

Doing Business in Singapore

Overall picture

Singapore has been consistently ranked favourably as one of the best places to do business in the world, and this comes as no surprise. In the latest Doing Business Project 2009 undertaken by the World Bank Group, Singapore came out tops in several categories. The categories that Singapore was ranked first included:

- The ease of doing business

A high ranking on the ease of doing business index means that the regulatory environment is conducive to the operation of a business. Also, the Singapore economy is based on free enterprise, with no restrictions on foreign ownership of business.

- Employing workers

Employing workers measures the flexibility of labour laws among various countries over the world. It examines the difficulty of hiring a new worker, rigidity in terms of working hours and problems faced while dismissing a worker.

- Trading across borders

This ease of trading across borders criteria includes documentation, time and cost to export and import. Singapore is also ranked first for having the most open economy for international trade and investment by the World Economic Forum.

Taxation

Singapore is business friendly and an ideal country for **company formation** because of the ease with which taxes can be filed and paid, and also its low corporate tax rates relative to many developed economies in the world. From Year of Assessment 2010 onwards, the corporate tax rate of Singapore is to be 17%, just 0.5% higher than that of Hong Kong – Singapore's closest competitor in the Asia region.

However, the effective tax rate is significantly lower than most of the countries, if not all the countries, in the region. With a further reduction in the 1% from 18% to 17% in corporate tax rate, it will enhance Singapore's appeal to attract investment dollars.

In addition, the Singapore Government has been actively trying to encourage the growth of a knowledge-based economy and have in place a myriad of tax incentives – thereby

lowering the effective tax rates of companies. Some of the tax incentives schemes handed out by the Economic Development Board of Singapore (EDB) include:

- Pioneer Industries

The EDB may grant pioneer incentive to an approved industry which is not being carried on in Singapore on a scale adequate to the economic needs of Singapore, and for which there are favourable prospects for development. The tax relief period of a pioneer enterprise shall commence on its production day and shall continue for such period, not exceeding 15 years.

- Pioneer Service Companies

Similar to the Pioneer Industries scheme, it is granted to services which fall under the list of 'qualifying activities'. These include any engineering or technical services such as laboratory, consultancy and research and development activities, computer-based information and other computer related services, the development or production of any industrial design and such other services or activities as may be prescribed.

- Development & Expansion Incentive

A tax relief period of up to 10 years as the Minister may determine not exceeding 5 years for each period may be granted upon approval to the manufacturing or increased manufacturing of any product from any industry that would be of economic benefit to Singapore.

- Enhanced Tax Deduction for Research & Development (R&D) expenses

Where a taxpayer directly carries out qualifying R&D activities in Singapore, he can claim a further deduction of 50% of the amount of qualifying R&D expenses incurred. This is in addition to the 100% deduction he can claim for such expenditure.

Treaties and Agreements

Currently, Singapore has signed 18 free trade agreements (FTAs) with many of the world leading economies including the United States of America, Japan, Korea, and China. There are also 5 on-going FTA negotiations, with countries like India and Mexico. In the words of International Enterprise (IE) Singapore, these FTAs act as "superhighways that connect Singapore to major economies and new markets". The FTAs have lowered the cost of doing business by reducing or eliminating tariffs, easing investment rules, and enhancing intellectual property regulations.

On the tax front, Singapore has also concluded many Double Taxation Agreements (DTAs) with other jurisdictions. This provides certainty to businesses regarding when and how tax

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is to be imposed, thereby reducing compliance costs. DTAs also allow companies to claim for relief of taxes paid overseas. To date, Singapore has signed and ratified comprehensive DTAs with 60 countries, 7 limited treaties and 4 more which are signed but not ratified.

In essence, with efficient planning and structuring, Singapore is a great jurisdiction for **company incorporation**, as it results in a higher net profit after tax. The efficient economy, good infrastructure, skilled workforce and sound economic policies in place has certainly boosted Singapore's reputation an ideal jurisdiction to do business in.

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