

Individual Tax Changes

announced in Singapore Budget 2019

March 2019

BACKGROUND

The much awaited Singapore Budget 2019 was delivered by the Finance Minister, Mr Heng Swee Keat, on 18 February 2019. The Budget 2019 announced various tax changes meant to be implemented within the next few years. The following are the three proposed changes that impact individual tax:-

PERSONAL INCOME TAX REBATE

Current Tax Treatment

No tax rebate accorded for YA 2018. Government paid SG Bonus to all Singaporeans aged 21 and above in 2018. The personal income tax rate is progressive with the current highest marginal tax rate for Singapore tax resident individuals at 22% for chargeable income exceeding S\$320,000. Effective YA 2018, there is a cap on the personal income tax relief at S\$80,000 per YA.

Proposed Tax Treatment Change

A personal income tax rebate of 50% of tax payable capped at S\$200 will be granted to all tax resident individuals for YA 2019. There is no change to the personal income tax rate and the personal tax relief cap.

Bicentennial Bonus will be given to lower income Singaporeans in the form of GST vouchers up to \$300 and additional 10% of their Workfare Income Supplement payment.

Our Comments

A high percentage rebate with a low cap will direct the rebate amount mainly to the middle income group. An individual who earns S\$62,200¹ or more will enjoy the maximum rebate of S\$200.

GRANDPARENT CAREGIVER RELIEF ("GCR") FOR HANDICAPPED AND UNMARRIED DEPENDENT CHILD

Current Tax Treatment

In YA2018, the grandparent caregiver relief may be claimed by working mothers (either married, divorced or widowed) if her parent/ grandparent/ parent-in-law or grandparent-in-law was:-

- living in Singapore (except for temporary absences) in the year 2017
- looking after children who are citizens of Singapore and were 12 years old and below in 2017
- not working or carrying on any trade, business, profession, vocation in 2017

Additionally, no one else must have claimed GCR on the same caregiver.

Proposed Tax Treatment Change

Effective YA 2020, the age condition of 12 years old and below is no longer applicable, if the child is handicapped and unmarried. All the other qualifying conditions remain.

Our Comments

The removal of age limit recognizes the fact that care given to a handicapped child carries on into their later years. The care for such a child remains the burden of the

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parents unless they are married and leave the household; hence the condition that they remain unmarried.

LAPSE OF NOT ORDINARILY RESIDENT ("NOR") SCHEME

Current Tax Treatment

Introduced in Budget 2002, a taxpayer who is granted the NOR status for a five-year period and is a tax resident in the year of claim will receive the following tax concessions:

- The portion of Singapore employment income corresponding to his business days spent outside of Singapore will be exempt from tax. This is subject to a minimum tax equal to 10% of his total employment income. To qualify for this concession, the taxpayer must have:-
 - spent at least 90 days outside of Singapore for business purposes; and
 - have Singapore employment income of at least \$160,000.
- Tax exemption of employer's contribution to non-mandatory overseas pension fund or social security scheme, subject to a cap and meeting qualifying conditions.

Proposed Tax Treatment Change

Effective YA 2021, the NOR scheme will lapse. The last NOR status for a five-year period will be granted in YA 2020 and will expire in YA 2024.

Individuals who have been accorded NOR status will continue to enjoy the tax concessions until their NOR status expires, if they continue to meet the relevant qualifying conditions.

Our Comments

An employee with NOR status and who travels substantially will enjoy significant tax savings under the time apportionment basis of assessment in the NOR Scheme. Without this concession, such an employee will pay a higher tax and where his employer bears his tax, it will mean an increase in business costs.

The NOR scheme was introduced in 2002 to attract talent with regional and global responsibilities to relocate to Singapore, and to incentivise Singapore as a regional/global hub location. The scheme has seen great success in attracting such talents over the years.

Singapore today is a first-class nation, it is attractive in so many other ways – the strong business infrastructure, the political stability, well-qualified and progressive local workforce, and Government's increasing support in different forms of incentives for foreign investments into Singapore. With greater reliance on local talents, the quantum of tax savings may be overshadowed by all these other arguably more significant benefits of doing business in Singapore.

NEXT STEPS

Whilst the personal tax rebate and the changes in the grandparent caregiver relief do not significantly impact employers, the lapse in the NOR scheme could possibly create a significant impact as outlined above.

As such, in view of the lapse of NOR, companies are recommended to review their current employment arrangements in place in respect of expatriate employees who may qualify for the NOR time apportionment tax concession. Some questions for the company to consider:-

1. Is there a need to reconsider future remuneration package of employee who may be impacted by the loss of NOR tax benefits?
2. If the company bears the taxes of these foreign employees, what is the impact to the business costs for future hires?

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