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# Foreign Businesses Sending their Employees to Singapore

Global Mobility

Audit / Tax / Advisory

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# What foreign companies should know before sending their employees to work in Singapore.

Foreign businesses that do not have a legal presence in Singapore may send their employees to Singapore for a variety of reasons that may encompass a wide spectrum of business and non-business related activities.

Examples of activities undertaken by such employees are performing market studies, participating in trade shows, meeting prospective customers, supervising projects for customers, providing after-sales technical advice and support, managing customer relationships, sourcing for goods and services, managing vendor relationships, undertaking installation projects, conducting trainings, negotiating customer contracts and working on short term projects. Some of these activities could be undertaken for related parties.

The type of work performed by the employees and, the duration and regularity of such activities will have a bearing on the tax consequences for both the foreign business and its employees. As such, with upfront planning, it may be possible to minimize the tax consequences.

In addition, foreign businesses need to ensure that they are compliant with other regulatory requirements such as company law, labour law and social security requirements when sending their employees to Singapore.

Evaluating and understanding the tax and non-tax implications of sending employees to Singapore will help in mitigating hidden risks and penalties for non-compliance.

The following is a checklist of some common issues that foreign businesses may consider before sending their employees to Singapore.

## Corporate Tax Implications

- Will the activities of an employee(s) working in Singapore deem the foreign employer to be taxable in Singapore? If yes, how will it be taxable (e.g. withholding tax) and what amount of income will be taxable?
- Will using a third-party manpower resource provider to hire the employees mitigate the corporate tax exposure?
- Will seconding the employees to a related party (if one exists) mitigate the corporate tax exposure?
- Can the provisions of a relevant Avoidance of Double Tax Agreement (“DTA”) be used to exempt the income of the foreign employer from corporate taxation in Singapore?

## Company Law Implications

- Will sending the employees to work in Singapore trigger a mandatory requirement to register a legal presence?
- Is it possible to have a tax presence (permanent establishment) and comply with tax compliance requirements without a legal presence?
- Are there any exemptions from or alternatives to registering a legal presence?
- If there is a need to register a business presence, what issues need to be considered to implement an efficient business structure from a tax and non-tax perspective?

## Individual Income Tax Implications

- Will the employees be subject to tax in Singapore? If yes, what is the basis of taxation and the tax rates?
- Will the tax treatment be different if the employees are wholly paid outside Singapore?
- What are the employee’s compliance requirements with respect to any tax suffered?
- What are the employer’s compliance obligations with respect to any tax suffered by the employee?
- Can the provisions of a relevant DTA be used to exempt the employee from taxation in Singapore?

## Other Implications

- Will the employees require an employment pass or special permit to work in Singapore? If yes, can such a pass be obtained without the foreign employer establishing a legal presence in Singapore?
- Must the employees and employer contribute to social security in Singapore?
- Are there any labour law requirements that the employer must comply with?

# Keep your business informed and compliant, with our global mobility tax solutions.

## Individual Tax Compliance & Advisory

The relocation of employees and the deployment of frequent business travellers across international borders is a common occurrence for businesses seeking to extend their global footprint. Throughout the life cycle of any overseas assignment, employers and employees are involved in the planning and management of individual tax compliance. We work with both employers and employees to provide holistic solutions on managing the tax issues throughout the assignment.

Our team has deep competencies to assist clients in the following:

- Pre and post assignment tax briefing
- Tax planning for in-bound expatriates
- Individual income tax compliance
- Development of tax-effective compensation strategies
- Stock options advisory
- Social security planning
- Tax equalisation calculations
- Application of tax treaty benefits
- Employer's tax compliance review and management
- Tax cost reduction reviews
- Implementing tax risk management framework

## Corporate Tax Compliance

Foreign businesses setting up a legal presence in a foreign jurisdiction often face overwhelming regulatory and tax issues. We add value to foreign businesses intending to set up a legal presence in Singapore to house their employees by managing their tax compliance risks and identifying and implementing tax saving opportunities.

Our corporate tax practice offers the following services:

- Advice on the forms of business/legal presence
- Corporate tax return preparation
- Negotiation of tax incentives with the relevant authorities
- Optimizing the use of tax incentives and government grants
- Negotiation and dispute resolution with the tax authorities
- Obtaining advance tax rulings

# Local and International Tax Advisory

With its global connectivity and one of the best countries to live and work, Singapore is often used as a hub to house employees with regional roles. Through timely application of our deep knowledge of international tax, we help clients to navigate through complex international tax issues associated with a globally mobile workforce.

Our international tax practice offers the following solutions:

- Minimising corporate tax risks associated with employees travelling to Singapore
- Managing regional permanent establishment risks associated with Singapore-based international executives
- Tax planning for secondment arrangements
- Managing withholding tax issues for cross-border recharge of employee-related expenses and service fees
- Designing appropriate transfer pricing policies in relation to the sharing of employee-related expenses across jurisdictions
- Application of tax treaties to minimise the overall tax burden of international executives





### Contact Information

Sivakumar Saravan, Senior Partner  
siva.saravan@crowe.sg

Adrian Kong, Director  
adrian.kong@crowe.sg

Liew Kin Meng, Associate Director  
kinmeng.liew@crowe.sg

Crowe Horwath First Trust Tax Pte Ltd  
8 Shenton Way  
#05-01 AXA Tower  
Singapore 068811

Tel: +65 6221 0338

For more information,  
scan QR code below:



## We are here to help you get there.

Crowe Horwath First Trust (Crowe Singapore) is a public accounting and consulting firm that provides audit, advisory, tax, outsourcing and fund administration solutions to a diverse and international clientele including public-listed entities, multinational corporations and financial institutions.

We are part of an international professional services network, Crowe Global. Ranked as the eighth largest global accounting network, Crowe Global consists of more than 200 independent accounting and advisory services firms in close to 130 countries around the world.

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