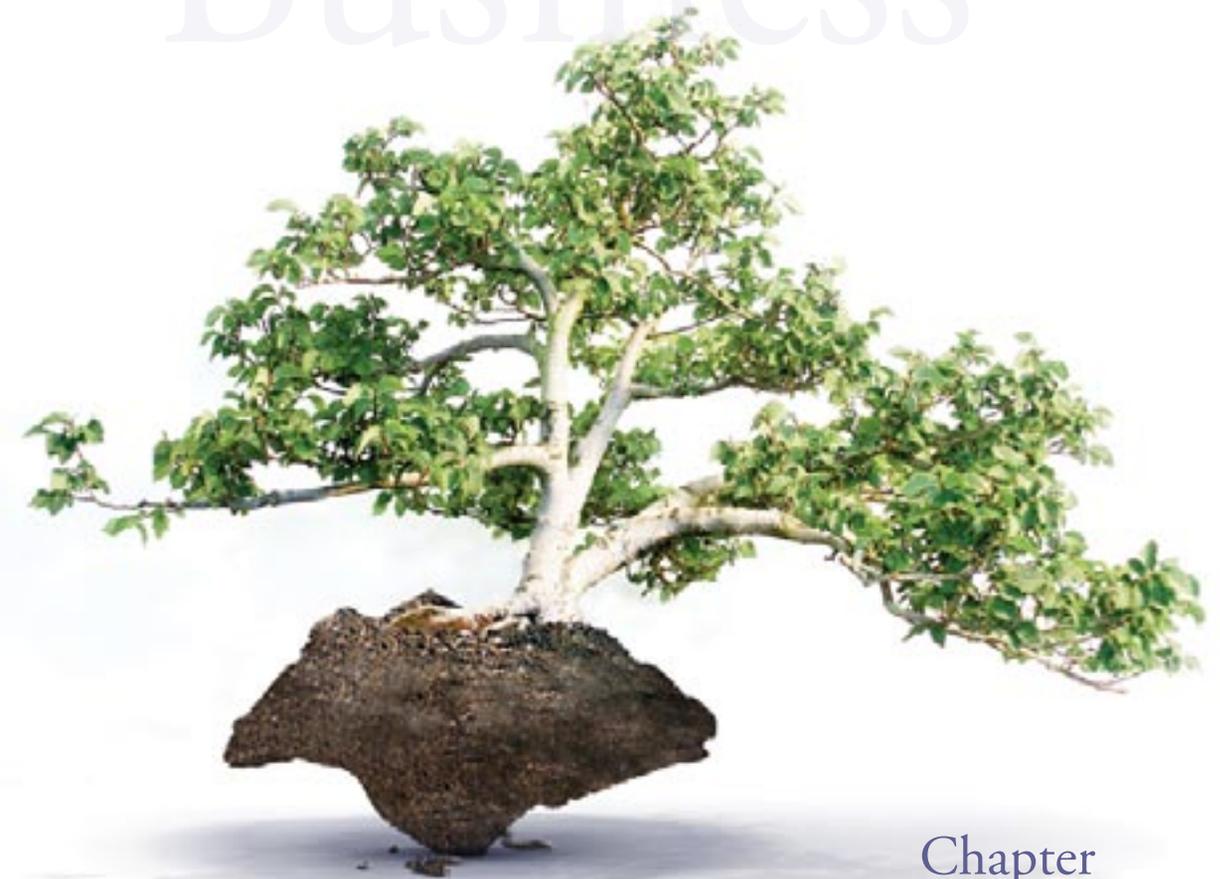


Best for Business

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Chapter

04



Best for Business

Singapore faces intensifying competition for talent and investments, a trend which will not slow down. The Singapore economy is therefore restructuring itself continuously and adapting to stay relevant and competitive.

To attract investments and promote profitable businesses, Singapore's tax regime must be internationally competitive both for companies as well as individuals.

Singapore's corporate regulatory policy focuses on development and facilitation rather than control. MOF actively consults industry experts to promote a vibrant business and financial environment.

Corporate Tax and Top Marginal Personal Tax Rates in 2004



Source: (a) KPMG Corporate Tax Rate Survey (January 2004)
(b) www.Economist.com (May 2004)

ENSURING SINGAPORE'S TAX SYSTEM IS INTERNATIONALLY COMPETITIVE

Maintaining competitive tax rates

From Year of Assessment 2005, Singapore will have one of the world's lowest corporate income tax rates (20%), and a top marginal personal income tax rate of 22% (refer to chart above).

Nurturing Small and Medium Enterprises

As Small and Medium Enterprises (SMEs) are an important part of our economy, more than 60 government assistance schemes cater to both start-ups and high growth local enterprises, and cover areas such as access to capital, IT and technology applications, business development, operations, human resource, business innovation and regionalisation. These schemes are administered by agencies such as the Economic Development Board (EDB), the Infocomm Development Authority (IDA), the Agency for Science, Technology and Research (A*STAR), the International Enterprise Singapore (IE Singapore) and the Standards, Productivity and Innovation Board (SPRING Singapore).



New start-ups now enjoy full tax exemption on their first \$100,000 of chargeable income in their first three years. All other SMEs enjoy partial tax exemption for the first \$100,000 of income. Our government also provides affordable financing for businesses through schemes such as the Enterprise Development Assistance Scheme and the Enterprise Development Fund. These schemes are constantly reviewed to ensure that they remain relevant and helpful to companies.

Group Relief

As our economy matures, corporate groups will become increasingly common. As a corporate group essentially operates as one economic entity, a loss-transfer group relief regime allows a company to offset its current year un-utilised losses and excess capital allowances against the taxable profits of another related company within the same group, resulting in an overall reduction in tax liability for the group. It also allows companies with subsidiaries undertaking new risky ventures to offset the subsidiaries' losses against the corporate group's overall taxable profits.

Corporate Tax Policies and Tax Treatments

Tax collected from corporate profits is final and dividends in the hands of shareholders are tax exempt. This one-tier corporate tax system ensures taxation across various business vehicles is consistent and equitable, simplifies the income tax regime and helps to facilitate sophisticated financial transactions. All this reduces the cost of tax compliance and administration for businesses.

Tax Treatment of Foreign-Sourced Income

In Singapore, tax is imposed on a territorial and remittance basis. This means that income arising from sources within Singapore and foreign-sourced income remitted to Singapore are both taxable.



Our government nurtures world class Singapore companies by investing in early stage companies and providing financial aid to companies in growth sectors. In addition, the government helps to connect young companies with relevant business networks to speed up their growth.

Temasek Holdings helps its companies grow in international or regional markets. Temasek is open to such companies partnering other companies or shareholders to do this. Temasek is also prepared to dilute its stakes to support the long-term success of these companies as regional or international players.

From time to time, Temasek may also invest in new businesses to nurture new industry clusters. These are likely to be in sectors which entail high risk, large investments or long gestation periods, (and which private enterprise in Singapore is unable or unwilling to invest in). However, to minimise the potential downside, Temasek will be highly selective in making such new investments.

DEVELOPING AN OPEN, FLEXIBLE AND RESPONSIVE CORPORATE REGULATION FRAMEWORK

Corporate Regulation & Governance

The emphasis of our regulatory policy is development rather than control.

We review our rules by closely consulting industry experts and key stakeholders, to ensure they remain relevant and contribute to a vibrant business and financial environment.

To keep up with changes to assure compliance with the laws for companies and businesses, and to assure professional standards in the audit of company accounts, the Registry of Companies and Businesses was merged with the Public Accountants Board to form the Accounting and Corporate Regulatory Authority (ACRA). In addition, following a recommendation by the Council on Corporate Disclosure and Governance, we will issue a Guide for Operating and Financial Review for listed companies.