

This report provides helpful information on the current business environment in Singapore. It is designed to assist companies in doing business and establishing effective banking arrangements. This is one of a series of reports on countries around the world.



Global Banking Service

# Report on Singapore

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## Important to Know

### Official language

- › Mandarin
- › English (language of administration)
- › Malay
- › Tamil

### Currency

- › Dollar (SGD)

### Bank holidays

2010	
January	1
February	15, 16
April	2
May	1, 28
August	9
September	10
November	5, 17
December	25

Source: [www.goodbusinessday.com](http://www.goodbusinessday.com).

## Types of Business Structure

Under Singaporean law, there are several business structures available. The minimum amount of paid up share capital for Singaporean companies is SGD 1.

### Public limited liability company

This is a company whose shares are not registered to their owners and are tradable on a public stock market.

### Private limited liability company

This is a company whose shares are registered to their owners and therefore are not publicly tradable. Private limited companies in Singapore must have a Singaporean resident as company director.

### General partnership

In a general partnership, all partners have full and joint liability. This requires no minimum share capital. General partnerships must have between two and 20 members.

### Limited partnership

In a limited partnership, some partners enjoy limited liability (silent partners) although they are not permitted to exercise managerial control. Other partners are considered general partners and have unlimited liability. This requires no minimum share capital. There must be a minimum of two partners, with at least one general partner and at least one silent partner.

### Limited liability partnership

LLP. A limited liability partnership allows partners to limit their liability to the amount invested in the partnership (similar to a shareholder in a limited liability company). The shareholders can sell their shares to third parties. There must be a minimum of two partners, which are permitted to be corporate entities.

### Cooperatives

Cooperatives are subject to the conditions of the Co-operative Societies Act. All cooperatives enjoy limited liability. Individuals and institutions are both permitted to be members of a cooperative society in Singapore.

### Branches and representative offices

Non-Singaporean companies are entitled to establish a branch or a representative office in Singapore. Branches of foreign companies must have at least two Singaporean resident agents. Representative companies must have at least one resident representative. While branches are permitted to make sales, representative offices may not sell directly in Singapore.

## Opening and Operating Bank Accounts

### Residency

To be considered resident, a company must have a permanent or registered address, and its principal centre of management, in Singapore.

### Domestic and foreign currency account restrictions

Residents are permitted to hold local currency (SGD) accounts outside Singapore and foreign currency accounts both within and outside Singapore.

Non-residents are permitted to hold local currency and foreign currency accounts in Singapore.

All local currency accounts are fully convertible into foreign currency.

### Anti-money laundering and counter-terrorist financing rules

- › Account opening procedures require formal identification of the customer.
- › The identity of legal entities and individuals representing them must be established with reference to their formation documentation and authorization letters respectively.

Supplied by BCL Burton Copeland ([www.bcl.com](http://www.bcl.com)). Data as at June 2009.

### Special purpose accounts required by local regulation

None.

### Value-added tax (VAT) on banking services

There is no VAT in Singapore.

## Payment and Collection Instruments

Large companies in Singapore use electronic funds transfers to make most of their supplier, tax, treasury and payroll payments. Smaller companies still tend to use cheques to make supplier payments and consumers use cheques to pay utility bills. Cheque use is continuing to rise. Direct debits are available and are used by companies to collect regular payments from both other companies and consumers.

Card payments are increasingly used for consumer retail transactions, with debit cards slightly more popular than credit cards. Electronic wallet schemes, using stored value cards, are increasingly popular for low-value consumer retail payments.

### Payment Instrument Use (domestic)

Payment instrument	Transactions (million)		% change 2008/2007	Traffic (value) (SGD billion)		% change 2008/2007
	2007	2008		2007	2008	
<b>Cheques</b>	85.81	83.46	- 2.7	673.83	631.37	- 6.3
<b>Credit transfers</b>	26.74	30.7	14.8	132.48	153.02	15.5
<b>Direct debits</b>	53.95	51.52	- 4.5	53.24	59.83	12.4
<b>Debit cards</b>	169.45	182.47	7.6	17.56	20.48	16.6
<b>Credit cards</b>	N/A	N/A	N/A	22.64	25.66	3.0
<b>Card-based electronic money</b>	1,665.08	1,872.50	12.5	2.02	2.25	11.4
<b>Total</b>	<b>2,000.83</b>	<b>2,220.02</b>	<b>10.9</b>	<b>901.76</b>	<b>892.61</b>	<b>- 1.0</b>

Source: Bank for International Settlements – CPSS Red Book, September 2009.

### International Payments

International payments, including foreign currency payments and payments to and from parties located outside Singapore, are processed through same-bank networks, through multibank alliances or by using traditional correspondent banking techniques.

### Payment Processing Times

Transactions processed	Value dating rules	Cut-off time(s) in local Singapore Standard Time (SGT)
High-value and urgent domestic transfers denominated in SGD	Settlement in real time with immediate finality	18:30 SGT
Non-urgent, low-value domestic consumer payments	Payments settled on a same-day basis	12:00 SGT
Low-value domestic cheques denominated in SGD and USD	Cheques denominated in SGD settled on a next-day basis; most cheques denominated in USD settled two days after presentation	12:00 SGT for return cheques 17:30 SGT for normal cheques

## Central Bank Reporting

Singapore does not enforce any central bank reporting requirements.

## Exchange Arrangements and Controls

Singapore applies no currency exchange controls, although the Monetary Authority of Singapore (MAS) does enforce some restrictions on the use of non-domestic transactions for SGD. Despite recent relaxations by MAS on the use of SGD overseas,

non-resident companies wishing to obtain SGD credit in excess of SGD 5 million to be used offshore must convert or swap the excess funds into foreign currency as and when the proceeds are used offshore.

## Cash and Liquidity Management

Many multinational companies consider Singapore to be an attractive location from which to manage their group cash and liquidity on a regional or international basis. There are a number of Approved Finance and Treasury Units, which provide tax benefits to companies seeking to manage cash from Singapore.

### Physical Cash Concentration

Physical cash concentration is available from all large Singaporean and international banks and is a popular method of liquidity management in Singapore. Resident and non-resident companies can participate in the same domestic cash concentration structure, although banks may apply lifting fees on transfers between resident and non-resident accounts. However, for larger companies, the level of any fees is negotiable.

Pools can be denominated in local currency (SGD) and foreign currencies. Residents and non-residents are both permitted to participate in cross-border, cross-currency physical cash concentration. If the structure is based outside Singapore, it must be denominated in foreign currency for resident entities to be allowed to participate.

### Notional Cash Pooling

Notional cash pooling is available from most Singaporean and international banks. Resident and non-resident entities may participate in notional pooling structures. Bank accounts held in the name of different legal entities may participate in the same notional cash pool, as long as the entities are members of the same group. A number of leading banks offer cross-border notional cash pooling. Some banks also offer quasi-notional pools through the operation of a cash concentration structure using mirror accounts.

### Short-term Investment

#### Bank instruments

Interest-bearing current accounts are permitted in Singapore, although they are not widely available. Interest-bearing demand

and time deposits are available in both local and foreign currencies.

Banks also issue both local and foreign currency certificates of deposit (CDs), usually for terms ranging from three months to five years. CDs are most commonly issued in SGD and USD, with minimum investment amounts of SGD 50,000 and USD 100,000 respectively.

#### Non-bank instruments

Treasury bills are auctioned at a discount by MAS on behalf of the Singaporean Government. Three-month bills are auctioned weekly and one-year bills are auctioned twice a year. The MAS sometimes auctions six-month bills.

Singaporean companies also have access to money market funds.

### Short-term Borrowing

#### Bank

Overdrafts, bank lines of credit and bank loans are usually all available in Singapore to both resident and non-resident companies. Security is usually required for overdraft facilities, and rates are usually a margin of 1.0–2.5 percentage points above the lender's prime rate.

#### Non-bank

Larger companies, with high credit ratings, are able to issue commercial paper. Factoring is also available as an alternative to bank finance.

## Taxation

### Corporate Taxation

- › A company is taxed at a flat rate on its chargeable income; the corporate tax rate for the Year of Assessment 2008 and onwards is 18%. It has been proposed in the 2009 Budget announced on January 22, 2009 that the corporate income tax rate will be reduced from 18% to 17% effective the Year of Assessment 2010. A partial tax exemption is given to companies on chargeable income of up to SGD 300,000 that is subject to tax at the normal corporate tax rate, as follows:
  - › 75% exemption on the first SGD 10,000 of chargeable income; and
  - › 50% exemption on the next SGD 290,000 of chargeable income.

- › Further, full tax exemption will be granted on up to SGD 100,000 of the normal chargeable income of a Singaporean company that meets specific criteria for its first three consecutive years of assessment. In addition, new companies will also enjoy a 50% exemption on the next SGD 200,000 of chargeable income. In general, the full tax exemption is applicable to a company if it is incorporated and resident in Singapore and its share capital is beneficially held, directly or indirectly, by no more than 20 persons, all of whom are individuals or of which at least one is an individual shareholder holding at least 10% of the total number of issued ordinary shares of the company, throughout the basis period relating to that year of assessment of claim. It has been proposed in the 2009 Budget to extend the above exemption scheme for new companies to companies limited by guarantee, subject to the same conditions as are imposed on companies limited by shares.
- › Companies, resident or non-resident, subject to certain exceptions, are subject to Singaporean income tax on Singaporean-sourced income and foreign-sourced income remitted or deemed remitted to Singapore. Foreign-sourced branch profits, dividends and service income that are remitted or deemed remitted to Singapore by a Singaporean tax resident company on or after June 1, 2003 may, however, enjoy a tax exemption. This foreign-sourced income will be exempted from tax, as long as the income is earned from jurisdictions with headline tax of at least 15% in the year such income is received or deemed received in Singapore and provided that such income has been subject to tax of a similar nature to income tax in that jurisdiction either by direct assessment or by withholding tax as the case may be, or exempt from tax as a direct consequence of that foreign jurisdiction granting a tax incentive for carrying out substantive business activities in that jurisdiction. It has been proposed in the 2009 Budget to temporarily expand the foreign-sourced income exemption to cover all foreign-sourced income, and at the same time suspend the conditions that are currently required for foreign-sourced income to be exempt from tax when remitted to Singapore. Therefore, effective January 22, 2009, a Singaporean resident company will be exempt from tax on the remittance of all its foreign-sourced income earned / accrued outside Singapore on or before January 21, 2009, provided that such foreign-sourced income is remitted to Singapore from January 22, 2009 to

January 21, 2010 (both dates inclusive).

- › As part of the strategy to develop Singapore into a premier financial centre, various tax incentives are offered to financial institutions looking to set up operations there. Accordingly, certain qualifying income may be taxed at the concessionary tax rates of either 5% or 10% or may even be exempt from tax. Some of the tax incentives related to the finance industry follow below:

Tax incentive	Objective
Financial Sector Incentive Scheme	To encourage the development of high-growth and high-value-added financial activities in Singapore.
Finance and Treasury Centre	To encourage multinational companies to use Singapore as a base for conducting treasury management activities for related companies in the region.

#### Advance Tax Ruling Availability

- › The Inland Revenue Authority of Singapore (IRAS) introduced a formalized advance ruling system for income tax matters, effective from January 1, 2006.
- › Provided the request is not complex, and the taxpayer has paid the prescribed fees and complied with the application procedure, the IRAS is expected to provide a ruling within eight weeks of receiving the application.
- › The advance ruling is binding on the particular arrangement for a specified period of time.
- › The ruling is final without an option to appeal against it. However, in the event that a taxpayer disagrees with the advance ruling, they are still permitted to complete the tax return without applying the ruling, provided they make the necessary disclosures in respect of the ruling in the tax return. If an assessment is made by the IRAS based on the ruling, the taxpayer is allowed to appeal against the assessment in accordance with the normal objection process.
- › An advance ruling system for GST matters was introduced from July 1, 2007.
- › An application for an advance ruling for GST matters should be made not later than one month before the filing deadline of the relevant GST return, except where the Comptroller of GST (CGST) accepts an application for an express advance

ruling. For an express ruling, the application must be submitted not later than ten working days before the filing deadline of the relevant GST return.

- › The advance ruling system is presently not available for stamp duty matters.

#### Withholding Tax (subject to tax treaties and other exemptions)

Payments to	Interest	Rental of movable property	Royalties*	Technical service / management fee income
Resident companies	Nil	Nil	Nil	Nil
Non-resident companies	15% <sup>†</sup>	15% <sup>†</sup>	10% <sup>†</sup>	18% <sup>††</sup>

\* Excluding certain literary and artistic copyright royalties, approved invention or innovation royalties.

<sup>†</sup> The withholding tax at 15% (or 10% for royalties) on the gross payment is a final tax. It applies provided that the income is not derived by the non-resident through its operations carried out in or from Singapore. For operations carried out in or from Singapore, they will continue to be taxed at the prevailing corporate tax rate on their chargeable income.

<sup>††</sup> In line with the proposed reduction in the corporate tax rate from 18% to 17%, the “on account” withholding tax rate on technical/management fee income will also be reduced to 17% effective effect from the Year of Assessment 2010.

- › A non-resident is liable to pay income tax on Singaporean-sourced income. Generally, withholding tax is applicable to certain payments made to non-residents unless otherwise exempt under extra-statutory concessions, provisions of the Singapore Income Tax Act or a relevant double tax treaty. Such payments broadly include interest, royalties, technical assistance fees, management fees, directors’ remuneration and rental of movable property.
- › There is no withholding tax on dividends.
- › Generally, a withholding tax of 15% on the gross amount is levied on interest, commission, fees or other payments in connection with any loan or indebtedness, or with any arrangement, management, guarantee or service relating to any loan or indebtedness paid to non-resident companies. However, no withholding tax applies to commission, fees or any other payments in connection with any arrangement, guarantee, management or service relating to any loan or indebtedness where the arrangement, management, guarantee or service is performed outside Singapore, the transactions are conducted at arm’s length and there is no intention to divert Singaporean income.
- › Interest derived by a non-resident company without a Singaporean permanent establishment from qualifying debt securities, deposits in an approved bank in Singapore and approved Asian Dollar Bonds is also exempt from withholding tax if the interest is not derived by the non-resident company through its operations carried out in or from Singapore. A similar exemption applies to amounts derived from Islamic debt securities issued during specified periods.
- › Non-resident companies may also qualify for a reduction of, or exemption from, withholding tax on interest and royalties if the non-resident beneficial owner is able to benefit from a reduced rate under a double tax treaty.

### Capital Gains Tax

- › Capital gains are exempt from tax.

### Stamp Duty

- › Stamp duty was abolished in 1998 on all financial instruments, except those related to Singaporean stocks and shares, foreign shares with share registers in Singapore and Singaporean immovable properties.
- › To enhance Singapore's position as an international financial centre and develop Singapore as a hub for Islamic finance activities, the double imposition of stamp duty on Islamic-structured real estate mortgage financing (i.e., murabaha and ijara contracts) has been removed for sales and purchase agreements executed on or after January 1, 2005 between the seller and the financial institutions party to murabaha and ijara contracts.
- › To further facilitate the arrangement of Islamic debt instruments under the sukuk concept, the stamp duty on instrument(s) related to the transfer of immovable properties for qualifying Islamic financing products that is in excess of that chargeable for an equivalent conventional bond issue may be abated, subject to conditions. This will therefore reduce the amount of stamp duty payable and place Islamic debt instruments on par with conventional debt instruments.

### Thin Capitalization

- › There are no thin capitalization rules in Singapore.

### Transfer Pricing

- › Singapore does not have specific tax legislation that deals with transfer pricing. However, there are specific and general anti-avoidance provisions which companies should consider in determining transfer pricing structures and evaluating transfer pricing exposures. In cases where companies have a significant level of related-party transactions, they must be prepared to substantiate that those transactions are conducted on an arm's length basis.
- › The guidelines include detailed chapters on the application of the arm's length principle, documentation requirements, advance pricing arrangements (APAs) and requests to invoke the mutual agreement procedure (MAP) under the tax treaties.

- › The guidelines place continuing emphasis on assisting Singaporean taxpayers to avoid double taxation. IRAS has adopted the arm's length principle and accepted the definition of that principle endorsed by the Organisation for Economic Co-Operation and Development (OECD), even though Singapore is not a member of the OECD. This aligns Singapore's transfer pricing rules with the standard adopted in the transfer pricing rules of most jurisdictions, and should assist Singaporean taxpayers in avoiding double taxation.
- › The guidelines also emphasize that the IRAS is wary of placing unnecessary compliance burdens on taxpayers. The guidelines state that taxpayers are required only to maintain adequate documentation to show compliance with the arm's length principle, and that "taxpayers are not expected to go to such lengths that the compliance costs arising from the preparation of documentation are disproportionate to the amount of tax revenue at risk, or to the complexity of the transactions". Nonetheless, taxpayers are expected to maintain adequate documentation to demonstrate that reasonable efforts have been made to determine that pricing of cross-border related-party dealings is consistent with the arm's length principle. The guidelines list the type of information that may be considered helpful in substantiating compliance with the arm's length principle.
- › The IRAS issued a Supplementary Circular on February 23, 2009 on the application of the arm's length principle to related-party loan and service arrangements. The IRAS has confirmed its position that related-party loans should comply with the arm's length standard. However, loans extended between related parties both of which are Singaporean-based entities are exempt from the need to apply an arm's length interest rate, and the IRAS is prepared to continue with the interest adjustment practice for such interest-free loans. Loans between a Singaporean-based entity and a related entity based outside Singapore ("related cross-border loans") are required to comply with the arm's length principle effective January 1, 2011.
- › For related-party services, the IRAS is allowing a 5% mark-up on prescribed routine support services as an alternative to undertaking a detailed transfer pricing analysis or documentation provided that these services are not also rendered to a third party. If a detailed transfer pricing analysis has been performed to support a different mark-up than 5%,



such mark-up should be adopted. For services provided on a cost-pooling basis, the IRAS will allow charges to the related party for its proportionate share of the costs to be made without a mark-up element, subject to certain conditions.

- › A group service provider may occasionally arrange and pay for, on behalf of its related parties, services acquired from third-party service providers. Where such service providers

have already included an arm's length mark-up for their services, the IRAS is prepared to accept that these costs may be charged without a mark-up to the related party if the costs are the legal or contractual liabilities of the related party and the group service provider is merely the paying agent and does not itself act to enhance the value of the services.

All tax information supplied by Deloitte LLP ([www.deloitte.com](http://www.deloitte.com)). Data as at March 1, 2009.

Report prepared August 2009.

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