

Becoming a Singapore Permanent Resident - An overview of personal taxation and immigration considerations

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Becoming a Singapore Permanent Resident

Singapore Permanent Resident (SPR) status allows eligible foreigners the opportunity to reside in Singapore for the longer term.

The available avenues for a SPR application can broadly be categorised between the Global Investor Programme (GIP), Financial Investor Scheme (FIS), and the Professional, Technical Personnel and Skilled Workers Scheme (PTS).

The PTS is the most popular route for professional and highly skilled individuals, who are existing Employment Pass holders, to achieve SPR status without the requirement of a substantial capital investment. This guide provides an overview of key areas that an individual may wish to consider when evaluating whether to apply for SPR.

Permanent Resident status

One of the main advantages of obtaining SPR status is that it enables the individual to live and work in Singapore for a period of at least five years.

Once an individual obtains SPR, they no longer require an Employment Pass to work. This provides some additional flexibility in relation to the ability to change jobs or remain in Singapore in between employment.

Family members

The spouse and unmarried children below the age of 21 years can be included in an application for SPR.

Upon obtaining SPR status, the applicant's existing Employment Pass and all related family passes would be cancelled by the immigration authorities. It is therefore important to consider in advance the immigration options available for family members not included in the SPR application to enable them to continue living in Singapore.

Central Provident Fund

The Central Provident Fund (CPF) is a mandatory retirement savings plan designed for Singapore citizens and SPRs. One of the key objectives of the plan is to provide its members with a vehicle for retirement savings and also help meet their housing ownership and medical needs. Foreigners who do not hold SPR status are not eligible to contribute to the CPF scheme.

All contributions made by the employer and employee are credited to the individual account of the member. Funds may be withdrawn by the individual, subject to certain limitations, before retirement to meet their needs in relation to home-ownership, healthcare, family protection and asset enhancement.

As a SPR, both the employee and the employer would be required to make monthly contributions to the CPF. The current full employer CPF contribution rate currently is 16% and employee rate is 20%. The overall income (i.e. 'ordinary wages' and 'additional wages' such as bonuses) on which these contributions are calculated is capped at \$85,000 for calendar year 2012.

A new SPR has the option to take advantage of lower phase-in rates for the first twenty four months from becoming a SPR, as indicated in the table below:

Months since acquiring SPR status	Employer contribution (% of wage) ¹	Employee Contribution (% of wage)
1-12	4	5
13-24	9	15
25 +	16	20

¹ Please note that employer contributions may vary with the age of the employee. The rates shown are for employees aged 50 years and below.

Worked examples to show how the contributions may vary according to different levels of income are provided in Appendix 2.

Other than withdrawals for investment purposes, the CPF funds may be withdrawn when the individual reaches the statutory retirement age of 55 years of age after setting aside a minimum sum in their account.

CPF funds are tax exempt when they are withdrawn at any stage. Subject to approval by the CPF Board, a SPR leaving Singapore permanently may withdraw the CPF monies prior to retirement age if their SPR status is formally renounced.²

Tax exemption and relief on CPF contributions

The employer's statutory contributions into the individual SPR's CPF fund are tax exempt. The statutory employee's contribution into their CPF account qualifies for tax relief.

Taxation residence status

A SPR with a permanent home and social ties to Singapore may be regarded as a Singapore tax resident even during years in which he is not physically present in Singapore. However, SPR status is not the sole factor in determining an individual's Singapore tax residency. This is a complex area and individuals are advised to seek specialist advice in relation to their tax residency status.

Tax concession on home leave passage not applicable

The cost of qualifying employer-paid home leave for an Employment Pass holder and his spouse and dependant children is taxable at a concessionary rate. By taking up SPR status, the individuals' permanent home is considered to have changed to Singapore and therefore this concession is no longer available to SPRs.

Children's schooling

School fees for local Singapore schools are subsidised for a child who is a Singapore citizen or SPR. By comparison, a foreign student is not entitled to any subsidy and is therefore liable to pay higher fees at relevant schools.

Ownership of real property

Singapore real estate regulations are complex and the restrictions relating to a foreigner's eligibility to purchase vary according to the specific type of property; however the broad categories can be summarised as follows:

Condominium developments

All foreigners including SPRs are permitted to purchase apartments within a building or a unit in an approved condominium development.

HDB apartments

The Housing & Development Board (HDB) is the Singapore authority responsible for planning and developing public housing. SPRs are eligible to buy only resale HDB apartments although this remains subject to the relevant eligibility schemes

Landed property

All foreigners including SPRs are required to obtain prior approval from the relevant authorities in order to purchase landed property.

The Singapore Land Authority and Housing & Development Board websites provide further details relating to eligibility schemes and procedures for purchasing real estate in Singapore.

² Generally, SPRs who are Malaysia citizens are only allowed to withdraw the CPF monies under specific conditions.

National service

The basic provision under the Enlistment Act is that all male Singapore citizens and SPRs are liable to register for National Service (NS) upon reaching 16½ years old. Unless a deferment is granted, enlistment for the two years of full time NS is immediate upon reaching 18 years of age. Thereafter, they are required to serve Operationally Ready NS for periods not exceeding 40 days each year until the age of 50 years (for officers) or 40 years (for other ranks).

Male applicants who are granted SPR under the PTS are exempted from enlistment to NS. However any male dependant children who obtain SPR status under the main applicant's sponsorship would be required to enlist for NS based on the above criteria.

Public healthcare

A SPR will be entitled to certain public healthcare subsidies, and may be eligible to participate in various healthcare financing schemes.

Human organ transplant

The Human Organ Transplant Act (HOTA) allows for human organs (namely kidneys, liver, heart and cornea) to be recovered for transplantation purposes in the event of death due to any cause. This applies to all Singapore citizens and SPRs who are 21 years old and above, of sound mind, unless expressly opted out by the individual.

Visiting family members

A SPR is eligible to sponsor a Long Term Visit Pass for visiting family members including parents and parents-in-law to enable them to remain in Singapore for a longer duration of time.

Singapore citizenship

An individual who has held SPR status for a minimum of two years will fulfil the provisional eligibility criteria to apply for Singapore Citizenship.

Related weblinks

Central Provident Fund	www.cpf.gov.sg
Ministry of Manpower	www.mom.gov.sg
Immigration and Checkpoints Authority	www.ica.gov.sg
Singapore Land Authority	www.sla.gov.sg
Housing & Development Board	www.hdb.gov.sg

Let's talk

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Singapore personal income tax rates ⁽¹⁾

	Taxable Income ⁽²⁾	Rate	Tax
	\$	%	\$
On the first	20,000	0	0.00
On the next	10,000	2.00	200.00
On the first	30,000		200.00
On the next	10,000	3.50	350.00
On the first	40,000		550.00
On the next	40,000	7.00	2,800.00
On the first	80,000		3,350.00
On the next	40,000	11.50	4,600.00
On the first	120,000		7,950.00
On the next	40,000	15.00	6,000.00
On the first	160,000		13,950.00
On the next	40,000	17.00	6,800.00
On the first	200,000		20,750.00
On the next	120,000	18.00	21,600.00
On the first	320,000		42,350.00
On income above	320,000	20.00	

(1) Rates of tax are applicable to a tax resident for income year 2011 (Year of Assessment 2012).

(2) Taxable income is income after deduction of any allowable deduction/reliefs.

Singapore CPF contribution examples

(1) The example is based on the following facts; 35 year old man, unmarried, tax resident in Singapore.

(2) Rates of CPF are applicable to a SPR for income year 2011 (Year of Assessment 2012).

Example Remuneration	Non - SPR	Singapore Permanent Resident (SPR)		
		Year 1	Year 2	Year 3
Salary (SGD\$ 5,500 / month)	66,000	66,000	66,000	66,000
Bonus	25,000	25,000	25,000	25,000
Total income	91,000	91,000	91,000	91,000
Employee CPF contributions Non – SPR	N/A			
SPR – Year 1 [(5,000 x 12)+(85,000 – 60,000) x 5%]		(4,250)		
SPR – Year 2 [(5,000 x 12)+(85,000 -60,000) x 15%]			(12,750)	
SPR – Year 3 [(5,000 x 12)+(85,000 -60,000) x 20%]				(17,000)
Take-home income	91,000	86,750	78,250	74,000
Tax on take-home income (i.e. after employee CPF contributions)	(4,500)	(4,011)	(3,158)	(2,860)
Net cash after tax & CPF contributions	86,500	82,739	75,092	71,140
Total CPF contributions Employer and employee	N/A	7,650	20,400	30,600
Total after tax reward	86,500	90,389	95,492	101,740