

**RSM!** Chio Lim

# Doing Business in Singapore



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## FOREWORD

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### Singapore as your Anchor in Asia

For many years, our Guide to Doing Business in Singapore has been well received by foreign investors and business associations in giving a quick overview of what is needed to do business in Singapore. That it is authored by our partners who are specialists in their respective fields, focusing on what matters to businesses, makes it a worthwhile reference.

As a leading accounting and consulting group, RSM Chio Lim is well-positioned to be your anchor in Asia. With more than 600 staff in Singapore and 300 in China, we are the largest outside the Big 4 in Singapore, experienced in providing foreign investors with one-stop convenience and dedicated expertise to set up operations in Singapore. This, together with our strong regional network, makes us the ideal choice for businesses looking to use Singapore as a springboard to Asia.

We currently provide advice and the "nuts and bolts" of setting up and doing business in Singapore to almost 1,000 foreign businesses, more than half of whom are from the USA and Europe. Our support ranges from the formation of companies to international tax advisory, tax compliance, accounting, payroll, audit, governance, as well as other needs like IT, fund-raising, valuation, M&A and transaction support services. Businesses know they can count on us for specialist advice, personal attention, and trust from a global brand name.

This guide is but a beginning. We welcome you to Singapore and chat with us.

**Chio Kian Huat**  
Chief Executive Officer  
RSM Chio Lim LLP

# INTRODUCTION

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## Getting to know Singapore



### i. Geography

Singapore is an island that lies just off the southern tip of the Malay Peninsula between the South China Sea and the Indian Ocean. Its strategic location on major sea lanes has provided the country with an economic importance in Southeast Asia. Singapore is often considered as a base for global enterprises looking to expand into Asia and Asian enterprises looking for global connectivity.

Located at the heart of Asia, Singapore is sitting at the centre of business opportunities. Having the four key attributes - Trust, Knowledge, Connected and Life, Singapore is being positioned as an ideal city to Work, Live and Play. Singapore was ranked first in Mercer's Quality of Living Survey 2009.

### ii. Working in Singapore

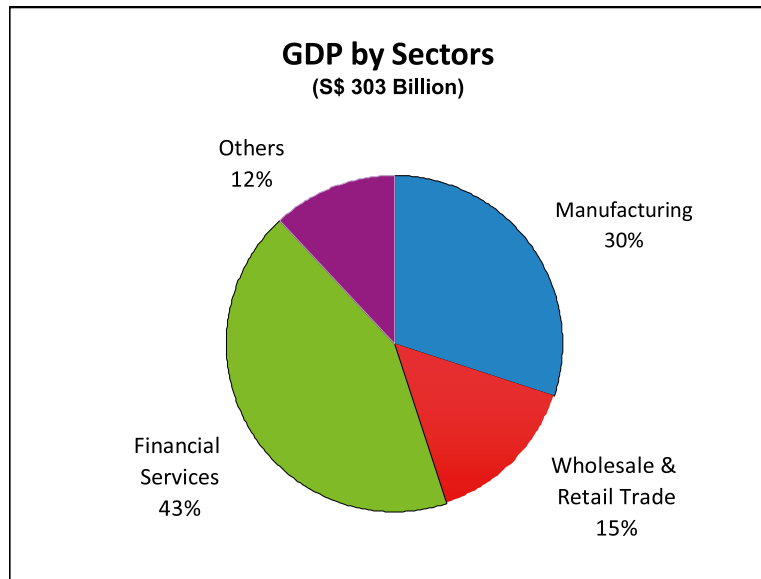
Singapore has a capitalised mixed economy. Having strong international trade links, Singapore possesses one of the most open economies for international trade and investment. Singapore offers foreign investors a pro-business environment, excellent infrastructure, highly-skilled and cosmopolitan labour force, and a robust legal/judicial system.

These competitive factors have set Singapore apart from other locations, winning several accolades including:

- The world's easiest place to do business (Doing Business 2011 Report, World Bank);
- Best Business Environment in Asia Pacific and world-wide (Country Forecasts, December 2009, Economist Intelligence Unit);
- World leader in foreign trade and investment (The Globalization Index 2010, KOF Swiss Economic Institution);
- 1<sup>st</sup> in Asia and 5<sup>th</sup> in the world for having the least corruption in its economy (The World Competitiveness Index Rankings 2010, International Institute for Management Development);
- 1<sup>st</sup> in the world for having the best protection of intellectual property (Global Competitiveness Report 2010-2011, World Economic Forum).

### a. Gross Domestic Product (GDP)

The diagram below illustrates the GDP contribution generated by each sector in 2010.



### b. Singapore Trade Performance

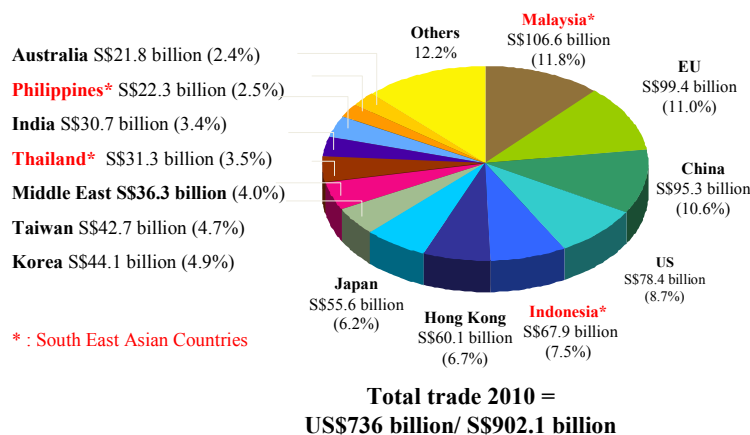
Singapore's high dependency on external markets and suppliers propels Singapore towards economic openness, free trade and free markets. Entrepot trade is largely practised in the economy of Singapore as exports are major source of revenue in Singapore economy, particularly in integrated circuits, information technology products, and refined petroleum products.

Singapore government encourages outward orientation, thus no protectionist measures and barriers are implemented to the free flow of goods in and out of the country. About 99% of goods imported into Singapore are duty-free.

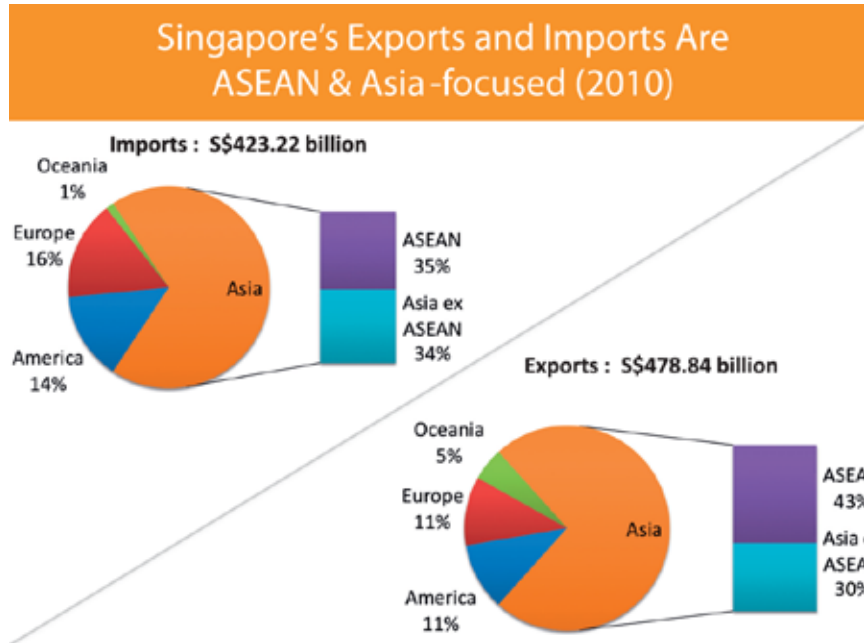
Singapore's top trading partners for 2010, and their respective share of its total trade, are shown in the chart below.

## Singapore's Key Trading Partners 2010

**Share of Total Trade By Top Trading Partners (%)**



Trade with ASEAN reached 39% of Singapore's total trade and trade with ASIA exceeded 70% of Singapore's total trade. This signifies a strong trade connectivity between Singapore and the region, which is in line with Singapore's position as a trading base for Asia.



### c. Free Trade Agreements (FTAs)

FTAs are superhighways that connect Singapore to major economies and new markets. With FTAs, Singapore-based exporters and investors stand to enjoy a myriad of benefits like tariff concessions, preferential access to certain sectors, faster entry into markets, investment and Intellectual Property (IP) protection.

Singapore has concluded 18 regional and bilateral free trade agreements (FTAs) with 24 trading partners and 35 investment guarantee agreements. The network of countries with whom Singapore has signed FTAs with makes up at least 60% of global GDP.

As an integral part of Singapore's trade architecture, Singapore's network of FTAs is designed to position Singapore as an integrated manufacturing centre in this region; promote research & development in our knowledge-based economy and drive the services hub.

Singapore has multiple trade networks that local companies can leverage on to grow their businesses. For instance, in addition to the 18 FTAs signed, the country possesses more than 50 comprehensive double taxation agreements (DTAs).

- ASEAN Free Trade Area (AFTA)
- ASEAN-Australia-New Zealand FTA (AANZFTA)
- ASEAN-China (ACFTA)
- ASEAN-India (AIFTA)
- ASEAN-Japan (AJCEP)
- ASEAN-Korea (AKFTA)
- Australia (SAFTA)
- China (CSFTA)
- Hashemite Kingdom of Jordan (SJFTA)
- India (CECA)
- Japan (JSEPA)
- Korea (KSFTA)
- New Zealand (ANZSCEP)
- Panama (PSFTA)
- Peru (PeSFTA)
- Switzerland, Liechtenstein, Norway and Iceland (ESFTA)
- Trans-Pacific SEP (Brunei, New Zealand, Chile, Singapore)
- United States (USSFTA)

#### d. Physical and Economic Infrastructure

Singapore government endeavours to constantly provide first-class and advanced infrastructure. Renowned for its excellent shipping, air links and public transportations, the Singapore port is the world's busiest port in the world in terms of shipping tonnage, with more than 800 international ports linked by over 600 shipping lines.

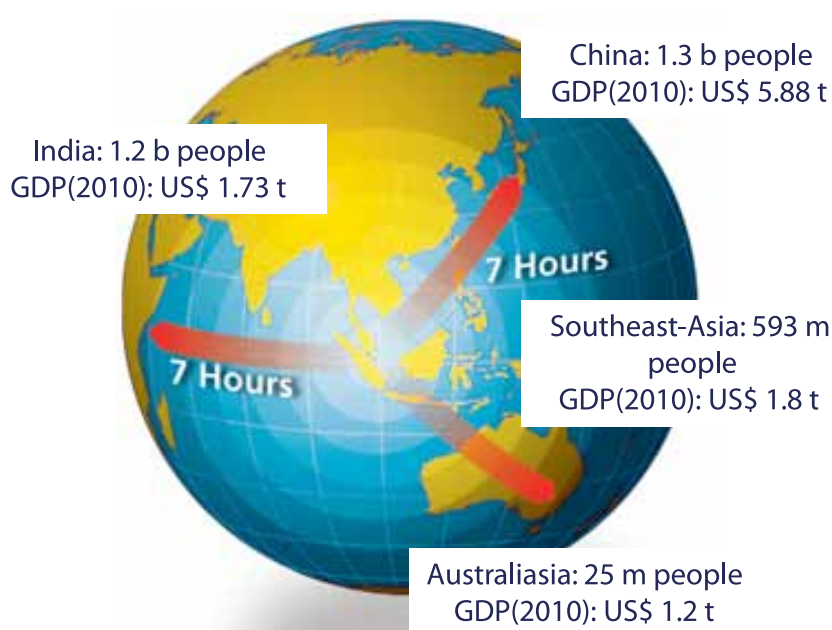
Changi International Airport, a major air-hub in the Asia Pacific region, is linked to 200 cities in 60 countries, with more than 100 international airlines operating over 5,400 weekly flights to and from Singapore. In 2010, over 42 million passenger movements were recorded at Changi Airport. In the same year, Changi also handled over 1.8 million tons of airfreight.

Being one of the global telecommunications hubs in the region, Singapore has developed an advanced and reliable infocomm infrastructure. The presence of a good infocomm network is crucial especially since Singapore is progressing into a world of globalisation and highly-networked economies, so as to enable smooth communications among countries. Together with its excellent banking facilities, all of these have allowed Singapore to facilitate regional as well as global business operations.

Singapore has started wiring up the Next Generation Nationwide Broadband Network (Next Gen NBN) and is targeting to complete by 2012. The Next Gen NBN is Singapore's nation-wide ultra-high speed fibre network. A strategic enabler of economic and social growth, the network will prepare Singapore for an infocomm-enabled future and place it at the forefront of broadband development internationally.

#### e. Singapore Connectivity

Within the 7-hour of flying time, Singapore has access to 3.1 billion of population catchment in India, China and South-East Asia. The collective GDP of these countries exceeded US\$10.6 trillion in 2010. Singapore's proximity to regional markets and access to global markets make it an idea place for global enterprises seeking a base in Asia.



#### f. Singapore Service Sectors

To provide foreign companies a pro-business environment, Singapore is a leading provider of services particularly in international banking, trade finance, maritime finance, insurance, treasury operations, as well as asset and wealth management. Singapore is also being served by over 500 local and foreign financial services and more than 4,500 companies offering services such as audit and accounting, management consulting, market research, legal and human capital services.

To enhance the tourism sector, the government initiated the development of two integrated resorts and casinos in 2005, drawing in investments of more than US\$5 billion. Las Vegas Sands' Marina Bay Sands Resort and Genting International's Resort World Sentosa opened their doors in early 2010. These businesses are growing rapidly and may become the two main revenue contributors in the tourism sector which will enhance Singapore's reputation as a premium "must-visit" destination for both leisure and business visitors.

#### **g. Political and Governmental Environment**

The political image of a country is vital in attracting foreign investment. Singapore's effort to address this concern has successfully sculptured a clean and corruption-free image. Singapore's efficient and transparent bureaucracy also makes it an attractive destination for foreign investors.

By providing financial and tax incentives, e.g. Pioneer Schemes, Finance & Treasury Centre Tax Incentive or Global Trader Programme, it lowers the cost of doing business in Singapore. A foreign company that has registered an international or regional headquarter in Singapore can also enjoy lower corporate tax rate.

#### **h. Robust Legal System**

As a former British colony, Singapore inherited its legal system from the English legal system. Regardless of the creed, race and religion of Singapore citizens, all are equal in the eyes of law. Singapore's judicial system has been recognised as one of the fairest and the most efficient in Asia.

Anti-corruption laws are strong and well-enforced in Singapore. Thus investors are able to do their businesses without being encumbered by bribery. In order to safeguard intellectual property rights, Singapore has strictly acted in accordance with WTO's Trade-Related Aspects of Intellectual Property Rights Agreement ahead of schedule and has been a member of the World Intellectual Property Organization since 1990. Singapore is also a party to the Paris Convention Protection of Industrial Property and the Nice Agreement. In this case, protection of ideas and innovations will be legally enforced under the law system in Singapore.

Singapore has established the Singapore International Arbitration Centre (SIAC) to provide dispute resolution service in this important regional hub that is the centre of Asia's legal and business activity. Established in 1991, SIAC is now renowned for its first-rate arbitration rules, experienced world-wide panel of independent arbitrators and its commitment to excellence in serving our clients.

#### **i. Competitive Workforce**

In order to maintain employability, the workforce must possess both knowledge and skills that are relevant, current and sought after by employers. Singapore's literacy rate of over 90% has allowed foreign employers to source for quality and competitive workforce. An open immigration policy has better prepared Singapore towards becoming a global talent capital that is proficient in English - the language of international business. As such, Singapore is reputed for its highly skilled workforce that has consistently topped BERI's Labour Force surveys for 31 years.

The increase proportion of highly educated employees enables Singapore to remain as an attractive base for the best personnel in the world. Furthermore, a sincere and cooperative relationship is maintained between government, businesses and unions to ensure a harmonious and effective working environment.

#### **j. Foreign Investment**

More than 7,000 multinational corporations and another 26,000 international companies have been attracted to invest in Singapore. The amount of foreign direct investment in Singapore as at the end of 2009 stood at S\$323 billion. The two investor countries with the highest investment amount were the United Kingdom and Japan. Other countries with significant investments in Singapore include the United States, Netherlands and Switzerland.

By adopting a pro-foreign investment policy, the Singapore government encourages free enterprise with no restriction on foreign ownership of businesses. Nearly all sectors of Singapore's economy are open to 100% foreign ownerships. In addition, there is no obligation for investors to register or report their investment capital, loans or technology agreements.

## k. Reputable Financial Status

Being recognised as one of the leading financial institutions of the world, Singapore is the only Asian country rated with "AAA" rating. Apart from that, Singapore provides a full range of financial products and services including banking, insurance, asset management, financing and treasury services. There is also no control on foreign exchange as well as profit remittance or repatriation of capital and profits from Singapore. Hence, the deep and liquid capital market can become an alternative source of financing for businesses.

## iii. Living in Singapore

With over 5 million people living in a total land area of just 712 square kilometres, Singapore is a thriving global city which is consistently ranked as the greenest metropolis and the most livable city offering the best quality of life in Asia. Undoubtedly, living in Singapore promises to be a wonderful and unique experience.

Singapore cuisine stands as a unique national culture. Walking around the city, you will never fail to notice the huge variety of food available. They range from local dishes by different ethnicities to fancy gourmet food, and are located from as near as hawker centres beside your doorstep to spanking new shopping malls and towering skyscrapers within a stone's throw. For those who prefer home-cooked food, bountiful fresh ingredients are easily available in many wet markets and supermarkets throughout the island. The food in Singapore is a true reflection of Singapore's melting pot of cultural diversity. A life in this island will never be complete without an exhilarating food hunting trip.

In spite of its small land area, one can be easily spoiled by the wide selection of accommodation available. While most Singaporeans stay in public housing, condominiums or service apartments which provide facilities such as gymnasium, swimming pool, and security service, are among the favourite choices for foreigners. In addition, landed property like bungalows, semi-detached houses, terrace houses, cluster houses and townhouses are also available for higher price. In Singapore, getting an office space is a breeze with lots of real estate consultants providing professional assistance to best suit your needs. Premium office space such as Suntec Tower Three, Marina Bay Financial Centre and also Ocean Financial Centre which are strategically located in the hub of Singapore business and financial district will push your business further in achieving your competitive edge. To make things better, you will be glad to know that your workplace will never be too far away from your accommodation, thanks to the well established public transportation system in Singapore.

Singapore has always enjoyed a good reputation for its renowned safety and cleanliness. This is attributed to the efficiency of the Singapore Police Force and the well enforced rules and regulations. Moreover, Singapore has also gained its fame globally with its impeccable and yet affordable healthcare system. Hospitals and clinics which are well equipped with state-of-the-art facilities have not only taken good care of Singaporeans' health but have even attracted more than 400,000 medical tourists annually to receive medical treatment in Singapore. All these contribute to Singapore being a comfortable and worry-free living environment for everyone. Experience Singapore yourself, hopefully in no time, you will be one of many who find here as their perfect home.

## iv. Playing in Singapore

Apart from being the ideal place to grow your business, Singapore, as a dynamic and vibrant nation, also acts as the perfect getaway from the hectic schedules of everyday work.

In accordance with the latest Location Ratings for expatriates living conditions published by ECA International, Singapore retains pole position for Asians to live in for 11<sup>th</sup> consecutive years. While embracing the fusion of multi-cultural as a result of the immigration of expatriates, Singapore tends to encourage balanced lifestyles between work and play. There are indeed a myriad of activities and sites introduced in order to relax one's grip.

Singapore is a multi-racial country comprising Chinese, Malay, Indian, Eurasian and other minority ethnic groups. Hence, you will be able to experience the beauty of each culture especially from the aspect of arts. The annual Singapore Arts Festival has gathered the local and international artists to display their talents in the area of arts, crafts, music and dance. Music theatres, Broadway Musical, and indigenous performances are likely to be discovered in Singapore - the major hub of arts in the Asia Pacific Region. The Esplanade - Theatres on the Bay and Victoria Concert & Memorial Hall are definitely good places to begin your art journey.

On top of that, you are bound to find fun-filled festivals in Singapore all year round as Singaporeans celebrate the traditional festive seasons such as Chinese New Year, Hari Raya and Deepavali. To truly soak up the atmosphere of these festivals, several Asian heritage spots are a must-visit such as Chinatown, Geylang Serai and Little India respectively.

The tropical climate throughout the year is apt for water and outdoor sports activities. Activities such as sailing, kayaking, water skiing, and sunbathing are fit for adventurous people. If you are a diving enthusiast, check out Pulau Hantu, the ideal diving spot popular for its reefs.

Universal Studio Singapore, Southeast Asia's first ever Hollywood movie theme park in Singapore, is highly recommended for family outings. If non-stop excitement is what you are looking for, be sure to hop onto Battlestar Galactica, the world's tallest dueling roller coaster. Underwater World, Butterfly Park and sandy beaches are attractions that you cannot afford to miss out at Sentosa Island as there is always something for every person.

Despite having an appealing mix of cutting-edge infrastructure and economic development, Singapore retains its natural heritage such as flora and fauna. Destinations like Singapore Zoo, Night Safari and Chek Jawa are precious wildlife sanctuaries that act as platforms to promote Eco Tourism in Singapore.

These things definitely make life worth living and enjoyable, and one can get it all in Singapore. As a global business hub in Asia, Singapore taps on its strategic location - in the heart of Asia by creating a vibrant, sustainable and cosmopolitan city of distinction. All of these have made Singapore a great city to live, work and play in.

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# OVERVIEW OF LEGAL ENVIRONMENT

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## 1. Legal Framework

The Republic of Singapore has a legal system largely based on the British Westminster model, where the power to govern and administer the country is divided between the Executive, the Legislature and the Judiciary.

Generally speaking, executive power of the government is vested in the President of the republic and a Cabinet of Ministers comprising of a Prime Minister and other appointed Ministers. The power to legislate for the country is vested in Parliament with the President having a role to formally assent to bills and therefore give new pieces of legislation their legal effect. The President also has the role of keeping Parliament in check with regards to laws that may affect the financial resources of the country. The machinery to administer justice is the judiciary, which comprises of the Supreme Court and the Subordinate Courts. The Supreme Court consists of the High Court, which exercises both original and appellate civil and criminal jurisdiction; and the Court of Appeal, which exercises appellate civil and criminal jurisdiction. Any courts constituted under the Subordinate Courts Act (Chapter 321) and any other tribunal, judicial or quasi-judicial body that has a right of appeal to the Supreme Court are subordinate courts.

There are two major sources of law in Singapore. They are legislation and case law (or common law). Legislation refers to acts enacted by Parliament and subsidiary legislation made by various administrative bodies pursuant to powers given to them by statutes. In contrast, the common law is not embodied in any statutes; they are judgments that courts have delivered. Once a case has been decided, future cases with similar fact scenarios will be bound by the earlier decision if the earlier decision is made by a higher court in the same hierarchy. This ability of judges to make law is an identifying feature of countries like Singapore that follow the "common law" system as opposed to the "civil law" system. In civil law jurisdictions like France, Indonesia and Japan, all law is codified by the legislature and there is an absence of judge-made law. Singapore's contract law is generally based on the common law of contract in England. Save for some situations where the common law has been specified or modified by legislation, much of the law of contract in Singapore remains in the form of judge-made laws.

Since 1970, Singapore has moved towards creating an autochthonous legal system. 1993 saw the abolishment of appeals to the Judicial Committee of Her Britannic Majesty's Privy Council as the highest court. The Court of Appeal, presided by the Chief Justice and 2 Justices of Appeal, became the highest court in Singapore. These changes are largely due to the increasing confidence, recognition and standing of Singapore's legal system; and the potential incompatibility of English law given the development of the European Union.

## 2. Handling Civil Disputes

There are several options for resolving civil disputes in Singapore, including:

### i. Litigation

Litigation refers to going to trial at a court of law. The litigation process has its advantages and disadvantages. One of the advantages of litigation is its finality. After a judgment has been passed, the parties must abide by the decision unless they are able to appeal against the decision at a higher court. As for the disadvantages, the main ones are the cost and time involved. Although, getting a trial date in Singapore is relatively fast compared to other jurisdictions, there could be other methods of dispute resolution such as mediation, which could be faster.

### ii. Mediation

Mediation is a process in which a neutral party, known as the mediator, assists the parties in negotiating with each other to amicably reach a settlement. Mediation can be conducted by different organisations, but the popular ones are the Singapore Mediation Centre and the Primary Dispute Resolution Centre at the Subordinate Courts. Before mediation can begin, both parties must agree to submit their dispute to mediation. This form of dispute resolution is most ideal if both parties genuinely desire to find a mutually acceptable solution to their dispute.

The main advantages of mediation are as follows:-

- It may be relatively faster;
- Parties retain control over the outcome; and
- Privacy is maintained as parties are not exposed to the media and the public.

The main disadvantage of mediation is that it may not be final. If the parties cannot reach a settlement, they may have to resort to other forms of dispute resolution, such as arbitration or litigation.

### iii. Arbitration

Arbitration is a consensual process whereby parties submit their dispute to a neutral arbitrator for a binding and final decision which can be kept confidential. It is less formal than a trial in court. Arbitration need not be conducted in Singapore but if parties choose Singapore as the venue for arbitration, the Singapore International Arbitration Centre can be used for both international and domestic disputes.

Singapore provides an arbitration friendly environment for international parties. The International Arbitration Act, which governs and supports arbitral proceedings involving international parties in Singapore, is based upon the familiar 1985 UNICITRAL Model Law and 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. The International Arbitration Act grants parties considerable autonomy in choosing, amongst other things, the arbitrators who will hear their dispute, the applicable rules of procedure and the applicable law to govern their dispute. The local judiciary has also adopted a clear policy of judicial non-intervention of arbitral proceedings in keeping with the spirit of respecting party autonomy in international arbitration.

The advantages of arbitration include, amongst other, speedier resolution of a dispute than if it goes to trial, lower cost than litigation and the ability of parties to choose an arbitrator who has the technical knowledge in a particular field. In addition, arbitration generally allows international parties to avoid complex jurisdictional battles in various national courts, as well as the pains of enforcing national court judgments across borders.

In theory, parties can agree to go for arbitration before or after the dispute has arisen. However, in practice, most parties only go for arbitration if they have pre-agreed in their contract that they would do so. Thus, if the parties wish to arbitrate in the event of a dispute, they should expressly provide for this in their contract.

## 3. Employment

The absence of labour unrest in Singapore creates a conducive business environment for investors. Many regulations have set the tone and mood of calmness in this area making it a great pull-factor.

The Industrial Relations Act regulates procedures concerning collective bargaining and negotiation. The National Wages Council, which comprises representatives from employer groups, employee unions, as well as the government, sets guidelines for steady wage increases each year.

The Employment Act sets minimum working conditions for workmen (defined in the Act to include persons employed for manual labour or the operation of vehicles) earning up to S\$4,500 per month and non-workmen earning up to S\$2,000 per month. Under the Act, the maximum ordinary working hours is 8 hours per day or 44 hours per week, and the maximum overtime hours are 72 hours per month. The minimum annual vacation for employees in their first year of service is seven days and this increases by one day for each subsequent year of service, up to a maximum of 14 days a year. (Please refer to chapter on Overview of Singapore Employment Landscape for details.)

The Employment Act also specifies that employees who are covered by the Act, but who have served less than three years with the employer, are not entitled to receive retrenchment benefits in the event of redundancy. In converse, the Singapore Court of Appeal has held that this does not imply that the employer must pay retrenchment benefits to employees with more than three years' continuous service with the employer. Employment and retrenchment terms for executives are not regulated by the Act.

The Work Injury Compensation Act requires employers to insure against liabilities for employees, regardless of their salary level and their scope of work, if they are injured in the course of work.

Central Provident Fund contributions are required to be made by employers and employees at specified rates based on the remuneration of employees who are Singaporeans or Singapore permanent residents.

## 4. Immigration

A foreigner who is not a Singapore permanent resident and who wants to engage in any business, profession, occupation or any form of paid employment in Singapore with a monthly income of more than S\$2,500 will need an employment pass.

The EntrePass is required for foreigners who wish to start a new business in Singapore and is granted conditional upon registration of a private limited company not more than six months prior to an application for an EntrePass, holding of at least 30% of shares in the company and the company having at least S\$50,000 paid-up capital. The pass holder may leave and re-enter Singapore any time and the pass is renewable for as long as the business remains viable.

The Multiple Journey Visa caters for business executives who travel in and out of Singapore frequently either to attend to business matters and investments or to look for business opportunities in Singapore. The visa is valid for 1, 2 or 5 years.

There are three categories of employment passes available for foreigners to work in Singapore. The P1, P2 and Q1 Pass are available to applicants who hold professional, managerial, executive or specialist jobs, depending on the applicant's fixed monthly salary (Please refer to chapter on Working in Singapore for details). The assessment criteria for subsequent renewals of the EntrePass also varies based on the type of employment pass issued and they are

1. the number of local employees employed; and
2. the total business spending.

Once an expatriate has been issued with an employment pass, the spouse and children under 21 years of age may be issued with a dependant's pass for the duration of the expatriate's employment. Spouses may also apply for permission to work in Singapore provided they satisfy the requirements noted above.

Foreigners may also apply to become permanent residents of Singapore in which case no work passes are required.

Employers who hire foreign workers are subject to a dependency ratio which requires them to peg the number of foreign workers to the number of local workers. This ratio varies across different sectors. The dependency ratio of foreign workers to local workers for the construction and process sector is 7:1; the dependency ratio for the manufacturing sector is 13:7; the dependency ratio for the marine sector is 5:1; and the dependency ratio for the services sector is 1:1.

## 5. Competition Act

The Competition Act promotes healthy competitive markets by prohibiting certain business practices that restrict competition in the market. Passed in October 2004, the Act came into force on 1 January 2005. The enforcement takes a 2-step approach with the introduction of provisions involving anti-competitive agreements and abuse of dominant positions on 1 January 2006, as well as the introduction of provisions pertaining to mergers and acquisitions on 1 June 2007. The Competition Commission of Singapore (CCS) enforces the Act and regulates all activities under it. Activities not allowed under the Act include:

- Price-fixing;
- Sharing of markets or sources of supply;
- Conclusion of contracts subjected to acceptance of supplementary obligations having no commercial connection to the subject of the contracts;
- Application of dissimilar conditions to equivalent transactions with other trading parties which place them at competitive disadvantage;
- Limitation of production, markets, technical development or investment;
- Predatory behaviour towards competitors; and
- Mergers that have resulted in, or expected to result in, substantial lessening of competition within the Singapore markets.

All businesses, whether or not registered with the Accounting Corporate and Regulatory Authority (ACRA), are required to comply with this Act. These provisions also affect foreign, domestic and government-owned entities, as well as mergers that occur outside of Singapore involving companies with business dealings within the country.

The Act does permit some exclusion. The government and its statutory boards are not liable under any provision which prohibits anti-competitive mergers. Industries that are already regulated and have a structured competition framework in place (a clear example being the telecommunications and media industries in Singapore) are also exempted. A vertical agreement (between two or more businesses at different levels of the production or distribution chain) is generally not regarded as an anti-competitive agreement for the purposes of the Act. The CCS will take action against those who breach the Act. It is important to file a complaint for anti-competitive practices with the CCS if there is any suspected breach. The CCS will then investigate complaints it receives and assess whether they are valid.

## 6. Singapore's Free Trade Agreements (FTAs)

Singapore has entered into various Free Trade Agreements (FTAs) with its trading partners, bringing about some changes to the country's legal environment. Many of these changes will be of interest to people wanting to do business with or invest in Singapore. Singapore-based companies will enjoy exclusive benefits in the following areas:

### i. Trade in Goods (Goods Chapter in an FTA)

- Cost and time savings through tariff elimination, streamlined customs procedures and mutual recognition of standard
- Singapore-based manufacturers can therefore price more competitively and enjoy shorter product distribution time

### ii. Trade in Services (Services Chapter in an FTA)

- Enhanced access to important service sectors like telecommunications, finance and business services in the various FTA markets
- Fair and non-discriminatory treatment for Singapore's service suppliers

### iii. Investment Protection & Facilitation

- A great guarantee of fair compensation in the event of expropriation
- Resolution at international arbitration tribunal through investor-to-state dispute mechanism

### iv. Government Procurement

- Lower threshold values increasing business opportunities with foreign governments
- Greater transparency in procurement process

### v. Intellectual Property Rights (IPR) Protection

- Greater IPR protection sets ground for knowledge-based industries
- World-class IPR regime through IPR ventures and exchange of best practices

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# STARTING A BUSINESS BANKING RELATIONSHIP IN SINGAPORE

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## 1. Introduction to the Financial Landscape in Singapore

When it comes to starting and growing your business in a new territory, the overall environment plays a very important part in the journey that lies ahead.

Singapore prides itself as one of the best cities in the world for doing business. Its reputation as a leading destination for investments is affirmed by World Bank's "Doing Business 2011 Report", which ranks Singapore as the world's easiest place to do business in 2010 and 2011. In 2009, the country also took top spot for offering the best business environment in Asia Pacific and worldwide in the Economist Intelligence Unit's "Country Forecasts".

Singapore's success in this area can be attributed to several factors, amongst which include having a pro-business environment, excellent infrastructure and a highly skilled and bilingual workforce. The country's strategic location amidst a region of opportunities makes her the natural gateway to the emerging economies in Asia. The many forward-looking economic policies that have been introduced by the Singapore Government to encourage foreign investments is also one other reason why foreign businesses, wishing to have a share of the growing Asian emerging markets, are rushing to set up their business here.

The financial landscape in Singapore is fast-paced, competitive and efficient. Having established itself as a reputable financial and regional trading centre, Singapore is recognised as one of the key capital markets in Asia Pacific. Being well-established and diversified, it is a preferred listing location for many foreign companies. Renowned as a thriving financial hub, Singapore plays an important role in the Asia Pacific region, and also in the international arena. It had played host to several important international and regional events, including the meeting of IMF and World Bank Group in 2006, 13th ASEAN Summit in 2007 and more recently the inaugural Youth Olympic Games in 2010.

Banking and financial services sector in Singapore is regulated by the Monetary Authority of Singapore (MAS), which acts as the central bank of Singapore. As an integrated supervisor of financial activities in Singapore, the MAS aims to promote a sound, progressive and stable banking and financial services sector, thereby building the trust and confidence of participants and stakeholders in the overall market. Such strong fundamentals and sound macroeconomic policies helped Singapore's financial sector to weather the global financial crisis of 2008-09 well.

Presently, there are about 120 commercial banks registered in Singapore, including three local banks, namely Oversea-Chinese Banking Corporation Limited (OCBC Ltd.), United Overseas Bank Limited (UOB Ltd.) and the Development Bank of Singapore Limited (DBS Ltd.). These banks, together with other financial players in Singapore, offer companies an extensive and diversified range of financial products and services, including cash management, corporate loans, international trade finance, insurance, investment banking and treasury services.

## 2. Banking in Singapore

A critical success factor to proper corporate financial management is to start with an established and reliable banking partner. Successful cash management ensures the financial stability and solvency of your company. From the basic corporate business current account to the more sophisticated payables, receivables and liquidity management solutions, the bank should have the breadth and depth to support your business requirements.

### i. Types of Business Bank Accounts

A Singapore Dollar (SGD) business current account forms the baseline of any corporate financial infrastructure. It is a 'must-have' for new businesses, including foreign-incorporated companies. In Singapore, opening of such an account is usually fast and hassle-free with simple business documents required. The initial maintenance costs vary from bank to bank. These SGD current accounts are usually non-interest bearing with cheque facility, allowing customers to enjoy the flexibility of withdrawal through ATM facilities.

In 2006, the Deposit Insurance (DI) Scheme was implemented in Singapore to protect depositors. Participation in the DI Scheme is mandatory for all retail deposit-taking institutions, i.e. full banks and finance companies in Singapore. Today, the DI Scheme covers Singapore dollar deposits of all non-bank depositors (including individuals, charities, sole proprietorships, partnerships, companies and unincorporated entities) in current, savings and fixed deposit accounts up to the DI coverage limit of S\$50,000 per depositor per DI Scheme member. This scheme is intended to mitigate potential cash flow problems of small business depositors in the event of a bank failure.

Besides SGD accounts, Foreign Currency (FCY) accounts are also available in five major currencies: USD, EUR, AUD, GBP and JPY. These may or may not be interest-bearing, depending on the bank. Besides current accounts, Time Deposit accounts are also available in different tenures and both SGD as well as the five major currencies, depending on requirements. Banks also offer several investment-linked deposits and products to businesses.

## ii. Opening a Business Account

Renowned as the easiest place to do business, opening a business account in Singapore is a relatively hassle-free process.

Before you open an account, your business must first be registered with the Accounting and Corporate Regulatory Authority (ACRA) in Singapore. ACRA is the national regulator of business entities and public accountants in Singapore. It also plays the role of a facilitator for the development of business entities and the public accountancy profession.

Having registered your business and appointed the authorised person(s) to operate your business account, you may proceed to open your business account. If you have appointed a corporate secretary for your business in Singapore, most corporate secretaries offer the service of arranging the necessary to open your business banking account right away. Otherwise, some research may be vital to finding the right bank that serves your business banking needs.

Once you have identified the bank of your choice, start off by calling the bank's hotline to enquire further on how to open your business account with them, or by visiting their bank branches. Most bank officers are able to offer guidance or direct you to the right officers who can assist with business account opening.

The process and documentation requirement for business account opening may differ between banks. It is advisable that you check in advance with the bank who are required to be present, what documentations are required and what is the initial deposit(s) required for the account(s), prior to visiting the bank branch or making the appointment with a bank officer to open the business account. This will ensure your business account can be ready for use in the earliest possible time to facilitate your business transactions.

The following table serves as a guideline on the typical documentations to be submitted as well as persons to be present for business account opening. Depending on the type of business entity, some banks may require more or less documentations.

Documentations Typically Required for Business Account Opening:

	Private Limited	Limited Liability Partnership	Partnership/ Limited Partnership	Sole-Proprietor	Society/Clubs/ Association
Board Resolution (Bank's standard/Company's)	✓	✓ <sup>^</sup>			
Certified true copy of Memorandum & Articles of Association (M&A)	✓				
Certified true copies of NRIC/Passport of All Authorised Signatories/ Partners/Office Bearers	✓	✓	✓	✓	✓
Certified true copy of By-Laws of Society/ Association/Club					✓
Certified true copy of Minutes of Meeting of Management Committee					✓ <sup>#</sup>
Minimum deposit in cash or cheque	✓	✓	✓	✓	✓

<sup>^</sup> LLP to also submit their LLP Partnership Agreement, if available.

<sup>#</sup> To include authorisation to open and close accounts with the Bank and appointment of authorised signatories.

All photocopied documents typically have to be certified as true copies by the following signatories:

Private Limited	Any 2 Directors or Director & Company Secretary (For M&A, any Director or Company Secretary)
Limited Liability Partnership	Any 2 Partners
Limited Partnership	Any General Partner
Partnership	Any 2 Partners
Sole-Proprietor	Business Owner
Society / Clubs / Association	Any 2 Office Bearers

The following signatories are typically required to present their identity documents (i.e. NRICs or Passports) at the point of business account opening at the bank branch or when meeting the bank officer:

Private Limited	Any 2 Directors (unless otherwise specified in board resolution)
Limited Liability Partnership	Any 2 Partners
Limited Partnership	All General Partners
Partnership	All Partners
Sole-Proprietor	Business Owner
Society / Clubs / Association	Any 2 Office Bearers

### iii. Value-added Services

With globalisation and constant technological advancements, many banks in Singapore are also quick to adopt various technological platforms and improvements in a bid to provide greater efficiency and convenience for its business customers.

Banks are able to offer a full suite of banking products and services, bundling them together to offer a simple, fast and convenient one-stop solution for new start-ups. Some of the following value-added services may be customised according to the business requirements and may be offered by banks either at no cost or at a nominal subscription fee:

- Phone Banking
- Internet Banking
- Email Alerts
- SMS Alerts

With these platforms and services, business customers are able to maintain significant control over their account and banking transactions of their Singapore operations either in Singapore or abroad.

### iv. Take Note of Account Features and Fees/Charges

It is important to familiarise yourself with the different accounts' features and fees/charges before opening your accounts.

The below list of items serve as a guide on various features and fee/charges you should take note of in your business banking accounts. This list is not exhaustive.

- Minimum Initial Deposit
- Minimum Monthly Average Balance
- Fall Below fee (if below Minimum Monthly Average Balance)
- Cheque charges
- Telegraphic Transfer (TT) commission
- Trade Finance fee
- Excess fees
- Annual Account fee
- Annual/Monthly Subscription fees for value-added services
- Account Closure penalty and period

#### v. Take Note of Cut-off Time and Turnaround Time

In business banking, prompt payment to business stakeholders, like employees and suppliers, speaks of the credibility and reputation of the business. In order to ensure your fund transfers, funds availability and other remittances are transacted smoothly and timely as intended, it is very important to be aware of your bank's cut-off times and turnaround times, for the respective products and services you are using.

Cut-off time determines the latest time of a business day which you may submit your instruction to the bank. Assuming that there are no errors in the instruction submitted, the bank in turn undertakes to complete that instruction by a specific time (the turnaround time). For example, if you were to deposit a locally drawn cheque by the cut-off time, the cheque will be cleared and funds become available in the next business day after a certain timing. For overseas foreign drawn cheques, it may take as long as 4-6 weeks to clear and for funds to be available.

Cut-off times and turnaround times differ from bank to bank, and differ for each and every banking product and service. It is important to understand and take note of these timings when opening your business account. These timings may change from time to time and it is best to check regularly with your banks on their respective cut-off and turnaround times (usually available on their website).

### 3. Business Credit Facilities

There is a myriad of banking credit facilities offered by the banks in Singapore to meet the different needs of various businesses. Banks may grant these credit facilities to businesses, subjected to the bank's application and credit criteria.

Typically, credit facilities are not easily granted to newly start-up companies due to a lack of track record. Hence, it is important for new businesses to maintain good account conduct in order to facilitate their application for credit facilities at a later stage of their business lifecycle. Foreign companies who wish to apply for credit facilities with banks are required to provide some security in the form of deposits or stand-by letter of credit.

The following is a list of various types of business financing facilities and services available:

#### Working Capital Financing

- Overdraft
- Business Term Loan

#### Asset-Based Financing

- Commercial, Industrial and Property Loan
- Equipment and Machinery Financing
- Factoring / Business Receivables Financing

### Trade Financing and Services

- Letter of Credit
- Back-to-Back Letter of Credit
- Transferable Letter of Credit
- Trust Receipt
- Documentary Payment / Collection
- Invoice Financing
- Export Bills Negotiation
- Export Bills Purchase
- Shipping Guarantee
- Airway Bill

### Bank's Guarantees

- Banker's Guarantee
- Performance Bond

## Government Agencies and Government-Assisted Financing

Several government statutory boards such as the Economic Development Board (EDB) and Standards, Productivity and Innovation Board (SPRING Singapore) under the Ministry of Trade and Industry Singapore (MTI) are set up to identify opportunities, plan contingencies and develop policies that create a globalised, pro-business, creative and diversified economy.

The Economic Development Board (EDB) is Singapore's primary agency that plans and executes strategies to make Singapore a credible global hub for business and investment across manufacturing and internationally traded services. EDB works with other agencies to develop the human, intellectual, financial and cultural resources to help multinationals and Singapore-based companies upgrade to higher value-creating operations and to thrive in a vibrant, self-sustaining enterprise ecosystem - a total environment for enterprises of all sizes.

The Standards, Productivity and Innovation Board (known as SPRING Singapore) is the main agency for enterprise development. It aims to enhance the competitiveness of enterprises to develop a strong base of dynamic and innovative Singapore enterprises, mainly the small-medium enterprises (SMEs). It serves enterprises from a range of industry sectors to develop industry-wide infrastructure, develop and upgrade capabilities, and create new market opportunities. SPRING works closely with industry associations and partners, such as the banking and finance sector, to create more financing programmes and options for SMEs at various stages of their growth.

The following are some of these government-assisted initiatives and financing schemes that are administered by appointed banks in Singapore:

- Loan Insurance Scheme (LIS) and LIS+
- Local Enterprise Finance Scheme (LEFS)
- Micro Loan Programme (MLP)
- International Finance Scheme (IFS)
- Over-the-Counter Capital (OTC Capital)

## 4. Business Protection

Bancassurance is a growing business in the financial services centre in Singapore. It is where an insurer partners with a bank and leverage on that bank's well-established channels to distribute its insurance products.

Protection for businesses can be broadly categorised into general insurance and life insurance.

General insurance for businesses seeks to protect your business's general needs and liabilities, such as the following:

- Fire and Extraneous Perils
- Business Interruption
- Work Injury Compensation
- Theft and Hold Up
- Public Liability
- Money In Premises or Money in Transit
- Personal Accident
- Travel Insurances

Life Insurance for businesses seeks to protect the lives of the business's key persons, to ensure business continuity. Businesses may need to address the following needs using life insurance:

- Keyman Protection
- Credit Protection
- Business Continuity

Bancassurance offers the unique benefit of providing expertise to address both the credit financing and insurance needs of the business.

The above information serves to provide a quick overview of the types of products and services offered by banks. Depending on your business requirements, most banks would be able to customise a financial solution that suit your needs.

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# TYPES OF BUSINESS ORGANISATIONS

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## 1. Sole Proprietorships and General Partnerships

All sole proprietorships and partnerships must be registered with ACRA under the Business Registration Act, Cap 32. ACRA must be notified of any changes in the particulars of the proprietor, manager or partners of business firms within the prescribed timeline.

Sole proprietorships and general partnerships are not corporate bodies, i.e. sole proprietors and partners of partnerships have unlimited liability for the debts and obligations that arise from the businesses.

## 2. Limited Liability Partnerships

Limited Liability Partnership (LLP) must be registered with ACRA under the Limited Liability Partnerships Act 2005.

An LLP is essentially a partnership with limited liability. It is a body corporate and has legal personality separate from that of its partners. The partners of an LLP have limited liability for the debts and obligations incurred by the LLP. An LLP has perpetual succession and any change in the partners of an LLP will not affect its existence, rights and liabilities. An LLP can sue and be sued in its own name. It can acquire, own, hold and develop property and incur debts.

## 3. Limited Partnerships

A Limited Partnership (LP) is not a separate legal entity. A LP must have at least 2 partners with at least 1 general partner and 1 limited partner. A general partner is liable for all debts and obligations of the LP whilst a limited partner is not liable for the debts and obligations of the LP beyond his agreed contribution. Limited partners do not take part in the management of the LP and have no authority to bind the LP.

An individual or a corporation may be a general partner or a limited partner.

## 4. Companies

A limited liability company is the most common form of business entity in Singapore. A limited company is incorporated under the Companies Act, Cap. 50 and registered with ACRA. A limited company may be limited by shares or by guarantee. A company may be registered as a private company if it does not have more than 50 shareholders and its Articles of Association restrict the right to transfer shares. Otherwise, the company must be registered as a public company.

A company is a body corporate and has a separate legal personality from its shareholders. The company can sue and be sued in its own name. It can own property and incur debts. The liability of the shareholders, if any, is limited to any amount unpaid on their shares. When the shares are fully paid-up, the shareholders have no further liability to contribute towards the debts of the company.

## 5. Joint Ventures

A joint venture may take the form of equity investment in a limited liability company, limited liability partnership or general partnership. Joint ventures are governed by the laws of companies, limited liability partnerships or general partnerships, as appropriate.

## 6. Foreign Companies

A foreign company wishing to establish a place of business or carry on business in Singapore may set up a branch. A subsidiary is a new legal entity incorporated under the Companies Act, Cap. 50 whilst a branch is an extension of a company incorporated elsewhere (i.e. the head office). A foreign company or a branch is to be registered with ACRA under the Companies Act, Cap. 50.

Whether an overseas corporation is deemed to be carrying on business through a branch in Singapore depends on the nature of the activities proposed. To determine whether the proposed activities will require the registration of a Singapore branch, it is advisable to obtain advice from professionals.

## 7. Representative Offices

A foreign company may establish a representative office in Singapore to undertake market research, feasibility study and liaison work on behalf of the parent company. A representative office is not permitted to engage in business, conclude contracts, open or negotiate any letters of credit. Approval for the establishment of a representative office must be obtained from International Enterprise (IE) Singapore.

## 8. Incorporating a Company

The reservation and approval of a name for the company is the first step in the incorporation procedure. This is done by submitting the proposed company name and relevant information online at ACRA's BizFile website together with payment of the requisite fee.

Once the name is approved, the incorporation information and documents, when ready, can be e-filed with ACRA. The company can commence business once it receives an e-notification of incorporation from ACRA, usually on the same working day of successful e-filing. A hard copy of the certificate of incorporation can be purchased from ACRA for a fee.

A Singapore company can be incorporated with a minimum of one director who must be a natural person of full age\* and capacity. If the company has only one director, that director must be ordinarily resident in Singapore, that is, he/she must either be a Singapore citizen, Singapore Permanent Resident or an Employment Pass Holder. If the Singapore company has more than one director, a minimum of one director needs to be ordinarily resident in Singapore. Likewise, a company needs to have only one shareholder who may be an individual or a corporate entity. There is no restriction on foreign equity participation in a Singapore company.

There must be at least one company secretary who is a natural person and has his principal or only place of residence in Singapore. The sole director cannot act as the company secretary. Every company must have a registered office in Singapore to which correspondences may be sent.

The pre-incorporation procedures for the formation of a public limited company are essentially similar to those of a private limited company. The additional documents to be filed with ACRA are a statement in lieu of prospectus and a statutory declaration of compliance by the director that the company has not issued a prospectus.

In addition to the e-notification of incorporation, ACRA will issue a notification stating that the company is entitled to commence business.

*\*With effect from 1 March 2009, the minimum age to be a director of a company has been lowered from 21 years to 18 years. A person who is 18 years and above can also register a business name and form companies or limited liability partnerships.*

A public company is required to hold a statutory meeting within a period of not less than one month and not more than three months after the date which the company is entitled to commence business. A copy of the statutory report and the auditors' report, if any, must be lodged with ACRA at least 7 days before the date of the statutory meeting.

## 9. Annual Requirements for Companies

Every company must appoint one or more auditors to report to its members on the accounts of the company unless it is dormant or a small exempt private company (EPC). A dormant company refers to a company with no accounting transactions. An EPC is one in which the company has not more than 20 shareholders and none of its shareholders is a corporate entity. A small EPC is an EPC whose annual revenue does not exceed the prescribed threshold as follows:

- Financial year commencing on or after 15 May 2003 with revenue of less than S\$2.5 million or
- Financial year commencing on or after 1 June 2004 with revenue of less than S\$5 million

The statutory audit requirement is removed for dormant companies and small EPCs with financial years commencing on or after 15 May 2003. However, these companies are still required to prepare their financial statements in accordance with the Financial Reporting Standards.

At each annual general meeting (AGM) of the company, the directors of the company are required to present an audited or unaudited (in the case of dormant companies or small EPCs) set of financial statements that gives a true and fair view of the company's affairs in the preceding financial year.

The first AGM of a company must be held within 18 months from the date of its incorporation and thereafter subsequent AGMs must be held once every calendar year and not more than 15 months after the last AGM. The audited/unaudited accounts to be laid before the shareholders at the AGM should be made up to a date not more than 6 months before the date of the AGM.

A private company may dispense with the holding of AGMs. All matters to be done at the AGM such as laying of accounts, appointment of auditors, etc can be resolved or done via written resolutions.

Every company is required to file its annual return and/or audited/unaudited accounts with ACRA within one month from the date of holding its AGM.

## 10. Registration of a Foreign Company

### i. Procedures

The first step in the registration of a foreign company in Singapore is to seek ACRA's approval of the name of the corporation. Once the name is approved, the registration papers and information, when ready, can be e-filed with ACRA for the registration of the foreign company. The following documents must be submitted for registration:

- A certified copy of the corporation's certificate of incorporation in its place of incorporation or origin, or a document of similar effect.
- A certified copy of the corporation's certificate of change of name or a document of similar effect (if applicable).
- A certified copy of its charter, statutes, or memorandum and articles of association or other instrument constituting or defining its structure.
- A list of its directors stating their names, residential addresses, nationalities, passport numbers, occupations and dates of appointment as directors.
- A memorandum of appointment of agents together with an affidavit. There must be at least two agents who must be natural persons resident in Singapore, that is, they must either be Singapore citizens, Singapore Permanent Residents or holders of valid Employment Passes.
- Notice of the location of the corporation's registered office in Singapore to which all communication and notices may be addressed.

The agent of a foreign company is answerable for the execution of all acts and matters as required to be done by the foreign company under the Companies Act, Cap. 50. The agent is also personally liable for any penalties imposed on the foreign company for any contravention.

### ii. Annual Requirements for Foreign Companies

A foreign company is required to lodge with the Registrar, the following documents:

1. A copy of its balance sheet and such accompanying documents as are required to be prepared by the foreign company (i.e. head office accounts); and
2. A duly audited statement showing its assets used in and liabilities arising out of its operations in Singapore and a duly audited profit & loss account in respect of its operations in Singapore (i.e. branch accounts).

The financial statements of the branch and the company (i.e. head office) are to be e-filed with ACRA within 2 months from the date of the AGM of the corporation. If the company is not required to hold an AGM in its country of incorporation and to prepare its balance sheet, it shall e-file with the Registrar a balance sheet (in such form and containing such particulars and annexed thereto such documents) as if it were a public company incorporated in Singapore within 7 months from the date of its financial year end. The company may, however, apply to the Registrar in writing for an order relieving the foreign company from the requirements of the Companies Act, Cap. 50 relating to the form and content of the accounts or report.

In addition to the annual filing requirements, the branch is required to e-file any changes in the particulars of the corporation with ACRA, that is, any change of directors and their particulars, change of capital, amendments of its constitution or change of local agent.

## 11. Registration of a Limited Liability Company (LLP)

To register an LLP, the following information must be submitted to ACRA electronically:

- The proposed name of the LLP, its proposed principal activities and registered address
- The name and personal particulars of each partner and if the LLP partner is a corporate entity, the name of the company, registration number, date of registration, registered office, country of incorporation/registration and personal particulars of the authorised representative
- The name and personal particulars of the resident manager

At least one resident manager has to be appointed and his role is prescribed by the LLP Act. He is answerable for the execution of all acts and matters as required to be done by the LLP relating to annual declaration of solvency/insolvency, the publication of name and limited liability and the registration of changes in the particulars of the LLP. The manager is also personally liable for all penalties imposed on the LLP for any contravention of those sections unless he satisfies the court hearing the matter that he should not be liable. In addition, the manager is responsible for submission of the Partnership Tax Return to the Inland Revenue Authority of Singapore (IRAS).

## 12. Comparison of Sole Proprietorships, General Partnerships, LLPs and Companies

	Sole Proprietorships	General Partnerships	LLPs	Companies
Legislation	Business Registration Act, Cap. 32	Business Registration Act, Cap. 32	Limited Liability Partnerships Act 2005	Companies Act, Cap. 50
Legal status	Not a legal person	Not a legal person	A legal person (can enter into contracts, hold property, sue and be sued and exist irrespective of change of partners)	A legal person (can enter into contracts, hold property, sue and be sued and exist irrespective of change of shareholders)
Number of owners/ shareholders	1	Minimum - 2 Maximum - 20 (except for professional firms)	Minimum - 2 No maximum number of partners	Minimum - 1 director and 1 shareholder (who may be the same person)
Perpetual succession	No	No	Yes	Yes
Liability of owners/ shareholders	Sole proprietor has unlimited liabilities	Partners have unlimited liabilities	Not personally liable for the conduct of other partners, transactions or liabilities of the LLP unless it is for his own wrongful acts or negligence	Limited - the shareholder is not liable for the debts of the company

	Sole Proprietorships	General Partnerships	LLPs	Companies
Internal structure	Complete flexibility	Complete flexibility	Complete flexibility	Owner-management divide
Audited accounts requirement	No	No	No	Yes (except for exempt private company with turnover less than S\$5 million or dormant company as defined in the Act)
Filing of financial statements (&/ or financial statements prepared in XBRL format) with ACRA	No	No	No	Yes (with exception to exempt private companies)
Filing of annual return	No	No	No	Yes
Annual declaration of solvency	No	No	Yes	Yes - an exempt private company needs to provide solvency statement
Compliance with Financial Reporting Standards	No	No	No - Legislation does not prescribe the accounting standards to be used. The LLP Act mandates proper record keeping of accounts to enable the true and fair view of accounts to be presented	Yes
Appointment of a manager who is ordinarily resident in Singapore	Yes	Yes	Yes	NA
Appointment of a company secretary who is ordinarily resident in Singapore	NA	NA	NA	Yes

	Sole Proprietorships	General Partnerships	LLPs	Companies
Income tax	Where the sole proprietor is an individual, his income from the sole proprietorship will be taxed based on personal income tax rate	Where a partner is an individual, his share of income from the general partnership will be taxed based on personal income tax rate	Where a partner is an individual, his share of income from the LLP will be taxed based on personal income tax rate	Subject to a flat rate of 17% wef YA2010
Termination of business	Simple - file a notice of termination of business with ACRA upon payment of a prescribed fee	Simple - file a notice of termination of business with ACRA upon payment of a prescribed fee	Complex - must undergo legal procedures of winding up; professional charges will be incurred; strike off application is available if the conditions stipulated by ACRA can be met	Complex - must undergo legal procedures of winding up; professional charges will be incurred; strike off application is available if the conditions stipulated by ACRA can be met

*Note: Information stated above is correct as at date of publication.*

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# FINANCIAL REPORTING AND AUDITING

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## 1. The Accounting Profession

The Institute of Certified Public Accountants of Singapore (ICPAS) is the national body representing the accounting profession in Singapore. Membership is open to members of the Institutes of Chartered Accountants of England and Wales, Australia, Scotland, Ireland and a number of other accounting bodies. Members are designated as a Certified Public Accountant of Singapore (CPA Singapore). A CPA Singapore is an experienced professional in accountancy, finance and business, as well as one who holds a recognised accountancy qualification. Currently, ICPAS has more than 23,000 members.

## 2. Regulation of the Accounting Profession

The Accounting and Corporate Regulatory Authority (ACRA) administers the Companies Act and the Accountants Act. Pursuant to this, it monitors directors' compliance with approved accounting standards and filing requirements in connection with the preparation and filing of statutory financial statements required under the Companies Act. ACRA also ensures that public accountants, who perform statutory audits, audit these financial statements in compliance with relevant auditing and quality control standards.

The Registrar of Public Accountants of ACRA licenses and registers accountants who wish to practise as a public accountant. ACRA also handles practice monitoring, disciplinary matters and regulates the professional conduct of public accountants.

## 3. Accounting Records

All companies incorporated under the Companies Act must keep accounting records that sufficiently explain the transactions and financial position of the company and that enable true and fair financial statements to be prepared from time to time. Companies can choose their financial year end.

The records may be kept either at the company's registered office or at another place the directors think fit. If kept outside of Singapore, sufficient records must be maintained here to facilitate the preparation and/or audit of financial statements that accurately reflect the company's financial position.

The accounting records must be kept for a minimum of five years from the end of the financial year in which the transactions or operations to which the records relate were completed.

## 4. Financial Reporting Standards

Singapore's Financial Reporting Standards (FRS) are prescribed and issued by the Accounting Standards Council (ASC) which issues standards applicable to both the corporate and non-corporate sectors.

While the ASC tracks closely the introduction of new International Financial Reporting Standards (IFRS) for possible application in Singapore, it will also take into account the local economic and business circumstances and context, as well as the entity to which the accounting standards would apply.

The FRS issued by the ASC are closely modelled on, and are largely aligned and compliant with, IFRS except for certain modifications to effective dates and transitional provisions.

Compliance with FRS is a statutory requirement whereby any non-compliance amounts to a breach of the Companies Act by the directors.

Public listed companies are subject to financial statement and disclosure requirements as prescribed by the Singapore Exchange Limited (SGX).

The ASC, in November 2010, adopted the IFRS for SMEs as the FRS for Small Entities. This is intended to provide an alternative financial reporting framework for small entities. The FRS for Small Entities is effective for financial reporting periods beginning on or after 1 January 2011.

The FRS for Small Entities adopts similar applicability criteria under the IFRS for SMEs for identifying a small entity. A small entity is one that:

- Does not have public accountability; and
- Publishes general purpose financial statements for external users.

However, the FRS for Small Entities introduces an additional element to the overall criteria by defining the quantitative characteristics of a small entity as one that satisfies at least two of the following three quantitative criteria:

- Total annual revenue of not more than S\$10 million;
- Total gross assets of not more than S\$10 million; and
- Total number of employees of not more than 50.

## 5. Companies Act Requirements

The Companies Act requires that an audited set of financial statements of a company, prepared no more than six months before every Annual General Meeting (AGM), is distributed to all shareholders and presented at the meeting. Generally, if a company incorporated in Singapore has one or more subsidiaries, it must prepare consolidated financial statements unless it meets certain criteria as provided for in FRS 27 Consolidated and Separate Financial Statements. A complete set of financial statements will comprise:

- a statement of financial position,
- a statement of comprehensive income,
- a statement of changes in equity,
- a cash flow statement, and
- explanatory notes.

The financial statements must be accompanied by the directors' and auditors' reports. The directors must also declare that the financial statements show a true and fair view and that it is reasonable to believe that the company can reasonably pay its debts as they become due.

A branch of a foreign company has to e-file its audited financial statements, as well as the audited financial statements of the foreign company, with ACRA within two months from the AGM date of the foreign company.

Companies, which meet specific provisions in the Companies Act, may be exempted from having their financial statements audited (see below) but nevertheless must prepare financial statements that comply with the Companies Act.

### i. Annual Requirements

The Companies Act requires every company including branches of foreign companies, except for those exempted in accordance with the provisions in the Act (see below), to appoint one or more auditors qualified for appointment under the Accountants Act to report on the company's financial statements. Auditors have to be appointed within three months of the company being incorporated. The auditors are to ascertain whether proper books of accounts have been kept and whether the financial statements agree with the company's records. They will then report on the trueness and fairness of the financial statements to the shareholders at the Annual General Meeting.

### ii. Audit Exemption

The following companies are not required to have their financial statements audited. However, they are still required to prepare financial statements (and consolidated financial statements where applicable) that comply with the FRS.

#### a. Small Exempt Private Companies

An exempt private company with revenue below S\$5 million in a financial year is exempted from appointing auditors and audit requirements. An exempt private company is a private company where there is no beneficial interest in its shares held directly or indirectly by any corporation and which has not more than twenty members. Revenue is defined according to the statutory accounting standards, i.e. the FRS.

## b. Dormant Companies

A dormant company is exempted from appointing auditors and from the audit requirements if it has been dormant either (a) from the time of its formation or (b) since the end of the previous financial year. A company is considered dormant during a period in which no accounting transaction occurs and the company ceases to be dormant on the occurrence of such a transaction. For this purpose, transactions arising from the following are disregarded:

- Taking of shares in the company by a subscriber to the memorandum
- Appointment of company secretary
- Appointment of auditor
- Maintenance of a registered office
- Keeping of registers and books
- Fees, fines or default penalties paid to ACRA

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# LISTING IN SINGAPORE

The Singapore equity market provides an important avenue for Singapore and foreign companies to raise long-term capital through public issue of their shares on the Singapore Exchange Securities Trading Limited (SGX-ST) Mainboard or Catalist. Mainboard caters to established companies and there are certain quantitative entry criteria. Catalist caters to fast-growing companies. Although there are no quantitative entry criteria for listing on Catalist, the sponsor will still assess whether the company is suitable for listing based on other qualitative criteria.

## 1. The Singapore Advantage

Singapore's financial market has been built on a robust and competent legal and judicial framework. For the past consecutive years, the Political and Economic Risk Consultancy survey distinguished Singapore as having one of the best judicial systems in Asia.

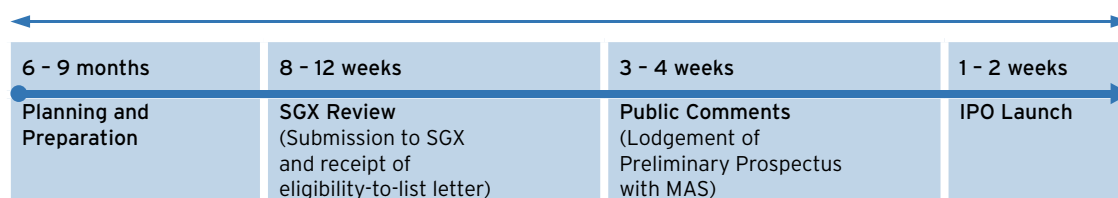
Entrepreneurs and investors favour Singapore as a choice destination for its pro-business environment, established infrastructure, transparent regulations, political stability and investor-friendly government policies. Companies considering listing are further attracted by the following factors:

International recognition	<ul style="list-style-type: none"> <li>Foreign listings constitute more than 40% of all listings on the Singapore Exchange (SGX).</li> <li>Companies listed on SGX are perceived as having good corporate governance.</li> </ul>
Door to international investors and global market	<ul style="list-style-type: none"> <li>In 2010, total assets managed by fund managers in Singapore reached a new high of S\$1.4 trillion<sup>1</sup>.</li> <li>SGX has strategic alliances with major stock exchanges for both the securities and derivatives markets.</li> </ul>
Comprehensive research coverage	<ul style="list-style-type: none"> <li>Singapore has over 100 research analysts and over 20 research houses covering companies listed on SGX<sup>2</sup>.</li> <li>The SGX Equity Research Insights (SERI) has about 14 research firms to facilitate research coverage on listed companies.</li> </ul>
Choice of accounting standards	<ul style="list-style-type: none"> <li>For primary listings, companies may prepare their financial statements in compliance with:             <ol style="list-style-type: none"> <li>Singapore Financial Reporting Standards (FRS); or</li> <li>International Financial Reporting Standards (IFRS); or</li> <li>US Generally Accepted Accounting Principles (US GAAP).</li> </ol> </li> </ul>

## 2. Timeline to IPO

### i. Mainboard

9 - 14 months



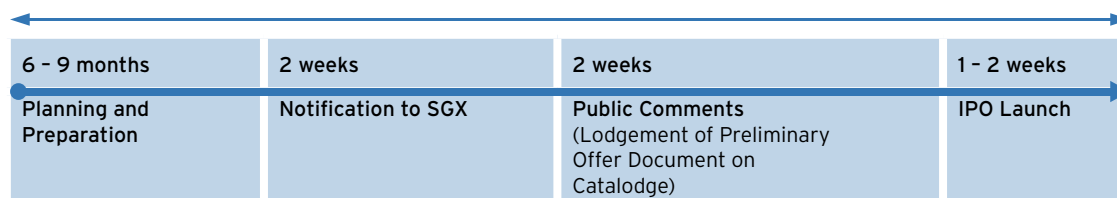
Sources:

- The 2010 Singapore Asset Management Industry survey conducted by the Monetary Authority of Singapore
- SGX website - [www.sgx.com](http://www.sgx.com)

## ii. Catalist

The listing process on Catalist is faster. A listing applicant must produce an “Offer Document” which is to be lodged only on SGX’s website called “Catalodge”.

8 - 11 months



## 3. Professional Help to Pave the Way

The key professionals that an IPO aspirant will require include:

### i. Issue Manager (Mainboard)

The listing process kicks off with the appointment of an issue manager, who will assume the position as the company’s sponsor. The issue manager is usually a member of SGX, a merchant bank or similar institutions acceptable to SGX. The issue manager has an active role in priming the company for listing. In addition to managing the IPO, the issue manager also submits the listing application on behalf of the company and coordinates with SGX on all matters arising from the listing application.

### ii. Sponsor (Catalist)

A listing applicant applying for admission to Catalist and quotation of its securities must do so through a Sponsor. Sponsors are qualified professional companies experienced in corporate finance and compliance advisory work. They are authorised and regulated by SGX through strict admission and continuing obligation rules. The Sponsor’s main role at IPO is to assess the company’s suitability to list and to prepare it for listing. After IPO, Sponsors are to advise and supervise listed companies on responsibilities in a public market. Sponsors are expected to whistle-blow to SGX when there is an affirmed or suspected rules breach.

### iii. Legal Counsel

The company has to appoint a lawyer to undertake the legal aspects of listing. This will include the need for an overseas legal counsel if it has overseas subsidiaries, and if required by the issue manager, another legal counsel to advise the issue manager on the issue.

### iv. Auditors

The role of the appointed certified public accountant is to audit the accounts of the company and highlight any weaknesses in the internal controls of the company.

### v. Business Advisors

The business advisors are able to assist the management in the entire IPO preparation. They will conduct a preliminary appraisal of the company’s readiness to undertake a listing exercise. The business advisors will also prepare the company for IPO by optimising the business value of the company, guiding the company through restructuring the business (if necessary), identifying and resolving issues, compiling and analysing its financial statements, preparing the prospectus and business plan, as well as facilitating the company in upgrading its internal control procedures.

### vi. Public Relations Consultant

Before and during the IPO launch, the company will need to engage a competent public relations firm to assist in increasing investor awareness of the company.

## 4. Costs Involved in a Listing Exercise

Expenses	SGX Mainboard	Catalist
Initial listing fee	S\$50,000 - S\$200,000	S\$30,000 - S\$100,000
Annual listing fee	S\$25,000 - S\$100,000	S\$15,000 - S\$50,000
Professional fees	From S\$700,000	
Miscellaneous expenses	From S\$200,000	
Underwriting commission, placement commission & brokerage	1.5 - 5.3% of gross proceeds raised <sup>3</sup>	

All Catalist companies must retain a Sponsor for as long as they are listed. The continuing Sponsor's fee is approximately S\$50,000 to S\$250,000 per annum.

### Related links:

[www.sgx.com](http://www.sgx.com)

[www.sgxcatalist.com](http://www.sgxcatalist.com)

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Source:

3 Based on IPO prospectuses of companies listed in year 2010 and up to May 2011

# SINGAPORE'S EMPLOYMENT LANDSCAPE

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Human resources are at the heart of Singapore's economy and the country's talent is renowned for their competence and high productivity. Singapore's literacy rate is one of the highest at 96.3% in 2009 and 65% of residents use a computer.

Singapore has a world class education system with top universities and polytechnics producing highly skilled graduates. There are also many foreign universities and private institutions which have set up in Singapore and have been expanding their intake over the years, making tertiary education more accessible and allowing working adults to pursue post-graduate and upgrading courses.

Expatriates and foreign workers add to the diversity in expertise and experience of the workforce. As at December 2009, there were 1,053,500 foreigners forming 35.2% of the 2.99 million persons employed in Singapore<sup>4</sup>.

However, a major challenge is dealing with an ageing workforce - lower fertility rates and higher life expectancy have put Singapore's population amongst the fastest ageing societies. As the workforce will mature quickly in the next few decades, emphasis is put on the employability of older workers. According to the Ministry of Manpower, the number of Singaporeans aged 55 to 64 years is at 57% of the working population.

The retirement age for Singaporeans is currently 62 years of age. To facilitate the employability of an ageing population, the Ministry has stated that by 2012, offers of re-employment for workers past the retirement age will be mandatory on the part of employers. This will effectively stretch a person's estimated employment to age 65, and subsequently 67. In the 2011 Budget announcement, the government announced a Special Employment Credit for older Singaporean workers.

For those covered by the workfare scheme, companies and employers will be paid the credit over a period of three years. This will be up to 50% of an employer's CPF contribution for workers aged 55 to 59, and up to 80% for workers aged 60 and over.

Employers have been encouraged to redesign jobs and pay packages to suit these workers.

## 1. Employment Standards and Regulations

Singapore goes to great lengths to proactively develop and sustain excellent employment standards that conform to international recommendations.

Behind its workforce, Singapore has a backbone of organisations that support and instrumentally steer it in the right direction. These are:

### i. Ministry of Manpower (MOM)

The Ministry of Manpower is the governing authority for workforce development in Singapore. To ensure a high standard of employment practices on all aspects, the Ministry enforces the regulations and guidelines as stipulated in the Employment Act.

### ii. Workforce Development Agency (WDA)

This government-accredited body enables Singaporean employees to remain at the cutting edge of their respective fields by making upgrading courses across all industries more accessible to the workforce. This helps employees stay relevant to the economy.

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4 Manpower Statistics in Brief Singapore, 2010

### iii. Tripartite Alliance for Fair Employment Practices (TAFEP)

Besides competency development, efforts have been made to build an inclusive workforce. The Tripartite Alliance for Fair Employment Practices was set up in 2006 in an attempt to phase out discrimination in employment. In the alliance's bid to change the mindsets of employers, it has formulated and disseminated guidelines for employment with regards to equal consideration of all ages, genders, races and religions.

## 2. Employee Rights

The Employment Act, Singapore's main labour legislation, covers the basic terms and conditions of employment, as well as the rights and obligations of employers and employees (except seamen, domestic workers, public servants and employees in managerial and executive positions).

Part IV of the Act, which provides for rest days, hours of work and other conditions of service, applies only to:

- Workmen earning not more than S\$4,500 basic monthly salary
- Employees earning not more than S\$2,000 basic monthly salary

Junior managers and executives earning S\$2,500 basic monthly salary and below are only covered partially on the basic payment of salary. All other provisions do not apply to them.

The aspects of employment stipulated within are:

### i. Contract of Service

Contracts of service are binding agreements between employers and employees that explicitly state the length of service, basis of termination and all aspects of an employment term. They must conform to the standards implied by the Employment Act, otherwise they are considered non-effective.

Contracts of service essentially cover the following:

- Commencement of employment
- Appointment (job title and job scope)
- Hours of work
- Probation period (if required)
- Remuneration
- Employee benefits (e.g. annual and sick leave)
- Termination of contract (notice period)
- Code of conduct (e.g. behavioural adherences)

### ii. Wages

There are a few things to note when it comes to remuneration in Singapore:

- There is no minimum wage/salary in Singapore. Salary is subject to negotiation and mutual agreement between an employer and an employee or the trade union representing the employees.
- Employees must be paid at least once a month, and no later than seven days after salaries are due.
- Salaries cannot be deducted under any circumstances except for authorised instances, some of which are absence from work, damage/loss of goods, cost of meals provided at employee's request, employer-supplied accommodation and salary advances and loans, income tax payment and CPF contributions.

- Salaries are calculated in two ways:
  - **Basic rate of pay** which is the salary of a worker including wage adjustments and increments. It excludes all allowances. It is used to calculate pay for work on a rest day or public holiday.
  - **Gross rate of pay** which is salary including allowances. It is used to calculate salary deductions for absence from work and pay in lieu of termination.

### iii. Tax

#### a. Individual Tax

Singapore's tax platform is administered by the Inland Revenue Authority of Singapore (IRAS). Assessment periods are based on the period 1 January to 31 December of each year. Please see page 46 for tax brackets for resident individuals.

To be treated as a tax resident you are either a:

- Singaporean
- Singapore Permanent Resident
- A foreigner who has stayed or worked in Singapore for more than 183 days in an assessable tax year.

#### b. Corporate Tax

Singapore operates a one-tier tax system for both local and foreign companies. As of 2010 the corporate tax rate is 17%.

Since 2005, Singapore has operated a tax exemption scheme for new qualified 'start-ups'. This allows those companies to claim a tax exemption for the first S\$100,000, and a further 50% on the next S\$200,000.

*Source: Inland Revenue Authority of Singapore*

### iv. Hours of Work and Overtime, Rest Days and Public Holidays

Hours of work are generally determined by the company and should be stated in the contract of service. But the Employment Act does cover regulations for employees categorised as 'workmen' who are, by definition, any person who is contracted to do manual labour, any person whose total earnings do not exceed S\$4,500 or other employees earning not more than S\$2,000 basic monthly salary (excluding, overtime, bonus, Annual Wage Supplement, productivity incentives and allowances).

Generally, a workman's working hours are 8 hours a day (excluding meal breaks) or 44 hours a week. In a day, they are allowed to work a maximum of 12 hours, with a break in between for meals. For overtime, they are only permitted to work a maximum of 72 hours in a month. Otherwise, an application for overtime exemption has to be filed. Overtime must be at least 1.5 times the hourly rate of pay.

All employees are accorded one unpaid rest day by the Employment Act every week, with a maximum of 12 working days between each rest day. If an employer requests an employee to work on a rest day, the payment is twice the daily rate (one day's salary for half a day's work and two days' salary for more than half a day's work).

All employees are entitled to the 11 gazetted public holidays, which are:

- New Year's Day
- Chinese New Year (2 days)
- Good Friday
- Labour Day
- Vesak Day
- National Day
- Hari Raya Puasa
- Hari Raya Haji
- Deepavali
- Christmas Day

An employer can choose to compensate an employee who has worked on a holiday by either crediting him or her with a day's salary in lieu or substitute the day with another day off.

#### v. Leave

There are five types of leave that are governed by the Employment Act - namely annual, sick, maternity, childcare and infant care leave.

In Singapore, annual leave is accorded to an employee based on his or her length of service to the company. For the first year, an employee is entitled to seven days of leave. Each successive year adds one day to the annual entitlement, capped at 14 for the 8th year and beyond. Marriage, paternity and compassionate leave are not covered and are up to the arrangement between employer and employee.

Employees are entitled to 60 days of hospitalised and 14 days of non-hospitalised sick leave. For most medical costs in areas such as medication, treatment and hospitalisation, an agreement of medical coverage is arranged and indicated in the contract of employment. However, employers are obligated by law to reimburse medical consultation and examination fees.

Women are entitled to 16 weeks of paid maternity leave (extended from 12 weeks as of 2008). For one to be entitled full maternity benefits, her child must be Singaporean at birth, legitimate and is her first to fourth child. She must also have worked at her company for at least 90 days.

Any parent who has a child under the age of seven is also accorded 6 days of childcare leave per year, regardless of the number of children. The first three days of childcare leave will be employer-paid and the last three days Government-paid (capped at S\$500 per day, including CPF).

An employee is entitled to six days of unpaid infant care leave per year for infants below the age of two, regardless of the number of infants.

Parents of Singapore citizens who are below the age of two can take both types of leave (six days of paid childcare leave and six days of unpaid infant care leave) until the child turns two.

#### vi. Compensation Benefits

It is required by law for employers to take up insurance for its employees under the Work Injury Compensation Act.

The Work Injury Compensation Act covers all employees in general, who are engaged under a contract of service or apprenticeship, regardless of their level of earnings except self-employed persons, independent contractors, domestic workers, members of the Singapore Armed Forces, officers of the Singapore Police Force, the Singapore Civil Defence Force, the Central Narcotics Bureau and the Singapore Prisons Service.

Compensation is payable when an employee suffers personal injury by accident arising out of and in the course of his employment or has contracted an occupational disease.

Under the Work Injury Compensation Act, an injured employee is entitled to claim the following compensation benefits:

- **Medical leave wages** - These include (a) full pay up to 14 days for outpatient medical leave and (b) full pay up to 60 days for hospitalization leave. Beyond these two periods, two-thirds of salary is payable up to a maximum period of one year following the date of accident.
- **Medical expenses** - These include medical expenses incurred within one year from the date of accident and up to a cap of S\$25,000.

- **Lump sum compensation for permanent incapacity (PI) or death, if any** - The compensation amount is subjected to the following limits:

	Limits	Amount
Permanent Incapacity	Maximum	S\$180,000 x % loss of earning capacity
	Minimum	S\$60,000 x % loss of earning capacity
Death	Maximum	S\$140,000
	Minimum	S\$47,000

## vii. Social security scheme - Central Provident Fund

The Central Provident Fund (CPF) is a comprehensive compulsory social security savings plan for working Singaporeans. Employers are required to pay the employer's and employee's share of CPF contributions monthly for all employees at the rates set out in the CPF Act. The contributions payable are based on the employee's actual wages earned for the month.

For more information, visit [www.cpf.gov.sg](http://www.cpf.gov.sg)

## viii. Retrenchment

Employers are required to give notice to employees affected by a company's retrenchment exercise. Unless the notice period is covered in the contract of service, the following table based on the length of service should be used as a guide so as to give the retrenched employees enough time to cope with the loss of their jobs:

Length of Service	Notice Period
Less than 26 weeks	1 day
26 weeks to less than 2 years	1 week
2 years to less than 5 years	2 weeks
5 years and above	4 weeks

An employee with less than three years service is not entitled under the Employment Act to any retrenchment benefits on termination of employment through redundancy. There is no statutory amount of termination indemnities. Payments are based on negotiations between the employee (or employee representative) and the employer unless provided for in the employment contract.

## ix. Conditions of Entry

Visas are not required for passport-holders from the UK and British Commonwealth, as well as the US. Passport holders from India, Hong Kong (with documents of identity) and the Russian Federation must obtain a visa before they arrive. Foreigners who do not require visas for entry and are visiting Singapore as tourists are given 30-day social visit passes upon arrival in Singapore. Longer stays or stays for any purpose other than a social visit may require a visa. Social visits may last up to a maximum of three months. A professional visit pass may be required to conduct any business in Singapore.

It is advisable to check with the Singapore embassy or consulate prior to travelling to Singapore as the requirements vary with personal circumstances.

**Tips: What are the some factors to consider when setting up your business in Singapore?**

- **Firstly, understand and respect local government laws, regulations and culture**  
There are many differences from culture to legislation and companies must be ready to embrace these. Cultural differences are often one of the top reasons why businesses fail in a particular market. Culture covers a wide range of aspects from hiring/firing practices to how individuals go about accomplishing their jobs. There is no right or wrong way, just different approaches.
- **Secondly, never overlook your local business risks. Even if they start small, risks can grow bigger with the potential to hurt your business. Arm yourself with information.**  
Information is key. Many underestimate the importance of HR information especially when entering a new market. This is especially crucial for budgeting purposes and for dealing with people - to know what you're getting yourself into.

- **Thirdly, be aware of government-sponsored programs.**

There are many Singapore government-sponsored programs that help businesses set up in the country. Some useful resources are:

1. Ministry of Manpower (MOM) [www.mom.gov.sg](http://www.mom.gov.sg)
2. Workforce Development Agency (WDA) [www.wda.gov.sg](http://www.wda.gov.sg)
3. Tripartite Alliance for Fair Employment Practices (TAFEP) [www.fairemployment.sg](http://www.fairemployment.sg)
4. Economic Development Board (EDB) [www.edb.gov.sg](http://www.edb.gov.sg)
5. International Enterprise Singapore (IE Singapore) [www.iesingapore.gov.sg](http://www.iesingapore.gov.sg)
6. Singapore Business Federation [www.sbf.org.sg](http://www.sbf.org.sg)
7. Singapore International Chamber of Commerce [www.sicc.com.sg](http://www.sicc.com.sg)

- **Last but not the least, partner with quality professional service providers that have a strong local and global presence.**

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# WORKING IN SINGAPORE

Foreigners entering Singapore to work must obtain a work pass in either one of the three following categories: Employment Pass, S Pass and Work Permit from the Comptroller of Immigration.

## 1. Types of Employment Passes

### i. P Pass

A P Pass is given to a foreigner in a professional, managerial, executive or specialist position. The P Pass is further split into two categories according to different criteria. From 1 July 2011,

- A P1 Pass will be issued to the applicant if his monthly basic salary is more than S\$8,000.
- A P2 Pass will be issued to the applicant if his monthly basic salary is more than S\$4,000 and if he possesses recognised qualifications.

From 1 January 2012, the qualifying salary for a P2 Pass will be raised to S\$4,500. There will be no change for P1 Pass.

### ii. Q1 Pass

The Q1 pass is meant for a foreigner whose monthly basic salary is more than S\$2,800 and possesses recognised qualifications. In addition, compensatory factors such as the applicant's skills and years of experience may be taken into consideration for Q1 applications.

From 1 January 2012, the Q1 Pass qualifying salary will be raised to S\$3,000 together with a tightening of educational qualifications.

Summary on the Changes to Qualifying Salary for Employment Passes

Pass Type	Current Qualifying Salary	New Qualifying Salary (from 1 Jan 2012)
P1	\$8,000	No Change
P2	\$4,000	S\$4,500
Q1	\$2,800	S\$3,000

### iii. Personalised Employment Pass (PEP)

The Personalised Employment Pass (PEP) is a new pass granted, on top of an individual employment pass (P1, P2 & Q1), to foreign workers based on his/her merits and the length of working experience in Singapore. While an individual employment pass is tied to an employer, the PEP allows its holder to remain in Singapore without a job for up to six months while evaluating employment opportunities. This is to facilitate the contributions of global talent to Singapore.

### iv. S Pass

A foreigner whose monthly basic salary is at least S\$2,000 is eligible for an S Pass. S Pass applicants will be assessed on a points system, where various criteria such as salary, education qualifications, skills, job type and work experience will be taken into account. Currently S pass levy is split into two tiers allowing each company to choose the dependency level either less than or equal to 15% or more than 15-25% of total workforce in the company. The levy payable per month is S\$120 and S\$180 respectively.

Please refer to <http://www.mom.gov.sg/foreign-manpower/foreign-worker-levies/Pages/levies-quotas-for-hiring-foreign-workers.aspx> for the latest rates applicable.

## v. Work Permit

A foreigner whose monthly basic salary is not more than S\$2,000 will need to apply for a work permit. The permit can be categorised into skilled and unskilled depending on the educational level and the industry sector he/she is employed under. A levy of S\$180 to S\$450 per month is payable by the employer and for workers from North Asian Sources, Non-Traditional Sources and the People's Republic of China. In addition, the employer needs to provide a security deposit of S\$5,000 per worker.

Please refer to <http://www.mom.gov.sg/foreign-manpower/foreign-worker-levies/Pages/levies-quotas-for-hiring-foreign-workers.aspx> for the latest rates applicable.

## 2. A Summary of Levy Changes for S Pass/Work Permit

Effective July 2010, the levy rates and tiers for S Pass and Work Permit holders have been revised and the changes are implemented in stages from July 2010 to July 2013.

		Current		1-Jan-12		1-Jul-12		1-Jan-13		1-Jul-13	
		DR	Levy (\$)	DR	Levy (\$)	DR	Levy (\$)	DR	Levy (\$)	DR	Levy (\$)
All Sectors		Skilled/Unskilled		Skilled/Unskilled		Skilled/Unskilled		Skilled/Unskilled		Skilled/Unskilled	
S Pass	Tier 1	≤ 15%	120	≤ 15%	160	≤ 10%	200	≤ 10%	250	≤ 10%	300
	Tier 2	>15-25%	180	>15-25%	250	>10-25%	320	>10-25%	390	>10-25%	450
Manufacturing (Work Permits)	Tier 1	≤ 30%	180/280	≤ 30%	190/290	≤ 25%	210/310	≤ 25%	230/330	≤ 25%	250/350
	Tier 2	>30-50%	240/340	>30-50%	270/370	>25-50%	300/400	>25-50%	330/430	>25-50%	350/450
	Tier 3	>50-65%	450	>50-65%	450	>50-65%	470	>50-65%	500	>50-65%	550
Services (Work Permits)	Tier 1	≤ 20%	180/280	≤ 20%	210/310	≤ 15%	240/340	≤ 15%	270/370	≤ 10%	300/400
	Tier 2	>20-35%	300/400	>20-30%	330/430	>15-25%	360/460	>15-25%	380/480	>10-25%	400/500
	Tier 3	>35-50%	450	>30-50%	470	>25-50%	500	>25-50%	550	>25-50%	600
Construction (Work Permits)	MYE		180/230	≤ 87.5%	200/300	≤ 87.5%	250/350	≤ 87.5%	280/400	≤ 87.5%	300/450
	MYE-waiver	≤ 87.5%	380		450		500		550		600
Process (Work Permits)	MYE		180/300	≤ 87.5%	180/300	≤ 87.5%	210/310	≤ 87.5%	230/330	≤ 87.5%	250/350
	MYE-waiver	≤ 87.5%	380		380		470		500		550
Marine (Work Permits)			180/300	≤ 83.3%	190/300	≤ 83.3%	210/310	≤ 83.3%	230/330	≤ 83.3%	250/350

DR: Dependency Ratio  
MYE: Man-Year Entitlements

## 3. Statutory Board Contributions

### i. Central Provident Fund

The Central Provident Fund (CPF) is a compulsory and comprehensive social security savings scheme, to which both employers and employees (citizens and permanent residents) contribute. The aim of the Fund is to provide financial security for wage-earners in their retirement. In addition, the CPF Board has introduced various schemes for members that cater to home-ownership, insurance, hospitalisation, investments and education at approved local institutions.

Currently, the maximum contribution for employees and employers are 20% and 16% of wages respectively, on a monthly Ordinary Wage (OW) ceiling of S\$5,000. For employees aged 50 to 55, the maximum total contribution will be 30%, for aged 55 to 60 will be 21.5%, for aged 60 to 65 will be 14% and lastly for aged above 65 will be 11.5%.

Contributions paid into the CPF are allocated primarily to an employee's Ordinary Account in the CPF. Additional accounts are the Special Account and the Medisave Account.

CPF withdrawals may be made when the CPF member:

- reaches age 55 after setting aside his/her CPF Minimum Sum and Medisave Required Amount; or
- is permanently disabled; or
- leaves Singapore and West Malaysia permanently.

### ii. Foreign Worker Levy

Employers of foreign workers holding work permits (processed by the Work Pass Division of the Ministry of Manpower) are required to pay levies for foreign workers. These are workers in the construction, manufacturing and marine industries, as well as domestic servants. Different rates are applicable to different industries.

### iii. Skills Development Fund

Employers are subject to a Skills Development Fund (SDF) levy of 0.25% on the emoluments of employees earning up to the first S\$4,500 a month, or subject to a minimum of S\$2 whichever is higher. This SDF is used to promote training in skills relevant to Singapore's economic restructuring efforts and provides training grants for companies to upgrade the skills of their employees.

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# TAXATION IN SINGAPORE

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## 1. Introduction

The major types of taxes that affect businesses and companies in Singapore are income tax, Goods and Services Tax, stamp duty, property tax and customs and excise duties. Singapore has no capital gains tax.

## 2. Income Tax

Income accrued in, derived from Singapore or received in Singapore from outside Singapore is subject to income tax in Singapore unless it is specifically exempt from tax. The types of income subject to tax include income from trade, business, profession or vocation, employment income, dividends, interest, rentals, royalties and other gains or profits which are of an income nature.

The statutory tax year, known as year of assessment, begins on 1 January and ends on 31 December. Income is assessed on a preceding year basis. Hence income for the basis period ending 31 December 2011 is assessable in the year of assessment 2012. For companies whose accounts are made up to a date other than 31 December, they are permitted to adopt the accounting year end as their basis period (e.g. income for financial year ended 30 June 2011 is assessable in the year of assessment 2012).

There are differences in income tax treatment between a tax resident and a non-tax resident of Singapore. A tax resident individual is one who is physically present or exercising employment in Singapore (other than a company director) for 183 days or more during the calendar year preceding the year of assessment, or who resides in Singapore except for temporary absences from Singapore which is reasonable and consistent with a residency claim on grounds of qualitative factors such as domicile or family present in Singapore. A company is tax resident in Singapore if the control and management of its business is exercised in Singapore. The place of incorporation is irrelevant for the purposes of determining tax residency.

The major advantage for being considered a tax resident of Singapore is the ability to enjoy tax treaty benefits accorded in more than sixty Comprehensive Avoidance of Double Taxation Agreements Singapore has concluded with various countries around the world. Typical tax treaty benefits are in the areas of reduction of withholding tax rates in respect of dividend, interest and royalty payments to non-residents and the ability to avoid double taxation on cross-border income via the claim for total tax exemption or foreign tax credit relief. Also certain tax exemption claim is only accorded to Singapore tax residents such as the exemption of foreign-source dividends received in Singapore if the stipulated conditions are met.

## 3. Taxes on Individuals

Individuals, regardless of their resident status, are subject to individual income tax on income which accrues in or derives from Singapore.

### i. Business Income

Profits of trade, business or profession operating through sole proprietorships, partnerships or limited liability partnerships are not subject to tax at the entity level, but are subject to tax in the hands of the sole proprietors or the partners. In other words, if the sole proprietor or a partner is an individual, the profits from the sole proprietorship, partnership or limited liability partnership will be subject to personal income tax whereas if the business structure takes the form of a limited liability company, the profits will be subject to corporate income tax.

### ii. Expense Deductions

Expenses that are wholly and exclusively incurred in the production of income are tax deductible. Capital allowances on qualifying expenditure incurred on plant and machinery used for the purposes of a trade or business may be claimed.

### iii. Losses Transferred and Carried Back

Individuals can transfer their excess business losses, capital allowances and donations as well as rental income deficit to their spouse for offset against the spouse's income for the year in question.

The current year's unutilised trade losses and capital allowances may also be carried back by the individuals to offset against their own income for the immediate preceding year of assessment; up to a maximum of S\$100,000.

#### iv. Employment Income

In determining whether the employment income is sourced in Singapore, the Inland Revenue Authority of Singapore ("IRAS") would typically look at where the employment services are performed, the parties the employment contract is signed with, the entity who bears the remuneration cost and benefited from the services rendered.

Any salaries, wages, leave pay, commissions, bonus, gratuity, pension, perquisites or allowances paid or granted, whether in money or otherwise, in respect of the employment exercised in Singapore are liable to tax.

Benefits-in-kind (i.e. benefits provided in lieu of cash) provided by employers are taxable in the hands of the employees unless they are specifically exempted from tax and are covered by the administrative concessions granted by the IRAS. Fringe benefits such as education allowance, provision of accommodation, home leave passage and car, long service awards, overseas pension contributions, etc. are taxable benefits.

In respect of housing provision, if a cash allowance is paid to the employee to meet his housing cost, the full cash sum paid to the employee will be considered taxable income. On the other hand, if the employer provides an accommodation to the employee instead, the assessable benefit is computed to be 10% of the individual's total employment income (excluding the housing benefit). In addition, there will be fairly small amounts of reportable benefits if the accommodation provided is furnished.

Where housing is provided to a director and the director's remuneration is less than the annual value of the premises, the taxable value will be taken to be the annual value of the premises.

An employee can claim certain expenses such as subscriptions to a professional body, travelling and entertainment expenses, etc. that are incurred in the course of exercising his employment. The onus is on the employee to prove to the satisfaction of the IRAS that the expenses in questions are necessarily incurred in the discharge of his duties of employment.

#### v. Not Ordinarily Resident ("NOR") Scheme

An individual may apply for the NOR status with effect from a year of assessment if the following conditions are satisfied:

- The individual is a tax resident of Singapore for the year of assessment in question.
- The individual was not a tax resident of Singapore for the three years of assessment before that year of assessment in question.

Once the application is approved, the individual will be granted the NOR status for five consecutive years of assessment with the following benefits:

- A NOR resident is subject to Singapore income tax on only his income attributable to the number of days spent in Singapore. However, there is a minimum amount of Singapore tax to pay. That minimum amount is 10% of his total Singapore employment income.  
An NOR individual qualifies for this tax concession if he spends more than 90 days in a calendar year outside of Singapore for business purposes and his total Singapore employment income is at least S\$160,000.
- A NOR resident is tax exempt on the employer's contributions, subject to the cap for employer's contributions to CPF for Singapore citizens ("the NOR cap"), made to his non-mandatory overseas pension fund or social security scheme.
- The employer can only claim a tax deduction for the contributions made in excess of the NOR cap. The NOR individual must earn Singapore employment income of at least S\$160,000 per annum and is not a Singapore citizen or permanent resident.

## vi. Personal Reliefs

Every resident individual is entitled to claim the following personal reliefs, if applicable.

- Earned income relief of S\$1,000 (for individuals below 55 years old during the basis period of a year of assessment). The relief is increased to S\$3,000 for individuals who are 55 to 59 years old and to S\$4,000 for those who are 60 years old and above.
- Spouse relief of S\$2,000 if the spouse's annual income is not more than S\$4,000.
- Child relief of S\$4,000 per child is available if the unmarried child maintained by the taxpayer is below age 16, studying full time if over age 16 or not having annual income of more than S\$4,000.
- Relief on compulsory employee contributions to the Central Provident Fund.
- Relief on certain insurance premiums paid if the compulsory employee Central Provident Fund contributions are not claimed.
- Course fees of up to S\$5,500 if the courses taken would lead to approved academic, professional or vocational qualifications.
- Twice the amount of one foreign maid levy paid by a working married woman.

## vii. Central Provident Fund ("CPF") Contributions

Contributions to the CPF are mandatory for employees who are either citizens or permanent residents of Singapore.

The employee's contribution is based on 5% to 20% of their gross emolument depending on the employee's age. The employer is also required to contribute a corresponding 6.5% to 16%. The monthly salary ceiling for statutory contributions is capped at S\$5,000.

Both the employee and employer are entitled to claim a tax deduction for the contributions made so long as such contributions are within the statutory limits.

## viii. Employee Stock Option Plans

Stock options granted to employees during the period whilst they are exercising their employment in Singapore constitute taxable benefits to the employees. The benefit crystallizes and is to be brought to tax when the employees exercise such options. The taxable benefit is the difference between the open market price of the stock as at the date the options are exercised and the amount paid by the employee, if any, for such options.

A deemed stock exercise rule applies for individuals who are (a) not Singapore citizens or Singapore permanent residents and (b) Singapore permanent residents who are leaving Singapore permanently. Basically the taxable benefit is calculated and brought to tax before the individual concerned leaves Singapore permanently.

## ix. Taxation of Personal Investment Income

All foreign sources of income received in Singapore by resident individuals are not subject to tax in Singapore.

With regard to Singapore-based investment income such as rentals derived from properties located in Singapore, the net amount i.e. gross rentals less rental expenses will be brought to tax at the resident individual's marginal rate of tax.

As for interest income received by a resident individual from standard savings, current and fixed deposit accounts with a bank in Singapore, the interest received is tax exempt. Interest income derived from other sources including the share of interest income from a partnership is taxable.

In respect of dividends received from Singapore incorporated companies, these are not subject to tax in Singapore in the hands of the recipients.

## x. Resident versus Non-Tax Resident Individual Comparison

	Tax resident	Non-tax resident
Income tax rates	Progressive tax rates ranging from 0% to 20%	15% for employment income 20% for all other types of income
Personal reliefs	Applicable	Not applicable
Singapore-source employment income	Taxable	Not taxable if employment in Singapore is for less than 60 days in a calendar year
Foreign-sources of income received in Singapore	Tax exempt  Special rules for those received through partnerships in Singapore	Tax exempt
Director's fees	Progressive tax rates ranging from 0% to 20%	20%
Tax treaty benefits	Yes	No

## xi. Filing of Individual Income Tax Returns

Singapore adopts the preceding year basis of taxation. The income to be reported for a year of assessment (which is the calendar year) refers to the income for the preceding calendar year.

Income tax returns must be submitted by individuals to the IRAS by 15 April each year. For example, employment income earned by an individual for calendar year ending 31 December 2011 is reportable in the year of assessment 2012 income tax return; to be filed by 15 April 2012.

Married couples are required to file their income tax returns separately.

## xii. Payment of Income Tax

There is no requirement for employers to withhold income taxes from an individual's monthly salary.

Once an individual files his income tax return, the IRAS will raise a notice of assessment to collect the amount of tax owed. The tax demanded in the notice of assessment must be paid within a month from the date of issue of such notice. Taxpayers may request for their tax liabilities to be settled by monthly instalments, up to a maximum of twelve instalments, if they so wish.

If there are any inaccuracies in the notice of assessment raised by the IRAS, taxpayers must lodge a notice of objection with the IRAS within 30 days from the date of issue of the notice of assessment.

## xiii. Permanent Cessation of Employment in Singapore

When a non-Singapore citizen ceases or is about to cease employment in Singapore or leave Singapore permanently, he is required to seek tax clearance from the IRAS and pay up all the taxes owed before he leaves the country.

The obligation to notify the IRAS of this event is placed on his employer. The employer is required to notify the IRAS of such an event 30 days before the employee leaves the country; to enable the IRAS to complete all the necessary tax clearance formalities.

The employer is required to withhold any monies due to the employee from the day the notification of the cessation of employment is lodged until tax clearance is granted by the IRAS.

#### xiv. Table of Individual Income Tax Rates

The individual income tax rates applicable from the year of assessment 2012 (based on income earned in calendar year 2011) are summarised in the Table below.

Chargeable Income S\$	Tax Rate %	Tax Payable S\$
On the first 20,000	-	-
On the next 10,000	2	200
On the first 30,000	-	200
On the next 10,000	3.50	350
On the first 40,000	-	550
On the next 40,000	7	2,800
On the first 80,000	-	3,350
On the next 40,000	11.5	4,600
On the first 120,000	-	7,950
On the next 40,000	15	6,000
On the first 160,000	-	13,950
On the next 40,000	17	6,800
On the first 200,000	-	20,750
On the next 120,000	18	21,600
On the first 320,000	-	42,350
Excess over 320,000	20	-

## 4. Taxes on Corporation

Income of a company (whether tax resident or not) that is accrued in, derived from Singapore or received in Singapore from outside Singapore is subject to corporate income tax.

### i. Corporate Income Tax Rate

The corporate income tax rate for the year of assessment 2011 is 17% with a partial tax exemption for normal chargeable income of up to S\$300,000 as follows:

- 75% exemption of up to the first S\$10,000 of chargeable income
- 50% exemption of up to the next S\$290,000 of chargeable income

The effective tax rate on the first S\$300,000 of normal chargeable income is therefore 8.36%.

The balance of chargeable income in excess of S\$300,000 is fully taxable at a flat rate of 17%.

### ii. Start-Up Companies

Subject to meeting qualifying conditions, eligible start-up companies are granted tax exemption up to S\$300,000 of their chargeable income for each of their first three consecutive years of assessment as follows:

- Full tax exemption on the first S\$100,000 of chargeable income
- 50% exemption on the next S\$200,000 of chargeable income

The effective tax rate on the first S\$300,000 of chargeable income is therefore 5.67%.

The newly incorporated company must however fulfill the following conditions to qualify for the start-up concessionary tax rate:

- The company must be incorporated in Singapore.
- The company must be tax resident in Singapore for that year of assessment.
- The company has total share capital which is beneficially held, directly or indirectly, by no more than 20 persons all of whom are individuals or there is at least one individual shareholder holding at least 10% of the total number of issued ordinary shares throughout the basis period for that year of assessment.

### iii. Expense Deductions and Capital Allowances Claim

Expenses that are wholly and exclusively incurred in the production of income are tax deductible.

Book depreciation charges are not deductible expenses for tax purposes. Capital allowances are instead granted on qualifying capital expenditure incurred on plant and machinery used for the purposes of the company's trade or business. Qualifying capital expenditure on computer and computer related equipment may be wholly written off in the year incurred whereas other qualifying plant and machinery are generally written off on a straight line basis over three years.

The writing down allowance for qualifying intellectual property rights is five years on a straight line basis. Land intensification allowance may be claimed on expenditure incurred for the construction of a qualifying building or structure on or after 1 July 2010 subject to the meeting of conditions. A balancing allowance or charge may arise upon disposal of capital assets if capital allowances or writing down allowances had been granted previously.

### iv. Tax Exemption on Foreign-Source Income

A Singapore-resident company enjoys tax exemption for its foreign-source dividends, foreign branch profits and foreign-source services income (i.e. income where the services are rendered in the course of a person's trade, business or profession through a fixed place of operation in a foreign jurisdiction) remitted to Singapore provided the following conditions are met:

- In the year the income is received in Singapore, the highest rate of tax of the foreign jurisdiction from which the income is received is not less than 15%.
- The income is subjected to tax in the foreign jurisdiction.
- The IRAS are satisfied that the tax exemption would be beneficial to the Singapore-resident company.

If the above mentioned conditions are not met, the foreign-source income received in Singapore will be brought to tax but foreign tax credit relief may be claimed by a resident in respect of foreign taxes suffered on such income.

### v. Foreign Tax Credit Relief

With effect from the year of assessment 2012, a Singapore tax resident can claim foreign tax credit relief on a pooled basis rather than on a source-by-source and country-by-country basis for each stream of foreign-source income remitted to Singapore. The foreign tax credit relief however is capped at the lower of the pooled foreign taxes paid on all streams of foreign income remitted and the pooled Singapore tax payable on all such foreign income.

### vi. Losses and Unabsorbed Capital Allowances

Companies may carry forward their trade losses, unabsorbed capital allowances and donations to offset against future taxable income provided at least 50% of the shareholders and their shareholdings remain the same as at the relevant comparison dates. As for the utilisation of the unabsorbed capital allowances, there is an added condition and that is the trade out of which such allowances arose must continue to be carried on.

Companies may carry-back current year's unabsorbed trade losses and capital allowances up to a limit of S\$100,000 to offset against the assessable income of the immediate preceding year of assessment.

### vii. Group Relief

Under the group relief system, a company within a group (the transferor) is allowed to transfer its current year unabsorbed trade loss, capital allowance and donation to another company (the claimant) within the same group for offset against the latter's current year assessable income.

To qualify for the group relief, both the transferor and claimant must be Singapore-incorporated companies, belonging to the same group of the companies on the last day of the basis period and having the same accounting year-end. The two companies are considered members of the same group if at least 75% of the total number of issued ordinary shares in one company are beneficially held, directly or indirectly, by the other; or at least 75% of the total number of issued ordinary shares in each of the two companies are beneficially held, directly or indirectly, by a third Singapore incorporated company.

### viii. Filing of Corporate Income Tax Returns

Companies must submit their corporate income tax returns to the IRAS by 30 November each year. For example, a company with financial year ending 31 December 2011 must lodge its year of assessment 2012 income tax return to the IRAS by 30 November 2012.

### ix. Payment of Corporate Income Tax

Corporate income taxes are paid in arrears. Within three months from the end of the company's financial year end, it must submit an estimated chargeable income to the IRAS. If there is tax owing, an estimated notice of assessment will be raised by the IRAS following the submission of the estimated chargeable income. The tax demanded in the notice of assessment must be paid within a month from the date of issue of such notice.

A company may request for its tax liabilities to be settled by monthly instalments. Up to a maximum of ten instalments are available if the company e-files its estimated chargeable income with the IRAS before the end of the month following its financial year end.

Once the company files its annual tax return, the estimated notice of assessment will be amended to reflect any over- or under-estimation of the company's tax liability.

If there are any inaccuracies in any of the notices of assessment raised by the IRAS, the taxpayer must lodge a notice of objection with the IRAS within 30 days from the date of issue of such notices.

## 5. Productivity and Innovation Credit ("PIC")

The PIC scheme was first introduced by the Government in the 2010 Budget and is available from the year of assessment 2011 to year of assessment 2015. The PIC scheme is a broad-based tax scheme to encourage businesses to invest in productivity and innovation. The scheme was enhanced in the 2011 Budget.

Under the PIC scheme, all businesses can enjoy tax deduction/allowances at 400% of qualifying expenditure of up to S\$400,000 annually on each of the six qualifying activities instead of the usual 100%/150% tax deduction/allowances.

The six qualifying activities are:

- Acquisition or leasing of prescribed automation equipment
- Training expenditure
- Acquisition of intellectual property rights
- Registration of intellectual property rights
- Research and development
- Qualifying pre-approved design expenditure

There is an irrevocable cash conversion option available for the years of assessment 2011 to 2013. This option is designed to benefit small businesses with low or no taxable income.

Eligible businesses are allowed to convert their eligible deductions and allowances of up to S\$100,000 for each applicable year of assessment into cash at 30%, subject to conditions. The maximum cash payout per year of assessment is S\$30,000.

## 6. Tax Incentives

Singapore Government offers MNCs and investors a variety of tax incentives in order to attract investments into Singapore. The incentives are in the form of either a total tax exemption or the taxation of qualifying income at a reduced concessionary tax rate.

The success or otherwise of an incentive application is very much dependent on the merits of each case, the potential economic spin-offs for Singapore and upon the amount of commitments by the investors as translated to total business spending, headcount (quality of people hired) and the fixed asset investment (if applicable).

Some of the tax incentives offered by the Government are listed below.

## i. Financial Sector Incentives

In order to encourage the development of high-growth and high value-add financial activities in Singapore, the Monetary Authority of Singapore and/or the IRAS grant various tax incentives for the financial services sector.

Subject to meeting the relevant conditions, income derived by either a Singapore or an offshore fund could potentially be exempt from tax on all its sources of income and gains if such funds are managed by a Singapore resident fund manager.

Singapore-based fund managers could also secure a concessionary tax rate of 10% (versus the usual tax rate of 17%), subject to meeting conditions, for qualifying fee income earned from the management of qualifying funds.

There are also other financial sector incentives covering the debt capital market, equity market and derivatives market. There are various conditions to comply and qualifying income could be taxed at a concessionary rate of between 5% to 12%.

## ii. Marine Sector Incentives

Singapore has a suite of tax incentives for the marine sector. The Maritime Sector Incentive-International Shipping Operations is a scheme for established owners and fleet operators of foreign ships with a worldwide network and good track record. Approved international shipping enterprises must be Singapore resident companies and committed to have total business spending in Singapore of at least S\$4 million a year.

The qualifying income derived by such approved enterprises is tax exempt for a period of ten years, with a possible extension for a further ten years. There is also a new five-year award offering 10% concessionary tax rate on incremental qualifying income derived from the provision of qualifying supporting shipping services under the Supporting Shipping Services category.

## iii. Global Trader Programme

The Global Trader Programme is granted to well-established international players in their industry and with good track record for international trading, procurement, distribution and transportation of qualifying commodities and products.

Depending on the anticipated level of the applicant's turnover, business spending and the number of qualified staff it will employ, an approved trading company could enjoy a concessionary tax rate of 5% or 10% on its qualifying offshore trading income for a period of three or five years.

## 7. Dividend Payment

Dividend payments made by a Singapore company is not subject to any dividend withholding tax. The recipients, whether tax resident in Singapore or not, are also not taxed in Singapore upon their receipt of the dividends.

## 8. Transfer Pricing

The IRAS expect all transactions with related parties to be conducted on an arm's length basis.

Whilst there is no specific transfer pricing legislation currently, there are however transfer pricing guidelines issued by the IRAS to assist taxpayers with the management or elimination of the risk of double taxation. The guidelines are consistent with the arm's length principle outlined in the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and provide general methods for determining an arm's length price.

The IRAS expect taxpayers to assess their transfer pricing risk and prepare sufficient documentation to support their transfer price. There is a specific section of the Income Tax Act which empowers the IRAS to make adjustments to profits for income tax purposes if they are of the view that the pricing adopted for related party transactions is not arm's length.

## 9. Withholding Tax

There is a requirement to withhold tax when certain types of payments such as interest and royalties are made to non-Singapore residents. Interest and royalty payments attract tax withholding at 15% and 10% respectively although such withholding rates may be reduced under the tax treaty provisions depending on which country the recipient is a resident of.

There is also withholding tax, currently 17%, in respect of services or management fee payments made to non-Singapore residents if such services are rendered in Singapore. Again subject to any tax treaty provisions, potentially the withholding tax rate may be reduced or eliminated.

Any tax withheld from payments made to non-Singapore residents must be accounted for to the IRAS by the 15th day of the month following the date of such payments. Late payment penalties will be imposed if the tax accounting to the IRAS is not timely.

## 10. Double Tax Agreements

Singapore has a wide tax treaty network with more than 60 countries. Taxpayers who are relying on the tax treaty provisions for a reduced withholding tax rate or exemption from tax withholding for payments such as dividends, interest, royalties or services fees are expected to secure a certificate of residency from the tax authorities of their country of residence.

## 11. Goods and Services Tax

Goods and Services Tax ("GST") is a tax on domestic consumption, borne by the end consumer in Singapore. It is a broad based consumption tax levied on the import of goods and almost all supplies of goods and services in Singapore. It is a multi-stage transactions tax, which together with the input tax credit mechanism, seeks to tax the value added at each level in a chain of transactions.

GST is a self-assessment tax and the IRAS relies on audits and educating the taxpayers to ensure compliance of the GST rules. The GST registration threshold is S\$1 million in a 12-month period. The 12-month period can be determined based on a prospective or retrospective basis.

In other words, if a person has reasonable grounds to believe that the total supplies made by him in the next 12 months will exceed S\$1 million, he is required to be registered for GST in Singapore. On the other hand, a person is also liable to register if at the end of any quarter, the total value of the taxable supplies made in that quarter and the three quarters immediately preceding the current quarter has exceeded S\$1 million.

A person can also apply to register for GST on a voluntary basis to claim the GST incurred on his business purchases even if his turnover is less than S\$1 million. A cost and benefit analysis is recommended to assess if the compliance costs, such as filing of returns, maintaining of records etc. will outweigh the GST costs that are recoverable when one is registered for GST.

All taxable supplies of goods and services in Singapore are subject to 7% GST unless the goods are exported or the services qualify as "international services" as defined in the GST Act.

Where the input tax credits of a GST registered trader exceed the GST payable to the Comptroller of GST, he may claim a refund from the Comptroller of GST.

GST registered traders may apply for approvals under special schemes (such as Major Exporter Scheme, Group Registration etc.) to minimise cash flow costs that may arise.

## 12. Stamp Duty

Stamp duty is payable only in relation to the acquisition of shares and real properties. The stamp duty rates are 0.2% and approximately 3% for share and real property transactions respectively.

The stamp duty payable is calculated on the higher of the purchase consideration and the market value of the assets being transferred.

Exemption from stamp duty may be applicable in certain transactions where shares are transferred under a reconstruction or amalgamation exercise or where the transfer is between associated companies under certain circumstances.

## 13. Property Tax

Property tax is a tax on immoveable properties, calculated based on a percentage of the annual value of the properties and payable by all property owners. Property owners are persons deemed as owners under the Property Tax Act. A deemed owner is a person for the time being receiving rent or any premises whether on his account, as an agent/trustee/representative of the legal owner, or the person whose name is entered in the Valuation List. Usually, the deemed owner is also the legal owner.

Property tax is levied based on 10% of the annual value of immoveable commercial and industrial property. The concessionary tax rate of 4% of the annual value is granted to an individual owner or a married couple for one residential property which is occupied by him or them for residential purposes.

Property owners need to notify the IRAS in writing within one month from the date they sell or transfer their property.

## 14. Customs and Excise Duties

In Singapore, the dutiable items are confined only to petroleum products, intoxicating liquors, motor vehicles and tobacco products.

Where goods are dutiable, ad valorem or specific rates may be applied. An ad valorem rate is a percentage of the Customs value of the imported goods. A specified rate is a specified amount per unit of weight or other quantity. Duties may be suspended up to the point of consumption if they are imported or manufactured under the various Customs schemes (e.g. Temporary Import Scheme, Excise Factory Scheme, Industrial Exemption Factory Scheme and Duty Free Shop Scheme).

## 15. Estate Duty and Gift Taxes

There are no estate duty or gift taxes in Singapore.

## 16. Exchange Control

There are no exchange control restrictions in Singapore.

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# BUSINESS AND RESIDENTIAL PREMISES

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## 1. Office Space

Singapore has a total office space supply of 76.5 million square feet, with 43% of it located within the Central Business District (CBD) – the financial and commercial hub of Singapore. Local and foreign banks, multinational corporations and established professional services firms are attracted to the CBD because of its favourable business environment and easy access to public transportation, eating and shopping places. However, there are also companies that prefer to be located outside of the CBD due to their different business needs.

During your search for office premises, you may wish to take note of the following:

### i. Location

The choice of location largely depends on individual business needs and activities. For example, financial institutions generally choose to stay within the banking community at Raffles Place or Marina Bay, while IT companies are clustered around the City Hall area. Many qualifying companies have relocated their back end operations to business parks located in areas such as Mapletree Business City, Harbourfront, Alexandra Business Zone & Changi Business Park.

Other considerations include customers' expectations, proximity to suppliers and location of key competitors.

### ii. Accessibility

Easy accessibility to public transport, especially train services, is critical to staff recruitment and retention. At the same time, it is important to have eating places and other amenities within close proximity.

### iii. Building Specifications

The facade of the building is important for businesses where corporate image is critical. The building's power supply capacity, air-conditioning systems, Internet connectivity, cable management, security system and car park provisions etc are also important considerations.

## 2. Typical Office Lease Terms

### i. Rental

The rental rate is usually quoted as gross rent, comprising a base rent plus service charge. Rent is paid either monthly or quarterly in advance. The rental is subject to Goods and Services Tax (GST) which is payable by the tenants.

### ii. Service Charge

The service charge ranges from S\$0.80 to S\$1.30 per square foot and is generally included in the gross rent. It covers air-conditioning during normal office hours, management and maintenance of common areas in the building. This is subject to adjustments if there are changes in the maintenance cost and such increases are payable by the tenants.

### iii. Security Deposit

A security deposit is usually payable upon confirmation of the lease and is refundable without interest at the end of the lease. The typical market practice is 3 months' gross rent for companies with a paid up capital of \$100,000 and above and 6 months gross rent for companies with a paid up capital of \$100,000 and below. A banker's guarantee may be used as an alternative to cash deposit, subject to negotiation.

### iv. Lease Period

The lease period is usually 2 to 3 years with an option to renew at a rent to be agreed or reviewed according to the prevailing market rate. For multiple floor tenancies or anchor tenants, longer leases may be negotiated.

### v. Insurance

Tenants are required to take up public liabilities insurance.

#### **vi. Renovation Deposit**

Tenants are required to place a renovation deposit with the landlord to cover any damages caused to the common areas during the renovation period. This deposit is refunded without interest upon the completion of the renovation.

#### **vii. Legal Fee**

It is common practice that the tenants bear the landlord's legal costs in relation to the preparation, negotiation and execution of the lease document.

#### **viii. Stamp Duty**

Stamp duty is a tax on commercial and legal documents, which records and gives effect to transactions. It is payable by the tenants.

#### **ix. Property Tax**

Property tax is payable by the landlord. However, when there is an increase in the property tax during the lease term, landlords reserve the right to collect this incremental tax from the tenants proportionately.

#### **x. Rent-free and Fitting Out Period**

Depending on the size of the premises and prevailing market conditions, the rent-free and fitting out period can range from 2 weeks to 3 months. Most landlords will waive the payment of service charge during this period although there may be exceptions.

#### **xi. Utilities**

Tenants are required to make their own arrangements for utilities connection. Connection and usage charges are borne by the tenants.

#### **xii. Air-conditioning**

Generally, the landlord provides air-conditioning during normal office hours - from 8am to 6pm on weekdays and 8am to 1pm on Saturdays. After office hours, air-conditioning can be provided by the landlord either at a lump sum or an hourly rate basis. Tenants may install their own auxiliary air-conditioning unit(s) by tapping into the building's chilled or condenser water supply, subject to the landlord's consent.

#### **xiii. Parking**

Season parking lots are allocated to tenants according to the total area leased at a monthly charge of approximately S\$150 to S\$250 for buildings outside the CBD and S\$230 to S\$450 for buildings inside the CBD.

#### **xiv. Maintenance**

Tenants are responsible for the renovation, repair and cleaning of the interior of the unit. The landlord carries out maintenance and repairs on the exterior of the unit, including the common areas.

#### **xv. Reinstatement**

Tenants are required to restore and reinstate the office premises to its bare and original condition upon the expiry of the lease.

### **3. Industrial Space**

Business space (industrial) is broadly categorised into B1 and B2 space according to their impact on the environment. B1 space is for industries where the relevant authorities do not impose a nuisance buffer of greater than 50 metres. B2 space is for industries that are more pollutive in nature, where a nuisance buffer of more than 50 metres is imposed by the relevant authorities.

Industrial space can be in the form of a multi-storey building (as in a high-rise or "stand alone" building) or a low-rise building (a terrace, semi-detached or detached building). The building specifications for warehouse facilities are usually higher as they demand a higher ceiling height, floor loading and good vehicular accessibility.

High-tech industrial buildings are usually multi-storey buildings with facades looking more like an office building. There is usually an air-conditioned lobby with a meeting area and the common areas are air-conditioned as well. Each unit within the building has provision for broadband services and air-conditioning. Research and development firms or high-tech industries can be located in business parks or science parks.

During your search for your industrial premises, you may wish to take note of the following factors:

#### **i. Location**

In Singapore, industrial buildings are carefully planned and located in major industrial estates spread across the country. It is common for smaller spaces (floor plates below 10,000 square feet) to be located near major residential estates. Spaces with larger floor plates are located at the island fringe as they are close to the major export ports in Singapore and serve as a form of pollution control measure. Examples of such industrial estates include Jurong (the largest estate situated at the western region of the island), Senoko to the north and Changi (near the airport at the eastern end of Singapore).

There are restrictions and covenants to the type of industrial activities in each estate. Each location has its advantages depending on your specific needs and trade. Your property agent should be able to assist you in your site selection.

#### **ii. Nature of Business**

The search for industrial space starts with the identification of the clients' nature of business - chiefly the trade cluster and whether they are pollutive or non-pollutive. In general, the government of Singapore usually cluster similar trades together in a location such as the Aerospace, Food, Chemical, Marine industrial clusters in order to generate potential cost savings of shared services. However, their boundaries are not entirely well defined. This may not be a crucial/critical point as Singapore is relatively small in size and the transport infrastructure is efficient. The Land Transport Authority (LTA) has recently released plans to further increase and improve accessibility to various industrial zones. For example, in the western region, the MRT line will be extended to Tuas, Tuas West and subsequently to the 2nd link at the Causeway. There are also plans for new MRT lines to connect to industrial estates in Sungei Kadut, Mandai, Kallang, Ubi and Kaki Bukit.

#### **iii. Ability to Expand Plant and Machinery**

It would be useful to plan ahead for the future headcount, space, plant and equipment requirements of the company to effectively evaluate the compatibility of a site. It would also be prudent to ensure that the premises chosen will be able to accommodate the future expansion of your plant or machinery as expansion within the existing premises tends to be more cost-efficient than relocating to bigger premises, which will inevitably cause operational downtime.

### **4. Typical Industrial Lease Terms**

#### **i. Rental**

The rental is usually quoted as "gross", comprising a base rent plus service charge. Rent is paid monthly. GST is payable to all GST registered landlords. The base rent may vary according to the type of usage, location and building specifications.

#### **ii. Service Charge**

The service charge usually ranges from S\$0.15 to S\$0.30 per square foot of the gross rent. It covers management and maintenance of common areas in the building. This is subjected to changes in the maintenance. Any cost increase is payable by the tenant.

#### **iii. Security Deposit**

The amount of security deposit payable depends on the total lease term. For a 1 year lease term, the amount of security deposit will be 1 month gross rent. For a 2 year lease term, 2 months security deposit will be required. The security deposit is refundable without interest at the end of the lease, subject to the terms and conditions of the lease. A banker's guarantee may be an alternative to cash deposit, subject to negotiation.

#### **iv. Lease Period**

The lease period is usually 2 or 3 years with the option to renew for 1 to 3 years according to prevailing market rates. For lease of a sizeable area, longer leases may be negotiated.

## **v. Insurance and Fitting Out Deposit**

Throughout the duration of the lease, the tenant will be required to maintain adequate insurance coverage for fire and peril protection. The premium differs from building to building.

It is also common practice for tenants to lodge a renovation deposit with the landlord to cover the costs of rectifying any damage caused by the contractor to common areas of the building. The deposit, after the deduction of costs for rectification (if any), will be refunded to the tenant upon the completion of the fitting out.

## **vi. Renovation Costs**

Renovation costs are dependent on the clients' specification and nature of business. It can vary significantly depending on the nature of the renovation works. However, average renovation costs for ancillary office space areas are as follows:

- Low Range: S\$30 to S\$50 per square foot
- Medium Range: S\$50 to S\$75 per square foot
- High Range: S\$75 per square foot or more

These costs comprise partitions, false ceiling, air-conditioning, simple furniture, designer and professional consultant fees. The construction period may last from 2 weeks (for space of about 1,000 square feet) to 3 months (for space of more than 10,000 square feet).

## **vii. Stamp Duty**

Stamp duty is a charge levied on all documents that are officially stamped by the government authority. It is applicable to lease documents and is normally borne by the tenant. The duty which is payable is dependent on the size of the lease transaction.

## **viii. Legal Fee**

It is advisable for the tenant to engage a lawyer to advise on all legal matters pertaining to the tenancy agreement and the cost is borne by the tenant.

## **ix. Property Tax**

Property tax is payable by the property owner and is therefore not the tenant's responsibility.

## **x. Rent-free and Fitting Out Period**

Depending on the size of the premises and the prevailing market conditions, the rent-free and fitting out period can range from 1 to 3 months and it is subject to both parties' agreement at the beginning of the negotiations.

## **xi. Utilities**

Fixtures for lightings and water supply (if any) within the unit are typically provided by owners but the tenant pays the utility charges for electricity and water consumption within the unit.

The tenant or the interior designer will be required to make arrangements for the connection of utilities. Charges incurred for connection and consumption are borne by the tenant through a direct account with the utilities company. Utilities such as electricity, water and gas are provided by SP Services. Telecommunication companies include SingTel, Starhub and M1.

## **xii. Parking**

Season parking lots are allocated to tenants according to the total area leased at a monthly season charge of approximately S\$100. Otherwise, cars can be parked in neighbouring buildings or public multi-storey car parks. Curbside coupon parking is also available in certain areas.

## **xiii. Maintenance**

Tenants are responsible for the renovation, repair and cleaning of the interior of the unit. Maintenance and repairs to the exterior of the unit, such as the common areas, are carried out by the owners or the Management Corporation (for multi-owner buildings).

#### **xiv. Reinstatement**

Normally, reinstatement (or restoring the unit to its original condition) is required on termination of the lease. This is to be discussed and to be agreed by both parties at the start of the negotiation and will be indicated in the tenancy agreement. It is common market practice for the tenant to restore the unit to its bare/original condition unless otherwise stated. Some minor wear and tear is usually accepted.

### **5. Residential Accommodation**

The residential market in Singapore has developed to a high standard and has a variety of options varying from modern city living catered for young working professionals to suburban living more suited for families. Most new condominium developments in Singapore are fully equipped with facilities such as gyms, swimming pools, barbeque pits, saunas, playgrounds and 24 hour security. Landed residential properties are available for lease to foreigners. The purchase of landed homes by foreigners is generally prohibited by the authorities.

Foreigners typically choose to live in the prime districts of 9, 10 and 11. District 9 and 11 are close to the main shopping belt of Orchard Road, whereas District 10 is close to Holland Village and Dempsey where there are shops, restaurants and amenities. Of late, the Tanjong Pagar and Marina Bay areas within the CBD have undergone significant changes and will continue to transform itself into a live, work and play area. The last few years saw the completion of a number of luxury condominiums which are popular amongst young working professionals.

### **6. Foreigners Renting a Home**

#### **i. Lease Period**

The lease period for residential units in Singapore is usually two years with an option to renew. The rent for the initial lease term is usually fixed and will be renegotiated to prevailing market rates for the renewed option. Leases of one year period are occasionally available.

A diplomatic (or break lease) clause is included in the lease and is exercisable after 12 months of a 2 year lease. For lease periods of 1 year, landlords prefer not to have a diplomatic clause although in certain cases, it is possible to negotiate for a 6 month diplomatic clause. For pre-termination of the lease, the tenant is required to give two months notice or pay two months in lieu to the landlord.

#### **ii. Rental**

The rental is usually quoted as gross rental which comprises the rent, maintenance fee and fixtures & fittings. The market standard for fixtures & fittings includes a fully fitted kitchen (hood, hob, fridge, washer, dryer and oven; microwave and dishwasher are optional), lights, curtains, wardrobes and water heater. The inclusion of soft furnishings is subject to negotiation. Rent is usually paid on a monthly basis and GST (7%) is payable by the tenant if the landlord is GST registered.

#### **iii. Security Deposit**

Gross rent of two months is payable by the tenant to the landlord upon endorsement of the Tenancy Agreement. This is refundable (interest free) to the tenant upon termination of the lease and is subject to due performance of the terms and conditions of the lease by the tenant. A banker's guarantee is not acceptable.

#### **iv. Utilities**

Utility charges such as electricity, water and gas are borne by the tenant. The service provider for these utilities is SP Services.

#### **v. Carpark**

Most residential developments have provisions for car parking. However, mixed residential developments combined with a retail/office component may have limited car parking available.

## vi. Stamp Duty

Stamp duty is payable by the tenant. If the lease term is for 1 year, S\$1 is payable for every S\$250 increment of the annual rent. If the lease term is more than 1 year and up to 3 years, S\$2 is payable for every S\$250 increment of the annual rent. For periods of more than 3 years, S\$4 is payable for every S\$250 increment.

## vii. Legal Fee

It is advisable for the tenant to engage a lawyer to advise on all legal matters pertaining to the tenancy agreement and this cost is borne by the tenant.

# 7. Foreigners Purchasing Private Property

## i. Loans

Banks typically grant loans to foreigners up to 60-70% of the valuation or purchase price of the property, whichever is lower.

## ii. Interest Rates

There are two types of interest rates being offered by banks – floating rates and fixed rates. However, banks might offer a mixture of floating and fixed rates for different situations. There is usually a minimum loan period of 3 years i.e. a penalty will be imposed on early redemption. Interest rates and mortgage packages vary from bank to bank. If you are buying the property under a company's name, the interest rate will be approximately 0.5% to 1% higher per annum (depending on the market and bank), compared to buying under a personal name.

## iii. Payment Terms

Payment terms vary between purchasing from developers or from private individual owners as shown below:

### a. Purchase of Private Properties from Housing Developers

Developers normally offer progressive payment schemes following the stages of construction.

### b. Purchase of Private Properties from Individual Owners – Private Treaty

Option to Purchase	1% of purchase price	Option given immediate
Upon exercising option to Purchase	19% of purchase price (This amount is usually held by solicitor as stakeholders)	2 weeks later
Completion Date	80% of the purchase price	8 to 10 weeks later

## iv. Stamp Duty and Legal Fee

The cost of stamp duty is chargeable by the government and is payable within 14 days of the date of agreement/contract. The structure of the stamp duty payable is shown below in the table:

Segments of Purchase Price	Payable
Every S\$100 of the first \$180,000	S\$1
Every S\$100 of the next \$180,000	S\$2
Every S\$100 of the remainder	S\$3

Source: IRAS

## v. Maintenance Fees

Maintenance fees depend on the size of the property and vary between different developments. Maintenance fees are usually payable on a quarterly basis to the corporation set up to manage the specific property. For new projects, maintenance fees will only be incurred upon completion.

## vi. Property Tax

Property tax payable by the owner occupier following the structure below based on the annual value of the property:

Annual Value (S\$)	Tax Rate (%)
First 6,000	0
Next 59,000	4
Amount exceeding 65,000	6

Source: IRAS

## vii. Capital Gains Tax

There is no need to pay capital gains tax in Singapore.

## viii. Seller's Stamp Duty Tax

In the government's attempt to stabilise the residential market and eliminate speculators, any residential properties purchased on or after 14th January 2011 are subject to a seller's stamp duty. Residential properties which are sold within the first, second, third and fourth year are subject to a 16%, 12%, 8% and 4% stamp duty tax.

## ix. Limitations on Loan to Value (LTV) Ratio

The government has limited the LTV ratio of loans for certain purchasers. For purchasers who are not individuals (meaning corporations, trusts, collective investment schemes, etc.) the LTV ratio is limited to 50% and for purchasers with 1 or more outstanding loans, the limit is 60%.

## x. Restrictions on Foreign Ownership

Since 19 July 2005, the Singapore government has revised the Residential Property Act (RPA) to allow foreigners to purchase apartments or condominiums without the need to obtain prior approval. Foreigners who wish to buy landed property will still need to obtain prior approval from relevant authorities.

## xi. Purchase of Property at Sentosa Cove

Foreigners are eligible to own a landed residential property at Sentosa Cove. However, they will need to obtain a fast track approval from Singapore's Land Dealings (Approval) Unit (LDU), which will take about 2 days from the date of application. The Sentosa Cove landed property must be owner-occupied and leasing is not allowed. The successful applicant is only allowed to own one restricted residential property in Singapore and can purchase up to 15,000 square feet of land. The foreign purchaser can sell the property without staying in the property as compared to foreign purchasers of property on the Singapore mainland who have to stay a minimum of 3 years.

## xii. Property Investments for Permanent Resident Application

MAS Financial Investor Scheme

The Monetary Authority of Singapore (MAS) has a special scheme for foreigners who intend to apply for Singapore Permanent Residency. The applicant needs to have a net personal asset of S\$20 million and to set aside at least S\$10 million worth of assets in Singapore for a minimum of 5 years. The assets shall comprise financial assets such as bank deposits, capital market products, collective investment schemes, premiums paid in respect of life insurance policies and other investment products. However, up to S\$2 million can be used to purchase a private residential property.

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# BUSINESS INSURANCE

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## 1. Introduction

Globalisation is not a new trend to Singaporean companies, but recently there has been a greater emphasis on it. While many large Singaporean companies are leading the way in globalisation, Singapore-based SMEs are known to be quick trend followers. These companies use competitive advantages from the Singapore economy such as technology and infrastructure, and then leverage on comparative advantages of Asian developing countries such as cheaper labour and natural resources, to secure their position and growth in both mature and emerging markets.

However, the globalisation and growth journey for SMEs is never easy. Unlike big corporations, which have access to capital, human resources, government and business connections in foreign countries, SMEs often face hindrances hindered when considering overseas expansion, through lack of funding and resources in a foreign land. At the same time, different countries have different legal environments and standards for employee protection and benefits.

All of these can create confusion and frustration for SMEs with the goal of expansion - either overseas into new markets or foreign companies seeking to invest in Singapore. Therefore, most SMEs choose to expand operations overseas slowly and carefully. When in the foreign country, it is critical that the company complies with local laws, regulations, and to consider unique business risks arising from new operations in the local market.

Following are the four stages that a typical SME would go through to establish its presence in a foreign market. Each stage presents risk issues for consideration and potentially different risk retention and transfer options predominantly via insurance. Some of them are local statutory requirements, while some are focused on proper business protection for SMEs. In order to succeed, SMEs need to be aware of and consider risk and then make timely decisions on retention or transfer.

## 2. Globalisation Stages and Risk Issues

### Stage I - Initial Set Up (the first steps)

SMEs expanding overseas usually set up a small local office to assess the foreign market. At this stage, the SME business owner is business-curious and cost-conscious. He or she is prepared to retreat with minimum losses if the business does not work out. There are limited risk issues at this stage. The SME may need to rent a small office space, purchase a vehicle for local transportation, and have one or two office administrators. In almost every country:

- Motor Liability Insurance is compulsory;
- Majority of countries would also require social benefits or workers compensation for local hires; and
- Professional Indemnity for professionals such as lawyers, accountants, architects, engineers etc. is required.

Typically, compulsory insurance can be purchased from a local insurance company directly. For social or worker related benefits, local governments generally have social security schemes for employers to participate. However, there are still a few things that need to be considered.

Although an office property or fire policy may not be required by law, it is good practice to have one in place - it protects any potential loss from property damage caused by perils such as fire. Additionally, the property policy may also be required by the landlord or banks. In some countries, you may be able to purchase a commercial package policy, which includes property, public liability and employee liability.

One area often overlooked is the SME business owner's frequent overseas trips where having good travel and accident coverage is also essential.

### Stage II - Start Up the Business (getting it moving)

After setting up the office, the next target would be operating and building your business in the foreign country. At this stage, SMEs may start to contact buyers and suppliers i.e. customers, distributors and retailers. You may start to ship some goods from the manufacturer to the foreign market.

You will need to consider protection for goods during transportation by either sea or land. SMEs may also enter into some service contracts with local buyers. There may be requirements from your buyers that you need to have certain liability coverage, such as product liability.

At this stage, you will aggressively promote your business, offer competitive prices and attractive terms, but at the same time, you want to comply with local laws and start a good relationship with the local government. In addition to the compulsory insurance, you need to consider local regulations and business practices.

In many developing countries, due to local regulations, some compulsory insurance coverage has to be purchased through a domestic registered insurance company. So, even if you already have some insurance to protect you in your home country, you may not be able to use them for your foreign operations.

### **Stage III - Expand Local Operations (keeping it growing)**

After a longer period of operation, as you get to know the local market, you need to expand your local business by:

- Adding more offices;
- Hiring more people;
- Having a warehouse to store your goods; or
- Building a small local manufacturing operation to increase your business capacity to meet the demand.

As your business becomes more successful, your business and risk issues are also getting more complicated. At this stage, you not only want to make sure that you comply with local laws, but also that your local business is adequately protected from any unknown risks. Some examples:

- If you are building a factory, is your contractor covered under proper insurance with third party liability?
- Are you trading your goods on letter of credit or open account?
- Do you have any default payment protection for buyers?
- Do you have a Business Continuity Plan?
- How will the loss of your warehouse or a shipment affect your business income?

A simple insurance coverage will not address all these business risks. SMEs need to look at comprehensive coverage to cover risk and protect the business. At the same time, you may also have reached a point where you can achieve economies of scale by using your existing business portfolio to leverage better deals.

### **Stage IV - Establish Local Presence (expansion and growth)**

As your local operations continue to grow, incremental growth will no longer meet your business demand. You will need to make some astute business moves to expand your business and continue business growth. You may want to buy a local manufacturer to boost your operating capacity, or a local distributor/retailer to take more direct control of your sales.

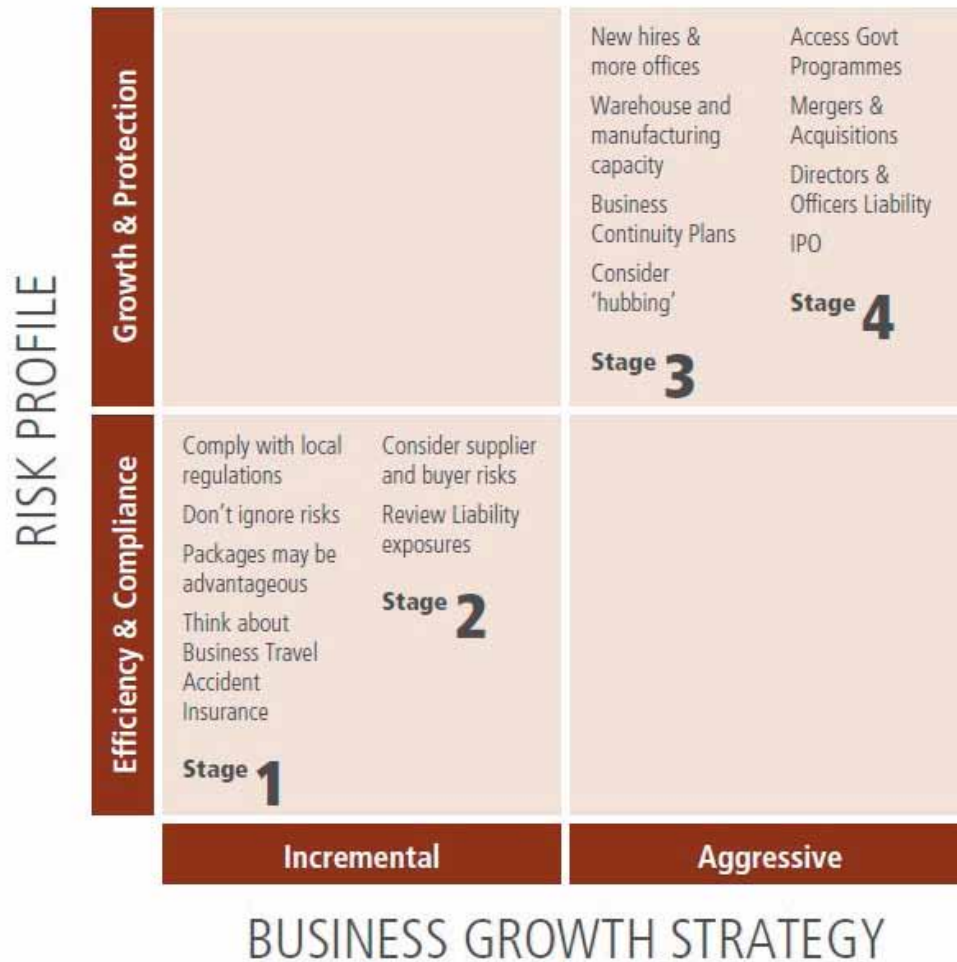
When you purchase an existing operation in a foreign country, you will face more challenges:

- Is your target business properly protected?
- How do you avoid inheriting liabilities from the target company?
- What is the Employee Benefits plan in the target company?
- How about the local environment? Are there laws you need to comply with?
- How much would all the insurance coverage cost you if you acquire the company?

At this stage, you may need to reach out to financial institutions or even capital markets for funding in order to grow your business. Lenders and potential shareholders will evaluate your internal company risk management programme, including insurance and uninsured risks.

If you plan to eventually list in Singapore or other counties, there will be another set of laws and regulations you need to comply with. At this stage, you will think not only about the issues arising from specific foreign investment but all investments and risk issues you have inside and outside Singapore. These risks need a holistic risk management approach to achieve the best protection for your business.

The typical stages of SME development are presented below:



### 3. Singapore Insurance Market

Singapore has one of the most developed insurance markets around Asia. In addition to many home grown insurers, most international insurers and reinsurers have their operations in Singapore, with some of them using Singapore as the regional underwriting centre for their Asian business.

While natural catastrophes had a negative impact on some international insurers and reinsurers over the past few years, most Singapore domestic insurers are not affected. As a result, competition in the local market is fierce.

Most local insurers offer general classes of insurance such as motor, property, public liability, workman's compensation. Some classes of insurance such as Trade Credit, Directors and Officers Liability can only be purchased from specific insurers.

## 4. Summary

So what do you need to consider when you decide to bring your business abroad?

- First, understand and respect local government laws and regulations.
- Second, never overlook your local business risks. Even if they start small, risks can grow bigger with the potential to hurt your business.
- Third, be aware of government-sponsored programmes.
- Last but not the least, partner with proven and professional service providers that have a strong local presence.

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# INTELLECTUAL PROPERTY

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## 1. Copyright

The legal framework for copyright in Singapore is found in the Copyright Act (Cap. 63). The Copyright Act provides that the owners of creative works such as literary works, dramatic works, musical works, artistic works, sound recordings, cinematographic films, television broadcasts, sound broadcasts, cable programmes and published editions of works enjoy a monopoly to (i) make a copy of the work, (ii) publish the work, (iii) perform or cause the work to be seen or heard in public, (iv) communicate the work to the public, (v) adapt the work and (vi) enter into a commercial rental arrangement relating to that work. Whether or not the full monopoly of (i) to (vi) applies depends on the type of work in question.

There is no requirement of formal registration - copyright is automatic and, subject to certain requirements, begins at the point of creation. The duration of copyright protection may be as long as the lifetime of the author and 70 years thereafter depending on the type of work. Depending on the type of infringement, a copyright owner can claim damages, an injunction and account of profits against infringers of that copyright.

The Agreement on Trade-Related Intellectual Property Rights ("TRIPS") and the Berne Convention require their signatories, like Singapore, to recognise the copyright of works of authors from other signatory countries in the same way as they recognise the copyright of their own nationals. Works created outside Singapore in a country which is a signatory to WTO or the Berne Convention will generally enjoy copyright protection in Singapore. Similarly copyright protection for Singapore works will be enjoyed in other countries.

## 2. Trade Marks

Registered trade marks are protected via the Trade Marks Act. For a trade mark to be registrable, it must, amongst other requirements, be capable of graphical representation, distinctive, non-descriptive, non-generic and non-functional. A trade mark will be considered infringing if it is similar to an earlier registered trade mark it is to be registered for goods and services which are similar to those for which the earlier trade mark is protected and as a result there exists a likelihood of confusion on the part of the public. Owners of trade marks that are well-known in Singapore have greater protection. Such marks are protected against confusing associations, dilution, tarnishment and free-riding. Depending on the type of infringement, a registered trade mark owner can claim damages, an injunction and account of profits against infringers of that trade mark.

Trade Marks are territorial and must be registered in each country. As Singapore is a signatory to the Madrid Protocol, applications for an international registration of a trade mark can be made in Singapore. At the same time, international applications under the Madrid protocol made in other signatory countries may grant protection in Singapore. An international application would be equivalent to the making of simultaneous applications for registration in multiple jurisdictions.

## 3. Patents

Patents are concerned with the protection of functional and technical inventions in the form of new products and processes. In Singapore, patent protection is governed by the Patents Act (Cap. 221). Inventors can obtain patent protection for their inventions by registering their inventions with the Registry of Patents. The inventor's patent rights are not restricted as to nationality or residency so long as the patent is registered in Singapore. As most inventors are actually employees, the Patents Act provides that inventions made by employees in the course of their employment would be owned by the employer.

Patentable inventions must be new, inventive, and have industrial application. The requirements for patentability are very stringent, and the process to obtain patent protection is both difficult and costly relative to other intellectual property rights. A significant part of the difficulty lies in the need to establish that the invention is in fact "new" and the highly technical drafting of the patent documents. The patent specifications are the key to the validity of the patent and therefore, the application process would generally require the appointment of a registered patent agent who possesses the requisite skills of drafting patent specification. The relative difficulty in obtaining patent protection as compared to other IP rights is justified by the very strong monopoly granted by a patent.

The process for applying for a patent involves five main stages, namely (i) the filing of the application, (ii) the preliminary examination, (iii) the search and examination, (iv) the publication of the application and (v) the granting of the patent. The patent system in Singapore operates on a first-to-file basis, i.e. the first person to file an application would get priority even if another person independently derived the same invention earlier. As Singapore is a signatory to the Patent Cooperation Treaty ("PCT"), patent protection in Singapore can also be obtained via an international filing under the PCT.

Once a patent is granted, the inventor obtains a virtual monopoly for 20 years over the exploitation of the invention. If any other person uses the invention without permission, the owner of the invention may make a claim against the infringer and obtain damages or an account of profits, a right to the delivery and destruction of the infringing articles, a declaration that the patent was valid and infringed and an injunction against continued use. If any interested party believes that the patent was invalidly granted, he/she may apply to have the patent revoked.

## 4. Industrial Designs

A design refers to the features of shape, configuration, pattern or ornament applied to an article by an industrial process. An example of a design would be the shape and configuration of a fancy speaker system. Protection for the design created for industrial use can be sought under the Registered Designs Act ("RDA") by registration of the design with the Registry of Designs. For a design to be registrable, the main requirements are that the design must be new, it must be industrially applied and its features are not solely for a functional purpose. Once a design has been registered, the owner of the registered design can prevent others from using the same or a similar design. If any other person uses the registered design without permission, the owner of the registered design may obtain damages or an account of profits, and an injunction against continued use.

The protection of industrial designs overlaps to an extent with other intellectual property rights like copyright as some industrial designs are also artistic works. In certain cases, the design may also be protected as a trade mark. Also, there are restrictions on copyright infringement actions for works registrable under the RDA. The disadvantage of protection under the RDA relative to other intellectual property rights is that the designs can only be protected for a maximum of 15 years.

Protection of designs via registration in Singapore operates on a first-to-file basis, and is territorial. Also, as Singapore is a signatory to the Hague Agreement, an application for the international registration of a design which is analogous to that for trade marks and patents can be filed for in Singapore or any other signatory country.

## 5. Enforcement of Intellectual Property Rights

IP rights in Singapore can be enforced by rights owners themselves via civil actions in the courts. IP rights owners may obtain monetary damages, injunctions and in certain circumstances, an account of profits against infringers. In addition, the Intellectual Property Rights Branch in the Criminal Investigations Department of the Singapore Police Force ("IPRB") regularly carries out criminal enforcement activities for IP offences. The IPRB is empowered to seize goods that infringe trade mark rights and copyright and this is followed by investigation and prosecution of offenders. The IPRB is assisted by the Immigration & Checkpoints Authority in seizing infringing goods at the borders of Singapore.

There is also a 'self-help' mechanism available to IP rights owners to criminally prosecute infringers. This 'self-help' mechanism complements the civil remedies already available to rights owners. Lawyers representing rights owners can file applications in court for warrants to search premises suspected of containing counterfeit goods, or other evidence of an offence. The rights owners then conduct the raids with the cooperation of the police. If the raid is successful and infringing goods are found, the rights owners can then apply for a fiat from the Attorney-General's Chambers to prosecute the offenders under the relevant criminal provisions of the Trade Marks Act and Copyright Act. Successful prosecutions result in fines and/or jail terms against the infringers.

In the World Economic Forum's Global Competitiveness Report 2010-2011, Singapore was ranked 3rd internationally for Intellectual Property protection, and 1st overall for efficiency in the settling of legal disputes. In 2011, Singapore was also ranked 3rd overall in the Global Innovation Index rankings.

This article is meant to provide a background to IP in Singapore. It is not meant to be legal advice and no reliance should be placed upon its contents. Please consult a Singapore law firm should you need any legal advice on Singapore law

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# SINGAPORE INFO-COMM TECHNOLOGY LANDSCAPE

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The presence of a good info-communications infrastructure is crucial for a vibrant start-up ecosystem. With better, faster connectivity, businesses would enjoy greater productivity, better collaboration, and higher operational efficiency. Over the years, Singapore has put in place a robust and reliable info-communications infrastructure that continues to keep pace with the relentless advancement of technology.

## 1. Fibre Broadband

The Next Generation National Broadband Network (NGNBN) is part of the Singapore Government's iN2015 masterplan to establish a pervasive, ultra-high speed, and trusted infocomm infrastructure that will navigate Singapore's transition into a global city. With fibre broadband, businesses can achieve operation efficiency more cost effectively.

## 2. Fixed-Mobile Convergence

Fixed-mobile convergence (FMC) has also heralded a new era in telecommunications where the line between fixed and mobile networks is blurred. In an operating landscape where the workforce is increasingly mobile, FMC has a big role to play.

Employees rely on their cell phones as a primary voice communications tool, and there is a pressing need to simplify communications in a world where multiple devices and multiple voice mailboxes are now common.

By seamlessly connecting fixed broadband and wireless access networks, one mobile phone is all that is needed, to keep one connected from office to home, and everywhere else.

## 3. Cloud Computing

The right technology is important for any business to leapfrog its competition and boost productivity and innovation. However, SMEs and new business starts-up have traditionally been limited in their ability to access the right systems - mainly due to high technology costs, lack of IT support, and changing usage models.

All this has changed with cloud computing, enabled by an ultra high-speed fibre network. Virtual servers, a form of Infrastructure as a Service (IaaS), allow businesses to commence operations without having to incur high capital and IT manpower costs.

Software as a Service (SaaS) lets SMEs access business applications over the Internet, as and when they need it. These applications and data are hosted from the service provider's data centre, meaning that SMEs incur zero upfront investment costs, while having access to advanced IT services on a subscription basis.

Many consumers are familiar with hosted, online email services, one of the earlier forms of SaaS. This model has since been extended to the delivery of robust business applications including secure and reliable accounting, web content management, and customer relationship management (CRM) tools.

Although the notion of hosted software is not new, some SMEs are hesitant about adopting SaaS as they are unsure if information passing through the cloud is secure.

With Secure Socket Layer (SSL) technology, it is difficult for data in the cloud to be intercepted as the technology ensures secure communications for web browsing, email, instant messaging and other data transfers.

Customer information stored in the cloud is also more robust. This is because data is replicated across multiple servers for redundancy+something that may be too costly for SMEs to implement within themselves. In the event of a disaster, the same information can be recovered from a mirrored site almost seamlessly+ensuring better uptime for businesses.

With a robust, hosted IT service, SMEs no longer have to worry about managing backup systems. Instead, they can focus on their core activities to boost their market performance and move up the business value chain.

Businesses can expect greater gains in flexibility and cost effectiveness by embracing cloud computing services. In a constantly evolving business landscape, there is a need to respond quickly to immediate or unexpected surges of bandwidth, sudden demands in storage or even seasonal spikes in hosting needs and resources. With SaaS and IaaS, businesses are able to stay dynamic and agile.

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RSM Chio Lim LLP is the largest accounting and business advisory group outside the Big 4 in Singapore, with a total staff strength of over 600 in Singapore and 300 in six key cities in China. Established for more than 25 years, our reputation is built on technical competence, proactive client servicing and a commitment to uncompromising integrity, professionalism and high standards of service.

We are one of the first accounting firms in Singapore to be ISO 9001:2008 certified in 1997 and is ranked as a leading firm in Singapore in "World Tax 2012", a Euromoney guide to the world's leading tax firms. We are also a leading player in the IPO market as Reporting Accountants.

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