



Doing Business in Singapore

Southeast Asia 2020

A guide booklet series

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PREFACE

About This Booklet

This booklet is one of a series about Singapore produced by Paul Wan & Co. for the benefit of its clients and associate offices worldwide who are interested to do business in Singapore.

The main purpose of this booklet is to provide a broad overview of various matters that should be borne in mind by organizations considering setting up their businesses in Singapore.

The information provided in this booklet cannot, however, be exhaustive and as the underlying legislation and regulations are subject to frequent changes, we recommend that anyone considering doing business in Singapore or looking to Singapore as an opportunity for expansion does seek professional advice before making any business or investment decision.

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GETTING TO KNOW SINGAPORE

GEOGRAPHY

Singapore is a microstate and the smallest nation in the Southeast Asia. It consists of 1 mainland and 63 offshore islands. It is linked by 2 causeway to Malaysia, Johor-Singapore causeway in the north, and Tuas Second Link in the west. Its strategic position has helped it grow into a major center for trade, communications and tourism.

CLIMATE

With no seasonal differences, Singapore's climate is relatively warm and humid throughout the year. The temperature usually ranges from 23 degrees, making it a haven for sun-bathers and natural lovers. Monsoon in Singapore begins in November and mostly carries on till end of January.

POPULATION

Singapore comes from diverse cultural backgrounds and making up a multi-ethnic society. With over 5 million people living in a total land area of 712 square kilometers, the main ethnic Chinese make up 74%, Malays and Indians are the main minority ethnic groups.

LANGUAGE

The 4 official languages in Singapore's constitution are English, Chinese, Malay and Tamil. Although Malay is the national language, English is the common language used for business, government and medium of instruction in schools.

POLITICAL SYSTEM

Singapore is a sovereign republic. The organs of government are provided for by a written constitution which forms the supreme law of Singapore. The Constitution lays down the fundamental principles and basic framework for the 3 organs of state, namely, the Executive, the Legislative and the Judiciary.

The Head of State of Singapore is a President who is directly elected by the people, following fundamental constitutional changes in 1991. The President possesses certain veto powers over the government which he can exercise with discretion in certain circumstances.

Outside of those areas where the Constitution permits him discretionary powers, the President must act according to Cabinet advice. The Executive comprises the Cabinet, which is responsible for the general direction of the Government and accountable to Parliament.

The Legislature comprises the Parliament and is the legislative authority responsible for enacting legislation. The Judiciary's function is to independently administer justice. The Judiciary is safeguarded by the Constitution.

The Prime Minister of Singapore is appointed by the President of Singapore in accordance to the Constitution. The President, acting on the advice of the Prime Minister, also appoints other Ministers from among the Members of Parliament.

TRANSPORTATION

Getting around Singapore is a breeze as the island is facilitated by an excellent system of roads, highways, expressways and rails. The Mass Rapid Transit (MRT) system is probably the fastest way to get around Singapore besides taxis. Being one of the cleanest transport systems in the world, the MRT provides scenic views of our heartland and city areas, with great access to almost every part of Singapore.

WHY SINGAPORE

Singapore is a leading provider of services such as international banking, maritime finance, trade finance, insurance and treasury operations in the region. It is known for integrity, quality, reliability, productivity, rule of law and enforcement of intellectual property rights.

Competitiveness & Business Environment	Business Legislation and Efficiency	Labour
Singapore is ranked no. 1 for having the most open economy for international trade and investment.	Singapore is first in the world for having the best protection of intellectual property.	Singapore maintains top position in BERI's Labour Force Evaluation Measure.
Singapore is the world's easiest place to do business	Singapore is fast emerging as an optimal destination for the centralization of services or "shared services".	Singapore offers the best skilled labour in Asia Pacific.
Singapore has the best business environment in Asia Pacific and worldwide.	Singapore is the least bureaucratic place for doing business in Asia.	Singapore's labour regulations are the most business conducive in Asia.
Economic Performance	Government	Expatriate Living
Singapore is ranked the most transparent country in the world and Asia.	Singapore is the world leader in foreign trade and investment.	Singapore is the first choice for Asian expatriates.
		Singapore is the best place in Asia to live, work and play.

TYPES OF BUSINESS ORGANISATIONS

Generally, business activities may be carried out through a Singapore incorporated company, a branch registered under the Singapore Companies Act, sole proprietorship, partnership, limited partnership or a limited liability partnership.

There is no restriction placed on the types of business that may be undertaken, however, some require special licenses from the government, e.g. employment agencies, banks, finance companies, insurance, stock-broking companies, fund management companies, private schools and travel agents.

1. SOLE PROPRIETORSHIP AND GENERAL PARTNERSHIP

These are the simplest forms of business organisation and usually more suitable for small-scale businesses. Both are not corporate bodies and thus have unlimited liability for the debts and obligations that arise from the businesses.

A sole proprietorship or partnership may be required to appoint a manager who is responsible for the management of the business. In the case where sole proprietor or each of the partners of a business firm is a foreigner, the manager must be a Singapore citizen, a Singapore permanent resident or a valid employment pass holder.

2. LIMITED LIABILITY PARTNERSHIP

Limited Liability Partnership (LLP) gives owners the flexibility of operating as a partnership while giving them limited liability. An LLP has perpetual succession and any change in the partners of and LLP will not affect its existence, rights and liabilities.

The partners of the LLP will not be held personally liable for any business debts incurred by the LLP. However, a partner may be held personally liable for claims from losses resulting from his own wrongful act or omission. LLP can acquire, own, hold and develop property and incur debts.

3. LIMITED PARTNERSHIP

A Limited Partnership (LP) is not a separate legal entity. A LP must have at least 2 partners with at least 1 general partner and 1 limited partner. If all the partners are not ordinarily resident in Singapore, LP must have at least one manager ordinarily resident in Singapore. The general partner of LP will be held liable for debts and losses incurred by the LP. However, a limited partner does not held liable for the debts or obligations of LP beyond amount of his agreed contribution and not taking part in the management of the LP. An individual or a corporation may be a general partner or a limited partner.

4. COMPANIES

The most common form of business entity in Singapore is the limited liability company. A limited company may be limited by shares or by guarantee.

4.1 Public Company

These are 2 types of public companies in Singapore. The first type is one which generally desires to raise capital from the public and these companies include all those whose shares are listed on the Singapore Exchange Limited (SGX), either on the main board or the secondary board known as Catalyst.

The other type of public company is the company limited by guarantee which is commonly used for the purpose of charitable purposes or to serve other national or public interests.

4.2 Private Company

The Company can sue and be sued in its own name. It can own property and incur debts. The liability of the shareholders, if any, is limited to any amount unpaid on their shares. When the shares are fully paid-up, the shareholders have no further liability to contribute towards the debts of the company.

5. JOINT VENTURES

A joint venture may take the form of equity investment in a limited liability company, limited liability partnership or general partnership. It is governed by the laws of companies, limited liability partnerships or general partnership, as appropriate.

6. FOREIGN COMPANIES

A foreign company wishing to establish a place of business or carry on business in Singapore may set up a branch. A subsidiary is a new legal entity incorporated under the Companies Act, Cap. 50 whilst a branch is an extension of a company incorporated elsewhere (i.e. the head office). A foreign company or a branch is to be registered with Accounting and Corporate Regulatory Authority (ACRA) in Singapore under the Companies Act, Cap. 50. There must be at least two agents (being natural persons residents in Singapore) who are duly appointed by the head office by way of a power of attorney or memorandum of appointment. It is required to file with ACRA audited Singapore branch accounts and its own audited accounts within two months of the company's annual general meeting being held.

7. REPRESENTATIVE OFFICE

A foreign company may establish a representative office in Singapore to undertake market research, feasibility study and liaison work on behalf of the parent company.

It is prohibited from carrying on a business in Singapore, as technically it has no legal corporate status in Singapore. Approval for the establishment of a representative office must be obtained from International Enterprise Singapore.

OFFSHORE COMPANIES

Offshore shelf companies that are incorporated in Anguilla, Seychelles, Samoa or British Virgin Islands (BVI) are used for asset protection and wealth management. Also known as “tax haven” companies, offshore companies are synonymous with tax planning structures, offshore trading and offshore investments. However, absolute financial privacy is non-existent and when you use an offshore company for tax planning purposes, you will still need to work with your tax professional to ensure compliance with the law.

Benefits of Offshore Company Low Taxation

Most offshore company pay no local taxes on the income derived from offshore operations.

Ease of Reporting

The compliance reporting requirements for offshore companies are limited, especially in comparison to companies, registered in onshore jurisdictions.

Operating Costs and Fees

With limited reporting requirements, offshore companies generally have lower maintenance and operating fees.

Secrecy

Registrars in most offshore jurisdictions do not disclose information about directors, shareholders and beneficiaries of offshore companies.

Disadvantages of Offshore Company Financing

The offshore concept provides you with privacy, but the major drawback to this benefit is that it also makes it difficult for company to obtain the financial assistance.

Strict Due Diligence

Bank and other institutions/ authorities you deal with will usually engage in strict due diligence compliance.

Limitations

Some offshore companies may be limited in their activities due to restrictions that are placed on them legally or by trading partner's acceptance.

COMPANIES ACT REQUIREMENTS ON FINANCIAL REPORTING

The Companies Act requires that an audited set of financial statements of a company, prepared not more than 6 months before every Annual General Meeting (AGM), is distributed to all shareholders and presented at the meeting. If a company incorporated in Singapore has one or more subsidiaries, it must prepare consolidated financial statements unless it meets certain criteria provided by Financial Reporting Standards. A complete set of financial statements should comprise of:

- a directors' statements
- a auditors' reports
- a statement of financial position
- a statement of comprehensive income
- a statement of changes in equity
- a cash flow statement and
- explanatory notes

The directors must also declare that the financial statements show a true and fair view and that it is reasonable to believe that the Company has the ability to pay when it fall due.

A branch of a foreign company has to e-file its audited financial statements, as well as the audited financial statements of foreign company, with ACRA within 2 months from the Annual General Meeting (AGM) date of the foreign company, or within 7 months from its financial year end if without AGM being held, whichever is applicable.

AUDIT EXEMPTION

A private company may be exempted from audit if:-

- Companies that meet the "small company" criteria for a financial year starting on or after 1 July 2015 (**Small Company** = Private company that meets 2 of the following 3 quantitative criteria for immediate past 2 financial years: total revenue ≤ S\$10m; total assets ≤ S\$10 million; number of employees ≤ 50). New Company may qualify in 1st or 2nd FY; or

- For a company which is part of a group: the company must qualify as a small company (see above) and the entire group must be a "small group" (**Small Group** = one that meets 2 of the following 3 quantitative criteria for immediate past 2 financial years: consolidated group revenue \leq S\$10 million; consolidated total assets \leq S\$10 million; aggregate number of employees \leq 50).

However, they are still required to prepare and present financial statements (and consolidated financial statements where applicable) properly in compliance with the Singapore Financial Reporting Standards and Companies Act of Singapore.

EXEMPTION FROM PREPARATION OF FINANCIAL STATEMENTS FOR DORMANT NON-LISTED COMPANIES

To reduce regulatory costs for dormant companies which have lower public impact, the Amendment Act exempts a dormant non-listed company (other than a subsidiary of a listed company) from preparing the financial statements, if:

- a) the Company fulfills a substantial assets test, and
- b) the Company has been dormant from the time of formation or since the year of the previous financial year.

The substantial asset test is that the total assets of the company at any time within the financial year must not exceed \$500,000. For a parent company, the consolidated total assets of group at any time within the financial year must not exceed \$500,000.

Dormant listed companies and their subsidiaries, and dormant unlisted companies which do not fulfill the substantial asset test must prepare financial statements but are exempt from audit. This remains unchanged from the current position. A summary of the effect for dormant company is illustrated as tabled below.

Effect of exemption for dormant companies

	Dormant non-listed company (excluding subsidiary of listed company) which fulfills the substantial assets test	Dormant listed company OR Dormant subsidiary of listed company OR Dormant non-listed company
Financial statements must be prepared	X	√
Financial statements must be audited	X (Since no financial statements	X

REVISED XBRL FILING REQUIREMENTS

From 1 November 2007 onwards, Singapore incorporated companies which are either limited or unlimited by shares must file their financial statements in partial or full XBRL for financial periods ending on or after 30 April 2007, unless exempted.

Under the enhanced BizFin^X filing system with effect from 2 December 2013, all Singapore incorporated companies which are either unlimited or limited by shares will be required to prepare their full XBRL financial statements offline via BizFin^X preparation tool within the new ACRA Taxonomy.

The following types of companies are exempted from filing their full set of financial statements in XBRL, and will file their financial statements in PDF with Financial Statements Highlights in XBRL instead:

Companies under the categories of (1) Commercial Banks; (2) Merchant Banks; (3) Registered Insurers; and (4) Finance Companies, that are regulated by the Monetary Authority of Singapore;

Companies allowed by law to prepare financial statements in accordance with accounting standards other than Singapore Financial Reporting Standards (SFRS), SFRS for Small Entities and International Financial Reporting Standards (IFRS).

BUSINESS BANKING

Singapore continues to be well-regarded as a triple-A rated economy with strong growth potential, a sound and stable location for business expansion as well as investments.

The critical success factor to proper corporate financial management is to start with an established and reliable banking partner. Successful cash management ensures the financial stability and solvency of your company.

i. Types of Business Bank Accounts

A Singapore Dollar (SGD) business current account forms the baseline of any corporate financial infrastructure. In Singapore, opening of such an account is usually fast and hassle-free with simple business documents required. The initial maintenance costs vary from bank to bank. These SGD current accounts are usually non-interest bearing with cheque facility, allowing customers to enjoy the flexibility of withdrawal through ATM facilities.

Multi-currency accounts are also available in Singapore business banking. The five major currencies are USD, EUR, AUD, GBP and JPY. These may or may not be interest-bearing, depending on the bank.

ii. Opening a Business Account

It is a relatively hassle-free process for opening a business account in Singapore.

Before an account is opened, your business must first be registered with the ACRA. Having registered your business and appointed authorised person(s) to operate your business account, you may proceed to open your business account. Once you have identified the bank of your choice, start off by calling the bank's hotline to enquire further on how to open your business account with them, or by visiting their bank branches.

The process and documentation requirement for business opening account may differ from bank to bank. It is advisable that you check in advance with the bank who are required to be present, what documentations are required and what is the initial deposit(s) required for the account(s), prior to visiting the bank branch or making the appointment with a bank officer to open the business account. This ensures your business account can be ready for use in the earliest possible time to facilitate your business transactions.

The following table serves as a guideline on the typical documentations to be submitted and persons to be present for business account opening. Depending on the type of business entity, some banks may require more or less documentations.

Documentations typically required for business account opening	Private Limited	Sole-Proprietorship	Society/ Club/ Association	Limited Liability Partnership	Partnership/ Limited Partnership
Board resolutions (Bank's standard/ Company's)	√			√ [^]	
Certified true copy of Constitution	√				
Certified true copies of NRIC/ Passport of all authorised signatories/ partners/ office bearers	√	√	√	√	√
Certified true copy of By-Laws of Society/Association/ Club			√		
Certified true copy of Minutes of Meeting of Management Committee			√ [#]		
Minimum deposit in cash or cheque	√	√	√	√	√

[^] LLP to submit their LLP partnership agreement, if applicable.

[#] To include authorisation to open and close accounts with the bank and appointment of authorised signatories.

iii. **Business Credit Facilities**

Banks may grant these credit facilities to businesses, subjected to the bank's application and credit criteria.

Typically, credit facilities are not easily granted to newly start-up companies due to a lack of track record. Hence, it is important for new businesses to maintain good track record in order to facilitate their application for credit facilities at a later stage of their business lifecycle. Foreign companies who wish to apply for credit facilities with banks are required to provide some security in the form of deposits or stand-by letter of credit

Government Agencies and Government-Assisted Financing

Several government statutory boards such as the Economic Development Board (EDB) and Standards, Productivity and Innovation Board (SPRING Singapore) under the Ministry of Trade and Industry Singapore (MTI) are set up to identify opportunities, plan contingencies and develop policies that create a globalised, pro-business, creative and diversified economy.

EDB is Singapore's primary agency that plans and executes strategies to make Singapore a credible global hub for business and investment across manufacturing and internationally traded services. Whilst SPRING serves enterprises from a range of industry sectors to develop industry-wide infrastructure, develop and upgrade capabilities, and create new market opportunities.

The government has various business assistance schemes to help you gain access to loans, grants, equity financing, and incentives.

Loans: Purchase fixed assets, finance rental of office space, expand your business and get capital of your company's daily operations.

Grants: Get funding for skills, innovation and productivity related projects, develop new products, increase business capabilities, embark on R&D, protect your intellectual property, expand overseas, etc.

Equity Financing: Raise funds for company activities by selling common or preferred stocks to individual or institutional investors through dollar-matching and co-investment schemes.

Tax Incentives: Enjoy tax deductions through various tax incentives.

iv. Business Protection

Bancassurance is where an insurer partners with a bank and leverage on that bank's well established channels to distribute its insurance products.

It can be broadly categorised into general insurance and life insurance.

General insurance for businesses seeks to protect the following business' general needs and liabilities. Life insurance for businesses seeks to protect the lives of the business' key persons, to ensure business continuity.

SINGAPORE EMPLOYMENT LANDSCAPE

The Employment Act of Singapore set out the rights and conditions of employment for all employees (regardless of nationality) who is under contract of service, except managerial, executive position who earns a basic monthly basic salary of more than S\$4,500, domestic workers, seafarer and government employees. Furthermore, those employees earning below SGD2,500 basic monthly salary and workmen earning not more than S\$4,500 basic monthly salary are provided additional protection (concerning “Rest Day, Hours of Work and Overtime, Public Holidays, Annual Leave, Sick Leave, Retrenchment Benefits, Retirement Benefits, Annual Wage, Supplement and other variable payment”) under Part IV of the Employment Act.

Importance of Employment Contract

Employment Contract is also known as Employment Agreement, Appointment Letter, Offer Letter, etc. It is an agreement between an employee and employer that specifies the terms and conditions of employment. Generally, the employment contracts include several important clauses such as:

Appointment position

Duration of employment contract, if applicable Date of employment commencement

Remuneration package

Hours of work Employee benefits

Probation clause, if applicable Code of conduct

Termination

The terms and conditions of the employment contract should not be less favorable than what is stipulated in the Employment Act.

SALARY

Payment of salary

The Employment Act does not regulate the minimum salary every employee must be paid and it is subject to negotiation between the employer and an employee or the trade union representing the employees. It does not include

- a. The value of accommodation or quarters, supply of light, water, medical attendance or other amenities;
- b. Pension or provident fund contribution paid by the employer;
- c. Travelling allowance;
- d. Payment to defray special expenses incurred in the course of duty;
- e. Gratuity payable on discharge or retirement; or
- f. Retrenchment benefits (if provided).

Frequency of salary payment

An employee must be paid at least once a month. However, employers are allowed to pay salaries at shorter intervals.

The salary must be paid at least once a month within 7 days after the end of the salary period.

Situation	Salary must be paid
Overtime work	Within 14 days after the end of the salary period.
Dismissal/ Termination by Employer, if The employee is dismissed on grounds of misconduct; or The contract of service is terminated by the employer.	On the last day of employment. If this is not possible, it must be paid within 3 working days from the date of dismissal/ termination.

Termination by Employee, if The employee terminates the contract by resigning and has served the required notice period.	On the last day of employment.
Employee resigns without notice or without serving the required notice period.	Within 7 days of the last day of employment.

Notes:

- If the employee's contract involves commission, how and when the commission is paid depends on what is in his employment contract or existing policies or practices.
- If he is a foreign worker who had just left employment, the employer may withhold his salary for the last month for tax clearance.

There is no requirement of bonus payment under the Employment Act of Singapore.

Annual bonus equivalent to at least 1 month's salary, commonly known as 13th month payment, has become a common practice in Singapore. The exact amount of annual bonus is varying from employee to employee and depends on the company policies, employee's performance as well as the performance of the company. In addition to the salary, an employee may obtain the extra allowances, such as food or accommodation.

ITEMISED PAY SLIPS

With effect from 1 April 2016, all employers must issue itemised pay slips to employees covered under the Employment Act.

When	<ul style="list-style-type: none">• Give together with payment to employee.• If unable to give together, to be given within three working days of payment.• In the case of termination or dismissal, must give pay slip together with
Format	Soft or hard copy (including handwritten).

Items to include

Pay slip must include the items below, unless an item is not applicable. For example, if overtime pay is not applicable, the pay slip need not include items 9 to 11. If payments are made more than once a month, employers may consolidate pay slips of which it must contain details of all payments made since the last pay slip.

No.	Item Description
1.	Full name of employer.
2.	Full name of employee.
3.	Date of payment (or dates, if the pay slips consolidates multiple payments).
5.	Start and end date of salary period.
6.	Allowances paid for the salary period, such as: All fixed allowances, e.g. transport. All ad-hoc allowances, e.g. one-off uniform allowance.
7.	Any other additional payment for each salary period, such as: Bonuses Rest day pay

	Public holiday pay
8.	Deductions made for each salary period, such as: All fixed deductions (e.g. employee's CPF contribution). All ad-hoc deductions (e.g. deductions for no-pay leave, absence from work).
9.	Overtime hours worked.
10.	Overtime pay.
11.	Start and end date of overtime payment period (if different from item start and end date of salary period)
12.	Net salary paid in total.

Keeping records

Employers must keep a record of all pay slips issued.

Format	Soft or hard copy (including handwritten).
For how long	For current employees: Latest two years. For ex-employees: Last two years, to be kept for one year after the

EMPLOYMENT RECORDS

From 1 April 2016, all employers must maintain two categories of detailed employment records of employees covered under the Employment Act.

- a. Employee records
- b. Salary records

Employee records

No.	Item Description
1.	Address.
2.	NRIC number. For non-citizens, work pass number and the expiry date.
3.	Date of birth.
4.	Gender.
5.	Date of starting employment.
6.	Date of leaving employment.
7.	Working hours, including duration of meals and tea breaks.
8.	Dates and other details of public holidays and leave taken.

Salary records

The items are the same as for itemised pay slips.

CONTRACT OF SERVICE vs. CONTRACT FOR SERVICE

Contract of service	Contract for service
Has an employer-employee relationship.	Has a client-contractor type of
Employee does business for the employer.	Contractor carries out business on their own account.
May be covered under the Employment Act.	Not covered by the Employment Act.

Includes terms of employment such as working hours, leave benefits etc.	Statutory benefits do not apply.
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Starting a contract of service

The contract is in effect when the new recruit turns up for work on the appointed starting date.

If the recruit fails to turn up:

- The Employment Act does not apply, as the employer-employee relationship did not start.
- The employer cannot claim notice pay or any compensation under the Act.
- Any claims for compensation by the employer will have to be a civil claim through a lawyer.

Confirmation of an employee

Confirmation depends on the terms in the contract, as it is not covered by the Employment Act.

Note: The length of an employee's service is calculated from the date of which the employee starts work, and not the date of confirmation.

Terminating a contract of service

Either the employer or the employee can terminate a contract of service.

KEY EMPLOYMENT TERMS

With effect from 1 April 2016, all employers must issue key employment terms (KETs) in writing to employees covered under the Employment Act.

Requirements

Employers must issue KETs in writing to all employees who

- Enter into a contract of service on or after 1 April 2016.
- Are covered by the Employment Act.
- Are employed for 14 days or more. This refers to the length of contract, not the number of days work.

Items to include

KETs must include the items below, unless the item is not applicable. For example, if the employee is Professional, Manager, Executive and overtime does not apply, the KETs issued do not need to include items 11 to 12.

No.	Item Description
1.	Full name of employer.
2.	Full name of employee.
3.	Job title, main duties and responsibilities.
4.	Start date of employment.
5.	Duration of employment (if employee is on fixed-term contract).
6.	Working arrangements, such as:

	Daily working hours (e.g. 8.30 am – 6pm).
	Number of working days per week (e.g. six).
	Rest day (e.g. Saturday).
7.	Salary period.
8.	Basic salary.
	For hourly, daily or piece-rated workers, employers should also indicate the <u>basic rate of pay</u> (e.g. \$X per hour, day or piece).
9.	Fixed allowances.
10.	Fixed deductions.
11.	Overtime payment period (if different from item 7 salary period).
12.	Overtime rate of pay.
13.	Other salary-related components , such as: Bonuses Incentives
14.	Type of leave, such as: Annual leave Outpatient sick leave Hospitalisation leave Maternity leave Childcare leave
15.	Other medical benefits, such as: Insurance Medical benefits Dental benefits
16.	Probation period.
17.	Notice period.

ALLOWABLE SALARY DEDUCTIONS

The employer can deduct the salary of an employee only for specific reasons or if required by authorities, for those employees covered under the Employment Act.

The deduction by employer may be required if:

- By court order, or other valid authority.
- If the employer is declared an agent for the recovery of income tax, property tax or goods and services tax (GST) payable by the employee.

Note: Any compensation should generally be recovered directly from the employee, rather than through a salary deduction.

Types of deductions allowed

The employer can deduct the salary of an employee only for the following reasons:

For absence from work

For a monthly-rated employee, the salary may be deducted for authorised and unauthorised absence through authorised absence (incomplete month) or authorised absence (gross rate of pay).

For damage or loss of goods or money

The salary of an employee may be deducted if he damages or loses goods or money that he is responsible for. Before deducting an employee's salary, the employer should:

- Hold an inquiry to determine if you are directly at fault.
- Not make any deductions until you have had the opportunity to explain the cause of the damage or loss.
- Not deduct more than 25% of your 1 month's salary. The deductions must be made as a one-time lump sum payment.

For cost of meals supplied at the employee's request.

For supplying accommodation, amenities and services that an employee has accepted. Deductions must not exceed the value of the item supplied and 25% of his 1 month's payable salary.

For recovering advances, loans or overpaid salary

- For advances, the employer can deduct the salary of an employee by instalments spread over not more than 12 months. Each instalment should not exceed 25% of the employee's salary for the salary period.
- For loans, the employer can deduct the salary in instalments. Each instalment should not exceed 25% of the employee's salary for the salary period.
- For overpaid salary, the employer can recover the full amount from an employee.

For CPF contributions.

For contributions to a scheme at the employee's written request. The scheme must be lawfully established for the benefit of employees and approved by the Commissioner for Labour. Examples include a superannuation scheme or provident fund.

For payments to any registered co-operative society with your written consent.

For any other purpose where the employer must first get approval for the deduction from the Ministry of Manpower.

Maximum amount of deductions

The employer cannot deduct more than **50% of an employee's total salary payable** in any one salary period.

This does not include deductions made for:

- Absence from work
- Recovery of advances or loans
- Payment, with your consent, to registered co-operative societies for subscriptions, entrance fee, loan instalments, interest and other dues payable.

However, when your contract of service is terminated, any deductions from your last salary payment may exceed 50%. This enables your employer to recover any sum of money you owe.

HOURS OF WORK, OVERTIME AND REST DAYS

Employees that are covered under Part IV of the Employment Act are entitled to work not more than 8 hours daily, or 44 hours weekly.

Maximum working hours

Employees are not allowed to work more than 12 hours within a day except in the following circumstances:

- a. Accident or threat of accident;
- b. Work that is essential to:
 - i. the life of the community;
 - ii. national defence; or
 - iii. security.
- c. Urgent work to be done to machinery or plant; or
- d. An interruption of work which was impossible to foresee.

Break time

An employee is generally not required to work more than 6 consecutive hours without a break. However, if the nature of work is such that it must be carried on continuously, an employee may be required to work 8 hours continuously. In such an instance, a break or breaks must be given to the employee for having his/ her meal(s) and the duration of the break(s) should not be less than 45 minutes.

Contractual hours of work

An employee covered by Part IV of the Employment Act is not required under his contract of service to work more than 8 hours in a day or 44 hours in a week.

- The limit of 8 hours per day may be exceeded when an employee is not required to work more than 5 days a week. However, he is not required to work more than 9 hours per day or 44 hours in a week.
- If the number of hours worked is less than 44 hours every alternate week, the limit of 44 hours a week may be exceeded in the other week. However, this must be stated in the contract of service and is subject to maximum of 48 hours in one week or 88 hours in any continuous two week period.

A shift worker is allowed to work up to 12 hours a day, on the basis that the average working hours each week does not exceed 44 over a continuous 3 week period. If the employee's rest day falls on a day other than a Sunday, the employer is required to prepare a monthly roster and inform him of his rest days for the month at the beginning of each month.

Overtime allowance

It is payable if the employee is required by the employer to work above the limit of working hours specified above.

All work in excess of the normal hours of work (excluding break time) is considered as overtime work. An employee must be paid no less than 1.5 times his hourly rate of pay for overtime. Payment for overtime work must be made within 14 days after the last day of the salary period.

The computation of overtime pay differs between monthly-rated, daily-rated and piece-rated employee.

Maximum hours of overtime

Singapore Ministry of Manpower has stringent laws regarding hours of work and conditions for working overtime. An employee is permitted to work up to a limit of 72 hours of overtime in a month. This limit may be exceeded provided the exemption is granted by Ministry of Manpower.

For work done on rest days or public holidays it is not included in the 72 hours' limit for overtime. However, if an employee works beyond his normal daily working hours on his rest day or public holiday, the extra hours of work done would be included in the 72 hours' limit for overtime work.

The rate of payment for an employee who works overtime on his rest day and public holiday should be paid at not less than 1.5 times his hourly basic rate of pay for the overtime work (as in the case of overtime work on any other day), in addition to his rest day or public holiday pay.

Rest days

An employee covered by Part IV of the Employment Act is entitled to a rest day comprising one whole day (midnight to midnight) every week. The rest day can be on Sunday or any other day and it is not a paid day. If the rest day is not a Sunday, the employer should determine the rest day by preparing a monthly roster and inform the employee on the rest days before the beginning of each month.

Employer cannot compel employees to work on rest days unless very exceptional circumstances. The longest possible interval between 2 rest days is 12 days. This can occur where in one week, the rest day is given on Monday, which is at the beginning of the working week. In the following week, the rest day is on Sunday, which is at the end of the next working week. This will enable an employee to take 2 rest days at a stretch.

For a shift worker, the rest day can be a continuous period of 30 hours. A 30 hour rest period that commences before 6pm on Sunday will be considered as one rest day within the week, even though the 30 hour period will extend into the next week, i.e. on Monday.

ANNUAL LEAVE

Entitlement

An employee is entitled to annual leave if he serves at least 3 months with the employer. The number of annual leave depends on the contractual agreement between the employee and the employer. The employee is entitled to a minimum of 7 days during the first year, and 1 extra day for each additional year of service.

If at the time of his leave application, an employee is not entitled to paid annual leave or has used up his paid annual leave, he may apply for no-pay leave instead. No pay leave is subject to approval from the employer.

An employer can deduct an employee's salary for paid annual leave taken beyond his entitlement. As such, an employee is advised to keep a record of an employee's leave application regardless paid or unpaid.

If an employee has completed less than 12 months of service

An employee, who has been in service for at least 3 months, shall be entitled to pro-rated leave based on the number of completed months of service. This entitlement applies to an employee even if he is still on probation.

The computation of pro-rated annual leave is as follows:

(No. of completed months of service excluding periods of approved no pay leave)	$\div 12 \text{ months} \times \text{No. of days annual leave entitlement}$
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Forfeiture of annual leave

In the case of dismissal for misconduct, absenteeism from work without permission for more than 20% of working days in the month, or if the leave is not used up within 12 months of every year of continuous service, the employee's annual leave will be forfeited, unless otherwise specified in the employment agreement.

If the termination of an employee's service is not on account of misconduct, the employer must pay the employee for every day of unconsumed leave. The payment is based at the gross rate of pay based on the employee's last drawn salary.

Marriage and compassionate leave entitlement

The entitlement to such leave depends on what is in the employment contract or agreed mutually between the employer and employee. If no such provisions had been agreed, employee could apply for annual leave or unpaid leave for such purposes.

SICK LEAVE

Entitlement

The statutory sick leave entitlements are outlined in the Employment Act as follows.

No. of months of service completed of a new employee	Paid outpatient non-hospitalisation leave (days)	Paid hospitalisation leave (days)*
3 months	5	15
4 months	5+3 =8	15+15=30
5 months	8+3 =11	30+15=45
6 months	11+3=14	45+15=60
Thereafter	14	60

*An employee is deemed to be hospitalised if he is certified by a doctor to be in need of hospitalisation. He does not necessarily have to be warded in a hospital.

Reimbursement of medical expenses

The employer is legally obliged to bear the medical consultation fee if an employee has worked for at least 3 months. For other medical costs, such as medication, treatment or ward charges, the employer is obliged to bear such costs depending on the medical benefits provided for in the employee's employment contract or the collective agreement signed between the company with its union. If an employee fall sick during public holidays, annual leave, rest days or non-working days, you will be able to claim reimbursement for medical consultation fees.

Note: Employers are not required to grant paid sick leave or pay medical fee for cosmetic procedures. The doctor performing the examination will decide whether a procedure is for cosmetic reasons.

Salary to employees on sick leave

If an employee is on paid hospitalisation leave, his employer has to pay him at his gross rate of pay. If an employee is on paid outpatient sick leave, his employer has to pay him at his gross rate of pay excluding any shift allowance.

For monthly shift allowances, the employee should consult his employer and union on whether he can continue to receive the shift allowance during his sick leave period.

Sick leave on rest days, public holidays, non-working days and during annual leave & no-pay leave

An employee is not entitled to paid sick leave on rest days, public holiday, non-working days, during annual leave and no-pay leave, even if he is given a medical leave by the doctor.

PUBLIC HOLIDAYS

Considering Singapore's multicultural diversity, 11 paid public holidays in a year are entitled by all employees to accommodate different ethnic communities.

The 11 gazetted public holidays are:

New Year's Day;

Chinese New Year (two days);

Hari Raya Puasa;

Hari Raya Haji;

Good Friday;

Labour Day;

Vesak Day;

National Day;

Deepavali; and

Christmas Day.

The employer and employee may mutually agree to substitute a public holiday for any other day.

Holiday pay

An employee is entitled to gross rate of pay on a public holiday, provided the employee does not absent himself work on the working days immediately before or after a holiday without:

- The employer's consent; or
- A reasonable excuse.

An employee is not entitled to holiday pay if:

- he is on approved no pay leave.

If the holiday falls on a rest day, the next working day will be a paid holiday.

If the holiday falls on a non-working day or off day, the employer may decide to:

- Compensate the employee with an extra day's pay in lieu of that holiday; or
- Give the employee another day off as a holiday.

If the employee work on a public holiday

If the employee works on a public holiday, by default, the employer should pay him. Alternatively, by mutual agreement, the employee can get a public holiday in lieu, or time off in lieu (applies only to managers and executives).

Pay for working on a holiday

If the employee is required to work on a public holiday, he should be paid an extra day's salary at the basic rate of pay. The employee's monthly gross salary already includes payment for the holiday, and therefore he is not entitled to the holiday pay. His employer can deduct one day's pay at the gross rate from the employee's monthly gross salary.

The employee is paid for working on a public holiday, under different scenarios as illustrated below.

If the employee works on a public holiday that falls on	The employee is entitled to the following
A working day	An extra day's salary at the basic rate of pay. The gross rate of pay for that holiday. Overtime pay if the employee works beyond normal hours of work.
If the employee works on a public holiday that falls on	The employee is entitled to the following

A rest day	<ul style="list-style-type: none"> • Payment for work done on rest day. • Overtime pay if you work beyond your normal hours of work. <p>The next working day will be a paid holiday instead.</p>
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If the employee works on a public holiday that falls on	The employee is entitled to the following
<p>A non-working day</p> <p>(e.g. Saturday for employees on a 5-day work week)</p>	<p>Overtime pay for extra hours worked on a Saturday.</p> <p>One extra day's pay or another day off for the public holiday.</p>

Public holiday in lieu

If you work on a public holiday, you and your employer can mutually agree to substitute a public holiday for another working day.

Time off in lieu (for managers and executives)

If you are in a managerial or executive position, your employer may grant you time off in lieu for working on a public holiday. The time off should consist of a mutually agreed number of hours.

If there is no mutual agreement on the duration of time off in lieu, your employer can decide on one of the following:

- Pay an extra day's salary at the basic rate of pay for one day's work.
- For working **4 hours or less** on a holiday, grant time off in lieu of 4 hours on a working day.
- For working **more than 4 hours** on a holiday, grant a full day off on a working day.

MATERNITY LEAVE

Eligibility under the Child Development Co-Savings Act

The Child Development Co-Savings Act covers parents of Singapore Citizen Children, including managerial, executive and confidential staff.

Under the Act, an employee is entitled to maternity benefits if:

- i. The child is a Singapore Citizen;
- ii. The child's parents are lawfully married; and
- iii. The employee has served her employer for at least 3 months before the child's birth.

OR

The mother is self-employed and has been engaged in a particular business/ trade/ profession for a continuous duration of at least 3 months before the birth of the child; and has lost income as a result of not engaging in her trade, business, profession or vocation during the maternity leave period.

If the employee does not meet criterion (i) and/or (ii) at the time of confinement, but meets them within 12 months of the child's birth, she will be eligible for the remaining maternity leave from the date she meets all the criteria. The remaining maternity leave entitlement must be taken before the child turns 12 months old. She will not be eligible for the maternity leave that has lapsed.

Working fathers, including those who are self-employed, are entitled to share 1 week out of 16 weeks' maternity leave, subject to the agreement of the mother and provided that they meet the following criteria under CDCA:

- i. The child is a Singapore Citizen;
- ii. Mother qualifies for Government-Paid Maternity Leave;
- iii. Father is lawfully married to the child's mother.

From 1 July 2017, eligible working fathers will be able to up to 4 weeks of 16 weeks' maternity leave, subject to the agreement of the mother.

Entitlement under Child Development Co-Savings Act

An eligible employee is entitled to absent herself from work four weeks immediately before and 12 weeks immediately after delivery, in total of 16 weeks.

Where there is mutual agreement with her employer, an employee is allowed to take last 8 weeks (9th to 16 weeks) of maternity leave flexibility over a 12-month period from the child's birth. The number of days of maternity leave that can be taken flexibly is equivalent to 8 weeks' worth of working days, up to a maximum of 48 days.

Eligibility and duration of maternity leave under the Employment Act

An employee who is covered under the Employment Act, but not under the Child Development Co-Savings Act, will be entitled to 12 weeks of maternity leave. She will be paid by her employer for the first eight weeks of maternity leave if she has fewer than 2 living children (excluding the newborn), and she has served her employer for at least 3 months before the birth of the child. The last four weeks of maternity leave can be taken flexibly over a 12-month period from the child's birth.

CHILDCARE LEAVE

The eligible employee is entitled to 6 days childcare leave per year, if all three of the following conditions are met:

- i. Child is below 7 years old;
- ii. Child is a Singapore Citizen;
- iii. Parent must have served his or her employer for a continuous duration of at least 3

calendar months;

OR

For a parent who is self-employed, he must have been engaged in a particular business, trade, profession for a continuous duration of at least 3 calendar months; and have lost income as a result of not engaging in the trade, business, profession or vocation during the child care leave period.

The first 3 days of childcare leave will be employer-paid and the last three days Government paid (capped at S\$500 per day, including CPF). Regardless of the number of children, the total childcare leave entitlement for each parent is capped at 6 days per year until the year the child turns 7 years old.

PATERNITY LEAVE

The eligible employee is entitled to 1 week of Government Paid Paternity Leave for all births, if all 3 of the following conditions are met.

- i. Child is Singapore Citizen;
- ii. Parent is or had lawfully married to the child's mother between conception and birth;
- iii. Parent must have served his or her employer for a continuous duration of at least 3 calendar months;

OR

For a parent who is self-employed, he must have been engaged in a particular business, trade, profession for a continuous duration of at least 3 calendar months; and have lost income as a result of not engaging in the trade, business, profession or vocation during the child care leave period.

For fathers of citizen children born from 1 January 2015 onwards, the employee may get up to 1 additional week of paternity leave, if the employer voluntarily agrees to provide it.

It is mandatory for employers to provide the second week of paternity leave to fathers of citizen children born from 1 January 2017 onwards.

RETRECHMENT

Although there are several ways to implement the retrenchment process, the most common way utilized by company is reducing the workforce by way of layoffs and giving notice period as per the Employment Act. If the Company is unionised, the Ministry of Manpower advises employers to carry out any retrenchment exercise responsibly, in consultation with the union.

CENTRAL PROVIDENT FUND (CPF) CONTRIBUTIONS

CPF is mandatory retirement saving scheme for Singapore Citizens and Permanent Residents. Monthly contributions are made by both the employee and employer. The employer is responsible to make both employer's and the employee's contribution, by the 14th of the following month. The maximum CPF contribution rate for employer and employee is 17% and 20% respectively and can be lower depending on certain factors, such as employee age etc.

IMMIGRATION REQUIREMENTS

Before a foreigner commences his employment or engage in a business in Singapore, he must obtain the relevant work pass from Ministry of Manpower.

Work Permit

A lower-skilled or unskilled foreigner intending to work in Singapore will need to apply for a work permit. A Foreign Worker Levy will be required to be pay by the employer depending on the educational level and the industry sector he is employed under. With the exception of Malaysian workers, employers will need to provide stipulated bank guarantee for every foreign worker.

S Pass

An S Pass is granted to mid-level skilled workers who earn a fixed monthly salary of at least S\$2,200, possess the required tertiary education or technical training and have relevant working experience. The employer must purchase and maintain similar medical insurance for S Pass holders as for the Work Permit holders and are also required to pay a Foreign Worker Levy depending on the number of foreign workers employed.

Employment Pass

An Employment Pass is granted to those earning more than S\$3,300/- with acceptable qualification, such as graduates, professionals, technical personnel and skilled workers (more experienced candidates need higher salaries). Ministry of Manpower will evaluate each application on its own merit, based on a wide range of criteria such as global and country rankings, and enrolment standards. (Note: From 1 January 2017, new EP applicants will have to earn a fixed monthly salary of \$3,600 or more, depending on their qualifications and experience).

Those candidates without acceptable qualifications may not necessarily be rejected. Likewise, having acceptable qualifications do not guarantee approval. Other factors such as proven track records and exceptional skill sets will be taken into consideration, on case-by-case basis.

Dependant Pass

The Employment or S pass holder earns a monthly fixed salary of at least S\$5,000/-, he can apply dependant pass for their spouse (legally married) and/ unmarried children under 21 years of age, including those legally adopted.

Entrepreneur pass (EntrePass)

You may apply for an EntrePass if you are ready to start and operate a new business in Singapore. All applicants must fulfill these requirements:

- Must be a Private Limited Company registered with Accounting and Corporate Regulatory Authority.
- Applicants need not register the company first.
- If registered, it must not be more than six months from date of application. Company must have at least \$50,000 paid-up-capital.
- A bank statement, from the Singapore-based company bank account, of at least \$50,000 is required for verification. The business must not be illegal.
- Applicants must hold at least 30% of shares in the company.

Permanent resident

Those investors who are interested to start up business or invest in Singapore may apply Singapore Permanent Residence status through Global Investor Programme (GIP). The investor must fulfill certain the assessment criteria prior to GIP application. The benefit of the permanent residency include:

- The possibility of public home ownership.
- The possibility for the resident's children to enter Singapore's public education system. The capacity to stay in Singapore for an unlimited period of time.
- Employer and employee contributions to the Central Provident Funds.

BUSINESS AND RESIDENTIAL PREMISES

During the search for office premises, there are plenty of factors that need to be considered when choosing a location for your business.

1. Office space

When sourcing furnished office space for rent, it is necessary for you to strategize precisely on basis of office space that you're expected to need for duration of the lease. Having the wrong space can interrupt your business or make it difficult to operate.

First you need to assess your current situation, and then decide what your expectations are for the growth of your business over the next few years. Ask yourself the following questions.

- How many people do I currently employ?
- Does each employee need an individual desk or is sharing possible?
- Do I expect to add any staff in the next couple of years?
- What kind of staff will I be adding, executive, administrative or sales?

2. Location

Before taking best office space on lease, you need to determine the needs and the requirements of the staff. It is crucial to have the office space in centralized location or one that proffers an easy access to public transportation.

Evaluate each of the following criteria in selecting the location for your business.

- Is it a safe neighborhood?
- Are there good transport links?
- Are there amenities nearby?
- Is it a trendy neighborhood?

3. Pricing

As a business owner you need to have a grasp on what your organization can afford to pay as a monthly rent. It is in your best interest to create a budget that includes expenses like electricity, internet connection etc. Unwavering initial payment is the best way to ensure that you have a superlative experience in your new business spot.