



<http://www.switzerland-family-office.com/relocation/relocation-to-singapore.html>

## **Relocating to Singapore**

**The densely populated city-state, Singapore is considered to be a safe haven in Asia. For years it has been attracting affluent families, both from Asia and beyond, interested in taking up residency. Strategically located between the Malaysian Peninsula and Indonesia, the financial centre, Singapore offers a modern infrastructure, stability and security. In addition, it boasts a highly attractive territorial tax regime combined with an excellent network of double taxation treaties.**

### **Singapore's history**

In 1819 the Englishman, Sir Stamford Raffles established a British trading post on the island which is now known as the jurisdiction Singapore. From 1819 till 1965 Singapore was under British rule, with the exception of several years during World War II, when it was occupied by Japan. During this century and a half Singapore experienced exceptional growth both in terms of population, as well as in economic terms.

After World War II the call for independence became increasingly louder year after year. This ultimately resulted in Singapore becoming a self-governing state within the Commonwealth in 1959 and even merging with its neighbouring jurisdiction, the Federation of Malaysia, during the years 1963-1965. This short marriage ended on August 9th 1965. The independent Republic of Singapore, which is Singapore's official name, was established on the same date. It remains a member state of the Commonwealth of Nations.

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### **Singapore's government & economy**

Singapore is a parliamentary democracy organised as a republic. Singapore's Cabinet holds the executive power and is led by the Prime Minister (head of government) and, to a much lesser extent, the President. Singapore's President is elected in a separate popular vote. He appoints one of the members of parliament as Prime Minister. The Prime Minister normally has the support of a majority of the parliament.

Singapore has approximately 5.5 million residents and it is one of the smallest and most densely populated jurisdictions in the world. About 75% of its residents are of Chinese origin. There are four languages officially spoken in Singapore; English, Mandarin, Malay and Tamil.

### **Singapore's economy**

Singapore's economy is historically strongly connected with its port and its function as a trading hub in Asia. Its economy is especially known for being innovative and one of the most competitive

and business-friendly of the world. It is also considered to be one of the least corrupt jurisdictions in the world.

Singapore has a diversified market economy. Its economy focuses on financial services, gambling, oil refining, international trade (duty-free port) and high-tech technology. Its currency is the Singapore dollar (S\$). Singapore has its own airport, which functions as one of the largest transportation hubs in Southeast Asia. It also has its own airline.

Singapore is one of few jurisdictions in the world holding a AAA credit rating.

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## Taxes in Singapore

- **Personal income tax:** Persons who relocate to Singapore find that Singapore is one of a few jurisdictions having a system of taxation which is territorial. In fact this means that residents of Singapore only need to pay personal income tax on income which is accruing in, or derived from a Singaporean source. Any income accruing outside the jurisdiction, or derived from a foreign source remains tax exempt (with the exception of income from partnerships).

The personal income tax rate is progressive. The maximum rate is 20% and applies to such net income as exceeds 320'000 SGD (about 240'000 USD). As of 2017 the maximum rate will be 22%. Capital gains are not taxable unless qualified as business income.

- **Wealth tax:** Singapore does not impose a net wealth tax on its residents.
  - **Inheritance and gift tax:** Singapore does not impose inheritance or gift tax, nor estate duty.
  - **Stamp duty and VAT:** Singapore imposes a so-called Goods and Services Tax (GST). The standard rate for GST is 7%. Stamp duty is payable on the transfer of real estate.
  - **Exit tax:** Singapore does not levy a typical exit tax, but when leaving Singapore to relocate to another jurisdiction one needs to pay all outstanding Singapore taxes prior to leaving the country.
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## Special tax treatment for foreigners relocating to Singapore

There is no special tax regime applicable to foreigners taking up residency in Singapore. Singapore's territorial tax regime is a benefit in and of itself.

## Benefits of living in Singapore

Singapore is known for the fact that the country is extremely well organised. The city is very clean, very green and its criminal legislation is rigid. Law enforcement is strong. As a result there is a very low level of criminality, especially in comparison with neighbouring jurisdictions.

Singapore is situated close to the equator and therefore enjoys high temperatures all year round; i.e. year round highs of 30 C°. It is also quite humid having a tropical rainforest climate, with rain showers almost every (other) day.

Although almost three quarters of the population are of Chinese origin, Singapore is actually a melting pot of nationalities, all living in harmony with each other. It is this international character in combination with the Asian culture which attracts a lot of foreigners to Singapore.

The quality of the Singapore health system is very good. It also has excellent bilingual and international schools for foreign children. English is the standard language for education. Students are encouraged to learn a second language.

Due to high numbers of foreigners relocating to Singapore and the actual (limited) size of the jurisdiction, there is always some pressure on the housing market. One way Singapore's government has dealt with that is land reclamation. Singapore has increased its total size by over 20% since its independence.

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## Visa and residency permit

The first step to residency in Singapore is to be allowed to enter Singapore. It is always advisable to first visit a jurisdiction before deciding to relocate there.

Anyone travelling to Singapore needs to be in possession of a passport which is at least valid for 6 months and must hold sufficient funds to sustain oneself during the stay. Onward or return travel also needs to be pre-arranged.

Visa free travel to Singapore is possible out of most jurisdictions, including the USA, Canada, Australia, Indonesia, Thailand, Malaysia and all the European Union nations. The standard visa free travel to Singapore allows a maximum visit of 30 days. Citizens from several jurisdictions are even allowed a 90 day visit.

There are nevertheless also a number of jurisdictions the residents of which need to obtain a visa before their travel. Those include countries such as China, India, and countries from Northern Africa, the Middle East and Russia. Depending on which country one is a citizen of, one needs to apply for an electronic-visa online, or actually visit the nearest Singaporean Diplomatic Mission.

Visitors travelling to Singapore are prohibited from engaging in any form of business, occupation, profession, or paid employment during their stay.

## Singapore residency

Affluent entrepreneurs have the possibility to obtain Singapore permanent residency through the 'Singapore Global Investor Programme'.

**Two main conditions for becoming a permanent resident of Singapore through the Singapore Global Investor Programme are:**

1. Invest at least S\$2.500.000 in a new business, or business expansion in Singapore, or alternatively invest a similar amount in a Singapore Global Investor Programme fund;
2. Be able to show a substantial business track record and a successful entrepreneurial background.

The spouse and children under the age of 21 can also apply for permanent residency under the Global Investor Programme application of the main applicant. In this context it needs to be noted that male children are obliged to join the Singaporean National Service (military service). The main applicant is exempted from the National Service.

The application procedure for a residency permit in Singapore is relatively complicated. The entire process can easily take six to eight months' time. It is therefore recommended that applicants use a local advisor, or private bank to assist with it.

*The conditions to fulfil are (in detail):*

1. **The investment.** An applicant has two options:
  - a. He/she can directly invest S\$2.500.000 in a new business in Singapore, or in the expansion of an already existing business, or
  - b. He/she can invest S\$2.500.000 in a Global Investor Programme Fund (these are approved Investment Funds that invest in companies based in Singapore).
2. **Business and entrepreneurial background.** Applicants for the Global Investor Programme should have at least 3 years' experience as a successful entrepreneur. In order to demonstrate this, the applicant needs to provide audited statements of his/her company for the last 3 years. The auditor needs to be an accredited audit firm of high quality.

The applicant should at least own 30% of the shares of the company which company should be active in a specific shortlisted industry. The list of these industries is published by the Singaporean government. The turnover of the applicant's company needs to be at least S\$50 million in the year before the application is made and needs to have generated an average S\$50 million yearly turnover over the immediately preceding three years. Should the applicant own several companies it is possible to consolidate their numbers, provided they are all engaged in the shortlisted industries. Should the applicant be engaged in a real estate business, the required turnover is S\$200 million.

The applicant's role within the company, the development of the company and its profitability all play a role in the assessment.

*Additional conditions to fulfil for applicants investing S\$2.500.000 in an actual business:*

1. A detailed business plan needs to be submitted. It needs to cover at least 5 years and project the numbers as regard employment and the annual financial return.
2. The progress as regards the implementation of the business plan is monitored over the years; the third year milestone needs to be met and the business plan needs to be realised within 5 years.
3. In case of investment in an existing Singapore based business, the company is also required at the latest in the third year, to hire five additional employees and to demonstrate an 'additional' annual total business expenditure of at least S\$1 million.

In addition to fulfilling the above described conditions and providing the necessary supporting documentation, the following must be submitted:

- A non-refundable application fee of S\$7.000 needs to be paid to the Singapore Economic Development Board,
- The necessary application forms need to be completed and submitted electronically via upload;
  - Form A (personal profile)
  - Form B (proposed investment plan)
  - Form C (Payment details),
- The same forms also need to be signed and submitted in original,
- The form, namely "Terms and Conditions of the Global Investor Programme" needs to be signed and submitted in original,
- Statutory Declaration Form; signature needs to take place in front of notary, or Justice of Peace; for applicants from non-Commonwealth countries one needs to come to Singapore and sign in front of a Justice of Peace, Commissioner for Oaths or Judge in Singapore, or to sign in front of authorised Singapore embassy staff in the home jurisdiction,
- Application for an entry permit to Singapore for every family member included in the application (Form 4, in original and a copy),
- Notarised copies of the passport, birth certificate, marriage certificate, divorce certificate for each applicant applying for Permanent Residence,
- Five passport size photographs for each applicant.

For documents that are drafted in a foreign language an official English translation must be provided and notarised by the relevant notary public.

Should the Singaporean authorities, after reviewing the application, be of the opinion that it meets the criteria of the Global Investor Programme, an interview will be organised with the applicant. Once the application is approved an approval-in-principle permanent residence status, which is valid for six months, will be issued to the applicant.

The applicant will be required to make the actual investment within the six months period of validity for the approval-in-principle permanent residence status. The amount of S\$2.500.000 needs to be invested from an account held in the applicant's name with a Singapore-registered bank in Singapore. Proof of this transfer and the share certificates of the (new) company/fund need to be provided. The Singaporean authorities will hold the shares in custody for five years. The applicant will then receive the final approval for permanent residency.

It is also possible to obtain a Singapore residency permit should one find employment in Singapore. This option is outside the scope of this article.

## **Prolongation of permanent residency**

Once one has received permanent residency one will also be issued a re-entry permit which is valid for 5 years. Without such a re-entry permit one is not able to travel outside Singapore without losing Singapore permanent resident status.

After five years one will be entitled to renew the re-entry permit for a period of three or five years under certain conditions. One of those conditions is that one has fulfilled all investment conditions; respectively the business or the investment fund ones.

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## **Singapore citizenship**

Any person, older than 21 years, who has received permanent residency in Singapore, may apply for Singapore citizenship after residing at least two years in the jurisdiction. The spouse and unmarried children below 21 years of age can apply together with the main applicant.

Applicants need to realize that Singapore only allows its citizens to have single citizenship. Therefore, in order to receive Singapore citizenship, one needs to give up one's current citizenship(s).

Moreover, a male permanent resident needs to complete his National Service duty (military service) before he can apply for Singapore citizenship. This does not apply to the main male applicant as he is exempted from National Service.

Applications for citizenship need to be filed with the Singaporean Immigration & Checkpoints Authority.

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## **Leaving your home country and taking up residency in Singapore**

Once one has obtained a permanent residency permit, and has actually relocated to Singapore, one can by virtue of having a re-entry permit, freely travel in and out of Singapore, without losing permanent residency status. This however does not automatically mean that one is also automatically considered a tax resident of Singapore.

That basic rule in Singapore is that one will be considered a tax resident if one is physically present in Singapore for at least 183 days in a year. Should one not intend to spend that number of days in Singapore, and rather continue spending considerable time in one's 'former' home jurisdiction, the fiscal authorities of one's former home jurisdiction could easily take the position that one did not relocate to Singapore at all. It is therefore important that individuals who relocate to Singapore properly plan their move and really leave their former home jurisdiction.

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## **Taking the step**

If you are considering relocation to Singapore, please make sure that a local private bank, multi-family office or dedicated lawyer guides you through the process. If you would like to receive

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more information about the benefits and possibilities of moving to Singapore or relocation to other jurisdictions, please contact us. We look forward to supporting you.

**Disclaimer:**

The information that is provided on this page with respect to the tax system and residency criteria is of general nature and should not be perceived as (tax or legal) advice, or the solicitation of tax or legal services. Although all information is regularly updated, some facts could be outdated.