



Doing Business in Singapore

Singapore is a major international financial centre located in South East Asia. Its remarkable growth story since independence in 1965 is such that Singapore is now a major international player in financial services, shipping, banking, manufacturing and research & development. Indeed Singapore is recognised as the world's 4th leading financial centre and its port is one of the five busiest in the world.

Regularly voted as one of the most business friendly jurisdictions in the world, Singapore is now seen as the most attractive base for Asian operations for many banks, hedge funds and family offices.

Singapore's ability to attract private and institutional investors is based on its ability to demonstrate key attributes:

- Common law legal framework;
- Excellent infrastructure;
- Economic, social and political stability;
- Corporate legal structure that is conducive to business;
- Geographical location;
- World class regulation;
- Tax treaties in place with many of its Asian neighbours as well as internationally; and
- Attractive corporate tax rates and incentives.

This briefing paper provides an overview of the incorporation options available in Singapore, and the requirements of each of these options.

Additionally we provide concise overview of the corporate tax implications of operating in Singapore, along with a summary of the incentive schemes as outlined by the Singapore Government to encourage productivity, innovation, and sustainable growth.

Corporate Entities

Local company

The Singapore Companies Act provides for registration of 3 types of companies:

Company limited by shares

- 1) **Private Company** - This is a locally incorporated company where the maximum number of shareholders is limited to 50.
- 2) **Exempt Private Company** - This is a private company:
 - Which has not more than 20 shareholders, and none of the shareholders is a corporation or
 - That is wholly owned by the Government and which the Minister, in national interest, declares by notification in the Gazette to be an exempt private company.
- 3) **Public Company limited by shares** - A public company limited by shares is a locally incorporated company in which the number of shareholders can be more than 50. The company may raise capital by offering shares and debentures to the public. A public company must register a prospectus with the Monetary Authority of Singapore before making any public offer of shares and debentures.

The most common type of companies in Singapore is company limited by shares.

A private company is one where the Memorandum or Articles of the company limits the number of shareholders to 50 and also restricts the right to transfer shares in the company. A private company can, with effect from 1 April 2004, raise capital through private and exempt offerings subject to compliances with certain governing legislation.

An exempt private company is one whose shares must not be owned directly or indirectly by a corporation and must not have more than 20 members. Such company enjoys certain privileges extended to it under the Singapore Companies Act.

Any company other than a private company is called a public company. Such company can offer shares and debentures to the public. The shares issued are freely transferable.

Company limited by guarantee

A public company limited by guarantee is one which carries out non-profit making activities that have some basis of national or public interest, such as for promoting art, or charity etc. The Minister may approve the registration of the company without the addition of the word "Limited" to its name.

Company officers

Director - A company must have at least one director who must be ordinarily resident in Singapore (i.e. a Singapore citizen, a Singapore permanent resident or an Employment Pass holder).

Shareholder - With effect from 1 April 2004, a company needs only one member. Prior to that date, the statutory minimum is two members for incorporation.

Company Secretary - A company must appoint at least 1 professionally qualified company secretary who is ordinarily resident in Singapore.

Limited Liability Partnership (LLP)

An LLP is a new vehicle for doing business in Singapore. The LLP Act commenced on 11 April 2005.

Partnership name must be suffixed with the words "Limited Liability Partnership" or with "LLP". It has a common seal in its name. The partners of the LLP will not be held personally liable for any business debts incurred by the LLP. However a partner may be held personally liable for claims from losses resulting from his own wrongful act or omission. But a partner shall not be personally liable for such wrongful acts or omissions of any other partner of the LLP. An LLP can be the owner of a business, a partner of another LLP or a shareholder in a company.

Business Firm

Either sole-proprietorship - (i.e. business firm owned by one person or one locally incorporated company).

Or Partnership - (i.e. made up of more than one person or company up to 20 partners).

Foreign Company

A company that is incorporated outside Singapore is a foreign company. Such company must register a branch under the Singapore Companies Act before it can do business in Singapore, and must have a registered office in Singapore. A foreign company is required to appoint at least two individuals resident in Singapore as its authorised agents in Singapore. The agents accept on its behalf service of process and any documents required to be served on the company.

If a foreign company does not wish to carry on business in Singapore, it may still have a presence here through the establishment of a representative office (RO) to undertake promotional and liaison activities on behalf of its parent company.

Taxation

The Singapore corporate taxation rate is 17%.

Taxable Income

A company is liable to pay tax on income accrued in or derived from Singapore or income received in Singapore from outside Singapore in respect of:

- gains or profits from any trade or business;
- income from investment such as dividends, interest and rental;
- royalties, premiums and any other profits from property; and
- other gains of an income nature.

However, under the One Tier system, if the dividend sourced from Singapore tax resident company and the shareholder is not a co-operative, such dividend income is not taxable.

Non - Taxable Income

Income may be exempted from tax under the provisions of the Singapore Income Tax Act.

Some examples are:

- Exempt shipping income derived by a shipping company
- Foreign-sourced dividends, branch profits & service income received by a resident company that satisfies the qualifying conditions.

YA 2016 and 2017

As announced in 2016 Budget, Companies will be granted 50% Corporate Income Tax (CIT) Rebate capped at \$20,000 for each YA for YA 2016 and YA 2017

Capital Gains Tax

There is no Capital Gains Tax in Singapore.

Withholding Tax

Tax should generally be withheld on interest payments, commission or fees in relation to a loan, royalty payments, and payments for the right to use scientific or technical knowledge, management fees or rent.

The rate of withholding varies dependent on the nature of the payment, but is generally between 10% and 17%, however various reliefs are given depending on the nature of the payment and subject to lower tax treaty rates if applicable.

There is no withholding on dividends.

Double Taxation Agreements

Singapore has signed over 80* Double Tax Treaties as at 30 March 2016 with many jurisdictions including UK, Germany, Indonesia, China, Australia, and Russia.

*source from IRAS

Tax Exemption Schemes

Under the start-up tax exemption scheme, a newly incorporated company that satisfies certain qualifying conditions (as set out below) can claim full tax exemption on the first S\$100,000 of normal chargeable income for each of its first three (3) consecutive Year of assessments ('YAs').

Additionally, a further 50% exemption is given on the next S\$200,000 of the normal chargeable income for each of the first three consecutive Years of assessments ('YAs')

To qualify for the start-up tax exemption, the company must:

1. Incorporated in Singapore (including a company limited by guarantee);
2. A tax resident in Singapore for that YA; and
3. Has no more than 20 shareholders throughout the basis period for that YA where:

- all of the shareholders are individuals "beneficially and directly" holding the shares in their own names; or
- at least one shareholder is an individual "beneficially and directly" holding at least 10% of the issued ordinary shares of the company

If the Company is a charitable organisation and registers itself with the Commissioner of Charities, there is no tax imposed on the profits of the Company

For those companies not qualifying for the full start up tax exemption scheme, a partial tax exemption will still be granted. A newly incorporated company can claim partial tax exemption of 75% on the first S\$10,000 of normal chargeable income for each of its first three (3) consecutive Year of assessments ('YAs').

Additionally, a further 50% exemption is given on the next S\$290,000 of the normal chargeable income for each of the first three consecutive Years of assessments ('YAs').

The full tax exemption scheme for new start-up companies will not be extended to investment holding companies and companies engaged in property development activities that are incorporated after 25 Feb 2013. These companies will still enjoy the partial tax exemption.

Incentive Schemes Available

Productivity & Innovation Credits ("PIC")

400% Tax Deductions/Allowances

How it works - Businesses can enjoy 400% tax deductions/allowances on up to \$400,000 of their expenditure per year in each of the six qualifying activities, instead of the 100% deductions/allowances under the existing tax rules.

Who is eligible for PIC?

- Trade associations
- All businesses are eligible for PIC, if they have incurred expenditure in any of the six qualifying activities.
- Singapore registered branches and subsidiaries of a foreign parent or holding company are also eligible for PIC.

The PIC+ Scheme

From Year of assessments ('YAs') 2015 to 2018, qualifying businesses can enjoy 400% tax deductions/allowances on up to \$600,000 (instead of \$400,000 as mentioned above) of their expenditure per year in each of the six qualifying activities under the PIC+ Scheme.

The annual expenditure cap of \$600,000 may be combined as follows:

Year of Assessment (YA)	Expenditure Cap per Qualifying Activity**	Tax Deduction per Qualifying Activity
2013 to 2015 (Combined)	\$1,400,000 [#]	\$5,600,000 (400% x \$1,400,000)
2016 to 2018 (Combined)	\$1,800,000	\$7,200,000 (400% x \$1,800,000)

The combined expenditure cap of \$1,400,000 is only applicable for YA 2015 as the additional expenditure cap of \$200,000 (\$600,000 - \$400,000) is not available for YA 2013 and YA 2014.

Cash Payout Option under PIC+

Eligible businesses can apply to convert up to \$100,000 of their total expenditure for each YA in all the six qualifying activities into a non-taxable cash payout. The cash payout rate is at 60% of the expenditure incurred. In 2016 budget announcement, the cash payout has been lowered to 40% for qualifying expenditures incurred from 1 August 2016.

The cash payout option is to support small and growing businesses which may be cash-constrained to innovate and improve productivity.

The maximum cash payout is calculated as follows:

Year of Assessment (YA)	Expenditure cap for All Qualifying Activities	Cash Payout Rate	Maximum Cash Payout
2011 and 2012 (Combined)	\$200,000**	30%	\$60,000 (30% x \$200,000)
2013 to 2015 (Cap cannot be combined)	\$100,000 per YA	60%	\$60,000 per YA (60% x \$100,000)
2016 to 2018 (Cap cannot be combined) New	\$100,000 per YA	60%	\$60,000 per YA (60% x \$100,000)

** Only if you are carrying on a trade or business for the relevant Year of assessments ('YAs'). Otherwise, the combined cap is reduced accordingly.

Who is not eligible for PIC?

- Investment holding companies
- clubs and management corporations
- Town councils
- Co-operatives

There are six "qualifying activities under PIC that bring with them tax deductions/allowances:

1. Acquisition and leasing of PIC Information Technology (IT) and Automation Equipment;
2. Training of employees;
3. Acquisition and In-licensing of Intellectual Property Rights;
4. Registration of patents, trademarks, designs and plant varieties;
5. Research and development activities; and
6. Design projects approved by Design Singapore Council.

Conditions for cash payout

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

- Incurred qualifying expenditure and are entitled to PIC during the basis period for the qualifying YA;
- Active business operations in Singapore; and
- At least 3 local employees (Singapore citizens or Singapore permanent residents with CPF contributions) excluding sole-proprietors, partners under contract for service and shareholders who are directors of the company. A business is considered to have met the 3-local-employees condition if it contributes CPF on the payroll of at least 3 local employees in the relevant month(s).

From YA 2014, for the purpose of fulfilling the 3-local employee condition, individuals deployed under a centralised hiring arrangement will be regarded as employees of the business where these individuals are deployed, subject to the following qualifying conditions:

- The claimant is able to produce supporting documents on the recharging of employment costs by a related entity, in respect of employees working solely in the claimant entity;
- The corporate structure and centralised hiring practices are adopted for bona fide commercial reasons; and
- The employee whose cost has been recharged will not contribute to the requisite headcount of the related party (which bore the upfront manpower costs).

SPRING Singapore

Capability Development Grant (CDG)

The Capability Development Grant (CDG) is a financial assistance programme aimed at helping Small and Medium Enterprises (SMEs) defray up to 70% of qualifying project costs^{***}, relating to consultancy, manpower, training, certification, upgrading productivity and developing business capabilities for process improvement, product development and market access.

The grant supports a wide range of capability upgrading initiatives that enable SMEs to successfully compete and grow their businesses locally and globally. There are 10 supportable areas tailored to meet an SME's current needs and stages of development. They range from raising service standards, adopting technology innovation, grooming business leaders to growing a global brand.

^{***} SPRING's enhanced funding support of up to 70% would be effective for three years until 31 March 2018.

Spring Singapore Eligibility

SME Criteria

- Registered and operating in Singapore.
- Have minimum 30% local shareholding.
- Group annual sales turnover of not more than S\$100 million, or group employment of not more than 200 employees

Qualifying Projects

SPRING will assess the application based on the SME's needs, the project scope and competency of the service provider in improving the SME's business capabilities. All applications are subject to SPRING's approval.

10 Supportable areas:

- Brand & Marketing Strategy Development
- Business Excellence
- Business Strategy Innovation
- Enhancing Quality & Standards
- Financial Management
- Human Capital Development
- Intellectual Property & Franchising
- Productivity Improvement
- Service Excellence
- Technology Innovation

Singapore Fund Management Incentives

Onshore or offshore funds which are managed by a person in Singapore under discretionary arrangement will be taxable in Singapore. However, under Singapore's domestic legislation, certain incentives are available for tax exemption provided below.

Offshore fund regime [Section 13CA]

Income from designated investment based on an offshore fund managed by a Singapore-based fund manager can be tax exempted if the fund is a prescribed person i.e. not resident in Singapore and not 100% owned by Singapore investors. Additionally, each of the investors needs to be a qualifying "relevant owner" i.e. he is a Singapore based non-individual who owns more than 30% (50% in some cases) in the fund.

If exempted, all income and gains in respect of designated investments such as stocks, shares, securities, derivatives etc. will not be taxable (except if the income is included in the exclusion list such as immovable property)

However, if the investor is not a qualifying relevant owner, he will have to pay a penalty to the Singapore tax authority at the amount of equivalent to the corporate income tax payable on his share of the income and gains of the fund.

Singapore resident fund scheme [Section 13R]

Singapore government also provides similar tax exemption to the Singapore Resident Fund to encourage fund managers to base their fund in Singapore.

The main advantage of using a Singapore fund compared to countries without a tax regime such as Cayman Island is the access to Singapore's tax treaty network.

An additional advantage of the Singapore Resident Fund Scheme is that the potential double charge that may arise under the Offshore Fund regime (i.e. where both a financial penalty and tax may be paid) should not occur for a Singapore resident fund because dividend payments from a Singapore fund are exempt from Singapore tax.

Please note that certain criteria must be met and a specific approval must be obtained from the Monetary Authority of Singapore (MAS) to utilize the tax exemption. The fund vehicle must be a company and administered in Singapore.

Enhanced-tier fund scheme [Section 13X]

Another available tax exemption is the Enhanced-Tier Fund Scheme which is applicable to both Singapore based funds and offshore funds.

The key advantage of this scheme is that there is no restriction on the percentage of Singapore investors in the fund, and no financial penalty. Additionally, this scheme is more flexible in terms of restrictions over the choice of fund entity or its place of constitution or residence.

Approval from MAS is also required for this status including a minimum fund size of SGD 50 million at the time of application.

Fund management incentive

The Financial Sector Incentive for fund managers, the FSI-FM award, is also available for fund management activities in Singapore.

The award gives a concessionary tax rate of 10% for fund management and investment advisory activities if certain criteria are met. For new applicants to qualify for a minimum 5 year award, the applicant:

- must be registered with or licensed by the MAS to carry out fund management or investment advisory activities in Singapore under the Securities and Futures Act;
- must have minimum assets under management of at least SGD 250 million; and
must have at least three professional staff engaged in fund management or investment advisory services. 'Professional' is defined as a person that earns more than SGD 3,500 per month, and is engaged substantially in the FSI qualifying activity (e.g. portfolio managers, research analysts and traders).

When assessing the applicant, MAS may also take into account other key factors such as the growth targets for assets managed, business spending and the number of professionals employed by the applicant.

About Rawlinson & Hunter International

Rawlinson & Hunter is an international grouping of professional firms, specialising in financial and taxation advice. Our skill lies in maximising the rewards that prosperity can bring. For the private client, we can take the strain, safeguarding their assets, leaving them to enjoy the benefits, not suffer the burdens, of wealth.

The international structure of Rawlinson & Hunter is unique, both in the way that it operates and in the extensive scope of the financial services that it provides. Our structure gives the client the best of both worlds - an organisation that encourages a close working relationship between client and partner and one that gives immediate access to eleven international offices.

This special relationship stems from the partners in the various offices having worked very closely together over a considerable number of years and from each believing that their clients must be given the best possible service. This enables transactions involving more than one Rawlinson & Hunter office to be effected more quickly, efficiently and professionally than by many other, larger organisations.

Our unique structure allows clients access to the individual advantages and specialist services available in ten different international offices and every office can draw on the expertise and specialist resources available in the rest of the group. All our offices have excellent relationships with leading lawyers, bankers and investment managers in most of the world's major financial centres

Internationally, our network of offices include: Australia, Bermuda, the British Virgin Islands, the Cayman Islands, Guernsey, Jersey, New Zealand, Switzerland (Zurich and Geneva), Singapore and the United Kingdom.

Our Team



Peter Milnes
Managing Director

Rawlinson & Hunter's Singapore office is headed by our resident Director Peter Milnes. He has over 10 years of international experience focused in Asia and the Middle East. Peter has extensive experience in statutory accounting in Singapore, Thailand, Indonesia, UK, US, and France, as well as in depth knowledge of trust accounting and structuring in various jurisdictions.

Familiar with management reporting in both large MNC's and smaller organisations, Peter has a unique skill base and understanding of the accounting and structuring requirements of large organisations and boutique enterprises & family offices.

Peter is a Fellow Management Accountant (FCMA/CGMA) and a Chartered Accountant of Singapore, with degrees in Economics and Economic History, and has wide-ranging experience working for family offices and major financial institutions.



Herdin Syafari
Tax Director

Herdin has more than 16 years' experience in Indonesian and International tax consultancy having previously worked for one of the "Big 4" accounting firms for 11 years. Serving multinational clients from various industries, Herdin also has 5 years of experience working as Head of International Tax Department in Indonesia's largest public energy company.

In addition, Herdin is a certified Indonesian Customs and Trade consultant, with a Customs Certification from the Indonesian Ministry of Finance. He has been involved in various customs projects from master list facility application, due diligence, audits and appeals assistance in the tax and customs courts.

Herdin has a Masters Degree in Business Administration (MBA) from the University of Bath, United Kingdom. He is a Certified Indonesian Tax Consultant, Certified Indonesian Customs Expert and holds a License of Tax Power of Attorney for Tax and Customs Appeal in the Indonesian Tax Courts

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