

Income Tax (Singapore — Republic of China) (Avoidance of Double Taxation Agreement) Order 1982

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**INCOME TAX ACT
(CHAPTER 134, SECTION 49)**

**INCOME TAX (SINGAPORE — REPUBLIC OF CHINA) (AVOIDANCE OF
DOUBLE TAXATION AGREEMENT) ORDER 1982**

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G.N. No. S 127/1982

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(25th March 1992)

[14th May 1982]

WHEREAS it is provided by section 49 of the Income Tax Act that if the Minister by order declares that arrangements specified in the order have been made with the Government of any country outside Singapore with a view to affording relief from double taxation in relation to tax under the Act and any tax of a similar character imposed by the laws of that country, and that it is expedient that those arrangements should have effect, the arrangements shall have effect in relation to tax under the Act notwithstanding anything in any written law:

AND WHEREAS by an Agreement dated 30th day of December 1981, between the Commissioner of Inland Revenue, Ministry of Finance, Republic of Singapore and the Director-General, Department of Taxation, Ministry of Finance, Republic of China,

arrangements were made amongst other things for the avoidance of Double Taxation:

NOW, THEREFORE, it is hereby declared by the Minister for Finance:

- (a) that the arrangements specified in the Schedule to this Order have been made with the Director-General, Department of Taxation, Ministry of Finance, Republic of China; and
- (b) that it is expedient that those arrangements should have effect notwithstanding anything in any written law.

THE SCHEDULE

30th December 1981

Mr. Hsueh Chia-Chuen,
Director-General,
Department of Taxation,
Ministry of Finance,
Republic of China.

Dear Mr. Hsueh,

Pursuant to the discussions on the Agreement for the Avoidance of Double Taxation which will apply to our two countries, I would like to confirm the following which have references therein:

(a) *Article 2*

The tax referred to in paragraph 2 which applies to Singapore is income tax.

(b) *Article 3*

- (i) Paragraph 1(a) — The terms “a territory” and “the other territory” mean Republic of Singapore or Republic of China, as the context requires.
- (ii) Paragraph 1(e) — The “competent authority” in the Singapore context is the Commissioner of Inland Revenue, Ministry of Finance.

(c) *Article 8*

“However, the tax so charged shall not exceed 2 per cent of the gross revenues derived from sources in that other territory” referred to in paragraph 2 of Article 8 means that the total amount of income tax, business tax and any taxes that may be raised in future that are in the nature of income tax or business tax shall not exceed 2 per cent of the gross revenues derived from sources in that other territory.

(d) *Article 10*

With reference to the dividends tax under paragraph 2 of Article 10 the following illustrate how the tax is arrived at:

Case I:

	<i>Profits</i> 100%	<i>distributed</i> 50%
Profits of a company.....	\$100	\$100
<i>Less:</i> Corporate income tax at 35%.....	35	35
Balance.....	<u>\$ 65</u>	<u>\$ 65</u>
Dividends declared.....	<u>\$ 65</u>	<u>\$ 32.5</u>
Maximum dividend tax.....	<u>\$ 5</u>	<u>\$ 2.5</u>

Case II:

		<i>Profits</i> 100%	<i>distributed</i> 50%
Profits of a company.....		\$100	\$100
<i>Less:</i> Corporate income tax at reduced rate (25%).....	\$25		
Tax deemed paid*	<u>10</u>	<u>35</u>	<u>35</u>
Balance.....		\$ 65	\$ 65
<i>Add:</i> Tax deemed paid*		<u>10</u>	<u>10</u>
Balance.....		<u>\$ 75</u>	<u>\$ 75</u>
Dividends declared.....		<u>\$ 75</u>	<u>\$ 37.5</u>
Maximum dividend tax.....		<u>\$ 5</u>	<u>\$ 2.5</u>

*Tax would have been paid but for the reduction of tax rate under the laws designed to promote economic development.

In other words, the total tax burden of corporate income tax and dividends tax shall not exceed 40 per cent of the income or profits of the company out of which the dividends are declared. This principle would similarly apply where only part of the income or profits of the company is declared as dividends.

(e) *Article 22*

The Agreement shall be effective in Singapore for income accrued or derived on or after 1st January 1982.

(f) *Article 23*

In the event of notice of termination being given in any calendar year, the Agreement shall cease to be effective in Singapore for income accrued or derived on or after 1st January of the calendar year following the year in which the notice of termination is given.

2. I am pleased to confirm my acceptance of the Agreement for the Avoidance of Double Taxation, which forms the Annex to this Exchange of Letters and which has been initialled by you and me, to be applicable to Singapore.

3. I shall be pleased to receive similar confirmation from you.

Yours sincerely,

HSU TSE-KWANG,
*Commissioner of Inland Revenue,
Ministry of Finance,
Republic of Singapore.*

30th December 1981

Mr. Hsu Tse-Kwang,
Commissioner of Inland Revenue,
Ministry of Finance,
Republic of Singapore.

Dear Mr. Hsu,

I acknowledge the receipt of your letter of 30th December 1981 and would like to confirm the following which have references in the Agreement for the Avoidance of Double Taxation between our two countries:

(a) *Article 2*

The tax referred to in paragraph 2 which applies to Republic of China is income tax.

(b) *Article 3*

- (i) Paragraph 1(a) — The terms “a territory” and “the other territory” mean Republic of Singapore or Republic of China, as the context requires.
- (ii) Paragraph 1(e) — The “competent authority” in the context of Republic of China is the Director-General, Department of Taxation, Ministry of Finance.

(c) *Article 8*

“However, the tax so charged shall not exceed 2 per cent of the gross revenues derived from sources in that other territory” referred to in paragraph 2 of Article 8 means that the total amount of income tax, business tax and any taxes that may be raised in future that are in the nature of income tax or business tax shall not exceed 2 per cent of the gross revenues derived

from sources in that other territory.

(d) *Article 10*

With reference to the dividends tax under paragraph 2 of Article 10 the following illustrate how the tax is arrived at:

Case I:

	<i>Profits</i> <i>100%</i>	<i>distributed</i> <i>50%</i>
Profits of a company.....	\$100	\$100
<i>Less:</i> Corporate income tax at 35%.....	35	35
Balance.....	<u>\$ 65</u>	<u>\$ 65</u>
Dividends declared.....	<u>\$ 65</u>	<u>\$ 32.5</u>
Maximum dividend tax.....	<u>\$ 5</u>	<u>\$ 2.5</u>

Case II:

	<i>Profits</i> <i>100%</i>	<i>distributed</i> <i>50%</i>
Profits of a company.....	\$100	\$100
<i>Less:</i> Corporate income tax at reduced rate (25%).....	\$25	
Tax deemed paid*	10	35
Balance.....	<u>\$ 65</u>	<u>\$ 65</u>
<i>Add:</i> Tax deemed paid*	10	10
Balance.....	<u>\$ 75</u>	<u>\$ 75</u>
Dividends declared.....	<u>\$ 75</u>	<u>\$ 37.5</u>
Maximum dividend tax.....	<u>\$ 5</u>	<u>\$ 2.5</u>

*Tax would have been paid but for the reduction of tax rate under the laws designed to promote economic development.