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GES NewsFlash

Singapore — Update on individual tax filing requirements for frequent business travellers and clarification on reporting of exempt/non-taxable income on Forms IR8A, IR8E, and IR8T

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Update on individual tax filing requirements for frequent business travellers

For frequent business travellers (FBTs) based outside of Singapore for employment but travel to Singapore for business purposes, employers are generally required to notify the Inland Revenue Authority of Singapore (IRAS) by filing Form IR21 (Notification of a noncitizen employee's cessation of employment or departure from Singapore) within two months from the date of an FBT's last business visit or cancellation/expiry of an FBT's employment pass.

Form IR21 is generally not required to be filed for short-term non-resident visiting employees (e.g., FBTs) who exercise employment in Singapore for not more than 60 days in a calendar year.

However, if FBT's employment passes have been applied for, renewed, or cancelled by the Singapore Ministry of Manpower (MOM), the IRAS may not be aware that such FBTs have exercised employment in Singapore for not more than 60 days in a calendar year. Accordingly, the IRAS expects employers to report their income derived from FBT employment in Singapore on Form IR21 by the stipulated deadline. If an employer fails to file Form IR21, the IRAS may issue an estimated assessment to the FBT and may take enforcement actions if the taxes remain unpaid.

The IRAS has clarified that for an FBT who is issued an employment pass and exercises employment in Singapore for not more than 60 days in a calendar year, it may be possible to request that the IRAS waive the employer's requirement to file Form IR21. The IRAS will require such an employer to inform the IRAS of FBTs (i.e., name and foreign identification number as indicated on employment passes) and the period of their employment/physical presence in Singapore during the calendar year to enable the IRAS to consider the waiver request.

The deadlines to notify the IRAS are as follows:

- **If an employment pass is still valid**
  For cases in which an employment pass is still valid as of 31 December of the calendar year (Year 1), notification should be submitted to the IRAS by the extended deadline of 1 March of the following year (Year 2).
- **If an employment pass has expired or been cancelled**
  For cases in which an employment pass has expired or been cancelled during the calendar year (Year 1), notification should be submitted to the IRAS within two months from the date of cancellation or expiry to enable the IRAS to update its records (so that such cases will not be treated as late filing or non-filing of Form IR21).

In considering the above request, the IRAS may ask for additional information (e.g., a letter from the FBT's employer that indicates the FBT is contracted to be based outside of Singapore along with the location where the FBT will be based, a description of the FBT's role and responsibilities, and the amount of the FBT's income attributable to his or her period of employment and/or business trips to Singapore). The waiver is subject to the approval of the IRAS.

Employers are required to file Form IR21 for FBTs who have exercised employment in Singapore for more than 60 days in a calendar year. Form IR21 should be filed upon cessation of an FBT's employment and/or business trips to Singapore.

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In view of the fact that the IRAS has access to immigration system information and is focused on enforcing the reporting of FBT income for tax collection purposes, companies must monitor their FBTs and comply with the tax reporting

requirements. Failure to report FBT income is an offence under the Singapore Income Tax Act.

Failure to notify the IRAS promptly may result in the issuance of estimated tax assessments to FBTs and the imposition of composition fees on employers for the late or non-filing of Form IR21. In addition, failure to arrange for payment of assessed taxes may give rise to the issuance of directives by the IRAS to prevent the FBTs from leaving Singapore.

Clarification on the reporting of exempt or non-taxable income on Forms IR8A, IR8E, and IR8T

Effective from the Year of Assessment 2017 (income year 2016), the IRAS has included an additional reporting item, termed "Exempt/Non-Taxable Income," on Forms IR8A, IR8E, and IR8T that requires employers to report on employees' remuneration related to overseas postings (in which the overseas employment was not incidental to employment in Singapore).

We have clarified with the IRAS the reasons for these disclosure requirements, since the income should not be taxable in Singapore. It is our understanding that the disclosure requirements are meant to assist the IRAS in reviewing the individual tax returns of employees more efficiently and accurately. Disclosure of the exempt income is not mandatory.

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Deloitte's view

The IRAS has been issuing assurance questionnaires to assess the completeness and accuracy of the reporting done by employers related to employee remuneration. Accordingly, this additional disclosure requirement is an effort to ensure that employers are aware of their reporting obligations. Employers

should review whether relevant employee income derived from overseas employment is considered incidental to employment in Singapore and complete the statutory returns correctly to mitigate tax exposure related to the risk of incorrect or under-reporting of employee income.

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