



ASEAN Business Guide

Singapore

2018 edition



ASEAN Business Guide

This country report is extracted from *ASEAN Business Guide: The economies of ASEAN and the opportunities they present.*



SINGAPORE

Singapore's economic achievements since independence – transitioning from a center of entrepot trade in the 1960s to an export-led newly industrialised economy in the 1990s – has taken it from third world to first in just 50 years.

The country's sound macroeconomic policies and pro-business initiatives, world-class infrastructure, and robust intellectual property and regulatory regime are among the nation state's greatest draws. Today, some 4,200 international firms have set up regional headquarters with decision-making responsibilities in Singapore.

To remain competitive and relevant, Singapore will need to transform itself and technology will be central to this journey. Combining its strong business fundamentals with growing investments in innovation and higher value-added activities such as research and development will strengthen Singapore's attractiveness as the ideal home for regional and global companies looking to expand their business in Asia and capture the potential that Southeast Asia offers.

In the coming years, we expect to see more businesses and industries disrupted in significant ways by emerging technologies, even as these same technologies create new opportunities – particularly in fintech 2.0 and insurtech, along with logistics, healthcare and real estate.

Combining KPMG in Singapore's experience and expertise with continued investment in the digital and innovation space, including data & analytics and cyber security, we have been able to help our clients position themselves for the opportunities Singapore and the Southeast Asian region have to offer.



Ong Pang Thye

Managing Partner
KPMG in Singapore

SINGAPORE

KEY COUNTRY FACTS



A vibrant, cosmopolitan city nestled in the heart of Southeast Asia, Singapore is one of the most liveable cities in the world.¹ The country's unique heritage – a harmonious blending of different cultures, lifestyles and religions from across Asia and the world – and safe, orderly state provide a welcoming environment for all. The ease of access to quality healthcare services and education, and efficient public transport system add to Singapore's attractiveness as a place to live, work and play.



GOVERNMENT

A republic with a parliamentary system of government



POPULATION

5.6
MILLION (2017)



CURRENCY

Singapore Dollar (SGD)



LANGUAGES

English (official), Mandarin, Malay, Tamil

RELIGIONS

Buddhism, Islam, Christianity, Taoism, Hinduism

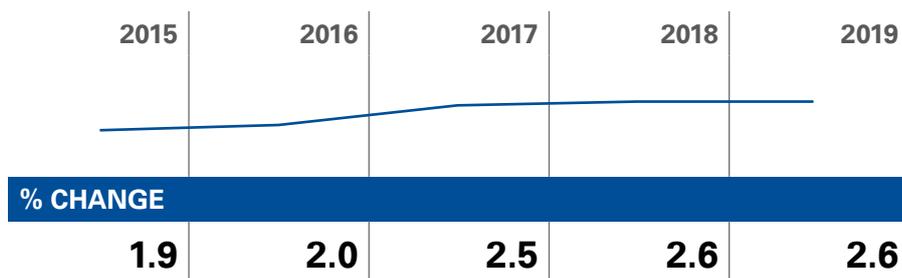
Source: Singapore Economic Development Board, Singapore Department of Statistics

OPEN MARKET ECONOMY

Singapore has a well-developed market economy and its strong economic performance over the years is testimony to the nation's open, outward-oriented development strategy.² The country, which is Triple-A rated³, has more than USD1.9 trillion⁴ in assets under management and a market capitalization of USD751 billion⁵. It has continued to post growth and attract foreign investment, despite global economic challenges. This is largely due to its stable political environment, robust and transparent legal and judicial system, market responsive regulatory framework and policies, and developed business ecosystem.

Economic Performance

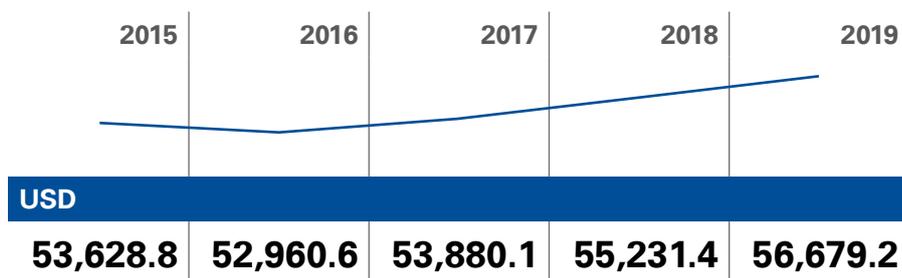
GDP constant prices*



* 2010 market price; percentage change after 2016 are estimates

Source: International Monetary Fund, World Economic Outlook Database, October 2017

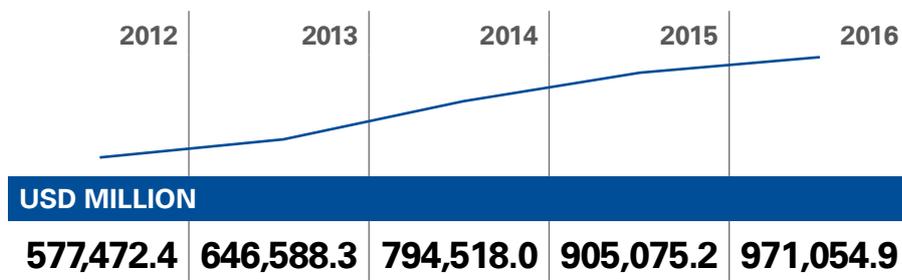
GDP per capita, current prices (CAGR 1.39%)



Figures after 2016 are estimates

Source: International Monetary Fund, World Economic Outlook Database, October 2017

Foreign direct investment inflows



Source: Singapore Department of Statistics

Main FDI investors



United States of America
USD 200 bil



British Virgin Islands
USD 85 bil



Cayman Islands
USD 76 bil



Netherlands
USD 72.9 bil



Japan
USD 67.1 bil

Source: Singapore Department of Statistics.
Figures as at end 2016

TRUSTED HUB IN THE REGION

Singapore’s geographically strategic location places it at the crossroad between the East and the West.

Many global companies have come to consider Singapore their trusted hub in the region because of its excellent transport and communications infrastructure, skilled talent pool, efficient tax regime and pro-business policies. The country’s strong domestic institutions with good corporate governance practices, stable competent government, and robust legal and regulatory framework also adds to its attractiveness.

International institutions have also consistently ranked Singapore as a first-class business environment, bolstering Singapore’s reputation as a key regional and global hub for companies to do business. It is an ideal base for companies seeking access to new and emerging markets in Asia, as well as capital and investment for growth in Asia.

Political stability



- Sovereign republic
- Political stability since independence in 1965 provides businesses and investors a sense of assurance and signals continuity in its policies while responding promptly to market changes

Good governance and transparency



- Government places great emphasis on rule of law
- Zero tolerance for bribery
- Robust and transparent legal and judiciary forms foundation for trust and confidence which are central to Singapore’s economic growth and to attracting foreign investments into the country

Rankings

+ All rankings are global unless otherwise indicated
 Source: *Doing Business 2018*, World Bank; *Corporate Governance Watch 2016* CLSA, Asian Corporate Governance Association; *Corruption Perceptions Index 2016*, Transparency International; *Global Competitiveness Index 2017-2018*, World Economic Forum; *Global Innovation Index 2017*, Cornell University, INSEAD and WIPO

Index	Ranking ⁺
Ease of Doing Business	2
Corporate Governance Watch (Asia)	1
Intellectual Property Protection	4
Transparency of Government Policymaking	2
Corruption Perceptions Index	7
Global Competitiveness Index	3
Global Innovation Index	7

Diversified and globalized economy



- Transitioned from labour-intensive exports to high value-added products and services such as pharmaceuticals and financial and business services
- Pursuing new sectors of growth in areas such as natural resources, robotics and safety and security
- Built an environment that fosters entrepreneurship
- Created ecosystems that support start-ups, with the most active being in the tech space. Some of the hottest verticals are eCommerce, transport and logistics, marketplaces and platforms, real estate and Fintech⁶

Robust intellectual property rights regime



- Rigorous policies designed to protect intellectual property (IP): patents, trademarks, copyright, registered designs, plant varieties protection, geographical indications, trade secrets and layout-design of integrated circuits⁷
- IP rights regime complies with Trade Related Aspects of Intellectual Property Rights (TRIPS)
- Ranked fourth in the World and top in Asia in the World Economic Forum Global Competitiveness Report 2017 - 2018
- Ranked among the top 10 in key IP and innovation indices such as the International Property Rights Index 2017, U.S. Global Intellectual Property Center's International IP Index 2018, Global Innovation Index 2017 and Bloomberg 2018 Innovation Index⁸

Stable growth



- Consistently posted growth that is sustained through sound macroeconomic policies, open, market-oriented development strategies and pro-business regulatory environment

Talented workforce



- Multi-cultural workforce recognized for productivity, attitude and technical skills⁹
- Harmonious labour-management relations
- More than half of the work force are tertiary educated and over 55% are professionals, managers, executives and technicians
- Immigration policy open to foreign manpower where it complements economic and population needs
- Government investment in skills acquisition and continuing education to ensure workforce stays relevant to market needs

Attractive tax environment



- Personal income and corporate tax rates in Singapore are among the lowest in the world
- Resident tax rates: progressive and up to 22%
- Non-residents tax rates: employment income is taxed at a flat rate of 15% or the progressive resident tax rate, whichever is a higher tax amount
- Corporate tax rate: 17%
- Tax incentives available for:
 - Regional headquarter activities
 - Research and development activities
 - Development and expansion
 - Finance and treasury center
 - Trading and procurement activities
- Other incentives available:
 - Exemptions for withholding taxes
 - Training and skills qualification
 - Warehousing and exporter schemes
 - Merger & acquisitions incentive
 - Research and development grants
- Other factors
 - No withholding tax on dividends
 - Foreign dividends exempted subject to conditions
 - No capital gains tax
 - 60 comprehensive Avoidance of Double Taxation Agreements (DTA) and seven limited DTAs¹¹

Trade agreements



- Singapore has implemented 21 free trade agreements (FTA) with 32 trading partners¹²

Bilateral FTAs¹³

Agreements signed between Singapore and a single trading partner



China-Singapore Free Trade Agreement

- Tariff elimination of 95% of exports from Singapore to China
- Allows for third-party invoicing of goods



India-Singapore Comprehensive Economic Cooperation Agreement

- Tariff reduction/elimination for 82% of domestic exports from Singapore



Japan-Singapore Economic Partnership Agreement

- Tariff elimination of 92.1% of Japan's tariff lines



Korea-Singapore Free Trade Agreement

- Tariff reduction/elimination of 91.6% of all tariff lines



New Zealand-Singapore Comprehensive Economic Partnership

- Elimination of all tariffs on exports from Singapore to New Zealand
- Tariff preference granted based on exporter's declaration; no application required



Panama-Singapore Free Trade Agreement

- Tariff elimination of up to 98% for exports from Singapore to Panama
- Tariff preference granted based on importer's declaration; no application required



Peru-Singapore Free Trade Agreement

- Reduction in tariffs for over 87% of total exports from Singapore to Peru



Singapore-Australia Free Trade Agreement

- Elimination in tariffs for 100% of tariff lines
- Application for Preferential Certificate of Origin for the same classification of goods can be submitted biennially



Singapore-Costa Rica Free Trade Agreement

- Immediate tariff elimination on more than 95% of exports from Singapore to Costa Rica
- Tariff preference granted based on exporter's declaration; no application required



Singapore-Jordan Free Trade Agreement

- Tariff removal on almost 100% of exports from Singapore to Jordan



Turkey-Singapore Free Trade Agreement

- Tariff elimination for more than 95% of all Turkey's tariff line

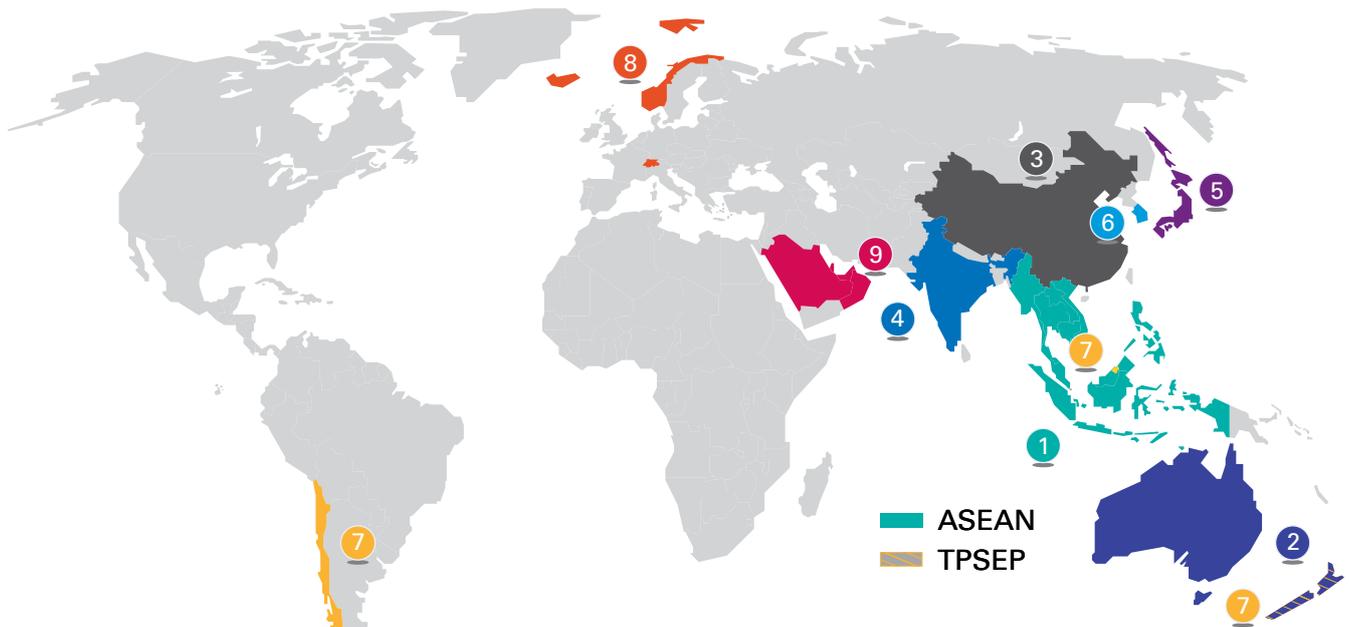


United States-Singapore Free Trade Agreement

- Elimination of tariffs on 100% of tariff lines
- Waiver of Merchandise Processing Fee for Singapore originating products
- Tariff preference granted based on importer's declaration; no application required

Regional FTAs¹⁴

Agreements signed between Singapore and a group of trading partners



1 ASEAN Free Trade Area

- Elimination of tariffs on more than 99% of products
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

2 ASEAN-Australia-New Zealand Free Trade Agreement

- Elimination of tariffs on more than 90% of the products with the exception of exclusions
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

3 ASEAN-People's Republic of China Comprehensive Economic Cooperation Agreement

- Elimination of tariffs on at least 90% of the products
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

4 ASEAN-India Comprehensive Economic Cooperation Agreement

- Elimination of tariffs on at least 80% of product lines with the exception of exclusions
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

5 ASEAN-Japan Comprehensive Economic Partnership

- Elimination of tariffs on at least 90% of product lines with the exception of exclusions
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

6 ASEAN-(Republic of) Korea Comprehensive Economic Cooperation Agreement

- Elimination of tariffs on at least 90% of product lines with the exception of exclusions
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

7 Trans-Pacific Strategic Economic Partnership

- Elimination of tariffs for 100% of tariff lines among its members, Brunei Darussalam, New Zealand, Chile and Singapore
- Tariff preference given based on exporter's declaration; no application required

8 European Free Trade Association (EFTA) -Singapore Free Trade Agreement

- Eliminations on most tariffs (99.8%) on Singapore's domestic exports to the EFTA which comprise Iceland, Liechtenstein, Norway, Switzerland
- Tariff preference given based on exporter's declaration; no application required

9 Gulf Cooperation Council (GCC) -Singapore Free Trade Agreement

- Elimination of most tariffs (99%) of Singapore's exports to the with GCC members, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates



Concluded / signed FTAs¹⁵

- European Union - Singapore Free Trade Agreement
- Comprehensive and Progressive Agreement for Trans - Pacific Partnership
- ASEAN - Hong Kong, China Free Trade Agreement



FTAs under negotiation¹⁶

- ASEAN - India (Services & Investment)
- ASEAN - Japan (Services & Investment)
- Canada
- Eurasian Economic Union - Singapore Free Trade Agreement
- Mexico
- Pacific Alliance - Singapore Free Trade Agreement
- Pakistan
- Regional Comprehensive Economic Partnership
- Sri Lanka - Singapore Free Trade Agreement
- Ukraine

SUSTAINING GROWTH

Singapore has transitioned swiftly from third to first world economy by continuously restructuring its economy to adapt to changing global and local circumstances. Following its last major restructuring in 2010, Singapore's overall real productivity grew by 2.5% per annum (p.a.) between 2009 and 2016.¹⁷ Its resident unemployment rate was a low 3% while real median wage grew at a rate of 2.6% p.a.¹⁸ over the same period.¹⁹

This strategy of adapting through economic restructuring has worked well for this thriving city-state. It has made Singapore one of the world's most competitive economies with the most business-friendly regulatory environment.²⁰

In 2017, Singapore's Committee on the Future Economy (CFE) presented a report on Singapore's next phase of growth over the next decade.²¹ The country will need to:

1. deepen and diversify Singapore's connections to the global economy, international partners, innovation and technology networks, and strengthen economic cooperation
2. encourage and help workers to develop deep skills to create value
3. build new networks to facilitate innovation
4. deepen digital capabilities
5. partner to develop promising industries
6. tailor industry transformation plans to focus on where potential can be best realized and synergies across industries, maximized
7. build on the robust regulatory environment to remain pro-business and to support innovation and risk-taking

These recommendations, amongst others outlined by the 30-member CFE, will influence how Singapore approaches business and trade in the coming years.

Traditional industries such as manufacturing and services remain key contributors to the Singapore economy while the country steps up investments in high value-added activities and focus on more sophisticated high-technology industries requiring specialist skills.

Emerging industries²²



Lifestyle products and services

- Sophisticated lifestyle products and services – arts, collectibles, performing arts, sports



Natural resources

- Center for commodities trading, marketing, trade financing, shipping and shared services operations
- Development of technologies for future sustainability



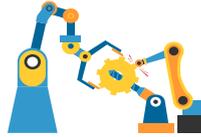
Automotive

- Ideal location for a regional headquarter hub for spares distribution, production of high-value products, and research and development



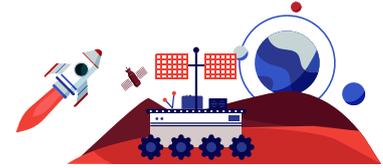
Safety and security

- Research and development of cutting edge technologies in safety and security and public-private partnerships to test bed solutions in a live environment



Robotics

- Research and development of upstream robotics technologies
- Solutions for manufacturing, logistics, healthcare, transport, environmental services and security industries
- Advanced manufacturing and engineering of complex and sophisticated robotics systems



Space

- Ecosystem to develop, test bed and commercialize satellite solutions
- Access to technologies and complimentary expertise
- Access to funding given Singapore's position as a financial hub and its tax efficient environment

Endnotes

¹ Singapore still among world's liveable cities, The Straits Times. Retrieved from <http://www.straitstimes.com/singapore/housing/spore-still-among-worlds-liveable-cities>

² The Singapore Economy, Monetary Authority of Singapore. Retrieved from <http://www.sgs.gov.sg/The-SGS-Market/The-Singapore-Economy.aspx>

³ S&P, Moody's and Fitch

⁴ Monetary Authority of Singapore Annual Report 2016/2017. Retrieved from http://www.mas.gov.sg/annual_reports/annual20162017/MAS_AR_201617_Editorial.pdf

⁵ Monetary Authority of Singapore. Figure as at end December 2017. (SGX-ST: Price Index, Number of Listed Companies, Turnover and Capitalisation), Monetary Authority of Singapore. Figure as at end December 2017.

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¹⁰ Inland Revenue Authority of Singapore. Retrieved from <https://www.iras.gov.sg/irashome/default.aspx>

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¹² Singapore Free Trade Agreements. Retrieved from <https://www.iesingapore.gov.sg/Trade-From-Singapore/International-Agreements/free-trade-agreements/Singapore-FTA>; ASEAN Free Trade Agreements, ASEAN Secretariat. Retrieved from http://www.jterc.or.jp/koku/koku_semina/pdf/130306_presentation01.pdf

¹³ *ibid*

¹⁴ *ibid*; The European Free Trade Association. Retrieved from <http://www.efta.int/free-trade/free-trade-agreements/singapore>

¹⁵ *ibid*
The Signing of the ASEAN-Hongkong, China Free Trade Agreement and ASEAN-Hongkong, China Investment Agreement, ASEAN. Retrieved from: <http://asean.org/the-signing-of-the-asean-hongkong-china-free-trade-agreement-and-asean-hongkong-china-investment-agreement/>

¹⁶ *ibid*

¹⁷ This is measured as real growth in gross monthly income from work (including employer Central Provident Fund contributions) of full-time employed residents. Ministry of Manpower. Retrieved from <https://www.gov.sg/microsites/future-economy/the-cfe-report/read-the-full-report>

¹⁸ This is measured as real value-added per actual hour worked. For 2016, based on advance gross domestic product estimates and preliminary estimates on hours worked. Ministry of Trade and Industry. Retrieved from <https://www.gov.sg/microsites/future-economy/the-cfe-report/read-the-full-report>

¹⁹ For OECD countries, the unemployment rate averaged 7.7% and growth in real wages was 0.4% between 2009 and 2015. Unemployment is measured as harmonised unemployment rate. Wages are measured as average annual wages per full-time and full-time equivalent employee. OECD. Retrieved from <https://www.gov.sg/microsites/future-economy/the-cfe-report/read-the-full-report>

²⁰ Singapore Overview, World Bank. Retrieved from <http://www.worldbank.org/en/country/singapore/overview>

²¹ Report of the Committee on the Future Economy, Committee of the Future Economy. Retrieved from <https://www.gov.sg/microsites/future-economy/the-cfe-report/read-the-full-report>

²² Singapore Economic Development Board. Retrieved from <https://www.edb.gov.sg/content/edb/en/industries/emerging-businesses/emerging-businesses.html>

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4 offices

KPMG SERVICES

Audit

- Fundamental to a risk-based audit approach is understanding the way our clients run their businesses and drive performance.
- KPMG focuses on the areas which are critical to our clients in delivering their strategies and meeting goals.
- KPMG's extensive experience and proprietary tools have enabled us to provide seamless services to clients across industry sectors and geographical boundaries.

Tax

- Against a backdrop of increasing complexity in the business and tax landscapes, clients will need to weigh its tax options against many factors, such as tax ramifications against the financials, increased information sharing between tax authorities, evolving regulations, global competitions and new economies.
- Through two main service lines: tax consulting and tax planning and compliance, KPMG's tax practice consistently provides proactive advice and quality service. Our tax consulting service lines cover mergers & acquisitions & government incentives, global transfer pricing services, global indirect tax services, financial services tax and international tax. Our multi-national clients enjoy this single point of contact in Asia Pacific for all regional tax issues.
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Advisory

- KPMG's Advisory team works with a range of clients, helping them meet challenges associated with growth, performance and governance.
- Our professionals can cover both operational and transactional activities.
- Our Advisory practice assembles skilled and experienced professionals in multi-disciplinary groups tailored to the needs of individual clients and their unique circumstances.
- In our clients' interests, we also draw on the capabilities and knowledge resources of KPMG's global network.
- We offer our clients a single point of contact to help streamline the relationship and enhance its productivity and usefulness to them.
- We understand and respect clients' needs and aspirations. Clients can draw from a range of management and risk consulting services covering a broad spectrum of business activity.

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