

**EXTENSION OF THE DEVELOPMENT AND EXPANSION INCENTIVE SCHEME TO
INTERNATIONAL LEGAL SERVICES**

Background

1. Singapore is increasingly recognised as a key legal and arbitration centre for the region, with a reputation for reliability, efficiency and neutrality.
2. Building on these strengths, the Singapore Government has in recent years embarked on various initiatives to grow the legal industry in Singapore. These initiatives included the award of Qualifying Foreign Law Practice (QFLP) licences in December 2008 to allow 6 foreign law practices to practise Singapore law, and the launch in January 2010 of [Maxwell Chambers](#), the world's first integrated dispute resolution complex which houses best-of-class hearing facilities and international alternative dispute resolution institutions.

New tax incentive

3. In March 2010 the Minister for Finance, Mr. Tharman Shanmugaratnam, announced in his Budget Speech the extension of the Development and Expansion incentive (DEI) scheme to international legal services. The objective of the incentive is to encourage law practices to do more international legal services work from Singapore, and to attract international law practices to set up offices in Singapore.
4. The new incentive, which is effected under the DEI scheme, is administered by the Economic Development Board (EDB). The relevant legislative provisions for the DEI scheme are set out in Part IIIB of the Economic Expansion Incentives (Relief from Income Tax) Act.

Scope of the incentive

5. The incentive is open to law practices¹ that are incorporated as companies in Singapore.
6. Law practices awarded the incentive will enjoy a 10% concessionary tax rate for a period not exceeding 5 years on their qualifying income derived from the provision of international legal services in Singapore, in excess of a base.
7. For the purpose of this incentive:
 - (a) **International legal services** mean legal services that fall within the description of international services under section 21(3) of the Goods and Services Tax Act (Chapter 117A) ("GSTA"). They include:

¹ Law practices that are set up as a different form such as a partnership are not eligible for the new incentive. Such law practices may be eligible for the incentive if they convert to a company structure or set up a separate company to carry out the international legal services work.

- (i) legal services supplied directly in connection with land or buildings located outside Singapore (section 21(3)(e) of the GSTA); or
 - (ii) legal services supplied directly in connection with goods located outside Singapore when the services are performed (section 21(3)(f) of the GSTA); or
 - (iii) legal services supplied directly in connection with goods for export and are supplied to a person belonging outside Singapore at the time the services are performed (section 21(3)(g) of the GSTA); or
 - (iii) legal services (not being connected to goods or land in Singapore) supplied to and directly benefiting a person belonging outside Singapore, and who is outside Singapore at the time the services are performed (section 21(3)(j) of the GSTA); or
 - (iv) prescribed services² (not being connected to goods or land in Singapore) supplied to and directly benefiting a person who in his business capacity belongs outside Singapore (section 21(3)(k) of the GSTA).
- (b) **Qualifying income** means the income derived by an approved law practice from the provision of international legal services in Singapore in excess of a base:
- Qualifying income = Income from providing international legal services from Singapore – Base income
- (c) **Base income** is computed as the average of the total income derived from the provision of international legal services in Singapore for the 3 years immediately preceding the commencement day of the incentive.

Exclusions

8. Law practices that are currently enjoying the International Arbitration Tax Incentive will not be eligible to apply for this new incentive.

Qualifying criteria

9. In assessing whether the applicant qualifies for the incentive, EDB will consider the following:

² Please refer to Second Schedule of the GST (International Services) Order for the list of prescribed services under section 21(3)(k) of the GSTA. Paragraph 1 of Second Schedule states: "Services of engineers, lawyers, accountants and other similar consultancy services, not being services which are supplied directly in connection with –

- (a) land or any improvement thereto situated in Singapore; or
- (b) goods situated inside Singapore at the time the services are performed, other than –
 - (i) goods for export outside Singapore; and
 - (ii) ships within the meaning of section 21(4) of the Act".

- (a) The alignment of the law practice's practice areas with Singapore's key economic growth areas; and
- (b) The additional economic spinoffs that the law practice will generate for Singapore (e.g. number of qualified lawyers).

Qualifying period

- 10. The incentive will be open to applications from 1 April 2010 to 31 March 2015.

Application procedure

- 11. For more information and application forms, please contact the [Economic Development Board \(EDB\)](#) at clientservices@edb.gov.sg or 6832 6832.