

# DOING BUSINESS IN SINGAPORE



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# TO SET UP A BUSINESS IN SINGAPORE:

Open a company as a subsidiary (most common)

SUBSIDIARY	NAME	CHARACTERISTICS
Corporation or Company (most common) i.e. Private Company Limited by Shares	ABC Pte. Ltd.	<ul style="list-style-type: none"><li>• Limited by Shares</li><li>• Name usually ends with "Pte Ltd"</li><li>• Has a share capital</li><li>• Can have a maximum of 50 shareholders</li><li>• Corporations can be shareholders</li></ul>

## TAXES

### 1. Corporate Tax

#### General Corporate Income Tax Rules

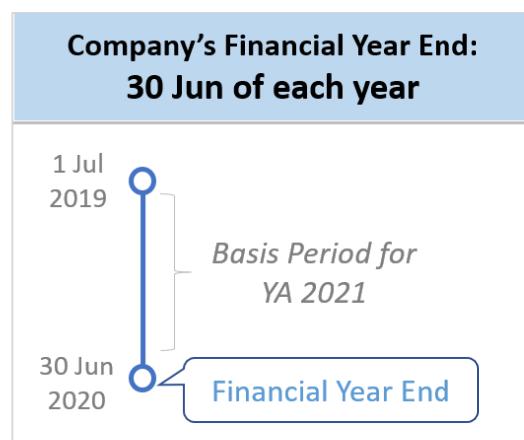
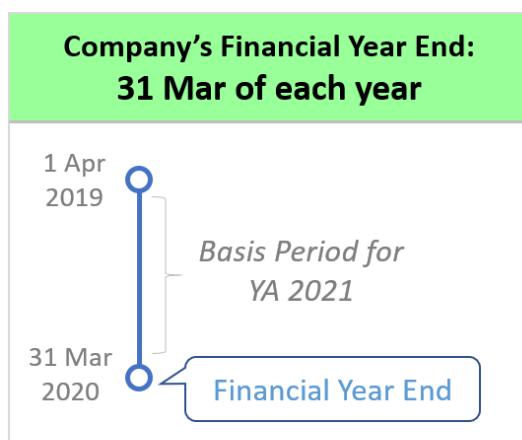
Corporate Income Tax is assessed on a preceding year basis in Singapore. Singapore's Corporate Income Tax rate is 17%.

#### Basis Period & Year of Assessment

The company is taxed on the income earned in the preceding financial year. This means that income earned in the financial year 2020 will be taxed in 2021. In tax terms, 2021 is the Year of Assessment (YA), as it is the year in which your company's income is assessed to tax.

To assess the amount of tax, IRAS looks at the income, expenses, etc. during the financial year. This financial year is known as the 'basis period'. The basis period is generally a 12-month period preceding the YA.

#### Examples of Basis Periods Based on Different Financial Year Ends





## Corporate Income Tax Filing Obligations

The company has to file 2 Corporate Income Tax Returns with IRAS every year: Estimated Chargeable Income (ECI) and Form C-S/ Form C-S(Lite)/ Form C.

Tax return	Purpose	Due Date
<b>ECI</b>	To declare an estimate of the company's taxable income for a Year of Assessment (YA)	Within 3 months from the end of the financial year, except for companies that qualify for the ECI filing waiver and those that are specifically not required to file an ECI
<b>Form C-S/ Form C-S (Lite)/ Form C</b>	To declare the company's actual taxable income for a YA	30th Nov each year

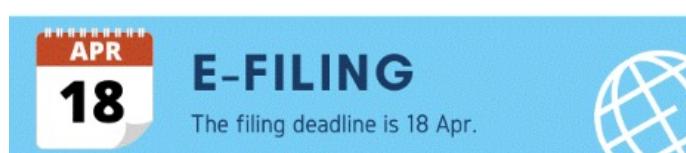
## 2. Individual Income Tax

### Individuals required to file tax

Generally, you will be required to submit your Income Tax Return if in the preceding calendar year:

1. your total income is more than \$22,000; or
2. you have self-employment income with a net profit more than \$6,000; or
3. you are a non-resident who derived income from Singapore.

### Filing due dates



### Non-resident individuals

Non-residents who derived income from Singapore in the preceding year are required to file an Income Tax Return, regardless of how much you earned in the previous year.

### Auto-Inclusion Scheme (AIS) for employment income



If your employer is in the AIS:

- You do not need to declare your employment income
- Income information will be pre-filled in your Income Tax Return

You still have to file an Income Tax Return if you have received the notification to file or you have other income to declare/ want to claim for personal reliefs.

If your employer is in the AIS, they will submit your income information to IRAS by 1 Mar of each year. You may view the auto-included information in the, 'Income, Deductions and Reliefs Statement' at myTax Portal. Otherwise, you may approach your employer for a copy of the Form IR8E.

### 3. Withholding Taxes

#### Who must withhold and pay WHT

A person (known as the payer) who makes payments of a specified nature (e.g. royalty, interest, technical service fee, etc.) to a non-resident company or individual (known as the payee) must withhold a percentage of the payment and pay the amount withheld to IRAS as WHT.

#### Payments that are Subject to Withholding Tax

A person must withhold tax when a payment of a specified nature has been made to non-resident companies. The rate of withholding tax depends on the nature of the payment.

#### Types of Payment

The following types of payment are subject to withholding tax when paid to non-resident companies:

- Interest, commissions or fees in connection with any loan or indebtedness
- Royalties or other payments for the use of or the right to use any movable property
- Payments for the use of or the right to use scientific, technical, industrial or commercial knowledge or information or for the rendering of assistance or service in connection with the application or use of such knowledge or information
- Payments of management fees
- Rent or other payments for the use of any movable property
- Payments for the purchase of real property from a non-resident property trader
- Payments made from structured products (other than payments which qualify for tax exemption under Section 13(1)(j) of the Income Tax Act 1947)
- Distributions from a real estate investment trust (REIT)

### 4. VAT

#### Goods and Services Tax (GST): What it is and how it works

Goods and Services Tax or GST is a broad-based consumption tax levied on the import of goods (collected by Singa-

#### Resident tax rates from YA 2024 onwards

Chargeable Income	Income Tax Rate (%)	Gross Tax Payable (\$)
<b>First \$20,000</b>	0	0
<b>Next \$10,000</b>	2	200
<b>First \$30,000</b>	-	200
<b>Next \$10,000</b>	3.50	350
<b>First \$40,000</b>	-	550
<b>Next \$40,000</b>	7	2,800
<b>First \$80,000</b>	-	3,350
<b>Next \$40,000</b>	11.5	4,600
<b>First \$120,000</b>	-	7,950
<b>Next \$40,000</b>	15	6,000
<b>First \$160,000</b>	-	13,950
<b>Next \$40,000</b>	18	7,200
<b>First \$200,000</b>	-	21,150
<b>Next \$40,000</b>	19	7,600
<b>First \$240,000</b>	-	28,750
<b>Next \$40,000</b>	19.5	7,800
<b>First \$280,000</b>	-	36,550
<b>Next \$40,000</b>	20	8,000
<b>First \$320,000</b>	-	44,550
<b>Next \$180,000</b>	22	39,600
<b>First \$500,000</b>	-	84,150
<b>Next \$500,000</b>	23	115,000
<b>First \$1,000,000</b>	-	199,150
<b>In excess of \$1,000,000</b>	24	

pore Customs), as well as nearly all supplies of goods and services in Singapore. In other countries, GST is known as the Value-Added Tax or VAT.

GST exemptions apply to the provision of most financial services, the supply of digital payment tokens, the sale and lease of residential properties, and the importation and local supply of investment precious metals. Goods that are exported and international services are zero-rated.

### **Businesses required to register for GST**

As a business, you must register for GST when your taxable turnover exceeds \$1 million.

You may also be liable for GST registration under the Reverse Charge and Overseas Vendor Registration regimes.

For more information, please refer to the section on Reverse Charge and Overseas Vendor Registration.

If your business taxable turnover does not exceed \$1 million, you may still choose to voluntarily register for GST after careful consideration.

### **Charging and claiming GST**

Only GST-registered businesses can charge and claim GST from their effective date of GST registration. Non-GST registered businesses are not allowed to charge or claim GST.

#### **Charging GST**

If you are registered for GST, you must charge GST on all taxable supplies at the prevailing GST rate (9%), except for supplies that are subject to customer accounting. The GST that you charge and collect is known as output tax. Output tax must be paid to IRAS within a month from the end of the accounting period. Refer to our page on filing and payment due dates for more information.

If you have wrongfully charged or collected GST, you must remit the GST wrongly collected to IRAS.

#### **Claiming GST**

If you are registered for GST, you can claim the GST incurred on business purchases (including imports) and expenses, as

input tax in your GST return. This is subject to you fulfilling the conditions for claiming input tax.

Additionally, you may be able to claim GST incurred before GST registration or incorporation, provided that you fulfil certain conditions. For more information, please refer to our page on claiming GST incurred before GST registration/incorporation.

This input tax credit mechanism ensures the taxation of only the value-add at each stage of a supply chain.

Paying output tax and claiming input tax

If you are a GST-registered business:

1. You must submit your GST return to IRAS within a month from the end of each prescribed accounting period. This is usually done on a quarterly basis.
2. You should report both your output tax and input tax in your GST return.
3. The difference between output tax and input tax is the net GST that is payable to IRAS or refundable by IRAS.

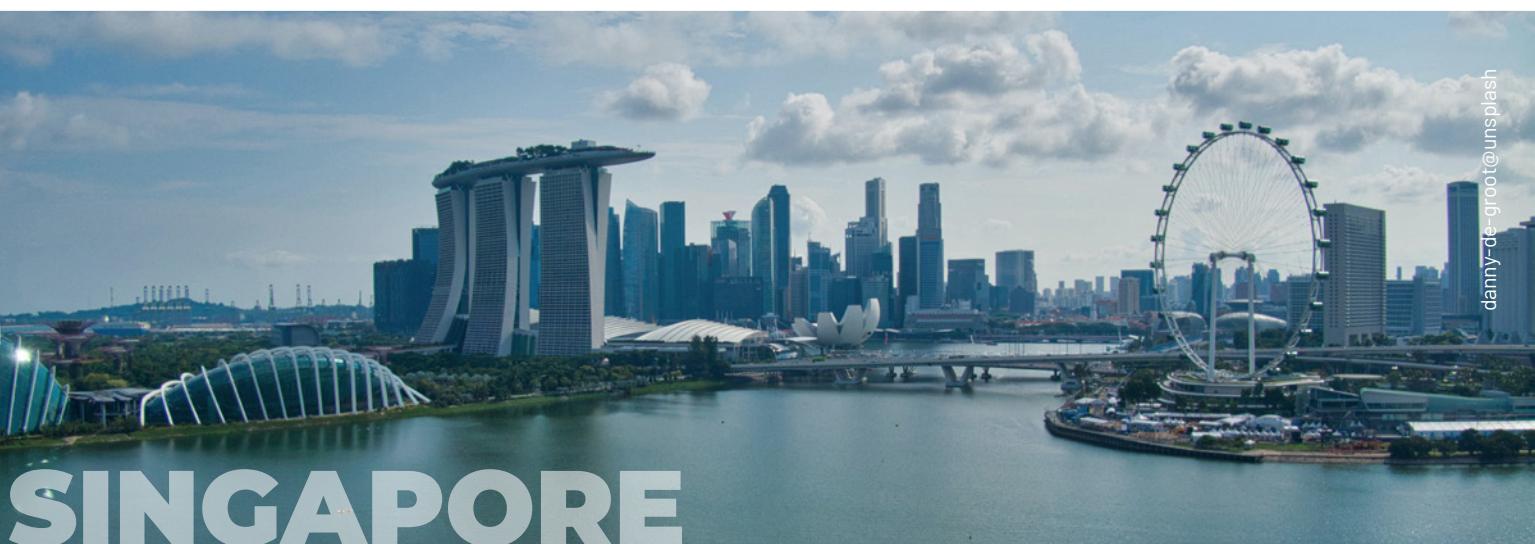
## **5. PAYROLL TAX**

There are no payroll taxes in Singapore.

However, employers are required to contribute 17% of monthly wages into Singapore's social security scheme, the Central Provident Fund (CPF) for employees who are Singapore Citizens or Singapore Permanent Residents.

All employers must contribute to the Skill Development Fund for their employees. The CPF Board collects the skill development levy on behalf of the Singapore Workforce Development Agency. Ultimately, the levy is channelled into the SDF, which provides grants to companies that send their workers for training.

The Foreign Worker Levy (FWL), or known as levy, is a pricing mechanism used to regulate the number of foreign citizens working in Singapore. Employers are required to pay this monthly levy that applies to Work Permit and S Pass holders (i.e certain types of employment work visa).



**SINGAPORE**



**WE TAKE YOUR BUSINESS  
PERSONALLY.**



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