



Rupee room Raffles Place, Singapore

BUSINESS: INVESTMENTS

The Lion's Quiet Share

Singapore is where Indian wealth, a lot of it, is going now. The radar is beeping.

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Mumbai-based businessman Nalin Patel's wife works for a financial services firm in Singapore, so he travels there regularly. On his last trip, he couldn't help notice that the flight was chock-a-block with banking 'suits'. In Singapore, the general chatter around the drawing room was about Indian friends looking at making investments or buying real estate in the city state. "I don't think I've ever had a more investment-oriented chat over drinks at home before," says Patel. "It almost sounded like an exaggerated exodus and I know for a fact that's not true. But clearly there's a lot of noise and movement."

Singapore has always been a financial and business hub, globally. But for rich and powerful Indians, it is today the investment destination of choice. Increasingly, private bankers, wealth managers, lawyers and chartered accountants dealing with the monies of high net worth individuals, or HNIs, (and companies) are advising clients on banking or investing in the lion city. And do note that it's not just the advantages of a low-tax regime—along with a favourable regulatory environment and infrastructure to manage investments—that are drawing wealthy individuals to this hub.



“Singapore has been a tax haven for some years now. What it’s trying to do is to become a bigger tax haven.” K.V.M. Pai, Ex-Chief I-T Commissioner

Strong banking secrecy laws are the perfect foil to help the country on the way to replacing Switzerland as a tax haven. This has not escaped the notice of India's black money crusaders, much in demand at the moment. K.V.M. Pai, former chief commissioner of income tax, who filed a writ petition in the Supreme Court against black money parked in tax havens, says, “Singapore has already been a tax haven for the last few years. It is now trying to become a bigger tax haven though its economy does not depend on parallel economy unlike some of the other tax havens.”

Similarly, Arun Kumar, professor of economics at jnu, and a key authority on black money in India, admits that increasingly he's hearing about the emergence of Singapore as a hub for illegal funds. Some of this talk is, of course, fuelled by the fact that Singapore houses some of the wealthiest people in the world, many of whom flocked there after the global financial crisis struck in 2008-09. It has a reasonable tax rate for both corporate and individuals (a maximum of 17 per cent). Indian companies, especially those wanting to invest globally, are choosing to set up a base in Singapore. Residents are also not taxed on income earned overseas and any gains generated from investments made in Singapore are exempt from tax.

Singapore has come to forefront of the black money debate in India based on the dealings in the 2G scam; and the pressure on Switzerland and Mauritius as tax havens and routes for directing money to other parts of the world through accounts or shell companies. Says Dr Nagesh Kumar, chief economist, United Nations Economic and Social Commission for Asia and the Pacific, “If you have a treaty with a country having a relatively lower rate of tax, that gives business the option to declare the profit in the country with lower tax. It's why some businesses are transferring funds or declaring their profits there.”

“It has complete economic freedom, corruption is minimal, it's easy to start and do business there because the laws are clear, the jurisdiction is clean,” avers Nishith Desai, head of international tax law firm Nishith Desai Associates. As per Transparency International, Singapore is the fourth “least corrupt” country among 183. India ranks 95 on that list.

Ironically, though, in a recent comment at an Interpol global programme on anti-corruption and asset recovery, CBI director A.P. Singh said, “Fifty-three per cent of the countries said to be the least corrupt by the Transparency International index are offshore tax havens, where most of the corrupt money goes.” Singapore allows depositors to open accounts in the form of trusts, corporations or even limited liability partnerships.

Indians have started taking “full advantage” of the remittance limit allowed by the Reserve Bank of India to the extent of \$2,00,000 per person per year. “Savvy investors want the benefits of parking their wealth in different geographies in order to diversify the risks. Singapore also allows the opportunity to invest in innovatively structured products,” says Rahul Johri, head, consumer banking, DBS Bank India. DBS offers its private banking customers the facility to open accounts in Singapore while they are sitting in India. For high net worth individuals, the other main attraction is Singapore's trust laws, which allow them to divide an inheritance as they please. Typically, private bankers say, the money flowing into Singapore is invested in real estate, currency exchange options and so on. It is learnt that Singapore's private bankers are spending a lot of time in India—especially in smaller towns—chatting up potential clients.

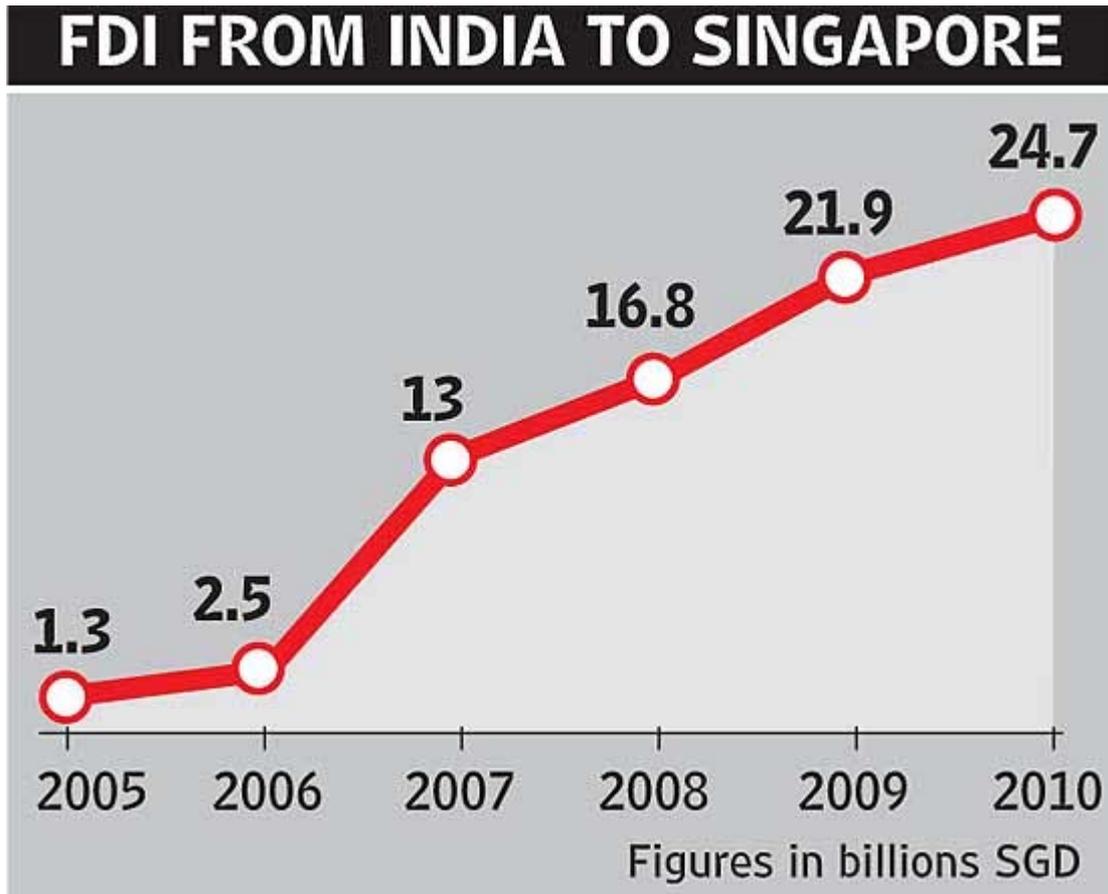


“Investors seek to diversify risk across many geographies. Singapore also allows innovative structuring.” Rahul Johri, Head, Consumer Banking, DBS

Companies, especially those in the banking and financial sector, information technology and e-commerce, are doing it through Singapore. It also allows a good holding company structure. Given the strong banking secrecy laws, account information can be accessed through a court order provided the country demanding the information can show tax avoidance. Even though the debate is out on GAAR (the General Anti-Avoidance Rules)—India has deferred it by a year—there's enough proof that globally more and more countries are trying to find ways to curb tax avoidance through illegal funds or transfer pricing.

It's interesting to note that even though the growing importance of Singapore is acknowledged, the taint of being a tax haven and the associations of black money have so far not marred its reputation as a business and financial centre. The noose on tax havens is tightening and the demand for more transparent exchange of information between countries to avoid illegal funds is becoming a reality. Given India and Singapore's strong political relationship, there's no hurdle on securing information. That is, if the Indian government really chooses to push the issue.

Switzerland? Dubai? No, It's Singapore...



4,000+ Indian companies in Singapore; also top pros have moved to Singapore, like Fortis's Malvinder Singh, 3i's Anil Ahuja, Gunit Chadha of Deutsche and Neeraj Swaroop of StanChart

Service Boom Indian presence booming in private equity, private banking, investment banking, telecom and financial services

Four-Fold Growth in High Net Worth individuals opening accounts in Singapore in the past two years

Tax Haven Low-tax advantages, on its way to becoming a tax haven. It has strong bank secrecy laws, now on India's black money map

Regulatory Gains generated from investments made in Singapore not taxed; no forex controls

By Arti Sharma with reporting by Lola Nayar

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