

Singapore

This chapter is based on information available up to 1 February 2010.

Introduction

Individuals are subject to income tax on their income. There is no tax on capital gains. Social security contributions are made to the Central Provident Fund (CPF). A goods and services tax is imposed.

Singapore is a republic that consists of the main island of Singapore and some 57 islands, of which 20 are inhabited.

The tax administration agency is the Inland Revenue Authority of Singapore (IRAS). The law governing the imposition of income tax is the Income Tax Act (ITA).

The currency is the Singapore dollar (SGD).

1. Income Tax

1.1. Taxable persons

An individual is resident in Singapore if he:

- is physically present in Singapore for at least 183 days;
- exercises an employment (other than as a director of a company) in Singapore for at least 183 days; or
- resides in Singapore except for temporary absences that are consistent with the claim to be a resident.

A person employed in Singapore over 3 consecutive years of assessment is treated as a resident for all 3 years even if he is physically present in Singapore for less than 183 days in each of the first and third years.

By way of administrative concession by the IRAS, foreign employees (excluding directors and public entertainers) who enter Singapore on or after 1 January 2007 and who stay in Singapore for a continuous period of at least 183 days straddling 2 calendar years will be regarded as being tax resident for those 2 years.

Married couples are assessed separately.

Partnerships, including limited liability partnerships, are not separate taxable persons, and each partner is liable to tax on his share of income from the partnership.

1.2. Taxable income

1.2.1. General

Resident individuals are subject to tax on income accruing in or derived from Singapore, or received in Singapore from outside Singapore.

Taxable income is determined by subtracting allowable deductions, personal and other reliefs and rebates from assessable income. Assessable income includes gains or

profits from any trade or profession, earnings from employment, income from investment such as dividends, interest and rental, royalties, premiums and any other profits from property and other gains of an income nature.

The owner of a dwelling is subject to an annual property tax on the imputed rental value (see 4.2.). The "net annual value" of owner-occupied residential property was taxable up to the year of assessment 2009.

1.2.2. Exempt income

Exempt income includes lump-sum pension payments, compensation for injury, reimbursement of expenses, gifts, moving expenses, entrance fees to recreational clubs in the employer's name, interest-free or subsidized loans, insurance premiums, tuition fees, payments for restrictive covenants and compensation for the cancellation of a contract.

Dividends paid under the one-tier corporate system are exempt from tax in the hands of the shareholders, and certain types of interest received by individuals are exempt from tax (see 1.5.).

1.3. Employment income

1.3.1. Salary

Employment income includes salaries, bonuses, allowances, commissions and perquisites.

Expenditure is deductible to the extent that it is incurred wholly and exclusively in producing employment income, such as travelling and entertainment expenses incurred in the course of employment which are not reimbursed by the employer, and subscriptions paid to professional societies for qualifications required by the employment. However, the costs of commuting to and from work are specifically prohibited. The costs of moving incurred by an employer who has transferred the employee to another post are not taxable.

Expenses fully reimbursed by the employer are not taxable and not deductible by the employee.

1.3.2. Benefits in kind

Benefits in kind provided by the employer are generally taxable to the employee.

Housing accommodation provided by the employer is assessed at the lower of 10% of the total employment income or the annual value of the accommodation, less any rental paid by the employee. Furnishings are taxed at rates prescribed by the IRAS.

The taxable value of leave passages is restricted to 20% of one return fare for the taxpayer and his spouse, plus two return fares for each child.

Share options granted by virtue of an employment are a taxable benefit and the gains accrue as income in the year in which the option is exercised. The taxable value is the open market value at the time of the exercise less the amount paid for the share option.

The use of an employer's motor vehicle is taxed at rates prescribed by the IRAS.

Medical benefits, subsidized food or meal allowances, transport and per diems are not taxable to the employee.

1.3.3. Pension income

Pension payments made to individuals other than from the CPF (see 3.) and other approved funds are generally taxable.

Statutory contributions by employees to the CPF are deductible (see 1.7.2.), but additional contributions which are voluntary or which exceed statutory limits are not deductible. Contributions to a pension fund outside Singapore made by an employer are taxable at the time the contributions are made. However, mandatory contributions made to pension schemes operated by foreign governments are not taxable, subject to certain conditions.

1.3.4. Directors' remuneration

Generally, directors' fees are taxed as employment income.

1.4. Business and professional income

Business and professional income of individuals is subject to income tax and generally accorded the same tax treatment as for companies. Expenses are deductible if they qualify under the general deductibility rules (see 1.7.1.). Depreciation is available for industrial buildings and structures, plant and machinery and costs of acquiring intellectual property.

1.5. Investment income

Dividends received by shareholders are exempt from tax under the one-tier corporate tax system, which applies, with no exception, from 1 January 2008.

Interest is taxable, but interest received from deposits with approved banks or licensed finance companies in Singapore is exempt.

Royalties are taxable. However, royalties received in connection with literary, dramatic, musical or artistic work or from a local or branch of a foreign publisher are taxed at a concessionary rate of 10% of the gross amount.

Rental income is taxable.

1.6. Capital gains

Capital gains are generally not taxable.

However, in certain cases where there is a series of transactions or where the holding period of the asset is short, capital transactions may be deemed to constitute a trade that generates income. The taxpayer's intention upon entering the transaction may determine whether it will produce taxable income which is consequently taxable as business income.

1.7. Personal deductions, allowances and credits

1.7.1. Deductions

In general, deductions are allowed for outgoings and expenses incurred wholly and exclusively in the production of income. Expenses of a capital, private or domestic nature and expenses incurred prior to the commencement or after the cessation of a business are not deductible. In addition, deductions are not allowed for expenses where specifically prohibited by the ITA.

In addition to the deductions discussed in 1.3. to 1.5., double deductions are granted for donations to approved charities.

Generally, interest and royalties incurred in earning assessable income are deductible.

1.7.2. Allowances

Resident individuals are entitled to the following personal allowances, which are deductible from assessable income to arrive at taxable income:

	Amount (SGD)/Rate
earned income relief	
– below 55 years of age	1,000
– 55 to 59 years of age	3,000
– 60 years of age and above	4,000
– additional for disabled individual wife ¹	2,000
– living with taxpayer (annual income does not exceed SGD 2,000)	2,000 ²
– maintenance payments to separated wife	2,000
– alimony payments to former wife	2,000
child allowance ^{1,3}	
– first, second and third child (each)	4,000
– fourth child born on or after 1 January 1988	4,000
handicapped child relief ³	5,500
working mother's child relief (percentage of mother's earned income) ³	
– first child	15%
– second child	20%
– third and subsequent child	25%
life insurance premium and contribution to approved pension or provident fund or society	5,000 or CPF contribution
aged parent, grandparent or great-grandparent	
– maintained by taxpayer	3,500
– living with taxpayer	5,000
– additional for handicapped dependant	3,000
grandparent caregiver relief	3,000 ^{2,4}

	Amount (SGD)/Rate
educational expenses	3,500 ^{2,5}
handicapped sibling relief	3,500 ²
foreign maid levy ^{2,6}	twice levy paid
reservists ²	
- called up annually for in-camp training	3,000
- in-camp training not performed in previous year	1,500
- additional deduction key command and staff appointment holders	2,000
- wife/widow/parent of reservist	750

- In the case of a handicapped wife or former wife, the wife relief amounts are increased to SGD 3,500 or up to SGD 3,500 as the case may be. Total wife relief is limited to SGD 2,000, and total wife and handicapped wife relief is limited to SGD 3,500.
- The relief amounts are the standard fixed amounts available, and are not dependent on the actual expenses incurred. All other amounts are the maximum deductions available, i.e. deductions are limited to the lesser of actual expenses incurred or the maximum deduction available.
- The working mother's child relief is subject to an overall cap of 100% of the mother's earned income. The total of child relief, handicapped child relief and working mother's child relief in respect of the same child is limited to SGD 50,000.
- The relief is available for working mothers with children aged 12 and below who are being taken care of by a parent or parent-in-law.
- The relief is given for approved academic, professional or vocational qualifications. Course fees, seminars and conferences which do not relate to the taxpayer's current occupation can be deducted if it is relevant to the taxpayer's new occupation and the career change is made within 2 years of the completion of courses.
- The deduction is for the levy of one foreign maid, available to a married, divorced or separated woman with dependent children living in the household.

1.7.3. Credits

The parenthood tax rebate, deductible against tax payable, was revised on 20 August 2008, and is available to parents of children born or legally adopted after 1 January 2008 as follows:

- SGD 5,000 for the first child;
- SGD 10,000 for the second child; and
- SGD 20,000 for each subsequent child.

A one-off personal tax rebate of 20% was automatically granted to resident individual taxpayers for the years of assessment 2008 and 2009, up to a maximum of SGD 2,000.

1.8. Losses

A loss arising from the carrying on of a trade is deductible against all other sources of income if it would have been assessable had it been a profit.

Only losses from a trade, business, profession or vocation can be carried forward. Losses can be carried forward indefinitely, provided a shareholding test is met, i.e. the company's shareholding has not changed beyond 50% between the year the loss was incurred and the year the loss is to be set-off.

The carry-forward of unutilized capital allowances is also subject to the shareholding test and a same-business test.

Losses of up to SGD 100,000 may be carried back for one year of assessment preceding the year the capital losses were granted or the trade losses were incurred. Any unutilized amounts exceeding SGD 100,000 can be carried forward for set-off against the income of subsequent years of assessment.

For the years of assessment 2009 and 2010, unutilized losses of up to SGD 200,000 can be carried back for up to 3 years of assessment immediately preceding the year of assessment in which the capital allowances were granted or the trade losses incurred. The losses must first be deducted from the earliest year of assessment, i.e. the 3rd year of assessment immediately preceding the year of assessment in which the capital allowances were granted or the trade losses incurred. All businesses must meet the same business test in order to qualify and companies also have to meet the substantial shareholding test.

Married couples are allowed to transfer unutilized losses to be set off against the income of the other spouse on an annual basis.

The losses of a partnership are deductible against other income sources derived by a partner, and can be carried forward to be set off against future income.

Capital losses are not deductible.

1.9. Rates

1.9.1. Income and capital gains

The progressive tax rates for individuals from the year of assessment 2007 onwards are:

Taxable income (SGD)	Marginal tax rate (%)
up to 20,000	0
20,001 - 30,000	3.5
30,001 - 40,000	5.5
40,001 - 80,000	8.5
80,001 - 160,000	14.0
160,001 - 320,000	17.0
over 320,000	20.0

There is no tax on capital gains.

1.9.2. Withholding taxes

Singapore does not have a "pay-as-you-earn" system. However, an employer is required to withhold sufficient funds from an employee who is about to cease employment in Singapore until a tax clearance is issued.

Generally, payments to resident individuals do not attract withholding tax. See 6.3. for withholding rates on payments to non-residents.

1.10. Administration

1.10.1. Taxable period

The year of assessment is the calendar year.

Tax is computed on a preceding year basis, i.e. the tax liability for a year of assessment is calculated on income accrued, derived or received in Singapore in the preceding calendar year (the basis period).

1.10.2. Tax returns and assessment

Taxpayers must file a tax return when notified to do so by the IRAS, regardless of the level of income.

Generally, income tax returns must be filed by 15 April in the following year, unless an extended deadline has been granted by the IRAS. The final assessment is made by the IRAS, and taxpayers normally receive a notice of assessment by October.

1.10.3. Payment of tax

There are no advance payments of tax. Tax must be paid within 1 month from the assessment, even if an objection to the assessment is made.

Tax may also be paid in instalments upon application to the IRAS, usually in 12 monthly instalments. Residents who lost their jobs in 2008 or 2009 are allowed to settle their income tax liabilities for the year of assessment 2009 in monthly instalments of up to 24 months.

1.10.4. Rulings

Taxpayers can request for advance rulings from the IRAS. Broadly, an advance ruling is a written interpretation of how a provision of the ITA applies to a specific taxpayer and a proposed arrangement.

Rulings are final, and are private and confidential.

2. Other Taxes on Income

There are no other taxes on income.

3. Social Security Contributions

Employers are required to withhold the following contributions to the Central Provident Fund (CPF) from employees' wages:

Employee age	Employee's contribution (%) of wage
up to 50	20
51 - 55	18
56 - 60	12.5
61 - 65	7.5
over 65	5

The rates above apply to employees earning total wages of more than SGD 1,500 per month. For total wages between SGD 500 and SGD 1,500 per month, the

employee contribution rate will start from 0% at the wage of SGD 500 and gradually increase to the full rate of 20% at the wage of SGD 1,500.

Wages refer to all monies due to an employee including overtime pay, allowances, cash awards, commissions and bonuses. Contributions are payable on a maximum salary base of SGD 76,500.

Contributions are deductible provided they do not exceed the statutory limits.

Foreigners are not allowed to make contributions to the CPF. Self-employed individuals are not required to make CPF contributions, but persons with a net trade income of more than SGD 6,000 are subject to mandatory Medisave contributions of 6.5% to 8.5%, depending on the age of the individual. With effect from the year of assessment 2009, individuals may claim a tax relief for voluntary contributions made to their own Medisave accounts, up to a cap of SGD 26,393 less mandatory contributions, for each year of assessment.

In addition, a Supplementary Retirement Scheme (SRS) exists for savings in addition to CPF contributions. The maximum amount that can be contributed to the SRS account is 15% of annual income for Singaporeans and permanent residents, and 35% for expatriates, subject further to the CPF income ceiling. A tax deduction is accorded in the year following the year of contribution.

Up to the year of assessment 2008, employers were not allowed to contribute to the SRS. With effect from the year of assessment 2009, employers can contribute to their employees' SRS accounts, subject to the current contribution limits of SGD 11,475 per year for Singapore citizens and permanent residents, and SGD 26,775 for foreigners. Employers may claim a full tax deduction for the contributions to their employees' SRS accounts. SRS members are taxable on the contributions made by their employers, but can enjoy tax relief up to the applicable contribution limits.

4. Taxes on Capital

4.1. Net wealth tax

There is no net wealth tax.

4.2. Real estate tax

Property tax is levied at 10% on the annual value of all immovable property in Singapore, including houses, buildings, land and tenements. Owner-occupied residential premises are taxed at 4%. Property tax on hotels applies at 20% for the year 2009.

The annual value is the estimated annual rent of the property if it is let out, excluding the rent for furniture and fittings and service charges. The annual value of the property is determined by analysing rents of comparable buildings and relevant data, and is determined in the same manner regardless of whether the property is let, owner-occupied or vacant.

Annual Property Tax Bills are sent to property owners in December each year for the payment of the following year's property tax. The due date of payment is 31 Jan-

uary of each year. With effect from 22 January 2009, the annual tax due on land approved for development can be deferred for up to 2 years (this deferral will expire on 21 January 2011).

Buildings that are used exclusively for the following purposes are exempt:

- public religious worship;
- public schools that are in receipt of grant-in-aid from the government;
- charitable purposes; and
- purposes conducive to social development in Singapore.

4.3. Stamp duties

Stamp duty is levied only on documents relating to immovable property, stocks and shares. The rate of duty varies with the type of document and the transaction value. Generally, conveyances of properties are subject to ad valorem duties.

Leases with annual rents not exceeding SGD 1,000 are exempt from stamp duty.

5. Inheritance and Gift Taxes

There are no inheritance or gift taxes. Previously, estate duty was payable for deaths before 15 February 2008.

6. International Aspects

6.1. Resident individuals

See 1.1. for residence rules.

6.1.1. Foreign income and capital gains

Resident individuals are subject to tax on income accruing in or derived from Singapore. All foreign income received by individuals in Singapore is exempt from tax, unless received through a partnership. Foreign dividends, branch profits and service fees received through a partnership may be exempt subject to conditions.

A 1-year tax exemption applied to resident partners of Singaporean partnerships on all foreign-source income accrued on or before 21 January 2009 and received in Singapore between 22 January 2009 and 21 January 2010 (both dates inclusive).

6.1.2. Foreign capital

There is no net wealth tax. Property located abroad is not subject to property tax in Singapore.

6.1.3. Double taxation relief

An ordinary tax credit is available, both unilaterally and under tax treaties, for tax paid on foreign income. With effect from the year of assessment 2009, unilateral tax credits are granted to Singapore residents on all types of

foreign-source income that is remitted to Singapore from non-tax treaty countries.

See the withholding tax rates chart in the Appendix for a list of tax treaties in force.

6.2. Expatriate individuals

6.2.1. Inward expatriates

An individual can opt for the Not Ordinarily Resident (NOR) scheme (which has been amended with effect from the year of assessment 2009) and enjoy the following tax concessions:

- a NOR taxpayer who is a Singapore employee is taxable only on the portion of employment income relating to the days spent in Singapore, provided he spends at least 90 days outside Singapore for business reasons in respect of his Singapore employment and his total Singapore employment income is at least SGD 160,000;
- tax exemption of pre-assignment income remitted to Singapore; and
- tax exemption of employer's contributions to a non-mandatory overseas pension fund or social security scheme, provided that: (i) the NOR taxpayer's total Singapore employment income is at least SGD 160,000; and (ii) his employer must not claim a deduction on contributions made up to a cap based on the CPF income ceiling (see 3.). No cap applies if the employer only makes contributions to approved mandatory overseas contributions schemes.

The tax concessions are only available to a non-Singapore citizen and a non-Singapore permanent resident, who is:

- a resident of Singapore for the relevant year of assessment; and
- not a resident of Singapore for 3 consecutive years of assessment immediately before that year of assessment.

The NOR status is accorded for 5 consecutive years of assessments, starting from the year of assessment in which the individual first meets the qualifying criteria. Other than the first year of assessment, there is no requirement for the NOR taxpayer to be resident for any year of assessment during the 5-year period.

6.2.2. Outward expatriates

A Singapore citizen continues to be a tax resident in Singapore if he normally resides in Singapore except for temporary absences which are consistent with the claim to be a resident. An employee who is sent to work overseas is treated as a tax resident in Singapore during the period of the overseas employment if he intends to return to Singapore.

A Singapore citizen may also opt to be treated and taxed as a non-resident if the overseas employment is for a period of at least 6 months in any calendar year. The election is made annually. This option is not available if the overseas employment is incidental to the employment in Singapore, or if the individual is employed outside Singapore on behalf of the government of Singapore.

An individual who leaves Singapore permanently is deemed to have derived a gain from the unexercised or restricted stock option plan, unless his employer is granted approval to keep track of the options. If the subsequent actual gain is less than the taxable gain, the taxpayer can apply for a reassessment of his tax liability.

The employer of an expatriate is required to notify the tax authorities and withhold the salary for the purposes of tax clearance should the expatriate cease employment in Singapore, or leave Singapore for a period of more than 3 months.

6.3. Non-resident individuals

An individual is treated as a non-resident for Singapore tax purposes if he is in Singapore for less than 183 days in a calendar year.

6.3.1. Taxes on income and capital gains

Non-residents are assessed only on income accruing in or derived from Singapore, but not on foreign income received in Singapore. They are generally subject to the normal income taxation rules described in 1., except the rates and the granting of personal allowances and rebates, although the allowances may be used to calculate tax liability in certain circumstances.

6.3.1.1. Employment income

Employment income of non-resident individuals is taxed at 15% without personal allowances, or resident rates with personal allowances (see 1.9.1.), whichever gives rise to a higher tax. However, income from an employment that does not exceed 60 days is exempt. This exemption does not apply to a company director, public entertainer or a person exercising a profession in Singapore.

6.3.1.2. Business and professional income

Director's fees, consultation fees and all other income received by non-residents are taxed at 20%.

Non-resident professionals exercising any profession or vocation (other than as employees) in Singapore for less than 183 days in a calendar year under a contract for service may opt to be subject to a final tax of 15% on gross income, or at the non-resident rate of 20% on net income.

Non-resident professionals include foreign experts invited by government bodies, statutory boards, or private organizations, foreign speakers/academics conduct-

ing seminars or workshops, consultants, trainers, coaches, and arts exhibitors.

6.3.1.3. Investment income

Dividends

There is no withholding tax on dividends.

Interest

Interest, commissions, fees or other payments in connection with any loan or indebtedness are subject to a final withholding tax of 15% on the gross amount.

Royalties

Royalties paid to non-residents are subject to a final withholding tax of 10% on the gross amount.

Other income

Payments of technical assistance and service fees, and management fees, to non-resident individuals are subject to a non-final withholding tax at 20%. Withholding tax is not imposed where the service is provided wholly outside Singapore.

Rent or other payments for the use of moveable properties are subject to a final withholding tax of 15%. Proceeds from the sale of any real property by a non-resident property trader are subject to a non-final withholding tax of 15%. A non-final withholding tax ranging from 1% to 3% is levied on time charter, voyage charter and bareboat charter fees.

There is no remittance tax.

6.3.2. Taxes on capital

There is no net wealth tax. Non-residents are subject to property tax (see 4.2.) on their property located in Singapore.

6.3.3. Inheritance and gift taxes

See 5. for estate duty.

6.3.4. Administration

If income received is subject to final withholding tax and the tax is properly withheld, there should be no filing requirements (see 6.3.1.). Otherwise, the requirements for non-residents to file tax returns are the same as for residents. See 1.10. for tax compliance and administration.