

Singapore: COVID-19 support measures updates related to tax and Central Provident Fund

27 January 2021

In brief

As the COVID-19 situation continues to evolve globally, support measures introduced previously by the Inland Revenue Authority of Singapore (IRAS) and the Central Provident Fund (CPF) Board have been progressively updated to ensure targeted assistance to Singaporeans and businesses affected by the COVID-19 developments.

Further to our previous publications detailing the COVID-19 tax and CPF concessions relief (see our [PwC insights published on 17 September 2020](#) on tax and our [PwC insights published on 22 October 2020](#) on CPF treatment), both the IRAS and CPF Board have announced further extension of the support measures from 31 December 2020 until 31 March 2021.

Individuals and employers have to meet additional qualifying conditions in order to benefit from these exemptions. Individuals who fail to meet the additional qualifying conditions may be able to benefit from the concessions up until 31 December 2020, provided that the original qualifying conditions are met, but will not be able to benefit from the concessions up to 31 March 2021.

Additionally, the IRAS has also provided further clarity on the taxability of COVID-19 benefits for an employee who is returning to Singapore from a personal trip (see our [PwC insights published on 24 September 2020](#) for previous updates).

In detail

Tax and CPF exemption for returning Singaporeans and Singapore permanent residents

Background

Singaporeans and Singapore Permanent Residents (SPRs) who are exercising overseas employment and working remotely from Singapore due to COVID-19 were eligible for tax and CPF exemption on their employment income or wages until 31 December 2020 provided that all qualifying conditions were met – i.e. the individual was not considered as exercising employment in Singapore.

Latest update

The period of stay in Singapore eligible for the tax and CPF exemption has been extended until 31 March 2021.

However, additional qualifying conditions have to be met for the exemptions to apply for the extended period. A summary of the changes is shown in the table below:

Previous qualifying conditions	New qualifying conditions
<p>An individual is considered as not exercising Singapore employment from the date of their return to Singapore up to 31 December 2020 provided that:</p> <ol style="list-style-type: none"> 1. There is no change in the contractual terms governing their employment overseas before and after return; and 2. This is a temporary work arrangement due to COVID-19. 	<p>An individual is considered as not exercising Singapore employment from the date of their return to Singapore up to 31 March 2021 provided that:</p> <ol style="list-style-type: none"> 1. There is no change in the contractual terms governing their employment overseas before and after return; 2. This is a temporary work arrangement due to COVID-19; 3. The work performed by the individual during their stay in Singapore would have been performed overseas if not for travel restrictions caused by COVID-19; 4. The individual will leave Singapore as soon as they are able to do so; and 5. Their employment income earned during the stay in Singapore from 1 January 2021 to 31 March 2021 is subject to tax in the country of their overseas employer (applicable for tax exemption only). <p><u>Note 1:</u> If only conditions 1 and 2 are met, then only the income up to 31 December 2020 would not be taxable. Income from 1 January 2021 onwards will be subject to normal tax rules in Singapore to determine taxability – specific tax exemptions will apply depending on a case-by-case basis.</p> <p><u>Note 2:</u> Condition 4 will not be considered as breached for both tax and CPF exemptions if the reason that the employee continues working remotely from Singapore, notwithstanding that he is able to leave Singapore, is due to the escalating COVID-19 situation in the country of his overseas employer (e.g. resurgence of COVID-19 cases and new strain of virus), and there is an elevated risk of him contracting COVID-19 should he return to work overseas.</p>

The above updates do not apply to resident / non-resident foreigners who have been working remotely from Singapore for their overseas employers. The updates are also not applicable for individuals who took up a new overseas employment in 2020 and had to work remotely from Singapore for their overseas employer.

That said, a tax exemption might still be possible, but this will be evaluated on a case-by-case basis with details to be furnished for consideration by the IRAS. The previous conditions as set out in our [insights published on 17 September 2020](#) will still apply.

Tax exemption for COVID-19 testing and Stay-Home Notice (SHN) costs

Further to our [insights published on 24 September 2020](#), the IRAS has also provided further clarity on the tax treatment for COVID-19 testing and SHN costs as follows:

- Where an employee has to serve SHN after returning from an overseas **business** trip, the SHN costs paid by their employer will not be regarded as employment benefit to the employee and will not be taxable.
- Where an employee and/or his dependants have to serve the SHN after returning from an overseas **personal** trip, the SHN costs borne by the employer are considered employment benefits and are taxable as employment income unless they are specifically exempted under the available administrative concession. For example, the reimbursement of medical expenses (e.g. swab tests) and medical supplies (e.g. thermometer) are not taxable provided that the benefits are available to all employees under the current administrative concession.
- Where a foreign employee commences a new Singapore employment and the SHN costs are paid for by his employer for them and family members, such costs would be regarded as relocation expenses and not taxable. If these costs are paid by the employee and the employee receives relocation allowance, these costs can be considered as qualifying relocation expenses.

Allowable deductions for telecommunications and utilities when working from home

In addition to our [insights published on 24 September 2020](#), the IRAS has also provided further clarity on the methodology for computing the claimable amount for individuals who commenced employment in Singapore in 2020 and do not have past bills to reference.

In this scenario, the employees may claim a portion of the telecommunication and utilities expenses on any reasonable basis (e.g. floor area of a dedicated workspace at home).

Alternatively, the employee can also compute the actual expenses incurred for work purposes by maintaining the following records:

1. Actual hours spent working from home for the year; and
2. Receipts of telecommunication and utilities expenses.

The employees can also claim additional running costs for work purposes by computing:

1. The cost per unit of electricity used;
2. The average units used per hour;
3. The total annual hours used for work-related purposes; and
4. Number of phone calls made for work purposes.

Clarification in respect of Not Ordinarily Resident ('NOR') scheme

Due to ongoing travel restrictions, health and safety reasons, individuals who hold NOR status may not be able to meet the requirement to spend at least 90 days outside Singapore.

The IRAS has clarified that, where an individual initially travelled outside Singapore for personal reasons and subsequently continued working whilst overseas, it is possible to claim the concession. The days spent overseas will need to be bifurcated: days spent for personal reasons will not count for the purpose of computing NOR days while the days spent working overseas will count.

It is, therefore, important that individuals who would qualify for the concession maintain an accurate travel calendar and supporting evidence to support their NOR application.

The takeaway

1. The IRAS and CPF treatment will continue to evolve in response to the COVID-19 situation. More updates are expected in the upcoming 2021 Singapore Budget Statement which is scheduled on 16 February 2021. It is important that employers stay up to date on the changes and consider the implications of each measure on their business.
2. Employers should evaluate and understand the risks of having an employee working remotely in different locations. Proper documentation of contractual terms and assignment arrangements is integral to substantiate the employee's eligibility for tax and CPF concessions. Possible structuring of an employee's employment arrangement may help the employer minimise these risks, otherwise the employer may be liable to penalties if it does not comply with the existing regulations.
3. Where tax and CPF exemptions are applicable, do ensure the downstream payroll activities/operations are adjusted accordingly to reflect these exemptions.
4. Employees should ensure that relevant documentation is maintained to substantiate any deductions claimed in their tax return.

Let's talk

For a deeper discussion of how this impacts your business, please contact your Global Mobility Services engagement team or one of the following professionals:

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