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Singapore Tax for Newly Incorporated Companies

Corporate Tax

- Singapore has a corporate income tax rate of 17%. This rate may be reduced if the taxpayer is granted a tax incentive.
- A partial income tax exemption is given to companies on normal chargeable income of up to \$300,000 as follows:

Chargeable income taxable @ 17%		Exempt amount
First \$ 10,000	@ 75%	= \$ 7,500
Next <u>\$290,000</u>	@ 50%	= <u>\$145,000</u>
Total <u>\$300,000</u>		<u>\$152,500</u>

- Startup companies may qualify for a full tax exemption on the first \$100,000 of chargeable income.
- Income sourced in Singapore or foreign income received in Singapore is subject to income tax. Qualifying foreign income received in Singapore may be exempted from Singapore income tax.
- There is no income tax on gains that are capital in nature. Losses that are capital in nature are not deductible for income tax purposes.
- Income tax is payable on a preceding year basis. For instance, income from the Financial Year 2011 is taxable in the Year of Assessment 2012 and the income tax is payable in 2012.
- Companies have to furnish an estimate of its taxable income within 3 months after its financial year end. A Notice of Assessment (NOA) will be issued based on the estimated taxable income filed. The tax is payable within 1 month from the date of the NOA unless payment via instalment was arranged.
- The income tax return (Form C) has to be filed by 30 November of the year of assessment. A NOA will be issued subsequent to the filing of the Form C to collect any additional tax due. The tax is payable within 1 month from the date of the NOA

Important disclaimer

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- For newly incorporated companies, the Singapore Tax Authorities will generally send the first Form C to the company in March/April of the second year following the year of incorporation. For example, if the company is incorporated in 2012, the first Form C will be issued in 2014 for the Year of Assessment 2013. The company may have to request the Form C to be issued earlier if its first financial year is for a period of less than 12 months.
- The withholding tax rates are 10% for royalties, 15% for interest, 17% for technical assistance & management fees. There is no withholding tax on dividends distributed by Singapore incorporated companies. The withholding tax rates may be reduced under the 60 tax treaties that Singapore has.

Goods and Services Tax

- Goods and services tax rate (GST) is charged on the supply of goods and services made in the course of business in Singapore and on the importation of goods into Singapore.
- Businesses are required to register for GST if their turnover is expected to be more than S\$1m in the next 12 months.
- Once registered, the registrant has to charge GST on its supplies ("Output GST") and file a GST return to declare the Output GST collected and the GST it incurs in the ordinary course of business. It will have to pay (or claim) the difference (after netting the Output GST against the Input GST) together with the GST return.
- The GST return can be filed on a monthly or quarterly basis and is due 1 month after the accounting period.
- All taxable supplies are subject to GST at the standard rate, currently 7%, unless they qualify to be zero-rated or exempted.
- The exportation of goods and the provision of international services are zero-rated (i.e.: GST is chargeable at the rate of 0%). The GST taxpayer making zero-rated supplies does not collect output GST but is able to claim a refund for the Input GST incurred in making that supply.
- Exempt supplies include transactions relating to residential real property and provision of financial services. A GST taxpayer making exempt supplies does not have to charge Output GST on the exempt supply and cannot claim a refund of the Input GST incurred in making that supply.

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