



International Headquarters Award

IHQ

1. What is IHQ?

International Headquarters Award “IHQ” encourages companies to set up or expand their global or regional headquarters activities of managing, coordinating and controlling business activities for a group of companies, in Singapore.

2. Who can apply for IHQ?

Entities, which are registered and operating in Singapore, can apply.

3. How does IHQ work?

Tax at a concessionary rate of **5%, 10% or 15%** would be imposed on your entity’s qualifying income in excess of the base income. The qualifying income shall be income derived from the qualifying activities.

The base as well as non-qualifying income would be taxed at the normal corporate tax rate. Any loss (i.e. unabsorbed allowances, losses or donations) arising from qualifying activities would be treated as concessionary rate loss for the purpose of applying Section 37A of the Income Tax Act.

4. What are the terms of the IHQ?

- 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):

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Concessionary Tax Rate	For every 5-year qualifying period
5%	<ul style="list-style-type: none"> • Carry out at least one of the headquarters (HQ) activities in Singapore • Employ at least 18 additional¹ Skilled Employees, all of whom shall be based in Singapore by Year 3 • Incur additional² annual Total Business Expenditure (TBE) of at least S\$8.0 million by Year 3 • Employ at least 30 additional¹ Skilled Employees, all of whom shall be based in Singapore by Year 5 • Incur additional² annual TBE of at least S\$13 million by Year 5
10%	<ul style="list-style-type: none"> • Carry out at least one of the headquarters (HQ) activities in Singapore • Employ at least 15 additional¹ Skilled Employees, all of whom shall be based in Singapore by Year 3 • Incur additional² annual Total Business Expenditure (TBE) of at least S\$5.5 million by Year 3 • Employ at least 25 additional¹ Skilled Employees, all of whom shall be based in Singapore by Year 5 • Incur additional² annual TBE of at least S\$9 million by Year 5
15%	<ul style="list-style-type: none"> • Carry out at least one of the headquarters (HQ) activities in Singapore • Employ at least 8 additional¹ Skilled Employees, all of whom shall be based in Singapore by Year 3 • Incur additional² annual Total Business Expenditure (TBE) of at least S\$3 million by Year 3 • Employ at least 13 additional¹ Skilled Employees, all of whom shall be based in Singapore by Year 5 • Incur additional² annual TBE of at least S\$5 million by Year 5

¹The base employment against which the fulfillment of this condition is determined is the Entity's employment for its last Financial Year, as indicated in the EDB Sub Form to be submitted by the Entity.

²The base TBE against which the fulfillment of this condition is determined is the Entity's TBE for its last Financial Year, as indicated in the EDB Core Form to be submitted by the Entity.

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5. How is base income calculated?

The base income would be the average of the preceding 36 months of net profit before tax from qualifying activities of your entity. Where your entity is a cost centre headquarters (see Additional Definitions), base income calculation is not required.

6. What is the assessment criteria for IHQ?

Your entity will be assessed based on its ability to meet the quantitative conditions in Q4, and the qualitative aspects of the project that would be submitted during the application. These include the generation of spin-offs to the economy, and commitment to grow capabilities (e.g. technology, skillsets, knowhow) in Singapore.

7. What happens if my entity does not meet the 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 of the incentive and recovery of any associated benefits.

8. 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.
- For companies awarded with an IHQ for cost centres, it will not be possible to extend the award to cover other income streams. To be considered, your entity will need to submit a fresh IHQ application, which will be subject to approval on a prospective basis, and subject to the calculation of DEI base income as stated in Q5.

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- 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.
- Your entity will be also 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.
- 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;

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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.

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.

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9. How do I apply?

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

- A **Core Form**, which requires the entity to provide information on its projected incremental investment in terms of employment, fixed asset investments and total business expenditure.
- A **Supplementary Form**, which requires the entity to provide additional information on skilled employment and headquarters activities.

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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) **Skilled Employees** mean “Managers”, “Professionals”, “Associate Professionals and Technicians” or “Skilled Production Craftsmen” as defined by the Singapore Standard Occupational Classification.
- c) An **Employee** is considered to be based in Singapore if the individual is a tax resident of Singapore.
- d) **Qualifying headquarters activities** only include the following:
- Management, coordination and control functions of business activities for the group
 - Sourcing and procurement
 - Supply chain management
 - Marketing control and planning
 - Human resource management
 - Provision of legal services
 - Provision of finance services
 - Provision of brand management services
- e) **Cost centre headquarters** are companies which render services to its related companies and are reimbursed by their related parties either at cost plus mark-up. For such companies, the qualifying income shall be management and service fees derived by the Entity from the provision of the qualifying headquarters activities, computed on a cost-plus mark-up basis.

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