Appendix 1: HEADQUARTERS (HQ) Programme by EDB

The **Headquarters (HQ) Programme** encourages companies to use Singapore as the location to manage their operations in the Asia-Pacific and /or other parts of the world. The programme is applicable to entities incorporated or registered in Singapore, which provide management and headquarters-related services and business expertise to operations in the region and /or rest of the world.

There are four initiatives under the HQ Programme:

a) **Operational Headquarters (OHQ)**

OHQs typically provide corporate support services to its <u>related</u> companies in the region. The Programme was first created to boost the services sector, in line with the national strategy to promote manufacturing and services as twin engines. The nature of the operations is cost centre.

b) **Business Headquarters (BHQ)**

BHQs not only provide corporate support functions but also manage business functions that generate income. Unlike OHQs that provide only to related companies, BHQ provide support to <u>related</u> and <u>unrelated</u> companies. The nature of operation is profit centre

c) **Manufacturing Headquarters (BHQ)**

MHQs have manufacturing entities in Singapore that exercise control over the regional operations.

d) **Global Headquarters (GHQ)**

GHQs perform at least one global HQ function in Singapore.

The benefits under the schemes are as follows:

Operational Headquarters	**Business Headquarters**	**Manufacturing Headquarters**	**Global Headquarters**
• Tax of 10% on - management fees - royalty income • Tax exemption on foreign dividends • Tax on expatriates' home leave allowance waived	• Incremental profits taxed at 13% , <u>or</u> • Exemption of corporate tax on profits arising from pioneer activities, <u>or</u> • Additional write-off against chargeable income of up to 50% of the cost of qualifying new fixed investment, <u>or</u> • Full or partial exemption of withholding tax on royalties, <u>or</u> • Grant for training	• Incentives customized according to the needs of the company	• Incentives customized according to the needs of the company

Each application will be considered on its own merit. Duration of the award could range from 5 to 10 years depending on the applicant's proposal. At the end of the award duration, the incentive can be considered for renewal.

General Criteria to be eligible for the HQ Programme

(Source: EDB, unpublished source)

1. The applicant should be well established in its respective business sector or industry and has attained a critical size in terms of equity, assets and employees

2. The applicant should be the nerve centre for the principal activity/ activities it is providing from Singapore, with clear-cut management and control for the activities, and in terms of organization reporting structure at senior management levels

3. The applicant should have a sizeable network of companies. The companies that form the network are expected to be involved in commercial activities

4. The personnel employed by the applicant for its headquarters activities in Singapore to support its network companies. Such activities may include:
   - Administration, business planning, co-ordination and development
   - Logistics services including sourcing of raw materials and components
   - Research & development and product development
   - Technical support services and maintenance
   - Marketing and sales promotion
   - Training and human resource management
   - Corporate finance advisory services
   - Economic or investment research and analysis
   - Credit control and administration
   - Data processing and communication

5. Additional quantitative requirements for OHQ:

   - Paid-up capital of S$0.5 million
   - Minimum incremental total business of S$2 million
   - Minimum incremental head count of 5 senior management/ professionals
   - Minimum of 3 headquarters-type activities
   - Minimum of 3 network companies

6. Additional quantitative requirements for BHQ:

   - Minimum incremental total business of S$2 million
   - Minimum incremental head count of 15 senior management/ professionals
   - Minimum of 3 headquarters-type activities
   - Minimum of 3 network companies

Appendix 2: Headquarters highlights

Activities in year 2001

- The HQ projects in 2001 cut across key EDB clusters, including chemicals, electronics, engineering, biomedical sciences, logistics/Supply Chain Management and Infocomms & Media.

- Of the 19 new HQs, seven are from the US, seven from Europe, and five from Asia. Six are subsidiaries of Fortune 500 companies.

- Among those with operational headquarters status (OHQ) are Glaxo Wellcome, BASF and Cisco Systems (awarded in 1999), American firms Hewlett-Packard, General Motors, Compaq Computer and UPS, French companies Rhône-Poulenc (chemical-based activities) and Danone (food), and Norwegian industrial giant Norsk Hydro.

- Business headquarters (BHQ) status has been accorded to companies such as Genencor, ESPN Stars, Avnet, M+W Zander, Mallinckrodt and Pulse.

- Manufacturing headquarters status were given to Molex Singapore, Sanden International, FCI Singapore, Makino Asia Pte Ltd and ASM Technology Singapore Pte Ltd.

- Other leading players with a HQ in Singapore include: UPS, BMW, Foxboro, General Electric, Matsushita, Reuters, Hilton, Compaq, HP, IBM, Motorola, 3M, Nokia, Philips and Caltex

Company Highlights

- **ABB Industry Pte Ltd** is the subsidiary of ABB Automation, the largest division of ABB which is the world's largest electrical engineering group. ABB announced the opening of its first ABB Automation South East Asia Centre in Singapore. The centre, which is also the regional HQ, is set to become the focal point for ABB's Automation Business and will harness and develop local capabilities to broaden ABB's business and introduce optimal solutions for the industries that ABB serves.

- **Agilent Technologies** is a global, diversified technology company focusing on high growth markets in the communications and electronics industries. The HQ in Singapore will serve as the headquarters and regional support centre for Agilent's operations in the Asia-Pacific. It will also be establishing an Asia-Pacific Call Centre which will invest in advanced telecommunications and Internet technologies to integrate web activities with the call centre, including click-to-call, and collaborative web browsing.

- **Infineum Singapore Pte Ltd** was formed as a result of a merger between the fuel and lubricant additives businesses of ExxonMobil Chemicals' and Shell Chemical to create the largest fuel and lubricant additives company in the world. The HQ entity in Singapore will carry out regional support activities like R&D, product development and technical support and services.

- **Johnson Controls** is a global market leader in automotive systems and facility management and controls. It set up its Asia-Pacific Intranet in Singapore last year. The IT platform will allow e-procurement/auctions, web-enabled accounting, human resources applications and Internet-based training. Singapore will also be Johnson Controls' knowledge centre, which will be a solution provider and offer technical support to the company's business activities in the region.

- **Molex**, one of the largest global interconnect manufacturers of electronic connectors, terminals, interconnecting systems and switches, was one of the companies awarded Manufacturing Headquarters (MHQ) status in 2000. Molex's MHQ in Singapore acts as a "mother plant" with the charter and capability to develop its own products and manufacture them for the global market. The MHQ is in collaboration with local research institutes in the conduct of R&D activities including virtual product development, optimizing knowledge-based engineering systems and advanced 3D solid modeling techniques to reduce time-to-volume and time-to-market.

- **Merck Sharp & Dohme (I.A)** is the Singapore branch of Merck and Co., Inc - one of the three largest pharmaceutical companies in the world by market share. Its operational headquarters in Singapore will provide business functions such as corporate finance advisory services, business planning and development and technical support services.

- **ASM**, founded in 1968, is one of the leading suppliers of semiconductor process equipment in both front- and back-end markets. The company will use its Singapore business HQ to manage crucial parts of its value chain such as product conceptualization, design, development and prototyping. Its HQ here will also manage part of ASM Technology's new product charters worldwide. ASM Technology aims to develop into a Centre of Excellence for product design and manufacturing.

- **Bayer**, an international research-based group, is present in virtually all the countries of the world and in ASEAN has bases in Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. It employs some 120,000 employees worldwide, with about 4,000 based in the region. With its business HQ now in Singapore, Bayer South East Asia, previously known as Bayer (Singapore) Pte Ltd, has expanded its scope of activities to include general management and administration, procurement, training and personnel management, regional corporate controlling and reporting responsibilities, and corporate communications.

- **Komatsu Asia & Pacific Pte Ltd (KAP)**, a fully-owned subsidiary of Komatsu Ltd, first started in 1971 as a spare parts depot serving the South-East Asian markets. Since then, the company has steadily progressed and grown to a fully integrated regional trading, distribution and investment company. KAP's enhanced business HQ responsibilities in Singapore will grow beyond regional warehousing, distribution and technical support to include strengthening and supporting its regional manufacturing operations, and influencing product and technology development through the provision of market and investment intelligence. KAP will also position and expand Singapore as its regional financing base for the Komatsu Group's business and network in 21 countries and seven representative offices located in this region.

<u>Global Headquarters</u>

- Promoting Global Headquarters (GHQ) extends Singapore's reach beyond the Asia region. It builds Singapore's global capabilities and extends its market connections. This is in line with our vision to develop Singapore into a global hub. Anchoring global HQs enhances Singapore's position as a HQ location vis-à-vis regional competitors.

- American oil giant Caltex Petroleum (a joint venture between Chevron Corp and Texaco Inc) is the first recipient of the Global Headquarters Award, for moving its global corporate operations from Dallas, Texas to Singapore in 1998

Appendix 3: Singapore's latest competitive ranking

In the latest IMD's 2002 World Competitiveness Yearbook, Singapore has slipped from her usual 2nd position to the fifth position (see table 16)

Most Competitive nation in Asia		
COUNTRY	**RANK '02**	**RANK '01**
Singapore	5	2
Hong Kong	9	6
Taiwan	24	18
Malaysia	26	29
Korea	27	28
Japan	30	26
China	31	33
Thailand	34	38
Philippines	40	40
India	42	41
Indonesia	47	49

The main reason for such a drastic drop in the ranking is partly due to the inconsistent economic performance resulted from the volatility of the world economy. The Singapore economy was in a mild recession in 1998, bounced back with about 7 per cent growth in 1999 and continued to grew at 10.3 per cent in 2000, but tumbled back with a recession in 2001. The GDP fell to 2 per cent. Hence such uncertainty makes business operation difficult.

The report mentioned that Singapore might lose its competitiveness if nothing is being done while other countries are catching up. Despite the fact that Singapore ranked first in the 'government efficiencies' factor out of the four broad factors, the other factors such as economic performance, business efficiency, and infrastructure.

	2002 ranking	2001 ranking
Government efficiency	1	1
Economic performance	15	3
Business efficiency	11	12
Infrastructure	7	5

Appendix 4: Summary of Success Factors

LOCATION & INFRASTRUCTURAL SETTING	Strategic Location	• Singapore is strategically located in the heart of Asia, and being a member of ASEAN, Singapore presented to the international firms that it is the gateway to investment in Asia. . • Is at the crossroad of international trade route • Possess a major international air hub served by 64 international airlines
	Excellent Infrastructure	• Efficient airport and seaport • Extensive network of roads and expressways
	Good Telecommunications Network	• One of the most competitive telecommunications hub in Asia Pacific. • The centre for telecommunications in Southeast
PRO-BUSINESS ENVIRONMENT	Intensive use of information technology	• Island wide broadband access • Working towards creating e-commerce hub • Singapore was also selected amongst the top ten countries for its technological sophistication.
	Excellent pro-business services	• Modern industrial estates and custom-built facilities available with ready-built factories • Specialized parks available such as the wafer fabrication parks, business parks and a petrochemical hub on Jurong Island • Singapore is ranked among the top 10 most popular convention cities • Access to finance and sophisticated commercial facilities and services are readily available, at highly competitive rates.
	Financial System	• Singapore is also well plugged into the international financial system. • Laws and regulations governing the banking and financial industry are publicly available from the MAS.
POLITICAL & ECONOMIC SITUATION	Least Corrupted Country in Asia	• Singapore is well known in business circles for its clean, corruption-free government.
	Competent Government	• The Singapore government is rated as the most competent government in Asia
	Competitive country	• The World Economic Forum has rated Singapore as the most competitive country in the world in 2001
	Political Violence	• The Singapore political environment is stable
	Transparency of the Regulatory System	• Business-friendly business environment • The bureaucracy is generally considered to be efficient and effective
	Efficient Capital Markets and Portfolio Investment	• No restrictions on the movement of funds. • In a regional context, Singapore's policies are relatively efficient in facilitating the flow of financial resources to support the product and factors markets.

BUSINESS SUPPORT ACTIVITIES	Flexible Economic System	• Red tape kept minimum • Government responsive to changes
	Close Rapport Between Public and Private Sectors	• Government agencies with regulatory functions have close rapport with the private sector and often, major policies affecting the business community are adopted only after consultation with the major trade and business bodies.
	Total Business Capabilities	• Singapore has the skills and services for the entire spectrum of business activities ranging from production to design, marketing, distribution, technical support, fund management and operational headquarters functions
	Trade Documentation	• Singapore has a highly efficient computerized system concerning trade documentation. •
OPENESS TO FOREIGN INVESTMENT	Openness to Foreign Investment	• Singapore does not impose performance requirements on foreign investors as a condition for establishing operations
	Free Enterprise Economy	• no restriction on foreign ownership of business and employment of foreign expertise
	Rights to Private Ownership and Establishment	• Foreign and local entities may freely establish and operate their own enterprises in Singapore (except representative office
	Free Movement of Capital and Profits	• The repatriation of profits and the import of capital are freely allowed. There is no capital gains tax
LABOUR CONDITIONS	Excellent labour/ employer relations	• Harmonious labour-management relations • There has been only one strike since 1986
	Competitive and flexible labour force	• Singapore's labour market is characterized by a small, comparatively well-disciplined labour force of 1.9 million. • English-speaking workforce • Singapore is potentially low for labour unrest
STANDARD OF LIVING	High standard of living	• Ranked fourth as the Expatriates' Choice Location for Quality Life
UNIVERSITY-INDUSTRY COLLABORATION	University-industry cooperation	• Singapore was ranked 3rd in terms of university-industry cooperation.
INVESTMENT INCENTIVES	Investment Incentives	• There are several tax incentives available to encourage foreign companies to make Singapore their regional manufacturing, servicing or financial base

Appendix 5: Survey questions

Depending on the nature of your company business, please mark your selection under the correct column. If your company in Singapore is neither a headquarter nor a manufacturing base, please specify under the ‘Others’ column.

Among the factors listed in the table, <u>choose those factors that explain why your company is located in Singapore</u>. Out of the chosen factors, <u>for each chosen factor</u>, please indicate whether the factor is an **essential one ‘E’** or **an important one ‘I”**. Then for among the essential factors (i.e. those marked with a ‘E’), please put a **tick** under the column ‘MOST” beside the factor that is the **Most Essential**.

	Operational Headquarter		Manufacturing Base		Others:	
	E/ I	Most	E/ I	Most	E/ I	Most
Proximity to customers						
Proximity to large markets/ potential market						
Political stability (such as a smooth bureaucracy and infrastructure)						
Transportation/ travel infrastructure						
Financial services infrastructure						
Telecommunication infrastructure						
Low costs of operation (e.g. office rental, office rental, utility charges, expatriate packages)						
Taxation						
Labour availability with minimum education level (e.g. reasonable English skills),						
Labour availability with specific technical skills						
Government incentives						
Quality of life						
Adoption of uniform or universal technical standards and rules pertaining to specific issues (e.g. in the area of InfoCommunications technology)						

Engagement in regional or multilateral fora (such as ASEAN, FTAs, Asia-Europe Business Group, Bilateral Treaties) (so that companies can access to larger market)						
Close industrial and univeristy/ research institutes linkage (such as sharing of technology, talents, rsearch, etc.)						
Existance of existing related business (e.g. is the market dominated by few big companies) *This factor is more appropriate in the situation for companies seeking new ventures abroad*						
Others factors:						

Appendix 6: Target Hubs

Target areas	Goal	*Leadership in the area of…*	Target	Date line
Electronics	World-class electronics hub	• Manufacturing solutions • Creation and management of new products • Applications and markets	• Secure 150 new electronics projects • Generate S$150 billion output • Grow the industry by 8 percent annually	Target output by 2010
Chemicals	World-class Petroleum and petrochemicals industry hub	High value-added downstream chemistry chains that are high in technology content	• Generate output by more than S$75b • Triple Singapore's annual production capacity of ethylene to 3 million tons	Target output by 2010
Biomedical Sciences	Biomedical sciences hub	Whole value chain of activities: developing expertise in R&D and manufacturing drugs, medical devices, agribioproducts and food intermediates	• Home to world-class life sciences companies	Target companies by 2010
Engineering	Engineering hub	Developing state-of-the-art technologies to advance and support the growth of key industries	• Nuture 5 new industries • Attract 20 global engineering centers and 50 manufacturing HQ • Raise the value-added per worker to the level of the industrial countries • Engineering industry's contribution to the manufacturing value add: 25% • Proportion of skilled worker to be raised to 60%	Target to achieve all by 2010
Education	Education hub	World-class education and cutting-edge research, able to draw the best talents to do research, teach, study or work in new knowledge-based companies To spur knowledge-based industries and stimulate entrepreneurs	Bring in 10 of the world's top universities	

Target areas	Goal	*Leadership in the area of…*	Target	Date line
Healthcare	Regional hub for a whole spectrum of healthcare services such as integrated healthcare services, hospital management, laboratory services, healthcare consulting, medical informatics, pharmaceutical research and clinical trials	Targeting at oncology, cariology, opthalmology, neurology, rahaabilitation and infectious diseases Able to create cutting-edge research and synergy that will benefit medical-related companies Develop new medical products and drugs	• Attract at least 5 world-class centers of excellence in research, education and clinical services in selected specialized medical fields and a cluster of healthcare companies	
Logistics	Leading integrated logistics hub in asia	To able to cater to the needs of companies of various industrial sector, able to offer integrated solutions to manufacturers to save on costs and concentrate on their core competencies.	Attract third party providers of integrated logistics services, chemical logistics companies and electronics distributors	
Communications & Media	Premier communications and media hub in Asia	Companies can create, develop and deliver content and innovative services for the global market.	Add to information structure Develop strong talent pool to support communications and media industry	
Headquarters	A vibrant HQ hub in Asia	The location choice for regional and global operations, performing higher value-added activities	Attract 500 world-class regional and international HQs	By 2010
Growing Local Enterprise			Grow at least 50 local world-class knowledge-based local enterprises	By 2020

Appendix 7 - Article Review: "*Multinational Strategies in the Asia-Pacific*", Business Asia, The Economist Intelligence Unit, 2000

The study of the location of regional headquarters (RHQs) has generated much interest both in the academic world and in the business world. However, in the academic world, there is not much practical research on the subject of RHQs[1]; most of the studies revolved around the management aspect. And there is limited literature on the subject of RHQs. Much literature literature stressed the 'footlooseness' of RHQs (Dunning and Norman, 1987, Porter, 1991). The 'footlooseness' of RHQs is due to the lack of affiliation to any specific country as RHQs cater to the whole region (Perry, 1992).

Individual countries, too, conduct their own surveys on the location factors of the RHQs located in their own country. One such example is a survey carried out by the Hong Kong Government Industry Department (1995) on RHQs based in Hong Kong. But usually such surveys are limited to the RHQs located in their own country.

A unique two-year study of multinational firms in the Asia-Pacific region was carried out and that the findings form the basis of the special issue of Business Asia, of The Economist Intelligence Unit. The two-year study was undertaken by Michael Enright, an academic at the University of Hong Kong's business school, and Edith Scott, a consultant on international strategy and competition. They surveyed over 8,000 North American, European and Japanese firms on the nature of their activities in the region, their organisation and management structures, the locations of their RHQs and the relative importance of the different city centres. Some 1,100 usable responses, plus detailed follow-up interviews with 350 companies, makes the resulting database by far the most extensive study of its kind.

The study revealed that political stability, corruption, the proximity of key markets, air transport and communications infrastructure, and the location of offices of major professional firms are the key issues in locating RHQs. Cost and quality-of-life issues however become secondary. Changing global and regional management structures – the move away from country towards functional and product-line management – are critical too as companies often now have multiple, (functionally) distributed RHQs.

To understand why companies maintain presence in the Asia-Pacific region is the key to know how companies choose the location for RHQ purposes. The study revealed that the most important reason for the Asia-Pacific presence is the access to market opportunities, and that explains why most companies organise themselves along marketing and sales line in the region.

[1] See, for example, Heenan (1977; and 1979); Dunning and Norman (1979; 1983; and 1987); Dunning (1988); and Business International (1990)

Most of the managers interviewed indicated that the main structure for managing in the region is geographical, the most common being:

- An Asia-Pacific RHQ or office
- North Asia sub-regional HQ or office
- South-east Asia sub-regional HQ or office
- Japan-South Korea office
- Australia-New Zealand office

These four report directly into the Asia-Pacific RHQ

Other common alternatives are, in order of importance:

- Japan-South Korea —REPORT→ reporting into the North Asia sub-regional HQ or office, and
- Australia-New Zealand —REPORT→ reporting into the South-east Asia sub-regional HQ or office;
- A Greater China office instead of a North Asia office
- A series of country offices reporting directly into the Asia-Pacific RHQ

The leading choice for RHQs is Hong Kong, where some 35% of responding companies (Western and Japanese) have an RHQ. Singapore, with 30%, is a strong second, and Tokyo a distant third with 9% (Japanese firms were excluded from this calculations as Tokyo is often their home, rather than their regional base). Sydney is an RHQ for just 5% of the companies surveyed, while only 3% choose Shanghai – the latter may even be less given that several respondents appeared to have equated Shanghai as an East China headquarters with it being a regional headquarters.

The survey concluded that RHQs in Hong Kong tend to have the widest geographical span of control in the region. While nearly all Hong Kong-based RHQs have jurisdiction over China and Taiwan (Greater China), over half have jurisdiction as far away as Australia and Japan. Hong Kong thus turns out to be the only true Asia-Pacific centre. All other are sub-regional or local in scope – even Singapore. In fact, Singapore, indeed, is primarily an ASEAN RHQ centre and not a true Asia-Pacific centre. RHQs based in other cities tend to be local in their managerial reach.

The study concluded that RHQs in Hong Kong tend to have the widest geographical span of control in the region. While nearly all Hong Kong-based RHQs have jurisdiction over China and Taiwan (Greater China), over half have jurisdiction as far as Australia and Japan. Hong Kong surfaces as the only true Asia-Pacific cente. All others are sub-regional or local in scope – even Singapore. Nearly as many Hong Kong-based RHQs have jurisdiction over Singapore as Singapore-based RHQs. Singapore is primarily an ASEAN RHQ centre and not a true Asia-Pacific cente.

Appendix 8: Current Taxation System in Singapore (before adopting the new tax rule announced in the Budget 2002)

Key features

Corporate income tax	24.5% [1,2]
Capital gains tax	None
Withholding tax [3] - Dividends - Interest - Royalties - Branch remittance tax	 None [4] 15% 15% None
Net operating losses (years) - Carry forward - Carry back	 Unlimited Not allowed

1. The tax rate of 24.5% is with effect from the year of assessment 2002 (FY 2001). It applies to both Singapore-incorporated subsidiaries as well as branches of foreign companies. It applies equally to resident and non-resident companies.

2. The tax rate for year of assessment 2001 (FY 2000) is 25.5%.

3. Withholding taxes at the corporate income tax rate also apply to certain other payments to non-residents, such as technical assistance fees, management fees etc.

4. Singapore adopts an imputation system of taxing dividends, meaning that taxes paid by a company can be imputed (passed on) to the shareholders as the shareholders' tax.

Basis of Taxation

- Singapore adopts a territorial basis of taxation. Only income derived from Singapore, or income derived overseas but received in Singapore, are subject to tax.

- There are no group relief provisions in Singapore. Inter-company transactions must be concluded at an arm's length basis

- The tax year is known as a year of assessment and runs from 1 January to 31 December.

- Tax is imposed on a preceding year basis; i.e. profits for a financial year ending in 1999 are taxed in the year of assessment 2000.

Tax deductions and depreciation

- Operating expenses are generally deductible except for a small number that are statutorily disallowed.

- As Singapore does not tax capital gains, accounting depreciation (regarded as a capital expense) is correspondingly not allowable. In its place, capital allowances are allowed on the following assets:

Type of asset	Period of write-off
Industrial buildings and certain other types of buildings	25 years (comprising of a 25% initial allowance and 3% annual allowances)
Plant and machinery	3 years (1 year for certain assets) on a straight-line basis. Companies can opt for a slower write-off over 5-16 years (comprising of a 20% initial allowance and equal annual allowances over the prescribed useful life of the asset)
Approved know-how & patent rights used in a manufacturing trade	5 years on a straight line basis
Approved R&D cost sharing payments	5 years (or any shorter period as the Minister may approve) on a straight line basis

Foreign tax credit

- Foreign tax credit is limited to the lower of foreign taxes paid and the Singapore tax payable on that item of income.

- Foreign tax credit is computed on a country-by-country and source-by-source basis. Excess foreign tax credits are forfeited.

- Singapore has full double taxation treaties in force with 41 countries. For income from non-treaty countries, unilateral tax credits are available for dividend income and branch profits, as well as professional, consulting and service income from specified countries.

Appendix 9: Summary of Income tax rate changes

Recommendations		Objectives
Corporate Income Tax		
	Reduce corporate income tax rate significantly for income earned in 2002. As a medium-term target, the tax rate should be cut from the current 24.5% to 20% within 3 years.	• Strengthen competitiveness • Encourage enterprise development
	Implement group relief to allow corporate groups to offset the losses of one company against the taxable profits of another within the same group. The group relief regime can be implemented with the following features: a) 75% shareholding threshold (i.e. two companies are members of a group if one is at least 75% owned by a common parent). The government could consider lowering this threshold after the full impact of group relief has been assessed. b) Transfer of 100% of current year unutilized capital allowances and losses c) Government to consider implementing consortium relief and extending group relief for overseas branches and subsidiaries after it has put in place the basic features of the group relief regime	• Give companies the flexibility to start new activities through subsidiaries • Encourage innovative activities
	Shift from a full-imputation corporate tax system to a simpler and more efficient one-tier system, This would enhance the effectiveness of the group relief system, encourage the use of Singapore as an international hub for holding companies and help reduce compliance costs	• Enhance effectiveness of group relief • Promote Singapore as an international hub for holding companies • Reduce compliance costs
	Liberalize the system of taxation of foreign income: a) Extend the availability of foreign tax credits	• Encourage companies to venture overseas
	Introduce a one-year loss carry-back feature in the corporate tax system to relieve the cash-flow burdens of businesses suffering losses in the course of the business cycle	• Relieve cash-flow problems of businesses suffering temporary losses over the business cycle
	Allow more generous tax treatment of intellectual property: a) give deduction for expenses incurred on R&D outsource to any organisation, local or foreign b) apply the writing down allowance (WDA) automatically for acquisition of intellectual property, as is the case for physical assets	• Encourage knowledge-based activities

	Design tax incentives with more flexible and varied criteria, besides fixed asset investment and total business spending, so as to capture the full contributions of the company in the knowledge based economy	• Ensure that incentives remain relevant in the knowledge-based economy
	Review and rationalize the withholding tax provisions. This should be done by establishing a consultative body, including representatives from the private sector, to address the needs of individual sectors while ensuring consistency in tax treatment	• Reduce business costs
	Reduce the person income tax rates significantly for income earned in 2002. As a medium-term target, the top marginal tax rate should be reduced from the current 26% to 20% within 3 years, with corresponding cuts across all income bands	• Lighten the tax burden • Encourage had work and enterprise • Attract and retain global talent
	Introduce tax exemption for employment income attributable to time spent outside Singapore. This will apply to tax residents (both citizens and non-citizens), who have not lived in Singapore for the preceding 3 years or more. To qualify, such individuals must have significant international responsibilities requiring them to spend time abroad for example at least 90 days annually. Qualifying individuals will receive the tax exemption for 5 years	• Promote Singapore as business and talent hub
	Exempt employers' contributions on behalf of expatriates to overseas private pension funds from tax	• Attract and retain global talent

Appendix 10: Corporate income tax reductions

Corporate tax reductions

Year of Assessment 1987 to 2003

YA	Tax rate (%)
2003	22
2002	24.5
2001	25.5
1997 to 2000	26
1996	27
1995	27
1994	27
1993	30
1992	31
1991	31
1990	32
1987 to 1989	33

Appendix 11A: Business environment rankings among selected countries

Table 1: Value of index (out of 10) for 1996 – 2000

Business environment rankings	***Hong Kong***	***Singapore***	***Taiwan***	***Malaysia***	***Japan***	***South Korea***	***Thailand***	***Philippines***	***Indonesia***
Overall scores and ranks	**8.63**	**8.47**	**7.37**	**6.8**	**6.73**	**6.33**	**6.29**	**5.52**	**5.15**
Political stability	7.5	9.0	7.1	7.1	8.4	6.5	6.3	4.9	3.9
Political environment	6.9	8.2	7.3	7.8	9.6	6.4	7.8	6.0	4.2
Political effectiveness	8.1	9.6	7.0	6.6	7.4	6.6	5.1	4.0	3.6
Macroeconomic environment	10.0	8.9	8.7	7.0	7.6	7.0	7.0	6.5	5.2
Market opportunities	5.8	6.6	7.4	6.3	7.3	7.5	4.8	4.5	4.5
Policy towards private enterprise and competition	8.9	8.3	7.5	6.1	6.9	6.3	5.2	5.2	3.5
Policy towards foreign investment	8.9	9.4	7.2	7.2	5.5	6.1	7.2	6.1	5.5
Foreign trade & exchange controls	10.0	9.4	6.6	8.3	6.1	6.1	8.3	6.6	8.3
Taxes	10.0	7.9	8.3	7.6	5.1	6.8	7.2	6.9	6.5
Financing	8.9	9.3	7.4	7.0	6.3	5.5	5.9	5.5	4.4
The labour market	8.2	7.5	6.9	6.3	6.4	5.6	6.7	6.0	5.9
Infrastructure	8.2	8.4	6.6	5.1	7.8	6.0	4.4	3.0	3.9
Information & communication	8.3	9.4	8.3	4.4	9.4	8.3	3.8	2.7	3.3
Other infrastructure	8.1	7.8	5.5	5.5	6.6	4.4	4.8	3.3	3.4

Source: World Investment Prospects: Comparing business environment across the globe, Economic Intelligence Unit, research report 1st edition

Appendix 11B: Business environment rankings among selected countries

Table 2: Value of index (out of 10) for 2001 - 2005

Business environment rankings	Singapore	Hong Kong	Taiwan	Japan	South Korea	Thailand	Malaysia	Philippines	Indonesia
Overall scores and ranks	8.54	8.4	8.12	7.43	7.36	7.16	6.76	6.39	6.02
Political stability	8.6	6.7	7.1	8.2	6.5	6.3	6.5	4.1	4.5
Political environment	7.8	6.4	6.9	9.1	6.4	7.3	6.9	4.6	5.1
Political effectiveness	9.3	7.0	7.4	7.4	6.6	5.5	6.3	3.6	4.0
Macroeconomic environment	9.6	9.0	9.7	7.8	9.3	8.1	7.0	7.9	6.6
Market opportunities	6.6	6.5	7.3	7.87	8.0	7.0	7.5	5.7	6.9
Policy towards private enterprise and competition	8.3	8.3	8.3	7.5	7.2	7.2	5.8	5.8	4.9
Policy towards foreign investment	9.4	8.3	7.8	7.2	7.8	8.3	7.2	7.8	6.1
Foreign trade & exchange controls	9.4	10.0	8.9	7.8	8.3	8.9	7.2	8.9	8.9
Taxes	8.2	10.0	8.0	5.1	6.3	7.8	7.6	7.4	6.3
Financing	9.3	8.9	8.9	7.8	7.0	6.3	6.6	5.5	5.5
The labour market	7.5	7.9	7.5	6.7	6.2	7.0	6.7	6.9	6.2
Infrastructure	8.4	8.4	7.8	8.7	7.1	4.8	5.5	4.2	4.4
Information & communication	9.4	8.9	10.0	10.0	10.0	4.9	4.9	4.4	3.8
Other infrastructure	7.8	8.1	6.3	7.8	5.1	4.8	5.9	4.0	4.8

Source: World Investment Prospects: Comparing business environment across the globe, Economic Intelligence Unit, research report 1st edition

Appendix 11C: Business environment rankings among selected countries

Table 3: Global rank (out of 60) for 1996 - 2000

Business environment rankings	Hong Kong	Singapore	Taiwan	Malaysia	Japan	South Korea	Thailand	Philippines	Indonesia
Overall scores and ranks	**3**	**6**	**20**	**24**	**26**	**29**	**30**	**35**	**46**
Political stability	20	8	23	23	13	27	30	38	52
Political environment	30	17	27	22	5	35	22	36	50
Political effectiveness	13	1	21	22	16	22	31	44	48
Macroeconomic environment	1	9	15	32	25	32	32	40	50
Market opportunities	31	22	12	24	14	9	44	47	46
Policy towards private enterprise and competition	4	14	19	30	22	27	38	38	52
Policy towards foreign investment	7	2	30	30	43	38	30	38	43
Foreign trade & exchange controls	1	2	31	10	36	36	10	31	10
Taxes	1	5	2	8	37	17	14	16	20
Financing	10	6	22	24	29	34	33	34	45
The labour market	1	6	12	20	18	45	15	29	37
Infrastructure	13	12	23	32	16	25	38	54	46
Information & communication	16	1	16	37	7	16	41	51	47
Other infrastructure	12	3	27	27	18	41	33	54	41

Source: World Investment Prospects: Comparing business environment across the globe, Economic Intelligence Unit, research report 1st edition

Appendix 11D: Business environment rankings among selected countries

Table 4: Global rank (out of 60) for 2001 - 2005

Business environment rankings	*Singapore*	*Hong Kong*	*Taiwan*	*Japan*	*South Korea*	*Thailand*	*Malaysia*	*Philippines*	*Indonesia*
Overall scores and ranks	**8**	**12**	**17**	**25**	**26**	**29**	**34**	**37**	**45**
Political stability	12	27	24	14	29	31	29	51	49
Political environment	23	37	31	8	37	27	31	52	44
Political effectiveness	1	24	18	18	25	32	28	53	47
Macroeconomic environment	9	20	7	37	16	30	43	35	50
Market opportunities	26	29	16	6	5	19	15	40	21
Policy towards private enterprise and competition	13	13	13	28	31	31	43	43	48
Policy towards foreign investment	2	20	29	39	29	20	39	29	47
Foreign trade & exchange controls	2	1	11	34	29	11	39	11	11
Taxes	4	1	7	52	30	9	10	15	28
Financing	13	17	17	26	30	37	34	44	44
The labour market	4	2	6	30	42	19	30	22	45
Infrastructure	13	13	19	11	24	40	37	50	48
Information & communication	4	18	1	1	1	39	39	44	48
Other infrastructure	3	11	23	12	40	41	29	53	41

Source: World Investment Prospects: Comparing business environment across the globe, Economic Intelligence Unit, research report 1st edition

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