Singapore Taxation

Paul Wan & Co
Certified Public Accountants, Singapore
Chartered Accountants of England and Wales
An Independent Member of Morison International

Creating Opportunities • Creating Value • Redefining Excellence
PREFACE

About This Booklet

This booklet has been prepared for the use of clients, professional contacts and members of Morison International and Paul Wan & Co. It is designed to give some general information to those contemplating to having a general guide of Singapore Tax System and is not intended to be a comprehensive document. In view of the frequent changes in legislation and regulations, we would advise you to contact us for more up-to-date information and specific advice before taking any action based on this booklet.

While every endeavour has been made to ensure the accuracy of the information contained in this booklet, no responsibility is accepted for its accuracy and completeness.

201304
Your One-Stop Global Partner

WE KEEP A POSITIVE ATTITUDE AND BELIEVE THAT BEING YOUR AUDITORS, ACCOUNTANTS AND BUSINESS ADVISERS SHOULD BE AN ENJOYABLE EXPERIENCE.
ABOUT MORISON INTERNATIONAL

Morison International is a worldwide network of professional business advisers, founded in 1990.

As one of the fastest growing international networks of its kind, its success stems from rigorous selection procedures, from the close connections forged between members, who meet regularly and the proactive stance taken by each individual member on behalf of their clients and their own business interests.

Originally formed in response to meet the needs of accountancy firms to service their clients globally, Morison International (MI) established its Law group in late 1993 and its Business Consultancy group in 1997.

Based on the same philosophy as the accountants, these groups extend the capacity of MI members to serve all of their clients’ needs internationally.

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ABOUT PAUL WAN & CO.

Paul Wan & Co. is one of the major established accounting firms in Singapore and has been in existence since 1986. Paul Wan, our Managing Partner, was previously with one of the “Big-Four” accounting firms and is a Chartered Accountant (England & Wales) by qualification. Our firm, Paul Wan & Co., has a team of well-qualified and experienced accountants, with some also previously with the “Big Four” accounting firms.

At Paul Wan & Co., we recognize that the key to a successful and lasting relationship is confidence in our expertise, in our awareness of our client’s commercial objectives and in our ability to provide clients with the highest quality service as well as achieving results.

The services undertaken by Paul Wan & Co. includes accountancy, auditing, taxation, due diligence, feasibility study, consultancy, and corporate advisory/finance work for a broad portfolio of clients in various industries (including listed companies as well as subsidiaries of foreign listed companies). Approximately 80 per cent of our clientele are foreign companies. Our client base includes Statutory Boards, Shipping, Trading, Manufacturing, Software, Information Technology, Management Consultancy, Investment Holding, Construction and Service companies.

In 1992, Paul Wan & Co. joined a worldwide accounting group - Morison International. Established with their headquarter in United Kingdom, Morison International presently has over 156 member firms (273 offices; 953 partners; 4,897 professional staff) spanning 72 countries from the U.S., Europe, Asia Pacific, Latin America to Africa. We believe our international network of offices will serve and assist our clients’ professional needs and growth.
OUR FIRM’S RANGE OF “ONE-STOP” PROFESSIONAL SERVICES

Assurance

Paul Wan & Co.’s assurance service includes Statutory Audit, Due-Diligence, Investigations and Internal Control Review to all industries which not only focus on statutory compliance reporting but also on added value reporting to clients.

Our techniques are designed to evaluate if clients’ operations are carried out effectively, efficiently and economically. These will improve performance and enhance shareholder’s value.

Tax

Our team of tax professionals undertakes on the challenges to address our clients in specific direct and indirect taxes needs and reporting obligations effectively. In addition, we help to access, improve and monitor our clients’ tax function’s processes, controls and risk management and maintain effective relationships and quality services with the tax authorities. Most importantly, we keep our clients updated with the latest developments in both local and international tax through our firm and our worldwide accounting group’s regular newsletters and annual budget synopsis. We also assist clients to find and advice on planning opportunities in the form of tax savings and help them manage their tax burden.

Our tax service includes Statutory Business and Individual Tax and GST Compliances, Tax Planning & Advisory, Back-Duty Investigation, Corporate Re-Structuring and GST Reviews/Audits.

Corporate Financial Advisory

We provide an in-depth evaluation of client’s financial requirements and resource and assist clients to raise the necessary capital and finance through Capital markets. In addition, we undertake cases through all the phases of offering of shares to the public (including Cross-border IPOs), merger and acquisitions, management buyouts, share valuations and disposing of businesses.

Management Consulting

We provide clients with an opportunity to tap based on our vast pool of professionals to help them to innovate changes within the business environment. Tailored solutions ranging from cash management, improving productivity, cost reduction to keep with technology changes, etc.
Overseas Desk Service

We assist clients who wish to expand and venture overseas. Through our international network - Morison International, we offer up-to-date information with regards to various laws, regulations including taxation issues, business set-up cost in the country which clients would want to invest or do business. Additionally, our offices globally will ensure that when you set foot abroad, they will offer comprehensive level of services compatible to Paul Wan & Co. in Singapore.

Cross-Border IPOs

In today where not only doing businesses are borderless, raising capital and equity has changed with companies able to list (IPO) in different markets throughout the world.

Our Cross Border Unit will carefully study each potential aspirant evaluating its industry, products/services, strength and uniqueness and identify the appropriate market to raise equity through IPO. From NYSE, NASDAQ in the US to DAX in Germany; FTSE, AIM in the England; TSE in Toronto; ASX in Australia; KOSPI in South Korea; TWSE in Taiwan; we have the experience and the team.

Our Cross Border Unit will provide a one-stop shop service in aligning the respective team of professionals including issue managers, underwriters, securities firms and pre-IPO investors. We will continue to add value by acting as financial advisors throughout the IPO process.

Contact us

If you would like further information in relation to the services above, please feel free to contact/email us.

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## SINGAPORE CORPORATE INCOME TAX

### Key Features

#### Basis of Assessment

- Annual income tax return (Form C/Form C-S)
- Annual declaration of employees’ remuneration (Form IR 8A/E, IR 8S, Appendix 8A & Appendix 8B, etc.)
- Notification and tax clearance for cessation of foreign employees (Form IR 21)

#### Provision of Estimated Chargeable Income (ECI)

#### Payment of Tax

#### Residence of a Company

#### Sources of Income

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An Independent Member of Morison International
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2. SINGAPORE CORPORATE INCOME TAX

3. SINGAPORE GOODS AND SERVICES TAX (GST)

4. SINGAPORE INDUSTRY & TECHNOLOGY TAX INCENTIVES

5. APPENDICES
Basis of Assessment

Singapore adopts a territorial basis of taxation, i.e. only income derived from Singapore or income derived overseas but received in Singapore, are subject to tax. However, foreign source of income received in Singapore by non-residents is not subject to tax.

With effect from 1st January 2004, all foreign-sourced investment income received by resident individuals in Singapore (excluding foreign-sourced income received in Singapore through partnerships in Singapore) will be tax exempt.

Preceding Year Basis

The tax year is known as Year of Assessment (YA), and runs from 1st January to 31st December. Tax is imposed on a preceding year basis, i.e. income earned during the year 2012 is taxed in year 2013, known as YA 2013.

Filing of Tax Returns

All individuals having income chargeable to Singapore income tax are required to file their annual income tax return (Form B, Form B1, Form P or Form M) together with supporting forms and computations, where applicable, by 15th of April of each year of assessment.

Income tax forms, IRAS PIN mailer and SingPass invitation letter are normally dispatched to all taxable individuals in January/February each year. The mailers or letters are sent to taxpayers to enable them to e-file their income tax return electronically.

Any individual whose annual income is above the stipulated taxable amount is required to log-in to IRAS website to e-file his/her tax return or alternatively, contact/request IRAS to issue a manual tax return for completion and submission. In the event that SingPass is not available, taxpayer may request for IRAS PIN to e-file the return.

Penalties will be imposed for late/non-filing of the tax return within the stipulated period. (See Appendix B attached for a summary of due dates for filing of tax returns).
Residence in Singapore

An individual is a tax resident in Singapore if he/she:-

- Resides in Singapore; or
- Is physically present or employed in Singapore for 183 days or more; or
- Is physically present or working in Singapore for 3 consecutive years of assessment even though the number of days in Singapore is less than 183 days in the first and third years.

For Singaporeans whose overseas employment is for a period of at least 6 months in any calendar year, he can choose to be treated as a non-resident for the year of assessment following the year of overseas employment.

Resident vs. Non-Resident Individual

The following are the main tax differences between a resident and non-resident individuals:-

(a) A non-resident individual is not entitled to personal reliefs, double tax reliefs and tax rebates.

(b) A resident individual is assessed to tax on his/her chargeable income (assessable income after deducting personal reliefs) at progressive rates (See Appendix A attached for the rates). Non-resident individual is assessed to tax as follows:-

<table>
<thead>
<tr>
<th>Source of income</th>
<th>Tax Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment income (not arising from directorship)</td>
<td></td>
</tr>
<tr>
<td>Employment period in Singapore is 60 days or less</td>
<td>Exempt from tax.</td>
</tr>
<tr>
<td>Employment period in Singapore is more than 60 days</td>
<td>15% or progressive rates, whichever gives</td>
</tr>
<tr>
<td>but less than 183 days in a calendar year</td>
<td>rise to higher tax</td>
</tr>
<tr>
<td>Employment income (arising from directorship e.g.</td>
<td></td>
</tr>
<tr>
<td>director’s fees)</td>
<td>20%</td>
</tr>
</tbody>
</table>

Other source of income is subjected to tax at prevailing corporate tax rate or withholding tax rates whichever applicable.
Ascertainment of Taxable / Chargeable Income

The chart below shows the stages to the ascertainment of taxable / chargeable income in respect of a Singapore individual taxpayer:

1. Total income from sources subjected to tax
2. Less Allowable deductions
3. Equal Assessable income
4. Less Personal relief
5. Equal Taxable / Chargeable income

Self-Employed Person

A person who carries on a trade, business, profession or vocation is considered a self-employed person. He may be a sole-proprietor or a partner of a partnership business. Examples are shop owners of a retail business, insurance agent, accounting firm practitioner, free-lance photographer, hawker, tuition teacher, etc.

Self-employed person has to submit certified statement of accounts together with the annual income tax return, Form B or B1 for sole-proprietor; Form P for precedent partner of a partnership business. All partners will file his/her individual annual income tax return i.e. Form B or B1 for declaration of their income.

If the annual business turnover is less than S$500,000, it is not required to submit a certified statement of accounts but accounts must be prepared and proper records of business transactions must be kept as

Sources of Taxable Income

Income accrued or derived from Singapore or income derived overseas but received in Singapore in respect of the following sources are subject to tax:

(a) Gains or profits from any trade, business, profession or vocation;
(b) Gains or profits from employment;
(c) Dividend, interest and discounts;
(d) Pensions, charge or annuity;
(e) Rent, royalties, premiums and any other profits arising from property; and
(f) Any gains or profits of an income nature not assessed above.
these may be called for verification. Only declaration of turnover, gross profit/loss, allowable business expenses and adjusted profit/loss are required to disclose in the tax return.

Foreigner who intends to cease business operation and leave Singapore permanently has to inform the Comptroller of Income Tax by providing details of income from 1st January of the year of cessation to date of departure within one month before the expected date of departure.

**Salaried Employee**

Employment income is taxable if the employment is exercised or services are rendered in Singapore, irrespective of the place the employment contract is concluded or where the remuneration is paid.

All employers are required to provide to each and every employee, an annual Form IR 8A/E, IR 8S, Appendix 8A &/or Appendix 8B where applicable latest by 1st of March annually. These forms are for employers to declare each employee’s annual remuneration payable for the preceding calendar year including any wages, commission, bonus, gratuity, allowances, housing accommodation, benefits-in-kind, etc. Alternatively, employers may opt for e-submission of employees’ employment income through auto-inclusion scheme. The types of employment income most frequently paid to employees are elaborated as below:

1. **Bonus / Annual Wage Supplement (AWS)**

   Bonus / AWS will be treated as income in the year as specified in the employment contract, irregardless of the payment date. As for non-contractual bonus / AWS, it will be subjected to tax in the year which the employer decides to pay to the employee.

2. **Director’s Fee**

   Director’s fee will be treated as income for the year in which they become due and payable, i.e. the date the fee is declared payable and approved at the company’s annual general meeting.

3. **Cash Allowance**

   Cash allowance relating to Singapore employment, regardless of purpose of payment, is fully taxable except for Per Diem Allowance which is accorded with concessionary tax treatment.

   Per Diem Allowance refers to the daily allowance given to employees on overseas business trips for purpose of defraying certain overseas living expenses incurred such as cost of meals, transport expenses, laundry and other incidental expenses. Overseas accommodation, overseas airport transfer, business travelling expenses between cities and business entertainment expenses do not fall under per diem allowance and are not taxable.
Reference to acceptable rates for per diem allowance by countries may be made to IRAS website at www.iras.gov.sg. The procedure for declaring per diem allowance is as follows:

<table>
<thead>
<tr>
<th>Allowance ≤ Acceptable Rate</th>
<th>Allowance &gt; Acceptable Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer’s obligation to report in IR8A</td>
<td>Yes. Declare the amount in excess of acceptable rate.</td>
</tr>
<tr>
<td>Tax impact on employee</td>
<td>Amount in excess of acceptable rate is taxable.</td>
</tr>
</tbody>
</table>

4. Benefits-in-kind

(i) Car and related benefits

The value of taxable car benefit is computed as follows:-

New car provided to employee:  
\[
\frac{3}{7} \times [(\text{Car Cost} - \text{Residual Value}*)/10 \text{ years}] + (\$0.45 \text{ per km x private mileage})
\]

New car and petrol provided to employee:  
\[
\frac{3}{7} \times [(\text{Car Cost} - \text{Residual Value}*)/10 \text{ years}] + (\$0.55 \text{ per km x private mileage})
\]

Leased car provided to employee:  
\[
\frac{3}{7} \times \text{Employer rental cost incurred}
\]

Leased car and petrol provided to employee:  
\[
\frac{3}{7} \times (\text{Employer rental cost incurred}) + (\$0.10 \text{ per km x private mileage})
\]

Petrol provided on employee’s car:  
\[
\text{Total expenses paid by employer x Private mileage / Total mileage}
\]

Driver provided to employee:  
\[
\text{Annual cost of driver x Private mileage / Total mileage}
\]

Motor van or truck provided by company to employee for private use:  
\[
\$0.55 \text{ per km x private mileage}
\]

Motorcycle or scooter provided by company to employee for private use:  
\[
\$0.20 \text{ per km x private mileage}
\]

* Residual value = 80% of Open Market Value (OMV).
* For second-hand car, the remaining period of the COE.

(ii) Interest Benefits Arising from Loans

Interest free or low interest loan provided by employers to employees for housing, vehicle, computer, renovation or personal loans constitute an employment benefit to employees.

Where the interest free or low interest loan is provided as part of a general employee scheme available to all employees on similar terms, it is not considered as a taxable benefit to employees by concession.
However, this concession does not cover interest subsidies granted by the employer in respect of employee’s commercial loans obtained from financial institutions, and is not available to employees who have substantial shareholdings, or control or influence over the company, e.g. directors.

(iii) Housing Accommodation
Where the employee is provided with housing accommodation, the value of the benefit of the unfurnished accommodation is taken to be the lower of 10% of employment income or the annual value of the premises, less rent paid by employee (if any).

Where no salary is paid to the employee but the employee is provided with a place of residence, the annual value of the place of residence (if it is owned by the employer) or the rent for the premise paid by employer (if it is rented) will be declared as taxable on the employee.

In the case of a company director occupying the house which is under the Rent Control Act or the director’s remuneration is less than the annual value of the premise, the full annual value is deemed to be a taxable benefit.

(iv) Furniture and Fittings and Related Benefits
When furniture and fittings are provided to employees, these are benefits to them and are taxable. The Inland Revenue of Singapore had determined a standard taxable value on these benefits. (See Appendix C attached).

(v) Hotel Accommodation
The taxable value is as stated in the table below plus 2% of basic salary for the period provided.

<table>
<thead>
<tr>
<th></th>
<th>Value per person</th>
<th>Per month</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Self</td>
<td>Wife</td>
</tr>
<tr>
<td>Value per person</td>
<td>S $ 250</td>
<td>S $ 250</td>
</tr>
</tbody>
</table>

Note: With effect from YA 2015, the accommodation benefits enjoyed by employees (including company directors) will be taxed according to the market value, as follows:

a) Housing Accommodation: Annual value of the premises, less rent paid by the employee.

b) Hotel Accommodation: Actual costs incurred of the hotel stay.

c) Furniture & Fittings: Percentage of annual value of the housing accommodation.
(vi) **Leave Passages**

Leave passages is the cost of air passage provided by the employer to/from the employee’s home country. The full cost of providing leave passages to Singapore citizen and permanent resident employees and their families is taxable as employment income.

Expatriate employees are taxable by concession, on a reduced taxable benefit of 20% of the cost of the leave passage incurred subject to the following limitations:-

- One home leave passage for each of the employee and his wife, annually.
- Two home leave passages for each child (unmarried and under 16 years old; over 16 years old and undertaking full-time schooling; or physically or mentally disabled) annually.

Expatriate employee of a company that has been awarded or granted pioneer, export, pioneer service and Operational Headquarters (OHQ) incentives will be granted tax remission (not taxable by further concession) on the home leave passages.

Cost of subsequent leave passages or where passages provided to other family members will be taxable in full.

Passages provided to expatriate and his family when he first come to Singapore and when he finally returns to his home country on termination of Singapore employment are not subject to tax.

(vii) **Club Membership**

Employee holding an individual club membership provided by the company would be taxed on the full amount of the entrance fee, unless the membership can be proved to be held in trust for the employer. Annual subscription to the membership will be taxable on employee on the portion that relates to their personal usage as they form part of employee’s benefits.

(viii) **Other Benefits-in-kind**

Where water and electricity bills, road tax, repairs and maintenance of the employee’s car, or any expense which is legally an employee’s liability are paid by his employer, the amount paid is chargeable to tax as employment income.

(ix) **Employee Stock Option (ESOP)/ other forms of Employee Share Ownership (ESOW) Plans**

General, ESOP is taxable in the year in which it is exercised. The date of exercise is the date when the gains accrued to the employee. ESOW is taxable in the year in which it is granted. However, if there is a vesting period imposed on the ESOW, the gains will be taxed in the year in which it is vested. In addition, where there is a moratorium (selling restriction) imposed on ESOP/ESOW plan, the gains are accrued on the date when the moratorium is lifted.
ESOP/ESOW plan granted while an individual is exercising employment in Singapore

<table>
<thead>
<tr>
<th>Granted before 1 Jan 2003</th>
<th>The gains from any ESOP/ESOW plans are taxable in Singapore if the ESOP/ESOW plans are exercised / vested while you are physically present in Singapore or holding an employment in Singapore.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Granted on or after 1 Jan 2003</td>
<td>The gains from any ESOP/ESOW plans are taxable in Singapore. This is regardless of where you exercise / vest the ESOP/ESOW plans, as the gains will be taxed to the extent that they are connected with Singapore employment.</td>
</tr>
</tbody>
</table>

ESOP/ESOW plan granted while an individual is NOT exercising employment in Singapore*

<table>
<thead>
<tr>
<th>Exercised before 1 Jan 2002</th>
<th>The gains from any ESOP/ESOW plans are taxable in Singapore if the ESOP/ESOW plans are exercised/vested while you are physically present in Singapore or holding an employment in Singapore.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exercised on or after 1 Jan 2002</td>
<td>The gains from any ESOP/ESOW plans are not taxable in Singapore even if the ESOP/ESOW plans are exercised / vested while you are physically present in Singapore or holding an employment in Singapore. Please note that there is no need to report such gains.</td>
</tr>
</tbody>
</table>

* This does not apply to an employee who was temporarily away as such absence from Singapore would be treated as incidental to his Singapore employment.

Interest / Dividend Income

Interest income from any deposit with approved banks or licensed finance companies in Singapore are tax-exempt. However, interest income from pawnshops; deposits with non-approved banks or finance companies that are not licensed in Singapore; or loans to companies or individuals; etc. are taxable.

With effect from 1 Jan 2008, all Singapore dividends paid by a company resident in Singapore will exempted from Singapore income tax.

All foreign-sourced income (excluding foreign-sourced income through partnerships in Singapore) received by Singapore tax-resident individuals are tax exempt.
Royalty Income

Royalty includes amount paid as consideration for the right to use copyrights, patents, trademarks, etc.

Income from royalties is deemed to be derived from Singapore if:-

(1) The royalties are borne directly or indirectly by a person resident in Singapore or a permanent establishment in Singapore; or

(2) The royalties are deductible against any income accruing in or derived from Singapore

Taxable royalties for any literary, dramatic, musical or artistic work received from a local publisher or a branch in Singapore of a foreign publisher; and from approved inventions and product innovations will be assessed to tax on the lower of:-

(a) 10% of the gross royalties received; or
(b) Net amount of the royalties received after deduction of related allowable expenses.

The above concession does not apply to royalties or payment received for any work published in any newspaper or periodical.

Rental Income from Non-Movable Property

Rental income sourced in Singapore is assessable to tax based on the amount receivable from the calendar year proceeding the year of assessment. Expenses wholly and exclusively incurred in the production of the rental income will be deductible against the rental income.

Some of the common deductible expenses are as follows:-

- Interest on mortgage loan
- Property tax
- Fire insurance
- Commission paid on getting a subsequent tenant
- Cost of renewing a lease or getting a new tenant (except for the first tenant)
- Repairs and maintenance such as repainting, pest control, monthly maintenance charges to management corporations

Generally, only expenses incurred during the period of tenancy can be claimed. Expenses incurred outside the period of tenancy cannot be claimed, i.e. when the premise is vacant. However, if taxpayer can show intention to let out the property, the Comptroller may consider allowing the expenses.

Allowable Deductions

(i) Donations
Cash donations and donations-in-kind made to approve institutions of a public character are tax deductible (2.5 times the donation amount made). However, approved donations made for a "foreign charitable purpose" are not tax deductible. Unutilised donation can be carried forward to any subsequent years, up to a maximum of 5 years.

(ii) Subscriptions
Annual subscriptions (excluding entrance fee) to professional institutions can be claimed as a deduction where membership is a condition of the employment.

(iii) Travelling and Entertainment Expenses
Travelling and entertainment expenses incurred solely for business purposes and not reimbursed by employers may be claimed as employment expenses. Proper records and itemised details of expenditure must be available to support the claim. However, travelling expenses on motor car not registered as a business service passenger vehicle and transport expenses incurred to and from home and office are also not allowed.

(iv) Loss in Trade, Business, Profession or Vocation
Loss relief is only applicable to an individual who has incurred the loss due to the carrying on of a trade, business, profession or vocation. The time of claim of the loss is in the year or years subsequent to the year in which they are sustained. With effect from year of assessment 2006, individuals may carry back his current year’s adjusted loss up to a limit of $100,000/-, to set off against his assessable income for the year preceding the year in which they are sustained.

Although husband and wife are assessed separately on their income, transfer of excess qualifying deductions such as capital allowances, trade losses and donations between spouses are allowed.

Personal Reliefs
Reliefs are granted to residents based on the circumstances existing in the year immediately preceding the year of assessment. Some of the common reliefs applicable to a taxpayer are as follows:-

1. Earned Income Relief (EIR)

<table>
<thead>
<tr>
<th>Age</th>
<th>Earned Income Relief</th>
<th>Handicapped Earned Income Relief</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 55</td>
<td>S$1,000</td>
<td>S$ 4,000</td>
</tr>
<tr>
<td>55 to 59</td>
<td>S$6,000</td>
<td>S$10,000</td>
</tr>
<tr>
<td>60 and above</td>
<td>S$8,000</td>
<td>S$12,000</td>
</tr>
</tbody>
</table>
Taxpayers can claim EIR only if they received earned income i.e. gain or profits from a trade, business, profession, vocation, employment and pension, for the year.

2. **Spouse Relief**

Taxpayer can claim spouse relief of S$2,000/- if both live together or he/she supports his wife/her husband and the spouse income is not more than S$4,000/- in that year.

3. **Handicapped Spouse Relief**

Taxpayers can claim relief of S$3,500/- if they supported their physically or mentally disabled spouse.

<table>
<thead>
<tr>
<th></th>
<th>Parent Relief</th>
<th>Handicapped Parent Relief</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not living together</td>
<td>S$4,500</td>
<td>S$8,000</td>
</tr>
<tr>
<td>Living together</td>
<td>S$7,000</td>
<td>S$11,000</td>
</tr>
</tbody>
</table>

Taxpayers may claim the relief if they have supported their or their spouse’s parents, grandparents or great-grandparents who must:-

1) be living in Singapore in the year;
2) be 55 years old or above or handicapped; and
3) not have own income of more than S$4,000/- in the year.

Parent / Handicapped parent relief can be claimed up to 2 dependents per taxpayer.

4. **Handicapped Brother/Sister Relief**

Taxpayers can claim relief of S$3,500/- for each dependent if they supported their physically or mentally disabled brothers or sisters who lived together in Singapore. If they did not live together, they must have incurred at least S$2,000/- to support each of them.

5. **Aged Parent / Handicapped Parent Relief**

Working mother who is married, divorced or widowed can claim relief of S$3,000/- in respect of one of her or her spouse’s/ex-spouse’s parents or grandparents who is:-

- living in Singapore in the year;
• looking after any of her children who is a citizen of Singapore and is 12 years old or younger in the year; and
• not carrying on any trade, business, profession, vocation or employment.

Only one taxpayer can claim this relief in respect of each dependent.

7. Qualifying Child Relief (QCR)
Taxpayers may deduct QCR of S$4,000/- for each legitimate child, step-child or a legally adopted child.

To qualify, each child must not have income of more than S$4,000/-; must be under 16 years old; or if child is 16 years old and above, he/she must be attending full-time schooling and must be unmarried.

Relief of S$5,500/- can be claim if a child is physically or mentally disabled with income not more than S$4,000 and is unmarried.

QCR is divisible between husband and wife.

8. Working Mother Child Relief (WMCR)
To encourage mothers to work, WMCR is specially given to a working mother who is married, divorced or widowed in respect of her child as illustrated in the table below.

<table>
<thead>
<tr>
<th>Child order</th>
<th>WMCR allowable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st child</td>
<td>15% of mother’s earned income</td>
</tr>
<tr>
<td>2nd child</td>
<td>20% of mother’s earned income</td>
</tr>
<tr>
<td>3rd and subsequent child</td>
<td>25% of mother’s earned income</td>
</tr>
<tr>
<td>Maximum of QCR/HCR + WMCR</td>
<td>S$50,000 per child</td>
</tr>
<tr>
<td>Maximum total WMCR is capped at</td>
<td>100% of the mother’s earned income</td>
</tr>
</tbody>
</table>

To qualify, the child must be a Singapore citizen as at 31st December of the year and has fulfilled all the conditions for the claim of QCR.

9. Parenthood Tax Rebate (PTR)
Singapore tax resident taxpayers and/or spouse may claim PTR if they have:-

(a) legitimate child born to the family on or after 1 January 2008; or
(b) child legally adopted on or after 1 January 2008 while married, divorced or widowed.

The child must:

(a) be Singapore citizen at the time of birth or within 12 months thereafter; or
If the tax payable for that year of assessment is less than the rebate, any unutilized rebate can be used to offset against the income tax payable for the subsequent years until the rebate has been fully utilized.

10. **Foreign Maid Levy Relief**

Female taxpayers with taxable earned income can claim twice the amount of foreign maid levy paid for one maid against her taxable earned income if she is:

- married in the year; or
- separated, divorced or widowed and in the year, had live with her children on whom she could claim child relief.

Foreign maid levy relief can be claimed even if the levy was paid by her husband.

11. **Course Fees**

Taxpayers can claim relief of up to S$5,500/- in a year for course fees (includes registration, enrolment, examination, tuition and aptitude test fees) incurred for conferences and seminars relating to his trade, business, profession, vocation or employment.

<table>
<thead>
<tr>
<th>Child Order</th>
<th>PTR Allowable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1(^{st}) Child</td>
<td>S$5,000</td>
</tr>
<tr>
<td>2(^{nd}) Child</td>
<td>S$10,000</td>
</tr>
<tr>
<td>3(^{rd}) and subsequent Children</td>
<td>S$20,000 per child</td>
</tr>
</tbody>
</table>

12. **NSMen Relief (for NSman, wife or parent of NSman)**

A deduction of S$3,000/- is allowable to every active reservist who have done National Service and are called up annually for in-camp training and other activities. A non-active reservist who have done National Service but are not in active reservist is allowed S$1,500/- only.

An additional tax deduction of $2,000/- will be allowed to key command and staff appointment holders over and above the amount of NSmen relief.

Relief of S$750/- is applicable to parents, wives and widows of operationally ready NSman who are themselves Singaporean. This relief is available to each parent regardless of the number of children undergoing national service.

Each parent or wife of the NSman is entitled to only one type of relief.
13. Contribution to Central Provident Fund (CPF)

Singapore Citizens or Singapore permanent residents employee are allowed to claim compulsory CPF contributions made during the year.

As for self-employed persons, they are required to make compulsory Medisave contribution if their net trade income is more than S$6,000/- in the year. In addition, deduction is allowed for self-employed compulsory and voluntary CPF contributions made during the year up to 36% of their assessable income or S$30,600/- (i.e. 36% x 17 months x S$5,000/-), whichever is the lesser.

14. Supplementary Retirement Scheme (SRS)

SRS was introduced to compliment the existing CPF scheme and is a voluntary scheme to encourage working individuals, at least 21 years and below 62 years old, to save for post-retirement financial needs.

Contributions to SRS will enjoy the following benefits:-

- Tax-free investment gains (with the exception of Singapore dividends);
- Tax relief for the sum contributed each year subjected to a cap;
- Tax reduction upon retirement, as only 50% of the withdrawal will be subjected to income tax. There will be greater tax savings if you choose to spread your withdrawals over 10 years upon retirement;
- Flexibility of withdrawal from the SRS account at anytime. But if the withdrawal is made before the statutory retirement age, a 5% penalty for premature withdrawal applies and together with the 100% of the withdrawal, are subjected to tax; and
- Wide range of investment opportunities offered by Singapore approved banks.

Rates of contribution and capping ceilings:-

<table>
<thead>
<tr>
<th>SRS Contribution Formula</th>
<th>Singaporeans / Permanent Residents</th>
<th>Foreigners</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPF Salary Ceiling</td>
<td>17 months X Prevailing CPF Salary Ceiling X SRS Contribution Rate</td>
<td></td>
</tr>
<tr>
<td>S$5,000</td>
<td>S$12,750</td>
<td>S$29,750</td>
</tr>
<tr>
<td>SRS Contribution Rate</td>
<td>15%</td>
<td>35%</td>
</tr>
<tr>
<td>Maximum SRS Contribution Cap</td>
<td>S$12,750</td>
<td>S$29,750</td>
</tr>
</tbody>
</table>

Withdrawal made under the following circumstances, only 50% of the sum withdrawn will be subject to tax:-

- At the statutory retirement age (currently 62 years old) for Singaporeans and Singapore Permanent Residents or ten years from the date the first SRS contribution made for foreigners;
• When the taxpayer is permanently incapacitated in continuing employment;
• Upon bankruptcy;
• Upon death; and
• On medical grounds

Singapore tax-resident will be taxed at progressive tax rates and non-residents will be taxed at 15% or at the resident rates, whichever is higher. A SRS operator will withhold tax at 20% on the taxable amount withdrawn by foreigners and Singapore permanent residents at time of withdrawal, which thereafter would be used to offset against the foreigner’s actual tax liability.

15. Life Insurance Premiums

Taxpayers can claim relief for insurance premiums paid for insurance policies on his own life or his spouse life from insurance companies that have an office or branch in Singapore. The amount of relief must not be more than 7% of the sum insured. Premiums paid for insurance policy on child’s life are not allowed.

The relief can be claimed only if CPF contributions are S$5,000/- and below in the year. Maximum relief of S$5,000/- is allowed if CPF contributions and life insurance premiums combined.

16. CPF Cash Top-Up of Retirement Account

Singapore NRIC holders or their employer who have topped-up in cash to the employee’s CPF retirement account will be granted deduction on the amount up to a maximum of S$7,000/- per year. In addition, Singaporean who topped-up in cash to their parents'/grandparents'/non-working spouse’s and siblings' retirement accounts under the CPF Minimum Scheme will be granted deduction on the amount up to a maximum of S$7,000/- per year. Non-working spouse or siblings must not have an annual income exceeding S$4,000/- in the year preceding the year of top-up.

Dual Employment Contracts

This is applicable where a taxpayer had two distinct employment duties to be performed in and outside of Singapore by more than one company. Furthermore, his employment outside Singapore is not incidental to his Singapore employment. In such a situation, it may be possible to have separate contracts catering for the segregation of duties.

(a) One with the Singapore company in respect of services to be performed in Singapore; and
(b) The other with an offshore company in respect of services to be performed outside Singapore.

The remuneration in respect of each employment is determined at the outset and must be fair and commensurate with:-
(a) Time spent in and out of Singapore;

(b) Nature of services performance for each company; and

(c) Position in each company.

The salary paid by the overseas company under a separate contract with that company would not be assessable to Singapore tax provided that:

(a) The duties indicated in the separate contract are exercised wholly outside of Singapore; and

(b) The salary expense is not recharged by the overseas company to its branch or related company in Singapore.

**Area Representative Status**

An employee of a non-resident employer can apply for area representative status. An example of non-resident employer is representative office registered in Singapore. Where an employee is granted with an area representative status, he will be taxed on the amount of remuneration (excluding benefits-in-kinds) pro-rated based on the number of days spent in Singapore or the amount of employment income remitted to Singapore, whichever is higher.

To qualify for this status, the foreign employee must be:-

(a) employed by a non-resident employer;

(b) based in Singapore for geographical convenience;

(c) required to perform duties in Singapore and one or more countries in the region; and

(d) his remuneration is not directly or indirectly charged to a permanent establishment of the non-resident company in Singapore.

In practice, the Comptroller normally request for the following to support the claim to be taxed as an area representative basis of assessment:-

(a) copy of the service contract / letter of appointment from the non-resident employer;

(b) detailed job description from the non-resident employer defining area of duties and responsibilities, and terms and conditions of employment;

(c) details of duties performed in Singapore and duties outside Singapore;

(d) nature of business of the non-resident employer; and

(e) an organization chart of the local office or the details of the person who the employee reports to.
To enjoy the concession for area representative, a travel schedule that comprises of the dates of arrival and departure from Singapore, country visited, purpose of visits and the number of days away from Singapore, has to be submitted yearly to Comptroller.

Foreigners of area representative status are required to furnish a letter of guarantee from a local bank or an established limited company in Singapore yearly to cover the estimated tax for the coming year of assessment. Otherwise, an advance assessment will be issued.

Not Ordinarily Resident (NOR) Status

NOR scheme takes effect from Year of Assessment 2003.

Qualifying criteria for the scheme are:-

1. The individual has to be a Singapore tax-resident for the Year of Assessment he is applying for and non-Singapore tax resident for the last 3 consecutive years of assessment immediately before that year of assessment.

2. An application for NOR status and application for tax concessions under the NOR scheme have to be submitted by 15th April of that year of assessment in which he qualifies for the scheme or tax concession. The tax concession is only available to a non-Singapore citizen and a non-Singapore permanent resident.

On approval, the individual will be accorded with NOR status for a period of 5 consecutive years of assessments. NOR status can be accorded more than once so long as the qualifying criteria are met.

Taxpayers of resident NOR status will enjoy one or more of the following tax concessions:-

1. Time apportionment of Singapore employment income.

The individual will pay tax on his Singapore employment income (not applicable to benefits-in-kind) pro-rated to the number of days spent in Singapore per calendar year. He has to spend at least 90 days outside Singapore for business reasons in respect of his Singapore employment. In addition, his total Singapore employment income must be at least $160,000/-. Singapore
employment income must also include share-based gains which are exempt from tax under the various Equity Remuneration Incentive Schemes, contributions to overseas contribution schemes, etc. and before deduction of expenses.

The number of days in and outside Singapore is computed as follows:-

The presence in Singapore for any part of a day shall be counted as one day in Singapore. Alternatively, as an administrative concession, you may choose to count only the day of arrival in Singapore as a day in Singapore (that is, the day of departure from Singapore will be counted as a day outside Singapore except if you leave Singapore and return on the same day, your presence on that day shall be counted as a day in Singapore).

For example, if you left Singapore on 23 May and returned on 26 May. 23 May is not counted as a day in Singapore. The number of days outside Singapore is 3 days (23 May to 25 May).

2. Tax exemption of employer's contribution to non-mandatory overseas pension fund or social security scheme.

This exemption is granted to a resident NOR Singapore employee on any contribution made by his employer to any non-mandatory overseas contribution scheme. The amount of exemption is subject to a cap similar to Central Provident Fund’s (CPF) capping rule.
SINGAPORE
CORPORATE INCOME TAX
1. SINGAPORE INDIVIDUAL INCOME TAX

2. SINGAPORE CORPORATE INCOME TAX

3. SINGAPORE GOODS AND SERVICES TAX (GST)

4. SINGAPORE INDUSTRY & TECHNOLOGY TAX INCENTIVES

5. APPENDICES
1. Effective from Year of Assessment 2010, the tax rate is 17%. As for YA 2013 to YA 2015, companies are eligible to a 30% tax rebate on the net tax payable, capped at $30,000/- per Year of Assessment. This applies to all Singapore and non-Singapore resident companies including Singapore-incorporated subsidiaries as well as branches of foreign companies.

2. For lower levels of chargeable income, the effective rates are 4.25% on the first S$10,000/- and 8.5% on the next S$290,000/- of chargeable income (excluding Singapore dividends). Full tax exemption will be granted on the first S$100,000/- of normal chargeable income (excluding Singapore dividends) of newly start-up SMEs for each of the first three consecutive years of assessment.

Newly start-ups tax exemption will not be applicable to the following types of companies incorporated from 26 Feb 2013 onwards:–
  a) Property Developer; and  
  b) Investment Holding Company

3. Provided the company satisfies the continuity of ownership test.

4. Effective from Year of Assessment 2006, an aggregate of S$100,000/- of current year unutilized wear and tear allowances and trade loss are eligible for carried back for one year of assessment immediately preceding that Year of Assessment in which the wear and tear allowances were granted or the trade losses were incurred.
Basis of Assessment

Singapore adopts the preceding year basis of taxation for all sources of income i.e. profits for a financial year ending in 2011 are taxed in the Year of Assessment 2012. Income chargeable to tax for any year of assessment is based on the amount of income accrued in or derived from Singapore by any company or received in Singapore from outside Singapore. Companies have to file an estimate of their chargeable income with IRAS within 3 months after the end of their accounting period and to file their tax return manually with IRAS by 30 November annually. For e-filing of annual tax return, IRAS allows further extension of time up to 15 December.

Obligations of Employer/Company to file Tax Returns

(i) Annual income tax return (Form C/Form C-S)

A company is required to file an annual income tax return (Form C) together with audited/unaudited (certified) financial statements, tax computation together with supporting documents with IRAS. The Form C is normally issued by IRAS at the beginning of each year of assessment and filing is required within 21 days from the date of issue of the form. Extension of time to file the return is normally granted provided an estimate of the company’s chargeable income is e-filed within the statutory period.

Financial statements may be prepared in non-S$ functional currencies in accordance with the Financial Reporting Standards (FRS) and the Interpretations of FRS and filed with their tax return. Dormant companies and exempt private companies with annual revenue below S$5 million are not statutory required to have their financial statements audited. Unaudited financial statements will be accepted for tax filing so long as they are prepared in accordance with generally accepted accounting principles (GAAP) and the Singapore Companies Act.

A company may file a simplified annual income tax return (Form C-S) instead of the normal Form C if the following qualifying conditions are met:-

➢ The company:
  • is incorporated in Singapore;
  • has an annual revenue of not more than S$1 million; and
  • derives only income taxable at 17%.

➢ Does not claim any of the following:
  • carry-back of current year wear and tear allowance/losses;
  • group relief;
  • investment allowance;
  • research & development tax allowance; and
  • foreign tax credit.

Financial accounts and tax computation need not filed with Form C-S unless requested by IRAS.

Dormant companies may submit an application for waiver to file the tax return.
(ii) Annual declaration of employees’ remuneration (Form IR 8A/E, IR 8S, Appendix 8A & Appendix 8B, etc.)

All employers must declare each and every employee’s remuneration, allowances, various types of non-monetary benefits-in-kind, etc. given to their employees in the annual Form IR 8A/E, IR 8S, Appendix 8A & Appendix 8B, etc. These forms must be given to the respective employees by 1 March of the year following the calendar year for which the remuneration is payable. This declaration may be done by way of auto-inclusion scheme i.e. e-submission directly to IRAS.

(iii) Notification and tax clearance for cessation of foreign employees (Form IR 21)

Where a non-Singapore citizen employee ceases employment with the company in Singapore (includes posting to an overseas location) or plans to leave Singapore for more than 3 months, the employer is required under the law to complete a Form IR21 or notifies the Comptroller of Income Tax at least 1 month before a non-Singapore citizen employee ceases or is about to cease employment with the company in Singapore. In addition, the employer is required to withhold any monies (including overtime pay, leave pay, allowance for transport, entertainment, gratuities and lump sum payments, etc) due to the employee from the day he notifies the company his intention to cease employment or when the company decides to terminate his employment or posts the employee to an overseas location.

The exceptions to these requirements are:-
1. Singapore Permanent Residents who are merely changing jobs in Singapore;
2. Non-Singapore citizens who worked in Singapore not exceeding 60 days in each calendar year unless they are directors of a company, public entertainers or individuals carrying out a profession, vocation or employment of a similar nature;
3. Non-Singapore citizens who worked in Singapore for 183 days or more and earned less than S$20,000/- per year; or
4. Non-Singapore citizens who are transferred to another company in Singapore.

In the event of non-compliance, the employer will be liable for the full tax owed by the employee.

Provision of Estimated Chargeable Income (ECI)

The Singapore Income Tax Act requires that all companies must submit (electronically/manually) to IRAS, the annual revenue and an estimated chargeable income within three months from its financial year end. In the absence of the estimate, IRAS may raise an estimated tax assessment based on their own judgment and if no valid objection is lodged on the assessment notice within 30 days, it will be treated as final even if the tax return submitted subsequently shows a lower taxable amount. Upon e-filing of the ECI, the Comptroller will allow by concession an automatic extension of time up to 30 November of the year of assessment to file the tax return.
Revision to ECI filed earlier-on may be made either on-line or manually giving reason for the revision.

As a concession from YA 2013 for companies with financial year ending October 2012 or after, no ECI filing is required if the company's:-
- ECI is NIL; and
- Annual revenue is not more than S$1 million.

**Payment of Tax**

A company is liable to pay tax within 30 days from the date stated on the notice of assessment issued by IRAS. A penalty of 5% of the tax assessed will be imposed for late payment. If the outstanding tax is still not paid within 60 days of the imposition of the penalty, an additional penalty of 1% will be imposed for each completed month the tax remained unpaid, subject to a maximum of 12% of the tax outstanding. Monthly instalment arrangement based on the company's estimated chargeable income e-filed by 26th of each qualifying month is normally allowed up to a maximum of 10 instalments commencing from the end of the month after the financial year end. For paper-filers, it will be by 24th of each qualifying month and normally allowed up to a maximum of 5 instalments commencing from the end of the month after the financial year end.

GIRO application for instalment payments must be completed and submitted for approval prior to commencement of the monthly instalment payment.

**Residence of a Company**

Tax residence of a company is determined by the place where control and management of the company's affairs is exercised. In general, the place where the company will be deemed resident is the place where the directors of a company manage and control its business and where they hold their board's meetings. It does not really matter where the company is registered or where it has its registered office. A company may be resident in Singapore for one year and non-resident for another.

Both resident and non-resident companies are liable to tax on income accrued in or derived from Singapore and offshore income remitted into Singapore. Non-resident companies are also taxable on certain income deemed to have accrued in or derived from Singapore. Certain types of income paid to non-resident companies are also subject to withholding tax.

**Sources of Income**

Income is chargeable to tax as follows:-
1. gains or profits from any trade or business, profession or vocation;
2. gains or profits from any employment;
3. dividends, interests or discounts;
4. any pension, charge or annuity;
5. rents, royalties, premiums and any other profits arising from property; and
6. any gains or profits of an income nature not assessed above.

**Foreign-Sourced Dividends, Branch Profits & Service Income**

A Singapore-resident company can enjoy tax exemption from its foreign-sourced dividends, foreign branch profits, and foreign-sourced service income that is remitted into Singapore on or after 1 June 2003 if the following conditions are met:
- The basic corporate tax rate (Headline tax rate) of the foreign country from which income is received from is at least
15% in the year the income is received; and
• The foreign income had been subjected to tax in the foreign country from which they were received. It need not be the actual rate of tax imposed by the jurisdiction of the specified foreign income.

To enjoy the tax exemption, the company has to disclose the following information in its annual tax return:

- Nature and amount of income received;
- Country from which income is received;
- Headline tax rate of foreign country; and
- Confirmation that foreign tax was paid in the country from which income was received. Otherwise, a confirmation that income was exempt due to incentive granted for substantive business.

**Ascertainment of Taxable/Chargeable Income**

The profit or loss per the audited/certified financial statements is adjusted to take into account the following deductions in arriving at the taxable income:

1. Expenditures which have been wholly and exclusively incurred in the production of the income being assessed, unless specifically disallowed in the tax law.
2. Interest on money borrowed and employed in producing income provided that, where the interest is paid to a non-resident, withholding tax has been deducted and accounted for to IRAS.
3. Royalties if they are wholly and exclusively incurred in producing the income being assessed.
4. Provision for doubtful debts provided they are reasonably expected to be bad and the debt has previously been included as revenue of the company.
5. Wear and tear allowances (tax depreciation) for assets owned and used for the production of the income.
6. Unabsorbed tax losses, unused wear and tear allowances and unused deductible donations brought forward from prior years provided there is no substantial (more than 50%) change in the ownership of the company in the year in which the tax losses, unused wear and tear allowances or unused deductible donations arises and the year in which these are to be claimed.

In addition, to preserve the carry forward of the unused wear and tear allowances for setting-off against future profits, the company’s existing trade or business activities must continue to be carried on. Unused donations from previous years are eligible for carried forward for a maximum of 5 years.

However, where IRAS is satisfied that any changes of substantial shareholders were due to bona fide commercial reasons and not with a view to avoid tax, such tax losses, unused wear and tear allowances and unused donations may be carried forward and offset against future profits.

7. Current year’s trade loss and unused wear and tear allowances up to S$100,000/- have been considered under loss carry-back relief, if eligible.

8. Current year’s trade loss, unused wear and tear allowances and unused donations have been considered for transfer/utilisation under group reliefs, if satisfy group reliefs conditions.

However, there are certain specific categories of expenses which, although incurred in the production of income, are not tax deductible. The major categories are:-

(a) Accounts depreciation charged on fixed assets;

(b) Capital expenditure, even if treated as revenue expenditure for accounting purposes. Wear and tear allowances may nonetheless be available on such expenditure;

(c) Income taxes paid or payable in Singapore or overseas;

(d) Payments to provident funds or societies which are not approved by the Minister for Finance; and

(e) Expenses incurred on private motor cars.

Pre-Commencement of Business Expenses

Expenses incurred prior to commencement of business operations are considered as not incurred in the production of income and hence, these are not tax-deductible. As a concession for enterprise development, with effect from YA 2012, revenue expenses incurred one year before the first day of the financial year in which the company earned its first dollar of business receipt will be tax-deductible.
Wear & Tear Allowances (Tax Depreciation)

Operating expenses are generally deductible except for a small number that are statutorily disallowed. As Singapore does not tax on capital gains, accounting depreciation (regarded as a capital expense) is correspondingly not allowable. In its place, capital allowances are allowed on the following assets:

<table>
<thead>
<tr>
<th>Type of asset</th>
<th>Period of write-off</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved land intensified industrial building or structure with large land takes and low GPR (Land Intensification Allowance)</td>
<td>25% initial allowance on qualifying capital expenditure incurred and 5% annual allowance on completed building or structure that meets relevant GPR benchmark.</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>3 years (1 year for certain assets) on a straight line basis. Companies can opt for a slower write-off over 5-16 years (comprising of a 20% initial allowance and equal annual allowances over the prescribed useful life of the asset)</td>
</tr>
<tr>
<td>Intellectual Property Rights (IPRs) such as Patents, Copyrights, Trademarks, Designs, etc.</td>
<td>5 years on a straight line basis.</td>
</tr>
<tr>
<td>Approved R&amp;D cost sharing payments</td>
<td>5 years (or any shorter period as the Minister may approve) on a straight line basis</td>
</tr>
</tbody>
</table>

Renovation and Refurbishment (R & R) Expenses

Any business incurred qualifying expenses on R & R works such as doors, window, fixed partitions, general electrical installation and lightings, flooring and wall coverings will be granted Section 14Q deduction on the total expenses incurred over 3 consecutive YAs, subject to an expenditure cap of S$300,000/- for every relevant three-year period from YA 2013.

Loss Carry-Back System

Effective from Year of Assessment 2006, a one-year carry-back of current year’s unutilised wear and tear allowances and unutilised trade loss will be allowed. The main features of the scheme are:

a) Only current year unutilised wear and tear allowances and current year unutilised trade loss will be allowed to be carried back for one year of assessment immediately preceding the year of assessment in which the wear and tear allowances were granted or the trade loss was incurred.

b) An aggregate amount of S$100,000/- of current year unutilised wear and tear allowances and trade loss can be carried back.
c) The carry-back system will be available to all businesses, including sole proprietors and partnerships.

d) The current requirements for carry-forward of unutilised wear and tear allowances and trade losses will similarly apply when these amounts are carried back i.e. the substantial common shareholdings composition and the same nature of business activities tests.

e) The carry-back will be given on due claim.

f) In line with their exclusion from the loss carry-forward and group relief schemes, Section 10E companies will be disallowed from carrying back their losses and wear and tear allowances.

An Election Form for the carry-back relief has to be lodged together with the filing of the company’s income tax return for the relevant current year of assessment.

**Group Relief**

Group relief was implemented with effect from Year of Assessment 2003. A Singapore incorporated company and its Singapore incorporated group members may transfer its current year’s unabsorbed wear and tear allowances, current year’s unabsorbed trade loss and current year’s unabsorbed donations to be deducted against the assessable income of the latter company. Two Singapore incorporated companies are members of the same group if

(a) at least 75% of the ordinary share capital in one company is beneficially held, directly or indirectly, by the other; or

(b) at least 75% of the ordinary share capital in each of the two companies is beneficially held, directly or indirectly, by a third Singapore incorporated company.

**Withholding Tax Compliance**

Any person (including a company) who is liable to make payment of monies of the following nature to a non-resident person (including a company) is required to withhold tax, file a withholding tax form (Form IR 37) and remit the payment to the Comptroller by the 15th of the second month from the date of payment to the non-resident:

- Interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness;
- Royalty or other payments for the use of or the right to use any movable property;
- Payment for the use of or the right to use scientific, technical, industrial or commercial knowledge or information or for the rendering of assistance or service in connection with the application or use of such knowledge or information;
- Management fee;
- Rent or other payments for the use of any movable property;
- Payment of any remuneration to a non-resident director;
- Consideration for real property to a non-resident seller who is a property trader; and
- Professional service fees.

The withholding tax rate for payments made to non-residents, depending on the nature of the payments is:

- the prevailing corporate tax rate on the gross amount; or
• 15% on the gross amount; or
• a reduced tax rate as provided under a tax treaty. A certificate of residence must be submitted to IRAS.

A list of the withholding tax rates applicable to the nature of the payments can be found on Appendix G.

**Double Taxation Relief**

Double taxation arises when two or more countries impose taxes on the same taxpayer in respect of the same taxable income. This normally occurs where:

1. Countries adopt worldwide basis of taxation regardless of whether the foreign income has been remitted into the country.

2. Provisions in their tax law may deem income to be sourced within that country even though such income would not be regarded as having been derived from or accrued in that country under normal source rules.

3. The taxpayer is a resident of more than one country because of different definitions of “residence” and “permanent establishment” adopted by different countries.

In order to reduce the tax impact and relief the taxpayer from such double tax burden, double taxation agreements (DTAs) are regulated and entered into by contracting states.

**Methods of Taxation Relief**

The various methods of relieving double taxation are:-

(i) **Tax credit relief**

A tax credit will be given for the foreign tax suffered by the taxpayer against his domestic tax imposed on the same income. The relief claimable is normally restricted to the lower tax paid/payable in the foreign and home country.

(ii) **Tax sparing relief**
A form of deemed tax credit provided for in a DTA between a developed country and a developing country. A less developed country normally gives tax incentives such as tax holidays to encourage foreign investments into the country. Tax credit will be given to the investor by the country of his residence for tax notionally suffered in the country of source, on certain income, i.e. dividends, interest, royalties.

(iii) Tax exemption

Double taxation will be avoided on the entire/part of the foreign income provided for under the domestic tax laws or DTAs.

(iv) Reduced tax rate

This normally applies to income from interest, dividends, royalties and profits from international shipping and air transport. A lower tax rate is used as provided for under the domestic tax laws or DTAs.

(v) Relief by deduction

Under this deduction system, foreign tax suffered is given as a deduction against the foreign income rather than as a credit against the Singapore tax payable on the foreign income. This is allowed only as a concession.

Shipping Companies

Income derived from any company owning or operating ships may be eligible for exemption from tax under the following tax provisions:-

Section 13A Income

For Singapore registered ships plying in international waters, income derived from:

➢ the carriage of passengers, mails, livestock or goods;
➢ towing or salvage operations carried out;
➢ the charter of such ships;
➢ the use of the ship as a dredger, seismic ship or vessel used for offshore oil or gas activity;
➢ foreign exchange and risk management activities which are carried out in connection with and incidental to its operation; or
➢ the provision of ship management services to any qualifying company in respect of Singapore ships owned or operated by the qualifying company.

For foreign ships:

➢ Income derived from freight uplift from Singapore. Tax exemption is not applicable to transhipment from Singapore and those within the limits of the port of Singapore.
Section 13F Income

For an approved international shipping enterprise (AIS) operating ships plying in international waters, income derived from:

- the carriage of passengers, mails, livestock or goods by foreign ships;
- the charter of such ships to any person for the carriage of passengers, mails, livestock or goods outside the limits of the port of Singapore;
- the carriage of passengers, mails, livestock or goods by foreign ships to Singapore solely for the purpose of transshipment;
- towing or salvage operations by foreign ships;
- the charter of such ships to any person for towing and salvage operations;
- the operation of a dredger, seismic ship or vessel used for offshore oil or gas activity;
- the charter of a foreign dredger, seismic ship or vessel used for offshore oil or gas activity;
- foreign exchange and risk management activities which are carried out in connection with and incidental to the operations described above; or
- the provision of ship management services to any qualifying special purpose vehicle in respect of any ships owned or operated by the qualifying special purpose vehicle.

Where both exempt and non-exempt income is derived, the common expenses (usually administrative expenses) that cannot be directly identified to each ship will need to be allocated on a reasonable basis. Normally, the turnover basis is used.

If the company suffers losses from its business income that qualifies for S.13A exemption, that amount of losses cannot be setoff against non-exempt income and cannot be carried forward for setoff against future years' income.

Taxation of Investment Companies

Investment companies are classified into two groups, namely, the investment holding companies and the investment dealing companies. An investment holding company is set-up with an objective of holding investments and deriving “passive” income such as dividend, interest or rental from the holding of such investments. Whereas, an investment dealing company is set-up for the purpose of buying and selling investments and makes profit from such dealing activities.
All investment income of a company is assessed on an accounting year basis. Only expenses that are attributable to the investment income which attract tax in Singapore are deductible.

Examples of the deductible expenses are:

- **Statutory expenses** incurred in accordance with the Companies Act, such as:
  - Audit fee
  - Accounting fee
  - Secretarial fee
  - Income tax service fees
  - Basic printing and stationery
  - Bank charges
  - Annual listing fees

- **Direct revenue expenses** incurred to earn investment income, such as:
  - Interest expenses (on loan taken to acquire the investment, e.g. shares or properties)
  - Property tax (for rental properties)
  - Insurance (for rental properties)
  - Repair and maintenance (for rental properties)
  - MCST management fees (for rental properties)
  - Cost of collecting rent (for rental properties)
  - Cost of replacement of fixed assets with no improvements in quality of materials used (for rental properties)
  - Commission, advertising, legal costs incurred to secure subsequent tenancy (for rental properties)

Expenses incurred before the commencement of investment income are not deductible expenses. For example, interest incurred on loan taken to acquire shares or properties that have not commenced to derive any dividend or rental income is not deductible.

**Indirect revenue expenses** incurred are not deductible. However, as a concession, an amount not exceeding 5% of the gross investment income that is chargeable to tax is deductible.

Indirect revenue expenses refers to:

- Directors' fees
- Office rental
- Office telephone charges
- Office water and light
- Staff salaries, allowances, bonus and approved provident fund contributions
- Transport expenses (exclude motor vehicle expenses on “S”-plate cars which are not deductible)
- General expenses
- Administrative and management fees
An investment holding company is not entitled to claim capital allowances as it is not carrying on a trade or business. In addition, any unutilised losses cannot be carried forward to set-off against future taxable income.

**Company Servicing Only Related Companies**

A service company refers to a company which renders services to its related companies and is reimbursed for the operating expenses incurred in connection with the services rendered. It may or may not receive a fee from the related companies.

Generally, the service arrangement between a service company and the related company falls under one of the following categories:

- Free or at cost to related companies;
- At cost plus mark up; or
- At arm’s length prices.

**When services are provided free or at cost to related companies**, the chargeable income of the service company is to be assessed at 5% of the total expenditure and assessed to tax without adjustments. This reason is that since the company is rendering commercial services, the amount charged for the services should be on an arm’s length basis.

**Where services are provided at cost with a mark-up**, the mark-up margin may be accepted as the chargeable income of the company and assessed to tax. This is provided that the mark-up is charged on an arm’s length basis.

**Where services are provided at arm’s length prices**, the service company will be assessed on the same basis as a normal trading company.

**Representative Offices**

Foreign companies that are keen on exploring the viability of doing business in Singapore, or are interested in using Singapore as a launch pad into the Asia Pacific, may wish to set up a Representative Office (RO). A RO has the benefit of allowing a foreign company to test out the business environment in Singapore before committing to any investment decisions. However, foreign companies wanting to maintain long term operations in Singapore will be required to incorporate as legal entities with the Accounting and Corporate Regulatory Authority (ACRA) in Singapore.

ROs are typically staffed by internationally-assigned personnel, assisted by a small number of locally-employed personnel. Their area of geographic responsibility usually extends beyond Singapore to other countries in the Asia Pacific region. Its functions normally include one or more of the following:-
(a) liaison with sales agents and customers in Singapore and other countries;
(b) soliciting orders for products or services; all such orders must however be accepted by the parent entity outside Singapore;
(c) providing market intelligence for the base office;
(d) advising purchasers on how to make best use of available products and/or services; and
(e) promoting market awareness of products and services and assisting in the planning of advertising and promotional activities.

Representative offices are not permitted to engage in the following commercial activities:-

(i) trading or business activities, whether carried out directly or on behalf of its parent company;
(ii) lease warehousing facilities / hold inventories for supply to customers;
(iii) lease its office to other establishments for a fee;
(iv) conclude sales contracts;
(v) issue an invoice / receipt;
(vi) open / receive letters of credit;
(vii) sign contracts on behalf of its parent company; or
(viii) provide a service for a fee.

There is no statutory obligation to file annual accounts with Accounting & Corporate Regulatory Authority (ACRA) and to file tax returns with Inland Revenue Authority of Singapore (IRAS). In addition, there is no exposure to Singapore income tax.

In establishing a representative office in Singapore, application can be submitted via a secured online application form / write in to IE Singapore accompanied by the following documents:-

- A copy of the parent company's Certificate of Incorporation (in English or an official translation),
- The parent company's latest annual report and audited accounts, and a processing fee of S$300/-.

**Clubs, Management Corporations and Similar Institutions**

Where a body of persons (incorporate or unincorporate) carries on a club or similar institution and receives from its members not less than 50% of its gross receipts on revenue account, it is not considered to be carrying on a business. Receipts on revenue account from members include entrance fees and subscriptions, as well as sales from food and beverages, fees for use of sports facilities and net collections from jackpot machines. Income derived from non-members such as deposit interest, dividend income, rental of premise, etc. would remain taxable at progressive tax rates set out in Appendix E attached.

However, if less than 50% of such gross
receipts are received from members, the whole of the income from transactions with members and non-members will be treated as receipts from a business and liable to tax under Section 10(1)(a).

**Trade Associations**

A trade association is an association of persons formed with the main purpose of protecting the interest or promoting the business of its members. ‘Members’ refers to persons who are entitled to vote at general meetings.

Trade associations are deemed to carry on a business or trade only if more than 50% (total of entrance fees and subscriptions received not gross receipts) of its receipts by way of entrance fees and subscriptions are from members who are entitled to claim them as tax allowable deductions.

Where a trade association is deemed to carry on a business, the whole of its income from transactions both with members and others including entrance fees and subscriptions will be subjected to tax as per Appendix E attached.

**Liquidation of a Company**

Section 59 of the Singapore Income Tax Act provides that where a company is being wound up, the liquidator of the company shall not distribute any of the assets of the company to the shareholders unless provision is made for full payment of any tax payable by the company. In practice, the liquidator will obtain tax clearance confirmation from IRAS to the effect that the company has no further tax due before he completes the winding up of the company.
SINGAPORE
GOODS AND SERVICES TAX
(GST)
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Introduction

Singapore Goods and Services Tax (GST) was first introduced on 1 April 1994. Initially, the GST rate was 3% for standard-rated taxable supplies. The rate was increased to 4% with effect from 1 January 2003 and to 5% from 1 January 2004. Effective from 1 July 2007, the GST rate is 7% for standard-rated taxable supplies. There is an inclination that the GST rate will be raised in future.

The governing statutes are the Goods and Services Tax Act, the Goods and Services Tax (General) Regulations and other GST subsidiary legislation. The Inland Revenue Authority of Singapore (IRAS) is the department in charge of the administration and enforcement of the GST.

What is GST?

Goods and Services Tax (GST) is a broad-based consumption tax imposed on the supply of goods and services in Singapore and the importation of goods into Singapore. It is a multi-stage tax which is collected at every stage of the production and distribution chain. The tax is ultimately paid by the final consumer.

GST in Singapore

All supplies made by a GST-registered person in the course of business are taxable at the standard rate of 7% unless:

1. Zero-rated (e.g. exported good and international services);
2. Exempt; or

A GST-registered person may include an individual, partnership, company, club, association, society, management corporation or non-profitable organisation.
**Basic GST Process**

GST receivable from customers → Output tax

Less

GST payable on business purchases & expenses (Except for certain restrictions) → Input tax

Equals

Net GST

Positive: Payable to Comptroller

Negative: Refundable by Comptroller

**Types of GST Supply**

- Taxable Supply
  - 1. Standard-rated (7%)
  - 2. Deemed (7%) (Refer to Appendix H)
  - 3. Zero-rated (0%) (Refer to Appendix I)
  - 4. Exempt (Refer to Appendix J)
  - 5. Out-of-Scope (Refer to Appendix K)

- Non-Taxable Supply
When is GST Charged?

GST is charged on taxable supplies which are made in Singapore by taxable person in the course or furtherance of any business carried out by him and on the importation of goods into Singapore.

GST is currently charged and accounted for at a standard rate on the value of supply. For instance, if you as a GST vendor sell a watch in Singapore for S$100, you will have to charge GST to your customer. The GST amount will be accounted for to the government as tax. Only a GST registered person can charge GST on the sale of goods or provision of services.

For imports, GST is collected by the Customs and Excise Department at the point of importation into Singapore. The taxable value on the imported goods is calculated based on the CIF value (cost, insurance and freight) of the goods plus commission, other incidental charges and all customs duties payable.

GST is also chargeable on deemed supplies. An example would be for personal consumption of business supplies. Assuming a GST vendor sells MP3 players. From his inventory, he gave a S$500 MP3 player to your son on his birthday. In this case, GST is chargeable on the gift which means that he needs to pay the GST to the Comptroller of GST on the deemed supplies, i.e. gift.

Export and international services are zero-rated supplies.

Financial services and the sale or lease of residential properties are classified as exempt supplies.

GST Registration

It is compulsory for all businesses to register as a GST-trader if their taxable turnover for the past 4 quarters totalling more than S$1 million (unless it is certain that business turnover in the next 12 months will not exceed S$1 million); or if you are currently making sales and you can reasonably expect your taxable turnover in the next 12 months will be more than S$1 million.

Businesses with annual taxable turnover of less than S$1 million may voluntary register as a GST-trader. However, once registered, you must remain GST registered for at least 2 years. With effect from 9 December 2009, a director of the company/sole-proprietor/partner/trustee has to complete the e-learning course or attend IRAS’ GST Seminar on “Introduction to GST” within three months from the effective date of registration. In addition, GIRO arrangement for payment and/or refund of GST is required.

Group Registration

Group registration is a facility that allows several companies to report GST (e.g. submit GST return) as a group instead of reporting individually. All members of the proposed group must make a joint application to the Comptroller at least 90 days before the proposed effective date of the group registration and nominate a local representative member. On successful
application, a **new GST registration number** will be issued to the group. This number identifies the group as a whole and must be quoted on tax invoices of all members of the group.

The benefits of group registration is to allow several companies to centralise their administration for GST reporting purposes and supplies made between companies under the group are not subject to GST.

To qualify for group registration, companies must satisfy **all** of the following conditions:

1. Each member in the proposed group must already be registered for GST individually.
2. Each member in the proposed group must possess at least one of the following attributes:
   (i) a resident in Singapore or has an established place of business in Singapore; or
   (ii) has an annual turnover of at least $1 million; or
   (iii) listed on a securities exchange established in or outside Singapore; or
   (iv) a subsidiary of a body corporate that fulfills (i) or (ii); or
   (v) financed by an entity (as part of its venture capital investment business) who fulfills (i) or (ii).
3. The nominated representative member must be a Singapore resident or has an established place of business in Singapore. A company has an “established place of business” in Singapore if it has a place at which it carries on business in Singapore, its physical presence is connected to a particular premise and this place of business is intended to have a degree of permanence.
4. For application which comprises of an overseas person who does not fulfill (2)(i) above, both the foreign member and local representative member must have at least fulfilled (2)(ii), (iii), (iv) or (v).
5. Each member in the proposed group must satisfy one of the following control requirements. In general, control exists when there is a holding company-subsidiary relationship.
   (i) one of the members controls each of the others; or
   (ii) one non-member (whether a body corporate or an individual) controls all the members; or
   (iii) two or more individuals (non-member) carrying on a business in partnership control all of the members.

**Divisional Registration**

Divisional registration is a facility that allows independent divisions within a company to report GST (e.g. submit GST return) separately. The divisions will be given a separate registration number. The benefits of divisional registration is to ease GST administration for large companies with many independent divisions facing difficulties in consolidating accounts for timely submission of GST return as a whole.
To qualify for divisional registration, all of the following conditions must be satisfied:–

➢ Currently GST-registered.
➢ Likely to face difficulty in submitting a single return in respect of all the divisions.
➢ Each division maintains an independent system of accounting.
➢ Each division is separately identifiable by its nature of the activities or by its location.

Exemption from Registration

Where a taxable person's taxable supplies are wholly or mainly zero-rated supplies (exports &/or international services), exemption from GST registration may be sought on a case-by-case basis. If granted, no filing of GST return is required. However, you will not be able to claim GST incurred on business purchases of goods or services.

De-Registration

A person who ceased to make taxable supplies must notify the Comptroller within 30 days for cancellation of registration.

A person who continues to make taxable supplies may apply for de-registration if the Comptroller is satisfied that taxable supplies for the next 12 months will not exceed S$1 million.

Time of Supply

The time of supply determines when a supply of goods or services is treated as taken place. The taxable person must account for GST in the accounting period in which the supply occurs.

With effect from 1 Jan 2011, output tax will be accounted for based on the earlier of the following:

1. When an invoice in respect of the supply is issued; and
2. When payment in respect of the supply is received.

Invoice includes a tax invoice as well as any document (example: debit note) that serves as a bill, for payment for supplies made by a GST-registered supplier but does not include documents such as sales order, pro-forma invoice, statement of accounts and letter/statement of claims.

Value of Supply

There are two bases for determining the value of supply:-
(1) Consideration in money

Value of supply + GST = Money consideration

(2) Consideration not consisting or not wholly consisting of money

The value is taken as being the open market value (OMV) of the supply. OMV is the GST-exclusive price which the supply could be expected to fetch in the open market.

If the supply is made for a consideration in a foreign currency, it must be converted into Singapore currency at the rate of exchange applicable at the time of supply. The Comptroller’s acceptable exchange rates are:

(1) Daily exchange rates of any bank operating in Singapore;
(2) Exchange rates published by Customs & Excise Department.

In cases where business gifts costing not more than S$200 is made or where industrial sample are given to customers, it will be deemed that the supply has no taxable value. Hence, no GST is payable. Where business goods are used for private or for other non-business consumption, the taxable value would be the cost of the supply.

Place of Supply

The place of supply is important because GST is only charged on a supply of goods or services made in Singapore. It is necessary to determine whether a supply is of goods or of services before the place of supply can be ascertained.

Goods are treated as being supplied at the place where they are removed from. If the supply of goods does not involve their removal from or to Singapore, the supply is made in Singapore if the goods are ‘in’ Singapore at the time of the supply. If the goods are not in Singapore at the time of the supply, the supply is outside the scope of the GST.

A supply of services is deemed to be made in Singapore if the supplier belongs in Singapore.

Foreign Currency Transactions

Foreign currency sales with GST must be converted into Singapore dollars using approved exchange rates for GST purpose and shown beside the following amounts on the tax invoice:

- Total amount payable excluding GST;
- Total GST payable; and
- Total amount payable including GST.
Approved exchange rates are exchange rates published by local banks or locally circulated newspaper. This exchange rate must be updated at least once every three months and be used consistently for internal business reporting, accounting and GST purposes. The source must also be used consistently for at least one year from the end of the accounting period in which the method was first used.

Foreign currency purchases with GST must also indicate in Singapore dollar equivalent amounts (using approved exchange rates) by the supplier on the tax invoices. This requirement applies even if the purchases are recorded at different exchange rate in the accounting books.

For imports, the input tax claimable is based on Singapore dollar amounts shown on the import permits issued by Singapore Customs.

Foreign currency net realized exchange gains/losses are considered as exempt supplies and must be declared in GST return. Unrealised exchange gains/losses and year-end translation differences should be excluded from GST reporting as they do not give rise to any supply.

Accounting Period (Tax Period) and Filing Obligations

All GST-registered traders are required to e-file a tax return (Form GST F5) to the Comptroller not later than one month after the end of each three-month accounting period. An application may be made to the Comptroller for a shorter accounting period of one month, or a longer period of six months.

A GST-registered trader who ceased to be registered for GST purposes is required to e-file a final return (Form GST F8) not later than one month after ceasing to be registered.

Books and Records

Every GST-registered trader must keep the following records:-

1. Business and accounting records;
2. Copies of all tax invoices issued (including receipts) and received;
3. Documentation relating to his imports and exports;
4. All credit notes, debit notes or other documents which evidence changes in the consideration, and copies of all such documents issued;
5. Schedules to support GST declaration; and
6. Such other records as may be prescribed.

Effective from accounting periods ending on or after 01 January 2007, business records must be preserved for a period of at least five years.
Tax Invoices

Whenever a taxable person supplies goods and services to another taxable person, he must issue the latter with a tax invoice (see Appendix L attached), while retaining a copy for himself. A tax invoice is a document containing information on what is being sold and the GST that is charged on it. The customer needs the tax invoice to support his claim for input tax.

A standard tax invoice must contain the following:-

(1) The word ‘tax invoice’ in a prominent place;
(2) An identifying number;
(3) The date of issue of the invoice;
(4) The name, address, and registration number of the supplier;
(5) The name and address of the person to whom the goods or services are supplied;
(6) A description of the goods and/or services provided;
(7) Type of supply;
(8) For each item, the quantity of the goods or the extent of the services provided;
(9) The amount payable before GST, the GST amount and the total payable including GST, each shown as a separate amount;
(10) Cash discount offered; and
(11) If invoicing in foreign currency, the conversion of the amount payable before GST, the GST amount and the total payable including GST to Singapore currency is a must for GST reporting purpose.

Simplified invoices are allowed (except for zero-rated or exempt supplies) if the amount payable as stated in the invoice (including GST) does not exceed S$1,000. A simplified invoice will include the following:-

(1) The name, address and registration number of the registered taxable person;
(2) The invoice date;
(3) The total amount payable including GST;
(4) An identifying number eg: invoice number; and
(5) Description of goods or services supplied.
Accounting for GST

All GST-registered persons need to maintain a GST account to properly account for GST. A GST account is an account where output tax is collected on behalf of the Comptroller of GST, while any input tax incurred can be claimed back from the Comptroller. Output tax is a liability payable to the Comptroller and it must be credited into the GST account. Input tax being claimable from the Comptroller must be debited into the GST account.

Cash accounting scheme is available to taxable persons “due to the nature, volume, and value of the taxable supplies” made by him and the nature of his accounting system. He must satisfy certain admission criteria and prior approval must be obtained from the Comptroller. This scheme basically permits the taxable person to compute his input and output tax on a cash payment and receipt basis respectively.

Input Tax

Input tax is GST paid on import of goods, local purchases and expenses incurred by the GST-registered traders that are directly attributable to the business.

A taxable trader who receives a tax invoice from a registered supplier is entitled to a credit for the GST shown on the invoice. This tax can be recovered from the IRAS by claiming it on the periodic GST return filed.

Input tax incurred before date of GST registration

GST incurred on business purchases (input tax) before GST registration can be claimed in the first GST return if you satisfy all the pre-registration conditions as below:-

A. GST incurred on goods

- The goods are purchased or imported for the purpose of making taxable supplies (standard-rated supplies and zero-rated supplies);
- The goods are not consumed or supplied before the date of GST registration;
- Have maintain a stock account with these details:
  - quantities purchased;
  - quantities used in the making of other goods;
  - date of purchase; and
  - date and manner of disposal of all goods after GST registration

B. GST incurred on services

- The services are purchased and supplied for the purpose of making taxable supplies (standard-rated supplies and zero-rated supplies);
- The services are not related to goods already supplied or consumed before the date of GST registration;
- The services are supplied not more than 6 months before the date of GST registration;
- The services are not used for the provision of services to the customers before the date of GST registration;
- Have maintain a record with these details:
  - description of services purchased;
  - date of purchase; and
  - date of disposal of the service (if any).
Import GST

GST on imports is imposed and collected by Singapore Customs regardless of whether the importer is GST-registered. It is based on the total of:

- CIF value (Cost, Insurance and Freight);
- all duties payable (as assessed by Singapore Customs); and
- commission and other incidental charges.

In order to claim import GST, it must be supported by import permits indicating that you are the importer of the goods. Total value of taxable purchases to be declared in the GST return must be based on the value of imports reflected in the import permit/value of goods reflected in the invoice issued by the supplier and the GST amount from the import permit.

GST relief is available on temporary imports if the goods are to be re-exported within 6 months from the date of importation.

GST suspension on imports is available under the following schemes:-

- **Major Exporter Scheme (MES)**

  Under this scheme, import GST on importation of non-dutiable goods and goods removed from Zero GST warehouse can enjoy GST suspension. Import GST will be payable only when the goods are removed from the ZG Warehouse for local consumption.

  This scheme is designed to alleviate cash flow problems for GST-registered traders who import goods for re-export, or import raw material for processing in Singapore before re-exporting them as finished goods.

  To qualify for this scheme, following conditions must be satisfied:-

  (1) Zero-rated supplies must be accounted for more than 50% of total supplies or the value of zero-rated supplies is more than S$10 million for the past 12 months.

  (2) Have good tax payment record and proper accounting system and records. The trader's financial statements must be annually audited and the auditor's opinion must be unqualified. An auditors' positive assurance report stating that the imports, exports and total supplies figures declared in the MES form must be submitted on application.

  (3) Prior approval must be obtained from the Comptroller.

- **Zero GST (ZG) Warehouse Scheme**

  This ZG Warehouse Scheme is administered by Singapore Customs. Import GST will be suspended on non-dutiable goods imported directly into the ZG Warehouse and will only be payable when the goods are removed from the ZG Warehouse for local consumption.
Approved Third Party Logistics Company (3PL) Scheme

To enhance the competitiveness of logistic company that provides logistics management services for its overseas principals who use Singapore as a logistics hub, import GST will be suspended on goods removed from a Zero GST warehouse.

Goods temporarily removed from Zero-GST or Licensed Warehouse for Auctions and Exhibitions

GST is suspended on goods removed from approved warehouses for auctions or exhibitions. This is provided that the goods are returned to the warehouse after the auction or exhibition.

Import GST Deferment Scheme (IGDS)

Under IGDS, businesses must file GST returns on a monthly basis in order to be allowed to defer import GST payments until the monthly GST return due dates. In other words, you account for the deferred import GST and claim it as input tax in the same GST return.

Free Trade Zone & Transshipments

The Free Trade Zones (FTZs) are designated areas in Singapore where the payment of duties and taxes (e.g. GST) are suspended when the goods arrived in Singapore. No declaration of taxable purchases in the GST return is required until the goods crossed the duty point and into customs territory.

Once qualified under any of the above scheme, no GST will be collected on imports at the point of importation.

When a business de-registered as a GST-trader, it is required to account for deemed output tax on the imported goods that form part of assets and stocks if the value of taxable assets and stocks on hand as at the effective date of de-registration is more than S$10,000/-.

Output Tax

Output tax is tax charged by the GST-registered trader on the goods and/or services provided by him.

Besides the normal trading goods and services, GST-registered trader has to charge GST on business assets sold. If the GST-registered trader has given his client a discount, the GST charged is based on the net discounted price.

The output tax collected by the GST-registered trader is payable to the Comptroller. A GST-registered trader is entitled to set off an input tax credit on supplies made to his business against the amount of output tax which he has to account for.
Employee Fringe Benefits

Input tax on the following items cannot be claimed:-

1. Club subscription fee;
2. Personal medical and accident insurance premiums;
3. Staff medical expenses;
4. Benefits provided to employees’ spouses, children or relatives; and
5. Purchase of a private motor car and running expenses.

Partially Exempt Businesses

A GST-registered trader, who in the course or furtherance of his business, makes both taxable and exempt supplies is known as a partially exempt trader. He will be entitled to claim deduction only for the input tax he has paid on resources used in making the taxable supplies and not on the inputs used in making the exempt supplies unless he satisfy the De Minimis Rule. This rule provides that the value of the business’ exempt supplies must be less than or equal to:-

1. Average of $40,000/- per month; and
2. 5% of the total value of all taxable and exempt supplies made in that period.

Otherwise, the input tax directly attributable to the making of exempt supplies will not be claimable. If the input tax cannot be identified as directly attributable to either taxable or exempt supplies (residual input tax), it will be computed using the formula below:-

\[
\text{Total Allowable Residual Input Tax} = \frac{\text{Residual Input Tax} \times \text{Value of Taxable supplies}}{\text{Value of Total supplies}}
\]

The main types of businesses that are likely to be partially exempt are:-

1. Financial institutions registered for GST; and
2. Registered businesses that sell or rent commercial and residential properties.

Disbursements vs Out-of-Pocket Expenses

It is common in some trades and professions that certain expenses such as transport costs, which are incurred in the course of providing supplies of goods and services to a customer to be described as “disbursements” or “out of pocket” expenses.

To identify whether the recovery of an expense qualifies as a disbursement for GST purposes, all of the following conditions must be fulfilled, then no GST is required to charge:-

- The customer is responsible for paying the third party;
- The customer knows that the goods or services would be provided by a third party;
- The customer authorised you to make the payment on his behalf; that is, you acted as an agent of the customer when paying the third party;
- The customer actually received and used the goods or services provided by the third party;
- The payment is separately itemised when invoicing the customer;
- You recover only the exact amount you paid to the third party; and
- The goods or services paid for are clearly additional to the supplies which you make to the customer.
Input tax on disbursements i.e. expenses paid on behalf of the customer, cannot be claimed. However, the customer may claim the input tax if he satisfies the input tax claiming conditions.

When a third party (e.g. a supplier) bills you for out-of-pocket expenses and you in turn recover the expenses from your customer, this is not a disbursement for GST purposes. GST is chargeable on the recovery of the expense even if you were to re-charge on a cost-to-cost basis. You can claim the input tax incurred if you satisfy the input tax claiming conditions.

**Bad Debt Relief**

Where a GST-registered trader makes taxable supply but does not receive payment from his customer and so becomes liable to pay the GST himself, the trader can make a claim for a refund of that output tax provided the following conditions are fulfilled:

- the trader has supplied goods or services for a consideration in money;
- the trader has accounted for the GST on the supply;
- the whole or any part of the debt has been written off the trader’s accounts;
- a period of one year beginning from the date of supply has lapsed or the debtor (customer) has become insolvent;
- the Comptroller is satisfied that all reasonable collection efforts have been made;
- the claim is not of any amount recovered and any amount realizable from an enforceable security;
- the value of the supply is equal to or less than its open market value;
- title to the property in the goods have passed; and
- a claim is made within 7 years.

If the bad debts are subsequently recovered after the relief has been claimed, the GST element must be repaid to the IRAS.

**Second-Hand Goods Scheme**

This scheme is available for second-hand goods and is aimed to avoid charging GST on the full value of the goods each time they leave the business sector. Instead, the trader is obliged to account for GST only on the margin between buying and selling price. Approval has to be obtained to operate such scheme.
Electronic Tourist Refund Scheme (eTRS)

Under this eTRS, tourists may receive a refund of GST on goods that are purchased from retailers who participate in this scheme. It applies only to goods that are brought out of Singapore via Changi International Airport or Seletar Airport or by international cruise passengers (excluding cruises-to-nowhere, round-trip cruise and regional ferry passengers) via Singapore Cruise Centre at Harbourfront and Marina Bay Cruise Centre Singapore (MBCCS) at Marina South, subject to conditions. Further details may be found on IRAS website: www.iras.gov.sg

This is a voluntary scheme and there are two methods for retailers to operate under this scheme:-

1. Operate as an Independent Retailer; or
2. Engage the services of the Central Refund Agencies in Singapore.

To be eligible for GST refund, the customer must be a tourist, bring the goods out of Singapore within 2 months from purchase and must meet the following criteria:-

- he is not a Singapore citizen or permanent resident;
- he spends 365 days or less in Singapore in the last 24 months before the date of purchase;
- he has not been, at any time, employed in Singapore during 6 months before the date of purchase;
- he is not a member of the cabin or flight crew of the aircraft on which he is departing from Singapore; and
- he is 16 years of age or above at the time of purchase.

A student pass holder is eligible for GST refund if the goods are purchased in the last 4 months before the expiry of his student pass. In addition, he must satisfy all the criteria above and intends to depart and remain outside Singapore for a minimum period of 12 months.

Refunds are not allowed on all services and on goods that are:

- wholly or partly consumed in Singapore;
- exported for business or commercial purpose;
- exported by freight; and
• accommodation in a hotel, hostel, boarding house or similar establishments.

Objections & Appeals

Any person disagree with the assessment raised may lodge an objection with the Comptroller. He will consider the objection and either confirm or modify his earlier decision. If the person is still dissatisfied with the Comptroller’s decision, he has a right to appeal to a GST Board of Review within thirty days after receipt of the Comptroller’s decision.

Offences & Penalties

The offences under the GST legislation include:-

1. Failure to make returns/late lodgment of return
2. Making an incorrect return
3. Failure to pay within the prescribed period
4. Failure to apply for registration
5. Wilfully making false return or statement or giving any false information including falsifying of any business records
6. Fraudulently obtaining refund
7. Obstructing the Comptroller in carrying out his duties
8. Failure to furnish the requisite security

Upon conviction, the offender is punishable by a fine ranging up to $10,000/- and penalties up to three times the amount of tax payable and, in certain cases, imprisonment.
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SINGAPORE INDUSTRY & TECHNOLOGY TAX INCENTIVES

Introduction

Over the years, Singapore’s headline corporate tax rate of 17% is one of the lowest rates in the world. The Singapore government is still generous in providing tax exemptions especially for small-to-mid size companies, and industry-specific tax concessions and incentives to businesses whose business activities reflect the direction in which the state plans to steer economic development.

The various tax concessions, incentives and grants available will depend on your business plans and these are basically administered and granted by the following authorities:-

1. Singapore Economic Development Board (EDB);
2. International Enterprise Singapore (IE Singapore);
3. Maritime and Port Authority of Singapore (MPA);
4. Monetary Authority of Singapore (MAS);
5. Singapore Tourism Board (STB).

A summary of the major incentives is set out below.

SINGAPORE ECONOMIC DEVELOPMENT BOARD (EDB)

Tax Incentives for Headquarters Activities

To encourage companies to use Singapore as their regional or global headquarters base, two specific schemes were introduced:-

- Regional Headquarters Award (RHQ)

Under the RHQ Award, qualifying companies can enjoy a concessionary tax rate of 15% for five (3+2) years on incremental qualifying income from abroad, instead of the normal Singapore corporate tax rate of 17%. In other words, if the applicant company satisfies all the minimum requirements by the third year of the incentive period, it will enjoy the 15% concessionary tax rate for an additional 2 years on qualifying income. This scheme applies to all companies that have their Asia-Pacific headquarters in Singapore.

To be eligible for the RHQ award, the company must:-

a) Increase its paid-up capital to at least S$0.2 million and S$0.5 million at the end of year 1 and year 3 of the incentive period respectively;

b) perform a minimum of 3 qualifying headquarters services to network entities in 3 countries outside Singapore by the end of year 1 of the incentive period;

c) employ at least 75% skilled workers throughout the incentive period;

d) employ at least 10 additional* professionals based in Singapore;

e) achieve a minimum value-added per worker of at least S$200,000/- per annum by year 3;
f) incur an average remuneration per worker of S$100,000/- per annum for the top 5 executive designations by the end of year 3 of the incentive period;
g) incur at least an additional* S$2 million in annual business spending in Singapore; and
h) incur at least an additional** S$3 million in business spending cumulatively for the entire incentive period.

* The level at Year 3 – Year 0
** (Total for Years 1 to 3) – (3 x Year 0)

• International Headquarters Award (IHQ)

IHQ scheme is open to all entities that have setup a company in Singapore in order to carry out their headquarter activities. More specifically, companies that commit to exceed the minimum requirements of the Regional Headquarters Award, can enjoy an even lower concessionary tax rate ranging from 5% to 15% on incremental income from qualifying activities.

Mergers and Acquisitions Scheme (M&A)

The M&A scheme was introduced in 2010 to encourage companies in Singapore to grow their businesses through mergers and acquisitions. This scheme provides for M&A allowance and stamp duty relief on qualifying M&As completed from 1 April 2010 to 31 March 2015. A company (“acquiring company”) that acquires the ordinary shares of another company (“target company”) will be granted an M&A allowance, equal to 5% of the acquisition value. This acquisition value is capped at S$100 million in each financial year, translating into a M&A allowance cap of S$5 million. The amount of stamp duty relief on the transfer of ordinary shares for qualifying M&As is capped at S$200,000/- for each financial year.

This scheme was enhanced in 2012 as below and it applies to qualifying M&As completed from 17 February 2012 to 31 March 2015.

➢ Tax allowance on transaction costs incurred on qualifying M&A

200% tax allowance will be granted on the transaction costs incurred on qualifying M&As, subject to an expenditure cap of S$100,000/- per year of assessment (“YA”). The allowance on transaction costs will be written down in 1 year. Transaction costs would cover professional fees on due diligence (e.g. accounting and tax), legal fees and valuation fees.

➢ Acquisition through multiple tiers of subsidiaries

If the acquisition of the shares in the target company is done through a wholly-owned subsidiary (set up for the primary purpose of acquiring and holding shares in other companies), the acquiring company 2 may acquire shares of the target company through multiple tiers, instead of just one tier, of wholly-owned subsidiaries.

➢ Multiple tiers of subsidiaries of target company

The qualifying conditions imposed on the target company may now be satisfied by any of the multi-tiered wholly-owned subsidiaries of the target company, instead of just a subsidiary directly owned by the target company.
Development and Expansion Incentive (DEI)

The DEI encourages Singapore-based existing and new companies to move into high value-added business activities (e.g. acquiring new technologies to develop products/services), expand their operations in Singapore (e.g. setting up new factory, increasing production capacity, etc.) and upgrade existing equipment or procure new equipment, eligible Singapore incorporated companies engaged in qualifying activities will be able to enjoy lower corporate tax rates on qualifying profits above a predetermined base for a set period. The DEI rate is set at 10% or lower, depending on the applicant’s expansion plans in Singapore. The incentive is only awarded to projects that generate significant economic spin-offs to Singapore.

Qualifying activities include:-

➢ Manufacturing or increased manufacturing of any products from any industry that would be of economic benefit to Singapore; and

Extension of the M&A scheme to the Headquarters Programme

EDB’s Headquarters Programme provides incentive support to encourage companies to use Singapore as a base for conducting headquarters management activities to oversee, manage and control their regional and global operations and businesses.

The M&A scheme will be available in addition to the Headquarters Programme such that the EDB may administer, on a case-by-case basis, the waiver of the condition that the acquiring company must be held by an ultimate holding company incorporated in and tax resident of Singapore.

The minimum criteria are as follows:

• New or expansion of substantive operations in Singapore. These may include manufacturing, HQ, R&D or other high value-added activities resulting from the streamlining or restructuring pursuant to the M&A deals; and

• Valuable spin-off to the financial or professional services sectors.
➢ Similar qualifying activities as pioneer service companies.

**Investment Allowance**

To encourage investment in equipment that contributes to greater efficiency in resource utilisation or introduces new technology to the industry, companies that satisfy certain conditions will be eligible to claim investment allowance (not exceeding 100% of approved fixed capital expenditure on top of normal 100% capital allowance) based on an approved percentage of qualifying equipment costs incurred during a qualifying period of up to 5 years, or up to 8 years for purchase of qualifying equipment on hire purchase. Approval from EDB and external auditor’s certification of these qualifying equipments are required when claiming the allowance.

**Pioneer Incentive Scheme**

Companies from the manufacturing or services sector that acquire new technologies/skills/knowledge that raise overall industry standards (e.g. training workers in high-tech skills, importing innovative processes/equipments to raise production capabilities, etc.) may enjoy full tax exemption on qualifying profits for up to 15 years. This incentive is awarded to projects that are very strategic and result in the creation of desirable industries in Singapore.

For manufacturing – Most projects may be considered unless products are already manufactured locally without tax incentives.

For services – companies engaged in qualifying activities which include:

➢ any engineering or technical services including laboratory, consultancy and research and development activities;
➢ computer-based information and other computer related services;
➢ the development or production of any industrial design; and
➢ such other services or activities as may be prescribed.

**Productivity and Innovation Credit (PIC) Scheme**

The PIC scheme is a tax benefit scheme introduced in 2010 to encourage companies to engage in innovative and productive activities. Under the scheme, businesses can enjoy huge tax savings in the form of Cash Payout and/or up to 400% deduction or allowances of up to S$400,000 of expenditure incurred in each of the six qualifying productivity improvement activities made during the Years of Assessment 2011 to 2015.

1. Acquisition or Leasing of PIC Automation Equipment;
2. Training of Employees;
3. Acquisition of Intellectual Property Rights (IPRs);
4. Registration of Patents, Trademarks, Designs and Plant Varieties;
5. Research and Development (R&D) Activities; and

Any businesses that incurred any or all of this qualifying expenditure and satisfy certain conditions may claim PIC benefits either by way of a:-

➢ **400% Tax Deduction/Allowances on** the maximum annual expenditure cap of S$400,000/- for each activity; or

➢ **60% (30% for YsA 2011 & 2012) Cash Payout Conversion** up to a maximum annual expenditure cap of S$100,000/- (subject to a minimum of S$400/-) of all the six qualifying activities.

Cash Payout is eligible to sole-proprietorships, partnerships and companies (including registered business trusts) so long as they:

- incur the qualifying expenditure during the basis period;
- employ at least 3 local employees (Singapore Citizens or Permanent Residents with CPF contributions excluding sole-proprietors, partners under contracts for service and shareholders who are directors of the company); and
- are carrying on business operations.

Businesses with a low or zero taxable income may be more beneficial to choose this option to receive cash grant instead of tax deduction or allowances credited to them. Application for cash payout may be made after the end of each quarter or combined consecutive quarters in the business financial year, but no later than the filing due date of each tax return assessment year. Cash payout option is in lieu of tax deduction/allowance and is irrevocable; or

➢ **Tax Deferral Option** for tax payable for YsA 2011 to 2014 based on expenditure incurred in the corresponding financial years 2011 to 2014. This is to help SMEs with tight cash flow and investments in productivity difficulties by deferring a dollar of tax for every dollar of PIC qualifying expenditure incurred for current financial year, up to a cap of S$100,000/-.

Application may be made any time after they have incurred qualifying expenditure but no later than the end of the current financial year-end.

**Productivity and Innovation Credit (PIC) Bonus**

To encourage businesses to undertake improvement in productivity and innovation, eligible businesses that spend a minimum of $5,000/- in qualifying PIC investments in each YA will receive a dollar-for-dollar matching cash bonus for YAs 2013 to 2015, subject to an overall cap of S$15,000/- for all three YAs combined.

This is given in addition to the existing benefits under the PIC scheme. The PIC bonus is taxable.

The qualifying conditions eligible for PIC bonus is similar to the PIC cash payout criteria. Eligible businesses may claim this together with the PIC cash payout application up to four times a year, or once a year when filing the tax return. Payment will be disbursed within 3 months from filing of tax return/cash payout application.
Wage Credit Scheme (WCS)

The Wage Credit Scheme (WCS) is part of the 3-Year Transition Support Package introduced by the government to co-fund 40% of wage increases that are given in 2013 to 2015 to Singaporean employees earning a gross monthly wage of up to $4,000/-.

IRAS will automatically make the first payout in the second quarter of 2014 and the last payout will be in 2016.

Criteria for qualifying for co-funding in calendar year 2013:-

1. Employees must be:-
   (a) Singapore Citizen;
   (b) Earns a gross monthly wage less than $4,000/-;
   (c) Was employed for at least three months in 2012;
   (d) Is on employer's payroll for at least 3 months in 2013 (i.e. employer must have paid employee CPF contributions for atleast three months in 2013);

   Owners of companies or businesses are not considered as employees even if he has paid himself CPF contribution.

2. Qualifying employers
   (a) Employers need not submit any application to IRAS.
   (b) All employers will automatically be covered under WCS except government-related entities and entities not registered in Singapore.

3. Qualifying wage increases
   (a) WCS aims to support productivity gain sharing between employers and employees through meaningful wage increases, especially for lower wage workers.

   (b) Once an employee's gross monthly wage exceeds $4,000/-, the portion of the wage increase that brings the gross monthly wage above $4,000/- will not be eligible for co-funding under WCS.

Angel Investors Tax Deduction Scheme (AITD)

AITD Scheme is a 5-year tax incentive scheme available from 1 March 2010 to 31 March 2015, to encourage high net worth entrepreneurs to invest in Singapore-based start-up companies and to help companies grow through their management expertise/business networks. Under this scheme, qualifying investors will enjoy tax deduction of 50% of the investment cost up to a maximum of S$500,000/- per year. To qualify the ‘Angel Investor’ must be an individual and possess entrepreneurial experience or senior corporate management experience.
**Startup Enterprise Development Scheme (SEEDS)**

Investors who set up a company in Singapore can apply for SEEDS equity financing. Every dollar raised by the startup from third-party investors is matched by EDB, up to S$1 million, upon investment approval. The minimum investment by the third party is S$75,000/- cumulative. Under this scheme, both the EDB and third-party investors take equity stakes in the company in proportion to their investments.

To take advantage of this scheme, a Singapore Company must be:
- a legal entity that has previously secured total debt and equity financing of not more than S$500,000/-;
- involved in the development of innovative products, processes and applications in manufacturing and services; and
- incorporated in Singapore and carry out its core activities in Singapore.

**Tax Incentive for Legal Firms**

Approved law firms in Singapore will enjoy a 10% concessionary tax rate on incremental income from qualifying international legal services for 5 years. The incentive is valid from 1 April 2010 to 31 March 2015. This will include all legal services connected to land and goods outside Singapore, and intangible legal services provided to overseas clients. Furthermore, approved law firms can avail of a 50% tax exemption on incremental qualifying income derived from international arbitration cases heard in Singapore.

**Event Organizers Incentives**

Event organizing Singapore companies that can bring mega events to Singapore are eligible for a 10% concessionary tax rate on the income derived from mega events.

**e-Commerce Industry Incentives**

To develop Singapore as an e-commerce hub, well-established e-commerce companies are eligible for a reduced tax rate of 10% for a period of five years on the income derived from e-commerce transactions with parties outside Singapore.

**Approved Ventures Incentives**

To encourage venture capital activity in Singapore, income derived from approved venture capital funds or venture capital fund management companies is eligible for a reduced tax rate of 0%-10% for a period as approved by MAS. These companies must:-
- a) be incorporated and based in Singapore;
- b) have obtained the necessary approvals and licences from the MAS for their proposed activities;
- c) commit to invest a certain percentage of its subscribed funds in Singapore and seed-stage and / or restart projects in Singapore; and
- d) commit to employ a certain number of local venture capital professionals to manage the approved venture capital fund.

**Further Deduction for R&D Expenses (S.14E)**

To build up R&D capabilities in Singapore, R&D must be conducted in Singapore and covers both R&D done in-house or outsourced to a R&D organisation. Section 14E of the Act allows the company to deduct a second time qualifying expenses from its income, in addition to the automatic single deduction allowed.
Double Tax Deduction for Market Development Scheme

This scheme is to encourage Singapore companies to expand their overseas markets. To be eligible, the company must:-

a) Be a resident company or have a permanent establishment in Singapore, and
b) Be an active operating/trading company with the primary purpose of promoting the trading of goods or provision of services.

Double deduction will be granted on qualifying expenses incurred for:-

- participation in approved trade fairs;
- participation in overseas trade missions/market development trips;
- setting up of overseas marketing offices;
- master licensing and franchising;
- advertising in approved local trade publications;
- printing of corporate brochures/catalogues for distribution in overseas markets; and
- engaging in other overseas market development activities, e.g. market surveys, advertising and promotional campaigns in overseas markets, design packaging, product/service certification for export.

INTERNATIONAL ENTERPRISE SINGAPORE (IE SINGAPORE)

Global Trading Companies Incentives

Under the Global Trader Scheme, an approved global trading company is granted concessionary tax rates of 5%-10% for 5-10 years on qualifying offshore trade incomes, depending on the company’s turnover and business spending. Global Trader status is typically granted only to well-established players in their respective industries with a proven track record of international trade, procurement and transportation of qualifying products. The following derivative instruments qualify under the GTP scheme:

- Exchange-traded and over-the-counter (OTC) commodity derivatives in a commodity which is in the approved GTP
company’s list of approved commodities; and

• Exchange-traded and OTC freight derivatives.

Companies may be approved as a GTP company or GTP (Structured Commodity Finance) company on or before 31 March 2021. The GTP company can enjoy the benefits under the various enhancements during their award tenure of up to five years.

MARITIME AND PORT AUTHORITY OF SINGAPORE (MPA)

MPA has developed a number of incentive schemes to encourage shipping companies to grow and enhance their business further. The Maritime Sector Incentive (MSI) outlines incentives for companies engaged in international shipping operations, maritime (ship or container) leasing, shipping support services.

Maritime Sector Incentive (MSI) scheme

• Approved International Shipping Enterprise (AIS) Award

AIS award seeks to encourage international ship owners and ship operators to establish their commercial shipping operations in Singapore. International shipping companies with established worldwide networks, a strong track record, demonstrable business plan and a commitment to expand their shipping operations in Singapore may apply.

Companies that met the qualifying conditions will enjoy tax exemption on qualifying shipping income for a 10-year period, with the possibility of renewal up to a maximum tenure of 40 years, subject to conditions.

• Maritime Leasing (ML) Award

ML award encourages entities to use Singapore as their capital and funding base to finance their vessels or sea containers. Entities with a strong track record, demonstrable business plan and a commitment to expand shipping and container financing operations in Singapore may apply for the ML award on or before 31 May 2016.

Ship or container leasing companies, funds, business trusts or partnerships will get to enjoy tax concessions for up to 5 years on their qualifying leasing income under the ML award. Furthermore, an approved manager of the asset-owning entity will be awarded a concessionary tax rate of 10% on its qualifying management income. Operating and qualifying finance leases are both covered under ML award, to allow asset-owning flexibility in leasing and chartering options.
• **Shipping-Related Support Services (SSS) Award**

The SSS award seeks to promote the growth of ancillary shipping service providers and to encourage shipping conglomerates to set up their corporate services functions in Singapore. Companies with a strong track record, demonstrable business plan and a commitment to expand their ancillary shipping activities in Singapore may apply for the SSS award during the period from 1 June 2011 to 31 May 2016.

An approved SSS company can enjoy a concessionary tax rate of 10% on the incremental income derived from the provision of the following qualifying approved shipping-related support services for a period of 5 years:

- Ship broking;
- Forward freight agreement (FFA) trading;
- Ship management;
- Ship agency;
- Freight forwarding and logistics services; and
- Corporate services rendered to qualifying approved related parties who are carrying on business of shipping – related activities.

• **Withholding tax exemptions**

- Entities under the International Shipping Operations category of MSI will, subject to conditions, enjoy automatic withholding tax exemption on qualifying payments made in respect of qualifying foreign loans taken to finance the purchase or construction of both Singapore-flagged and foreign-flagged ships, without having to apply for such exemption on a case-by-case basis during the period from 1 June 2011 to 31 May 2016. The entities that qualify for this exemption include:
  - MSI-Shipping Enterprise (Singapore Registry of Ships) (MSI-SRS);
  - MSI-Approved International Shipping Enterprise (MSI-AIS) companies; and
  - MSI-Maritime Leasing (Ship) [MSI-ML(Ship)] entities.

  Qualifying entities will, subject to conditions, enjoy automatic withholding tax exemption on qualifying payments made in respect of qualifying foreign loans taken to finance the purchase of qualifying containers and inter-modal equipment during the period from 17 Feb 2012 to 31 May 2016. The entities that qualify for this exemption include those that are awarded the following status under the MSI-Maritime Leasing (Container) award:
  - MSI-ACIE; and
  - MSI-ACIE (Local ASPV).

**Other Shipping & Maritime Incentives**

- Ease in GST compliance for businesses that support the maritime industry: With effect from 1 July 2010, the GST zero-rating will be expanded to include pleasure and recreational ships that are wholly used for international travel.
Additionally, it will apply to all goods (including stores and merchandises) supplied for use on board or installation on a qualifying ship, regardless of whether the ship calls on a port outside Singapore. Zero rating of GST also extends to the transport of goods or passengers via a ship to or from international waters, regardless of whether the ship calls on a port outside Singapore.

- Established international shipping companies with worldwide networks and a good track record, once approved, are exempt from tax on income from the operation of their ships outside of Singapore for a period of 10 years.
- With effect from 17 Feb 2012, payers making bareboat, voyage and time charter payments to non-residents for the use of ships will no longer have to withhold tax.
- Under the Block Transfer Scheme (BTS), withholding tax exemption can be granted in respect of interest payable on a loan taken by a shipping enterprise from a lender outside Singapore to acquire a Singapore-flagged ship. This withholding tax exemption is for ships registered with the Singapore Registry of Ships (SRS) on any date from 1 Jan 2009 to 31 Dec 2013.
- Qualifying ship operators and ship lessors can avail of a tax exemption on gains derived from:
  - Disposal of vessels registered with the Singapore Registry of Ships (SRS) and vessels owned or operated under the MSI-AIS award;
  - The sale of vessels which would subsequently be leased back to shipping companies;
  - The sale of 100% shareholding in a Special Purpose Company (SPC) that owns a vessel registered with SRS or a vessel under the MSI-AIS award;
  - The disposal of vessels under construction and new building contracts; and
  - Gains from the disposal of foreign vessels.

**MONETARY AUTHORITY OF SINGAPORE (MAS)**

**Financial Services Industry Incentives**

- **Trading Income**

  Capital gains and income made by financial service companies trading investments for and on behalf of their non-resident clients are often tax exempt both in the hands of the financial services company and in the hands of the non-resident client. The effect of this incentive is to make Singapore an attractive location for foreigners to base their investments.

- **Fee Income**

  Concessionary tax rates are levied on profits earned by financial services companies in respect of income earned billing clients for investment services rendered.

- **Withholding Tax Exemption for Over-The-Counter (OTC) Financial Derivatives Payments**

  Qualifying financial institutions enjoy withholding tax exemption on all payments made on qualifying OTC financial derivatives to persons who are neither Singapore residents nor are permanent establishments in Singapore. The withholding tax exemption is set to expire in March 2021.
Banks Incentives

- **Liberalization of the Withholding Tax Exemption Regime for Banks**

  With effect from 1 April 2011 to 31 March 2021, interest and other qualifying payments that are made to all non-resident persons in relation to their trade or business will be granted withholding tax exemption. This exemption is applicable to:
  - All banks licensed under the Banking Act or approved under the MAS Act;
  - Finance companies licensed under the Finance Companies Act; and
  - Approved financial institutions licensed under the Securities and Futures Act that engage in lending as part of their regulated activity of dealing in securities in Singapore.

Fund Management Industry Incentives

Singapore has emerged as the most popular Asian location for fund management companies. The key factors spurring the growth include attractive tax benefits and the relatively short time taken to register a fund.

- **Tax Exemptions for Offshore Funds**

  An offshore fund that is managed by a Singapore-based fund manager is exempt from Singapore tax on specified income from designated investments, provided the offshore fund is a qualifying fund. Specified income refers to profits, gains, dividends and interest from designated investments. Designated investments include traditional investments such as stocks, shares, securities, bonds, deposits, futures contracts etc.

  A **qualifying fund** is one that:
  - Is not 100% beneficially owned by Singapore investors including Singapore resident individuals, Singapore resident corporate entities and Singapore-based permanent establishments of non-residents,
  - Does not have a Singapore presence, and
  - Can only be in the form of companies, trusts or individual accounts.

  A **qualifying investor** also enjoys tax exemptions on income derived from qualifying funds. A qualifying investor is:
  - An individual investor.
  - A bona fide non-resident non-individual investor that:
    - does not have a Singapore presence or business activity (other than a fund manager), or
Ø has a Permanent Establishment in Singapore but does not use funds from its operation in Singapore to invest in the qualifying fund.

- Certain specified Singapore government entities.
- A Singapore resident corporate investor that owns not more than 30% or 50% (if the fund has 10 or more investors) of the qualifying fund.

• **Tax Exemptions for Onshore Funds**

The above tax exemption scheme for offshore funds was extended in 2006 to funds constituted in Singapore as well, subject to the following conditions:

- The fund vehicle must only be a company;
- The fund must be constituted in Singapore and have its administration performed in Singapore; and
- The fund must be approved by the MAS.

• **Concessionary Tax Rate for Fund Managers**

Fund Managers under the Financial Sector Incentive Scheme are taxed at a concessionary rate of 10% on fee income, subject to certain conditions and MAS approval. This scheme applies to fund managers who employ at least three fund management or investment advisory professionals. The professionals’ basic monthly income must exceed S$3,500/-.

### Tax Incentives for Insurance Companies

- **Captive Insurance Tax Incentive Scheme**

Under this scheme, insurers can enjoy tax exemption on qualifying income derived from the carrying on of offshore insurance business for a period of 10 years. This scheme is valid until 31 March 2018.

- **Marine Hull and Liability Insurance Tax Incentive Scheme**

Under this scheme, insurers can enjoy tax exemption on qualifying income derived from the carrying on of marine hull and liability insurance business for up to 10 years. A sunset clause will be introduced for the scheme and will apply until 31 Mar 2016.
• **Specialized Insurance Tax Incentive Scheme**

Under this scheme, insurers can enjoy tax exemption on qualifying income derived from the carrying on of qualifying offshore specialized insurance business for a period of five years. The specialised insurance business lines under this scheme are Terrorism, Political, Energy, Agriculture Insurance and Aviation and Aerospace risks. The scheme is valid until August 2016.

**SINGAPORE TOURISM BOARD (STB)**

**Tourism Industry Incentives**

• **Tax deduction for Inbound Tourism Promotion**

Approved companies, subject to satisfying certain eligibility criteria, can deduct twice the amount of qualifying expenditure incurred in participating in overseas fairs or missions, from their taxable income.

• **Tax deduction for Participation in Local Trade Exhibitions**

Approved companies, subject to satisfying certain eligibility criteria, can deduct from their taxable income, twice the amount of qualifying expenditure incurred in participating in international trade-oriented exhibitions that are held in Singapore.

**Tax Legislation**

The governing statutes are the Singapore Income Tax Act, Economic Expansion Incentives (Relief from Income Tax) Act and Goods & Services Tax Act. These statutes (and any subsequent amendment legislation) can be found on the website: [http://statutes.agc.gov.sg](http://statutes.agc.gov.sg)
1. SINGAPORE INDIVIDUAL INCOME TAX
2. SINGAPORE CORPORATE INCOME TAX
3. SINGAPORE GOODS AND SERVICES TAX (GST)
4. SINGAPORE INDUSTRY & TECHNOLOGY TAX INCENTIVES

5. APPENDICES
### INDIVIDUAL INCOME TAX RATES

**Year of Assessment 2012 & thereafter**

<table>
<thead>
<tr>
<th>Chargeable Income</th>
<th>Rates</th>
<th>Tax Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>S $</td>
<td>%</td>
<td>S $</td>
</tr>
<tr>
<td>On the first</td>
<td>20,000</td>
<td>0.00</td>
</tr>
<tr>
<td>On the next</td>
<td>10,000</td>
<td>2.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>------------</td>
</tr>
<tr>
<td>On the first</td>
<td>30,000</td>
<td>3.50</td>
</tr>
<tr>
<td>On the next</td>
<td>10,000</td>
<td>7.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>------------</td>
</tr>
<tr>
<td>On the first</td>
<td>40,000</td>
<td>11.50</td>
</tr>
<tr>
<td>On the next</td>
<td>40,000</td>
<td>15.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>------------</td>
</tr>
<tr>
<td>On the first</td>
<td>80,000</td>
<td>17.00</td>
</tr>
<tr>
<td>On the next</td>
<td>40,000</td>
<td>20.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>------------</td>
</tr>
<tr>
<td>On the first</td>
<td>120,000</td>
<td>18.00</td>
</tr>
<tr>
<td>On the next</td>
<td>40,000</td>
<td>20.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>------------</td>
</tr>
<tr>
<td>On the first</td>
<td>200,000</td>
<td>20.00</td>
</tr>
<tr>
<td>Excess over</td>
<td>320,000</td>
<td>20.00</td>
</tr>
</tbody>
</table>

For Year of Assessment (YA) 2013, all resident individual taxpayers will be given a personal income tax rebate for the tax payable. The amount of rebate granted depends on the age of the resident individual as at 31 Dec 2012, subject to a cap of $1,500/-:

a) 30% for resident individuals aged below 60; and  
b) 50% for resident individuals aged 60 and above.
## SUMMARY OF FILING OF TAX RETURNS

<table>
<thead>
<tr>
<th>Form</th>
<th>Person liable to make return</th>
<th>Due date</th>
</tr>
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<tbody>
<tr>
<td><strong>Resident Individuals</strong></td>
<td>B/B1</td>
<td>Taxpayer</td>
</tr>
<tr>
<td><strong>Non-resident Individuals</strong></td>
<td>M</td>
<td>Taxpayer</td>
</tr>
<tr>
<td><strong>Clubs, Trade Association, MCs and Town Councils</strong></td>
<td>P1</td>
<td>President/Treasurer/Secretary/Management</td>
</tr>
<tr>
<td><strong>Trade/Estate Income</strong></td>
<td>T</td>
<td>Administrator/Executors/Trustees</td>
</tr>
<tr>
<td><strong>Corporations</strong></td>
<td>C/C-S</td>
<td>Company Director</td>
</tr>
<tr>
<td><strong>Partnership</strong></td>
<td>P</td>
<td>Precedent Partner</td>
</tr>
<tr>
<td><strong>Employee’s returns</strong></td>
<td>IR8A, IR8S, Appendix 8A,8B</td>
<td>Employer</td>
</tr>
<tr>
<td><strong>Cessation of employment (Exclude SPR changing job but not leaving country)</strong></td>
<td>IR21</td>
<td>Employer</td>
</tr>
<tr>
<td><strong>Cessation of partner</strong></td>
<td>No prescribed Form. Inform IRAS in writing.</td>
<td>Partners in Singapore</td>
</tr>
</tbody>
</table>
### IRAS Rates for Furniture and Fittings and Related Benefits

<table>
<thead>
<tr>
<th>Furniture &amp; Fittings</th>
<th>S $ (per month)</th>
<th>Actual amount paid by employer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air-conditioner (unit)</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Air-cooler</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Blender</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Camera</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Air-con</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Dining Room</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>- Sitting Room</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>- Additional Room</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Clothes Dryer</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Coffee Maker</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Computer</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>(printer is considered as part of the computer)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooker</td>
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</tr>
<tr>
<td>Dish Washer</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Electric Guitar</td>
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<td></td>
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<tr>
<td>Fan</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Floor Polisher</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Furniture - Soft</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Furniture - Hard</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Golf bag &amp; accessories</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hi-fi stereo</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Iron</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Jet-steam Oven</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>Juicer</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Kettle</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Lawn Mower</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Light fittings</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Organ</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Radio/Amplifier</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Refrigerator</td>
<td>10</td>
<td></td>
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<tr>
<td>Suitcase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swimming Pool</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Toaster</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>TV(B/W &amp; Colour)</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Vacuum Cleaner</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Video Recorder</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Water Heater</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>Washing Machine</td>
<td>15</td>
<td></td>
</tr>
</tbody>
</table>
# CORPORATE INCOME TAX RATES/REBATES

<table>
<thead>
<tr>
<th>Year of Assessment</th>
<th>Tax Rate</th>
<th>Tax Rebates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986 and before</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>1987 to 1989</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td>1991 and 1992</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>1994 to 1996</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>1997 to 2000</td>
<td>26%</td>
<td>YA 1999: One-off tax rebate of 10% (excluding franked Singapore dividends and tax on income subject to the final withholding tax)</td>
</tr>
<tr>
<td>2001</td>
<td>25.5%</td>
<td>Tax rebate: (exclude Singapore franked dividends) - 50% on first tax payable of S$25,500 - 5% on balance of tax payable in excess of S$25,500 (i.e. gross tax - S$25,500)</td>
</tr>
<tr>
<td>2002</td>
<td>24.5%</td>
<td>Partial Tax Exemption Exempt income: - First S$ 10,000 @ 75% = S$ 7,500 - Next S$ 90,000 @ 50% = S$45,000 S$100,000 S$52,500 Tax rebate: - 5% of tax payable (exclude Singapore franked dividends)</td>
</tr>
<tr>
<td>2003 to 2004</td>
<td>22%</td>
<td>Exempt income per YA 2002 but without 5% tax rebate</td>
</tr>
<tr>
<td>2005 to 2007</td>
<td>20%</td>
<td>Exempt income per YA 2002 but without 5% tax rebate. Full Tax Exemption for new start-up companies: (exclude Singapore franked dividends) Up to $100,000 for any of its first three consecutive YAs that falls within YA 2005 to YA 2007. The first YA refers to the YA relating to the basis period during which the company is incorporated. To qualify for tax exemption for a relevant YA under the new start-up scheme, a company must – a) be a company incorporated in Singapore; b) be a tax resident in Singapore for that YA; c) have no more than 20 shareholders throughout the basis period relating to that YA; and d) have all shareholders who are individuals throughout the basis period relating to that YA. Any company that does not meet the qualifying conditions for new start-up for its first three consecutive YAs would still be eligible for partial tax exemption.</td>
</tr>
<tr>
<td>Year Range</td>
<td>Tax Rate</td>
<td>Description</td>
</tr>
<tr>
<td>---------------</td>
<td>----------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>2008 to 2009</td>
<td>18%</td>
<td>Partial Tax Exemption (exclude Singapore franked dividends)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Exempt income:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- First $ 10,000 @ 75% = $ 7,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Next $290,000 @ 50% = $145,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$300,000 $152,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Full Tax Exemption Scheme for new start-up companies (exclude Singapore</td>
</tr>
<tr>
<td></td>
<td></td>
<td>franked dividends)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Exempt income:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- First $100,000 @ 100% = $100,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Next $200,000 @ 50% = $100,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$300,000 $200,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>New start-up qualifying conditions similar to YA2005 TO 2007.</td>
</tr>
<tr>
<td>2010</td>
<td>17%</td>
<td>Exempt income for partial and full tax exemption similar to YA 2009.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>For new start-up companies, the conditions are similar to YA 2005 to YA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2007 except:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(d) all shareholders must be individuals beneficially and directly holding</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the shares in their own names; or at least one shareholder is an</td>
</tr>
<tr>
<td></td>
<td></td>
<td>individual beneficially and directly holding at least 10% of the</td>
</tr>
<tr>
<td></td>
<td></td>
<td>company's issued ordinary shares.</td>
</tr>
<tr>
<td>2011</td>
<td>17%</td>
<td>Exempt income for partial and full tax exemption and eligibility similar</td>
</tr>
<tr>
<td></td>
<td></td>
<td>to YA 2010.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tax rebate/Cash grant:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- 20% tax rebate or 5% SME cash grant whichever is higher.</td>
</tr>
<tr>
<td>2012</td>
<td>17%</td>
<td>Exempt income for the partial and full tax exemption and eligibility similar</td>
</tr>
<tr>
<td></td>
<td></td>
<td>to YA 2010.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cash grant:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-5% SME cash grant.</td>
</tr>
<tr>
<td>2013 to 2015</td>
<td>17%</td>
<td>Exempt income for partial and full tax exemption similar to YA 2010.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>For new start-up companies, the conditions are similar to YA 2010 except</td>
</tr>
<tr>
<td></td>
<td></td>
<td>property developers and investment holding companies are not eligible for</td>
</tr>
<tr>
<td></td>
<td></td>
<td>full exemption.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tax rebate:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-20% tax rebate, capped at S$30,000/- for each YA.</td>
</tr>
</tbody>
</table>
### ASSOCIATIONS AND CLUBS TAX RATES

<table>
<thead>
<tr>
<th>Chargeable Income (S $)</th>
<th>Rate (%)</th>
<th>Gross Tax Payable (S $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On the first</td>
<td>2,500</td>
<td>6</td>
</tr>
<tr>
<td>On the next</td>
<td>2,500</td>
<td>9</td>
</tr>
<tr>
<td>On the first</td>
<td>5,000</td>
<td>12</td>
</tr>
<tr>
<td>On the next</td>
<td>2,500</td>
<td>15</td>
</tr>
<tr>
<td>On the first</td>
<td>10,000</td>
<td>15</td>
</tr>
<tr>
<td>On the next</td>
<td>5,000</td>
<td>20</td>
</tr>
<tr>
<td>On the first</td>
<td>15,000</td>
<td>23</td>
</tr>
<tr>
<td>On the next</td>
<td>5,000</td>
<td>25</td>
</tr>
<tr>
<td>On the first</td>
<td>20,000</td>
<td>25</td>
</tr>
<tr>
<td>On the next</td>
<td>5,000</td>
<td>30</td>
</tr>
<tr>
<td>On the first</td>
<td>25,000</td>
<td>30</td>
</tr>
<tr>
<td>On the next</td>
<td>10,000</td>
<td>30</td>
</tr>
<tr>
<td>On the first</td>
<td>35,000</td>
<td>40</td>
</tr>
<tr>
<td>On the next</td>
<td>15,000</td>
<td>40</td>
</tr>
<tr>
<td>On the first</td>
<td>50,000</td>
<td>50</td>
</tr>
<tr>
<td>On the next</td>
<td>50,000</td>
<td>50</td>
</tr>
<tr>
<td>On the first</td>
<td>100,000</td>
<td>55</td>
</tr>
<tr>
<td>Over</td>
<td>100,000</td>
<td>55</td>
</tr>
</tbody>
</table>

Where the effective rate of tax arrived at by dividing the income tax chargeable on its chargeable income by the amount of that income exceeds the prevailing corporate tax rate, the rate of tax applicable to the club, trade association or similar institution on every dollar of its chargeable income will be capped at the prevailing corporate tax rate.
## Comprehensive Avoidance of Double Taxation Agreements

<table>
<thead>
<tr>
<th>Albania</th>
<th>Ireland</th>
<th>Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Israel</td>
<td>Portugal</td>
</tr>
<tr>
<td>Australia</td>
<td>Italy</td>
<td>Qatar</td>
</tr>
<tr>
<td>Bahrain</td>
<td>Japan</td>
<td>Romania</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Kazakhstan</td>
<td>Russian Federation</td>
</tr>
<tr>
<td>Belgium</td>
<td>Kuwait</td>
<td>Saudi Arabic</td>
</tr>
<tr>
<td>Brunei</td>
<td>Latvia</td>
<td>Slovak Republic</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Libya</td>
<td>Slovenia</td>
</tr>
<tr>
<td>Canada</td>
<td>Lithuania</td>
<td>South Africa</td>
</tr>
<tr>
<td>China</td>
<td>Luxembourg</td>
<td>South Korea</td>
</tr>
<tr>
<td>Cyprus</td>
<td>Malaysia</td>
<td>Spain</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Malta</td>
<td>Sri Lanka</td>
</tr>
<tr>
<td>Denmark</td>
<td>Mauritius</td>
<td>Sweden</td>
</tr>
<tr>
<td>Egypt</td>
<td>Mexico</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Estonia</td>
<td>Mongolia</td>
<td>Taiwan</td>
</tr>
<tr>
<td>Fiji</td>
<td>Myanmar</td>
<td>Thailand</td>
</tr>
<tr>
<td>Finland</td>
<td>Netherlands</td>
<td>Turkey</td>
</tr>
<tr>
<td>France</td>
<td>New Zealand</td>
<td>Ukraine</td>
</tr>
<tr>
<td>Georgia</td>
<td>Norway</td>
<td>United Arab Emirates</td>
</tr>
<tr>
<td>Germany</td>
<td>Oman</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Hungary</td>
<td>Pakistan</td>
<td>Uzbekistan</td>
</tr>
<tr>
<td>India</td>
<td>Panama</td>
<td>Vietnam</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Papua New Guinea</td>
<td></td>
</tr>
</tbody>
</table>
## WITHHOLDING TAX RATES

<table>
<thead>
<tr>
<th>Nature of Income</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest, commission, fee or other payment in connection with any loan or indebtedness</td>
<td>15%</td>
</tr>
<tr>
<td>Royalty or other lump sum payments for the use of movable properties</td>
<td>10%</td>
</tr>
<tr>
<td>Note: No withholding tax is required for the following royalty payments:</td>
<td></td>
</tr>
<tr>
<td>Shrinkwrap software, downloadable software for end-user, site licence and software bundled with computer hardware, and the use of or the right to use information and digitized goods by end-users</td>
<td></td>
</tr>
<tr>
<td>Payment for the use of or the right to use scientific, technical, industrial or commercial knowledge or information</td>
<td>10%</td>
</tr>
<tr>
<td>Technical assistance and service fees</td>
<td>17%</td>
</tr>
<tr>
<td>Management fees</td>
<td>17%</td>
</tr>
<tr>
<td>Rent or other payments for the use of movable properties</td>
<td>15%</td>
</tr>
<tr>
<td>Time, voyage and bareboat charter fees for the charter of ships (w.e.f. 17 February 2012)</td>
<td>Nil</td>
</tr>
<tr>
<td>Time, voyage and bareboat charter fees for the charter of aircraft paid to:</td>
<td></td>
</tr>
<tr>
<td>1. Resident of a country which has a tax treaty with Singapore which provides for:</td>
<td></td>
</tr>
<tr>
<td>- Full exemption of aircraft profits</td>
<td>Nil</td>
</tr>
<tr>
<td>- 50% exemption of aircraft profits</td>
<td>1%</td>
</tr>
<tr>
<td>- Reduced rate</td>
<td>2%</td>
</tr>
<tr>
<td>2. Resident of a country which has no tax treaty with Singapore</td>
<td>2%</td>
</tr>
<tr>
<td>3. Resident of a tax haven country</td>
<td>3%</td>
</tr>
<tr>
<td>4. Resident of tax treaty country who is not an aircraft operator</td>
<td>2%</td>
</tr>
<tr>
<td>Directors’ remuneration</td>
<td>20%</td>
</tr>
<tr>
<td>Proceeds from sale of any real property by a non-resident property trader</td>
<td>15%</td>
</tr>
<tr>
<td>Distribution of taxable income made by REIT to unit holder who is a non-resident (other than an individual)</td>
<td>10%</td>
</tr>
<tr>
<td>Payment of income due and payable on or after 03/05/2002 to:</td>
<td></td>
</tr>
<tr>
<td>1. a non-resident professional from services rendered in Singapore</td>
<td>15%</td>
</tr>
<tr>
<td>2. a non-resident professional who operates through foreign firms</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** 15% on the gross amount is a final tax unless the non-resident in Singapore opts to have his income assessed on the net basis @ 20% within 45 days from the date of payment.
DEEMED SUPPLIES

Section 2 of the GST Act deems a number of situations to comprise a supply of goods or services for GST purposes even if no consideration is given for those goods and services. Deemed supplies include:-

1. the transfer of possession of goods;
2. the application of a treatment or process to another person’s goods;
3. the provision of utilities (eg. electricity, gas and water); and
4. the grant, assignment or surrender of any interest in, or right over, land or of any licence to occupy land.

The transfer of an undivided share of property or possession of goods is deemed to be a supply of services eg. lease of equipment.

ZERO-RATED SUPPLIES

1. Export goods out of Singapore.
2. Provision of international services, including:
   - Services connected with international transportation;
   - Hiring of transport for use outside Singapore;
   - Services connected to land outside Singapore;
   - Services relating to goods situated outside Singapore;
   - Services connected to goods for export;
   - Cultural, artistic and sporting, educational or entertaining services performed outside Singapore;
   - Exhibition or conventional services performed outside Singapore;
   - Services supplied to persons and businesses abroad; and
   - Services related to ships and aircrafts, other than recreation or pleasure craft.
**EXEMPT SUPPLIES**

1. Sales and rental of unfurnished residential properties.
2. Provision of financial services including transactions involving:-
   - Operation of current, deposit or savings accounts;
   - Exchange or grant of an option for the exchange of currency other than a note or coin as a collector’s item, investment article or item of numismatic interest;
   - Supply of credit or charge cards;
   - Issue, payment, collection or transfer of ownership of payment notes, cheques or letters of credit;
   - Debt securities;
   - Equity securities;
   - Provision of loans, advances or credits;
   - Provision of instalment credit finance;
   - Life insurance contracts;
   - Future contracts;
   - Forward trading in commodities;
   - Unit trusts;
   - Re-insurance contracts; and
   - Import and supply of investment-grade gold and precious metals such as silver and platinum.
OUT-OF-SCOPE SUPPLIES

1. Sales where goods are delivered from overseas to another place overseas (Third country sales).
2. Sales made within Free Trade Zone.
3. Sales made within Zero GST warehouse.
4. Employer provides accommodation / catering to employee.
5. 2nd hand cars sold under discounting sales price / margin scheme.
6. Sales made by non-taxable person.
7. Compensation payments e.g. breach of warranty, out-of-court settlements.
8. Sundry deposits.
9. Recharging of disbursements.
10. Dividends / Interest income.
11. Donations / Gifts not more than S$200/-.
12. Drawings by sole-proprietors.
13. Transfer of shares.
14. Wages and salaries paid.
15. Transfer / Sales of businesses as going concern.
16. Industrial / commercial samples.
17. Loss, theft or destruction of goods.
18. Lotteries.
19. Employees’ subscriptions.
20. Transfers between branches / members of same legal entity / group / divisions.
## SAMPLE TAX INVOICE

### TAX INVOICE

(Supplier’s Name)  
(Supplier’s Address)  
(Supplier's ROC/ROB No.)  
(Supplier’s GST Reg. No.)

(Customer’s Name)  
Invoice Date:  
Invoice No.: XX

Type of Supply: Cash / Credit Sale

<table>
<thead>
<tr>
<th>S/No.</th>
<th>Description</th>
<th>Quantity</th>
<th>Unit Price ($)</th>
<th>Total ($)</th>
<th>Discount ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Yashika M9</td>
<td>X</td>
<td>X</td>
<td>XX</td>
<td>X</td>
<td>XX</td>
</tr>
<tr>
<td>2</td>
<td>Pentaz T-1</td>
<td>XX</td>
<td>XX</td>
<td>XXX</td>
<td>X</td>
<td>XXX</td>
</tr>
<tr>
<td>3</td>
<td>Nikko W78</td>
<td>XX</td>
<td>X</td>
<td>XX</td>
<td>X</td>
<td>XX</td>
</tr>
<tr>
<td>4</td>
<td>Cannon 9</td>
<td>X</td>
<td>X</td>
<td>XX</td>
<td>X</td>
<td>XX</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
<td>XXXX</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Add GST @ 7% / 0%  
Amount Due  

FOR GST PURPOSE ONLY : EXCHANGE RATE @ S$1 equivalent to XXX.

AUTHORISED SIGNATURE  
ACKNOWLEDGE RECEIPT
Appendix M

GST FORMS

GST registration / De-registration

- Application for GST registration for Partnership: GST F1, GST F3
- Application for GST registration (other than Partnership): GST F1
- Application form for exemption from GST registration: GST F2
- Application for final GST return for de-registration: GST F8
- Application for cancellation of registration: GST F9
- Application for group registration: G1
- Application for inclusion / removal of member to / from GST Group: G2
- Application for deregistration of group: G3
- Application for change of group representative member: G4
- Application for divisional registration: GST F11
- Application for inclusion / removal of division to / from existing divisional registration / deregistration of divisional registration: GST F12

GST Schemes

- Application for Major Exporter Scheme (MES): GST F10
- Major Exporter Scheme: Declaration of Agents: GST A1
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Paul Wan & Co.
"ONE-STOP" Professional Services

Certified Public Accountants, Singapore
Chartered Accountants of England and Wales

Our aim is not only to meet clients’ needs but to exceed their expectations and to totally delight clients with our service quality.