Deloitte.

A pocket guide to Singapore tax 2017

Tax

Corporate taxation

Corporate income tax (CIT) rate

The 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	For YA 2017, companies will be granted a 50% CIT rebate capped at $25,000. For YA 2018, companies will be granted a 20% CIT rebate capped at $10,000.

Basis

Singapore taxes income 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 subject to satisfaction of 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. These safe harbour rules apply to disposals on or before 31 May 2022. Capital losses are not tax deductible.

Losses and capital allowances

- Trade losses may be carried forward indefinitely, subject to the substantial shareholding test

- Unutilised capital allowances may be carried forward indefinitely, subject to both the substantial shareholding test and same business test

- Trade losses and unutilised capital allowances may be carried back for 1 year, subject to a cap of $100,000 and compliance with substantial 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)

* *Equipment installed on or after 1 January 2018 will no longer qualify for the 1 year write off but should still qualify for a writing-down period of 3 years*

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 1 of the specified qualifying activities (i.e., manufacturing/ processing of specified products/logistics sector and businesses carrying out qualifying activities on airport and port land) as its principal activity and 80% of the total floor area of the building or structure must be used by a single user for carrying out the qualifying activity. For applications made from 25 March 2016, the scheme is extended to buildings used by a single user or multiple related users for one or multiple qualifying trades or businesses
- The LIA is available on an application basis and approvals are granted from 1 July 2010 to 30 June 2020

Intellectual property (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 2020 tax year if the legal and economic ownership of IP lies with the taxpayer.

- Allowances are calculated on a straight-line basis over 5 years. For qualifying IP Right acquisitions made during the basis periods for the YA 2017 to YA 2020, the taxpayer may elect for the allowances to be claimed over 5, 10 or 15 years. The election is irrevocable and must be made when submitting the tax return for the YA in which the qualifying expenditure is first incurred

- 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 2018 on each of these 6 qualifying activities:
    01. Research and Development (R&D)
    02. Acquisition and in-licensing of IP rights
    03. Registration of patents, trademarks, designs and plant varieties
    04. Investment in approved design projects
    05. Acquisition and leasing of prescribed information technology and automation equipment
    06. 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% from YA 2013. For qualifying expenditure incurred from 1 August 2016 onwards, the conversion rate is reduced to 40%. The annual cap of $100,000 remains.

- The PIC scheme will not be available from YA 2019.

PIC+ Scheme

Qualifying Small and Medium Enterprises (SMEs) incurring PIC qualifying expenditure in YA 2015 to YA 2018 may opt for the 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*, financial services, finance and treasury centres, funds and fund managers, international maritime activities, international trading and R&D activities.

** A new IP Development Incentive (IDI) has been proposed in Budget 2017 to incentivise income generated from the exploitation of IP arising from R&D activities performed by the taxpayer in Singapore or outsourced to third parties. IDI will take effect from 1 July 2017. New Pioneer and Development and Expansion Incentive (DEI) incentives granted after 30 June 2017 will not cover IP income. Existing Pioneer and DEI incentives will cover IP income until 30 June 2021 or until the relevant award expires, whichever occurs first.*

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	22%

** 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 80 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 22%, after deduction of personal reliefs and allowances. All resident individual taxpayers will be granted a one-off personal income tax rebate of 20%, capped at $500 per taxpayer, for YA 2017.

Tax rates for non-resident individuals

- *Employment income:* Taxed at 15% (without any deduction of personal reliefs and allowances) or resident individual rates with personal reliefs and allowances, whichever gives rise to a higher tax amount.
- *Consultant income:* Taxed at 15% on the gross income. Individuals may elect to be taxed at 22% on the net income after deduction of qualifying expenses.
- *All other income:* Taxed at 22%.
- A non-resident individual (other than a director of a Singapore company) exercising short-term employment in Singapore for a period or periods up to 60 days within the tax year may be exempt from tax in Singapore on employment income derived from 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. With effect from YA 2018, the concession will be removed i.e., all home leave passages provided will be taxable in full.

- *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 dependent children is not assessable to tax, provided that the benefits are made available to all employees.

- *Accommodation and related benefits*

Place of residence provided by employer	Annual Value (AV) of premises less rent paid by employee, if any. As an administrative concession, if the AV is not readily available, IRAS has indicated that employers can use the actual market rent paid for the furnished premises (including furniture and fittings). 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 provided therein	40% of the AV if the premises is partially furnished; or 50% of the AV if the premises is fully furnished.
Utilities and housekeeping costs	Utilities, telephone and cable bills, household servants: • Actual amount paid by employer Gardener: • Actual wages paid by employer

Hotel accommodation or serviced apartment (where AV is not available)	Actual costs incurred by the employer for the period of stay, Less: amount paid by employee, if any
Housing allowance	Fully taxable
Employee signs a lease agreement but the employer pays the rent to the landlord	Rental paid by employer is fully taxable in similar manner as housing allowance paid.
Stock options/ share awards	Gains will be treated as employment income sourced in Singapore to the extent that they are granted to the individual while he is exercising his employment in Singapore or holding an office in Singapore. Generally, the gains will be taxable upon exercise of the stock options or vesting of the shares.

Taxable value is the fair market value of the shares upon exercise of the options or vesting of the shares less the price paid for the shares, if any. Where there are restrictions imposed on the sale of shares acquired (i.e., moratorium), the gains will be taxable upon the lifting of such restriction and the taxable value will be the fair market value of the share on that date less the price paid for the share. Foreign employee who ceases employment in Singapore with unexercised/unvested stock options or shares, or shares still subject to moratorium, granted during Singapore employment, will be subject to tax on the gains under the “deemed exercise” rule.

The “deemed exercise” gains will be computed based on the market value of the shares at one month prior to the cessation date or the date of grant, if later, less any price payable to acquire the shares.

Where the actual gains from subsequent exercise or vesting of the stock options/share awards are lower than the “deemed exercise” gains, the individual may apply for reassessment of the lower gains with documentary support within 4 years from the year of the application of the “deemed exercise” rule.

- *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 a 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 are not 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 the 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 SPRs are required to contribute to CPF at a rate (age based) of up to 20%.
- Graduated rates may apply for the first 3 years when employee first attains SPR status.
- Employer's statutory contribution rate to CPF is currently 17% (for employees up to 55 years of age), subject to a monthly ordinary wage ceiling of $6,000 and total annual wage ceiling of $102,000.

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

- The standard rate of 7% is applicable to all supplies of goods and services made in Singapore unless the supply qualifies to be zero-rated or exempted for GST purposes.
- Zero-rated supplies include the export sales of goods and provision of international services (subject to satisfying certain conditions).
- Exempt supplies include provision of specified financial services, sale and lease of residential land/ properties and supply of investment precious metals.

Registration, filing and payment

- A person is generally required to register for GST if the total value of taxable supplies made in a 12-month period (either looking back over actuals or looking forward to reasonably expected sales) exceeds or is expected to exceed $1 million.
- Registration on a voluntary basis is possible if taxable 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.
- If the return is a repayment, the IRAS will generally make the refund within 3 months of the date of submission.

Stamp duty

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

- 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 the SGX is not subject to stamp duty

- 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 the profile of the buyer and is computed on the higher of the purchase price or market value of the property.

- 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 2017 are as follows: 0% to 16% for owner-occupied residential property; 10% to 20% 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 (including diesel products)
  - Customs duties are imposed on some intoxicating liquors

- Export duties are not levied on goods exported from Singapore

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