



SC Mohan PAC

Public Accountants and Chartered Accountants



SINGAPORE BUSINESS GUIDE 2022: FOR FOREIGN ENTREPRENEURS

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WHY SINGAPORE?

A solid option for opening an offshore company and a gateway to Asia

The advantages of choosing Singapore for business purposes

The benefits of setting up holding companies here

Singapore as an offshore location for holding companies

A solid option for opening an offshore company and a gateway to Asia



Singapore is regarded as a “city state” and it is located on the south of the Malay- sian Peninsular. Earlier in history, it was a British colony, and even though they have been independent for quite some time now, you can still find connections to the British Crown and the Common- wealth.

For example, the legal system in Singapore is largely based on the prac- tises of English common law. They even speak English as their main language. The workforce in Singapore consists of experts with an excellent work ethic. You will find local employees, and foreign employees as well.

Now, if you are planning on setting up a company in Singapore, this is the text for you. We will talk about everything you need to know about Singapore company incorporations.

As you might already know, Singapore is one of the leading international financial centres.

All the major banks can be found here, as well as many financial institutions. There are also a lot of investment management companies as well as accounting and legal firms. All this can come in handy when opening a business.

A recent study based on the data compiled in the World Bank said that Singapore is one of the best countries where you can open your business. It will bring tons of benefits in terms of tax-efficient structures, especially for international businesses.

Nowadays, Singapore is viewed as one of the major business centers. It is a trade hub located in Southeast Asia with an excellent reputation. However, you should know that was not traditionally imagined as an offshore haven. Singapore is on the OECD White List, which means that it is a transparent offshore jurisdiction.

01

Singapore is home to the world's top industry players. It attracts global talent and offers networking opportunities for entrepreneurs and professionals worldwide.

02

Singapore is a **safe place** for you and your family to live. One of the world's safest countries, Singapore has a transparent legal system, a reliable police force, and proactive citizens.

03

Singapore remains one of the world's strongest and most competitive economies despite global economic headwinds. **The EDB is a government agency that promotes investment. The agency provides information, connections to partners, incentives for investment, and other services to create a pro-business environment.**

04

Singapore's stable political conditions, low rate of corruption, and transparent public sector make it a reliable partner for foreigners and businesses.

05

Singapore's economy is low-risk thanks to an efficient fiscal and monetary policy as well as a strong judicial system.

06

Singapore's tax regime aims to encourage long-term, sustainable economic growth. It does not restrict foreign ownership, does not control capital, and has low tax rates.

The Advantages Of Choosing Singapore For Business Purposes

07

The city-state has a low level of corruption, advanced infrastructure, and a skilled workforce, including expats and nationals, with many job opportunities. To stay abreast of evolving business needs and technology advancements, Singapore invests heavily in continuous training for our workforce.

08

Singapore has more than 25 free trade agreements (FTAs) with major economies in the world, including Canada, Mexico and China. Trade agreements provide preferential export rates and easy entry into many export markets, ensuring long-term stability.

09

One of the world's most connected countries, Singapore is located along the world's major trade, shipping (ports), and aviation routes (Changi Airport - ranked as the world's best airport).

10

Singapore's financial reporting standards and auditing standards are compliant with international accounting and auditing standards

11

Digital trade requires a strong security system, seamless cross-border data transmission, and the use of digital platforms and tools. Through agreements with key trade partners, Singapore has ensured digital connectivity and interoperability

12

Singapore has the world's most reliable 4G mobile network and our nationwide fibre broadband network. The addition of 5G to our excellent digital infrastructure will keep your business competitive and customer focused.



The benefits of setting up holding companies here

Multinationals can use a holding/sub- subsidiary company structure for a variety of reasons including;

- To access foreign markets;
- To protect their business units, since the holding company and its subsidiaries are regarded as two separate businesses;
- For asset protection purposes, such as intellectual property protection or real estate investment protection;
- To have a smooth exit on future disposals, including mitigating tax exposure on capital gains;
- To reduce or eliminate the withholding tax when repatriating profits;
- To optimize Group taxation costs;

Singapore as an offshore location for holding companies

1

Incoming dividends from offshore subsidiaries maybe exempted, or the credit can be given for with holding or underlying taxes paid in accordance with the double tax

3

There is no capital gains tax regime in Singapore and, hence, the gains on the disposal of shares with subsidiaries are treated as capital and are not taxable,except where taxman deems its trading;

2

Singapore does not impose a withholding tax on outgoing dividends paid by a Singapore based company;

4

You can expect extensive double tax agreements with more than 60 countries;

5

There are tax incentives for companies that reduce the effective tax rate to below 17%

The background of the slide is a blue-tinted photograph of the Singapore skyline, featuring several prominent, modern skyscrapers with unique, angular designs. The buildings are set against a clear sky, and the foreground shows some lower-rise buildings and greenery.

SINGAPORE AS A COUNTRY

Introduction to Singapore

Brief history

Government and political system

Legal framework

Economy and demographics

Introduction to Singapore

The Republic of Singapore is a small country located in Southeast Asia (SEA) that bridges eastern and western economies. Singapore consists of one main island and multiple small islets. Its working language is English, while its main official language is Malay, Mandarin (a Chinese language version) and Tamil.



Brief history

In between the 1300s-1400s, Singapore once thrived as a trading port called Temasek. Later in 1819, Sir Stamford Raffles (a British statesman) came to Singapore and established a trading port to facilitate trade between British colonies and China. Singapore successfully developed as a British colonial hub, focusing on entrepot trade. It drew in a large numbers of immigrants from India, China, and other nearby countries.



As Singapore gained independence, in 1965, the founding Prime Minister, Mr. Lee Kuan Yew, diversified Singapore's economy to also be a manufacturing hub and, later on, took direction towards a knowledge-based economy. Within a generation, Singapore successfully turned from a third world into a first world nation, co-founded ASEAN, and is currently a peaceful cosmopolitan state with one of the highest GDPs per capita in the world.

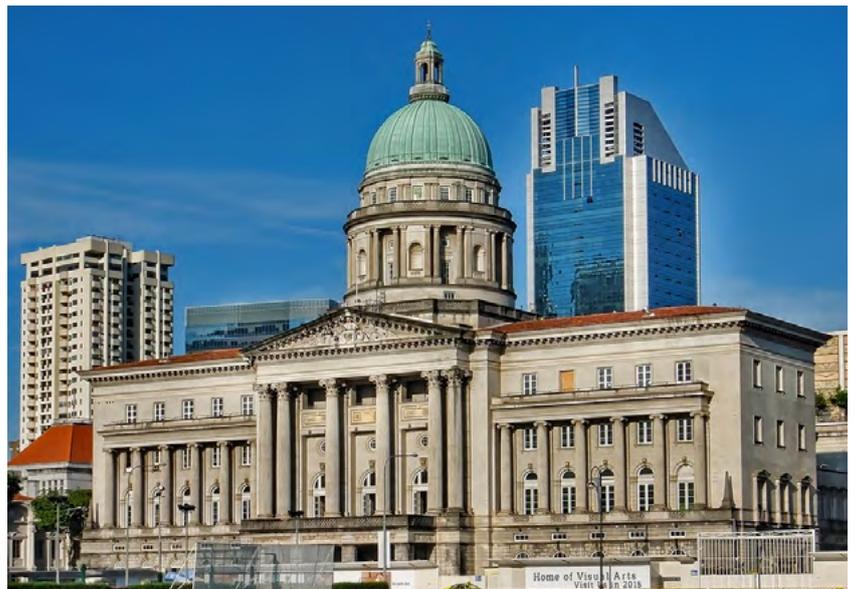
Government and political system



First of all, Singapore is a republic. As mentioned, its government system is closely based on the English Westminster system. Therefore, Singapore has a parliamentary democracy. Each member of parliament has to be elected during the regular General Elections.

The President of Singapore is the highest ranking official, and they hold presidential elections once every five years. The president is viewed the Head of State, and Singapore's the prime minister is viewed as the Head of Government.

As stated above, the government here comprises of three main branches — Legislative, Executive, and Judiciary. The Legislature passes laws through parliamentary debates; the Executive executes the laws, while the Judiciary interprets the laws. The government takes an active role in planning the economy, to ensure that the education, transportation, and healthcare standards are met, while creating wealth in a free market. During Singapore's short history as an independent nation, it has always been known for its stable political system. The People's Action Party (PAP) are the dominant political party, and they have been leading the country since its independence.



Legal framework

As a British colony, historically speaking, multiple laws and regulation in Singapore have been inherited from the British and have evolved over the years. There are 2 major sources in Singapore's law — legislation and case laws.

Singapore has three main levels of courts— the State Courts, the High Courts, and the Court of Appeal. The High court only has one judge for each case, while the Court of Appeal may have three.

Apart from these courts, there are also other places where legal disputes are held, such as District Courts for litigation purposes, the Small Claims Tribunal for smaller disputes. There is also the Singapore Mediation Centre and the Singapore International Arbitration Centre. These are used for mediation and arbitration purposes, respectively. Disputes are often given a limited timeframe during which their cases must be heard.

Economy and demographics

As one of the Four Asian Tigers (Hong Kong, Singapore, South Korea, and Taiwan), Singapore has seen one of its highest economic growth rates between the 1980s and the 1990s, thus greatly liberating Singaporeans in terms of their standard of living. Nowadays, it is one of the highest in the world.

Often dubbed the Singapore miracle, Mr. Lee Kuan Yew (the first prime minister of Singapore), through his emphasis on economic growth, diplomatic policies infrastructure development plans, investments in education, low and transparent tax regimes, has successfully made Singapore an attractive financial centre for setting up investment head- quarters, with an emphasis of human capital as a comparative advantage. Plus, he eradicated corruption.

With organisations such as A*STAR and Biopolis, Singapore currently aims to turn its economy into a knowledge-based economy, while rolling out incentives to develop local businesses. The government has also been active in promoting

Singapore as a one-stop intellectual property and accounting hub in recent years.

Currently, Singapore has an estimated population of 5.7 million and this is expected to increase to 6.9 million by 2030. Approximately, 75% of the population are of Chinese ethnicity, 13% of Malay ethnicity, 9% Indian and 3% others. Despite Singapore's diversity in regards to race and religion, Singaporeans have lived in harmony. The government has put in efforts to build common grounds and to introduce HDB racial quotas for different races to interact and understand one another. It is often stressed that the society here is democratic, regardless of race, language, or religion.

The Singapore Government takes an active approach in overseeing this racial harmony, and has introduced various measures, including the GRC system. To elaborate, The Group Representation Constituency (GRC) system was set up in 1988 and requires from all political parties to have a minority candidate, thereby ensuring adequate minority representation in Parliament.

SINGAPORE INFRASTRUCTURE

Infrastructure

Power sector

Transportation

Healthcare

Telecommunications

Banking sectors

Infrastructure

The infrastructure in Singapore is developed and efficient. Frankly speaking, may just be the best in the region. They have an active airport, a seaport, their road transportation systems are state of the art; their industrial estates, as well as the telecommunications network are top notch. This was not easy to achieve, but with thorough planning, they managed to make it work.

Going in and out of Singapore is a breeze. You'll find that there are more than sixty international flights that connect Singapore to more than a hundred and fifty cities, in more than fifty countries.



Transport - Singapore's Changi Airport is one of the world's best and busiest airports which is renowned for its excellent services. With a strategic geographical location, Singapore is an excellent air hub in the Asia Pacific region. It also houses Singapore's world-class national carrier, Singapore Airlines



Transportation

Public Transport - Singapore's public transport system comprises of a comprehensive network of rail systems (mass rapid transit or MRT), public buses, and private taxis. Singapore relies on its public transport system to manage congestion, convenience, and connectivity within the city state. Public transport remains reliable and affordable to all.

Road Infrastructure - Singapore's road infrastructures are well-developed and maintained to maximise connectivity and safety, and to minimise congestion.

Singapore manages road congestions by various means which include electronic road pricing on all vehicles for road usage, vehicle quota systems for motor vehicles, placing additional costs on new vehicle purchases which include securing a certificate of entitlement (COE), additional registration fees (110 percent of vehicle value) which makes car ownership in Singapore the most expensive in the world.

Telecommunications



Singapore has a well-developed telecommunications infrastructure that provides highly accessible telecommunication services across the island. One example is the Wireless@SG programme, which provides free wireless Internet services in many public spaces island-wide. Singapore is also home to one of the world's fastest Internet services.

Power sector

Regulated by the Energy Market Authority, Singapore has one of the most stable power supplies in the world. Installing an electrical supply for businesses in Singapore is an efficient and cost effective process.



Healthcare

Singapore has a world-class healthcare system that provides good quality and affordable healthcare for all. There are both public and private hospitals providing quality services, but they differ in terms of service and comfort. While access to subsidized public care for foreigners may fall short compared to Singapore citizens and Permanent Residents (PRs), the high costs may be mitigated by purchasing health insurance that are readily available to foreigners and locals alike.





Banking sectors

This city state is regarded as an international financial center. When it comes to the banking and financial services sector, these are well developed. They have local banks, but you can also find foreign banks that are fully licenced. Some banks have restricted licences, and some have offshore banking licences. You can also find some foreign merchant banks, as well as investment banks, various fund managers, leasing companies, etc.

A Banking Act is put in place in Singapore and all financial institutions are regulated by it. Banking licenses are governed by the Monetary Authority of Singapore (“MAS”).

The financial services in Singapore are open for trading 24/7. Most institutions have Asia-Pacific, European, and American counterparts. Because of this, Singapore has well established foreign exchange channels which are secured at any given point in time.

SINGAPORE TAXATION

Tax system

Corporate tax and individual tax

Capital gain tax

Goods and service tax

Estate duties

Other taxes

Tax system

This city state has one of the best taxation systems in the world. To further explain, there are two types of taxation: Territorial-also known as “accrued in or derived from Singapore”.

The remittance system “received in Singapore from outside Singapore”. These taxations are regulated in accordance with the Income Tax Act of Singapore. The governing body is the Inland Revenue Authority of Singapore (IRAS). The Singapore Tax Act has its historical roots in the Model Colonial Territories Income Tax Ordinance of 1922. It does NOT adopt the worldwide tax system, unlike USA, Australia, etc. The Singapore Government operating revenue is mainly derived from taxes, namely the Corporate tax, the Personal Income tax, the Goods and Services tax, and other various taxes.



Corporate and individual tax

Singapore’s corporate and individual tax rates remain competitive in Asia, which is the key to attracting foreign businesses to set up in Singapore. Singapore’s Corporate tax was reduced from 40% in 1986 to 17% in 2009.

Corporate tax - Companies are taxed at 17% in Singapore. With the partial tax exemption scheme and start-up tax exemption scheme, companies can enjoy even lower effective tax rates. Concessionary tax rates are applicable to certain specific industries.

Singapore adopted the one-tier corporate tax system under which the dividends paid by resident companies are not subjected to tax in the hands of shareholders. Singapore has entered into the Avoidance of Double Tax Agreements with many other international jurisdictions to promote the internationalisation of businesses.

Individual tax - Resident individuals are taxed with progressive tax rates of up to 24%. Residents get to enjoy several personal tax reliefs to lower

their effective tax rates. Non-residents who earn employment income are taxed at a higher rate than 15%, or on the progressive resident rates, depending on certain conditions. The tax rate is considered low.

Capital gain

Singapore does not tax capital gains which is rather attractive to foreign investors. However, gains that are considered revenue, (under guiding principle “badges of trade”) in nature may be taxed. The taxpayer is expected to prove that the gain is of capital nature.

The rate will be the prevailing corporate rate which is 17% currently.



Goods and services tax



Like most other countries, there is a GST system in Singapore which was introduced on April 1st, 1994, as part of the restructuring of the tax system and to increase government revenue. The GST rate was at 3 percent initially, and it increased to 5 percent in 2004, and to 8 percent in 2022.

The GST rate will be increased from; (i) 7% to 8% with effect from 1 Jan 2023; and (ii) 8% to 9% with effect from 1 Jan 2024. The revenue from the increase in GST will go towards supporting our healthcare expenditure, and to take care of our seniors.

Only GST-registered companies may collect output GST. Registration is compulsory for companies that have an annual turnover of more than S\$1 million and an is voluntary otherwise.



Other taxes

Other taxes include stamp duty, levy of foreign workers and maids, vehicle quote premiums (commonly known as COE), motor vehicle taxes, property taxes, customs and excise taxes, asset taxes, betting taxes, casino taxes and others.

Estate duty (GST)

Estate duty has been abolished in 2008. Prior to the 15th of February 2008, estate duty has been computed based on the total market value of assets held in Singapore by the deceased, if the passed person is domiciled in Singapore.



ACCOUNTING AND AUDIT REGULATIONS

Statutory requirements for audit regulators

Singapore audit standards

Singapore financial reporting standards

Statutory requirements for audits

There are no mandatory statutory requirements for any company in Singapore to be audited and there are no fixed financial years. All companies are free to choose their own financial year end and audit exemptions are available.

Audit exemption are available to companies if they meet any of the 2 of the 3 quantitative criteria. Their turnover should not exceed S\$10 million, and/or total assets should not exceed S\$10 million, and/or number of employees should not be more than 50.

The New Audit Exemption regulation introduced on July 1st 2015 allows more types of companies to qualify for exemption by conducting a statutory audit of their financial statements; similar exemptions were made in the years 2003 and 2005.

If the criteria are not met, the Company needs to be audited. Those companies that need to be audited have to appoint an auditor first and subsequent reappointments will be made with shareholders at annual general meetings.

Regulators

The governing body here is the Accounting and Corporate Regulatory Authority (or ACRA). It was established on April 1st, 2004. This is a statutory board and it is governed by the Ministry of Finance. ACRA is an institution that acts as the national regulator of all businesses, including accountants and corporate service providers.

As the regulator, ACRA oversees the public accountancy profession, including registered public accountants (PA). ACRA monitors their professional work, conducts the Practice Monitoring Program (PMP) with all registered PAs and publishes information about audit quality.



PAs in Singapore are required to adhere to the Code of Professional Conduct and Ethics issued by ACRA, by continuously working on their professional education. This is done by acquiring technical knowledge, which is subject to PMP reviews. During each PMP review, the public accountant is obligated to prove that their audit work was done in accordance with the Singapore Standards on Auditing (SSA), as well as other requirements. SSAs are the same as any regular audit standards in other countries.

Singapore audit standards (SSA)



The Institute of Singapore Chartered Accountants (ISCA) is the governing body that overlooks SSAs. They work with the International Auditing and Assurance Standards Board (IAASB), some offices of the International Federation of Accountants (IFAC). To further explain, the first defines international auditing and assurance standards. The second puts them in action.

ISCA is fully aware that, in order to have SSAs aligned with International standards, Singapore standards on corporate governance and financial reporting have to be on par with developed countries, thus meeting Singapore's goal of being a world renowned financial hub.

Singapore financial reporting standards

On August 27th, 2007, the Accounting Standard Act was passed in Singapore's parliament. After that, they formed a new independent body which was named the Accounting Standards Council ("ASC"). They are tasked with the prescription process of accounting standards. Before this, this job was done by Council on Corporate Disclosure and Governance.

The aforementioned measures were brought to light to make Singapore's position as an important business and financial centre better. Investors now have more confidence and they are coming to Singapore now more than before this act was passed.

So, one can deduce that Singapore Financial Reporting Standards (International) are equivalent to International Financial Reporting Standards for listed companies.

ASC is also tasked to prescribe all the Singapore Financial Reporting Standards, SFRS for SMEs (small or medium sized businesses) and Charities Accounting Standard. All this can only lead to a conclusion that the government's solution will lead to even more foreign investors who will come to Singapore to set up shop.

OTHER CONSIDERATION

**Investment
incentives**

**Foreign exchange
control**

IP Hub

General labour law

**Foreign ownership
of a company**

**Working in
Singapore**

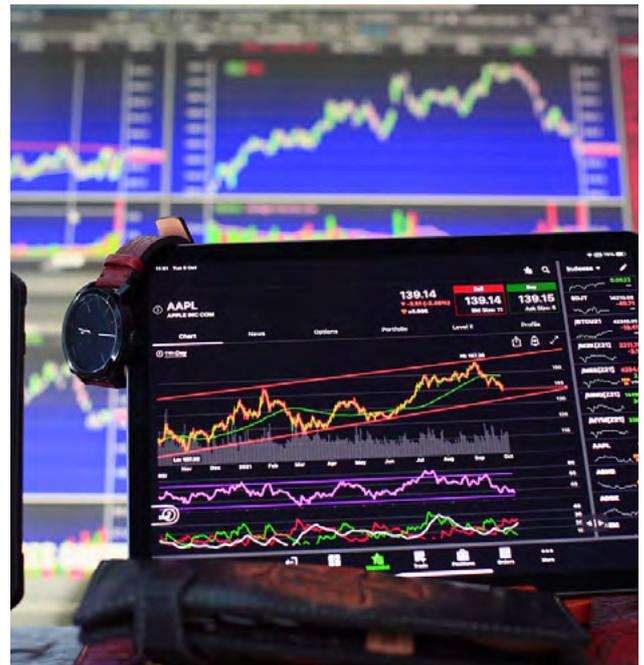
**Foreign ownership
of properties**

**Dispute
resolutions**

Investment incentives

To encourage investments in Singapore, various grants and tax incentives (mainly administered by the Economic Development Board of Singapore) are available to businesses who are looking to invest. For example, training grants are available for staff trainings in order to fully grasp new technologies and other industrial or professional skills. Productivity grants, on the other hand, are available for any investments in new technology.

The Economic Expansion Incentives Act regulates tax incentives for pioneer or expansion businesses. These are the Pioneer Certificate and the Development and Expansion Incentives. With these, you can get concessionary tax rates or tax exemptions on any kind of profit you make, as long as your actions are in accordance with the predefined business activities.



IP hub

To further develop Singapore as an IP Hub, the government has set up the Intellectual Property Office of Singapore as a statutory board under the Ministry of Law. This statutory board will administer the registration of IPs (online or otherwise) and help resolve some IP disputes.

Some commonly administered IPs in Singapore include trademarks, patents, registered designs, and copyrights governed under the trademark act, the patents act, the registered designs act and the copyright act.



Foreign ownership of a company

Ownership of companies - With Singapore being an attractive regional hub for setting up businesses, foreigners are allowed to incorporate companies in Singapore that are wholly-owned by foreigners. However, at least one Singapore resident director must be appointed for the company

Foreign ownership of properties

Foreign ownership of properties is regulated by the Singapore Land Authority (SLA). Foreigners are allowed to purchase properties in Singapore, which may require approval for certain types of properties. For instances, purchasing vacant residential land, bungalows, terrace houses, and worker's dormitories requires approval from SLA, while the purchase of a condominium unit and shophouse for commercial use does not require any approval. A more comprehensive list of restrictions may be found here.

Foreign Exchange Control

Singapore does not have any foreign exchange control or other forms of government control, or approval requirements for any payment, remittance, or capital transfer to any country via banking channel.

General Labour Law

The absence of labour unrest is very important. All employees can, at their own free will, join trade unions. There is the National Trade Union Congress but you should know that union membership is not obligatory.

In Singapore, the Industrial Relations Act regulates collective bargaining and negotiations with respective trade unions, employer groups, and the government. The recommendations for wage increases and guidelines are issued yearly.

Singapore has a large, skilled workforce that can meet any industry demands. This is done by grooming the local workforce through training and education, to meet the demands of each industry, thus providing an open door policy to international talents.



Working in Singapore

Singapore has always been a good host to foreigners, especially when it comes to joining the local workforce. Their labour and immigration laws view many different categories of workers. These are defined based on requirements, validity and the overall difficulty of acquiring a legal license.

To get into the local workforce as a foreigner, you will have to get a certified work pass. Here in Singapore, you can apply for five types:

- Work Permit
- S Pass
- Employment Pass
- Entrepreneur Pass
- Personalised Employment Pass

Dispute resolution

There are four main methods to resolve civil disputes in Singapore.

- **Mediation** is the simplest method that does not involve going to court. It is commonly carried out through the Singapore Mediation Centre, a government funded non-profit organisation. It is also the cheapest and it is used to resolve disputes relatively quickly. As the mediator involved would not pass any binding judgement, there is often more freedom in finding methods for dispute resolution.
- **Arbitration** is a more formal method, as the chosen arbitrator's decision is binding with little room for appeal. Although more costly and time-consuming than mediation, arbitration outcomes are internationally enforceable, thus making it a popular choice between companies. Arbitrage may be done at the Singapore International Arbitration Centre or any international Arbitration Centre.
- **Litigation** takes the case to court, thus requiring large amounts of money and time. Singapore has recently set up the International Commercial Court that allows cross-border disputes to be trailed in the presence of foreign lawyers and judges who may be more familiar with foreign jurisdictions.
- **The Small Claims Tribunal Court** is a cheaper alternative to litigation for cases involving amounts less than S\$10,000 or S\$20,000, if both parties agree. However, there is a restriction to the types of cases that may be brought to the Small Claims court.



CONCLUSION

To further develop Singapore as an IP Hub, the government has set up the Intellectual Property Office of Singapore as a statutory board under the Ministry of Law. This statutory board will administer the registration of IPs (online or otherwise) and help resolve some IP disputes.

Some commonly administered IPs in Singapore include trademarks, patents, registered designs, and copyrights governed under the trademark act, the patents act, the registered designs act and the copyright act.

More information may be found on www.ipos.gov.sg.