MINISTRY OF TRADE AND INDUSTRY SINGAPORE

PRESS RELEASE

Economic Ties With The Kingdom Of Saudi Arabia Set To Grow With New Tax Agreement

Singapore and Saudi Arabia businesses to enjoy a range of new tax reductions/exemptions

Singapore's bilateral economic ties with the Kingdom of Saudi Arabia (KSA) are set to expand with a new comprehensive Avoidance of Double Taxation Agreement (DTA). The DTA, which entered into force on 1 July 2011, provides a range of new tax benefits for both KSA and Singapore businesses. It is expected to spur new economic collaborations, and expand the existing trade and investment relations.

Strengthening Bilateral Economic Ties

2 The DTA will strengthen the already close economic relationship between Singapore and KSA. KSA is Singapore's largest trading partner in the Middle East. Bilateral trade between KSA and Singapore rose 28.1% from S$12.8 billion in 2009 to S$16.4 billion in 2010. This year, bilateral trade from January to May stood at S$9.1 billion, a notable 42.1% year-on-year increase from 2010.

3 KSA is the last country in the Gulf Cooperation Council (GCC) to sign a comprehensive DTA with Singapore. Singapore already has existing DTAs in force with the rest of the GCC – Qatar, United Arab Emirates, Oman, Kuwait and Bahrain. Besides DTAs, the GCC signed its first Free Trade Agreement (FTA) with Singapore on 15 December 2008. The GCC-Singapore FTA is currently pending ratification. In 2010, total bilateral trade between the GCC and Singapore grew by 27.8% from the previous year to reach S$43.2 billion.

Tax Benefits For Businesses In Both Countries

4 On the potential benefits of the DTA for businessmen in both countries, Mr Francis Chong, Director of the Emerging Markets Division, Ministry of Trade and Industry said, *"Currently, Singapore companies invest in various sectors in KSA such as real estate, transport, logistics and infrastructure. These companies are expected to benefit substantially from the implementation of the DTA. The benefits will also be enjoyed by KSA companies with projects in Singapore in the airlines, manufacturing, financial services, and oil & gas sectors, amongst others."*

5 Prior to the new bilateral agreement, Singapore and KSA companies were subject to double taxation in trade and cross-border investment activities. Under the new DTA, however, these instances will be eliminated. Companies in both countries will be able to tap on tax credits on foreign tax paid and dividends remitted to/from the other country, as well as tax relief on foreign income earned in the other country.

6 Companies in both countries will also enjoy a reduction or exemption of taxes in the following areas:

- Full tax exemptions (within originating countries) for air transport and shipping profits derived from the operation of aircraft and ships in international traffic.

- A reduction of withholding tax on dividends, interest and royalties to 5%, 5% and 8% respectively. Previously, Singapore's taxation rates on interest, or KSA's rates for royalties were as high as 15 %.

- A reduction in KSA's Capital Gains Tax to 15% from 20%, subject to shareholding requirements.

7 For more information about the DTA, please refer to the Inland Revenue Authority of Singapore's (IRAS) website at http://www.iras.gov.sg/pv_obj_cache/pv_obj_id_77159ED558E078B72B1CFB88579D6AE942910100/filename/Singapore-Saudi%20Arabia%20DTA%20(Ratified)%20(26%20May%202011).pdf.

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