

Shenzhen, ChinaRooms 1203-06, 12/F.
Di Wang Commercial Centre
5002 Shennan Road East
Luohu District, Shenzhen
T: +86 755 8268 4480**Shanghai, China**Room 603, 6/F., Tower B
Guangqi Culture Plaza
2899A Xietu Road
Xuhui District, Shanghai
T: +86 21 6439 4114**Beijing, China**Room 303, 3/F.
Interchina Commercial Bldg.
33 Dengshikou Street
Dongcheng District, Beijing
T: +86 10 6210 1890**Taipei, Taiwan**Room 303, 3/F.
142 Section 4
Chung Hsiao East Road
Daan District, Taipei
T: +886 2 2711 1324**Singapore**138 Cecil Street
#13-02 Cecil Court
Singapore 069538
T: +65 6438 0116**New York, USA**202 Canal Street
Suite 303, 3/F.
New York
NY 10013, USA
T: +1 646 850 5888

Guide to Singapore Global Trader Scheme

The Singapore Global Trader Programme was launched in June 2001 by International Enterprise Singapore. IE Singapore is an agency under Singapore's Ministry of Trade and Industry; its mission is to oversee and promote the growth of Singapore-based enterprises overseas, as well as improve and encourage international trade by promoting Singapore as a viable global base for foreign business, helping these foreign businesses expand into the region, and doing that by going into partnership with Singapore-based companies.

The Global Trader Programme is an incentive program designed to encourage international trading companies to choose Singapore as a base for their global trading activities. The primary purpose of the programme is to promote Singapore as an international trading hub. The GTP was created as an incentive to global trading companies, an encouragement to choose Singapore as their regional or global base for conducting business activities all along the total trade value-add chain, ranging from the procurement stage to the distribution stage, with the intention of expanding into the region and beyond. Companies who are in the Global Trader Programme (commonly abbreviated to GTP) enjoy a concessionary tax rate of 5% or 10% on their qualifying trade income for a period of 3 (entry-level award) or 5 years (renewable, subject to approval). The scheme is scheduled to lapse on 31 March 2021 and would be extended to 31 December 2026.

This article will focus on how to define global trading company, the benefits of GTP scheme and the criteria for participating in the GTP to make a brief introduction.

1. Definition of Global Trading Company

The Income Tax Act defines the terms Global Trading Company and Qualifying Company as follows:

Global Trading Company

A global trading company is a company carrying out business in international trading of :

- (1) Commodities or
- (2) Commodities futures

The products and commodities covered under this scheme are explained below.

Qualifying Company

A qualifying company (i.e a company that will qualify as a Global Trading company) is a company registered in Singapore and either:

- (1) An approved global trading company or
- (2) A wholly-owned subsidiary (i.e 100% ownership) of a global trading company.

The qualifying company will receive the tax benefits only on income derived from qualifying commodities.

2. Global Trading Programme Benefits

Companies that qualify for the GTP enjoy a concessionary corporate tax rate of 5% or 10% for a renewable 5-year period on qualifying trading income (including offshore trading income) that includes any income from physical trading, derivative trading income, etc. Companies eligible for this benefit must carry out a majority of their trading operations in Singapore. GTP companies are eligible for the 5% tax rate only if a substantial amount of their business is executed in Singapore, they utilize the country's financial services and hire local Singaporeans to work in their company. This criteria is in addition to the eligibility conditions that a company must fulfill to qualify for GTP.

In 2003, an announcement was made by the Singapore Government: international trading companies that are of a medium size and enjoying high growth, who are planning to make Singapore their regional base can be considered for the 10% concessionary tax rate, for a starting, non-renewable 3-year period. In those 3 years, with Singapore as their base of operations, it is expected that the trading company in question establishes and builds up their regional/global trading network. After this initial 3-year period, if the company has been able to demonstrate healthy and sustainable growth projections, in line with the requirements of the Global Trader Programme, they can then apply for the 5-year renewable Global Trader Programme scheme.

3. GTP Eligibility Requirements

(1) Basic criteria

You can apply to join the Singapore's GTP if:

- (a) You are a well-established medium or large-sized international company, and you conduct international trading, procurement, distribution and the transportation of qualifying commodities and products (see below for details).
- (b) You are a bone fide company with a global network, and possessing a good track record.
- (c) You intend to make Singapore your regional base for your principal offshore trading activities, business activities and support functions, which would include:
 - Market development and planning
 - Business and investment planning and coordination.
 - Logistics management (freight services, warehouse, etc.)
 - Financial and treasury functions
 - General and administrative management
- (d) You ensure that you will be:
 - Principally conducting substantial offshore trading activities.
 - Incurring a significant amount of local business spending in Singapore.
 - Making significant usage of Singapore's banking and financial services as well as its ancillary services (e.g. trade institutes, trade and logistics services and trade arbitration services, and so on).
 - Employing a good number of experienced trading professionals in Singapore.
 - Provide manpower training and aid to the development of trading expertise in Singapore.

(2) Benchmark Criteria

In addition to the points mentioned above, any company that applies to the GTP is required to meet the benchmarks listed below:

- Minimum Annual Turnover: USD 100 million
- Minimum Annual Local Business Spending: SGD 3 million.
- Minimum trading professionals employed: 3 trading professionals. They have to be involved in one of these: risk management, procurement/sourcing or sales & marketing. These 3 professionals may be senior management and can be Singaporeans or expatriates.

If the company applying to the GTP does not meet these benchmarks, it will be required to show that it can commit to these benchmarks in the projected incentive period. Moreover, when applying to join the Global Trader Programme, the authorities will be going through the overall business plan with intense scrutiny. What they are looking for in your

business plan is whether your company will be making significant contribution to the Singapore economy.

(3) Qualifying Commodities, Physical Trade and Transactions under the GTP

There is a list of products and commodities allowed under the GTP. The authorities periodically review and update this list. The current list includes these products and commodities:

- Electronic and electrical products.
- Consumer products.
- Building and Industrial materials.
- Industrial products.
- Energy commodities and products.
- Agricultural commodities and bulk edible products
- Minerals
- Machinery components

The following types of physical trade are the only ones that qualify under the GTP:

- Trans-Shipment Trade
- Offshore Trade
- Re-Export Trade (only the non-value added portion of the trades qualify)

When it comes to transactions that qualify under the GTP, your company is allowed engage in principal trades, both buy and sell transactions, with offshore parties or other companies under the GTP.

The GTP is a very attractive scheme for trading firms. The Singapore government makes changes to the GTP from time to time. Every business must ensure that they fulfill all the requirements to apply and be eligible for the GTP.

Kaizen suggests you to consult with professional advisors before the proposals coming into effect. Kaizen Singapore office is able to provide clients with Global Trader Programme application and consultancy services, please consult our professional accountants for details.

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at www.kaizencpa.com or contact us through the following and talk to our professionals:

Email: info@kaizencpa.com, enquiries@kaizencpa.com

Tel: +852 2341 1444

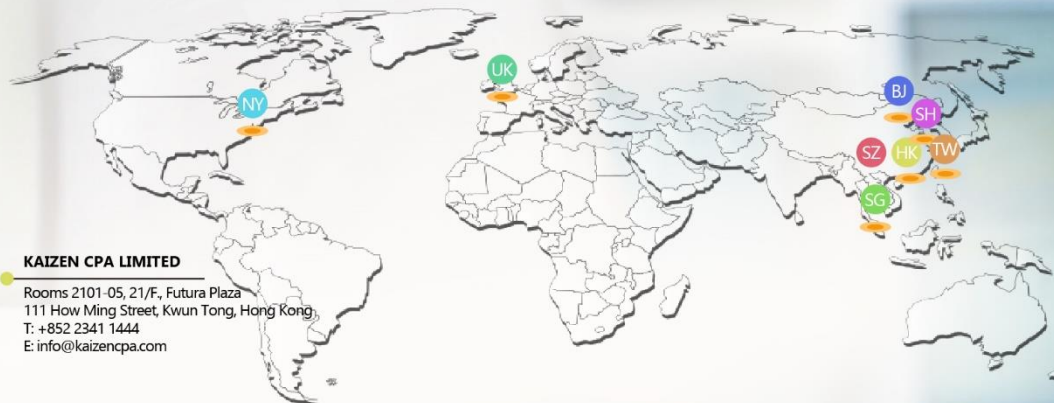
WhatsApp/Line/Wechat: +852 6114 9414, +86 1521 932 644

Skype: kaizencpa

SERVICES SCOPE



CONTACT US



KAIZEN CPA LIMITED

Rooms 2101-05, 21/F, Futura Plaza
111 How Ming Street, Kwun Tong, Hong Kong
T: +852 2341 1444
E: info@kaizencpa.com

SHENZHEN, CHINA

Rooms 1203-06, 12/F
Di Wang Commercial Centre
5002 Shennan Road East
Luohu District, Shenzhen
T: +86 755 8268 4480

SHANGHAI, CHINA

Room 603, 6/F, Tower B
Guangqi Culture Plaza
2899A Xietu Road
Xuhui District, Shanghai
T: +86 21 6439 4114

BEIJING, CHINA

Room 303, 3/F, Interchina
Commercial Building
33 Dengshikou Street,
Dongcheng District, Beijing
T: +86 10 6210 1890

TAIPEI, TAIWAN

Room 303, 3/F
142 Section 4, Chung Hsiao
East Road, Daan District
Taipei, Taiwan 10688
T: +886 2 2711 1324

SINGAPORE

138 Cecil Street, #13-02 Cecil
Court, Singapore 069538
T: +65 6438 0116

NEW YORK, USA

202 Canal Street Suite 303, 3/F
New York
NY 10013, USA
T: +1 646 850 5888

LONDON, UK

Unit 2, 2/F, 39-41 High Street,
New Malden, Surrey
KT3 4BY, UK
T: +44 20 8144 6466