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The aim of this publication is to provide general information about doing business in Singapore in broad outline. Information is correct at the time of printing (October 2007). Readers are advised to contact the respective contributors for further details and updates, if necessary.

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INTRODUCTION TO SINGAPORE

Singapore as a Country for Investment

Over the last four decades, Singapore has achieved high growth rates, emerging today as a reputable financial centre, the busiest port in the world as measured by tonnage moved and a top location for investments. Singapore is a consistent high scorer in global and regional rankings of factors that matter to businesses. These range from investment incentives, investment potential, workforce productivity to the quality of life. It boasts sophisticated communication and information technology infrastructure, a skilled labour force and a reputation for competence, integrity, reliability and efficiency.

In August 2006, Washington-based risk analysis firm, Business Environmental Risk Intelligence (BERI) ranked Singapore as the world’s second best investment spot after Switzerland. Singapore was first on the list for World’s Top 20 Most Globalised Nations in A.T. Kearney’s Foreign Policy Magazine Globalisation Index 2006 and was the world’s easiest place to do business according to the 2007 World Bank Report. The Global Competitiveness Index 2006 – 07 had Singapore in first place as the most competitive Asian economy and 5th in global competitiveness.

Since the early 1960s, Singapore has methodically planned and developed a comprehensive spectrum of solutions to meet the operational needs of multinational corporations (MNCs). These range from skilled manpower, an advanced industrial base, to a conducive business environment and some of the world’s best transport and communication infrastructure links. These solutions have created a **Total Business Environment** for investors. Singapore’s record of political, economic and social stability over the years has attracted many MNCs to fit the Republic into their global strategies, resulting in a steady increase in investment commitments. This reflects investors’ confidence in the Republic as an efficient and value-for-money location for doing business.

The Singapore government encourages free enterprise with no restriction on foreign ownership of businesses, repatriation of capital and employment of foreign expertise. Tax and financial incentives are also key drivers.

The government welcomes foreign investment. Singapore aims and aspires to become a first-league developed nation and current programmes to realise this vision concentrate on the following areas:

**Manufacturing**: focuses on helping Singapore-based companies become more competitive in the global market place.

**International Business Hub**: concentrates on enhancing Singapore’s attractiveness as an International Business Hub. Foreign investors are encouraged to use Singapore as an international business centre and to establish operational headquarters that provide management services for their subsidiaries, associated companies or branches in other countries.
**Information Technology**: seeks to develop Singapore as a global information hub, enabling businesses to grow within and beyond Singapore’s natural borders in the global knowledge economy.

**Regionalisation**: targets Singapore-based companies to participate in the region’s growth by distributing their resource-dependent operations to resource-rich countries while maintaining and upgrading their Singapore operations to higher value-added activities by tapping Singapore’s unique set of competencies.

### A Single Gateway to Billions of Consumers

A tiny tropical island, Singapore is surrounded by 2.8 billion people in some of the world’s most exciting markets.

Singapore is located at the crossroads of the east-west trading routes, at the very heart of Asia and its teeming markets.

Adjacent to Singapore are 500 million people in Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand, and Vietnam, which with Singapore included, collectively make up the Association of Southeast Asian Nations (ASEAN). Companies within ASEAN can enjoy 0 to 5% tariff on most product lines if they are manufactured and/or traded within the 10 member countries of ASEAN.

Further on, within a seven-hour flight radius, are 2.8 billion people from countries including Australia, China and India. Yet this is still only a fraction of Asia’s total population of almost 4 billion.

Reaching out to these markets, and the rest of the world, is a cinch. Singapore’s award-winning Changi Airport is served by over 80 international airlines, linking you to more than 180 cities in more than 50 countries. Singapore’s seaport is the world’s busiest port in terms of shipping tonnage and the world’s top bunkering port, and voted the best seaport in Asia for 19 of the last 21 years at the Asian Freight and Supply Chain Awards in 2007. Singapore’s connectivity puts your business within easy access of the world’s markets and resources.

Singapore has been held in high regard by independent third parties time and time again. Here are some of our accolades:

- The world’s most globalised nation
  - 2006 Globalisation Index by A.T. Kearney and US-based Foreign Policy magazine
- Third most competitive economy in the world
  - Lausanne-based Institute of Management Development’s (IMD) World Competitiveness Yearbook 2006
- Best place to do business in the Asia-Pacific 2005-2009
  - London-based Economist Intelligence Unit (EIU), 2005
• Best Asian airport and seaport
  - Asian Freight and Supply Chain Awards (AFSCA) 2007, organised by Hong Kong-based industry journal Cargonews Asia

• Highest quality of life in Asia
  - Mercer Human Resource Consulting’s Quality of Living Survey 2006

• Asia’s least corrupt nation
  - Berlin-based Transparency International (TI), 2006

• Best location in Asia for expatriates to live and work
  - ECA International, 2007

Singapore is home to over 7,000 MNCs and another 26,000 international companies. Many of these are housed in business centres such as the China Zhejiang Centre, Enterprise Business Centre, German Centre, Japan Business Support Centre, Nordic European Centre and Vietnam House in Singapore.

A Global Business City

Singapore is recognised worldwide as a global business city, and a champion of free trade that implements practically no barriers to the free flow of goods in and out of the country. More than 99% of goods imported into Singapore are duty-free. Singapore also supports strong multilateral trading systems including Asia-Pacific Economic Cooperation (APEC), Asia-Europe Meeting (ASEM), World Trade Organisation (WTO) and ASEAN.

The country has also concluded Free Trade Agreements (FTAs) with most of its trading partners. Singapore’s network of 13 FTAs includes Australia, the European Free Trade Association, India, Japan, Jordan, Korea, New Zealand, Panama, Trans-Pacific Special Economic Partnership (Brunei Darussalam, Chile and New Zealand), and the US. Singapore is also part of the ASEAN Free Trade Area, the ASEAN-China FTA and the ASEAN-Korea FTA. In addition, ongoing negotiations are held with Canada, China, the Gulf Cooperation Council, Mexico, Pakistan, Peru and Ukraine.

The benefits of our FTAs are multifold and they impact large segments of the business community. Manufacturers exporting goods from Singapore help their importers in FTA partner countries save on import tariffs, thus making Singapore exports more cost-competitive. Similarly, Singapore investors operating in FTA partner countries also enjoy savings when they import from Singapore and ASEAN. Singapore-based companies can also look to a slate of benefits to bolster their overseas investments, including preferential access to certain sectors, faster entry into markets and Intellectual Property (IP) protection.

As a member of ASEAN, Singapore will also benefit from the FTAs between ASEAN and other countries. Besides the ASEAN-China and ASEAN-Korea FTAs, negotiations for the ASEAN-Australia and New Zealand FTA, the ASEAN-India FTA and the ASEAN-Japan FTA are also in progress. Moving beyond the Asia-Pacific region, ASEAN and the European Union (EU) announced in May 2007 that negotiations for an ASEAN-EU FTA will commence soon. When it materialises, the ASEAN-EU FTA will create the largest free trade area in the world.
Apart from the pro-business environment, Singapore has a sound legal system to safeguard your intellectual property rights. Singapore complied fully with WTO’s Trade-Related Aspects of Intellectual Property Rights Agreement ahead of schedule and has been a member of the World Intellectual Property Organisation since 1990. In addition to acceding to the Berne Convention and Budapest Treaty, Singapore is a party to the Paris Convention Protection of Industrial Property and the Nice Agreement.

Access to funding to finance your business ideas and growth is easily available through many financial institutes based here. Singapore has long been known as the global foreign exchange trading hub and has been consistently ranked as the fourth most active foreign trading centre in the world, after London, New York and Tokyo.

Singapore also provides you with clarity on your tax issues. Singapore has double tax avoidance treaties with more than 50 countries and limited tax treaties with seven other countries.

**An International Business Community**

A nation without any natural resources, Singapore’s rapid economic growth over the last four decades was made possible because of its people. Comprising descendants from China, India, Indonesia and the Malay Peninsula, yet educated in a modern, secular style adapted from the British system, Singaporeans are a unique mix of East and West. They have retained their cultural and linguistic affinities with their Asian neighbours, and have continued to do business with them for generations. At the same time, English is used everywhere — it is the language of administration and business — and Singaporeans are completely at home with international work practices.

A host of favourable policies are in place to welcome international talent. There is a large community of 80,000 business expatriates and their families from all over the world — including Europe, Asia and the United States — living and working in Singapore. They enjoy a wide choice of foreign, international and local schools for their children. Enhancing the knowledge base further, Singapore has attracted world-renowned universities to set up and complement its three local universities. These include Chicago Graduate School of Business, INSEAD and Massachusetts Institute of Technology.

**A Pool of Partners for Global Success**

Partnering a Singapore company is a strategically sound approach to gaining quick access to Asian markets while minimising risks.

Due to Singapore’s heritage links with its neighbours and small domestic market, Singapore companies have developed extensive business networks, market insights and distribution channels into international markets. With such extensive market understanding, Singapore companies are high value-adding partners to your businesses.

Many Singapore companies adopt modern manufacturing and business processes, in line with world-class practices. Through years of working with MNCS, Singapore’s products and services meet stringent standards for quality, reliability, efficiency and safety.
Although manufactured goods form the bulk of Singapore’s non-oil domestic exports, higher emphasis is now being placed on key industry clusters of electronics, chemicals, biomedical sciences and engineering as well as emerging technologies in micro-electronic systems, nanotechnology and photonics. These industries are complemented by the business services, healthcare, education, food and beverage, construction, real estate, environmental engineering, supply chain management and maritime services sectors.

Forge win-win alliances with like-minded Singapore partners for your international growth.

**Business or Pleasure?**

In Singapore, you will enjoy one of the most vibrant and cosmopolitan cities in Asia.

With a vibrant community of expatriates from around the world, it is not surprising that Singapore was voted the most attractive Asian city for expatriates to live and work in by Mercer Human Resource Consulting. What makes Singapore so compelling is a combination of factors.

Firstly, there is the familiar urban buzz similar to London, New York or Tokyo, sophisticated housing, a modern public transportation system comprising taxis, buses and an island-wide Mass Rapid Transit, leisure facilities such as swimming pools and skateboard parks, and a multitude of restaurants catering to every taste. Supermarket shelves are filled with specialities from around the globe and exotic local delights. In short, all the conveniences of city life are available, but with a few pleasant surprises – for example, Singapore is relatively safe, with low crime rates.

Despite being a modern metropolis, Singapore is not all hustle and bustle – there are little enclaves where one can find peaceful sanctuaries and reminders of Singapore’s Asian heritage. Colourful ethnic quarters like Chinatown and Little India are cultural treasures that add a distinct Asian flavour to the city. Offshore islands such as Pulau Ubin remain relatively untouched by modern development and offer a glimpse into Singapore’s recent past. Museums such as the National Museum of Singapore and the Asian Civilisations Museum trace Singapore’s past even further back to the days of the spice trade.

Arts fans can look forward to the annual Singapore Arts Festival and top-notch acts at The Esplanade – Theatres on the Bay. Italian opera, Broadway musicals, experimental theatre and ballet performances by both local and visiting artistes are regular features on the local arts calendar. Add to this the festivals of the local Chinese, Malay, Indian and Eurasian communities that take place all year round, and you have front-row seats to a panorama of cultures.

The world-famous Singapore Zoo and Night Safari are family favourites. And nearby, Sentosa island welcomes the young and old to its Underwater World, Butterfly Park and sandy beaches for hours of fun.

If you are adventurous, check out the scuba diving spots, beach or highland resorts, mountain treks and tropical rainforest reserves all around Southeast Asia. Or simply relax and pamper yourself at one of the many top-rated spas in Singapore and the region.
With so much to see and do, and Singaporeans’ warm hospitality, you won’t ever feel homesick. But if you do develop a yearning for reminders of home such as truffles or Truffaut, you are likely to find them at the many recreation and social clubs and associations in Singapore. These include the Alliance Française, American Club, British Club, Hollandse Club, The Japanese Association and Swiss Club catering to the diverse expatriate community.

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OVERVIEW OF LEGAL ENVIRONMENT

Ranked by the World Bank’s report, “Doing Business 2007: How To Reform” as the most accommodating country to do business in the world, Singapore is a strategic and reliable base for foreign investors to invest in the emerging Asian markets.

Legal Framework

The Republic of Singapore has a legal system largely based on the British Westminster model, where the power to govern and administer the country is divided between the Executive, the Legislature and the Judiciary.

Generally speaking, executive power of the government is vested in the President of the republic and a Cabinet of Ministers comprising a Prime Minister and other appointed Ministers. The power to legislate for the country is vested in Parliament with the President having a role to formally assent to bills and therefore give new pieces of legislation their legal effect. The President also has the role of keeping Parliament in check with regards to laws that may affect the financial resources of the country. The machinery to administer justice is the judiciary, which comprises the Supreme Court and the Subordinate Courts. The Supreme Court consists of the High Court, which exercises both original and appellate civil and criminal jurisdiction and the Court of Appeal, which exercises appellate civil and criminal jurisdiction. Any courts constituted under the Subordinate Courts Act (Chapter 321) and any other tribunal or judicial or quasi-judicial body that has a right of appeal to the Supreme Court are subordinate courts.

There are two major sources of law in Singapore. They are legislation and case law, or common law. Legislation refers to acts enacted by Parliament and subsidiary legislation made by various administrative bodies pursuant to powers given to them by statutes. In contrast, the common law is not embodied in any statutes; they are judgements that courts have delivered. Once a case has been decided, future cases with similar fact scenarios will be bound by the earlier decision if the earlier decision is made by a higher court in the same hierarchy. This ability of judges to make law is an identifying feature of countries like Singapore that follow the “common law” system as opposed to the “civil law” system. In civil law jurisdictions like France, Indonesia and Japan, all laws are codified by the legislature and there is an absence of judge-made law. Singapore’s contract law is generally based on the common law of contract in England. Save for some situations where the common law has been specified or modified by legislation, much of the law of contract in Singapore remains in the form of judge-made laws.

Since 1970, Singapore has moved towards creating an autochthonous legal system. 1993 saw the abolishment of appeals to the Judicial Committee of Her Britannic Majesty’s Privy Council as the highest court. The Court of Appeal, presided by the Chief Justice and 2 Justices of Appeal became the highest court in Singapore. These changes are largely due to the increasing confidence, recognition and standing of Singapore’s legal system and the potential incompatibility of English law given the development of the European Union.
Handling Civil Disputes

There are several options for resolving civil disputes in Singapore, including:

**Litigation**

Litigation refers to going to trial at a court of law. The litigation process has its advantages and disadvantages. One of the advantages of litigation is its finality. After a judgement has been passed, the parties must abide by the decision unless they are able to appeal against the decision at a higher court. The main disadvantage is the cost and time involved. Although getting a trial date in Singapore is relatively fast compared to other jurisdictions, there could be other methods of dispute resolution such as mediation, which could be faster.

**Mediation**

Mediation is a process in which a neutral party known as the mediator assists the parties in negotiating with each other to amicably reach a settlement. Mediation can be conducted by different organisations, but the popular ones are the Singapore Mediation Centre and the Primary Dispute Resolution Centre at the Subordinate Courts. Before mediation can begin, both parties must agree to submit their dispute to mediation. This form of dispute resolution is most ideal if both parties genuinely desire to find a mutually acceptable solution to their dispute.

The main advantages of mediation are as follows:

- It may be relatively faster;
- Parties retain control over the outcome; and
- Privacy is maintained as parties are not exposed to the media and the public.

The main disadvantage of mediation is that it may not be final. If the parties cannot reach a settlement, they may have to resort to other forms of dispute resolution, such as arbitration or litigation.

**Arbitration**

Arbitration is a consensual process whereby parties submit their dispute to a neutral arbitrator for a binding and final decision. It is less formal than a trial in court. Arbitration need not be conducted in Singapore but if parties choose Singapore as the venue for arbitration, the Singapore International Arbitration Centre can be used for both international and domestic disputes.

The advantages of arbitration include, amongst others, speedier resolution of a dispute than if it goes to trial, lower cost than a litigation and the ability of parties to choose an arbitrator who has the technical knowledge in a particular field.

In theory, parties can agree to go for arbitration before or after the dispute has arisen. However, in practice, most parties only go for arbitration if they have pre-agreed in their contract that they would do so. Thus, if the parties wish to arbitrate in the event of a dispute, they should expressly provide for this in their contract.
Employment

The absence of labour unrest in Singapore creates a conducive business environment for investors. Many regulations have set the tone and mood of calmness in this area making it a great pull factor.

The Industrial Relations Act regulates procedures concerning collective bargaining and negotiation. The National Wages Council, which comprises representatives from employer groups, employee unions and the government, sets guidelines for steady wage increases each year.

The Employment Act sets minimum working conditions for employees earning up to S$1,600 per month. Under the Act, the maximum ordinary working hours are 44 hours per week, the minimum annual vacation for employees in their first year of service is seven days and this increases by one day for each subsequent year of service up to a maximum of 14 days a year. (Please refer to chapter on Overview of Singapore Employment Landscape for more details about the Act.)

The Employment Act also specifies that employees who are covered by the Act, but who have served less than three years with the employer are not entitled to receive retrenchment benefits in the event of redundancy. Employment and retrenchment terms for executives are not regulated by the Act.

The Workmen’s Compensation Act requires employers to insure against liabilities for employees who are manual workers, regardless of their salary level; and non-manual workers whose average monthly earnings do not exceed S$1,600 per month if they are injured in the course of work.

Central Provident Fund contributions are required to be made by employers and employees at specified rates on the remuneration of employees who are Singaporeans or Singapore permanent residents.

Immigration

A foreigner who is not a Singapore permanent resident and who wants to engage in any business, profession, occupation or any form of paid employment in Singapore with a minimum monthly income of more than S$2,500 will need an employment pass.

The EntrePass is required for foreigners who wish to start a new business in Singapore and allows registered entrepreneurs and their families to live in Singapore. The pass holder may leave and re-enter Singapore any time and the pass is renewable for as long as the business remains viable.

The Multiple Journey Visa caters for business executives who travel in and out of Singapore frequently either to attend to business matters and investments or to look for business opportunities in Singapore. The visa is valid for 1, 2 or 5 years.
There are two categories of work passes available for foreigners to work in Singapore:
- P passes - available to applicants who hold administrative, professional or managerial jobs; and
- Q passes - available to skilled workers or technicians.

(Please refer to chapter on Working in Singapore for details.)

Once an expatriate who has been issued with a work pass earns more than S$2,000 per month, the spouse and children under 21 years of age may be issued with a dependant’s pass for the duration of the expatriate’s employment. Spouses may also apply for permission to work in Singapore provided they satisfy the requirements noted above.

Foreigners may also apply to become permanent residents of Singapore in which case no work passes are required.

**Competition Act**

The Competition Act promotes healthy competitive markets by prohibiting certain business practices that restrict competition in the market. Passed in October 2004, the Act came into force on 1 January 2005. The enforcement takes a 2-step approach with the introduction of provisions involving anti-competitive agreements and abuse of dominant positions in January 2006 and the introduction of M&A provisions in January 2007. The Competition Commission of Singapore (CCS) enforces the Act and regulates all activities under it. Practices not allowed under the Act include:
- Price-fixing;
- Bid-rigging;
- Market-sharing; and
- Abusing market power.

All businesses registered with the Accounting and Corporate Regulatory Authority (ACRA) are required to comply with this Law. Those who do not need to register under ACRA, such as hawkers, taxi drivers, lawyers, and accountants are not exempt from this Law either. These provisions also affect foreign, domestic, government-owned entities and mergers that occur outside of Singapore involving companies with business dealings within the country.

The Law does permit some exclusions. The government and its statutory boards are not liable under any provision to prohibit anti-competitive mergers. Industries that are already regulated and have a structured competition framework in place (a clear example being the telecommunications and media industries in Singapore) are exempted.

The CCS will take action against those who breach the Law. It is important to file a complaint for anti-competitive practices with the CCS if there is any suspected breach. The CCS will then investigate complaints it receives and assess whether they are valid.
Singapore’s Free Trade Agreements

Singapore has various Free Trade Agreements (FTAs) with its trading partners, bringing about some changes to the country’s legal environment. Many of these changes will be of interest to persons wanting to do business with or invest in Singapore. Singapore-based companies will enjoy exclusive benefits in the following areas:

**Trade in Goods (Goods Chapter in an FTA)**
- Cost and time savings through tariff elimination, streamlined customs procedures and mutual recognition of standards.
- Singapore-based manufacturers can therefore price more competitively and enjoy shorter product distribution time.

**Trade in Services (Services Chapter in an FTA)**
- Enhanced access to important service sectors like telecommunications, finance and business services in the various FTA markets.
- Fair and non-discriminatory treatment for Singapore’s service suppliers.

**Investment Protection & Facilitation**
- A great guarantee of fair compensation in the event of expropriation.
- Resolution at international arbitration tribunal through investor-to-state dispute mechanism.

**Government Procurement**
- Lower threshold values increasing business opportunities with foreign governments.
- Greater transparency in procurement process.

**Intellectual Property Rights (IPR) Protection**
- Greater IPR protection sets ground for knowledge-based industries.
- World-class IPR regime through IPR ventures and exchange of best practices.

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BUSINESS ORGANISATIONS

Licensing and Registration of Business Organisations

Generally, there is no restriction on the types of businesses that may be set up in Singapore except for some which have to apply for special licences e.g. banks, finance-related companies and manufacturers of goods gazetted within the schedules of the Control of Manufacture Act such as air-conditioners, beer and stout, cigars, firecrackers and steel products.

Every business in Singapore must be registered with the Accounting and Corporate Regulatory Authority (ACRA). This requirement also applies to any firm, individual or corporation, which carries on business as a nominee, trustee or agent for any foreign corporation.

Types of Business Organisations

Sole Proprietorships and General Partnerships

All sole proprietorships and partnerships must be registered with ACRA under the Business Registration Act, Cap 32. ACRA must be notified of any changes in the particulars of the proprietor, manager or partners of business firms within the prescribed timeline.

Sole proprietorships and general partnerships are not corporate bodies, i.e. sole proprietors and partners of partnerships have unlimited liability for the debts and obligations that arise from the businesses.

Limited Liability Partnerships

A limited liability partnership (LLP) must be registered with ACRA under the Limited Liability Partnerships Act 2005.

An LLP is essentially a partnership with limited liability. It is a body corporate and has legal personality separate from that of its partners. The partners of an LLP have limited liability for the debts and obligations incurred by the LLP. An LLP has perpetual succession and any change in the partners of an LLP will not affect its existence, rights and liabilities. An LLP can sue and be sued in its own name. It can acquire, own, hold and develop property and incur debts.

Companies

A limited liability company is the most common form of business entity in Singapore. A limited company is incorporated under the Companies Act, Cap. 50 and registered with ACRA. A limited company may be limited by shares or by guarantee. A company may be registered as a private company if it does not have more than 50 shareholders and its Articles of Association restrict the right to transfer shares. Otherwise, the company must be registered as a public company.

A company is a body corporate and has a separate legal personality from its shareholders. The company can sue and be sued in its own name. It can own property and incur debts. The liability of the shareholders, if any, is limited to any amount unpaid on their shares. When the shares are fully paid-up, the shareholders have no further liability to contribute towards the debts of the company.
Joint Ventures
A joint venture may take the form of equity investment in a limited liability company, limited liability partnership or general partnership. Joint ventures are governed by the laws of companies, limited liability partnerships or general partnerships, as appropriate.

Foreign Companies
A foreign company wishing to establish a place of business or carry on business in Singapore may set up a branch. A subsidiary is a new legal entity incorporated under the Companies Act, Cap. 50 whilst a branch is an extension of a company incorporated elsewhere (i.e. the head office). A foreign company or a branch is to be registered with ACRA under the Companies Act, Cap. 50.

Whether an overseas corporation is deemed to be carrying on business through a branch in Singapore depends on the nature of the activities proposed. To determine whether the proposed activities will require the registration of a Singapore branch, it is advisable to obtain professional advice from lawyers.

Representative Offices
A foreign company may establish a representative office in Singapore to undertake promotional and liaison activities on behalf of the parent company. A representative office is not permitted to engage in business, conclude contracts, or open or negotiate any letters of credit. Approval for the establishment of a representative office must be obtained from International Enterprise Singapore (IE Singapore).

Incorporating a Company

Procedures
The reservation and approval of a name for the company is the first step in the incorporation procedure. This is done by submitting the proposed company name and relevant information online at ACRA’s BizFile website together with payment of the requisite fee.

Once the name is approved, the incorporation information can be e-filed with ACRA. The company can commence business once it receives an e-notification of incorporation from ACRA, usually on the same working day of successful e-filing. A hard copy of the certificate of incorporation can be purchased from ACRA for a fee.

With effect from 15 May 2003, a Singapore company can be incorporated with a minimum of one director who must be a natural person of full age and capacity. If the company has only one director, that director must be ordinarily resident in Singapore, that is, he must either be a Singapore citizen, Singapore Permanent Resident or an Employment Pass Holder. If the Singapore company has more than one director, only one director needs to be ordinarily resident in Singapore. Likewise, a company needs to have only one shareholder who may be an individual or a corporate entity. There is no restriction on foreign equity participation in a Singapore company.

There must be at least one company secretary who shall be a natural person and has his principal or only place of residence in Singapore. The sole director cannot act as the company secretary. Every company must have a registered office in Singapore to which correspondence may be sent.
The pre-incorporation procedures for the formation of a public limited company are essentially similar to those of a private limited company. The additional documents to be filed with ACRA are a statement in lieu of prospectus and a statutory declaration of compliance by the director that the company has not issued a prospectus.

In addition to the e-notification of incorporation, ACRA will issue a notification stating that the company is entitled to commence business.

A public company is required to hold a statutory meeting within a period of not less than one month and not more than three months after the date which the company is entitled to commence business. A copy of the statutory report and the auditors’ report, if any, must be lodged with ACRA at least 7 days before the date of the statutory meeting.

**Annual Requirements for Companies**

Every company must appoint one or more auditors to report to its members on the accounts of the company unless it is dormant or a small exempt private company (EPC). A dormant company refers to a company with no accounting transactions. An EPC is one in which there are not more than 20 shareholders and none of its shareholders is a corporate entity. A small EPC is an EPC whose annual revenue does not exceed the prescribed threshold. The thresholds are as follows:

(i) Financial year commencing on or after 15 May 2003 with revenue of less than $2.5 million or

(ii) Financial year commencing on or after 1 June 2004 with revenue of less than $5 million

The statutory audit requirement is removed for dormant companies and small EPCs with financial years commencing on or after 15 May 2003. However, these companies are still required to prepare their financial statements in accordance with the Financial Reporting Standards.

At each annual general meeting (AGM) of the company, the directors of the company are required to present an audited or unaudited (for dormant companies or small EPCs) set of financial statements that gives a true and fair view of the affairs for the company in the preceding financial year.

The first AGM of a company must be held within 18 months from the date of its incorporation and thereafter subsequent AGMs must be held once every calendar year and not more than 15 months after the last AGM. The audited/unaudited accounts laid before the shareholders at the AGM should be made up to a date not more than 6 months before the date of the AGM.

A private company may dispense with the holding of AGMs. All matters to be done at the AGM such as laying of accounts, appointment of auditors, etc can be resolved or done via written resolutions.

Every company is required to file its annual return and/or audited/unaudited accounts with ACRA within one month from the date of holding its AGM.
Registration of a Foreign Company

Procedures
The first step in the registration of a foreign company in Singapore is to seek ACRA’s approval of the name of the corporation. Once the name is approved, the registration papers and information can be e-filed with ACRA for the registration of the foreign company. The following documents must be submitted for registration:

- A certified copy of the corporation’s certificate of incorporation in its place of incorporation or origin, or a document of similar effect.
- A certified copy of the corporation’s certificate of change of name or a document of similar effect (if applicable).
- A certified copy of its charter, statutes, or memorandum and articles of association or other instrument constituting or defining its structure.
- A list of its directors stating their names, residential addresses, nationalities, passport numbers, occupations and dates of appointment as directors.
- A memorandum of appointment of agents together with an affidavit. There must be at least two agents who must be natural persons, of full age and capacity and resident in Singapore, that is, they must either be Singapore citizens, Singapore Permanent Residents or holders of valid Employment Passes.
- Notice of the location of the corporation’s registered office in Singapore to which all communication and notices may be addressed.

The agent of a foreign company is answerable for the execution of all acts and matters as required to be done by the foreign company under the Companies Act, Cap. 50 and is personally liable for any penalties imposed on the foreign company for any contravention.

Annual Requirements for Foreign Companies

A branch of a foreign company has to e-file its audited financial statements comprising the balance sheet, income statement and cash flow statement. In addition, the branch is also required to e-file the audited financial statement of the corporation based on the reporting requirements in its country of incorporation (i.e. the head office). If the laws in that country do not require audited financial statements, financial statements according to Singapore requirements can be used instead.

The financial statements of the branch and the corporation are to be e-filed with ACRA within 2 months of the date of the AGM of the corporation. If the corporation is not required to hold an AGM in its country of incorporation and to prepare its balance sheet, it shall e-file with the Registrar a balance sheet (in such form and containing such particulars and annexed thereto such documents) as if it were a public company incorporated in Singapore within 7 months from the date of its financial year end. The company may, however, apply to the Registrar in writing for an order relieving the foreign company from the requirements of the Companies Act, Cap. 50 relating to the form and content of the accounts or report.
In addition to the annual filing requirements, the branch is required to e-file any changes in the particulars of the corporation with ACRA, that is, any change of directors and their particulars, change of capital, amendments of its constitution or change of local agent.

Registration of a Limited Liability Company (LLP)

Procedures
To register an LLP, the following information must be submitted to ACRA electronically:

- The proposed name of the LLP, its proposed principal activities and registered address
- The name and personal particulars of each partner and if the LLP partner is a corporate entity, the name of the company, registration number, date of registration, registered office, country of incorporation/registration and personal particulars of the authorised representative
- The name and personal particulars of the resident manager

At least one resident manager has to be appointed and his role is prescribed by the LLP Act. He is answerable for the execution of all acts and matters as required to be done by the LLP relating to annual declaration of solvency/insolvency, the publication of name and limited liability and the registration of changes in the particulars of the LLP. The manager is also personally liable for all penalties imposed on the LLP for any contravention of those sections unless he satisfies the court hearing the matter that he should not be liable. In addition, the manager is responsible for submission of the Partnership Tax Return to the Inland Revenue Authority of Singapore (IRAS).

Termination of Business

Sole Proprietorships and General Partnerships
Sole proprietors and partners may apply to ACRA, on payment of a prescribed fee, to terminate the business.

Limited Liability Partnerships
A Limited Liability Partnership may be terminated in the same manner as companies below.

Companies
Companies may be terminated by court order, voluntary liquidation or making an application to ACRA for strike off. The company itself, creditor, contributory, judicial manager or the Minister may make an application to the High Court for the winding up of the company. Circumstances where a company may be wound up by the court include the instance where the company is unable to pay its debts.

Shareholders intending to wind down the business in an orderly manner may liquidate the company voluntarily by way of members’ voluntary liquidation (where the company is solvent) or creditors’ voluntary liquidation (where the company is insolvent). A person known as the liquidator is appointed to handle the legal procedures of liquidation. The company’s assets are normally turned into cash to settle outstanding liabilities before returning any surplus to shareholders.
In the case of strike off, the business is terminated without liquidating the company. The company has to obtain tax clearance from the Inland Revenue Authority of Singapore and meet other stringent requirements of ACRA before the company may apply to ACRA for strike off.

### Comparison of Sole Proprietorships, General Partnerships, LLPs and Companies

<table>
<thead>
<tr>
<th></th>
<th>Sole Proprietorships</th>
<th>General Partnerships</th>
<th>LLPs</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legislation</strong></td>
<td>Business Registration Act, Cap. 32</td>
<td>Business Registration Act, Cap. 32</td>
<td>Limited Liability Partnerships Act 2005</td>
<td>Companies Act, Cap. 50</td>
</tr>
<tr>
<td><strong>Legal status</strong></td>
<td>Not a legal person</td>
<td>Not a legal person</td>
<td>A legal person (can enter into contracts, hold property, sue and be sued and exist irrespective of change of partners)</td>
<td>A legal person (can enter into contracts, hold property, sue and be sued and exist irrespective of change of shareholders)</td>
</tr>
<tr>
<td><strong>Number of owners/shareholders</strong></td>
<td>1</td>
<td>Minimum - 2 Maximum - 20 (except for professional firms)</td>
<td>Minimum - 2 No maximum number of partners</td>
<td>Minimum – 1 director and 1 shareholder (who may be the same person)</td>
</tr>
<tr>
<td><strong>Perpetual succession</strong></td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Liability of owners/shareholders</strong></td>
<td>Sole proprietor has unlimited liabilities</td>
<td>Partners have unlimited liabilities</td>
<td>Not personally liable for the conduct of other partners, transactions or liabilities of the LLP unless it is for his own wrongful acts or negligence</td>
<td>Limited – the shareholder is not liable for the debts of the company</td>
</tr>
<tr>
<td><strong>Internal structure</strong></td>
<td>Complete flexibility</td>
<td>Complete flexibility</td>
<td>Complete flexibility</td>
<td>Owner-management divide</td>
</tr>
<tr>
<td><strong>Audited accounts requirement</strong></td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes (except for exempt private company with turnover less than S$5 million or dormant company as defined in the Act)</td>
</tr>
<tr>
<td><strong>Filing of financial statements with ACRA</strong></td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes (with exception to exempt private companies)</td>
</tr>
<tr>
<td><strong>Filing of annual return</strong></td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Annual declaration of solvency</strong></td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes – an exempt private company needs only to report solvency status in the Certificate by an Exempt Private Company</td>
</tr>
<tr>
<td>Compliance with Financial Reporting Standards</td>
<td>Sole Proprietorships</td>
<td>General Partnerships</td>
<td>LLPs</td>
<td>Companies</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>----------------------</td>
<td>----------------------</td>
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<td>-----------</td>
</tr>
<tr>
<td>No</td>
<td>No</td>
<td>No – Legislation does not prescribe the accounting standards to be used. The LLP Act mandates proper record keeping of accounts to enable the true and fair view of accounts to be presented.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Appointment of a manager who is ordinarily resident in Singapore</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>NA</td>
</tr>
<tr>
<td>Appointment of a company secretary who is ordinarily resident in Singapore</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>Yes</td>
</tr>
<tr>
<td>Income tax</td>
<td>Where the sole proprietor is an individual, his income from the sole proprietorship will be taxed based on personal income tax rate</td>
<td>Where a partner is an individual, his share of income from the general partnership will be taxed based on personal income tax rate</td>
<td>Where a partner is an individual, his share of income from the LLP will be taxed based on personal income tax rate</td>
<td>Subject to a flat rate of 18% (partial tax exemption is available)</td>
</tr>
<tr>
<td>Termination of business</td>
<td>Simple – file a notice of termination of business with ACRA upon payment of a prescribed fee</td>
<td>Simple – file a notice of termination of business with ACRA upon payment of a prescribed fee</td>
<td>Complex – must undergo legal procedures of winding up; professional charges will be incurred; strike off application is available if the conditions stipulated by ACRA can be met</td>
<td>Complex – must undergo legal procedures of winding up; professional charges will be incurred; strike off application is available if the conditions stipulated by ACRA can be met</td>
</tr>
</tbody>
</table>

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FINANCIAL LANDSCAPE IN SINGAPORE

Overview

Singapore is well-recognised and established as an international financial hub, with its growth fueled by the conducive operating environment and strong government infrastructure. As a result, many reputable international financial institutions have set up operations in the country, making Singapore a hotspot for financial activities. Singapore is also well-regarded by key financial institutions and industry players as a springboard to capture regional opportunities.

Today, there is a large and diversified group of local and foreign financial institutions, numbering about 500, located in Singapore and offering a wide range of financial products and services. The products and services offered include working capital, trade financing, derivative products, capital market, loan syndications, asset management, structured trade and commodity financing, amongst others. These products and services are offered by the local banks (namely United Overseas Bank Limited, DBS Bank Limited and Overseas-Chinese Banking Corporation Limited) as well as foreign banks. Foreign banks include qualifying full banks (QFBs), wholesale and offshore banks, and other foreign banks. The licences held by these banks determine the level of restriction in terms of number of service locations and branches, automated teller machine and Electronic Fund Transfer at Point of Sale (EFTPOS) network, and products and services offered.

These banks are supervised by the Monetary Authority of Singapore (MAS), which regulates all elements of monetary, banking, and financial aspects in Singapore. MAS functions as the central bank of Singapore and its duty is to promote monetary stability and credit and exchange policies within the context of the government’s economic policy.

Overall, financial services account for 12% of the nation’s GDP. Financial services grew 9.2% in 2006, outperforming Singapore’s overall GDP growth of 7.9%, and this momentum has carried into 2007. The first quarter 2007 growth for the financial services sector came in at 13% on a year-on-year basis. Also, based on the World Economic Forum Global Competitiveness Report 2006-2007, released by the World Economic Forum on 26 September 2006, Singapore is ranked among the top ten most sophisticated financial markets in the world.

In the last four triennial surveys of global foreign exchange activities conducted by the Bank for International Settlements (BIS), Singapore has been consistently ranked as the fourth most active foreign exchange trading centre in the world, after London, New York and Tokyo.

Singapore’s corporate bond market has grown significantly; consisting of both Singapore dollar denominated bonds and other foreign currencies denominated bonds. In the latest Annual Corporate Debt Review for 2006 released by MAS, the total market capitalisation of the Singapore bond market reached S$243 billion.
The Government’s efforts to grow the Singapore Government Securities (SGS) market have produced results. Since 1996, outstanding SGS has grown from S$20.5 billion to S$85.8 billion in December 2006. In 2007, the first 20-year SGS was issued. The 20-year SGS has extended the benchmark yield curve as a price discovery mechanism and liquid hedging instrument for the broader Singapore debt market.

The corporate debt market has also seen good growth. As at the end of 2006, outstanding corporate debt securities were up 14% from a year earlier. This represents an increase of more than 6 times in size since 1996 to S$157 billion.

In line with the growing sophistication of the investor base, the asset securitisation market in Singapore has also taken off. For 2006, Association of Banks in Singapore (ABS) issuance amounted to more than S$19 billion. There is also an influx of more structured products into our market such as convertibles and synthetic Collateralised Debt Obligations.

With respect to wealth management, Assets Under Management (AUM) has continued to grow strongly. 2005 was the fifth consecutive year of double-digit growth for Singapore, with AUM increasing 26%. This trend has continued in 2006, evidenced by the expanding wealth management community in Singapore. This underscores Singapore’s emergence as a major wealth management centre in Asia. Singapore is strategically placed to capitalise on the significant wealth building up in Asia. At the same time, increasing interest from international investors to diversify a greater proportion of their portfolios to Asian assets has created business opportunities for fund managers based in Asia, including Singapore.

Taken together, these developments bode well for Singapore’s efforts to develop itself as an international financial centre.

**Contributing Factors**

Many factors contribute towards Singapore’s competitiveness in the financial arena:

- **Cost Competitiveness**
  Singapore offers a competitive tax rate environment. In the 2005 tax competitiveness report by CD Howe, Singapore was cited as having the lowest effective tax rates in the world. Singapore also offers the advantage of having a comprehensive network of Double Tax Agreements with more than 50 countries.

  Singapore is also one of the most cost competitive countries to do business in. According to a Global Occupancy Cost Survey by DTZ Research in January 2005, Singapore has more cost competitive office space than most major cities, including Tokyo, Hong Kong, Seoul and Sydney.
• **Skilled Workforce and Attraction of Talent**

Singapore also has a skilled workforce to meet industry demand. In addition to grooming the local workforce to meet the demands of the industry, Singapore also has an open door policy to international talent and expertise. Business Environment Risk Intelligence (BERI), a Washington-based risk consultancy agency, has rated Singapore’s workforce as the world’s best labour force since 1980. And according to the IMD World Competitiveness Yearbook 2004, Singapore ranked second after the US, in terms of attractiveness to foreign high-skilled people.

• **Strategic Location in a Region of Opportunities**

Singapore is strategically located in a region of opportunities. Located at the heart of Southeast Asia, Singapore is well-placed to serve the fast-growing markets of the Asia-Pacific region. Financial institutions in Singapore also trade around-the-clock with Asia-Pacific centres, as well as European and American centres, making Singapore a significant hub for 24-hour trading in foreign exchange and securities. International travel is equally convenient. Singapore has grown to be a strategic link and important gateway for global investors.

Growth in Asia, driven largely by China and India, are expected to surpass those in other parts of the world. Singapore seeks to ensure its relevance and connectivity to growth markets, not just in Asia but also beyond. As part of this initiative, Singapore has concluded Free Trade Agreements (FTAs) with major economies, including the US, Japan, Australia, New Zealand, and India. There are ongoing FTA talks with other countries. These FTAs provide privileged access to the markets of partner countries. Beyond the immediate region, Singapore is also building linkages with countries further afield including the Middle East, capitalising on the growing trade and investment interests between these two regions.

• **Legal and Judicial Framework**

Singapore has a robust and efficient legal and judicial framework and a well-regulated international financial sector. Singapore is the only Asian country with a “AAA” rating. The Political and Economic Risk Consultancy (PERC) survey named Singapore as having one of the best judicial systems in Asia for the sixth year running.

• **Strong Economic and Geo-political Environment**

Additionally, the positive economic and geo-political environment has led to Singapore being the preferred country of operation for companies venturing into Singapore to set up business operations. This is further spurred on by the various accolades earned by Singapore ranking it amongst the top in respect of business competitiveness.

**Financial Solutions Offered to Customers**

The vibrant and competitive financial landscape in Singapore means more choices and better offerings for consumers to meet their financial requirements, be it in terms of financing or investment opportunities.
Individuals enjoy access to a myriad of innovative products and services offered by local and foreign banks, depending on their needs. These products and services can be broadly classified into loan, investment or transactional products and services. Loan products include personal loans such as overdraft facilities, housing loans, and vehicle loans, while investment products include structured deposits, unit trusts, investment-linked insurance and others. These individuals also enjoy access to transactional services such as payment capabilities through credit cards and remittances.

Similarly, business entities also enjoy access to a comprehensive range of financing options based on their business life cycle. Many financial institutions offer specially tailored products and services for start-ups, and help these businesses establish themselves by providing working capital, trade and asset financing facilities. As these companies grow, financial institutions continue to support the growth via other products and services such as syndicated loans, listing services, and advice on mergers and acquisitions, amongst others.

Businesses in Singapore also benefit from various government assistance schemes, developed to support local enterprises in their growth and development, and globalisation efforts. A broad spectrum of financial and non-financial schemes are offered to these local enterprises to fuel growth. Financial schemes include loan insurance schemes, local enterprise financing schemes, and internationalisation finance schemes. These are administered by government agencies such as SPRING Singapore and IE Singapore, and offered to the business community via participating financial institutions.

In addition to the products and services offered, many individual and corporate customers now enjoy the ease of performing transactions and managing their cash flow regardless of where they may be physically located. This is an increasingly important capability given the globalisation of businesses and mobility of individuals. Banks leverage on technological advancements to introduce new and innovative alternatives in delivering products and services to customers. Customers, on the other hand, stand to enjoy greater convenience at lower costs.

**Conclusion**

Singapore is a vibrant and dynamic economy. Coupled with the excellent infrastructure and easy access to the rest of the Asia-Pacific, Singapore is evidently the country of choice for businesses and individuals venturing into the region, and the needs of these businesses and individuals are well-supported by the strong financial framework in the country.

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The Accounting Profession

The Institute of Certified Public Accountants of Singapore (ICPAS) is the national body representing the accounting profession in Singapore. It maintains a register of qualified accountants comprising mainly local graduates. Membership is open to members of the Institutes of Chartered Accountants of England and Wales, Australia, Scotland, Ireland and a number of other accounting bodies. Generally, prior to being admitted as a full member, they must attend a week-long pre-admission course. Members are designated as certified public accountants (CPA).

The Public Accountants Board, whose council members are appointed by the Ministry of Finance, licenses and registers accountants who wish to practise. It also handles practice monitoring, disciplinary matters and regulations on professional conduct.

Accounting Records

All companies incorporated under the Companies Act are required to maintain books of accounts that sufficiently explain the transactions and financial position of the company.

The books may be kept either at the company’s registered office or at another place the directors think fit. If the books are maintained outside Singapore, sufficient records must be maintained in Singapore to facilitate the preparation and/or audit of financial statements that reflect accurately the company’s financial position.

Sources of Accounting Principles

Financial Periods Commencing before 1 January 2003

The principal source of accounting principles in Singapore, namely Statements of Accounting Standards (SAS) and Interpretation of Statements of Accounting Standards (INT), are issued by ICPAS. These standards are essentially International Accounting Standards (IAS) modified for certain transitional provisions. They provide guidelines on the accounting measurements and disclosure requirements. Businesses may depart from such standards if the standards conflict with disclosure exemptions granted by law. Otherwise, ICPAS may take disciplinary action against any of its members who are in violation of the standards.

Rules on accounting measurements are generally established by SAS and INT. Disclosure requirements are governed by SAS, INT and the Companies Act.

ICPAS is a member of the International Accounting Standards Committee (IASC). Compliance with IASC standards are not mandatory, but the institute supports the IASC objectives of formulating and publishing standards for observance during presentation of audited financial statements and promoting worldwide acceptance of such standards.
Financial Periods Commencing on or after 1 January 2003
With the implementation of section 37 of the Companies (Amendment) Act 2002, SAS issued by ICPAS will not be used with effect from annual financial periods commencing on or after 1 January 2003. Instead, Singapore Financial Reporting Standards (FRS), issued by the new accounting standards-setting body, the Council on Corporate Disclosure and Governance (CCDG), are now effective. FRS are essentially adopted from International Financial Reporting Standards (IFRS). The previous SAS were adopted from the same set of IFRS (formerly referred to as IAS) but with modification to certain transitional provisions. Consequently, there are differences between FRS and SAS.

Interpretations of Standards are authoritative guidance on the application of the relevant standards. CCDG adopted all international interpretations as Interpretations of FRS (INT FRS) with effect from financial periods beginning on or after 1 January 2003.

Compliance with FRS is a statutory requirement whereby any non-compliance amounts to a breach of the Companies Act by the directors.

Financial Reporting
The Companies Act requires that an audited set of financial statements, made up to not more than six months before every Annual General Meeting, is to be presented to the shareholders at the meeting. Generally if a company incorporated in Singapore has one or more subsidiaries, it must prepare consolidated financial statements unless it meets certain criteria as provided for in FRS 27 Consolidated and Separate Financial Statements. Currently, financial statements under the Companies Act consist of the balance sheet, income statement together with explanatory notes. With the Companies (Accounting Standards) Regulations 2002 coming into operation for financial periods on or after 1 January 2003, a complete set of financial statements will comprise the balance sheet, income statement, statement of changes in equity, cash flow statement and explanatory notes.

The financial statements must be accompanied by the directors’ and auditors’ reports and by a statement from the directors declaring that the financial statements show a true and fair view and that it is reasonable to believe that the company can reasonably pay its debts as they become due.

Companies which meet specific provisions in the Companies Act may be exempt from having their accounts audited but nevertheless must prepare financial statements that comply with the Companies Act.

Annual Requirements
The Companies Act requires every company, except for those exempted in accordance with the provisions in the Act, to appoint one or more auditors qualified for appointment under the Accountants Act to report on the company’s financial statements. The auditors are to ascertain whether proper books of accounts have been kept and whether the financial statements agree with the company’s records. They will then report on the trueness and fairness of the financial statements to the shareholders at the Annual General Meeting.
Audit Exemption
Starting with the financial year beginning on or after 15 May 2003, the following companies are no longer required to have their accounts audited. However, they are still required to prepare accounts (and consolidated accounts where applicable) that comply with FRS.

- **Small exempt private companies**
  An exempt private company with revenue in a financial year below S$5m is exempted from appointing auditors and from audit requirements. Revenue is defined according to the statutory accounting standards, i.e. the FRS.

- **Dormant companies**
  A dormant company is exempted from appointing auditors and from the audit requirements if it has been dormant either (a) from the time of its formation or (b) since the end of the previous financial year. A company is considered dormant during a period in which no accounting transaction occurs, and the company ceases to be dormant on the occurrence of such a transaction. For this purpose, transactions arising from the following are disregarded:
  - Taking of shares in the company by a subscriber to the memorandum
  - Appointment of company secretary
  - Appointment of auditor
  - Maintenance of a registered office
  - Keeping of registers and books
  - Fees, fines or default penalties paid to the Registrar of Companies

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FINANCING OPTIONS AND FINANCIAL ASSISTANCE SCHEMES

Generally, most entrepreneurs rely on a combination of debt and equity financing to grow their business. Debt financing refers to interest-bearing loans that have to be repaid over a period of time. Equity financing refers to share capital from investors who are looking at capital gains and possibly dividend returns. There are also hybrid products in the form of convertible loans that allow the holder to convert to equity later.

The following tables provide a summary of the financing sources and options available to a business at different growth phases.

**Stages of a Company’s Development**

<table>
<thead>
<tr>
<th>Start-up</th>
<th>Growth</th>
<th>Internationalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is completing or has completed product development and initial marketing.</td>
<td>Is a profitable business with stable customer base.</td>
<td>Has track record of profitability.</td>
</tr>
<tr>
<td>Has some revenue and is building customer base.</td>
<td>Requires more capital to support growing sales. The funds are typically used to increase production capacity, strengthen branding and corporatise critical business processes.</td>
<td>Is successful in the local market.</td>
</tr>
<tr>
<td>Not yet profitable. Requires funding to sustain development.</td>
<td></td>
<td>Exploring overseas opportunities through joint ventures, mergers and acquisitions, and strategic alliances with overseas partners.</td>
</tr>
</tbody>
</table>

**Sources of Finance - Corporate and Angel Investors**

<table>
<thead>
<tr>
<th>Start-up</th>
<th>Growth</th>
<th>Internationalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mostly angel investors. These are typically successful businessmen with an appetite for start-up companies with higher risk.</td>
<td>Corporate investors keen to provide new monies usually demand an equity stake in the company.</td>
<td>Companies can enter joint ventures with listed corporate investors to co-share the risks and rewards of overseas ventures.</td>
</tr>
</tbody>
</table>
### Sources of Finance - Commercial Banks and Finance Companies

<table>
<thead>
<tr>
<th>Start-up</th>
<th>Growth</th>
<th>Internationalisation</th>
</tr>
</thead>
</table>
| Has limited access to commercial banks. Finance companies are unlikely to provide funding as they are required by law to provide loans on a secured basis. Financial institutions usually provide unsecured facilities up to a certain amount. The company is required to provide six months of bank statements to show the frequency of business activities. For companies with confirmed orders, it is possible for financial institutions to offer letters of credit and trust receipt facilities to enable them to purchase raw materials to complete the sale. | Financial institutions offer many products to help growing companies in these areas:  
- Purchases: Letters of credit and trust receipts  
- Sales: Bills discounting and factoring  
- Fixed assets: Loans  
The type of facility, quantum and condition of loans vary with each company’s balance sheet position and credit risk rating. Finance companies provide such facilities on a secured basis. | Financial institutions offer many avenues to help established companies internationalise their operations. For example:  
- Project financing facilities: These are term loans structured over the tenure of the project.  
- Syndicated loans: These are structured loans provided by participating financial institutions to co-share the risk. Restrictions on finance companies’ activities may prevent them from providing structured products and syndicated loans. |

### Sources of Finance - Stock Exchange and Trading Platforms

<table>
<thead>
<tr>
<th>Growth</th>
<th>Internationalisation</th>
</tr>
</thead>
</table>
| **Initial Public Offering (IPO)**  
Companies can apply for listing in Singapore or elsewhere as long as they satisfy the listing requirements.  
Although companies without a track record of profitability can list on the stock exchange of Singapore, they have to achieve a minimum profit after tax of S$2 million to get an underwriter to sponsor the listing. | **Initial Public Offering (IPO)**  
Unlisted companies can apply for listing on the stock exchanges in Singapore or elsewhere.  
**Bonds and Commercial Papers**  
More established companies can issue bonds and commercial papers to raise monies.  
**Share Placement and Rights Issue**  
Companies can raise funds either through share placement exercises to new shareholders or rights issue exercises to existing shareholders. |
Financial Assistance Schemes

Choosing the right financing option is critical to a business. Entrepreneurs need to plan carefully, weigh the pros and cons of the various options, and choose those that are most suited to their stage of growth.

The Government plays a key role in supporting local businesses and their financing requirements by providing various forms of financial assistance to help businesses at different stages of growth. The table below provides an overview of financing schemes, grant schemes, tax incentive schemes and supporting programmes. Due to the changing terms and conditions governing the schemes, readers are encouraged to check the websites provided for any updates.

<table>
<thead>
<tr>
<th>Financing Schemes</th>
<th>Start-up</th>
<th>Growth</th>
<th>Internationalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Local Enterprise Finance Scheme (LEFS)</td>
<td>Internationalisation Finance Scheme (IF)</td>
</tr>
<tr>
<td></td>
<td>Micro Loan Programme (MLP)</td>
<td>Loan Insurance Scheme (LIS)</td>
<td>Loan Insurance Scheme (LIS)</td>
</tr>
</tbody>
</table>

<table>
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<th>Financing Schemes</th>
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<th>Growth</th>
<th>Internationalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Enterprise Fund</td>
<td>Enterprise Fund</td>
</tr>
<tr>
<td></td>
<td>Business Angels Scheme (BAS)</td>
<td>Growth Financing Programme (GFP)</td>
<td>Growth Financing Programme (GFP)</td>
</tr>
<tr>
<td></td>
<td>SPRING SEEDS</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Grant Schemes</th>
<th>Grants</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local Industry Upgrading Programme (LIUP)</td>
<td></td>
<td>Patent Application Fund Plus (PAF Plus)</td>
</tr>
<tr>
<td><strong>Start-up</strong></td>
<td><strong>Growth</strong></td>
<td><strong>Internationalisation</strong></td>
<td></td>
</tr>
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</tr>
<tr>
<td>Tax Exemption for Start-ups</td>
<td>Development and Expansion Incentive (DEI)</td>
<td>Double Deduction for Overseas Investment Development Expenditure (DD)</td>
<td></td>
</tr>
<tr>
<td>Enterprise Investment Incentive Scheme (EII)</td>
<td></td>
<td>Overseas Investment Incentive (OII)</td>
<td></td>
</tr>
<tr>
<td>Pioneer Incentive (PC-M or PC-S)</td>
<td></td>
<td>Overseas Enterprise Incentive (OEI)</td>
<td></td>
</tr>
<tr>
<td>Industrial Exemption Factory Scheme</td>
<td>Licensed Warehouse Scheme (LWS)</td>
<td>Regional/International Headquarters Award (RHQ/IHQ)</td>
<td></td>
</tr>
<tr>
<td>Zero GST Warehouse Scheme</td>
<td></td>
<td>Double Tax Deduction for Market Development (DTD)</td>
<td></td>
</tr>
<tr>
<td>Investment Allowance (IA)</td>
<td>Investment Allowance (IA)</td>
<td>Global Trader Programme (GTP)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expansion Incentive for Partnerships (EIP)</td>
<td></td>
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</tbody>
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<table>
<thead>
<tr>
<th><strong>Supporting Programmes</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Credit Insurance (TCI) Programme</td>
</tr>
<tr>
<td>Warehouse Retail Scheme</td>
</tr>
<tr>
<td>International Partners Programme (iPartners)</td>
</tr>
<tr>
<td>Local Enterprise Technical Assistance Scheme (LETAS)</td>
</tr>
</tbody>
</table>
Debt Financing Schemes

Micro Loan Programme
The maximum loan amount under this programme is S$50,000. Businesses can choose between a fixed interest (6.25% per annum) or variable interest rate loan. The loan repayment period is up to 4 years.

Related links:
www.business.gov.sg
www.spring.gov.sg

Local Enterprise Finance Scheme (LEFS)
The scheme offers loans of up to S$15 million.

Related links:
www.business.gov.sg
www.spring.gov.sg

Loan Insurance Scheme (LIS)
This scheme provides loan insurance to secure loans against default. The government will share the cost of the insurance premium with the borrower.

Related links:
www.business.gov.sg
www.spring.gov.sg
www.iesingapore.com

Internationalisation Finance Scheme (IFS)
This is an asset-based loan, or structured loan based on the value of sales order/contract amount/project value, up to a maximum loan amount of S$15 million.

Related links:
www.business.gov.sg
www.iesingapore.com

Equity Financing Schemes

Business Angels Scheme (BAS)
For every S$1 invested by Business Angel Funds under BAS, SPRING Singapore will match S$1, up to a maximum of S$1 million. The minimum investment per start-up by the Business Angel Fund must be at least S$75,000.

Related links:
www.edb.gov.sg
www.business.gov.sg
www.spring.gov.sg
**SPRING SEEDS**
Targeted at non-technology-based businesses, SPRING Singapore will match S$1 for every S$1 raised from private investors, up to a maximum of S$300,000 for this scheme. The minimum investment by private investors must be at least S$75,000.

**Related links:**
www.business.gov.sg  
www.spring.gov.sg

**Enterprise Fund**
This scheme works in the form of financial participation from S$1 million to S$3 million, usually structured as convertible loans or debts with equity options with pre-defined repayment tenures.

**Related links:**
www.business.gov.sg  
www.iesingapore.com

**Growth Financing Programme (GFP)**
Every S$2 raised from third party investors will be matched by S$1 from SPRING Singapore, up to a maximum of S$1 million. The minimum investment amount from third party investors must be S$500,000.

**Related links:**
www.spring.gov.sg  
www.business.gov.sg

**Grants**

**Patent Application Fund Plus (PAF Plus)**
This grant is for the purpose of defraying the costs of patent application.

**Related links:**
www.edb.gov.sg  
www.business.gov.sg

**Innovation Development Scheme (IDS)**
This grant helps to provide co-funding to support innovation in products, processes and applications.

**Related link:**
www.edb.gov.sg
Locally-based Enterprise Advancement Programme (LEAP)
This grant is to support multiplier companies in their own industries and enterprise development of Singapore-based companies.

Related link:
www.edb.gov.sg

Local Industry Upgrading Programme (LIUP)
This grant provides support for local suppliers to upgrade through collaborations with MNCs.

Related links:
www.edb.gov.sg
www.business.gov.sg

Tax Incentives

Tax Exemption for Start-ups
Start-ups are granted tax exemption on the first S$100,000 of chargeable income (excluding Singapore franked dividends) for any of the first 3 consecutive years of tax assessment falling within Years of Assessment 2005 to 2009.

Related link:
www.business.gov.sg

Enterprise Investment Incentive Scheme (EII)
This scheme aims to help start-ups attract more investments as investors can deduct up to S$3 million of losses against their taxable income.

Related link:
www.spring.gov.sg

Pioneer Incentive (PC-M or PC-S)
Tax exemption on qualifying profits is granted up to 15 years for projects that result in the creation of new industries or the strategic expansion of existing industries in Singapore.

Related link:
www.edb.gov.sg

Industrial Exemption Factory Scheme
100% tax exemption for two years on dutiable raw materials for high-end industries is granted.

Related link:
www.business.gov.sg
Zero GST Warehouse Scheme
This scheme aims to improve a company’s cash flow by allowing a suspension of GST during storage of non-dutiable goods in licensed warehouses until they are released for local consumption.

Related link:
www.business.gov.sg

Investment Allowance (IA)
A tax incentive serving as a further capital allowance on qualifying equipment costs incurred within a set period will be given.

Related link:
www.edb.gov.sg

Development and Expansion Incentive (DEI)
This tax incentive provides preferential corporate tax rate on all qualifying profits above a pre-determined base, for a set period.

Related link:
www.edb.gov.sg

Licensed Warehouse Scheme (LWS)
The main advantage of this scheme is that duty and taxes (GST) are suspended in Licensed Warehouses until the imported dutiable goods are removed from the premises and enter the local market for consumption.

Related link:
www.business.gov.sg

Global Trader Programme (GTP)
The scheme provides companies with a concessionary tax rate of not more than 10% on offshore trading income from qualifying commodities and products.

Related link:
www.iesingapore.com

Double Deduction for Overseas Investment Development Expenditure (DD)
This scheme allows for double deduction of expenses that are not deducted under Section 14 of the Income Tax Act, and a further deduction of expenses (that are deductible under Section 14 of the Income Tax Act) against income of approved expenditure in activities to start or develop overseas investments. The maximum amount of eligible expenses allowed for deduction under this scheme is S$200,000 per approval.

Related links:
www.business.gov.sg
www.iesingapore.com
Overseas Investment Incentive (OII)
This scheme allows for deferment of taxable income for 2 years for any current year losses arising from an approved overseas investment during the first 3 years of the investment.

Related link:
www.iesingapore.com

Overseas Enterprise Incentive (OEI)
Tax exemption is given on qualifying income from approved overseas investments/projects for up to 10 years.

Related links:
www.business.gov.sg
www.iesingapore.com

Regional/International Headquarters Award (RHQ/IHQ)
Companies under this scheme can enjoy a customised package of tax incentives or grants including a concessionary tax rate of 15% on incremental qualifying income from abroad for 5 years.

Related links:
www.edb.gov.sg
www.business.gov.sg

Double Tax Deduction for Market Development (DTD)
This scheme allows for deduction of twice the level of approved expenses for approved projects against the company's taxable income.

Related links:
www.business.gov.sg
www.iesingapore.com

Expansion Incentive for Partnerships (EIP)
Tax exemption is granted for 50% of the qualifying overseas income of professional services companies above a pre-determined base.

Related link:
www.edb.gov.sg
Supporting Programmes

Trade Credit Insurance (TCI) Programme
The scheme allows companies to obtain insurance for accounts receivables against non-payment at premium rates normally available to businesses with substantial trade volume, at average premium rates of 0.18% to 0.35%.

Related links:
www.business.gov.sg
www.iesingapore.com

Warehouse Retail Scheme
The scheme assists businesses to achieve savings and productivity gains from co-location of various functions in one centralised location.

Related link:
www.edb.gov.sg

International Partners Programme (iPartners)
The scheme promotes co-funding to defray a percentage of costs, and requires the alliance of a leading industry player with strong access to overseas markets, and at least 2 other companies with complementary services, products, capabilities or technology.

Related links:
www.business.gov.sg
www.iesingapore.com

Local Enterprise Technical Assistance Scheme (LETAS)
Companies will be given a subsidy of up to 50% of the cost of hiring external consultants to implement quality management and IT systems.

Related links:
www.business.gov.sg
www.spring.gov.sg

Contributed by:
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8 Wilkie Road #03-08
Wilkie Edge
Singapore 228095
Tel (65) 6533 7600
Fax (65) 6594 7866
Email cas@stoneforest.com.sg
www.stoneforest.com.sg
LISTING IN SINGAPORE

The Singapore equity market provides an important avenue for Singapore and foreign companies to raise long-term capital through public issue of their shares on the Singapore Exchange Securities Trading Limited (SGX-ST) Main Board or the SGX-ST Dealing and Automated Quotation System (SESDAQ).

The Singapore Advantage

Singapore’s financial market has been built on a robust and competent legal and judicial framework. In 2006, the Political and Economic Risk Consultancy survey distinguished Singapore as having one of the best judicial systems in Asia.

Entrepreneurs and investors favour Singapore as a choice destination for its pro-business environment, established infrastructure, transparent regulations, political stability, and investor-friendly government policies. Companies considering listing are further attracted by the following factors:

| International recognition                                      | • Foreign listings constitute more than 30% of all listings on the Singapore Exchange (SGX).  
|                                                               | • Companies listed on SGX are perceived as having good corporate governance. |
| Door to international investors and global market             | • In 2006, total funds managed in Singapore were approximately S$900 billion.  
|                                                               | • SGX has strategic alliances with major stock exchanges for both the securities and derivatives markets. |
| Comprehensive research coverage                               | • Singapore has over 100 research analysts and over 20 research houses covering companies listed on SGX.  
|                                                               | • For newly listed companies, SGX and MAS have set up a Research Incentive Scheme to facilitate research coverage. |
| Choice of accounting standards                                | • For both primary and secondary listings, companies may use financial statements in compliance with:  
|                                                               | (i) Singapore Financial Reporting Standards (FRS)  
|                                                               | (ii) International Accounting Standards (IAS)  
|                                                               | (iii) US Generally Accepted Accounting Principles (US GAAP) |

Benefits and Drawbacks of Listing

Benefits
• Creates a market for the company’s shares
• Enhances the status and financial standing of the company
• Increases public awareness and public interest in the company and its products
• Provides the company with an opportunity to implement share option incentive schemes for its employees
• Increases avenues for future fund-raising via the issuance of new shares or other securities
• Facilitates acquisition opportunities by use of the company’s shares
• Offers existing shareholders a ready means of realising their investment

Drawbacks
• Increases accountability to public shareholders
• Needs to maintain dividend and profit growth trends
• Becomes more vulnerable to unwelcome takeover
• Needs to observe and adhere strictly to the rules and regulations by governing bodies
• Increases costs in complying with higher level of reporting requirements
• Relinquishes some control of the company following the public offering
• Suffers loss of privacy as a result of media interest

Listing Criteria

General Requirements
(i) The company must be a going concern.
(ii) The company should be in a healthy financial position.
(iii) The company’s management team, directors and shareholders should have the experience, expertise, character and integrity to lead and run a listed company.
(iv) The company should eliminate or resolve all conflict of interest situations prior to listing.

Foreign companies seeking listing will need to:
(i) Release all information and documents in English, and all securities will be quoted in Singapore dollars, unless approved by SGX or MAS.
(ii) Appoint at least two independent directors resident in Singapore.

SGX Main Board and SGX SESDAQ Requirements

Companies considering listing in Singapore may choose to list on either the SGX Main Board or SGX SESDAQ. The tables below set out the principal criteria for listing on the above-mentioned Boards.

For listing on the SGX Main Board, companies must satisfy one of the following criteria:

<table>
<thead>
<tr>
<th>SGX Main Board</th>
<th>Criteria 1</th>
<th>Criteria 2</th>
<th>Criteria 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-tax Profit</td>
<td>Cumulative pre-tax profit of at least S$7.5 million over the last three consecutive years, with a pre-tax profit of at least S$1 million in each of those three years.</td>
<td>Cumulative pre-tax profit of at least S$10 million for the latest one or two years.</td>
<td>NA</td>
</tr>
</tbody>
</table>
#### SGX Main Board

<table>
<thead>
<tr>
<th>Criteria 1</th>
<th>Criteria 2</th>
<th>Criteria 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Capitalisation</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Moratorium</td>
<td>Vested shareholders may not sell their entire shareholdings for a minimum of 6 months after listing.</td>
<td>Vested shareholders may not sell their entire shareholdings for at least 6 months after listing, and must hold at least 50% of the original shareholdings for the next 6 months.</td>
</tr>
</tbody>
</table>

Substantial independent shareholders, who acquire and make payment for the shares within 12 months from date of listing application, may not sell a proportion of their shareholdings, calculated based on capital gains.

#### SGX SESDAQ

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-tax Profit</td>
<td>No set requirements. Business is expected to be viable and profitable with good growth prospects.</td>
</tr>
<tr>
<td>Track Record</td>
<td>A company with no track record has to demonstrate that it requires funds to finance a project or develop a product, which must have been fully researched and costed.</td>
</tr>
<tr>
<td>Moratorium</td>
<td>Vested shareholders may not sell their entire shareholdings for at least 6 months after listing, and must hold at least 50% of the original shareholdings for the next 6 months.</td>
</tr>
</tbody>
</table>

Substantial independent shareholders, who acquire and make payment for the shares within 12 months from date of listing application, may not sell a proportion of their shareholdings for at least 6 months, calculated based on capital gains.
Following listing on SGX SESDAQ, companies may apply to be transferred to the Main Board if they satisfy its criteria in the future.

At the time of publication, SGX has proposed to develop a New Board to replace the SGX SESDAQ. The New Board will be similar to the Alternative Investment Market in the United Kingdom. It will be a sponsor-supervised board tailored to create a conducive environment for growing companies to list, and to easily raise capital and acquire assets post-listing.

**Methods of Listing**

A company may seek either a primary listing or secondary listing, where the company is already listed on another stock exchange. Companies seeking primary listing will need to comply with SGX’s regulations in full, while companies seeking secondary listing will not need to do so, on condition of adhering to the requirements with respect to secondary listings.

**Shareholding Spread**

SGX has set minimum public float requirements for the amount of post-invitation share capital, based on market capitalisation. The table below sets out the requirements:

<table>
<thead>
<tr>
<th>Market Capitalisation</th>
<th>Minimum Public Float</th>
<th>Number of Shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SGX Main Board</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than $300m</td>
<td>25%</td>
<td>1,000</td>
</tr>
<tr>
<td>$300m to less than $400m</td>
<td>20%</td>
<td>1,000</td>
</tr>
<tr>
<td>$400m to less than $1 billion</td>
<td>15%</td>
<td>1,000</td>
</tr>
<tr>
<td>More than $1 billion</td>
<td>12%</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>SGX SESDAQ</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Any size</td>
<td>15% or 500,000 shares, whichever is greater</td>
<td>500</td>
</tr>
</tbody>
</table>

**Pricing of the Shares**

The issue price is largely dependent on the company’s present and future earnings. It is therefore important to prepare a two-year business plan for review by the issue manager.

For companies without historical records of positive earnings, it is still possible for them to obtain a listing. The issue price may be based on future earnings, and expert assessment may be required of the company.
Listing Preparation

When considering a listing, a company should ascertain its reasons for such an exercise, and be aware that the preparation and process of listing will consume a considerable amount of the company’s time and resources. The following are some of the areas that should be completed or taken into account when considering a listing:

<table>
<thead>
<tr>
<th>Listing Preparation Checklist</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial and management control systems</strong></td>
</tr>
<tr>
<td>Prepare timely and accurate management accounts.</td>
</tr>
<tr>
<td>Ensure adequate internal controls are in place; any highlighted internal control weaknesses must be adequately addressed.</td>
</tr>
<tr>
<td>Have in place service contracts for key management staff.</td>
</tr>
<tr>
<td>Have in place an employee share option scheme, if any.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Compliance with relevant accounting standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepare the previous three years’ financial statements in accordance with the relevant accounting standards acceptable to SGX.</td>
</tr>
<tr>
<td>Identify and resolve any accounting issues or standards that are particular to the industry.</td>
</tr>
<tr>
<td>Have the financial statements audited by reputable accounting firms.</td>
</tr>
<tr>
<td>If the financial statements of foreign subsidiaries have been prepared using the respective local accounting standards, reconcile them according to the holding company’s accounting standards and policies as soon as possible.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate restructuring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determine the businesses or companies that should be included in the proposed listing group. This structure should enable the business activities and operations to expand in the future.</td>
</tr>
<tr>
<td>Within the selected group structure, determine the extent of restatement to be reflected in financial statements and address any potential conflict of interests that may arise.</td>
</tr>
</tbody>
</table>
**Business expansion plan for the next two years**

Prepare detailed two-year financial projections for the income, balance sheet and cash flow statements. The business plan must also include the future plans of the company and the intended use of IPO proceeds.

**Interested party transactions and conflict of interests**

The management, directors and substantial shareholders of listed companies on SGX are expected to be transparent in any dealings they may have with the company.

Ongoing significant transactions between the company seeking listing and its management, directors and substantial shareholders and their associates will have to be reviewed by an Independent Financial Adviser (IFA), to ensure that transactions are conducted at arm’s length.

Potential conflict of interests between the company and other companies or businesses of the group that are not part of the proposed listing group, should also be addressed.

**Pro forma accounts to be reviewed by auditors**

Prepare pro forma income statements for the past three years.

Prepare pro forma balance sheet for the latest accounting year.

Align financial year-end for the past three years, if there is any change in the financial year-end.

Align depreciation policy.

Resolve any outstanding tax issues prior to IPO, if any.

**Preparation of prospectus - some key information to be included**

History, business, risk factors of the company.

Segmental performance for the past three years, in compliance with the FRS.

Year on year financial analyses for the past three years.

Production processes and a quantification of production capacity and utilisation for the past three years.

Prospects and future plans.
Timeline to IPO

**9 – 14 months**

- **6 – 9 months**
  - Listing – planning and preparation

- **8 – 12 weeks**
  - Submission to SGX and receipt of eligibility-to-list letter

- **3 – 4 weeks**
  - Lodgment of draft prospectus with MAS

- **1 – 2 weeks**
  - IPO launch

Professional Help to Pave the Way

The key professionals that an IPO aspirant will require include:

1. **The Issue Manager**
   The listing process kicks off with the appointment of an issue manager, who will assume the position as the company’s sponsor. The issue manager is usually a member of SGX, a merchant bank or similar institutions acceptable to SGX. The issue manager has an active role in priming the company for listing. In addition to managing the IPO, the issue manager also submits the listing application on behalf of the company, and coordinates with SGX on all matters arising from the listing application.

2. **Legal Counsel**
   The company has to appoint a lawyer to undertake the legal aspects of listing. This will include the need for an overseas legal counsel if it has overseas subsidiaries, and if required by the issue manager, another legal counsel to advise the issue manager on the issue.

3. **Auditors**
   The appointed certified public accountant’s role is to audit the accounts of the company and highlight any weaknesses in the internal controls of the company.

4. **Business Advisors**
   The business advisors are able to assist the management in the entire IPO preparation. They will conduct a preliminary appraisal of the company’s readiness to undertake a listing exercise. The business advisors will also prepare the company for IPO by optimising the business value of the company, guiding the company through restructuring the business (if necessary), identifying and resolving issues, compiling and analysing its financial statements, preparing the prospectus and business plan, as well as facilitating the company in upgrading its internal control procedures.

5. **Public Relations Consultant**
   Before and during the IPO launch, the company will need to engage a competent public relations firm to assist in increasing investor awareness of the company.
**Costs Involved in a Listing Exercise**

<table>
<thead>
<tr>
<th>Expenses</th>
<th>SGX Main Board</th>
<th>SGX SESDAQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial listing fee</td>
<td>S$50,000 – S$200,000</td>
<td>S$10,000 – S$20,000</td>
</tr>
<tr>
<td>Annual listing fee</td>
<td>S$25,000 – S$100,000</td>
<td>S$5,000 – S$25,000</td>
</tr>
<tr>
<td>Professional fees</td>
<td>From S$700,000</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>From S$200,000</td>
<td></td>
</tr>
<tr>
<td>Placement commission &amp; brokerage</td>
<td>3-7% of gross proceeds raised</td>
<td></td>
</tr>
</tbody>
</table>

**Post-listing**

1. **Corporate governance and transparency**
   A successful IPO is only the beginning for greater corporate governance and transparency. Listed companies will need to maintain good corporate governance and disclosure policies, in accordance with the requirements of SGX.

2. **Duties and responsibilities of directors**
   Directors of a listed company will have to undertake additional statutory duties to ensure that the company is well-managed. Directors and management of companies considering a listing on SGX must be ready to take on the responsibilities that accompany their respective designations after the listing.

   It is also a pre-listing requirement to disclose if directors have prior experience or have undergone training in the role and responsibilities as directors of listed companies.

3. **The Board of Directors**
   The practice of good corporate governance is expected of companies listed on SGX. The Board of Directors has to comprise at least two independent directors, and to participate in the following committees that are to be formed upon listing:
   
   (a) Audit Committee
   (b) Nominating Committee
   (c) Remuneration Committee

4. **Announcement and reporting requirements**
   A listed company will have to act in accordance with the financial reporting requirements and obligations as established by SGX. Below are some of the regulations as stipulated by SGX:
   
   - The company and its officers are prohibited from trading in the company’s securities one month before the half-year or full financial year results are announced.
• The Corporate Disclosure Policy stipulates that directors are to disclose any material information of the company, clarify/confirm any rumours or reports, and report any unusual trading activity.

• SGX also stipulates that financial statements for the full financial year must be announced within 60 days of the financial year-end, and within 45 days for the first half of the financial year. For companies with market capitalisation exceeding $75 million, they are also required to announce their quarterly results within 45 days from the end of each quarter. The listed company must also hold its Annual General Meeting within 4 months after the end of the company’s financial year. Effective 1 September 2006, interim results require a “negative assurance” confirmation from the Board of Directors that, to the best of their knowledge, nothing has come to their attention that may render the financial results to be false or misleading.

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OVERVIEW OF SINGAPORE EMPLOYMENT LANDSCAPE

Between 1998 to 2005, the employment market in Singapore was gloomy with rampant uncertainty in job security in the wake of record mass retrenchments following the Asian economic crisis, 911 terrorist attacks and the SARS pandemic. Unemployment rates ranged from 3.4% to 3.7% between 2002 and 2005.

The situation turned for the better in 2006. According to data from the Singapore Department of Statistics, the seasonally adjusted unemployment rate dipped to 2.7% in 2006 while recently released unemployment figures fell to 2.4%, the lowest since the turn of the millennium. It proved that economic restructuring undertaken in the years of recession were showing their fruition.

The employment market is currently riding on the wave of a bullish economy. Employers are increasingly recognising the critical value of talent and are adopting new measures to attract and retain talents. They are also finding new ways to manage increased diversity at the workplace, raising workplace standards and promoting work-life balance to keep employees efficient and happy.

Of the three broad sectors making up the Singapore economy – manufacturing, services and construction – the services industry represents the largest pie in terms of employment numbers. The banking and finance sector is particularly flourishing and is currently experiencing a talent crunch, resulting in sizeable increases in wages.

Employment in the services sector is slated to grow with the integrated resorts (IR) in the pipeline, where an estimated 35,000 jobs will be created. Already, avenues for training are available for careers in casino and entertainment-related positions.

Singapore’s Talent Pool

The heart of Singapore’s economy is its human resource. The country’s talents are renowned for their competence and high productivity. Literacy rate is one of the highest in the world at 95.4% in 2006, which is a result of its world-class education system.

Universities and polytechnics have been producing more graduates. Private institutions have also been expanding their intake over the years, making tertiary education more accessible and allowing working adults to pursue post-graduate and upgrading courses.

A growing expatriate and foreign worker community adds to the diversity in expertise and experience of the workforce. Their numbers have been growing increasingly, from 812,100 in 2001 to 875,400 in 2006. The expatriate community is vital to Singapore’s plan to grow the population from the current 4.5 million to 6.5 million in the next 20 years.
A major challenge is however an ageing workforce: lower fertility rates and higher life expectancy have put Singapore’s population amongst the fastest ageing societies. As the workforce will mature fairly quickly over the next few decades, there has been much emphasis on the employability of older workers. According to the Ministry of Manpower, the percentage of working Singaporeans aged 55 to 64 stands at 53.7%.

Since 1999, the Ministry has set the retirement age at 62. To facilitate the employability of the ageing population, the Ministry has stated that by 2012, offers of re-employment for workers past the retirement age will be mandatory on the part of employers. This will effectively stretch a person’s estimated employment to age 65, and subsequently, 67.

Employers may need to anticipate redesigning jobs and adjustment of pay packages to suit these workers.

**Employment Standards and Regulations**

Singapore goes at length to proactively develop and sustain excellent employment standards that conform to international recommendations.

An example of this is its support of the International Labour Organisation (ILO), a UN agency that formulates labour conventions. Altogether, Singapore has ratified 20 conventions covering four key areas of child labour, forced labour, collective bargaining and equal remuneration.

Behind its workforce, Singapore has a backbone of organisations that support and instrumentally steer it in the right direction. These are:

**Ministry of Manpower (MOM)**

The Ministry of Manpower is the governing authority for workforce development in Singapore. To ensure a high standard of employment practices on all aspects, the Ministry enforces the regulations and guidelines as stipulated in the Employment Act.

**Workforce Development Agency (WDA)**

This government-accredited body enables Singapore employees to remain at the cutting edge of their respective fields by making upgrading courses across all industries more accessible to the workforce, so that it stays relevant to the economy.

**Tripartite Alliance for Fair Employment Practices (TAFEP)**

Besides competency development, efforts have been made to build an inclusive workforce. The Tripartite Alliance for Fair Employment Practices was set up in 2006 to try and phase out discrimination in employment. In the alliance’s bid to change the mindsets of employers, it has formulated and disseminated guidelines for employment with regards to equal consideration of all ages, genders, races and religions.
Employee Rights

As Singapore’s main labour legislation, the Employment Act covers the basic terms and conditions of employment as well as the rights and obligations of employers and employees, except for managerial, executive or confidential positions, seamen and domestic workers. The aspects of employment stipulated within are:

1. **Contract of Service**

Contracts of Service are binding agreements between employers and employees that explicitly state the length of service, basis of termination and all aspects of an employment term. They must conform to the standards implied by the Employment Act, otherwise they are considered not effective.

Contracts of Service essentially cover the following:
- Commencement of employment
- Appointment (job title and job scope)
- Hours of work
- Probation period (if required)
- Remuneration
- Employee benefits
- Termination of contract (notice period)
- Code of conduct (behavioural adherences, etc)

2. **Wages**

There are a few things to note when it comes to remuneration in Singapore.

- There are no minimum wage requirements. Salaries are based on negotiation and agreement between employer and employee.
- Employees must be paid at least once a month, and no later than seven days after salaries are due.
- Salaries cannot be deducted under any circumstances except for authorised instances, some of which are absence from work, damage/loss of goods, employer-supplied accommodation and salary advances and loans.
- Salaries are calculated in two ways:
  - **Basic Rate of Pay** which is the salary of a worker including wage adjustments and increments and excluding all allowances. It is used to calculate pay for work on a rest day or public holiday.
  - **Gross Rate of Pay** which is salary including allowances. It is used to calculate salary deductions for absence from work and pay in lieu of termination.

3. **Hours of Work and Overtime, Rest Days and Public Holidays**

Hours of work are generally determined by the company and should be stated in the contract of service. But the Employment Act does cover regulations for employees categorised as ‘workmen’, who are, by definition, any person who is contracted to do manual labour, or any person whose total earnings do not exceed S$1,600.

Generally, a workman’s working hours are 8 hours a day (excluding meal breaks) or 44 hours
a week. In a day, they are allowed to work a maximum of 12 hours, with a break in between for meals. For overtime, they are only permitted to work a maximum of 72 hours in a month. Otherwise an application for overtime exemption has to be filed. Overtime must be at least 1.5 times the hourly rate of pay.

All employees are accorded one unpaid rest day by the Employment Act every week, with a maximum of 12 working days between each rest day. If an employer requests an employee to work on a rest day, the payment is twice the daily rate (one day’s salary for half a day’s work and two days’ salary for more than half a day).

All employees are entitled to the 11 gazetted public holidays, which are:
- New Year’s Day (1 Jan)
- Chinese New Year (2 days, Feb)
- Good Friday (Apr)
- Labour Day (1 May)
- Vesak Day
- National Day (9 Aug)
- Hari Raya Puasa
- Hari Raya Haji
- Christmas Day (25 Dec)

An employer can choose to either compensate an employee who has worked on a holiday by crediting him with a day’s salary in lieu, or substitute the day with another day off.

4. Leave
There are four types of leave that are governed by the Employment Act, namely annual, sick, maternity and childcare leave.

In Singapore, annual leave is accorded to an employee based on his length of service to the company. For the first year, an employee is entitled to seven days of leave. Each successive year adds one day to the annual entitlement, capping at 14 for the 8th year and beyond. Marriage, paternity and compassionate leave are not covered and are up to the arrangement between employer and employee.

Employees are entitled to 60 days of hospitalised and 14 days of non-hospitalised sick leave. For most medical costs in areas such as medication, treatment and hospitalisation, an agreement of medical coverage is arranged and indicated in the contract of employment. However, employers are obligated by law to reimburse medical consultation and examination fees.

Women are entitled to four weeks of paid maternity leave immediately before delivery and eight weeks after. For one to be entitled full maternity benefits, her child must be Singaporean at birth, legitimate and is her first to fourth child. She must also have worked for her company for at least 180 days.

Any parent who has a child under the age of seven is also accorded two days of childcare leave per year, regardless of the number of children.
5. **Retrenchment**

The Employment Act advises on the procedures, basis of benefits as well as recommended alternatives to the laying-off of workers to help ensure that both parties receive a fair and reasonable deal.

Employers are required to give notice to employees affected by a company’s retrenchment exercise. Unless the notice period is covered in the contract of service, the following table based on the length of service should be used as a guide so as to give the retrenched enough time to cope with the loss of their jobs:

<table>
<thead>
<tr>
<th>Length of Service</th>
<th>Notice Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 26 weeks</td>
<td>1 day</td>
</tr>
<tr>
<td>26 weeks to less than 2 years</td>
<td>1 week</td>
</tr>
<tr>
<td>2 years to less than 5 years</td>
<td>2 weeks</td>
</tr>
<tr>
<td>5 years and above</td>
<td>4 weeks</td>
</tr>
</tbody>
</table>

An employee who has worked for more than 3 years at a company can request for retrenchment benefits.

However, it is recommended that retrenchment should be used as a last resort and only after other alternatives have been explored.

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WORKING IN SINGAPORE

Passes

Foreigners entering Singapore to work must obtain either of three passes — P, Q1 or S Passes — from the Comptroller of Immigration.

P Pass
A P Pass is given to a foreigner in a professional, managerial, executive or specialist position. The P Pass is further split into two categories according to different criteria. A P1 Pass will be issued to the applicant if his monthly basic salary is more than S$7,000. A P2 Pass will be issued if his monthly basic salary is more than S$3,500 and he possesses recognised qualifications.

Q1 Pass
The Q1 pass is meant for a foreigner whose monthly basic salary is more than S$2,500 and possesses recognised qualifications. In addition, compensatory factors such as the applicant’s skills and years of experience may be taken into consideration for Q1 applications.

Personalised Employment Pass (PEP)
The Personalised Employment Pass (PEP) is a new pass granted to an individual employment pass (P1, P2 & Q1) holder based on individual merits and the length of working experience in Singapore. It is not tied to an employer. This is to facilitate the contributions of global talent to Singapore, allowing such foreign talent temporary stay of up to six months while evaluating employment opportunities.

S Pass
A foreigner whose monthly basic salary is at least S$1,800 is eligible for an S Pass. S Pass applicants will be assessed on a points system, where various criteria such as salary, education qualifications, skills, job type and work experience will be taken into account. A levy of S$50 per month is payable by the employer. Effective October 2006, the number of S Pass holders in each company is increased from 5% to 10%, based on the company’s number of local workers. This additional 5% will come from the companies’ existing Work Permit quota, meaning that more S Pass holders can be employed, in lieu of Work Permit holders.

Work Permit
A foreigner whose monthly basic salary is not more than S$1,800 will need to apply for a work permit. The permit can be categorised into skilled and unskilled depending on the educational level and the industry sector he/she is employed under. A levy of S$150 to S$470 per month is payable by the employer.
Social Security

Central Provident Fund
The Central Provident Fund (CPF) is a compulsory and comprehensive social security savings scheme, to which both employers and employees (citizens and permanent residents) contribute. The aim of the Fund is to provide financial security for wage-earners in their retirement. In addition, the CPF Board has introduced various schemes for members that cater to home-ownership, insurance, hospitalisation, investments and education at approved local institutions.

Effective 1 July 2007, the maximum contribution for employees and employers are 20% and 14.5% of wages respectively, on a monthly salary ceiling of S$4,500. For employees aged above 50, the maximum total contribution will be 28.5% with effect from 1 July 2007. Contributions paid into the CPF are allocated primarily to an employee’s Ordinary Account in the CPF. Additional accounts are the Special Account and the Medisave Account.

CPF withdrawals may be made when the CPF member:
• reaches age 55 after setting aside his/her CPF Minimum Sum and Medisave Required Amount; or
• is permanently disabled; or
• leaves Singapore and West Malaysia permanently.

Foreign Worker Levy
Employers of foreign workers holding work permits processed by the Work Pass Division of the Ministry of Manpower are required to pay levies for foreign workers. These are workers in the construction, manufacturing and marine industries as well as domestic servants. Different rates are applicable to different industries.

Skills Development Fund
Employers are subject to a Skills Development Fund (SDF) levy of 1% on the emoluments of employees earning up to S$2,000 a month. This SDF is used to promote training in skills relevant to Singapore’s economic restructuring efforts and provides training grants for companies to upgrade the skills of their employees.

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TAXATION IN SINGAPORE

Introduction

Singapore does not tax capital gains. The major types of taxes that affect businesses and companies in Singapore are namely income tax, goods and services tax, stamp duty, property tax and customs and excise duties.

Income Tax

Income accrued in, derived from Singapore or received in Singapore from outside Singapore is subject to income tax in Singapore unless it is specifically exempt from tax. The types of income subject to tax include income from trade, business, profession or vocation; employment income; dividend; interest; rent; royalty; and other gains or profits which are of income nature, etc.

Income tax for a Year of Assessment (YA) is assessed based on income accrued, derived or received (from outside Singapore) in the basis period - which is generally the preceding calendar year. For a trade, business, profession or vocation, its preceding financial year is the basis period.

Expenses that are wholly and exclusively incurred in the production of income are tax deductible. Capital allowance or industrial building allowance may be claimed for expenditures incurred to acquire plant and machinery, or to construct/purchase an industrial building. Any such expense incurred for a trade, business, profession or vocation, capital allowance or approved donation in excess of the income for a YA may be carried forward for set-off against income of a future YA.

There are differences in income tax treatments between tax residents of Singapore and non-tax residents. A tax resident individual is one physically present in Singapore for 183 days or more in any calendar year, or whose temporary absence from Singapore is consistent with a residency claim on grounds of qualitative factors such as domicile or family present in Singapore etc. A company is tax resident in Singapore if the control and management of its business is exercised in Singapore.

The major advantage for being a tax resident in Singapore is the ability to enjoy the benefits accorded under the 56 treaty benefits. Typical treaty benefits are the reduced withholding tax rates and the ability to avoid double taxation on cross-border income via claim for foreign tax credit or eligibility for tax exemption.

Profits of trade, business or profession operating through sole proprietorships, partnerships or limited liability partnerships are not subject to tax at the entity level, but are subject to tax in the hands of the sole proprietor or the partners. In other words, if the sole proprietor or a partner is an individual, the profits from the sole proprietorship, partnership or limited liability partnership will be subject to personal income tax whereas if it is a company, the profits will be subject to corporate income tax.

1 Number of Comprehensive Avoidance of Double Taxation Agreements as at 12 October 2007
Personal Income Tax
The income tax rate(s) and other treatments applicable to individuals are summarised in the table below.

<table>
<thead>
<tr>
<th>Tax Resident</th>
<th>Non-tax Resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax rate(s)</td>
<td>Progress rates from 0% to 20%</td>
</tr>
<tr>
<td>Personal relief</td>
<td>Applicable</td>
</tr>
<tr>
<td>Foreign-sourced income received in Singapore</td>
<td>Tax exempt, except those received through partnerships in Singapore</td>
</tr>
<tr>
<td>Employment income from Singapore</td>
<td>Taxable</td>
</tr>
<tr>
<td>Treaty benefits</td>
<td>Yes</td>
</tr>
</tbody>
</table>

An individual who is a tax resident of Singapore for a YA and who was not a tax resident in Singapore for the 3 consecutive YAs immediately before that YA may apply for the “Not Ordinarily Resident” (NOR) status. Once the application is approved, the individual will be granted the NOR status for 5 consecutive YAs; and in any of these YAs the individual is a tax resident in Singapore, the individual enjoys time apportionment of his Singapore employment income and tax exemption of employer’s contribution to a non-mandatory pension fund or social security scheme.

Corporate Income Tax
Income of a company (whether tax resident or not) that is accrued in, derived from Singapore or received in Singapore from outside Singapore is subject to income tax in Singapore at 18%. The effective tax rate is lower as the first S$300,000 chargeable income that is subject to tax at 18% is partially exempt from tax as follows:

<table>
<thead>
<tr>
<th>Details</th>
<th>Exemption</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First 3 YAs of tax resident Singapore incorporated companies with no more than 20 individual shareholders</strong></td>
<td></td>
</tr>
<tr>
<td>100% of first S$100,000</td>
<td>S$100,000</td>
</tr>
<tr>
<td>50% of next S$200,000</td>
<td>S$100,000</td>
</tr>
<tr>
<td>Total amount exempt from tax</td>
<td>S$200,000</td>
</tr>
</tbody>
</table>

2 The rate of tax of 18% may be reduced under tax incentives, such as the global trader programme, pioneer industry/product incentive, approved international shipping enterprise incentive etc. Tax incentive schemes offer concessionary rates of tax ranging from 0% to 15%.
Details | Exemption
--- | ---
**All other cases** | 
75% of first S$10,000 | S$7,500
50% of next S$290,000 | S$145,000
Total amount exempt from tax | S$152,500

Foreign-sourced dividends, foreign branch profits and foreign-sourced service income received in Singapore by a tax resident company are exempt from tax if the income is received from a foreign tax jurisdiction with headline tax rate\(^3\) of at least 15% and the income has been subjected to tax in that foreign tax jurisdiction.

For other foreign-sourced income received in Singapore by a company that is subject to tax in Singapore, the company may claim foreign tax credits in respect of tax paid outside Singapore if it is a tax resident in Singapore.

Unabsorbed trade loss, capital allowance and approved donation of a company may be transferred to another company within the same group for set-off against the other company’s income. To qualify for such group relief, both companies must be incorporated in Singapore, belong to the same group and have the same accounting year-end.

Any balance of such unabsorbed loss, capital allowance, or donation (subject to a limit of S$100,000) may be carried back for set-off against the company’s income of the immediate preceding year, or be carried forward (not subject to any limit) for set-off against the company’s income of the subsequent year(s). The ability to carry back or carry forward such unabsorbed loss, capital allowance or donation is subject to the satisfaction of the continuity of substantial ownership test\(^4\). For unabsorbed capital allowance, there is also the need to satisfy a business continuity test.

For payment of dividends, companies under the one-tier corporate tax system\(^5\) enjoy full flexibility on how and when to pay dividends to their shareholders. Unlike companies under the imputation system, they enjoy compliance ease since they need not account to the Comptroller of Income Tax their franking credit balances\(^6\), and they can pay dividends out of capital gains that are not subject to tax.

---

3 Headline tax rate of a foreign jurisdiction refers to the highest corporate tax rate of the foreign jurisdiction. It need not be the actual rate of tax imposed by the foreign jurisdiction on the income.
4 The Inland Revenue Authority of Singapore may waive the requirement to satisfy this test, on a case-by-case basis, if a substantial change in shareholding is not tax-motivated (for example, where the substantial change in shareholding is a result of nationalisation, privatisation of industries or genuine commercial reasons.)
5 The one-tier corporate tax system was introduced on 1 January 2003. Companies under this system are companies incorporated in Singapore on or after 1 January 2003, companies that have fully utilised their tax credits for franking dividends and companies that made an election to forgo their franking tax credits to move onto the one-tier corporate tax system.
6 Companies under the imputation system need to have sufficient franking credits before they can pay dividends. Otherwise, they are subject to a charge, which is basically an advance tax paid by the companies that can be used to set off the companies' future tax liability.
**Withholding Tax**

Individuals or companies subject to tax in Singapore making certain payments (such as interest, royalty, director fee, management fee etc) to non-resident persons are required to withhold and remit the tax withheld to the Comptroller of Income Tax by the 15th day of the month following the date of payment to the non-resident. The rate of withholding tax varies, depending on the nature of income and whether the payment is made to a tax resident of a country with which Singapore has concluded an Avoidance of Double Taxation Agreement.

**Tax Incentives**

The rate of tax of 18% for companies may be reduced under tax incentives, which are granted for targeted activities carried out in Singapore, subject to satisfaction of qualifying conditions. Tax incentives offer full tax exemption or reduced concessionary rates of tax, some of which are listed below:

<table>
<thead>
<tr>
<th>Type of tax incentive</th>
<th>Tax exemption/concessionary rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pioneer Enterprise</td>
<td>Tax exemption</td>
</tr>
<tr>
<td>Pioneer Service Companies</td>
<td>Tax exemption on qualifying profits</td>
</tr>
<tr>
<td>Export of Services</td>
<td>Tax exemption on 90% of incremental export services income</td>
</tr>
<tr>
<td>Headquarters Programmes</td>
<td>Tax exemption, or 5% to 15%</td>
</tr>
<tr>
<td>Approved International Shipping Enterprise</td>
<td>Tax exemption on qualifying income</td>
</tr>
<tr>
<td>Offshore Shipping</td>
<td>Tax exemption on qualifying shipping income</td>
</tr>
<tr>
<td>Approved Tourism Events</td>
<td>10% on income derived from qualifying tourism events</td>
</tr>
<tr>
<td>Global Trader Programme</td>
<td>5% or 10% on qualifying income</td>
</tr>
<tr>
<td>Approved Arts and Antiques Dealers</td>
<td>10% on qualifying income</td>
</tr>
<tr>
<td>Designated Unit Trusts</td>
<td>Tax exemption on specified income</td>
</tr>
<tr>
<td>Approved Venture Company</td>
<td>Tax exemption on specified income</td>
</tr>
<tr>
<td>Financial Sector Incentive</td>
<td>5% to 10% on qualifying income</td>
</tr>
<tr>
<td>Commodities Derivative Trading</td>
<td>5% concessionary rate on specified income</td>
</tr>
<tr>
<td>Finance and Treasury Centre</td>
<td>10% on specified income</td>
</tr>
<tr>
<td>Approved Trustee Company</td>
<td>10% on qualifying income</td>
</tr>
<tr>
<td>Offshore Leasing</td>
<td>10% on qualifying leasing income</td>
</tr>
<tr>
<td>Approved Aircraft Leasing</td>
<td>10% on qualifying income, tax exemption on specific income and extension of depreciation period</td>
</tr>
<tr>
<td>Processing Services</td>
<td>5% on qualifying income</td>
</tr>
<tr>
<td>Bond Market/Islamic Bonds Incentives</td>
<td>Tax exemption or 10% on qualifying income, and withholding tax exemption on qualifying income</td>
</tr>
</tbody>
</table>
Goods and Services Tax

Goods and services tax (GST) is a tax on domestic consumption, borne by the end consumer in Singapore. It is a multi-stage transactions tax, which together with the input tax credit mechanism, seeks to tax the value added at each level in a chain of transactions.

The GST of 7% is chargeable on the supply of goods and services in Singapore (including anything treated as such a supply) made by GST registered traders, and on the importation of goods. Any person with a turnover for any 12-month period exceeding S$1 million from supply of taxable goods and services in Singapore is required to register with the Comptroller of GST.

Where the input tax credits of a GST registered trader exceed its amount of GST payable to the Comptroller of GST, it may claim a refund from the Comptroller of GST.

GST registered traders may apply for approvals under special schemes (such as Major Exporter Scheme, Group Registration Scheme etc) to minimise cash flow difficulties that may arise.

Stamp Duty

Stamp duty is only applicable for documents relating to immoveable property (i.e. land and buildings), stocks and shares. These include a sale or mortgage of immoveable property and shares and a lease of immoveable property. The value subject to stamp duty and applicable rates are set out in the table below.

<table>
<thead>
<tr>
<th>Purchase or gift of immoveable property</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Conveyance: purchase price or market value, whichever is higher</td>
<td></td>
</tr>
<tr>
<td>- Every S$100 or part thereof of the first S$180,000</td>
<td>S$1.00</td>
</tr>
<tr>
<td>- Every S$100 or part thereof of the next S$180,000</td>
<td>S$2.00</td>
</tr>
<tr>
<td>- Thereafter, every S$100 or part thereof</td>
<td>S$3.00</td>
</tr>
</tbody>
</table>

7 Stamp duty is not applicable for issuance of new shares.
### Mortgage

**Mortgage**: amount of facilities granted on mortgage of immoveable property or stocks and shares

- Every S$1,000 or part thereof

  **S$4.00**
  *(Max. S$500)*

### Tenancy/Lease of immoveable property

**Lease**: Contractual rent or market rent, whichever is higher

1. **Where average annual rent and other considerations calculated for a whole year do not exceed S$1,000**
   - Exempted

2. **Where average annual rent and other considerations calculated for a whole year exceed S$1,000**
   - **Lease term not exceeding 1 year**
     - Every S$250 or part thereof of annual rent **S$1.00**
   - **Lease term exceeding 1 year but not exceeding 3 years**
     - Every S$250 or part thereof of annual rent **S$2.00**
   - **Lease term exceeding 3 years or any indefinite term**
     - Every S$250 or part thereof of annual rent **S$4.00**

### Share transfer

**Transfer**: Purchase price or net asset value, whichever is higher

- Every S$100 or part thereof **S$0.20**

Exemption from payment of stamp duty is applicable, on a case-by-case basis, where immoveable properties or shares are transferred under a reconstruction or amalgamation exercise or where the transfer is between associated companies under certain circumstances.

### Property Tax

Property tax is a tax on immoveable properties, calculated based on a percentage of the annual value of the properties, and payable by all property owners. Property owners are persons deemed as owners under the Property Tax Act. A deemed owner is a person for the time being receiving rent or any premises whether on his account, as an agent/trustee/representative of the legal owner, or the person whose name is entered in the Valuation List. Usually, the deemed owner is also the legal owner.

Property tax is levied based on 10% of the annual value of immoveable commercial and industrial property. Property tax for owner-occupied residential property is based on 4% of the annual value.
Property owners need to notify the Inland Revenue Authority of Singapore in writing within 15 days from the day:

- Their property which has been vacant, is occupied;
- They no longer live in their property;
- They rent out property and charge premium;
- They increase the rent (including furniture rental and service charges) of their property;
- They erect, enlarge, alter, improve, rebuild or demolish their property / part of the building; and
- They apply to develop or subdivide their property.

**Customs and Excise Duties**

In Singapore, the dutiable items are confined only to petroleum products, intoxicating liquors, motor vehicles and tobacco products.

Where goods are dutiable, ad valorem or specific rates may be applied. An ad valorem rate is a percentage of the Customs value of the imported goods. A specified rate is a specified amount per unit of weight or other quantity.

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SINGAPORE AS A BASE FOR INVESTMENT IN OTHER COUNTRIES

Factors Contributing to Singapore’s Attractiveness

Singapore is an attractive location for doing business for the following reasons:

a) Tax Considerations
- A territorial system of income taxation with a low rate of corporate income tax;
- Availability of many types of tax incentives which offer reduction of the corporate income tax rate;
- Non taxation on capital gains;
- Liberal rules for capital allowance/loss/donation set-offs, and for group relief;
- Availability of foreign tax credit/tax exemption for foreign-sourced income received in Singapore; and
- Reduced withholding tax rates under Singapore’s 56 tax treaties.

b) Other Considerations
- Political stability;
- Pro-business and highly efficient Government;
- Transparency in law;
- Highly educated and motivated workforce;
- Ease of setting up companies (which usually takes only about 3 days);
- Low statutory compliance costs (with the Government increasingly relaxing more regulatory requirements and using more electronic initiatives for statutory compliance);
- No exchange control except for certain measures put in place to check money laundering activities; and
- Existence of 13 Free Trade Agreements (FTAs), namely –
  
  i) FTAs with the United States of America, Australia, New Zealand, Japan, India, Korea, Jordan and Panama;
  
  ii) FTA with South East Asian Nations (ASEAN) countries;
  
  iii) European Free Trade Association (i.e. EFTA – the FTA of Singapore, with Iceland, Liechtenstein, Norway and Switzerland);
  
  iv) Trans-Pacific SEP (FTA entered into amongst Singapore, New Zealand, Brunei and Chile); and
  
  v) FTAs between ASEAN (which Singapore is a member nation) with China and Korea.

- Existence of 35 investment guarantee agreements, under which Singapore companies and nationals are protected against non-commercial risks, e.g. expropriation and civil strife, when investing in the relevant countries.

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1 List of Free Trade Agreements (“FTAs”) as at end September 2007. As at the said date, Singapore also has another 10 other FTAs under negotiation.
Setting up holding companies in Singapore is even more attractive because of the following additional tax benefits:

a) Availability of tax incentives under the Singapore Headquarters Programme. Under this programme, holding companies in Singapore that offer corporate support and headquarter-related services to their regional companies can enjoy reduction in the corporate tax rate for specified income, if they meet the qualifying conditions;

b) Approved holding companies in Singapore enjoy certainty for a period of 5 years from the date of approval, that their gains derived from the sale of shares in approved subsidiary companies will be treated as capital gains and not subject to tax, so long as qualifying conditions are met;

c) In addition to enjoying reduced withholding tax when holding companies receive dividend from the treaty countries, holding companies usually need not pay further tax in Singapore on their foreign-sourced dividend as they could enjoy automatic tax exemption in Singapore on their direct remittance of dividend to Singapore from most foreign countries. Where the automatic tax exemption is not applicable, Singapore holding companies can claim foreign tax credit in respect of the foreign tax paid in the foreign countries, which often exceeds the Singapore tax payable on the dividend, resulting in no tax payable in Singapore on the dividend in most instances. Alternatively, Singapore holding companies can apply for a case-by-case tax exemption from the Minister of Finance.

d) Dividend payable by holding companies to their shareholders is not subject to any dividend withholding tax in Singapore. There is no Singapore income tax impact for shareholders in situations where the holding companies pay exempt (one-tier) dividend out of capital gains derived from Singapore since capital gains are not subject to tax in Singapore.

An Example – Singapore Holding Structures for Investments in China and India

Investments in China and India, through holding companies in Singapore, are protected under the provisions of the investment guarantee agreement that Singapore has signed with China, and under the Investment Chapter of the FTA between Singapore and India, respectively.

2 Qualifying conditions include:
- The group to which the holding company belongs must be well-established in its respective business sector or industry and has attained a critical size in terms of equity, assets, employees and business share.
- The holding company should be the nerve centre in terms of organisation reporting structure at senior management levels for its principal activities, with clear-cut management and control for the activities.
- The holding company should have a substantial level of headquarters activities in Singapore that may include: Strategic business planning and development; General management and administration; Marketing control, planning and brand management; Intellectual property management; Corporate training and personnel management; Research, development and test-bedding of new concepts; Shared services; Economic or investment research and analysis; Technical support services; Sourcing, procurement and distribution; and Corporate finance advisory services.
- The personnel employed by the applicant for its headquarters operations should be based in Singapore. This includes management, professionals, technical personnel and other supporting staff.
Such investments can typically be through an ultimate holding company or an intermediate holding company set up in Singapore, as shown in the two diagrams below.

In such typical holding structures, the Singapore company will be the sole shareholder of the China\textsuperscript{3}/India subsidiary company. The taxing rights and level of tax for payments made by the China/India subsidiary company resident in China/India, in the form of dividend, interest, royalty, management or technical fee are governed by the provisions of the tax treaty between China/India and Singapore. Payments by the Singapore tax resident holding company in the form of dividend, interest, royalty, management and technical fee are subject to the provisions of the Singapore domestic tax law, and if applicable, the provisions of the tax treaty signed between Singapore and the tax jurisdiction of the recipient.

**Singapore Income Tax Treatment of Income Received by Holding Companies**

The tables on the following pages show the Singapore income tax treatment applicable to holding companies in Singapore for dividend, interest, royalty, and management/technical fee received in Singapore from China/India and capital gains derived in China/India:

\textsuperscript{3} Under such an arrangement, the China subsidiary company is referred to as a wholly foreign owned enterprise (“WFOE”) in China.
### Singapore tax treatment of

<table>
<thead>
<tr>
<th>Type of income</th>
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<th>Income from India</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dividend</strong></td>
<td>Under the revised tax treaty, withholding tax at 5% or 10% of the gross dividend can be imposed by China for payment of dividend to the Singapore resident holding company.</td>
<td>Withholding tax(∗) at 10% or 15% of the gross dividend can be imposed by India for payment of dividend to the Singapore resident holding company.</td>
</tr>
<tr>
<td></td>
<td>For dividend that has been subjected to dividend withholding tax and/or paid out of profits that have been subjected to income tax in China, no further tax is payable in Singapore as the dividend received by the Singapore holding company can qualify for automatic tax exemption under section 13(8) of the Singapore Income Tax Act.</td>
<td>For dividend that has been subjected to dividend withholding tax and/or paid out of profits that have been subjected to income tax in India, no further tax is payable in Singapore as the dividend received by the Singapore holding companies can qualify for automatic tax exemption under section 13(8) of the Singapore Income Tax Act.</td>
</tr>
<tr>
<td></td>
<td>If no dividend withholding tax or underlying tax has been paid in China due to a tax incentive granted by China for carrying out economic activities there, section 13(8) tax exemption also applies.</td>
<td>If no dividend withholding tax or underlying tax has been paid in India due to a tax incentive granted by India for carrying out economic activities there, section 13(8) tax exemption also applies.</td>
</tr>
</tbody>
</table>

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4 The revised tax treaty between China and Singapore entered into force on 18 September 2007 and will take effect from 1 January 2008. Under the existing tax treaty between China and Singapore (concluded on 18 April 1986), withholding tax at 7% or 12% of the gross dividend can be imposed by China for payment of dividend to the Singapore resident holding company.
## Income from China

**Interest**
Interest payments are subject to withholding tax at 10% (7% if payable to financial institutions) of the gross amount of interest payable under the existing tax treaty between China and Singapore. The withholding tax rates remains unchanged under the revised tax treaty (effective 1 January 2008).

Such interest will only be subject to tax in Singapore at a rate of 18% (unless reduced rate under an incentive is applicable) if remitted back to Singapore by the Singapore holding company. In such an event, the tax paid in China will be allowed as tax credit for set-off against Singapore tax payable on the interest income, up to the Singapore tax payable on such income.

**Royalty**
Royalty payments are subject to withholding tax in India at 10% on the gross amount of royalty(*). The tax paid in India will be allowed as tax credit for set-off against Singapore tax payable on the royalty income of the recipient, up to the Singapore tax payable on such income.

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<tbody>
<tr>
<td><strong>Interest</strong></td>
<td>Interest payments are subject to withholding tax at 10% (7% if payable to financial institutions) of the gross amount of interest payable under the existing tax treaty between China and Singapore. The withholding tax rates remains unchanged under the revised tax treaty (effective 1 January 2008). Such interest will only be subject to tax in Singapore at a rate of 18% (unless reduced rate under an incentive is applicable) if remitted back to Singapore by the Singapore holding company. In such an event, the tax paid in China will be allowed as tax credit for set-off against Singapore tax payable on the interest income, up to the Singapore tax payable on such income.</td>
<td>Interest payments are subject to withholding tax at 15% (10% if payable to financial institutions) of the gross amount of interest payable(*). Such interest will only be subject to tax in Singapore at a rate of 18% (unless reduced rate under an incentive is applicable) if remitted back to Singapore by the Singapore holding company. In such an event, the tax paid in India will be allowed as tax credit for set-off against Singapore tax payable on the interest income, up to the Singapore tax payable on such income.</td>
</tr>
<tr>
<td><strong>Royalty</strong></td>
<td>Under the revised tax treaty, royalty payments are subject to withholding tax in China at 10% on the gross amount of royalty. Tax rate will be reduced to 6% for lease payments made for industrial, commercial or scientific equipment from 1 January 20085. The tax paid in China will be allowed as tax credit for set-off against Singapore tax payable on the royalty income of the recipient, up to the Singapore tax payable on such income.</td>
<td>Royalty payments are subject to withholding tax in India at 10% on the gross amount of royalty(*). The tax paid in India will be allowed as tax credit for set-off against Singapore tax payable on the royalty income of the recipient, up to the Singapore tax payable on such income.</td>
</tr>
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</table>

5 Under the existing tax treaty between China and Singapore, all royalties are subject to a withholding tax of 10%.
## Singapore tax treatment of

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</tr>
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<tr>
<td><strong>Management/ Technical Fee</strong>&lt;br&gt;China/India subsidiary company pays management and/or technical fee to the holding company in Singapore.</td>
<td>Payments of management/ technical fee are subject to China with holding tax under local tax laws. The applicable taxes in China for payment of management/ technical fees include business tax (5%) and withholding tax (10%). Combining the two taxes, the effective rate is 14.5%.&lt;br&gt;&lt;br&gt;The computation of the effective rate of tax is illustrated with an example of a management fee amounting to S$10,000 payable by the China subsidiary company to the Singapore holding company:&lt;br&gt;&lt;br&gt;Gross fee payable S$10,000&lt;br&gt;Less: business tax 5% (S$ 500)&lt;br&gt;S$ 9,500&lt;br&gt;Less: withholding tax 10% (S$ 950)&lt;br&gt;Net fee payable S$ 8,550&lt;br&gt;&lt;br&gt;Percentage of tax S$500 + S$950 / S$10,000&lt;br&gt;= 14.5%&lt;br&gt;&lt;br&gt;The tax paid in China will be allowed as a tax credit against Singapore tax payable of the holding company. If such service income is determined to be foreign-sourced (i.e. the services are rendered by the Singapore holding company through a fixed place of operation outside Singapore), automatic tax exemption under section 13(8) of the Singapore Income Tax Act is applicable.</td>
<td>Payments of management/ technical fee are subject to India withholding tax(*) at 10%.&lt;br&gt;&lt;br&gt;The withholding tax paid in India will be allowed as a tax credit against Singapore tax payable of the holding company. If such service income is determined to be foreign-sourced (i.e. the services are rendered by the Singapore holding company through a fixed place of operation outside Singapore), automatic tax exemption under section 13(8) of the Singapore Income Tax Act is applicable.</td>
</tr>
</tbody>
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6 Generally, for tax treaty purposes, the management / technical fees may be regarded as business profits and may only be taxable in the source state with the presence of a permanent establishment as defined under the Permanent Establishment Article.
Singapore does not impose tax on capital gains derived in China, or elsewhere.

Singapore does not impose tax on capital gains derived in India, or elsewhere.

(*) Withholding tax rates quoted are based on the existing tax treaty between India and Singapore concluded on 24 Jan 1994, which entered into force on 27 May 1994.

**Tax Exemption Benefit Enjoyed by Singapore Tax Resident Holding Companies on Capital Gains Derived in China or India**

In respect of capital gains derived in China or India by Singapore tax resident holding companies, China/India grants tax exemption (under their revised tax treaty concluded with Singapore) on the following categories of capital gains:

a) **China**

   - capital gains derived from alienation of ships or aircrafts operated in international traffic and moveable property, pertaining to the operation of such ships or aircraft;

   - capital gains derived from alienation of shares deriving 50% or less of their value directly or indirectly from immoveable property situated in China\(^7\); and

   - capital gains derived from alienation of shares, participation, or other rights in the capital of a company or other legal person which is resident in China, if the recipient of the gains, at any time during the twelve-month period preceding the alienation, had a participation, directly or indirectly, of less than 25% in the capital of the Chinese company or other legal person\(^8\).

b) **India**

   - capital gains derived from alienation of ships or aircrafts operated in international traffic or moveable property pertaining to the operations of such ships or aircraft; and

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\(^7\) Effective 1 January 2008. Under the existing tax treaty, gains from the alienation of shares of the capital stock of a company the property of which consists directly or indirectly principally of moveable property situated in China would be taxed in China.

\(^8\) Effective 1 January 2008. Under the existing tax treaty, any gains from the alienation of shares in a company resident in China may be taxed in China.
– capital gains derived from alienation of any property other than from alienation of

(i) immovable property,

(ii) moveable property forming part of the business property of a permanent establishment/fixed base in India, including gains from alienation of such a permanent establishment/fixed base, and

(iii) ships or aircraft operated in international traffic or moveable property pertaining to the operations of such ships or aircraft.

9 Tax exemption on this category of capital gain is not applicable if a Singapore holding company's affairs are arranged with the primary purpose to take advantage of this treaty benefit, or if it is a mere shell/conduit company. A Singapore tax resident company is deemed not to be a shell/conduit company if:

(a) its total annual expenditure on operations in Singapore is equal to or more than S$200,000 in the immediately preceding period of 24 months form the date the capital gains arise; or

(b) it is listed on the securities market operated by the Singapore Exchange Limited, Singapore Exchange Securities Trading Limited and the Central Depository (Pte) Limited.
BUSINESS AND RESIDENTIAL PREMISES

Office Space

Singapore has a total office space supply of 70 million square feet, with 66% of it located within the Central Business District (CBD) – the financial and commercial hub of Singapore. Local and foreign banks, multinational corporations and established professional services firms are attracted to the CBD because of its favourable business environment and easy access to public transportation, eating and shopping places. However, there are also companies that prefer to be located outside the CBD due to their different business needs.

During your search for office premises, you may wish to take note of the following:

Location
The choice of location largely depends on individual business needs and activities. For example, financial institutions generally choose to stay within the banking community in Raffles Place or Shenton Way, while IT companies are clustered around the Marina Centre sector.

Other considerations include customers’ expectations, proximity to suppliers and location of key competitors.

Accessibility
Easy accessibility to public transport, especially train services is critical in staff recruitment and retention. At the same time, it is important to have eating places and other amenities within close proximity.

Building Specifications
The facade of the building is important for businesses where corporate image is critical. The building’s power supply capacity, air-conditioning systems, Internet connectivity, cable management, security system and car park provisions etc are also important considerations.

Typical Office Lease Terms

Rental
The rental rate is usually quoted as gross rent, comprising a base rent plus service charge. Rent is paid either monthly or quarterly in advance. The rental is subject to Goods and Services Tax (GST) which is payable by the tenants.

Service Charge
The service charge ranges from S$0.75 to S$1.20 per square foot and is generally included in the gross rent. It covers air-conditioning during normal office hours, management and maintenance of common areas in the building. This is subject to adjustments if there are changes in the maintenance cost and such increases are payable by the tenants.
Security Deposit
A security deposit, equivalent to 3 months’ gross rent, is usually payable upon confirmation of the lease and is refundable without interest at the end of the lease. A banker’s guarantee may be used as an alternative to cash deposit, subject to negotiation.

Lease Period
The lease period is usually 2 to 3 years with an option to renew at a rent to be agreed or reviewed according to the prevailing market rate. For multiple floor tenancies or anchor tenants, longer leases may be negotiated.

Insurance
Tenants are required to take up public liabilities insurance.

Renovation Deposit
Tenants are required to place a renovation deposit with the landlord to cover any damages caused to the common areas during the renovation period. This deposit is refunded without interest upon the completion of the renovation.

Legal Fee
It is common practice that the tenants bear the landlord’s legal costs in relation to the preparation, negotiation and execution of the lease document.

Stamp Duty
Stamp duty is a tax on commercial and legal documents, which records and gives effect to transactions. It is payable by the tenants.

Property Tax
Property tax is payable by the landlord. However, when there is an increase in the property tax during the lease term, landlords reserve the right to collect this incremental tax from the tenants proportionately.

Rent-free and Fitting Out Period
Depending on the size of the premises and prevailing market conditions, the rent-free and fitting out period can range from 2 weeks to 3 months. Most landlords will waive the payment of service charge during this period although there may be exceptions.

Utilities
Tenants are required to make their own arrangements for utilities connection. Connection and usage charges are borne by the tenants.

Air-conditioning
Generally, the landlord provides air-conditioning during normal office hours, from 8am to 6pm on weekdays and 8am to 1pm on Saturdays. After office hours, air-conditioning can be provided by the landlord either at a lump sum or an hourly rate basis. Tenants may install their own auxiliary air-conditioning unit(s) by tapping into the building’s chilled or condenser water supply, subject to the landlord’s consent.
Parking
Season parking lots are allocated to tenants according to the total area leased at a monthly charge of approximately S$100 to S$180 for buildings outside CBD and S$170 to S$300 for buildings inside CBD.

Maintenance
Tenants are responsible for the renovation, repair and cleaning of the interior of the unit. The landlord carries out maintenance and repairs on the exterior of the unit, including the common areas.

Reinstatement
Tenants are required to restore and reinstate the office premises to its bare and original condition upon the expiry of the lease.

Industrial Space

Business space (industrial) can be broadly categorised into warehousing or industrial usage type. Space available can be in the form of a multi-storey building, as in a high-rise type or “stand alone” type, or low-rise building as in terrace, semi-detached or detached. The building specifications for warehouse facilities are usually higher, demanding a higher ceiling height, floor loading and good vehicular accessibility.

High-tech industrial buildings are usually multi-storey types with facades looking more like an office building. There is usually an air-conditioned lobby with a meeting area and the common areas are air-conditioned as well. Each unit within the building has provision for broadband services and air-conditioning.

During your search for your industrial premises, you may wish to take note of the following factors:

Location
In Singapore, industrial buildings are carefully planned and located in major industrial estates spread across the country. These estates are located near major residential housing estates and are accessible by public transport. Examples of such industrial estates are Jurong which is the largest estate situated at the western part of the country, Senoko to the north and Changi which is near the airport at the eastern end of Singapore.

There are restrictions and covenants to the type of industrial activities in each estate. Each location has its advantages depending on your specific needs and trade. Your property agent should be able to assist you in your site selection.

Productivity and Efficiency
Productivity and efficiency factors will influence the type of location and the layout required of your premises.
Access to Good Transportation
The transport infrastructure in Singapore is good and efficient. Most industrial estates enjoy easy access to major roads and expressways. In addition, public transport networks that link both buses and train services are very well-established within these estates.

Infrastructure
Depending on the type of business you are in, you will also need to check on the supporting infrastructure such as loading and unloading bays or sizeable storage space.

Proximity to Suppliers
For time-critical production, you may also wish to be located near to your suppliers or customers.

Ability to Expand Plant and Machinery
Do plan ahead on the future headcount, space, plant and equipment requirements so as to evaluate the compatibility of a site with the company’s overall strategy. It is best to ensure that the premises you select allow for future expansion of your plant or machinery. This is because expansion within existing premises tends to be more cost-efficient than relocating to bigger premises, which inevitably entails operational downtime.

Typical Industrial Lease Terms

Rental
The rental is usually quoted as “gross”, comprising a base rent plus service charge. Rent is paid monthly. GST is payable to major landlords. The base rent may vary according to the type of usage, location and building specifications.

Service Charge
The service charge usually ranges from S$0.15 to S$0.30 per square foot of the gross rent. It covers management and maintenance of common areas in the building. This is subjected to changes in the maintenance. Any cost increase is payable by the tenant.

Security Deposit
3 months of gross rent and a security deposit are usually payable upon confirmation of the lease. This is refundable without interest at the end of the lease, subject to the terms and conditions of the lease. A banker’s guarantee may be an alternative to cash deposit, subject to negotiation.

Lease Period
The lease period is usually 2 or 3 years with the option to renew for 1 to 3 years according to prevailing market rates. For lease of a sizeable area, longer leases may be negotiated.

Insurance and Fitting Out Deposit
Throughout the duration of the lease, the tenant will be required to maintain adequate insurance coverage for fire and peril protection. The premium differs from building to building.
It is also common practice for tenants to lodge a renovation deposit with the landlord to cover the costs of rectifying any damage caused by the contractor to common areas of the building. The deposit, after the deduction of costs for rectification (if any), will be refunded to the tenant upon the completion of the fitting out.

**Renovation Costs**
Renovation costs are dependent on the quality of materials, office layout and technical requirements. Average renovation costs are as follows:

- **Low Range**: S$30 to S$50 per square foot
- **Medium Range**: S$50 to S$75 per square foot
- **High Range**: S$75 per square foot or more

These costs comprise simple furniture, materials and renovation, designer and professional consultant fees. The construction period may last as long as 2 weeks (for space of about 1,000 square feet) to 3 months (for space of more than 10,000 square feet).

**Stamp Duty**
Stamp duty is a charge levied on all documents that are officially stamped by the government authority. It is applicable to lease documents and is normally borne by the tenant. The duty which is payable is dependent on the size of the lease transaction.

**Legal Fee**
It is advisable for the tenant to engage a lawyer to advise on all legal matters pertaining to the tenancy agreement and the cost is borne by the tenant.

**Property Tax**
Property tax is payable by the property owner and is therefore not the tenant’s responsibility.

**Rent-free and Fitting Out Period**
Depending on the size of the premises and the prevailing market conditions, the rent-free and fitting out period can range from 1 to 3 months.

**Utilities**
Fixtures for lightings and water supply (if any) within the unit are typically provided by owners but the tenant shall pay for utility charges for electricity and water consumption within the unit.

The tenant or the interior designer will be required to make arrangements for the connection of utilities. Charges incurred for connection and consumption are borne by the tenant through a direct account with the utilities company. Utilities such as electricity, water and gas are provided by SP Services. Telecommunication companies include SingTel, Starhub and M1.

**Parking**
Season parking lots are allocated to tenants according to the total area leased at a monthly season charge of approximately S$100. Otherwise, cars can be parked in neighbouring buildings or public multi-storey car parks. Curbside coupon parking is also available in certain areas.
Maintenance
Tenants are responsible for the renovation, repair and cleaning of the interior of the unit. Maintenance and repairs to the exterior of the unit, such as the common areas, are carried out by the owners or the Management Corporation (for multi-owner buildings).

Reinstatement
Normally, reinstatement (or restoring the unit to its original condition) is required on termination of the lease. Some minor wear and tear is usually accepted. On average, reinstatement costs range from S$5 to S$15 per square foot.

Residential Accommodation
One of the first steps towards relocation is to decide on a home for your family. Each family will have different needs and will live a different lifestyle. A simple yet thorough process of family profiling will help to identify your needs and select a suitable home according to your lifestyle as shown below:

Bachelor/Bachelorette
- Profile – He or she is single, travels frequently, needs part-time cleaning services, and wants to live close to work and night life. The single is dependant on public transport or taxis to move around in Singapore or may sometimes need a parking space for a company car.
  - Needs – City apartment with 1-2 bedrooms, modern fully fitted kitchen, cable TV, wireless broadband connection, fully furnished with modern bathroom fittings, gym, tennis, swimming pool

Dual Career Couple
- Profile – Work is dominating their lives and therefore the home has to be close to their offices with easy access to shops and entertainment. Public transport and taxis within walking distance are pluses. Facilities like a gym, tennis court and swimming pool should come with the new home. Alternatively, the home can be close to a club offering these facilities.
  - Needs – City apartment with 2-3 bedrooms, fully fitted home office with Internet, master bedroom and guest bedroom with en-suite bathroom, modern fully fitted kitchen, cable TV, fully or partially furnished and modern bathroom fittings and full condominium facilities.

Family with Young Children
- Profile – While he is working, she has given up her job and plans to start a family or they already have a young child. These families want to bring up their children in a safe environment and prefer homes surrounded by greenery. They are keen to live close to other expatriate families with young children.
  - Needs – Apartment or house with 3+ bedrooms, guest room with en-suite bathroom for visiting family members, a maid’s room, walking distance to the kindergarten or playgroup. The home should be child-safe and close to shopping areas for daily needs and a club to meet fellow expatriates. As the non-working spouse often does not have a car, proximity to the gym, swimming pool and tennis courts is highly appreciated.
Family with Schooling Children

- **Profile** – The family depends on a close-knit expatriate community. The father is typically in an upper management position and often travels within the region. The mother is mainly taking care of the children but enjoys her new freedom and leisure time as a live-in maid takes over the household chores and babysitting. The home must be spacious and ideally have a garden. It must fall within the routes of buses to international schools as the children’s activities are centred there. The family has a car to visit shopping and entertainment places and clubs, and is therefore not depending on public transport.

- **Needs** – Condominium or detached house with 4+ bedrooms, a swimming pool and a maid’s room. Large living, dining and family rooms with TV/cable connection, and an extra room for a home office are plus points. The children’s rooms must be able to accommodate a desk. Good storage as well as a large balcony, terrace or garden are needed. The home has to be close to a club if the children are teenagers.

Senior Couple

- **Profile** – The senior is working in a senior position and has an above average housing allowance. The lady is generally not working and the grown-up children will come to visit regularly.

- **Needs** – The couple will entertain guests and needs spacious dining and living rooms. The ideal home must feature guest room(s) with en-suite bathrooms. Proximity to the city is not important as the senior may have a driver or a second car for the lady. A detached home or large penthouse will present a suitable home for their lifestyle.

For more information, you can visit e-relocation at [http://www.entersingapore.info/](http://www.entersingapore.info/). It is a step-by-step guide to relocation into Singapore.

Foreigners Purchasing Private Property in Singapore

**Loans**

Banks do grant loans to foreigners up to 60-70% of the valuation or purchase price of the property, whichever is lower.

**Interest Rates**

There are two types of interest rates being offered by banks – floating rates and fixed rates. However, banks might offer a mixture of floating and fixed rates for different situations. There is usually a minimum loan period of 3 years i.e. a penalty will be imposed on early redemption. Interest rates and mortgage packages vary from bank to bank. If you are buying the property under a company’s name, the interest rate will be 1% higher per annum as compared to buying under a personal name.
Payment Terms
Payment terms vary between purchasing from developers or from private individual owners as shown below:

- **Purchase of Private Properties from Housing Developers**
  Developers normally offer two payment schemes:
  
i. Progressive payment – payment in stages according to the stage of construction.
  
ii. Deferred payment – 20% upfront payment is required. The balance is to be paid upon completion of the residential development. However, the total purchase price is usually about 2-3% more than the purchase price under the progressive payment scheme. (Scheme is scrapped with effect from 26 October 2007 due to the buoyant property market).

- **Purchase of Private Properties from Individual Owners – Private Treaty**

<table>
<thead>
<tr>
<th>Option to purchase</th>
<th>1% of the purchase price</th>
<th>Option given immediate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upon exercising option to purchase</td>
<td>9% of the purchase price</td>
<td>2 weeks later</td>
</tr>
<tr>
<td></td>
<td>(This amount is usually held by solicitor as stakeholders)</td>
<td></td>
</tr>
<tr>
<td>Completion date</td>
<td>90% of the purchase price</td>
<td>8 to 10 weeks later</td>
</tr>
</tbody>
</table>

Fees / Other Costs Involved in a Property Transaction

- **Stamp Duty and Legal Fee**
  The cost of both stamp duty and legal fees is about 3% of the purchase price. Stamp duty is chargeable by the government. For a completed development, the stamp duty is payable 14 days after exercising the option to purchase. For a development under construction, the stamp duty is payable 14 days after exercising the Sales & Purchase Agreement.

- **Maintenance Fees**
  Maintenance fees depend on the size of the property and vary between different developments. Maintenance fees are usually payable on a quarterly basis to the corporation set up to manage the specific property. For new projects, maintenance fees will only be incurred upon completion.

- **Property Tax**
  Property tax payable is 10% of the property’s annual value.

- **Capital Gains Tax**
  There is no need to pay capital gains tax in Singapore.

- **Income Tax on Rent**
  If the property is rented out under a personal name, no income tax is chargeable by the Singapore government. If the property is rented out by a Singapore-registered company, rental income will be accountable.
Restrictions on Foreign Ownership
Since 19 July 2005, the Singapore government has revised the Residential Property Act (RPA) rules to allow foreigners to purchase apartments in non-condominium developments of less than 6 levels, without the need to obtain prior approval. Foreigners who wish to buy landed property will still need to obtain prior approval from relevant authorities. For more information on foreign ownership, please refer to http://www.sla.gov.sg/htm/ser/ser0306.htm

Purchase of Property at Sentosa Cove
Foreigners are eligible to own a landed residential property at Sentosa Cove. However, they will need to obtain a fast track approval from Singapore’s Land Dealings (Approval) Unit (LDU), which will take about 2 days from the date of application. The Sentosa Cove landed property must be owner-occupied and leasing is not allowed. The successful applicant is only allowed to own one restricted residential property in Singapore and can purchase up to 15,000 square feet of land. The foreign purchaser can sell the property without staying in the property as compared to foreign purchasers of property on the Singapore mainland who have to stay a minimum of 3 years. Approval from LDU will be difficult to obtain if the applicant is buying under a foreign company’s name.

Property Investments for Permanent Resident Application

• MAS Financial Investor Scheme
The Monetary Authority of Singapore (MAS) has a special scheme for foreigners who intend to apply for Singapore Permanent Residency and want to purchase Sentosa Cove bungalows. The applicant needs to have at least S$5 million worth of assets in Singapore and this minimum sum shall comprise financial assets (bank deposits, capital market products, collective investment schemes, premiums paid in respect of life insurance policies and other investment products) of not less than S$3 million and one Sentosa Cove bungalow (comprising either land only or land and building). The applicant needs to take note that the amount of money used to purchase the Sentosa Cove bungalow plus the individual’s financial assets must not be less than S$5 million at the time of submission for permanent resident status.

At the same time, the applicant should have a minimum Net Personal Assets (NPA) of S$20 million. Applicants with NPA of less than S$20 million may be considered on a case-by-case basis.

The Sentosa Cove bungalow has to be held for a continuous period of 5 years, commencing from the date of issuance of the Entry Permit. In exceptional cases whereby the applicant is compelled by certain circumstances to dispose of the Sentosa Cove bungalow during the 5-year retention period, the applicant shall convert the sales proceeds into financial assets under the Scheme to ensure continued eligibility and compliance with the Scheme.
• **EDB Permanent Residency Scheme for Investors**
Under the Global Investor Programme administrated by the Economic Development Board (EDB), foreigners can be considered for Permanent Resident (PR) status if they invest a minimum sum in business set-ups and/or other investment vehicles such as venture capital funds, foundations or trusts that focus on economic development. A foreigner can be considered for PR status if he invests at least S$2 million in a new business start-up, expansion of an existing operation, approved Singapore-incorporated venture capital fund or Singapore-incorporated foundation or trust that focuses on economic development. Up to 50% of the investment can be in private residential properties, subject to foreign ownership restrictions under the Residential Property Act. This residential property may or may not be in Sentosa.

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BUSINESS INSURANCE

Introduction

Globalisation is not a new trend to Singaporean companies, but recently there has been a greater emphasis on it. According to an International Enterprise (IE) Singapore survey in 2005, Singapore companies’ overseas revenue grew nearly 57% to a record of S$144 billion\(^1\). While many of the large Singaporean companies are leading the way in globalisation, Singapore-based SMEs are known to be quick trend followers. These companies use competitive advantages from the Singapore economy such as technology and infrastructure, and then leverage on comparative advantages of Asian developing countries such as cheaper labour and natural resources, to secure their position and growth in both mature and emerging markets.

However, the globalisation and growth journey for SMEs is never easy. Unlike big corporations, which have access to capital, human resources, government and business connections in foreign countries, SMEs often face hindrances hindered when considering overseas expansion, through lack of funding and resources in a foreign land. At the same time, different countries have different legal environments and standards for employee protection and benefits.

All of these can create confusion and frustration for SMEs with the goal of expansion - either overseas into new markets or foreign companies seeking to invest in Singapore. Therefore, most SMEs choose to expand operations overseas slowly and carefully. When in the foreign country, it is critical that the company complies with local laws, regulations, and to consider unique business risks arising from new operations in the local market.

Following are the four stages that a typical SME would go through to establish its presence in a foreign market. Each stage presents risk issues for consideration and potentially different risk retention and transfer options predominantly via insurance. Some of them are local statutory requirements, while some are focused on proper business protection for SMEs. In order to succeed, SMEs need to be aware of and consider risk and then make timely decisions on retention or transfer.

Globalisation Stages and Risk Issues

Stage I - Initial set up (the first steps)
SMEs expanding overseas usually set up a small local office to assess the foreign market. At this stage, the SME business owner is business-curious and cost-conscious. He or she is prepared to retreat with minimum losses if the business does not work out. There are limited risk issues at this stage. The SME may need to rent a small office space, purchase a vehicle for local transportation, and have one or two office administrators. In almost every country:
- Motor Liability Insurance is compulsory;
- Majority of countries would also require social benefits or workers compensation for local hires; and
- Professional Indemnity for professionals such as lawyers, accountants, architects, engineers etc. is required.

\(^1\) IE Singapore media statement 24 Jan 06.
Typically, compulsory insurance can be purchased from a local insurance company directly. For social or worker related benefits, local governments generally have social security schemes for employers to participate. However, there are still a few things that need to be considered.

Although an office property or fire policy may not be required by law, it is good practice to have one in place - it protects any potential loss from property damage caused by perils such as fire. Additionally, the property policy may also be required by the landlord or banks. In some countries, you may able to purchase a commercial package policy, which includes property, public liability, and employee liability.

One area often overlooked is the SME business owner’s frequent travels overseas where having good travel and accident coverage is also essential.

**Stage II - Start up the business (getting it moving)**

After setting up the office, the next target would be operating and building your business in the foreign country. At this stage, SMEs may start to contact buyers and suppliers i.e. customers, distributors, and retailers. You may start to ship some goods from the manufacturer to the foreign market.

You will need to consider protection for goods during transportation by either sea or land. SMEs may also enter into some service contracts with local buyers. There may be requirements from your buyers that you need to have certain liability coverage, such as product liability.

At this stage, you will aggressively promote your business, offer competitive prices and attractive terms, but at the same time, you want to comply with local laws and start a good relationship with the local government. In addition to the compulsory insurance, you need to consider more on local regulations and business practices.

In many developing counties, due to local regulations, some compulsory insurance coverage has to be purchased through a domestic registered insurance company. So, even if you already have some insurance to protect you in your home country, you may not be able to use them for your foreign operations.

**Stage III - Expand local operations (keeping it growing)**

After a longer period of operation, as you get to know the local market, you need to expand your local business by:

- Adding more offices;
- Hiring more people;
- Having a warehouse to store your goods; or
- Building a small local manufacturing operation to increase your business capacity to meet the demand.
As your business becomes more successful, your business and risk issues are also getting more complicated. At this stage, you not only want to make sure that you comply with local laws, but also that your local business is adequately protected from any unknown risks. Some examples:

- If you are building a factory, is your contractor covered under proper insurance with third party liability?
- Are you trading your goods at letter of credit or open account?
- Do you have any default payment protection for buyers?
- Do you have a Business Continuity Plan?
- How will the loss of your warehouse or a shipment affect your business income?

A simple insurance coverage will not address all these business risks. SMEs need to look at comprehensive coverage to cover risk and protect the business. At the same time, you may also have reached a point where you can achieve economies of scale by using your existing business portfolio to leverage better deals.

**Stage IV - Establish local presence (expansion and growth)**

As your local operations continue to grow, incremental growth will no longer meet your business demand. You will need to make some astute business moves to expand your business and continue business growth. You may want to buy a local manufacturer to boost your operating capacity, or a local distributor/retailer to take more direct control of your sales.

When you purchase an existing operation in a foreign country, you will face more challenges:

- Is your target business properly protected?
- How do you avoid inheriting liabilities from the target company?
- What is the Employee Benefits plan in the target company?
- How about the local environment, are there laws you need to comply with?
- How much would all the insurance coverage cost you if you acquire the company?

Moreover, at this stage, you may need to reach out to financial institutions or even capital markets for funding to grow your business. Lenders and potential shareholders will evaluate your internal company risk management programme, including insurance and uninsured risks.

If you plan to eventually list in Singapore or other counties, there will be another set of laws and regulations you need to comply with. At this stage, you will think not only about the issues arising from specific foreign investment but all investments and risk issues you have inside and outside Singapore. These risks need a holistic risk management approach to achieve the best protection for your business.
The typical stages of SME development are presented below:

### RISK PROFILE

<table>
<thead>
<tr>
<th>Growth &amp; Protection</th>
<th>Efficiency &amp; Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>New hires &amp; more offices</td>
<td>Consider supplier and buyer risks</td>
</tr>
<tr>
<td>Warehouse and manufacturing capacity</td>
<td>Review Liability exposures</td>
</tr>
<tr>
<td>Business Continuity Plans</td>
<td></td>
</tr>
<tr>
<td>Consider ‘hubbing’</td>
<td></td>
</tr>
</tbody>
</table>

#### Stage 1
- Consider supplier and buyer risks
- Review Liability exposures
- Think about Business Travel Accident Insurance

#### Stage 2
- Comply with local regulations
- Don’t ignore risks
- Packages may be advantageous

#### Stage 3
- Access Govt Programmes
- Mergers & Acquisitions
- Directors & Officers Liability
- IPO

#### Stage 4
- IPO

### BUSINESS GROWTH STRATEGY

## Singapore Insurance Market

Singapore has one of the most developed insurance markets around Asia. In addition to many home grown insurers, most international insurers and reinsurers have their operations in Singapore, with some of them using Singapore as the regional underwriting centre for their Asian business.

While natural catastrophes had a negative impact on some international insurers and reinsurers over the past few years, most Singapore domestic insurers are not affected. As a result, competition in the local market is fierce.

Most local insurers offer general classes of insurance such as motor, property, public liability, workman’s compensation. Some classes of insurance such as Trade Credit, Directors and Officers Liability can only be purchased from specific insurers.
Summary

So what do you need to consider when you decide to bring your business abroad?

- First, understand and respect local government laws and regulations.
- Second, never overlook your local business risks. Even if they start small, risks can grow bigger with the potential to hurt your business.
- Third, be aware of government-sponsored programmes.
- Last but not the least, partner with proven and professional service providers that have a strong local presence.

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# Quick Reference Guide for SME Globalisation:

<table>
<thead>
<tr>
<th>Stage of SME Development</th>
<th>Likely Business Activities</th>
<th>Core Risks (including Singapore Statutory Requirements)</th>
<th>Additional Risk Protection to consider</th>
<th>Singapore Government Sponsored Programmes</th>
</tr>
</thead>
</table>
| Stage I                  | • Set up the initial operations  
  • Find an office space or small operating office  
  • Hire office administrator  
  • Buy a local car  
  • Make frequent business trips from Singapore | • Motor Liability and Motor Insurance  
  • Social Benefits  
  • Workers Compensation  
  • Professional Indemnity  
  • Basic Fire Insurance  
  • Public Liability | • Competitive package policy includes property and basic office liability  
  • Business Travel Accident Insurance |                                                                                |
| Stage II                 | • Sign contracts with local distributors, clients or contractors  
  • Ship goods from Singapore to the country |                                                                                       | • Cargo and land transit insurance  
  • Product liability insurance  
  • Business Interruption |                                                                                |
| Stage III                | • Open more offices  
  • Increase trading value  
  • Establish a local warehouse  
  • Construct a small manufacturing operation  
  • Hire more employees  
  • Purchase more cars for transportation | • Construction-related third party insurance | • Centrally controlled programmes - eg hubbing  
  • Industry All Risk policy and machinery breakdown  
  • Business Continuity Plans  
  • Domestic Trade Credit  
  • Property survey | • TCI sponsored by IE Singapore  
  • Loan Insurance Scheme sponsored by IE Singapore |
| Stage IV                 | • Acquire an existing local operation  
  • Merge with local operations  
  • Raise money at the home country to expand business  
  • Go IPO in the home country | • Directors and Officers Liability | • Due Diligence  
  • Environmental Studies  
  • Employee Benefits  
  • Alternate Risk Financing | • Overseas Loan Programme sponsored by Spring Singapore |
INTELLECTUAL PROPERTY (IP)

Background

Singapore offers significant opportunities for companies and businesses wishing to grow and expand by leveraging on Intellectual Property (IP).

In the current fast-paced and intensely competitive market environment, corporations and organisations of all sizes and stages of growth are increasingly using their knowledge or intellectual capital as a major source of competitive advantage. Until recently, most companies thought this meant taking new and innovative ideas, and turning them into products and services. This concept has evolved and today, the innovations themselves are being licensed, traded or sold for immense amounts of money. The oft-cited example of IBM extracting over US$1 billion annually from licensing without manufacture of a single product is representative of this evolution in the management of IP.

Companies unable to appreciate this change and focus on the value extraction mechanisms available risk being left behind and losing significant shareholder value.

The foundation of value extraction from knowledge and innovation is the body of law dealing with protection of these intellectual assets called Intellectual Property. Legal recognition of property confers ownership rights. What can be owned can be dealt with in commerce. Singapore recognises this and has built a strong infrastructure that provides solid IP protection and a pro-business regulatory system that encourages research and development.

Working with professionals who not only understand how to identify and protect these assets but are experienced in harnessing the same to obtain profit is essential to designing and implementing an effective strategy for the management of IP to create value. Singapore has increasingly focused on developing its capability and professional services sector to facilitate from R & D to market place and to springboard companies into becoming regional players. Working together with partner agencies and organisations such as the Intellectual Property Office of Singapore (IPOS), IE Singapore and the IP Academy of Singapore, a holistic approach has been adopted to build a community of talent for harnessing of IP as a tool for economic growth.

What is IP?

It is useful at this stage to understand the concept of Intellectual Property and the various forms of Intellectual Property. An understanding of precisely what is required in any IP transaction is critical as it determines the nature and the structure of the deal involving Intellectual Property.

Intellectual Property itself does not have a simple generally accepted legal definition; it is one of those concepts whose content is largely familiar but is difficult to define. Also, the precise analysis of Intellectual Property rights differs from one legal system to the next as most types of Intellectual Property have been created by statute law or are recognised by statute law. Although generally understood to include patents, copyright and design (the older concept of “industrial property”), it is still a matter of opinion if conceptually Intellectual Property should include confidential information, Plant Variety
Protection (PVP) or trademarks (which actually relate more to reputation or goodwill). These are issues that provoke academic debate but for the lay or business person’s benefit, it is sufficient to understand that all these categories may be subject matter for an IP-related transaction.

In Singapore the statutes governing Intellectual Property include:

- Patents Act (Cap. 221);
- Trade Marks Act (Cap. 332);
- Registered Designs Act (Cap. 266);
- Copyright Act (Cap. 63);
- Geographical Indications Act (Cap. 117B);
- Layout – Designs of Integrated Circuits Act (Cap. 159A); and
- Plant Varieties Protection Act (Cap. 232A).

Some categories of Intellectual Property are recognised on the basis of registration (as in the case of patents, registered designs, plant varieties and registered trademarks). This means registration is required before an owner may claim exclusive rights to exploit the Intellectual Property concerned. Thus, in such cases, positive steps need to be taken by the owner in order to claim ownership of the Intellectual Property.

In other cases, the Intellectual Property rights may arise without the requirement of registration (as in the case of copyright, or integrated circuits).

In brief, patents cover inventions (whether products or processes) that are novel, inventive and of industrial application (i.e. not discoveries or mental processes) whilst a registered design is applied for if the desired protection is for the appearance of an object to which a distinctive shape, ornamentation or pattern can be given.

Copyright protection is given for the form in which an idea is expressed or clothed, but not the information itself. In this way, copyright is different from patent or design protection: there is no breach of copyright if another person independently arrives at the same result, whether it is a book, play, painting, software or song.

The closest the legal system has come to protecting pure information is by way of action for breach of confidence. Here the concept of information as an asset is actionable where there is a relationship of trust and confidence, the confidential information or trade secret is identifiable and the release of information or disclosure results in loss. Obligations of confidence may also be contractual in nature and enforceable under principles of contract law.

Trademarks are used on goods and services for the purpose of indicating a connection in the course of trade between the goods and services, and a person who has the right to use the mark. Trademark
legislation defines what may be registered as trademarks and this can include a logo, brand, heading, label, ticket, name, signature, word, letter, numeral or any combination thereof.

Singapore has introduced special laws to protect plant varieties, based on the International Convention for the Protection of New Varieties of Plants 1961 (UPOV). This legislation protects new plant varieties resulting from conventional breeding techniques or produced in other ways as long as the statutory definition of plant variety is met and the new variety is registered.

This quick introduction to the various categories of Intellectual Property is meant to be an indicative guide only as it is out of the purview of this chapter to provide a comprehensive analysis of each category of Intellectual Property. Suffice to say that the status of any Intellectual Property rights which form part of a licensable package should be ascertained early in the due diligence process.

It is pertinent to note that in order to deal with the IP, for example the grant of a licence, the licensor must first ensure it has the proprietary rights to the Intellectual Property. Whilst this may appear trite and basic to any licensing transaction, it is often overlooked because parties proceed on the assumption that if a party develops the Intellectual Property, he or she owns it. This is not always the case, as Intellectual Property rights are territorial and it is therefore incumbent on the licensor to ensure all formalities, if any, in compliance with national laws are adhered to and timely filed to complete registration and recordal of the licensor as proprietor of that specific Intellectual Property concerned in the relevant market licensed.

To illustrate the point, a trademark owner in Singapore does not automatically have rights to his trademark in Malaysia and the Philippines. If he has an interest in licensing his trademark for use in these countries, he has to ensure he has obtained registration of his trademark at the national Intellectual Property offices or trademark registries of Malaysia and the Philippines.

Singapore has been proactive in reviewing and modifying its IP laws to adapt to the changing business needs of SMEs, MNCs and Research Institutes. The latest revision of laws, for example, following the US-Singapore FTA has elevated our Patent System for the biotech and pharmaceutical sector to world-class standards, consistent with IP rights afforded by the US, European and Japanese patent laws.

**Summary**

Understanding an organisation’s IP portfolio and its components is an important first step. A well-defined IP strategy aligned with the business or commercial strategy of that organisation enables the organisation to manage and maximise the value extracted from its IP portfolio which has been identified. IP portfolios and IP strategies need to be managed on a continuing basis, as neither the organisation nor its environment stays static. Accordingly, an IP management system is a required element of successful and strategic use of IP assets and generation of revenue and value.

Choosing the right base to build a strong IP portfolio is also key. Establishing an IP holding structure in Singapore enables companies to benefit from the full complement of treaties and agreements, which Singapore has developed and entered into to enable its companies and organisations to enjoy reciprocal IP rights with many of its trading partner countries. In addition, tax incentives for IP acquisition, research and training grants and various forms of incentives provide needed cash flow to allow companies to
accelerate the timeline of launching new products and services protected by IP in the market place. Companies that wish to build vibrant knowledge-based businesses recognise that choosing the optimum landscape on which to build their IP portfolios will make the difference. With its strong IP laws, growing pool of IP expertise and pro-business policies, Singapore provides just the place.

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SINGAPORE AT A GLANCE

Government

Singapore is a republic with a parliamentary system of government based on the Westminster model.

Organs of State  A written constitution provides for the Organs of State (the Executive, Legislature and Judiciary).

The Executive  The Executive comprises the Head of State and Cabinet. The Head of State is President S R Nathan who was elected on 18 Aug 1999 and assumed his duties on 1 Sep 1999. The President is elected for a fixed term of six years. The Cabinet is led by the Prime Minister, Mr Lee Hsien Loong (since 12 Aug 2004).

The Legislature  The Legislature comprises the President and Parliament. Parliament is elected by general election every five years. The first sitting of Parliament was held on 8 Dec 1965. The first general election for Parliament was held on 13 Apr 1968. Parliament is elected by general election every five years. There are 25 registered political parties. Parliament, elected on 6 May 2006, has 82 People’s Action Party Members of Parliament (MPs), two Opposition MPs, and one Non-Constituency Member of Parliament.

The Judiciary  Judicial power is vested in the Supreme Court and the Subordinate Courts. The Judiciary administers the law independently of the Executive and this independence is safeguarded by the Constitution.

People

Singapore’s people are largely descendants of immigrants from the Malay Peninsula, China and the Indian sub-continent. There is also a large community of expatriates from all over the world, including Europe, Japan and the U.S., living and working in Singapore.

Total population  4.48 m
Resident population  3.60 m
(Singapore citizens and permanent residents)
Resident population growth  1.8%
Population density  6,369 per sq km
Resident population by race  Chinese (75.6%); Malays (13.6%); Indians (8.7%); Others (2.1%)
Population by age
0 - 9 (12.3%), 10 - 19 (14.1%), 20 - 29 (13.5%), 30 - 39 (17.2%), 40 - 49 (18.2%), 50 - 59 (13.0%), 60 - 69 (6.3%), and 70 and over (5.4%)

Official languages
English (language of administration), Chinese (Mandarin), Malay (national language) & Tamil

General literacy rate (15 years and over)
95.4%

Religions (15 years and over)
Buddhism (42.5%); Taoism (8.5%); Islam (14.9%); Christianity (14.6%); Hinduism (4.0%); Other religions (0.6%); No religion (14.8%).
(Singapore Census of Population 2000)

Land And Climate

Total land area
704 sq km. Comprises one main island (617.1 sq km) and some 63 offshore islands. Among the offshore islands, the larger ones are Pulau Tekong, Pulau Ubin and Sentosa.

Location
Between latitudes 1°09’N and 1°29’N and longitudes 103°36’E and 104°25’E.

Climate
Singapore is an equatorial country with relatively uniform temperature, high humidity and abundant rainfall.

Average daily temperature
23.9°C - 30.9°C

Annual rainfall
2,400 mm with increased rainfall from Nov to Jan

Economic Indicators

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Domestic Product</td>
<td>S$194.3 b</td>
<td>S$209.9 b</td>
</tr>
<tr>
<td>Per Capita GDP</td>
<td>S$44,666</td>
<td>S$46,832</td>
</tr>
<tr>
<td>Real GDP Growth (%)</td>
<td>6.4</td>
<td>7.9</td>
</tr>
<tr>
<td>Inflation Rate (%)</td>
<td>0.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Total Output of Manufacturing Sector</td>
<td>S$216.1 b</td>
<td>S$234.6 b</td>
</tr>
<tr>
<td>Money Supply (M1)</td>
<td>S$46,077.7 m</td>
<td>S$52,247.0 m</td>
</tr>
<tr>
<td>Official Foreign Reserves</td>
<td>S$193,601.2 m</td>
<td>S$210,529.0 m</td>
</tr>
</tbody>
</table>
GDP\textsuperscript{1} by Industry 2006

- **Manufacturing**: 27.8% (S$58.0 b)
- **Wholesale & Retail Trade**: 15.2% (S$31.7 b)
- **Business Services**: 11.5% (S$24.1 b)
- **Financial Services**: 11.2% (S$23.4 b)
- **Other Services Industries**: 10.2% (S$21.4 b)
- **Transport & Storage**: 9.6% (S$20.1 b)
- **Information and communications**: 3.8% (S$8.0 b)
- **Construction**: 3.6% (S$7.5 b)
- **Ownership of Dwellings**: 3.4% (S$7.1 b)
- **Hotels & Restaurants**: 1.9% (S$4.0 b)
- **Utilities**: 1.7% (S$3.5 b)
- **Other Goods Industries**: 0.1% (S$0.2 b)

\textsuperscript{1} At current market prices

Maximum Tax Rates (as of 2007/Latest Figures)

<table>
<thead>
<tr>
<th>Country</th>
<th>Corporate Tax Rate (%)</th>
<th>Individual Income Tax Rate (%)</th>
<th>Capital Gains Tax Rate (%)</th>
<th>Estate and / or Gift and / or Inheritance Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>18</td>
<td>20</td>
<td>0</td>
<td>10 (Estate Tax Rate)</td>
</tr>
<tr>
<td>China</td>
<td>25</td>
<td>45</td>
<td>33</td>
<td>12 (Estate Tax Rate)</td>
</tr>
<tr>
<td>Japan</td>
<td>30</td>
<td>40</td>
<td>20 (Suspended until 31 Dec 2008)</td>
<td>70 (Inheritance &amp; Gift Tax Rate)</td>
</tr>
<tr>
<td>Korea</td>
<td>25</td>
<td>35</td>
<td>25</td>
<td>N.A</td>
</tr>
<tr>
<td>Malaysia</td>
<td>27*</td>
<td>28</td>
<td>Exempt indefinitely</td>
<td>N.A</td>
</tr>
<tr>
<td>Thailand</td>
<td>30</td>
<td>37</td>
<td>20</td>
<td>N.A</td>
</tr>
<tr>
<td>Philippines</td>
<td>32</td>
<td>32</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Vietnam</td>
<td>28</td>
<td>40</td>
<td>60 (for individuals)</td>
<td>N.A</td>
</tr>
</tbody>
</table>

* Further reduced to 26 for Year of Assessment 2008.
Government Operating Expenditure 2006

<table>
<thead>
<tr>
<th>Category</th>
<th>Expenditure (S$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL2</td>
<td>23,463.0 m</td>
</tr>
<tr>
<td>Security &amp; External Relations</td>
<td>11,973.0 m</td>
</tr>
<tr>
<td>Social Development</td>
<td>9,684.6 m</td>
</tr>
<tr>
<td>Education</td>
<td>5,684.6 m</td>
</tr>
<tr>
<td>Health</td>
<td>1,764.4 m</td>
</tr>
<tr>
<td>Community Development, Youth &amp; Sports</td>
<td>898.0 m</td>
</tr>
<tr>
<td>Information, Communications &amp; the Arts</td>
<td>320.3 m</td>
</tr>
<tr>
<td>Environment &amp; Water Resources</td>
<td>418.1 m</td>
</tr>
<tr>
<td>National Development</td>
<td>599.3 m</td>
</tr>
<tr>
<td>Economic Development</td>
<td>953.8 m</td>
</tr>
<tr>
<td>Transport</td>
<td>284.1 m</td>
</tr>
<tr>
<td>Trade &amp; Industry</td>
<td>459.2 m</td>
</tr>
<tr>
<td>Manpower</td>
<td>179.7 m</td>
</tr>
<tr>
<td>Info-Communications Technology</td>
<td>30.8 m</td>
</tr>
<tr>
<td>Government Administration</td>
<td>851.6 m</td>
</tr>
</tbody>
</table>

2. Government operating expenditure refers to expenditure on manpower, other operating expenditure (excluding expenses on investment and agency fees on land sales) and operating grants.

Mass Media

<table>
<thead>
<tr>
<th>Category</th>
<th>Details / Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of local newspapers</td>
<td>10 dailies with an average combined circulation of about 1.5 m</td>
</tr>
<tr>
<td>No. of foreign publications, journals &amp; magazines</td>
<td>5,500</td>
</tr>
<tr>
<td>No. of Free-to-air (FTA) TV broadcasters</td>
<td>1 group (MediaCorp Group)</td>
</tr>
<tr>
<td>No. of FTA radio broadcasters</td>
<td>6 (MediaCorp Radio, SPH UnionWorks, SAFRA Radio, Rediffusion, Bloomberg and BBC Radio)</td>
</tr>
<tr>
<td>No. of cable TV operators</td>
<td>1 (StarHub Cable Vision)</td>
</tr>
<tr>
<td>No. of pay TV operators</td>
<td>4 [StarHub Cable Vision, M2B World ‘video-on-demand (VOD)’, SingTel (VOD), MobTV (MediaCorp VOD)]</td>
</tr>
<tr>
<td>No. of FTA radio channels (domestic)</td>
<td>18</td>
</tr>
<tr>
<td>No. of free terrestrial TV channels (domestic)</td>
<td>8</td>
</tr>
<tr>
<td>No. of cable TV subscribers</td>
<td>487,000</td>
</tr>
</tbody>
</table>
**Arts**

The National Arts Council spearheads the development of the arts in Singapore. The arts scene has grown rapidly over the last ten years and the country is now a key platform for Asian talents and an important stop for world-class arts and entertainment performances.

Major arts venues in Singapore include:
- Esplanade – Theatres on the Bay. It comprises a 1,600-seat Concert Hall (with 200 additional seats in the Gallery), a 2,000-seat Theatre, a 250-seat Recital Studio, a 220-seat Theatre Studio, a rehearsal studio, and outdoor performing spaces.
- Victoria Theatre (904 seats)
- Drama Centre (615-seat prosценium theatre, 120-seater black box)

Singapore’s arts calendar offers a myriad of events that appeal to people from all walks of life. Major arts events include: Singapore Arts Festival, Huayi – Chinese Festival of Arts, Singapore Biennale, Singapore Writers Festival, Singapore Art Show, Mosaic Music Festival, WOMAD Singapore, Kalaa Utsavam – Indian Festival of Arts, and Pesta Raya – Malay Festival of Arts.

Singapore also has six leading museums and heritage interpretative centres:
- Asian Civilisations Museum
- Memories at Old Ford Factory
- National Museum of Singapore
- Reflections at Bukit Chandu
- Singapore Art Museum
- Singapore Philatelic Museum

**Employment**

<table>
<thead>
<tr>
<th>Labour force</th>
<th>1,880,800</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed persons</td>
<td>1,796,700</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>3.6% (average)</td>
</tr>
</tbody>
</table>

**Central Provident Fund**

A social security savings scheme in which all employees and their employers contribute a percentage of their salary. Every month, employees below 50 years contribute 20% while employers contribute 14.5%. Employees 50 years and above contribute at lower rates. In addition, the CPF helps Singaporeans save for old age, healthcare and home ownership. There are 3.10 m CPF members and their CPF balance stood at S$125,803.8 m (as of end 2006).

**Wage Policies**

The National Wages Council, made up of representatives from the government, employers groups and trade unions, advises the government on wage policies; and issues guidelines in line with long-term economic objectives. There are 69 registered employees’ trade unions and three employers unions and one federation of employee trade union, the National Trades Union Congress (NTUC). NTUC works closely with the government and business sectors to look after workers’ interest.
Transport and Communications

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipping tonnage of vessel arrival</td>
<td>1.3 bil gross tons</td>
</tr>
<tr>
<td>Total air passenger traffic</td>
<td>35.03 m</td>
</tr>
<tr>
<td>Total no. of motor vehicles</td>
<td>799,373</td>
</tr>
<tr>
<td>Forms of public transport</td>
<td>MRT service: 67 stations serving 1.4 m passenger trips daily</td>
</tr>
<tr>
<td></td>
<td>LRT service: 43 stations serving 74,000 passenger trips daily</td>
</tr>
<tr>
<td></td>
<td>Bus service: 2 companies operating 300 routes with a fleet of 3,669 buses</td>
</tr>
<tr>
<td></td>
<td>Taxi service: 8 groups of operators running a fleet of 23,322 taxis</td>
</tr>
<tr>
<td>Total no. of mobile phone subscriptions</td>
<td>4,637,700</td>
</tr>
<tr>
<td>Mobile phone penetration</td>
<td>103.4%</td>
</tr>
<tr>
<td>Total no. of fixed telephone lines subscriptions</td>
<td>1,851,000</td>
</tr>
<tr>
<td>Total no. of Internet Dial-up subscriptions</td>
<td>1,522,400</td>
</tr>
<tr>
<td>Internet Dial-up penetration</td>
<td>34%</td>
</tr>
<tr>
<td>Total no. of Internet Broadband subscriptions</td>
<td>768,300</td>
</tr>
<tr>
<td>Total no. of Internet Broadband penetration</td>
<td>62.8%</td>
</tr>
</tbody>
</table>

Tourism

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of visitors</td>
<td>9.7 m (mainly from Australia, China, India, Indonesia and Malaysia)</td>
</tr>
<tr>
<td>No. of hotels</td>
<td>226</td>
</tr>
<tr>
<td>No. of hotel rooms</td>
<td>37,220</td>
</tr>
<tr>
<td>Average occupancy rate</td>
<td>85%</td>
</tr>
</tbody>
</table>
Business

Singapore – The World’s Most Globalised Nation\(^3\) And The Platform For International Businesses

Singapore
- Singapore is the most cost competitive place for business (KPMG Competitive Alternatives Study, 2006)
- Singapore is the world’s easiest place to do business (World Bank Report: “Doing Business 2007”)
- Singapore has the least restrictions on employing foreign labour in Asia (IMD)
- Singapore is the most competitive Asian economy and 5th in global competitiveness (Global Competitiveness Index 2006 - 07)

Airlinks
- Singapore’s Changi Airport is a major air hub in the Asia Pacific region
- Served by more than 80 airlines with 4,199 weekly flights connecting more than 180 cities in 57 countries
- Changi was crowned “World’s Leading Airport” and “Asia Pacific’s Leading Airport” (13th World Travel Awards 2006)
- Skytrax’s “World’s Best Airport” award (2006)
- “Best Worldwide Airport” (Buying Business Travel 2007)

Shipping
- Singapore’s seaport serves 200 shipping lines with links to 600 ports in 123 countries worldwide
- PSA Singapore Terminal handles about one-fifth of the world’s total container transhipment throughput. In 2006, PSA Singapore Terminals handled 23.98 million twenty-foot equivalent units (TEUS) of containers
- It was voted the “Best Container Terminal Operator (Asia)” for the 17th time at the 2006 Asian Freight and Supply Chain Awards, and “Best Container Terminal” at the Lloyd’s List Maritime Asia Awards, for the 5th time

Liveability
- Singapore was ranked 34th in the best places to live in (Mercer Human Resource Consulting, 2005-2006)
- Ranked 2nd in country brand for shopping, dining and nightlife (Global Country Brand Index 2006)
- The best place to live for Asian expatriates (ECA International 2007)

\(^3\) A.T. Kearney / Foreign Policy Magazine Globalisation Index 2006
## Merchandise Trade

### At Current Prices

<table>
<thead>
<tr>
<th>Section</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Trade</td>
<td>$716 b</td>
<td>$810 b</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>13.8</td>
<td>13.2</td>
</tr>
<tr>
<td>Exports</td>
<td>$383 b</td>
<td>$432 b</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>14.0</td>
<td>12.8</td>
</tr>
<tr>
<td>Domestic Exports</td>
<td>$207 b</td>
<td>$227 b</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>15.1</td>
<td>9.6</td>
</tr>
<tr>
<td>Non-Oil Domestic Exports</td>
<td>$155 b</td>
<td>$168 b</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>8.2</td>
<td>8.5</td>
</tr>
<tr>
<td>Re-Exports</td>
<td>$175 b</td>
<td>$204 b</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>12.7</td>
<td>16.6</td>
</tr>
<tr>
<td>Imports</td>
<td>$333 b</td>
<td>$379 b</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>13.6</td>
<td>13.7</td>
</tr>
</tbody>
</table>

## Total Trade

### Top Product Categories (% share)

<table>
<thead>
<tr>
<th>Category</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Products</td>
<td>42.3</td>
<td>41.1</td>
</tr>
<tr>
<td>Machinery &amp; Transport Equipment</td>
<td>15.1</td>
<td>15.3</td>
</tr>
<tr>
<td>Mineral Fuels</td>
<td>16.3</td>
<td>17.9</td>
</tr>
<tr>
<td>Chemicals</td>
<td>9.0</td>
<td>8.9</td>
</tr>
<tr>
<td>Food, Beverage &amp; Tobacco</td>
<td>2.1</td>
<td>1.9</td>
</tr>
</tbody>
</table>

### Top Trading Partners (% share)

<table>
<thead>
<tr>
<th>Partner</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>13.4</td>
<td>13.1</td>
</tr>
<tr>
<td>United States</td>
<td>10.9</td>
<td>11.1</td>
</tr>
<tr>
<td>China, People’s Republic of</td>
<td>9.4</td>
<td>10.5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>7.6</td>
<td>7.8</td>
</tr>
<tr>
<td>Japan</td>
<td>7.4</td>
<td>6.8</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>6.0</td>
<td>6.2</td>
</tr>
<tr>
<td>Taiwan</td>
<td>4.8</td>
<td>4.9</td>
</tr>
<tr>
<td>Thailand</td>
<td>3.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Korea, Republic of</td>
<td>3.9</td>
<td>3.8</td>
</tr>
<tr>
<td>Australia</td>
<td>2.6</td>
<td>2.7</td>
</tr>
</tbody>
</table>

### Other Trading Partners (% share)

<table>
<thead>
<tr>
<th>Partner</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>1.7</td>
<td>1.5</td>
</tr>
<tr>
<td>India</td>
<td>2.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Vietnam, Soc Republic of</td>
<td>1.5</td>
<td>1.4</td>
</tr>
</tbody>
</table>
### Domestic Exports

#### Top Product Categories (% share)

<table>
<thead>
<tr>
<th>Category</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Products</td>
<td>36.3</td>
<td>34.6</td>
</tr>
<tr>
<td>Machinery &amp; Transportation Equipment</td>
<td>9.6</td>
<td>9.5</td>
</tr>
<tr>
<td>Mineral Fuels</td>
<td>25.5</td>
<td>26.2</td>
</tr>
<tr>
<td>Chemicals</td>
<td>16.6</td>
<td>17.4</td>
</tr>
<tr>
<td>Food, Beverage &amp; Tobacco</td>
<td>1.3</td>
<td>1.2</td>
</tr>
</tbody>
</table>

#### Top Markets (% share)

<table>
<thead>
<tr>
<th>Market</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>11.0</td>
<td>11.5</td>
</tr>
<tr>
<td>Malaysia</td>
<td>9.9</td>
<td>10.0</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>9.4</td>
<td>9.5</td>
</tr>
<tr>
<td>China, People’s Republic of</td>
<td>8.5</td>
<td>8.7</td>
</tr>
<tr>
<td>Indonesia</td>
<td>7.9</td>
<td>7.0</td>
</tr>
</tbody>
</table>

### Re-Exports

#### Top Product Categories (% share)

<table>
<thead>
<tr>
<th>Category</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Products</td>
<td>56.4</td>
<td>55.9</td>
</tr>
<tr>
<td>Machinery &amp; Transportation Equipment</td>
<td>17.7</td>
<td>17.1</td>
</tr>
<tr>
<td>Chemicals</td>
<td>5.2</td>
<td>4.7</td>
</tr>
<tr>
<td>Food, Beverage &amp; Tobacco</td>
<td>1.9</td>
<td>1.7</td>
</tr>
</tbody>
</table>

#### Top Markets (% share)

<table>
<thead>
<tr>
<th>Market</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>17.2</td>
<td>16.5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>11.7</td>
<td>11.6</td>
</tr>
<tr>
<td>China, People’s Republic of</td>
<td>8.7</td>
<td>11.0</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>9.4</td>
<td>10.7</td>
</tr>
<tr>
<td>United States</td>
<td>9.3</td>
<td>8.2</td>
</tr>
<tr>
<td>Japan</td>
<td>4.8</td>
<td>4.9</td>
</tr>
</tbody>
</table>

### Imports

#### Top Product Categories (% share)

<table>
<thead>
<tr>
<th>Category</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Products</td>
<td>38.6</td>
<td>37.0</td>
</tr>
<tr>
<td>Machinery &amp; Transportation Equipment</td>
<td>17.2</td>
<td>17.8</td>
</tr>
<tr>
<td>Mineral Fuels</td>
<td>17.8</td>
<td>19.7</td>
</tr>
<tr>
<td>Chemicals</td>
<td>6.2</td>
<td>6.0</td>
</tr>
<tr>
<td>Food, Beverage &amp; Tobacco</td>
<td>2.7</td>
<td>2.4</td>
</tr>
</tbody>
</table>

#### Top Sources (% share)

<table>
<thead>
<tr>
<th>Source</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>13.7</td>
<td>13.1</td>
</tr>
<tr>
<td>United States</td>
<td>11.6</td>
<td>12.5</td>
</tr>
<tr>
<td>China, People’s Republic of</td>
<td>10.3</td>
<td>11.4</td>
</tr>
<tr>
<td>Japan</td>
<td>9.6</td>
<td>8.4</td>
</tr>
</tbody>
</table>
### Total Trade Ranking In

<table>
<thead>
<tr>
<th>Country</th>
<th>% Share</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>1.9</td>
<td>16th</td>
</tr>
<tr>
<td><strong>Top Trading Partners</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>13.9</td>
<td>2nd</td>
</tr>
<tr>
<td>United States</td>
<td>1.4</td>
<td>15th</td>
</tr>
<tr>
<td>China, People’s Republic of</td>
<td>2.3</td>
<td>6th</td>
</tr>
<tr>
<td>Indonesia</td>
<td>12.1</td>
<td>2nd</td>
</tr>
<tr>
<td>Japan</td>
<td>2.3</td>
<td>12th</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>4.0</td>
<td>4th</td>
</tr>
<tr>
<td>Thailand</td>
<td>5.6</td>
<td>5th</td>
</tr>
<tr>
<td>Korea, Republic of</td>
<td>2.3</td>
<td>10th</td>
</tr>
<tr>
<td>Germany, Federal Republic of</td>
<td>0.6</td>
<td>27th</td>
</tr>
<tr>
<td><strong>Other Trading Partners</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1.3</td>
<td>19th</td>
</tr>
<tr>
<td>India</td>
<td>2.7</td>
<td>6th</td>
</tr>
<tr>
<td>Vietnam, Soc Republic of</td>
<td>9.2</td>
<td>4th</td>
</tr>
</tbody>
</table>

4 Source: IMF Direction of Trade Statistics, February 2007

### Services

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports of Services</td>
<td>S$87.8 b</td>
<td>S$93.8 b</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>11.4</td>
<td>6.8</td>
</tr>
<tr>
<td>Imports of Services</td>
<td>S$91.7 b</td>
<td>S$98.3 b</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>8.1</td>
<td>7.2</td>
</tr>
</tbody>
</table>
## Services Ranking In World

<table>
<thead>
<tr>
<th>Services</th>
<th>% Share</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporter of Services(^5)</td>
<td>1.9</td>
<td>16th</td>
</tr>
<tr>
<td>Importer of Services(^5)</td>
<td>1.9</td>
<td>16th</td>
</tr>
</tbody>
</table>

## Balance of Payments

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Account Balance</th>
<th>Overall Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>S$47.6 b</td>
<td>S$20.4 b</td>
</tr>
<tr>
<td>2006</td>
<td>S$57.7 b</td>
<td>S$26.0 b</td>
</tr>
</tbody>
</table>

## Competitiveness Ranking\(^6\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Overall Competitiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>3</td>
</tr>
<tr>
<td>2007</td>
<td>2</td>
</tr>
</tbody>
</table>

## Extent of Internationalisation

<table>
<thead>
<tr>
<th>Ratios</th>
<th>Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Trade (Ratio to GDP)(^7)</td>
<td>3.9</td>
</tr>
<tr>
<td>Exports of Goods and Services (Ratio to Final Demand)(^8)</td>
<td>0.79</td>
</tr>
<tr>
<td>Inward Direct Investment end period (Ratio to GDP)(^9)</td>
<td>1.50</td>
</tr>
<tr>
<td>Outward Direct Investment end period (Ratio to GDP)(^9)</td>
<td>0.96</td>
</tr>
</tbody>
</table>

---

\(^6\) Source: The World Competitiveness Yearbook 2006  
\(^7\) Based on 2006 data  
\(^8\) Derived from expenditure on GDP in 2006  
\(^9\) Based on 2004 data

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Contributed by:  
**International Enterprise Singapore**  
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## USEFUL LINKS

### Business Premises / Foreign Centres in Singapore

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### Government Agencies

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