Tax residence of individuals

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An individual is resident in Singapore for a year of assessment if he resides in Singapore in the preceding calendar year, except for temporary absences, or if he is physically present or exercises employment in Singapore for at least 183 days in that year.[1] IRAS applies two administrative concessions that soften the 183-day test for arriving and departing employees. An individual who stays or works in Singapore for a continuous period of at least 183 days straddling two calendar years is treated as resident in both. An individual who stays or works for three consecutive years is treated as resident throughout even if the first and last years fall short.[2]

Residence determines the rate and the exemptions. A resident pays progressive rates that reach 22 per cent on chargeable income above S$ 320,000, 23 per cent above S$ 500,000 and 24 per cent above S$ 1 million from the year of assessment 2024. He also enjoys the exemption of foreign-sourced income under section 13(7A). A non-resident pays a flat 15 per cent on employment income or the resident rates if higher, 24 per cent on directors' fees and other income, and receives no reliefs.[3] For a founder with large employment income from token vesting the top resident rate of 24 per cent compares with combined Swiss federal, cantonal and communal rates of around 22 to 23 per cent in the canton of Zug and over 40 per cent in Geneva. Part P, Chapter I sets out the comparison.

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Singapore has no exit tax for individuals other than the deemed exercise rule for share plans. A resident who has held tokens as investments leaves Singapore with no tax on unrealised gains. A resident who has been trading tokens leaves with the trading profit of the final year assessable in the usual way and no further charge. The absence of an exit tax is one of the reasons Singapore has been a staging post for founders who later move to Dubai or back to Europe. It also means that Singapore cannot protect its tax base against a founder who becomes resident, holds tokens through a bull market and leaves before selling, which Singapore has accepted as the price of the territorial system.

Notes

1. Income Tax Act 1947, s. 2(1), definition of "resident in Singapore" (individual residing in Singapore except for temporary absences, or physically present or exercising employment for 183 days or more in the year preceding the year of assessment). ↩
2. IRAS, *Tax residency and tax rates*, two-year and three-year administrative concessions for individuals. ↩
3. Income Tax Act 1947, Part A of the Second Schedule (resident individual rates from the year of assessment 2024) and s. 40B (non-resident individual rates). ↩

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