



A General Overview of Singapore's Tax System

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Introduction

Singapore's global economic standing, stable political landscape, strong legal system, business-friendly policies, skilled labour force, and support for innovation, among other factors, have placed the island nation among the most successful countries in the world in attracting foreign investment.

As a global financial hub, Singapore has a robust financial infrastructure to support companies in their growth and regional expansion. With its excellent connectivity providing easy access to emerging markets, Singapore has positioned itself as a launchpad for doing business in Asia. It also has a vibrant entrepreneurial ecosystem whereby start-ups are nurtured through pro-innovation government policies, easy access to angel funding, and a strong technical infrastructure.

While there are many factors that drive investment decisions, a country's tax system does play a key role in influencing such decisions. This can be seen from the fact that regulations relating to paying taxes is one of the indicators for ranking countries in the World Bank's Doing Business report. This article provides a broad overview of the Singapore tax system for companies looking to invest in Singapore.

Corporate Income Tax

Scope of Taxation

Under Singapore's territorial basis of taxation, a company's income accruing in or derived from Singapore or received in Singapore from outside Singapore is taxable. This applies to both resident and non-resident companies unless certain exceptions apply.

1. remitted to, transmitted, or brought into Singapore;
2. applied in or towards satisfaction of any debt incurred in respect of a trade or business carried on in Singapore; or
3. applied to purchase any movable property which is brought into Singapore.

However, foreign dividends, overseas branch profits, and foreign-sourced service income received by a resident company are not taxable if the following conditions are met:

1. The highest corporate tax rate (headline tax rate) of the foreign country from which income is received is at least 15 per cent in the year the income is received.
2. The foreign income had been subjected to tax in the foreign country from which it was received.

Income tax is levied only on "income", which means gains of a capital nature are not taxable in Singapore. However, capital gains that are derived from activities of a trade or business carried on in Singapore may be deemed to be in the nature of income and hence subject to income tax.

There is certainty for non-taxation of gains on disposal of ordinary shares in investee companies if prior to the disposal, the investee company was held continuously for at least 24 months with at least 20 per cent ordinary shareholdings. This tax certainty is applicable for disposal of ordinary shares up to 31 May 2022.

Tax Residency

Residents and non-residents are subject to tax at the same corporate tax rate. However, a tax resident enjoys several tax benefits that are not afforded to non-resident businesses. For example, the tax exemption on certain foreign-sourced income and the tax exemption scheme for new start-up companies are only available to resident companies. A resident company can also make use of the benefits afforded under Singapore's wide tax treaty network, such as enjoying a lower withholding tax rate on certain foreign income derived from a jurisdiction with which Singapore has concluded a tax treaty.

A company is regarded as a resident if its management and control is exercised in Singapore. Generally, a company may be considered as exercising its powers of management and control in Singapore if its board of directors meets in Singapore to make strategic decisions.

Tax Year

The year of assessment (YA) is the year in which income tax is calculated and charged. The basis period is the period of income relevant to the YA.

Singapore has a preceding-year basis of taxation, which means that the basis period for any YA is the calendar year preceding that YA. For example, in YA 2019, the income that is being assessed for tax will be the income earned during the basis period from 1 January 2018 to 31 December 2018.

Companies are allowed to adopt a different financial year other than a calendar year. For example, for a company with a June financial year-end, the income assessable to tax in YA 2019 will be the income earned during the basis period from 1 July 2017 to 30 June 2018.

The corporate tax rate for both resident and non-resident companies is 17 per cent.

Under the partial tax exemption scheme, 75 per cent of a company's first SGD10,000 of chargeable income and 50 per cent of the next SGD290,000 of chargeable income shall be exempted from tax. There are no qualifying conditions for this exemption scheme.

With effect from YA 2020, the partial tax exemption will be revised such that 75 per cent of the first SGD10,000 of chargeable income and 50 per cent of the next SGD190,000 of chargeable income shall be exempted from tax.

Qualifying new start-up companies, except for investment holding companies and property developers, can enjoy the start-up tax exemption (SUTE) scheme which provides for a full tax exemption on the first SGD100,000 of chargeable income and a tax exemption on 50 per cent of the next SGD200,000 of chargeable income for the first three years of assessment.

With effect from YA 2020, the SUTE scheme will also be revised such that 75 per cent of the first SGD100,000 of chargeable income and 50 per cent of the next SGD100,000 of chargeable income shall be exempted from tax.

To qualify for SUTE, the company must meet the following conditions:

1. It is incorporated in Singapore.
2. It is a tax resident in Singapore for that YA.
3. It has no more than 20 shareholders throughout the basis period for that YA, where all of the shareholders are individuals or at least one shareholder is an individual holding at least 10 per cent of the issued ordinary shares of the company.

For YAs 2018 and 2019, companies are given a tax rebate computed at 40 per cent and 20 per cent of the corporate income tax payable, capped at SGD15,000 and SGD10,000 respectively. The tax rebate is granted to all companies regardless of their tax residency status.

Determining Taxable Income

Tax Deductions

Tax deductions are allowed for revenue expenditure wholly incurred in the production of income unless such expenditure is specifically disallowed under the Income Tax Act. Depreciation and private car expenses are examples of disallowed expenses. In some cases, such as an investment holding company, the amount of revenue expenses that can be deducted is capped.

Expenditures that are capital in nature do not qualify for tax deduction. However, capital allowances (i.e. tax depreciation) can be claimed on certain types of capital expenditure, such as expenses incurred on acquiring qualifying plant and machinery for the purposes of a trade or business.

Similarly, subject to meeting certain conditions, writing down allowances over a period of 5 years, 10 years, or 15 years can be claimed on qualifying capital expenditure incurred in acquiring intellectual property rights (IPRs) up to the last day of the basis period for YA 2025.

Enhanced deductions are available for certain types of expenditure so as to incentivise companies to undertake certain activities that are considered as beneficial to the Singapore economy. For example, companies may claim double deductions on eligible expenses incurred on certain internationalisation activities, such as overseas business development trips and missions, overseas investment study trips and missions, and participating in overseas trade fairs.

Tax Losses

Any capital allowances, tax losses, or donations that cannot be fully offset by the taxable profits of a YA may be carried forward to be set off against future taxable profits.

There is no expiry to the carry forward of unabsorbed capital allowances and tax losses as long as the ultimate shareholders remain substantially the same as at certain specified dates. For the carry forward of unutilised capital allowances, there is an additional requirement that the taxpayer carries on the same business for which the capital allowances arose.

For the carry forward of unabsorbed donations, the same ultimate shareholders requirement applies but unabsorbed donations not utilised within five years will be forfeited.

Unabsorbed capital allowances and tax losses of up to SGD100,000 can also be carried back to the preceding YA to offset the assessable income of that YA. The substantial shareholding requirement and the additional same business requirement for capital allowances also apply to carry back.

Group Consolidation

Under the group relief system, the current year unabsorbed capital allowances, tax losses, or donations of one company may be used by another company in the same group. A group refers to a Singapore incorporated parent and all its Singapore incorporated subsidiaries which are directly or indirectly held through another Singapore subsidiary with at least 75 per cent shareholdings. A formal application, at the point of submitting the tax returns, is required to be made by the transferor and claimant companies for group relief.

Tax Administration

Estimated Chargeable Income

A company has to submit an estimate of its chargeable income known as Estimated Chargeable Income (ECI) within three months after a company's financial year end.

For companies with a financial year ending in or after July 2017, the filing of ECI is waived for that and subsequent YAs if both conditions below are satisfied for any YA:

1. Annual revenue is not more than SGD 5 million for the financial year.
2. ECI is NIL for the YA.

Tax Return Filing

The income tax return, Form C, must be filed by 30 November of the YA. For small companies with an annual turnover not exceeding SGD5 million, a simplified income tax return, Form C-S, can be filed, subject to meeting other conditions. If the forms are e-filed, the deadline will be extended to 15 December of the YA.

Tax Payment

Companies are given up to a month from the date of the Notice of Assessment (NOA) to pay the tax liability. If a company wishes to object to the NOA, it has 2 months from the date of the NOA to do so.

Personal Income Tax

Scope of Taxation

Individuals are taxed on income accrued in or derived from Singapore. Income sourced outside Singapore is not taxable, even if such income is received into Singapore (except received through a Singapore partnership). This applies to both tax residents and non-residents.

Non-residents who are employed in Singapore for 60 days or less in a calendar year are exempted from tax on the employment income derived from that short-term employment. This tax exemption is not applicable to a company director, public entertainer, or an independent professional exercising a profession in Singapore.

Residency

An individual is treated as a tax resident if he or she resides in Singapore, or is physically present or exercises an employment in Singapore for at least 183 days in a calendar year.

Under an administration concession, individuals who have worked or stayed in Singapore for at least 183 days continuously over two calendar years can be treated as tax residents in both years. This concession does not apply to directors, public entertainers, or independent professionals.

Tax Rates

A tax resident's income is subject to progressive tax rates, ranging from 0 to 22 per cent, depending on the level of chargeable income of the individual. The highest individual tax rate of 22 per cent will be imposed on chargeable income in excess of SGD320,000.

Non-residents are subject to tax on their employment income at a flat rate of 15 per cent or the resident rate, whichever is higher. Other non-employment income, such as director's fee, derived by non-residents is taxed at 22 per cent.

Only a tax resident is entitled to claim personal reliefs (such as spouse relief, child relief, etc.) against his or her income.

For YA 2019, a personal income tax rebate of 50% of tax payable, capped at SGD200 will be granted to all tax resident individuals.

Not Ordinarily Resident (NOR) Scheme

A foreigner who is deputed to Singapore with regional responsibilities and travels overseas regularly to discharge his or her regional duties can seek to benefit from the Not Ordinarily Resident (NOR) scheme that confers certain tax concessions.

However, the NOR Scheme will lapse after YA 2020 and the last NOR status will be granted for YA 2020 and expire in YA 2024.

There are two eligibility requirements under the NOR scheme. Firstly, the individual must be a tax resident in the YA in which he or she is applying for the NOR status. Secondly, he or she needs to be a non-resident for the past three YAs before the YA in which he or she is applying for the NOR status. If granted, the NOR status will be for five consecutive YAs.

There are two concessions under the NOR scheme. Firstly, the income attributable to periods that the individual is out of Singapore for business purposes can be tax exempt, but the overall tax

liability is subject to a minimum floor effective tax rate of 10 per cent. provided the employer does not claim a tax deduction for the corresponding amount.

Secondly, any contributions made by the employer to the individual's non-mandatory overseas pension fund or social security scheme can be tax exempted up to a certain amount. Each of these concessions has its own conditions that need to be fulfilled.

Tax Administration

The due date for paper filing and e-filing for personal income tax is 15 April and 18 April of the YA, respectively.

Individuals are given up to a month from the date of the NOA to pay the tax liability. Individuals may also opt to pay their income taxes via GIRO to enjoy interest-free instalment(s) for up to 12 months. An individual has up to 30 days from the date of the NOA to file an objection to the NOA.

Withholding Tax

Categories of Income or Payments	WHT Rates (%)
Interest, commission, fee, or other payment in connection with any loan or indebtedness	15%
Royalties or other lump sum payments for the use or the right to use movable properties	10%
Royalties or other lump sum payments for the use or the right to use movable properties	10%
Rent or other payments for the use of movable properties	15%
Management fees, technical assistance and service fees	17%
Director's fee	22%
Payments to non-resident professionals	15% on gross income or 22% on net income

Singapore does not levy any WHT on dividends and remittance of branch profits.

Transfer Pricing

Singapore adopts the internationally accepted arm's length principle to guide transfer pricing (TP). The Inland Revenue Authority of Singapore (IRAS) expects taxpayers to be able to support with documentation that they have concluded all related party transactions on an arm's length basis.

It is mandatory to prepare contemporaneous TP documentation if certain conditions are met. From YA 2018, certain details of related party transactions must be reported by completing a prescribed form if the value of the related party transactions in the audited accounts for the relevant financial year exceeds SGD15 million. Taxpayers must submit the form together with their income tax return, Form C.

Multinational enterprises whose ultimate parent entity is a tax resident in Singapore are required to prepare and file country-by-country reports for financial years beginning on or after 1 January 2017 if the consolidated group revenue in the preceding financial year is at least SGD1,125 million.

Taxpayers may consider applying for advance pricing agreements (APAs) to avoid TP disputes. There are three types of APAs, namely, unilateral, bilateral, and multilateral APAs. All taxpayers can apply for APAs, while only Singapore tax residents can apply for bilateral and multilateral APAs.

Goods and Services Tax (GST)

Goods and Services Tax, or GST, is levied on the import of goods and most supplies of goods and services in Singapore. The Singapore Customs collects GST at the point when goods are imported into Singapore.

A supply of goods and services can either be a taxable supply or an exempt supply. A person registered for GST in Singapore is required to charge GST on taxable supplies. A taxable supply can either be standard rated or zero rated. The current GST rate for standard rated supplies is 7 per cent.

Exported goods and provision of international services are zero rated. Certain specific transactions, such as the provision of most financial services and the sale of residential properties, are exempted from GST.

A GST registered person can claim the GST incurred on business purchases and expenses (known as input tax) if the conditions for claiming input tax are satisfied.

It is compulsory for a business to register for GST if at the end of every calendar quarter the taxable turnover for the past 12 months exceeds SGD1 million. Starting from the calendar year 2019, the taxable turnover threshold of SGD1 million will be determined at the end of each calendar year (i.e. 31 December) rather than at each calendar quarter.

In addition, compulsory GST registration is also required if there is certainty at any point of time that the taxable turnover is expected to be above SGD1 million for the next 12 months. Taxpayers can also voluntarily register for GST subject to fulfilling certain conditions.

Under current GST rules, services from a supplier who originates from Singapore are subject to GST, but for a supplier that is supplying similar services and originates from outside Singapore, the services are not subject to GST. To level the playing field, GST on imported services will be implemented starting from the year 2020.

Tax Incentives

Singapore uses tax incentives to promote quality investment in certain business activities that provide significant and meaningful contributions to the growth of Singapore's economy, technological advancement, and innovation. It is a requirement that incentive applicants must carry out substantial business activities in Singapore besides meeting other conditions.

The tax incentives are legislated, and the approving authority is usually vested with statutory bodies such as Enterprise Singapore (ES), the Economic Development Board (EDB), the Monetary Authority of Singapore (MAS), and the Maritime and Port Authority of Singapore (MPA).

Some key tax incentives are listed below:

Incentive	Benefits
Pioneer Certificate (PC) and Development Expansion Incentives (DEI)	Corporate tax exemption or a concessionary tax rate of 5% or 10% on income derived from qualifying activities, including pioneering or expanded activities in Singapore. The award of PC or DEI may also be accompanied with the International Headquarter Award status for companies to anchor their global or regional headquarters activities of managing, coordinating, and controlling business activities in Singapore.
Finance & Treasury Centre (FTC) Incentive	Concessionary tax rate of 8% on income derived from qualifying FTC services. Withholding tax exemption on interest payments is granted if the funds are used for approved qualifying activities or services.
Financial Sector Incentive (FSI)	Concessionary tax rates of between 5% to 13.5% on income from qualifying financial activities such as banking, insurance, fund management, financial, and investment advisory services.
Global Trader Programme (GTP)	Concessionary tax rate of 5% or 10% on qualifying income from physical trading, brokering of physical trades, and derivative trading income.
Intellectual Property Development (IDI)	Reduced tax rate on intellectual property related income arising from research and development activities.

Avoidance of Double Taxation Agreements

Singapore has comprehensive avoidance of double taxation agreements (DTAs) with over 80 foreign jurisdictions:

Regions	Countries
Asia Pacific	Australia, Bangladesh, Brunei, Cambodia, China, Ethiopia, Fiji, India, Indonesia, Japan, Kazakhstan, Republic of Korea, Laos, Malaysia, Mongolia, Myanmar, New Zealand, Pakistan, Papua New Guinea, Philippines, Sri Lanka, Taiwan, Thailand, Uzbekistan, Vietnam
Africa	Egypt, Ethiopia, Libya, Mauritius, Morocco, Nigeria, Rwanda, Seychelles, South Africa Signed but not ratified: Gabon, Ghana, Kenya, Tunisia
Middle-East	Bahrain, Israel, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates
Americas	Barbados, Canada, Mexico, Ecuador, Panama, Uruguay Signed but not ratified: Brazil
Europe	Albania, Austria, Belarus, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Guernsey, Hungary, Ireland, Isle of Man, Italy, Jersey, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, San Marino, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom

Source: Inland Revenue Authority of Singapore, 2019

Others

Stamp Duty

Stamp duty is a tax on dutiable documents relating to any immovable property in Singapore and any stock or shares. Some common dutiable documents that are chargeable with stamp duty are

1. transfer documents for the purchase or acquisition of immovable properties;
 2. contracts or agreements (e.g. sale and purchase agreements) and transfer instruments for the purchase or acquisition of shares; and
 3. agreements for the lease of immovable properties (including any furniture, chattels, fittings, or equipment).
- Stamping of a dutiable document must be done within 14 days after

signing the document if it is signed in Singapore or within 30 days after receiving the document in Singapore if the document was signed overseas.

Estate/Inheritance Tax

Estate duty is not applicable to deaths on and beyond 15 February 2008. Singapore also does not have inheritance tax.

Excise and Import Duties

Singapore is essentially a free port. Excise and import duties are levied only on four categories of goods: intoxicating liquors, tobacco products, motor vehicles, and petroleum products & biodiesel blends.



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