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Enhancements to Singapore's Finance & Treasury Centre Scheme and Implications for Regional Treasury Centres

Increasingly, multinational corporations ("**MNCs**") are establishing or expanding their strategic Regional Treasury Centres ("**RTCs**") to enhance operational efficiency, mitigate financial risks and optimize financing costs and capital.

While popularity for RTCs is on the rise, traditional financing structures have also come under enhanced scrutiny due to heightened international focus on the Base Erosion Profit Shifting ("**BEPS**") project. Many countries are introducing new tax legislation which may impact existing financing and treasury arrangements (e.g., legislation which targets hybrid structures and instruments). As a result, more MNCs are looking at strategic locations/jurisdictions to set up their RTCs, while remaining BEPS compliant at the same time.

The choice of location for setting up an RTC is often based on a multitude of factors including the business environment, ease of cross-border fund movements etc. With the recent enhancements to the Finance & Treasury Centre ("**FTC**") scheme, Singapore presents itself as a favourable destination for MNCs which are looking to restructure their existing financing structures.

Key changes to the FTC Scheme

Previously, the FTC scheme provided a 10% concessionary tax rate on qualifying income of the FTC, as well as withholding tax exemptions on certain payments (e.g., interest) made by the FTC to non-resident approved network companies ("**ANCs**"). The scheme was due to be phased out on 31 March 2016.

During the Singapore 2016 Budget, the Minister for Finance announced that the scheme would be extended and certain enhancements to the FTC scheme would be introduced. On 1 June 2016, the Economic Development Board released further details on these enhancements. The key changes are summarised below.

Feature	Before 25 March 2016	From 25 March 2016 Onwards
Concessionary tax rate	10% on all qualifying income	8% on all qualifying income
Withholding tax exemption	Withholding tax exemption granted to the FTC on certain payments made to non-residents, e.g., interest on bonds held by persons who are not tax resident in Singapore	Existing exemption still applicable. In addition, exemption enhanced to include interest on deposits placed with the FTC by non-resident ANCs (subject to conditions). Cash pooling activities

		could possibly also fall within the scope of the FTC scheme.
Substantive requirements	To qualify for the scheme, EDB will typically impose minimum investment commitment levels.	EDB has stated that substantive requirements will increase.
Sunset Date	31 March 2016	31 March 2021

Singapore as a destination for RTCs

With its well-developed infrastructure as a financial hub, Singapore presents itself as an attractive destination for MNCs to set up their RTCs in, especially if such MNCs are looking to expand their footprints in Asia.