

A night-time photograph of the Singapore skyline. The Merlion statue is illuminated in the foreground, spouting water. In the background, several skyscrapers are lit up, including the Fullerton Hotel. The sky is a deep blue.

# S&S

PENSION CONSULTANCY

## Global Expat Pensions

SINGAPORE EDITION

INTERNATIONAL PENSIONS

PASSION FOR PENSIONS AND RESULTS

## Focus on your Results

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We provide independent pension consultancy for the (inter)national business market. Our challenge is to optimize *your* pension results.

## Affinity for expats

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Expats have a uniquely challenging business and private life. As we appreciate their drive and competitiveness, we have affinity for expats. It is our challenge to optimize their pension interests from day one.

## Expats require customization

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Each expat has a special situation and personal preferences. Business and personal circumstances can change in time. Therefore only customization can provide the required optimal international (risk) coverages, cost control and flexibility. Standard financial products might seem practical. However, they tend to be (extremely) expensive, inflexible and not providing customized coverage.

## Expats in Singapore

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As Singapore is the gateway to South East Asia, many expats prefer it as their temporary residence. Therefore we will focus on frequent pension related issues of especially Dutch expats in Singapore.



## International/local contract

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The first distinction to be made is the difference between an international or local contract.

In case of an international contract from for example a Dutch Holding company, rather strict Dutch civil and fiscal pension law is applicable. Whereas a local Singaporean based contract is dictated by the much less strict Singaporean pension law.

## Singaporean Income Tax

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### Tax resident

You will i.e. be treated as a tax resident if in the previous year you have resided in Singapore for at least 183 days. The rate regarding employment income has the following progression:

<b>Taxable income</b>	<b>Rate of 2015</b>	<b>Taxable income</b>	<b>Rate of 2015</b>
More than € 40.000,-	7 %	More than € 160.000,-	17 %
More than € 80.000,-	11,5 %	More than € 200.000,-	18 %
More than € 120.000,-	15 %	More than € 320.000,-	20 %

Pension premium financed by expats can i.e. result in tax relief if all conditions are met.

### **Non tax resident**

The employment income is taxed at a 2015 flat rate of 15% or the progressive resident tax rates, whichever results in a higher tax amount. Director's and consultation fees are generally taxed at a 2015 flat rate of 20%.

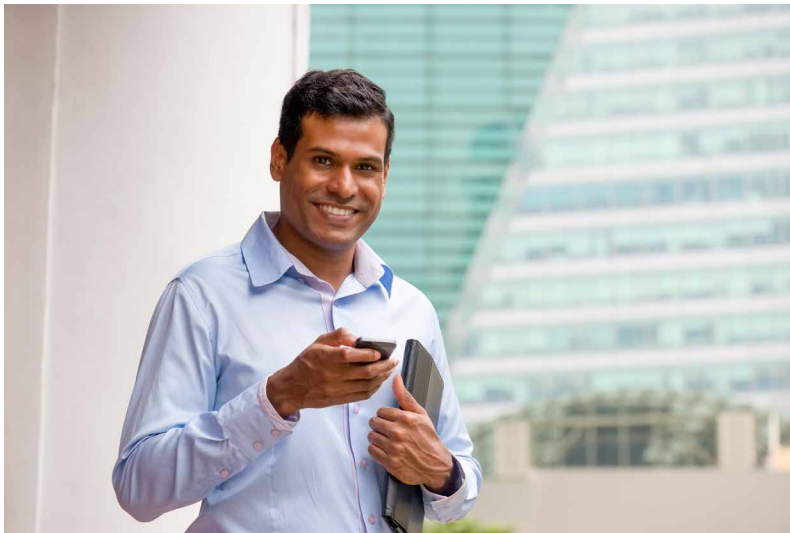
Pension premium financed by expats can i.e. not result in tax relief.

### **Double taxation**

In order to avoid double taxation, Singapore has tax relief agreements with 34 countries. Among others with Holland, Belgium, Luxembourg, Germany, France, United Kingdom, Switzerland, Canada, Australia and New Zealand.

### **'Voluntary' implementation of homeland rates**

Some foreign based companies implement on a non governmental bases and therefore voluntarily the homeland tax rate. Besides the probably higher rates and withholding, it is advisable to beforehand look at all pension implications.



## **Singaporean Social Security Coverage**

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### **Singapore excludes expats**

Temporary residing expats do not qualify for Singaporean social security coverage and premium payment. Singapore also has no social security agreement with other countries. Expats in Singapore are advised to take charge of their own coverage.

### **Desired coverage**

Expats have to decide what kind and amount of coverage they prefer for their family regarding in general disability, passing away prematurely and old age risks.

### **Voluntary continuation of homeland coverage**

In several home countries it is possible to voluntarily continue the domestic coverage while working abroad as expat. It is advisable to carefully compare the offered coverage with the required premium.

### **Voluntary continuation of Dutch homeland coverage**

Dutch expats have in general three separate possibilities:

**A)** During maximum 10 years expats can insure coverage for governmental old age and next of kin pension at the SVB. The coverage has to be requested within 12 months at the end of the previously existing mandatory coverage.

**B)** During maximum 5 years the expat can insure himself for governmental disability and unemployment coverage at the UWV. Required is that the expat has a Dutch employer and requests the coverage within 13 weeks after the ending of his previously existing mandatory coverage.

As disability coverage is not possible as there is no social security agreement between Holland and Singapore, Dutch expats in Singapore can only opt for the unemployment coverage.

**C)** In case an expat in general is seconded for maximum 2 years by a Dutch employer, he can apply by means of a A1/E 101 Declaration for total Dutch social security coverage at the SVB.

This regards i.e. not only old age and next of kin pension coverage but also disability and unemployment coverage. A requirement is that the expat previously was insured by Dutch social security.

As Singapore has no social security agreement with Holland, this option is not possible for Dutch expats in Singapore.



## Private insurance coverage

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Another option is to provide for the desired coverage by private insurance. In this respect the following issues are relevant:

- Starting this coverage while still living in the homeland might save 50% premium.
- Participating in a collective coverage facilitated by the employer might save premium.
- Regarding the next of kin and disability coverage do you prefer capital or annuity?
- Is annual indexation of the coverage to keep up with inflation required?
- Determine your wishes regarding capital and/or risk based coverage.
- Check possibly existing corporate coverage for only being valid in case of accidents.
- Substantial annual bonuses might reduce your required future coverage and costs.

## Pensions

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### Local contract

In general it is not standard practice for companies in Singapore to provide pension and retirement plans as part of employee packages.

### International contract

Many expats have an employment and pension contract directed by the homeland jurisdiction. We will now focus on current pension issues of such Dutch expats in Singapore.

## Decreased maximum Dutch pension claims

As of 2015 the maximum amount of pension earning wages regarding old age and next of kin pensions amounts to € 100.000,-. The maximum amount of pension claim is as of 2015 and based on old age pension age of 67:

### *Defined Benefit system with final pay clause:*

Old age pension claim	: 1,657 %
Next of kin pension claim	: 1,160 %
Orphan pension claim	: 0,232 %

### *Defined Benefit system with average pay clause:*

Old age pension claim	: 1,875 %
Next of kin pension claim	: 1,313 %
Orphan pension claim	: 0,263 %

### *Defined Contribution system:*

These percentages are derived from the maximum Defined Benefit pension claims. They are calculated at a 3% or 4% discount rate. As of 2015 these percentages have to be listed without costs.

## Decreased pension claim compensated correctly?

For many expats this results in a seriously decreased pension claim. According to Dutch jurisprudence, total compensation is in order.

Has this been implemented to the right extent and in the right manner? Especially regarding Defined Benefit pension claims this is an interesting issue. It is in the interest of expats to use among other parameters the correct (future) interest rate and future period.



## Attractive compensation possibilities

If the existing pension scheme is attractive, it is an option to have the mentioned compensation invested in the current plan:

- In the past not totally used fiscal possibilities can i.e. still be used.
- Often the annual bonus is not included in the standard pension earning wages. In this respect however it can i.e. be included in order to calculate the maximum fiscal possibilities.

## Net Pension

In order to 'compensate' the end of pension claims beyond € 100.000,- pension earning wages as of 2015, the Net Pension has been introduced by the Dutch government.

In general in Holland the pension claim and pension build up are not taxed until pension age. Then the terms are taxed annually. The current own contribution of premium is according to Dutch tax law in general tax deductible.

The Net Pension option provides an additional pension claim. The annual premium is taken from the net (after tax) wages and the terms at pension age are not taxed. Tax is totally by passed. In Holland the positive aspect is that one currently does not have to pay 1,2% capital tax in Box 3 of the Dutch Individual Income Tax.

Net Pension can only be implemented by a Defined Contribution system. Participation is voluntary. As with each kind of pension premium, the wages administration of the employer takes care of the premium payment and of the withholding from the wages of the participating employee.

## Net Annuity

The essential difference with the Net Pension is that it is taken out of the legal pension sphere and therefore totally private. The positive effect thereof is that the strict Dutch pension legislation does not apply. A negative effect is that a medical test is legally allowed.

## Existing expat pension claims

Many expats have in the past already acquired substantial pension claims. Due to lack of time and expertise these claims are not always handled in the best way. For instance the annual effect of indexation deserves attention as its total effect during for example 25 years will be substantial.

Have you looked into the possibility and desirability of (inter) national transfers of value? As these issues are rather technical, professional advice seems desirable.

## Optimal pension system

Due to the historically low interest rates and the introduction of the Defined Contribution based new PPI system in 2011, the Dutch PPI system can be very interesting for expats.

Regarding PPI please take among other parameters the following issues into account:

- Besides low cost levels the annual return on investment is outstanding?
- Does the PPI have the by you required investment possibilities?
- Their Life Cycle propositions are well structured and one can choose between defensive/neutral/offensive?
- Regarding the possibly by you required risk coverage you can choose between several insurance options?
- It is possible to end the PPI contract on short term?

## Consultancy for Expats/HR

Our expat services can be provided exclusively for expats or HR. Another approach is that we mediate between expats and HR. After we have analyzed all facts, we advise them both about all options and the most realistic solutions. This approach tends to cut costs and can be implemented swiftly.

## International experience and network

We have more than 20 years of experience in international expat and collective pension consultancy. Thus we have an elaborate international network. If so desired, we can advise and act swiftly in international matters.



## **Contact**

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