

The background consists of a dark blue world map with white outlines of continents. Overlaid on the map is a semi-transparent data table with white text. The table has multiple columns and rows of numbers, including values like 0.00, 1.00, 2.00, 3.00, 4.00, 5.00, 6.00, 7.00, 8.00, 9.00, 10.00, 11.00, 12.00, 13.00, 14.00, 15.00, 16.00, 17.00, 18.00, 19.00, 20.00, 21.00, 22.00, 23.00, 24.00, 25.00, 26.00, 27.00, 28.00, 29.00, 30.00, 31.00, 32.00, 33.00, 34.00, 35.00, 36.00, 37.00, 38.00, 39.00, 40.00, 41.00, 42.00, 43.00, 44.00, 45.00, 46.00, 47.00, 48.00, 49.00, 50.00, 51.00, 52.00, 53.00, 54.00, 55.00, 56.00, 57.00, 58.00, 59.00, 60.00, 61.00, 62.00, 63.00, 64.00, 65.00, 66.00, 67.00, 68.00, 69.00, 70.00, 71.00, 72.00, 73.00, 74.00, 75.00, 76.00, 77.00, 78.00, 79.00, 80.00, 81.00, 82.00, 83.00, 84.00, 85.00, 86.00, 87.00, 88.00, 89.00, 90.00, 91.00, 92.00, 93.00, 94.00, 95.00, 96.00, 97.00, 98.00, 99.00, 100.00. The MGI logo is positioned in the upper left quadrant, featuring the lowercase letters 'mgi' in a bold, blue, sans-serif font. To the right of the text are three curved lines that sweep upwards and to the right, each ending in a solid blue circle. Below the logo, the text 'BUSINESS SOLUTIONS WORLDWIDE' is written in a smaller, white, sans-serif font.

mgi

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Doing Business in Singapore

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Doing Business in Singapore

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2. MGI Menon & Associates – A Brief Introduction

A PAGE IN HISTORY

Established in 1948, two practising audit firms, Janardan & Co and Menon, Janardan & Co merged on 1 July 1979 to form Menon & Associates. On 1 January 2004, the Firm changed its name to MGI Menon & Associates to better reflect its membership in MGI, a worldwide association of independent auditing, accounting and consulting firms. With the MGI association, the Firm is now able to offer international advisory services through the MGI worldwide network of members in more than 70 countries.

VISION AND MISSION

- To be a professional firm of choice for national and international businesses and entrepreneurs who need local expertise with a regional and international reach
- To meet and exceed wherever possible all prevailing standards of the profession and statutory requirements
- To be proactive in reaching out to our clients in identifying their needs and to seek appropriate, cost effective solutions.
- To have a core strength of dedicated, committed and trained staff to meet the growing needs of our clients by regular training so that they are constantly kept abreast of new changes in legislation and procedures
- To have a professionally inspiring and learning environment where our staff can grow to their maximum capabilities and enrich their skills for their benefit, the benefit of our clients and the benefit of the firm

CLIENTS

Our clientele comprise local, regional and international corporations and individual entrepreneurs who are involved in a wide range of activities spanning manufacturing, international trading in all types of commercial, industrial and consumer products, air freight, shipping, insurance agencies, investments, investment holdings, construction, property development and a wide variety of professional and other services.

OUR WORK PHILOSOPHY

- Provide a high level of partner interaction between Clients and the Firm
- Keep Clients updated on regulatory and compliance matters
- Focus on finding cost effective solutions together and if and when necessary with other professionals in the legal and related specialized areas

3. Disclaimer

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While every effort has been made to ensure that the contents of this publication are factually correct at the time of writing, rules and regulations do change and moreover, the information contained herein may not fit a would-be investor's particular set of circumstances. Hence, no responsibility can be accepted for inaccuracies. It is strongly advised that a would-be investor should seek professional advice when contemplating setting up a business in Singapore.

4. Introduction

Singapore is an integral component of the World's economic system. Its highly educated and hardworking workforce, and its pro-business attitude have put Singapore on the World's investors' map despite its size (of about 714 km²).

4.1. Geography/statistics

Situated at the tip of the Malayan Peninsula, Singapore is just 1 degree north of the Equator. The climate is tropical rainforest characterised by a narrow temperature range (from about 24°C at night to about 31°C in the day); high humidity (approx. 84%); rain throughout the year (about 234 cm). There is a wet season from October to January when the average monthly rainfall is approximately 24.5 cm.

The island is highly urbanised with a population of more than 5 million living in an island of about 714 km² in land area. Its inhabitants stay mostly in apartments built by the government. Literacy rate is a high of 96.1%. While the predominant races are Chinese (74.1%), followed by Malay (13.4%) and Indian (9.2%), there is a great diversity of people from all continents of the World. Singapore is truly a cosmopolitan city and its cuisine reflects this diversity.

It is a big city and like all big cities, there is a certain crime rate. However, Singapore's crime rate is well below those of any other major cities in the world.

4.2. Economy

Singapore has one of the highest per capita GDP in the World, at SGD 61,000 (USD50,000) in 2011 with an annual growth rate of 4.9%. Its official foreign reserves amount to USD 246 billion (April 2012). The government is pro-business and many international investors are pleasantly surprised at how easy it is to set up shop in Singapore.

The Singapore Port handled 45 million tonnes of cargo in 2011. It is the busiest port in the World after Shanghai. Communications infrastructure is excellent (as evidenced by the number of forex traders stationed in Singapore). Its airport, the Changi International Airport, is often voted the best airport in the World. You can almost fly to anywhere in the World from Changi International Airport. It handled 45 million passengers in 2011.

As a maturing economy, the services sector contributes about 69% to GDP in 2011 with 26% from Finance & Insurance and Business Services. Central Government Debt (all domestic) is SGD 367 billion (1Q2012). Singapore does not have any external debt. The annual inflation rate in 2011 is 5.2% (based on the Consumer Price Index).

4.3. Currency and banking

There is no exchange control in Singapore. Capital and profits can be repatriated out of Singapore without hindrance. Bank accounts can be denominated in currencies other than the Singapore dollar. With an official reserves standing at USD 246 billion, the Singapore dollar is one of the most stable and strongest currency in the World. Almost all major banks have set up shop in Singapore. Private banking is a significant part of banking operations owing to Singapore's proximity to China, Indonesia and India.

4.4. Government/politics

Singapore has one of the most stable political systems in the World. The country is ruled by the parliamentary system. The ruling Peoples' Action Party has been in government since 1959. There are only 6 opposition members in parliament currently. Ministers and civil servants are well known for their incorruptibility, efficiency and intellect. They plan far ahead into the future and are not afraid to make unpopular decisions if they see that as

the best for the country.

4.5. Legal system

Singapore law has 3 sources: statutory law (Acts of Parliament) augmented by subsidiary legislation (rules and regulations) and the Common Law (shared with other countries of the British Commonwealth). Rules of equity and trust are observed. Singapore law is often the preferred governing law for contracts in the region. In addition, Singapore is a popular centre for international arbitration. It is a signatory to the international arbitration convention (1958 New York Convention) and hence, awards of the Singapore International Arbitration Centre are enforceable in more than 140 countries.

5. Forms of business enterprise

5.1. Sole proprietorship

This is the simplest form for an individual (or natural person) to start business. Registration is required with ACRA (Accounting and Corporate Regulatory Authority) and is simple. Since Singapore does not distinguish an individual from his business, there is no perpetual succession and the business dies with the sole proprietor. There is also unlimited liability for debts arising. The profits of the sole-proprietorship are not taxed separately. They form part of the taxable income of the sole proprietor for the year and is taxed accordingly.

5.2. Partnership

A partnership shares the same features of a sole proprietorship except that there are more than one owner of the business and their dealings with each other is governed by a partnership agreement and the Partnership Act (Cap 391). A partnership is strictly not a separate legal entity. There is a limit to 20 partners in a firm except for partnerships of professionals (e.g., doctors, lawyers and accountants). There is unlimited liability for the debts of the partnership and the liabilities of the partners are joint and several. A partnership must have one general partner who manages the firm. Registration with ACRA is required.

5.3. Limited liability partnership (LLP)

LLPs can be registered in Singapore. The main features of an LLP are: body corporate, separate legal entity from the partners; can sue and be sued; liabilities of the partners are several only; perpetual succession; can own property; accounts have to be prepared but no audit requirement and no filing requirement; annual declaration of solvency is required; unchanged existence irrespective of changes in partners; not subject to income tax but partners are taxed as individuals; corporations can be partners; must have a manager (a natural person ordinarily resident in Singapore). Accounts are not available to the public. LLPs have to register with ACRA.

5.4. Limited partnership

Same as an LLP in all respect except the following: not a corporate body; not a separate legal entity; cannot sue or be sued in its own name; no perpetual succession; cannot own property; existence changed everytime there is a change in partners; must have at least 2 partners; must have at least 1 general partner (who will have unlimited liability which is joint and several liability) and 1 limited partner (who is liable only to the extent of his agreed contribution to capital but who cannot take part in the management of the partnership); must have a manager if no partner is ordinarily resident in Singapore. Accounts are not available to the public. Limited partnerships have to be registered with

ACRA.

5.5. Branch of a foreign company

Foreign companies can operate in Singapore through a branch. Registration with ACRA is required. The branch is required to file with ACRA, its branch accounts audited locally and made up in accordance with Singapore requirements. The foreign company is required to file its own accounts (called 'head office accounts') made up in accordance with the laws of the country in which it is incorporated. A branch should not be confused with a representative office of a foreign company. A representative office cannot enter into business contracts.

5.6. Unlimited company

While it is possible to incorporate private or public companies with unlimited liability, such companies are rare since shareholders have unlimited liability for the company's debts.

5.7. Private limited company (other than an exempt private company)

This is the most common form of business entities in Singapore. It can be incorporated directly with ACRA or one could be bought off the shelf (hardly any nowadays as incorporation is fast and easy to do). A company can be incorporated for a little as \$1 share capital. Limited to 50 shareholders (individuals or corporations). Shares have no nominal value and consequently, there is no share premium to be carried in the books of account. Liabilities of shareholders are limited to shares they hold and any unpaid capital thereon. A limited company has the following features: separate legal entity; can sue and be sued in its own name; can own property; perpetual succession; must have at least 1 director who is ordinarily resident in Singapore; holds AGM yearly; accounts must be audited (unless company is dormant); accounts to be filed with ACRA annually. Accounts must comply with SFRS (Singapore Financial Reporting Standards - very similar to International Financial Reporting Standards). A company is managed by the directors of the company, who are appointed by shareholders (aka 'members').

5.8. Exempt private company (EPC) (limited or unlimited)

An exempt private company is a private company with up to only 20 shareholders, all of whom must be individuals (natural persons). Accounts must be prepared and must comply with SFRS. Accounts need not be audited if annual revenue (i.e., turnover) is less than SGD 5 million. There is no need to file accounts with ACRA if the company is solvent. Instead, an annual declaration of solvency is lodged with ACRA in lieu of filing the accounts.

5.9. Public company limited by shares

Public companies limited by shares can have more than 50 shareholders (individuals and corporations). They can raise capital by offering shares and debentures to the public but a prospectus is required. Listed companies must be public companies. Most features of public companies are the same as private limited companies except certain requirements are more stringent, e.g., the AGM must be held within 4 months of the financial year end date; and its accounts must be audited irrespective of annual revenue (turnover).

5.10. Publicly listed company limited by shares

This is a public company whose shares are tradable on a recognised stock exchange (not necessarily in a Singapore regulated market.) Listed companies have many more compliance requirements set by the market regulator.

5.11. Public company limited by guarantee

This is a public company for non-profit making activities of national or public interest. Compliance requirements are stringent and follow those of public companies limited by shares.

5.12. Trusts

Trust companies are not regulated by ACRA. Instead, they are regulated by the Monetary Authority of Singapore (“MAS”) under the Trust Companies Act (Chapter 336) or the Business Trusts Act (Chapter 31). Under the Trust Companies Act (Chapter 336), trust companies are meant for the following trust business:

- a. the provision of services with respect to the creation of an express trust;
- b. acting as trustee in relation to an express trust;
- c. arranging for any person to act as trustee in respect of an express trust;
- d. the provision of trust administration services in relation to an express trust.

Under the Business Trusts Act (Chapter 31), a registered business trust is a trust that is established in respect of any property, and the purpose or effect, or purported purpose or effect, of the trust is to enable the unitholders (whether by acquiring any right, interest, title or benefit in the property or any part of the property or otherwise) to participate in or receive profits, income or other payments or returns arising from the management of the property or management or operation of a business.

5.13. Joint ventures

There is no specific vehicle to carry out joint ventures in Singapore. Joint ventures are either partnerships or, more commonly, private limited companies.

5.14. Co-operatives

Under the Co-operative Societies Act (Chapter 62), a society may apply to the Registrar of Co-operative Societies to be a co-operative society if its object is the promotion of the economic interests of its members in accordance with co-operative principles. Its scope may also extend to the economic interests of members of the public. A co-operative society is not meant to be a business entity.

6. Direct taxation

6.1. Income tax – individuals

Singapore’s tax system is territorial based. Income of individuals earned while working in Singapore are subject to income tax. Overseas income derived from outside Singapore, and dividend and bank interest income from Singapore are tax exempt. However, it should be noted that if overseas stints are incidental to the employment in Singapore, all income whether sourced in Singapore or overseas will be subject to Singapore income tax. The basis period is the preceding calendar year. For individuals, tax residency is based mainly on whether the tax payer has stayed more than 183 days in Singapore in any year. Tax rates are graduated ranging from 0% to 20%. Top rate of tax is 20% on taxable income beyond SGD 320,000 in a year.

6.2. Income tax – companies

Similar to individual taxation, Singapore business entities are subject to income tax for all profits including overseas profits derived from Singapore. Overseas profits will not be considered to be derived from Singapore if such profits are earned through a permanent

establishment located overseas and presumably paying taxes in the overseas locale. The basis period is the financial accounting year of the business entity ending in the previous year of assessment, e.g., a company with a financial year end of 30 September 2011 will be taxed in the year of assessment 2012. Taxable income can be offset with business expenses and also, capital allowances (i.e., arising from plant and equipment purchased in the preceding financial year or earlier). For companies, tax residency is based on where management and control are exercised, such as where directors' meetings are held. The tax rate is a flat 17.5 %.

6.3. Tax on capital gains

Singapore does not have capital gains tax. There are taxes on short term profits from housing transactions to cool property prices but these are ad hoc measures.

It should be noted that whether a gain is capital or revenue in nature is dependent on many factors to determine whether the tax payer is making a capital transaction or carrying on a trade. Consequently, if a sale of capital assets was found to be a trading transaction, it will attract income tax.

6.4. Withholding taxes

Payments of an income nature to non-tax resident persons (whether individuals or companies) attract withholding tax of differing amounts. The onus is on the payer to make the deduction and handover the withheld tax to the Inland Revenue of Singapore (IRAS). There are penalties for failure to collect and failure to pay to IRAS. The rates of withholding tax are dependent on the type of payment. It could be 10%, 15%, 17% (current corporate tax rate) or some other rate specified in a double tax agreement. Basically, withholding tax is levied on the following types of payments:

- a. Interest, fee, commission and any payment related to a loan or some form of indebtedness.
- b. Royalty.
- c. Use of know-how.
- d. Management fee.
- e. Director's remuneration.
- f. Rent.
- g. Consideration for disposal of real property or shares in companies whose main assets are real property.

6.5. Gifts tax

There is no capital transfer tax in Singapore. However, transfer of property by way of a gift attracts stamp duty.

6.6. Death duties

Estate duty has been abolished since 15 February 2008.

6.7. Taxation of foreign enterprises and operations

Since Singapore tax is territorial based, only income earned in or arising from Singapore is subject to tax.

7. Exchange controls

7.1. Repatriation of earnings and royalty payments

There is no further tax on repatriation of taxed earnings. Royalty payments are however subject to withholding tax as mentioned in Section 6.4 Withholding Tax.

7.2. Restrictions on amounts that can be taken out of the country

There is no control of lawful money movements in or out of Singapore except that cash movements of Singapore dollars 30,000 and above must be declared upon entering or exiting Singapore.

7.3. Local borrowing

There is no restriction on the amounts foreign businesses can borrow in Singapore to finance business conducted in Singapore. The borrowing can be denominated in other currencies but in such cases the security provided to the lender cannot be assets situate in Singapore. Only borrowings denominated in SGD can be secured on assets situate in Singapore.

7.4. Emigrants

Singapore does not restrict its citizens from emigrating elsewhere. However, male Singapore citizens and 2nd generation permanent residents are liable for compulsory national service (in the army, police or civil defence) for a period of two years. They will likely be required to discharge their national service obligations before emigrating.

7.5. Inheritance

There is no inheritance tax in Singapore.

7.6. Immigrants

Singapore welcomes immigrants who have the required skills and expertise to contribute to the economy. There are various ways to gain a permit to work and settle down in Singapore.

7.7. Contract workers/temporary residents

It is possible for foreigners to work and stay temporarily in Singapore. The onus is on the employer to make the application. The incomes of such people attract income tax in Singapore being tax resident in Singapore.

There are 4 broad categories of work passes issued to foreigners working in Singapore:

- a. Work Permits for workers earning less than SGD 2,000 per month.
- b. S-pass (Special Pass) for mid-level technicians and specialists earning at least SGD 2,000 per month.

Both categories are subject to quota which vary according to the specific industry in which the foreigner is employed; educational qualification; skill-set and experience.

Employer's obligations to these two categories of employees include:

- Pay the monthly Foreign Worker Levy for each employee (rate varies from SGD 190 to SGD 470 per month);
- Provide a security bond of SGD 5,000 to the government;

Purchase medical insurance of SGD 15,000 per employee;
Pay for medical care and hospitalisation expenses;
Provide for medical examination when required by the authority.

c. Employment Pass (for professionals holding executive, managerial or specialised jobs) sub-divided into 3 sub-categories:

Q1 Employment Pass for executives earning at least SGD 3,000 per month.

These employees are usually young graduates (of good quality institutions) working for the first time in Singapore

P2 Employment Pass for middle managers earning at least SGD 4,500 per month.

These are employees with proven track records or exceptional skills-sets.

P1 Employment Pass for senior managers earning at least SGD 8,000 per month.

These are employees with senior management responsibilities and have proven track records.

d. Entrepass for entrepreneurs starting businesses in Singapore.

These are entrepreneurs in new start-up companies with a share capital of at least SGD 50,000 of which the Entrepass holder owns at least 30%. Some types of business are ineligible for Entrepasses.

8. Other forms of taxation

8.1. Sales tax/VAT/GST

Singapore has a Goods and Services Tax (GST) which is very similar in application to VAT. A registered provider of goods and services is required to levy 7% GST on all sales which shall be handed over to the IRAS. In return, the registered provider will be allowed to offset the GST collected (“output GST”) against the GST it suffered (“input GST”). Only the net output GST is paid to IRAS while a net input GST will attract a refund from IRAS.

8.2. Stamp duty

The scope of stamp duty has reduced substantially in recent years to reduce compliance cost of tax payers. Of the remaining transactions attracting stamp duty, the main ones are:

- a. Sale & purchase of property or transfer of property by way of gift.
The rates are 1% on the first SGD 180,000; 2% on the next SGD 180,000 and 3% on the remainder. The value for computation is the higher of consideration and market value.
- b. Transfer of shares by way of sale or gift.
The rate is 0.2% on the higher of sale consideration and net assets value.
- c. Lease/tenancy of property
The rates are 0.4% for one-year lease; 0.8% for more than 1 year up to 3 years; 1.6% for more than 3 years.
- d. Mortgage
The rate is 0.004% capped at SGD 500.

8.3. Property taxes

Property tax rate is 10% of the Annual Value unless the property is owner-occupied where

the rates are lower at 6%. Annual Value is the estimated annual rent of the property.

8.4. Payroll tax

Skill Development Levy

The Skill Development Levy is a form of payroll tax. The employer has to pay the levy monthly depending on the monthly salary of the employee. The levy is 0.25% of monthly salary with a minimum of SGD 2 and a maximum of SGD 11.25 per employee, per month.

Central Provident Fund (“CPF”)

CPF is in reality a form of a compulsory saving scheme for citizens and permanent residents. Both employers and employees contribute to CPF which belongs to the individual employee. CPF moneys can only be withdrawn subject to several restrictions such as age, amount held back to cover medical expenses and pensions. The rates of contribution vary with age and are applied up to a maximum monthly salary of SGD 5,000 per month. There is no CPF contribution on the excess over SGD 5,000 per month.

8.5. Fringe benefit tax

Benefits in kind form part of the taxable income of an employee.

8.6. Tariffs

There are very few goods which are subject to tariffs in Singapore.

8.7. Thin capitalisation rules

There is no control over thin capitalisation. It should be emphasised that payment of interest to non-residents attract withholding tax of 15%.

8.8. Transfer pricing

Singapore has legislation to counter transfer pricing. IRAS has the powers to investigate suspected cases of transfer pricing and to levy penalties.

9. Labour relations and social security

9.1 Labour market

There is a tight labour market in Singapore. The overall unemployment rate in 2011 is 2%.

9.2 The right to work – nationals

Singapore does not have a right-to-work policy.

9.3 The right to work – non-nationals

Singapore does not have a right-to-work policy.

9.4 The employer-employee relationship

There are hardly any intractable labour disputes in Singapore. Strikes are rare. There is a tripartite system comprising the government, the employers and the trade unions to resolve labour disputes.

9.5 Labour regulations

There is an Employment Act that governs the rights of workers whose monthly income does not exceed basic pay of SGD 4,500 per month for workmen and SGD 2,500 per month for other employees.

9.6 The social partnership - worker participation

There is little worker participation in management in Singapore.

10. Grants and incentives

There are various grants and incentives managed by various government bodies.

11. Quality of life

11.1. Housing

Accommodation is expensive in Singapore given its population density and shortage of space. However, the facilities are modern and include reliable electricity supply and potable water (from the tap). The condominiums, apartments with shared common facilities such as swimming pool, gymnasium and tennis courts, are popular among expatriates. Pricing depends on location, age of the building and quality. The monthly rent ranges from SGD 3,000 per month in the suburbs to more than SGD 15,000 in the city centre.

11.2. Education

Singapore is a regional hub for education. Its schools provide education from kindergarten level to university level. At the secondary level, pupils sit the 'O' and 'A' levels examinations conducted jointly by the University of Cambridge International Examinations and the Ministry of Education, Singapore. The examinations are rigorous and the 'A' levels are recognised for direct entry into the top universities in the world.

The three local universities, namely, The National University of Singapore, the Nanyang Technological University and the Singapore Management University award degrees that are recognised the world over.

The local schools are open to children of expatriates at higher level of school fees. However, many expatriates find the local schools to be too high in academic rigour. There is also a growing presence of 'international' private schools to cater to children of expatriates who want their children to be schooled in the system of their home country. However, there is a waiting queue for places in such schools.

11.3. Communication and transport

Singapore is a communication and transport hub for the surrounding region. Communication facilities are excellent. The entire island is served by a fibre optics network making the Internet accessible from almost anywhere.

The Singapore Changi International Airport is connected to every major city in the world. Singapore's own national airline, the Singapore International Airline (SIA) is a world-class and profitable airline.

Local transport is well served by a network of public transport consisting of taxis, buses and the mass rapid transit system (MRT). The MRT network is mostly underground especially in the city centre.

Owing to the population density and lack of space, car usage is discouraged. It is very expensive to own or use a private car in Singapore. It is the first country in the world to impose a charge for driving into the Central Business District (CBD). Parking charges in the CBD are expensive.

11.4. Social security benefits

Singapore is not a welfare state. There are very few benefits that are typically found in a welfare state. While hospital treatments are subsidised, the quantum of subsidy available is means-tested and only available to citizens and permanent residents. Patients are required to pay for hospital treatment themselves and in part, from their CPF balances.

Appendices

A Rates of tax - individuals and corporations (including branches of foreign companies)

B Rates of withholding tax.

C Main allowances

D Social Security costs – Central Provident Fund (CPF) contributions and Skill Development Levy

Appendix A – Tax Rates for resident individuals, non-resident individuals and corporations.

Rates of tax for resident individuals

Chargeable Income	Rate (%)	Gross Tax Payable (SGD)
First \$20,000	0	0
Next \$10,000	2	200
First \$30,000	-	200
Next \$10,000	3.50	350
First \$40,000	-	550
Next \$40,000	7	2 800
First \$80,000	-	3 350
Next \$40,000	11.5	4 600
First \$120,000	-	7 950
Next \$ 40,000	15	6 000
First \$160,000	-	13 950
Next \$ 40,000	17	6 800
First \$200,000	-	20 750
Next \$120,000	18	21 600
First \$320,000	-	42 350
Above \$320,000	20	

An individual is tax resident if he is

- Singaporean; or
- Singapore Permanent Resident (SPR) if he has established permanent home in Singapore; or
- Foreigner who stayed/worked in Singapore for 183 days or more in previous year (excludes director of a company).

Rates of tax for non-resident individuals (i.e., anyone who does not fall within the category of resident individuals).

On employment income – taxed at 15% or the resident rate, whichever gives rise to a higher tax amount.

On director's fees, consultation fees and all other income – taxed at 20%.

Rate of tax for corporations (including branches of foreign companies)

On profits adjusted for tax purposes – 17%.

(NB: Depending on the shareholdings, new start-up companies may enjoy partial tax exemption.)

Appendix B/1 – Rates of Withholding Tax

Withholding tax rates for individuals

Nature of Income	Tax rate
Interest, commission, fee or other payment in connection with any loan or indebtedness	15% a
Royalty or other lump sum payments for the use of movable properties	10% a b
Income received by non-resident professionals (e.g. consultants, trainers, coaches...) for services performed in Singapore	15% on gross income or 20% on net income
Remuneration including director's fees received by non-resident directors	20%
Income received by non-resident public entertainers for services performed in Singapore	20% c
SRS withdrawals received by non-Singaporean SRS Account Holders	20%

Notes:

- a This withholding tax rate applies if the income is not derived from any trade, business, profession or vocation carried on or exercised by the non-resident individual in Singapore. If the income is derived from any trade, business, profession or vocation carried on or exercised by the non-resident individual in Singapore, then the withholding tax rate is 20%.
- b The reduced withholding tax rate of 10% applies to payments due and payable on or after 1 Jan 2005.
- c 10% on gross income if the income for services performed in Singapore is due and payable during the period from 22 Feb 2010 to 31 Mar 2015.

Appendix B/2 - Rates of Withholding Tax

Withholding tax rates for businesses

Nature of income	Tax rate
Interest, commission, fee or other payment in connection with any loan or indebtedness	15% ¹
Royalty or other lump sum payments for the use of movable properties	10% ^{1 2}
Payment for the use of or the right to use scientific, technical, industrial or commercial knowledge or information	10% ^{1 2}
Rent or other payments for the use of movable properties	15% ¹
Technical assistance and service fees	Prevailing Corporate Tax rate ³
Management fees	Prevailing Corporate Tax rate ³
Time, voyage and bareboat charter fees for the charter of ships	NIL ^{Revised!} (Tax rates for payments due and payable before 17 Feb 2012)
Time charter fees and voyage charter fees for the charter of aircraft	
(a) Paid to a resident of a tax treaty country who is an aircraft operator claiming benefits under the "Shipping and Air Transport" Article of the tax treaty and where the Article provides for:	
Full exemption of shipping and aircraft profits	NIL
50% exemption of shipping and aircraft profits	1%
Reduced rate	Reduced rate or 2% whichever is the lower
(b) Paid to a resident of a tax treaty country who is not an aircraft operator (i.e. the "Shipping and Air Transport" Article of the treaty does not apply)	2%
(c) Paid to a resident of a country which has no tax treaty with Singapore	2%
Bareboat charter fees for the charter of aircraft	
(a) Paid to a resident of a tax treaty country who is an aircraft operator claiming benefits under the "Shipping and Air Transport" Article of the tax treaty and where the Article specifically covers bareboat charter fees and provides for:	
Full exemption of shipping and aircraft profits	NIL
50% exemption of shipping and aircraft profits	1%
Reduced rate	Reduced rate or 2% whichever is the lower
(b) Paid to a resident of a tax treaty country who is not an aircraft operator (i.e. the "Shipping and Air Transport" Article of the treaty does not apply) or where the "Shipping and Air Transport" Article does not cover bareboat charter fees	2% (unless it is further reduced by other provision of the tax treaty such as the "Royalty" Article)

(c) Paid to a resident of a country which has no tax treaty with Singapore	2%
Proceeds from sale of any real property by a non-resident property trader	15%
Distribution of taxable income (except distribution out of Singapore dividends from which tax is deducted or deductible under section 44) made by REIT to unitholder who is a non-resident (other than an individual)	10% ⁴

¹ These withholding tax rates apply when the income is not derived by the non-resident person through its operations carried out in Singapore. They are to be applied on the gross payment and the resultant tax payable is a final tax. For operations carried out in Singapore, the tax rates applicable on the gross payment are as follows:

- Non-resident person (other than individuals) : *Prevailing corporate tax rate*
- Non-resident individuals : 20%

² The reduced withholding tax rate of 10% applies to payments due and payable on or after 01 Jan 2005.

³ If the year in which the services were rendered is different from the year of payment, the withholding tax is to be based on the prevailing corporate tax rate for the year where the services were rendered. For example, if the service was rendered in Dec 2008 and the payment was made in year 2009, the prevailing corporate tax is that for year 2008 (Year of Assessment 2009), which is 18%. For payments made to non-resident individuals, tax is to be withheld at 20% on the gross payment.

⁴ The reduced withholding tax rate of 10% applies to distributions made during the period from 18 Feb 2005 to 31 Mar 2015 (Budget 2005 and Budget 2010 refer). With effect from 16 Feb 2007, withholding tax shall not apply to any distribution made by the trustee of the REIT where tax has been paid by the trustee of the trust on the income from which the distribution is made (Income Tax (Amendment) Act 2007 refers).

In situation where tax has been deducted in error at the prevailing corporate tax rate from the distributions made to nominees whose beneficiaries are qualifying individuals or non-resident non-individuals, the Comptroller will refund the tax over-deducted to the trustee of REIT directly on a quarterly basis. The trustee is required to send its request for refund with the original subsidiary income tax certificates on a consolidated basis to:

Revenue Accounting Branch
Inland Revenue Authority of Singapore
55 Newton Road
Revenue House
Singapore 307987

Where an [Avoidance of Double Taxation Agreement](#) (DTA) is applicable, the rates specified in the DTA of the respective countries would apply. If you are applying the rates in the DTA, you would need a Certificate of Residence from the non-resident to prove that it is a tax resident of the treaty country. Please submit a Certificate of Residence from Non-Residents (Claim for relief from Singapore Income Tax under Avoidance of Double Taxation Agreement) that is duly certified by the tax authority of the country of residence, to IRAS.

Appendix C – Main Allowances for tax purposes

For residents:

a. Earned income relief

Age	Earned income relief SGD
Below 55	1,000
55 to 59	6,000
60 and above	8,000

b. Central Provident Fund contribution or life insurance premium relief

For Singaporeans and Singapore Permanent Residents, all compulsory CPF contributions will qualify for automatic relief.

For all other individuals, relief will be given for premiums paid for life insurance subject to the following:

Lower of

Up to 7% of the insured value of the taxpayer's own or his wife's life
Amount of insurance premiums paid

subject to an overall cap of SGD 5,000.

There are other reliefs for handicapped siblings, for children, and for parents.

For corporations (including branches of foreign companies) and businesses:

Capital allowances (from plant and machinery) are allowed business cost in place of accounting depreciation. Unutilised capital allowances may be carried forward to offset future taxable profits. Tax adjusted losses may also be carried forward to offset future taxable profits. However, the availability of these reliefs is subject to there being no major change in ownership of the business.

Claims for capital allowances may be computed in three ways:

- a. 100% write-off in the year of purchase (mainly for computers, automation equipment and small items).
- b. Write-off over 3 years.
- c. Over the prescribed life of each asset with an initial allowance of 20% of the original cost and an annual allowance based on the prescribed life of the asset, which ranges from 5 to 16 years.

In addition, there is a plethora of tax benefit incentives in pursuit of the government's economic plans. For example, the Productivity and Innovation Credit scheme provides for 400% tax allowance/deduction for some prescribed qualifying expenditure.

Appendix D

Social Security costs – Central Provident Fund contributions and Skill Development Levy

Central Provident Fund

Employee Age (Years)	Contribution Rate (for monthly wages \geq \$1,500)			Credited to the individual employee's		
	Contribution by Employer (% of wage)	Contribution by Employee (% of wage)	Total Contribution (% of wage)	Ordinary Account (% of wage)	Special Account (% of wage)	Medisave Account (% of wage)
35 & below	16	20	36	23	6	7
Above 35-45	16	20	36	21	7	8
Above 45-50	16	20	36	19	8	9
Above 50-55	14	18.5	32.5	13.5	9.5	9.5
Above 55-60	10.5	13	23.5	12	2	9.5
Above 60-65	7	7.5	14.5	3.5	1.5	9.5
Above 65	6.5	5	11.5	1	1	9.5

NB: The government has announced that with effect from 1 September 2012, the employer's contribution will be increased for three age categories as follows:

Table 1: New CPF Contribution Rates for Singaporean Workers aged 50-55, 55-60 and 60-65

Age	New contribution rates* from Sep 2012 (increases from current rates are in brackets)		Increase credited into			
	Employer	Employee	Total	OA	SA	MA
> 50 - 55	14 (+2.0)	18.5 (+0.5)	32.5 (+2.5)	+0.5	+1.5	+0.5
> 55 - 60	10.5 (+1.5)	13 (+0.5)	23.5 (+2.0)	+0.5	+1.0	+0.5
> 60 - 65	7 (+0.5)	7.5	14.5 (+0.5)	-	+0.5	-

Skill Development Levy

The Skill Development Levy is a form of payroll tax. The employer has to pay the levy monthly depending on the monthly salary of the employee. The levy is 0.25% of monthly salary with a minimum of SGD 2 and a maximum of SGD 11.25 per employee, per month.



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