



**The Singapore Actuarial Society (SAS) Process for Payments to  
Non-Singapore Tax Resident Entities (Corporates or Individuals)**

**Date: 21 June 2018**

**Tax information below is of a general nature and may not be suitable for other organisations or in the future. The SAS requirements below are ones designed for it given the nature of the organisation. The SAS takes no responsibility for the tax information provided below and the SAS consults with professional tax consultants on all tax related cases.**

In 2017, the Singapore Actuarial Society (SAS) employed external tax consultants to review its tax processes. As a result of that review, a commitment was also given to the Inland Revenue Authority of Singapore (IRAS) to put in place processes to ensure timely filing of return and payment in relation to withholding tax going forward.

SAS (the payer) has the responsibility to comply with the withholding tax provisions and not the non-resident recipient.

As such, the **SAS Authorisation Limits rules effective from 1 November 2017** state:

**“Any payment to a person/company not based in Singapore needs to be approved by President and Treasurer given potential withholding tax and IRAS Form IR37C requirements.”**

The process to be followed in relation to a Conference, or by a Committee or a Working Party, etc., wishing to engage a non-Singapore tax resident for any activity which involves a payment or reimbursement (e.g. for presenting or facilitating at conference, or for hotel costs, flight costs, meal costs etc., or for organising conferences, etc.) is as follows:

a) A contract must be signed stating:

- What is to be paid, e.g. presentation fee, event management fee, reimbursement of flight and accommodation costs.
- Who is responsible for any tax with the default being that SAS will withhold tax and pay it to IRAS. Inevitably this will be subject to commercial negotiation (but note that, if the SAS pays, then that is an additional benefit to the recipient and so more tax is paid).
- Period of engagement by the SAS.
- Requirement that good quality copies of the photo and personal detail pages of the passport used by the non-resident to enter Singapore is provided, and also of a proof of address (e.g. a bank statement or utility bill dated within the last three months) be provided prior to any payment to be released.
- Good quality copies of receipts for all flight, accommodation, meal and other expenses be provided prior to any payment to be released.
- That the tax treaty calculator (always download latest version from IRAS website) will be completed and the result be provided.
- As to whether the non-resident elects to be taxed on gross or net basis.



- b) All documentation must be provided within strict timelines to the President or Treasurer before payment can be authorised.
- c) The Treasurer (or a member of the administration staff) will approach the SAS's tax advisers for facilitating relevant payments to IRAS. There will, of course, be a fee payable to the tax advisers.

All accounting records and supporting documents needs must be retained for **5 years** from the relevant year of assessment (YA).

For example:

YA	Records for	To keep up to
2017	1 Jan 2016 – 31 Dec 2016	31 Dec 2022
2014	1 Jan 2013 – 31 Dec 2013	31 Dec 2019

### **Tax in Relation to Non-Singapore Tax Resident COMPANIES**

- 1) As an administrative concession, withholding tax is not applicable for reimbursement of accommodation, meals and transportation expenses (including airfares) paid to a non-resident company if the payer (i.e. the SAS) can obtain a detailed breakdown of the expenses showing that the expenses were reimbursed at actual cost incurred without any mark-up or profit element.

The payer need not submit the breakdown or documents to IRAS but will need to retain them and submit to IRAS upon request.

- 2) Where payment is made to a non-resident company for management services, technical support services, installation of equipment, training consultancy or other services, withholding tax is applicable on the service fees attributable to the work done in Singapore. For management services or technical services or other services performed by the non-residents outside Singapore, withholding tax is not applicable (e.g. for services provided via internet presentation, email or telephone, without sending the staff to Singapore).
- 3) File **Form IR37** (From 1 July 2016, the withholding tax form can only be filed electronically via **MyTaxPortal**).
- 4) The non-resident company may be eligible for a reduced tax rate or tax exemption by virtue of an applicable Double Taxation Agreement (DTA). The Double Taxation Relief Tax Rate Calculator for Companies can be used to check if a non-resident company is eligible for reduced tax rate or tax exemption and find the applicable tax rate by clicking on the link below:

<https://mytax.iras.gov.sg/ESVWeb/default.aspx?target=S45TaxTreatyCalculator>

The payer however has to claim the tax treaty exemption on behalf of the non-resident company when e-filing the Form IR37.

### **Tax in Relation to Non-Singapore Tax Resident INDIVIDUALS**

- 1) A non-resident professional's income attributable to services rendered in Singapore is subject to withholding tax at EITHER:



- a) 15% of the gross income/fees payable to the non-resident professional; OR
  - b) the non-resident rate of 22% (20% for period of engagement prior to 1 Jan 2016) if the non-resident professional has elected to be taxed on net income (i.e. gross income less allowable expenses). This option must be exercised upfront, i.e. before or at the same time when the tax is withheld and remitted to IRAS. In order for the non-resident to avail himself of the option upfront, the **Form IR37C** has to be submitted to the Comptroller of Income Tax (CIT) together with the tax withheld at 22% of net income within the timeframe stipulated under Section 45 of the Income Tax Act (Cap. 134).
  - c) The income of the non-resident professionals can be exempted from tax or taxed at a lower rate than 22% under the relevant double taxation treaty.
- 2) Under the 15% withholding tax treatment, expenses reimbursed by the payer (e.g., for accommodation, airfare, allowance, per diem and transport (i.e. airport transfers) and meals, etc.) are subject to withholding tax at 15% as part of gross income/fees derived from services performed in Singapore. No deduction is allowed against the gross income/fees for any expenses incurred.
  - 3) Under the option to be taxed on net income (i.e. gross income less allowable expenses) of 22% (20% for period of engagement prior to 1 January 2016), as a concession, the following are not taxable:
    - Cost of airfare borne by **the payer** and
    - Cost of accommodation (excluding value of food) provided by **the payer** for short-term engagement of 60 days or less in a calendar year.

The above is summarised in the table below:

	Net method (22%)	Gross method (15%)
Professional fee	Taxable	Taxable
Hotel accommodation costs borne by the payer (provided for up to 60 days in a calendar year)	Not taxable	Taxable
Cost of airfare borne by the payer	Not taxable	Taxable

- 4) Where the cost of accommodation is borne for more than 60 days, the cost of the entire stay is taxable. For example, if the payer pays for 70 days of accommodation in a calendar year, the full cost is taxable. Accommodation not exceeding 60 days in a calendar year and airfare paid by the non-Singapore tax resident individual and not reimbursed by SAS are deductible when the non-Singaporean tax resident individual completes a tax return for IRAS. However, private expenses (for example, value of food and ground transfers from and to airport) and expenses incurred to put the non-resident professional in a position to earn the income (for example, transport expenses incurred from hotel to venue of service and back) are not deductible.



## Tax Treaty Exemption for Individuals

The attached tax treaty calculator [Form IR586] can be used to check if the non-resident professional meets the qualifying conditions for tax treaty exemption under the tax treaty between Singapore and the non-resident's country of residence.



Tax Treaty  
Calculator.xls

The latest version of the calculator should always be downloaded from the IRAS website:

[https://www.iras.gov.sg/IRASHome/uploadedFiles/IRASHome/Quick\\_Links/Tax%20Treaty%20Calculator.xls](https://www.iras.gov.sg/IRASHome/uploadedFiles/IRASHome/Quick_Links/Tax%20Treaty%20Calculator.xls)

The non-resident professional has to:

- (a) complete the form (tax treaty calculator for non-resident professionals); and
- (b) print and give it to the payer to support his claim for tax treaty exemption.

The payer may complete and print the calculator if provided with all the necessary information by the non-resident which the non-resident declares to be true and complete.

However, the payer has to claim the tax treaty exemption on behalf of the non-resident professional when e-filing the **Form IR37C**. The Form IR586 need not be submitted unless it is requested for verification by IRAS.

## Claiming of Tax Treaty Exemption or Reduced Tax Rate under DTA

The original Certificate of Residence (COR) issued by the foreign tax authority must be furnished to IRAS by 31 March of the following year if the claim is for the current year. If the claim is for the preceding years, the COR must be submitted within 3 months from the date of submission of the Form IR37 or IR37C.

The COR issued by the Foreign Tax Authority must:

- Be in English;
- Bear the stamp of the foreign tax authority;
- Clearly state that the non-resident is a resident of the foreign country for tax purposes and the year in which the COR is applicable; and
- Clearly state the calendar year in which the services were provided (i.e. the period of payment).

A Demand Note to pay the balance of the withholding tax and the late payment penalties will be issued by IRAS if the COR is not received by the due date.



## **Filing of Form IR37 (or IR37C) and Payment to IRAS**

(1) The withholding tax must be paid to IRAS by the **15<sup>th</sup> of the second month from the date of payment\*** to the non-resident company/professional, together with the submission of the withholding tax return.

\* The date of payment refers to the earliest of the following dates:

- When the amount is due and payable as stipulated in the contract/agreement. (in the absence of any contract or agreement, the date of invoice would be deemed the date of payment); or
  - When payment is credited to the account of the non-resident or any account(s) designated by the non-resident; or
  - The date of actual payment.
- (2) For multiple payments to non-resident professionals, the first date of payment and the last date of payment must not be more than 60 days apart. The last date of payment should be adopted as the date of payment for this declaration.
- (3) The following **penalties** will be imposed if the payer fails to withhold tax and file the withholding tax form as well as for late payment of tax:
- (a) A 5% penalty if the withholding is not paid within the specified deadline; and
  - (b) An additional penalty for each completed month that the tax remains outstanding, subject to maximum penalty of 15% of the amount of tax outstanding.

## **Payment to Singapore Branches of Non-resident Companies**

Waiver of withholding tax is granted on all section 12(6) and 12(7) payments such as interest, commission, royalties or management fees made to Singapore branches of non-resident companies on or after 21 Feb 2014.

## **Payment to Singapore Subsidiary Company of a Foreign Parent Company**

If the subsidiary company is a Singapore tax resident company, Singapore withholding tax would not apply on payments made to the subsidiary company. A company is regarded as a resident for Singapore tax purposes if its **control and management** is exercised in Singapore. In general, control and management is taken to be the place where the Board of Directors meetings are held. If the company's control and management is not exercised in Singapore then withholding tax is potentially payable as explained in previous sections. The company should be able to confirm its tax residence.



## **Appendix Template of Draft Contract**

**PAGES 7 and 8 –**

**Template of Contract Between the SAS and an Individual Non-Singapore Tax Resident Who is Engaged by the SAS to Present at a Conference Organised by the SAS in Singapore**



## CONTRACT of SERVICE BETWEEN

- The SINGAPORE ACTUARIAL SOCIETY (the SAS); and
- Mr / Ms XXX YYY ENGAGED by the SAS for SERVICES RENDERED in SINGAPORE (the CONTRACTOR)

This is a contract made between:

- The Singapore Actuarial Society (the SAS), a society registered with the Registry of Societies of Singapore (with Registration Number UEN: S76SS0051K) which conducts its business from 163 Tras Street #07-04 Lian Huat Building Singapore 079024; and
- Mr / Ms XXX YYY (the Contractor) of <ADDRESS> and holder of <NATIONALITY> Passport Number <PASSPORT NUMBER> which will be used to enter Singapore.

By this contract:

- The SAS offers to engage the Contractor to render the services (the Services) as described below on the terms and conditions as provided in this contract; and
- The Contractor accepts the offer of engagement.

The Services to be rendered by the Contractor are:

- To present a topic at the SAS XXX Conference 2018 to be held on 99 and 99 MONTH 2018 in Singapore at a session of X.X hours (or longer as mutually agreed by the SAS and the Contractor).

The SAS agrees

- After receipt of this contract duly signed by the Contractor, to pay for the flight and accommodation expenses for the Contractor as mutually agreed, either directly to the flight and accommodation providers or in reimbursement to the Contractor if the Contractor bears the expenses first; and (if applicable),
- To pay in addition a fee of S\$99,999 to the Contractor for the Services to be rendered; and
- To use the documents which the Contractor furnishes to the SAS under this contract for the sole purposes of filing of a withholding tax return to the Inland Revenue Authority of Singapore and of fulfilling any audit or regulatory requirements, and for no other purpose unless it has obtained express permission from the Contractor.

The Contractor agrees that

- He / she will be liable for any withholding tax due on any payments made by the SAS to him / her including the payment or reimbursement of the flight and accommodation expenses incurred by the Contractor in providing the Services to be rendered.
- He / she elects to be liable for withholding tax on a net basis, that is that the tax due (if any) will be based on the payments made by the SAS to the Contractor for the Services rendered after deduction of allowable flight (to and from Singapore) and accommodation expenses incurred in rendering the Services.
- If he / she makes his / her own flight and accommodation arrangements and pays for them, he / she will forward the invoices (or good clean copies with all the relevant details) to the SAS within 7 days of receipt of the invoices.
- That he / she will send to the SAS the following documents along with invoices (or good clean copies thereof) as described above:
  - o Good clean copies of:
    - His / her identification document (for example, his / her passport which will be used for entering Singapore) which shows his / her:
      - Name;
      - Nationality; and
      - Photograph.
    - Evidence of his / her residence (for example, a utility bill or bank statement issued within the 3 months prior to the date of submission of this document) which shows clearly his / her name and address on the same page.
- If the SAS pays for the flight and accommodation expenses directly to the providers, the Contractor will send to the SAS the same documents prior to the SAS making any reservation or settlement of these expenses.
- The Contractor agrees that the SAS will not make any payment until and unless the SAS receives all the documents required.



- That the Contractor has appropriate travel insurance.
- That the relevant data protection laws for any personal information provided to the SAS is the Personal Data Protection Act 2012 (No.26 of 2012) of the Republic of Singapore and that there are no rights accorded to the Contractor under any other jurisdiction's data protection laws (for example, the General Data Protection Regulation of the European Union).

The Contractor declares that he / she:

- Is NOT a resident of the Republic of Singapore for tax purposes and does not maintain a fixed base (for example, a place of management or an office) in Singapore; and
- Is a resident ordinarily of <COUNTRY 1> and <COUNTRY 2>.

**Signed by:**

**Matthew Maguire\***

**President\***

**For and on Behalf of the  
Singapore Actuarial Society**

**XXX YYY**

**<Nationality> Passport No. <Passport No.>**

**<Address Line 1>**

**<Address Line 1>**

**<Country of Residence>**

**<Postal Code>**

**Date:** .....

**Date:** .....

***\*Or any other authorised signatory of the SAS***