

Introduction

Over the years, the Singapore Government has continuously made changes to the Singapore income tax system with the objective of enhancing Singapore's competitiveness. These changes have also made Singapore an attractive place for setting up holding companies.

This article provides an overview of the current Singapore corporate income tax system, and explains the advantages of setting up holding companies in Singapore to invest in other tax jurisdictions, particularly, in China and India.

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Using Singapore as a Base for Investment in Other Countries, particularly in China and India

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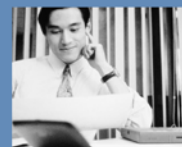
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Singapore only taxes income (not capital gains) on a territorial basis. Companies (whether tax resident in Singapore or not) are subject to income tax in Singapore at the rate of 18%¹ with effect from Year of Assessment² 2008 in respect of their income accrued in or derived from Singapore, or received in Singapore from outside Singapore. Subject to satisfaction of qualifying conditions, companies enjoy a partial or full tax exemption on their first S\$300,000 income chargeable to tax at 18%³.

For foreign-sourced income received in Singapore, Singapore tax resident companies may enjoy foreign tax credit [under the Avoidance of Double Taxation Agreement between Singapore and a foreign tax jurisdiction ("tax treaty"), or unilaterally under Singapore domestic income tax law] or tax exemption, depending on the type of income received, from which tax jurisdiction the income is received, and whether qualifying conditions are satisfied.

Capital allowance, trade loss or donation in excess of a company's income from all sources (i.e. unabsorbed capital allowance, unabsorbed loss or unabsorbed donation) for a current year may be transferred to another company within the same group for set-off against the income of the other company. To qualify for the group relief, both the companies must be incorporated in Singapore, belong to the same group and have the same accounting year-end.

Any balance of such unabsorbed capital allowance, losses or donation (subject to a limit of S\$100,000) may be carried back for set-off against the company's income of the immediate preceding year, or be carried forward (not subject to any limit) for set-off against the company's income of the subsequent year(s). The ability to carry back or carry forward such unabsorbed capital allowance, losses or donation is subject to the satisfaction of continuity of substantial ownership test⁴. For unabsorbed capital allowance, there is also the need to satisfy a business continuity test.

With effect from 1 January 2008, all dividends paid by any tax resident company in Singapore are exempt (one-tier) dividends and such dividends are not subject to further tax in the hands of the shareholders. Tax resident companies enjoy the benefits of the one-tier tax system⁵ under which there is full flexibility on how and when to pay dividends to their shareholders (including payment of dividends out of their capital gains), since they need not account to the Comptroller of Income Tax their franking credit balances

¹ The rate of tax of 18% may be reduced under tax incentives, such as the global trader programme, pioneer industry/product incentive, approved international shipping enterprise incentive, etc.

² Income tax for a Year of Assessment is assessed based on income accrued, derived or received (from outside Singapore) in the basis period - which is generally the preceding calendar year. For a trade, business, profession or vocation, its preceding financial year is the basis period.

³ For Years of Assessment (YA) prior to YA 2008, the first \$300,000 excludes Singapore franked dividends. Singapore franked dividends are dividends paid by Singapore tax resident companies which carry a tax credit which is imputable to the shareholders.

⁴ The Inland Revenue Authority of Singapore may waive the requirement to satisfy this test, on a case-by-case basis, if a substantial change in shareholding is not tax motivated (for example, where the substantial change in shareholding is a result of nationalisation, privatisation of industries or genuine commercial reasons.)

⁵ The one-tier corporate tax system was introduced on 1 January 2003 to fully replace the imputation system with effect from 1 January 2008.

Cross-border Payments

Under the Singapore domestic income tax law, companies subject to tax in Singapore making certain payments⁶ to non-resident persons are required to withhold tax and remit the tax withheld to the Comptroller of Income Tax within a stipulated period of time.

Conversely, receipts of income by companies in Singapore from outside Singapore may also be subject to withholding tax in other tax jurisdictions. Payments typically subject to withholding tax in other tax jurisdictions are interest, royalty and dividend.

The withholding tax rates for these three types of income would generally follow that of the tax jurisdiction's headline tax rate (i.e. the highest corporate tax rate of the foreign jurisdiction) unless the withholding tax rates are specifically reduced under a tax treaty.

The rates of withholding tax (both in Singapore and in foreign tax jurisdictions) for these three types of income as reduced under Singapore's 58 tax treaties, together with the headline tax rate of the respective foreign tax jurisdictions, are set out in the Annex.

Singapore as an attractive location for setting up holding companies

Singapore is an attractive location for doing business for the following reasons:

a) Tax considerations

- A territorial system of income taxation with a low rate of corporate income tax;
- Availability of many types of tax incentives which offer reduction of the corporate income tax rate;
- Non taxation on capital gains;
- Liberal rules for capital allowance/loss/donation set-offs, and for group relief;
- Availability of foreign tax credit/tax exemption for foreign-sourced income received in Singapore; and
- Reduced withholding tax rates under Singapore's 58 tax treaties.

b) Other considerations

- Political stability;
- Pro-business and highly efficient Government;
- Transparency in law;
- Highly educated and motivated workforce;
- Ease of setting up companies (which usually takes only about 3 days);
- Low statutory compliance costs (with the Government increasingly relaxing more regulatory requirements and using more electronic initiatives for statutory compliance);
- No exchange control except for certain measures put in place to check money laundering activities; and
- Existence of 13 Free Trade Agreements⁷ (FTAs), namely –
 - i) FTAs with the United States of America, Australia, New Zealand, Japan, India, Korea, Jordan and Panama;
 - ii) FTA with South East Asian Nations (ASEAN) countries;
 - iii) European Free Trade Association (i.e. EFTA – the FTA of Singapore, with Iceland, Liechtenstein, Norway and Switzerland);

⁶ Such as interest, royalty, director fee, management fee etc.

⁷ List of Free Trade Agreements ("FTAs") as at February 2008. As at the said date, Singapore also has another 10 other FTAs under negotiation.

- iv) Trans-Pacific SEP (FTA entered into amongst Singapore, New Zealand, Brunei and Chile); and
 - v) FTAs between ASEAN (which Singapore is a member nation) with China and Korea.
- Existence of 36 investment guarantee agreements, under which Singapore companies and nationals are protected against non-commercial risks, e.g. expropriation and civil strife, when investing in the relevant countries.

Setting up holding companies in Singapore is even more attractive because of the following additional tax benefits:

- a) Availability of tax incentives under the Singapore Headquarters Programme. Under this programme, holding companies in Singapore that offer corporate support and headquarter-related services to their regional companies can enjoy reduction in the corporate tax rate for specified income, if they meet the qualifying conditions⁸;
- b) Approved holding companies in Singapore enjoy certainty for a period of 5 years from the date of approval, that their gains derived from the sale of shares in approved subsidiary companies will be treated as capital gains and not subject to tax, so long as qualifying conditions are met;
- c) In addition to enjoying reduced withholding tax when holding companies receive dividend from the treaty countries, holding companies usually need not pay further tax in Singapore on their foreign-sourced dividend as they could enjoy tax exemption in Singapore on their direct remittance of dividend to Singapore from most foreign countries. Where the tax exemption is not applicable, Singapore holding companies can claim foreign tax credit in respect of the foreign tax paid in the foreign countries, which often exceeds the Singapore tax payable on the dividend, resulting in no further tax payable in Singapore on the dividend in most instances. Alternatively, Singapore holding companies can apply for a case-by-case tax exemption from the Minister of Finance.
- d) Dividend payable by holding companies to their shareholders is not subject to any dividend withholding tax in Singapore. There is no Singapore income tax impact for shareholders in situations where the holding companies pay exempt (one-tier) dividend out of capital gains derived from Singapore since capital gains are not subject to tax in Singapore.

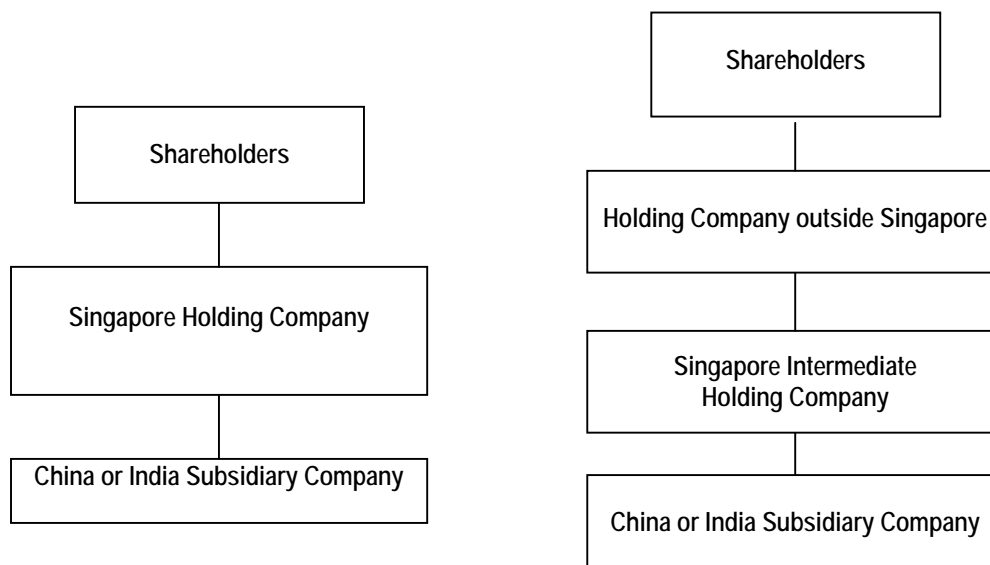
⁸ Qualifying conditions include:

- The group to which the holding company belongs must be well established in its respective business sector or industry and has attained a critical size in terms of equity, assets, employees and business share.
- The holding company should be the nerve centre in terms of organisation reporting structure at senior management levels for its principal activities, with clear-cut management and control for the activities.
- The holding company should have a substantial level of headquarters activities in Singapore that may include: Strategic business planning and development; General management and administration; Marketing control, planning and brand management; Intellectual property management; Corporate training and personnel management; Research, development and test-bedding of new concepts; Shared services; Economic or investment research and analysis; Technical support services; Sourcing, procurement and distribution; and Corporate finance advisory services.
- The personnel employed by the applicant for its headquarters operations should be based in Singapore. This includes management, professionals, technical personnel and other supporting staff.

Singapore Holding Structures for Investments in China and India

Investments in China and India, through holding companies in Singapore, are protected under the provisions of the investment guarantee agreement that Singapore has signed with China, and under the Investment Chapter of the FTA between Singapore and India, respectively.

Such investments can typically be through an ultimate holding company or an intermediate holding company set up in Singapore, as shown in the two diagrams below.



In such typical holding structures, the Singapore company will be the sole shareholder of the China⁹/India subsidiary company. The taxing rights and level of tax for payments made by the China/India subsidiary company resident in China/India, in the form of dividend, interest, royalty, management or technical fee are governed by the provisions of the tax treaty between China/India and Singapore. Payments by the Singapore tax resident holding company in the form of dividend, interest, royalty, management and technical fee are subject to the provisions of the Singapore domestic tax law, and if applicable, the provisions of the tax treaty signed between Singapore and the tax jurisdiction of which the recipient is a tax resident.

⁹ Under such an arrangement, the China subsidiary company is referred to as a wholly foreign owned enterprise (“WFOE”) in China.

Singapore income tax treatment of income received by holding companies

The following table shows the Singapore income tax treatment applicable to holding companies in Singapore for dividend, interest, royalty, and management/technical fee received in Singapore from China/India and capital gains derived in China/India:

Type of income	Singapore tax treatment of	
	Income from China	Income from India
<p><u>Dividend</u> Dividend payable by a China/India subsidiary company to a Singapore holding company.</p>	<p>Under the revised tax treaty, withholding tax at 5% or 10% of the gross dividend can be imposed by China for payment of dividend to the Singapore resident holding company¹⁰.</p> <p>For dividend that has been subjected to dividend withholding tax and/or paid out of profits that have been subjected to income tax in China, no further tax is payable in Singapore as the dividend received by the Singapore holding company can qualify for automatic tax exemption under section 13(8) of the Singapore Income Tax Act.</p> <p>If no dividend withholding tax or underlying tax has been paid in China due to a tax incentive granted by China for carrying out economic activities there, section 13(8) tax exemption also applies.</p>	<p>Withholding tax(*) at 10% or 15% of the gross dividend can be imposed by India for payment of dividend to the Singapore resident holding company.</p> <p>For dividend that has been subjected to dividend withholding tax and/or paid out of profits that have been subjected to income tax in India, no further tax is payable in Singapore as the dividend received by the Singapore holding companies can qualify for automatic tax exemption under section 13(8) of the Singapore Income Tax Act.</p> <p>If no dividend withholding tax or underlying tax has been paid in India due to a tax incentive granted by India for carrying out economic activities there, section 13(8) tax exemption also applies.</p>
<p><u>Interest</u> Interest payable by a China/India subsidiary company to a Singapore holding company on loans obtained from the Singapore holding company.</p>	<p>Interest payments are subject to withholding tax at 10% (7% if payable to financial institutions) of the gross amount of interest payable under the existing tax treaty between China and Singapore. The withholding tax rates remains unchanged under the revised tax treaty (effective 1 January 2008).</p> <p>Such interest will only be subject to tax in Singapore at a rate of 18% (unless reduced rate under an incentive is applicable) if remitted back to Singapore by the Singapore holding company. In such an event, the tax paid in China will be allowed as tax credit for set-off against Singapore tax payable on the interest income, up to the Singapore tax payable on such income.</p>	<p>Interest payments are subject to withholding tax at 15% (10% if payable to financial institutions) of the gross amount of interest payable (*).</p> <p>Such interest will only be subject to tax in Singapore at a rate of 18% (unless reduced rate under an incentive is applicable) if remitted back to Singapore by the Singapore holding company. In such an event, the tax paid in India will be allowed as tax credit for set-off against Singapore tax payable on the interest income, up to the Singapore tax payable on such income.</p>

¹⁰ The revised tax treaty between China and Singapore entered into force on 18 September 2007 and will take effect from 1 January 2008. Under the existing tax treaty between China and Singapore (concluded on 18 April 1986), withholding tax at 7% or 12% of the gross dividend can be imposed by China for payment of dividend to the Singapore resident holding company.

Type of income	Singapore tax treatment of													
	Income from China	Income from India												
<p><u>Royalty</u> Royalty payable by a China/India subsidiary company to the Singapore holding company.</p>	<p>Under the revised tax treaty, royalty payments are subject to withholding tax in China at 10% on the gross amount of royalty. Tax rate will be reduced to 6% for lease payments made for industrial, commercial or scientific equipment from 1 January 2008¹¹.</p> <p>The tax paid in China will be allowed as tax credit for set-off against Singapore tax payable on the royalty income of the recipient, up to the Singapore tax payable on such income.</p>	<p>Royalty payments are subject to withholding tax in India at 10% on the gross amount of royalty (*).</p> <p>The tax paid in India will be allowed as tax credit for set-off against Singapore tax payable on the royalty income of the recipient, up to the Singapore tax payable on such income.</p>												
<p><u>Management/ Technical Fee</u> China/India subsidiary company pays management and/or technical fee to the holding company in Singapore</p>	<p>Payments of management/ technical fee are subject to China withholding tax under local tax laws¹². The applicable taxes in China for payment of management/ technical fees include business tax (5%) and withholding tax (10%). Combining the two taxes, the effective rate is 14.5%.</p> <p>The computation of the effective rate of tax is illustrated with an example of a management fee amounting to S\$10,000 payable by the China subsidiary company to the Singapore holding company:</p> <table style="margin-left: 20px;"> <tr> <td>Gross fee payable</td> <td style="text-align: right;">S\$10,000</td> </tr> <tr> <td>Less: business tax 5%</td> <td style="text-align: right;"><u>(S\$ 500)</u></td> </tr> <tr> <td></td> <td style="text-align: right;">S\$ 9,500</td> </tr> <tr> <td>Less:</td> <td></td> </tr> <tr> <td>withholding tax 10%</td> <td style="text-align: right;"><u>(S\$ 950)</u></td> </tr> <tr> <td>Net fee payable</td> <td style="text-align: right;"><u>S\$ 8,550</u></td> </tr> </table> <p>Percentage of tax S\$500+ S\$950 / S\$10,000 = 14.5%</p> <p>The tax paid in China will be allowed as a tax credit against Singapore tax payable of the holding company. If such service income is determined to be foreign-sourced (i.e. the services are rendered by the Singapore holding company through a fixed place of operation outside</p>	Gross fee payable	S\$10,000	Less: business tax 5%	<u>(S\$ 500)</u>		S\$ 9,500	Less:		withholding tax 10%	<u>(S\$ 950)</u>	Net fee payable	<u>S\$ 8,550</u>	<p>Payments of management/ technical fee are subject to India withholding tax(*) at 10%.</p> <p>The withholding tax paid in India will be allowed as a tax credit against Singapore tax payable of the holding company. If such service income is determined to be foreign-sourced (i.e. the services are rendered by the Singapore holding company through a fixed place of operation outside Singapore), automatic tax exemption under section 13(8) of the Singapore Income Tax Act is applicable.</p>
Gross fee payable	S\$10,000													
Less: business tax 5%	<u>(S\$ 500)</u>													
	S\$ 9,500													
Less:														
withholding tax 10%	<u>(S\$ 950)</u>													
Net fee payable	<u>S\$ 8,550</u>													

¹¹ Under the existing tax treaty between China and Singapore, all royalties are subject to a withholding tax of 10%.

¹² Generally, for tax treaty purposes, the management/ technical fees may be regarded as business profits and may only be taxable in the source state with the presence of a permanent establishment as defined under the Permanent Establishment Article.

Type of income	Singapore tax treatment of	
	Income from China	Income from India
	Singapore), automatic tax exemption under section 13(8) of the Singapore Income Tax Act is applicable.	
<u>Capital gains</u>	Singapore does not impose tax on capital gains derived in China, or elsewhere.	Singapore does not impose tax on capital gains derived in India, or elsewhere.

(*) *Withholding tax rates quoted are based on the existing tax treaty between India and Singapore concluded on 24 Jan 1994, which entered into force on 27 May 1994.*

Tax exemption benefit enjoyed by Singapore tax resident holding companies on capital gains derived in China or India

In respect of capital gains derived in China or India by Singapore tax resident holding companies, China/India grants tax exemption (under their revised tax treaty concluded with Singapore) on the following categories of capital gains:

a) China

- capital gains derived from alienation of ships or aircrafts operated in international traffic and movable property, pertaining to the operation of such ships or aircraft;
- capital gains derived from alienation of shares deriving 50% or less of their value directly or indirectly from immovable property situated in China¹³; and
- capital gains derived from alienation of shares, participation, or other rights in the capital of a company or other legal person which is resident in China, if the recipient of the gains, at any time during the twelve-month period preceding the alienation, had a participation, directly or indirectly, of less than 25% in the capital of the Chinese company or other legal person¹⁴.

b) India

- capital gains derived from alienation of ships or aircrafts operated in international traffic or movable property pertaining to the operations of such ships or aircraft; and
- capital gains¹⁵ derived from alienation of any property other than from alienation of
 - (i) immovable property,
 - (ii) movable property forming part of the business property of a permanent establishment/ fixed base in India, including gains from alienation of such a permanent establishment/ fixed base, and
 - (iii) ships or aircraft operated in international traffic or movable property pertaining to the operations of such ships or aircraft.

¹³ Effective 1 January 2008. Under the existing tax treaty, gains from the alienation of shares of the capital stock of a company the property of which consists directly or indirectly principally of movable property situated in China would be taxed in China.

¹⁴ Effective 1 January 2008. Under the existing tax treaty, any gains from the alienation of shares in a company resident in China may be taxed in China.

¹⁵ Tax exemption on this category of capital gain is not applicable if a Singapore holding company's affairs are arranged with the primary purpose to take advantage of this treaty benefit, or if it is a mere shell/conduit company. A Singapore tax resident company is deemed not to be a shell/conduit company if:

- (a) its total annual expenditure on operations in Singapore is equal to or more than S\$200,000 in the immediately preceding period of 24 months from the date the capital gains arise; or
- (b) it is listed on the securities market operated by the Singapore Exchange Limited, Singapore Exchange Securities Trading Limited and the Central Depository (Pte) Limited.

Table showing withholding tax rate and headline tax rate as February 2008

<u>Country</u>	<u>Withholding tax rates for:</u>			<u>Headline Tax Rate¹⁶</u>
	<u>Interest</u>	<u>Royalties</u>	<u>Dividend</u>	
Australia	10	10	15	30
Austria	5	5	0/10 ¹⁷	25
Bahrain	5	5	0	46
Bangladesh	10	10	15	45
Belgium	10	5	15	33
Brunei	5/10 ¹⁸	10	10	30
Bulgaria	5	5	5	10
Canada	15	15	15	28
China	7/10 ¹⁹	6/10 ²⁰	5/10 ²¹	25
Cyprus	7/10 ²²	10	0	25
Czech Republic	0	10	5	21
Denmark	10	10	0/5/10 ²³	25
Egypt	15	15	15	20
Estonia	10	7.5	5/10 ²⁴	21
Fiji	10	10	5/15 ²⁵	31
Finland	5	5	5/10 ²⁶	26
France	10	0	10/15 ²⁷	33.3
Germany	10/8 ²⁸	0/8 ²⁹	5/15 ³⁰	15
Hungary	5	5	5/10 ³¹	16
India	10/15 ³²	10	10/15 ³³	30

¹⁶ Extracted from International Bureau Fiscal Database.

¹⁷ 0% of gross dividend if recipient is a company holding at least 10% capital of the dividend paying company or 10% of gross dividend in all other cases.

¹⁸ 5% of gross interest if received by a bank or financial institution or 10% of gross interest in all other cases.

¹⁹ 7% of gross interest if received by a bank or financial institution or 10% of gross interest in all other cases.

²⁰ From 1 January 2008, 6% of gross royalty if paid for the use of or the right to use any industrial, commercial or scientific equipment.

²¹ From 1 January 2008, 5% of gross dividend if recipient holds at least 25% of shares of the dividend paying company and 10% of gross dividend in all other cases.

²² 7% of gross interest if received by a bank or financial institution or 10% of gross interest in all other cases.

²³ 0% of gross dividend if recipient holds at least 25% capital for not less than a year and dividend is paid within that holding period; 5% if the recipient is a pension fund/scheme recognised for tax or 10% of gross dividend in all other cases.

²⁴ 5% of gross dividend if recipient is a company holding at least 25% capital of dividend paying company or 10% of gross dividend in all other cases.

²⁵ 5% of gross dividend if recipient is a company holding at least 10% capital of the dividend paying company or 15% of gross dividend in all other cases.

²⁶ 5% of gross dividend if recipient is a company holding at least 10% of voting power of the dividend paying company or 10% of gross dividend in all other cases.

²⁷ 10% of gross dividend if recipient is a company holding at least 10% capital of the dividend paying company or 15% of gross dividend in all other cases.

²⁸ 10% of gross interest up to 31 December 2006 and 8% with effect 1 January 2007.

²⁹ 0% of gross royalty up to 31 December 2006 and 8% with effect 1 January 2007.

³⁰ 5% of gross dividend if recipient holds at least 10% capital of the dividend paying company or 15% of gross dividend in all other cases.

³¹ 5% of gross dividend if recipient is a company holding at least 25% capital of the dividend paying company or 10% of gross dividend in all other cases.

³² 10% of gross interest if interest paid on loan granted by bank carrying on bona fide banking business or by a similar financial institution (including insurance company) or 15% in all other cases.

Withholding tax rates for:

<u>Country</u>	<u>Interest</u>	<u>Royalties</u>	<u>Dividend</u>	<u>Headline Tax Rate¹⁶</u>
Indonesia	10	15	10/15 ³⁴	30
Israel	7	5	5/10 ³⁵	29
Italy	12.5	15/20 ³⁶	10	33
Japan	10	10	5/15 ³⁷	30
Kazakhstan	10	10	5/10 ³⁸	30
Korea	10	15	10/15 ³⁹	25
Kuwait	7	10	0	50
Latvia	10	7.5	5/10 ⁴⁰	15
Lithuania	10	7.5	5/10 ⁴¹	15
Luxembourg	10	10	5/10 ⁴²	26
Malaysia	10	8	5/10 ⁴³	26
Malta ⁴⁴	7/10 ⁴⁵	10	0	35
Mauritius	0	0	0	22.5
Mexico	5/15 ⁴⁶	10	0	28
Mongolia	5/10 ⁴⁷	5	5/10 ⁴⁸	25
Myanmar	8/10 ⁴⁹	10/15 ⁵⁰	0	30
Netherlands	10	0	0/15 ⁵¹	25.5

³³ 10% of gross dividend if recipient is a company holding at least 25% capital of the dividend paying company or 15% of gross dividend in all other cases.

³⁴ 10% of gross dividend if recipient holds at least 25% capital of the dividend paying company or 15% of gross dividend in all other cases.

³⁵ 5% of gross dividend if recipient holds at least 10% capital of the dividend paying company or 10% of gross dividend in all other cases.

³⁶ 15% of gross royalties for the use of, or the right to use, any copyright of scientific work, any patent, trade mark, design or model, plan, secret formula or process or for the use of industrial, commercial or scientific equipment, or for information concerning industrial or scientific experience. 20% of gross royalties for the use of, or the right to use, any copyright of literary or artistic work for television or broadcasting.

³⁷ 5% of gross dividend if recipient is a company holding at least 25% of voting shares of the dividend paying company or 15% of gross dividend in all other cases.

³⁸ 5% of gross dividend if recipient is a company holding at least 25% capital of the dividend paying company or 10% of gross dividend in all other cases.

³⁹ 10% of gross dividend if recipient is a company holding at least 25% capital of the dividend paying company or 15% of gross dividend in all other cases.

⁴⁰ 5% of gross dividend if recipient is a company holding at least 25% capital of the dividend paying company or 10% of gross dividend in all other cases.

⁴¹ 5% of gross dividend if recipient is a company holding at least 25% capital of the dividend paying company or 10% of gross dividend in all other cases.

⁴² 5% of gross dividend if recipient is a company holding at least 10% capital of the dividend paying company or 10% of gross dividend in all other cases.

⁴³ 5% of gross dividend if recipient is a company holding at least 25% capital of the dividend paying company or 10% of gross dividend in all other cases.

⁴⁴ Applies to income derived on or after 1 January 2009.

⁴⁵ 7% of gross interest if received by bank or 10% of gross interest in all other cases.

⁴⁶ 5% of gross interest if received by bank or 15% of gross interest in all other cases.

⁴⁷ 5% of gross interest if received by a bank or financial institution or 10% of gross interest in all other cases.

⁴⁸ 5% of gross dividend if recipient is a company holding at least 25% capital of the dividend paying company or 10% in all other cases.

⁴⁹ 8% of gross interest if received by a bank or financial institution or 10% of gross interest in all other cases.

Withholding tax rates for:

<u>Country</u>	<u>Interest</u>	<u>Royalties</u>	<u>Dividend</u>	<u>Headline Tax Rate¹⁶</u>
New Zealand	15	15	15	33
Norway	7	7	5/15 ⁵²	28
Oman	7	8	5	12
Pakistan	12.5	10	10/12.5/15 ⁵³	35
Papua New Guinea	10	10	15	30
Philippines	15	15/25 ⁵⁵	15/25 ⁵⁶	32
Poland	10	10	10	19
Portugal	10	10	10	25
Qatar ⁵⁴	5	10	0	35
Romania	5	5	5	16
Slovak Republic	0	10	5/10 ⁵⁷	19
South Africa	0	5	5/15 ⁵⁸	29
Sri Lanka	10	15	15	35
Sweden	10/15 ⁵⁹	0	10/15 ⁶⁰	28
Switzerland	10	5	10/15 ⁶¹	8.5
Taiwan	NA	15	40 ⁶²	25
Thailand	10	15	20 ⁶³	30
Turkey	7.5	10	10/15 ⁶⁴	20
United Arab Emirates	7	5	5	50
United Kingdom	10	10	5/15 ⁶⁵	30

⁵⁰ 10% of gross royalties for the use of, or the right to use any patent, design or model, plan, secret formula or process, or for the use of, or the right to use industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience or 15% of gross royalties in all other cases.

⁵¹ 0% of gross dividend if recipient is a company holding at least 25% capital of the dividend paying company or 15% in all other cases.

⁵² 5% of gross dividend if recipient is a company holding at least 25% capital of the dividend paying company or 15% in all other cases.

⁵³ 10% of gross dividend if recipient is a company and the dividend paying company is engaged in an industrial undertaking; 12.5% of gross dividend if recipient is a company and the dividend paying company is not engaged in an industrial undertaking or 15% in all other cases.

⁵⁴ Applies to income derived on or after 1 Jan 2008.

⁵⁵ 15% of gross royalty if paid by an enterprise registered with the Philippine Board of Investments and engaged in preferred areas of activities, and royalties in respect of cinematographic films or tapes for television or broadcasting; 0% if approved under the Economic Expansion Incentive Act of Singapore or 25% of gross royalty in all other cases.

⁵⁶ 15% of gross dividend if recipient is a company holding at least 15% voting stock of the dividend paying company or 25% of gross dividend in all other cases.

⁵⁷ 5% of gross dividend if recipient is a company holding at least 10% capital of the dividend paying company or 10% of gross dividend in all other cases.

⁵⁸ 5% of gross dividend if recipient is a company holding at least 10% capital of the dividend paying company or 15% of gross dividend in all other cases.

⁵⁹ 10% of gross interest if received by a financial institution or 15% of gross interest in all other cases.

⁶⁰ 10% of gross dividend if recipient is the parent company holding at least 25% capital of the dividend paying company or 15% of gross dividend in all other cases.

⁶¹ 10% of gross dividend if recipient is a company holding at least 25% capital of the dividend paying company or 15% of gross dividend in all other cases.

⁶² Up to 40% of gross dividend and includes the underlying corporate tax paid by the dividend paying company.

⁶³ 20% of gross dividend if recipient is a company holding at least 25% of voting shares of the dividend paying company.

⁶⁴ 10% of gross dividend if recipient is a company holding at least 25% capital of the dividend paying company or 15% of gross dividend in all other cases.

<u>Country</u>	Withholding tax rates for:			<u>Headline Tax Rate</u> ¹⁶
	<u>Interest</u>	<u>Royalties</u>	<u>Dividend</u>	
Vietnam	10	5/15 ⁶⁶	5/7/12.5 ⁶⁷	28

⁶⁵ 5% of gross dividend if recipient is a company holding at least 10% voting power of the dividend paying company or 15% of gross dividend in all other cases.

⁶⁶ 5% of gross royalties for royalties for the use of, or the right to use any patent, design or model, plan, secret formula or process or industrial, commercial or scientific equipment, or information concerning industrial, commercial or scientific experience or 15% in other cases.

⁶⁷ 5% of gross dividend if recipient contributed more than 50% or more than USD 10 million of capital in the dividend paying company; 7% of gross dividend if recipient contributed between 25 to 50% of capital or 12.5% of gross dividend in all other cases.