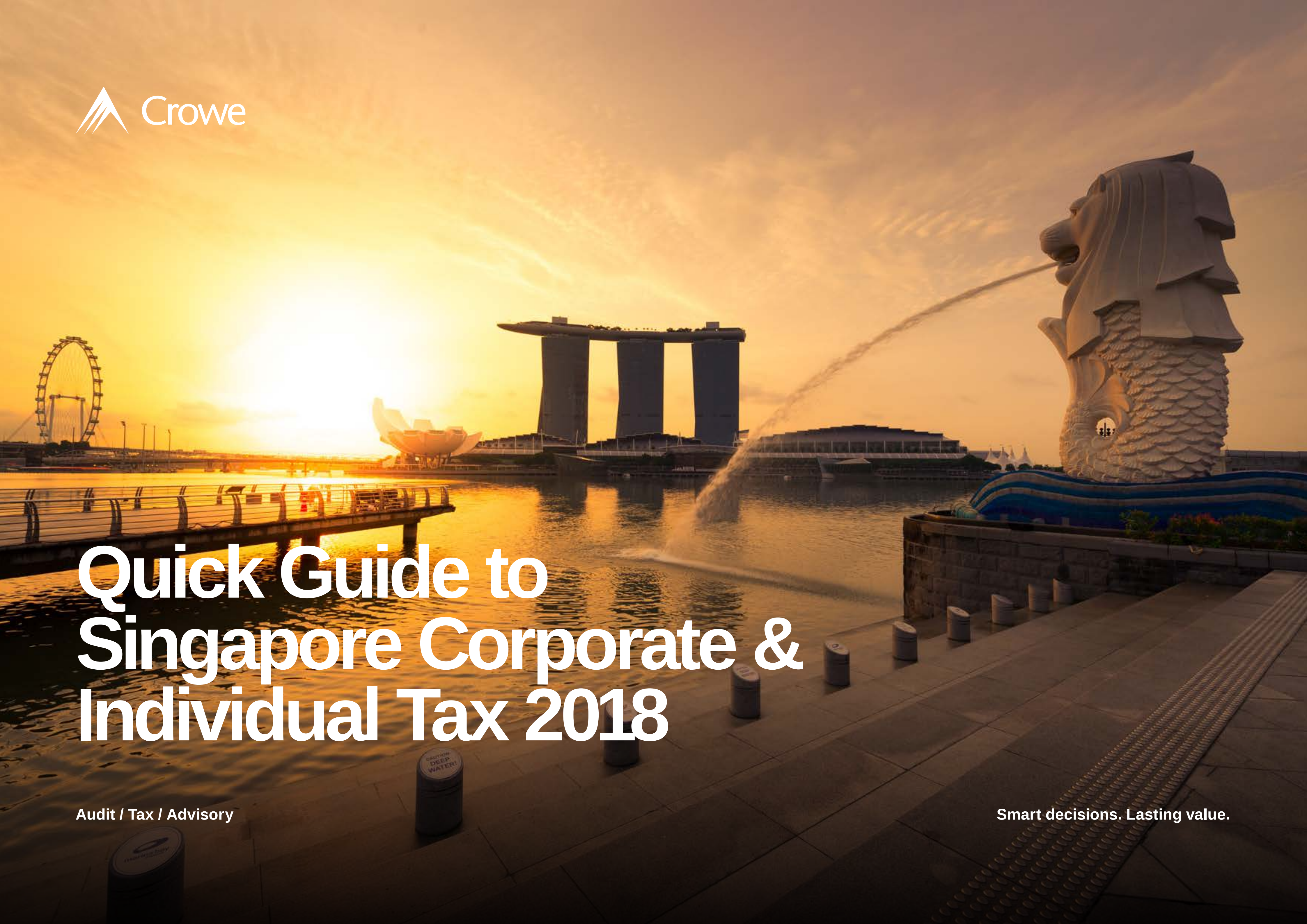

Crowe

Quick Guide to Singapore Corporate & Individual Tax 2018

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Contents

Liability to Tax

Singapore adopts a territorial basis of taxation in that income accrued in or derived from Singapore, or sourced outside Singapore but received or deemed received in Singapore, is taxable in Singapore subject to certain exceptions.

This applies to both **resident** and **non-resident** persons. Receipts that are capital in nature are not taxable.

The Income Tax Act (“ITA”) does not define what constitutes “income accruing in or derived from Singapore”. As such, guidance is sought from case law (judicial precedents) and the practice adopted by the Inland Revenue Authority of Singapore (“IRAS”).

In practice, IRAS applies the “operations test” to determine if income from a trade or business has been derived from Singapore.

Under the “operations test”, if the business operations are carried out in Singapore, then income derived from those operations is usually said to be sourced in Singapore and thus liable to tax in Singapore.

Under Section 12(1) of the ITA, the profits of a non-resident person carrying on a trade or business with only part of its operations in Singapore, shall be deemed to be derived from Singapore to the extent such profits are not directly attributable to the operations carried on outside Singapore.

All foreign sourced income received by individuals are exempted from tax.

A Singapore resident company can enjoy tax exemption on its foreign-sourced dividends, foreign branch profits and foreign-sourced service income remitted or deemed remitted to Singapore if certain conditions are met.

Tax Residency

Individuals

An individual is regarded as a tax resident if, in the year preceding the year of assessment, the individual resides in Singapore, except for temporary absences from Singapore considered reasonable and not consistent with a claim by such a person to be resident in Singapore.

In addition, a person who is physically present or or who exercises employment (other than that as a director of a company) in Singapore for 183 days or more during the year preceding the year of assessment is regarded as a Singapore tax resident.

Under an administrative concession, if an individual stays or works in Singapore for a continuous period of at least 183 days straddling over two years, the individual will be regarded as a tax resident for both the years. This concession applies to foreign employees and is not applicable to directors of a company, public entertainers or independent professionals.

Companies

A company is regarded as a resident in Singapore for tax purposes if its management and control are exercised in Singapore. What constitutes management and control is a question of degree and fact. As a general rule, the place where the directors of a company manage and control its business and hold their board meetings is the place where the company is deemed resident.

Tax Year

In Singapore, income tax is charged on a preceding year basis. This means that the income from any source for any year of assessment is measured by the income from that source in the preceding year.

Year of Assessment

The year of assessment (YA) is the year in which income tax is calculated and charged. Each year of assessment or statutory tax year begins on 1 January and ends on 31 December. Individuals are taxed on their income earned in the preceding calendar year. (e.g. Income earned in the calendar year 2017 will be taxed in YA2018.)

Basis Period

The basis period for a year assessment is the period of income relevant to the year of assessment.

The basis period for any year of assessment is the calendar year proceeding that year of assessment.

Companies are allowed to adopt a different financial year other than a calendar year. A different basis period applies to businesses whose accounts are made up to a date other than 31 December. This means that the basis period for such businesses for any year of assessment is the financial or accounting period ended in the preceding year.

Example
The basis period for the year of assessment 2018 is the period from 1 January 2017 to 31 December 2017 and it is the income of this period that is charged to tax in the year 2017.

Example
The basis period for the year of assessment 2018 for a company with a June year end is from 1 July 2016 to 30 June 2017. In this case, the income in the period 1 July 2016 to 30 June 2017 is subject to tax in the year of assessment 2018.

Corporate Tax Rate

The corporate tax rate is 17% for YA2018. In addition, 75% of up to the first S$10,000 and 50% of up to the next S$290,000 of a company's chargeable income is exempt from corporate tax for up to YA2019.

From YA2020, 75% of up to the first S$10,000 will still be exempt from tax, but 50% of up to the next S$190,000 is exempt from tax. The remaining chargeable income is taxed at 17%.

For a newly incorporated company, the first S$100,000 and 50% of up to the next S$200,000 of its normal chargeable income is eligible for tax exemption for each of its first three consecutive years of assessment up to YA2019.

From YA2020, the first S$100,000 and 50% of up to the next S$100,000 of the company's chargeable income is eligible for tax exemption.

To qualify for this exemption, a company must meet the following conditions:

- It is incorporated in Singapore;
- It is a tax resident of Singapore for the year of assessment of claim;
- It has no more than 20 shareholders throughout the basis period for that year of assessment; and
- There is at least one shareholder who is an individual beneficially and directly holding at least 10% of the issued ordinary shares of the company.

The preceding exemption for newly incorporated companies will not apply to the following companies incorporated after 25 February 2013:

- A company whose principal activity is that of investment holding; and
- A company whose principal activity is that of developing properties for sale, for investment, or for both investment and sale.

For YA2018, companies will receive a 40% Corporate Income Tax (CIT) rebate, capped at S$15,000. For YA2019, companies will receive a 20% CIT rebate, capped at S$10,000.

The CIT rebate is given to all companies regardless of tax residency status and eligibility for concessionary corporate tax rate, except for non-resident companies whose income are subjected to final withholding tax.

Individual Tax Rates

Individuals are taxed at progressive tax rates. For YA 2018, individual tax rates start at 0% and is capped at 22% (for income above S$320,00) for residents as follows:

Chargeable Income ($)			Rate (%)	Gross Tax Payable ($)
On the first **On the next**	20,000 10,000	@	0.0 2.0	0 200
On the first **On the next**	30,000 10,000	@	3.5	200 350
On the first **On the next**	40,000 40,000	@	7.0	500 2,800
On the first **On the next**	80,000 40,000	@	11.5	3,350 4,600
On the first **On the next**	120,000 40,000	@	15.0	7,950 6,000
On the first **On the next**	160,000 40,000	@	18.0	13,950 7,200
On the first **On the next**	200,000 40,000	@	19.0	21,150 7,600
On the first **On the next**	240,000 40,000	@	19.5	28,750 7,800
On the first **On the next**	280,000 40,000	@	20.0	36,550 8,000
On the first **On the next**	320,000 320,000	@	22.0	44,550

With effect from YA 2018, the total amount of personal reliefs that a tax resident can claim will be capped at $80,000 per year of assessment. Generally, non-resident individuals are taxed at a flat rate of 22%.

However, employment income is taxed at 15% or the resident rate, whichever is higher. With certain exceptions, short-term employment income from an employment exercised in Singapore 60 days or less can be exempt from tax.

Returns and Assessments

Companies

Estimated Chargeable Income (ECI)
All companies have to submit their ECI within three months from the end of their financial year end. ECI is an estimate of a company's chargeable income for a year of assessment. Companies with a financial year ending in or after July 2017, will not need to file ECI for a particular financial year if:

- the company's annual revenue is not more than $5 million for the financial year; and
- the ECI is nil.

Tax Returns
The income tax return, Form C, must be filed by 30 November of the year of assessment. For small companies with an annual turnover not exceeding S$5 million dollars, a simplified income tax return, Form C-S, can be filed, subject to meeting other conditions. If the Form C-S is e-filed, the deadline will be 15 December of the year of assessment.

Payment
A notice of assessment (NOA) based on estimated chargeable income furnished by the taxpayer is raised by the Comptroller of Income Tax. The tax payable under the assessment must be paid within one month from the date of the NOA issued. When the tax assessment is revised subsequently based on tax computations and returns filed, an amended or additional NOA is issued by the Comptroller of Income Tax.

Where the taxpayer disagrees with the assessment, an objection must be raised within two (2) months from the date of service of the NOA. In spite of any objection lodged against tax assessments, any additional tax payable must be paid within one month from the date of the NOA.

Individuals

Tax Returns
The income tax return, Form B1, must be filed by 15 April (for paper return) or 18 April (for e-filing) for the year of assessment.
Most taxpayers should receive a Notice of Assessment (NOA) for the Year of Assessment between end April and September.
Income tax is payable within one month from the date of the NOA. Taxpayers who pay their income tax by GIRO can however enjoy up to 12 monthly interest-free installments.

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The information presented in this document is as at 25 April 2018.

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