

Investing in and through Singapore

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SINGTRUST



Contents

- Benefits of Singapore
- Setting up and ongoing requirements
- Territorial tax system
- Taxation of Passive income and Other income
- Tax incentives
- Capital gains tax
- Tax treaties and EOI
- LOB
- Anti-avoidance
- Trusts



Benefits of Singapore – General

Ease of company formation	24 hours
Time zone	2.5 hrs ahead of India
Business language	English
Foreign exchange controls	None
Availability of service providers	Plentiful
Economically and politically stable	Very
Legal system	Common Law
Reputed Jurisdiction	Winner of 2011 World Bank "Best Place to Do Business"

Benefits of Singapore – Tax

Worldwide/Territorial Tax System	Territorial tax system
No. of tax treaties	68
Participation Exemption (Dividend)	No WHT on dividend distribution
Advance Rulings	Available
GST (VAT)	7%
Corporate Income Tax Rate	Up to 17%
Double Tax Relief	Ordinary Credit Method (FTC Pooling)
Tax Authorities	Proactive and fair
Domestic Anti-avoidance rules	No CFC and Thin Cap
Capital Gains Tax	None
Information Exchange	OECD White List

Setting up and ongoing requirements

- Setting up
 - Minimum one Singapore ordinarily resident director (Natural)
 - Singapore Resident Company Secretary
 - Singapore Registered Office (No PO Box)
 - Central Mgt and Control in SG => Singapore Tax Resident
 - Minimum share capital – SGD1
 - No restriction on foreign ownership
- Ongoing requirements
 - Audit (if not a small EPC*)
 - Annual Preparation of Financial Statements (SFRS ~ IFRS)
 - Annual Tax return submission (waiver possible – dormant)
 - Proposed amendments to Companies Act to reduce requirements

* <20 shareholders and non-corporate shareholder and <S\$5m revenue

Territorial tax system

- **INCOME TAXABLE IN SINGAPORE:**
 - Only income sourced in Singapore
 - Foreign sourced income remitted into Singapore (unless exempted)



Passive income - Dividends

- Dividend Income:
 - Foreign sourced dividend income
 - Exempt from taxation (unless remitted) (sourcing rule)
 - Singapore sourced dividend income
 - Exempt from taxation (one-tier corporate tax system)
- WHT on payments to non-residents
 - No Singapore tax on dividend payment in the hands of its shareholders through WHT



Passive Income - Interest

- Interest Income
 - Territorial: Only Singapore sourced income (Borne by a Singapore resident/PE) [deeming provision]
 - Taxable under applicable Corporate Income Tax Rate
 - Non-Singapore sourced income
 - Exempt from tax (unless remitted)
- Interest Deductibility
 - Wholly and exclusively for the purposes of the business
 - Cross-border related party loans (TP)
 - Domestic loans proxy method
- WHT on interest payments to non-residents
 - 15% WHT to non-resident persons on Singapore sourced income
 - WHT reduced in Tax treaties with other jurisdictions



Passive Income - Royalties

- Royalty Income:
 - Territorial: Only Singapore sourced income (Borne by a Singapore resident/PE in Singapore) [deeming provision]
 - Taxable under applicable Corporate Income Tax Rate
- Royalty Deductibility:
 - Wholly and exclusively for the purposes of the business
- WHT on royalty payments to non-residents
 - 10% WHT where Singapore sourced income
 - WHT reduced in Tax treaties with other jurisdictions



Other Income (deeming provisions)

- Rental Income:
 - Rent paid to a non-resident company that leases movable property in or outside Singapore
 - 15% WHT
- Technical, Services Management Fees:
 - Fees paid to non-resident entities that provide services in Singapore
 - WHT at Corporate Income Tax rate (17%)
- Directors' Fees:
 - 20% WHT to non-resident persons who serve as directors in Singapore companies
- Time charter fees and voyage charter fees/Bareboat charters:
 - 0%-1%: Ship operator and "Shipping and Air Transport" Article of the tax treaty applicable
 - 2%: No article or not a ship operator



Tax incentives - Contents

- Foreign-Sourced Income Exemption Scheme
- Recent incentives (PIC, FTC Pooling)
- Industry specific (Funds, Maritime)

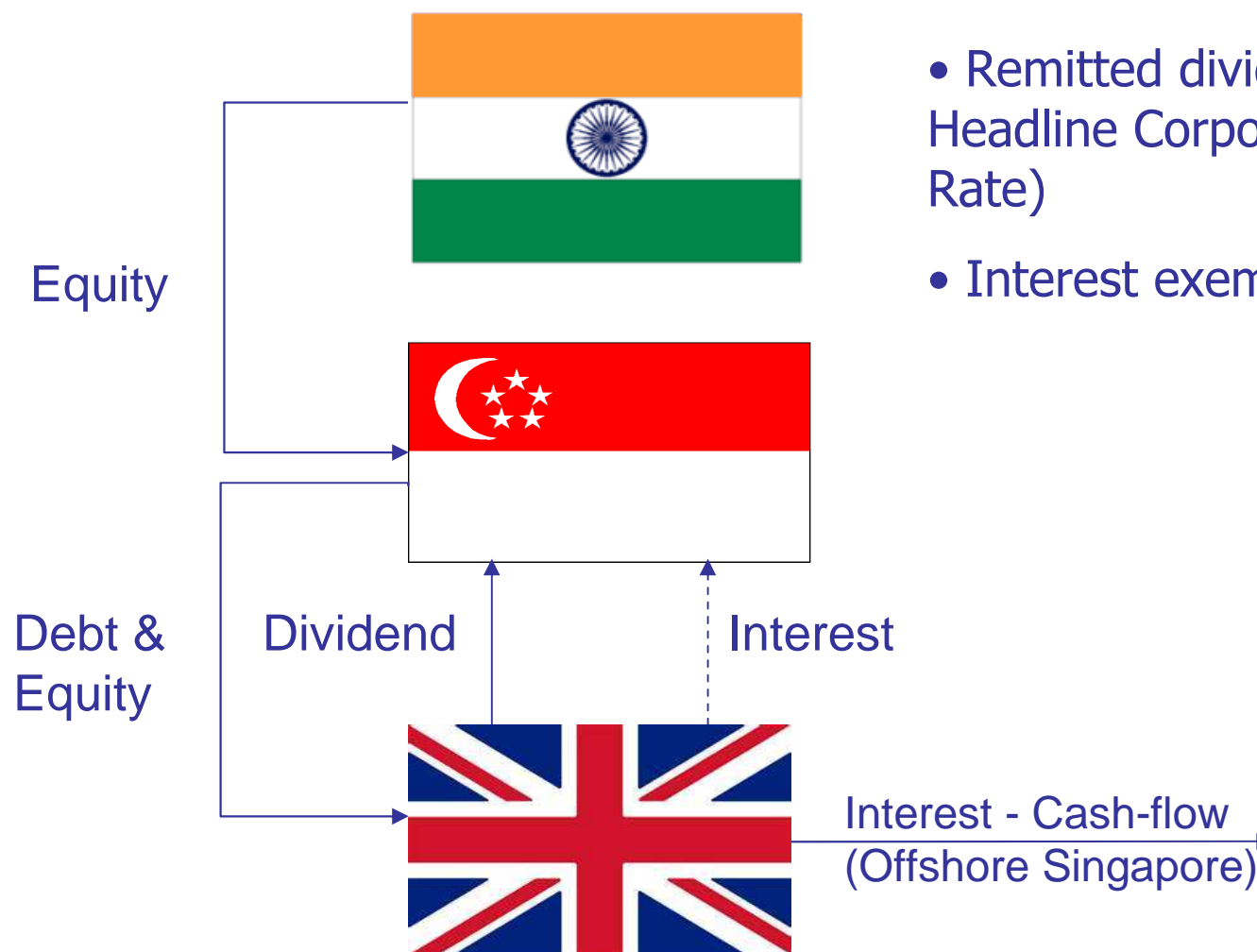


Foreign-Sourced Income Exemption Scheme

- Exempt even if remitted ,subject to conditions
- Dividends, branch profits, service income
- Dividend (underlying tax or dividend tax)
- Conditions:
 - Headline Corporate Income Tax tax rate of at least 15% in foreign jurisdiction
 - Subject to tax in foreign jurisdiction, except:
 - if it is not taxed due to a formal tax incentive (eg substantive business activities carried out in that jurisdiction)
 - Beneficial tax exemption (Scheme would be beneficial to resident taxpayers)

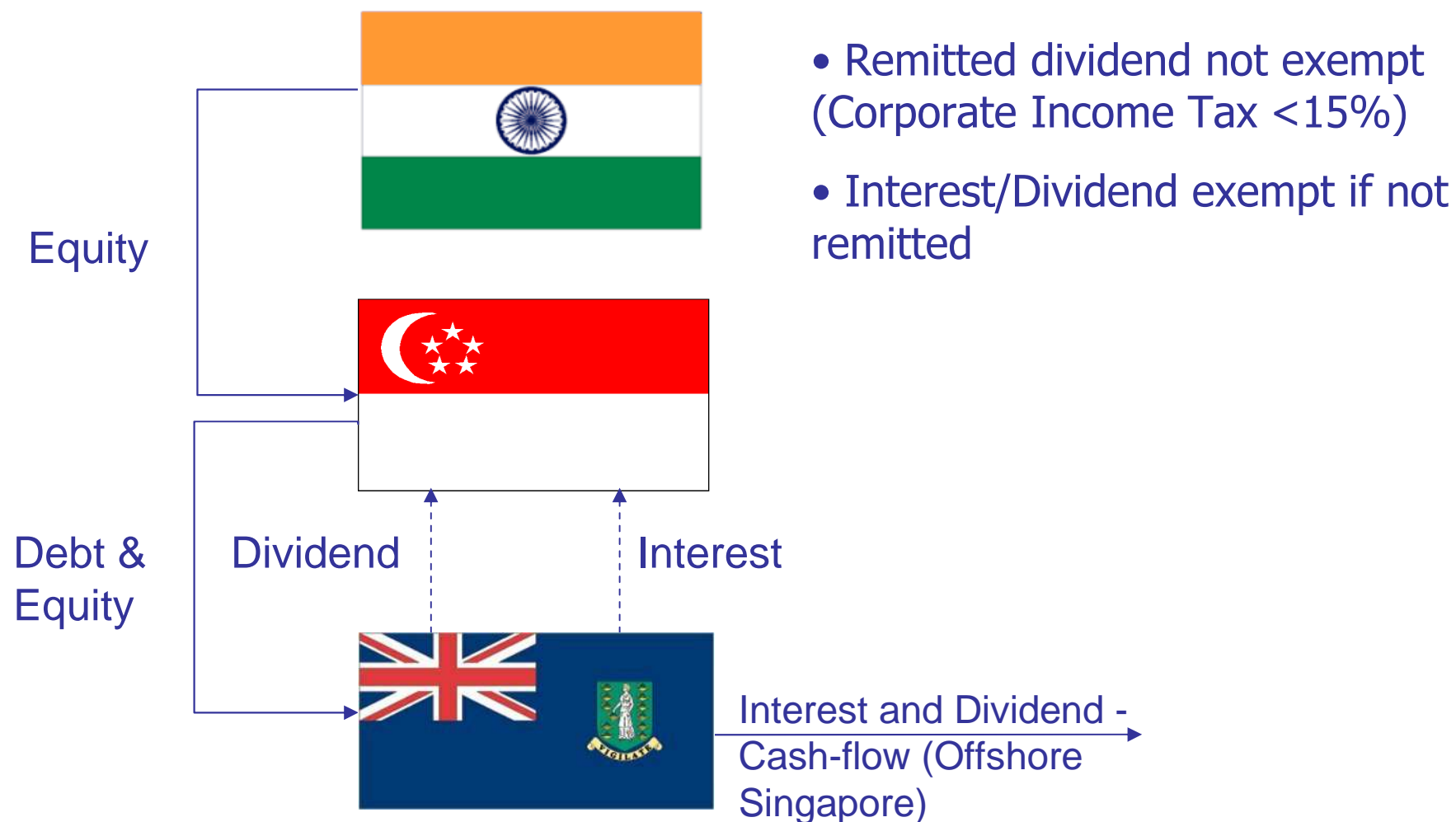


Scenario 1: Headline Rate > 15%



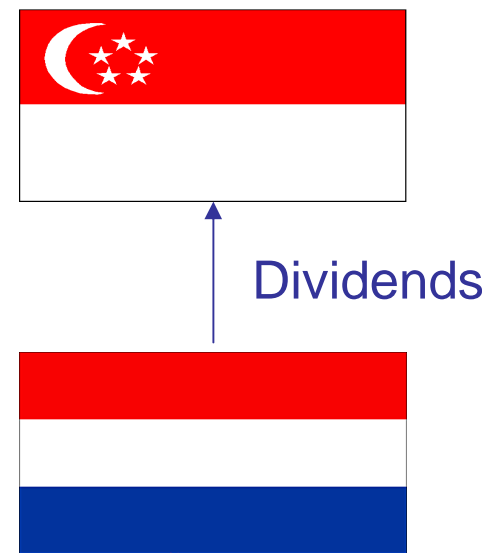
- Remitted dividend exempt (>15% Headline Corporate Income Tax Rate)
- Interest exempt if not remitted

Scenario 2: Headline Rate < 15%



Scenario 3: Subject to tax test

- Dutch Corporate Income Tax headline tax rate >15%
- Income generated from substantive business activities
- Dutch exemption with progression not a tax incentive
- "Subject to tax" condition not satisfied



Dutch co directly holding Ukraine properties

Other tax incentives: Recent

- Productivity and Innovation Credit
 - Up to 68% saving on expenditure relating to R&D, IP, IT and training of employees
- Foreign Tax Credit Pooling
 - Greater flexibility in the use of foreign tax credits
 - Reduce tax payable
 - Simplify tax compliance



Other tax incentives: Industry Specific

- Fund management activities
 - 5% or 10% Corporate Income Tax rates
- Marine sector
 - Full tax exemption on prescribed income of Singapore-flagged or foreign-flagged ships
- Global Trader Program
 - 5% or 10% Corporate Income Tax rates
- Operational Headquarters
 - 5% or 10% Corporate Income Tax rates



Capital gains tax

- No capital gains tax in Singapore
- Tax will be levied at Corporate Income Tax rate if transaction is deemed to be revenue in nature
- Badges of Trade:
 - Subject matter of realisation
 - Frequency of similar transactions
 - Supplemental work on the property realised
 - Motive
 - Circumstances responsible for the realisation
 - Length of period of ownership
- Tax incentive – Approved Holding Company
 - Exemption on gains on disposal of shares in subsidiary (5 years)
 - Minimum holding period – 18 months



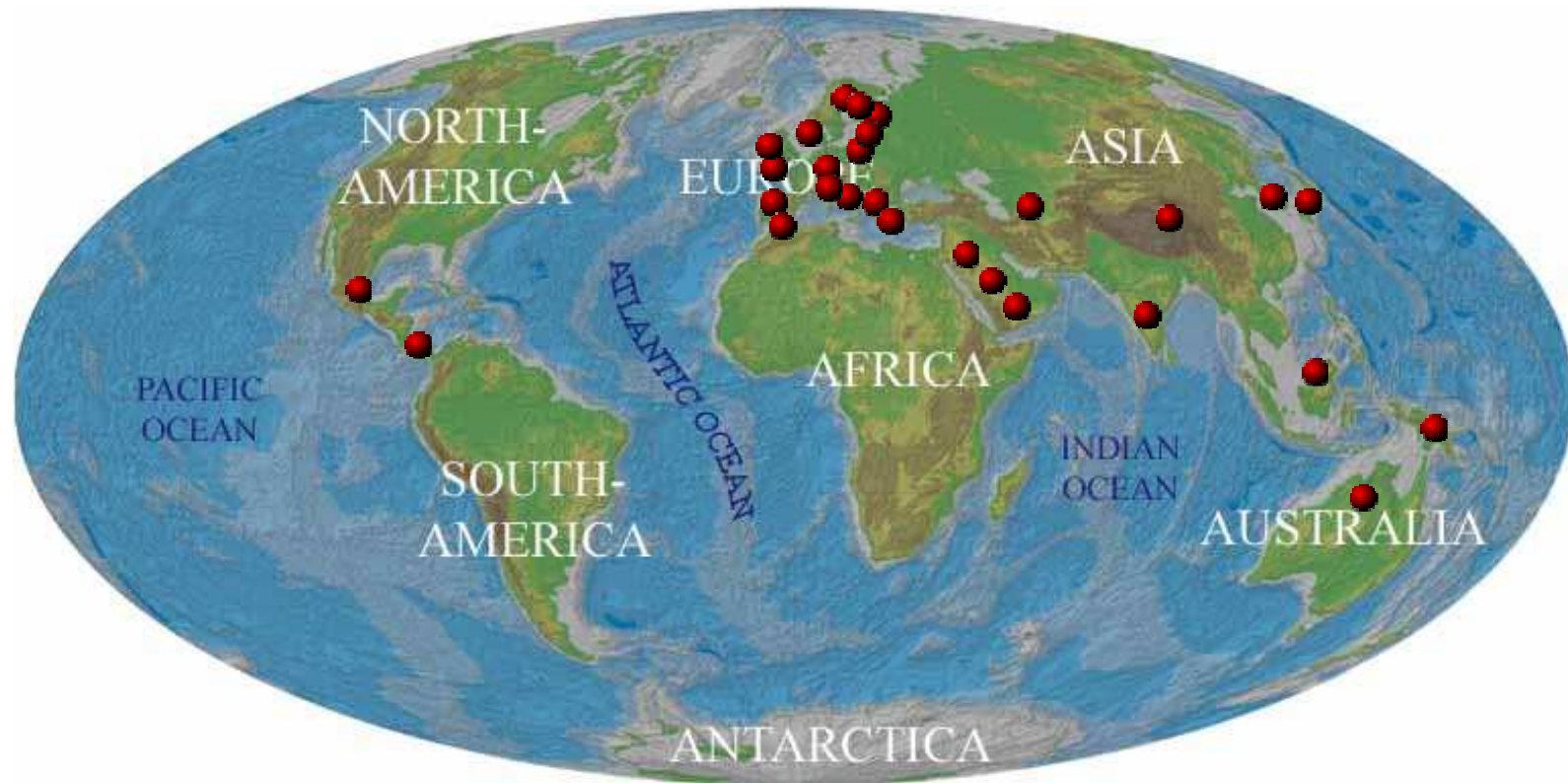
Singapore Tax Treaty Network

Africa	Middle East	Asia Pacific (cont'd)	Europe	Europe (cont'd)
Egypt	Bahrain+	Japan	Albania	Lithuania
Libya	Israel	Kazakhstan	Austria	Luxembourg
Mauritius	Kuwait	Malaysia	Belgium+	Malta+
South Africa	Oman	Mongolia	Bulgaria	Netherlands
Morocco@	Qatar+	Myanmar	Cyprus	Norway
	Saudi Arabia	New Zealand	Czech Republic	Poland
Americas	United Arab Emirates	Pakistan	Denmark	Portugal
Canada		Papua New Guinea	Estonia+	Romania
Mexico+	Asia Pacific	Philippines	Finland	Russian Federation
Panama@	Australia	South Korea+	France	Slovak Republic
	Bangladesh	Sri Lanka	Georgia	Slovenia
	Brunei	Taiwan	Germany	Spain
	China	Thailand	Hungary	Sweden
	Fiji	Uzbekistan	Ireland	Switzerland@
	India	Vietnam	Italy+	Turkey
	Indonesia		Latvia	Ukraine
				United Kingdom

@Treaty signed not ratified

+Protocol signed not ratified

Treaties (EOI Clause – OECD)



- Albania
- Australia
- Austria
- Bahrain
- Belgium
- Brunei
- China

- Denmark
- Estonia
- Finland
- France
- Japan
- India
- Ireland

- Italy
- Malta
- Mexico
- Netherlands
- New Zealand
- Norway
- Panama

- Qatar
- Saudi Arabia
- South Korea
- Spain
- Switzerland
- United Kingdom
- Uzbekistan

EOI – Domestic Law

- 'Fishing expeditions' by overseas authorities will not be entertained.
- Request must be specific
- Court order (banks and trust companies)



LOB in Singapore's treaties

- LOB clause in many of Singapore's tax treaties
 - Treaty benefits to apply only on the amount of income remitted
 - E.g. of tax treaties without LOB clause: Austria, Cyprus, Georgia, Italy, Kazakhstan, Malta, Slovak Republic, Ukraine, Uzbekistan

Singapore – India Treaty: LOB

- Exemption on capital gains from disposal of shares
- Treaty benefit remains in force so long as the same benefit is provided in the India-Mauritius treaty



Singapore – India Treaty: LOB (cont'd)

- Company must not be a shell/conduit company i.e.:
 - Negligible or nil business operations;
 - No real and continuous business activities;
 - Operating Expenditure < SGD200,000 or Indian Rs 50,00,000 in the preceding period of 24 months from the date the gains arise.
 - Not publicly traded



Singapore: General Anti-avoidance (s33)

- Tax authorities can disregard or vary the arrangement, make adjustments to counteract any tax advantage
- Exception: any arrangement:
 - Bona fide commercial reasons
 - Main purpose \neq avoidance/reduction of tax

Singapore Trusts

- Private Trust Companies exempted from licensing
- Narrow definition of Private Trust Companies
- Accumulation of income
- Settlor reserved powers over investments
- Trustee powers
- Anti – forced heirship provisions
- Perpetuity period
- Narrow reserved powers
- Conservative trust laws



Taxation of Singapore Trusts

- If trustee is an Authorised Trust Company, specified income from designated investments of a foreign trust company as well as its eligible holding company exempt from Singapore tax
- If taxed at trust level, no further tax in Singapore on distribution
- Resident trusts treated as tax transparent entities



Thank You



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