

# EXPLANATORY NOTES FOR THE COMPLETION OF FORM IR21

## Use the Tax Clearance Calculator to check if Tax Clearance is required!

[<https://www.iras.gov.sg> > Businesses> Employers> Tax Clearance for Foreign & SPR Employees (IR21)]

IF TAX CLEARANCE IS REQUIRED	IF TAX CLEARANCE IS NOT REQUIRED
<p>You are encouraged to e-file the Form IR21 at myTax Portal (<a href="https://mytax.iras.gov.sg">https://mytax.iras.gov.sg</a>) for faster tax clearance.</p> <p><b>Processing time</b> Generally, 80% of e-Filed cases will be processed within seven working days. For paper filing, 80% are generally processed within 21 days.</p> <p>Processing of tax clearance may take longer if the information given in Form IR21 is incomplete or when IRAS needs to seek clarification on the employment details submitted.</p> <p><b>Check processing status and view directive</b> You can check the status of tax clearance, view and print the Clearance Directive to pay Tax/ Notification of Tax Clearance Filed via myTax Portal. Clearance directive can be viewed via myTax Portal three working days from the date the Form IR21 is processed.</p>	<p>You do not need to complete the Form IR21. However, you are required to submit the employee's income details for the preceding year to IRAS via the IR8A or Auto Inclusion Scheme by 1<sup>st</sup> Mar.</p> <p>More information on the various categories of employees for whom Tax Clearance is not required can be found at: <a href="https://www.iras.gov.sg">www.iras.gov.sg</a>&gt; Home&gt; Businesses&gt; Employers&gt; Tax Clearance For Foreign &amp; SPR Employees (IR21)&gt; Tax Clearance for Employees.</p>

### IMPORTANT

As an employer, you are required to:

- Complete this form at least one month before your non-citizen employee ceases employment with you in Singapore. There will be a 10-day grace period granted for employer to meet the tax filing obligations. If you are not able to give one month's notice, please provide the reason(s) in Section D, item 16. Unless the Comptroller accepts the shorter notice, employers who did not comply may be liable to a fine of up to \$1,000.
- Withhold all monies due to your employee from the day he notifies you of his intention to cease employment or when you notify him of the termination of employment or posting to an overseas location. If you are unable to withhold monies, please state the reason in Section D, item 18. Otherwise, you may be liable for the tax that is owed by the employee.

The Form IR21 and Appendix 1/2/3 (if applicable) must be completed and signed by the company secretary/ director, precedent partner, sole-proprietor, manager, honorary secretary/ treasurer, representative of a non-resident company or a person authorised by the employer, as the case may be. The name and designation of the authorised person and contact number must be given.

Please write in black ink. Enter 'NA' for items that are not applicable.

### Points to note when completing Form IR21

#### SECTION A: TYPE OF FORM IR21

<b>Original</b>	Cross the box if you are submitting the first Form IR21 for the employee.
<b>Additional</b>	Cross the box to report additional income payable or paid to the employee and indicate the additional monies withheld.
<b>Amended</b>	<p>Cross the box to report the entire filing details including the revised monies withheld.</p> <p><b>Note:</b></p> <ul style="list-style-type: none"> <li>The Amended Form IR21 will supersede all other Form(s) IR21 previously submitted for the employee.</li> <li>If you are only making changes to the amount of money withheld, please email the details via myTax Mail at myTax Portal.</li> </ul>

#### SECTION D: EMPLOYEE'S EMPLOYMENT RECORDS

<b>Date of Arrival [Item 10]</b>	Indicate 'NA' or leave this field blank if the employee has been working in Singapore prior to his employment with your company and date is unknown.
<b>Date of Cessation/ Overseas Posting [Item 12]</b>	<p>Date of Cessation refers to the official last day of service with your company. It should not be taken as the work pass cancellation date or the date after offsetting the employee's remaining vacation leave entitlement. For overseas posting cases, please indicate the employee's last day of service before an overseas posting.</p> <p><b>Example:</b></p> <p>a) <u>Resignation/ Termination</u> Employee resigned on 28/01/2019, giving one month's notice. Date of Cessation will be 27/02/2019 even though employee may take his remaining leave entitlement from 18.02.2019.</p> <p>b) <u>Overseas Posting</u> Employee on overseas posting from 01/09/2018 to 31/03/2019 Date of Cessation will be 31/08/2018.</p>
<b>Date Salary Paid [Item 19]</b>	Last Salary Paid refers to the last salary payment made to the employee.
<b>Amount and Period applicable for Last Salary Paid [Item 20 &amp; 21]</b>	<p><b>Example:</b></p> <p>Employee has tendered resignation on 31/05/2019. His cessation date would be 30/06/2019 with the one-month notice given. Assuming his salary of \$3,500 is paid on every 26<sup>th</sup> of each month, he would have been paid in advance on 26/05/2019 for his employment rendered from 01/05/2019 to 31/05/2019.</p> <p>In this case, the information to be provided should be as follows:</p> <p>Date Last Salary Paid: 26/05/2019 Amount of Last Salary Paid: \$3,500 Period applicable for Last Salary Paid: 01/05/2019 – 31/05/2019</p>
<b>Employee's Income Tax Borne by Employer [Item 24]</b>	<p>If your company is bearing the employee's income tax liability, the tax that is paid or payable by your company will form part of the employee's income and it is subject to tax.</p> <p>If your company is only bearing the tax partially, please indicate:</p> <ul style="list-style-type: none"> <li>(i) the amount and type of remuneration on which the tax is borne; or</li> <li>(ii) the amount of tax to be borne by employer and employee respectively; or</li> <li>(iii) whether it is a tax reimbursement.</li> </ul> <p><b>Note</b> Your employee's tax is not considered as 'borne by the employer' if your company is merely deducting the tax from the employee's salary or withholding his salary for tax clearance purpose.</p>

SECTION F: INCOME DECLARATION							
<b>General information on income reporting</b>	<p><u>Singapore Currency</u> All income reported should be in Singapore Dollars.</p> <p><u>Calendar year basis</u> Income should be reported per calendar year basis.</p> <p>For example, if your employee worked from 01/11/2018 to 31/05/2019, earning a monthly income of \$5,000, please report the income as follows:  a) Year of Cessation (01/01/2019 to 31/05/2019) - Income \$25,000  b) Year Prior to Year of Cessation (01/11/2018 to 31/12/2018) - Income \$10,000.</p> <p><u>Information and tax treatments of the various income components</u>  Refer to <a href="http://www.iras.gov.sg">www.iras.gov.sg</a>&gt; Home&gt; Individuals&gt; Locals&gt; What is Taxable, What is Not&gt; Income from Employment should you require more details on the various income components and benefits-in-kind, including those that are covered in this explanatory notes.</p> <p><u>Nil Income Declaration</u>  If there is no income to be declared for the employee, please provide the reason(s) separately in a letter and submit it with the Form IR21.</p>						
<b>Non-Contractual Bonus [Item 2b]</b>	This refers to bonuses which can be rescinded by the employer at any time prior to the actual payment of the bonuses without legal consequences. It is regarded as the employee's income on the date on which bonuses were paid. If there are more than one non-contractual bonus payments made to the employee during the year, please enter the date of last payment.						
<b>Director's fees [Item 3]</b>	Director's fees are regarded as paid to the director on the date on which the fees are voted for and approved at the company's Annual General Meeting or Extraordinary General Meeting of that calendar year. For more information on the tax treatment, refer to <a href="http://www.iras.gov.sg">www.iras.gov.sg</a> > Quick Links> e-Tax Guides> Select: Income Tax – Individuals> Keyword Search: Director (click on Search)> "Income Tax: Tax Treatment of Director's Fees and Bonuses from Employment.						
<b>Compensation for loss of office [Item 4e]</b>	<p>Generally, compensation for the loss of employment is not taxable. However, the payments should not include taxable components such as gratuity, notice pay, ex-gratia payment, etc that relates to the employee's past services. Refer to <a href="http://www.iras.gov.sg">www.iras.gov.sg</a>&gt; Businesses&gt; Employers&gt; Tax Treatment of Employee Remuneration&gt; Lump Sum Payment for more information.</p> <p><u>Bulk Retrenchment/Termination</u>  Employers should check with IRAS on the taxability of the payments once the retrenchment package has been finalised by sending in the following details via myTax Mail:  a) Reasons/circumstances leading to the bulk termination of employment  b) Detailed breakdown of the retrenchment package and basis of arriving at each component  c) Number of affected employees with a breakdown between Singaporeans and Foreigners  d) Name and contact number of the person administering the pay-out</p> <p>IRAS will then advise on the taxability of each component and the employer needs to declare only the taxable items.</p>						
<b>Contribution made by employer to any Pension/ Provident Fund constituted outside Singapore [Item 4(g)]</b>	<p>Contributions made by an employer to a pension/provident fund constituted outside Singapore in respect of an employment exercised in Singapore are taxable. These contributions are taxable even if the employee had ceased employment in Singapore at the time the contributions were made.</p> <p><u>Concessionary Tax Treatment</u>  As a tax concession, the employer's contributions to an overseas pension/ provident fund are not taxed provided that all the following conditions are met:  i) The contributions are mandatory under social security schemes operated, regulated and supervised by the employee's home country Government for employees even though they are working outside their home country; and  ii) The contributions are not borne by or no deduction is claimed by any permanent establishment/company in Singapore.</p> <p>The above concession will not apply if the employer is:  <ul style="list-style-type: none"> <li>an investment holding company, a tax exempt body or a representative office.</li> <li>a service company which adopts the cost plus mark-up basis for its tax assessment.</li> </ul> </p> <table border="1"> <tr> <td><b>If concessionary tax treatment is not applicable</b></td> <td>Report the amount of contributions made by employer</td> </tr> <tr> <td><b>If concessionary tax treatment is applicable</b></td> <td> Do not report the amount of contributions made by employer  Provide the following details as an attachment to the Form IR21:  <ul style="list-style-type: none"> <li>Name of the overseas pension/provident fund;</li> <li>Full amount of the contributions;</li> <li>Whether the contributions are mandatory under social security schemes operated regulated and supervised by the employee's home country Government for employees even though they are working outside their home country; and</li> <li>Whether the contributions were charged to the accounts of or deductions were claimed by a Singapore permanent establishment.</li> </ul> </td> </tr> <tr> <td colspan="2"> <u>Note:</u>  Do not report the employee's share of the contributions in item 4(g) of the Form IR21. </td> </tr> </table>	<b>If concessionary tax treatment is not applicable</b>	Report the amount of contributions made by employer	<b>If concessionary tax treatment is applicable</b>	Do not report the amount of contributions made by employer Provide the following details as an attachment to the Form IR21: <ul style="list-style-type: none"> <li>Name of the overseas pension/provident fund;</li> <li>Full amount of the contributions;</li> <li>Whether the contributions are mandatory under social security schemes operated regulated and supervised by the employee's home country Government for employees even though they are working outside their home country; and</li> <li>Whether the contributions were charged to the accounts of or deductions were claimed by a Singapore permanent establishment.</li> </ul>	<u>Note:</u> Do not report the employee's share of the contributions in item 4(g) of the Form IR21.	
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<u>Note:</u> Do not report the employee's share of the contributions in item 4(g) of the Form IR21.							
<b>Gains or profits from Employee Stock Option Plans (ESOP)/ other forms of Share Ownership Plans (ESOW) [Item 4(i)]</b>	<p>Gains or profits derived by the employee, <u>directly or indirectly</u> by reason of any office or employment from the exercise, assignment, release or acquisition of any right or benefit; or grant or vesting of any shares under an ESOW Plan is taxable.</p> <p>The gain is the difference between the open market price of shares on the date of exercise/ vesting or date the selling restriction is lifted as the case may be and the exercise price/ price paid for the shares. Provide details of the taxable gains in Appendix 2 (I) to (IV). The total gross amount of gains from ESOP/ESOW to be reported under Item 4(i) and it should tally with the total amount in Section E of Appendix 2.</p> <p><u>Note</u>  Tax exemptions under the ERIS (SMEs), ERIS (All Corporations) and ERIS (Start-Ups), will NOT apply under circumstances where the employee receives cash compensation for the release of his right or benefit to acquire shares in a qualifying company by reason of resignation or termination of employment due to misconduct. For such circumstances, state the amount of cash compensation in item 4(b) "Allowances" of the Form IR21. DO NOT complete Appendix 2.</p>						

## Taxability of ESOP/ESOW Plans

### ESOP/ESOW plan granted while an individual is exercising employment in Singapore

Granted before 1 Jan 2003	<p>The gains from any ESOP/ ESOW plans are taxable in Singapore if the ESOP/ ESOW plans are exercised/ vested while the employee is physically present in Singapore or holding an employment in Singapore. Such gains are to be reported in the year of exercise/ vest.</p> <p><b>Unexercised ESOP/ Unvested ESOW at the point of Tax Clearance</b></p> <p>If your employee has such unexercised/ unvested ESOP/ ESOW, please give details separately and cross the box "ESOP/ ESOW granted before 1 Jan 2003".</p>
Granted on or after 1 Jan 2003	<p>The gains from any ESOP/ ESOW plans are taxable in Singapore regardless of where the ESOP/ ESOW plans are exercised/ vested. Such gains are to be reported in the year of exercise/ vest.</p> <p><u>Exceptions:</u> Gains from ESOP Plans with no vesting imposed will be taxed in the year of grant. Gains from ESOP/ ESOW (with selling restriction) will be taxed in the year restriction was lifted.</p> <p><b>Unexercised ESOP/ Unvested ESOW at the point of Tax Clearance</b></p> <p>1. <u>Employee is not under Tracking option</u> The "deemed exercise" rule will apply if your employee has not exercised his stock options when he ceased employment in Singapore. Under the "deemed exercise" rule, he/ she is deemed to have derived stock gains at the point of tax clearance. You will need to compute the deemed gains from the unexercised stock options and report this in the Form IR21 - Appendix 2.</p> <p><u>Computation of deemed gain</u> The deemed gain is the difference between the closing price of the share as at one month before the date of cessation of employment or date of grant, whichever is later and the exercise price/ price paid for the share. If the deemed date falls on a Sunday or public holiday, the market price used should be the closing price on the last trading day prior to the Sunday or public holiday.</p> <p>2. <u>Employee is under Tracking option</u> The "deemed exercise" rule will not apply if the employer has been granted the approval to track all unexercised ESOP or unvested ESOW. For such circumstances, please: a) cross the box "ESOP/ ESOW granted on or after 1 Jan 2003 and tracking option applies under Item 4(j) of the Form IR21 b) provide details of the ESOP/ ESOW in Appendix 3 c) furnish the Letter of Undertaking to collect and pay the tax thereof to the Comptroller</p>

### ESOP/ ESOW plan granted while an individual is NOT exercising employment in Singapore<sup>1</sup>

Exercised or vested before 1 Jan 2002	The gains are taxable in Singapore if the ESOP/ ESOW plans are exercised/ vested while the employee is physically present in Singapore or holding an employment in Singapore.
Exercised or vested on or after 1 Jan 2002	The gains plans are not taxable in Singapore. Please note that you need NOT report such gains in the Form IR21

<sup>1</sup> This does not apply to an employee who was temporarily away from Singapore as such absence would be treated as incidental to his Singapore employment.

For more details of the various types of schemes and tax treatments, please refer to the following e-Tax Guides at [www.iras.gov.sg](http://www.iras.gov.sg) Quick Link> e-Tax Guides:

- Equity Remuneration Incentive Scheme (ERIS) (Second Edition) – Date of Publication: 26 Apr 2013
- Tax treatment of Employee Share Options and Other Forms of Employee Share Ownership Plans (Second Edition) (Date of Publication: 24 Jun 2013)

When completing the details in Appendix 2, please ensure that your company's stock plan for (ERIS) SMEs, (ERIS) All Corporations and (ERIS) Start-Ups schemes had satisfied the required vesting or holding period as well as the qualifying and administrative requirements as elaborated in the e-Tax Guides.

#### Points to note when completing Appendix 2

1. Open market value per share as at the date reflected at Column (d)
  - Where the shares acquired are listed on the Singapore Exchange, please use the last done price on the listing date of the shares so acquired.
  - Where it is not possible to determine the open market value of the shares or an arm's length price for the shares and the shares are not listed on the Singapore Exchange, please use the net asset value of the shares.
2. Value of shares for columns (e) to (m) except (h)

If the price of share/ stock option is in foreign currency, you are required to convert it to Singapore dollar(S\$) using the actual exchange rate.

Where the actual exchange rate is not available, the exchange rate from any of the following sources may be used:

  - Company's in-house exchange rate
  - Local banks
  - Locally circulated newspapers
  - Reputable news agencies

The above information is intended for better general understanding and is not intended to comprehensively address all possible issues that may arise.

While every effort has been made to ensure that the above information is consistent with existing policies and practice, should there be any changes, IRAS reserves the right to vary our position accordingly.