TAXATION OF INCOME FROM OVERSEAS EMPLOYMENT

INTRODUCTION

1. An individual who is a resident of Singapore for tax purposes is taxable on his income derived from Singapore as well as income from overseas remitted to Singapore. A non-resident individual is taxable on his income derived from Singapore only.

2. A Singaporean who goes on his own or is sent by his employer to work overseas is treated as a tax resident during the period of his overseas employment because he intends to return to Singapore. Consequently, he is taxed in Singapore on that portion of his overseas employment income which he remits to Singapore. Should his overseas employment be already taxed there, credit for the foreign tax is allowed if the country he works in has a tax treaty with Singapore or is one of the countries where credit for foreign tax is allowed without a tax treaty.

ADMINISTRATIVE PRACTICE

3. To remove any disincentive for Singaporeans to work abroad, IRAS has, as an administrative practice, been allowing individual taxpayers the choice of being treated as non-residents for any year of assessment where they have been employed abroad during the whole of the year preceding the year of assessment. In this way, they are not taxed on the foreign income which they remit to Singapore during the year of absence.

4. As companies in Singapore expand their business operations overseas, there will be more cases where the period of foreign employment is less than a whole year. IRAS has, therefore, decided to extend the practice of allowing the choice of being treated as a non-resident to any individual whose overseas employment is for a period of at least 6 months in any calendar year. Under this extension, a Singaporean who satisfies the 6 month overseas employment criterion can choose to be treated as a non-resident for the year of assessment following the year of his overseas employment. For example, if a person's overseas employment stretches from 1 April 93 to 31 Oct 93, he will be allowed the choice of being treated as a non-resident for the year of assessment 1994. With this extension, an individual will effectively not be taxed on his overseas employment income. This administrative concession takes effect from the year of assessment 1993.

5. If a Singaporean who avails himself of this administrative concession to be regarded as a non-resident has any other income derived from Singapore for the same year of assessment, eg house rental or Singapore dividends, the tax on his other Singapore income will not be computed on the flat rate applicable to non-residents, but as if he were a resident. This is known as being allowed the relief under section 40 of the Income Tax Act.

6. As this is an administrative concession, IRAS will continue to treat a Singaporean where period of overseas employment in any year is longer than 6 months as a resident if he does not wish to avail himself of this concession.