Registering a Foreign Branch vs incorporating a wholly owned subsidiary in Singapore –

A Company can run business outside India (in Singapore) either by way of setting up a branch office (BO), starting a wholly owned subsidiary company (WOS).

From taxation point of view, Singaporean subsidiary of a foreign company is treated as a separate legal entity and it is taxed as a Singapore entity. A branch of the foreign entity is treated as an extension of the foreign entity, and therefore, the income is not eligible for tax exemptions and incentives, which may otherwise be available to tax resident companies in Singapore. So profits earned by BO is taxable @17% without getting any tax exemptions and incentives.

If it is a foreign branch, treated as a foreign entity and those companies who deal with the foreign branch have to deduct tax at source when they have to do business with them. The Branch has to file the tax return to claim back the tax deducted at source or otherwise they have to write to the tax department to obtain a letter from the tax department for the waiver of tax deducted at source. The waiver letter has to be obtained for every financial year.

So from taxation point of view, it is advisable to incorporate a wholly owned subsidiary company in Singapore rather than setting up a BO.

Setting up of a Liaison Office / Representative Office-

A LO can undertake only liaison activities i.e. it can act as a channel of communication between Head Office and other parties. It is not allowed to undertake any business activity and cannot have any income.