

The Malta- Singapore double taxation treaty has just been signed and ratified a few weeks ago, and is now currently in force. The following are salient features of this treaty that is based on the OECD Model Double Taxation Treaty Convention:

- A building site or construction site or assembly project carried out by a person resident in one of the contracting states in the other contracting state shall not be deemed to be a permanent establishment if such site or project or service does not last more than nine months.
- Business Profits earned by a resident of a contracting state shall only be taxable in the other state as far as is attributable to a permanent establishment in that other state.
- The Dividends Article contemplates no withholding taxes on outbound payments of dividends since both countries operate a full imputation system. This 0% withholding tax rate will also apply if any of the contracting states will introduce a classical system of taxation and hence withholding taxes. This article also provides a full credit for the underlying tax payable on the profits out of which the dividends are paid.
- Withholding taxes arising in a particular contracting state on interest generated therein are capped as follows:
 - 7% of the gross amount of the interest received by a bank;
 - 10% of the gross amount of the interest in all other cases.

NB. Malta does not levy any withholding taxes on interest/royalties generated in Malta and paid to non-residents.

- Withholding taxes arising in a particular contracting state on royalties generated therein are capped at 10% on the gross amount.
- Full tax sparing provisions are in place on a bilateral basis in the case that such profits have been taxed at a lower rate/exempt in any of the contracting states as a result of the legal provisions for tax incentives in that particular contracting state.

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