

# Rödl & Partner

## SINGAPORE NEWSFLASH

## THINKING GLOBALLY

Issue

December 2019

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Read in this issue:

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→ Singapore and Germany: Amendment of the Double Tax Agreement

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Singapore and Germany on 9 December 2019 signed a Protocol amending the 28 June 2004 Double Taxation Agreement (“DTA”) between Singapore and Germany that will take effect upon ratification from both countries.

The Protocol incorporates internationally agreed minimum standards to counter treaty abuse and amends the maximum withholding tax rates that may be charged between both countries.

The key changes introduced by the Protocol are explained below.

- *Permanent Establishment*: Longer test period for construction related activities from six months to twelve months, which raises the threshold for residents of a contracting state to trigger a taxable presence in the other contracting state.
- *Withholding tax*: Reduction in withholding tax rates on dividend, interest and royalty payments.
  - Dividends: Reduced from 15 to 10 per cent. The reduced rate of 5 per cent for qualifying participants of more than 10 per cent in the paying company will remain unchanged.
  - Interest: Reduced from 8 to 0 per cent.
  - Royalties: Reduced from 8 to 5 per cent.
- *Royalties*: The scope of the royalties article is narrowed with the removal of “the use of, or the right to use, industrial, commercial or scientific equipment” from the definition of royalties.
- *Capital Gains*: Broadening of the scope of capital gains tax whereby gains derived from sale of shares representing more than 50 per cent of the vote, value or capital stock in a

company held for less than twelve months will be subject to capital gains tax.

- *Mutual Agreement Procedure (“MAP”)*: Introduction of a mechanism that will allow taxpayers to request arbitration in eligible MAP cases that have not been resolved between the competent authorities of Singapore and Germany in three years.

This Protocol aims to enhance cross border trade and investment between both countries by lowering the withholding tax rates on income flows arising from cross border business activities; and bring the DTA into line with international standards by incorporating internationally agreed minimum standards to counter treaty abuse and amending the Exchange of Information Article.

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