

Doing business in Singapore



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If you are planning on doing business in Singapore, information on the legal, accounting and taxation framework are essential to keep you on the right track.



Introduction

Grant Thornton International is one of the world's leading organisations of independently owned and managed accounting and consulting firms providing assurance, tax and specialist advice to privately held businesses and public interest entities.

Member firms focus on helping businesses reach their commercial goals by providing practical, customised solutions and identifying and pursuing business opportunities domestically and internationally. They share a commitment to providing the same high quality service to their clients wherever they choose to do business.

Experienced professionals combined invaluable local market knowledge with technically advanced systems to help businesses prosper in today's highly competitive markets.

This guide has been prepared for the assistance of those interested in doing business in Singapore. It does not cover the subject exhaustively but is intended to answer some of the important, broad questions that may arise. When specific problems occur in practice, it will often be necessary to refer to the laws and regulations of Singapore and to obtain appropriate accounting and legal advice. This guide contains only brief notes and includes legislation in force as of **February 2009**.

Grant Thornton International is not a worldwide partnership. Member firms of the international organisation are independently owned and operated.

Grant Thornton in Singapore

Established in 1973, Foo Kon Tan Grant Thornton is well recognised and trusted in the business community. We have been helping clients to seize growth opportunities and succeed in the changing business and regulatory environments. Today, many of our clients are listed on the Singapore Exchange as well as other international capital markets. Others have become leading brand names.

We too have grown from strength to strength. Founded as a traditional public accounting firm, we have developed into an organisation of more than 300 professionals delivering a full range of services tailored to the needs of privately held businesses and public interest entities.

While the business environment has changed, our core values remain the same. Integrity, reliability and personal attention to client needs are the hallmarks of our practice. Doing the right thing is our mantra.

The firm invests significantly in professional and soft skills development programmes to fully realise the potential of our people. To broaden and deepen the competencies of our people talent, management proactively supports in-bound and out-bound secondment opportunities to and from Grant Thornton member firms. These experiences give our people the added dimensions that ultimately benefit our clients.

Community involvement is an essential part of our culture too. We fund scholarship grants and through partnership with CPA Australia (Singapore Division), we provide a head-start for promising second year undergraduates in their pursuit of a professional qualification. The firm's corporate social responsibility (CSR) programme also includes a companionship day at a care home for the disadvantaged. We believe in our duty to society, with the same passion that we honour our commitment to ethics and excellence in business.

As a member of Grant Thornton International Ltd (Grant Thornton International) we are able to combine the knowledge and experience of our local marketplace with the technologies, methodologies and specialists resources of a professional services organisation at the forefront of the global accounting professional.

Our ranges of services include:

- assurance and business advisory
- business risk services
- corporate finance
- recovery and reorganisation services
- technology advisory services
- transaction services
- tax compliance and advisory

Country Profile

Summary

- stable pragmatic government and economy
- excellent infrastructure and telecommunications network
- globally-competitive workforce
- one of the top trading and business destinations

Geography and population

The Republic of Singapore is made up of the main Singapore island and some 54 islets. Some of these offshore islands have become important oil refinery centres for the multinational petroleum companies while others namely, Sentosa, has been developed into a resort island offering recreation and entertainment.

Strategically located at the southern most tip of the Asian continent and at the crossroads of the world's global trading centres and in the heart of Asia, Singapore is the launch pad to the emerging markets of China, India and Southeast Asia.

Its climate is characterised by uniformly high temperatures and humidity but pleasantly moderated by prevailing sea breezes. The average maximum is 31°C and average minimum is 24°C. Rain falls the whole year through.

Singapore's multi-racial population is approximately over 4.84 million comprising of four major ethnic groups – Chinese (75%), Malay (14%), Indian (8%) and Others (3%).

Political and legal system

The Republic of Singapore is social-democratic city state. Rated as the safest country in Asia, Singapore has a parliamentary system based on the British model. The organs of state comprise:

The Executive: Head of State and Head of Cabinet

The President who is the Head of State is elected for a fixed term of 6 years. The Cabinet is led by the Prime Minister.

Parliament

Parliament is elected by general election every five years. Legislation enacted through Bills is passed by Parliament and is assented to by the President.

The Judiciary: The Supreme Court and the Subordinate Courts

The judiciary is one of the three constitutional pillars of government along with the Legislature and the Executive. The Supreme Court comprises the Court of Appeal and the High Court. The Subordinate Court comprises several courts including the Small Claims Tribunals and courts for industrial arbitration and the military.

Language

Singapore has four official languages. Chinese (Mandarin), English, Malay and Tamil. Malay is the national language. English is used in commerce and government administration. Singapore has a high literacy rate of 96% of total population and more than half of the populace is literate in 2 or more languages.

Business hours/time zone

Business hours are generally from 8.30am or 9.00am – 5.00pm or 6.00pm; Mondays to Fridays and up to 1.00pm on Saturdays for government offices. Banks are open from 9.30am to 3pm; Mondays to Fridays and up to 1.00pm on Saturdays. Shopping malls are generally open the whole week from 10.00am – 10.00pm.

Singapore's time zone is GMT+8 hours and +13 hours US Eastern Standard Time.

Economy

GDP per capita S\$53,192 (2008).

Singapore is an advanced, successful free-market economy, featuring an open and corruption-free environment. Globally connected, a pro-business environment with a strong and stable infrastructure to boost and sustain growth and success in a myriad of industries.

In recent years, emerging alongside the traditional engines of growth in the manufacturing and financial/business services, the economic landscape has moved to one that promotes knowledge-based and research-intensive industries. At the same time there has been a significant growth and development in the biomedical sciences, clean technologies and interactive digital media industries.

Major industries

Manufacturing including electronic, chemicals biomedical, precision/transport engineering; construction, utilities, wholesale & retail trade, transport & storage, hotels & restaurants, information & communications services, financial services, business services and other services industries.

Major trading partners

France, Germany, United Kingdom, Indonesia, Malaysia, Thailand, Japan, Hong Kong, Korea, Taiwan, China, Saudi Arabia, United States of America and Australia.

Free Trade Agreements

ASEAN, Australia, China, European Free Trade Association, ESFTA (Switzerland, Liechtenstein, Norway and Iceland), GCC (Gulf Cooperation Council) Jordan, India, Japan, Korea, New Zealand, Panama, Peru, Trans-Pacific SEP (Brunei, New Zealand and Chile) and the United States.

Employment levels

- employment : 2.96 m
- unemployment rate (SA): 2.6%

Living in Singapore

Singapore is one of the most welcoming cities in Asia for expatriates. It is safe and orderly with clean and green surroundings. Living standards are high with excellent facilities for shopping, sports and recreation. More than a dozen international schools cater to the needs of the expatriate children.

Visa and entry requirement

Foreigners holding ordinary passports issued by the following countries will require a Business or Social Visit visa to enter Singapore.

Assessment Level 1 Countries:

Commonwealth of Independent States (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan).
India, Myanmar, Nigeria, People's Republic of China and holders of Hong Kong Document of Identity and Macao Special Administrative Region (MSAR) Travel Permit, Nigeria (w.e.f. 1 Dec 2008)

Assessment Level II Countries:

Afghanistan, Algeria, Bangladesh, Egypt, Iran, Iraq, Jordan, Lebanon, Libya, Morocco, Pakistan, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, Yemen and holders of Palestinian Authority Passport, Temporary Passport issued by the United Arab Emirates and Refugee Travel Document issued by Middle-East countries.

For detail information please visit the Immigration & Checkpoints Authority website:

www.ica.gov.sg



Did you know?

Doing Business 2009 Report a study by the World Bank ranked 181 economies set against 10 indicators on the ease of doing business. Rankings are benchmarked to June 2008. We have listed selected findings taken from www.edb.gov.sg on Singapore's ranking

Competitiveness & Business Environment

world's easiest place to do business
the most competitive country in Asia – and is No.5 worldwide
best business environment in Asia Pacific and is No. 3 worldwide
Asia's 3rd most "network" country

Economic Performance

No. 2 worldwide as the city with the best investment potential for 14 consecutive years
world leader in foreign trade and investment

Business Legislation and Efficiency

2nd in the world and 1st in Asia for having the best protection of intellectual property
least bureaucratic place for doing business in Asia

Government

3rd in the world and 1st in Asia for having the least corruption in its economy
2nd most transparent country in the world and it is the most transparent Asian country

Labour

the most motivated workforce in Asia and is ranked 3rd in the world
offers the best skilled in Asia Pacific
labour regulations are the most business conducive in Asia
has the best labour/employer relations in Asia

Expatriate Living

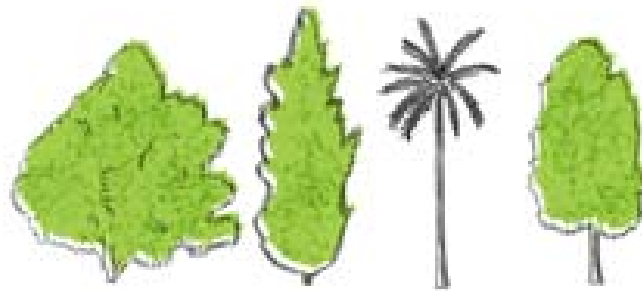
foreign talent rank Singapore as Asia's best country to work in

first choice for Asian expatriates

best place in Asia to live, work and play

Singapore's immigration laws for foreign talent are the least restrictive in the world

best labour/employer relations in Asia



Regulatory environment

Summary

- Singapore has always maintained a pro-business, pro-enterprise outlook. Government agencies with regulatory functions have close rapport with the private sector and often, major policies affecting the business community are adopted after consultations with the major trade and business bodies.
- To encourage private sector initiatives, red tapes are cut to a minimum and a whole host of grants and assistance are available.
- Singapore's free enterprise economy welcomes foreign investments as well as skilled foreign talents.

Incentives for business

- Singapore is consistently ranked as one of the best places in the world for businesses
- political and economic stability
- well-developed physical infrastructure
- efficient port facilities and a major air hub in the Asia Pacific region
- state of the art telecommunications facilities
- no restriction on foreign ownership
- no restriction on expatriate employment, subject to employment pass
- freedom of repatriation of investment capital and profits
- extensive range of tax and investment incentives
- financial assistance for small and medium-sized local companies
- pre-export and export financing at favourable interest rates
- no restrictions on the remittance of interest earned by non-residents having accounts with banks operating in Singapore
- no capital gains tax, turnover tax
- double taxation treaties with over 50 countries
- strong, co-operative relationship between Government, unions and employers.

Government approvals and registration

The Accounting and Corporate Regulatory Authority (ACRA) a merged entity of the Registry of Companies and Business (RCB) and the Public Accountants Board from 1 April 2004 – is the government body that oversees the incorporation of businesses and companies in Singapore. All businesses must be registered with ACRA. This includes any business carried out in Singapore by foreign individual or corporation.

A foreign company that wants to set up a branch in Singapore will need to appoint two local agents to act on its behalf. These agents must be Singapore residents, that is, either citizens or permanent residents, or foreigners with employment or dependant passes.

Special licenses are needed for some businesses such as banking, insurance and stock broking, the manufacture of goods such as cigars and firecrackers.

Competition rules/consumer protection

Competition is a key tenet of Singapore's economy strategy. There are controls to prevent anti-competitive activities that unduly prevent, restrict or distort competition.

Import and export controls

Singapore is virtually a free port and tariffs are imposed on few dutiable items. For health, safety or security reasons certain goods are subject to control.

Exchange control

There are no exchange controls and funds may be freely remitted into and out of Singapore.

Government incentives

The government has established a number of incentives programmes to help companies improve efficiency, strengthen capabilities and explore new opportunities in their business. Some programmes cater to the needs of start-ups and local enterprises, while others are designed for global companies with large-scale needs such as the set up of regional/international headquarters in Singapore. The schemes of incentive range from assistance in manpower development, technological/equipment upgrading, to R&D, intellectual property and industry development. The type of assistance can be in the form of loans, grants, reduction of tax rates, equity financing as well as non-financial assistance

Some key government agencies which assist and support the business-friendly environment in Singapore include:

Economic Development Board (EDB)

EDB is the lead national agency responsible for planning and implementation of economic strategies to enhance and sustain Singapore's position as a global hub for business, investment and talent. In this respect, EDB liaises with other government agencies and banks which provide medium and long term finance and with Jurong Town Corporation in connection with land and factory space to assist investors. In short, EDB is responsible for the continued economic success of Singapore and the companies on its shores.

SPRING Singapore

SPRING Singapore is the national agency entrusted with the responsibility of sustaining Singapore's productivity, growth and competitiveness. It assists SMEs to systematically achieve world-class standards of business excellence. Together with other agencies like EDB and IE Singapore, SPRING works to strengthen the business infrastructure, review rules and regulations to cut red tape, and facilitate better access for enterprises to financing and other resources such as land and labour.

International Enterprise Singapore (IE Singapore)

Formerly known as the Singapore Trade Development Board (TDB), International Enterprise Singapore or IE Singapore for short – helps Singapore-based companies grow and internationalise. At the same time IE Singapore works to position Singapore as a base for foreign businesses to expand into the region in partnership with local companies.

IE Singapore focuses on:

- seeking greater international market access for Singapore's exports
- facilitating local companies efforts to internationalise
- enhancing efficiency in international trade operations and procedures
- attracting foreign investment and facilitating their participation with local companies.

Workforce Development Agency (WDA)

Established in September 2003, WDA offers several manpower development programmes to promote enhancement of human and intellectual capital. A number of funding schemes are available to encourage employers train and upgrade skills of workers and help employees acquire skills through lifelong learning initiatives. The agency also works with other economic agencies to help employers remain globally competitive, keep abreast of market developments and adapt the workforce to industry needs.



Finance and banking

Summary

- a highly developed and well-regulated financial centre of international repute
- a major wealth management centre in Asia and is rated “AAA” by Moody’s and Standard & Poor’s
- more than 500 local and foreign financial institutions offering a wide range of financial products and services.

Singapore’s financial sector has been built on the highest regulatory and prudential standards. It has a thriving financial centre of international repute, serving its domestic economy, the wider Asia Pacific region and the world. In 2008, the financial services accounted for about 13% of Singapore’ GDP.

Monetary Authority of Singapore (MAS)

The Monetary Authority of Singapore (MAS) is the central bank of Singapore. It supervises and regulates all elements of monetary, banking and financial aspects of Singapore. As banker and financial agent to the Government, MAS has been entrusted to promote monetary stability, credit and exchange policies conducive to the growth of the economy. Following its merger with the Board of Commissioners of Currency in October 2002, the MAS also assumed the role of currency issuance.

Credit Facilities

Banks, merchant banks and finance companies grant credit facilities and structure them in accordance with the requirements of each customer.

The facilities that banks grant range from overdrafts and short-term advances to medium and long-term loans. They also grant import and export financing facilities. Such facilities include letters of credit, discounting of bills of exchange, trust receipt financing and acceptance financing. Other facilities include financial guarantees, shipping guarantees, repurchase agreements and currency swaps. Some banks assist customers in raising funds directly from investors and other banks and underwriting any amounts that are not taken up by such investors and banks.

Subject to the limits imposed by the Banking Act, credit facilities may be granted on a secured basis with or without third party guarantees depending on the bank’s assessment of each customer’s credit worthiness. Security may take such forms as mortgage of properties and other assets, fixed and floating charges over assets and pledge of property title deeds, shares or other marketable collateral.

Merchant banks usually grant the same types of credit facilities as banks except that they do not grant overdraft facilities and some do not provide letters of credit and other trade financing facilities. Like banks, they are permitted to provide credit facilities in any currency on a secured or unsecured basis.

Interest Rates

There are no interest cartels in Singapore. All banks, merchant banks and finance companies are free to quote the interest they pay for deposits or charge for credit facilities.

Commercial Banks

In line with the Government's policy to develop Singapore as a major financial centre in Asia, foreign banks of international repute have been invited to establish branches here. Many of the world's well-known banks are thus represented in Singapore. In addition, local banks have many branches established throughout the island. There are presently four types of banking licences in Singapore.

Full Banking Licences are issued to local banks and a number of foreign banks. These banks offer a whole suite of banking services to their retail and corporate clients. Foreign banks holding this licence enjoy less flexibility than their local counterparts in their branch and automated teller machine (ATM) networks. There are 24 full-licensed banks, six of which are locally-incorporated.

Qualifying Full Banking Licences were first awarded on 20 October 1999. This licence is open only to non-Singaporean banks and allows those issued with the licence to have additional branches and/or off-premise ATMs as well as to share ATMs among themselves. There are 7 qualifying full banks as at 31 May 2009.

Wholesale Banking Licences first came into being on 1 January 2002. Wholesale banks can only accept Singapore dollar fixed deposits of more than S\$250,000. As at 31 May 2009, there are 41 wholesale banks, all of which are branches of foreign banks.

Offshore Banking Licences came into effect in 1973 and operate mainly in the foreign exchange market and in wholesale banking with non-Singapore residents. There are 40 offshore banks in Singapore as at 31 May 2009.

Finance Companies

Finance companies are regulated under the Finance Companies Act, and operate under licences granted by the MAS. They may be classified into two groups; affiliated to commercial banks and independent institutions. They are allowed to accept time and savings deposits. They cannot provide current account facilities, or deal in foreign exchange or gold. The types of financing provided include housing loans, real estate construction loans, hire-purchase, block discounting, accounts receivable financing, factoring, commercial loans, shipping loans and leasing.

Merchant Banks

Merchant banking activities are provided by a number of organisations, most of which are subsidiaries of foreign banks or joint ventures of foreign and local banks. Merchant banks' activities include financial and advisory investment services, portfolio management, underwriting, investment banking and corporate financing. Funds provided to borrowers are either the merchant bank's own resources or sourced from the inter-bank market or from lenders for whom the merchant bank acts as the intermediary.

Capital markets

Singapore Exchange (SGX)

On 1 December 1999, the Singapore Exchange (SGX) was officially launched as the first demutualised, integrated securities and derivatives exchange in the Asia-Pacific. It was a result of a merger between the Stock Exchange of Singapore (SES), and the Singapore International Monetary Exchange (SIMEX) effected by the Exchanges (Demutualisation and Merger) Act. In November 2000, SGX became the first exchange in Asia-Pacific to be listed via a public offer and a private placement.

The operations of the SGX, via its subsidiary, Singapore Exchange Securities Trading Limited (SGX-ST), and its member companies are regulated by the Securities and Futures Act and is administered by MAS.

It is the intention of the Government and the role of the SGX to promote the listing of local and international companies, as well as to encourage organisations of foreign governments to raise funds through the floating of bonds. The Government appointed Securities Industry Council (SIC) functions as an advisory and consultative body to the Government and the SGX. SIC also administers and enforces a non-statutory code on take-overs and mergers.

A company seeking listing on the SGX requires approval from the MAS and SGX-ST.

Equity Market

SGX-ST provides an electronic platform for the trading of equities and also provides a market in a wide range of domestic and foreign securities which are traded on a scripless basis.

Listed companies are quoted on the SGX Main Board or Catalist (the transformed second board of SGX, previously known as SESDAQ). Catalist is the first sponsor-supervised listing platform in Asia for both local and international growth companies. Established in November 2007, Catalist has less stringent listing requirements.

Derivatives Market

The trading of derivative products is carried out on the SGX through its subsidiary, Singapore Exchange Derivatives Trading Limited (SGX-DT). SGX-DT is one of the world's leading derivatives exchanges, providing regional and international investors with an effective global risk-management and trading facility.

Venture Capital (VC)

One major category of private equity investment is venture capital (VC).

To encourage venture capital activity in Singapore, the Economic Development Board has established the "Venture Capital Fund Incentive" an incentive scheme that allows partial or full corporate tax exemption on income from divestment of share, foreign dividends and foreign interest income.



Imports/Export

Summary

- Singapore is virtually a free port, very few imports are dutiable or under control
- Most goods can be imported or exported freely into and from Singapore with the required import/export permits obtainable from the Singapore Customs & Excise Department and International Enterprise Singapore.

Dutiable items

The broad categories of dutiable items are

- petroleum products
- tobacco and liquor products
- motor vehicles

Import restrictions

For health, safety or security reasons certain goods are subject to control and require approval or licence from IE Singapore or other relevant government agencies prior to importation or exportation. Examples are:

- telecommunications and audio communications and equipment
- animals, birds, plants
- meat products
- weapons and explosives, toy guns
- publications, audio and video tapes and games
- films
- medical products.

Certain products are prohibited. These products include chewing gum, chewing tobacco, controlled drugs, endangered wild-life species and related products, firecrackers, reproduction of copyright publications, toy coins and currency notes.

Business entities

Structure of business entities

The most common business structures in Singapore are:

- Sole-proprietorship
- Partnership
- Company

Most foreigners find it easy to start a business in Singapore as we have a very pro-business environment. You just need to be aware of additional regulations and permits that apply to non-Singapore citizens. Tax implications vary according to the structure and professional advice is essential before commencing business.

Types of business organisations:

Sole-proprietorship

A sole-proprietorship is a business owned by one person or one locally incorporated company. It is the simplest and most flexible business structure. A sole-proprietor has unlimited liability.

Partnerships

Partnerships can be:

1 **General Partnership**

Like a sole-proprietor, the business of a partnership has to be registered under the Business Registration Act. A partnership may consist of individuals or companies, the minimum number of partners is two and the maximum is twenty. Once there are more than twenty partners, the business must be registered as a company under the Companies Act. As general partnership is not separate legal entity, members of the partnership are jointly and severally liable for the debts of the partnership.

2 **Limited Liability Partnership (LLP)**

A LLP is a business structure that offers all its members limited liability while allowing them to retain the flexibility of operating the LLP as a traditional partnership. A partner of an LLP is not personally liable for the malpractice of other partners in the firm. The partner is however personally liable for his own negligence and personal misconduct. LLPs are commonly used by professional firms and start-ups.

3 **Limited Partnership (LP)**

A LP consists of one or more general partners and one or more limited partners. Limited partners of an LP enjoy limited liability but are unable to take part in the management of the firm. LPs are increasingly used for private equity and fund investment businesses.

The LLP structure would appeal to investors who wish to be “silent partners” in a business, and whose liability is limited to the extent of their investment in the LLP. LPs are increasingly used for private equity and fund investment businesses.

Company incorporation

Under the Companies Act, a business may be incorporated as one of the following:

1 **Private Company limited by shares**

Most companies in Singapore are private companies limited by shares – “Pte Ltd”. Private companies with more than 50 shareholders must be converted to public companies limited by shares.

2 **Exempt Private Company (EPC)**

An Exempt Private Company (EPC) is one with less than 20 individual shareholders and with no corporate shareholder. An EPC does not need its accounts to be audited if revenue is less than S\$5million for the financial year. However, professional firms filing on behalf of EPC may still require the hardcopy exempt certificates from directors as evidence of compliance and for record purposes.

3 **Public 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, charity etc. There is no share capital.

4 **Public Company limited by shares**

A public company limited by shares is one where 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.

Branch Office of Foreign Company

Foreign companies may conduct business in Singapore by establishing a branch office. Any foreign company wishing to register a branch has to engage a professional firm or service bureau in Singapore eg law firm or accounting firm to assist in the application.

Representative Office

A foreign company may establish a representative office in Singapore to undertake promotional and liaison activities on behalf of its parent company. The office, however, directly or on behalf of its parent company, must not be engaged in business, conclude contracts, provide consultancy for a fee, undertake transshipment of goods, or open or negotiate any letter of credit.

Approval for the establishment of a representative office must be obtained from IE Singapore.

Operational Headquarters (HQ)

The Singapore Government encourages companies to use Singapore as a base to conduct headquarters management activities to oversee, manage and control their regional and global operations and business. The HQ can be in the form of Regional Headquarters, International Headquarters, Operational Headquarters, Business Headquarters or Manufacturing Headquarters.

Labour

Summary

- Singapore offers a globally top-ranked working populace recognised for its high level of productivity and efficiency
- the tripartite alliance of the government, employer groups and the employee federation of trade unions (National Trades Union Congress) work to promote and advance the national interest, contributing to the virtual absence of industrial unrest
- Singapore adopts an open policy in the employment of foreigners.

Labour force

According to the figures from the Ministry of Manpower, as at 20 January 2009 the services sector employed the highest percentage of workers (67%) followed by manufacturing (20%), construction (12%) and others (0.7%).

Employment of foreigners

There is normally little difficulty in obtaining employment passes for senior executives of large foreign or multi-national organisations, well-qualified specialists, regional representatives of firms operating internationally, or personnel required to start up new industrial, financial or servicing undertakings.

Employment Passes and Work Permits

Foreigners who wish to take up employment or do business in Singapore must have valid work passes. Under the Singapore's Work Pass Framework, there are several types of work passes issued by the Ministry of Manpower.

- Employment Pass (EP)
 - foreigners with recognised professional qualifications or specialist skills and earn a fixed minimum monthly salary of S\$2,500
- Entrepreneur Pass (EntrePass)
 - foreign entrepreneurs who would like to start businesses in Singapore
- S Pass
 - foreigners who are skilled or semi-skilled at mid-level specialist skills or technician level and earn a fixed minimum monthly salary of S\$1,800
- Personalised Employment Pass (PEP)
 - suitable employment pass holders who have graduated from local institutions of higher learning and worked in Singapore for a period of time and/or are in between jobs. This offers flexibility for selected foreign talent to stay up to six months without a job in Singapore
- Work Permit (WP)
 - skilled or unskilled foreign employee
- Short-Term Employment Pass (STEP)
 - foreign professionals or specialists working on short-term projects of up to six months

- Training Visit Pass (TVP)
- foreigners on training attachment.

Scheme for permanent residence

A foreigner can apply for Singapore Permanent Residence under the following scheme:

- Scheme for professional/technical personnel and skilled workers
- foreigners who are working in Singapore on employment S passes
- Scheme for entrepreneurs
- entrepreneurs with good track record and interested in investing in Singapore may apply under this scheme. The successful applicant must deposit at least S\$1.5 million with the government
- Scheme for spouse and unmarried children of Singapore citizens and permanent residents
- spouse and unmarried children below 21 years old of Singapore citizens/permanent residents

Wages

Singapore has no statutory minimum wage. The National Wages Council (NWC) in consultation with the representatives of employer organisations, (mainly, the Singapore National Employers' Federation and the Chambers of Commerce and Industry); the National Trades Union Congress and the government recommends national guidelines for annual wage adjustments.

Social security

Working Singaporeans and Singapore permanent residents and their employers contribute to the Central Provident Fund (CPF). Over the last 50 years, the CPF system has evolved from a simple compulsory savings plan into a complex social savings scheme that provides for retirement, healthcare and housing needs of both Singaporeans and permanent residents.

Unions

The most prominent feature of Singapore's industrial relations is the absence of labour unrest. Employee groups maybe represented by trade unions but membership is not compulsory. The federation of employee trade unions, National Trades Union Congress works closely with the government and business sectors to look after workers' interests.



Financial reporting and audit

Financial Reporting Requirements

The annual financial statements of both private and public companies, including branches of foreign companies, are required to be audited by independent certified public accountants. Exemptions are available under the Companies Act for the financial statements of dormant private companies and exempt private companies with annual revenue of S\$5m or less from audits. Sole proprietorships, partnerships and representative offices are not required to prepare audited accounts.

Reporting Standards

In most cases financial statements are prepared in accordance with a conceptual framework referred to as “generally accepted accounting principles” (GAAP).

The Accounting Standards Council (ASC) is empowered under the Accounting Standards Act to prescribe accounting standards for use by companies, co-operatives societies and societies in Singapore.

The Singapore Financial Reporting Standards (SFRS) are based largely on the International Financial Reporting Standards (IFRS). While the ASC will track closely the introduction of new IFRS for possible application in Singapore, it will also take into account the local economic and business circumstances and context, as well as the entity to which the IFRS would apply.

The Chairman and members of the ASC are appointed by the Minister of Finance. Council members comprises representatives from the stakeholder groups such as the accounting profession, the users and preparers of financial information, academia and the Government.

Public companies are subject to additional financial statement and disclosure requirements promulgated by the Singapore Exchange Securities Trading Limited (SGX).

Tax

As taxation legislation can be complex investors are advised to seek professional advice before undertaking business transactions in Singapore.

Introduction

In Singapore, taxes are levied on income of companies, individuals and property. In addition, taxes are levied on use of property and consumption which are known as property tax and goods and services tax respectively. However, there is no capital gains tax.

Basis of assessment

The tax year, known as the year of assessment (YA) is from 1 January to 31 December. Tax is assessed on a preceding year basis (i.e. on income earned in the preceding calendar or financial year).

Taxation of Companies

Singapore's taxation system is territorial. Companies in Singapore are subject to tax on income accruing in or derived from Singapore and foreign income received in Singapore from outside Singapore.

From 1 June 2003, foreign sourced dividends, foreign branch profits and foreign-sourced service income received in Singapore by a person resident in Singapore is exempt from income tax if the following conditions are met:

- the income is subject to some form of income tax in the foreign country
- the income is remitted from a country with a headline tax rate of not less than 15%; and
- the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the person resident in Singapore.

Singapore introduced a loss transfer system of group relief from the YA 2003. A group consists of a Singapore incorporated parent company and all its Singapore incorporated subsidiaries. Two Singapore incorporated companies could be members of the same group if one is 75% owned by the other or both are 75% owned by another Singapore incorporated company. The group companies must have the same accounting period to qualify for the relief. Group companies are allowed to transfer current year's tax losses and current year's unutilised capital allowances but cannot transfer investment allowances and foreign losses.

All businesses will be allowed a one year carry-back of current year unutilised capital allowances and trade losses (qualifying deductions) up to a cap of S\$100,000 subject to meeting the requisite conditions. The loss carry-back relief system will be temporarily enhanced for YA 2009 and YA 2010. The qualifying deductions will be allowed to be carried back for up to three YAs and the

maximum amount that may be carried back for each YA will be increased from \$100,000 to \$300,000.

The one-tier corporate tax system replaced the imputation system from 1 January 2003. Under the one-tier system, corporate profits will be taxed at the corporate level. The corporate tax rate for YA 2009 is 18% (the rate is reduced to 17% from YA 2010). Under the one-tier system, the corporate tax paid is a final tax and Singapore dividends distributed from the corporate profits are tax exempt.

Singapore has an extensive range of tax incentives for companies. There are two main categories of tax incentives:

- those administered by the Economic Development Board under the authority of the Economic Expansion Incentives (Relief from Income Tax) Act, and
- those granted under the Singapore Income Tax Act itself.

Corporate income tax rates

Companies	YA 2009	YA 2010
Resident	18%	17%
Non-resident	18%	17%

Companies (resident and non-resident) are subject to corporate tax rates after partial tax exemption on their normal chargeable income up to \$300,000 (effective from YA 2008) as follows:

- i Up to the first \$10,000 of such income, 75% of the income or an amount to \$7,500 shall be exempt from tax
- ii Up to the next \$290,000 of such income, 50% of the income or an amount up to \$145,000 shall be exempt from tax

The exemption scheme does not apply to:

- income that is subject to tax at concessionary tax rates; and
- income earned by a non-resident company that is subject to a final withholding tax.

To encourage entrepreneurs to start up new companies to pursue their business ideas, qualifying new start up companies are granted tax exemption on the first \$300,000 (effective from YA 2008) of their chargeable income as follows:

- 100% tax exemption for the first \$100,000 chargeable income
- 50% tax exemption for the next \$200,000 chargeable income.

The conditions to qualify for the start-up exemption are that the company must be a Singapore incorporated resident company with no more than 20 shareholders and of which at least one is an individual shareholder beneficially holding at least 10% of the total number of issued ordinary shares.

Taxation of Individuals

Individuals (residents and non-resident), whether citizens or non-citizens, are liable to income tax in respect of income accruing in, or derived from Singapore. Foreign sourced income received by an individual in Singapore from outside the country is exempt from tax.

Taxable income would include:

- profits from trade, business or profession
- earnings from employment in Singapore
- dividends, interests or discounts
- pension, charge or annuity
- rents, royalties, premiums and other profits arising from property
- any gains or profits of an income nature not covered by the above paragraphs

Residence

An individual would be treated as a resident for Singapore tax purposes if he normally resides in Singapore except for temporary absences or if he is physically present or exercises an employment in Singapore for 183 days or more in a calendar year.

Non-resident individuals (Employees only)

- income from an employment exercised for a period or periods which together do not exceed 60 days in a calendar year is exempt from tax. This does not apply to professional entertainers, individuals exercising a profession and non-resident directors of Singapore resident companies
- income from an employment exercised for more than 60 days but less than 183 days is taxed at 15% on the full amount of emoluments provided the tax payable is not less than that which would be payable by a resident in the same circumstances *
- non-resident directors of Singapore resident companies who are here for less than an aggregate period of 183 days in a calendar year are assessable to tax at a flat rate of 20% on any remuneration received
- interest income from deposits in approved banks in Singapore is not taxable. Income received in Singapore from outside Singapore is exempt.

* Concessionary tax treatment as a resident where the period of less than 183 days in a year forms part of a continuous employment period of at least 183 days which straddles over 2 calendar years.

Non-resident individuals are not entitled to any personal reliefs. However, certain non-residents are eligible for special relief under Section 40 of the Singapore Income Tax Act to help ease the burden of Singapore tax.

Area Representatives

An "Area Representative" is usually an employee of a foreign enterprise attached to a representative office in Singapore. Such an employee is normally required to perform his duties on a regional basis. The tax liability of such an employee is, generally, computed on the basis of time spent in Singapore.

Not Ordinarily Resident Taxpayer (NOR) Scheme

This scheme is available to individuals who are not ordinarily resident in Singapore and who has a Singapore employment income threshold of at least \$160,000. To qualify for the NOR scheme, the individual must be a tax resident for that YA and a non-resident for the three consecutive YAs immediately before that. Subject to meeting the requisite conditions, a resident individual may enjoy

the following tax concessions under the Not Ordinarily Resident (NOR) Scheme:

- i If he spends at least 90 days outside of Singapore for business reasons pursuant to his Singapore employment, he needs to pay tax only on the portion of his employment income apportioned based on the number of days spent in Singapore and/or
- ii Exempted from tax on the employer's contributions to non-mandatory overseas social security schemes or pension funds (subject to capping rules) for non-Singapore

citizens or non-Singapore permanent residents. A tax deduction on such contributions must not have been allowed to or claimed by the employer to qualify for this concession under the new NOR scheme (effective from YA 2009).

Income tax rates applicable to resident individuals

Chargeable income	YA 2009 onwards
On the first \$20,000	0%
On the next \$10,000	3.5 %
On the next \$10,000	5.5 %
On the next \$40,000	8.50 %
On the next \$80,000	14 %
On the next \$160,000	17 %
Above \$320,000	20 %

For YA 2009, a personal income tax rebate of 20%, up to a maximum of \$2,000 is granted.

Income tax rates applicable to non resident individuals

Taxpayer	Tax Rate
Non-resident employee (excluding non executive directors)	15% or resident rates, whichever is higher
Non-resident partner, non executive director, sole proprietor, professional	20%
Non-resident public entertainer	15% net of expenses

Personal reliefs for resident individuals

Main allowances for individuals are:		YA 2009
Earned income - Below 55 years old		\$1,000
	- 55 to 59 years old	\$3,000
	- 60 years old and above	\$4,000
Wife		\$2,000
Handicapped spouse relief		\$3,500
Child (each)		\$4,000
Parent, grandparent or great grandparent each (up to 2 persons) (Living in / not living in same household)		\$5,000 / \$3,500
National Serviceman – active		\$3,000
	– inactive	\$1,500
Relief for wife or parent of National Serviceman		\$750
Handicapped sibling relief		\$3,500
Course fees		\$3,500

Property Tax

Property tax is levied on immovable property. The annual tax payable is computed as a percentage applied to the annual value which is the gross amount for which the property is expected to be let from year to year. The property tax rate on industrial, commercial and let out residential properties is 10% of the annual value, which is the expected gross annual rent. Properties occupied by individual owners enjoy a concessionary tax rate of 4%.

Goods and service tax

The Goods and Service Tax (GST) is a tax on domestic consumption. The standard rate of tax is 7%. Business with annual taxable supplies of over S\$1 million must register for GST. The sale and lease of residential properties and financial services are exempted from GST.

Withholding tax

Payments of the following nature are subject to withholding tax:

- interest, commission or fee in connection with any loan or indebtedness
- royalty or other payments in one lump sum or otherwise for the use of, or the right to use, any movable property
- fee 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
- fee for the management or assistance in the management of any trade, business or profession
- rent or the payment for the use of any movable property
- remuneration paid to a non-resident director

- fees paid to a non-resident professional (other than employee) for services rendered in Singapore
- purchase of real property from a non-resident property trader

The rates of withholding tax are set out below. Subject to certain exceptions, withholding tax has to be accounted to the Inland Revenue Authority of Singapore by the **15th of the month following the date of payment of the income to the non-resident.**

No withholding tax is required for royalty payments made to a non-resident for :

- shrink-wrap software
- downloadable software for end user
- site license
- software bundled with computer hardware

Withholding tax rates

Payment to non-resident	Rates
Director's fee	20%
Management fee	18%*
Technical fee for services performed in Singapore	18% *
Professional fee (of non-resident individual or foreign firm)	15% on gross or election for 20% on net
Interest	15%
Rental or other income from movable property	15%
Royalties	10%
Charter fees	0% - 3%

* 17% from YA 2010

The rates of withholding tax on interests, royalties and rents for any movable property are not final taxes. If such income is derived by the non-residents through their operations carried out in or from Singapore, it will be taxed at the normal prevailing corporate tax rate. The above withholding tax rates may be reduced under the relevant double taxation agreements with Singapore.

Gift tax

There is no gift tax in Singapore.

Estate tax

Estate duty has been abolished for deaths occurring on and after 15 February 2008.

Stamp duty

Stamp duty is payable on all instruments relating to the conveyance, assignment or transfer of stocks and shares in Singapore companies and immovable properties in Singapore. Transfer of shares under the scripless trading system on the Singapore Stock Exchange is not subject to stamp duty.

Stamp duty rates:	
Transfer of shares	0.2%
Transfer of real property	
on 1st \$180,000	1%
on next \$180,000	2%
over \$360,000	3%

Singapore tax treaties in effect

Comprehensive double taxation agreements for the avoidance of double taxation have been concluded with the following countries:

Australia	Indonesia	Papua New Guinea
Austria	Israel	Philippines
Bahrain	Italy	Poland
Bangladesh	Japan	Portugal
Belgium	Kazakhstan	Qatar
Brunei	Kuwait	Republic of Korea
Bulgaria	Latvia	Romania
Canada	Lithuania	Russian Federation
China (People's Republic)	Luxembourg	Slovak Republic
Cyprus	Malaysia	Sri Lanka
Czech Republic	Malta	South Africa
Denmark	Mauritius	Sweden
Egypt	Mexico	Switzerland
Estonia	Mongolia	Taiwan
Finland	Myanmar	Thailand
Fiji	Netherlands	Turkey
France	New Zealand	United Kingdom
Germany	Norway	Uzbekistan
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