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AN INTRODUCTION TO

Doing Business in Singapore 2023





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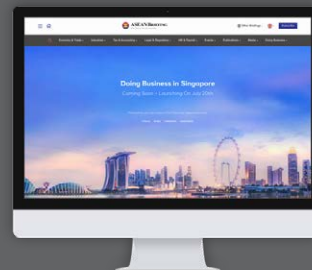
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This edition of Doing Business in Singapore was produced by a team of professionals at Dezan Shira & Associates, with Ayman Falak Medina as Technical Editor. Creative design of the guide was provided by Aparajita Zadoo.

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About Dezan Shira & Associates

At Dezan Shira & Associates, our mission is to guide foreign companies through Asia's complex regulatory environment and assist them with all aspects of establishing, maintaining and growing their business operations in the region. Since its establishment in 1992, Dezan Shira & Associates has grown into one of Asia's most versatile full-service consultancies with operational offices across China, Hong Kong, India, Singapore and Vietnam, as well as liaison offices in Italy, Germany and the United States, and partner firms across the ASEAN region. With over 30 years of on-the-ground experience and a large team of professional advisers, we are your reliable partner in Asia.

Preface

Despite global uncertainties, Singapore's robust economy continues to thrive, with projected GDP growth of 0.5 to 2.5 percent in 2023 and an even brighter outlook for 2024. As a strategic financial hub and a gateway to Asia, Singapore offers unparalleled opportunities for foreign investors.

With over 80 double taxation avoidance agreements, generous tax deductions, an extensive network of free trade agreements with neighboring nations, and a reputation as a global financial center, businesses operating in Singapore can maximize their profitability and expand their reach.

Amid the risks associated with the fallout of the COVID-19 pandemic, Singapore continues to demonstrate its resilience, providing direct access to global markets. While external demand has softened, Singapore's manufacturing and wholesale trade sectors remain robust and primed for growth.

For corporate entities hoping to establish a holding company, branch office, or regional headquarters, Singapore offers a powerful advantage in terms of business opportunities, government incentives, and trade relation benefits.

This publication, designed to introduce the fundamentals of investing in Singapore, was compiled by Dezan Shira & Associates, a specialist foreign direct investment practice providing corporate establishment, audit, business advisory, tax advisory and compliance, accounting, payroll, due diligence, and financial review services to multinationals and small- and medium-sized enterprises investing in emerging Asia.



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What's new in this guide?

Singapore has continued to implement strategic reforms to improve the business climate for foreign investors. Most of these reforms relate to implementing stricter requirements for the hiring of foreign workers.

We also highlight Singapore's plan to introduce a 15 percent minimum tax rate for multinational enterprises (MNEs) from January 2025. These changes are part of the Base Erosion and Profit Shifting initiative, or BEPS 2.0, a global framework that aims to ensure a fairer distribution of tax rights on large MNEs through a set global minimum tax (GMT) rate. Singapore has also increased the goods and services tax (GST) by one percent to eight percent for 2023, which will be increased to nine percent in 2024.

Singapore's government has also issued a variety of support for businesses as they transition to a post COVID-19 world and combat elevated inflation and growth slowdown. These include tax deductions for research and development (R&D) as well as for innovation, among others.

Corporate establishment

This chapter highlights the relevant process for establishing an entity in Singapore be it a private limited company, branch office, or representative office.

Those entering Asia for the first time, for instance, may want to set up a low-risk, exploratory presence in the form of a representative office, while those looking to use Singapore as a springboard to access the ASEAN markets may need more strategic commitments by setting up a branch office or subsidiary company.


Taxation

Singapore has increased its GST rate for 2023 from seven to eight percent. Further, since January 1, 2023, Singapore has imposed GST on imported low-value goods. Given the rapid rise of the e-commerce sector in Singapore and the Southeast Asia region, there has been significant growth in the number of imported low-value goods in Singapore. As such, the government wants to ensure a level playing field for businesses in Singapore so that overseas suppliers are subject to the same GST treatment as local suppliers.

Moreover, Singapore's Budget 2023 announced that the country will introduce a 15 percent minimum effective tax rate for large MNEs based in Singapore from January 1, 2025. These changes are part of the BEPS 2.0.

Human resources and payroll

Singapore has introduced a new points system for Employment Pass (EP) applicants from 2023, in addition to higher qualifying salary thresholds.

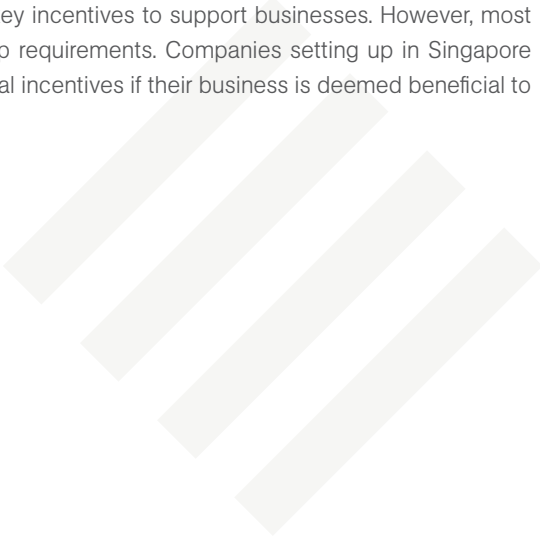


The government hopes that the new system – laid out under the Complementarity Assessment Framework (COMPASS) – will improve the capacity of Singaporean businesses to select high-quality foreign professionals and ensure workforce diversity.

The country has also introduced the Overseas Network & Expertise Pass, which allows high-earners and achievers to live in Singapore without the need to secure employment first.

Incentives for business

Singapore has enhanced several of its key incentives to support businesses. However, most of these incentives have local ownership requirements. Companies setting up in Singapore are eligible for various fiscal and non-fiscal incentives if their business is deemed beneficial to the country's economic development.



Why Singapore

With its favorable taxation policies and strategic position within Southeast Asia, Singapore offers foreign investors competitive and unprecedented access to the Asian market. Businesses operating in Singapore enjoy over 80 double taxation avoidance (DTA) agreements, significant tax deductions, and numerous free trade agreements (FTAs) with neighboring Asian nations.

In addition to its political and economic stability, Singapore stands as a prominent financial center within the ASEAN region. For investors with an international business scope, Singapore offers direct access to the global market. Geographically, Singapore is positioned among several thriving Southeast Asian economies, as well as the markets of China and India. The city-state has sought to mirror international business and trade standards, such as those presented by the World Trade Organization (WTO) and the Organization for Economic Cooperation and Development (OECD).

Further, the efficient and cost-effective nature of corporate establishment procedures in Singapore has resulted in more than 37,000 international companies and around 7,000 foreign multinationals operating from the country.

The import and export of services represent a significant portion of Singapore's total international trade, reaching US\$449 billion in 2021. Transport services accounted for the single largest export and import service, representing 29.6 percent and 33 percent, respectively. Financial services were the second largest export service at 16.2 percent, whereas telecommunications, computer, and information services was the second largest import service category, representing 11.9 percent of imports.

Dezan Shira & Associates Singapore



DAVID STEPAT
Senior Manager
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As a regional practice, we are not tied to any one nation. Rather, we specialize in the tax, accounting, and operational aspects of foreign direct investment throughout Asia. For businesses and investors seeking to conduct business in Singapore and the wider ASEAN region, our business consulting team in Singapore and partner firms across ASEAN are prepared to provide you with the tools and expertise necessary to succeed.

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