

Digitalisation & IT Sector Brief  
**SINGAPORE**



## SECTOR OVERVIEW

Singapore ranks as the most connected society within the ASEAN region – with more than 90% of the population is online and 85% use social media, according to DataReportal. This saturation extends to mobile phone usage with nearly 1.5 handsets per capita. Currently, 98% of Singaporeans use a smartphone and nearly half own a tablet, which makes the country one of the most connected in the World. Despite these high numbers, Singapore still witnessed a nearly 3% growth in internet usage in 2020 as an additional 150,000 people went online during the first full year of the COVID-19 pandemic.

### General characteristics and trends

- **Lightning-fast internet:** Singapore's fixed broadband speeds have ranked as the highest in the World in recent years and by some distance. In 2021, Singapore recorded median fixed-line speeds of 192.71 megabits per second (Mbps) versus 187.50 Mbps for second-placed Chile, according to Ookla, and 93% of Singapore's homes have fibre connectivity. The country's fast download speeds have proven a significant draw for tech startups across a broad range of industries including property and finance in particular.
- **Connectivity hub:** With 26 active submarine cables connecting Singapore to ASEAN and major global financial hubs as of 2022, as well as additional cables in the pipeline, Singapore is ASEAN's top submarine cable and data centre hub, making it a key location for companies seeking fast, reliable connectivity to global networks and cloud service providers.
- **Rapid 5G rollout:** Singapore launched its first standalone 5G network in May 2021, and its small geographical size and high urbanisation rate meant that Singapore's telcos are on track to achieve 50% outdoor coverage for standalone 5G services by end 2022, and nationwide coverage by 2025. This places Singapore as one of the leading countries around the world, with an advanced internet infrastructure which promises fast download and video speeds, and therefore presents opportunities for tech start-ups in digital marketing, media, tech and a host of other internet-dependent sectors.
- **Strong state support:** The Singapore Government provides strong support to grow the tech industry, through support for startups under the StartupSG scheme. Grants are also extended to SMEs in various sectors, including those in eCommerce, under the Productivity Solutions Grant to help companies build new capabilities.
- **Cloud computing as standard:** Although relatively new in many parts of ASEAN, more than 90 per cent of organisations in Singapore use cloud computing services amidst a rapid take-up during COVID-19. Today, Singapore is the DC centre of the Southeast Asia region (60% of DC supply), with major hyperscale Cloud players located here.



## MAIN PRODUCTS, SERVICES, AND SEGMENTS

### E-Commerce

According to Visa, more than half of all Singaporeans have shopped online in 2021, a huge increase of more than 15% as compared to the previous year. Nearly two-thirds of the population now regularly purchase groceries online as lockdowns during the pandemic resulted in many shoppers opting for home delivery options.

The most popular e-commerce platforms are Shopee and Lazada, local companies that have spread across the region over the past decade to dominate online shopping in markets including Thailand, Malaysia and the Philippines.

E-commerce sales are expected to reach US\$10 billion annually in Singapore by 2026, where the per capita annual spending is expected to increase to nearly US\$1,700.

### Health tech

Singapore has positioned itself as a key medical tourism destination in Asia, and in recent years expanded to become a major hub for telemedicine and health tech. Many hospitals in the country have leveraged their world-class doctors and facilities to offer online consultations to patients both locally and overseas, while artificial intelligence research and development spending has soared in recent years in the medical field.

Among the local market leaders is Doctor Anywhere, a startup that has raised more than US\$100 million in venture capital during the past five years. Doctor Anywhere has already expanded into neighbouring markets including Thailand, Malaysia, the Philippines and Vietnam. There were nearly 300 health tech start-ups operating in Singapore by the end of 2021, and the growth was expected to accelerate amid substantial Government support and investment.

### Proptech

Prior to the COVID-19 pandemic, Singapore had nearly one hundred Proptech companies, and this number has risen sharply since the introduction of virtual home viewings, and the industry also expanded beyond listings and viewings. Startups in the sector include Bit of Property, a Blockchain-powered company that offers investors the chance of buying a small stake in a buy-to-let property, and Spaceship, an online physical storage firm that allows users to book storage space through a simple app.

### Cryptocurrency

Singapore was ranked as the World's top crypto country at the end of 2021, in a survey conducted by Coincub, based on the country's accepting policies, the level of development of the local market and exchanges, and high level of usage and trading. As such, fintech website Finder.com ranked Singapore sixth globally in terms of cryptocurrency ownership per capita in the fourth quarter of 2021.

The Monetary Authority of Singapore (MAS), Singapore's central bank, has consistently cautioned that trading cryptocurrency is highly risky and not suitable for the general public. However, MAS also recognises that blockchains and crypto tokens can bring many potential benefits, for example to facilitate cheaper and faster cross-border payments and trade finance. Thus, MAS has embarked on several projects to experiment with blockchain technology and wholesale Central Bank Digital Currencies (CBDC) to improve digital payment systems.

In recent years, about 170 companies have applied for a central bank license to legally operate as cryptocurrency platforms in Singapore. Among the few companies to receive licenses thus far is DBS Group, a Singaporean bank.



## REGULATION

Singapore has passed a series of new rules and regulations governing various tech industries in recent years and remains the ASEAN country with the most highly developed legal landscape when it comes to oversight of the private sector. Small businesses seeking to enter this market are therefore advised to make sure they keep abreast of new and existing laws, as well as bills and legislation which may be in the pipeline.

### Legal requirements

While cryptocurrency can be legally owned and traded in Singapore, the new Payment Services Act (PSA) introduced in 2019 has introduced a host of stringent new requirements on the sector. Regulated by MAS, the PSA requires crypto exchanges and financial services companies in the sector to apply for a license which includes a strict vetting process meaning few companies have passed thus far. Under the PSA, entities which provide services relating to cryptocurrency are regulated primarily for money laundering and terrorism financing risks, as well as technology risk. Customers of regulated entities must be informed of the risks of trading in cryptocurrency under the PSN08 Notice on Disclosures and Communications but are otherwise not subject to any statutory protection for their trading of cryptocurrency.

A national e-commerce standard for e-commerce transactions designed to boost the digitalisation of SMEs, called Technical Reference 76, was launched by Enterprise Singapore and the Singapore Standards Council in 2020. This new standard can be purchased from Singapore Standards eShop and serves as a reference point for companies to develop e-commerce processes and policies, and convey clear and comprehensive information to consumers.

### Taxes

Singapore has a stable and efficient tax system. The corporate tax rate is kept competitive at 17% to support Singapore's overall efforts in attracting investments to anchor substantive operations in Singapore and support growth of our economy and good jobs for the locals.

Like other countries, Singapore adopts the use of tax incentives as one of the tools to attract and retain investments. Interested companies have to meet quantitative and qualitative criteria on economic commitments, including employment creation (including skills, and expertise and seniority) and local business spending, in order to qualify for tax incentives. These economic commitments seek to ensure that tax incentives awarded generate economic spinoffs and anchor substantive economic activities in Singapore. Incentivised companies are subject to periodic review of their economic commitments during their incentive tenure to ensure that the requirements for the incentive (e.g. headcount and business spending) are complied with.

As a responsible international tax jurisdiction, Singapore is committed to international tax cooperation. Singapore adopts the internationally agreed standards for exchange of information, and actively works with other jurisdictions to counter Base Erosion and Profit Shifting (BEPS) at the Inclusive Framework on BEPS.



## MARKET ENTRY

### Setting up a business in Singapore

It is easy to set up a business in Singapore. Registering a business with the Accounting and Corporate Regulatory Authority (ACRA) can be done online via BizFile+, the business registration and filing portal. The entire process can take less than 15 minutes. A newly registered business can also apply for other services in the same portal. Services that are available include registration for Goods and Services Tax, activation of Customs Account for import and export permits, opening of a corporate bank account or applying for Work Injury Compensation Insurance.

Foreign nationals are permitted 100% ownership of companies in Singapore. Authorities only require that one of the directors/authorised representatives/general partners/managers must be a local resident. There are several business structures open to foreign nationals seeking to start a business in Singapore, such as: Local Company (Private Limited), Foreign Company, Sole Proprietorship/Partnership, Limited Partnership and Limited Liability Partnership (LLP). Private Limited Companies remain the most popular local business structure in the country.

### Registration bodies

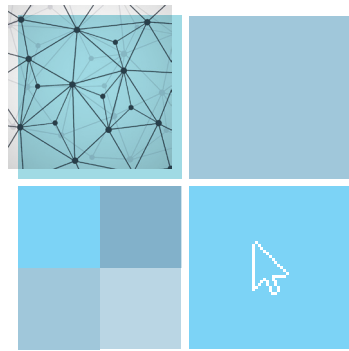
The Accounting and Corporate Regulatory Authority (ACRA) is the regulator of all business registration, public accountants and corporate service providers. ACRA's role achieves synergies between the monitoring of corporate compliance with its disclosure requirements and regulation of public accountants performing statutory audit. Through its work, ACRA aims to provide a trusted and vibrant business environment in Singapore.

Foreigners wishing to set up a business in Singapore need to engage the services of a Registered Filing Agent (e.g. a law firm, accounting firm or corporate secretarial firm) to submit the business registration or company incorporation forms on their behalf. Filing agents are service providers that are registered with ACRA to provide corporate secretarial services for business entities and perform transactions with ACRA for their clients.



## RECOMMENDATIONS AND TRENDS

- Easing travel restrictions: Since Sep 2021, Singapore has established Vaccinated Travel Lanes (VTLs) with 30 countries and regions, including ASEAN neighbours. With further progress in vaccination efforts, travel opportunities to and from Singapore were expected to increase further.
- Government support: The Government has rolled out COVID-19-related recovery packages to address immediate needs to safeguard public health and support Singaporeans and businesses through the uncertainties of COVID-19. These support packages helped to retain capabilities and avert greater economic and job losses. Beyond the immediate term, the Government will continue to invest in new capabilities such as innovation and digitalisation, to accelerate its economic transformation.
- Interest in cryptocurrency: While there is growing interest in cryptocurrency as an alternative asset class, MAS has consistently cautioned that trading cryptocurrency is highly risky and not suitable for the general public. But MAS is also of the view that blockchains and cryptocurrency can bring many potential benefits. The blockchain is suited for applications where it is important to know the history of ownership and transfer of value but there is no trusted central party or reliance on a central party is too costly. A potentially strong use case of cryptocurrency is to facilitate cheaper and faster cross-border payments and trade finance.
- Sustainability: In early 2021, the Government launched its Singapore Green Plan 2030 which aims to make at least 20% of schools carbon-neutral, cycle lanes will be extended to three times their current length, sustainability standards of buildings will be raised, the rail network will be extended to further discourage private vehicles, and green spaces will be expanded further, and all by the end of the decade. The Singapore Green Plan 2030 will ensure that Singapore remains a green and livable city, with sustainability as a new engine of growth.



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