

## Tax Perspective – Hong Kong vs Singapore

	<b>Hong Kong Company</b>	<b>Singapore Company</b>
<b>Tax jurisdiction</b>	Territorial Basis – Tax are levied on income “derived from or arising in” Hong Kong and not on income sourced outside Hong Kong	Territorial Basis – Taxes are levied on income sourced in Singapore as well as foreign-sourced income remitted in Singapore (for corporate income tax only) and not on income sourced outside Singapore  *Although foreign-sourced income remitted in Singapore is subject to corporate income tax, there is a foreign tax credit to offset the taxes payable in Singapore.
<b>Tax year</b>	The tax year in Hong Kong is April 1 <sup>st</sup> – March 31 <sup>st</sup> but a company is free to decide on its financial year  Profits earned during a financial year ending within the tax year will be deemed to be the profits for that tax year	A company is also free to decide on its financial year  Taxes are paid based on the preceding financial year
<b>Tax system</b>	Single-tier system, i.e. dividends are tax- free	Single-tier system, i.e. dividends are tax-free
<b>Withholding tax on dividends paid</b>	No domestic withholding tax is imposed on the payment of dividends  However there are certain circumstances in which a company making a payment to a foreign associate which is deemed to be Hong Kong-sourced income needs to withhold the tax	No domestic withholding tax is imposed on the payment of dividends  However there are certain circumstances in which a company making a payment to a foreign associate which is deemed to be Singapore-sourced income needs to withhold the tax.
<b>Tax loss carry-forward relief</b>	No time limit to carry forward tax loss – tax loss may be carried forward indefinitely	No time limit to carry forward tax loss – tax loss may be carried forward indefinitely
<b>Corporate tax</b>	Flat rate of sixteen and one-half percent (16.5%) on assessable profit excluding that arising from selling capital and/or asset	Flat rate of seventeen percent (17%) on assessable income. However, Singapore resident companies are eligible for partial tax exemptions in the form of lower effective tax rate capped at 75% exemption on first SGD 10,000 and 50% exemption on next SGD 290,000. Since 2005, incorporated companies enjoy a one-hundred percent (100%) tax exemption for the first SGD 100,000 taxable income and fifty percent (50%) tax exemption for the next SGD 200,000 taxable income for each of the first three (3) consecutive years if the following conditions are met:  1) Incorporated in Singapore;

		<p>2) Tax resident in Singapore; and</p> <p>3) Has no more than twenty (20) shareholders, with either all shareholders are individuals beneficially and directly holding shares in their own names or at least one (1) shareholder is an individual beneficially and directly holding at least ten percent (10%) of the issued ordinary shares.</p> <p>Singapore companies could also enjoy a five percent (5%) tax-free cash grant for the year of assessment 2012.</p> <p>For year 2013 to 2015, companies were granted a 30% Corporate Income Tax Rebate capped at SGD 30,000 for each year.</p> <p>For year 2016 and 2017, companies will be granted a 50% Corporate Income Tax Rebate capped at SGD 20,000 for each year.</p>
<b>Individual tax rates (on chargeable income)</b>	<ul style="list-style-type: none"> <li>- On the first HKD 40,000: 2%</li> <li>- HKD 40,001 – 80,000: 7%</li> <li>- HKD 80,001 – 120,000: 12%</li> <li>- Above HKD 120,000: 17%</li> </ul>	<ul style="list-style-type: none"> <li>- On the first SGD 20,000: 0%</li> <li>- SGD 20,001 – 30,000: 2%</li> <li>- SGD 30,001 – 40,000: 3.5%</li> <li>- SGD 40,001 – 80,000: 7%</li> <li>- SGD 80,001 – 120,000: 11.5%</li> <li>- SGD 120,001 – 160,000: 15%</li> <li>- SGD 160,001 – 200,000: 18%</li> <li>- SGD 200,001 – 240,000: 19%</li> <li>- SGD 240,001- 280,000: 19.5 %</li> <li>- SGD 280,001 – 320,000: 20 %</li> <li>- Above SGD 320,000: 22%</li> </ul>
<b>Estate duty</b>	N/A	N/A
<b>Inheritance tax</b>	N/A	N/A
<b>Capital gain tax</b>	<p>No capital gains tax in Hong Kong</p> <p>Capital losses cannot be deducted as expenses</p>	<p>No capital gains tax in Singapore</p> <p>Capital losses cannot be deducted as expenses</p>

## **Comprehensive Double Tax Treaties in Hong Kong and Singapore**

When determining whether Hong Kong or Singapore is a more appropriate jurisdiction, foreign enterprises should also consider the relevant Double Tax Treaties (“DTTs”) (also referred to as Double Taxation Agreements or “DTAs” in Singapore) each have country has entered into.

Singapore, which has ratified eighty-two (82) comprehensive DTTs, currently offers far more options than Hong Kong, which has only ratified thirty-three (33) comprehensive DTTs to-date. However, both countries have recently increased the number of DTTs they have, and this trend looks to continue for both Hong Kong and Singapore in the near future.

Hong Kong has been particularly active, and during the period of 2010 to date, Hong Kong signed thirty-six (36) new DTTs and protocols and had thirty-three (33) treaties enter into force since January 2012. In addition to these new DTTs, Hong Kong has entered into negotiations for DTTs with the following twelve (12) countries: Bahrain, Bangladesh, Finland, Germany, India, Israel, Latvia, Macao SAR, Macedonia, Mauritius, Pakistan and Saudi Arabia.

Singapore also had a number of DTTs and protocols amending existing DTTs enter into force since 2012, including those with Albania, Australia (protocol), Bahrain (protocol), Barbados, Belarus, Belgium (protocol), Canada (protocol), Ecuador, Estonia (protocol), Guernsey, Isle of Man, Jersey, Mexico (protocol), Morocco, Panama, Qatar (protocol), Rwanda, San Marino, Saudi Arabia, Seychelles, Spain, and Switzerland. Singapore also signed, but has yet to ratify, treaties or protocols with seven (7) countries.

### **Current Status of Hong Kong comprehensive Double Tax Treaties** **As of June 6<sup>th</sup>, 2017**

#### **Signed and ratified:**

- Austria (entered into force on January 1st, 2011; protocol entered into force on July 3<sup>rd</sup>, 2013)
- Belgium (entered into force on October 7th, 2004)
- Brunei (entered into force on December 19th, 2010)
- Canada (entered into force on October 29<sup>th</sup>, 2013)
- Czech Republic (entered into force on January 24th, 2012)
- France (entered into force on December 1st, 2011)

- Guernsey (entered into force on December 5<sup>th</sup>, 2013)
- Hungary (entered into force on February 23<sup>rd</sup>, 2011)
- Indonesia (entered into force on March 28<sup>th</sup>, 2012)
- Ireland (entered into force on February 10<sup>th</sup>, 2011)
- Italy (entered into force on August 10<sup>th</sup>, 2015)
- Japan (entered into force on August 14<sup>th</sup>, 2011; Exchange of Notes entered into force on July 7<sup>th</sup>, 2015)
- Jersey (entered into force on July 3<sup>rd</sup>, 2013)
- Korea (entered into force on September 27<sup>th</sup>, 2016)
- Kuwait (entered into force on July 24<sup>th</sup>, 2013)
- Liechtenstein (entered into force on July 8<sup>th</sup>, 2011)
- Luxembourg (entered into force on January 20<sup>th</sup>, 2009; protocol entered into force on August 17<sup>th</sup>, 2011)
- Mainland China (fourth protocol entered into force on December 29<sup>th</sup>, 2015)
- Malaysia (entered into force on December 28<sup>th</sup>, 2012)
- Malta (entered into force on July 18<sup>th</sup>, 2012)
- Mexico (entered into force on March 7<sup>th</sup>, 2013)
- Netherlands (entered into force on October 24<sup>th</sup>, 2011)
- New Zealand (entered into force on November 9<sup>th</sup>, 2011)
- Portugal (entered into force on June 3<sup>rd</sup>, 2012)
- Qatar (entered into force on December 5<sup>th</sup>, 2013)
- Romania (entered into force on November 21<sup>st</sup>, 2016)
- Russia (entered into force on July 29<sup>th</sup>, 2016)
- South Africa (entered into force on October 20<sup>th</sup>, 2015)
- Spain (entered into force on April 13<sup>th</sup>, 2012)
- Switzerland (entered into force on October 15<sup>th</sup>, 2012)
- Thailand (entered into force on December 7<sup>th</sup>, 2005)
- United Arab Emirates (entered into force on December 10<sup>th</sup>, 2015)
- United Kingdom (entered into force on December 20<sup>th</sup>, 2010)

- Vietnam (entered into force on August 12th, 2009; protocol entered into force on January 1<sup>st</sup>, 2015)

Signed but not ratified (not yet in force):

- Belarus (signed on January 16<sup>th</sup>, 2017)
- Latvia (signed on April 13<sup>th</sup>, 2016)
- Pakistan (signed on February 17<sup>th</sup>, 2017)

**Current Status of Singapore comprehensive Double Tax Treaties  
as of June 6<sup>th</sup>, 2017**

Signed and ratified:

- |                  |                    |
|------------------|--------------------|
| - Albania        | - Luxembourg       |
| - Australia      | - Malaysia         |
| - Austria        | - Malta            |
| - Bahrain        | - Mauritius        |
| - Bangladesh     | - Mexico           |
| - Barbados       | - Mongolia         |
| - Belarus        | - Morocco          |
| - Belgium        | - Myanmar          |
| - Brunei         | - Netherlands      |
| - Bulgaria       | - New Zealand      |
| - Canada         | - Norway           |
| - China          | - Oman             |
| - Cyprus         | - Pakistan         |
| - Czech Republic | - Panama           |
| - Denmark        | - Papua New Guinea |
| - Ecuador        | - Philippines      |
| - Egypt          | - Poland           |
| - Estonia        | - Portugal         |
| - Fiji           | - Qatar            |
| - Finland        | - Romania          |
| - France         | - Russia           |
| - Georgia        | - Rwanda           |
| - Germany        | - San Marino       |
| - Guernsey       | - Saudi Arabia     |
| - Hungary        | - Seychelles       |
| - India          | - Slovak Republic  |
| - Indonesia      | - Slovenia         |
| - Ireland        | - South Africa     |
| - Isle of Man    | - Spain            |
| - Israel         | - Sri Lanka        |
| - Italy          | - Sweden           |
| - Japan          | - Switzerland      |
| - Jersey         | - Taiwan           |
| - Kazakhstan     | - Thailand         |
| - South Korea    | - Turkey           |

- Kuwait
- Laos
- Latvia
- Libya
- Liechtenstein
- Lithuania

- Ukraine
- United Arab Emirates
- United Kingdom
- Uruguay
- Uzbekistan
- Vietnam

Signed but not ratified (not yet in force):

- Cambodia
- Ethiopia
- Ghana
- Latvia
- Sri Lanka