

Change in Reporting of Accommodation Benefit



The Ministry of Finance has recently invited the public for feedback on proposed amendments to the Singapore income tax law, one of which will affect the taxation of accommodation benefit provided to employees.

Current tax treatment

The taxable value of employer-provided accommodation is based on the Annual Value (AV) of the property. The AV is the estimated rent a property may yield and is prescribed by the Inland Revenue Authority of Singapore (IRAS) for the purpose of assessment of property tax. For a fully-furnished property, the taxable value is pegged at 150% of the AV while a partially-furnished property will have a taxable value of 140% of the AV. The AV of properties can be obtained from the property tax portal of the IRAS by paying a search fee.

As an administrative concession, employers can opt to report the actual rent paid as the taxable value instead of the AV method if it is administratively more convenient to do so.

Proposed tax treatment

Under the proposed amendment, the employer will be required to use the actual rent paid as the default basis for reporting the taxable value of employer-provided accommodation instead of the current AV method. However, where no rent is paid (e.g. the property is owned by the employer), the AV must still be used. The proposed amendment will also require the employer to use AV if the IRAS is not satisfied that the actual rent amount used is reasonable.

The proposed amendment if adopted will take effect from the Year of Assessment 2020 for accommodation provided during the calendar year 2019.

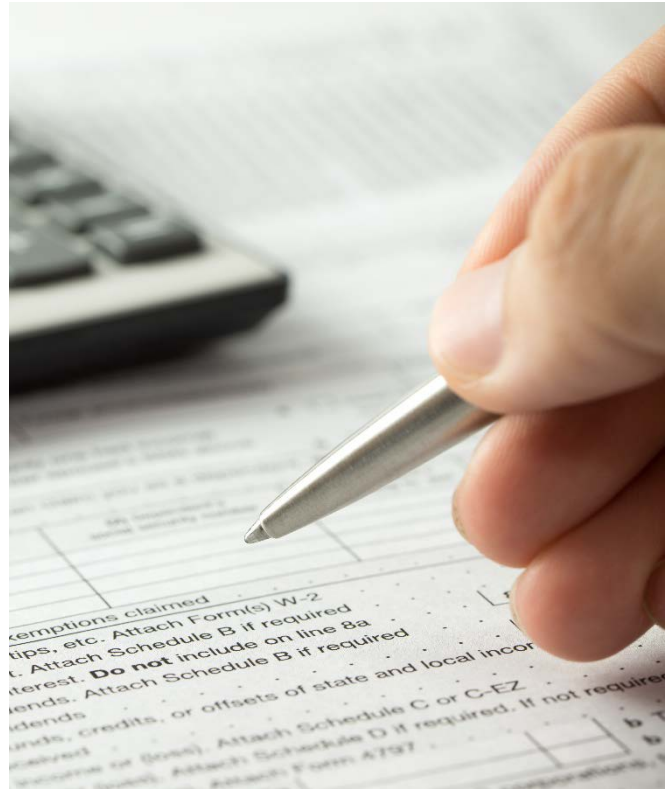
Why this matters

The proposed amendment serves to ease the reporting burden of employers since it will no longer be necessary to search the AV of properties from the IRAS property tax portal, saving time and expenses in the process. However, it should not impact those employers who are already reporting the rent paid instead of AV under the existing administrative concession.

The proposed default method to use actual rent may result in the taxable value of accommodation to increase or decrease depending on whether actual rent is higher or lower than the 140% or 150% of the AV for partially-furnished and fully-furnished properties respectively. Therefore, some individuals may see a tax increase, while others a reduction in tax payable.

How we can help

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.



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