



Iyer
Practice
ADVISERS

Cross Border Investments (inc. M&A) through Singapore

Shanker Iyer
22 August 2015

SINGAPORE | HONGKONG
20 YEARS IN PRACTICE



Iyer
Practice
ADVISERS

AGENDA

Non-Tax Issues

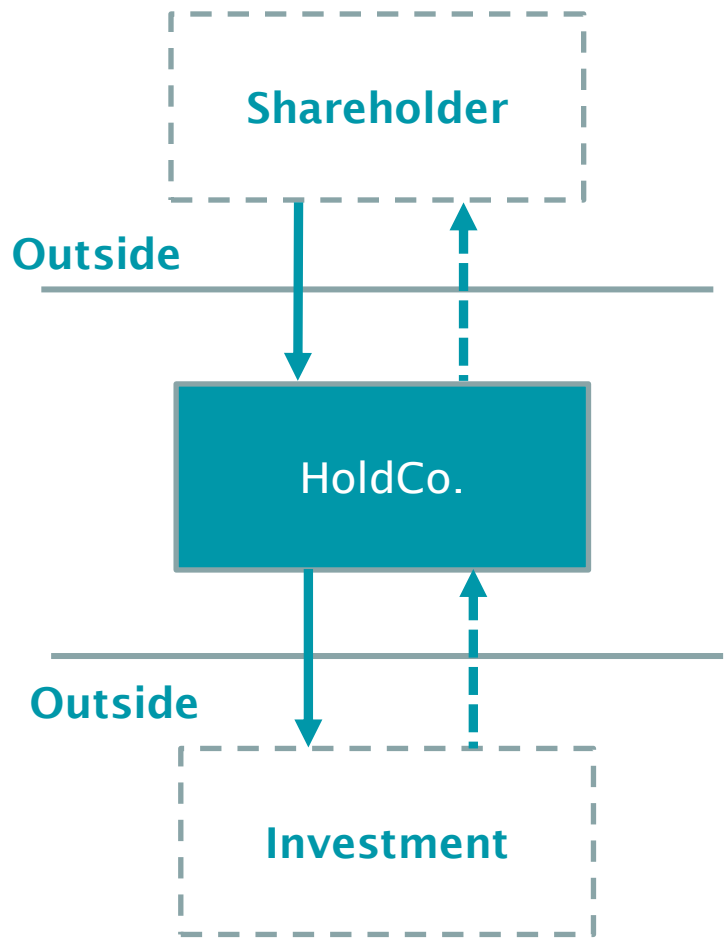
Tax Issues

SINGAPORE | HONGKONG
20 YEARS IN PRACTICE



NON-TAX ISSUES

Non-Tax considerations



Maximise shareholder return: reduce investment risk for shareholder

- ← Investment (Debt/Equity)
- ← Income (Interest/Dividends)

Singapore as a global hub outside India

Highly
Regulated
Environment

Immigration
Restrictions

ASEAN
Geographic
Location

Large Treaty
Network
(IGA/FTA)

High Costs
of Doing
Business

English
Language



General

Factor	
Ease of Company Formation	24 hours
Time Zone	GMT + 8 hours
Business Language	English
Foreign Exchange Controls	None
Availability of Service Providers	Plentiful
Economically and Politically Stable	Very
Legal System	Common law
World Bank Survey:	
Ease of Doing Business	1
Starting a Business	6
Registering Property	24
Getting Credit	17
Protecting Investors	3
Paying Taxes	5
Trading Across Borders	1
Enforcing Contracts	1
Resolving Insolvency	19

Setting Up and Ongoing Requirements



Minimum
one natural
director
(resident)

- Company Secretarial profession regulated
- Future suspension from taking new appointments (Director/Secretary) if late filing (tax or corporate)

New audit
exemption
regime

- Small groups with turnover (<S\$10m), staff (<50), assets (<S\$10m)

International Agreements

- Investment Guarantee Agreements (IGAs)
 - Fair and equitable treatment
 - Non-discrimination compensation in the event of expropriation
 - Free transfer of funds
 - Investor-state dispute settlement mechanism
- Free Trade Agreements (FTAs)
 - Tariff concessions
 - Market access to certain sectors
 - Investment and intellectual property (IP) protection

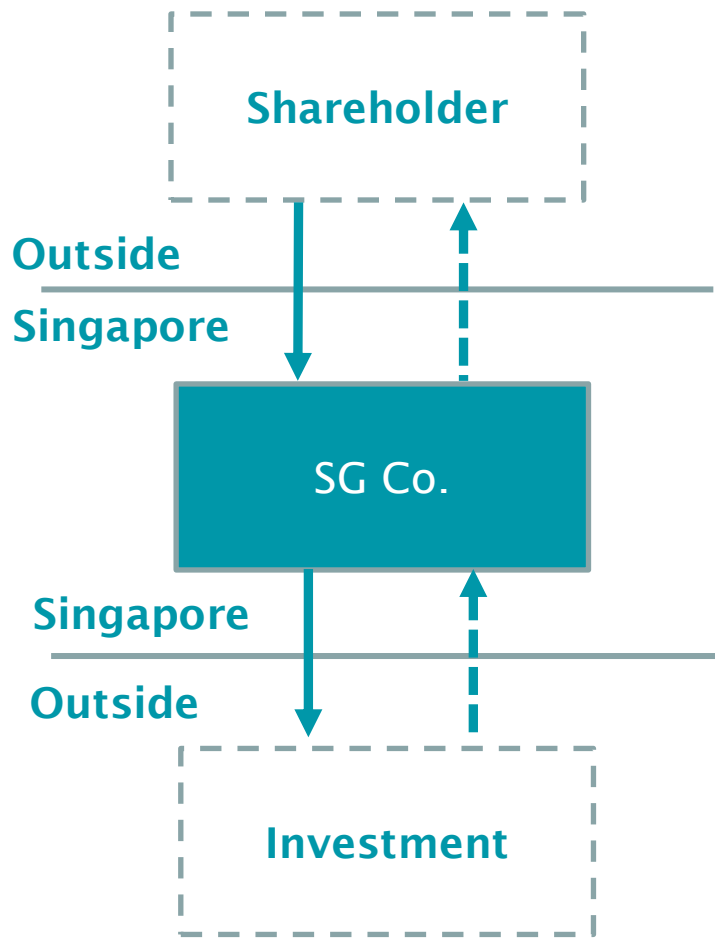
41

21



TAX ISSUES

Tax considerations



Minimise
taxation
from
investment
to
shareholder

- ← Investment (Debt/Equity)
- ← Income (Interest/Dividends)

Singapore as a global hub outside India

Partial
Territorial
System (17%)

WHT

Tax
Incentives

COR/TRC

Transfer
Pricing

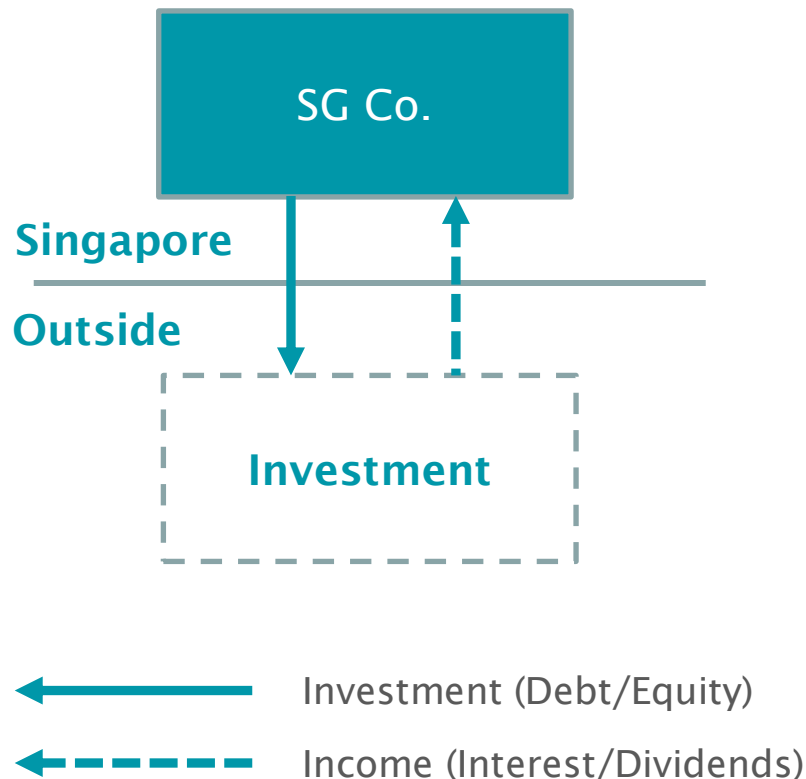
Personal Tax
/ Social
Security



Summary

Criteria	
Tax System	Territorial with remittance
No. of Tax Treaties	83
Participation Exemption	No WHT on dividend distribution
GST (VAT)	7%
Corporate Income Tax Rate	Up to 17%
Double Tax Relief	Ordinary Credit Method (FTC Pooling)
Capital Gains Tax	None

Partial territorial tax system



- Foreign interest/dividends taxable in Singapore only if the income is remitted
- Double taxation relief (SG Tax Resident)
 - Dividend: Foreign sourced income exemption
 - Interest: Foreign tax credit
- Remittance usually required for treaty relief

Singapore: Deemed Remittance

- (a) any amount from any income derived from outside Singapore which is **remitted to, transmitted or brought into, Singapore**
- (b) any amount from any income derived from outside Singapore which is **applied in or towards satisfaction of any debt** incurred in respect of a trade or business carried on in Singapore; and
- (c) any amount from any income derived from outside Singapore which is applied to **purchase any movable property which is brought into Singapore**



Capital Gains

- No Capital Gains Tax
- Tax if trading in nature
- Badges of Trade
- Safe Harbour: Ordinary shareholding (>20%) for > 2 years



Badges of Trade

- Intention at time of purchase
- Period of ownership
- Frequency of similar transactions
- Reasons for sale
- Means of financing the acquisition



Stamp Duties

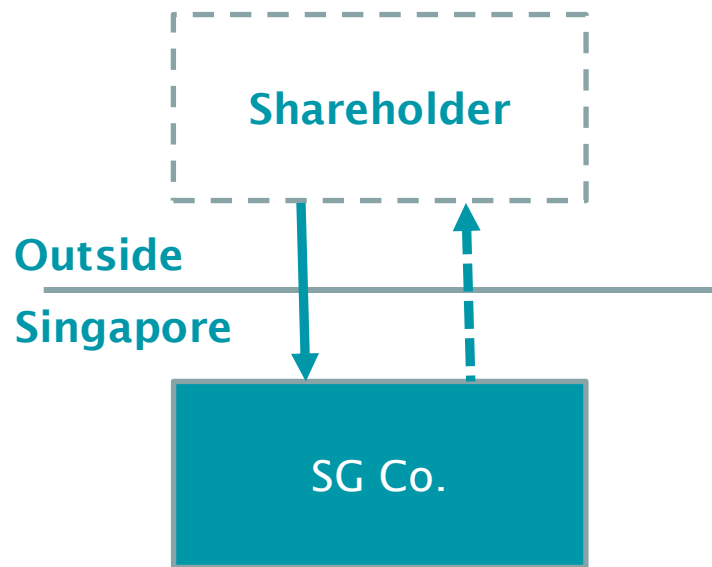
- Payable on the transfer of Singapore shares:
 - 0.2% of the higher of the consideration and market value of the shares
 - Market value: net asset value (if private company with no Singapore immovable property)



Stamp Duties - Relief

- Reconstruction or amalgamation of companies
- Transfers between associated enterprises

Withholding Taxes



Outside
Singapore

Shareholder

SG Co.

- ← Investment (Debt/Equity)
- ← Income (Interest/Dividends)

- No dividend withholding tax
- 15% interest withholding tax
- Hybrid Instruments
 - Is there an obligation to repay?
 - Rulings available.
- Reduced through treaties

Singapore Tax Incentives

Productivity
& Innovation
Credit

Funds

Maritime

Global
Trader

Headquarter
Operations

M&A

Singapore Tax Incentives (cont'd)

- Productivity and Innovation Credit
 - Up to 68% saving on expenditure relating to R&D, IP, IT and training of employees
 - 60% cash payout (up to S\$100,000 expenditure)
- Fund management activities
 - 5% or 10% Corporate Income Tax rates [Carry inc.]
- Marine sector
 - Full tax exemption on prescribed income of Singapore-flagged or foreign-flagged ships

Singapore Tax Incentives (cont'd)

- Global Trader Program
 - 5% or 10% Corporate Income Tax rates
- Operational Headquarters
 - 5%, 10%, 15% Corporate Income Tax rates



M&A Scheme

- M&A Allowance
- Stamp duty relief
- Double tax deduction



M&A Scheme

- M&A Allowance
 - Up to 31 March 2020
 - M&A allowance rate x Purchase consideration (subject to cap)
 - Up to S\$5m per period: 25% M&A allowance rate with a S\$20m cap on the purchase consideration for each basis period
 - Allowance over 5 years on a straight line basis.
 - Acquire target either directly or through an SPV.

M&A Scheme

- Stamp Duty Relief
 - Up to 31 March 2020
 - Up to S\$40,000
- Double Tax Deduction
 - Up to 31 March 2020
 - Transaction costs (net) up to S\$100,000

M&A Scheme Conditions

- Hold less than 20%, must purchase at least 20%
- Hold less 50%, must purchase at least 50%
- Singapore incorporated company to acquire investment
 - Carries on a trade or business in SG
 - 3 local employees
 - Not connected to target for 2 years
- Target company
 - Carry on a trade or business outside Singapore
 - 3 employees (need not be local)



INTERNATIONAL TAX ISSUES



Investment into India

Criteria	Nature of income	Issue
Cyprus	Debt	Blacklist?
Mauritius	Capital Gains	No LOB: Substance
Netherlands	Gains from Portfolio investments	Sold to a non-resident
Singapore	Capital Gains	LOB: Main purpose test / S\$200,000 / Substance / COR

Investments into the Rest of the World



Africa	Americas	APAC	APAC	APAC
Egypt	Barbados	Australia	Kazakhstan	Qatar
Libya	<u>Brazil</u>	Bahrain	Korea	Saudi Arabia
Morocco	Canada	Bangladesh	Kuwait	Sri Lanka
Mauritius	<u>Chile</u>	Brunei	Laos	Taiwan
Rwanda	Ecuador	China	Malaysia	Thailand
Seychelles	Mexico	<u>Hong Kong</u>	Mongolia	Turkey
South Africa	Panama	India	Myanmar	UAE
	<u>USA</u>	Indonesia	Oman	Uzbekistan
	Uruguay	Israel	Pakistan	Vietnam
		Japan	Philippines	

Investments into the Rest of the World



Europe				Oceania
Albania	Finland	Latvia	Russia	Fiji
Austria	France	Liechtenstein	San Marino	New Zealand
Belarus	Georgia	Lithuania	Slovakia	Papua New Guinea
Belgium	Germany	Luxembourg	Slovenia	
Bermuda	Guernsey	Malta	Spain	
Bulgaria	Hungary	Netherlands	Sweden	
Cyprus	Ireland	Norway	Switzerland	
Czech Rep.	Isle of Man	Poland	Ukraine	
Denmark	Italy	Portugal	UK	
Estonia	Jersey	Romania		

Singapore Certificate of Residence



Board Meetings
and
Substance

International Tax Issues



BEPS

Transfer
Pricing





Services

- International & Domestic Tax
- Company Formation & Administration
- Trusts & Foundations
- Immigration & HR
- Regulatory & Compliance
- Accounting & Financial Reporting



The insight
to be your
trusted
adviser

Contact Us



Shanker Iyer

Email shanker@iyerpractice.com
Phone +65 6532 5746
Mobile +65 9760 6488

80 Raffles Place
#26-01 UOB Plaza 1
Singapore 048624

Sanjay Iyer

Email sanjay@iyerpractice.com
Phone +852 2529 9952
Mobile +852 9355 3495

Unit 29E, 29/F Admiralty Centre Tower 1
18 Harcourt Road, Admiralty
Hong Kong

Sunil Iyer

Email sunil@iyerpractice.com
Phone +65 6532 5746
Fax +65 6532 7680

80 Raffles Place
#26-01 UOB Plaza 1
Singapore 048624

To keep yourself updated on new developments in Singapore and Hong Kong, please subscribe online to our free quarterly newsletter via our website: iyerpractice.com

Disclaimer: This presentation of slides is intended as a general guide only, and the application of its contents to specific situations will depend on the particular circumstances involved. Accordingly, readers should seek appropriate professional advice regarding any particular problems that they encounter, and this presentation should not be relied on as a substitute for this advice. While all reasonable attempts have been made to ensure that the information contained in this presentation is accurate, Iyer Practice accepts no responsibility for any errors or omissions it may contain, whether caused by negligence or otherwise, or for any losses, however caused, sustained by any person that relies on it.