COUNTRY COMPARATIVE GUIDES 2021

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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1. How often is tax law amended and what are the processes for such amendments?

Tax law is imposed by statute in Singapore. The tax Acts are usually amended once a year in accordance with the Government's annual budget changes and other non-budgetary changes.

Amendments to the tax Acts are usually done by Parliament, which is unicameral in Singapore. The main exception is stamp duties and customs and excise duties, where the scope and rates of such duties can be amended by the Minister for Finance by way of ministerial notification or order.

The Parliamentary amendment process is initiated by the Ministry of Finance, which will usually publish draft Amendment Bills for public consultation first. The Ministry will consolidate the public's feedback and publish the outcome of its review of the feedback. The Amendment Bills will then be introduced in Parliament and read three times. Members of Parliament will debate on the Amendment Bills during the second reading. After an Amendment Bill has been passed by Parliament and assented to by the President, it becomes an Amendment Act which comes into force when the Minister for Finance publishes a commencement notification in the Government Gazette. The commencement date of each amendment will be stipulated in the Amendment Act.

2. What are the principal procedural obligations of a taxpayer, that is, the maintenance of records over what period and how regularly must it file a return or accounts?

Taxpayers are generally required to retain accounting and other business records for a specified period which is usually five years. Taxpayers with gross trade or business revenue of more than S$10 million is also required to maintain contemporaneous Singapore transfer pricing documentation.

Income tax returns are filed on an annual basis while GST returns are usually filed on a quarterly basis.

3. Who are the key regulatory authorities? How easy is it to deal with them and how long does it take to resolve standard issues?

The Inland Revenue Authority of Singapore ("IRAS") is the regulatory authority for income tax, GST, stamp duties, property tax and betting taxes. Singapore Customs is the regulatory authority for customs and excise duties and for GST on imports. Tax incentives are usually administered by the relevant regulatory authority for the particular industry in question. For example, tax incentives for financial institutions are usually administered by the Monetary Authority of Singapore while shipping-related incentives are administered by the Maritime and Port Authority. Compliance with the conditions for tax incentives is however subject to audit by the IRAS or Singapore Customs.

The authorities are relatively easy to deal with on standard issues, which usually take several days or weeks to resolve. Complex issues, however, can take several months or years to resolve.

4. Are tax disputes capable of adjudication by a court, tribunal or body independent of the tax authority, and how long should a taxpayer expect such proceedings to take?

Income tax, GST and property tax disputes can be referred to an administrative Board of Review for adjudication at first instance. If a party disagrees with the decision of the Board, it may appeal to the General Division of the High Court. There may also be a further right of appeal to the Appellate Division of the High Court and/or the Court of Appeal.

For stamp duties and customs and excise duties, there is no Board of Review. A dispute may be referred to the

General Division of the High Court for adjudication in the first instance, with a potential right of appeal to the Appellate Division of the High Court and/or the Court of Appeal.

Litigation on tax issues can, depending on complexity, take several months or years.

5. Are there set dates for payment of tax, provisionally or in arrears, and what happens with amounts of tax in dispute with the regulatory authority?

Income tax has to be paid within one month after service of a Notice of Assessment, even if the taxpayer has objected to the assessment. Income tax can usually be paid in instalments of up to 12 months. Penalties and interest may be imposed for late payments.

GST-registered businesses must account for and pay any GST due within one month from the end of the relevant quarter or other prescribed accounting period. GST has to be paid even if the taxpayer has objected to an assessment. Penalties and interest may be imposed for late payments.

Stamp duties are payable within 14 days of the execution of the dutiable instrument in Singapore.

Property tax is usually payable by 31 January of each year or within one month of any property tax notice received.

Customs and excise duties, and GST on imports, are usually payable at the time of import.

6. Is taxpayer data recognised as highly confidential and adequately safeguarded against disclosure to third parties, including other parts of the Government? Is it a signatory (or does it propose to become a signatory) to the Common Reporting Standard? And/or does it maintain (or intend to maintain) a public Register of beneficial ownership?

Taxpayer data is regarded as highly confidential and is protected by secrecy provisions under the respective tax Acts and the Official Secrets Act. However, taxpayer data can be disclosed to other law enforcement authorities in Singapore for law enforcement purposes. Taxpayer data can also be disclosed to other countries under exchange of information and mutual legal assistance regimes for tax and law enforcement purposes.

Singapore has implemented the Common Reporting Standard and a reciprocal Model 1 Intergovernmental Agreement under the US Foreign Account Tax Compliance Act. It has commenced automatic exchanges of information with other jurisdictions. Singapore also has a Mutual Assistance in Criminal Matters Act which allows Singapore to provide mutual legal assistance, such as the provision of information, to other countries in respect of serious tax crimes and money laundering.

Singapore has a central register of beneficial ownership of Singapore companies, foreign companies and limited liability partnerships registered in Singapore. The central register is currently not available to the public and is available only to law enforcement agencies in Singapore.

7. What are the tests for residence of the main business structures (including transparent entities)?

A company is resident in Singapore if the control and management of its business is exercised in Singapore. This will usually be where the board of directors hold board meetings.

Individuals are resident in Singapore if they reside in Singapore or are physically present or exercise an employment (other than as a director of a company) in Singapore for 183 days or more during the year.

Partnerships (including limited partnerships and limited liability partnerships) are transparent for income tax purposes. The test of the residency of a partner depends on whether the partner is a company or individual.

8. Have you found the policing of cross border transactions within an international group to be a target of the tax authorities' attention and in what ways?

There has been increased scrutiny and audits of related party transactions by the IRAS for transfer pricing purposes.

Transfer pricing adjustments may be subject to a surcharge of five per cent (5%) of the adjustment made in Singapore. The IRAS has also recently published its position that transfer pricing adjustments made for income tax purposes will correspondingly also result in an adjustment for GST purposes.

9. Is there a CFC or Thin Cap regime? Is

there a transfer pricing regime and is it possible to obtain an advance pricing agreement?

There is no controlled foreign company or thin capitalisation regime in Singapore.

Singapore adopts the arm's length principle for related party transactions. It is possible to enter into an unilateral advance pricing agreement with the IRAS or obtain a bilateral or multilateral advance pricing agreements with other jurisdictions through the IRAS.

10. Is there a general anti-avoidance rule (GAAR) and, if so, in your experience, how would you describe its application by the tax authority? Eg is the enforcement of the GAAR commonly litigated, is it raised by tax authorities in negotiations only etc?

There are GAARs for income tax, GST and stamp duties in Singapore. Each GAAR is phrased differently based on the type of tax in question, but generally, arrangements which are for bona fide commercial reasons and which do not have tax avoidance as a main purpose are not caught by the GAARs.

For GST and stamp duties, an adjustment made under a GAAR will attract a surcharge of 50% of the adjustment made for GST accounting periods from 1 January 2021 onwards and for instruments executed from 7 December 2020 onwards respectively. For income tax, the surcharge will apply from the year of assessment 2023 onwards.

The IRAS frequently relies on the GAARs to address loopholes in tax legislation and there have been more GAAR cases being litigated before the Boards of Review and the Courts. The surcharge was introduced in the year 2020 to deter tax avoidance.

11. Have any of the OECD BEPs recommendations been implemented or are any planned to be implemented and if so, which ones?

Singapore has ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting and has adopted the minimum standards.

12. In your view, how has BEPS impacted on the government's tax policies?

Singapore supports the key principle underlying the BEPS project, namely that profits should be taxed where the real economic activities generating the profits are performed and where value is created. Its tax policies are designed to support substantive economic activities, in order to create skilled jobs and build new and enduring capabilities in Singapore.

13. Does the tax system broadly follow the recognised OECD Model? 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 are they flat or graduated?

Although Singapore is not a member of the OECD, it generally follows the OECD principles and guidelines. Most of its tax treaties are based on the OECD Model Tax Convention.

Singapore has a broad tax base comprising of several tax types, which include:

a. **Business profits**: Income tax is levied on business profits at 17% for companies and trusts and at rates from 0% to 22% for individuals.
b. **Employment income and pensions**: Resident individuals are subject to a progressive tax on employment income. The top rate is 22% on chargeable incomes in excess of S$320,000 annually. Pensions are exempt from tax for Singapore tax residents. Non-resident individuals will be taxed on Singapore-sourced employment income at either a flat rate of 15% or according to the resident tax rates, whichever results in a higher tax liability.
c. **VAT**: The Singapore equivalent is the Goods and Services Tax (GST). The prevailing GST rate as of 2021 is 7%.
d. **Savings income and royalties**: Interest income is taxable unless it is earned from deposits with approved banks and finance companies licensed in Singapore and from most debt securities and foreign sources. Royalties earned in Singapore are taxable. As a concession, royalties received for any

literary, dramatic, musical or artistic work or an approved intellectual property or approved innovation will be taxed on the lower of the amount of royalties less allowable expenses or 10% of the gross amount.

e. **Income from land**: Profits arising from property, such a rental income, are taxable.
f. **Capital gains**: Capital gains are not taxed in Singapore.
g. **Stamp and/or capital duties:** Stamp duty is levied on dutiable instruments relating to immovable property, stocks and shares. Buyer's Stamp Duty is payable at rates of up to 4% for residential and up to 3% for non-residential properties. Seller's Stamp Duty will be payable on the disposal of residential or industrial properties if the holding period is not more than three years. Additional Buyer's Stamp Duty of up to 25% may apply to also apply to buyers of residential property. Additional Conveyance Duties may also be payable on certain acquisitions and disposals of equity interests in property-holding entities that own primarily residential properties in Singapore. The stamp duty rate for transfers of stocks and shares is 0.2%.

14. Is the charge to business tax levied on, broadly, the revenue profits of a business as computed according to the principles of commercial accountancy?

Business profits are generally computed based on generally accepted accounting principles for income tax purposes, with adjustments made for items, such as depreciation and amortisation, where the tax treatment departs from the accounting treatment.

15. Are different vehicles for carrying on business, such as companies, partnerships, trusts, etc, recognised as taxable entities? What entities are transparent for tax purposes and why are they used?

The main business vehicles in Singapore are sole proprietorships, partnerships (including limited partnerships and limited liability partnerships), companies and trusts. A new type of company, known as the variable capital company ("VCC"), was recently introduced in Singapore for the fund management industry.

Sole proprietorships and partnerships (including limited partnerships and limited liability partnerships) are transparent for income tax purposes.

Companies and VCCs are generally taxable entities for income tax purposes.

Trusts are generally taxable entities (in the name of the trustee) for income tax purposes. There is, however, tax transparency for income earned by the trustee which income the beneficiary(ies) is entitled to for the same year of assessment. There is also a special tax-transparency regime for real estate investment trusts in Singapore.

The choice of vehicle depends mainly on the commercial requirements of the business owners or investors. Tax avoidance should not be a main purpose for choosing a vehicle as it may trigger the GAAR.

16. Is liability to business taxation based upon a concepts of fiscal residence or registration? Is so what are the tests?

Singapore implements a territorial basis of income taxation. Income is subject to tax if it is Singapore-sourced income or is received in Singapore. A company's place of incorporation, registration or residence does not determine whether its income is subject to tax. Its residence would, however, affect, among other things, the availability of tax treaty benefits and certain tax exemptions.

17. Are there any special taxation regimes, such as enterprise zones or favourable tax regimes for financial services or co-ordination centres, etc?

Singapore has different types of tax incentives for various industries, which include the financial services, venture capital, fund management and family offices, shipping and maritime, tourism and trade, ecommerce, processing services, legal, and research and development sectors.

These incentives generally provide for concessionary income tax rates and/or enhanced allowances or deductions.

18. Are there any particular tax regimes applicable to intellectual property, such as patent box?

There is an Intellectual Property ("IP") Development Incentive ("IDI") in Singapore to encourage the use and commercialisation of IP rights arising from research and development activities. An approved IDI company is eligible for a reduced income tax rate of either 5% or 10% of a percentage of qualifying IP income. Qualifying IP income refers to royalties or other income received by the approved IDI company for the commercial exploitation of the qualifying IP rights. The concessionary base rate will be increased by at least 0.5% at prescribed intervals under the Income Tax Act. The initial tax relief period for an approved company cannot exceed 10 years. Taxpayers may apply for extensions of less than 10 years.

There are also enhanced writing-down allowances and deductions available for the registration, acquisition and licensing of intellectual property in Singapore.

19. Is fiscal consolidation employed or a recognition of groups of corporates for tax purposes and are there any jurisdictional limitations on what can constitute a group for tax purposes? Is a group contribution system employed or how can losses be relieved across group companies otherwise?

Singapore does not provide for fiscal consolidation of company groups for income tax purposes. Each company within a corporate group must pay income tax on its own profits. However, there may be group relief available for Singapore companies, which allows for the transfer of current-year unabsorbed losses, capital allowances and donations of one group member to another, subject to conditions.

Briefly, two Singapore companies are considered members of the same group for group relief purposes where (i) one beneficially holds, directly or indirectly, at least 75% of ordinary shares in the other or (ii) at least 75% of ordinary shares in each is beneficially held, directly or indirectly, by a third Singapore company (exceptions apply).

20. Are there any withholding taxes?

Some types of payment are subject to withholding tax if they are either (a) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore, except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or (b) deductible against any income accruing in or derived from Singapore and paid to persons which are not resident in Singapore.

Such payments include:

- Interest, commissions or fees in connection with any loan or indebtedness.
- Royalty or other payments for the use of, or the right to use, any movable property.
- Payments for the use of or the right to use scientific, technical, industrial or commercial knowledge or information.
- Payments for the rendering of assistance or service in connection with the application or use of that knowledge or information.
- Payments for the management or assistance in the management of any trade, business or profession.
- Rent or other payments for the use of any movable property.
- Payments for the purchase of real property from a non-resident property trader.
- Distributions from real estate investment trusts.

The withholding tax rates vary widely (from 10% to 22%) and depends on the type of payment and circumstances of the recipient of the payment. The applicable rate may be reduced under an applicable tax treaty.

Dividends paid by a Singapore-resident company are not subject to withholding tax as such dividends are tax exempt.

21. Are there any recognised environmental taxes payable by businesses?

Yes. An industrial facility that emits direct greenhouse gas emissions equal to or above 25,000 tonnes of carbon dioxide equivalent (tCO2e) annually will be required to be registered as a taxable facility and pay a carbon tax of S$5 per tCO2e emitted. This rate is applicable until 2023, after which it may increase to between S$10 and S$15 per tonne by 2030. A taxable facility is also required to submit a monitoring plan and emissions report annually.

22. Is dividend income received from resident and/or non-resident companies exempt from tax? If not how is it taxed?

Dividends received from Singapore-resident companies are exempt from income tax.

Dividends received from non-Singapore resident companies are subject to income tax in Singapore if they are received in Singapore by companies or by individuals through a partnership in Singapore. However, such dividends are tax exempt in Singapore if the dividends were already subject to income tax in the originating jurisdiction and the highest rate of such tax was at least 15% at the time of the receipt in Singapore. There are also several specific tax exemptions available if such conditions are not met.

23. If you were advising an international group seeking to re-locate activities from the UK as a result of Brexit, what are the advantages and disadvantages offered by your jurisdiction?

Singapore is widely considered as a good base for business activities. It is a stable country with a strategic geographical location in the Straits of Malacca and a high quality of living. It has one of the busiest ports in the world and Singapore's Changi Airport is frequently ranked as the world's best airport. It is a regional hub for many industries such as financial services, financial technology, high-tech manufacturing, bio-medical sciences, research and development, and logistics and shipping. Singapore is thus frequently used by international businesses as a global or regional headquarters. The main language used is English and most of its workforce has a working command of at least one Asian language. The Government has in place many monetary and non-monetary incentives for international businesses in Singapore to reduce the costs of doing business and there is also an extensive tax treaty network that businesses can benefit from.

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