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## BUSINESS ENVIRONMENT

### THE CONSUMER

#### Consumer Profile

Singapore has a population of approximately 5.9 million inhabitants, growing at a rate of 0.92% (CIA, 2022). 74.2% of the inhabitants are Chinese, 13.7% are Malay and 8.9% are Indian (CIA, 2021). A household in Singapore count in average 3.15 people, 15.6% of the households count one person, 45.2% of the households count 2 or 3 people, 31.6% of the households 4 or 5 people and 7.5% of the households 6 people or more (Statistics Singapore, 2021). As Singapore is a city-state, 100% of the population is urban, and most of the population along the southern coast, with relatively dense population clusters found in the central areas. It is important to distinguish local consumers from foreign consumers visiting Singapore. Foreign consumers are huge contributors to Singapore as a regional hub.

There is 1 man per woman (CIA, 2022). The literacy rate is 99% among the male population and 96% among the female population (World Bank, 2020). The median age is 43.2 years (Data Reportal, 2022). 12.8% of the population is between 0 and 14 years old, 15% of the population is between 15 and 24 years old, 50.7% is between 25 and 54 years old, 10.6% of the population is between 55 and 64 years old and 10.9% is 65 years old or older (CIA, 2020). The total unemployment rate is at 2.7% (Statistics Singapore, Q2 2022). 0% of the active population works in agriculture, 16% works in industry and 84% is employed in services (World Bank, latest data available).

Education spending usually makes up about 20% of the annual national budget, which subsidises state education and government-assisted private education for Singaporean citizens and funds the Edusave program. Non-citizens bear significantly higher costs of educating their children in Singapore government and government-aided schools. The Compulsory Education Act codified compulsory education for children of primary school age (except those with disabilities), and made it a criminal offence for parents to fail to enroll their children in school and ensure their regular attendance. Exemptions are allowed for home schooling or full-time religious institutions, but parents must apply for exemption from the Ministry of Education and meet a minimum benchmark. The OECD consistently ranks the education system in Singapore as one of the best in the world. It is believed that this comes from the style of teaching that is implemented in Singapore. Teachers focus on making sure that each of their students thoroughly moves through the syllabus before moving on. By doing this, teachers in Singapore teach a much more narrow but deeper type of instruction.

#### Purchasing Power

GDP per capita (PPP) in Singapore was estimated at USD 116,486.5 in 2021 according to data from the World Bank. The Gini index is 44.1 in 2021 (Statistics Singapore). According to data from the Ministry of Manpower, the average monthly wage for full-time resident employees was SGD 4,680 in 2021, while there is no legal minimum salary. In 2021, the Economist Intelligence Unit (EIU) ranked Singapore as the second most expensive city in the world, after several years in which the country ranked first.

Data from Statistics Singapore shows that median monthly household income from work grew by 1.5% in 2021 in real terms (4.2% in a five-year time), reaching SGD 9,520. Taking into account household size, median monthly household income from work per household member rose by 2.8% in real terms. In 2021, resident

employed households in all income groups registered real growth in average household income from work per household member. Households in the 1st-90th percentile income groups registered real growth of 0.6 to 5.5%, while those in the top 10% income group saw a real income decline of 1.1%.

According to the latest study from the Ministry of Manpower, in 2020 Singapore's adjusted gender pay gap figure was 4.3%. It has narrowed over time, from 8.8% in 2002. The analysis showed that the different representation of men and women in higher/lower paying occupations is a key driver of the gender wage gap, and its role has grown over time.

## **Consumer Behaviour**

The consumer in Singapore enjoys a high standard of living and is a keen buyer of foreign products. Singaporeans are not only brand conscious, but are also very loyal and cautious towards exploring alternatives: they like new products, but they stay loyal to familiar brand names. They like to experiment with new products only after feeling assured about their quality and customer care service. Consumers keep in mind factors such as price, quality and service when making purchasing decisions. Pricing has to be very competitive, as bargaining is commonplace. Increased spending power and more preferences that are sophisticated are driving demand for more premium products. Online shopping has grown due to the considerable tech-savvy population looking for bargains (80% of millennials have shopped online in the past 12 months, out of which about 70% have done cross-border online shopping). High rates of homeownership have supported sustained demand for household-related goods and services, particularly from young first-time homebuyers.

A growing number of late-lifers is set to greatly influence the consumer landscape in the next years. Consumers are increasingly choosing to live healthier lifestyles, thus the growing demand for healthy foods and sustainable products. Singaporean, like other Asian consumers, are sensitive to environmental issues, though they are not willing to pay more or change their habits to support the cause. When the country's major supermarket chains considered introducing a levy on plastic bags to ease the country's waste problem, the idea received heated criticism from customers and the charge was abandoned. Consumers are also concerned by CSR, and a YouGov Omnibus research found that 88% of Singaporeans think businesses have a responsibility to do social good, and a majority (53%) of Singaporean consumers believe businesses have a responsibility to ensure that their supply chain is free from damaging practices.

## **Consumer Recourse to Credit**

Resorting to bank consumer credits has decreased, but the use of credit cards has grown following agreements signed between banks and distributors. Credit is commonly given for 30, 60 or 90 days. Currently, in the Singaporean market, credit cards are the most preferred method of payment. The debt situation in Singapore has been a topic of discussion for the past few years with more consumers not being able to manage their overall debt. Due to the rising consumer debt on the island, the government introduced TDSR rules (Total Debt Servicing Ratio) which prevented Singaporeans whose monthly payments were equal to about 60% of their income from taking out any further loans; whereas the Mortgage Servicing Ratio (MSR) caps property loans at 30% of all borrowers' gross monthly income. The government is also constantly introducing programs to raise awareness regarding consumer debt in the country.

According to the latest figures available from combined data from the Department of Statistics Singapore and other government agencies (elaborated by ValueChampion), the average household debt per capita in Singapore stood at SGD 57,637, with the total outstanding Singaporean consumer debt at SGD 323 billion in 2017. High interest debt like credit cards and personal loans have been the fastest growing debt category, comprising 21.8% of total household liabilities.

## **Growing Sectors**

Computing, telecommunications, building products, university education services, fintech, cybersecurity, medical sector, cosmetics, health supplements, stationery, fitness equipment, household appliances, bags and accessories.

## IMPORTING & DISTRIBUTING

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### Import Procedures

All goods imported into Singapore are regulated under the Customs Act, the Goods and Services Tax (GST) Act and the Regulation of Imports and Exports Act.

Imported goods are subject to GST and/or duty payment. A customs permit is required to account for the import and tax payment of the goods.

Dutiable goods, which incur both GST and duty, are:

- Intoxicating liquors
- Tobacco products
- Motor vehicles
- Petroleum products

Ad valorem or specific duty rates may be applied for dutiable goods.

All other goods are non-dutiable and incur GST only. GST is levied at 7% of the CIF (cost, insurance and freight) value, which includes duties (if it is a dutiable good) and other charges, costs and expenses incidental to the sale and delivery of the goods into Singapore, whether or not shown on the invoice.

For more information, please visit the [website](#) of Singapore Customs, which also provides an [importers' guide](#).

### Specific Import Procedures

Controlled goods require proper authorisation (advance notification, license or certificate approval) from Competent Authorities before they may be imported into Singapore. Please consult the full list of controlled and prohibited goods on the website of [Singapore Customs](#).

### Distribution channels

According to USDA, the country's food retail sales surpassed USD 7 billion USD in 2021, with forecasted sales to reach USD 9 billion by 2023. Most of the food retail sales in Singapore take place in hypermarkets, supermarkets and modern mini-marts. The Singapore food retail sector is highly developed and competitive. The industry is comprised of a range of large supermarkets/hypermarkets, convenience stores, "mom and pop" traditional stores and specialty retailers.

Supermarkets remain the leading channel in grocery retailing, whereas traditional grocery retailing witness a slight decline, as some segments of traditional retailing, such as wet markets, struggle to compete. Furthermore, an increasing number of supermarkets are extending their operating hours to cater to consumers, thus increasing competition.

Generally, the large supermarket chains and several up-market retailers import western-type products directly from source countries, consolidators and distributors for their own outlets, while smaller retailers buy from local distributors. Products procured from local importers would include products from the Asian region, dry groceries, tropical fruit, frozen chicken and chicken parts, frozen beef, local sauces and ethnic foods.

Online grocery shopping is mostly popular among busy working adults who do not have to do physical grocery shopping, as consumers generally prefer to shop physically at supermarkets and convenience stores as they are highly accessible and conveniently located. Nevertheless, the COVID-19 outbreak and the following restrictions propelled online sales. In May 2022, online retail sales represented 12% of total retail sales (Statistics Singapore). Consumers are also increasingly looking for bargains and cheaper products.

Convenience is the key purchasing factor in Singapore, especially for time-strapped working consumers. Nevertheless, health and wellness trends continue to strengthen, so that consumers are more willing to spend on fresh and healthy produce. Some brands like as Little Farms and Ryan's Grocery expanded their offer to organic and artisanal products.

### Distribution market players

According to the latest report from the US Department of Agriculture, the retail sector in Singapore is dominated by three key players:

- NTUC Fair Price Cooperative: Singapore's largest retailer (supermarkets, hypermarkets, gas marts and convenience stores, with the brands FairPrice, FairPrice Finest, FairPrice Xtra, and FairPrice Xpress supermarkets/hypermarkets), it has a market share of 35%
- Dairy Farm Group: supermarkets, hypermarkets, gourmet stores and convenience stores with brands such as Cold Storage, Market Place, Giant supermarkets, 7/11 convenience stores. It retains a market share of 15%
- Sheng Siong Supermarket Chain: it offers supermarkets with "wet & dry" market experience, located across the island, mostly in suburban neighbourhood areas.

Other players include:

- Prime Supermarkets: with 20 stores, mainly located in suburban neighborhood areas, targeting budget-conscious consumers
- the Japanese retail stores Meidi-Ya Singapore and Isetan Supermarket
- Mustafa Supermarket in "Little India", importing from multiple countries.

Concerning traditional grocery retailers, BreadTalk Pte Ltd continues to lead the market in terms of sales.

### Retail Sector Organisations

Singapore Retailers Association

## OPERATING A BUSINESS

### Type of companies

#### Private limited company

**Number of partners:** Minimum 1, maximum 50.

**Capital (max/min):** SGD 1

**Shareholders and liability:** Liability is limited to the amount of guarantees

#### Public limited company

**Number of partners:** Minimum 50 shareholder.

**Capital (max/min):** No minimum capital required.

**Shareholders and liability:** Liability is limited to the portion of the company's share capital taken up.

#### Public limited company by guarantee

**Number of partners:** Minimum 3 shareholders.

**Capital (max/min):** Minimum SGD 1.

**Shareholders and liability:** Liability is limited to the amount contributed.

### Limited Partnership

**Number of partners:** Minimum 2 partners with a maximum of 20. At least one general partner and one limited partner.

**Capital (max/min):** No minimum capital required.

**Shareholders and liability:** At least one person has an unlimited liability (active partner). Sleeping partners' liability is limited to the amount they contributed.

### Sole Proprietorship

**Number of partners:** 1 person.

**Capital (max/min):** No minimum capital required.

**Shareholders and liability:** Liability is unlimited.

Setting Up a Company	Singapore	East Asia & Pacific
Procedures (number)	2.0	7.3
Time (days)	1.5	29.7

*Source: Doing Business - Latest available data.*

### Cost of Labour

#### Minimum Wage

As a matter of national policy, the Ministry of Manpower does not prescribe minimum wages.

#### Average Wage

According to data from the Ministry of Manpower, the average monthly wage for full-time resident employees was SGD 4,680 in 2021.

### Social Contributions

**Social Security Contributions Paid By Employers:** Employers contribute up to 17%, capped at a maximum average monthly salary of SGD 6,000 (contributions are payable by Singapore citizens and permanent residents only).

Reduced rates apply for employees who are earning less than SGD 750 per month as well as for those above 55 years of age.

**Social Security Contributions Paid By Employees:** Only employees who are Singaporean citizens or permanent residents must contribute 20% income to the CPF, with graduated rates available for the first three years of an employee's permanent residency.

### Intellectual Property

#### National Organisations

The organisation responsible for the protection of intellectual property in Singapore is the [Intellectual Property](#)

Office of Singapore (IPOS).

## Regional Organisations

APEC Intellectual Property Rights Experts Group

ASEAN Intellectual Property Association

## International Membership

Member of the WIPO (World Intellectual Property Organization)

Signatory to the Paris Convention For the Protection of Intellectual Property

Membership to the TRIPS agreement - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

## TAX RATES

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### Consumption Taxes

#### Nature of the Tax

GST (Goods and Services Tax)

#### Tax Rate

8% (9% from 2024)

#### Reduced Tax Rate

Goods for export and international services are zero-rated. No other reduced rate are applicable in Singapore.

#### Other Consumption Taxes

Excise duties are imposed on intoxicating liquors, tobacco products, motor vehicles, and petroleum products. Several taxes are payable by companies and/or individuals on film rentals, entertainment, airport departures, private lotteries, casinos, tourist hotels and restaurants, and carbon emissions.

Facilities that emit 25,000 or more tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) per year are subject to a carbon tax of SGD 5 per tCO<sub>2</sub>e of emissions. This tax is uniformly applied across all sectors and operates as a credits-based mechanism with a fixed price. Starting in 2024, the tax rate will gradually increase to SGD 25 per tCO<sub>2</sub>e of emissions for 2024 and 2025, SGD 45 per tCO<sub>2</sub>e of emissions for 2026 and 2027, and eventually range from SGD 50 to SGD 80 per tCO<sub>2</sub>e of emissions by 2030. There are no exemptions from this carbon tax.

### Corporate Taxes

#### Company Tax

17% (with a 75% exemption of the first SGD 10,000 and a 50% exemption of the next SGD 190,000, for a total exempt income of SGD 102,500)

## **Tax Rate For Foreign Companies**

A company is considered as resident for tax purposes if the place where the central management and control of its business is located in Singapore.

## **Capital Gains Taxation**

Singapore does not tax capital gains. Gains derived by a company from the disposal of ordinary shares that take place between 1 June 2012 and 31 December 2027 will not be taxed if the company has held at least 20% of the ordinary shares in the investee company for a continuous period of at least 24 months before the disposal (the exemption does not apply to insurance companies or disposal of shares in certain companies that trade or hold immovable properties).

## **Main Allowable Deductions and Tax Credits**

Expenses may be deducted if they are of a revenue nature and are incurred wholly and exclusively to produce income.

Bad trade debts and provisions for trade debts are deductible to the extent that they are incurred in the business and previously included as trading receipts. Doubtful debts are deductible if they are properly estimated and specific, whereas general provisions for bad debts are not deductible.

The first SGD 100,000 of qualifying expenditure incurred to register qualifying IP and the first SGD 100,000 of expenditure incurred to license qualifying IP are subject to an enhanced tax deduction of 200% for tax years 2019 to 2025, whereas for R&D expenses carried out in Singapore, the enhanced tax deduction stands at 250% (100% if carried out overseas). Interest incurred on capital employed in the production of income will be allowed as a tax deduction. From 2024 to 2028, there is an increased tax deduction of 400% for the initial SGD 400,000 spent on eligible IP registration expenses. Businesses with revenue under SGD 500 million for the given year can also benefit from a 400% deduction on the first SGD 400,000 spent to license or acquire IP. Similarly, for the years of assessment 2024 to 2028, an enhanced tax deduction of 400% for the first SGD 400,000 of qualifying R&D expenditure is available.

The tax deduction for medical expenses is limited to 1% of total payroll, unless the employer provides for certain portable medical insurance or benefit schemes (in such cases, the limit goes up to 2% of total payroll).

Donations are deductible only if they are made in cash or another prescribed form and to an approved recipient. The deduction allowed for qualifying donations is generally 250% of the value of the donation. Companies whose employees are assigned to volunteer and provide services to approved charitable institutions from 1 July 2016 to 31 December 2023 are allowed to deduct 250% of the wages and incidental expenses incurred.

Tax losses can be carried forward indefinitely, provided that the company passes the shareholding test (i.e. shareholdings in the company have not changed beyond 50% of the total number of issued shares). Tax losses and tax depreciation can be carried back up to one year, capped at SGD 100,000 and subject to the shareholding test.

Various tax exemptions and incentive schemes exist to encourage investment and trading in the country. For an extensive list, visit the website of the [Inland Revenue Authority](#).

## **Other Corporate Taxes**

A property tax is levied at the following rates: 0% to 23% for residential property occupied by its owner (0% to 32% from 1 January 2024), 11-27% for residential property not occupied by its owner (12% to 36% from 1 January 2024), 10% for non-residential property.

The employer's contribution to the social security fund is 17% of the gross salary (capped at SGD 6,000 per month). Employers are liable to pay for each foreign employee hired ("Foreign Worker Levy"), with rates varying according to the industry and the ratio of foreign/local workers. A training levy for each employee is levied at a rate of 0.25% on the first SGD 4,500 of gross monthly remuneration (with a minimum of SGD 2).

A buyer's stamp duty (BSD) of up to 5% is payable on acquisitions of residential properties (up to 6% for non-residential properties). An additional buyer's stamp duty (ABSD) is payable by certain individuals and entities

that purchase or acquire residential property, with rates ranging between 5% and 40%. A seller's stamp duty of up to 15% and 12% for industrial and residential property may also apply.

Leases above SGD 1,000/year are subject to a duty of 0.4% of the total rent (for leases of up to four years) or 0.4% of four times the average annual rent for the period of the lease (for leases longer than four years).

Instruments affecting the transfer of stocks and shares are subject to a stamp duty of 0.2% on the higher of the purchase price or the market value of the shares.

Consult the "Other Taxes" section on the [IRAS](#) website for more details.

## **Other Domestic Resources**

[Inland Revenue Authority of Singapore](#)

## **Double Taxation Treaties**

### **Countries With Whom a Double Taxation Treaty Have Been Signed**

[IRAS - International Tax Agreements](#)

## **Withholding Taxes**

Dividends: 0

Interest: 0 (residents)/15% (non-residents)/24% (for certain interest paid to non-resident individuals that does not qualify for the 15% final rate or a domestic concession)

Royalties: 0 (residents)/10% (non-resident companies final rate). Payments to non-resident individuals are subject to withholding tax of the lower of 24% on net income or 10% on the gross royalties.

