

Doing business in Singapore

1. About Singapore

Singapore, is an island country, located off the southern edge of the Malay Peninsula, between Malaysia and Indonesia. Its official languages are English, Malay, Chinese and Tamil, and the official currency is Singapore Dollar (SGD)

Singapore is considered to be one of the most cosmopolitan and prosperous destinations in the world. It is also widely known for its cleanliness, cosmopolitan vibe, and electronics. It has one of the highest percentages of expats in the world and every year it sees more and more people from across the globe moving to the island to find new opportunities and excitement.

Singapore is also considered as one of the world's most prosperous countries, with strong international trading links (its port is one of the world's busiest in terms of tonnage handled) and with a per capita gross domestic product (GDP) comparable to or exceeding that of many nations in Western Europe.

2. Incorporation & registration requirements

A person who is carrying on business in Singapore will have to register its business with the Accounting and Corporate Regulatory Authority of Singapore (ACRA). A private limited company is the most common vehicle used by foreign corporation for setting up business in Singapore. A company is a separate legal entity with limited liability and has its own identity for tax and legal requirements purposes.

There are other forms of vehicles for setting up business in Singapore such as Sole-Proprietorship, Partnership, Limited Partnership, Limited Liability Partnership, Branch but are not often used by foreign corporation due to taxation challenges or regulatory issues in Singapore & Country of investment.

A private limited company can be incorporated within one to two days provided all corporate information with respect to directors and shareholders are furnished.

3. Secretarial compliances

All companies must have **at least one resident director in Singapore** at all times. A director of a company has fiduciary and statutory duties and can be subject to civil or criminal penalties.

It is mandatory for a company to hold its annual general meeting (AGM) of shareholders where the financial statements will be presented to the shareholders. A newly incorporated company will need to hold its first AGM within 18 months from the date of incorporation. The AGM must be held every year with each not more than 15 months from the previous AGM. A company is also required to complete and lodge an annual return with ACRA within one month after the date of AGM.

Key aspects about company

- **Paid-up share capital** – minimum SGD 1. There is no concept of authorised share capital.
- **Company secretary** – the company must appoint a **qualified company secretary**.
- **Shareholders** – a private limited company can have a minimum of 1 and maximum of 50 shareholders. The shareholder can be an individual or a legal entity and 100% foreign shareholding is allowed.
- **Registered address** – The address must be a physical address and cannot be a PO Box.

4. Corporate Taxation

Singapore Companies are subject to corporate income tax on all income derived from sources in Singapore, and on income from sources outside Singapore if received in Singapore. Capital gains are not taxable in Singapore.

The **standard corporate tax rate is 17%**, subject to partial tax exemption and start-up tax exemption available for first 3 years. The start-up tax exemption is not available to property development and investment holding companies. It shall be noted that to be eligible for the start-up tax exemption, at least 10% of the capital in a company must be held individuals, irrespective of their citizenship (foreigner or Singaporean). Hence, a company which is wholly held by another corporate shall be ineligible for the said exemption.

In addition, there is a **corporate tax rebate** of 25% of the tax payable, capped at SGD 15,000 for year of assessment 2020 and there is no such rebate announced for the year of assessment 2021.

Incentives: There are various tax incentives, exemptions, and tax reductions available, depending on the investment level and specified activities performed in Singapore or industries identified as being beneficial to Singapore's economic development. These incentives are generally subject to an approval process.

Receipt of specified foreign income (dividends, branch profits and services income) into Singapore by companies' resident in Singapore may be exempt from tax if prescribed conditions are met. For remittances of specified foreign income that does not meet the prescribed conditions, companies may be granted tax exemption under specific scenarios or circumstances on an approval basis.

Tax losses: Unused trading losses may be carried forward indefinitely, subject to the shareholding test (see below). Excess capital allowances can also be offset against other chargeable income of the same year and carried forward indefinitely subject to the shareholding test and to the requirement that the trade giving rise to the capital allowances continues to be carried on (same trade test). A one-year carry back of tax losses and capital allowances up to an aggregate of SGD 100,000 is subject to meeting the same conditions as explained above. Singapore incorporated companies belonging to the same group (with at least 75% shareholdings) may also avail of their current year tax losses for use against the current year assessable income of a fellow Singapore company within the same group.

Shareholding test: In order to meet the shareholding test, the shareholders of the loss company must remain substantially (50% or more) the same at the relevant comparison dates. If the shareholder of the loss company is itself another company, look-through provisions apply through the corporate chain to the final beneficial shareholder.

Repatriation of profits: There is no withholding tax on payment of dividends by Singaporean companies or repatriation of profits by branches to its head office. Dividends paid by a Singaporean tax-resident company are exempt from income tax in the hands of shareholders, regardless of whether the dividends are paid out of taxed income or tax-free gains.

Foreign tax credit is claimable only by a Singapore tax resident and limited to the lower of the foreign tax paid and the Singapore tax payable on that income. Foreign tax credits claims are governed by tax treaties and the unilateral tax credit provisions. A company is resident in Singapore if the control and management of its business is exercised in Singapore.

Corporate residence: In Singapore, the tax residence of a corporation is determined by the place where the central management and control of its business is exercised. This is taken generally to mean the place where the directors meet to exercise de facto control. The Inland Revenue Authority of Singapore (IRAS) has also set out further guidance.

Deductions or expenses: Deductions or expenses are generally allowed if the same are incurred for business purposes. However, there are specific provisions in relation to claiming of depreciation, start-up expenses, research & development (R&D) expenses, bad debts, charitable contributions, fines & penalties, private automobile & medical expenses, taxes, etc.

Snapshot of tax rate (domestic law):

Particulars	%
Corporate tax	17%
Capital Gains	Nil
Goods and Services Tax	7%
Gift tax / Estate duty / Death tax	Nil
Withholding tax rate on residents	Nil
Withholding tax rate on non-residents**	
- Dividend	0%
- Interest	15%
- Royalty	10%
<i>**Under the domestic law of Singapore without giving effect to Tax Treaty.</i>	

Start-up exemption for first 3 years:

Particulars	Cos having first FY end prior to 31 Dec 2018	Cos having first FY end after 31 Dec 2018
First 100,000 SGD	100%	75%
Subsequent 100,000 SGD	50%	50%
Subsequent 100,000 SGD	50%	Nil
Total exemption	SGD 200,000	SGD 125,000
Effective tax on income up to SGD 300,000	5.67%	9.92%

Partial tax exemption

Particulars	Year of assessment 2018 to 2019	Year of assessment 2020 onwards
First 10,000 SGD	75%	75%
Subsequent 190,000 SGD	50%	50%
Subsequent 100,000 SGD	50%	Nil
Total exemption	SGD 152,000	SGD 102,500
Effective tax on income up to SGD 300,000	5.67%	9.92%

Payment to related parties: Payments to foreign affiliates, are deductible, provided they are fair and reasonable, are revenue in nature, and can be seen to be relevant in earning the payer's income. Transactions with related parties should adhere to IRAS transfer pricing guidelines and be supported by contemporaneous transfer pricing documentation.

Tax administration:

- **Taxable period:** The tax basis period is the calendar year; however, for business profits, the accounting period will generally be adopted.
- **Tax returns & Estimated Chargeable Income (ECI):** Tax is computed for each tax year based on the income earned in the preceding year (the tax basis period). The corporation files an estimate of its income (ECI) **within three months** of the end of the accounting period followed by a return of income by **30 November** of the tax year, and the tax is assessed by the Comptroller of Income Tax.
- **Payment of tax:** Assessed tax is payable within **one month** after the service of the notice of assessment, whether a notice of objection to the assessment has been lodged with the tax authorities. Application may be made to the Comptroller to pay estimated tax liabilities on a monthly instalment basis, who may approve on a case-to-case basis. Late payment of tax will attract penalties, up to a maximum of 17% of the outstanding tax.
- **Tax assessment/ audit:** The IRAS undertakes tax audit on a risk-based approach, to identify the mistakes made in the tax returns, create an audit presence in the community to deter non-compliance by other taxpayers, educate taxpayers on their tax obligations and how to comply and identify areas of tax law, policies, and processes where the tax system can be simplified.
- **Time limit for assessment:** The statute of limitation is four years from the year of assessment; however, the limitation does not apply where there has been fraud or wilful default by the taxpayer.

5. Goods & Services Tax (GST)

Singapore currently has a **7% GST**, imposed on all goods and services supplied in Singapore as well as on importation of goods unless the supplies qualify for zero rating relief or exemption.

Exports of goods and international services are **zero-rated** (i.e., not taxable). Exempt supplies include the sale or lease of residential property, importation or supply of investment precious metals and the financial transactions listed in the Fourth Schedule to the GST Act.

A business is required to mandatorily register for GST if its annual taxable supplies is **SGD 1 million** or more. A GST-registered business is required to file GST returns on a quarterly basis. However, taxable persons that receive regular refunds of GST may seek approval to file their returns monthly, to ease cash flow. From 1 Jan 2020, a business may also be liable to mandatory GST registration if the total value of its imported services for a 12-month period exceeds SGD 1 million. This takes into consideration the fact that imported services are liable to GST reverse charges with effect from 1 January 2020.

Snapshot of GST

Particulars	Details
Date introduced	1 April 1994
Standard GST rate Others	7% Zero-rated & exempt.
Return period.	Quarterly (Monthly optional, subject to approval by GST Comptroller)
Threshold registration	SGD 1 million

Tax invoice: A taxable person must issue a tax invoice for standard-rated supplies made to another taxable person within 30 days from the time of supply. A simplified tax invoice may be issued if the amount payable (including GST) does not exceed SGD1,000. The information required to be shown on a tax invoice and a simplified tax invoice is prescribed by GST law.

Input tax credit: A taxable person may recover the GST incurred on its expenses as input tax credit if the input tax is incurred in the making of taxable supplies or certain prescribed supplies. Input tax refers to GST incurred on goods and services supplied to the taxable person or goods imported into Singapore by the taxable person that are used or to be used for the purpose of any business carried on or to be carried on by the taxable person. A taxable person generally recovers input tax through its GST returns, by deducting it from output tax, which is GST charged on supplies made.

A valid tax invoice or import permit must be held to support a claim for input tax. A taxable person is required to repay to the IRAS any input tax claimed for which payment has not been made to the supplier for more than 12 months from the due date of the payment.

Refunds: If the amount of input tax recoverable in a GST period exceeds the output tax in the same period, the excess is refundable. Refunds are generally made within three months after the date on which the Comptroller receives the GST return. If a taxable person submits monthly returns, the refund is generally made within one month from the date of receipt. Interest at the prime lending rate is payable on the amount of any GST refund that is outstanding. Interest is calculated from the date on which the refund is due from the GST authorities.

Penalty: A penalty of 5% of the tax due is assessed for late payment of GST. If the amount remains outstanding after 60 days, an additional penalty is assessed, equal to 2% of the tax due for each month, up to a maximum of 50% of the unpaid tax. In

addition, penalty of SGD200 after the submission due date and an additional SGD200 for each completed month are assessed for the late submission of a GST return, up to a maximum penalty of SGD10,000.

6. Accounting and Audit

All Singapore companies are required to maintain proper and accurate accounting records and prepare financial statements in accordance with the Singapore Accounting Standards.

Audit & financial statement: The Companies Act requires the annual financial statements of every company to be audited unless it qualifies for audit exemptions. Notwithstanding the audit exemptions, every company is still required to prepare financial statements.

Audit exemption: Audit is exempt for a particular financial year (FY) for "small company" that meets at least two of three criteria (as listed below) for the immediate past two FYs:

- Total revenue for each FY of not more than SGD 10 million
- Value of total assets at the end of each FY is not more than SGD 10 million.
- Number of employees not more than 50 at the end of each FY

Company which is part of a group shall be exempt only if the group qualifies for "small company" criteria on consolidated basis. Even if the parent or subsidiary entity is located outside Singapore, the same shall be considered for determining the status of "small company".

XBRL: Every company (unless it is a private exempt company) is required to file its financial statements in XBRL (eXtensible Business Reporting Language) format together with the company's annual return with ACRA within one month from the date of AGM on an annual basis. A private exempt company is a company that has not more than 20 individual shareholders. However, a company with foreign corporate shareholder is required to mandatory file its financial statement in XBRL format.

7. Other taxes & levies

Customs and excise duties: Singapore is essentially a free port with minimal import restrictions. Customs and excise duties are imposed on intoxicating liquors, tobacco products, motor vehicles, and petroleum products.

Personal tax: Individuals are only liable to tax on income derived from or earned in Singapore. Income which arose from offshore sources are not subject to tax in Singapore even if they are remitted here. Singapore dividend and bank interest income received by an individual are also tax exempted in Singapore. The tax rates for an individual who is tax resident of Singapore is at a progressive range from 0% to 22%. In the case of a non-resident individual, the tax rate on employment income is at a flat rate of 15%, and at 22% on director's remuneration and other investment income derived in Singapore.

Property tax: Property tax is levied annually on the annual value of houses, land, buildings, or tenements. For residential properties, owner-occupier tax rates range from 0% to 16%. The tax rates depend on the annual value bands. For non-residential properties, such as commercial and industrial buildings and land, the tax rate is 10%.

Stamp duties: Stamp duties are levied on written documents relating to immovable properties, leases and stocks and shares. Certain transfers of equity interest in property holding entities that own (directly or indirectly) primarily Singapore residential properties could attract additional conveyance duty (ACD). Instruments effecting the transfer of stocks and shares are subject to stamp duty of 0.2% on the purchase price or market value of the shares transferred, whichever is higher.

Foreign workers levy (FWL): FWL is a monthly levy of up to SGD 950 that employers are liable to pay for each foreign employee (Work Permit or S Pass holders) hired. The levy rate depends on the employees' qualifications, the employer's industry, and the ratio of foreigners to Singaporeans and permanent residents employed in the Company.

Payroll taxes: Singapore does not have payroll withholding. However, when a non-Singapore citizen employee ceases employment in Singapore, leaves Singapore for an overseas posting, or leaves Singapore for a period exceeding 3 months, the employer needs to notify the Singapore tax authorities once the fact of cessation/ departure is known to the employer, unless the employer is bearing full Singapore taxes for the employee and withhold all monies due until tax clearance is issued.

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