Tax Incentives for Businesses in Singapore

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- *Singapore offers new businesses with a variety of tax incentives.*
- *These incentives are particularly beneficial for businesses that can advance local industries or develop higher-value-added products and services.*
- *Foreign investors should seek the help of registered local tax advisors to better understand which incentives suit their business best.*

With one of the world's most business-friendly tax regimes, Singapore has emerged as a major financial and economic hub in Asia. Investors are also drawn by the efficient and cost-effective process to incorporate a company, and the country's transparent legal system.

Companies setting up in Singapore are eligible for various tax incentives if their business is deemed beneficial to the country's economic development.

However, tax incentive applicants must fulfil rigorous requirements, which include committing to certain levels of investments, introducing leading-edge skills, technology, as well as contributing to the growth of research and development and innovation capabilities.

Given the diverse tax incentives made available, foreign investors should consult registered local tax advisors to determine which incentives will be applicable to them and their sector.

Corporate income tax rebates

The Corporate Income Tax (CIT) rebate program was first introduced in 2013. It applies to both individuals and companies, as part of the government's Three-Year Transition Support Package.

The rebate is aimed at helping ease business costs such and support restructuring efforts, and for 2019, the rate was set at 20 percent and capped at S$10 thousand (US$7,300).

Wage Credit Scheme

The wage credit scheme (WCS) is also part of the government's [Three-Year Transition Support Package]. The scheme enables the government to co-fund the wage increases of Singaporean employees earning a gross monthly wage of up to S$4 thousand (US$2,945).

The program was introduced in the 2013 budget and set for three years. In the 2015 budget, the scheme was extended for another three years, and the 2018 budget extended the program further for the same period.

In 2019, the government co-funded 15 percent of wage increases, down from 20 percent in 2018. By 2020, this will be further reduced to 10 percent.

Tax exemptions for startups

This tax exemption scheme (SUTE) was introduced in 2005 with the aim to support new businesses and entrepreneurs in the country.

From 2020, qualified companies can obtain a 75 percent tax exemption on the first S$100 thousand (US$73 thousand) of chargeable income during the first consecutive three years. The next S$100 thousand of chargeable income can receive a 50 percent tax exemption.
SUTE is only available for the first three-yearly assessments. After this period, companies can apply for the partial tax exemption scheme (PTE).

The tax exemption scheme is as follows:

Income	Exempted from tax (%)
First S$100 thousand (US$73 thousand)	75
Next S$100 thousand (US$73 thousand)	50

To qualify for SUTE, businesses must:

- Be A tax resident in Singapore; or
- Owned by no more than 20 shareholders (where all the shareholders are individuals or at least one shareholder controls 10 percent of the issued shares).

Businesses must not be:

- An investment holding company;
- Engaged in the property development industry, either for investments or for sale.

Partial tax exemptions

Companies that do not qualify for SUTE may be eligible for the PTE scheme.

From 2020, businesses can receive 75 percent exemption on the first S$10 thousand (US$7,300) of chargeable income. A further 50 percent exemption can then be applied on the next S$190 thousand (US$139 thousand).

Investment allowance

The investment allowance incentive is administered by the EDB, from which businesses can enjoy a tax exemption of up to 100 of fixed capital expenditure incurred.

The EDB defines fixed capital expenditure as expenditure incurred for qualifying projects within a five-year period, which can be extended up to eight years.

Companies can attain the 100 percent tax exemption if they make considerable investments towards automation for a project.

The approved projects by the EDB include, among others:

- Manufacture of new products or increase production of existing products;
- Promotion of the tourism industry in the country;
- Research and development activities;
- Energy efficiency projects;
- Construction projects;
- Projects that focus on reducing water consumption;
- Provide specialized engineering or technical services; and
- Maintenance, repair and overhaul services for the aircraft industry.

The category for expenditures covered by the investment allowance consists of:

- New productive equipment;
- Building factories in Singapore; and
- Acquiring patents and know-how.

Industry specific tax incentives

There are four main government agencies that can administer business and tax incentives for Singaporean entities in specific domains. These are:

- Singapore Economic Development Board (EDB) – which is responsible for developing and executing strategies that facilitate investment into the country's industries;
- Inland Revenue Authority of Singapore (IRAS) – the tax regulatory authority in the country;
- International Enterprise Singapore (IE Singapore) – which aids Singaporean companies expand worldwide and promotes local exports; and
- Monetary Authority of Singapore (MAS) – the central bank and financial services authority.

A full list of industry-specific incentives can be found on the individual websites of these agencies. The industries eligible for tax incentives are:

- Financial services;
- Banks;
- Fund management;
- Tourism;
- Shipping and maritime;
- Global trading industries;
- Insurance;
- Processing services;
- Research and development;
- Headquarter activities;
- Legal firms;
- E-commerce; and
- Event organization.

Enterprise finance scheme

The enterprise finance scheme (EFS) scheme is offered by IE Singapore and provides financing needs for local businesses to realize their growth and expansion needs. The scheme covers six areas:

SME working capital loan scheme

This scheme allows small and medium-sized enterprises to apply for an uncollateralized loan of up to S$300 thousand (US$220 thousand), for working capital for the business. The maximum repayment period is five years.

SME fixed assets loan

Assists in financing the investment of domestic and overseas assets such as for the purchasing of equipment and machines as well as factories. The maximum loan available is S$30 million (US$22 million) with a repayment period of 15 years.

Venture debt loan

The venture debt loan used for high-growth startups that do not have significant assets that can be used as collateral for bank loans. Startups can utilize the funds for growing the business or diversify their products or services. The maximum loan available is S$5 million (US$3.6 million), and the repayment period is five years.

Trade loan

A S$5 million loan is available for businesses engaging in import and export activities. The repayment period is set at one year.

Project loans

This project loan is mainly for working capital for companies looking to secure overseas projects. The maximum loan available is S$50 million (US$36 million) with the repayment period set at a 15-year period.

Merger and acquisition loan

The merger and acquisition loan (M&A) aims to assist businesses to acquire local or international companies. The maximum loan available for this scheme is S$50 million (US$36 million), and the repayment period is five years.

Double tax deduction for internationalization

The double tax deduction for internationalization (DTDi) scheme allows companies who want to expand overseas to claim a 200 percent tax deduction on qualifying expenses. The expenditure cap for DTDi is at S$150 thousand (US$110 thousand) for 2019.

The DTDi covers the following expenses:

- Market preparation – engaging in feasibility studies or market research;
- Market exploration – overseas business trips, trade fairs;
- Market promotion – international promotion campaigns, production of brochures; and
- Market presence – overseas trade offices, master licenses and franchising.

Pioneer tax incentives

Through the pioneer tax incentive, businesses engaging in the manufacture of high-value-added products or services can apply for a pioneer certificate which entitles them to tax exemption for five and up to 15 years.

To qualify, applicants are assessed on a qualitative and quantitative criterion. This includes:

- Ability to introduce create employment for Singaporeans;
- Introduction of new skills and expertise;
- The capacity for business expenditure to create economic spin-off;
- Manufacturing projects must commit to developing soft and hard infrastructure;
- Introduce new technology and know-how that can advance an industry; and
- Business activities must be new and have not been undertaken by other companies in the country.

Development and expansion incentive

After the pioneer tax incentive period has ended, businesses can attain the Development and Expansion Incentive (DEI). This awards companies that migrate to business activities that add more value (such as investing in projects that advance key industries like manufacturing), with a five to 10 percent tax break. The tax relief period is subject to a maximum of 40 years.

Merger and acquisitions scheme

In addition to the M&A loan, there is also an M&A scheme that provides a stamp duty relief, double tax deduction, and tax allowance M&A activities.

The tax allowance allows businesses to write off 25 percent of the total merger or acquisition value over a five-year period. This write off is capped at S$10 million (US$7.3 million).

The stamp duty relief is also capped, at S$80 thousand (US$58 thousand). The double tax deduction is granted on all transaction costs with a cap set at S$100 thousand (US$737 thousand).