Doing business in Singapore
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The materials contained in this publication were assembled in May 2012 and were based on the law enforceable and information available at that time.
Executive summary

For the sixth year running, Singapore is ranked top in the world in terms of ease of doing business (Doing Business 2012 Report, World Bank). Global businesses will benefit from locating their headquarters and operations in Singapore (ranked the most competitive Asian country by the Global Competitiveness Report 2011-2012, World Economic Forum). This is made possible by the following competitive factors which set Singapore apart from other locations:

- **Pro-business and stable government**
  Singapore offers political stability that is vital to foreign investments. Government agencies, which have a pro-business attitude, work closely with the business sector to promote economic growth.

- **Excellent infrastructure**
  Businesses can tap into Singapore’s excellent shipping and air links, as well as its first-class telecommunications and banking facilities to manage their global operations from Singapore.

- **Extensive trade links**
  Investors can leverage on Singapore’s trade network with its 18 regional and bilateral free trade agreements with 24 trading partners and the 39 investment guarantee agreements.

- **Skilled workforce and harmonious industrial relations**
  Singapore offers a highly-rated human capital base, recognised for its skills. There are virtually no labour disputes as the trade unions work closely with the government and business sectors to ensure that the collective interests of business and employees are met.

- **Robust legal system**
  The legal and judicial system here is robust and efficient and Singapore is reputed for its tough stance against corruption. Singapore is rated top in Asia and second in the world for intellectual property rights protection in the Global Competitiveness Report 2011-2012, World Economic Forum. Thus, businesses can count on Singapore’s rigorous enforcement of its strong intellectual property laws to protect their ideas and innovations.

- **World-class living standard**
  Besides being one of the cleanest cities in the world, the city-state is safe and orderly. Coupled with its world-class transport system and healthcare services, Singapore offers one of the best living environments in the world.

- **Excellent infrastructure**
  Businesses can tap into Singapore’s excellent shipping and air links, as well as its first-class telecommunications and banking facilities to manage their global operations from Singapore.

- **Competitive tax system**
  Singapore offers a very competitive tax regime with its low tax rate and a wide range of tax incentives. Businesses based here can also benefit from its network of nearly 70 comprehensive double taxation agreements.

- **Skilled workforce and harmonious industrial relations**
  Singapore offers a highly-rated human capital base, recognised for its skills. There are virtually no labour disputes as the trade unions work closely with the government and business sectors to ensure that the collective interests of business and employees are met.

- **Robust legal system**
  The legal and judicial system here is robust and efficient and Singapore is reputed for its tough stance against corruption. Singapore is rated top in Asia and second in the world for intellectual property rights protection in the Global Competitiveness Report 2011-2012, World Economic Forum. Thus, businesses can count on Singapore’s rigorous enforcement of its strong intellectual property laws to protect their ideas and innovations.

- **Accounting standards**
  The Singapore Financial Reporting Standards are closely modelled after the International Financial Reporting Standards. This consistency facilitates comparison of financial performance of firms across territories and promotes transparency.

- **Ease of doing business**
  The procedures to set up a business are straightforward. Together with a set of streamlined reporting requirements, investors can expect minimal compliance cost and bureaucracy in running a business in Singapore.

- **Well-developed financial system**
  Singapore, a country with a ‘AAA’ rating, is one of the top international financial centres. Its financial system is well-regulated and offers a broad range of services. Businesses can also tap into its developed capital markets as an alternative source of financing.
The shift in the world’s centre of economic gravity from West to East plays to Singapore’s competitive advantage, with its strategic location at the crossroads of global trade and its growing appeal as an international hub for wealth management and financial services.

Its population of some 5.1 million is the world’s third wealthiest in terms of per capita GDP. Singapore’s sustained GDP growth of 4.9% in 2011 was the result of continued success in attracting inward investment driven by its ease of doing business and openness.

HSBC shares many characteristics with Singapore. We both make it our business to connect companies and people to opportunities across the world. We are equally determined to set the highest standards in order to earn the trust of stakeholders and counterparties.

In Singapore, HSBC is focused on strengthening our capabilities as an international hub for trade, financial markets and wealth management.

We have the global connectivity, financial strength and the people to deliver for our customers and help them connect to the opportunities Singapore has to offer. Our role as the hub for HSBC Private Bank in South Asia is evidence of Singapore’s increasing importance as a wealth management centre.

We seek to be your trusted partner to help you and your business make the most of opportunities and fulfil your potential.

We hope that this guidebook, Doing Business in Singapore, produced in collaboration with PricewaterhouseCoopers, will help you to discover Singapore and its potential to connect your business to the world.
Introduction

Doing business in Singapore

Geography

Singapore is situated at the tip of the Malayan peninsula, at the south-eastern end of the Straits of Malacca. Due to its strategic location, Singapore is often seen as a gateway to markets in the South East Asian countries, China and India.

Economic environment

Singapore has one of the most open economies in the world. The government plays a critical role in directing economic policies as well as in promoting a pro-business and pro-foreign investment climate.

Singapore is widely acknowledged as being one of the best places to do business in the world, having won numerous accolades including:

- the world’s easiest place to do business (Doing Business Report 2012, World Bank);
- best business environment in Asia Pacific and worldwide (Country Forecasts, December 2011, Economist Intelligence Unit); and
- among the top three in the world for having the best protection of intellectual property (Global Competitiveness Report 2011-2012, World Economic Forum).
To boost the tourism sector, Singapore’s open and transparent labour relations, has made Singapore a popular choice for global investors. Investors also appreciate the country’s efficient and transparent bureaucracy and extensive preferential trade links.

The amount of foreign direct investment in Singapore as at the end of 2010 stood at S$618 billion. The top two investor countries were the Netherlands and the United States. Other countries with significant investment in Singapore include Japan and the United Kingdom.

There is generally no restriction on foreign ownership of businesses. However, certain industries that are of national interest are not generally open to private enterprise, for example, the manufacture of arms and ammunition, newspaper publishing and public transport. There is no requirement to register or report the investment of foreign capital, loans or technology agreements.

The availability of incentives in targeted segments of the economy has been instrumental to Singapore’s success in attracting foreign investments. These schemes are available in two forms – financial incentives and tax incentives. Financial incentives provided by the Singapore government include grants and subsidies. Seed funding from the government may also be available to promote growth in certain sectors. Tax incentives are largely industry-driven and take the form of tax holidays, reduced income and withholding tax rates, accelerated tax depreciation enhanced deductions/allowances and investment allowances.

Singapore has capitalised on its excellent shipping and air links with key economies to become a top global transportation hub. Together with its excellent telecommunications infrastructure and access to banking facilities, businesses situated here are well placed to run their regional and global operations using Singapore as a hub.

Singapore’s legal system is generally modelled on the English legal system, reflecting its heritage as a British colony. The legal and judicial system here is robust and efficient and Singapore is reputed for its tough stance against corruption. Businesses can also count on Singapore’s rigorous enforcement of its strong intellectual property laws to protect their ideas and innovations.

As an international trading centre, Singapore operates a free port with virtually no import or export duties on raw materials, equipment or products. Only certain imports are controlled for health, safety and security reasons.

Singapore is a cosmopolitan country with an open immigration policy that makes it easy for foreigners to enter Singapore. The city-state is recognised as one of the Cleanest Cities in the world. It has an efficient and affordable public transport system, and its healthcare services are world-class.

All these factors contribute to a living environment that results in Singapore being ranked highly in many surveys, including:

- Foreign talent rank Singapore as Asia’s best city to work in (World Competitiveness Yearbook 2011, International Institute for Management Development)
- Singapore is the first choice for Asian expatriates (ECA Location Ratings Survey, 17 April 2012, ECA International)
- Singapore is the best place in Asia for personal safety (Personal safety worldwide city rankings, June 2011, Mercer Survey)
Conducting business in Singapore

Forms of business

The available business structures in Singapore are companies, branches, sole-proprietorships and partnerships (including limited liability partnerships and limited partnerships).

A foreign entity can also establish a representative office in Singapore. However, a representative office can only carry out market research, feasibility studies and liaison work on behalf of parent company. It cannot trade in goods/services (including import and export), lease warehousing facilities, lease offices to others for a fee, conclude contracts, provide services for a fee, issue invoices/receipts, or open or negotiate any letter of credit directly or on behalf of its parent company.

With effect from 1 January 2012, a representative office of a foreign commercial entity may operate in Singapore for a maximum of three years from its commencement date, provided that the representative office status is evaluated and renewed. A representative office that decides to continue its presence in Singapore thereafter should register its operations with the Accounting and Corporate Regulatory Authority of Singapore.

All new applications of a foreign commercial entity must fulfill the following criteria:

- Sales turnover of the foreign entity must be more than US$250,000
- Number of years of establishment of the foreign entity must be at least three years
- Proposed number of staff for the representative office should be fewer than five people

The following are the key features and requirements for each business structure:

**Company**

- There are three types of company in Singapore, namely private/public companies limited by shares (with not more than 50 shareholders for private companies limited by shares, but public companies limited by shares can have more than 50 shareholders), public companies limited by guarantee (non-profit making activities with some basis of national or public interest) and unlimited companies.
- A company is a legal entity, separate and distinct from its owners/shareholders. It can incur obligations and hold property in its own name. Consequently, it can sue and be sued in its own name, it has perpetual existence and it can contract with its controlling members.
- There must be at least one shareholder and one director in the company. The director of the company must be above 18 years old and be any of the following:
  - a Singapore citizen
  - a Singapore permanent resident
  - an employment pass holder
  - an approval-in-principle employment pass holder
  - a dependant pass holder

Directors cannot be bankrupts or persons convicted of dishonesty.
Branch of foreign corporations

• A foreign incorporated company which intends to carry on a business in Singapore is required to register a branch in Singapore, prior to its commencing business here.

• To set up a branch in Singapore, two local agents must be appointed. These agents must be above 18 years old and one of the following:
  – a Singapore citizen
  – a Singapore permanent resident
  – an employment pass holder
  – an approval-in-principle employment pass holder
  – a dependant pass holder

Sole-proprietorship

• The term ‘sole-proprietorship’ refers to an individual who carries on a business by himself.

• A sole-proprietorship is therefore not a legal entity that is separate and distinct from its owner.

• If the owner of the sole-proprietorship is not ordinarily resident in Singapore, he must appoint a local manager who is above 18 years old and who should be one of the following:
  – a Singapore citizen
  – a Singapore permanent resident
  – an employment pass holder
  – an approval-in-principle employment pass holder
  – a dependant pass holder

To qualify as ordinarily resident, a person must have a local address and be permitted to reside in Singapore.

Partnership

• A partnership is a form of unincorporated business owned by a minimum of two partners and a maximum of 20.

• A partnership is not a legal entity separate from its owners/partners. Each partner is jointly and severally liable for all debts of the partnership.

• Like sole-proprietorship, a local manager must be appointed if none of the partners is ordinarily resident in Singapore.

• The LLP was introduced in 2005. It has the limited liability of a company and the operational flexibility of a partnership.

• It requires a minimum of two partners but there is no cap on the maximum number of partners allowed for an LLP. Partners can be individuals or companies.

• Unlike partnership, an LLP is a legal entity, separate and distinct from its owners/partners.

• It is compulsory for all LLPs to appoint at least one local manager.

Limited Partnership (LP)

• The LP was introduced in 2009 and provides limited personal liability for partners who do not manage the LP.

• It requires a minimum of two partners, with at least one general partner and one limited partner. There is no cap on the maximum number of partners allowed for an LP.

• A LP is not a separate legal entity, in that it does not have a separate legal personality apart from its owners/partners.

• It is compulsory for all LPs to appoint at least one local manager if all general partners do not originally reside in Singapore.

Registration

All businesses in Singapore must be registered with the Accounting and Corporate Regulatory Authority (ACRA). Both self-registration on the website and registration through a professional service firm are acceptable. For self-incorporation of a company, all directors, company secretaries and shareholders must be Singaporeans, employment pass holders or dependant pass holders.

Licensing

Licensing requirements may apply, depending on the industry and business concerned. For instance, financial institutions must be licensed by the Monetary Authority of Singapore and firms intending to manufacture or sell certain restricted goods will need appropriate licenses from the regulatory bodies responsible for the industry.

Other controls

It is generally quite easy for foreigners to set up a business in Singapore due to the general lack of foreign ownership restrictions (except for national security reasons and in areas such as air transport, newspaper publishing, etc).

Singapore has no foreign exchange controls on repatriation of profits. However, banks are required to observe banking regulations regarding the internationalisation of Singapore dollars when they grant credit facilities to non-resident financial institutions.

Annual Filing

Singapore companies are required to file an annual return within one month from the date of their Annual General Meeting (AGM)/special resolution in lieu of the AGM. The return should be accompanied by a set of audited financial statements unless the company qualifies as an exempt private company.

For LLPs, the manager is required to make an Annual Declaration to ACRA stating whether the business is able to pay its debts as they fall due. The first Annual Declaration must be made within 15 months of the date of registration.
Taxation in Singapore

Corporation Income Tax

Scope of corporate income tax
Singapore asserts its jurisdiction to tax primarily on the basis of source. Tax is imposed on income sourced in Singapore, as well as foreign sourced income received in Singapore, unless specified exemptions apply.

Singapore does not have a capital gains tax regime. Only revenue gains are taxable. The determination of whether a gain is of revenue (taxable) or capital (not taxable) nature is based on the facts and circumstances of each case.

It was announced during the 2012 Budget that gains on disposal of equity investments by companies will not be taxed if:

- the divesting company holds a minimum shareholding of 20% in the company whose shares are being disposed of; and
- the divesting company maintains the minimum 20% shareholding for a minimum period of 24 months just prior to the disposal.

Residency
A company is regarded as a resident of Singapore if the management and control of its business is exercised in Singapore. It is generally accepted that the place of management and control is where the board of directors’ meetings are held.

Tax compliance and administration
The administration of the tax system and collection of taxes are the responsibility of the Inland Revenue Authority of Singapore (IRAS).

Filing requirements
The tax year is known as the year of assessment (YA) and tax is charged on a preceding year basis (e.g. income earned in 2011 will only be assessed to tax in YA 2012). All taxpayers must file an estimate of their chargeable income with the IRAS within three months from the end of their financial year. For YA 2012 the income tax return should be filed by 30 November 2012 (i.e. for income derived in the financial year ended 2011).

Failure to file the return on time will attract fines and/or imprisonment. The Comptroller of Income Tax may compound the offence in lieu of court proceedings.

Filing of an incorrect return could result in penalties of one to three times the tax underpaid, plus fines and/or imprisonment. In cases involving serious fraudulent tax evasion, the penalty can be up to four times the tax undercharged.

(ii) Tax assessment and payment
Taxes can be collected by way of a direct assessment or withholding tax.

For direct assessment, the tax is payable within one month from the date of the notice of assessment. Late payment will attract a penalty of up to 17% of the outstanding tax. With effect from YA 2008, the statutory time limit to raise an assessment or additional assessment has been reduced to four years after the expiration of the YA concerned. There is no time-bar in cases of fraud.

For withholding tax, it is the responsibility of the person paying the non-resident to withhold and pay the taxes to the Comptroller. With effect from 1 July 2012, the tax withheld must be paid to the Comptroller by the 15th of the second month following the date of the payment to the non-resident. Failure to do so will attract penalties of up to 20% of the withholding tax unpaid.
Effective from YA 2008, a Tax rates and tax exemption schemes

prevailing corporate tax rate for its first three consecutive YAs, as shown in figure 2. These exemptions do not apply to:

- income that is subject to tax at concessory tax rates; and
- income earned by a non-resident company that is subject to a final withholding tax.

Tax Incentives

They are used both for the promotion of new investments in preferred industries and for encouraging existing businesses to upgrade their operations, or to provide new products and services that will be beneficial to the Singapore economy.

The tax incentives are administered by various government agencies, including the Economic Development Board, International Enterprise Singapore, the Monetary Authority of Singapore and the Maritime Port Authority of Singapore. The broad categories of activities that could qualify for tax concessions are summarised below:

Calculation of Taxable income

The starting point is usually the profit or loss before taxation figure reflected in the audited accounts. Thereafter, adjustments are made for capital gains, tax-exempt income, non-deductible expenses, and differences between book and tax depreciation to arrive at the chargeable (taxable) income.

Gross taxable income usually includes the following items:

- Trade or business income.
- Dividends, interest and discounts.
- Any other gains or profits of an income nature.
- Any other gains or profits of an income nature.

It should be noted that Singapore dividends are exempt in the hands of the shareholders. In addition, with effect from 1 June 2003, certain foreign sourced income, namely dividends, branch profits and income from the provision of services rendered through a fixed place of business outside Singapore, may be exempt from tax when received by a resident, provided certain conditions are met.

Deductions are allowed for all outgoings and expenses wholly and exclusively incurred in the production of taxable income, provided they are not specifically disallowed under the Income Tax Act.

Main categories of non-deductible expenses include:

- Domestic and private expenses.
- Income or similar taxes.
- Expenses associated with the cessation of business.
- Capital employed in improvements.

Productivity and Innovation Credit Scheme

The Productivity and Innovation Credit (PIC) scheme was introduced in 2010 to encourage investments in the following six activities along the innovation value chain:

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<th>Category</th>
<th>Targeted business activities</th>
<th>Possible tax benefits</th>
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| Manufacturing/Services | - New products or processes  
- Investments in productive equipment  
- Headquarter activities  
- Shipping  
- Intellectual property management | - Tax holidays or reduced tax rates or tax incentives  
- Investment allowance on fixed assets  
- Enhanced deductions/allowances  
- Withholding tax exemption |
| Trade          | - Trading in commodities                                                                    | - Reduced tax rates  
- Enhanced deductions/allowances |
| Finance        | - Banking  
- Insurance  
- Treasury  
- Fund management | - Reduced tax rates and withholding tax exemption  
- Enhanced deductions/allowances  
- Tax exemption for fund and reduced tax rate for fund manager |
• Acquisition or leasing of prescribed automation equipment;
• Training of employees;
• Acquisition of intellectual property rights;
• Registration of patents, trademarks, designs and plants varieties;
• Research and development activities; and
• Investment in approved design projects.

For YA 2011 to YA 2015, all businesses can enjoy deduction/allowance at 400% on up to S$400,000 of their expenditure per annum on each of the six qualifying activities.

To enable businesses to enjoy maximum PIC benefits, the expenditure cap has been pooled to give a combined cap of S$800,000 for YA 2011 and 2012 and S$1,200,000 for YA 2013 to 2015 for each qualifying activity.

Unabsorbed losses and tax depreciation

Unabsorbed losses and tax depreciation can be carried forward indefinitely and offset against future taxable income, provided that there is no substantial change in ownership of the loss-making company on the relevant comparison dates (the ‘continuity of ownership test’). The continuity of ownership test requires that the same ultimate shareholders of the company must own at least 50% of the company’s total issued shares on the relevant dates. In addition, the carry forward of unabsorbed tax depreciation is subject to the same trade test.

Taxpayers are allowed to carry back unabsorbed tax depreciation and unabsorbed trade losses of up to S$100,000 for up to one YA. The relief is subject to the abovementioned same trade test and continuity of ownership test.

Group relief

Since YA 2003, a group relief regime has been in effect in Singapore. As a result, a qualifying company may transfer its current year loss items (i.e. unutilised capital allowances, trade losses and approved donations) to another company within the same group to set-off against the latter’s taxable income.

To qualify for the group relief, the transferor and claimant companies must be incorporated in Singapore, have the same accounting year end and they must be members of the same group (very broadly, there must be a Singapore holding company and there should be at least 75% common ownership as well as entitlement to at least 75% of residual profits and assets of the other company).

Withholding tax

Certain payments made by a person resident in Singapore or a permanent establishment (PE) in Singapore are deemed to be derived from Singapore. When such payments are made to non-residents they will be subject to withholding tax.

The withholding tax rate is based on the prevailing corporate tax rate (currently 17%) but may be reduced to 10% or 15% for certain types of income under domestic law. The withholding tax rate may be further reduced under specific concessions introduced to promote the economic or technological development of Singapore, or where the recipient of the payment is a tax resident of a country with which Singapore has made a DTA.

Management fees (for services rendered in Singapore) 17%

Technical assistance and service fees (for services rendered in Singapore) 17%

Rent or other payments for the use of movable properties 15%

Royalty or other lump sum payments for the use of scientific, technical, industrial or commercial knowledge or information 10%

Interest, commission, fee or other payment in connection with any loan or indebtedness 15%

Thin capitalisation

Singapore does not have thin capitalisation rules.

Controlled Foreign Companies (CFC)

Singapore does not have CFC rules.
Personal Income Tax

Scope of personal income tax

An individual is a Singapore tax resident for a YA if he:
- resides in Singapore, except for temporary absences; or
- is physically present or employed in Singapore (other than as a director of a company) for 183 days or more during the basis year.

As a concession, an individual may also be treated as resident in Singapore if he:
- stays in Singapore for a consecutive period spanning three calendar years; or
- enters Singapore on or after 1 January 2007 and stays or works in Singapore for a continuous period of at least 183 days spanning two calendar years.

Both resident and non-resident individuals are subject to Singapore income tax on income derived from Singapore, unless specific exemptions apply. Most types of investment income are exempt from tax. Generally speaking, foreign-sourced income received in Singapore by an individual is exempt from Singapore income tax.

Taxable income

An individual’s taxable income would normally include some, or all of the following:
- gains or profits from a trade or profession;
- earnings from employment (including benefits-in-kind);
- pension, charge or annuity;
- rents, royalties, premiums and other profits arising from property;
- any gains or profits of an income nature not covered by the above.

Depending on his personal circumstances, a resident individual can utilise a range of reliefs to be set off against his taxable income.

Tax rates

Resident individuals are taxed at progressive rates ranging from 2% to 20% (see YA 2012 tax rate table below):

Non-resident individuals (other than a director) are taxed on employment income at the higher of a flat rate of 15% (without any deduction of personal reliefs and allowances) and resident tax rates. All other Singapore-sourced income derived by non-resident individuals (including director fees) is taxed at a flat rate of 20%.

Non-resident individuals (other than directors and public entertainers) engaged in short-term employment in Singapore for not more than 60 days in a year may be exempt from tax in Singapore.

Chargeable Income (S$) Rate (%) Gross Tax Payable (S$)

| First 20,000 | 0 | 0 |
| Next 10,000 | 2.0 | 200 |
| First 30,000 | – | 200 |
| Next 10,000 | 3.50 | 350 |
| First 40,000 | 7.0 | 550 |
| Next 10,000 | – | 2,800 |
| First 80,000 | 11.5 | 3,350 |
| Next 40,000 | – | 4,600 |
| First 120,000 | 15 | 7,050 |
| Next 10,000 | – | 6,000 |
| First 160,000 | 17 | 13,950 |
| Next 40,000 | – | 8,600 |
| First 200,000 | 18 | 20,750 |
| Next 10,000 | – | 21,600 |
| First 320,000 | 20 | 42,350 |

Not Ordinarily Resident (NOR) Scheme

A Singaporean, Singapore permanent resident (SPR) or foreigner may qualify for NOR status for a five-year period if he:
- has not been a Singapore tax resident in the three YAs preceding the year in which he first qualifies for the NOR scheme; and
- is a Singapore tax resident for the YA in which he wishes to qualify for the scheme.

A NOR will enjoy the following benefits (subject to prescribed conditions and capping limits):
- time apportionment of income from Singapore employment (with effect from YA 2009, this includes home leave and benefits-in-kind, but excludes directors’ fees) by reference to time spent outside Singapore on business; and
- exemption of employer’s contributions to non-mandatory overseas social security schemes/pension funds (only available to non-Singapore citizens/non-SPRs).

Administration and compliance

An individual is required to file his Singapore tax return (Form B1 – for employed individuals, Form B for self-employed individuals, and Form M – for non-resident individuals) in respect of income derived in a year by 15 April (for paper returns) or 18 April (for electronic filing) of the following year.

Late filing of tax returns will attract penalty of up to S$1,000 or may result in a summons to attend court, a warrant of arrest, or other legal actions. Furthermore, the penalties for filing an incorrect tax return apply to individuals and companies alike.

Income tax is payable within one month from the date of the Notice of Assessment, unless the individual opted for payment through an instalment plan.

Employer’s obligations

Employers are required to compile a return showing the total remuneration paid to each employee during the year to the IRAS. The tax liability of the employees will be determined based on the information provided by the employers and the information on other sources of income compiled by the employees and reported in their individual tax returns.

Employers are required to give notice to the IRAS within a stipulated timeframe and withhold all monies payable to employees who are not Singapore citizens prior to cessation of employment or are leaving Singapore for more than 3 months. The money withheld by the employer will be returned to the employees after all outstanding tax has been paid and tax clearance has been obtained.

Employers are obliged to make monthly contributions to the Central Provident Fund for Singaporeans and Singapore permanent residents (see the Human Resource and Employment section for more details).
Goods and Services Tax

A goods and services tax (GST), which is a tax on domestic consumption, was implemented on 1 April 1994.

Scope of GST

As a basic rule, a supply of goods or services made in Singapore by a taxable person in the course or furtherance of any business carried on by him is subject to GST at the standard rate of 7%, unless the supply qualifies for zero-rating or is an exempt supply.

The main exemptions are financial services and the sale or lease of residential properties. Zero-rating is generally applicable to the supply of international services and export of goods.

GST registration

A person who is making taxable supplies of goods and/or services in Singapore with an annual turnover exceeding $1 million is required to register for GST. The business has to notify the IRAS of its obligation to register for GST within 30 days of when the obligation arises.

GST returns

The business is required to file periodic GST returns (usually quarterly) within one month after the end of the prescribed accounting period. The net GST payable is similarly due within one month after the end of the prescribed accounting period (unless the business is under a GIRO arrangement).

GST on purchases

If the business is registered for GST, the input GST on purchases that are used or to be used for the business can generally be offset against the output GST collected on sales (subject to the input tax recovery rules).

Import of goods

GST is payable on the import of goods into Singapore, and this is collected by the Singapore Customs. The GST is based on the import value (cost, insurance and freight) and includes any Customs duty due. There are a number of import GST relief schemes (e.g. Major Exporter Scheme) to ease the cash flow of the business as GST is suspended on the import of goods into Singapore.

Stamp duty

Stamp duties are chargeable on instruments that effect transactions in immovable property situated in Singapore, as well as stocks and shares of Singapore companies.

(ii) Stocks and shares

For the sale of stocks and shares, duty is charged at the rate of 0.2% on the amount or value of consideration, whichever is the higher. It is usually borne by the purchaser unless otherwise agreed between the relevant parties.

Transactions in shares of companies incorporated outside Singapore do not attract Singapore stamp duty, unless the share register is kept in Singapore.

(iii) Immovable property

For the sale of immovable property, stamp duty of up to 3% is charged on the amount or value of consideration, whichever is the higher. As noted above, this is usually borne by the purchaser (i.e. a buyer’s stamp duty or “BSD”) unless otherwise agreed between the relevant parties.

Under the measures introduced to curb speculation of residential properties in Singapore, certain additional duties apply to sellers and buyers of residential properties, depending on the periods in which such properties are transacted. These are set out as follows:

- Properties acquired before 20 February 2010 will not be subject to a seller’s stamp duty (SSD).
- An SSD was imposed on sellers who bought residential properties on or after 20 February 2010 and sold them within one year of acquisition. The SSD was calculated in accordance with the BSD.
- Varying SSD rates will be subsequently imposed for residential properties which were acquired on or after 30 August 2010 and sold within three years of acquisition, depending on the holding period. These are detailed in the table above.
- Higher varying SSD rates will be further imposed on residential properties which are acquired on or after 14 January 2011 and sold within four years of acquisition, depending on the holding period. These are detailed as follows:
  - Additionally, the following affected buyers on and after 8 December 2011 would have to pay additional buyer’s stamp duty (ABSD) at the corresponding rates on the total amount of consideration or value of the property, whichever is the higher:
    - Foreigners and non-individuals – 10%
    - Singapore permanent residents who already own one or more residential properties, whether owned wholly, partially, or jointly with others; and Singapore citizens who already own two or more residential properties, whether owned wholly, partially, or jointly with others – 3%

Property Tax

In Singapore, property tax is a tax on immovable properties, including houses, buildings and land. The tax payable is calculated based on the tax rate (currently 10%) of the annual value of the property. Reduced rates apply for owner-occupied residential properties.

Other taxes

- Stamp duties are chargeable on instruments that effect transactions in immovable property situated in Singapore, as well as stocks and shares of Singapore companies.
- Stamp duty is payable on the import of goods into Singapore, and this is collected by the Singapore Customs. The GST is based on the import value (cost, insurance and freight) and includes any Customs duty due. There are a number of import GST relief schemes (e.g. Major Exporter Scheme) to ease the cash flow of the business as GST is suspended on the import of goods into Singapore.
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Audit and accountancy

**Requirement to audit**

Businesses, including private and public companies and branches of foreign companies, are required to be audited by independent certified public accountants, unless they are sole proprietorships, partnerships and representative offices. Under the Companies Act, dormant private companies and exempt private companies3 with annual revenue that is S$5 million or less are exempted from audits.

Businesses can choose their financial year end. These audited accounts should be prepared and filed with ACRA on an annual basis and they are available to the public (except for private exempt companies).

**Reporting standards**

The Accounting Standards Council (ASC) is empowered to prescribe accounting standards in Singapore. It also reviews and recommends corporate governance and disclosure practices on a continuing basis. Most businesses apply the Singapore Financial Reporting Standards (SFRS) which are closely modelled on International Financial Reporting Standards issued by the International Accounting Standards Board.

Public-listed companies are subject to additional financial statement and disclosure requirements promulgated by the Singapore Exchange.

**Record-keeping**

Every company incorporated in Singapore must keep accounting records and these records can be kept outside Singapore. However, records sufficient to enable a profit and loss account and balance sheet to be prepared should be sent and kept in Singapore.

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

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Human Resources and Employment Law

**Employees’ rights and obligations**

The Employment Act covers every employee who is under a contract of service, except for:

- any person employed in a managerial or executive position;
- any seaman;
- any domestic worker; and
- any person employed by a Statutory Board or the Government.

The Employment Act governs the rights of employees in certain areas, including:

- rest days and hours of work;
- leave and holidays;
- salary;
- retrenchment; and
- retirement.

Although Singapore has no statutory minimum wage, the National Wage Council does recommend guidelines for annual wage adjustments.

**Recruitment matters**

Recruitment is commonly done through engaging a recruitment agency and advertising in newspapers or job websites.

Given the large pool of skilled labour available in Singapore, it is generally easy to hire unless the business is looking for people with very specialised skills.

Further, Singapore maintains an open-door policy for foreign talents. Applications for foreign workers would normally be directed to the Foreign Manpower Employment Division of the Ministry of Manpower.

**Role of Unions**

Collective bargaining is covered under the Industrial Relations Act and can be applied to all employees in a firm. However, the employer may object, based on specific grounds, to the trade union’s representation of an employee who is employed in a managerial or an executive position for the purpose of collective bargaining.

**Termination of employment**

The Employment Act states the following minimum notice to be given prior to the termination of a contract of service:

- one day’s notice if the employee has been employed for less than 26 weeks;
- one week’s notice if the employee has been employed for 26 weeks or more but less than two years;
- two weeks’ notice if the employee has been employed for two years or more but less than five years; and
- four weeks’ notice if the employee has been employed for five years or more.

**Pension**

The Central Provident Fund (CPF) is a statutory saving scheme in Singapore to provide retirement and medical benefits for employees who are Singapore citizens or Singapore permanent residents. Employees are required to contribute to this fund at a rate of up to 20%. For employers, the rate of CPF contribution can be up to 16%, depending on the employee’s citizenship status, age and wage band.

Foreign employees and their employers are not required to participate in the contribution of CPF.

**Skills Development Levy (SDF)**

Employers are required to contribute 0.25% on the first S$4,500 of the gross remuneration of all employees. The SDF is used to provide grants to Singapore-incorporated companies to provide training to employees.

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3 Exempt private companies refer to companies with not more than 20 shareholders, none of which is a corporation. A private company which is wholly owned by the government may also be gazetted as an exempt private company by the Minister if it is in the nation’s interest.
Banking in Singapore

Singapore’s banking system is among the strongest in the world and it has strict banking secrecy laws. As the regulator of Singapore’s financial services sector, the Monetary Authority of Singapore has prudential oversight over the banking, securities, futures and insurance industries, including administering the various statutes pertaining to money, banking, insurance, securities and the financial sector in general.

There are generally no restrictions imposed on both resident and non-resident companies in holding bank accounts. Savings accounts are, however, generally not offered in Singapore to companies.

Opening a bank account is a relatively simple and straightforward process. The extent of paperwork required largely depends on each bank’s Know Your Client requirements.

Investors with good credit standing should generally be able to utilise a myriad range of credit facilities in Singapore. These credit facilities include overdrafts, and short-term advances to medium and long-term loans, import and export financing facilities etc.

Trade

Singapore has a highly developed market-based economy. While the state plays a key role in formulating the economic strategies of the country, it does not intervene in the commercial decisions of firms.

The Singapore government does not tolerate anti-competitive practices. The Competition Act prohibits agreements or concerted practices that lead to the prevention, restriction or distortion of competition. Any conduct constituting the abuse of a dominant position in any market is also prohibited.

There are no tariffs or quota restrictions for imports. Certain goods are dutiable or controlled for revenue, safety and security reasons. As Singapore is a member of the Association of South East Asian Nations (ASEAN), goods originating in and consigned from Singapore are entitled to preferential tariffs in the other ASEAN countries.

To give local companies added safeguards and incentives to expand overseas, Singapore has concluded 18 regional and bilateral FTAs with 24 trading partners. These FTAs have strengthened Singapore’s cross-border trade by eliminating or reducing import tariff rates in the country of destination, providing preferential access to service sectors, easing investment rules, improving intellectual property regulations, and opening government procurement opportunities.
HSBC in Singapore

Overview

One of the earliest banks to establish in Singapore, The Hongkong and Shanghai Banking Corporation Limited first opened its doors in December 1877. Today, HSBC is a prominent player in Singapore’s banking sector and aims to be the leading international trade bank here and across the region. The Bank offers a comprehensive range of banking and financial services that meet the needs of customers, from those of multinational corporations to local businesses and individuals.

As a Qualifying Full Bank, HSBC Singapore has a network of nine branches and over 10 locations providing self-service terminals as well as advanced electronic banking channels. The Bank provides a range of financial and wealth management services including retail, commercial, corporate, investment and private banking, insurance, forfaiting and trustee services, securities and capital markets services. HSBC is an approved Primary Dealer in the Singapore Government Securities Market and an Approved Bond Intermediary (ABI), with more than 100 staff operating one of the largest integrated dealing rooms in Singapore.

Corporate Sustainability

For HSBC, Corporate Sustainability is about bringing social and environmental issues together with financial performance to maintain and grow a successful business for the benefit of our stakeholders.

- We apply clear policies and processes to manage potential social and environmental risk in our lending and other financial activities in sensitive sectors.
- We help our clients to seize the opportunities presented by the shift to a low carbon economy.
- We try to reduce our own environmental footprint and share good practice on this with our clients and other stakeholders.
- We focus our community investment (philanthropic activities) on education and the environment.

Initiatives in Singapore include the HSBC Youth Excellence Initiative which recognises and supports Singapore’s best and brightest in the arts, environment, leadership and community service, and provides them with opportunities to develop and realise their immense potential to serve the community; and the Bank’s Care-for-Nature Programme launched in 1989 as a long-term effort to promote environmental awareness, research and conservation.

Its Corporate Responsibility Challenge is an annual bank-wide staff volunteering initiative that delivers a significant impact and makes a tangible difference to the lives of the needy and underprivileged.

These initiatives are underpinned by its Volunteers @HSBC programme, which provides staff with an organised platform to contribute – in a sustainable and consistent manner – their time and services to those in need in the community as well as to the environment.

HSBC’s contribution has been recognised with a host of national and international awards, including:

- 2011, 2010, & 2007 ComChest Corporate Platinum Award
- 2011 & past consecutive years NAC Patron of the Arts Award
- 2009, 2008 & 2003 ComChest Special Events Platinum Award
- 2007 British Business Awards for Corporate Social Responsibility
- 2005 NVPC Corporate Citizen Award
- 2004 NVPC Outstanding Corporate Volunteer of the Year Award
- 2002 United Way International Outstanding Global Community-Building Project Award
- 2001 President’s Social Service Award
- 2001 Singapore Children’s Society Gopal Haridas Award
- 1998 NCSS Outstanding Corporate Citizen Award
Country overview

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<th>Business and banking hours</th>
<th>Generally from 8.30 am to 6 pm (Mondays to Fridays) Banks are generally open from 9.30 am to 3 pm (Mondays to Fridays) and up to 1 pm on Saturdays</th>
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<td>Economic statistics</td>
<td>Singapore’s GDP stands at S$327 billion in 2011 while its per capita GDP is S$63,050 The amount of foreign direct investments in Singapore as at end 2010 stood at S$619 billion</td>
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</tbody>
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| Useful links to get started | Singapore Economic Development Board edb.gov.sg  
                          | Accounting and Corporate Regulatory Authority acra.gov.sg  
                          | Inland Revenue of Authority of Singapore iras.gov.sg  
                          | Ministry of Manpower mom.gov.sg |
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http://www.pwc.com/gx/en/worldwide-tax-summaries

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Singapore, 049320

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