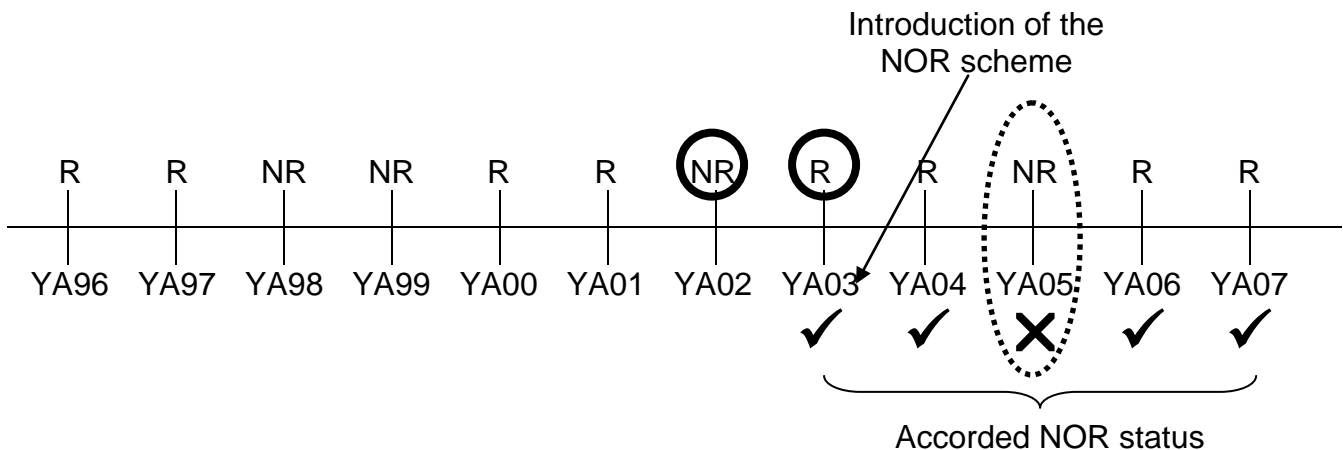
- “R” - resident
- “NR” - non-resident
- ✗ - cannot enjoy any tax concessions under the NOR scheme
- ✓ - can enjoy the tax concessions under the NOR scheme if the qualifying criteria of each tax concession is satisfied



7. Alternatively, if the individual in the example in paragraph 6 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 YA2007⁵⁷. This is as illustrated in Diagram 2 below.

Diagram 2

- “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



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

⁵⁷ 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.

If individual was a tax resident for -	Individual must be a non-tax resident for -	NOR status accorded for the period of -	Tax concessions under the NOR scheme applicable for ⁵⁸ -
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

9. 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 -

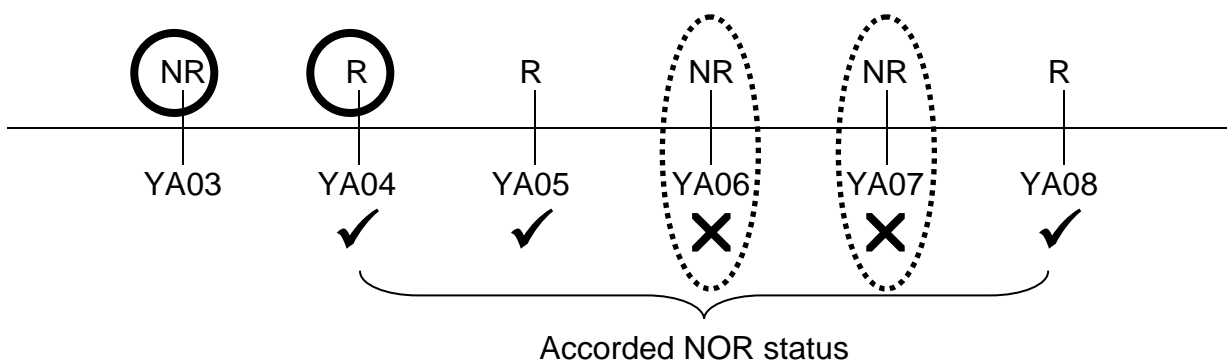
- (a) in YA2004, to be accorded for the period of YA2004 to YA2008, or
- (b) in YA2005, to be accorded for the period of YA2005 to YA2009.

10. 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.

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

Diagram 3

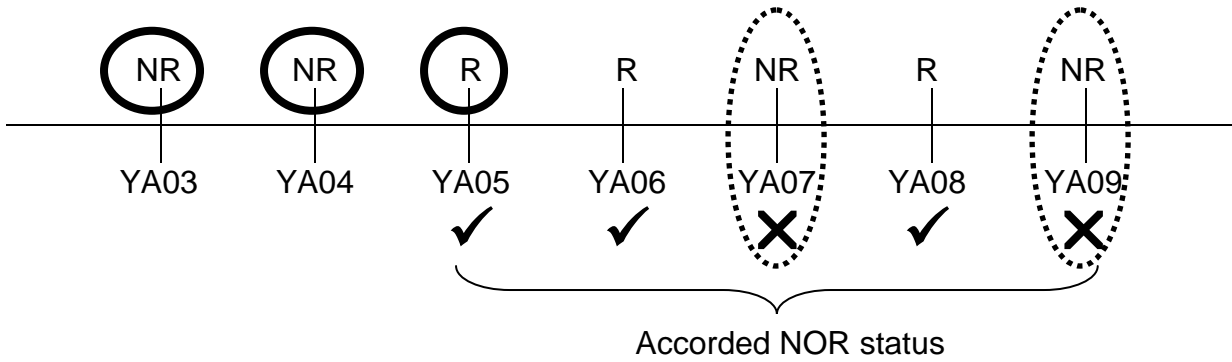
- “R” - resident
- “NR” - non-resident
- ✗ - cannot enjoy any tax concessions under the NOR scheme
- ✓ - can enjoy the tax concessions under the NOR scheme if the qualifying criteria of each tax concession is satisfied



⁵⁸ This is provided he is a tax 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 is satisfied



Summary of Transitional Rules Arising from the 2008 Budget Changes

	First YA that NOR taxpayer enjoys/ has enjoyed NOR tax concession	Tax concession that the NOR taxpayer enjoys/ has enjoyed		Scheme Applicable
		TA [#]	NMOCS ^{##}	
a)	YA2009 or later	Either one or both tax concessions, for any YA from YA 2009 onwards		New NOR scheme applies.
b)	YA 2008 or earlier	✓		New NOR scheme applies from YA 2009 unless taxpayer opts out by 15 April 2009 to remain under the old NOR scheme.
c)	YA 2008 or earlier		✓	Old NOR scheme continues to apply unless taxpayer opts into the new NOR scheme by 15 April 2009.
d)	YA 2008 or earlier	✓	✓	New NOR scheme applies from YA 2009 unless taxpayer opts out by 15 April 2009 to remain under the old NOR scheme.

TA[#] refers to time apportionment of Singapore employment income.

NMOCS^{##} refers to the tax exemption of employer's contribution to non-mandatory overseas contribution scheme.