Question Set:

The market

Question Body:

1. How does your jurisdiction compare internationally as a destination for inward investment?

Answer Body

Singapore is an attractive destination for inward investment for a number of reasons, including:

- Its sound and stable political and legal systems.
- Its business-friendly legal and political environment.
- Its low tax regime.
- A reputation for incorruptibility and efficiency, and as a trustworthy and productive financial, logistics and transportation hub.
- The presence of well-known international providers of legal, accounting, engineering, business and other consultancy services.
- Strong intellectual property protection.

The World's Investment Report (2019) of the United Nations Conference on Trade and Development (UNCTAD) (*https://unctad.org/en/PublicationsLibrary/wir2019_en.pdf*) lists Singapore as fourth amongst the world's top foreign direct investment (FDI) hubs and as one of the leading economies of the developing Asia region. FDI inflows grew by 3% in 2018. The estimated FDI inflow was USD78 billion, making Singapore the fourth top host economy in 2018. The report attributes this growth to the robust investment in services and the rise in cross-border M&A sales.

Since 2003, Singapore has been ranked by the World Bank Group as the top economy worldwide in terms of ease of doing business, being overtaken only in 2018 by New Zealand. It is well connected to the rest of the world both physically through its developed and efficient transportation and communication infrastructure, and commercially through numerous trade agreements with major economies such as the EU, Japan, India and China. Singapore has implemented 25 bilateral and regional free trade agreements, with its major trading partners including China, the US and the EU.

Question Body:

2. What types of companies are attracting foreign investment into your jurisdiction and what are the most active sectors?

Answer Body

Historically, the sectors in Singapore with the highest amount of foreign investment have been:

- Financial and insurance services.
- Wholesale and retail trade.
- Manufacturing.
- Professional, scientific and technical, administrative and support services.

(*www.singstat.gov.sg/-/media/files/publications/trade_and_investment/fdi2018.pdf*)

As a result of high labour and operating costs, Singapore manufacturing has moved from low-end assembly line ventures to high-tech, high-precision industries, capitalising on its connectivity to world markets, a highly educated workforce and strong research environment. Singapore's universities rank among the world's top 20 and the top two in Asia (*www.topuniversities.com/university-rankings/world-university-rankings/2020*). Singapore has also built dedicated industrial parks for the pharmaceutical, biotechnology, energy, chemical, digital media, satellite, aerospace and aviation industries. It is the eighth most innovative economy in the world according to Bloomberg and Insead, and has devoted SGD19 billion to science and technology research (*www.edb.gov.sg/en/our-industries/industries-and-key-activities/innovation.html*).

Exciting new opportunities are arising in:

- Clean energy, such as solar power.
- Urban management solutions, such as waste and water management.
- Agri/aquaculture and food technologies.
- Satellite and drone systems.
- Artificial intelligence, virtual and augmented reality systems and robotics.

As the financial hub of Asia, the highest concentration of foreign investment is in the financial and insurance services sector. Areas within this sector that are especially attractive to foreign investors include:

- **Banking and finance.** Singapore has 219 banks and finance companies, including over 150 foreign banks and 30 representative offices (*MAS Financial Institutions Directory, 23 March 2020*).

- **Asset management.** In 2018, while the global assets under management declined by 4%, the total assets under management in Singapore expanded by 5.4% to SGD3.4 trillion, 75% of which was sourced from outside Singapore. Many institutional investors maintain investment offices in Singapore, including the Swiss National Bank and the Investment Company of the People's Republic of China (*MAS 2018 Singapore Asset Management Survey, www.mas.gov.sg/-/media/MAS/News-and-Publications/Surveys/Asset-Management/Singapore-Asset-Management-Survey2018.pdf)*

- **Capital markets**. There are nearly 800 companies listed on the Singapore Stock Exchange (SGX), out of which approximately 40% are foreign companies (such as Bumitama Agri, Vard Holdings and Hutchison).

- **Insurance**. Singapore is home to the headquarters of many top global insurers and reinsurers. Swiss Re and Munich Re, for example, have set up regional headquarters in Singapore over the last few years. The government has introduced an insurance-linked securities grant scheme from 1 January 2018 with the aim of transforming Singapore from a mainstream traditional reinsurance hub to a sophisticated full-fledged global capital for Asian risk transfer. Under this scheme, the Monetary Authority of Singapore (MAS) will fund 100% of the upfront costs incurred in issuing catastrophe bonds out of Singapore.

- **FinTech**. FinTech is encouraged by Singapore Government's Smart Nation initiative, which supports the digitalisation and technological advancement of financial processes and services. Singapore's version of the FinTech sandbox was introduced in 2016 and is regulated by MAS. This initiative aims to encourage companies to experiment and test their products or services in a safe space.

Question Body:

3. What will be the main factors affecting the market and how do you expect the market to develop?

Answer Body

In recent times, the Singapore government has identified three major shifts in the coming decade:

- **The growing role of Asia.** As several advanced economies turn inward to domestic concerns (the UK with Brexit and the US with its recent tax changes and review of tax pacts), Asia will play a larger role in global trade and investment flows.

  One of the more notable developments is China's Belt and Road Initiative (BRI) which aims to promote the flow of people, goods, capital and ideas between Asia, Africa and Europe. China and Singapore have agreed to collaborate on three fronts under the BRI:

  - infrastructural connectivity;
  - financial connectivity; and

    - third-country collaboration.

  This has opened up project opportunities in many industries, including city and master planning, smart city systems, construction, aviation, logistics, project financing, and so on.

  Furthermore, Singapore has over the last few years been restructuring its economy to present itself as a global-Asia node of technology, innovation and enterprise. The government has partnered with industry stakeholders to develop and implement transformation plans (ITMs) for each of the 23 industries in Singapore. In doing so, the different stakeholders in each industry are brought together to deepen their partnerships and develop deep capabilities and increase productivity – and the results over the last three years have been positive, with 2.6% increments per year on overall productivity. The Singapore government has recently committed SGD 8.3 billion to further this effort.

- **The introduction of new technologies.** The advancement of technology and digitalisation has resulted in the increasingly inter-connected and borderless nature of business. This is opening more doors for businesses and lowering the threshold of entry into the Singapore market. As the Asia region embraces technology and digitalisation for both business and personal use, the Asian jurisdictions have each begun to enact new regulations and amendments in response

  Another area that the government has been actively encouraging is the development of driverless transport. Excellent road infrastructure and stringent traffic regulations make Singapore the ideal testing ground for autonomous vehicles. Over the last few years, Singapore has seen an influx of organisations in this industry, including Nutonomy and Grab, Delphi, Volvo, Scania and Toyota.

- **An ageing population.** The ageing population in Singapore will require significant increases in healthcare and social expenditure. At the same time, the government is also focusing on investing in education and skills upgrading to help the economy cope with the ageing population. It is expected that there will be many business opportunities in these areas and that the government will likely offer support and incentives.

In light of the negative impact of the COVID-19 outbreak on the economy (locally and worldwide), the Singapore government has announced a Stabilisation and Support Package, amounting to a total of SGD 4 billion, to support enterprises with cash flow. The Package includes:

- a Corporate Income Tax Rebate for YA 2020, at a rate of 25% of tax payable, capped at SGD 15,000 per company;

- enhancements to several tax treatments under the corporate tax system for one year, e.g. faster write-down of investments in plant and machinery, and renovation and refurbishment, incurred for YA 2021, for enterprises; and

- enhancement of the Enterprise Financing Scheme by raising the maximum loan quantums and increasing the government's risk-share on the loans to from 50 – 70% to 80%.

(*https://www.singaporebudget.gov.sg/budget_2020/budget-speech*)

Question Set:

Legal system

Question Body:

4. What are the constitutional arrangements and legal system?

Answer Body

Singapore is a republic with a UK-style parliamentary system of government and a written constitution. It is a democracy with universal suffrage and elections are held every four to five years. Historically, the legal system is based on the English common law system, but it has evolved over time and many aspects of the law are now governed by statute.

Singapore's legal system comprises three branches, an executive, legislature and judiciary:

- The executive consists of (1) the President, who is elected, (2) the Cabinet, made up of the Prime Minister and other Ministers, which controls the government while being accountable to Parliament; and (3) the Attorney-General, the principal legal advisor to the government and the Public Prosecutor.

- The legislature consists of (1) the President; and (2) the Parliament, whose Members are either elected, non-constituency or non-partisan nominated. For a bill to be passed, the consent of both the President and the Parliament are required.

- The judiciary consists of (1) the Supreme Court (comprising the Court of Appeal and the High Court) and (2) the State Courts. The Chief Justice and Supreme Court judges are appointed by the President from candidates recommended by the Prime Minister on consultation with the Chief Justice. The Judiciary in the Supreme Court of Singapore presently comprises:
    - four Judges of Appeal;
    - four Senior Judges;
    - 15 Judges;
    - four Judicial Commissioners; and
    - 18 International Judges (with appointees from civil and common law jurisdictions such as England and Wales, the US, Australia, Canada and Hong Kong).
- Judges in the state courts are appointed from the Legal Service. Judges serve until they are 65 and (on occasion) can be appointed beyond that.

Question Body:

5. What are the key laws and regulatory authorities governing foreign investment in your jurisdiction?

Answer Body

As Singapore does not generally restrict or regulate foreign investment, there is no legislation or authorities addressing foreign investment specifically. However, certain sectors and strategic industries are restricted to some extent. Some of the legislation that imposes restrictions on foreign investment includes the:

- Broadcasting Act.
- Newspaper and Printing Presses Act.
- Banking Act.
- Securities Futures Act.
- Financial Advisers Act.
- Residential Property Act.
- Competition Act.

The Competition & Consumer Commission of Singapore (CCCS) administers and enforces the Competition Act with the aim of promoting a strong competitive culture and environment, and efficiency in Singapore's markets. CCCS can investigate and adjudicate anti-competitive activities, including the imposition of financial penalties on infringing parties.

As Singapore's central bank, MAS, manages Singapore's exchange rate, foreign reserves and liquidity in the banking sector. MAS also oversees all financial institutions in Singapore.

All businesses, local and foreign, must register with the Accounting and Corporate Regulatory Authority, the regulator of business entities in Singapore.

Question Body:

6. What international treaty organisations and/or economic, customs or monetary unions or free-trade areas is your jurisdiction a member of?

Answer Body

Singapore is a member of several international organisations including the:

- UN.
- United Nations Conference on Trade and Development (UNCTAD).

- World Intellectual Property Organisation (WIPO).
- Forum for East Asia-Latin America Cooperation (FEALAC) (founding member).
- Association of Southeast Asian Nations (ASEAN).
- Asia-Pacific Economic Cooperation (APEC).
- World Trade Organization (WTO),

It is also a party to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Question Body:

7. What other international agreements apply to foreign investment?

Answer Body

Singapore's international agreements include:

- Bilateral Investment Treaties (BITs) with 38 countries including the UK, Switzerland and China. More details on Singapore's BITs are available on the Ministry of Trade and Industry's website at *www.mti.gov.sg/Improving-Trade/Multilateral-and-Regional-Forums*.

- Double Taxation Agreements (DTAs) (*see Question 25*) with 87 tax jurisdictions, including Japan, the Russian Federation and the United Arab Emirates, and eightagreements that are awaiting ratification. More details on Singapore's DTAs are available on the Inland Revenue Authority of Singapore's (IRAS) website at *www.iras.gov.sg/irashome/Businesses/Companies/Working-out-Corporate-Income-Taxes/Companies-Receiving-Foreign-Income/Avoidance-of-Double-Taxation-Agreements--DTAs-*.

- 25 implemented bilateral and regional Free Trade Agreements (FTAs), with trading partners including China and the US. More details on Singapore's FTAs are available on Enterprise Singapore's website at *https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/overview*.

Some recent negotiations include:

- The EU-Singapore FTA (*see Question 30*), which is the first FTA to be concluded between the EU and an ASEAN country.

- The Transpacific Partnership Agreement, which is one of the largest regional trade agreements to date. Singapore is in the forefront of negotiations to form the Regional

Comprehensive Economic Partnership (RCEP) (see *Question 30*), a proposed free trade group encompassing 16 Asia-Pacific countries.

- ASEAN-India (Services & Investment), ASEAN-Japan (Services & Investment), Eurasian Economic Union-Singapore FTA, Pacific Alliance-Singapore FTA and Regional Comprehensive Economic Partnership.

Question Set:

Investor individuals

Question Body:

8. Are there any visas, permits or other requirements for foreign individuals entering your jurisdiction for business purposes?

Answer Body

Visas

Individuals of the following nationalities require an entry visa to Singapore:

- Afghanistan.
- Algeria.
- Armenia.
- Azerbaijan.
- Bangladesh.
- Belarus.
- Democratic People's Republic of Korea.
- Egypt.
- Georgia.
- India.
- Iran.
- Iraq.

- Jordan.
- Kazakhstan.
- Kosovo.
- Kyrgyzstan.
- Lebanon.
- Libya.
- Mali.
- Moldova.
- Morocco.
- Nigeria
- Pakistan.
- People’s Republic of China.
- Russia.
- Saudi Arabia.
- Somalia.
- Sudan.
- Syria.
- Tajikistan.
- Tunisia.
- Turkmenistan.
- Ukraine.
- Uzbekistan.
- Yemen.

Applications for a visa generally require a passport-sized colour photograph taken within the last three months of the date of application and a photocopy of the individual's passport biodata page. In some cases, a letter of introduction by a local contact (a Singapore citizen or permanent resident of at least 21 years old) can be required. If applying for an entry visa for business visit, the local contact must be acting on behalf of the Singapore-registered business entity. A non-refundable fee of SGD30 is payable, and the processing time is one to three working days.

Work passes

All foreigners intending to work in Singapore must have a valid work pass before commencing work. There are three general categories of passes for the following groups:

- Professionals.
- Skilled and semi-skilled workers.
- Trainees.

All applications must be made to the Ministry of Manpower (MOM). The application fees vary across the different types of passes. If the application is made online, the processing time is usually markedly shorter than if the application is made manually. A medical examination is generally required.

Once a pass is approved, an in-principal approval letter is issued. The letter has a pre-approved single-entry visa for the foreigner candidate to enter Singapore to get the pass issued within a six-month period. First-time candidates must register their fingerprints and photo within one to two weeks after the pass is issued. This also applies to those whose last registration was more than five years ago. The relevant pass card is issued four working days after registration or verification of the necessary documents submitted with the application.

Any appeals against rejected applications should be made by the employer, employment agent or candidate (whoever made the application) within three months of rejection.

Professionals. The application fee for each pass under the professional category is SGD105, and another SGD225 is payable when the pass is issued (or on each renewal), accompanied by a visa fee of SGD30. Online applications have an estimated processing time of thee weeks. Paper applications are estimated to take about eight weeks.

The different employment passes for professionals are the:

- **Employment Pass (EP).** This is for managerial, executive or specialised jobs with a minimum monthly salary of SGD3,600 (from 1 May 2020, this minimum will be raised to SGD3,900). The duration is for up to two years, renewable for up to three years. Applications are made by the employer or appointed employment agent with written consent from the candidate. Foreign employers without registered offices in Singapore must have a Singapore-registered company act as a local sponsor for the application.

- **EntrePass.** This is for individuals who have started, or intend to start, a private limited company registered with the Accounting and Corporate Regulatory Authority and meet MOM's criteria of being an entrepreneur, innovator or investor. The applicant must hold at least 30% of shares in the company by the end of the applicant's first year on EntrePass. The pass is not available to certain businesses such as hawker centres, bars, massage parlours, traditional Chinese medicine, employment agencies and geomancy businesses. The EntrePass is valid for two years, and is renewable in two-year periods. Applications are made by the candidate. Applications are assessed jointly by MOM and partner government or government-linked agencies such as Enterprise Singapore, IMDA or SGInnovate.

- **Personalised Employment Pass (PEP).** This is for EP holders earning at least SGD12,000 a month or overseas foreign professionals earning at least SGD18,000 a month. The duration is for up to three years and is non-renewable. Applications are made by the candidate. The applicant:

  - cannot start a business or conduct any form of entrepreneurial activity (and should apply for EntrePass if intending to do so);
  - must not be unemployed in Singapore for more than six months;
  - must earn at least SGD144,000 per calendar year, to be declared by 31 January of every year.

Dependants. Foreigners who have family member(s) coming with them must also obtain either a Dependant's Pass or a Long Term Visit Pass.

EP holders earning at least SGD6,000 per month can apply to obtain a Dependant's Pass for a legally married spouse or any unmarried children under 21 years old, or a Long Term Visit Pass for a common-law spouse or unmarried handicapped children or step-children under 21 years old.

EntrePass holders with a total annual business spending of at least SGD100,000 and who employ at least three local full-time employees or one local professional, manager or executive, are eligible to obtain passes for spouses and children. The requirements are doubled for passes for parents.

MOM must be notified of any changes to details such as changes in employment status or employer, and changes in the pass holder's residential address or particulars. More details on eligibility and application process for each pass are available on MOM's website: *www.mom.gov.sg/passes-and-permits*.

Question Body:

9. Are there any visa waivers or fast-track procedures available for foreign individuals entering your jurisdiction as investors?

Answer Body

Although there are no visa waivers or fast-track procedures for foreign investors entering Singapore, investors who bring investment funds of at least SGD2.5 million into Singapore (either by (1) establishing a new business or expanding an existing business, (2) investing in an eligible fund or (3) investing into a new or existing Singapore-based single family office) can apply through the Global Investor Programme (GIP) for Singapore Permanent Residence (PR) status. The GIP PR comes with a five-year permit that allows investors to maintain PR status while out of Singapore, and is renewable on the fulfilment of certain conditions. The GIP is open to individuals with a substantial successful entrepreneurial and business track record.

Applicants are categorised as established business owners, next generation business owners, founders of fast growth companies or ultra-high net worth individuals looking to set up a Singapore-based single family office (the latter three being new additional categories from 1 March 2020). Each category has its own qualifying threshold criteria and each category has its own specified investment option(s).

Individuals applying for the GIP through a business must submit their business plans and financial statements as part of their application to Contact Singapore, a division of the Singapore Economic Development Board (EDB), for consideration.

Under the GIP, spouses and unmarried children below 21 years old are also eligible to apply for PR status, while other relatives may be eligible to apply for a Long Term Visit Pass.

The application forms and supporting documents must be sent to EDB together with a non-refundable fee of SGD7,000. Individuals who meet the qualifying criteria are contacted to arrange an interview session. Once the application is approved, a six-month approval-in-principle PR status is issued by the Singapore Immigration & Checkpoints Authority, during which time the individual must carry out and evidence their investment to obtain final approval of their PR status.

More details can be found in EDB's GIP Factsheet: *https://www.edb.gov.sg/content/dam/edbsite/invest-in-singapore/downloads/New%20GIP%20Factsheet%20(English)-Jan2020.pdf*.

Question Body:

10. What are the circumstances under which an individual becomes liable to pay tax in your jurisdiction? Can individuals be liable for tax on foreign-source income?

Answer Body

Tax residency

Individuals are regarded as a tax resident if they either:

- Stay or work in Singapore for either at least 183 days in a calendar year, or continuously for three consecutive years; or

- Are employed for at least 183 days for a continuous period over two years (unless they are a director, public entertainer or professional).

A tax resident's foreign-sourced income brought into Singapore on or after 1 January 2004 is generally tax exempt, with a few exceptions. Tax resident individuals are entitled to tax reliefs and their income is taxed at progressive rates. The current highest personal income tax rate is 22%.

Foreign-sourced income

Foreign-sourced income received in Singapore is generally not taxable. Foreign-sourced income is taxable only if either:

- It is received through partnerships in Singapore.
- The individual's overseas employment is incidental to their Singapore employment (that is, the individual's work overseas is part of their employment in Singapore); or
- The individual has a trade/business in Singapore and the trade/business carried on overseas is incidental to the Singapore trade/business.

For more information see IRAS' website: *https://www.iras.gov.sg/IRASHome/Individuals/Locals/Working-Out-Your-Taxes/What-is-Taxable-What-is-Not/Overseas-Income-Received-in-Singapore/*.

Non-residents

Individuals who are not tax residents of Singapore are only taxed on income earned in Singapore. However, they are not entitled to tax reliefs, and the applicable tax rate on employment income is the higher of either a flat rate of 15% or the progressive resident rates. For other sources of income such as director's fees and rent earned or derived in Singapore, the applicable tax rate is 22%.

The employment income of individuals who are employed for 60 days or fewer in a calendar year, and who are not directors, public entertainers or professionals, is exempt from tax. However, the 22% tax rate on other income still applies.

Question Set:

Investment restrictions

Question Body:

11. Are there any restrictions on foreign ownership and investment in specific industry sectors? Do any formalities, permit or notification requirements apply?

Answer Body

Singapore maintains an open investment regime. There are generally no requirements for foreign investors to surrender ownership or management control to locals or to enter into joint ventures, with the exception of certain controls and restrictions placed over the financial services, professional services, telecommunications, media and real estate sectors. For example, in the media sector, foreign equity ownership of broadcasting companies in the domestic market is restricted to 49%, while equity ownership of newspaper companies is restricted to 5% per shareholder (local or foreign) and directors must be Singapore citizens. Local or foreign internet news sites that publish articles relating to issues in Singapore may also be subject to a licensing scheme.

See Question 12 and Question 13.

Question Body:

12. Does the government retain and exercise control over certain industry sectors? If so how?

Answer Body

Financial services

MAS regulates all banking activities. An approval from the Minister in charge of MAS is required for any merger or takeover of a local bank or financial holding company, or any other acquisition of voting shares in these financial institutions above specific thresholds of 5%, 12% or 20%.

Foreign banks and their subsidiaries must obtain "qualifying full bank" status to have access to more customer services locations and the local ATM network.

More recently, the new Payment Services Act was passed to keep abreast of the significant changes in the payments landscape brought about by the increasing popularity of e-payments and digital payment token services. MAS regulates services that are caught by the Act under a licensing framework, broadly categorised into three classes of licences (money-changing licence, standard payment institution licence and major payment institution licence) whose regulatory requirements differ according to the risks posed by the scope and scale of services provided.

Professional services

All local and foreign law firms require licences issued by the Legal Services Regulatory Authority under the Ministry of Law to practise in Singapore.

Although a Qualifying Foreign Law Practice (QFLP) licence enables a foreign law firm to practise Singapore law, there are still restrictions over certain areas of practice, including conveyancing, family law, criminal law and domestic litigation. The QFLP scheme is currently not open for further applications.

Other means of providing legal services in relation to Singapore law are through a joint law venture or formal law alliance with a Singapore law firm. Foreign lawyers can own up to one-third of Singapore law firms.

Accountants, engineers and architects must be registered with their respective Singapore boards to practise in Singapore. An accounting firm must have at least one partner residing in Singapore, while engineering and architectural firms can be 100% foreign-owned.

All medical practitioners must be registered with the Singapore Medical Council (SMC) and issued a practising certificate to practise medicine in Singapore. Foreign-trained doctors must spend at least two years under supervised conditional registration before they can be considered for full registration to practise on their own.

Telecommunications

The Info-communications Media Development Authority (IMDA) is the regulatory authority for this sector.

The infrastructure is dominated by government-linked companies whose strong presence was established from before the industry was liberalised in 2000, making it difficult for new, smaller players to penetrate the market. However, innovative service models, such as virtual service providers, continue to be possible.

There are four licensed telephone service providers (not counting Mobile Virtual Network Operators) and at least six internet service providers in the (small) market.

Media

The government controls the distribution, importation and sale of foreign newspapers through regulations and licensing overseen by IMDA.

Sites that publish one article relating to issues in Singapore per week on average over a two-month period and which receive a two-month average of minimally 50,000 monthly visits from unique addresses of Singapore-based internet providers must:

- Submit a bond of SGD50,000.
- Remove prohibited content within 24 hours of notification from the IMDA.

Broadcast media is similarly regulated, see *Question 5* and *Question 11*.

Energy

The Energy Market Authority regulates this sector. As with the telecommunications sector, the market is presently dominated by Singaporean firms, making it challenging for foreign companies to enter the business.

At the retail end, the electricity market has been fully liberalised through a nationwide launch of the Open Electricity Market which began in April 2018 and was fully effected across the nation by May 2019: see *www.ema.gov.sg/Electricity_Market_Liberalisation.aspx*.

Strategic goods

Singapore Customs administers the Strategic Goods (Control) Act (Cap 300), which includes processing permit applications for strategic goods and registering and auditing arms brokers.

The list of strategic goods has been updated with effect from 1 October 2019. This list can be found in the Schedule of the new Strategic Goods (Control) Order 2018, which can be accessed on Singapore Statutes Online at *https://sso.agc.gov.sg/SL-Supp/S532-2019/Published/20190801?DocDate=20190801*.

Question Body:

13. Are there restrictions on foreign ownership or occupation of real estate? Do any formalities, permit or notification requirements apply?

Answer Body

Residential

Public housing and designated "Good Class Bungalows" in Singapore cannot be purchased by foreigners. Private apartments or units within a building can be purchased by foreigners without prior approval from the Singapore Land Authority (SLA), provided the purchase is not of all the apartments or units in the building, in which case prior approval is required.

Foreign acquisition of landed houses and vacant residential land, including residential property at Sentosa Cove, requires prior approval. Applications must be made to the Land Dealings Approval Unit (LDAU) for the requisite approval through LDAU's online portal.

Commercial/industrial

There are no restrictions on foreign acquisition of commercial and industrial properties, apart from a higher rate of additional buyer's stamp duty (almost twice that for citizens and permanent residents).

Question Body:

14. Are there any minimum capital requirements for foreign investment?

Answer Body

There are no minimum capital requirements for foreign investments. A company need only have a paid-up capital of SGD1 to be registered.

However, individuals seeking Singapore Permanent Resident status under the Global Investor Programme must invest at least SGD2.5 million (*see Question 9*).

Some investment schemes also require investors to commit or expend a certain minimum investment amount to be eligible for and benefit from the schemes, such as the Angel Investors Tax Deduction Scheme, and the co-investment scheme with SEED Capital (*see Question 25*).

Question Body:

15. Are there any exchange control or currency regulations? Are there any restrictions on the remittance of profits abroad?

Answer Body

Other than the usual laws governing money laundering and the transfer of funds for crime and terrorism, there are generally no exchange control or currency regulations in Singapore.

There are no restrictions on the remittance of profits abroad.

Question Set:

Imports

Question Body:

16. Are there any restrictions on the importation of commercial goods?

Answer Body

Despite Singapore being a relatively open market for foreign investment, the government maintains a more cautious stance when it comes to introducing certain goods and services to the society. Some goods are banned outright from import into Singapore, while others require authorisation by way of advance notification, licence or certification.

In general, the importation of goods requires a pre-obtained customs permit. This should be obtained by the importer. More information on the types of permits and situations in which permits are required can be found on the Singapore Customs website: *www.customs.gov.sg*.

Prohibited goods

Generally, goods that pose a high degree of risk to persons or wildlife are prohibited, such as dangerous non-medical drugs or by-products of endangered species of wildlife. Other materials or goods that are considered seditious or obscene are also banned, as are chewing gum and any form of tobacco, e-cigarette or nicotine apart from the traditional cigarette. Chewing gum, other than gum for medical purposes, is prohibited from importation. The list of prohibited goods can be found on Singapore Custom's website.

Controlled goods

The list of controlled goods is relatively extensive and spreads across various sectors. It includes chemicals that are or have the potential to be toxic or hazardous, weapons or imitations of weapons and food items. The list can be found on Singapore Custom's website.

Goods sanctioned by the United Nations Security Council (UNSC)

As part of the UN, Singapore implements UNSC resolutions through local regulations. The sanctioned goods are generally arms and weapons materials or technology from specified countries such as the Democratic People's Republic of Korea, Iraq and Syria.

Chemical Weapons Convention (CWC)

Singapore is also a party to the CWC, an international treaty prohibiting the development, production, stockpiling, transfer and use of chemical weapons and stipulating their timely destruction. Under the CWC, member states agree to never develop, use, produce or acquire chemical weapons and to destroy all chemical weapons and productions facilities in any place under their control.

Member states are also to declare any chemical weapons-related activities and industrial activities relating to chemicals specified under the CWC. In Singapore, this is regulated by way of a CWC licence.

Temporary Import Scheme

Goods can be temporarily imported to Singapore for a period of six months for testing, display, auctions, and so on, without the payment of customs and excise duty. Such goods must be covered under a permit or carnet, and in some cases, a banker's guarantee is also required. If the goods are not re-exported within the prescribed period, goods and services tax becomes payable.

Question Body:

17. What import duties apply to commercial goods?

Answer Body

Imported goods are generally subject to goods and services tax (GST) and customs duty and/or excise duty, unless they qualify for preferential tariff treatment under a relevant FTA or are otherwise exempted. GST is a flat rate of 7%, while customs duty and excise duty are imposed on goods at varying rates.

The four categories of dutiable goods are:

- Intoxicating liquors.
- Tobacco products.
- Petroleum products and biodiesel blends.
- Motor vehicles.

A comprehensive list of dutiable goods and their corresponding customs duty and excise duty can be found on the Singapore Customs website: *www.customs.gov.sg/businesses/valuation-duties-taxes--fees/duties-and-dutiable-goods/list-of-dutiable-goods*. For social-economic reasons, certain goods such as distilled spirits and wine, tobacco products and petroleum products attract higher duties.

Free Trade Zones (FTZs)

Singapore has nine FTZs where goods can be stored without any custom documentation and GST is suspended until the goods are released for local consumption in Singapore. The FTZs offer free storage of up to 72 hours for conventional and containerised cargo, or 140 days for transhipment or re-export cargo. Warehousing options are abundant in Singapore, with many located close to the port and airport.

Question Body:

18. Are the safety regulations and standards applicable to commercial goods in your jurisdiction compatible with other standards that are recognised internationally?

Answer Body

The Singapore Government participates in many international and regional forums, including the:

- Pacific Area Standards Congress.
- Asia Pacific Economic Cooperation.
- ASEAN Consultative Committee on Standards and Quality.
- Asia Pacific Accreditation Cooperation.

Singapore is also party to several bilateral and multilateral memorandums of undertaking and mutual recognition arrangements with other governments around the world, as well as being a member of the International Organization for Standardisation and the International Electrotechnical Commission. As a result, the standards applicable to commercial goods in Singapore are often comparable to international standards. Singapore has also applied the Hazard Analysis Critical Control Points standards to the food industry.

Where there are no suitable international standards, the government develops Singapore Standards. The Singapore Halal certification mark is also well-recognised worldwide in key Halal markets and grants holders of the mark leverage on the global Halal market, which is estimated to be worth more than USD2.1 trillion.

Question Body:

19. Are there any similar or equivalent restrictions on providing services into another jurisdiction?

Answer Body

Singapore's FTAs support businesses providing services into FTA partners by safeguarding market access and ensuring that there are conducive conditions for the businesses in those foreign jurisdictions. Singapore businesses do not need to establish or maintain a representative office or any form of enterprise, or to be resident, in the foreign jurisdictions to supply services in Singapore's FTA partners.

In addition, Singapore's FTA partners must treat the services and suppliers of services in a manner that is no less favourable than that accorded to their own nationals or to any other trading partner jurisdiction. Any domestic regulations, procedures, standards or other requirements in the foreign jurisdictions must be administered in a transparent, reasonable, objective and impartial manner (*see https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/trade-in-services*).

Question Set:

Structuring and tax

Question Body:

20. How is foreign investment into your jurisdiction typically structured? What forms of legal vehicle are attractive to foreign investors?

Answer Body

The main forms of business vehicles are:

- **Companies.** Most foreign investments and businesses use private companies limited by shares. Companies are separate legal personalities from their members/shareholders and the persons who manage them. They can own property, sue or be sued in their own name, and are recognised as taxable entities in their own right. Singapore's corporate tax rate is considered one of the lowest rates internationally at 17%.

  Companies must comply with the provision of the Companies Act (Cap 50) and other regulations and requirements of the Accounting and Corporate Regulatory Authority unless otherwise exempted. Public companies that are listed on a stock exchange must also comply with the rules and regulations of the stock exchange.

  Public companies can raise capital by offering shares to the public, unlike private companies, which can have no more than 50 members.

Alternatively, a foreign company can enter the Singapore market by incorporating a subsidiary company or setting up a branch office in Singapore. As Singapore allows 100% foreign ownership of locally-incorporated companies, no control is lost in setting up a subsidiary and the foreign parent company can enjoy the numerous tax benefits applicable to local resident companies. Incorporating a subsidiary is often the preferred option for small to mid-sized foreign companies. A branch office, although a registered legal entity in Singapore, is considered as an extension of the foreign company and is therefore not eligible for the tax exemptions and benefits that are available to Singapore resident companies.

- **Partnerships.** Partnerships are not separate legal entities and the partners generally have unlimited liability, except for in limited partnerships. In limited partnerships, there are general partners and limited partners, the latter of which are liable for the debts or obligations of the firm up to the amount of their agreed contribution. While partnerships cannot own property, they can sue or be sued in their own name. The partners in a partnership are taxed at their personal income tax rates.

  Partnerships can generally have up to 20 partners (except professional partnerships), who must be Singapore citizens, permanent residents or EntrePass holders. Non-resident partners must appoint an authorised representative who is resident in Singapore. The rules governing partnerships are in the Partnerships Act (Cap 391) and Limited Partnerships Act (Cap 163B).

- **Limited liability partnerships (LLPs).** LLPs have separate legal personalities from their partners. They can own property, and can sue or be sued in their own name. However, partners of LLPs are taxed at their personal income tax rates on their respective shares of the profits in the LLP.

  LLPs must have at least one manager who is a Singapore resident. The rules governing LLPs are in the Limited Liability Partnerships Act (Cap 163A).

- **Sole proprietorships.** Sole proprietorships do not have separate legal personalities from their proprietors. Non-resident proprietors must have at least one authorised representative who is a Singapore resident.

- **Business trusts.** In business trusts, the trustees are the legal owners of the assets in the trusts. Under the general law of trust, the beneficiaries are liable for the legal obligations of the trusts. Depending on the circumstances and the structure of the trust, tax may be payable either on profits made by the trust or by the beneficiaries on their respective shares in the profit under the trust. If the business trust is registered under the Business Trusts Act (Cap 31), it is treated like a company for tax purposes.

  Real Estate Investment Trusts (REITs) are a popular structure for investments. REIT management is regulated by MAS under the Securities and Futures Act (Cap 289). MAS maintains a limit on the borrowings and spending of REITs, to protect investors' interests while ensuring that maximum returns are generated from the REITs.

- **Co-operative societies (co-ops).** Co-ops are associations of persons aimed at achieving a common social or economic goal by forming a jointly-owned business organisation. The rules governing co-ops are in the Co-operative Societies Act (Cap 62). A co-op must have a minimum of five persons or two institutional members. To qualify for membership of a co-op, an individual must be a citizen or be resident in Singapore, while an institution must be a co-op or trade union. A co-op is exempt from income tax. Some of the biggest consumer-oriented businesses in Singapore are co-operatives.

Question Body:

21. What are the circumstances under which a business becomes liable to pay tax in your jurisdiction?

Answer Body

Businesses can be operated through companies or through individuals in partnerships or sole-proprietorships. While the foreign-sourced income of an individual is generally not taxable (*see Question 10*), foreign income of a company that is derived from outside Singapore but remitted to and received in Singapore is taxable.

Companies are generally taxed in the same manner regardless of whether they are tax resident. However, non-resident companies are not able to enjoy certain benefits available to resident companies. Some of these benefits include:

- Tax exemptions for start-up companies.
- Tax benefits under double taxation agreements (DTAs).
- Tax exemptions on foreign-sourced dividends, foreign branch profits, and foreign-sourced service income.

A company is regarded as tax resident if the control and management of the company is exercised in Singapore. One of the key factors in determining where such control and management is exercised is the location of the company's board of directors' strategic meetings.

For individuals' tax residency, see *Question 10*.

Question Body:

22. What are the main business tax rates?

Answer Body

Income tax

All businesses, whether conducted through companies, partnerships or sole-proprietorships, are subject to tax on all profits that arise in or derive from Singapore. Companies are also generally taxed on foreign income that is remitted to and received in Singapore, whereas unincorporated businesses are generally not taxed on foreign income (*see Question 21*).

Corporate tax

The corporate tax rate is 17%. The unincorporated business tax rate follows the progressive personal income tax rate.

Currently, income tax filings are made annually by 30 November (manually) or 15 December (electronically). From YA 2020, all filings will have to be made electronically.In some cases, IRAS may issue individual notifications to file income tax returns after the deadlines, in which case the due dates are stated in the notifications.

Late filing is an offence and IRAS can impose a late filing fee of up to SGD1,000, issue an estimated Notice of Assessment and/or summon the taxpayer to the Singapore courts. Appeals can be made against late filing fees only if the taxpayer has:

- Submitted the outstanding returns and/or documents by the due date specified in the late filing penalty notification.
- Filed in time for the prior two years.

Goods and services tax (GST)

GST is a consumption tax levied on the import of goods and almost all supplies of goods and services in Singapore. The prevailing GST rate is 7%.

The importation and local supply of investment precious metals, the sale and lease of residential properties and the provision of most financial services are exempted from GST. Goods that are exported and international services are zero-rated. The financial services that are exempted from GST are listed in the fourth Schedule of the GST Act (Chapter 117A) of Singapore. Financial services that are not exempted from GST include the arranging or broking of insurance and underwriting or advising of financial activities.

Businesses with turnovers exceeding SGD1 million must register for GST with IRAS and charge and collect GST on their supplies (output tax), which must be paid to IRAS. GST that is incurred when purchasing from GST-registered suppliers or importing goods into Singapore (input tax) can be claimed during the accounting period that matches the date shown in the tax invoice or import permit.

The following conditions must be satisfied for businesses to claim input tax:

- The business must be GST-registered.
- The goods or services must have been supplied to the business, or the goods imported by the business.
- The goods or services must have been or will be used for the purpose of the business.
- Local purchases must be supported by valid tax invoices addressed to the business, or simplified tax invoices at the time of claiming the input tax.

- Imports must be supported by import permits that show the business as the importer of the goods.

- The input tax must be directly attributable to taxable supplies, or out-of-scope supplies which would be taxable supplies if made in Singapore.

- The input tax claims must not be disallowed under Regulations 26 and 27 of the GST (General) Regulations.

GST is payable within one month after the end of the GST accounting period. A late payment penalty of 5% is imposed for each completed month that the GST remains unpaid and an additional 2% per month can be imposed if the GST remains unpaid 60 days after the imposition of the 5% penalty. If the GST continues to remain unpaid, further enforcement actions can include legal action or a travel restriction to stop individual business owners from leaving Singapore.

Stamp duty for shares

If shares are transferred in a sale or acquisition, stamp duty is payable on the contract or agreement for the sale or acquisition of the shares. A stamp duty rate of 0.2% is payable on the actual price or net asset value of the shares, whichever is higher. No stamp duty is payable where transfers of scripless shares have no document executing the transfer.

Mortgages of shares also attract stamp duty, which is payable on the loan amount. The applicable rate for mortgages and variations to mortgages is 0.4% of the loan amount, while the rate for equitable mortgages and transfers, assignments or dispositions of mortgages or debentures is 0.2% of the loan amount or amount transferred, assigned or disposed. Regardless of the rate of duty, stamp duty on mortgages is capped at a maximum of SGD500.

Documents for the transfer of the shares must be stamped within 14 days of signing, if they are signed in Singapore. If the documents are signed outside of Singapore, they must be stamped within 30 days after receiving the document in Singapore.

It is an offence to use a document that has not been stamped. A penalty of up to four times the duty can be imposed on a document for any non-payment or late payment of stamp duty.

Stamp duty for property-holding entities

Additional conveyance duty (ACD) is payable on qualifying sales or acquisitions of equity interests in property-holding entities (PHE) that own primarily residential properties in Singapore.

A qualifying sale or acquisition occurs where either:

- The buyer is already a significant owner of the PHE or becomes a significant owner of the PHE as a result of the acquisition of the equity interest in the PHE; or

- The seller is a significant owner of the PHE and the equity interest disposed of was acquired on or after 11 March 2017 and subsequently disposed of within three years of the acquisition.

A PHE is an entity that has at least 50% of its total tangible assets comprising immovable properties in Singapore. A significant owner of a PHE is a person or entity who, on its own or with its associates, beneficially owns at least 50% equity interest or voting power in a PHE.

ACD is payable in addition to the existing stamp duty on shares. A rate of up to 34% can be imposed on buyers, while a flat rate of 12% is imposed on sellers. The applicable rates are levies on the prevailing market value of the PHE's underlying residential property at the time of the sale or acquisition, pro-rated by the percentage of the beneficial interest transferred in the PHE.

The same filing requirements apply to ACD as to normal stamp duty for shares (*see above, Stamp duty for shares*).

Withholding tax

Withholding tax is applicable to services provided or work done in Singapore by a non-tax resident who derives an income from Singapore. The types of payments that are subject to withholding tax are:

- Interest, commission or fees in connection with any loan or indebtedness.
- Rent or other payments for the use of or the right to use any moveable property.
- Royalties or other payments for the use of or the right to use scientific, technical, industrial or commercial knowledge or information or for the rendering of assistance or services in connection with the application or use of such knowledge or information.
- Payment of management fees.
- Payments for the purchase of real property from a non-resident property trader.
- Structured products (unless exempted from tax).
- Distributions from REITs.

A foreign professional who spends less than 183 days annually in Singapore, and is therefore a non-resident for tax purposes, is also subject to withholding tax for any income that they earn for services rendered in Singapore.

The prevailing tax rate for individuals is 22%, and follows the prevailing corporate tax rate for corporate entities.

Withholding tax must be filed and paid by the 15th of the second month from the draft of payment. A penalty of 5% can be imposed on late payment, and if it remains unpaid, an additional 1% penalty can be imposed.

Royalties

Generally, income received or earned in Singapore from the rights to use intellectual property (IP) such as copyrights, patents and trademarks (royalties) is taxable.

A royalty is earned in Singapore if it is either:

- Paid directly or indirectly by a person resident in Singapore or by a permanent establishment in Singapore; or

- Deductible against any income earned in or derived from Singapore.

Royalties can qualify for a tax concession of the lower of either:

- The tax payable on the amount of royalties after allowable deductions.

- 10% of the gross royalties.

Only royalties received for literary, dramatic, musical or artistic work (excluding any work published in any newspaper or periodical), or approved IP or approved innovation (until Year of Assessment 2017 (*see below*)) can qualify for this tax concession.

In line with global tax trends and rising concerns over base erosion and profit shifting (BEPS), Singapore is in the process of amending its tax regime in relation to IP income. The government signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI) in 2017 to modify Singapore's existing DTAs to implement the BEPS minimum standards and other tax treaty measures adopted by the OECD and G20 countries. As of May 2018, IP income is excluded from the Pioneer Service Incentive (PSI) and Development and Expansion Incentive (DEI), these being incentives awarded to companies investing in Singapore. Companies whose PSI or DEI is approved or extended on or after 1 July 2018 no longer enjoy the concessionary rate for IP income, while companies whose PSI or DEI was approved before 1 July 2018 are subject to transitional provisions effective from 1 July 2018 to 30 June 2021. A new incentive, the Intellectual Property Development Incentive (IPD), has been proposed and is currently awaiting the enactment of the relevant effecting legislation. The IPD aims to encourage the use and commercialisation of IP rights arising from research and development activities. It is expected that the IPD will give qualifying companies a reduced corporate tax rate of 5% or 10% on a percentage of qualifying IP income, with further 0.5% increments on the concessionary rates at regular intervals.

More detailed information is available on the IRAS website: *www.iras.gov.sg* and the EDB website: *www.edb.gov.sg*.

Question Body:

23. What is the tax treatment in your jurisdiction of profits from an investee company remitted outside your jurisdiction by an investor?

Answer Body

Profits can be remitted out of Singapore if the applicable taxes are withheld and paid in Singapore.

Double taxation can be avoided if there is a DTA, limited treaty, or another relevant tax treaty between Singapore and the jurisdiction to which the profits are to be remitted.

Question Body:

24. What transfer pricing and/or thin capitalisation restrictions may apply to investments into your jurisdiction from elsewhere?

Answer Body

Transfer pricing rules apply to transactions between two related parties to ensure that the parties are taxed based on the arm's length value of the transaction. Related parties are parties where one party directly or indirectly controls the other, or where both parties are directly or indirectly controlled by a common third party. The broad definition of related parties includes relationships between resident entities and non-resident affiliates.

More information on the application of the arm's length principle, the calculation methods and compliance requirements can be found in IRAS' Transfer Pricing Guidelines (*www.iras.gov.sg/irashome/Businesses/Companies/Working-out-Corporate-Income-Taxes/Specific-topics/Transfer-Pricing/Introduction-to-Transfer-Pricing*).

Question Set:

Incentives

Question Body:

25. What tax incentive or other schemes exist to encourage foreign investment?

Answer Body

There are many different types of schemes and incentives, including general tax incentives, offered to businesses in Singapore to support the government's vision of establishing and perpetuating Singapore's status as an international economic hub. The authorities that administer these schemes and incentives are:

- Economic Development Board (EDB).
- Enterprise Singapore (previously known separately as IE Singapore and SPRING Singapore).
- IRAS.
- MAS.

Each authority has its own website providing details on all the incentives and schemes administered by them:

- EDB's website: *www.edb.gov.sg/en/how-we-help/incentives-and-schemes.html.*

- Enterprise Singapore's websites:
    - *www.enterprisesg.gov.sg/financial-assistance*;
    - *www.startupsg.net*;
    - *www.businessgrants.gov.sg*.
- IRAS' website: *www.iras.gov.sg/irashome/Schemes.*

The following list is non-exhaustive and further details and other schemes and grants can be found on these websites.

Double taxation relief under DTAs

Double taxation relief is available to Singapore tax-resident companies that have paid foreign tax on foreign income from a jurisdiction with which Singapore has a DTA. The relief comes in the form of a tax credit of an amount that is the lower of the foreign tax paid and Singapore tax payable on the same income. Companies that wish to claim this relief must apply for a Certificate of Residence from IRAS and, where required by a DTA treaty partner, obtain IRAS' endorsement of a tax reclaim form.

Non-Singapore incorporated companies, Singapore branches of foreign companies and foreign-owned investment-holding companies with purely passive sources of income are generally not eligible, but may still be able to claim DTA benefits if they can satisfy IRAS that both:

- The control and management of the company is in Singapore; and

- The company has valid reasons for not incorporating in Singapore or for setting up an office in Singapore.

For foreign-owned investment-holding companies, this usually requires them to have any of the following:

- Related companies in Singapore that are tax-resident or have business activities in Singapore.

- Support or administrative services received from a related company in Singapore.

- At least one director based in Singapore, holding an executive position and not a nominee director.

- At least one key employee based in Singapore.

Unilateral tax credit

Unilateral tax credit works the same way as double taxation relief, only that it is available on foreign income from jurisdictions with which Singapore does not have a DTA.

To claim the tax credit, the company must satisfy the following conditions:

- The company is tax-resident in Singapore for the relevant basis year.
- Tax has been paid or is payable on the same income in the foreign jurisdiction.
- The income is subject to taxation in Singapore.

The tax credit claim should be made when filing the income tax return with IRAS.

Foreign tax credit pooling system

In 2011, the Singapore Government introduced a pooling system that allows companies to elect to aggregate foreign taxes paid so that the tax credit given is the lower of the amount of tax payable or paid in Singapore and the foreign jurisdiction on the same pool of foreign income.

This option is available to companies that are already entitled to claim DTR or UTC, where the highest corporate tax rate of the foreign jurisdiction is at least 15% at the time the foreign income is received in Singapore.

Tax exemptions on foreign-sourced income for companies

Singapore tax-resident companies are eligible for tax exemptions on three specific categories of foreign income:

- Foreign-sourced dividends.
- Foreign branch profits.
- Foreign-sourced service income.

The following conditions must be satisfied:

- The highest corporate tax rate of the foreign jurisdiction from which the foreign income is received must be at least 15% at the time the foreign income is received in Singapore.
- The foreign income must have been taxed in the foreign jurisdiction from which it was received.
- IRAS must be satisfied that the tax exemption would be beneficial to the company.

Tax exemption scheme for new start-up companies

Singapore tax-resident companies are also eligible to a staggered rate of tax exemption on the first SGD200,000 of taxable income for the first three years of assessment (YAs).

It was announced in Budget 2018 that the rate of tax exemption was to be revised from YA 2020 onwards.

The current rate of exemption from YA 2020 onwards is as follows:

- First SGD100,000 of taxable income: 75% exempted from tax.
- Next SGD100,000 of taxable income: 50% exempted from tax

Prior to this revision, the rate of exemption for YA 2019 and before was as follows:

- First SGD100,000 of taxable income: 100% exempted from tax.
- Next SGD200,000 of taxable income: 50% exempted from tax.

The following conditions must be satisfied:

- The company must be incorporated in Singapore.
- No more than 20 shareholders can directly hold the company's total share capital throughout the period for that YA, and all of the shareholders must be individuals or at least one shareholder must be an individual holding at least 10% of the issued ordinary shares of the company.

Companies whose principal activity is investment holding or that undertake property development for sale or investment are not eligible for the exemption.

Partial tax exemption for companies

This exemption is available to all companies unless they have already claimed the tax exemption scheme for new start-up companies. It offers a staggered rate of exemption on the first SGD 200,000 of taxable income.

It was announced in Budget 2018 that the amount and rate of tax exemption was to be revised from YA 2020 onwards.

The current rate of exemption from YA 2020 onwards is as follows:

- First SGD10,000 of taxable income: 75% exempted from tax.
- Next SGD190,000 of taxable income: 50% exempted from tax.

Prior to this revision, the rate of exemption for YA 2019 and before was as follows:

- First SGD10,000 of taxable income: 75% exempted from tax.
- Next SGD290,000 of taxable income: 50% exempted from tax.

Corporate income tax (CIT) rebate

Recently, the government also extended the CIT rebate to YA 2020 at a rate of 25% subject to a cap of SGD15,000, an increase from the previous rate for YA 2019 (20%, capped at SGD 10,000).

Angel Investors Tax Deduction Scheme

The Singapore government has been offering this scheme from 1 March 2010 to 31 March 2020 to encourage individuals to invest in qualifying start-up companies. Under this scheme, approved angel investors must:

- Invest at least SGD100,000 in qualifying investment(s) within 12 months from the date of their investment in the qualifying company.
- Hold the investment for a continuous period of two years.

The amount of tax deduction for each year is based on 50% of the cost of the qualifying investment, up to a cap of SGD250,000.

After 31 March 2020, investors are no longer able to obtain new approvals or renewals of the "angel investor" status. However, pre-existing angel investors may still enjoy tax deductions in respect of qualifying investments made up to 31 March 2020.

Section 13H (S13H) and Fund Management Incentive (FMI)

S13H is the tax incentive for approved venture capital and private equity funds. The FMI for S13H approved funds is a tax incentive for fund management companies. S13H gives an up to ten-year zero-rated tax relief in respect of:

- Gains arising from the divestment of approved portfolio holdings.
- Dividend income from approved foreign portfolio companies.
- Interest income arising from approved foreign convertible loan stock.

FMI gives up to a ten-year 5% tax concession relief for management fees derived from an approved venture capital fund and performance bonus received from the approved venture capital fund.

The fund or fund management company must:

- Be incorporated and based in Singapore.
- Have the necessary approvals and licenses from the MAS for the proposed activities.

The S13H and FMI have recently been extended till 31 December 2025 with the following enhancements to take effect from 1 April 2020:

- Increase of the S13H tenure to up to 15 years from the original ten years; replacement of ten-year FMI tenure with a renewable five-year tenure.

- Extension of S13H to venture capital funds that are constituted as foreign-incorporated companies or Singapore Variable Capital Companies.
- Remission of GST incurred on expenses of approved funds under S13H at a fixed recovery rate.
- FMI to be awarded to each approved fund manager rather than having separate FMI awards for each S13H fund.

More details will be released by Enterprise Singapore by end March 2020.

Start-up schemes and grants

Enterprise Singapore administers several schemes and grants, particularly for start-ups. Among the numerous start-up schemes are the:

- Startup SG Tech Grant (*see http://www.startup.net/tech*), which offers start-up companies up to SGD500,000 to fast-track the development of proprietary technology solutions and to catalyse the growth of the company based on proprietary technology.

  The following conditions must be satisfied to be eligible for the Startup SG Tech Grant:

  - the company must be registered or incorporated in Singapore, be physically present in Singapore, and be established for five years or less;
  - if the company is registered overseas but is using Singapore as its headquarters, it must be able to show economic value for the entity in Singapore (such as hiring, R&D activities and a core management team in Singapore) and future IP must be owned or assigned to the Singapore entity;
  - the company must be an small or medium-sized enterprise (SME) (*see below*);
  - the core activities of the company must be carried out in Singapore;
  - the solution must be of a breakthrough level of innovation and lead to or build on proprietary know-how or IP.

  An SME is defined as a company with both:

  - at least 30% local shareholdings; and
  - company group annual sales turnover of not more than SGD100 million or group employment size of not more than 200 workers.

- SEEDS Capital (*see https://www.enterprisesg.gov.sg/financial-assistance/investments/investments/seeds-capital/*), which offers start-up companies up to SGD4 million in a dollar-for-dollar matching scheme with independent third-party investors as an investment into commercially viable and innovative products or processes.

  The following conditions must be satisfied to be eligible for the co-investment:

  - the company must have been incorporated in Singapore for less than five years;
  - the paid-up capital of the company must be at least SGD50,000;

    - the core activities of the company must be carried out in Singapore;
    - ready, independent third-party investor(s) must have already been identified.

Finance and treasury centre incentive (FTC Incentive)

The FTC Incentive is a five-year tax incentive that aims to encourage companies to grow treasury management capabilities and use Singapore as a base for conducting strategic finance and treasury management activities. It gives eligible companies a concessionary tax rate of 8% on income derived from qualifying services or activities, as well as an exemption from withholding tax on interest payments to financial institutions and approved network companies outside Singapore, provided that the funds are used for qualifying services or activities (*see www.edb.gov.sg/content/dam/edbsite/downloads/brochures/FTC%20Brochure.PDF*).

The following conditions must be satisfied:

- The company must establish substantial activities in Singapore.
- The company's key activities must include:
    - management of cash and liquidity positions;
    - provision of corporate finance advisory services;
    - management of interest rate, foreign exchange, liquidity and credit risks;
    - overall business planning, investment research and analysis.
- The company must perform strategic functions.

Pioneer Service Companies Incentive (PSC) and Development And Expansion Incentive (DEI)

The PSC and DEI are tax incentives that aim to encourage companies to grow capabilities and conduct new or expanded economic activities in Singapore (*see www.edb.gov.sg/content/dam/edbsite/downloads/brochures/PC%20and%20DEI%20Brochure.PDF*). Companies that carry out global or regional headquarters activities of managing, co-ordinating and controlling business activities can also apply. The incentives give eligible companies an exemption from corporate taxes or a concessionary tax rate of 5% or 10%. The company cannot then carry on a separate trade or business during the incentive period unless special permission is granted by the Ministry of Finance.

The company must meet EDB's quantitative and qualitative criteria, which include:

- Creating employment.
- Total business expenditure that generates spin-off benefits to the economy.
- A commitment to growing its capabilities in Singapore.

Manufacturing projects must also commit to fixed asset investments in plant, building or equipment.

The following conditions must also be satisfied to be eligible for the PSC:

- The company must introduce technology, skillsets or know-how that is substantially more advanced than the average prevailing in Singapore.
- The company must carry out new, pioneering activities that have not been undertaken by other companies on a scale that makes a substantive economic contribution.

Productivity Solutions Grant (PSG)

The PSG is available to companies wishing to adopt IT solutions and equipment to enhance business processes (*see www.smeportal.sg/content/smeportal/en/capabilities/productivity-growth/productivity-solutions-grant-psg.html*). The PSG provides up to 70% funding support (as of 26 March 2020, the Singapore government has raised this to 80% in response to the impact of Covid-19 on the economy) for companies adopting sector-specific solutions, as well as solutions that cut across industries such as customer management, financial management and inventory tracking.

Companies with approved PSG applications can also apply for a SkillsFuture Training Subsidy which allows companies to upskill employees and claim up to 70% of out-of-pocket training expenses, subject to a cap of SGD 10,000 per company.

The following conditions must be satisfied:

- The company must be registered and operating in Singapore.
- The purchase, lease or subscription of any of the IT solutions or equipment must be used in Singapore.
- For certain solutions, the company must have a minimum of 30% local shareholding.

Automation support package

This scheme supports the deployment of automation solutions across existing operations by giving eligible companies:

- A grant of up to 50% of the qualifying costs (capped at SGD1 million).
- A tax allowance of up to 100% on approved capital expenditure (capped at SGD10 million) per project in addition to the existing capital expenditure allowance on plant and machinery.
- Up to SGD15 million as financing support for qualifying projects under the Local Enterprise Finance Scheme for SMES and non-SMES.
- Assistance in accessing overseas markets.

The following conditions must be satisfied:

- The company must be registered and operating in Singapore

- There must be a minimum of 30% local shareholding
- The group annual sales turnover must be under SGD100 million, or the group must have fewer than 200 employees.

Industrial exemption factory scheme

This is a duty exemption scheme for industries that use dutiable goods (except diesel products and biodiesel blends) as raw materials solely to manufacture non-dutiable goods and store such manufactured goods at the place of manufacture approved by Singapore Customs (*see www.customs.gov.sg/businesses/customs-schemes-licences-framework/industrial-exemption-factory-scheme*). The duty-exempted raw materials must not be sold, transferred or disposed of in any way without permission from Singapore Customs.

The following conditions must be satisfied:

- A valid Customs Account.
- A good compliance record with Singapore Customs.
- Responsible for the security, accountability and control of the duty-exempted material.

Land Intensification Allowance (LIA)

This tax allowance is available to businesses in the manufacturing and logistics sectors that have large land takes and low gross plot ratios (GPR). Qualifying businesses are given an initial allowance of 25% and an annual allowance of 5% on qualifying capital expenditure until the total allowance amounts to 100% of qualifying capital expenditure. The LIA is only available until 30 June 2020.

Research Incentive Scheme for Companies

This scheme supports research and development (R&D) activities in science and technology by granting eligible companies co-funding support for up to three years of up to:

- 30% of R&D project costs such as manpower, training, consultancy, equipment, software, IP and materials costs.
- 50% for local manpower costs

See *www.edb.gov.sg/content/dam/edbsite/downloads/brochures/RISC%20Brochure.pdf*.

The company must:

- Be incorporated in Singapore.
- Be prepared to make significant investment in R&D activities.
- Meet quantitative and qualitative merits, which include:

- employment of research scientists and engineers;
- business expenditure on R&D that generates spin-off benefits to the economy;
- the applicant's commitment to growing R&D capabilities in Singapore.

Investment guarantees

Question Body:

26. What legal guarantees exist against expropriation and/or provide for appropriate compensation? What is your government's track record in this regard?

Answer Body

There are no laws permitting expropriation in Singapore. However, the government does have the power to acquire land from private owners under the Land Acquisition Act (Cap 152). There is no differentiation between local or foreign proprietors in terms of the process of acquisition and compensation. Compensation is currently benchmarked at prevailing market rates.

Other than land, the Singapore government has a track record of honouring its agreements with countries and businesses. It is more likely to liberalise than to nationalise industries, having liberalised (for example) the hospital, university education, telecommunications, energy and postal sectors. Disputes between the government and commercial parties are resolved by the rule of law, in courts or in other dispute resolution bodies by consent of the parties

Question Body:

27. Are there any issues in relation to the enforcement of intellectual property rights?

Answer Body

Singapore has an international reputation as having a legal system that is neutral, efficient and transparent. The legal system has been constantly reviewed and enhanced to allow for better enforcement of IP rights. A specialised Intellectual Property Court was established in 2002, followed by a WIPO Arbitration and Mediation Centre in 2010.

In addition, the Intellectual Property (Border Enforcement) Act (introduced in 2018) has been over the last few years, and will continue to be implemented in parts to implement Singapore's obligations under the EU – Singapore Free Trade Agreement (EUSFTA) to:

- Enhance border enforcement measures against goods infringing IP rights.
- Standardise the legislative provisions on border enforcement.

- Provide new powers for Singapore Customs to obtain and provide information relating to the goods they seize.

Customs officers are currently able to seize imports, exports and goods in transit if they are suspected of being in infringement of IP rights. The amendments introduce new frameworks for seizure of imported/exported goods on the request of rights holders.

Disputes over IP can be brought before tribunals such as the Copyright Tribunal. Enforcement proceedings can be brought in the courts in general. Prosecutorial investigations are conducted by the Intellectual Property Rights Branch of the Singapore Police Force. Private IP owners can also apply to the Attorney General for permission to conduct the private investigation and prosecution of crimes related to IP.

Singapore's IP protection standards and laws are compliant with standards set down in the TRIPS Treaty and in FTAs with the US and EU.

Question Body:

28. Are there any issues in relation to the gaining and enforcement of judgments and/or arbitral awards?

Answer Body

Singapore is ranked twelfth overall in the 2019-2020 Rule of Law Index compiled by the World Justice Project. The Index considers factors such as absence of corruption, order and security, regulatory enforcement and civil justice, of which Singapore's global rankings for these individual factors were fifth and above.

Foreign judgments in Singapore are recognised and enforced by the common law rules, which are largely derived from:

- English common law rules.
- Reciprocal Enforcement of Commonwealth Judgments Act (RECJA).
- Reciprocal Enforcement of Foreign Judgments Act (REFJA)
- Part 3 of the Choice of Court Agreements Act 2016 (CCAA).

The same rules apply to Singapore residents as they do to foreigners.

The Singapore International Commercial Court (SICC) was established in 2015 to complement the Singapore International Arbitration Centre (SIAC) to offer parties more options for cross border, multi-jurisdictional dispute resolution in Singapore (*see www.sicc.gov.sg/documents/docs/SICC%20Brochure.pdf*).

As a signatory to the HCCH Convention on Choice of Court Agreements 2005 (Hague Choice of Court Convention) and the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (New York Convention), judgments from Singapore courts including those of the SICC and awards of the SIAC are enforceable in other jurisdictions that have ratified these conventions. The multi-jurisdictional relevance of the SICC and SIAC is illustrated by 18 international judges on the bench of the SICC and over 400 expert arbitrators from 40 jurisdictions on the panel of the SIAC.

Question Set:

Recent developments and proposals for reform

Question Body:

29. Have there been any significant recent or proposed legal developments affecting investors?

Answer Body

Insolvency law developments

Following the amendments of the Companies Act in 2017, Singapore has continued to enhance its debt restructuring regime through the passing of the Insolvency, Restructuring and Dissolution Act (the "Insolvency Act") in 2018. The new Insolvency Act brings about the following key changes to Singapore's corporate insolvency and restructuring law:

- Restriction of '*ipso facto*' clauses in contracts to protect valuable commercial contracts from being terminated and thus facilitate attempts by companies to restructure.
- New concept of 'wrongful trading' where it is no longer necessary to establish criminal liability to be found liable, and liability is extended to any person (rather than just directors) who was party to the wrongful trading by the company.
- Alternative option for judicial management by a resolution of the company's creditors rather than only by order of court.
- In recognition of the increasing use of third-party litigation funding, empowerment of judicial managers to assign the proceeds of actions involving undervalue transactions, unfair preferences, extortionate credit transactions, fraudulent or wrongful trading, or delinquent company officers to third parties.
- Unified regime of mandated licensing, qualifications, standards and disciplinary measures for all insolvency practitioners in Singapore.

Tax law developments

A number of tax changes were announced in the government's Budget Statement for the Financial Year 2019 (*see Question 10, Question 22 and Question 25*). For more details on other tax changes, there is an overview available on IRAS' website (*www.iras.gov.sg/irashome/News-and-Events/Singapore-Budget/Budget-2019---Overview-of-Tax-Changes*).

Singapore Convention on Mediation

Singapore was a key party in negotiating and drafting the new UN treaty on mediation, which was signed by the first 46 state signatories on 7 August 2019 in Singapore. The treaty is envisioned to make cross-border enforcement of mediation settlements easier and will help establish a common international understanding of how enforcement can take place across jurisdictions. It is hoped that by giving mediation more teeth in this way, parties will be more assured of the enforceability of mediation settlements and be encouraged to take advantage of the benefits of mediation.

Third party funding for dispute resolution

Before 2017, third party funding was generally prohibited and almost all funding arrangements in Singapore were unenforceable on public policy grounds. The introduction of the new legal and regulatory framework in March 2017 for third party funding in international arbitration abolished the common law tort of maintenance and champerty, and is a significant step to opening the doors to third party funding in Singapore. As third-party funding has become a feature in popular seats of international arbitration such as London and Hong Kong, this recent law reform addresses the increase in business demand for financing options for dispute resolution and has strengthened Singapore's position as an international commercial dispute resolution hub.

As of 11 October 2019, third party funding has also been extended to domestic arbitration, certain proceedings in the Singapore International Commercial Court and mediations connected with these proceedings.

IP Insurance Initiative for Innovators (IPIII)

On 13 June 2019, the Intellectual Property Office of Singapore (IPOS) announced the launch of the IPIII which introduced IP insurance products with Antares, an underwriter at Lloyd's Asia, the leading marketplace for special insurance and reinsurance. This will cater to the needs of enterprises in attracting capital, averting business interruption and strengthening negotiating positions when they use IP in the course of their business. The IP insurance policies cover legal expenses in IP disputes, such as infringement of IP and breaches of licences to use IP. This will enable companies to take on larger capacity in managing and mitigating their risks as they commercialise their intangible assets and IP and venture into global markets.

Question Body:

30. Are there any planned or on-going treaty negotiations or political developments that could have an impact on your jurisdiction's bilateral relationships with other nations and/or other economic, customs or monetary unions, free-trade areas or markets?

Answer Body

ASEAN treaty developments

The upcoming Regional Comprehensive Economic Partnership (RCEP) is an endeavour by 15 ASEAN and Asia-Pacific countries to build on the existing FTAs to strengthen economic linkages and enhance trade and investment flows within ASEAN. Concurrently, members of the ASEAN Economic Community (AEC) are working towards the full implementation of the AEC Blueprint 2025, which will enable ASEAN businesses to operate more easily across the region and make companies and member economies more competitive globally.

In the meantime, the ASEAN Agreement on E-Commerce was signed by the ASEAN Economic ministers on 12 November 2018 with the view to develop a conducive regulatory environment for e-commerce in the region. The Agreement aims to facilitate better cooperation amongst ASEAN members on policies regarding online consumer protection, electronic transaction security, cybersecurity, trade facilitation, and accessing and moving of data across borders. ASEAN members are encouraged to promote paperless trading between businesses and governments to generate more rapid and efficient transactions in ASEAN.

EU-Singapore free trade agreement (EUSFTA)

The EUSFTA was signed in October 2018, approved by the European Parliament in February 2019 and subsequently entered into force on 21 November 2019. As the first deal between the EU and a Southeast Asian economy, it is perceived as a stepping stone towards greater engagement between the EU and Southeast Asia. The EUSFTA aims to:

- Encourage greater consumer and production activity by removing customs duties on qualifying goods.
- Provide greater protection and cross-market access to companies, investors and service providers.

China's Belt and Road Initiative (BRI) and RMB internationalisation

According to the Home Affairs and Law Minister, one-third of BRI investments are in Singapore. As Asia's infrastructure hub and leading business centre, Singapore has a lot to offer in terms of expertise in infrastructure development, structuring and financing, making the country an attractive host and Singapore companies attractive partners not only for Chinese enterprises venturing into international markets, but also incoming businesses that wish to take up the numerous opportunities created by the BRI. In 2019, Singapore launched “Infrastructure Asia”, a new agency linking Singapore-based firms with regional project opportunities, as well as the “Infrastructure Dispute-Management Protocol”, which aims to help manage project disputes.

Another result of the close ties between China and Singapore is the establishment of Singapore as a regional gateway for RMB. In 2013, Singapore was appointed as one of the clearing houses for RMB. The People's Bank of China and MAS also signed a memorandum of understanding in 2013 for closer co-operation in reviewing the conduct of RMB businesses and clearing arrangements in Singapore, RMB liquidity conditions and stability of the RMB market.

Question Set:

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Professional qualifications. Singapore, Advocate & Solicitor and England & Wales, Solicitor

Areas of practice. Technology, investments and IPR; internet and E-Commerce; data protection and cybersecurity laws.

Recent activities

- Drafted legislation for Abu Dhabi and Dubai.
- As an Asian Development Bank consultant, he advised the National Assembly of Vietnam on the introduction of eCommerce Laws (2005).
- Advised the Vietnam Customs under a World Bank consultancy (2008).
- Served as a Member of Parliament and also as Chairman of Aljunied Town Council, a municipality with a population in excess of 100,000 households.
- Was President of the Consumers Association of Singapore and a member of national bodies such as the National Trust Council.
- Sits on the board of several companies, such as Edition Ltd (an agri-technology company listed on the Singapore Stock Exchange).
- Was Professor at the National University of Singapore, Nanyang Technological University (NTU) Singapore and Tyndale University College Canada.

Professional associations/memberships. Fellow, Chartered Institute of Marketing (UK); Fellow, Singapore Institute of Directors; Fellow, Singapore Computer Society; Expert, ICC DocDex Panel; Hon Legal Advisor, Information Technology Managers' Association; Hon Legal Advisor, Singapore Computer Society; Hon Legal Advisor, Association of Information Security Professionals (Singapore)

Publications. He is the author of 'Paperless International Trade: Law of Telematic Data Interchange' (Butterworths Asia 1992); and co-editor of a book Legal Aspects of Doing Business in Singapore (Addison-Wesley Singapore 1996). Dr. Toh conducts regular seminars to the ICT profession on the law relating to technology and cybersecurity, IPR on the internet and other online business and contract issues.

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