Data and Profiles - Market Profiles

Singapore: Market Profile

03 March 2021

Fitch Solutions

1. Overview

Singapore is one of the world's most prosperous countries and is ranked among the world's most competitive economies. The city-state benefits from strong international trade links and a per capita income level comparable with or exceeding that of, many Western European nations. The government's far-sighted economic policies have helped to transform the economy into an Asian powerhouse in recent years and economic diversification efforts continue to be implemented, which bodes well for the sustained expansion of economic activity. The economy is heavily reliant on exports, particularly in IT products and pharmaceuticals, and its vibrant tourism, retail and financial services sectors. Therefore, it may be vulnerable to global trends such as the shifting demand for electronic goods and trade tensions between the United States and Mainland China. The city-state offers a large, highly skilled workforce and one of the world's most business-friendly regulatory environments for local entrepreneurs. With strong financial support from the government, the country's 'SkillsFuture' initiative aims to boost the flexibility of the workforce by providing continuing education that deepens technical and managerial skills across sectors. The Smart Nation project coordinated by the government is a successful smart city concept, and is widely touted as model for smart city implementation in the region.

Sources: World Bank, Fitch Solutions

2. Major Economic/Political Events and Upcoming Elections

November 2019
Malaysia decided to proceed with the construction of a cross-border rapid transit system (RTS) link with Singapore with certain amendments. The planned 4.2km RTS would connect Woodlands North station in Singapore with Bukit Chagar station in Johor Bahru, Malaysia. The proposed amendment involved using a light rail transit system, instead of the originally planned mass RTS for the link. Both countries were now discussing the changes to the project, and an amended agreement was expected to be signed in 2021. The project was scheduled to start operations by December 2024.

February 2020
The government announced that it would take over the payment of between 25% and 75% of individual wages (capped at SGD4,600) on behalf of businesses for nine months and a 25% tax rebate. The government also announced a 25% tax rebate for corporates for the assessment year 2020, capped at SGD15,000.

February to March 2020
The government announced a number of financial packages aimed at supporting workers and businesses during the coronavirus crisis. The Stabilisation and Support Package provided support to businesses (about SGD35.3 billion), which included wage subsidies, an enhancement of financing schemes and additional support for industries directly affected by the coronavirus outbreak, such as transport, tourism and food services.

The Monetary Authority of Singapore (MAS) also announced a swap facility of USD60 billion with the US Federal Reserve to provide liquidity for Singapore financial institutions.

April 2020
On April 8, the MAS announced a SGD125 million support package to sustain and strengthen capabilities in the financial services and fintech sectors. The support package, funded by the Financial Sector Development Fund, has three main components: (i) supporting workforce training and manpower costs, (ii) strengthening digitalisation and operational resilience, and (iii) enhancing FinTech firms' access to digital platforms and tools.

June 2020
The government's three-phase approach to resuming economic activity, which was halted due to the coronavirus outbreak, commenced on June 2.

July 2020
The ruling People's Action Party won the general elections which took place on July 10.

September 2020
Singapore's National Environment Agency (NEA) and national water agency PUB had started construction on the first phase of the Tuas Nexus integrated water and solid waste treatment facility. Tuas Nexas co-locates the Tuas water reclamation plant (WRP) and the integrated waste management facility (IWMF). Tuas WRP would have an initial treatment capacity of 800,000 cubic metres per day. IWMF would feature solid waste treatment technologies to enhance energy and resource recovery from waste. Tuas Nexus was due to be completed in phases from 2025 onwards.

November 2021
Singapore signed a free trade agreement (FTA) with the UK. The agreement was part of UK efforts to safeguard its trade position post Brexit and largely mirrors the agreement Singapore had with the EU.

December 2020
Singapore began rolling out the Pfizer-BioNTech's Covid-19 vaccine to its healthcare workers.

April 2021
Singapore's next parliamentary general election would be held in April 2021. According to the Constitution, the Parliament of Singapore's maximum term was five years from the date of the first sitting of parliament following a general election, after which it was dissolved by operation of law.

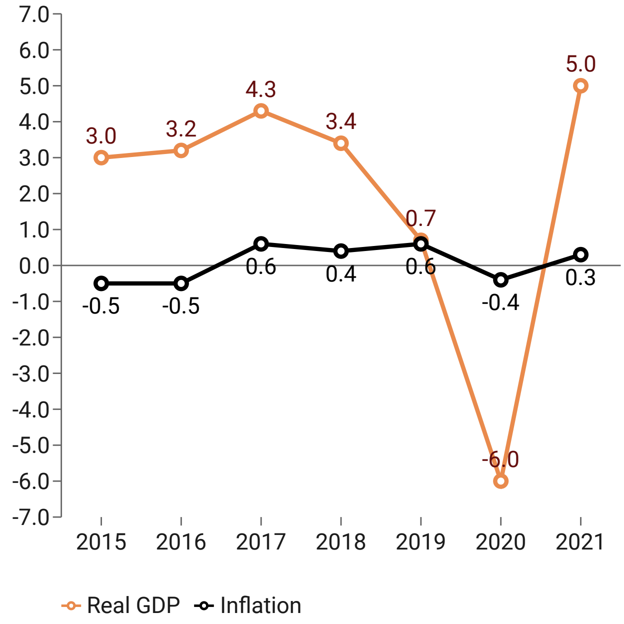
Sources: BBC Country Profile – Timeline, Fitch Solutions

3. Major Economic Indicators

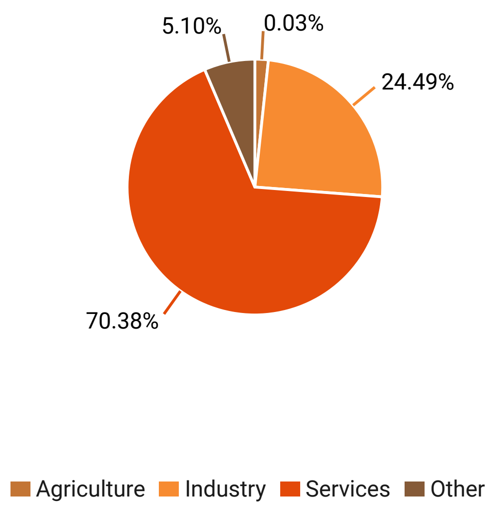
Real GDP and Inflation

GDP by Sector (2019)

% share

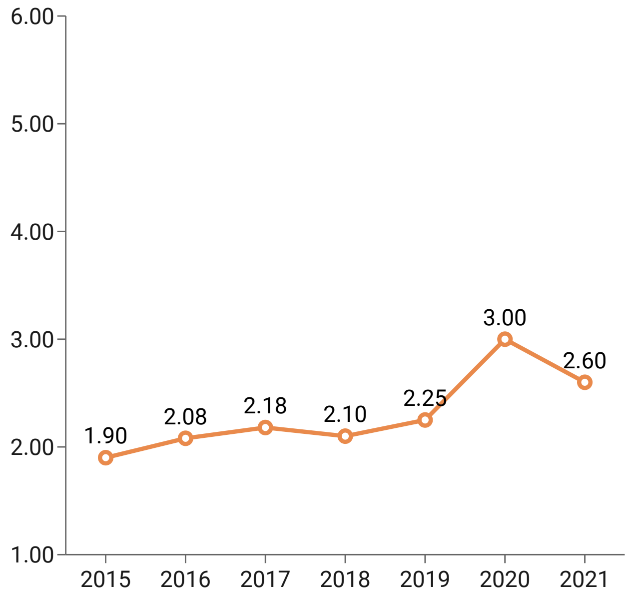


2020 (estimate); 2021 (forecast)
Source: IMF
Date last reviewed: January 24, 2021



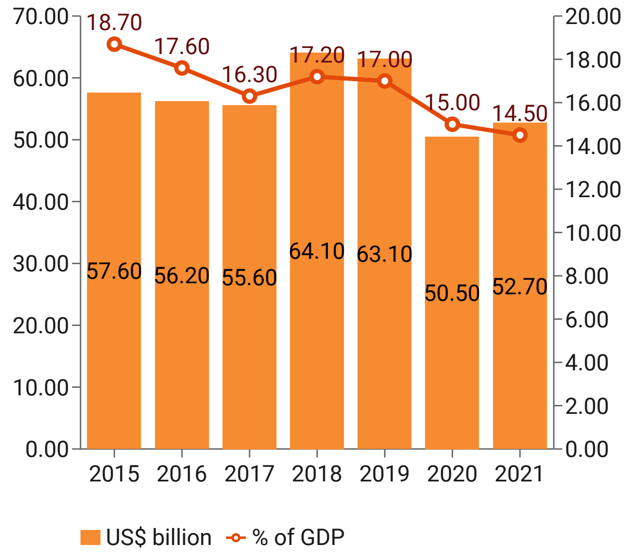
Source: World Bank
Date last reviewed: January 24, 2021

Unemloyment Rate



2020 (estimate); 2021 (forecast)
Source: IMF
Date last reviewed: January 24, 2021

Current Account Balance

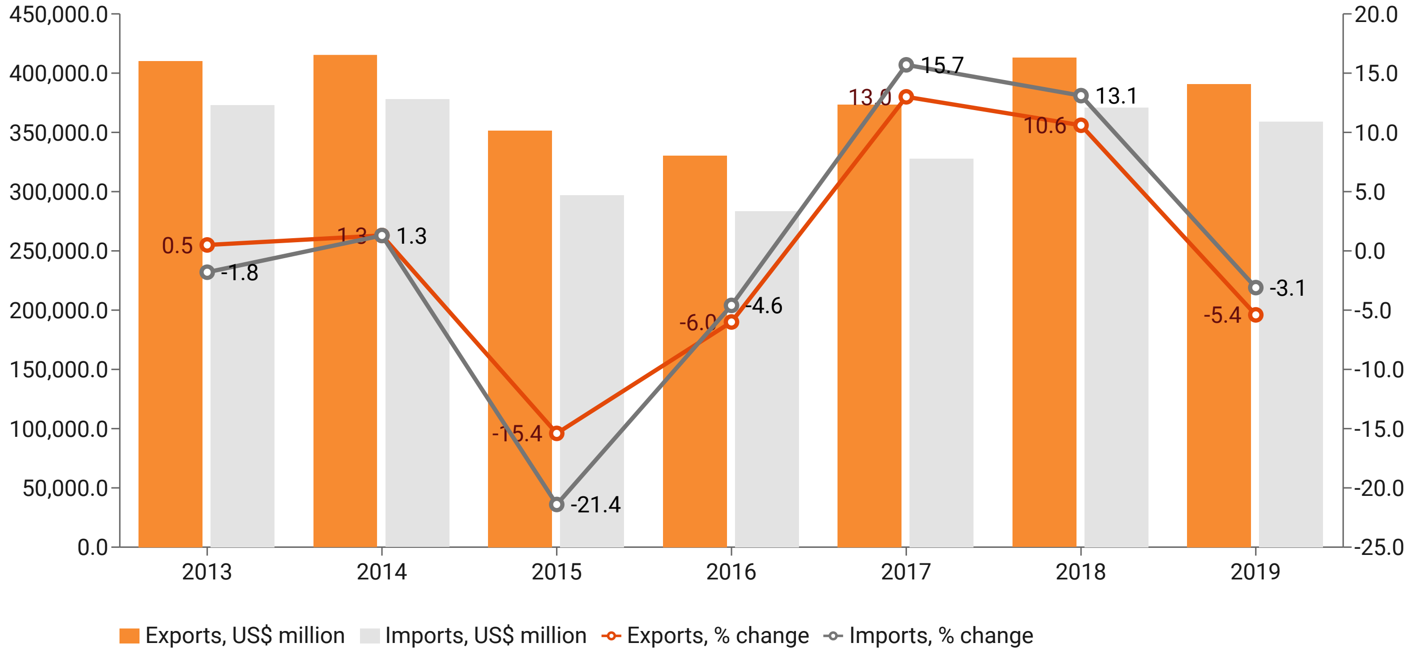


2020 (estimate); 2021 (forecast)
Source: IMF
Date last reviewed: January 24, 2021

4. External Trade

4.1 Merchandise Trade

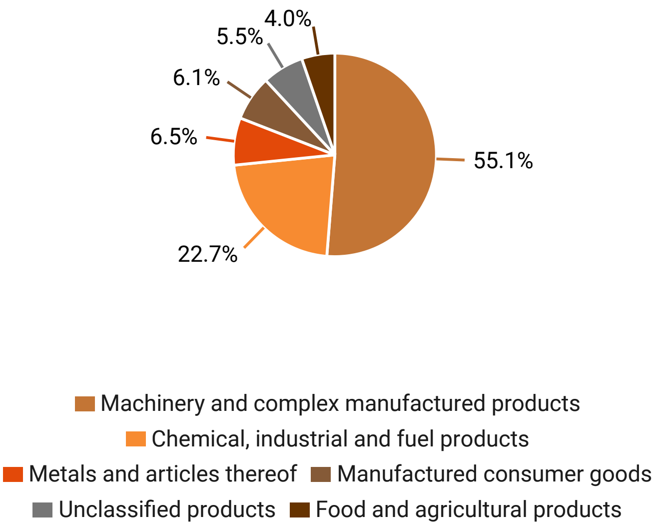
Merchandise Trade



Source: WTO
Date last reviewed: January 24, 2021

Major Export Commodities (2019)

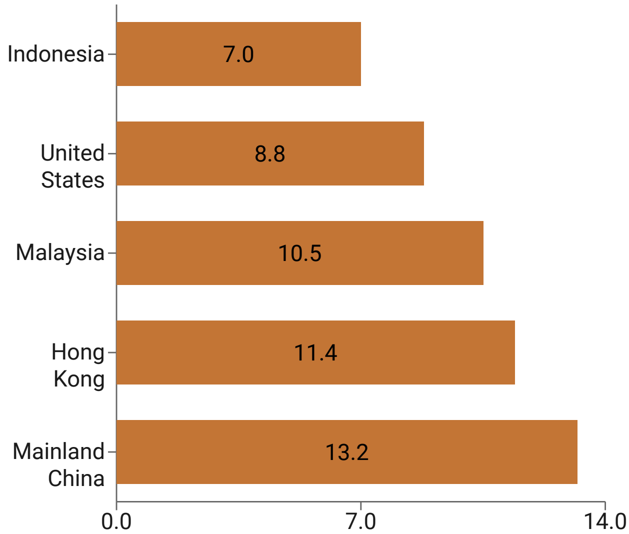
% share



Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: January 24, 2021

Major Export Markets (2019)

% share



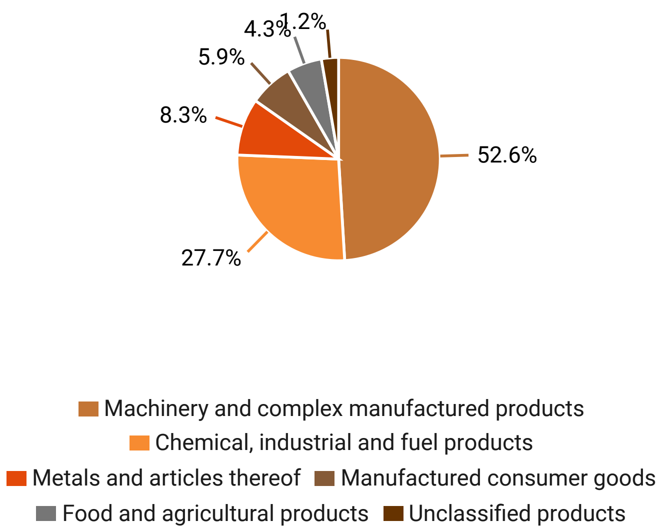
Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: January 24, 2021

Major Import Commodities (2019)

% share

Major Import Markets (2019)

% share



Sources: ITC-Trade Map, Fitch Solutions
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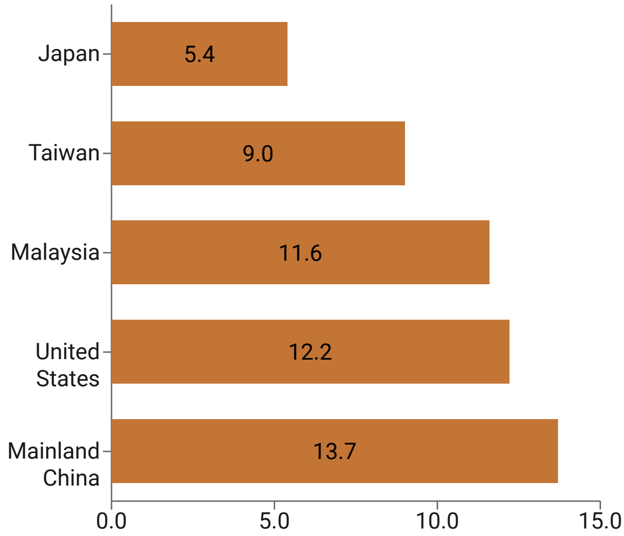
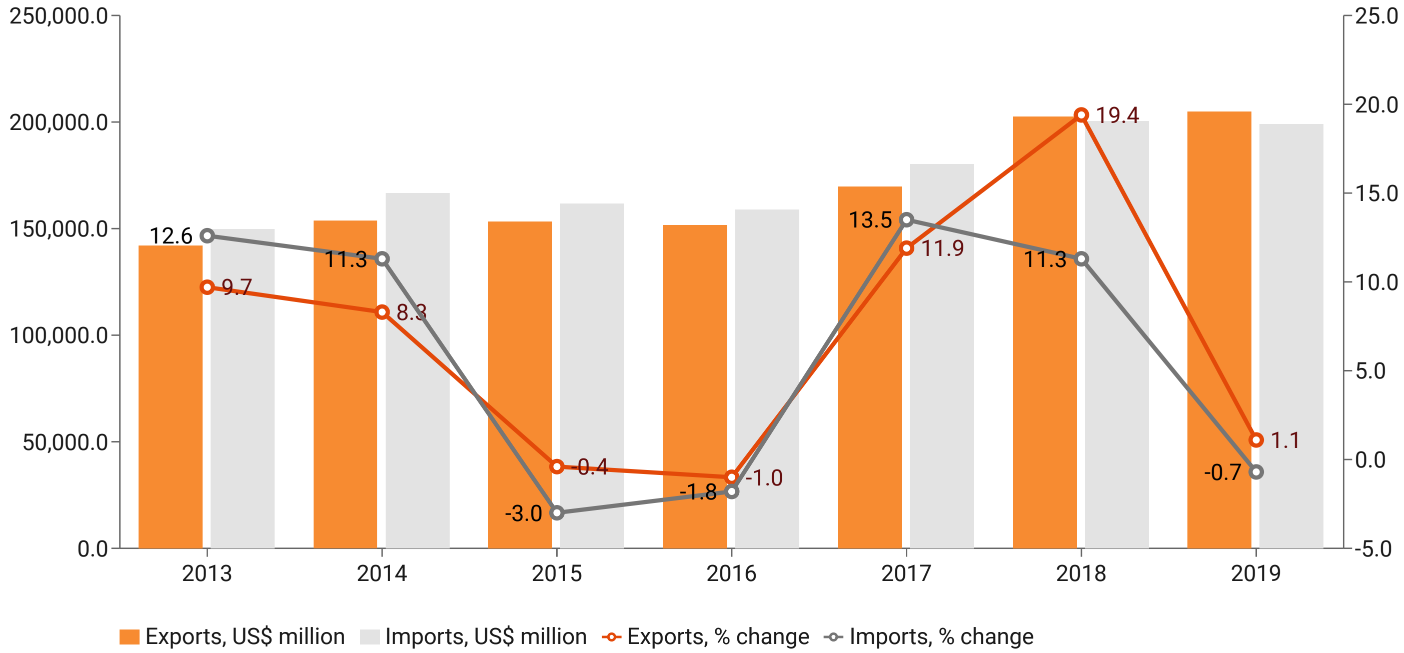


Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: January 24, 2021

4.2 Trade in Services

Trade in Services



Source: WTO
Date last reviewed: January 24, 2021

5. Trade Policies

- Singapore has been a member of the World Trade Organization (WTO) since January 1, 1995.

- Singapore is a member of a number of FTAs that create a legally binding agreement between two or more countries to reduce or eliminate barriers to trade. The country first signed an FTA under the Association of Southeast Asian Nations (ASEAN) Free Trade Area in 1992 and has since expanded its network to cover about 25 regional and bilateral FTAs with different trading partners. As a member of ASEAN, Singapore participates in all group FTAs.

- Singapore is generally a free port and open economy, and the average tariff is 0%. Around 99% of all imports into Singapore enter duty free.

- For social and environmental reasons, Singapore levies high excise taxes on beer, wine and liquor, tobacco products, motor vehicles and petroleum products. Singapore also restricts the import and sale of non-medicinal chewing gum.

- The Singaporean government introduced a carbon tax in May 2019 to reduce greenhouse gas emissions. The tax will be applied upstream on power stations and other large direct emitters.

- A goods and services tax (GST) of 7% is levied on the supply of goods and services made in Singapore by a taxable person in the course or furtherance of business. It was announced in the 2018 budget that this rate would be increased to 9% between 2021 and 2025. The only exemptions from the GST are prescribed financial services (including life insurance), the sale or rental of residential properties and the import and local supply of investment precious metals.

- GST was not previously charged on imports of services, but this changed from January 1, 2020, with the introduction of a reverse charge on local businesses that make exempt supplies and those that do not make any taxable supplies to account for GST on the services they import. Another change was that the government is now exempting cryptocurrency transactions from GST.

- For dutiable goods, the taxable value for GST is calculated based on the CIF (Cost, Insurance and Freight) value, plus all duties and other charges. In the case of non-dutiable goods, GST will be based on the CIF value plus any commission and other incidental charges whether or not shown on the invoice. If the goods are dutiable, the GST will be collected simultaneously with the duties. Special provisions pertain to goods stored in licensed warehouses and free trade zones (FTZ).

- Labels are required on imported food, drugs, liquor, paint and solvents, and the country of origin must be specified.

- There are two levels of labelling requirements for medicinal products. Administrative labelling requirements are not statutory requirements and are specified in the Health Sciences Authority (HSA)'s Guidance on Medicinal Product Registration in Singapore. Compliance is checked during the product registration process before marketing approval is granted. Legal labelling requirements are stipulated in the legislation related to medicinal products regulation in Singapore and are subject to the HSA's surveillance programme.

- The 'SAFETY Mark' is used for selected electrical and electronic products, and gas appliances that are sold to consumers for use in Singaporean households. All registered controlled goods must be tested to specific international and national safety standards and certified safe by designated product certification bodies.

- The 'ACCURACY Label' covers weighing and measuring instruments intended for trade use. In Singapore, all weighing and measuring instruments used for trade purposes (such as price computing scales in supermarkets, baggage weighing machines at airports and seaports, and fuel dispensers at petrol stations) are regulated under the Singapore Weights and Measures Act and Regulations.

Sources: WTO – Trade Policy Review, Inland Revenue Authority of Singapore, Fitch Solutions

6. Trade Agreement

6.1 Multinational Trade Agreements

<u>Active</u>

1. ASEAN: In addition to Singapore, members include Brunei, Cambodia, Indonesia, Laos, Myanmar, the Philippines, Malaysia, Thailand and Vietnam. Since 2015 almost all tariffs among member states have been removed in the ASEAN Free Trade Area. The agreement eliminates tariffs on 98.6% of goods and lower tariffs within the area have seen regional trade booming. The ASEAN Economic Community (AEC), which is currently under negotiation, will also serve to strengthen regional economic ties and improve trade volumes in Singapore. The AEC creates new opportunities and makes the investment case for business in South East Asia more compelling. ASEAN is Singapore's largest trading partner and top investment destination.

2. Mainland China-Singapore FTA: The FTA between Mainland China and Singapore entered into force on January 1, 2009, and was revised in November 2018. The agreement enhances economic co-operation between the two nations as the free trade accord facilitates productive competition. It also contributes to the economic integration of East Asia and the Asia Pacific region. Under the FTA, the two countries have accelerated the liberalisation of trade in goods on the basis of the Agreement on Trade in Goods of the Mainland China-ASEAN FTA and further liberalised trade in services. Mainland China has been Singapore's single largest trading partner since 2013, accounting for 12.2% of exports and supplying 13.4% of imports in 2018.

3. India-Singapore: The Comprehensive Economic Cooperation Agreement (CECA) entered into force on August 1, 2005. The third CECA review was launched in September 2018 and focuses on trade facilitation, customs and e-commerce. Under the agreement, Singapore's goods exported to India enjoy tariff reduction or elimination, making them more competitive. Singaporean service providers also enjoy preferential access to India's services sector.

4. Japan-Singapore Economic Partnership Agreement (JSEPA): The JSEPA entered into force on November 30, 2002. Under the existing agreement, Japan increased its zero-tariff commitments from 34% of total tariff lines under the WTO to 77%. The JSEPA also liberalised trade in services significantly, expanding its commitments from 103 services sectors under the WTO to 135. The scope of the JSEPA can be categorised into three main areas: trade liberalisation and market access through concessions for trade in goods and services, enhanced

co-operation for non-trade areas and institutional arrangements centred on a dispute settlement mechanism. Singapore also benefits from the ASEAN-Japan Comprehensive Economic Partnership.

5. United States-Singapore FTA and Economic Integration Agreement: Under this FTA, firms in Singapore benefit from reduced trade barriers and a large market with a high propensity for consumption of manufactured goods. The FTA entered into force on January 1, 2004. The United States is one of Singapore's most important trading partners, accounting for 7.7% of exports and 11.4% of Singapore's imports in 2018.

6. ASEAN-Mainland China FTA: This FTA, which came into effect in January 2005 for goods and July 2007 for services, is a comprehensive economic cooperation agreement between ASEAN member states and Mainland China. The goal of the agreement is to eliminate tariffs and address behind-the-border barriers that impede the flow of goods and services. The FTA overlaps somewhat with the Singapore-Mainland China FTA.

7. The ASEAN-India Trade in Goods Agreement: This agreement came into force on January 1, 2010, for goods and on July 1, 2015, for services with the aim of minimising barriers and deepening economic linkages between the parties. The FTA involves the liberalisation of tariffs on more than 90% of products traded between the two regions, including the so-called special products, such as palm oil (crude and refined), coffee, black tea and pepper. The agreement will lead to the progressive elimination of tariffs on all goods. The framework agreement envisages the establishment of an ASEAN-India Regional Trade and Investment Area (RITA) as a long-term objective. The agreement overlaps with the India-Singapore FTA.

8. ASEAN-South Korea FTA (AKFTA): AKFTA came into force in June 2007 and May 2009 for goods and services, respectively, and allows 90% of the products traded between ASEAN and South Korea to enjoy duty-free treatment. The investment agreement entered into force in June 2009. AKFTA aims to create more liberal, facilitative market access and investment regimes between South Korea and ASEAN. A business council was set up in December 2014 to enhance economic cooperation between parties and to boost total trade to USD200 billion by 2020.

9. ASEAN-Japan FTA: Japan provides a huge market for a wide range of goods, with tariff-free trade. This benefits a number of important sectors, including manufacturing, agriculture, mining and chemicals production. The FTA entered into force on April 14, 2008, and overlaps with the Singapore-Japan FTA.

10. ASEAN-Australia-New Zealand FTA and Economic Integration Agreement (AANZFTA): This agreement for goods and services came into force on January 1, 2010. The FTA aims to eliminate tariffs for at least 90% of all tariff lines within specified timelines.

11. ASEAN-Hong Kong FTA (AHKFTA): Hong Kong and ASEAN commenced negotiations for an FTA and an investment agreement in July 2014. After 10 rounds of negotiations, Hong Kong and ASEAN announced the conclusion of the negotiations in September 2017 and forged the agreements on November 12, 2017. The agreements are comprehensive in scope, encompassing trade in goods, trade in services, investment, economic and technical cooperation, dispute settlement mechanism and other related areas. The agreements will bring legal certainty, better market access, and fair and equitable treatment in trade and investment, thus creating business opportunities and enhancing trade and investment flows between Hong Kong and ASEAN. The agreements will also extend Hong Kong's FTA and investment agreement network to cover all major economies in South East Asia. The agreement came into force on January 1, 2019, but it will take time for all ASEAN members to comply as implementation is subject to completion of the necessary procedures. Hong Kong is a key export market and the reduction of tariffs will ease the trading process. Hong Kong's potential as a key export market increases the importance of AHKFTA.

12. Eurasian Economic Union (EAEU)-Singapore FTA: The EAEU and Singapore agreed to begin negotiations for an FTA in December 2016 and concluded five negotiation rounds. The two parties signed the FTA on October 1, 2019. The agreement aims to strengthen collaboration between the two parties in areas such as trade and investment, intellectual property rights protection, customs cooperation and competition enforcement.

13. EU-Singapore FTA: The FTA between the EU and Singapore aims to eliminate duties for industrial and agricultural goods in a progressive step-by-step approach. The FTA entered into force on November 21, 2019. The agreement creates opportunities for market access in services and investments, and includes provisions in areas such as competition policy, government procurement, intellectual property rights, transparency in regulation and sustainable development. The EU is Singapore's third largest trading partner in goods and its largest services trading partner. Under the agreement, 84% of Singapore's exports will enter the EU duty free, while tariffs for the remaining goods will be removed within the first five years.

14. UK-Singapore FTA: The agreement is part of UK efforts to safeguard its trade positions post Brexit and largely mirrors the agreement Singapore has with the EU.

15. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP): The agreement – comprising Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam – came into force on December 30, 2018, and represents 13.4% of global GDP. It aims to cut tariffs, to improve access to markets and to establish common ground on labour and environmental standards, and intellectual property protection. Under the agreement, 94% of Singapore's trade with other CPTPP countries will be tariff free.

Awaiting Ratification

Regional Comprehensive Economic Partnership (RCEP): A regional economic agreement that involves the 10-member ASEAN bloc and their FTA partners: Australia, Mainland China, Japan, New Zealand and South Korea. The agreement was signed on November 15, 2020 at a virtual summit hosted by Vietnam, and will take effect 60 days after being ratified by at least six ASEAN and non-ASEAN signatories. The withdrawal of India from the agreement represents a setback to attempts to counter the growing wave of protectionism in the United States and other parts of the world. The RCEP is envisioned to be a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement that aims to advance economic cooperation, and broaden and deepen integration in the region. The RCEP will lower tariffs and other barriers to the trade of goods among the 15 countries that are in the agreement, or have existing trade deals with ASEAN. The agreement is expected to become active in 2022.

Under Negotiation

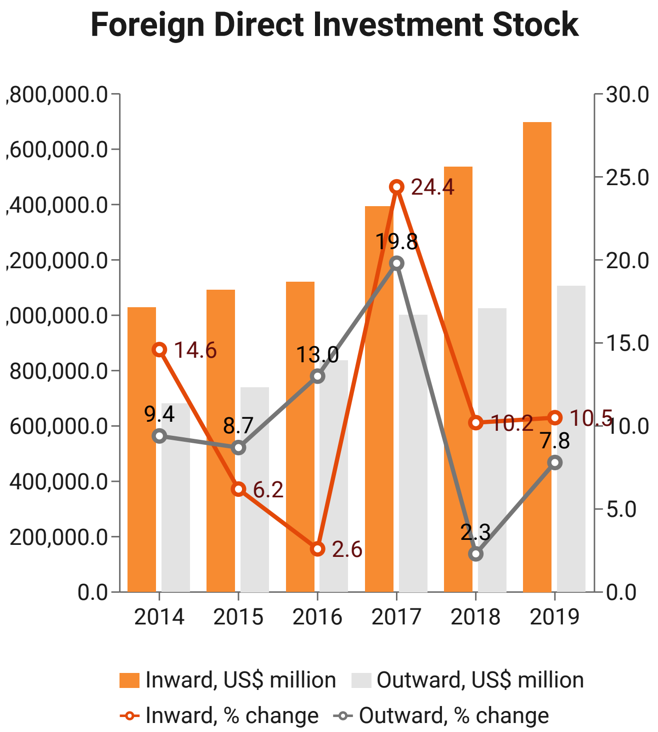
1. Pacific Alliance-Singapore FTA: The proposed FTA is between Singapore and the group comprising Chile, Colombia, Mexico and Peru, of which Singapore already has individual FTAs.

2. MERCOSUR-Singapore: The negotiations for an FTA between Singapore and the South American customs union (comprising Argentina, Brazil, Paraguay and Uruguay) began in July 2018.

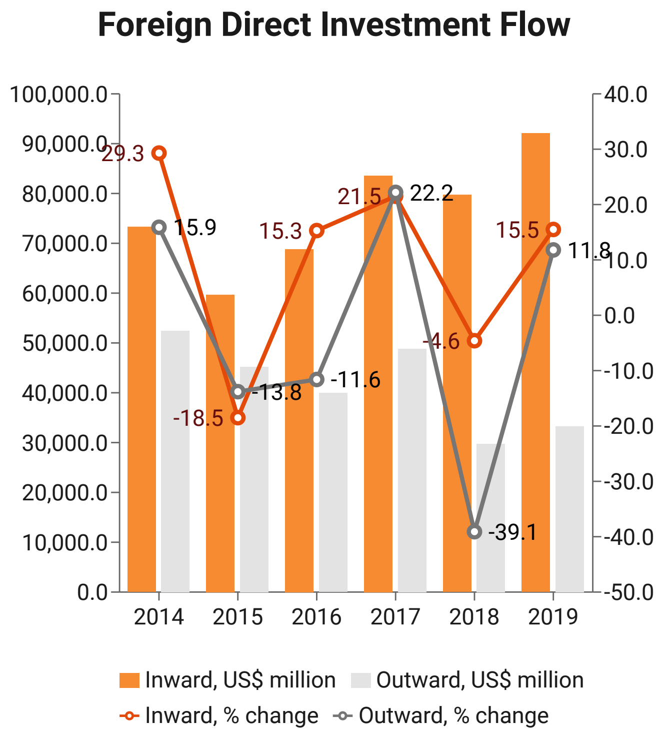
Sources: WTO Regional Trade Agreements database, Enterprise Singapore, Fitch Solutions

7. Investment Policy

7.1 Foreign Direct Investment



Source: UNCTAD
Date last reviewed: January 24, 2021



Source: UNCTAD
Date last reviewed: January 24, 2021

7.2 Foreign Direct Investment Policy

1. The government body responsible for foreign direct investment (FDI) promotion, licensing and regulations – the Economic Development Board (EDB) – was established in 1961. Singapore's investment promotion strategy has been framed to pull in major investment towards high value-added manufacturing and service activities. As one large special economic zone, Singapore offers a number of incentives to investors across a range of industries.

2. Tax incentives are administered by various government agencies, including the EDB, International Enterprise Singapore, the Monetary Authority of Singapore (MAS) and the Maritime and Port Authority of Singapore. The broad categories of activities that could qualify for tax concessions include manufacturing, services, trade and finance.

3. There are various tax incentives available to taxpayers involved in specified activities or industries identified as being beneficial to Singapore's economic development. Tax incentive applications are typically subject to an approval process, during which the administering agency evaluates the applicant's business plans in detail. Generally, applicants are expected to carry out substantive, high-value activities in Singapore and are required to commit to certain levels of local business spending and skilled employment.

4. The Productivity and Innovation Credit (PIC), which previously ran from 2011 to 2018, has been replaced from 2019 with a scaled-down incentive programme called the Productivity Solutions Grant (PSG). Overall, the PSG should support up to 70% of the cost of adopting off-the-shelf solutions, with the aim of incentivising improvements to productivity. For businesses in Singapore, this will aid efforts at remaining competitive in the face of cheap labour elsewhere in the region. The initiative is a particularly valuable contribution to manufacturing industries.

5. Under Singapore's liberal foreign investment legislation, there are virtually no restrictions on the types of activity that may be carried out. However, any company providing financial and telecommunications services, as well as manufacturing operations engaged in the production of certain restricted items, require licences from the appropriate governmental authorities prior to investment from foreign sources. Certain industries are unavailable to foreign investors. These industries are air transport, public utilities, newspaper publishing and shipping.

6. Singapore's transport infrastructure sector is almost entirely driven by government investment plans, although private and foreign companies generally find ample opportunities to participate in the design, consulting, construction and operations of projects. Although Singapore's current infrastructure stock of roads, rail transit, airports and ports is well developed by international standards, it has not kept up with population growth and immigration rates. To address capacity constraints, the government has a sizeable pipeline of planned and ongoing infrastructure investments, largely in the rail sector. Within the ports segment, long-term plans to relocate port facilities away from the city centre will sustain activity over the next decade.

7. Singapore adopts a one-tier taxation system, under which all Singapore dividends are tax exempt in the shareholder's hands. Tax on corporate income is imposed at a flat rate of 17% on profits. A partial tax exemption and a three-year, start-up tax exemption for qualifying start-up companies are available.

8. Foreigners in Singapore face restrictions in the real estate market and are not allowed to acquire all the apartments within a building or all the units in an approved condominium apartment without prior approval. Prior approval is also required for landed homes (houses) and vacant residential land. There are no restrictions on the foreign ownership of industrial and commercial real estate.

9. Overseas vendors providing digital services to register for GST with effect from January 1, 2020, if their global turnover is more than SGD1 million annually and their online sales to Singapore consumers exceed SGD100,000.

10. Since January 2005, qualifying banks licensed by the government have been able to open at a maximum of 25 locations. Non-resident banks in the retail banking sector are not afforded national treatment. Although the government has removed a 40% ceiling on the foreign ownership of local banks, it has stated that it will not approve the foreign acquisition of any local bank.

11. All businesses (local and foreign) must be registered with the Accounting and Corporate Regulatory Authority. The government screens investment proposals to check if they qualify for incentive packages.

12. Foreign and local firms in Singapore have equal access to the FTZ facilities. Foreign companies operating in Singapore must work with local transporters and traders in order to obtain a licence to access the FTZs. Singapore has nine FTZs.

13. According to the 2019 budget (announced in February 2019), the MAS has streamlined regulations governing venture capital managers and has invested USD5 billion in a programme aimed at attracting international private equity firms to the market.

Sources: United States Department of Commerce, Inland Revenue Authority of Singapore, Fitch Solutions

7.3 Free Trade Zones and Investment Incentives

Free Trade Zone/Incentive Programme	Main Incentives Available

FTZs: Brani Terminal, Keppel Distripark, Pasir Panjang Terminal, Sembawang Wharves, Tanjong Pagar Terminal, Keppel Terminal, Jurong Port, Airport Logistics Park of Singapore, Changi Airport Group and the Changi Airport Cargo Terminal Complex	- VAT and GST are suspended for imported goods deposited in an FTZ, and will only be payable on removal from the FTZ for local consumption. - VAT/GST is not payable on supply made in an FTZ if the goods supplied are meant for transhipment or re-export. - The FTZs at the port facilitate various trade activities and promote the handling of transhipment cargo. They offer free 72-hour storage for the import/export of conventional and containerised cargo and 140-day free storage for the transhipment/re-export of cargo. - The Land Intensification Allowance provides an initial tax allowance of 25% and an annual tax allowance of 5% on qualifying capital expenditure incurred for the construction or renovation/extension of a qualifying building or structure. This allowance is available to businesses in industry sectors that have large land takes and low gross plot ratios. Approvals will be granted by the Economic Development Board between July 2010 and December 2025. - A pioneer enterprise is exempt from income tax on its qualifying profits for a period of up to 15 years. - The Development and Expansion Incentive is available to companies that engage in high value-added operations in Singapore, but do not qualify for pioneer incentive status. Under this incentive, these companies enjoy reduced tax rates of no less than 5% on their incremental income derived from the performance of qualifying activities. The maximum initial relief period is 10 years, with possible extensions not exceeding five years at a time, subject to a maximum total incentive period of 20 years.
Incentives for internationalisation	The double tax deduction scheme for internationalisation allows companies expanding overseas to claim a double deduction for eligible expenses for specified market expansion and investment development activities. This includes manpower expenses incurred when Singaporeans are deployed to overseas entities.
PIC/PSG	Certain activities are subject to approval or minimum ownership requirements. With the expiry of the PIC scheme in 2018, the following deductions (under the banner of the PSG regulation) have been introduced for the years of assessment (2019 to 2025): • 250% deduction for qualifying expenditure incurred for research and development carried out in Singapore. • 200% deduction for the first SGD100,000 of qualifying expenditure incurred to register qualifying intellectual property (IP). • 200% deduction for the first SGD100,000 of expenditure incurred to license qualifying IP. Overall, the PSG should support up to 70% of the cost of adopting off-the-shelf solutions, with the aim of incentivising improvements to productivity – particularly in light of the increased competition for cheap labour from neighbouring Malaysia.
Headquarters schemes	Approved regional headquarters in Singapore are taxed at a concessionary rate of tax of 15% on qualifying overseas income. Depending on their level of economic commitments to Singapore, international headquarters can apply for various tax incentives.
Maritime Sector Incentive (MSI) scheme	The MSI scheme is the umbrella incentive for the maritime sector. Incentives offered include tax exemption for shipping companies and a 10% concessionary tax rate for international freight and logistics operators. Approved ship investment managers are also taxed at 10% on qualifying management-related income. The scheme also includes approved ship investment vehicles, which are tax exempt on their qualifying vessel lease income; approved container investment enterprises, which are taxed at 5% or 10% on qualifying income from container leasing; and approved container investment management companies, which are taxed at 10% on qualifying management fees.
Global Trader Programme (GTP)	International traders are taxed at concessionary rates of 5% or 10% on qualifying income from physical trading, brokering of physical trades and derivative trading income.

Mergers and acquisitions allowance	- The mergers and acquisitions allowance allows a write-off, over five years, of 25% of the value of qualifying mergers or acquisitions deals executed between April 1, 2015, and March 31, 2020, subject to a cap of SGD5 million (SGD10 million for deals executed from April 2016 to March 31, 2020) per year of assessment. - This incentive is available to companies that are incorporated, tax resident and conducting business in Singapore; however, this requirement may be waived for companies under the headquarters schemes and the MSI. - A 200% tax allowance is also granted on transaction costs (capped at SGD100,000 per year of assessment) incurred on qualifying deals. The allowance is granted consecutively over a period of five years and may not be deferred.
Investment allowance	- Under the investment allowance, a tax exemption is granted on an amount of profits based on a specified percentage (of up to 100%) of the capital expenditure incurred for qualifying projects or activities within a period of up to five years (up to eight years for assets acquired on hire purchase). - Capital expenditure incurred for productive equipment placed overseas on approved projects may likewise be granted integrated investment allowances. - Investment allowances of 100% of capital expenditure (net of grants) may be granted to businesses seeking to make substantial investment in automation, subject to a cap of SGD10 million per project.
The Pioneer incentive	Corporations manufacturing approved products with high technological content or providing qualifying services may apply for tax exemption for five to 15 years for each qualifying project or activity under the pioneer tax incentive. Corporations may apply for their post-pioneer profits to be taxed at a reduced rate under the Development and Expansion Incentive.

Financial services incentives (FSI)	Under the FSI scheme, income from certain high growth, high value-added activities, such as services and transactions relating to the bond market, derivatives market, equity market and credit facilities syndication, may be taxed at 5%, while a broader range of financial activities will qualify for a 12% tax rate. This rate has been increased to 13.5% for awards granted or renewed from June 1, 2017, and the scope of qualifying income has been expanded (broadly speaking, certain currency, counterparty and investment instrument restrictions have been removed). The tax incentive period may last for five, seven or 10 years, subject to certain conditions being met. Finance and treasury centre (FTC): - Income derived by an FTC is taxed at a reduced rate of 8%. - Interest payments to overseas banks and approved network companies are also exempt from withholding tax where the funds borrowed are used for approved activities. - A package of tax concessions is available to various players in the Singapore bond market, including those involved in certain Islamic financing arrangements. - The Insurance Business Development scheme is an umbrella incentive for the insurance sector. Incentives offered under this scheme include a 10% concessionary tax rate for qualifying income of insurers and income derived from the provision of insurance broking and advisory services. Real Estate Investment Trusts (REITs): - Distributions made to foreign non-individual investors by a listed REIT out of rental income from Singapore real estate are subject to a reduced tax rate of 10%, subject to certain conditions being met. Listed REITs investing in foreign properties can apply for tax exemption for certain foreign income received in Singapore. Distributions out of this income are similarly exempt. - From July 1, 2018, to March 31, 2020, tax transparency treatment will be accorded for specified income of Singapore-listed REIT Exchange-Traded Funds. Islamic financing arrangements: - The income tax, stamp duty and GST treatment of prescribed Islamic financing arrangements and Islamic debt securities (sukuk) are aligned with that of the conventional financing contracts to which they are economically equivalent, subject to certain conditions. Infrastructure project finance incentives: - Tax exemption is available for interest income earned from qualifying investments in qualifying infrastructure projects or assets. FSI companies that provide project finance advisory services related to qualifying projects or assets may enjoy certain tax concessions for their qualifying income, and companies that provide management services to qualifying business trusts and funds pay tax at 10% of their qualifying income. Sovereign wealth funds: - Tax exemption is available for income derived by a sovereign fund entity and an approved foreign government-owned entity from funds managed in Singapore. - A Singapore Variable Capital Company (S-VACC) will be treated as a company and a single entity for tax purposes. The tax exemptions for income from funds managed in Singapore and the existing GST remission for funds will be extended to a qualifying S-VACC. A 10% concessionary tax rate under the FSI incentive for fund managers will be extended to approved fund managers managing an incentivised S-VACC. This tax framework will take effect when or after the regulatory framework for S-VACC comes into effect.

Development and Expansion incentive	- Under the Development and Expansion Incentive, corporations engaging in new high value-added projects, expanding or upgrading their operations, or undertaking incremental activities after their pioneer period can apply for their profits to be taxed at a reduced rate of not less than 5% for an initial period of up to 10 years. - The total tax relief period for each qualifying project or activity is subject to a maximum of 40 years (inclusive of the post-pioneer relief period previously granted, if applicable).
The Venture Capital Funds incentive	- Gains derived from the disposal of approved investments, interest from approved convertible loan stocks and dividends derived from approved investments are exempt from tax, or taxed at a concessionary rate of not more than 10% for a period of up to 10 years. - Extension periods of up to five years each may be available, but the maximum total incentive period is 15 years.

Sources: United States Department of Commerce, Fitch Solutions

8. Taxation – 2021

- Value Added Tax: 7%
- Corporate Income Tax: 17%

Source: Inland Revenue Authority of Singapore

8.1 Important Updates to Taxation Information

- The main changes announced in the 2018 budget related to corporate income tax and value-added tax regimes will be implemented over the short to medium term. These include enhancements of the tax rebates and adjustments to the Partial Tax Exemption and Start-up Tax Exemption schemes that are being implemented over 2018-2020. A 250% tax deduction for qualifying research and development projects, and 200% tax deductions for the first SGD100,000 of qualifying intellectual property (IP) registration costs and the first SGD100,000 of qualifying IP licensing costs were also introduced.

- Singapore imposes a GST. GST is expected to be raised to 9%, from the current 7%, between 2021 and 2025. GST on imported services, including foreign digital service providers, took effect from January 1, 2020.

- The Singapore government introduced a carbon tax (May 2019) to reduce greenhouse gas emissions. The proposed carbon tax will be applied upstream on power stations and other large direct emitters. The carbon tax will be implemented after consultation with stakeholders.

8.2 Business Taxes

Type of Tax	Tax Rate and Base
Corporate Income Tax	17%
Witholding Tax	- 15% for interest on loans and rentals - 10% on royalties
Skills development levy	0.25% of gross salaries – minimum of SGD2 and a maximum of SGD11.25 per month
Property Tax	10% of non-residential property value
GST	7% on the value of products, some products are zero rated
Social security contributions	Employer's contribution is up to 17% on monthly wages up to an income ceiling of SGD6,000.

Sources: Inland Revenue Authority of Singapore, World Bank – Doing Business 2019, Fitch Solutions
Date last reviewed: January 24, 2021

9. Foreign Worker Requirements

9.1 Employment Pass (EP)

The EP is applicable to foreign individuals employed as managers, executives and skilled professionals. It is valid for two years and may be renewed thereafter for up to three years at a time. It is generally applicable to individuals with a minimum monthly salary of SGD3,600 (as of April 2019). Applicants may also apply for a pass for their dependants, such as spouses and unmarried children under the age of 21. The EP must be applied for by the employer on behalf of the individual. The average time needed to obtain an EP is five weeks and falls under the auspices of the Ministry of Manpower (MoM).

9.2 S Pass (SP)

The SP is identical to the EP, but is applicable to individuals with a minimum monthly income of SGD2,300 (and SGD6,000 in order to receive benefits for dependants). The average time needed to obtain an SP is three weeks and falls under the auspices of the MoM.

9.3 Personalised Employment Pass (PEP)

The PEP is applicable to high-earning individuals who already have an EP or are overseas foreign professionals. The minimum monthly income for an applicant already in possession of an EP is SGD12,000, whereas foreign professionals require a minimum monthly income of SGD18,000 to qualify. The PEP allows holders to switch jobs without the need to reapply for a pass and permits the individual to stay in Singapore for an additional six months before securing their next job. The PEP is only valid for three years. After the three years, the individual needs to obtain an EP. The process to obtain a PEP takes roughly eight weeks and falls under the auspices of the MoM.

9.4 Entrepreneur Pass (EntrePass)

The EntrePass is applicable to foreign individuals who wish to start a business in Singapore. The pass is valid for two years and the applicant may apply for it themselves. The EntrePass may be renewed if the applicant's company obtains funding from an accredited source, holds intellectual property (IP; registered with a recognised IP institution), does research with a recognised institution, or is being incubated by a government-supported incubation programme. Applicants may also apply for a dependant pass for their family members.

9.5 Work Permit

The work permit applies to semi-skilled jobs in manufacturing and construction, and jobs in the services sector. A work permit is valid for up to two years and is only applicable to companies that pay a levy and security bond, meet the quota criteria and provide the applicant with healthcare. Work permits do not allow for dependants and take up to seven working days to be processed.

9.6 Training Employment Pass (TEP)

The TEP is valid for three months and applicable to individuals undergoing practical training for jobs of a professional, managerial, executive or specialist nature in Singapore. The applicant must also earn a minimum of SGD3,000 a month. The TEP is not renewable.

9.7 Training Work Permit (TWP)

The TWP is applicable to unskilled or semi-skilled foreign trainees or students on practical training in Singapore for up to six months. Students are subject to a levy. An employer may only have 5% of its total workforce or 15 employees (whichever comes first) working under TWP regulations.

9.8 Employment Charges

The Foreign Worker Levy is a monthly levy of up to SGD950 that employers are liable to pay for each foreign employee hired. The levy rate depends on the employee's qualifications, the employer's industry and the ratio of foreigners to Singaporeans and permanent residents employed in the company. The government has announced that levy increases for work permit holders in the marine and process sectors that were originally proposed for July 1, 2016, will be deferred for another year until July 1, 2019.

9.9 Visa Requirements

Citizens of Afghanistan, Algeria, Bangladesh, the Commonwealth of Independent States, North Korea, Egypt, Georgia, Ukraine, India, Iran, Iraq, Jordan, Kosovo, Lebanon, Libya, Mali, Morocco, Nigeria, Mainland China, Pakistan, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, Turkmenistan and Yemen require a visa to travel to Singapore.

9.10 Workplace Quota

According to the 2019 budget, the government has revised workforce quotas aimed at the services sector. These include lowering the Dependency Ratio Ceiling (DRC) from 40% to 38% effective from January 1, 2020, with a further decrease to 35% set to take effect from January 1, 2021. The government also lowered the sector's SP sub-DRC from 15% to 13% effective from January 1, 2020, and will further lower to 10% effective from January 1, 2021. These revised limits will be applicable as and when companies apply for permit renewals.

Sources: Government websites, Fitch Solutions

10. Risks

10.1 Sovereign Credit Ratings

	Rating (Outlook)	Rating Date
Moody's	Aaa (Stable)	01/09/2020
Standard & Poor's	AAA (Stable)	06/03/1995
Fitch Ratings	AAA (Stable)	14/08/2020

Sources: Moody's, Standard & Poor's, Fitch Ratings

10.2 Competitiveness and Efficiency Indicators

	World Ranking		
	2018	**2019**	**2020**
Ease of Doing Business Index	2/190	2/190	2/190
Ease of Paying Taxes Index	7/190	8/190	7/190
Logistics Performance Index	7/160	N/A	N/A
Corruption Perception Index	3/180	4/180	3/180
IMD World Competitiveness	3/63	1/63	1/63

Sources: World Bank, IMD, Transparency International

10.3 Fitch Solutions Risk Indices

	World Ranking		
	2019	**2020**	**2021**
Economic Risk Index	**38/202**	**35/201**	**30/201**
Short-Term Economic Risk Score	67.1	59.6	73.1
Long-Term Economic Risk Score	69.4	67.5	69.7
Economic Risk Index	**28/202**	**28/201**	**27/201**
Short-Term Political Risk Score	94	94	95.2
Long-Term Political Risk Score	81.1	81.2	81.2
Operational Risk Index	**1/201**	**1/201**	**1/201**
Operational Risk Score	83	84.2	84.8

Source: Fitch Solutions
Date last reviewed: January 24, 2021

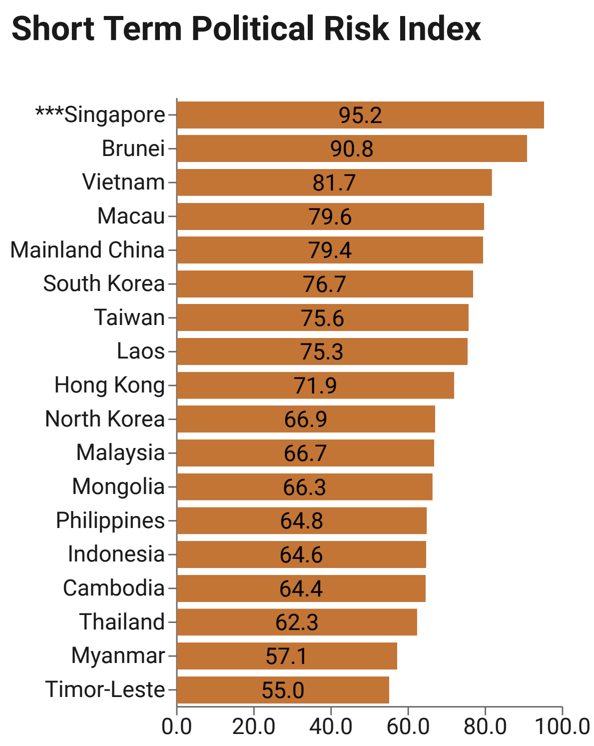
10.4 Fitch Solutions Risk Summary

ECONOMIC RISK
Singapore's heavy dependence on international trade places it in a particularly vulnerable position at a time global trade protectionism is threatening global growth. Its significant exposure to demand dynamics and potential supply chain disruptions in the Asia region also present downside risks. To counter upcoming regional competition in the medium term, Singapore will look to encourage economic diversification to boost competitiveness in new sectors such as biomedical sciences, medical services, financial services and tourism. However, in the short term the Singapore economy faces severe downside risks following the aggressive spread of the Covid-19 pandemic around the world. Additionally, the containment measures taken by governments around the world are likely to put further pressure on Singapore's small and open economy. Singapore's economy will depend on domestic private and government consumption to compensate for the slowdown in external demand. The economy is expected to rebound in 2021 driven mainly by the extension of government support measures announced in 2020. Over the long term we maintain our stance that Singapore's strong political leadership should ensure effective management of the country's economic fundamentals.

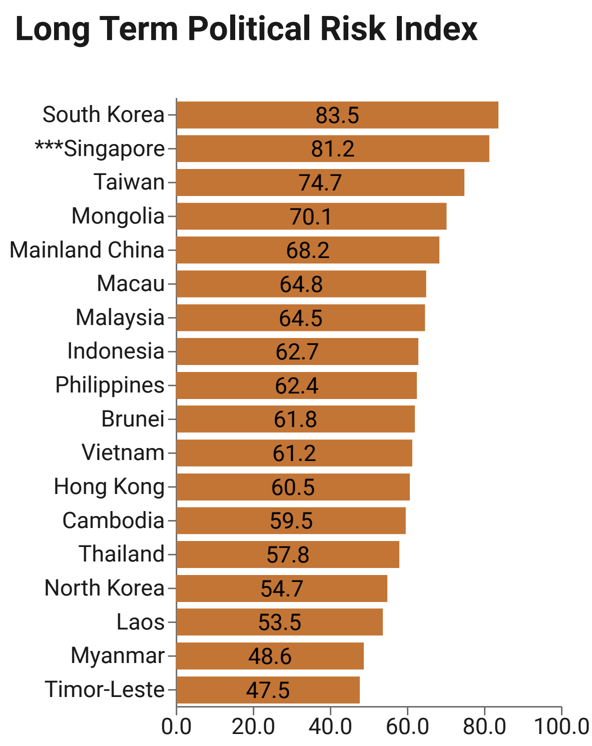
OPERATIONAL RISK
Singapore offers one of the most secure and stable business operating environments globally. This is supported by the existence of well-developed public institutions that promote strong rule of law, stable economic policies and freedom of investment. Foreign investors are attracted by the availability of a world-class logistics network and an open economy anchored on highly investor-friendly policies. Singapore's high-quality education system ensures that businesses have access to highly skilled workers. In the near term, however, there are considerable downside risks to economic activity amid a still uncertain external backdrop due to Covid-19 and elevated global trade tensions. Tightening regulations on foreign workers, cybersecurity threats and high exposure to low global economic growth present potential downside risks over the medium-to-long term. Overall, Singapore's diverse attractions outweigh potential downside risks.

Source: Fitch Solutions
Date last reviewed: January 26, 2021

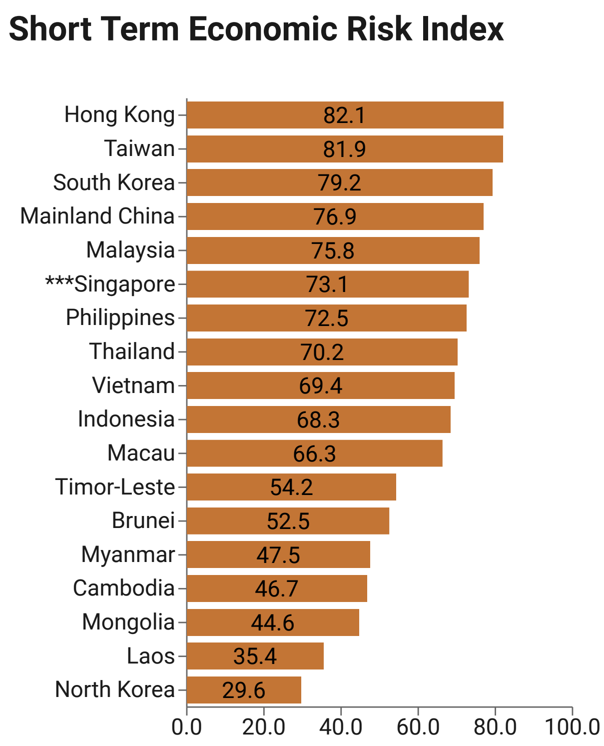
10.5 Fitch Solutions Political and Economic Risk Indices



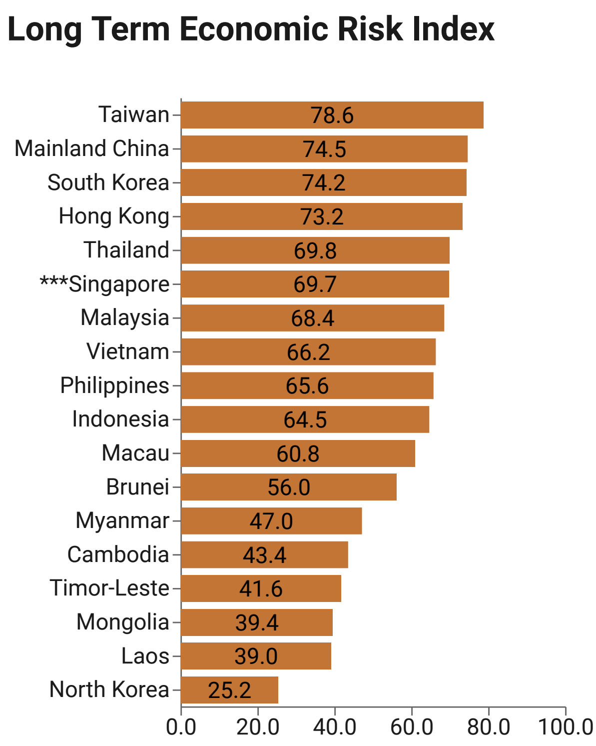
100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Political and Economic Risk Indices
Date last reviewed: January 24, 2021



100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Political and Economic Risk Indices
Date last reviewed: January 24, 2021



100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Political and Economic Risk Indices
Date last reviewed: January 24, 2021



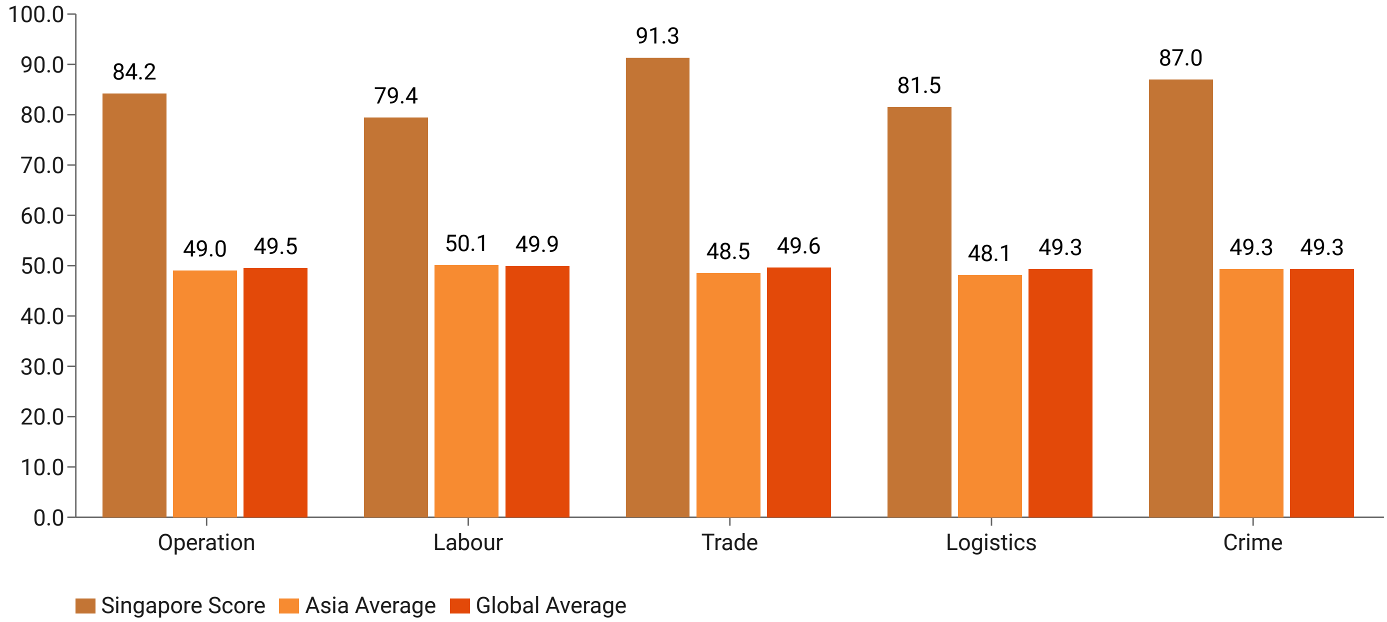
100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Political and Economic Risk Indices
Date last reviewed: January 24, 2021

10.6 Fitch Solutions Operational Risk Index

	Operational Risk	Labour Market Risk	Trade and Investment Risk	Logistics Risk	Crime and Security Risk
Singapore score	**84.8**	**79.4**	**91.3**	**81.5**	**87.0**
East and Southeast Asia average	56.5	57.5	57.6	57.3	53.5
East and Southeast Asia position (out of 18)	1	1	1	1	1
Asia average	49.0	50.1	48.5	48.1	49.3
Asia position (out of 35)	1	1	1	1	1
Global average	49.5	49.9	49.6	49.3	49.3
Global Position (out of 201)	1	2	1	8	4

100 = Lowest risk, 0 = Highest risk
Source: Fitch Solutions Operational Risk Index

Singapore vs Global and Regional Operational Risk Averages



Note: 100 = Lowest Risk, 0 = Highest Risk
Source: Fitch Solutions Operational Risk Index
Date last reviewed: January 24, 2021

Country/Region	Operational Risk	Labour Market Risk	Trade and Investment Risk	Logistics Risk	Crime and Security Risk
Singapore	**84.8**	**79.4**	**91.3**	**81.5**	**87.0**
Hong Kong	81.1	72.6	89.0	81.2	81.5
Taiwan	74.6	71.4	76.7	77.3	73.1
South Korea	71.7	62.1	71.1	80.6	72.8
Malaysia	70.4	62.0	76.1	76.5	66.8
Macau	64.9	62.0	65.5	64.5	67.8
Brunei	62.8	62.4	58.8	63.8	66.2

Thailand	61.0	56.6	68.3	70.1	48.8
Mainland China	59.4	55.8	61.8	73.3	46.8
Indonesia	56.0	54.9	55.5	60.9	52.8
Vietnam	54.6	51.9	57.4	61.1	48.2
Mongolia	50.1	54.7	52.7	37.6	55.3
Philippines	47.6	54.8	51.0	47.0	37.6
Cambodia	42.1	47.4	43.9	35.6	41.2
Laos	37.1	40.5	34.3	39.3	34.2
North Korea	35.3	54.8	24.7	29.3	32.3
Myanmar	32.3	46.8	32.8	31.4	18.2
Timor-Leste	31.2	44.8	26.5	21.0	32.4
Regional Averages	56.5	57.5	57.6	57.3	53.5
Emerging Markets Averages	46.8	48.3	47.1	45.8	46.1
Global Markets Averages	49.5	49.9	49.6	49.3	49.3

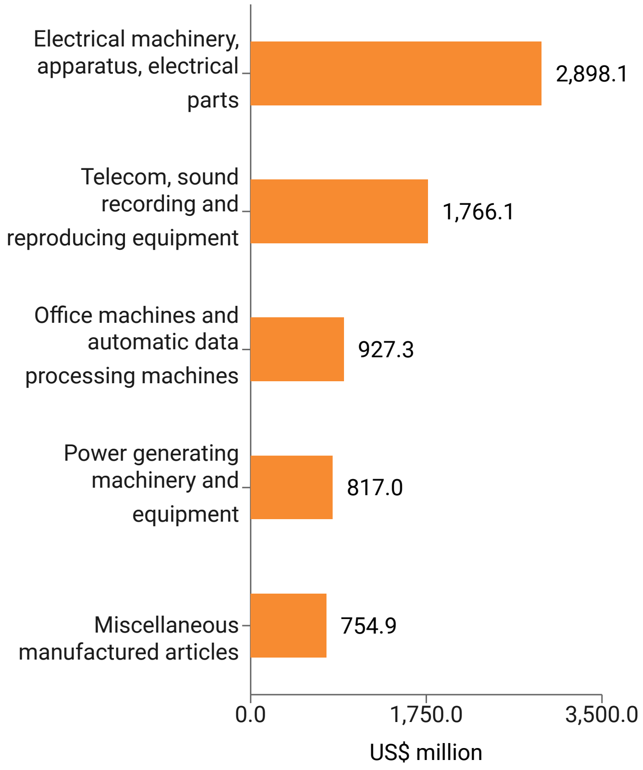
100 = Lowest risk, 0 = Highest risk
Source: Fitch Solutions Operational Risk Index
Date last reviewed: January 24, 2021

11. Hong Kong Connection

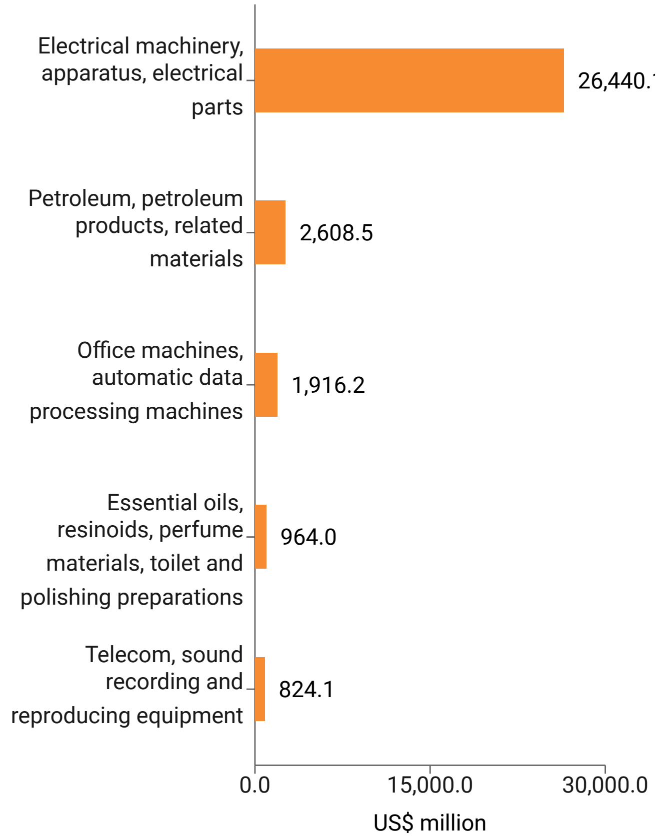
11.1 Hong Kong's Trade with Singapore

Major Export Commodities to Singapore (2019)

Major Import Commodities from Singapore (2019)

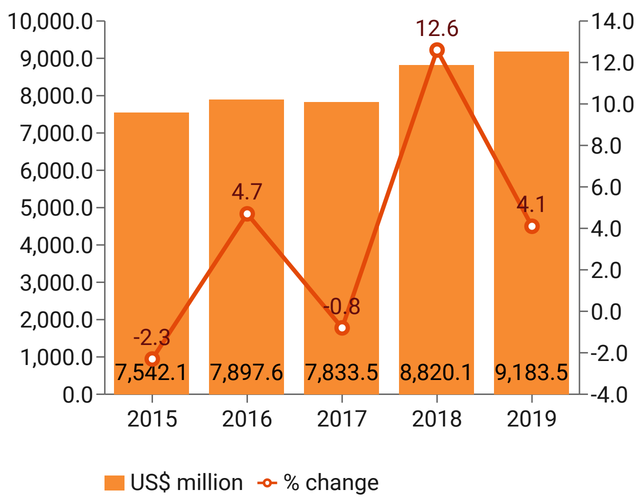


Note: Graph shows the main Hong Kong exports to Singapore (by consignment)
Sources: Hong Kong Census and Statistics Department, Fitch Solutions
Date last reviewed: January 24, 2021



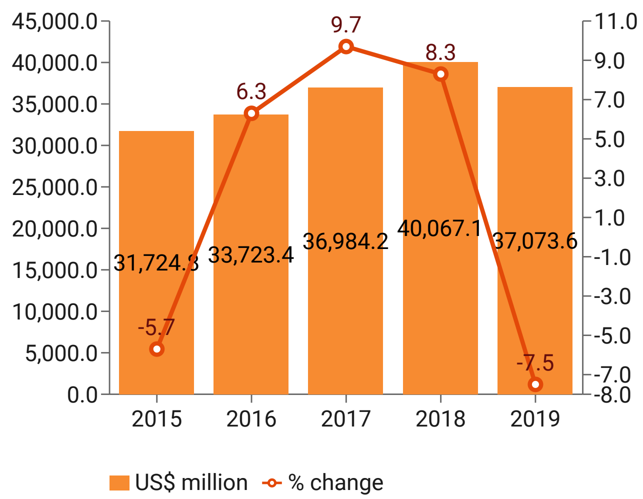
Note: Graph shows the main Hong Kong imports from Singapore (by consignment)
Sources: Hong Kong Census and Statistics Department, Fitch Solutions
Date last reviewed: January 24, 2021

Merchandise Exports to Singapore



Note: Graph shows Hong Kong exports to Singapore (by consignment)
Source: Hong Kong Trade Statistics, Census & Statistics Department
Date last reviewed: January 24, 2021

Merchandise Imports from Singapore



Note: Graph shows Hong Kong imports from Singapore (by consignment)
Sources: Hong Kong Census and Statistics Department, Fitch Solutions
Date last reviewed: January 24, 2021

Exchange Rate HK$/US$, average
7.75 (2015)
7.76 (2016)
7.79 (2017)
7.84 (2018)
7.84 (2019)

	2019	Growth rate (%)
Number of Singapore residents visiting Hong Kong	453,182	-25.8
Number of Asia Pacific residents visiting Hong Kong	52,326,248	14.3

Sources: Hong Kong Tourism Board, United Nations Department of Economic and Social Affairs – Population Division

	2019	Growth rate (%)
Number of Singaporeans residing in Hong Kong	12,799	29.6
Number of East Asians and South Asians residing in Hong Kong	2,834,871	3.4

Note: Growth rate is from 2015 to 2019, no UN data available for intermediate years
Sources: Hong Kong Tourism Board, United Nations Department of Economic and Social Affairs – Population Division, Fitch Solutions
Date last reviewed: January 24, 2021

11.2 Commercial Presence in Hong Kong

	2019	**Growth rate (%)**
Number of Singaporian companies in Hong Kong	446	4.4
- Regional headquarters	47	2.2
- Regional offices	103	-2.8
- Local offices	296	7.6

Sources: Hong Kong Census and Statistics Department – Business Expectation Statistics Section, Fitch Solutions

11.3 Treaties and agreements between Hong Kong/PRC and Singapore

- Singapore has a Bilateral Investment Treaty (BIT) with Mainland China which entered into force on February 7, 1986.
- Singapore has double taxation agreements (DTAs) with Mainland China and concluded a DTA with Hong Kong on November 19, 2004.

Sources: Hong Kong Inalnd Revenue Department, UNCTAD, Fitch Solutions

11.4 Chamber of Commerce or Related Organisations

The Singapore Chamber of Commerce (Hong Kong)
The Singapore Chamber of Commerce (Hong Kong) was incorporated in Hong Kong in September 1995 with the support of the Singapore Consulate-General, the then Singapore Trade Development Board, the Singapore EDB and the Singapore Tourism Board.

Address: Unit 702, 7/F, China Hong Kong Tower, 8-12 Hennessy Road, Wan Chai, Hong Kong
Email: scc@scchk.com.hk
Tel: (852) 2838 3733
Fax: (852) 2838 3390

Source: The Singapore Chamber of Commerce (Hong Kong)

Hong Kong Singapore Business Association
Email: secretariat@hsba.org.sg
Tel: (65) 6730 9285
Website: www.hsba.org.sg
Please click to view more information.

Source: Federation of Hong Kong Business Associations Worldwide

Consulate-General of the Republic of Singapore in Hong Kong
Address: Unit 901-2, 9/F, Admiralty Centre Tower I, 18 Harcourt Road, Hong Kong
Email: singcg_hkg@mfa.sg
Tel: (852) 2527 2212
Fax: (852) 2861 3595

Source: Singapore Ministry of Foreign Affairs

11.5 Visa Requirements for Hong Kong Residents

All foreign visitors must ensure that they meet or possess the entry requirements stated by the Singapore Immigration and Checkpoints Authority. A Singapore tourist visa is not required for citizens of Hong Kong (with a valid Hong Kong passport) for a stay of up to 30 days. To apply for an entry visa for business or social visits, holders of a Hong Kong document of identity will need the following documents: a duly completed Form 14A, a recent passport-sized colour photograph taken within the last three months and a photocopy of the passport biodata page (valid for at least six months from the date of entry into Singapore). Additional supporting documents (eg, Form V39A - Letter of Introduction for Visa Application) may be required on a case-by-case basis. These travellers are advised to apply for an entry visa within 30 days prior to arrival in Singapore.

Source: Singapore Ministry of Foreign Affairs
Date last reviewed: January 24, 2021

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