

FinancialQuotient

What is a tax resident?

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WHAT DOES IT MEAN?

The term “tax resident” has a special meaning. An individual can qualify to be treated as a Singapore tax resident either under a qualitative or quantitative test.

Adopting the qualitative test, a Singapore citizen or a Singapore permanent resident with a permanent home here will ordinarily be regarded as a Singapore tax resident, even if he has been physically away

from Singapore on a temporary basis, so long as the period of absence is reasonable.

For foreigners who normally do not reside in Singapore, they can still be treated as Singapore tax residents under the quantitative test provided they are either physically present, or are exercising employment here for at least 183 days in any calendar year. The qualification tests for tax residents vary from country to country.

As for a company, it is regarded as tax resident here only if its control

and management are exercised in Singapore. The general rule is that the place of tax residence for a company is determined by the location where the board of directors meets to formulate strategic policies.

WHY IS IT IMPORTANT?

Significant tax benefits are conferred on Singapore tax residents. Once an individual is regarded as tax resident in Singapore, he can potentially avail himself of the benefits accorded under the tax treaties concluded between Singapore and

another country.

In addition, only a Singapore tax-resident individual is entitled to claim personal reliefs and he is taxed based on graduated rates ranging from 2 to 22 per cent, as opposed to a flat rate of 22 per cent for most income in the case of a non-tax resident individual.

For companies, although the tax rates are generally the same for both residents and non-residents, only tax-resident companies can qualify for certain tax exemptions and the benefits accorded by tax

treaties concluded between Singapore and other countries. In short, tax residents enjoy significant advantages compared to non-residents.

**IF YOU WANT TO USE
THE TERM, JUST SAY:**

“To claim personal reliefs, an individual must first be a tax resident of Singapore.”

- The writer is associate professor (practice) of the Department of Accounting at NUS Business School.