



Guide to Inward Re-domiciliation in Singapore: What You Need to Know

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Introduction

Globally, companies are faced with complex and continuously changing regulatory and tax compliance obligations. In this environment, companies may find that Singapore's effective legal and regulatory systems together with its participation in more than 90 tax treaties lends the city-state a unique value proposition as a domicile for entities within their corporate group.

Further, as BEPS 2.0 is implemented internationally and there is increasing focus on greater tax transparency and reporting systems in the tax environment, multinational enterprises are now tasked with conducting a review of existing and proposed group structures to comply with new rules and legislation. With Singapore having joined the Inclusive Framework for Implementing Measures against BEPS and committed to implementation of certain internationally-agreed standards as part of the BEPS project, companies may wish to consider re-domiciling to Singapore under Singapore's inward re-domiciliation regime.

What is Redomiciliation?

Singapore's inward re-domiciliation regime allows for the transfer of a foreign corporate entity's ("FCE") registration from its original jurisdiction to Singapore subject to the satisfaction of certain criteria. After re-domiciliation, the FCE will become a Singapore company limited by shares registered with the Accounting and Corporate Regulatory Authority of Singapore ("ACRA").

As the process involves the transfer of a company's place of registration, FCE's will be able to retain their corporate history, branding and goodwill in their respective industries; all of which may be imperative for thriving in industries that emphasise the importance of a proven track record.

Why Re-domicile to Singapore?

Being a Singapore company also comes with a wide array of benefits, some of which are further discussed below.

Favourable Business Environment

Singapore is an international business hub and one of Asia's largest trading hubs. It is a triple-A rated economy, having one of the most stable economies in the world, a well-developed legal

system, and prudent fiscal governance. Singapore's strategic location also provides a regional and global platform for foreign companies to expand their operations internationally. Coupled with a business-friendly environment and a highly-skilled workforce, Singapore is an attractive destination for foreign investors.

Reputable Tax Jurisdiction

Singapore's reputation of having a firm commitment to upholding international tax transparency standards to combat cross border tax evasion and a strong domestic rule of law may be an asset to foreign companies redomiciling inward to Singapore.

Neutral Venue for Disputes

Singapore has a reputation of being a neutral venue for resolving cross-border disputes, offering a well-developed body of law, a range of efficient dispute resolution mechanisms including arbitration, mediation and litigation, and extensive experience in handling cross-border disputes. The Singapore International Arbitration Centre ("SIAC") was ranked the most preferred arbitral institution in the Asia-Pacific in the 2021 Queen Mary University of London and White & Case International Arbitration Survey, and Singapore was also jointly ranked with London as the most popular seat for arbitration overall.

Is your FCE Eligible for Redomiciliation to Singapore?

The FCE's original jurisdiction needs to permit outward re-domiciliation to another jurisdiction. There are then three main requirements to be fulfilled to be eligible for inward re-domiciliation to Singapore pursuant to the Companies Act 1967 of Singapore.

Size of the FCE

The FCE or the group (if the FCE to be re-domiciled is a parent company) must satisfy any two of the following three criteria:

- (a) the value of its total assets exceeds S\$10 million;
- (b) its annual revenue exceeds S\$10 million; or
- (c) it has more than 50 employees.

Solvency of the FCE

On the date of the re-domiciliation application, there must not be any ground upon which the FCE could be found to be unable to pay its debts, and the value of its assets must not be less than the value of its liabilities (including contingent liabilities). Additionally, if the FCE does not intend to commence winding up within 12 months of the application, it must be able to pay its debts in full as they fall due during the 12 months immediately after the application date.

First Financial Year

As at the application date, the FCE's first financial year end at its place of incorporation must have passed.

What to Consider Before Re-Domiciling to Singapore?

No Reversing the Re-Domiciliation

The decision to re-domicile the FCE to Singapore is irreversible as Singapore laws do not currently allow for outward re-domiciliation to another jurisdiction.

Possible Contractual Restrictions

The FCE may wish to conduct a review of its existing contracts prior to re-domiciliation to identify any restrictions or requirements which the re-domiciliation may inadvertently trigger.

Compliance with Singapore Law

Once re-domiciled, the FCE will have to comply with all applicable laws and regulations in Singapore. This entails obtaining the necessary licences and permits before commencing operations.

First Financial Year

As at the application date, the FCE's first financial year end at its place of incorporation must have passed.

Tax Considerations

Re-domiciliation may give rise to tax implications in the FCE's originating jurisdiction, such as capital gains tax, exit tax or stamp duty, which should be taken into consideration. Moreover, there may be relevant international tax compliance agreements that Singapore is a party to which the FCE will have to comply with.

Compliance with applicable laws in FCE's original jurisdiction

As a pre-requisite for the re-domiciliation, the FCE must comply with all applicable laws and/or regulations in the FCE's original jurisdiction. Advice should be sought from legal counsels of the FCE's original jurisdiction for the necessary steps to be taken by the FCE for compliance with the above.

Generally, the documents required for compliance with the applicable laws and/or regulations of the FCE's original jurisdiction for outward re-domiciliation varies from jurisdiction to jurisdiction. Among other things, this may include the (i) preparation of the necessary board or shareholders' resolutions, (ii) a certificate of good standing of the FCE and (iii) various directors' undertaking / statements, as required by the laws of the FCE's original jurisdiction.

Clarifications with relevant Singapore authorities

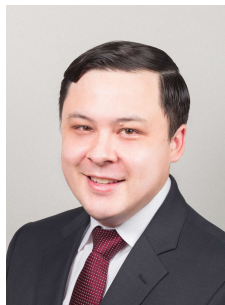
As part of the re-domiciliation application process, the FCE would be required to submit a suite of relevant documents for ACRA's review and approval. The duration of review is subject to ACRA's discretion. During the review process, ACRA may have further queries and clarifications on the documents / details submitted. The FCE may find it helpful for legal professionals with relevant experience in handling re-domiciliation applications to liaise and respond to queries raised by ACRA.

Contact Details

To discuss how we can help you solve your most important legal business issues, please connect with your usual Eng and Co. LLC contact or visit us at <https://www.engandcollc.com>.



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