

SINGAPORE

INVESTMENT CLIMATE

REPORT

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INVESTMENT POLICY SUMMARY

Foreign investments, combined with investments through government-linked companies (GLCs), underpin Singapore's open, heavily trade-dependent economy. With the exception of restrictions in the financial services, professional services, and media sectors, Singapore maintains an open investment regime. The World Bank's report, "Doing Business in 2005: Removing Obstacles to Growth," ranked Singapore as the third easiest economy in which to do business, after New Zealand and the United States. The U.S.-Singapore Free Trade Agreement, which came into force January 1, 2004, expanded U.S. market access in goods, services, investment, government procurement, and intellectual property, and provides for cooperation in promoting labor rights and the environment. Singapore has concluded, and is in the process of negotiating, several free trade agreements with other countries around the world.

The Singapore government is strongly committed both to maintaining a free market and to taking a leadership role in planning Singapore's economic development. That role has traditionally relied heavily on industrial policy; the government's active use of the public sector as both an investor and catalyst for development has given rise to the characterization of Singapore as "Singapore Inc." The Government asserts that GLCs (defined here as those companies in which the Government has a 20% or greater ownership and/or controls the majority of voting rights) account for just 13% of GDP. The use of a broader definition of GLCs, including a lower percentage of Government ownership as well as GLC subsidiaries, would boost that percentage considerably. As of October 2004, GLCs accounted for nearly 40% of total capitalization of the Singapore

stock exchange. Some observers have criticized the dominant role of GLCs in the commanding heights of the domestic economy arguing that it has displaced or suppressed private entrepreneurship. The government is now stressing measures to encourage such entrepreneurship, while still continuing a heavy state role in the economy.

Attracting foreign investment into the country -- initially to spearhead industrialization and subsequently to climb the technological and value-added ladders -- has constituted the other key economic strategy of the government. Through this strategy, Singapore has evolved into a base for multinational companies (MNCs) to engage in high value-added manufacturing and product development, and coordinate regional procurement, production, marketing, and distribution operations. Singapore continues to have a sophisticated investment promotion strategy designed to attract major investment in high value-added manufacturing and service activities.

The Economic Development Board (EDB), Singapore's investment promotion agency, has a reputation for being highly responsive to changing business conditions and investor needs.

OPENNESS TO FOREIGN INVESTMENT

The country's legal framework and public policies in general are very friendly to foreign investors. Foreign investors are not required to enter into joint ventures or cede management control to local interests, and local and foreign investors are subject to the same basic laws. Apart from regulatory requirements in some sectors (see "Limits on National Treatment and Other Restrictions"), the government screens investment proposals only to determine eligibility for various incentive regimes. Singapore places no restrictions on reinvestment or repatriation of earnings or capital.

The judicial system upholds the sanctity of contracts, and decisions are effectively enforced.

Limits on National Treatment and Other Restrictions

Exceptions to Singapore's general openness to foreign investment exist in telecommunications, broadcasting, the domestic news media, financial services, legal and other professional services, and property ownership. In addition, under Singapore law, corporate Articles of Incorporation may include shareholding limits that

restrict ownership by foreign persons. Some, but not many, companies include such shareholding restrictions.

Telecommunications

On April 1, 2000, Singapore began removing barriers limiting foreign entry to the telecommunications sector. Any foreign or domestic company can provide facilities-based (fixed line or mobile) or services-based (local, international and callback) telecom services. There are no foreign equity limits imposed on telecommunication licensees. The former monopoly telecom service provider, Singapore Telecom (SingTel), which is around 63% government-owned, faces competition in all market segments, although its main competitors, MobileOne and Starhub, are also GLCs. The U.S.-Singapore FTA requires that Singapore take steps to ensure that U.S. telecom service providers obtain the right to interconnect with networks in Singapore on terms and conditions, and with cost-oriented rates, that are transparent and reasonable. Despite recent regulatory changes designed to moderate SingTel's market dominance, concerns remain that SingTel's interconnection requirements are anti-competitive.

Media

The local free-to-air broadcasting, cable and newspaper sectors are effectively closed to foreign firms. Section 44 of the Broadcasting Act restricts foreign equity ownership of companies broadcasting to the Singapore domestic market to 49% or less, although the Act does allow for exceptions. The government also imposes limits on individual equity stakes in broadcasting companies. Part X of the Broadcasting Act states that no person shall, without prior approval, hold more than 5% of the shares issued by a broadcasting company (the limit was 3% before 2002).

The Newspaper and Printing Presses Act restricts equity ownership (local or foreign) to 5% per shareholder without the need for prior approval. The Act also requires that all the directors of a newspaper company be Singapore citizens. The Act defines "newspaper" broadly as "any publication containing news, intelligence, reports of occurrences, or any remarks, observations or comments printed in any language and published for sale or free distribution." Newspaper companies must issue two classes of shares, ordinary and management, with the latter only available to citizens of Singapore or corporations who or which have been approved by the government.

Holders of management shares have an effective veto over selected board decisions.

In practice, all current local radio and television broadcasters are government-owned or government-linked. The Government liberalized the media market in June 2000, in effect replacing monopolies with duopolies. Between 2000 and 2004, Singapore Press Holdings (SPH) and Media Corporation of Singapore (MCS) were the two principal licensees for both newspaper and broadcasting. Prior to 2000, SPH held the principal newspaper license and MediaCorp the only broadcasting license. In September 2004, citing mounting losses in both companies, MediaCorp and SPH announced a merger of their TV operations under a new company, MediaCorp TV, 80% owned by MediaCorp and 20% by SPH. In approving the MediaCorp/SPH deal, the Media Development Authority (MDA) specified that MediaCorp TV had to outsource at least 285 hours of local content production to independent TV production companies. Separately, SPH also absorbed MediaCorp's print media business. The exclusivity given to Singapore Cable Vision (SCV) as the sole provider of pay television services ended on June 30, 2002. In 2003, the MDA conducted a tender for a second pay television license but there was no taker, leaving SCV in a monopoly position.

Banking

In 1999, the government embarked on a five-year program to liberalize access by foreign banks to Singapore's domestic market. U.S. financial institutions enjoy further benefits going forward under the U.S.-Singapore FTA (see below). The government has removed the 40% ceiling on foreign ownership of local banks, although it has reiterated that it is not prepared to approve any foreign acquisition of a local bank. Acquisitions exceeding prescribed thresholds of 5%, 12% or 20% of the shares or voting power of a local bank requires the approval of the Finance Minister in charge of the Monetary Authority of Singapore (MAS). Additionally, as part of the liberalization program, the government has granted "qualifying full bank" (QFB) licenses to six foreign banks. A QFB license currently allows these banks to operate up to 15 customer service locations (either branches or off-premise ATMs), up to ten of which can be branches; to relocate freely existing branches; and to share ATMs among themselves. They can also provide electronic funds transfer, point-of-sale debit services, accept Central Provident Fund (CPF) fixed deposits and provide Supplementary Retirement Scheme and CPF Investment Scheme accounts. In December 2002, the government removed

the 20% aggregate foreign shareholding limit on finance companies, although officials have said they do not intend to allow a foreign firm to acquire a local finance company. Between December 2001 and May 2003, MAS awarded 20 Wholesale Bank licenses, thereby completing a major part of the second phase of the banking liberalization program. As of year-end 2004, Singapore has 23 QFBs, 36 wholesale banks, 111 commercial banks and 47 offshore banks.

In June 2004, the Government announced further liberalization measures in the domestic retail banking sector. Effective January 1, 2005, QFBs are permitted to have a maximum of 25 service locations (up from 15). In addition, they can now negotiate with local banks to allow their credit card holders to obtain cash advances through the local banks' ATM networks.

Despite liberalization, foreign banks in the domestic retail banking sector still face significant restrictions and are not accorded national treatment. Aside from the limit on the number of foreign QFBs and their customer service locations, foreign QFBs are not allowed to access the local banks' ATM networks, a major competitive disadvantage, although they can share ATMs among themselves and (as noted above) can now negotiate with the local banks to allow their card holders to obtain cash advances. Customers of foreign banks are also unable to access their accounts for transfers or bill payments at ATMs operated by banks other than their own. Local retail banks do not face similar constraints. Nevertheless, QFBs have made significant inroads in retail banking, with substantial market share in products like credit cards, personal and housing loans.

The U.S.-Singapore FTA obligates Singapore to remove the limits on the number of QFB and wholesale bank licenses issued to U.S. banks, the number of customer service locations operated by U.S. QFBs, and access to the local ATM network, according to the following timetable:

- [Allow up to 30 locations for U.S. QFBs from January 2004; unlimited number of locations for U.S. QFBs from January 2006.](#)
- [Lift quota on number of U.S. QFB licenses from July 2005.](#)
- [Lift quota on number of number of U.S. Wholesale Bank licenses from January 2007.](#)
- [Lift restrictions on U.S. QFBs' access to local banks' ATM networks for U.S. QFBs that operate as local subsidiaries from July 2006](#)

[and for U.S. QFBs that operate as branches from January 2008.](#)

[Securities and Asset Management](#)

Singapore removed all trading restrictions formerly placed on foreign-owned stockbrokers in January 2002. Aggregate investment by foreigners may not exceed 70 percent of the paid-up capital of dealers that are members of the Singapore Exchange. Legislation that took effect in October 2002 allows for the direct registration of foreign mutual funds, provided the prospectus and the fund are approved by the MAS. The U.S.-Singapore FTA has relaxed conditions that foreign asset managers must meet in order to offer products under the government-managed Central Provident Fund (CPF) Investment Scheme.

[Legal Services](#)

Foreign law firms with offices in Singapore face significant restrictions. They are unable to practice Singapore law, cannot employ Singapore lawyers to practice Singapore law, and cannot litigate in local courts. In general, foreign law firms and foreign lawyers can only advise clients on the laws of their home country or international law; most foreign law firms have set up offices in Singapore mainly to advise multinational clients on third country matters or financial transactions in Singapore's offshore market. In June 2004, the Singapore passed legislation allowing foreign lawyers to represent parties in arbitration, without the need for a Singapore attorney to be present.

U.S. law firms can only provide legal services in relation to Singapore law through a Joint Law Venture or Formal Law Alliance with a Singapore law firm, subject to a series of conditions and requirements. Joint law ventures engage in areas of legal practice mutually agreed to between the law firms constituting the Joint Law Venture. Foreign lawyers in such Joint Law Ventures only practice Singapore Law relating to banking, finance or corporate work if they are registered to do so by the Attorney General, but they are not allowed to litigate. Formal Law Alliances allow foreign lawyers to prepare all the documents in a transaction involving the law or regulatory regime of more than one country or jurisdiction, but any legal opinion relating to Singapore law must be given by a Singapore lawyer who has a valid certificate to practice. The U.S.-Singapore FTA has relaxed some conditions on the formation of Joint Law Ventures and Formal Law Alliances between U.S. and Singapore law firms.

With the exception of law degrees from certain UK/Australian/New Zealand universities, no foreign university law degrees are recognized for purposes of admission to practice law in Singapore. Under the U.S.-Singapore FTA, Singapore will recognize law degrees from four U.S. law schools, anticipated to begin in 2005.

Engineering and Architectural Services

Firms providing professional engineering and architectural services to the local building and construction industry face certain restrictions. While engineering firms can be 100% foreign-owned, the Chairman and two-thirds of the firm's board of directors must be engineers, architects or land surveyors registered with local professional bodies. Professional engineering work in Singapore must be under the control and management of a corporate director who: (1) is a registered owner of at least one share of the company if it is an unlimited corporation; (2) is a registered professional engineer in Singapore; and (3) has a valid certificate to practice. For partnerships, only registered engineers may have a beneficial interest in the capital assets and profits of the firm, and the business of the partnership must be under the control and management of a registered professional engineer in Singapore. Similar requirements apply to architectural firms. In line with U.S.-Singapore FTA provisions, Singapore amended the Professional Engineers Act in 2004 to reduce Board of Directors requirements; similar amendments to the Architects Act are expected to be finalized in 2005.

Accounting And Tax Services

All major international accounting firms operate in Singapore. Public accountants and at least one partner of a public accounting firm must reside in Singapore. Only public accountants who are members of the Institute of Certified Public Accountants and registered with the Public Accountants Board may practice in Singapore. The Board recognizes U.S. accountants registered with the American Institute of Certified Public Accountants.

Real Estate

Singapore imposes restrictions on foreign ownership of real estate. Under the Residential Property Act, foreigners may purchase condominiums or any unit within a building of six or more levels, but are not permitted to own landed homes (houses) and apartments in buildings of fewer than six stories, unless approval is first obtained from the Ministry of

Law. Such approvals are based on criteria such as an applicant's economic contribution to Singapore, and are granted very selectively; an example would be a foreign MNC buying a property to house a senior executive. There are no restrictions on foreign ownership of industrial and commercial real estate. Government policy to ensure an ethnic balance within public housing complexes may impose ethnically based restrictions on the resale of subsidized apartments.

CONVERSION AND TRANSFER POLICIES

Singapore places no restrictions on reinvestment or repatriation of earnings and capital, and maintains no significant restrictions on remittances, foreign exchange transactions and capital movements. The U.S.-Singapore FTA reflects the shared commitment of the U.S. and Singapore to the free transfer of capital, unimpeded by regulatory restrictions. *(Note: See the section on "Efficient Capital Markets" for a discussion of certain restrictions on the borrowing of Singapore Dollars (SGD) for use offshore.)*

EXPROPRIATION AND COMPENSATION

There have been no significant disputes between the government and foreign investors. The government has not taken expropriatory actions against foreign investors and there are no laws that force foreign investors to transfer ownership to local interests.

Singapore has signed investment promotion and protection agreements with a wide range of countries (see "Bilateral Investment Agreements" below). These agreements mutually protect nationals or companies of either country against war and non-commercial risks of expropriation and nationalization for an initial period of 15 years and continue thereafter unless otherwise terminated.

The U.S.-Singapore FTA contains strong investor protection provisions. Where it relates to expropriation and due process, provisions are in place for fair market value compensation for the expropriated investment.

EXPROPRIATION AND COMPENSATION

Singapore has institutionalized and internationalized arbitration through the creation of arbitration bodies and ratification of international conventions. The Singapore International Arbitration Center (SIAC), a non-profit organization, was set up in 1991 to promote the settlement of disputes by arbitration and conciliation. Effective May 3, 2002, Singapore granted

tax exemption on income derived by non-resident individuals acting as arbitrators for arbitration work done in Singapore, making such income tax-free in Singapore. In April 2003, the SIAC formed an alliance with the Singapore Business Federation to expedite commercial dispute resolution through arbitration. Mediation or conciliation is also actively promoted in Singapore by the Singapore Mediation Center (SMC), which has a high rate of success in settlement of disputes, including those involving foreign investors. Both the SMC and the Subordinate Courts have also developed virtual Internet-based dispute resolution processes.

Singapore enacted its Arbitration Act 2001 for domestic arbitration based on the United Nations Commission on International Trade Law (UNCITRAL) Model Law. The International Arbitration Act was also amended on October 2001 to ensure that the Act remains consistent with internationally recognized principles of arbitration law. Singapore ratified the recognition and enforcement of Foreign Arbitration Awards (New York, 1958) on August 21, 1986; and the International Convention on the Settlement of Investment Disputes on November 13, 1968.

An alternative dispute resolution process for Internet domain names registered in Singapore was also established in 2001. Called the Singapore Domain Name Dispute Resolution Policy (SDRP), it is modeled after ICANN's UDRP (Uniform Domain Name Dispute Resolution Policy).

All core obligations of the U.S.-Singapore FTA are subject to the dispute settlement provisions of the Agreement. The dispute settlement procedures promote compliance through consultation and trade-enhancing remedies, rather than rely solely on trade sanctions. The procedures also set new and higher standards of openness and transparency.

PERFORMANCE REQUIREMENTS

In general, Singapore complies with WTO Trade-Related Investment Measures (TRIMS) obligations. However, in a number of past cases the approval of licenses in the facilities-based telecom sector and the retail banking sector has been conditioned on performance requirements or the transfer/development of certain functions to Singapore. The U.S.-Singapore FTA prohibits and removes certain performance-related restrictions on U.S. investors, such as limitations on the number of customer service locations for the retail banking sector.

In all cases where a foreign investor requests investment incentives, the company's track record, the amount of its investment, and its contributions to Singapore's goal of becoming a knowledge-based economy become important considerations in the selection process.

There are no discriminatory or preferential export or import policies affecting foreign investors. The government does not require investors to purchase from local sources or specify a percentage of output for export. The government also does not require local equity ownership in the investment. There are no rules forcing the transfer of technology. Foreign investors face no requirement to reduce equity over time and are free to obtain their necessary financing from any source.

Employment of host country nationals is not required. Visa and residency policies are generally foreign investor friendly. While the government discourages dependency on unskilled foreign labor (by setting quantitative limits and imposing special monthly levies), it actively seeks to attract highly skilled foreigners at two levels. First, it offers incentives to companies such as a double tax deduction on approved hiring and relocation expenses related to hiring talent from abroad; second, it encourages foreign individuals to work in Singapore through schemes such as the EntrepAss, which is aimed at encouraging entrepreneurs to set up businesses in Singapore.

RIGHTS TO PRIVATE OWNERSHIP AND ESTABLISHMENT/INCENTIVES

Foreign and local entities may easily establish, operate, and dispose of their own enterprises in Singapore. Except for representative offices, where foreign firms maintain a local representative but do not conduct commercial transactions in Singapore, there are no restrictions on carrying out remunerative activities.

All businesses in Singapore must be registered with the Accounting and Corporate Regulatory Authority. Foreign investors can operate their businesses in one of the following forms:

Sole proprietorship: an individual operating as a sole trader regulated under the Business Registration Act with a manager who can be a Singapore Citizen or foreigner with right of residence in Singapore (e.g. Employment Pass holder or Singapore Permanent resident).

Partnership: two to 20 persons, regulated under the Business Registration Act. A limited liability partnership regulated by the Limited Liability Partnership Act is expected to be introduced in the near future to further promote small businesses.

Incorporated company: which could be a private or public company limited by shares or guarantee, or as an unlimited company regulated by the provisions of the Companies Act.

Foreign company: registered as a branch of the parent company under the Companies Act but not incorporated as a Singapore company.

Representative office: offices of foreign corporations which undertake promotional and liaison activities on their parent company's behalf. They must not engage in business, conclude contracts, provide fee-based consultancy, undertake transshipment of goods, or open or negotiate any letters of credit directly or on behalf of their parent companies.

Private businesses, both local and foreign, compete on a generally equal basis with GLCs, although some observers speculate that GLCs have benefited from cheaper financing due to an implicit government-guarantee. Government officials reject such assertions, saying the government does not interfere with the operations of the GLCs or grant them special privileges, preferential treatment or hidden subsidies, and asserting that GLCs are subject to the same regulatory regime and discipline of the market as all other private sector companies. However, many observers have been critical of cases where GLCs had entered into new lines of business, or where government agencies have corporatized certain functions, in both cases entering into competition with already existing private businesses.

PROTECTION OF PROPERTY RIGHTS

Singapore's legal system is based on UK law and offers effective means for enforcing property rights. Common law protects and facilitates the acquisition and disposition of all property. Secured interests in property are recognized and enforced.

Intellectual property (IP) protection has improved significantly since the late 1990s, leading to Singapore's removal from the U.S. Special 301 Watch List in April 2001. In line with its U.S.-Singapore FTA commitments, amendments to the Trademarks Act, the Patents Act, a new Plant Varieties Protection Act, and a new Manufacture of Optical Discs Act came into effect in July 2004. Amended Copyright and

Broadcasting Acts will come into effect in January 2005. After they are fully implemented, Singapore's new and amended IP laws should help alleviate ongoing problems related to the availability of pirated optical discs, use of unlicensed software by businesses, the transshipment of pirated material through Singapore, and a cumbersome process for removing infringing material from Internet sites. In accordance with its U.S.-Singapore FTA commitments, Singapore is in the process of implementing Article 1 to Article 6 of the Joint Recommendation concerning Provisions on the Protection of Well-Known Marks of 1999 and has signed and ratified the International Convention for the Protection of New Varieties of Plants (1991). Singapore is a member of the WTO and a party to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). It is a signatory to three other international copyright agreements: the Paris Convention, the Patent Cooperation Treaty and the Budapest Treaty. In September 2002, Singapore set up a specialized court (IP Court), which comes under the Singapore Supreme Court, to deal with IP disputes.

Local law enforcement agencies say they work closely with content providers to shut down any sites advertising infringing articles for sale. Law enforcement efforts have contributed to a sharp reduction in the production of pirated material and blatant storefront piracy. In 2004, the Singapore Police seized nearly US\$8 million worth of counterfeit and pirated goods. The Singapore Police also cooperated with the FBI to crack down two Internet piracy operations, one with links to an international crime syndicate. Singapore's music piracy rate averages 10 to 24 percent (source: IFPI); for movies, the piracy rate is about 15 percent (source: MPA). Despite tighter enforcement measures, pirated optical discs and counterfeit goods continue to be available from vendors in some street markets, public housing estates, and other high pedestrian-volume locations. The Intellectual Property Branch of the Singapore Police is working to address such activities. One of the strategies adopted by the Branch includes close coordination with operators of street markets, but targeting the highly mobile pirates remains a challenge.

The software piracy rate in Singapore, while among the lowest in Asia, remains largely static, and is almost double the level in the U.S. Many businesses use unlicensed software, resulting in estimated losses by the business software industry of over \$90 million in 2003 (source: BSA). Under the U.S.-Singapore FTA, Singapore has implemented changes to its "self-help"

policy, and committed to continue to assume principal responsibility for enforcement.

Over the past three years, a number of local educational institutions (mostly public) have signed agreements to comply with legal obligations to pay royalty fees to publishers in exchange for the right to duplicate copyrighted printed works for use in course materials. Some commercial copy centers, however, continue to routinely take orders to copy entire textbooks. While some raids have been conducted, their effectiveness is limited. Under Singapore IP laws, the penalty for illegal photocopying is a fine of up to S\$100,000 (US\$61,000) or a jail term of up to five years, or both.

Although it is a major transshipment and transit point for sea and air cargo, Singapore does not collect information on the contents and destinations of most transshipment and transit trade, which account for 80% of cargo coming through Singapore. This lack of information prevents the use of modern customs enforcement techniques, such as risk analysis and profiling, thereby making enforcement against transshipment or transit trade in illegal goods, including infringing products, extremely difficult. Pursuant to commitments under the U.S.-Singapore FTA, Singapore passed legislation in November 2003 to provide enhanced authority to share information with customs authorities of its FTA partners, including the U.S.

In accordance with the U.S.-Singapore FTA, Singapore's amended Copyright Act provides greater protection for digital works, and outlines requirements and procedures for removing infringing material from Internet sites.

The U.S.-Singapore FTA also ensures that government approval agencies will not grant approval to patent-violating products. It also protects against imports of pharmaceutical products without the patent-holder's consent by allowing lawsuits when contracts are breached, if these products have previously not been sold or distributed in Singapore.

Singapore has no specific legislation in Singapore on trade secrets. Rather, investors' commercially valuable proprietary information is protected under common law by the Law of Confidence. The U.S.-Singapore FTA protects test data and trade secrets submitted to the government for the purpose of product approval. Such information is protected against disclosure for a period of five years for pharmaceuticals and ten years for agricultural chemicals.

TRANSPARENCY OF THE REGULATORY SYSTEM

The Singapore government promotes its regulatory environment as one that is business-friendly, with transparent and clear regulations. Tax, labor, banking and finance, industrial health and safety, arbitration, wage and training rules and regulations are formulated and reviewed with the interests of foreign investors and local enterprises in mind. A Rules Review Panel, comprising top civil servants, oversees a process that will review all rules and regulations by March 2005, and thereafter every five years. A standing Pro-Enterprise Panel, comprising high level public sector and private sector representatives, looks into feedback from businesses on regulatory issues.

With some important exceptions, Singapore traditionally did not have a system whereby proposed regulations are published for public comment in a government gazette, although in general the government usually consulted privately with relevant stakeholders prior to implementing any new law or regulation. However, in April 2003, the Singapore government established a new centralized Internet portal

(<http://app.feedback.gov.sg/asp/ocp/ocp01a.asp>) to seek feedback on selected draft legislation and regulations, a process that is being used with increasing frequency. Local laws give regulatory bodies wide discretion to modify regulations and impose new conditions, but in practice agencies use this in a positive way, such as adapting incentives or other services on a case-by-case basis to meet the needs of foreign companies.

The U.S.-Singapore FTA enhances regulatory transparency by requiring regulatory authorities, to the extent possible, to consult with interested parties before issuing regulations, provide advance notice and comment periods for proposed rules, and publish all regulations.

Procedures for obtaining licenses and permits are generally transparent and not burdensome, but there have been occasional exceptions. Procedures appear faster in areas considered by the government as national priorities. Investors in areas not considered priorities, or in new areas that may be unfamiliar to the government, may experience a longer process. To reduce regulatory burden from licenses, an online licensing portal has been launched to provide a one-stop application point for multiple licenses: <http://licences.business.gov.sg/>

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

Singapore actively facilitates the free flow of financial resources. Credit is allocated on market terms, and foreign investors can access credit on the local market, U.S. dollars, Singapore dollars (SGD), and other foreign currencies. The legal, regulatory and accounting systems are transparent and either already match or are being upgraded to align with international norms and best practices.

MAS formulates and implements the country's monetary and exchange rate policy, and supervises and regulates the country's sophisticated financial and capital markets. Since 1998, MAS has moved away from a regulatory approach based on prescriptive rule-making to one that is risk-focused and disclosure-based. MAS standards in financial supervision are benchmarked against international standards and best practices. The IMF has commended Singapore's "high degree of observance of international standards and codes"; and has stated in its 2004 Financial System Stability Assessment that Singapore's financial sector is "resilient and robust." At the same time, the IMF questioned the multiple official roles of the MAS Chairman, and recommended that Singapore move to separate the responsibilities or adopt some other structure that recognizes the potential for conflicts of interest.

Singapore has sought to boost the country's asset management industry by placing with external asset managers a significant portion of government reserves managed by MAS and the Government of Singapore Investment Corporation (GIC). In 2003, some S\$465.2 billion (US\$284 billion) in funds were managed in Singapore. The government moved in the late 1990s to develop an SGD debt market. The total issuance of SGD-denominated corporate debt in 2003 was S\$19.3 billion (US\$11.1 billion).

Singapore's banking system is sound and well regulated. Total assets of the domestic banking sector were S\$390 billion (US\$236 billion), as of September 2004. Local Singapore banks remain relatively small by Asian standards, but are more profitable and have stronger credit ratings than many of their peers. As at June 2004, global non-bank non-performing loans (NPLs) as a percentage of global non-bank loans were 5.5% (compared with 6.7% in December 2003). Regional country non-bank NPLs as a percentage of regional non-bank loans were 12.2% as at June 2004 (15.9% as at December 2003).

A statutory requirement prohibiting banks from engaging in non-financial business took effect on July 18, 2001. This has required local banks to undertake

on a phased-in basis major restructuring and divestment of non-financial assets. From January 1, 2006, banks will only be able to hold 10% or less in non-financial companies as an "equity portfolio investment."

The Embassy is not aware of any attempts by the private sector or the government to restrict foreign participation in industry standards-setting consortia or organizations; indeed, the participation of foreign investors is often actively solicited.

CORPORATE GOVERNANCE

Singapore authorities have placed an increasing emphasis on corporate governance, generally benchmarking local standards to international best practices. In December 1999, the Government established three private sector-led committees to review and enhance the existing framework for corporate law and governance - the Corporate Governance Committee (CGC), the Disclosure and Accounting Standards Committee (DASC), and the Company Legislation and Regulatory Framework Committee (CLRFC). The Committees completed their reviews in March 2001, October 2001, and August 2002, respectively. The government has implemented all the recommendations of the CGC and the DASC, while the CLRFC's recommendations are in the process of being implemented.

The Code of Corporate Governance, released in April 2001, came into full effect on January 1, 2003. The Code sets out recommended corporate governance principles and practices in areas such as board composition, board performance, directors' remuneration, accountability, and communication with shareholders. The private sector-led Council on Corporate Disclosure and Governance (CCDG) is responsible for regularly updating the Code to ensure it remains relevant and consistent with international practices.

The Securities and Futures Act (SFA), which was fully implemented on October 1, 2002, introduced a host of policy reforms in Singapore's capital markets, moving them to a disclosure-based regime. The SFA requires corporations listed on the Singapore Exchange (SGX) to disclose material information on a continuous basis (previously this was only a quasi-regulatory requirement under the SGX Listing Manual). Failure to disclose will either constitute a criminal offence or give rise to civil liability, and not just a breach of the listing rules. Since January 1, 2003, listed companies with more than S\$75 million market capitalization have been required to do quarterly financial reporting.

The SFA requires persons acquiring shareholdings of 5% or more of the voting shares of a listed company to disclose such acquisitions as well as any subsequent changes in their holdings directly to the Exchange within two business days. The SFA also contains enhanced market misconduct provisions.

Rules on mergers and acquisitions (M&A) are generally aligned with international standards.

Singapore's prescribed accounting standards are aligned with the accounting standards issued by the International Accounting Standards Board. The Council on Corporate Disclosure and Governance (CCDG) prescribes accounting standards in Singapore ("Financial Reporting Standards" (FRS)). Companies can deviate from the prescribed accounting standards if such deviations are required to present a "true and fair" set of financial statements. Singapore-incorporated companies whose shares are publicly traded can use certain alternative standards, such as International Accounting Standards (IAS) or U.S. Generally Accepted Accounting Principles (US GAAP), if they are listed on foreign stock exchanges that require these standards. These companies do not need to reconcile their accounts with FRS. Thus, a listed Singapore-incorporated company that is also listed in the U.S. can prepare its accounts based on U.S. GAAP. It does not need to prepare a parallel set of accounts based on FRS. All other Singapore-incorporated companies must use FRS unless they are exempted by the Accounting and Corporate Regulatory Authority.

POLITICAL VIOLENCE

Singapore's political environment is stable, and there is no history of incidents involving politically motivated damage to foreign investments in Singapore. The ruling People's Action Party (PAP) has dominated Singapore's parliamentary government since 1959, and currently controls 82 of the 84 regularly contested parliamentary seats. Singapore opposition parties, which currently hold two regularly contested parliamentary seats and one additional seat reserved to the opposition by the constitution, do not usually espouse views that are radically different from the mainstream of Singapore political opinion.

CORRUPTION

Political & Economic Risk Consultancy, 2004, ranks Singapore as the least corrupt country in Asia, and one of the least corrupt in the world, a view shared by most observers and foreign investors. Singapore has, and actively enforces, strong anti-corruption laws.

The Prevention of Corruption Act and the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act provide the legal basis for government action by the Corrupt Practices Investigation Bureau, an independent anti-corruption agency that reports to the Prime Minister. These laws cover acts of corruption both within Singapore as well as those committed by Singaporeans abroad. When cases of corruption are uncovered, whether in the public or private sector, the government deals with them firmly, swiftly and publicly, as they do in cases where public officials are involved in dishonest and illegal behavior.

Singapore is not a party to the OECD Convention on Combating Bribery, but the Prevention of Corruption Act makes it a crime for a Singapore citizen to bribe a foreign official or any other person, whether within or outside Singapore.

BILATERAL INVESTMENT AGREEMENTS

Singapore has signed Investment Guarantee Agreements (IGA's) with ASEAN member nations, the Belgo-Luxembourg Economic Union and the following 29 economic partners: Bahrain, Belarus, Bulgaria, Cambodia, Canada, China, the Czech Republic, Egypt, France, Germany, Hungary, Laos, Latvia, Mauritius, Mongolia, The Netherlands, Pakistan, Peru, Poland, the Riau Province of Indonesia, Slovenia, Sri Lanka, Switzerland, Taiwan, the United Kingdom, the United States, Uzbekistan Vietnam and Zimbabwe. These agreements mutually protect nationals or companies of either country against war and non-commercial risks of expropriation and nationalization.

The U.S.-Singapore FTA provides important protections for investors, and will protect all forms of investment. The Agreement guarantees U.S. investors treatment no less favorable than Singaporean investors or any other foreign investor, except in certain sectors that are specifically exempted. Singapore has tax treaties with a number of countries, but not with the U.S.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

Under a 1966 investment guarantee agreement with Singapore, the U.S. Overseas Private Investment Corporation (OPIC) offers insurance to U.S. investors in Singapore against currency inconvertibility, expropriation and losses arising from war. Singapore became a member of the Multilateral Investment Guarantee Agency (MIGA) in 1998.

LABOR

As of November 2004, Singapore's labor market totaled 2.18 million, including nearly half a million unskilled and semi-skilled foreign workers and about 80,000 foreign professionals. Local labor laws are flexible, and allow for relatively free hiring and firing practices. Either party can terminate employment by giving the other party the required notice.

Labor-management relations in Singapore are very good. About 22% of the workforce is unionized. The vast majority of unions are affiliated with the National Trades Union Congress (NTUC), which maintains a symbiotic relationship with the ruling party. Although workers, other than those employed in the three essential services of water, gas and electricity, have the legal right to strike, none have done so since 1986. Industrial disputes, when they exist, are usually settled at the enterprise level or through mediation by the government. When this fails, the matter is decided by the Industrial Arbitration Court (IAC), whose rulings are binding. Once the IAC recognizes a dispute, strikes or lockouts are illegal under the Trade Disputes Act.

Singapore has no minimum wage law; the government follows a policy of allowing free market forces to determine wage levels. Singapore has a flexible wage system in which the National Wage Council (NWC) recommends non-binding wage adjustments on an annual basis, and largely based on prevailing economic and employment conditions. The NWC is a tripartite body comprising a Chairman and representatives from the Government, employers and unions. The 2003/2004 NWC comprised 15 members: the Chairman, five union representatives, five employer representatives, and four Government representatives. The NWC recommendations apply to all employees in both domestic and foreign firms, and across the private and public sectors. While the NWC wage guidelines are not mandatory, they are widely implemented.

The level of implementation is generally higher among unionized companies compared to non-unionized companies.

The government places a ceiling on the ratio of unskilled/semi-skilled foreign workers to local workers that a company can employ, and charges a monthly levy for each unskilled or semi-skilled foreign worker. At the same time, the government provides incentives and assistance to firms to automate and invest in labor-saving technology.

Since July 1, 2004, firms pay a levy equivalent to one percent of wages paid to employees earning S\$1,800 per month (about US\$1,000) or less, to the Skills Development Fund (SDF), a pool from which the Government draws to provide incentives and grants for manpower training.

FOREIGN TRADE ZONES/FREE TRADE ZONES

Singapore has eight free-trade zones (FTZs) for seaborne cargo and two for airfreight. The FTZs may be used for storage and repackaging of import and export cargo and goods transiting Singapore for subsequent re-export. Manufacturing is not carried out within the zones. Foreign and local firms have equal access to the FTZ facilities.

FOREIGN DIRECT INVESTMENT STATISTICS

The United States is Singapore's leading foreign investor, and current surveys estimate that there are over 1,500 U.S. firms in Singapore. According to U.S. Department of Commerce statistics (USDOC), U.S. firms (manufacturing and services) had cumulative total investments in Singapore in 2002 of US\$57.6 billion. The Singapore Department of Statistics (Singapore DOS) reported that U.S. foreign direct investments in Singapore in 2002 were US\$19.9 billion. (The difference in accounting methodology between the USDOC and the Singapore DOS has given rise to the discrepancy in figures.)

FOREIGN DIRECT INVESTMENT STATISTICS

TABLE A
STOCK OF FOREIGN DIRECT INVESTMENT (FDI) IN SINGAPORE BY COUNTRY
 (As at Year-end, Historical Cost
 (US\$ Million))

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total Foreign Direct Investment	101,343	112,571	122,473	137,393
United States	14,880	18,373	20,084	19,858
Canada	2,511	1,772	1,719	1,507
Australia	1,832	1,880	1,442	1,496
New Zealand	99	120	106	118
Europe	37,590	42,011	47,222	54,018
European Union	27,104	30,440	36,205	43,521
France	2,195	2,841	2,550	2,895
Germany	1,409	2,443	3,438	4,169
Netherlands	13,731	16,838	19,395	13,839
United Kingdom	7,121	5,163	7,987	18,893
Other European Union Countries	2,648	3,155	2,835	3,725
Switzerland	9,423	9,307	8,465	8,657
Other European Countries	1,064	2,264	2,552	1,821
Asian Countries	27,602	28,910	28,091	32,407
China	581	538	481	588
Hong Kong	2,812	3,569	3,179	3,028
Japan	16,885	16,865	16,183	19,100
South Korea	183	171	17	559
Taiwan	1,381	1,953	2,567	2,917
India	169	153	189	215
Asean	5,399	5,365	5,211	5,643
Brunei Darussalam	175	181	192	212
Indonesia	616	954	878	1,027
Malaysia	3,722	3,216	3,243	3,388
Philippines	449	599	545	536
Thailand	421	390	343	471
Vietnam	4	5	6	6
Cambodia	0	0	0	0
Myanmar	12	20	4	4
Other Asian Countries	193	296	263	356
Carribbean/Latin America	15,885	18,088	22,037	26,075
Other Countries Nec	943	1,415	1,773	1,914

Source: Singapore Department of Statistics, "Foreign Equity Investment in Singapore, 2001-2002"

TABLE B
STOCK OF FOREIGN DIRECT INVESTMENT (FDI) IN SINGAPORE BY INDUSTRY
(As at Year-end, Historical Cost)
(US\$ Million)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total Foreign Direct Investment	101,343	112,571	122,473	137,393
Agriculture & Fishing	25	25	21	26
Mining & Quarrying	5	-22	1	-4
Manufacturing	34,607	40,840	45,011	49,938
Food, Beverages & Tobacco	303	262	276	271
Textiles, Wearing Apparel & Leather	11	44	57	57
Wood & Wood Products	3	2	0	0
Paper & Paper Products, Printing & Publishing	406	564	749	996
Chemicals & Chemical Products	8,593	9,963	11,970	15,340
Petroleum & Petroleum Products	2,800	3,991	6,226	7,904
Rubber & Plastic Products	448	585	600	706
Basic Metals	28	21	19	92
Fabricated Metal Products	596	633	663	755
Machinery & Equipment	1,398	1,417	1,789	2,007
Electrical Machinery & Apparatus	807	967	989	1,041
Electronic Products & Components	17,266	20,145	19,380	18,014
Transport Equipment	776	901	882	1,019
Instrumentation, Photographic & Optical Goods	587	704	746	893
Others	586	641	663	843
Construction	903	1,219	940	1,114
Commerce	16,298	17,071	17,798	21,905
Wholesale Trade	14,326	15,431	15,642	19,459
Retail Trade	734	476	835	988
Restaurants & Hotels	1,238	1,164	1,321	1,458
Transport, Storage & Communications	3,824	4,973	5,341	6,103
Water Transport	1,085	1,557	777	879
Storage & Warehousing	2,315	3,298	4,329	4,945
Others	424	118	235	279
Financial & Insurance Services	38,456	40,427	44,835	48,330
Financial Services	37,069	39,149	43,355	46,586
Banks	4,861	5,120	4,737	4,866
Finance Companies	177	64	18	0
Investment Holding Companies	28,844	30,462	35,224	37,926
Other Financial Services	3,188	3,503	3,377	3,794
Insurance Services	1,386	1,278	1,479	1,744
Insurance Companies	1,357	1,227	1,421	1,653
Other Insurance Services	30	51	58	91
Real Estate	3,374	3,704	3,323	3,770
Business Services	3,837	4,399	4,856	5,945
Social & Personal Services	5	-63	348	265

Source: Singapore Department of Statistics, "Foreign Equity Investment in Singapore, 2001-2002"

TABLE C
STOCK OF DIRECT INVESTMENT ABROAD BY COUNTRY
(As at Year-end, Historical Cost)
(US\$ Million)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total Direct Investment	55,654	56,766	75,464	85,480
Asia	32,312	33,233	36,982	40,741
Asean	13,087	13,612	15,423	17,571
Brunei	51	57	31	30
Indonesia	3,306	3,154	4,106	4,948
Malaysia	5,112	5,633	6,106	6,992
Philippines	1,373	1,476	1,481	1,551
Thailand	1,980	2,018	2,434	2,659
Vietnam	690	618	576	662
Cambodia	91	65	124	133
Myanmar	487	594	565	597
Laos	-2	-3	0	0
Hong Kong	6,246	4,914	6,247	6,935
Taiwan	1,218	2,063	1,937	1,911
China	8,581	9,073	9,454	10,194
Japan	632	574	793	892
South Korea	1,010	1,388	1,488	1,443
India	446	511	414	508
Other Asian Countries	1,093	1,099	1,225	1,287
Europe	7,760	5,160	6,857	8,064
European Union	7,286	4,133	5,623	6,439
Netherlands	1,357	686	700	665
United Kingdom	2,033	2,832	3,697	3,965
France	55	60	88	141
Other Eu	3,841	555	992	1,610
Switzerland	33	122	242	264
Other European Countries	441	906	1,053	1,361
United States	2,519	3,573	3,963	4,690
Canada	153	165	30	15
Australia	1,479	1,436	1,361	1,857
New Zealand	314	500	277	426
Caribbean/Latin America	7,035	7,387	21,600	24,276
Other Countries Nec	4,082	5,311	4,394	5,411

Source: Singapore Department of Statistics, "Singapore's Investment Abroad, 2001-2002"

TABLE D
GDP AND FDI FIGURES, 1999-2002
(US\$ Million)

<u>Year</u>	<u>GDP at Current Market Price</u>	<u>FDI</u>	<u>FDI as % to GDP</u>
1999	83,803	101,343	1.21
0	92,210	112,571	1.22
2001	83,240	122,473	1.47
2002	91,025	137,393	1.51

Source: Singapore Department of Statistic

TABLE E
MAJOR FOREIGN INVESTORS IN SINGAPORE BY NATIONALITY
(April 2002 to End March 2003 at Market Value)

UNITED STATES
(US\$ Million)

<u>COMPANY</u>	<u>TYPE OF BUSINESS</u>	<u>TOTAL ASSETS</u>	<u>TOTAL SALES</u>
J. P. Morgan Securities Asia Pte Ltd	Investment	16,013	400
Motorola Electronics	Electronics	2,629	1,325
Citicorp Investment Bank	Banking	1,792	107
Microsoft Operations	Electronics	1,167	2,283
GE Pacific	Investment	1,117	571
Solectron Technology	Electronics	937	777
Micron Semiconductor	Electronics	877	1,372
Agere Systems	Electronics	876	2,121
Maxtor Peripherals	Electronics	682	2,302
Caltex Trading	Petroleum	591	2,056

JAPAN
(US\$ Million)

<u>COMPANY</u>	<u>TYPE OF BUSINESS</u>	<u>TOTAL ASSETS</u>	<u>TOTAL SALES</u>
Sony Electronics	Electronics	1,173	2,034
Toshiba Capital	Finance	1,146	6,122
Fuji Xerox	Office Equipment	834	647
Hitachi Asia	Electronics	832	2,676
Sumitomo Coprn.	Trading	467	2,386
Kumiai Navigation	Ship Owning	347	79
Nissho Iwai Int'l	Trading	333	337
Hitachi Nippon Steel Semiconductor	Electronics	318	159
Pioneer Electronics	Electronics	281	1,109
AVX/Kyocera	Electronics	269	194

EUROPE
(US\$ Million)

<u>COMPANY</u>	<u>COUNTRY</u>	<u>TYPE OF BUSINESS</u>	<u>TOTAL ASSETS</u>	<u>TOTAL SALES</u>
Glaxo Wellcome	U.K.	Chemicals	10,097	2,278
Shell Eastern	Netherlands	Chemicals	5,791	4,843
Prudential Assurance	U.K.	Insurance	4,385	1,067
Credit Suisse First Boston	Switzerland	Banking	3,049	65
Shell Treasury Centre	Netherlands	Finance	2,457	66
Shell Eastern Trading	Netherlands	Petroleum	2,360	18,902
BP Singapore	U.K.	Petroleum	1,677	6,835
Danone Asia	France	Investment	1,566	1,879
Infineon Technologies	Germany	Electronics	644	1,770
APL Co.	Denmark	Shipping	632	3,232

MALAYSIA
(US\$ Million)

<u>COMPANY</u>	<u>TYPE OF BUSINESS</u>	<u>TOTAL ASSETS</u>	<u>TOTAL SALES</u>
Kuok Singapore	Trading	1,084	374
Sime Singapore	Trading	377	542
Sime Darby	Trading	165	67

Notes:

- Exchange rate for March 2002 (end of period) was S\$1.7656 per US\$1.
- Singapore 1000 tracks data only for companies incorporated in Singapore.

Source: "The Singapore 1000, 2003/2004", Datapool (S) Pte. Ltd

ANNEX: INCENTIVES

INCENTIVES ADMINISTERED BY THE MONETARY AUTHORITY OF SINGAPORE (MAS)

BANKING ANNEX: INCENTIVES

INCENTIVES ADMINISTERED BY THE MONETARY AUTHORITY OF SINGAPORE (MAS)

As part of the strategy to develop Singapore into a premier financial center, MAS offers tax incentives for financial institutions looking to set up operations here.

A) Financial Sector Incentive ("FSI") Scheme

Encourages the development of high-growth and high value-added financial activities in Singapore. The incentives are as follows:

i) Standard-tier ("ST") Qualifying Activities & Awards - Income derived from ST qualifying activities is taxed at 10%. A company with the ST award will be able to enjoy the 10% tax rate on income from the qualifying activities with a qualifying base ("QB") will be imposed on the income derived from qualifying activities that is taxed at 10%.

ii) Income derived from the provision of qualifying headquarter services by companies granted the FSI - Headquarter Services award ("FSI-HQ") will be taxed at the concessionary rate of 10%, without being subjected to the QB.

iii) Companies engaged solely in fund management or investment advisory services are not required to compute the QB.

iv) Enhanced-tier ("ET") Qualifying Activities & Awards - Income derived from ET activities is taxed at 5%. No QB will be imposed on income derived from these activities.

For more details of (i) to (iv), refer to MAS circulars number 03/2003, 05/2003 and 07/2003.

v) Inclusion of Secondary Loans Trading Activity - A 10% tax concession will be granted for income derived

from the foreign currency loans trading activity. For more details refer to MAS circular 06/2004.

B) Tax Incentive Scheme for Qualifying Processing Services Company (QPC)

Promotes Singapore as a hub for high value-add processing activities such as cash management, securities/lending processing, portfolio valuation, etc. A QPC will be granted concessionary tax rate of 5% on income derived from the provision of the prescribed processing services. For more details, refer to MAS circular dated 05/31/2004.

C) Tax Incentive Scheme for Offshore Insurance Business

Encourages insurance companies, in particular professional reinsurers and captives, to set up operations in Singapore to write offshore business. A concessionary tax rate of 10% can be granted to insurance companies on income derived from underwriting profits of offshore insurance business and non-Singapore sourced dividends, realized capital gains and interest. For more details, refer MAS circular dated 5/31/04.

D) Tax Exemption Scheme for Marine Hull & Liability Insurance Business

Encourages all general direct insurance and reinsurance companies in Singapore to tap the insurance potential of shipping communities in the Asia Pacific region. It provides tax exemptions for income derived from underwriting profits of marine hull and liability business, as well as non-Singapore dividends, realized capital gains and interest.

E) Abolition of Withholding Taxes on Financial Guaranty Insurance Contracts

Claim payments made under financial guaranty insurance policies by approved financial guaranty insurers to non-residents will be exempt from withholding tax.

F) Tax Incentive Scheme for Commodity Derivatives Trading

A concessionary tax rate of 5% will be granted for income derived from qualifying activities undertaken by a financial institution granted the Commodity Derivatives Traders status. For more details, refer to MAS circular 04/2004 dated 4/19/04.

G) Tax Incentive Scheme for Approved New Derivative Products traded on the Singapore Exchange

A concessionary tax rate of 5% will be accorded to the total income from transactions in each approved new product derived by qualifying SGX corporate members. For more details, refer to MAS circular dated 7/02/02.

H) Tax Incentive Scheme for Finance and Treasury Centers

A concessionary tax rate of 10% will be granted on income derived from provision of finance and treasury services to related companies. Interest payments on foreign loans obtained from overseas banks or related companies may also be exempted from withholding tax.

I) Tax Incentive Scheme for Approved Trustee Companies

An Approved Trustee Company (ATC) will be granted a 10% concessionary rate on income derived from international trust administration and custodian services in Singapore. For more details, refer to MAS circular dated 7/02/02.

J) Tax Incentive Scheme for Syndicated Facilities

A concessionary tax rate is given on fee, interest, commission and other income from arranging, underwriting and participating in syndicated facilities. For more details, refer to MAS circulars dated 2/19/03, 3/20/99 and 6/30/98.

K) Innovation in Financial Technology & Infrastructure Grant Scheme

Targets Singapore-registered companies, and offers grants for qualifying expenses on innovation in financial technology and/or infrastructure activity in Singapore.

L) Tax Incentive for Trading Debt Securities

A concessionary tax rate of 10% is granted for interest income earned from holding qualifying debt securities arranged in Singapore. For more details, refer to MAS circulars dated 3/02/04, 2/19/03, 4/26/99 and 6/30/98.

M) Financial Sector Development Fund

The Fund facilitates the development of talent and infrastructure for Singapore's financial center. There

are three schemes under this Fund: Financial Training Scheme, Training Infrastructure Enhancement Scheme, Financial Sector Manpower Conversion Scheme.

N) Financial Investor Scheme for Singapore Permanent Residence

Offers high net worth individuals an opportunity to apply for permanent residence in Singapore. One of the main conditions is the placement of S\$5 million (US\$3 million) in financial assets with MAS-regulated financial institutions.

Further guidelines and application information are available at MAS' website: <http://www.mas.gov.sg/>

[INCENTIVES ADMINISTERED BY
THE
ECONOMIC DEVELOPMENT BOARD
\(EDB\)](#)

A) Pioneer Status: new manufacturing and service investments introducing high-tech skills can enjoy complete exemption from the 20% corporate tax on profits for up to 15 years.

B) Development & Expansion Incentive: this incentive replaces the post-pioneer incentive. Firms that engage in new projects, expand or upgrade operations in Singapore which result in significant economic spin-offs are eligible for a concessionary tax rate for up to 10 years with provision for extensions up to a maximum total of 20 years.

C) Investment Allowance Incentive: companies engaged in qualifying activities (for example, manufacturing, engineering services, research and development activities, construction or projects to reduce consumption of water) are eligible for exemption of taxable income equal to a specified proportion (up to 50%) of new fixed investment. The exempted firms must make the specified investments within five years.

D) Approved Foreign Loan Scheme: a company that takes a minimum loan of S\$ 200,000 (about US\$ 110,000) from a foreign lender to purchase productive equipment will be wholly or partially exempt from withholding tax on the interest payable to the lender.

E) Approved Royalties Incentive: full or partial exemption of withholding tax on royalties is given to eligible companies.

F) Entrepreneurship Investment Incentive: companies eligible for this incentive are startups in the initial stage of developing or exploiting new technology. Investors in the eligible startup company can offset losses incurred through the sale of shares or through the liquidation of the startup company, against their own taxable income

G) HQ Program - EDB aims to establish Singapore as a premier international headquarters hub with a vibrant business eco system to reach out to all types of HQ. Under the Headquarters Program, deserving companies that commit to expansion are awarded the International Headquarter Award and Regional Headquarters Award and attendant incentive benefits that are dependent on the size and sophistication of their activities in Singapore.

H) Double Deduction for Research and Development (R&D) Expenses: applicable to manufacturing and service activities engaged in R&D. The project must be carried out in Singapore. Double deduction is allowed for qualifying R&D expenses against taxable income.

I) Research Incentive Scheme for Companies: under this scheme, grants may be offered to support the development of in-house R&D capabilities among Singapore-based companies.

J) Exemption of foreign sourced interest and royalty income for R&D purposes: foreign sourced interest and royalty income remitted into Singapore will be tax-exempt, provided they are spent on R&D activities (at least 20% must be spent on local R&D activities). The incentive period to be awarded is five years.

K) Innovation Development Scheme: grants may be offered to companies to engage in, and develop capabilities in the innovation of products, processes and applications.

L) Initiatives in New Technology: under this scheme, grants may be offered to companies to support manpower training costs in the application of new technologies, industrial R&D and professional know-how.

M) Integrated Industrial Capital Allowance: companies in Singapore will be allowed to claim capital allowances on equipment sent overseas for manufacturing purposes.

N) Special Goods & Services Tax scheme for 3rd Party Logistics Service Providers (3PLSPs): this measure allows 3PLSPs to import goods belonging to themselves for their foreign principals without having to pay GST. It also allows the 3PLSPs to move goods to companies enjoying the Major Exporter Scheme (MES) and other qualifying 3PLSPs without having to impose and collect GST.

O) The Enterprise Challenge (TEC) Scheme: TEC is a S\$20 million fund set up to provide sponsorship and test beds to trial test innovative proposals that have the potential to create new value or bring about significant improvements to the delivery of Singapore public service. TEC funds the trial testing radical, high risk innovations so that its feasibility and practicality can be proven. For more information, visit www.tec.gov.sg

Further guidelines and application information are available at EDB's website: <http://www.sedb.com/>.

[INCENTIVES ADMINISTERED BY
THE INTERNATIONAL ENTERPRISE
SINGAPORE \(IE SINGAPORE\)](#)

A) Double Tax Deduction (DTD) Scheme: aims to encourage Singapore companies to expand their overseas markets. It allows approved companies to deduct against their taxable income twice the eligible expenses incurred in the following activities as covered by Section 14B of the Income Tax Act.

B) Global Trader Program (GTP) : the GTP is a merger of the Approved Oil Trader (AOT) and the Approved International Trader (AIT) programs. The program encourages global trading companies to use Singapore as their regional or global base to conduct activities along the total trade value-add chain from procurement to distribution, in order to expand into the region and beyond. Companies with GTP status receive a concessionary tax rate of 10% on international trading activities in approved commodities and products.

C) International Marketing Activities Program (IMAP): supports the associations by defraying some of the costs involved in putting together overseas business missions or participation at overseas trade shows/exhibitions.

D) International Partners Program: aims to increase Overseas Sales and Access of Singapore based companies through synergistic partnerships with industry leaders that could provide additional marketing channels. Under iPartners, local and foreign industry leaders would be recruited to act as Anchor Companies, whose role is to lead an alliance of other complementary Singapore-based companies. The Anchor Company will assist the alliance by providing market access, helping the alliance adapt products to suit overseas markets and improving the capabilities of its Alliance Partners. IE Singapore will co-fund the costs of the business development director appointed by the Anchor Company. For qualified projects, IE Singapore will also co-fund activities that improve the value proposition of the alliance in the overseas markets.

E) Manpower for Internationalization Program: supports Singapore-based companies grow into strong international players by assisting you to groom executives with the ability to innovate, identify international business opportunities and chart internationalization strategies in this dynamic global environment. The program adopts a 3-pronged approach (international skills, international exposure, international strategy) to enlarge and enrich the pool of executives with internationalization skills who, in turn, enhance the competitiveness of Singapore-based companies.

F) Regionalization Finance Scheme: a fixed-cost financing program designed to assist Singapore-based companies set up operations overseas.

G) iFinance Consulting Program: specially tailored to assist Singapore-based entrepreneurs prepare their companies for the challenge of doing business overseas. Companies are encouraged to engage professional experts to enable them to make informed decisions and be financially prepared as they venture overseas.

H) Design for Internationalization Program: helps globalizing companies to boost their competitiveness and service offerings through "Design". IE Singapore will also catalyze companies' creation of new and adapted products for overseas markets as well as companies' creation of new and adapted products for overseas markets.

I) Branding for Internationalization Program: targeted at Singapore-based firms that have the drive to internationalize. Working with local as well as overseas consultants and brand centers, IE Singapore

will develop applied research beneficial to Singapore-based companies and industries.

Further guidelines and application information are available at IE Singapore's website: <http://www.iesingapore.gov.sg/>

INCENTIVES ADMINISTERED BY
THE MEDIA DEVELOPMENT
AUTHORITY (MDA)

A) Market Development Scheme (MDS): Encourages Singapore-based media companies to seek business opportunities overseas. Media companies can potentially get assistance of up to S\$20,000 per company per annum to offset expenses in overseas business development missions led by MDA, market studies, participation in events and international media markets and business collaboration with overseas companies.

B) TV Content Industry Development Scheme: Aims to help and encourage the Singapore TV production industry to create more high quality Made-by-Singapore TV content for international markets, including Singapore. The scheme applies to TV content-specific projects in various genres. MDA, together with the industry and other investors, assess co-funding arrangements on a project-by-project basis.

C) Digital Content Development Scheme: Aims to seed fund to support the development of innovative ideas and concepts into real content products such as pilot episodes for original TV animation, technical demo for game series and interactive media projects. The level of support for each qualifying project is limited to S\$150,000 and not more than 50% of the total qualifying costs.

D) Digital Technology Development Scheme: Aims to support the development of original and innovative products or processes that lead to significant improvements in bringing value-added services to the broadcasting industry, or that lead to tangible outcomes such as investment for the new product, introduction of new services or adoption of new technology. Funding is provided in the form of a grant to cover up to 50% of the qualifying cost of the project.

Further guidelines and application information are available at MDA's website: <http://www.mda.gov.sg/>

[INCENTIVES MANAGED BY
INFOCOMM DEVELOPMENT
AUTHORITY OF SINGAPORE \(IDA\)](#)

As developer of Singapore's infocomm industry, the IDA has put in place programs and initiatives to accelerate the growth of the sector and promote innovation in key emerging technology areas.

The salient programs include:

- Connected Homes - aims to provide a test-bed environment for the development and deployment of integrated end-to-end solutions for homes. Industry partners are encouraged to collaborate to develop integrated solutions that can be trialed in real home environment.
- iLIUP (infocomm Local Industry Upgrading Program) - promotes strategic and mutually beneficial partnerships between Singapore enterprises and multinational corporations (MNCs) in the infocomm sector.
- Overseas Development Program - facilitates partnerships among Singapore infocomm enterprises and MNCs to accelerate their global competitiveness, establish branding, and gain inroads to overseas markets.
- SAFE (Securing Assets for End-Users) Program - aims to catalyze the growth of Singapore's infocomm security sector. The program will focus on three thrusts - Intellectual Capital Development; Smart Experimentation and Adoption.
- WEAVE (Web Services) - taps on the market potential of Web Services through collaboration with industry partners to grow Singapore's software and IT services industry.
- Wired With Wireless Program - aims to develop Singapore into a 'living lab' and launch pad for wireless development in Asia. Under this program, IDA will collaborate with

the industry to identify, develop and launch key projects with industry-wide impact.

- Digital Exchange - aims to develop Singapore into a global hub for the processing, management and distribution of digital assets such as movies (for digital cinema), games, advertisements, video, music, and animation. IDA will work with companies to spearhead industry development efforts to put in place a conducive technical & business environment, R&D and commercialization capabilities, as well as key value added services for the processing, management and delivery of digital assets to the region.
- RFID Development Plan - aims to develop Singapore into Asia's RFID hub. The plan includes effort to align radio frequency spectrum allocation and power output limits with international standards to ensure global interoperability; build infocomm manpower capabilities in exploiting the technology and leverage existing R&D expertise in creating new IP; and collaborate with key industry and cluster players in accelerating adoption.

The major initiatives include:

- Pilot And Trial Hotspots (PATH) - an industry development initiative by IDA. It aims to accelerate the development of innovative infocomm infrastructure, applications and products by supporting the trial and piloting of emerging infocomm technologies and best-of-breed services.

The areas supported under PATH are:

1. Digital Exchange - Movies for Digital Cinema, Games, Advertisements, Video, Music, Animation;
 2. Broadband - Content and services; Cross-platform broadband/media products and services; Model projects showcasing integrated broadband offerings;
 3. Software & Services - Application outsourcing; Application Service Provider; Security; Speech and language; Web services;
 4. Wireless - Location service; Mobile commerce; Wireless multimedia.
- The Competency Centre Program (CCP) - initiated with the aim to accelerate the

development of emerging infocomm technologies. The centers act as platforms where global technology providers and Singapore infocomm enterprises would collaborate with the RICs and IHLs to set up infocomm facilities and hosting infrastructure, transfer leading edge technologies and best practices, foster manpower development and conduct proof-of-concept projects.

For more information, details and guidelines, please refer to IDA's website: <http://www.ida.gov.sg>

