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Singapore Tax Facts 2023

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Summary

1. Summary

Under the Singapore Income Tax Act, taxes are levied on the income of companies and individuals. In addition, there are goods and services tax and stamp duties. There is no capital gains tax in Singapore.

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. Individuals are taxed on income earned in the preceding calendar year. The income of a company is assessed to tax on a preceding financial year basis.

2. Corporate Tax

A company is liable to corporate income tax on a territorial and receipt basis. It is taxed on income accruing in or derived from Singapore, and foreign income received or deemed received in Singapore. However, a non-resident company that is not operating in or from Singapore is generally not taxed on foreign income received in Singapore. Under the one-tier corporate system, Singapore dividends distributed from corporate profits are tax exempt and not subject to any withholding tax.

3. Residence Status

A company is a tax resident if its management and control are exercised in Singapore. The place of incorporation is not relevant.

Corporate Tax

Companies are taxed at a flat rate of 17%.

For YA 2013 to YA 2015, companies are granted a 50% corporate income tax ("CIT") rebate and the cap for the rebate is $30,000.

For YA 2016 and 2017, the CIT rebate is 50% and the cap for the rebate is as follows:

- $20,000 for YA 2016
- $25,000 for YA 2017

For YA 2018 to YA 2020, the CIT rebate is as follows:

- YA 2018 – 40% CIT rebate capped at $15,000
- YA 2019 – 20% CIT rebate capped at $10,000
- YA 2020 – 25% CIT rebate capped at $15,000

There is no CIT rebate from YA 2021 to YA 2023.

In addition, companies are entitled to the following tax exemptions on their chargeable income:

Partial Tax Exemption (For all companies) (YA 2010 – YA 2019)
First $10,000 @ 75% exemption = $7,500
Next $290,000 @ 50% exemption = $145,000

Partial Tax Exemption (For all companies) (from YA 2020)
First $10,000 @ 75% exemption = $7,500
Next $190,000 @ 50% exemption = $95,000

Tax Exemption for new start-up companies* (YA 2010 – YA 2019) for the first 3 YAs

First $100,000 @ 100% exemption = $100,000
Next $200,000 @ 50% exemption = $100,000

Tax Exemption for new start-up companies* (from YA 2020) for the first 3 YAs

First $100,000 @ 75% exemption = $75,000
Next $100,000 @ 50% exemption = $50,000

The following conditions must be met for Tax Exemption for new start-up companies:

- incorporated in Singapore (includes companies limited by guarantee);
- a tax resident in Singapore for that YA; and
- has no more than 20 shareholders throughout the basis period for that YA where all of the shareholders are individuals beneficially holding the shares in their own names or at least one shareholder is an individual beneficially and directly holding at least 10% of issued ordinary shares of the company

*Does not apply to companies incorporated on or after 26 February 2013 and whose principal activity is investment holding or developing property for sale.

Foreign-sourced Income

A tax resident company can enjoy tax exemptions for foreign-sourced dividends, foreign branch profits and foreign-sourced service income received in Singapore, subjected to the following conditions:

- the income is subjected to tax in the foreign country from which the income is earned;
- 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 Singapore resident company

Capital Allowances

Capital allowances are given in place of depreciation of fixed assets, which is not a deductible expense for income tax purpose in Singapore. In addition, companies can claim written down allowances for capital expenditures incurred on acquiring certain intellectual property rights.

Businesses are given an option to accelerate the write-off of the cost of acquiring fixed assets over two years, instead of three years or over the prescribed working life of the asset, on the cost incurred in acquiring the asset during the basis period for YA 2021, YA 2022 and YA 2024.

The rates of accelerated capital allowance allowed are as follows:

- 75% of the cost incurred to be written off in the first year (i.e. YA 2021, YA 2022 or YA 2024); and
- 25% of the cost incurred to be written off in the second year (i.e. YA 2022, YA 2023, or YA 2025).

If exercised, this option is irrevocable. No deferment of capital claim is allowed under this option.

Businesses claiming annual allowance under Section 19 and the Sixth Schedule of the Singapore Income Tax Act ("SITA") may make an irrevocable election to write down their plant and machinery as follows:

- If the current prescribed working life of the asset in the Sixth Schedule is 12 years or less, businesses may choose to claim annual allowance over either 6 or 12 years; or
- If the current prescribed working life of the asset in the Sixth Schedule is 16 years, business may choose to claim annual allowance over 6, 12 or 16 years.

The above change will apply to assets acquired in the basis periods relating to YA 2023 and subsequent YAs. It will also apply to assets acquired in basis periods relating to YA 2022 and prior YAs, if the businesses had deferred and yet to start its capital allowance claims for the assets.

Renovation and refurbishment ("R&R")

For qualifying R&R expenditure incurred during the basis period for YA 2021, YA 2022 and YA 2024, businesses have the option to claim the deduction in one year (i.e. accelerated R&R deduction) instead of over three years. The cap of $300,000 for every relevant period of 3 consecutive YAs will still apply. If exercised, this option is irrevocable.

Group Relief

Group companies are allowed to transfer current year tax losses and current year capital allowances to another company in the same group. 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 adhere to the same accounting period.

Carry-back Relief

A company can carry back for 1 YA immediately preceding that YA in which there are current year unutilised capital allowances and trade losses. The maximum amount of qualifying deductions that can be carried back is $100,000 and there must be no substantial change in shareholders and their shareholdings at the relevant dates (shareholding test).

Carry-forward Relief

A company can carry forward unutilised tax losses, capital allowances and donations to offset against future assessable income, provided there is no substantial change in shareholders and their shareholdings at the relevant dates (shareholding test). There must also be no change in the company's principal activities during the relevant dates in order to claim unutilised capital allowances. Unutilised donations can only be carried forward up to a maximum of 5 years.

Tax Incentives

Singapore has an extensive range of tax incentives that provide relief from specific provisions of the SITA. They are administered by statutory boards such as Economic Development Board, International Enterprise Singapore and Monetary Authority of Singapore. Following are examples of tax incentives available in Singapore:

- Pioneer Certificate Incentive
- Development and Expansion Incentive
- International / Regional Headquarters Award
- Finance and Treasury Centre Tax Incentive
- Merger and Acquisition Scheme

Enterprise Innovation Scheme

The Enterprise Innovation Scheme ("EIS") allows companies to enjoy enhanced deductions and/or allowances on qualifying expenditure incurred from YA 2024 to YA 2028 on the following qualifying activities:

- Enhancement of tax deduction to 400% for the first $400,000 of staff costs and consumables incurred on qualifying R&D projects conducted in Singapore for each YA.
- Enhancement of tax deduction to 400% for the first $400,000 of qualifying IP registration costs incurred per YA.
- Enhancement of tax allowance or deduction to 400% for the first $400,000 (combined cap) of qualifying expenditure incurred on the acquisition and licensing of IP rights per YA. This

enhancement will only be available to businesses that generate less than $500 million in revenue in the relevant YA.

- Enhancement of tax deduction to 400% for the first $400,000 of qualifying training expenditure incurred on qualifying courses (i.e. courses that are eligible for SkillsFuture Singapore funding and aligned with the Skills Framework) per YA.
- Introduction of a 400% tax deduction for up to $50,000 of qualifying innovation expenditure incurred on qualifying innovation projects carried out with polytechnics, Institute of Technical Education, and other qualified partners per YA.

In lieu of tax deductions or allowances, eligible businesses may opt for a non-taxable cash payout at a cash conversion ratio of 20% on up to $100,000 of total qualifying expenditure across all the above qualifying activities per YA. The cash payout option will be capped at $20,000 per YA, and will only be available to businesses which have at least three full-time local employees (Singapore Citizens or Permanent Residents with CPF contributions) earning a gross monthly salary of at least $1,400 in employment for six months or more in the basis period of the relevant YA.

Withholding Tax

Under the Singapore tax law, the following income paid to a non-resident company or individual is subject to withholding tax:

Nature of Income	Withholding tax rates
Interest, commission, fee or other payment in connection with any loan or indebtedness	15%[1]
Royalty or other lump sum payments for the use of moveable properties	10%[1] [2]
Royalties and other payments made to author, composer or choreographer	24% (22% from 1 January 2016 to 31 December 2022) [2]
Payment for the use of or the right to use scientific, technical, industrial or commercial knowledge or information	10%[1] [2]
Rent or other payments for the use of moveable properties	15%[1]
Technical assistance and service fees	Prevailing Corporate Tax rate[3] [5]
Management fees	Prevailing Corporate Tax rate[3] [5]
Time, voyage and bareboat charter fees for the charter of ships	NIL
Proceeds from sale of any real property by a non-resident property trader	15%
Distribution of taxable income made by REIT to unitholder who is a non-resident (other than an individual)	10% [4]

[1] These withholding tax rates apply when the income is derived by the non-resident person through operations carried on outside Singapore. They are to be applied on the gross payment. The resulting tax payable is a final tax. The following tax rates apply on gross payments when operations are carried out in Singapore:

- Non-resident person (other than individuals): Prevailing corporate tax rate of 17%
- Non-resident individuals: 24% (from 1 January 2016 to 31 December 2022). This does not apply to scenario in footnote 2.

[2] For royalty payments to an author, a composer or a choreographer, the prevailing tax rate of 24% or 22% from 1 January 2016 to 31 December 2022 shall apply to the deemed income (i.e. net income or 10% of the gross royalties, whichever is lower).

[3] Withholding tax is based on the prevailing corporate tax rate for the year when the services were provided, even if payment to the non-resident is made in a different year. For example, if the service was provided in December 2022 but payment was made in 2023, the prevailing corporate tax is that for 2022 (Year of Assessment 2023), which is 17%.

[4] The reduced WHT rate of 10% applies to payments due and payable during the period from 18 February 2005 to 31 December 2025.

[5] Tax refund under Section 46 of the SITA for payments withheld at prevailing corporate tax rate.

Goods and Services Tax

The GST is a tax on domestic consumption in Singapore. Businesses with annual taxable supplies of over $1 million must register for GST.

Goods and Services Tax	
Standard Rate	8%*
Exported goods and international services	0%

*Sale and lease of residential properties and financial services are exempted from tax

GST will be increased from 8% to 9% with effect from 1 January 2024.

Individual Tax

Individuals are liable to income tax on a territorial basis. Foreign sourced income received by an individual (other than from a partnership) in Singapore is exempt from tax. Interest income from approved banks in Singapore is not taxable. Personal reliefs are only available to resident individuals.

Residence Status

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.

Concessionary tax treatment as a tax resident is available if he:

- is physically present or works in Singapore for a consecutive period spanning 3 calendar years; or
- works in Singapore for a continuous employment period of at least 183 days which straddle across 2 calendar years.

Individual Tax

Income tax rates of residents:

<u>From YA 2017 onwards:</u>

Chargeable Income	Rate (%)	Gross Tax Payable ($)
On the first $ 20,000 On the next $ 10,000	0 2	0 200
On the first $ 30,000 On the next $ 10,000	- 3.50	200 350

Chargeable Income		Rate (%)	Gross Tax Payable ($)
On the first On the next	$ 40,000 $ 40,000	- 7	550 2,800
On the first On the next	$ 80,000 $ 40,000	- 11.5	3,350 4,600
On the first On the next	$120,000 $ 40,000	- 15	7,950 6,000
On the first On the next	$160,000 $ 40,000	- 18	13,950 7,200
On the first On the next	$200,000 $ 40,000	- 19	21,150 7,600
On the first On the next	$240,000 $ 40,000	- 19.5	28,750 7,800
On the first On the next	$280,000 $ 40,000	- 20	36,550 8,000
On the first In excess of	$320,000 $320,000	- 22	44,550

With effect from YA 2024, the marginal tax rate will increase from 22% to 23% for annual income exceeding $500,000 and up to $1 million, and the marginal tax rate will increase from 22% to 24% for annual income exceeding $1 million.

From YA 2024 onwards:

Chargeable Income		Rate (%)	Gross Tax Payable ($)
On the first On the next	$ 20,000 $ 10,000	0 2	0 200
On the first On the next	$ 30,000 $ 10,000	- 3.50	200 350
On the first On the next	$ 40,000 $ 40,000	- 7	550 2,800
On the first On the next	$ 80,000 $ 40,000	- 11.5	3,350 4,600
On the first On the next	$120,000 $ 40,000	- 15	7,950 6,000
On the first On the next	$160,000 $ 40,000	- 18	13,950 7,200
On the first On the next	$200,000 $ 40,000	- 19	21,150 7,600
On the first On the next	$240,000 $ 40,000	- 19.5	28,750 7,800
On the first On the next	$280,000 $ 40,000	- 20	36,550 8,000
On the first On the next	$320,000 $180,000	- 22	44,550 39,600
On the first On the next	$500,000 $500,000	- 23	84,150 115,000
On the first In excess of	$1,000,000 $1,000,000	- 24	199,150

Income tax rebate
YA 2017 – 20% tax rebate capped at $500
YA 2018 – no tax rebate
YA 2019 – 50% tax rebate capped at $200

There is no tax rebate from YA 2020 to YA 2023.

Income tax rates of non-resident individuals:

Taxpayer	Tax Rate
Non-resident employee	Higher of 15% or resident rates
Non-resident partner, non-executive director, sole proprietor, professional	24% (22% from 1 January 2016 to 31 December 2022)

Stamp Duty

Stamp duty is payable on all instruments relating to the conveyance, assignment or transfer of stocks and share in Singapore companies, as well as immoveable properties in Singapore.

	Stamp duty rates
Transfer of shares	0.2%
Transfer of real property:	
On the first $180,000	1%
On the next $180,000	2%
Over $360,000	3%

The buyer's stamp duty (BSD) marginal rates for higher-value residential and non-residential properties purchased on or after 15 February 2023 have increased as follows:

Higher of Purchase Price or Market Value of the property	Stamp duty rates	
	Residential	Non-residential
First $180,000	1%	1%
Next $180,000	2%	2%
Next $640,000	3%	3%
Next $500,000	4%	4%
Next $1,500,000	5%	5%
Amount exceeding $3,000,000	6%	

There are additional stamp duties imposed on the buyer and / or seller on certain real property depending on factors such as the profile of the buyers and the duration of ownership by the sellers.

Contact Us

If you need assistance or advice on the above, we are here to assist you.

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