

Tax Facts & Figures 2004 Singapore (Incorporating 2004 Budget Proposals)



Tax Facts & Figures 2004

Singapore

(Incorporating 2004 Budget Proposals)

This publication, which will be updated annually, contains handy reference tables and other information for individuals and corporations to quickly ascertain their income tax liability. As rates and other information may change as a result of legislation or regulation issued after this booklet went to print, the information contained here should be used for guidance only and further information should be sought from our organisation. No liability can be accepted for any action taken as a result of reading the contents without consulting us with regard to all relevant factors.

About PricewaterhouseCoopers

PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, tax and advisory services for public and private clients. More than 120,000 people in 139 countries connect their thinking, experience and solutions to build public trust and enhance value for clients and their stakeholders.

"PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Cover: Orange tree and shadow tree
by H. Joe Reynon

This book is issued to clients and potential clients who have requested a copy. Additional copies may be obtained by writing to us at the address stated on the back page.

*Copyright © 2004 by PricewaterhouseCoopers Singapore
All rights reserved.
Printed by ImageOffice Systems & Supplies Pte Ltd.
MITA (P) 054/05/2004*

Contents

Individual Income Tax Rates (Years of Assessment 2003 to 2005)	1
Resident Taxpayer's Personal Reliefs (Years of Assessment 2003 to 2005)	3
Tax Treatment of Employment Fringe Benefits	6
Employer's Obligation	
• Skills Development Levy	9
• Central Provident Fund Contributions	10
Estate Duty	11
Partnerships, Trusts, Estates, Charities and Mutual Concerns	12
Corporate Income Tax Rates (Year of Assessment 2005)	
• Corporate Tax	13
• Withholding Tax	13
Other Tax Rates	
• Goods and Services Tax	14
• Capital Gains Tax	14
• Real Property Transactions	14
Capital Allowances	15
Tax Incentives	
• Summary Chart	16
• Manufacturing	17
• Services	18
• Trade	23
• Investments	25
• Finance	31
Special Tax Deductions	40
Non-Fiscal Incentives	42
Double Taxation Agreements	43
Other Agreements	
• Investment Guarantees	46
• Free Trade Agreements	46
• Air Transport/Shipping Agreements	46
Due Dates	47

Individual Income Tax Rates (Years of Assessment 2003 to 2005)

Resident Rates			
	Taxable Income \$	%	Tax Payable \$
On the first	20,000	0	0
On the next	<u>10,000</u>	4	<u>400</u>
	30,000		400
On the next	<u>10,000</u>	6	<u>600</u>
	40,000		1,000
On the next	<u>40,000</u>	9	<u>3,600</u>
	80,000		4,600
On the next	<u>80,000</u>	15	<u>12,000</u>
	160,000		16,600
On the next	<u>160,000</u>	19	<u>30,400</u>
	320,000		47,000
Above \$320,000		22	

Non-Resident Rates	
Type of Income	%
Director's remuneration (note 1)	20
Entertainers' professional income	15
Other professional income (note 2)	15
Employee's remuneration <i>(However where the tax calculated on resident rates is higher, the resident rates are used)</i>	15
Short-term employee's remuneration <i>(Not more than 60 days)</i>	NIL
Other income (note 1) <i>(Where not specifically exempt)</i>	20

Notes: 1) 22% for years of assessment 2003 & 2004

2) Applies with effect from 3 May 2002. Previously at prevailing corporate tax rate. Non-resident taxpayer may make an irrevocable option to be taxed at 20% of net income.

Tax Exemption on Certain Income for Individuals

- Partial exemption for interest income derived from standard savings, current and fixed deposits during the period 1 January 2003 to 31 December 2004.
- All foreign-sourced income received by resident individuals on or after 1 January 2004.
- Singapore-sourced investment income from certain financial instruments derived by resident and non-resident individuals from 1 January 2004.
- Full exemption for all interest income derived from all deposits from 1 January 2005.

Relief / Exemption for Non-Resident Citizens and Certain Other Non-Residents

As tax in Singapore is territorial, a non-resident individual is only taxed on income which accrues in or is derived from Singapore.

- Relief is available to the following individuals:
 - one who is not resident in, but is a citizen of Singapore.
 - one who is neither resident in, nor a citizen of Singapore, but is resident in another country which has a double taxation agreement with Singapore.
- The tax relief reduces the amount of tax payable to an amount arrived at as follows:
$$\frac{\text{Singapore assessable income}}{\text{Aggregate/world income}} \times \text{Tax payable at graduated rates (Part C, Second Schedule)}$$
- Foreign-sourced income (including overseas employment income) received by a non-resident individual is exempt from tax.
- Individuals who have worked for at least six months overseas in any calendar year could be considered as non-residents.

Resident Taxpayer's Personal Reliefs (Years of Assessment 2003 to 2005)

Personal Relief	\$0 (Note 1)		
Earned Income Relief	55 and below	56 to 60	over 60
Normal	\$1,000	\$3,000	\$4,000
Handicapped	\$2,000	\$5,000	\$6,000

(or earned income if less)

Wife Relief	\$2,000
-------------	---------

Child Relief	First	Second	Third	Fourth	Fifth
Qualifying Child Relief (note 2)					
First to third child	\$2,000	\$2,000	\$2,000		
Fourth and fifth child born before 1 August 1973				\$300	\$300
Fourth child born on or after 1 January 1988				\$2,000	
PLUS Enhanced Relief (note 3) Claimable by suitably qualified married woman					
First to third child	5% of earned income	10% of earned income	15% of earned income		
Fourth child born in 1987				\$1,500 + 15% of earned income	
Fourth child born on or after 1 January 1988				15% of earned income	
For young children below 12 years old on 1 January of basis year:					
First to third child	5% of earned income	15% of earned income	20% of earned income		
Fourth child born in 1987				\$1,500 + 25% of earned income	
Fourth child born on or after 1 January 1988				25% of earned income	

Note: 1) Personal relief was withdrawn from YA 2003 onwards.

2) Claimable by either parent. For child educated abroad, up to \$3,000 is claimable in YA 2003, but no such additional relief will be available from YA 2004.

3) The maximum relief claimable is \$10,000 per child. For child below 12 years old, the maximum relief is \$15,000 per child.

Resident Taxpayer's Personal Reliefs (continued)

NSmen Relief

Claimable by NSmen:

Active service \$3,000

Non-active service \$1,500

Claimable by:

Parent \$750

Wife \$750

Special Tax Rebates and Relief to Singapore Citizens

Tax Rebate

For second child born on or after 1 January 1990
to mother before she reaches:

31 years of age \$ 5,000

30 years of age \$10,000

29 years of age \$15,000

28 years of age \$20,000

Claimable by either parent but to be utilised within nine years

For third child born on or after 1 January 1987:

Claimable by either parent \$20,000

Claimable by working mother 15% of earned income,
restricted to \$20,000

For fourth child born on or after 1 January 1988:

Claimable by either parent \$20,000

Claimable by working mother 15% of earned income,
restricted to \$40,000

Tax Deduction

Delivery expenses for fourth child born on or after 1 January 1988:

Claimable by either parent Up to \$3,000

Resident Taxpayer's Personal Reliefs (continued)

Dependants Relief (note 1)	First	Second	Third
Aged parent or grandparent maintained by the taxpayer (note 2)	\$3,500	\$3,500	Nil
Aged parent or grandparent living with the taxpayer (note 2)	\$5,000	\$5,000	Nil
Handicapped dependant (spouse, child or sibling) living with the taxpayer (note 3)	\$3,500 for each dependant		

- Notes: 1) Dependant's income must not be more than \$2,000 in the basis year.
 2) For each of the handicapped parents, \$3,000 is claimable in addition to the aged parent relief.
 3) Husband claiming this relief for his wife does so in lieu of normal wife relief. Parent claiming this relief does so in lieu of qualifying child relief.

Foreign Maid Levy Relief	Tax Deduction
Claimable by married woman including one who is separated from her husband, a divorcee or widow who is claiming child relief	Twice the amount of levy (currently \$345 per month) restricted to one maid

Education	Tax Deduction
Approved Course Fees <ul style="list-style-type: none"> Fee paid by individuals who take up courses of study leading to academic, professional or vocational qualifications related to existing business or employment From 1 January 2003, the scope of the relief is expanded to include seminars and conferences, as well as courses that are not directly related to the individual's current profession (provided the courses result in a career switch to a relevant job within 2 years). 	Up to \$3,500 per annum from YA 2004

Central Provident Fund (CPF)	Tax Deduction
<ul style="list-style-type: none"> CPF contributions Contributions to top up individual's, non-working spouse's (55 years & older), parent's or grandparent's CPF retirement account under the CPF Minimum Sum Topping-Up Scheme 	Statutory rate (see page 10) Up to \$7,000 per annum from YA 2005
Supplementary Retirement Scheme (SRS) <ul style="list-style-type: none"> SRS contributions subject to capping rules 	
Singapore citizens and permanent residents Foreigner	15% of computed sum 35% of computed sum

Tax Treatment of Employment Fringe Benefits

Summary of the Main Fringe Benefits	
Benefit	Assessable Income to Taxpayer
Company-provided housing	<ul style="list-style-type: none"> lower of 10% of total remuneration (including other benefits) or annual value of premises (note)
Hotel accommodation	<ul style="list-style-type: none"> 2% of basic salary plus <ol style="list-style-type: none"> \$250 per month per adult (includes child above 20 years of age); \$100 per month per child between eight and 20 years of age; \$50 per month per child between three and seven years of age; and \$25 per month per child under three years of age
Water and rates	<ul style="list-style-type: none"> actual cost to employer
Household furnishings	<ul style="list-style-type: none"> nominal rates predetermined by the Inland Revenue Authority of Singapore (IRAS)
Moving expenses to and from Singapore	<ul style="list-style-type: none"> not taxable
Round sum allowances (eg. entertainment, housing, etc.)	<ul style="list-style-type: none"> total amount paid by employer
Food, clothing, servants, etc.	<ul style="list-style-type: none"> actual cost to employer
Work clothes	<ul style="list-style-type: none"> not taxable
School fees	<ul style="list-style-type: none"> actual cost to employer
Club dues for business	<ul style="list-style-type: none"> not taxable
Medical and health insurance benefits	<ul style="list-style-type: none"> not taxable
Childcare benefits	<ul style="list-style-type: none"> employer-subsidised childcare benefits paid to licensed childcare centres are not taxable with effect from YA 2004
Leave passages	<ul style="list-style-type: none"> 20% of leave passage cost paid by employer. Concession restricted to: <ol style="list-style-type: none"> one home trip for taxpayer and spouse; and two home trips for each child not taxable if employed by OHQ or pioneer companies
Income tax reimbursement	<ul style="list-style-type: none"> actual amount paid by employer, grossed up
Interest-free loans provided by employer	<ul style="list-style-type: none"> not taxable (note)

Note: Variations exist for directors.

Tax Treatment of Employment Fringe Benefits (continued)

Summary of the Main Fringe Benefits	
Benefit	Assessable Income to Taxpayer
Interest subsidy for loan taken up by employee	<ul style="list-style-type: none"> • actual cost to employer
Restricted covenants	<ul style="list-style-type: none"> • not taxable
Certain compensation for loss of office	<ul style="list-style-type: none"> • not taxable
Gains from exercise of stock options and share ownership plans	<ul style="list-style-type: none"> • market value at the end of the moratorium (if any) less amount paid by employee • tax exemption available as follows: <ul style="list-style-type: none"> (i) Entrepreneurial Employee Equity-based Remuneration Scheme – 50% up to \$10 million over 10 years (ii) Company Employee Equity-based Remuneration Scheme – 100% on the first \$2,000 and 25% of the remainder up to \$1 million over 10 years • Under the Qualified Employee Equity-based Remuneration Scheme, tax may be paid over 5 years, but with interest.
Car benefits	<ul style="list-style-type: none"> • benefit to taxpayer based on IRAS formulae which take into account the cost of the car and private use <p>The main formulae are:</p> <ul style="list-style-type: none"> - Company owned car (Q-plate or S-Plate) $\frac{3}{7} \times \frac{\text{car cost} - \text{residual value}}{10} + \frac{\text{private mileage}}{\text{total mileage}} \times \text{fixed rate}$ - Employee owned car $\frac{\text{private mileage}}{\text{total mileage}} \times \frac{\text{total expense paid by employer}}{\text{total mileage}}$ - Leased/Rented car $\frac{3}{7} \times \text{rental cost} + \frac{\text{private mileage}}{\text{total mileage}} \times \text{fixed rate}$

Tax Treatment of Employment Fringe Benefits (continued)

Summary of the Main Fringe Benefits	
Benefit	Assessable Income to Taxpayer
	<ul style="list-style-type: none"> - Motorcycle/scooter and commercial vehicles <p style="margin-left: 40px;">fixed rate x private mileage</p> <p>Separate formulae are applicable to second-hand vehicles.</p> <p>The fixed rate for private mileage (per km) are:</p> <ul style="list-style-type: none"> (i) \$0.55 if petrol is borne by the employer; (ii) \$0.45 if petrol is borne by the employee; (iii) \$0.10 for use of leased car if petrol is provided; and (iv) Nil for use of leased car if petrol is not provided.
Gratuities paid on permanent retirement	<ul style="list-style-type: none"> • not taxable if: <ul style="list-style-type: none"> (i) benefits are accrued in approved pension funds up to 31 Dec 1992; or (ii) unapproved retirement benefit plans satisfy Ministry criteria.
Compensation for death or permanent disablement	<ul style="list-style-type: none"> • not taxable
Supplementary Retirement Scheme (SRS)	<ul style="list-style-type: none"> • 50% of amount withdrawn for withdrawals: <ul style="list-style-type: none"> i) on or after prescribed retirement age; ii) on medical grounds; iii) on death; and iv) by foreigners who had maintained his/her SRS account for at least 10 years • 100% of withdrawn amount in situations other than those mentioned above • withholding tax at prevailing corporate tax rate imposed on all withdrawals by foreigners and Singapore permanent residents
Employer's contributions to employee's:	
(i) CPF account at statutory rates	<ul style="list-style-type: none"> • not taxable for Singapore citizens and Singapore permanent residents.
(ii) CPF account above statutory rates	
<ul style="list-style-type: none"> • Ordinary wages (see page 10) • Additional wages (see page 10) 	<ul style="list-style-type: none"> • amount in excess of statutory limit • amount contributed on total wages exceeding \$93,500.

Tax Treatment of Employment Fringe Benefits (continued)

Summary of the Main Fringe Benefits	
Benefit	Assessable Income to Taxpayer
(iii) CPF account in respect of remuneration paid for duties performed outside Singapore	<ul style="list-style-type: none">not taxable, provided contributions are required by employment contract
(iv) non-approved provident/pension fund outside Singapore	<ul style="list-style-type: none">taxablenot taxable if contributions made to overseas government funds and deductions not claimed by a Singapore company
(v) medisave account in lieu of hospitalisation benefits	<ul style="list-style-type: none">not taxable subject to lower of 1% of employee's monthly ordinary wages or \$60 (Note: With effect from YA 2004, the tax exemption limit will be raised to \$1,500 per employee per year)

Employer's Obligation

Skills Development Levy
<p>The law provides for the imposition of a levy on an employer at 1% of the salary of employees earning not more than \$1,500 per month (this salary ceiling will be raised to \$1,800 with effect from 1 July 2004). The fund so created, known as the Skills Development Fund (SDF), is used to provide incentive grants for equipping employees with of skills relevant to Singapore's economic restructuring efforts and for retraining redundant and retrenched workers, if any, arising out of the restructuring process.</p> <p>Criteria for support from the SDF are:</p> <ol style="list-style-type: none">There must be a specific training programme with guided instructions and tests to assess attainment of training objectives.The programme must be relevant to upgrading the skills of workers and lower grade staff; hence programmes which are targeted solely at professionals and senior level managers are excluded.The programme must cover training for skills with economic value and application. <p>This Fund is administered by the SPRING Singapore with the CPF Board as the collecting agent.</p>

Employer's Obligation (continued)

Central Provident Fund Contributions

The Central Provident Fund is essentially a savings scheme to provide for employees in their old age. By law, all employers are required to pay monthly contributions to the Fund for their local employees. (Note: Foreign employees are exempt from CPF contributions.)

The rates of contributions payable to the Fund from 1 January 2004 (note 3) are shown in the table below. Foreigners who become Singapore permanent residents will be required to contribute at reduced rates for the first 2 years.

Employee's monthly wages	Employer's Contribution				Employee's Contribution			
	Age of Employee (Years)				Age of Employee (Years)			
	55 & Below	> 55 to 60	> 60 to 65	Above 65	55 & Below	> 55 to 60	> 60 to 65	Above 65
\$50 and less	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
> \$50 to \$500	13.0%	6.0%	3.5%	3.5%	Nil	Nil	Nil	Nil
> \$500 to \$750	13.0%	6.0%	3.5%	3.5%	a) Nil	a) Nil	a) Nil	a) Nil
					PLUS b) a fraction of the difference between the employee's total wages for the month and \$500			
					0.6	0.37	0.22	0.15
> \$750 (Notes 3 & 4)	13.0% maximum \$715	6.0% maximum \$331	3.5% maximum \$193	3.5% maximum \$193	20% maximum \$1,100	12.5% maximum \$687	7.5% maximum \$412	5% maximum \$275

Notes : 1) The maximum amount does not apply to additional wages which include bonuses and commission, and other wages paid out at intervals of more than a month.

2) Additional wage ceiling for CPF contributions:

Maximum amount of additional wages subject to CPF
 = \$93,500^a – Total ordinary wages subject to CPF contributions in the year^b

^a Equivalent to 17 months x monthly CPF salary ceiling of \$5,500.

^b Sum of monthly ordinary wages subject to CPF, capped at \$66,000 (i.e. 12 months x CPF salary ceiling of \$5,500).

3) The CPF salary ceiling (previously at \$6,000) has been lowered to \$5,500 from 1 January 2004 and will be further reduced to \$5,000 from 1 January 2005.

4) The CPF contribution rates for employees aged 50-55 will be reduced as follows:

Effective date	Employer's contribution	Employee's contribution
From 1 January 2005	11%	19%
From 1 January 2006	9%	18%

Estate Duty (in the Case of Persons Dying on or after 28 February 1996)

The estate duty rates from 28 February 1996 are shown in the following table:

Principal Value of Estate	\$	Rate of Duty %
On the first	12,000,000	5
Above	12,000,000	10

- 1) The following are not included in the estate for the purposes of calculating the duty:
 - a) The first \$9 million of the aggregate value of residential houses in Singapore which the deceased owned;
 - b) \$600,000 of the aggregate value of all other property; and
 - c) the excess over \$600,000 (if any) of the aggregate amount standing to the credit of the deceased in the Central Provident Fund and in any designated pension or provident fund.
- 2) Bequests to any approved institutions are deductible from the principal value of the estate.
- 3) Where the deceased was neither domiciled in nor resident in Singapore, the following will be excluded from the principal value of the estate for the purpose of calculating the duty:
 - a) For deaths before 1 January 2002:
 - ACU deposits and certificates;
 - certain Asian Dollar Bonds;
 - certain government bonds, stocks and securities;
 - gold deposits and certificates;
 - qualifying deposits and balances with futures members of the Singapore Exchange; and
 - b) For deaths on or after 1 January 2002:
 - moveable assets, whether in Singapore or elsewhere.

Partnerships, Trusts, Estates, Charities and Mutual Concerns

Form	Basis of Assessment	Rate of Tax
Partnership	<ul style="list-style-type: none"> Each partner is assessed separately on his share of the divisible income of the partnership. 	At the rate applicable to status of partner.
Trust	<ul style="list-style-type: none"> Generally, the trustee is assessed on the income of the trust. Where entitlement to the trust income passes, the beneficiary is assessed on his share of the income. 	<p>Prevailing corporate rate.</p> <p>At the rate applicable to status of beneficiary with credit given for any tax suffered by trustee.</p>
Estate	<ul style="list-style-type: none"> The executor is assessed on the income of the estate. For estates administered in Singapore, a deduction is allowed in respect of any distributions to beneficiaries. The beneficiary is assessed on the amount received by or distributed to him or applied for his benefit. 	<p>Prevailing corporate rate.</p> <p>At the rate applicable to status of beneficiary.</p>
Charitable Institution	<ul style="list-style-type: none"> Exempt from tax if it applies not less than 80% of donations, income and capital gains it receives, for charities or charitable objects within Singapore. 	If taxable, at the rate applicable to the set-up of the charity.
Club and Others	<ul style="list-style-type: none"> Exempt from tax if more than half of its gross receipts (including entrance fees and subscriptions) are received from members. Interest and rental income are taxable after deducting appropriate expenses. 	If taxable, at graduated rates (Part B, Second Schedule) subject to maximum effective company's tax rate*.
Trade Association	<ul style="list-style-type: none"> Exempt from tax if not more than half of its receipts from entrance fees and subscriptions are from persons who claim or are entitled to claim deductions for such sums. 	

*Calculated as if the body of persons is a company and the effective rate is based on:

$$\frac{\text{Tax payable on Chargeable Income (CI) net of partial tax exemption}}{\text{CI before deducting partial tax exemption}}$$

Corporate Income Tax Rates (Year of Assessment 2005)

Corporate Tax	%
• Normal rate (note 1)	20
• Foreign-sourced dividends, branch profits & service fee income remitted to Singapore are exempt if tax has been paid in a foreign jurisdiction where the headline tax rate is 15% or more. This applies to remittances made on or after 1 June 2003.	
• Concessionary rate (note 2)	
- Shipping Companies	Exempt
- Financial Institutions or Finance and Treasury Centre (FTC)	0 to 10
- Members of Singapore Exchange (SGX) or Commodity Futures Exchange	5/10
- Securities Companies, Fund Managers or Trustee Companies	0 to 10
- Regional Headquarters	0 to 15
- Non-Resident Investors (in certain investments)	Exempt
- Insurance and Re-Insurance	10/Exempt
- Approved Investment Companies	Varies
- Offshore Leasing Companies	10
- Global Traders	5/10
- Other Incentives Companies	Varies

Withholding Tax

Subject to tax exemption approved by the Minister or reduced rates per treaty provisions (see pages 40 to 42) withholding tax at the rate specified is required to be deducted in respect of the following payments to non-residents:

• interest	} 15%
• royalties (note 3)	
• rent or other payments for the use of movable property	
• professional fees to individuals	
• technical fees	} 20%
• management fees	
• director's remuneration	
• copyright royalties in respect of literary, dramatic, musical or artistic work (note 4)	} 1% to 3% see page 14
• charter fees	
• sale of real properties	

Note: 1) 22% in YA 2004. Partial exemption of up to \$52,500 applies to first \$100,000 of company's chargeable income (excluding Singapore dividend income). Full exemption on the first \$100,000 of chargeable income (excluding Singapore dividend income) available for a new company's first 3 consecutive YAs which fall within YA 2005 to YA 2009.

2) See pages 17 to 39 for details on qualifying criteria.

3) The withholding tax rate is reduced to 10% for payments on or after 1 January 2005.

4) Where payee files a tax return, the maximum effective tax payable is at the rate of 2% of gross income.

Other Tax Rates

Goods And Services Tax (GST)	%
On supply of goods and services in Singapore	5.0 (note 1)
Export of goods and international services from Singapore and certain trustee services	0
Certain financial services, sales and lease of residential land and buildings	Exempt
Companies under the Approved Contract Manufacturer & Trader Scheme	Out of Scope

Capital Gains Tax

Generally there is no capital gains tax in Singapore, but see below for treatment of real property transactions.

Real Property Transactions

From 15 May 1996 to 12 October 2001, gains from the disposal of any real property or shares in a real property based company were subject to tax if the disposal had taken place within three years of the acquisition of the asset. With effect from 13 October 2001, this change was abolished but property traders or property developers continue to be subject to tax at the prevailing corporate tax rate (for companies) or marginal income tax rate (for resident individuals). Non-resident property traders or developers are still however subject to withholding tax at the rate of 15% from the gross sale proceeds.

Stamp duty:
Payable by buyer of properties
(residential or otherwise)

On consideration or value:	1% on first	\$180,000	} (note 2)
	2% on next	\$180,000	
	3% thereafter		

Payable by seller of residential
properties, including HDB flats

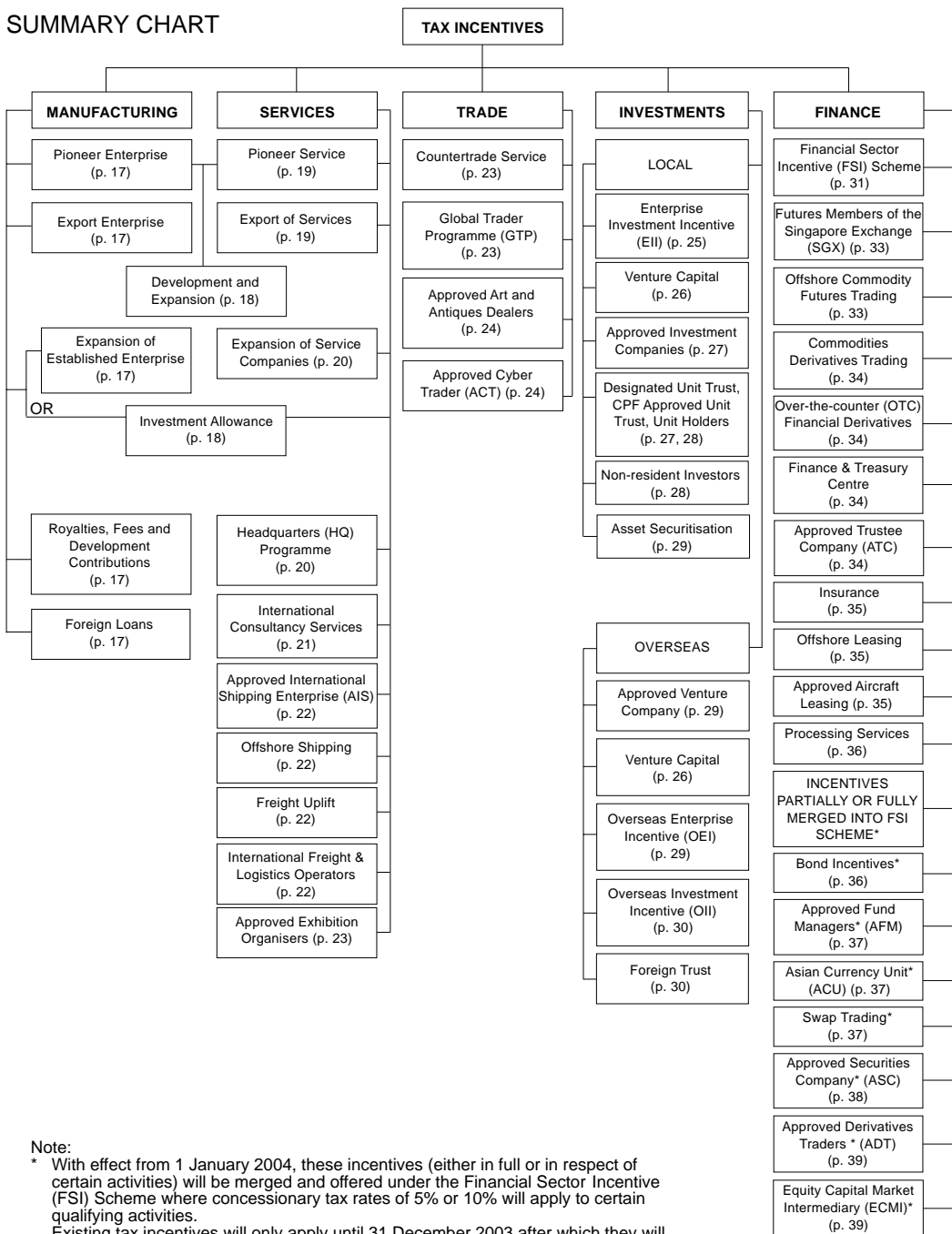
Duty suspended from 19 November 1997 and abolished from 28 February 2003.

Note: 1) With effect from 1 January 2004.

2) The rates effective for instruments executed between 13 October 2001 and 31 December 2002 are reduced by 30%.

Tax Incentives

SUMMARY CHART



Note:

* With effect from 1 January 2004, these incentives (either in full or in respect of certain activities) will be merged and offered under the Financial Sector Incentive (FSI) Scheme where concessionary tax rates of 5% or 10% will apply to certain qualifying activities.

Existing tax incentives will only apply until 31 December 2003 after which they will automatically be granted the respective FSI awards.

Tax Incentives - Manufacturing

Type	++	Requirement	Incentives	Relief Period
• Pioneer Enterprise	EDB	Most projects can be considered unless products are already manufactured locally without tax incentives.	Tax exemption on qualifying profits.	5 to 15 years depending on the merits of the project eg. type of product, investment level, skills, gestation period, technology, etc.
• Export Enterprise	EDB	Export sales must be at least: i) 20% of value of total sales; and ii) \$100,000 per year	Exemption of 90% of incremental export profits.	5 years for a non-pioneer company and 3 years for a pioneer company.
• Expansion of Established Enterprise	EDB	Established companies incurring new capital expenditure of more than \$10 million for productive equipment expansion.	Tax exemption on the increased income as a result of the expansion.	5 years with provision for extension.
• Royalties, Fees and Development Contributions	MOF	Recipient is a non-resident person and such contributions are in public interest or are reinvested into the payer's company.	Exemption or reduced withholding tax.	For the duration of the agreement.
• Foreign Loans	EDB	i) Loan must be of a minimum amount of \$200,000 and the credit facilities are granted for the purchase of productive equipment; and ii) Lender is a non-resident person and the relief from Singapore tax will not increase his liability in his country of residence.	Exemption of withholding tax on interest payable on the loan.	Indefinite until the loan is repaid.

Tax Incentives - Services (continued)

Type	++	Requirement	Incentives	Relief Period
<ul style="list-style-type: none"> • Pioneer Service Companies 	EDB	<p>Companies engaged in qualifying activities which include:</p> <ul style="list-style-type: none"> i) any engineering or technical services including laboratory, consultancy and research and development activities; ii) computer-based information and other computer related services; iii) the development or production of any industrial design; iv) other services or activities as may be prescribed. 	Tax exemption on qualifying profits.	5 to 15 years with provision for extension.
<ul style="list-style-type: none"> • Export of Services 	EDB	<ul style="list-style-type: none"> i) Companies engaged in providing qualifying services which include: <ul style="list-style-type: none"> a) technical services, construction, distribution, design and engineering services; b) consultancy, management supervisory or advisory services; c) fabrication of machinery and equipment and procurement of materials, components and equipment; d) data processing, programming, computer software development, telecommunications and other computer services; e) professional services such as accounting, legal, medical, and architectural services; and f) education and training. ii) Services must relate to overseas projects for non-residents. iii) Minimum exports level of 20% of total revenue and commitment in terms of skilled manpower and fixed asset investments expected. 	Exemption of 90% of incremental export services income.	Up to 10 years with provision for extension.

Tax Incentives - Services (continued)

Type	++	Requirement	Incentives	Relief Period
<ul style="list-style-type: none"> • Expansion of Service Companies 	EDB	Companies engaged in the same qualifying activities as pioneer service companies (see page 19) which intended to substantially increase the volume of these activities.	Tax exemption on the increased income as a result of the expansion.	10 years with provision for extension.
<ul style="list-style-type: none"> • Headquarters (HQ) Programme – Regional Headquarters (RHQ) Award 	EDB	<ul style="list-style-type: none"> i) Well-established companies undertaking substantial level of headquarters activities in Singapore, and <ul style="list-style-type: none"> a) it is the nerve centre in terms of organisation reporting structure at senior management levels, and has clear-cut management and control over its principal activities; b) its personnel for the headquarters operations (including management, professionals, technical personnel and supporting staff) are based in Singapore. ii) The company must: <ul style="list-style-type: none"> a) increase its paid-up capital to at least \$0.2 million and \$0.5 million at the end of year 1 and year 3 of the incentive period respectively; b) perform a minimum of 3 qualifying headquarters services to network entities in 3 countries outside Singapore by the end of year 1 of the incentive period; c) employ at least 75% skilled workers throughout incentive period; d) employ at least 10 additional* professionals based in Singapore; 	15% tax on incremental qualifying income.	3 years with provision for extension for an additional 2 years.

Tax Incentives - Services (continued)

Type	++	Requirement	Incentives	Relief Period
<p>– International Headquarters (IHQ) Award</p>		<p>e) incur an average remuneration per worker of \$100,000 per annum for the top 5 executive designations by the end of year 3 of the incentive period;</p> <p>f) incur at least an additional* \$2 million in annual business spending in Singapore; and</p> <p>g) incur at least an additional** \$3 million in business spending cumulatively for the entire incentive period.</p> <p>* The level at Year 3 – Year 0. ** (Total for Years 1 to 3) – (3 x Year 0)</p> <p>Companies that commit to substantially exceed the minimum criteria for the RHQ Award.</p> <p>[Note: The new HQ Programme streamlines & replaces the Operational HQ, Global HQ Manufacturing HQ and Business HQ Incentives.]</p>	<p>0%, 5% or 10% on qualifying income. (Tax rates customised based on commitment level and considered in discussion with EDB.)</p>	<p>5 to 20 years.</p>
<p>• International Consultancy Services</p>	<p>EDB</p>	<p>i) Companies or firms providing technical advisory services, design and engineering, fabrication and procurement of equipment, management and supervision of installation or construction, data processing, programming and other computer services.</p> <p>ii) The consultancy services must be provided in connection with an approved overseas project.</p> <p>iii) Expected annual consultancy revenue attributable to such services must exceed \$1 million.</p>	<p>50% exemption of tax on incremental income from qualifying services.</p>	<p>5 years.</p>

Tax Incentives - Services (continued)

Type	++	Requirement	Incentives	Relief Period
<ul style="list-style-type: none"> Approved International Shipping Enterprise (AIS) 	IES	<p>International shipping companies (Singapore resident) which:</p> <ul style="list-style-type: none"> i) are established with a minimum fleet of 5 vessels (which include towage vessels, salvage ships, dredgers, seismic vessels and semi-submersible oil rigs); ii) have total business spending in Singapore of at least \$4 million per annum; iii) have at least 10% of fleet (minimum one ship) registered with the Singapore registry (w.e.f. 3 May 2002, the minimum fleet requirement is lifted); and iv) have substantial operations and possess a team of professional expertise in Singapore (w.e.f. YA 2003, the manpower requirement is lifted for FPSO and FSO vessels). 	<p>Tax exemption on:</p> <ul style="list-style-type: none"> a) qualifying shipping income; b) dividends from approved subsidiaries and associated shipping companies; and c) income from operation of floating production storage offloading (FPSO) vessels and floating storage offloading (FSO) vessels outside Singapore. 	10 years with provision for extension.
<ul style="list-style-type: none"> Offshore Shipping 	#	Companies owning or operating a Singapore registered vessel or vessels in international traffic.	Tax exemption on qualifying shipping income.	Indefinite
<ul style="list-style-type: none"> Freight Uplift 	#	Shipowners and charterers deriving freight income from uplift from Singapore.	Tax exemption on freight uplift from Singapore.	Indefinite.
<ul style="list-style-type: none"> International Freight and Logistics Operators 	IES	<p>Qualifying company must:</p> <ul style="list-style-type: none"> i) have substantial operations; and ii) have a good track record in the provision of freight and logistics services. 	<p>Tax rate as low as 10% on incremental income.</p> <p>Tax exemption on dividend income received from approved overseas network companies.</p>	5 years.

Tax Incentives - Services (continued) / Trade

Type	++	Requirement	Incentives	Relief Period
<ul style="list-style-type: none"> Approved Exhibition Organisers 	IES	<p>Qualifying company must:</p> <ol style="list-style-type: none"> i) be a Singapore-based established exhibition company with good track record; ii) have clear and aggressive business development plan; iii) engage in organising and managing approved exhibition activities and conferences held in conjunction with approved exhibitions in Singapore; and iv) organise and manage international conferences in Singapore. 	Tax rate as low as 10% on incremental income.	Up to 5 years.
<ul style="list-style-type: none"> Countertrade Service 	IES	Companies engaged in countertrade activities with at least one leg of the transaction, whether financial or physical movement of goods, routed through Singapore.	Tax exemption on qualifying profits.	5 years.
<ul style="list-style-type: none"> Global Trader Programme (GTP) 	IES	<ol style="list-style-type: none"> 1) Companies carrying on the business of international trading of commodities futures, including petroleum and petroleum products, which: <ol style="list-style-type: none"> i) are established with worldwide network and good track record; ii) have a significant amount of directly attributable total business spending in Singapore per annum and conducts a substantial volume of physical trade; iii) employ a commensurate number of oil traders or international traders in Singapore; 	5% (w.e.f. 28 Feb 2003) or 10% tax on qualifying income, depending on company's turnover and spending.	5 years with provision for extension.

Tax Incentives - Trade (continued)

Type	++	Requirement	Incentives	Relief Period
		<ul style="list-style-type: none"> iv) contribute to manpower training and development of trading expertise in Singapore; v) make significant use of Singapore's banking, financial and other business services; and vi) support and make use of Singapore's trade infrastructure. 		
		2) High-growth, medium-sized trading companies (w.e.f. 28 Feb 2003).	10% tax on qualifying income.	3 years.
• Approved Art and Antiques Dealers	IES	Approved art and antiques dealers transacting on behalf of non-residents.	10% tax on qualifying income.	5 years with provision for extension.
• Approved Cyber Trader (ACT)	IES	<p>Qualifying company must:</p> <ul style="list-style-type: none"> i) be a well-established company incorporated in Singapore; ii) use the Internet to conduct its international trading and marketing activities; iii) host its website and contents in Singapore; iv) engage specified number of personnel to be based in Singapore; and v) other commitments or criteria specified by IES. 	<p>10% tax on qualifying income on qualifying products.</p> <p>10% concessionary withholding tax on approved royalties.</p> <p>Investment allowance of up to 50% of cost of qualifying new fixed capital expenditure.</p>	5 years.

Tax Incentives - Investments (continued)

Type	++	Requirement	Incentives	Relief Period
• Venture Capital - Local	EDB	<ul style="list-style-type: none"> i) Investment by eligible holding companies and individuals must be made in approved local venture company. ii) Corporate investors must be <ul style="list-style-type: none"> a) incorporated and resident in Singapore for tax purposes; and b) at least 50% owned by Singapore citizens or permanent residents of Singapore. iii) Individual investors must be Singapore citizens or permanent residents of Singapore. 	Losses incurred from the sale of shares of the venture company up to 100% of equity invested, can be offset against the investor's other taxable income.	As and when losses are incurred but with time restrictions.
- Overseas	EDB	<ul style="list-style-type: none"> i) Investment by eligible companies in an overseas company to: <ul style="list-style-type: none"> a) develop or use a new technology in relation to a product, process or service; b) acquire for use in Singapore any technology from the overseas company; or c) gain access to any overseas market. ii) Investor companies must be <ul style="list-style-type: none"> a) incorporated and resident in Singapore for tax purposes; and b) at least 50% owned by Singapore citizens or permanent residents of Singapore. 	Losses incurred from sale of shares or the liquidation of the overseas company, up to 100% of equity invested, can be set off against the investor's other taxable income.	As and when losses are incurred but with time restrictions.

Tax Incentives - Investments (continued)

Type	++	Requirement	Incentives	Relief Period
<ul style="list-style-type: none"> • Approved Investment Companies 	MOF	Companies whose business is to invest in securities and the principal part of their income is derived therefrom.	Proportion of gains subject to tax based on holding period of investments	Indefinite.
<ul style="list-style-type: none"> • CPF Approved Unit Trust 	MOF	A unit trust which is resident in Singapore.	Tax exemption on: <ul style="list-style-type: none"> a) gains on disposal of securities; b) overseas interest income; c) overseas dividend income (if remitted). 	Indefinite.
<ul style="list-style-type: none"> • Designated Unit Trust 	MOF	A unit trust which is resident in Singapore.	Tax exemption on: <ul style="list-style-type: none"> a) gains on disposal of securities; b) interest income; c) overseas dividend income; d) rental and other income derived from immovable properties outside Singapore; e) overseas discount income; f) discount from short-term qualifying debt securities (QDS) issued during the period from 27 Feb 2004 to 31 Dec 2008; g) interest from QDS; h) distributions from foreign unit trusts; 	Indefinite.

Tax Incentives - Investments (continued)

Type	++	Requirement	Incentives	Relief Period
			<p>i) fees and compensatory payments from securities lending and repurchase arrangements;</p> <p>j) gains from disposal of securities issued by supranational bodies; and</p> <p>k) income from foreign exchange and derivatives transactions.</p> <p>[Items (d) to (k) apply to income remitted or derived on or after 27 Feb 2004.]</p>	
• Unit Holders	-	<p>Non-resident investors who invest with a designated unit trust.</p> <p>Individual resident investors who invest with a designated unit trust or a CPF approved unit trust using cash.</p>	<p>All distributions effectively tax free.</p> <p>Distributions exempt with effect from 1 Jan 2004.</p>	Not applicable.
• Non-resident Investors	-	<p>Funds of investors must be managed by a fund manager in Singapore. The fund manager must be a company holding, or exempted from holding, a capital markets services licence under the Securities and Futures Act 2002 for fund management.</p> <p>The funds must be invested in designated investments. The scope of this list of designated investments has been expanded with effect from 27 Feb 2004.</p> <p>Investors must be the beneficial owners of the funds managed.</p>	<p>Tax exemption on qualifying income (protection against fund manager creating a permanent establishment).</p>	Not applicable.

Tax Incentives - Investments (continued)

Type	++	Requirement	Incentives	Relief Period
• Asset Securitisation	IRAS	Qualifying Special Purpose Vehicles (SPVs) based in Singapore for asset securitisation set up on or after 27 Feb 2004.	Concessionary tax treatment (details to be released by IRAS).	Details to be released by IRAS.
• Approved Venture Company	EDB	<p>Venture capital funds or venture capital fund management companies must:</p> <ul style="list-style-type: none"> i) be incorporated and based in Singapore; ii) have obtained the necessary approvals and licences from the MAS for their proposed activities; iii) commit to invest a certain percentage of its subscribed funds in Singapore and seed-stage and/or restart projects in Singapore; and iv) commit to employ a certain number of local venture capital professionals to manage the approved venture capital fund. 	<p>Tax exemption on:</p> <ul style="list-style-type: none"> a) gains from disposal of approved local and overseas investments; b) dividends from approved overseas investments; and c) interest income from convertible loan stocks. <p>Tax rate of not more than 10% during extension period.</p>	Up to 10 years with provision for extension.
• Overseas Enterprise Incentive (OEI)	EDB	<ul style="list-style-type: none"> i) Companies which invest in approved overseas investments and projects. ii) Investor companies must be: <ul style="list-style-type: none"> a) incorporated and resident in Singapore for tax purposes; and b) at least 50% owned by Singapore citizens or permanent residents of Singapore. 	<p>Tax exemption on:</p> <ul style="list-style-type: none"> a) dividends from qualifying investments; b) portion of domestic income which is connected to approved investments and projects; and c) income from other qualifying activities. 	Up to 10 years.

Tax Incentives - Investments (continued)

Type	++	Requirement	Incentives	Relief Period
<ul style="list-style-type: none"> Overseas Investment Incentive (OII) 	IES	<ul style="list-style-type: none"> i) Eligible Singapore holding companies committed to building a substantial home base in Singapore and to adding value to Singapore's economy. ii) Applies to overseas investments into new markets (i.e. in a new city or new product / technology as the one the eligible company is already engaged in). iii) An applicant company should hold a minimum equity of 50% in the overseas investment, or it should be part of a consortium of Singapore-based companies that holds a combined minimum equity of 50% in the overseas investment. 	Deferment of income tax due from its profitable operations in Singapore, capped at the quantum of current year losses made by the approved overseas investment company in proportion to the company's share of equity investment.	2 years.
<ul style="list-style-type: none"> Foreign Trust 	MAS	<p>Foreign trusts and eligible investment holding companies of which an ATC is the trustee, or for which the ATC is providing trust management or administration services. W.e.f. 1 Jun 2003, the scheme is extended to foreign trusts administered by all trust companies in Singapore.</p> <p>The list of designated investments and specified income has also been expanded with effect from 27 Feb 2004.</p>	<p>Tax exemption on:</p> <ul style="list-style-type: none"> a) qualifying income received by the foreign trust or the eligible holding company; and b) its beneficiary's share of such income. 	Indefinite.

Tax Incentives - Finance

Type	++	Requirement	Incentives	Relief Period
<p>Financial Sector Incentive (FSI) Scheme</p> <p>A) Standard-tier (ST) Awards</p>	<p>MAS</p>	<p>i) Financial institutions currently enjoying the Asian Currency Unit tax incentive will automatically be granted the award.</p> <p>ii) Financial institutions currently enjoying the Approved Fund Manager or Operational Headquarters incentives will automatically be granted the award.</p> <p>iii) New applicants engaged in non-headquarters activities must:</p> <p>a) Employ at least 5 professional staff engaged in any of the qualifying activities in Singapore; or</p> <p>b) Employ at least 3 professional staff here if the applicant is engaged only in fund management or investment advisory services.</p> <p>Other qualitative factors will also be taken into consideration.</p> <p>iv) New applicants for FSI-Headquarters award must:</p> <p>a) be engaged in headquarters services and perform at least 3 qualifying headquarters services;</p> <p>b) maintain at least 4 professional staff in headquarters services;</p> <p>c) incur annual total business spending of at least \$2 million; and</p>	<p>10% tax on income derived from ST qualifying activities provided there is at least 1 professional staff engaged in the respective categories of activities.</p> <p><i>[A qualifying base will be imposed on the income derived from the qualifying activities except headquarters services, fund management or investment advisory activities.]</i></p>	<p>5 years from 1 Jan 2004 to 31 Dec 2008.</p> <p>Up to the expiry of the existing incentives.</p> <p>5 to 10 years.</p> <p>5 to 10 years.</p>

Tax Incentives - Finance (continued)

Type	++	Requirement	Incentives	Relief Period
B) Enhanced-tier (ET) Awards		<p>d) service at least 2 network companies outside Singapore.</p> <p>Companies currently granted the Equity Capital Market Intermediary or Approved Derivatives Trader incentives will be granted the respective ET awards. For new applicants, the respective criteria for the various awards will apply as follows.</p>	5% tax on income derived from ET qualifying activities.	Up to the expiry of the existing awards.
i) Bond Market (FSI-BM)		<p>The company must:</p> <p>a) employ at least 8 professional staff covering origination, trading and distribution of debt securities;</p> <p>b) demonstrate its degree of expertise in origination and structuring, as well as the extent of debt sales, distribution and trading capabilities in Singapore.</p>	<p><i>Additional benefit:</i> Debt securities lead managed by a company with the FSI-BM award will be granted automatic qualifying debt securities status (see Bond Market Incentives).</p>	5 to 10 years.
ii) Derivatives Market (FSI-DM)		<p>The company must:</p> <p>a) employ at least 6 professional staff covering origination, structuring and trading activities in relation to financial derivatives;</p> <p>b) demonstrate the extent to which the financial derivatives team in Singapore has responsibility for structuring or trading of derivatives.</p>	<p><i>Additional benefit:</i> Withholding tax exemption for payments on qualifying derivatives.</p>	5 to 10 years.
iii) Equity Market (FSI-EM)		The company must employ at least 3 professional staff who are performing corporate finance, sales / trading or research activities in Singapore.		5 to 10 years.
iv) Credit Facilities Syndication (FSI-CFS)		The company must employ at least 2 professional staff performing any syndication functions in Singapore.		5 to 10 years.

Tax Incentives - Finance (continued)

Type	++	Requirement	Incentives	Relief Period
• Futures Members of the Singapore Exchange (SGX)	MAS	<p>a) Company that is a futures member of the Singapore Exchange (SGX), and transacting with:</p> <ul style="list-style-type: none"> i) an ACU of a financial institution; ii) another futures member of SGX; iii) a non-resident of Singapore; iv) a foreign branch of a Singapore-resident company; or v) an AFM. 	10% tax on income derived from transactions in gold bullion, commodity and financial futures and spot transactions in foreign currencies and, with effect from 27 Feb 2004, in Singapore dollars.	Indefinite
		<p>b) Companies that are futures members of the SGX for at least 3 years and are among the top 20 corporate futures members. This is extended to any company that is a futures member of the SGX or any member of any securities market maintained by SGX Securities Trading Limited that is within the top 20 members as determined by SGX.</p>	<ul style="list-style-type: none"> i) 5% tax on incremental taxable income. ii) 5% tax on income derived from transactions in approved derivative products denominated in any foreign currency and, with effect from 27 Feb 2004, in Singapore dollars. 	<p>Designated futures that commenced trading on SGX during the period 1 Apr 1994 to 31 Dec 2001.</p> <p>Designated futures that commenced trading on SGX during the period 1 Apr 1994 to 31 Dec 2001.</p>
• Offshore Commodity Futures Trading	MAS	<p>Company must be a member of the Singapore Commodity Exchange and transacting with:</p> <ul style="list-style-type: none"> i) an ACU of a financial institution; ii) another Exchange member; or iii) a non-resident of Singapore. 	10% tax on income derived from transactions in specified futures contracts.	Indefinite.

Tax Incentives - Finance (continued)

Type	++	Requirement	Incentives	Relief Period
• Commodities Derivatives Trading	MAS/ IES	Qualifying financial institutions and companies. Details to be released by MAS.	5% concessionary tax rate on income from qualifying transactions in commodity derivatives in any currency with qualifying counterparties.	Up to 5 years.
• Over-the-Counter (OTC) Financial Derivatives	MAS	Payments made on qualifying derivatives (OTC financial derivatives) by a financial institution to persons who are neither residents nor permanent establishments in Singapore.	Withholding tax exemption for payments on qualifying derivatives.	For payments due and payable during the period from 27 Feb 2004 to 19 May 2007.
• Finance and Treasury Centre (FTC)	MAS	Companies which provide finance and treasury services to related and associated companies outside Singapore including: <ul style="list-style-type: none"> i) regional and international treasury management functions; ii) global and regional fund management and other related activities; iii) credit facilities; iv) corporate finance and advisory services; v) financial, economic and investment research and analysis; and vi) credit control and administration. 	10% tax on income arising from provision of qualifying services. Tax exemption for specified income of approved related companies received in Singapore.	5 to 10 years with provision for extension.
• Approved Trustee Company (ATC)	MAS	Companies which provide specified trust services to non-residents in respect of non-Singapore dollar investments.	10% tax on qualifying income.	Indefinite.

Tax Incentives - Finance (continued)

Type	++	Requirement	Incentives	Relief Period
• Insurance	MAS	Approved insurance companies which engage in the business of insuring and reinsuring offshore risks.	10% tax on: a) income arising from the business of insuring and reinsuring offshore risks;	Indefinite.
			b) dividends and interest (including ACU deposits) from investment of off-shore business income; and	Indefinite.
			c) gains from sale of offshore investments mentioned in (b) above.	5 years with provision for extension.
		Income from writing offshore and onshore (w.e.f. YA 2004) marine hull and liability risks.	Tax exemption on qualifying income. Tax deduction on special reserves set aside for certain offshore risks (w.e.f. YA 2003.)	Up to 10 years. Up to 10 years.
• Offshore Leasing	#	Companies which engage in offshore leasing of machinery or plant.	10% tax on qualifying leasing income.	Indefinite
• Approved Aircraft Leasing	IES	Company must: i) be a reputable international aircraft operating lessor which uses Singapore as an operating base; ii) have annual total business spending in Singapore of at least S\$4 million by the second year of operation and S\$10 million by the fifth year; and iii) employ at least 3 experienced marketing and technical staff.	10% tax on qualifying income. Tax exemption on interest payment for foreign loans taken up during relief period. Depreciation period of aircraft extended to 20 years during relief period.	5 years with provision for extension.

Tax Incentives - Finance (continued)

Type	++	Requirement	Incentives	Relief Period
<ul style="list-style-type: none"> Processing Services 		Approved companies providing higher value-added processing services to financial institutions (details to be released by MAS).	5% tax on qualifying income.	For companies approved during the period from 27 Feb 2004 to 28 Feb 2009.
<ul style="list-style-type: none"> Bond Market Incentives (note on page 16) 	MAS	<ul style="list-style-type: none"> i) Income received by financial institutions from arranging bonds and debt securities in Singapore, including underwriting and distribution of such securities. ii) Income derived by financial institutions from trading in debt securities. iii) Income derived by primary dealers from trading in Singapore Government Securities. iv) Interest earned by financial institutions, corporations and bodies of persons in Singapore from qualifying debt securities. v) Interest earned by non-residents from qualifying debt securities. vi) Discount income (excluding discount arising from secondary trading) earned by financial institutions, corporations and bodies of persons in Singapore from debt securities substantially arranged by financial institutions in Singapore. <p>Note: Debt securities lead managed by financial institutions with Approved Bond Intermediary (ABI) status, would be treated as being substantially arranged in Singapore, and therefore, enjoy similar tax incentives.</p>	<ul style="list-style-type: none"> Tax exemption on qualifying income. 10% tax on qualifying income. Tax exemption on qualifying income. 10% tax on qualifying income. Withholding tax exemption on qualifying income. 10% tax on qualifying income. 	<ul style="list-style-type: none"> In respect of qualifying debt securities issued within a 5 -year period up to 27 Feb 2003. 5 years up to 27 Feb 2003. 9 years up to 27 Feb 2008. In respect of qualifying debt securities issued between 28 Feb 1998 and 31 Dec 2008. In respect of qualifying debt securities with 1 year tenure or less issued during the period from 27 Feb 2004 to 31 Dec 2008. ABI status may be awarded for any duration up to 31 Dec 2003. The FSI award will apply from 1 Jan 2004 (see pages 31 & 32).

Tax Incentives - Finance (continued)

Type	++	Requirement	Incentives	Relief Period
<ul style="list-style-type: none"> Approved Fund Managers (AFM) (note on page 16) 	MAS	Companies with: <ol style="list-style-type: none"> at least 2 investment professionals, including a chief fund manager with at least 5 years' fund management experience; at least \$100 million of assets under Singapore fund manager's management; and a 5-year growth plan commitment. 	10% tax on fees and commission.	5 years with provision for extension, up to 31 Dec 2003.
		This revised AFM Scheme (which merges the AFM and ABFM Schemes) takes effect from YA 2003.	Tax exemption on qualifying investment income.	With effect from 3 May 2002, up to 5 years from date of award.
<ul style="list-style-type: none"> Asian Currency Unit (ACU) (note on page 16) 	MAS	Company must be an approved financial institution.	10% tax on qualifying ACU income.	Up to 31 Dec 2003.
		Total taxable income for all ACU activities exceeding S\$50 million.	5% tax on incremental taxable income.	5 years up to YA 2002.
		Management of funds of at least S\$10 billion from foreign investors.	Tax exemption on qualifying income.	5 years up to 31 Dec 2003.
<ul style="list-style-type: none"> Swap Trading (note on page 16) 	MAS	Income received by financial institutions in Singapore from:	10% tax on qualifying income.	Up to 31 Dec 2003.
		<ol style="list-style-type: none"> trading in interest rate and currency swaps; and providing services as an intermediary in connection with any transaction involving interest rate or currency swaps. 	Withholding tax exemption on currency swaps (effective 25 Feb 2000 for transactions involving financial institutions).	

Tax Incentives - Finance (continued)

Type	++	Requirement	Incentives	Relief Period
<ul style="list-style-type: none"> • Approved Securities Company (ASC) (note on page 16) 	MAS	<p>Company must be:</p> <ul style="list-style-type: none"> i) providing services to non-residents in connection with transactions relating to non-Singapore dollar securities. ii) trading in non-Singapore dollar securities with: <ul style="list-style-type: none"> (a) an ACU of a financial institution; (b) another approved securities company; (c) a non-resident of Singapore; or (d) an approved fund manager. iii) involved in foreign securities lending and borrowing activities. iv) conducting syndication of offshore credit and underwriting facilities. v) providing services as a broker, a nominee or a custodian on behalf of an ACU of a financial institution or another approved securities company in connection with transaction of foreign securities. <p>Transactions in non-Singapore dollar securities should account for at least 10% of the company's total foreign securities transactions.</p> <p>Income earned from trading shares denominated in foreign currency and listed on the Singapore Exchange.</p>	<p>10% tax on qualifying income relating to (i) to (v).</p> <p>Tax exemption on payments to non-residents in connection with securities lending and borrowing in (iii).</p> <p>Tax exemption on income from syndication business in (iv).</p> <p>Tax exemption on qualifying income.</p>	<p>Up to 31 Dec 2003.</p> <p>5 years up to 31 Mar 2003.</p> <p>5 years up to 31 Dec 2003</p>

Tax Incentives - Finance (continued)

Type	++	Requirement	Incentives	Relief Period
<ul style="list-style-type: none"> Approved Derivatives Traders (ADT) (note on page 16) 	MAS	<p>Companies must:</p> <ul style="list-style-type: none"> i) have at least 6 professional staff; ii) have an over-the-counter (OTC) financial derivatives team in Singapore; and iii) commit to increase the number of professional staff for activities relating to OTC financial derivatives. 	<p>5% tax on qualifying derivatives income.</p> <p>Tax exemption on qualifying derivatives income.</p>	5 years from date of award up to 31 Dec 2003
<ul style="list-style-type: none"> Equity Capital Market Intermediary (ECMI) (note on page 16) 	MAS	<p>Banks and merchant banks with ACUs and securities companies with</p> <ul style="list-style-type: none"> • corporate finance activities must have minimum of 3 professionals based in Singapore; and • securities trading / securities lending activities must have a minimum of 2 sales / trading professionals and 2 research analysts within the Singapore-based group. <p>This scheme was carved out from the equity capital market incentives of the ACU and ASC schemes and applies with effect from YA 2003.</p>	<p>10% tax on qualifying corporate advisory services.</p> <p>10% tax on qualifying equity capital market activities.</p> <p>5% tax on qualifying foreign securities sales and related services.</p>	<p>From YA 2003 up to 31 Dec 2003.</p> <p>5 years from date of award up to 31 Dec 2003.</p> <p>From YA 2003 up to 31 Dec 2003.</p>

++ Application is to be made to:

- EDB - Singapore Economic Development Board
- IES - International Enterprise Singapore
- SPRING - Standards, Productivity and Innovation Board
- MAS - Monetary Authority of Singapore
- MOF - Ministry of Finance

No application required – Incentive to be claimed upon submission of tax return to the Inland Revenue Authority of Singapore.

Special Tax Deductions

Type	*	Requirement	Deduction
• R & D Expenses	EDB	Companies which incur expenditure on R & D projects related to their trade or business. Note: With effect from YA 2003, for R & D projects outsourced to an overseas R & D organisation, the intellectual property created must belong to the Singapore business entity which incurs the expenditure.	R & D expenses.
• Intellectual Property (IP) Expenses	EDB	The invention has not received any Patent Application Fund Plus grant and the legal and economic ownership of the resulting IP lies with the company claiming the deduction.	Patenting costs.
• Export Promotion and Market Development	IES	Companies which: i) participate in approved trade fairs, missions and promotion activities; ii) set up approved overseas trade offices; or iii) carry out approved marketing projects.	Export promotion and market development expenses up to amount specified by the Minister.
• Overseas Investment Development	EDB	Firms or companies resident and carrying on business in Singapore which: i) carry out an approved investment project overseas; or ii) maintain an approved overseas project development office established for the purpose of identifying, initiating and developing any approved investment overseas.	Approved expenses incurred on: a) maintenance of approved office; b) studies to identify overseas investment; and c) feasibility or due diligence studies.
• Financial R&D Expenses	MAS	Financial institutions engaged in the research and development of any approved new financial activity.	R & D expenses incurred on: a) salary/wages; b) direct legal expenses; c) training courses; and d) financial consultancy services up to 30% of statutory income. Initially granted for 5 years with provision for extension.

Special Tax Deductions (continued)

Type	*	Requirement	Deduction
<ul style="list-style-type: none"> Scheme for tax-deductible special reserves 	MAS	General insurers with: <ol style="list-style-type: none"> at least one underwriter with no less than three years of relevant experience in respect of the qualifying business group(s); plans to further develop the qualifying business group(s) in Singapore, eg. commitment to increased headcount; and plans to develop capabilities in Singapore. 	Special reserves set aside for specified offshore insurance risk.
<ul style="list-style-type: none"> Gifts to Approved Museum or approved recipients 	MITA & NHB	<ul style="list-style-type: none"> Private art collectors who donate their artefacts to approved museums without any naming opportunities Donations of artefacts with naming opportunities Donations of public sculptures Adoption of public sculptures Display of public sculptures 	Double the donation value. Donation value. Double the appraised value. Double the maintenance expenses incurred. Double the installation cost and maintenance expenses incurred.
<ul style="list-style-type: none"> Donations 	# IDA # #	<ul style="list-style-type: none"> Cash donations Donations of computers Donations of shares by individual Donations of buildings & land parcels (wef 1 Apr 2003) Donations with naming opportunities 	Double the donation value. Single/double the donation value.
<ul style="list-style-type: none"> Master Franchising and Master Licensing 	IES	Firms or companies which: <ol style="list-style-type: none"> are resident in Singapore; and hold the rights to master franchise or master intellectual property licence. 	Approved expenses incurred in provision of services relating to master franchise or master intellectual property licence.
<ul style="list-style-type: none"> Employment of Talent from Abroad 	MOM	Companies which incur relocation and recruitment expenses in hiring talents from abroad.	Relocation and recruitment expenses.

Special Tax Deductions (continued)

Type	*	Requirement	Deduction
<ul style="list-style-type: none"> Hotel Refurbishment Expenditure 	STB	Companies which incur expenditure on approved refurbishment of hotel premises. (Valid for applications made on or before 30 Jun 2003 in respect of projects to be completed on or before 30 Jun 2006.)	Up to 150% of qualifying expenditure (in lieu of capital allowances).

* Application is to be made to:

EDB - Singapore Economic Development Board
 IDA - Infocomm Development Authority of Singapore
 IES - International Enterprise Singapore
 MAS - Monetary Authority of Singapore
 MITA - Ministry of the Information, Communications & the Arts
 MOM - Ministry of Manpower
 NHB - National Heritage Board
 STB - Singapore Tourism Board

No application required – deductions to be claimed upon submission of tax return to the Inland Revenue Authority of Singapore.

Non-Fiscal Incentives

Non-fiscal incentives are accorded to qualifying small and medium sized enterprise (SMEs). These are administered by the various government agencies.

Double Taxation Agreements

Singapore has concluded double taxation treaties with the following countries and the main reliefs are summarised below (Note 1a):

Country	Air Transport	Shipping	Tax on Dividends (2)	Tax on Interest	Tax on Royalties
Australia	Exempt	Exempt	15%	10%	10% (4a)
Austria	Exempt	Exempt	0% or 10% (2b)	5% (3b,d)	5%
Bahrain	(1b)	(1b)	(1b)	(1b)	(1b)
Bangladesh	Exempt	50% of normal rate	15%	10%	10% (4a)
Belgium	Exempt	Exempt	15%	15%	Exempt (4a)
Bulgaria	Exempt	Exempt	5% (2b)	5% (3b)	5%
Canada	Exempt	Exempt	15%	15%	15%
China	Exempt	Exempt	7% or 12%	7% or 10% (3a,b)	10%
Cyprus	Exempt	Exempt	Exempt	7% or 10% (3a,b)	10%
Czech Republic	Exempt	50% of normal rate	5%	Exempt	10%
Denmark	Exempt	Exempt	0%, 5% or 10% (2b)	10% (3b)	10%
Egypt	Exempt	Exempt	15%	15% (3b)	15%
Finland	Exempt	Exempt	0%, 5% or 10% (2b)	5% (3b)	5%
France	Exempt	Exempt	10% or 15%	10% (3b,c)	Exempt (4a)
Germany	Exempt	Exempt	10% or 15%	10% (3b)	Exempt (4a)
Hungary	Exempt	50% of normal rate	5% or 10% (2b)	5% (3b,d)	5%
India	Exempt	Exempt	10% or 15%	10% or 15% (3a)	10% or 15% (4b)
Indonesia	Exempt	50% of normal rate	10% or 15%	10% (3b,e)	15%
Israel	Exempt	Exempt	Exempt	15%	0% (4a)
Italy	Exempt	Exempt	10%	12.5% (3b)	15% or 20%
Japan	Exempt	Exempt	5% or 15%	10% (3b)	10%
Kuwait	Exempt	Exempt	Exempt	7% (3b)	10%
Latvia	Exempt	Exempt	5% or 10% (2b)	10% (3b)	7.5%

Double Taxation Agreements (continued)

Singapore has concluded double taxation treaties with the following countries and the main reliefs are summarised below (Note 1a):

Country	Air Transport	Shipping	Tax on Dividends (2)	Tax on Interest	Tax on Royalties
Lithuania	(1b)	(1b)	(1b)	(1b)	(1b)
Luxembourg	50% of normal rate	50% of normal rate	5% or 10% (2b)	10% (3b)	10%
Malaysia	50% of normal rate	50% of normal rate	At domestic rates (2b)	At domestic rates (3b)	At domestic rates (4d)
Mauritius	Exempt	50% of normal rate	Exempt	Exempt	Exempt
Mexico	Exempt	50% of normal rate	Exempt	5% or 15% (3a,b)	10%
Mongolia	(1b)	(1b)	(1b)	(1b)	(1b)
Myanmar	Exempt	50% of normal rate	Exempt	8% or 10% (3a,b)	10% or 15% (4c)
Netherlands	Exempt	Exempt	Exempt or 15%	10% (3b)	Exempt (4a)
New Zealand	Exempt	Exempt	15%	15%	15% (4a)
Norway	Exempt	Exempt	5% or 15% (2b)	7% (3b)	7%
Oman	(1b)	(1b)	(1b)	(1b)	(1b)
Pakistan	Exempt	50% of normal rate	10%,	12.5% (3b)	10% (4a)
Papua New Guinea	Exempt	Exempt	15%	10%	10%
Philippines	up to 1.5% of gross revenue generally	up to 1.5% of gross revenue generally	15% or 25%	15% (3e)	15% or 25%
Poland	Exempt	50% of normal rate	10% (2b)	10% (3b)	10%
Portugal	Exempt	Exempt	10% (2b)	10% (3b,e)	10%
Romania	Exempt	Exempt	5% (2b)	5% (3b)	5%
Russian Federation	(1b)	(1b)	(1b)	(1b)	(1b)
South Africa	Exempt	Exempt	5% or 15% (2b)	Exempt	5%
South Korea	Exempt	Exempt	10% or 15%	10% (3b)	15%

Double Taxation Agreements (continued)

Singapore has concluded double taxation treaties with the following countries and the main reliefs are summarised below:

Country	Air Transport	Shipping	Tax on Dividends (2)	Tax on Interest	Tax on Royalties
Sri Lanka	Exempt	50% of normal rate	15%	10% (3a,b)	15%
Sweden	Exempt	50% of normal rate	10% or 15% (2b)	10% or 15% (3b,c)	Exempt (4a)
Switzerland	Exempt	50% of normal rate	10% or 15%	10% (3f)	5% (4a,e)
Taiwan	Exempt	Up to 2% of gross revenue	40% (together with corporate tax)	At domestic rates	15% (4a)
Thailand	Exempt	50% of normal rate	20% generally	10% or 25% (3a,b)	15%
Turkey	Exempt	50% of normal rate	10% or 15% (2b)	7.5% or 10% (3a,b)	10%
United Arab Emirates	–	Exempt	5%	7% (3b)	5% (4f)
United Kingdom	Exempt	Exempt	5% or 15%	10% (3b)	10%
Vietnam	Exempt	Exempt	5%, 7% or 12.5% (2b)	10% (3b)	5% or 15% (4c)

Notes:

- 1) a. The rates listed are those negotiated under the treaties. Actual domestic rates may be lower, and if so, the lower rates apply.
- b. Treaties signed but not yet ratified.
- 2) Dividends:
 - a. Except for the Malaysia/Singapore DTA, dividends paid by a company which is a resident of Singapore to a resident of a treaty country are exempt from any tax in Singapore which is chargeable on dividends in addition to tax chargeable in respect of the profits or income of the company. The rates shown in this column therefore reflect the position of the other treaty country.
 - b. Exempt if paid to the government.
- 3) Interest:
 - a. Lower rate or exemption if received by a financial institution;
 - b. Exempt if paid to the government;
 - c. Exempt if paid by an approved industrial undertaking;
 - d. Exempt if paid by a bank and received by a bank;
 - e. Exempt if paid to bank but linked to government loan agreement or paid to specific financial institutions/banks;
 - f. Exempt if paid in respect of an approved loan or indebtedness.
- 4) Royalties:
 - a. Royalties on literary or artistic copyrights, including film royalties, are taxed at non-treaty rates;
 - b. Lower rate for payments in respect of industrial, commercial or scientific equipment;
 - c. Lower rate for payments in connection with patents, designs, secret formulas/processes, or industrial, commercial or scientific equipment/experience;
 - d. Exempt if paid to the government;
 - e. Exempt for approved royalties;
 - f. Lower rate or exempt for industrial royalties in accordance with domestic laws.

Other Agreements

Investment Guarantees

Singapore has concluded investment promotion and protection agreements with the following:

- | | |
|---|---|
| <ul style="list-style-type: none"> • ASEAN • Belgo - Luxembourg Economic Union • Belarus • Bulgaria • Cambodia • Canada • China • Czech Republic • Egypt • France • Germany • Hungary • Laos • Latvia | <ul style="list-style-type: none"> • Mauritius • Mongolia • Netherlands • Pakistan • Peru • Poland • Riau Archipelago • Slovenia • Sri Lanka • Switzerland • United Kingdom • United States of America • Uzbekistan • Vietnam • Zimbabwe |
|---|---|

Free Trade Agreements (FTAs)

Singapore has concluded / is negotiating FTAs with the following:

Concluded	Under negotiation
<ul style="list-style-type: none"> • Australia • European Free Trade Association • Japan • New Zealand • United States of America 	<ul style="list-style-type: none"> • ASEAN and the People's Republic of China • Canada • Hashemite Kingdom of Jordan • India • Republic of Korea • Mexico • Pacific Three (Chile, New Zealand & Singapore) • Panama • Sri Lanka

Air Transport / Shipping Agreements

Country / Region	Air Transport	Shipping
Bahrain	Exempt	–
Chile	–	Exempt
Hong Kong SAR	(Note)	(Note)
Oman	Exempt	–
Saudi Arabia	Exempt	–
United Arab Emirates	Exempt	–
United States of America	Exempt	Exempt

Note: Treaty signed but not yet ratified.

Due Dates

Type of Filing	Form Designation	Due Date of Filing	Due Date of Payment of Tax (Where Applicable)
Returns Relating to Taxpayer's Income			
• Resident individual income tax return	Form B/B1 or E-file	By 15 April or by extension date.	
• Non-resident individual income tax return	Form M		
• Partnership income tax return	Form P		
• Associations, clubs, and other societies income tax return	Form P1		
• Charities income tax return	Form P2		
• Trust and estate income tax return	Form T		
• Company income tax return	Form C	By 31 July or by extension date.	
• Company group relief application	Form GR-A/GR-B	By 31 July or by extension date of Form C filing.	
Employer's Returns Relating to Employee's Income			
• Return of employee's remuneration	IR8A/8S/8C	By 1 March	
• Notification of cessation of employment of an individual who is not a citizen or permanent resident of Singapore.	Form IR21	One month before the date of cessation of employment	

Due Dates (continued)

Type of Filing	Form Designation	Due Date of Filing	Due Date of Payment of Tax (Where Applicable)
<p>Returns Relating to Withholding Tax on Certain Payments to Non-Residents</p> <ul style="list-style-type: none"> • Interest, royalty, technical fee, management fee • Directors' remuneration • Certain distribution by approved unit trusts • Rent on moveable properties • Sale of real properties (see page 14 for details) • Supplementary Retirement Scheme withdrawals • Non-resident professional fees <p>Where reduced withholding rate is applicable</p> <p>GST Returns for Registered Taxable Persons</p> <ul style="list-style-type: none"> • Prescribed accounting period <ul style="list-style-type: none"> - three months (standard) - one month (optional) 	<p>Form IR37</p> <p>Form IR37A</p> <p>Form IR37B</p> <p>Form IR37C</p> <p>Form IR585</p> <p>GST F5</p>	<p>By the 15th of the month following the date of payment or deemed payment to non-resident (effective for transactions with date of payment on or after 1 April 2003).</p> <p>Within 10 days of payment or deemed payment to non-resident (for transactions with date of payment prior to 1 April 2003).</p> <p>Generally by 31 March of following year or by extension date</p> <p>Within one month from end of prescribed accounting period.</p>	<p>As per Due Date of Filing.</p> <p>Within one month from end of prescribed accounting period or on 15th of the month following the due date of Return if under GIRO.</p>

Due Dates (continued)

Type of Filing	Form Designation	Due Date of Filing	Due Date of Payment of Tax (Where Applicable)
<p>Other Notification to Tax Comptroller</p> <ul style="list-style-type: none"> Notification of chargeability of tax Notification of estimate of chargeable income from a trade or business Notification by tax resident on payment of dividends (out of section 44 balance accumulated up to 31 December 2002) <p>Note: Not applicable if company opts to move into the one-tier tax system which was introduced from 1 Jan 2003.</p>	<p>–</p> <p>IRIS320/322 or E-file</p> <p>Section 44A Statement</p>	<p>By 14 April if no tax return has been issued to that person and in the case of an individual who arrives in Singapore during the year, within one month of the date of arrival.</p> <p>Within three months after financial year end.</p> <p>Within 14 days after payment of dividends.</p>	<p>Where maximum instalments are required, first instalment of tax must be paid one month immediately following the financial year end.</p> <p>Where a tax franking surcharge is due, payment must be made within 14 days.</p>

Due Dates (continued)

Type of Filing	Form Designation	Due Date of Filing	Due Date of Payment of Tax (Where Applicable)
<p>Notification of Tax Charged or Computed By Tax Comptroller</p> <ul style="list-style-type: none"> • Notice of assessment to income tax <ul style="list-style-type: none"> • Computation of partners' share of profit <p>Employer's Notification of Payments Due to CPF Board</p> <ul style="list-style-type: none"> • CPF Contribution, Skills Development Levy and Foreign Workers Levy 	<p>–</p> <p>Form IR95</p> <p>Form CPF 91</p>	<p>Within 30 days of issue of the notice of assessment:</p> <ul style="list-style-type: none"> • To lodge objection if assessment is disputed; and/or • To submit group relief application if company can qualify due to the assessment. <p>If disputed, objection to be filed within 14 days of issue date of computation.</p> <p>Within 14 days of month end when payment is due, but if less than 4 employees, within 10 days.</p>	<p>Within one month of issue date of notice of assessment or by a maximum of 10/12 instalments where prearranged.</p> <p>As per Due Date of Filing.</p>

Your contacts at PricewaterhouseCoopers Services Pte Ltd

For direct dialling, use 6236 plus the extension number shown below.
For Email address, use @sg.pwc.com at the end of the Email ID shown below.

Tax Directors	Email ID	Ext No.
<i>Corporate Tax</i>		
Chan-Cheng Wei	cheng.wei.chan	3808
Paul Cornelius	paul.cornelius	3718
Paula Eastwood	paula.eastwood	3648
Nicole Fung	nicole.fung	3618
Abhijit Ghosh	abhijit.ghosh	3468
Ho Mui Peng	mui.peng.ho	3838
Khoo Ghee Khong	ghee.khong.khoo	3828
Noris Ong	noris.ong	3688
David Sandison	david.sandison	3675
Florence Tan-Nguyen	florence.nguyen	3868
Peter Tan	peter.tan	3668
David Toh	david.toh	3908
Yip Yoke Har	yoke.har.yip	3938
<i>Personal Tax</i>		
Richard Schulte	richard.schulte	3528
Jenny Goh	jenny.goh	3638
<i>Goods & Services Tax</i>		
Koh Soo How	soo.how.koh	3600

8 Cross Street PWC Building #17-00 Singapore 048424 Tel: 6236 3388 Fax: 6236 3715
Our Singapore tax website at www.pwctax.com

Your worlds



Our people