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Proposed changes announced in the 2019 budget**

What is the change?

On February 18, 2019, the Minister for Finance presented the Singapore budget. During the budget announcement, the minister recognised that a competitive tax regime is a key anchor to the country's economic growth and is committed to keeping the overall tax burden low while balancing against a need to raise revenue to fund various expenditures.

The following changes have been proposed for Singapore individual income taxes.

Personal income tax rebate

A one-off personal income tax rebate of 50 percent, capped at S\$200, has been announced for resident individual taxpayers for the year of assessment (YA) 2019 (income year 2018).

Deloitte's view

The cap of S\$200 is the lowest in the history of personal income tax rebates, with previous personal income tax rebate caps ranging from S\$500 to S\$2,000. The personal income tax rebate cap has been progressively reduced over the

years, and it is clear that the government's intention is to maintain and enhance the progressive tax system in Singapore, as the biggest beneficiaries of the rebate will be middle-income earners.

Lapse of the not ordinarily resident (NOR) scheme

Under the NOR scheme, an eligible individual who is granted the NOR status for a five-year qualifying period may, subject to conditions, be eligible to apply for the following NOR tax concessions:

1. Time apportionment of Singapore employment income, where the individual would not be subject to tax on the portion of the Singapore employment income that corresponds to the number of days spent outside Singapore for business reasons pursuant to Singapore employment (subject to a minimum floor rate tax of 10 percent of total employment income); and
2. Tax exemption of the employer's contribution to any nonmandatory overseas pension or provident fund.

Proposed

The minister has proposed that the NOR scheme will lapse after YA 2020 (income year 2019). The last five-year qualifying period for the NOR status will be granted for YA 2020 (income year 2019) and expire in YA 2024 (income year 2023). Individuals who have been accorded the NOR status prior to YA 2020 (income year 2019) will continue to be eligible to apply for the NOR tax concessions, subject to meeting the qualifying conditions, until their five-year NOR status expires.

Deloitte's view

The lapse of the NOR scheme comes as a surprise, as the NOR scheme was introduced in the 2002 Singapore budget with the objective of attracting foreign talent with regional and global responsibilities to relocate to Singapore, and it has enhanced Singapore as an attractive location for multinational corporations to locate regional and global headquarter functions.

However, Singaporeans and Singapore permanent residents (SPR) who may also have regional and global responsibilities will not generally qualify for the NOR status to enjoy the NOR tax concessions of time apportionment of Singapore employment income. It seems that the government has levelled the playing field by removing the NOR scheme predominantly enjoyed by foreign individuals who are generally high income earners, with regional and global responsibilities. This is in line with the intention of the government to make the tax regime progressive.

Enhance the grandparent caregiver relief (GCR)

GCR was introduced in the year 2004 to support parenthood. It is a personal income tax relief of S\$3,000 granted to working mothers with Singapore-citizen children who engage the help of their parents, grandparents, parents-in-law, or grandparents-in-law (including those of ex-spouses) to take care of their children.

One of the qualifying conditions for the claim of GCR is that the child has to be 12 years old or below during the year preceding the YA of claim.

Proposed

To provide greater support and recognition to working mothers with handicapped and unmarried dependent children, they will be allowed to claim GCR in respect of a handicapped and unmarried dependent child (incapacitated by reason of physical or mental infirmity) regardless of the child's age, if all other conditions to claim GCR have been met.

The change will take effect from YA 2020 (income year 2019).

Deloitte's view

The proposed change will help provide some relief to working mothers of handicapped children who often require long-term care and assistance.

Parents with handicapped children are currently able to claim handicapped child relief (HCR) in respect of their handicapped children with no age criteria imposed. Removal of the age limit for handicapped children for the purpose of the GCR claim is aligned with the HCR claim.

This is also in line with the government's initiatives to promote a caring and inclusive society, where no one is left behind, and recognises the continuous support that working mothers with handicapped children require from family members.

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