

SINGAPORE TAX REGIME – MAIN PRINCIPLES

Disclaimer

The attention of the reader is drawn to the fact that the present information sheet does neither constitute a legal advice nor a tax related advice of the firm SAGASSER SELAS. The eligibility of a person (whether natural or legal) to the described tax regimes may depend upon the satisfaction of various criteria and the related tax rates may be modified from time to time by Singapore authorities. Prior to the implementation of any action toward the setting-up of a business in Singapore, we strongly recommend to seek a written opinion in relation thereto.

CORPORATE INCOME TAX (CIT)

- A company, whether incorporated in Singapore or otherwise, is considered a resident of Singapore for tax purposes **if the place of control and management of its business is exercised in Singapore**, if among other things, its Directors' meetings are held in Singapore.
- As a general principle, corporate profits are taxed in Singapore at a rate of 17%. There is however:
 - Tax exemption for all companies:
 - a tax exemption of 75% on the amount of taxable corporate profits comprised between SGD 0.00 and SGD 10,000.00 ; and
 - a tax exemption of 50% on the amount of taxable corporate profits comprised between SGD 10,001.00 and SGD 300,000.00 of the company's profits.
 - Tax exemption for a qualifying new company (start-up companies):
 - a tax exemption of 100% on the amount of taxable corporate profits comprised between SGD 0.00 and SGD 100,000.00 ; and
 - a tax exemption of 50% on the amount of taxable corporate profits comprised between SGD 100,001.00 and SGD 300,000.00 of the company's profits.
 - Yearly tax rebate for all companies for the fiscal year 2018, the tax rebate is of 40% of the amount of corporate income tax due, with a cap at SGD15,000.00.

As an example, in the event of a qualifying new company (Start-up Company) having corporate profits of SGD 500,000 made during the year 2018 (CIT 2019) the amount of corporate tax shall be determined as follows:

TAXABLE CORPORATE PROFIT	TAX EXEMPTION	TAXATION (17%)
from SGD 0.00 to SGD 100,000.00	100%	SGD 0.00
from SGD 100,001.00 to SGD 300,000.00	50%	SGD 17,000.00
from SGD 300,001.00 to SGD 500,000.00	0%	SGD 34,000.00
<i>SUB-TOTAL</i>	-	<i>SGD 51,000.00</i>
2018 Tax Rebate	40% subject to a cap of SGD 15,000.00	SGD 15,000.00
<i>TOTAL</i>	-	<i>SGD 36,000.00</i>

Whereby, the effective rate of corporate tax applicable to a taxable profit of SGD 500,000.00 realized by a qualifying new company shall be 7.2%.

WITHHOLDING TAX

- Dividends are not subject to withholding tax whether paid to a resident or a non-resident.
- Withholding tax is payable if the following payments are made to **non-residents** :
 - Royalties or payments for the use or right to use any movable property, scientific, technical, industrial or commercial knowledge or information – 10%, if the income is not received by a non-resident through operations carried out in Singapore ; otherwise the withholding tax rate is 22% for individuals and corporate tax rate for others.
 - Interest, commissions, fees relating to any loan or indebtedness or with any arrangement, management, guarantee or service relating to any loan or indebtedness, where such arrangements, management, guarantees or services are rendered in Singapore – 15%, if the income is not received by a non-resident through operations carried out in Singapore; otherwise the withholding tax rate is 22% for individuals and corporate tax rate for others.
 - Any payment for the management or assistance in the management of any trade, business or profession where the services are rendered in Singapore - subject to withholding tax at the corporate tax rate.
 - Director’s remuneration – 22%.
- The rate of withholding tax on the above mentioned payments may be reduced in accordance with the provisions of the respective tax treaties.

TAXATION OF DIVIDENDS AND OTHER IMPORTANT TAX ISSUES FOR CORPORATES

- Dividends paid by Singapore resident companies to non-resident persons are exempt from further Singapore tax in the hands of shareholders.
- Foreign dividends received in Singapore by a Singapore holding company would be taxable in Singapore upon remittance into Singapore at the corporate tax rate (credit given for the withholding tax suffered, but capped at the amount of tax payable in Singapore), or may be tax-exempt in Singapore provided certain conditions are met.
- **Stamp duty** is payable on the occasion of the transfer of securities relating to a resident entity at the rate of 0.2%

