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Taxation and Investment in Singapore 2012

Reach, relevance and reliability



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1.0 Investment climate

1.1 Business environment

Singapore is a republic with a parliamentary system of government. The head of state is the president and there is a prime minister and cabinet.

Singapore offers a good investment climate in view of its political stability, efficient government, free enterprise economy, excellent infrastructure and communications systems, readily available financial and professional support services, attractive investment incentives and adaptable work force.

Singapore is known to be one of the most competitive and business friendly economies in the world. It has a diversified economy that depends heavily on exports and refining imported goods, especially in manufacturing, and includes significant electronics, petroleum refining, chemicals, mechanical engineering and biomedical sciences sectors. Financial services, port and logistics services, education and tourism also form a large part of Singapore's bustling economy.

Singapore is a member of the World Trade Organization (WTO). Along with Brunei Darussalem, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand and Vietnam, Singapore is a member of the Association of Southeast Asian Nations (ASEAN), a trade alliance intended to foster economic cooperation, social progress and cultural development among ASEAN members, and to protect regional peace and stability, and to establish a joint market for attracting foreign trade and investment. Singapore also is a member of the Asia-Pacific Economic Cooperation.

Intellectual property

The 1995 Patents Act is aligned with major international patent conventions, including the Paris Convention and the Budapest Treaty. The Intellectual Property Office of Singapore (IPOS) advises on and administers intellectual property laws, promotes intellectual property awareness and provides the infrastructure to facilitate the development of intellectual property in Singapore.

Singapore is a party to the Madrid Protocol, which is an efficient way for trademark holders to ensure protection of their marks in multiple countries through a single application filing with the International Bureau of the World Intellectual Property Organization.

Significant changes to Singapore's intellectual property laws were implemented in 2005, including the extension of authors' copyright protection by 20 years, the introduction of a mechanism to trademark scents and sounds and the imposition of stiffer penalties for copyright infringement and piracy.

Singapore is known for its strong legal system, and several institutions deal specifically with intellectual property, including: the IPOS, the Singapore International Arbitration Center, the Composers and Authors Society of Singapore, the Recording Industry Association (Singapore) and the Singapore Mediation Centre.

1.2 Currency

The currency is the Singapore dollar (SGD).

1.3 Banking and financing

Singapore's government has successfully transformed the small, wealthy island state into a regional financial center. Singapore's banking sector provides a wide range of services, from the traditional lending and deposit taking to corporate and investment banking activities. The banking and finance industry in Singapore are regulated by the Monetary Authority of Singapore (MAS).

1.4 Foreign investment

Singapore is a desirable jurisdiction for foreign investors looking to set up operations, primarily because of its attractive corporate and personal tax rates and tax reliefs/incentives, the absence of

capital gains tax and a broad tax treaty network. It is also relatively easy to set up a business in Singapore.

The government welcomes foreign investment that contributes to the economic growth of Singapore, specifically favoring investments in high value-added and skills and technology-based industries. To encourage investment, the government offers attractive incentives to qualifying activities. By promoting its location, world class transportation, telecommunications and financial infrastructures, Singapore has successfully marketed itself to foreign investors as a regional entrepôt.

There are no requirements for national or local participation in the equity or management of foreign-owned enterprises. Foreign investors generally are not restricted from investing in any industries, although essential service industries (e.g. port facilities and public utilities) are restricted to the public sector and licenses are required for before certain other activities may be undertaken.

1.5 Tax incentives

Singapore offers a wide range of investment incentives, including tax holidays and concessions, accelerated depreciation schemes, favorable loan conditions, equity participation and high-quality industrial estates. Since Singapore is largely a free port, firms cannot expect tariff or quota protection for industrial ventures. The government likes to maintain some flexibility in administering incentives so the full extent of available incentives is not always published.

Various types of tax incentives are available to companies registered in Singapore. These are described in the Income Tax Act and the Economic Expansion Incentives (Relief from Income Tax) Act (EEIA) and are administered by different statutory boards. The EEIA relates to incentives for the establishment of pioneer industries and for economic expansion generally. The incentives provide for concessionary tax rates, ranging from 0% to 15%, with the concessionary tax rate generally dependent on the economic footprint or commitment in Singapore, e.g. the number of additional jobs that would be created, the local business spending, headcount, new activities introduced in Singapore, etc.

Applications for incentives are made to the Economic Development Board (EDB), International Enterprise Singapore and the MAS.

1.6 Exchange controls

Singapore has no significant restrictions on foreign exchange transactions and capital movements. Funds may flow freely into and out of the country. Nevertheless, the government imposes certain restrictions on the borrowing of Singapore dollars for use offshore. The Singapore dollar non-internationalization policy is intended to prevent the borrowing of Singapore dollars for currency speculation, but it has been significantly eased in recent years. Nonresidents may freely borrow Singapore dollars for trade and investment in Singapore. Nonresidents may borrow Singapore dollars for their activities outside Singapore if the Singapore dollar proceeds are swapped into foreign currency.

2.0 Setting up a business

2.1 Principal forms of business entity

Persons seeking to carry on business in Singapore must do so under the Business Registration Act or the Companies Act. The Companies Act governs the procedures for establishing a company or a branch. The principal forms of business organization are the following:

- Locally incorporated company
- Branch of a foreign corporation
- Sole proprietorship
- Partnership
- Limited partnership
- Limited liability partnership
- Business trust

The nature of the intended business operations will be an important factor in selecting the appropriate form of business organization. Foreign investors usually carry on business through locally incorporated companies or branches.

A firm may be incorporated with members' liability unlimited or limited by shares or by guarantee and it may be public or private. Publicly listed companies normally do not restrict the right to transfer shares. Companies with share capital are considered private if they restrict the right of share transfer, limit the number of shareholders to 50 (excluding employees and former employees of the company or a subsidiary) and prohibit any invitation to the public to subscribe to shares or debentures or to deposit money with them. Private companies may be converted into public companies and vice versa.

Foreign corporations may operate through branches, although most foreign investors prefer to set up private limited companies since the tax status is simpler and provides for the ability to qualify for incentives, depending on the industry, location and office type. Subsidiaries of foreign corporations that do not wish to raise share capital or borrow funds from the public usually register as private companies and may commence business immediately after incorporation.

Formalities for setting up a company

To form a company, the founders must be older than age 18 and have at least one shareholder and one director. At least one director must ordinarily be resident in Singapore. Where a company has only one director, that director may not also act in the capacity of company secretary. The founders must file the proposed memorandum, articles of association and other documents with the Accounting and Corporate Regulatory Authority of Singapore (ACRA). The memorandum must include the name of the company, its objectives, details on capital and initial subscriptions, background on subscribers to the memorandum and other data. The articles must state the concern's proposed number of board members, and companies must notify the registrar of any subsequent increase.

Applications should be made ahead of the planned commencement time to ensure that the proposed company name is available. The name approval process typically takes two hours, although it can take up to two months if the application has to be referred to another government department. Following the submission of documents, the registrar certifies that the firm is incorporated and specifies whether the entity is limited, unlimited, private, etc.

A foreigner intending to register a business and be present in Singapore to actively manage its operations must apply for an "EntrePass" from the Ministry of Manpower.

Requirements of public and private companies

Capital. The minimum issued capital is one share. Goods or services can be used as capital in lieu of cash if all parties agree on the value of the items in question.

Founders, shareholders. A public company must have at least two founders (persons or companies) whose identities must be supplied to ACRA. There are no nationality requirements. Resident or nonresident “substantial shareholders” (i.e. those owning 10% or more of voting shares) of a company listed on the stock exchange must register full details of their company holdings and the register must be open to inspection. Only one shareholder is required for a private company.

Directors, Board members. For public companies, there must be at least two directors and one director must be a local resident in Singapore. Private companies require only one director, and the director and shareholder may be the same person. A company can have one director who must be “ordinarily resident in Singapore” (i.e. a citizen, permanent resident or one who has been issued an Employment Pass/Approval-In-Principle Letter/Dependant’s Pass). Any person older than age 18 may be appointed as a director. However, as noted above, if a company only has one director, he/she may not also act in the capacity of company secretary.

Management. There is no requirement that labor be represented in management. There are no nationality requirements for management.

Disclosure. Companies must file with ACRA (and with the EDB if the company receives incentives) an annual return containing a summary of share capital, shares and share transactions; details of directors, managers and secretaries; a balance sheet and profit-and-loss statement; and a list of shareholders with the number of shares held by each shareholder. The annual report of listed firms must include any abnormal factors affecting current year profitability. A public company with more than 500 shareholders may omit the list of shareholders. Exempt private companies and dormant companies (companies with no significant accounting transactions during the fiscal year) are exempt from the statutory audit if their annual turnover is less than SGD 5 million.

Taxes and fees. A registration fee of SGD 300 is payable for a limited-by-share company (or branch) regardless of the amount of its authorized share capital. The fee for approval and registration of a name is SGD 15.

Types of shares. Shares must be registered and ordinary shares in a public company must carry voting rights. Preferential shares are permitted and may carry special rights or restrictions on dividends, voting, return of capital, etc. Shares may be issued at a premium or at a discount and may be paid up in part or in full. A company is not permitted to issue non-voting shares. Private companies can raise capital through public offerings without first having to convert into public companies, but they are bound by the disclosure requirements under the Securities and Futures Act governing the raising of capital from the public.

Control. A 51% equity holding is normally sufficient for effective control of a company. Only a few decisions require a three-fourths majority (special resolution); these include changes in the company’s objectives as stated in its memorandum, changes to the articles of association and reductions in share capital. A public company must hold a statutory meeting of its shareholders not less than one month and not more than three months after it is entitled to commence business.

Branch of a foreign corporation

A foreign company may set up a branch in Singapore, but for tax reasons most prefer to set up a subsidiary. A branch’s profits are taxed at the same rate as a subsidiary. A subsidiary is eligible for tax incentives, and if it is a Singapore tax resident, the subsidiary can obtain benefits in Singapore’s tax treaties; a branch, however, generally does not qualify for tax incentives and cannot enjoy the benefit of Singapore’s tax treaty network.

Before commencing business, a branch must supply ACRA with the following documents of its head office: (1) a certified copy of its incorporation or registration in the home country; (2) a copy of its memorandum or articles; (3) a list of the local directors (if any) and a memorandum stating their powers; (4) names and addresses of one or more Singapore residents (citizens, permanent residents or employment pass holders) authorized to accept legal notices on behalf of the foreign corporation; and (5) information on the registered office in Singapore. ACRA must be notified of

any change in documents, identity or powers of directors or agents, or the name or address of the foreign head office within one month following the change.

A branch must file regular corporate financial statements and a profit-and loss statement for Singapore operations with ACRA.

Certain types of activities need approvals and licences from the appropriate authorities before the proposed business activity may be commenced.

Representative office

Foreign companies that are keen on exploring the viability of doing business in Singapore may register a representative office (RO) with International Enterprise Singapore. An RO's activities are confined to market research, feasibility studies and liaison work on behalf of its parent company. An RO is temporary and is encouraged to upgrade by registering a branch or incorporating a company within three years or when it is practicable.

Expatriate employees of an RO must apply to the Ministry of Manpower's Foreign Manpower Employment Division for employment passes.

2.2 Regulation of business

Mergers and acquisitions

Although acquisitions do not require official approval, the Singapore Code on Takeovers and Mergers prescribes rules for the process applicable to both takeovers and mergers. Listed public companies and unlisted public companies with 50 or more shareholders and net tangible assets of at least SGD 5 million must observe the general principles and rules of the code. The regulations are not applicable to takeovers or mergers of other unlisted public companies or private companies. The code applies to all offerers (regardless of whether they are residents or citizens of Singapore) or corporations (regardless of whether they are incorporated in Singapore) and extends to acts carried out within and outside Singapore.

The Securities Industry Council is responsible for reviewing the conduct and documentation of takeover offers and ensuring compliance with the takeover rules. Any person or legal entity that acquires 30% or more of the voting rights of a public company (or increases its voting rights in the public company by more than 1% in a six-month period if it already owns shares carrying 30% to 50% of the voting rights) must make an offer for the balance of the outstanding issued shares. The price offered for shares in a mandatory offer is at the discretion of the buyer, but must not be less than the highest price paid by the offerer and its concerted parties in the six months preceding the takeover. The offer document must be posted within 21 days of the offer announcement and the offer must be kept open for at least 28 days. The code seeks to ensure that all shareholders of the company being acquired are treated equally and are given sufficient time and information to assess the merits of the offer. The stock exchange has basic disclosure requirements for listed companies involved in takeovers.

According to the policy of the MAS, a foreign takeover of a finance company is prohibited. Substantial stakes of 5% and 20% in a finance company require approval from the MAS. Alternatively, up to 100% foreign equity is common in other sectors.

2.3 Accounting, filing and auditing requirements

A company is required to keep certain records, e.g. registers of shareholders, interests of directors and secretaries, in addition to accounting records. If the accounting records are kept outside Singapore, sufficient information must be retained in Singapore to enable the preparation of true and fair financial statements. A branch is not required to keep statutory registers in Singapore, but the Companies Act is silent as to where the accounting records are to be kept.

Dormant companies and exempt private companies with revenue of SGD 5 million or below are exempt from audit requirements. The financial statements of a branch have to be audited annually.

A company is required to hold an Annual General Meeting (AGM) within 18 months from the date of its incorporation and subsequently at least once every calendar year at intervals of not more than 15 months and to file its audited financial statements and annual return within one month from the date of the AGM.

A foreign company is required to file its financial statements together with the audited financial statements of the branch within two months from the date of AGM of the head office, or within seven months from the financial year-end date if the head office is not required by law in the place of its incorporation to hold an AGM.

3.0 Business taxation

3.1 Overview

The principal taxes levied on companies in Singapore are the income tax, Goods and Services Tax (GST), stamp duties and property tax. There is no capital gains tax or branch profits tax.

Singapore taxes on a quasi-territorial basis, i.e. companies are taxed mainly on Singapore-source income, subject to certain exceptions. Tax is imposed on all income accrued in or derived from Singapore and all foreign income remitted/deemed remitted into Singapore. There is no tax differential between business carried on in Singapore by residents and by nonresidents. All Singapore-source income earned by nonresidents is taxable.

Singapore's tax burden is moderate compared with that of other countries in the region and may be reduced substantially through various incentives.

Tax exemptions and various tax incentives are available to approved companies that promote or enhance the economic and technological development of Singapore. The financial sector is considered important to the economy, so it receives special tax incentives. Concessionary rates of 5%-12% are granted to the following approved financial sectors: lending and related activities, debt capital market, equity market, fund managers, trust companies, bond intermediaries, securities companies and offshore (composite/general/life) insurance companies. Concessionary rates are also granted to companies such as approved global traders and operational headquarters.

The Income Tax Act of Singapore is the governing statute regarding corporate taxation, and taxes are administered by the Inland Revenue Authority of Singapore (IRAS).

3.2 Residence

A company is resident in Singapore if the management and control of its business is exercised in Singapore. In general terms, control and management of a company's business is vested in its board of directors and the place of residence of the company is where the directors meet to make strategic operational decisions for the company.

3.3 Taxable income and rates

All companies incorporated in Singapore and all Singapore-registered branches of foreign companies are subject to corporate income tax on their chargeable income. As noted above, Singapore levies income tax on a quasi-territorial basis, i.e. on income accruing in or derived from Singapore and on foreign income remitted or deemed remitted into Singapore.

The corporate tax rate of 17% applies to subsidiaries incorporated in Singapore and to branches of foreign companies, and it applies equally to both resident and nonresident companies. Withholding taxes at the corporate income tax rate apply to certain payments made to nonresidents, such as technical assistance and management fees if the services are provided in Singapore. Withholding tax should not apply if the services are provided entirely outside Singapore and the nonresident is not incorporated, formed or registered in Singapore, does not carry on a business in Singapore and does not have a permanent establishment in Singapore.

A partial exemption of 75% is available on the first SGD 10,000 and 50% on the subsequent SGD 290,000. A partial tax exemption, therefore, is available on the first SGD 300,000 of chargeable income.

Some private companies are fully exempt from tax for the first SGD 100,000 of normal chargeable income and a 50% exemption on the next SGD 200,000 of chargeable income. This exemption applies to a new company for its first three consecutive years of assessment beginning on or after year of assessment 2005. To qualify, the company must be an exempt private company incorporated in Singapore, tax resident in Singapore for that year of assessment and have no more than 20 shareholders, all of whom are individuals throughout the basis year relating to that year of assessment, or at least one of whom is an individual holding at least 10% of the total number of issued ordinary shares of the company throughout the basis period for that year of assessment.

Taxable income defined

Specific items of taxable income are as follows:

- Gains or profits from any trade, business, profession or vocation carried on in Singapore;
- Dividends, interest, discounts, royalties, rents, premiums and other profits arising from property ownership in Singapore;
- Pensions, charges or annuities; and
- Gains or profits of an income nature not falling within the above.

Foreign income remittances in the form of foreign dividends, branch profits and services income are exempt from tax in Singapore provided the income is received by a Singapore tax resident from a foreign jurisdiction with a headline tax rate 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. However, foreign income that has been exempt from tax in the foreign jurisdiction as a result of a tax incentive granted in respect of substantive business operations carried out in that jurisdiction will be considered to have met the “subject to tax” condition.

In determining a company’s taxable income, the IRAS normally accepts the accounting profits based on the company’s audited financial statements prepared in accordance with ordinary commercial principles. Adjustments to account for nontaxable income, nondeductible expenditure and other matters to convert the accounting profits to taxable profits are made in a computation statement accompanying the financial statements.

Deductions

Business expenses generally may be deducted in calculating taxable income provided they relate to activities necessary for the production of income. To promote enterprise development, the first day of the accounting year in which a business earns its first dollar of business receipts is regarded as the deemed date of commencement of business. All revenue expenses (except those specifically prohibited) incurred during the accounting year of the deemed date of commencement and that incurred in the accounting year immediately preceding the accounting year of the deemed date of commencement will be deductible for tax purposes. However, if the business is able to prove that it started trading and incurred expenses at an earlier point in time, a deduction may be claimed for such expenses.

Expenses incurred wholly and exclusively to produce income may be deducted in computing taxable income. This includes interest on loans, rent paid on land and buildings, royalty payments, expenses for repairing plant and equipment, defaulted trade receivables, contributions to an approved pension fund or the Central Provident Fund (CPF), contributions to employee medical benefit plans up to 1% (or 2% under certain conditions) of total payroll expense, double tax deductions for approved relocation and recruitment expenses when hiring foreign talent, research and development (R&D) expenses and the costs of building modifications for disabled employees of up to SGD 100,000 (for all years of assessment).

Other allowable deductions include capital allowances (see “Depreciation” below) and tax losses carried forward from a previous year. A 250% tax deduction is permitted for donations to approved charitable institutions, along with the value of computer equipment donated to approved educational and research institutions, and donations of buildings/parcels of land to approved Institutions of a Public Character. Any unutilized donations may be carried forward for up to five years, provided the ultimate shareholders remain substantially the same on the relevant comparison dates.

Depreciation

Capital allowances include an initial allowance in the year of acquisition, plus annual allowances. Qualifying industrial buildings are granted a 25% initial allowance and annual allowances of 5% of qualifying cost on a straight-line basis. The initial allowance for plant and machinery is 20%, with annual allowances (also on a straight-line basis) of 13.3% for manufacturing and industrial-processing plant and machinery; 8% for furniture, fixtures and telecommunications equipment; and 10% for data handling equipment.

Companies may opt to claim accelerated annual allowances over the initial and annual allowances. Accelerated annual allowances of 33.33% are granted to all qualifying plant and machinery, and allowances of 100% are granted to all computer and prescribed automation equipment; generators; robots; and equipment that provides efficient pollution control, is energy-efficient or energy-saving, noise controlling or chemical risk reducing. Companies also may claim allowances on 100% of the cost of assets that cost no more than SGD 1,000 each (SGD 5,000 each with effect from year of assessment 2013 as announced in the 2012 budget), subject to a cap of SGD 30,000 per assessment year.

If, in any year, the taxable profit is insufficient to offset the capital allowances, the remaining capital allowances (i.e. unabsorbed capital allowances) may be carried forward indefinitely to set off future taxable profits, provided the ultimate shareholders remain substantially the same on the relevant comparison dates and the business for which the capital allowances arose remains the same.

Unabsorbed current capital allowances may be carried back for setoff against the assessable income of the immediately preceding assessment year provided the company carries on the same business in that assessment year and the immediate preceding year and the ultimate shareholders remain substantially the same on the relevant comparison dates. The amount available for carryback is subject to a cap (see below).

Investment allowances (in addition to capital allowances) may be granted to companies in the manufacturing, technical and specialized engineering services fields that are investing in projects to expand, upgrade or diversify. Under the investment allowance scheme, a company is granted an investment allowance based on an approved percentage of the fixed capital expenditure incurred on plant, machinery and factory building for an approved project. The investment allowances may not exceed 100% of the qualifying expenditure on plant, machinery and factory buildings incurred on approved projects and they must be used against taxable profits earned from the approved project.

Writing down allowances are granted automatically over five years for capital expenditure incurred on qualifying intellectual property acquired on or before the last day of the basis period for the year of assessment 2015 (i.e. on or before the last day of the financial year ending in 2014). To qualify, the Singapore entity must have legal and economic ownership of the intellectual property and the property must have been acquired for use in the business. Additionally, the written down allowance for the acquisition of intellectual property has been extended, on an approval basis, to companies that are the economic (not the legal) owner of intellectual property.

The writing down allowances on capital expenditure incurred by a media and digital entertainment (MDE) company or partnership in acquiring qualifying intellectual property rights (IPR) for MDE content on or before the last day of the basis period for year of assessment 2015 (i.e. on or before the last day of the financial year ending in 2014) will be granted over two, instead of five, years. Approval from the EDB is required in all cases, including where both economic and legal ownership of the IPR for MDE content is acquired.

Productivity and Innovation Credit (PIC) scheme

The PIC scheme was introduced in 2010 to encourage businesses to invest in productivity and innovation. It is a broad-based tax scheme that grants a total 400% tax deduction or allowance for the first SGD 400,000 of qualifying expenses incurred during the years of assessment 2011 to 2015 on each of six qualifying activities: R&D, the acquisition of IPR, the registration of IPRs, investment in design done in Singapore, spending on equipment or software aimed at automating processes and the cost of training employees to upgrade skills and capabilities.

To support small and growing businesses that may have cash constraints, businesses can opt to convert their expenditure in all six qualifying activities into a nontaxable cash payout, subject to an annual cap of SGD 100,000. This is available for the years of assessment 2011 to 2015 at a conversion rate of 30% for the years of assessment 2011 and 2012 and 60% for years of assessment 2013 to 2015. The total expenditure caps for years of assessment 2011 and 2012 may be combined and businesses may opt to convert up to the combined caps of qualifying expenditure for all six qualifying activities into cash.

Sole proprietorships, partnerships and companies (including registered business trusts) that (i) have incurred qualifying expenditure and are entitled to PIC during the basis period for the

qualifying year of assessment, (ii) are carrying on active business operations in Singapore and (iii) have at least three local employees (Singapore citizens or permanent residents with CPF contributions excluding sole proprietors, partners under contract for service and shareholders who are directors of the company) are eligible for the cash payout option.

There are requirements to be met to qualify for the deduction/allowances or the cash conversion option under PIC, including a minimum ownership period. Clawback provisions may apply if the minimum ownership requirement period is not met.

There is also an option for businesses to defer a dollar of current year of assessment tax for every dollar of PIC qualifying expenditure incurred for the current financial year, subject to a SGD 100,000 cap. This is available for tax payable for years of assessment 2011 to 2014 based on expenditure incurred in the corresponding financial years 2011 to 2014.

Any deduction or allowances under PIC that cannot be fully utilized in a year of assessment will form part of the unutilized trade losses/allowances of a business and the utilization of such trade losses/allowances is governed by the above rules.

Losses

Losses incurred by a company in a trade or business are available for setoff against its income from all other sources (capital losses, however, are excluded).

Tax losses may be carried forward indefinitely and used to offset future taxable profits if there is no substantial change in ownership on the relevant comparison dates. Current year unabsorbed losses may be carried back for setoff against the assessable income of the immediate preceding year of assessment provided there is no substantial change in ownership at the relevant comparison dates. The total amount of current unabsorbed capital allowances and losses that may be carried back to the preceding year of assessment is capped at SGD 100,000.

A loss transfer system of group relief allows current year's unabsorbed losses, unabsorbed capital allowances (except investment allowances) and unabsorbed 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, at least 75%-owned by another company in the group that is incorporated in Singapore and must have the same accounting year end. Losses from foreign branches of a qualifying company are not transferable.

3.4 Capital gains taxation

Singapore does not tax capital gains (and therefore capital losses are not deductible).

3.5 Double taxation relief

Foreign tax credit

Singapore grants a unilateral credit for foreign tax paid on income derived by a Singapore tax resident from a foreign jurisdiction with which Singapore does not have a tax treaty. The credit is limited to the Singapore tax payable, even if the foreign tax liability was higher. The IRAS requires proper documentation or certification that such foreign tax has been paid.

The unilateral tax credit also covers all types of foreign-source income remitted or deemed remitted to Singapore from non-treaty countries.

In respect of foreign-source dividend income, where the Singapore tax resident company owns at least 25% of the share capital of the dividend-paying company, the foreign tax credit in Singapore will take into account the underlying tax paid (i.e. the corporate tax paid on the profits out of which the dividends are paid), in addition to any dividend withholding tax paid in the foreign country.

With effect from year of assessment 2012, the newly introduced foreign tax credit pooling system allows a Singapore tax resident company to consolidate the foreign tax paid for set off against the Singapore tax payable on the same foreign-source income. The amount of the foreign tax credit to be granted is based on the lower of the pooled foreign taxes paid and the pooled Singapore tax payable on the same foreign-source income.

Tax treaties

Singapore has a broad tax treaty network, generally formulated along the lines of the OECD model treaty, and has been signing protocols with tax treaty partners to incorporate OECD-compliant exchange of information provisions.

Singapore's treaties use the credit method to avoid double taxation. The government uses tax treaties to ensure that incentives granted to foreign investors will not be taxed away by their own governments. Certain treaties contain a tax sparing provision under which a foreign firm's home country considers the company to have paid the current corporate tax rate in Singapore even if it has benefited from a tax holiday or other concession.

To claim an exemption or reduced withholding tax rate on a payment received from Singapore under a relevant tax treaty, the nonresident recipient would need to provide a Certificate of Residence (COR) to the Singapore payer. The COR must be certified by the tax authorities in the country of residence of the nonresident before submission to the IRAS by 31 March of the following year after the year of payment.

Singapore Tax Treaty Network			
Albania	France	Malaysia	Romania
Australia	Georgia	Malta	Russia
Austria	Germany	Mauritius	Saudi Arabia
Bahrain	Hungary	Mexico	Slovakia
Bangladesh	India	Mongolia	Slovenia
Belgium	Indonesia	Myanmar	South Africa
Brunei	Ireland	Netherlands	Sri Lanka
Bulgaria	Israel	New Zealand	Sweden
Canada	Italy	Norway	Switzerland
China	Japan	Oman	Taiwan
Cyprus	Kazakhstan	Pakistan	Thailand
Czech Republic	Korea (R.O.K.)	Panama	Turkey
Denmark	Kuwait	Papua New Guinea	Ukraine
Egypt	Latvia	Philippines	United Arab Emirates
Estonia	Libya	Poland	United Kingdom
Fiji	Lithuania	Portugal	Uzbekistan
Finland	Luxembourg	Qatar	Vietnam

3.6 Anti-avoidance rules

Transfer pricing

Singapore's tax authorities issued transfer pricing guidelines in 2006 that endorse the arm's length principle, as defined by the OECD (even though Singapore is not an OECD member state), with additional guidelines on related party loans and services issued in 2009. Singapore's transfer pricing guidelines include the application of the arm's length principle, documentation requirements, advance pricing agreements and requests to invoke mutual agreement procedures under Singapore's tax treaties.

Related party transactions must be carried out on arm's length terms. Persons are considered to be related when one person, directly or indirectly, has the ability to control the other, or when both of them, directly or indirectly, are under the control of a common person. Related parties include

associated enterprises and separately taxable entities of an enterprise, such as permanent establishments of the enterprise.

Singapore does not have a priority of transfer pricing methodologies. The taxpayer is required to use the methodology that produces the most reliable results.

Transfer pricing documentation must be prepared, although there is no statutory deadline for preparation of the documentation, nor are there specific penalties for failure to submit documentation following a request from the tax authorities. Companies should ensure that their intercompany transactions are at arm's length and prepare adequate documentation to demonstrate such analysis and conclusion to avoid any potential tax adjustment by the IRAS. During an audit, the lack of documentation poses the risk of challenge and adjustment, because the IRAS considers the lack of documentation as the taxpayer's failing to undertake reasonable efforts to show compliance with the arm's length principle. The IRAS also stresses the importance of adequate documentation should the taxpayer be involved in a mutual agreement procedure.

Unilateral and bilateral APAs are possible and they generally cover a three to five-year period. Rollback of an APA may be allowed on a case-by-case basis.

The Income Tax Act has been amended to provide legal provisions to enforce the arm's length principle.

Thin capitalization

Singapore does not have thin capitalization rules.

Controlled foreign companies

Singapore does not have CFC rules.

General anti-avoidance rules

Under Singapore's general anti-avoidance rules, the IRAS can disregard certain transactions if the Comptroller is satisfied that the purpose of the arrangement is to alter the incidence of any tax that otherwise would have been payable. The general anti-avoidance rules do not apply to an arrangement carried out for bona fide commercial reasons.

3.7 Administration

Tax year

The tax year is generally the calendar year, although a company can opt to use its accounting/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).

Filing and payment

A company must submit an estimated chargeable income to the IRAS within three months from the end of its financial year end. The estimated tax may be paid in installments, up to a maximum of 10 installments, depending on the promptness of supplying the estimated chargeable income.

The Singapore tax return filing deadline is 30 November. Taxes usually are payable within one month from the date of the notice of assessment.

Consolidated returns

There are no provisions for filing a consolidated return, but provision is made for a loss transfer between members of a group (see above under "Losses").

Statute of limitations

The Comptroller of Income Tax may raise an assessment or additional assessment within four years from the end of the relevant year of assessment. For example, the Comptroller may raise assessments or additional assessments relating to year of assessment 2012 (i.e. relating to the financial year ended 2011) any time up to 31 December 2016. There is no statutory time limit for the Comptroller to raise an assessment/additional assessment for tax evasion cases. The

Comptroller can only collect tax when an assessment or additional assessment is raised. Once the assessment is raised, the tax is due payable to the Comptroller within one month from the date of the notice of assessment.

Tax authorities

The IRAS administers the assessment and collection of all taxes. IRAS is part of the Ministry of Finance and has an important role in developing tax policy and the implementation thereof. IRAS represents the Singapore government in tax treaty negotiations and issues abundant guidance on taxation issues.

Rulings

A formal advance ruling system applies for income tax matters. A request for an advance ruling must satisfy certain conditions and rulings are binding on the particular arrangement for a specified period of time.

3.8 Other

Tax framework for corporate amalgamations

Singapore domestic tax law provides a specific tax framework for corporate amalgamations of amalgamating and amalgamated companies in a qualifying amalgamation. In broad terms, the amalgamated company is treated as having “stepped into the shoes” of the amalgamating companies and continued with the business. As such, there should be no additional income tax due purely on account of the transfer. It also automatically qualifies as a transfer of going concern, except where the amalgamated company is or will be a member of a GST group. Stamp duties would continue to apply on the transfer of property or shares unless the amalgamation exercise qualifies for stamp duty relief. There are administrative procedures to comply with to apply the tax framework for corporate amalgamations.

4.0 Withholding taxes

Income is not deemed to arise in Singapore – and so tax will not be withheld – in the following cases:

- Commissions or other payments connected with a loan or other indebtedness if the service in question is performed entirely outside Singapore;
- Royalties or fees for the use of technical or other knowledge if the assistance or service is performed entirely outside Singapore;
- Management fees for services performed entirely outside Singapore, as well as the reimbursement/allocation of management fees (without a profit element) between the head office and branches.

4.1 Dividends

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

4.2 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 types of interest, such as interest on interbank/interbranch transactions of approved banks, interest on approved bank deposits and Asian dollar bonds, swap transactions on Asian currency units (other than Singapore dollars) and certain approved foreign loans to buy approved productive equipment.

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 attributable to a permanent establishment in Singapore. Any other interest that does not qualify for the reduced rate will be taxed at the prevailing corporate tax rate.

4.3 Royalties

A 10% withholding tax applies to royalty payments made to a nonresident unless the rate is reduced under a tax treaty. To encourage the growth of e-businesses and facilitate the flow of online information and digitized goods, a withholding tax exemption is available for payments to a nonresident on such payments made by end users to the nonresident supplier. This exemption is available until 2013. An exemption is also available for certain types of payments for software as an administrative concession.

4.4 Branch remittance tax

Singapore does not levy a branch remittance tax.

4.5 Wage tax/social security contributions

There is no payroll tax in Singapore.

4.6 Payment for services

Withholding tax at the prevailing corporate tax rate applies on gross service fees attributable to work done in Singapore. This is not a final tax and the nonresident may claim a deduction for allowable expenses by filing a tax return with the IRAS. If the services are provided outside Singapore, withholding tax should not apply.

5.0 Indirect taxes

5.1 Goods and services tax

Singapore has a GST comparable to the VAT in Europe. The GST is imposed on the supplies of goods and services in Singapore and on the import of goods into Singapore.

GST is levied on the supply of goods and services by a taxable person in Singapore, and the importation of goods by any person into Singapore. The GST has three categories of goods and services: (1) standard-rated items (including commercial-property transactions), subject to the 7% tax; (2) goods for export and international services, which are zero-rated; and (3) exempt items, including the sale and lease of residential land and provision of financial services such as Asian currency unit transactions, interest charges and life insurance.

Most domestic supplies of goods and services are standard rated. Exported goods and international services are zero-rated, but suppliers of zero-rated goods and services are still entitled to obtain credits or refunds for GST paid on their purchases. Unlike the standard or zero-rated suppliers, exempt suppliers do not carry the right to a full credit for input tax. Therefore, some or all of the input tax that relates to the exempt supplies will be a cost.

Companies, individuals, partnerships, co-operatives, trusts, charities, clubs and statutory boards that make (or intend to make) taxable supplies by way of business must register for GST if the annual turnover exceeds SGD 1 million. Registration requirements for nonresidents generally are the same for residents, i.e. if they make taxable supplies in Singapore that exceed the registration threshold. Once registered, the GST registered trader would need to file GST returns, generally on a quarterly basis and pay the tax due, if applicable, within one month after the end of the GST accounting period.

5.2 Capital tax

Singapore does not levy capital tax.

5.3 Real estate tax

Property tax is levied on all immovable property in Singapore and 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 (tax rate) of the gross annual value of the property as determined by the property tax department. A progressive property tax rate of 0% to 6% applies for owner-occupied residential property and 10% for other property. A property tax exemption for land under development may be granted in certain cases.

5.4 Transfer tax

See under "Stamp duty."

5.5 Stamp duty

Stamp duty was abolished in 1998 on all financial instruments, except those that relate 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 rents exceeding SGD 1,000. Leases with annual rents not exceeding SGD 1,000 are exempt. The buyers' 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.

With effect from 8 December 2011, additional buyer's stamp duty is payable by certain groups of persons who buy or acquire residential property (including residential land). The additional buyer's stamp duty will be 3% or 10%, depending on the category of the buyer and is computed on the total price or market value of the property. Seller's stamp duty of 4% to 16% is payable on

disposals of residential property depending on the holding period. However, seller's stamp duty should not apply if the property was acquired before 20 February 2010.

The buyer's stamp duty on the acquisition of stock and shares is 0.2% of the amount or value of the consideration, whichever is higher. Transfer of scripless shares listed on the Singapore stock exchange is not subject to stamp duty.

The stamp duty relief offered for corporate restructuring and mergers has been expanded to encourage companies to use restructuring and mergers to be more competitive. The relief applies to transfers of assets between associated companies, statutory boards, unlimited companies and limited liability partnerships where all the partners are companies, restructuring and mergers of listed companies, and companies that intend to list after the exercise. Stamp duty relief also is granted for the transfer of assets between associated companies, even if the transfer involves less than 90% of the company's shares or if the consideration is made in debt/cash. There are various conditions to meet for the stamp duty relief to apply.

5.6 Customs and excise duties

Singapore is a free port and levies few excise and import duties. Excise duties are imposed principally on tobacco, petroleum products and liquors. Import duties are mainly imposed on motor vehicles, tobacco, liquor and petroleum products. Export duties are not levied on goods exported from Singapore.

5.7 Environmental taxes

There is a 30%-45% levy on water charges to encourage conservation.

5.8 Other taxes

The Ministry of National Development levies standard development charges at the start of construction. Other taxes include: a monthly levy per foreign worker in certain industries; a training 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.

There are taxes on film rentals, entertainment, tourist hotels and restaurants, football betting, private lotteries and airport departures.

6.0 Taxes on individuals

Singapore taxes individuals on a territorial basis, i.e only income sourced in Singapore is subject to tax. Remittance of foreign-source income is exempt, except for remittances through a partnership by a resident individual.

Personal taxation rates in Singapore are moderate and progressive. Resident individuals who earn employment income generally are provided with earned income relief in varying amounts. Additionally, there are several other types of tax reliefs.

Both employers and employees must make monthly contributions to the CPF if the employees are Singapore citizens or permanent residents. Foreign employees (neither permanent residents nor citizens) and their employers are not required to contribute to the CPF. The employee's contribution may be deducted from taxable income and the employer's contribution is tax-exempt unless the contribution exceeds the statutory limit.

6.1 Residence

A Singapore citizen is a tax resident in Singapore if he/she normally resides in Singapore except for temporary absences that are consistent with the claim to be a resident. A foreigner is regarded as resident in Singapore if he/she is physically present or exercising an employment in Singapore for 183 days or more during the year preceding the year of assessment in a capacity other than that of a director of a company.

6.2 Taxable income and rates

Taxable income

Income includes gains or profits from a trade or profession and earnings from employment, and pensions and annuities. Income from employment is deemed to be derived from Singapore if the employment is exercised in Singapore (i.e. the services are rendered in Singapore), regardless of where the remuneration is actually received. Income from employment includes wages, salaries, leave pay, fees, commissions, bonus, gratuities, perquisites, allowances and benefits in-kind (e.g. employer-provided meals, clothing or housing).

Dividends paid by companies under the one-tier tax system are tax exempt. Individual inventors qualify for a 90% exemption on gross income from royalties.

Interest income derived by an individual from the deposit of money in a standard savings, current or fixed deposit account with an approved bank or finance company in Singapore is exempt from tax.

Net rental income derived from property located in Singapore is aggregated with other income and subject to Singapore taxation.

Capital gains derived by an individual are not taxed, as Singapore does not tax capital gains.

Deductions and reliefs

With effect from income year 2012, an individual who earns income, whether from regular employment or self-employment, is given earned income relief of SGD 1,000 for individuals younger than age 55; SGD 6,000 for those aged 55-59; and SGD 8,000 for those aged 60 and older. There are several other types of tax reliefs, such as spouse relief, child relief, dependent relief, CPF and CPF top-up relief, life insurance premiums and contributions to Supplementary Retirement Scheme (SRS), etc.

Rates

Resident individuals 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 with a Singapore source, including director's fees and consultant's fees, is taxed at a flat rate of 20%.

A nonresident individual (other than a director) exercising a short-term employment in Singapore for less than 60 days in a calendar year may be exempt from tax in Singapore.

Special expatriate regime

A Not Ordinarily Resident (NOR) Taxpayer Scheme is used to attract global talent to Singapore and to encourage companies to use Singapore as their base for regional activities. To qualify for the NOR scheme, an individual must be tax resident in the current year of assessment and must not have been tax resident in the three years of assessment immediately before that year of assessment. Individuals meeting the requirements are granted NOR status for five consecutive assessment years, starting from the assessment year in which they first qualified.

Tax incentives under the NOR scheme include the following:

- Individuals are not subject to tax on the portion of Singapore employment income that corresponds to the number of days the individual has spent outside Singapore for business purposes pursuant to his/her Singapore employment, provided: (1) the individual spends at least 90 business days outside Singapore for business purposes pursuant to the Singapore employment; and (2) the employee's annual Singapore employment income is at least SGD 160,000.

The IRAS has also ruled that the individual must be employed by a Singapore entity. In addition, where the tax on the apportioned income is below 10% of the employee's total employment income, the employee is subject to tax based on the floor rate of 10% of total employment income.

- The employer's contribution to a non-mandatory overseas pension fund or social security scheme is tax exempt, subject to the CPF capping rules. To enjoy the exemption, however, the employee cannot be a Singaporean or a Singapore permanent resident, the employee must derive a minimum annual Singapore employment income of SGD 160,000 and the employer must not claim a tax deduction for the contributions up to the NOR cap.

Area-representative status, which the IRAS grants to employees of nonresident companies with a representative office in Singapore, can reduce taxes considerably for expatriate employees who perform a major part of their responsibilities outside Singapore. Such individuals are taxed on the total taxable income prorated for the number of days they are physically in the country. However, benefits in kind such as housing provided in Singapore are fully taxable.

6.3 Inheritance and gift tax

There are no inheritance or gift taxes in Singapore.

6.4 Net wealth tax

There is no net wealth tax in Singapore.

6.5 Real property tax

Property tax is levied annually on the owner of immovable property at a progressive rate of 0%, 4% or 6% for owner-occupied residential property and 10% for other property. An exemption may be granted for land under certain development. 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.

6.6 Social security contributions

Social security contributions are applicable to individuals who are Singapore citizens or permanent residents (an immigration status) and who are exercising employment in Singapore. Contributions are payable to the CPF based on a percentage of the employee's total remuneration i.e. ordinary wages and additional wages, received in monetary form. The employer's statutory contribution rate to CPF is currently 16%, subject to a monthly ordinary wage ceiling of SGD 5,000 and the additional wage ceiling for 2012 is SGD 85,000 less total ordinary wages subject to CPF for 2012. The employee's contribution rate is 20% and is deducted from monthly salary. The contribution is remitted by the employer (in respect of its own liability and that of the employee).

6.7 Other taxes

Stamp duty is chargeable on a lease or agreement for a lease of immovable property with annual rents exceeding SGD 12,000. Leases with annual rents not exceeding SGD 1,000 are exempt. The 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. With effect from 8 December 2011, additional buyer's stamp duty is payable by certain individuals who buy or acquire residential property (including residential land). The additional buyer's stamp duty will be 3% or 10%, depending on the category of buyers and is computed on the total price or market value of the property. Seller's stamp duty of 4% to 16% is payable on disposals of residential property, depending on the holding period. However, seller's stamp duty should not apply if the property was acquired before 20 February 2010.

The buyer's stamp duty on the acquisition of stock and shares is 0.2% of the amount or value of the consideration, whichever is higher. Transfer of scripless shares listed on the Singapore Stock Exchange, however, is not subject to stamp duty.

6.8 Compliance

The income tax year for individuals is the calendar year, with tax computed on a preceding year basis, i.e. the tax liability for a year of assessment is calculated on income accrued, derived or received in Singapore in the preceding calendar year. 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 apply for failure to comply.

7.0 Labor environment

7.1 Employee rights and remuneration

The Employment Act sets out standards on working conditions and mandatory benefits for all non-executive workers. The terms and conditions of service in large firms are usually negotiated between unions and management and are incorporated into agreements. The act also limits overtime, defines an employee and a contract of service, and covers worker's entitlement to core benefits. For employees with more than three years' service, the Employment Act allows retrenchment benefits to be claimed.

Employers carrying out a reorganization involving the transfer of workers to a new company must inform the workers in advance; workers must be guaranteed to be no worse off after the transfer. Union recognition also continues with the transfer. If the union has only minority representation, the issue may be settled in consultation with the Commissioner of Labor.

7.2 Wages and benefits

Singapore has no statutory minimum wage, but the National Wage Council (NWC) recommends national guidelines for annual wage adjustments. It is reviewed every two or three years, and it allows for a small annual pay increase based on the NWC's recommendations.

The Employment Act stipulates several mandatory fringe benefits (applicable to workmen earning less than SGD 4,500 per month and employees earning less than SGD 2,000 per month). Major benefits include the following:

- An employee is entitled to seven days of holiday for the first year of service, plus one additional day (up to 14) for each year employed thereafter. Annual leave must be taken within the year following the year when the holiday leave is earned and prorated if the employee has completed at least three months of service.
- There are 11 paid public holidays: New Year's Day, Chinese New Year (two days), Hari Raya Puasa and Hari Raya Haji (Malay holidays), Good Friday, Labour Day, Vesak Day (a Buddhist holiday), National Day, Deepavali (also called Diwali, a Hindu holiday) and Christmas Day.
- Employers must provide sick leave of at least 14 days (or up to 60 days for hospitalisation) if an employee has served at least six months.
- The Work Injury Compensation Act replaced the Workmen's Compensation Act as from 1 April 2008. The Work Injury Compensation Act covers all employees in general who are engaged under a contract of service or apprenticeship, regardless of salary. The minimum cover for a fatal accident is SGD 47,000 and the maximum is SGD 140,000; total permanent incapacity is subject to a minimum of SGD 60,000 and a maximum of SGD 180,000, multiplied by a percentage loss of earning capacity.
- Statutory maternity leave is 16 weeks for eligible female employees. The cost of the last 8 weeks for married working mothers who have worked at least 90 days before the date of delivery and whose child is a Singapore citizen is funded by the government, subject to a cap of SGD 20,000 (for the first and second child) and the cost of the full 16 weeks of maternity is funded by the government, subject to a cap of SGD 40,000 (for the third and fourth children).

7.3 Pensions and social security

The CPF is a compulsory savings program for all employers and employees who are Singapore citizens or permanent residents that provides retirement and medical benefits. Members may also use their funds to purchase homes and may direct most of their monthly contribution to pay mortgage installments. Foreign employees and their employers are exempt from CPF contributions. Foreign employees who become permanent residents of Singapore are required to make CPF contributions in addition to their employers' contributions.

7.4 Termination of employment

In the absence of any agreed notice period in a collective bargaining agreement, the Employment Act requires the following minimum notice periods for terminating employment: an employee must receive one day's notice for fewer than 26 weeks of service; one week's notice for 26 weeks to two years of service; two weeks' notice for two to five years of service; and four weeks' notice for five years of service or longer. For executives, three months' written notice by either side or three months' pay in lieu of notice is usually required.

In the case of "non-economic" dismissal, employees who believe they have been wrongfully dismissed may appeal, within one month of the dismissal, to the Minister for Manpower. The latter has the authority to order reinstatement or direct the employer to pay compensation if warranted.

Provisions for retrenchment benefits are usually included in collective bargaining agreements. The norm is one or two months' salary for each completed year of service. Those with less than three years of service are usually granted a lump-sum payment. Where there is a dispute over retrenchment benefits stipulated in a collective agreement or in the terms and conditions of employment, it may be referred to the Commissioner of Labor for conciliation and to the Industrial Arbitration Court for arbitration.

7.5 Labor-management relations

Most workers in large industrial plants and offices are unionized. Collective bargaining, covered under the Industrial Relations Act, normally occurs on a company-by-company basis and covers all employees in a firm except managerial, executive and confidential staff. Agreements generally include provisions covering bonuses, vacations, sick and maternity leave, other grounds for leave, medical benefits, shift premiums, the standard working week, overtime, uniforms (if necessary), transport, salary schedules, wages, annual increments and severance pay.

Although strikes are rare, labor disputes do occur. The Industrial Relations Act provides a framework for resolving disputes. The Conciliation Section of the Labor Relations Department of the Ministry of Manpower is responsible for the mediation or conciliation of labor disputes. If mediation efforts fail, the dispute is referred to the Industrial Arbitration Court. The act also outlines the types of industrial disputes that are legitimate grounds for industrial action. Matters not considered grounds for an industrial action include management prerogatives, such as promotions, transfers, recruitment, termination for reasons of reorganization or redundancy, dismissals and reinstatements and the assignment or allocation of duties.

7.6 Employment of foreigners

The government has an open-door policy and welcomes foreign talent. Recognizing the constraint of a small population and the need to become more competitive, the government continues to attract foreign personnel. The Singapore Talent Recruitment (STAR) Committee, a multi-ministry team, oversees the effort to develop Singapore into a hub for international talent while maintaining social cohesiveness and national resilience.

Applications for foreign workers should be directed to the Foreign Manpower Employment Division of the Ministry of Manpower. Firms applying for work permits for foreign workers can expect a reply within seven working days. Four types of foreign work permits are available:

- “P” passes are issued to those holding administrative, professional and managerial jobs, including entrepreneurs, investors and specialists. An employee’s basic monthly salary must be SGD 8,000 or more to obtain a P1 pass, and SGD 4,500 – SGD 8,000 for a P2 pass.
- “Q” passes are for skilled workers and technicians. An employee must possess an acceptable degree, professional qualifications or specialist skills and earn a basic monthly salary over SGD 3,000 to obtain a Q1 pass.
- “S” passes are issued in exceptional cases to skilled foreigners who do not meet the requirements for the regular “Q” passes. The “S” pass requires a minimum monthly salary of SGD 2,000 and is subject to a quota and a levy.

Different sectors have different maximum permissible levels of foreign staff with work permits (called the dependency ratio ceiling).

8.0 Deloitte International Tax Source

Professionals of the member firms of Deloitte Touche Tohmatsu Limited have created the Deloitte International Tax Source (DITS), an online resource that assists multinational companies in operating globally, placing up-to-date worldwide tax rates and other crucial tax material within easy reach 24/7.

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