

GMS Flash Alert



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Singapore - Budget 2019 Contains Measures on NOR Status, Income Tax Rebate

In his 2019 Budget Statement delivered on 18 February 2019, the finance minister for Singapore announced key changes to personal tax for the income tax rebate for Year of Assessment (YA) 2019 and the withdrawal of the Not Ordinarily Resident (NOR) scheme. In addition, there will be a reduction in foreign workforce quota for the services sector.¹

We discuss these measures in more detail in this *GMS Flash Alert*.

WHY THIS MATTERS

- Non-Singapore citizens who have ceased Singapore employment, and who are eligible for the 50-percent income tax rebate (capped at S\$200), should make sure the Inland Revenue Authority of Singapore (IRAS) has a current mailing address on file in order to receive the amended Notice of Assessment (NOA) and refund cheque. Otherwise, the IRAS will send the amended NOA and refund cheque to the individual's last known address.
- The lapse in the NOR scheme will mean the loss of the following two tax concessions under the scheme:
 - 1 Time apportionment of Singapore employment income; and
 - 2 Tax exemption of employer's contributions to non-mandatory pension fund or social security scheme.
- With the planned reduction in foreign worker quotas, companies will need to look to automation to become more productive and less reliant on foreign workers. In addition, companies will need to create attractive employment opportunities for Singapore citizens and permanent residents in a tighter labor environment.

Personal Tax Changes

Income Tax Rebate for Year of Assessment (YA) 2019

Resident individuals who earned income in the year 2018 will receive a rebate of 50 percent of the tax payable, capped at \$200.

KPMG NOTE

Where a tax equalisation policy is applied, employers will have to take certain steps if they are requesting a refund on behalf of their employees eligible for the rebate. Nevertheless, in view of the nominal sum, employers may not wish to pursue.

Lapse of the Not Ordinarily Resident (NOR) scheme after Year of Assessment 2020

The final NOR status will be granted for YA 2020 and expire in YA 2024, where relevant conditions are satisfied. Individuals currently accorded NOR status will continue to be granted NOR tax concessions until expiry of their NOR status.

KPMG NOTE

The NOR scheme was introduced in 2002 with a view of attracting talent with regional and global responsibilities to relocate to Singapore. The planned withdrawal of the NOR scheme implies that Singapore's foreign talent pool may be adequate for now. Nonetheless, given the competitive tax regime and stable political and economic environment, Singapore should be able to continue to attract and retain highly-skilled individuals.

Foreign Workforce Adjustments

In addition, the Finance Minister has announced measures to reduce the foreign workforce quota for the services sector of Singapore's economy. The intention is to manage the growth in foreign workers in that sector, sustain the impetus for restructuring, and support good employment outcomes. The services sector includes any company if it has registered any of the following as its principal business activity:

- Financial, insurance, real estate, and business services.
- Transport, storage, and communications services.
- Commerce (retail and wholesale trade).
- Community, social, and personal services (excluding domestic workers).
- Hotels.
- Restaurants, coffee shops, food courts, and other approved food establishments (excluding food stalls or hawkker stalls).

To ease the transition, the measures will be implemented in two steps as follows:

1. Reduce the foreign workforce quota, i.e., Dependency Ratio Ceiling (DRC) in two steps, from 40 percent of the total workforce to 38 percent from 1 January 2020, and then to 35 percent from 1 January 2021.
 2. Reduce the Sub-DRC for S-Pass holders in two steps, from 15 percent to 13 percent from 1 January 2020, and then to 10 percent from 1 January 2021.
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FOOTNOTES:

1 See the [budget speech](#) and related documentation on the Singapore Ministry of Finance website.

2 S-Pass is the work pass for mid-level skilled staff. Candidates need to earn at least S\$2,300 a month and meet the assessment criteria.

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S\$1 = US\$0.7141

S\$1 = £0.575

S\$1 = €0.67

S\$1 = ¥80.02

S\$1 = A\$1.03

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