

Singapore - Corporate Taxation

LATEST INFORMATION

This country survey is based on information available up to 1 February 2008.

See [Tax News Service](#) for any later developments.

BUDGET FOR 2008

The Budget for 2008 was presented to Parliament by the Minister for Finance on 15 February 2008. Details of the Budget, which will apply from the dates indicated, are summarized below:

Deductions

The Overseas Talent Recruitment Scheme which allows employers to claim a further tax deduction for the relocation and recruitment expenses in hiring top global talent will be further extended to 2013.

From the year of assessment (YA) 2009, employers will be able to claim a full tax deduction for contributions made to their employees Supplementary Retirement Scheme account, subject to certain limits for Singapore citizens, permanent residents and foreigners.

Employers providing employees with in-patient medical insurance benefits in the form of portable shield plans can qualify for tax deduction at 2% of the total wage bill incurred on employee medical expenses, from YA 2008.

Foreign tax credit

With effect from YA 2009, unilateral tax credits will be extended to Singapore residents on all types of foreign-sourced income that is remitted to Singapore from non-tax treaty countries.

Tax incentives

The following were proposed:

- with effect from YA 2009 to 2013, expenses incurred in respect of research and development (R&D) activities carried out in Singapore will qualify for a tax deduction of 150% in respect of R&D expenditure incurred, by the company itself or outsourced to an R&D organization in Singapore;
- with effect from 1 April 2008, taxpayers carrying on a manufacturing trade or business, or the provision of services, will be allowed to claim deductions for R&D expenses that are not incurred in respect of their existing trade or business, subject to the condition that the R&D expenses have been incurred in respect of R&D activities performed in Singapore by the taxpayer or an R&D organization in Singapore;
- the introduction of the R&D tax allowance of 50% of the first SGD 300,000 of the company's chargeable income (or lower amount where the company's chargeable income is less than SGD 300,000) from the years of assessment 2009 to 2013. The R&D allowance can be used to offset chargeable income for the next 3 years of assessment provided certain conditions are met;
- the introduction of the R&D Incentive for Start-up Enterprises (RISE), where qualifying start-up companies will be allowed to convert up to SGD 225,000 of tax losses into cash computed at a prescribed rate, provided that a minimum of SGD 150,000 is spent on ongoing R&D performed in Singapore in the basis period for the year of assessment in which the claim is made. These cash grants under RISE are effective from the years of assessment 2009 to 2013;
- liberalization of the current start-up exemption scheme, to include companies which have a total of share capital which is beneficially held, directly or indirectly by not more than 20 persons (i) who are individuals; or (ii) of which at least one is an individual shareholder holding at least 10% of the total number of issued ordinary shares throughout the basis period relating to the year of assessment of the claim;
- the introduction of a special allowance for furniture and fittings. The allowance applies on all fixtures, fittings and installations (except those relating to structural works and expansion of space), and is subject to a cap of SGD 150,000 every 3 years per business entity. This is applicable on expenditure incurred during between 16 February 2008 and 15 February 2013;
- the renewal of the Financial Sector Incentive (FSI) for a period of 5 years from 1 January 2009 to 31 December 2013. In addition, the following enhancements have been made: (i) concessionary

tax rate of 5% on the qualifying income for 5 years derived from Shariah-compliant activities, namely, lending and related activities and fund management and other derived advisory activities. The approval period is between 1 April 2008 and 31 March 2013; (ii) the scope of qualifying activities under the existing FSI Bond Market to include the trading of qualifying debt securities and qualifying project debt securities, with effect from 16 February 2008; and (iii) the scope of qualifying activities under the existing FSI Derivatives Market will be expanded to include the trading of exchange-traded financial derivatives, with effect from 16 February 2008;

- concessionary tax rate of 5% for offshore Islamic insurance (*takaful*) or reinsurance (*retakaful*) business, other than a captive insurer, a marine and hull liability insurer or an insurer underwriting specialized insurance risks). The approval period for this incentive is between 1 April 2008 and 31 March 2013;
- the Qualifying Debt Securities (QDS) scheme will be renewed for a 5 year period from 1 January 2009 to 31 December 2009. In addition, with effect from 16 February 2008 to 31 December 2013, a tax exemption will be granted on the following qualifying income derived from the QDS that are: (i) debt securities with a tenure of at least 10 years; and (ii) Islamic bonds (*sukuk*), subject to the conditions;
- extension of the period of tax exemption on income derived by primary dealers from trading in Singapore Government Securities from 28 February 2008 to 31 December 2013;
- renewal of the Approved Special Purpose Vehicle (ASPV) incentive for a period of 5 years from 1 January 2009 to 31 December 2013. In addition, the existing condition which requires all debt securities issued by the ASPV to be QDS is removed from 16 February 2008 to 31 December 2013;
- extension of the existing tax incentives to promote the project finance industry from 1 January 2009 to 31 December 2011. In addition, the current package is enhanced with the introduction of a new tax incentive which grants a 10% concessionary tax rate for a period of up to 10 years on income derived by a company from the provision of management services to business trusts and funds that own offshore infrastructure assets and are listed in Singapore. The approval period is between 1 April 2008 and 31 December 2011;
- 10% concessionary tax rate, for up to 10 years, on fees and commissions derived from the provision of insurance broking and advisory services by qualifying licensed direct and reinsurance brokers to non Singapore-based clients. The approval period is from 1 April 2008 to 31 March 2013;
- tax exemption on qualifying family-owned investment holding companies, to the extent that the tax exemption mirrors the tax exemption on qualifying locally-sourced investment income and foreign-sourced income granted to individuals, from 1 April 2008 to 31 March 2013;
- the administrative concession granted on gains derived by shipping companies from the sale of vessels will be extended for another 5 years up to YA 2014. The concession will also be expanded to include gains from the sale of ships which will subsequently be leased back and gains from the sale of shares in a special purpose company which holds ships;
- foreign exchange gains and gains from risk management activities derived by shipping companies in respect of registered vessels will qualify for a tax exemption, subject to conditions; and
- the following enhancements will be made to the current Maritime Finance Incentive (MFI): (i) the leasing of containers will be included under the MFI with effect from 1 April 2008. Under this expansion, an Approved Container Investment Enterprise will be granted a concessionary tax rate of 5% or 10% on its income from leasing sea containers (by way of operating or finance leases) to onshore and offshore lessees; an approved container investment management company will enjoy a 10% concessionary tax rate on the management fee income derived in connection with the management of an ACIE; and MFI status will be granted to an ACIE and approved container investment management company from 1 April 2008 to 28 February 2011, for a period not exceeding 10 years; and (ii) partnerships will be allowed to apply for the MFI status with effect from 1 April 2008.

Individual taxation

The following were proposed:

- income tax rebate of 20% for resident taxpayers for YA 2008, capped at SGD 2,000;
- from YA 2009, a tax relief of SGD 7,000 for top-ups made by individuals to their own CPF Minimum Sum and up to SGD 7,000 in tax relief for family top-ups;
- from YA 2009, individuals will be able to claim a tax relief for voluntary contributions made to the Medisave Account, up to a cap of SGD 26,393 less mandatory contributions;

- with effect from YA 2009, the conditions for the existing tax relief for vocational qualifications have been relaxed. Taxpayers will be allowed to claim a tax relief regardless of whether the course is relevant to his current trade, business, profession, vocation or employment;
- the relief for courses leading to an academic or professional qualification, claims can be made within 2 years from the YA in which the course is completed with effect from YA 2009;
- in addition to the consolidation of the various employee equity-based incentive schemes under the new Employee Remuneration Incentive Scheme (ERIS), a new incentive for start-ups will be introduced. Employees of qualifying start-up companies will be granted an exemption of 75% on qualifying gains from ESOP or ESOW plans of up to SGD 10 million of qualifying gains over 10 years. This is applicable to stock options and share awards issued during 16 February 2008 to 15 February 2013 in the first 3 years of incorporation by qualifying start-up companies; and
- the following enhancement and refinements of the Not-Ordinarily-Resident (NOR) scheme, with effect from YA 2009: (i) the previous condition of the NOR taxpayer's effective rate being at least 10% has been replaced by the taxpayer's Singapore employment income threshold required to be at least SGD 160,000; (ii) the scope of the time apportionment concession will be expanded to cover perquisites and leave pay; (iii) the non-Singapore resident must derive at least SGD 160,000 to be granted a tax exemption of the employer's contributions to non-mandatory overseas pension schemes; and (iv) NOR taxpayers will be granted an exemption on their employer contributions to non-mandatory overseas pension funds, if not claimed as a deduction by the employer.

Indirect taxation

The following were proposed:

- estate duty will be removed for deaths occurring on and after 15 February 2008; and
- REITs and registered business trusts in infrastructure business, ship leasing and aircraft leasing will be allowed to claim input GST on business expenses incurred, subject to conditions.

CHANGES IN TAX INCENTIVE SCHEMES FOR FUND MANAGEMENT

The Monetary Authority of Singapore (MAS) issued a circular dated 31 August 2007 on changes pertaining to tax incentive schemes for fund management. The circular is effective from 1 September 2007 and applies to new and existing funds.

Under the tax exemption scheme, where a non-resident fund constituted outside Singapore has its assets managed on a discretionary basis in Singapore, specified income of the fund from designated investments is exempt from tax. Previously, to qualify for the tax exemption status, a fund had to undertake not to have more than 20% of its issued shares beneficially owned, directly or indirectly, by Singapore citizens or residents (the so-called "80:20 rule"). The requirement has now been removed.

The key elements of the new tax exemption scheme are as follows:

- a qualifying fund is defined as a non-resident fund that is not 100% beneficially owned, directly or indirectly, by Singapore investors (which include resident individuals, resident non-individuals and a permanent establishment in Singapore). Further, the definition also covers funds owned by non-resident companies that do not have a permanent establishment in Singapore or do not carry on a business in Singapore;
- a qualifying investor is defined to be (i) an individual investor; (ii) a bona fide non-resident non-individual investor that does not have a Singapore presence or business activity (other than a fund manager) in Singapore, or has a permanent establishment in Singapore but does not use funds from its operations in Singapore to invest in the qualifying fund (the investor must carry out substantial business activities for genuine commercial reasons and not for the sole purpose of avoidance or reduction of tax); (iii) a designated person; and (iv) an investor other than those listed in (i), (ii) and (iii), where the investor owns not more than 30% (50% where there are 10 or more investors in the fund) of the qualifying fund;
- a non-qualifying investor of a qualifying fund will have to pay a financial amount to the IRAS. The amount is calculated by attributing a percentage of the income figure in the qualifying fund's audited accounts to that non-qualifying investor based on his interest in the fund on the last day of the financial year. Such an investor may also be subject to normal tax rules when he receives his distributions from the fund in Singapore. Therefore, where the fund is not resident in Singapore, a non-qualifying investor will be potentially taxed twice; and

- the fund manager must issue an annual statement to each investor to facilitate the investor in determining whether he is a qualifying or non-qualifying investor. The fund manager must file a declaration with the IRAS if the qualifying fund has any non-qualifying investors.

The removal of the 80:20 rule also applies to the tax exemption scheme for qualifying resident funds.

In addition, the circular clarifies that the Financial Sector Incentive Scheme - Fund Management (FSI-FM) will grant the 10% concessionary tax rate imposed on fund management or investment advisory fees derived in respect of a qualifying fund that does not have any non-qualifying investors. If a qualifying fund has any non-qualifying investors in any year, the concessionary tax rate of 10% under the FSI-FM scheme will not apply for the entire year of assessment relating to the financial year of the qualifying fund in which there is a non-qualifying investor.

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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 continues to apply to companies that opt to remain on the imputation system.

The one-tier corporate system will apply, with no exception, from 1 January 2008.

Under the imputation system, payments of tax by a resident company give rise to imputation credits, which the company can attach to its dividends when paying them out to its shareholders. Payments of dividends reduce the company's available imputation credits.

The dividends are grossed up in shareholders' hands by the applicable corporate tax rate. The shareholders can use the attached imputation credits as tax credits against their tax liability.

As a special rule, a company that is resident in Singapore but which derives income from Malaysia may declare itself a resident of Malaysia when paying dividends from Malaysian profits. This declaration is for the sole purpose of determining the source of the dividends and the utilization of imputation credits, and does not affect the company's residence for tax purposes. Conversely, a Malaysian company may declare itself a resident of Singapore for dividend payment purposes. This rule will no longer apply when the Singaporean imputation system ends on 31 December 2007.

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 survey 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 three years at 33 1/3% per year, but no initial allowance is granted.

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 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.

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 18%, with 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

Corporate income tax returns must be filed by 31 July each year unless an extended deadline has been granted by the IRAS. Upon submission of the tax return, the Comptroller of Income Tax will proceed to assess the taxpayer to tax.

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.

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

Under the one-tier corporate tax system, dividends received from resident companies are exempt. During the transition to the one-tier system, the old imputation system will continue to apply to companies that remain on the imputation system (see [1.1.](#)), but there are no special concessions for intercorporate dividends.

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.

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 rates from 1 January 2006 to 1 July 2007 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.

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%.

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.

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 exercise 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.

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. 20% (18% from the year of assessment 2008). Withholding tax is not imposed where the service is provided wholly outside Singapore.

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

Withholding tax rates applicable to dividends, interest and royalties paid by resident taxpayers to non-residents under the tax treaties currently in force are presented in the withholding tax rates chart.

[Withholding Tax Rates Chart](#)

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.

The 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.

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 or 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.