

# **IRAS CIRCULAR**

## **MEASURES TO FACILITATE REPATRIATION OF FOREIGN INCOME**



INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

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Updated on 15 March 2005. Updates are as follows:

- Sections quoted in the circular have been renumbered with reference to the Income Tax Act (Revised Edition 2004)
- deletion of paragraphs 10 and 12
- updating of paragraph 11 (renumbered as paragraph 9) to reflect current avenue of obtaining the prescribed application form

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## Introduction

1. The government has been actively encouraging local businesses to venture overseas to build up an external wing to the Singapore economy. The earnings by our local businesses abroad, when repatriated, will complement the local earnings of Singapore businesses and contribute to our GNP growth.
2. Generally, foreign income is taxable in Singapore only when it is repatriated. To mitigate or eliminate the effects of double taxation on the repatriated income, there are provisions in the Singapore Income Tax Act (SITA) which:
  - (a) allow a credit for the foreign tax paid on the repatriated income which is taxed in Singapore;
  - (b) empower the Minister to exempt from Singapore tax the income repatriated by any person resident in Singapore.
3. The SITA currently allows the following types of reliefs/credits for foreign tax paid on the repatriated income which is taxed in Singapore:
  - (a) tax relief on income earned from a Commonwealth country (Section 48); or
  - (b) double taxation relief on income earned from a country which has a tax treaty with Singapore (Section 50); or
  - (c) unilateral tax credit for specified types of income<sup>1</sup> (Section 50A).
4. To claim a credit for foreign tax paid, a taxpayer is required to provide documentary evidence that tax has been suffered in the foreign country. Taxpayers making such claims may at times have difficulty meeting this requirement because of timing or procedural differences in the countries where they derive the foreign income from.
5. A taxpayer intending to repatriate his foreign income may also apply to the Minister for Finance for tax exemption on the repatriated income under Section 13(12) of the SITA if he is of the view that the tax exemption will help promote or enhance the economic or technological development of Singapore. Application for tax exemption under Section 13(12) has to be

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<sup>1</sup> The specified types of income are:

- a) Any income derived from any professional, consultancy and other services rendered in a foreign jurisdiction;
- b) Any royalty derived from a foreign jurisdiction, where the payment is not –
  - i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore); or
  - ii) deductible against any income accruing in or derived from Singapore.
- c) any dividend derived from a foreign jurisdiction;
- d) any income from employment in a foreign jurisdiction; and
- e) any profit derived from outside Singapore by a branch in a foreign jurisdiction of a company resident in Singapore

made by the taxpayer in a prescribed form which is obtainable from the Ministry of Finance. The Minister may, if he is satisfied with the basis of the application and subject to conditions imposed, approved the application.

6. To facilitate repatriation of foreign income by local businesses, IRAS has reviewed and simplified the procedures for taxpayers to claim foreign tax credits or apply for tax exemption on income repatriated to Singapore. These simplified procedures are intended to:
  - (a) allow taxpayers to claim foreign tax credits for any year of assessment even if they have difficulty obtaining the necessary documentary evidence in time;  
  
and
  - (b) shorten the processing time of applications by taxpayers under Section 13(12) of the SITA.
7. The purpose of this Statement is to set out the changes in the procedures for making such claims or applications.

## **Administrative Statement**

### **Claim for foreign tax credits**

8. To facilitate taxpayers' claim for foreign tax credits, IRAS's requirement has been modified as follows:
  - (a) where foreign income has been repatriated but evidence of foreign tax paid is, for some reasons, not available, the foreign tax credit will be given upon receipt of a certification by either a director of the company (ie if the taxpayer is a company), a public accountant in Singapore or a public accountant in the country in which the income is derived, that foreign tax has been paid or will be paid on the income repatriated. A specimen of the letter of certification for companies is shown in the Annex;
  - (b) IRAS may however require the taxpayer to give confirmation of the amount of foreign tax paid after it has been paid.

### **Application forms for tax exemption under Section 13(12) of the SITA**

9. The prescribed application form for tax exemption under Section 13(12) has been made more easily available to taxpayers. The prescribed form is now available on MOF's website at [www.mof.gov.sg](http://www.mof.gov.sg).

Inland Revenue Authority of Singapore

**CLAIM FOR FOREIGN TAX CREDITS (COMMONWEALTH TAX RELIEF,  
DOUBLE TAXATION RELIEF OR UNILATERAL TAX CREDIT UNDER  
SECTION 48, 50 AND 50A OF THE INCOME TAX ACT (CAP 134)**

I, \_\_\_\_\_, director/auditor of \_\_\_\_\_  
\_\_\_\_\_ hereby certify that income tax of \_\_\_\_\_  
\_\_\_\_\_, equivalent to S\$ \_\_\_\_\_,  
was/will be paid to the Income Tax Authority of \_\_\_\_\_ in respect of \* \_\_\_\_\_  
of S\$ \_\_\_\_\_ for the year ended \_\_\_\_\_.

This income on which tax was/will be paid was remitted to Singapore on \_\_\_\_\_  
\_\_\_\_\_.

\_\_\_\_\_  
Full name, Designation & Signature  
of person making the certification

\_\_\_\_\_  
Date

\* *State nature of income*