FINANCE AND TREASURY CENTRE INCENTIVE

The Finance and Treasury Centre Incentive is aimed at encouraging companies to grow treasury management capabilities and use Singapore as a base for conducting treasury management activities for the region.

1. Overview of the Incentive

1.1 An approved finance and treasury centre (FTC) company is eligible for a reduced corporate tax rate of 8% on income derived from qualifying FTC services to approved network companies (ANCs) as well as qualifying FTC activities carried out on its account with funds obtained from qualifying sources.

1.2 An approved FTC company is also eligible for withholding tax exemption on interest payments, such as interest on loans obtained by the approved FTC from banks, non-bank financial institutions and ANCs outside Singapore, provided the funds are used for its approved qualifying activities or services.

1.3 The incentive period is limited to five years. Extension of the incentive may be considered, subject to the FTC company's commitment to undertake further expansion plans on its FTC activities/services.

1.4 The FTC company is required to maintain a separate account in respect of any non-qualifying activity undertaken during the incentive period. The income from the non-qualifying activity is not eligible for the concessionary tax rate.

2. Assessment Criteria

2.1 We welcome companies with established international businesses and operations to establish your FTCs in Singapore.

2.2 To qualify for the FTC incentive, companies must establish substantive activities in Singapore and perform strategic functions. Key activities should include control over the management of cash and liquidity position, provision of corporate finance advisory services, management of interest rate, foreign exchange, liquidity and credit risks, as well as overall business planning, investment research and analysis.

2.3 Applicant companies will be assessed on the quantitative and qualitative aspects of the proposed FTC operations. These include the employment created (including skills, expertise and seniority in the FTC team), total business expenditure which generates spin-off to the economy, as well as the scale of the FTC operations in the depth and breadth of the services and activities. Companies are also encouraged to grow capabilities through working with potential partners, such as in the professional services and financial sectors.

2.4 Typically, an FTC is part of a larger presence of a company in Singapore, which may include manufacturing, R&D or a range of headquarters activities. The FTC set-up generally has about 10 staff and incurs total business spending of about $3.5 million.

2.5 The approval and award of any FTC incentive will be subject to the company implementing its plans to grow and sustain its FTC operations in Singapore.

3. Administration

3.1 The FTC incentive is subject to the provisions of Section 43G and Section 13(4) of the Income Tax Act and any subsidiary legislation. An FTC company must submit regular progress reports to the EDB for the evaluation of performance. In the event of any breach of term or condition of the FTC, the company is subject to the potential revocation of the incentive and recovery of any associated benefits.

3.2 The FTC company must carry out transactions with any related parties at arm's length. All business entities incorporated, registered or carrying on a business in Singapore are subject to transfer pricing guidelines. This requirement includes the preparation and keeping of contemporaneous transfer pricing documentation, which has to be submitted to the Inland Revenue Authority of Singapore (IRAS) upon request.

4. Enquiries

4.1 For general enquiries or clarifications, please contact EDB at 6832 6832 or client_services@edb.gov.sg.

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