

Changes in The Taxation of Accommodation Benefits Provided to Employees

Introduction

Effective 1 January 2014 (Year of Assessment 2015), the taxation of accommodation benefits provided to employees will change. The changes will significantly affect employees who stay in either a place of residence or in a serviced apartment provided by the employer.

Changes to the tax treatment

Type of Accommodation Benefit	Year of Assessment 2014 and before	Year of Assessment 2015 onwards
Place of Residence or Serviced Apartment not within hotel building	Lower of 10% of employment income; or Annual Value (AV) of premises (or rent paid by employer where AV is unavailable), less rent paid by employee.	AV of premises, less rent paid by employee
Rental of Furniture and Fittings (F&F)	Prescribed rates for each piece of F&F provided.	<ul style="list-style-type: none"> 40% of the AV if the premises is partially furnished (i.e. lightings, air-conditioner/ceiling fan, water heater); 50% of the AV if the premises is fully furnished (i.e. both F&F/household appliances are provided)

What does this mean for the taxpayer?

The new rules have increased the taxation of employer provided housing benefits to individuals when compared to previous years. Is it still more beneficial to receive housing benefits from an employer?

In the Frequently Asked Questions to the new rules, the IRAS has stated that *“as an administrative concession, employers can choose to report the actual market rent paid for the furnished unit instead of using the AV”*. In the example, it states that if an employer has provided for accommodation costing S\$5,000 per month. The benefit that can be reported, instead of 150% of the AV, is S\$5,000. This brings the tax treatment in line with the taxable benefit if cash was paid to the employee instead.

On this basis, it appears that the only benefit that a tax-payer may receive under the new rules would be where the rent paid by the employer is higher than the 140%/150% of the AV (as the case may be). We believe that in many cases, this may be the case.

Conclusion

It would be advisable for employees and employers to carry out the exercise to check the AV of the specific property to assess whether it would be still beneficial to keep the lease in the company’s name on renewal. If there is no benefit and the tax treatment is neutral, employers would need to reassess the decision to provide housing accommodation to their employees.