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## Tax Rates and Allowances

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Candidates please disregard Chapters 1 to 14 which are not part of the learning materials or the Tax Supplement. Do refer to Page viii for the full suite of the learning materials for this module.
The Singapore Accountancy Commission

On 1 April 2013, the Singapore Accountancy Commission (SAC) was formally established as a statutory body of the Singapore Government. It was tasked to achieve a number of far-reaching objectives, spelled out by the ten recommendations in the Committee to Develop the Accountancy Sector report. One recommendation was the launch of a globally recognised qualification, Chartered Accountant of Singapore, also known as CA (Singapore).

The Singapore CA qualification (formerly known as the Singapore QP) is one of the key initiatives in the SAC's drive to transform Singapore into a leading global accountancy hub for the Asia-Pacific region by 2020.

Designed to maximise the opportunities for those seeking global recognition and international portability, the Singapore CA Qualification is based on programmes offered by leading professional accountancy bodies in established jurisdictions such as Australia, Hong Kong, New Zealand and the United Kingdom.

Lending further distinction to the Singapore CA Qualification is the incorporation of professional accountancy requirements of the Asia-Pacific region, taking into account the diverse socio-economic and regulatory profiles of countries in the region. The Singapore CA Qualification also meets international education standards issued by the International Accounting Education Standards Board of the International Federation of Accountants.

About Institute of Singapore Chartered Accountants

The Institute of Singapore Chartered Accountants (ISCA) is the national accountancy body of Singapore. ISCA's vision is to be a globally recognised professional accountancy body, bringing value to our members, the profession and wider community. There are over 32,000 ISCA members making their stride in businesses across industries in Singapore and around the world.

Established in 1963, ISCA is an advocate of the interests of the profession. Possessing a Global Mindset, with Asian Insights, ISCA leverages its regional expertise, knowledge, and networks with diverse stakeholders to contribute towards Singapore's transformation into a global accountancy hub.

ISCA is the Administrator of the Singapore CA Qualification and the Designated Entity to confer the Chartered Accountant of Singapore - CA (Singapore) - designation.

ISCA is a member of Chartered Accountants Worldwide (CAW). CAW brings together 12 chartered accountancy bodies connecting and representing the interests of over 1.7 million members and students globally.

For more information, visit www.isca.org.sg.
Introduction

The Singapore CA Qualification is a postgraduate accountancy qualification programme with three main components:

- Academic Base
- Professional Programme
- Practical Experience

The Professional Programme aims to equip Candidates with the knowledge, skills and professional values that are required of a Chartered Accountant of Singapore. It is a self-study programme that offers flexibility and learning support to suit the individual study and working needs of each Candidate. The Ethics and Professionalism module is a pre-requisite for all the technical modules. The technical modules may be attempted in any sequence, and only upon completion of the Ethics and Professionalism module and passing all four technical modules will a Candidate be eligible for the Integrative Business Solutions Module. Together, the following modules make up the entirety of the Professional Programme.

- Ethics and Professionalism
- Taxation
- Financial Reporting
- Assurance
- Business Value, Governance and Risk
- Integrative Business Solutions

Tax Supplement Objective

This is the first edition of the Tax Learning Materials Supplement of the Singapore CA Qualification.

Upon completion of the Taxation Supplement, Candidates will be able to deal with the specific Singapore taxation issues of stamp duty and taxation planning that a general purpose accountant (ie an accountant other than one specialising in the provision of tax advice) is likely to encounter. Candidates should also be able to appreciate tax planning opportunities under domestic taxation laws.

Cognitive Levels

This document includes learning outcomes which Candidates are expected to achieve. Each learning outcome is identified with a cognitive level ranging from 1 to 3. The cognitive levels are described below.

Cognitive level 1

An ability to communicate sound knowledge and insight in relation to emerging trends, current issues, and regulatory changes, with some practical application.

Cognitive level 2

An ability to analyse and apply knowledge to moderately complex scenarios that a Candidate would be likely to encounter in the workplace to derive the best possible outcome.

Cognitive level 3

An ability to demonstrate an elevated level of application of knowledge, as well as synthesise and evaluate information in more complex scenarios in order to arrive at value-added solutions.

The cognitive levels give an indication of the intellectual depth which Candidates are expected to achieve.

The technical modules in the Professional Programme are designed at the postgraduate level and build on knowledge, skills and values achieved during the prior tertiary studies. The technical modules are designed to develop higher order skills of application, analysis, synthesis and evaluation. For this reason, there are very few learning outcomes with cognitive level 1.
# Module Syllabus

## Learning Outcomes covered in Taxation Supplement

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<th>Learning Outcome</th>
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<td>The Scope of Stamp Duty</td>
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<td>Explain the duties payable on transfers of shares and securities</td>
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<td>Explain the duties payable on transfers of immovable property</td>
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<td>Stamp Duty Treatment</td>
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<td>Describe the stamp duty treatment for property transfers involving no consideration and group transfers</td>
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<td>Stamp Duty Reliefs and Remissions</td>
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<td>The Administration of Stamp Duties</td>
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<td>Explain the systems by which stamp duties are administered</td>
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<td>Recognise the detailed rules on interest and penalties</td>
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<tr>
<td><strong>THE IMPORTANCE OF TAXATION TO PERSONAL AND CORPORATE FINANCIAL MANAGEMENT</strong></td>
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<tr>
<td>The Principles Underlying Personal Financial Management</td>
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<tr>
<td>Calculate the receipt from a transaction net of tax, compare the results of alternative scenarios and advise on the most tax efficient course of action</td>
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<tr>
<td>How an Individual's Personal Financial Objectives May Differ Depending on His/Her Circumstances and Expectations</td>
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<td>Communicate and apply the effect of age, family commitments, aspirations and the economy on personal financial objectives</td>
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<td>The Applicability of the Common Forms of Personal Finance and Investment Products in a Given Set of Circumstances, Including Ethical Considerations</td>
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<td>Compare and contrast the different tax treatments for the sources of finances available to individuals</td>
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<td>Compare and contrast the different tax treatments for investment products:</td>
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<tr>
<td>Learning Outcome</td>
<td>Cognitive level</td>
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<tr>
<td>Explain the impact of taxation on the cash flows of a business</td>
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**THE IMPACT OF RELEVANT TAXES ON VARIOUS SITUATIONS AND COURSES OF ACTION, INCLUDING THE INTERACTION OF TAXES**

**Contingent Tax Advice**

- Identify and describe the different tax consequences due to the various ways of achieving personal or business outcomes
  - Cognitive level: 2
  - Chapter where covered: 16

- Assess the tax advantages and disadvantages of alternative courses of action
  - Cognitive level: 2
  - Chapter where covered: 16

**ETHICALLY MINIMISE AND/OR DEFER TAX LIABILITIES BY THE USE OF STANDARD TAX PLANNING MEASURES**

**Tax Efficient Investments**

- Identify and advise on the types of investments and other expenditures that will result in a reduction in tax liabilities for an individual and/or a business
  - Cognitive level: 2
  - Chapter where covered: 16

- Advise on legitimate tax planning measures by which the tax liabilities arising from a particular situation or course of action can be mitigated
  - Cognitive level: 3
  - Chapter where covered: 16

- Advise on the appropriateness of such investments, expenditures or measures given a particular taxpayer's circumstances or stated objectives for tax planning purposes
  - Cognitive level: 3
  - Chapter where covered: 16

**Tax Planning and Advisory Implications**

- Advise on the mitigation of tax liabilities with reference to numerical analysis and/or reasoned argument
  - Cognitive level: 2
  - Chapter where covered: 16

- Identify and evaluate the ethical and professional issues arising from the provision of tax planning advice
  - Cognitive level: 3
  - Chapter where covered: 16

**Current Issues in Taxation**

- Appreciate the current issues in taxation, including the effect of court decisions in recent major tax cases on the interpretation of existing tax legislation
  - Cognitive level: 1
  - Chapter where covered: 16
Studying for the Singapore CA Qualification

The learning materials consist of the Study Guide, Master Tax Guide, Tax Workbook and Tax Supplement. Before you begin reading the Tax Supplement, you should read the Study Guide which maps out the Learning Outcomes to the various chapters and sections found within the Master Tax Guide, Tax Workbook and Tax Supplement that you should find useful and relevant in your studies and work.

Reading the Tax Supplement

The Learning Outcomes listed at the beginning of each chapter indicate the key takeaways from the chapter and will help you to focus your reading efforts. As you read each section in the Tax Supplement, it is essential that you also read the relevant section(s) from the applicable Codes, Standards, Statutes, Regulations, and Guides. This will help you to reinforce the key concepts.

At the beginning of each chapter you will also find a list of additional essential reading that will further supplement your learning. You are required to read widely and to keep up-to-date with the latest developments.

As you complete each chapter, you should also attempt the questions from Section 1 of the Taxation Supplement Practice Questions. This approach will help you to establish whether you have comprehended the concepts thoroughly and reinforces the knowledge and skills gained.

Section 2 of the Taxation Supplement Practice Questions provides exam-standard questions with suggested solutions to help you hone your skills. You should attempt each question as if it were part of a real examination, limiting the time allowed to complete, and being brutally honest with yourself when you compare your answer to the answer suggested. As part of your revision, you should refer back to the Taxation Supplement and other essential reading material to ensure that you have fully understood the concepts and noted any exceptions.

For any technical queries relating to the Tax Supplement, please email SAC at enquiries@sac.gov.sg.
Chapter Features

This Supplement has been designed to provide Candidates with numerous features to assist the Candidates in preparing for the exams.

- **Essential Reading** directs you to information that you will need to synthesise and/or apply in order to successfully complete this module.

- **Section Introductions** explain how the section fits into the chapter.

- **Examples** show how theory is put into practice.

- **Questions** give you the practice you need to test your understanding of what you've learnt.

- **Further Reading** will give you a wider perspective on the subjects you're covering.

- **Section Summaries** allow you to review each section.

- **Flags** highlight key legislation which you should familiarise yourself with.
Examinable documents

The examinable documents include the relevant statutes and associated regulations and concessions (Income Tax Act, Goods and Services Tax Act, Property Tax Act, Stamp Duties Act).
This chapter looks at the various instruments that are chargeable under the Stamp Duties Act and the property tax that is imposed on immovable properties under the Property Tax Act.

**Topic list**

1. Explain the various instruments that are chargeable under the *Stamp Duties Act*
2. Stamp duty reliefs and remissions
3. Stamp duty rates, Seller's Stamp Duty (SSD) and Additional Buyer's Stamp Duty (ABSD)
4. Administration of stamp duties and penalties
5. Explain the scope of property tax and how property tax is computed
6. Understand property tax refund, concessions/rebates and penalties
7. Tax planning considerations
**Syllabus Handbook**

<table>
<thead>
<tr>
<th>Learning Outcomes</th>
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<td>Explain the duties payable on:</td>
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<td>• Transfers of shares and securities</td>
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<tr>
<td>• Transfers of immovable property</td>
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<tr>
<td>• Lease and tenancy agreements</td>
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<tr>
<td>Appreciate the Mergers and Acquisitions (M&amp;A) Scheme, Real Estate Investment</td>
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<tr>
<td>Trusts (REITs), conveyance directions, aborted sale and purchase agreements and</td>
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<td>Recognise the detailed rules on interests and penalties</td>
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**ESSENTIAL READING**

- Income Tax and Stamp Duty: Mergers and Acquisitions Scheme (fourth edition)
- Budget 2014: Streamlining the Stamp Duty Rate Structure
- Additional Buyer's Stamp Duty (ABSD) on Purchase of Residential Properties (revised edition)
- Imposition of Stamp Duty on Sellers for Sale or Disposal of Industrial Property
- Stamp Duties Payable by Limited Liability Partnerships and Partners Thereof (second edition)
- Stamping of Lease with Variable Rent/Acceptance to Letter of Offer
- Stamp Duty Treatment for the Acquisition of Multiple Properties (second edition)
- Imposition of Stamp Duty on Sellers for Sale or Disposal of Residential Property (seventh edition)
- Stamp Duty: Buyer’s Stamp Duty on Residential and Non-Residential Properties
- Stamp Duties: Additional Conveyance Duties (ACD) On Residential Property-Holding Entities

These documents are e-Tax Guides and can be found on the Inland Revenue Authority of Singapore (IRAS) website. Visit www.iras.gov.sg for more information.
1 Explain the various instruments that are chargeable under the *Stamp Duties Act*

**SECTION INTRODUCTION**

The *Stamp Duties Act* provides for certain instruments or documents to be chargeable. This section looks at the types of instruments and documents that are subject to stamp duty.

1.1 Overview of stamp duty

Stamp duty is a tax imposed on dutiable instruments (ie documents) relating to stocks, shares and immovable properties. Examples of such documents are share transfer documents, lease/tenancy agreement, and sale and purchase agreement relating to immovable properties. In this connection, written documents are subject to stamp duty and any verbal agreement (eg a verbal promise to sell a property) is therefore not liable to stamp duty.

1.2 Chargeability to tax

Stamp duty is only chargeable on instruments listed in the First Schedule of the *Stamp Duties Act* (SDA). It is applicable if the instrument is executed (ie signed and dated) in Singapore. It is also applicable if the instrument is executed outside Singapore but subsequently received in Singapore, and may be related to a property located in Singapore or to transactions carried out in Singapore.

1.3 Instruments chargeable with stamp duty

Dutiable instruments can be found in the First Schedule of the SDA and are broadly categorised into four groups:

- Conveyance, assignment or transfer (eg distribution, sale) of stocks, shares or immovable properties
- Mortgage of stocks, shares or immovable properties
- Gift of stocks, shares or immovable properties
- Lease of immovable properties

**Conveyance, assignment or transfer of stocks, shares or immovable properties**

Stocks or shares transfer documents are documents that are prepared and signed when you buy or sell shares. Stamp duty is payable on the actual price or net asset value of the shares, whichever is higher. The transferee, ie the person who buys the shares, is responsible for paying stamp duty on the share transfer document.

For immovable properties, the options to purchase/sale and purchase agreements are documents that are prepared and signed when you buy or sell your property. Stamp duty is payable on the actual price or market price, whichever is higher. The buyer is responsible for paying Buyer's Stamp Duty, and where Seller's Stamp Duty is applicable, the seller is responsible for paying Seller's Stamp Duty.

**Mortgage of stocks, shares or immovable properties**

These are documents that are prepared and signed when you obtain a loan from banks for your purchase of shares or property. Stamp duty is payable on the loan amount. The person who obtains the loan (mortgagor) is responsible for paying the stamp duty on the mortgage document.
Gift of stocks, shares or immovable properties

A gift is a voluntary conveyance, assignment or transfer from the conveyor, assignor or transferor to another person without any consideration being paid. Stamp duty is payable as if the gift were a conveyance on sale and on the amount or value of the consideration of the sale. Under Section 16(4) of the SDA, stamp duty is not charged in the following situations, when a conveyance or transfer is made.

- For nominal consideration for the purposes of securing the repayment of an advance or loan
- For effectuating the appointment of a new trustee or the retirement of a trustee, whether the trust is expressed or implied
- Under which no beneficial interest passes in the property conveyed or transferred
- To a beneficiary by a trustee or other person in a fiduciary capacity under any trust, whether expressed or implied

Lease of immovable properties

These are documents that are prepared and signed when you rent a property. Stamp duty is calculated on the actual rent or market rent, whichever is higher. The tenant, ie person who rents or leases the property, is responsible for paying stamp duty.

SECTION SUMMARY

Stamp duty is not a tax on transactions but, rather, it is a tax imposed only on instruments or documents relating to stocks, shares and immovable properties.

2 Stamp duty reliefs and remissions

SECTION INTRODUCTION

This section focuses on available stamp duty reliefs and remissions on certain transactions, such as reconstruction or amalgamation of companies, transfer of assets between associated permitted entities, Mergers and Acquisitions (M&A) Scheme, real estate investment trusts (REITs), conveyance directions, aborted sale and purchase agreements and terminated leases.

2.1 Reconstruction/amalgamation of companies and transfer of assets between associated entities

Stamp Duty Relief under Section 15 of the SDA is applicable to the reconstruction or amalgamation of companies and transfer of assets between associated permitted entities.

2.1.1 Reconstruction or amalgamation of companies

A reconstruction or amalgamation of companies refers to the transfer of an undertaking (ie a business) or shares when a company or companies undergo reconstruction, or when companies undergo amalgamation.

Transfers from 11 March 2017 will not qualify for relief where they involve residential Property-Holding Entities where additional conveyance Duties under S23 of SDA (Duty on conveyance of equity interest in property-holding entities) is applicable.
Pre-requisites:

To qualify for the relief, the ownership of the assets before and after restructuring must remain substantially the same in the following manner:

- For reconstruction, the owner retains at least 90% of the assets directly or indirectly after the transfer.
- For amalgamation, there will be no substantial change in the ownership of the respective companies except for the fusion into common ownership of what was previously in separate ownership.

In addition, the pre-requisite for the transferee is that the transferee company is a limited liability company that was incorporated or had increased its capital to acquire the undertaking, or to acquire not less than 90% of the voting shares in the target company. Note that this pre-requisite does not apply in the case of a short-form voluntary corporate amalgamation under Sections 215D(1) and (2) of the Companies Act.

In the Singapore Court of Appeal case of Clifford Development Pte Ltd v Commissioner of Stamp Duties, the judge commented that 'the purpose of the section is to give relief from capital duty and transfer stamp duty when there exists for the reconstruction of any company or companies or the amalgamation of any companies a scheme which does not require either the creation of fresh capital or a transfer of interest'.

The qualifying conditions are:

(a) Not less than 90% of the consideration at market value must be satisfied by the issuance of voting shares in the transferee company to the transferor company. If the transferor and the transferee companies are wholly associated, the consideration may be at the transferor’s book value and the consideration may be settled in cash.

(b) No disposal of the consideration shares or assets is allowed within 2 years from the:
   - date of Registration/Incorporation of the transferee
   - the date of Resolution passed by the Transferee to increase its share capital for the acquisition
   - date specified in the notice of amalgamation issued under S215F of the Companies Act (applicable for disposal of assets only)

Note: this 2-year retention of shares condition does not apply in the case of a short-form voluntary corporate amalgamation under Sections 215D(1) and (2) of the Companies Act.

2.1.2 Transfer of assets between associated entities

In the case of an instrument executed on or after 16 January 2014, two permitted entities are associated if:

(i) One of those permitted entities is a holding entity of the other permitted entity, and holds (whether directly or indirectly) at least 75% of the voting share capital and more than 50% voting rights in the other permitted entity; or

(ii) A third permitted entity is a holding entity of those two permitted entities, and holds (whether directly or indirectly) at least 75% of the voting share capital and more than 50% of the voting rights in each of those two permitted entities.

(Source: iras.gov.sg)

With effect from 11 March 2017, no relief will be granted on transfers involving residential Property-Holding Entities where additional conveyance Duties under S23 of SDA (Duty on conveyance of equity interest in property-holding entities) applies.
The qualifying conditions are:

- The instrument for which relief is claimed is in connection with or for the purpose of the transferring the beneficial interest in the assets between associated entities.
- The transferor entity and transferee entity have been associated for at least 12 months prior to the date of instrument, unless the transferee entity has been incorporated specially to acquire the assets of the transferor entity.
- Valuable consideration (in cash) or by issue of shares (for company) or partnership interest (for LLP) at the market value is paid by the transferee entity for the asset if the association between the entities is less than 100%. The consideration may be at book value if the transfer is between wholly owned entities and may be taken as a debt owing to the transferor.
- There are bona fide commercial reasons for the asset transfer.
- The transferor entity must transfer all its interest in the asset.
- Consideration must be paid by the transferee entity, an entity associated to it, or by a financial institution acting in the capacity of a lender of funds to the transferee entity.
- Duty has been paid on the document by the transferor relating to the acquisition of the asset unless the duty has been remitted or where relief has been allowed on the acquisition document.
- The transferor and transferee need to remain associated for 2 years from the date of the instrument.

2.2 Mergers and Acquisitions (M&A) Scheme

Stamp Duty Relief is allowed under S15A of the SDA on any agreement for sale of equitable interest in ordinary shares or on any transfer documents for the acquisition of the ordinary shares under an M&A deal. The instrument must be executed during the period 1 April 2010 to 31 March 2020 to be eligible for the relief. This relief is one of the features of the M&A scheme which was originally introduced in Budget 2010 for a five year period from 1 April 2010 to 31 March 2015, but extended in Budget 2015 for another five years to 31 March 2020.

Following the announcement in Budget 2016 to increase the cap on the value of qualifying acquisitions from $20 million to $40 million from 1 April 2016, the amount of Stamp Duty Relief which is granted to the acquiring company from 1 April 2016 to 31 March 2020 is capped at $80,000 for each financial year.

The qualifying conditions for claiming Stamp Duty Relief under the M&A Scheme are similar to the conditions for claiming M&A allowance in Chapter 10 (Section 4).

Where both Stamp Duty Relief and M&A allowance are claimed on the same qualifying share transaction, the financial year or elected 12-month period for the purpose of Stamp Duty Relief must be identical to the basis period or elected 12-month period for the purpose of claiming M&A allowance.

Stamp Duty Relief given may be clawed back if the acquiring company or the acquiring subsidiary fails to meet the qualifying conditions for two years from the date of share acquisition or, in the case of a step-acquisition, from the date of the last share acquisition. In addition, interest at the rate of 6% per annum shall apply on the stamp duty recovered.

Events which may result in the forfeiture or reduction of the Stamp Duty Relief are:

- Divestment of ordinary shares acquired pursuant to a qualifying share acquisition;
- Dilution of ordinary shareholding in target company; or
- Substantial change of shareholders in acquiring company.
2.3 Conveyance directions

Stamp Duty Remission for both Buyer's Stamp Duty and Seller's Stamp Duty is allowed on conveyance direction given by the purchaser to the seller in the following circumstances.

(a) A purchaser enters into a contract to purchase a property with the intention of transferring the property to a company.
(b) A purchaser enters into a contract to purchase a property with the intention of transferring the property to a family member as a co-purchaser.
(c) Changing the share proportion in the property (if the purchaser has contracted to purchase the property jointly with another purchaser).
(d) The purchaser in the above three scenarios who transfers the property within the holding period that attracts seller's stamp duty.

To qualify for the Remission, the following conditions must be satisfied.

Where the property is intended for a company incorporated or to be incorporated by the purchaser

(a) Conveyance direction is made within two months after the date of the agreement.
(b) Full duty has been paid on the agreement.
(c) No consideration has passed between the purchaser and the company.
(d) There is a clear intention that the purchaser wants the property to be transferred to the company incorporated or to be incorporated by the purchaser at the point of the agreement.
(e) The purchaser has beneficial interest in more than 50% of the shares in the company and holds more than 50% of the votes attached to the voting shares in the company from the date of purchase to the date of the issue of the temporary occupation permit (TOP) or the date of the transfer if TOP has been issued at the time of purchase.

Where the purchaser includes a family member as co-purchaser or change of the share proportion of joint purchasers

- Conveyance direction is made within two months after the date of the agreement.
- Full duty has been paid on the agreement.
- No consideration has passed between the purchaser and the direct family member.
- At least one of the original purchasers remains as the purchaser for the property.

2.4 Aborted sale and purchase agreements

Stamp Duty Remission is given on aborted sale and purchase agreements under the following circumstances.

(a) The purchaser has not rescinded or aborted the agreement to facilitate the disposal of the property by the seller to another person.
(b) Application for remission is made within six months of the date the agreement is aborted.
(c) The agreement is aborted on or after 18 February 2005.

A stamp duty of $50 is payable if the Remission is approved.

Refunds for stamp duty may also be made by the Commissioner where the sale and purchase agreement or contract is rescinded on the following grounds.

(a) The vendor is unable to prove their title to the property.
(b) A purchaser, being a foreign person, is unable to obtain approval under the Residential Property Act (Cap 274) to acquire or purchase the property.
(c) The property is acquired or proposed for acquisition by any public authority pursuant to the provisions of any written law authorising or empowering the public authority to acquire land compulsorily.
(d) The purchase of the property is conditional upon permission by the competent authority to develop or subdivide the property and such permission is refused.

(e) Either vendor or purchaser fails to obtain the approval of any public authority to sell or purchase, as the case may be, the property.

(f) The Commissioner of Building Control is of the opinion that the building is in a dangerous condition and has made an order in respect of the property.

(g) A Strata Titles Board or the High Court, as the case may be, refused an application for an order for the sale of the property.

2.5 Terminated lease agreements
Stamp Duty Remission is given on terminated lease agreements under the following circumstances.

(a) The lease agreement is aborted on or after 19 February 2011.

(b) The lessee has not aborted the lease agreement with a view to facilitating the lease of the property by the lessor to another person.

(c) The executed lease agreement has not been made use of for any purpose.

(d) The lease period of the property has not commenced.

(e) The application for remission is made within six months of the date the lease agreement is aborted or within such further time which the Commissioner may otherwise allow.

A stamp duty of $50 is payable if the remission is approved.

SECTION SUMMARY
Various stamp duty reliefs and remissions are granted under the SDA and these reliefs and remissions are only given subject to qualifying conditions being met.

3 Stamp duty rates, Seller's Stamp Duty (SSD) and Additional Buyer's Stamp Duty (ABSD)

SECTION INTRODUCTION
This section explains the various stamp duty rates for different instruments and documents. It also explains the property cooling measures in Seller's Stamp Duty (SSD) and Additional Buyer's Stamp Duty (ABSD).
3.1 Stamp duty rates

The duties applicable to the four main categories are shown below.

<table>
<thead>
<tr>
<th>Category</th>
<th>% rates payable on the amount of value of consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Conveyance, assignment or transfer of immovable properties</td>
<td></td>
</tr>
<tr>
<td>• Up to the first $180,000</td>
<td>Residential*: 1%</td>
</tr>
<tr>
<td>• Up to the next $180,000</td>
<td>1%</td>
</tr>
<tr>
<td>• Up to the next $640,000</td>
<td>2%</td>
</tr>
<tr>
<td>• Exceeding $1,000,000</td>
<td>3%</td>
</tr>
<tr>
<td>Percentages above based on the higher of the market value or the consideration</td>
<td></td>
</tr>
</tbody>
</table>
*these are the rates for acquisitions on or after 20 Feb 2018. Prior to this date, the non-residential rates applied

| (b) Conveyance, assignment or transfer of stocks or shares                | 0.2% of the higher of the net asset value and the consideration |
| (c) Mortgage of stocks, shares or immovable properties                    | 0.2% or 0.4% up to maximum duty of $500                    |
| (d) Gift of immovable properties                                          | Same as (a)                                              |
| (e) Gift of stocks or shares                                              | Same as (b)                                              |
| (f) Lease of immovable properties                                         | Exempt                                                  |
| • Annual rent and other consideration calculated is $1,000 and below     | 0.4%-1.6% (depending on the term of the lease) of the higher of contractual rent and market rent |
| • Annual rent and other consideration calculated exceeds $1,000          |                                                        |

(a) For non-residential properties acquired on or after 20 Feb 2018 and all properties acquired before 20 Feb 2018 with values above $360,000, the applicable stamp duty can be calculated based on the following shortcut formula:

\[(3\% \times x) – $5,400\] (where x is the value of the property)

For residential properties acquired on or after 20 February 2018 with values above $1,000,000, the applicable stamp duty can be calculated based on the following shortcut formula:

\[(4\% \times x) – $15,400\] (where x is the value of the property)

In addition to the rates above, the Singapore Government has introduced the SSD and the ABSD.

The rates listed in the table above are applicable to the various instruments executed on or after 22 February 2014.

3.2 SSD

Residential Property

SSD was introduced for residential properties on 20 February 2010 to discourage speculative activities in the property market, and was subsequently revised on 30 August 2010, 14 January 2011 and 11 March 2017.

It is imposed on sellers when they dispose of residential land or properties within a certain short time frame.
The details of the SSD are as follows.

**From 14 January 2011 to 10 March 2017**

<table>
<thead>
<tr>
<th></th>
<th>% on the higher of consideration or value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stamp duty rate for seller of residential property disposed of within one year of purchase</td>
<td>16%</td>
</tr>
<tr>
<td>Stamp duty rate for seller of residential property disposed of more than one year and up to two years after purchase</td>
<td>12%</td>
</tr>
<tr>
<td>Stamp duty rate for seller of residential property disposed of more than two years and up to three years after purchase</td>
<td>8%</td>
</tr>
<tr>
<td>Stamp duty rate for seller of residential property disposed of more than three years and up to four years after purchase</td>
<td>4%</td>
</tr>
<tr>
<td>Stamp duty rate for seller of residential property disposed of more than four years after purchase</td>
<td>No SSD payable</td>
</tr>
</tbody>
</table>

**From 11 March 2017 onwards**

<table>
<thead>
<tr>
<th></th>
<th>% on the higher of consideration or value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stamp duty rate for seller of residential property disposed of within one year of purchase</td>
<td>12%</td>
</tr>
<tr>
<td>Stamp duty rate for seller of residential property disposed of more than one year and up to two years after purchase</td>
<td>8%</td>
</tr>
<tr>
<td>Stamp duty rate for seller of residential property disposed of more than two years and up to three years after purchase</td>
<td>4%</td>
</tr>
<tr>
<td>Stamp duty rate for seller of residential property disposed of more than three years after purchase</td>
<td>No SSD payable</td>
</tr>
</tbody>
</table>

**Industrial Property**

From 12 January 2013, SSD was also introduced for sellers when they dispose of industrial properties within a certain short time frame as follows.

**From 12 January 2013 onwards**

<table>
<thead>
<tr>
<th></th>
<th>% on the higher of consideration or value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stamp duty rate for seller of industrial property disposed of within one year of purchase</td>
<td>15%</td>
</tr>
<tr>
<td>Stamp duty rate for seller of industrial property disposed of more than one year and up to two years after purchase</td>
<td>10%</td>
</tr>
<tr>
<td>Stamp duty rate for seller of industrial property disposed of more than two years and up to three years after purchase</td>
<td>5%</td>
</tr>
<tr>
<td>Stamp duty rate for seller of industrial property disposed of more than three years after purchase</td>
<td>No SSD payable</td>
</tr>
</tbody>
</table>
3.3 ABSD

ABSD took effect from 8 December 2011 and was introduced to prevent overheating in the investment demand for private residential properties as well as to promote a stable and sustainable residential property market.

ABSD is imposed on different categories of buyers of residential land or properties at different rates. It is payable in addition to the stamp duty payable on the conveyance, assignment or transfer of immovable properties (refer to the rates reflected in the table above).

On 12 January 2013, higher ABSD rates were announced to further clamp down on speculative activities in the residential property market.

The respective ABSD rates are as follows.

<table>
<thead>
<tr>
<th>From 12 January 2013 onwards</th>
<th>% on the higher of consideration or value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreigners and entities buying first and subsequent residential property</td>
<td>15%</td>
</tr>
<tr>
<td>Singapore permanent residents buying first residential property</td>
<td>5%</td>
</tr>
<tr>
<td>Singapore permanent residents buying second and subsequent residential property</td>
<td>10%</td>
</tr>
<tr>
<td>Singapore citizens buying second residential property</td>
<td>7%</td>
</tr>
<tr>
<td>Singapore citizens buying third and subsequent residential property</td>
<td>10%</td>
</tr>
</tbody>
</table>

If a property is jointly purchased by different group of buyers, the profile with the highest ABSD rate will apply. However, ABSD remission (lower ABSD or full remission) may be granted for Joint purchases of residential property made by married couples, subject to approval of the application for remission.

**Question 15.1**

Tom is a Singapore Citizen who had just bought his first property in Singapore for $2,000,000 on 1 January 2018. On 8 August 2018, Tom married Nicole, an Australian citizen and two months later on 8 October 2018, Tom decided to transfer half share of the property to Nicole.

(a) Compute the total stamp duty burden that Tom has to shoulder as a result of his decision to transfer half share of the property to Nicole, assuming he will take care of any stamp duty payable by Nicole too.

(b) If Tom had bought the property in joint names with Nicole on 1 January 2018, would the total stamp duty burden be lower?

**SECTION SUMMARY**

SSD and ABSD at different duty rates were introduced to discourage speculative activities and moderate the overheated property market.
4 Administration of stamp duties and penalties

SECTION INTRODUCTION
This section explains the administration of stamp duties and persons liable to pay stamp duty. Exemptions and penalties are also briefly discussed in this section.

4.1 Payment due dates
As a general rule, instruments executed in Singapore should be stamped before execution, though they may be stamped 14 days after execution as well. Stamp duty is payable within 14 days of the execution of the instrument in Singapore or within 30 days of the receipt of the instrument in Singapore if it is executed outside Singapore.

4.2 Persons liable to pay stamp duties

Persons liable to pay stamp duty
Where it is explicitly provided in the document that a person is liable for the stamp duty, that person will bear the stamp duty. In the event that there is no such explicit provision, the person liable to pay will follow that in the Third Schedule of the SDA.

Some common examples are shown below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Person liable to pay stamp duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conveyance, assignment or transfer of stocks, shares or immovable properties</td>
<td>Generally the lessee, grantee or transferee</td>
</tr>
<tr>
<td>Mortgage</td>
<td>Mortgagor or obligator</td>
</tr>
<tr>
<td>Gift of stocks, shares or immovable properties</td>
<td>Grantee or transferee</td>
</tr>
<tr>
<td>Lease of immovable properties</td>
<td>Generally the lessee</td>
</tr>
</tbody>
</table>

For instruments not mentioned in the Third Schedule, the person drawing, making or executing the instrument will be the person liable to pay the stamp duty. Where there is no explicit provision in the document, then the person paying the stamp duty should be the person mentioned in the Third Schedule.

4.3 Exemptions
Stamp duty exemptions are provided under Section 36 of the SDA. Some examples are:

- Any instrument for sale, transfer, lease or mortgage of properties located outside Singapore
- Any instrument for activities done exclusively outside Singapore
- Any instrument for the transfer of shares in an overseas company and the share register is not kept in Singapore
4.4 Penalties

Penalties are imposed if a person fails to stamp (ie pay the stamp duty), stamps late or stamps insufficiently.

<table>
<thead>
<tr>
<th>Failure to stamp, late stamping or insufficient stamping</th>
<th>Penalty amount at the higher of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within three months</td>
<td>$10 or amount of deficient duty</td>
</tr>
<tr>
<td>Exceeding three months of the execution or receipt of the instrument, as the case may be</td>
<td>$25 or four times the deficient duty</td>
</tr>
</tbody>
</table>

The penalty is payable on top of the actual stamp duty payable.

SECTION SUMMARY

It is an offence to use a document which stamp duty has not been paid on and a penalty of up to four times the deficient duty may be imposed where stamp duty has not been paid.

5 Explain the scope of property tax and how property tax is computed

SECTION INTRODUCTION

Unlike income tax which is a tax on income, property tax is a tax which is levied on immovable properties including land. This section explains the concept of annual value and how property tax is computed based on the annual value of the property and applicable rates.

5.1 Overview of property tax

Property tax is a tax on immovable properties, including land, levied on the owner. The 'owner' is the person receiving the rent on their own account or as an agent or trustee or receiver, and includes the person whose name is entered in the Valuation List. The onus of payment is on the person who has a legal or beneficial interest in the property. In the event that a property is sold during the year, the buyer and seller would usually factor in the property tax liability in the pricing and negotiations. The Inland Revenue Authority of Singapore (IRAS) does not and cannot determine the tax liabilities for the parties.

5.2 Property tax rate

The prevailing property tax rate is 10% of the annual value.

However, for owner-occupied residential properties, the progressive owner-occupier's tax outlined below is applicable from 1 January 2015.

<table>
<thead>
<tr>
<th>Annual value</th>
<th>Tax rates from 1 Jan 2015</th>
<th>Property tax payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $8,000</td>
<td>0%</td>
<td>$0</td>
</tr>
<tr>
<td>Next $47,000</td>
<td>4%</td>
<td>$1,880</td>
</tr>
<tr>
<td>First $55,000</td>
<td>6%</td>
<td>$1,880</td>
</tr>
<tr>
<td>Next $15,000</td>
<td>--</td>
<td>$900</td>
</tr>
</tbody>
</table>
Annual value  |  Tax rates from 1 Jan 2015  |  Property tax payable
---|---|---
First $70,000  |  –  |  $2,780
Next $15,000  |  8%  |  $1,200
First $85,000  |  –  |  $3,980
Next $15,000  |  10%  |  $1,500
First $100,000  |  –  |  $5,480
Next $15,000  |  12%  |  $1,800
First $115,000  |  –  |  $7,280
Next $15,000  |  14%  |  $2,100
First $130,000  |  –  |  $9,380
Above $130,000  |  16%  |  

Non owner occupied residential properties will be taxed at the following new progressive tax rates.

Annual value  |  Tax rates from 1 Jan 2015  |  Property tax payable
---|---|---
First $30,000  |  10%  |  $3,000
Next $15,000  |  12%  |  $1,800
First $45,000  |  –  |  $4,800
Next $15,000  |  14%  |  $2,100
First $60,000  |  –  |  $6,900
Next $15,000  |  16%  |  $2,400
First $75,000  |  –  |  $9,300
Next $15,000  |  18%  |  $2,700
First $90,000  |  –  |  $12,000
Above $90,000  |  20%  |  

The property tax rate for land and non-residential properties remains unchanged at 10%.

5.3 Compute property tax payable

Property tax is payable on an annual basis and is computed by using the formula below.

Property tax payable = annual value × applicable tax rate*

* Different progressive tax rates apply for owner-occupied and non owner occupied residential properties.

Example

Jane and her family stayed in a residential property which she purchased five years ago. Assume that the annual value of the property is $84,000, calculate the amount of property tax Jane has to pay in 2018.

$ First $70,000 2,780
Next $14,000 @ 8% 1,120
3,900
Example

If in the above example the owner, Jane, did not live in the property, the property tax payable for 2018 would be:

\[
\begin{align*}
\text{First $75,000} & \quad 9,300 \\
\text{Next $9,000 \times 18\%} & \quad 1,620 \\
\text{Tax payable for 2018} & \quad 10,920
\end{align*}
\]

5.4 Understanding the concept of annual value

The annual value (AV) is the base value used by IRAS to determine the owner's property tax liability. The term 'AV' in relation to a house or building or land or tenement, not being a wharf, pier, jetty or landing-stage, means the gross amount at which the same can reasonably be expected to be let from year to year, the landlord paying the expenses of repair, insurance, maintenance or upkeep and all taxes (other than goods and services tax). The AV for building and land is determined separately on the following basis.

(a) Building

The AV of a residential or commercial building (including individual units) represents the estimated annual rent of the property if it is to be rented out, excluding other miscellaneous facilities. It is determined by IRAS after taking into account:

- The rents of similar or comparable properties at the time of review
- The size, location and condition of the property
- Any other relevant physical attributes

The AV does not change whether the property is in fact owner occupied, left vacant or rented out.

AV for certain prescribed properties (e.g., chemical refineries, hotels) may be determined using the statutory formula which is based on 5% of the freehold capital value or other prescribed methods. In addition, for properties that are rarely rented or do not have any evidence of being rented, IRAS may accept other reasonable valuation methods such as Profit's method and Contractor's Test which involves using costs and receipts to estimate their monthly rental value.

(b) Land/vacant site

In practice, the AV of a land/vacant site is derived by applying 5% on its estimated freehold market value. For example, if the estimated freehold market value of the land is $10,000,000, its AV would be $500,000. An annual review is carried out by IRAS to ensure that the AV is in line with the market rents.

Question 15.2

What is the significance of the term ‘annual value’ for the purpose of determining the property tax payable by the owner of a property?

SECTION SUMMARY

Different property tax rates apply to owner-occupied and non-owner occupied residential properties. In addition, residential properties with higher AV will be taxed at higher tax rates.
6 Understand property tax refund, concessions/rebates and penalties

SECTION INTRODUCTION
This section explains the conditions required for refund of property tax, concessions and rebates. It also explains the due date for property tax payment and late payment penalties on any outstanding tax unpaid.

6.1 Property tax refund for vacant property
Property tax is payable to IRAS whether or not the property is occupied/rented out or vacant.

6.2 Other concession/rebates
Other than the owner-occupied progressive property tax rate, the more common concession/rebates for property owners are as such:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Type of concession/rebate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property is used for public religious worship, charitable purposes etc</td>
<td>Exemption from property tax; covers both land and building; conditions apply (Section 6(6) of Property Tax Act)</td>
</tr>
<tr>
<td>Demolition and reconstruction of your house</td>
<td>Remission of property tax; owner-occupied progressive rates available; subject to conditions and may be revoked if breached</td>
</tr>
<tr>
<td>Land granted 'Approved Building Project' status</td>
<td>Exemption from property tax; maximum exemption period of three years; subject to conditions and approval by the EDB. This scheme lapsed after 31 March 2017</td>
</tr>
</tbody>
</table>

Some of the above concessions/rebates require prior approval from the relevant governing statutory board.

6.3 Property tax payment and penalties
Annual property tax is due by 31 January of each year (ie 2018 property tax is due by 31 January 2018). If there is additional property tax payable due to reassessment or a revised assessment, the taxpayer is required to make payment within one month from the date of the Notice of Assessment.

Late payment of property tax is subject to a 5% penalty on the outstanding amount due payable to IRAS.

SECTION SUMMARY
There are exemptions for properties including land used for charitable purposes and public religious worship, etc.
7 Tax planning considerations

SECTION INTRODUCTION

From the tax planning perspective, there is less scope for tax planning for property tax. On the other hand, stamp duty can be minimised if certain transactions qualify for special reliefs or effective steps are taken to avoid the additional temporary stamp duty.

As stamp duty is a tax on instruments, each transfer of instruments will attract an additional set of stamp duty. The scope of tax planning to minimise the payment stamp duty in most cases is confined to seeking reliefs or special remissions.

The following are possible ways to minimise stamp duty.

One way is to seek Stamp Duty Relief under Section 15 of the SDA applicable to the reconstruction or amalgamation of companies and transfer of assets between associated permitted entities. A reconstruction or amalgamation of companies refers to the transfer of an undertaking or shares when a company or companies undergo reconstruction, or when companies undergo amalgamation. Subject to satisfying the qualifying conditions, relief may be granted by the Stamp Office. In addition, stamp duty remission may be granted upon satisfying the qualifying conditions under the M&A scheme.

Another way is to minimise the temporary ABSD and SSD in the following manner.

(a) Selling the residential or industrial properties after holding for a longer period, to either eliminate or reduce the impact of SSD

(b) Buyer upgrading their profile (eg from foreigner to Singapore permanent resident or even Singapore citizen (SC)) to qualify for less stringent rules

(c) Avoiding joint ownership of properties in the case of married couples as each spouse is considered having owned one property each, regardless of the partial ownership, thereby increasing the stamp duty exposure for subsequent properties purchased by any spouse

(d) Applying for special stamp duty for certain special scenarios (for example, from 12 January 2013, a married individual with an SC spouse can apply for ABSD refund on their second property if they sell their first property within six months of the date of purchase of their second property for completed property or the issue date of the Temporary Occupation Permit (TOP)/Certificate of Statutory Compliance (CSC) whichever is earlier, if the property was uncompleted at the time of purchase)

SECTION SUMMARY

There are opportunities to minimise the impact of stamp duty through qualifying for special reliefs or taking certain actions to avoid the additional stamp duty burden brought about by the curbs introduced to discourage speculative activities in the property market.
# 15: Stamp Duty

## Chapter Roundup

### Stamp Duties Act (SDA)

**Stamp duty**

- SSD
- ABSD

**Administration**

- 31 January
- 5% penalty

**Refund**

- Vacant land (up to 31 Dec 2013)

**Concession/rebates**

- 10% flat (non resi)
- Progressive (resi)
- Annual basis
- AV $\times$ tax rate

**Rates**

- 1–2%–3%
- 4% on resi properties in excess of $1m

**Relief/remissions**

- Terminated lease agreements
- Reconstruction/voluntary corporate amalgamation
- Transfer of assets between associated permitted entities
- M&A scheme
- REITs (Up to 31/3/15)
- Conveyance direction
- Aborted sale/purchase agreements

### IRAS

**Property tax**

- Immovable properties
- Levied on owner

**Administrations**

- 14 days
- 30 days
- Exemptions
- Penalties
Quick Quiz

1. What are the pre-requisites and qualifying conditions before a claim for Stamp Duty Relief under Section 15 of the SDA can be made with regards to the reconstruction or amalgamation of companies?

2. Additional Buyer's Stamp Duty and Seller's Stamp Duty are currently only applicable to purchase and sale of residential properties. True or false?

3. Apart from special Stamp Duty Remissions, give examples of scenarios where stamp duty exemptions can be provided under the SDA.

4. Since 1 January 2014, property tax is no longer based on a flat rate of 10% of the annual value of the property, but on progressive tax rates, regardless of the type of properties and their usage. True or false?
Answers to Quick Quiz

1. The Pre-requisites are:

To qualify for the relief, the ownership of the assets before and after restructuring must remain substantially the same in the following manner:

- For reconstruction, the owner retains at least 90% of the assets directly or indirectly after the transfer.
- For amalgamation, there will be no substantial change in the ownership of the respective companies except for the fushion into common ownership of what was previously in separate ownership.

In addition, the pre-requisite for the transferee is that the transferee company is a limited liability company that was incorporated or had increased its capital to acquire the undertaking, or to acquire not less than 90% of the voting shares in the target company. Note that this pre-requisite does not apply in the case of a short-form voluntary corporate amalgamation under Sections 215D(1) and (2) of the Companies Act.

The qualifying conditions are:

(a) Not less than 90% of the consideration at market value must be satisfied by the issuance of voting shares in the transferee company to the transferor company. If the transferor and the transferee companies are wholly associated, the consideration may be at the transferor's book value and the consideration may be settled in cash.

(b) No disposal of the consideration shares or assets is allowed within 2 years from the:
   - date of Registration/Incorporation of the transferee
   - the date of Resolution passed by the Transferee to increase its share capital for the acquisition
   - date specified in the notice of amalgamation issued under S215F of the Companies Act (applicable for disposal of assets only)

Note that this 2-year retention of shares condition does not apply in the case of a short-form voluntary corporate amalgamation under Sections 215D(1) and (2) of the Companies Act.

Transfers from 11 March 2017 will not qualify for relief where they involve residential Property-Holding Entities where additional conveyance Duties under S23 of SDA (Duty on conveyance of equity interest in property-holding entities) applies.

The above conditions do not apply in the case of a short-form voluntary corporate amalgamation under Sections 215D(1) and (2) of the Companies Act.

2. False. While there is currently no Additional Buyer's Stamp Duty for purchases of non-residential properties, Seller's Stamp Duty was also introduced from 12 January 2013 for sellers of industrial properties when they dispose of their properties within a certain short time frame as follows:

<table>
<thead>
<tr>
<th>Disposal Period</th>
<th>Stamp Duty Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial property disposed of within one year of purchase</td>
<td>15%</td>
</tr>
<tr>
<td>Industrial property disposed of more than one year and up to two years after purchase</td>
<td>10%</td>
</tr>
<tr>
<td>Industrial property disposed of more than two years and up to three years after purchase</td>
<td>5%</td>
</tr>
</tbody>
</table>
3 Stamp duty exemptions are available under the following scenarios.
   - Any instrument for sale, transfer, lease or mortgage of properties located outside Singapore
   - Any instrument for activities done exclusively outside Singapore
   - Any instrument for the transfer of shares in an overseas company and the share register is not kept in Singapore

4 False. The fixed rate of 10% is still applicable to commercial and industrial properties.
   Progressive tax rates apply to residential properties depending on whether they are for owner occupation (in which case it ranges from 0% to 16% effective from 1 Jan 2015) or otherwise (in which case it ranges from 10% to 20% effective from 1 Jan 2015).
Answers to Questions

15.1 (a) As a result of the transfer of half share of the property, Nicole will have to pay buyer's stamp duty of $24,600 (4% of $1,000,000 less $15,400) as well as additional buyer's stamp duty of $150,000 (15% of $1,000,000) as she is not a Singapore Citizen.

In addition, Tom has to pay seller's stamp duty of $120,000 (12% of $1,000,000) as he sold his half share of the property within one year of purchase.

Tom's decision would create additional stamp duty payable of $294,600. This is in addition to the buyer's stamp duty of $64,600 (4% of $2,000,000 less $15,400) which he had to pay on the original purchase.

This scenario would therefore cost a total of $359,200 in stamp duty.

(b) If Tom had bought the property in joint names from the start, he would have incurred buyer's stamp duty of $64,600 (4% of $2,000,000 less $15,400) and additional buyer's stamp duty of $300,000 (15% of $2,000,000).

Under this scenario the total stamp duty cost is $364,600 which is $5,400 higher than scenario (a).

15.2 The annual value (AV) is the base value used by IRAS to determine the owner's property tax liability. The term 'AV' in relation to a house or building or land or tenement, not being a wharf, pier, jetty or landing-stage, means the gross amount at which the same can reasonably be expected to be let from year to year, the landlord paying the expenses of repair, insurance, maintenance or upkeep and all taxes (other than goods and services tax).
This chapter looks at the various tax planning opportunities for individuals and businesses. As there can sometimes only be a fine line between tax planning and tax avoidance, the emphasis is on the use of common tax planning techniques which legally and ethically minimise and/or defer the tax liabilities for individuals and businesses.
# Syllabus Handbook

<table>
<thead>
<tr>
<th>Learning Outcomes</th>
<th>Cognitive level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify and evaluate the ethical and professional issues arising from the provision of tax planning advice</td>
<td>3</td>
</tr>
<tr>
<td>Define and explain anti-tax avoidance provisions</td>
<td>3</td>
</tr>
<tr>
<td>Advise on legitimate tax planning measures by which the tax liabilities arising from a particular situation or course of action can be mitigated</td>
<td>3</td>
</tr>
<tr>
<td>Calculate the receipt from a transaction net of tax, compare the results of alternative scenarios and advise on the most tax efficient course of action</td>
<td>2</td>
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<tr>
<td>Communicate and apply the effect of age, family commitments, aspirations and the economy on personal financial objectives</td>
<td>2</td>
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<tr>
<td>Compare and contrast the different tax treatments for the sources of finance available to individuals</td>
<td>2</td>
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<td>Compare and contrast the different tax treatments for investment products:</td>
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<tr>
<td>i Deposit based investments;</td>
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<td>ii Equities;</td>
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<tr>
<td>iii Real Estate Investment Trusts (REITs); and</td>
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<tr>
<td>iv Unit trusts.</td>
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<tr>
<td>Advise on the appropriateness of such investments, expenditures or measures given a particular taxpayer's circumstances or stated objectives for tax planning purposes</td>
<td>3</td>
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<tr>
<td>Explain the tax effects of raising equity, loan finance and other sources of funding</td>
<td>3</td>
</tr>
<tr>
<td>Explain the impact of taxation on the cash flows of a business</td>
<td>3</td>
</tr>
<tr>
<td>Identify and describe the different tax consequences due to the various ways of achieving personal or business outcomes</td>
<td>2</td>
</tr>
<tr>
<td>Assess the tax advantages and disadvantages of alternative courses of action</td>
<td>2</td>
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<tr>
<td>Appreciate the current issues in taxation, including the effect of court decisions in recent major tax cases on the interpretation of existing tax legislation</td>
<td>1</td>
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<tr>
<td>Identify and advise on the types of investments and other expenditures that will result in a reduction in tax liabilities for an individual and/or a business</td>
<td>2</td>
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<tr>
<td>Advise on the mitigation of tax liabilities with reference to numerical analysis and/or reasoned argument</td>
<td>2</td>
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</tbody>
</table>

## ESSENTIAL READING
- IRAS Voluntary Disclosure Programme
1 Tax planning and its ethical aspects

SECTION INTRODUCTION
Tax planning seeks to minimise present and future tax liabilities for individuals and businesses. Caution should be exercised to ensure that it is carried out in a legal and ethical manner.

This section defines tax planning and what it hopes to achieve. It is different from tax evasion or even tax avoidance, in that tax planning seeks to minimise the taxes that a business or individual pays in a legal manner, with no undesirable tax consequences.

1.1 Definition of tax planning
Tax planning is a process involving the structuring and arrangement of transactions (within the legal framework of the law) in such a manner as to minimise present or future tax liabilities. The process of tax planning assumes that the business or individual has made certain profits or earned certain income, and tax planning seeks to minimise the taxes that would have to be paid by the business or individual, thus preserving or maximising its after-tax profits or disposable income.

However, care must be exercised to ensure that the process does not cross into the boundaries of tax evasion or even blatant/aggressive tax avoidance, both of which have undesirable tax consequences.

In the often quoted case of *Commissioners of Inland Revenue v Duke of Westminster 1936*, Lord Tomlin said:

‘Every man is entitled if he can to order his affairs so that the tax attaching under the appropriate Acts is less than it otherwise would be.’

The above Westminster principle will generally apply to all transactions, except where such transactions are sham transactions. Such sham transactions serve no business purpose or provide no economic benefit and are typically entered into to deceive or escape a tax liability.

1.2 Distinguish tax planning from tax evasion or tax avoidance
Unlike tax evasion, where the tax obligation is avoided through illegal means such as the falsification of returns or the concealment of income, effective tax planning achieves tax minimisation through proper means such as the utilisation of tax regulations to one's benefit. Usually, the tax planning exercise is closely supported by sound commercial decisions. Some examples of sound tax planning which will not be challenged by the Inland Revenue Authority of Singapore (IRAS) include companies keeping unremitted foreign income overseas to delay taxation in Singapore, giving interest-free loans to all non-director employees and obtaining tax exemptions and concessions to lower the applicable effective tax rates.

Where tax evasion is involved, we are talking about huge adverse tax consequences which were discussed in earlier chapters. Penalties of up to 400% of the tax undercharged, fines of up to $50,000 and/or imprisonment terms of up to five years should deter any would-be tax evaders.

So where does tax avoidance come in?

Unlike tax evasion, which is illegal and comes with hefty penalties, there are currently no tax penalties for tax avoidance schemes. Nonetheless, IRAS also considers tax avoidance schemes which are carried out solely to avoid tax and which have no commercial purpose to be unacceptable.
Under Section 33 of the *Singapore Income Tax Act* (SITA):

Where the Comptroller is satisfied that the purpose or effect of any arrangement is directly or indirectly:

(a) To alter the incidence of any tax which is payable by, or which would otherwise have been payable by, any person;

(b) To relieve any person from any liability to pay tax or to make a return under this Act; or

(c) To reduce or avoid any liability imposed or which would otherwise have been imposed on any person by this Act,

the Comptroller may, without prejudice to such validity as it may have in any other respect or for any other purpose, disregard or vary the arrangement and make such adjustments as he considers appropriate, including the computation or re-computation of gains or profits, or the imposition of liability to tax, so as to counteract any tax advantage obtained or obtainable by that person from or under that arrangement.

For the purpose of Section 33, 'arrangement' means any scheme, trust, grant, covenant, agreement, disposition, and transaction, and includes all steps by which it is carried into effect.

Section 33 does not apply to:

(a) Any arrangement made or entered into before 29 January 1988; or

(b) Any arrangement carried out for bona fide commercial reasons that did not have as one of its main purposes the avoidance or reduction of tax.

In a letter to the then Registrar of the Singapore Society of Accountants (now the Institute of Singapore Chartered Accountants), the then Inland Revenue Department (now IRAS) had assured taxpayers that the main purpose of Section 33 is to discourage blatant cases of tax avoidance and not to penalise legitimate tax planning. Where bona fide business transactions result in incidental tax savings, these provisions will not apply.

In considering whether a particular scheme constitutes tax planning or tax avoidance under Section 33 of the SITA, one should consider the following relevant factors based on the Court of Appeal case of *Comptroller of Income Tax v AQQ* [2014] SGCA 15:

- Whether any of the threshold limbs in Section 33(1) of the SITA is satisfied based on the facts of the case
- Whether one could rely on the exception in Section 33(3)(b)
- If Section 33(1) was prima facie engaged, whether one could nevertheless rely on any specific provisions of the Act to preclude the operation of Section 33
- Whether the Comptroller has exercised their powers under Section 33(1) fairly and reasonably to counteract the tax advantage obtained

Further, in the case of *GBF v The Comptroller of Income Tax* [2016] SGITBR 1, for a successful application of Section 33(3)(b), the following should be considered:

- Contemporaneous evidence to support the ‘bona fide commercial reasons’
- Possibility of obtaining an independent assessment of the ‘bona fide reasons’
- Substantiating that the ‘bona fide reasons’ are the predominant purpose of the arrangement made
- Tax avoidance should not be one of the main purposes of the arrangement

**1.3 Tax morality**

There is an emerging view that the tax practitioner should also observe the principles of tax morality. This can be summarised as an increasing expectation that accountants and tax practitioners should ‘do the right thing’, be transparent in their dealings and avoid unduly aggressive tax arrangements or finding tax solutions that might be perceived as unfair or immoral. These principles have developed in the aftermath of the global financial crisis, alongside the growth in importance of corporate social responsibility.
In some jurisdictions there were instances of large multinational companies arranging their group tax affairs so that otherwise taxable profits could be channelled into countries where tax was significantly lower or non-existent.

In Singapore, there have been cases where IRAS has brought actions against companies which have been judged to have abused the new tax exemption schemes for start-ups. In such cases, IRAS has taken the view that the prosecuted companies have set up shell companies specifically for the purpose of utilising the tax exemption rules rather than for proper commercial purposes. The 'start-ups' did not trade in any meaningful way, retained $2 capitalisation, showed very little activity in their accounting records and had minimal numbers of employees.

The shell companies were used to receive the revenues of other profitable parts of the groups, while remaining within the thresholds to make the most of the tax benefits available. There were also instances of costs from elsewhere in the group being passed on to the shell companies, so that the latter could claim tax exemptions that would not otherwise be available, resulting in an overall reduction of the tax payable by the group.

IRAS has made it clear that since both fraud and tax evasion are criminal offences, the use of shell companies to carry out activities that can be regarded as an abuse of tax rules will also be prosecuted. Tax practitioners should be mindful of this when advising their clients.

**Question 16.1**

How can a taxpayer defend against a tax avoidance allegation by the Inland Revenue Authority of Singapore?

**SECTION SUMMARY**

Tax planning is a legal means to minimise present and future tax liabilities and does not have undesirable tax consequences, unlike tax evasion or even tax avoidance. Tax planning, however, should be carried out in a legal and ethical manner.

**2 Common tax planning techniques for individuals**

**SECTION INTRODUCTION**

An individual can minimise their taxes in Singapore by applying legitimate tax planning techniques. This will be illustrated with reference to trade income, employment income and rental income. In addition, an individual can further reduce their taxes by qualifying for certain personal reliefs through concrete actions.

This section focuses on tax planning ideas for individuals who are subject to tax in Singapore. As most foreign-sourced income is not subject to tax in Singapore when received by individuals, the emphasis is on taxable Singapore income such as trade income, employment income and rental income.

Tax savings for individuals can be achieved through the following techniques.

**2.1 Minimising the taxation of income**

Depending on the source of income earned by the individual, tax can be minimised by attempting to qualify for available tax exemptions or deriving non-taxable capital gains. Whether a gain is a capital gain or an income in nature is a question of fact.
2.1.1 Foreign-sourced income

In accordance to S13(7A) of the SITA, a resident individual is not subject to tax on all foreign-sourced income received in Singapore on or after 1 January 2004, unless such income is received through a partnership in Singapore. Non-resident individuals are also not taxed on foreign-sourced income received in Singapore.

To ensure non-taxation on foreign-sourced income, the individual only needs to substantiate that the income is indeed sourced outside Singapore. It is therefore important to retain sufficient documentation in the event that queries are raised by the tax authorities.

2.1.2 Capital gains argument

There is no capital gains tax in Singapore. In addition, capital gains are not subject to any income tax. Hence, if an individual can substantiate that any gains derived are of a capital nature, after applying the badges of trade, they will not be liable to any Singapore income tax. Examples are gains derived from the sale of assets such as properties and shares. Unless an individual is a renowned or proven share trader, the risk of a tax on the gains derived from the sale of shares is generally low, compared to those derived from the sale of properties. Properties are big-ticket items and there is scope for proactive tax planning to ensure that the badges of trade swing in the individual’s favour.

Some examples of actions that can support the capital gains argument for properties include:

(a) Deriving decent rental yields from renting out the properties for long-term investment, supported by feasibility studies
(b) Holding the asset for a long period
(c) No prior history in dealing with the same type/category of asset
(d) Not engaging in any subsequent actions after the purchase of the asset that can enhance its marketability
(e) Sale of the asset supported by commercial reasons (eg rental yield for property no longer as attractive due to change in external circumstances), rather than being prompted by a profit motive

Question 16.2 Supporting a capital gains argument

A taxpayer who has bought an immovable property can try to advance a capital gains argument in order to contend that he/she should not be taxed on any eventual gains from the sale of the property. What are some of the actions he/she can take to strengthen this argument?

2.1.3 Choice of trading entity

An individual intending to carry on a business will have to decide on the choice of a trading entity. Usually, this can take the form of a company or an unincorporated business such as a sole proprietorship or a partnership. If the individual decides on a company which is considered a separate legal entity, then tax is fully borne at the company level in the form of corporate tax at the prevailing rate of 17%. No further tax is suffered when they receive dividends from the Singapore company as a shareholder under the one-tier corporate tax system in Singapore. Unless they are also an employee or director of the company and derive salaries or directors’ fees, they will not have a further tax liability as a result of incorporating the company. On the other hand, unincorporated businesses are not considered as separate tax entities from the individual, and thus the individual will be taxed on the profits or share of profits derived from the businesses.

Generally, both expenses and capital allowances can be claimed by a business, regardless of the type of entity established. However, a company is entitled to partial tax exemption and may also potentially qualify for the start-up tax exemption (provided certain conditions are satisfied). This will bring down its effective tax rate, and this can be significant especially if the chargeable income is not high. On the other
hand, an unincorporated business is not considered to be a separate tax entity from the individual, and thus the individual will be taxed on the profits or share of profits derived from the business.

If a business is expected to be making losses or will only be marginally profitable, it may be better to defer the decision to incorporate a company and instead start off as a sole proprietorship or partnership. Taking into account the progressive tax rates, which include tax exemption for the first $20,000 chargeable income of a resident individual, it may be paying little or no tax on its profits from the unincorporated businesses, assuming it does not derive taxable income from other sources such as employment and rental income. Moreover, they will also not waste the full exemption for the first $100,000 of chargeable income under the new start-up tax exemption scheme for the first three years after incorporation of a company (reduced to 75% exemption for the first $100,000 of chargeable income from YA2020 onwards).

**Example**

After graduating from university in late 2016, Tom had wanted to start a consultancy business right from the start. He projected that his assessable income for the first three years from 2017 to 2019 would be $300,000 each. Tom is considering setting up the consultancy business as a sole proprietorship or a company with himself as the sole shareholder. Further, he is unsure whether he can achieve higher tax savings by setting up three identical companies with him as the common sole shareholder, each carrying out similar businesses.

Advise Tom and state whether his proposed actions would constitute tax planning, tax avoidance or tax evasion.

**Solution**

**Setting up a sole proprietorship business Versus the incorporation of a company**

Under the Start-up Tax Exemption (SUTE) Scheme, for years up to YA 2019, in first three years after incorporation, the first $100,000 of chargeable income of a qualifying company is fully exempted from tax, while the next $200,000 chargeable income qualifies for 50% exemption. On or after YA 2020, the exemption is 75% for the first $100,000 and 50% for the next $100,000.

Tom has a total chargeable income of $900,000 in the first three years.

Had Tom set up a company, he would likely have qualified for the SUTE Scheme and his company’s tax liability for the three years from Years of Assessment 2018 to 2020 would be $53,550, arrived at as follows:

Year of Assessment 2018: chargeable income after tax exemption would be $100,000 after the full tax exemption for the first $100,000 and 50% tax exemption on the next $200,000, giving rise to a tax liability of $10,200 ($100,000 × 17% × 60%) after deducting the 40% corporate income tax rebate.

Year of Assessment 2019: chargeable income after tax exemption would be $100,000 after the full tax exemption for the first $100,000 and 50% tax exemption on the next $200,000, giving rise to a tax liability of $13,600 ($100,000 × 17% × 80%) after deducting the 20% corporate income tax rebate.

Year of Assessment 2020: chargeable income after tax exemption would be $175,000 after the 75% tax exemption for the first $100,000 and 50% exemption on the next $100,000 (and no exemption on the remaining $100,000). There is no corporate income tax rebate in YA2020, so the tax liability would be $29,750 ($175,000 × 17%).
If he had conducted his business through a sole proprietorship, his total individual tax for the three years from Years of Assessment 2018 to 2020 would be $121,050 ($40,350 × 3 years), arrived at as follows.

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<table>
<thead>
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<tbody>
<tr>
<td>Assessable income</td>
<td>300,000</td>
</tr>
<tr>
<td>Less personal relief (Earned Income Relief) *assume no other personal reliefs</td>
<td>(1,000)</td>
</tr>
<tr>
<td>Chargeable income</td>
<td>299,000</td>
</tr>
<tr>
<td>Tax on first $280,000</td>
<td>36,550</td>
</tr>
<tr>
<td>Tax on next $19,000 @ 20%</td>
<td>3,800</td>
</tr>
<tr>
<td>Net tax payable per year of assessment</td>
<td>40,350</td>
</tr>
</tbody>
</table>

Comparing the two choices of trading entities, it is more tax efficient for him to set up a company.

### Setting up three identical companies

Instead of setting up one company, he was considering setting up three companies. This way, the $300,000 chargeable income for one company would have been split into $100,000 chargeable income for each of the three years. This would have resulted in no tax liabilities for each of the three companies for each of the Years of Assessment 2018 to 2019 based on the full tax exemption for the first $100,000 chargeable income available under the SUTE Scheme. For YA2020 there is a 75% exemption on the first $100,000, so $25,000 chargeable at 17% would give a tax liability of just $4,250. This is only possible if the tax authorities recognise the existence of the three separate companies. More likely, this scheme will be construed as a tax avoidance scheme under Section 33 of the SITA, since he is the sole shareholder in each of the three companies with similar business activities, in which case the additional tax savings would not have materialised too if the Comptroller makes an adjustment under Section 33.

### 2.1.4 Employment income

A distinction should be drawn between a resident and non-resident employee.

A resident employee is taxed on his employment income at graduated tax scales ranging from 0% to 22% with effect from YA 2017 (0% to 20% up to YA 2016) and can avail himself to tax rebates and reliefs. On the other hand, a non-resident employee is taxed at a flat rate of 15% on his employment income (normal tax rate is 22% effect from YA 2017 (20% up to YA 2016) for non-employment income) or what a tax resident pays, whichever is higher. Foreigners who are not tax residents and exercise short-term employment of 60 days or less in any year are exempted from tax on their employment income, regardless of the quantum involved.

Foreigners who are either physically present or are exercising employment in Singapore for 183 days or more in any calendar year qualify to be treated as tax residents, which translates to lower taxes generally. Even if the ‘183-day’ threshold is not met, foreigners should be aware of both the ‘Three-Year’ and ‘Two-Year’ Administrative Concessions where they can still qualify to be tax residents if they are employed in Singapore for a continuous period covering three or two consecutive years respectively. Hence there is scope for tax planning for foreigners taking up new employment in Singapore by simply timing the dates of arrivals/departures or employment period to either qualify for the tax exemption on short-term employment or tax resident status.

As far as employment income is concerned, there is scope to minimise an employee’s tax with tax-efficient employment packaging. The employee should try to negotiate to receive certain benefits in kind that are either tax exempt or subject to lower tax.

Some common examples include:

(a) Obtaining a reimbursement for relocation expenses instead of a cash allowance for relocation which is taxable

(b) Reimbursement of business expenses instead of receiving a fixed cash allowance which is taxable
(c) Receiving home leave passage for foreign employees, instead of cash (this way, only 20% of the 
value of the first and only leave passage is taxable. Note that this 20% concession applies up to 
YA 2017 and with effect from YA 2018, such leave passage will be taxable in full)

(d) Receiving interest-free or interest-subsidised loans which are not taxable if the company has a 
scheme for all its employees, excluding directors, and the employee has no control or influence 
over the company

(e) Receiving benefits such as gifts (not exceeding $200 in value), company outings and pantry food 
which are not taxable by concession

(f) Receiving retrenchment payout as compensation for loss of office, and not gratuity which is taxable

For employees who have to travel overseas frequently to discharge their responsibilities, there is scope to 
reduce their tax liabilities if they can qualify for time apportionment basis of taxation. Generally, this is 
possible under the Not Ordinarily Resident (NOR) Scheme.

The key features and benefits of the NOR Scheme, as well as the qualifying conditions, should be noted 
to ensure effective tax planning.

2.1.5 Postponing the earning of income

There is also scope for deferring taxes if businesses can delay the earning of certain income that would 
otherwise have crystallised by the end of the year, so that less tax is paid in the current year. Such 
'postponement' of tax should help the business in its cash flow position. Unlike permanent tax savings, 
such measures can only achieve a temporary tax deferral advantage. Examples include delaying the 
completion of certain projects pertaining to a trade or business, or delaying working overtime till early 
next year.

2.1.6 Importance of tax considerations in investment decisions

When individuals have surplus funds for investments, they will normally have to consider many factors 
before deciding on where to park their money. Not surprisingly, tax considerations feature prominently in 
the decision-making process. The objective of planning the investment or funding must be to ensure that 
they reap the maximum returns, after the applicable taxes.

Consider the following scenario – an individual who owns a company has surplus funds in both their 
personal and corporate bank accounts. Should they continue to keep these funds in bank accounts both 
in Singapore and overseas; or should they diversify and invest in equities, unit trusts, real estate 
investment trusts and debt securities, both in Singapore and overseas?

From the Singapore tax perspective, individuals are exempt from Singapore tax on all foreign-sourced 
incomes even when such incomes are remitted to Singapore, unless such incomes are derived through 
partnerships. On the other hand, companies are ordinarily taxed on the remittance of foreign income 
unless they qualify for exemption in the case of specified foreign income such as dividends, branch profits 
and service income, subject to conditions. Hence, where exemption is not applicable for corporate 
shareholders, the individual should invest in overseas equities in their personal name so that the 
dividends are not taxable upon receipt in Singapore.

In the case of Singapore dividends, they are probably indifferent, as dividends paid by a Singapore 
company are not subject to further Singapore tax when received by any shareholders, whether individual 
or corporate.

By now, individuals are also exempt from Singapore tax when they receive interest from placing deposits 
in approved banks and finance companies, as well as most investment income, including distributions 
from unit trusts and real estate investment trusts and debt securities. Companies, on the other hand, do 
not enjoy similar tax exemption. Hence, all things being equal, the investor should rule out holding such 
investments in the company's name. In addition, interest income derived by individuals from companies 
or pawnshops in Singapore do not enjoy tax exemption and hence there is no advantage in lending to 
these entities in the individual's name. In the final analysis, one should compute the after-tax returns (i.e
after personal or corporate tax, whichever is applicable) of alternative investments to arrive at the most
tax-efficient course of action before making the decision.

2.2 Maximising the claim for expenses related to the respective taxable income

As income tax is chargeable on the net income in Singapore, maximising deductibility of expenses for all
types of taxable income will go a long way towards reducing the final tax liability of an individual.

2.2.1 Trade income

Where an individual carries on a trade or business through a sole proprietorship or partnership, there is a
higher likelihood of incurring tax deductible expenses, as compared to other income sources.

Some common examples include:

(a) Ensuring that the business earns its first dollar of trading receipt by the end of the second
accounting period in order to claim pre-commencement expenses, which would otherwise be
disallowed.

(b) Ensuring that the conditions required to be satisfied for claiming tax deduction for certain expenses
are met (e.g., claiming impairment expenses for account receivable, stock obsolescence, interest,
repairs and qualifying renovation and refurbishment expenses).

(c) Claiming additional 300% enhanced deduction under the Productivity and Innovation Credit (PIC)
Scheme for related expenses such as research and development, design, training, leasing of
prescribed automation equipment and registration of intellectual property subject to maximum cap
of $400,000 per YA or the combined cap of $1.2 million from YAs 2016 to 2018 (or $600,000
per YA or the combined cap of $1.8 million from YAs 2016 to 2018 under the PIC+ Scheme).
Note that the PIC Scheme will end in YA 2018.

(d) Claiming capital allowances for assets and equipment that are used in the business. In most cases,
to maximise their cash flow position, businesses should go for accelerated claims which allow
them to claim the cost of qualifying acquisitions over one or three years. In the case of intellectual
property rights, the claim is over five years. For capital expenditure incurred on PIC-related
activities such as spending on prescribed automation equipment and acquisition and in-licensing of
intellectual property rights, there is also a similar enhanced allowance of 300% of the qualifying
expenditure for these two activities, subject to a maximum of $400,000 per year of assessment or
the combined cap of $1.2 million from Years of Assessment 2016 to 2018 (or $600,000 per YA
or the combined cap of $1.8 million from YAs 2016 to 2018 under the PIC+ Scheme). Note that
the PIC Scheme will end in YA 2018.

(e) In the event of a transfer of assets (i.e., due to incorporation), the possibility of a Section 24 election
to minimise the cash flow impact between related parties should also be explored.

(f) In the event that the business has insufficient income to set off all eligible capital allowances, such
unutilised capital allowances can be carried forward indefinitely or carried back to the immediate
preceding year of assessment (subject to $100,000 cap), provided the business does not change
its trade. Hence, to minimise the incidence of capital allowance being forfeited, the business
should attempt to defer changing trade until such unutilised capital allowances are fully set off
against future profits.

There is also scope for tax planning if businesses can bring forward tax deductible expenses that are
expected to be incurred in the beginning of a year, so that less tax is paid in the current year. Such
acceleration of tax deduction should help the business in its cash flow position.
2.2.2 Employment income

Most taxpayers hardly claim any expenses for employment income when they file their individual tax returns. Actually, it is possible to claim the following deductions against employment income.

(a) Travelling and entertainment, to the extent that they are incurred entirely for business purposes, not reimbursed by the employer and not prohibited by law (eg private car expenses are specifically disallowed under the SITA even if the travelling is for an official purpose)

(b) Subscriptions to professional bodies (eg those incurred by doctors, engineers and accountants)

2.2.3 Rental income

The following expenses are deductible against rental income for income tax purposes.

- Bank interest on mortgage loan
- Property tax
- Fire insurance on property
- Repairs and maintenance, including maintenance charges paid to management corporations
- Commission paid to secure subsequent tenants
- Cost of renewing a lease or getting a new tenant (except for the first tenant)
- Replacement of an existing asset under S14(1)(c) in generating S10(1)(f) rental income

On the other hand, the following expenses are not deductible for income tax purposes.

- Mortgage loan principal repayments
- Agent's commission, advertising, legal costs, for getting the first tenant
- Depreciation of furniture and fixtures
- Costs of renovation, additions and alterations to the property

With effect from YA 2016, an individual who derives passive rental income from the renting of a residential property in Singapore, can in lieu of claiming the actual amount of deductible expenses incurred (excluding interest expenses) against his qualifying rental income, claim a specified amount of expenses as a proxy for the deductible expenses. This is determined based on 15% of the gross rental income derived from that residential property. The individual can continue to deduct the actual interest expense if the actual expense is higher than the deemed expense (ie 15% of gross rental).

The above change does not apply to rental income derived by an individual through a partnership in Singapore; and from a trust property.

There are some administrative tax concessions (no applications required) which will save taxes imposed on the rental income, and these are discussed below.

Continuing source concession

Strictly speaking, expenses that are incurred during the period when the rental property is left vacant are not deductible for tax purposes. In practice, IRAS allows a continuing source concession such that the above-mentioned expenses incurred would be tax deductible so long as a subsequent tenant is obtained, which may be later in the same year or after the year-end. However, this concession will not apply in a situation when a subsequent tenant is not found and the property is sold after the vacancy period.

Subsequent tenancy and property concession

Under the SITA, expenses incurred to acquire a source of income are generally regarded as capital in nature and disallowable for tax purposes. In the case of rental income, each tenancy is treated as a separate source of income, and hence expenses incurred to secure a tenant each time (eg agent commission, advertising expenses for getting the first tenant) are not deductible because they are incurred to acquire a source of income. However, in practice, IRAS allows deduction for such expenses if they are incurred for a subsequent tenancy. This is notwithstanding that the tenancy may relate to a subsequent new property.
Block basis concession

Under the block basis concession, IRAS allows the ‘consolidation’ of all rental income producing properties to arrive at the total net rental income chargeable to tax. The block basis concession does not include owner-occupied properties or properties that have been occupied on the owner's behalf rent free. Further, any total net rental deficits after applying the block basis concession are not allowed to be offset against other sources of income in the current year; neither can they be offset against the rental/chargeable income of any other year(s).

Joint ownership of properties by married couple deriving rental income

Where any property is jointly owned by a married couple, tax will be levied on each spouse based on their respective share of the net rental income. This is irrespective of who contributes the initial investment to buy the property or who retains the rental proceeds. There is thus scope for tax planning to reduce the couple's total tax bill by legally determining the extent of ownership of the properties where the couple are under different tax brackets. This arrangement is not possible under a joint tenancy where equal ownership is implied. Instead, the couple should consider a tenancy in common arrangement.

2.2.4 Importance of tax considerations in funding decisions

When individuals carry on a business or make investments either through a sole proprietorship business or a company, they often have to decide on alternative sources of funding investment, either through equity, loans or other sources of funding. Again, they cannot ignore the tax effects of these alternative means of funding, as any tax deduction will directly lower their overall cost of funding. The objective in planning their financing structure must be to ensure that they incur the minimum after-tax cost of funding.

Debt financing is often preferred over equity financing, as interest is ordinarily tax deductible, if it is incurred on capital employed in acquiring taxable income. This may take the form of a shareholder's loan or an external loan from a bank. Should a loan be taken to finance a non-income producing activity, then the interest incurred is not deductible. Although there are no thin capitalisation rules in Singapore, the tax authorities may seek to disallow a portion of the interest that is attributable to non-income producing assets. One should also consider the impact of withholding tax which is applicable if the interest is paid to a non-tax resident of Singapore. The domestic withholding tax rate is 15%, but this rate can be reduced by an applicable tax treaty, if the recipient of the interest is tax resident in another country which has concluded a comprehensive tax treaty with Singapore. Although the withholding tax is ordinarily borne by the recipient of the interest income, the payer may be concerned if the loan is obtained from a related company.

In the case of equity financing, although there is no withholding tax applicable when the Singapore company pays dividends to its shareholders, any changes in the share capital may expose the buyer to a stamp duty, based on 0.2% of the consideration or the market value of the shares, whichever is higher. On the other hand, repayment of the loan does not give rise to any adverse tax implications.

Apart from the conventional ways of raising capital through equity or debt, the individual or company may also consider other forms of raising funds by getting related parties to make payments, such as management fees, technical fees and royalty payments. Where these involve cross-border transactions, one has to consider the potential withholding tax and deductibility issues for the payer. Any withholding tax will also directly impact the cash flows of the recipient and therefore should be carefully considered.

2.3 Maximising the claim for personal reliefs

Unlike companies, resident individuals are able to claim personal reliefs which provide them with further opportunities to legally reduce their taxes. For a start, only tax-resident individuals are entitled to claim personal reliefs, hence particularly for foreigners, they should attempt to qualify for tax resident status through physical presence in Singapore or employment.

Personal reliefs are only useful if the individual has sufficient assessable income. It cannot be carried forward to set off future assessable income. Hence, the individual should generate sufficient income in order not to waste the personal reliefs that they would otherwise be entitled to in any particular year.
To optimise their tax positions, individuals should ensure that they meet all the qualifying conditions and lodge all the eligible claims in their tax returns. On the contrary, they should be mindful not to claim certain reliefs if the qualifying conditions are not met, as such acts may be interpreted as deliberate attempts to wrongfully claim the personal reliefs and subject them to serious tax penalties. Some examples are attempts to claim personal reliefs for dependants such as parents, children and grandparents when the income ceiling of $4,000 had already been breached. A recap of the various personal reliefs is provided below.

(a) Earned Income Relief
(b) Spouse Relief
(c) Handicapped Sibling Relief
(d) Qualifying and Working Mother’s Child Reliefs
(e) Foreign Maid Levy Relief
(f) Grandparent Caregiver Relief
(g) Parent Relief
(h) Central Provident Fund (CPF) Contribution Reliefs
(i) Life Insurance Relief
(j) Course Fee Relief
(k) National Servicemen (NSmen) Reliefs
(l) Supplementary Retirement Scheme (SRS) Contributions Relief

Among the various reliefs, CPF (especially for the self-employed) and SRS are effective tax planning tools that an individual can adopt to achieve substantial tax savings.

2.3.1 Self-employed CPF Contribution Relief

An individual who is self-employed and earns a yearly net trade income of more than $6,000 is required to make CPF Medisave contributions at prescribed rates, depending on their age and the net trade income derived, subject to a specified maximum amount.

Beyond the compulsory CPF Medisave contributions, self-employed individuals are encouraged to make voluntary contributions to their CPF accounts as they can claim tax relief for the voluntary contributions to CPF.

From 2016 onwards, the maximum amount of CPF Relief that a self-employed individual can claim if they make voluntary contributions to their CPF is the lowest of:

- Actual statutory and voluntary contributions to their CPF account
- Thirty-seven per cent of their net trade assessable income
- $37,740 which is 37% × monthly ordinary wages ceiling of $6,000 × 17 months

2.3.2 Voluntary contributions to Special/Retirement Account

A taxpayer who makes a cash top-up to their CPF in their Special Account (for recipient below age 55) or Retirement Account (for recipient age 55 and above) is eligible for this relief.

This relief is also available to the taxpayer if their employer makes a contribution to their CPF Special Account or Retirement Account.

The amount of relief is the lower of the amount of cash top-up or $7,000.

In addition, the taxpayer is eligible for an additional $7,000 of cash top-up relief if they make a cash top-up to the CPF Special Account or Retirement Account of their parents/parents in law, grandparents/grandparents in law, spouse or siblings. To qualify for the additional tax relief for cash top-ups to spouse or siblings, the spouse or siblings must not have an annual income exceeding $4,000 in the year preceding the year of top-up. This income threshold does not apply to parents/parents in law, grandparents/grandparents in law, handicapped spouse or handicapped siblings of the taxpayer.
2.3.3 Contributions to the Supplementary Retirement Scheme (SRS)

The SRS is a voluntary scheme to encourage individuals to save for their retirement, over and above their CPF savings. The SRS is open to Singaporeans, permanent residents and foreigners who earn any income and are at least 18 years of age.

Contributions to the SRS do not have to be made on a regular basis, and can be made by the individual or their employer. The SRS contribution rate is 15% for Singaporeans and permanent residents, and 35% for foreigners. The income base for SRS contribution is tied to the CPF income ceiling, being 17 months of $6,000, ie $102,000 from 1 January 2016. The contributions to SRS can be used to purchase a variety of investment instruments.

For the purpose of claiming tax reliefs on the contributions made to their SRS, the following conditions must be satisfied.

- The individual must be a tax resident of Singapore.
- The SRS account is not suspended as at 31 December of the year prior to the YA.
- The individual has not made a withdrawal from their SRS account in the year prior to the YA.

2.3.4 Life Insurance Relief

This relief is available to a taxpayer who paid premiums on life insurance policies which covers the lives of the taxpayer and/or his wife. A married woman can claim this relief for premiums paid by her for her life insurance policy. To be eligible for this relief, the premiums must be paid to an insurance company with an office or branch in Singapore.

The relief is capped at the lower of:

- Seven per cent of sum assured
- $5,000

No relief would be granted if the taxpayer's CPF contributions exceed $5,000, which applies to the majority of Singaporeans and Singapore permanent residents. Where the CPF contributions have not exceeded $5,000, it is possible for the taxpayer to claim tax relief for the life assurance premiums paid, provided the total claim for both CPF and the life assurance premiums do not exceed $5,000.

2.3.5 Year-end things to do

The personal reliefs that are discussed under Sections 2.3.1 to 2.3.4 can be claimed based on the total contributions or payments made, regardless of the actual dates these events take place. The claim is also not subject to pro-ration and, for this reason, a resident individual can make these contributions before the year-end to maximise their tax savings and yet preserve their cash flow position.

Hence, a resident individual should seriously consider making the following payments in December of each year.

(a) Voluntary CPF contributions, if they derive income from self-employment
(b) Voluntary cash top-ups to their CPF Account in their Special/Retirement Account as well as the accounts of eligible relatives, which includes their parents/parents in law, grandparents/grandparents in law, spouse and siblings
(c) Voluntary contributions to their SRS account
(d) Premiums for life insurance premiums, mainly in the case of foreigners who are not required under the law to make CPF contributions

Needless to say, the individual should be mindful of the conditions to be met, including the maximum limits, for each of these personal reliefs, if they want to maximise their tax savings.
Question 16.3
Reducing taxes through personal reliefs

Resident individuals sometimes resort to making payments in December each year in order to save taxes, and yet conserve their cash flow positions by not parting with their moneys early in the year. What could these payments be to achieve their objective?

SECTION SUMMARY

Some common tax planning techniques for individuals include minimising the taxation of income, proactive tax planning to support a capital gains argument to defend taxation on the gains from the sale of assets, careful choice of a trading entity, maximising the claim of expenses against the respective taxable income and taking advantage of a long list of personal reliefs.

3 Common tax planning techniques for companies

SECTION INTRODUCTION

A company can minimise the corporate tax liability by applying legitimate tax planning techniques. This can be achieved within a corporate entity. When companies operate within a group or are undergoing restructuring, there is further scope for tax planning to ensure that the tax liability of the group is minimised too.

This section focuses on tax planning ideas for companies which derive both local and foreign-sourced income which is subject to tax in Singapore.

Generally, the tax planning techniques discussed earlier under Section 2 for individuals are also applicable for businesses carried on as partnerships or companies.

Tax savings for companies can be achieved through the following techniques.

3.1 Minimising the taxation of income

Like individuals, the corporate income tax for enterprises can be minimised. One legal way, and certainly one that is endorsed by the Government, is through qualifying for special tax exemptions or concessionary tax rates. There is a long list of tax incentives for companies in a whole spectrum of industries including those in the financial and marine sectors. While some incentives like the pioneer and shipping incentives provide for total exemption, other incentives such as the Financial Sector Incentive and Global Trader Programme typically provide for concessionary tax rates of 5% or 10%. Information should be tapped from the relevant websites of government agencies administering the various tax incentives to obtain a more holistic view of these incentives (see recommended readings before the Section Summary below). Since these special incentives are awarded to spur economic growth in certain promoted sectors, these are the most legitimate forms of tax planning to engage in, with the assistance of the various government bodies administering the incentives. However, companies that are awarded these incentives will also need to meet the qualifying conditions and commit to a certain level of business spending or activities in Singapore. Otherwise, their tax incentive might not be renewed.

In practice, businesses, especially the smaller ones, go beyond tax incentives when they look towards obtaining government assistance in their expansion plans. In this area, the Government does offer a whole range of loans, grants, equity financing and non-financial assistance to provide businesses with the catalyst to grow. (See recommended readings before the Section Summary below.)
Similar to individuals, companies may profit from the sale of shares in another company. As discussed in Section 2.1.2, the risk of taxation is generally low for individuals unless they are proven share traders. In the case of companies, one needs to apply the badges of trade (see Chapter 3) to determine if there is a tax liability. Safe harbour rules were introduced in 2012 for companies which derive gains from the disposal of ordinary shares in an investee company during the period 1 June 2012 to 31 May 2022 (both dates inclusive). These gains are not taxable if immediately prior to the date of the share disposal, the divesting company had held at least 20% of the ordinary shares in the investee company for a continuous period of at least 24 months. This rule does not apply to insurance companies or disposal of shares in an unlisted investee company that is in the business of trading or holding Singapore immovable properties (other than the business of property development).

Although resident and non-resident companies are taxed on the same basis and pay the same corporate tax rates, resident companies can avail themselves of tax treaty benefits, can potentially claim tax exemption for certain foreign-sourced income such as dividends, branch profits and service income, and in the case of newly incorporated companies, subject to certain conditions, are eligible for the SUTE where the first $100,000 of chargeable income for the first three years after incorporation is fully exempt (up to YA2019). Hence, care should be exercised to ensure that the board meetings of the company are conducted in Singapore so as to qualify for tax residence status and ensure that the above benefits can be enjoyed.

3.2 Maximising the claim for trade expenses

Similar to an individual who carries on a trade or business, entities with active trading activities can also claim a wide range of expenses.

Some common examples of expenses which can similarly be enjoyed by entities include:

(a) Ensuring that the business earns its first dollar of trading receipt by the end of the second accounting period in order to claim pre-commencement expenses, which would otherwise be disallowed.

(b) Ensuring that the conditions required to be satisfied for tax deduction are met (eg claiming bad debts, stock obsolescence, interest, repairs, qualifying renovation and refurbishment expenses and deduction for treasury shares transferred under Section 14P/14PA of the SITA).

(c) Claiming enhanced deduction, eg under the Double Tax Deduction Scheme for internationalisation or under the PIC Scheme for related expenses such as research and development, design, training, leasing of prescribed automation equipment and registration of intellectual properties. Businesses can enjoy a total of 400% tax deductions/allowances on up to $400,000 of their expenditure per year of assessment or the combined cap of $1.2 million from YAs 2016 to 2018 (or $600,000 per YA or the combined cap of $1.8 million from YAs 2016 to 2018 under the PIC+ Scheme). The enhanced deduction/allowance and cash payout option under the existing PIC Scheme has been extended for another three years from YAs 2016 to 2018. Entities can maximise their tax positions by timing their purchases within the PIC and utilising their claims within the cap for each year as well as the combined caps for the two periods. Note that the PIC Scheme will end in YA 2018.

(d) Claiming capital allowances for assets and equipment that are used in the business. In most cases, to maximise their cash flow position, businesses should go for accelerated claims which allow them to claim the cost of qualifying acquisitions over one or three years. In the case of intellectual property rights, the claim is over five years. For capital expenditure incurred on PIC-related activities, such as spending on prescribed automation equipment and acquisition and in-licensing of intellectual property rights, there is also a similar enhanced deduction of 300% of the qualifying expenditure for these two activities, subject to a maximum of $400,000 per YA or the combined cap of $1.2m from YAs 2016 to 2018 (or $600,000 per YA or the combined cap of $1.8 million from YAs 2016 to 2018 under the PIC+ Scheme). Note that the PIC Scheme will end in YA 2018.
(e) In the event of a transfer of assets between related companies, the possibility of a Section 24 election to minimise the cash flow impact should also be explored.

(f) In the event that the company has insufficient income to set off all eligible capital allowances, such unutilised capital allowances can be transferred under Group Relief, carried forward indefinitely or carried back to the immediate preceding YA (subject to a $100,000 cap), provided the company does not change its trade. Hence, to minimise the incident of capital allowance being forfeited, the company should attempt to transfer its capital allowances or defer changing trade until such unutilised capital allowances are fully set off against future profits.

(g) Maximising claims for expenses when transferring assets and businesses. This includes qualifying for Section 32 of the SITA by transferring trading stocks at net book value to a transferee entity carrying on a business in Singapore, claiming a special merger and acquisition allowance for share deals and taking advantage of the tax framework for qualifying amalgamations.

There is also a similar scope for deferring taxes if businesses can bring forward tax deductible expenses that are expected to be incurred in the beginning of a year, so that less tax is paid in the current year.

3.3 Maximising utilisation of trade losses, unutilised capital allowances and unutilised donations for companies operating within a group

Unlike individuals who can carry forward unutilised tax losses and unutilised capital allowances indefinitely or carry back these items to the immediate preceding YA (subject to a $100,000 cap), companies can only do so if there is no substantial ('substantial' defined as more than 50%) change in a company's ultimate shareholders and their shareholdings. Care must therefore be exercised to preserve such losses. A common tax planning idea is to structure the acquisition initially with only a 50% change in the shareholdings of a company, and proceed with the balance only after the tax losses are fully utilised to set off taxable income.

Where companies form part of a group, there is further opportunity to ensure that the profitable companies pay less tax by transferring the current year unutilised tax losses, current year unutilised capital allowances and current year unutilised donations from the loss-making companies. To be able to apply group relief, the companies must satisfy all the following conditions.

(a) They are incorporated in Singapore.

(b) They have the same accounting year-end.

(c) They belong to the same group of companies. This condition is satisfied if at least 75% of the ordinary share capital of one company is beneficially held, directly or indirectly by the other, or at least 75% of the ordinary shares in each of the two companies are beneficially held, directly or indirectly, by a third Singapore incorporated company.

3.4 Taxation of foreign income

Unlike individuals who are not taxed on the remittance of foreign income, companies deriving foreign-sourced income are taxed when such foreign income is received (or is deemed to be received in) Singapore. Tax deferral can be easily achieved by postponing the remittance of the foreign income. Businesses must also be careful not to engage in certain activities that would constitute deemed remittance, eg using foreign income to settle a debt arising from Singapore, to acquire a movable property which is then brought into Singapore.

Under the foreign-sourced income exemption (FSIE) regime, certain foreign-sourced income such as dividends, branch profits and service income derived by resident companies is exempted from tax if certain conditions are met. Companies attempting to take advantage of this exemption should ensure that they are able to meet the qualifying conditions.

Where companies do not qualify for the FSIE Scheme, they can still minimise their taxes on the remittance of foreign income if they satisfy the qualifying conditions for the foreign tax credit (FTC)
system. Under the FTC pooling method which provides more flexibility in the FTC claims, the claims for FTC can be further maximised, subject to satisfying the additional conditions for the FTC pooling method.

FURTHER READING

It is worth reading up on the tax incentives and the various types of non-tax assistance provided by the Government through the various agencies at: www.enterpriseone.gov.sg/en/Government%20Assistance.aspx

SECTION SUMMARY

Some common tax planning techniques for companies include minimising the taxation of income through qualifying for special tax incentives, maximising the claim of trade expenses, optimising the utilisation of trade losses, unutilised capital allowances and unutilised donations for companies operating within a group, deferring the taxation of foreign income and attempting to qualify for the foreign-sourced income exemption regime.

4 Common tax planning techniques for other taxes

SECTION INTRODUCTION

Unlike corporate and individual income tax, there is less scope for tax planning in indirect taxes such as goods and services tax and stamp duty. Nevertheless, careful planning can also help to reduce these tax liabilities that may be shouldered by individuals or businesses.

This section deals with tax planning for other taxes such as goods and services tax (GST) and stamp duty.

4.1 Minimising goods and services tax (GST)

GST is a form of indirect tax that is applicable on goods and services made in Singapore, including goods which are imported into Singapore. GST will be introduced on imported services from 1 January 2020. As GST is a type of consumption tax, the actual tax burden is meant to fall on the consumers even though GST may be paid by various intermediaries throughout the supply chain. Unfortunately, this is not always true, as these intermediaries may not have registered for GST and hence cannot claim any input tax. Even if they are registered for GST, they are unable to claim certain input taxes, eg those attributable to exempt supplies or those that are specifically disallowed under the GST regulations (eg club subscription fee, including transfer fees charged by sporting and recreational clubs).

Also, with effect from 1 January 2011, the time of supply rules have been simplified and are now determined based on the earlier of the:

- Date of issuance of invoice
- Date of receipt of payment
Based on the above rules, tax planning, as far as GST is concerned, is often focused on preventing the GST charged by suppliers to create an additional business cost or minimising the cash flow disadvantage caused by having to pay GST upfront and claiming back the input tax in a future period. The following measures can be taken to achieve these objectives.

(a) Considering voluntarily registering for GST, even if the business has not reached the $1 million annual taxable turnover threshold after conducting a cost–benefit analysis which concludes that the benefit derived mainly from input tax claims outweighs the cost of registration, which comprises mainly compliance costs

(b) Restructuring the expenditure which does not qualify for input tax claims (eg provide cash allowance as staff benefit instead)

(c) Timing the issuance of invoices pertaining to the sale of goods and services (preferably in the beginning of a GST quarter where payment is received subsequently) and the incurring of the expenditure (preferably near the end of a GST quarter) to improve cash flow

(d) Applying for available incentives that provide temporary reliefs for importation of goods (eg major exporter scheme, import GST deferment scheme, zero GST warehouse scheme)

(e) Buying goods and services from non GST registered entities

(f) Meeting all the conditions for the sale of business to be regarded as a transfer of going concern which is an excluded transaction and treated as neither a supply of goods or services, in the absence of which ordinary GST at the prevailing rate of 7% applies on the higher of the consideration or the market value of the business being transferred or sold

4.2 Minimising stamp duty

Stamp duty is a tax imposed on instruments (ie documents) relating to stocks, shares and immovable properties. Examples of such documents are lease agreements, share purchase agreements and sale and purchase agreements relating to immovable properties.

Being a tax on instruments, each transfer of instruments will attract an additional set of stamp duty. The scope of tax planning to minimise the payment stamp duty in most cases is confined to seeking reliefs or special remissions.

4.2.1 Stamp duty on transfer of shares

For example, there is stamp duty relief under Section 15 of the Stamp Duties Act applicable to the reconstruction or amalgamation of companies and transfer of assets between associated permitted entities.

A reconstruction or amalgamation of companies refers to the transfer of an undertaking or shares when a company or companies undergo reconstruction, or when companies undergo amalgamation. Refer to Chapter 15 Sect 2.1.1

For the purposes of seeking relief under a transfer of assets between associated companies, the companies are associated when a company holds at least 75% of the issued share capital of another company. With effect from 11 March 2017, no relief will be granted on transfers involving residential Property-Holding Entities where additional conveyance Duties under S23 of SDA (Duty on conveyance of equity interest in property-holding entities) applies. Refer to Chapter 15 Sect 2.1.2

4.2.2 Stamp duty on transfer of properties

There is little scope in minimising the basic buyer's stamp duty (BSD) on the purchase of properties, whether they are residential, industrial or commercial properties.

But buyers should be aware of seller's stamp duty (SSD) as well as additional buyer's stamp duty (ABSD) applicable to residential properties depending on the timing of the sale, the profile of the buyer and the
number of properties owned or co-owned held by the buyer prior to the purchase of the current property. In the case of industrial properties, only SSD is applicable.

The following are some measures which can lower the stamp duty burden.

(a) Selling the residential or industrial properties after holding for a longer period, to either eliminate or reduce the impact of SSD
(b) Buyer upgrading their profile (eg from foreigner to Singapore permanent resident or even Singapore citizen (SC)) to qualify for less stringent rules
(c) Avoiding joint ownership of properties in the case of married couples as each spouse is considered as having owned one property each, regardless of the partial ownership, thereby increasing the stamp duty exposure for subsequent properties purchased by any spouse
(d) Applying for special stamp duty for certain special scenarios (for example, from 12 January 2013, a married individual with an SC spouse can apply for ABSD refund on their second property if they sell their first property within six months from the date of purchase of their second property for completed property or the issue date of the Temporary Occupation Permit (TOP)/Certificate of Statutory Compliance (CSC), whichever is earlier, if the property was uncompleted at the time of purchase).

Example

Mr Sim Ho Wan is a Singaporean who owns two properties, both bought ten years ago. Since the respective purchases, one property was owner occupied by him and the other property rented out deriving net annual rental income of $100,000. Besides rental income, Mr Sim derives employment income and his chargeable income for 2018 was $800,000.

Mr Sim married a foreign bride from Vietnam in December 2018 and he is contemplating transferring the entire property that was rented out to his wife as a gift in order to save income taxes. The property is currently valued at $3 million.

Advise Mr Sim on his overall tax position, taking into account both income tax and stamp duty considerations.

Solution

Mr Sim’s gift of the entire share of his property that was rented out to his wife may or may not achieve overall income tax savings for the couple.

Although his personal income tax is reduced by $22,000, as he is in the highest income tax bracket (ie $100,000 \times 22\%), this tax saving can potentially be fully negated by income tax for his wife, who may be taxed at the same amount as a non-resident at 22\%. On the other hand, if she qualifies to be treated as a resident, her tax would only be $5,650 (see below), in which case it is possible to achieve an overall income tax savings for the couple of $16,350 ($22,000 \$ 5,650) per year of assessment.

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Assessable income</td>
<td>100,000</td>
</tr>
<tr>
<td>Less personal relief (not entitled to Earned Income Relief)</td>
<td>(0)</td>
</tr>
<tr>
<td>Chargeable income</td>
<td>100,000</td>
</tr>
</tbody>
</table>

| Tax on first $80,000  | 3,350 |
| Tax on next $20,000 @ 11.5% | 2,300 |
|                       | 5,650 |

More importantly, the transfer will attract BSD of $104,600 (4% of $3,000,000 less $15,400) as well as ABSD of $450,000 (15% of $3,000,000) for his wife who is a foreigner. However, there is no SSD payable by Mr Sim, as he bought the property before the introduction of SSD.

The total one-off stamp duty burden of $554,600 (immediate) would have far outweighed any income tax savings (at most, $16,350 per year of assessment).
SECTION SUMMARY

Tax planning to minimise the GST burden can take the form of voluntary GST registration, applying for special GST relief schemes or simply timing the income and expenditure to optimise the cash flow position of a business. There are also opportunities to minimise the impact of stamp duty through qualifying for special reliefs or taking certain actions to avoid the additional stamp duty burden brought about by the curbs introduced to discourage speculative activities in the property market.

5 Provisions in double taxation agreements

SECTION INTRODUCTION

As at 19 July 2016, Singapore has concluded 80 comprehensive avoidance of double taxation agreements (DTAs). Our DTAs are largely based on the Organisation for Economic Co-operation and Development (OECD) Model.

5.1 Articles in the OECD Model Tax Convention on income and capital

The articles of the OECD Model Tax Convention on income and capital scope the persons and taxes covered, define general terms and key terms such as residency and permanent establishment, lay out the tax treatment on different types of incomes and capital, and provide for methods for elimination of double taxation. No one DTA is exactly the same as another even though all of them are generally modelled after the OECD template as they are subject to heavy negotiations between the parties. In this section, we will look at some of the key features in Singapore’s DTA with other countries.

5.1.1 Persons covered

Only persons who are resident in one or more of the contracting States may enjoy the treaty benefits.

5.1.2 Permanent establishment

Under the OECD Model Tax Convention on income and capital, permanent establishment is defined as a fixed place of business through which the business of an enterprise is wholly or partly carried on. It includes:

(a) A place of management
(b) A branch
(c) An office
(d) A factory
(e) A workshop
(f) A mine, an oil or gas well, a quarry or any other place of extraction of natural resources
(g) A building site or construction or installation project which lasts more than 12 months

Where a person who is not an independent agent acts on behalf of an enterprise and habitually exercises, in a contracting State, an authority to conclude contracts in the name of the enterprise, that enterprise may be deemed to have a permanent establishment in the State where the person carried out the activities for the enterprise. A person acting as a broker, a general commission agent or an independent agent in its ordinary course of business in a State would not cause an enterprise to have a permanent establishment in that State.
Permanent establishment does not include:

(a) The use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise

(b) The maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery

(c) The maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise

(d) The maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise

(e) The maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character

(f) The maintenance of a fixed place of business solely for any combination of activities mentioned in points (a) to (e), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character

5.1.3 Business profits

Singapore's DTAs generally exempt business profits from tax derived by non-residents. The non-resident must not be carrying out business through a permanent establishment located in Singapore. The business profits article generally does not cover dividends, interest, royalties, rents and remuneration for personal services which are separately dealt with in other articles in the DTA. These other types of income may be covered in separate articles.

5.1.4 Dividends

Generally, Singapore's DTA provides for the dividends to be taxed in the contracting State where the recipient is a resident or in the contracting State where the dividends are sourced. The country of source would generally provide for reduced withholding tax rate or withholding tax exemption on the dividends. Under Singapore's DTAs, the reduced withholding tax rate or withholding tax exemption does not apply if the beneficial owner of the dividends derived the dividends attributable to a company which is a permanent establishment and resident in the other contracting State.

5.1.5 Interest

Similar to the dividends article, the interest article generally provides for interest to be taxed at a reduced rate or be tax exempted in the country of receipt or the country of source. The reduced rate or exemption does not apply if the interest arose from an indebtedness that is effectively connected to a permanent establishment that the recipient has in Singapore.

5.1.6 Royalties

Under the OECD Model Tax Convention on income and capital, royalties are taxed at a reduced withholding rate or exempt from withholding tax in the country of receipt. Royalties are defined under the model as payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films, any patent, trademark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience. Reduced withholding tax rate or withholding tax exemption does not apply if the royalties are effectively connected with a permanent establishment in Singapore.

5.1.7 Rent

Rent is income derived from letting out immovable properties. It is generally taxed where the property is located.
5.1.8 Capital gains
As Singapore does not tax capital gains, this article will only be found in Singapore's DTAs if requested by the other contracting State.

5.1.9 Income from employment
This article covers salaries, wages and other similar remuneration derived from the exercise of an employment. Under the OECD Model Convention for income and capital, employment income is generally taxed in the State where it is received except where the employment is exercised in the other contracting State. Employment income may be taxed in the State where the income is received if:
(a) The recipient is present in the State where the employment is exercised for not more than 183 days in a tax year or calendar year (as the case may be);
(b) The remuneration is paid by or on behalf of an employer who is not a resident of the State where the employment is exercised; and
(c) The remuneration is not borne by a permanent establishment which the employer has in the State where the employment is exercised.
Income derived by artistes and sportsmen are generally taxed in the State where the activities are carried out and not where the income is received.

5.1.10 Directors' fees
Directors' fees are generally taxed in the State where the company paying the directors' fees is a tax resident.

5.1.11 Government service
Generally, remuneration paid by the Government of a contracting State to a person for provision of services in the other contracting State on behalf of the Government of the contracting State is only taxed in the contracting State.

5.1.12 Students
Generally, payments received by students for the purpose of their maintenance, education or training in the State shall not be taxed in that State.

5.1.13 Profits from shipping, inland waterways transport and air transport
Generally, profits from the operation of ships or aircraft are taxed in full or at a reduced rate in the State where the operator is a tax resident.

5.1.14 Associated companies
Where associated companies of two contracting States do not transact at arm's length, tax authorities in the two contracting States have the right to allocate the income between the associated companies.

5.1.15 Non-discrimination
Under this article, nationals of a state shall not be subject to tax in that State which is more onerous than that levied on the nationals of the other contracting State.

5.1.16 Exchange of information
Under this article, tax authorities of the two contracting States shall exchange information in a way to allow the other State to carry out the provisions in the DTA or to administer or enforce their domestic laws insofar as it is not contrary to the provisions in the DTA.
FURTHER READING

It is worth reading up on the OECD Model Tax Convention on income and on capital at www.oecd.org/ctp/treaties/oecd-model-tax-convention-available-products.htm

SECTION SUMMARY

While the OECD Model Tax Convention on income and capital provides the premise for Singapore's DTAs, each DTA is unique to the circumstances and subject to negotiations between Singapore and the other contracting State. Hence, Candidates should refer to the individual DTAs when determining the tax treaty benefits between Singapore and the other contracting State.

6 Current issues in taxation

SECTION INTRODUCTION

The global tax scene is never stagnant. Tax laws and tax principles may be interpreted differently over time due to social, political and economic developments as well as judgments laid out in the courts.

6.1 Landmark court case on the interpretation of the nature of income

Singapore does not impose tax on capital gains. For taxpayers not engaged in the business of carrying out financial and insurance activities, income derived from investments is generally considered as passive income and capital in nature. However, for taxpayers carrying out financial and insurance activities, any income derived from the financial and insurance activities is considered active business income and IRAS would seek to bring this income to tax on the basis that they are revenue in nature.

In a recent landmark case of Comptroller of Income Tax v BBO [2014] SGCA 10, Singapore's Court of Appeal ruled in favour of an insurance company that its gains from investments are not considered revenue in nature, and hence not taxable. The facts of the case are:

(a) The insurance company had established a Singapore Insurance Fund and an Offshore Insurance Fund for its Singapore policies and overseas policies respectively. The segregation of funds is in accordance with the regulations under the Insurance Act.

(b) These two insurance funds were used to invest in three companies.

(c) The insurance company sold its shares in the three companies subsequently; making a gain of close to $100 million.

(d) IRAS sought to bring the investment gains to tax on the basis that the realisation of assets bought with the insurance premiums in the two insurance funds are revenue in nature and formed part of the taxable income of an insurance business.

(e) IRAS held the view that such gains would only be considered capital in nature and ceased to form part of the taxable income of an insurance business if they are sums in excess of what is required to be retained in the two insurance funds, and are transferred out from the two insurance funds into the shareholders' fund.

(f) The insurance company counter-argued that not all realisation of assets bought with the insurance premiums are revenue in nature.
The insurance company also argued that the Insurance Act only seeks to regulate the insurance industry and not to determine the tax treatment of income derived from an insurance business.

The Court of Appeal ruled in favour of the insurance company and held that the determination of the taxability of income should be based on the SITA and not the Insurance Act. This judgment confirmed the broader principle that regulatory rules do not impact or have little impact on taxation rules. The Court of Appeal ruled that whether any gains or profits are subject to income tax would depend on whether the gains or profits are revenue in nature. To this end, the Court of Appeal applied the tests under the six badges of trade and found that:

(a) The insurance company did not invest in the three companies with the intention to profit from sale of their shares.
(b) The investments in the three companies were held for a long period of time.
(c) The insurance company did not, and did not have the need to, liquidate the shares to settle its insurance business liabilities.

On this basis, the Court of Appeal ruled that the investment gains were capital in nature and hence not taxable.

The immediate implication of the court ruling is that not all income earned by an insurance business is revenue in nature and taxable. The purpose of investing in the assets by an insurance business must be considered in determining the nature and hence, taxability of the income. The wider implication of the court ruling affirms the position that whether or not a gain should be taxable depends on whether it falls under the charging provision (ie Section 10(1) of the SITA).

While it seems that IRAS has sought to tax any income derived by an insurance business by virtue of Sections 26(6) and 26(7) of the Singapore SITA (unless otherwise specified therein), the chargeability of an income to tax is still determined by Section 10 of the SITA. It would be interesting to note whether IRAS would be making refinements to these two sections of the Act to tax any income derived by an insurance business (unless otherwise specified therein).

6.2 Base Erosion and Profit Shifting (BEPS)

Recently, there has been increased worldwide media attention on multinational companies (MNCs) such as Google, Starbucks and Apple not paying their fair share of taxes by way of engaging in legitimate tax planning. All this attention arose due to the BEPS project spearheaded by the OECD. BEPS stands for Base Erosion and Profit Shifting and is targeted at tax planning schemes that MNCs use to artificially shift their profits out of the countries where they are derived, resulting in very low taxes or even double non-taxation. The motivation underlying BEPS is that tax planning schemes distort competition and results in inefficient allocation of investment resources towards jurisdictions which offer higher returns after tax. The outcome is that MNCs can avoid paying taxes legally, undermining the fairness and integrity of tax systems around the world.

On 25 June 2013, the OECD set out action points to address BEPS comprehensively and in a co-ordinated way globally. The key criterion used by the OECD to identify harmful tax practices is low or no effective tax rates. Other key criteria are:

- Ring-fencing from domestic market
- Lack of transparency
- Lack of effective exchange of information

In addition, whether the tax practice attracts activities with low or no economic substance is also a factor used to identify harmful tax practices.
The 15 action points listed by the OECD to counter harmful tax practices are:

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<th>Action</th>
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<td>1</td>
<td>Address the tax challenges of the digital economy</td>
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<td>2</td>
<td>Neutralise the effects of hybrid mismatch arrangements</td>
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<td>3</td>
<td>Strengthen Controlled Foreign Companies rules</td>
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<td>4</td>
<td>Limit base erosion via interest deductions and other financial payments</td>
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<td>5</td>
<td>Counter harmful tax practices more effectively, taking into account transparency and substance</td>
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<td>6</td>
<td>Prevent Treaty Abuse</td>
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<td>7</td>
<td>Prevent artificial avoidance of permanent establishment status</td>
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<tr>
<td>8 to 10</td>
<td>Assure that transfer pricing outcomes are in line with value creation</td>
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<td>11</td>
<td>Measuring and Monitoring BEPS</td>
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<tr>
<td>12</td>
<td>Require taxpayers to disclose their aggressive tax planning arrangements</td>
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<tr>
<td>13</td>
<td>Re-examine Transfer pricing documentation</td>
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<td>14</td>
<td>Make dispute resolution mechanisms more effective</td>
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<td>15</td>
<td>Develop a multilateral instrument</td>
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In 2015, the OECD/G20 BEPS Project Explanatory Statement – 2015 Final Reports was delivered which included a package of 13 reports (including the consolidation of the first 7 reports in 2014) with new or reinforced international standards as well as concrete measure to help countries tackle BEPS. Further reports were released for Action 4 and Action 2 in 2016 and 2017 respectively.

The BEPS project is currently ongoing and it remains to be seen how the developments will unfold, especially when the success of this project depends on meeting the interest of countries around the world. It is well known that BEPS may not serve the interest of all countries, especially given the wide division between developed and developing nations.

In June 2016, an inclusive framework was established by OECD and endorsed by G20 for the global implementation of the BEPS project where all state and non-state jurisdictions that commit to the BEPS project will participate as BEPS Associates of the OECD’s Committee on Fiscal Affairs (CFA). The first and second meeting on the Inclusive Framework on BEPS was held on 30 June – 1 July 2016 in Kyoto, Japan and on 26 January – 27 January 2017 in Paris, France respectively.

**Effect on Singapore**

The BEPS project puts pressure on Singapore’s tax regime, particularly our tax incentives in the following way as our tax incentives may be assessed as harmful tax practices:

(a) Our tax incentives such as the Pioneer Incentive and the Development and Expansion Incentive result in low or no tax, potentially giving rise to double non-taxation.

(b) Our tax incentives may be perceived as lacking in transparency, as qualifying conditions for incentives are not publicly available and conditions are negotiable on a case by case basis.

(c) Incentives such as the Financial Sector Incentives and the Global Trader Programme only incentivise income earned from operations outside of Singapore. These incentives may be considered ring-fenced as they require transactions to be carried out with foreign parties. Incomes earned from business carried out domestically are not incentivised.

(d) Our tax incentives may also be perceived as lacking in economic substance where there is no requirement for economic substance. One example would be the Pioneer-Service Incentive. Tax incentives such as the Global Trader Programme which incentivises mobile income may also be perceived as lacking in substance locally, as it incentivises income derived from offshore trading.
IRAS has indicated that it supports the key principle underlying the BEPS project, namely that profits should be taxed where the real economic activities generating the profits are performed and where value is created. In June 2016, Singapore has announced that she will join the inclusive framework and will work with participating jurisdictions to ensure the consistent implementation of measures under the BEPS project. As a BEPS Associate of the OECD’s Committee on Fiscal Affairs (CFA), Singapore is committed to implement the four minimum standards under the BEPS projects as follows:

- Countering harmful tax practices (Action 5)
- Preventing treaty abuse (Action 6)
- Transfer pricing documentation; Country-by-Country Reporting (CbCR) [Action 13]
- Enhance dispute resolution [Action 14]

In view of Singapore’s implementation of the BEPS measures, Singapore is committed to work with the international community with a view to counter artificial shifting of profits and to continue defending our tax regime as one that is built on economic substance.

Singapore’s Position on the Four Minimum Standards

- Countering harmful tax practices (Action 5)
  While Singapore uses tax incentives to promotion investment in certain areas of the economy, such incentives are granted only if there are substantive operations in Singapore which contribute meaningfully to the growth of the overall economy. Further, regular reviews of the tax incentives have led to the expiry of some tax incentives with other tax incentives being refined over the years.

- Preventing treaty abuse (Action 6)
  Anti-treaty shopping provisions were already incorporated into a number of Singapore bilateral tax treaties to prevent abuse. Singapore signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the ‘Multilateral Instrument’) in June 2017. This allows Singapore to efficiently update its network of Avoidance of Double Taxation Agreements to incorporate tax-treaty related measures to counter BEPS without the need to re-negotiate each DTA.

- Transfer pricing documentation; Country-by-Country Reporting (CbCR) [Action 13]
  Singapore supports the internationally agreed arm’s length principle. In addition, Singapore implemented Country-by-Country Reporting (CbCR) for Singapore head-quartered multinational enterprises with group turnover exceeding $1,125 million for financial years beginning on or after 1 January 2017.

- Enhance dispute resolution [Action 14]
  In addition to being active in resolving cross-border tax disputes with foreign tax authorities whom Singapore has bilateral tax treaties with, Singapore will also work closely with other jurisdictions to monitor the implementation of minimum standards on dispute resolution developed under the BEPS project.

  In signing the Multilateral Agreement in June 2017, Singapore adopted BEPS minimum standards for enhancing dispute resolution. In addition, Singapore has opted for the mandatory binding arbitration provision to be included in its DTAs as they provide certainty to taxpayers that treaty-related disputes will be resolved within a specified time frame.

**FURTHER READING**

It is worth reading up on the OECD’s publications on the BEPS project at [www.oecd.org/ctp/what-the-beps-are-we-talking-about.htm](http://www.oecd.org/ctp/what-the-beps-are-we-talking-about.htm).
SECTION SUMMARY

These are two major recent tax developments that Candidates should look out for as these will bring interesting changes to the Singapore tax regime. When tax planning, the objectives of the BEPS project should be kept in mind.

7 Tax-efficient investment

SECTION INTRODUCTION

Tax efficiency is critical in maximising returns on investments. Due to the myriad of legal jargon and increasing complexities in application of tax laws, many investors are unable to manage their portfolio to minimise their tax burden.

7.1 Overview of a tax-efficient holding structure

Tax efficiency is a measure of the amount of return that the shareholders receive after applicable taxes are paid. A tax-efficient holding structure not only streamlines the businesses of a group and has sound commercial basis, but it can also form the cornerstone for future restructuring at low or even no tax costs. At the same time, an overly complicated corporate structure may be difficult to administer and costly from a tax perspective.

In addition, investors should consider the impact of tax on the cash flow of their businesses. It is common that many investors assume that every dollar that their investments derive after paying the applicable taxes on the income will be channelled to them dollar for dollar. However, due to potential tax leakage, such an assumption may not be true.

Indeed, there are no hard or fast rules for creating ‘the best’ holding structure from a tax perspective. Each investment should be reviewed carefully under its own particular circumstances. In addition, as ownership structures and funding arrangements could be interrelated, there may also be a need to consider the tax implications of the funding of the investment, on top of its holding structure. Investors also have to consider the impact of the anti-tax avoidance measures which are becoming increasingly common in all jurisdictions in today’s economic environment.

Some major issues that should be monitored include thin-capitalisation rules (ie rules disallowing tax deduction on interest expenses arising from excessive related-party loans) and the general anti-tax avoidance rule (ie rule allowing tax offices to adjust or disregard all arrangements which are entered into for the main purpose of reducing, exempting or deferring tax).

7.2 Areas to note when reviewing tax efficiency of an investment

While there is no exhaustive list of areas to check for tax leakage when reviewing the tax efficiency of an investment, there are some key areas that an investor should consider when reviewing the tax efficiency of their investments:

(a) Cost of profit repatriation

While retaining and reinvesting profits may yield better returns in the long run, there will be a time where the investment needs to consider the issue of profit repatriation. Common forms of profit repatriation include by means of dividend, repayment of shareholder loan, interest payment and service/management fees.
In many jurisdictions, revenue/profits may be taxed again in the country of receipt even though they may already be subject to tax in the country of source. Double taxation means additional costs and reduces the returns on investment. The costs may vary depending on the mode of profit repatriation. Hence, there is a need to evaluate the domestic tax rules in the jurisdiction where the investment is located to determine the most tax-efficient mode of repatriation. Examples of additional tax cost on profit repatriation are dividend and interest withholding tax.

Example

BKT Pte Ltd, a Singapore-incorporated company, has a wholly owned subsidiary, BKT Sdn Bhd, incorporated in and tax resident of Malaysia. To help BKT Sdn Bhd expand its operations in Malaysia, BKT Pte Ltd extended a shareholder loan which bears simple interest at 10% per annum on a 'on due claim' basis. In FY 2018, as BKT Pte Ltd requires additional funds to take on a new research and development project, BKT Pte Ltd has decided to repatriate the profits derived by BKT Sdn Bhd.

Advise BKT Pte Ltd on the various possible options that it can consider to extract profits from its Malaysian subsidiary, keeping in mind that BKT Pte Ltd is still interested in maintaining its presence in Malaysia, as it is a lucrative market for the business.

Solution

Considering that BKT Pte Ltd intends to maintain its presence in Malaysia, liquidating BKT Sdn Bhd and having liquidated proceeds returned via return on investment is not an option at this time. Hence, based on the case facts provided, BKT Pte Ltd can consider the following options and the respective tax cost from a Malaysia and Singapore tax standpoint:

(i) Repatriation via dividend

BKT Sdn Bhd may declare dividend to BKT Pte Ltd, subject to the satisfaction of the local requirement. As Malaysia does not have a dividend withholding tax regime, there is no additional Malaysian tax cost. Upon receipt of the dividend income in Singapore, BKT Pte Ltd should not have additional Singapore income tax liability assuming that the dividend from BKT Pte Ltd qualifies for exemption under Section 13(8) of the Singapore SITA.

(ii) Repatriation via interest

BKT Pte Ltd may instruct its Malaysian subsidiary to pay the interest income from its shareholder loan. Generally, under the domestic tax rules, the interest withholding tax for payment to a non-resident is 15%. If BKT Pte Ltd can furnish a certificate of residence issued by IRAS, the rate applicable will be 10% under the Singapore–Malaysia double tax treaty. From a Singapore tax standpoint, the interest income will be subject to tax. However, the withholding tax suffered can qualify for tax credits provided that the proof of tax payment (ie withholding tax certificate) is retained.

As seen in the example above, it is necessary and critical to consider not only the tax implications in the jurisdiction where an investment is located but also the tax considerations when the profits are repatriated. A thorough review will help to mitigate any unnecessary tax cost.

(b) Investment exit cost

Most investments are made with a horizon in mind. There is no investment that lasts forever. Hence, there is also a need to consider any tax cost when the investor intends to exit from the investment right from the start. Failure to do so will further complicate matters when divesting the investment in future. Unexpected tax costs may hurt returns and reduce the amount that is received by the investor.

Some examples of investment exit costs include tax on gains on disposal of shares or immovable property. Recently, the Singapore Court ruled on the nature of gains of an insurance business
which disposed of shares. Refer to Section 6.1 for further reading. It is to be noted that, in other jurisdictions, exit costs may come in different forms and potentially include other types of taxes such as stamp duty.

SECTION SUMMARY

To mitigate unnecessary tax costs, one should pay attention to the investment structure at the outset. Areas to take note of include tax cost of profit repatriation and exit from investment. Usually, there is more than one alternative to the above and each should be evaluated cautiously.

8 Impact of taxation on business cash flow

SECTION INTRODUCTION

Tax is a cost and reduces the cash flow of a business. Businesses need to manage the timing of tax payment effectively to maximise the use of their cash.

8.1 Tax expense and cash flow

For accounting purposes, a business may need to account for deferred tax assets and deferred tax liability. These are book adjustments and do not have an immediate impact on the cash flow of a business. However, tax payable is a current expense and immediately affects the cash flow of businesses. For this reason, businesses aim to minimise their tax liability and/or defer their tax liability. For example, businesses may mitigate or defer their tax liability by establishing tax-efficient structures or claiming accelerated deductions and allowances. By deferring the cash outflow from tax liabilities, a business can reinvest the money to generate more profits. Hence, we can see that businesses typically opt to pay their taxes in instalments to free up their cash flow for other uses and they may also utilise tax exemption schemes such as the Section 13(8) income tax exemption to maximise their returns from overseas investments.
Chapter Roundup
Quick Quiz

1. Define the term 'tax planning' and distinguish it from tax evasion.
2. Briefly discuss two employment benefits in kind that are either not taxable or subject to concessionary tax treatments.
3. Briefly discuss three ways to maximise deductibility of trade expenses for companies.
4. Briefly discuss three ways to cut down on business costs due to GST.
Answers to Quick Quiz

1. Tax planning is a process involving the structuring and arrangement of transactions in such a manner as to minimise present or future tax liabilities. Unlike tax evasion, where the tax obligation is avoided through illegal means such as the falsification of returns or the concealment of income, effective tax planning achieves tax minimisation through proper means such as the utilisation of tax regulations to one's benefit. Usually, the tax planning exercise is closely supported by sound commercial decisions. Tax evasion may involve penalties of up to 400% of the tax undercharged, fines of up to $50,000 and/or imprisonment terms of up to five years.

2. Below are two examples of employment benefits in kind that are either not taxable or subject to concessionary tax treatments.
   - Receiving interest-free or interest-subsidised loans which are not taxable if the company has a scheme for all its employees, excluding directors and staff with influence over the company.
   - Partial or full subsidies of course fees provided this is part of training provided by the employer and is available to all staff.

3. Below are three ways to maximise deductibility of trade expenses for companies.
   - Ensuring that the business earns its first dollar of trading receipt by the end of the second accounting period in order to claim pre-commencement expenses.
   - Ensuring that the conditions required to be satisfied for tax deduction are met (e.g., claiming bad debts, stock obsolescence, interest, repairs, qualifying renovation and refurbishment expenses).
   - Claiming enhanced deductions/allowances for certain productivity and innovation credit (PIC) related expenses such as research and development, design, training, leasing of prescribed automation equipment and registration of intellectual properties. Note that the PIC Scheme will expire in YA 2018.

4. The three ways to cut down on business costs due to GST are:
   - Timing the issuance of invoices pertaining to the sale of goods and services (near the beginning of a GST quarter where payment is received subsequently) and the incurring of the expenditure (near the end of a GST quarter).
   - Applying for available incentives that provide temporary reliefs for importation of goods (e.g., major exporter scheme, import GST deferment scheme, zero-GST warehouse scheme).
   - Buying goods and services from non-GST registered entities.
Answers to Questions

16.1 To constitute tax avoidance under Section 33 of the SITA, the transaction or arrangement must fall under one of the three limbs below:

- It should alter the incidence of any tax which is payable, or which would otherwise have been payable by any person; or
- It should relieve any person from any liability to pay tax or to make a return under this Act; or
- It should reduce or avoid any liability imposed or which would otherwise have been imposed on any person by this Act.

As a first line of defence, the taxpayer can attempt to argue that the transaction or arrangement is not caught under any of the three limbs above. Notwithstanding that the above is satisfied, if a taxpayer can substantiate that the arrangement is carried out for bona fide commercial reasons that did not have as one of its purposes the avoidance or reduction of tax, then the tax avoidance provisions under Section 33 of the SITA will still not apply.

16.2 To support a capital gains argument, a taxpayer may rely on the following actions:

- Demonstrate that a property was acquired for long term investment by showing that it produces decent rental yields, supported by feasibility studies
- Hold the property for a long period
- No prior history in selling properties
- Do not engage in any subsequent actions after the purchase of the property that can enhance its marketability
- Sale of the asset supported by commercial reasons (eg rental yield for property no longer as attractive due to change in external circumstances), rather than being prompted by a profit motive

16.3 Resident individuals can consider making the following payments in December of each year to reduce their personal taxes:

(a) Voluntary CPF contributions (only for Singaporeans and Singapore permanent residents), if they derive income from self-employment.

(b) Voluntary cash top-ups to their CPF Account (only for Singaporeans and Singapore permanent residents) in their Special/Retirement Account as well as the accounts of eligible relatives, which includes their parents/parents in law, grandparents/grandparents in law, spouse and siblings.

(c) Voluntary contributions to their Supplementary Retirement Scheme account. This is applicable to Singaporeans, Singapore permanent residents and foreigners.

(d) Premiums for life insurance premiums, mainly in the case of foreigners who are not required under the law to make CPF contributions, or Singaporeans and Singapore permanent residents who have not contributed up to $5,000 CPF contributions in any year.
PRACTICE QUESTIONS
1. Mary Chan

Mary Chan, a Singaporean, married Cameron Allen, an Australian citizen, in 2015.

Mary owns a residential property in Jurong West and another commercial property at Bukit Timah. Both properties were bought in the month of August 2015. The residential property is owned jointly with her 22 year old son from her first marriage, whereas the commercial property is wholly owned by her.

Cameron has saved enough money to buy a terraced house in Novena to stay with his wife in January 2019 at a cost of $4 million, and thought he could save stamp duty by making the purchase under a joint ownership with Mary. The annual value of the terrace house is $150,000 in 2019.

At the same time, Mary wants to dispose of both her residential and commercial properties in January 2019 at market values of $4 million and $5 million respectively.

Required

Compute the following.

(a) The amount of stamp duty payable on the purchase of the terraced house under joint ownership, and whether it would make a difference had the purchase been made solely in the name of Cameron. (10 marks)

(b) The amount of stamp duty payable on the sale of the residential and commercial properties by Mary. (5 marks)

(c) The amount of annual property tax payable on the terraced house for the year 2019. (5 marks)

(Total = 20 marks)
2. Stampede Trading Pte Ltd

Stampede Trading Pte Ltd (STPL) is part of a group comprising Singapore, and foreign, incorporated companies. STPL has been profitable and paying taxes for many years up to the Year of Assessment 2017. However, due to the termination of agreements by a few key suppliers, STPL started to chalk up substantial unutilised tax losses and unutilised capital allowances for the Years of Assessment 2018 and 2019, totalling about $5 million.

STPL is contemplating liquidating the company.

Required

As an external tax adviser appointed by STPL, discuss why the company should not be liquidating the company and instead advise what the viable options are to maximise STPL's tax position. (12 marks)
3. Clem Chiong, Gina and Phil

(a) Clem Chiong is a successful businessman who owns several manufacturing plants in Guangzhou, a province in China.

During one holiday with his family, he came to Singapore and was very impressed by the infrastructure and business environment. Feeling confident of the prospects of the Singapore economy and its political stability, he felt that Singapore was a good place to invest in.

Three months after his holiday, he visited Singapore again and engaged a team of consultants who would help identify potential manufacturing companies that he could invest in. He intends to purchase the shares of these Singapore companies and integrate them into his existing business. His consultants also identified a small commercial property that they think would be of interest to Clem Chiong. The property has a market price of $660,000 but they are confident that they could acquire it for around $580,000.

While reading the draft sales and purchase agreement that his legal counsel has drafted for him, he noticed this clause:

'Buyer is responsible for any and all taxes, including stamp duty, that are applicable to the transaction.'

As Clem Chiong is not familiar with the tax system in Singapore, he has asked his consultancy team to explain the stamp duty implications that he has to be aware of and the amount of stamp duty he would be expected to pay on shares with a market value of $220,000.

Required
Advice Clem Chiong of his stamp duty obligations. You are expected to illustrate your answer with calculations. (6 marks)

(b) Gina, a Malaysian citizen and a Singapore permanent resident, owns two terrace units at Chestnut Drive in Singapore. Unit 13 was acquired in the 1970s while Unit 14 was a recent acquisition by Gina after her neighbour indicated to her that they would like to sell their unit. Gina purchased the unit and the transaction was completed on 1 June 2017.

In January 2018, Gina's only grandson, Dominic, decided to move back to Singapore from the US to stay with her. Dominic was unable to adapt to the way of life in Singapore and was unhappy. To persuade Dominic to adjust and make Singapore his permanent home as Gina was getting old and she hoped that Dominic could be around her in times of need, she decided to give one of the units to him as a gift. They went to a lawyer to effect the transfer of title. Gina, after some considerations, decided to transfer Unit 14 to Dominic as she has an emotional attachment to Unit 13 given that she has lived there for decades. The market value of Unit 14 is S$2.3 million on the date of the intended transfer, which is scheduled to be on 1 May 2018.

Required
Comment on Gina's obligations with respect to the Singapore stamp duty regime. Specifically comment on whether it would be better for Gina to transfer Unit 13 to Dominic instead. (6 marks)

(c) Phil, a Singapore citizen, owns three residential properties in Singapore, namely Property A, B and C. These are all acquired in the 1990s when he made his fortune selling coffee and setting up the famous coffee chain, P-Coffee. As he has recently handed over the running and operating of his business empire to his eldest son, he has decided to take a break and focus on his passion of investing in properties and shares.

In December 2017, he bought over a residential apartment in East Coast for $1 million. This is the first real estate investment Phil has made in the last ten years. In August 2018, another businessman offered him a sum of $1.5 million for the same apartment. After some consideration, he decides to sell the apartment as he believes that the property market may burst in the near future. In addition, he decided to give one of his properties, Property A, as a gift to his son in celebration
of the birth of his grandson. Phil’s son is a Singapore citizen and he does not yet own his own property in Singapore. He initiated legal proceedings to have Property A transferred as a gift. The market price of Property A is estimated to be $2.3 million.

In the last month, he has also acquired shares of a new coffee roasting company, Baked Beans Pte Ltd, in his name for $700,000 which includes a 10% premium over the net asset value of the shares. Baked Beans Pte Ltd is not a public listed company.

Required

Explain the stamp duty obligations of Phil and how the value of each transaction is ascertained for the purpose of computing stamp duty. Please state any assumptions made. (13 marks)
4. Tea-Origin Limited

Tea-Origin Limited (TOL) is a company incorporated and tax resident in Hong Kong. TOL operates a chain of traditional Cantonese tea houses in Hong Kong and it is famous for both its special tea brews and its traditional Cantonese snacks. It also has subsidiaries in related business in other parts of the world.

In 2014, TOL set up a Singapore branch to run two Cantonese Tea Houses in Singapore. The Singapore branch started generating profits from its second year of operations. However, the Singapore branch incurred an adjusted tax loss of $28,000 and $7,000 in the year ended 31 December 2017 and 2018 respectively due to the investment in a third Cantonese Tea House. TOL has incorporated a wholly owned Singapore subsidiary Tea-Sing Pte Ltd (TSPL) in February 2019 to take over the business operations of the Singapore branch (ie the three Cantonese Tea Houses in Singapore). As at 28 February 2019, the Singapore branch has the following assets and liabilities:

1. Non-current assets which comprise of kitchen equipment, tea brewing equipment, tables and chairs for the three tea houses. All the assets relating to the first two tea houses set up in 2014 have a nil tax written down value. The assets purchased in 2017 for the third tea house costs $120,000 and they have a current market value of $75,000.

2. Inventories which comprise of tea leaves and ingredients.

3. Payables for purchases of tea leaves and ingredients.


Mr. Jonathan Chow who currently heads the Singapore branch will assume the position of the managing director of the new entity. Although his new employment contract will be with TSPL, there is no change to his remuneration package. Jonathan expects the Singapore subsidiary to start generating profits from its first year of operations (ie in the period to 31 December 2019).

The following information is relevant to part (c) only.

One of the TOL's subsidiaries is Blessed Teapots Inc. (BTI), a company incorporated and resident in the US. It is in the business of manufacturing and selling exotic teapots. It currently only has retail presence in the US and the company is looking to expand its retail presence in Singapore.

To test the market demand, the board of BTI decided to launch some activities in Singapore. The planned activities include participating in an industry-related trade fair, and the setting up of print and online media targeted at the individual consumers in Singapore. BTI has entered into agreements with exclusive agents to sell the products in Singapore. The agents can only act for BTI and will secure sales based on prices provided by BTI. The products will be stored locally and maintained by the agents for distribution to the customers. The agents will be remunerated on a commission basis, depending on the number of sales they have secured.

During a discussion between the CEO of BTI and the finance team on the expansion plans for BTI, the finance manager raised the issue of whether the 'agents' would create any tax exposure for BTI. However, as the finance manager is not familiar with Singapore tax law, she decided to consult your tax firm.

**Required**

(a) State the income tax consequences for TOL resulting from the transfer of the Singapore branch's business to TSPL and suggest any action that can be taken to mitigate any Singapore tax exposure. (15 marks)

(b) Consider the impact on your answer to part (a) if the proceeds on the transfer of non-current assets were $30,000 instead of market value. (5 marks)

(c) Explain to the CEO whether or not BTI has a permanent establishment in Singapore due to the presence of the exclusive agents and advise her of an alternative potential business vehicle for operating in Singapore without having a Singapore-incorporated company. (5 marks)
1. Mary Chan: Answer

(a) There is a basic buyer's stamp duty (BSD) for the purchase of the residential property, and this amount is payable by the buyer. The BSD is $144,600 (ie 4% of $4 million less $15,400), regardless of the residential status of the buyer.

In addition, there is additional buyer's stamp duty (ABSD) for purchases made on or after 12 January 2013 is 15% for foreigners and 7% for Singapore citizens buying the second property. If purchase is made solely in the name of Cameron, the stamp duty applicable will be $600,000 (15% × $4m) as he is a foreigner on the date of purchase (ie January 2019).

If purchase is made solely in the name of Mary, the stamp duty applicable will be $280,000 (7% × $4m) as Mary is a Singapore citizen who already owns one residential property, and hence this new purchase will be treated as her second purchase.

In this instance, for joint ownership, the ABSD is computed based on the higher of the two rates, ie 15% of $4,000,000 ($600,000). As a result, there is no difference whether the purchase is made solely in the name of Cameron or under joint ownership with Mary.

(b) For residential properties acquired between 14 January 2011 and 10 March 2017, seller's stamp duty (SSD) is applicable if the holding period is less than 4 years. In this instance, if the residential property is disposed of in January 2019, the holding period is more than three years but less than four years from its purchase date in August 2015 where SSD of 4% is applicable. The SSD payable by Mary is therefore $160,000 ($4 million × 4%). There is no SSD on the disposal of the commercial property that is bought before 12 January 2013.

(c) The annual property tax payable on the $4 million owner-occupied terraced house with an annual value of $150,000 is $12,580 calculated as follows:

| First $130,000       | $9,380 |
| Next $20,000 @ 16%  | $3,200 |

| Total               | $12,580 |
2. Stampede Trading Pte Ltd: Answer

It is not tax efficient to liquidate a company with unutilised tax losses and capital allowances, as such loss items cannot be transferred to another entity and would be forfeited once the company is liquidated. Instead, the company should consider the following viable options.

1. Introduce profitable businesses into STPL. This is the most direct way of utilising an entity's loss items. If this poses a difficulty, the company can bring in new shareholders who can inject such profitable businesses. The major obstacle is the shareholding test which is likely not to be met. A waiver of the shareholding test may also be hard to secure, as it is not easy to demonstrate that the substantial change in shareholders is not tax motivated. One way to overcome this is to have the new shareholder acquiring only 50% of the shares, resulting in no substantial change in shareholders. The remaining 50% stake should only be acquired after all the loss items have been fully set off by future taxable profits.

2. Where it is clear that future profits are hard to come by, the company should look into transferring current year loss items to be set off against the assessable income of eligible group companies. However, this is only possible if the company transfers loss items pertaining to the Year of Assessment (YA) 2019 in the same YA. Group relief provisions can no longer apply to the Year of Assessment 2018 loss items as these are no longer current year loss items.

3. Carry back relief provisions are not applicable for YA 2019 loss items, as the company also incurred loss items for the immediate preceding YA 2018. On the other hand, the company ought to have carried back up to $100,000 unutilised capital allowances for YA 2018 to set off against the assessable income for YA 2017 to claim back some tax refunds. But this should have been done in YA 2018.
3. Clem Chiong, Gina and Phil: Answer

Mapping of contents

<table>
<thead>
<tr>
<th>Learning outcome</th>
<th>Cognitive levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explain the duties payable on transfers of shares and securities.</td>
<td>3</td>
</tr>
<tr>
<td>Explain the duties payable on transfers of immovable property.</td>
<td>3</td>
</tr>
<tr>
<td>Explain the duties payable on lease and tenancy agreements.</td>
<td>3</td>
</tr>
</tbody>
</table>

Tutorial notes

This question tests Candidates on various aspects of stamp duty including both narrative and calculations. In practice, most of the instruments are stamped after they have been executed. However, Candidates need to be aware that, under Section 42 of the Stamp Duties Act, instruments should be stamped prior to execution and where instruments are stamped after execution, there is a scale of penalties.

Marking guide

(a)  
- What is stamp duty
- Point 1
- Point 2
- Point 3
- Negotiate to revise the clause
- Stamp duty on shares
- Buyers stamp duty – narrative
- Use of higher price
- Stamp duty on commercial property
- Time limit for payment

(b)  
- Dutiable instrument
- Stamp duty obligation – general narrative
- Stamp duty obligation – specific to Gina
- Less than 1 year
- Gift
- Use market value
- Stamp duty calculation
- Unit 13 – more than 4 years ownership – no SSD
- Implications for Dominic

(c)  
- Stamp Duties Act
- Penalties for lateness, failure to stamp and evasion
- Dutiable instruments for Phil
- Transaction 1
- Transaction 2
- Transaction 3
- Transaction 4

TOTAL 25 marks
Answer points

(a) Stamp duty is a tax imposed on dutiable instruments (ie documents) relating to stocks, shares and immovable property.

Clem Chiong should be made aware of the following:

1. The sales and purchase agreement relating to transfer of shares of a Singapore company is an instrument that is dutiable. The only exception is in the case where the shares are stored electronically in the CDP (for shares traded on the SGX).

2. The amount of stamp duty applicable on a share transfer is 0.2% on the higher of the market value of the shares or the purchase consideration.

3. While the stamp duty obligation is provided for under the law by default, parties are able to negotiate on the liability of stamp duty in a contract. In this case, the clause in the draft agreement suggests that Clem Chiong will be made responsible for any stamp duty applicable. In other words, IRAS will come after him in the event that the stamp duty is not paid.

Clem Chiong could negotiate with the seller to revise this clause to ensure that the stamp duty obligations do not fall on him.

In the event that Clem Chiong agrees to bear the cost, then the amount of stamp duty that he would be obliged to pay with regard to the purchase of the shares would be $440 ($220,000 \times 0.2\%).

With regard to the commercial property, Clem Chiong would be liable to buyer's stamp duty on the higher of the market price and the purchase price. In this case, the higher price of $660,000 would be used. Buyer's stamp duty is at 1% on the first $180,000, 2% on the next $180,000 and 3% on the balance and therefore the total stamp duty payable would be $14,400.

Clem Chiong will have 14 days from the date of each agreement to pay the stamp duty if the instruments are executed in Singapore. If they are executed outside Singapore then he would have 30 days, from the date the agreements are received in Singapore, to pay.

(b) Generally, stamp duty is a tax on instruments relating to immovable properties, stocks or shares. Such instruments are also known as dutiable instruments. The potential dutiable instrument in this case is the transfer of the Unit 14 terrace unit on Chestnut Drive to Dominic.

Stamp duty obligation analysis

Under the Singapore stamp duty regime for immovable properties, the seller's stamp duty (SSD) regime was introduced in February 2010. This stamp duty is applicable on sellers who acquire residential properties on or after 20 February 2010 and dispose of them within the holding period. From 11 March 2017 the following rates applied:

<table>
<thead>
<tr>
<th>Holding period</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year or less</td>
<td>12%</td>
</tr>
<tr>
<td>between 1 and 2 years</td>
<td>8%</td>
</tr>
<tr>
<td>between 2 and 3 years</td>
<td>4%</td>
</tr>
<tr>
<td>more than 3 years</td>
<td>no SSD</td>
</tr>
</tbody>
</table>

The above rates will be applicable to the transaction amount or market value, whichever is higher.

Gina bought over the second property (Unit 14) in June 2017. Assuming that the transfer of Unit 14 to Dominic proceeds as intended, she would be disposing of property within the holding period of less than one year. Notwithstanding that the property was transferred as a gift, stamp duty is still applicable as the transfer of the immovable property deed is considered a dutiable instrument. Given that no consideration is involved, the market value (ie $2.3 million) of the property will be used to determine the stamp duty payable.
Accordingly, her stamp duty payable is as such:

**Seller stamp duty**

\[
12\% \times 2.3 \text{ million} = 276,000
\]

**Whether Gina should transfer Unit 13 to Dominic instead**

Based on the case facts above, Unit 13 was acquired by Gina in the 1970s. As this was before 20 February 2010, the seller stamp duty mentioned above would not be applicable. On the assumption that the value of Unit 13 is similar to Unit 14, Gina can consider if she would like to transfer Unit 13 instead to avoid paying the SSD.

For Dominic, it makes no difference to him whether Unit 13 or Unit 14 is being transferred to him if the value of the two Units are the same as the amount of stamp duties that he will have to pay will be the same, ie \((4\% \times 2.3\text{mil}) = 15,400 = 76,600\). However, Dominic may be liable to Additional buyers stamp duty unless the property gifted to him is his first residential property in Singapore and he is a Singapore citizen.

**The Stamp Duties Act**

The Stamp Duties Act dictates that all instruments chargeable with duty and executed by any person in Singapore must be stamped before execution. In practice, however, persons are allowed up to 14 days from the date of the Agreement to pay the stamp duty if the instrument is executed in Singapore or up to 30 days from the date of receipt of the instrument in Singapore to pay the stamp duty if it is signed outside Singapore. Failure to adhere to the above timeline constitutes late stamping and will attract penalties.

In addition to late payment penalties, failure to stamp or evasion of stamp duty are also offences under the Stamp Duties Act. Any person who does not duly stamp an instrument that is chargeable with stamp duty is liable to a penalty of up to $1,000. Evasion of stamp duty is a serious offence that sees the offender being fined up to $10,000 or to imprisonment for a term not exceeding three years or both. The offender will also be required to make good the stamp duties due as well as the penalties imposed after being prosecuted in court. The maximum penalty is four times the amount of stamp duty. On top of the financial penalty, it should be noted that the Stamp Duties Act confers the authority the power to impound the abovementioned instrument and that such instrument, when not stamped, is inadmissible as evidence in court in the event of a dispute.

**For Phil, the potential dutiable instruments are:**

**Immovable property**

1. Purchase of the residential apartment in December 2017
2. Sale of the same apartment in August 2018
3. Transfer, by way of gift, of Property A to his son

**Shares**

4. Purchase of shares in Baked Beans Pte Ltd

**Transaction 1**

The transaction was effected in December 2017. In absence of further information, it is assumed that the transfer was effected and completed in December 2017. As Phil has owned more than two residential properties at the time of purchase, he is liable to (i) buyer stamp duty applicable to the transfer of the property and (ii) additional buyer stamp duty (ABSD) on the same property.

For a Singapore citizen purchasing third and subsequent residential property, ABSD is computed at the rate of 10% of the actual price paid or the market value of the property, whichever is higher. In the absence of details, we have assumed that the $1 million paid by Phil is the higher amount.
Accordingly, the total stamp duty on this transaction is as follows:

**Buyer stamp duty**

- First $180,000 levied at 1% = $1,800
- Next $180,000 levied at 2% = $3,600
- Remaining $640,000 levied at 3% = $19,200
- **Stamp duty payable** = $24,600

**Additional buyer stamp duty**

- 10% × $1m = $100,000

**Total stamp duty payable is $124,600.**

**Transaction 2**

Residential properties purchased on or after 11 March 2017 and disposed of will be subject to SSD based on the higher of the transaction amount or market value according to the respective holding period below:

- Holding period of 1 year or less = 12%
- Holding period of between 1 and 2 years = 8%
- Holding period of between 2 and 3 years = 4%
- Holding period of more than 3 years = Not subject to SSD

Phil bought the apartment in December 2017 and subsequently sold it in August 2018. As his holding period is less than a year, his stamp duty payable is as follows:

**Seller stamp duty**

- 12% × $1.5m = $180,000

**Total stamp duty payable is $180,000**

**Transaction 3**

The transaction relates to Property A that was acquired by Phil back in the 1990s. Although the property was transferred as a gift to his son in celebration of the birth of Phil’s grandson, stamp duty is still applicable as the transfer of the property deed is considered a dutiable instrument. Given that no consideration is involved, the market value of the property will be used to determine the stamp duty payable.

As the property was acquired prior to 20 February 2010, seller stamp duty is not applicable on this transaction. Additional buyers stamp duty does also not apply as Phil’s son is a Singapore citizen and this gift would be his first residential property in Singapore. Accordingly, the total stamp duty on this transaction is as such:

**Buyer stamp duty**

- First $180,000 levied at 1% = $1,800
- Next $180,000 levied at 2% = $3,600
- Next $640,000 levied at 3% = $19,200
- Remaining $1,300,000 levied at 4% = $52,000
- **Stamp duty payable** = $76,600

**Total stamp duty payable is $76,600**

**Transaction 4**

The transfer of shares of a Singapore company is subject to stamp duty. Generally, the value of the shares listed on the SGX for stamp duty purposes is based on the ‘average price’ pursuant to Section 13(1) of the Stamp Duties Act. As Baked Beans Pte Ltd is not a listed company, the net asset value of the shares based on its latest financials may be used to compute the stamp duty...
payable. As Phil paid $700,000 for the shares which is 10% higher than the net asset value, accordingly, this value should be used for stamp duty purposes. Please refer to the working below:

\[
\text{Stamp duty payable} = \$700,000 \text{ levied at } 0.2\% = \$1,400
\]

**Total stamp duty payable is** $1,400
4. Tea-Origin Limited: Answer

Mapping of contents

<table>
<thead>
<tr>
<th>Learning outcome</th>
<th>Cognitive levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compute balancing allowances and balancing charges.</td>
<td>3</td>
</tr>
<tr>
<td>Illustrate how trading losses can be carried forward and forfeited.</td>
<td>3</td>
</tr>
<tr>
<td>Demonstrate how trading losses can be claims against income of the current or previous periods.</td>
<td>3</td>
</tr>
<tr>
<td>Examine the effect of a group structure for corporate income tax purposes – tax consequences of a transfer of assets and business including eligibility under the Mergers and Acquisitions (M&amp;A).</td>
<td>2</td>
</tr>
<tr>
<td>Advise on legitimate tax planning measures by which the tax liabilities arising from a particular situation or course of action can be mitigated.</td>
<td>3</td>
</tr>
<tr>
<td>Advise on the mitigation of tax liabilities with reference to numerical analysis and/or reasoned argument.</td>
<td>2</td>
</tr>
</tbody>
</table>

Tutorial notes

Parts (a) and (b) require Candidates to understand the implications of a transfer of business and apply their understanding to the scenario with regard to the tax treatment for transferring specific assets and liabilities and S24 of SITA and its implications.

Part (c) seeks to assess the Candidates’ capability to understand the concept of permanent establishment. The question allows Candidates to gain an insight into what is considered as trading in and trading with Singapore, along with the tax implications in Singapore if the foreign entity forms a permanent establishment (PE) in Singapore.

Marking guide

(a)  
- Effect of transfer of business on the transferee business  
- Balancing charge calculation  
- Tax implication of balancing charge (1m)  
- Tax implication of the transfer of non-current assets to the subsidiary, TSPL  
- Conditions for s24 election and implication on Singapore branch and TSPL  
- Describe the tax implication on the transfer of inventories to TSPL  
- Describe the tax implications on the transfer of trade payables and cash to TSPL  
  15 marks

(b)  
- Balancing charge calculation  
- Tax implication of the balancing charge  
- Beneficial to elect s24?  
  5 marks

(c)  
- Scope of s10(1)  
- PE under s2  
- Tax implication of the appointed agent  
- Tax planning measures  
  5 marks

TOTAL  
  25 marks
(a) Transfer of Business

A transfer of business involves the takeover of the operations of a specific business activity of the company by another party. In such a transfer, all the assets and liabilities of the specific business activity will be transferred and this will lead to a cessation (or discontinuance) of the business taken over.

In this case, TSPL will take over the operations of the three Cantonese Tea Houses in Singapore from the Singapore branch of TOL. The following assets and liabilities of the Singapore branch will therefore be transferred to TSPL:

- Non-current assets
- Inventories
- Payables
- Cash in hand and Cash at bank

Transfer of Non-current assets

The non-currents to be transferred are the kitchen equipment, tea brewing equipment, tables and chairs, etc which will qualify to be Plant and Machinery (P&M) in this case for which capital allowances would have been claimed. A transfer of P&M relating to a transfer of a business undertaking is regarded as a ‘disposal of P&M’.

Singapore branch

In this case, the Singapore branch is deemed to have disposed of the P&M and balancing adjustments (balancing allowance or balancing charge) will arise. Balancing adjustments is the difference between the open market value and the tax written down value of the P&M at the time of transfer calculated as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifying cost</td>
<td>$120,000</td>
</tr>
<tr>
<td>CA under S19A(1) for 2 years YA 2018 &amp; YA 2019</td>
<td>$(80,000)</td>
</tr>
<tr>
<td>Tax written down value</td>
<td>$40,000</td>
</tr>
<tr>
<td>Proceeds (market value)</td>
<td>$75,000</td>
</tr>
<tr>
<td>Balancing charge</td>
<td>$35,000</td>
</tr>
</tbody>
</table>

The balancing charge (BC) arising from the transfer will be taxable on the Singapore branch. However, as the Singapore branch has a total adjusted tax loss of $35,000 (ie $28k + $7k) in the year ended 31 December 2017 and 2018, the BC can be used to set-off against the adjusted loss, failing which the unabsorbed losses will be forfeited.

TSPL

TSPL will take over the assets as its P&M and capital allowances can be claimed under S19 or S19A of the SITA based on the value taken over which will usually be the open market value (ie $75,000). Such CA claimed can be set off against the profits of TSPL.

Section 24

As the Singapore branch of TOL and TSPL are under the common control of TOL, both the Singapore branch and TSPL can elect to transfer the P&M in accordance with section 24 of the SITA subject to the following conditions:

- The sale is not one in which S33 applies
- The P&M must be used by the seller before the sale and the buyer after the sale in the production of income
- The P&M is not leased by the seller to the buyer before the sale
If S24 is elected, TSPL is deemed to have stepped into the shoes of the Singapore branch and will continue to claim capital allowances based on the tax written down value of the assets transferred and the Singapore branch will have no balancing adjustment.

A summary of the implications of S24 election is shown below:

<table>
<thead>
<tr>
<th>Singapore branch</th>
<th>Elect S24</th>
<th>No S24</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSPL</td>
<td>Total CA claimable of $40k (TWDV)</td>
<td>Total CA claimable of $75k (market value)</td>
</tr>
<tr>
<td>Nil</td>
<td>BC $35,000</td>
<td></td>
</tr>
</tbody>
</table>

Considering that TSPL will be profitable from its first year of operations it would prefer to claim higher CA. Plus the fact that the Singapore branch has prior years losses to utilise the BC, it is more tax beneficial for the group not to elect S24.

Inventories

Any unsold inventories as at the date of transfer (ie February 2019) will be transferred from the Singapore branch to TSPL.

Under S32(1) of the SITA, the value of trading stock transferred should be valued at the open market value unless:

1. such trading stock is transferred for valuable consideration to the transferee who carries on or intends to carry on a trade or business in Singapore, and;
2. the value is the cost which may be deducted by the transferee as an expense in computing for any such purpose the gains or profits of that trade or business.

In this case, it appears that TSPL will carry on a trade or business in Singapore and use the agreed value as the deductible cost of the inventories in computing its profits for income tax purposes, therefore, IRAS will accept any value (ie at cost) agreed between the Singapore branch and TSPL.

Once the value of the transfer is determined, any gains or loss arising from the transfer of such trading stocks will form part of the Singapore branch’s trade and thus will be taxable or deductible. The claim of a deduction or allowance by TSPL will be subject to the deductibility or allowance provisions of the ITA.

Trade payables and Cash in Bank

Generally, there is no income tax implication on the transfer of trade payables and cash on hand/cash at bank, therefore these may be transferred at their respective book values.

(b) **The proceeds on the transfer of non-current assets is $30,000**

Singapore branch

In this case, the balancing adjustment for the Singapore branch will be calculated as follows:

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifying cost</td>
<td>120,000</td>
</tr>
<tr>
<td>CA under S19A(1) 2 years</td>
<td>(80,000)</td>
</tr>
<tr>
<td>Tax written down value</td>
<td>40,000</td>
</tr>
<tr>
<td>Proceeds (market value)</td>
<td>30,000</td>
</tr>
<tr>
<td>Balancing allowance</td>
<td>10,000</td>
</tr>
</tbody>
</table>

The balancing allowance (BA) from the transfer will be claimable by the Singapore branch. However, as the Singapore branch has a total adjusted tax losses of $35,000 (ie $28k + $7k) in the year ended 31 December 2017 and 2018, the BA will not lead to any tax benefit. It should be noted that as the Singapore branch will cease upon the transfer of business to TSPL, the adjusted tax loss and BA will be forfeited.
TSPL

In this case, TSPL will take over the assets based on $30,000 and capital allowances can be claimed under S19 or S19A of the SITA. Such CA claimed can be set off against the profits of TSPL.

Section 24

In this case, it is better for the Singapore branch and TSPL to elect for S24 (ie Singapore branch transfer the assets to TSPL at TWDV of $40,000) as:

(1) There will be no BA for the Singapore branch which will be forfeited
(2) TSPL will be able to claim a total of $40,000 (ie Singapore branch's TWDV) as its CA which is higher than the proceeds of $30,000.

(c)

Under Section 10(1) of the Income Tax Act, only Singapore-sourced income and foreign-sourced income received in or remitted to Singapore is taxable. Accordingly, a foreign entity is only taxed in Singapore if it is trading in Singapore and has trading profits attributable to the conduct of trade in Singapore. A foreign entity that is trading with Singapore is not taxable in Singapore as its trading profits are not sourced in Singapore. A foreign entity would be considered as trading in Singapore if it has a PE in Singapore.

Under Section 2 of the Income Tax Act, a PE is defined as a fixed place where business is wholly or partly carried on, including:

(a) A place of management;
(b) A branch;
(c) An office;
(d) A factory;
(e) A warehouse;
(f) A workshop;
(g) A farm or plantation;
(h) A mine, oil well, quarry or other place of extraction of natural resources; and
(i) A building or work site or a construction, installation or assembly project.

In addition, under Section 2 of the Income Tax Act, the following may result in a PE in Singapore for the foreign entity:

(a) Where the person carries on supervisory activities in connection with a building or work site or a construction, installation or assembly project; or
(b) Has another person acting on that person's behalf in Singapore who:
   (i) Has and habitually exercises an authority to conclude contracts;
   (ii) Maintains a stock of goods or merchandise for the purpose of delivery on behalf of that person; or
   (iii) Habitually secures orders wholly or almost wholly for that person or for such other enterprise as are controlled by that person.

As there is no tax treaty between Singapore and the US, the PE definition covered above is not modified by the definition that exists in tax treaties. We will now look at the potential PE risk for BTI as a result of the following arrangement:

Appointed agent

- BTI's board has suggested engaging an agent to market and sell BTI's products in Singapore. The agent will maintain a stock of the products in Singapore and will be securing orders on BTI's behalf.
• There is a close relationship between BTI and the agent, as the agent appears to be under
the direct control of BTI. Thus, BTI would be considered to be trading in Singapore by virtue
of the presence of the agent and it would be taxable in Singapore on the income attributable
to this PE at the prevailing corporate tax rate.

• In addition, under Section 53(2A) of the Income Tax Act, BTI would be subject to tax in
Singapore in the name of the agent as if the agent is deemed as a taxable presence of BTI.

Alternative business model: Establishing a branch in Singapore

• Another alternative is for BTI to set up a branch in Singapore and send some employees
over to carry out the sales and relevant activities.

• Under Section 2 of the Income Tax Act, a branch is considered to be a PE and BTI would
be considered to be trading in Singapore. Hence, income earned by the branch from
performing trading activities in Singapore would be taxable in Singapore at the prevailing
corporate tax rate.
Tax Rates and Allowances
Year of Assessment 2019

Goods and Services Tax
Standard rate 7%
Registration threshold $1 million

Stamp Duty

<table>
<thead>
<tr>
<th>Category</th>
<th>% rates payable on the amount of value of consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Conveyance, assignment or transfer of immovable properties (Buyer's Stamp Duty)</td>
<td>Residential</td>
</tr>
<tr>
<td>Up to the 1st $180,000</td>
<td>1%</td>
</tr>
<tr>
<td>Up to the next $180,000</td>
<td>2%</td>
</tr>
<tr>
<td>Up to the next $640,000</td>
<td>3%</td>
</tr>
<tr>
<td>Over $1,000,000</td>
<td>4%¹</td>
</tr>
<tr>
<td>b. Conveyance, assignment or transfer of stocks or shares</td>
<td>0.2% of the purchase price or the value of the shares</td>
</tr>
<tr>
<td>c. Mortgage of stocks, shares or immovable properties</td>
<td>0.2% or 0.4% up to maximum duty of $500</td>
</tr>
<tr>
<td>d. Gift of immovable properties</td>
<td>Same as a.</td>
</tr>
<tr>
<td>e. Gift of stocks and shares</td>
<td>Same as b.</td>
</tr>
<tr>
<td>f. Lease of immovable properties</td>
<td>Exempt</td>
</tr>
<tr>
<td>Annual rent and other consideration calculated is $1,000 and below</td>
<td>Exempt</td>
</tr>
</tbody>
</table>
| Annual rent and other consideration calculated exceeds $1,000            | Lease period of 4 years or less:
  0.4% of total rent for the period of the lease.
  Lease period of more than 4 years (or for an indefinite term):
  0.4% of 4 times the average annual rent for the period of the lease. |

Corporate Income Tax Rate
Year of Assessment 2018 17%

Partial Tax Exemption

<table>
<thead>
<tr>
<th>For years up to YA2019</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $10,000 of chargeable income is 75% exempt</td>
<td>7,500</td>
</tr>
<tr>
<td>Next $290,000 of chargeable income is 50% exempt</td>
<td>145,000</td>
</tr>
<tr>
<td>Total</td>
<td>152,500</td>
</tr>
</tbody>
</table>

¹ Applies to residential properties acquired on/after 20 February 2018
For years on/after YA2020

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>First $10,000 of chargeable income is 75% exempt</td>
<td>$7,500</td>
</tr>
<tr>
<td>Next $190,000 of chargeable income is 50% exempt</td>
<td>$95,000</td>
</tr>
<tr>
<td>Total</td>
<td>$102,500</td>
</tr>
</tbody>
</table>

Start-up exemption

For years up to YA2019

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>First $100,000 of chargeable income is 100% exempt</td>
<td>$100,000</td>
</tr>
<tr>
<td>Next $200,000 of chargeable income is 50% exempt</td>
<td>$100,000</td>
</tr>
<tr>
<td>Total</td>
<td>$200,000</td>
</tr>
</tbody>
</table>

For years on/after YA2020

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>First $100,000 of chargeable income is 75% exempt</td>
<td>$75,000</td>
</tr>
<tr>
<td>Next $100,000 of chargeable income is 50% exempt</td>
<td>$50,000</td>
</tr>
<tr>
<td>Total</td>
<td>$125,000</td>
</tr>
</tbody>
</table>

Corporate Income Tax Rebate

<table>
<thead>
<tr>
<th>Year</th>
<th>Rebate</th>
<th>Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>YA2019</td>
<td>20%</td>
<td>$10,000</td>
</tr>
<tr>
<td>YA2018</td>
<td>40%</td>
<td>$15,000</td>
</tr>
<tr>
<td>YA2017</td>
<td>50%</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

Withholding tax rates

<table>
<thead>
<tr>
<th>Nature of income</th>
<th>% rates payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest, commission, fee or other payment in connection with any loan or indebtedness</td>
<td>15%1</td>
</tr>
<tr>
<td>Royalty or other lump sum payments for the use of moveable properties</td>
<td>10%1,2</td>
</tr>
<tr>
<td>Payment for the use of, or the right to use, scientific, technical, industrial or commercial knowledge or information</td>
<td>10%1,2</td>
</tr>
<tr>
<td>Technical assistance and service fees</td>
<td>17%</td>
</tr>
<tr>
<td>Management fees</td>
<td>17%</td>
</tr>
<tr>
<td>Rent or other payments for the use of movable properties</td>
<td>15%1</td>
</tr>
</tbody>
</table>

1These withholding tax rates apply when the income is derived by the non-resident person through operations carried on outside Singapore. They are to be applied on the gross payment. The following tax rates apply when operations are carried out in Singapore:
- Non-resident person (other than individuals): 17%
- Non-resident individuals: 22% from 1 January 2016 (20% prior to 1 January 2016)

2 The reduced withholding tax rate of 10% applies to payments due and payable on or after 1 Jan 2005.
The non-resident professional's income attributable to services rendered in Singapore is subject to withholding tax at:

a) 15% of the gross income/fees payable to the non-resident professional; OR

b) the non-resident rate of 22% of the net income (20% for period of engagement prior to 1 Jan 2016) if the non-resident professional has elected to be taxed on net income.

Non-residential property tax

Non-residential buildings and land are taxed at 10% of the annual value.

Personal Income Tax for the Year of Assessment 2018 (Resident)

<table>
<thead>
<tr>
<th>Chargeable Income</th>
<th>Rate %</th>
<th>Gross Tax Payable ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $20,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Next $10,000</td>
<td>2.0</td>
<td>200</td>
</tr>
<tr>
<td>First $30,000</td>
<td>–</td>
<td>200</td>
</tr>
<tr>
<td>Next $10,000</td>
<td>3.5</td>
<td>350</td>
</tr>
<tr>
<td>First $40,000</td>
<td>–</td>
<td>550</td>
</tr>
<tr>
<td>Next $40,000</td>
<td>7.0</td>
<td>2,800</td>
</tr>
<tr>
<td>First $80,000</td>
<td>–</td>
<td>3,350</td>
</tr>
<tr>
<td>Next $40,000</td>
<td>11.5</td>
<td>4,600</td>
</tr>
<tr>
<td>First $120,000</td>
<td>–</td>
<td>7,950</td>
</tr>
<tr>
<td>Next $40,000</td>
<td>15.0</td>
<td>6,000</td>
</tr>
<tr>
<td>First $160,000</td>
<td>–</td>
<td>13,950</td>
</tr>
<tr>
<td>Next $40,000</td>
<td>18.0</td>
<td>7,200</td>
</tr>
<tr>
<td>First $200,000</td>
<td>–</td>
<td>21,150</td>
</tr>
<tr>
<td>Next $40,000</td>
<td>19.0</td>
<td>7,600</td>
</tr>
<tr>
<td>First $240,000</td>
<td>–</td>
<td>28,750</td>
</tr>
<tr>
<td>Next $40,000</td>
<td>19.5</td>
<td>7,800</td>
</tr>
<tr>
<td>First $280,000</td>
<td>–</td>
<td>36,550</td>
</tr>
<tr>
<td>Next $40,000</td>
<td>20.0</td>
<td>8,000</td>
</tr>
<tr>
<td>First $320,000</td>
<td>–</td>
<td>44,550</td>
</tr>
<tr>
<td>In excess of $320,000</td>
<td>22.0</td>
<td>–</td>
</tr>
</tbody>
</table>

Personal Income Tax for the Year of Assessment 2018
(Section 40B Relief for Non-resident Employees)

Tax payable on the Singapore employment income of a non-resident individual is calculated at a flat rate of 15% or on a resident basis, whichever results in a higher tax amount.

Central Provident Fund (CPF)

Contributions for individuals below the age of 50 years and earning more than $750 per month.
### Year of Assessment 2018

<table>
<thead>
<tr>
<th>Rates of CPF contributions</th>
<th>20% Employee</th>
<th>17% Employer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum monthly ordinary wages (OW) attracting CPF relief</td>
<td>$6,000</td>
<td></td>
</tr>
<tr>
<td>Maximum annual ordinary wages (OW) attracting CPF relief</td>
<td>$72,000</td>
<td></td>
</tr>
<tr>
<td>Maximum annual additional wages (AW) attracting CPF less OW subject to CPF relief</td>
<td>$30,000</td>
<td></td>
</tr>
</tbody>
</table>

### Personal Income Tax reliefs for the Year of Assessment 2018

#### Earned income

<table>
<thead>
<tr>
<th>Age</th>
<th>Normal (able-bodied) maximum</th>
<th>Handicapped maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 55 years</td>
<td>$1,000</td>
<td>$4,000</td>
</tr>
<tr>
<td>55 to 59 years</td>
<td>$6,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>60 years and above</td>
<td>$8,000</td>
<td>$12,000</td>
</tr>
</tbody>
</table>

#### Other reliefs

- **Spouse relief**: $2,000
- **Handicapped spouse relief**: $5,500
- **Qualifying child relief (per child)**: $4,000
- **Handicapped child relief (per child)**: $7,500
- **Handicapped sibling relief (per sibling)**: $5,500
- **Parent relief**
  - Staying with dependant: $9,000
  - Not staying with dependant: $5,500
- **Handicapped parent relief**
  - Staying with dependant: $14,000
  - Not staying with dependant: $10,000
- **Working mother’s child relief (WMCR)**
  - First child: 15% of mother’s earned income
  - Second child: 20%
  - Third and subsequent child: 25%
  - Maximum cumulative WMCR: 100%
  - Maximum relief per child: $50,000
- **Grandparent caregiver relief**: $3,000
- **Life insurance relief**: $5,000 (max)
- **Voluntary CPF contribution of self-employed**: Capped at $37,740 or 37% of s10(1)(a) assessable income or actual amount contributed by the taxpayer, whichever is lower
- **Course fee relief**: $5,500 (max) each year
- **Foreign maid levy relief**: $6,360 (max)
Note: There is a personal income tax relief cap of $80,000 from YA 2018 on the total amount of all tax reliefs claimed in the year.

### National Service Man (NSman) relief

<table>
<thead>
<tr>
<th></th>
<th>Normal appointment</th>
<th>Key appointment holder</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active NSman</td>
<td>$3,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Non-active NSman</td>
<td>$1,500</td>
<td>$3,500</td>
</tr>
<tr>
<td>Wife/widow/parent of NSman</td>
<td>$750</td>
<td>$750</td>
</tr>
</tbody>
</table>