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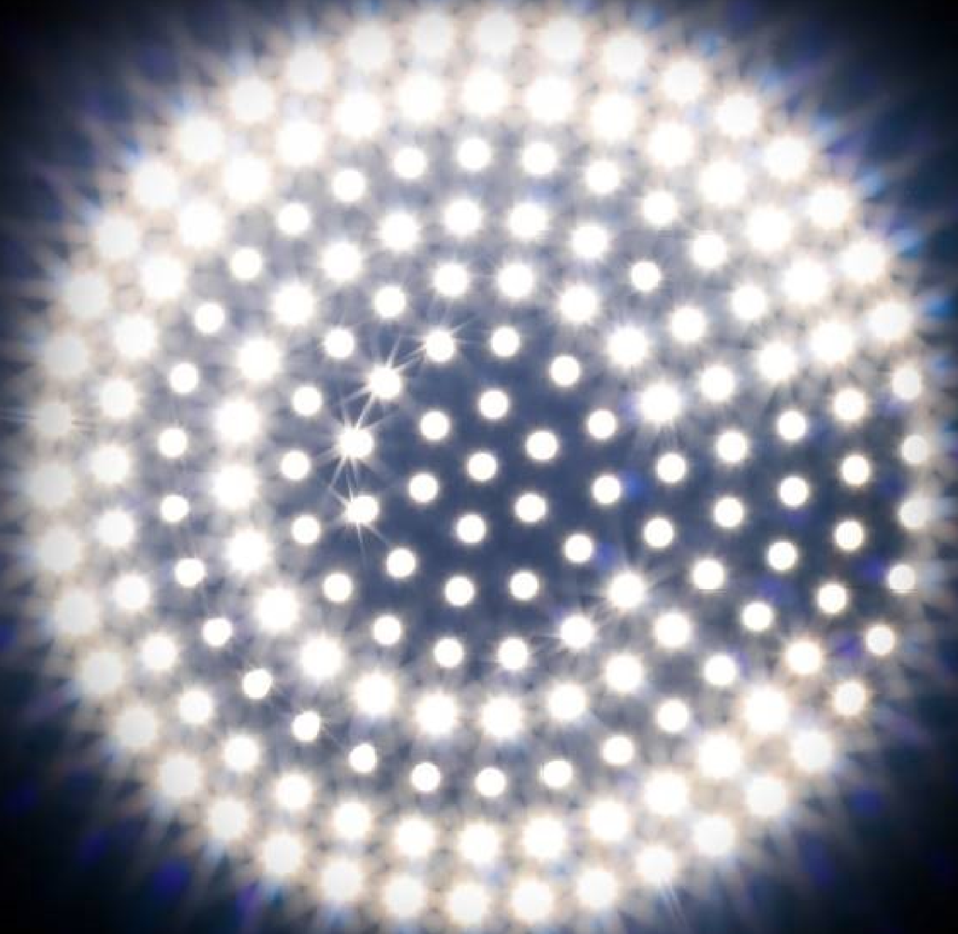

Taxation and Investment in Singapore 2017

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1.0 Investment climate

1.1 Business environment

Singapore is a republic with a parliamentary system of government. The head of state is the president, and there is a prime minister and cabinet.

Singapore offers a strong investment climate, in view of its political stability, efficient government, free enterprise economy, excellent infrastructure and communications systems, readily available financial and professional support services, attractive investment incentives and adaptable work force.

Singapore has a competitive and business-friendly economy. Its diversified economy depends heavily on exports and refining imported goods (especially in manufacturing), and includes significant electronics, petroleum refining, chemicals, mechanical engineering and biomedical sciences sectors. Financial services, port and logistics services, education and tourism also form a large part of Singapore's economy.

Singapore is a member of the World Trade Organization (WTO). Along with Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand and Vietnam, Singapore is a member of the Association of Southeast Asian Nations (ASEAN), a trade alliance intended to foster economic cooperation, social progress and cultural development among ASEAN members; to protect regional peace and stability; and to establish a joint market for attracting foreign trade and investment. Singapore also is a member of the Asia-Pacific Economic Cooperation.

Price controls

The Competition Commission of Singapore (CCS) is tasked with enforcing the Competition Act. Among other things, the act prohibits unfair or abusive pricing practices and aims to preserve competition in the marketplace. Certain other agencies may set price controls in certain sectors, e.g. the Infocomm Development Authority regulates the pricing of certain dominant operators in the telecommunications sector.

Intellectual property

The Intellectual Property Office of Singapore advises on and administers intellectual property laws, promotes intellectual property awareness and provides the infrastructure to facilitate the development of intellectual property in Singapore.

The types of intellectual property typically recognized in Singapore include copyrights, patents, trademarks, geographical indications, industrial designs, trade secrets, confidential information and layout-designs of integrated circuits.

1.2 Currency

The currency is the Singapore dollar (SGD).

1.3 Banking and financing

Singapore's government has successfully transformed the small island state into a regional financial center. Singapore's banking sector provides a wide range of services, from traditional lending and deposit taking to corporate and investment banking activities. The banking and finance industries in Singapore are regulated by the Monetary Authority of Singapore (MAS).

1.4 Foreign investment

Singapore offers a favorable business environment for businesses looking to invest in the country; the efficient legal system, highly skilled workforce, political and economic stability, ability to enforce infringements of intellectual property rights and pleasant living environment are amongst the factors that attract businesses to not only operate in Singapore, but also to use the country as their hub for expansion in the region. The Singapore government also maintains a relatively noncomplex tax system and maintains tax rates at competitive levels as part of its pro-business stance.

The government welcomes foreign investment that contributes to the economic growth of Singapore, and specifically favors investments in high value-added and skills, technology-based and bio-medical industries. To encourage investment, the government offers attractive incentives to qualifying

activities. By promoting its location and its transportation, telecommunications and financial infrastructures, Singapore has successfully marketed itself to foreign investors as a regional *entrepôt*.

There are no requirements for national or local participation in the equity or management of foreign-owned enterprises. Foreign investors generally are not restricted from investing in any industries, although essential service industries (e.g. port facilities and public utilities) are restricted to the public sector and licenses are required for certain activities.

1.5 Tax incentives

Tax exemptions and various tax incentives are available.

Singapore offers a wide range of investment incentives, including tax holidays and concessions, accelerated depreciation schemes, favorable loan conditions, equity participation and high-quality industrial estates to attract taxpayers that promote or enhance the economic and technological development of Singapore. These incentives are described in the Income Tax Act and the Economic Expansion Incentives (Relief from Income Tax) Act (EEIA) and are applicable to a wide spectrum of qualifying business activities.

Concessionary tax rates under the incentives range from 0% to 15% (vs. a headline corporate tax rate of 17%), with the rate generally correlating with the economic footprint or commitment in Singapore (e.g. the number of additional jobs that would be created, the amount to be spent in local business, headcount and new activities introduced in Singapore).

Applications for various incentives may be submitted to the Economic Development Board (EDB), International Enterprise Singapore (IES) and the MAS, among other approving authorities.

Singapore is largely a free port and firms cannot expect tariff or quota protection for industrial ventures.

Productivity and Innovation Credit (PIC) scheme

The PIC scheme was introduced to encourage businesses to invest in productivity and innovation. It is a broad-based tax scheme that grants a total 400% tax deduction or allowance for the first SGD 400,000 of qualifying expenses incurred during years of assessment 2011 to 2018 on each of six qualifying activities (namely, research and development (R&D), the acquisition and in-licensing of intellectual property rights (IPR), the registration of IPR, approved industrial or product design carried out in Singapore, the acquisition or leasing of equipment or software aimed at automating processes and training of employees to upgrade their skills and capabilities). Qualifying small and medium-sized enterprises are eligible for additional support under the PIC+ scheme.

To support small and growing businesses that may have cash constraints, businesses can opt to convert their expenditure for all six qualifying activities into a nontaxable cash payout, subject to an annual cap of SGD 100,000. This is available for years of assessment 2011 to 2018. The conversion rate is 60% for qualifying expenditure incurred for YA 2013 up to 31 July 2016, and 40% on or after 1 August 2016 and up to YA 2018.

Sole proprietorships, partnerships and companies (including registered business trusts) are eligible for the cash payout option if they meet the following requirements: (i) they have incurred qualifying expenditure and are entitled to the PIC during the basis period for the qualifying year of assessment; (ii) they are carrying on active business operations in Singapore; and (iii) they have at least three local employees (Singapore citizens or permanent residents with Central Provident Fund (CPF) contributions, excluding sole proprietors, partners under contract for services and shareholders who are directors of the company).

There are certain requirements to qualify for the deduction/allowance or the cash conversion option under the PIC, including a minimum ownership period. "Clawback" provisions may apply if the minimum ownership period requirement is not met.

Any deduction or allowance under the PIC that cannot be fully utilized in a year of assessment will form part of the unutilized trade losses/allowances of a business, and the utilization of such trade losses/allowances is governed by the rules described under 3.3, below.

1.6 Exchange controls

Singapore has no significant restrictions on foreign exchange transactions and capital movement. Funds may flow freely into and out of the country. Nevertheless, the government imposes certain restrictions on the borrowing of Singapore dollars for use offshore. The Singapore dollar non-

internationalization policy is intended to prevent the borrowing of Singapore dollars for currency speculation, but it has been significantly eased in recent years. Nonresidents may freely borrow Singapore dollars for trade and investment in Singapore, and they may borrow Singapore dollars for their activities outside Singapore if the Singapore dollar proceeds are exchanged into foreign currency.

1.7 Labor environment

The Employment Act is Singapore's main labor law. It provides for the basic terms and working conditions for all local and foreign employees under a contract of service with an employer, with some exceptions.

Foreign employees holding a work pass also are covered under the Employment of Foreign Manpower Act, which outlines an employer's responsibilities and obligations for employing foreigners.

Other pertinent statutes/regulations affecting employment law include, among others:

- The Trade Unions Act, which regulates the activities of trade unions, including the proper management of union affairs, safe custody of funds and the free election of union officers;
- The Industrial Relations Act, which governs the relations of employers and employees and the prevention and settlement of trade disputes; and
- The Workplace Safety and Health Act, which relates to the safety, health and welfare of persons at work in a workplace.

Singapore has introduced a Fair Consideration Framework, which sets out clear expectations for companies to consider Singaporeans fairly for job opportunities.

There is no prescribed minimum wage for workers in Singapore, whether local or foreign.

Section 6.6, below, sets out the obligations of employers under the Central Provident Fund Act, a social security savings plan.

Employment of foreigners

The government has an open-door policy and welcomes foreign talent. Recognizing the constraints of a small population and the need to become more competitive, the government continues to attract foreign personnel.

Applications for foreign employees should be directed to the Work Pass Division of the Ministry of Manpower (MOM). Foreign professionals and executives who earn a fixed monthly salary of at least SGD 3,600 and who have recognized qualifications (preferably, at least a bachelor's degree) may apply for an employment pass to work in Singapore. To qualify, experienced applicants must command higher salaries commensurate with the work experience and quality they are expected to bring. In exceptional cases, "S" passes are issued to skilled foreigners who do not meet the requirements for the regular employment pass. The S pass requires a minimum monthly salary of SGD 2,200 and is subject to a quota and a levy.

Firms applying for work passes for foreign employees generally can expect a reply from the MOM within three weeks. However, due to a change in the government immigration policy to manage the composition of Singapore's workforce and to ensure that Singapore citizens remain at its core, the MOM has been stricter when considering applications for work passes and has imposed additional requirements to ensure that employers will consider hiring Singapore citizens before they hire foreign employees. As such, the process to bring in foreign employees may take longer.

2.0 Setting up a business

2.1 Principal forms of business entity

Persons seeking to carry on business in Singapore must do so under the Business Registration Act or the Companies Act. The Companies Act governs the procedures for establishing a company or a branch. The principal forms of business organization are the following: locally incorporated company; branch of a foreign corporation; sole proprietorship; partnership; limited partnership; and limited liability partnership.

The nature of the intended business operations will be an important factor in selecting the appropriate form of business organization. Foreign investors usually carry on business through locally incorporated companies or branches.

A firm may be incorporated with members' liability unlimited or limited by shares or by guarantee, and it may be public or private. Publicly listed companies normally do not restrict the right to transfer shares. Companies with share capital are considered private if they restrict the right to transfer shares, limit the number of shareholders to 50 (excluding employees and former employees of the company or a subsidiary) and prohibit any invitation to the public to subscribe for shares or debentures or to deposit money with them. Private companies may be converted into public companies, and vice versa. Private companies may raise capital through public offerings without first having to convert into public companies, but they are bound by the disclosure requirements under the Securities and Futures Act governing the raising of capital from the public.

Foreign corporations may operate through branches, although most foreign investors prefer to set up private limited companies, since the tax residence status is simpler and provides for the ability to qualify for incentives, depending on the industry, location and office type. Subsidiaries of foreign corporations that do not wish to raise share capital or borrow funds from the public usually register as private companies and may commence business immediately after incorporation.

Formalities for setting up a company

To form a company, in addition to the requirements for public and private companies described below, the founders must file the company's proposed constitution and other documents with the Accounting and Corporate Regulatory Authority of Singapore (ACRA). The constitution must include the name of the company, its objectives, details on capital and initial subscriptions, background on subscribers to the constitution and other data. The constitution also must state the proposed number of board members, and companies must notify the registrar of any subsequent increase.

Applications should be made ahead of the planned commencement date, to ensure that the proposed company name is available. The name approval process typically takes two hours, although it can take up to two months if the application has to be referred to another government authority. Following the approval and the submission of the relevant documents, the registrar will certify that the firm is incorporated and specify whether the entity is limited, unlimited, private, etc.

A foreigner intending to register a business and be present in Singapore to actively manage its operations must apply for an "EntrePass" from the MOM.

Forms of entity

Requirements for public and private companies

Capital: *Both:* The minimum issued capital is one share. Goods or services may be used as capital in lieu of cash if all parties agree on the value of the items in question.

Founders, shareholders: *Public:* A public company must have at least two founders (persons or companies) whose identities must be supplied to the ACRA. There are no nationality requirements. Resident or nonresident "substantial shareholders" (i.e. those owning 5% or more of the voting shares) of a company listed on the stock exchange must register full details of their company holdings, and the register must be open to inspection. A public company must hold a statutory meeting of its shareholders no less than one month and no more than three months after it is entitled to commence business. *Private:* Only one shareholder is required for a private company. There are no nationality requirements.

Directors, board members: *Public:* For public companies, there must be at least two directors, and one director must be a local resident in Singapore. *Private:* Private companies require only one director, and the director and shareholder may be the same person. *Both:* At least one director must be "ordinarily resident in Singapore" (i.e. a citizen, permanent resident or a person who has been issued an employment pass/approval-in-principle letter/dependent's pass). Any person older than age 18 may be appointed as a director. However, if a company has only one director, he/she may not also act in the capacity of company secretary.

Management: *Both:* There is no requirement that labor be represented in management. There are no nationality requirements for management.

Disclosure: *Both:* Companies must file an annual return with the ACRA containing a summary of share capital, shares and share transactions; details of directors, chief executive officers and secretaries; a statement of financial position and an income statement; and a list of shareholders, with the number of shares held by each shareholder. The annual report of listed firms must include any abnormal factors affecting current year profitability. A public company with more than 500 shareholders may omit the list of shareholders.

Taxes and fees: *Both:* A registration fee of SGD 300 is payable for a limited-by-share company (or branch). The fee for approval and registration of a name is SGD 15.

Types of share: *Both:* Shares must be registered and, typically, ordinary shares in a company carry voting rights. Preference shares are permitted and may carry special rights or restrictions on dividends, voting, return of capital, etc. A company is permitted to issue nonvoting shares, subject to the Companies Act and the company's constitution.

Control: *Both:* A 51% equity holding normally is sufficient for effective control of a company. Only a few decisions require a three-fourths majority (special resolution); these include changes in the company's constitution and reductions in share capital.

Branch of a foreign corporation

A foreign company may do business in Singapore by registering a branch. A branch is not a separate legal entity but is an extension of its parent company, and as such may be utilized to leverage the brand name and finances of the parent company to, amongst others, secure licenses (such as in the case of foreign banks operating in Singapore).

From a tax perspective, the residence of a branch generally follows that of its parent company, i.e. a branch is *prima facie* not regarded as resident in Singapore. Assessable income of a branch is taxed at the same rate as that of an incorporated subsidiary.

Before commencing business, a branch must supply the ACRA with the following documents from its head office: (1) a certified copy of its incorporation or registration in the home country; (2) a copy of its memorandum, articles, constitution or charter; (3) a list of the local directors (if any) and a memorandum stating their powers; (4) the names and addresses of one or more Singapore residents (citizens, permanent residents or employment pass holders) authorized to accept legal notices on behalf of the foreign corporation (i.e. for the appointment as the authorized representative of the branch); and (5) information on the registered office in Singapore. The ACRA must be notified of any change in these documents, the identity or powers of directors or authorized representatives or the name or address of the foreign head office within one month following the change.

A branch must file regular corporate financial statements and an income statement for Singapore operations and its head office with the ACRA.

Certain types of activity require approvals and licenses from the appropriate authorities before the proposed business activity may be commenced.

Representative office

Foreign companies that wish to explore the viability of doing business in Singapore may register a representative office (RO) with IES. An RO's activities are confined to market research, feasibility studies and liaison work on behalf of its parent company. An RO is intended to be used for temporary purposes, and the foreign company is encouraged to upgrade by registering a branch or incorporating a company within three years, or when this is practicable.

Expatriate employees of an RO must apply to the MOM's Foreign Manpower Employment Division for employment passes (see under 1.7, above).

2.2 Regulation of business

Mergers and acquisitions

Although acquisitions do not require official approval, the Singapore Code on Takeovers and Mergers prescribes rules for the process applicable to both takeovers and mergers. It applies to corporations with a primary listing of their equity securities, business trusts with a primary listing of their units in Singapore and REITs. While the code was drafted with these entities in mind, unlisted public companies and unlisted registered business trusts with more than 50 shareholders or unitholders and that have net tangible assets of at least SGD 5 million must observe the general principles and rules of the code. The regulations are not applicable to takeovers or mergers of other unlisted public companies and unlisted business trusts or private companies. The code applies to all offerors, whether they are individuals (regardless of whether they are residents or citizens of Singapore), corporations or unincorporated bodies (regardless of whether they are incorporated or carrying on business in Singapore), and it applies to acts and omissions inside and outside Singapore.

The Securities Industry Council is responsible for reviewing the conduct and documentation of takeover offers and ensuring compliance with the takeover rules. Any person or legal entity that acquires 30% or more of the voting rights of a public company (or increases its voting rights in the public company by more than 1% in a six-month period if it already owns shares carrying 30% to 50% of the voting rights) must make an offer for the balance of the outstanding issued shares. The price offered for shares in a mandatory offer is at the discretion of the buyer, but must not be less than the highest price paid by the offeror and its concerted parties in the six months preceding the takeover. The offer document must be posted no earlier than 14 days but no later than 21 days from the offer announcement, and the offer must be kept open for at least 28 days. The code seeks to ensure that all shareholders of the company being acquired are treated equally and are given sufficient time and information to assess the merits of the offer. The stock exchange has basic disclosure requirements for listed companies involved in takeovers.

Except for restrictions on foreign ownership in certain key industries (such as media and defense), up to 100% foreign equity is allowed in most industries/business sectors.

Tax framework for corporate amalgamations

Singapore domestic tax law provides a specific tax framework for corporate amalgamations. In a qualifying amalgamation, in broad terms, the amalgamated company is treated as having "stepped into the shoes" of the amalgamating companies and having continued with the business. As such, there should be no additional income tax liability due purely on account of the transfer. The transfer also automatically qualifies as a transfer of a going concern for GST purposes, except where the amalgamated company is, or will be, a member of a GST group. Stamp duties continue to apply on the transfer of real property or shares, unless the amalgamation exercise qualifies for stamp duty relief. Companies must comply with administrative procedures to apply the tax framework for corporate amalgamations.

Monopolies and restraint of trade

The CCS is responsible for administering and enforcing the Competition Act, which prohibits anti-competitive activities. These include agreements that prevent, restrict or distort competition; the abuse of a dominant position; and mergers that substantially reduce competition without offsetting efficiencies.

2.3 Accounting, filing and auditing requirements

A company is required to keep certain records in addition to accounting records, e.g. registers of substantial shareholders, debenture holders, directors' and chief executive officer's shareholdings, registrable controllers and nominee directors (if any). The ACRA maintains the registers of directors, members (private companies only), secretaries, chief executive officers and auditors (if appropriate) and the registers are available for purchase at ACRA's website. If the accounting records are kept outside Singapore, sufficient information must be retained in Singapore to enable the preparation of accurate and fair financial statements. A branch is not required to keep statutory registers (other than for registrable controllers) in Singapore, but the Companies Act is silent as to where the accounting records are to be kept.

Dormant companies (companies with no significant accounting transactions during the fiscal year) and small companies (private companies that meet at least two out of three prescribed criteria for the two immediately preceding financial years) are exempt from the statutory audit requirements that apply to

other companies. The financial statements of a branch must be audited annually, unless a waiver is sought.

A company is required to hold an annual general meeting within 18 months from the date of its incorporation and, subsequently, at least once every calendar year at intervals of no more than 15 months. It must file its audited financial statements and annual return within one month of the date of the annual general meeting.

From 2018, a company will be required to hold its annual general meeting within six months (four months for listed companies) after its financial year end. The company's audited financial statements and annual return must be filed within seven months (five months for listed companies) after its financial year end.

A foreign company is required to file its financial statements, together with the audited financial statements of the branch, within two months of the date of the annual general meeting of the head office, or within seven months from the financial year-end date if the head office is not required to hold an annual general meeting by law in the place of its incorporation.

The Singapore Financial Reporting Standards provide the applicable accounting principles and generally are aligned with the International Financial Reporting Standards.

3.0 Business taxation

3.1 Overview

The principal taxes levied on companies in Singapore are income tax, goods and services tax (GST), stamp duties and property tax. There is no capital gains tax.

Singapore's tax burden is moderate compared with that of other countries in the region and may be reduced through various incentives (see under 1.5, above).

The Income Tax Act of Singapore is the governing statute regarding corporate and personal taxation, and taxes are administered by the Inland Revenue Authority of Singapore (IRAS).

Singapore Quick Tax Facts for Companies	
Corporate income tax rate	17%, with a partial exemption on the first SGD 300,000 of chargeable income
Branch tax rate	17%, with a partial exemption on the first SGD 300,000 of chargeable income
Capital gains tax rate	Not taxable
Basis	Territorial, but foreign-source income may be taxable if received or deemed received in Singapore
Participation exemption	Yes, safe harbor provisions apply in respect of gains from disposals of equity securities, subject to certain conditions
Loss relief	
• Carryforward	Indefinite
• Carryback	One year
Double taxation relief	Yes
Tax consolidation	No, but there is a group relief system for the transfer of current-year loss items
Transfer pricing rules	Yes
Thin capitalization rules	No
Controlled foreign company rules	No
Tax basis period	Preceding accounting/financial year
Advance payment of tax	Three months from financial year end, installment payments available
Return due date	By 30 November of the assessment year (can be extended to 15 December for e-filing)
Withholding tax	
• Dividends	0%
• Interest	0%/15%
• Royalties	0%/10%
• Technical service fees	17%
• Branch remittance tax	0%
Capital tax	No
Social security contributions	7.5%-17% (employer portion), depending on age of employee

Real estate tax	Progressive up to 20% for non-owner occupied residential property; 10% flat for other properties
Stamp duty	Varies
GST	7%

3.2 Residence

A company is resident in Singapore if the management and control of its business is exercised in Singapore. Management and control of a company's business usually is vested in its board of directors. As such, the location of the company's board of directors meetings, during which strategic decisions are made, is a key factor in determining where the management and control of the company's business is exercised.

3.3 Taxable income and rates

Singapore taxes income on a quasi-territorial basis, i.e. companies are taxed on all income accrued in or derived from Singapore. Foreign income remitted or deemed remitted into Singapore also is taxable. Exemptions apply for certain Singapore and foreign-source income.

There is no tax differential between a business carried on in Singapore by residents or by nonresidents. All Singapore-source income earned by nonresidents is taxable, unless domestic or tax treaty exemptions apply.

Singapore operates a one-tier corporate tax system, under which corporate tax paid on a company's profits is final. Any dividends paid are tax exempt in the hands of the recipient.

The 17% corporate tax rate applies to subsidiaries incorporated in Singapore and to branches of foreign companies, among others, and it applies equally to both resident and nonresident companies. Withholding taxes at the corporate income tax rate apply to certain payments made to nonresidents, such as technical assistance and management fees for services provided in Singapore (see under 4.6, below).

A partial tax exemption of 75% is granted on the first SGD 10,000 of normal chargeable income and a 50% exemption is granted on the next SGD 290,000. The partial tax exemption, therefore, is granted on the first SGD 300,000 of normal chargeable income.

Some private companies are fully exempt from tax on the first SGD 100,000 of normal chargeable income and 50% exempt on the next SGD 200,000 of chargeable income. This exemption applies to a new company for its first three consecutive years of assessment. To qualify, the company must be an exempt private company that meets the following requirements:

- It is incorporated in Singapore;
- It is tax resident in Singapore for the year of assessment; and
- It has no more than 20 shareholders, all of whom are individuals throughout the basis period relating to the year of assessment, or at least one of whom is an individual holding at least 10% of the total number of issued ordinary shares of the company throughout the basis period for the year of assessment.

Taxable income defined

Specific items of taxable income are as follows:

- Gains or profits from a trade, business, profession or vocation carried on in Singapore;
- Dividends, interest, discounts, royalties, rents, premiums and other profits arising from property ownership in Singapore;
- Pensions, charges or annuities; and
- Gains or profits of an income nature not falling within the above items.

Foreign income remittances in the form of foreign dividends, branch profits and services income are exempt from tax in Singapore, provided the income is received by a Singapore tax resident from a foreign jurisdiction with a headline tax rate of at least 15% in the year the income is received or deemed to be received in Singapore and the income has been subject to tax in the foreign jurisdiction.

However, foreign income that was exempt from tax in the foreign jurisdiction as a result of a tax incentive granted in respect of substantive business operations carried out in that jurisdiction will be considered to have met the "subject to tax" condition.

In determining a company's taxable income, the IRAS normally accepts the accounting profits based on the company's audited financial statements prepared in accordance with ordinary commercial principles. Adjustments to account for nontaxable income, nondeductible expenditure and other items to convert the accounting profits to taxable profits are made in a computation statement accompanying the financial statements.

Deductions

Business expenses generally may be deducted in calculating taxable income, provided they relate to activities necessary for the production of income. To promote enterprise development, the first day of the accounting year in which a business earns its first dollar of business receipts is regarded as the deemed date of commencement of business. All expenses of a revenue nature (except those specifically prohibited) incurred during the accounting year of the deemed date of commencement or the immediately preceding accounting year will be deductible for tax purposes. However, if the business is able to prove that it started trading and incurred expenses at an earlier point in time, a deduction may be claimed for such expenses.

Expenses incurred wholly and exclusively to produce income may be deducted in computing taxable income. This includes interest on loans, rent paid on land and buildings, royalty payments, expenses for repairing plant and equipment, defaulted trade receivables, contributions to an approved pension fund or the CPF, contributions to employee medical benefit plans up to 1% (or 2%, subject to certain conditions) of total payroll expense, double tax deductions for qualifying expenses incurred in overseas investment and promotion activities, R&D expenses and the costs of building modifications for disabled employees of up to SGD 100,000 (for all years of assessment).

Other allowable deductions include capital allowances (see "Depreciation," below) and tax losses carried forward from a previous year. A 250% tax deduction is permitted for donations to approved charitable institutions and buildings/parcels of land donated to approved Institutions of a public character. Any unutilized donations may be carried forward for up to five years, provided the ultimate shareholders remain substantially the same on the relevant comparison dates.

Depreciation

Capital allowances include an initial allowance in the year of acquisition, plus annual allowances. Qualifying approved industrial buildings are granted a 25% initial allowance and annual allowances of 5% of the qualifying cost on a straight-line basis. The initial allowance for plant and machinery is 20%, with annual allowances (also on a straight-line basis) of 13.3% for manufacturing and industrial-processing plant and machinery; 8% for furniture, fixtures and telecommunications equipment; and 10% for data-handling equipment.

Companies may opt to claim accelerated annual allowances instead of the initial and annual allowances. Accelerated annual allowances of 33.33% are granted for all qualifying plant and machinery, and allowances of 100% are granted for all computer and prescribed automation equipment; generators; robots; and equipment that provides efficient pollution control or that is energy-efficient or energy-saving, noise controlling or chemical-risk reducing. Companies also may claim allowances of 100% of the cost of assets that cost no more than SGD 5,000 per item, subject to a cap of SGD 30,000 per assessment year.

If, in any year, the taxable profit is insufficient to absorb the capital allowances, the remaining capital allowances (i.e. unabsorbed capital allowances) may be carried forward indefinitely to set off against future taxable profits, provided the ultimate shareholders remain substantially the same on the relevant comparison dates and the business for which the capital allowances arose continues to be carried on.

Unabsorbed current capital allowances also may be carried back for setoff against the assessable income of the immediately preceding assessment year, provided the company carries on the same business in that assessment year and the immediate preceding year and the ultimate shareholders remain substantially the same on the relevant comparison dates. The total amount of unabsorbed capital allowances and unutilized tax losses that may be carried back is capped at SGD 100,000 per assessment year.

Investment allowances (in addition to capital allowances) may be granted to companies in the manufacturing, technical and specialized engineering services fields that are investing in projects to expand, upgrade or diversify. Under the investment allowance scheme, a company is granted an

investment allowance based on an approved percentage of the fixed capital expenditure incurred on plant, machinery and factory buildings for an approved project. The investment allowances may not exceed 100% of the qualifying expenditure and they must be used against taxable profits earned from the approved project.

Writing-down allowances generally are granted over five years for capital expenditure incurred on qualifying IPR acquired on or before the last day of the basis period for YA 2020 (i.e. on or before the last day of the financial year ending in 2019). For qualifying IPR acquired from YA 2017, companies may make an irrecoverable election to claim the writing-down allowances over a five, ten or 15-year period (on a straight-line basis). To qualify, the Singapore entity must have acquired the legal and economic ownership of the IPR and the IPR must have been acquired for use in the trade or business carried on by the taxpayer. Additionally, the writing-down allowance for the acquisition of IPR has been extended to companies that are the economic (not the legal) owner of such IPR, provided they obtain upfront approval from the EDB.

Anti-avoidance provisions apply to transactions carried out on or after 25 March 2016, enabling the IRAS to adjust the transaction price of the IPR if the transaction is not carried out at open market value.

The writing-down allowances on capital expenditure incurred by a media and digital entertainment company or partnership in acquiring qualifying IPR for media and digital entertainment content on or before the last day of the basis period for YA 2018 (i.e. on or before the last day of the financial year ending in 2017) will be granted over two years, instead of five years. Approval from the EDB is required in all cases, including where both economic and legal ownership of the IPR for media and digital entertainment content is acquired.

See under 1.5, above, for information on allowances available under the PIC and PIC+ schemes.

Losses

Losses incurred by a company in a trade or business are available for setoff against its income from all other sources. Losses on capital account, however, are excluded.

Tax losses may be carried forward indefinitely and used to offset future taxable profits if there is no substantial change in ownership at the relevant comparison dates and the same business for which the losses arose continues to be carried on. Current-year unabsorbed losses may be carried back for setoff against the assessable income of the immediately preceding year of assessment, provided there is no substantial change in ownership at the relevant comparison dates and the company carries on the same business. The total amount of current unabsorbed capital allowances and losses that may be carried back to the preceding year of assessment is capped at SGD 100,000.

A group relief system for the transfer of losses allows current-year unabsorbed losses, unabsorbed capital allowances (except investment allowances) and unabsorbed donations from one qualifying company to be offset against the taxable profits of another qualifying company within the same group. To qualify, the transferor company and the claimant company must be incorporated in Singapore; at least 75% of one company must be owned by the other, or both companies must be at least 75% owned by another company in the group that is incorporated in Singapore; and the companies must have the same accounting year end. Losses from foreign branches of a qualifying company are not transferable.

3.4 Capital gains taxation

Singapore does not tax capital gains. However the characterization of gains as capital or revenue in nature may be a contentious area. Deductions for capital losses are statutorily prohibited. Safe harbor provisions provide a tax exemption for gains of a revenue nature arising from the disposal of ordinary shares by a company between 1 June 2012 and 31 May 2022, subject to minimum ownership threshold and continuous ownership period requirements (broadly, 20% and 24 months, respectively).

3.5 Double taxation relief

Unilateral relief

Singapore grants a unilateral tax credit for foreign tax paid on foreign income derived by a Singapore tax resident from a foreign jurisdiction with which Singapore does not have a tax treaty and that is remitted, or deemed remitted, into Singapore. The credit is limited to the Singapore tax payable, even if the foreign tax liability was higher. The IRAS requires proper documentation or certification that such foreign tax has been paid.

If a Singapore tax resident company owns at least 25% of the share capital of a company that pays foreign-source dividends, the foreign tax credit in Singapore will take into account the underlying tax paid (i.e. the corporate tax paid on the profits out of which the dividends are paid), in addition to any dividend withholding tax paid in the foreign country.

The foreign tax credit pooling system allows a Singapore tax resident company to pool the foreign tax paid in different countries, or in respect of different sources of income, for set off against the Singapore tax payable on the same pooled foreign-source income, subject to certain conditions. The amount of the foreign tax credit to be granted is based on the lower of the pooled foreign taxes paid or the Singapore tax payable on the same pooled foreign-source income.

Tax treaties

Singapore has a broad tax treaty network. Singapore's treaties generally are formulated along the lines of the OECD model treaty, and Singapore has been signing protocols with tax treaty partners to incorporate OECD-compliant exchange of information provisions.

Singapore's treaties use the credit method to avoid double taxation. The government also uses tax treaties to ensure that the benefit of incentives granted to foreign investors will not be eroded by their home country governments. Certain treaties contain a tax-sparing provision, under which a foreign entity's home country considers the entity to have suffered tax in Singapore, even if it has benefited from a tax holiday or other concession.

To claim an exemption or reduced withholding tax rate on a payment received from Singapore under a relevant tax treaty, the nonresident recipient must provide a Certificate of Residence (COR) to the Singapore payer. The COR must be certified by the tax authorities in the country of residence of the nonresident before being submitted to the IRAS by 31 March of the year following the year of payment.

Singapore was one of the 68 countries that signed the OECD multilateral instrument on 7 June 2017.

Singapore Tax Treaty Network

Albania	Georgia	Luxembourg	Russia
Australia	Germany	Malaysia	Rwanda
Austria	Guernsey	Malta	San Marino
Bahrain	Hungary	Mauritius	Saudi Arabia
Bangladesh	India	Mexico	Seychelles
Barbados	Indonesia	Mongolia	Slovakia
Belarus	Ireland	Morocco	Slovenia
Belgium	Isle of Man	Myanmar	South Africa
Brunei	Israel	Netherlands	Spain
Bulgaria	Italy	New Zealand	Sri Lanka
Canada	Japan	Norway	Sweden
China	Jersey	Oman	Switzerland
Cyprus	Kazakhstan	Pakistan	Taiwan
Czech Republic	Korea (ROK)	Panama	Thailand
Denmark	Kuwait	Papua New Guinea	Turkey
Ecuador	Laos	Philippines	Ukraine
Egypt	Latvia	Poland	United Arab Emirates
Estonia	Libya	Portugal	United Kingdom
Fiji	Liechtenstein	Qatar	Uzbekistan
Finland	Lithuania	Romania	Vietnam

3.6 Anti-avoidance rules

Transfer pricing

Singapore's transfer pricing guidelines endorse the arm's length principle, as defined by the OECD (even though Singapore is not an OECD member state) and include guidance on related-party loans and services. Taxpayers must prepare and maintain contemporaneous transfer pricing documentation to substantiate that their related-party dealings are at arm's length.

Singapore's transfer pricing guidelines cover the application of the arm's length principle, documentation requirements, advance pricing agreements (APAs) and requests to invoke mutual agreement procedures (MAPs) under Singapore's tax treaties.

The Income Tax Act includes legal provisions to enforce the arm's length principle.

Related-party transactions must be carried out on arm's length terms. Persons are considered to be related when one person, directly or indirectly, has the ability to control the other, or when both persons are directly or indirectly under the control of a common person. Related parties include associated enterprises and separately taxable entities of an enterprise, such as permanent establishments of the enterprise.

Singapore does not have a priority order or hierarchy for transfer pricing methodologies. The taxpayer is required to use the methodology that produces the most reliable results.

Companies should ensure that their intercompany transactions are at arm's length and prepare adequate documentation to demonstrate their analysis and conclusions, to avoid any potential tax adjustments by the IRAS. Transfer pricing documentation forms part of the record-keeping requirements for tax and must be prepared on a timely basis, no later than the tax return filing date for the financial year in which the transaction takes place (e.g. the transfer pricing documentation for transactions carried out in financial year 2016 should be prepared no later than 30 November 2017). During an audit, a lack of documentation poses a risk of challenges and adjustments, because the IRAS considers the lack of documentation as the taxpayer's failure to undertake reasonable efforts to show compliance with the arm's length principle. Taxpayers may be subject to penalties under the Income Tax Act if they are unable to provide transfer pricing documentation upon request. For tax purposes, the IRAS also may ignore year-end adjustments made to the financial accounts if no supporting documentation is available. The IRAS also stresses the importance of adequate documentation if the taxpayer is involved in a MAP.

Unilateral and bilateral APAs are possible, and they generally cover a three to five-year period. Rollback of bilateral APA only be allowed on a case-by-case basis.

In the revised transfer pricing guidelines issued on 12 January 2017, the IRAS enhanced the guidance on the MAP and APAs as part of its commitment to BEPS action 5. The IRAS will spontaneously exchange information on cross-border unilateral APAs under a tax treaty or an exchange of information instrument, subject to certain conditions, with:

- Jurisdictions of all related parties with whom the taxpayer enters into transactions that are covered by unilateral APAs; and
- Jurisdictions of the taxpayer's ultimate parent entity and the immediate parent entity.

Country-by-country (CbC) reporting

Singapore has implemented country-by-country (CbC) reporting for Singapore-headquartered multinational groups for financial years beginning on or after 1 January 2017. CbC reports are required where:

- The ultimate parent entity of the group is Singapore-resident;
- The consolidated group revenue in the preceding financial year is at least SGD 1,125 million; and
- The group has subsidiaries or operations in at least one foreign jurisdiction.

The CbC report must be submitted by the group's Singapore-resident ultimate parent entity within 12 months from the end of that financial year; i.e. the first filing date is 31 December 2018 (for a financial year ending on 31 December 2017). Such entities which fail to timely submit their CbC reports may be subject to penalties.

Singapore-headquartered multinational enterprises (MNEs) will have a "gap" year because the 2016 year is not covered under Singapore's rules, even though most countries that have adopted CbC reporting follow the recommendations in the BEPS report. To address this "gap" year issue, affected Singapore-headquartered MNEs may file a CbC report for financial years beginning on or after 1 January 2016 with the IRAS on a voluntary basis. The report must be submitted using the prescribed schema, which follows the OECD model schema.

The CbC report will be used by the IRAS to assess high level transfer pricing risk and other BEPS-related risks, and for economic and statistical analysis.

The IRAS also is responsible for the exchange of CbC reports with the tax authorities of the relevant jurisdictions identified in the CbC reports, if an appropriate bilateral agreement is in place.

For multinational groups which do not have a Singapore-resident ultimate parent entity, there is currently no requirement for any member of the group to file a CbC report with the IRAS.

Thin capitalization

Singapore does not have thin capitalization rules.

Controlled foreign companies

Singapore does not have CFC rules.

Specific anti-avoidance rules

As mentioned under 3.3, the IRAS is empowered to make adjustments to the transaction price for IPRs acquired on or after 25 March 2016 for the purpose of determining the amount of writing-down allowances to be granted, if the transaction is not carried out at the open market value.

General anti-avoidance rules

Under Singapore's general anti-avoidance rules, the IRAS can disregard certain transactions if the Comptroller of Income Tax is satisfied that the purpose of the arrangement is to alter the incidence of any tax that is payable, or otherwise would have been payable, by any person; to relieve any person from any liability to pay tax or to file a return; or to reduce or avoid any liability imposed, or that otherwise would have been imposed, on any person. The general anti-avoidance rules do not apply to an arrangement carried out for bona fide commercial reasons and that did not have as one of its main purposes the avoidance or reduction of tax.

BEPS

Singapore is a member of the Inclusive Framework for Implementing Measures against Base Erosion and Profit Shifting. Therefore, it actively supports the key principles underlying the BEPS project and is committed to implementing the four minimum BEPS standards, namely the standards on countering harmful tax practices, preventing treaty abuse, transfer pricing documentation, and enhancing dispute resolution. The following table summarizes the steps Singapore has taken to implement the BEPS recommendations:

Action	Implementation
VAT on business to customers digital services (Action 1)	A consultation has been launched on changes to be made to the GST regime with respect to the inbound supply of digital services, low value imports and a reverse charge.
Hybrids (Action 2)	The IRAS issued an e-tax guide on 19 May 2014 on the income tax treatment of hybrid instruments, specifying factors generally considered in determining whether such an instrument is debt or equity for Singapore income tax purposes.
CFCs (Action 3)	Not yet known, but it is unlikely that Singapore will introduce a CFC regime.
Interest deductions (Action 4)	Not yet known.
Harmful tax practices (Action 5)	The Budget 2017 includes a proposal to introduce a BEPS-compliant patent box regime from 1 July 2017 that would incentivize income derived from the

	exploitation of Intellectual property (IP), called the IP Development Incentive (IDI). "IP income" for the purposes of the IDI also is expected to include royalties from the licensing of IP. Full details of the incentive are awaited. The Finance Minister also announced that the government is "in consultation with businesses, refining [Singapore's] schemes and implementing the [BEPS] standards." This could imply that the implementation of the BEPS standards could go beyond the proposed changes in regard to the IDI and that changes may need to be made to some of Singapore's other tax incentives.
Prevent treaty abuse (Action 6)	Singapore is one of a group of countries that worked with the OECD/G20 to develop a multilateral instrument (MLI) to counter treaty abuse.
Permanent establishment status (Action 7)	Not yet known.
Transfer pricing (Actions 8-10)	On 12 January 2017, the IRAS released updates to Singapore's transfer pricing guidelines. IRAS has clarified that the interpretation and application of the arm's length principle should be consistent with that under actions 8-10, namely, profits should be aligned to value creation, and where the real economic activities are located. Accordingly, the determination of risk for transfer pricing analysis purposes also is aligned with that under actions 8-10.
Disclosure of aggressive tax planning (Action 12)	Not yet known.
Transfer pricing documentation (Action 13)	Transfer pricing documentation guidelines were updated in January 2017 to be broadly in line with action 13 recommendations.
CbC reporting (Action 13)	Singapore has implemented country-by-country (CbC) reporting for Singapore-headquartered multinational groups for financial years beginning on or after 1 January 2017 (see above).
Dispute resolution (Action 14)	As a member of the BEPS Inclusive Framework, Singapore will work closely with other jurisdictions to monitor the implementation of minimum standards on dispute resolution developed under the BEPS project. This will complement the other BEPS minimum standards and ensure that taxpayers have access to practical and effective dispute resolution mechanisms under bilateral tax treaties.
Multilateral instrument (Action 15)	Singapore was one of the countries that signed the MLI on 7 June 2017.

3.7 Administration

Tax year and tax basis period

The tax basis period for a company is its accounting/financial year. Each tax year is referred to as the "year of assessment." Income is subject to tax in Singapore on a preceding-year basis (e.g. income earned in the financial year ended in 2016 will be taxed in year of assessment 2017).

Filing and payment

A company must submit an estimated chargeable income to the IRAS within three months from the end of its financial year. The estimated tax may be paid in up to 10 installments, depending on the company's promptness in supplying the estimated chargeable income.

The Singapore tax return filing deadline is 30 November of the assessment year for income earned in the preceding financial year, but this can be extended to 15 December if the return is submitted electronically. Taxes usually are payable within one month from the date of a notice of assessment.

The IRAS is phasing-in electronic filing of corporate income tax returns and all companies will be required to file electronically from the 2020 year of assessment.

Consolidated returns

There are no provisions for filing a consolidated return, but there is a mechanism to transfer current-year loss items between members of a Singapore corporate group (see 3.3, above, under "Losses").

Statute of limitations

The Comptroller of Income Tax may issue an assessment or an additional assessment within four years from the end of the relevant year of assessment. For example, the Comptroller may issue assessments or additional assessments relating to year of assessment 2017 (i.e. relating to the financial year ended in 2016) at any time up to 31 December 2021. There is no statutory time limit for the Comptroller to raise an assessment or additional assessment for tax evasion cases. The Comptroller can collect tax only when an assessment or an additional assessment is raised. Once the assessment is raised, the tax due is payable to the Comptroller within one month from the date of the notice of assessment.

Tax authorities

The IRAS administers the assessment and collection of all taxes. The IRAS is part of the Ministry of Finance and has an important role in developing and implementing tax policy. It represents the Singapore government in tax treaty negotiations and issues a considerable amount of guidance on taxation issues.

Rulings

A formal advance ruling system applies for income tax matters. A request for an advance ruling must satisfy certain conditions, and rulings are binding on the particular arrangement for a specified period of time. Under the agreed framework for the compulsory spontaneous exchange of information in respect of rulings under BEPS action 5, the IRAS will, subject to conditions, spontaneously exchange information on permanent establishment rulings with other jurisdictions. Rulings issued on or after 1 April 2017 are exchanged within three months of the date of the ruling letter; older rulings (subject to cut-off dates) will be exchanged by December 2017.

4.0 Withholding taxes

4.1 Dividends

No withholding tax is levied on dividends paid by companies resident in Singapore.

4.2 Interest

Interest paid to a nonresident is subject to a 15% withholding tax, unless the rate is reduced under a domestic exemption or a tax treaty. Exemptions or reduced withholding taxes apply to certain types of interest, such as interest on interbank/interbranch transactions of approved banks, interest on approved bank deposits and Asian dollar bonds, swap transactions on Asian currency units (other than Singapore dollars), interest paid on loans obtained to acquire qualifying vessels and certain approved foreign loans to buy productive equipment.

The 15% tax is a final tax and applies only to interest not derived by the nonresident from a business carried on in Singapore and not attributable to a permanent establishment in Singapore. Any interest that does not qualify for the reduced rate will be taxed at the prevailing corporate tax rate.

4.3 Royalties

A 10% withholding tax applies to royalty payments made to a nonresident, unless the rate is reduced under a domestic exemption or a tax treaty.

Singapore takes a rights-based approach to software payments and payments for the use of, or the right to use, information and digitized goods. Generally, payments for the transfer of a "copyright right" attract withholding tax, while a transfer of a "copyrighted article" does not. Broadly, the transfer of a copyright right allows the payer to "commercially exploit" such right, which may entail the reproduction, modification or adaption and distribution of the software, information or digitized goods; or the preparation of derivative works based on the copyrighted software program, information or digitized goods for distribution.

The 10% tax is a final tax and applies only to royalties not derived by the nonresident from a business carried on in Singapore and not attributable to a permanent establishment in Singapore. Any royalty that does not qualify for the reduced rate will be taxed at the prevailing corporate tax rate.

4.4 Branch remittance tax

Singapore does not levy a branch remittance tax.

4.5 Wage tax/social security contributions

There is no payroll tax in Singapore.

For information on social security contributions, see under 6.6, below.

4.6 Other

Withholding tax at the prevailing corporate tax rate (currently 17%) applies on gross service fees (including technical assistance and management fees) paid to nonresidents (other than individuals) that are attributable to work carried out in Singapore. This is not a final tax and the nonresident may claim a deduction for allowable expenses by filing a tax return with the IRAS. If the services are provided entirely outside Singapore and the nonresident is not incorporated, formed or registered in Singapore, does not carry on a business in Singapore and does not have a permanent establishment in Singapore, then withholding tax should not apply.

Payments of service fees to nonresident individual professionals that are attributable to work carried out in Singapore are subject to a 15% final withholding tax or a 22% nonfinal withholding tax, while payments to nonresident public entertainers are subject to a 10% final withholding tax.

Withholding tax also is applicable to, among other things, remuneration paid by a Singapore-resident company to its nonresident directors (at a 22% rate).

Income is not deemed to arise in Singapore—and so tax should not be withheld—in the following cases:

- Commissions or other payments connected with a loan or other indebtedness, if the service in question is performed entirely outside Singapore;
- Service fees payable for the use of technical or other knowledge, if the assistance or service is performed entirely outside Singapore; and
- Management fees for services performed entirely outside Singapore.

5.0 Indirect taxes

5.1 Goods and services tax

Singapore has a GST system based on a European-style VAT system. The GST is imposed on the supply of goods and services by a taxable person in Singapore and on the import of goods by any person into Singapore.

The GST has three categories of goods and services: (1) standard-rated items (including commercial-property transactions), subject to a 7% tax; (2) zero-rated items, including goods for export and international services; and (3) exempt items, including the sale and lease of residential land, sale of investment precious metal and the provision of certain financial services (such as currency exchange activities, provision of credit and life insurance coverage).

Most domestic supplies of goods and services are standard rated. Exported goods and international services are zero-rated, but suppliers of zero-rated goods and services are still entitled to obtain credits or refunds for GST paid on their purchases. Unlike standard or zero-rated suppliers, partially exempt suppliers do not have the right to a full credit for input tax. Therefore, some or all of the input tax that relates to the exempt supplies will be a cost.

Companies, individuals, partnerships, cooperatives, trusts, charities, clubs and statutory boards that make (or intend to make) taxable supplies by way of a business must register for GST if the annual turnover exceeds SGD 1 million. Registration requirements for nonresidents generally are the same as for residents, i.e. they must register if they make taxable supplies in Singapore that exceed the registration threshold, although they will need to appoint a local GST agent that will be responsible for their GST obligations. Companies may apply for voluntary registration even if turnover is less than SGD 1 million. However, once registered on a voluntary basis, the taxpayer must remain registered for at least two years. A registered trader generally must file GST returns on a quarterly basis but may opt to file monthly. Very small taxpayers may file on a semi-annual basis. Any tax due must be paid within one month after the end of the GST accounting period.

5.2 Capital tax

Singapore does not levy capital tax.

5.3 Real estate tax

Property tax is levied on all immovable property in Singapore and is payable annually by the owner at the beginning of the year. Immovable property includes Housing Development Board flats, houses, offices, factories, shops and land. The annual property tax is calculated based on a percentage (tax rate) of the gross annual value of the property, as determined by the IRAS. A progressive property tax rate of 0% to 16% applies for owner-occupied residential property, and a rate between 10% and 20% applies for non-owner occupied residential property. Other properties (such as commercial and industrial buildings and land) are taxed at a flat rate of 10%. A property tax exemption for land under development may be granted in certain cases.

5.4 Transfer tax

See under 5.5, below.

5.5 Stamp duty

Generally, stamp duty applies on instruments relating to the transfer of stock and shares of Singapore incorporated companies, stock and shares of foreign companies registered in a register kept in Singapore, and immovable property in Singapore. These include a sale or a mortgage of immovable property and shares and a lease of immovable property. An *ad valorem* stamp duty is chargeable on a lease, or an agreement for a lease, of any immovable property with an annual rent exceeding SGD 1,000. Leases with an annual rent not exceeding SGD 1,000 are exempt. The buyer's stamp duty on the acquisition of all property is 1% for the first SGD 180,000, 2% for the next SGD 180,000 and 3% thereafter.

An additional buyer's stamp duty is payable by certain groups of persons that buy or acquire residential property (including residential land). The additional buyer's stamp duty is from 5% to 15%,

depending on the category of the buyer, and it is computed on the higher of the purchase price or the market value of the property.

Seller's stamp duty of between 4% to 16% (the 165 rate is reduced to 12% for property purchased on or after 11 March 2017 and sold within a year) and 5% to 15%, depending on the holding period for the property, is payable on disposals of residential property and industrial property, respectively. However, seller's stamp duty will not apply if the residential or industrial property was acquired before 20 February 2010 or 12 January 2013, respectively.

The buyer's stamp duty on the acquisition of stock and shares is 0.2% of the market value or value of the consideration, whichever is higher. A transfer of scripless shares listed on the Singapore stock exchange is not subject to stamp duty.

Additional Conveyance Duties (ACD) apply on the purchase or sale on or after 11 March 2017 of shares or units ("equity interests") in property-holding entities (PHEs) that own primarily residential property in Singapore. ACD are payable by persons or entities who are significant owners of the PHE or become so after the purchase. In addition to the existing stamp duty on shares (0.2%), the ACD that apply on qualifying transfer of equity interests in PHEs are the existing buyer's stamp duty at 1% to 3% and additional buyer's stamp duty at 15%, or the seller's stamp duty at 12%, where applicable.

Provided that the necessary qualifying conditions are satisfied, relief from stamp duty applies to transfers of assets between associated permitted entities, statutory boards, unlimited companies and limited liability partnerships where all the partners are companies, as well as the reconstruction or amalgamation of a group of companies. Stamp duty relief is not available on instruments to which ACD apply.

5.6 Customs and excise duties

Singapore is a free port and levies few excise and import duties. Excise duties are imposed principally on tobacco, petroleum products and liquor. Import duties mainly are imposed on motor vehicles, tobacco, liquor and petroleum products. Export duties are not levied on goods exported from Singapore.

5.7 Environmental taxes

There is a 30%-45% levy on water charges, to encourage conservation. The levy increases to 35%-50% from 1 July 2017, and 50%-65% from 1 July 2018. A carbon tax is expected to be introduced from 2019, at a rate of between SGD 10 to SGD 20 per tonne of greenhouse gas emissions.

5.8 Other taxes

The Ministry of National Development levies standard development charges at the start of construction. Other taxes include: a monthly levy per foreign worker in certain industries; and a training levy for all employees on the first SGD 4,500 of gross monthly remuneration at a rate of 0.25%, subject to a minimum of SGD 2.

There are taxes on film rentals, entertainment, tourist hotels and restaurants, football betting, private lotteries and airport departures.

6.0 Taxes on individuals

Individuals are subject to income tax, withholding tax, real estate tax, stamp duty and social security contributions.

Singapore Quick Tax Facts for Individuals	
Income tax rates	Progressive from 2% to 22%
Capital gains tax rate	Not taxable
Basis	Generally territorial (except for foreign income remitted through a Singapore partnership)
Double taxation relief	Yes
Tax year	Calendar year
Return due date	15 April of the following year (18 April if filed electronically)
Withholding tax	
• Dividends	0%
• Interest	0%/15%/22%
• Royalties	0%/10%/22%
• Nonresident professionals	15%/22%
• Nonresident directors	22%
• Nonresident public entertainers	10%
Net wealth tax	No
Social security	20% (employee portion, Singapore citizens and permanent residents only)
Inheritance tax	No
Property tax	Progressive up to 16%/20% for owner-occupied and non-owner occupied residential property, respectively; 10% for other property
Stamp duty	Varies
GST	7%

6.1 Residence

An individual is tax resident in Singapore if he/she normally resides in Singapore except for temporary absences that are consistent with the claim to be a resident. A Singapore citizen is ordinarily treated as resident in Singapore. However, he/she may elect to be treated as a nonresident for Singapore tax purposes if he/she worked overseas for at least six months during the year.

A foreigner is regarded as resident in Singapore if he/she is physically present or exercises an employment in Singapore for 183 days or more during the year preceding the year of assessment in a capacity other than that of a director of a company, or if he or she ordinarily resides in Singapore. Two or three-year administrative concessions for tax residency in Singapore are available.

6.2 Taxable income and rates

Taxable income

Singapore taxes individuals on a territorial basis, i.e. only income sourced in Singapore is subject to tax. The remittance of foreign-source income is exempt, except for remittances/deemed remittances through a partnership by a resident individual.

Income includes gains or profits from a trade or profession, earnings from employment and pensions and annuities. Income from employment is deemed to be derived from Singapore if the employment is exercised in Singapore (i.e. the services are rendered in Singapore), regardless of where the remuneration is actually received or where the contract is signed. Income from employment includes wages, salaries, leave pay, fees, commissions, bonuses, gratuities, perquisites, allowances, benefits in kind (e.g. employer-provided meals, clothing or housing), stock options and gains from shares (other than capital gains), etc.

Dividends paid by companies under the one-tier tax system are tax exempt. Individual authors, composers or choreographers qualify for a 90% exemption on gross income from royalties.

Interest income derived by an individual from the deposit of money in a standard savings, current or fixed deposit account with an approved bank or finance company in Singapore is exempt from tax.

Net rental income derived from property located in Singapore is aggregated with other income and is subject to Singapore taxation.

Capital gains derived by an individual are not taxed, since Singapore does not tax capital gains.

Deductions and reliefs

Resident individuals who earn employment income generally are provided with earned income relief in varying amounts. An individual who earns income, whether from regular employment or self-employment, is granted earned income relief: SGD 1,000 for individuals younger than age 55; SGD 6,000 for those aged 55-59; and SGD 8,000 for those aged 60 and older. There are several other types of tax relief, such as spouse relief, child relief, dependent relief, CPF and CPF top-up relief, deductions for life insurance premiums and contributions to the Supplementary Retirement Scheme (SRS), etc.

With effect from the YA 2018 (income year 2017), the total amount of personal income tax reliefs which an individual can claim is subject to an overall relief cap of SGD 80,000.

Rates

Resident individuals are taxed at progressive rates ranging from 2% to 22%. Nonresidents are taxed on employment income at the higher of a flat rate of 15% or the resident tax rates (after deduction for personal reliefs and allowances). All income other than employment income derived by a nonresident individual (except for certain reduced final withholding tax rates) is taxed at a flat rate of 22%.

A nonresident individual (other than a director) exercising a short-term employment in Singapore for less than 60 days in a calendar year may be exempt from tax in Singapore.

Special expatriate regime

The Not Ordinarily Resident (NOR) Taxpayer Scheme is used to attract global talent to Singapore and to encourage companies to use Singapore as their base for regional activities. To qualify for the NOR scheme, an individual must be tax resident in Singapore in the current year of assessment and must not have been tax resident in the three years of assessment immediately before that year of assessment. Individuals meeting the requirements are granted NOR status for five consecutive assessment years, starting from the assessment year in which they first qualify.

Tax concessions under the NOR scheme include the following:

- Individuals are not subject to tax on the portion of Singapore employment income that corresponds to the number of days the individual has spent outside Singapore for business purposes pursuant to his/her Singapore employment, provided: (1) the individual spends at least 90 business days outside Singapore for business purposes pursuant to the Singapore employment; and (2) the employee's annual Singapore employment income is at least SGD 160,000. The IRAS also has indicated that the individual must be employed by a Singapore entity. In addition, where the tax on the apportioned income is below 10% of the employee's total employment income, the employee is subject to tax based on a floor rate of 10% of total employment income.
- The employer's contribution to a nonmandatory overseas pension fund or social security scheme is tax exempt, subject to the CPF capping rules. To enjoy the exemption, however, the employee cannot be a Singaporean or a Singapore permanent resident, the employee must derive a minimum annual Singapore employment income of SGD 160,000 and the employer must not claim a tax deduction for the contributions (of which the cost must be recharged to the Singapore

entity) up to the NOR cap. The employer also must not be a tax-exempt company, an investment holding company, a representative office, a foreign company not registered in Singapore or a service company that has adopted a cost-plus mark-up basis of assessment.

Area-representative status, which the IRAS grants to employees of nonresident companies with a representative office in Singapore, can reduce taxes considerably for expatriate employees who perform a major part of their responsibilities outside Singapore. Such individuals are taxed on the total taxable income pro-rated for the number of days they are physically in Singapore. However, benefits in kind, such as housing provided in Singapore, are fully taxable.

6.3 Inheritance and gift tax

There are no inheritance or gift taxes in Singapore.

6.4 Net wealth tax

There is no net wealth tax in Singapore.

6.5 Real property tax

See under 5.3, "Real estate tax," above.

6.6 Social security contributions

Both employers and employees must make monthly contributions to the CPF on cash emoluments if the employees are Singapore citizens or permanent residents (an immigration status) who are exercising employment in Singapore. Foreign employees (who are neither permanent residents nor citizens) and their employers are not required to contribute to the CPF. The employee's contribution may be deducted from his/her taxable income, and the employer's contribution is tax-exempt unless the contribution exceeds the statutory limit.

Contributions are payable to the CPF based on the employee's age and a percentage of the employee's total remuneration, i.e. ordinary wages and additional wages, received as cash emoluments. The employer's statutory contribution rate to the CPF is 17%, subject to a monthly ordinary wage ceiling of SGD 6,000 and a total annual wage ceiling of SGD 102,000. The employee's contribution rate is 20% and is deducted from monthly salary. The contribution is remitted by the employer (in respect of its own liability and that of the employee). The CPF rates above are applicable for employees under 55 years of age, and reduced CPF rates (as low as 7.5% for employers and 5% for employees) are applicable for employees above 55 years of age.

6.7 Other taxes

See under 5.5, "Stamp duty," above.

6.8 Compliance

The income tax year for individuals is the calendar year, with tax computed on a preceding year basis, i.e. the tax liability for a year of assessment is calculated on income accrued, derived or received in Singapore in the preceding calendar year. Each individual is required to file a separate tax return, including married couples living together. An individual is required to file his/her Singapore tax return in respect of income from the preceding year by 15 April of the following year (18 April if filed electronically). Penalties may apply for failure to comply.

7.0 Deloitte International Tax Source

The Deloitte International Tax Source (DITS) is a free online database that places up-to-date worldwide tax rates and other crucial tax information within easy reach. DITS is accessible through mobile devices (phones and tablets), as well as through a computer.

Connect to the source and discover:

A database that allows users to view and compare tax information for different jurisdictions that includes:

- Corporate income tax rates;
- Historical corporate rates;
- Domestic withholding tax rates;
- In-force and pending tax treaty withholding rates on dividends, interest and royalties;
- Indirect tax rates (VAT/GST/sales tax); and
- Information on holding company regimes.

Guides and Highlights: Deloitte's Taxation and Investment Guides analyze the investment climate, operating conditions and tax systems of most major trading jurisdictions, while the companion Highlights series concisely summarizes the tax regimes of over 100 jurisdictions.

Jurisdiction-specific pages: These pages link to relevant DITS content for a particular jurisdiction (including domestic rates, tax treaty rates, holding company information, Taxation and Investment Guides and Highlights).

Tax publications: Global tax alerts and newsletters provide regular and timely updates and analysis on significant cross-border tax legislative, regulatory and judicial issues.

Tax resources: Our suite of tax resources includes annotated, ready-to-print versions of holding company and transfer pricing matrices; an R&D incentive matrix; monthly treaty updates; and expanded coverage of VAT/GST/sales tax rates.

Webcasts: Live interactive webcasts and Dbriefs by Deloitte professionals provide valuable insights into important tax developments affecting your business.

Recent additions and updates: Links from the DITS home page provide easy access to new and updated content.

DITS is free, easy to use and readily available!

https://www.dits.deloitte.com

8.0 Contact us

To find out how Deloitte professionals can help you in your part of the world, please visit the global office directory at **https://www2.deloitte.com/global/en/get-connected/global-office-directory.html**, or select the "contact us" button at **https://www2.deloitte.com/tax.**

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