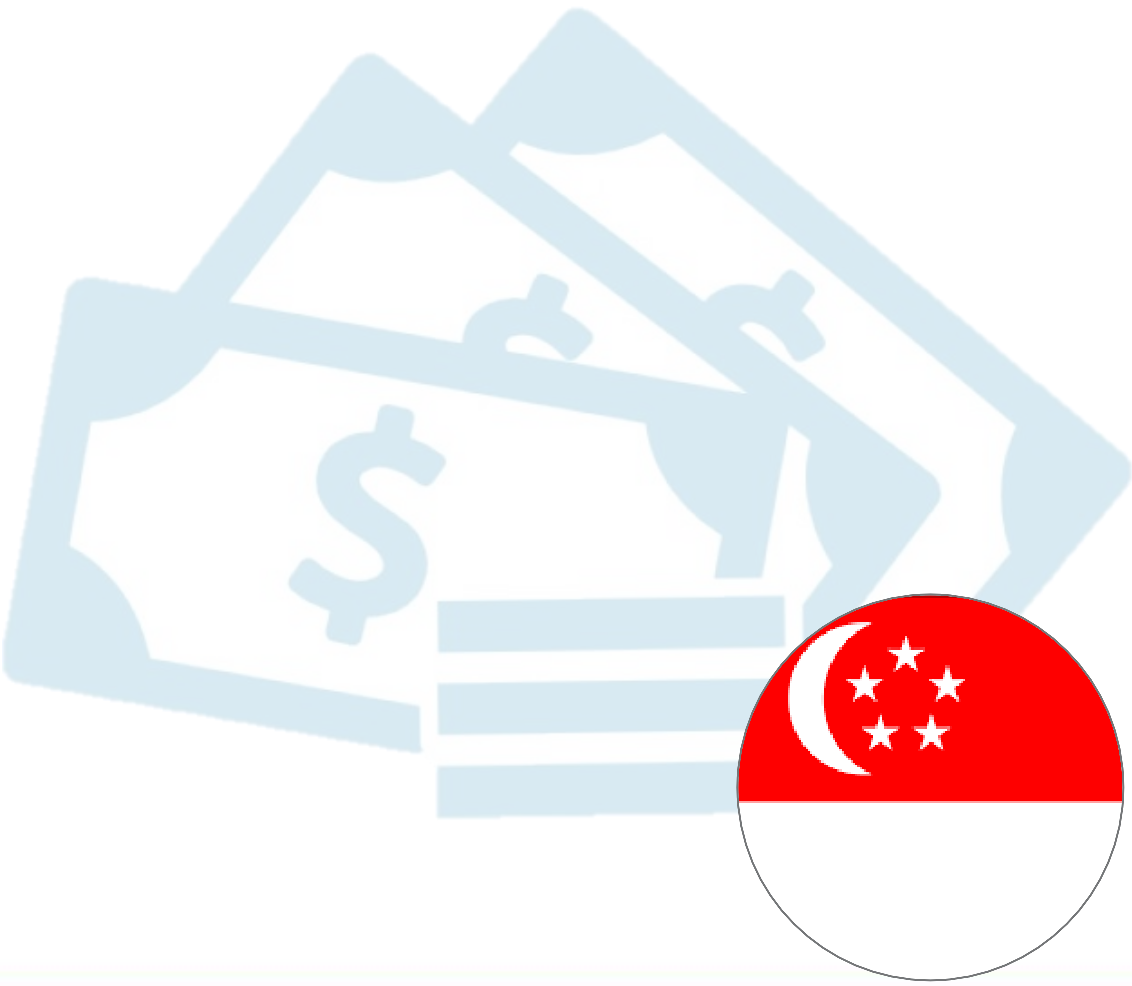
Singapore Tax Facts 2018



Tax Facts

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.

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.

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% and are granted a 50% corporate income tax ("CIT") rebate from YA 2013 to YA 2015 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 and YA 2019, the CIT rebate is as follows:

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

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.

Productivity and Innovation Credit Scheme

The Productivity and Innovation Credit (PIC) scheme allows companies to enjoy 400% deductions, subjected to a cap, for six qualifying activities:

- Acquisition and leasing of PIC Information Technology (IT) and Automation Equipment;
- Training of employees;
- Acquisition and in-licensing of Intellectual Property rights;
- Registration of patents, trademarks, designs and plant varieties;
- Research and development activities; *and*
- Design projects approved by Design School Council

For YAs 2011 to 2018, all businesses will be eligible for the PIC, up to $400,000 for each year on each qualifying activities from their income. Businesses may pool the annual expenditure cap and claim a combined cap of $1,200,000 for the YAs 2013 to 2015 and YAs 2016 to YA 2018 respectively. Alternatively, businesses may choose to convert up to $100,000 of the qualifying expenditure to receive cash payout of up to $60,000, with the condition that the business employs and makes CPF contribution for at least three local employees. The maximum cash payout will be reduced to $40,000 for qualifying expenditure incurred from 1 August 2016.

For the YA 2013 to YA 2015, companies will also receive an additional dollar-for-dollar matching PIC cash bonus. There is an overall cap of $15,000 for all 3 YAs combined.

For the YAs 2015 to 2018, under the PIC + Scheme, the annual expenditure cap is $600,000 (instead of $400,000). A business will qualify for the PIC + Scheme if its revenue is not more than $100 million or it has less than 200 employees. These criteria would be evaluated on a group basis if the business is part of a group.

The PIC scheme will expire after YA 2018.

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

All businesses will be allowed a one year carry-back of current year unutilised capital allowances and trade losses up to a cap of $100,000, subjected to meeting the requisite conditions.

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 Singapore Income Tax Act. 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 Status
- Development and Expansion Incentive
- International / Regional Headquarters Award
- Finance and Treasury Centre Tax Incentive
- Merger and Acquisition Scheme

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]
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] [4]
Management fees	Prevailing Corporate Tax rate[3] [4]
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%

[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: 20% (from 1 January 2016, the rate will be increased to 22%)

[2] The reduced withholding tax rate of 10% applies to payments due and payable on or after 1 January 2005.

[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 2008 but payment was made in 2009, the prevailing corporate tax is that for 2008(Year of Assessment 2009), which is 18%. For payments made to non-resident individuals, tax is to be withheld at 20% (from 1 January 2016, the rate will be increased to 22%) on the gross payment.

[4] Tax refund under Section 46 of Income Tax Act 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	7%*
Exported goods and international services	0%

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

GST will be raised by two percentage points, from 7% to 9%, sometime in the period from 2021 to 2025. More details will be provided once the timing of the GST increase has been determined.

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:

From YA 2012 to YA 2016

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	- 3.5	200 350
On the first $ 40,000 On the next $ 40,000	- 7	550 2,800
On the first $ 80,000 On the next $ 40,000	- 11.5	3,350 4,600
On the first $120,000 On the next $ 40,000	- 15	7,950 6,000
On the first $160,000 On the next $ 40,000	- 17	13,950 6,800
On the first $200,000 On the next $120,000	- 18	20,750 21,600
On the first $320,000 On the next $320,000	- 20	42,350

YA 2015
50% tax rebate capped at $1,000

YA 2013
- 30% tax rebate capped at $1,500 (taxpayers below 60 years of age as at 31 December 2012)
- 50% tax rebate capped at $1,500 (taxpayers 60 years of age and above as at 31 December 2012)

From YA 2017 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 In excess of	$320,000 $320,000	- 22	44,550

All tax residents will receive an income tax rebate of 20%, capped at $500 for YA 2017.

There is no tax rebate for YA 2018.

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	22% (20% prior to 1 January 2016)

Not Ordinarily Resident Taxpayer (NOR) Scheme

To qualify for the NOR status, an individual must be a tax resident for that YA and a non-resident for the three consecutive YAs prior to arrival in Singapore. The status is valid for a five-year qualifying period and entitles the resident individual to the following tax concessions:

- Time-apportionment of employment income subject to tax based on the number of days spent in Singapore, provided he spends at least 90 days outside Singapore for business reasons and has Singapore employment income of at least $160,000
- Exemption on the employer's contributions to non-mandatory overseas social security schemes or pension funds for non-Singapore citizens and permanent residents

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%

As announced in the Singapore Budget 2018, the top marginal buyer's stamp duty rate will be raised from 3% to 4% on the value of residential property in excess of $1 million. The revised rates will apply to all residential properties acquired on or after 20 February 2018 as follows:

	Stamp duty rates
First $180,000 (No change)	1%
Next $180,000 (No change)	2%
Next $640,000 (Revised)	3%
Amount exceeding $1,000,000 (New)	4%

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.

The buyer's stamp duty rate for non-residential properties remains unchanged.

Contact us

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

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