



## International tax

# Singapore Highlights 2016

### 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 out of 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 the lending of SGD to individuals and nonfinancial institutions, including corporate treasury centers.

**Accounting principles/financial statements** – Singapore Financial Reporting Standards. 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 is 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 subject to tax on income accruing in or derived from Singapore and foreign income remitted or deemed remitted to Singapore, including: 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.

Foreign income remittances in the form of dividends, branch profits and services income to 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.

Expenses of a revenue nature that are 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 one-tier corporate tax system, under which corporate tax paid on a company's profits is final. Dividends paid by Singapore resident companies are tax exempt in the hands of the recipient.

Foreign-source dividends are taxable if received or deemed received in Singapore, unless certain conditions are satisfied.

**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 and unutilized capital allowances may be carried back for one 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** – The standard corporate tax rate is 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 from tax. A private exempt company may be exempt from tax on the first SGD 100,000 of and on 50% of the next SGD 200,000 of chargeable income for its first three consecutive years of assessment (subject to certain conditions).

**Surtax** – No

**Alternative minimum tax** – No

**Foreign tax credit** – While some types of foreign-source income are exempt from Singapore tax (subject to certain conditions), Singapore grants resident companies a credit for foreign tax paid on income derived from treaty and nontreaty countries that is received and assessable to tax in Singapore. The credit is limited to the Singapore tax payable on that foreign income or the foreign tax paid, whichever is lower. The foreign tax credit amount may be computed on a pooled basis, subject to certain conditions.

**Participation exemption** – Dividends paid by Singapore resident companies are tax-exempt in the hands of the recipient. As noted above under "Taxation of dividends," foreign-source dividends are taxable if received or deemed received in Singapore, unless certain conditions are satisfied. Gains from the disposal of ordinary shares in another company on or before 31 May 2017 are exempt from tax,

provided the shares have been held for a continuous period of at least 24 months and a 20% minimum shareholding requirement is met. Although Singapore does not tax capital gains, gains from the sale of shares may be regarded as ordinary income if the taxpayer is in the business of trading in shares.

**Holding company regime** – No

**Incentives** – Various incentives are available for pioneer and expanding companies, headquarter activities, financial services, asset securitization, fund managers, international maritime activities, 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 or an exemption applies under certain domestic concessions. The 15% withholding tax is a final tax and applies only to interest not derived by the nonresident from a business carried on in Singapore and not connected to a permanent establishment (PE) in Singapore. Any other interest that does not qualify for the final 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 or an exemption applies under certain domestic concessions. The 10% withholding tax is a final tax and applies only to royalties not derived by the nonresident from a business carried on in Singapore and not connected to a PE in Singapore. Any other royalties that do not qualify for the final 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 a withholding tax at 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 a trade, business or profession.

**Branch remittance tax** – 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 rates are progressive, and range from 0% to 16% for owner-occupied residential property, from 10% to 20% for nonowner-occupied residential property; and a 10% rate applies for nonresidential property. A property tax exemption may be granted for land under development in certain cases.

**Social security** – 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 make 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 the sale of a 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.

The buyer's stamp duty on the acquisition of immovable property is 1% for the first SGD 180,000, 2% for the next SGD 180,000 and 3% thereafter. An additional buyer's stamp duty is payable by certain groups that purchase or acquire residential property (including residential land) at a rate that ranges between 5% to 15%, depending on the category of the buyer. This additional stamp duty is computed on the higher of the purchase price or market value of the property. Seller's stamp duty of up to 15% and 16% for industrial and residential property, respectively, may be applicable, depending on the holding period and acquisition date of the property.

The buyer's stamp duty on the acquisition of stock and shares is 0.2% of the market value or purchase price, whichever is higher. The transfer of scrippless shares that are listed on the Singapore stock exchange, however, is not subject to stamp duty. Stamp duty relief is available in a number of cases, subject to conditions.

**Transfer tax** – No

**Other** – Other taxes include a monthly levy per foreign worker in certain industries and a training levy for all employees on the first SGD 4,500 of gross monthly remuneration at a rate of 0.25%, subject to a minimum of SGD 2.

There also are taxes on film rentals, entertainment, tourist hotels and restaurants and airport departures.

### **Anti-avoidance rules:**

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

**Thin capitalization** – No

**Controlled foreign companies** – No

**Disclosure requirements** – No

**Other** – Singapore has a general anti-avoidance provision.

### **Compliance for corporations:**

**Tax year** – The tax year generally is the calendar year, although a company is required to 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 2015 will be taxed in the 2016 assessment year).

**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 three 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 and for 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, except for income received or deemed received through a partnership in Singapore. Certain investment income derived from Singapore sources by an individual also is exempt from income tax. Nonresidents are subject to Singapore income tax only on income accrued in or derived from Singapore.

**Residence** – A Singapore citizen is considered a tax resident in Singapore if he or she normally resides in Singapore, except for temporary absences consistent with the claim of being a resident. A foreigner is considered a tax resident in Singapore if, in the calendar year preceding the year of assessment, he or 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 or she ordinarily resides in Singapore.

A foreigner may be considered a tax resident in Singapore on a concessionary basis if his or her employment period in Singapore covers at least three consecutive years of assessment, even though the individual may have spent less than 183 days in Singapore in the year of arrival or departure.

An employee who has exercised employment in Singapore for less than 183 days during his or her year of arrival, but expects to exercise the employment in Singapore for a continuous period of at least 183 days straddling two consecutive calendar years, may be taxed as a resident in Singapore for both years of assessment.

**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 22%.

Nonresidents are taxed on employment income at the higher of a flat

rate of 15% (with no personal deductions or allowances) or the resident tax rates (taking into account personal deductions and allowances). All other income of nonresidents sourced in Singapore, including directors' fees and consultants' fees, is taxed at a flat rate of 22%. A nonresident individual (other than a director) exercising a short-term employment in Singapore (i.e. for no more than 60 days) may be exempt from tax in Singapore on his or her employment income derived from Singapore.

### Other taxes on individuals:

**Capital duty** – No

**Stamp duty** – See "Stamp duty" under "Other taxes on corporations," above.

**Capital acquisitions tax** – No

**Real property tax** – See "Real property tax" under "Other taxes on corporations," above.

**Inheritance/estate tax** – No

**Net wealth/net worth tax** – No

**Social security** – Only employees who are Singapore citizens or Singapore permanent residents (under immigration rules) are required to contribute to the CPF, at a rate of 20%. Graduated rates may apply for the first three years after the employee attains permanent residence. The employer's statutory contribution rate to the CPF is 17%, subject to a monthly ordinary wage ceiling of SGD 6,000 and a total annual wage ceiling of SGD 102,000. The contribution is remitted by the employer (in respect of its own contributions and that of the employee).

### Compliance for individuals:

**Tax year** – Calendar year

**Filing and payment** – An individual is required to file his or her Singapore tax return in respect of income from the preceding year by 15 April of the following year; if filed electronically, the due date is 18 April.

**Penalties** – Penalties apply for late filing and for failure to file.

### Goods and services tax:

**Taxable transactions** – Singapore imposes a goods and services tax (GST), which is similar to a European-style VAT, on the supply of most goods and services and on imports.

**Rates** – The standard rate is 7%, with a zero rate for international services and exports. Supplies of financial services, residential property and investment precious metals are exempt from the tax.

**Registration** – A person is required to be registered if the total annual value of its taxable supplies exceeds SGD 1 million in a 12-month period. Companies may apply for voluntary registration even if turnover is less than SGD 1 million. However, once registered voluntarily, the taxpayer must remain registered for at least two years.

**Filing and payment** – A registered taxable person is required to file a GST return on a quarterly basis (but may opt to file on a monthly basis) with the Comptroller no later than one month after the end of the relevant accounting period. Any tax payable for the accounting period to which the return relates should be paid by the submission deadline.

**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 76 comprehensive tax treaties.

**Tax authorities:** Inland Revenue Authority of Singapore (IRAS)

**Deloitte contact**  
Low Hwee Chua  
E-mail: [hwlow@deloitte.com](mailto:hwlow@deloitte.com)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see <http://www.deloitte.com/about> for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte’s more than 225,000 professionals are committed to making an impact that matters.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte Network”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.