



## PERSPECTIVE: OPPORTUNITIES FOR OHQs

The services sector has been identified as one of the important new areas of focus for future economic development in Singapore. This sector, which accounts for over 60% of gross domestic product, is expected to be the main engine of growth for the Singapore economy in the future. In line with the new economic directions laid out by the Singapore Government, the services sector will now command priority focus. The Government's plan is for Singapore to become the Total Business Centre of Asia for both manufacturing and services.

Among the services identified for development and promotion are headquarter services provided by the operational headquarters (OHQs) of multinational companies based in Singapore. From Singapore, the OHQs perform extensive management and support services for their subsidiaries, associate or related companies, or offices in the region.

### Services Provided by OHQs

The following services constitute the OHQ functions:

- General management and administration
- Business planning
- Procurement of raw materials and components for use in the business of the OHQ's approved offices and associate companies and other approved persons
- Technical support services
- Marketing control and sales promotion planning
- Training and personnel management
- Treasury and fund management
- Corporate finance and corporate advisory services
- Economic and investment research and analysis
- Credit control and administration
- Provision of credit facilities to the OHQ's approved offices and associate companies outside Singapore where the funds for providing the facilities were obtained from financial institutions in Singapore.
- Research and development work carried out in Singapore on behalf of the OHQ's approved offices and associate companies outside Singapore.

OHQs are expected to have their own management staff and skilled personnel in Singapore who are able to provide the services.

### Structure of OHQs

All types of companies (manufacturing, service, etc) with international operations may apply for OHQ incentives. In the case of financial institutions, applicants must be reputable institutions with substantial international operations.

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Although OHQs could hold equity investment in subsidiaries or associate companies, this is not a necessary condition provided that an OHQ provides OHQ services to its subsidiary, associate and related companies and offices outside Singapore.

OHQ services may be assigned to an existing company or office which is registered in Singapore, but should be identifiable from existing activities. Alternatively, a new company could be incorporated or a new office set up in Singapore to conduct the OHQ activities.

#### **Attractions of Singapore as a Centre for OHQs**

Singapore offers investors the following attractions:

##### *Favourable Fiscal Environment*

The relatively competitive tax structure in Singapore is attractive for businesses, with various tax incentives being offered for specific activities which the Government actively promotes.

Net income received by approved OHQs from providing OHQ services to subsidiaries, associate or related companies or offices are taxed at a concessionary rate of 10%. Dividends received from approved subsidiaries, associate or related companies or offices are exempted from Singapore tax. No withholding taxes are levied when such dividends received are paid through Singapore to the parent company. These tax concessions are conferred on a case-by-case basis for five to 10 years, subject to review at the end of the period.

##### *Political and Social Stability*

Singapore has a stable political and social environment.

##### *Strategic Location*

Singapore is geographically well-placed in a time zone which bridges the growing Pacific region and Europe. It is also a centre for regional trade and financial services. Working hours in Singapore overlap those of centres in the Asia-Pacific zone, such as Tokyo and Sydney, and European centres such as London, Frankfurt and Zurich. These factors enable financial activities to be conducted in the various centres continuously without any disruption.

##### *Efficient and Well-Developed Infrastructure*

Singapore has a well-developed, efficient and cost-effective infrastructure such as telecommunication, banking, legal and other supporting services. It has excellent air and sea links and one of the largest ports and airports in the world. Telecommunication services in Singapore are the cheapest and most efficient in Asia.

#### *Skilled Professional Workforce*

The workforce in Singapore is English-educated, disciplined and highly skilled. Productivity in the financial sector is higher than the average rate in Singapore. Employing only about 3.5% of the workforce, the sector contributed about 15% of the GDP in 1987. Singapore has a good record of industrial harmony, whereby unions have worked together with employers for the common objective of growth.

#### *Lower Cost of Operations*

Considering the high quality of infrastructure and services provided, the cost of operating in Singapore is among the lowest in Asia. For example, office rents in Singapore are among the lowest compared to the major cities of the world. The table below compares the official rental rates of prime office space in 10 major business centres.

Rank	City	Rent US\$ per sq. m per year	Rent S\$ per sq. ft per month	Index
1	Tokyo	1,761	27.40	100
2	London (City)	1,462	22.75	83
3	London (West End)	1,015	15.80	58
4	Paris	709	11.04	40
5	New York	632	9.84	36
6	Hong Kong	528	8.22	30
7	Frankfurt	342	5.33	19
8	Sydney	322	5.02	18
9	Los Angeles	291	4.52	17
10	Singapore	252	3.92	14

*Source: Jones Lang Woolton Research*

*Liberal Immigration Policy*

The immigration policy of Singapore for skilled expatriates is liberal. The Government does not restrict companies on the number of expatriates they employ provided they are qualified and have the relevant expertise.

*Excellent Social Amenities*

The standard of living in Singapore is high with excellent and spacious residential accommodation, sunny beaches, gardens and golf courses, and easy access to other Asian countries for relaxation.

The Singapore Government is committed to encouraging multinational companies and financial institutions to establish substantial OHQs in the country. The political, social and business environments in Singapore are conducive for the establishment of such service headquarters. The results are beginning to be seen.

