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ADVISERS

# Singapore Global Trader Programme

& Comparison with Malaysia GIFT  
Scheme

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SINGAPORE | HONGKONG  
20 YEARS IN PRACTICE



# BACKGROUND

# Background – GTP



## Global Trader Programme (GTP)

Established in 2001 (replaced other schemes previously in existence)

- To facilitate and develop international trading facilities in Singapore
- To create a vibrant and conducive environment for global trading companies to establish regional trading headquarters in Singapore
- Initial focus on traditional commodities, now focus on developing other industries (such as consumer goods, industrial machinery). See overleaf

# Background – GTP



## List of products covered by GTP scheme:

- Petroleum & Petroleum Products
- Agricultural Commodities and Bulk Edible Products
- Building & Industrial Materials
- Consumer Products
- Industrial Products
- Machinery Components
- Minerals
- Electronic & Electrical Products
- Carbon Credits

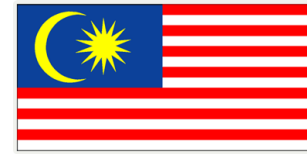
# Background – GTP



**Provides a concessionary (5 – 10%) tax rate on qualifying income for a 5 year period (renewable)**

- Tax rate applies to qualifying income (focus on international trading income)
  - All GTP companies enjoy a flat rate of 5% on qualifying LNG trades
- Rigorous conditions apply (scheme aims to target well-established international traders)
- Scheme is supervised by IE Singapore

# Background – GIFT

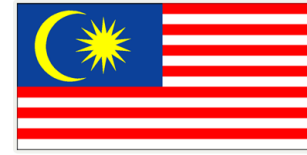


## Global Incentives for Trading (GIFT)

Established in 2011

- To encourage companies to use Malaysia as international trading base
- Operate via a Labuan International Trading Company (LITC), but operational offices can be based anywhere in Malaysia (e.g. Kuala Lumpur or Iskandar)
- Focus on traditional commodities (see overleaf)

# Background – GIFT

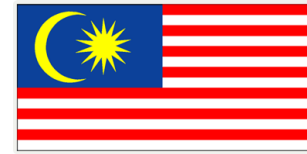


## List of products covered by GIFT scheme

- Petroleum and petroleum-related products including liquefied natural gas (LNG)
- Agriculture products
- Refined raw materials
- Chemicals
- Base minerals

In any currency other than Ringgit

# Background – GIFT

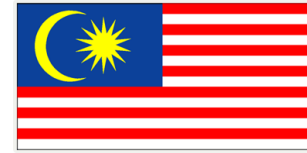


**Provides a concessionary (3%) tax rate on qualifying income for a 5 year period (renewable)**

- Tax rate applies to qualifying income (focus on non-MYR, and international trading income)
- Certain conditions apply (though only need to comply by end of initial 5 year period)
- The Scheme is supervised by Labuan Financial Services Authority (LFSA)



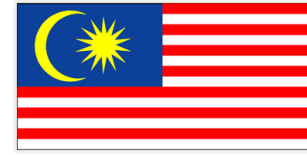
# Background – GIFT



## Other incentives applicable to LITCs

- 100% exemption on director fees paid to non-Malaysian director
- 50% exemption on gross employment income for non-Malaysian professional traders
- Exemption on dividends received by or paid from the LITC
- Exemption on royalties received from the LITC
- Exemption on interest received by resident or non-resident from the LITC

# Background – GIFT



- A Labuan International Trading Company (LITC) which is set up purely as a LNG trading company is entitled to a 100% income tax exemption for the first 3 years of its operation (if licensed before 31 December 2014)
- The annual license fee is RM 40,000



# KEY REQUIREMENTS

# Key Requirements - GTP

Prior to the incentive being approved, companies are expected to:

- Have shown some track record of operating
- Have Singapore banking lines in place



# Key Requirements - GTP



Companies are required to fulfill the following annual criteria:

- Substantial physical trade
  - measured by revenue
- Significant local business spending
- Sizable employment of trading professionals

# Key Requirements - GTP



**Significant local business spending can include (billed to Singapore entities)**

- Bank charges
- CPF contributions
- Commissions
- Depreciation
- Entertainment
- **Freight Charges**
- Insurance costs
- Office maintenance
- Manpower costs
- Professional fees
- Rental of office space
- Skills development fund
- Telecommunications
- Transport & travel
- Utilities
- Warehousing costs

**All spending must be directly attributable to GTP activities**

# Key Requirements - GTP



## Trading professionals include

- Staff who are decision makers and have authority in the following activities in relation to the GTP transactions
  - Senior Management
  - Procurement / Sourcing
  - Sales / Marketing
  - Risk Management
- Must be tax resident of Singapore

# Key Requirements - GTP



**Concessionary tax rate only applicable to qualifying income from qualifying transactions. Qualifying income is:**

- Profits from principal trades of physical goods
- Commission earned from brokering physical trades
- Profits from trading derivatives



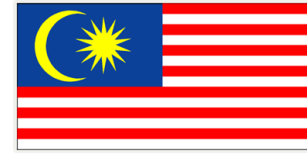
# Key Requirements - GTP



## Qualifying physical transactions are:

- Principal physical trades with offshore parties on both the buy and sell legs
  - Other GTP companies in Singapore are considered offshore parties for purposes of determining whether a transaction is qualifying
- Domestic exports and local sales to non-GTP Singapore-based entities will be considered as non-qualifying trades

# Key Requirements - GIFT



**Companies are required to fulfill the following annual criteria:**

- Must operate as a Labuan International Trading Company (LITC), but operational office can be anywhere in Malaysia
- Minimum turnover of USD 100 million
- Minimum local business spend of RM 3 million payable to Malaysian residents (see overleaf for further details of this)
- To employ at least 3 professional traders earning minimum RM 15,000 per month and are tax resident of Malaysia

**Companies are exempted from numerical criteria for first 5 years.**

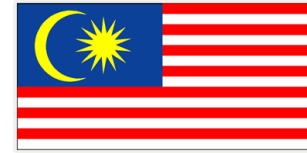
# Key Requirements - GIFT



**Minimum local business spend of RM 3 million per year can include (billed to Malaysian entities):**

- Bank charges
- Commissions
- Depreciation
- Entertainment
- Freight Charges
- Insurance costs
- Office maintenance
- Manpower costs
- Professional fees
- Rental of office space
- Skills development fund
- Telecommunications
- Transport & travel
- Utilities
- Warehousing
- Storage fees

# Key Requirements - GIFT





LITC can enter into the following transactions:

- Non-resident counterparties in any currency other than Ringgit
- However, for petroleum, petroleum-related products and coal it may deal with residents provided currency is not Ringgit





# COMPARISON OF SCHEMES

# Comparison of Schemes

	GTP 	GIFT 
<b>Scheme established</b>	2001 (Replaced existing schemes set up in 1989/1990)	2011
<b>Current number of participants</b>	Approximately 400	Fewer than 50
<b>Tax Rate</b>	5-10%	3%
<b>Other tax incentives (specifically under scheme)</b>	None	Incentives for Non-Malaysian Employees / Directors  No WHT on royalties / interest

# Comparison of Schemes

	GTP 	GIFT 
<b>Products covered by scheme</b>	Traditional & newer (e.g. consumer products / industrial machinery) commodities	Traditional commodities (energy, agriculture, minerals)
<b>Requirements to enter scheme</b>	Higher requirements	Lower requirements (annual requirements do not need to be met for first 5 years)
<b>Other considerations</b>	<ul style="list-style-type: none"> <li>• Well-established as an international trading base.</li> <li>• Strong legal system</li> <li>• Extensive banking system</li> </ul>	<ul style="list-style-type: none"> <li>• New trading centre</li> <li>• Lower cost of operations</li> </ul>



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