SINGAPORE CORPORATE TAX GUIDE

Basis of Taxation

A company is liable to pay tax on income accrued in or derived from Singapore or income received in Singapore from outside Singapore. Income is treated as received in Singapore from outside Singapore if the income is:-

a) remitted to, transmitted or brought into Singapore;
b) applied in or towards the satisfaction of any debt incurred for a trade or business carried on in Singapore; or
c) applied to purchase any movable property which is brought into Singapore.

Tax Resident

A company would be considered a tax resident in Singapore if the control and management of the company's business is exercised in Singapore. Generally, this is based on where the Board of Directors meet physically to discuss strategic planning and high level policies of the company. The tax residency status of a company is determined on a year to year basis.

Tax Structure

The corporate income tax rate is 17% (w.e.f YA 2010) for both Singapore tax resident and non-Singapore tax resident companies.

For a new start-up company, a full tax exemption on the first $100,000 of the normal chargeable income is given for the first 3 consecutive years of assessment. Hence, the full exemptions and resultant assessable amounts will be as follows:-

Chargeable Income	$	% Exempt	Exempt Amount	Amount Assessable
For the first	100,000	100%	100,000	-
For the next	200,000	50%	100,000	100,000
	300,000		200,000	100,000

The qualifying conditions for the above full tax exemption for a start-up company are:-

- The company is incorporated in Singapore;
- The company is tax resident in Singapore for that year of assessment;
- Throughout the basis period, there are 20 or less shareholders where -

  (i) all of the shareholders are individuals beneficially holding the shares in their own name; or

  (ii) at least one individual shareholder holds at least 10% of the issued ordinary shares;

The above exemption is however, not available to investment holding companies and property development companies with effect from 26 February 2013.

The following partial tax exemption is given to existing companies and the resultant assessable amounts are as follows:-

Chargeable Income	$	% Exempt	Exempt Amount	Amount Assessable
For the first	10,000	75%	7,500	2,500
For the next	290,000	50%	145,000	145,000
	300,000		152,500	147,500

Companies are also given a 30% corporate tax rebate (capped at S$30,000) on the tax payable for each YA for YAs 2013 to 2015.

Foreign-sourced Dividends, Branch Profits & Service Income

Singapore tax resident companies can enjoy tax exemption from its foreign-sourced dividends, branch profits and service income that is remitted into Singapore on or after 1 June 2003 if the following conditions are met:

- The foreign-sourced income is subject to tax in the foreign jurisdiction;
- At the time the income is received in Singapore, the corporate tax rate in that foreign jurisdiction is at least 15%; and
- The Comptroller is satisfied with the exemption given.

When the income of a trade or business could not be attributable to a permanent establishment overseas, the Comptroller will deem such foreign income as sourced in Singapore and subject it to Singapore tax.

Deductions – Tax Allowable Expenses

Only expenses that are wholly and exclusively incurred in earning the income of the business are deductible. Expenses that are capital or private in nature are not deductible.

Capital Allowances

Depreciation of plant and equipment is not allowable but is replaced by capital allowances at rates provided under the Income Tax Act.

Productivity and Innovation Credit (PIC) Scheme
(Applicable for YAs 2011 to 2015)

Business can enjoy 400% tax deductions/ allowances and/or from YA2013 60% PIC cash payout for investment in innovation and productivity improvements under the Productivity and Innovation Credit (PIC) scheme. The six qualifying activities are:-

- Acquisition or leasing of PIC Information Technology and Automation Equipment;
- Training of employees;
- Acquisition and In-licensing of Intellectual Property Rights;
- Registration of patents, trademarks, designs and plant varieties;
- Research and development activities; and
- Design projects approved by Design Singapore Council.

There is a yearly cap of $400,000 on the cost incurred for each of the above activity. However, companies can combine the cap to $1,200,000 for YA 2013 through YA 2015. The yearly PIC cash payout cap is $100,000 of the cost incurred and is subject to extra conditions of having at least 3 CPF paying employees who are non-shareholders at year/period end.

From YAs 2013 to 2015, businesses may also enjoy a dollar-for-dollar matching PIC Cash Bonus of $15,000 tops during this 3-year period. There is, however, a minimum spending of at least $5,000 per YA before this bonus is allowed. The bonus given on top of the existing 400% tax deductions/allowances and/or 60% cash payout. The PIC cash bonus is taxable.

Approved donations

A tax deduction of 2.5 times the amount donated to approved Institutions of a Public Character (IPCs) in Singapore during the period from 1 January 2011 to 31 December 2015 will be given to businesses and individuals.

A company can carry forward any unabsorbed donations up to a maximum of 5 years.

Unabsorbed Losses, Capital Allowances and Approved Donations

Utilisation of unabsorbed losses, capital allowances and approved donations are subject to there being no more than 50% change in the shareholders and their shareholding composition of the company as at the relevant dates. For carrying forward of unabsorbed capital allowances, there must also not be a change in the nature of the trade.

Renovation and Refurbishment Deduction Scheme

Although no capital allowance will be given for expenditure incurred on furnishing, fixtures and those relating to building, a special tax deduction is given in lieu of depreciation for qualifying renovation and refurbishment expenditure over a 3-year period subject to a cap of $150,000 for every 3 years, provided they do not involve structural changes for which prior approval from Commissioner of Building Control is required. With effect from YA 2013, the expenditure cap has been raised to $300,000 for every 3 consecutive years.

Group Relief

Group relief was introduced in the Year of Assessment 2003. A group consists of a Singapore incorporated parent and all its 75% (minimum) owned Singapore subsidiaries. Current year trade losses, capital allowances and approved donations may be transferred to other Singapore group members of the same accounting year end for set-off under group relief.

Carry-back Relief System

With effect from Year of Assessment 2006, current year unabsorbed trading losses and capital allowances can be carried back to offset against the assessable income for the immediate preceding year of assessment. The maximum amount to be carried back is S$100,000.

WITHHOLDING TAX

Certain payments made to non-residents like interest, royalty, technical assistance, rental, directors' fee, etc are subject to withholding tax requirements unless exempt under the double taxation agreement arrangement with various countries.

Withholding tax is not applicable on dividend payment.

As withholding tax system is complicated and strict penalties apply, you may wish to clarify with us immediately when you have any expenses payable to non-residents that attract withholding tax.

COMPLIANCE TIMELINES

Estimated Chargeable Income

Every company carrying on any trade or business shall within 3 months after the end of its financial year end, furnish to the Comptroller its estimated chargeable income. Earlier timelines apply if you wish to pay the estimated tax by instalments.

Filing of Tax Return

Every company is required to furnish to the Comptroller a return of its income by 30 November every year.

After filing, the Comptroller may take a few months or earlier to review the tax return and thereafter issue the Notice of Assessment (i.e. the tax bill).

Payment of Tax Liability

Notwithstanding any objection or appeal against the Notice of Assessment raised, the tax levied thereon has to be paid within 1 month after the service of that Notice.

The company may pay its tax assessed via cheque payment (for lump sum only) or arrange with the Comptroller, to settle its tax liability via automatic GIRO bank deductions. However, to avail the company for the maximum of 10 instalments, the company's estimated chargeable income has to be filed shortly after the financial year end.

Objections to the Notice of Assessment raised

If the company disputes the assessment, an objection has to be made within 30 days from the date of service of the Notice of Assessment stating precisely the grounds of the objection. Otherwise, the assessment may be treated by the Comptroller as final and conclusive.