



# Taxation and Legal

**SINGAPORE, THE GATEWAY TO ASIA**

A brief Guide for doing business in Singapore



# Doing Business in Singapore

Singapore stands as one of Asia's wealthiest economies, defying its small geographical size to become a formidable global economic power. Strategically located at the nexus of international trade, Singapore attracts numerous multinational corporations, many of which establish their regional headquarters here. This trend is fuelled by various factors: Singapore's open economy, enticing government incentives, a vast network of double taxation agreements, consistent financial stability, robust infrastructure, and a well-earned reputation for fairness and impartiality in commercial law.

CURATED BY ALGEBRA

The primary goal of this guide is to furnish readers with fundamental insights into Singapore, offering an overview of its tax system, business entity types, and immigration requirements. It is designed to serve as a practical starting point for investors contemplating business establishment in Singapore. For more detailed guidance, our team in Singapore is ready to assist. Comprehensive contact information is provided within this guide.

# Type of business

In Singapore, there are different types of structures for doing business:

- **Representative Office ('RO'):** It is a unique type of entity that does not have a legal status and does not generate any profit but acts as a cost centre to the parent company. A representative office is often chosen by foreign businesses that are keen to explore opportunities in Singapore with the market researches and feasibility studies. It represents a temporary arrangement since its registration can be renewed for a maximum of three years. After this period, the foreign corporation must either set-up a permanent business structure or terminate its presence in Singapore.
- **Branch Office:** A branch office does not exist as a separate legal identity from its foreign parent company, since it is considered as a "legal extension" of the foreign parent company itself. Thus, the liability of a branch office extends to its foreign parent company. It must share the same name and constitution of the parent company and it cannot carry out different commercial activities from than that of the parent company. It is taxed as non-resident entity without benefitting from any tax benefits and incentives in Singapore.
- **Private company limited by shares:** It is the most preferred business structure by foreigners for doing business in Singapore. This entity has separate legal personality, it can benefit from any tax incentives and schemes, it can engage in business operations that are different from those its parent company and it is suitable with the scale of most business activities limited liability for shareholder. Foreign parent entities can 100% own a subsidiary in Singapore.
- **Variable Capital Company (VCC):** A new corporate structure for investment funds constituted under the Variable Capital Companies Act which took effect on 14 Jan 2020. The VCC is complementing the existing suite of investment fund structures available in Singapore.
- **Sole Proprietorship (single owner) or Partnership (at least two and max of twenty owners):** This entity is the easiest to set up with almost negligible compliance norms and costs. A natural person who is resident in Singapore above 18 years of age can set up a sole proprietorship. This entity is not a separate legal entity from its owner who is unlimited liable for debts and losses of the business, individual tax rates apply to its chargeable income and its registration requires to be renewed annually or every 3 years.



- **Limited Partnership (LP):** This type of entity involves quick set up procedures, it is easy to manage, registration costs are minimal with less compliance regulations to adhere to and its registration requires annual renewal. It is formed between at least one General Partner (GP) bearing unlimited liabilities and one Limited Partner with limited liability (but with no role in the management). At least one local manager must be ordinarily resident.
- **Limited Liability Partnership (LLP):** Also this business structure has less formalities, procedures and regulatory duties to comply with. It requires at least two partners with limited liability. It is a separate legal entity from its partners, and it needs at least one local manager with 18 years old to be ordinarily resident in Singapore.

## THE PRIVATE LIMITED COMPANIES

A private limited company is a business entity incorporated under the Singapore Companies Act (Cap 50). A private limited company is the most advanced, flexible, and scalable type of business form in Singapore.

### Key requirements

- **Shareholder:** The company must have at least one shareholder, who can be a natural person or a corporation and enjoy limited liability. A private company cannot have more than 50 shareholders. Local shareholding is not required.
- **Capital:** A minimum paid up capital is SGD 1.00. The capital of the company can be increased any time after the incorporation.
- **Management:** The company is managed by a director or a board of directors, of which at least one must be legally resident in Singapore.
- **Address:** It must have a local and physical registered office address where the company will keep all of its statutory documents and such address cannot be a PO box.
- **Secretary:** The company must have a professional company secretary who is a natural person locally resident in Singapore responsible for ensuring the smooth administration of the company (compliance with corporate governance and other financial and legal regulations).
- **Auditor:** The company must appoint an audit firm to audit its accounts annually, unless exempted by law. Audit exemption requirements relate to “small companies/small groups” as well as “relevant dormant companies”.



## Compliance Requirements

- **Annual General Meeting and Annual Return:** The company must hold the Annual General Meeting (AGM) to approve (among others) the financial statements within 6 months from the financial year end. Under certain circumstances, private companies do not need to hold AGMs if they send their financial statements to members within 5 months after the FYE provided that no member or auditor requested that an AGM be held. The company is also required to file with the local registrar, Accounting & Corporate Regulatory Authority (ACRA), its Annual Return (AR) within the 7 months from the financial year end. The AR should contain the details of the Officers of the Company, Registered Address of the Company, and the Auditors. To be noted that “private dormant relevant

companies” are exempted from preparing financial statements and do not need to hold AGM, subject to the above-mentioned safeguards.

A private dormant Relevant company is a private company which is dormant, is not listed (or not a subsidiary of a listed company) and has total assets less than or equal to \$500,000 (consolidated value if it is an ultimate parent).

- **Registrable Controllers:** Companies are required to maintain a register of registrable controllers (RORC) and file the RORC information with the ACRA. A Registrable Controller is defined as an individual or a legal entity that has a “significant interest” (holds  $\geq 25\%$  shares or voting rights) in or exercises “significant control/influence” over the company (i.e., can appoint or remove the directors, amend the constitution and nature of company’s business).



# Taxation Framework

## CORPORATE TAX

The standard Corporate Income Tax rate is 17%. This applies to both local and foreign companies.

### Tax exemption

Singapore offers a range of tax exemption schemes:

- **Partial tax exemption:** All Companies can claim 75% exemption of the first \$10,000 and a further 50% exemption of the next \$190,000 of chargeable income.
- **Tax exemption for new start-up companies:** A newly incorporated company, that meets the qualifying conditions, can claim 75% exemption on the first \$100,000 and a further 50% exemption on the next \$100,000 of chargeable income, for each of its first three consecutive Years of Assessment.

### Corporate Income Tax (CIT) Rebate

In Budget 2024, a 50% Corporate Income Tax (CIT) Rebate for the Year of Assessment (YA) 2024 is announced to assist companies with escalating costs. All tax-paying companies, regardless of tax residency, are eligible for this rebate. Additionally, companies that employed at least

one local employee in 2023 will receive a \$2,000 CIT Rebate Cash Grant, ensuring a minimum benefit of \$2,000. The maximum benefit from both the CIT Rebate and CIT Rebate Cash Grant is capped at \$40,000.

### Basis

Singapore taxes income on a territorial basis. Tax is imposed on all income derived from or accrued in Singapore and all foreign income remitted or deemed remitted to Singapore, subject to certain exceptions.

### What is taxable

- Gains or profits from any trade or business
- Income from investment such as rental, interest and dividends (unless exempted) Royalties, premiums and any other profits from property
- Other gains that are revenue in nature

Deductions such as business expenses, capital allowances and reliefs can be claimed to reduce taxable income.

### What is not taxable

- Capital Gains

- Income Exempted form tax, such as
  - Certain shipping income derived by a shipping company
  - Foreign-sourced dividends, branch profits and service income received by a resident company
  - Gains derived by a company on the disposal of equity investments

- **Estimated Chargeable Income:** within 3 months from the end of the financial year
- **Form C / Form C-S / Form C-S (Lite):** subject to qualifying conditions- by the 30th of November of the subsequent year

## INDIVIDUAL INCOME TAX

Personal incomes earned in Singapore by residents are taxable. Example of personal income are

### Corporate Tax Returns

All companies in Singapore need to communicate yearly basis to IRAS their taxable income

- employment income
- income from trade, business and profession
- rent from properties

### SINGAPORE RESIDENTS ARE TAXED ACCORDING TO THE FOLLOWING PROGRESSIVE RATES

CHARGEABLE INCOME		INCOME TAX RATE
FROM	TO	%
\$0	\$20,000	0
\$20,001	\$30,000	2
\$30,001	\$40,000	3.5
\$40,001	\$80,000	7
\$80,001	\$120,000	11.5
\$120,001	\$160,000	15
\$160,001	\$200,000	18
\$200,001	\$240,000	19
\$240,001	\$280,000	19.5
\$280,001	\$320,000	20
\$320,001	\$500,000	22
\$500,001	\$1,000,000	23
\$1,000,000	above	24

Starting in 2024, the highest personal income tax rate will rise. Income between \$500,000 and \$1 million will be taxed at 23%, and income over \$1 million at 24%. Both rates are up from the current 22%.

Are considered as Singaporean tax residents the following categories

- Singapore Citizen or Singapore Permanent Resident: or
- Foreigner who has stayed in Singapore:
  - For at least 183 days in the previous calendar year; or
  - Continuously for 3 consecutive years, even if the period of stay in Singapore may be less than 183 days in the first year and/or third year; or
- Foreigner who has worked in Singapore for a continuous period straddling 2 calendar years and the total period of stay is at least 183 days. This applies to employees who entered Singapore but excludes directors of a company, public entertainers, or professionals.

Employment income of non-residents is taxed at the flat rate of 15% or the progressive tax rates, whichever higher.

### **GOOD AND SERVICES TAX**

#### **Goods and services tax Rates**

The standard rate of 9% ( effective from Jan 1, 2024) is applicable to all supplies of goods and services made in Singapore unless the supply qualifies to be zero-rated or exempted for GST purposes.

Zero-rated supplies include the export sales of goods and provision of international services (subject to satisfying certain conditions).

Exempt supplies include provision of specified financial services, sale and lease of residential land/ properties and supply of investment precious metals.

#### **Registration, filing and payment**

A person is generally required to register for GST if the total value of taxable supplies made in one year exceeds or is expected to exceed \$1 million. Registration on a voluntary basis is possible if taxable turnover is less than \$1 million.

### **STAMP DUTY**

Stamp duty applies only to instruments relating to stock and shares registered in a share register kept in Singapore and Singapore immovable property. In particular:

- Buyer's stamp duty on acquisition of stock and shares is 0.2% of the purchase price or market value of the shares, whichever is higher.
- Buyer's Stamp Duty (BSD) on property purchases is calculated based on the purchase price or market value of the property, whichever is higher. The rates are as follows:
  - 1% on the first S\$180,000
  - 2% on the next S\$180,000
  - 3% on the next S\$640,000
  - 4% on the remaining amount above S\$1,000,000

- Additional Buyer's Stamp Duty (ABSD) on residential properties depends on the buyer's nationality and the number of properties owned. The rates range from 12% to 30% for Singapore citizens buying their second and subsequent properties, 15% to 30% for permanent residents, and 20% to 30% for foreigners and entities.
- Seller's Stamp Duty (SSD) on to residential properties and industrial properties sold within a specified period after purchase, meant to discourage short-term speculation. The rate decreases over time, from 12% to 4%, depending on the holding period.

### **CUSTOMS DUTIES**

Goods imported into Singapore are generally free of customs or excise duties, with the exemption of this categories - intoxicating liquors, tobacco products, motor vehicles, and petroleum products

Export duties are not levied on goods exported from Singapore.

### **WITHHOLDING TAX**

Singapore has a withholding tax regime to ensure the collection of income tax from non-resident on income which are sourced or deemed sourced in Singapore.

Withholding rates can vary according to prevailing DTAs agreements

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In this regards Singapore has signed Avoidance of Double Taxation Agreements ("DTAs"), limited DTAs and Exchange of Information Arrangements ("EOI Arrangements") with around 100 jurisdictions, Italy included.

<b>NATURE OF INCOME</b>	<b>WHT RATE</b>
<b>DIVIDENDS</b>	<b>EXEMPT</b>
INTEREST, COMMISSION, FEE	15%
ROYALTY	10%
PAYMENT FOR THE USE OF OR THE RIGHT TO USE SCIENTIFIC, TECHNICAL, INDUSTRIAL OR COMMERCIAL KNOWLEDGE OR INFORMATION	10%
TECHNICAL ASSISTANCE AND SERVICE FEES	17%
RENT	15%
MANAGEMENT FEES	17%
NON-RESIDENT DIRECTORS' REMUNERATION	24%

# Immigration

All foreigners who intend to work and live in Singapore must have a valid visa, here below are listed the main visa schemes .

## S PASS

Designed for mid-level skilled workers who must earn a minimum of S\$3,150 monthly and fulfill certain criteria. S Pass issuance is subject to a quota system.

## EMPLOYMENT PASS (EP)

Aimed at foreign professionals, managers, and executives who need to earn above S\$5,000 monthly, adjusted to S\$5,600 from January 2025. No quota limits the EP numbers, and it's renewable (initially granted for 1-2 years) as long as the holder remains employed by the sponsoring company.

Note that this salary requirement will increase with age. Older candidates with more experience are expected to have higher minimum qualifying wages, up to S\$10,500 for candidates in their mid-40s.

## ENTREPRENEUR PASS (ENTREPASS)

A form of Employment Pass for foreign entrepreneurs who start or intend to start a business in Singapore. Eligibility hinges on various factors,

like securing recognized investor funding, possessing significant entrepreneurial or investment experience, holding intellectual property, collaborating with accredited research institutions in Singapore, or having notable achievements in strategic areas. Issued for one year, it's renewable provided the business is profitable, with no quota restrictions.

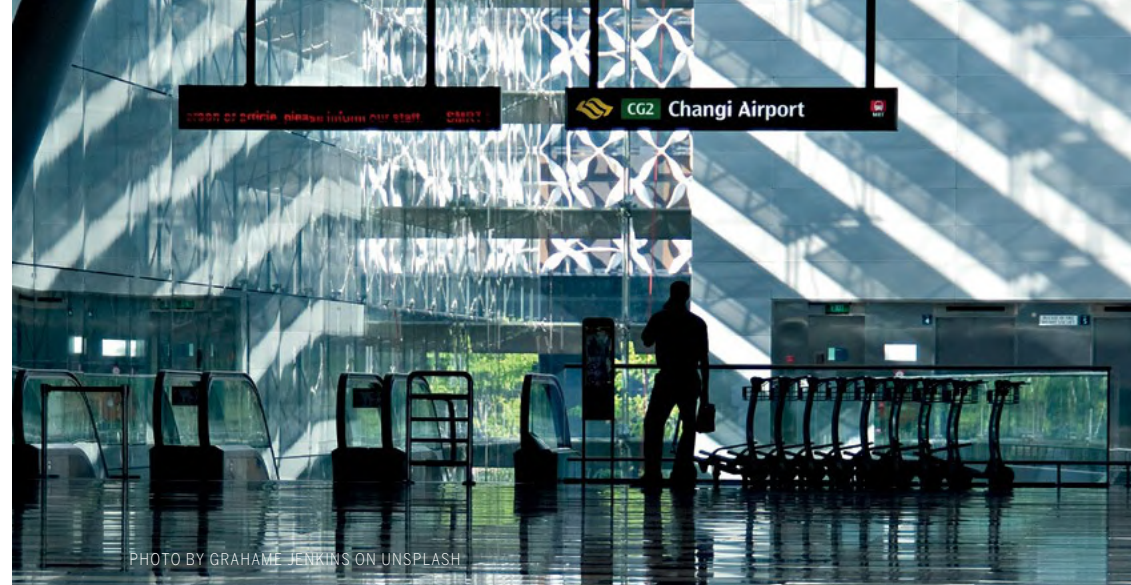
## PERSONALIZED EMPLOYMENT CARD (PEP)

The PEP is part of Singapore's efforts to attract highly skilled foreign professionals to work in the country, contributing to its economy and development.

Allows job change without a new visa application, provided unemployment does not exceed six months. It's unsuitable for starting a business. Eligibility requires a substantial monthly salary of 22,500 SGD. PEP is non-renewable after three years, lacks a quota, and holders may eventually seek permanent residency (PR).

## TECH.PASS

Launched in 2021 for tech entrepreneurs, leaders, or experts to lead innovative ventures in Singapore. Eligibility requires an annual income of at least S\$240,000 and five years' tech sector experience. The pass is renewable for two years



and permits various professional activities. Tech Pass holders can later apply for PR.

## DEPENDANTS

Allows family members of pass holders to join them, subject to obtaining a work visa if employment is sought in Singapore.

## PERMANENT RESIDENT

Foreigners can apply to become permanent residents of Singapore (PR) and enjoy most of the benefits and rights granted to citizens.

The benefits include:

- The right to live in the country without a visa or work restrictions.
- Priority in public schooling for their children.
- Greater freedom to purchase a property.
- Participation in the pension fund scheme.

At the same time, they need to make specific commitments, such as sending their children to compulsory two-year military service once they reach the age of 18.

The main scheme that foreigners can apply for PR is the "Professionals/Technical Personnel & Skilled Worker" scheme, reserved for foreign professionals working in Singapore when applying for permanent residency.

The other two schemes foreigners can apply for PR are:

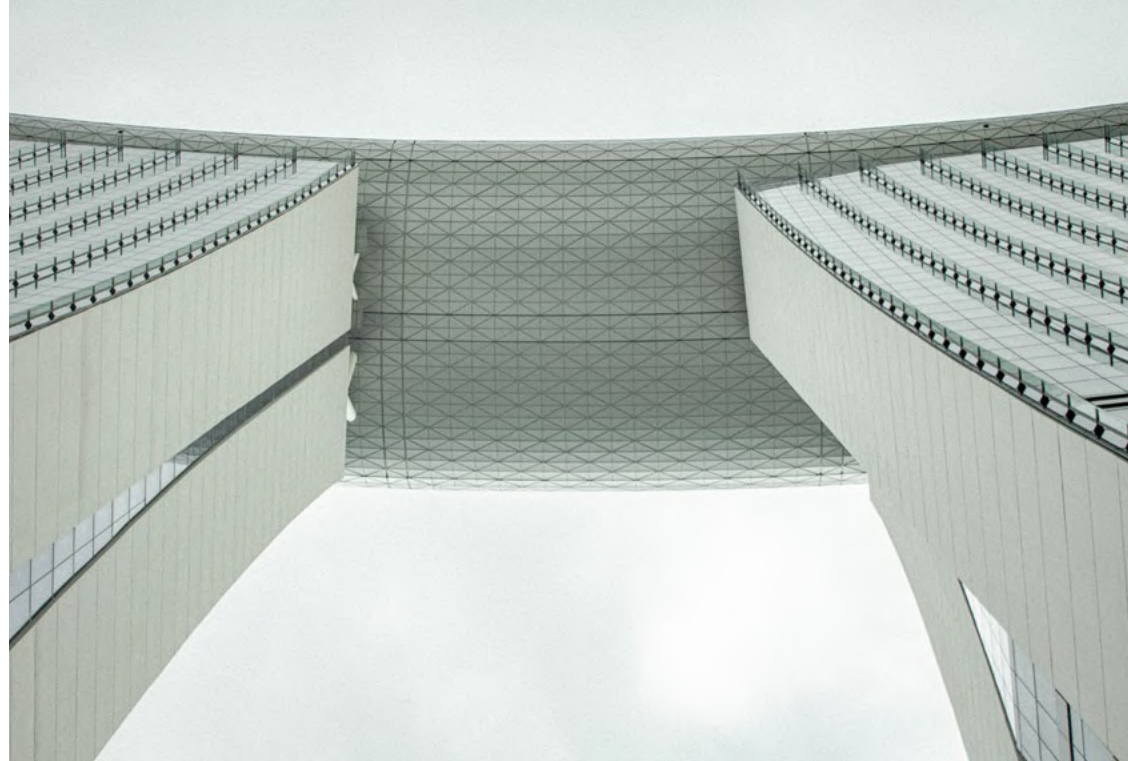
- **The Global Investor Program (GIP).** Under this scheme, foreigners can apply by starting a business with a minimum investment of SGD 2.5 million;
- **The Foreign Artistic Talent Scheme.** To qualify for this scheme, foreigners must be well-recognized artists in their own country and have made significant contributions to Singapore's arts and cultural scene.

# Budget 2024



With the budget 2024 some changes in Singapore's tax system will be introduced:

- **Corporate Income Tax (CIT) Rebate:** For the Year of Assessment (YA) 2024, a 50% rebate will be granted, with a CIT Rebate Cash Grant for eligible companies that employed at least one local employee in 2023, offering a minimum benefit of \$2,000.
- **Renovation or Refurbishment (R&R) Expenditure:** Enhancements from YA 2025 will expand qualifying expenditures, fix a three-year period for R&R cap, and allow deductions in one YA.
- **Refundable Investment Credit (RIC):** To boost investments, a RIC supporting up to 50% of qualifying expenditures will be introduced, with unused credits refundable within four years.
- **Income Inclusion Rule (IIR) and Domestic Top-up Tax (DTT):** Under the BEPS 2.0 initiative, from January 2025, these rules will impose a 15% minimum tax rate on profits of large multinational enterprise groups.



- **Tax Incentive Schemes for Funds:** These will be extended to December 2029, with key changes including enhancements for specific fund structures and economic criteria revisions.
- **Shipping Entities Taxation:** From YA 2024, an alternative tax basis related to net tonnage will be available for qualifying shipping entities.
- **Finance and Treasury Centre (FTC) and Other Incentives:** New concessionary tax rate (CTR) tiers are introduced for various incentives, including for the FTC, aircraft leasing, and others, aiming to maintain competitive tax schemes.
- **Property Tax and Stamp Duty Adjustments:** Changes include revised Additional Buyer's Stamp Duty remission rates for housing developers and new concessions for specific demographics.
- **Individual Income Tax Changes:** A 50% Personal Income Tax (PIT) rebate for YA 2024, with a cap of \$200 per taxpayer, and increased income thresholds for dependent-related reliefs.
- **Property Tax Rebates and Adjustments:** The Annual Value bands for residential Property Tax will be adjusted from January 2025, and an extended GIRO scheme for retirees will be implemented.
- **Other Tax Provisions:** This includes lapsing certain reliefs, like the Course Fees Relief and CPF Cash Top-up Relief under specific conditions, and introducing the Overseas Humanitarian Assistance Tax Deduction Scheme.