SINGAPORE TAXATION GUIDE FOR YA 2012

HIGHLIGHTS:

Corporate Tax: 0 - 17% max

Tax System: Single-tier corporate income tax system

Taxation on dividends: NONE

Capital gains tax: NONE

Estate duty: NONE

Foreign-sourced income: Tax-exempt

CONTENTS

This guide provides an overview of taxation in Singapore, along with practical insights and tips for individuals and companies to better manage and reduce their tax burdens.

CORPORATE TAX

Singapore, being a global business city, has one of the lowest corporate tax rates in the world. It also has a wide network of avoidance of double tax treaties as well as a host of tax schemes and incentives to help businesses to grow. Even though Singapore's corporate tax rate is 17%, the effective rate is much lower due to various exemptions available to established companies and new start-ups.

Singapore practices a single-tier corporate income tax system. Tax paid by a company on its income is the final tax and all dividends are exempt in the hands of shareholders from further taxation. (i.e. dividends are tax free).

For Singapore tax purposes, the tax residence of a company is practically determined by the location where the directors of the company hold their board meetings and exercise de facto control. Management and control, in the context of determining the resident status of a company, does not mean the management or control of day-to-day business operations but refers to the superior directing authority over the fundamental policies and decisions of the company.

Resident and non-resident companies are taxed on income accruing in or derived from Singapore as well as on foreign income remitted (actual or deemed) into Singapore. Remittance of specific foreign income (dividends, branch profits, services income) may be tax exempt when remitted by a resident company under certain conditions.

The Singapore revenue authority has also clarified that the use of foreign income to declare dividends, where such foreign income is not actually brought back to Singapore, will not trigger the deemed remittance provisions in the tax legislation. This effectively means that foreign income may be used to declare dividends to foreign shareholders without triggering Singapore income tax. (Conditions apply).

Dividends, branch profits and service income received by a Singapore resident company from a foreign jurisdiction with headline tax of at least 15% and which has suffered some tax (either by way of withholding tax or a tax on the underlying profits) will not be subject to Singapore tax.

In Singapore, the statutory Income for the Year of assessment is computed based on the income derived in the preceding calendar year (known as the basis year) from all sources. Singapore taxes income on territorial basis.

EXEMPTION - NEW STARTUP COMPANIES FOR FIRST THREE YEARS OF ASSESSMENT

*** Qualifying conditions:**

- *No more than 20 individual shareholders throughout basis period for that YA*
- *All of whom are individuals beneficially and directly holding the shares in their names; OR*
- *Where there are non-individual shareholders, at least 1 shareholder is an individual holding at least 10% of the shares.*

Chargeable Income ($)	Estimated Tax (S$)	Effective tax rate
100,000	0	0%
200,000	8,500	4.25%
300,000	17,000	5.67%
400,000	34,000	8.50%
500,000	51,000	10.20%
600,000	68,000	11.33%
700,000	85,000	12.14%
800,000	102,000	12.75%
900,000	119,000	13.22%
1,000,000	136,000	13.60%
5,000,000	816,000	16.32%
10,000,000	1,666,000	16.66%

ALL OTHER COMPANIES PARTIAL TAX EXEMPTION

Companies that do not meet the qualifying conditions would still be eligible for partial tax exemption.

TAX-FREE DIVIDEND

Tax paid by a company on its chargeable income is the final tax and all dividends paid to its shareholders are exempt from further taxation.

0%

Chargeable Income ($)	Estimated Tax (S$)	Effective tax rate
100,000	8,075	8.08%
200,000	16,575	8.29%
300,000	25,075	8.36%
400,000	42,075	10.52%
500,000	59,075	11.82%
600,000	76,075	12.68%
700,000	93,075	13.30%
800,000	110,075	13.76%
900,000	127,075	14.12%
1,000,000	144,075	14.41%
5,000,000	824,075	16.48%
10,000,000	1,674,075	16.74%

CAPITAL GAINS TAX

Capital gains and losses are not taxable or deductible in Singapore. Similarly, expenses of a capital nature are not deductible for income tax purposes. The IRAS will look at the facts and circumstances of the transaction to determine whether the gain is capital or trading in nature. Trading gains are subject to income tax.

CAPITAL ALLOWANCE

Capital gains and losses are not taxable or deductible in Singapore. Similarly, expenses of a capital nature are not deductible for income tax purposes. The IRAS will look at the facts and circumstances of the transaction to determine whether the gain is capital or trading in nature. Trading gains are subject to income tax.

Current year unused capital allowances can be carried back (up to a total of S$100,000 for both unused capital allowances and unused tax losses) to the YA immediately preceding the YA in which the capital allowance arose. The unused capital allowances can also be carried forward indefinitely. The utilisation of unused capital allowances carried back or carried forward is subject to the business continuity test and the shareholding test.

DEDUCTION OF LOSSES FROM TAXABLE INCOME

In general, a company can deduct losses against the income for taxation purposes in Singapore. Current year unused trade losses can be carried back (up to a total of S$100,000 for both unused capital allowances and unused tax losses) to the YA immediately preceding the YA in which the trade losses were incurred up. The unused tax losses can also be carried forward indefinitely, however, it must be deducted in the first available year where there is a statutory income. The carry back/forward of tax losses is subject to the same shareholding test for the carry back/forward of unused capital allowances.

TAX INCENTIVES

Singapore has a comprehensive list of tax incentives and development schemes to attract investments and to assist investors in expanding their businesses. Some hIghlights are detailed below.

The Regional and International Headquarters Awards encourage companies to use Singapore as a regional or global base. A customized package of tax incentives (such as Pioneer Incentive, Development and Expansion Incentive, Investment Allowances) and grants are given to qualifying companies.

The Pioneer Incentive encourages the introduction and growth of new industries in Singapore. A pioneer enterprise is granted full income tax exemption on its qualifying profits for up to 15 years.

Investors undertaking projects that will generate significant economic benefits for Singapore may apply for the Development and Expansion Incentive. The incentive provides preferential income tax rates on all qualifying profits above a pre-determined base, for a set period.

Companies investing into new equipment that introduces new technology to the industry or contributes to its efficiency can apply for Investment Allowances. This is a capital allowance given to partially offset the costs of acquiring qualifying equipment within a set period and is in addition to the normal tax depreciation.

The Approved Royalties Incentive encourages companies to transfer their cutting edge technology and knowhow to Singapore by providing full or partial withholding tax exemption for royalty payments or technical assistance fees payable to non-residents. Investors looking into developing or bringing new R&D capabilities can apply for the Research Incentive scheme. The project should result in an increase of hiring and training of research scientists and engineers in Singapore. The scheme provides grants to partially offset the R&D project costs incurred for manpower training, equipment investment, intellectual property management and professional services.

The Local Enterprise Finance Scheme (LEFS) is designed to assist and encourage companies (with at least 30% local ownership) to upgrade and expand their operations. LEFS loans are available for factories, machinery and working capital.

The Local Enterprise Technical Assistance Scheme (LETAS) encourages and assists companies (with at least 30% local ownership) in seeking external expertise to improve their operations. Generally, assistance provided is up to 50% of the cost of engaging an external expert to implement quality management and IT systems (e.g. ISO certification, upgrading computer systems).

AVOIDANCE OF DOUBLE TAXATION

Singapore's wide network of 69 comprehensive avoidance of double tax treaties (DTAs) means that it grants a tax credit for tax suffered in the treaty country. The tax credit granted is limited to the lower of the foreign tax suffered and the Singapore tax payable on that income. Singapore also grants a unilateral tax credit for certain income derived from countries that have not entered into tax treaties with Singapore. It must be noted that the benefits of DTAs are available only to Singapore resident companies/individuals and the resident companies /individuals of the treaty partner.

RELATED PARTY TRANSACTIONS

Singapore is now in the process of legislating the arm's length principle for related party transactions in the domestic tax law. This will give the IRAS the basis for making adjustments if it is of the opinion that the arms length principle is not applied appropriately by the taxpayer.

Applying the arm's length principle, related party loans should be charged interest rates that reflect the rates charged between unrelated parties under similar circumstances.

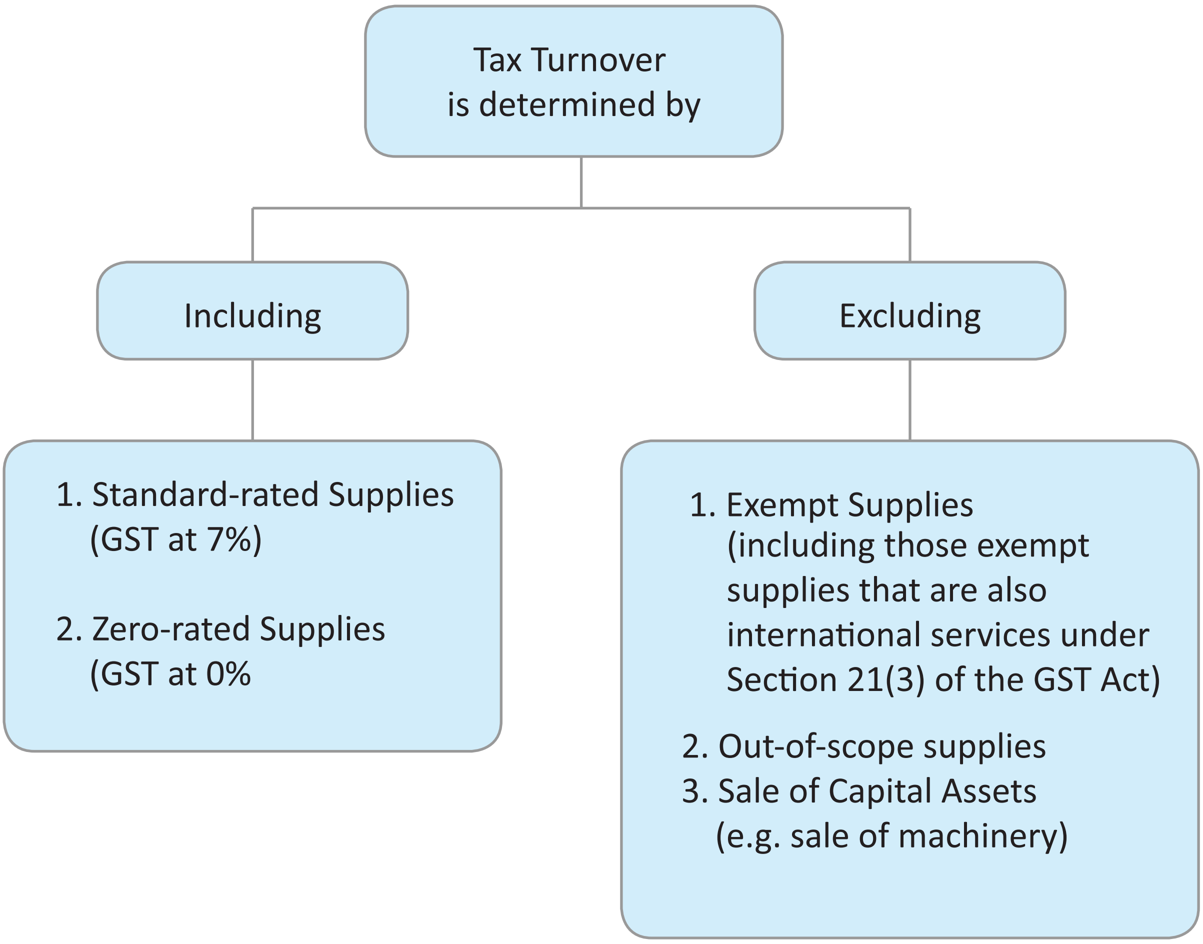
If the related party loan is between 2 domestic entities, IRAS will continue the practice of restricting the interest expense claimed on loans made to related entities that are interest-free or at interest rates not supported by transfer pricing analysis. If the related party loan is a cross-border loan, taxpayers should ensure compliance with the arm's length principle.

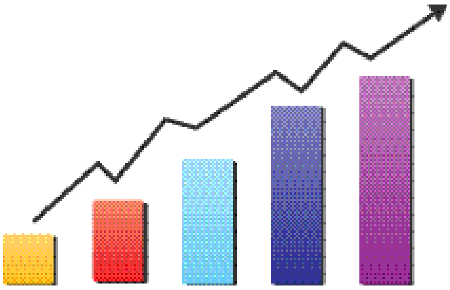
GOODS AND SERVICES TAX

Goods and Service Tax (GST), similar to the Value Added Tax (VAT) in many countries, is a consumption tax on most domestic goods and services. Singapore's GST is currently at 7%.

GST is exempted for the sale and lease of residential properties and most financial services. Export of goods and international services are not subject to GST. GST is collected by suppliers of domestic goods and services who are registered with the Comptroller of GST. For the import of goods, GST is collected by Singapore Customs at the point of importation into Singapore.

A supplier of goods and/or services, whose annual revenue exceeds or is likely to exceed S$1 million, is required to register with the Comptroller of GST. A supplier, whose revenue does not exceed S$1 million may voluntarily register with the Comptroller if it is beneficial to the business. The approval of such registrations is at the discretion of the Comptroller. Once voluntarily registered, the supplier must comply with the regulatory requirements and stay registered for a minimum of 2 years.





It pays to be productive

The Productivity and Innovation Credit (PIC) Scheme was first announced in Budget 2010 with the aim of encouraging enterprises to upgrade their capabilities by investing in a wide range of productivity and innovation-related activities. With effect of 2011, a tax deduction of 400% is claimable on the first S$400,000 spent for each of the qualifying PIC activities. If companies plan their PIC strategies well, they stand to save up to S$9.6 million in taxes per annum.This is possible as they can estimate their taxable income and make provisions for investments in qualifying activities at the time of annual budgeting. Companies can invest in any of the following 6 categories to take advantage of PIC.

Purchase / lease of PIC Automation Equipment
Includes computer, laptop, printer, fax machine, and office system software.

Training of Employees
Cost spent on internal Workforce Skills Qualification courses for staff's skills upgrading.

Acquisition of Intellectual Property
Cost of patented technology for use in manufacturing process; Price paid for trademark and copyrights.

Registration of Intellectual Property
Costs incurred to register patents, trademarks, designs and plant varieties

Research & Development
Salaries for R&D personnel and fees to R&D institutes for activities undertaken.

Approved Design Projects
Fees to engage in-house qualified designers or outsourced to approved design services providers to carry out approved design activities.

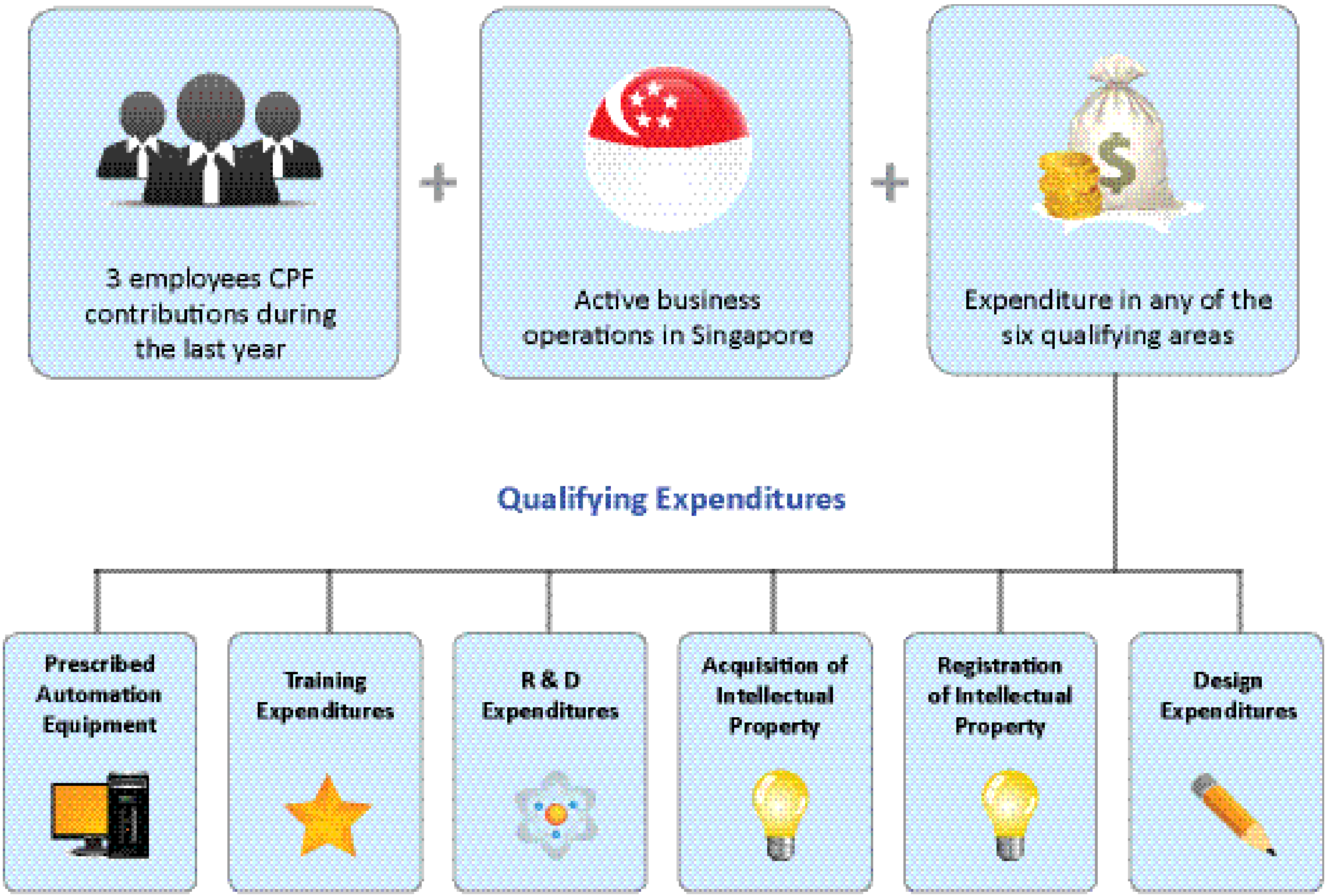
OPTION 1: PIC - CASH PAYOUT OF UP TO S$60,000

To support small and growing businesses which may be cash-constrained, to innovate and improve productivity, businesses can exercise an option to convert their expenditure into a non-taxable cash payout. They can convert up to S$100,000 (subject to a minimum of S$400) of their total expenditure in all the six qualifying activities into cash payouts.

- An eligible business can opt to convert 60% of qualifying PIC expenditure (capped at S$100,000) into a non-taxable cash payout, amounting to S$60,000 per YA.
- Claimable any time after the end of each financial quarter, but no later than the due date for the filing of its income tax returns for the relevant year. Businesses may obtain the first quarterly cash payout starting July 2012.

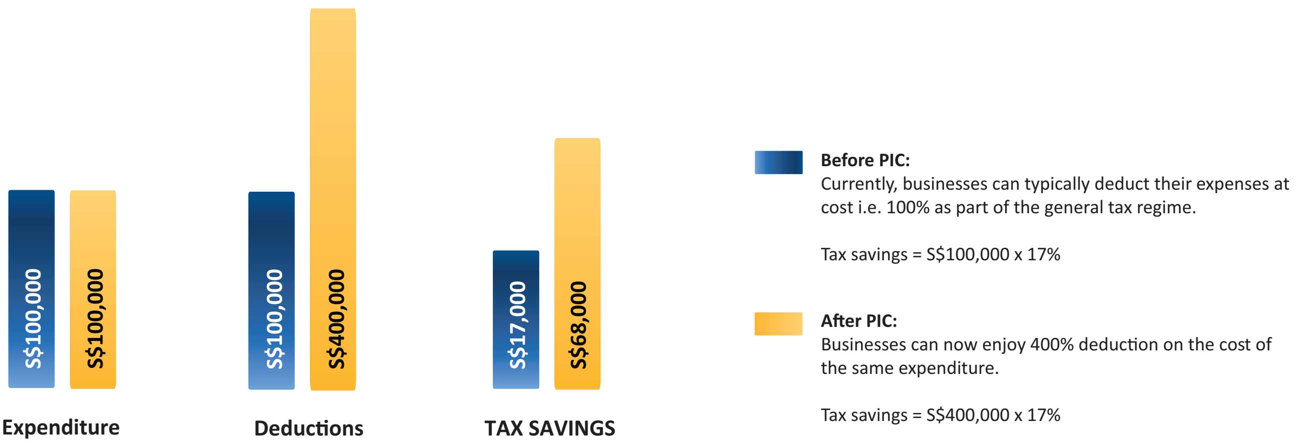
Eligibility criteria

Businesses that can opt for the cash payout are sole-proprietorships, partnerships, companies (including registered business trusts) that have:



OPTION 2: TAX CREDIT FOR UP TO S$800,000 FOR EACH QUALIFYING ACTIVITIES

The Productivity and Innovation Credit (PIC) Scheme has been further enhanced for Singapore Budget 2011. It is a scheme to provide tax incentives so as to encourage businesses to invest and upgrade along the innovation value chain. The table below outlines the benefits of the PIC:



Qualifying activities	Brief description of qualifying expenditures under the PIC	Total deductions/allowances under the PIC (as a % of qualifying expenditure)
Acquisition or Leasing of Prescribed Automation Equipment	Costs incurred to acquire/lease prescribed automation equipment	400% allowance or deduction for qualifying expenditure subject to the expenditure cap, 100% allowance or deduction for the balance expenditure exceeding the cap
Training Expenditure	Costs incurred on: In-house training (i.e. Singapore Workforce Development Agency ("WDA") certified, Institute of Technical Education ("ITE") certified; or All external training.	
Acquisition of Intellectual Property Rights ("IPRs")	Costs incurred to acquire IPRs for use in a trade or business (exclude EDB approved IPRs and IPRs relating to media and digital entertainment contents)	
Registration of Intellectual Property Rights ("IPRs")	Costs incurred to register patents, trademarks, designs and plant variety	
Design Expenditure	Costs incurred to create new products and industrial designs where the activities are primarily done in Singapore	
Research & Development ("R&D")	Costs incurred on staff, costs and consumables for qualifying R&D activities carried out in Singapore or overseas, if the R&D done overseas is related to the taxpayer's Singapore trade or business	400% tax deduction for qualifying expenditure subject to the expenditure cap*. For qualifying expenditure exceeding the cap for R&D done in Singapore, deduction will be 150%. For balance of all other expenses, including expenses for R&D done overseas, deduction will be 100%

Notes:

Total expenditure cap for YA 2011 and YA 2012 - $800,000 for each of the six qualifying activities.

Total expenditure cap for YA 2013 to YA 2015 - $1,200,000 for each of the six qualifying activities.

PRODUCTIVITY AND INNOVATION CREDIT CLAIMS CHART

Estimated Taxable Income	Estimated Tax Payable	Effective Tax Rate	Total Qualifying Expenditure (100%)	Total PIC Claim (400%)	Effective Tax Payable (after PIC claim)
100,000	8,075	8.1%	25,000	100,000	0
200,000	16,575	8.3%	50,000	200,000	0
300,000	25,075	8.4%	75,000	300,000	0
400,000	42,075	10.5%	100,000	400,000	0
500,000	59,075	11.8%	125,000	500,000	0
600,000	76,075	12.7%	150,000	600,000	0
700,000	93,075	13.3%	175,000	700,000	0
800,000	110,075	13.8%	200,000	800,000	0
900,000	127,075	14.1%	225,000	900,000	0
1,000,000	144,075	14.4%	250,000	1,000,000	0
2,000,000	314,075	15.7%	500,000	2,000,000	0
3,000,000	484,075	16.1%	750,000	3,000,000	0
4,000,000	654,075	16.4%	1,000,000	4,000,000	0
5,000,000	824,075	16.5%	1,250,000	5,000,000	0
6,000,000	994,075	16.6%	1,500,000	6,000,000	0
7,000,000	1,164,075	16.6%	1,750,000	7,000,000	0
8,000,000	1,334,075	16.7%	2,000,000	8,000,000	0
9,000,000	1,504,075	16.7%	2,250,000	9,000,000	0
9,600,000	1,606,075	16.7%	2,400,000	9,600,000	0

Note:

Number of qualifying activities	:	Six
Maximum qualifying expenditure for each category per year	:	S$ 400,000
Deductions claimable	:	400% of qualifying expenses
Total Amount Claimable with maximum utilization per year	:	S$ 9,600,000

STAMP DUTY AND PROPERTY TAX

Other taxes payable in Singapore include the stamp duty and property tax. Stamp duty is levied on legal instruments relating to the sale, mortgage or lease of immovable property and the sale or mortgage of stocks and shares. Meanwhile, property tax is levied on owners of immovable properties such as offices, factories, shops, houses and land.

Stamp Duty (Selected Transactions)		
Shares	Higher of consideration or Net Asset Value	$0.20 on every $100 or part thereof
Immovable Property*	First $180,000 of purchase price or Market Value (higher of)	1%
	Next $180,000 of purchase price or Market Value (higher of)	2%
	No Further Amounts	3%
Lease of Immovable Property	Annual rent or other consideration of $1,000 or less	Exempted
600,000	Annual rent or other consideration is more than $1,000 and has a term:	
700,000	- Less than 1 year	0.4%
800,000	- Between 1 and 3 years	0.8%
900,000	- Exceeds 3 years or has an indefinite term	1.6%
*Sellers' stamp duty of between 16%, 12%, 8% and 4% may be also applicable in respect of residential properties purchased on or after 14 Jan 2011 and disposed of within 1,2,3 and 4 years of purchase respectively.		

Property Tax (selected transactions)	
Industrial, Commercial and Let-out Residential Properties	10% of annual value

PERSONAL TAX

Personal tax Information – for Individuals

- The amount of income tax that you have to pay depends on your tax residency as well as your income range in Singapore.
- Top marginal resident tax rate of 20% kicks in at S$320,000 of taxable income.
- Non-residents are taxed at the flat rate of 15% or the resident rates whichever results in a higher tax amount.
- Income is assessed on a preceding calendar year basis, ending 31 December. You must File Your Annual Tax Form by 15 April of the following year. You can usually expect to receive the income tax bills (Notice of Tax Assessment) during the period May to August.
- Besides salaries and bonuses, perquisites such as housing and stock options will form part of your taxable employment income.
- Overseas income derived outside Singapore, Singapore dividends and bank interests are tax exempt in Singapore.
- Paying your taxes: Sign up for the 12-month interests free GIRO Deduction Plan to pay your income tax by instalments. Otherwise, full payment has to be made within one month from the date of the income tax bill.

Progressive Income Tax Rate for Resident Individuals

YEAR OF ASSESSMENT: 2012			
	Chargeable Income	Rate (%)	Gross Tax Payable ($)
On the first On the next	20,000 10,000	0.0 2	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.	550 2,800
On the first On the next On the next	80,000 40,000 40,000	- 11.5 15	3,350 4,600 6,000
On the first On the next On the next	160,000 40,000 120,000	- 17 18	13,950 6,800 21,600
On the first In excess of	320,000 320,000	- 20	42,350

Note: If you are a sole-proprietor or partnership, you can turn your expenses to savings! Simply claim the tax deduction/allowances under the PIC scheme for YA 2012.

PERSONAL TAX RELIEFS

		Year of Assessment 2012 (SGD)	Year of Assessment 2013 (SGD)
Earned income reliefs	- Under age 55 - 55 to age 59 - Age 60 and above	**1,000** **3,000** **4,000**	**1,000** **6,000** **8,000**
Handicapped earned income relief	- Under age 55 - 55 to age 59 - Age 60 and above	**2,000** **5,000** **6,000**	**4,000** **10,000** **12,000**
Spouse relief	To qualify, working spouse must not earn more than $2,000 in 2010, $4,000 in 2011/2012	**2,000**	**2,000**
Child relief		**4,000**	**4,000**
Dependent parents relief	- Living with the taxpayer in the same household (each parent) - Not living with the taxpayer in the same household (each parent)	**7,000** **4,500**	**7,000** **4,500**
Course fee relief		**5,500**	**5,500**
CPF cash top-up relief	- By self or employer to self's account - By self to spouse, sibling, parents' and grandparents' account	**Up to 7,000** **Up to 7,000**	**Up to 7,000** **Up to 7,000**
Foreign maid levy (applicable only to working mothers)	- Without foreign domestic worker concession - With foreign domestic worker concession	**Up to 6,360** **Up to 4,080**	**Up to 6,360** **Up to 4,080**
Grandparent caregiver relief		**3,000**	**3,000**
NSman (self/wife/parent) relief	- Inactive NSman in previous year (non-key appointment holder) - Active NSman in previous year (non-key appointment holder) - Inactive in NSman in previous year (key appointment holder) - Active in NSman in previous year (key appointment holder)	**1,500** **3,000** **3,500** **5,000**	**1,500** **3,000** **3,500** **5,000**
CPF relief	- Age 50 & below - Age 51 to 55 - Age 56 to 60 - Age 61 to 65 - Above 65	**Up to 16,200** **Up to 14,580** **Up to 10,125** **Up to 6,075** **Up to 4,050**	**Up to 16,200** **Up to 15,525** **Up to 10,850** **Up to 6,375** **Up to 4,250**
Supplementary Retirement Scheme (SRS) relief	- Singaporean / Singapore Permanent Resident - Foreigner	**Up to 12,750** **Up to 29,750**	**Up to 12,750** **Up to 29,750**

GLOBAL TRADER PROGRAMME

Launched in June 2001, Global Trader Programme (GTP), which encourages global trading companies to use Singapore as their regional base to conduct entire trade-related activities, from procurement to distribution, has been a major success. The programme was a merger of the approved oil trader (AOT) and the approved international trader (AIT) programmes, which started in 1989 and 1990 respectively.

This replacing of AOT and AIT by one comprehensive GTP allowed companies to trade a wider product portfolio of both energy and non-energy products and commodities. Earlier, AOT catered to the energy trading, while AIT was for non-energy commodities such as agri-commodities, chemicals and metals.

Today, more than 270 companies have GTP status in Singapore and enjoy a concessionary tax rate on qualifying trade income. These companies have benefited from Singapore's strategic location at world's major aviation and maritime routes, as well as it's proximity to raw-material and consumer markets.

To further develop international trade related activities in Singapore, International Enterprise (IE) Singapore has recently enhanced incentives under the GTP. The existing list of qualifying derivative instruments under the programme has been expanded to include all derivative instruments. It will apply to income from qualifying trades in the new qualifying derivative instruments from the year of assessment 2012.

Now, the list of qualifying products and commodities, which will be reviewed periodically, includes:

- petroleum and petroleum products
- agricultural commodities and bulk edible products
- building and industrial materials
- consumer products
- industrial products
- machinery components
- metals and minerals
- electronic and electrical products.

A new sunset clause, March 31, 2021, has also been introduced for the programme. All existing sunset clauses for the GTP enhancements will be aligned to the new common sunset clause at the scheme level (i.e. 31 March 2021). Now, companies can be approved as a GTP company, or as a GTP (Structured Commodity Finance) company, on or before March 31, 2021. The GTP company can enjoy benefits under the various enhancements during their award tenure of up to five years.

IE has incorporated these changes in GTP for strengthening Singapore's commodity markets, facilitate better risk management among GTP companies and generate spin-offs for the entire financial sector. Rest all provisions of the programme remains the same.

An approved GTP company is granted a concessionary rate of 5 or 10% on its qualifying offshore trading income. The qualifying transactions include principal trades with offshore parties or other GTP status companies on both the buy and sell legs of the transaction.

These physical trades may be:

- *offshore – goods does not pass through Singapore
- *trans-shipment – transferring cargo from one transport mode to another
- *re-export (only non-value added portion of re-export trade qualifies)

For attracting emerging high-growth international trading companies, IE grants them an initial, non-renewable 3-year GTP status. If during this period, the company establishes its global trading network and demonstrate sustainable growth projections, with Singapore as its base, it can apply for the renewable 5-year GTP status.

Who can apply for Global Trader Programme (GTP)?

IE has mandated three minimum criteria for a GTP status application:

- substantial physical offshore trading turnover on a principal basis
- significant local business spending attributable to trading activities in Singapore
- employment of professional traders in Singapore.

But importantly, meeting these does not automatically qualify a company for GTP status. Other considerations include:

- company's overall business plan and economic contribution to Singapore
- use banking and financial services available in Singapore
- use of other Singapore-based services such as trade and logistics, arbitration, and ancillary
- contribution to manpower training and development of trading expertise in Singapore

In summary, the GTP applicant is expected to use Singapore as the regional nerve centre for its principal offshore trading, and a whole range of other business and support activities. These may be:

- market research
- product development
- quality management
- sales planning and marketing
- global procurement
- network services
- financing
- strategy formation
- warehousing and freight services
- customer handling
- logistics
- risk management
- human resource development

Helpful Links:

Company Registration

Singapore Work Visas

Business Services

Accounting Services

Offshore Company

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