



SINGAPORE, SHANGHAI AND THE ASIA – PACIFIC HUB

Business trends for managers and companies in the Far East

Lorenzo Riccardi

1 July 2022

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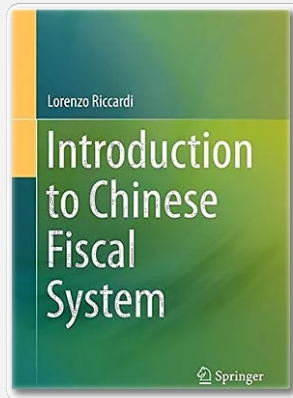
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Introduction to Chinese Fiscal System

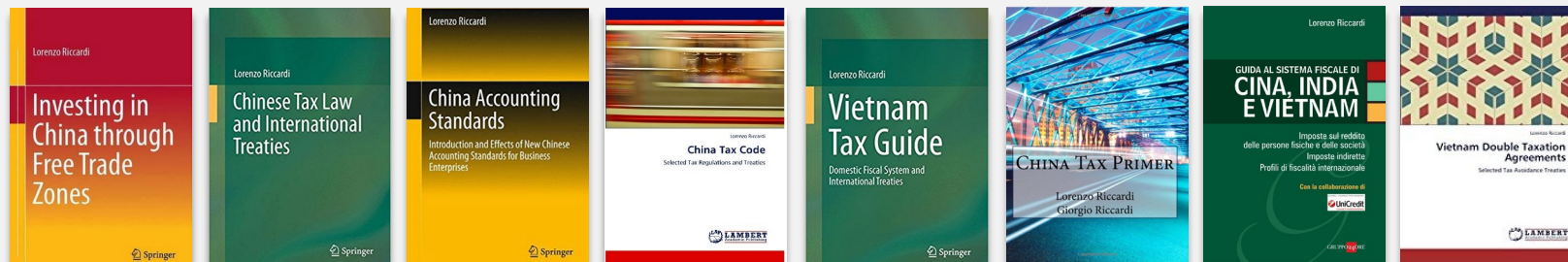
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- The **global economy is gradually shifting from the West to the East of the World**, in the Asia Pacific region.
- Regional GDP in Asia – Pacific accounts for **more than 30% of the World's GDP**, and outperformed other major regions in terms of economic and consumer demand growth rates.
- Countries in the Asia – Pacific region, such as **China** and the **ASEAN** members, are emerging as global and regional economic powers, confirming the region as one of the most dynamic and solid from the economic point of view. **Local governments encourage foreign investments with reforms, incentives, and supporting policies.**
- Other countries, such as Japan, South Korea, Australia, and New Zealand are considered advanced economies with high per capita income.
- **15 countries in the region** (namely China, Japan, South Korea, Australia, New Zealand, and the ASEAN members) implemented the **RCEP**, the largest free trade agreement, starting in 2022. RCEP will provide its members greater and **freer access to the markets** of major Asian Pacific countries, aiming to **eliminate entry barriers and more than 95% of the tariffs.**
- Given the rising importance of the markets and consumers in Asia–Pacific, **an increasing number of multinational groups are assessing the best solution to enter and establish their presence in such area.**
- Singapore and Shanghai are the most known potential choices, being a global hub for finance, investments, and trade, and offering incentives and supporting measures to MNCs for the establishment of their regional headquarter.

Asia Pacific region

Economics, macro-data and trends

- ✓ GDP, growth, and GDP per capita
- ✓ Foreign direct investments (FDI)
- ✓ International trade and FTAs

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THE ASIA PACIFIC REGION

The Asia – Pacific region consists of the following economies:

East Asia

- China, Japan, and South Korea

Southeast Asia (ASEAN members)

- Brunei, Cambodia, Laos, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam

Oceania

- Australia and New Zealand

THE ASIA PACIFIC REGION

Regional GDP 2021

30,621

USD billion

Growth rate 2021

6.7

percent

Population 2021

2.3

billion persons

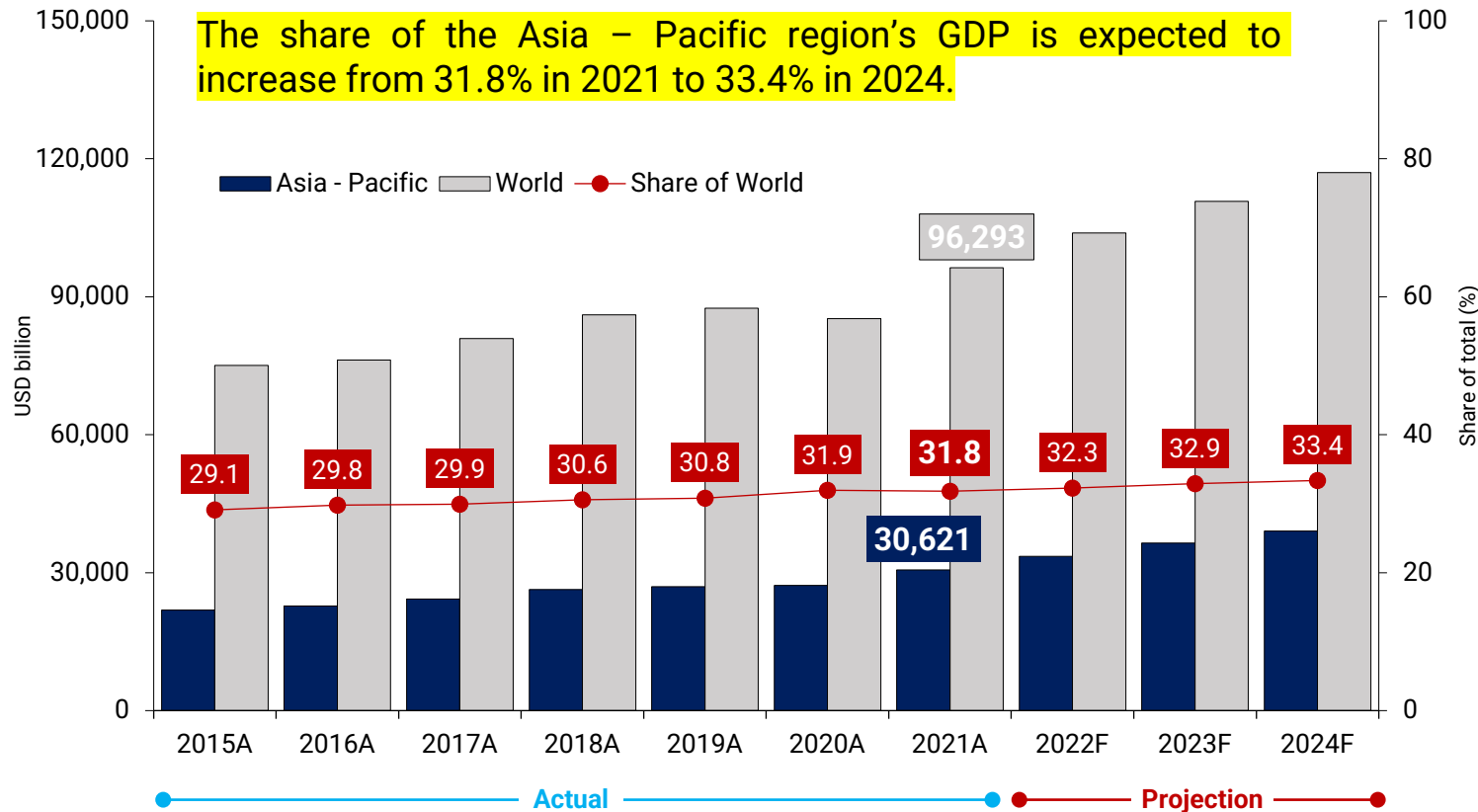
Inflation rate 2021

2.8

percent

GDP Asia Pacific and share of World total, in current prices

Amount in USD billion and share of total in percent, IMF World Economic Outlook April 2022

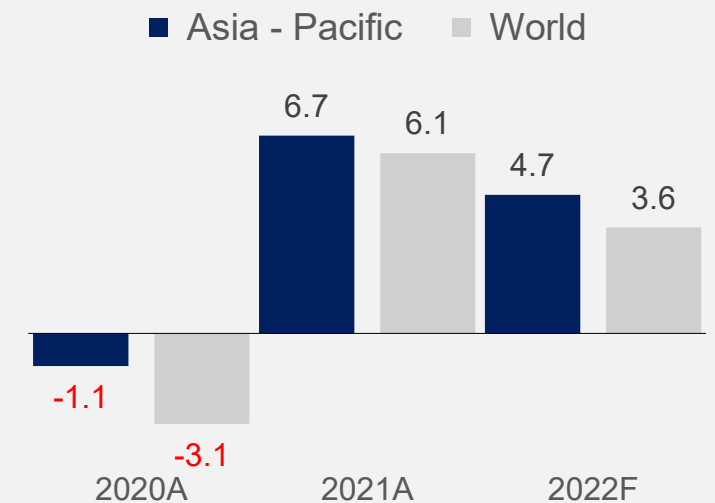


The Asia – Pacific region consists of advanced and developing economies, and it is the fastest-growing region in the World.

In 2021 the **region grew by 6.7%** (exceeding the global growth of 6.1%), and the **aggregated GDP reached USD 30,621 billion (31.8% of the global GDP).**

GDP growth

Growth in percent, IMF World Economic Outlook April 2022



GDP IN ASIA – PACIFIC REGION

GDP growth projections

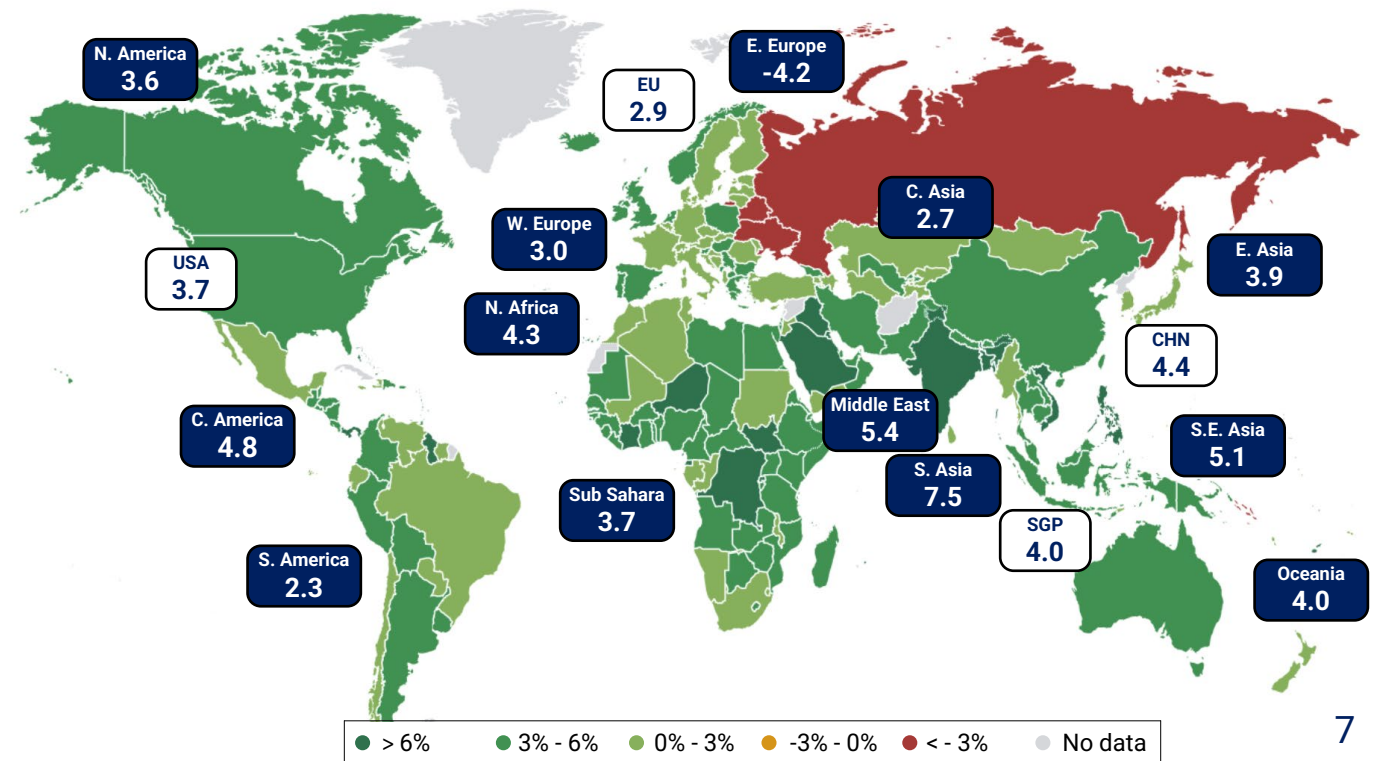
Percentage, IMF World Economic Outlook April 2022

Economy	2022F	2023F	2024F
Australia	4.2	2.5	2.3
Japan	2.4	2.3	0.8
Korea Rep.	2.5	2.9	2.6
New Zealand	2.7	2.6	1.9
China	4.4	5.1	5.1
Hong Kong S.A.R.	0.5	4.9	2.9
Macao S.A.R.	15.5	23.3	18.6
Taiwan Prov. Of China	3.2	2.9	2.2
Brunei	5.8	2.6	2.1
Cambodia	5.1	5.9	6.1
Indonesia	5.4	6.0	5.8
Laos	3.2	3.5	3.8
Malaysia	5.6	5.5	4.9
Myanmar	1.6	3.0	3.1
Philippines	6.5	6.3	6.5
Singapore	4.0	2.9	2.7
Thailand	3.3	4.3	3.8
Vietnam	6.0	7.2	7.0
Asia – Pacific	4.7	4.9	4.8
World	3.6	3.6	3.4

- IMF Projections 2022: China +4.4%, Singapore +4.0%, Asia – Pacific +4.7%, World +3.6%

GDP growth map 2022

Percentage, IMF World Economic Outlook April 2022



GDP IN ASIA – PACIFIC REGION

GDP per capita in the Asia – Pacific 2021

In USD and PPP international dollars, IMF World Economic Outlook April 2022

Economy	USD	PPP
Australia High income	63,529	56,403
Japan High income	39,340	44,739
Korea High income	34,801	48,578
New Zealand High income	48,424	46,585
China Upper middle income	12,359	19,260
Hong Kong S.A.R. High income	49,727	66,062
Macao S.A.R. High income	43,772	71,123
Taiwan Prov. Of China High income	33,775	62,527
Brunei High income	44,809	66,795
Cambodia Lower middle income	1,654	4,967
Indonesia Upper middle income	4,357	13,099
Laos Lower middle income	2,514	8,489
Malaysia Upper middle income	11,399	29,686
Myanmar Lower middle income	1,217	4,450
Philippines Lower middle income	3,572	9,175
Singapore High income	72,795	116,487
Thailand Upper middle income	7,336	19,210
Vietnam Lower middle income	3,725	11,534

Top 20 economies by GDP per capita in 2021

In USD and PPP international dollars, IMF World Economic Outlook April 2022

Rank	Economy	USD	Rank	Economy	PPP
1	Luxembourg	136,701	1	Luxembourg	131,875
2	Ireland	99,013	2	Singapore	116,487
3	Switzerland	93,720	3	Ireland	112,463
4	Norway	89,090	4	Qatar	104,668
5	Singapore	72,795	5	Switzerland	78,530
6	United States	69,231	6	United Arab Emirates	73,575
7	Iceland	69,033	7	Macao SAR	71,123
8	Qatar	68,581	8	Norway	70,825
9	Denmark	67,758	9	United States	69,231
10	Australia	63,529	10	Brunei	66,795
11	Sweden	60,029	11	Hong Kong SAR	66,062
12	Netherlands	58,292	12	San Marino	65,319
13	Finland	54,008	13	Denmark	63,946
14	Austria	53,368	14	Netherlands	62,841
15	Canada	52,079	15	Taiwan Prov. of China	62,527
16	Belgium	51,875	16	Iceland	59,792
17	Israel	51,416	17	Austria	59,692
18	Germany	50,795	18	Sweden	58,962
19	San Marino	50,458	19	Andorra	58,383
20	Hong Kong SAR	49,727	20	Germany	58,378

- Asia – Pacific consists of advanced and developing economies. Singapore, Australia, and Hong Kong's GDP per capita are among the world's highest.

Source of classification by income: World Bank Country and Lending Groups for the fiscal year 2021. The classification is based on World Bank Atlas Method and GNI per capita.

FDI IN ASIA – PACIFIC REGION

FDI inflow in the Asia – Pacific region

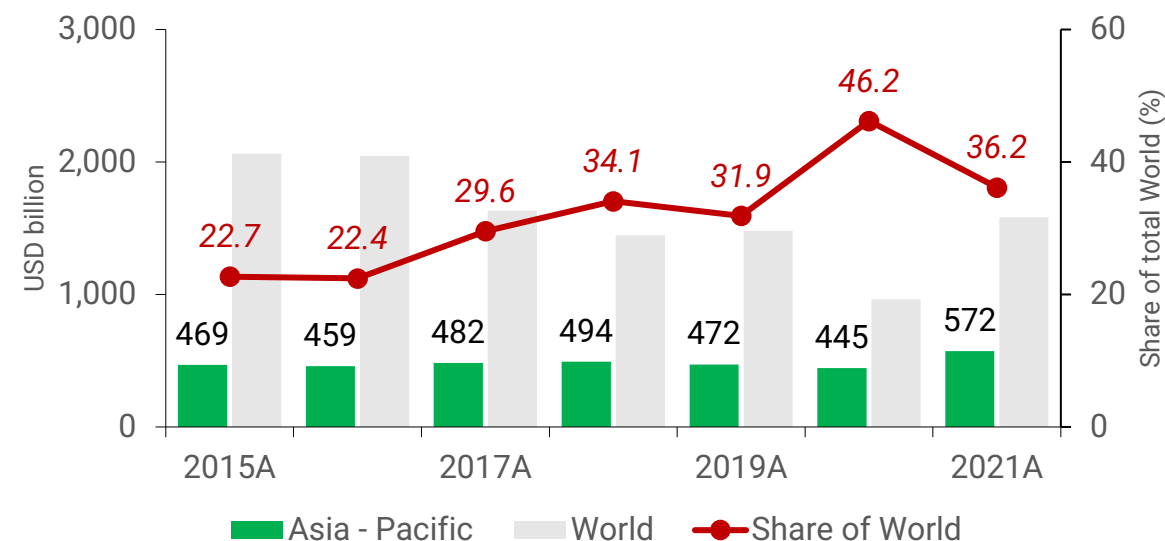
USD billion, UNCTAD World Investment Report 2022

Recipient economy	2019A	2020A	2021A
Australia	39	17	25
Japan	14	11	25
Korea Rep.	10	9	17
New Zealand	4	4	3
China	141	149	181
Hong Kong S.A.R.	74	135	141
Macao S.A.R.	7	-7	0
Taiwan Prov. Of China	8	6	5
Brunei	0	1	0
Cambodia	4	4	3
Indonesia	24	19	20
Laos	1	1	1
Malaysia	8	3	12
Myanmar	3	2	2
Philippines	9	7	11
Singapore	106	75	99
Thailand	5	-5	11
Vietnam	16	16	16
Asia – Pacific	472	445	572
<i>Share of World</i>	<i>31.9%</i>	<i>46.2%</i>	<i>36.2%</i>

- Asia – Pacific received USD 572 billion of FDI in 2021, accounting for **36.2% of total worldwide FDI inflow in the year.**
- China Mainland is the largest recipient of FDI in the region.** FDI growth in the economy picked up the pace, growing by 21% to USD 181 billion in 2021, followed by Hong Kong S.A.R. with USD 141 billion.
- In 2020, Asia – Pacific accounted for almost half of the total FDI in the year, due to FDI flowing into China during the COVID outbreak worldwide.

FDI inflow in the Asia – Pacific region (2015-2021)

USD billion and share of World, UNCTAD World Investment Report 2022



Note: FDI inflows comprise capital provided by a foreign direct investor to a foreign affiliate, or capital received by a foreign direct investor from a foreign affiliate. FDI outflows represent the same flows from the perspective of the other economy.

FDI IN ASIA – PACIFIC REGION

FDI outflow from the Asia – Pacific region

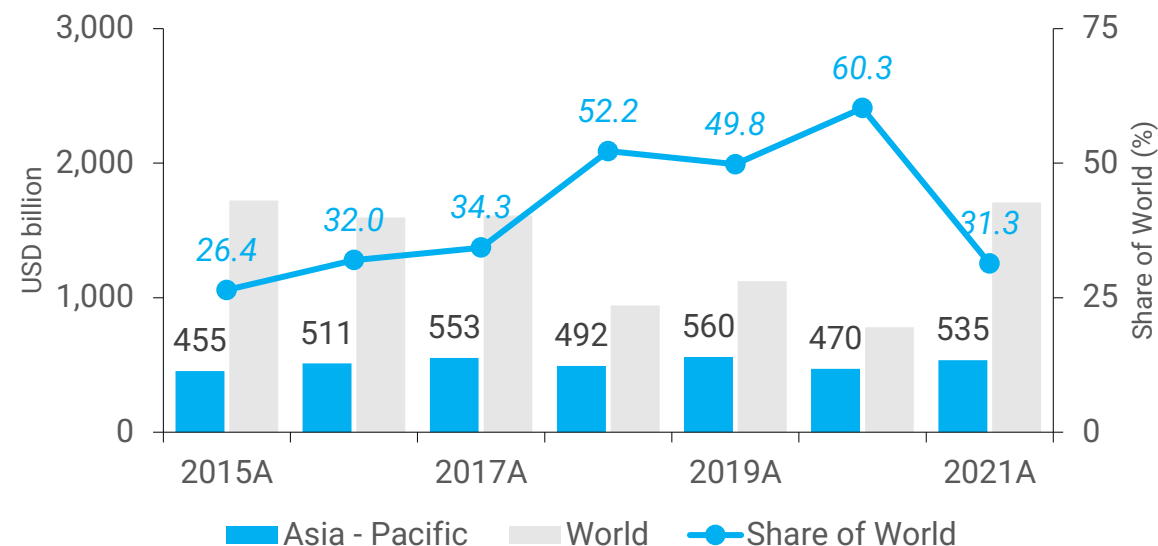
USD billion, UNCTAD World Investment Report 2022

Source economy	2019A	2020A	2021A
Australia	10	10	9
Japan	233	96	147
Korea Rep.	35	35	61
New Zealand	0	1	-2
China	137	154	145
Hong Kong S.A.R.	53	101	87
Macao S.A.R.	1	2	2
Taiwan Prov. Of China	12	12	10
Brunei	0	0	0
Cambodia	0	0	0
Indonesia	3	4	4
Laos	0	0	0
Malaysia	6	2	5
Myanmar	0	0	0
Philippines	3	4	2
Singapore	56	32	47
Thailand	10	19	17
Vietnam	0	0	0
Asia – Pacific	560	470	535
<i>Share of World</i>	<i>49.8%</i>	<i>60.3%</i>	<i>31.3%</i>

- FDI flows from Asia – Pacific economies reached USD 535 billion in 2021, accounting for **31.3% of the total worldwide FDI outflow in the year**.
- Global FDI fell dramatically in 2020 during COVID pandemic. FDI from Asia – Pacific in 2020 were USD 470 billion, accounting for 60.3% of total FDI inflows in the year, boosted by outbound investments from China Mainland, Hong Kong S.A.R. and Japan.

FDI outflow from the Asia – Pacific region (2015-2021)

USD billion and share of World, UNCTAD World Investment Report 2022



Note: FDI inflows comprise capital provided by a foreign direct investor to a foreign affiliate, or capital received by a foreign direct investor from a foreign affiliate. FDI outflows represent the same flows from the perspective of the other economy.

TRADE IN ASIA – PACIFIC REGION

Exports of goods in the Asia – Pacific region

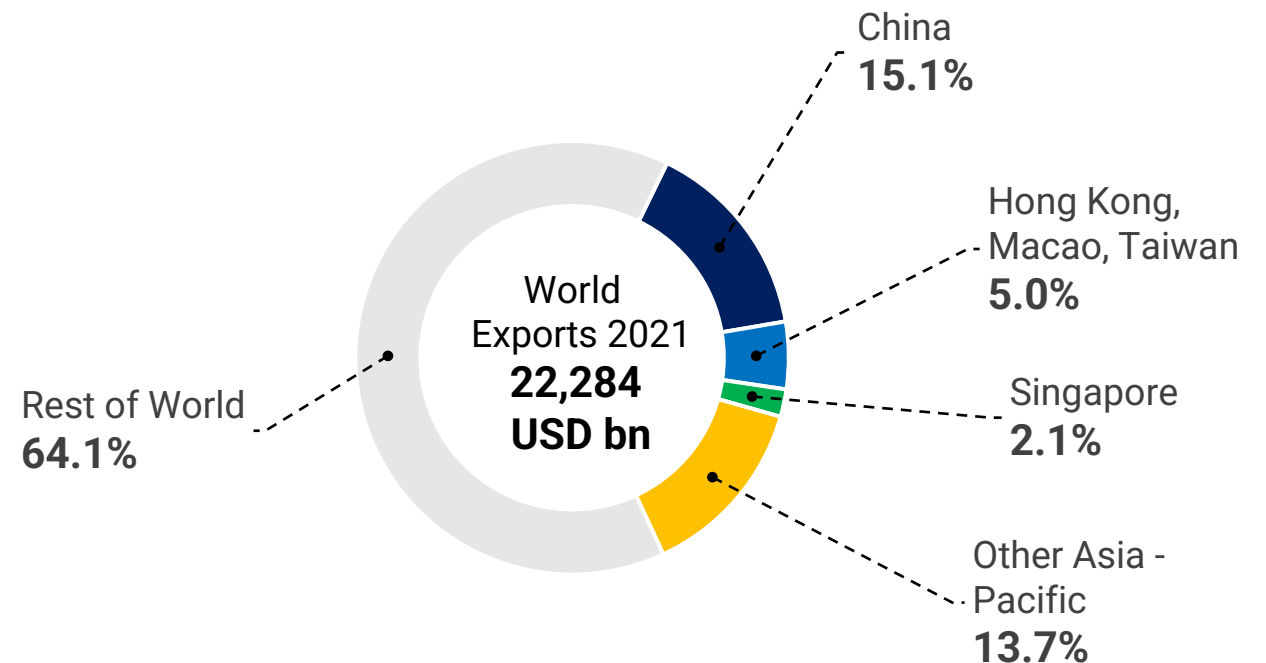
USD billion, UNCTAD database

Exporting economy	2019A	2020A	2021A
Australia	271	251	344
Japan	706	641	756
Korea Rep.	542	512	644
New Zealand	40	39	45
China	2,499	2,590	3,364
Brunei	7	7	11
Cambodia	15	18	18
Indonesia	168	163	230
Laos	6	6	8
Malaysia	238	234	299
Myanmar	18	17	15
Philippines	70	64	75
Singapore	391	363	457
Thailand	246	232	271
Vietnam	264	283	336
Asia – Pacific	6,348	6,316	7,992
<i>Share of World</i>	<i>33.4%</i>	<i>35.8%</i>	<i>35.9%</i>

- **Exports** from Asia – Pacific region (including also trade between economies in the region) reached **USD 7,992 billion in 2021**, a share of almost 36% of total global exports.
- **China Mainland is the top exporter** in the world, with export value over USD 3,364 billion in 2021 (15.1% of total world).

Contribution to world exports 2021

Percentage, UNCTAD database



TRADE IN ASIA – PACIFIC REGION

Imports of goods in the Asia – Pacific region

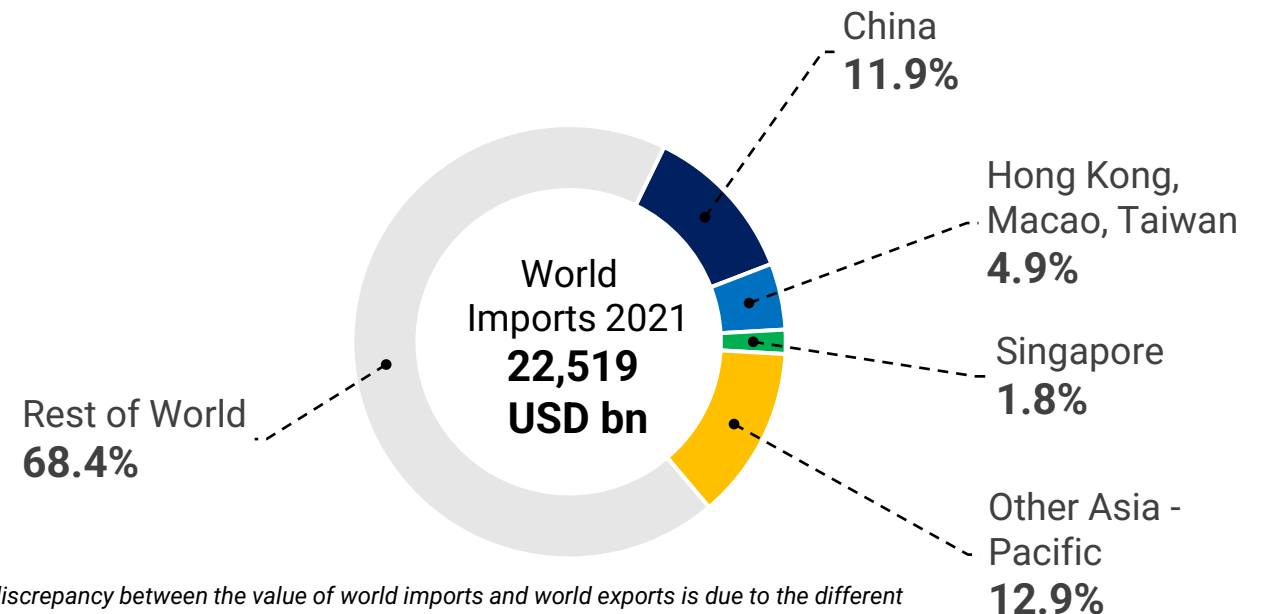
USD billion, UNCTAD database

Importing economy	2019A	2020A	2021A
Australia	222	212	261
Japan	721	635	769
Korea Rep.	503	468	615
New Zealand	42	37	49
China	2,078	2,066	2,688
Brunei	5	5	8
Cambodia	20	19	28
Indonesia	171	142	196
Laos	6	5	7
Malaysia	205	190	238
Myanmar	19	18	15
Philippines	113	91	124
Singapore	359	330	406
Thailand	236	206	268
Vietnam	253	263	332
Asia – Pacific	5,831	5,556	7,117
<i>Share of World</i>	<i>30.2%</i>	<i>31.1%</i>	<i>31.6%</i>

- The total **imports** to regional economies **totaled USD 7,117 billion in 2021, accounting for USD 7,117 billion.**
- **China Mainland is the second largest importer in the world and the top importer in the region,** with USD 2,688 of import value (11.9% of total imports in the world).

Contribution to world imports 2021

Percentage, UNCTAD database



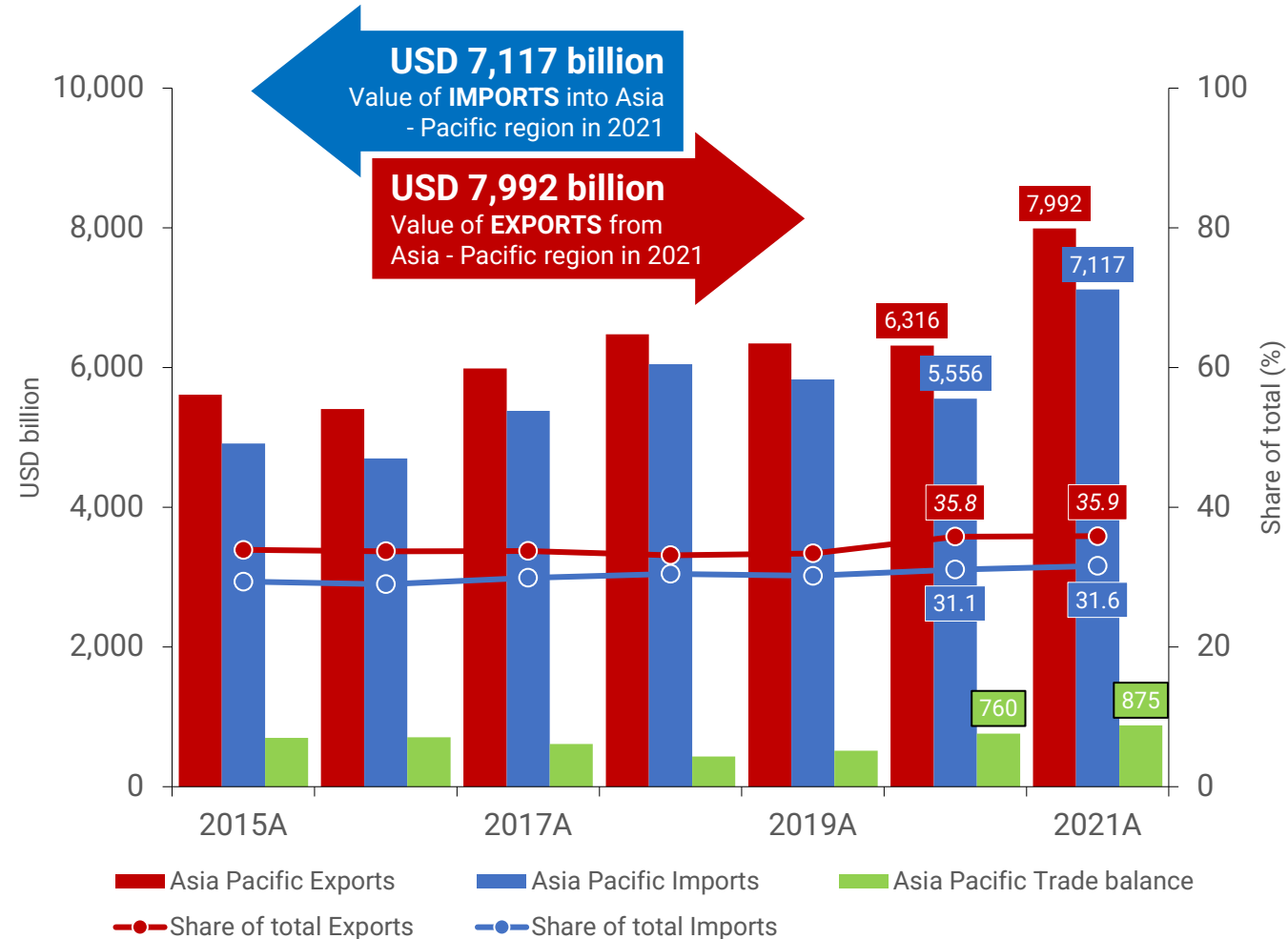
A discrepancy between the value of world imports and world exports is due to the different accounting methods and data disclosed by each economy collected by UNCTAD.

TRADE IN ASIA – PACIFIC REGION

Trade in the Asia – Pacific region

Trade value in USD billion, and share of total in percent, UNCTAD database

- Net trade balance is USD 875 billion, derived mainly by the surplus generated by China Mainland (USD 676 billion).



Trade balance in the Asia – Pacific region

Trade surplus (or deficit) in USD billion, UNCTAD database

Economy	2019A	2020A	2021A
Australia	49	39	82
Japan	-15	6	-13
Korea Rep.	39	45	29
New Zealand	-3	2	-5
China	421	524	676
Brunei	2	1	3
Cambodia	-5	-1	-10
Indonesia	-4	22	34
Laos	0	1	1
Malaysia	33	44	61
Myanmar	-1	-1	1
Philippines	-43	-27	-49
Singapore	31	33	51
Thailand	10	25	4
Vietnam	11	20	4
Asia - Pacific	517	760	875

TRADE IN ASIA – PACIFIC REGION

ESM

European Single Market
EU27 + 4 EFTA

GDP
17.6
USD T

18.3%
World

POP
451
mln

5.9%
World

RCEP

Regional Comprehensive
Economic Partnership

GDP
29.4
USD T

30.5%
World

POP
2,287
mln

29.8%
World

USMCA

United States Mexico
Canada Agreement

GDP
26.3
USD T

27.3%
World

POP
499
mln

6.5%
World

Source: Aggregated GDP and population and share of the world are based on the data of 2021 from IMF World Economic Outlook April 2022.



REGIONAL HUB IN ASIA - PACIFIC

Singapore and Shanghai

- ✓ Global and financial centres
- ✓ The choice of the regional hub
- ✓ Proximity to market, clients, suppliers, and distribution channels
- ✓ Business and political environment
- ✓ Legal and regulatory environment
- ✓ Tax environment
- ✓ Access to human capital
- ✓ Living conditions
- ✓ Cost of operations
- ✓ Foreign direct investments (FDI)
- ✓ Double tax agreements (DTAs)
- ✓ International trade and free trade agreements (FTAs)

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REGIONAL HUB IN ASIA - PACIFIC



Singapore

area	population	regional GDP	GDP growth	GDP per capita
726 Sqm	5.4 million persons	397 USD billion	7.6 percent	72,800 USD

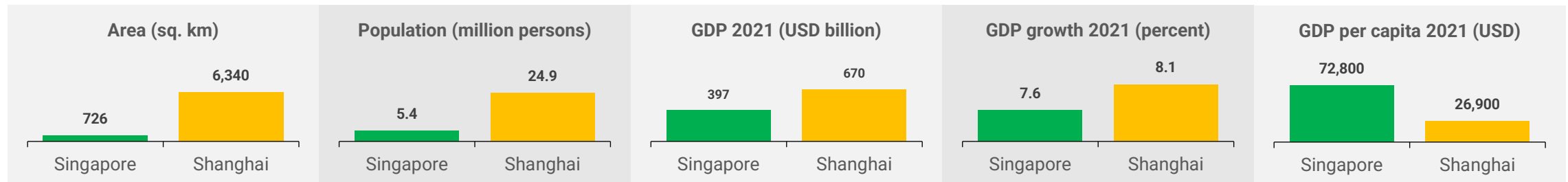
Official language (s): Malay, English, Tamil, Chinese
Time zone: UTC +8

Shanghai

area	population	regional GDP	GDP growth	GDP per capita
6,340 sqm	24.9 million persons	670 USD billion	8.1 percent	26,900 USD



Official language: Chinese
Time zone: UTC +8



Global and financial centres

Global Financial Centres Index (GFCI) 2022

Comprehensive GFCI ranking 2022

Global rank	Centre	GFCI 31 rating	Rank change (+/-)	Economy	Region
1	New York	759	0	United States	North America
2	London	726	0	United Kingdom	Western Europe
3	Hong Kong	715	0	China	Asia/Pacific
4	Shanghai	714	2	China	Asia/Pacific
5	Los Angeles	713	2	United States	North America
6	Singapore	712	-2	Singapore	Asia/Pacific
7	San Francisco	711	-2	United States	North America
8	Beijing	710	0	China	Asia/Pacific
9	Tokyo	708	0	Japan	Asia/Pacific
10	Shenzhen	707	6	China	Asia/Pacific
11	Paris	706	-1	France	Western Europe
12	Seoul	705	1	Korea Rep.	Asia Pacific

Source: Global Financial Centres Index GFCI 31 (March 2022), China Development Institute, Z/Yen Partners

Global and financial centres

Global Power City Index 2021

Comprehensive GPCI ranking 2021

Rank	City	Economy
1	London	United Kingdom
2	New York	United States
3	Tokyo	Japan
4	Paris	France
5	Singapore	Singapore
6	Amsterdam	Netherlands
7	Berlin	Germany
8	Seoul	Korea Republic
9	Madrid	Spain
10	Shanghai	China
11	Melbourne	Australia
12	Sydney	Australia
13	Hong Kong	Hong Kong S.A.R.
14	Dubai	United Arab Emirates

- **Singapore and Shanghai are also among the top cities according to Global Power City Index** that evaluates and ranks major cities of the world according to their **comprehensive power to attract people, capital, and enterprises** from around the world by measuring six functions:

1. Economy:

- *Market size, Market attractiveness, Economic vitality, Human capital, Business environment, and Ease of Doing Business*

2. R&D:

- *Academic resources, Research environment, Innovation*

3. Cultural interaction:

- *Trendsetting potential, Tourism resources, Cultural facilities, Visitor amenities, International interaction*

4. Livability:

- *Working environment, Cost of living, Security and safety, Well-being, Ease of living*

5. Environment:

- *Sustainability, Air quality and comfort, Urban environment*

6. Accessibility:

- *International network, Air transport capacity, Inner-city transportation, Transport comfortability.*

The choice of the regional hub

1. Proximity to clients and markets	2. Proximity to production facilities	3. Access to distribution channels	4. Business environment	5. Political environment
6. Legal and regulatory environment	7. Tax environment	8. Access to human capital	9. Living conditions	10. Cost of operations

Singapore: PROs and CONs

PROs	CONs
<ul style="list-style-type: none">● Strategic position in Southeast Asia, close to ASEAN markets, consumers, and suppliers	<ul style="list-style-type: none">● High attractiveness for foreign talents, with existing labour restrictions
<ul style="list-style-type: none">● Open economy, with no restrictions on foreign currency transactions and foreign investments	<ul style="list-style-type: none">● Cost of living for expats and operational costs
<ul style="list-style-type: none">● High skills and talented workforce available with high level of English proficiency	<ul style="list-style-type: none">● Distant from China and the largest market in the region
<ul style="list-style-type: none">● Favourable tax regime, especially for high-income individuals (22% highest marginal tax rate)	<ul style="list-style-type: none">● Limited land supply

Shanghai: PROs and CONs

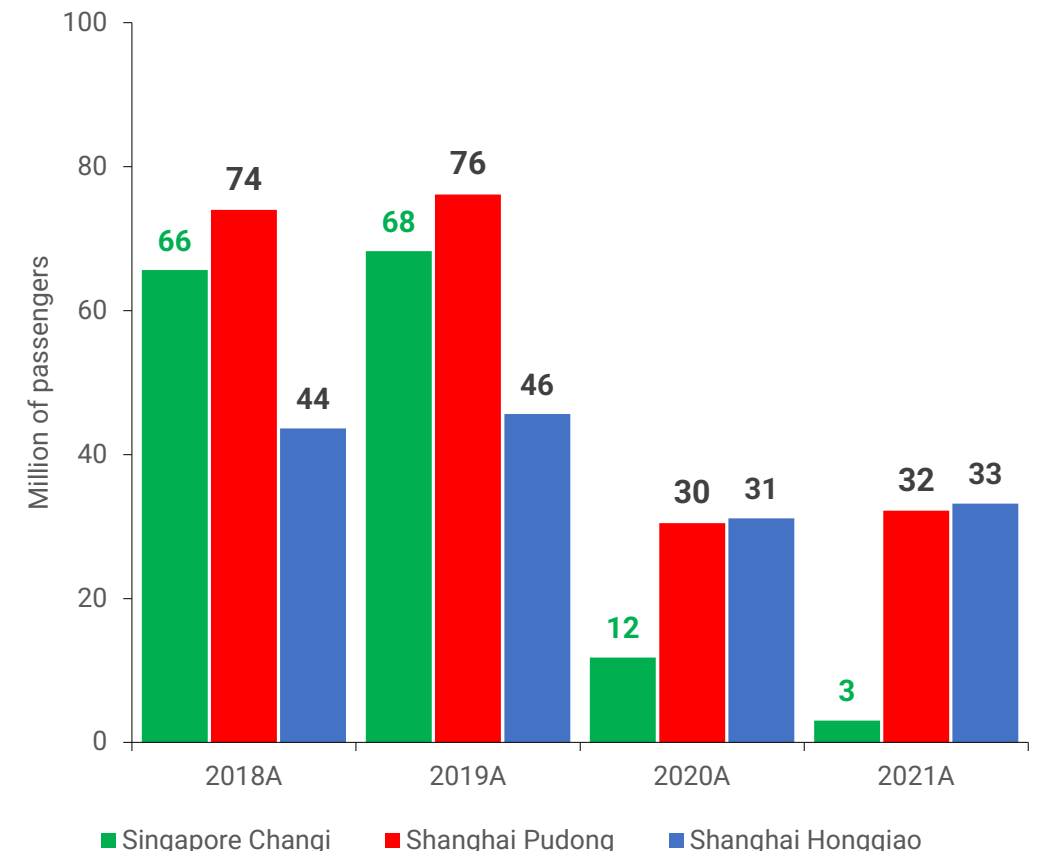
PROs	CONs
<ul style="list-style-type: none">● Strategic position in China Mainland, close to local market and supply chain	<ul style="list-style-type: none">● High attractiveness for foreign talents, with existing labour restrictions
<ul style="list-style-type: none">● Special economic areas such as the Free Trade Zone, with simplified administrative procedures	<ul style="list-style-type: none">● Restrictions in foreign currency transactions and payments, and sectors restricted to foreign investors
<ul style="list-style-type: none">● High skills and talented workforce available	<ul style="list-style-type: none">● High operational costs after setting up
<ul style="list-style-type: none">● Diversity of economic base in terms of industry and sectors (manufacturing, trading, services)	<ul style="list-style-type: none">● Tax burden for high-income individuals, with 45% highest tax rate

Proximity to market, clients, suppliers, and distribution channels

	SINGAPORE	SHANGHAI
<p>Location</p> <p>Singapore for its proximity to ASEAN market and supply chain</p> <p>Shanghai for its strategic position and the consolidation in the Chinese market</p>	<ul style="list-style-type: none"> ✓ Singapore is located in the heart of Southeast Asia region and the gate to ASEAN. The strategic position, close to important shipping routes, increased the importance of the city-state as a hub for MNCs willing to expand in the ASEAN market. ✓ Singapore is close to countries such as Thailand and Vietnam, the manufacturing hubs in Southeast Asia. ✓ Singapore is a strategic transportation hub for people and goods (Singapore Changi Airport, Singapore Port) ✓ Singapore is the core of the ASEAN trading bloc and is the most suitable option for entering and reaching Southeast Asia's market and consumers. ✓ Singapore is distant from China and might not be a convenient option to enter in the Chinese market. 	<ul style="list-style-type: none"> ✓ Shanghai is located in the Yangtze River Delta region and is the most dynamic economic area in China. The municipality is the gate for overseas investors to enter China and expand their business in the vast Chinese domestic market. ✓ Shanghai is well connected and integrated into the Yangtze River Delta, with production hubs in Jiangsu, Zhejiang, and Anhui provinces.. ✓ Shanghai is the main logistic hub in East China, it operates two international airports (Pudong and Hongqiao), and the busiest sea-port for container handling. ✓ Shanghai is strategically located in the Yangtze River Delta, and has been selected by the Chinese government to become a global hub for trade, investments, and finance. ✓ Shanghai might not grant enough proximity to markets, suppliers, and talents in Southeast Asia.. Distant from South East Asia

Airports and volume of passengers

- Three of the largest and busiest airports in the Asia – Pacific region and worldwide are in Singapore and Shanghai.
- Singapore operates one international airport, “**Changi Airport**”, which is considered among the World’s Best Airports. Before the outbreak of the COVID pandemic, Changi Airport handled almost 70 million passengers each year. In 2021, the total number of passengers declined to 3 million due to the significant reduction in international flights.
- Shanghai operates two international airports, “**Pudong Airport**” and “**Hongqiao Airport**”. In 2019, the total number of passengers handled by the two airports was equal to 122 million (76 million by Pudong and 46 million by Hongqiao), which declined to 65 million in 2021. Although also Shanghai had significantly been impacted by the reduction of international flights, the decline in the volume of passengers served by Shanghai was less dramatic due to the domestic flights connecting Shanghai with the main Chinese destinations..
- However, despite the current restrictions due to COVID, Singapore and Shanghai are a global hubs for air transportation of persons and cargo.



Source: Airport Council International, IATA.

Business environment

	SINGAPORE	SHANGHAI
Business environment	<ul style="list-style-type: none"> ✓ Singapore ranks 2nd in the Doing Business 2020 report, ✓ There are no significant barriers to investments, and 100% foreign ownership is allowed in every sector except those strategic for national security reasons. ✓ There isn't a minimum capital requirement and no foreign exchange control. ✓ Singapore promoted the International and Regional Headquarters program to support companies that set up or expand their international or regional headquarters activities in Singapore with reduced tax rates, 	<ul style="list-style-type: none"> ✓ China ranked 31st in Doing Business 2020, it has tried to foster entrepreneurship in several key cities, including Shanghai. ✓ The administrative procedure to establish a new enterprise has been shortened to 30 days, the minimum capital requirements have been removed, and a single business license with organization code and tax registration form has been introduced. ✓ A Pilot Free Trade Zone has been established in Shanghai with pilot reforms and policies, easing administrative and procedural requirements for cross-border transactions. ✓ Special awards and subsidies are granted by Shanghai government for MNCs establishing their regional headquarter or R&D center in the municipality.

Business environment

Regional Headquarters program in Singapore

- Companies that meet requirements to setup a **Regional Headquarter (RHQ) in Singapore** can enjoy a reduced tax rate of **15%** for 3 + 2 years on the **incremental qualifying income derived from abroad**.
- Requirements to be satisfied:
 - paid up capital of SGD 200,000 at the end of year one and SGD 500,000 at the end of year 3 of the incentive period.
 - to set **up three entities outside Singapore receiving services from the RHQ** by the end of the third year.
 - **75% of the staff should be skilled**, meaning that they should at the very least have received NTC2 (National Trade Certificate II) certification.
 - additional 10 employees with a diploma certification shall be recruited by the end of the third year.
 - **five of the top executive** positions should be receiving an average **remuneration of SGD 100,000** and an additional SGD 2 million in annual total business spending in Singapore by the end of the third year.

Business environment

Regional Headquarters program in Shanghai

- A regional headquarter of a MNC is a company with independent legal status, established in the Shanghai Municipality by a parent enterprise registered overseas, under the form of investment holding or management company.
- **Criteria for recognition of regional headquarters**
 - It shall be a foreign invested enterprise with an independent legal status;
 - The total assets of the overseas parent company shall not be less than USD 200 million;
 - It is authorized by the parent company to perform headquarter functions of making management decision, fund management, procurement, sales, logistics, R&D etc.;
 - Its registered capital shall not be less than USD 2 million;
 - It shall have an outstanding contribution towards the local economic development.
- **Grants**
 - **Start-up subsidy:** for regional headquarters with a paid capital of over USD 30 million with more than 10 employees, the start-up subsidy is **RMB 5 million**, to be granted and released over three yearly tranches (40%, 30%, and 30%).
 - **Rental subsidy:** for regional headquarters registered after July 7, 2008 with more than 10 employees and with a paid capital of USD 2 million, the rental subsidy for office for self-usage is equal to **30% of the rental for three years**, provided that the office area is less than 1,000 sqm and the rental is no more than RMB 8/sqm per day. In case of purchase, a lump-sum subsidy equivalent to the total amount of the three-year period subsidy for premises rental would be granted.

Business environment

Regional HQ in Shanghai

- **Competence enhancement subsidy:** for regional headquarters covering Asia, APAC or a wider region, registered after January 1, 2012, and established under the form of an investment holding company with a paid **capital of over USD 2 million with no less than 50 employees** and whose persons in charge appointed by the parent company and the key senior managers regularly reside in the Municipality, a lump-sum subsidy of RMB 3 million shall be granted
- **Rewards:** for regional headquarters registered after July 7, 2008 with a paid capital of USD 2 million and an annual business revenue of over RMB 500 million, a reward of:
 - RMB 5 million (lump-sum) shall be given for the part of annual business revenue over RMB 500 million but less than RMB 1 billion;
 - RMB 3 million (lump-sum) shall be given for for the part of annual business revenue over RMB 1 billion but less than RMB 1.5 billion; and
 - RMB 2 million (lump-sum) shall be given for the part of annual business revenue reaching and exceeding RMB 1.5 billion.

Tax environment

	SINGAPORE	SHANGHAI
<p>Company income tax</p> <p><i>Singapore offers a more attractive tax environment compared to Shanghai</i></p>	<ul style="list-style-type: none"> ✓ Enterprises are subject to a standard company income tax levied at 17% on the chargeable income, with exemptions and reduced rates granted to eligible taxpayers operating in certain sectors (i.e., high-value finance and treasury services). ✓ Tax is levied on a territorial basis. 	<ul style="list-style-type: none"> ✓ Enterprises are subject to a standard company income tax levied at 25% on the taxable income, with reduced tax rates granted to high-tech enterprises 15%, enterprises operating in key industries (integrated circuits, AI, etc..) and to small-low profit enterprises 2.5% and 5%. Tax is levied on the worldwide income derived by the enterprise.
	<ul style="list-style-type: none"> ✓ There is no tax on the capital gain (with few exceptions). ✓ Dividends paid to non-resident shareholders are exempted from tax. ✓ Interest paid to non-resident lenders is subject to withholding tax (15% or according to DTAs) ✓ Royalty paid to non-resident enterprises is subject to withholding tax (10% or according to DTAs) 	<ul style="list-style-type: none"> ✓ Capital gain is included in the taxable income or taxed on a withholding basis at 10% when derived by a non-resident enterprise. ✓ Dividends paid to non-resident shareholders are subject to withholding tax (10% of according to DTAs) ✓ Interest and royalty paid to non-resident enterprises are subject to withholding tax (10% or according to DTAs).
<p>VAT (Value Added Tax) / GST (Goods and Services Tax)</p>	<ul style="list-style-type: none"> ✓ 7% GST is applied on the sales and purchases of goods and their imports into Singapore ✓ 7% GST is applied on the provision and receipt of services. 	<ul style="list-style-type: none"> ✓ 13% VAT is applied on the sales and purchases of goods and their imports into China. ✓ 6% VAT is applied on the provision and receipt of services.

Tax environment

	SINGAPORE	SHANGHAI
<p>Individual income tax</p> <p>The highest marginal tax rate in Singapore for individuals is 22%, in Shanghai is 45%.</p>	<p>✓ Individuals in Singapore are subject to individual income tax at progressive rates ranging from 2% to 22%, with the highest marginal tax rate applicable on assessable income over SGD 320,000 (around USD 230K)</p>	<p>✓ The individual income tax is levied at progressive rates ranging from 3% to 45%, with the highest marginal tax rate applicable on taxable income over CNY 960,000 (around USD 140K). Shanghai is considering implementing a 15% flat tax rate for certain talents working in Lingang New Area</p>
	<p>✓ Several deductions are available for taxpayers, including spouse relief, child relief, dependent parents, etc...</p>	<p>✓ Several deductions are available for taxpayers at fixed rate, for education expenses, elderly care, rental expenses etc... Foreign employees are granted with tax-free allowances related to housing, meals, etc... (until the end of 2023)</p> <p>✓ A preferential tax treatment is granted for the year-end bonus (until the end of 2023).</p>
	<p>✓ Employees are required to be enrolled in the local Central Provident Fund and to pay social contributions (20% employee's part, 17% employer's part).</p>	<p>✓ Employees are required to be enrolled in the social security system, and to pay social contributions (17% employee's part and 35% employer's part including housing fund)</p>
	<p>✓ Capital gain is not taxed.</p>	<p>✓ Capital gain is taxed at 20%</p>

Living conditions

Cost of Living in the Asia – Pacific

Ranking 2022, ECA International.

City	Economy	Rank 2021	Rank 2022
Hong Kong	Hong Kong S.A.R.	1	1
New York	United States	4	2 ▲
Geneva	Switzerland	3	3
London	United Kingdom	5	4 ▲
Tokyo	Japan	2	5 ▼
Tel Aviv	Israel	7	6 ▲
Zurich	Switzerland	6	7 ▼
Shanghai	China	9	8 ▲
Guangzhou	China	10	9 ▲
Seoul	Korea Rep.	8	10 ▼
San Francisco	United States	15	11 ▲
Shenzhen	China	12	12
Singapore	Singapore	13	13
Beijing	China	16	14 ▲
Jerusalem	Israel	18	15 ▲

- Shanghai and Singapore are among the most expensive cities for expat employees.
- According to ECA International’s latest cost of living report, Shanghai, the third most expensive city in Asia - Pacific after Hong Kong and Tokyo, ranked 8th in the overall ranking, before Singapore, 7th in Asia – Pacific and 13th in the overall ranking.

Source: ECA International Cost of Living Report 2022.

Cost of operations

	SINGAPORE	SHANGHAI
<p>Office rental</p> <p><i>Office rental costs are higher in Singapore than in Shanghai</i></p>	<ul style="list-style-type: none"> ✓ Due to the limited supply of land and office buildings, rental prices in Singapore are among the highest in Asia – Pacific and the world. ✓ In Q1 2022, the occupancy cost for a prime office was 1,130 USD / sqm / year. 	<ul style="list-style-type: none"> ✓ Shanghai can provide a wide range of office buildings and office premises, and authorities in certain area can grant a rental-free period or at reduced rates. ✓ In Q1 2022, the occupancy cost for a prime office was 766 USD / sqm / year.
<p>Salary and wages</p> <p><i>Average salaries are higher in Singapore than in Shanghai</i></p>	<ul style="list-style-type: none"> ✓ Singapore is a high-income country, and the salary earned by a resident in Singapore is among the highest in Asia and the world. ✓ The median monthly income in Singapore is SGD 4,680 / month (USD 3,300) in 2021. ✓ 20° percentile was SGD 2,500 / month (USD 1,800) <p><i>Source: Department of Statistics of Singapore</i></p>	<ul style="list-style-type: none"> ✓ Shanghai records the highest salaries among cities in China, without reaching levels of cities in advanced economies. The social average monthly salary in the municipality in 2021 was CNY 8,600 / month (USD 1,300). <p><i>Source: Municipal Bureau of Human Resources and Social Security</i></p>

Double tax agreements (DTAs)

- **Singapore** built a strong DTA network, consisting of **96 DTAs** (among which 93 are currently in force, and 3 signed and waiting to be ratified), 2 EOI (Exchange of Information) agreements, and 8 limited DTAs regulating the reciprocal exemption with respect to taxes on income arising from the business of international air and shipping transport.
- **Shanghai** can benefit of the Chinese DTA network consisting of **109 DTAs** (among which 103 are currently in force, and 6 signed and waiting to be ratified), 10 EOI (Exchange of Information) agreements, and 3 tax arrangements with Hong Kong S.A.R., Macao S.A.R., and Taiwan Province of China.
- Withholding taxes on dividend, interest, and royalty paid to recipients resident in an economy without a DTA with Singapore and Shanghai are as follows:

Withholding tax rate (%)	Dividend	Interest	Royalty
Shanghai – Non treaty economy	10	10	10
Singapore – Non treaty economy	0	15	10

Double tax agreements (DTAs): Singapore: 96 DTAs, 8 Limited DTAs, 2 EOI (Exchange of Info)

DTAs in force

- Albania
- Armenia
- **Australia**
- Austria
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Brazil
- Brunei
- Bulgaria
- Cambodia
- Canada
- **China**
- Cyprus
- Czech Rep.
- Denmark
- Ecuador
- Egypt
- Estonia
- Ethiopia
- Fiji
- Finland
- France
- Georgia
- Germany
- Ghana
- Greece
- Guernsey
- Hungary
- India
- **Indonesia**
- Ireland
- Isle of Man
- Israel
- Italy
- **Japan**
- Jersey
- Jordan
- Kazakhstan
- **Korea Rep.**
- Kuwait
- **Laos**
- Latvia
- Libya
- Liechtenstein
- Lithuania
- Luxembourg
- **Malaysia**
- Malta
- Mauritius
- Mexico
- Mongolia
- Morocco
- **Myanmar**
- Netherlands
- **New Zealand**
- Nigeria
- Norway
- Oman
- Pakistan
- Panama
- Papua N. Gui.
- **Philippines**
- Poland
- Portugal
- Qatar
- Romania
- Russia
- Rwanda
- San Marino
- Saudi Arabia
- Serbia
- Seychelles
- Slovakia
- Slovenia
- South Africa
- Spain
- Sri Lanka
- Sweden
- Switzerland
- **Taiwan, China**
- **Thailand**
- Tunisia
- Turkey
- Turkmenistan
- Ukraine
- U.A.E.
- United Kingdom
- Uruguay
- Uzbekistan
- **Vietnam**

DTAs not in force

- Cabo Verde
- Gabon
- Kenya

Limited DTAs

- Bahrain
- Brazil
- Chile
- **Hong Kong S.A.R.**
- Oman
- Saudi Arabia
- U.A.E.
- United States

EOI

- Bermuda
- United States

Double tax agreements (DTAs): Shanghai: 109 DTA, 3 Arrangements, 10 EOI

DTAs in force

- Albania
- Algeria
- Armenia
- **Australia**
- Austria
- Azerbaijan
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Bosnia Herz.
- Botswana
- Brazil
- Brunei
- Bulgaria
- **Cambodia**
- Canada
- Chile
- Croatia
- Cuba
- Cyprus
- Czech Republic
- Denmark
- Ecuador
- Egypt
- Estonia
- Ethiopia
- Finland
- France
- Georgia
- Germany
- Greece
- Hungary
- Iceland

India

Indonesia

- Iran
- Ireland
- Israel
- Italy
- Jamaica

Japan

- Kazakhstan
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lithuania
- Luxembourg
- Macedonia

Malaysia

- Malta

Mauritius

- Mexico
- Moldova
- Mongolia
- Montenegro
- Morocco
- Nepal
- Netherlands

New Zealand

- Nigeria
- Norway
- Oman
- Pakistan
- Papua New Guinea
- **Philippines**
- Poland
- Portugal
- Qatar

Romania

- Russia
- Saudi Arabia
- Serbia
- Seychelles

Singapore

- Slovakia
- Slovenia

South Korea

- South Africa
- Spain
- Sri Lanka
- Sudan
- Sweden
- Switzerland
- Syria
- Tajikistan
- **Thailand**

Trinidad & Tobago

- Tunisia
- Turkey
- Turkmenistan
- Uganda
- Ukraine
- U.A.E.
- United Kingdom

United States

- United States
- Uzbekistan
- Venezuela
- **Vietnam**
- Zambia
- Zimbabwe

Arrangements

- **Hong Kong S.A.R.**
- **Macao S.A.R.**
- **Taiwan, China**

DTAs not in force

- Angola
- Argentina
- Congo Republic
- Gabon
- Kenya
- Rwanda

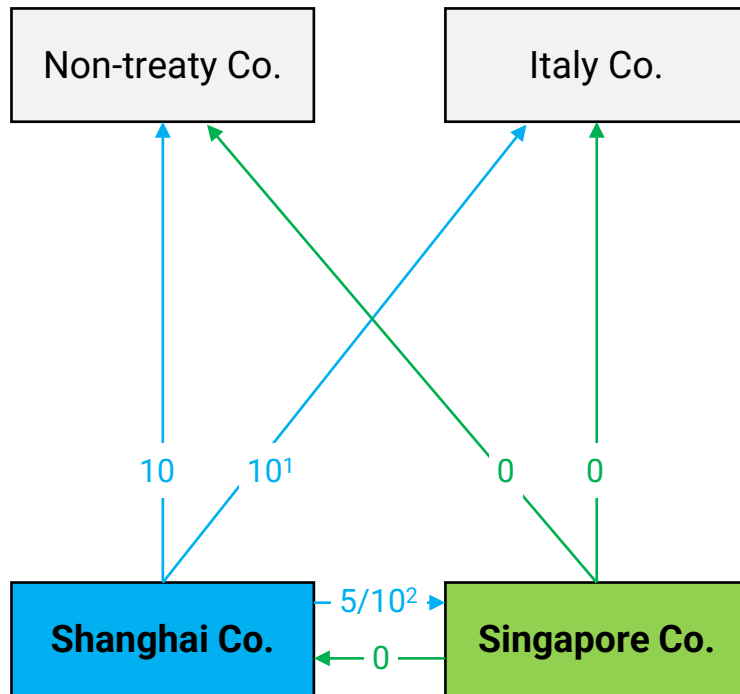
EOI

- Argentina
- Bahamas
- Bermuda
- British Virgin Islands
- Cayman Islands
- Guernsey
- Isle of Man
- Jersey
- Liechtenstein
- San Marino

REGIONAL HUB IN ASIA - PACIFIC

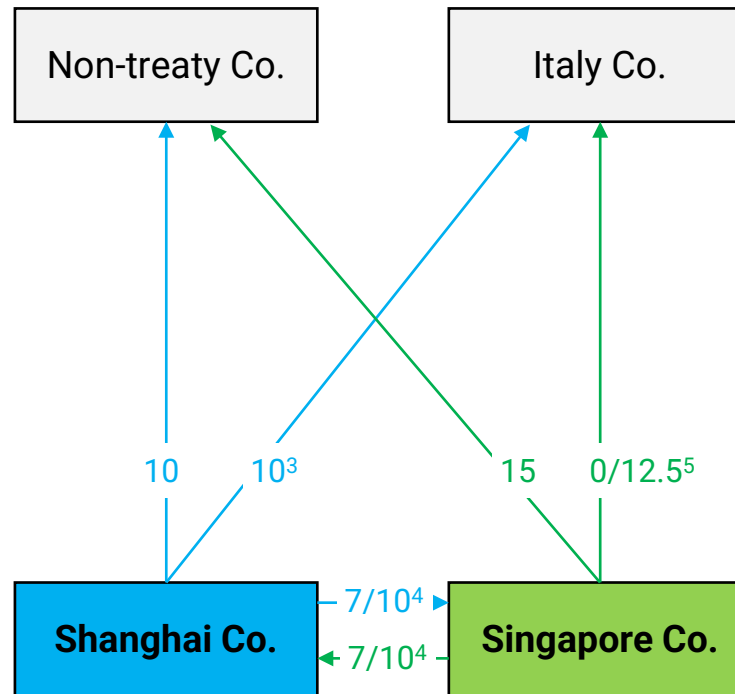
Double tax agreements (DTAs)

Withholding on dividends



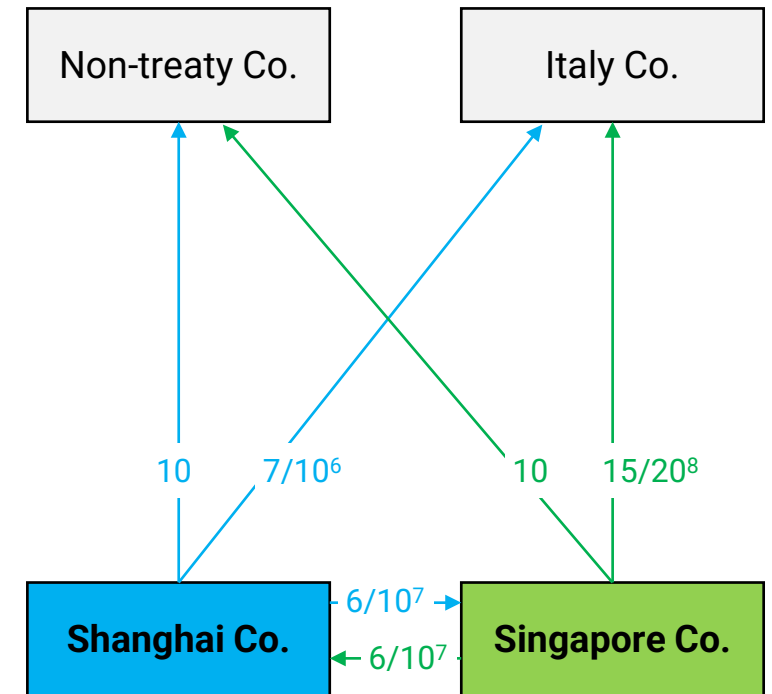
¹ New DTA applies a 5% rate to qualified dividends (see note 2)
² The 5% rate applies if the beneficial owner of the dividends is a company that holds directly at least 25% of the capital of the company paying the dividends. The 10% rate applies to other dividends.

Withholding on interest



³ New DTA applies 8% to interest paid to government, 8% to interest paid to banks or financial institutions, and 10% to other payments.
⁴ The 7% rate applies to interest paid to banks or financial institutions. The 10% rate applies to other interest payments
⁵ 0% rate applies to interest paid to government, 12.5% to other payments.

Withholding on royalty

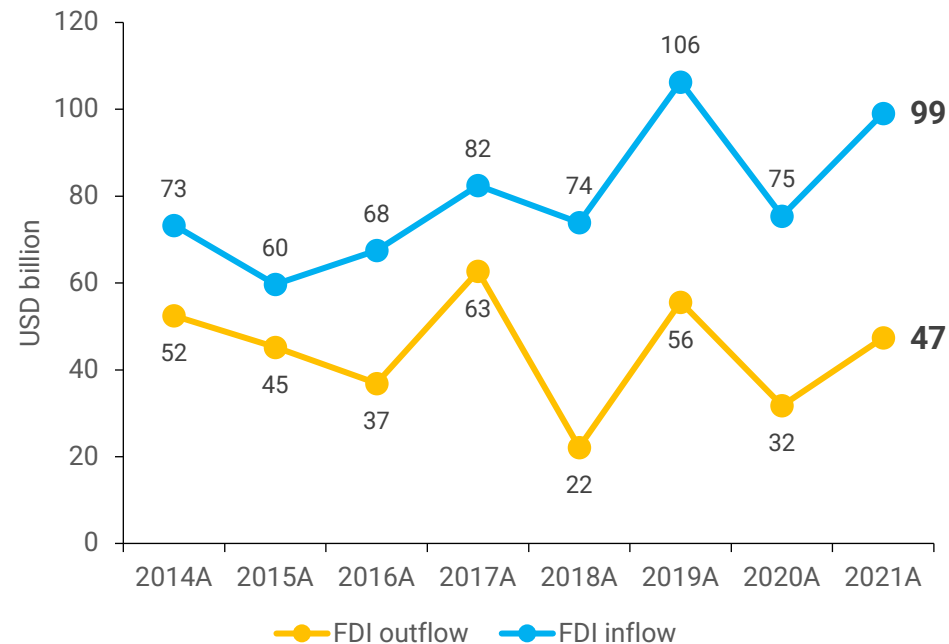


⁶ 7% rate (new DTA 5%) applies on payments for the use of industrial, commercial or scientific equipment, 10% to other payments.
⁷ 6% rate applies to payments for the use of industrial, commercial or scientific equipment, 10% to other payments.
⁸ 15% rate applies to payments relating to copyrights of scientific works, patents, trademarks, designs or models, plans, secret formulas or processes, industrial, commercial or scientific equipment or experience or information concerning industrial or scientific experience., 20% rate applies to other payments.

Foreign direct investments

FDI from and to Singapore, from 2014 to 2021

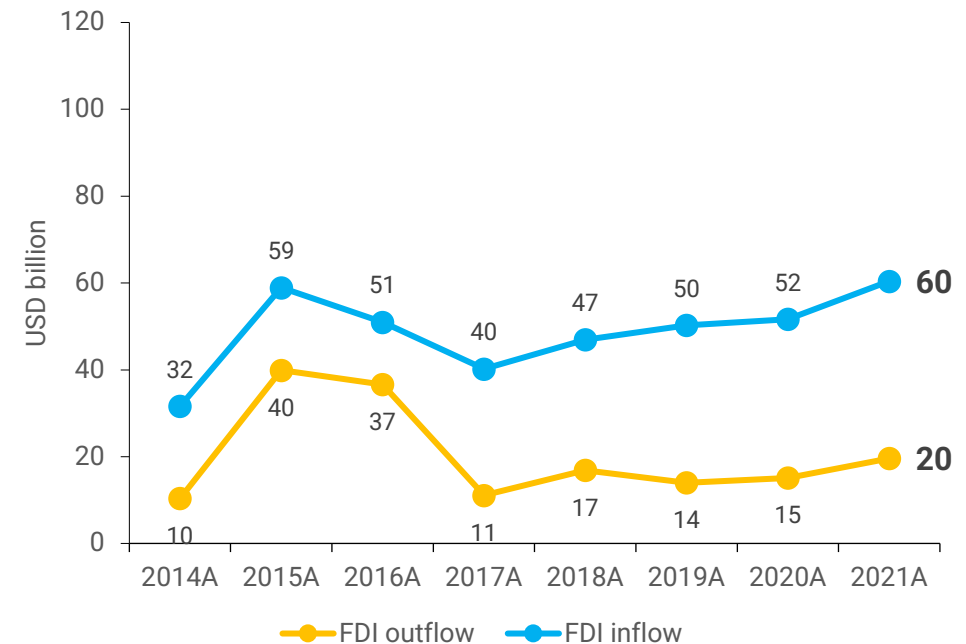
Amount in USD billion, United Nations Conference on Trade and Development



- Singapore received in 2021 FDI from overseas investors equal to USD 99 billion and provided FDI for overseas projects for USD 47 billion.

FDI from and to Shanghai, from 2014 to 2021

Amount in USD billion, Shanghai Municipal Statistics Bureau

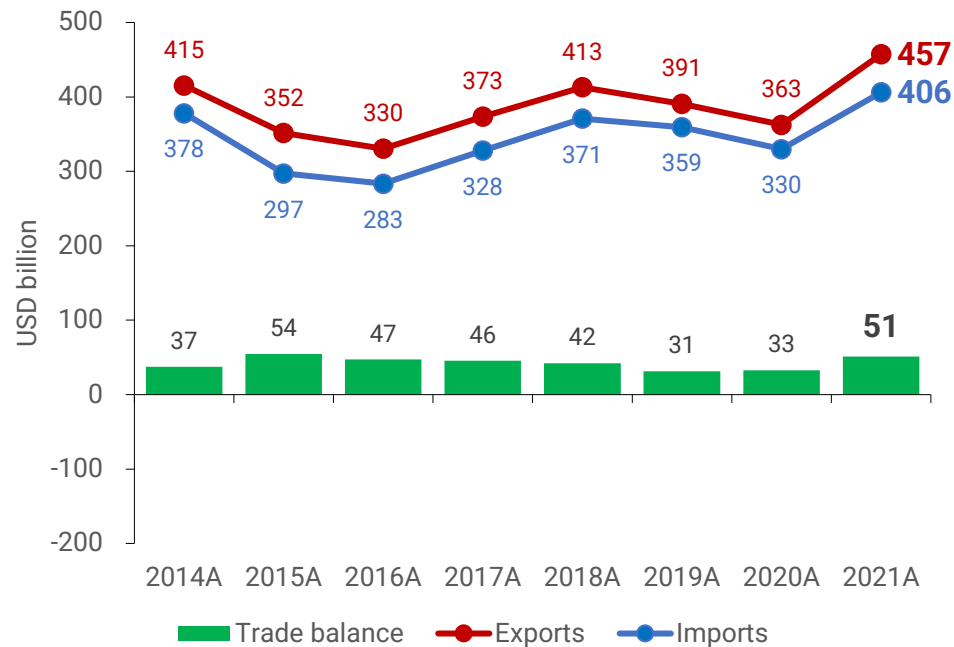


- Shanghai received in 2021 FDI from overseas investors equal to USD 60 billion, while outbound investments from the municipality were USD 20 billion.

International trade and free trade agreements (FTAs)

Singapore's international trade, from 2014 to 2021

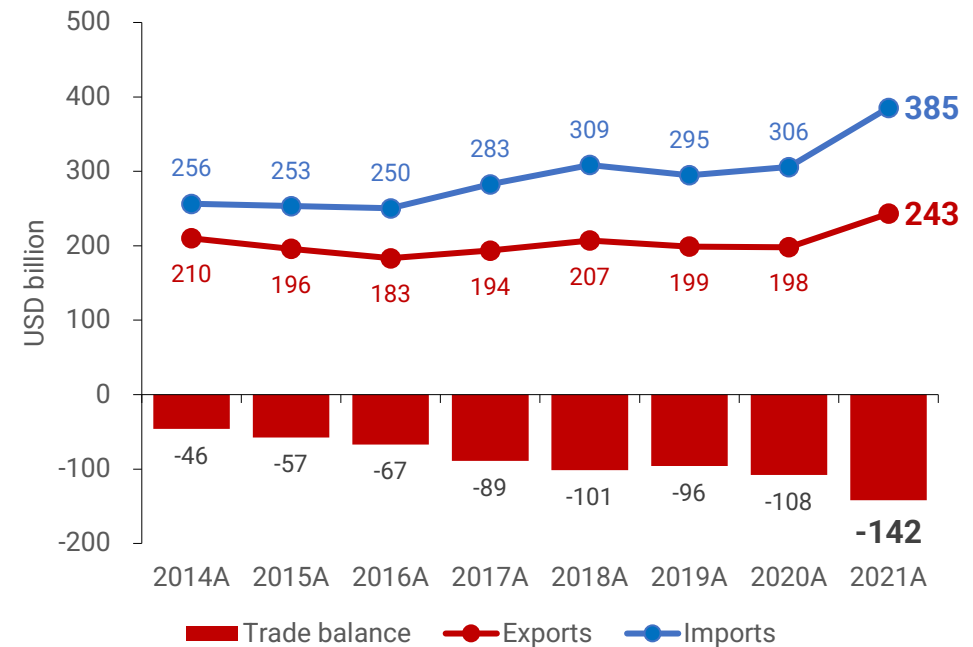
Amount in USD billion, United Nations Conference on Trade and Development



- Singapore carried out international trade for USD 863 billion in 2021, among which **USD 457 billion in exports and USD 406 billion in imports**. The trade surplus was USD 51 billion.

Shanghai's international trade, from 2014 to 2021

Amount in USD billion, Shanghai Municipal Statistics Bureau



- Shanghai is the main logistic hub of China for imports: in 2021, total **imports** managed by local Customs were **USD 385 billion**, while **exports equal USD 243 billion**. The trade deficit was USD 142 billion.

International trade and free trade agreements (FTAs)

Shanghai

- Enterprises and MNCs in Shanghai can benefit from the FTAs network established by China.
- Currently China signed several FTAs with a number of partners, located in Asia, America, Europe and Africa. Many others are under negotiation.

✓ Signed Bilateral FTAs

ASIA

- Cambodia (2020)
- Georgia (2017)
- Hong Kong SAR China (*CEPA*) (2003)
- Macao SAR China (*CEPA*) (2003)
- Maldives (2017)
- Pakistan (2006)
- Pakistan (*upgrade*) (2019)

- Singapore (2008)

- Singapore (*upgrade*) (2018)

- South Korea (2015)

AFRICA

- Mauritius (2019)

OCEANIA

- Australia (2015)

- New Zealand (2008)

EUROPE

- Iceland (2013)

- Switzerland (2013)

AMERICA

- Chile (2005)

- Chile (*upgrade*) (2017)

- Costa Rica (2010)

- Peru (2009)

✓ Signed Multilateral FTAs

- **ASEAN** (2004)

- Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam

- **ASEAN (*upgrade*)** (2015)

- Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam

- **RCEP** (2020)

- Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam, Australia, New Zealand, Japan, and South Korea

International trade and free trade agreements (FTAs)

✓ Bilateral FTAs under negotiation

ASIA

- Israel
- Palestine
- South Korea (2° phase)
- Sri Lanka

OCEANIA

- New Zealand (upgrade)

EUROPE

- Moldova
- Norway

AMERICA

- Panama
- Peru (upgrade)

✓ Multilateral FTAs under negotiation

- **GCC (Gulf Cooperation Council)**

- Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates

- **China – Japan – South Korea**

- Japan, South Korea

✓ FTAs under consideration

EUROPE

- Switzerland

ASIA

- Bangladesh

- Mongolia

- Nepal

OCEANIA

- Fiji

- Papua New Guinea

AMERICA

- Canada
- Colombia

International trade and free trade agreements (FTAs)

Singapore

- Singapore is part of the ASEAN trading bloc and benefits from bilateral and multilateral trade agreements signed by ASEAN. In addition, Singapore signed several bilateral FTAs, including those with European Union, the United States, and the United Kingdom.

✓ Signed bilateral FTAs

ASIA

- China (2009)
- India (2005)
- Japan (2002)
- South Korea (2006)
- Jordan (2005)
- Sri Lanka (2018)

Turkey (2017)

OCEANIA

- Australia (2003)
- New Zealand (2001)

EUROPE

- European Union (2019)
- United Kingdom (2020)

AMERICA

- United States (2004)
- Panama (2006)
- Costa Rica (2013)
- Peru (2009)

International trade and free trade agreements (FTAs)

✓ Signed multilateral FTAs

- ASEAN Free Trade Area
- ASEAN – China (2005)
- ASEAN – Japan (2008)
- ASEAN-India (2011)
- ASEAN-Australia-New Zealand (2010)
- ASEAN-Hong Kong ,China (2019)
- ASEAN – South Korea (2007)
- Trans-Pacific Strategic Economic Partnership (**TPSEP**) (2006)
 - *Brunei Darussalam, Chile, New Zealand*
- Comprehensive and Progressive Agreement for Trans-Pacific Partnership(**CPTPP**) (2018)
 - Mexico, Japan, Singapore, New Zealand, Canada, Australia, Vietnam
- EFTA – Singapore (2003)
 - *Iceland, Liechtenstein, Norway and Switzerland*
- Gulf Cooperation Council (2013)
 - *Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates*
- RCEP (2020)
 - *Brunei, Cambodia, China, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand, Vietnam, Australia, New Zealand, Japan, and South Korea*

✓ Multilateral FTAs under negotiation

- EAEU (Eurasian Economic Union – Singapore Free Trade Agreement)
- **EU - ASEAN**
- Pacific Alliance – Singapore Free Trade Agreement

Final comments

- Singapore and Shanghai are global investment and trade hubs with a very dynamic business environment.
- Local governments grant incentives and policies for regional headquarter.
- Singapore is strategically located in the heart of Southeast Asia (ASEAN markets).
- Shanghai is at the core of the Yangtze River Delta
- Cost of living and the operational costs higher than in other cities in the region.
- Both cities can grant an adequate infrastructure level, international airports with connections to major cities in the world, and the busiest ports worldwide.
- A wide network of FTAs and DTAs can be enjoyed by enterprises and MNCs located in Singapore and Shanghai.
- Different locations for specific functions (financing, cash pooling, management, strategy, procurement, tax etc.....)

Financial HQ (bank, cash pooling)

Equity HQ (holding, subholding, FDI, ODI)

Tax HQ

Management HQ

China HQ, Asia HQ, ASEAN HQ



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Q&A

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