



# Finance & Treasury Centre Incentive

**FTC**

## 1. What is FTC?

Finance & Treasury Centre Incentive “FTC” encourages companies to use Singapore as a base for conducting treasury management activities. It is subject to the provisions of the Singapore Income Tax Act, Chapter 134, including the Income Tax (Concessionary Rate of Tax for Approved Finance and Treasury Centre) Regulations 2017.

## 2. Who can apply for FTC?

Your entity can apply for the incentive if it has an established international business and operations, and is registered in Singapore.

## 3. How does FTC work?

Tax at a concessionary rate of **8% or 10%** would be imposed on the approved FTC’s qualifying income derived from:

- Qualifying FTC services to approved network companies (ANCs); and
- Qualifying FTC activities carried out by the FTC on its own account with funds obtained from qualifying sources

In addition, withholding tax exemption on interest payments by the approved FTC on the following is available, where they relate to the conduct of qualifying FTC services and activities:

- Loans from banks and non-bank financial institutions outside Singapore; and
- Loans and deposits from ANCs outside Singapore

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#### 4. What are the terms of the FTC award?

- a) Qualifying Period: 5 years
- b) Your entity will need to meet the following conditions, as well as all standard conditions in the Letter of Award (LOA):

##### **8% FTC concessionary tax rate**

##### **If your entity is applying for your first FTC award:**

- Carry out any of the finance and treasury centre activities in Singapore
- Employ at least **4** FTC Professionals, all of whom shall be based in Singapore by Year 1, and maintain this until the end of the incentive period
- Incur annual Total Business Expenditure (TBE) of at least **S\$1.5 million** for the FTC by Year 1, and maintain this until the end of the incentive period

##### **If your entity has been granted an FTC award and is applying for a subsequent FTC award:**

- Carry out any of the finance and treasury centre activities in Singapore
- Employ at least **1** additional FTC Professional by Year 5, all of whom shall be based in Singapore
- Incur an additional annual TBE of at least **S\$400,000** by Year 5

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## **10% FTC concessionary tax rate**

If your entity is applying for your first FTC award:

- Carry out any of the finance and treasury centre activities in Singapore
- Employ at least **3** FTC Professionals, all of whom shall be based in Singapore by Year 1, and maintain this until the end of the incentive period
- Incur annual Total Business Expenditure (TBE) of at least **S\$1.5 million** for the FTC by Year 1, and maintain this until the end of the incentive period

If your entity has been granted an FTC award and is applying for a subsequent FTC award:

- Carry out any of the finance and treasury centre activities in Singapore
- Employ at least **1** additional FTC Professional by Year 5, all of whom shall be based in Singapore
- Incur an additional annual TBE of at least **S\$350,000** by Year 5

## **5. What are the assessment criteria for FTC?**

Your entity will be assessed based on its ability to meet the quantitative conditions in Q4, and the qualitative aspects of your proposed FTC operations. These include the generation of spin-offs to the economy, as well as the scale of the FTC operations in the depth and breadth of the services and activities.

Key activities should include control over 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.

Your entity will also be encouraged to grow capabilities through working with potential partners, such as in the professional services and financial sectors.

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## **6. What happens if my entity does not meet the terms and conditions in the LOA?**

In the event of any breach of the terms and conditions in the LOA, your entity will be subject to the termination/revocation of the incentive and recovery of any associated benefits.

## **7. What are some of the things that I need to take note of?**

- Your entity will be required to maintain a separate account in respect of any non-qualifying activity undertaken during the incentive period. The income from non-qualifying activities is not eligible for the concessionary tax rate.
- Your entity will also be required to submit to EDB an annual progress update (APU) in the prescribed format and/or an external auditor's report setting out its progress in meeting the terms and conditions of the incentive.
- Together with the acceptance of the award, your entity may be required to submit a completed form for the purpose of enabling the Inland Revenue Authority of Singapore (IRAS) to carry out Spontaneous Exchange of Information (SEOI) with other tax authorities. A template of the form will be attached to the Letter of Award.
- Requests to terminate the incentive subsequent to its acceptance are subject to approval. The incentive will continue to have effect until EDB notifies your entity of the approval outcome.
- For your entity to enjoy FTC benefits relating to ANCs (e.g. concessionary rate of 8% or 10% on qualifying income derived from qualifying FTC services provided to ANCs), approval has to be sought from EDB for the inclusion of network companies as ANCs under the FTC incentive, prior to the proposed effective date of inclusion.

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- Your entity is not eligible for the incentive if it falls within any of the following categories:
  - Entities which fall within sanctions lists maintained by the Singapore Government, or entities controlled or owned by individuals / entities / countries which fall within such lists;
  - Entities engaged in activities which are illegal under the laws of Singapore;
  - Entities engaged in the manufacture, distribution, sale, import or export of goods or technology that is regulated under the Strategic Goods (Control) Act or the Arms and Explosives Act;
  - Entities engaged in the manufacture, distribution, sale, import or export of tobacco products, as defined under the Tobacco (Control of Advertisements and Sale) Act, and related activities;
  - Entities under investigation or prosecution for, or having a history of, regulatory issues, such as corruption, fraud, anti-competitive issues or other regulatory breaches;
  - Entities which are licensed financial institutions (including banks, fund managers and capital market players) or licensed insurance players which are regulated by Monetary Authority of Singapore (MAS), unless specifically referred by MAS to apply for the incentive;
  - Entities which are ship owners or operators, or in the business of providing maritime leasing, ship financing, ship broking, ship management, ship agency, marine insurance or other shipping-related support services (excluding ports and shipyards) which are regulated by Maritime and Port Authority of Singapore (MPA), unless specifically referred by MPA to apply for the incentive.

EDB may engage external service provider(s) and rely solely on the information returned from these external service provider(s) in the process of determining an applicant's eligibility.

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EDB also reserves the right to revoke or terminate the incentive if the entity falls within any of the categories listed above during the tenure of the incentive.

- As announced in Singapore's Budget 2024 statement, Singapore will be implementing a Domestic Top-up Tax on profits of group entities operating in Singapore if their effective tax rate is less than 15%. This will apply to multinational enterprises groups with annual group revenue of €750 million or more in at least two of the four preceding financial years. For avoidance of doubt, companies receiving incentives from the EDB are not precluded and applicants should assess the implications accordingly.

## 8. How do I apply?

To apply, your entity will be required to submit a formal application which will include the following:

- A **Core Form**, which will require your entity to provide information on its projected incremental investment in Singapore in terms of employment, fixed asset investments and total business expenditure.
- A **Supplementary Form**, which will require your entity to provide additional information around FTC professionals, FTC services and activities, and network companies.

Information provided on network companies must be accurate in order for the FTC benefits to apply.

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## ADDITIONAL DEFINITIONS

- a) **Total Business Expenditure** comprises remuneration for employees working in Singapore and other expenses incurred in Singapore, i.e. paid to contracting parties in Singapore. It excludes expenses outside Singapore, capital investments, depreciation, and expenditure on raw materials, components and packaging.
- b) **FTC Professionals** are professionals working in the FTC, on FTC services and activities.
- c) An **Employee** is considered to be based in Singapore if the individual is a tax resident of Singapore.
- d) **Approved Network Companies** refer to companies approved by EDB that fall within one of the following 3 criteria:
  - I. At least 25% of the issued shares of the ANC are beneficially owned, directly or indirectly, by the proposed FTC;
  - II. At least 25% of the issued shares of the proposed FTC are beneficially owned, directly or indirectly, by the ANC; or
  - III. (i) The operations of the ANC are or can be controlled, directly or indirectly, by the proposed FTC; OR (ii) The ANC controls or can control, directly or indirectly, the operations of the proposed FTC; OR (iii) The operations of the ANC are or can be controlled, directly or indirectly, by a person or persons who control or can control, directly or indirectly, the operations of the proposed FTC.

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e) **Qualifying FTC Services** are qualifying services as set out in the FTC Regulations, provided to ANCs. These include:

- Arranging credit facilities as defined in the FTC regulations
- Providing corporate finance advisory services
- Providing guarantees, performance bonds, standby letters of credit and services relating to remittances as defined in the FTC regulations
- Managing the funds of any of its approved offices or associated companies
- Performing economic or investment research and analysis
- Providing credit administration and control
- Providing general management and administration
- Providing business planning and coordination
- Arranging derivatives (including arranging interest rate or currency swaps) as defined in the FTC regulations

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f) **Qualifying FTC Activities** are qualifying activities as set out in the FTC Regulations, which include:

- Transacting or investing in stocks and shares of any company
- Transacting or investing in certificates of deposits, notes, bonds, treasury bills, commercial papers, AT1 instruments and collective investment schemes (excluding any collective investment scheme constituted as a unit trust) as defined in the FTC regulations
- Investing in deposits held in Singapore with any financial institution in Singapore, or in deposits held outside Singapore with any financial institution outside Singapore
- Foreign exchange transactions
- Factoring, forfaiting and re-invoicing activities for its approved offices and associated companies
- Providing credit facilities to its approved offices and associated companies
- Transacting in derivatives (including transactions involving interest rate or currency swaps and transactions in financial futures contracts or options) as defined in the FTC regulations
- Transacting or investing in units in any unit trust that engages wholly in qualifying activities as defined in the FTC regulations
- *(with effect 19 February 2020)* Transacting or investing into private equity or venture capital funds that are not structured as companies

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