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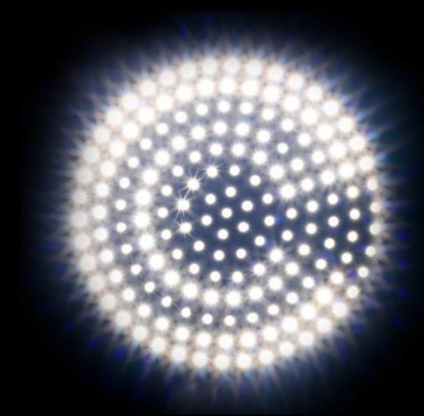
International Tax
Singapore Highlights 2019



Updated February 2019

Recent developments

For the latest tax developments relating to Singapore, see Deloitte tax@hand.

Investment basics:

Currency – Singapore Dollar (SGD)

Foreign exchange control – There are no significant restrictions on foreign exchange transactions and capital movements. Funds may flow freely into and out of Singapore. The government imposes certain restrictions on the lending of SGD to nonresident financial institutions to limit speculation in the SGD currency market, but these restrictions do not apply to the lending of SGD to individuals and nonfinancial institutions, including corporate treasury centers.

Accounting principles/financial statements – Singapore Financial Reporting Standards apply. Financial statements must be prepared annually.

Principal business entities – These are the public and private limited liability company, partnership, sole proprietorship and branch of a foreign corporation.

Corporate taxation:

Residence – A company is resident in Singapore for income tax purposes if its management and control is exercised in Singapore. The place where management and control is exercised often is the place where the directors' meetings are held.

Basis – Singapore imposes tax on a territorial basis. Tax is imposed on all income accruing in or derived from Singapore and all foreign income remitted or deemed remitted to Singapore in the preceding year, subject to certain exceptions.

Taxable income – Resident and nonresident companies are subject to tax on income accruing in or derived from Singapore and foreign income remitted or deemed remitted to Singapore, including: gains or profits from a trade or business; dividends, interest or discounts; charges or annuities; rents, royalties, premiums and other profit arising from property; and gains or profits of an income nature not falling within the above categories.

Foreign income remittances in the form of dividends, branch profits and services income to resident companies are exempt from tax, provided the income is received from a foreign jurisdiction with a headline tax rate of at least 15% in the year the income is received or deemed received in Singapore and the income has been subject to tax in the foreign jurisdiction. Foreign income that has been exempt from tax in the foreign jurisdiction as a direct result of a tax incentive granted for substantive business operations carried out in that jurisdiction will be considered as having met the "subject to tax" test.

Expenses of a revenue nature that are incurred wholly and exclusively to produce income may be deducted in computing taxable income. Other deductible costs include capital allowances and tax losses carried forward from prior years.

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

Foreign-source dividends are taxable if received or deemed received in Singapore, unless certain conditions are satisfied.

Capital gains – Singapore does not tax capital gains.

Losses – Losses may be carried forward indefinitely (except unutilized donations, which may be carried forward for five years), subject to compliance with the "substantial shareholders test." Unutilized capital allowances carried forward are subject to both the substantial shareholders test and the "same business test." Losses and unutilized capital allowances may be carried back for one year, subject to a cap of SGD 100,000 and compliance with the substantial shareholders test (compliance with the same business test also is required for the carry back of current-year unutilized capital allowances).

Rate – The standard corporate tax rate is 17%.

For year of assessment (YA) 2019 (income year 2018) and prior, 75% of the first SGD 10,000 of normal chargeable income and 50% of the next SGD 290,000 of normal chargeable income are exempt from tax. In addition, a qualifying new private company may be exempt from tax on the first SGD 100,000 of normal chargeable income and on 50% of the next SGD 200,000 of normal chargeable income for its first three consecutive YAs, subject to certain conditions. A corporate income tax rebate of 20% of corporate income tax payable is available for YA 2019, subject to a cap of SGD 10,000.

From YA 2020 (income year 2019), 75% of the first SGD 10,000 of normal chargeable income and 50% of the next SGD 190,000 of normal chargeable income are exempt from tax. In addition, for a qualifying new private company, 75% of the first SGD 100,000 of normal chargeable income and 50% of the next SGD 100,000 of normal chargeable income may be exempt from tax for its first three consecutive YAs, subject to certain conditions.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Some types of foreign-source income are exempt from Singapore tax (subject to certain conditions). Singapore grants resident companies a credit for foreign tax paid on income derived from treaty and nontreaty countries that is received and assessable to tax in Singapore. The credit is limited to the Singapore tax payable on that foreign income or the foreign tax paid, whichever is lower. The foreign tax credit amount may be computed on a pooled basis, subject to certain conditions.

Participation exemption – Dividends paid by Singapore resident companies are tax exempt in the hands of the recipient. As noted above under "Taxation of dividends," foreign-source dividends are taxable if received or deemed received in Singapore, unless certain conditions are satisfied. Gains from the disposal of ordinary shares in another company on or before 31 May 2022 are exempt from tax, provided the shares have been legally and beneficially held for a continuous period of at least 24 months immediately before the disposal and a 20% minimum shareholding requirement is met. Although Singapore does not tax capital gains, gains from the sale of shares may be regarded as ordinary income if the taxpayer is in the business of trading in shares.

Holding company regime – No

Incentives – Various incentives are available for pioneer and development and expansion companies, headquarter activities, financial services, asset securitization, fund managers, international maritime activities, international trading and R&D.

Withholding tax:

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

Interest – Interest paid to a nonresident is subject to a 15% withholding tax, unless the rate is reduced under a tax treaty or an exemption applies under certain domestic concessions. The 15% withholding tax is a final tax and applies only to interest not derived by the nonresident from a business carried on in Singapore and not effectively connected to a permanent establishment (PE) in Singapore. Any other interest that does not qualify for the final rate will be taxed at the prevailing corporate tax rate.

Royalties – Royalties paid to a nonresident are subject to a 10% withholding tax, unless the rate is reduced under a tax treaty or an exemption applies under certain domestic concessions. The 10% withholding tax is a final tax and applies only to royalties not derived by the nonresident from a business carried on in Singapore and not effectively connected to a PE in Singapore. Any other royalties that do not qualify for the final rate will be taxed at the prevailing corporate tax rate.

Technical service fees – Subject to the provisions of applicable tax treaties, payments for technical service fees are subject to a 17% withholding tax if made to nonresidents (other than individuals) in respect of fees for the rendering of assistance or services in connection with the application or use of scientific, technical, industrial or commercial knowledge or information, or for management or assistance in the management of a trade, business or profession, unless the services are rendered entirely outside Singapore and not performed through a business carried on in Singapore or a PE in Singapore.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – Property tax, levied on all immovable property in Singapore, 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 of the gross annual value of the property, as determined by the property tax department. The rates are progressive, and range from 0% to 16% for owner-occupied residential property, and from 10% to 20% for nonowner-occupied residential property; a 10% rate applies for nonresidential property. Property tax exemptions may be granted for land under development in certain cases.

Social security – Employers and Singapore citizens or Singapore permanent resident employees are required to contribute to the Central Provident Fund (CPF). Every employer must register with the CPF board and make monthly CPF contributions on behalf of itself and its employees (also see "Social security" under "Other taxes on individuals," below). The employee's share of the contributions is recovered through salary deductions.

Stamp duty – Stamp duty applies only to instruments (written or electronic form) relating to stock and shares and immovable property. These include the sale of a mortgage and shares and a lease of immovable property.

Ad valorem stamp duty is chargeable on a lease or agreement for a lease of any immovable property with average annual rent exceeding SGD 1,000. Leases with average annual rent not exceeding SGD 1,000 are exempt from stamp duty.

Buyer's stamp duty (BSD) of up to 4% is payable on acquisitions of residential properties, and up to 3% is payable on acquisitions of nonresidential properties. An additional buyer's stamp duty (ABSD) is payable by certain individuals and entities that purchase or acquire residential property (including residential land) at a rate that ranges between 5% and 30%, depending on the category of the buyer. Both the BSD and ABSD are computed on the higher of the purchase price or the market value of the property. Seller's stamp duty (SSD) of up to 15% and 12% for industrial and residential property, respectively, may be applicable, depending on the holding period and acquisition date of the property.

The BSD on the acquisition of stock and shares is 0.2% of the market value or purchase price, whichever is higher. The acquisition of equity interests in a company that primarily owns (directly or indirectly) residential property in Singapore also may attract additional conveyance duties (BSD and ABSD for buyers and SSD for sellers).

The transfer of scripless shares that are listed on the Singapore stock exchange generally is not subject to stamp duty. Stamp duty relief is available in certain cases, subject to conditions.

Transfer tax – No

Other – 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 and airport departures.

Anti-avoidance rules:

Transfer pricing – Mandatory transfer pricing documentation for companies is imposed from YA 2019, subject to safe harbor provisions. Penalties may be imposed for noncompliance. Transfer pricing adjustments made by the Inland Revenue Authority of Singapore (IRAS) may be subject to an additional surcharge of 5%. Transfer pricing guidelines cover the application of the arm's length principle, documentation requirements, advance pricing agreements and requests to invoke the mutual agreement procedure under Singapore's tax treaties. The IRAS also has issued transfer pricing guidelines for related party loans and services.

Singapore has introduced country-by-country (CbC) reporting requirements (see "Disclosure requirements," below).

Thin capitalization – No

Controlled foreign companies – No

Disclosure requirements – Singapore-headquartered multinational enterprises meeting certain conditions are required to prepare and submit CbC reports to the IRAS for financial years beginning on or after 1 January 2017.

Other – Singapore has a general anti-avoidance provision.

Compliance for corporations:

Tax year – The tax year (YA) generally is the calendar year, although a company is required to file its tax return based on the results of its financial year. Income is subject to tax in Singapore on a preceding-year basis (e.g. income earned in the financial year ended in 2018 will be taxed in YA 2019).

Consolidated returns – Consolidated returns are not permitted; each company is required to file a separate corporate tax return, unless a waiver is granted. However, a loss transfer system of group relief allows current year unutilized losses, unutilized capital allowances and unutilized donations from one qualifying company to be offset against the assessable income of another qualifying company within the same group. To qualify, among other requirements, companies must be incorporated in Singapore and be at least 75% owned, directly or indirectly, by another company in the group that is incorporated in Singapore, and must have the same accounting year-end.

Filing requirements – Companies must submit their estimated chargeable income to the IRAS within three months from the end of their financial year-end. Tax returns must be paper-filed by 30 November or electronically filed by 15 December of the YA for income earned in the preceding accounting year.

Penalties – Penalties apply for late filing and for failure to file.

Rulings – A taxpayer can request an advance ruling from the IRAS on the tax consequences of a particular transaction.

Personal taxation:

Basis – Singapore tax resident individuals, with certain exceptions, are subject to Singapore income tax on income accrued in or derived from Singapore. Foreign-source income received or deemed received in Singapore by an individual is exempt from income tax in Singapore, except for income received or deemed received through a partnership in Singapore. Certain investment income derived from Singapore sources by an individual may be exempt from income tax. Nonresidents are subject to Singapore income tax on income accrued in or derived from Singapore.

Residence – A Singapore citizen is considered a tax resident in Singapore if he/she normally resides in Singapore, except for temporary absences consistent with the claim of being a resident. A foreigner is considered a tax resident in Singapore if, in the calendar year preceding the YA, he/she was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he/she ordinarily resides in Singapore.

A foreigner whose employment period in Singapore covers at least three consecutive YAs may be considered a tax resident in Singapore on a concessionary basis for all three YAs, even though the individual may have spent less than 183 days in Singapore in the year of arrival, departure, or both.

An employee who has exercised employment in Singapore for less than 183 days during his/her year of arrival, but expects to exercise the employment in Singapore for a continuous period of at least 183 days straddling two consecutive calendar years, may be taxed as a resident in Singapore for both YAs.

Filing status – Each individual, including married couples living together, is required to file a separate tax return.

Taxable income – Income includes gains or profits from a trade, business, profession or vocation, and gains or profits from employment (including the value of any food, clothing or lodging provided or paid for by the employer and allowances, other than those for subsistence, travel or entertainment purposes).

Capital gains – Singapore does not tax capital gains.

Deductions and allowances – Donations made to approved Institutions of Public Character are allowed as a deduction to resident and nonresident individuals. However, personal reliefs and tax rebates are granted only to resident individuals. Personal reliefs may be deducted against assessable income to ascertain the chargeable income on which tax is computed. Tax rebates are deducted from the tax payable to determine the final tax liability of the individual. The total amount of personal income tax reliefs that an individual can claim is subject to an overall relief cap of SGD 80,000.

Rates – Residents deriving chargeable income above SGD 20,000 are taxed at progressive rates ranging from 2% to 22%.

Nonresidents are taxed on their employment income at the higher of a flat rate of 15% (with no personal deductions or allowances) or the tax rate for residents (taking into account personal reliefs and rebates).

All other income of nonresidents sourced in Singapore, including fees paid to directors and consultants, generally is taxed at a flat rate of 22%. A nonresident individual (other than a director) exercising a short-term employment in Singapore (i.e. for no more than 60 days) may be exempt from tax in Singapore on his/her employment income derived from Singapore.

Other taxes on individuals:

Capital duty – No

Stamp duty – See “Stamp duty” under “Other taxes on corporations,” above.

Capital acquisitions tax – No

Real property tax – See "Real property tax" under “Other taxes on corporations,” above.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – Only employees who are Singapore citizens or Singapore permanent residents (under immigration rules) and working in Singapore are required to contribute to the CPF, at a rate of up to 20% (for individuals who are 55 years old or less). Graduated rates may apply for the first two years after the employee attains permanent residence. The employer's statutory contribution rate to the CPF is up to 17% (for individuals who are 55 years old or less), subject to a monthly ordinary wage ceiling of SGD 6,000 and a total annual wage ceiling of SGD 102,000. The contribution is remitted by the employer on behalf of itself and the employee.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – 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, or 18 April if filed electronically.

Penalties – Penalties apply for late filing and for failure to file.

Goods and services tax:

Taxable transactions – Singapore imposes a goods and services tax (GST), which is similar to a European-style VAT, on the supply of most goods and services, and on all goods imported into Singapore unless the goods are imported via an import GST relief.

Rates – The standard rate is 7%, with a zero rate for international services and exports of goods. The provision of specified financial services, the sale and lease of residential property and the import and local supply of investment precious metals are exempt from GST.

Registration – Subject to certain exemptions, a person is required to be registered if its taxable turnover exceeds SGD 1 million in a calendar year or is expected to exceed SGD 1 million in the next 12 months. A taxpayer may apply for voluntary registration even if its annual taxable turnover does not exceed SGD 1 million. Once voluntarily registered, the taxpayer must remain registered for at least two years and satisfy certain other conditions that may be imposed.

Filing and payment – A registered taxable person is required to file a GST return with the Comptroller of GST on a quarterly basis (but may opt to file on a semi-annual or monthly basis) no later than one month after the end of the relevant prescribed accounting period. Any tax payable for the accounting period to which the return relates must be paid by the submission deadline. Any refund of the tax generally is received within a period equivalent to the prescribed accounting period, calculated from the date the GST return is submitted.

Penalties apply for late filing and for failure to file.

Source of tax law: Income Tax Act (Chapter 134), Property Tax Act (Chapter 254), Stamp Duties Act (Chapter 312), Goods & Services Tax Act (Chapter 117A), Economic Expansion Incentives (Relief from Income Tax) Act (Chapter 86)

Tax treaties: Singapore has concluded 85 comprehensive tax treaties. For further information on Singapore's tax treaty network, visit Deloitte International Tax Source.

Singapore has signed the OECD multilateral instrument (MLI) and deposited its instrument of ratification with the OECD on 21 December 2018. The MLI will enter into force for Singapore on 1 April 2019.

Tax authorities: Inland Revenue Authority of Singapore (IRAS)

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