



**DEZAN SHIRA & ASSOCIATES**

Your Partner for Growth in Asia

**An Introduction to**

# **Doing Business in Singapore 2021**





# DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

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# DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia



## About Dezan Shira & Associates

At Dezan Shira & Associates, our mission is to guide foreign companies through Asia's complex regulatory environment and assist them with all aspects of establishing, maintaining and growing their business operations in the region. Since its establishment in 1992, Dezan Shira & Associates has grown into one of Asia's most versatile full-service consultancies with operational offices across China, Hong Kong, India, Singapore and Vietnam, as well as liaison offices in Italy, Germany and the United States, and partner firms across the ASEAN region. With over 25 years of on-the-ground experience and a large team of professional advisers, we are your reliable partner in Asia.

# Preface



**ALBERTO VETTORETTI**  
Managing Partner  
Dezan Shira & Associates



With its favorable taxation policies and strategic position within Southeast Asia, Singapore offers foreign investors competitive and unprecedented access to the Asian market. Businesses operating in Singapore enjoy over 80 double taxation avoidance agreements, significant tax deductions, and numerous free trade agreements with neighboring Asian nations.

In addition to its political and economic stability, Singapore stands as a prominent financial center within the ASEAN region. For investors with an international business scope, Singapore offers direct access to the global market. Geographically, Singapore is positioned among several thriving Southeast Asian economies, as well as the markets of China and India. The city-state has sought to mirror international business and trade standards, such as those presented by the World Trade Organization and the Organization for Economic Cooperation and Development.

Whether hoping to establish a holding company, branch office, or regional headquarters, Singapore offers foreign investors a powerful advantage in terms of business opportunities, government incentives, and trade relation benefits. This publication, designed to introduce the fundamentals of investing in Singapore, was compiled by Dezan Shira & Associates, a specialist foreign direct investment practice providing corporate establishment, audit, business advisory, tax advisory and compliance, accounting, payroll, due diligence, and financial review services to multinationals and small- and medium- sized enterprises investing in emerging Asia.



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# Dezan Shira & Associates Singapore



**MARCOS SALGADO**  
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As a regional practice, we are not tied to any one nation. Rather, we specialize in the tax, accounting, and operational aspects of foreign direct investment throughout Asia. For businesses and investors seeking to conduct business in Singapore and the wider ASEAN region, our business consulting team in Singapore and partner firms across ASEAN are prepared to provide you with the tools and expertise necessary to succeed.

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# What are my options for investment?

Foreign investors can set up a variety of business structures in Singapore for their investments. Establishing a subsidiary, branch office, or representative office are some of the most popular options. Investors need to assess their specific business needs before deciding on a corporate structure to operate from.

Those entering Asia for the first time, for instance, may want to set up a low-risk, exploratory presence in the form of a representative office, while those looking to use Singapore as a springboard to access the ASEAN markets may need more strategic commitments by setting up a branch office or subsidiary company.

Singapore's investment-friendly landscape has made it a premier regional hub, attracting a multitude of international firms engaging in conventional as well as new-age industries across Asia and the world. This is reflected from its impressive Ease of Doing Business ranking and strong network of free trade agreements (FTAs) and double tax agreements (DTAs).

Despite this, investors need to be aware of the risks presented by each avenue of investment. Determining the ideal route for market entry or expansion needs thoughtful consideration about the intended scope of investment, the nature of business activities, tax implications, and legal liability.



**MARCOS SALGADO**  
Manager  
Dezan Shira & Associates  
Singapore Office

*“ For companies only seeking to establish a low-risk, exploratory presence in Singapore, establishing a representative office is typically the most common route for investment. ”*



# Business structures

## Private companies limited by shares

A private company limited by shares, also known as a private limited company, is by far the preferred structure among small and medium-sized (SME) foreign companies for setting up a local business presence in Singapore.

A private limited company can benefit from tax incentives available to local companies. It is also a separate legal entity from its directors, shareholders, and officers of the company; this means that the foreign holding company cannot be held for the liabilities of its subsidiary. In addition, the holding company's liability is limited to the share capital subscribed in its subsidiary.

As a private limited company can be wholly owned by a foreign individual and/or corporate investor, this legal entity can be established as a regional holding company or subsidiary of the foreign holding company. Having a Singapore incorporated company provides the advantage of gaining access to the wider Asian market and ASEAN free trade zones, as well as other FTAs through ASEAN, which include ASEAN-Hong Kong, ASEAN-India, and ASEAN-China. This is particularly helpful for companies looking to set up larger manufacturing operations elsewhere in ASEAN.

## Key requirements for setting up a private company limited by shares

### 1. Reservation of company name

- The company name must be approved by the Accounting and Corporate Regulatory Authority (ACRA) prior to the company registration process;
- Once a name is selected, the name application shall be submitted via ACRA Bizfile for approval, which may be rejected if the name is identical, similar, or phonetically similar to a company that has already been registered; and
- The name application costs S\$15 (US\$11.1), which will be reserved for 120 days upon approval.

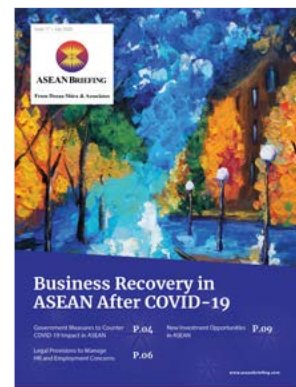
### 2. Appointment of Company Officers

The officers of a company include the following:

- Director;
  - › The appointment of at least one director who is either a Singaporean citizen, permanent resident, EntrePass or Employment Pass holder; and
  - › The director needs to be at least 18-years of age and must not have a history of misconduct or bankruptcy in their work history.
- Auditor (to be appointed within 3 months of incorporation unless exempted from audit requirements);



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AVAILABLE HERE

- 
- Company secretary (to be appointed within 6 months of incorporation); and
  - Shareholders, (the minimum issued, and paid-up capital is S\$1 (US\$0.74)).

### **3. Registered address**

- This must be a commercial business address in Singapore

## **Branch offices**

Foreign companies can establish branch offices to conduct any type of business activity that falls within the scope of the parent company.

Branch offices are not eligible for the tax exemptions and incentives available to local companies as ultimate control of the branch remains vested in the overseas parent company. As such, branch offices are regarded as an extension of the foreign holding company and is therefore taxed as a non-tax resident at the corporate tax rate of 17 percent.

The name of the branch office must be the same as the parent company and as a legal extension of the parent company. The parent company must bear ultimate legal responsibility for all liabilities and be registered with ACRA, which is responsible for the monitoring of new companies in Singapore. Because of this liability, many foreign companies choose to establish a subsidiary or private limited company rather than branch offices.

## **Key requirements for setting up of branch offices**

### **1. Reservation of name of branch office**

- The name of the branch office must be the same as the foreign parent company;
- The name of the branch office must be approved by the Accounting and Corporate Regulatory Authority (ACRA) prior to the branch office registration process;
- Once a name is selected, the name application shall be submitted via ACRA Bizfile for approval, which may be rejected if the name is identical, similar, or phonetically similar to a company that has already been registered; and
- The name application costs S\$15 (US\$10), which will be reserved for 120 days upon approval.

## 2. Appointment of company officers

The officers of a company include the following:

- Director
  - › The board of directors of the Singapore branch office must be the same as the board of directors on the foreign parent company; and
  - › The director needs to be at least 18-years of age and must not have a history of misconduct or bankruptcy in their work history.
- Authorized representative
  - › The branch office must have at least 1 authorized representative who is ordinarily resident in Singapore.

## 3. Registered address

- This must be a commercial business address in Singapore.

Investors looking to set up branch offices must ensure its activities do not go outside the scope of the parent company.

The parent company will bear all the liabilities of its branch office as it is viewed as a legal extension of the parent company. This means they are also subject to Singaporean taxes and are not eligible for local tax incentives and exemptions.


## Representative offices

A representative office (RO) is a short-term, temporary arrangement with a limited purpose; however, it must be established for a maximum of three years, of which the RO status is subject to evaluation by Enterprise Singapore, the government agency under the Ministry of Trade and Industry, before the RO can be further renewed on an annual basis.

This set up is an ideal choice for foreign investors who are still researching their investment options before setting up a fully-fledged office in Singapore. Companies looking to set up an RO must have sales turnover of at least US\$250,000 and must be represented by staff from their own HQ or a Singaporean citizen.

ROs can be staffed by a maximum of five individuals, with the parent company bearing liability for the activities of the RO and is responsible for financing its operations. The RO is confined to activities set out by Enterprise Singapore, which include:

- Gathering of information on markets and potential clients;
- Carrying out research to ascertain product/service information;
- Developing trade contacts and manage product enquiries;

- 
- Participating in trade shows and exhibitions; and
  - Gathering information on regulatory requirements for the set-up of a permanent entity.

## Key requirements for setting up of a representative office

As a temporary administrative office, the RO cannot engage in profit-yielding business activities and can only participate in information gathering or market research-based activities.

Investors wishing to establish a RO in Singapore must ensure:

- The parent company has been established for more than three years;
- The parent company has incurred an annual sales turnover of more than US\$250,000;
- The foreign chief representative is from its headquarters; alternatively, the RO may appoint a Singapore citizen to fulfil the role of the chief representative; and
- The RO does not hire more than five local employees as support staff.

## Variable Capital Companies

In January 2020, the Monetary Authority of Singapore (MAS) and the Accounting and Corporate Regulatory Authority (ACRA) launched the Variable Capital Company (VCC), a new innovative corporate structure for all types of collective investment schemes (investment funds) in Singapore.

The VCC is regulated under its own legal framework through the Variable Capital Companies Act and offers more operational flexibility compared to investment fund structures currently available in the country through trusts, limited partnerships, or private limited companies.

This means fund managers can establish investment funds across both traditional and alternative strategies and as open-ended or closed-end fund strategies.

Open-ended funds are offered through fund companies that sell shares directly to investors, allowing them to enter and exit according to their convenience. There is also no limit on the number of shares they can issue, if there is an appetite for the fund.

Close-ended investments, however, are overseen by a fund manager or brokerage firm and are listed on the stock exchange. There are a fixed number of shares that are issued.

The government hopes this flexibility will attract more investment funds to be domiciled in Singapore and bring the country to the forefront of the global investment services industry.

## What are the requirements of a VCC?

There are several key components of the VCC:

- The VCC must have at least three directors who are Singaporean residents. At least one director must be a representative of the fund manager;
- The VCC will require a Singapore regulated and licensed fund manager or it can use a Singapore licensed bank to be the fund manager. The entity cannot be self-managed;
- The VCC can have a single shareholder or hold a single asset;
- The requirements for investment funds listed under the Existing Securities and Futures Act (SFA) will apply to VCC's;
- The VCC must have a registered office in Singapore and appoint a Singapore-based secretary; and
- It must be audited by a Singapore-based auditor and present its financial statements as per the International Financial Reporting Standards (IFRS) or US GAAP.

## What are the key benefits of using the VCC structure?

There are several benefits a VCC structure has over current collective investment schemes in Singapore.

- The VCC can be used as a standalone fund (comprising of a single investment portfolio) or as an umbrella entity with various sub-funds allowing for the segregation of portfolios and liabilities. Having multiple funds in a single VCC can improve cost efficiencies.
- The VCC capital will always be equal to its net assets. This is because the VCC's shares are only created when investments are made. This provides flexibility in the distribution and reduction of capital as dividends can be paid out of capital, easing the ability of fund managers to meet dividend payment obligations.
- Fund managers can easily re-domicile existing overseas investment funds by transferring their registration as a Singapore VCC.

There are also several tax benefits for VCC's. These include:

- A VCC is not burdened by the same capital requirements of an open-end fund in Singapore and has access to the country's more than 80 tax treaties.
- An umbrella VCC will only need to file a single corporate income tax return (CIT) to the Inland Revenue Authority of Singapore (IRAS).
- Income from a VCC can be exempt from tax if it qualifies for the government's Enhanced Tier Fund (ETF) Scheme. There are two criteria for this:
  - › The VCC must have a minimum fund size of S\$50 million (US\$36 million); and
  - › Must have a local business spend of S\$200,000 (US\$148,558).
- The VCC could qualify for the tax exemptions for startups scheme (SUTE) and obtain a 75 percent tax exemption on the first S\$100,000 (US\$73,000) of chargeable income during

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the first consecutive three years. The next S\$100,000 (US\$74,272) of chargeable income can receive a 50 percent tax exemption.

- The entity can recover goods and services tax (GST) on expenses occurred in Singapore.



# Digital banking licenses

In early December 2020, the Monetary Authority of Singapore (MAS) announced that four entities were awarded digital banking licenses.

While digital banks offer the same banking services as traditional banks, they operate without a physical setup, enabling customers to control their finances from their computers or smartphones. MAS awarded the licenses to:

- A consortium of Singapore Telecommunications Ltd (Singtel) and Grab Holding Inc (Grab);
- Sea Limited;
- Ant Financial; and
- A consortium of Greenland Financial Holdings Group Co. Ltd, Linklogis Hong Kong Ltd, and Beijing Co-operative Equity Investment Fund Management Co. Ltd.

There are two types of digital banking licenses – digital full bank license (DFB) and digital wholesale bank license (DWB).

The DFB license enables an entity to offer deposits, loans, and investment products through its online platform. DFB license holders can only serve retail and corporate banking services while DWB license holders can only serve businesses, namely small and medium enterprises (SMEs).

MAS expects the four digital banks to commence operations by early 2022. This is the first time Singapore has approved setting up wholly digital banking operations.

## What were the eligibility criteria to apply for the digital banking licenses?

Applicants for the DFB and DWB licenses met the following criteria:

- At least one entity of an applicant group had a track record of three years or more in the e-commerce field or technology industry;
- All key persons are fit and proper;
- Demonstrate the ability to meet the minimum paid capital at the onset and the minimum capital funds required on an ongoing basis;
  - › For DFB, the initial minimum, paid capital of S\$15 million (US\$11.2 million) before progressively raised to S\$1.5 billion (US\$1.12 billion); and
  - › For DWB, the paid-up capital of S\$100 million (US\$75 million).
- The sustainability of the digital bank's business model (a five-year financial projection of the digital bank, which shows the path to profitability. The financial projection must be reviewed by an independent expert);
- Submission of a feasibility study for the orderly exit of the digital bank; and
- Shareholders of the digital bank must provide a letter of responsibility and a letter of undertaking in respect to the operations of the digital bank.



**ALBEE LIM**

Manager  
Singapore Office

Specifically, for DFB licenses, the applicant must be 'anchored' in Singapore, controlled by Singaporeans, and headquartered in the country.

MAS also assesses whether the applicant can incorporate innovative technology to meet customer needs that differentiate it from existing banks, as well as the entity's understanding of local regulatory compliance and risk management plans. Finally, MAS evaluates the growth prospects of the digital bank, such as its potential contribution to jobs, skills development of the local workforce, and regional expansion plans.

## How will this impact the regional financial and banking sector?

The approval of digital banking licenses promises to strengthen Singapore's banking and finance sector, ensuring it remains resilient, innovative, and competitive, especially as regional rivals Hong Kong approved eight digital banking licenses in 2019.

Their low-cost structure, and efficient set up and operating systems could enable digital banks to quickly expand in ASEAN. Many will utilize Singapore as their base for regional expansion into other regional markets.

## How will digital banking support SMEs?

Digital banks will make financial services more accessible to underserved segments, such as millennials and SMEs. The biggest market potential in ASEAN will be Indonesia, which has some 42 million underbanked and 92 million unbanked adults. Despite this large number, the country's digital economy is set to reach US\$124 billion by 2030.

Forming strategic partnerships, particularly with payment solution platforms or e-commerce marketplaces, will be the fastest route to establishment and expansion for digital banks. This will provide digital banks with access to a broader customer base, and thus, allow them to provide more customer centric products and services compared to traditional banks.

This includes adopting alternative credit scoring assessments to issue microloans to many underserved SMEs in the region, in addition to potentially offer deposit accounts for individuals without the need for minimum deposit amounts.

Ultimately, the emergence of digital banks will force traditional banks to accelerate the digitalization of their core business process and the retraining their talent to brace for this change. The use of digital technologies, big data, and advanced analytics will be of huge significance for these banks in their efforts to continue to be the bank of choice for their customers.

*“Offering investors access to one of the world's largest combined free trade zones, Singapore is the ideal location for pursuing investment holdings throughout ASEAN.”*



# Fast track patent program

The Intellectual Property Office of Singapore (IPOS) launched the SG Patent Fast track Program on May 4, 2020, which aims to expedite the application-to-grant process of patents in all technology fields to six months, compared to the typical duration of two years.

This is a two-year program, which began on May 4, 2020, and is expected to end April 29, 2022. It replaces the FinTech Fast Track and Accelerated Initiative for Artificial Intelligence programs.

There is no additional fee required to participate in the program; however, it is currently only available to process five applications per month on a first-come, first-serve basis with IPOS also imposing a limit of 10 requests per year for each entity, whether they are corporates or individuals.

The program will benefit innovators who develop products or solutions with short lead times to market or short product lifecycles. Furthermore, the positive examination results issued by IPOS can be used to leverage their application to international patent examinations, such as to the ASEAN Patent Examination Co-operation (ASPEC).

## How do you qualify for the program?

There are several criteria applicants need to fulfil in order to qualify for the program:

- The application must be filed in Singapore and must not have priority claim;
- The application must contain at least 20 or fewer claims; and
- The request is within the cap number of requests of five per month and 10 per year per entity.

The monthly cap is reset on the first day of the new month with any unutilized requests rolled over to the next month, subject to a maximum of **10 per month**.

## How do you file a patent?

The applicant will need to fill out Patents Form 1 (request for grant of patent) and Patents Form 11 (request for search and examination report) using the IP2SG online portal by IPOS.

In addition to Patents Forms 1 and 11, the applicant must attach another document tagged as FastTrack. The FastTrack document should contain a cover letter stating the reason(s) for requesting the acceleration of the patent as well as the technology field that the invention belongs to. Some examples for requesting the acceleration process include the invention having a short product lifecycle or a technology that has an environmental or health cause.

Once the application has been submitted to and reviewed by IPOS, the organization will issue a Formalities Examination Report (FER). IPOS will inform the applicant if they have been successful in accelerating their grant process.

The applicant must report within two weeks upon receiving the FER and within two months upon receipt of the written opinion from IPOS.



## What if the cap on the SG Fast Track is reached for the month?

If the cap for the month for the SG Fast Track has been filled, the applicant will automatically be moved to the 12-Month File-to-Grant program. Through this program, applicants can obtain a Singapore patent grant within 12 months from the filing of the application.

Alternatively, applicants can decide not to join the 12-month program and choose to re-apply through the SG Fast Track system in the following month.

## An important steppingstone to apply for international patents

Due to Singapore's robust intellectual property (IP) system and IPOS' global reputation, an IPOS patent report can support innovators in their quest to process their patents internationally, such as in Japan, the USA, China, and Europe.

Innovators can also benefit from IPOS' Patent Prosecution Highway (PPH) program, whereby the examination process of a patent application to one IP office can be accelerated by referencing the results from another IP office.

# Solving legal disputes

## How do I solve legal disputes?

Disagreements between businesses are inevitable whether these are contract disputes or client conflicts, etc. One of the best strategies to avoid business disputes is by drafting contracts that clearly define the rights and responsibilities of the parties involved. This will ensure smooth transactions and lead to long-term, and successful business relationships.

When legal disputes do arise, there are several steps businesses can take to resolve them outside of litigation:

- Negotiations – either directly or through attorneys between the parties;
- Arbitration or mediation – this can be done through a private third-party negotiator; or
- An alternative dispute resolution – such as through the courts system, which can be an effective strategy if the party is not responding to your initial correspondence.

## Litigation

Singapore has a two-tier judicial system: the State Courts, where lower-value cases are resolved, and the Supreme Court, which comprises of the High Court and the Court of Appeal. The Court of Appeal is the highest court in the land.

The State Courts are divided into District Courts or Magistrate Courts. Both courts hear civil and criminal cases although the Magistrate Courts deal with less-serious cases.

Magistrate Court cases are:

- Civil cases with claims below S\$60,000 (US\$44,748); and
- Any criminal case with a maximum sentence of less than two years imprisonment.

District Court cases are:

- Any civil case with claims between S\$60,000 (US\$44,748) and S\$250,000 (US\$186,446); or
- Criminal cases with maximum sentence of between two- and seven-years imprisonment.

### Specialized courts

Singapore also has specialized courts that deal with areas, such as copyright disputes as well as labor disputes.

### The High Court

The High Court can hear appeals from the State Courts for certain cases or select cases that originate at the High Court level. These include probate cases valued at over S\$5 million (US\$3.7 million) in addition to criminal cases where the sentence is over 10 years imprisonment or death.

# Singapore's free trade agreements

Singapore's extensive free trade agreements (FTA), coupled with a transparent legal system and educated workforce, have been credited with accelerating the country's transformation to a first-world economy.

The country's 13 bilateral and 11 regional FTAs include some of the largest combined trade agreements in the ASEAN-China, ASEAN-India, and ASEAN-Hong Kong trade blocs — providing Singapore-based businesses with access to preferential markets, free or reduced import tariffs, as well as enhanced intellectual property regulations.

Despite regional players maintaining strong FTA networks, they are not as extensive as Singapore's. Due to these factors, the country will continue to be the default location for businesses seeking to expand into Southeast Asia and neighboring regions.

Foreign investors should seek the help of registered advisors to understand how they can benefit from the incentives covered under Singapore's FTAs.

## What are the types of FTAs?

There are two types of FTAs: bilateral (agreements between Singapore and a single trading partner) and regional (signed between Singapore and a group of trading partners).

### Bilateral FTAs

- China-Singapore FTA (CSFTA);
- India-Singapore Comprehensive Economic Cooperation Agreement (CECA);
- Japan-Singapore Economic Partnership Agreement (JSEPA);
- Republic of Korea-Singapore FTA (KSFTA);
- New Zealand-Singapore Comprehensive Economic Partnership Agreement (ANZSCEP);
- Panama-Singapore FTA (PSFTA);
- Peru-Singapore FTA (PeSFTA);
- Singapore-Australia FTA (SAFTA);
- Singapore-Costa Rica FTA (SCRFTA);
- Singapore-Jordan FTA (SJFTA);
- Sri Lanka-Singapore FTA (SLSFTA);
- Turkey-Singapore FTA (TRSFTA);
- United States-Singapore FTA (USSFTA); and
- UK-Singapore FTA (UKSFTA).

## Regional FTAs

- ASEAN-Australia-New Zealand Free Trade Area (AANZFTA);
- ASEAN-China Free Trade Area (ACFTA);
- ASEAN-Hong Kong, China Free Trade Area (AHKFTA);
- ASEAN-India Free Trade Area (AIFTA);
- ASEAN-Japan Comprehensive Economic Partnership (AJCEP);
- ASEAN-Republic of Korea Free Trade Area (AKFTA);
- ASEAN Free Trade Area (AFTA);
- Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP);
- EFTA-Singapore FTA (ESFTA);
- Singapore-Eurasian Economic union (EAEUSFTA);
- Regional Comprehensive Economic Partnership (RCEP)
- GCC-Singapore FTA (GSFTA); and
- Trans-Pacific Strategic Economic Partnership (TPSEP).

## Digital Economy Partnership Agreement

Singapore's Digital Economy Partnership Agreement (DEPA) with New Zealand and Chile came into effect January 7, 2021. DEPA was first signed in June 2020 and is the world's first 'digital only' trade agreement that establishes digital trade rules and digital economy collaborations, representing a new form of economic engagement at a time when many business activities have gone online.

Through DEPA, Singapore aims to develop international frameworks to support businesses engaging in cross-border digital trade and e-commerce. Further, digital economy agreements (DEA) will encourage greater cooperation in nascent areas, such as artificial intelligence (AI), and facilitate interoperability between digital systems, providing organizations the capacity to trial new technologies across different countries.

In addition to DEPA, Singapore has signed a DEA with Australia through the Singapore-Australia Digital Economy Agreement (SADEA), which has been in force since December 2020. The country is also in negotiations with South Korea to develop the Korea-Singapore Digital Partnership Agreement.

DEAs are part of the government's strategy to strengthen underlying infrastructures to build up Singapore's footprint as a global tech and e-commerce hub, as well as adding to the country's extensive free trade agreement (FTA) network.

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## How can businesses benefit from DEPA?

DEPA will establish new approaches to digital trade issues, ranging from data innovation to ease of cross border data flow to promote AI. The digital economy agreement will ultimately help businesses lower the costs of operations and improve access to each other's markets.

### Paperless trade

A key feature of DEPA is that it will encourage paperless trade, thus reducing time for cargo clearance and any document transits.

Technology can be used to assure document authenticity and provenance, which improves the efficiency of the trade. A Singapore exporter, for instance, can simply apply for an e-certificate of origin and SPS certificate for their shipment. These trade documents will then be sent digitally to the customs of the destination country.

Research conducted by Maersk and IBM found that paper trade documents can add as much as 20 percent of the costs of moving goods, in addition to a 10-day waiting time for the documents to be processed.

### Fintech and e-payments

DEPA will encourage greater acceptance of e-payment solutions due to greater interoperability between payment systems. This will also enable secure cross-border payments and support more non-financial institutions, such as fintech firms, to offer such services.

Moreover, to complement this digital trade agreement, Singapore approved the country's first digital banking licenses in early December 2020, enabling non-bank entities to offer the same services as traditional banks except they operate without a physical setup.

### Electronic invoicing

DEPA will allow e-invoices in Singapore to be recognized in Chile and New Zealand in addition to increased accuracy, efficiency, and reliability of commercial transactions.

Singaporean SMEs can also participate in the country's e-invoicing network by adopting the Pan-European Public Procurement On-Line (PEPPOL) e-invoicing solutions. Through PEPPOL, e-invoices are generated, transmitted, and processed digitally, without requiring manual inputs. PEPPOL is in use in over 30 countries and as of December 2020, over 27,000 local businesses are connected to the system.



## Digital identities

DEAs like DEPA will enable countries to develop safe and secure digital identities. This can significantly streamline business processes from opening bank accounts to company registration.

Partners within DEPA can facilitate initiatives that promote compatibility of different digital identity regimes. In doing so, procedures such as Know-Your-Client (KYC) checks by banks can be done more efficiently and in any DEPA partner country, since the bank only requires the company's digital identity. This due diligence process currently can take over three months to complete.

## Data innovation and artificial intelligence

Parties in DEPA will allow data to flow freely across borders which, in turn, facilitates a conducive environment for businesses to develop new products and services from data-driven innovations.

This includes the use of AI for which there will be the adoption of an ethical AI governance framework. This will ensure that DEPA partner countries harness AI in a responsible manner.

Furthermore, this digital agreement means businesses can pilot and commercialize their data-driven products and services with overseas counterparts from DEPA, therefore accelerating cross border innovation.

## Personal data protection

DEPA will ensure greater personal data protection, particularly as data will be transferred across borders.

Businesses in Singapore can currently apply for APEC Cross Border Privacy Rules (CBPR) certification. If they secure this certification, it will demonstrate the company's robust data protection policies consistent with the APEC Privacy Framework.

Further, CBPR certified businesses can exchange data with similarly certified companies from across Singapore's DEA network, as well as with other jurisdictions that have adopted the APEC CBPR System.

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## How to apply for FTA tariff concessions

Foreign investors looking to operate from Singapore, establishing a subsidiary company (private limited company) is advisable to benefit from prevailing FTAs as well as other tax incentives.

Businesses will first need to apply for a Preferential Certificate of Origin (PCOR), which is issued by Singapore Customs. The PCOR helps to identify the origin of the goods in question.

To apply, companies will need to fill out a form on the Singapore Customs website that details:

- Details of the businesses' manufacturing premises;
- The manufacturing cost statement;
- Application for the certificate of origin with exporter permit via TradeNet; and
- Certificate collection.

Companies can apply for 'back-to-back' PCORs which would allow them to re-export goods. This certificate can only be issued if:

- The impending FTA contains the back-to-back PCOR provisions;
- The goods will not undergo any further processing in Singapore;
- The first exporting country, Singapore, and the final importing country are signatories to the FTA; and
- The goods fulfil the requirements covered in the FTA.

## Determining HS codes and rules of origins

Companies will need to establish the Harmonized System (HS) code and the rules of origin (ROO) annex to see if the specific product or service is eligible for free or preferential import tariffs.

The HS code is an international nomenclature used for classifying products. The system comprises of six numbers that define product descriptions that appear as headings and sub-headings, grouped into 21 categories.





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# Corporate taxation

Singapore's favorable tax regime is internationally recognized for allowing entrepreneurs and companies to enjoy low tax rates and numerous types of tax relief – through incentives, comprehensive tax treaty networks, and exemptions from certain incomes.

## Tax structure

As Singapore adopts a territorial basis of taxation, companies are taxed only on Singapore-sourced income. Foreign-sourced income, such as branch profits, dividends, and service income, are taxed when remitted or deemed remitted into Singapore but will be exempted provided that the income has been taxed in the source country with a rate of at least 15 percent. There is also no capital gains tax in Singapore.

## Corporate income tax in Singapore

Singapore imposes corporate income tax (CIT) at a flat rate of 17 percent, which is the lowest among ASEAN member states. The country practices a single-tier corporate tax system, which means businesses pay CIT only on chargeable income (profits), and all dividends are exempt from further taxation.

The low CIT rate has attracted a dynamic investment community into Singapore, comprising of more than 7,000 multinational firms, with more than half operating their Asia-Pacific business from the country.

Foreign investors should seek the help of registered local tax advisors to better understand how they can stay compliant with the relevant regulations.

## Who is obligated to pay?

Businesses that have their income derived from Singapore or income remitted to the country are obligated to pay corporate taxes at a rate of 17% on its chargeable income regardless of whether it is a local or foreign company.

The place of incorporation tax residency of a company is determined by where the business is managed and controlled. The location of the company's Board of Directors meetings, where strategic decisions are made, is a key factor in determining where the control and management is exercised. If the company's board of directors or other key management personnel that control the business are based outside of Singapore, then the company will be considered a non-tax resident.

Additionally, this is also the case if the company holds its board meetings outside the country, despite having the day-to-day operations conducted in Singapore.

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Taxable incomes include:

- Profits from trade or business (the single-tier system this means Singapore-based companies will only pay taxes on profits and not on revenue);
- Royalties and premiums;
- Rental property income; and
- Income from investments such as interests.

## Benefits of being a tax resident

Qualifying as a tax resident will mean the company is eligible for the multitude of tax incentives the country offers that can lower the total effective CIT tax rate.

These incentives include being eligible for new startups to receive a tax exemption of 75 percent on the first S\$100 thousand (US\$73 thousand) of chargeable income and a further 50 percent exemption on the next S\$100 thousand (US\$73 thousand) of chargeable income (available for the first three years of operations). All other companies will receive a tax exemption of 75 percent on the first S\$10 thousand and a further 50 percent on the next S\$190 thousand of chargeable income.

Tax residents can enjoy the benefits from the country's more than 90 double tax avoidance (DTA) agreements, enabling businesses to eliminate instances of double taxation between treaty signatories. Moreover, tax residents have the advantage of gaining access to the wider Asian markets through the country's comprehensive free trade agreements (FTA).

## Individual income tax

The tax liability of foreigners in Singapore is dependent on their tax residency status.

Foreigners are considered tax residences if they:

- Stay or work in Singapore for more than 183 days in a calendar year or;
- Work continuously for three years or more.

## Tax rates

The tax rates on chargeable income are as follows:

Chargeable Income	Credit	Exemption
First S\$20,000 (US\$14,888)	0	S\$0
Next S\$10,000 (US\$7,444)	2	S\$200 (US\$148)
First S\$30,000 (US\$22,329)	-	S\$200 (US\$148)
Next S\$10,000 (US\$7,444)	3.5	S\$350 (US\$260)
First S\$40,000 (US\$29,772)	-	S\$550 (US\$409)
Next S\$40,000 (US\$29,772)	7	S\$2,800 (US\$2,083)
First S\$80,000 (US\$59,537)	-	S\$3,350 (US\$2,492)
Next S\$40,000 (US\$29,772)	11.5	S\$4,600 (US\$3,422)
First S\$120,000 (US\$89,306)	-	S\$7,950 (US\$5,915)
Next S\$40,000 (US\$29,772)	15	S\$6,000 (US\$4,464)
First S\$160,000 (US\$119,076)	-	S\$13,950 (US\$10,379)
Next S\$40,000 (US\$29,772)	18	S\$7,200 (US\$5,357)
First S\$200,000 (US\$148,845)	-	S\$21,150 (US\$15,737)
Next S\$40,000 (US\$29,772)	19	S\$7,600 (US\$5,654)
First S\$240,000 (US\$178,576)	-	S\$28,750 (US\$21,391)
Next S\$40,000 (US\$29,772)	19.5	S\$7,800 (US\$5,803)
First S\$280,000 (US\$208,338)	-	S\$36,550 (US\$27,194)
Next S\$40,000 (US\$29,772)	20	S\$8,000 (US\$5,952)
First S\$320,000 (US\$238,101)	-	S\$44,500 (US\$33,111)
Excess S\$320,000 (US\$238,101)	22.5	

Source: [iras.gov.sg](http://iras.gov.sg)

Non-tax residents are taxed at a flat rate of 15 percent.

## Goods and services tax

The goods and services tax (GST), also known as value-added tax (VAT), is a consumption tax imposed on goods and services in Singapore regardless of whether they are acquired from domestic or overseas suppliers.

As GST is a self-assessed tax, Singapore-based businesses are required to assess their need to register for GST. This is, however, only applicable to businesses that earn a taxable turnover of more than S\$1 million (US\$738,000) during a 12-month period. The current GST rate is seven percent.

The GST that is charged onto customers is known as 'output tax', and the GST that is incurred on business purchases and expenses, which includes the import of goods, is known as the 'input tax'. The difference between the output and input tax is the net GST payable to the government.

## GST on overseas digital services

Starting from January 1, 2020, foreign digital service providers have had to register and charge for GST under Singapore's Overseas Vendor Registration (OVR) regime. Till then, only services procured from local businesses were subject to GST. Digital services include:

- Downloading mobile applications, e-books, and movies;
- Subscriptions to TV shows, music, and online gaming; and
- Downloading drivers, software, and firewalls.

However, foreign digital service providers will need to have yearly global turnover of more than S\$1 million (US\$744,000) and sell more than S\$100,000 (US\$74,411) worth of digital services to customers in Singapore, to be obligated to register and charge GST.

## GST changes

The Singapore government has delayed the increase of the GST rate to after 2021 and thus it will remain at the current seven percent rate. The rate hike to nine percent is expected to occur between 2022 and 2025.

In addition, from January 1, 2023, the government will extend GST to low-value goods imported via air or post, valued up to S\$400 (US\$298). The GST charge is extended to imported non-digital services and online sales of low-value goods by overseas suppliers, meaning an end to GST-free online shopping for consumers.

## Withholding tax

The withholding tax only applies to non-resident companies or individuals who have sourced an income from Singapore. The types of income subjected to withholding tax are:

Withholding tax on payments to non-resident companies	
Nature of income	Tax rate (in %)
Dividends	Exempt
Interest	15
Royalties	10
Technical assistance and services fees	17
Rent on moveable property	15
Charter fees for aircraft or ship	0-2

## Capital gains tax

There is no capital gains tax in Singapore. Generally, the gains derived from the sale of a property/investment in Singapore are not subjected to tax as it is a capital gain. However, the gains may be taxable if one is the business of trading shares.

# Transfer pricing

The Singapore government has developed a comprehensive system for transfer pricing to prevent the abuse of intracompany transactions by companies in the city-state. Being a regional hub for multinational companies, the country's transfer pricing regulations ensures that relevant parties do not underpay taxes and aims to prevent the distortion of taxable income.

## What is transfer pricing?

Transfer pricing applies to companies that transact between companies from the same group, such as a subsidiary, or other 'related' parties. The persons or entities are related if:

- One party has direct or indirect control of the other (e.g. head offices or branch offices); or
- Both parties are under the control of the same persons or entity (e.g. several subsidiaries being owned by the same parent company).

Such conditions can give rise to preferential pricing between the parties, which could lead to the hiding of profits and underpaying taxes. The key principle to transfer pricing is that although these parties are related, they should interact as if they were independent business partners.

## The arm's length principle

The Inland Revenue of Singapore (IRAS) endorses the arm's length principle as its standard guide to transfer pricing. Under this principle, profits should be taxed where the real economic activities have occurred and where profits are generated.

The principle requires that transfer prices between related parties are equivalent to prices that unrelated parties would have charged under the same circumstances. This involves identifying situations where transactions between unrelated parties, that are comparable to the transactions being undertaken between related parties. This is known as comparability analysis.

There is a three-step approach to applying the arm's length principle:

1. Conduct the comparability analysis;
2. Identify the most appropriate transfer pricing method; and
3. Determine the arm's length analysis.

## Conduct the comparability analysis

Under this principle, businesses should examine the comparability of transactions following four aspects:

- Contractual terms of the transaction;

- 
- The characteristics of the types of goods, services, or intangible properties;
  - Commercial and economic circumstances; and
  - Functional analysis.

## Identifying the most appropriate transfer pricing method

The possible transactional methods are:

- CUP method;
- Resale price method; and
- Cost plus method.

The possible transactional profit methods are:

- Residual analysis approach; and
- Contribution analysis approach.

## What documents need to be prepared?

Businesses should prepare information as prescribed in the Income Tax Act, which include:

- An overview of the business group that is relevant to the business operations in Singapore; and
- The taxpayer's transaction details with its related parties, including the transfer pricing analysis.

Taxpayers are not required to submit their transfer pricing documentation when they file their tax returns but are required to submit their documents within 30 days upon request by the IRAS.

## Who must prepare the documents?

Businesses with gross revenue of S\$10 million (US\$74 million) for the tax basis period or transfer pricing documentation was specifically requested for the basis period.



# Tax incentives for setting up a business

## Incentives for businesses in Singapore

With one of the world's most business-friendly business and tax regimes, Singapore has emerged as a major financial and economic hub in Asia. Investors are also drawn by the efficient and cost-effective process to incorporate a company, and the country's transparent legal system.

Companies setting up in Singapore are eligible for various fiscal and non-fiscal incentives if their business is deemed beneficial to the country's economic development.

Applicants must fulfil rigorous requirements, which include committing to certain levels of investments, introducing leading-edge skills, technology, as well as contributing to the growth of research and development and innovation capabilities.

### Wage Credit Scheme

The Wage Credit Scheme (WCS) is also part of the government's Three-Year Transition Support Package. The scheme enables the government to co-fund the wage increases of Singaporean employees earning a gross monthly wage of up to S\$4 thousand (US\$2,945).

The program was introduced in the 2013 budget and set for three years. In the 2015 budget, the scheme was extended for another three years, and the 2018 budget extended the program further for the same period.

For 2021, the government's co-funding ratio is set at 15 percent of the qualifying gross wage ceiling of S\$5,000 (US\$3,714).

### Job Support Scheme

The Job Support Scheme (JSS) was first introduced in the 2020 Budget and enables the government to co-fund monthly wages for every local worker. The JSS structure will now be divided into three separate tiers (Tier 1 to 3). For 2021, The program has been extended to firms in Tier 1 and 2 sectors to September 2021.

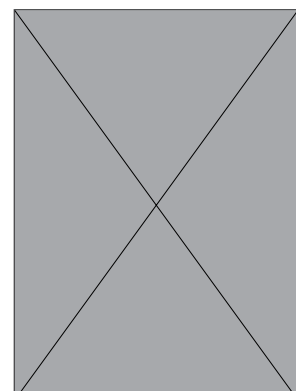
Tier 1 sectors (tourism, aerospace, and aviation) that are currently receiving 50 percent JSS support, will receive 30 percent support for wages from April to June 2021, and 10 percent support for wages paid from July to September 2021.

Tier 2 sectors (arts and entertainment, marine and offshore, retail, and food services) that are currently receiving 30 percent JSS support for wages will receive 10 percent support for wages from April to June 2021.

For firms in other sectors, they will continue to receive 10 percent JSS support for wages until March 2021.



#### RELATED READING



#### **Doing Business in ASEAN 2021**

*DSA Business Guide*  
October, 2020

This publication is designed to introduce the fundamentals of investing in all ten ASEAN countries and includes a guide to corporate establishment, tax advisory, and bookkeeping, in addition to HR and payroll, double tax agreements, and audit and compliance.

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## Industry specific tax incentives

There are four main government agencies that can administer business and tax incentives for Singaporean entities in specific domains. These are:

- Singapore Economic Development Board (EDB) – which is responsible for developing and executing strategies that facilitate investment into the country's industries;
- Inland Revenue Authority of Singapore (IRAS) – the tax regulatory authority in the country;
- Enterprise Singapore (ESG) – which aids Singaporean companies expand worldwide and promotes local exports; and
- Monetary Authority of Singapore (MAS) – the central bank and financial services authority.

A full list of industry-specific incentives can be found on the individual websites of these agencies. The industries eligible for tax incentives are:

- Financial services;
- Banks;
- Fund management;
- Tourism;
- Shipping and maritime;
- Global trading industries;
- Insurance;
- Processing services;
- Research and development;
- Headquarter activities;
- Legal firms;
- E-commerce; and
- Event organization.

## Start-Up Tax Exemption Scheme

The Start-Up Tax Exemption (SUTE) tax exemption scheme was introduced in 2005 with the aim to support new businesses and entrepreneurs in the country.

From 2020, qualified companies can obtain a 75 percent tax exemption on the first S\$100,000 (US\$74,288) of chargeable income during the first consecutive three years. The next S\$100,000 (US\$74,288) of chargeable income can receive a 50 percent tax exemption.

This scheme is only available for the first three-yearly assessments. After this period, companies can apply for the partial tax exemption scheme (PTE).



To qualify, businesses must:

- Be a tax resident in Singapore; or
- Owned by no more than 20 shareholders (where all the shareholders are individuals or at least one shareholder controls 10 percent of the issued shares).

Businesses must not be:

- An investment holding company; or
- Engaged in the property development industry, either for investments or for sale.

## Partial tax exemptions

Companies that do not qualify for SUTE may be eligible for the Partial Tax Exemption (PTE) scheme. From 2020, businesses can receive 75 percent exemption on the first S\$10,000 (US\$7,430) of chargeable income. A further 50 percent exemption can then be applied on the next S\$190,000 (US\$141,187).

## Enterprise Financing Scheme-Trade Loan

The Enterprise Financing Scheme -Trade Loan (EFS-TL) supports a company's trade financing needs with a maximum loan quantum of S\$10 million (US\$7.5 million) until September 30, 2021.

The government's risk-share of loans, however, will be lowered from 90 to 70 percent, starting from April 1, 2021, to September 30, 2021.

## Enterprise Financing Scheme-Project Loan

The Enterprise Financing Scheme-Project Loan (EFS-PL) enables Singaporean companies to access financing throughout their various stages of growth. The EFS-PL has been enhanced to support domestic projects for construction companies until March 31, 2022.

The maximum loan quantum for domestic projects is S\$30 million (US\$22.7 million) and the government's risk-share of loans is up to 70 percent.

The supportable loan types for **overseas** projects include:

- The purchase, renovation, or construction of land, buildings, or factories;
- Working capital loan; or
- The hire or purchase of fixed assets, such as machinery or equipment.

The maximum loan quantum for overseas projects is S\$50 million (US\$37.8 million).



## Temporary Bridging Loan Program

The Temporary Bridging Loan Program (TBLP) provides working capital for eligible businesses. Until March 31, 2021, eligible enterprises can borrow up to S\$5 million (US\$3.78 million). This will be lowered to S\$3 million (US\$2.27 million) for applications from April 1, 2021, to September 30, 2021.

The interest rate is capped at five percent, and until March 31, 2021, the government's risk share of the loan is 90 percent. This will be lowered to 70 percent for applications from April 1, 2021, to September 30, 2021.

## SME Working Capital Loan Scheme

The SME Working Capital Loan (EFS-WCL) scheme allows small and medium-sized enterprises to apply for an uncollateralized loan of up to S\$300,000 (US\$222,946) (from April 1, 2021), for working capital, supported by participating financial institutions. The maximum repayment period is five years.

From April 1, 2021, the risk share is set at 50 percent with 'young companies' (those formed within the past five years) eligible to a risk share of 70 percent.

## SME fixed assets loan

This scheme assists in financing the investment of domestic and overseas assets, such as for the purchasing of equipment and machines as well as factories. The maximum loan available is S\$30 million (US\$22.2 million) with a repayment period of 15 years.

The risk share is set at 50 percent with young companies eligible to a risk share of 70 percent.

## Venture debt loan

The venture debt loan scheme is used for high-growth startups that do not have significant assets that can be used as collateral for bank loans. Startups can utilize the funds for growing the business or diversify their products or services. The maximum loan available is S\$8 million (US\$5.9 million) from April 1, 2021, and the repayment period is five years.

The risk share is set at 50 percent with young companies eligible to a risk share of 70 percent.

## Merger and acquisition loan

The merger and acquisition (M&A) loan scheme aims to assist businesses to acquire local or international companies. The maximum loan available for this scheme is S\$50 million (US\$36 million), and the repayment period is five years.


## Double tax deduction for internationalization

Singaporean companies looking to expand overseas can benefit from the Double Tax Deduction Scheme for Internationalization (DTD<sub>i</sub>), which provides a 200 percent tax deduction on expenses for international expansion.

Most DTD<sub>i</sub> deductions are subject to approval from ESG and the Singapore Tourism Board. However, certain activities do not require approval on the first S\$150,000 (US\$111,000) of eligible expenses.

The DTD<sub>i</sub> supports businesses in four categories and several sub-categories:

- Market preparation
  - › Product/service certification;
  - › Feasibility studies; and
  - › Design of packaging for the overseas market.
- Market exploration
  - › Overseas market development trips;
  - › Local trade fairs (must be approved by the ESG and the Singapore Tourism Board);
  - › Virtual trade fairs (must be approved by the ESG); and
  - › Overseas trade fairs.
- Market promotion
  - › Overseas advertising;
  - › Production of corporate brochures for overseas distribution;
  - › Overseas business development; and
  - › Advertising in approved trade publications.
- Market presence
  - › Overseas trade offices;
  - › Investment feasibility studies;
  - › Employee overseas posting;
  - › Master licensing and franchising; and
  - › Overseas investment trips.



Budget 2021 has expanded the list of qualifying activities that do not require prior approval to include overseas advertising, approved product/service certification, and packaging design for overseas markets.

The qualifying expenses for overseas investment trips have also been expanded to include logistics costs to transport materials.

## The 100 percent Investment Allowance Scheme

The investment allowance incentive is administered by the EDB, from which businesses can enjoy a tax exemption of up to 100 of fixed capital expenditure incurred.

The EDB defines fixed capital expenditure as expenditure incurred for qualifying projects within a five-year period, which can be extended up to eight years.

An extension of the 100 percent Investment Allowance (IA) scheme has been granted by the government until 2023.

The approved 100 percent IA support is capped at S\$10 million (US\$7.4 million) and is part of the Automation Support Package (ASP), which comprises the following grants, loans, and tax support:


- Grant support through the Enterprise Development Grant (EDG), capped at S\$1 million for up to 50 percent of qualified automation projects;
- Loan financing of up to S\$15 million (US\$11.1 million) for automation equipment; and
- The 100 percent IA scheme.

The ASP support itself is due to end on March 31, 2021, but the 100 percent IA scheme will still be available.

This program offers tax relief that can be used to offset taxable income for approved automation projects by the EDG and ESG.

The approved projects by the EDB include, among others:

- Manufacture of new products or increase production of existing products;
- Promotion of the tourism industry in the country;
- Research and development activities;
- Energy efficiency projects;
- Construction projects;
- Projects that focus on reducing water consumption;
- Provide specialized engineering or technical services; and
- Maintenance, repair and overhaul services for the aircraft industry.



The category for expenditures covered by the investment allowance consists of:

- New productive equipment;
- Building factories in Singapore; and
- Acquiring patents and know-how.

## Startup SG tech

The Startup SG Tech grant helps to fast-track the development of technology startups, aimed at supporting the Proof-of-Concept (POC) and Proof-of-Value (POV) for commercialization of innovative technologies.

The grant cap for POC will remain at S\$250,000 (US\$185,687) and POV at S\$500,000 (US\$371,375).

Qualifying projects must:

- Clearly demonstrate how science/technology is applied;
- Be of a breakthrough level of innovation;
- Be commercially viable; and
- Leads to or builds on proprietary know-how.

The projects must fall under one of the following criteria:


- Advanced manufacturing/ robotics;
- Biomedical science and healthcare;
- Clean technology;
- Information and communications technologies;
- New industries;
- Precision engineering;
- Transport engineering/ engineering services; and
- Food science and technology.

## Enterprise development grant

The Enterprise Development Grant (EDG) helps Singapore businesses grow and innovate. The grant helps fund 70 percent of the project costs. However, from September 30, 2021, to March 31, 2022, the support level will be enhanced to 80 percent.

The grant supports projects under three pillars:

Core capabilities – projects under core capabilities help businesses strengthen their foundations, going beyond the basic functions of sales and accounting.



Innovation and productivity – under innovation and productivity, EDG supports companies looking to enhance efficiency and explore new areas of growth.

Market access – this helps Singaporean companies to venture overseas. The EDG may help defray some of the costs for this expansion.

## Pioneer tax incentives

Through the pioneer tax incentive, businesses engaging in the manufacture of high-value-added products or services can apply for a pioneer certificate which entitles them to tax exemption for five and up to 15 years.

To qualify, applicants are assessed on a qualitative and quantitative criterion. This includes:

- Ability to introduce create employment for Singaporeans;
- Introduction of new skills and expertise;
- The capacity for business expenditure to create economic spin-off;
- Manufacturing projects must commit to developing soft and hard infrastructure;
- Introduce new technology and know-how that can advance an industry; and
- Business activities must be new and have not been undertaken by other companies in the country.

## Development and expansion incentive

After the pioneer tax incentive period has ended, businesses can attain the Development and Expansion Incentive (DEI). This awards companies that migrate to business activities that add more value (such as investing in projects that advance key industries like manufacturing), with a five to 10 percent tax break. The tax relief period is subject to a maximum of 40 years.

## Accelerating digital transformation

Singapore will accelerate the digital transformation of local businesses through three strategies:

- Scale broad-based digitalization – providing SMEs with access to relevant resources and advisory;
- Develop digital leaders – building a local core of enterprises that can compete regionally and globally; and
- Catalyze new products and business models – helping businesses to scale up and innovate.





## **Scale broad-based digitalization**

Under this strategy, the government issued the (CTO)-as-a-Service scheme that enables SMEs to tap professional IT consultancies to receive end-to-end digital solutions based on their company's profile. These consultants have expertise in areas, such as artificial intelligence, data analytics, and cybersecurity.

Further, the digital consultants will be managed by IT firms appointed by the Infocomm Media Development Authority (IMDA) and will be selected based on their relevant industry experience and reputation. The service will be available to all registered SMEs in the form of a web application.

## **Develop digital leaders**

To develop digital leaders, the DLP seeks to identify high-potential, promising companies and equip them with the digital capabilities to transform their business.

The DLP will support companies to:

- Build expertise in the firm, including the hiring of digital talent; and
- Develop and implement digital transformation roadmaps.

The program will initially support 80 companies beginning with those more advanced in their use of digital technologies, providing up to 70 percent on qualifying costs. Eligible firms will participate in an initial two-year pilot.

## **Catalyze new products and business models**

To increase the speed of digital innovation and drive more collaboration, the government has enhanced the Open Innovative Platform (OIP) initiative. The OIP was launched in 2018 to support businesses in getting resources to meet their innovative needs effectively.

The OIP has been enhanced to include two new features:

- The Discovery Engine that facilitates search and matching of technology solutions through automated recommendations; and
- The Digital Bench provides quick proof-of-concept (POC) testing through a virtual POC platform.

The government hopes that the OIP will lead to more co-innovations, and the fast-track development of prototypes, reducing the time for products and services to be commercialized.



## Fintech Solidarity Grant

In May 2020, the Monetary Authority of Singapore (MAS), the Singapore Fintech Association (SFA), and investment and internet banking firm AMTD Group and AMTD Foundation, established the MAS-SFA-AMTD FinTech Solidarity Grant to support Singapore-based fintech firms amid the challenging business climate caused by the pandemic.

The grant, valued at S\$6 million (US\$4.2 million), is divided into two categories: the Business Sustenance Grant (BSG) and the Business Growth Grant (BGG). These programs complement the S\$125 million (US\$88 million) support package to strengthen the country's fintech sector issued in April 2020. Through these latest grants, eligible companies can receive financial support to cover working capital expenditures, funding for internships, as well as business grants.

Applications can be submitted from May 18, 2020, to December 31, 2021, on the SFA website.

### **Business sustenance grant**

The BSG aims to support fintech companies with their immediate cashflow problems to save jobs.

Eligible firms can receive a one-time grant of up to S\$20,000 (US\$14,100) to cover for wages, rent, and daily capital expenditures.

The wage support covers up to S\$2,000 (US\$1,400) per month per local staff including directors for up to six months. Up to S\$1,000 per month will be given for the salaries of interns for up to six months.


Additionally, up to S\$4,000 (US\$2,832) has been allocated to help rental costs for up to six months.

### **Business growth grant**

The BGG aims to foster the growth of fintech companies in the country and enabling them to continue to innovate.

Eligible firms can receive up to S\$40,000 (US\$28,000) if they can show 'proof of concept' (POC) – demonstrating that their ideas are workable – on their first application to financial institutions on the API Exchange (APIX) platform.

APIX is the world's first open-border, open-architecture application programming interface (API) platform, that serves as a marketplace for regulators, fintech entities, central banks, and financial institutions to cooperate and catalyze digital innovation and financial inclusion.



Firms can then receive S\$10,000 (US\$7,000) for second to fifth POC with a cap of S\$80,000 (US\$56,000) per firm.

Interns involved in the development and implementation of the POC can receive up to S\$1,000 per month towards their salaries. This is capped at S\$20,000 (US\$14,000) for firms with more than 30 staff and S\$10,000 (US\$7,000) for companies with 30 staff or less.

## How can fintech companies be eligible

To be eligible for the grants, the company must be registered and in operation in Singapore at least three months before applying for the grant.

The company must have at least two or more of its core activities in Singapore and the company should be an SFA member with a valid SFA fintech certification.

### **Other requirements**

If a company receives the grant, there are several key performance indicators (KPI) that they will need to adhere to for at least 12 months. These are:

- The company must remain registered and operating in Singapore;
- The POC must be successfully completed through the APIX platform;
- Must not reduce employee numbers, however, if forced to, this should not be more than 20 percent of the total workforce; and
- Must be an SFA member with a valid SFA certificate throughout the period.

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# Singapore's DTA network

Singapore has one of the world's most extensive double tax agreement (DTA) networks, attracting international businesses from a multitude of conventional and nuanced industries. DTAs eliminate instances of double taxation from cross-border activities, such as trade, knowledge sharing, as well as investments between two countries.

Singapore has signed over 90 DTAs with various countries and the full list can be found on the website of the Inland Revenue Authority of Singapore or IRAS, the main tax authority in the country.

Foreign investors should seek the help of registered tax advisors to better understand how they can benefit from Singapore's vast DTA network.

## Income types covered under a DTA

Currently, there are several types of DTAs signed by Singapore: comprehensive, limited, and exchange of information arrangements (EOIAs).

Comprehensive DTAs provides relief from double tax for all income types between the two signatories. Limited DTAs, however, only provides relief from income generated from air transport and shipping, and EOIAs are provisions for the exchange of tax information.

The tax reliefs under each DTA treaty differs for each country. They normally cover several income types:

- Tax on royalties;
- Tax on dividends;
- Tax on capital gains;
- Tax on interests;
- Shipping and air transport;
- Directors' fees;
- Independent and dependent personal services;
- Researchers;
- Students; and
- Income from immovable property.

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## Claiming relief under the DTA

To obtain the benefits of the DTA, the company must first submit its Certificate of Residence (COR) to IRAS as evidence it is a tax resident in Singapore. Only Singaporean tax residents and the tax residents of the treaty partner are recognized.

To qualify as a Singaporean tax resident, an individual must be employed in the country for 183 days or more during the year. For companies, they must be registered in Singapore.

Tax residents of the treaty partner must also submit a COR certified by the tax authority of the treaty partner to the IRAS to obtain relief under the DTA.

Singaporean tax residents can still avoid double taxation even if Singapore does not have a DTA with a particular country through the Universal Tax Credit (UTC) scheme. This applies to all foreign taxes paid by a Singaporean tax resident on the following income categories:

- Royalties derived from outside of Singapore;
- Foreign income from professional services or consultancy;
- Foreign-sourced dividends; and
- Foreign branch profits.

The IRAS will grant the tax exemption if the following conditions are met:

- At least 15 percent in corporate taxes (headline tax) are paid on the income sourced from the foreign jurisdiction;
- The company has been subjected to tax in the foreign jurisdiction, this can be different from the headline tax; and
- The IRAS is satisfied that granting the tax exemption will benefit the tax resident in Singapore.

## Determining the treatment of profits

Defining a permanent establishment (PE) is an important feature within all DTA treaties to determine the treatment of business profits. The PE refers to the fixed place of business through which the taxpayer carries out their business operations.

The taxation of profits falls under the country where the PE is set up unless the company opens a PE in another country. In the absence of a DTA treaty, any profits would mean the PE would bear a double tax burden for the business.

This means foreign investors who have a subsidiary company registered in Singapore can take advantage of the country's DTAs through ASEAN and Asia.



A business is deemed to have a PE if they carry out business activities lasting over 183 days in the following places:

- Offices;
- Factories;
- Warehouses;
- Farm or plantation;
- Construction or installation site
- Mines, wells, or quarries; and
- Workshops.





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# Employment Act

The Employment Act (EA) is the main labor law in Singapore. The Act regulates employment terms and conditions for all employees under a work contract with an employer. The EA covers the following:

- Minimum days for giving notice of termination of contract;
- Actions employers are entitled to upon misconduct of employees;
- Salary periods, time of payment;
- Maternity protection and benefits, and childcare leave for parents and
- Public Holiday, leave and sick leave entitlements.





# Important amendments to the Employment Act

## Amendments to the Employment Act

On April 1, 2019, the Singapore government enacted major amendments to the EA. The changes affect core human resource (HR) and payroll compliances termination procedures and leave allowances for employers, as well as employees' rights in the work place.

The new law affects all businesses and all employees – local and foreign – under contract with an employer in Singapore.

The amendments were designed to improve employment conditions by expanding the qualifying requirements around salary and job grades, resulting in every private sector employee now entitled to the rights and protections under the EA.

This was done to closely reflect the changing needs of the country's employment landscape, with professionals, managers, executives, and technicians (PMETs), predicted to make up some two-thirds of the country's work force by 2030 compared to just half currently. Notably, the EA applies to foreign employees.

Those excluded under the EA are Public servants, seafarers, and domestic workers (they were not included from before) as they are covered by other regulations.

## Core provisions extended to more employees

Core provisions refer to employee entitlements given to workmen (manual labor workers or blue-collar workers), non-workmen (non-managers and executives, white-collar workers), and managers and executives (M&Es) earning more than S\$4,500 (US\$3,342) per month.

After the amendment, the S\$4,500 (US\$3,342) threshold was removed, allowing an additional 430,000 M&Es to benefit from employment protection under the EA.

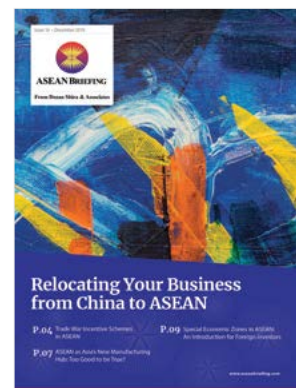
- The core provisions include:
- Timely payment of salaries;
- Paid annual and sick leave;
- Paid public holidays;
- Protection from wrongful dismissal; and
- Maintenance of employment records.

## Salary threshold for non-workmen increased

Before April 1 2019, non-workmen earning up to S\$2,500 (US\$1,857) were protected by Part IV provisions of the EA (which provides for rest days, hours of work, and other conditions of service), with overtime rate capped at S\$2,250 (US\$1,671).



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With the new law in place, non-workmen earning up to S\$2,600 (US\$1,931) are now protected by the Part IV provisions and the overtime rate will be capped at S\$2,600 (US\$1,931).

Managers and executives are not covered under the Part IV provisions.

## New approach to salary deductions

Prior to the new amendments, employers were limited to the type of salary deductions they could take, such as for absence from work or damage or loss of company property and goods. Now employers may make other deductions, such as for company insurance plans, but only if the employee agrees to the deduction in writing and can withdraw the consent any time without incurring sanctions.

This arrangement provides employers with the flexibility to cater to mutually agreed deductions while safeguarding the salary of employees.

## Medical certificates (MCs) and hospitalization leave

MCs issued by doctors and dentists registered under the Medical Registration Act, 1997 and the Dental Registration Act, 1999 is now recognized, whereas previously only MCs issued by the government- and company-appointed doctors were acknowledged. This provides employees with the convenience to visit doctors closer to home.

However, this policy does not impact the reimbursement of medical consultation fees. Employers are only required to reimburse fees from government doctors or company-approved doctors.

## Working on public holidays

Compensation for working on public holidays has now been extended to all employees.

Previously, when workmen and non-workmen were required to work on public holidays, employers either provided compensation with an extra day's pay or a full-day off-in-lieu. The new changes will now allow employers to grant time off for the number of hours worked on a public holiday, rather than the full day.

Part IV employees will continue to receive an extra day's pay or a full day off.

## Wrongful dismissal

The Employment Claims Tribunal (ECT) will now manage wrongful dismissal claims, which were previously adjudicated by the Ministry of Manpower. Furthermore, the ECT will also adjudicate salary-related claims which were resolved by the Tripartite Alliance for Dispute Management

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(TADM) – the TADM provided mediation services to resolve disputes before they were brought forth to the ECT.

Employees who felt they were forced to resign and can substantiate their claims can submit a dismissal claim. This is described in the EA as:

- Dismissal due to discrimination based on the employee's age, gender, disability, nationality, race or religion;
- Dismissal to depriving an employee of benefits/entitlements – such as maternity benefits and bonus entitlements; and
- Dismissal to punish an employee for exercising a right – such as whistleblowing.

Additionally, for M&Es to submit a wrongful dismissal claim, they now need to have served a minimum period of six months at their respective companies. Before the reform, M&Es needed to serve one year before making a claim. For non-M&Es, there is no minimum service period required. Either party could, however, terminate an employment contract by providing written notice or by paying a salary in lieu to the other party.

## Impact for employers

In light of these changes, employers need to review their HR policies and handbook.

The Employment Act reform brings significant changes to the dispute resolution framework, compensation for working on a public holiday, and salary deductions for employees. The core provisions include having a minimum of 7 to 14 days of annual leave, paid public holidays, sick leave, and statutory protection against wrongful dismissal.

Employers will need to be more cautious when terminating employees, particularly for higher paid M&Es. The practice of inviting employees to resign, often for the benefit of the employee to keep an untarnished employment record, now poses risks for the employer as they could result in a claim of constructive dismissal. This could also affect large-scale redundancies and restructuring strategies.

Furthermore, under the new EA, employees have the statutory right to buy out their notice period and thus end their employment. This could mean employers may face the prospect of employees joining competitors earlier as well as having less control over business planning and transitioning.

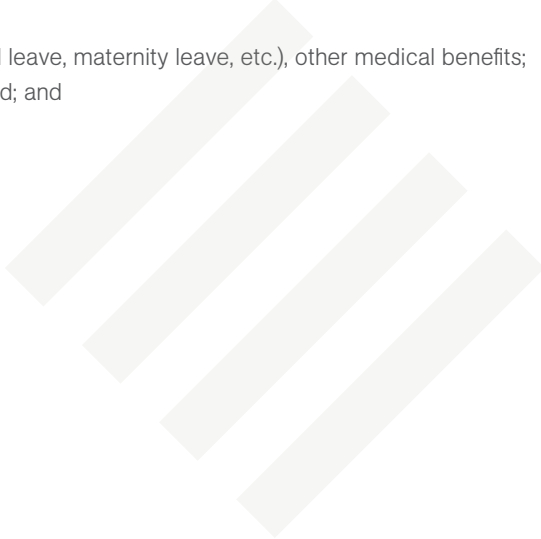
Being aware of the scope of these changes will be especially important for HR departments, which may need to make internal policy changes to comply with the new rules and regulations.

This could be particularly problematic for companies in fast-moving industries where such mobility provided by the EA could pose business risks and will have to develop strategies to address this issue.

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## Employment contracts

The essential clauses of a contract of service in Singapore include:

- Commencement of employment, full name of employer and employee;
  - Appointment - job titles, main duties and responsibilities;
  - Working arrangements (Hours of work, number of working days per week, rest day);
  - Probation period (if any);
  - Remuneration (Salary period, basic period, fixed allowances/deduction, overtime rate of pay, bonus and incentives, etc);
  - Employee benefits (sick leave, annual leave, maternity leave, etc.), other medical benefits;
  - Termination of contract - notice period; and
  - Code of conduct.
- 

# Employee leaves and vacations

## Statutory holidays

The President of Singapore can declare any day to be a public holiday, although every major race and religion usually receive two public holidays each.

If a public holiday falls on a Sunday, the following day is usually declared a public holiday, unless the Monday itself is already a public holiday. If a public holiday falls on a Saturday, the government will declare a school holiday the following Monday. Due to the ongoing pandemic, there will be four fewer long weekends in 2021 than in 2020.

Employees who have to work on a public holiday will be entitled to an extra day's salary at the basic rate. Alternatively, employers, with the consent of the employee, can substitute the employee's day off with another working day.

Further, the employer can also grant time-off-in-lieu, based on the number of hours the employee has worked on the public holiday. This option only applies to:

- Workmen earning more than S\$4,500 per month (US\$3,364);
- Non-workmen earning more than S\$2,600 per month (US\$1,943); and
- All managers and executives.

The Ministry of Manpower's (MoM) released the following dates of public holidays for 2021:

### **New Year's Day**

- January 1

### **Chinese New Year**

- February 12-13

### **Good Friday**

- April 2

### **Labor Day**

- May 1

### **Eid-al Fitr**

- May 13 (subject to change)

### **Vesak Day**

- May 26

### **Eid-al Adha**

- July 20 (subject to change)

### **National Day**

- August 9

### **Deepavali**

- November 4

### **Christmas Day**

**December 25**

## **Annual leave**

If an employee is covered by the EA, they are entitled to annual leave after working three months. An employee's annual leave entitlement is dependent on the number of years they have worked at the company.

<b>Annual Leaves in Singapore</b>	
<b>Years of service</b>	<b>Days of leave</b>
1st	7
2nd	8
3rd	9
4th	10
5th	11
6th	12
7th	13
8th and above	14

## **Maternity leave**

Only Singaporean residents are entitled to paid maternity leave. The length is usually 12 weeks but if the child is a Singaporean citizen then the leave is 16 weeks.

Further, there are other conditions that must be fulfilled to receive maternity leave. These are:

- The mother must be legally married to the father;
- Employment must have begun at least three months before the birth of the child; and
- The first eight weeks of maternity leave are paid by the employer, and the next eight weeks by the government.

# Employment permits

The Ministry of Manpower (MoM) issues a wide range of employment permits to expatriates planning to work in Singapore. Each employment permit differs across various categories of employees and is based on their professional skills and monthly salaries.

It is important for applicants to note that most work permits are applied through the employer or an employment agent, via the MoM's online platform. Therefore, it is mandatory for skilled professionals to first obtain a job offer in the country before applying.

## Employment Pass

The Employment Pass (EP) is issued to expatriates employed as foreign managers, executives, and skilled professionals in Singapore. First-time candidates can obtain an EP for an initial two years which can then be renewed for up to three years at a time.

As of September 2020, the new minimum salary requirement for EP applicants will be S\$4,500 (US\$3,308). S\$4,500 (US\$3,308). For applicants that are renewing their EPs, this salary criteria will come into effect on May 1, 2021. More experienced candidates are required to be offered a higher salary to qualify for this work permit.

Candidates that are offered a monthly salary of SG\$6,000 (US\$4,383) or more, are eligible to apply for a dependent's pass for their legally married spouse and unmarried children under 21 years of age to join them in Singapore.

Applicants looking to bring their parents, common-law spouse, or stepchildren must apply for the Long-Term Visit Pass (LTVP). The requirements are the same as for the dependent's pass, however, only those having a fixed monthly salary of at least S\$12,000 (US\$8,768) can bring their parents into the country.

There is no foreign worker levy or quota for this specific work permit. Moreover, the processing time for EP applications is up to five weeks, and, if submitted online, the application may be processed within three weeks.

## Salary requirements for the financial services sector

Foreign applicants in the financial services sector must now receive a qualifying salary of S\$5,000 (US\$3,678). Similarly, the qualifying salaries for older and experienced candidates will also be raised. This will come into effect September 1, 2020, for new applicants and from May 1, 2021, for renewals.

## Documents for EP applications

Employers need to submit the following documents for EP applications:

- Personal information of the applicant's passport;
- Company's latest business profile or information registered with Singapore's Accounting and Corporate Regulatory Authority (ACRA); and
- Details of the applicant's academic certificates. Applicants from India and China are required to produce additional documents.

Additional documents for Indian and Chinese nationals:

- › Indian applicants – transcripts and marksheets.
- › Chinese applicants – certificate of graduation and verification proof in English from sources recommended by the MoM.

Further, documents in languages other than English must be submitted along with a translated copy of each. Also, it is important to note that the MoM may ask for more documents to be submitted at the time of processing the application.

## Personalized Employment Pass

The Personalized Employment Pass (PEP) is designed for high-earning EP holders and overseas foreign professionals. The minimum salary required to obtain a PEP is S\$12,000 (US\$8,941) per month for existing EP holders and S\$18,000 (US\$13,412) per month for overseas foreign professionals. Candidates can apply for a PEP themselves. The application takes around eight weeks to process.

One key advantage for PEP holders is the flexibility to switch jobs without re-applying for another employment permit. They can also stay in the country for up to six months before securing their next employment. Another important advantage is that PEP holders can apply for any job in any sector including medicine, law, pharmacy, and dentistry.

There is also no foreign worker levy or quota for this type of work permit, and PEP holders can apply for a dependent's pass or an LTVP for their family members. However, the PEP can only be issued once for a period of three years. Thereafter, applicants need to either apply for an EP or S Pass to continue their employment in Singapore.

## Requirements of the pass

To keep holding the PEP, the candidate must:

- Not be unemployed in Singapore for more than six months; and



- 
- Earn a fixed salary of at least S\$144,000 (US\$107,299) per calendar year, regardless of how many months the candidate is in employment.

## Who is not eligible?

The following categories are not eligible for a PEP:

- An EP holder under a sponsorship scheme;
- Journalists, editors, sub-editors or producers;
- Freelancers; and
- A sole proprietor, partner, or where a directors is also a shareholder in an ACRA-registered company.

## Entrepreneur Pass

The Entrepreneur Pass (EntrePass) is for foreign business professionals and entrepreneurs who wish to start their own business in Singapore.

The initial EntrePass is valid for one year and two years for every subsequent renewal. Business owners must, however, meet the renewal criteria set by the MoM which includes aspects such as the number of hired local employees as well as the total amount of annual business spending. The full list can be found on the MoM website.

As per the eligibility criteria stated by the MoM, the applicant's company must have either:

- Funding from an accredited source;
- Hold intellectual property (IP) registered with a recognized national IP institution;
- Research collaboration with a recognized institution; or
- Be an incubatee at a Singapore government-supported incubator or accelerator.

According to the MoM, businesses such as coffee shops, hawker centers, food courts, bars, night clubs, karaoke lounges, massage parlors, and employment agencies are not eligible under the EntrePass scheme.

The documents required for the EntrePass are:

- Copy of the personal information page of the applicant's passport;
- Past employment testimonials in English; and
- A business plan in English.

For businesses registered with the ACRA:

- Company's latest business profile

## S Pass

The S Pass is similar to EP except that it is designed for mid-level skilled employees with a job offer that includes a minimum monthly salary of S\$2,500 (US\$1,838) or more.

As with the EP, S Passes are valid for up to two years and can be renewed for up to three years at a time. S Pass holders that earn a monthly salary of SG\$6,000 (US\$4,383) or more, are eligible to ask their employer to apply for a dependent's pass on their family's behalf.

The government has also placed a quota on the number of S Pass applicants. As of January 2020, Singaporean businesses are forbidden to have more than 10 percent of their total workforce as S Pass holders. The country will begin reducing the foreign worker quota for the manufacturing sector over the next two years, according to the 2021 budget.

The government will cut the S-Pass quota from the current 20 percent limit to 15 percent in January 2023. Furthermore, the foreign worker levy rates for services, marine shipyard, and construction were reduced to 18 percent, starting January 1, 2021, and will be cut to 15 percent in January 2023.

Documents for S Pass applications

- Personal information of the applicant's passport;
- Company's latest business profile or information registered with Singapore's Accounting and Corporate Regulatory Authority (ACRA); and
- Details of the applicant's academic certificates. Applicants from India and China are required to produce additional documents.

Additional documents for Indian and Chinese nationals:


- › Indian applicants – transcripts and marksheets.
- › Chinese applicants – certificate of graduation and verification proof in English from sources recommended by the MoM.

## Tech.Pass

Singapore issued a new work permit named Tech.Pass, aimed at attracting highly accomplished technology entrepreneurs, experts, and business leaders from January 2021.

The Tech.Pass program is an extension of the Tech@SG program, which assists fast-growing companies access critical talent to scale their business in Singapore and the region.

Unlike the Employment Pass, the Tech.Pass scheme does not require the sponsorship of a local employer, giving the professional greater flexibility in their activities, such as being an employer,



investor, starting a business, or becoming a director or consulting in one or more Singapore-based tech companies. This work permit also allows holders to switch between employers. The program was open to 500 applicants upon launch, on a first-come, first-serve basis. The work permit will be for a two-year period that can be extended if the applicant passes the renewal criteria.

The government hopes the Tech.Pass scheme will create a 'flywheel effect' to further strengthen its position as a tech hub in the region. According to Singapore's Economic Development Board, the city-state is already home to 59 percent of the Asian regional headquarters of multinational tech firms, such as Visa, Google, and Facebook.

## Who is eligible to apply?

The government has imposed strict eligibility criteria for Tech.Pass applicants. They must satisfy at least two of the following conditions:

- Their last fixed monthly salary of at least S\$20,000 (US\$14,902), or its equivalent in foreign currency;
- Having at least five years of experience in a leading role in a tech company that has a market valuation of at least US\$500 million or have raised at least US\$30 million in funding; or
- Having at least five years of experience in a leading role in the development of a tech product that has at least 100,000 monthly active users or at least garnered US\$100 million in annual revenue.

## What are the criteria for the renewal for Tech.Pass?

There are several requirements for applicants to receive a two-year renewal. The applicant must:

- Have earned at least S\$240,000 (US\$178,826) of income based on an assessment by the Inland Revenue of Singapore; or
- Demonstrate business spending of at least S\$100,000 (US\$74,510) and employ one local employee who is classified as a professional, manager, or executive (PME) as well as three 'local qualifying salary' (LQS) employees.

PMEs must earn a fixed monthly salary of at least S\$3,900 (US\$2,905) with LQS referring to locals who earn a monthly salary of at least S\$1,400 (US\$1,043).

In addition to one of the aforementioned criteria, applicants must be performing at least two of the following roles, one of which must be from column A.

Added Criteria for Tech. Pass Renewal	
A	B
Founded a company in Singapore that sells tech-based product or service.	Serve in the Board of Directors of a Singapore-based company (does not need to be a tech company).
Serve a leading role in a tech company in Singapore	Acted as a mentor to a Singapore-based start-up.
Serve a leading role in two or more Singapore-based companies.	Acted as a lecturer/adjunct professor in a Singapore institute of higher learning.
Employed in a technical role in a Singapore-based company (leading team).	Provided training not covered under B2 or B3.
Employed in a leading technical role in two or more Singapore-based companies.	Invested in a Singapore-based tech company.

## Work Permits

Semi-skilled foreign workers applying for jobs in construction, manufacturing, or the services sector in Singapore are required to apply for a Work Permit (WP).

There are three kinds of WPs issued by the government, depending on the sector of the applicant's job. These are WP for foreign domestic workers; WP for confinement nannies; and WP for performing artists

Only workers from approved countries are eligible for work permits provided the employer pays a levy and the security bond, meet the quota criterion, and provide the worker with healthcare insurance.

The WP is usually valid for up to two years and is subject to the foreign workers' contract with the associated employer. Additionally, employees entering Singapore on a WP visa are not permitted to apply for a dependent's pass for their family members.

WPs can only be applied by the employer on the worker's behalf. The processing time for a WP is one to seven working days.

Other short duration employment visas available are:

- Training Employment Pass (TEP) – A TEP is issued to foreigners engaged in practical training for jobs of a professional, managerial, executive, or specialist nature in Singapore. The candidates must earn at least S\$3,000 (US\$2,191) a month. The TEP is valid for a maximum period of three months and is not renewable; and
- Training Work Permit (TWP) – A TWP is issued to unskilled or semi-skilled foreign trainees or students on practical training in Singapore for up to six months. The number of TWP holders a local company can hire is capped based on the sector the business operates in.

## Fair Consideration Framework

The Fair Consideration Framework (FCF) requires all employers in Singapore to promote fair employment practices and improve labor market transparency.

Under the FCF, employers must first advertise job positions on the MyCareersFuture.sg to make them known to local job seekers. The jobs advertised on this portal were previously mainly for executive and manager level positions.

As of May 2020, job positions with a monthly salary of up to S\$20,000 (US\$14,902) are now advertised on the site; previously, job positions with a monthly salary of S\$15,000 (US\$11,000) and above were not required to do so. Certain senior positions remain exempted, taking into account that these can be market sensitive.

To provide greater awareness for mid-skilled jobs, the government has extended the job advertisement requirements to S Pass applications from October 1, 2020. Further, the job advertising duration for both EP and S Pass applications will be doubled from 14 to 28 days.

## Tech@SG

In January 2020, Singapore's government launched the Tech@SG program, which aims to help Singapore-based technology companies recruit highly skilled foreign talent, and expand in the region.

The program is jointly administered by the government agencies Economic Development Board (EDB) and Enterprise Singapore (ES). The EDB executes strategies that enhance Singapore's standing as a hub for investment and business while the ESG supports the development of the country's small and medium enterprises.

Companies that qualify for this program are eligible to receive up to 10 new Employment Passes (EPs) to hire foreign nationals and is valid for up to two years. Further, Tech@SG will support the renewal of the EP and extend them for up to three years. Thereafter, the EP must be renewed through the process implemented by the Ministry of Manpower (MOM).

### What are the eligibility criteria for companies?

Companies that qualify for Tech@SG must meet the following criteria:

- Must be a company incorporated in Singapore with the Accounting and Corporate Regulatory Authority (ACRA);
- Must be a company that has a digital or technology offering as part of its core business product or service;

- › This includes providing hardware or software technologies, e-commerce activities, digital gaming, digital media, cybersecurity, data science, and fintech, among many others;
- Secure more than US\$10 million (in cumulative) investment funding in the past 36 months; and
- Receive funding from one of the Tech@SG investment firms in the past 36 months.

## List of investment firms

The Tech@SG programs recognizes three types of investment firms:

- Well-established venture capital firms with an international presence;
- Boutique venture capital firms with a track record of investing in growth-companies in Asia; and
- Investment firms with links to the Singaporean government.

The recognized firms are mentioned in the table below.

Tech@SG Recognized Investment Firms		
Accel Partners	August One	GP Bullhound
Golden Gate Ventures	Openspace Ventures	Pavilion Capital
CBC Group	Rakuten Ventures	B Capital Group
Green Meadows Accelerator	Sequoia Capital India	Heritas Capital Management
Decacorn Capital	Dymon Asia Ventures	CyberAgent Ventures
East Ventures	EDBI	EV Growth
GGV Capital China	New Enterprise Associates	MTA
Gobi Partners	ZIG Ventures	Wavemaker
Monk's Hill Ventures	LocalGlobe and Latitude	Vickers Venture Partners
Vertex Ventures	Jungle Ventures	Lightstone Ventures
TNB Aura	STRIVE	Insignia Ventures Partners
Softbank Investment Advisors	Iconiq Capital	

## What are the criteria for individual EP applicants?

Once a business has qualified for the Tech@SG program, it must ensure the foreign worker adheres to the following requirements before the EP is secured:

### Organizational role

- The applicant is considered a 'core team member' in the business whose responsibilities fall under these categories;

- 
- The applicant must be manager-level employee and above in the company; and
  - The applicant's fixed monthly salary must be S\$3,600 (US\$2,590) or above.

#### Functional role

- Core business functions, such as finance, human resources, general management, business development, business strategy; or
- Technical functions, such as software engineering, product development, data science.

## What is the application process?

Prior to applying for the Tech@SG program, companies must ensure that they are incorporated with ACRA and have obtained a CorpPass account from ACRA.

Once the applicant is issued a CorpPass account, they will need to login and select and assign 'EDB Form SG' as the e-service the applicant will use.

## Applying for Tech@SG endorsement

There are two methods of applying for Tech@SG depending on the ownership of the applicant company.

If the company has less than 30 percent local shareholding, it should submit its application to the EDB. For companies with at least 30 percent or more local shareholding, the submission should be done through Startup SG, as an entity under ES.

Companies are usually told the outcome of their application within 10-15 working days.

## Applying for EPs

Once a company has been endorsed under the Tech@SG program, it can submit the EP applications to the MOM.

The company must register for an Employment Pass Online (EPOL) account with the MOM.

The MOM may take up to five working days to process the registration request and will advise its decision to the company within 21 working days.

Business owners should note that the EP applications must be submitted within two years of being accepted into the Tech@SG program.

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## Singapore's foreign worker quota – cuts announced

The move is part of the government's efforts to moderate Singapore's reliance on foreign labor, particularly as the unemployment rate soared to 4.1 percent in 2020 – although this could have reached 6.1 percent if not for the fiscal and monetary policies issued throughout that year.

Businesses will not be required to dismiss their excess foreign workers immediately when the new quotas take effect but can retain them until their individual S-Passes expire. This will ensure firms have the time to meet their new manpower quotas.





# Global Investor Program

The government made changes to its Global Investor Program (GIP) in 2020 to make it easier for foreign investors and entrepreneurs to attain permanent residence (PR).

The GIP was introduced in 2004 and is administered by Contact Singapore, a government agency whose function is to attract investors from all over the world to invest, work, and live in Singapore. Through this program, foreigners who invest at least S\$2.5 million (US\$1.86 million) can apply for PR.

Under the new changes, the government has set new criteria for GIP applicants. Next generation business owners, founders of fast-growing companies, and ultra-high net worth individuals who want to set up a family office in Singapore, can now qualify for PR status. Currently, only established entrepreneurs are eligible to apply for PR under GIP.

After applicants have passed these criteria, they must choose the form of their investment in Singapore. These are investing in a new or existing business entity in the country, investing in a GIP-approved fund, or invest in a new or existing Singapore-based, single-family office.

Through these latest updates, the country is hoping to attract high-value companies that could provide job opportunities that reflect the changing needs of Singapore's employment landscape, with professionals, managers, executives, and technicians set to make up two-thirds of the workforce by 2030.

Investors should seek the help of registered local advisors to better understand how they can benefit from these recent developments.

## What is the GIP application process?

To gain GIP approval and ultimately gain PR status, foreign investors need to adhere to the following steps:

1. Submit the online and hardcopy GIP forms to the Economic Development Board (EDB), a statutory board that plans strategies to maintain Singapore as a global hub for business and investment.
2. The EDB will interview the applicant.
3. If the applicant meets the criteria, the Immigration and Checkpoints Authority (ICA) will issue an Approval-in-Principal (AIP) status, which is valid for six months.
4. The applicant will then need to invest under their selected investment option within six months from the issued AIP status.
5. The applicant will need to provide evidence (bank statements, legal documents) to the EDB as proof the investment has been realized.
6. The EDB will verify the evidence upon which the ICA will issue a final approval letter.
7. The applicant can then formalize their PR status in Singapore. This must be completed within 12 months from the issuance of the final approval letter.



## How can you qualify?

Investors can apply for GIP if they fall under the following threshold criteria:

### Established business owners

An applicant's current business will need to have an annual turnover of S\$200 million (US\$149 million), an increase from S\$50 million (US\$37.2 million) previously.

Business owners must have at least three years of a proven entrepreneurial or business track record and own a minimum of 30 percent of the company.

Additionally, the business should be engaged in one of the eligible industries listed below.

### Next generation business owners

The applicant's business should have an annual turnover of S\$500 million (US\$372.5 million), and the applicant's immediate family member must own 30 percent of the company. The company itself should be engaged in one of the businesses laid out for established business owners.

### Founders of fast growth companies

In this new criterion, the applicant must be the founder and largest individual shareholder of a company. The company must have a valuation of at least S\$500 million (US\$372.5 million) and must be invested into by a reputable venture capital or private equity firms.

### Family office principals

This criterion aims to attract individuals with net investible assets of at least S\$200 million (US\$149 million), who are looking to establish a family office in the country.

Net investible assets include bank deposits, financial assets, capital market products, and other collective investment schemes. Moreover, the individual must possess at least five years of entrepreneurial, management, or investment record.

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## What are the eligible industries?

Established business owners, next generation business owners, and founder of fast growth companies, must have a business in one of the following industries in order to qualify for the GIP:

- Aerospace engineering;
- Alternative energy/ clean technology;
- Electronics;
- Energy;
- Consumer Business (for example, flavors and fragrances, food ingredients, nutrition, home and personal care);
- Automotive;
- Chemicals;
- Engineering Services;
- Nanotechnology;
- Information and communication products and services;
- Logistics and supply chain management;
- Medical technology;
- Media and entertainment;
- Marine and offshore engineering;
- Healthcare;
- Natural resources (for example, metals, mining);
- Pharmaceuticals and biotechnology;
- Shipping;
- Space;
- Safety and security;
- Precision engineering;
- Professional services;
- Arts businesses;
  - › Visual arts businesses; and
  - › Performing arts businesses
- Sports businesses; and
- Family office and financial services.

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## What are the investment options?

Once an applicant has met one of the four threshold criteria, they can choose from three investment options in Singapore.

### Option A

Applicants who choose option A must invest S\$2.5 million (US\$1.86 million) in a new or existing business in Singapore.

The applicant must submit a five-year business or investment plan, which highlights future expenditures and revenues. The business plan will be assessed on its feasibility, overall activities, capacity to create local jobs, as well as the applicant's role in growing the company.

### Option B

Through option B, the applicant must invest S\$2.5 million (US\$1.86 million) in a GIP-approved fund that invests in Singapore-based companies. The list of the approved funds can be found on the GIP website.

Applicants will be assessed on their business or investment activities, capacity to create local jobs, and any future investment plans.

### Option C

As part of the changes to the GIP, the government has added option C in which applicants must invest S\$2.5 million (US\$1.86 million) in a new or existing Singapore-based single-family office.

Applicants will need to submit a five-year business or investment plan, which must contain employment and financial projections. The business or investment plan will be assessed on the applicant's role in the family office and proposed investment sectors.

# SGUnited jobs and skills package

The SGU JS program was introduced in May 2020 to provide transitional upskilling and employment facilitation support to workers affected by COVID-19. As of December 2020, the program has facilitated nearly 76,000 individuals into jobs, skills training, and traineeships.

The updated components of the SGU JS package are the following programs:

- Jobs growth incentive (JGI);
- SGUnited traineeships;
- SGUnited mid-career pathway program;
- SGUnited mid-career pathways program – Company training; and
- SGUnited skills.

The government has pledged an additional S\$54 billion (US\$4.08 billion) to extend the SGUnited and skills packages (SGU JS) which have also been extended for 2021.

## Job growth incentive

The JGI program aims to support employers to expand their local hiring (Singaporean citizens and permanent residents) from September 2020 to September 2021. The JGI will provide up to 12-months of salary support for each 'non-mature' local hire (below the age of 40) and 18-months' salary support for each mature hire (above the age of 40).

There are two qualifying windows for new local hires:

- Phase 1: September 2020 to February 2021; and
- Phase 2: March 2021 to September 2021.

To be eligible for a JGI, the company must prove that there is an increase in the overall workforce size and an increase in the local workforce size earning more than S\$1400 (US\$1,060), compared to the August 2020 local workforce for Phase 1, or February 2021 for Phase 2.

The amount of support available is between 25 to 50 percent of the gross monthly salary, as illustrated in the table below.

JGI Program 2021		
	Phase 1	Phase 2
Qualifying window	New local hires from September 2020-February 2021	New local hires from March 2021-September 2021
	Baseline headcount from August 2020	Baseline headcount from February 2021
Non-mature hires	Up to 25 percent of the first S\$5,000 (US\$3,789) for 12 months	Up to 25 percent of the first S\$5,000 (US\$3,789) for 12 months
Persons with disabilities (PwDs), or ex-offenders	Up to 50 percent of first S\$5,000 (US\$3,789) for gross monthly wages paid between September 2020-February 2021	
	For gross monthly wages paid from March 2021 onwards, the support is 50 percent of first S\$6,000 (US\$4,546)	Up to 50 percent of first S\$6,000 (US\$4,546) for 18 months
	The duration of the support is 18 months	

## SGUnited traineeships

The SGUT program provides recent graduates with the opportunity to gain industry-based work experience. Workforce Singapore, the statutory board under the country's Ministry of Manpower, will co-fund 80 percent of the training allowance with the remainder being funded by the employer.

The government has extended SGUT until March 2022 to support graduates from the 2021 cohorts, with the following adjustments:

- From April 1, 2021, the stipend for the Institute of Technical Education (ITE) and diploma SGUT positions has been increased from S\$1,000-S\$1,500 to S\$1,600-S\$1,800 and from S\$1,300-S\$1,800 to S\$1,700-S\$2,100 respectively; and
- The maximum duration for each internship has been reduced from nine to six months starting from April 1, 2021.

## SGUnited mid-career pathway program

The SGU-CA program aims to provide mid-career individuals with new industry-based experience to develop their skills and employability.

Those eligible to join the program are provided with a S\$3,000 (US\$2,273) allowance per month for the duration of the program. The government funds 80 percent of this allowance with the remainder being funded by the host organization.

This program has been extended until March 31, 2022 and adjusted to encourage greater participation. These adjustments are:

- The maximum training allowance for mature trainees (over the age of 40) has increased to up to S\$3,800 (US\$2,879) per month;
- The minimum training allowance for non-mature trainees (below the age of 40) has increased to S\$1,600 (US\$1,212) per month;
- The co-funding rate from the government for mature trainees has increased to 90 percent; and
- The maximum training duration has been reduced from nine to six months from April 1, 2021.

## SGUnited mid-career pathways program – company training

The SGUnited mid-career pathways program – company training (SGU-PCT) is for mid-career individuals delivered by multinationals, such as Google, IBM, and Shopee.

Participants receive a monthly allowance of S\$1,500 (US\$1,136) for the duration of the program. SGU-PCT has now been extended until March 31, 2022, with the following adjustments:

- The capacity of in-demand courses will be expanded to improve jobseekers' chances of securing employment in high growth sectors; and
- From April 1, 2021, SGU-PCT courses will now last only six months.

## SGUnited skills

The SGUnited skills (SGUS) program provides full-training courses certified by Continuing Education and Training (CET) Centers as well as higher learning institutes. Trainees are also given the opportunity to apply skills learned through a program in workplace internships and industry projects.

SGUS has been extended until March 31, 2022, and trainees are given a S\$1,200 (US\$909) monthly allowance. During this extension period, the capacity of in-demand courses has been expanded and the duration of the courses has been reduced to six months.



# Social insurance

The Central Provident Fund (CPF) is a social security savings scheme that is funded from the contributions of employers and employees. This mandatory program is an important pillar of Singapore's social security system and aims to meet the retirement, housing, and healthcare needs of its people.

Individual CPF funds are further subcategorized into three savings accounts: Ordinary Account, Special Account, and Medisave Account.

The Ordinary Account can be used at any time to purchase a home, make investments, and provide for education, while the Special Account cannot be utilized until the account holder reaches retirement unless the money is used to purchase retirement-related financial products. This account will serve as the income a retired person receives.

The Medisave Account is used to pay for medical expenses, hospitalization expenses, and pay for approved medical insurance. Required employer contributions range from 7.5 percent to 16 percent, depending on the age and wage of the employee. Required employee contributions range from 5 percent to 20 percent.



# Termination of employment

Either the employee or the employer can terminate a contract of service and both parties must follow the terms and conditions for termination stated in the contract of service.

The termination of contract of service can occur in case of:

- Employee resignation;
- Employer dismissal; or
- Expiration of the contract terms

## Termination with notice

If an employee's contract specifies a notice period, they serve the said notice period or pay compensation in lieu of the notice. Any notice of termination, either by the employee or employer must be in writing.

If an employment contract did not specify a notice period, then the notice period is dependent on the length of the employee's service.

### Notice Period

Length of service	Notice period
Less than 26 weeks	One day
26 weeks to less than two years	One week
Two years and less than five years	Two weeks
Five years or more	Four weeks


## Termination without notice

If an employee resigns without giving notice, the employee will need to forgo salary in lieu of notice.

### Termination due to breach of employment terms

Either the employer or employee can terminate the employment if the terms of employment have been breached.

An employer is considered to breach of contract if they fail to pay the employee's salary within seven days. An employee is in breach of contract if they are absent from work for two working days without approval or without attempting to inform the employer.



## Filing a wrongful dismissal claim

Valid reasons for dismissal can include:

- Misconduct;
- Poor performance; and
- Redundancy.

Wrongful dismissal, however, occurs when the employee is dismissed without just cause. Filing a wrongful dismissal claim must be done within one month from the last day of employment to the Tripartite Alliance for Dispute Management (TADM). The TADM will ask the former employee to show proof that the dismissal was wrongful.

If the claim(s) cannot be solved through the TADM, then the case will be referred to the Employment Claims Tribunals (ECT).





# Auditing and compliance requirements

Singapore's transparent business and legal system have made the island nation a popular destination for international companies to establish their regional headquarters.

In maintaining this vibrant business climate, the government has obliged certain businesses to adhere to its audit and compliance regulations. However, the country's audit and compliance procedures are considerably less burdensome compared with its ASEAN peers, which is why Singapore is consistently ranked number one in the World Bank's Ease of Doing Business index.

According to Singapore's Companies Act, the primary legislation regulating the conduct of companies in the country, companies must comply with annual filing requirements of the Accounting and Corporate Regulatory Agency (ACRA), as well as the Inland Revenue of Singapore (IRAS).

## Who is obligated to be audited?

The *Companies Act* states that private limited companies must have their financial statements audited by a qualified public accountant at least once a year.

## Annual general meeting

An annual general meeting (AGM) is obligatory for a Singapore company. The AGM can be held anywhere in the world, whereby the shareholders discuss the following items:

- Approval of the audit reports;
- Re-elect directors (if required);
- Re-appointing auditors;
- Declare dividends; and
- Transact other business.

AGMs are to be held:

- Once every year;
- Within 15 months from the previous AGM; or
- Six months from the FYE date.

## Appointing auditors

Within three months of company incorporation, company directors must appoint an auditor, unless they fall under the following criteria:

- Annual turnover is less than S\$5 million (US\$3,700,00);
- The total number of shareholders is less than 20; and
- All shareholders are individuals and not corporations.

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The role of the auditor is to report if the company's financial statements comply with the relevant financial reporting standards and to provide an objective analysis of the company's financial performance. Additionally, only public accountants registered with ACRA can conduct company audits.

## Fiscal year

All companies in Singapore should determine a financial year-end (FYE) (that is, the last day of the company's first financial year) after incorporation.

After the FYE, the company must hold their AGM as well as file their annual returns (AR). Listed companies must file their AR within five months and non-listed companies within seven months. Many companies choose December 31 for their FYE while others have chosen the end of any quarter (March 31, June 30, and September 30).

In deciding an FYE, companies should consider whether the chosen date affects their eligibility to receive tax incentives. Starting in 2020, qualified new companies can receive a 75 percent tax exemption on the first S\$100 thousand (US\$73 thousand) of chargeable income during the first three consecutive years. There is a 50 percent tax exemption on the next S\$100 thousand.

For certain companies, it is, therefore, more advantageous to have December 31 as their fiscal year-end date.

## Audit exemptions

In July 2015, ACRA amended the Companies Act through the Small Company Concept. This amended the audit exemption criteria for businesses.

Companies that qualify as 'small' are exempted from having their accounts audited and from appointing an auditor. They first need to fulfil two of the three following criteria:

- Total revenue must not exceed S\$10 million (US\$7.3 million);
- Total number of full-time employees must not exceed 50; or
- Total assets of the company should not exceed S\$10 million (US\$73. million).

## Group company audits

Holding companies and their subsidiaries can also be exempt from audit compliance if they qualify as a 'small group'. To qualify, the group (comprising of all the companies) should fall under two of the three criteria as written above for small companies.

Businesses that are exempt from audits are advised to prepare annual financial statements.

# Accounting standards

Companies in Singapore that have a financial period starting after January 1, 2003 must use the Singapore Financial Reporting Standards (SFRS) which are based on the IFRS.

Financial statements are prepared under the accrual basis of accounting, which is one of the main principles of the accounting standards in Singapore. Under this accounting method, revenues are recorded when a transaction occurs rather than when the payment is received.

When the International Accounting Standards Board (IASB) issued the IFRS for small entities (SE) in 2009, the Accounting Standards Council of Singapore introduced the SFRS for small entities (SE) in 2010. The SFRS for SE provides an alternative framework to the full SFRS for SEs reporting periods beginning on or after January 1, 2011.

Businesses that are eligible to apply for SFRS for SE are:

- Classified as a small entity, meaning they must also qualify in two of the three aforementioned criteria under audit exemptions, being:
  - › Total revenue of not more than S\$10 million (US\$7.3 million);
  - › Total assets of not more than S\$10 million (US\$7.3 million); or
  - › Total number of employees of not more than 50.
- The company is not publicly accountable; and
- It publishes financial statements for external users.

Some of the advantages for small companies abiding by the SFRS for SE are that the process for preparing a company's financial statements are much simpler, and there is a reduction in the disclosure requirements.

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# Annual reports

Singapore's authorities require companies to submit their estimated chargeable income within three months from the financial year-end. This accounting should include the following:

- Statement of comprehensive income (profit and loss accounting);
- Company details;
- Balance sheet;
- Shareholder details;
- Dates of annual returns and AGM;
- Detail of company officers
- Cash flow statement; and
- Statement of changes in equity.



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# Penalties for non-compliance

Businesses that fail to hold an AGM and are late to file financial statements are at risk of fines, summons, and even an arrest warrant issued by ACRA.

Failing to file tax returns for two years or more will result in a Court summons, and upon conviction, the company will be ordered to pay a penalty that is twice the amount of tax and a fine of up to S\$1,000 (US\$730).







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