



DEZAN SHIRA & ASSOCIATES  
Your Partner for Growth in Asia

AN INTRODUCTION TO  
**Doing Business  
in Singapore  
2023**





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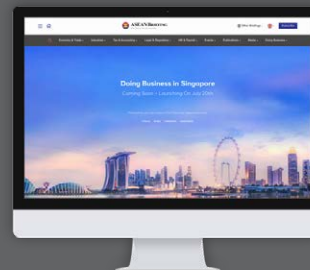
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This edition of Doing Business in Singapore was produced by a team of professionals at Dezan Shira & Associates, with Ayman Falak Medina as Technical Editor. Creative design of the guide was provided by Aparajita Zadoo.

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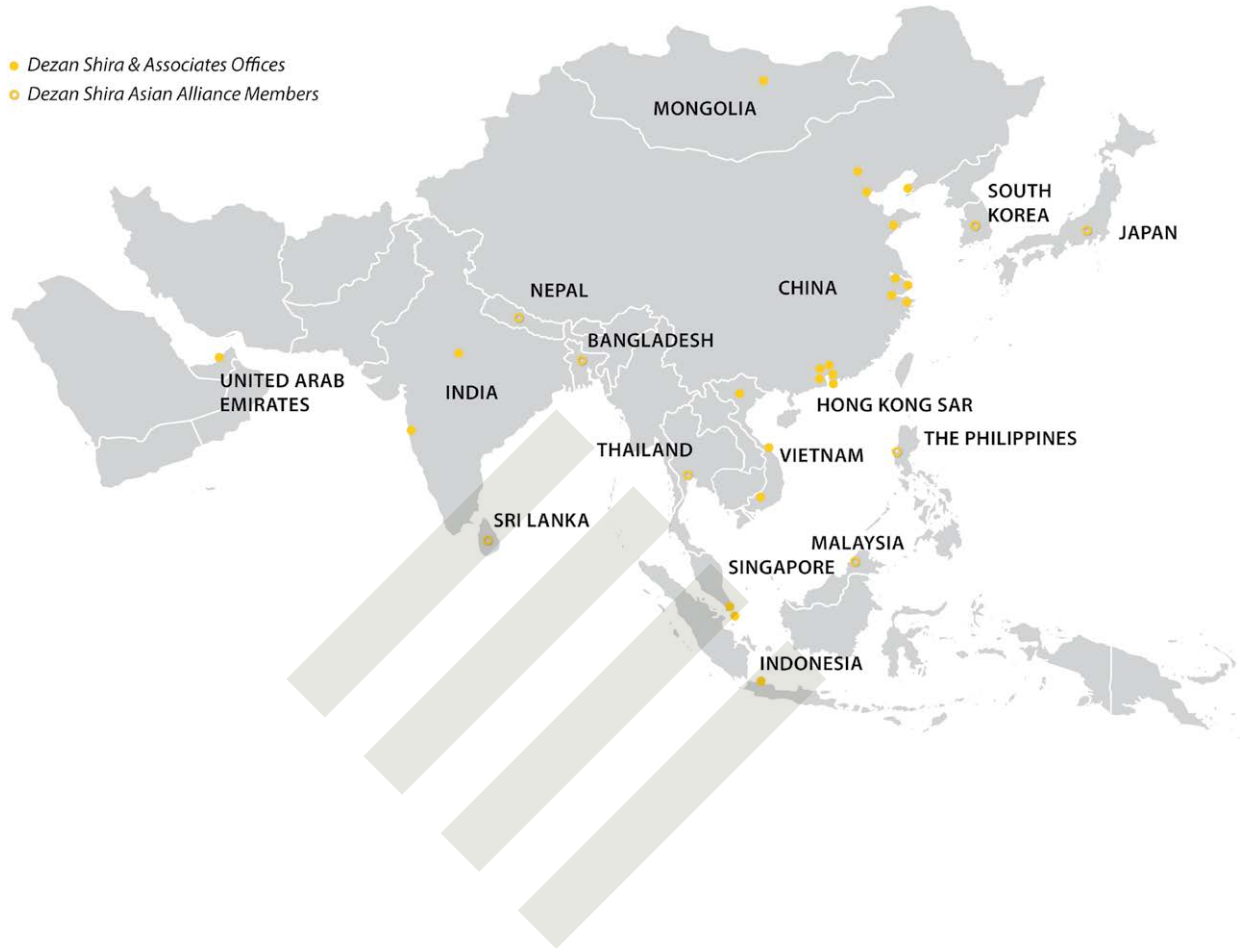




# DEZAN SHIRA & ASSOCIATES

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## 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 30 years of on-the-ground experience and a large team of professional advisers, we are your reliable partner in Asia.

# Preface

Despite global uncertainties, Singapore's robust economy continues to thrive, with projected GDP growth of 0.5 to 2.5 percent in 2023 and an even brighter outlook for 2024. As a strategic financial hub and a gateway to Asia, Singapore offers unparalleled opportunities for foreign investors.

With over 80 double taxation avoidance agreements, generous tax deductions, an extensive network of free trade agreements with neighboring nations, and a reputation as a global financial center, businesses operating in Singapore can maximize their profitability and expand their reach.

Amid the risks associated with the fallout of the COVID-19 pandemic, Singapore continues to demonstrate its resilience, providing direct access to global markets. While external demand has softened, Singapore's manufacturing and wholesale trade sectors remain robust and primed for growth.

For corporate entities hoping to establish a holding company, branch office, or regional headquarters, Singapore offers 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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# What's new in this guide?

Singapore has continued to implement strategic reforms to improve the business climate for foreign investors. Most of these reforms relate to implementing stricter requirements for the hiring of foreign workers.

We also highlight Singapore's plan to introduce a 15 percent minimum tax rate for multinational enterprises (MNEs) from January 2025. These changes are part of the Base Erosion and Profit Shifting initiative, or BEPS 2.0, a global framework that aims to ensure a fairer distribution of tax rights on large MNEs through a set global minimum tax (GMT) rate. Singapore has also increased the goods and services tax (GST) by one percent to eight percent for 2023, which will be increased to nine percent in 2024.

Singapore's government has also issued a variety of support for businesses as they transition to a post COVID-19 world and combat elevated inflation and growth slowdown. These include tax deductions for research and development (R&D) as well as for innovation, among others.

## Corporate establishment

This chapter highlights the relevant process for establishing an entity in Singapore be it a private limited company, branch office, or representative office.

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.


## Taxation

Singapore has increased its GST rate for 2023 from seven to eight percent. Further, since January 1, 2023, Singapore has imposed GST on imported low-value goods. Given the rapid rise of the e-commerce sector in Singapore and the Southeast Asia region, there has been significant growth in the number of imported low-value goods in Singapore. As such, the government wants to ensure a level playing field for businesses in Singapore so that overseas suppliers are subject to the same GST treatment as local suppliers.

Moreover, Singapore's Budget 2023 announced that the country will introduce a 15 percent minimum effective tax rate for large MNEs based in Singapore from January 1, 2025. These changes are part of the BEPS 2.0.

## Human resources and payroll

Singapore has introduced a new points system for Employment Pass (EP) applicants from 2023, in addition to higher qualifying salary thresholds.

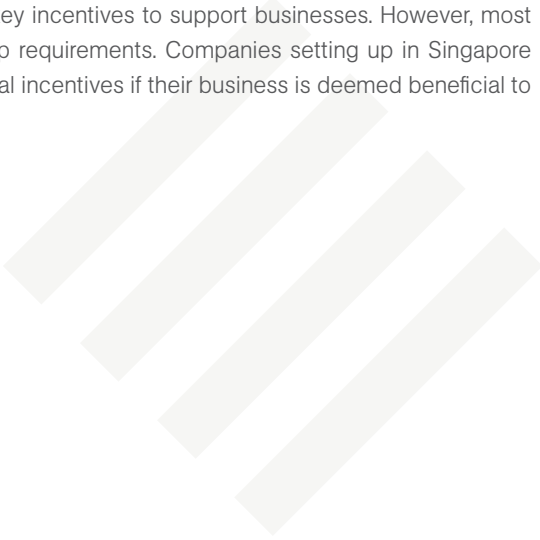


The government hopes that the new system – laid out under the Complementarity Assessment Framework (COMPASS) – will improve the capacity of Singaporean businesses to select high-quality foreign professionals and ensure workforce diversity.

The country has also introduced the Overseas Network & Expertise Pass, which allows high-earners and achievers to live in Singapore without the need to secure employment first.

## Incentives for business

Singapore has enhanced several of its key incentives to support businesses. However, most of these incentives have local ownership requirements. 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.



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# Why Singapore

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 (DTA) agreements, significant tax deductions, and numerous free trade agreements (FTAs) 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 (WTO) and the Organization for Economic Cooperation and Development (OECD).

Further, the efficient and cost-effective nature of corporate establishment procedures in Singapore has resulted in more than 37,000 international companies and around 7,000 foreign multinationals operating from the country.

The import and export of services represent a significant portion of Singapore's total international trade, reaching US\$449 billion in 2021. Transport services accounted for the single largest export and import service, representing 29.6 percent and 33 percent, respectively. Financial services were the second largest export service at 16.2 percent, whereas telecommunications, computer, and information services was the second largest import service category, representing 11.9 percent of imports.

# Dezan Shira & Associates Singapore



**DAVID STEPAT**  
Senior Manager  
Dezan Shira & Associates  
Singapore Office

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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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.

*“ 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 access through free trade agreements such as the ASEAN-Hong Kong FTA, ASEAN-India FTA, and the Regional Comprehensive Economic Partnership (RCEP). 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, or EntrePass / 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);

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

### 3. Registered address

- This must be a commercial business address in Singapore.

## Register for nominee shareholders and nominators

Singaporean and foreign companies registered in Singapore are now obligated to maintain a register of nominee shareholders and their nominators. Further, Singapore companies, foreign companies, or Singapore limited liability partnerships (LLPs) who have no registrable controller or are unable to identify the controller are required to identify individual(s) with executive control as their registrable controller. The changes were set out under the Corporate Registers (Miscellaneous Amendments) Act 2022, which was approved in January 2022.

Before, businesses were not required to ascertain whether a shareholder was holding the shares on behalf of another person (nominator).

The company or foreign company must update its non-public register within seven days after receiving information from a nominee shareholder or a nominator in their company. This new requirement aims to minimize the risk of companies in Singapore being controlled by illicit actors.

A nominee shareholder is defined as:

- A person or limited company that is registered as a holder of the shares in a company on behalf of another person or company; and
- Receives dividends in respect of the shares that they hold as a representative of another person or company.

Nominee shareholders must also notify the company if they cease to become a nominee shareholder within 30 days of cessation.

Non-compliance with these requirements is punishable with a fine of up to S\$5,000 (US\$3,578).

Another amendment under the Corporate Registers (Miscellaneous Amendments) Act is the requirement for local and foreign companies and LLPs to identify registrable controllers.

Registrable controllers are individuals, such as chief executive officers, directors, partners, or even entities, that exercise executive control over the daily affairs of the company or LLP. There was no previous requirement for the company or LLP to maintain a register for such individuals or entities.

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The company or LLP must now identify all individuals or entities that have executive control and record them as the registerable controllers of the company or LLP. The amendments are aimed at improving the transparency of companies and LLPs that are established in Singapore. Non-compliance with these requirements is also punishable with a fine of up to S\$5,000 (US\$3,578). Every officer who is in default is also liable to the same amount.

LLPs and foreign companies have two business days to update any change of registerable controllers to the Accounting and Corporate Regulatory Authority (ACRA).

## Annual general meetings

Both publicly listed companies and non-listed companies in Singapore are required to hold an annual general meeting (AGM). Publicly listed companies must hold their AGMs within four months after the end of their financial year, while non-listed companies must hold it within six months after the end of their financial year. During the AGM, companies are expected to present their financial statements, providing shareholders with insights into the company's financial health. Moreover, shareholders are given an opportunity to raise questions and concerns about the company's operations.

Private limited companies and public companies incorporated in Singapore now have the option to hold virtual AGMs in addition to statutory meetings and extraordinary annual general meetings. Previously, AGMs were primarily conducted in person.

## Procedure for shareholder meetings

### Notice for shareholders

Shareholder meetings follow a specific procedure outlined by the Companies Act in Singapore. The company is responsible for sending out a notice to its shareholders, members, and officers, containing essential information related to the meeting. The notice must include the following details:

- Date, time, and place of the meeting: The notice should clearly state the scheduled date, time, and location of the shareholder meeting.
- Agenda: The notice should specify the topics and matters that will be discussed during the meeting.
- Appointment of proxies: The notice must inform members about their rights to appoint a proxy to attend and vote on their behalf if they are unable to attend the meeting personally.
- Special resolution: If any matter requires a special resolution, the notice should explicitly state the requirement for a special resolution.

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In the case of an ordinary resolution, the notice must be sent to shareholders at least 14 days before the scheduled general meeting. For matters requiring a special resolution, the notice must be provided at least 21 days in advance of the general meeting.

## Electronic notices

Amendments to the Companies Act have introduced the option of sending notices electronically. This means that companies can now deliver notices via electronic means such as email, company websites, fax, or other electronic communication methods.

## 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 branch office 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 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.

## 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.

The following documents are required to setup the RO:

- a) A completed application form;
- b) Copy of the company certificate; and
- c) Copy of the parent company's latest annual reports and audited accounts.

The application must be made through Enterprise Singapore, rather than ACRA.

## Variable Capital Companies

In January 2020, the Monetary Authority of Singapore (MAS) and 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.



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## What are the requirements of a VCC?

There are multiple important considerations when establishing a VCC. These are:

- 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 VCCs. 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 100 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\$37 million); and
  - › Must have a local business spend of S\$200,000 (US\$148,000).

- 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\$74,000) of chargeable income during the first consecutive three years. The next S\$100,000 (US\$74,000) of chargeable income can receive a 50 percent tax exemption; and
- The entity can recover goods and services tax (GST) on expenses occurred in Singapore.

## Digital banking licenses

In December 2020, the MAS awarded four entities with 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 SME businesses.

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\$11.1 million) before progressively raised to S\$1.5 billion (US\$1.11 billion); and





- › For DWB, the paid-up capital of S\$100 million (US\$74 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.

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 offering 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.

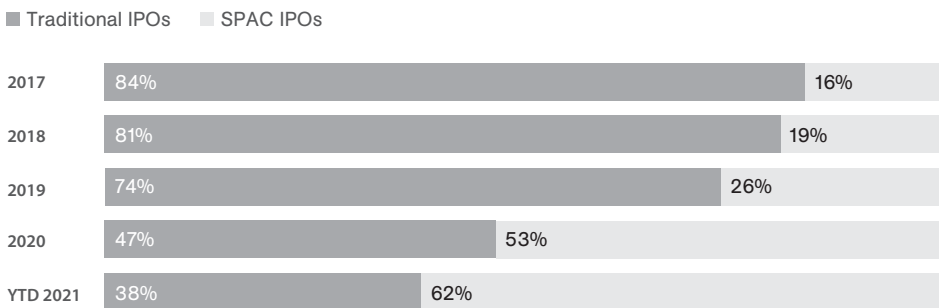
## Special purpose acquisition companies in Singapore

As of September 3, 2021, the Singapore Exchange (SGX) is among Asia’s first major bourse to allow the listing of special purpose acquisition companies (SPACs) in a move that the city-state hopes will attract more firms to raise funds amid a stagnating initial public offering (IPO) market. The SGX has introduced a new framework to enable SPACs to list on the exchange, such as minimum market capitalization requirements, minimum SPAC IPO price, and minimum public float, among others.

Singapore’s benchmark index has traditionally been dominated by companies in property and finance, but through SPACs, the SGX has set its sights on attracting tech companies. SPACs are essentially shell companies and have no commercial operations. They are formed by investors – who are called sponsors – with the sole purpose of raising money through an IPO to acquire another company, also known as a de-SPAC transaction. The process is often faster than a traditional IPO.

Other advantages with SPACs are their price certainty compared to conventional IPOs and a SPAC transaction allows the target company to negotiate its own fixed valuation with the sponsors.

### SPAC IPOs vs Traditional IPOs in the US



Source: EY

## The SPACs listing framework

The key features of the SPACs listing framework are as follows:

- The minimum market capitalization is S\$150 million (US\$111 million);
- The de-SPAC must take place within 24 months of IPO with an extension of up to 12 months subject to conditions;
- The minimum SPAC IPO price is S\$5 (US\$3.70) per share;
- At least 25 percent of the SPAC's total number of shares issued must be held by at least 300 public shareholders at the time of listing; and
- All independent shareholders are entitled to redemption rights – this mirrors the US SPAC framework.

## Assessing suitability

The SGX will also assess a variety of factors when assessing the suitability of a SPAC listing. These include:

- Profile of the founding shareholders and their experience and expertise in managing the SPAC;
- Business strategy of the SPAC;
- Articles of association of the SPAC which provide comparable shareholder protection and rights with that of a Singapore incorporated company; and
- Nature of the compensation of the management team.

## Measures related to business combination

As the proceeds raised for SPAC is for the sole purpose of undertaking a business combination (there are several requirements put in place to ensure this is in accordance with this objective:

## Holding the IPO proceeds in an escrow account

The framework states that at least 90 percent of the gross IPO proceeds must be placed in an escrow account pending the completion of the business combination. The escrow agent must be an independent institution approved by the MAS and the escrow amount cannot be withdrawn except for the purpose of the business combination, the liquidation of the SPAC, or other specified circumstances.

## Allowed timeframe of the completion of the business combination

The SPAC must complete the business combination within 24 months from the date of its listing with an extension of up to 12 months. If the SPAC has not signed a binding agreement by the end of the 24-month period, the SPAC can seek an extension from the SGX but with a

justification as to why they require the extension. The extension must also be approved by at least 75 percent of the votes of shareholders of the SPAC (excluding the votes of the founding shareholders and the management team).

## The business combination must result in a sizeable new business

The initial business or asset acquired (that is, de-SPAC) must have a market value of at least 80 percent of the amount held in the escrow fund. However, the SGX may be prepared to waive the 80 percent threshold on a case-by-case basis.

## Appointment of a financial adviser

The financial advisor's role is similar to that of an issue manager in a conventional IPO, and so they must be accredited by the SGX.

## Shareholders' circular must be fully disclosed

The shareholders' circular must contain prospectus-level disclosures on key areas such as:

- Financial position;
- Compliance history;
- The integrity of incoming directors;
- Permits and approvals; and
- The resolution for the mitigation of the conflict of interests.

This is to ensure that shareholders of the SPAC are making informed decisions when approving a business combination.

## SPAC liquidation

The SPAC will be liquidated if the business combination is not complete within the timeframe or there is a material change to the founding shareholders or management. Upon liquidation, the remaining funds in the escrow accounts will be distributed on a pro-rata basis to all shareholders.

## Aligning the interests of the founding shareholders with independent shareholders

The SPAC framework hopes to ensure the interests of the founding shareholders are aligned with the independent shareholders by subjecting the founding shareholders and management to a percentage-based minimum equity participation (MEP) requirement. The MEP is between 2.5 to 3 percent at IPO, depending on the SPAC market capitalization.

Moreover, moratoriums will apply similarly to an issuer listed on the SGX via a traditional IPO. Thus, a moratorium will be observed for the founding shareholders and management team of the SPAC, the controlling shareholders of the resulting issuer, and their associates.

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# 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 was originally a two-year program and was extended to April 30, 2024. 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.

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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.

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# Options available to solve legal disputes in Singapore

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.



# New sustainability program to help businesses go green

On October 4, 2021, Enterprise Singapore (ESG) – a statutory board under Singapore's Ministry of Trade responsible for supporting the development of small and medium enterprises – launched the Enterprise Sustainability Program to help local companies develop capabilities to seize opportunities in the green economy.

ESG has set aside S\$180 million (US\$133 million) for the program, which is expected to benefit over 6,000 businesses over the next four years through training workshops, project financing, and other support.

The sustainability program is part of the government's push to implement the Singapore Green Plan 2030, a 'whole-of-the-nation' movement spearheaded by several ministries to chart Singapore's green targets over the next 10 years. Under the plan, the government aims to achieve zero-net emissions as soon as viable in the second half of the century through initiatives like reducing the amount of waste sent to landfills by 30 percent by 2026 and doubling the number of electric vehicles charging points by 2030.

Singapore's solar energy capacity has grown more than six times over the last five years, and the country is targeting to increase solar power deployment to at least two gigawatt-peak by 2030 or enough to power over 350,000 households per year. Moreover, the nation is planning to tap regional power grids.

As a small city-state with no natural resources and land, Singapore lacks the capabilities to develop large-scale deployment of renewable energy sources. However, the country has the potential to become a carbon service hub, providing expertise to businesses on how to manage their carbon footprint.

## What are the components of Singapore's enterprise sustainability program?

The enterprise sustainability program has three key component schemes:

1. Developing sustainable enterprises;
2. Strengthening sector-specific capabilities; and
3. Fostering a vibrant and conducive sustainability ecosystem.

## Developing sustainable enterprises

Under this scheme, ESG will provide subsidized training workshops for businesses looking to develop their sustainability programs. These workshops are designed to build awareness and knowledge as well as provide access to the relevant tools to plan for long-term capability building. ESG has partnered with Global Compact Network Singapore (GCNS), PwC Singapore, and the Singapore Environment Council (SEC) for this scheme.

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The scheme also supports resource optimization and will help businesses adopt the relevant standards. Finally, ESG will support enterprises to develop sustainable services, products, and other solutions to capture opportunities in the green economy.

## Strengthening sector-specific capabilities

Partnering with Trade and Association Chambers (TACs), government agencies, and corporates is a key element of the program. ESG's partner TACs include the Singapore Contractors Association Limited (SCAL), the Textile and Fashion Federation (TaFF), and the Singapore Furniture Industries Council (SFIC). Through such partnership, ESG can facilitate cross-sector collaboration for sector-specific training courses, and help businesses uplift their sustainability capabilities throughout their value-chains.

## Fostering a vibrant and conducive sustainability ecosystem

ESG with its industry partners and government agencies aims to strengthen the sustainability ecosystem through financing, training, certification, among others.

One initiative has been the launch of Enterprise Financing Scheme-Green (EFS-Green), a new financing scheme to help businesses develop green technologies. EFS-Green covers a range of financing needs which include:

- Developmental capital;
- Fixed assets loan;
- Project loan;
- Trade loan;
- Venture debt loan; and
- Merger and acquisition (M&A) loan.

Interested enterprises can approach any of the following approved financial institutions to apply for a loan:

- DBS;
- UOB;
- OCBC; and
- HSBC.

Effective from October 1, 2021, until March 31, 2024, EFS-Green offers risk sharing of up to 70 percent to catalyze the lending from partner financial institutions. The maximum loan quantum varies for each loan type, ranging from S\$30 million (US\$22.2 million) for fixed asset loans and up to S\$50 million (US\$37.1 million) to finance the M&A of target enterprises related to green initiatives.

Further, the maximum repayment period also varies between loan types, ranging from five to 20 years. The borrower is responsible for the repayment of 100 percent of the loan, and if a default occurs, the partner financial institution is obligated to follow their standard commercial recovery procedure before making a claim against ESG for the unrecovered amount.





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.

Singapore has a territorial tax system, which means that it levies a tax on all income earned in or derived from Singapore. 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.



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# Corporate income tax

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.

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 percent on its chargeable income regardless of whether it is a local or foreign company.

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.

## Tax residency

The tax liability of companies and individuals in Singapore is dependent on their tax residency status.

### Resident vs. non-resident companies

In Singapore, a company is either a resident or a non-resident. The Inland Revenue Authority of Singapore (IRAS) determines residency by where the company is controlled and managed, or in other words, where it makes decisions on strategic matters. This means that a company's residency is not necessarily the location of where it is incorporated.

For example, a company might be incorporated in Singapore, but be considered a non-resident if decisions are de facto made in another jurisdiction, such as Hong Kong or London. One factor in determining residency – but not necessarily the only one – is where the company holds its Board of Directors meeting.

### Resident vs. non-resident individuals

Singapore citizens and Singapore permanent residents are both considered tax residents. Foreigners are considered tax residents if they:

- 
- Have stayed or worked in Singapore for (a) more than 183 days in a calendar year in the previous Year of Assessment (YA), or (b) continuously for three consecutive years; or
  - Have worked in Singapore for a continuous period spanning two calendar years with the total duration of stay exceeding 183 days, including physical presence in Singapore before and after the start of work.

The IRAS classifies non-resident individuals into three different categories: foreign professionals, public entertainers, and board directors. Residency for all three categories depends on whether they spend less than 183 days in a calendar year in Singapore, but they have different obligations for tax purposes.

A professional is a non-resident if they are in Singapore for less than 183 days in a calendar year. Examples of foreign professionals include foreign experts or consultants invited to Singapore to share knowledge or expertise with an organization, an academic attending a seminar or workshop, or an individual operating via a foreign company.

Foreign public entertainers are those who visit Singapore to perform, such as musicians, dancers, actors, and athletes, and spend less than 183 days in the country. They are classified as public entertainers regardless of whether they are working as individuals or as employees. The IRAS does not include individuals who assist public entertainers with their performances in this category, such as audio crewmembers, choreographers, coaches, and personal trainers.

Finally, board directors, or company directors, are non-residents if they spend less than 183 in a calendar year in Singapore. A board director may also hold another role within a company, such as a chief executive officer or managing director, but they are only considered a board director for income derived in that role.

## 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\$100,00 (US\$74,120) of chargeable income and a further 50 percent exemption on the next S\$100,00 (US\$74,120) 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\$10,000 (US\$7,413) and a further 50 percent on the next S\$190,000 (US\$140,000) 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).

# BEPS 2.0

Singapore's Budget 2023 announced that the country will introduce a 15 percent minimum effective tax rate for large multinational enterprises (MNEs) based in Singapore from January 1, 2025.

These changes are part of the Base Erosion and Profit Shifting initiative, or BEPS 2.0, a global framework that aims to ensure a fairer distribution of tax rights on large MNEs through a set global minimum tax rate. Base erosion is a practice where companies use tax strategies to exploit gaps in tax rules and shift profits to artificial locations where the tax rates are low or non-existent.

BEPS 2.0 is the outcome of cooperation Organization for Economic Co-operation and Development (OECD) to tackle tax evasion. Singapore was among 130 jurisdictions to join this agreement in October 2021.

From 2025, MNEs with consolidated annual revenues of EUR 750 million (US\$797 million) or more, must pay a tax rate of 15 percent on profits earned in the jurisdiction in which they operate.



## RELATED READING



**Singapore Budget 2023:  
Impact for Businesses**  
*ASEAN Briefing Article*  
*February, 2023*

Singapore's Budget 2023 issues support for Singapore businesses as they transition to a post-COVID-19 world and combat elevated inflation and growth slowdown. These include tax deductions for research and development (R&D) as well as for innovation, among others.

[AVAILABLE HERE](#)



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# 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

Singapore levies a progressive individual income tax (IIT) rate on tax residents, with the headline IIT rate currently at 22 percent. The progressive tax rates on chargeable income for tax residents are as follows:

From 2024 onward, Singapore will increase the headline IIT rate to 24 percent. Chargeable income between S\$500,000 (US\$370,000) to S\$1 million will be taxed at 23 percent, while chargeable income in excess of S\$1 million (US\$741,000) will be taxed at 24 percent.

IIT Tax Rates From 2017 to 2023		
Chargeable Income	Credit (%)	Exemption
First S\$20,000 (US\$14,830)	0	S\$0
Next S\$10,000 (US\$7,400)	2	S\$200 (US\$148)
First S\$30,000 (US\$22,247)	-	S\$200 (US\$148)
Next S\$10,000 (US\$7,400)	3.5	S\$350 (US\$259)
First S\$40,000 (US\$29,508)	-	S\$550 (US\$407)
Next S\$40,000 (US\$29,508)	7	S\$2,800 (US\$2,076)
First S\$80,000 (US\$59,016)	-	S\$3,350 (US\$2,484)
Next S\$40,000 (US\$29,508)	11.5	S\$4,600 (US\$3,411)
First S\$120,000 (US\$88,524)	-	S\$7,950 (US\$5,895)
Next S\$40,000 (US\$29,508)	15	S\$6,000 (US\$4,426)
First S\$160,000 (US\$119,076)	-	S\$13,950 (US\$10,258)
Next S\$40,000 (US\$29,508)	18	S\$7,200 (US\$5,311)
First S\$200,000 (US\$118,033)	-	S\$21,150 (US\$15,602)
Next S\$40,000 (US\$29,508)	19	S\$7,600 (US\$5,607)
First S\$240,000 (US\$177,049)	-	S\$28,750 (US\$21,209)
Next S\$40,000 (US\$29,508)	19.5	S\$7,800 (US\$5,754)
First S\$280,000 (US\$206,557)	-	S\$36,550 (US\$26,963)
Next S\$40,000 (US\$29,508)	20	S\$8,000 (US\$5,902)
First S\$320,000 (US\$236,065)	-	S\$44,500 (US\$32,828)
Excess S\$320,000 (US\$236,065)	22.5	

IIT Tax Rates From 2024 Onward		
Chargeable Income	Credit (%)	Exemption
First \$20,000 (US\$14,754)	0	S\$0
Next \$10,000 (US\$7,400)	2	S\$200 (US\$147.5)
First \$30,000 (US\$22,131)	-	S\$200 (US\$147.5)
Next \$10,000 (US\$7,400)	3.50	S\$350 (US\$258)
First \$40,000 (US\$29,508)	-	S\$550 (US\$405.7)
Next \$40,000 (US\$29,508)	7	S\$2,800 (US\$2,065)
First \$80,000 (US\$59,016)	-	S\$3,350 (US\$2,471)
Next \$40,000 (US\$29,508)	11.5	S\$4,600 (US\$3,393)
First \$120,000 (US\$88,524)	-	S\$7,950 (US\$5,864)
Next \$40,000 (US\$29,508)	15	S\$6,000 (US\$4,426)
First \$160,000 (US\$118,032)	-	S\$13,950 (US\$10,291)
Next \$40,000 (US\$29,508)	18	S\$7,200 (US\$5,311)
First \$200,000 (US\$147,541)	-	S\$21,150 (US\$15,602)
Next \$40,000 (US\$29,508)	19	S\$7,600 (US\$5,607)
First \$240,000 (US\$177,049)	-	S\$28,750 (US\$21,209)
Next \$40,000 (US\$29,508)	19.5	S\$7,800 (US\$5,754)
First \$280,000 (US\$206,557)	-	S\$36,550 (US\$26,963)
Next \$40,000 (US\$29,508)	20	S\$8,000 (US\$5,902)
First \$320,000 (US\$236,065)	-	S\$44,550 (US\$32,865)
Next \$180,000 (US\$132,787)	22	S\$39,600 (US\$29,213)
First \$500,000 (US\$368,852)	-	S\$84,150 (US\$62,078)
Next \$500,000 (US\$368,852)	23	S\$115,000 (US\$84,836)
First \$1,000,000 (US\$737,705)	-	S\$199,150 (US\$14,6914)
In excess of \$1,000,000 (US\$737,705)	24	

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

# Good 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, and Singapore-based businesses are therefore required to assess their need to register for GST. Companies must register for GST if they:

- Earn a taxable turnover of more than S\$1 million (US\$741,900) during a 12-month period at the end of the calendar year.
- Expect to earn a taxable turnover of more than S\$1 million (US\$741,900) in the next 12 months.

The GST rate in Singapore is currently eight percent. However, the government is planning to increase the GST rate to nine percent in January 2024. The main justification for this rise is to fund future infrastructure projects and increase spending on social welfare.

The GST that is levied on 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 treatment of media sales


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

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

However, foreign digital service providers will need to have a yearly global turnover of more than S\$1 million (US\$737,705) and sell more than S\$100,000 (US\$73,747) worth of digital services to customers in Singapore, before they are obligated to register and charge GST.

The IRAS has underlined the basis for which the supply of media sales will be subject to zero percent goods and services tax (zero-rated GST). The change has come into effect since January 1, 2022.

Currently, the supply of media space for online advertising by a taxable person is a zero-rated supply for GST if the advertisement is substantially circulated (at least 51 percent) overseas. Under the changes, if the contractual customer is located outside of Singapore or is a GST-registered person in Singapore, the media sales will be zero-rated.



Like most digital sectors, online advertising has seen immense growth during the pandemic, and coupled with new developments in technology, it has become increasingly challenging for taxpayers to determine whether such media supplies qualify for zero-rated GST.

## What do media sales refer to in Singapore?

According to the IRAS, media sales refer to:

- The sale of advertising airtime for broadcasting via radio or TV;
- The sale of media space for online advertising; and
- The sale of advertising space for hardcopy prints such as on billboards, newspapers, and magazines.

## The supply of media sales by local suppliers

As stated earlier, with effect from January 1, 2022, the supply of media sales will be zero-rated if it directly benefits a person overseas or a GST-registered person in Singapore.

For the supply of media sales, the comptroller — the person responsible for the quality of financial reporting in an organization — will regard the contractual client as the sole beneficiary of the services if the following criteria are satisfied:

- The service agreement between the media supplier and their contractual client does not require the services to be provided to another party; and
- The supplier only takes instructions from the contractual client for the service.

## The supply of media sales by overseas suppliers to GST-registered businesses in Singapore

Since January 1, 2022, if an overseas supplier makes a supply of media sales to a GST-registered person/business in Singapore then the recipient, if they are a reverse charge (RC) business, must apply RC and account for GST on the value of their imported services as if they were the supplier, regardless of the place of circulation of the advertisements.

RC businesses refer to those who are subject to reverse charge when they are not entitled to a full input tax credit or belong to a GST group not entitled to the full input tax credit. Previously, the supply of media sales from an overseas supplier to a GST-registered person fell outside the scope of RC if the advertisements were substantially circulated outside of Singapore.

## The supply of digital media sales by overseas suppliers to non-GST registered persons in Singapore

From January 1, 2022, the supply of digital media sales by an overseas supplier to a non-GST registered person in Singapore will be subject to GST, under the OVR regime.

### GST liability on low-value goods

Since January 1, 2023, Singapore has imposed the goods and services tax (GST) on imported low-value goods. Low-value goods refer to goods imported by air or post that are valued up to and including the GST import relief threshold of S\$400 (US\$301). Non-digital services, such as online training or coaching where the customer is not at the location where the service is being provided, must also pay GST.

### GST registration

The way GST is collected depends on the GST registration status of the customer in Singapore.

If the low-value goods are sent to a GST-registered customer in Singapore, then the obligation to charge GST on the imported goods falls on the GST-registered customer, irrespective of the supplier's GST status or whether they are local or from overseas.

If the customer is not GST-registered, then the obligation to account for the GST may fall on one of the following persons:

- The supplier – who makes the direct sale to the customer;
- Transporters – the person that delivers or arranges to delivery the goods to the customer; or
- The electronic marketplace – which acts as the medium for the supplier to supply low-value goods.

The mentioned entities should determine their GST liability. Local suppliers, transporters, and electronic marketplaces must register for GST if they meet the mandatory threshold, which is as follows:

1. Under the retrospective basis: The entity's taxable turnover for the past 12 months exceeds S\$1 million (US\$741,000); or
2. Under the prospective basis: The entity's taxable turnover for the next 12 months is expected to exceed S\$1 million (US\$741,000).

For overseas suppliers, transporters, and electronic marketplaces, the GST threshold is as follows:

1. Under the retrospective basis: The entity's global taxable turnover for the past 12 months exceeds S\$1 million (US\$741,000) in addition to overseas suppliers of business-to-consumer (B2C) products or services to non-registered GST customers that exceeds \$100,000 (US\$74,140); or
2. Under the prospective basis: The entity's taxable turnover for the next 12 months is expected to exceed S\$1 million (US\$741,000) or where the overseas supplier of B2C products or services to non-registered GST customers is expected to exceed \$100,000 (US\$74,140).



#### **HOW GST LIABILITY IS ASSESSED ON LOW VALUE GOODS TRANSACTIONS IN SINGAPORE**

Goods and services tax is levied on low-value goods that are imported to Singapore.

Businesses should identify whether their customers are GST-registered by requesting their GST registration number for each sale that occurs.

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# 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 service fees	17
Rent on moveable property	15
Charter fees for aircraft or ship	0-2

Taxpayers do not need to pay any withholding taxes to resident individuals and corporations. Singapore's standard non-treaty withholding tax rates are zero for dividends, 15 percent for interest, and 10 percent for royalties.

Singapore has tax treaties with several countries, many of which lower withholding tax rates. For example, its agreement with Malaysia lowers the withholding tax rate on interest from 15 percent to 10 percent, and the rate for royalties from 10 percent to 8 percent.

Withholding Tax Rates in Singapore	
Nature of income	Tax rate (%)
Interest, commission, fee, or other payment in connection with any loan or indebtedness	15
Royalty or other lump sum payments for the use of moveable properties	10
Royalty and other payment made to author, composer, or choreographer	22
Payment for the use of or the right to use scientific, technical, industrial, or commercial knowledge or information	10
Rent or other payments for the use of moveable properties	15
Technical assistance and service fees	Prevailing Corporate Tax rate
Management fees	Prevailing Corporate Tax rate
Time, voyage, and bareboat charter fees for charter of aircrafts	Applicable aircraft charter rates
Time, voyage, and bareboat charter fees for the charter of ships	Nil
Proceeds from sale of any real property by a non-resident property trader	15
Distribution of taxable income made by REIT to unitholder who is a non-resident (other than an individual)	10
Payment to non-resident director	22
Payment to non-resident professional/foreign firms (unincorporated)	15 - on gross income or prevailing non-resident individual rate on net income
Payment to non-resident public entertainer	10 - on gross income
Commission/payment to non-resident international market agent	3

Source: Inland Revenue Authority of Singapore

The withholding tax rate for royalties or other payments made to an author, composer, choreographer, or non-resident director will increase to 24 percent from January 1, 2023.

## Filing withholding taxes

Taxpayers subject to a withholding tax must file and pay the tax to the IRAS by the 15th of the second month following when the payment was made. The payment timeframe is based on the earliest date of the contract, invoice, payment, or when the recipient was credited.

Taxpayers that miss the filing and payment deadline will be subject to an additional five percent penalty in the form of a late payment penalty notice. Further penalties apply if the payer still has not paid within 30 days of the notice's issuance. Individual taxpayers must use the online platform SingPass to e-file withholding taxes. Individuals filing on behalf of an entity, such as a company or trust, must first be authorized on the CorpPass platform.

# 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 in the business of trading shares.

In cases where an individual enters into a series of capital transactions in Singapore, the tax authorities may consider that the individual is carrying on a business and accordingly assess that person for income tax liability.

## Singapore's Capital Gains Tax Liability for Property Sector Transactions

Capital gains tax applies if a company is buying and selling properties with a profit-seeking motive or deemed to be trading in properties. Below are some criteria the IRAS will use to assess if there is any trading of properties:

- **The nature of the sale**

IRAS will evaluate the reason behind the sale of your property. If for instance, the property was sold because of the liquidation of company assets due to business decline, then there will be no capital gains tax.

- **The frequency of buying or selling properties**

If a business demonstrates a high frequency of transactions — such as buying 10 commercial properties and selling four in the same year — then they are liable to pay capital gains tax.

- **The period between when the property was bought and sold**

IRAS will also consider the length of time between when the property was bought and when it was sold to see if capital gains tax needs to be applied. The other consideration would be to assess if the owner has the financial means to hold the property for long term.

# 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.

## 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:

- Conduct the comparability analysis;
- Identify the most appropriate transfer pricing method; and
- 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 if 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:

- Controllable uncontrolled price (CUP) method;
- Resale price method; and
- Cost plus method.



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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.

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\$7 million) for the tax basis period or transfer pricing documentation was specifically requested for the basis period.

# Property tax

From 2023 to 2024, the government will increase the marginal tax rates for non-owner-occupied residential properties and for owner-occupied residential properties. The rates are illustrated below:

Property Tax for Owner-Occupied Residential Properties in Singapore		
Annual value	Effective January 1, 2023 (%)	Effective January 1, 2024 (%)
First S\$8,000 (US\$5,947)	0	0
Next S\$22,000 (US\$16,356)	4	4
Next S\$10,000 (US\$7,434)	5	6
Next S\$15,000 (US\$11,152)	7	10
Next S\$15,000 (US\$11,152)	10	14
Next S\$15,000 (US\$11,152)	14	20
Next S\$15,000 (US\$11,152)	18	26
Above S\$100,000 (US\$74,344)	23	32

Property Tax for Non-Owner-Occupied Residential Properties in Singapore		
Annual value	Effective January 1, 2023 (%)	Effective January 1, 2024 (%)
First S\$30,000 (US\$22,300)	11	12
Next S\$15,000 (US\$11,152)	16	20
Next S\$15,000 (US\$11,152)	21	28
Above S\$60,000 (US\$44,606)	27	36

# Carbon tax

Singapore's carbon tax will be progressively increased from the current rate of S\$5 (US\$3.71) per ton to between S\$50 (US\$37.19) and S\$80 (US\$59.50) by 2030.

Carbon Tax Rates in Singapore	
Year	Rate (per ton)
Current	S\$5 (US\$3.71)
2024-2025	S\$25 (US\$18.59)
2026-2027	S\$45 (US\$33.46)
By 2030	S\$50 (US\$37.19) and S\$80 (US\$59.50) by 2030

This is higher than the previous target of S\$10 and S\$15 set in the 2018 national budget. The revised carbon trajectory comes as Singapore aims to bring forward its net-zero target by the mid-century.



# Singapore's double taxation agreement network

Singapore has one of the world's most extensive double taxation 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 around 100 DTAs with various countries and the full list can be found on the website of the 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. These DTAs also include treaties with ASEAN's 10 member states.

## 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 provide 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.

## Claiming relief under the DTA

To obtain the benefits of the DTA, the company must first submit its Certificate of Residence (COR) to the 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 in order 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 in order 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 as well as FTAs 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.

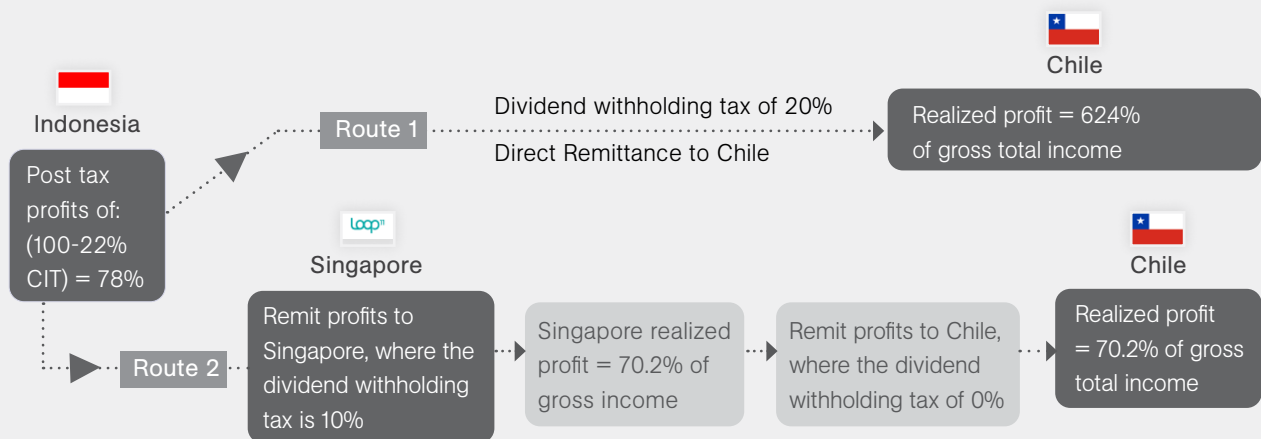
## CASE STUDY

### Routing investments through Singapore

To illustrate the benefits of a DTA, let's take the case study of a Chilean investor in Indonesia remitting their profits through Singapore.

If the investors were to execute a direct remittance to Chile, they would be subject to Indonesia's CIT rate of 22 percent in addition to a 20 percent withholding tax (WHT) rate applied to dividends, interest, and royalties, due to Indonesia and Chile not having a DTA. Thus, the realized profit is only 624 percent of gross total income.

When routing the same investment through Singapore, investors would be subject to the same CIT rate but benefit from Singapore's DTA with Indonesia, which reduces withholdings on all fronts. Singapore's DTA with Indonesia means that dividends from Indonesia are taxed at 10 percent, resulting in a 70.2 percent retention rate of realized profit. This is also the same when the profits are remitted to Chile since there is no tax on dividends under the Singapore-Chile DTA. The realized profit is therefore higher compared to the direct remittance to Chile.

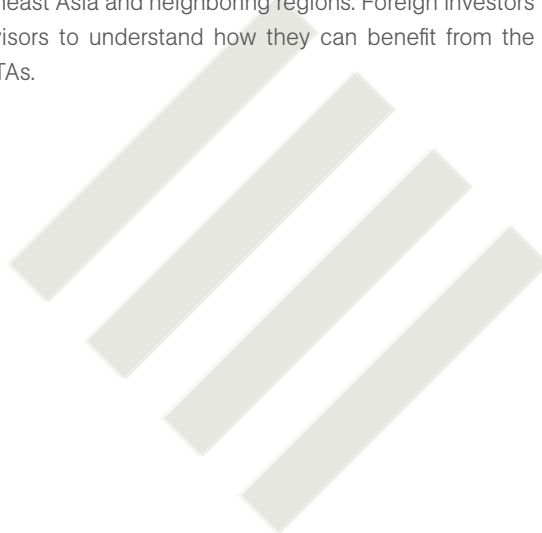




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Singapore's extensive free trade agreements (FTA), coupled with a transparent legal system and educated workforce, have been credited with accelerating the country's transformation to a first-world economy. The country's 15 bilateral and 12 regional 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).

## Singapore's Bilateral Free Trade Agreements

China-Singapore Free Trade Agreement (CSFTA)	Peru-Singapore Free Trade Agreement (PeSFTA)
European Union-Singapore Free Trade Agreement (EUSFTA)	Singapore-Australia Free Trade Agreement (SAFTA)
India-Singapore Comprehensive Economic Cooperation Agreement (CECA)	Singapore-Costa Rica Free Trade Agreement (SCRFTA)
Japan-Singapore Economic Partnership Agreement (JSEPA)	Singapore-Jordan Free Trade Agreement (SJFTA)
Korea-Singapore Free Trade Agreement (KSFTA)	Sri Lanka - Singapore Free Trade Agreement (SLSFTA)
New Zealand-Singapore Comprehensive Economic Partnership (ANZSCEP)	Turkey-Singapore Free Trade Agreement (TRSFTA)
Panama-Singapore Free Trade Agreement (PSFTA)	United Kingdom-Singapore Free Trade Agreement (UKSFTA)
United States-Singapore Free Trade Agreement (USSFTA)	

## Singapore's Regional Free Trade Agreements

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

## How to apply for tariff concessions for exporting goods from Singapore

Once a Singaporean company has identified its target market, it can start applying for tariff concessions through the Enterprise Singapore website.



### RELATED READING



#### **Singapore-UK Bilateral Investment Treaty: Status of Negotiations**

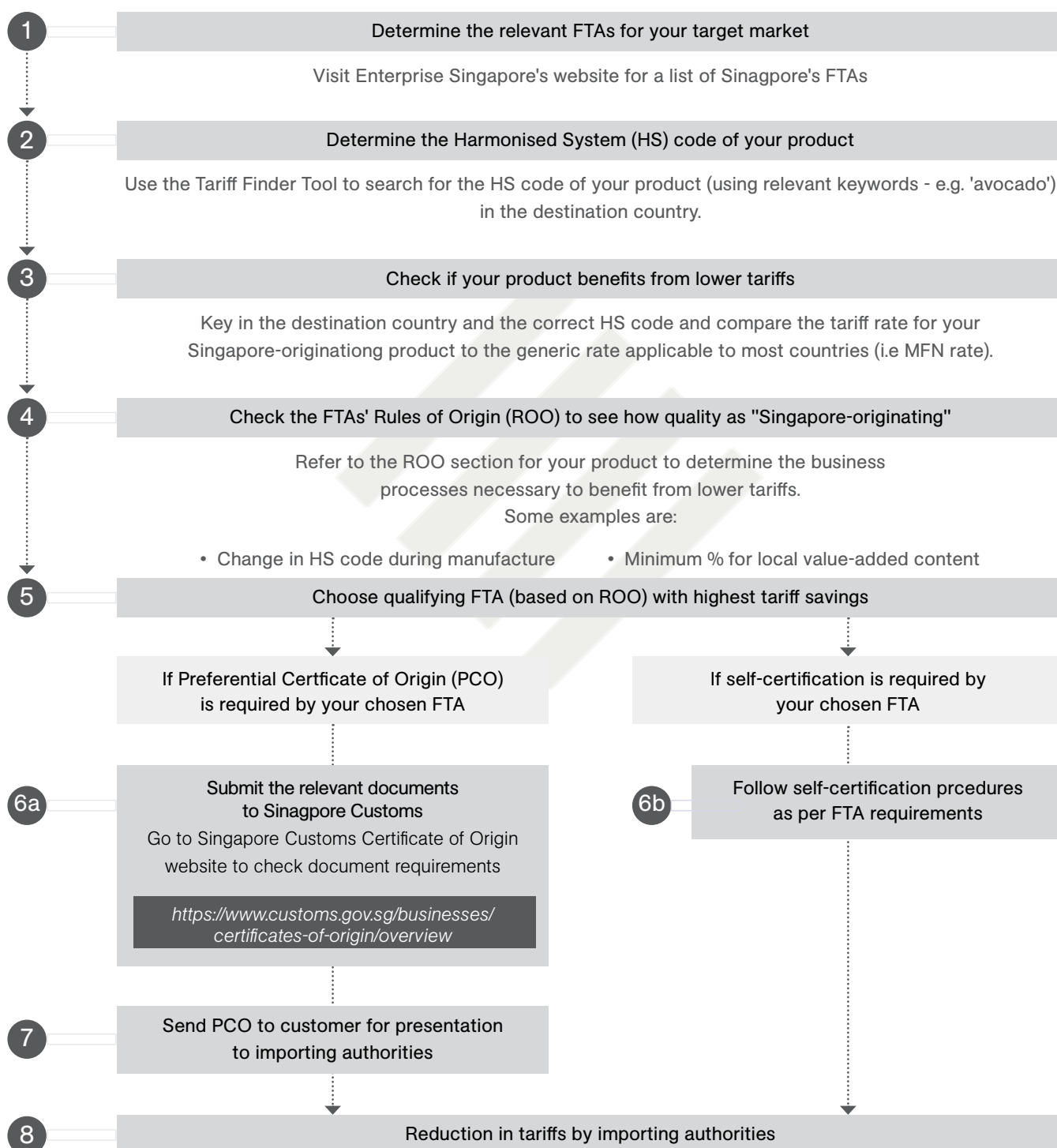
*ASEAN Briefing Article  
June, 2023*

Singapore had launched negotiations on an updated bilateral investment treaty (BIT) with the UK as part of the UK-Singapore Free Trade Agreement (UKSFTA) earlier this year. The negotiations seek to modernize the existing BIT to bring the bilateral investment relationship into step with the current international investment environment and rules.

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## How to Apply for Tariff Concessions for Exporting Goods from Singapore

Once a Singaporean company has identified their target market, they can start applying for tariff concessions through the Enterprise Singapore website.



Source: [mti.gov.sg](https://www.mti.gov.sg)



# Digital economy agreements

Through a digital only trade agreement, Singapore aims to develop international frameworks to support businesses engaging in cross-border digital trade and e-commerce. 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.

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

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.

On February 25, 2022, Singapore and the United Kingdom signed the UK-Singapore Digital Economy Agreement (UKSDEA), making the agreement the first digitally focused trade deal ever signed by a European nation.

In addition to the DEPA and UKSDEA, Singapore has signed the following DEAs:

- The Singapore-Australia Digital Economy Agreement (SADEA);
- The EU-Singapore Digital Partnership (EUSDP); and
- The Korea-Singapore Digital Partnership Agreement (KSDPA).

## How can businesses benefit from DEPA?

DEPA will establish new approaches to digital trade issues, such as data innovation and 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 ensure 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.

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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 (see Chapter 1), enabling non-bank entities to offer the same services as traditional banks except they operate without a physical setup.

## Electronic invoicing

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

Singaporean small- and medium-sized enterprises (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 to a 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 adoption of an ethical AI governance framework so that DEPA partner countries harness AI in a responsible manner.

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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.

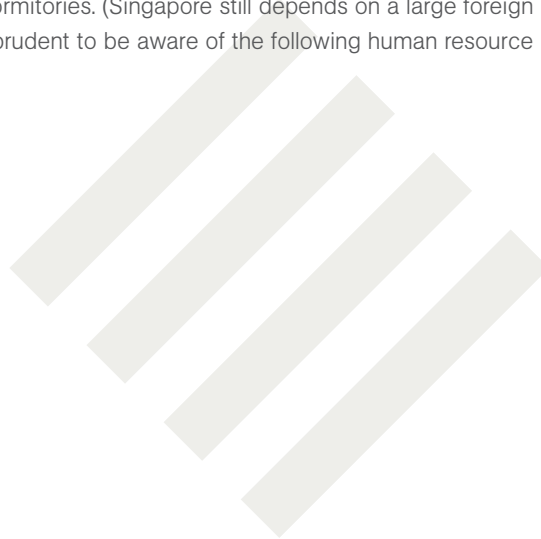
Further, CBPR certified businesses can exchange data with similarly certified companies from across Singapore's DEA network, as well as with other jurisdictions that have adopted the APEC CBPR System.





Human resource management in Singapore has evolved in tandem with the dynamic and competitive market environment, particularly since the mid-1990s to the present. Human resource management policies and strategies at the national level were developed with the goal of maximizing human capital to support significant transformation. The Singaporean government has long supported a centralized system for managing its human resources, and foreign investment continues to have an impact.

Concerns about Singapore's sizable foreign workforce arose during the outbreak of the Covid-19 pandemic, which had wiped out jobs and businesses in the previous year and a half, and the virus spread impacted foreign worker dormitories. (Singapore still depends on a large foreign work force.) From this perspective, it is prudent to be aware of the following human resource policies.



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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

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 workplace.

The EA 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.

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\$3,318.6) per month.

After the amendment, the S\$4,500 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\$1,843) were protected by Part IV provisions of the EA (which provides for rest days, hours of work, and other conditions of service), with the overtime rate capped at S\$2,250 (US\$1,659). With the new law in place, non-workmen earning up to S\$2,600 (US\$1,917) are now protected by the Part IV provisions and the overtime rate will be capped at S\$2,600. 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 (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 deprive 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 of 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 seven 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 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, who 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 thus will have to develop strategies to address this issue.

# 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 holiday the following Monday.

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.

### 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.



#### RELATED READING



#### ASEAN BRIEFING

##### **Singapore to Implement New Points System for Employment Pass Applicants From 2023**

*ASEAN Briefing Article  
March, 2022*

Singapore will introduce a new points system for Employment Pass (EP) applicants from 2023. The government hopes that the new system – laid out under the Complementarity Assessment Framework (COMPASS) – will improve the capacity of Singaporean businesses to select high-quality foreign professionals and ensure workforce diversity.

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Annual Leaves in Singapore	
Years of service	Days of leave
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.

## New points system for Employment Pass applicants from 2023

Singapore will introduce a new points system for Employment Pass (EP) applicants from 2023, in addition to higher qualifying salary thresholds.

The government hopes that the new system – laid out under the Complementarity Assessment Framework (COMPASS) – will improve the capacity of Singaporean businesses to select high-quality foreign professionals and ensure workforce diversity.

Future EP applicants must score at least 40 points under the COMPASS system, which are awarded based on four attributes and two bonus criteria. COMPASS will come into effect for new applicants from September 2023 and for renewal applicants from September 2024.

### How COMPASS works

The COMPASS framework evaluates EP applications on individual and firm-related attributes. These are based on four foundational criteria where the applicant earns points on whether they meet or exceed expectations.

Singapore COMPASS Point System	
Points for each foundational criterion	Assessment
20	Exceeds expectations
10	Meets expectations
0	Does not meet expectations

Applicants can also earn additional points on two bonus criteria – one for candidates in jobs where there is a skills shortage, and second, for firms that engage in innovation and internationalization activities.

**40** points are required to pass COMPASS.

## COMPASS scoring

The scoring system is highlighted in the following table.

New Employment Pass Scoring System in Singapore				
Individual attributes		Firm related attributes		
Foundational Criteria	C1. Salary		C3. Diversity	
	Fixed monthly salary compared to local PMET salaries in sector by age	Points	Share of candidate's nationality among firm's PMETs	Points
	≥ 90 <sup>th</sup> percentile	20	< 5%	20
	65 <sup>th</sup> to 90 <sup>th</sup> percentile	10	5 to 25%	10
	< 65 <sup>th</sup> percentile	0	≥ 25%	0
	C2. Qualifications		C4. Support for local employment	
	Awarded for recognized qualifications	Points	Firm's share of local PMETs within its subsector	Points
Top-tier institution	20	≥ 50 <sup>th</sup> percentile	20	
Degree-equivalent qualification	10	20 <sup>th</sup> to 50 <sup>th</sup> percentile	10	
No degree-equivalent qualification	0	< 20 <sup>th</sup> percentile	0	
Bonus criteria	Skills bonus	Points	Strategic economic priorities bonus	Points
	Job on the Shortage Occupation List	+20	Firm meets specific assessment criteria on innovation or internationalization activities	+10

Source: Singapore Ministry of Manpower

Notes:

- PMET: Professionals, managers, executives, and technicians.
- The skills bonus is reduced to +10 if the share of the candidate's nationality is one-third or higher among the firm's PMETs.
- Small firms with fewer than 25 PMET employees score 10 points on C3 and C4 by default.

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## Case study 1

Company A meets all four foundational criteria.

### Candidate attributes

Company A, a marketing consultancy firm in the professional services sector, has an EP candidate with a monthly salary at the 70th percentile of local PMET salaries in the sector. 10 points is given under the 'salary' attribute. Further, the applicant holds a degree-equivalent qualification, resulting in another 10 points.

### Firm-related attributes

The candidate's nationality currently forms 20 percent of the company's PMET employees, awarding the applicant 10 points.

Finally, the company has a local PMET share at the 40th percentile, awarding them 10 points. As such, the total points obtained by Company A is 40, and the candidate is eligible for the EP permit.

## Case study 2

Company B that is weak on the foundational criterion but earns points on the bonus criterion

### Candidate attributes

Company B, a software company in the tech sector, has an EP candidate with a monthly salary at the 95th percentile of local PMET salaries in the sector. As such, 20 points is awarded.

The candidate (an artificial intelligence engineer) holds a degree-equivalent qualification, resulting in 10 points.

### Firm-related attributes

The candidate's nationality forms 40 percent of the company's PMET employees, meaning they are awarded no points. Finally, the company has a local PMET share at the 10th percentile, meaning the candidate will secure no points for this attribute.

However, the candidate is awarded 10 points under the skills bonus if their qualifications fill a shortage occupation in Singapore. They are not awarded 20 points for the skills bonus as the share of the applicant's nationality among the firm's PMETs is more than one-third.

## Who is exempted from COMPASS?

The candidate is exempted from COMPASS if they fulfill the following conditions:

- Earning a fixed salary of at least S\$20,000 (US\$14,667) per month;
- Filling a role on a short-term basis, one month or less; or
- Applying as an overseas intra-corporate transferee under the World Trade Organization's General Agreement or a free trade agreement Singapore is a party to.

## Employment Pass

The Employment Pass 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.

The EP is issued to individuals with a job offer that includes a minimum monthly salary of S\$4,500 (US\$3,337) before September 1, 2023. New applicants and those applying for renewals from September 1, 2023, must have a qualifying salary of S\$5,000 (US\$3,708).

This increases progressively from the age of 23, up to S\$8,400 (US\$6,230) at the age of 45 and above for renewals before 1 September 2023. For renewals and new applicants after September 1, 2023, the minimum qualifying salary increases progressively from the age of 23, up to S\$10,500 (US\$7,778) at the age of 45 and above.

More experienced candidates are required to be offered a higher salary to qualify for this work permit.

Foreign applicants in the financial services sector must now receive a qualifying salary of S\$5,000 (US\$3,709) before September 1, 2023. This increases progressively from the age of 23, up to S\$9,300 (US\$6,889) at the age of 45 and above for renewals before 1 September 2023.

New applicants and those applying for renewals from September 1, 2023, must have a qualifying salary of S\$5,500 (US\$4,080).

For renewals and new applicants after September 1, 2023, the minimum qualifying salary increases progressively from the age of 23, up to S\$11,500 (US\$8,534) at the age of 45 and above.

Candidates that are offered a monthly salary of S\$6,000 (US\$4,425) 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.

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For 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 with a fixed monthly salary of at least S\$12,000 (US\$8,905) 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 in as little as three weeks.

## Documents for EP application

Employers need to submit the following documents for the EP application:

- 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; and
- 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\$8,850) per month for existing EP holders and S\$18,000 (US\$13,275) 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 the next job. Another important advantage is that PEP holders can apply for any job in any sector, including medicine, law, pharmacy, and dentistry, although the candidates will still need to comply with the standard registration requirements to practice in these fields.



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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 for their legally married spouse and children under the age of 21 and LTVPs for a common-law spouse, unmarried disabled children above the age of 21, unmarried stepchildren under the age of 21, and parents.

However, the PEP can only be issued once for a period of three years. Thereafter, applicants will need to either apply for an EP or S Pass to continue their employment in Singapore. In addition, PEP holders cannot be unemployed for more than six months and must continue to earn a minimum salary of S\$144,000 (US\$106,197) per calendar year to keep holding the pass for the full duration.

## Documents for PEP application

Applicants need to submit the following documents for the PEP application:

- A saved copy of the completed application form;
- A screenshot of the banking page and a copy of the travel document;
- Travel document information page;
- Educational certificates;
- Employment contracts for new and previous employment (if any);
- Employment history, including company name, occupation, fixed monthly salary in S\$, country, and period of employment (if not currently an EP holder);
- Latest tax statement; and
- Payslips and bank account statements for the past 3 months.

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 director 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, with another two years granted for every subsequent renewal. Business owners must, however, meet the renewal criteria set by the MoM, which includes aspects such as a minimum number of hired local employees as well as a minimum 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, nightclubs, karaoke lounges, massage parlors, and employment agencies are not eligible under the EntrePass scheme.

There is no foreign worker quota or levy for EntrePasses. EntrePass holders whose annual business spending and local employment meet minimum eligibility requirements can apply for dependents passes and LTVPs for certain family members.

## Documents for EntrePass application

Applicants must submit the following documents for the EntrePass application:

- 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\$1,844) or more. This minimum threshold will increase to S\$3,000 (US\$2,212) from September 1, 2022, onward, S\$3,150 (US\$2,323) from September 1, 2023 onward, and to S\$3,300 (US\$2,434) from September 1, 2024 onward.

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 S\$6,000 (US\$4,425) 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 2021, the number of S Pass holders that Singaporean businesses can employ is capped at 10 percent of the entire workforce for the services sector, and 18 percent for construction, process, and marine shipyard sectors.



Meanwhile, the maximum quota for S Pass holders in the manufacturing sector was lowered to 18 percent from January 2022 and will be lowered further to 15 percent from 2023. The maximum quota for construction, process, and marine shipyard sectors will be reduced to 15 percent from January 2023. No change has been announced for the quota in the services industry.

Employers are also required to pay a foreign worker levy (FWL) for each of their S Pass employees. The FWL price is adjusted regularly and updated on the MoM website.

## Documents S Pass application

Documents required for the S Pass are as below:

- 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.

## Increase in the tier 1 levy

The tier 1 levy for S Pass holders will be progressively increased from the current S\$330 (US\$243) to S\$650 (US\$480) by 2025. The S Pass is similar to EP except that it is designed for mid-level skilled foreign employees.

Singaporean businesses are limited in the number of S Pass holders they can hire by a quota. They must also pay a monthly levy for each S Pass holder they employ. The levy liability starts from the day the S Pass is issued and ends when the pass is expired or is canceled.

The S Pass holders that a Singapore company can hire is capped at:

- 10 percent of the company's total workforce in the services sector; and
- 18 percent of the total workforce for the construction, manufacturing, marine shipyard, and process sectors.

However, from January 1, 2023, the S Pass quota for the construction, manufacturing, marine shipyard, and process sectors will be reduced to 15 percent of the company's total workforce.

## Tech.Pass

Singapore has 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.

### Eligibility for Tech.Pass

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\$14,750), 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.

### Criteria for the renewal of a 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\$176,994) of income based on an assessment by the Inland Revenue of Singapore; or

- » Demonstrate business spending of at least S\$100,000 (US\$73,748) 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\$2,876) with LQS referring to locals who earn a monthly salary of at least S\$1400 (US\$1,032).

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.

Additional 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 a 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.

## Overseas Networks & Expertise Pass


The Overseas Network & Expertise Pass allows high-earners and achievers to live in Singapore without the need to secure employment first. Applications opened from January 1, 2023, and is applicable to top talent in all sectors.

### Qualifying salary

Applicants for the Overseas Networks & Expertise Pass will need to earn least S\$30,000 (US\$22,260) per month although individuals with outstanding achievements in the field of research and academia, science and technology, sports, and arts and culture, can also qualify even if they do not meet the qualifying salary.

### Duration and work criteria

The Overseas Networks & Expertise Pass allows the holder to concurrently work, start, and operate multiple companies in Singapore at any one time. Moreover, their spouse will also



be able to work through a Letter of Consent with the MOM. Applicants with no recent history of working in Singapore will need to prove that they have worked or will be working for a company with a market capitalization of at least US\$500 million or with annual revenue of at least US\$200 million.

## Not subject to the Fair Consideration Framework requirement

The pass holder will also not be subject to the Fair Consideration Framework job advertising requirement in addition to the upcoming COMPASS. Under the FCF, employers who want to submit EP applications must first advertise the job position on MyCareersFuture.sg to promote labor market transparency and fair employment practices.

## Revision of the salary benchmark

The salary threshold for the Personalized Employment Pass has been raised from S\$12,000 (US\$8,541) (for existing EP holders) and S\$18,000 (US\$12,800) (for overseas professionals) to S\$22,500 (US\$16,013) per month.

Further, an EP applicant earning at least S\$22,500 (US\$16,013) will be exempt from:

1. FCF job advertising requirement; and
2. COMPASS checks.

## Reduction in the FCF advertisement duration

To help businesses in Singapore be more responsive to their human resources needs, the government has restored the FCF advertisement duration to 14 days as of September 1, 2022. The duration was increased to 28 days in October 2020 to give local job seekers more opportunities to respond to job openings amid the pandemic.

Moreover, the government will quicken the processing time for all EP applications from the current three weeks to 10 business days.

## Manpower for Strategic Economic Priorities scheme

Singapore launched the Manpower for Strategic Economic Priorities (M-SEP) scheme in late December 2022, which enables qualifying companies to hire foreign workers (S Pass and Work Permit holders) above the permitted prevailing quotas. This is subject to a cap of 50 workers per company.

As such, if a company's total headcount is 80 employees (including S Pass and work permit holders), then the company can apply for flexibility to hire up to four foreign workers. This can be a mix of S Pass and work permit holders.

## What are the requirements to qualify for the M-SEP scheme?

There are two conditions that companies must comply with to qualify for the M-SEP scheme.

These are:

- Support for strategic economic priorities; and
- Commitment to hiring or training locals.

### **Support for strategic economic priorities**

Under this condition, firms must participate in at least one of the initiatives by Singaporean economic agencies.

Supporting agency: Economic Development Board

- Recipients of Development and Expansion Incentive (DEI), including the International Headquarters DEI;
- Participants of the Research and Innovation Scheme for companies (RIS(C));
- Manufacturers that have significant activities in Singapore (hire at least 500 locals); or
- Recipients of the Pioneer Certificate Incentive.

Supporting agency: Enterprise Singapore

- Participants of the Global Trader Program (GTP);
- Participants of the Singapore Global Executive Program (SGEP);
- Participants of Scale-Up SG; or
- High-growth startups incorporated in Singapore;
  - » Must have at least US\$10 million in investment over the last 36 months; and
  - » Have received funding from SEEDS Capital, EDBI, or other investment firms recognized by the government.

Supporting agency: The Singapore Tourism Board

- Selected Singapore Tourism Board Accelerator participants with innovative projects; or
- Selected Business Improvement Fund (BIF) grantees with innovative projects.
- Supporting agency: Maritime and Port Authority of Singapore
- Maritime Leasing (ML) Award recipients;
- Recipients of the Shipping-related Support Services (MSI-SSS) Award; or
- Selected International Shipping Enterprise (MSI-AIS) Award recipients.
- Supporting agency: Infocomm Media Development Authority
- SGD Spark participants; or
- Accreditation@SG Digital recipients; or

## Commitment to hiring or training locals

A qualifying company can receive 1 M-SEP for every net hire, subject to the five percent of the company's workforce headcount, and the cap of 50 quota.

Further, an eligible company will receive 1 M-SEP for every worker the company commits to training. This is also subject to the five percent of the company's workforce headcount, and the cap of 50 quota. Firms must maintain the share of their local workforce and meet the above commitments by the end of the M-SEP support period. Those that fail to meet the conditions will not be eligible for M-SEP renewal.

## Global investor program

Singapore has increased the investment requirements for foreign investors to join the Global Investor Program. Investors are also required to hire more local workers to qualify for the scheme.

Singapore has placed stricter investment requirements for foreign investors seeking to participate in the country's Global Investor Program (GIP). The scheme was introduced in 2004 by the Economic Development Board (EDB) and is one of the preferred routes for foreign investors and their families to obtain permanent residency status in Singapore. The EDB is a statutory board under the Ministry of Trade responsible for executing strategies that sustain Singapore's status as a leading global hub for investment and business.

### What is the GIP application process?


To qualify for the GIP scheme, applicants must apply to one of these three investment options:

- Investing at least S\$2.5 million (US\$1.8 million) in a new business entity or an expanding existing entity in Singapore;
- Invest S\$2.5 million (US\$1.8 million) in an EDB-registered GIP fund that invests in Singaporean businesses; or
- Invest S\$2.5 million (US\$1.8 million) in a new or existing Singapore-based family office having assets under management of at least S\$200 million (US\$148 million).

The EDB recently announced several changes to the scheme by raising the required minimum investment. This is with the aim to attract 'top-tier investors' who can make a significant economic impact in Singapore and support the local start-up ecosystem as well as the broader financial sector.

Further, there are also changes to the conditions of investors' re-entry permits as well as to the number of local employees that investors must hire.





According to the Ministry of Trade, the Global Investor Program has created more than 24,000 jobs in Singapore between 2011 to 2022 and has generated more than S\$546 billion (US\$4 billion) in business expenditure. Moreover, between 2020 and 2022, a total of 200 investors gained permanent resident status through the scheme.

## Increased investment requirements

The EDB has increased the required investments for some of the investment options for applicants of the Global Investor Program.

Applicants that choose option A will now have to demonstrate an investment of at least S\$10 million (US\$74 million) in a new or existing business in Singapore. This is inclusive of paid-up capital. Further, the requirement to have a total business expenditure of S\$2 million (US\$14 million) has been removed. This is because the focus of the changes is to create high-value jobs for Singaporeans, which would lead to more business expenditure.

Applicants choosing option B will now need to invest at least S\$25 million (US\$18.5 million) in a GIP-selected fund. These funds will be shortlisted by the EDB based on their investment track record and the type of industries they focus on. The funds will likely comprise of venture capital funds that already have a significant presence in Singapore.

Under the new changes, investors that choose option C are now required to establish a Singapore-based family office with assets under management of at least S\$200 million (US\$148 million). At least S\$50 million (US\$37.1 million) must be deployed in any of these four investment categories:

1. Singapore qualifying debt securities;
2. Private equity injection into non-listed, Singapore-based businesses;
3. Companies listed on exchanges licensed by the Monetary Authority of Singapore; and
4. Funds distributed by Singapore-licensed fund managers.

## New conditions for the renewal of re-entry permits

Before the amendments, a successful Global Investor Program candidate would be issued a re-entry permit for five years upon the approval of their permanent residence. This re-entry permit enables the holder to retain their permanent residency (PR) status while traveling in and out of Singapore.

The renewal criteria involved hiring a minimum of 10 people, with at least half being Singaporeans, by year five of the investors' PR status, in addition to incurring at least S\$2 million (US\$14 million) in business costs.

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For investors choosing option A, they must now employ at least 30 employees, of which at least 15 must be Singaporean citizens. Of these, 10 must be incremental hires.

For those investing in GIP-selected funds, the investor must now maintain their investment in the GIP-selected fund to obtain their re-entry permit.

Finally, for investment option C, investors must hire at least five family office professionals, including at least three Singaporeans, and are required to maintain at least S\$50 million (US\$37.1 million) in any of the four investment categories throughout the five years after obtaining their permanent resident status.

The requirement to have a total business expenditure of S\$2 million (US\$14 million) has been removed.



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# Minimum wage

Singapore's Ministry of manpower does not prescribe a minimum wage. As such, wages are determined on market demand and the supply of labor. Furthermore, employers are to pay employees based on their competencies, skills, and experience.

## Hiring an Employee in Singapore

Before hiring an employee in Singapore, an employer should adhere to these basic guidelines to help them comply with the country's strict labor laws.

### Understanding the labor laws

Most employees in Singapore are aware of the Employment Act (EA) and the rights and protection it provides under its laws. As such, it is important for any employer in Singapore to know if their employee is covered by the EA. If they are, then the terms in their employment contract cannot be less favorable than what is laid out in the EA.

### Employment contract

The employer must decide which type of employment contract to hire the employee: full time, part time, or fixed term.

It is best to seek guidance from an HR professional or lawyer when formalizing the employment contract as each type has its own terms and conditions between the employer and employee.

Key points to include in the employment contract:

- Appointed position;
- Hours of work;
- Remuneration;
- Benefits; and
- Termination.

### Make CPF payments


It is obligatory for the employer to make Central Provident Fund (CPF) payments in the name of all local employees (including PRs) earning more than S\$50 (US\$37.34) per month.



### **Hiring foreigners**

Foreigners must have a valid work visa to work in Singapore. Employers who wish to employ foreign workers must apply on their behalf. Further, certain work passes have a quota on the number of foreign employees that can be hired.

It is also important for employers to understand that the foreign workforce are categorized into three main groups:

- Skilled professionals;
  - Semi-skilled professionals; and
  - Unskilled professionals.
- 

# Social insurance

The Central Provident Fund (CPF) is a social security savings scheme funded by contributions from 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. 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.

When a worker turns 55, savings from their Special and Ordinary accounts are transferred to their Retirement Account, at which point they can start withdrawing their savings. Workers begin to receive monthly payouts of their savings at age 65.

CPF earn risk-free interest on their savings. Interest rates vary for different CPF accounts and age groups and are updated on the CPF government website.

Employers can submit CPF contributions and make payments through the CPF EZPay system, which also automatically calculates the employer's and employee's contributions and updates the amount when the employer changes age group. A SingPass login is required for employers to make payments through CPF EZPay.

## Amendments to the Central Provident Fund Act

On November 2, 2021, Singapore's Parliament passed the amended CPF Act and the Retirement and Re-Employment Act.

Under these amendments, the government is streamlining the CPF rules to offer greater flexibility for transfers and quicker disbursements and topping up of CPF accounts.

Further, the retirement and re-employment ages has been raised. Since 2017, Singapore employers are obligated to offer re-employment options for employees who reach the retirement age.

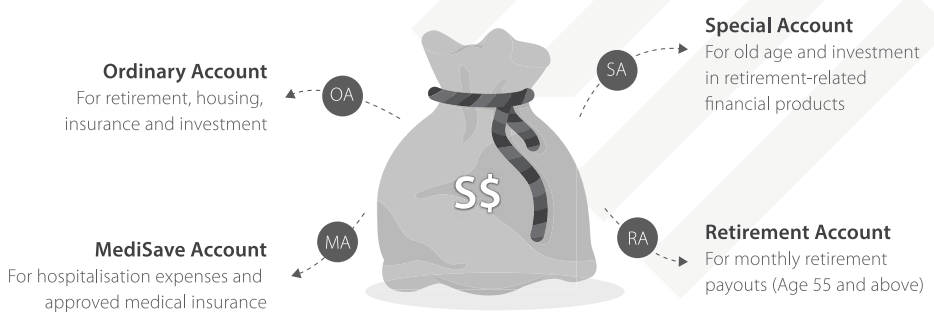
## More ease for CPF members to receive retirement payouts

Retirement Sum Scheme (RSS) members who have depleted the funds in their Retirement Account (RA) will automatically have payouts from their Ordinary Accounts (OA) and Special Accounts (SA). This is to ensure there are no disruptions to payouts.

Previously, RSS members who depleted their RA savings could only continue receiving payouts if they applied to transfer money in their OA or SA to their RA.

The RSS is one of two retirement schemes under the CPF Board, the other being CPF LIFE. The RSS provides CPF members with monthly payouts during retirement until the savings in their RA runs out, or they turn 90. CPF LIFE was introduced in 2009 and offers monthly payouts for life.

### Composition of Singapore's Retirement Sum Scheme



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

## Simplifying tax relief rules

Under the Retirement Sum Topping-Up (RSTU) scheme, a CPF member can top up their SA (if they are below the age of 55) or RA (if they are 55 or above) via CPF transfer or cash. The CPF member can also top the SA or RA savings of their family members. There is also a S\$7,000 (US\$5,162) per year tax relief if a CPF member is topping up for themselves and an additional S\$7,000 per year if they are top-up for parents, in-laws, grandparents, grandparents-in-law, spouse, and siblings.

Effective from January 1, 2022, the tax relief cap for voluntary top-ups will increase to S\$8,000 (US\$5,900) per year. In addition, the government has introduced a tax relief cap of S\$8,000 per year to CPF members who top up a MediSave account (the account used for healthcare needs).

## Quicker disbursement of CPF funds upon the death of a member

From April 2022, the duration in which the CPF funds are retained after death has been shortened to six months compared to the previous length of seven years. This timeframe gives beneficiaries enough time to claim nominated monies from the CPF Board.

Suppose a CPF member did not designate a CPF nomination. In that case, relatives can appoint a 'beneficiary representative' who can submit a consolidated claim for the funds at a maximum amount of S\$10,000 (US\$5,162). If there are disputes among the beneficiaries after the funds have been disbursed, the beneficiaries can seek recourse under the law.

## Increase of retirement and re-employment ages

From July 2022, the retirement and re-employment ages has increased to 63 and 68, respectively, and will be raised to 65 and 70, respectively, by 2030.

The increase in the retirement and re-employment ages was considered necessary as it is projected that by 2030, one in four Singaporeans will be 65 and older, resulting in talent shortages and impacting the country's productivity and competitiveness.

Businesses can raise their retirement and re-employment ages ahead of the scheduled timeline. In early 2021, the government announced that the CPF contribution rates for employees aged 55 to 70 years and earning more than S\$750 (US\$553) per month will increase, starting from January 1, 2022.

The new rates are indicated in the table below. The new rates are as follows:

CPF Contributions for 2022						
Employee's age	Current CPF contribution rates			CPF contribution rates from January 1, 2022		
	By employer (% wages)	By employee (% wages)	Total (% wages)	By employer (% wages)	By employee (% wages)	Total (% wages)
55 and below	17	20	37	17	20	37
Above 55 to 60	13	13	26	14	14	28
Above 60 to 65	9	7.5	16.5	10	8.5	18.5
Above 65 to 70	7.5	5	12.5	8	6	14
Above 70	7.5	5	12.5	7.5	5	12.5

## Increase in CPF monthly salary ceiling

The CPF monthly salary ceiling will be increased in stages from September 1, 2023, to Jan 1, 2026.

The increased ceilings will be implemented in four stages:

- September 1, 2023 – the monthly salary ceiling will be increased to S\$6,300 (US\$4,700);
- January 1, 2024 – the monthly salary ceiling will be increased to S\$6,800 (US\$5,072);
- January 1, 2025 – the monthly salary ceiling will be increased to S\$7,400 (US\$5,519); and
- January 1, 2026 – the monthly salary ceiling will be increased to S\$8,000 (US\$5,965);

This means that employees earning above the ceiling rate will take home a lower net salary – to set aside more for their CPF.



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# Termination of employment

The termination of employment in Singapore can be implemented by either the employee or the employer and both parties must follow the terms and conditions for termination stated in the contract of service.

Employees are generally hired with a probation of three to six months and will be hired as permanent employees after the probation period ends.

The employment contract will usually set out the terms of termination and what notice is required, if any. It is vital for all employees to be sure exactly what their employment contract says so that they can proceed accordingly.

The termination of the 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 for Termination of Employment	
Length of service	Notice period
Less than 26 weeks	One day
26 weeks to two years	One week
Two to five years	Two weeks
Five years and above	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).

# Singapore's public holiday schedule for 2023

Singapore's Public Holiday Schedule for 2023		
Public Holiday	Day	Date
The regular holidays are:		
New Year's Day	Sunday	January 1
Chinese New Year	Sunday	January 22
Good Friday	Friday	April 7
Eid-al Fitr	Saturday	April 22
Labour Day	Monday	May 1
Vesak Day	Friday	June 2
Eid-al adha	Thursday	June 29
National Day	Wednesday	August 9
Deepavali	Sunday	November 12
Christmas Day	Monday	December 25
Additional non-working days:		
New Year's Day	Monday	January 1
Chinese New Year	Monday, Tuesday	January 23, 24
Deepavali	Monday	November 13



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. However, most of these incentives have local ownership requirements. We highlight some of them here.

## Progressive Wage Credit Scheme

The Progressive Wage Credit Scheme (PWCS) was introduced into the 2022 budget to help employers adjust to mandatory increases for lower-wage workers. The scheme enables the government to co-fund the wage increases of Singaporean employees earning a gross monthly wage of up to S\$3,000 (US\$2,213). Singaporean residents and permanent resident employees are eligible for the scheme. Under the scheme, employees can receive support for gross monthly wage increases up to S\$2,500 (US\$1,844) from 2022 to 2026, as well as support for gross monthly wage increases above S\$2,500 (US\$1,844) and up to S\$3,000 (US\$2,213) from 2022 to 2024. Eligible wage increases will be cofounded for a period of two years. Eligible employers do not need to apply and will be informed by the Inland Revenue Authority of Singapore (IRAS) of any payouts.

**Co-funding Levels for Wage Increases in Singapore**

Qualifying year	First-tier	Second-tier
	Gross monthly wage less than S\$2,500 (US\$1,844)	Gross monthly wage of more than S\$2,500 (US\$1,844) and up to S\$3,000 (US\$2,213)
2022	75%	45%
2023	75%	45%
2024	30%	15%
2025	30%	–
2026	15%	–


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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.

Since 2020, qualified companies can obtain a 75 percent tax exemption on the first S\$100,000 (US\$73,770) of chargeable income during the first consecutive three years. The next S\$100,000 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\$ 7,400) of chargeable income. A further 50 percent exemption can then be applied on the next S\$190,000 (US\$140,000).

# Enterprise Financing Scheme-Trade Loan

The enterprise financing scheme–trade loan (EFS-TL) has been put in place from April 1, 2023, to March 31, 2024.

The EFS-TL provides enterprises with trade financing of up to S\$10 million (US\$7.3 million) per borrower. The government’s risk share on the loan is 70 percent and the maximum repayment period is one year.



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# Enterprise Financing Scheme-Project Loan

The enterprise financing scheme project loans (EFS-PL) will be further extended until March 31, 2024. The program provides financing for certain overseas projects.

The supportable loan types include:

- Land/building/factory (including purchases/renovation/construction);
- Working capital loans;
- Machinery, equipment, other fixed assets; and
- Guarantees.

There is up to S\$50 million (US\$36.9 million) available per borrower, for overseas projects, and S\$30 million (US\$22.1 million) per borrower, for domestic projects. Further, there is also up to S\$50 million (US\$36.9 million) available per borrower group, for overseas projects, and S\$30 million (US\$22.1 million) for domestic projects.

The government's risk share is 50 percent, and 70 percent for young companies – defined as companies incorporated within the past five years and is more than 50 percent equity owned by individuals. The maximum repayment period is up to 15 years for fixed asset loans and up to five years for working capital loans and guarantees.



# SME Working Capital Loan Scheme

The SME Working Capital Loan (EFS-WCL) scheme allows small and medium enterprises (SMEs) to apply for an uncollateralized loan of up to S\$300,000 (US\$221,311) for working capital, supported by participating financial institutions.

The maximum repayment period is five years. 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\$22.1 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.



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## Venture debt loan

The venture debt loan scheme is used for high-growth start-ups that do not have significant assets that can be used as collateral for bank loans. Start-ups 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\$36.8 million), and the repayment period is five years.



# Double Tax Deduction for Internationalization

The enterprise financing scheme—merger and acquisitions (EFS-M&A) has been enhanced for four years from April 1, 2022, to March 31, 2026, and to include domestic M&A activities.

Under the scheme, the maximum loan quantum is S\$50 million (US\$36.9 million) per borrower or borrower group, and the maximum loan repayment is five years. The government's risk share is 50 percent, but this is increased to 70 percent for young enterprises.

Most DTDi 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\$110,656) of eligible expenses. The DTDi 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.

# 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\$74 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 (US\$737,705) 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 ended 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 start-ups, 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\$185,000) and POV at S\$500,000 (US\$371,000). 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.



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# Enterprise Development Grant

The Enterprise Development Grant (EDG) helps Singapore businesses grow and innovate. The grant helps fund 50 percent of the project costs from April 1, 2023 until March 31, 2026.

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.

## Enterprise Singapore market readiness assistance grant

The market readiness assistance grant helps local SMEs expand to overseas markets by defraying the costs for market promotion, setup, and business development. This is capped at S\$100,000 (US\$74,644), per company, and per market.

The covered activities are:

- Overseas market promotion (capped at S\$20,000 (US\$14,928));
- Overseas business development (capped at S\$50,000 (US\$37,322)); and
- Overseas market setup (capped at S\$30,000 (US\$22,393)).

# 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 years and can be extended depending on the company's commitment to further expansion.

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.

## Enterprise Innovation Scheme

To encourage businesses to engage in innovation and R&D, the government introduced the Enterprise Innovation Scheme (EIS) in Budget 2023. EIS enhances as well as introduces new tax measures for qualifying companies.

There are five qualifying activities as stated below.

### Qualifying R&D undertaken in Singapore

Currently, businesses undertaking R&D activities in Singapore enjoy a 100 percent tax deduction for all qualifying expenditures incurred on R&D projects. There is also an additional 150 percent tax deduction for staff costs and consumables for such projects.

Under Budget 2023, the government now offers a 400 percent tax deduction for the first S\$400,000 (US\$298,000) of the costs of consumables and staff incurred on qualifying R&D projects conducted in Singapore. The incentive is applicable from the year of assessment (YA) 2024 to the year of assessment (YA) 2028.

### Enhanced tax deductions for qualifying intellectual property registration costs

Businesses currently enjoy a 200 percent tax deduction on the first S\$100,000 (US\$74,600) of qualifying IP registration costs (patents, designs, trademarks, etc.).

Budget 2023 has enhanced this incentive to a 400 percent tax deduction for the first S\$400,000 (US\$298,000) of qualifying IP registration costs, for each YA 2024 to YA 2028.





## Acquisition and licensing of IP rights

Under the existing tax measures for IP rights, companies can enjoy a 100 percent write-down allowance on capital expenditure on qualifying IP rights. Further, there was a 200 percent tax deduction on the first S\$100,000 (US\$74,200) of qualifying expenditure on licensing of IP rights.

Budget 2023 has also enhanced this incentive to 400 percent tax allowances/deductions for the first S\$400,000 (US\$298,000) of qualifying expenditure on the acquisition and licensing of qualifying IP rights. This is applicable for YA 2024 to YA 2028.

## Tax deductions for training expenditure

Courses approved by SkillsFuture Singapore can enjoy a tax deduction of 400 percent for the first S\$400,000 (US\$298,000) qualifying training expenditure. This has been enhanced from a 100 percent tax deduction.

## Tax deductions for innovation projects carried out by polytechnics and other qualified partners

To encourage businesses to carry out innovation projects with local polytechnics, the Institute of Technical Innovation, or other qualified partners, Budget 2023 has introduced a 400 percent tax deduction scheme for up to S\$50,000 (US\$37,300) of qualifying expenditure of qualifying innovation projects. This is applicable for YA 2024 to YA 2028.

# 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 this scheme to enable 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.



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ASEAN Briefing Magazine  
November, 2022

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## 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.

## Extension and rationalization of withholding tax exemption for the financial sector

The withholding tax (WHT) exemption for payments 1 to 4 will be extended until December 31, 2026. The WHT exemption for payment 5, lapsed December 31, 2022.

1. Payments made under a currency swap transaction by Singapore swap counterparties to issuers of Singapore dollar debt securities;
2. Interest payments on margin deposits under derivative contracts by approved clearinghouses, approved exchanges, members of approved clearinghouses, and members of approved exchanges;
3. Payments made under currency swap transactions or interest rate by the Monetary Authority of Singapore (MAS);
4. Specific payments made under repurchase agreements or securities lending; and
5. Payments made under currency swap transactions or interest rates by financial institutions.



# Who is obligated to be audited?

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).

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

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\$3.7 million);
- The total number of shareholders is less than 20; and
- All shareholders are individuals and not corporations.

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.

## 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.

# 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\$100,000 (US\$ 73,747) of chargeable income during the first three consecutive years. There is a 50 percent tax exemption on the next S\$100,000.

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\$74 million);
- Total number of full-time employees must not exceed 50; or
- Total assets of the company should not exceed S\$10 million (US\$74 million).

# 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 International Financial Reporting Standards (IFRS).

Financial statements are prepared under the accrual basis of accounting, which is one of the main principles of 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 in 2010.

Businesses that are eligible to apply for SFRS for SEs 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\$74 million);
  - » Total assets of not more than S\$10 million (US\$74 million); or
  - » Total number of employees of not more than 50.
- The company is not publicly accountable; and
- It publishes financial statements for external.

Some of the advantages for small companies abiding by the SFRS for SE are that the process for preparing a company's financial statements is 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:

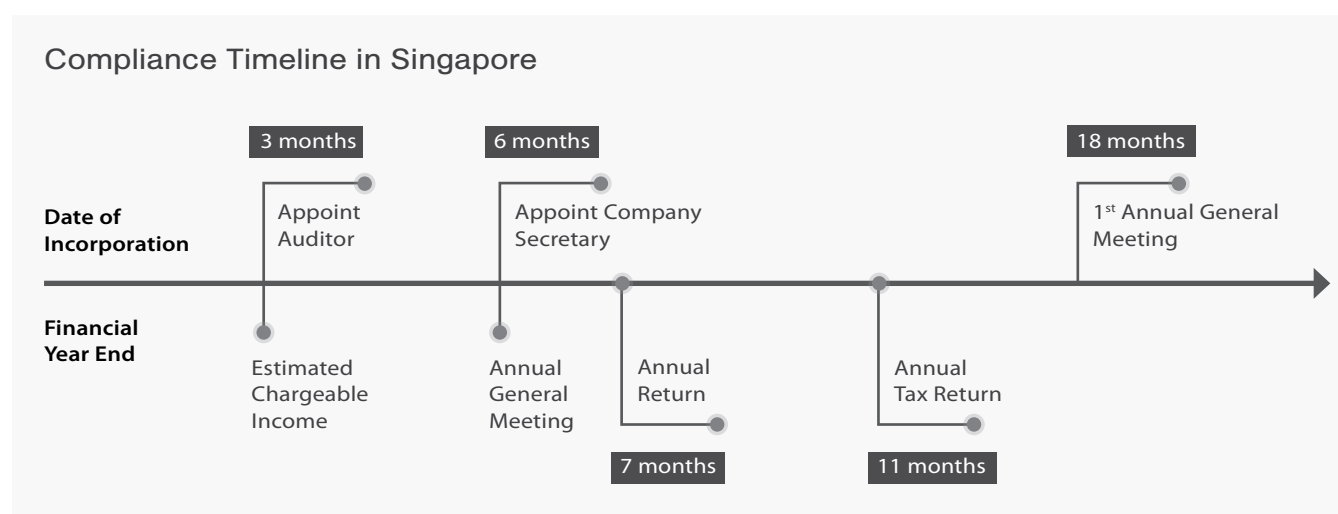
- Statement of comprehensive income (profit and loss accounting);
- Company details;
- Balance sheet;
- Shareholder details;
- Dates of annual returns and AGM;
- Detail of company officers;
- Cash flow statement; and
- Statement of changes in equity.

## 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\$742).

In addition, as of January 14, 2022, the penalty for late annual lodgements beyond three months by Singapore-incorporated companies, variable capital companies, and limited liability partnerships will go up to S\$600 (US\$442).







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