

# Singapore

## Employment

### Labor Concerns

Employee entitlement claims are not common in Singapore. As a precaution, however, employees should acknowledge that the offer of purchase rights does not create a right or entitlement to further grants.

There is generally no requirement to inform and/or consult with local employee representatives (e.g. trade unions) prior to implementing the employee stock purchase plans in Singapore unless the employer had entered into any collective bargaining agreement with a trade union in Singapore which obliges the employer to do so.

### Communications

There is no legal requirement for the documents relating to the employee stock purchase plans to be in a particular language. However, as English is the working language in Singapore, it is recommended that all information pertaining to the employee stock purchase plans should be made available in English.

## Regulatory

### Securities Compliance

An exemption from prospectus requirements is generally available if: (i) the securities are offered to employees of either the Issuer or a related corporation of the Issuer pursuant to a stock plan, (ii) the securities are held by or for the benefit of such employees, (iii) the securities are the securities of the Issuer or its related parties; and (iv) no selling or promotional expenses are paid or incurred in connection with the offer other than certain allowed professional fees or commission.

### Foreign Exchange

There are no foreign exchange restrictions applicable to the employee stock purchase plans.

### Data Protection

Singapore previously did not have an overarching legislation for data protection. However, the Singapore Parliament recently passed the Personal Data Protection Act (Act 26 of 2012) ("**PDPA**"), an act designed to safeguard the collection, use and disclosure of personal data in Singapore. The PDPA complements the existing confidentiality obligations under common law, and other statutory requirements which may apply under sector specific rules on confidentiality of information.

The PDPA data protection regime is one that is based on the key concepts of consent, purpose and reasonableness, and relates to all personal data which identifies an individual, whether electronic or non-electronic. Examples of data which may be considered personal data under the PDPA include video footage, telephone numbers and email addresses.

Broadly speaking, under the PDPA, an organisation will only be able to collect, use or disclose personal data:

- (i) With the individual's consent, or where the consent has been deemed to be given under the PDPA; and
- (ii) For a reasonable purpose which the organisation has disclosed to the individual prior to the collection of that individual's personal data.

Under the PDPA, organisations will also have the following obligations in relation to personal data:

- (i) **Accuracy:** Organisations will be required to make a reasonable effort to ensure that personal data collected by or on behalf of the organisation is reasonably accurate and complete.
- (ii) **Protection:** Organisations will be required to protect personal data in their custody or under their control by making reasonable security arrangements to prevent unauthorised access or exposure of the personal data to other similar risks.

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With these matters in mind, companies should not rely on the information provided in this summary when implementing their stock plans.

- (iii) **Retention:** An organisation must cease to retain its documents containing personal data, or anonymise such documents as soon as it is reasonable to assume that the purpose for which the personal data was collected is no longer served by retention of the document, and retention is not necessary for legal or business purposes.
- (iv) **Access and correction:** Individuals will have the right to request for access to their personal data held by the organisation as well as information about the ways in which their personal data may have been used or disclosed by the organisation within the year prior to the request. Organisations will also be required to correct inaccurate data at the request of the individual where the personal data is about the individual and under the organisation's control or in their possession.

The provisions of the PDPA relating to the following matters came into effect on 1 January 2013:

- (a) The scope and interpretation of the PDPA;
- (b) The establishment and powers of the Personal Data Protection Commission and the Data Protection Advisory Committee; and
- (c) Other general provisions.

The provisions of the PDPA relating to the data protection rules are expected to come into force in mid-2014, after a transition period of at least 18 months.

Under the PDPA, an employer will be required to: (i) notify an employee of the purposes for which the employer is collecting, using and disclosing personal data where the collection, use and disclosure is for the purpose of managing or terminating an employee relationship between the organization and that individual and (ii) upon request by the employee, provide the employee with the business contact information of a person who will be able to answer the individual's questions about the collection, use or disclosure of the personal data on behalf of the organization.

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## Tax

### Employee Tax Treatment

The employee will generally be subject to income tax on the purchase rights upon vesting. In the event there are disposal restrictions on the Stock acquired, tax is payable when such restrictions lapse. The taxable amount is the fair market value of the Stock at such time less any amount paid for the Stock. There is generally no tax on the subsequent sale of the underlying Stock, unless the employee is regarded as trading or dealing in securities.

### Social Insurance Contributions

The offer of purchase rights should not be subject to contributions to the Central Provident Fund, unless such awards are cash-settled.

### Tax-Favored Program

Singapore has certain schemes pursuant to which employees may receive a partial tax exemption or deferral of taxation (subject to an interest charge) with respect to gains derived from employee equity-based remuneration plans where certain conditions are met. Following the Singapore Budget Statement 2013, it has been announced that the partial tax exemption scheme will expire with effect from 1 January 2014. Gains arising from awards granted on or before 31 December 2013 can continue to qualify, as long as the gains are derived on or before 31 December 2023.

### Withholding and Reporting

Benefits paid to employees pursuant to a stock purchase plan are generally not subject to income tax withholding, except where tax clearance procedures are required in respect of employees who are leaving the employment of the local employer and who are (i) neither Singapore Citizens nor Singapore Permanent Residents; or (ii) Singapore Permanent Residents leaving Singapore permanently. Certain "deemed vesting / exercise" rules also apply to such employees, where any purchase rights would be deemed to vest (and any disposal restrictions deemed to cease) one month prior to cessation of employment or the date the purchase rights are granted (whichever is the later), and such employees would then be taxed at such time with respect to the purchase rights granted.

The local employer also has certain tax reporting obligations.

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## **Employer Tax Treatment**

A deduction generally is not allowed for expenses incurred in respect of any right or benefit to acquire shares (other than treasury shares where certain conditions are met) of the employer's holding company.

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