

GLOBAL VISION BACKED BY  
LOCAL KNOWLEDGE



## Doing Business in Singapore

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# FOREWORD

## Singapore as your Anchor in Asia

Singapore has been consistently ranked among the most preferred countries for finance, business and commerce. This is mainly due to its strategic location, pro-business environment and stable political atmosphere.

Credentials the city state has received include third placing in IMD's World Competitiveness Yearbook 2017 and being positioned fourth in the September 2017 Global Financial Centres Index. Singapore also took the fifth spot among 160 countries in the World Bank's 2016 Logistics Performance Index. Being ranked among the best in the world on Transparency International's Corruption Perceptions Index 2016, the nation is well placed as the ideal choice for companies to consider expanding their operations into.



Neighbouring Asian cities can be accessed from Singapore by air travel within seven hours. This enables Singapore to be an excellent springboard for business expansion in the region. Companies looking towards Singapore can easily establish their regional or operational headquarters here and even use this location as an R&D and intellectual property platform. With low corporate tax and interest rates, as well as the presence of over 80 tax treaties with other countries, business costs are kept low. The nation also does not have foreign exchange controls. This makes it easier for investors to deal with foreign exchange risk. Corporate governance risk is also minimised with a transparent government and the authorities' backing to promote world-class practices.

RSM welcomes foreign investors to set up their base in Singapore and use it as an integral part of their expansion plans to grow their business and optimise their operations. With over 950 staff in Singapore and 320 in China, we have helped numerous foreign businesses in areas such as Cross-border Investment Advisory, International Tax Advisory, as well as Company Set Up in Singapore and other countries. Our affiliation to RSM International also facilitates connections on a global scale.

We hope this guide will provide the necessary insights into how you can make the best use of what Singapore can offer.

Welcome to Singapore. We welcome you to chat with us.

**Chio Kian Huat**  
Chief Executive Officer  
RSM in Singapore

# OVERVIEW OF SINGAPORE

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## SINGAPORE AS AN ECONOMIC HUB AND INTERNATIONAL FINANCIAL CENTRE

Singapore is an island nation in Southeast Asia. Despite its small size with few natural resources, Singapore has taken advantage of its strategic geographical location and excellent connectivity to become one of the leading economic and financial centres in the world.

As an economic hub, Singapore's major trading partners include China, Malaysia, the European Union, the United States, Indonesia, Hong Kong, Taiwan, South Korea, Japan and Thailand.

Singapore's total foreign workforce (excluding foreign domestic workers) numbered about 1.13 million in June 2017<sup>1</sup>, and its multicultural population mainly comprises Chinese, Malays, Indians, and Eurasians. English, Mandarin, Malay and Tamil are the four official languages in Singapore, with English widely used in business and education.

A key trend that is expected to offer vast opportunities for businesses in Singapore is rapid urbanisation in Asia. The United Nations projects another 2.5 billion<sup>2</sup> people could be added to urban populations by 2050, with Asia and Africa accounting for close to 90% of the increase. Between 2014 and 2050, China alone is expected to add 292 million urban dwellers.

Asia's rapid urbanisation will bring about huge infrastructure needs. From 2010 to 2020, Asia will need to invest about US\$8 trillion in overall national infrastructure for energy, transport, telecommunications, water and sanitation<sup>3</sup>.

The rise in disposable incomes and consumerism in emerging Asian markets will also offer Singapore-based businesses with more opportunities to target a wider range of customer segments.

As an international financial centre, Singapore has over 1,200 financial institutions – including 5 local, 122 foreign and 32 merchant banks in 2017<sup>4</sup> – that offer many products and services across various asset classes. With assets under management at S\$2.7 trillion (US\$1.9 trillion) in 2016<sup>5</sup>, the banking sector is especially important to Singapore's role in financing local and regional growth, for example, in facilitating infrastructure development.

In addition, Singapore is Asia's largest and the world's third-biggest (after the United Kingdom and United States) foreign exchange trading centre, according to a 2016 Triennial Central Bank Survey by Bank for International Settlements. This gives further evidence of Singapore's increasing standing and influence as a global financial centre.

Likewise, the city state also garnered the highest short- and long-term triple-A credit ratings from all three major credit rating agencies – Standard & Poor's, Moody's Investors Service, and Fitch Ratings. However, this continued development as a regional and international financial centre also comes with close surveillance by Singapore's central bank – the Monetary Authority of Singapore – and appropriate policy formulation.

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<sup>1</sup> *Foreign Workforce Numbers, Ministry of Manpower (www.mom.gov.sg)*

<sup>2</sup> *World Urbanization Prospects, 2014 Revision, United Nations*

<sup>3</sup> *Financing Asia's Infrastructure: Modes of Development and Integration of Asian Financial Markets, 2010, Asian Development Bank Institute*

<sup>4</sup> *Monetary Authority of Singapore Annual Report 2016/17*

<sup>5</sup> *2016 Singapore Asset Management Survey, Monetary Authority of Singapore*

## OVERVIEW OF SINGAPORE

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Singapore's financial services sector is governed by various Acts and regulations, such as:

### **Monetary Authority of Singapore Act**

The Monetary Authority of Singapore (MAS) Act gives MAS the full authority to regulate the financial services sector in the country.

### **Banking Act**

The Banking Act regulates banks and related financial institutions and their activities, including the credit card and charge card business of banks and other institutions, among others.

### **Securities and Futures Act**

The Securities and Futures Act regulates activities and institutions in the securities, futures and derivatives industry, including leveraged foreign exchange and derivatives trading.

### **Regulations against Money Laundering and Financing of Terrorism**

A member of the Financial Action Task Force, Singapore has established strict regulations to fight money laundering and the financing of terrorism.

### **Payment Systems (Oversight) Act**

The Payment Systems (Oversight) Act provides for the oversight of payment systems and stored value facilities, as well as related matters.

For more information on the Acts and regulations above, visit: <http://statutes.agc.gov.sg> or [www.mas.gov.sg](http://www.mas.gov.sg).

### **Singapore Quick Facts**

Land Area (2016)	: 719.2 square kilometres
Total Population (2016)	: 5.6 million
GDP (2016)	: S\$410.3 billion (about US\$306.6 billion)
Per Capita GDP (2016)	: S\$73,167 (about US\$54,675)
Total Trade (2016)	: S\$870.2 billion (about US\$650.3 billion)
Tourist Arrivals (2016)	: 16.4 million
Foreign Direct Investment in Singapore (2016)	: S\$1.36 trillion (about US\$1.02 trillion)

*Source: Singapore Department of Statistics*

## SINGAPORE'S ATTRACTIVENESS AS AN INVESTMENT DESTINATION

Singapore's position as an attractive destination for foreign investors is due to factors such as:

- Political and Economic Stability
- Corporate Governance and Transparency
- Pro-business Environment
- Competitive Tax Rates
- Robust Intellectual Property Regime
- High Literacy Rate
- Extensive Network of Trade Agreements
- Excellent Connectivity and Infrastructure
- Relatively Hassle-free Immigration Processes for Foreign Investors

### **Political and Economic Stability**

Singapore is a parliamentary republic, with the People's Action Party (PAP) as the nation's ruling political party since 1959. Since 1978, Singapore has been largely strike-free and the nation's peaceful industrial relations have often been attributed to its tripartite model.

Established in 1972 to formulate wage guidelines to ensure Singapore's long-term economic growth, the National Wages Council (NWC) is a tripartite body comprising representatives from the employers, trade unions and government. The NWC meets every year to deliberate wage and wage-related matters and issues related guidelines based on the tripartite consensus reached.

### **Corporate Governance and Transparency**

High corporate governance standards play an important part in maintaining Singapore's position as an international financial centre. The Monetary Authority of Singapore (MAS) and Singapore Exchange (SGX) have shared oversight of corporate governance of listed companies since September 2007. Singapore also has a revised Code of Corporate Governance issued by the MAS in May 2012. While compliance with the Code is not mandatory, listed companies are required under the SGX Listing Rules to disclose their corporate governance practices and explain deviations from the Code in their annual reports.

Singapore is ranked first worldwide in the "Transparency of government policymaking" indicator in World Economic Forum's "The Global Competitiveness Report 2016-2017". It also ranked among the world's least corrupt countries in the report, taking third place under the "Irregular payments and bribes" indicator.

### **Pro-business Environment**

Singapore has been recognised for its conducive pro-business environment. According to the World Bank's "Doing Business 2017: Equal Opportunity for All" report, Singapore ranked second worldwide in terms of the ease of doing business.

The country also has the second-most competitive economy in the world, supported by factors such as its world-class infrastructure and strong focus on education, according to World Economic Forum's "The Global Competitiveness Report 2016-2017".

### **Competitive Tax Rates**

Singapore's government believes in keeping tax rates competitive for both corporations as well as individuals. Such a policy aims to maintain Singapore's attractiveness as a foreign investment destination and encourage entrepreneurship.

### **Robust Intellectual Property Regime**

Singapore came in fourth worldwide in intellectual property (IP) protection, according to World Economic Forum's "The Global Competitiveness Report 2016-2017". Its robust IP regime is built on a trusted legal system and strong IP arbitration capabilities. To support IP dispute resolution in Asia, Switzerland-based World Intellectual Property Organization established an Arbitration and Mediation Centre in Singapore, its only centre outside Geneva.

### **High Literacy Rate**

Figures by Singapore Department of Statistics showed that Singapore had a literacy rate of 97% among residents aged 15 years and older in 2016.



## OVERVIEW OF SINGAPORE

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### **Extensive Network of Trade Agreements**

Singapore has an extensive network of Free Trade Agreements (FTAs) in Asia. These include bilateral FTAs and ASEAN regional FTAs (refer to “Singapore within ASEAN” section of this guide for more details) with key economies such as Australia, China, India, Japan and the United States.

### **Excellent Connectivity and Infrastructure**

Singapore is one of the world’s top transportation hubs for sea and air cargo. Connected to more than 600 ports in over 120 countries, Singapore is the busiest port in the world in terms of shipping tonnage, with an average of 140,000 vessel calls annually.

Singapore’s Changi Airport is among the world’s busiest international airports, serving more than 100 airlines that fly to some 380 cities in about 90 countries and territories worldwide. Air freight movements at the airport totalled 1.97 million tonnes in 2016.

There is also a wide range of state-of-the-art convention centres, exhibition halls and meeting venues in Singapore for various needs. Some major venues include Suntec Singapore Convention and Exhibition Centre, Singapore EXPO, and Raffles City Convention Centre.

### **Relatively Hassle-free Immigration Processes for Foreign Investors**

Eligible investors who wish to set up a business in Singapore may apply for the Singapore permanent residence status through the Global Investor Programme (GIP). For more information about the GIP, visit: [www.contactsingapore.sg/gip](http://www.contactsingapore.sg/gip).

Issued to eligible foreign entrepreneurs who wish to start a new business in Singapore, the EntrePass has a validity period of one year for a new pass or first renewal and two years for subsequent renewals. For more information about the EntrePass, visit: [www.mom.gov.sg](http://www.mom.gov.sg).

### **Contributed by:**

#### **RSM**

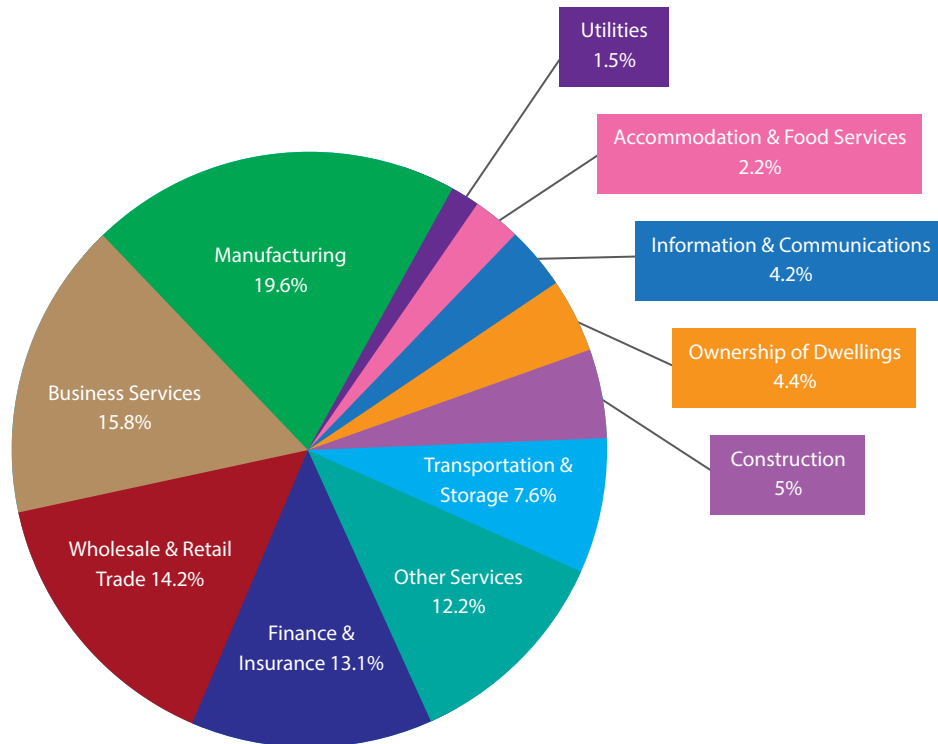
8 Wilkie Road  
#03-08 Wilkie Edge  
Singapore 228095  
Tel: +65 6533 7600  
Fax: +65 6538 7600  
Email: [MKTG@RSMSingapore.sg](mailto:MKTG@RSMSingapore.sg)  
Website: [www.RSMSingapore.sg](http://www.RSMSingapore.sg)

# COMMERCIAL ENVIRONMENT

## SINGAPORE'S ECONOMY

Singapore has a highly developed free-market economy that depends heavily on exports. In 2016, it recorded a GDP of S\$410.3 billion (about US\$305.3 billion), up 0.5% year-on-year. Its per capita GDP is also among the highest in the world at S\$73,167 (about US\$54,000) in 2016.

### Singapore's GDP Composition by Sector (2016)



Source: Singapore Department of Statistics

## INDUSTRIES IN SINGAPORE

### Aerospace Engineering

Singapore is the most comprehensive aerospace hub for Maintenance, Repair and Overhaul (MRO) in Asia, accounting for a quarter of the region's MRO output. Its existing capabilities in precision engineering and electronics also support production of complex aero-engine components.

Singapore's Seletar Aerospace Park provides a conducive environment for aerospace companies to operate and collaborate.

### Clean Energy

There is a strong focus on solar energy in Singapore, given its strategic location in the tropical sunbelt and strong semiconductor capabilities. Other areas of focus include wind energy, biomass, tidal energy, smart grids, 'green' buildings, energy efficiency and carbon services.

Major energy players have set up operations in Singapore, attracted by factors such as its strong capabilities in electronics, precision engineering and chemicals, mass manufacturing know-how, and robust intellectual property protection regime.

## COMMERCIAL ENVIRONMENT

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### Chemicals

Singapore is one of the leading energy and chemical industry hubs in the world. Many of the world's leading energy and chemical companies have operations on Singapore's Jurong Island, which has attracted more than S\$35 billion (about US\$26 billion) worth of investments.

### Consumer Business

Singapore is well-positioned to support consumer businesses in innovation and regional growth strategies due to its central location in Asia, strong scientific and brand management capabilities, as well as conducive business environment.

Institute on Asian Consumer Insight conducts research and education programmes to help in innovating brands and products to meet Asian consumers' needs.

### Content & Media

Singapore's content and media sector consists of various industries, including media owners, games, animation, visual effects and publishing. Favourable factors for content and media companies include the nation's world-class talent, developed infrastructure and research capabilities. With its strong intellectual property laws and multilingual talent pool, Singapore is also an ideal location for creating and deploying new content.

### Electronics

Singapore is a choice location for electronics companies to create and manage new markets. The country is home to:

- nine of the world's top 15 fabless semiconductor companies;
- six of the world's top integrated device manufacturers;
- the world's top three hard disc media manufacturers; and
- four of the world's top five electronics manufacturing services providers.

### Energy

Singapore is Asia's leading oil trading hub as well as an oil and oil product pricing centre in the region. It is also the leading bulk liquids logistics hub in Asia and a major marine bunkering centre.

### Cities, Infrastructure & Industrial Solutions

Singapore is a leading one-stop hub for engineering solutions and home to a growing number of global engineering design firms. Nine of the world's top 10 control and automation companies already have a significant presence in the country.

### Environment & Water

There are about 180 water companies in Singapore that represent the entire value chain from upstream component players, Original Equipment Manufacturers (OEMs) and system integrators to downstream Engineering, Procurement and Construction (EPC) players and project developers.

The country also nurtures the environmental industry, which includes environmental consultancy, waste management and pollution control.

### Healthcare

Singapore's standard of medical practice ranks among the best in the world. There are strategic partnership opportunities for healthcare service providers to develop and test innovative healthcare solutions and systems.

### **International Non-Profit Organisations**

Singapore is home to about 140 International Non-Profit Organisations (INPOs), and is well-positioned to support them as a financial hub with strengths in logistics and telecommunications.

### **Infocomm Services**

Singapore is ranked first worldwide in network readiness, according to the World Economic Forum's "The Global Information Technology Report 2016". Its excellent infrastructure, strong intellectual property protection regime, good connectivity and easy access to global talent attract infocomm services companies to the country.

### **Infocomm Products**

Leading infocomm product companies have set up their global and regional headquarters in Singapore, covering the full value chain from research and development and supply chain management to manufacturing, logistics and shared services.

Some key products manufactured in Singapore include mission-critical and secure computing products such as high-end servers, ATMs, point-of-sales systems, networking equipment and smart cards.

### **Logistics & Supply Chain Management**

Singapore is a trusted and reliable supply chain hub with highly efficient customs and business-friendly import/export procedures.

Its sea and air ports are readily accessible through a well-planned domestic road network. Singapore's world-class and specialised infrastructure includes the Airport Logistics Park of Singapore, the Changi International LogisPark and the Banyan LogisPark.

### **Marine & Offshore Engineering**

Singapore builds more than 50% of the world's high-specification oil rigs and has close to 70% of the global market for the conversion of floating production storage and offloading units, according to the Singapore Economic Development Board.

### **Medical Technology**

Singapore is Asia's leading location for medical technology, with commercial-scale plants set up by over 30 medical technology companies to produce medical devices for the regional and global markets.

Singapore's medical technology sector contributed about S\$10 billion in output in 2015 and S\$70 million has been committed under the Sector Specific Accelerator programme to encourage the formation and growth of medical technology start-ups in the country.

### **Pharmaceuticals & Biotechnology**

More than 30 of the world's leading biomedical sciences companies have operations in Singapore.

Some local biomedical research institutes include the Bioinformatics Institute, Bioprocessing Technology Institute, Genome Institute of Singapore, and Institute of Bioengineering and Nanotechnology.

### **Precision Engineering**

Singapore's precision engineering industry comprises companies that range from contract manufacturers to full solution providers with design, prototyping, production and supply chain management capabilities.

## COMMERCIAL ENVIRONMENT

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### **Professional Services**

MNCs from a wide range of industries and geographies have established their regional or global headquarters in Singapore, which has also driven demand for professional services.

*Source: Singapore Economic Development Board*

## **EMERGING BUSINESSES**

### **Automotive**

Almost all major Original Equipment Manufacturers and Tier 1 automotive suppliers use Singapore to oversee their regional operations.

Singapore's strengths in electronics, info-communications and mechanical engineering also support growth of related automotive research and development.

### **Safety & Security**

Singapore Economic Development Board partnered with the Ministry of Home Affairs (MHA) to form the Safety and Security Industry Programme Office to promote this industry in Singapore.

Through this collaboration, platforms are created whereby companies can work with the public sector through public-private partnerships on their innovative solutions in a live operational environment in Singapore.

### **Natural Resources**

Singapore aims to be a nerve centre that plays a part in fulfilling global demand for aquaculture, agriculture, metals and minerals.

### **Lifestyle Products & Services**

Growing lifestyle businesses in Singapore include those relating to art, collectibles, performing arts and sports.

### **Robotics**

Singapore's manufacturing industry has the highest robot density in the world after South Korea, with 488 robots per 10,000 employees in 2016. About 90% of the robots are installed in Singapore's electronics industry, which has increased its number of robot installations significantly in recent years.

### **Space**

Established by the government in 2013, the Office for Space Technology and Industry serves as the designated office to develop Singapore's space industry.

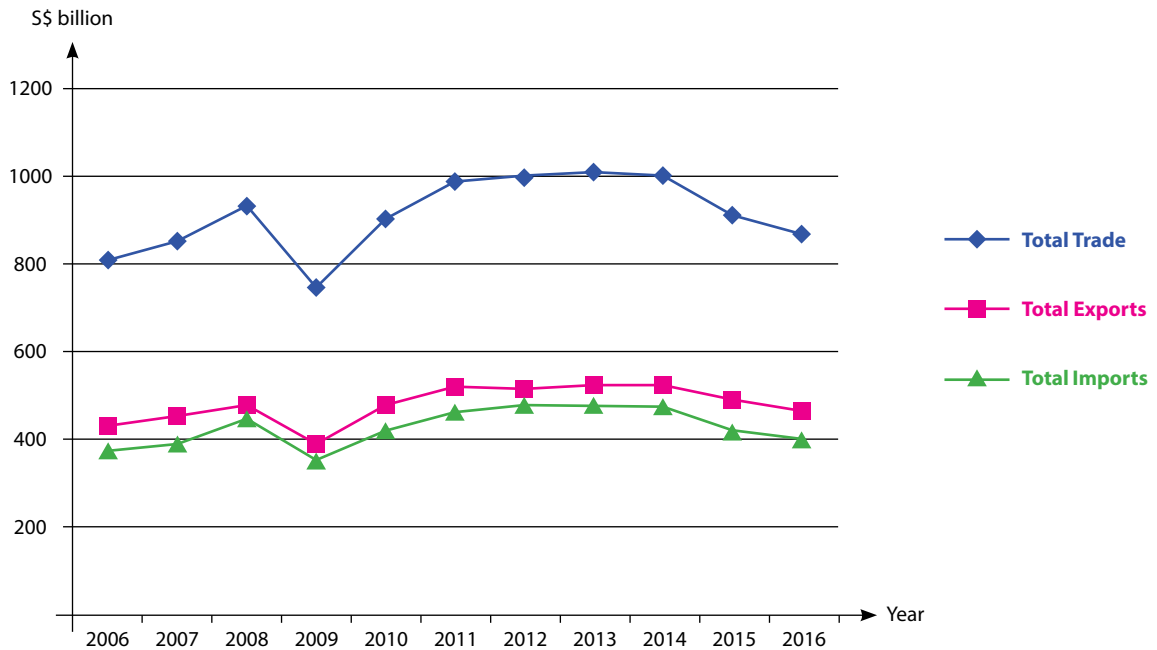
*Sources: Singapore Economic Development Board and International Federation of Robotics*

## SINGAPORE AND TRADE

Trading is highly important to Singapore’s economy. According to the World Trade Organization, Singapore’s trade to GDP ratio was 168.5% (2014–2016). Most imports enter the country duty-free.

Singapore’s total trade at current prices amounted to S\$870.2 billion (about US\$647.5 billion) in 2016.

**Singapore’s Merchandise Trade Performance at Current Prices (2006–2016)**

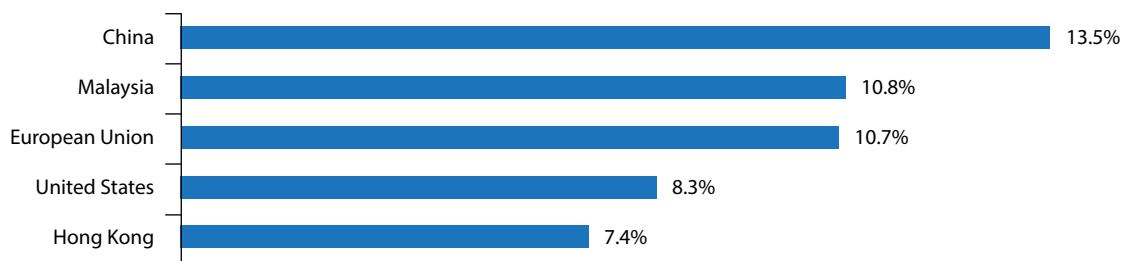


Source: Singapore Department of Statistics

### Top Trading Partners

China was Singapore’s largest trading partner in 2016, followed by Malaysia, the European Union, the United States and Hong Kong. Other major trading partners include Indonesia, Taiwan, South Korea, Japan and Thailand.

**Singapore’s Top Trading Partners in 2016 (Share of Total Merchandise Trade)**



Source: Economic Survey of Singapore 2016, Ministry of Trade and Industry

## COMMERCIAL ENVIRONMENT

### Global Maritime Hub

Singapore is a global maritime hub strategically located at the southern tip of the Malay Peninsula. Connected to 600 ports in over 120 countries, Singapore is the busiest port in the world in terms of shipping tonnage, with more than 130,000 vessel calls each year. More facts and figures about Singapore's position as a global maritime hub are highlighted below.

### Facts and Figures

- More than 5,000 maritime establishments contributing about 7% to Singapore's gross domestic product, and employing more than 170,000 personnel
- Home to about 140 of the world's top shipping groups
- Top bunkering (ship refuelling) port in the world, with more than 45 million tonnes of bunkers lifted in 2015
- Commands about 70% share of the world's jack-up rig-building market and 70% of the global Floating Production Storage and Offloading platforms market
- Maritime and Port Authority of Singapore offers assistance in setting up a maritime business as well as in expanding existing operations
- Singapore Registry of Ships among top 10 largest registries in the world and currently has over 4,500 vessels registered with it
- 30.59 million TEUs (Twenty-foot Equivalent Units) of containers handled by PSA Singapore in 2016

*Sources: Maritime and Port Authority of Singapore and PSA Singapore*

### Free Trade and Other Agreements

Free Trade Agreements (FTAs) may allow Singapore-based exporters and investors to enjoy various benefits such as tariff concessions, preferential access to certain sectors, faster entry into markets and Intellectual Property (IP) protection.

### Singapore's Involvement in FTAs

- ASEAN regional FTAs (refer to "Singapore within ASEAN" section of this guide for more details)
- Australia (SAFTA)
- China (CSFTA)
- Costa Rica (SCRFTA)
- European Free Trade Association (ESFTA)
- Gulf Cooperation Council (GSFTA)
- Hashemite Kingdom of Jordan (SJFTA)
- India (CECA)
- Japan (JSEPA)
- New Zealand (ANZSCEP)
- Panama (PSFTA)
- Peru (PeSFTA)
- Republic of Korea (KSFTA)
- Trans-Pacific Strategic Economic Partnership (TPSEP)
- Turkey (TRSFTA)
- United States (USSFTA)

*Source: International Enterprise Singapore*

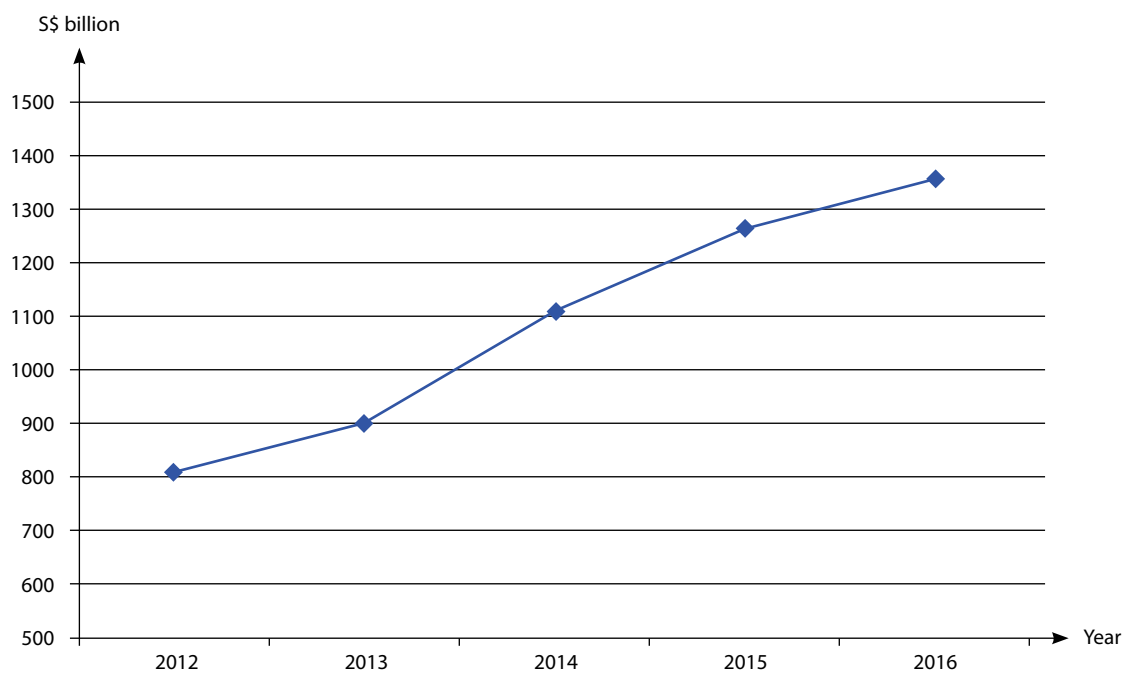
As at July 2017, Singapore also has more than 80 double taxation agreements (DTAs) and 40 investment guarantee agreements (IGAs). More information on these is found in the Taxation section of this guide.

## INVESTMENT ACTIVITIES

### Foreign Direct Investment in Singapore

Foreign Direct Investment (FDI) in Singapore totalled approximately S\$1.36 trillion in 2016, up 7.7% from the previous year. Of this, S\$1.22 trillion, or about 90%, were in the form of direct equity investment. The remaining S\$141 billion, or 10%, were net lending from foreign direct investors. The growth of FDI in Singapore in recent years is shown below.

FDI in Singapore (2012-2016)



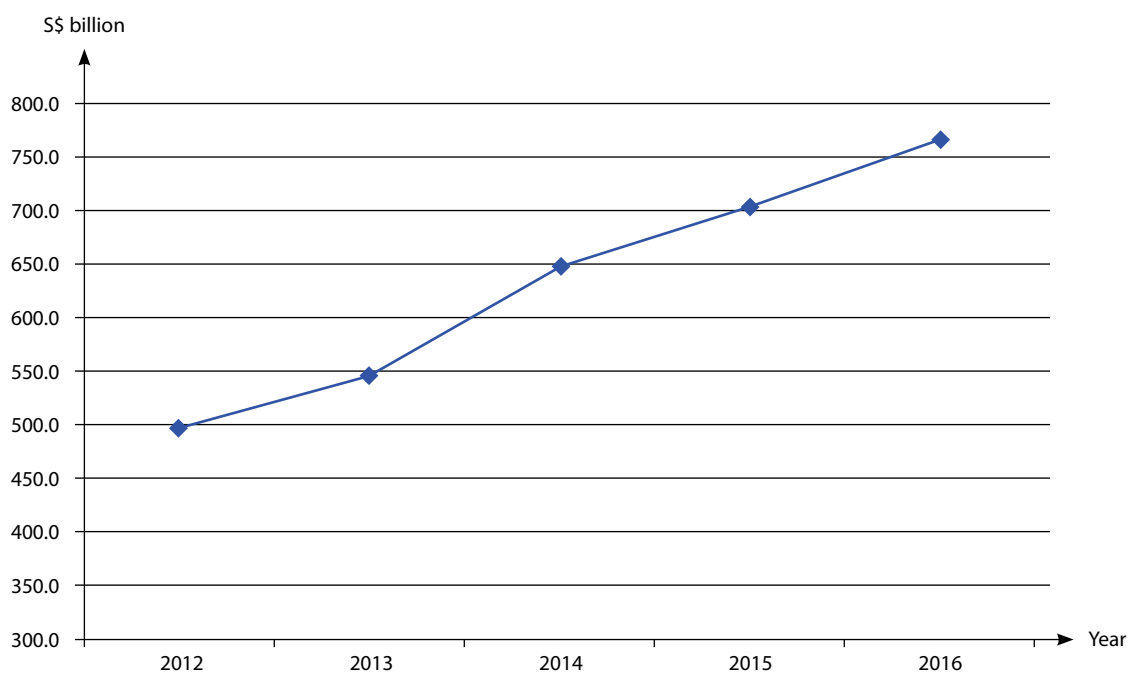
Source: Singapore Department of Statistics

### Singapore's Direct Investment Abroad

Singapore's direct investment abroad increased 8.8% year-on-year to reach S\$764.7 billion in 2016.

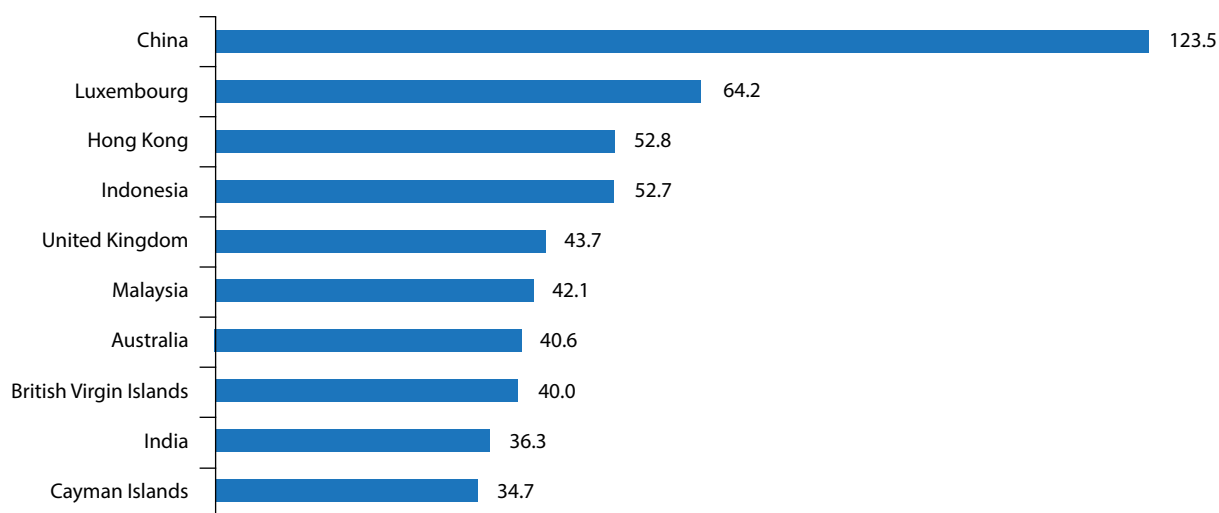


### Singapore's Direct Investment Abroad (2012-2016)



Source: Singapore Department of Statistics

### Top 10 Destinations for Singapore's Direct Investment Abroad in 2016 (S\$ billion)



Source: Singapore Department of Statistics

## GOVERNMENT PRO-BUSINESS SCHEMES

Singapore's government offers various schemes to support businesses in the country. Some of these schemes are administered by the Singapore Economic Development Board (EDB) and SPRING Singapore, both statutory boards under the Ministry of Trade and Industry.

EDB's corporate investment arm, EDBI, invests in globally competitive companies with high-growth potential, especially those in the biomedical sciences, information & communication technology, and smart & sustainable technology sectors. For more information about EDBI, visit [www.edbi.com](http://www.edbi.com).

Other government bodies, such as International Enterprise (IE) Singapore and Info-communications Media Development Authority (IMDA), also support eligible businesses.

Some pro-business government schemes in Singapore are shown in the following table. More information can be found on the government bodies' respective websites.

EDB <a href="http://www.edb.gov.sg">www.edb.gov.sg</a>	SPRING Singapore <a href="http://www.spring.gov.sg">www.spring.gov.sg</a>	IE Singapore <a href="http://www.iesingapore.gov.sg">www.iesingapore.gov.sg</a>	Inland Revenue Authority of Singapore <a href="http://www.iras.gov.sg">www.iras.gov.sg</a>
<ul style="list-style-type: none"> <li>▪ Research Incentive Scheme for Companies</li> <li>▪ Training Grant for Company</li> <li>▪ Productivity Grant</li> <li>▪ Pioneer Certificate Incentive</li> <li>▪ Development and Expansion Incentive</li> <li>▪ Finance &amp; Treasury Centre Incentive</li> <li>▪ Land Intensification Allowance</li> <li>▪ Aircraft Leasing Scheme</li> </ul>	<ul style="list-style-type: none"> <li>▪ Innovation &amp; Capability Voucher</li> <li>▪ Capability Development Grant</li> <li>▪ SME Loans</li> <li>▪ Startup SG</li> </ul>	<ul style="list-style-type: none"> <li>▪ Market Readiness Assistance Grant</li> <li>▪ Global Company Partnership Grant</li> <li>▪ International Marketing Activities Programme</li> </ul>	<ul style="list-style-type: none"> <li>▪ Wage Credit Scheme</li> <li>▪ Double Tax Deduction for Internationalisation Scheme</li> </ul>

Sources: Singapore Economic Development Board, SPRING Singapore, International Enterprise Singapore, and Inland Revenue Authority of Singapore

### Contributed by:

#### RSM

8 Wilkie Road  
 #03-08 Wilkie Edge  
 Singapore 228095  
 Tel: +65 6533 7600  
 Fax: +65 6538 7600  
 Email: [MKTG@RSMSingapore.sg](mailto:MKTG@RSMSingapore.sg)  
 Website: [www.RSMSingapore.sg](http://www.RSMSingapore.sg)

# HOUSING, TRANSPORT & EDUCATION IN SINGAPORE

## SINGAPORE: A GLOBALISED CITY STATE

Singapore possesses a total land area of 719.9 square kilometres, houses a population of 5.64 million, and is known for having one of the highest population densities in the world. The country has nonetheless achieved a high quality of living. Global human resource consulting firm Mercer ranked Singapore as the most liveable city in Asia on its 2017 Quality of Living Index, based on various factors such as the political, social and economic environments, medical and health considerations, and education.

The city state has a significant foreign population, with 71% comprising citizens and permanent residents (PRs), and 29% non-residents. The metropolitan city has a diverse mix of cultures, with people of various nationalities working in different industries.

The Singapore economy has evolved greatly in the last five decades. It began with industrialisation after Singapore's independence in 1965. As a country with no natural resources, a low-skilled labour force, and poor infrastructure, it had the uphill task of convincing foreign investors that it was a good place for business. Through the years, the government continued to play a critical role in steering the economy. Various strategies were crucial, in particular, diversifying the economy and developing new engines of growth, continuously seeking to move the manufacturing sector towards high-value added industries, a strong emphasis on manpower development through education and training, and embracing globalisation.

Today, Singapore has one of the highest gross domestic products per capita in the world. It remains well regarded as a triple-A-rated economy with consistent growth, a sound and stable location for business expansion, and a conducive environment for investments. It also prides itself as a well-established financial hub for Asia. The government continues to explore new engines of growth to diversify and drive the economy to take Singapore through the next phase of growth.

## HOUSING IN SINGAPORE

### Housing Types in Singapore

In Singapore, about 80% of all households reside in public housing flats, and the other 20% stay in private landed and high-rise non-landed residential properties. The home ownership rate among resident households is high at 91% as at 2016.

Public housing developments serve as a pillar of nation-building by promoting social mobility, social integration and shared experiences. These public housing flats planned by the Housing and Development Board (HDB), otherwise known as HDB flats, are located in housing estates equipped with a wide range of retail and other amenities – such as parks and children's playgrounds – to serve the daily convenience and lifestyle needs of residents.

The various types of HDB flats are listed in the following table.

### Typical Sizes and Common Features of Different Types of HDB Flats

Type of HDB Flat	Typical Size (in square metres)	Common Features
Studio Apartments (SA)	35 and 45	<ul style="list-style-type: none"> <li>▪ Designed to meet the needs of elderly residents</li> <li>▪ Sold on 30-year leases</li> <li>▪ Can accommodate a one- or two-member household comfortably</li> <li>▪ Each flat is sold in ready-to-occupy condition</li> </ul>
2-room flats	45	<p>Each flat comes with:</p> <ul style="list-style-type: none"> <li>▪ Living area that may be subdivided into an extra room, if needed</li> <li>▪ Kitchen</li> <li>▪ One bedroom with an attached bathroom</li> <li>▪ Storeroom-cum-apartment shelter</li> </ul>
3-room flats	60-65	<p>Each flat comes with:</p> <ul style="list-style-type: none"> <li>▪ Living area</li> <li>▪ Kitchen</li> <li>▪ One master bedroom with attached bathroom</li> <li>▪ One other bedroom</li> <li>▪ Common bathroom</li> <li>▪ Service yard and</li> <li>▪ Storeroom-cum-apartment shelter</li> </ul>
4-room flats	90	<p>Each flat comes with:</p> <ul style="list-style-type: none"> <li>▪ Living area</li> <li>▪ Dining area</li> <li>▪ Kitchen</li> <li>▪ One master bedroom with attached bathroom</li> <li>▪ Two other bedrooms</li> <li>▪ Common bathrooms and</li> <li>▪ Storeroom-cum-apartment shelter</li> </ul>
5-room flats	110	<p>Each flat comes with:</p> <ul style="list-style-type: none"> <li>▪ Living area</li> <li>▪ Dining area</li> <li>▪ Kitchen</li> <li>▪ One master bedroom with an attached bathroom</li> <li>▪ Two other bedrooms</li> <li>▪ Common bathroom</li> <li>▪ Storeroom-cum-apartment shelter</li> </ul>

## HOUSING, TRANSPORT & EDUCATION IN SINGAPORE

Type of HDB Flat	Typical Size (in square metres)	Common Features
3Gen flats	115	<p>Each flat comes with:</p> <ul style="list-style-type: none"> <li>▪ Living area</li> <li>▪ Dining area</li> <li>▪ Kitchen</li> <li>▪ One master bedroom with an attached bathroom</li> <li>▪ An additional bedroom with attached bathroom</li> <li>▪ Two other bedrooms</li> <li>▪ Common bathroom</li> <li>▪ Storeroom-cum-apartment shelter</li> </ul>
Executive flats	130	<p>Each flat comes with:</p> <ul style="list-style-type: none"> <li>▪ Living area</li> <li>▪ Dining area</li> <li>▪ Kitchen</li> <li>▪ Main bedroom with attached bathroom</li> <li>▪ Two additional bedrooms</li> <li>▪ Common bathroom and</li> <li>▪ Storeroom-cum-apartment shelter</li> </ul> <p>There is additional space for a study room. This can be easily converted into a small living room or a TV-viewing corner.</p> <p>Some executive flats come equipped with a balcony as well.</p>

Source: Housing and Development Board (HDB)

In addition to the conventional public housing developments, the government introduced two other schemes. Hybrid private-public housing developments known as Executive Condominiums (ECs) were first built in 1996 to cater to middle-income individuals whose earnings exceed the maximum limit to qualify for subsidised public housing but who may not be able to afford private property, where prices were beyond reach for many in a buoyant market. Starting out with a public development status, ECs will eventually attain private residential status after 10 years from their date of completion. The Design, Build, & Sell Scheme (DBSS) was introduced in 2005, where flats were developed by private developers to offer more designs and choices for public housing to meet the aspirations of higher-income public flat buyers.

There are various schemes under which Singapore citizens can purchase a public housing flat, and different eligibility conditions apply under each scheme. In general, married couples above the age of 21 and single persons above the age of 35 are eligible to purchase a public housing flat.

Private housing developments in Singapore include the following:

- Landed properties (detached houses, semi-detached houses and terraces)
- Non-landed properties (Private condominiums and apartments)

### COMMUTING IN SINGAPORE

#### Transport Network

Travelling by public transport in Singapore is fairly convenient with a relatively well-developed public transportation network. The government has invested heavily in continuously improving the various modes of public transport, with the Land Transport Authority spearheading policies to strengthen urban mobility. The three main modes of public transport are the Mass Rapid Transit (MRT), buses and taxis. Each type of public transport serves to cater to the different needs of commuters, ranging from cost to convenience. According to a study conducted by consulting company Credo, the public transportation system in Singapore is one of the most cost-efficient in the world.

#### Mass Rapid Transit and Light Rail Transit Systems

The most common form of public transport in Singapore is the MRT train system, which services an average daily ridership of 3.1 million. With five main lines running at present, a total rail network length of 170.8 kilometres and 106 stations in total, the MRT is one of the most common ways for commuters to travel to various parts of Singapore. It is also especially convenient to travel to downtown areas such as Orchard Road and the Central Business District.

A further extension of the local rail system is the Light Rail Transit (LRT), which forms the light rail component of Singapore's rail network. First started in 1999 to support the government's aim of facilitating intra-town travel, LRT systems have been developed in selected large towns to facilitate greater accessibility beyond town centres, improve commuting experience from MRT stations and minimise road traffic congestion.

#### Public Bus System

Complementing the train system is the diverse public bus network, which is provided by two operators, SBS Transit and SMRT. More than three million rides are recorded on a daily average basis, reflecting the reliability and importance of the bus network in providing commuters with a convenient experience and connectivity.

Together, the MRT and bus systems form a comprehensive public transport network in Singapore.

#### Taxi System

More than 25,000 taxis ply the roads of Singapore, with approximately 954,000 trips made daily on average. Taxis generally allow commuters to reach their destinations directly within a relatively shorter time, albeit at a higher cost. At present, there are six major taxi companies operating their fleets in Singapore:

- Comfort Taxi
- CityCab
- SMRT Taxis
- Transcab
- Premier Taxis
- Prime Taxi

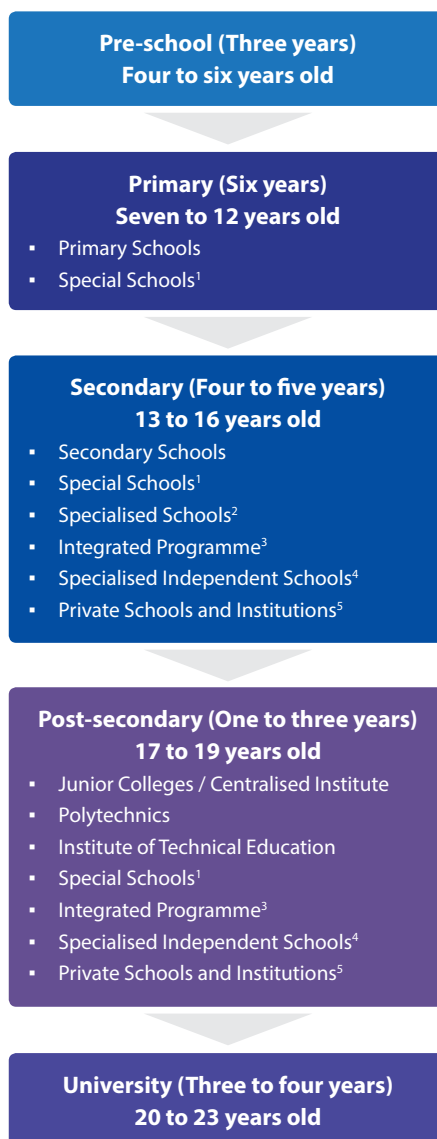
#### Private Hire Cars

In recent years, private hire car companies like Uber and Grab have also entered the local market. With fewer regulations governing the private hire car sector, drivers who could not meet the stringent requirements of the taxi industry have turned towards the private hire car sector instead. Such drivers typically offer the same services as a taxi, but at a lower cost. As a result, they are gaining popularity among both locals and foreigners.

### STUDYING IN SINGAPORE

Singapore's education system falls under the purview of the Ministry of Education (MOE). It is renowned for its emphasis on broad-based and holistic curricula, and has received numerous international accolades. The medium of instruction in mainstream schools is English and the following diagram shows an overview of various stages of education in Singapore.

#### Stages of Education in Singapore



Note: <sup>1</sup> Special schools cater for students with special needs, such as those with visual or hearing impairments/disabilities.

<sup>2</sup> Specialised schools offer customised programmes for students who are inclined towards hands-on and practical learning.

<sup>3</sup> The integrated programme combines secondary and junior college education into one programme.

<sup>4</sup> Specialised independent schools are for students with specific talents in areas such as maths, science, arts and sports.

<sup>5</sup> Private schools and institutions offer their own curricula.

## Ranking of Singapore's Education System by Accolades

Ranked by	How Singapore's Education System is Ranked
<b>PRIMARY EDUCATION</b>	
World Economic Forum's Global Competitiveness Report 2016-2017	<ul style="list-style-type: none"> <li>Quality of primary education ranked fourth out of 138 countries</li> <li>Top in enrolment for primary education, achieving universal primary education</li> </ul>
<b>HIGHER EDUCATION (SECONDARY &amp; TERTIARY EDUCATION)</b>	
World Economic Forum's Global Competitiveness Report 2016-2017	<ul style="list-style-type: none"> <li>Quality of education system ranked second out of 138 countries</li> <li>Ranked first among 138 countries in the quality of maths and science education</li> </ul>
<b>TERTIARY EDUCATION</b>	
2018 Quacquarelli Symonds (QS) World University Rankings	<ul style="list-style-type: none"> <li>Nanyang Technological University (NTU) – ranked the top university in Asia and 11<sup>th</sup> worldwide</li> <li>National University of Singapore (NUS) – ranked second in Asia and 15<sup>th</sup> worldwide</li> </ul>

Sources: World Economic Forum, Quacquarelli Symonds ([www.topuniversities.com](http://www.topuniversities.com))

Singapore has achieved almost universal education across the primary and secondary school levels. The mainstream or most typical route for a Singapore student begins with three years in pre-school from the age of four to six years old, followed by six years of compulsory primary education from seven to 12 years old. Then the student spends four to five years in a secondary school from 13 to 16/17 years of age.

After secondary education, students have the option to enter a Junior College (JC), polytechnic or Institute of Technical Education (ITE). Next, the graduating students in JCs or polytechnics may choose to proceed to further studies in a local university (also based on eligibility) or commence their working life.

### Primary Education

Primary education is a six-year course of education typically commencing when a child has reached six years of age. Since 2003, primary education has been legislated as compulsory for all Singapore citizens above the age of 6, with the exception of children who choose to attend designated schools, are granted the exemption for home-schooling, or have special needs due to physical/intellectual disability.

Primary education culminates in a Primary School Leaving Examination (PSLE), which all students must take. Their grades in this examination will determine the secondary schools they are eligible to enrol for. However, since 2004, the MOE has introduced the Direct School Admission – Secondary (DSA-Sec) Exercise that is conducted before the release of the PSLE results. Different schools may consider different criteria such as sporting ability or other talents, which is intended to consider a more diverse range of achievements and talents in students seeking placement in the school of choice. It serves as an alternative avenue for primary school students to be considered for admission to secondary schools. Students who have opted for a school under the DSA-Sec Exercise must achieve PSLE results that would enable them to be eligible for admission to a course offered by their chosen DSA-Sec schools.



Registration for primary school is conducted from June to September every year. There are more than 180 primary schools offering different numbers of vacancies, and the information will be made available publicly before the application period commences in June.

### **Option for Home-schooling**

Special exemption will have to be applied for home-schooling, and will only be granted if the parents are able to satisfy MOE that they will be able to achieve the two objectives of Compulsory Education (CE):

- Give the child a common core of knowledge that will provide a strong foundation for further education and training to prepare him/her for the knowledge-based economy; and
- Help to build national identity and cohesion.

Hence, the application for home-schooling will require parents to furnish information on the curriculum and educational outcomes of the home-schooling programme, and indicate how the child will receive instruction in National Education (NE). A child granted exemption from CE to be home-schooled has to attempt the PSLE in four subjects at Standard Level (English, Mother Tongue, Mathematics, Science) when he/she is above 11 years old, but before reaching 15 years of age, and meet the PSLE benchmark score for the year. The child is also required to sit the NE quiz before taking the PSLE.

### **Secondary Education**

Secondary schools place students in the Express, Normal (Academic), or Normal (Technical) courses according to how they perform in the PSLE. Each programme is intended to cater to different learning abilities and interests.

Students in the Express stream will take the GCE Cambridge 'O' Level examinations at the end of four years, while students in the Normal (Academic) and Normal (Technical) stream will take the GCE 'N' level examination at the end of five years. Their results in these examinations will be an important admission criterion considered by various post-secondary institutions.

There are more than 150 secondary schools with different annual enrolments in Singapore.

### **Junior Colleges and Centralised Institute**

Students have three options for post-secondary education: Pre-university education (in Junior Colleges (JCs) or a centralised institute), Polytechnic, or Institute of Technical Education (ITE).

Pre-university education prepares students for the GCE 'A' Level Examination at the end of a two-year JC or three-year centralised institute course.

### **Polytechnics**

There are currently five polytechnics in Singapore, each offering more than 35 courses. This education pathway is typically more practice-centred, and seeks to train students in relevant and specific skills for the workplace.

### **Integrated Programmes for Secondary and Post-secondary Education**

Since 2004, the Ministry of Education introduced Integrated Programmes (IPs) in selected secondary schools and JCs, which give academically strong students the option to choose an integrated secondary and JC education where secondary school pupils can proceed to the JC without taking the GCE 'O' Level Examinations. The time freed up from not having to prepare for the 'O' Level Examinations will allow those who are academically stronger to engage in broader learning experiences through a greater range of academic and non-academic curricula. The IPs lead to either the 'A' Level Examinations, International Baccalaureate, or other diplomas, depending on the programme offered by the school of choice.

### **School of the Arts (SOTA)**

Set up in 2004, SOTA is Singapore's first national pre-tertiary specialised arts school to offer a six-year unique integrated arts and academic curriculum for youths aged 13 to 18. It comes under the ambit of the Ministry of Culture, Community and Youth (MCCY) instead of the Ministry of Education.

The admission process is different from that typical to secondary schools or integrated programmes. The selection process involves a cognitive exercise, audition, personal interview, and portfolio review.

It is open to:

- Current Primary 6 students who are sitting for PSLE in 2014 (DSA-Secondary category)
- Students who will complete the equivalent of a Primary 6 education by 2014 (DSA-Secondary, Non-MOE category)
- Current Secondary 4 Express and Secondary 5 Normal (Academic) Stream students who are taking the GCE 'O' Level Examinations in 2014 (DSA-JC category)

For more information on admission into SOTA, visit: [www.sota.edu.sg](http://www.sota.edu.sg).

### **Institute of Technical Education (ITE)**

The ITE offers a technical education track, and could pave the way for higher level training at the polytechnics based on eligibility, should students decide not to enter the workforce yet.

### **LASALLE College of the Arts and Nanyang Academy of Fine Arts (NAFA)**

These are private institutions providing post-secondary education in the arts. Both offer publicly funded diploma programmes, and also receive government funding for selected degree programmes offered in partnership with reputable overseas universities.

### **University Education**

There are five autonomous universities in Singapore, namely:

- Nanyang Technological University (NTU)
- National University of Singapore (NUS)
- Singapore Institute of Technology (SIT)
- Singapore Management University (SMU)
- Singapore University of Technology and Design (SUTD)

The NTU and NUS are Singapore's most established universities and well regarded internationally. The other three universities are more specialised and have a smaller enrolment cohort annually than the other two. For example, SMU offers a business-focused curriculum, SUTD focuses on technology-intensive, design education in engineering and architecture, and the SIT offers industry-focused programmes for the growth sectors of the Singapore economy.

A graduate medical school, Duke-NUS Graduate Medical School Singapore, was also created through a partnership between Duke University School of Medicine and NUS to increase Singapore's capacity to develop a vibrant biomedical hub.

Apart from the five autonomous universities, there is also a private university, Singapore Institute of Management (SIM), which provides university education for working professionals and adult learners. In addition, there are several other branch campuses of well-regarded foreign tertiary institutions located locally.

### **Foreign System Schools (FSS)**

Although the public school system offers a high quality education framework, some expatriates may prefer enrolling their children in Foreign System Schools (FSS). This may especially be the case for students who have not used English as the medium of instruction prior to coming to Singapore.

There are currently more than 30 FSS imported from various countries that follow different education systems often congruent with those offered in the home country. As stipulated by the Immigration and Checkpoints Authority, all foreigners, except Dependant's Pass/Immigration Exemption Order holders, who wish to study in an FSS are required to apply for a Student's Pass. Since 20 June 2011, FSS registered with the Council for Private Education (CPE) need to be awarded with EduTrust certification to offer school placement for international students. Student's Pass applications will be accepted only if they are for international students who are enrolled in an EduTrust-certified FSS.

*Note: The views expressed in this article are based on regulatory requirements as at 25 October 2017.*

### **Contributed by:**

#### **Knight Frank Pte Ltd**

10 Collyer Quay

#08-01 Ocean Financial Centre

Singapore 049315

Tel: +65 6222 1333

Fax: +65 6222 9305

Email: [enquiry@knightfrank.com.sg](mailto:enquiry@knightfrank.com.sg)

Website: [www.KnightFrank.com.sg](http://www.KnightFrank.com.sg)

# TYPES OF BUSINESS ORGANISATIONS

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## SOLE PROPRIETORSHIPS AND GENERAL PARTNERSHIPS

All sole proprietorships and partnerships must be registered with the Accounting And Corporate Regulatory Authority ("ACRA") under the Business Registration Act, Cap 32. ACRA must be notified of any changes in the particulars of the proprietor, manager or partners of business firms within the prescribed timeline.

Sole proprietorships and general partnerships are not corporate bodies; i.e. sole proprietors and partners of partnerships have unlimited liability for the debts and obligations that arise from the businesses.

## LIMITED LIABILITY PARTNERSHIPS

A Limited Liability Partnership (LLP) must be registered with ACRA under the Limited Liability Partnerships Act 2005.

An LLP is essentially a partnership with limited liability. It is a body corporate and has a legal personality separate from that of its partners. The partners of an LLP have limited liability for the debts and obligations incurred by the LLP. An LLP has perpetual succession and any change in the partners of an LLP will not affect its existence, rights and liabilities. An LLP can sue and be sued in its own name. It can acquire, own, hold and develop property and incur debts.

## LIMITED PARTNERSHIPS

A Limited Partnership (LP) is not a separate legal entity. An LP must have at least two partners with at least one general partner and one limited partner. A general partner is liable for all debts and obligations of the LP whilst a limited partner is not liable for the debts and obligations of the LP beyond his agreed contribution. Limited partners do not take part in the management of the LP and have no authority to bind the LP.

An individual or a corporation may be a general partner or a limited partner.

## COMPANIES

A limited liability company is the most common form of business entity in Singapore. A limited company is incorporated under the Companies Act, Cap. 50 and registered with ACRA. A limited company may be limited by shares or limited by guarantee. A company may be registered as a private company if it does not have more than 50 shareholders and its Articles of Association restrict the right to transfer shares. Otherwise, the company must be registered as a public company.

A company is a body corporate and has a separate legal personality from its shareholders. The company can sue and be sued in its own name. It can own property and incur debts. The liability of the shareholders, if any, is limited to any amount unpaid on their shares. When the shares are fully paid-up, the shareholders have no further liability to contribute towards the debts of the company.

## JOINT VENTURES

A joint venture may take the form of equity investment in a limited liability company, limited liability partnership or general partnership. Joint ventures are governed by the laws of companies, limited liability partnerships or general partnerships, as appropriate.

## TYPES OF BUSINESS ORGANISATIONS

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### FOREIGN COMPANIES

A foreign company that wishes to establish a place of business or carry on business in Singapore may set up a branch. A subsidiary is a new legal entity incorporated under the Companies Act, Cap. 50 whilst a branch is an extension of a company incorporated elsewhere (i.e. the head office). A foreign company or a branch is to be registered with ACRA under the Companies Act, Cap. 50.

Whether an overseas corporation is deemed to be carrying on business through a branch in Singapore depends on the nature of the activities proposed. To determine whether the proposed activities will require the registration of a Singapore branch, it is advisable to obtain advice from professionals.

### REPRESENTATIVE OFFICES

A foreign company may establish a representative office in Singapore to undertake market research and feasibility studies on behalf of the parent company. A representative office is not permitted to engage in business, conclude contracts, and open or negotiate any letters of credit. Approval for the establishment of a representative office must be obtained from International Enterprise Singapore.

### INCORPORATING A COMPANY

Reservation and approval of a name for the company is the first step in the incorporation procedure. This is done by submitting the proposed company name and relevant information online to the Accounting and Corporate Regulatory Authority ("ACRA") together with payment of the requisite fee.

Once the name is approved, the incorporation information and documents, when ready, can be e-filed with ACRA. The company can commence business once it receives an e-notification of incorporation from ACRA, usually on the same working day of successful e-filing. A hard copy of the certificate of incorporation can be purchased from ACRA for a fee.

A Singapore company can be incorporated with a minimum of one director, who must be a natural person. Every company must have at least one director who is ordinarily resident in Singapore. Likewise, a company can have a minimum of one shareholder who may be an individual or a corporate entity. There is no restriction on foreign equity participation in a Singapore company.

There must be at least one company secretary who is a natural person and has his principal or only place of residence in Singapore. The sole director cannot, at the same time, act as the company secretary. Every company must have a registered office in Singapore to which correspondence may be sent.

The pre-incorporation procedures for the formation of a public limited company are essentially similar to those of a private limited company. The additional documents to be filed with ACRA are a statement in lieu of prospectus and a statutory declaration of compliance by the director that the company has not issued a prospectus.

In addition to the e-notification of incorporation, ACRA will issue a notification stating that the company is entitled to commence business.

A public company is required to hold a statutory meeting within a period of not less than one month and not more than three months after the date when the company is entitled to commence business. A copy of the statutory report and the auditors' report, if any, must be lodged with the Registrar at least seven days before the date of the statutory meeting.

### ANNUAL REQUIREMENTS FOR COMPANIES

Every company must appoint one or more auditors to report to its members on the accounts of the company unless it is dormant or a small company. A dormant company refers to a company with no accounting transactions.

With effect from 3 January 2016, a dormant company is exempt from preparing financial statements if:

- a. It is not listed (or not a subsidiary of a listed company);
- b. Dormant for the entire financial year; and
- c. Total assets of the company must be less than S\$500,000. For a parent company, the consolidated total assets of the group at any time within the financial year must not exceed S\$500,000.

The introduction of the "small company" concept is effective from the financial year commencing on or after 1 July 2015. To qualify as a small company, a company must be a private company that fulfils at least two of the following three quantitative criteria in each of the immediate past two financial years:

- a. Total annual revenue of not more than S\$10 million
- b. Total assets of not more than S\$10 million
- c. Number of employees of not more than 50

At each annual general meeting (AGM) of the company, the directors of the company are required to present an audited or unaudited (as the case may be) set of financial statements that gives a true and fair view of the company's affairs in the preceding financial year.

The first AGM of a company must be held within 18 months from the date of its incorporation and thereafter, subsequent AGMs must be held once every calendar year and not more than 15 months after the last AGM. The audited or unaudited accounts (as the case may be) to be laid before the shareholders at the AGM should be made up to a date not more than six months before the date of the AGM.

A private company may dispense with the holding of AGMs. All matters to be done at the AGM, such as laying of accounts and appointment of auditors, can be resolved or done via written resolutions.

Every company is required to file its annual return including where applicable, its audited accounts and/or financial statements in XBRL format with ACRA within 30 days after its AGM.

### REGISTRATION OF A FOREIGN COMPANY

#### Procedures

The first step in the registration of a branch of a foreign company in Singapore is to seek ACRA's approval of the name of the corporation. Once the name is approved, the registration documents and information, when ready, can be e-filed with ACRA to register the Singapore branch of the foreign company.

Under the requirements of the Companies Act, Cap. 50, a Singapore branch must have at least one authorised representative who must be ordinarily resident in Singapore.

The authorised representative of a foreign company is answerable for the execution of all acts and matters required to be done by the foreign company under the Companies Act, Cap. 50. The authorised representative is also personally liable for any penalties imposed on the foreign company for any contravention.

## TYPES OF BUSINESS ORGANISATIONS

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### **Annual Requirements for Foreign Companies**

A foreign company is required to lodge the following documents with the Registrar:

- Financial statements made up to the end of its financial year together with a declaration in the prescribed form (i.e. head office accounts); and
- A duly audited statement showing its assets used in and liabilities arising out of its operations in Singapore, a duly audited profit & loss account in respect of its operations in Singapore and a statement of the name of the auditor (i.e. branch accounts)

The financial statements of the Singapore branch and the company (i.e. head office) are to be e-filed with ACRA within 60 days after the date of the AGM of the corporation. If the company is not required to hold an AGM in its country of incorporation and to prepare its balance sheet, it shall e-file with the Registrar, financial statements in such form and containing such particulars as the directors of the company would have been required to prepare or obtain if the foreign company were a public company incorporated in Singapore, within a certain prescribed deadline. The company may, however, apply to the Registrar in writing for an order relieving the foreign company from the requirements of the Companies Act, Cap. 50 relating to the form and content of the accounts or report.

In addition to the annual filing requirements, the Singapore branch is required to e-file any changes in the particulars of the foreign company with ACRA, that is, any change of directors and their particulars, change of capital, amendments of its constitution or change of authorised representative.

### **REGISTRATION OF A LIMITED LIABILITY PARTNERSHIP (LLP)**

To register an LLP, the following information must be submitted to ACRA electronically:

- The proposed name of the LLP, its proposed principal activities and registered address
- The name and personal particulars of each partner and if the LLP partner is a corporate entity, the name of the company, registration number, date of registration, registered office, country of incorporation/registration and personal particulars of the authorised representative
- The name and personal particulars of the resident manager

At least one resident manager has to be appointed and his role is prescribed by the LLP Act. He is answerable for the execution of all acts and matters required to be done by the LLP relating to annual declaration of solvency/insolvency, the publication of name and limited liability, and the registration of changes in the particulars of the LLP. The manager is also personally liable for all penalties imposed on the LLP for any contravention of those sections under the LLP Act unless he satisfies the court hearing the matter that he should not be liable. In addition, the manager is responsible for submission of the LLP's tax return to the Inland Revenue Authority of Singapore (IRAS).

**COMPARISON OF SOLE PROPRIETORSHIPS, GENERAL PARTNERSHIPS, LLPs AND COMPANIES**

	Sole Proprietorships	General Partnerships	LLPs	Companies
Legislation	Business Registration Act, Cap. 32	Business Registration Act, Cap. 32	Limited Liability Partnerships Act 2005	Companies Act, Cap. 50
Legal status	Not a legal person	Not a legal person	A legal person (can enter into contracts, hold property, sue and be sued and exist irrespective of change of partners)	A legal person (can enter into contracts, hold property, sue and be sued and exist irrespective of change of shareholders)
Number of owners/ shareholders	One	Minimum – Two Maximum – 20 (except for professional firms)	Minimum – Two No maximum number of partners	Minimum – One director and one shareholder (who may be the same person)
Perpetual succession	No	No	Yes	Yes
Liability of owners/ shareholders	Sole proprietor has unlimited liabilities	Partners have unlimited liabilities	Not personally liable for the conduct of other partners, transactions or liabilities of the LLP unless it is for his own wrongful acts or negligence	Limited – the shareholder is not liable for the debts of the company
Internal structure	Complete flexibility	Complete flexibility	Complete flexibility	Owner–management divide
Audited accounts requirement	No	No	No	Yes (except for exempt private company with turnover less than S\$5 million or dormant company as defined in the Act)
Filing of financial statements (and/or financial statements prepared in XBRL format) with ACRA	No	No	No	Yes (with some exceptions)



## TYPES OF BUSINESS ORGANISATIONS

	Sole Proprietorships	General Partnerships	LLPs	Companies
Filing of annual return	No	No	No	Yes
Annual declaration of solvency	No	No	Yes	Yes – an exempt private company needs to provide solvency statement
Compliance with Financial Reporting Standards	No	No	No – Legislation does not prescribe the accounting standards to be used. The LLP Act mandates proper record keeping of accounts to enable the true and fair view of accounts to be presented	Yes
Appointment of a manager who is ordinarily resident in Singapore	Yes	Yes	Yes	NA
Appointment of a company secretary who is ordinarily resident in Singapore	NA	NA	NA	Yes
Income tax	Where the sole proprietor is an individual, his income from the sole proprietorship will be taxed based on personal income tax rate	Where a partner is an individual, his share of income from the general partnership will be taxed based on personal income tax rate	Where a partner is an individual, his share of income from the LLP will be taxed based on personal income tax rate	Corporate tax rate of 17%

## TYPES OF BUSINESS ORGANISATIONS

	Sole Proprietorships	General Partnerships	LLPs	Companies
Termination of business	Simple – file a notice of termination of business with ACRA upon payment of a prescribed fee	Simple – file a notice of termination of business with ACRA upon payment of a prescribed fee	Complex – must undergo legal procedures of winding up; professional charges will be incurred; strike off application is available if the conditions stipulated by ACRA can be met	Complex – must undergo legal procedures of winding up; professional charges will be incurred; strike off application is available if the conditions stipulated by ACRA can be met

*Note: Information stated in the table above is correct as at the date of publication.*

### Contributed by:

#### CorpServe

8 Wilkie Road

#03-08 Wilkie Edge

Singapore 228095

Tel: +65 6533 7600

Fax: +65 6594 7855

Email: [Info@CorpServe.com.sg](mailto:Info@CorpServe.com.sg)

Website: [www.CorpServe.com.sg](http://www.CorpServe.com.sg)

# BUSINESS & RESIDENTIAL PREMISES

## OFFICE SPACE

Singapore has a total office space supply of 84.4<sup>1</sup> million square feet, with 46% located within the Central Business District (CBD) precinct — the financial and commercial hub of Singapore. Local and foreign banks, multinational corporations, and established professional services firms are attracted to the CBD precinct because of its established business environment and easy access to public transportation and amenities. Apart from these key sectors, technology firms have also been seen expanding their footprint within the CBD in recent years.

To manage congestion within the CBD precinct, the Singapore government has also announced plans to develop alternative business hubs outside the Central Area such as the Jurong Lake District, Paya Lebar Central and Buona Vista. Such business hubs largely cater to companies with different business needs.

Apart from conventional office space, firms can consider co-working centres<sup>2</sup>, which have been seen expanding aggressively within the CBD, along Orchard Road and even the one-north precinct in recent years. These spaces are affordable options for start-ups to be located close to partners and clientele. Co-working centres are also popular among corporations that need to manage multidisciplinary project teams due to their flexible occupancy terms and innovative environments.

During your search for office premises, you may wish to take note of the following:

### Location

The choice of location largely depends on individual business objectives, needs and activities. For example, financial institutions generally choose to stay within the financial community at Raffles Place or Marina Bay, while insurance and shipping companies are clustered around the Tanjong Pagar area.

Arising from the government's initiative to decentralise the commercial centres in Singapore, new business precincts are beginning to develop in regional centres in recent years. The Metropolis, a twin-tower office development within the Buona Vista business precinct, has managed to attract high-profile established business tenants to set up their bases there. Meanwhile, many companies have also relocated their back-end operations to business parks in areas such as Mapletree Business City and Changi Business Park.

Other considerations include customers' expectations, proximity to suppliers and location of key competitors.

### Accessibility

Easy accessibility to public transport, especially train services, is critical in staff recruitment and retention. At the same time, it is important to have eating places and other amenities within close proximity to business locations.

### Building Specifications

The facade of the building is important for businesses where corporate image is critical. The building's power supply capacity, air conditioning systems, internet connectivity, cable management, security system, car park provisions, and other features are also important considerations.

<sup>1</sup> Statistics of office space as at 2Q 2017

<sup>2</sup> Co-working space is defined as a shared office environment that is not employed exclusively by a single organisation.

### TYPICAL OFFICE LEASE TERMS

#### Rental

The rental rate is usually quoted as gross rent, comprising a base rent and service charge paid monthly in advance. The rental is subject to the Goods and Services Tax (GST) that is to be borne by the tenant.

#### Service Charge

The service charge ranges from S\$1.00 to S\$1.40 per square foot and is generally included in the gross rent. Generally, service charge covers air conditioning during normal office hours, building management and maintenance of common areas in the building. This is subject to adjustments if there are changes in the maintenance cost and such increases are payable by the tenants.

#### Security Deposit

A security deposit is usually payable upon confirmation of the lease and refundable without interest at the end of the lease. The security deposit is typically equivalent to three months' gross rent, or equivalent to six months' gross rent for tenants with a paid-up capital of less than six months' gross rent. The exact amount is subject to negotiation. A banker's guarantee may be used as an alternative to a cash deposit, subject to negotiation.

#### Lease Period

The lease period is typically three years or five years with an option to renew at a rent to be agreed or reviewed according to the prevailing market rate. For multiple floor tenancies or anchor tenants, longer leases may be negotiated.

#### Insurance

Tenants are required to take up public liability insurance.

#### Renovation Deposit

Tenants are required to place a renovation deposit with the landlord to cover any damages caused to the common areas during the renovation period. This deposit is refunded without interest upon completion of the renovation works.

#### Legal Fee

It is common practice that tenants bear the landlord's legal costs in relation to the preparation, negotiation and execution of the lease document.

#### Stamp Duty

Stamp duty is a tax on commercial and legal documents, which record and give effect to transactions. It is payable by the tenants on leases.

#### Property Tax

Property tax is payable by the landlord. However, when there is an increase in the property tax during the lease term, landlords reserve the right to pass on the increase to tenants.

#### Rent-free and Fitting Out Periods

Depending on the size of the premises and prevailing market conditions, the rent-free and fitting out period can range from one month to three months. Most landlords will waive the payment of service charge during this period although there may be exceptions.

#### Utilities

Tenants are required to bear the cost of making their own supply arrangements and utilities connections.

## BUSINESS & RESIDENTIAL PREMISES

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### **Air Conditioning**

Office hours air conditioning is typically provided within the service charge whereas after office hours air conditioning is chargeable on a use basis. Tapping the building's air conditioning system for auxiliary air conditioning is also chargeable on a use basis. Generally, the normal office hours are from 8am to 6pm on weekdays and 8am to 1pm on Saturdays.

### **Parking**

Season parking lots are typically allocated to tenants based on the total area leased at a monthly charge of approximately S\$150 to S\$250 for buildings outside the CBD and S\$300 to S\$500 for buildings inside the CBD, excluding Goods and Services Tax (GST).

### **Maintenance**

Tenants are typically responsible for the renovation, repair and cleaning of the unit's interior. The landlord carries out maintenance and repairs on the exteriors of the unit, including the building provisions and common areas.

### **Reinstatement**

Tenants are typically required to restore and reinstate their office premises to its bare and original condition upon expiry of the lease.

## INDUSTRIAL SPACE

Industrial buildings in Singapore are carefully planned and located in major industrial estates spread across the country. It is common for industrial spaces that cater to clean industries to be located in the central and fringe areas. In contrast, industrial spaces that support heavy industrial uses can be typically found in the outskirts of Singapore as a form of pollution control measure. Examples of heavy industrial estates include Jurong, which is the largest estate situated at the western part of the island, Senoko to the north and Changi, which is near the airport at the eastern end of Singapore. Jurong Town Corporation (JTC) is the main government agency in Singapore to spearhead the planning, promotion and development of the industrial landscape. The Housing & Development Board, which also manages some of the industrial spaces in Singapore, will transfer its industrial portfolio entirely to JTC by the first quarter of 2018.

There are restrictions and covenants for the type of industrial activities that can operate in each estate. Generally, there are more rules and regulations for industrial spaces catering to heavy industries, compared with clean industries. Each location has its advantages depending on your specific needs and trade. A professional property agent, such as Knight Frank, should be able to assist you in your site selection.

## TYPICAL INDUSTRIAL LEASE TERMS

### **Rental**

The rental rate is usually quoted as gross rent, comprising a base rent plus service charge. Rent is paid monthly. GST is payable to all GST-registered landlords. The base rent may vary according to the type of usage, location and building specifications.

### **Service Charge**

The service charge usually ranges from S\$0.30 to S\$0.40 per square foot of the gross rent for non-air conditioned spaces and approximately S\$0.70 to S\$0.80 per square foot of the gross rent for air conditioned spaces. It covers management and maintenance of common areas in the building.

This is subject to changes in the maintenance fee. Any cost increase is payable by the tenant.

### **Security Deposit**

The amount of security deposit payable depends on the total lease term. For a one-year lease term, the amount of security deposit will be one month gross rent. For a two-year lease term, two months of security deposit will be required. In some cases, landlords may request up to six months of security deposit. The security deposit is refundable without interest at the end of the lease, subject to the terms and conditions of the lease. A banker's guarantee may be an alternative to cash deposit, subject to negotiation.

### **Lease Period**

The lease period is usually two or three years with the option to renew for another one to three years based on prevailing market rates. For lease of a sizeable area, landlords are open to longer leases, subject to negotiation.

### **Insurance and Fitting Out Deposit**

Throughout the duration of the lease, the tenant will be required to maintain adequate insurance coverage for fire and peril protection. The premium differs from building to building.

It is also common practice for tenants to lodge a renovation deposit with the landlord to cover the costs of rectifying any damage caused by the contractor to common areas of the building.

The deposit, after the deduction of costs for rectification (if any), will be refunded to the tenant upon completion of fitting out.

### **Renovation Costs**

Renovation costs are dependent on the clients' specifications and nature of business. They can vary significantly depending on the nature of the renovation works. However, the average renovation costs for ancillary office space areas are as follows:

- Budget Range: approximately S\$60 per square foot area
- Medium Range: approximately S\$80 per square foot area
- High Range: approximately S\$100 per square foot area or more

These costs comprise partitions, false ceilings, air conditioning, simple furniture, as well as designer and professional consultant fees. The renovation period may last from two weeks (for space of about 1,000 square feet) to three months (for space of more than 10,000 square feet).

### **Rent-free and Fitting Out Period**

Depending on the size of the premises and prevailing market conditions, the rent-free and fitting out period can range from one to three months and is subject to negotiations.

### **Legal Fee**

It is advisable for the tenant to engage a lawyer for advice on all legal matters pertaining to the tenancy agreement and the cost is borne by the tenant.

### **Property Tax**

Property tax is usually payable by the property owner. However, there are cases where it is passed on to the tenants.

### **Stamp Duty**

Stamp duty is a charge levied on all documents that are officially stamped by the government authority. It is applicable to documents pertaining to the lease and normally borne by the tenants. The duty payable is dependent on the size of the lease transaction.

### **Seller's Stamp Duty**

On 11 January 2013, the government announced that a seller's stamp duty (SSD) would be imposed on industrial properties that are bought or acquired on and after 12 January 2013 and sold or disposed of within three years. The amount of SSD payable shall be computed based on the following rates:

- Holding period of one year: 15% of price or market value, whichever is higher
- Holding period of two years: 10% of price or market value, whichever is higher
- Holding period of three years: 5% of price or market value, whichever is higher

Industrial properties acquired before 12 January 2013 will not be subject to SSD.

### **Utilities**

Fixtures for lightings and water supply (if any) within the unit are typically provided by owners, but the tenant shall pay for the utility charges of electricity and water consumed within the unit. The tenant or the interior designer will be required to make arrangements for the connection of utilities. Charges incurred for connection and consumption are borne by the tenant through a direct account with the utilities company. Utilities such as electricity, water and gas are provided by SP Services.

Telecommunication services are provided by companies such as Singtel, StarHub and M1.

### **Parking**

Season parking lots are allocated to tenants according to the total area leased at a monthly season charge of approximately S\$80 to S\$120 for multi-tenanted factories. This applies to stand-alone factories too. Cars can also be parked in neighbouring buildings or public multi-storey car parks. Curb-side coupon parking is also available in certain areas.

### **Maintenance**

Tenants are responsible for the renovation, repair and cleaning of the unit's interior. Maintenance and repairs to the exterior of the unit, such as the common areas, are carried out by the owners or the Management Corporation (for multi-owner buildings).

### **Reinstatement**

Normally, reinstatement (or restoring the unit to its original condition) is required upon termination of the lease. This is to be discussed and agreed upon by both parties at the start of the negotiation and will be indicated in the tenancy agreement. It is common market practice for the tenant to restore the unit to the bare/original condition unless otherwise stated.

### **Assignment of Lease**

Assignment or transfer of lease refers to the transfer of estates, rights, title and interest in the property from the assignor (seller) to the assignee (buyer). This policy ensures that industrialists who have leased industrial land based on their proposed business plans remain committed for a sustained and reasonable period of time, while also allowing lessees to exit on grounds of genuine business reasons.

### Third Party Facility Assignment of Lease

Previously, new JTC lessees (both industrialists and third-party facility providers) were not allowed to assign or sell their premises until they have fulfilled the investment period, which is typically three years. With effect from 15 November 2013, the Assignment of Lease policy was revised to better respond to the recent trends in the industrial land market. The revisions in the assignment prohibition period and minimum occupation period are applicable to all new and renewed contracts for JTC facilities on lease, as well as new assignments issued from 15 November 2013.

The new changes are as follows:

	Assignment Prohibition Period (i.e. duration in which lessee is not allowed to assign)
Third-party facility provider lessees in new third-party build-and-lease contracts	During investment period and five years thereafter
Third-party facility providers who have purchased JTC facilities from the secondary market (i.e. new assignment contracts)	<p>Leases with ≤ 30 years remaining</p> <ul style="list-style-type: none"> <li>five years from date of legal completion of assignment</li> </ul> <p>Leases with &gt; 30 years remaining</p> <ul style="list-style-type: none"> <li>10 years from date of legal completion of assignment</li> </ul>
All third-party facility provider lessees	Leases with < five years remaining

Source: Jurong Town Corporation (JTC)

### Minimum Occupation Period and Gross Floor Area for Anchor Tenants

With effect from 15 November 2013, the minimum occupation period for new anchor tenants in the Third-Party Build and Lease Scheme has also been lengthened to at least five years, depending on the lease term.

The new changes are as follows:

	Minimum Occupation Period (i.e. duration in which anchor tenant is required to operate on the premises)	Minimum Gross Floor Area (GFA) (i.e. space that anchor tenants are required to occupy)
Anchor tenants in new third-party build-and-lease programme	During investment period and five years thereafter	Collectively, to occupy at least 50% GFA and each to occupy minimally 1,500 square metres
Anchor tenants in new sale-and-leaseback programme	<p>Leases with ≤ 30 years remaining</p> <ul style="list-style-type: none"> <li>five years from date of legal completion of assignment</li> </ul> <p>Leases with &gt; 30 years remaining</p> <ul style="list-style-type: none"> <li>10 years from date of legal completion of assignment</li> </ul>	Collectively, to occupy at least 50% GFA and each to occupy minimally 1,500 square metres

Source: Jurong Town Corporation (JTC)



### RESIDENTIAL ACCOMMODATION

The residential market in Singapore is very diverse and offers a variety of lifestyle options ranging from city and suburban living to high-rise housing and landed homes. These present many choices that cater to young working professionals as well as families.

Most condominiums in Singapore are equipped with 24-hour security and facilities such as gyms, swimming pools, barbecue pits, and playgrounds. Landed residential properties are also available for lease, but will not have such facilities. There are no restrictions on foreign ownership of condominiums. However, the purchase of landed properties by a foreigner (individual or company) is subject to written permission from the Land Dealings Approval Unit.

Prime residential districts 9, 10 and 11 remain among the top choices for foreign investors and expatriates relocated to Singapore. Attractions in these districts include the prime shopping belt of Orchard Road, famous international and local schools, as well as Holland Village and Dempsey, which are the favourite F&B enclaves for both expatriates and locals alike. Over the years, the Marina Bay, Shenton and Tanjong Pagar areas, which are located within the Central Business District (CBD), have grown in popularity largely due to government initiatives in enhancing the attractiveness of the CBD as a live, work and play area. The last few years also saw the completion of a number of luxury condominiums and ungated landed homes situated in Sentosa, an island approximately 20 minutes' drive from the CBD.

### FOREIGNERS RENTING A HOME IN SINGAPORE

#### Lease Period

The lease period for residential units in Singapore is usually two years with an option to renew. The rent for the initial lease term is usually fixed and will be renegotiated at prevailing market rates when the option to renew is exercised. Leases for a one-year period are occasionally available.

A diplomatic (or break lease) clause is included in the lease and exercisable after 12 months of a two-year lease. For lease periods of one year, landlords prefer not to have a diplomatic clause although in certain cases, it is possible to negotiate for a six-month diplomatic clause. For pre-termination of the lease, the tenant is required to give two months' notice or pay two months' rent in lieu to the landlord.

#### Rental

The rental is usually quoted as gross rental, which comprises the rent, maintenance fee and fixtures & fittings. The market standard for provision of fixtures & fittings includes a fully fitted kitchen (Hood, hob, fridge, washer, dryer and oven. Microwave and dishwasher are optional), lights, curtains, wardrobes and a water heater. The inclusion of soft furnishings is subject to negotiation. Rent is usually paid on a monthly basis and the prevailing GST rate of 7% is payable by the tenant if the landlord is GST-registered.

#### Security Deposit

A gross rent of two months is payable by the tenant to the landlord upon endorsement of the Tenancy Agreement. This is refundable (interest-free) to the tenant upon termination of the lease and subject to due performance of the terms and conditions of the lease by the tenant. A banker's guarantee is not acceptable.

### Utilities

Utility charges, such as electricity, water and gas, are borne by the tenant. The service provider for these utilities is SP Services.

### Car Park

Most residential developments provide for car parking. However, some mixed residential developments with retail/office space may have limited car parking space available for residents.

### Stamp Duty for Lease

Stamp duty is payable by the tenant. With effect from 22 February 2014, the stamp duty for lease with an average annual rent above S\$1,000 has changed. Details of the stamp duty are as follows:

#### Before 22 February 2014:

Lease / Tenancy	Rates
(a) Where average annual rent does not exceed S\$1,000	Exempted
(b) Where average annual rent exceeds S\$1,000:	
For every S\$250 or part thereof of the average annual rent for lease term:	
Up to one year	S\$1
More than one year and up to three years	S\$2
More than three years or for an indefinite term	S\$4

Source: Inland Revenue Authority of Singapore (IRAS)

#### On and after 22 February 2014:

Lease / Tenancy	Rates
(a) Where average annual rent does not exceed S\$1,000	Exempted
(b) Where average annual rent exceeds S\$1,000:	
Lease period of four years or less	0.4% of total rent for the period of the lease
Lease period of more than four years or for an indefinite term	0.4% of four times the average annual rent for the period of the lease

Source: Inland Revenue Authority of Singapore (IRAS)

### Legal Fee

It is advisable for tenants to engage a lawyer to advise them on all legal matters pertaining to the tenancy agreement and the cost is borne by the tenant.

### FOREIGNERS PURCHASING PRIVATE PROPERTY IN SINGAPORE

#### Foreign Ownership of Residential Properties in Singapore

##### Public Housing Flats

For the purchase of public housing, certain regulations exist for foreign homebuyers. HDB flats are subsidised public housing that foreigners are generally not eligible to purchase. There are, however, exceptions under the following circumstances:

- To purchase a new HDB flat:
  - At least one Singaporean citizen in the family nucleus
- To purchase a flat on the resale market:
  - At least one Singaporean citizen in the family nucleus
  - At least two Singapore permanent residents in the family nucleus, or engaged to be married
- To purchase ECs, foreigners may buy resale ECs in the open market from the eleventh year after completion of the EC project when it is privatised.

##### Private Properties

Under the Residential Property Act of 1973, a foreign person cannot acquire or purchase restricted residential property unless he obtains prior approval of the Minister of Law. Restricted property includes:

- Vacant residential land
- Landed property i.e. detached land, semi-detached house, terrace house (including linked house or townhouse)
- Landed property in strata developments that are not approved condominium developments under the Planning Act

However, a foreign person is not restricted from acquiring the following:

- Any apartment within a building
- Any unit in an approved condominium development under the Planning Act
- A leasehold estate in restricted residential property for a term not exceeding seven years, including any further term that may be granted by way of an option for renewal

In light of various measures restricting foreigners from purchasing properties in Singapore, a popular hotspot has emerged: Sentosa Cove. Since August 2004, foreigners have been allowed to purchase landed properties on Sentosa Cove. Such purchases are further facilitated by the absence of any minimum occupation period imposed on the foreign buyer. Nevertheless, such purchases would be subject to restrictions – the property must be owner-occupied and the foreign homebuyer is only allowed to own one restricted residential property at any one time in Singapore. These foreign homebuyers also have to seek approval from the Land Dealings (Approval) Unit of Singapore Land Authority for their Sentosa Cove purchases, although the process is quicker compared with conventional approvals.

#### Loans

As at June 2013, the Monetary Authority of Singapore (MAS) introduced a Total Debt Servicing Ratio (TDSR) framework, with a refinement of Loan-to-Value (LTV) rules on 11 March 2017. The debt servicing framework applies to borrowers seeking to take property loans or credit facilities secured by property from any bank in Singapore.

The details of the new framework are as follows:

Framework	Requirements	Details
<b>Total Debt Servicing Ratio (TDSR)</b>	Overview	<ul style="list-style-type: none"> <li>▪ The TDSR, given by the formula below, cannot exceed 60%.  <math display="block">\frac{\text{Monthly total debt obligation}}{\text{Gross monthly income}} \times 100\%</math> </li> <li>▪ Applies to borrowers who are applying for credit or re-financing facilities for the purchase of property or where the facility is otherwise secured by property</li> <li>▪ Covers properties in and outside of Singapore</li> <li>▪ Does not apply to mortgage equity withdrawal loans with Loan-to-Value (LTV) ratio equal to or below 50%</li> </ul>
	Monthly total debt obligations	<ul style="list-style-type: none"> <li>▪ Take into consideration borrowers' outstanding property and non-property debt obligations when computing monthly total debt obligations</li> <li>▪ Apply a specified medium-term interest rate of 3.5% for housing loans and 4.5% for non-residential property loan, or the prevailing market interest rate, whichever is higher, to the property loan that the borrower is applying for when calculating the TDSR</li> </ul>
	Gross monthly income	<ul style="list-style-type: none"> <li>▪ Gross monthly income excluding CPF employer contribution</li> <li>▪ 30% 'haircut' for variable income, e.g. bonuses, commissions, allowances, rental</li> <li>▪ Can include certain eligible financial assets, subject to haircuts and an amortisation schedule over 48 months for conversion into "income streams"</li> </ul>
	Exemption	<ul style="list-style-type: none"> <li>▪ Re-financing loan by borrowers who are owner occupiers and:                             <ul style="list-style-type: none"> <li>• The option to purchase was granted prior to 29 June 2013</li> <li>• The residential property is the only property owned by the borrower</li> <li>• No other outstanding property loan in the borrower's name</li> </ul> </li> <li>▪ Bridging loans, under which any balance outstanding shall be repaid within six months, are exempted from the TDSR requirements</li> <li>▪ Exclude monthly repayment of existing residential property loans when computing the TDSR for the HDB flat or executive condominium to be bought directly from developer</li> </ul>

## BUSINESS & RESIDENTIAL PREMISES

Framework	Requirements	Details
<b>Application of Loan-to-Value Limits</b>	Mortgagor of property loans	<ul style="list-style-type: none"> <li>Borrowers named on a property loan are also to be the mortgagors of the residential property for which the loan is taken</li> <li>Borrowers are subject to TDSR assessment</li> </ul>
	Guarantor of property loans	"Guarantors" who are standing guarantee for borrowers otherwise assessed by financial institutions at the point of application for the housing loan and do not meet the TDSR threshold for a property loan are to be brought in as co-borrowers.
	Income-weighted average age for loan tenure provision	In the case of joint borrowers, the income-weighted average age of borrowers will be used when applying the rules on loan tenure.

Sources: Monetary Authority of Singapore, Knight Frank Research

### Limitations on Loan-to-Value (LTV) Ratio

In January 2013, MAS lowered the LTV limits for housing loans to individuals with one outstanding housing loan from 60% to 50%, and from 60% to 40% for individuals with two or more outstanding housing loans. Loans with longer tenures faced even tighter LTV limits. The LTV limit for housing loans to non-individuals was also reduced to 20%.

### Interest Rates

There are two types of interest rates being offered by banks — floating rates and fixed rates.

However, banks may offer a mixture of floating and fixed rates for different situations. There is usually a minimum loan period of three years i.e. a penalty will be imposed on early redemption.

Interest rates and mortgage packages vary from bank to bank. If you are buying the property under a company's name, the interest rate will be approximately 0.5% to 1% higher per annum (depending on the loan amount, market conditions and rates offered by different banks), compared with buying under a personal name.

### Payment Terms

Payment terms vary when purchasing from developers or from private individual owners as shown below.

#### Purchase of Private Properties from Housing Developers

Developers normally offer progressive payment schemes following the stages of construction.

#### Purchase of Private Properties from Individual Owners – Private Treaty

Event	Payment to be Made	Time Frame for Payment
Issue of Option to Purchase	Booking fee, usually 1% of the purchase price	Upon issuance of the Option to Purchase
Upon exercising Option to Purchase	Deposit, usually 4% of the purchase price	Within two weeks from issuance of Option to Purchase
Completion of purchase, seller hands keys over to purchaser	Remaining 95% of the purchase price	Six to eight weeks from the time the Option to Purchase is exercised

### Stamp Duty and Legal Fee

From 12 January 2013 onwards, foreigners who want to acquire a residential property in Singapore have to pay an Additional Buyer's Stamp Duty (ABSD) of 15% on the higher of the total purchase price or market valuation. This ABSD comes on top of the standard Buyer's Stamp Duty (BSD). The BSD is imposed on the higher of the total purchase price or market valuation. A quick summary of the ABSD and BSD is shown in the table below:

#### BSD and ABSD Rates for Citizens, Singapore Permanent Residents (PRs) and Foreigners

Profile of Buyer	BSD Rates	ABSD Rates (from 12 January 2013)
Foreigner buying residential property		15%
Singapore PR buying first residential property	1% of the first S\$180,000	5%
Singapore PR buying second and subsequent residential property	2% of the next S\$180,000	10%
Singapore citizen buying first residential property	3% of the remainder	Nil
Singapore citizen buying second residential property		7%
Singapore citizen buying third and subsequent residential property		10%

Source: Inland Revenue Authority of Singapore (IRAS)

### Property Tax

Properties are also taxed on an ownership basis. Property tax is calculated by applying the prevailing property tax rate on the Annual Value (AV) of the property. The AV is estimated based on market rentals of similar or comparable properties. With effect from 1 January 2014 and 1 January 2015, the following rates of property tax are payable:

#### Tax Rates for Property Ownership in Singapore

Owner-Occupier Tax Rates		
Annual Value (S\$)	Effective 1 January 2014	Effective 1 January 2015
First 8,000	0%	0%
Next 47,000	4%	4%
Next 5,000	5%	6%
Next 10,000	6%	6%
Next 15,000	7%	8%
Next 15,000	9%	10%
Next 15,000	11%	12%
Next 15,000	13%	14%
AV in excess of 130,000	15%	16%

Source: Inland Revenue Authority of Singapore (IRAS)

## BUSINESS & RESIDENTIAL PREMISES

### Capital Gains Tax

There is currently no capital gains tax in Singapore.

### Sellers' Stamp Duty

In the government's attempt to move towards a stable market, any residential properties purchased on or after 14 January 2011 are subject to a sellers' stamp duty. Residential properties that are sold within the first, second and third year from the date of acquisition are subject to a 12%, 8% and 4% stamp duty tax respectively.

### Additional Buyer's Stamp Duty (ABSD)

Segment / Measure		Before 12 January 2013	From 12 January 2013
<b>ALL RESIDENTIAL</b>			
ABSD rates raised between five and seven percentage points	Singaporeans	<ul style="list-style-type: none"> <li>▪ First and second purchase: 0%</li> <li>▪ From third purchase: 3%</li> </ul>	<ul style="list-style-type: none"> <li>▪ First purchase: 0%</li> <li>▪ Second purchase: 7%</li> <li>▪ From third purchase: 10%</li> </ul> <p><i>*Singaporean first-time buyers and Singaporean buyers of HDB flats unaffected</i></p> <p><i>*ABSD relief provided for eligible married couples with at least one Singaporean spouse</i></p>
	Permanent residents	<ul style="list-style-type: none"> <li>▪ First purchase: 0%</li> <li>▪ From second purchase: 3%</li> </ul>	<ul style="list-style-type: none"> <li>▪ First purchase: 5%</li> <li>▪ From second purchase: 10%</li> </ul>
	Foreigners and corporate entities	10%	15%

Foreigners and non-individuals (corporate entities) buying any residential property will pay an ABSD of 15% on their residential property purchases.

The ABSD will be imposed over and above the current Buyer's Stamp Duty, and will apply to the purchase price or market value of the property (whichever is higher) for the purchases as shown in the table above.

Nationals and permanent residents of Switzerland, Liechtenstein, Norway, and Iceland, as well as nationals of the United States of America, fall within the scopes of the respective Free Trade Agreements (FTAs), and will be accorded the same treatment as Singapore citizens.

### Additional Conveyance Duty for Property Holding Entities

As of 11 March 2017, the Additional Conveyance Duty (ACD) applies if you are buying or selling shares or units ("equity interests") in property-holding entities (PHEs) that own significant interest primarily in residential properties in Singapore.

### Residential Properties and Parts of the Property deemed as Residential

Zoning	Part of the Property deemed as Residential
Residential	100% of the GFA
Residential / Institution	
White	
Commercial & residential	60% of the GFA
Residential with commercial at first storey	Maximum GFA for residential purposes

A qualifying acquisition happens when the equity interest in a residential PHE is acquired and the buyer is already a significant owner of the residential PHE before the acquisition, or becomes a significant owner of the residential PHE after the acquisition, on or after 11 March 2017.

A qualifying disposal happens when the seller is a significant owner of the residential PHE and the equity interest of the PHE disposed of is acquired on or after 11 March 2017, and is disposed within 3 years of acquisition on a first-in, first-out basis.

A Type 1 PHE means the market value of the target entity is at least 50% of the total value of its total tangible assets.

A Type 2 PHE means the target entity has 50% or more beneficial interest (directly or indirectly) in one or more Type 1 PHE entities, and the sum of the market values of the residential properties owned by the target entity and related entities is at least 50% of the total tangible assets of the target entity and its related entities.

Therefore, in addition to the existing stamp duty on shares, the ACDs that will apply to the qualifying transfer of equity interest in PHEs are:

- Additional Conveyance Duty for Buyers:
  - Existing Buyer's Stamp Duty at 1% on the first S\$180,000, 2% on the next S\$180,000, and 3% on the remaining market value
  - Additional Buyer's Stamp Duty at 15% on the entire value
- Additional Conveyance Duty for Sellers:
  - Seller's Stamp Duty at 12%

### Maintenance Fees

Maintenance fees depend on the size of the property and vary between different developments.

Maintenance fees are usually payable on a quarterly basis to the corporation set up to manage the specific property. For new projects, maintenance fees will only be incurred upon completion.

*Note: The views expressed in this article are based on regulatory requirements as at 30 September 2017.*

### Contributed by:

#### **Knight Frank Pte Ltd**

10 Collyer Quay

#08-01 Ocean Financial Centre

Singapore 049315

Tel: +65 6222 1333

Fax: +65 6222 9305

Email: enquiry@knightfrank.com.sg

Website: www.KnightFrank.com.sg

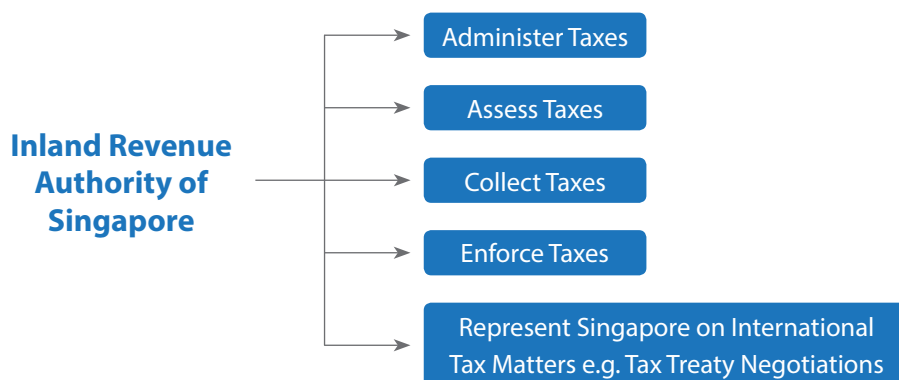


# TAXATION IN SINGAPORE

## INTRODUCTION

The major types of taxes that affect businesses and companies in Singapore are income tax, goods and services tax, stamp duty, property tax and customs and excise duties. Singapore has no capital gains tax.

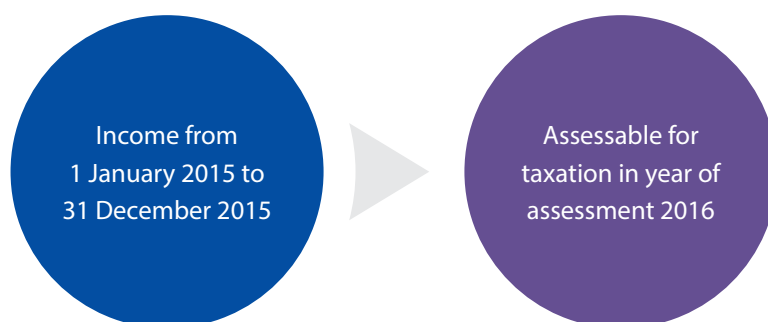
The Inland Revenue Authority of Singapore (IRAS) acts on behalf of the Singapore government and its roles are shown in the following diagram:



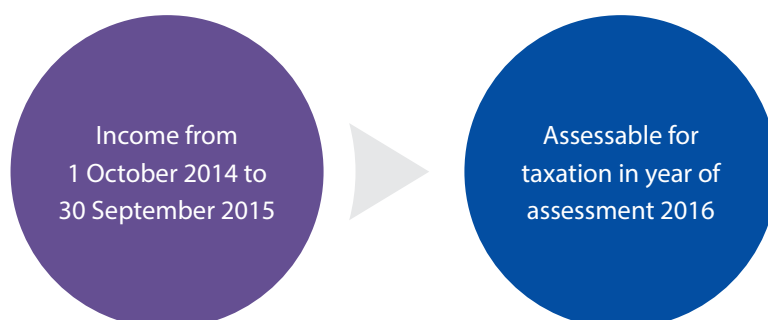
## INCOME TAX

Income accruing in or derived from Singapore, or received in Singapore from outside Singapore, is subject to income tax in Singapore unless the income is specifically exempt from tax. The types of income subject to tax include income from trade, business, profession or vocation, employment, dividends, interest, rentals, royalties and other gains or profits that are of an income nature.

For taxation purpose, income is assessed on a preceding calendar year basis as follows:



However, companies whose accounts are made up to a date other than December 31 are permitted to adopt the financial year end as their basis period as illustrated in the following example:



There are differences in income tax treatment between a tax resident and a non-tax resident of Singapore. A tax-resident individual is one who is physically present or exercising employment in Singapore (other than a company director) for 183 days or more during the calendar year preceding the year of assessment, or who resides in Singapore except for temporary absences from Singapore that are reasonable and consistent with a residency claim on the grounds of qualitative factors such as a domicile or family present in Singapore. A company is a tax resident in Singapore if control and management of its business are exercised in Singapore. The place of incorporation is irrelevant for the purpose of determining tax residency.

The major advantage of being considered a tax resident of Singapore is the ability to enjoy tax treaty benefits accorded in more than 80 comprehensive double taxation agreements that Singapore has with various countries around the world. Typical tax treaty benefits include reduction of withholding tax rates in respect of dividend, interest and royalty payments to non-residents and the ability to avoid double taxation on cross-border income via the claim for total tax exemption or foreign tax credit relief. Also, certain tax-exemption claims are only accorded to Singapore tax residents such as the exemption of specified foreign-sourced income (e.g. dividends) received in Singapore if the stipulated conditions are met.

## INDIVIDUAL TAX AND CORPORATE TAX

### Individual Tax

Individuals, regardless of their resident status, are subject to individual income tax on income accruing in or derived from Singapore. On the other hand, individuals' foreign-sourced incomes are only taxable if the incomes are received in Singapore by residents through a partnership in Singapore.

### Business Income

Profits of trades, businesses or professions operating through sole proprietorships, partnerships or limited liability partnerships are not subject to tax at the entity level, but are subject to tax in the hands of the sole proprietors or partners. If the sole proprietor or partner is an individual, the profits from the sole proprietorship, partnership or limited liability partnership will be subject to personal income tax, but if the business structure takes the form of a limited liability company, the profits will be subject to corporate income tax.

### Expense Deductions

Revenue expenses that are wholly and exclusively incurred in the production of income are generally tax deductible, unless specifically disallowed under the Singapore Income Tax Act ("SITA"). Capital allowances on qualifying expenditures incurred on fixed assets used for the purposes of the taxpayer's trade, business or profession may be claimed.

### Employment Income

Employment income is deemed sourced in Singapore if the employment is exercised in Singapore.

Salaries, wages, leave pay, commissions, bonus, gratuity, pension, perquisites or allowances paid or granted, whether in money or otherwise, in respect of the employment exercised in Singapore, are generally subject to tax in Singapore.

Benefits-in-kind (i.e. benefits provided in lieu of cash) provided by employers are taxable in the hands of the employees unless they are specifically exempt from tax or covered by the administrative concessions granted by the IRAS. Fringe benefits such as education allowance, provision of accommodation, home leave passage and cars, long-service awards, and overseas pension contributions are generally taxable.

In respect of housing benefits, if a cash allowance is paid to the employee to meet his housing cost, the full allowance is considered a taxable income. But if the employer provides a furnished accommodation to the employee, the assessable benefit is computed based on certain prescribed formulas/rates. The housing benefits provided in a place of residence or serviced apartments not within a hotel building will generally be taxed based on the annual value of the rented property.

An employee can claim certain revenue expenses — such as subscriptions to a professional body as well as travelling and entertainment expenses — that are incurred in the course of exercising his employment for tax deduction against his employment income. The onus is on the employee to prove to the satisfaction of the IRAS that the expenses in question are necessarily incurred in the discharge of his employment duties.

### **Not Ordinarily Resident (NOR) Scheme**

An individual may qualify for the NOR scheme for any year of assessment if the following conditions are satisfied:

- The individual is a tax resident of Singapore for that year of assessment, and
- The individual was not a tax resident of Singapore for the three years of assessment before that year of assessment.

Once the application is approved, the qualifying individual will be granted NOR status for five consecutive years of assessment with the following benefits, subject to certain conditions and capping limits:

- Taxability of employment income based on time apportionment of Singapore employment income by reference to time spent in Singapore on business, and/or
- Tax exemption of employer's contributions to non-mandatory overseas social security schemes or pension funds (available only to non-Singapore citizens/non-Singapore permanent residents).

### **Personal Reliefs**

Resident individuals are entitled to claim personal reliefs such as the following if certain prescribed conditions are met. However, with effect from year of assessment 2018, the total amount of personal income tax reliefs will be capped at S\$80,000 per year of assessment.

- Earned income relief ranging from S\$1,000 to S\$8,000 depending on the age of the taxpayer.
- Spouse relief of S\$2,000 if the spouse was living and supported by the taxpayer and the spouse's annual income did not exceed S\$4,000 in the previous year.
- Child relief of S\$4,000 per child if the unmarried child maintained by the taxpayer is below 16 years of age or studying full time and did not have an annual income of more than S\$4,000 in the previous year.
- Relief on employee's compulsory contributions to the Singapore Central Provident Fund.
- Life insurance relief on annual insurance premiums paid for life assurance policies. (The total quantum of the individual's employee CPF contribution and life insurance relief should not exceed S\$5,000.)
- Course fee relief of up to S\$5,500.
- Foreign maid levy relief of twice the amount of the domestic foreign worker levy paid in the previous year on one foreign domestic worker. (Applicable only to married female taxpayer / separated, divorced or widowed female taxpayer who had children living with her and on whom she could claim child relief.)

### **Central Provident Fund (CPF) Contributions**

Contributions to the CPF are mandatory for employees who are either citizens or permanent residents of Singapore.

In most cases, the employee's CPF contribution is based on 5% to 20% of his gross emolument depending on his age. The employer is also required to contribute a corresponding 7.5% to 17% to the employee's CPF account. The monthly ordinary wage ceiling for CPF contributions is S\$6,000.

Both the employee and employer are entitled to claim tax deduction for the contributions made so long as the contributions are within statutory limits.

### Employee Share Option Plans

Any gains or benefits arising from employee share options in relation to Singapore employment are taxable when the share options are exercised. The taxable gain is generally the difference between the open market price of the share on the date of exercise (or date when the selling restriction is lifted, if applicable) and the price paid by the employee for the shares (i.e. exercise price). Expatriates with unexercised share options who are ceasing employment or leaving Singapore permanently are subject to deemed exercise rules under certain circumstances.

### Taxation of Personal Investment Income

Singapore-sourced investment income, such as rental and loan interest, is generally taxable. However, interest on deposits with approved banks or licensed finance companies in Singapore is tax-exempt. Dividends received from Singapore resident companies are also tax-exempt in Singapore.

All foreign-sourced income received in Singapore is not subject to tax in Singapore, unless the income is received by resident individuals through a partnership in Singapore.

### Tax Resident versus Non-tax Resident Individual Comparison

	Tax Resident	Non-tax Resident
Income tax rates	Progressive tax rates ranging from 0% to 22%	15% or progressive resident rates (whichever is higher) for employment income (except for board directors' fees / remuneration)
Personal reliefs and rebate	Applicable	Not applicable
Singapore-sourced employment income	Taxable	Not taxable if arising from short-term employment in Singapore that does not exceed 60 days in the basis period
Foreign-sourced income received in Singapore	Tax-exempt, unless the income is received by resident individuals through a partnership in Singapore	Tax-exempt
Board directors' fees / remuneration	Progressive tax rates ranging from 0% to 22%	22%
Tax treaty benefits	Yes	No

### Filing of Individual Income Tax Returns

Personal income tax returns must be submitted by individuals to the IRAS by April 15 of each tax year. For example, employment income earned by an individual for the calendar year ending 31 December 2017 is to be reported in the year of assessment 2018 income tax return, which will be due for filing on 15 April 2018.

Married couples are required to file their income tax returns separately.

## TAXATION IN SINGAPORE

### Payment of Income Tax

Generally, there is no requirement for employers to withhold income taxes from an individual employee's monthly salary.

Once an individual files his income tax return, the IRAS will raise a notice of assessment to the individual to collect the amount of tax due. The tax due in the notice of assessment must be paid within one month from the date of the notice of assessment, notwithstanding any objection. Taxpayers may request for the amount of tax due to be settled by monthly instalments (up to a maximum of 12 instalments), subject to IRAS's approval.

If the taxpayer does not agree with the tax assessed in the notice of assessment, the taxpayer may lodge a notice of objection with the IRAS within 30 days from the date of the notice of assessment.

### Cessation of Employment in Singapore and Departure from Singapore

Non-Singapore citizens ceasing employment in Singapore or departing Singapore for a period of more than three months (unless the employee is required in the course of his employment to leave Singapore at frequent intervals) are subject to tax clearance. A written notice is to be lodged to the IRAS about the employee's cessation/departure and salary withholding has to be done by the employer until tax clearance is issued by the IRAS. The notice must be made at least one month before the cessation of employment/departure of the employee.

### Table of Individual Income Tax Rates

Resident individual personal income tax rates from year of assessment 2017 are as follows:

Chargeable Income (S\$)	Tax Rate (%)	Tax Payable (S\$)
On the first 20,000	-	-
On the next 10,000	2	200
On the first 30,000	-	200
On the next 10,000	3.50	350
On the first 40,000	-	550
On the next 40,000	7	2,800
On the first 80,000	-	3,350
On the next 40,000	11.5	4,600
On the first 120,000	-	7,950
On the next 40,000	15	6,000
On the first 160,000	-	13,950
On the next 40,000	18	7,200
On the first 200,000	-	21,150
On the next 40,000	19	7,600
On the first 240,000	-	28,750
On the next 40,000	19.5	7,800
On the first 280,000	-	36,550
On the next 40,000	20	8,000
On the first 320,000	-	44,550
In excess of 320,000	22	

Non-resident individuals deriving employment income (apart from board directors' fees and remuneration) are taxed at a flat rate of 15% or the resident rates above, whichever gives rise to a higher tax payable. Non-resident individuals deriving directors' fees and remuneration and other sources of income have been taxed at 22% from year of assessment 2017.

### **Corporate Tax**

Income of a company (whether tax resident or not) accruing in or derived from Singapore or received in Singapore from outside Singapore is subject to corporate income tax, unless the income is specifically exempt from tax under the SITA.

### **Corporate Income Tax Rate**

The prevailing corporate income tax rate is 17% with a partial tax exemption on normal chargeable income (excluding Singapore franked dividends) of up to S\$300,000 as follows:

- 75% exemption on the first S\$10,000 of normal chargeable income; and
- 50% exemption on the next S\$290,000 of normal chargeable income.

Accordingly, the effective tax rate on the first S\$300,000 of normal chargeable income is close to 8%. The balance of chargeable income in excess of S\$300,000 would then be fully taxable at the prevailing rate of 17%.

### **Start-up Companies**

Subject to the following conditions, resident start-up companies (excluding investment holding companies and property development companies incorporated after 25 February 2013) are granted tax exemption on normal chargeable income (excluding Singapore franked dividends) of up to S\$300,000 for their first three consecutive years of assessment upon incorporation as follows:

- 100% exemption on the first S\$100,000 of normal chargeable income; and
- 50% exemption on the next S\$200,000 of normal chargeable income.

The effective tax rate on the first S\$300,000 of chargeable income is therefore close to 6%.

The prescribed conditions for the tax exemption scheme are as follows:

- The company must be incorporated in Singapore;
- The company must be tax resident in Singapore for that year of assessment; and
- The company has no more than 20 shareholders throughout the basis period for that year of assessment where:
  - a. all the shareholders are individuals beneficially and directly holding the shares in their own names; or
  - b. at least one shareholder is an individual beneficially and directly holding at least 10% of the issued ordinary shares of the company.

### **Corporate Income Tax Rebate**

All companies (regardless of their tax residency) are entitled to a 50% corporate income tax rebate for year of assessment 2017 (capped at S\$25,000), and a 20% corporate income tax rebate for year of assessment 2018 (capped at S\$10,000). The rebate does not apply to income of a non-resident company that is subject to final withholding tax.

### **Expense Deductions and Capital Allowances Claim**

Revenue expenses that are wholly and exclusively incurred in the production of income are generally tax deductible, unless specifically disallowed under the Income Tax Act.

Book depreciation charges are not deductible for tax purposes. Capital allowances are instead granted on qualifying capital expenditures incurred on fixed assets used for the purposes of the taxpayer's trade, business or profession. Qualifying capital expenditure incurred on small-value items and certain specific fixed assets (e.g. computer and computer-related equipment) may be fully written off in the year incurred, while other qualifying fixed assets are generally written off on a straight-line basis over three years.

The writing down allowance for qualifying intellectual property rights is granted over five years on a straight line basis up to year of assessment 2016, and election can be made for a writing-down period over five, 10 or 15 years for qualifying acquisitions made within the basis periods for years of assessment 2017 to 2020. Land intensification allowance (LIA) may be claimed on qualifying expenditure incurred for the construction of a qualifying building or structure, if the said expenditure is incurred on or after 23 February 2010 up to the completion date of the construction or renovation/extension of the approved LIA building or structure, subject to conditions.

Balancing adjustments must be made when the fixed assets are sold or under certain circumstances, such as when the qualifying assets cease to belong to the taxpayer or permanently cease to be used for the taxpayer's trade, business or profession.

### **Tax Exemption on Specific Foreign-sourced Income**

A Singapore-resident company may enjoy tax exemption for its foreign-sourced dividends, foreign-branch profits and foreign-sourced service income (i.e. income where the services are rendered in the course of the taxpayer's trade, business or profession through a fixed place of operation in a foreign jurisdiction) received in Singapore if the following conditions are met:

- In the year when the income is received in Singapore, the headline tax rate of the foreign jurisdiction from which the income is received is not less than 15%;
- The income is subject to tax in the foreign jurisdiction; and
- The IRAS is satisfied that the tax exemption would be beneficial to the Singapore-resident company.

### **Tax Exemption on Gains of Equity Investment Disposals**

The Singapore government has introduced a "safe-harbour" rule whereby gains derived from equity disposals during the period 1 June 2012 to 31 May 2022 by a qualifying divesting company will not be taxed if the following conditions are met:

- The shareholding interest in the investee company is at least 20%;
- The shares in question had been held for at least 24 months before their disposals; and
- The gains did not arise from a disposal of shares of a preferential nature or shares with redeemable or convertible features, or shares in an unlisted investee company that is in the business of trading or holding Singapore immovable properties (other than the business of property development).
- The gains did not arise from a disposal of shares where the gains or profits of which are included as part of an insurance company's income, or shares by a partnership, limited partnership or limited liability partnership where one or more of the partners is a company or are companies.

### **Foreign Tax Credit**

A Singapore-resident company may be entitled to claim foreign tax credit in respect of the foreign tax suffered on the foreign-sourced income received and subject to tax in Singapore. The computation of the foreign tax credit is on a source-by-source and country-by-country basis.

With effect from the year of assessment 2012, a Singapore-resident taxpayer, subject to conditions, can elect for the foreign tax credit pooling system whereby the foreign taxes paid (including any underlying tax, where applicable) on any items of the foreign-sourced income will be “pooled” together. The amount of foreign tax credit to be granted will be computed on an aggregate basis, rather than a source-by-source and country-by-country basis. The foreign tax credit is capped at the lower of the aggregate foreign taxes paid on all the streams of foreign income and the pooled Singapore tax payable on the aggregate foreign income.

### **Unabsorbed Capital Allowances, Trade Losses and Donations**

Companies may carry forward their unabsorbed capital allowances, trade losses and donations for offset against future taxable income provided at least 50% of their ultimate shareholders and their respective shareholdings are the same as at certain relevant comparison dates. For the utilisation of unabsorbed capital allowances, there must also be no change in trade from which the allowances arose.

Unabsorbed donations can only be carried forward for up to five years for offset against the taxpayer’s future taxable income.

Companies may also choose to carry back their current year’s unabsorbed capital allowances and trade losses of up to S\$100,000 to offset against the assessable income of the immediate preceding year of assessment.

### **Group Relief**

Under the group relief system, a company within a group (the transferor) is allowed to transfer its current-year unabsorbed trade losses, capital allowances and donations for offset against the current year’s assessable income of another company (the claimant) within the same group.

To qualify for the group relief, both the transferor and claimant must be Singapore-incorporated companies, belong to the same group of companies on the last day of the basis period and have the same financial year end. The transferor and claimant companies are considered members of the same group if at least 75% of the total number of issued ordinary shares in one company are beneficially held, directly or indirectly, by the other, or at least 75% of the total number of issued ordinary shares in each of the two companies are beneficially held, directly or indirectly, by a third Singapore-incorporated company.

### **Filing of Estimated Chargeable Income and Corporate Income Tax Return**

Every company has to submit an estimated chargeable income (ECI) to the IRAS within three months from the end of the company’s financial year. Companies must also submit their corporate income tax returns to the IRAS by November 30 each tax year.

To illustrate, a company with a financial year ended 31 December 2017 must file its year of assessment 2018 ECI and corporate income tax return to the IRAS by 31 March 2018 and 30 November 2018 respectively.

### **Payment of Corporate Income Tax and Objection to Assessments Raised**

Upon receipt of the notice of assessment from the IRAS, the tax due in the notice of assessment must be paid within a month from the date of the notice of assessment unless payment by instalments has been arranged, notwithstanding any objection. A maximum of 10 instalments may be obtained to settle the tax payable, subject to the IRAS’s approval.

If the taxpayer does not agree with the tax imposed in the notice of assessment, the taxpayer may lodge a notice of objection with the IRAS within 30 days from the date of the notice of assessment. With effect from 1 January 2014, the IRAS, as an administrative concession, has extended the deadline to file a notice of objection from 30 days to two months from the date of the notice of assessment.



### DIVIDEND PAYMENT

Dividend payments made to non-resident shareholders are not subject to Singapore withholding tax. Furthermore, dividends paid by Singapore resident companies are tax-exempt in Singapore in the hands of the shareholders.

### WITHHOLDING TAX

There is a requirement to withhold tax when certain specified payments, such as interest, royalty and service fees (in respect of services performed in Singapore), are made to non-Singapore tax residents. The domestic withholding tax rates are generally 15%, 10% and 17% for interest, royalty and service fee payments respectively. The rates may be reduced under the provisions of existing tax treaties between Singapore and the relevant countries.

The tax withheld must be paid to the IRAS by the 15th day of the second month following the date of payment to the non-Singapore tax resident. Late-payment penalties will be imposed if the tax withheld is not remitted to the IRAS on time.

### TRANSFER PRICING

All transactions with related parties must be carried out on an arm's length basis. A transaction is considered to be transacted at arm's length when the price charged is the same as that which would have been charged to third parties under similar conditions. Businesses are required to prepare contemporaneous transfer pricing documentation to substantiate that their related party transactions are at arm's length, with the exception of specific situations where transfer pricing documentation is not necessary.

### GOODS AND SERVICES TAX

Goods and services tax (GST) is a broad-based tax on local consumption and chargeable on goods and services sold in Singapore as well as goods imported into Singapore.

A supply of goods or services made in Singapore is subject to GST at the prevailing standard rate of 7% unless the supply is zero-rated (i.e. GST at 0%) or exempt under the GST Act. Standard-rated supplies comprise sale of goods or services supplied in Singapore, while the provision of international services and exports is mainly zero-rated. Exempt supplies include the sale and lease of residential properties as well as the supply of financial services and investment in precious metals.

A person must register for GST if his taxable supplies for the last 12 months exceeded S\$1 million or if he expects to make taxable supplies exceeding S\$1 million in the next 12 months. However, a person may apply for GST registration on a voluntary basis even if his taxable supplies are not expected to exceed S\$1 million.

Notwithstanding that there is an obligation to register for GST, the person may apply for exemption from GST registration if he is making wholly or substantially zero-rated supplies.

A GST-registered person is able to claim the GST incurred on his business expenses as an input tax credit, subject to conditions.

GST-registered traders may apply for certain GST schemes (such as Major Exporter Scheme, Group Registration) to help reduce GST compliance costs and/or mitigate cash flow problems.

## STAMP DUTY

Stamp duty is payable only in relation to the acquisition or disposal of property, lease/tenancy of property and transfer of shares/stocks. Stamp duty exemption/relief is available on certain transactions such as corporate restructuring and mergers, subject to conditions.

## PROPERTY TAX

Payable by all property owners, property tax is a tax on immovable properties, calculated based on a percentage of the annual value of the properties.

Property tax is levied based on 10% of the annual value of the immovable commercial or industrial property. For owner-occupied and non-owner occupied residential properties, the property tax rate is on a progressive basis depending on the annual value of the properties.

The property tax rates for owner-occupied residential properties are as follows:

	Annual Value S\$	Tax Rates from 1 January 2015 %
On the first	8,000	0
On the next	47,000	4
On the next	15,000	6
On the next	15,000	8
On the next	15,000	10
On the next	15,000	12
On the next	15,000	14
Annual value in excess of	130,000	16

The property tax rates for non-owner occupied residential properties are as follows:

	Annual Value S\$	Tax Rates from 1 January 2015 %
On the first	30,000	10
On the next	15,000	12
On the next	15,000	14
On the next	15,000	16
On the next	15,000	18
Annual value in excess of	90,000	20

### CUSTOMS AND EXCISE DUTIES

In Singapore, customs and excise duties are imposed principally on intoxicating liquors, tobacco products, motor vehicles and petroleum products based on certain prescribed rates.

### ESTATE DUTY AND GIFT TAX

There are no estate duties (for deaths after 15 February 2008) or gift taxes in Singapore.

### EXCHANGE CONTROL

There are generally no exchange control restrictions in Singapore.

### TAX INCENTIVES

The Singapore government offers multinational companies and investors a variety of tax incentives in order to attract investments into Singapore. The incentives may come in the form of income tax exemption or taxation at certain concessionary rates, usually at 5% or 10% for a specified number of years.

Applications for tax incentives are subject to the approval of the relevant government bodies. The success of applications greatly depends on the merits of each case, the potential economic spin-offs for Singapore and the extent of investors' commitments in terms of total business spending, headcount (quality of people hired) and fixed asset investment (if applicable).

Some common tax incentives currently available are listed below.

#### **Financial Sector Incentives**

In order to encourage the development of high-growth and high value-add financial activities in Singapore, the Monetary Authority of Singapore and/or the IRAS has been granting various tax incentives for the financial services sector.

For example, income derived from either a Singapore or offshore fund could potentially be exempt from tax on all its sources of income and gains if such a fund is managed by a Singapore resident fund manager, subject to conditions.

Singapore-based fund managers could also secure a concessionary tax rate of 10% (compared with the usual tax rate of 17%), subject to conditions, for qualifying fee income earned from the management of qualifying funds.

There are also other financial sector incentives covering the debt capital market, equity market and derivatives market. Subject to certain conditions, qualifying income could be taxed at a concessionary rate of between 5% and 12%.

#### **Marine Sector Incentives**

Singapore has a suite of tax incentives for the maritime sector. The Maritime Sector Incentive (MSI) Scheme offers various awards such as the MSI-Approved International Shipping Enterprise (MSI-AIS) Award, which is meant for international shipping companies with established worldwide networks, strong track records, demonstrable business plans and a commitment to expand their shipping operations in Singapore.

Subject to conditions, an MSI-AIS company will enjoy tax exemption on qualifying shipping income for either:

- a ten-year renewable period; or
- a five-year non-renewable period, with the option of graduating to the ten-year renewable award at the end of the five-year period.

### **Global Trader Programme**

The Global Trader Programme is granted to well-established international players in their industry with good track records in international trading, procurement, distribution and transportation of qualifying commodities and products.

Depending on the anticipated turnover and business spending of the applicant, as well as the number of qualified staff it will employ, an approved global trading company could enjoy a concessionary tax rate of 5% or 10% on its qualifying offshore trading income for a period of five years.

## **INTERNATIONAL AGREEMENTS**

### **Double Taxation Agreement**

A double taxation agreement (DTA) signed between Singapore and another country serves to relieve double taxation of income earned in one country by a resident of the other country. The DTA specifies the taxing rights between Singapore and the treaty country on certain cross-border income and may also provide for reduction or exemption of tax.

Only Singapore tax residents and tax residents of the treaty country can enjoy DTA benefits. Singapore has a wide tax treaty network that, as at July 2017, involves more than 80 countries including Japan, China, Malaysia, Indonesia, and the United Kingdom.

### **Country-by-Country Reporting (CbCR)**

In line with the OECD's recommendations, CbCR is implemented in Singapore for financial years beginning on or after 1 January 2017 for Singapore-headquartered multinational enterprises (MNEs) that meet certain criteria.

The ultimate parent entity of the Singapore MNE group will be required to prepare and file a CbC Report to IRAS for all entities in the group. The MNE group is required to submit the CbC Report if it meets all of the following conditions:

- The ultimate parent entity of the MNE group is tax resident in Singapore;
- Consolidated group revenue for the MNE group in the preceding financial year is at least S\$1,125 million; and
- The MNE group has subsidiaries or operations in at least one foreign jurisdiction.

### **Common Reporting Standard (CRS)**

CRS is an internationally agreed standard for the automatic exchange of information (AEOI) on financial accounts between jurisdictions for tax purposes. The objective of AEOI is to enhance tax transparency, and detect and deter tax evasion through the use of offshore bank accounts. Singapore has made an international commitment to commence AEOI under the CRS in 2018.

Under the CRS, Singapore-based Financial Institutions (SGFIs) are required to establish the tax residency status of all their account holders, and report the financial account information of relevant account holders to IRAS. Such information is then exchanged with the jurisdictions with which Singapore has a Competent Authority Agreement under the CRS. Similarly, overseas FIs must identify their account holders who are Singapore tax residents and report their financial accounts to IRAS through their respective local tax authorities.

### **Investment Guarantee Agreement**

An investment guarantee agreement (IGA) is designed to promote greater investment flows between two countries by providing a legal framework that clearly sets out investment norms and protection when investing in the other country. The usual provisions of an IGA include the principle of fair and equitable treatment, the principle of non-discrimination, compensation in the event of expropriation, free transfer of funds, and an investor-state dispute settlement mechanism.

As at July 2017, Singapore has 40 effective IGAs with locations such as ASEAN, China, France, and the United States.

### **Free Trade Agreement**

A Free Trade Agreement (FTA) is a legally binding agreement between two or more countries to reduce or eliminate trade barriers and facilitate cross-border movement of goods and services by eliminating or reducing import tariff rates, providing preferential access to services sectors, easing investment rules, improving intellectual property regulations, and opening government procurement opportunities.

As at July 2017, Singapore has 20 regional and bilateral FTAs with 31 trading partners.

*Note: All information contained in this article is correct as of July 2017. Readers should not rely solely on this article for their tax planning or fulfilment of regulatory obligations within or outside Singapore. Readers should consult their own professional tax advisors who are familiar with their specific situation for advice before making any decisions on their investments.*

### **Contributed by:**

#### **RSM**

8 Wilkie Road

#03-08 Wilkie Edge

Singapore 228095

Tel: +65 6533 7600

Fax: +65 6538 7600

Email: [MKTG@RSMSingapore.sg](mailto:MKTG@RSMSingapore.sg)

Website: [www.RSMSingapore.sg](http://www.RSMSingapore.sg)

## INTRODUCTION TO THE FINANCIAL LANDSCAPE IN SINGAPORE

Singapore has been recognised globally as an attractive business city state. It was ranked by US-based Research Institute Business Environment Risk Intelligence (BERI) in 2016-I (April 2016) as the city with the greatest investment potential. It was also named by the World Bank as the world's second easiest place to do business, behind New Zealand, among 190 economies.

It is easy to see Singapore's allure as a place to conduct business. The country's supportive government policies, educated and adaptable labour force, and clear business regulations are among the reasons why regional and global companies are setting up operations in the city state. Importantly, Singapore has a robust banking system that is well capitalised to support the growth ambitions of businesses, both big and small.

At present, there are 159 banks<sup>1</sup> in Singapore, of which three of the largest local banks are United Overseas Bank Limited (UOB), DBS Bank Limited (DBS) and Oversea-Chinese Banking Corporation Limited (OCBC). These financial institutions offer a comprehensive suite of financial solutions and services including cash management services, treasury and investment, corporate loans, trade finance and insurance.

### Setting Up a Business Account in Singapore

As you incorporate your business in Singapore, one of the foremost essential banking services you will require is a business operating account. Having the right account will help you operate your business more efficiently, and depending on the transaction types you make, can result in significant cost savings.

Before opening a local business account, you might want to consider the following:

- Convenience (location of branches, ATM network etc.)
- Requirements and fees associated with the account, such as minimum deposit for account opening, minimum balance to be maintained, fall-below fee, and early account closure fee etc.
- Account features such as ease of fund transfers, internet banking, cheque books, corporate ATM cards, and alerts via email or SMS

### What You Need when Opening a Business Account

When opening a business operating account, all signatories to the account must be present with their original identification documents to avoid unnecessary delays. Additional documents may be requested by banks on a case-by-case basis. Where required, searches may also be conducted on the company.

The table below is a guide on the documents generally required by banks for opening a business account in Singapore.

	Sole Proprietorship	Partnership/ Limited Partnership/ Limited Liability Partnership	Private Limited Company	Limited Company Registered Overseas	Management Corporations	Professional Practice	Society/Clubs/Associations
Completed Account Opening Form	✓	✓	✓	✓	✓	✓	✓
Resolution		✓	✓	✓	✓	✓	✓
Business Profile Search	✓	✓	✓	✓		✓	

<sup>1</sup> Source: Monetary Authority of Singapore Annual Report 2016/17, Number of banks includes merchant, local and foreign banks

	Sole Proprietorship	Partnership/ Limited Partnership/ Limited Liability Partnership	Private Limited Company	Limited Company Registered Overseas	Management Corporations	Professional Practice	Society/Clubs/Associations
Certified True Copy of Memorandum & Article of Association			✓	✓			
Certificate of Incorporation or equivalent document				✓	✓		
Certified true copies of NRIC/Passport of all authorised signatories/ Directors/ Shareholders/ Partners/Office Bearers	✓	✓	✓	✓	✓	✓	✓
Certified true copy of By-Laws of Society / Association/Clubs							✓
Certified true copy of Minutes of Meeting of Management Committee					✓		✓
Professional Practising Certificate						✓	
FATCA* Form	✓	✓	✓	✓	✓	✓	✓

\*FATCA: Foreign Account Tax Compliance Act

You may wish to note that the bank may reject your business account application due to the robust financial regulatory framework in Singapore. In such instances, banks are also not obliged to disclose the reason for the rejection.

### Cash Management Services

Cash is the lifeline of every business; a sound management of your cash flow, into and out of your business, will be imperative to your daily operations. Effective working capital management reduces cost, improves cash visibility and control, and maintains optimal liquidity levels.

As you conduct your business in Singapore, you might wish to consider a range of payables, receivables and account management tools to help streamline your processes, improve operational efficiency, and ultimately enhance your overall working capital.

- 1) Connect to all major clearing and payment systems to initiate payment transactions locally and overseas seamlessly with the following payables solutions:
  - For local payments (within Singapore)
    - MEPS
    - GIRO
    - FAST
    - Cheques & Cashier's Order
  - For overseas payments (out of Singapore)
    - Telegraphic Transfers
  - Bulk payments
    - Payroll Services
    - Electronic Bulk Payments
  
- 2) Streamline and expedite collections in order to manage your end-to-end receivables cycle with greater speed and efficiency with the following receivables solutions:
  - For local collections (within Singapore)
    - Direct Debit
    - Corporate Deposit Card
    - eNETS
  - For overseas collections (out of Singapore)
    - Telegraphic Transfers
  - Reconciliation solutions
    - Virtual Account Solution
    - Cheque Reconciliation
  
- 3) Enhance your yield, utilise inter-company funding more effectively, and improve your overall company liquidity with the following liquidity management solutions:
  - Notional Pool
  - Cash Sweep

### **Trade Finance Services**

If you are engaged in international or domestic trade transactions, you might wish to consider a comprehensive suite of trade solutions that can help minimise the various risk elements that you may face while conducting international trade.

- Import Letter of Credit
- Import Documentary Collection
- Shipping Guarantee
- Trust Receipt
- Import Invoice Financing
- Standby Letter of Credit
- Export Letter of Credit Advising and Confirmation
- Export Letter of Credit Discounting/Negotiation
- Export Documentary Collection
- Export Financing
- Banker's Guarantee



### Other Services

Accessibility to banking services is key to boosting your overall productivity. You might want to consider tapping into various channels to reduce the complexity and demands of your daily workflow tasks to manage your cash and trade transactions more efficiently.

- Electronic Banking/Mobile Banking
- Phone Banking
- Automated Teller Machines/Cash Deposit Machines

Do consider the various options above to decide which combination of services best suits your business needs.

*Note: Businesses should consult their bank on the types of cash management and trade services available.*

### Corporate Credit Facilities

When applying for credit facilities in Singapore, approval is subject to the individual bank's internal credit guidelines. The factors for consideration include a company's financial track record and payment history. Depending on the amount and types of credit facilities, banks may require a company to put up securities such as property or deposits as collateral.

Credit facilities offered by banks may include:

- 1) Working Capital Financing
  - Unsecured Business Term Loan
  - Overdraft
- 2) Asset-based Financing
  - Business Property Loan – Loans to purchase or refinance commercial/industrial properties
  - Machinery and Equipment Financing
  - Commercial Vehicle Financing

*Note: Businesses should consult their bank on the types of credit facilities available.*

### Business Insurance

Mitigating key business risks is a priority for business owners. Insurance is one way to manage a company's operational risks, including the loss of key personnel. In Singapore, banks typically partner with insurance companies to offer business insurance – commonly known as bancassurance – to their customers.

Business insurance can be broadly categorised into two areas, namely, general insurance and life insurance.

General insurance seeks to protect against the business's general liabilities and may include the following:

- Fire & Extraneous Perils
- Public Liability
- Work Injury Compensation
- Money (in transit and in premises)
- Business Interruption
- Personal Accident
- Electronic Equipment
- Fidelity Guarantee
- Glass
- Burglary

Life insurance, on the other hand, seeks to protect the lives of the business's key personnel. Business needs may include:

- Business Loan Protection
- Keyman Protection
- Shares Buy-Sell Arrangement

**Contributed by:**

**United Overseas Bank Limited**

Head Office:

80 Raffles Place

UOB Plaza

Singapore 048624

Website: [www.UOBGroup.com](http://www.UOBGroup.com)

United Overseas Bank Limited (UOB) is a leading bank in Asia with a global network of more than 500 branches and offices in 19 countries and territories in Asia-Pacific, Europe and North America. In Asia, we operate through our head office in Singapore and banking subsidiaries in China, Indonesia, Malaysia and Thailand, as well as branches and offices across the region.

In 1935, amid the economic uncertainties following the Great Depression, UOB opened its doors to offer banking services for the merchant community in Singapore.

Since then, UOB has grown organically and through a series of strategic acquisitions. Today, UOB is rated among the world's top banks: 'Aa1' by Moody's and 'AA-' by Standard & Poor's and Fitch Ratings.

UOB provides a wide range of financial services globally through our three core business segments — Group Retail, Group Wholesale Banking and Global Markets. Our offering includes personal financial services, private banking, business banking, commercial and corporate banking, transaction banking, investment banking, corporate finance, capital market activities, treasury services, and brokerage and clearing services. Through our subsidiaries, we also provide asset management, venture capital management and insurance services.

### MONETARY AUTHORITY OF SINGAPORE

The Monetary Authority of Singapore (MAS) is Singapore's central bank and serves the following functions:

- Implement monetary policy
- Issuance of currency
- Oversight of payment systems
- Banker to and financial agent of the government
- Integrated supervision of financial services and financial stability surveillance
- Manage Singapore's official foreign reserves
- Develop Singapore as an international financial centre

Besides overseeing financial institutions in Singapore, MAS also promotes strong corporate governance and close adherence to international accounting standards.

For more information, visit: [www.mas.gov.sg](http://www.mas.gov.sg).

### CURRENCY INTERCHANGEABILITY AGREEMENT

The original currency interchangeability agreement between Brunei, Malaysia and Singapore was established to facilitate economic and trade relations. This tripartite agreement ran from 1967 until 1973 when Malaysia opted out of it. However, Brunei and Singapore decided to continue with the agreement, which remains between the two countries today.

The agreement allows each country to accept the currency issued by the other and exchange it at par and without charge into its own currency. This means banks in Singapore will accept Brunei currency at par from the general public and businesses for deposit. Businesses and members of the public may also safely accept Brunei currency as payment.

#### **Contributed by:**

##### **RSM**

8 Wilkie Road

#03-08 Wilkie Edge

Singapore 228095

Tel: +65 6533 7600

Fax: +65 6538 7600

Email: [MKTG@RSMSingapore.sg](mailto:MKTG@RSMSingapore.sg)

Website: [www.RSMSingapore.sg](http://www.RSMSingapore.sg)

# LISTING IN SINGAPORE

## THE SINGAPORE ADVANTAGE

Entrepreneurs and investors favour Singapore as a choice destination for its pro-business environment, established infrastructure, transparent regulations, political stability and investor-friendly government policies. Companies considering a listing on the Singapore Exchange (“SGX”) are also attracted by the following factors:

- |  |   |
|--|---|
| <b>International recognition</b>                         | <ul style="list-style-type: none"> <li>▪ Foreign listings constitute about 40% of all listings on SGX.</li> <li>▪ Companies listed on SGX are perceived to have good corporate governance.</li> </ul>   |
| <b>Door to international investors and global market</b> | <ul style="list-style-type: none"> <li>▪ Assets managed by Singapore-based asset managers totalled S\$2.6 trillion (about US\$1.8 trillion) as at end-2015<sup>1</sup>.</li> <li>▪ SGX has strategic alliances with major stock exchanges for both the securities and derivatives markets.</li> </ul>                                       |
| <b>Choice of accounting standards</b>                    | <p>For primary listings, companies may prepare their financial statements in compliance with:</p> <ul style="list-style-type: none"> <li>▪ Singapore Financial Reporting Standards (FRS); or</li> <li>▪ International Financial Reporting Standards (IFRS); or</li> <li>▪ US Generally Accepted Accounting Principles (US GAAP).</li> </ul> |

*Note: Singapore’s Accounting Standards Council (ASC) and SGX announced in May 2014 that Singapore-incorporated companies listed on SGX will apply a new financial reporting framework identical to the IFRS in 2018.*

*Source: <sup>1</sup> Monetary Authority of Singapore, 2015 Singapore Asset Management Survey*

Singapore’s equity market provides an important avenue for local and foreign companies to raise long-term capital through public issue of their shares on either the SGX Mainboard or Catalyst.

## MAINBOARD

The Mainboard caters to established companies and businesses that wish to list on it must satisfy quantitative admission requirements for performance, operating track record and market capitalisation under any one of the three criteria as shown below.

Quantitative Requirements	Criterion 1	Criterion 2	Criterion 3*
<b>Profit/ operating revenue</b>	Minimum consolidated pre-tax profit of at least S\$30 million for the latest financial year; and	Profitable in the latest financial year; and	Operating revenue in the latest completed financial year; and
<b>Market capitalisation</b>	-	Not less than S\$150 million based on the issue price and post-invitation issued share capital; and	Not less than S\$300 million based on the issue price and post-invitation issued share capital; and
<b>Operating track record</b>	At least three years		At least one year

*\* Real Estate Investment Trusts and Business Trusts that have met the S\$300 million market capitalisation test but do not have historical financial information may apply under this rule if they are able to demonstrate that they will generate operating revenue immediately upon listing.*

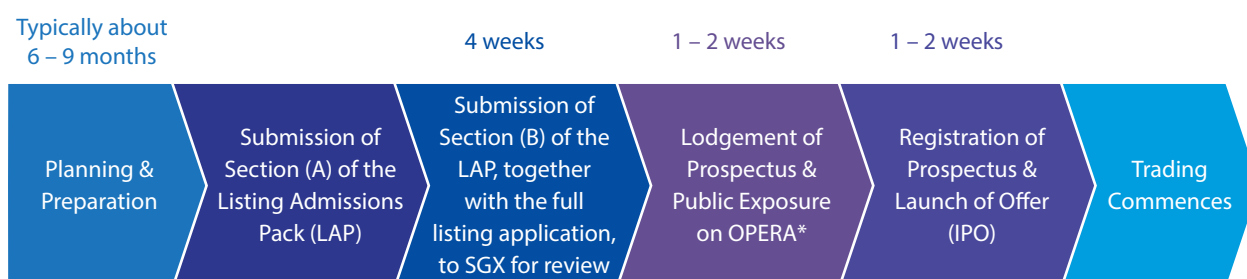
## LISTING IN SINGAPORE

In addition, companies with an IPO market capitalisation of less than S\$300 million that seek a primary listing must have at least 25% of post-invitation share capital in public hands and at least 500 shareholders. For companies with a higher IPO market capitalisation of S\$300 million or more, the shareholding spread requirement varies between 12-20%. With effect from 2 May 2017, all Mainboard IPO companies have been also required to allocate to retail investors at least 5%, or S\$50 million, whichever is lower, of their offer size.

There are also other qualitative requirements, such as appointing directors and executive officers who have appropriate experience and expertise in managing the group's business, and appointing at least two non-executive directors who are independent and free of any material business or financial connection with the listing applicant.

### Timeline to Listing on the Mainboard

The initial stage of planning and preparation depends on how ready the company is for a public listing, and typically takes about six to nine months or longer.



\* OPERA (Offers and Prospectuses Electronic Repository and Access) is an online database that can be accessed at <https://opera.mas.gov.sg>.

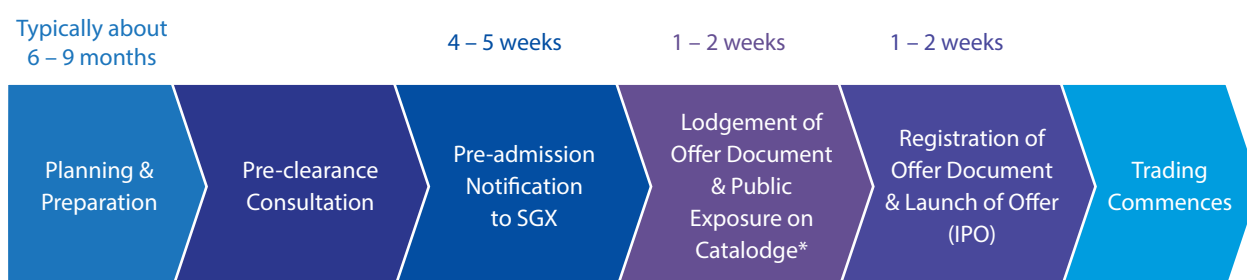
## CATALIST

Catalist is the sponsor-supervised board of SGX and caters to fast-growing companies. A company seeking admission on the Catalist must do so through an approved sponsor. Although there are no minimum quantitative admission criteria required by SGX, the sponsor will assess whether the company is suitable for listing based on its own selection criteria.

Companies must have a minimum of 15% of post-invitation share capital in public hands and at least 200 shareholders. Other qualitative requirements will also apply to a listing on the Catalist.

### Timeline to Listing on the Catalist

Listing on the Catalist generally requires a shorter period of time. However, the initial stage of planning and preparation may still take about six to nine months or longer, depending on how ready the company is for a listing.



\* Catalodge can be accessed at [www.sgx.com](http://www.sgx.com).

*Note: The timelines to listing on the Mainboard or Catalist shown earlier only serve as a general guide and may vary according to each company's processes.*

Minerals, oil and gas companies that are not yet in production may also apply for a listing on either the Mainboard or Catalist and will be subject to additional admission requirements. Companies are encouraged to consult professional advisors to have a comprehensive understanding of the relevant admission requirements that may apply to them. More information on the listing processes and requirements is also available on the SGX website ([www.sgx.com](http://www.sgx.com)).

### PROFESSIONAL HELP TO PAVE THE WAY

The key professionals that a listing aspirant will require include:

#### **Issue Manager (Mainboard)**

The listing process kicks off with the appointment of an issue manager who will assume the position as the company's sponsor. The issue manager is usually a member company of SGX, a merchant bank or other similar institution accredited by SGX. The issue manager plays an active role in priming the company for listing. In addition to managing the initial public offering ("IPO"), the issue manager also submits the listing application on behalf of the company and coordinates with SGX on all matters arising from the listing application.

#### **Sponsor (Catalist)**

A listing applicant applying for admission to Catalist and quotation of its securities must do so through a sponsor. Sponsors are qualified professional companies experienced in corporate finance and compliance advisory work. They are authorised and regulated by SGX through strict admission and continuing obligation rules. The sponsor's main role at an IPO is to assess the company's suitability for listing and prepare it for this process. After the IPO, sponsors advise and supervise listed companies on responsibilities in a public market. Sponsors are also expected to whistle-blow to SGX when there is an evident or suspected breach of rules.

#### **Legal Advisers**

The company has to appoint a legal adviser to undertake the legal aspects of listing. Foreign legal counsels are also required if the company has overseas subsidiaries. The issue manager may also require another legal adviser to advise the issue manager on the listing.

#### **Independent Auditors**

The role of the certified public accountant is to audit the accounts of the company and highlight any weaknesses in the internal controls of the company.

#### **Business Advisors**

Business advisors are able to assist the management in the entire IPO preparation process. They will conduct a preliminary appraisal of the company's readiness to undertake a listing exercise. The business advisors will also prepare the company for the IPO by optimising its business value, guiding it through business restructuring (if necessary), identifying and resolving issues, compiling and analysing its financial statements, preparing the business plan, as well as facilitating the process of upgrading the company's internal control procedures.

#### **Public Relations Consultant**

Before and during the IPO launch, the company may also engage a competent public relations firm to assist in increasing investor awareness of the company.

### COSTS INVOLVED IN A LISTING EXERCISE

	Mainboard	Catalist
<b>Initial listing fee</b>	S\$100,000 – S\$200,000	S\$30,000 – S\$100,000
<b>Annual listing fee</b>	S\$35,000 – S\$150,000	S\$15,000 – S\$50,000
<b>Professional fees</b>	From S\$700,000	
<b>Miscellaneous expenses</b>	From S\$200,000	
<b>Underwriting commission, placement commission &amp; brokerage</b>	Typically 1% to 5% of gross proceeds raised	

All Catalist companies must retain a continuing sponsor for as long as they are listed and pay an annual sponsorship fee.

#### Contributed by:

##### RSM

8 Wilkie Road

#03-08 Wilkie Edge

Singapore 228095

Tel: +65 6533 7600

Fax: +65 6594 7866

Email: MKTG@RSMSingapore.sg

Website: www.RSMSingapore.sg

# FINANCIAL REPORTING & AUDITING

## THE ACCOUNTING PROFESSION

With more than 32,000 members, the Institute of Singapore Chartered Accountants (ISCA) is the national body representing the accounting profession in Singapore. ISCA was officially appointed as the administrator of the Singapore Qualification Programme (Singapore QP) on 1 April 2013 by the Singapore Accountancy Commission. Candidates who successfully complete the Singapore QP will be conferred the globally recognised Chartered Accountant of Singapore — CA (Singapore) — designation.

## REGULATION OF THE ACCOUNTING PROFESSION

Singapore's Accounting and Corporate Regulatory Authority (ACRA) administers the Companies Act and Accountants Act. Pursuant to this, it monitors directors' compliance with approved accounting standards and requirements in connection with the preparation and filing of statutory financial statements required under the Companies Act. ACRA also ensures that public accountants, who perform statutory audits, audit these financial statements in compliance with relevant auditing and quality control standards.

The Registrar of Public Accountants of ACRA licenses and registers accountants who wish to practise as public accountants. ACRA also handles practice monitoring and disciplinary matters, as well as regulates the professional conduct of public accountants.

## ACCOUNTING RECORDS

All companies incorporated under the Companies Act must keep books of accounts that sufficiently explain the transactions and financial position of the company. The records must also enable true and fair financial statements to be prepared from time to time. Companies can choose their financial year end.

The books may be kept either at the company's registered office or at another place that is considered by the directors to be appropriate. If the books are kept outside Singapore, sufficient records must be maintained in Singapore to facilitate the preparation and/or audit of financial statements that accurately reflect the company's financial position.

The accounting records must be kept for a minimum of five years from the end of the financial year in which the transactions or operations to which the records relate were completed.

## FINANCIAL REPORTING STANDARDS

Singapore's Financial Reporting Standards (FRS) are prescribed and issued by the Accounting Standards Council (ASC), which issues accounting standards applicable to both the corporate and non-corporate sectors.

While the ASC tracks closely the introduction of new International Financial Reporting Standards (IFRS) for possible application in Singapore, it will also take into account the local economic and business circumstances and context, as well as the entity to which the accounting standards would apply.

The FRS issued by the ASC are closely modelled on as well as largely aligned and compliant with the IFRS, except for certain modifications to the interpretations of financial reporting standards, effective dates and transitional provisions.

Compliance with FRS is a statutory requirement whereby any non-compliance amounts to a breach of the Companies Act by the directors.



## FINANCIAL REPORTING & AUDITING

Public listed companies are subject to financial statement and disclosure requirements as prescribed by the Singapore Exchange (SGX). In addition, all public listed companies will have to comply with a new Singapore financial reporting framework that is identical to IFRS for financial periods beginning on or after 1 January 2018.

The ASC, in November 2010, adopted the IFRS for SMEs as the Singapore Financial Reporting Standard for Small Entities (SFRS for Small Entities). This is intended to provide an alternative financial reporting framework for small entities. The SFRS for Small Entities is effective for financial reporting periods beginning on or after 1 January 2011.

The SFRS for Small Entities adopts similar applicability criteria under the IFRS for SMEs for identifying a small entity. A small entity is one that:

- Does not have public accountability; and
- Publishes general purpose financial statements for external users.

However, the SFRS for Small Entities introduces an additional element to the definition above. To be defined as a small entity, the business must also satisfy at least two of the three following quantitative criteria:

- Total annual revenue of not more than S\$10 million
- Total gross assets of not more than S\$10 million
- Total number of employees does not exceed 50

### COMPANIES ACT REQUIREMENTS

The Companies Act requires that an audited set of a company's financial statements, prepared no more than six months before every Annual General Meeting (AGM), must be distributed to all shareholders and presented at the meeting. Generally, if a company incorporated in Singapore has one or more subsidiaries, it must prepare consolidated financial statements unless it meets certain criteria as provided for in FRS 110 Consolidated Financial Statements.

A complete set of financial statements comprises:

- a statement of financial position;
- a statement of profit or loss and other comprehensive income;
- a statement of changes in equity;
- a cash flow statement;
- explanatory notes; and
- other information where required under FRS 1 Presentation of Financial Statements

The financial statements must be accompanied by the directors' and auditors' reports. The directors must also declare that the financial statements show a true and fair view and that it is reasonable to believe the company can reasonably pay its debts as they become due.

A branch of a foreign company has to e-file its audited financial statements, as well as the audited financial statements of the foreign company, with ACRA within two months from the AGM date of the foreign company.

#### Appointing Auditors

The Companies Act requires every company, including branches of foreign companies, to appoint one or more auditors qualified for appointment under the Accountants Act to report on the company's financial statements. This requirement does not apply to those exempted in accordance with the provisions in the Companies Act (see Audit Exemption below).

The auditor(s) has to be appointed within three months of the company's incorporation and is responsible for ascertaining whether proper books of accounts have been kept and whether the financial statements agree with the company's records. Following this, the auditor(s) will report to shareholders at the AGM on the trueness and fairness of the financial statements.

### **Audit Exemption**

Prior to 2015, the following companies that meet specific provisions in the Companies Act may be exempted from audits of their financial statements. However, they are still required to prepare financial statements (and consolidated financial statements where applicable) that comply with the Companies Act and FRS.

#### **Small Exempt Private Companies**

An Exempt Private Company (EPC) with not more than S\$5 million in revenue for a financial year is exempted from appointing auditors and audit requirements. An EPC is a private company where there is no beneficial interest in its shares held directly or indirectly by any corporation and that does not have more than 20 members. Revenue is defined according to the statutory accounting standards, i.e. the FRS.

#### **Dormant Companies**

A dormant company is exempted from appointing auditors and audit requirements if it has been dormant either (a) from the time of its formation or (b) since the end of the previous financial year. A company is considered dormant during a period in which no accounting transaction occurs and the company ceases to be dormant when such a transaction occurs. For this purpose, transactions arising from the following are disregarded:

- Taking of shares in the company by a subscriber to the memorandum
- Appointment of company secretary
- Appointment of auditor
- Maintenance of a registered office
- Keeping of registers and books
- Fees, fines or default penalties paid to ACRA

Subsequent to the Companies (Amendment) Bill passed in Parliament on 8 October 2014, a new concept of "small company"/"small group" was introduced. Private companies (including all entities within the group) that meet any two of the following three criteria for the immediate past two consecutive financial years ("FY") may qualify for audit exemption:

- Total revenue for each FY does not exceed S\$10 million
- Total assets at the end of each FY does not exceed S\$10 million
- Total employees at the end of each FY is not more than 50

### **Contributed by:**

#### **RSM**

8 Wilkie Road  
#03-08 Wilkie Edge  
Singapore 228095  
Tel: +65 6533 7600  
Fax: +65 6538 7600  
Email: MKTG@RSMSingapore.sg  
Website: www.RSMSingapore.sg

## LEGAL FRAMEWORK

The Republic of Singapore has a legal system largely based on the British Westminster model, where the power to govern and administer the country is divided between the Executive, the Legislature and the Judiciary.

Generally speaking, executive power of the government is vested in the President of the republic and a Cabinet of Ministers comprising a Prime Minister and other appointed Ministers. Power to legislate for the country is vested in Parliament with the President having a role of formally assenting to bills and therefore giving new pieces of legislation their legal effect. The President also has the role of keeping Parliament in check with regards to laws that may affect the financial resources of the country. The machinery to administer justice is the judiciary, which comprises the Supreme Court and the State Courts.

The Supreme Court consists of the High Court, which exercises both original and appellate civil and criminal jurisdiction and the Court of Appeal, which exercises appellate civil and criminal jurisdiction. The Singapore International Commercial Court (SICC) is a division of the High Court and part of the Supreme Court of Singapore designed to deal with transnational commercial disputes. The State Courts comprise district and magistrate courts and hear both civil and criminal cases that do not fall under the jurisdiction of the Supreme Court. Over 95% of all judicial cases in Singapore are heard in the State Courts.

There are two major sources of law in Singapore. They are legislation and case law, or common law. Legislation refers to acts enacted by Parliament and subsidiary legislation made by various administrative bodies pursuant to powers given to them by statutes. In contrast, the common law is not embodied in any statutes; they are judgments that courts have delivered. Once a case has been decided, future cases with similar fact scenarios will be bound by the earlier decision if the earlier decision is made by a higher court in the same hierarchy. This ability of judges to make law is an identifying feature of countries such as Singapore that follow the “common law” system as opposed to the “civil law” system. In civil law jurisdictions such as France, Indonesia and Japan, all law is codified by the legislature and there is an absence of judge-made law. Save for some situations where the common law has been specified or modified by legislation, much of the law of contract in Singapore remains in the form of judge-made laws.

Since 1970, Singapore has moved towards creating an autochthonous legal system. The year 1993 saw the abolishment of appeals to the Judicial Committee of Her Britannic Majesty’s Privy Council as the highest court. The Court of Appeal, presided by the Chief Justice and two Justices of Appeal, became the highest court in Singapore. These changes are largely due to the increasing recognition and standing of Singapore’s legal system as well as the potential incompatibility with English law given the development of the European Union.

## MERGERS & ACQUISITIONS

Mergers and acquisitions (M&A) in Singapore are regulated by a combination of statutory and non-statutory instruments. Key non-statutory instruments include the Code on Takeovers and Mergers (the Takeover Code), which applies to takeovers of listed public companies and certain non-listed public companies, and the Listing Manual, which deals with disclosure obligations of companies listed on the Singapore Exchange (SGX) and incorporates procedures with respect to their M&A activities. The Takeover Code is administered by the Securities Industries Council (SIC) and the provisions of the Listing Manual are regulated by SGX. The Companies Act, the Securities and Futures Act and the Competition Act make up the core statutory M&A framework in Singapore.

The Companies Act regulates certain aspects of M&A activities, such as disclosure requirements, schemes of arrangements and compulsory acquisitions, whereas the Securities and Futures Act establishes the regulatory framework for public fundraising and also regulates securities trading offences such as market manipulation and insider trading. The Competition Act prohibits anticompetitive business conduct, abuse of a dominant position and transactions that substantially lessen competition. M&A activities in certain industries, such as broadcasting, telecommunications, banking, gaming, insurance and financial services, may be subject to additional regulatory controls.

Takeovers commonly take the form of a mandatory offer, voluntary offer or partial offer in Singapore. Where a takeover is intended to take a company private, the offeror will be able to exercise certain rights of compulsory acquisition under the Companies Act if it achieves the 90% level of shareholders' approval prescribed under Section 215 of the Companies Act, which permits the offeror to take steps after the close of the takeover offer to squeeze out non-accepting shareholders. Another preferred method to take a company private is to use a scheme of arrangement under Section 210 of the Companies Act. The scheme must first be proposed to shareholders at a meeting convened by an order of the High Court of Singapore and must be approved by a majority in number of shareholders of the target company who are present and voting at the meeting and who represent 75% in value of the shares voted. The High Court of Singapore is then required to approve the scheme passed at the shareholders' meeting before it can take effect. Such a scheme is subject to the Takeover Code, although SIC may exempt the scheme from compliance with various provisions of the Takeover Code on certain conditions.

## COMPETITION ACT

The Competition Act was enacted in 2004 and is based largely on the UK Competition Act 1998. The Competition Act prohibits anticompetitive arrangements, abuses of dominant market position, and mergers leading to a substantial lessening of competition in Singapore, subject to various exclusions and exemptions for each type of prohibited conduct. Certain sectors (namely electricity, gas, media and supply of armed security services) are already subject to sector-specific competition regimes and the Competition Act supplements the sector-specific regimes in areas not already regulated by the existing regimes.

Broadly, the prohibitions under the Competition Act focus on the economic effect rather than the legal form of arrangements, and the merger control regime gives the Competition Commission of Singapore (CCS) wide-ranging powers to examine the impact on competition within Singapore of a large number of corporate transactions and business partners. Breach of the prohibitions or the merger control regime can result in a financial penalty of up to 10% of the Singapore turnover for up to three years, the unenforceability of restrictive terms, orders by the CCS to cease or modify agreements or conduct, the modification or dissolution of a merger, or other actions to remedy the anticompetitive effects of the merger.

Singapore has a voluntary merger notification regime and there is no statutory requirement to notify mergers or anticipated mergers to the CCS. Merger parties are required to undertake self-assessments to determine if notifications should be made in accordance with the relevant CCS guidelines and with reference to its decided cases. In particular, the Merger Guidelines contain further details on CCS's market review process, information requirements for merger filings, and procedures for obtaining confidential advice. Under the Merger Guidelines, CCS also clarifies that it is unlikely to investigate a merger situation that only involves small companies where the

turnover in Singapore in the financial year preceding the transaction of each of the parties is below S\$5 million and the combined worldwide turnover in the financial year preceding the transaction of all the parties is below S\$50 million, emphasising that these thresholds are only indicative and the CCS may nonetheless investigate if it thinks that such merger transactions may result in a substantial lessening of competition within any market in Singapore.

### HANDLING CIVIL DISPUTES

There is a variety of modes of conflict resolution that can be utilised for any civil dispute.

Litigation before the courts is the traditional mode of dispute resolution. Litigation involves parties relinquishing their control over the outcome to a judge, and the primary aim of litigation is to achieve a determination of the parties' legal rights. It is the most formal process, requiring adherence to substantive and procedural laws.

The other modes of dispute resolution apart from litigation are generally termed as 'alternative dispute resolutions' (ADRs).

Mediation is the least intrusive type of ADR, where the mediator merely facilitates the conversation between the disputing parties, with the goal of assisting them in reaching a consensus. Mediation is a service provided by the State Courts Centre for Dispute Resolution and the Singapore Mediation Centre. The focus of mediation is not on determining legal rights, but on understanding each party's ultimate concerns and helping parties arrive at a solution that meets their concerns. Mediation is a popular ADR method largely because of its association with party autonomy. The other types of ADRs, such as neutral evaluation and arbitration, focus on the determination of legal rights, similar to litigation.

Neutral evaluation involves a third party giving the disputing parties a non-binding assessment of the case at an early stage on the basis of brief presentations made by the parties. Neutral evaluation is a service provided by the State Courts Centre for Dispute Resolution where a judge will be the parties' evaluator. Unlike mediation, in which the mediator assists the parties in reaching an agreement without necessarily stating an opinion on the case, the explicit aim of neutral evaluation is to provide a without prejudice evaluation of the strengths and weaknesses of a case. Faced with an independent assessment of the merits of the case, and a better understanding of their prospects of success at trial, the parties are more likely to settle their dispute. Since neutral evaluation is a summary process in which formal evidential rules do not apply, it will be shorter than a trial. Legal costs in paying for expert witnesses' time will be less in neutral evaluation than at a trial.

Arbitration is a process where parties agree to resolve the dispute out of court by bringing the matter before a neutral third party, i.e. an arbitrator, for a decision. During an arbitration hearing, both parties, with their respective lawyers, will present their case to the arbitrator. The arbitrator will make a binding decision based on the merits of the case. The Law Society of Singapore provides low cost arbitration services through the Law Society Arbitration Scheme.

Most litigants are concerned about issues such as legal costs, the duration of the litigation process, confidentiality, and the extent of their control over the outcome of the case. Other concerns may include the merits of the case, the desire to preserve the relationship with the other party, and the preference to avoid the formalities of a trial. In choosing the mode of conflict resolution, parties should consider carefully what is important to them and select the option that best addresses their needs.

*Note: All information contained in this article is correct as of August 2017.*

**Contributed by:**

**Morgan Lewis Stamford LLC**

10 Collyer Quay

Level 27 Ocean Financial Centre

Singapore 049315

Tel: +65 6389 3000

Fax: +65 6389 3099

Website: [www.MorganLewis.com](http://www.MorganLewis.com)

# INTELLECTUAL PROPERTY (IP) LAW IN SINGAPORE

## Introduction

Unlike physical objects associated with real property rights, intangibles are non-rivalrous and non-excludable. While the chair you may be sitting on accommodates only one person, many can whistle the same tune without depriving others of it. Yet, while it often takes creativity, effort and investment to produce them, intangibles may be easily copied. To restrict such copying and thereby encourage innovation, the law intervenes by establishing intellectual property rights around certain valuable intangibles.

Given that intellectual property is an increasingly important source of revenue in the modern economy, it is unsurprising that IP protection has gained greater prominence on the agenda of policymakers and economic planners around the world. With Singapore's increasing emphasis on IP protection, basic knowledge of IP law is not only useful in navigating the business world, but also necessary at times.

## Strengthening Our IP Framework

The implementation of IP policies in Singapore is undertaken by the Intellectual Property Office of Singapore (IPOS). On top of advising on and administering the IP regime, IPOS also actively promotes the usage of IP and helps develop expertise to facilitate the development of the IP ecosystem in Singapore.

Singapore's efforts to develop a vibrant IP ecosystem can be seen from Parliament's efforts to revise its legislation regularly. For example, it passed the Patents (Amendment) Bill in February 2017 and the Registered Designs (Amendment) Bill in May 2017, and is in the midst of reviewing and updating the Copyright Act. Updates have also been made to the IP Hub Master Plan, which comprises a slew of initiatives aimed at driving the commercialisation of IP and establishing Singapore's status as an IP hub in Asia.

Earlier this year, as part of the IP Hub Master Plan, IPOS and homegrown private equity firm, Makara Capital, launched a billion-dollar fund, the Makara Innovation Fund (MIF), targeting potential high-growth start-ups with a strong IP focus to use Singapore as their base for expansion into global markets.

IPOS's new integrated e-services portal — IP<sup>2</sup>SG — is designed to be a one-stop solution facilitating online IP related searches and transactions in Singapore. Through IP<sup>2</sup>SG, applicants can correspond with IPOS and monitor transactions electronically through a single application.

## Brief Fact Sheet on IP Rights in Singapore

### Copyright

Copyright is a right given to the creator of works to prevent others from copying works of intellectual and creative efforts without his consent. In Singapore, this is governed by the Copyright Act (Cap. 63, 2006 Rev Ed) (the "CA"). For works to be protected by copyright laws, they must be original works expressed in a material form (for example, expressed in writing or recorded on a hard disk). The work must be an independent, original creation and not copied from elsewhere.

However, if sufficient labour, skill and judgement have been expended in creating a derivative work, making it different from the source material, the derivative work might be considered original. Typically, copyright subsists in a work or subject matter in Singapore if:

- The work or subject matter was first published or made in Singapore or a member of the Berne Convention or the World Trade Organization (WTO); or
- The author of the work or maker of the subject was a citizen or resident of Singapore or of a member country of the Berne Convention or the WTO at the time when the work was first published or made.

Under the CA, protection arises upon creation. Unlike registered designs, patents and trademarks, there are no formalities required for copyright to subsist and no system of registration of rights exists for the protection and recognition of the right. Once the requirements for the work to be original and in a tangible form have been met, protection of the work is automatic and begins at the point of creation.

Being a proprietary right, copyright can be licensed, assigned or otherwise transferred in a variety of ways. For instance, the copyright owner can license or assign the right to reproduce his work in a material form to one person and the right to perform the work in public to another person. He can also license or assign the copyright in terms of the whole or part of the copyright period or by geographical area. This can result in a bewilderingly large number of licensees and/or owners of different parts of the copyright in a work.

The duration of legal protection of copyrights, however, depends on the nature of the copyright material. For instance, copyrights that subsist in literary, dramatic, musical and artistic works are protected for 70 years from the end of the year in which the author died, whilst published editions of such works are given 25 years from the end of the year in which the edition was first published.

The Copyright Act also provides for civil remedies and criminal penalties for infringement. Depending on the type of infringement, a copyright owner can seek injunctions, claim either damages (including statutory damages) or an account of profits against infringers, and apply for orders to deliver up and/or dispose of infringing items. On top of that, copyright owners also have the option of initiating private criminal prosecutions, which if successful, may result in the imposition of fines and/or imprisonment for the infringer.

The current copyright regime permits content owners and rights holders to apply directly to the courts for orders directing the Network Service Provider (“NSP”) (which is named as a defendant) to take reasonable steps to block access to online locations that flagrantly infringe copyrights if there is proof that the services of the NSP are being used to commit or facilitate such infringements. Recent years have seen successful blocking applications made by copyright holders. In 2016 for example, a blocking order compelled local NSPs to disable users’ access to a piracy site, Solarmovie.ph, a website established to be flagrantly infringing copyright by featuring links to the latest Hollywood movies and television shows.

However, rights owners continue to have their work cut out for them, as most users will invariably tend to search for alternative sites that have not been blocked, resort to using foreign IP addresses, or create virtual private networks (VPN) to gain access to the blocked sites. At the same time, concerns have been raised by the Attorney-General’s Chambers and IPOS over possible abuses of the court process by rights holders against downloaders. These challenges are also experienced by rights holders in relation to applications for pre-action discovery against those suspected of illegally downloading their copyrighted contents. Earlier this year, the Singapore High Court dismissed applications by Hollywood film studios, QOTD Film Investment Ltd and Voltage Pictures, for a court order to compel local telecoms and internet service providers to release personal information of their subscribers whose IP addresses were found to have been used to illegally download movies. The dismissal of the applications was reported in the media to have been due to insufficient evidence showing the link between the IP addresses and the alleged illegal downloaders.

### **Trademarks**

A trademark is a sign (such as a word, sound, device, brand name, shape, smell, or colour) capable of being graphically represented, and used in the course of trade to distinguish one’s goods and services from another’s. In Singapore, registered trademarks enjoy statutory protection under the Trade Marks Act (Cap 332, 2005 Rev Ed) (the “TMA”), although unregistered trademarks can still find protection (albeit with more limited remedies) under the common law tort of passing off. Owners of well-known trademarks in Singapore are afforded even greater protection, as they are protected against scenarios such as confusing association, free-riding, dilution and tarnishment.



For a trademark to be registrable, it must be distinctive, either inherently or through use over time. A mark will be refused registration if it is found identical to an earlier trademark or its goods and services are identical to those of an earlier trademark, resulting in a likelihood of confusion on the part of the public. A mark will also be ineligible for protection if the application was not made in good faith, if it is contrary to public policy or morality, or if it is of such a nature as to be likely to deceive the public by misrepresenting the nature, quality, or geographical origin of the goods or services. Marks that consist exclusively of signs with a descriptive capacity or are common to the trade, and those that no longer distinguish the products offered by reason of having fallen into common use (such as 'escalator' and 'aspirin'), will likewise not be afforded protection under trademark law.

Trademarks are territorial and must be registered in each country where protection is desired. Trademarks can be registered in two ways: through a domestic application filed with the Registry of Trade Marks within IPOS, or by way of an international application filed under the Madrid Protocol. The former option provides protection only in Singapore whereas the latter is effective outside Singapore. The Madrid Protocol process allows a trademark owner to seek protection for his trademark in several countries simultaneously by filing one application with a single office, in one language, and with one set of fees payable in one currency (i.e. Swiss francs). To file an international application under the Madrid Protocol through IPOS in Singapore, the applicant must be a resident or national of Singapore, or have a real and effective industrial or commercial establishment in Singapore.

Statutory protection for trademarks can last indefinitely so long as registrants get their marks renewed once every 10 years, and the mark is not the subject of invalidation or revocation. Non-use for an uninterrupted period of 5 years in the absence of proper reason may render the mark susceptible to revocation. The application for renewal should not be done any earlier than 6 months before, and no later than 6 months after the date of expiry of the registration. As with copyrights, the TMA provides right owners with significant and substantial options for civil remedies and criminal penalties.

### **Patents**

A patent is a property right that grants an inventor (or the assignee of the invention) a limited monopoly to exclusively use, make or sell the invention, based on the disclosure of the invention's technical information. Under the Patents Act (Cap 221, 2005 Rev Ed) (the "PA"), to register a patent in Singapore, the patentability requirements of novelty, inventive step, and industrial applicability must be satisfied. In addition, to be eligible for patent protection, the exploitation or publication of the invention must not encourage offensive, immoral or antisocial behaviour.

An invention is regarded as new if it is not part of prior art, which refers to all matters (whether a product, a process, information about either, or anything else) that have at any time before the priority date of the invention been made available to the public (whether in Singapore or elsewhere) by written or oral description, by use or in any other way. An invention involves an inventive step if it is not obvious to a person skilled in the art. Finally, an invention is capable of industrial application if it can be made or used in any kind of industry, including agriculture. A method of treatment of the human or animal body by surgery or therapy or of diagnosis practised on the human or animal body will not be considered capable of industrial application, even if the drugs that are used in such treatment or diagnosis may be patented.

Certain forms of inventions and discoveries, such as integrated circuit layout-designs and plant varieties, are conferred specific protection under other areas of Singapore law, and can be registered separately.

Singapore has a first-to-file patent system. The first person to file an application will own the rights to the invention once it is granted, subject to the patent being invalidated or revoked subsequently. As such, it is advisable to register a patent in Singapore before commencing business dealings.

Under the current positive grant system, applications that fail to satisfy all the patentability requirements will be refused and a Notice of Intention to Refuse will be issued upon completion of an initial examination review by the IPOS. A further Request for Review may be submitted, in which the application can proceed to grant should no objections arise in the subsequent examination review report.

Persons (whether individuals or companies) resident in Singapore may not file a patent application outside Singapore without first doing so in Singapore, unless prior authorisation has been obtained from IPOS. That said, an inventor's patent rights are not restricted by nationality or residency so long as the patent is registered in Singapore. While most inventors are employees, the PA provides that inventions made by employees in the course of their employment would be owned by the employer, unless otherwise agreed between the employer and employee.

Two options are available for an inventor who wishes to protect his invention in multiple countries outside Singapore. The first option is for the inventor to file separate patent applications at the same time in those countries. Should applications be made at different times in multiple countries, the earliest filing date in a Member State of the Paris Convention Treaty or World Trade Organization would be given priority. Similarly, an application that is first filed in Singapore can be used to claim priority in a corresponding Paris Convention country or WTO Member State, provided the corresponding application is filed within 12 months from the first date of filing.

The alternative is to file a single "international" patent application. As Singapore is a signatory to the Patent Cooperation Treaty (PCT), an international PCT patent application can be made through IPOS in Singapore designating any of more than 145 countries worldwide where patent protection is desired. The international (PCT) phase involves the examination of the invention for patentability, and once the search and examination reports are issued, the application must then enter the National Phase in each of the designated countries if it is to secure patent protection in those countries.

Filing a provisional application with IPOS is also available. Such provisional applications would establish the priority date of one's invention, while granting the applicant an additional 12 months to continue the patenting process by either filing a complete application in Singapore, or by filing applications abroad in another Paris Convention country. The applicant can therefore secure an earlier filing date and a 12-month period to assess the patentability and commercial viability of the invention before committing to the higher costs of full patent protection, notwithstanding the fact that the patent application is incomplete. Until the complete application is filed, details of the invention will not be made available to the public. However, failure to complete the application will result in it being treated as abandoned, and the patent not being granted. Alternatively, a new application for a patent can be filed, claiming priority from the earlier provisional application.

The estimated processing time of a patent grant ranges from 3 to 4 years from the date the application is filed. This is dependent on factors such as complexity of the invention, amendments made in the application, and the search and examination processes and results.

Patents are protected for a maximum of 20 years from the date of filing, subject to payment of annual renewal fees starting from the end of the fourth and every year thereafter until the patent expires. Once a patent is granted, and subject to renewal and invalidation or revocation, the inventor obtains a monopoly for 20 years over the exploitation of the invention.

Civil proceedings may be brought by patent proprietors in respect of any alleged act of patent infringement. Remedies provided for in the PA include injunctions, an order to deliver up and/or dispose of infringing articles, a declaration that the patent is valid and has been infringed, and either damages or an account of profits. Proceedings can be brought against a person for making groundless threats of infringement proceedings. However, mere notification of the existence of a patent will not constitute as a threat of proceedings.

With effect from 1 January 2020, the following changes proposed in the Patents (Amendment) Bill will be implemented.

Firstly, the grace period provision for patent applications will be broadened. This is designed to address the commercial needs of inventors, facilitate the spread of new ideas and technologies, and promote innovation. Nevertheless, inventors are to exercise caution before disclosing their inventions as not all jurisdictions have grace period provisions, much less identical ones.

Secondly, the foreign examination route within the patent application process in Singapore will be closed to improve the quality and consistency of granted patents. As a result, patent applicants will face a more stringent examination process, with the choice of either the local route (combined search and examination by IPOS) or the mixed route (examination based on a search report from a Prescribed Foreign Patent Office).

Finally, various procedural changes to render the patent application process more applicant-friendly and streamline operations at IPOS will take effect. For example, applicants will be able to submit a request for a change in routes at any time before the Examination Report, Search and Examination Report or Supplementary Examination Report is issued. This is as opposed to the current regime in which applicants can only request for a switch within a particular time frame.

### **Registered Designs**

A design refers to the features of shape, configuration, pattern or ornament applied to an article by an industrial process. An example of a design would be the shape and configuration of a sofa or lamp, or the pattern of wallpaper or fabric. To qualify for registration under the Registered Designs Act (Cap 266) (the "RDA"), the design must be new, be capable of industrial applicability (which will be inapplicable once the Registered Designs (Amendment) Act comes into force), and have features not limited to a functional purpose. It must also not be registered or published in Singapore or anywhere else before the date of filing. Upon registration, the owner of the registered design can prevent others from using the same or a similar design. The design can be assigned, mortgaged or licensed to others.

The design registration system in Singapore operates on a first-to-file basis, similar to Singapore's patents system. As Singapore is a member of the Paris Convention, the earliest filing date of applications made in other convention countries will take priority.

As protection for a design is territorial in nature, applications for protection must be obtained separately in each country where the owner wishes to obtain protection. If the owner wishes to file in countries other than Singapore, this can be done either by filing individual applications in each country, or filing a single application through the Hague System. Administered by WIPO, the Hague System is an international registration system that provides the design owner a way of obtaining protection in countries that are party to the Hague System through filing just one application with WIPO.

Upon registration, the application will be published in the Designs Journal and made available for public inspection. The entire process from the date of filing to its successful registration may take up to 6 months, in the absence of any objection.

Protection for a registered design is valid for an initial period of 5 years from the date of filing the application. Protection may be renewed for two further periods of 5 years each up to a maximum total of 15 years, subject to the payment of renewal fees. An artistic work that is registrable as a design under the RDA must be registered under the RDA. Failure to do so will result in the work losing both copyright protection as an artistic work as well as RDA protection as a design.

If any person uses the registered design without the consent of the registered owner, the owner of the registered design may obtain damages or an account of profits, and an injunction against continued use. The court can also order the alleged infringer to deliver up any infringing article and/or give an order for disposal. A person who is aggrieved by a threat of infringement proceedings for a registered design (other than for making or importing anything) may obtain a declaration that the threat is unjustified, an injunction against continuance of the threat and damages for losses sustained by the threats, unless the person making the threat can prove infringement and validity of the registered design.

In 2017, reforms to the RDA were proposed to bring it up to date with global developments and trends, and support the Design 2025 Masterplan. The Registered Designs (Amendment) Act seeks to broaden the scope of design protection under the RDA. These changes include removing the requirement for features constituting a design to be applied by an industrial process and allowing the registration of designs as non-physical products, in recognition of the emerging trend of new products that do not possess a physical form.

Currently, where a designer is commissioned to create a design, the commissioning party is treated as the owner of the design. The amendments seek to change this position on ownership of a commissioned design, recognising creators as owners of their own design by default. This is to highlight the importance of design creation and give value to the designer's contribution. However, parties are at liberty to change this default ownership position by contract.

Further amendments include an extension of the grace period provision for the registration of designs from 6 months to 12 months and an expansion of the circumstances under which the grace period provision may be relied upon by the designer. However, designers are encouraged to be judicious in disclosing their designs due to varying grace period provisions across different jurisdictions.

Additionally, applicants would be able to file multiple designs in a single application, subject to certain requirements. This accordingly reduces procedural costs and the administrative burden on applicants and the Registrar.

### **Confidential Information and Trade Secrets**

There is no specific legislation that defines or protects confidential information or trade secrets. A trade secret is generally understood to refer to confidential information that has commercial value and is not generally known to the public, due to the owner's efforts to keep it secret. It can include a method or technique that would give a business or company an edge over its competitors. Not all confidential information may amount to trade secrets though — e.g. information that has little or no commercial value, but is nonetheless imparted in circumstances that import a duty to maintain confidentiality.

The law on confidential information is concerned with preventing a person from divulging information given to him in confidence and on the express or implicit understanding that the information should not be disclosed to others or otherwise used by him.

The obligation to maintain confidentiality can arise by contract or at law, such as where there is a duty of good faith as in the relationship between a lawyer and his client, or a doctor and his patient. The obligation can also arise when a person discusses his business plans with a potential business partner with the aim of commercially exploiting the information, and informs the recipient of his plans to execute a Non-disclosure Agreement. A person who has acquired confidential information under confidential circumstances is under an obligation not to disclose or use the information.

Certain types of confidential information are also protected under statutory law. For example, the Banking Act protects customer information from unauthorised disclosure by the bank, while the Official Secrets Act prohibits the disclosure of classified government documents and information.

For information to be afforded protection in Singapore, three elements must be met. Firstly, there must be a requisite element of confidentiality. Secondly, the information must have been imparted in circumstances importing an obligation of confidentiality, and thirdly, there must have been an unauthorised use of such information to the detriment of the person imparting that information. Being capable of protecting mere ideas, the laws on trade secrets and confidential information provide a useful adjunct to other IP rights. Moreover, given that protection is typically afforded so long as the information does not become common knowledge or generally available to the public, protection can therefore potentially last indefinitely.

If there is a breach of confidence, the owner of the confidential information can apply to the court for an injunction, either damages or an account of profits, and an order to deliver up and/or dispose of materials containing the confidential information.

### **Geographical Indications**

Geographical indications (GI) are terms used to inform consumers of a product's special qualities, reputation or other characteristic indicated by its geographical origin. This often falls under the category of food and drinks. Well-known examples include "Mosel" and "Bordeaux" for the white and red wines respectively. Under the current Geographical Indications Act (Cap 117B, 1999 Rev Ed), protection of GIs is automatic, and there is no need for any application to be filed. In practice, however, the absence of a registration system signifies that a term can only be conclusively determined as a GI through a court ruling in a civil suit. However, this is set to change once the GI Act that was passed in 2014 eventually comes into force and replaces the current Act.

Under the new GI Act, a GI Registry will be established to allow for the registration of GIs (excluding wines and spirits). To be entitled to protection in Singapore, the GI must be protected in its country of origin. Only the GIs of countries that are members of the World Trade Organization, parties to the Paris Convention for the Protection of Industrial Property and/or designated by the Singaporean government as a qualifying country are protected under the GI Act.

As with the trademark registration system, registration of a GI can last indefinitely, subject to renewal every 10 years. To protect existing rights, GI registration will also follow the "first in time, first in right" principle. As such, a new application for GI registration may not invalidate a prior conflicting GI or trademark that already exists. Notably, the new GI Act calls for a trademark application to be refused if it contains or comprises a registered GI, or a GI pending registration. However, a trademark shall not be refused registration if applied for or used continuously in the course of trade prior to the application for registration of the GI or before the GI obtained protection in its country of origin.

**Conclusion**

IP is set to be at the forefront of our future economy. Singapore was ranked first in Asia and sixth worldwide in the Global Innovation Index 2016. In the World Economic Forum's Global Competitiveness Report 2015-2016, Singapore was ranked as having the best IP protection in Asia, based on the infrastructure and incentives put in place by the government to encourage innovation. IP has also been identified as a key driver of economic growth and a high growth practice area across the region by the Committee on the Future Economy (CFE) in its Legal and Accounting Services Working Group Report. At present, IPOS is one of 20 International Authorities in Patent Search and Examination, and the only such authority in ASEAN.

Singapore's continued efforts to refresh its IP regime and grow a pool of IP and innovation management expertise showcase its commitment in supporting domestic innovation and its recognition of the shifting business needs in today's innovation-based economy. With its future plans focusing on shaping and administering a robust IP regime and building a vibrant IP environment and marketplace, Singapore is well-positioned to distinguish itself as the premier IP hub of Asia.

**Contributed by:****Lau Kok Keng****Rajah & Tann Singapore LLP**

9 Battery Road

#25-01

Singapore 049910

Tel: +65 6232 0765

Fax: +65 6428 2118

Email: Kok.Keng.Lau@RajahTann.com

Website: www.RajahTannAsia.com

# MANPOWER

## EMPLOYMENT STANDARDS AND REGULATIONS

As Singapore's primary asset is its highly educated and professionally qualified workforce, the government has gone to great lengths to ensure excellent employment standards and practices. To uphold the aforementioned standards, the Singapore government has tasked the following government organisations with regulating labour standards. They are:

### Ministry of Manpower (MOM)

As the governing authority for Singapore's workforce, the Ministry of Manpower enforces the regulations and guidelines set forth by the Employment Act in order to ensure and maintain high standards in all aspects of employment.

### Workforce Singapore (WSG)

Workforce Singapore is the government-accredited agency that enables Singaporean employees to be up to date and current in their respective industries. The agency achieves this by making industry-accredited upgrading courses readily accessible to the workforce.

## SINGAPORE LABOUR LEGISLATION

*Note: All information contained in this article is correct as of July 2017. Readers should not rely solely on this article in their fulfilment of regulatory obligations within or outside Singapore.*

### Employment Act Coverage

The Employment Act is Singapore's primary labour legislation. The Act primarily covers every employee (regardless of nationality) who is under a contract of service in Singapore except:

- Any person employed in a managerial or executive position
- Any seafarer
- Any domestic worker
- Any person employed by a statutory board or the government

As of 1 April 2014, junior Professionals, Managers and Executives (PMEs) earning a basic monthly salary of up to S\$4,500 are covered on all sections of the Employment Act except section IV (Hours of Work).

### Contract of Service and Termination

A contract of service is defined by the Ministry of Manpower as any written or verbal agreement (expressed or implied) that establishes an employer-employee relationship. The employer under the law is not allowed to change the terms and conditions of employment unless the employee agrees to it. Terms or conditions that are less favourable than provisions under the Employment Act are illegal, null and void.

Essential clauses of contracts of service are:

- Commencement of employment;
- Appointment — job title and job scope;
- Hours of work;
- Probation period (if any);
- Remuneration;
- Employee's benefits (e.g. sick leave, annual leave, maternity leave);
- Termination of contract — notice period; and
- Code of conduct

Termination of a contract of service can be effected either by the employer or employee. An employer cannot reject an employee's resignation. Employees have the right to resign at any time by serving the required notice period or compensating the employer with salary in lieu of notice.

### Salary

The MOM's definition of salary covers all remunerations, including allowances payable to an employee, with respect to work done under the contract of service. It excludes accommodations, pensions, travelling allowance, gratuity payments upon discharge, as well as retirement and retrenchment benefits.

There is no minimum wage/salary in Singapore. Salary is subject to negotiation and mutual agreement between the employer and employee.

### Frequency of Salary Payment

Employees must be paid at least once a month. However, salaries paid at shorter intervals are allowed. All salary components must be paid within seven days following the end of the salary period, with the following exceptions:

Situation	Salary must be paid
Overtime Work	<b>Within 14 days</b> after the end of the salary period
Dismissal/Termination by Employer, if <ul style="list-style-type: none"> <li>▪ The employee is dismissed on grounds of misconduct, or</li> <li>▪ The contract of service is terminated by the employer.</li> </ul>	On the <b>last day of employment</b>  If this is not possible, it must be paid within <b>three working days</b> from the date of dismissal/termination.
Termination by Employee, if <ul style="list-style-type: none"> <li>▪ The employee terminates the contract by resigning and has served the required notice period.</li> </ul>	On the <b>last day of employment</b>
Termination by Employee, if <ul style="list-style-type: none"> <li>▪ The employee terminates the contract by leaving employment without notice or without serving the required notice period</li> </ul>	Within <b>seven working days</b> of the last day of employment

### Salary Deductions

Employers are only permitted to deduct salaries for reasons stipulated under the Act, or by court order. Deductions that are permitted include: absence from work, damage or loss of goods entrusted to the employee, and recovery of advances (each instalment must not exceed 25% of salary due for salary period).

The maximum amount of deductions should not exceed 50% of the employee's total salary for a salary period.

*Note: Compensation should generally be recovered directly from employees, rather than through a salary deduction.*

As of 1 April 2014, employers are not allowed to deduct more than 25% of an employee's salary for accommodation, amenities and services.



### Contractual Hours of Work, Overtime, Rest Days, Public Holidays and Leave

Employees covered under the Employment Act, section IV:

- a. Workmen earning not more than S\$4,500 basic monthly salaries\*
- b. Employees earning not more than S\$2,500 basic monthly salaries\*

*\*The aforementioned salaries exclude overtime, bonus, Annual Wage Supplement, productivity incentives, and allowances.*

#### Contractual Hours of Work

The MOM defines “hours of work” as the period during which the employee is expected to carry out duties assigned by the employer, excluding rest and meal breaks. Under the Employment Act, an employee is not allowed to work more than 12 hours a day or more than 44 hours a week.

Working Hours	Lunch Break	Hours Worked for the Day	Hours Worked for the Week (assuming 5.5-day week)
9:00am to 6:00pm	One hour	Eight hours	8 x 5.5 = 44 hours

- a. The limit of eight hours a day may be exceeded when an employee is not required to work more than five days a week. However, the employee is not required to work for more than nine hours a day or 44 hours a week.
- b. If the number of hours worked is less than 44 hours every alternate week, the limit of 44 hours a week may be exceeded in the other week. However, this must be stated in the contract of service and is subject to a maximum of 48 hours in one week or 88 hours in any continuous two-week period.

A shift worker is allowed to work up to 12 hours a day, provided that the average number of working hours each week does not exceed 44 over a continuous three-week period.

Generally, employees are not required to work more than six consecutive hours without a break, up to a maximum of eight consecutive hours. As stipulated by the MOM, breaks should be no less than 45 minutes.

#### Overtime

Overtime work for employees should not be more than 72 hours in a month, unless the MOM grants special approval for this limit to be exceeded.

Overtime pay is mandatory for a non-workman if his/her basic monthly salary is S\$2,500 or less, and for a workman if his/her basic monthly salary is S\$4,500 or less. Hourly and daily overtime pay calculations are listed by the MOM. No less than 1.5 times the hourly rate should be paid for overtime.

The salary threshold of non-workmen is S\$2,500; however, the overtime rate is capped at the salary level of S\$2,250. The salary threshold for workmen remains at S\$4,500.

#### Rest Days

A rest day (24 continuous hours) must be granted each week to the employee. A “week” is defined by the MOM as a continuous period of seven days. Generally, a rest day is on a Sunday, but it may be any other day. Rest days should be made known to the employee at the beginning of each month. It is important to note that an employer cannot compel employees to work on their rest days, unless under exceptional circumstances. Payment

for work done on a rest day as stipulated by the MOM is as follows:

Hours Worked	Half Day or Less		More than Half Day to Full Day	
	At employer's request	At employee's request	At employer's request	At employee's request
<b>Situation</b>	At employer's request	At employee's request	At employer's request	At employee's request
<b>Pay (Basic Rate)</b>	One day's pay	Half day's pay	Two days' pay	One day's pay

If an employee works beyond the normal daily working hours on a rest day, he/she should be paid at least 1.5 times the hourly basic rate of pay.

### Public Holidays

There are 11 gazetted public holidays in Singapore:

- New Year's Day
- Chinese New Year (two days)
- Hari Raya Puasa
- Hari Raya Haji
- Good Friday
- Labour Day
- Vesak Day
- National Day
- Deepavali
- Christmas Day

An employee is entitled to his/her gross rate of pay on a public holiday, provided the employee does not absent himself/herself from the work day immediately preceding or following a public holiday, without consent or reasonable excuse. An employee is not entitled to public holiday pay if he/she is on approved no pay leave. The rate of payment for overtime work beyond normal working hours on a public holiday shall be at least 1.5 times the employee's hourly basic rate of pay.

### Leave

Leave is an entitlement of an employee covered under the law. Types of leave covered are: Annual leave, sick leave, maternity leave, childcare leave, paternity leave, shared-parental leave, adoption leave, and infant-care leave.

Employees are entitled to annual leave if they are covered under the Employment Act and have been working for at least three months. The minimum annual leave entitlement is seven days, with increments of one day per year of service with the employer up to a cap of 14 days. If an employee has worked less than a year, his/her annual leave should be proportional to the number of completed months of service.

Employees are entitled to 60 days of hospitalised and 14 days of non-hospitalised sick leave. Employers are legally obligated to bear the medical consultation fees of employees if they have been employed for at least three months. For costs such as ward charges and medication, the employer is obliged to bear such costs in accordance with the medical benefits stipulated in the employee's contract of service or the collective agreement between the company and union.

Please refer to [www.mom.gov.sg](http://www.mom.gov.sg) for more information.

### STATUTORY BOARD CONTRIBUTIONS

#### Central Provident Fund (CPF)

The CPF is a compulsory and comprehensive social security savings scheme to which both employers and employees (citizens and permanent residents) contribute. The aim of the Fund is to provide financial security for wage-earners in their retirement. In addition, the CPF Board has introduced various schemes for members that cater to home-ownership, insurance, hospitalisation, investments and education at approved local institutions.

Employers and employees are required to pay monthly contributions to the CPF at rates stipulated by the CPF Act. Contributions are payable based on the employee's actual salary earned for the month.

Accurate as at 1 January 2016, the maximum contributions by employees and employers are 20% and 17% of wages respectively, on a monthly ordinary wage ceiling of S\$6,000 for employees aged 50 and below.

The maximum total contribution is 37% for employees aged above 50 to 55, 26% for those aged above 55 to 60, 16.5% for those aged above 60 to 65 and 12.5% for those aged above 65.

*Note: Contributions paid into the CPF are allocated primarily to an employee's Ordinary Account in the CPF. Additional accounts are the Special Account and Medisave Account.*

CPF withdrawals may be made when the CPF member:

- reaches age 55 after setting aside his/her CPF Minimum Sum and Medisave Required Amount
- is permanently disabled
- leaves Singapore and West Malaysia permanently

#### Skills Development Fund

Employers are subject to a Skills Development Fund (SDF) levy of 0.25% on the emoluments of employees earning up to the first S\$4,500 a month, or subject to a minimum of S\$2, whichever is higher. This SDF levy is used to promote training in skills relevant to Singapore's economic restructuring efforts and provides training grants for companies to upgrade the skills of their employees.

Please refer to [www.cpf.gov.sg](http://www.cpf.gov.sg) for more information.

### WORKING IN SINGAPORE

Foreigners entering Singapore to work must obtain a work pass from the Ministry of Manpower in one of the following categories: Employment Pass, S Pass and Work Permit.

#### Types of Employment Passes

##### Employment Pass

The Employment Pass is meant for a foreigner whose fixed monthly salary is S\$3,600 and above with requirements depending on his/her qualifications and experience.

- Young graduates from good institutions can qualify if they earn at least S\$3,600.
- Older applicants would have to command higher salaries to qualify, commensurate with the work experience and quality expected of them.

### Personalised Employment Pass (PEP)

While an individual employment pass is tied to an employer, the PEP allows its holder to remain in Singapore without a job for up to six months while evaluating employment opportunities. It is issued only once with a validity period of three years and non-renewable. PEP holders must earn an annual salary of at least S\$144,000 in each calendar year of the PEP.

### S Pass

A foreigner whose fixed monthly salary is at least S\$2,200 is eligible for an S Pass. S Pass applicants will be assessed on a points system, taking into account various criteria such as salary, educational qualifications, skills, job type and work experience.

Currently, the number of S Pass holders a company can employ is capped at a sub-Dependency Ceiling (sub-DC) of 15% of the company's total workforce in the Services sector and 20% in the remaining sectors.

### Work Permit

A foreigner whose fixed monthly salary is not more than S\$2,200 will need to apply for a Work Permit. The permit can be categorised into 'semi-skilled' and 'unskilled' depending on the educational level and industry sector the applicant is employed under.

An employer that wishes to bring workers from North Asian Sources, Non-Traditional Sources and the People's Republic of China into Singapore needs to furnish a security bond of S\$5,000 per worker, and pay foreign worker levies for them.

Please refer to [www.mom.gov.sg/foreign-manpower/passes-visas/work-permit-fw/before-you-apply/Pages/overview.aspx](http://www.mom.gov.sg/foreign-manpower/passes-visas/work-permit-fw/before-you-apply/Pages/overview.aspx) for more information.

### Foreign Worker Levy

The number of S Pass and Work Permit holders that a company is allowed to hire is limited by quota (or Dependency Ratio Ceiling) and subject to levy. The levy rates vary across industries and are tiered so that those that hire close to the maximum quota will pay higher levies. In general, the more foreign workers a company hires, the higher its foreign workers' levy rate and levy bill. The table below outlines the quota, levy rates and levy tiers for the different industry sectors.

### Overview of Foreign Worker Levy Changes till July 2017

#### Services Sector

		1 July 2015		1 July 2016		1 July 2017	
		DR	Levy (S\$) Higher skilled/ Basic skilled	DR	Levy (S\$) Higher skilled/ Basic skilled	DR	Levy (S\$) Higher skilled/ Basic skilled
<b>S Pass</b>	Basic Tier	≤ 10%	315	≤ 10%	330	≤ 10%	330
	Tier 2	10-15%	550	10-15%	650	10-15%	650
<b>Work Permit</b>	Basic Tier	≤ 10%	300/420	≤ 10%	300/450	≤ 10%	300/450
	Tier 2	10-25%	400/550	10-25%	400/600	10-25%	400/600
	Tier 3	25-40%	600/700	25-40%	600/800	25-40%	600/800

### All Other Sectors (Manufacturing, Marine, Construction, Process)

		1 July 2015		1 July 2016		1 July 2017	
		DR	Levy (S\$) Higher skilled/ Basic skilled	DR	Levy (S\$) Higher skilled/ Basic skilled	DR	Levy (S\$) Higher skilled/ Basic skilled
<b>S Pass</b>	Basic Tier	≤ 10%	315	≤ 10%	330	≤ 10%	330
	Tier 2	10-20%	550	10-20%	650	10-20%	650
<b>Manufacturing</b>	Basic Tier	≤ 25%	250/370	≤ 25%	250/370	≤ 25%	250/370
	Tier 2	25-50%	350/470	25-50%	350/470	25-50%	350/470
	Tier 3	50-60%	550/650	50-60%	550/650	50-60%	550/650
<b>Marine</b>	Basic Tier	≤ 83.3%	300/400	≤ 81.8%*	300/400	≤ 81.8%*	300/400
<b>Construction</b>	Basic Tier		300/550		300/650		300/700
	MYE-Waiver	≤ 87.5%	600/950	≤ 87.5%	600/950	≤ 87.5%	600/950
<b>Process</b>	Basic Tier		300/450		300/450		300/450
	MYE-Waiver	≤ 87.5%	600/750	≤ 87.5%	600/750	≤ 87.5%	600/750

\* The dependency ratio ceiling for the marine sector has been reduced to 81.8% since 1 January 2016, and will be further reduced to 77.8% from 1 January 2018.

DR: Dependency Ratio

MYE: Man-Year Entitlement, a work permit allocation system for workers from Non-Traditional Sources (India, Sri Lanka, Thailand, Bangladesh, Myanmar and the Philippines) and the People's Republic of China

#### Contributed by:

##### **PayrollServe (The payroll and HR outsourcing division of the Stone Forest group)**

8 Wilkie Road

#03-08 Wilkie Edge

Singapore 228095

Tel: +65 6533 7600

Fax: +65 6594 7999

Email: [Info@PayrollServe.com.sg](mailto:Info@PayrollServe.com.sg)

Website: [www.PayrollServe.com.sg](http://www.PayrollServe.com.sg)

# START-UP ECOSYSTEM IN SINGAPORE

Singapore's open and vibrant business environment has been further strengthened in the last several years by a growing governmental emphasis on the country's forward vision of becoming a global start-up/entrepreneurial hub.

Aside from its pro-business environment and business-friendly tax regime, a series of policies have been introduced to impart optimum benefits to all aspiring entrepreneurs and move towards a common goal of becoming a regional start-up hub.

## GOVERNMENTAL SUPPORT

The main governmental funding platform for start-ups comes from Enterprise Singapore, a merger between SPRING Singapore and International Enterprise Singapore. The national standards and accreditation body works with committed companies to build capabilities, innovate and internationalise, while championing the growth of Singapore as a hub for global trading and startups.

### Options for Funding through Grants

Enterprise Singapore assists start-ups in funding through initiatives such as STARTUP SG FOUNDER, STARTUP SG TECH, STARTUP SG EQUITY and STARTUP SG Loan.

STARTUP SG FOUNDER	STARTUP SG TECH
The platform matches mentors to start-ups, as well as provides funding up to S\$30,000 to first-time entrepreneurs with innovative business ideas by matching S\$3 to every S\$1 raised by the entrepreneur for up to S\$30,000. Enterprise Singapore has appointed Accredited Mentor Partners (AMP) that will identify qualifying applicants based on the uniqueness of the business concept, feasibility of business model, strength of the management team as well as potential market value.	This grant expedites the development of proprietary technology solutions, and catalyses the growth of start-ups based on proprietary technology and a scalable business model. Companies can apply to receive early-stage funding for the commercialisation of proprietary technology.
STARTUP SG EQUITY	STARTUP SG LOAN
This scheme sees the government co-investing with independent, qualified third-party investors into eligible start-ups to stimulate private-sector investments into innovative, Singapore-based technology start-ups with intellectual property and global market potential. SEEDS Capital Pte Ltd and SGInnovate have been appointed to manage these funds.	This is for the provision of government-backed loans for start-ups' working capital, equipment/factory financing and trade financing needs, offered through Participating Financial Institutions.

### Assistance with Grant Application

Start-ups are provided with further assistance in their grants application through the Business Grants Portal, a collective repository of all government grants available. The portal allows for the application of grants through the site, streamlining the process considerably.

### **Tax Offsets for Start-ups**

From the year 2019 onwards, the Singapore government will offer<sup>1</sup> all start-ups a 75% exemption on the first S\$100,000 of normal chargeable income followed by a further 50% exemption on the next S\$200,000 of normal chargeable income. From the year 2020, the offset will encompass a 75% exemption on the first S\$100,000 of normal chargeable income followed by a 50% exemption on the next S\$100,000 of normal chargeable income.

The country will apply these offsets as long as the company has been incorporated locally, is a tax resident for the year in question and total share capital is beneficially held directly by no more than 20 shareholders – all of whom are individuals or at least one of them holds at least 10% of the issued ordinary shares of the company. Offsets will not be offered to companies whose principal activity is that of an investment holding or one that undertakes property development for sale, investment, or for both investment and sale.

On the other side of the spectrum, assistance is also rendered in the form of tax incentives (under Enterprise Singapore's STARTUP SG INVESTOR scheme). These tax incentives include the Angel Investor Tax Deduction (AITD) as well as S13H/FMI incentives — for individuals or fund management companies that are actively investing in start-ups and/or other Singapore companies.

## **PRIVATE SECTOR**

Entrepreneurs in Singapore have a deep pool of private options to tap into when looking for assistance.

### **Venture Capital (VC) Firms**

Singapore has seen dramatic growth in the VC landscape during the course of the last several years, with an increasing number of local companies attracting attention from investors.

2018's projections find that this trend will remain on an upward trajectory. The robust funding landscape can be partly attributed towards the Monetary Authority of Singapore's easing<sup>2</sup> of barriers to entry for start-ups seeking funding. The industry, for example, will no longer require VC managers to have directors and representatives with at least five years of relevant experience in fund management. This has resulted in a rise in the number of VC firms starting up in the country.

Various Singaporean companies across the insurance, medical as well as property industries have also started their own VC arms, catering to a growing number of start-ups in their respective fields looking for funding.

### **Multi-family Offices (MFOs)**

Private firms that manage a wide range of responsibilities for high net-worth clients, MFOs have gained considerable traction in Asia primarily due to a rise in wealthy families looking for consolidation of their assets as well as legacy planning capabilities and unbiased investment advice. One main advantage of the MFO model is the fact that they have no allegiance to private banks and are thus able to provide objective recommendations to their clients.

These boutique firms are increasingly looking for equity investments in the start-up sphere, often structuring deals that see them fill a role of strategic partner in the company's growth. Singapore's MFOs are said to have 26% of assets under management in direct investments such as venture capital, private equity and co-investing, which are additional sources of financing for start-ups and entrepreneurs.

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<sup>1</sup> Tax Exemption Scheme for New Start-Up Companies, Inland Revenue Authority of Singapore ([www.iras.gov.sg](http://www.iras.gov.sg))

<sup>2</sup> MAS simplifies rules for managers of venture capital funds to facilitate start-ups' access to capital, 20 October 2017, Monetary Authority of Singapore ([www.mas.gov.sg](http://www.mas.gov.sg))

### Financial Institutions

Local banks have also realised the need to sow the seeds for start-ups to grow, with initiatives that allow entrepreneurs to access working capital loans, facilitating start-ups' access to the bank's crowdfunding partners, and offering alternative financing that is tailored to the specific needs of the venture. Banks have also been offering start-ups with access to venture debt, where they are able to accelerate commercialisation and increase the valuation of their business considerably. This allows start-ups to get funding without pledging any equity.

## MOVING TOWARDS THE COMMON GOAL OF CREATING AN ENTREPRENEURIAL HUB

### Start-ups Operating in Singapore

A longitudinal study by NUS enterprise at the end of 2015 saw Singapore home to 48,071 start-ups, double the figure of what it was in 2004. The 2015 figure included 5,111 start-ups that were of the high-tech category.

### Funding Numbers

Singapore has been vying for regional fintech hub status over the last few years, going from strength to strength within the industry due to its conducive business environment, infrastructure, highly skilled labour and business-friendly tax regime.

The country sits above average when it comes to early-stage start-up funding, averaging US\$276,000 over the global average of US\$252,000 during 2017<sup>3</sup>.

Singapore's 2017 start-up ecosystem value stood at US\$11 billion, impressively standing tall in comparison to the global average of US\$4.1 billion, a representation of its dominance on a global level.

### Nurturing Talent on the Local Front

Singapore is home to world-class universities, with Nanyang Technological University and the National University of Singapore standing at an impressive 11th and 15th place respectively on 2018's annual top university rankings<sup>4</sup>.

Due to an academically inclined educational system geared towards non-innovation-centric approaches, institutes such as the Singapore University of Technology and Design hosts<sup>5</sup> an Entrepreneurship Centre that builds exposure to the local and global entrepreneurship ecosystem and acts as a platform for start-up incubation.

The Singapore Institute of Technology, through its Technology, Innovation and Enterprise (TIE) division, equips its students with business ideas and start-up advice.

The NUS Enterprise Programme also provides an enriching combination of lectures, conversations with start-ups, ideation and pitching sessions. The initiative provides visits to business and government organisations.

For roles that cannot be filled by local candidates, Enterprise Singapore offers the STARTUP SG TALENT scheme that facilitates a conducive environment for global talent to join local start-ups and set up innovative businesses in Singapore. The Ministry of Manpower also offers a host of schemes across different visa classes for the employment of foreign talent who meet certain criteria.

<sup>3</sup> Global Startup Ecosystem Report 2017, Startup Genome

<sup>4</sup> 2018 Quacquarelli Symonds (QS) World University Rankings ([www.topuniversities.com](http://www.topuniversities.com))

<sup>5</sup> Office of Technology and Enterprise Management, Singapore University of Technology and Design (<http://entrepreneurship.sutd.edu.sg>)



### START-UP COMMUNITIES, CO-WORKING SPACES AND BEYOND

Due largely to the gig-economy as well as changing needs of businesses, the physical work-space as we know it has taken a different shape in the last several years. The industry has evolved to create environments that allow like-minded professionals from varying backgrounds and often different businesses to work in the same space, facilitating knowledge sharing as well as a mutually beneficial pool of talent.

#### **Government-supported Start-up Spaces – Block 71, STARTUP SG ACCELERATOR, TeSA**

Touted by The Economist as being the world's most tightly packed entrepreneurial ecosystem, the NUS Enterprise, Singtel Innov8 and Info-communications Media Development Authority of Singapore collaboration was created to build synergies and economies of scale by bringing together the country's tech start-up cluster in one collective hub.

Home to hundreds of tech-related start-ups, VCs and incubators spread across seven stories, Block 71 provides entrepreneurs with both funding as well as in-kind support.

Enterprise Singapore also renders support to the start-up accelerator scene with its STARTUP SG ACCELERATOR programme, providing assistance across strategic growth sectors that take on the role of catalysing growth opportunities for high potential start-ups. When deemed appropriate, funding support may cover costs associated with nurturing programmes, mentorships and operating expenses.

Singapore's 2018 budget has also allotted S\$145 million towards the Tech Skills Accelerator (TeSA) over 3 years to build and strengthen the digital workforce for the local economy as well as to enhance employability outcomes for individuals in the information and communications technology profession. This will positively impact the start-up community, providing for a deeper pool of talent for the industry to tap into.

#### **Co-working Spaces — WeWork, The Working Capitol, District6**

There have been a multitude of co-working spaces springing up in Singapore over the last few years, with several players entering the market with their own value propositions.

These spaces offer occupants with a host of amenities such as access to meeting rooms, cafes, coffee machines as well as office spaces to cater to businesses of all sizes. On offer are also the invaluable workshops, knowledge-sharing sessions and collaborative as well as networking opportunities through like-minded fellow tenants. Companies such as WeWork provide the added bonus of access to their global network of spaces.

#### **Business Club — SPECTRUM**

SPECTRUM was created as a shift away from the co-working collaborative environment, providing curated access to enablers, government-level agencies, innovators, learning institutions, executors and backers to create a comprehensive and complete ecosystem of connections across every layer and area that a start-up may require, regardless of its growth stage. Its non-resident member option provides access to the whole network for all those that do not want or need to commit to a physical space.

The technology and innovation business club focuses on the six key areas of healthcare, education, finance, food, housing as well as fashion, catering to entrepreneurial pursuits that will be most impactful for society in the next decades. The focus on these key areas will allow the comprehensive ecosystem to evolve into what will be a hotbed of connectivity, facilitating collaborations and progressing businesses rapidly.

### SINGAPORE'S START-UP ECOSYSTEM MOVING FORWARD

When it comes to its growing status as a start-up hub, the next several years will see Singapore witness a progressive shift towards fully integrated and globally connected discovery platforms that build financial, human and technology capital. The country has all the right ingredients for success in the sphere; it is now all about connecting the different pieces together to create a truly efficient and inclusive ecosystem.

**Contributed by:**

**Golden Equator**

Tel: +65 6887 8124

Fax: +65 6887 8134

Email: [contact@goldenequator.com](mailto:contact@goldenequator.com)

Website: [www.goldenequator.com](http://www.goldenequator.com)

# SINGAPORE WITHIN ASEAN

## OVERVIEW OF ASEAN

Formed in 1967, the Association of Southeast Asian Nations (ASEAN) is a 10-member political and economic bloc, of which Singapore, Indonesia, Malaysia, the Philippines and Thailand are founding members. The bloc, which also includes Brunei Darussalam, Cambodia, Lao People's Democratic Republic, Myanmar and Vietnam, aims to accelerate economic growth, social progress and cultural development in the region, while promoting regional peace and stability.

### ASEAN Quick Facts (2016)

Total Land Area: 4.49 million square kilometres

Total Population: 634.5 million

GDP: US\$2.56 trillion (about S\$3.41 trillion)

Per Capita GDP: US\$4,034 (about S\$5,367)

International Merchandise Trade: US\$2.24 trillion (about S\$2.98 trillion)

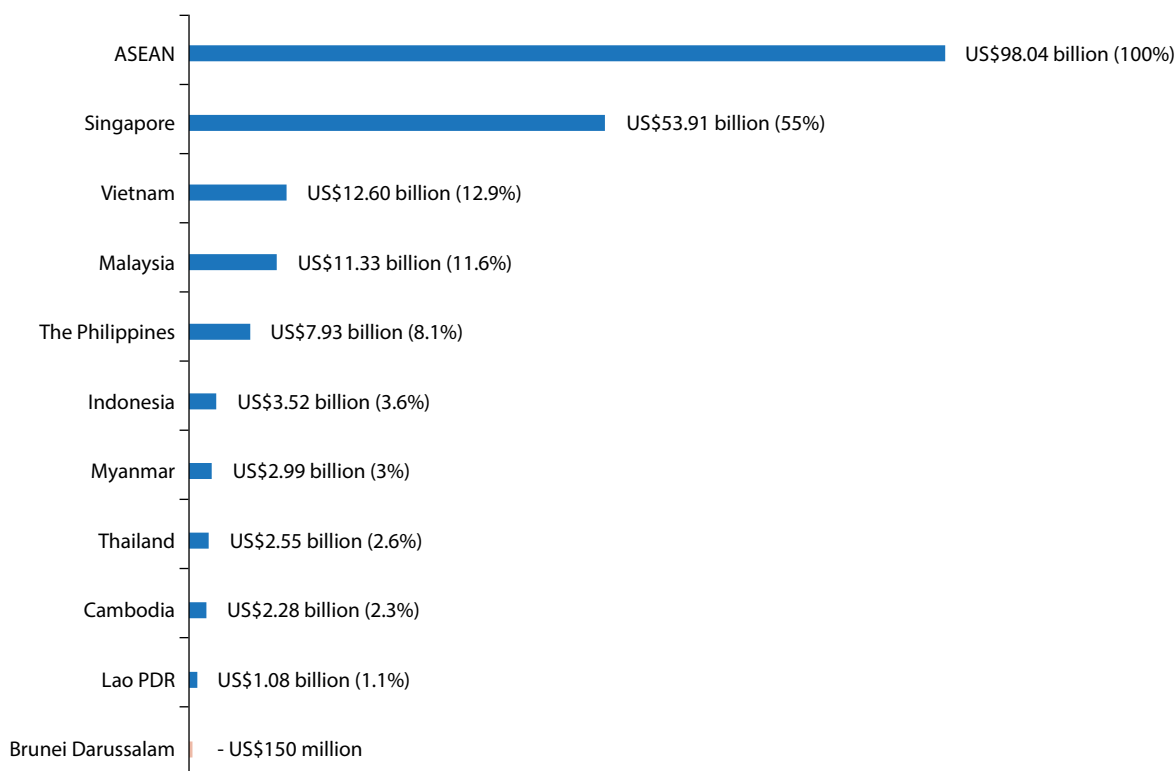
Foreign Direct Investments Inflow: US\$98.04 billion (about S\$130.44 billion)

Source: <https://data.aseanstats.org>

## FOREIGN DIRECT INVESTMENT IN ASEAN

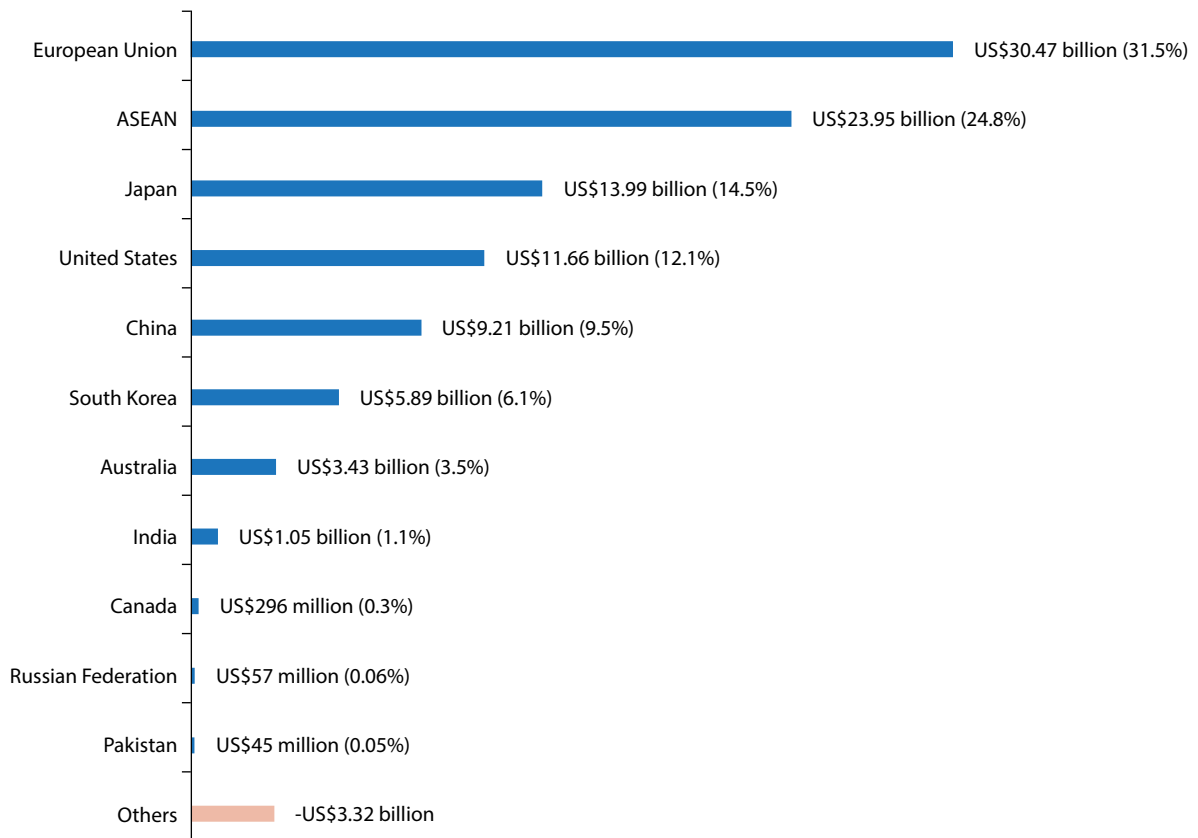
Singapore accounted for the largest share of ASEAN's foreign direct investments (FDI) inflow in 2016. During that year, Singapore's FDI inflow totalled US\$53.91 billion or 55% of the total amount for ASEAN. This reflects the country's attractiveness as an investment destination in the region.

### ASEAN FDI Inflow (2016)



Source: <https://data.aseanstats.org>

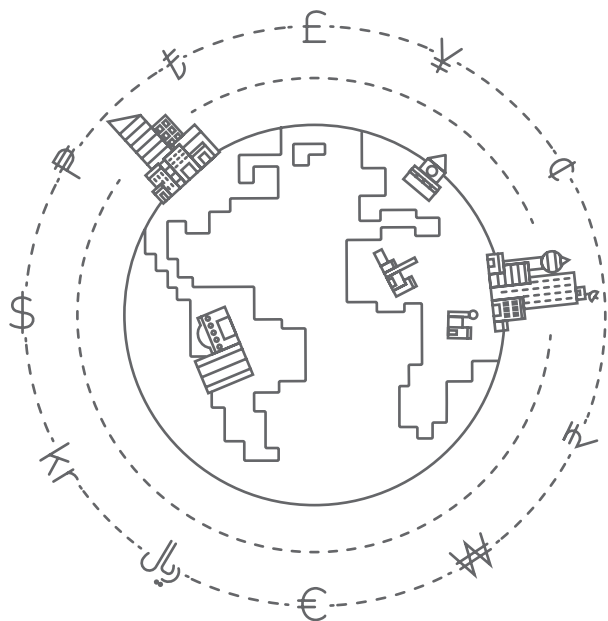
**FDI Inflow in ASEAN by Sources (2016)**



Source: ASEAN Investment Report 2017

**ASEAN ECONOMIC COMMUNITY**

Establishment of the ASEAN Economic Community (AEC) in 2015 was a major milestone in the region's economic integration agenda. The AEC envisages a single market and production base, a competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy. Various elements of these objectives are shown in the following diagram.



### Four Pillars of the AEC

#### Single Market and Production Base

- Free flow of goods, services, investment, capital and skilled labour
- Identify priority integration sectors for accelerated economic integration
- Food, agriculture and forestry

#### Competitive Economic Region

- Competition policy
- Consumer protection
- Intellectual property rights
- Infrastructure development
- Taxation
- E-commerce

#### Equitable Economic Development

- SME development
- Initiative for ASEAN Integration aims to narrow development gaps between ASEAN member states as well as between ASEAN and other parts of the world

#### Integration into Global Economy

- Coherent approach towards external economic relations
- Enhanced participation in global supply networks

Source: Association of Southeast Asian Nations

### AEC-related Agreements

To support realisation of the AEC and its objectives, ASEAN member states have signed several agreements that foreign investors in Singapore may benefit from. These agreements aim to:

- Facilitate the movement of goods, services, investments, capital and skills;
- Increase trade and investments among member states;
- Promote and expand regional production sharing and networks; and
- Promote a higher level of transparency and predictability for business planning through easier access to information from ASEAN

Key AEC-related agreements include:

- ASEAN Trade in Goods Agreement
- ASEAN Framework Agreement on Services
- ASEAN Comprehensive Investment Agreement
- ASEAN Framework Agreement on Intellectual Property Cooperation
- ASEAN Framework Agreement on Mutual Recognition Arrangements
- ASEAN Regional Free Trade Agreements

#### ASEAN Trade in Goods Agreement

The ASEAN Trade in Goods Agreement (ATIGA) aims to achieve a free flow of goods in the region to strengthen economic linkages between member states, lower business costs and increase trade.

Commitments under the ATIGA will be reviewed and refined to further lower remaining tariff barriers in the region, among other objectives. This is one of the strategic measures in ASEAN Economic Community Blueprint 2025.

### **ASEAN Framework Agreement on Services**

The ASEAN Framework Agreement on Services (AFAS) aims to enhance cooperation among member states in improving the efficiency and competitiveness of their service suppliers within and outside ASEAN. It also seeks to substantially eliminate restrictions to trade in services among member states and expand the depth and scope of liberalisation beyond those undertaken by member states under the General Agreement on Trade in Services.

### **ASEAN Comprehensive Investment Agreement**

The ASEAN Comprehensive Investment Agreement (ACIA) seeks to create a free and open investment environment in the context of an integrated economic community and enhance the region's attractiveness as a single investment destination.

It is expected to create a more conducive investment environment, encourage foreign investors to do business in the region, increase intra-ASEAN investment, and encourage greater industrial complementation and specialisation among ASEAN member states.

### **ASEAN Framework Agreement on Intellectual Property Cooperation**

Intellectual property (IP) protection is an important factor in the establishment of a favourable climate for investment. As a signatory of the ASEAN Framework Agreement on Intellectual Property Cooperation, Singapore is committed to ensuring a robust IP protection and enforcement regime.

The ASEAN Framework Agreement on Intellectual Property Cooperation provides for a broad scope of cooperative activities such as:

- Activities to enhance IP protection, including cooperation in cross-border measures
- Activities to strengthen ASEAN IP administration
- Activities to strengthen IP legislation
- Activities to promote public awareness of IP rights

A statutory board under the Ministry of Law, the Intellectual Property Office of Singapore (IPOS) advises on and administers IP laws, as well as promotes IP awareness.

IPOS provides businesses with tools and information to help them effectively capitalise on their existing IP. It also seeks to upgrade IP professionals' expertise and promotes cross-border IP cooperation.

For more information about IP in Singapore, refer to the Legal section of this guide.

### **ASEAN Framework Agreement on Mutual Recognition Arrangements**

The ASEAN Framework Agreement on Mutual Recognition Arrangements (MRAs) stipulates general principles for developing sectoral MRAs among member states and other related cooperative activities to facilitate elimination of technical barriers to trade within ASEAN.

An MRA is an international agreement by which two or more countries agree to recognise one another's conformity assessments. These are activities that determine whether a process, product or service meets relevant requirements.

Besides eliminating technical barriers to trade, international harmonisation of standards through MRAs may also increase market access opportunities for businesses in Singapore.

### **ASEAN Regional Free Trade Agreements (FTAs)**

ASEAN regional FTAs support the AEC's objective of integration into the global economy. As part of ASEAN, Singapore also enjoys such FTAs with other countries, including:

- ASEAN-Australia-New Zealand FTA
- ASEAN-China FTA
- ASEAN-India FTA
- ASEAN-Japan Comprehensive Economic Partnership Agreement
- ASEAN-Republic of Korea FTA

For more information on the ASEAN agreements, visit: <http://asean.org> or <http://investasean.asean.org>.

### **Contributed by:**

#### **RSM**

8 Wilkie Road

#03-08 Wilkie Edge

Singapore 228095

Tel: +65 6533 7600

Fax: +65 6538 7600

Email: [MKTG@RSMSingapore.sg](mailto:MKTG@RSMSingapore.sg)

Website: [www.RSMSingapore.sg](http://www.RSMSingapore.sg)

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## **RSM International**

Global Executive Office

50 Cannon Street

London EC4N 6JJ

United Kingdom

Tel: +44 (0) 20 7601 1080

Email: [RSMCommunications@RSM.Global](mailto:RSMCommunications@RSM.Global)

Website: [www.RSM.Global](http://www.RSM.Global)



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8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095  
T +65 6533 7600 F +65 6538 7600  
MKTG@RSMSingapore.sg www.RSMSingapore.sg

*UEN: T09LL0008J*

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