

# Regional Tax Round-Up

December 2019



Welcome to our Regional Tax Round-Up, a series featuring hot topics and recent changes affecting the personal income taxation of your internationally-mobile employees across the region.

To view the full publication online, please visit <https://www.gmsasia.pwc.com>

## Malaysia

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Budget 2020 proposes to increase the highest marginal income tax rate to 30%

The 2020 Malaysian Budget was tabled in Parliament on 15 October 2019; the key proposals were:

1. A new upper tax rate will be introduced: income over RM2 million will be taxed at 30%;
2. Rules for donations and other tax reliefs have been updated
3. Rules on foreigners buying property will be relaxed

### What does this mean for employers?

Tax cost for senior executives increase. Employers supporting tax equalisation should update their cost projections and budgeting.



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## Malaysia

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Recharging of employment costs may be subject to Service Tax

The Royal Malaysian Customs Department has stated that Malaysia Service Tax could be due when employment costs are recharged with a mark-up.

### What does this mean for employers?

Employers should review their current cost recharge agreements. Where costs are recharged, Mobility specialists should speak with their Finance/Tax teams to ensure the appropriate Malaysia Service Tax position is being taken.

# Singapore

[Read more here](#)

## Singapore citizens may no longer elect to be non-resident

The Inland Revenue Authority of Singapore (IRAS) announced in August that Singapore citizens may only elect to be considered a non-resident if their regular place of residence and work has been outside Singapore for the entire calendar year.

Singaporeans who move into or out of Singapore will need to be considered tax resident for the year of their move, even if they are physically present in Singapore for less than 183 days.

The change will take effect from Year of Assessment 2021 (i.e. from 1 January 2020)

### What does this mean for employers?

- Employers should track the business travel of Singaporeans who relocate into/out of Singapore, as employment income attributable to these business trips will be subject to tax in the years of their arrival/departure (Treaty exemptions notwithstanding)

# Singapore

[Read more here](#)

## New CPF treatment regarding medical, dental, and holiday benefits

The Central Provident Fund (CPF) Board has announced changes to the CPF treatment of cash reimbursements relating to medical, dental, and holiday benefits, taking effect from 1 January 2020:

- CPF contributions are no longer required on reimbursements of dental treatments for an employee's spouse and/or children.
- The exemption to pay CPF contributions on the reimbursements of medical and dental treatments is now expanded to include overseas medical and dental treatments.
- CPF contributions now will be payable on holiday reimbursements of expenses for accommodation in hotels, chalets, holiday bungalows etc. for employee

### What does this mean for employers?

- Employers should review their benefits/expense policy to validate whether these, and all other non-cash benefits-in-kind, are being captured and reported correctly for CPF purposes.
- The CPF Board, being the trustee for the contributors to the Fund, takes a serious view on employers who do not comply with the CPF obligations. Where gaps are identified, employers are encouraged to submit a voluntary disclosure to the CPF Board to minimize penalty exposure.

# Singapore

[Read more here](#)

## Increase in S-Pass qualifying Salary

The minimum qualifying salary for S-Pass holders will increase from S\$2,300 to S\$2,400 from 1 January 2020. This will affect new S-Pass applications, as well as renewals

### What does this mean for employers?

- Employers should review their S-Pass population to ensure impacted employees will meet the qualifying criteria at the time of Pass renewal
- Employers should also inform recruitment teams of the change to build into their recruitment processes



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## Non-residents will no longer qualify for main residence CGT exemption

The Australian Government has passed the Bill to disallow non-residents from claiming the main residence exemption on capital gains arising on the sale of their main residence. This will apply to sales from 1 July 2020 onwards, however the new rule will have retrospective effect in some cases. There are some exemptions: for example, if a non-resident disposes of their property due to a limited range of “life events”.

There is no change to the tax treatment of individuals who sell their main home whilst tax resident in Australia.

### What does this mean for employers?

- Australian employees may be more reluctant to accept an assignment outside Australia if they will be negatively impacted by the tax consequences of potentially losing their main residence exemption should they wish to sell their home whilst on assignment.
- Employers who have tax equalisation arrangements for their expatriate employees and who tax equalised personal income, should consider whether they will tax equalise any CGT imposed on the sale of an employee's Australian home while they are a foreign resident.
- Employer may wish to support their mobile employees' financial wellbeing by sharing information on the new rules with the appropriate group.
- Non-resident individuals who own property in Australia should take advice prior to buying or selling Australian property.

## Taxpayer wins in High Court to resolve the meaning of 'permanent place of abode'

- The High Court of Australia dismissed the Commissioner of Taxation's application for special leave to appeal against the decision of the Full Federal Court, which had found that a taxpayer was not a resident of Australia.
- The decision confirms that, for the purposes of determining whether an individual is a resident of Australia, the phrase 'permanent place of abode' should not be determined by reference to a specific house or dwelling, but should be determined more broadly by reference to a particular 'country or state'.

### What does this mean for employers?

- Most expatriate arrangements will necessarily involve an individual renting temporary accommodation before settling down in a foreign country. The Full Court decision and the special leave proceedings confirm that an expatriate does not need to buy a house to establish a permanent place of abode.
- While affidavit evidence stating the intention of the taxpayer or contemporaneous statements of intention are relevant, the stronger indicator of residency will be determined by the facts and circumstances surrounding the taxpayer's mode of living.



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## High Court upholds social security wage ceiling for Indian workers

In a recent communication, the Employees Provident Fund Organisation (the Indian Social Security authority) circulated a copy of a Bombay High Court decision to dismiss a petition filed by an individual to its zonal, regional, and district offices. The petition challenged the ceiling of the Indian social security contributions being applicable only to Indian employees and not to 'international workers' under the Employees' Provident Funds Scheme, 1952 (Indian Social Security Scheme), arguing that the ceiling thus is discriminatory in nature.

The High Court's decision established that 'international workers' are a special category of employees, separate from Indian employees. Hence, governed by special provisions

**What does this mean for employers?**

- The High Court's decision may apply to cases where the employer questions why 'international workers' must contribute on a wage ceiling higher than INR15,000 per month, whereas Indian employees must contribute on a wage ceiling of INR 15,000 per month.
- Employers should take note of this for their expatriate employees in India, who may be tax equalised with regards to social security arrangements. A higher contribution in India increases the cost of the arrangement.



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## Hong Kong

## IRD clarifies its views on double tax relief and taxation of share awards

IRD has shared its views on two important Salaries tax issues: double tax relief, and time apportionment of share awards:

- Income exemption claims should not be applicable to taxpayers working in countries with which Hong Kong as a comprehensive Double Tax Agreement. A foreign tax credit should be claimed in these cases.
- Hong Kong tax residence has been clarified. Further, non-residents exercising employment in Hong Kong under a Hong Kong employment should seek relief for double tax in the country where they are resident.
- IRD also clarified how it believes time apportionment should be applied to share awards granted to individuals seconded into Hong Kong

**What does this mean for employers?**

- The IRD's minutes are not legally binding, however employers and employees should still take note of the IRD's positions.
- Employers should review current secondments from Hong Kong to Treaty countries, and manage travel days into Hong Kong to manage potential double taxation
- Employers granting share awards to employees seconded into Hong Kong should also review the tax implications of their awards.



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