



Singapore's Tax Treaty Developments in 2017

Amendment to the Treatment of Capital Gains Under the India-Singapore Tax Treaty

The Protocol to the Avoidance of Double Taxation Agreement (DTA) between Singapore and India signed on 30 December 2016 gradually phases out the capital gains tax exemption on shares from 1 April 2017, following the same with the India-Mauritius DTA.

The tax treatment for gains on shares acquired on or after 1 April 2017 is as follows:

A. For gains that arise during 1 April 2017 to 31 March 2019

- Tax rate imposed on such gains will be limited to 50% of the tax rate applicable on such gains in the State in which the company whose shares are disposed is resident.
- Subject to specified conditions including expenditure on operations of the alienator (seller) in its residence State of at least S\$200,000 in Singapore or Indian Rs5,000,000 in India, as the case may be, for the immediately preceding period of 12 months from the date on which the gains arise.

B. For gains that arise after 31 March 2019:

- The gains will be taxable in the state in which the company whose shares are alienated (disposed or sold) is resident.

There is no change to the tax treatment for gains on shares acquired before 1 April 2017 i.e the gains arising from the alienation of such shares:

- Remain taxable only in the residence State of the alienator (i.e. exempted from tax in the State in which the company whose shares are alienated is resident).
- Subject to specified conditions including expenditure on operations of the alienator in its residence State of at least S\$200,000 in Singapore or Indian Rs5,000,000 in India, as the case may be, for each of the 12-month periods in the immediately preceding period of 24 months from the date on which the gains arise.

New Tax Treaties

The following DTAs signed by Singapore came into force in 2017 and will be effective from 1 January 2018:

Country	Date of Signing	Entry into Force	Effective Date
Cambodia	20 May 2016	29 December 2017	1 January 2018
Ethiopia	24 August 2016	8 December 2017	1 January 2018
Sri Lanka	3 April 2014	31 December 2017	1 January 2018
Uruguay	15 January 2015	14 March 2017	1 January 2018

The DTAs with Cambodia, Uruguay and Ethiopia are new treaties whereas the DTA with Sri Lanka is a revised agreement. All the DTAs include the internationally agreed standard for the exchange of information for tax purposes.

The withholding tax rates under the DTAs are as follows:

Country	Dividends ¹	Interest ²	Royalty
Cambodia	10%	10% (0%)	10%
Ethiopia	5%	5%	5%
Sri Lanka	7.5% or 10% ³	10% (0%)	10%
Uruguay	5% or 10% ⁴	10% (0%)	5% or 10% ⁵

Notes:

¹Since Singapore's domestic withholding rate for dividends is nil, dividends will be exempt from withholding tax in Singapore.

²The lower rates in brackets are available in certain approved situations (e.g. interest payments made to financial institutions and/or government bodies).

³The 7.5% rate is applicable if the beneficial owner of the dividends is a company which holds directly at least 25% of the capital of the company paying the dividends; Otherwise, the 10% rate is applicable.

⁴The 5% rate is applicable if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends, and 10% rate applies in all other cases.

⁵The 5% rate applies on royalties for the use of, or the right to use, any copyright of literary, artistic or scientific work, including cinematographic films, or films or tapes used for radio or television broadcasting; 10% rate applies in all other cases.

For more details, please refer to the full text of the DTAs, which are available on the IRAS website.

New Tax Treaties Signed but Not Ratified

New DTAs were signed with Ghana and Nigeria in 2017. These are currently awaiting ratification and do not have the force of law.

The withholding tax rates under the DTAs are as follows:

New/Revised	Date of Signing	Dividends ¹	Interest ²	Royalty
Nigeria	2 August 2017	7.5% (0%) ³	7.5% (0%)	7.5%
Ghana	31 March 2017	7% (0%) ⁴	7% (0%)	7%

Notes:

¹Since Singapore's domestic withholding rate for dividends is nil, dividends will be exempt from withholding tax in Singapore.

²The lower rates in brackets are available in certain approved situations (e.g. interest payments made to financial institutions and/or government bodies).

³The 0% rate applies to dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State in certain approved situations (e.g. if the beneficial owner of the dividends is the Government of Singapore).

⁴The 0% rate applies to dividends arising in a Contracting State and paid to the Government of the other Contracting State.

For more details, please refer to the full text of the DTAs, which are available on the IRAS website.

Second Protocol Amending the DTA Between Singapore and Latvia

Singapore signed a Protocol amending the Agreement for the Avoidance of Double Taxation with the Republic of Latvia on 20 April 2017. The Protocol has not entered into force yet.

The Protocol changes include, amongst others, lowering the withholding tax rates for dividends, interest and royalties as follows:

	Current Rate	Revised Rate Under the Second Protocol
Dividend	0% ⁴ / 5% ³ / 10% ³	0% ¹ / 10%
Interest	0% ⁵ / 10%	0% ² / 10%
Royalty	7.5%	5% ⁶

¹The 0% rate applies if the beneficial owner of the dividends is a company (other than a partnership)

²The 0% rate applies if the interest is paid to:

- (i) the Government of the other Contracting State who is the beneficial owner of the interest;
- (ii) a financial institution of the other Contracting State who is the beneficial owner of the interest;
- (iii) a company (other than a partnership) that is a resident of the other Contracting State who is the beneficial owner of the interest, where the interest is paid by a company that is a resident of the first-mentioned Contracting State; or
- (iv) a resident of the other Contracting State who is the beneficial owner of the interest, where the interest is paid in respect of a loan, debt-claim or credit that is guaranteed or insured by the Government of either Contracting State.

³The 5% rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the Company paying the dividends; 10% applies in all other cases.

⁴The Government of a Contracting State shall be exempt from tax (i.e. the 0% rate applies) in the other Contracting State with respect to dividends on shares in joint stock companies which are residents of that other State. However, such exemption shall not be given with respect to shares held other than for public purposes.

⁵The 0% rate applies only if the interest is paid to the governments of either of the contracting states who is the beneficial owner of such interest.

⁶The term "royalties" means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films, any patent, trade mark, design or model, plan, secret. formula or process, or for information concerning industrial, commercial or scientific experience.

For more details and other changes in the Protocol, please refer to the full texts of the DTA and Protocol, which are available on the IRAS website.



Contact Information

Sivakumar Saravan

Head of Tax & Corporate Services
siva.saravan@crowe.sg
Tel: +65 6221 0338 (815)

Crowe Horwath First Trust

8 Shenton Way
#05-01 AXA Tower
Singapore 068811

Tel: +65 6221 0338
Fax: +65 6221 1080

For more information,
scan QR code below:



About Us

Crowe Horwath First Trust ("Crowe") is one of the leading accounting and advisory services firms in Singapore. Under its core purpose of being the firm of choice for growing businesses looking for high quality and personalized service, Crowe assists clients in achieving their goals through audit, tax, advisory and outsourcing services.

Crowe serves clients worldwide as an independent member of Crowe Global, one of the largest global accounting networks in the world. The network consists of more than 200 independent accounting and advisory services firms in more than 130 countries around the world.

Disclaimer

This document has been prepared by Crowe Horwath First Trust Tax Pte Ltd and should be used as a general guide only. No reader should act solely upon any information contained in this document.

We recommend that professional advice be sought before taking action on specific issues and making significant business decisions. While every effort has been made to ensure the accuracy of the information contained herein, Crowe Horwath First Trust Tax Pte Ltd shall not be responsible whatsoever for any errors or omissions in it.

The information presented in this document is as at 10 January 2018.

© 2018 Crowe Horwath First Trust

www.crowe.sg