

start trading or do business. For the presumption of business to arise, a company must be involved in "business activities" and the intention to do business must be gleaned from the activities as well as from the Memorandum of Association.

Profession

A "profession" involves an occupation requiring either purely intellectual skill or any manual skill controlled by the intellectual skill of the person (*IRC v Maxse* [1919] 1 KB 647, 12 TC 41). However, the term "profession" is to be distinguished from an employment that requires the exercise of professional skills.

For example, a doctor who is employed by a hospital is regarded as exercising an employment and his income therefrom is taxable under s 10(1)(b). By contrast, a doctor who runs his own clinic would be regarded as exercising a profession, the income from which is taxable under s 10(1)(a).

Vocation

The word "vocation" is analogous to "calling", meaning the way in which a man passes his life (*Partridge v Mallandaine* (1886) 18 QBD 276; 2 TC 179). In that case, a bookmaker who accepted bets was held to be carrying on an organised vocation.

¶4-400 "Trading in" versus "trading with"

For trading income to have a source in Singapore, a person has to be *trading in* Singapore. By contrast, a person who is *trading with* Singapore is not subject to Singapore tax as the source of the trading profits would be outside Singapore.

It is a question of fact whether a non-resident person:

- (i) is trading with (another person in) Singapore, or
- (ii) is trading in Singapore on its own account or through an agent.

If an agent regularly contracts for the sale of goods in Singapore on behalf of the non-resident, the non-resident may be regarded as carrying on a trade in Singapore.

If, however, the agent in Singapore is involved merely in soliciting orders in Singapore on the non-resident's behalf and the orders are then referred to the non-resident for acceptance in his home country, the non-resident will not be regarded as trading in Singapore.

The presence of a purchasing function alone does not constitute trading in Singapore. However, the place where sales or contracts for sales are made may have tax implications. If a non-resident person consigns goods to a Singapore agent who agrees to sell the goods on certain terms and to account to the non-resident for a proportion of the sale proceeds, the non-resident may be regarded as trading in Singapore.

Generally, a contract is made where the act of acceptance takes place. Where a written contract does not exist, acceptance is in the location where the services are performed or where the goods are delivered. In broad terms, where a non-resident sends goods to Singapore on a cost, insurance and freight (CIF) contract, the goods are considered as delivered in Singapore; where goods are on a free on board (FOB) basis, they are delivered at the port of loading, ie outside Singapore.

As set out in ¶2-800, the question whether a permanent establishment (PE) exists in Singapore is in principle separate from the question whether the non-resident person

has derived trade source income in Singapore. As a matter of fact, however, in many situations, a non-resident person that has a PE in Singapore is also trading in Singapore. The Inland Revenue Authority of Singapore (IRAS) has therefore clarified that the following types of activities will not come within the ambit of s 10 even if it falls within the s 2(1) definition of a PE:

- (a) a mere purchasing function in Singapore of a foreign entity, and
- (b) stocks of goods warehoused in Singapore for delivery but no trading activities are carried on in Singapore.

It follows from this IRAS clarification that a non-resident person can have a PE in Singapore without any exposure to Singapore tax.

Where the non-resident person is resident in a country with which Singapore has a tax treaty, the treaty definition of PE must be borne in mind. In this context, only the business profits that are attributable to the PE in Singapore of the treaty-resident person are liable to Singapore tax. In the typical treaty-country scenario, the non-resident is not deemed to have a PE in Singapore merely because it carries on business in Singapore through an independent agent that is acting in the ordinary course of its own business when acting on behalf of the non-resident (for details, see ¶14-520).

Some factors that the Comptroller may consider in determining whether or not a non-resident person is trading in Singapore (ie has part or all of the trading income regarded as derived from Singapore) through an agent include:

- (a) Does the agent accept orders in Singapore on behalf of the non-resident person or does the agent merely transmit the solicited orders to the non-resident for the latter's acceptance abroad?
- (b) Are the goods sent directly to the buyer or to the agent for delivery to the buyer?
- (c) How and where are the payments for the goods made?
- (d) Does the agent maintain a stock of merchandise in Singapore belonging to the non-resident from which he makes deliveries in respect of the contracted sales?

Electronic commerce

In the context of electronic commerce (e-commerce), the IRAS regards a server merely as a communication tool and has stated that the mere presence of a physical server in Singapore will not amount to a PE. The IRAS will look at the extent of the company's business activities in Singapore to determine whether a company doing business through cyberspace is trading in Singapore such that its trading income is liable to Singapore tax. For this purpose, a server is taken to be a device upon which e-commerce applications may be sited or run from to allow e-commerce to take place. A server would usually include the computer hardware and its operating and basic application software. The IRAS has also given its views on the taxation of the income from certain business models, based on various assumptions. These assumptions include whether the company's business operations are in Singapore, and where the website is hosted.

(See IRAS e-Tax Guide "Income Tax Guide on E-Commerce" (3rd Ed), published on 23 February 2001.)

Continuing source concession

Where the rental income is taxable under s 10(1)(f), expenses that are incurred during a vacant period between two periods of tenancy (eg repairs) or related to the vacant period (eg fire insurance premium) would, strictly, not be deductible in calculating the net rental income for that year. This is because each tenancy is regarded as a separate source of the income and any expenses incurred during the vacant period would not be deductible (see Chapter 7 at ¶7-100ff).

In practice, the IRAS adopts a continuing source concession under which the above types of expenses are allowed a deduction against the gross rental income. It appears that the concession applies so long as a subsequent tenant is obtained, which may be later in the same year or after the year-end. The source of rental income is therefore treated as if it were "continuing" throughout the year. The concession does not apply if a subsequent tenant is not found and the property is sold after a period of vacancy.

Where a property was continuously vacant for a period of at least 30 days or one calendar month on or before 31 December 2013, a landlord was able to claim a refund of the property tax for the vacant period if he met some conditions. If the vacancy occurs on or after 1 January 2014, a property tax refund is no longer available (see IRAS e-Tax Guide "Property Tax: Removal of Refund of Property Tax on Unoccupied Buildings", published on 26 November 2013). This tax change reflects the policy that property tax, being a tax on wealth, is to be levied on the ownership of property regardless of whether it is occupied or vacant (Ministry of Finance's letters dated 10 December 2013 and 23 December 2013 to the *Straits Times*). Under the continuing source concession, a landlord would therefore be allowed to deduct property tax for a two-month vacancy in 2014 (as he would have incurred that expense, it being non-refundable) but not property tax for a two-month vacancy in 2013 that was refundable.

Subsequent tenancy concession

Where the rental income is taxable under s 10(1)(f), each tenancy is a separate source of rental income. Expenses incurred to secure a tenant each time (eg advertising expenses or housing agent commissions) are therefore not deductible because they are incurred to acquire a source of income; in other words, they are capital in nature (see Chapter 7 at ¶7-100ff). In practice, the IRAS allows a deduction for expenses incurred to secure a subsequent tenant.

Subsequent property concession

As explained above, expenses such as agents' commissions, and advertising and legal expenses that are incurred for getting the first tenant in respect of each property are not, in principle, deductible. As a concession, however, the IRAS allows deductions for such expenses against the rental income if the rental property is a subsequent property (see "Rental and Net Annual Value (NAV) expenses" found in the section "Individuals (For locals)" on the IRAS website at www.iras.gov.sg).

Example 1

Mr Chan rented out property A and subsequently property B. The expenses incurred to obtain the first tenant for property B are deductible against the rental income from property B.

Block basis concession

Where the rental income is taxable under s 10(1)(f), the rental income or loss from each property is in principle determined separately. The Act does not allow the set-off of s 10(1)(f) rental loss from one property against the s 10(1)(f) income from another rental property or any other income.

Example 2

If property A produces rental income of \$4,000 but property B produces rental loss of \$1,000, the rental loss of \$1,000 would be disregarded and the taxable rental income would be \$4,000.

In practice, the IRAS adopts the block basis concession. Under this concession, the s 10(1)(f) rental income or loss from all rental properties of the taxpayer will be aggregated to determine the overall net rental income or loss for that year. The "block" of properties refers to rental-income-producing properties. If a net rental loss results after applying the block basis concession, it cannot be set off against other sources of income for the same YA. Nor can it be carried forward for set-off against the statutory income of a future YA.

Note that from YA 2005, in the context of husband and wife both having rental income, a spouse is allowed to transfer a rental deficit to the other spouse, ie the rental deficit of the transferor will be set off against the rental income of the transferee (see s 37D, IRAS e-Tax Guide "Change to Assess the Income of a Husband and Wife as Separate Individuals", last revised on 1 December 2011, and Chapter 12 at ¶12-100ff).

Example 3

Assume that properties A and B were rented out for the whole year and that the rental was a s 10(1)(f) source of income. Property A was vacant for the period 1 June to 31 July; the net rental income from it was \$27,000 after applying the IRAS continuing source concession. Property B was let out for the whole year, and the net rental loss was \$38,000.

As shown below, the block basis concession will give a more favourable result to the taxpayer than the strict position.

	Strict position	Block basis concession
	\$	\$
A: net rental income	27,000	27,000
B: net rental (loss)	disregarded	(38,000)
Net rental income/(loss)	27,000	NIL*

* The resultant rental loss of \$9,000 is a s 10(1)(f) loss and therefore disregarded for tax purposes.

taxpayer. Some common bases of allocating total head office expenses to a Singapore branch are:

- gross profits or turnover
- net profits (using this basis, no expenses will be allocated to the branch if the branch is operating at a loss), and
- total asset basis using the formula:

$$\frac{\text{Total Singapore branch assets} \times \text{Total head office expenses for branches}}{\text{Total head office assets}}$$

¶7-670 Taxes paid

The Act specifically prohibits the deduction of:

- amounts paid or payable in respect of income tax in Singapore or tax on income (by whatever name called) in any country outside Singapore (s 15(1)(g))
- amount of GST paid or payable by a taxpayer who is required to register under the GST Act but has failed to do so, or who is entitled to credit the amount of GST payable as an input tax (s 15(1)(h)), and
- amount of output tax paid or payable under the GST Act that is borne by a person registered as a taxable person under that Act (s 15(1)(m)).

Property tax and other levies

Taxes paid upon any property (land and buildings) that is used for the purpose of producing income will be deductible under the general deduction formula. Where no income is derived in respect of a vacant property awaiting development, any tax or quit rent paid thereon would not be deductible. Property tax is levied on the annual value of a property.

Levies and dues such as import/export duties, renewal of licence fees, surcharges, etc, are deductible.

Stamp duties

Generally, stamp duty incurred in respect of a capital transaction is not deductible. Conversely, if it was incurred for a revenue transaction, it is likely to be deductible. For example, stamp duty charged on the conveyance of land is not deductible if the purchase or sale of land is a capital transaction. Stamp duty levied in respect of a first tenancy agreement is not deductible if it is of a capital nature. Any stamp duty levied on the renewal of a tenancy is, however, deductible by concession. A similar treatment is accorded to stamp duty levied on a loan agreement taken for business purposes and to stamp duty on renewal of the loan.

¶7-680 Other miscellaneous expenditure

Pre-commencement and incorporation expenses

Expenses incurred before the commencement of business are not deductible. Note that the IRAS allows, as a concession, a deduction for certain pre-commencement expenditure incurred in the context of a trade or business (see ¶7-340).

If a business consists of a continuous process of several activities and each one of them is an integral part of the business, the business commences when an essential activity of the business is started, and not necessarily when the business is established (*CIT v Saurashtra Cement and Chemical Industries* (1973) 91 ITR 170; (1975) ITR 502).

Expenses incurred on the following activities are not deductible if the business has not commenced:

- preparation of feasibility reports
- preparation of project reports, and
- conduct of market surveys or other surveys to gauge the viability of the proposed business.

Incorporation expenses are not deductible. Examples include:

- legal charges for drafting of Memorandum and Articles of Association
- costs for printing of the first/initial sets of Memorandum and Articles of Association
- fees for company registration
- costs relating to the issue of shares or debentures, underwriting commission or brokerage, and
- charges for drafting, typing, printing and advertisement of the prospectus.

"Keyman" insurance

In determining whether keyman insurance premiums are deductible, the IRAS has clarified the following:

- The onus is on the company to show that the life insurance policy was bought to secure compensation for the company if profits were lost as a result of the death of the insured. The policy must remain the property of the company, ie the benefits under the policy should not be assigned to the insured or to the insured's family.
- The insured must be a key person in the business of the taxpayer. The company must show that the insured possesses special qualifications, and that the loss of the insured would significantly affect the company's business. It must show that the insured's special qualities have been pivotal in bringing profits to the company. Professional qualifications, special abilities, personal connections, business acumen and experience may qualify as "special qualifications".
- The capital sum insured must be directly related to the profits attributable to the services of the insured. Reference is made to the responsibilities of the insured for the company operations. The responsibility could be prime, shared or contributory.

The amount of AA that the purchaser is entitled to is the higher of:

- (a) the ROE divided by the number of YAs for which the purchaser is, or may be, entitled to AAs ending with the 50th year after the year in which the building or structure was first used:

$$\text{ROE} \times \frac{1}{\text{Number of years from first YA for which purchaser is entitled to AA up to 50th year after building first used}}, \text{ or}$$

- (b) 3% of the ROE after the sale.

The total amount of AAs allowed to a purchaser of an industrial building or structure cannot exceed the amount of the ROE immediately after the purchase.

The ROE is essentially the qualifying expenditure that has not yet been allowed or deemed allowed. "Residue of expenditure" is defined as the amount of capital expenditure incurred on the construction of a building or structure reduced by any IA made, any AA made and any balancing allowances granted; and increased by any balancing charges made (s 18(8)). For any year in which no IA or AA has been made, a notional allowance equal to 3% of the expenditure is to be written off in calculating the ROE (s 18(9)).

Applying the s 18(8) definition of "residue of expenditure", the expenditure of a used (second-hand) industrial building to the purchaser generally works out to be the cost of construction or the net purchase price paid, whichever is the lower. For example, if the purchase price of a second-hand building or structure is \$5m and its original cost of construction is \$2m, the ROE immediately after the sale will be \$2m. This is the amount to which the formula in s 16(5) is applied to calculate the AAs to the purchaser.

Example 4

K Ltd constructed and commenced using a factory for a qualifying trade in 1998. As the building was first used in 1998, initial and annual IBA would have been first granted in YA 1999. The 50th year after its first use will be 2047 and the last YA in which IBA could be granted is YA 2048. The building was subsequently sold to L Ltd for \$2.8m in the year 2013. Both K Ltd and L Ltd close their accounts on 31 December.

Purchase by L Ltd on or after 1 January 2006

As L Ltd had purchased the building in 2013, L Ltd's AA entitlement for YA 2014 and subsequent years would be based on 3% of the purchase price of \$2.8m, ie \$84,000. The 50-year restriction does not apply to a purchase made on or after 1 January 2006.

Purchase by L Ltd before 1 January 2006

Now assume instead that L Ltd had purchased the building in March 2005 for \$2.8m and that the ROE for the building immediately after the sale was \$2m. Because the 50-year restriction rule applies, L Ltd would be able to claim AAs for 43 years from YA 2006 up to YA 2048.

L Ltd's AA entitlement for YA 2006 and following YAs is the greater of the following:

- (a) $\frac{1}{43} \times \$2,000,000 = \$46,512$
 (b) $3\% \times \$2,000,000 = \$60,000$

The AA for YA 2006 and subsequent years would be \$60,000.

18-150 Balancing allowance and charge

A balancing adjustment can either be a **balancing allowance (BA)** or **balancing charge (BC)**. It has to be calculated when any of the following events occur in the basis period for the YA while the building or structure is an industrial building or structure or after it has ceased to be one (s 17(1)):

- the relevant interest in the building or structure is sold — the time of sale is determined by reference to the time of completion of the sale
- a leasehold relevant interest comes to an end (except for cases where the termination occurs as a result of the lessee acquiring the freehold interest), or
- the building or structure is demolished, destroyed or ceases to be in use altogether.

When any of these events occur, the ROE of the building or structure immediately before the event is compared with any receipt (RC) arising therefrom (eg sale or salvage proceeds, insurance or compensation monies).

A BC will arise where the RC is greater than the ROE (s 17(5)). The BC represents a recovery of excess CAs granted and is deemed to be income under s 10(4) and therefore subject to tax. However, the amount of BC is restricted to the total amount of IA and AA that the person has been granted on the building or structure (s 17(6)). The BC restriction rule in effect excludes capital gains from income taxation.

On the other hand, a BA will arise where the ROE is greater than the RC (s 17(4)). Essentially, a BA is a kind of CA granted to the taxpayer who had previously been granted less CAs (IA + AA) in total than his net expenditure (ie cost less RC) on the asset.

Example 5 illustrates the BA and BC concepts.

Example 5

Company ABC incurred \$1,516,000 on the construction of a building that was used for a qualifying activity. Company ABC had claimed IBA for one year before it sold the building to Company PQR. Assume the sale price of the building (excluding the cost of land) was as follows:

- (a) \$1,050,000
 (b) \$1,275,000, or

- (5) Calculate the chargeable income after deducting the exempt amount given under:
- the partial tax exemption scheme for existing companies (s 43(6)) (see ¶2-850), or
 - the enhanced tax exemption for new companies (s 43(6A)) (see ¶2-900).
- [In the case of an individual who is resident in Singapore, his chargeable income is the amount of his assessable income (arrived at in Step 4) after deducting personal reliefs (see Chapter 12 at ¶12-100ff)]
- (6) Calculate the person's tax liability by applying the relevant tax rate(s) to the chargeable income calculated in Step 5.
- (7) Where the person (usually a company) qualifies for foreign tax credit on foreign income received in Singapore, calculate his net tax liability (net tax payable) by deducting the amount of foreign tax credit from the amount calculated in Step 6 (see Chapter 14 at ¶14-100ff).

¶9-100 Unabsorbed capital allowances

The tax treatment of capital allowances in calculating statutory income is covered in ¶8-500. This paragraph discusses the tax treatment where there is an excess of capital allowances over the income of the TBP in respect of which the allowances were granted. The excess capital allowances must be set off against the total amount of income from all the other sources for the year preceding the YA, as illustrated in Example 1.

Example 1

ABC Company — Income Tax Computation

Tax adjusted profit — s 10(1)(a)		\$	
			38,000
Less: Capital allowances			
Prior year's capital allowances	17,000		
Current year's capital allowances	28,000	45,000	
Excess of current year's capital allowances		(7,000)	
Interest income — s 10(1)(d)			5,000
Net rental income — s 10(1)(f)			10,000
Statutory income			8,000

Where a person's gains or profits chargeable for the YA are insufficient to fully set off the capital allowances available in that YA, there are three options available to the taxpayer. These options are discussed separately:

- for companies, and
- for sole proprietors and partners.

Companies

The options available to a company are as follows (conditions apply):

- transfer the current year unabsorbed capital allowances to a claimant company under group relief (upon election, see ¶9-500)
- carry back any current year unabsorbed capital allowances up to a specified amount for set-off against its assessable income for the immediate preceding YA (upon election, see ¶9-700), or
- carry forward any remaining unabsorbed capital allowances to future years (s 23(1)).

Note that the carry-forward relief is mandatory. If, for example, there is taxable income for YA 2013, the person cannot elect to utilise his unabsorbed capital allowances only in YA 2014.

The carry-forward of the unabsorbed capital allowances is subject to two conditions:

- the company continues to carry on the same TBP in respect of which the allowances arose (ie the "business continuity" test), and
- there is no substantial change in the company's shareholders and their shareholdings as at the relevant dates (ie the "shareholders' continuity" test).

Because of the need to determine whether condition (2) is satisfied for purposes of the carry-forward, the company has to keep track of the YAs to which the unabsorbed capital allowances relate (see ¶9-400).

Sole proprietors and partners

Similar options are available to a sole proprietor or a partner whose gains or profits chargeable for any YA are insufficient to fully set off the capital allowances available in that YA. They are as follows (conditions apply):

- transfer any current year unabsorbed capital allowances for set-off against the spouse's assessable income for the same YA (see ¶9-600)
- carry back any current year unabsorbed capital allowances up to a specified amount for set-off against his own assessable income and/or his spouse's assessable income for the immediate preceding YA (see ¶9-700), or
- carry forward any remaining unabsorbed capital allowances to future years (s 23(1)).

The carry-forward of unabsorbed capital allowances is subject to the condition that the sole proprietor/partnership continues to carry on the same TBP in respect of which the allowances arose.

Note that the capital allowances of a partnership are allocated to the partners in accordance with the agreed profit-sharing ratio (see ¶11-210).

Business of hiring out motor cars or of providing driving instruction using motor cars

Any capital allowances relating to the business of hiring out motor cars or of providing driving instruction using motor cars can only be deducted from income

Transfer of relevant deductions

A corporate partner of an LLP is allowed to transfer its share of CA, business loss and/or donations (referred to in the Act as "transferred deductions") for the current YA to a qualifying company under the group relief scheme (s 37C) (see ¶9-500) provided the conditions in s 37C are satisfied.

Similarly, an individual partner of an LLP can transfer his share of CA, business loss and/or donations for the current YA to his spouse (ie "transferred deductions") under s 37D "Transfer of qualifying deductions between spouses" (see ¶9-600).

The amount of transferred deductions cannot exceed an amount determined as follows:

$$(A - B - C - D)$$

where	A	is the contributed capital in that YA
	B	is the past relevant deductions (ie CA and business losses) already allowed to the partner
	C	is the relevant deduction for CA allowed to the partner in that YA, and
	D	is the relevant deduction for business losses allowed to the partner in that YA.

Carry-back of relevant deductions

The carry-back scheme is effective from YA 2006. An LLP partner can carry back his current year unabsorbed CA and/or business losses for set-off against his assessable income of the immediate preceding YA subject to certain conditions (see ¶9-700).

An individual LLP partner can also transfer his share of unabsorbed CA and/or business loss for the current YA to his spouse for set-off against the spouse's assessable income of the immediate preceding YA (s 37F) (see ¶9-700).

The amount of carry-back deductions cannot exceed an amount determined as follows:

$$(A - B - C - D - E)$$

where	A	is the contributed capital in that YA
	B	is the past relevant deductions (ie CA and business losses) already allowed to the partner
	C	is the relevant deduction for CA allowed to the partner in that YA
	D	is the relevant deduction for business losses allowed to the partner in that YA, and
	E	is the transferred deduction transferred by the partner in that YA.

Determining a partner's contributed capital

The contributed capital of a partner of an LLP for any YA is the aggregate of the following (s 36A(10)):

- the amount, as at the end of the basis period for that YA, that the partner has contributed (in cash or in kind but not including any loan by him to the LLP) to the LLP as capital, and has not, directly or indirectly, been drawn out or received back by him (whether as a distribution or a loan or otherwise), and

- the amount, as at the end of the basis period for that YA, of any profits or gains of the TBP or vocation from any YA to which he is entitled as a partner but which he has not, directly or indirectly, received (whether as a distribution or a loan from the LLP or otherwise).

A partner's contributed capital will therefore not include any capital that the partner has agreed to contribute but has not actually been contributed to the LLP.

A partner must submit an independent valuation report for contributions of capital made by him in the form of real property, shares and securities, or IP whose value exceeds \$500,000. For other types of contribution in kind, a partner need not submit a valuation report unless required by Comptroller.

Reduction in a partner's contributed capital

A partner's contributed capital will be reduced by a withdrawal of capital that a partner had previously contributed to the LLP or a withdrawal of any portion of his share of the LLP profits or gains of the TBP or vocation for past years that had not been previously withdrawn. A withdrawal includes a withdrawal by way of a distribution, loan or otherwise.

If a reduction of contributed capital occurs in any YA and the partner's past relevant deductions exceed his reduced contributed capital at the end of the basis period relating to that YA, the excess is deemed to be the partner's income for that YA chargeable with tax under s 10(1)(g) (s 36A(5)). Concurrently, an equal amount will also be deemed to be the partner's share of the loss incurred by the LLP for that YA. This deemed trade loss in excess of a partner's share of LLP income for that YA can be carried forward to subsequent YAs for set-off against his future LLP income.

Notwithstanding that tax is payable, such deemed income of the partner for that YA will be subtracted from the partner's past relevant deduction when applying the relevant deduction restriction in subsequent YAs.

The application of the deemed income rule is explained in Example 5 in the case of Ms Sharon for YA 2013.

Investment LLP

Where an LLP is in the business of making investments, the tax treatment of s 10E would apply. The partner's share of investment income from the LLP will be treated as business income under s 10(1)(a). Note that any deductions for expenses and outgoings and any claims for CA will be restricted according to the provisions of s 13E.

Changes in LLP ownership and dissolution of LLP

For income tax purposes, the admission of partner(s) into or the withdrawal of partner(s) from an LLP will not affect the tax status of the LLP. As an LLP has perpetual succession, there is no cessation of the TBP or vocation of all the partners.

Any withdrawal of partner(s) will not result in the dissolution of the LLP. Where a partner withdraws from an LLP in a basis period relating to a YA, the withdrawing partner is said to have ceased to carry on the same TBP or vocation.

handicapped spouse has. Up to YA 2009, relief could only be claimed for maintaining a handicapped spouse or ex-spouse whose income, excluding maintenance or alimony paid by the claimant, did not exceed \$2,000 in a year (the old s 39(2)(d)(ii)).

The handicapped spouse relief of \$3,500 is allowed provided no other person has claimed the aged parent or handicapped sibling relief (available under s 39(2)(i) and 39(2)(j)) in respect of that handicapped spouse.

Where the taxpayer and his spouse are separated, the relief allowed will be the lower of \$3,500 or the amount of payments made to the spouse in accordance with an order or deed of separation. Additionally, the aggregate of the handicapped spouse relief and standard spouse relief granted to a taxpayer cannot exceed \$3,500 (proviso to s 39(2)(d)).

From YA 2012, the handicapped spouse relief is no longer granted to taxpayers who maintain their former handicapped spouses. Taxpayers who receive any alimony and maintenance payments made voluntarily or under a court order or deed of separation will no longer be taxed on such receipts.

As announced in the 2014 Budget, the handicapped spouse relief will be increased to \$5,500 from YA 2015.

¶12-230 Child relief

Relief for children is given under s 39(2)(e). A child is defined to be "a legitimate child, stepchild or child adopted in accordance with any written law relating to the adoption of children" (Fifth Schedule, para 7(a)). An illegitimate child is therefore not eligible for child relief. Where parents of an illegitimate child marry each other at the birth of the child, the marriage would legitimise the child. In practice, children of secondary wives (ie by customary marriage) are considered legitimate children and qualify for child relief.

A stepchild is a child by a former marriage of either the husband or the wife. An adopted child must be one who is legally adopted. Statutory declarations, signifying the taxpayer's intentions, consent and obligations to adopt a child, are not satisfactory evidence of adoption for the purposes of the Act (*Re R* (1951) FB IV).

The availability and the quantum of child relief are generally dependent on the following factors:

- the child's age, marital status and income, and
- the number of children the claimant has.

(A) Conditions for claims

Where the following conditions are satisfied, an individual is entitled to a claim for child relief (s 39(2)(e)):

- The child must be maintained by the claimant.
- The child must be unmarried in the year preceding the YA in which the claim is made.
- The child must be under 16 years at any time in the preceding year.

- If the child is over 16 years, he must be either—
 - receiving full-time education at a university, college, school or other educational institution
 - serving under articles or indentures with a view to qualifying in any trade or profession, or
 - incapacitated from maintaining himself by reason of physical or mental infirmity.

Full-time education means that the curriculum of the educational institution requires the child to be studying full time. The phrase "other educational institution" is to be taken to mean one which is similar to a college, university or school. Tuition by correspondence is not regarded as instruction at an educational institution, nor are private lessons in the home (*Heaslip v Hasemer* (1927) 13 TC 212).

- The child must not have any income in his own right exceeding \$4,000 (\$2,000 up to YA 2009) in the year preceding the YA. In computing the child's income for any year, any amounts received relating to scholarships, bursaries or similar educational endowments are disregarded. The income threshold does not apply in the case of a handicapped child from YA 2010.
- The child must not have exercised a TBP or employment (other than serving under articles or indentures) in the preceding year.
- The child must be a legitimate child, stepchild or legally adopted child of the claimant.

Child relief can be claimed for the maintenance of an unmarried child outside Singapore as long as the above conditions are satisfied.

(B) Types of child relief

There are three types of child relief, namely:

- Qualifying child relief (QCR)
- Handicapped child relief (HCR), and
- Working mother's child relief (WMCR).

Qualifying child relief

From YA 2009, the QCR claimable by either parent for each qualifying child is \$4,000 (Fifth Schedule, para 1(b)).

Handicapped child relief

This relief can be claimed by parents for maintaining an unmarried child who is incapacitated from maintaining himself by reason of physical or mental infirmity (s 39(2)(e)(iv)).

From YA 2009, the amount of relief for a handicapped child is \$5,500. There is no age limit for this relief.

As announced in the 2014 Budget, the HCR will be increased to \$7,500 from YA 2015.

Service centres

Service centres primarily perform two functions:

- (i) They supervise and coordinate the activities of affiliated companies, agents, distributors and licensees in the region as regional offices.
- (ii) They supply technical services to the foreign companies under their scope.

Where:

- technical staff are stationed in Singapore to provide those technical services or "after-sales" services on a somewhat permanent basis, and
- such services involve a charge and/or the maintenance of spare parts in Singapore,

the non-resident company may be regarded to have derived trade or business income in Singapore.

NON-RESIDENT OPERATORS OF SHIPS AND AIRCRAFT

¶13-810 Basis of assessment

For non-resident operators of ships and aircraft, the profits arising from the *outward shipment* of passengers, mail, livestock, and goods from Singapore are deemed to accrue in Singapore (s 12(2)). Two bases for determining the taxable profits in Singapore exist:

- (i) the "ratio certificate" method, and
- (ii) the "arbitrary" method.

The "ratio certificate" method

This method would apply where a certificate issued by the tax authority of the country of residence of the operator is submitted to the Comptroller and the following requirements are satisfied:

- The basis of assessment adopted by the foreign tax authority must not be materially different from the basis adopted by Singapore.
- The foreign tax authority must compute and assess the full profits of the non-resident operator from his shipping or airline business.
- The certificate must state the total sums received or receivable in respect of the carriage of passengers, mail, livestock and goods, the adjusted profits (or losses) as computed for income tax purposes (before adjustments in respect of capital allowances (CA)) and the CA for tax purposes.

The following formula is applied to ascertain the proportion of adjusted profits (losses) applicable to Singapore:

$$\frac{\text{Adjusted world profit (loss)}}{\text{Gross world shipping or airline earnings}} \times \text{Gross shipping or airline earnings from outward shipments from Singapore}$$

Similarly, the CA applicable to Singapore are computed as follows:

$$\frac{\text{Total world CA}}{\text{Gross world shipping or airline earnings}} \times \text{Gross shipping or airline earnings from outward shipments from Singapore}$$

The income assessable to tax in Singapore is arrived at by subtracting the CA applicable to Singapore from the adjusted profits applicable to Singapore.

If it results in a loss, the loss can be:

- (i) transferred to group members under the group relief scheme
- (ii) carried back against the assessable income of the immediate preceding YA, or
- (iii) carried forward for set-off against future profits.

Similarly, any CA which cannot be absorbed may be transferred, carried back or carried forward. The utilisation of the loss and unabsorbed CA is subject to the conditions discussed in Chapter 8 (at ¶8-100ff).

The "arbitrary" method

Where the ratio certificate has not been submitted, the assessment will be based on an arbitrary proportion of the amounts received or receivable from the carriage of passengers, livestock, mails, or goods shipped out from Singapore (s 27(4)). The rate is fixed at 5% of the gross earnings from outward shipments from Singapore. The amount so arrived at is taxed at 17% from YA 2010.

Where:

- (i) an assessment has been based on the 5% method, and
- (ii) the taxpayer submits the certificate within two years after the end of the relevant YA,

the assessment will be revised using the ratio certificate method (s 27(5)). The Comptroller may extend the two-year period.

Example 10

Muna Navigation Ltd ("Muna"), a company resident in Country A, operates ships in Singapore. Its gross receipts from outward shipment of cargo and passengers were \$7,500,000 for the year 2013.

- (a) Assuming Muna has not submitted a ratio certificate issued by Country A, Muna's Singapore tax position for YA 2014 will be:

	\$
Gross receipts	7,500,000
5% deemed assessable profits (s 27(4))	375,000
Less: Exempt amount (s 43(6))	(152,500)
Chargeable income	<u>222,500</u>
Tax assessed at 17%	37,825.00

- (iii) if the foreign enterprise has an agent who maintains a stock of goods or merchandise belonging to that enterprise from which the agent regularly fills orders on its behalf in Singapore.

To summarise the PE concept, it is sometimes more generally described as involving three tests, namely:

- the asset test* — this broadly corresponds to the “fixed place of business” test
- the agency test* — this broadly corresponds to the “dependent agent” test, and
- the activity test* — this test is used to help determine whether activities such as supervisory activities in connection with a construction project; the storage of goods for display; the purchase of goods; or the collection of information, whether or not carried on through a fixed place of business, constitutes a PE.

¶14-530 Features in Singapore’s tax treaties

As Singapore’s tax treaties are largely based on the OECD Model treaty, many of the features discussed in ¶14-210 are found in them as well. This part discusses some of those features in more detail as well as other features that are peculiar (though not unique) to the Singapore treaties. The discussion is not intended to be exhaustive.

Business profits

If the business of a foreign enterprise is carried on through a PE in Singapore, tax is imposed on the profits attributable to the PE as if it were an independent enterprise dealing at arm’s length with the enterprise of which it is a PE. In determining the taxable profits, deduction will be given for expenses incurred which are reasonably attributable to the PE. This is regardless of where the expenses may have been incurred.

International shipping and air transport

Double taxation is a serious obstacle to operating an international air or shipping transport business. Double taxation is avoided by tax treaties or international transport agreements.

(a) Under tax treaties

Generally, under the tax treaties, profits from the operation of ships and aircraft in international traffic will only be taxed in the operator’s country of residence. In some treaties (eg with Belgium and Poland), the place of effective management replaces residence as the criterion.

In most treaties, “international traffic” means any transport by a ship or aircraft operated by an enterprise resident in a contracting country, except where the ship or aircraft is operated solely between places in the other contracting country. This means that the country of residence has the right to tax income from domestic traffic and income from international traffic between third countries. The other contracting country has the right to tax income from traffic solely within its borders.

The tax treaties typically provide for:

- full exemption to profits derived from the operation of ships and aircraft in international traffic unless the ships and aircraft are operated wholly or mainly between places within either country (eg treaties with the UK and Japan), or

- 50% exemption of profits derived from the operation of ships and aircraft in international traffic, with credit being allowed by the country of residence for the remaining 50% suffered in the other country (eg treaty with Malaysia).

Generally (eg treaties with China, Indonesia and Malaysia), the exemption or reduced tax is extended to income arising from participation in shipping or aircraft pool, a joint business or an international operating agency.

An enterprise is not required to engage exclusively in shipping, inland transportation or air transport to qualify for the full or limited exemption under the treaty. For example, if an enterprise has a PE in Singapore, and this PE’s activities include the operation of ships and aircraft in international traffic, the treaty article also covers such a PE. However, if the PE incurs any expenses in Singapore for its ships or aircraft which are operated wholly or mainly outside Singapore, such expenses would not rank for deduction in Singapore.

Shipping and air transport enterprises may engage in other activities which are closely related to the actual operation of ships and aircraft. The profits derived from these activities are generally treated as derived from the operation of ships and aircraft. These activities are:

- operation of bus services connecting airline offices with the airport
- advertising and sales promotion
- transportation of goods from depots or warehouses to airports
- leasing a ship or aircraft on charter fully equipped, supplied and manned, and
- leasing of containers where such leasing is supplementary or incidental to the international operation of ships and aircraft.

Profits derived from the following activities would normally fall outside the scope of shipping or air transport profits:

- operating a hotel, unless such a hotel is exclusively for transit passengers and the cost of service is included in the price of the passage ticket
- operating a shipbuilding yard or engaging in aircraft manufacturing
- leasing a ship or aircraft on a bareboat charter, and
- investment income.

None of Singapore’s tax treaties includes or refers to the operation of ships engaged in fishing, dredging or hauling activities.

(b) Under international transport agreements

Please refer to Chapter 13, ¶13-830 under “Specific agreements for shipping and/or aircraft income”.

Dividends

Under Singapore’s one-tier system of corporate taxation, dividends paid by a company resident in Singapore are exempt in the hands of its shareholders. There is therefore no dividend withholding tax. Whether these Singapore dividends are taxable in the other treaty country would depend on the domestic tax laws of that country and what the “Dividends” article in the treaty provides.

Interest

Singapore’s tax treaties may provide for a 5% or 10% final tax on interest income sourced in Singapore. This is less than the 15% final tax on interest under domestic law (see Chapter 13 at ¶13-100ff). For the reduced tax rates imposed on interest

An application for an advance ruling must be made on the prescribed form giving the following details:

- (a) particulars of the applicant
- (b) all relevant facts (including the reasons for the arrangement, if applicable) and documents relating to the arrangement in respect of which the ruling is sought
- (c) the provisions of the Act in respect of which the ruling is sought
- (d) the proposition of law (if any) which is relevant to the issues raised in the application
- (e) the result of a previous application made on the same or any similar arrangement by the applicant, if any, and
- (f) a draft ruling.

The Comptroller may waive any of the requirements (c) to (f) above if he considers that it would be unreasonable to require the applicant to comply with any of those requirements.

The time frame to apply for an advanced ruling has been clarified in the IRAS e-Tax Guide "Advanced Ruling System" (3rd Ed), published on 23 December 2013:

- not later than two months before the date of the proposed arrangement, or
- not later than one month before the date of the proposed arrangement for an express ruling.

An application for an advanced ruling should be addressed to the following person for arrangements concerning:

- individual income tax matters — Assistant Comptroller (Individual Income Tax Division), and
- corporate income tax matters — Assistant Comptroller (Corporate Tax Division).

Request for further information

The Comptroller may at any time request further relevant information from an applicant for a ruling. If the Comptroller considers that the correctness of a ruling would depend on assumptions being made about a future event or other matter, he may make the assumptions he considers to be most appropriate, but he may not make assumptions about information which the applicant can provide.

Withdrawal of application

Before a ruling is issued by the Comptroller, an applicant for a ruling may at any time withdraw the application by giving written notice to the Comptroller.

The Comptroller will not make a ruling on a provision of the Act that authorises or requires the Comptroller to:

- (a) impose or remit a penalty
- (b) inquire into the correctness of any return or other information supplied by any person

- (c) prosecute any person, or
- (d) recover any debt owing by any person.

The Comptroller will also not make a ruling if:

- (a) at the time the application is made or at any time before the ruling is issued, the Comptroller considers that the person to whom the ruling is to apply is not seriously contemplating the arrangement for which the ruling is sought
- (b) the application is frivolous or vexatious
- (c) the matter on which the ruling is sought:
 - (i) concerns tax (excluding estimated tax) that is due and payable, unless the application is received before the tax is due and payable
 - (ii) involves the interpretation of any foreign law, or
 - (iii) is being dealt with, or in the Comptroller's opinion should be dealt with, by one or both competent authorities of the parties to an agreement to avoid double taxation
- (d) a ruling already exists on how the relevant provision of this Act applies to the person and the arrangement, and the proposed ruling would apply to a period of a YA to which the existing ruling applies
- (e) an assessment (other than an assessment of any estimated tax) relating to the person, the arrangement, and a YA to which the proposed ruling would apply has been made, unless the application is received by the Comptroller before the date the assessment is made
- (f) the Comptroller is undertaking an audit or investigation on how any provision of this Act applies to the applicant, or to an arrangement similar to the arrangement which is the subject of the application, during any period for which the proposed ruling would apply were the ruling to be made
- (g) the applicant, in the Comptroller's opinion, has not provided sufficient information in relation to the application after the Comptroller has requested further information
- (h) it would be unreasonable, in the Comptroller's opinion, to make a ruling in view of the resources available to the Comptroller, or
- (i) the application for the ruling would require the Comptroller to form an opinion as to a generally accepted accounting principle or to form an opinion as to a commercially acceptable practice.

The Comptroller may decline to make a ruling if:

- (a) the application for the ruling would require the Comptroller to determine any question of fact
- (b) the Comptroller considers that the correctness of the ruling would depend on the making of assumptions, whether in respect of a future event or any other matter
- (c) the matter on which the ruling is sought is subject to an objection or appeal, whether in relation to the applicant or any other person
- (d) the applicant has outstanding debts relating to earlier ruling applications, or

- (c) all other securities (including real estate investment trusts and exchange traded funds constituted in the form of trusts) not already covered under other lists of designated investments:
- issued by foreign governments in foreign currency
 - listed on any exchange
 - issued by supranational bodies, or
 - issued by any company.

The designated investments list has also been expanded to cover—

- (a) private trusts that invest wholly in designated investments
- (b) freight derivatives, and
- (c) publicly-traded partnerships that do not carry on a trade, business, profession or vocation in Singapore.

Any securities other than QDS (previously limited to stocks and shares) issued by an unlisted company that is in the business of trading or holding of Singapore immovable properties (other than the business of property development), however, are excluded from the list of designated investments.

APPROVED VENTURE COMPANY

¶18-700 Approved venture company

Singapore encourages companies to invest overseas in approved investments. Qualifying income derived by approved venture companies from approved investments is either exempted from tax or is subjected to tax at a concessionary rate of 10% (s 13H). The tax relief period is for an initial period of up to 10 years and may be extended for another five years.

A "venture company" is defined as a company whose business consists wholly or mainly of making approved investments, and whose income is principally derived from those investments. The following investments must be approved by the Minister for the purposes of s 13H:

- debentures, stocks, shares, bonds, notes or warrants issued by a government or company
- rights or options in respect of such debentures, stocks, shares, bonds, notes or warrants, or
- units in any unit trust.

Income eligible for exemption

The following income of an approved venture company is exempted from tax (Income Tax (Exemption of Income of Approved Venture Company) Regulations, Rg 22):

- dividends derived from outside Singapore and received in Singapore from approved investments in any company not resident in Singapore
- interest derived from outside Singapore and received in Singapore in respect of approved convertible loan stock of a company not resident in Singapore, and

- gains or profits derived from Singapore or received in Singapore from outside Singapore from the disposal of an approved investment.

When computing the gains or losses from the disposal of approved investments, the earliest purchased investments are deemed to have been disposed of first.

Ascertaining exempt income

When calculating the tax exempt income of an approved venture company, the following amounts must be deducted (s 13H(4)):

- allowable expenses and donations for the YA which are attributable to the income
- losses which arose in the YA from the disposal of approved investments
- any capital allowances for that YA, even if no claim has been made, and
- any expenses, losses or allowances carried forward from the previous YA. Note that this mandatory deduction is not subject to the shareholders continuity test imposed under s 23 or 37 and the business continuity test under s 23.

These deductions can only be made against tax exempt income during the tax exemption period specified by the Minister. Any deductions that remain unabsorbed at the end of the tax exempt period can be deducted firstly against other income for the same YA, and any unabsorbed balance is then carried forward for set-off against other income, subject to the abovementioned tests being satisfied.

Where the income of an approved venture company is exempted from tax immediately before being taxed at the concessionary tax rate, any unabsorbed deductions at the end of the tax exempt period must firstly be set off against concessionary income and thereafter against any other income for that YA and for any subsequent YA.

Ascertaining income subject to concessionary tax rate

In calculating the concessionary income, the same rules for determining the tax exempt income also apply. The exception is that, when deducting capital allowances or losses carried forward from the previous YA, this mandatory deduction is subject to the provisions of s 23, 37 and 37B.

GLOBAL TRADING

¶18-750 Approved global trading (GT) company

The Global Trader Programme (GTP) was launched on 1 June 2001, merging the Approved Oil Trader and the Approved International Trader incentive schemes. The GTP is administered by International Enterprise (IE) Singapore. The GT status is normally granted to companies that are well-established international players in their industries with a good track record for international trading, procurement, distribution and transportation of qualifying commodities and products.

Approved GT companies will qualify for a 5% or 10% concessionary rate of tax over a period of five years, with a possible extension for a further five years (s 43P; Income Tax (Concessionary Rate of Tax for Approved Global Trading Companies)

only at the second stage when the question was whether the statutory exception in s 33(3)(b) should apply to the financing arrangement

The High Court further held that before the Comptroller may exercise his powers under s 33(1), the Comptroller must be satisfied that the purpose or effect of the financing arrangement in question is one or more of the consequences set out in the sub-para of s 33(1) by examining the terms of the arrangement and the manner in which it is implemented without reference to the motives of the parties involved.

The High Court was of the view that the Comptroller was not wrong in determining that the financing arrangement in *AQQ* fell within s 33(1). Although there was no dispute that the restructuring was done for *bona fide* commercial reasons, the evidence did not prove that the financing arrangement was done for *bona fide* commercial reasons. The High Court upheld the Board's finding that the financing arrangement was not carried out for *bona fide* commercial reasons and that it had as one of its main purposes the avoidance or reduction of tax, with the result that the statutory exception under s 33(3)(b) would not be applicable.

Notwithstanding that the financing arrangement was not carried out for *bona fide* commercial reasons and that it had as one of its main purposes the avoidance or reduction of tax (and s 33(3)(b) therefore did not apply to prevent the exercise of the Comptroller's power under s 33(1)), the High Court went further to express the view that the Comptroller should not have disregarded the interest expenses but should have required the appellant to account the withholding tax on interest payments borne by the appellant arising from the financing arrangement. The Comptroller did not exercise his powers under s 33(1) fairly and reasonably when he disregarded the dividend income and the interest expenses and exercised his discretion to issue additional assessments under s 74(1). The Comptroller should not have disregarded the appellant's dividend income because the appellant was entitled to the dividend income and the Comptroller should not have disregarded all the interest expenses but only two-thirds of the total interest expenses that should not be attributed to the appellant. The High Court accepted the appellant's argument that the additional assessments raised by the Comptroller were *ultra vires* and *void*. For these reasons, the appellant's appeal was allowed by the High Court.

The parties cross appealed against the decision of the High Court to the Court of Appeal.

The Comptroller appealed against the decision of the High Court that he had not acted reasonably and fairly in exercising his powers under s 33(1); *AQQ* appealed against the decision of the High Court that the financing arrangement amounted to a tax avoidance arrangement within the meaning of s 33(1).

The Court of Appeal dismissed *AQQ*'s appeal and allowed the Comptroller's appeal to the extent that the Comptroller had validly issued the Notice of Assessment for YA 2007. The Court of Appeal held that the additional assessments for YA 2004, YA 2005 and YA 2006 were *ultra vires* and affirmed the order of the High Court to set these aside.

The Court of Appeal dealt with five broad issues arising from these appeals in *CIT v AQQ and another appeal* [2014] SGCA 15 as follows:

- (a) On the first issue whether any of the threshold limbs in s 33(1) was satisfied on the facts of the case, the Court of Appeal held that the composite scheme of corporate structuring and financing arrangement was an arrangement that fell within the ambit of s 33(1)(c).
- (b) On the second issue whether *AQQ* could rely on the exception in s 33(3)(b), the Court of Appeal held that *AQQ* was unable to avail itself of the exception under s 33(3)(b) because on the facts, there was no basis to disturb the conclusion of the High Court that *AQQ*'s subjective purpose and object of the arrangement was to reduce or avoid liability that would otherwise have accrued on the dividend income.
- (c) On the third issue whether *AQQ* was entitled to rely on the specific provisions of the Act to preclude the operation of s 33 if s 33(1) was *prima facie* applicable, the Court of Appeal opined that the New Zealand scheme and purpose approach ought to be adopted with respect to the interpretation of s 33 as follows:

- Consider whether an arrangement *prima facie* falls within any of the three threshold limbs of s 33(1) such that the taxpayer has derived a tax advantage, and if so,
- Consider whether the taxpayer may avail himself of the statutory exception under s 33(3)(b), and if not,
- Ascertain whether the taxpayer has satisfied the court that the tax advantage obtained arose from the use of a specific provision in the Act that was within the intended scope and Parliament's contemplation and purpose, both as a matter of legal form and economic reality within the context of the entire arrangement.

The Court of Appeal held that the scheme and purpose approach did not apply to remove the arrangement from the scope of s 33(1). *AQQ* could not rely on the combination of specific provisions of the Act as entitling it to the tax advantage it had obtained, ie the deduction of interest expenses from the dividend income. The real issue was the deduction of the interest expenses under s 14(1)(a)(i) to reduce the amount of chargeable income and the Court of Appeal opined that formal and mechanistic compliance with the letter of s 14(1)(a)(i) was insufficient. On the facts of the case, the interest expenses did not incur any real economic costs within the group of companies and deduction of such interest expenses would not be within Parliament's contemplation and purpose.

- (d) On the fourth issue whether the Comptroller had exercised his powers under s 33(1) fairly and reasonably to counteract the tax advantage obtained, the Court of Appeal opined that s 33 does not mandate the Comptroller to adopt a particular mode of exercising his powers as long as the object of counteracting the tax advantage is attained, but the Court of Appeal affirmed that the Comptroller has to exercise his powers in a manner that is "fair and reasonable". On the facts of the case, the Comptroller was entitled to choose to disregard the arrangement and treat the arrangement as null and void.

Agreement	Effective date/year of assessment (in Singapore)	Foreign taxes allowed as a credit	Tax on shipping and airline operations	Tax on dividends	Tax on interest	Tax on royalties	Tax on personal services	Tax sparing relief
Article Libya	28 1.1.2011	2 Income tax in Singapore; income tax, defence tax and real estate tax on income in Libya	8 Profits from international air transport and shipping operations subject to tax only in the Contracting State in which the place of effective management of the enterprise is situated	10 (iii) exempt from tax if recipient is the Government of a Contracting State where the dividends are on shares in joint stock company resident in the other Contracting State	11 Source country tax on interest arising in one Contracting State and paid to a beneficial owner who is resident in the other Contracting State limited to 5% of gross interest	12 Source country tax on royalties arising in one Contracting State and paid to a beneficial owner who is resident in the other Contracting State limited to 5% of gross royalties	14-15 Income derived by an individual resident in one Contracting State from personal services performed in the other Contracting State subject to tax only in the former except where:	Available only for Libyan tax forgone on exempted income derived by Libyan residents

Agreement	Effective date/year of assessment (in Singapore)	Foreign taxes allowed as a credit	Tax on shipping and airline operations	Tax on dividends	Tax on interest	Tax on royalties	Tax on personal services	Tax sparing relief
				(i) 5% of gross dividends if the beneficial owner is a company that holds directly at least 10% of the capital of the company paying the dividends	Exempt from source country tax if paid to the Government of the other Contracting State or an other government institution thereof as may be agreed between the authorities of the two States		(i) in the case of independent services, if the individual has a fixed base regularly available to him/her in the other Contracting State for the purpose of performing his/her activities, or if his/her presence in the other Contracting State exceeds 183 days in any 12-month period, only income that is attributable to that fixed base or activities in the other Contracting State may be taxed in that other Contracting State	

Agreement	Effective date/year of assessment (in Singapore)	Foreign taxes allowed as a credit	Tax on shipping and airline operations	Tax on dividends	Tax on interest	Tax on royalties	Tax on personal services	Tax sparing relief
				Exempt from source country tax if paid to the Government of the other Contracting State	Exempt from source country tax if paid to the Government of the other Contracting State		(iii) in the case of dependent services, if the individual's presence in the other Contracting State exceeds 183 in any 12-month period where remuneration is paid by an employer who is a resident in the other Contracting State and where the remuneration is borne by a PE or fixed base of the employer in the other Contracting State	

Agreement	Effective date/year of assessment (in Singapore)	Foreign taxes allowed as a credit	Tax on shipping and airline operations	Tax on dividends	Tax on interest	Tax on royalties	Tax on personal services	Tax sparing relief
Article Morocco	28 1.1.2015	2 Income tax in Singapore; income and corporation tax in Morocco	8 Income from international air transport and shipping operations subject to tax in the Contracting State in which the place of effective management of the enterprise is situated	10 Source country tax on dividends arising in one Contracting State and paid to a beneficial owner who is resident in the other Contracting State, limited to:	11 Source country tax on interest arising in one Contracting State and paid to a beneficial owner who is resident in the other Contracting State, limited to 10% of gross interest	12 Source country tax on royalties arising in one Contracting State and paid to a beneficial owner who is resident in the other Contracting State, limited to 10% of gross royalties	14-15 In respect of dependent services, remuneration derived in respect of employment exercised aboard a ship or an aircraft operated in international traffic shall be taxable only in that Contracting State in which the place of effective management of the enterprise is situated	23 Available for Singapore and Morocco tax reduced or exempted under tax incentives for the promotion of economic development in Singapore and Morocco

Agreement	Effective date/year of assessment (in Singapore)	Foreign taxes allowed as a credit	Tax on shipping and airline operations	Tax on dividends	Tax on interest	Tax on royalties	Tax on personal services	Tax sparing relief
				(i) 7% of gross dividends if beneficial owner has directly or indirectly contributed between 25% and 50% of dividend-paying company's capital	(ii) with effect from 1 January 2014, if Vietnam, in any DTA with any other State, provides for a rate of less than 10% on the gross amount of interest, then that lower rate shall apply in the DTA between Singapore and Vietnam,	(i) up to 31 December 2013: 15% in other cases	(ii) from 1 January 2014: in the case of independent services, if the individual has a fixed base regularly available to him/her in the other Contracting State for the purpose of performing his/her activities, or if his/her stay in the other State exceeds 183 days within any 12-month period, only income that is attributable to that fixed base, or activities performed in that other State, may be taxed in that other Contracting State	

Agreement	Effective date/year of assessment (in Singapore)	Foreign taxes allowed as a credit	Tax on shipping and airline operations	Tax on dividends	Tax on interest	Tax on royalties	Tax on personal services	Tax sparing relief
Article 29		2	8	(iii) 12.5% of gross dividends in all other cases	except for exemption in respect of interest paid to Government of either Contracting State	(iii) from 1 January 2014: 10% in other cases	(ii) in the case of dependent services, assignments lasting 183 days or less	24