

# Guide to Doing Business in Singapore

## Foreword

### **Doing Business in Singapore**

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HLB Atrede LLP

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We are a local firm with a growing global reach. Our clients range from a wide field of businesses in Singapore and include subsidiaries of multinational corporations, public and private companies operating in industries as diverse as electronics, property developers, contract manufacturing, marine, transportation, information technology, construction and education.

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## Republic of Singapore

### Geographic Location

Singapore consists of a main island and 63 islets located in South-East Asia, off the southern tip of the Malaysian Peninsula in between the South China Sea and the Indian Ocean. She lies between Malaysia and Indonesia. Singapore has a total land area of 712.4 km<sup>2</sup>. Ongoing land reclamation projects have led her to grow from 581.5 km<sup>2</sup> in the 1960s to over 710 km<sup>2</sup> today.

Singapore is renowned for its convenient location. She is situated in the heart of South-East Asia, in close proximity to most major Asian markets, all of which are within a few hours flight. She is also strategically located at the crossroads of the main shipping routes in the world. Singapore's port is one of the busiest and most advanced, and is classified as a premier International Maritime Center. It handles about one-fifth of the world's total container transshipment.

Singapore's Changi International Airport is also one of the world's busiest and highly rated airports and air cargo terminals. In 2012, it served over 51 million passengers and handled 1.81 million tonnes of cargo.

### Population & Demographics

Singapore has a population of 5.3 million in 2012. She is a multi-racial, multi-cultural and multi-lingual country. There are 3 main ethnic groups: Chinese (75%), Malay (13%), Indian (9%), and other races (3%). English, Mandarin, Malay and Tamil are the 4 official languages in Singapore. The national language is Malay, though English is the lingua franca of the nation.

English is the primary language of academic education, and is adopted as the official language of commerce. It is also the main language used in Government administration. Singapore enjoys a high literacy rate with 96.1% of the population above 15 years of age being able to read and write.

Singapore is equipped with an excellent communication infrastructure. The nation boasts of a 106.4% household broadband penetration rate, and mobile phone penetration is at 148.7%.

## **Climate**

Singapore is classified as having a tropical rain-forest climate, characterized by uniformly high temperatures and humidity. Average temperature ranges between 24 to 31 degrees Celsius.

## **Government and Legal System**

Singapore is a republic with a parliamentary system of government. A former British colony, Singapore's legal system is based on the English Westminster model. There are three branches of the Government, namely, the Executive, Legislative and Judiciary.

The Executive – is made up of the Head of State, the President, who is elected on a six-year term, and the Cabinet, led by the Prime Minister.

The Legislative – is the Parliament, which is elected by general elections every five years. The current ruling political party of Singapore is the People's Action Party (PAP). PAP has returned to power in every general election since Singapore gained independence in 1965.

The Judiciary – comprises the Supreme Court and the Subordinate Courts. The Judiciary administers the law independently of the Executive. This independence is safeguarded by the Constitution.

The Government of Singapore is highly regarded to be largely free from political corruption, and lauded for being instrumental in the country's rapid economic growth. In 2012, it was ranked World's No. 5 and Asia's No.1 least corrupted country (Ref: Transparency International 2012). Clear and strict laws, and transparent government policies are imposed by the Government over business dealings and transactions.

## **Economy and Currency**

Singapore's core industries include electronics, chemicals, financial services, life sciences, oil and gas, rubber processing and products, processed food and beverage, ship repair, offshore platform construction and entrepot trade.

Singapore is hailed an economic miracle because of her economic achievement in a short span of time, despite lacking natural resources. Its foreign reserves in 2012 totaled S\$254,217.8 million. Singapore has the honour of being the only Asian country with AAA credit rating. She is ranked the No.1 city with the best investment potential (Ref: BERI Report 2011-II) and No.3 for the most preferred country in the world for foreign trade and investment (Ref: Globalisation Index 2012).

The local currency is the Singapore Dollar, where S\$1 = 100 cents.

## Setting Up Business in Singapore

### Global Business Rankings of Singapore

Singapore has gained many accolades, making her an attractive regional and global destination for companies to do business in.

- **World's Easiest Place to Conduct Business**  
(Ref: Doing Business 2012 Report by the World Bank)
- **World's No.2 Most Competitive City**  
(Ref: Global Competitiveness Report 2011 – 2012 by the WEF)
- **Best Business Environment in Asia Pacific and the World**  
(Ref: Economist Intelligence Unit, Country Forecasts Report 2011)
- **Asia's Most Network-ready Country**  
(Ref: Global Information Technology Report 2010 – 2011)
- **World's No.2 & Asia's No.1 for Best Intellectual Property Protection**  
(Ref: Global Competitiveness Report 2011 – 2012)
- **Asia's Least Bureaucratic Place to Do Business**  
(Ref: IMD World Competitiveness Yearbook in 2011)

### Incentives for Businesses

Singapore upholds a pro-business, pro-enterprise outlook. To encourage more private sector initiation, The Economic Development Board (EDB) gives out a series of incentives and development schemes aimed at assisting expansion of businesses.

To name a few:

- Research Incentive Scheme for Companies (RISC)
- Initiatives in New Technology (INTECH)
- Mergers & Acquisitions (M&A) Scheme
- Development and Expansion Incentive (DEI)
- Finance & Treasury Centre (FTC) Tax Incentive
- Pioneer Incentive
- Land Intensification Allowance (LIA)

## **Types of Business Organizations**

### Sole-proprietorship

A business owned by one person or one company. There are no partners. The sole-proprietor has absolute say in the running of the business.

### Partnership

A business formed by two to twenty partners. Once there are more than twenty partners, the partnership must be registered as a company under the Companies Act, Cap. 50.

### Limited Liability Partnership (LLP)

An LLP gives owners the flexibility of operating as a partnership while having a separate legal identity like a private limited company. The LLP is seen as a body corporate and has a legal personality separate from its partners. The LLP has perpetual succession, which means any change in the partners of an LLP will not affect its existence, rights or liabilities.

An LLP is capable of:

- Suing and being sued in its name;
- Acquiring and holding property in its name;
- Having a common seal in its name and
- Doing such other acts and things in its name, as bodies corporate may lawfully do and suffer.

The partners of the LLP will not be held personally liable for any business debts incurred by the LLP. A partner may, however, be held personally liable for claims from losses resulting from his own wrongful act or omission, but will not be held personally liable for such wrongful acts or omissions of any other partner of the LLP.

An LLP is required to keep accounting records, profit and loss accounts and balance sheets. In the event the LLP does not do this, the LLP and every partner shall be prosecuted and the penalty may be a fine or imprisonment, or both. In addition, the LLP shall submit to the Registrar an annual declaration of solvency or insolvency (i.e. being able or unable to pay its debts respectively), which will be made available to the public.

### Limited Partnership (LP)

It is a partnership consisting of a minimum of two partners, with at least one general partner and at least one limited partner. An LP does not have a legal entity separate from the partners, i.e. it cannot sue or be sued or own property in its own name. An individual or a corporation may be a general partner or a limited partner. Appointing a local manager is not mandatory unless all the general partners are residing outside Singapore.

A general partner is responsible for the actions of an LP and liable for all debts and obligations of the LP. A limited partner is not liable for debts and obligations of the LP beyond his agreed contribution, provided he does not take part in the management of the LP.

If there is no limited partner registered with ACRA, the LP registration will be suspended and the general partner will be deemed registered under the Business Registration Act. Once a new limited partner registers with ACRA, the LP registration will be restored and the registration under the Business Registration Act will cease.

### Representative Office

A representative office is registered as a temporary arrangement for conducting marketing research activities. A representative office does not have any legal status and cannot be engaged in any profit yielding activities. The representative office is also subject to periodic renewals.

### Company

A business entity that has a legal personality i.e. it has rights to own properties, has perpetual succession and can sue or be sued in its own name.

- Private Company  
This is a locally incorporated company where the maximum number of shareholders is 50.
- Exempt Private Company  
This is a private company which has not more than 20 shareholders, and none of the shareholders is a corporation, or which is wholly owned by the Government and which the Minister, for national interest, declares by notification in the Gazette to be an exempt private company.

- Public Company limited by shares  
This is a locally incorporated company in which the number of shareholders can be more than 50. The company may raise capital by offering shares and debentures to the public. A public company must register a prospectus with the Monetary Authority of Singapore before making any public offer of shares and debentures.
- Public Company limited by guarantee  
This is a company which carries out non-profit making activities that have some basis of national or public interest, such as for promoting art, or charity etc. The Minister may approve the registration of the company without the addition of the word “Limited” or “Berhad” to its name.

### **Foreigner Setting Up Business**

To be eligible to start a business in Singapore, one must:

- be at least 18 years of age
- NOT be an undischarged bankrupt, otherwise, one must obtain the permission from High Court or Official Assignee if one is planning to incorporate a company in Singapore
- NOT be an unfit director of an insolvent company
- NOT be a director of a company which was wound up on grounds of national security or interest
- NOT be convicted (in Singapore or elsewhere) of any offence involving fraud or dishonesty punishable with imprisonment for 3 months or more
- NOT be convicted in Singapore of any offence in connection with the formation or management of a corporation
- apply for an EntrePass from the Ministry of Manpower (MOM) if one is going to be actively involved in managing the company's operations.

### **Procedure for Registering a Business**

All business registrations need to be processed through ACRA (Accounting and Corporate Regulatory Authority), the national regulator of business entities and public accountants in Singapore.

### Foreigner Registering a Sole-Proprietorship/ Partnership

One is required to appoint a locally resident manager whilst he continues to reside outside Singapore. If all the partners are foreigners, a locally resident manager needs to be appointed.

MOM will not issue an EntrePass to a foreigner who wishes to register and run a sole-proprietorship or partnership. Foreigner who wishes to set up a business and be present in Singapore to manage its operations is strongly advised to seek approval from MOM before registration. Even if you have successfully registered a business with ACRA, MOM may still refuse your application for a pass subsequently.

The person carrying out the business is required to engage the services of a professional firm (e.g. lawyers, accountants, chartered secretaries) or a service bureau (e.g. DP Bureau) to submit the online application on his behalf if any of the partners does not have "SingPass". SingPass stands for "Singapore Personal Access". It is one's common password to transact in the various Government online services. Only an individual with "SingPass" can proceed to submit any online transactions or perform the required endorsements via Bizfile (ACRA's online filing system). One will need to log in to Bizfile using both his identification number (NRIC or Fin No.) and Singpass.

### Foreigner Registering an LLP

Every LLP shall have at least 2 partners who can be an individual, a local company, a foreign company or another LLP. An LLP is also required to appoint a locally resident manager.

EntrePass will not be issued by MOM to a foreigner registering an LLP. Foreigner who wishes to set up an LLP and be present in Singapore to manage its operations is strongly advised to seek approval from MOM before registration. Even if one has successfully registered a business with ACRA, MOM may still refuse one's application for a pass subsequently.

### Foreigner Incorporating a Local Company

A foreigner, who would like to set up his own company and be present in Singapore to actively manage its operations, should apply for an EntrePass from the Ministry of Manpower (MOM). Upon approval of the EntrePass application, he may proceed to incorporate the company with ACRA. The Company may commence business once it

has been registered with ACRA. This is on condition that the Company does not require any license/approvals from other government agencies in order to carry out the business activities.

If the foreigner wishes to incorporate the company with no intention to stay on in Singapore to manage its operations, then he can do so without having to apply for an EntrePass. However he will need to have at least 1 locally resident director at the point of incorporation. He has to engage the services of a professional firm to file the application online.

### **Work Pass for Foreign Business Owner**

A foreigner who is ready to start and actively manage a new company in Singapore should apply for an EntrePass from the Ministry of Manpower (MOM). An EntrePass has an initial validity period of up to two years. It will be issued upon the submission of a sound business proposal.

The EntrePass also allows one's immediate family to live in Singapore while one establishes his business here in Singapore. All Entrepass applicants must fulfill the following requirements:

- Company must be registered as a Private Limited Company
- Applicant to hold at least 30% of shares in the company
- Company to have at least \$50,000 paid-up-capital
- Company must not be registered for more than six months at the point of application
- The business must not be illegal
- Examples of businesses that will not be considered for the EntrePass include:
  - Coffee shops, hawker centres, food courts
  - Bars, night clubs, karaoke lounges
  - Foot reflexology, massage parlours
  - Acupuncture, traditional chinese medicine, herbal dispensing
  - Employment agencies, geomancy

For foreign business owner with no intention to stay in Singapore to manage his company's operations, he will need to register at least 1 local resident director at the point of business incorporation. A local resident refers to a person who is a

Singapore Citizen or Singapore Permanent Resident (PR) and who resides in Singapore.

### **Business Location**

From the financial hub of downtown Marina Bay to suburban office in Jurong Lake District and Paya Lebar, businesses are not short of choice of securing a premise that matches their respective commercial needs. In the industrial space market, developers offer many options, from stack-up factories with dedicated loading and unloading bays to spaces for wet labs and research activities.

Government bodies like Housing Development Board (HDB) and Jurong Town Corporation (JTC) provide industrial land and space options for industrialists engaging in high value added industrial activities in Singapore. JTC's specialized industrial parks for key manufacturing sectors provide industrialists with the necessary supporting infrastructure and allow them to leverage on potential synergies by being clustered together.

### **Recruitment of Staff**

Singapore is equipped with a talented work force that is ranked No.1 in terms of workers' productivity, technical skills and general overall attitude (Ref: BERI Report 2011-I). Singapore's work force is also noted for its high literacy rate and for being proficient in English and at least 1 other language.

Singapore welcomes foreign talent. Non-residents must possess a valid work pass before they can work in Singapore. Work pass categories issued by the Ministry of Manpower (MOM) include:

#### For professionals

- Employment Pass (EP) : allows foreign professionals to work in Singapore. It applies to foreigners who earn a fixed monthly salary of at least S\$3,000, and have acceptable qualifications.

- Personalised Employment Pass (PEP) : is for certain group of existing EP holders and overseas foreign professionals. Unlike an Employment Pass, which must be cancelled when the pass holder leaves the employer, the PEP is not tied to any employer and is granted on the strength of the applicant's merit. A PEP holder can remain in Singapore for up to six months between jobs to evaluate new employment opportunities.
- EntrePass : Foreign entrepreneurs who would like to start businesses in Singapore should apply for the EntrePass.

For mid-level skilled workers

- S Pass : this allows mid-level skilled foreigners who earn a fixed monthly salary of at least S\$2,000 to work in Singapore. S Pass applications are assessed on multiple criteria including salary, education qualification, skills, job type and work experience.

For skilled & semi-skilled workers

- Work Permit (WP) : is generally issued to unskilled foreign workers. The duration of a Work Permit is generally two years, subject to the validity of the worker's passport, the Banker's/Insurance Guarantee, and the worker's employment period, whichever is shorter. The worker is only allowed to work for the employer and in the specified occupation.

## Financial Reporting and Auditing

### Reporting Requirements

Private and public companies are required to have their annual financial statements audited by independent certified public accountants. Financial statements must consist of an audited statement of its assets and liabilities, and its profit and loss accounts of its operations in Singapore. Exemption for audit is applicable to financial statements of dormant (where no accounting transaction occurs) private companies and exempt private companies with annual revenue of S\$5m or less. Sole proprietorships, partnerships and representative offices are also not required to prepare audited accounts.

### Reporting Standards

Financial statements must be prepared in accordance with the Singapore Financial Reporting Standards (SFRS), which are aligned with the International Financial Reporting Standards (IFRS) framework. The financial statements provide information about the financial position, performance and cash inflows of an entity.

### Accounting Standards for Small Entities

The Singapore Financial Reporting Standard for Small Entities (SFRS for SE) is an alternative framework to the full SFRS for eligible entities. SFRS for SE provides relief to small entities from the burden of complying with the full SFRS while ensuring quality, transparency and comparability. Eligibility to apply for SFRS for SE requires the entity to meet the following requirements:

- It is not publicly accountable
- It publishes general-purpose financial statements for external users
- It meets two of these three criteria:
  - Total annual revenue of not more than S\$10 million
  - Total gross assets of not more than S\$10 million
  - Total number of employees not more than 50

While the SFRS may on the onset be simpler to comply, the disclosure requirements needed when the entity no longer complies with the above requirements and have to use the full FRS instead, is quite substantial. An entity would need to consider carefully if using the SFRS would be worthwhile in the long run.

### **Annual General Meeting (AGM)**

Every company incorporated in Singapore needs to hold its AGM once every calendar year or 15 months from the date of the last AGM, whichever is the earlier, and its financial statements are to be tabled at the AGM for the shareholders' approval. Newly incorporated companies are allowed to hold the first AGM within 18 months from the date of incorporation.

An AGM can be conducted physically anywhere in the world, whereby the shareholders meet, or by way of written resolutions, whereby a meeting is not required. Matters of discussion in an AGM include:

- To approve the Director's Report/ Audit Report
- To approve Directors' fees, remuneration and emolument;
- To re-elect the Director(s) (if applicable)
- To reappoint auditors
- To declare dividends, if any
- To transact any other business

## Listing in Singapore

### Why list in Singapore

Singapore is recognized today as a thriving international financial centre serving the wider Asia Pacific region and the world. Thanks to her policy of welcoming foreign companies and the available liquidity pool from international funds, Singapore is now the international capital market in Asia for the listing and trading of bonds and equities.

### Singapore Stock Exchange (SGX)

As an international exchange and listing hub, Singapore has more than 300 international companies from over 20 countries including Greater China, Australia, Europe and North America, listed on the SGX. As at 30 June 2012, there are 769 companies listed with total market cap of US\$662 billion. These companies comprise a spectrum of sectors like manufacturing, logistics, finance, mining and resources, etc. Many companies have chosen to list on SGX to establish a stronger Asian profile and presence.

### SGX Listing Procedures

1. Appoint a Singapore-based financial institution that is either a member company of SGX, a merchant bank or other similar institution to be sponsor and lead manager.
2. IPO is launched. The lead manager submits the listing application on behalf of the Company, and liaises with SGX on all matters arising from the application.
3. A lawyer must also be appointed by the Company to oversee the legal aspects of Singapore Stock Exchange listing.
4. A Certified Public Accountant must be appointed to provide the Company with an initial evaluation of its readiness to go public, assist in upgrading its management capabilities and in preparing the launch.

5. Prior to and during the launch, the company will have to engage the services of an experienced Public Relations firm to help enhance its appeal and convey its corporate messages effectively to the investing public.

### SGX Mainboard Listing Requirements

A company may list on the Mainboard if it satisfies any of the three criteria below.

<b>Quantitative Criteria</b>	(i) Minimum consolidated pre-tax profit of at least S\$30m for the latest financial year.	(ii) Profitable in the latest financial year, and has a market capitalization of not less than S\$150m based on the issue price and post-invitation issued share capital.	(iii) Operating revenue in the latest completed financial year and a market capitalization of not less than S\$300m based on the issue price and post-invitation issued share capital. Real Estate Investment Trusts and Business Trusts who have met the S\$300m market capitalization test but do not have historical financial information may apply under this rule if they are able to demonstrate that they will generate operating revenue immediately upon listing.
<b>Shareholding Spread</b>	25% of issued shares in the hands of at least 500 shareholders (For market capitalization > S\$300 million, shareholding spread will vary between 12%-20%). At least 500 shareholders worldwide in the case of a secondary listing and where the Exchange and the primary home exchange do not have an established framework and arrangement to facilitate the movement of shares, at least 500 shareholders in Singapore or 1,000 shareholders worldwide.		
<b>Operating Track Record</b>	At least 3 years	At least 3 years	At least 1 year
<b>Continuity of Management</b>	At least 3 years	At least 3 years	At least 1 year
<b>Accounting Standard</b>	Singapore, US or International Accounting Standards		
<b>Continuing Listing Obligations (Primary)</b>	Yes	Yes	Yes
<b>Continuing Listing Obligations (Secondary)</b>	Release all information and documents to the Exchange at the same time as they are released to the home exchange and comply with such other listing rules as may be applied by the Exchange.		
<b>Business Operations</b>	No requirement for operations in Singapore		
<b>Independent Directors</b>	At least 2 residents in Singapore		
<b>IPO Share Price</b>	Minimum issue price of \$0.50 each		

## **SGX Catalist Listing Requirements**

An issuer applying for admission to SGX Catalist need not meet any minimum operating track records, profit or share capital requirement. However, it is required to meet the following conditions:

### **(1) Sponsorship**

A listing applicant must be sponsored by an approved Sponsor of Catalist. Catalist companies are listed based on the Sponsor's assessment that they are suitable. SGX does not set any minimum quantitative entry criteria, but Sponsors will use their own deal selection criteria.

### **(2) Offer Document**

A listing applicant must produce an "Offer Document". SGX has obtained an exemption from the Monetary Authority of Singapore (MAS) for the relevant sections in the Securities & Futures Act (SFA), such that an offer of securities on Catalist will not require a prospectus.

However, there is no change to the disclosure standards in Catalist, as it is the basis for investors to make informed decisions. Therefore, the Offer Document will be subject to the same disclosure requirements as a prospectus. To support this disclosure requirement, provisions relating to civil and criminal liability in the SFA will still apply to an Offer Document.

The prospectus exemption also means that the requirement to lodge and register the Offer Document with MAS will no longer apply. Instead, it will be lodged with SGX. Offer Documents will be posted on SGX's Catalodge website, for a period of at least 14 days. This will provide an avenue for the public to air any serious concerns they may have, and act as an additional safeguard.

### **(3) Working Capital Statement**

The Sponsor and directors of the company must include a statement in the Offer Document that the company has sufficient working capital for the present requirements and for at least 12 months after IPO.

#### (4) Shareholding Spread

To promote healthy post-IPO trading activity, the shareholding spread requirement is set at 15% of issued capital in public hands with a minimum of 200 shareholders.

#### (5) Moratorium Period

To secure the commitment of promoters\* and pre-IPO investors, restrictions on the sale of their shareholdings will apply. At the time of IPO, if promoters as a group hold more than 50% of the post-invitation share capital, they may sell but must retain at least 50%. If they hold less than 50% of the post-invitation share capital at IPO, they may not sell any. After IPO, promoters are not to sell any of their shareholdings 6 months after IPO. They may sell up to 50% of their shareholdings for the next 6 months.

For Pre-IPO investors who had acquired their shares within the 12-month period prior to IPO, the “profit portion” of their shareholdings will be subject to a moratorium period of 12 months after IPO. The “profit portion” is calculated as the number of shares derived from the difference between the cash paid by the investor for the shares and the value of the shareholdings based on the IPO price.

*\* “Promoters” are controlling shareholders & their associates and executive directors with more than 5% of share capital at the time of listing.*

### **Listing Timeframe**

Pre-submission preparation of listing will generally take 4-9 months. Post-submission approval and listing will take about 12-16 weeks to complete.

## Intellectual Property

### Types of Intellectual Property

#### Patent

A right granted to the owner of an invention (whether product, process, method, new technical solution or composition of a new product) to prevent others from making, using, importing or selling the invention without one's permission. Once granted, the term of a patent is 20 years from the Date of Filing, subject to the payment of annual renewal fees.

#### Trademark

A trademark is a sign in the form of a logo or signature that is used to distinguish one's business' goods or services from those of others. Through a registered trademark, one can protect one's brand by restricting other people from using one's name or logo. A trademark can last indefinitely as long as one renews it every 10 years. Because a registered trademark is a form of property, one can license or assign it to others.

#### Registered Design

Registered Design protects designs for industrial use. It is the right given by the Government to the owner to control the use of one's design. To qualify for registration, a design must be new and must not have been registered in Singapore or elsewhere; or published anywhere in the world before the date of application of the first filing. In addition, the registered design has to be applied to an article by an industrial process i.e. more than 50 copies of the article have been or are intended to be produced for sale or hire.

#### Plant Varieties Protection

A person who breeds plants and who has discovered and developed a new plant variety, can seek protection by applying for a Grant of Protection for a Plant Variety. The grant of protection can last for 25 years (as long as annual fee is paid) and the plant variety is one's personal property. As such, one has the exclusive right to produce for sale and prevent others from using one's plant variety without one's permission. One will also be able to license the right to another party, collect royalties and commercially produce the variety.

### Copyright

Copyright protects works like novels, computer programmes, plays, sheet music and paintings. The author of a copyright work has the right to reproduce, publish, perform, communicate and adapt his work. For a work to be protected by copyright, it has to be original and expressed in a tangible form such as in a recording or writing.

### Layout-design of an Integrated Circuit (IC)

In Singapore, It is not necessary to file an application to protect the layout–design or deposit the layout-design with the Intellectual Property Office of Singapore. A citizen or resident of Singapore who owns a layout-design, can gain automatic protection for the said layout-design if it qualifies for protection under the law in Singapore.

### Geographical Indication (GI)

A GI informs consumers that a product comes from a certain place and has special qualities due to that place of origin. In Singapore, the law protects only the GIs of a country which is a member of the World Trade Organization, a party to the Paris Convention for the Protection of Industrial Property, or a country designated by the Singapore Government as a qualifying country from which GIs of that country can be protected.

### Trade Secret

A trade secret is information that is important to the business or company and is not known to the public. No registration procedures are involved for protection of a trade secret, and there is no specified time limit within which the secret may be protected. When a trade secret is leaked out, this breach of confidence is an action that may be taken in court.

## **Enforcement of Intellectual Property Rights**

Singapore is known for her strong enforcement of intellectual property rights. She is voted World's No.2 & Asia's No.1 for Best Intellectual Property Protection (Ref: Global Competitiveness Report 2011 – 2012).

Singapore has a Trade Related Aspects of Intellectual Property Rights (TRIPS) legislative and administrative regime that is fully compliant with International Intellectual Property Rights (IPR). The Intellectual Property Office of Singapore

(IPOS) acts as an IP regulator and policy advisor, maintaining a robust and pro-business IP regime for the protection and commercial exploitation of IP. IPOS seeks to strike a balance between the protection of rights for owners of creative works and increased public access to intellectual property.

## Taxation

Singapore is renowned for her attractive corporate and personal tax rates, and various tax relief measures. Corporations or individuals carrying on any profession or business in Singapore are subject to tax on all profits derived from Singapore and certain foreign-sourced income.

### Corporate Income Tax

Since 2003, Singapore has adopted a single-tier corporate income tax system. This implies that there is no double taxation for stakeholders. Tax paid by a company on its chargeable income is the final tax; all dividends paid to its shareholders are exempt from further tax.

Corporate tax is a flat 17% on chargeable income regardless of whether it is a local or foreign company. However, tax exemptions or partial exemptions apply as follows:

- 0% tax on first S\$100k of taxable income, subject to qualifying conditions
- 8.36% tax on first \$300k of taxable income

Full Tax Exemption Scheme for New Start-up Companies was introduced to support entrepreneurship and help local enterprises grow. A newly incorporated company that meets the qualifying conditions can claim for full tax exemption on the first \$100k of normal chargeable income for each of its first three consecutive Year of Assessment. This scheme is however, not extended to Investment Holding Companies and Companies engaged in property development activities that are incorporated after 25<sup>th</sup> February 2013.

### Personal Income Tax

Personal income tax rates in Singapore are one of the lowest in the world. Singapore follows a progressive tax rate starting at 0% for taxable income below S\$20k per annum and maximum of 20% for taxable income above S\$320k per annum. All Singaporeans, Singapore Permanent Residents and foreigners who stayed or worked in Singapore for 183 days or more are subject to personal income tax.

Non-residents are exempted from income tax in Singapore if they have been employed for 60 days or less in a calendar year, unless they are directors, public entertainers, or practicing a profession in Singapore. Non-residents are taxed only on income earned in Singapore at a flat rate of 15 percent or the resident rates, whichever is the higher.

### **Capital Gains Tax**

There is no capital gains tax in Singapore. However, the Inland Revenue Authorities of Singapore (IRAS) generally takes a very strict approach in determining whether a transaction is capital or revenue in nature. IRAS has clarified that gains from the disposal of equity investments by companies would not be taxed if the divesting company holds a minimum 20 percent shareholding in the company whose shares are being disposed, and the divesting company maintains the minimum 20 percent shareholding for a minimum period of 24 months immediately prior to the disposal.

### **Property Tax**

Property tax is levied on all properties including government housing, private houses, offices, factories, shop and land.

Property tax is levied as follows: -

- Owner-Occupied residential properties – 4% to 16% progressively of AV
- Non-owner-Occupied residential properties – 10% to 20% progressively of AV
- Non-residential/ Commercial properties – 10% of AV

The AV, or Annual Value, of a house or building is the estimated annual rent of one's property if it were to be rented out, excluding furniture, furnishings and maintenance fees. The AV of land or development site is determined at 5% of its estimated freehold market value.

### **Other Taxes**

#### Estate Duty

This was abolished on 15<sup>th</sup> February 2008.

### Social Security Taxes

There is no social security tax in Singapore.

### Motor Vehicle Taxes

This tax is imposed to curb car ownership and road congestion.

### Customs & Excise Duties

Singapore is a free port and has relatively few excise and import duties. Excise duties are imposed principally on tobacco, petroleum products and liquors. The duty imposed depends on the nature and quantity of imported items and the length of time they are to remain in the country. No duty is imposed on exports from Singapore.

### Goods & Services Tax (GST)

The 7% tax on consumption is paid when money is spent on goods or services, including imports.

### Stamp Duty

This is imposed on commercial and legal documents relating to stock & shares and immovable property. Such documents include: Lease/ Tenancy agreements, Mortgages, acceptance to Option to Purchase or Sale & Purchase agreements in relation to properties.

## **Withholding tax**

Singapore withholding tax is only applicable to certain types of payments to non-resident individuals and companies:

- Payment of commission fees to overseas agents
- Payment of director's fees to non-resident directors
- Payment of professional fees to offshore accountants
- Interest, Commission, Fee in connection with any loan or indebtedness
- Royalties or other payments for use of or right to use any movable property
- Management fees and service fees
- Rental from use of movable properties
- Non-resident director's remuneration
- Distribution by Unit Trust
- Payment for the purchase of real property from non-resident property trader

- Supplementary Retirement Scheme (SRS) withdrawal made by foreigners and Singapore permanent residents
- Distribution from real estate investment trust (REIT)

Under the Singapore Income Tax Act, when a person makes payment/s of a specific nature to a non-resident company or individual, he is required to withhold a percentage of that payment and pay the amount withheld to IRAS.

- Dividends – Exempt
- Interest <sup>(1)</sup> – 15%
- Royalties <sup>(1)</sup> – 10%
- Company Director’s remuneration – 20%
- Technical assistance and service fees <sup>(2), (3)</sup> – 17%
- Rent on moveable property <sup>(1)</sup> – 15%
- Management fees <sup>(2), (3), (4)</sup> – 17%
- Charter fees for aircraft – 0 to 2%
- Charter fees for ship – 0%

***The above rates may be reduced under an applicable Avoidance of Double Taxation Agreement.***

- (1) Final tax – applicable if income is not derived through operations carried out in Singapore. Otherwise, 17% (for non-individuals) or 20% (for individuals) applies.***
- (2) No withholding tax is applicable where the services were performed wholly outside Singapore, subject to conditions***
- (3) If payments are to individuals, the tax is to be withheld at the rate of 20%***
- (4) Lower withholding tax rate may be applicable in respect of payments to related parties***

## Contacts in Singapore

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