

Tax Systems



Singapore

VS



Hong Kong

Tax Systems Singapore and Hong Kong

Corporate Tax	Singapore	Hong Kong
Post COVID environment	<ul style="list-style-type: none"> • Huge influx of highly skilled and high earning immigrants • Consistently rated as one of the most prosperous countries • Best airport in the world • Politically stable investment environment 	
Corporate Tax Rate	17% corporate tax at a flat rate but effective rate may be lower arising from generally applicable tax incentives or specific tax incentives	16.5% Profits Tax at a flat rate
Tax Incentives	<p>General tax incentives:</p> <ul style="list-style-type: none"> • Partial tax exemption • Start-up tax exemption • Tax rebate 50% rebate capped at \$40,000 per budget 2024 • Capital expenditure accelerated write-offs • Enhanced tax deduction for Renovation or refurbishment expenditure (R&R) • Interest, discount, prepayment fee, redemption premium and break cost derived by non-resident from any qualifying debt securities (subject to renewal after 31 December 2028) • Interest, discount, prepayment fee, redemption premium and break cost derived by any person from any qualifying project debt securities (subject to renewal after 31 December 2028) • Interest income from deposits in an approved bank in Singapore derived by a non-resident 	<p>General tax incentives:</p> <ul style="list-style-type: none"> • Capital expenditure accelerated write-offs • Refurbishment expenditure write-offs over five years • 20% deduction allowed on capital expenditure for each year in five consecutive years for installations forming part of a building or structure • Interest from any deposit with an authorized institution in Hong Kong will enjoy tax exemption. • Gains derived from qualified debt instruments will receive tax concessions. <p>Specific tax incentives:</p> <ul style="list-style-type: none"> • Reinsurance companies enjoy a concessionary tax rate on their offshore business operations.

	<ul style="list-style-type: none"> • Exemption on gains on disposal of equity Investments Section 13W, ITA (subject to renewal after 31 May 2027) • Dividends by any company resident in Singapore; etc. <p>Specific tax incentives (see Singapore Tax Incentives summary):</p> <ul style="list-style-type: none"> • Pioneer status • Development and Expansion Incentive • Global Trader Program • Finance and Treasury Centre Incentive • Research and Development • Intellectual Property Development Incentive • Double Deductions • Aircraft Leasing • Financial Services • Maritime and Maritime Services etc. • Refundable Investment Credit (RIC) • Tax incentive schemes for funds managed by Singapore-based fund managers (Qualifying fund Section 130, S13D & S13U) • In lieu with BEPS Pillar 2.0 initiative , Income Inclusion Rule (IIR) and Domestic Top-ip Tax (DTT) will be effective from 01 Jan 2025; introduction of additional concessionary tax rate (CTR) tier of 10% /15% will be introduced for various incentives 	<ul style="list-style-type: none"> • Offshore funds (non-resident individuals, partnerships, trustees of trust estates or corporations) not carrying on business in Hong Kong enjoy tax exemption on profits derived from transactions in securities, futures contracts, foreign exchange contracts, etc. in Hong Kong, which are carried out by corporations and authorized financial institutions licensed or registered under the Securities and Futures Ordinance • Expenditure on research and development (R&D): qualifying expenditure incurred on certain domestic R&D, the first \$2 million is eligible for a 300% tax deduction
Withholding Tax	Interest, commission, fee or other payments in connection with any loan or indebtedness are subject to 15% withholding tax	<p>Royalty payments due to a non-resident company that is an associate of the Hong Kong entity are subject 16.5% withholding tax</p> <p>Royalty payments made to a non-resident associate and on the</p>

	<p>Royalty or other lump sum payments for the use of moveable properties are subject to 10% withholding tax</p> <p>Payments for the use of or the right to use scientific, technical, industrial or commercial knowledge or information are subject to 10% withholding tax</p> <p>Rent or other payments for the use of moveable properties are subject to 15% withholding tax</p> <p>Technical assistance and service fees are subject to 17% withholding tax (prevailing corporate tax rate)</p> <p>Management fees are subject to 17% withholding tax (prevailing corporate tax rate)</p> <p>Time, voyage and bareboat charter fees for the charter of ships are exempt from withholding tax</p> <p>Proceeds from sale of any real property by a non-resident property trader are subject to 15% withholding tax</p> <p>Distributions of taxable income made by a Real Estate Investment Trust to a unit holder who is a qualifying non-resident non-individual are subject to 10% withholding tax (up to 31 Mar 2020)</p>	<p>condition that no person carrying on a business in Hong Kong SAR has at any time wholly or partly owned the intellectual property giving rise to the payments, are subject to a withholding tax rate of 4.95%.</p> <p>Royalty payments due to non-resident companies that are not associates of the Hong Kong company are subject to withholding tax at 4.95%.</p>
Capital Gains Tax	<p>Not taxable</p> <p>Foreign-sourced disposal gains under Section 10L maybe taxable in Singapore w.e.f. 1st Jan 2024</p>	Not taxable
Taxable Income	Singapore sourced income and foreign sourced income received in Singapore	Hong Kong sourced income
Foreign Sourced Income Received in Singapore	<p>Foreign sourced income exemptions received by a resident company:</p> <ul style="list-style-type: none"> • Foreign-sourced dividends • Branch profits • Service income 	Not applicable.

	Foreign sourced income not received or deemed received in Singapore is not taxable	
Double Taxation Relief	98 comprehensive treaties and 8 limited treaties Signatory to the OECD Multilateral Instrument	40 comprehensive treaties Signatory to the OECD Multilateral Instrument
Group Relief	Group relief allows the transfer of current year losses, unutilized capital allowances and unutilized donations from a qualifying company to another qualifying company within the same group	Not available
Tax Resident	<p>A Singapore tax resident company may avail of certain tax benefits e.g. qualifying foreign sourced income exemption, double tax relief etc.</p> <p>A company is a tax resident in Singapore when its control and management is exercised in Singapore i.e. the making of decisions on strategic matters in relation to the company by its Board of Directors through Board meetings held in Singapore</p> <p>Foreign-owned investment-holding companies (50% or more of its shares are held by foreign companies/shareholders), with purely passive sources of income and receiving only foreign-sourced income are subject to a more stringent test:</p> <ul style="list-style-type: none"> • The control and management of the company's business is exercised in Singapore; • The company has valid reasons for setting up an office in Singapore; and • The company has related companies in Singapore that are tax residents of Singapore or have business activities in Singapore; or 	<p>A company is considered to be a resident of Hong Kong if:</p> <ul style="list-style-type: none"> • It is incorporated in Hong Kong, or • It is incorporated outside Hong Kong but is managed and controlled from Hong Kong

	<ul style="list-style-type: none"> • Receives support or administrative services from a related company in Singapore; or • Has at least 1 director based in Singapore who holds an executive position and is not a nominee director; or • Has at least one key employee (e.g. CEO, CFO, COO) based in Singapore. <p>For COR applications in respect of calendar year 2025 and after, conditions:</p> <ul style="list-style-type: none"> • Have at least 1 director based in Singapore who holds an executive position and is not a nominee director; • Have at least 1 key employee (e.g. CEO, CFO, COO) based in Singapore; or • Be managed by a related company based in Singapore (e.g. the related company makes the decisions relating to the operations of the foreign-owned investment holding company or reviews the performance of the investments of the company) 	
<p>In line with the Pillar Two Global Anti-Base Erosion (“GloBE”) Model Rules, a global minimum tax of 15% will be implemented starting from fiscal years beginning on or after 1 January 2025</p>	<p>Singapore will implement the Income Inclusion Rule (“IIR”) and a Domestic Top-up Tax (“DTT”), which will impose a minimum effective tax rate of 15% on businesses’ profits applicable to MNE groups with annual group revenue of 750 million euros or more in at least two of the four preceding financial years (referred to as “in-scope MNE groups”).</p>	<p>Pillar Two GloBE Rules (i.e., Income Inclusion Rule and the Undertaxed Profits Rule (“UTPR”)) and the domestic minimum top-up tax will be implemented in Hong Kong (“HKMTT”) for in-scope MNE groups</p>
<p>Incentive and tax features to enhance attractiveness and provide tax friendly features for investments</p>	<p>Refundable investment Credit (“RIC”) will be introduced to support up to 50% of qualifying expenditures. The credits are to be offset against CIT payable. Any unutilised tax credits will be refunded to the company as cash within four years</p>	<p>The overall framework of the global minimum tax and HKMTT:</p> <ul style="list-style-type: none"> • Allow in-scope MNE group to decide on how the HKMTT payable is allocated among its Hong

	from when the company satisfies the conditions for receiving the credits.	Kong entities to provide for flexibility; <ul style="list-style-type: none"> • Safe harbours; • Only furnish a single top-up tax return
Exchange of Information Obligations	Reporting obligations under: <ul style="list-style-type: none"> • Multilateral Instrument (OECD) • Common Reporting Standards (OECD) • Foreign Account Tax Compliance Act (USA) 	Reporting obligations under: <ul style="list-style-type: none"> • Multilateral Instrument (OECD) • Common Reporting Standards (OECD) • Foreign Account Tax Compliance Act (USA)

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How we can help

SW Singapore offers a dedicated team of tax experts equipped with extensive insights into Singapore's tax landscape.

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