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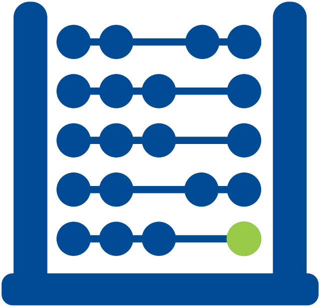
A pocket guide to Singapore tax 2014

If it counts, it's covered



Corporate taxation

Corporate income tax ("CIT") rate

Standard rate is 17%.

Tax exemption/rebates

Singapore also offers a range of tax exemption and rebate schemes:

Partial tax exemption	75% of the first $10,000 of chargeable income and 50% of the next $290,000 of chargeable income is tax exempt
Tax exemption for new start-up companies	A newly incorporated company that meets the qualifying conditions can claim for full tax exemption on the first $100,000 of normal chargeable income for each of its first three consecutive Years of Assessment ("YAs")
CIT rebate	From YA 2013 to YA 2015, companies will be granted a 30% CIT rebate capped at $30,000 for each YA

Basis

Singapore taxes on a quasi-territorial basis. Tax is imposed on all income accrued in or derived from Singapore and all foreign income remitted or deemed remitted to Singapore, subject to certain exceptions. Foreign income in the form of foreign dividends, branch profits and service income which is received in Singapore by tax resident companies is exempt from tax under certain conditions.

Capital gains and losses

Singapore does not tax capital gains. Under the current “safe harbour” rules, gains from disposal of ordinary shares (held for at least 24 months, minimum 20% shareholding prior to disposal) are exempt from tax. Capital losses are not tax deductible.

Losses and capital allowances

- Trading losses may be carried forward indefinitely, subject to shareholding test;
- Unutilised capital allowances may be carried forward indefinitely, subject to both shareholding test and same business test;
- Trading losses and unutilised capital allowances may be carried back for 1 year, subject to a cap of $100,000 and compliance with shareholding test. Unutilised capital allowances carried back are further subject to the same business test.

Capital allowances (tax depreciation)

Plant and machinery: Capital allowances are given for capital expenditures incurred on the acquisition of plant and machinery used for the purposes of a trade or business.

- Under normal rules, the initial allowance for plant and machinery is 20%, with the annual allowance computed on a straight-line basis over the prescribed tax life;
- Qualifying plant and machinery may be written off in equal amounts over 3 years when claimed;
- Alternatively, such expenditure may be claimed in 1 year if each item costs no more than $5,000 and the total claim for such expenditure does not exceed $30,000 for a tax year;
- Some items may qualify for the 1 year write off (e.g. computers and other prescribed automation equipment, generators, robots, certain efficient pollution-control equipment, certified energy-efficient equipment or approved energy-saving equipment or certain industrial noise and chemical hazard-control equipment).

Land intensification: The Land Intensification Allowance ("LIA") is granted to businesses on the construction or renovation of qualifying buildings or structures if certain conditions are met.

- Initial allowance of 25% and an annual allowance of 5% on qualifying capital expenditure incurred on or after 23 February 2010;

- User of the building or structure must carry out one of the specified qualifying activities (i.e. manufacturing/processing of specified products) as its principal activity. In Budget 2014, the scheme has been extended to the logistics sector and businesses carrying out qualifying activities on airport and port land;
- The LIA is available on an application basis and approvals are granted from 1 July 2010 to 30 June 2015 (extended till 30 June 2020 in Budget 2014).

Intellectual properties ("IP"): Writing-down allowances ("WDAs") are granted for capital expenditure incurred on the acquisition of qualifying IP on or before the last day of the basis period for the 2015 tax year (extended till 2020 in Budget 2014) if the legal and economic ownership of IP lies with the taxpayer.

- Allowances are calculated on a straight-line basis over 5 years;
- Legal ownership requirement may be waived for IP rights acquired on or after 17 February 2006.

Productivity and Innovation Credit ("PIC") Scheme

- *400% tax deductions/allowances*: Broad-based tax scheme granting a total of 400% tax deduction/allowance on the first $400,000 of qualifying expenses incurred during YAs 2011 to 2015 (extended till YA 2018 in Budget 2014) on each of these 6 qualifying activities:

1. Research and Development ("R&D");
2. Acquisition and in-licensing of IP rights;
3. Registration of patents, trademarks, designs and plant varieties;
4. Investment in approved design projects;
5. Acquisition and leasing of prescribed information technology and automation equipment;
6. Training of employees.

- *Cash Payout*: Businesses can opt to convert their expenditure in all 6 qualifying activities into a non-taxable cash payout, subject to an annual cap of $100,000. This is available at a conversion rate of 60% for YAs 2013 to 2015 (extended till YA 2018 in Budget 2014).

- *PIC Bonus*: The PIC Bonus gives businesses a dollar-for-dollar matching cash bonus for YAs 2013 to 2015, subject to an overall cap of $15,000 for all 3 YAs combined. This is given on top of the existing 400% tax deductions/allowances and/or cash payout under the PIC Scheme. To enjoy the PIC Bonus, businesses must, amongst other conditions, incur at least $5,000 qualifying spending in the year.

PIC+ Scheme (introduced in Budget 2014)

- Qualifying Small and Medium Enterprises ("SMEs") incurring PIC qualifying expenditure in YA 2015 to YA 2018 may opt for a new PIC+ scheme;
- Under the PIC+ scheme, the expenditure cap for qualifying SMEs is $600,000 per qualifying activity per YA. The combined expenditure cap will therefore be up to $1.4 million for YA 2015, and up to $1.8 million for YA 2016 to YA 2018.

Incentives

Various incentives are available for pioneer and expanding companies, headquarter activities, financial services, asset securitisation, funds and fund managers, international maritime activities, international trading and R&D.

Withholding tax

Nature of Income	Tax Rate
Dividends	Exempt*
Interest, commission, fee or other payment in connection with any loan of indebtedness	15%
Royalty or other lump sum payments for the use of or right to use movable properties	10%
Payment for the use of or the right to use scientific, technical, industrial or commercial knowledge or information	10%
Technical assistance and service fees	17%
Rent or other payments for the use of movable properties	15%
Management fees	17%
Non-resident directors' remuneration	20%

* 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

Note:
Lower rates may apply when there is a tax treaty in force. Singapore has concluded more than 70 comprehensive tax treaties as of to-date.

Personal taxation

Tax rates for resident individuals

Resident individuals are taxed at progressive rates ranging from 2% to 20%.

Tax rates for non-resident individuals

- *Employment income*: Taxed at 15% (without any deduction of personal reliefs and allowances) or resident individual rates, whichever gives rise to a higher tax amount;
- *All other income*: Taxed at 20% for director's fees, consultation fees and all other income;
- A non-resident individual (other than a director) exercising short-term employment in Singapore (i.e. not more than 60 days) may be exempt from tax in Singapore.

Taxable value of employment benefits

All gains or profits, including all benefits (whether in money or otherwise), derived by an employee in respect of employment exercised in Singapore are taxable, unless they are specifically exempt or are covered by an existing administrative concession.

Examples of such benefits in kind:

- *Air passage (home leave passage)*: Tax treatment depends on the status of the employee.
  i. For Singapore citizens and Singapore Permanent Residents ("SPRs"), the full cost of the home leave passage provided to the employee and his family members is taxable;
  ii. For expatriate employees, a tax concession is granted by assessing only 20% of the cost of the passage to tax. This concession is limited to 1 home leave passage each per year for the employee and his spouse, and 2 passages for each dependent child. The full cost of the passage is taxable for subsequent home leave passages or passages taken to countries other than the home country and also passages provided to other family members.

- *Car benefit*: An employee who is provided with a car by his employer is assessable to tax on the value of benefit enjoyed by him for the private use of the car.

- *Medical and dental benefits*: An administrative concession has been granted whereby the reimbursement by an employer of the medical and dental bills of an employee, the employee's spouse and children is not assessable to tax, provided that the benefits are made available to all employees.

• *Accommodation and related benefits*:

Up to YA 2014	From YA 2015 onwards
If place of residence or serviced apartment is <u>not within</u> hotel building	
Lower of: 10% of employment income; or Annual value ("AV") of premises, Less: rent paid by employee.	AV of premises less rent paid by employee. As an administrative concession, employers can elect to report the actual market rent paid for the furnished premises (including furniture and fittings) instead of AV. In which event, employers will not be required to declare the taxable value of furniture and fittings separately based on the percentage of AV (see below).
Furniture and fittings	
Prescribed rates for each piece of furniture and fittings provided.	40% of the AV if the premises is partially furnished; or 50% of the AV if the premises is fully furnished.

Up to YA 2014	From YA 2015 onwards
Utilities and housekeeping costs	
Utilities, telephone and cable bills, household servants: • Actual amount paid by employer Gardener: • $35 per month or actual wages paid by employer, whichever is lesser.	Utilities, telephone and cable bills, household servants: • Actual amount paid by employer Gardener: • Actual wages paid by employer
Hotel accommodation or serviced apartment <u>within</u> hotel building	
2% of basic salary plus prescribed value for each occupant during period of stay	Actual costs incurred by the employer for the hotel stay, Less: amount paid by employee, if any
Housing allowance	
Fully taxable	
Employee signs a rental agreement but the employer pays the rent to the landlord	
Rental paid by employer is fully taxable. This is like a housing allowance paid. The agreement between the employee and the landlord will not affect the tax treatment.	

- *Insurance benefit*: Insurance premiums paid by the employer towards group life or group accident insurance coverage provided to employees are taxable if the employee is the named beneficiary or the employer is the policyholder and is under contractual obligation to disburse the insurance payout to the employee, employee's nominated beneficiaries, or employee's next-of-kin, in the event of a claim.

  With effect from YA 2013, such premiums will not be taxable under an administrative concession if the employer elects not to claim a corporate tax deduction of the insurance premiums.

Social security

- Every employer must register with CPF board and make monthly CPF contributions on its own behalf and on behalf of its employees. Employee's share of the contributions is recovered through salary deductions;
- Only employees who are Singapore citizens or Singapore permanent residents are required to contribute to CPF at a rate of up to 20%;
- Graduated rates may apply for first 3 years when employee first attains permanent residence;

- Employer's statutory contribution rate to CPF is currently 16% (proposed to be increased to 17% effective from 1 January 2015), subject to a monthly ordinary wage ceiling of $5,000 and total annual wage ceiling of $85,000.

Updates from 2014 Budget announcement

- Employer CPF contribution rates will increase by 1% for all employees and will be channeled to the Medisave Account;
- Employer and employee CPF contribution rates for workers aged above 50 to 55 years will be increased by another 1% and 0.5% respectively and will be allocated to the Special Account and Ordinary Account respectively;
- Employer CPF contributions rates for workers aged above 55 to 65 years will be increased by another 0.5% and will be allocated to the Special Account;
- The above changes will be effective from 1 January 2015.

Special schemes

Various schemes are available for resident/non-resident individuals such as the Area Representative Scheme, Not Ordinarily Resident Scheme, Supplementary Retirement Scheme and Angel Investors Tax Deduction Scheme.

Goods and services tax

Rates

- Standard rate of 7% is applicable to all supplies of goods and services made in Singapore unless supply is included in the 0% GST rate or is GST exempt;
- 0% rate is applicable to exported goods and international services (subject to certain conditions);
- Exempt supplies include financial services, residential land and investment precious metals.

Registration, filing and payment

- A person is required to register for GST if total value of taxable supplies made in a 12-month period exceeds $1 million;
- Registration on a voluntary basis is possible if turnover is less than $1 million;
- A registered person is required to file a tax return no later than 1 month after the end of the relevant accounting period, typically a calendar quarter;
- Any tax payable in respect of the relevant accounting period should be paid by the due date for that return.

Stamp duty

Stamp duty applies only to instruments relating to (a) stock and shares registered in a share register kept in Singapore and (b) Singapore immovable property. In particular:

a. Buyer's stamp duty on acquisition of stock and shares is 0.2% of the market value or value of consideration, whichever is higher. Stamp duty reliefs are available, subject to conditions. Transfer of scripless shares listed on Singapore stock exchange is not subject to stamp duty;
b. Buyer's stamp duty on acquisition of property is 1% for first $180,000, 2% for next $180,000 and 3% thereafter. Additional buyer's stamp duty is payable by certain categories of buyers that purchase or acquire residential property (including residential land). The additional buyer's stamp duty is 5% to 15%, depending on category of the buyer and is computed on the higher of the purchase price or market value of the property;
c. Seller's stamp duty of 5% to 15% applies to industrial property acquired on or after 12 January 2013 and disposed of within 3 years, depending on the holding period. Seller's stamp duty of 4% to 16% also applies to residential properties acquired on or after 14 January 2011 and disposed of within 4 years of acquisition.

Property tax

- Property tax is payable annually at the beginning of the year for all immovable properties owned;
- Immovable properties include Housing Development Board flats, houses, offices, factories, shops and land;
- 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 for the year 2014 are as follows: 0% to 15% for owner-occupied residential property; 10% to 19% for non-owner-occupied residential property; and 10% for non-residential property.

Customs and excise duties

- Goods imported into Singapore are generally free of customs or excise duties, subject to the following exceptions:
  – Excise duties are imposed on intoxicating liquors, tobacco products, motor vehicles, and petroleum products;
  – Customs duties are imposed on some intoxicating liquors;
- Export duties are not levied on goods exported from Singapore.

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