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# Tax alert

# Preparing for YA 2026 employer tax filing of employees' remuneration

With the upcoming tax filing season of employees' remuneration for the year of assessment (YA) 2026 (calendar year 2025) approaching, it is important for employers to take note of the latest reporting requirements and initiate timely data collation to meet the filing deadline for the return of employees' remuneration (i.e., form IR8A) by 1 March 2026.

This is also an opportune time to refresh tax positions and undertake a comprehensive review of employee benefits to ensure all taxable items are accurately captured and positions remain aligned with current regulations.

Where discrepancies are identified, employers should revisit prior years' forms IR8A or IR21 filings to confirm compliance and consider timely corrective measures under the Inland Revenue Authority of Singapore (IRAS) Voluntary Disclosure Programme (VDP).

## Key updates for employer's tax reporting

### Reporting of retrenchment payments

The IRAS has streamlined the process for reviewing retrenchment payments by removing the requirement to seek upfront confirmation on the taxability of the components of retrenchment payments with effect from YA 2026. Employers can now self-assess the taxability of each component based on the guidance provided by the IRAS on their website and declare the taxable and non-taxable amounts in the employer's tax forms (i.e., form IR8A or IR21).

Please refer to the EY tax alert for more details.

### Reporting of excess or voluntary employer's contributions to Central Provident Fund (CPF)

Excess or voluntary employer's CPF contributions are taxable in the employee's name. Previously, employers were required to complete form IR8S to report details of excess or voluntary CPF contributions or any refunds claimed from the CPF Board.

With effect from YA 2026, the form IR8S will be discontinued. Employers should continue to report any excess or voluntary employer's CPF contributions less amount refunded or to be refunded under item "d)6." of the form IR8A.

Furthermore, any interest earned on refunds of excess employee's CPF contribution is taxable based on the refund date. For example, if the interest is refunded in 2026, it will be taxable in YA 2027. The refund claim of this interest should be reported in item "d)1. Allowances" of the form IR8A.

### Common areas of compliance gaps and risk areas of employees' remuneration reporting

Employers should also be mindful of common compliance gaps, which could lead to omission of reporting of taxable income and benefits such as:

1. **Benefits processed outside of local payroll**

   These include any taxable reimbursements made by third party vendors to employees, remuneration or benefits processed by overseas payroll etc. Such items are often overlooked but remain taxable in Singapore.

2. **Rollout of new incentive plans or benefits**

   When new benefits schemes such as bonus schemes or share-based awards are introduced, employers must assess their taxability and ensure proper reporting of payouts, benefits and gains arising from these schemes. Failure to update payroll systems or processes promptly can lead to under-reporting.

3. **Changes to benefits policy**

   Adjustments to existing benefits policies, e.g., switching from car benefit to a transport allowance or expanding health screening to include spouse or dependents may alter existing tax treatment. Employers should refresh tax positions to reflect these changes and avoid outdated assumptions.

4. **Cross-border employee transfers**

   Cross-border employee transfers between entities can result in split payroll arrangements, relocation benefits or trigger deemed exercise of unvested or unexercised share awards or options granted during Singapore employment. These scenarios require detailed review to ensure all Singapore sourced taxable income is tracked, consolidated and reported accurately.

5. **Organisation restructuring exercises**

   Mergers, acquisitions or internal restructuring impacting employees' transfers and movements often lead to changes in CPF annual wage ceilings, retrenchment packages or accelerated vesting of share awards. Employers should verify the taxability, amount and taxable events of such employees' transfers or movements to ensure accurate reporting of remuneration.

6. **Employer's contributions to overseas pension or provident fund or social security scheme**

   The concessionary tax treatment on employer's contribution to mandatory overseas pension, provident fund or social security scheme has ceased from YA 2025. Employers' contributions made on or after 1 January 2024 to such overseas schemes are taxable in the hands of employees upon contribution, regardless of whether the fund is mandatory or whether the employer claims a corporate tax deduction for these contributions.

7. **Group insurance coverage**

   Employer-provided group term life, critical illness insurance or personal accident plans may be taxable depending on the plan terms, beneficiaries or corporate tax deductibility position of the premiums by the employer. These benefits are often processed outside payroll and omitted during reporting.
   In addition, the corporate tax deductibility position of the premiums can affect how these benefits are taxed for employees, and process gaps often arise when internal teams fail to share information or communicate clearly.

Failure to identify and address these areas can result in under-reporting of taxable items and increased risk of penalties. A proactive review of these risk areas is essential to ensure full compliance and readiness for the upcoming form IR8A filing.

**Employer best practices for tax compliance**

Employers are facing increased scrutiny from the IRAS through assurance questionnaires, targeted queries via corporate income tax returns and various other avenues.

To ensure compliance and readiness for tax audits, employers should:

- Maintain and review documentation of pay codes and corresponding taxability positions and periodically review them to align with the latest IRAS guidelines.
- Provide regular training to in-house payroll and HR teams to equip them with knowledge and awareness of the latest IRAS updates.
- Approach your tax consultant for a review of pay codes and off-payroll items for accurate tax reporting. Any inconsistencies or non-compliance issues identified should be proactively rectified via the IRAS' VDP.

**IRAS VDP**

To be eligible, a voluntary disclosure must be accurate and complete and timely and self-initiated under either one of the following conditions:

- Before the employer receives a query from the IRAS relating to tax or employee's remuneration matters

  Or

- Before the employer receives notification from the IRAS on the commencement of an audit or investigation on tax or employee's remuneration matters.

Under the Income Tax Act 1947, the statute of limitation to raise an amended assessment is four back years from the current YA, assuming no fraud and willful intent to evade taxes. Hence, given the current year of assessment is YA 2026, the four back years are YA 2022 to YA 2025 (income years 2021 to 2024). Under the VDP, the reduced penalty is an incremental 5% on the taxes undercharged, per year of delay versus the statutory penalties of 200% to 400% (due to fraud or evasion intent) on the taxes undercharged.

If remediation via a VDP is required, employees' communication forms a key part of the remediation process to build trust and provide assurance on the employer's tax reporting going forward.

Should you require any clarifications or further assistance, please do not hesitate to contact your EY advisors, or one of the contacts detailed below.

## Contact us

If you would like to know more about the issues discussed and our services, please contact any of the following personnel:


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