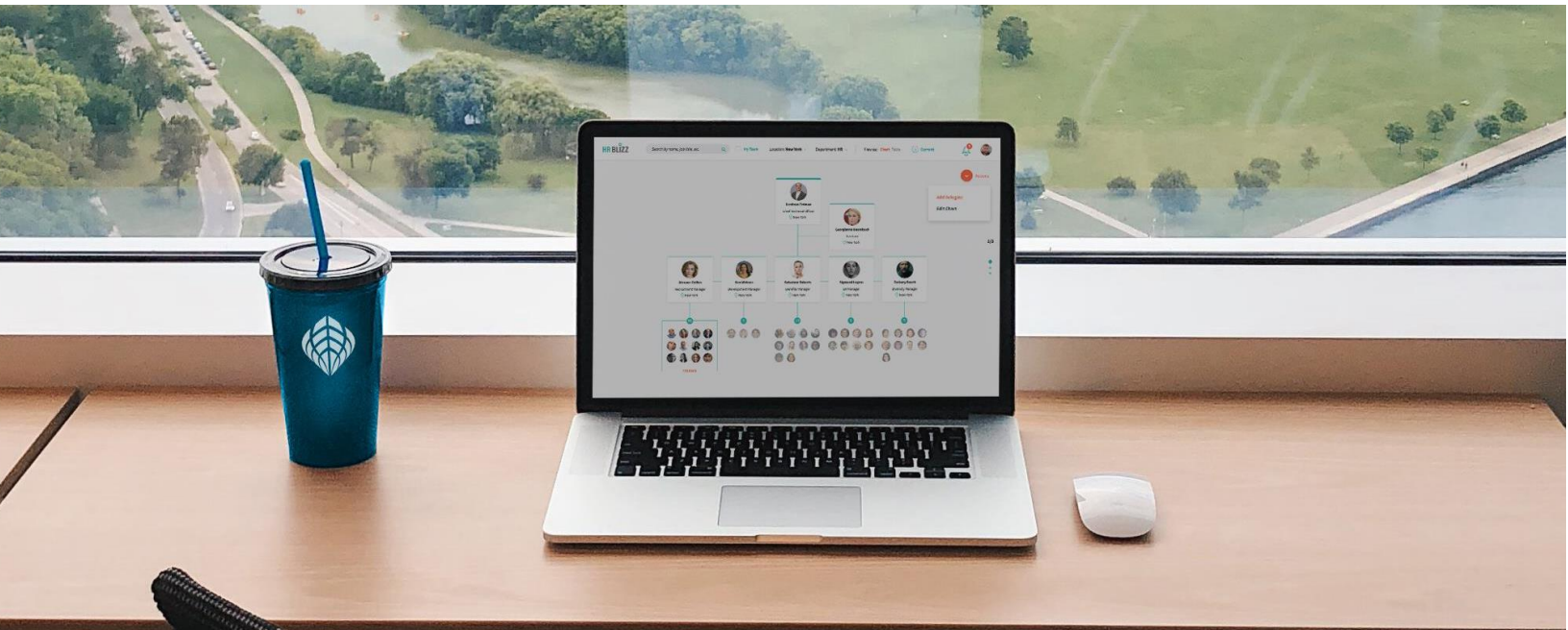




Simplifying Employment
Tasks Worldwide

Payroll & Tax Highlights

2020 Global Payroll Country Guide for Singapore



SINGAPORE



May 03, 2020



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Mercans at a Glance

140+

Countries

20

Years of Success

500+

Specialists

5k+

Customers Worldwide

97%

Client Retention Rate

1.5X

Annual Revenue Growth

25k+

Largest Single Payroll

2.5M+

Pay Slips per Annum

0

Security Breaches

Number one for outsourced payroll services, we are endorsed by international authorities.



Mercans has the highest industry quality and IT security certifications.





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Singapore – Passion made Possible.

Singapore is a sovereign city-state and island country in Southeast Asia, south of Malaysia. Previously a British colonial trading post, Singapore gained independence from the UK in 1963 and combined with other former British territories to create Malaysia. Only two years later, in 1965, Singapore split from Malaysia to become a nation of its own. The country is a highly multi-ethnic society made up of Chinese, Malay, Indian and Eurasians. Now a leading global business hub and one of the wealthiest nations worldwide Singapore is renowned for its transformation from third world country to first world country in one single generation.

Based on a November 2019 forecast, GDP growth in 2020 is expected to range between 0.5% and 2.5%, improving slightly from 2019's GDP growth of 0.7%. This reflects improvements in the growth outlook for emerging market and developing economies.

The World Bank ranks Singapore as the easiest place in the world to do business in, with a highly developed and free-market economy. Indeed, Singapore is known for its reliability, quality, integrity and productivity, ranked as the most open and one of the least corrupt globally. This makes the prospect of doing business in Singapore very attractive to companies from all over the world.

Singapore has a strong and free economy that supports a large middle class. The city state is a global shipping and logistics hub and many multinational firms have their offices in Singapore. The national airline, Singapore Airlines has a large global network which brings tourists and business travellers alike, to the city.

Singapore also has a port located at the south of Singapore, called Keppel Harbour. It is one of the busiest ports around the world with many ships coming into trade in a single day. Singapore also has another port on Jurong Island.

The economy of Singapore is a highly developed free-market economy. Singapore's economy has been ranked as the most open in the world, 3rd least corrupt, most pro-business, with low tax rates (14.2% of gross domestic product (GDP) and has the third highest per-capita GDP in the world in terms of purchasing power parity (PPP). APEC is headquartered in Singapore.

State-owned enterprises play a substantial role in Singapore's economy. Sovereign wealth fund Temasek Holdings holds majority stakes in several of the nation's largest companies, such as Singapore Airlines, SingTel, ST Engineering and MediaCorp. The Singaporean economy is a major foreign direct investment (FDI) outflow financier in the world. Singapore has also benefited from the inward flow of FDI from global investors and institutions due to its highly attractive investment climate and a stable political environment.

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Doing Business in Singapore

Singapore has retained its place as second best on a World Bank ranking for the world's easiest place to do business even as the overall pace of reforms in the East Asia and Pacific region slows. According to the World Bank Group's latest Doing Business 2020 study, economies in the East Asia and Pacific region carried out 33 business-climate-enhancing reforms during the 12-month period.

Singapore's excellent strategic location and highly open economy make it attractive for companies looking to conduct business here. Furthermore, Singapore has a stable political environment, low taxes and a highly skilled workforce making it one of the most favorable business locations in the world.

Singapore's economy is heavily dependent on exports, with a focus on electronics, technology and pharmaceuticals. Although these sectors remain a cornerstone of the economy, the recent growth of the financial services sector has been more notable. Singapore has been a part of the World Trade Organization (WTO) since its inception in 1995 and has maintained low barriers to trade as part of an outward looking open economy.

The key competitive advantages for companies offered by Singapore are:

- Low taxes and business friendly regulatory structure
- Stable and corruption free political system
- Excellent strategic location
- World class infrastructure
- Low trade barriers and welcoming attitude to foreign investment
- Economic focus on knowledge-based industry

Basic Facts

Official State Name	Republic of Singapore
Population	5.85 million
Capital	Singapore
Major Languages	English, Malay, Chinese & Tamil
Currency	Singapore Dollar \$
Main Industries & Export Articles	Machinery and equipment Electronics and telecommunications Pharmaceuticals and other chemicals Refined petroleum products Chemical Products
GDP Growth	3.5%
Internet Domain	.sg



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International Dialing Code	+65
Dates & Numbers	dd.mm.yyyy. A full stop (period) is used for the decimal comma, and long numbers are written with a point (999,999,999.00)

Entity Registration & Incorporation Requirements

Singapore is one of the most convenient locations to start a company, ranking 2nd in the Ease of doing business ranking by the World Bank. Singapore always tops the charts among other jurisdictions when it comes to international surveys assessing business metrics. Its scores are perfect in terms of indicators such as political stability, economic competitiveness, efficacy of business ecosystem, transparency of regulations and other parameters that are crucial for establishing and growing a business entity.

The procedures for company registration are fully computerised by ACRA in Singapore. Usually, a company can be incorporated in 1-2 days.

Business Setup in 3 Steps

1. You start registering a new business by getting its name accepted from ACRA (Accounting & Corporate Regulatory Authority). The chances of quick approval will be higher if you keep the following things in mind. The name must be, unique, meaningful, easy to read and devoid of the bad-mannered or indecent word. Free of copyright issue. It should not infringe any trademark.
2. Prepare Documents as below
 - Company name registered with ACRA
 - A brief description of business activities
 - Details of Singapore registered address of the company
 - Particulars of shareholders
 - Particulars of directors
 - Particulars of company secretary
 - Foreign Entrepreneurs must submit a copy of their passport and residential address proof (overseas)
 - Foreign Companies must submit Memorandum & Articles of Associations
 - Singapore Residents must submit a copy of their Singapore identity card
3. Submit Application to ACRA (After the approval of the company name, you can apply for the company registration. It should not take much time to accomplish the process, assuming documents are in order, ACRA will notified upon the successful formation of the company

Type of Business

Limited Liability Company (LLC)

Limited Liability Company (LLC) is a company incorporated by registering with Accounting and Corporate Regulatory Authority (ACRA) of Singapore under the Companies Act. It is a separate legal entity, meaning there is a legal veil separating the owners from the entity. The company can enter into contracts and own assets. It



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can sue and be sued in its own name. The liability of the company is limited to its share capital and each member's liability is limited to the share capital subscribed by the member (shareholder). The shareholders can be an individual or a corporation. The personal assets of the shareholders are insulated from the liabilities of the company.

Private Limited Company (PLC)

The most common and most preferred type of entity among entrepreneurs in Singapore is the Private Limited Company. The shares of a Private Limited Company are not made available to the general public, all of its shares are held privately. The number of shareholders in a Private Limited Company must not be more than 50. In Singapore, the names of this type of entities have the suffix 'Private Limited' or 'Pte Ltd'.

Setting up a private limited company is a good choice for any company that wishes to expand its business operations in Singapore.

Exempt Private Company (EPC)

An Exempt Private Limited Company (EPC) is a Private Limited Company that is exempted from statutory annual audit. In order to qualify as an EPC a Private Limited Company must meet the following conditions:

- It must not have more than 20 shareholders
- No corporation should have beneficial interest in its shares, meaning, it must not have any corporate shareholder
- The annual revenue must not be more than S\$5 million

Instead of preparing and filing an audited statement annually to the ACRA the EPCs are merely required to submit a declaration signed by the directors and company secretary confirming the solvency of the company.

Public Company

There are two types of public company:

- **Public Company Limited by Shares**
- **Public Company Limited by Guarantee**

Public Company Limited by Shares

A LLC that has more than 50 shareholders is a public limited company. It may offer shares to the general public. They can get listed in the stock exchange and are required to submit a prospectus to the Monetary Authority of Singapore (MAS) before getting listed to raise capital from public.

Its merits are similar to that of a private limited company, in terms of limiting the liabilities of the shareholders, competitive corporate tax rate and a prestigious image in general. They have improved access to capital; they can raise capital by offering shares, debentures and bonds to public.



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Public Company Limited by Guarantee

A company that is incorporated for the purpose of public good and non-profit purposes is a Public Company Limited by Guarantee. Societies and organisations that are registered for the purpose of promoting arts or for the purpose of charity fall in this category. The liability of its members is limited to the amount that the members undertake to contribute to the assets of the company in the event of its winding up. The amount of guarantee by the members will be stated in the Memorandum of Association.

Sole Proprietorship

Sole Proprietorship is usually recommended for Singapore nationals with a small and low-risk business. The main advantage is that

- i) there are very few requirements for registration
- ii) it allows greater management autonomy for the owner
- iii) the owner pays personal income tax instead of corporate tax. However, the sole proprietorship confers unlimited liability to its owner. In other words, the business owner is personally responsible for all the debts and losses of the business

General Partnership (GP)

Two or more individuals or corporations, known as partners, come together to form Partnerships. The number of partners cannot exceed 20. If the number of partners exceeds 20 it must be registered as a company. Individuals and companies may set up a partnership. The partnership must be registered with ACRA and needs to be renewed annually.

Limited Partnership (LP)

This is similar to the general partnership, but it consists of general partners and limited partners, at least one of each kind. There is no limit to the number of partners. The liability of a limited partner is limited to the amount of his contributions and not personally liable. Unlike the limited partners, the general partners are personally liable for the debts and liabilities of the business. The limited partner cannot take active management roles in the business.

Limited Liability Partnerships (LLP)

LLP is a relatively new type of entity and the structure integrates the features of both partnerships and companies. In this type, two or more partners (individuals corporations, or another LLP) enter into an agreement to conduct business under specific terms and conditions that are mutually agreed by all partners. The liability of each partner is limited to the extent of his or her contribution. At least two partners are required but there is no upper limit on the number of partners.

Branch Office of Foreign Company (BO)

Foreign companies may conduct business in Singapore by establishing a branch office. Any foreign company wishing to register a branch can engage a professional firm such as a corporate secretarial firm or a legal firm to assist in the application.



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Representative Office (RO)

A foreign company may establish a representative office in Singapore to undertake promotional and liaison activities on behalf of its parent company. The office, however, directly or on behalf of its parent company, must not be engaged in business, conclude contracts, provide consultancy for a fee, undertake transshipment of goods, or open or negotiate any letter of credit. Approval for the establishment of a representative office must be obtained from Enterprise Singapore and approval if granted, is usually for a duration of not more than 2 years.

Operational Headquarters (HQ)

The Singapore Government encourages companies to use Singapore as a base to conduct headquarters management activities to oversee, manage and control their regional and global operations and business. The HQ can be in the form of Regional Headquarters, International Headquarters, Operational Headquarters, Business Headquarters or Manufacturing Headquarters

Financial Statements

One of the best things about starting a business in Singapore – besides how easy it is – is the reasonable minimum share capital payment that is required to get started a business to open. When we say reasonable, it *really* is reasonable. See the following on how to open a small business. Take a look at how much start-up capital is needed for how to start your own business and opening company in Singapore:

- Pay the minimum paid-up capital of SGD\$1. The share capital is the amount that the shareholders commit to, and the liability of the shareholder is limited to that.
- If you are applying for an Employment Pass, we would recommend a paid-up share capital of SGD\$100,000. However, please note that this is a non-key consideration factor, and there is no guarantee of an approval of your work pass despite the higher share capital amount.

Another point to note is that some government project tenders may require you to put forth a higher share capital amount. You may also opt to put in a higher share capital payment should you want to make a better impression on your customers, this is also an option to consider. You may also put forth a share capital amount of SGD\$1,000 which is an option most entrepreneurs go for as they can easily transfer their shares to another when they want.

Audit Requirement

Private and public companies, including branches of foreign companies, are subject to the following financial reporting and audit requirements:

1. Every company must appoint auditors within three months from the date of incorporation unless it is exempted from audit requirements under Section 205B or 205C of the Singapore Companies Act, Cap 50.
2. Submission to the Accounting and Corporate Regulatory Authority (ACRA) of annual financial statements based on the disclosure requirements prescribed by the:



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- Singapore Companies Act, Cap 50 (applicable for all companies)
 - Singapore Exchange Listing Manual (applicable for public companies)
 - Charities Act, Cap 37 (applicable for institutions of public characters)
 - Societies Act, Cap 311 (applicable for societies).
3. The annual financial statements are required to be audited by independent registered public accountant based on either the Singapore Standards on Auditing or International Standards on Auditing.
 4. The first annual general meeting (AGM) of shareholders must be held within 18 months from the date of incorporation and thereafter an AGM must be held once in every calendar year and not more than 15 months after the last AGM. Private companies need not hold annual general meetings (AGMs) if they send their financial statements to members within five months of the financial year end (FYE), subject to certain safeguards.
 5. The annual financial statements are available to the public for a small fee

Tax Office Registration

Singapore operates a modified territorial basis of taxation. Individuals and companies are taxed on income sourced in Singapore or received in Singapore if it is sourced outside Singapore except if certain prescribed conditions for exemption from tax are met. The Inland Revenue Authority of Singapore (IRAS) is the governing authority for the administration and collection of tax.

Banking

Singapore Banking industry is the third largest industry in Asia, after Japan and Hong Kong. The banking industry of Singapore is a key player in the country's financial market segment and soon, it will emerge as one of the strongest in the world. Today there are as many as 117 foreign banks and 6 local banks that dominate the banking scene.

Monetary Authority of Singapore (MAS) is the regulatory body for all financial institutions in Singapore. Generally, there are little restrictions on both local and foreign companies holding corporate bank accounts in Singapore apart from the regular anti-money laundering and financing of terrorism laws.

Banks are open from 9.30am to 3pm; Mondays to Fridays and up to 1.00pm on Saturdays. Singapore's time zone is GMT+8 hours and +13 hours US Eastern Standard Time.

Working Hours

Working hours are hours used to perform work and the time the employee must be present in the workplace, available for work even though he or she wouldn't actually work. According to the act, regular working hours may not exceed 8 hours a day and 40 hours a week.

- For those working five (5) days or less a week, they need to work for up to nine (9) hours a day or 44 hours a week.
- For those who work for more than five (5) days a week, they are required to work for up to eight (8) hours a day or 44 hours per week.



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An employee is NOT allowed to work for more than 12 hours in a day and he/she is given one (1) rest day per week. Employees are NOT required to work continuously for six (6) hours without a break. However, in situations where employees are required to work continuously for up to eight (8) hours, at least a 45-minute break should be provided for mealtime.

Labour Law

Like many other jurisdictions, the relationship between employer and employee in Singapore is determined by the contract of service between them

Exactly speaking, the Singapore Employment Act (Ministry of Manpower employment act) is the main labor law that protects the rights and outlines the responsibilities and statutory requirements of both employee and employer. Besides, the Singapore government also ensures that the Act is in line with the international legislation to provide sufficient protection to all parties involved in the process of employment.



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Tax & Social Security

Overview

Singapore operates a modified territorial basis of taxation. Individuals and companies are taxed on income sourced in Singapore or received in Singapore if it is sourced outside Singapore except if certain prescribed conditions for exemption from tax are met. The Inland Revenue Authority of Singapore (IRAS) is the governing authority for the administration and collection of tax.

Singapore corporate tax is levied at a flat rate of 17% on chargeable income. A company can calculate its chargeable income by taking its taxable revenues (any ongoing or recurring source of income derived from Singapore or remitted into Singapore) and subtracting deductible expenses. There is no tax on capital gains in Singapore.

Tax filings and due dates

The tax year, known as the year of assessment, runs from 1st January to 31st December. An estimate of chargeable income (ECI) must be filed within three months from the end of the financial year. As a concession, companies with revenues of not more than SGD 5 million for the financial year and nil ECI are not required to file an ECI. The statutory deadline for filing corporate income tax returns is 30th November (paper file) and 15th December (e-file) of the YA.

No extension of time is allowed. Income tax payable is due within 30 days from the date of the notice of assessment unless the IRAS has allowed the Company to pay the tax assessed by instalment. Instalment payment is generally allowed on payment of tax assessed on ECI that have been lodged on a timely basis. A late payment penalty of five per cent of the tax due is applicable if the tax is not paid by the due date. An additional one per cent is added for every subsequent month that the tax remains unpaid up to a maximum of 12 per cent. In Singapore, it is an offence not to file an income tax return with the IRAS.

Group Relief

Under the group relief system, group companies can transfer current year's unabsorbed tax losses, current year's unabsorbed capital allowances and current year's unabsorbed donations to another company in the same group. A group consists of a Singapore incorporated parent company and all its qualifying Singapore incorporated companies.

Personal Income Tax

Individuals (residents and non-residents), whether citizens or non-citizens, are liable to income tax in respect of income accruing in or derived from Singapore. Foreign sourced income received by an individual (other than a partner of a partnership in Singapore) in Singapore from outside the country is exempt from tax. For a partner of a partnership, foreign sourced income will be exempt from tax if certain conditions are met.

- Taxable income would include:
- Profits from trade, business or profession
- Earnings from employment in Singapore
- Dividends, interests or discounts



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- Pension, charge or annuity
- Rents, royalties, premiums and other profits arising from property
- Any gains or profits of an income nature not covered by the above paragraphs.

Residence

An individual would be treated as a resident for Singapore tax purposes if they normally reside in Singapore except for temporary absences or if they are physically present or exercise an employment (other than a director of a company) in Singapore for 183 days or more in a calendar year.

Non-resident individuals (Employees only)

Income from an employment exercised for a period or periods which together do not exceed 60 days in a calendar year is exempt from tax. This does not apply to professional entertainers, individuals exercising a profession and non-resident directors of Singapore resident companies.

- Income from an employment exercised for more than 60 days but less than 183 days is taxed at 15% on the full amount of emoluments provided the tax payable is not less than that which would be payable by a resident in the same circumstances.
- Non-resident directors of Singapore resident companies who are here for less than an aggregate period of 183 days in a calendar year are assessable to tax at a flat rate of 22% on any director's remuneration received
- Interest income from deposits in approved banks in Singapore is not taxable. Interest income received in Singapore from outside Singapore is tax exempt.

Concessionary tax treatment as a tax resident is available to a non-resident employee where the period of less than 183 days in a year forms part of a continuous employment period of at least 183 days which straddles across 2 calendar years. Non-resident individuals are not entitled to any personal reliefs.

Tax filings and due dates

The statutory deadline for filing the individual tax return is 15 April (if paper file) / 18 April (if e-file) / 30 June (if bulk extension applied by tax agent and approved by IRAS) of the YA. Tax assessed has to be paid within 30 days from the date of the Notice of Assessment unless the taxpayer is allowed to pay by instalment through GIRO (a direct debit plan). For late filing, a penalty of up to SGD 1,000 may be imposed in the first instance. A late payment penalty of five per cent of the tax due is applicable if the tax is not paid by the due date. An additional one per cent is added for every subsequent month that the tax remains unpaid up to a maximum of 12 per cent. An individual is also likely to be prevented from leaving Singapore until outstanding taxes have been settled.

Area Representatives

An "Area Representative" is usually an employee of a foreign enterprise attached to a representative office in Singapore. Such an employee is normally required to perform his duties on a regional basis. The tax liability of such an employee is, generally, computed based on time spent in Singapore.



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Tax Rates in Singapore

Singapore’s headline corporate tax rate is a flat 17%. In order to make Singapore as an attractive investment destination, income tax rates in Singapore have been going down consistently as seen below.

1997-00	2001	2002	2003-04	2005-06	2007-09	From 2010
26%	25.5%	24.5%	22%	20%	18%	17%

Corporate Income Tax Rates

Income	Tax Rate
Tax rate on corporate profits for up to 300,000 SGD	Effective tax rate at 8.5%
Tax rate on corporate profits above 300,000 SGD	17%
Tax rate on capital gains accrued by the company	0%
Tax rate on dividend distribution to shareholders	0%
Tax rate on foreign-sourced income not brought into Singapore	0%
Tax rate on foreign-sourced income brought into Singapore	0 – 17% subject to conditions

Personal Income Tax Rates

Income	Tax Rate
Tax rate on first 20,000	0%
Tax rate on next 10,000	2%
Tax rate on next 10,000	3.5%
Tax rate on next 40,000	7%
Tax rate on next 40,000	11.5%
Tax rate on next 40,000	15%
Tax rate on next 40,000	18%
Tax rate on next 40,000	19%
Tax rate on next 40,000	19.5%
Tax rate on next 40,000	20%
Tax rate on above 320,000	22%
Tax rate on capital gains	0%
Tax rate on dividends received from Singapore company	0%

Tax Types in Singapore

Below are the details of the applicable taxes In Singapore



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- **Income Tax** - chargeable on income of individuals and companies.
- **Property Tax** - imposed on owners of properties based on the expected rental values of the properties.
- **Withholding Tax** - Singapore withholding tax refers to the tax withheld and paid to the Inland Revenue Authority of Singapore (IRAS), when a non-resident company or individual derives an income from a Singaporean source, for services provided or work done in Singapore. IRAS is the Singapore's tax authority. In Singapore Withholding tax rate is 15%
- **Motor Vehicle Taxes** - taxes, other than import duties, that are imposed on motor vehicles. These taxes are imposed to curb car ownership and road congestion.
- **Customs and Excise Duties** - Singapore is a free port and has relatively few excises and import duties. Excise duties are imposed principally on tobacco, petroleum products and liquors. Also, very few products are subject to import duties. The duties are mainly on motor vehicles, tobacco, liquor and petroleum products.
- **Goods & Services Tax (GST)** is a tax on consumption. The tax is paid when money is spent on goods or services, including imports. This kind of indirect tax is also known as Value Added Tax (VAT) in many other countries. In Singapore VAT is 7%
- **Betting Taxes** are duties on private lottery, betting & sweepstake.
- **Stamp Duty** is imposed on commercial and legal documents relating to stock & shares and immovable property.
- **Others** – The two main taxes are the foreign worker levy and the airport passenger service charge. The foreign worker levy is imposed to regulate the employment of foreign workers in Singapore.



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Payroll

As a company's headcount grows, managing the payroll must be done with proper care. Calculating, processing and reporting payroll components such as government remittances, benefits, allowances and deductions are important considerations.

While there is no minimum wage rule in Singapore, an employee's salary is subject to negotiation and mutual agreement between the employer and the employee. However, an employer who intends on hiring foreign employees must consider the minimum salary requirements applicable to qualify for the various employment passes. There are no monthly withholding obligations for employers in Singapore but contributions to social security schemes, including the CPF, the Skill Development Levy and the Foreign Workers Levy, are required

Singapore has legislation which requires itemized payslips to be issued to all employees - it is legally acceptable to issue payslips online.

Minimum Wage

Singapore does not have a minimum wage policy, however, there are a few exceptions (i.e. cleaners, food and beverage servers).

Payroll Cycle

Wages are paid to employees monthly, however, it is possible to pay employees at shorter intervals. In the event of a termination, the employee's salary must be paid:

- Employee resigns and serves the notice period: On the last day of employment
- Employee resigns without notice and no notice period is served within 7 days of the last day of employment
- Termination due to misconduct: On the last day of employment, however, if this is not possible, the employee must be paid within 3 business days.
- Employer terminates the employment contract: On the last day of employment, however, if this is not possible, the employee must be paid within 3 business days.

Pay Date

Salaries must be paid within 7 days from the end of the salary period.

Working Hours

If an employee works a 5-day work week, a workday is up to 9 hours a day or 44 hours a week. If an employee works a 6-day work week the workday is up to 8 hours.

Overtime Payment

An employee must be paid 1.5 times the hourly basic pay of rate for any overtime hours.



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Social Security

The Central Provident Fund (CPF) is Singapore's comprehensive social security and it covers:

- Retirement
- Housing
- Healthcare

Healthcare

Under the CPF, there are 4 distinct healthcare schemes.

- MediSave – national scheme for future personal or family hospitalization.
- MediShield Life – scheme for expensive hospital bills and outpatient treatments.
- Private Medical Insurance Scheme – allows for members to use MediSave to purchase Integrated Shield Plan for added insurance for themselves and their dependents.
- ElderShield – Severe disability scheme for long term care usually used for the elderly.

National Pension

In Singapore, the pension fund is called the Central Provident Fund (CPF). Employees contribute 20% of their wages, and Employers contribute 17% of their employees' wages. Contributions are not made for foreign employees on either a work permit or employment pass.

Unemployment

Unemployed workers are subsidized for retraining under the workfare Training Support Scheme (WTS).

Skill Development Levy

The Skills Development Levy (SDL) is collected from employers to support workforce upgrading programs and training grant under the National Continuing Education Training System. Contributions to SDL are expected to be provided to all workers at a levy rate of 0.25% of each employee's total monthly wages up to the first \$4,500 or a minimum of \$2 (for total wages of \$800 or less) whichever is higher.



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Employment Law

The Employment Act is Singapore's main labour law. It provides for the basic terms and working conditions for all types of employees, with some exceptions. The relationship between employer and employee in Singapore is regulated largely by the contract of employment between them. Generally, parties are free to contract as they choose subject to complying with the Employment Act and certain limits. The Singapore Employment Act does not apply to all employees. Instead, it applies only to “employees” as defined under the Act.

Who It Covers?

All employees under a contract of service with an employer are covered, but there are exceptions. For example, Part IV of the Act which provides for rest days, hours of work and other conditions of service, does not cover managers or executives. You are covered if you are an employee working under a contract of service with an employer.

It covers local and foreign employees. An employee can be employed in the following terms:

- Full-time
- Part-time
- Temporary
- Contract

An employee can be paid on the following basis:

- Hourly
- Daily
- Monthly
- Piece-rated

However, you are not covered if you are employed as a:

- Seafarer
- Domestic worker
- Statutory board employee or civil servant

If you are not covered by the Employment Act, your terms and conditions of employment will be according to your employment contract.

Part IV

Part IV of the Employment Act, which provides for rest days, hours of work and other conditions of service, only applies to:



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- A workman (doing manual labour) earning a basic monthly salary of not more than \$4,500.
- An employee who is not a workman, but who is covered by the Employment Act and earns a monthly basic salary of not more than \$2,600.

Part IV of the Act does not cover all managers or executives.

Managers and Executives

In general, managers and executives are employees with executive and supervisory functions.

Their duties and authority may include one or all of the following:

- Making decisions on issues such as recruitment, discipline, termination of employment, performance assessment and reward.
- Formulating strategies and policies of the enterprise.
- Managing and running the business.

They also include professionals with tertiary education and specialised knowledge or skills whose employment terms are like those of managers or executives. For example:

- Advocates and solicitors.
- Chartered accountants.
- Practising doctors and dentists.

Workmen

Generally, a workman is someone whose work involves mainly manual labour.

This includes someone who falls under any of these categories:

- Does manual work (including artisans and apprentices, but not seafarers or domestic workers).
- Operates or maintains commercial vehicles with passengers.
- Supervises manual workers, but also performs manual work more than half their working time.
- Has a job specified in the First Schedule of the Employment Act, namely:
 - i. Cleaner.
 - ii. Construction worker.
 - iii. Labourer.
 - iv. Machine operator and assembler.
 - v. Metal and machinery worker.
 - vi. Train, bus, lorry and van driver.
 - vii. Train and bus inspector.
 - viii. Workman employed at piece rates at an employer's premises.



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Employment Agreement

There is no legal requirement for the employment agreements to be in writing. This also means that oral and electronic employment agreements are legally binding. However, it is recommended and customary in Singapore to have employment contracts in writing.

In the absence of a written employment contract, the employer must provide an employee with a written statement including information on certain key terms of employment (i.e. the employee's principal duties and regular working hours) by the end of the employee's first payment period.

Working Conditions

Statutory Requirement: Hours of Work & Overtime are regulated under the Singapore Employment Act only for those employees earning below SGD 2,000/month. Employees that are covered under the Employment Act as above are entitled to work no more than 44 hours per week.

Singapore's Ministry of Manpower has stringent laws regarding hours of work and conditions for working overtime. An employee is entitled to work not more than 8 hours daily, or 44 hours weekly. The Employment Act also deems that employees cannot work for more than 6 hours without a break. Inclusive of overtime work, employees cannot work more than 12 hours per day except under certain circumstances, including but not limited to an actual or threatened accident, work that is essential to national defence or security, or unforeseeable circumstances which leads to work being interrupted.

Shift workers, on the other hand, are not allowed to work more than 12 hours daily under any circumstances. Employees are entitled to 1 rest day (deemed as a non-working day from midnight to midnight) per week and is not considered a paid day. The longest possible interval between 2 rest days is 12 days.

Common Practice: For employees earning above SGD 2,000/month, the above conditions of the Employment Act do not apply and it is free to be determined by agreement between the employee and the employer. As a rule in Singapore, office employees work from Monday through Friday, from 9am to 6pm or 7pm, depending on the industry and company policies. It is not uncommon for Singapore employees to work 9-10 hours during the weekdays and half-day on Saturdays.

Leaves

Annual Leave: As a common practice in Singapore, all employees are given an annual leave around 14 to 20 days per year, well above the minimum required under the Singapore Employment Act.

Sick Leave: The duration of sick leave entitlement provided to workers is dependent on how long they have been employed by their employer.

- 0-3 Months: 5 non-hospitalized/15 hospitalized days
- 4th Month: 8 non-hospitalized/30 hospitalized days
- 5th Month: 11 non-hospitalized/45 hospitalized days



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After 6 Months: 14 days non-hospitalized/60 hospitalized days the employee must inform their employer within 48 hours of inability to work and must provide a medical certificate upon return.

Work Related Injury Leave: The employer covers all work-related injuries that an employee has suffered either directly or through insurances. The employee should receive 100% of their average monthly earnings in the 12 months prior to the disability for 14 days if not hospitalized. After 14 days they shall receive 66.7%. As of September 1, 2020, all work-related medical leave must be reported to the Ministry of Manpower.

Maternity Leave: Paid maternity leave of 16 weeks is provided to female employees employed for more than 3 months and the child is a Singaporean citizen. During this period, employers are prohibited from terminating employee. The woman must inform their employer of their maternity leave at least a week in advance and inform of the delivery of the child. Otherwise, the employee is only entitled to half of the payment during the maternity leave.

Public Holidays of Singapore for 2020



New Year's Day	1 Jan 2020	Wednesday
Chinese New Year	25 Jan 2020	Saturday
	26 Jan 2020*	Sunday
Good Friday	10 Apr 2020	Friday
Labour Day	1 May 2020	Friday
Vesak Day	7 May 2020	Thursday
Hari Raya Puasa	24 May 2020*	Sunday
Hari Raya Haji	31 July 2020	Friday
National Day	9 Aug 2020*	Sunday
Deepavali	14 Nov 2020	Saturday
Christmas Day	25 Dec 2020	Friday



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Employment Termination

Termination Procedure: Employers and employees are legally required to a termination letter. Employers have the responsibility of holding an expatriate employee his due monies; Prorated salary, bonus, unused vacation days, approved expenses for that month and an air ticket unless employee agrees otherwise in writing.

One month prior to the termination date, the employer is required to file the IR21 Tax form. If Employees' taxes are borne by their employer, the employer makes the payment to the revenue board on behalf of the employee. In the case where the employee wishes to bear the tax expenses himself, employer is entitled to deduct the tax amount from the employee's salary and pay the tax expenses on his behalf before releasing his final salary.

The employer now bears the responsibility of cancelling the employment pass granted to the employee one week prior to employment termination. In lieu, a short-term visit pass will be generated if the worker is still in Singapore. A copy of the cancellation acknowledgement needs to be provided to the employee to ensure a smooth departure. Failure of following the regulations set by the ministry of Manpower will result in either a late filing fee, lawsuit, or exposing your employee to the risk of an outstanding taxpayment. If the termination is due to misconduct, the employee must go through a process of inquiry before any action is taken.

Notice Period: The notice period in Singapore is undefined by the law, however, notice period is given in accordance with the employee's contract and must be the same amount of time for both the employee and employer. Common practice is two weeks and is also common to allow the employee to offset their notice period with their remaining vacation days. If both parties agree, it is also possible to waive the notice period.

Severance Payment: The severance payment includes all the salaries and benefits due at the last day of employment. If the employee has been employed for at least 2 years, they are entitled to receive "retrenchment benefits". The amount given to the employee depends on what is agreed upon in the employment contract or collective agreement when applicable.



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Immigration

When recruiting an employee, the employer and employee must conclude an employment contract that states the details of the employment relationship. The employment contract may also state the fringe and employee benefits. The employer must ensure that the employment relationship complies with the labour legislation and the applicable collective agreements.

The process for hiring staff is similar to other countries. Shortlisted candidates typically go through one to two rounds of interviews, depending on the skill level required of the staff. Aptitude and personality test are also common practice in Singapore. HR consultants do provide such initial screening services to streamline the hiring process. Another factor to consider is the highly competitive employment market with a low employment rate of 2.1% and a turnover rate of 2.4%. Employees do have some advantage over employers, qualified candidates may fish for favourable contractual terms before committing.

While employers can draw up employment contracts for their employees, it is highly recommended that employers hire a lawyer or engage an HR consultant. The key employment terms (KET) required in a contract are i) appointment position and job scope, ii) date of commencement, iii) remuneration package, iv) hours of work, v) annual leave, vi) employee benefits and vii) termination terms. Typically, standard company benefit includes medical benefits, 2-3 times monthly wage for an annual bonus and 14 days of annual leave.

To employ a foreign worker, the employer must apply to the Ministry of Manpower (MOM) which is the regulatory body for work passes. Employers have a variety of work permit schemes to choose from, the type of work pass to apply for depends largely on the skill level and salary of the foreign worker. See table below for more details. Most of the passes such as Employment-pass and S-pass can be applied online by the employers while others may require courier services and take typically around a week to process.

For employment pass, MOM requires employers to advertise the job on JobsBank for at least 14 days, making the vacancy available for Singaporeans before application. Employers are also highly encouraged to use the Government's Self-Assessment Tool to assess the eligibility of the candidate before application to reduce rejection rate.

Employment Pass (EP)

The Employment Pass allows foreign professionals to work in Singapore. It applies to foreigners who meet the eligibility criteria and earn a fixed monthly salary of at least \$3,600 (more experienced candidates need higher salaries) and have recognised qualifications. Employers must make applications for Employment Passes on behalf of a job candidate. Any change of employer will require a new application.

Personalised Employment Pass (PEP)

The Personalised Employment Pass is for existing Employment Pass holders earning a fixed monthly salary of at least \$12,000 or overseas foreign professionals with a last drawn fixed salary overseas was at least \$18,000. In both cases the last drawn salary must be within the last 6 months. Unlike an Employment Pass, which must be cancelled when the pass holder leaves the employer, the PEP is not tied to the employer and is granted on the strength of the applicant's merit. A PEP holder can remain in Singapore for up to six months



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between jobs to evaluate new employment opportunities. The PEP is issued only once and valid for 3 years and is not renewable.

EntrePass

Foreign entrepreneurs, innovators or investors who would like to start businesses in Singapore should apply for the EntrePass. The business must be registered as a Private Limited Company with the Accounting and Corporate Regulatory Authority (ACRA) in Singapore.

S Pass

The S Pass allows mid-level skilled foreigners who earn a fixed monthly salary of at least \$2,300 to work in Singapore. The number of S pass holders a company can employ is based on a quota system in relation to the company's total local workforce. S Pass workers are subject to quota restrictions (15 per cent of the company's total workforce in the service sector and 20 per cent in the remaining sectors) and a levy is payable for all workers employed.

Work Permit (WP)

A Work Permit is generally issued to foreign workers from an approved source, ie country/territory. A prospective employer must first apply to the Controller of Work Passes for a WP before employing a Foreign Worker. Prior to that, business employers who have never applied for WP or S Passes before are required to declare their business activity. The duration of a Work Permit is generally two years, subject to the validity of the worker's passport, the Banker's/Insurance Guarantee, and the worker's employment period, whichever is shorter. The worker is only allowed to work for the employer and in the specified occupation. Employers are limited by a quota for their industry and have to pay a monthly levy for each worker. Specific variants of Work Permits allow foreigners to work as domestic helpers, confinement nannies and performing artistes

Dependant's Pass

S Pass and Employment Pass (EP) holders need to earn a fixed monthly salary of at least \$6,000 to sponsor the stay of their spouses (legally married) and children here.



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