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# Singapore Tax Profile

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# 1 Corporate Income Tax

## Corporate Income Tax

Corporate income tax

## Tax Rate

The tax rate is 17 percent.

Companies are entitled to a 30 percent corporate income tax rebate capped at SGD 30,000 per Year of Assessment (YA) for YA 2013 to 2015 and SGD 20,000 per YA for YA 2016 and 2017. There is a partial tax exemption of 75 percent on the first SGD 10,000 and 50 percent on the next SGD 290,000 of the company's income. Start-up tax exemption can be granted on the regular income of a qualifying company up to SGD 100,000, for any of its first three consecutive years of assessment. A 50 percent partial tax exemption applies to the next SGD 200,000.

## Residence

A company, whether incorporated in Singapore or otherwise, is considered a resident of Singapore for tax purposes if the place of control and management of its business is exercised in Singapore. Generally, a company is treated as a resident of Singapore if, among other things, its directors' meetings are held in Singapore.

## Compliance requirements

In Singapore, income is generally subject to tax on a territorial and remittance basis. Any company is required to file an income tax return on income derived from, accrued in, or received in Singapore, although certain qualifying foreign-sourced income is exempt from income tax.

Income chargeable to Singapore tax is assessed on a preceding year basis and the due date for companies for filing the income tax return is 30 November of the year following the financial year. As an example, income derived by a company in its accounting year ended on 30 June 2014 would be assessed in YA 2015. The deadline to file its income tax return for that assessment year is on 30 November 2015.



## International Withholding Tax Rates

Dividends are not subject to withholding tax whether paid to a resident or non-resident.

Withholding tax, at the appropriate rate, is payable if the following payments are made to non-residents:

- Royalties or other payments for the use or right to use any movable property, scientific, technical, industrial or commercial knowledge or information - 10 percent. This is the case if not derived by a non-resident through operations carried out in Singapore; otherwise the withholding tax rate is 20 percent<sup>1</sup>.
- Interest, commissions, fees or any other payments in connection with or relating to any loan or indebtedness or with any arrangement, management, guarantee or service relating to any loan or indebtedness, where such arrangements, management, guarantees or services are rendered in Singapore - 15 percent. This is the case if not derived by a non-resident through operations carried out in Singapore; otherwise the withholding tax rate is 20 percent<sup>1</sup>.
- Any payment for assistance or services rendered in Singapore in connection with the application or use of scientific, technical, industrial or commercial knowledge or information - subject to withholding tax at the prevailing corporate tax rate.
- Any payment for the management or assistance in the management of any trade, business or profession where the services are rendered in Singapore - subject to withholding tax at the prevailing corporate tax rate.
- Rent or other payments under any agreement or arrangement for the use of any movable property - 15 percent on the gross payment, if not derived by a non-resident through operations carried out in Singapore.
- Director's remuneration - 20 percent<sup>1</sup>.
- Any payment for services rendered in Singapore by non-resident professionals - 15 percent on gross income, or 20 percent<sup>1</sup> on net income, depending on which option is exercised.
- Payment to a non-resident public entertainer for services performed in Singapore - 10 percent for income due and payable during the period from 22 February 2010 to 31 March 2020.
- Proceeds from sale of real property by a non-resident property trader - 15 percent.
- Distribution of taxable income made during the period from 18 February 2005 to 31 March 2020 by real estate investment trust (REIT) to non-resident unit holder (other than an individual) - 10 percent.

The rate of withholding tax on the above mentioned payments may be reduced in accordance with the provisions of the respective tax treaties.

<sup>1</sup> With effect from YA 2017, the withholding tax rate will be raised to 22 percent.



## Holding rules

Singapore adopts a one-tier corporate tax system whereby tax at the corporate level (i.e. any underlying tax) is the final tax. Accordingly, dividends paid by Singapore resident companies are exempt from further Singapore tax in the hands of shareholders, irrespective of whether underlying tax has been suffered on the profits out of which the dividends are paid.

Generally, foreign dividends received in Singapore by a Singapore holding company would be taxable in Singapore upon remittance into Singapore at the prevailing corporate income tax rate (with credit given for the withholding tax suffered, but capped at the amount of tax payable in Singapore), or may be tax-exempt in Singapore provided certain conditions are met.

There is no capital gains tax in Singapore. However, where a gain is considered to be revenue in nature, such gain could be subject to tax if it is sourced in Singapore or in the case of foreign-sourced gain, if it is remitted into Singapore.

Notwithstanding the above, gains derived from equity investments disposed of by a company during the period 1 June 2012 to 31 May 2017 would not be taxed, provided certain conditions are met.

## Tax Losses

'Trade losses' can be carried forward to offset against the income of the person for subsequent years of assessment, subject to the "continuity of ownership" test.

Any capital allowances in excess of the income from all sources of a person (i.e. unutilised capital allowances) for any YA can be carried forward to offset against income of that person for subsequent years of assessment, subject to both the satisfaction of the continuity of ownership and the same business tests.

Businesses (including sole-proprietors) can also elect to carry back their current year unutilised trade losses and capital allowances of up to SGD 100,000 to the immediate YA preceding the current YA. Any unutilised capital allowances and trade losses in excess of the SGD 100,000 limit would continue to be available for carry-forward under normal rules.

## Tax Consolidation / Group relief

Currently, group relief is available in Singapore, but not tax consolidation. Under the group relief system, a loss making company within a group is, subject to satisfaction of certain conditions, allowed to transfer its current year unutilised losses, capital allowances, and donations to offset the taxable profits of other companies in the same group.

Two Singapore companies are members of a group if one is at least 75 percent owned by the other or if both are at least 75 percent owned by another Singapore company.



<b>Transfer of shares</b>	Ad valorem stamp duty is payable at the rate of 0.2 percent on the value of the shares or the consideration, whichever is the higher.
<b>Transfer of assets</b>	A buyer's ad valorem stamp duty is payable at the graduated rates of 1 percent to 3 percent on the market value of the real property or the consideration, whichever is higher. Additional buyer's stamp duty of up to 15 percent may apply to residential properties acquired by foreigners, companies, and Singapore permanent residents, as well as Singapore citizens. In addition, seller's stamp duty of up to 16 percent may be imposed where residential properties are sold within four years of purchase. Seller's stamp duty of up to 15 percent also applies to industrial properties sold within three years of purchase.
<b>CFC rules</b>	There is no CFC regime in Singapore.
<b>Transfer Pricing</b>	<p>Generally, Singapore's transfer pricing guidance, as set out in the 'transfer pricing guidelines (Second edition)' circular issued by the Inland Revenue Authority of Singapore (IRAS), has strong parallels to the OECD transfer pricing principles. The IRAS endorses the arm's-length principle, and this principle is supported by tax law (i.e. addresses transactions that are not at arm's-length).</p> <p>For further information on Singapore's transfer pricing guidelines, please refer to the Transfer Pricing section below.</p>
<b>Thin Capitalisation</b>	There is no thin capitalisation regime in Singapore.
<b>General Anti-avoidance</b>	<p>The IRAS may disregard or vary an arrangement and make adjustments (including the computation or re-computation of gains or profits or imposition of liability to tax) to counteract any tax advantage obtained or obtainable by a person, where the IRAS is satisfied that the purpose or effect of any arrangement is to directly or indirectly:</p> <ul style="list-style-type: none"> <li>• alter the incidence of any tax that is payable or would otherwise have been payable by any person</li> <li>• relieve any person from any liability to pay tax or to make a return under the Singapore Income Tax Act</li> <li>• reduce or avoid any tax liability imposed or that would otherwise have been imposed on any person by the Singapore Income Tax Act.</li> </ul> <p>The above does not apply to any arrangement carried out for bona fide commercial reasons and that does not have tax avoidance or reduction as one of its main purposes.</p>
<b>Anti-treaty shopping</b>	The IRAS can attack any attempts to take advantage of beneficial withholding tax rates under any relevant tax treaty provisions by applying the general anti-avoidance provision as explained above.

**Other specific anti-avoidance rules** Other specific anti-avoidance provisions have been enacted to deal with specific situations such as sale of assets between related parties at below market value or where transactions between related parties are not at arm's length.

**Rulings** Taxpayers can obtain advance rulings from the IRAS. Such rulings are private and confidential.

**Intellectual Property Incentives** For the YA 2011 to 2018<sup>2</sup>, companies can claim enhanced tax allowances / deductions for acquisition or licensing costs (from YA 2013), or costs for protection of intellectual property as follows:

- 400 percent tax allowance / deduction for the first SGD 400,000 of qualifying expenditure incurred per YA.
- 100 percent tax allowance / deduction for the balance of expenditure.

The PIC+ scheme for small and medium enterprises (SMEs) grants a qualifying SME an additional SGD 200,000 to the qualifying expenditure cap for each assessment year from YA 2015 to 2018, subject to meeting certain conditions.

**R&D Incentives** Singapore has an R&D tax incentive regime which provides for enhanced R&D deductions. The R&D incentive regime applies to all industry sectors and businesses of all sizes (regardless of ownership) provided that they can demonstrate that the projects meet the definition of 'R&D' for tax purposes.

For YA 2011 to 2018<sup>1</sup>, companies can claim enhanced tax deduction for qualifying expenditure on R&D as follows:

- 400 percent tax deduction for the first SGD 400,000 of qualifying expenditure incurred per YA
- 150 percent tax deduction for the balance of expenditure.

Under the PIC+ scheme, a qualifying SME is granted an additional SGD 200,000 to the qualifying expenditure cap for each assessment year from YA 2015 to 2018.

<sup>2</sup> The extension of the incentive to YA 2018 was announced in Budget 2014.

### **Other incentives**

Singapore grants tax incentives for activities that enhance its economic or technological development. The incentives are available to a wide spectrum of industries and cover the main areas of manufacturing and services, shipping, trading, investment and financial services. The incentives are usually in the form of an exemption from tax or a reduction in the rate of tax applicable.

In addition, Singapore offers international and regional headquarter tax incentives<sup>3</sup>.

### **Hybrid Instruments**

Generally, the tax treatment of a hybrid instrument is determined by examination of the characteristics of the hybrid instrument. For an instrument that is regarded as debt, the distribution is deductible for the issuer (subject to the deductibility rules) and taxable for the investor (unless specifically exempted from tax). For an instrument that is regarded as equity, the distribution made by a Singapore tax resident company is not deductible for the issuer and the dividend is exempted from tax for the investor.

### **Hybrid entities**

There are no special rules applicable to hybrid entities.

### **Special tax regimes for specific industries or sectors**

Singapore has special tax regimes to provide tax exemptions or reduced tax rates for some industries or sectors including:

- Banking
- Fund Management
- Shipping
- Leasing

<sup>3</sup> The Approved Operational Headquarters tax incentive will expire with effect from 1 October 2015 as announced in Budget 2015.

## 2 Transfer Pricing

### Requirements

Singapore's transfer pricing requirements, as set out in the 'e-Tax Guide: Transfer Pricing Guidelines (Second Edition)', issued by the Inland Revenue Authority of Singapore (IRAS), have strong parallels to the OECD transfer pricing principles. IRAS endorses the arm's-length principle, and this is reinforced in Section 34D (Transactions not at arm's length) of the Singapore Income Tax Act (SITA).

IRAS requires taxpayers to prepare contemporaneous transfer pricing documentation to support the arm's-length nature of their related-party transactions. Documentation will be considered "contemporaneous" if it is prepared prior to or at the time of undertaking the transactions. As an administrative concession by IRAS, such documentation must be in existence no later than the time of completing and filing the tax return for the financial year in which the related-party transaction takes place. Exemption from documentation (but not from the arm's-length principle) is possible for transactions whose value falls below certain low thresholds, as specified by IRAS.

Scant documentation may be viewed as non-compliance with Section 34D, and this may lead to potential upward adjustments to taxable income and penalties for tax undercharged. In addition, there are also potential penalties for failure to maintain adequate documentation under Section 94(2) of the SITA.

Mutual Agreement Procedure (MAP) and Advance Pricing Arrangement (APA) processes are available to taxpayers (i.e. with jurisdictions with which Singapore has a tax treaty). However, IRAS has warned that it may not support taxpayer MAP and APA applications in the absence of contemporaneous documentation.

### 3 Income Tax Treaties for the Avoidance of Double Taxation

**In Force**

Albania	Georgia	Malaysia	Saudi Arabia
Australia	Germany	Malta	Slovak Republic
Austria	Guernsey	Mauritius	Slovenia
Bahrain	Hungary	Mexico	South Africa
Bangladesh	India	Mongolia	Spain
Barbados	Indonesia	Morocco	Sri Lanka
Belarus	Ireland	Myanmar	Sweden
Belgium	Isle of Man	Netherlands	Switzerland
Brunei	Israel	New Zealand	Taiwan
Bulgaria	Italy	Norway	Thailand
Canada	Japan	Oman	Turkey
China	Jersey	Pakistan	Ukraine
Cyprus	Kazakhstan	Panama	United Arab Emirates
Czech Republic	Korea (Republic of)	Papua New Guinea	United Kingdom
Denmark	Kuwait	Philippines	Uzbekistan
Egypt	Latvia	Poland	Vietnam
Estonia	Libya	Portugal	
Fiji	Liechtenstein	Qatar	
Finland	Lithuania	Romania	
France	Luxembourg	Russian Federation	



**Negotiated, not yet in force at time of publication**

New treaties and protocols have been negotiated and signed with Ecuador, France, Laos, Luxembourg, Rwanda, San Marino, Seychelles, Sri Lanka, United Arab Emirates and Uruguay but are not in force at the time of writing.

*Source: IRAS*



## 4 Indirect Tax

<b>Indirect Tax</b>	Goods and Services Tax (GST)
<b>Standard Rate</b>	7 percent. Certain goods and services are zero-rated or exempt from GST.
<b>Further information</b>	For more detailed information regarding Singapore's GST, refer to: <a href="#">KPMG's Asia Pacific Indirect Tax Guide</a>



## 5 Personal Taxation

### Income Tax

Personal income tax

### Top Rate

A resident is taxed on chargeable income (assessable income less personal relief) at graduated rates ranging from zero percent to 20 percent. With effect from YA 2017, the new graduated rates range from zero percent to 22 percent.

Employment income of a non-resident is taxed at a flat rate of 15 percent or at resident tax rates, whichever is higher. Other income of a non-resident individual is generally taxed at 20 percent unless specifically exempt or subject to a reduced treaty rate.

### Social Security

There is no social security tax in Singapore.

### Central Provident Fund (CPF)

The CPF was introduced as a compulsory retirement benefit scheme for employees in Singapore, but it has since been extended to enable members to use the scheme to purchase residential and commercial properties, gold and shares in approved companies, and to pay for certain medical and educational fees.

Only Singapore citizens and Singapore permanent resident employees are required, along with their employers, to contribute to the CPF. The tax advantages of the CPF include deductions for statutory contributions.

### Further information

For more detailed personal taxation information, refer to:

[KPMG's Thinking Beyond Borders](#)



## 6 Other Taxes

### Customs / excise duty

Singapore is effectively a duty-free port with import duties only on a limited number of items, being petroleum products, motor vehicles, tobacco products, and liquor. The rates of duties are either specific or ad valorem. No duties are imposed on exports from Singapore.

### Stamp duty

Stamp duty is payable on documents relating to immovable properties and shares, as described in the Stamp Duties Act. The rate of ad valorem duty imposed depends on the nature of the documents.

For residential properties, buyer's stamp duty applies at 1 to 3 percent, and additional buyer's stamp duty of up to 15 percent may also apply to buyers of residential properties with effect from 12 January 2013.

Seller's stamp duty applies to the following type of immovable property:

- Residential properties purchased on or after 14 January 2011 and disposed of within one (16 percent), two (12 percent), three (8 percent), or four (4 percent) years of purchase
- Industrial properties purchased on or after 12 January 2013 and disposed of within one (15 percent), two (10 percent) or three (5 percent) years of purchase.

### Property tax

Property tax is assessed on immovable property and is payable by the owner.

It is computed as a percentage of the annual value of all houses, land, buildings and tenements. The current rate of property tax is 10 percent.

From 1 January 2015, the following progressive tax rates apply to residential properties (excluding residential land and owner-occupied residential properties):

Annual Value (SGD)	Effective 1 Jan 2015
First 30,000	10%
Next 15,000	12%
Next 15,000	14%
Next 15,000	16%
Next 15,000	18%
In excess of 90,000	20%

From 1 January 2015, the following progressive tax rates apply for owner-occupied homes:

<b>Annual Value (SGD)</b>	<b>Effective 1 Jan 2015</b>
First 8,000	0%
Next 47,000	4%
Next 15,000	6%
Next 15,000	8%
Next 15,000	10%
Next 15,000	12%
Next 15,000	14%
In excess of 130,000	16%

**Inheritance / gift tax** There is no inheritance or gift tax in Singapore.



## 7 Free Trade Agreements (FTA)

<b>In force</b>	Australia	India	Liechtenstein (ESFTA)	Peru
	China	Japan	New Zealand	Switzerland (ESFTA)
	Costa Rica	Jordan	Norway (ESFTA)	United States
	Iceland (ESFTA)	Korea (Republic of)	Panama	
	Gulf Co-operation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates)			
	Trans-Pacific SEP - Brunei, Chile, New Zealand			
	ASEAN – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand, Vietnam			
	ASEAN – Australia – New Zealand			
	ASEAN - China			
	ASEAN – India			
ASEAN – Japan				
ASEAN - Korea				
<b>Concluded / signed (pending domestic ratification)</b>	None			



## In negotiation

Canada                      Pakistan

Mexico                      Ukraine

ASEAN - India (Services and Investment)

ASEAN – Japan (Services and Investment)

Regional Comprehensive Economic Partnership – Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Korea (Republic of), Laos, Malaysia, Myanmar, New Zealand, Philippines, Thailand, Vietnam

Trans-Pacific Partnership - Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Vietnam, United States of America

*Source: International Enterprise Singapore*



# 8 Tax Authority

## Tax Authority

Inland Revenue Authority of Singapore (IRAS)

[Link to Inland Revenue Authority of Singapore](#)

## Tax audit activity

The IRAS adopts a risk-based approach to the selection of returns for audit. The focus of the IRAS is on improving the compliant behaviour of taxpayers the IRAS selects companies that pose higher risk of non-compliance. The IRAS has a systematic method of selecting companies for audit.

A typical tax audit process starts with the tax authority contacting the taxpayer by telephone or correspondence to inform that the taxpayer has been selected for an audit. This is followed by an interview for the tax authority to get a better understanding of the taxpayer's business operations and accounting systems. Examination of books and records is done either at the taxpayer's premises or the tax authority's office. The scope of the audit is usually on the current YA but may be extended to cover earlier years.

Upon completion of the audit, the taxpayer will be informed of any adjustments to be made to the tax assessments and the respective notices of assessment, if any, will be issued to the taxpayer. The taxpayer will also be advised on the areas which need improvement so as to better comply with the tax laws.

Depending on the seriousness of errors or omissions discovered during tax audit, the IRAS can impose penalties of two or three times of the tax amount undercharged. In the case of serious fraudulent tax evasion, penalties of four times of the tax undercharged can be imposed. Taxpayers can also be prosecuted for fraudulent tax evasion with imprisonment terms of up to five years.

## Appeals

A taxpayer has up to two months from the date of service of the Notice of Assessment to file a Notice of Objection.

## Tax governance

The IRAS has ongoing education campaigns and enforcement programmes to help taxpayers comply with tax obligations. One such programme is the GST Assisted Compliance Assurance Programme (ACAP), a compliance initiative for businesses to set up a robust GST Control Framework as part of good corporate governance. To encourage businesses to improve their record keeping standards, the IRAS provides subsidised accounting software.

The IRAS also has a Voluntary Disclosure Programme that is aimed at encouraging taxpayers that have made errors in their tax returns to voluntarily disclose their errors and rectify those errors at reduced penalties.



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