Doing business in Singapore
Welcome to Singapore

- This booklet has been prepared for companies who are considering entering the Singapore market or making Singapore as a gateway to Asia, to bring them a easy-to-understand list of points to take into account.

- It contains an overview of what you need to know before setting up, how to get started and then how to get operational. Lastly, this booklet contains a high level overview on how to expand in the region.

- Kindly note that the figures, fees and rates indicated in this booklet are applicable for the year 2016.

- To service you, EY creates a designated team with a single point of contact who speaks your language as well as understands the legal and tax frameworks in your home jurisdiction.

- We would be pleased to meet you to understand your business, bring a holistic approach to your assessment as well as our input and experience and discuss what we can do to assist you as your preferred partner and trusted advisor.
To deliver to our clients, we work with several EY teams, amongst others:

**People Advisory Services**

Assists with immigration, personal income tax and global expatriate services.

**Global Compliance Reporting**

Assists with corporate secretarial, payroll, bookkeeping and corporate income tax compliance.

**Indirect Tax**

Assists with GST, duties matters.

**International Tax Services**

Assists with cross-border and withholding tax related matters.
What you need to know before setting up

Foreign investment

• Singapore is known to be the business hub of Southeast Asia. It lives up to its reputation through the general ease of doing business and the stimulation of international enterprises through free trade agreements, favourable tax treaties, and several tax incentives and concessions aimed specifically at foreign investment and regional activity.

• Foreign companies may hold 100% of a Singapore registered entity (exceptions are industries of “national importance”), freely repatriate profits without dividend withholding tax or capital gains tax; borrow locally and internationally and make all types of trade related payments.

Incentives

Various kinds of incentives are available to Singapore-based enterprises including direct subsidies, loans and grants, equity participation from (semi-)government organisations, reduced rates for qualifying income, export assistance and financing. Organisations such as the Economic Development Board of Singapore (EDB), the Monetary Authority of Singapore (MAS) and International Enterprise Singapore (IE) are helpful and can provide assistance to companies that can contribute to Singapore’s economy and have been set up to facilitate the overseas growth of Singapore-based companies and promote international trade.

Incentives – examples

• Several incentive schemes offered to the financial sector grant concessionary tax rates on income from qualifying activities.

• Internationalisation: concessionary tax rate and double deduction of expenses incurred during overseas market expansion and investment development activities.

• International Growth Scheme: supports Singapore head-quartered companies with high growth potential to expand overseas.

• Global Trader Program: promotes investments by international trading companies looking to set up Asian headquarters serving the emerging Asian markets.
Foreign companies wishing to set up a presence in Singapore can choose to register:

- A branch office
- A subsidiary company
- A representative office

**Branch**

- A branch is a registered legal entity and is considered to be an extension of the parent company. A branch cannot enter into legal contracts; the parent company shall always be the engaging party and is thus liable for all activities of the branch.
- A branch can be established by registration of the parent company with the company registrar in Singapore (ACRA).
- The name of the branch must correspond with the parent company and must be approved first before registration.
- The branch must have a registered office located in Singapore.
- In addition, the accounts of both the branch (audited) and the parent company should be annually filed.

**Subsidiary**

- A subsidiary company is a locally incorporated private limited company (Pte. Ltd.).
- A subsidiary is a separate legal entity which can enter into legal contracts. The liabilities of the subsidiary company are not extended to the foreign company.

- Singapore allows 100% foreign ownership in companies. Therefore a foreign company may incorporate a local limited liability company in Singapore and own 100% of the shares.
- A subsidiary company is incorporated by execution of the memorandum and articles of association and subsequent registration with ACRA.
- The Companies Act requires the appointment of one or more directors.
- At least one director must be a Singapore resident (citizen, permanent resident, or employment pass holder).
- A subsidiary company must have a registered office in Singapore and appoint a qualified company secretary.

**Representative office**

- A representative office (Rep office) is for Foreign companies exploring the Singapore market or managing the company affairs without conducting any business activity of profit yielding in Singapore.
- A Rep office is a temporary set up without legal personality. A Rep office cannot enter into legal contracts, carry on business; the headquarters shall always be the engaging party and is thus liable for all activities of the Rep office.
- Depending on its activities, the Rep office should be registered with IE Singapore or with the MAS.
Corporate income tax

- Corporate tax is levied on all Singapore-registered corporations and branches. The tax imposed each year is based on the income earned in the preceding year and are collected by the Inland Revenue Authority of Singapore (IRAS).

- Singapore adopts a semi-territorial basis of taxation, taxing any income which is earned in Singapore, or received in Singapore if the source is foreign unless exempt.

- Singapore business and trading income will be taxed at the prevailing corporate tax rate (currently a flat tax rate of 17%, with concessionary rates payable on the first S$290,000 earned).

- Corporate income tax is levied over the taxable profits reduced by deductible losses. Losses may be carried.
  1. Back one year
  2. Forward indefinitely, assuming they meet certain ownership requirements.

- Generally, most income is taxable other than capital gains and Singapore dividends.

- Foreign-sourced dividends may be exempt from tax, under certain conditions.

- Typically, capital gains are not included in the taxable profit except if they are of a recurring nature.

- Corporate income tax for group relief is available if 75% or more of the shares of one company are held by another company.

- In general, all expenses incurred in the production of income are tax deductible, such as staff and administration costs, interest expenses, professional service fees and rent. However, there are limitations to the deductibility of costs incurred in starting up the company as well as capital expenditure.

- Intercompany transactions should be conducted at arm’s length.

- A company may obtain certainty in advance on the transfer pricing position by concluding an advance pricing agreement with the Singapore tax authorities.

Indirect tax

Goods and Services Tax (GST) is a form of value-added tax which is imposed upon each supply of goods or services. A general rate of 7% applies. The tax base is the total amount charged for the transaction.

There is a zero rate applicable for certain supplies, including goods for export, international services, and seagoing vessels and aircrafts used for international transport. The provision of financial services and the sale and lease of residential properties are exempt from GST. However, all goods that are imported into Singapore for sale in Singapore will be subject to the general GST rate.
Payroll & CPF

CPF is a mandatory retirement savings scheme for Singapore citizens and permanent residents where both employee and employer make monthly contributions to the fund. The employer is responsible for sending the monthly payment that includes both the employer’s and the employee’s portion of the contribution. The employee’s portion is deducted from the salary.

There is no mandatory CPF contribution for foreign employees holding an Employment Pass or Work Permit in Singapore.

Work permits

Employers and/or companies cannot employ a foreigner (foreign professional employees, managers, directors and sometimes owners of Singapore companies (Foreigner)) to work in Singapore without an employment pass (EP), even for one day (some exceptions apply).

An EP is a type of work visa issued to the Foreigner which enables the Foreigner to live and work in Singapore and granted by the Ministry of Manpower (MOM).

The employer is the one who needs to apply for the EP which is usually granted for 1-2 years each time and is renewable thereafter.

- The key requirements for an EP consist of the following:
  - A minimum fixed salary of around S$5,000 and above per month.
  - A tertiary degree from a reputable university and relevant professional experience.
  - The proposed employment in Singapore must be relevant to prior experience.
  - Depending on his/her salary level, an EP holder is able to obtain a dependant’s pass for immediate family members (spouse and unmarried children under 21 years of age).

Employment law*

- Employment carried out in Singapore is governed by the Employment Act only for those employees that are earning below S$4,500 per month. Under the employment laws, hours of working, key employment terms, overtime and minimum annual leave (seven days per year for new joiner) are covered.

- For all other employees, the employment is governed by the terms contained in the employment agreement. As a common practice, even for employees not covered by the Employment Act, the legal minimums are observed; e.g., usually the annual leave granted is around 12-14 days per year.

* Employment law aspects mentioned in this starter kit are general in nature and do not consist of a legal advice.
• Under the Employment Act, either party can terminate the employment contract by giving a written notice or by paying salary in lieu of notice to the other party.

• The notice period depends on what is agreed upon in the employment contract and must be the same for both parties.

• The employment contract can be terminated by either party without notice if the other party is in willful breach of the contract.

• Typically, in Singapore there is no mandatory severance payment.

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**Employing an expat – personal income tax**

• For certain fringe benefits, a special reduced tax may apply (e.g., per diem allowances).

• Under the Non Ordinarily Resident scheme, expatriates can enjoy preferential tax rates if they spend more than 90 days per calendar year outside Singapore for business purposes, subject to certain conditions to be met.

• For expats seconded from their headquarters, we generally see either a secondment agreement and a tax equalised remuneration package, or local contract plus potentially some expat fringe benefits.
Getting started
Average time lines

**Average Singapore setting up time frame**

Compilation of all incorporation documents signed by you

- **Week 1**
  - Incorporation of the Singapore entity;
  - You can commence business

Request for an MOM online account

- **Week 2**
  - The MOM online account is activated.
  - The EP application is drafted and emailed to you for final approval.

Upon receipt of your approval, submission of the EP application

- **Week 5**
  - The MOM should approve in principle the EP application

Note: the above is an average time frame and will depend on the availability of your supporting documents.
Getting operational

Compliance requirements, time lines and other matters

What we can do for you

- To assist you in getting operational, we will take a proactive approach and notify you of upcoming deadlines so that you can focus on your business and not on compliance matters.

- To help you anticipate the practicalities of getting operational in Singapore, please see below a high level compliance calendar and some of the main compliance matters.

Summary of compliance timelines

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<thead>
<tr>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
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<tbody>
<tr>
<td>GST filing by</td>
<td>Form IR8A/IR8E filing by</td>
<td>Corporate estimated chargeable income filing by 31 March</td>
<td>GST filing by 31/4</td>
</tr>
<tr>
<td>31 January</td>
<td>1 March</td>
<td>by 31 March</td>
<td>Personal income tax filing by 15 April</td>
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<td>May</td>
<td>June</td>
<td>July</td>
<td>August</td>
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<td>N/A</td>
<td>Annual General Meeting by</td>
<td>GST filing by 31 July</td>
<td>N/A</td>
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<td></td>
<td>30 June</td>
<td>Annual return filing</td>
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<td>September</td>
<td>October</td>
<td>November</td>
<td>December</td>
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<tr>
<td>N/A</td>
<td>GST return filing by 31 October</td>
<td>Corporate income tax return filing by 30 November</td>
<td>Financial year end at 31 December</td>
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Corporate income tax

- Corporate income tax filing must be done on an annual basis and is carried out in two steps:
  - A provisional assessment called Estimated Chargeable Income (ECI) to be filed within three (3) months of the company’s financial year end.
  - The corporate income tax return by 30 November each year for income earned in the previous year.
Personal income tax

- It is the employers’ responsibility to furnish the return of its Singapore employee’s remuneration for the previous year (Form IR8A or IR8E) by 1 March of the following year.
- For completeness sake, we note that the filing of the personal tax annual return is the responsibility of the employee by 15 April of the following year. There is no withholding obligation.

CPF & payroll

- Singapore employers have to file a monthly report with the CPF board indicating the amount of the employee and of the employer’s contributions for each Singaporean or Singapore permanent resident employee.
- By the 14th of the following month, the contribution monies must be transferred into the CPF account.
- Singaporean and Singapore permanent resident employees must be given a monthly summary of their employment income via a pay slip.

GST registration and returns

- A business in Singapore that has or expects to have more than $1million in revenue in a 12-month period is obliged to register for GST and file GST returns on a quarterly basis.
- A business which does not earn more than $1million in revenue can voluntarily register for GST to claim input credits for expenses incurred, but will have to comply with the administrative requirements regardless of revenue earned.
- Businesses need to retain business and accounting records for a five-year period upon registration of GST and ensure that returns are filed promptly in order to avoid penalties and fines.

Withholding tax

- Withholding Tax: when a Singapore tax resident makes a payment of a specified nature to a non-resident company or individual, the Singapore resident may be required to withhold a percentage of that payment and pay the amount withheld to IRAS.
- Singapore Withholding may apply to:
  1. Interest
  2. Royalties and
  3. Technical services fee.
- When a Singapore tax resident receives overseas income that has been subject to overseas withholding tax, the Singapore tax resident may be eligible to a foreign tax credit.

Legal matters

- In collaboration with the relevant EY independent member law firm.
- Depending on your exact operating business model, commercial contracts, terms and conditions, your employees’ handbook may need to be adapted to the Singapore legal framework.
- You may want to ensure that the terms and conditions of the various business relationships are properly documented and that, in case of conflict, the decisions and court orders of the appointed/competent courts are enforceable in the respective jurisdictions.
Expanding in the region

Singapore’s international position

- Singapore is often seeing as a gateway to Asia Pacific. Several organisations may be useful for you, for example:
  - ASEAN Economic Community: 10 ASEAN member states have signed up to the blueprint for the AEC, which aims to create a tariff-free zone while setting a timetable for the removal of non-tariff barriers across the region.
  - Chambers of commerce of other Asia Pacific countries.
  - International Enterprise Singapore.

What we can do

- To assist you expanding in the region, we will be pleased to help with amongst others:
  1. Feasibility studies.
  2. Due diligence (legal, tax, financial).
  3. Structuring of your investment.
  5. Introduction and coordination with overseas EY offices.
Who we are

We are highly skilled professionals based outside their home jurisdiction to provide real time in-depth tax advice on tax efficient structuring of multi-country transactions such as global tax planning, expansion, business restructuring. The EY practice in Singapore is part of the Asia-Pacific Area, which comprises 22 countries across five Regions to provide services seamlessly across borders.

For more information about our organisation, please visit ey.com
Barbara Voskamp
Partner, Dutch and EMEIA Tax Desk
Global Tax Desk Network, Asia-Pacific

Professional background
- Barbara joined EY in 2015 as an International Tax Partner with EY’s Global Tax Desk Network.
- Barbara is currently based in Singapore and is the Dutch and EMEIA Tax Desk Leader for ASEAN and Oceania.
- Prior to joining EY, Barbara was the founder and Managing Partner of VoskampLawyers a boutique law firm specialising in cross-border tax with offices in Amsterdam, Singapore, Kuala Lumpur and Sydney.
- Barbara has worked for over 12 years as an registered attorney-at-law in both the Netherlands and Singapore.

Skillset
- Barbara is a qualified tax lawyer and has earned her LLM at the Erasmus University of Rotterdam, the Netherlands.
- Barbara is a member of the Dutch Association of Tax Advisors and International Bar Association.

Experience
- Barbara served as tax advisor to a wide range of clients varying from multinational public companies to medium-sized multinationals.
- Barbara focusses on assisting Southeast Asia-based companies with all their tax matters regarding their European operations.
- Barbara plays a key role as coordinating tax partner helping European companies with their tax matters throughout Southeast Asia.
- Barbara has extensive experience with various international tax issues, including finance and acquisition structuring, cash repatriation, (vendor) due diligence, tax rulings, private placements and ongoing tax compliance.

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Who we are
Biography
Professional background

- Loïse is currently based in Singapore and is a team member of the EMEIA Tax Desk initiative in Asia Pacific.
- Prior to joining EY, Loïse worked in Singapore for a Dutch foreign law firm (VoskampLawyers), in Singapore for fiduciary company, in Thailand as junior legal counsel, in France as junior legal counsel as well as trainee lawyer and for the business development department of the French Embassy in Brazil.

Skillset

- Loïse has earned her French Bar qualification certificate from the French School of Law.
- Loïse has earned both her Bachelor’s degrees in law and political sciences as well as her Master’s degree in business and tax law from French universities.

Experience

- Loïse has assisted clients to set up overseas and/or subsidiary entities by providing them with turnkey solutions and excellent customer service.
- Loïse helps European companies with their tax matters throughout ASEAN countries.
- Loïse has experience in cross-border engagement management involving legal, immigration and tax aspects and has a good understanding of cultural differences enabling her to work with international teams.

Loïse speaks fluently French, English and Portuguese (from Brazil) and is learning Mandarin.

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Global Tax Desk Network, Asia-Pacific

Professional background
- Robert is currently based in Singapore and is part of the Dutch and EMEIA Tax Desk of ASEAN and Oceania.
- Prior to joining the Dutch Tax Desk, Robert spent over one year with VoskampLawyers in Singapore, a boutique law firm specialized in cross-border tax services with offices in Amsterdam, Singapore, Kuala Lumpur and Sydney.
- Robert has over three years of tax experience with PwC in the Netherlands and followed internships with the Dutch Ministry of Finance and Dutch tax authorities.

Skillset
- Robert has earned his masters degree in tax law from the University of Groningen, the Netherlands.
- Robert is fluent in both Dutch and English.

Experience
- Robert gained experience on cross border investments from Netherlands into Singapore, and vice versa.
- Robert focuses on assisting ASEAN-based companies with all their tax matters regarding their European operations.
- Robert advised clients on cross-border withholding tax issues, tax treaty analysis and employment planning.

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Professional background
- Juliyah joined EY in 2016 and is a Consultant with EY’s International Tax Services practice.
- Juliyah is currently based in Singapore and is a team member of the EMEIA Tax Desk initiative in Asia Pacific.
- Prior to joining EY, Juliyah worked in Singapore for a UK law firm (Eversheds) and for a Dutch law firm (VoskampLawyers) as the Office Manager. Juliyah had also worked as a customer service personnel with experience handling several airlines, such as Northwest Airlines, Emirates, AirAsia, etc.

Skillset
- Juliyah has earned her Diploma with Merit in Business Practice from Nanyang Polytechnic, Singapore.
- Juliyah speaks fluent English and Malay (Bahasa Malaysia & Bahasa Indonesia).

Experience
- Juliyah has a good understanding of cultural differences and is able to work with international teams.
- Juliyah assists European companies with their tax matters throughout ASEAN countries.
- Juliyah has operational and customer service experience mainly in the airline industry.
- Juliyah has facilities and office management experience, and is familiar with HR and work permit processes.

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About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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