



The Legal 500 Country Comparative Guides

Singapore TAX

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This country-specific Q&A provides an overview of tax laws and regulations applicable in Singapore.

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SINGAPORE TAX



1. How often is tax law amended and what is the process?

The Singapore Income Tax Act 1947 (ITA), is generally amended annually, while other tax legislation such as the Goods and Services Tax Act 1993 (GSTA), the Stamp Duties Act 1929 (SDA) and the Property Tax Act 1960 (PTA) may not be amended as frequently.

The Ministry of Finance will generally announce key tax changes during the annual Budget Statement which is usually delivered in February each year. These changes are then legislated later in the year. Before introducing the amendment bills in Parliament, the Ministry of Finance will typically seek public feedback by way of a public consultation on the draft amendment bills on the legislative amendments that it is proposing (including changes announced in the annual Budget Statement). The amendment bill will become an Act of Parliament after going through three readings in Parliament and receiving the President's assent.

2. What are the principal administrative obligations of a taxpayer, i.e. regarding the filing of tax returns and the maintenance of records?

Corporate taxpayers are generally required to submit two corporate income tax returns to the IRAS each year:

- (a) An estimated chargeable income (ECI) for the assessment year, which is due within three months of the end of the company's financial year if the company is required to submit an ECI; and
- (b) A corporate income tax return (in Form C-S/C), which is generally due by 30 November of each assessment year.

Returns for Goods and Services Tax (GST) are filed quarterly (unless a special accounting period applies to the taxpayer), and the GST returns are due one month after the end of the accounting period covered by the

GST return.

Taxpayers are required to maintain proper records of source documents of the transactions related to their trade, business, profession or vocation as well as the relevant accounting records and schedules for at least five years from the relevant year of assessment or the prescribed GST accounting period.

3. Who are the key tax authorities? How do they engage with taxpayers and how are tax issues resolved?

The tax authority in Singapore is the Inland Revenue Authority of Singapore (IRAS).

IRAS typically engages with taxpayers through its digital portal (myTax Portal) and through written correspondence. Where there are points of disagreement between the taxpayer and IRAS, the taxpayer can raise an objection to the interpretation adopted by the IRAS. IRAS will review the objection and may raise further queries with the taxpayer. If the matter cannot be resolved, the taxpayer may commence litigation in the relevant specialist tax boards of review or the General Division of the High Court (for matters involving stamp duty).

4. Are tax disputes heard by a court, tribunal or body independent of the tax authority? How long do such proceedings generally take?

Tax disputes involving income tax, property tax and goods and services tax are heard by a specialist tax board of review at first instance for each tax type. The board of review is constituted under the relevant statutes governing each tax type and members of each board of review are appointed by the Ministry of Finance. The board of review is a body independent of the IRAS, and decisions of the board are typically exercised by three (3) members of the board. The length of

proceedings varies depending on the complexity of the dispute, and it may take 12 to 24 months from the filing of the initial court documents for the dispute to be resolved.

An appeal against the decision of the board of review may be made to the General Division of the High Court. There is a further right of appeal against the decision of the General Division of the High Court, which is generally to the Appellate Division of the High Court, although the appeal may be heard by the Court of Appeal if certain conditions are met.

Tax disputes involving stamp duty are heard by the General Division of the High Court in the first instance.

5. What are the typical deadlines for the payment of taxes? Do special rules apply to disputed amounts of tax?

For corporate income taxes, a Notice of Assessment will be issued after IRAS processes the ECI filing and the taxpayer will be required to pay the estimated tax payable amount within one (1) month from the date of the Notice of Assessment issued unless it qualifies to pay via instalments. There may be a difference in the tax payable under the ECI declared and the chargeable income in the taxpayer's subsequent corporate income tax return. If the chargeable income is less than the ECI amount declared, the excess tax paid earlier will be refunded. If the chargeable income is more than the ECI amount declared, the additional tax will have to be paid one (1) month from the date of the Notice of Assessment.

GST payments are due on the same day that the GST returns are due (i.e. one (1) month after the end of the accounting period covered by the GST return), unless the taxpayer is on a GIRO plan (which is a bank auto-debit arrangement) for GST payment.

A document chargeable with stamp duty should be stamped before execution. However, no penalties will be charged if such document is stamped (a) within 14 days after signing the document if it is signed in Singapore, or (b) within 30 days after receiving the document in Singapore if the document is signed overseas.

Annual property tax bills must be paid by 31 January each year and it is also possible to be paid by instalments. All other property tax notices must be paid one (1) month from the date of the notice.

The institution of any proceedings against any disputed tax amounts (see Questions 3 and 4 above) does not relieve the taxpayer of its liability to pay tax within the

relevant deadlines; the taxpayer must pay the tax assessed within the relevant deadlines notwithstanding any objection or appeal.

6. Are tax authorities subject to a duty of confidentiality in respect of taxpayer data?

Officers of IRAS are generally subject to a statutory duty of confidentiality in respect of taxpayer information and data. However, there are certain circumstances under which IRAS is permitted to disclose taxpayer information and data, e.g. when IRAS receives a valid request for information under its bilateral / multilateral treaties.

7. Is this jurisdiction a signatory (or does it propose to become a signatory) to the Common Reporting Standard? Does it maintain (or intend to maintain) a public register of beneficial ownership?

Singapore is a signatory to the Common Reporting Standard and has been exchanging financial account information with partner jurisdictions since September 2018.

Companies, foreign companies and limited liability partnerships (unless exempted) are required to maintain beneficial ownership information in the form of a register of registrable controllers, and to make the information available to public agencies upon request. However, the information contained in the register will not be made available to the public.

There is no public register of beneficial ownership for trusts in Singapore.

8. What are the tests for determining residence of business entities (including transparent entities)?

A company is resident in Singapore if the control and management of its business is exercised in Singapore.

Tax transparent entities such as a limited partnership or a limited liability partnership generally do not have its own tax residence status – each of its partners will be taxed on their share of the partnership income at their respective income tax rate and tax residency status.

9. Do tax authorities in this jurisdiction

target cross border transactions within an international group? If so, how?

Please refer to Question 11 below.

10. Is there a controlled foreign corporation (CFC) regime or equivalent?

Singapore does not have a CFC regime.

11. Is there a transfer pricing regime? Is there a "thin capitalization" regime? Is there a "safe harbour" or is it possible to obtain an advance pricing agreement?

There are no formal thin capitalization rules in Singapore which impose limits on the amount of interest that is deductible under the ITA. That said, the usual rules on tax deductions will continue to apply to the interest and other prescribed borrowing costs incurred. In addition, transfer pricing rules apply to loans between related parties and general anti-avoidance rules may also operate to restrict the deductions allowed. Singapore's transfer pricing regime generally follows the principles laid down in the OECD Transfer Pricing Guidelines.

IRAS has published guidelines for certain related party transactions which can be used in lieu of performing a detailed transfer pricing analysis to determine the applicable arm's length price. For example:

(a) For each related party loan not exceeding S\$15 million, taxpayers can approximate an arm's length interest rate for that loan by adding IRAS' indicative margin to the taxpayer's choice of a base reference rate. From 2022, IRAS will only publish indicative margins for base reference rates that are risk-free rates (e.g. Singapore Overnight Rate Average (SORA), Secured Overnight Financing Rate (SOFR), Sterling Overnight Index Average (SONIA)). The indicative margins are available at:
<https://www.iras.gov.sg/taxes/international-tax/transfer-pricing>.

(b) For specified routine support services, IRAS is prepared to accept a 5% cost mark-up as an arm's length price subject to conditions.

It is possible for taxpayers to obtain an advance pricing agreement in order to obtain a set of criteria to ascertain the transfer pricing of the taxpayer's related party transactions for a specific period of time.

12. Is there a general anti-avoidance rule (GAAR) and, if so, how is it enforced by tax authorities (e.g. in negotiations, litigation)?

There are GAAR provisions under the ITA, GSTA and SDA.

IRAS has wide powers under the relevant GAAR provisions, including the power to impose a liability to tax to counteract any tax advantage arising from the impugned arrangement. If the taxpayer disagrees with the decision made by IRAS, the taxpayer may appeal against the decision (see Question 4 above).

13. Is there a digital services tax? If so, is there an intention to withdraw or amend it once a multilateral solution is in place?

The Overseas Vendor Registration (OVR) regime and the reverse charge (RC) regime were introduced in 2020 to impose tax on imported services.

Under the OVR regime, overseas suppliers and electronic marketplace operators (whether local or overseas) that meet the OVR GST registration requirements are required to charge and account for GST on supplies of digital services to customers in Singapore. With effect from 1 January 2023, GST will be extended to remote services (i.e. both digital and non-digital services) by way of the OVR regime. Remote services refer to any services where, at the time of the performance of the service, there is no necessary connection between the physical location of the recipient and the place of physical performance.

Under the RC regime, a GST-registered person (including a person who may be required to register for GST under the RC regime) is required to account for GST on imported services, subject to certain conditions. With effect from 1 January 2023, GST will also be extended to imports of low-value goods.

The rate of GST is 8% with effect from 1 January 2023 and will be increased to 9% with effect from 1 January 2024.

Singapore has not made yet any announcements in respect of the OVR regime and RC regime should a multilateral solution be in place.

14. Have any of the OECD BEPS recommendations, including the OECD's recent two-pillar solution to address the

tax challenges arising from digitalisation of the economy, been implemented or are any planned to be implemented?

Singapore has joined the October 2021 *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy*. Singapore has announced that it plans to implement the Global Anti-Base Erosion (GloBE) Rules (i.e. the Income Inclusion Rule and Undertaxed Profits Rule) and the Domestic Top-up Tax (DTT) from 1 January 2025. In addition, Singapore will continue to monitor the international developments and adjust the implementation timeline if there are delays internationally.

Singapore intends to implement the GloBE Rules and the DTT as part of the broader international move to align minimum global corporate tax rates for large MNE groups. Singapore has also been reviewing and updating its industry development tax schemes to ensure that Singapore remains competitive in attracting and retaining investments.

15. How has the OECD BEPS program impacted tax policies?

N/A

16. Does the tax system broadly follow the OECD Model i.e. does it have taxation of: a) business profits, b) employment income and pensions, c) VAT (or other indirect tax), d) savings income and royalties, e) income from land, f) capital gains, g) stamp and/or capital duties? If so, what are the current rates and how are they applied?

Income Tax

Income from business profits, employment income and pensions, royalties, and land are generally taxable under the ITA. Income tax is payable on income accruing in or derived from Singapore, or received in Singapore from outside Singapore, unless any exemptions are applicable. The corporate income tax rate in Singapore is 17%, while the individual income tax rate for Singapore tax residents is at progressive rates of up to 24% (with effect from year of assessment 2024).

Goods and Services Tax (GST)

Singapore has an indirect tax known as GST, which is

chargeable on taxable supplies of goods and services, unless zero-rated or specifically exempt. The rate of GST is 8% with effect from 1 January 2023 and will be increased to 9% with effect from 1 January 2024.

Stamp Duties

Stamp duty is payable on certain written agreements and transfer documents:

(a) Stamp duty is levied on the transfer of shares in a company incorporated in Singapore or in a foreign company with a share register in Singapore. The rate of stamp duty is 0.2% of the consideration or the market value of the shares (whichever is higher). Additional conveyance duties of up to 71% will apply to the transfer of shares in certain property holding entities. These duties are typically borne by the buyer.

(b) Stamp duty is also levied on transfers of immovable property/land in Singapore. Buyer's stamp duty is progressive and capped at either 5% (for non-residential property/land) or 6% (for residential property/land) of the consideration or market value of the property (whichever is higher). In addition, additional buyer's stamp duty at a rate of up to 65% will also apply to the purchase of residential property/land depending on the profile of the buyer. These duties are typically borne by the buyer.

(c) Seller's stamp duty and additional conveyance duties may also be applicable for certain disposals of immovable property/land and shares in property holding entities. These duties are typically borne by the seller.

Capital Gains Tax

Singapore does not have a capital gains tax. If the transaction is regarded as income in nature, it may still be subject to income tax as described above.

In addition, in the draft Income Tax (Amendment) Bill 2023 circulated for public consultation on 6 June 2023 by the Ministry of Finance, a new section 10L was introduced which taxes gains (including capital gains) from the sale of foreign assets that are received in Singapore by entities that are part of a multinational group without economic substance in Singapore. There are however some safe harbour provisions for certain specified entities (e.g. financial institutions and entities enjoying specified tax incentives). If legislated without any amendments, the new section 10L will apply to gains received in Singapore from a sale or disposal of a foreign asset that occurs on or after 1 January 2024.

Property Tax

Property taxes apply to ownership of Singapore property and is calculated by multiplying the annual value of the property (which is the estimated annual rent of the property) with the applicable property tax rate (which depends on whether the property is residential owner-occupied, residential non-owner-occupied, or non-residential, and on the annual value of the property). Non-residential properties are taxed at 10% of the annual value of the property, while owner-occupied residential properties may be taxed at up to 23% (and up to 32% from 1 January 2024) and non-owner-occupied residential properties may be taxed at up to 27% (and up to 36% from 1 January 2024).

17. Is business tax levied on, broadly, the revenue profits of a business computed in accordance with accounting principles?

Business tax is levied on a company's chargeable income, which is calculated using the company's net profit/loss in accordance with accounting principles, and after making certain tax adjustments, e.g. to deduct income which is not taxable, to add expenses that are non-deductible for tax purposes, etc.

18. Are common business vehicles such as companies, partnerships and trusts recognised as taxable entities or are they tax transparent?

Companies are taxable entities.

Partnerships are tax transparent entities and do not pay income tax on the income earned by the partnership. Instead, each partner will be taxed on his/her share of the income from the partnership based on income tax rate applicable to such partner. However, partnerships are still required to file an annual income tax return to show all income earned by the partnership and deductions claimed for expenses incurred.

Trustees (whether an individual or company) are subject to tax at the prevailing corporate rate (currently 17%). Trusts can be accorded tax transparency in respect of a beneficiary who is entitled to the trust income and is resident in Singapore (that is, the trustee is not subject to tax at the trustee level, and instead, the beneficiaries are subject to tax). There are also specific tax incentives and tax exemptions that may apply to trusts.

19. Is liability to business taxation based on tax residence or registration? If so,

what are the tests?

Singapore adopts a territorial basis of taxation and income tax is payable upon income accruing in or derived from Singapore, or received in Singapore from outside Singapore. The tax residence or registration of the taxpayer does not affect liability to taxation. See Question 8 above for the test for tax residence.

20. Are there any favourable taxation regimes for particular areas (e.g. enterprise zones) or sectors (e.g. financial services)?

Singapore has various concessionary tax, tax relief and tax exemption schemes for various areas and sectors. We set out below a non-exhaustive list of tax incentive schemes:

- (a) Exemption of international shipping profits under Section 13E of the ITA;
- (b) Exemption of income of venture company under Section 13G of the ITA;
- (c) Exemption of income of funds managed by fund manager in Singapore under Sections 13O and 13U of the ITA;
- (d) Concessionary rate of tax for Finance and Treasury Centre under Section 43E of the ITA;
- (e) Concessionary rate of tax for global trading company and qualifying company under Section 43I of the ITA;
- (f) Concessionary rate of tax for financial sector incentive company under Section 43J of the ITA;
- (g) Pioneer Certificate Incentive under Parts 2 and 3 of the Economic Expansion Incentives (Relief from Income Tax) Act 1967 ("EEIA");
- (h) Development and Expansion Incentive under Part 4 of the EEIA.

21. Are there any special tax regimes for intellectual property, such as patent box?

Singapore has an Intellectual Property Development Incentive ("IDI") which is similar to the UK Patent Box regime. The IDI encourages companies to use and commercialise intellectual property rights arising from research and development in Singapore. IDI Companies will enjoy a concessionary tax rate of 5% or 10% on a percentage of its qualifying intellectual property income

during the incentive period. The percentage is determined by the modified nexus approach, which is an international standard set by the OECD.

22. Is fiscal consolidation permitted? Are groups of companies recognised for tax purposes and, if so, are there any jurisdictional limitations on what can constitute a tax group? Is there a group contribution system or can losses otherwise be relieved across group companies?

For income tax purposes, companies within a group are treated as separate legal entities. However, there is a group relief system which allows companies within a group that meet certain conditions to utilise each other's unabsorbed capital allowances, trade losses and donations. For GST purposes, it is possible for companies to register themselves as a group to centralise administration; supplies made between companies under the group are generally not subject to GST.

23. Are there any withholding taxes?

Certain categories of payments made to non-Singapore tax residents will be subject to Singapore withholding tax, and includes the following categories of payments:

- (a) Interest, commissions, fees or other payments in connection with a loan or indebtedness;
- (b) Royalty or other payments for the use of or the right to use any movable property;
- (c) Payments for the use of or the right to use scientific, technical, industrial or commercial knowledge or information or for the rendering of assistance or service in connection with the application or use of such knowledge or information;
- (d) Payments of management fees;
- (e) Rent or other payments for the use of any movable property.

Withholding tax for payments to non-resident individuals is 24% while the withholding tax for payments to non-

resident non-individuals is 17% (i.e. the prevailing corporate tax rate), unless a reduced rate applies in accordance with the ITA or any relevant double taxation agreement.

24. Are there any environmental taxes payable by businesses?

Singapore imposes a carbon tax under the Carbon Pricing Act 2018, which is administered by the National Environment Agency. The carbon tax applies to persons in prescribed industry sectors which emit reckonable greenhouse gas emissions equal to or more than 25,000 tCO₂e (i.e. 25,000 metric tonnes of carbon dioxide equivalence per annum), at a rate of S\$5 per tCO₂e. The carbon tax rate will be raised to S\$25 per tCO₂e in 2024 and 2025, and will be further raised to S\$45 per tCO₂e from 2026.

25. Is dividend income received from resident and/or non-resident companies taxable?

Dividend income received from a company that is tax resident in Singapore is exempt from Singapore income tax. Dividend income received from non-resident companies would generally be regarded as foreign-sourced and will not be subject to tax if received in Singapore, subject to conditions being met.

26. What are the advantages and disadvantages offered by your jurisdiction to an international group seeking to relocate activities?

Singapore is strategically located within ASEAN and Asia for international groups to pursue business opportunities in the region. Many international groups have set up their international or regional headquarters in Singapore because of Singapore's business friendly and stable political environment. Tax incentives are also introduced and reviewed frequently to ensure their relevance. In addition, Singapore has a straightforward and efficient tax system with an extensive network of double taxation agreements and free trade agreements. Coupled with a well-educated multilingual workforce, Singapore has been an ideal location for many companies and international groups seeking to expand in the region.

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