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International tax

Singapore Highlights 2012

Investment basics:

Currency – Singapore Dollar (SGD)

Foreign exchange control – There are no significant restrictions on foreign exchange transactions and capital movements. Funds may flow freely into and from Singapore. The government imposes certain restrictions on the lending of SGD to nonresident financial institutions for speculation in the SGD currency market, but these restrictions do not apply to lending of SGD to individuals and non-financial institutions, including corporate treasury centers.

Accounting principles/financial statements – IFRS. Financial statements must be prepared annually.

Principal business entities – These are the public and private limited liability company, partnership, sole proprietorship and branch of a foreign corporation.

Corporate taxation:

Residence – A company is resident in Singapore for income tax purposes if its management and control are exercised in Singapore. The place where management and control is exercised is often the place where the directors' meetings are held.

Basis – Singapore taxes on a territorial basis. Tax is imposed on all income accrued in or derived from Singapore and all foreign income remitted or deemed remitted to Singapore, subject to certain exceptions.

Taxable income – Resident and nonresident companies are liable to tax on income accruing in or derived from Singapore and foreign income remitted or deemed remitted to Singapore on: gains or profits from a trade, business, profession or vocation; dividends, interest or discounts; pensions, charges or annuities; rents, royalties, premiums and other profit arising from property; and gains or profits of an income nature not falling within the above. Expenses of a revenue nature incurred wholly and exclusively to produce income may be deducted in computing taxable income. Other deductible expenses include capital allowances and tax losses carried forward from prior years.

Taxation of dividends – Singapore operates a 1-tier corporate tax system, under which corporate tax paid on a company's profits is final. Any dividends paid are tax exempt in the hands of the recipient.

Capital gains – Singapore does not tax capital gains.

Losses – Losses may be carried forward indefinitely, subject to compliance with a shareholding test. Unutilized capital allowances carried forward are subject to both the shareholding test and a same business test. Losses may be carried back for 1 year, subject to a cap of SGD 100,000 and compliance with the shareholding test. When current year unutilized capital allowances are carried back, the same business test also must be satisfied.

Rate – 17%. However, 75% of the first SGD 10,000 of chargeable income and 50% of the next SGD 290,000 of chargeable income are exempt. A private exempt company may be exempt from tax on the first SGD 100,000 and on 50% of the next SGD 200,000 of chargeable income for its first 3 consecutive years of assessment beginning on or after year of assessment 2005, subject to certain conditions.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Foreign income remittances in the form of foreign dividends, branch profits and services income to tax resident companies are exempt from tax provided the income is received from a foreign jurisdiction with a headline tax of at least 15% in the year the income is received or deemed to be received in Singapore, and the income has been subject to tax in the foreign jurisdiction. Foreign income that has been exempt from tax in the foreign jurisdiction as a direct result of a tax incentive granted for substantive business operations carried out in that jurisdiction will be considered as having met the "subject to tax" test.

Singapore grants tax resident companies a credit for foreign tax paid on income derived from treaty and non-treaty countries that is received and assessable to tax in Singapore. The credit is limited to the Singapore tax payable on that foreign income and the foreign tax paid, whichever is lower. With effect from year of assessment 2012, the foreign credit amount may be computed on a pooled basis, subject to certain conditions.

Participation exemption – No

Holding company regime – No

Incentives – Various incentives are available for pioneer and expanding companies, headquarter activities, financial services, asset securitization, start-up fund managers, international trading and R&D.

Withholding tax:

Dividends – No withholding tax is levied on dividends paid by companies resident in Singapore.

Interest – Interest paid to a nonresident is subject to a 15% withholding tax unless the rate is reduced under a tax treaty. Exemptions or reduced withholding taxes apply to certain approved interest. The 15% rate is a final tax and applies only to interest not derived by the nonresident from a business carried on in Singapore and not attached to a PE in Singapore. Any other interest that does not qualify for the reduced rate will be taxed at the prevailing corporate tax rate.

Royalties – Royalties paid to a nonresident are subject to a 10% withholding tax, unless the rate is reduced under a tax treaty. The 10% rate is a final tax and applies only to royalties not derived by the nonresident from a business carried on in Singapore and not attached to a PE in Singapore. Any other royalty that does not qualify for the reduced rate will be taxed at the prevailing corporate tax rate.

Technical service fees – Subject to the provisions of applicable tax treaties and certain exceptions, payments for technical service fees are subject to withholding tax on an "on-account" rate of 17% if made to nonresidents (other than individuals) in respect of fees for the rendering of assistance or services in connection with the application or use of scientific, technical, industrial or commercial knowledge or information, or for the management or assistance in the management of any trade, business or profession.

Branch remittance tax – No

Other – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – Property tax, levied on all immovable property in Singapore, is payable annually by the owner at the beginning of the year. Immovable property includes Housing Development Board flats, houses, offices, factories, shops and land. The annual property tax is calculated based on a percentage of the gross annual value of the property as determined by the property tax department. The property tax is 0%, 4% or 6% for owner-occupied residential property and 10% for other property. A property tax exemption may be granted for land under certain development.

Social security – Both employers and Singapore citizen and Singapore permanent resident employees are required to contribute to the Central Provident Fund (CPF). Every employer must register with the CPF Board and pay monthly CPF contributions on its own behalf and on behalf of its employees. The employee's share of the contributions is recovered through salary deductions.

Stamp duty – Stamp duty applies only to financial instruments relating to stock and shares and immovable property. These include a sale of mortgage of immovable property and shares and a lease of immovable property. An ad valorem stamp duty is chargeable on a lease or agreement for a lease of any immovable property with annual rent exceeding SGD 1,000. Leases with annual rent not exceeding SGD 1,000 are exempt. Buyer's stamp duty on the acquisition of all property is 1% for the first SGD 180,000, 2% for the next SGD 180,000 and 3% thereafter. The buyer's stamp duty on the acquisition of stock and shares is 0.2% of the market value or value of consideration, whichever is higher. Stamp duty relief is available in a number of cases.

Seller's stamp duty is chargeable on residential property that is disposed of within 4 years of acquisition, unless otherwise exempted. Seller's stamp duty rates range from 4% to 16% of the price or market value, whichever is higher, depending on the length of time the property was held.

Transfer tax – No

Other – Other taxes include a monthly levy per foreign worker in certain industries, a training levy equal to 1% of total payroll for employees earning less than SGD 2,000 per month or a minimum of SGD 2, whichever is higher. Employers are required to pay this levy for all employees up to the first SGD 4,500 of gross monthly remuneration at a rate of 0.25%, subject to a minimum of SGD 2, whichever is higher.

Anti-avoidance rules:

Transfer pricing – Transfer pricing guidelines cover application of the arm's length principle, documentation requirements, APAs and requests to invoke mutual agreement procedures under Singapore's tax treaties. The Inland Revenue Authority (IRAS) also has issued transfer pricing guidelines for related party loans and services.

Thin capitalization – No

Controlled foreign companies – No

Other – Singapore has a general anti-avoidance provision.

Disclosure requirements – No

Administration and compliance:

Tax year – The tax year generally is the calendar year, although a company may file its tax return based on the results of its financial year. Each tax year is referred as the "year of assessment." Income is subject to tax in Singapore on a preceding year basis (e.g. income earned in the financial year ended in 2011 will be taxed in year of assessment 2012).

Consolidated returns – Consolidated returns are not permitted; each company is required to file a separate return. However, a loss transfer system of group relief allows current year unutilized losses, unutilized capital allowances and unutilized donations from one qualifying company to be offset against the taxable profits of another qualifying company within the same group. To qualify, companies must be incorporated in Singapore and be at least 75% owned by another company in the group that is incorporated in Singapore and must have the same accounting year end.

Filing requirements – Companies must submit an estimated chargeable income to the IRAS within 3 months from the end of their financial year end. Tax returns are required to be filed by 30 November of the assessment year for income earned in the preceding accounting year.

Penalties – Penalties apply for late filing or failure to file.

Rulings – A taxpayer can request an advance ruling from the IRAS on the tax consequences of a particular transaction.

Personal taxation:

Basis – Singapore tax-resident individuals, with certain exceptions, are subject to Singapore income tax on income accrued in or derived from Singapore. Foreign-source income received or deemed received in Singapore by a Singapore tax resident individual is exempt from income tax in Singapore. Certain investment income derived from Singapore sources by an individual also is exempt. Nonresidents are subject to Singapore income tax only on income accrued in or derived from Singapore.

Residence – A Singapore citizen is tax resident in Singapore if he/she normally resides in Singapore, except for temporary absences consistent with the claim of being a resident. A foreigner is regarded as tax resident in Singapore if, in the calendar year preceding the year of assessment, he/she was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he/she ordinarily resides in Singapore.

Filing status – Each individual is required to file a separate tax return, including married couples living together.

Taxable income – Income includes gains or profits from a trade or profession and earnings from employment (including the value of employer-provided food, clothing or housing and allowances, other than for subsistence, transport, travel or entertainment).

Capital gains – Singapore does not tax capital gains.

Deductions and allowances – Personal reliefs and tax rebates are granted only to resident individuals. Personal reliefs may be deducted against assessable income to ascertain chargeable income on which tax is then computed. Tax rebates are deducted from the tax payable to determine the final tax liability of the individual.

Rates – Residents are taxed at progressive rates ranging from 2% to 20%. Nonresidents are taxed on employment income at the higher of a flat rate of 15% (without any deduction of personal reliefs and allowances) and resident tax rates. All other income of nonresidents sourced in Singapore, including directors' fees and consultants' fees, is taxed at a flat rate of 20%. A nonresident individual (other than a director) exercising a short-term employment in Singapore (i.e. for not more than 60 days) may be exempt from tax in Singapore.

Other taxes on individuals:

Capital duty – No

Stamp duty – Same as for companies.

Capital acquisitions tax – No

Real property tax – Property tax, levied on all immovable property in Singapore, is payable annually by the owner at the beginning of the year. Immovable property includes Housing Development Board flats, houses, offices, factories, shops and land. The annual property tax is calculated based on a percentage of the gross annual value of the property as determined by the property tax department. The property tax is 0%, 4% or 6% for owner-occupied residential property and 10% for other property. A property tax exemption may be granted for land under certain development.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – Only employees who are Singapore citizens or Singapore permanent residents are required to contribute to the CPF at a rate of 20%. Graduated rates may apply for the first 3 years when the employee first attains permanent residence.

Administration and compliance:

Tax year – Calendar year

Filing and payment – An individual is required to file his/her Singapore tax return in respect of income from the preceding year by 15 April of the following year.

Penalties – Penalties apply for late filing or failure to file.

Value added tax:

Taxable transactions – Singapore imposes a Goods and Services Tax (similar to a European-style VAT) on the supply of most goods and services and imports.

Rates – The standard rate is 7%, with a zero rate for international services and exports.

Registration – A person is required to be registered if the total annual value of his/ her taxable supplies exceeds SGD 1 million. Companies may apply for voluntary registration even if turnover is less than SGD 1 million. However, once registered, the taxpayer must remain registered for at least 2 years.

Filing and payment – A registered taxable person is required to file a tax return with the Comptroller no later than 1 month after the end of each 3 month accounting period. The tax payable for the accounting period to which the return relates should be made at the time the return is submitted.

Source of tax law: Income Tax Act (Chapter 134), Property Tax Act (Chapter 254), Stamp Duties Act (Chapter 312), Goods & Services Tax Act (Chapter 117A)

Tax treaties: Singapore has concluded 68 comprehensive tax treaties.

Tax authorities: Inland Revenue Authority of Singapore (IRAS)

International organizations: WTO, Commonwealth, ASEAN

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