

# Bond Market Costs and Taxation

This chapter details the typical types of costs to be incurred by issuers and investors in the bond market in Singapore, with a particular emphasis for costs associated with bond or note issuance and settlement.

For ease of reference, the descriptions of the types of costs are given in the context of the actions to be taken by issuers or investors (as explained in this document) and follow the life cycle of a bond, note, or related program, in the Singapore bond market.

Please note that all fees and charges are principally subject to the prevailing rate of the Goods and Services Tax (GST), which is presently set at 7%. Nonresidents do not pay GST.

## A. Costs Associated with Bond and Note Issuance

### 1. Submission of Application for Lodgement and Registration of Prospectus with the Monetary Authority of Singapore (Public Offers)

All public offers of bonds and notes in Singapore require the lodgement and registration of a prospectus with MAS. For details and conditions of the application process, please refer to Chapter III.F.

MAS applies a fee for the lodgement process, payable at the time of lodgement of the prospectus on OPERA, including that for debenture issuance programs. The fee is set out in the First Schedule of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 and is not refundable in the case where an offer does not go ahead.<sup>72</sup>

### 2. Underwriter or Arranger Fee (Optional)

The issuer is not required to appoint an underwriter to place bonds or notes in the Singapore bond market. However, some offers of debt securities may require the services of one or more underwriters to place the debt securities with Institutional Investors or distribute the issuance to the public. Underwriters are also referred to as arrangers in the Singapore market and, in case of multiple arrangers, a lead arranger is typically appointed by the issuer.

An arranger or underwriter will charge a fee, typically commensurate with the effort and risk of taking over parts or all of a bond or note issue from the issuer, and which should be expected to follow established market practice and may be subject to negotiations between the issuer and arranger or underwriter.

<sup>72</sup> See <http://statutes.agc.gov.sg/aol/search/display/view.w3p;ident=dcaa41cd-2492-4047-925b-e967f2fb0321;page=0;query=Compld%3A7bb76d07-663e-41b9-ba2d-caec81e9bb34%20ValidTime%3A20131022000000%20TransactionTime%3A20131022000000;rec=0#Sc1->

### 3. Agent Fees (Mandatory and Optional)

Issuers in the Singapore bond market may have to appoint a paying agent and/or trustee in the context of a bond or note issuance, depending on the nature and form of such issuance (please see Chapter III for details and conditions).

The paying agent is responsible for handling the cash flow at issuance and for benefits arising from the issue and upon redemption. The trustee holds the fiduciary responsibility toward the bond- or noteholders, and acts in the case of default or distress.

Paying agents and trustees are remunerated for their services based on market practice.

### 4. Central Depository (Pte.) Ltd. Fees

CDP does not charge fees to the issuer of corporate bonds or notes for the creation of bonds or notes in its system. Typically, the bonds and notes are deposited into the account of the underwriter or arranger at the time of opening of the subscription or sale offer and subsequently transferred to the broker or custodian acting for the investors upon settlement of the bond or note issuance. In turn, Depository Agents are charged with the respective transfer and settlement fees, which are explained further in this chapter.

However, the issuer pays depository fees to CDP if they deposit own issued bonds or notes with CDP, either at the time of issuance or at any time during the tenor of the bond or note.

## B. Costs for Listing of Corporate Bonds and Notes

### 1. Listing Agent Fee (Optional)

The listing of debt securities in the Singapore market is not mandatory. In case an issuer intends to list their bonds or notes on SGX, whether for trading or profiling only, a listing agent may be appointed, but is not mandated by SGX. The listing agent, if appointed, will submit the Listing Application to SGX on behalf of the issuer (see also Chapter III.I). As a matter of market practice, if an arranger or underwriter is appointed by the issuer, this institution will also typically act as listing agent.

The listing agent function will attract a fee or service charge, which should be expected to follow established market practice and may be subject to commercial negotiations between the issuer and underwriter(s). If the listing agent and arranger or underwriter are the same institution, a combined fee for both types of services may be charged.

### 2. Listing Fee

In the case of a listing of bonds, notes, or other debt securities denominated in local or foreign currency, and regardless of whether the listing is for trading or profiling only, the following initial fees are payable to SGX upon submission of the Listing Application:

- (i) a fixed fee of SGD15,000 and
- (ii) a nonrefundable processing fee of SGD10,000.

No additional listing fee is payable if the issuer issues additional debt securities under a series or debt program already listed on SGX. SGX does not levy annual fees for the listing of debt

securities on its Main Board or Wholesale Bonds Market. Please refer to the listing fee table on the SGX website for a more complete description.<sup>73</sup>

## C. Ongoing Costs for Issuers of Corporate Bonds and Notes

Resident and nonresident issuers in the Singapore market tend to appoint a commercial bank as the paying agent for their corporate bonds or notes. This service provision is likely to result in charges such as interest payment and redemption fees:

### Interest Payment and Redemption Fees

For the processing of an interest payment or redemption for debt securities deposited and settled through CDP, the commercial bank or paying agent is expected to charge a transaction fee on the basis of the number of required payments, and also because each transaction will result in payments through MEPS+ to the Depository Agents holding such debt securities for their respective clients. MEPS+ payment transactions attract a fee that may be absorbed or charged out by the paying agent or the Depository Agent, depending on their service level with their issuer or investor clients, respectively.

In addition, CDP as the central securities depository for corporate debt securities collects a fee for the compilation of the bond- or noteholder list on book-closed date, to be made available to the paying agent for processing.

## D. Costs for Deposit and Withdrawal of Bonds and Notes

SGS in the accounts of Primary Dealers and financial institutions with MAS are scripless and cannot be withdrawn from MEPS+ in physical form. At the same time, corporate bonds settled at CDP may be withdrawn as individual certificates as laid out in the Companies (Central Depository System) Regulations, when the depository lodges with the issuer

- (i) documents evidencing title representing the equivalent amount of the book-entry securities requested to be withdrawn and
- (ii) the instruments of transfer duly executed by the depository for the purpose of effecting the transfer of those securities to the depositor or to any person nominated by him.

## E. Costs for Account Maintenance

### 1. Account Maintenance in Monetary Authority of Singapore Enhanced Electronic Payment System

MAS does not charge a maintenance fee on the proprietary and client accounts maintained by Primary Dealers and other financial institutions in MEPS+.

<sup>73</sup> Singapore Exchange Ltd. Listing Information. [www.sgx.com/listingdebtsecurities](http://www.sgx.com/listingdebtsecurities)

## 2. Account Maintenance in Central Depository (Pte.) Ltd.

Each subaccount opened by participants attracts a fee of SGD15 per quarter. Other charges may apply for accounts without holdings or specific additional service provision by CDP to the Depository Agent.

CDP charges the fees for all depository accounts to the participant members (brokers and custodians) who maintain these accounts under their nominee name. Brokers and custodians in turn tend to defray these costs as part of their custody or safekeeping charges to their clients.

## F. Costs Associated with Bonds and Notes Trading

### Brokerage Fees

Licensed bond dealers trading in debt securities charge a brokerage fee or commission on the buying or selling of these securities to their clients, for trades on both SGX and in the OTC market.

Taking effect from 1 October 2000, brokerage rates are fully negotiable for all transactions on SGX. There is no minimum brokerage fee.

In addition, a separate brokerage fee of 0.75%+GST of the contract value per buy-in contract would be applicable in case of transactions in the SGX Buying-In Market, which consists of transactions required to avoid settlement failures of original trades executed on SGX.

## G. Costs for Settlement and Transfer of Bonds and Notes

MAS, through its MEPS+, and CDP are the central securities depositories for SGS and corporate bonds, respectively. CDP also acts as a subdepository and settlement agent for SGS held by individual investors, which are traded on SGX.

### 1. Monetary Authority of Singapore Enhanced Electronic Payment System Transaction Fees

For the settlement of SGS on MEPS+, including for settlements arising from repo transactions, MAS applies transaction-based as shown in Table 6.1.

### 2. Central Depository (Pte.) Ltd. Transaction Fees

For the settlement of SGS and corporate bonds, CDP applies transaction-based fees as shown in Table 6.2.

As shown above, transfers of debt securities as a result of private repo or SBL transactions attract the same settlement fee.

A comprehensive list of CDP's fees and charges is available on the SGX website.<sup>74</sup>

<sup>74</sup> Fee schedule available at [http://www.sgx.com/wps/portal/sgxweb/home/depository/depository/fee\\_schedule](http://www.sgx.com/wps/portal/sgxweb/home/depository/depository/fee_schedule)

**Table 6.1: Monetary Authority of Singapore Enhanced Electronic Payment System Transaction Fees**

Message Charges	Cost
For every MT202 sent by the Participant or by the Service Provider on behalf of the Participant	SGD1.45
For every MT103/MT103+ sent by the Participant or by the Service Provider on behalf of the Participant	SGD1.45
For every MT940/941/942/950 sent to the Participant	SGD0.20
For every MT527 sent by the Participant or by the Service Provider on behalf of the Participant	SGD1.45
For every MT542 sent by the Participant or by the Service Provider on behalf of the Participant	SGD1.45
For every MT541/543 sent by the Participant or by the Service Provider on behalf of the Participant	SGD1.45
For every MT535/536/537 sent to the Participant	SGD0.20

  

Time Block Charges	Cost
For every transaction settled on or before 2:30 p.m.	SGD0.00
For every transaction settled on or before 4 p.m.	SGD0.25
For every transaction settled on or before 5:30 p.m.	SGD1.05
For every transaction settled after 3:30 p.m.	SGD3.55

MT = message type, SGD = Singapore dollar.

Notes: MEPS+ operates from 9 a.m. to 7 p.m. on weekdays. MEPS+ transaction fees were last updated on 20 March 2015 and were correct at time of publication of this guide. Fee schedule available at <http://www.mas.gov.sg/Singapore-Financial-Centre/Payment-and-Settlement-Systems/Clearing-and-Settlement-Systems/MEPS/Agreements.aspx>

Source: Monetary Authority of Singapore.

**Table 6.2: Transaction Fees of the Central Depository (Pte.) Ltd.**

Type of Fee	Fee Amount and Condition
<b>On Exchange Transactions</b>	
Broker–Custodian Settlement	SGD0.50 per settlement instruction
Custodian–Custodian Settlement (DVP)	SGD30 per settlement instruction
<b>Off Exchange (OTC) Transactions</b>	
Debt Securities Settlement Fee	SGD2 per OTC transaction, per side (buyer and seller)
Debt Securities Transfer Fee	SGD2 per SBL, repo transaction, per side (buyer and seller)

DVP = delivery-versus-payment, OTC = over-the-counter, SBL = securities borrowing and lending, SGD = Singapore dollar.

Note: Fees were last updated on 1 June 2014 and valid at the time of publication of this guide.

Source: Central Depository (Pte.) Ltd.

MAS and CDP charge the transaction fees to participant members (Primary Dealers, financial institutions, brokers, and custodians) who in turn tend to defray these costs as part of periodic transaction fees charged to clients.

## H. Taxation Framework and Requirements

The Inland Revenue Authority of Singapore (IRAS) administers the tax system in Singapore. It acts as an agent of the government and provides services in administering, assessing, collecting, and enforcing payment of taxes.

Residents and nonresidents investing in Singapore are subject to the following duties and taxes on debt securities, as summarized in Table 6.3. The applicability of and practices for the relevant duties and taxes are explained in the subsequent sections.

**Table 6.3: Duties and Taxes on Fixed Income Securities in Singapore**

Duties and Tax	Type of Bond	Tax Rate
Corporate income tax	Universal	17%
Corporate income tax (from bond trading activities)	Government	Exempt (Primary Dealers) 5% (for FSI-CM awardholders) 10% (resident non individuals) 12% (for FSI-ST awardholders)
	Corporate	17% 5% (for FSI-CM awardholders) 12% (for FSI-ST awardholders)
Withholding tax	Government	Exempt (QDS)
	Corporate	15% or exempt (QDS)
Capital gains tax	Government	Not applicable
	Corporate	Not applicable
Stamp duty	Government	Not applicable
	Corporate	Not applicable
GST	Universal	7%

FSI-CM = Financial Sector Incentive-Capital Markets Award, FSI-ST = Financial Sector Incentive-Standard Tier award, QDS = Qualifying Debt Securities, GST = Goods and Services Tax.

Source: Compiled by ADB Consultants for SF1 from public domain sources.

### 1. Corporate Income Tax

Resident companies are taxed in Singapore on income accruing in and derived in Singapore. From assessment year 2010, the rate of corporate income tax is 17%.

Income derived by Primary Dealers from trading SGS is tax-exempt. Financial institutions may enjoy concessionary tax rates on income from trading in debt securities and fees income from providing services relating to Qualifying Debt Securities (QDS), depending on the Financial Sector Incentive awards they hold.

## 2. Withholding Tax

A withholding tax is imposed on interest paid to non-Singapore tax residents. The withholding tax rate is 15% (a final tax) for interest earned by non-Singapore tax residents not engaged in business in Singapore or having a permanent establishment in Singapore.

At the same time, SGS issued during the period 28 February 1998 to 31 December 2018 are exempt from withholding tax. The government has announced the extension of the period for tax incentives for the debt market for an additional 5 years until 31 December 2018 for the QDS and QDS Plus schemes (see also Chapter X).

Interest earned by nonresidents from deposits with an approved Singapore bank is free from withholding tax.

## 3. Capital Gains Tax

There is no capital gains tax for listed and traded fixed income securities in Singapore, although gains from certain transactions may be deemed as revenue in nature and subject to corporate income tax.

## 4. Stamp Duty

There is no stamp duty applicable to transactions in debt securities in Singapore.

## 5. Goods and Services Tax

In principle, all fees and charges for services provided by intermediaries in the Singapore bond market to their resident market participants and investors are subject to GST.

Nonresidents do not pay GST; hence, invoices to foreign issuers and investors for service provisions by domestic bond market institutions do not include GST on such services.

## 6. Double Taxation Agreements

Avoidance of Double Taxation Agreements, commonly referred to as DTAs, are treaties signed between Singapore and other countries, which serve to prevent double taxation of income earned by investors. A DTA also makes clear the taxing rights between Singapore and its treaty partners on different types of income arising from cross-border economic activities between the two jurisdictions. DTA agreements provide for reduction or exemption of tax on certain types of income. Singapore has DTAs with 76 countries.<sup>75</sup>

A DTA applies to persons and corporations who are residents of the contracting states and applies to direct taxes: personal income tax and corporate income tax. Indirect taxes such as GST are not covered by a DTA.

<sup>75</sup> For more details, refer to the IRAS website at <https://www.iras.gov.sg/irashome/Individuals/Foreigners/Learning-the-basics/Basic-Guide-for-New-Individual-Taxpayers-Foreigners/Claiming-Exemption-Under-Tax-Treaties/>

### **7. Tax Reclaim for Nonresident Investors**

Nonresident investors can directly file for a tax reclaim from IRAS, depending on the DTA (see above) rates, or may utilize the services of their market intermediaries in Singapore. IRAS has already put in place an efficient tax reclaim process.

If in doubt, investors are encouraged to seek the advice of professional tax advisors with regard to their own specific tax situation.