



GES NewsFlash

Singapore — Rationalizing the individual taxation of accommodation benefits

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Summary

The Singapore Minister for Finance presented the 2013 Budget Statement on 25 February 2013 and had proposed changes on the taxation of accommodation benefits provided by employers which has remained unchanged since the 1960s.

Based on feedback received, the Inland Revenue Authority of Singapore (IRAS) has provided clarity on the taxation of accommodation benefits which is summarized below.

Taxation of accommodation benefits

Up to Year of Assessment 2014 (income year 2013)	With effect from Year of Assessment 2015 (income year 2014)
<p>The taxable value of housing accommodation benefits provided by an employer to an employee is computed on concessionary bases as follows:</p> <p>(a) Where an employer provides housing accommodation to an employee (including a director whose remuneration is equal to or more than the annual value (AV) of the premises), the taxable value of housing accommodation is the lower of 10% of employment income, or the annual value (AV) of the premises, less rent paid by the employee or director;</p> <p>Where an employer provides housing accommodation to a director whose remuneration is</p>	<p>To make the tax system more equitable, the taxation of the accommodation benefits provided to employees (including directors) according to market value is as follows:</p> <p>(a) The taxable value of housing accommodation provided will be the AV of the premises for the period of occupation, less rent paid by the employee;</p> <p>The AV of the premises is the estimated annual rent of the property if it is rented out, excluding the furniture, furnishings and maintenance fees, which is available on the property tax bill issued by the IRAS or via IRAS' e-Valuation List service.</p> <p>As an administrative concession,</p>

<p>less than the AV of the premises, the taxable value of housing accommodation is the AV of the premises;</p> <p>(b) Where furnished housing accommodation is provided, the taxable value of furniture and fittings is computed based on the prescribed rates provided by the IRAS for each item of furniture and fittings;</p> <p>(c) The taxable value of the gardener benefit provided by the employer is computed based on SGD35 per month or actual wages paid by the employer, whichever is lesser.</p>	<p>employers can elect to report the actual market rent paid for the furnished premises (including furniture and fittings) instead of using the AV. In which event, employers are not required to declare the taxable value of furniture and fittings separately based on the percentage of the AV (illustrated below).</p> <p>(b) The taxable value of furniture and fittings will be computed based on:</p> <ul style="list-style-type: none"> (i) 40% of the AV if the premises is partially furnished i.e. only fittings (e.g. lightings; air-conditioner/ ceiling fan, water-heater) , or (ii) 50% of the AV if the premises is fully furnished (i.e. both fittings and furniture/ household appliances are provided). <p>(c) The taxable value of the gardener benefit provided by the employer is computed based on the actual wages paid by the employer.</p>
<p>Hotel Accommodation</p> <p>(d) The taxable value of hotel accommodation is computed based on a prescribed IRAS formula and is a function of the number of days of the hotel stay, the number of family members staying in the hotel, the latter's relationship to the employee, and 2% of the basic salary of the employee for the duration of the employee's stay at the hotel.</p>	<p>Hotel Accommodation</p> <p>(d) The taxable value of hotel accommodation will be the actual costs incurred by the employer for the hotel benefit provided to the employee, less amount paid by the employee.</p>

Please note that where the employee is reimbursed for the rental of accommodation which he had concluded with the landlord or paid housing allowance the amount reimbursed or allowance paid will be taxable in full.

Deloitte's view

With clarity now provided by the IRAS on the taxation of accommodation benefits provided by employers, employers in Singapore should ensure that appropriate reporting of the taxable accommodation benefits in its employees' Return of Employee's Remuneration (Forms IR8A/IR8E) .

In addition, the IRAS has recognized the administrative difficulties faced by employers in the reporting of the AV of the premises as property tax bills may not be readily available to companies. To ease the administrative burden on employers in respect of the reporting of the housing benefit, it has granted an administrative concession for employers to use the actual rent paid.

With the changes, it is expected that the assessable value of housing benefit will increase and accordingly, the employee's tax liability will also increase. Employers may wish to accrue for the incremental tax costs arising from the above, where relevant. In addition, employers may wish to review their HR policies relating to the provision of housing benefits versus the payment of allowances to support the housing cost of employees in Singapore, as the increase in the value of the taxable housing benefit may negate the administrative burden of managing the housing lease.

Contacts

If you have any questions concerning the issues in this GES NewsFlash, please contact one of the GES professionals at our Deloitte offices as follows:

Jill Lim
Tel: +65 6530 5519
jjlim@deloitte.com

Sabrina Sia
Tel: +65 6216 3186
ssia@deloitte.com

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