



The tax system in Singapore

General

Singapore provides an attractive tax environment for individuals and legal entities. The tax system in Singapore is particularly interesting for the international business community as foreign revenues are not subject to taxation.

Income tax is paid in net income, which is earned in Singapore and on foreign returns, if these are transferred to Singapore. In addition, Singapore has no double taxation on distribution on profits (e.g. dividends). These are generally exempt from tax in Singapore. There is no capital gains tax.

Corporation tax (from 2008)

In February 2007, the government decided on further tax reductions, which will be introduced in 2008. The standard profits tax rate is 18% (previously 20%) and is charged to the net profit. Additionally, the following tax reductions are scheduled for companies:

- During the first three business years, a maximum of up to SGD 100,000 (ca. CHF 80,000, EUR 48,000, USD 66,000) of income will be exempt from tax. In order to enjoy this tax reduction, the company has to fulfil the following requirements:
 - domicile has to be in Singapore
 - tax domicile has to be in Singapore
 - not more than 20 shareholders and no legal entities as shareholders





- In addition, there is a tax reduction for small and medium-sized companies in Singapore. This provides for the taxable profit to be taxed in grades. Up to SGD 10,000, a tax rate of 4.5% is applied, then up to SGD 300,000 a rate of 9.0% and for profits of more than SGD 300,000, the regular tax rate is currently 18%.

Tax relief for foreign revenues, which are transferred to Singapore

According to this system, returns that were gained outside of Singapore and are transferred to Singapore are exempt from income tax, if the following requirements are fulfilled:

- the highest tax rate of the country, in which the returns were earned, is at least 15%
- the foreign revenues were taxed in the country of performance delivery.

Tax relief for foreign revenues, which are not transferred to Singapore

So-called „non-resident“ companies are exempt from tax on revenues, which were not earned in Singapore and are not transferred to Singapore. This concerns for example especially holding and trading companies.

For this tax relief to be accepted, the company has to be „non-resident“. That means, no business activities may be carried out in Singapore. Furthermore, the meetings of the board should not be held in Singapore.

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