# Singapore

*This chapter is based on information available up to 1 February 2010.*

## Introduction

Companies are subject to income tax on corporate profits. There is no tax on capital gains. A goods and services tax (GST) is imposed. Social security contributions are made to the Central Provident Fund (CPF).

Singapore is a republic that consists of the main island of Singapore and some 57 islands, of which 20 are inhabited.

The tax administration agency is the Inland Revenue Authority of Singapore (IRAS). The law governing the imposition of income tax is the Income Tax Act (ITA).

The currency is the Singapore dollar (SGD).

## 1. Corporate Income Tax

### 1.1. *Type of tax system*

Singapore operated an imputation system until 31 December 2002. From 1 January 2003, the imputation system was replaced by a one-tier corporate tax system, under which all dividends paid by resident companies are exempt in the hands of shareholders at all levels. However, during a 5-year transitional period (1 January 2003 to 31 December 2007), the old imputation system continued to apply to companies that opted to remain on the imputation system.

The one-tier corporate system applies with no exception from 1 January 2008.

### 1.2. *Taxable persons*

Corporate income tax is levied on companies and trusts. Government agencies, friendly and cooperative societies, charities and trade unions are generally exempt from tax.

A company, as defined in the ITA, includes any company incorporated or registered under any law in Singapore or elsewhere. This definition is very broad and includes all companies whether local or foreign which carry on operations in Singapore. This chapter is restricted to Singapore-incorporated public companies (generally, listed companies) and private limited companies (Pte. Ltd.) as well as foreign-incorporated entities of a similar description, whether resident or non-resident. These entities will be referred to as companies.

Partnerships, including limited liability partnerships, are not separate taxable persons, and each partner is liable to tax on his share of income from the partnership.

#### 1.2.1. Residence

A company is resident in Singapore if the management and control of its business is exercised in Singapore. In practice, the place of residence is deemed to be the place where the directors of a company meet and exercise de facto control (not necessarily the place of incorporation).

### 1.3. *Taxable income*

#### 1.3.1. General

Resident companies are subject to tax on any income accruing in or derived from Singapore, or received in Singapore from outside Singapore. However, certain foreign income may be exempt (see 6.1.1.).

The taxable income for a year of assessment is determined by subtracting allowable deductions from assessable income. Assessable income includes gains or profits from any trade or business, income from investment such as dividends, interest and rental, royalties, premiums and any other profits from property and other gains of an income nature.

Trade income is taxed on an accrual basis.

#### 1.3.2. Exempt income

Income is exempt if it is:
- derived by an exempt taxpayer (see 1.2.); or
- exempt income, e.g. specified foreign income (see 6.1.1.).

In addition, there are numerous incentives for particular types of businesses which result in either full or partial exemption, or reduced tax rates (see 1.7.).

Under the one-tier corporate tax system, all dividends received from resident companies are exempt (see 1.1.).

#### 1.3.3. Deductions

In general, deductions are allowed for outgoings and expenses incurred wholly and exclusively in the production of income. Expenses of a capital, private or domestic nature and expenses incurred prior to the commencement or after the cessation of a business are not deductible. In addition, deductions are not allowed for expenses where specifically prohibited by the ITA.

Deductible items include business expenditure, interest payments, rents, repair and renewals, contributions to an approved pension fund and research and development expenditure. The deductibility of the following expenses

is subject to limitations: bad and doubtful debts, expenses incurred on a motorcar, entertainment, legal and professional fees, and gifts. Taxes paid, fines and penalties, and club entrance fees are not deductible.

Generally, dividends are not deductible, whereas interest is. Royalties incurred in earning assessable income are deductible.

#### 1.3.4. Valuation of inventory

The ITA does not specify the basis of valuation of inventory for a continuing business, although the basis used should reflect income, be consistent from year to year and conform to commercial and accountancy practices. However, the LIFO method is specifically prohibited for tax purposes.

#### 1.3.5. Depreciation and amortization

Industrial buildings and structures are granted an initial allowance of 25% of the capital expenditure in the year it is incurred, and annual allowances of 3% until the expenditure is written off.

Plant and machinery are granted an initial allowance of 20% of the capital expenditure and annual allowances over the useful life, which ranges from 5 to 16 years. Alternatively, expenditure incurred on plant and machinery for the purposes of a trade, business or profession (including motor cars, motorcycles and light goods vehicles from the year of assessment 2009) may be depreciated over 3 years at 33⅓% per year, but no initial allowance is granted.

Plant and machinery acquired for business purposes in the years of assessment 2010 and 2011 are eligible for accelerated capital allowances at the rate of 75% in the first year of claim and 25% in the second year of claim.

A 100% depreciation allowance is available on capital expenditure incurred on computer equipment, prescribed automation equipment, robots, generators, pollution control and energy efficient equipment, noise reduction and chemical hazard control equipment, and the replacement of certain diesel-driven vehicles and buses.

Capital expenditure incurred in acquiring approved intellectual property up to 31 October 2013 may be written down over 5 years on a straight-line basis, i.e. at an annual rate of 20%. In addition, a 100% depreciation allowance is granted on approved research and development cost-sharing agreements entered into on or after 17 February 2006.

Examples of assets that are not depreciable include general lightings, doors, windows, fixed partitions, false ceilings and S-registered cars.

Unabsorbed capital allowances can be carried forward to be set off against income of subsequent years of assessment from the same trade, business or profession in respect of which the capital allowances were granted. The carry-forward is also subject to a shareholding test (see 1.5.1.).

#### 1.3.6. Reserves and provisions

Deductions are allowed when an actual liability arises. As such, reserves and provisions are generally not deductible.

A general provision for bad and doubtful debts is not deductible, but a provision made for a specific debt may be allowed.

### 1.4. *Capital gains*

Capital gains are generally not taxable.

However, in certain cases where there is a series of transactions or where the holding period of the asset is short, capital transactions may be deemed to constitute a trade that generates income. The taxpayer's intention upon entering the transaction may determine whether it will produce taxable income which is consequently taxable as business income.

### 1.5. *Losses*

#### 1.5.1. Ordinary losses

A loss arising from the carrying on of a trade is deductible against all other sources of income if it would have been assessable had it been a profit.

Only losses from a trade, business, profession or vocation can be carried forward. Losses can be carried forward indefinitely, provided a shareholding test is met, i.e. the company's shareholding has not changed beyond 50% between the year the loss was incurred and the year the loss is to be set-off.

The carry-forward of unutilized capital allowances is also subject to the shareholding test, in addition to the same business test (see 1.3.5.).

Losses of up to SGD 100,000 may be carried back for one year of assessment preceding the year the capital allowances were granted or the trade losses were incurred. Any unutilized amounts exceeding SGD 100,000 can be carried forward for set-off against the income of subsequent years of assessment.

For the years of assessment 2009 and 2010, unutilized losses of up to SGD 200,000 can be carried back for up to 3 years of assessment immediately preceding the year of assessment in which the capital allowances were granted or the trade losses incurred. The losses must first be deducted from the earliest year of assessment, i.e. the 3rd year of assessment immediately preceding the year of assessment in which the capital allowances were granted or the trade losses incurred. All businesses must meet the same business test in order to qualify and companies also have to meet the substantial shareholding test.

#### 1.5.2. Capital losses

Capital losses are not deductible.

## 1.6. *Rates*

### 1.6.1. Income and capital gains

The rate of corporate income tax is 17% from the year of assessment 2010 onwards (previously, 18%). There is a partial exemption of 75% on the first SGD 10,000 and 50% on the next SGD 290,000 of the company's chargeable income.

Full tax exemption can be granted on normal chargeable income (excluding Singapore franked dividends) of a qualifying company up to SGD 100,000, for any of its first 3 consecutive years of assessment falling in or after the year of assessment 2008. A 50% exemption applies to the next SGD 200,000 of chargeable income.

There is no tax on capital gains.

### 1.6.2. Withholding taxes

Generally, payments to other resident companies do not attract withholding tax.

See 6.3. for withholding rates on payments to non-residents.

## 1.7. *Incentives*

Various tax incentives are available in Singapore which may grant full or partial tax exemption, reduced tax rates, investment allowances or special deductions. The tax incentives apply to a range of industries, especially the financial services sector.

The incentives available for the financial services sector include incentives for finance and treasury centres, debt securities, offshore insurance, Islamic financing arrangements and maritime finance. Many of these incentives grant tax exemptions and/or reduced tax rates.

Concessionary tax rates of 5% or 10% are granted on qualifying income earned under the enhanced headquarters incentive package which includes incentives for operational headquarters, global headquarters, business headquarters and manufacturing headquarters.

The main incentives to encourage inward direct investments are the pioneer status which grants tax exemption for 5 to 15 years, and the development and expansion incentive for post-pioneer companies whereby profits are taxed from 5% for up to 20 years. Companies engaged in the provision of qualifying services to non-residents may be eligible for the export of services incentive which grants tax exemption on 90% of qualifying income.

Special tax deductions are also available for research and development expenses, intellectual property expenses, expenses incurred for the promotion of export and market development, overseas investment development and financial research and development expenses.

Investment incentives in the form of funding assistance and grants are also available.

## 1.8. *Administration*

### 1.8.1. Taxable period

The year of assessment is normally the calendar year, but a company's income may be assessed based on its financial year.

Tax is 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 or financial year (the basis period).

### 1.8.2. Tax returns and assessment

The deadline for the year of assessment 2009 and following years of assessment is 30 November of each year.

Upon submission of the tax return, the Comptroller of Income Tax will proceed to assess the taxpayer to tax.

Dormant companies can apply online for a waiver of income tax return submission via the myTax Portal.

### 1.8.3. Payment of tax

There are no advance payments of tax. Tax must be paid within 30 days of the issue of the notice of assessment, even if an objection to the assessment is made. Excess tax payments are refunded.

Tax may also be paid in instalments, provided arrangements are agreed upon with the IRAS at the beginning of the year.

### 1.8.4. Rulings

Taxpayers can request for advance rulings from the IRAS. Broadly, an advance ruling is a written interpretation of how a provision of the ITA applies to a specific taxpayer and a proposed arrangement.

Rulings are final, and are private and confidential.

Effective from 1 July 2007, Singapore introduced an advance ruling system for its goods and services tax (GST) regime. Customs rulings on the classification, country of origin or how goods are to be treated for the purposes of determining customs duty, excise duty, or both, payable on the goods are also available.

# 2. Groups of Companies

## 2.1. *Group treatment*

A company is allowed to transfer its unabsorbed capital allowances, unabsorbed trade losses and unabsorbed donations to another company in the same group, to be deducted against the assessable income of the other company.

In order to qualify for group relief, the companies must be incorporated in Singapore, belong to the same group with a 75% shareholding threshold and have the same accounting year-end.

## 2.2. *Intercorporate dividends*

There are no provisions for intercorporate dividends, but dividends received from resident companies are exempt under the one-tier corporate tax system.

See 6.1.1. for foreign-sourced dividends, and 6.3.1. for dividends paid to non-residents.

# 3. Other Taxes on Income

## 3.1. *Branch profits tax*

Branch profits are subject to tax as if the branch were a resident company. However, profits remitted to its foreign head office are not taxable.

# 4. Taxes on Payroll

## 4.1. *Payroll tax*

There is no payroll tax.

However, a skills development levy is payable by employers in respect of employees who earn SGD 2,000 or less per month. The rate per employee is 1% of the monthly remuneration or a minimum of SGD 2.

A foreign worker levy is also payable in respect of construction workers, factory workers, shipbuilding and repairing workers, domestic servants, etc. An employer who pays this levy is exempt from CPF contributions.

## 4.2. *Social security contributions*

Employers are required to contribute to the Central Provident Fund (CPF) in respect of their employees. The amount of CPF contributions payable by an employer is dependent on the age of the employee, and is calculated on a percentage of the total wages of an employee in a calendar month, subject to a maximum salary base of SGD 76,500.

Wages refer to all monies due to an employee including overtime pay, allowances, cash awards, commissions and bonuses.

The employers' contribution rates are as follows:

| Employee age (years) | Employer's contribution (% of wage) |
|---|---|
| up to 50 | 14.5 |
| 51 - 55 | 10.5 |
| 56 - 60 | 7.5 |
| 61 - 65 | 5 |
| over 65 | 5 |

The rates above apply to employees earning total wages of more than SGD 1,500 per month. For employees earning less, the employer contribution rate will start from 0% at the wage of SGD 50 and gradually increase to the full rate of 14.5% at the wage of SGD 1,500.

In addition, a Supplementary Retirement Scheme (SRS) exists for savings in addition to CPF contributions. With effect from the year of assessment 2009, employers can contribute to their employees' SRS accounts, subject to the current contribution limits of SGD 11,475 per year for Singapore citizens and permanent residents, and SGD 26,775 for foreigners. Employers may claim a full tax deduction for the contributions to their employees' SRS accounts. The maximum amount that can be contributed to the SRS account is 15% of annual income for Singaporeans and permanent residents, and 35% for expatriates, subject further to the CPF income ceiling.

# 5. Taxes on Capital

## 5.1. *Net worth tax*

There is no net worth tax.

## 5.2. *Real estate tax*

Property tax is levied at 10% on the annual value of all immovable property in Singapore, including houses, buildings, land and tenements. Owner-occupied residential premises are taxed at 4%. Property tax on hotels applies at 20% for the year 2009.

Owners of owner-occupied residential properties are given GST rebates based on the annual values of their properties. In addition, a one-off property tax rebate is given to all HDB owner-occupiers for the year 2010. The rebate is given at 50% of the property tax payable after deducting the GST rebate, with a minimum rebate of SGD 50 and capped at SGD 120.

The annual value is the estimated annual rent of the property if it is let out, excluding the rent for furniture and fittings and service charges. The annual value of the property is determined by analysing rents of comparable buildings and relevant data, and is determined in the same manner regardless of whether the property is let, owner-occupied or vacant.

Annual Property Tax Bills are sent to property owners in December each year for the payment of the following year's property tax. The due date of payment is 31 January of each year. With effect from 22 January 2009, the annual tax due on land approved for development can be deferred for up to 2 years (this deferral will expire on 21 January 2011).

Buildings that are used exclusively for the following purposes are exempt:
- public religious worship;
- public schools that are in receipt of grant-in-aid from the government;
- charitable purposes; and
- purposes conducive to social development in Singapore.

# 6. International Aspects

## 6.1. *Resident companies*

A company is resident in Singapore if the management and control of its business is exercised in Singapore. In practice, the place of residence is deemed to be the place where the directors of a company meet and exer-

cise de facto control (not necessarily the place of incorporation).

### 6.1.1. Foreign income and capital gains

Resident companies are subject to tax on any income accruing in or derived from Singapore, or received in Singapore from outside Singapore. As such, foreign income is taxed only when it is received in Singapore. The tax treatment for foreign income is generally the same as for Singapore-sourced income (see 1.3. to 1.8.).

Resident companies are exempted from tax on the following specified income received from outside Singapore if tax has been paid in the foreign jurisdiction where the highest corporate tax rate is at least 15%:
- foreign dividends;
- foreign branch profits arising from trade or business; and
- foreign-sourced income from professional, technical, consultancy or other services provided in the course of a trade, profession or business, through a fixed place of operation outside Singapore.

Companies engaged in substantial business activities overseas which are unable to qualify for tax exemption for specified foreign income may also be granted exemption if they remit the foreign income under specific scenarios as set out by the IRAS and satisfy the qualifying conditions. The tax exemption is granted if the taxpayer is able to track the source of the foreign income. In addition, the tax authority must be satisfied that there is no round tripping of Singapore-sourced income via the overseas investment, and that the Singaporean recipient is not a shell company.

Taxpayers who receive specified foreign income that is not covered under any of the scenarios may still apply for tax exemption, stating why they should merit consideration. Tax exemption may be granted if it is determined that the repatriation of the foreign income would generate economic benefits for Singapore.

An exemption is also available for foreign interest income from an offshore qualifying infrastructure project/asset, provided:
- tax has been paid in the foreign jurisdiction where the highest corporate tax rate is at least 15%;
- there is no round-tripping of Singapore-source income and no artificial structures (e.g. a shell company in Singapore) have been set up to avoid Singapore tax; and
- the ownership of or investment in the offshore qualifying infrastructure project/asset is substantially advised in Singapore.

A qualifying infrastructure project/asset is one which invests in specified areas, including electricity generation, waste management, infrastructure, ports, telecommunications, water treatment, hospitals and/or clinics and schools.

Foreign capital gains are not subject to tax.

**Temporary liberalization of foreign-source income exemption**

A 1-year tax exemption is granted to all resident taxpayers (including resident partners of Singaporean partnerships) on all foreign-source income accrued on or before 21 January 2009 and received in Singapore between 22 January 2009 and 21 January 2010 (both dates inclusive).

### 6.1.2. Foreign capital

There is no net worth tax. Property located abroad is not subject to property tax in Singapore.

### 6.1.3. Double taxation relief

An ordinary tax credit is granted unilaterally in respect of foreign tax paid on income derived from foreign countries with which Singapore has no tax treaty. The credits available are:
- Commonwealth relief for tax paid in Commonwealth countries which grant reciprocal relief. The credit is computed as 100% of the Commonwealth tax where the Commonwealth tax rate does not exceed 50% of the Singapore tax rate, and 50% of the Singapore rate otherwise. There is no credit for underlying tax;
- credit for tax paid on income from specified services rendered in specified foreign countries;
- credit for tax paid on dividend income from foreign investments, including underlying tax; and
- credit for tax paid on profits derived by a branch in a foreign country.

An ordinary tax credit is also granted under Singapore's tax treaties. The credit is limited to the amount of Singapore tax that would have been payable on the foreign income. Tax treaty provisions take precedence over domestic law, except when a domestic tax law is enacted specifically with the intent and purpose of overriding the provisions of the tax treaty.

Excess foreign tax credits that cannot be offset against Singapore income tax in the same year of assessment cannot be carried forward or back to other years.

See 6.3.5. for a list of tax treaties in force.

## 6.2. *Non-resident companies*

A non-resident company is a company that is not a resident of Singapore (see 6.1.).

### 6.2.1. Taxes on income and capital gains

Generally, non-resident companies are subject to tax on any income accruing in or derived from Singapore, or received in Singapore from outside Singapore.

Business income of non-residents is subject to tax if derived through a permanent establishment in Singapore, and is generally subject to tax under the normal rules for residents, including the tax rate (see 1.3. to 1.7.). The domestic definition of a permanent establishment closely follows that in the OECD Model Convention.

Non-resident companies without a permanent establishment in Singapore are taxed only on income sourced in Singapore. No tax is imposed on foreign-source business income whether or not received in Singapore.

Capital gains are not subject to tax.

See 6.3. for withholding taxes.

### 6.2.2. Taxes on capital

There is no net worth tax. Non-resident companies are subject to property tax (see 5.2.) on their property located in Singapore

### 6.2.3. Administration

If income received is subject to final withholding tax and the tax is properly withheld, there should be no filing requirements (see 6.3.). Otherwise, the requirements for non-residents to file tax returns are the same as for residents. See 1.8. for tax compliance and administration.

## 6.3. *Withholding taxes*

### 6.3.1. Dividends

There is no withholding tax on dividends.

### 6.3.2. Interest

Interest, commissions, fees or other payments in connection with any loan or indebtedness are subject to a final withholding tax of 15% on the gross amount.

### 6.3.3. Royalties

Royalties paid to non-residents are subject to a final withholding tax of 10% on the gross amount.

### 6.3.4. Other

Payments of technical assistance and service fees, and management fees, to non-residents are subject to a non-final withholding tax at the corporate tax rate, i.e. 17% from the year of assessment 2010. Withholding tax is not imposed where the service is provided wholly outside Singapore (on or after 29 December 2009).

Rent or other payments for the use of moveable properties are subject to a final withholding tax of 15%. Proceeds from the sale of any real property by a non-resident property trader are subject to a non-final withholding tax of 15%. A non-final withholding tax ranging from 1% to 3% is levied on time charter, voyage charter and bareboat charter fees.

There is no branch profits or remittance tax (however, see 3.1.).

### 6.3.5. Withholding tax rates chart

The following chart contains the withholding tax rates that are applicable to dividend, interest and royalty payments by Singaporean companies to non-residents under the tax treaties currently in force. However, Singapore does not impose any withholding tax on dividends under domestic law. The rates provided below are the maximum withholding rates should Singapore impose a withholding tax on dividends in the future.

Where, in a particular case, a treaty rate is higher than the domestic rate, the latter is applicable. If the treaty provides for a rate lower than the domestic rate, the reduced treaty rate may be applied at source.

| | Dividends | | Interest[1] | Royalties |
|---|---|---|---|---|
| | Individuals, companies (%) | Qualifying companies (%) | (%) | (%) |
| Domestic Rates | | | | |
| *Companies:* | 0 | 0 | 15 | 10 |
| *Individuals:* | 0 | | 15 | 10 |
| Treaty Rates | | | | |
| *Treaty With:* | | | | |
| Australia | 15 | 15 | 10 | 10[2] |
| Austria | 10 | 10 | 5 | 5 |
| Bahrain | 0 | 0 | 5 | 5 |
| Bangladesh | 15 | 15 | 10 | 10[3] |
| Belgium | 15 | 0/5[4] | 0/5[5] | 5[6] |
| Brunei | 10 | 10 | 5/10[5] | 10 |
| Bulgaria | 5 | 5 | 5 | 5 |
| Canada | 15 | 15 | 15 | 15 |
| China (People's Rep.) | 10 | 5[7] | 7/10[5] | 10 |
| Cyprus | 0 | 0 | 7/10[5] | 10 |
| Czech Republic | 5 | 5 | 0 | 10 |
| Denmark | 5/10[8] | 0[9] | 10 | 10 |
| Egypt | 15 | 15 | 15 | 15 |
| Estonia | 10 | 5[7] | 10 | 7.5 |
| Fiji | 15 | 5[10] | 10 | 10 |
| Finland | 10 | 5[10] | 5 | 5 |
| France | 15 | 10[10] | 10 | 0 |
| Germany | 15 | 5[10] | 8 | 8 |
| Hungary | 10 | 5[7] | 5 | 5 |
| India | 15 | 10[7] | 10/15[5] | 10/15[11] |
| Indonesia | 15 | 10[7] | 10 | 15 |
| Israel | 10 | 5[10] | 7 | 5 |
| Italy | 10 | 10 | 12.5 | 15/20[12] |
| Japan | 15 | 5[13] | 10 | 10 |
| Kazakhstan | 10 | 5[7] | 10 | 10 |
| Korea (Rep.) | 15 | 10[7] | 10 | 15 |
| Kuwait | 0 | 0 | 7 | 10 |
| Latvia | 10 | 5[7] | 10 | 7.5 |
| Lithuania | 10 | 5[7] | 10 | 7.5 |
| Luxembourg | 10 | 5[10] | 10 | 10 |
| Malaysia | 10 | 5[7] | 10 | 8 |
| Malta | 0 | 0 | 7/10[5] | 10 |
| Mauritius | 0 | 0 | 0 | 0 |
| Mexico | 0 | 0 | 5/15[5] | 10 |
| Mongolia | 10 | 5[7] | 5/10[5] | 5 |
| Myanmar | 10 | 5[7] | 8/10[5] | 10/15[14] |
| Netherlands | 15 | 0[7] | 10 | 0 |
| New Zealand | 15 | 15 | 15 | 15 |
| Norway | 15 | 5[7] | 7 | 7 |
| Oman | 5 | 5 | 7 | 8 |
| Pakistan | 10/12.5/15[15] | 10/12.5/15[15] | 12.5 | 10 |
| Papua New Guinea | 15 | 15 | 10 | 10 |
| Philippines | 25 | 15[16] | 15 | 0/5[17] |
| Poland | 10 | 10 | 10 | 10 |
| Portugal | 10 | 10 | 10 | 10 |

| | Dividends | | Interest[1] | Royalties |
|---|---|---|---|---|
| | Individuals, companies (%) | Qualifying companies (%) | (%) | (%) |
| Qatar | 0 | 0 | 5 | 10 |
| Romania | 5 | 5 | 5 | 5 |
| Russia | 10 | 5[18] | 7.5 | 7.5 |
| Slovak Republic | 10 | 5[10] | 0 | 10 |
| South Africa | 15 | 5[10] | 0 | 5 |
| Sri Lanka | 15 | 15 | 10 | 15 |
| Sweden | 15 | 10[7] | 10/15[5] | 0 |
| Switzerland | 15 | 10[7] | 10 | 5 |
| Taiwan | –[19] | –[19] | –[19] | 15 |
| Thailand | –[19] | 20[7] | 10/25[5] | 15 |
| Turkey | 15 | 10[7] | 7.5/10[5] | 10 |
| Ukraine | 15 | 5[20] | 10 | 7.5 |
| United Arab Emirates | 5 | 5 | 7 | 5 |
| United Kingdom | 15 | 5[10] | 10 | 10 |
| Uzbekistan | 5 | 5 | 5 | 8 |
| Vietnam | 12.5 | 5/7[21] | 10 | 5/15[14] |

1. Many of the treaties provide for an exemption for certain types of interest, e.g. interest paid to public bodies and institutions, banks or financial institutions, or in relation to sales on credit, approved industrial undertakings or approved loans. Such exemptions are not considered in this column.
2. The rate does not apply to payments in respect of the operations of mines, quarries, exploitation of natural resources, or payments for the use of, or the right to use, motion picture films, tapes for use in connection with radio broadcasting or films or video tapes for use in connection with television.
3. The rate does not apply to royalty payments in respect of literary or artistic copyrights (including film royalties).
4. 0% applies to dividends paid to a company that at the time of payment holds directly, for an uninterrupted period of at least 12 months, at least 25% of the capital of the dividend-paying company; 5% applies to dividends paid to a company that holds directly at least 10% of the capital of the dividend-paying company.
5. The lower rate applies to interest received by a bank or financial institution, as the case may be. In the treaty with Sweden, the lower rate applies to interest paid to a financial institution in respect of an industrial undertaking.
6. The 5% rate applies to (i) 60% of the gross amount of royalties received as a consideration for the use of, or the right to use, any industrial, commercial or scientific equipment, or (ii) 100% of the gross amount of all other royalties included in the definition.
7. The rate generally applies to participations of at least 25% of capital or voting shares, as the case may be.
8. The lower rate applies to dividends received by pension funds or similar institutions providing pension schemes.
9. The rate applies to dividends paid to a company which holds directly at least 25% of the payer's capital for an uninterrupted period of at least 1 year, and the dividends are declared in that period.
10. The rate generally applies to participations or control of at least 10% of capital or voting power, as the case may be.
11. 10% for payments for the use of, or the right to use, any industrial, commercial or scientific equipment, other than payments derived by an enterprise from specified activities related to sea or air transportation; 15% for payments for the use of, or the right to use, any copyright of a literary, artistic or scientific work, including cinematograph films or films or tapes used for radio or television broadcasting, any patent, trademark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience, including gains derived from the alienation of any such right, property or information.
12. The higher rate applies to copyright on literary and other artistic work.
13. The rate applies to dividends paid to a company which holds directly at least 25% of the payer's voting shares during a 6-month period prior to the year-end for which the distribution of profits occur.
14. The lower rate generally applies to royalty payments for the use or right to use any patent, design or model, plan, secret formula or process or any industrial, commercial or scientific equipment or experience, as the case may be.
15. 10% for dividends paid to the beneficial owner by a company engaged in an industrial undertaking, 12.5% for dividends paid to the beneficial owner by a company not engaged in an industrial undertaking, and 15% in all other cases.
16. The rate applies if the recipient is a company (including partnership) which holds at least 15% of the outstanding shares of the voting stock of the dividend-paying company, during the part of the paying company's taxable year which precedes the date of dividend payment and during the whole of its prior taxable year (if any).
17. In the case of Singapore, 0% applies where the royalties are approved under the Economic Expansion Incentives (Relief from Income Tax) Act of Singapore.
18. The rate applies to dividends paid to a company that holds directly at least 15% of the capital of distributing company and has invested in it at least USD 100,000 or equivalent.
19. The domestic rate applies; there is no reduction under the treaty. In respect of dividends under the treaty with Taiwan, the aggregate of dividend withholding tax and corporate income tax on the payer's profits cannot exceed 40% of the taxable income from which the dividends are declared.
20. The rate applies to dividends paid to a company (other than a partnership) which holds directly at least 20% of the payer's capital.
21. 5% for dividends paid to a company which contributed directly or indirectly more than 50% of the payer's capital or more than USD 10 million, 7.5% for dividends paid to a company which contributed between 25% to 50% of the payer's capital.

## 7. Anti-Avoidance

### 7.1. *General*

A general anti-avoidance rule exists in the legislation to disregard the tax effect of schemes entered into with a primary or dominant purpose of obtaining a tax benefit.

There are no thin capitalization rules, controlled foreign corporation provisions or earnings stripping provisions, although the general anti-avoidance rules may apply to such transactions.

The ITA also has several specific provisions to prevent tax avoidance:
- where machinery or plant is transferred at less than the open market price, the machinery or plant is deemed to have been transferred at the open market price for the purposes of computing balancing allowances and balancing charges;
- carried forward losses and capital allowances can only be set off against current profits if there is no substantial change in shareholding (see 1.5.1.);
- if certain profits remain undistributed in order to avoid or reduce tax, they may be treated as distributed and the persons concerned assessed accordingly;

- trading stock must be valued in accordance with the amount realized on a sale or the value of consideration for a transfer, or at the open market value; and
- tax may be assessed on the agent of a non-resident in order to circumvent the possibility of non-residents avoiding payment of tax in Singapore on income derived from sources within Singapore.

### 7.2. *Transfer pricing*

Although there is no specific transfer pricing legislation, the ITA contains several provisions which regulate transfer pricing practices. These provisions include the following:
- the general anti-avoidance provision (see 7.1.);
- where it appears that transfer pricing has occurred due to a close connection and substantial control between a non-resident and a resident, the resident may be taxed as an agent of the non-resident;
- initial or special capital allowances may not be available to the buyer, or a balancing charge made on the buyer, upon the sale of certain fixed assets, where the buyer has control over the seller or vice versa, or both are controlled by a common third party.

Generally, all related party transactions are expected to be conducted in conformity with the arm's length principle. Where the arm's length principle is breached, the IRAS has the power to substitute an arm's length price to be determined from best estimates.

The IRAS issued transfer pricing guidelines in 2006 which apply to all local and cross-border transactions between a Singapore taxpayer and its related parties. The guidelines define related parties as entities which are directly or indirectly controlled by the other or by another common entity.

In addition, the IRAS also issued a supplementary circular on 23 February 2009, which provides guidance on the application of the arm's length principle to related party loans and services.

Both guidelines endorse the arm's length principle and refer to the OECD Transfer Pricing Guidelines in clarifying key concepts and transfer pricing methods. Any of the five pricing methodologies (comparable uncontrolled price method, resale price method, cost-plus method, profit split method and transactional net margin method) prescribed by the OECD can be used as long as it complies with the arm's length principle and there is sufficient justification.

Advance pricing agreements (APAs) are possible and the IRAS issued a supplementary circular on 20 October 2008 which provides administrative and procedural guidance on the use of APAs.

### 7.3. *Thin capitalization*

There are no thin capitalization rules.

### 7.4. *Controlled foreign company*

There are no controlled foreign company rules.

## 8. Value Added Tax

### 8.1. *General*

The goods and services tax (GST) is a value added tax levied on the supply of taxable goods and services in Singapore, and on imports into Singapore. Input tax paid on acquisitions is creditable against output tax, unless the acquisition is related to an exempt or non-taxable supply.

### 8.2. *Taxable persons*

A taxable person includes any person carrying on a trade, profession or vocation. The registration threshold is an annual taxable turnover (past of projected) of SGD 1 million.

Group registration is possible whereby transactions between members of the group are disregarded for GST purposes. Divisional registration is also possible for companies operating in divisions, each conducting transactions with different GST treatments.

### 8.3. *Taxable transactions*

GST is levied on the supply of goods and services by a taxable person in Singapore, and the importation of goods by any person into Singapore.

### 8.4. *Taxable amount*

GST is computed on the GST-exclusive selling price of the goods and services supplied, including any entertainment tax, excise duty, betting and sweepstakes duties, private lotteries duty or public utilities tax.

For importations, GST is levied on the c.i.f. value, plus duties payable, commission and other incidental charges.

### 8.5. *Exemptions*

The provision of the following supplies is not subject to GST:
- zero-rated supplies (export, international services and trustee services subject to conditions); and
- exempt supplies (goods or services supplied by GST-exempt persons, sale or rental of residential properties and specified financial services).

Input tax credit can be claimed for GST paid on acquisitions related to zero-rated supplies, but not on acquisitions related to exempt supplies.

### 8.6. *Rates*

The tax rate is 7%.

### 8.7. *Non-residents*

Generally, registration requirements for non-residents are the same as for residents. Hence, overseas companies should register for GST when they make taxable supplies in Singapore that exceed the registration threshold

(see 8.2.). The taxable supplies are deemed to be made in Singapore if the place of supply is in Singapore.

A refund scheme for tourists applies if the goods purchased in Singapore are exported out of Singapore via designated airports.

## 9. Miscellaneous Indirect Taxes

### 9.1. *Capital duty*

The following fees are payable on the setting up of a new business:

- SGD 300 for the incorporation of a limited liability company;
- SGD 150 for the registration of a new LLP;
- SGD 50 for the registration of a sole proprietorship;
- SGD 600 for companies without share capital, and those limited by guarantee; and
- SGD 15 for an approved name for the business.

There are no other duties on capital, but stamp duty may apply (see 9.3.).

### 9.2. *Transfer tax*

Transfers of immovable property, shares, bonds and other securities may be subject to stamp duty (see 9.3.).

### 9.3. *Stamp duty*

Stamp duty is levied only on documents relating to immovable property, stocks and shares. The rate of duty varies with the type of document and the transaction value. Generally, conveyances of properties are subject to ad valorem duties.

Leases with annual rents not exceeding SGD 1,000 are exempt from stamp duty.

### 9.4. *Customs duty*

Singapore does not impose export duties.

Import duties are imposed on intoxicating liquor, tobacco (excluding cigarettes), petroleum products and certain other listed products. The collection of excise duties is administered by the Singapore Customs.

### 9.5. *Excise duty*

Excise duties are imposed on the goods manufactured in, or imported into Singapore, including hard liquor, sake, wine and vermouth, beer and stout, and cigarettes.