Everything you need to know about HR & Payroll in Singapore

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Work Visas, Quotas & Foreign Worker Levy

There are many types of work visas available for foreigners seeking work in Singapore. The most common are the Employment Pass, S Pass and Work Permit. The eligibility criteria varies by visa and typically includes income level, qualifications and relevant work experience. An application for a work visa usually takes between 4 to 6 weeks.

To encourage the employment of locals, the Singapore government has introduced quotas which limit the number of foreign workers that can be employed on an S Pass or a Work Permit. The quotas vary by industry and sector e.g. quotas are more generous for construction than they are for service industries.

For each employee on an S Pass or Work Permit, employers are required to pay an additional monthly payment known as the Foreign Worker Levy (FWL). The amount payable depends on the employee's qualifications and the number of foreign employees employed by the company.

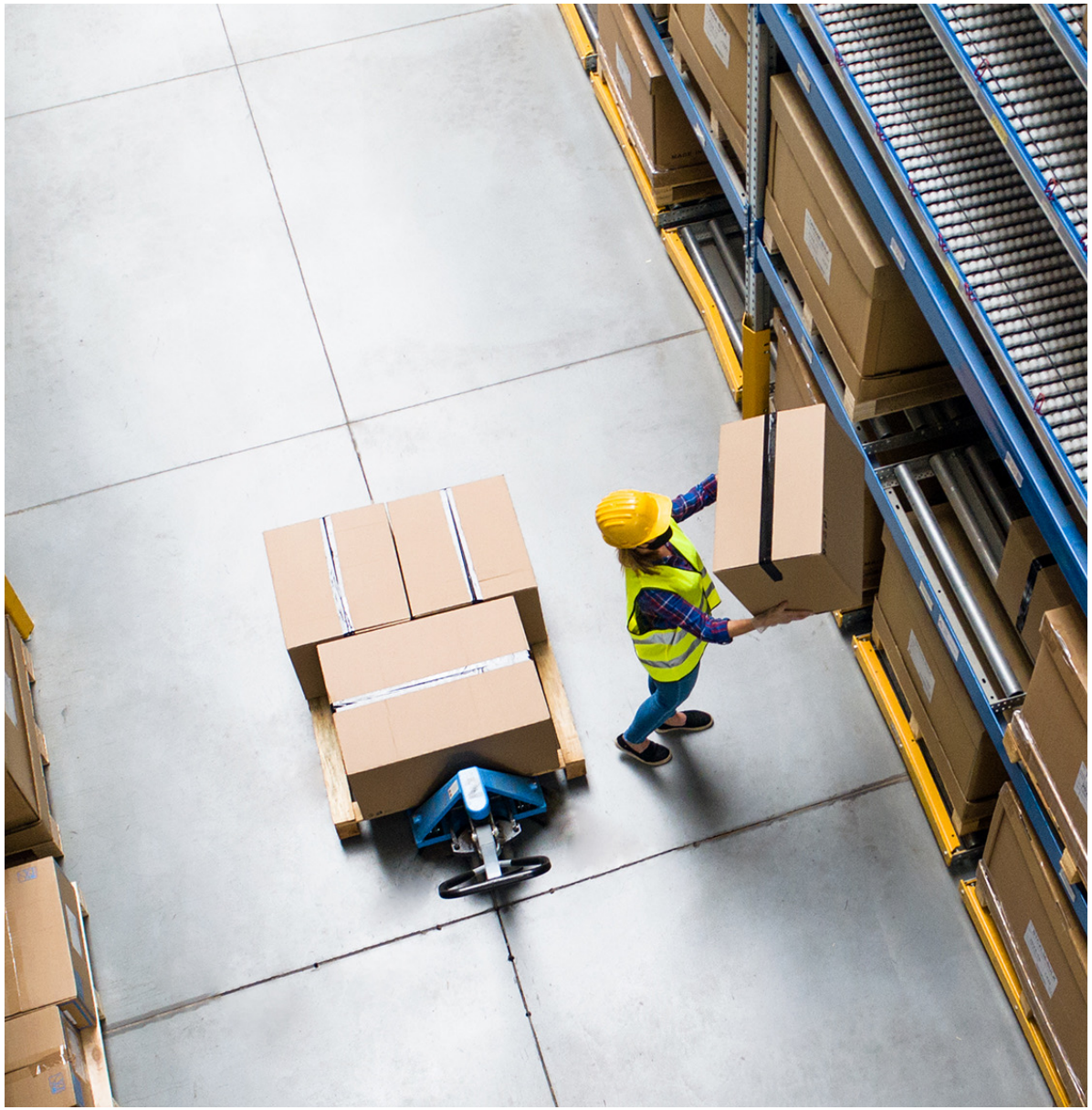
Work Injury Compensation Insurance

The Work Injury Compensation Act allows employees to make a claim for work-related injuries and diseases without having to file a claim under common law.

Under the Act, employers must purchase workman insurance for the following groups of employees:

- All employees performing manual work, regardless of salary.
- All employees with a salary of SGD 1,600 or below. This salary threshold will increase to SGD 2,100 and to SGD 2,600 from 1st April 2020 and 1st April 2021 respectively.

Note: Employers are required to compensate employees for work-related injuries even if the employee does not fall within the mandatory insurance parameters above i.e. compensation is required regardless of salary, age and nationality.



CPF - Singapore’s Social Security system

Social Security in Singapore is known as the Central Provident Fund (CPF). CPF contributions are mandatory for Singaporeans and Singapore Permanent Resident (SPR) employees.

Foreign employees are not eligible to contribute to CPF. Employers who would like to provide quasi-social security support to foreign employees can consider providing an allowance in lieu of CPF, making payments to a tax-efficient Supplementary Retirement Scheme (SRS) account or, if possible, contributing to the employee’s home country social security fund.

Non-mandatory fund contributions

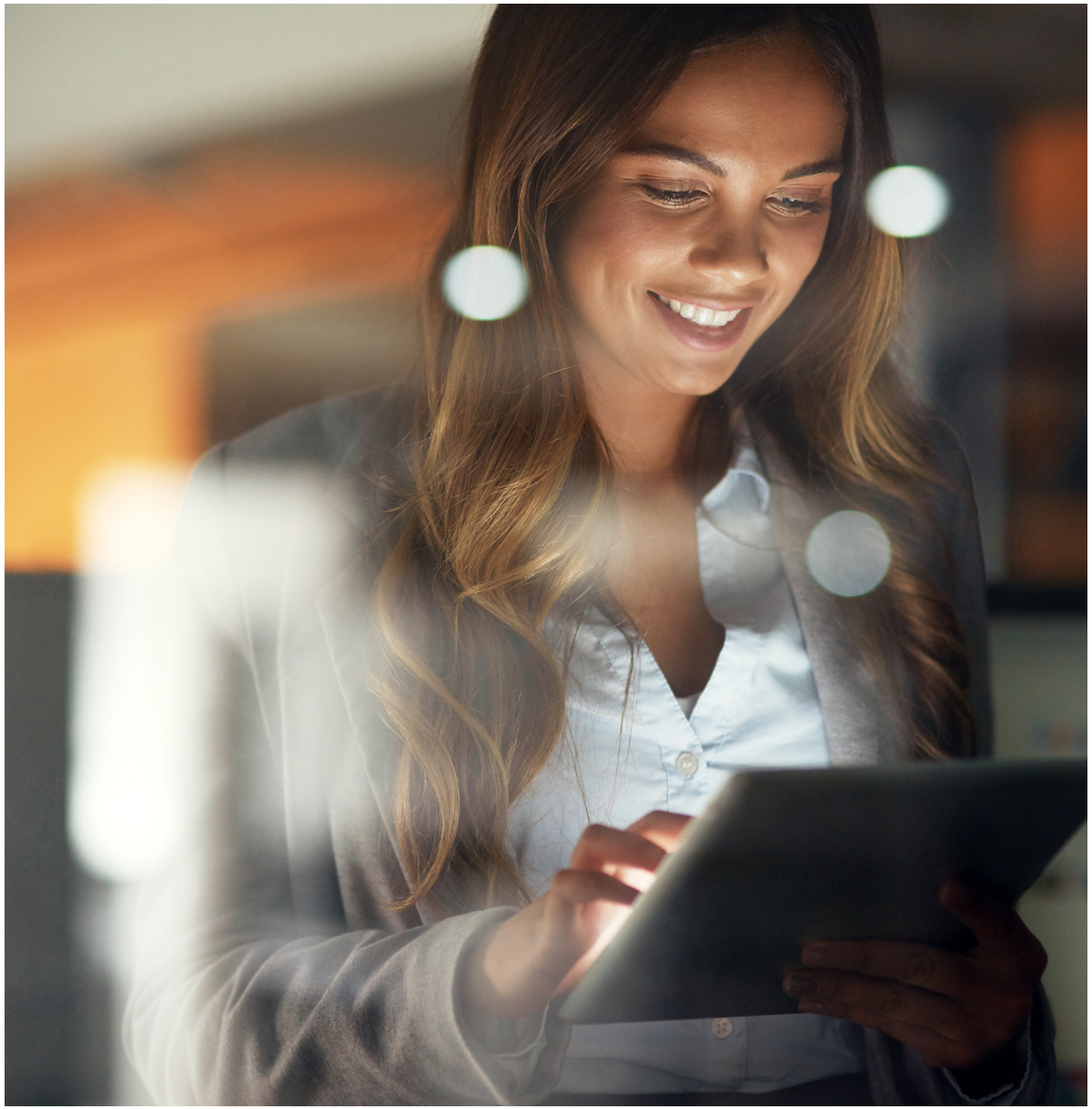
In line with Singapore's multi-racial and multi-religious society, Self-Help Groups (SHG) were set up to uplift the less privileged and low-income households in the different ethnic communities.

Employers are expected to deduct the SHG contributions from their employees' monthly salary. Employees who do not wish to contribute can submit an opt-out form to the respective SHGs.

Bonuses & the 13th month

A 13th-month salary, also known as Annual Wage Supplement (AWS), refers to the payment of an additional month's salary as part of the employee's contract.

It is becoming increasingly common for employers to pay a variable bonus instead of, or in addition to, a 13th-month salary. The quantum of the variable bonus is typically dependent upon the performance of the company and the employee.



Annual Leave entitlements - Employment Act vs. Market Practice

Employees who have worked for at least 3 months are entitled to paid annual leave per the Employment Act. Employees are entitled to 7 days of annual leave for the first year of service. This increases by one day for each additional year up to a maximum of 14 days.

Many companies offer more than the minimum entitlement. Depending upon the industry, it is common for employers to offer 14 days paid annual leave or more in the first year of service. Management level employees may start with as high as 20 days of annual leave.

Annual leave entitlements are in addition to paid public holidays and paid medical leave entitlements.

Government & Military leave

To encourage couples to have children, the Singapore Government introduced Government-paid leave schemes including maternity, paternity, adoption and child care leave. Eligibility and the leave period depends upon the nationality and age of the child.

Singapore requires all male Singaporean citizens to perform National service: military, police or civil defence. National service consists of an initial, full-time, 2-year period following high school. Thereafter, males may be called up for reservist training, typically annually. The reservist obligation ends at the age of 50, for commissioned officers, and 40 for all other ranks.

Employers must grant Military Leave to male employees who receive a call-up notice. Employers can make a claim from the Government for the salary of the employee during the period that he was away on Military Leave.

Singapore income tax

There is no income tax withheld as part of the monthly payroll process. Instead, an income tax assessment is conducted annually based on income earnt in the preceding calendar year.

Employers are required to submit employee income information to the Inland Revenue Authority of Singapore (IRAS). IRAS will then inform the employees of their tax liability. The employee is responsible for arranging the tax payment directly to IRAS.

Tax resident vs. non-tax resident income tax rates

Singapore tax residents are taxed on progressive income tax rates. Non-tax residents are taxed at the higher of a flat rate or the resident tax rate. Non-tax residents are not entitled to tax relief.

To be regarded as a tax resident, the employee should be physically present in Singapore for at least 183 days in the year. Alternatively, the period of employment should be at least 183 days straddling two consecutive years.

If the work visa is granted for at least one year, the employee will initially be treated as a tax resident even if employment is less than 183 days in the first year. However, the tax residency status will be re-evaluated at the point of tax clearance and an additional tax liability may be imposed if the employee does not meet the tax resident criteria.

Tax clearance

Employers are required to file tax clearance for all foreign employees ceasing employment. This filing must be done at least one month before the last day of employment.

Employers are required to withhold all monies due to the employee from the time that the employee is known to be leaving their employment. The amount withheld will then be used to contribute to or settle the employee's outstanding tax liability with IRAS. If the amount withheld is not sufficient, and the employer failed to file the tax clearance on a timely basis, the employer may be required to settle the shortfall in tax.

The tax clearance process also applies when a Singapore Permanent Resident employee ceases employment. This is unless a signed Letter of Undertaking (LOU) is obtained. The LOU is a declaration by the employee that he or she will not be leaving Singapore after ceasing employment.

Fair Consideration Framework (FCF)

The Fair Consideration Framework sets out requirements for all employers in Singapore to consider the local workforce fairly for job opportunities, before hiring foreign professionals on EP. This is to provide greater deterrence against discriminatory hiring practices, or hiring practices that differ significantly from the industry (i.e. companies with a high concentration of single nationality).

All employers in Singapore are expected to adhere to the Tripartite Guidelines on Fair Employment Practices. Even if some jobs are eligible for advertising exemption, employers are also strongly encouraged to advertise job vacancies on MyCareersFuture. Regardless of the recruitment platform, all employers should practice fair hiring.

Job advertisement on MyCareersFuture

According to the enhanced FCF, employers are typically required to advertise job positions on MyCareersFuture, a government job portal, for 28 days before they can apply for an EP or S Pass for that position.

However, an extension of the advertisement is required for another 28 days if the employer makes changes in any of the following:

- Salary offered
- Occupation
- Number of vacancies available
- Employing company

Talent handbook

A talent handbook is crucial to every organisation’s talent management process. It should outline key policies and practices that best inform employees of the company’s objectives, organisational structure, terms and conditions of employment, staff benefits, professional conduct, and more.

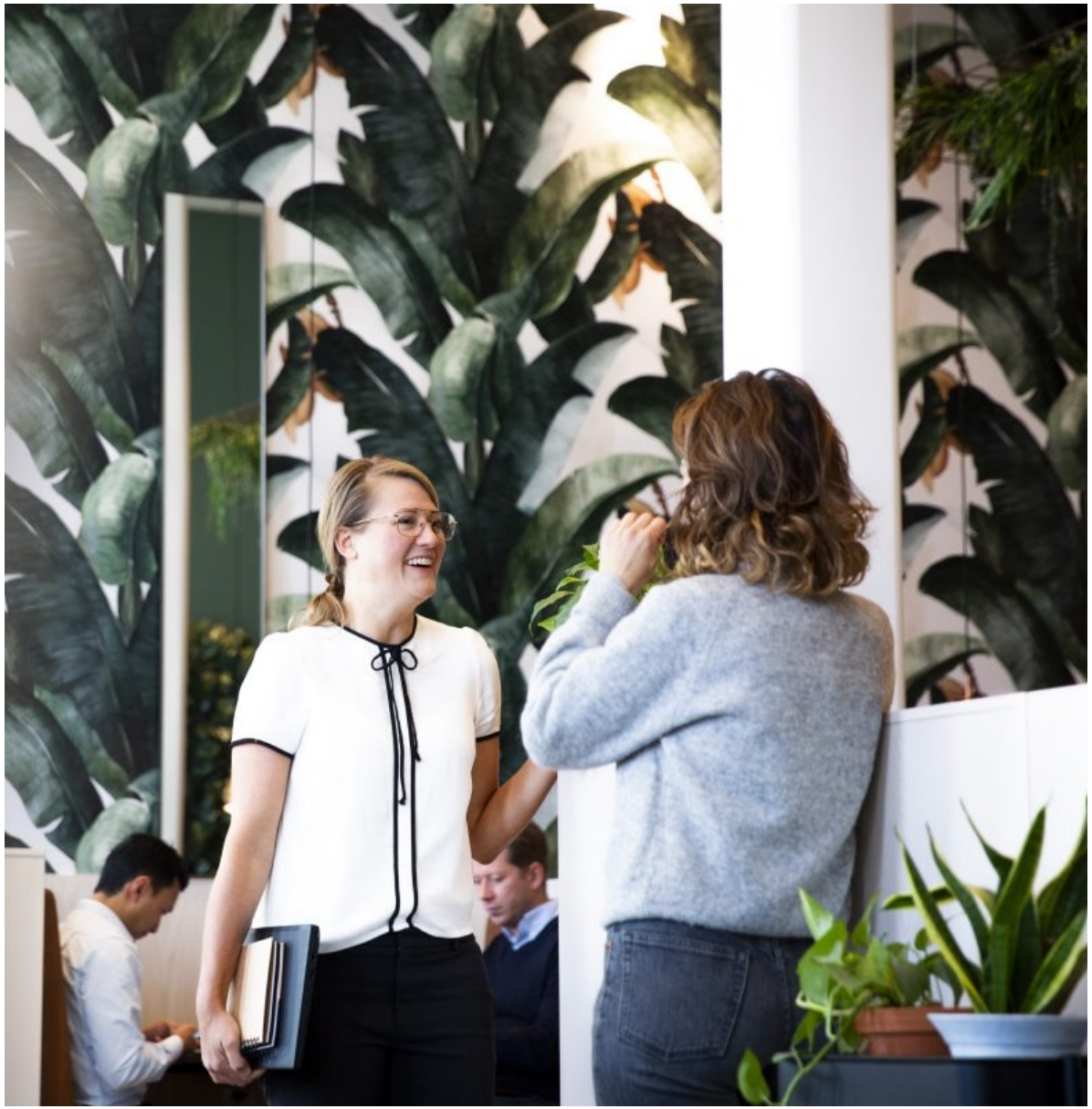
With the creation of the handbook, employees are expected to comply with the guidelines and stay updated on the clauses stated in the document.

Such a handbook can serve to avoid disputes between the employee and the employer, and also minimise any difference in the understanding of the company’s key policies. Presenting these relevant information can also develop, motivate, and retain employees for the long-term.

Employment agreement

Employers have to insert the following (non-exhaustive) items into the employment agreement. These are called Key employment terms (KETs) and they define a legal binding agreement between the employee and employer. Besides the job title, main duties and responsibilities, other basic information should be included:

- Working arrangements (daily working hours, number of working days per week, etc)
- Salary period
- Basic salary (employers should include basic rate of pay for hourly, daily, or piece-rated workers)
- Fixed allowances and deductions
- Type of leave entitlement
- Medical benefits
- Probation and notice period.



Intra-Corporate Transferees (ICT)

Intra-corporate transferees (ICT) are employment pass (EP) holders, and must have worked for their company for at least one year before being posted to the branch, affiliate or subsidiary in Singapore.

Employers can be exempted from advertising the job on MyCareersFuture if certain conditions are met.

The two main requirements are: (i) the candidate must meet the definition of ICT under World Trade Organisation's General Agreement Trade in Services or any applicable FTA; and (ii) the candidate must have worked for the overseas company outside Singapore for at least 1 year holding managerial, executive or specialist roles.

Contact

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