



Doing Business in Singapore 2008

April 2008



BDO International

DOING BUSINESS IN SINGAPORE 2008

April 2008



Introduction

The aim of this publication, which has been prepared for the exclusive use of BDO Member Firms and their clients and prospective clients, is to provide background information for setting up and running a business in Singapore, in compliance with the legislation in force on 31 March 2008. It is of use to anyone who is thinking of establishing a business in Singapore as a separate entity, as a branch of a foreign company or as a subsidiary of an existing foreign company, and to anyone who is considering coming to work or live permanently in Singapore.

The publication describes the business environment in Singapore and outlines the financial and legal implications of running, or working for, a Singapore business. The most important issues are included, but it is not feasible to discuss every subject in detail within this format. Accordingly, *Doing Business in Singapore 2008* is written in general terms and is not intended to be comprehensive. If you would like to know more, please contact the BDO Member Firms with which you normally deal, who can provide you with information on any further issues and on the impact of any legislation subsequent to 31 March 2008.

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Founded in Europe in 1963, it has grown to be the fifth largest in the world – the BDO network now has 629 offices in 111 countries, with more than 31 500 partners and staff providing professional auditing, accounting, tax and consulting services on every continent.

BDO's special skills lie in applying its local knowledge, experience and understanding of the international context to provide an integrated global service. In BDO, common operating and quality control procedures are not a constraint on innovation and independence of thought, but the starting point. It is a vigorous organisation committed to total client service.

BDO's reputation derives from consistently offering imaginative and objective advice within the client's time constraints. BDO Member Firms take pride in their clients' success and their relationships with them. It is a personal relationship that combines the benefits of professional knowledge, integrity and an entrepreneurial approach, with an understanding of a client's business and an ability to communicate effectively. This ensures the highest-quality objective professional service, tailored to meet the individual needs of every client, whether they be governments, multinational companies, national or local businesses, or private individuals.

Doing Business in Singapore 2008 has been written by BDO Raffles, the Singapore Member Firm of BDO. Its contact details may be found on page 42 of this publication.

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1. *The business environment*

General information

Geography

The Republic of Singapore, a member of the Commonwealth, is a small island city-state in South East Asia. It lies 137 km north of the equator off the southern tip of Peninsular Malaysia. Its total land area including its smaller offshore islands is about 699 km². The main island measures about 42 km from east to west and about 23 km from north to south. It is linked to Malaysia by a 1.1-kilometre causeway, which carries a road, railway and a water-pipeline across the Straits of Johore. About 50% of Singapore island has been developed for residential, commercial and industrial use, and only 1.7% is used for agriculture. The land area of Singapore is being increased by land-reclamation schemes that are creating about half a new hectare of land a day.

History

Modern Singapore was founded in 1819 by Sir Stamford Raffles as a trading port for the East India Company. In 1826, Singapore, Malacca and Penang were incorporated to form the Straits Settlements, which became a British colony in 1867. In 1946, Singapore became a separate Crown Colony of the United Kingdom. Self-government was granted in 1959. In 1963, Singapore joined Malaya and two states of Borneo to form the Federation of Malaysia, which was virtually free from colonial rule. On 9 August 1965, Singapore separated from Malaysia by mutual consent and became a sovereign, independent Republic with a President as its head.

Government

The Republic of Singapore is a parliamentary democracy with universal suffrage and compulsory voting. The present parliament, elected on 6 May 2006, consists of 84 elected members (two of whom are Opposition Members of Parliament), one Non-Constituency Member of Parliament and nine Nominated Members (NMPs) appointed by the President. Each parliament can continue for up to five years from its first sitting, but can be dissolved earlier. A further constitutional amendment enacted in 1991 requires the President to be elected by the citizens of Singapore for a fixed term of six years. The current President is Mr. S R Nathan who was re-elected in the year 2005. The President is empowered to veto government budgets and appointments to public office.

The Cabinet is headed by the Prime Minister, who is appointed by the President and is the Member of Parliament who commands the confidence of the majority of the Members of Parliament. On the advice of the Prime Minister, the President also appoints Cabinet Ministers, who are collectively responsible to Parliament. The current Prime Minister is Mr. Lee Hsien Loong, of the People's Action Party, who has held this position since 12 August 2004.

Population and language

Singapore has a population of approximately 4.59 million out of which the resident population (Singapore citizens and permanent residents) makes up about 3.58 million. The population has grown by approximately 4.3% over the past year. About 72.5% of the population falls under the age category of 15 – 64.

The Republic is multiracial but the resident population is predominantly Chinese (75.0%). The Malays (13.7%) form the next significant ethnic group followed by Indians (8.7%) and others (2.6%) respectively. There are four official languages: Singapore: Malay, Mandarin, Tamil and English. English is the language of business and administration and is widely spoken and understood. Singapore enjoys complete freedom of worship. The main religions are Buddhism, Islam, Christianity, Taoism and Hinduism.

All the above statistics are as of June 2007 and are extracted from the Singapore Department of Statistics official website (<http://www.singstat.gov.sg>).

Currency

The monetary unit of Singapore is the Singapore dollar (international abbreviation: SGD), divided into 100 cents. It is fully backed by gold and official foreign reserves. The Singapore dollar is rated as one of the world's strongest currencies by the International Monetary Fund. At the time of going to press (early April), the Singapore dollar is quoted against the euro at SGD 2.1770 = EUR 1 and against the US dollar at SGD 1.3799 = USD 1.

Time, weights and measures

Singapore time is 8hrs ahead of GMT (GMT+8).

Singapore uses the metric system of weights and measures.

Economy

Singapore has no natural resources other than its natural harbour, well-developed infrastructure and the skills and industry of its people. Despite the inherent disadvantages of a small domestic economy and lack of natural resources, Singapore has established itself as a leading business location with a competitive workforce. Today, it is recognised as one of the world's most affluent economies in Asia with an estimated real GDP per capita of SGD 46 053 (EUR 21 150; USD 33 375) (Source: Yearbook of Statistics Singapore, 2007).

International banks, insurance companies, ship operators, traders and professional consultants are an integral part of Singapore's business environment. The Republic is also a leading financial centre with a strong and stable currency, no exchange-control restrictions, low inflation and interest rates.

The success of the economy is the result of the Government's timely implementation of a policy of industrialisation and diversification. The economy has been restructured to focus on industries that are capital and skill-intensive with higher-technological applications. Singapore is promoted as an important centre for activities such as international trading, warehousing, financial and business services and medical, dental, intellectual property hub, wealth management and computer services.

Singapore aims to become an advanced and globally competitive 'knowledge' economy within the next decade. To this end, the following eight strategies have been identified:

- Develop manufacturing and services as its twin engines of growth
- Expand external ties and strengthen external trade, moving from regionalisation to globalisation
- Build world class companies
- Strengthen small and medium enterprises (SMEs) as relevant partners of multinational corporations (MNCs), so as to raise their technological capability, efficiency and service quality
- Build human capital and promote life-long learning for life-long employability
- Foster a conducive environment to encourage entrepreneurship, risk-taking, innovation and creativity
- Encourage efficient supply and usage of land and utilities
- Government to play the role of business facilitator and adopt a pro-enterprise and pro-business mindset.

Currently, Singapore ranks as the following:

- 7th most competitive economy in the world (Global Competitiveness Report 2007-2008)
- 2nd most economically free country in the world for the year 2007 (The Heritage Foundation)
- World's easiest place to do business (The World Bank)

- Best labour force in the world (BERI Labour Force Survey 2007)

Meanwhile, GDP is expected to increase at a real annual rate of 4.8% between 2008 and 2012. Correspondingly, forecast inflation is expected to remain relatively low at an average 1.2% per annum during this period (Economic Intelligence Unit, EIU).

Infrastructure

Singapore has the necessary business infrastructure to cater to all forms of business activities. It currently owns the world's best air transportation and port infrastructure. Internet connectivity in the form of broadband penetration in December 2007 is estimated at about 77% (Infocomm Development Authority of Singapore, IDA). According to the World Bank, the estimated number of fixed telephone lines and personal computers per thousand people in Singapore for the year 2005 is 425 and 621 respectively. Correspondingly, the East Asia regional average is 214 fixed telephone lines and 38 personal computers per thousand people. Hence, Singapore is a very informational-based mobile economy well-suited for foreign investors who need to be constantly well connected via the wide availability of communication facilities in their daily operations when deciding to set up or expand their business operations in the republic.

Social environment

Singapore is renowned for its high living standards, low crime rates and political stability. The Republic has a world-class education system, excellent healthcare services and a dynamic tourist and arts sector which presents an attractive proposition for foreigners wanting to live, work and play in Singapore. Additionally, it was voted as having the "best quality of life in Asia" according to renowned international surveys such as the Economic Intelligence Unit (EIU) "Quality of Life Index 2005" and Mercer Human Resource "Worldwide Quality of Living Survey 2006".

In a major survey conducted by Mercer Human Resource Consulting in 2006 which spans across 144 cities in several continents, Singapore's cost of living was considered moderate as it was ranked 17th globally and 6th in Asia behind Seoul, Tokyo, Hong Kong, Osaka and Beijing.

Foreign trade

The development and growth of Singapore began with and still thrives on foreign trade. Total trade in 2007 was SGD 847 000 million (EUR 389 075 million; USD 613 825 million), which is about 3.5 times the Gross Domestic Product (GDP). The free-trade policy has been the key to Singapore's success.

Its major exports are petroleum products, electronic and electrical components and equipment, and radio and television receivers and parts. Its chief imports are crude petroleum, machinery and transport equipment and industrial imports, such as electrical components, iron and steel. Oil accounts for 19% of Singapore's total trade, reflecting the country's position as a major oil refining and trading centre. Singapore's re-exports largely comprise traditional commodities such as rubber, timber, spices and palm.

Business entities

Forms of business organisation

Investors may structure their Singapore operations as any of the following:

- a sole proprietorship or partnership
- a joint venture with a corporate or non-corporate partner
- a company incorporated in Singapore
- a branch of a foreign company
- limited partnership
- limited-liability partnership

Sole proprietorships and partnerships

Most businesses may be carried out in the form of a sole proprietorship or partnership. All sole proprietorships and partnerships must be registered under the Business Registration Act, Cap 32. A sole proprietor is personally liable for the liabilities of the business. In a partnership, the partners are jointly liable for partnership debts and obligations. The liability of the partners is unlimited.

Before a business (sole proprietorship or partnership) can be registered, the proprietor or partners should make an application to the Accounting and Corporate Regulatory Authority (ACRA) to ensure that the proposed name is available. There is no requirement for filing annual accounts with the ACRA in respect of sole proprietorships and partnerships, but their registrations have to be renewed annually.

Limited partnership and limited-liability partnership

These two relatively new business vehicles introduced in 2004 give businesses more options in structuring their business activities. The limited partnership and limited-liability partnership structures are available to all businesses. They offer limited liability to the partners along with the flexibility of being structured as partnerships. Small businesses and start-ups may find these structures particularly useful.

Joint ventures

A joint venture may take the form of an equity investment in a limited-liability company or it may be a partnership. Joint ventures are governed by joint-venture agreements and by the laws of companies or partnerships, as appropriate.

Companies

A limited-liability company is the most common form of business entity in Singapore. A company may be either private or public and may be limited by shares or by guarantee.

Private company

A company with share capital may be registered as a private company if it does not have more than 50 shareholders, restricts the right to transfer shares and prohibits any invitation to the public to subscribe to its shares and debentures or to deposit money with it. Otherwise, the company becomes a public company.

A private company may be classified as an 'exempt' private company (EPC) if there is no beneficial interest held directly or indirectly by any other company and it has less than 20 shareholders. The main advantage of an exempt private company is that it is permitted to grant loans to directors and its accounts do not have to be included with the annual return filed with the ACRA, provided that its directors, secretary and auditors certify that the company is solvent and has complied with the requirements for a private company. This certificate must be filed with ACRA together with the annual return.

Establishing a private company

Formation procedures for a private company are as follows:

- apply to ACRA for approval of the proposed name. The name should not be identical to that of another company or corporation
- certain business activities such as banking, finance, insurance, travel agents, education, etc. will require prior approval from the relevant government authorities for the incorporation
- one or more persons subscribe their names to the memorandum and articles of association of the proposed company
- one or more natural persons over 21 years of age (at least one of whom must be ordinarily resident in Singapore) must be appointed as promoter

- submit to ACRA the memorandum and articles of association together with other prescribed statutory returns
- file with ACRA a prospectus in relation to its affairs, or a statement in lieu of prospectus if no public subscription is called for upon incorporation if it is public company
- registration fees payable to ACRA on incorporation are SGD 300 (EUR 140; USD 220) regardless of the size of share capital
- ACRA will issue to the company a certificate of confirmation of incorporation and from the date of the issue, the company can commence business.

Shareholders, directors and company secretary

There must be at least one shareholder who can either be an individual or a corporate person. There is no requirement for the shareholder to be resident in Singapore.

A company can have one director who must be ordinarily resident in Singapore, and at least one company secretary who must be a natural person and have his principal or only place of residence in Singapore. No person other than a person of full age (over 21 years old) can be appointed a director. A person over the age of 70 can only be appointed director of a public company or of a subsidiary of a public company if the appointment is approved annually by a three-quarters majority at the annual general meeting. Loans to directors are prohibited except by exempt private companies and for certain purposes specified in the Companies Act.

The resident director may not resign until a replacement resident director is found.

Annual requirements for private companies

All companies in Singapore are required by law to have their accounts audited by an external auditor except for the following:

- Dormant companies: A dormant company with no significant accounting transactions during a financial year is exempted from audit requirements
- Small exempt private companies (small EPCs): with revenue of not more than SGD 5 million (EUR 2.297 million; USD 3.623 million).

Dormant companies and small EPCs are required to maintain proper accounting records that will allow their accounts to be audited, if necessary, and to prepare 'true and fair' financial statements that comply with the Financial Reporting Standards. A dormant company and a small EPC must appoint an auditor once it ceases to be a dormant or a small EPC.

A company is required to appoint one or more auditors to report to the members on the company accounts. The directors of the company must present to the shareholders an audited balance sheet and income statement giving a true and fair view of the profit and loss for the company's preceding financial year.

A company that is not dormant is required to file an annual return in the prescribed form with ACRA within one month of the annual general meeting (AGM).

A small EPC is required to file an annual return and EPC certificate that contains a declaration of solvency by a director or audited/unaudited accounts together with notes to accounts and director's report with ACRA within one month of the AGM.

A private company may dispense with an AGM if all its shareholders agree that the AGM is not required.

Public company

A public company is set up if it is intended to invite the public to subscribe to its shares or debentures or to place money on deposit with it. However, this form of business entity may be used even if it does not propose to call for public subscription. A public company may offer its shares to the public and, on application, may obtain a listing for its shares on the Singapore Exchange Securities Trading Limited (SGX-ST).

In addition to normal registration requirements, a public company, before allotting shares or debentures, must file a share prospectus with ACRA or a statement in lieu of prospectus if no public subscription is called for upon incorporation.

A private company can be converted to a public company and vice versa.

Reporting requirements for listed companies

Each year, companies with securities listed on the SGX-ST must supply certain reports to the SGX, to every member of the company and to every holder of securities issued by the company. These reports include a copy of the company's financial statements (and if applicable, the consolidated financial statements) and the auditor's and directors' reports for the company's previous financial year.

Listed companies must comply with the Companies Act and the SGX Securities Trading Listing Manual and the subsequent amendments issued by the SGX and SFA.

Foreign companies (branches of foreign corporations)

Before a foreign company commences operations in Singapore, it must be registered with ACRA. The following documents must be submitted:

- copy of the certificate of incorporation or registration of the foreign company
- copy of its charter, statute or memorandum and articles
- a list of directors and a list of its local directors, if applicable
- memorandum of appointment or power of attorney under the seal of the foreign company or executed on its behalf, stating the names and addresses of two or more persons resident in Singapore and authorised to accept on its behalf any notices required to be served on the company
- details of the location of its registered office in Singapore.

The agent of a foreign company is answerable for all requirements of the foreign company under the Act and is personally liable for any penalties imposed on the foreign company and any contravention of these requirements.

The foreign company is required to forward a copy of its annual accounts as well as its audited Singapore branch accounts to ACRA within two months of the date on which its annual general meeting is held in its country of incorporation.

The registration fee payable for a foreign company with share capital is SGD 300 (EUR 140; USD 220).

Representative office

A foreign company may set up a representative office in Singapore for the purpose of carrying out promotional and liaison work on its behalf. The representative office must not engage in any trading (including import and export) or business activities directly or indirectly on behalf of the foreign company. It must not lease warehousing facilities. Any shipment or transshipment or storage of goods should be handled by a local agent or distributor appointed by the foreign company. A representative office is neither permitted to sign contracts, nor open or receive letters of credit.

The advantages of a representative office are that there are minimal reporting requirements and no liability for Singapore income taxes. Approval for the establishment of such an office can be obtained from International Enterprise Singapore (IE). IE usually takes about one week to process the application. The registration of a representative office must be renewed annually subject to approval by IE.

Labour relations and working conditions

Availability of workforce

According to labour statistics published by the Ministry of Manpower, the total available workforce in Singapore as of December 2007 was 2.73 million. This represents 65.1% of the total population in the age group of 15 and above. However, there was a decrease in the participation rate for young people falling into the age group of 15 to 24 as more of them delayed their entrance to the labour market to pursue higher education. Consequently, labour statistics showed that the educational profile of the workforce has improved with the doubling of the number of degree holders as compared to the statistics a decade ago.

Employment and labour relations

To achieve stability and economic growth, employment and labour relations are regulated by laws and supported by the tripartite mechanism – an unique feature in Singapore where the government, employers and unions work closely to negotiate for employment terms and resolve any disagreement or disputes. The agreed employment terms for employees who are union members are put into collective agreements. The Industrial Arbitration Court will then certify these collective agreements and arbitrate for any disputes that are referred by either party for award of decision.

The other unique feature of the tripartite mechanism is the rôle of the National Wages Council, with representatives from the government, employers and unions, to assist the formulation of general guidelines on wages policy, to recommend necessary adjustments in wage structure and to advise on desirable incentive schemes for the promotion of operational efficiency and productivity in various enterprises.

Working conditions

Conditions of work are regulated by Part IV of the Employment Act, which applies to workmen and other employees whose salary does not exceed SGD 1600 (EUR 735; USD 1160) a month. It fixes the standard working week at 44 hours, with payment at one-and-a-half times the hourly rate for overtime and two times the hourly rate for worked holidays and normal weekdays off. Overtime is limited to 72 hours a month. Retirement benefits may be payable after three years' service. Paid sick leave after one year of service is limited to 14 days but is extended to 60 days in any one year when hospitalisation is involved. The Act also provides for 11 paid public holidays, seven days' annual leave after one year's service and an additional one day's annual leave for every subsequent 12 months of continuous service with the same employer.

Central Provident Fund ("CPF")

The CPF was set up in 1955 to provide financial security for workers in their retirement or when they are no longer able to work. Today, this scheme has evolved into a comprehensive social security savings system that provides its members with financial security in old age. Over and above this, CPF savings help to meet the needs of families in healthcare, home-ownership, family protection and asset enhancement. The amount contributed may be withdrawn in a lump sum by the employee on reaching the statutory retirement age of 55 years or in the event of permanent disability or emigration.

Since 1 September 1995, employers of new foreign employees on an Employment Pass, Professional Visit Pass or Work Permit have been exempted from CPF contributions.

Both the employer and employee will need to contribute once the employee becomes a Singapore Permanent Resident (SPR) on a reduced rate in the first two years, a total of 9% and 24% respectively.

All Singaporeans or SPRs registered as partners or sole proprietors are considered as self-employed. They do not need to contribute to the CPF. Instead, they are only required to contribute to their Medisave account to cater for their medical expenses.

For contribution rates, see Chapter 7.

Employment passes

Employment passes must be obtained before arrival by foreign nationals intending to enter Singapore to take up employment or to establish a business.

Foreigners who wish to register a new company or business in Singapore and act as a local director, agent, manager or operator of the business, are not allowed to do so without first obtaining an Approval-in-Principle Employment Pass from the Employment Pass Department.

Application may be made for the Approval-In-Principle Employment Pass/S Pass as follows:

Eligibility criteria

- P Pass: For foreigners who hold acceptable degrees, professional qualifications or specialist skills and are seeking professional, administrative, executive or managerial jobs or who are entrepreneurs or 'technopreneurs'.

A P1 Pass will be issued if the applicant's basic monthly salary is more than SGD 7000 (EUR 3225; USD 5075).

A P2 Pass will be issued if the applicant's basic monthly salary is between SGD 3500 (EUR 1600; USD 2525) and SGD 7000.

- Q1 Pass: For foreigners whose basic monthly salary is more than SGD 2500 (EUR 1150; USD 1800) and who possess acceptable degrees, professional qualifications or specialist skills.
- S Pass: For foreigners whose basic monthly salary is SGD 1800 (EUR 825; USD 1300) and who possess acceptable degrees or professional qualifications.

The processing time for an Approval-In-Principle Employment Pass application is two to three weeks.

Married applicants may also apply for a Dependant's Pass for a spouse and any unmarried children below the age of 21 if they are foreigners. There are sponsorship requirements for Dependant's Pass applications.

2. Finance and investment

Regulatory agencies

Regulation of business

Responsibility for the implementation of Singapore's industrial strategy and matters relating to trade and industry rests with the Ministry of Trade and Industry. International Enterprise Singapore (IE Singapore) is a national agency formed to develop and expand Singapore's international trade. Its primary objective is to help Singapore companies develop their export markets. IE Singapore also provides specialised services to businesses looking for overseas markets. These services are provided in Singapore as well as in a number of major cities abroad.

There are other Government and semi-government institutions and agencies which deal with industrial development and potential investment in Singapore. They include the Economic Development Board (EDB), Jurong Town Corporation (JTC) and the Standards, Productivity and Innovation Board (Spring Singapore).

Licences/approvals

Licences or approvals may be required before participation is allowed in certain activities. Examples include the travel business, the printing trade or securities dealings. For foreign participation in the equity of a company intending to engage in retailing activities, clearance is required from the Domestic Trade Section of the Ministry of Trade and Industry before an application can be made for registration of the company. Clearance is also required from the Singapore Tourism Board for travel agencies and from the Insurance Commissioner's Department for insurance companies.

Price controls/anti-competitive practices

There are no such statutory provisions in Singapore.

Import/export controls

To engage in import, export and transshipment activities in Singapore, business entities are required to apply to Singapore Customs for a Central Registration (CR) number. The CR number is processed free of charge and enables the business to apply for an import, export and transshipment permit.

All goods (except goods that qualify under permit exemption e.g. personal or household effects) need an import or export permit. All goods are subject to the payment of Goods and Services Tax (GST), which is levied at 5% of the cost, insurance and freight (CIF) value at the time of importation.

Some products (e.g. textiles and textile products) are subject to quota restriction and need to obtain the Export Licence and/or Textile Visa. Aquarium fish and freshly cut orchids require Export Certificates and/or a Certificate of Origin.

Intellectual property

Singapore's robust intellectual property (IP) framework provides a safe haven for IP creators, producers and owners. Singapore strongly recognises the need in protecting IP in order to attract and retain foreign investors in locating and developing their IP capital there. Currently, the protection of IP is under the purview of the Intellectual Property of Singapore (IPOS). Various forms of IP that are protected include patents, trade marks, registered designs, copyright, layout-designs of integrated circuits, geographical locations, trade secrets and confidential information as well as plant variety.

Patents can be registered in Singapore under the Patents Act to prevent others from exploiting the invention without consent during the term of the patent. Patents are subject to renewal, infringement and revocation proceedings in Singapore. Trademarks can be protected by

registering under the Trademarks Act. The initial registration covers a period of seven years and can be renewed for an additional period of 14 years. Copyright covers artistic works, literary works, musical works, film, sound recording, and broadcast and cable programmes.

Banking and local finance

Singapore is a leading financial centre in the Asia Pacific region with well over 700 financial institutions offering a wide range of products and services. Singapore is an internationally recognised fund-management centre with total assets under management amounting to SGD 891 000 million (EUR 409 275 million; USD 645 700 million) as at the end of 2006. This marked a 24% growth from SGD 270 000 million as at 31 December 2005. As home to an international stockbroking industry, Singapore has emerged as a much sought-after listing location in the Asia Pacific region.

Thanks to its stable political and economic setting, its regulatory environment and its open and accessible investment and business environment, Singapore is widely regarded as a premier equity market in the Asia Pacific region. Its adoption of international standards of disclosure and corporate governance policies has also provided a well-regulated trading environment for both local and international investors.

The Singapore Stock Exchange

The Singapore Exchange (SGX) is one of the most international exchanges in Asia with foreign companies constituting approximately 30% of its total market capitalisation. In addition, the presence of over 800 international fund managers and a supporting analyst community provides an attractive pool of investors for companies seeking a broad shareholder base.

SGX is an efficiently regulated marketplace and is therefore an attractive consideration for companies looking to project an image of good corporate governance and disclosure. SGX has introduced market-oriented listing rules that make it possible for companies from diverse backgrounds to source public financing in Singapore. While SGX maintains its aim of attracting more companies, it has not compromised its listing standards and the quality of listed companies.

Benefits and drawbacks of listing

Benefits

Some of the key advantages of being publicly listed are:

- creation of a market for the company's shares
- enhancement of the company's status and financial standing
- an increase in public awareness and interest in the company and its products
- the provision of opportunities to implement share-option schemes for employees
- creation of the ability to access additional fund raising in the future through issues of new shares or other securities
- the facilitation of acquisition opportunities through use of the company's shares
- the offer to existing shareholders of a ready means of realising their investments.

Drawbacks

Some of the additional obligations and reporting requirements that arise from a public listing include:

- increased accountability to public shareholders
- need to maintain dividend and profit growth trends
- need to observe and adhere strictly to the rules and regulations governing bodies
- increased costs due to reporting requirements
- loss of partial control of the company following listing
- loss of privacy from increased media interest.

It is imperative to compare the benefits and costs of listing in the light of the plans and goals that have been set for the company. Seeking professional help from lawyers, independent accountants and other professional advisors will also provide companies considering a listing with better considerations.

The listing process on SGX

A company initiates the listing process by appointing a Singapore-based financial institution to be its sponsor and lead manager. The lead manager is usually a member company of SGX, a merchant bank or other similar institution acceptable to SGX.

The lead manager assumes an active rôle throughout the listing process. Besides managing the launch, he also submits the listing application on behalf of the company and liaises with SGX on all matters concerning the listing application.

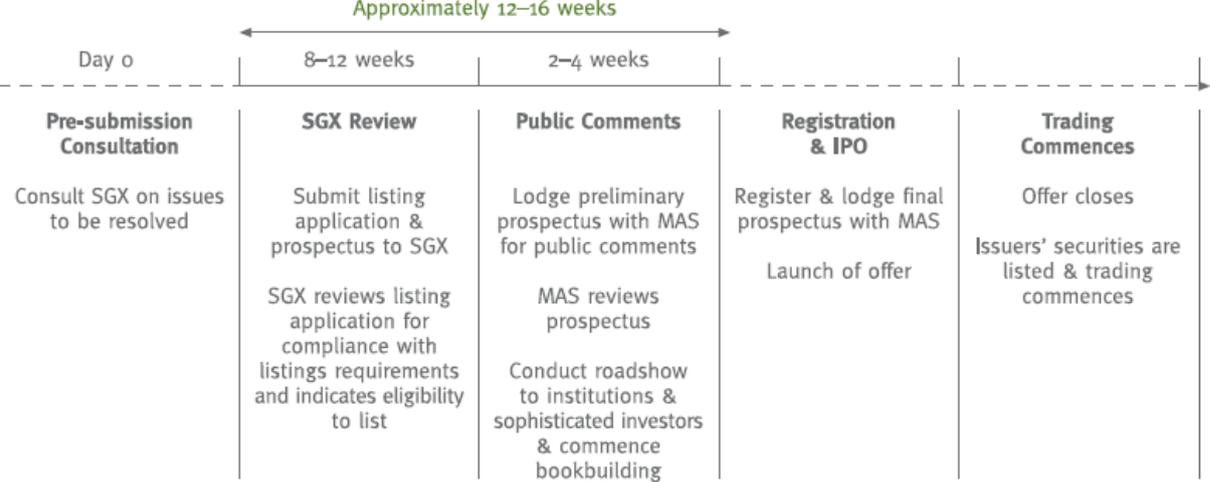
The company needs to appoint a lawyer to oversee the legal aspects of listing. An appointed certified public accountant will provide the company with an initial evaluation of its readiness to go public, assist in upgrading its management capabilities and in preparing the launch. Prior to and during the launch, the company will need to engage the services of an experienced public-relations firm to help enhance its appeal and convey its corporate messages effectively to the investing public.

IPO timeline

Prior to submission of the listing application, the company is advised to consult SGX to resolve any specific issues. This will speed up the listing process and reduce any additional costs that may arise due to a delay. The timeframe for a listing varies for different companies, ranging from two months to two years. On average, the whole process takes about four to eight months. Given that time is of the essence, the company should budget a reasonable amount of management time and appoint the appropriate professionals to assist in the listing process.

The timeline for the listing process is as follows:

Figure 1



A company, whether foreign or locally incorporated, seeking a primary or secondary listing on the main board of the SGX may list itself according to any of the three criteria below.

Table 1

	Criteria 1	Criteria 2	Criteria 3
Pre-tax profits	Cumulative pre-tax profit of at least SGD 7.5 million ¹ over the last 3 consecutive years, with a pre-tax profit of at least SGD 1 million in each of those 3 years	Cumulative pre-tax profit of at least SGD 10 million ² for the latest 1 or 2 years	N/A
Market capitalisation	N/A	N/A	Market capitalisation of at least SGD 80 million ³ at the time of the initial public offering, based on the issue price
Shareholding spread	Minimum 1000 shareholders and at least 25% of shares in public hands (if market capitalisation is less than SGD 300 000 ⁴)		
Distribution Requirements	If total offer size is less than SGD 75 million, at least 40% of the invitation shares or SGD 15 million, whichever is lower, must be distributed to investors each allotted not more than 0.8% of the invitation shares or SGD 300 000 worth of shares, whichever is lower.		
Operating track record	Must have been engaged in substantially the same business and under substantially the same management for the profit track record	NA	NA
Vendor Sale	No restrictions on vendor sale in terms of minimum shareholding percentage.		
Continuity of management	3 years	1 or 2 years as the case may be	NA
Accounting standard	Singapore, US or International Accounting Standards		
Continuing listing obligations	Yes	Yes	Yes
	Waiver on compliance with continuing listing obligations if listed on another recognised foreign stock exchange.		

Notes

¹ EUR 3.445 million; USD 5.435 million

² EUR 4.593 million; USD 7.247 million

³ EUR 36.748 million; USD 57.975 million

⁴ EUR 137 800; USD 217 400

It is intended that the different listing criteria cater to a wider spectrum of companies with different business models. Companies such as fast growing, high-technology companies that have a short but strong profit record, or which have yet to make profits, are also allowed to list on the main board under the Option 3 criteria. However, companies seeking a listing under such criteria will still have to appoint issue managers who must satisfy themselves that the companies are suitable for listing.

The SGX-Catalist was established to aid smaller companies, foreign or local, in raising funds from the stock market. There are no quantitative requirements for a listing on SGX-Catalist (see Table 2 below).

Table 2

	Criteria Descriptions
Pre-Tax Profits	Nil Business is expected to be viable and profitable, with good growth prospects.
Paid-up capital	N/A
Track Record	No minimum operating track record required.
Shareholding spread	Minimum 200 shareholders and at least 15% of shares in public hands.
Vendor Sale	Vendor sale is allowed only if proposed vendor(s), in aggregate, holds at least 50% of the issuer's post-invitation share capital and post-sale, would continue to retain at least 50% of the issuer's post-invitation share capital.
Board Composition	At least 2 independent directors.
Sponsorship	Minimum sponsorship period of 3 years after listing by Sponsor that undertook listing for applicant. Must have a Sponsor to undertake continuing activities for issuer at all times.
Secondary offers of shares	The issuer cannot make any exempt offer in respect of shares for 6 months from the date of final lodgement of the offer document unless: (i) the issuer has notified the Exchange that it intends to do so; and (ii) the issuer has taken reasonable steps to inform in writing every investor to whom the exempt offer is made, of the specific provisions in Subdivision (4) of Division 1 of Part XIII of the Securities Futures Act.

Continuing listing obligations	All Catalist companies must retain a Sponsor for as long as they are listed. Companies without Sponsors will face delisting. For foreign companies, the requirement for independent directors resident in Singapore has been reduced from 2 to 1. Companies can obtain shareholder mandate to issue up to 100% of the company's share capital (of which shares issued on non pro-rata basis must not exceed 50%). This limit of 50% can be increased to 100% in the case where shareholders approve by special resolution on or after the first shareholder meeting. Shareholder approval is required for all the abovementioned acquisitions and disposals. a) Acquisition of assets: (i) of more than 75% but less than 100% of the relevant bases i.e. group net assets, profits, market capitalization or equity securities issued, as the case may be; or (ii) which results in a fundamental change in the business of the company. b) Disposal of assets: (i) of more than 50% of the relevant bases; or (ii) which results in a fundamental change in the business of the company.
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Companies listed on the SGX-Catalist may apply for transfer to the SGX-Main Board should they meet the main board requirements in the future.

(Source: Singapore Exchange)

Accounting and audit requirements

Accounting records

Singapore generally adopts the accounting standards issued by the International Accounting Standards Committee. Accounts are usually drawn up in accordance with Generally Accepted Accounting Principles.

Under the Singapore Companies Act ('the Act'), every company incorporated pursuant to this Act to any corresponding previous written law is required to keep accounting and other records that will sufficiently explain the transactions and financial position of the company and enable true and fair income statements and balance sheets and any documents required to be attached thereto to be prepared from time to time.

The company is required to keep such accounting and other records in a manner that enables them to be conveniently and properly audited and to retain them for a period of not less than five years from the financial year-end in which the transactions or operations to which these records relate are completed.

The records are to be kept at the registered office, or at such other place as the directors think fit, located in Singapore to enable true and fair income statements and balance sheets and any documents required to be attached thereto to be prepared from time to time. These records shall all times be open to inspection by the directors.

Branches of foreign companies registered under the Act are not required to keep accounting records in Singapore in respect of their branch operations. However, as a matter of convenience, most foreign companies doing business in Singapore keep full branch-accounting records in the Republic.

Audit requirements

Under the Act, the company is required within three months of incorporation to appoint an independent auditor(s) approved by the Public Accountants Board. The Public Accountants Board is a statutory body responsible for the registration and regulation of public accountants who are qualified to sign off companies' accounts as auditors.

The accounts of a Singapore branch of a foreign company must be audited either by an approved company auditor or by a person qualified to act as auditor of the foreign company under the laws of the country where the foreign company is incorporated.

The accounts of a Singapore branch of a foreign company must be audited either by an approved company auditor or by a person qualified to act as auditor of the foreign company under the laws of the country where the foreign company is incorporated.

Reporting requirements

Under the Act, every company must hold an Annual General Meeting ("AGM") to lay its audited financial statements before its shareholders for approval. The first AGM must be held within 18 months of incorporation and thereafter the AGM must be held once in every calendar year and not more than 15 months after the last AGM. The financial statements laid before the shareholders of the AGM must be made up to a date not more than six months before the date of the AGM.

The company must file an Annual Return ("AR") and the audited financial statements within one month after the AGM. The Act does not require dormant companies and certain exempt private companies to file audited financial statements. Those exempt private companies must have a turnover of not more than SGD 5 million (EUR 2.297 million; USD 3.623 million) for the particular financial year.

Requirements for listed companies

Financial statements

Companies with securities listed on the Stock Exchange of Singapore must announce their financial statements for the half-year and full year immediately after the figures are available, but in any event not later than 45 days and 60 days after the relevant financial period respectively.

The company must announce the financial statements for each of the first three quarters of its financial year immediately after the figures are available but in any event not later than 45 days after the quarter if it meets the following conditions:

- its market capitalisation exceeds SGD 75 million (EUR 34.451 million; USD 54.352 million) as at 31 March 2003 or
- its market capitalisation exceeds SGD 75 million at the time of listing (based on the IPO issue price) if it was listed after 31 March 2003 or

- its market capitalisation is SGD 75 million or higher on the last trading day of each calendar year commencing from 31 December 2006 (the company will have a grace period of a year to prepare for quarterly reporting)

The announcements of the quarterly results will continue to be prepared by the company even if its market capitalisation subsequently decreases below SGD 75 million.

In the case of the announcement of the interim financial statements, the company's directors must provide a confirmation that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the interim financial statements to be false or misleading in any material aspect. Hence, the directors are not expected to commission an audit of these financial statements.

Annual report

For listed companies, the audited financial statements that are presented at the AGM must be made up to a date not more than four months before the date of the AGM. In other words, the AGM is required to be held within four months of the reporting year-end. A copy of the notice of meeting and the annual report must be issued to shareholders and the Exchange 14 days prior to the AGM.

The chairman's statement (or equivalent) in the annual report must provide a balanced and readable summary of the company's performance and prospects, and should represent the collective view of the board. If the chairman's statement does not represent the collective view of the board, the view of each dissenting director must be disclosed in the annual report.

Code of Corporate Governance 2005 (superseded the Code issued in March 2001)

All listed companies are required to disclose their corporate-governance practices and give explanations for deviations from the Code in their annual reports for AGMs held from 1 January 2007 onwards.

Exchange controls

With effect from 1 June 1978, all persons are exempted from the provisions, restrictions and obligations imposed under the various sections of the Exchange Control Act. All Singapore residents, both corporations and individuals, are allowed complete freedom from exchange control for any form of investment and payment. Thus no exchange control approval or formalities are required for any payment, remittance or capital transfer in any currency to any country.

Restrictions on foreign investment

Foreign investment has traditionally been welcomed in Singapore and it has accounted for a significant share of total investment in the economy. There are no restrictions on inward foreign investment in most sectors except for certain sectors including broadcasting, the domestic new media, retail banking, legal and other professional services. There are basically no restrictions on foreign investors as regards the form in which they do business in Singapore.

Under Singapore law, corporate Articles of Incorporation may include shareholding limits that restrict ownership by foreign persons. Some, but not many, companies include such shareholding restrictions.

Foreign investors are not required to enter into joint ventures or cede management control to local interests, and local and foreign investors are subject to the same basic laws. Apart from regulatory requirements in some sectors (financial and telecom services), the Singapore Government examines investment proposals only to determine eligibility for various incentive regimes.

Singapore places no restrictions on reinvestment or repatriation of earnings or capital.

3. The tax system

Principal taxes

Taxes on income and gains

- Corporate income tax
- Individual income tax
- Income tax on clubs, associations and estates.

Taxes on transactions

- Goods and Services Tax
- Customs and excise duties
- Stamp duties.

Taxes on transfers of wealth

- Estate duty.

Taxes on payroll

- Skills development levy
- Others
- Central Provident Fund contributions (not a tax but a social security scheme).

General income tax structure

Singapore applies a territorial system of taxation of income, under which only income having its source in Singapore or income remitted to Singapore is taxable.

Thus, income tax is levied on a person's income if it is sourced from Singapore or received in Singapore from outside its borders.

Under the Singapore tax legislation, the following income is subject to income tax:

- Gains or profits from any trade, business, profession or vocation
- Gains or profits from employment
- Dividends, interest or discounts
- Pensions, charges or annuities
- Rents, royalties, premiums and any other profits arising from property
- Gains or profits of an income nature not falling within the preceding categories.

International aspects

Resident companies (i.e. companies managed and controlled in Singapore) are subject to tax on income accruing in or derived from Singapore, or received in Singapore from outside its borders.

Residents and non-resident individuals are subject to tax on Singapore-sourced income only.

Singapore has an extensive network of tax treaties by which double taxation of non-Singapore income is avoided. Singapore has concluded and ratified comprehensive tax treaties with 57 countries (see Appendix). This is achieved by way of a credit against Singapore tax payable for foreign tax paid on the same income. In the absence of a tax treaty, a Singapore tax resident may be granted unilateral tax relief for all foreign income repatriated from specified countries with effect from Year of Assessment 2009. Prior to this, the relief was only granted for certain specified income. Commonwealth tax relief may be granted where the income is remitted from a Commonwealth country that has no tax treaty with Singapore.

Tax administration

The Inland Revenue Authority of Singapore (IRAS) is responsible for the administration, assessment and collection of income taxes. The IRAS is responsible to the Minister for Finance.

4. Taxes on business

Corporate tax system

Introduction

Singapore used to adopt an imputation system of taxation. Under this system, the income tax paid by a Singapore-resident company on its profits was accumulated in a so-called 'Section 44A account' and passed on or imputed to the shareholders when a dividend was paid. For this purpose, every resident company was required to maintain a special account known as the Section 44A account to keep track of the amount of tax-franking credit available.

If there was insufficient tax credit in the Section 44A account to frank the dividend distribution, a charge equal to the amount of the deficit would be payable to the IRAS within 14 days from the date of payment of the dividends. The charge could then be offset against subsequent tax assessed on the company.

This imputation system was replaced by a One-Tier Corporate Tax System with effect from 1 January 2003. Tax paid at the corporate level is the tax assessed after 31 December 2002 in respect of a company's normal chargeable income. It constitutes a final tax and dividends are tax-exempt in the hands of the shareholders. To ensure a smooth change, transitional provisions were available for a period of five years from 1 January 2003 to 31 December 2007 to enable resident companies to remain on the imputation system and continue to pay franked dividends out of accumulated franking credits as at 31 December 2002.

Taxable entities

Corporate tax is payable by companies (resident or non-resident) in Singapore and by Singapore branches of foreign companies. The term 'company' means any company incorporated or registered under any law in force in Singapore or elsewhere, but does not include a partnership.

Residence

A company is regarded as a tax resident of Singapore if the control and management of its business are exercised in Singapore. Generally, the *de facto* control and management of the company are exercised through the board of directors. If the board of directors meets and conducts its business in Singapore, the company is treated as a resident of Singapore.

Scope and extent

A Singapore-resident company is subject to corporate tax on income arising in or derived from Singapore or received in Singapore from outside.

A non-resident company (including the Singapore branch of a foreign company) is subject to corporate tax in the same manner as a resident company.

Gross income

Accounting period taxable

Profits of a company are determined separately for each tax year. A tax year of assessment runs from 1 January to 31 December of each year. Profits are ascertained for the year preceding the tax year of assessment and may cover more or less than 12 months if it is the first set of accounts. Companies may close their accounts on a date other than 31 December and this will be accepted as the basis period for a year of assessment.

Accounting methods and business profits

A company's taxable income is based on the net profits as shown in the financial statements prepared on an historic-cost basis and in accordance with generally accepted accounting principles. Specific statutory adjustments are made to the accounting profits to arrive at the taxable profits, involving such items as non-deductible expenses and depreciation.

Inventory (stock) valuation

Any method of valuation of stock-in-trade (inventory) and work-in-progress that accords with sound commercial accounting principles is acceptable to the IRAS, provided that it is adopted consistently at the beginning and at the end of the accounting period and does not conflict with tax law. Normally, inventory is valued at the lower of cost or net realisable value for tax purposes. The provisions that may be deducted are those necessary to arrive at net realisable value where this is lower than cost, for example, provisions for obsolescence. Anticipated losses are not tax deductible.

Capital gains

There is no capital gains tax in Singapore, nor are capital gains assessable to income tax.

Interest

Companies may elect for the assessment of interest income to be on an accounting-year basis instead of being assessable to corporate tax on a calendar-year basis (January to December). If the interest is received net of withholding tax, it is assessed gross, with deduction of the withholding tax (subject to limitation) against the corporate tax payable. A non-resident company that does not carry out business in Singapore and does not have a permanent establishment in Singapore is exempt from withholding tax on the interest earned on monies on deposit in an approved bank in Singapore.

Dividends

Dividends received by a Singapore-resident company from another Singapore-resident company are tax exempt under the One-Tier Corporate Tax System.

Dividends received from overseas companies are subject to corporate tax in the year in which they are received, and credit for foreign tax is available where appropriate.

Exemption on remittance of certain foreign-source income

Any foreign-source income in the form of dividends, branch profits and services income received in Singapore after 31 May 2003 is exempt from Singapore income tax provided that the following conditions are met:

- in the year the foreign income is received in Singapore, the 'headline' tax rate of the foreign country from which the income is remitted is at least 15% and
- the foreign income has been subject to tax in the foreign country from which it was remitted and
- the tax authorities are satisfied that the tax exemption would be beneficial to the person resident in Singapore.

Royalties

Royalties are generally taxable as trading receipts and where they are received net of withholding tax, they are grossed up and the tax withheld is used as a tax credit against corporate tax payable.

Management fees

Management fees are assessable as part of trading receipts. If the services are rendered to a local or foreign affiliate, the related management fees should reflect an arm's length value and commensurate with the services rendered.

Deductions

Business expenses generally

In ascertaining the income chargeable to tax of a company from any source, all outgoings and expenses wholly and exclusively incurred during the period in producing the income are deductible.

Depreciation (capital allowances)

Depreciation of capital assets charged in the accounts of a business is not an allowable deduction in calculating chargeable profits but is replaced by capital allowances at rates fixed by law. These allowances are available in respect of capital expenditure on the following types of depreciating assets used in a trade:

- qualifying industrial buildings and structures
- plant and machinery
- computers and prescribed automation equipment
- approved know-how or patent rights.

Allowances are not available for expenditure on goodwill, trademarks, land and non-industrial buildings such as offices, showrooms, retail shops, dwelling houses and hotels (except approved hotels on Sentosa Island).

The effect of the allowance is to allow capital expenditure on qualifying assets used in a trade to be deducted from profits over a period of time dependent on the category of asset.

The capital allowance rates are as follows:

Table 3

Type of asset	Initial allowance (%)	Writing-down allowance	
		Type	Rate
Industrial buildings & structures	25.00	SL	3.00
Plant & machinery		SL	33.00
Computers & prescribed automation equipment			100.00
Approved know-how or patent rights		SL	20.00

Interest

Interest qualifies for deduction in so far as the IRAS is satisfied that the expense was incurred on money borrowed for the purpose of acquiring income.

Where interest is paid to a non-resident, the payer is required to withhold tax at the rate of 15% or reduced rates under tax treaties, if applicable. The tax withheld is accountable to the IRAS by the 15th day of the month following the date of payment to the non-resident. Otherwise, penalties are imposed. Interest is generally deductible against the trading income of the company if such expenses are closely linked to the earning of its income.

Royalties

Where royalties are paid to non-residents, the payer is required to withhold tax at the rate of 10% or reduced rates under tax treaties, if applicable. The tax withheld is accountable to the IRAS by the 15th day of the month following the date of payment. Penalties are imposed for late payment. Royalties are generally deductible against the trading income of the company if such expenses are closely linked to the earning of its income.

Employee remuneration

Remuneration for personal services is deductible if it is incurred in the production of income and is reasonable in amount. The only limitation is where it is paid to an employee who is the husband, wife or child of an employer. In this case, the remuneration must be commercially justifiable and be linked directly to the services performed by that employee.

Employee benefits

Employers may claim tax deductions for the cost of employee benefits, such as health, accident and group insurance, workmen's compensation and other fringe benefits. Medical expenses are capped at 2% of total employee remuneration, provided that the company implements the

Portable Medical Benefits Scheme or the Transferable Medical Insurance Scheme for its employees. With effect from Year of Assessment 2008, employers who provide their employees with in-patient medical-insurance benefits in the form of portable medical shield plans can also qualify for tax deduction at 2% of the total employee remuneration for medical expenses they incur for their employees. Employers can provide such portable medical shield plans either by paying the insurance premiums on behalf of their employees to the insurance companies directly or by reimbursing the premiums into the employees' Medisave accounts. In addition, if employers were to make ad-hoc contributions to their employees' Medisave account (subject to a cap of SGD 1500 per employee per year), the 2% cap will be applicable. Otherwise, a claim to deduct medical expense is subject to a 1% cap.

Insurance premiums

These are deductible if they are incurred in the production of the company's trade or business income.

Bad debts

Trade debts incurred in any business which have become bad or specific provisions for doubtful debts where the IRAS is satisfied that the debts are likely to be bad and in respect of which the amount owing has been recognised as income by the company are deductible.

Inter-company charges

Payments to foreign associates in respect of administrative costs and overheads on an actual recoupment basis are not subject to withholding tax and can be deducted in computing taxable profits if they are wholly and exclusively incurred in the production of income.

Other deductions

Other than the abovementioned, the more common deductions are as follows:

- rent payable
- expenses incurred for the repair of premises, plant and machinery employed in acquiring the income
- sums contributed by an employer to an approved pension or provident fund
- religious dues

Non-deductible items

The main items of expenditure that are not tax-deductible from business income are as follows:

- expenses of a domestic or private nature
- disbursements or expenses not wholly and exclusively laid out in acquiring the income
- capital withdrawn from or any sum employed or intended to be employed as capital in the business
- amounts payable in respect of income taxes
- payments to unapproved pensions or provident funds
- sums paid as salaries to proprietors or any interest on capital or drawings by proprietors
- expenses, outgoings and costs or renewals incurred on a motor car not registered as a business-service passenger vehicle.

Losses

Trading losses can be set off against income from any source arising in the same accounting period or in subsequent periods. Any unutilised losses can be carried forward indefinitely provided there is not more than a 50% change in the company's shareholders and their shareholdings between the last day of the year in which the loss was incurred and the first day of the year of assessment in which the loss is to be relieved.

Where the shares of a company are held by another company, the shareholders and their respective shareholdings in the latter company are compared to ascertain whether a substantial change has occurred.

Where there is a substantial change in the shareholders, the losses are forfeited unless the IRAS is satisfied that such a change is not for the purpose of deriving any tax benefit or obtaining any tax advantage before the loss is deducted against the profits from the same trade or business. Generally, where a substantial change in the shareholding composition is due to nationalisation, privatisation or the active trading of shares on a recognised stock exchange, the IRAS is prepared to waive the substantial-shareholding test and allows the losses to be set off against the company's profits if the company continues to carry on the same trade or business.

With effect from 2006, current-year unutilised capital allowances and trade losses of companies may be carried back to the year of assessment immediately preceding the year in which the capital allowances were granted or the trade losses incurred. The tax-loss carry-back system is effective up to an aggregate amount of SGD 100 000 (EUR 45 925; USD 72 475), and subject to the proviso that the shareholders' continuity test (see above) is satisfied.

Consolidation

Under Singapore tax law, every company is treated as an independent entity and there is no general provision for a consolidated group tax treatment. However, there is a system of group relief for losses.

Group relief

A loss-transfer system of group relief was introduced with effect from 2003. The group-relief system applies to companies belonging to a group (which consists of a Singapore-incorporated company and its Singapore-incorporated group members). The system enables the unutilised current-year tax losses and capital allowances of a loss-making company within a group to be set off against the taxable profits of another company belonging to the same group, provided that a 75% shareholding requirement is met (i.e. the transferor company has a holding of at least 75% in the transferee company or vice versa, or at least 75% of the share capital of both the transferor and transferee companies is held by the same person or persons).

Taxation of foreign companies

A non-resident company is subject to Singapore corporate tax on income with a Singapore source and on foreign income received in Singapore. In general, a tax treaty will limit the taxation of industrial and commercial activities in Singapore to the profits attributable to a permanent establishment in Singapore. The calculation of tax chargeable on the profits of the permanent establishment is similar to that of a Singapore-resident company.

Trading as a branch

Under Singapore domestic law, a non-resident company is liable to Singapore corporate tax only if it carries out a trade in Singapore through a branch or permanent establishment. Subject to the provision of the relevant double tax treaty, tax is chargeable on any trading income arising directly or indirectly from the branch or permanent establishment and on any income from property or rights used by or held by or for the branch, including interest, dividends and rent attributable to the branch.

In adjusting the branch profits for tax purposes, similar rules apply as for a resident company. The rate of corporate tax imposed on branch profits is the same as for a resident company. Losses may be carried forward and back in the same way and subject to the same conditions as for resident companies.

Income from Singapore subsidiaries

Profits - The profits of a foreign-owned Singapore subsidiary are taxable in the same manner as those of a Singapore-resident company.

Dividends - With effect from 1 January 2008, all Singapore dividends paid to shareholders are tax-exempt in the hands of the shareholders.

Interest - Interest payable by a subsidiary to a non-resident company (including a non-resident parent or associated company) is subject to withholding tax at 15% or the reduced treaty rate, where applicable. The tax withheld is accountable to the IRAS by the 15th day of the month following the due date of the interest payment.

Royalties - Royalties may be paid to a foreign company and these payments attract withholding tax at the lower of 10% or the treaty rate, where applicable.

Service fees - Payments for management services, technical assistance, use of know-how, etc. by a Singapore subsidiary to a non-resident company are subject to withholding tax at 18%. These payments count as tax-deductible expenses of the paying company if they are incurred wholly and exclusively in the production of income.

Tax incentives

Exemption for private start-up companies

For newly incorporated private companies, full tax-exemption is granted on chargeable income of up to SGD 100 000 (EUR 45 925; USD 72 475) and 50% exemption on their next SGD 200 000 (EUR 91 875; USD 144 950) of taxable income (excluding Singapore franked dividends) for any of the first three consecutive years of assessment.

To qualify for the full tax-exemption for a relevant year of assessment under this scheme, a company must:

- be a private company incorporated in Singapore
- be tax-resident in Singapore for that year of assessment
- have no more than 20 shareholders throughout the basis period relating to that year of assessment and
- have only shareholders who are individuals throughout the basis period relating to that year of assessment

With effect from Year of Assessment 2009, the Government will liberalise the above conditions where newly incorporated companies with corporate shareholders will qualify for the existing start-up tax exemption scheme, as long as there is at least one individual shareholder of minimum 10% shareholding.

Thin capitalisation

Singapore has no rules to counter thin capitalisation.

Transfer pricing

IRAS published transfer-pricing guidelines in February 2006. Sales and purchases to and from related parties, including foreign affiliates, must be stated at arm's length values for tax purposes. Singapore has adopted the definition of arm's length in the OECD guidelines on transfer pricing. An advance pricing agreement (APA) programme is available. Companies may be required to certify that transactions have been carried out at arm's length and for *bona fide* commercial reasons.

Controlled foreign company (CFC) rules

Singapore has no CFC rules.

Tax rate

The general rate of corporate tax rate is 18%, with partial exemption for the first SGD 300 000 of taxable income as follows:

Table 4

Tranche of taxable income (SGD)	Proportion exempt	Amount taxable (SGD)
SGD 10 000	75%	2 500
SGD 290 000	50%	145 000
Remainder	0%	

Administration

Compliance

The Singapore tax system is based on self-assessment. The taxpayer may, through its tax agent, file the annual tax return (Form C) based on audited financial results (after tax adjustments) of the financial year preceding the year of assessment. The tax assessment will be finalised when the returns are processed. However, a company is required to furnish an estimate of its chargeable income to the IRAS within three months of the accounting period/year end and a provisional estimated assessment will be raised.

Tax returns and assessments

The corporate tax return of a company is filed in the current year of assessment following that in which the income was earned. For the year of assessment 2008, the statutory deadline is 30 November and in 2009 and thereafter, it is 31 October.

Payment

Corporate tax must normally be paid within one month of the issue of the assessment. Companies may, however, apply to pay corporate tax by instalments when furnishing the estimate of their chargeable income to IRAS.

Where tax has been withheld, it must be accounted for to the IRAS by the 15th day of the month following the date of payment of the income to the non-resident. The date of payment is defined as being the earliest of the following dates:

- when payment is due and payable based on agreement or contract
- when payment is credited to the account of the non-resident (reinvested, accumulated, capitalised or carried to any reserve) or any other account however designated
- the date of actual payment.

Interest on overdue tax

If the tax charged in an assessment is not settled within one month of the service of the notice of assessment, a penalty of 5% is added to the tax payable. An additional penalty of 1% for each completed month on the amount of tax outstanding is payable if the tax remains unpaid 60 days after the issue of the demand note. The total additional penalty imposed cannot exceed 12%.

Interest on overpaid tax

The IRAS will refund credits due within 30 days and will pay interest when there is a lapse in service by IRAS to effect the refund. This initiative took effect from 1 July 2007. Interest for late refund of credit arises only when IRAS has taken more than 30 days to refund a credit that is due for refund. The current interest rate is 5% per annum. This interest rate is subject to review and determined by the Ministry of Finance annually.

Goods and services tax (GST)

The Singapore Government implemented GST, which is a value-added tax, in 1994. The objective was to broaden the tax base in view of an ageing population, increasing global competition for investments and reducing the country's reliance on income tax as a major source of revenue. High direct taxes were perceived to reduce willingness to work, save and invest.

GST is a tax on domestic consumption, borne by the end-consumer in Singapore. It is a multi-stage tax, which is collected on behalf of the government at every stage of the production and

distribution chain. In other words, the liability for GST arises each time goods or services are supplied in Singapore by persons registered with the GST Department. Unlike income tax, it does not distinguish the supply of capital or revenue items. Basically, it applies to the purchase and sale of assets, trading stocks and tangible and intangible property, with few exceptions.

The basic principle of GST requires a registered business to charge the tax on its 'outputs' (ie. sales of goods or services) and pay GST on its 'inputs' (i.e. purchases of goods, services, machinery, equipment, etc.). The amount of GST payable by the registered business to the GST Department is calculated by subtracting the input tax from the output tax for the period. If the input tax exceeds the output tax, the GST Department is required to refund the difference. This procedure ensures that the value added at each stage is only taxed once to avoid a cumulative or cascading effect.

GST is levied at a standard rate of 7% on:

- the supply of goods and services made in Singapore by a taxable person in the course of any business carried out by him and
- the importation of goods into Singapore.

For the supply of goods and services within Singapore, GST is collected by the registered traders on behalf of the GST Department.

For the importation of goods, GST is collected by the Customs and Excise (C & E) Department at the point of importation into Singapore unless the registered trader is an approved trader under the Major Exporter Scheme. A registered trader must submit an application for approval to join this scheme. Once approval is granted, the trader is allowed to import goods without paying GST. However, as GST is a tax on domestic consumption, any supply of such goods to a Singapore customer will carry GST at a rate of 7%.

The export of goods and services is zero-rated (i.e. no tax is charged on outputs, but GST incurred on inputs related to the zero-rated outputs may be reclaimed).

Registration thresholds

Businesses with an annual taxable turnover (including all supplies of goods and services) exceeding SGD 1 million (EUR 459 350; USD 724 700) are required by law to register with the GST Department.

However, a trader may apply for voluntary registration even if his annual turnover does not exceed SGD 1 million. Once approval is granted, he must remain registered for at least two years.

Whenever a taxable person supplies goods and services to another taxable person, he must issue the latter a tax invoice and retain a copy for himself. A tax invoice is a document containing specific information on what is being sold and the amount of GST charged on it.

Every taxable person must keep records and accounts of all supplies whether taxable or exempt. These documents must be up-to-date and sufficiently detailed to allow calculation of GST, and must be preserved for a minimum of five years from the end of the accounting period. The GST Department has been provided with the powers to require changes to be made to the records and accounts to satisfy their requirements.

The normal accounting period for filing the GST return is quarterly. However, a registered trader may apply for monthly submission of GST returns if he receives regular GST refunds. The registered trader must file a GST return at the end of each accounting period recording all output and input tax to arrive at net tax payable to or a refund by the GST Department.

5. Taxes on individuals

Income tax

Territoriality and residence

Singapore applies a fully territorial basis of taxation. Both resident and non-resident individuals are liable to Singapore income tax on income derived in Singapore. Residents are exempt from Singapore income tax on all income that has a foreign source, whether or not it is remitted to Singapore. The single exception to this exemption is foreign income of a Singapore partnership received in Singapore.

A Singapore citizen is regarded as resident if he or she normally resides in Singapore, notwithstanding any purely temporary absences. Non-Singaporeans are resident in a particular year of assessment if they were physically present or exercising an employment in Singapore for more than 182 days in the preceding year. Presence in the sole capacity of a director of a company is not regarded as giving rise to resident status.

Treatment of the family unit

A husband and wife are taxed separately, as are minor children, unless their income derives from assets gifted to them by a parent. In such a case, the income is assessed on the relevant parent. However, a married woman can choose to be jointly assessed with her husband.

Structure of income tax

Under the Singapore tax legislation, the following income is subject to income tax:

- gains or profits from any trade, business, profession or vocation
- gains or profits from employment
- dividends, interest or discounts
- pensions, charges or annuities
- rents, royalties, premiums and any other profits arising from property
- gains or profits of an income nature not falling within the preceding categories.

Income tax is charged on a previous-year basis, so that income of 2008 is assessed to tax in 2009 and so on.

Employment income

Employment income includes:

- salaries, wages, bonuses, director's fees and commission
- gains from the exercise of share option
- retrenchment and retirement benefits
- other income from employment

Salaries and wages

Income from salaries and wages includes payments in kind.

Bonuses

Bonuses received on a contractual basis are taxable for the year to which they relate. Bonuses paid for which there is no contractual requirement are taxable in respect of the year in which the employer resolves to pay the bonus.

Benefits-in-kind

There are a number of rules to determine the taxable value of certain common benefits.

Accommodation provided - The taxable value is the lower of:

- 10% of employment income x no. of days accommodation is provided / no. of days employed in that calendar year; and
- the annual value x no. of days accommodation is provided / 365

less: rent paid by employee (if any).

Home-leave passage - A tax concession is granted to exempt a maximum of 80% of the cost of the passage (which would otherwise be taxable in full for the employee). This concession is limited to one leave passage to the employee, one leave passage to his or her spouse and two leave passages to each child annually.

Car benefits - Where an employer leases a car for the employee's use (i.e. the employer bears the full cost of rental of the leased car), the value of car benefit is deemed to be three-sevenths of the rental cost incurred by the employer. If the employer also bears the cost of the petrol, there is an additional benefit of 0.10 per km of private travel. The above formulae are applicable only if all other running/maintenance expenses are borne by the car-hire company.

Director's fees

These are taxable in respect of the year in which they become due and payable. This in turn is considered to be the date on which they were voted and approved at the company's Annual General Meeting.

Payment in lieu of notice

Payments in lieu of notice and any element that of such payments that is in fact a gratuity or payment for past services are taxable.

Retrenchment benefits

Payments to compensate for loss of employment, known as retrenchment benefits, are not taxable. However, see 'payment in lieu of notice' above for the treatment of payments for past services.

Pensions and other retirement benefits

Certain pensions are exempt and these include CPF-designated funds and certain government schemes. Otherwise, all pension benefits are taxable when received, excluding any tax-free element that accrued before 1 January 1993 and would have been exempt under legislation existing at that time.

Deductions

The general rule is that any expense incurred by an employee wholly and exclusively in the production of employment income is deductible, if not reimbursed by the employer. However, travelling expenses in motor cars not registered as business-service passenger vehicles and expenses arising from travelling from home to work are not deductible.

Subscriptions paid to work-related professional bodies or societies are deductible, as are certain religious dues authorised by law, such as *zakat* and *fitrah*.

Income from a trade, business, profession or vocation

Income derived by an individual from the exercise of a trade, business, profession or vocation, either as a sole proprietor or as a partner in a partnership, is taxable under this heading. The taxable income is based on the net profit as shown in the accounts, adjusted as required by law.

All self-employed persons are required to prepare a certified statement of accounts. This consists of a trading and profit and loss account (income statement) and balance sheet, signed by the person as true and correct. A four-line extract (stating turnover, gross profit/loss, allowable business expenses, and the adjusted profit/loss must then be reported to IRAS. Sole proprietors with an annual turnover of below SGD 100 000 (EUR 45 925; USD 72 475) need only report their turnover and their tax adjusted profit or loss. Taxpayers with a turnover of

SGD 500 000 (EUR 229 675; USD 362 350) or more must file the certified statement of accounts with IRAS; others are not required to do so.

Taxpayers are free to adopt whatever accounting year-end they choose. The profits/losses of a period ending in a particular year of assessment are taxable in the following year. Sole proprietors with non-trading income that is incidental to the carrying-on of the business (i.e. derived solely from the assets of the business) and a non-calendar-year accounting period may have the non-trading income taxed on an accounting-year basis. A strict calendar-year basis applies, however, to franked dividends received under the transitional rules for withdrawal of the imputation system (see Chapter 4).

Deductions

The general rule is that only expenses that are wholly and exclusively incurred in earning the income of the business are deductible. Expenses that are capital or private in nature are not deductible. Where an expense is partly private and partly business, the part relating to business is generally deductible.

Business start-up costs are generally not deductible; the same applies to the maintenance costs of private vehicles, the costs of travelling between work and home, and legal fees and stamp duty on new lease agreements.

For capital allowances, see Chapter 4.

Losses

Losses and unutilised capital allowances of the current year of assessment may be set off against the taxpayer's other taxable income of that year (e.g. employment income, investment income etc). The balance that cannot be absorbed in the current year may be carried forward to future years indefinitely.

Losses and unutilised capital allowances may also be carried back to the year of assessment immediately preceding the year to which they relate, subject to a cap of SGD 100 000. For further details, see Chapter 4.

To the extent that there are no other qualifying deductions that may be transferred, the excess losses and unutilised capital allowances of one spouse may be set against the income of the other spouse, if both parties sign an election to that effect (see under 'Treatment of the family unit' above).

Investment income

Dividends

Under the one-tier corporation taxation system, which was introduced in January 2003, the tax collected from corporate profits is final and Singapore dividends are exempt from any further tax in the hands of shareholders.

Interest

Interest income received from any deposit with approved banks or licensed finance companies in Singapore is tax-exempt. However, interest income from deposits with non-approved banks or finance companies that are not licensed in Singapore, pawnshops, loans to companies and persons are taxable in full.

Income from property

Rental income from Singapore-situated real property is taxable net of related expenses.

Owner-occupiers of residential property are deemed to receive income equal to the annual value of their property. Against this imputed income they may set any mortgage interest payable (but in respect of their principal residence only). Any excess mortgage interest is not deductible against total income. Imputed income below SGD 150 000 (EUR 68 900; USD 108 700) is not taxable.

Capital gains

Capital gains are exempt from tax.

Personal allowances and deductions

Table 5 below reproduces the main allowances deductible in computing taxable income. These are available to resident taxpayers only.

Table 5

Allowance	To or for whom available	Amount (SGD)
Earned income allowance	Taxpayer below age 55	1000
	Taxpayer aged 55-59	3000
	Taxpayer aged 60+	4000
Wife allowance*		2000
Child allowance	1 st , 2 nd and 3 rd child	2000 per child
	4 th child (born after 31.12.1987)	2000
Foreign Maid Levy	Married female taxpayers only	7380 (max.)

Rates of income tax

Residents

Table 6 shows the rates of income tax applicable to resident taxpayers for the tax year 2008 (chargeable on income of 2007).

Table 6

Band of taxable income (SGD)	Rate of tax (%)
First 20 000	0
Next 10 000	3.5
Next 10 000	5.5
Next 40 000	8.5
Next 80 000	14.0
Next 160 000	17.0
Remainder above 320 000	20.0

Non-residents

The rates of income tax applicable to non-residents depend on the nature of the non-resident's income. See 'Taxation of non-residents below'.

Returns and payment

All resident taxpayers are required to file income tax returns no later than 15 April of the year following the income year. Requests to postpone filing will be considered if received in writing no later than 31 March.

Tax is due and payable within one month of receipt of a notice of assessment from the tax authorities.

Appeals

Taxpayers may appeal against an assessment within 30 days of receipt. If they are dissatisfied with the decision of the tax authorities on their appeal, there is the possibility of an appeal before the court. See Chapter 4 for further details of the appeals system.

Taxation of non-residents

Employment income

For employment income, the rate is the higher of 15% and the resident rate. No deductions or allowances are available in computing the taxable income.

Non-resident professionals

A non-resident professional is any individual carrying on a profession or vocation in Singapore under a contract for services for a period of less than 183 days in any calendar year.

Non-resident professionals include:

- foreign experts who are either invited by government bodies, statutory boards, or private organisations to impart their technical know-how or expertise in Singapore
- foreign speakers/academics conducting seminars or workshops
- Queen's Counsel
- consultants, trainers, coaches and
- arts exhibitors

The 60-day exemption for foreign employees does not apply to non-resident professionals, who will be therefore be taxable on Singapore-source professional income no matter how short their stay in Singapore.

Unless they opt for net taxation (see below), non-resident professional are subject to a final withholding tax of 15% on their gross income. Gross income here includes all fees, allowances and non-monetary benefits such as food and accommodation, *per diem* allowances, airfares etc.

Non-resident professionals may instead opt to be taxed at 20% on their net income. Net income is determined by deducting expenses wholly and exclusively incurred in deriving the Singapore-source income. By administrative concession, the cost of accommodation (excluding food) provided for less than 60 days in a calendar year and the cost of airfares is excluded from taxation. The option is irrevocable, may be exercised separately in respect of each engagement, and must be exercised within 45 days of receipt of the income from which 15% tax has been withheld by the payer.

Visiting athletes and entertainers

From 1 January 2008, non-resident 'public entertainers' will be liable to a withholding tax of 15% on gross payments in respect of performances in Singapore.

All other income

All other income of non-residents, including director's fees, is subject to a final withholding tax of 20%.

Special expatriate tax régime

Visiting expatriates who are resident in Singapore for tax purposes in the current tax year but were not resident in any of the three immediately preceding years may apply to be treated under the 'not ordinarily resident' (NOR) scheme. Individuals who successfully apply for the NOR scheme are granted a number of tax concessions, valid for a period of five tax years with the assumption that they remain resident in Singapore during this period.

The most significant concessions are exemption from income tax for the number of days spent outside Singapore for business reasons and exemption on employer contributions to any non-mandatory foreign pension scheme. The tax exemption for working days spent outside Singapore applies only if the individual spends at least 90 days outside Singapore in the tax year concerned. Days of arrival back in Singapore count as a day spent in Singapore, but by administrative concession, days of departure are treated as days of absence.

Applications for NOR status must be made no later than 15 April of the first tax year in which the individual meets the criteria.

Estate duty

Estate duty was previously charged on the aggregate value of the estate of a deceased person at the date of his or her death. However, estate duty was abolished for deaths occurring after 14 February 2008.

Territoriality and scope

Where the deceased was domiciled in Singapore at the date of death, all his or her property in Singapore and movable property outside Singapore was liable to duty. If the deceased was non-domiciled, only his or her immovable property in Singapore was liable to duty.

The deceased's estate included any lifetime gifts made within five years of death, any gifts from which the deceased had retained any benefit and assets held in trust from which the deceased enjoyed any benefit. Valuation was at market value.

Exemptions

Table 7 below shows the main exemptions from duty.

Table 7

Dwelling houses ¹	SGD 9 million
CPF (Central Provident Fund) balance	The excess over SGD 600 000
All other assets	SGD 600 000

Notes

¹More than one dwelling house may qualify. It must, however, be occupied for solely residential purposes

Rates

Table 8

Band of dutiable estate	Rate of duty (%)
First SGD 12 million	5
Remainder	10

6. Other taxes

Property tax

Property tax is an annual tax charged on the owners of immovable property. The tax is based on the 'annual value' of the property, which is the notional rent the property could command if let, excluding the value of any furniture or fittings and any service charge. Annual value is determined by the tax authorities from an analysis of the rents of comparable let property and other relevant data.

Vacant land and land under development is valued at 10% of its freehold value.

Appeals against valuations may be made to the Valuation Review Board.

There are two rates of property tax.

Table 9

Type of property	Rate of tax (%)
Owner-occupied residential property	4
All other property	10

Stamp duty

Stamp duty is a tax on the documents giving effect to a transfer of title, by way of sale, gift or other means to certain assets. Only documents relating to immovable property and securities are liable to stamp duty.

Where the dutiable documents are executed in Singapore, duty must be paid within 14 days. Where the documents were executed outside Singapore, duty is due within 30 days of their receipt in Singapore.

Late stamping (payment) is liable to a penalty of the greater of SGD 10 (EUR 4.60; USD 7.25) and the duty payable where the delay does not exceed three months, and to the greater of SGD 25 (EUR 11.50; USD 18.10) and four times the duty payable where the delay exceeds three months.

Table 10

Stamp duty rates on transfers of securities and immovable property

<u>Purchase or Gift of Immovable Property</u>	
Conveyance: Purchase Price or Market Value, whichever is higher	
- Every SGD 100 or part thereof of the first SGD 180 000	SGD 1.00
- Every SGD 100 or part thereof of the next SGD 180 000	SGD 2.00
- Thereafter, every SGD 100 or part thereof	SGD 3.00
<u>Mortgage</u>	
Amount of facilities granted on mortgage of immovable property or stocks and shares	
- Every SGD 1000 or part thereof	SGD 4.00 (Maximum SGD 500)
<u>Lease / Tenancy of Immovable Property</u>	

Contractual Rent or Market Rent, whichever is higher

(a) Where Average Annual Rent and Other Consideration calculated for a whole year does not exceed SGD 1000	Exemption
(b) Where Average Annual Rent and Other Consideration calculated for a whole year exceed SGD 1000	
Lease term not exceeding 1 year	
- Every SGD 250 or part thereof of annual rent	SGD 1.00
Lease term exceeding 1 year but not exceeding 3 years	
- Every SGD 250 or part thereof of annual rent	SGD 2.00
Lease term exceeding 3 years or any indefinite term	
- Every SGD 250 or part thereof of annual rent	SGD 4.00

Transfer or Gift of Shares

Purchase Price or Net Asset Value, whichever is higher

- Every SGD 100 or part thereof	SGD 0.20
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7. Social security contributions

Introduction

The Central Provident Fund (CPF) is a state-administered obligatory savings fund providing for old-age retirement pensions, certain medical expenses, hardship and certain authorised investments.

CPF contributions are compulsory by and on behalf of all Singapore citizens and permanent residents working in Singapore. With effect from the Year of Assessment 2009, individuals can claim tax relief for top-ups by themselves or their employers to their own Minimum Sum and top-ups to siblings, spouses, parents and grandparents' minimum sums, regardless of the age of the recipients. The tax relief for top-ups made by the employee and his employer is capped at SGD 7000 per Year of Assessment. This was announced in the 2008 Budget.

Compulsory CPF contributions made at statutory rates are fully tax-deductible. As announced in the 2008 Budget, to encourage savings to meet medical needs, the Government has allowed individuals to claim tax relief for voluntary contributions that they make specifically to their own Medisave Account up to a cap (SGD 26 393 less mandatory contributions) as per Year of Assessment. This will take effect from Year of Assessment 2009.

The statutory contribution rates with effect from 1 January 2007 are shown in Table 11.

Table 11

Employee Age (years)	Contribution by Employer (% of wage)	Contribution by Employee (% of wage)	Total Contribution (% of wage)	Credited into		
				Ordinary Account %	Special Account %	Medisave Account %
35 & below	14.5	20	34.5	23	5	6.5
36 – 45	14.5	20	34.5	21	6	7.5
46 – 50	14.5	20	34.5	19	7	8.5
51 – 55	10.5	18	28.5	13	7	8.5
56 – 60	7.5	12.5	20.0	11.5	0	8.5
61 – 65	5.0	7.5	12.5	3.5	0	9.0
Above 65	5.0	5.0	10.0	1.0	0	9.0

Capping rules

Where the employee's total salary does not exceed SGD 76 500 (EUR 35 150; USD 55 450), there is no limit on CPF payable on 'additional salary'.

Where the employee's total salary exceeds SGD 76 500 but his or her 'ordinary salary' does not exceed SGD 54 000 (EUR 24 800; USD 39 125), CPF contributions are payable on additional salary up to a limit of SGD 76 500 less ordinary salary.

Where the employee's total salary exceeds SGD 76 500 but his or her ordinary salary exceeds SGD 54 000, CPF contributions are payable on ordinary and additional salary up to a limit of SGD 54 000 and SGD 76 500 respectively.

Ordinary salary comprises basic salary for the month, plus any overtime pay, commission, allowances or piecework bonuses earned in that month. Additional salary refers to annual bonuses, annual commissions, annual wage supplements, and other such payments that are paid at intervals of more than a month. An employee's total salary for any calendar month comprises 'ordinary salary' for that month and any 'additional salary' paid in that month.

Self-employed taxpayers

Self-employed taxpayers who are Singapore citizens or permanently resident in Singapore are obliged to pay the Medisave element of CPF contributions. The applicable rates are shown in Table 11 below.

With effect from 2007, self-employed persons pay Medisave based on their age and net trade income:

Table 12

Period	Net Trade Income	Age as at 1 January		
		Below 35 Years	35 to below 45 Years	45 Years and above
Jan-Dec 07	Above SGD 6000 to SGD 12 000	2.17%	2.5%	2.83%
	Above SGD 12 000 to SGD 18 000	Phase in* from 2.17% to 6.5%	Phase in* from 2.5% to 7.5%	Phase in* from 2.83% to 8.5%
	Above SGD 18 000	(Maximum SGD 3510)	(Maximum SGD 4050)	(Maximum SGD 4590)

* Phase-in rates are calculated using the following formulas:

Period	Net Trade Income	Age as at 1 January		
		Below 35 Years	35 to below 45 Years	45 Years and above
		% of NTI	% of NTI	% of NTI
Jan-Dec 07	Above SGD 12 000 to SGD 18 000	$\frac{ 260.4 + 0.1516 (NTI - 12\,000) \times 100}{NTI}$	$\frac{ 300 + 0.175 (NTI - 12\,000) \times 100}{NTI}$	$\frac{ 339.6 + 0.1984 (NTI - 12\,000) \times 100}{NTI}$

There is a limit on the amount of CPF contributions Singaporeans and SPRs can make. In addition, non-Singaporeans and non-SPRs are not allowed to contribute to CPF.

Medisave

This National Health Plan is designed to meet the basic hospitalisation needs of the average Singaporean.

Only self-employed persons with an annual net trade income of more than SGD 6000 (EUR 2750; USD 4350) need to make Medisave contributions. Self-employed persons with an annual net trade income of SGD 4 500 or less do not need to make any Medisave contributions.

The Medisave account is used to meet hospitalisation bills incurred by the account holder or any immediate family member (spouse, children or parents).

Skills Development Fund (SDF)

Employers are required to pay this levy for each local and foreign employee whose monthly remuneration is SGD 2000 (EUR 925; USD 1450) or less. The rate is 1% of the remuneration or SGD 2, whichever is greater.

For employees whose remuneration is below SGD 200 per month, the minimum SDF of SGD 2 is still payable, even if the employee only works part of the month.

Effective 1 October 2008, levy contribution is payable by employers for all employees earning up to SGD 4500 of gross salary per month at a reduced levy rate of 0.25% or SGD 2, whichever is higher.

8. BDO Raffles

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Double Taxation Agreements

Singapore has comprehensive tax treaties with the following jurisdictions:

Australia	Lithuania
Austria	Luxembourg
Bahrain	Malaysia
Bangladesh	Mauritius
Belgium	Mexico
Brunei	Mongolia
Bulgaria	The Netherlands
Burma (Myanmar)	New Zealand
Canada	Norway
China	Oman
Cyprus	Pakistan
Czech Republic	Papua New Guinea
Denmark	Philippines
Egypt	Poland
Estonia	Portugal
Fiji	Qatar
Finland	Romania
France	Slovakia
Germany	South Africa
Hungary	Sri Lanka
India	Sweden
Indonesia	Switzerland
Israel	Taiwan
Italy	Thailand
Japan	Turkey
Korea	United Arab Emirates
Kuwait	United Kingdom
Latvia	Vietnam

Treaties have been concluded with Malta, Morocco, Russia and Ukraine, but these are not yet in force.

Estate tax treaties

Singapore has no estate tax treaties

Social security treaties

Singapore has no social security agreements with other countries or territories.

BDO Member Firm Offices

BDO Member Firms have offices in the following countries:

Angola	Hungary	Peru
Argentina	India	Philippines
Australia	Indonesia	Poland
Austria	Ireland	Portugal
Bahamas	Isle of Man	Qatar
Bahrain	Israel	Reunion
Belgium	Italy	Romania
Bolivia	Jamaica	Russia
Botswana	Japan	Saudi Arabia
Brazil	Jersey	Senegal
British Virgin Islands	Jordan	Serbia
Bulgaria	Kazakhstan	Seychelles
Canada	Korea	Singapore
Cape Verde	Kuwait	Slovakia
Cayman Islands	Latvia	Slovenia
Chile	Lebanon	South Africa
China (PRC)	Liechtenstein	Spain
Colombia	Lithuania	Sri Lanka
Comoros	Luxembourg	Suriname
Croatia	Macao	Sweden
Cyprus	Madagascar	Switzerland
Czech Republic	Malaysia	Taiwan
Denmark	Malta	Thailand
Dominican Republic	Mauritius	Trinidad and Tobago
Ecuador	Mexico	Tunisia
Egypt	Morocco	Turkey
El Salvador	Mozambique	Turkmenistan
Estonia	Namibia	Ukraine
Fiji	Netherlands	United Arab Emirates
Finland	Netherlands Antilles	United Kingdom
France	New Zealand	United States of America
Germany	Nigeria	Uruguay
Gibraltar	Norway	Vanuatu
Greece	Oman	Venezuela
Guatemala	Panama	Vietnam
Guernsey	Pakistan	Zambia
Hong Kong	Paraguay	Zimbabwe

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