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Singapore Budget 2020 Commentary

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Common abbreviations

B	Billion
CA	Capital Allowances
CPF	Central Provident Fund
ECI	Estimated Chargeable Income
EDB	Economic Development Board
FY	Financial Year
FWL	Foreign Worker Levy
GST	Goods & Services Tax
GIRO	General Interbank Recurring Order
HDB	Housing Development Board
IRAS	Inland Revenue Authority of Singapore
ITA	Income Tax Act
M	Million
MAS	Monetary Authority of Singapore
M&A	Mergers and Acquisitions
MNC	Multinational Corporation
OECD	Organisation for Economic Co-operation and Development
%	Percent
P&M	Plant and Machinery
PE	Permanent Establishment
R&D	Research and Development
$	Singapore Dollar
SME	Small and Medium-sized Enterprise
SPR	Singapore Permanent Resident
WHT	Withholding Tax
YA	Year of Assessment

Contents

Foreword

"All Singapore Budget speeches seek to balance the near-term needs of the population and businesses with the longer-term goal of transformation; but very few in the history of the nation would have done so in such stark focus.

Our Deloitte Budget theme is 'Together Today. Transforming Tomorrow.' and this balanced blend of current and future was clearly evident."

Deputy Prime Minister and Minister for Finance, Mr Heng Swee Keat, delivered his Budget 2020 speech on 18 Feb 2020.

All Singapore Budget speeches seek to balance the near-term needs of the population and businesses with the longer-term goal of transformation; but very few in the history of the nation would have done so in such stark focus. Our Deloitte Budget theme is 'Together Today. Transforming Tomorrow.' and this balanced blend of current and future was clearly evident.

Budget 2020 is exceptional in many ways and could also well be a roadmap for how Singapore's 4th generation (4G) government will approach policymaking. For one, as part of the "Singapore Together" movement, the Government has taken considerable effort to understand people's needs and incorporate these into the Budget measures. Among other things, the public was asked to give their views on the priorities for Budget 2020, including support for business growth, training and employment, families, and senior citizens.

Budget 2020 also comes about in extraordinarily challenging times. The Ministry of Trade and Industry (MTI) downgraded its economic growth forecast for Singapore to between -0.5% and 1.5% one day before the Budget 2020 announcement, citing the adverse impact of the COVID-19 outbreak and uncertainties in the global economy. The downgrade came 3 months shortly after the MTI had forecasted a modest economic growth for 2020 of between 0.5% and 2.5%.

Faced with the slowest growth since 2009, there were high expectations that the Minister will pull out all stops and announce a "strong" Budget. As the Minister had himself said just before the budget announcement, the Government will do "all that is necessary" to help workers and firms.

Budget 2020 is "strong" indeed. With a historic deficit of $10.95B and a theme of "Advancing as One Singapore", the Minister announced strong measures to help everyone affected by a slowing economy and uncertainties brought about by COVID-19.

For businesses and workers, the Minister introduced the Stabilisation and Support Package to help them through this challenging period. Despite the current challenges, the ongoing transformation of the economy needs to keep moving forward. There was a continued focus on measures to drive growth and innovation in the economy through the strengthening of partnerships with the rest of the world, support packages for start-up enterprises, measures to support domestic businesses with expansion and continued investment to increase the productivity and skills of the workforce. This is all with the intention to support the vision of a "Global Asia-node of technology, innovation, and enterprise".

On the international front, Singapore continues to actively participate in discussions at the OECD level on a consensus-based solution for the 2 Pillars of work that would update the international tax rules. The effect of the new potential rules will need to be taken into account in the Government's fiscal planning going-forward and consideration need to be given to how they may impact Singapore's current tax system.

For families coping with uncertainties brought on by COVID-19, the Minister announced a Care and Support Package which includes one-off cash payments. The Minister also introduced other measures for lower-income Singaporeans, including public transport and grocery vouchers, GST rebates and more cash pay-outs.

For the public, the Minister announced that the proposed 2% GST rate increase from 7% to 9% will not take place in 2021. While a GST rate increase will eventually be necessary, the Minister has announced a $6B Assurance Package to help Singaporeans cushion the impact of the GST rise when it comes.

But that is not all—no one is left behind in Budget 2020, as the Minister announced measures to reskill our workers, support our senior citizens and even help our students gain international exposure.

So, if we had to pick one word to sum up Budget 2020, it would be "together". The Minister's lapel sported an 'SG United' badge and he stressed that it's only together that we will overcome these difficult challenges, one by one; only together can we achieve our goals and bring about positive change, amid a turbulent future.

As the Minister aptly puts it on his Facebook page, "Together we will overcome".

The budget commentary is provided in the following pages – Happy reading!

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For the family

- $1.6B Care and Support Package:
  - One-off cash payout of $100 to $300 to all Singaporeans aged 21 and above
  - Minimum of $100 cash payment under Workfare Special Package to employees and self-employed persons
  - PAssion card top-up of $100 to Singaporeans aged 50 and above
  - $100 Grocery Vouchers to certain Singaporeans aged 21 and above
  - One-off additional GST Voucher U-Save to eligible households
  - Service and conservancy charge rebates to eligible households
  - Workforce Transport Concession Scheme and Public Transport Voucher to lower income Singaporeans
- $10M grant to Self-Help Groups working with needy families and children
- $20M set aside for Community Development Councils

Sectoral support

- Targeted assistance to tourism, aviation, food services, retail, point to-point transport sectors:
  - Property Tax rebates ranging from 15% to 30% for above sectors
  - Temporary Bridging Loan Programme for tourism sector enabling enterprises to borrow up to $1M
  - Rebates on rentals to shops at Changi Airport, and for other operators in the airline industry
  - Rental waivers worth $45M to stall holders in specified hawker centres and markets
- $800M assigned to front-line agencies, mainly Ministry of Health

Sustaining businesses

- $4B stabilisation and support package
- Jobs Support Scheme—8% of the wages of local employees up to a monthly cap of $3,600 for 3 months
- Wage Credit Scheme enhanced from $4,000 to $5,000 for qualifying wage increases
- Corporate Income Tax rebate of 25% for YA 2020 subject to a cap of $15,000
- Enterprise Financing Scheme's Working Capital loan component raised to $600,000 for one year. Government's share of risk on the loans increased to 80%

Personal tax

- No changes in personal income tax rates
- Angel Investors Tax Deduction scheme to lapse after 31 Mar 2020

Corporate tax

- No change to Corporate Income Tax rate
- Carry-back relief scheme enhanced for YA 2020 to permit carry back for 3 immediate preceding YAs
- Accelerated 2-year capital allowance on acquisition of plant and machinery for YA 2021 and 1-year deduction on expenses incurred on renovation and refurbishment for YA 2021
- Tax deduction for Internationalisation extended and scope enhanced
- Various other schemes extended/enhanced including Mergers & Acquisitions Scheme, Maritime Sector Incentive, Global Trader Programme & certain Financial Services incentives

GST

- GST rate will remain at 7% in 2021 but will increase to 9% by 2025
- Government will continue to absorb GST on publicly-subsidised healthcare and education
- A $6B Assurance Package will be provided when GST rate is raised. Every adult Singaporean to get a cash payout of $700 to $1,600 over 5 years

Inclusivity

- Share of government-supported pre-school places to be increased to 80% by 2025
- Students from ITE, polytechnics, and autonomous universities will receive higher bursaries
- Transport and higher school meal subsidies will be given to students
- A new Enabling Employment Credit will be given from 2021 to 2025 to provide wage offsets to businesses that employ persons with disabilities

Digitalisation & innovation

- $300M enhancement to Startup SG Equity for emphasis on financing for early stage Deep-Tech Startups
- Launch/expansion of initiatives like GoBusiness, SMEs Go Digital, Grow Digital to foster digitalisation

- Opening up new ways of doing business through digitalisation of finance and by increased investments in FinTech and Digital Banking space
- $1B set aside for building cyber security and data security capabilities

People and career development

- Support for business leaders of certain SMEs to strengthen their leadership and management capabilities
- Support for local youths to gain overseas experience and participate in overseas internships
- Increase in local employee hiring by reducing S Pass sub-dependency ratio ceiling of certain sectors from 20% to 15% by 1 Jan 2023

SkillsFuture credit

- $500 SkillsFuture Credit top-up for Singaporeans aged 25 and above in 2020
- One-off $10,000 SkillsFuture Enterprise Credit for eligible employers that undertake enterprise and workforce transformation initiatives
- SkillsFuture Mid Career Support Package to be introduced
- Hiring incentive (20% of the salary for 6 months capped at $6,000 in total) for hiring local employees aged 40 and above through a reskilling programme

Enabling seniors

- Government to match every dollar of cash top-ups of eligible Singaporeans aged 55 to 70 to the CPF Retirement Account, subject to a cap of $600
- Senior Employment Credit to provide employers with wage offsets when employing Singaporean workers aged 55 years or more
- CPF Transition Offset to be provided to businesses in 2021 to offset the upcoming increase in employer CPF contributions
- A Senior Worker Support Package to be introduced
- Grants will be introduced to encourage businesses to employ older workers
- $500 SkillsFuture Credit top up for Singaporeans aged 40 to 60 in 2020

Climate change and sustainability

- Commercial Vehicle Emissions Scheme to be introduced for light goods vehicles
- A rebate of up to 45% on the additional registration fee, capped at $20,000, will be introduced to encourage the use of fully electric cars and taxis
- Additional infrastructure for charging of electric vehicle (EVs) to be added in public areas
- Lump-sum tax will be built into road tax for EVs to replace fuel excise duties
- Incentives will be provided to encourage lower-income households to buy energy-efficient household appliances
- New HDB housing developments to integrate more greenery in housing estates
- Protection Fund, with an initial injection of $5B, will be set up to prepare Singapore for rising sea levels

Giving culture

- Our Singapore Fund to receive top-up of $20M and extension to 2025
- Community Capability Trust to receive funding up to $350M over 10 years
- Dollar-to-dollar matching of donations raised by ComChest

Business Tax

Corporate Income Tax rate and rebate

The Corporate Income Tax rate is currently at 17%, with the partial tax exemption scheme being adjusted with effect from YA 2020 to the first $200,000 of a company's normal chargeable income (as announced in Budget 2018). In YA 2019 and before, the partial tax exemption was available on the first $300,000 of a company's normal chargeable income.

Proposed

The Minister did not propose a change in the Corporate Income Tax rate.

To provide economy-wide support to help companies with cash flow, a Corporate Income Tax rebate of 25% of tax payable, capped at $15,000 will be granted for YA 2020.

Our view

- Keeping the Corporate Income Tax rate at 17% is a sign of the Government's confidence not only in the competitiveness of the said rate but also in the other qualitative factors that would draw foreign investors to Singapore. Examples of such factors include a stable geopolitical environment, a skilled workforce, and Singapore's role as a strategic hub and location.
- It is a welcome move to have a Corporate Income Tax rebate granted for YA 2020. Companies which have already e-filed their ECI figures for YA 2020 and received their Notices of Assessment (Notices) prior to 18 Feb 2020 would have to wait for the IRAS to issue amended Notices, which would reflect the Corporate Income Tax rebate for YA 2020.
- It is also heartening to note that the YA 2020 Corporate Income Tax rebate is higher in terms of the percentage and absolute cap when compared to the YA 2019 Corporate Income Tax rebate. This additional help would certainly be useful especially for companies whose businesses are impacted by the COVID-19 situation.

Grant automatic extension of interest-free instalments of 2 months for payment of Corporate Income Tax on Estimated Chargeable Income (ECI) filed within 3 months from the companies' financial year-end

Currently, companies paying their Corporate Income Tax by GIRO can enjoy interest-free monthly instalments if they file their ECI within 3 months from their financial year-end, as follows:

a. File ECI within 1 month from financial year-end: up to 10 monthly instalments;

b. File ECI within 2 months from financial year-end: up to 8 monthly instalments; or

c. File ECI within 3 months from financial year-end: up to 6 monthly instalments.

Companies have to file their ECI by the 26th of the relevant month in order to enjoy the maximum number of instalments allowable for that month.

Proposed

Companies paying their Corporate Income Tax by GIRO can automatically enjoy an additional 2 months of interest-free instalments when they file their ECI within 3 months from their financial year-end. This automatic extension of instalment plan by 2 more months will apply to:

a. Companies that file their ECI from 19 Feb 2020 to 31 Dec 2020 (both dates inclusive); and

b. Companies that filed their ECI before 19 Feb 2020, and have ongoing instalment payments to be made in Mar 2020. Such companies can expect to receive a letter from the IRAS by 5 Mar 2020 on the automatic 2 months extension of the instalment plan.

The table below sets out the number of instalments a qualifying company would receive if it qualifies for the automatic 2 months extension of the instalment plan:

Tax payable on first ECI e-filed within	Current instalment plan	Extended instalment plan for qualifying companies
1 month from financial year-end	10	12
2 months from financial year-end	8	10
3 months from financial year-end	6	8
After 3 months from financial year-end	No instalments allowed	No instalments allowed

Our view

- This is the first time that an additional 2 months of interest-free instalments is granted to companies to pay their estimated tax if they file their ECI within the stipulated period. As the extension of the interest-free instalments is automatic, there is no administrative burden to the companies.
- The additional 2 months of interest-free instalments will be welcomed by companies and help them with their cash flow position. This should provide some form of support to them to weather the near-term economic uncertainties.
- This proposal is meant to be a temporary measure to support companies and hence is unlikely to be available after 31 Dec 2020.

Increase the number of YAs for which the current unabsorbed CA and trade losses for a YA (collectively referred to as qualifying deductions) may be carried back

Under the current carry-back relief scheme, subject to conditions, the current year unabsorbed CA and trade loss (collectively referred to as qualifying deductions) for a YA may be carried back to offset against the assessable income of a taxpayer for the immediate preceding YA, capped at $100,000 of the qualifying deductions.

Proposed

The carry-back relief scheme will be enhanced for YA 2020. Under the enhanced scheme, qualifying deductions for YA 2020 may be carried back up to 3 immediate preceding YAs, capped at $100,000 of the qualifying deductions and subject to conditions.

Taxpayers may elect to carry back to the relevant preceding YAs an estimated amount of qualifying deductions available for YA 2020, before the actual filing of their income tax returns for YA 2020.

The IRAS will provide details of the change by Mar 2020.

Our view

- Subject to the cap, the enhanced scheme would benefit businesses that have net tax losses for the financial year ended in 2019 (the basis period for YA 2020) after deducting the taxable income for YA 2019 and were in tax paying position in YA 2017 and/or YA 2018. For these businesses, they should expect to receive a tax refund from the carry-back of qualifying deductions to these preceding YAs.
- Under the current carry-back relief scheme, the carry-back of CA is subject to the taxpayer meeting both the substantial shareholding test and same business test. The carry-back of tax loss is subject to the taxpayer meeting the substantial shareholding test only.
- As more businesses are expected to be affected by the COVID-19 situation in 2020 (the basis period for YA 2021), it would be helpful to many businesses if the Government could consider extending the enhanced scheme to YA 2021 and raising the cap to $200,000 for carry-back of qualifying deductions.

Provide an option to accelerate the write-off of the cost of acquiring P&M

Currently, a taxpayer which incurs capital expenditure on the acquisition of P&M for the purposes of its trade, business or profession may claim CA (i.e., write-off the cost of acquiring the P&M). CA is allowed under Section 19 of the ITA over the prescribed working life of the asset under the Sixth Schedule of the ITA, or over 3 years as provided for under Section 19A(1) of the ITA.

Proposed

A taxpayer which incurs capital expenditure on the acquisition of P&M in the basis period for YA 2021 (i.e., FY 2020) will have an option to accelerate the write-off of the cost of acquiring such plant or machinery over 2 years. This option, if exercised, is irrevocable.

The rates of accelerated CA allowed to the taxpayer are as follows:

a. 75% of the cost incurred to be written off in the first year (i.e., YA 2021); and

b. 25% of the cost incurred to be written off in the second year (i.e., YA 2022).

The above option will be in addition to the options currently available under Sections 19 and 19A of the ITA.

No deferment of CA claims is allowed under the above option. This means that if a taxpayer opts for the accelerated write-off option, it needs to claim the capital expenditure incurred for acquiring P&M based on the rates of 75% (in YA 2021) and 25% (in YA 2022).

Our view

- The option for businesses to claim accelerated CA is a timely short-term measure that can provide valuable financial assistance to businesses by enabling them to claim an immediate cash tax benefit on their investment in P&M.
- This scheme is in line with the Government's intention to address businesses' immediate concerns over cash flow issues amidst the decline in business due to the outbreak of the COVID-19 situation and at the same time, encourage taxpayers to continue to invest in P&M to ensure their productivity and sustainability.

Provide an option to accelerate the deduction of expenses incurred on renovation and refurbishment (R&R)

Under Section 14Q of the ITA, a taxpayer who incurs qualifying expenditure on R&R for the purposes of its trade, profession, or business is allowed to claim tax deduction on such expenditure over 3 consecutive YAs, starting from the YA relating to the basis period in which the R&R expenditure is incurred. A cap of $300,000 for every relevant period of 3 consecutive YAs applies.

Proposed

A taxpayer who incurs qualifying expenditure on R&R during the basis period for YA 2021 (i.e., FY 2020) for the purposes of its trade, profession, or business will have an option to claim R&R deduction in 1 YA (i.e., accelerated R&R deduction). The cap of $300,000 for every relevant period of 3 consecutive YAs will still apply.

This option, if exercised, is irrevocable.

Our view

- The R&R deduction scheme was first introduced in Budget 2008 with the objective to help businesses that renew and refresh their businesses regularly to keep business costs low and remain competitive. The scheme successfully achieved its objective and hence, was further enhanced in Budget 2012 and became a permanent feature of the Singapore's tax system.
- In light of the COVID-19 situation, the proposal to accelerate the deduction of R&R expenditure is a welcome temporary measure to help manage the cash flow of businesses, particularly the SMEs that are intending to embark on renewing and refreshing their businesses in FY 2020.
- In addition, the proposal may also encourage businesses directly affected by the COVID-19 situation (e.g., hotels) to take advantage of the lull period to carry out upgrading work in FY 2020, and be better prepared for the rebound.

Extend and enhance the double tax deduction for Internationalisation (DTDi) scheme

Under the DTDi scheme, businesses are allowed a tax deduction of 200% on qualifying market expansion and investment development expenses, subject to approval from Enterprise Singapore or the Singapore Tourism Board (STB).

No prior approval is required from Enterprise Singapore or STB for tax deduction on the first $150,000 of qualifying expenses incurred on the following activities for each YA:

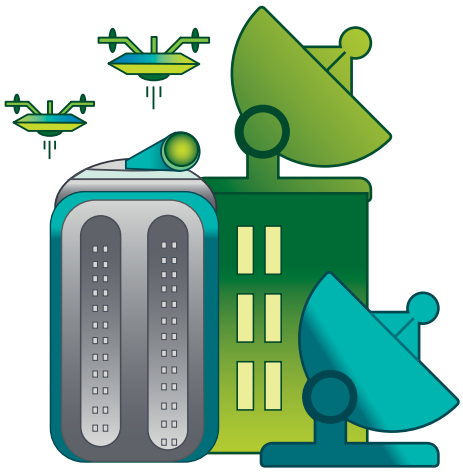
a. Overseas business development trips/missions;

b. Overseas investment study trips/missions;

c. Participation in overseas trade fairs; and

d. Participation in approved local trade fairs.

The DTDi scheme is due to lapse after 31 Mar 2020.



Proposed

The Minister has proposed to extend the DTDi scheme until 31 Dec 2025 to encourage internationalisation of companies, especially the local SMEs.

In addition, the scope of the DTDi scheme will be enhanced to cover the following:

a. Third-party consultancy costs relating to new overseas business development to identify suitable talent and build up business network; and

b. New categories of expenses incurred for overseas business missions (i.e., fees incurred in speaking spots to pitch products/services at overseas business and trade conferences, transporting material/samples used during the business missions, and third-party consultancy costs to arrange business networking events to promote products/services).

The expanded scope will take effect for expenses incurred on or after 1 Apr 2020.

Enterprise Singapore will release additional details by Mar 2020.

Our view

- Businesses can tap on the extension and enhancement of the DTDi scheme to defray their costs when exploring new overseas markets to grow their business and enhance their competitiveness.
- We expect clarification from Enterprise Singapore in due course on whether the newly announced types of costs and expenses would be allowed tax deduction without the need to seek prior approval from Enterprise Singapore or STB.

Extend the M&A scheme

The M&A scheme, initially introduced in 2010, was extended in 2015 to further support companies, especially SMEs, to grow via strategic acquisitions.

Subject to certain qualifying conditions, the M&A scheme allows taxpayers to claim the following tax benefits:

a. An M&A allowance (to be written down over 5 years) that is based on 25% of the value of a qualifying acquisition, subject to a cap of $40M on the value of all qualifying acquisitions per YA;

b. Stamp duty relief on the instruments for the acquisition of the ordinary shares under an M&A deal, capped at $80,000 of stamp duty per financial year; and

c. 200% tax deduction on transaction costs incurred on qualifying M&A deals, subject to an expenditure cap of $100,000 per YA.

Since 2012, the condition that acquiring companies must be held by an ultimate holding company that is incorporated in and is a tax resident of Singapore may be waived on a case-by-case basis.

This scheme is due to lapse after 31 Mar 2020.

Proposed

To continue encouraging companies to consider M&A as a strategy for growth and internationalisation, the M&A scheme will be extended to cover qualifying ordinary shares acquisitions made on or before 31 Dec 2025.

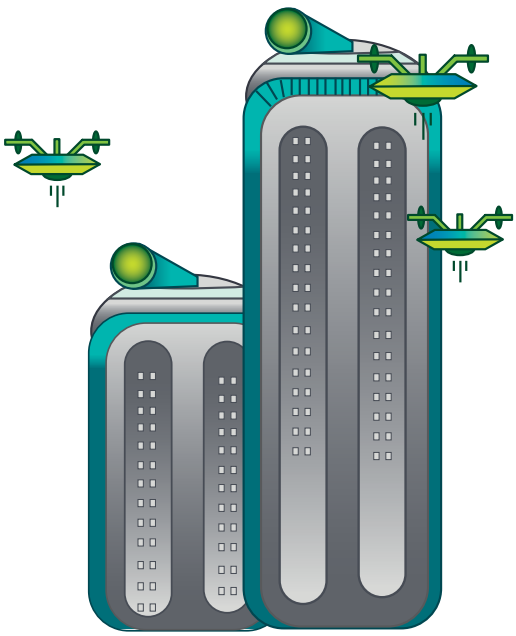
The scheme will remain unchanged for acquisitions made on or after 1 Apr 2020, except for the following:

a. Stamp duty relief will lapse for instruments executed on or after 1 Apr 2020; and

b. No waiver will be granted for the condition that the acquiring company must be held by an ultimate holding company that is incorporated in and is a tax resident of Singapore. This will apply for acquisitions made on or after 1 Apr 2020.

Our view

- The extension of the M&A scheme came as no surprise as the Government continues its efforts to encourage businesses to grow through M&A. The extension is certainly a welcome move as businesses face growing challenges from uncertain economic outlook in the coming year. The M&A scheme would encourage businesses struggling to grow organically to consider seeking growth through M&A opportunities.
- However, stamp duty is often a considerable amount of transaction cost to the acquirer. In order to allow the M&A scheme to continue benefitting and supporting the local companies to grow their business through M&A, the Government could have considered a reduced stamp duty rate instead of allowing the stamp duty relief to lapse fully. We hope that the amendment may be considered in future.



Extend the tax incentive schemes for insurance businesses

Under the Insurance Business Development (IBD) umbrella scheme, the following schemes are scheduled to lapse after 31 Mar 2020:

a. IBD scheme: Concessionary tax rate of 10% for approved insurers for a period of 10 years on qualifying income derived from the carrying on of onshore and offshore life reinsurance, onshore and offshore general insurance and reinsurance, excluding fire, motor, work injury compensation, personal accident, and health insurance;

b. IBD Captive Insurance scheme: Concessionary tax rate of 10% for a period of 5 years for approved insurers on qualifying income derived from the carrying on of onshore and offshore life reinsurance, onshore and offshore general insurance and reinsurance, excluding fire, motor, work injury compensation, personal accident, and health insurance; and

c. IBD Marine Hull and Liability Insurance Business Scheme: Concessionary tax rate of 10% for a period of 5 years for approved insurers on qualifying income derived from onshore and offshore Marine Hull insurance and reinsurance.

Proposed

The Minister has proposed that to support Singapore's value proposition as an Asian insurance and reinsurance centre, the IBD and IBD Captive Insurance schemes will be extended until 31 Dec 2025. The concessionary tax rate remains at 10%.

To streamline and simplify the IBD umbrella scheme, the IBD Marine Hull and Liability Insurance Business scheme will lapse after 31 Mar 2020. With the lapsing of the scheme, insurers engaged in the Marine Hull and Liability insurance and reinsurance business will be incentivised under the IBD scheme.

To align the tenure of all awards under the IBD umbrella scheme, all new and renewal IBD scheme awards approved on and after 1 Apr 2020 will be granted for a period of 5 years.

The MAS will provide additional details of the changes by May 2020.

Our view

- Insurers will welcome the extension of the schemes although some may have preferred that the duration of the award for the IBD scheme had remained at 10 years rather than being reduced to 5 years.
- In an effort to streamline and simplify the umbrella scheme, the IBD Marine Hull and Liability scheme has been subsumed into the wider IBD scheme and this is not unexpected given the limited number of insurers that rely solely on this incentive.

Extend and enhance the Maritime Sector Incentive (MSI)

Under the MSI, ship operators, maritime lessors and providers of certain shipping-related support services can enjoy tax benefits summarised in the table below:

For ship operators	Current treatment
a) MSI-Shipping Enterprise (Singapore Registry of Ships) (MSI-SRS)	• Tax exemption on qualifying income derived from operating Singapore-flagged ships.
b) MSI-Approved International Shipping Enterprise (MSI-AIS) Award	• Tax exemption on qualifying income derived from operating foreign-flagged ships. • Tax exemption on in-house ship management income derived by the MSI-AIS Parent Company and Managing Company.
For maritime lessors	
c) MSI-Maritime Leasing (Ship) (MSI-ML[Ship]) Award	• Tax exemption on qualifying income derived from leasing ships, and 10% concessionary tax rate on qualifying income derived from managing an approved shipping investment enterprise.
d) MSI-ML (Container) Award	• 5% or 10% concessionary tax rate on qualifying income derived from leasing of qualifying sea containers and intermodal equipment that is incidental to the leasing of qualifying sea containers and 10% concessionary tax rate on qualifying income derived from managing an approved container investment enterprise.

For (c) and (d), stamp duty remission is applicable to instruments executed on or before 31 May 2021 for the acquisition of shares in a special purpose company by an approved shipping or container investment enterprise, subject to conditions.

For providers of certain shipping-related support services	
e) MSI-Shipping-related Support Services (MSI-SSS) Award	• 10% concessionary tax rate on incremental qualifying income derived from carrying out approved shipping-related support services.

In addition, WHT exemption is granted on qualifying payments made by qualifying MSI recipients to non-tax residents (excluding a PE in Singapore) in respect of qualifying financing arrangements entered into on or before 31 May 2021 to finance the construction or purchase of qualifying assets (e.g., ships, containers), subject to conditions.

MSI-AIS for qualifying entry players, MSI-ML(Ship), MSI-ML (Container) and MSI-SSS are scheduled to lapse after 31 May 2021.

Proposed

To continue developing Singapore as an international maritime centre, the MSI scheme will be extended until 31 Dec 2026 and the WHT exemption will be extended for qualifying payments made on qualifying financing arrangements entered into on or before 31 Dec 2026.

The following changes will be made to the MSI scheme:

a. Expand the scope of in-house ship management income exemption under the MSI-AIS Award to include such income derived by MSI-AIS Sister Company and MSI-AIS Local Subsidiary;

b. Allow income derived from operating a ship that is provisionally registered with the Singapore Registry of Ships (SRS) to qualify for tax exemption under the MSI-SRS scheme, regardless of whether a permanent certificate is subsequently obtained. Where a permanent certificate is not obtained, the tax exemption is only allowed up to 1 year from the date of issue of the provisional certificate; and

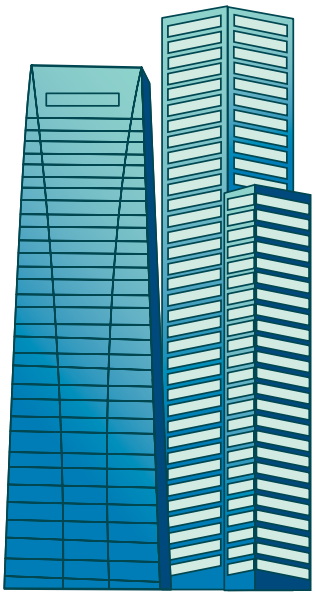
c. Allow the stamp duty remission to lapse for instruments executed on or after 1 Jun 2021.

The enhancements in (a) and (b) will apply to existing and new award recipients for qualifying income derived on or after 19 Feb 2020.

The Maritime & Port Authority (MPA) will provide additional details of the changes by May 2020.

Our view

- The extension of the selected MSI schemes until 31 Dec 2026 is a welcome move and greatly supports the growth of maritime businesses in Singapore and continues to promote Singapore as an international maritime centre. As many shipping players are still recovering from the global slowdown in the maritime sector, the Government's move to further extend and enhance the MSI scheme is a timely move which enables international shipping players to continue planning to expand, set up and plant strategic shipping functions in Singapore.
- Where a ship operator, with a provisional certificate from SRS, does not eventually obtain a permanent certificate, further clarification on the following will be required to assesss whether the enhancement can be beneficial based on the facts of each case:
  - Whether the 1 year tax exemption is granted by election; and
  - Whether the CA claim on the cost of the ship is to be made mandatory.
- The extension of WHT exemption granted for qualifying payments made by qualifying MSI companies to non-tax residents (excluding a PE in Singapore), is certainly essential and did not come as a surprise. More recently, the MPA has relieved the administrative burden of MSI companies in respect of qualifying charter payments under arrangements classified as finance lease treated as sale for tax purposes (including hire purchase) by lifting the requirement of filing the self-declaration form for the purpose of WHT exemption. We hope that the lifting of the administrative burden can also be extended by the Government to cover interest and related payments made under a typical loan arrangement obtained for the same purposes.



Enhance the WHT exemption for interest on margin deposits

Currently, interest on margin deposits qualify for a WHT exemption if, amongst other conditions, such payments are made by a member of an approved exchange (i.e., an exchange approved under Section 8 of the Securities and Futures Act), and made under contracts for trading in spot foreign exchange (other than those involving Singapore dollar), financial futures, or gold futures.

Proposed

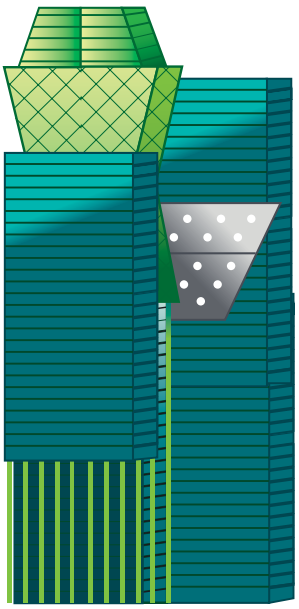
The Minister has proposed for the scope of the WHT exemption to be enhanced as follows:

Category/ Title	Current scope	Proposed scope (changes in bold)
Covered entities	• Members of approved exchanges	• Members of approved exchanges • **Members of approved clearing houses** • **Approved exchanges** • **Approved clearing houses**
Covered products	• Spot foreign exchange (other than those involving Singapore dollar) • Financial futures • Gold futures	• Spot foreign exchange (other than those involving Singapore dollar) • Financial futures • Gold futures • **All other derivative contracts traded or cleared on approved exchanges and approved clearing houses**

The enhancements will apply for agreements entered into on or after 19 Feb 2020. The extension of the WHT exemption will be reviewed together with the other WHT exemptions for the financial sector, before 31 Dec 2022.

Our view

- The WHT exemption was introduced in Budget 2018 as part of a broader plan to rationalise the WHT exemptions for the financial sector and replaced a previous tax exemption for interest on margin deposits that only applied to members of the Singapore International Monetary Exchange.
- Margin deposits are a common requirement when trading derivatives on an exchange to cover a portion or all of a counterparty's credit risk. The proposed enhancement of the WHT exemption is two-pronged and would expand its scope to cover a greater variety of derivative contracts and a greater variety of participants.
- This is a positive development as it should reduce any cost inefficiency in derivatives trading in Singapore, and assists to promote Singapore as a destination of choice for derivative exchanges and clearing houses.



Extend and enhance the Finance and Treasury Centre (FTC) scheme

Currently, the FTC scheme grants a concessionary tax rate of 8% on qualifying income derived by approved FTCs from qualifying activities or services. To qualify for the concessionary tax rate, approved FTCs are required to use only funds from qualifying sources as prescribed in the Income Tax (Concessionary Rate of Tax for Approved FTC) Regulations 2017.

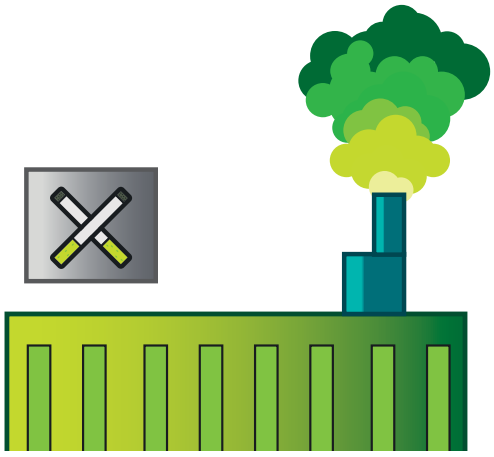
The scheme is scheduled to lapse after 31 Mar 2021.

Proposed

To continue encouraging finance and treasury activities in Singapore, the FTC scheme will be extended until 31 Dec 2026, with the following enhancements from 19 Feb 2020:

a. The list of qualifying sources of funds will be expanded to include funds raised via convertible debt issued on or after 19 Feb 2020; and

b. The list of qualifying FTC activities will be expanded to include transacting or investing into private equity or venture capital (VC) funds that are not structured as companies. Income derived on or after 19 Feb 2020 by approved FTCs from this activity will qualify for the concessionary tax rate.



Our view

- The FTC scheme was introduced in 1991 and has seen several enhancements over the years; the most significant enhancements came after Hong Kong levelled the playing field by introducing a profits tax concession for corporate treasury centres in 2016.
- Budget 2020's expansion of qualifying sources of funds to include funds raised via convertible debt can be seen as yet another move to increase Singapore's competitiveness, vis-a-vis Hong Kong's traditionally stronger market for debt. The enhancement gives companies even more flexibility to structure their FTC operations more efficiently, and this should be a move welcomed by FTCs, given that issuance of convertible debt typically comes with lower fixed-rate borrowing costs.
- The expansion of qualifying FTC activities to include transacting or investing into private equity or venture capital funds that are not structured as companies is another move to boost the Government's initiative to maintain and enhance Singapore's competitive edge as a fund management hub in the Asia Pacific region. With this enhancement, FTCs are encouraged to invest into private equity or VC funds, which will create more interaction opportunities with Singapore's financial ecosystem, as well as promote more robust treasury activities. At the same time, the private equity and VC funds are better able to tap into these treasury centres for fund raising.
- Currently, to facilitate the operations of an approved FTC, WHT exemption is granted on interest payments (e.g., on loans and bonds) from banks, non-banks financial institutions, and approved network companies, where the funds are used for the conduct of approved FTC activities or services. It remains to be seen whether such WHT exemption will be extended to interest payments on convertible debt. In this regard, a clarification would be welcomed.
- In the latest peer review results of the Base Erosion Profit Shifting (BEPS) Inclusive Framework on Harmful Tax Practices in relation to BEPS Action 5, only 3 finance and treasury regimes were found to be not harmful – Hong Kong's profits tax concession for corporate treasury centres; Mauritius' global treasury activities regime; and Singapore's FTC scheme. With the above extension and enhancements, Singapore's FTC scheme is well positioned and remains ever competitive to attract MNCs to expand their regional treasury footprint in Asia.

Extend and refine the Global Trader Programme (GTP)

The GTP grants a concessionary tax rate of 5% or 10% on income derived by approved global trading companies from qualifying transactions. Approved global trading companies enjoy a concessionary tax rate of 5% on their income from qualifying transactions in liquefied natural gas (LNG), regardless of whether a concessionary tax rate of 5% or 10% applies to their income from qualifying transactions in other GTP-qualifying commodities. The GTP is scheduled to lapse after 31 Mar 2021.

The GTP Structured Commodity Financing (GTP[SCF]) grants a concessionary tax rate of 5% or 10% on qualifying income derived by approved GTP(SCF) companies. The GTP(SCF) is scheduled to lapse after 31 Mar 2021.

Proposed

To further strengthen Singapore's position as a global trading hub and to encourage more SCF activities to be done in Singapore, the GTP will be extended until 31 Dec 2026.

The following changes will be made to the GTP:

a. The qualifying activities of GTP(SCF) will be subsumed under GTP with effect from 19 Feb 2020;

b. The GTP(SCF) will lapse after 31 Mar 2021; and

c. The concessionary tax rate of 5% on income from qualifying transactions in LNG will lapse after 31 Mar 2021. With the lapsing of this concession, LNG will be treated no differently from other GTP-qualifying commodities under the GTP.

For (b), existing recipients of GTP(SCF) awards can continue to enjoy the tax concession under the GTP(SCF) until the expiry of their awards, if the conditions for approval of their awards continue to be met.

For (c), existing recipients of GTP awards can continue to enjoy the concessionary tax rate of 5% on income from qualifying transactions in LNG until the expiry of their awards, if the conditions for approval of their awards continue to be met.

Enterprise Singapore will provide additional details of the changes by May 2020.

Our view

- Since GTP was introduced 2 decades ago, the scheme has gone through multiple enhancements to stay relevant in the evolving trading environment. The allowance of a special 5% concessionary rate on LNG trading income in 2007 and the introduction of the GTP(SCF) in 2010 are instances of how the GTP was enhanced to promote LNG trading and support structured commodity financing activities. The latest extension and refinement of the GTP demonstrates the Government's commitment to continue enhancing Singapore's competitiveness as a trading and financing hub.
- At present, the GTP(SCF) is a sub-award of the GTP, based on a separate set of criteria and requires additional commitments. Subsuming the qualifying activities of GTP(SCF) under GTP seems to indicate a streamlining of the schemes allowing GTP recipients to enjoy a wider scope of activities with one application. However, it remains to be seen whether the minimum requirements for GTP will be increased as a result. If the 2 schemes can be harmonised without imposing additional commitments on top of the current qualifying criteria, this will encourage more global trading companies to consider conducting SCF activities and leveraging the financial infrastructure in Singapore. Additional clarifications from Enterprise Singapore are anticipated in this regard.
- The initiation of a special 5% concessionary rate on income from qualifying LNG transactions in 2007 was to capture the opportunities and catalyse the development of the LNG trading sector in Singapore. 13 years on, the special concession for LNG trading income is allowed to lapse, ostensibly the objective has been achieved and Singapore has established itself as a hub of choice for LNG trading.

Extend and refine the tax incentives for venture capital funds and venture capital fund management companies

Currently, venture capital funds approved under Section 13H of the ITA (Section 13H scheme) enjoy tax exemption on the following income:

a. Divestment gains from qualifying investments;

b. Dividend income from foreign companies; and

c. Interest income arising from foreign convertible loan stock.

Approved venture capital fund management companies managing approved venture capital funds are granted a concessionary tax rate of 5% under Section 43ZG of the ITA on income derived from managing an approved venture capital fund (Fund Management Incentive).

Both incentives were scheduled to lapse after 31 Mar 2020.

Proposed

To continue encouraging venture capital funding for Singapore-based companies, the Section 13H scheme and Fund Management Incentive will be extended until 31 Dec 2025.

The incentives are also refined as follows:

Section 13H scheme:

a. The list of investments and income incentivised under the Section 13H scheme will be expanded to include relevant Specified Income from Designated Investments as applicable to fund scheme incentives under Sections 13CA, 13R, 13X, and 13Y of the ITA.

b. Apart from companies incorporated in Singapore and partnerships, the Section 13H incentive may be granted to venture capital funds which are constituted as foreign incorporated companies or Singapore Variable Capital Companies.

c. The statutory sub-limit imposing a maximum tenure of 10 years for the first tranche of the tax exemption will be removed, while the 15-year cap on the overall tenure of the tax exemption status remains. This means that the tax exemption may be awarded for the fund life of the venture capital fund, up to a total tenure of 15 years.

d. Venture capital funds approved under Section 13H of the ITA will be allowed, by way of remission, to claim GST incurred on their expenses at an annual fixed recovery rate to be determined by the industry.

As a guide, the fixed recovery rates for GST remission for prescribed funds managed by prescribed fund managers in Singapore for the period 1 Jan 2020 to 31 Dec 2020 is 88%.

Fund Management Incentive:

Statutory limitations on the total incentive allowed for each venture capital fund management company will be removed. Instead, each Fund Management Incentive award for the fund manager will be set at a maximum tenure of 5 years, and can be renewed subject to conditions.

The above changes will take effect from 1 Apr 2020.

Enterprise Singapore will provide additional details of the changes by May 2020.

Our view

- The Section 13H scheme and Fund Management Incentive were introduced to promote the growth of the venture capital industry in Singapore. The proposed extension of the Section 13H scheme and Fund Management Incentive is in line with the Government's recognition of the important role of venture capital.
- The key refinements to expand the list of investments and tax exempt income under Section 13H is a welcome move. Opening up this scheme to foreign incorporated companies and Singapore Variable Capital Companies is also a step in the right direction to attract more participants and grow the venture capital industry in Singapore.
- Removing the 10-year statutory sub-limit under the Section 13H scheme, as well as the statutory limitations on the total incentive allowed under the Fund Management Incentive, will also encourage qualifying venture capital companies to take a long-term perspective of their investments and possibly minimise pre-mature divestment.
- A fund usually does not make any taxable supplies and is not eligible to register for GST. Hence, any GST it incurs on its expenses is a cost, as only a GST-registered person is entitled to recover input tax. The extension of the GST remission to approved venture capital funds will provide a level playing field as compared to the other incentivised funds (e.g., Section 13R/13X funds) that have already been granted GST remission. This extension should position Singapore as an attractive destination for venture capital funds to be setup in Singapore, further deepening Singapore's fund management industry sector.

Extend the Land Intensification Allowance (LIA) scheme

The objective of the LIA scheme is to encourage the intensification of industrial land. Under the LIA, an initial allowance of 25% of the qualifying capital expenditure incurred on the construction or renovation/extension of an approved LIA building is granted in the YA relating to the basis period during which the capital expenditure is incurred. Upon issuance of the Temporary Occupation Permit for the completed LIA building, an annual allowance of 5% of the qualifying capital expenditure incurred is granted, subject to all the qualifying conditions being met.

The scheme is scheduled to lapse after 30 Jun 2020.

Proposed

As the objective of the LIA scheme remains relevant given the scarcity of land in Singapore, the Minister has proposed for the LIA scheme to be extended to 31 Dec 2025, which refers to the last date a building or structure may be approved for LIA.

Our view

- The LIA scheme, which aims to encourage businesses to focus on land productivity by intensifying industrial land use through more efficient and higher value-added activities, is fully aligned with the Government's focus on increasing productivity and promoting innovation.
- With a limited supply of land in Singapore, the extension of the LIA scheme for a further 5 years is a welcome move to attract more investments in specialised industries that take up significant land and have low Gross Plot Ratios.
- To increase the attractiveness of the scheme, the Government could consider extending the LIA scheme to the acquisition of qualifying building or structure, subject to certain qualifying conditions.

Extend the writing-down allowance (WDA) scheme for the acquisition of an indefeasible right to use an international submarine cable system under Section 19D of the ITA

A taxpayer which has incurred capital expenditure on the purchase of an Indefeasible Right of Use (IRU) for purposes of its trade, business, or profession can claim WDA on the amount incurred, subject to conditions.

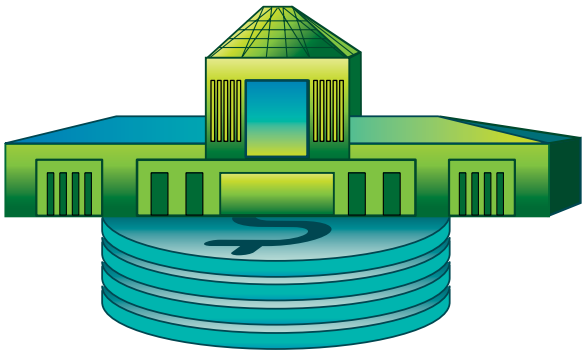
The scheme is scheduled to lapse after 31 Dec 2020.

Proposed

The WDA scheme under Section 19D will be extended until 31 Dec 2025, i.e., WDA claims will be allowed on qualifying capital expenditure incurred on or before 31 Dec 2025 for the acquisition of an IRU.

Our view

- The extension of the WDA scheme for IRU for another 5 years, until 31 Dec 2025, will encourage Singapore-based telecommunication operators to invest in telecommunications infrastructure to support the Government's push for Singapore to become a smart nation.
- It should also offer a continued incentive for Singapore-based telecommunication operators to remain competitive whilst expanding and broadening their international connectivity for the benefit of business and individual consumers. Without this scheme, Singapore-based telecommunication operators would be at a disadvantage as compared to their foreign competitors that are able to claim tax deduction on expenditures incurred on IRU.
- It may be noted that while the use of telecommunications submarine cable system (a tangible asset) is allowed WDA claims under Section 19D, payments for the right to use bandwidth of electromagnetic spectrum (an intangible asset) are currently not allowed a similar WDA, notwithstanding that they are capital in nature.
- With the advent of the 5G technology, spectrum sharing and other non-traditional ownership models being developed may mean that there could be different types of capital expenditure incurred by Singapore-based wireless service providers to acquire access to the 5G technology. This may include payments to the regulators for spectrum capacity required to support seamless connectivity. It may therefore be helpful to the Singapore-based wireless communication industry players if the WDA scheme is expanded to cover spectrum rights and similar intangible infrastructure costs that are capital in nature.



Allow the further tax deduction scheme for R&D expenditure under Section 14E of the ITA to lapse

Currently, Section 14E provides a further tax deduction for R&D expenditure incurred on approved R&D projects conducted in Singapore either by the business itself or by an R&D organisation on its behalf.

Deduction under Section 14E is subject to a cap of 200% after including other deductions for the same R&D expenditure under the ITA.

The Section 14E incentive is scheduled to lapse after 31 Mar 2020.

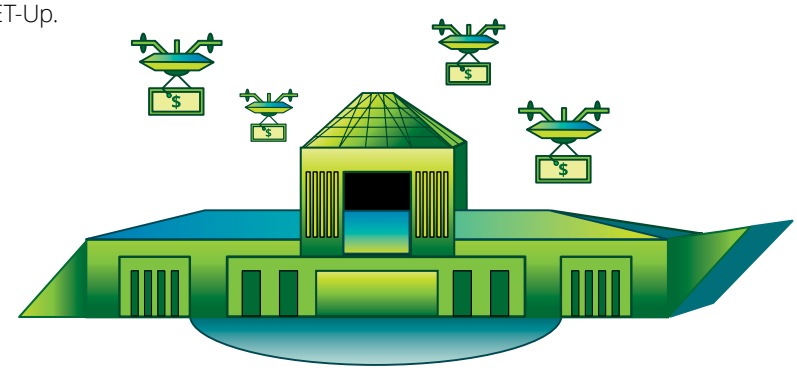
Proposed

The Section 14E incentive will lapse after 31 Mar 2020.

Existing Section 14E incentive recipients can continue to enjoy the further tax deduction under Section 14E until their awards expire.

Our view

- Over the years, the Government has enhanced the broad-based tax deductions for R&D conducted in Singapore. These broad-based tax deductions are available for all businesses without a need for approval. With the previous enhancement in Budget 2018, businesses conducting qualifying R&D projects in Singapore can enjoy up to 250% tax deduction on qualifying expenses from YA 2019 to YA 2025.
- Businesses can also benefit from various non-tax schemes for R&D and innovation. For instance, the Research Incentive Scheme for Companies (RISC) administered by the EDB, co-funds qualifying R&D costs incurred by eligible companies. Businesses can also access A*STAR laboratories' advanced manufacturing equipment via Tech Access, benefit from technology consultancy and testing services in Centres of Innovation, and obtain technical advisory through GET-Up.
- With the various tax as well as non-tax schemes introduced by the Government over the recent years to support R&D and innovation, it is widely expected that the Section 14E incentive would be allowed to lapse. Particularly, the enhancement to provide for up to 250% tax deduction on qualifying R&D expenditure under Section 14D/DA has rendered Section 14E, which provides for 200% tax deduction less beneficial and thus, less relevant.
- With the lapse of the Section 14E incentive, Section 14D/DA deduction will now become the sole broad-based tax scheme that will incentivise qualifying R&D undertaken in Singapore, and is itself set to expire after YA 2025. The Government may wish to consider making the Section 14D/DA deduction permanent to provide greater certainty to potential investors seeking to undertake long-term R&D activities in Singapore.
- Additionally, one benefit offered by Section 14E, albeit at a lesser benefit of 200% tax deduction, is upfront tax certainty to companies claiming R&D tax deduction as Section 14E claims required pre-approval by the EDB before R&D project is undertaken. On the other hand, the Section 14D/DA deduction is administered by the IRAS and claimed after R&D activities are completed at the end of the respective financial years; this provides lesser tax certainty to taxpayers as the IRAS can disagree with the Section 14D/DA deduction claims submitted.
- The expiry of the Section 14E incentive appears to complete the rationalisation of Singapore's R&D tax regime, with the administration of R&D tax schemes now under the sole purview of the IRAS. This can be seen as a boon as taxpayers should begin to experience more consistent and efficient administration of R&D tax claims in the future.



Streamline the number of years of working life of P&M for CA claims under Section 19 and the Sixth Schedule of the ITA

Currently, the Sixth Schedule of the ITA specifies the prescribed working life of P&M for computing annual allowances under Section 19 of the ITA. Depending on the type of P&M, businesses may claim annual allowances over 5, 6, 8, 10, 12, or 16 years.

Proposed

To simplify CA claims under Section 19 of the ITA, the prescribed working life of P&M in the Sixth Schedule will be streamlined. Businesses claiming annual allowance under Section 19 of the ITA may make an irrevocable election to write down their P&M as follows:

a. If the current prescribed working life of the P&M in the Sixth Schedule is 12 years or less, businesses may choose to claim annual allowance over 6 or 12 years; or

b. If the current prescribed working life of the P&M in the Sixth Schedule is 16 years, businesses may choose to claim annual allowance over 6, 12, or 16 years.

The above will apply for P&M acquired in or after 2022. It will also apply in cases where P&M were purchased prior to 2022 and no claim for CA (both initial and annual allowances) has been made i.e., the claim for CA in respect of the entire cost of the P&M has been deferred.

Our view

- In line with the Government's efforts to simplify tax compliance for companies, the claim of CA under the Sixth Schedule of the ITA has been streamlined to allow taxpayers to have the option to claim CA over 6, 12, or 16 years, essentially reducing the number of possible prescribed working life to 3 from the current 6.
- Generally, the claim of CA over the prescribed working life are elected by companies that are enjoying a tax incentive. As such, the proposed change should not have a major impact on most businesses that are likely to have claimed CA over 1 or 3 years, as provided under Section 19A of the ITA.

Refine the tax treatment of expenditures funded by capital grants

As Singapore does not tax receipts that are capital in nature, recipients of capital grants from the Government and statutory boards are not subject to tax on the grant amounts received. At the same time, these recipients are able to claim tax deductions or allowances on the corresponding expenditure incurred which are funded by such grants from the Government or statutory boards.

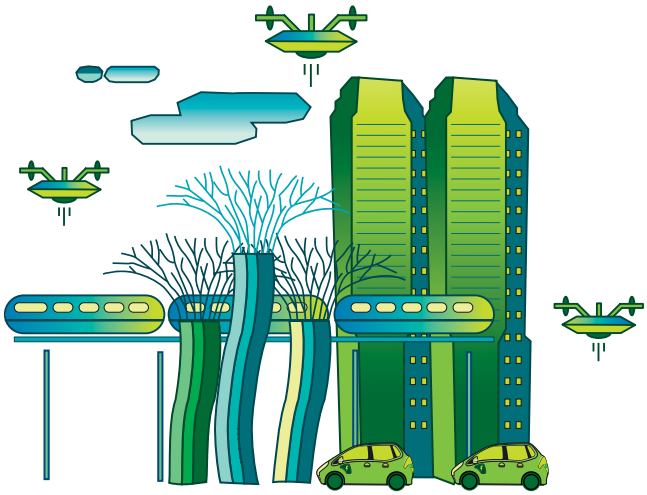
Recipients of grants from the Government or statutory boards that are revenue in nature are currently subject to income tax on the grant amounts received and tax deductions or allowances may be claimed by these recipients on the corresponding expenditure incurred which are funded by these grants from the Government or statutory boards.

Proposed

For capital grants approved on or after 1 Jan 2021, recipients will not be allowed to claim tax deductions or allowances on that part of the expenditures that are funded by such grants from the Government or statutory boards.

Our view

- The intention of the proposed change is to ensure that recipients of capital grants do not benefit twice, once through claiming tax deductions/capital allowances and again, from the receipt of the grants.
- With the proposed change, companies should ensure that there are proper mechanisms in place to keep track and identify the expenditure financed by capital grants from the Government or statutory boards to ensure that tax deductions/allowances are not inadvertently claimed in the companies' tax returns and be viewed as incorrect returns.
- In addition, it may be worth noting that currently, mixed grants (i.e., grants that can be used for both capital and revenue expenses) are treated as revenue grants and the entire grant amounts received are taxable on the recipient (regardless of whether the funds are used to acquire capital assets or to defray revenue expenditure). If the tax treatment of such grants is reviewed, we hope that the Government may consider granting a special tax exemption on the grants and at the same time disallowing tax deductions/allowances on the corresponding expenditure incurred which are funded by these grants. This is to ensure that the recipient of such grants would not be worse off in the event part of the expenditure incurred does not qualify for tax deductions/allowances while on the other hand, the grants are fully taxable on the recipient.



Extend and refine the upfront certainty of non-taxation of companies' gains on disposal of ordinary shares

Under Section 13Z of the ITA, gains from disposal of ordinary shares by a company during the period from 1 Jun 2012 to 31 May 2022 (both dates inclusive) will be exempt from tax in Singapore if both of the following conditions are satisfied:

- The divesting company holds a minimum ordinary shareholding of 20% in the company whose shares are being disposed; and
- The divesting company maintains the minimum 20% shareholding in the investee company for a minimum continuous period of 24 months immediately prior to the disposal.

Among other exclusions, the scheme does not apply to disposals of unlisted shares in an investee company that is in the business of trading or holding Singapore immovable properties (other than property development).

For non-qualifying share disposals excluded from the scheme, the tax treatment of the gains/losses arising from share disposals are determined based on the facts and circumstances of the case.

Proposed

Section 13Z will be extended to cover disposals of ordinary shares by companies from 1 Jun 2022 to 31 Dec 2027.

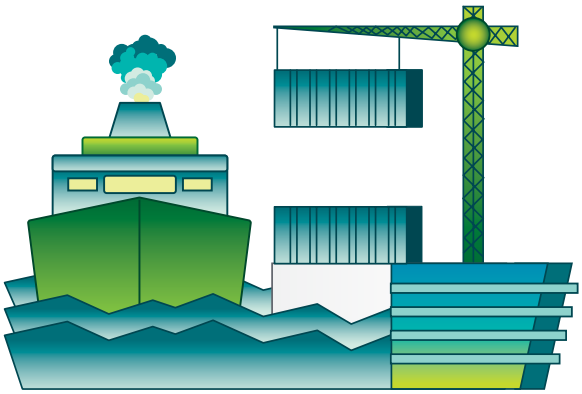
However, the scheme has been revised to exclude disposals of unlisted shares in an investee company that is in the business of trading, holding or developing immovable properties in or outside Singapore.

The above change will apply to shares disposed on or after 1 Jun 2022.

All other conditions and exclusions of the scheme shall remain the same and the IRAS will release additional details of the change by Jun 2020.

Our view

- The proposed extension of the scheme is a welcomed initiative to continue to provide upfront certainty of non taxation of companies' gains on disposal of equity investments.
- However, in a somewhat surprising move, the refinement will prove to be a significant change for property-related businesses, more so for property developers and companies in the business of trading or holding immovable properties outside Singapore as disposal of unlisted shares in investee companies carrying on such businesses would no longer qualify for the exemption.



Personal Tax

Personal Income Tax rates

Proposed

The Minister did not propose any changes to the Personal Income Tax rates. There was also no Personal Income Tax rebate announced.

Our view

- It does not come as a surprise that there were no proposed increase to the Personal Income Tax rates given the uncertainties surrounding the global economy, which has been exacerbated by the COVID-19 situation.
- It is expected that Personal Income Tax rates would be kept stable so that Singapore remains competitive and attractive as a location to work in.
- Given the need to help families with living expenses as a result of the COVID-19 situation, direct cash payouts have been announced instead of tax rebates as these would better reach the wider population of Singaporeans who do not pay taxes.

Extend the WHT exemption for non-resident mediators (NRMs)

Currently, non-resident professionals are subject to WHT at a rate of 15% on gross income from the profession. However, they may also elect to be taxed at 22% on the net income basis. As a concession, the income derived by NRMs from mediation work carried out in Singapore from 1 Apr 2015 to 31 Mar 2020 is exempt from tax, subject to conditions.

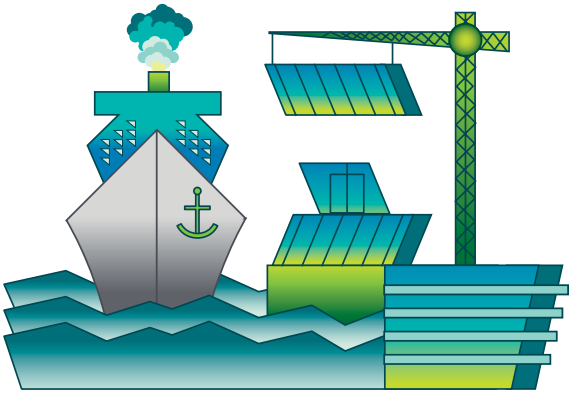
The exemption is scheduled to lapse after 31 Mar 2020.

Proposed

The WHT exemption will be extended until 31 Mar 2022.

Our view

- This is aligned with Budget 2015 announcement, which stated a review date of 31 Mar 2020 for the WHT exemption for NRMs, to ensure that a periodic review on the relevance of the scheme is performed.
- The extension is reflective of the Government's intention to continue encouraging more NRMs to carry out mediation work in Singapore, and build Singapore's capabilities and speciality in the area of mediation.



Extend the WHT exemption for non-resident arbitrators (NRAs)

Currently, non-resident professionals are subject to WHT at a rate of 15% on gross income from the profession. However, they may also elect to be taxed at 22% on the net income basis. As a concession, the income derived on or after 3 May 2002 by NRAs from arbitration work carried out in Singapore is exempt from tax, subject to conditions.

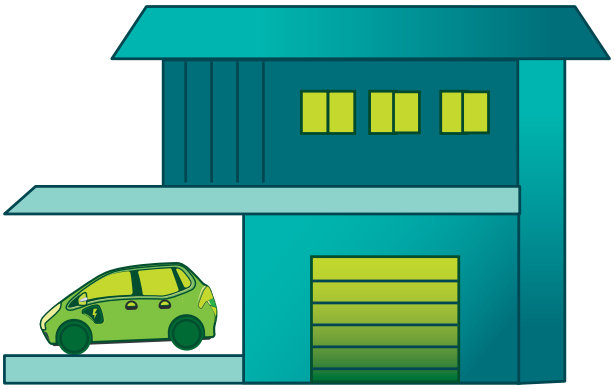
The exemption is scheduled to lapse after 31 Mar 2020.

Proposed

The WHT exemption will be extended until 31 Mar 2022.

Our view

- This is aligned with Budget 2015 announcement, which stated a review date of 31 Mar 2020 for the WHT exemption for NRAs, to ensure that a periodic review on the relevance of the scheme is performed.
- The extension reflects the Government's intention to continue promoting Singapore as an international arbitration centre.



Allow the concessionary WHT rate for non-resident public entertainers (NRPEs) to lapse

NRPEs are subject to WHT at a rate of 15% on gross income in respect of services performed in Singapore. As a concession, the WHT rate of 15% is reduced to 10% in respect of payments made to NRPEs from 22 Feb 2010 to 31 Mar 2020.

The concession is scheduled to lapse after 31 Mar 2020.

Proposed

The concessionary WHT rate of 10% will be extended until 31 Mar 2022 and will thereafter lapse.

Our view

- The concessionary WHT rate of 10% for NRPEs was introduced during Budget 2010 as part of a broader push to make Singapore into a vibrant global city, and has helped to develop Singapore into a leading hub in Southeast Asia for many sporting and entertainment events.
- Given that the local sports and entertainment scene has developed significantly and separate government schemes have been introduced to promote the sector, the lapsing of the concession appears to signal that Singapore no longer needs to rely on the concession to attract NRPEs to come to Singapore.
- However, given the exacerbation of the COVID-19 situation, which has resulted in the cancellation and postponement of concerts and sporting events in the upcoming months, the extension of the concession until 31 Mar 2022 will be a welcome relief to NRPEs, concert operators, and sport event organisers.
- Such organisations and NRPEs should start to factor the impact of the lapsing of the concession in their pricing for concerts and sport events to be held after 31 Mar 2022.

Allow the Angel Investors Tax Deduction (AITD) scheme to lapse

The AITD scheme was introduced in Budget 2010 to stimulate angel investments into Singapore-based start-ups. Under the AITD scheme, an approved angel investor is granted a tax deduction of 50% of the cost of his qualifying investments, subject to conditions.

Proposed

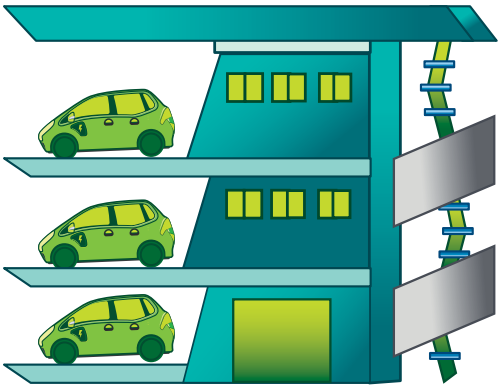
To maintain the resilience and progressivity of the tax system, the AITD scheme will lapse after 31 Mar 2020. With the lapsing of AITD, Singapore-based start-ups can access funding through other government schemes such as the Startup SG programme (which provides holistic support for start-ups through co-investments, loans, proof-of-concept, grants, mentorship and physical space).

Angel investors, whose approved angel investor status commences on or before 31 Mar 2020, can continue to be granted the tax deduction under the AITD scheme in respect of qualifying investments made during the period of their approved angel investor status, subject to existing conditions of the AITD scheme.

Enterprise Singapore will provide additional details of the transitional arrangement for approved angel investors by Mar 2020.

Our view

- The AITD scheme was originally introduced in Budget 2010 to provide incentives to encourage individuals to invest in start-up companies so as to foster entrepreneurial spirit and help these companies grow through the individuals' management expertise and business networks.
- Singapore has since developed to become a vibrant economy for start-up companies.
- Allowing the AITD scheme to lapse is consistent with the Government's focus to maintain a progressive tax regime.
- Given that start-up companies can now access funding through other Goverment schemes such as Startup SG programme and do not have to rely solely on individuals for investment funding and support, we hope that the impact of the removal of the AITD scheme would be mitigated.



Increase in CPF contribution rates for Singaporean and SPR workers aged above 55 to 70

Currently, the CPF contribution rates are lower for Singaporean and SPR employees aged 55 and above—to enhance their employability in the workforce and to reduce the impact on their take-home pay. The lower rates were first introduced more than a decade ago to spur employment of older workers when seniority-based wage structures were common. In Budget 2015, the Government raised the CPF contribution rates for Singaporean and SPR employees aged 50 to 65 to encourage older workers to remain in the workforce and to address the issue of retirement fund adequacy for older workers.

Proposed

The Minister has proposed that the CPF contribution rates for Singaporean and SPR workers aged above 55 to 70 will be gradually raised. By around 2030, workers aged 60 and below will enjoy the full CPF contribution rates.

The first increase will take place with effect from 1 Jan 2021 (see table below) while the timing of subsequent increases will depend on the economic conditions.

Total CPF contribution rates (employer and employee)

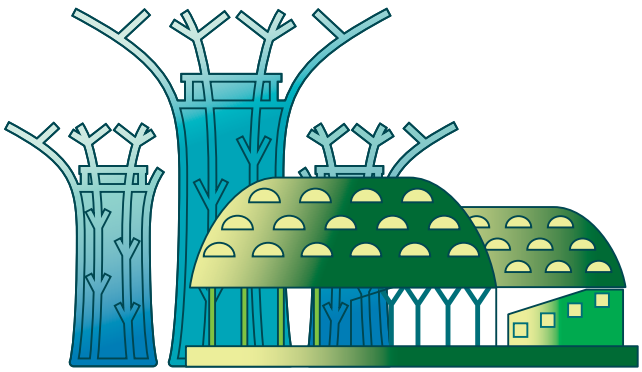
Worker age (Years)	Current rates	Proposed rates (From 1 Jan 2021)	Proposed rates (By around 2030)
55 and below	37%	No change	No change
Above 55 to 60	26%	28%^	37%
Above 60 to 65	16.5%	18.5%^	26%
Above 65 to 70	12.5%	14%	16.5%
Above 70	12.5%	No change	No change

^The increase in CPF contribution rates will be split equally between the employer and the employee.

The increase in CPF contribution rates will increase the tax deduction for employers' statutory CPF contributions and tax relief for employees' CPF contributions accordingly, subject to the current CPF salary ceilings.

Our view

- The increase in CPF contribution rates should not come as a surprise as it had been announced previously in the National Day Rally 2019 based on the recommendations by the Tripartite Workgroup on Older Workers.
- The proposed change is in line with the Government's efforts to strengthen support for older workers as they plan for their retirement and to encourage them to continue to stay employed. It could also help to foster more inclusive and progressive workplaces in Singapore without age discrimination.
- It is a good move to have the proposed CPF increases as this will help the older workers improve retirement adequacy by growing their CPF savings and building their retirement nest egg.
- With the full CPF rates to be phased in within the next 10 years or so, employers and businesses should have sufficient time to plan and adapt in the long run to the increase in wage costs. With continuous learning and upskilling of older workers, it is anticipated that the increase in wage costs could be partially or fully offset by a corresponding increase in productivity.



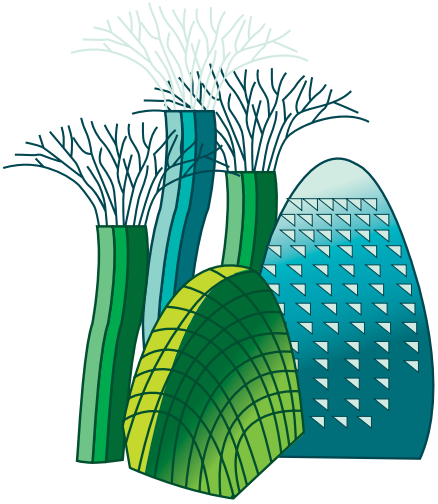
Indirect Tax

GST rate

In Budget 2018, the Government announced that in order to properly ensure that Singapore has sufficient tax revenues to be able to pay for future expenditure, particularly in light of Singapore's ageing population, the GST rate, currently at 7%, would be increased to 9%, sometime between 2021 to 2025. The Government indicated that it favoured an increase at a date closer to 2021 rather than later.

Proposed

The Government announced in the Budget that the GST rate increase from 7% to 9%, originally expected sometime between 2021 to 2025, would not happen in 2021.



Our view

- With the economic headwinds from the US-China trade discussions and from the ongoing COVID-19 situation, it was not a surprise that the Government announced that the GST rate will remain at 7% from now until 2021. Given the current economic uncertainties, it is difficult to predict when the Government will increase the GST rate. However, it is unlikely the Government will increase the GST rate unless there are strong signs of recovery in the economy.
- Not increasing the GST rate in 2021 is welcome, especially for smaller businesses who are not registered for GST and residential property developers who are not allowed to register for GST given that they make only exempt sales of residential properties. The GST registration threshold in Singapore is at $1M per annum and if a business is not registered for GST, it is not entitled to recover GST incurred on its purchases from GST-registered suppliers as input tax credits and hence any increase in the GST rate would further add to its financial burden.
- This will also be welcomed by those businesses in the financial services sector who should have already incurred costs in the implementation of GST reverse charge effective 1 Jan 2020 and are usually not entitled to recover their input tax in full. Most businesses in the financial sector are given either fixed input tax recovery rate ranging from 72% to 96% or on a low input tax recovery rate because of their businesses being predominantly GST exempt.
- The delay should also give businesses and consumers certainty to help with their financial and systems planning, but with a welcome grace period to be able to weather the challenges in the shorter term.

Others

Enhancement to Market Readiness Assistance (MRA)

Introduced in 2013, the MRA is a broad-based enterprise grant scheme that provides support to companies taking their first step overseas. It supports pre-scoped activities to help SMEs set up overseas, identify business partners, and promote their products and services.

The conditions for MRA grant qualification include business entities registered/incorporated in Singapore which have at least 30% local shareholding, and with group annual sales turnover not exceeding $100M or having not more than 200 employees.

Eligible SMEs will receive up to 70% of eligible costs, capped at $20,000 per company per fiscal year (1 Apr to 31 Mar), with a maximum of 2 applications per fiscal year. There is also a limit to one activity per application (e.g., market entry, or participation in trade fairs).

The existing scheme will lapse on 31 Mar 2020.

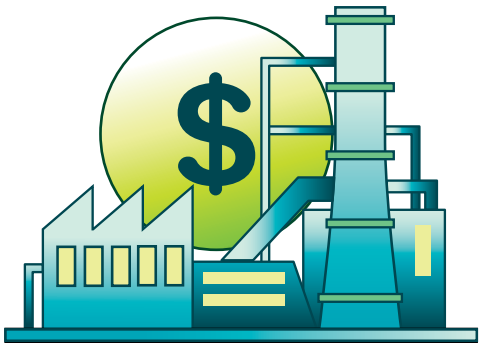
Proposed

To accelerate the internationalisation efforts of SMEs, the Government will enhance MRA to:

- Expand the scope of supportable activities to include:
  - Free Trade Agreement (FTA) consultancy services to support companies in better leveraging FTAs; and
  - In-market business development;
- Increase the grant cap from $20,000 per year to $100,000 per new market per company over the enhancement period of fiscal year 2020-2022; and
- Extend 70% support level for another 3 years, until 31 Mar 2023.

Our view

- The Government has increased both the scale and scope of the MRA grant scheme as part of its efforts to propel SMEs into new markets. The new grant cap set at $100,000 per new market is significant, being 5 times more than the previous amount for eligible costs on qualifying activities.
- The proposed expansion of the coverage of the MRA grant scheme to include FTA consultancy services as a supported activity will enable SMEs to navigate complex rules of origin and take advantage of the increasing network of FTAs that Singapore has signed up to, with the help of external advisors. In the face of increased global competition, SMEs will need to constantly look out for opportunities to remain competitive. One such way may be through the use of FTAs to reduce landed costs in the country of import.
- The extension and enhancements to the MRA grant scheme will be welcomed by SMEs, particularly for new entrants looking to overseas markets and businesses who are already in markets outside of Singapore but who wish to venture into new markets.
- As the new fiscal year is approaching soon, SMEs are advised to start reviewing their business plans and compare the same against eligibility to submit applications for the MRA grant. Separately, SMEs are also advised to take note of several procedural conditions imposed such as the need to apply prior to a project start date as retrospective applications will not be accepted. This includes signing of engagement letters or commencement of projects prior to the application.



Road tax revisions for electric vehicles (EVs) and hybrid cars

Currently, Electric Cars and Electric Motorcycles pay road tax according to the existing road tax schedules for each vehicle type, based on the vehicle's Power Rating (PR), while Petrol-Electric Cars pay the higher of the Engine Capacity or Power Rating schedule. Separately, Electric Light Goods Vehicles (LGVs) and Electric Goods Passenger Vehicles (GPVs) pay road tax according to their respective schedules for each vehicle type, based on their fuel type and Maximum Laden Weight.

Proposed

For Electric Cars registered from 1 Jan 2021 onwards, the road tax schedule for Electric Cars will be the following, with an additional EV lump-sum component:

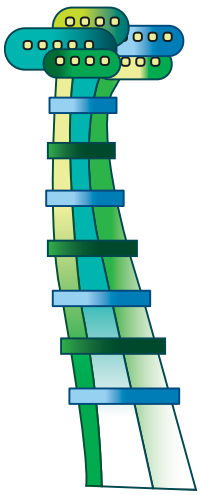
Table 1: Comparison of the current and proposed road tax schedule for Electric Cars

Current treatment	
Power Rating (kW)	**6-monthly road tax formula**
PR≤7.5	$200 x 0.782
7.5<PR≤32.5	($200+$2[PR-7.5]) x 0.782
32.5<PR≤70	($250+$6[PR-32.5]) x 0.782
70<PR≤157.5	($475+$12[PR-70]) x 0.782
PR>157.5	($1,525+$16[PR-157.5]) x 0.782
Proposed treatment	
Power Rating (kW)	**6-monthly road tax formula (excluding EV lump-sum component)**
PR≤7.5	$200 x 0.782
7.5<PR≤30	($200+$2[PR-7.5]) x 0.782
30<PR≤90	($250+$3.75[PR-30]) x 0.782
90<PR≤230	($475+$7.50[PR-90]) x 0.782
PR>230	($1,525+$10[PR-230]) x 0.782
Licensing period	**6-monthly EV lump-sum component**
1 Jan 2021 to 31 Dec 2021	$100
1 Jan 2022 to 31 Dec 2022	$200
1 Jan 2023 onwards	$250

For licensing period from 1 Apr 2020 onwards, the road tax schedule for Electric Motorcycles will be expanded to include additional higher PR brackets. For Electric Motorcycles registered from 1 Jan 2021 onwards, the road tax schedule for Electric Motorcycles will include an additional EV lump-sum component:

Table 2: Comparison of the current and proposed road tax schedule for Electric Motorcycles

Current treatment	
Power Rating (kW)	**6-monthly road tax formula**
PR≤10	$40 x 0.782
Proposed treatment	
Power Rating (kW)	**6-monthly road tax formula (excluding EV lump-sum component)**
PR≤10	$40 x 0.782
10<PR≤96*	($40+$1.40[PR-10]) x 0.782
PR>96*	($160+$2.40[PR-96]) x 0.782
*Electric Motorcycles with PR>10kW are currently not allowed for use on roads in Singapore.	
Licensing period	**6-monthly EV lump-sum component**
1 Jan 2021 to 31 Dec 2021	$25
1 Jan 2022 to 31 Dec 2022	$50
1 Jan 2023 onwards	$100



For licensing period from 1 Jan 2021 onwards, Petrol-Electric Cars pay the higher of the Engine Capacity (ECC) or revised Power Rating schedule:

Table 3: Comparison of the current and proposed road tax schedule for Petrol-Electric Cars

Current treatment

Engine capacity (cc)	ECC 6-monthly road tax formula	Power rating (kW)	PR 6-monthly road tax formula
ECC≤600	$200 x 0.782	PR≤7.5	$200 x 0.782
ECC≤1,000	($200+$0.125 [ECC-600]) x 0.782	7.5<PR ≤32.5	($200+$2 [PR-7.5]) x 0.782
1,000<ECC ≤1,600	($250+$0.375 [ECC-1,000]) x 0.782	32.5<PR ≤70	($250+$6 [PR-32.5]) x 0.782
1,600<ECC ≤3,000	($475+$0.75 [ECC-1,600]) x 0.782	70<PR ≤157.5	($475+$12[PR-70]) x 0.782
ECC>3,000	($1,525+$1[ECC-600]) x 0.782	PR>157.5	($1,525+$16 [PR-157.5]) x 0.782

Proposed treatment

Engine capacity (cc)	ECC 6-monthly road tax formula	Power rating (kW)	PR 6-monthly road tax formula
ECC≤600	$200 x 0.782	PR≤7.5	$200 x 0.782
ECC≤1,000	($200+$0.125 [ECC-600]) x 0.782	7.5<PR ≤30	($200+$2 [PR-7.5]) x 0.782
1,000<ECC ≤1,600	($250+$0.375 [ECC-1,000]) x 0.782	30<PR ≤90	($250+$3.75 [PR-30]) x 0.782
1,600<ECC ≤3,000	($475+$0.75 [ECC-1,600]) x 0.782	90<PR ≤230	($475+$7.50 [PR-90]) x 0.782
ECC>3,000	($1,525+$1 [ECC-600]) x 0.782	PR>230	($1,525+$10 [PR-230]) x 0.782

For Electric LGVs and Electric GPVs registered from 1 Jan 2021 onwards, the road tax schedule will be the following:

Table 4: Comparison of the current and proposed road tax schedule for Electric LGVs and GPVs

Current treatment

		6-monthly road tax formula	
Vehicle type	**Maximum laden weight (metric tonne)**	**Diesel and Diesel Hybrid**	**Green and Petrol**
LGVs	mlw≤3.5	$213	$170

Vehicle type	Maximum laden weight (metric tonne)	Diesel and Diesel Hybrid	Green and Petrol
GPVs	mlw≤3.5	$372	$298
	mlw>3.5	$487	$390

Proposed treatment

For licensing period of 1 Jan 2021 to 31 Dec 2021, the road tax schedule will be the following:

		6-monthly road tax formula		
Vehicle type	**Maximum laden weight (metric tonne)**	**Diesel and Diesel Hybrid**	**Green and Petrol**	**Electric**
LGVs	mlw≤3.5	$213	$170	$195

		6-monthly road tax formula		
Vehicle type	**Maximum laden weight (metric tonne)**	**Diesel and Diesel Hybrid**	**Green and Petrol**	**Electric**
GPVs	mlw≤3.5	$372	$298	$323
	mlw>3.5	$487	$390	$390

For licensing period of 1 Jan 2022 to 31 Dec 2022, the road tax schedule will be the following:

		6-monthly road tax formula		
Vehicle type	**Maximum laden weight (metric tonne)**	**Diesel and Diesel Hybrid**	**Green and Petrol**	**Electric**
LGVs	mlw≤3.5	$213	$170	$220

		6-monthly road tax formula		
Vehicle type	**Maximum laden weight (metric tonne)**	**Diesel and Diesel Hybrid**	**Green and Petrol**	**Electric**
GPVs	**mlw≤3.5**	**$372**	**$298**	**$348**
	mlw>3.5	$487	$390	$390

Proposed treatment

For licensing period of 1 Jan 2023 to 31 Dec 2023, the road tax schedule will be the following:

		6-monthly road tax formula		
Vehicle type	**Maximum laden weight (metric tonne)**	**Diesel and Diesel Hybrid**	**Green and Petrol**	**Electric**
LGVs	mlw≤3.5	$213	$170	$265

		6-monthly road tax formula		
Vehicle type	**Maximum laden weight (metric tonne)**	**Diesel and Diesel Hybrid**	**Green and Petrol**	**Electric**
GPVs	**mlw≤3.5**	**$372**	**$298**	**$393**
	mlw>3.5	$487	$390	$390

Our view

- The revision to the road tax methodology for cars (i.e., brackets based on power ratings and engine capacity) better reflects the current trend of vehicle efficiency and range of cars available in the market. The revised rates are intended to result in across-the-board reductions in road tax for EVs and some hybrids.
- However, due to the upfront lump-sum tax for EVs to account for the Government's loss of revenue that would otherwise be collected in the form of fuel excise duties, the total road tax would likely be higher for some models at least in the initial years of ownership.
- Notwithstanding the above, with the introduction of the EV Early Adoption Incentive, which gives rebates of up to 45% on the Additional Registration Fee (ARF) (to be capped at $20,000) over the next 3 years, this provides a strong incentive for car buyers to switch over to EVs during the early adoption period.
- Whilst there may be some practical challenges in EV ownership (e.g., lack of charging infrastructure is a major deterrence), the Government's announcement to add an additional 28,000 public charging stations by 2030 will be a step in the right direction towards increased adoption by the public.
- To further incentivise car buyers to move towards EV ownership, additional measures such as the restructuring of the Vehicular Emissions Scheme (VES) and potential reduction in customs duties specifically for EVs can also be considered and added on by the Government in later years.

Jobs Support Scheme (JSS)

As part of the Government's commitment to support enterprises to retain their local employees in the face of economic uncertainties due to the COVID-19 situation, the Government has introduced the JSS.

Proposed

The JSS is a temporary scheme for 2020. All active employers, with the exception of government organisations (local and foreign) and representative offices, are eligible for the JSS.

Employers will receive an 8% cash grant on the gross monthly wages of each local employee (applicable to Singapore Citizens and SPRs only) on their CPF payroll for the months of Oct 2019 to Dec 2019, subject to a monthly wage cap of $3,600 per employee. Wages paid to business owners will not be eligible for the grant.

Illustration of JSS Computation

	Oct 2019	Nov 2019	Dec 2019	Total
Wages paid to local employee (excluding employer CPF)	$3,000	$3,500	$4,000	$10,500
Qualifying wage (capped at $3,600)	$3,000	$3,500	$3,600	$10,100
Jobs Support payout to employer (8% of qualifying wage)	$240	$280	$288	$808

Employers do not need to apply for the JSS. The grant will be computed based on CPF contribution data. Employers can expect to receive the JSS payment from the IRAS by 31 Jul 2020.

Our view

- The JSS is certainly a welcomed move for businesses and local workers, especially those in business sectors that are directly impacted by the COVID-19 situation. It demonstrates the Government's commitment in supporting businesses and helping local workers stay employed during this period of uncertainty where the duration and severity of the situation remains unknown.
- The grant is only applicable to Singapore Citizens and SPRs. Businesses that have a higher ratio of employees on work passes and permits (typically retail sector) may not benefit fully from the JSS, although such businesses may be one of the hardest hit.

Enhancement to Wage Credit Scheme (WCS)

The WCS supports enterprises embarking on transformation efforts and encourages employers to share productivity gains with workers, by co-funding wage increases. It was introduced in Budget 2013, and extended in Budget 2015 and Budget 2018.

Proposed

It has been proposed by the Minister that the WCS will be enhanced for 2 years (i.e., 2019 and 2020). The Government's level of co-funding of qualifying wage increases will be 20% in 2019 and 15% in 2020. A summary of the changes is shown in the table below.

Comparison of current and proposed enhanced WCS

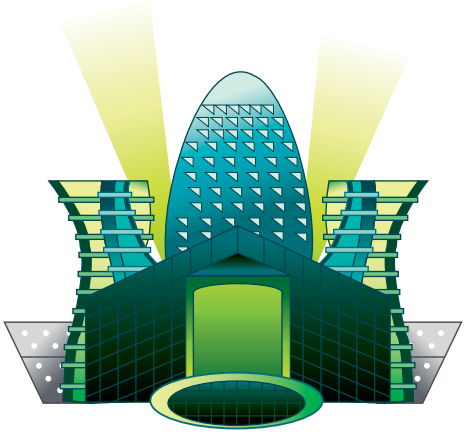
Scheme	Current	Proposed
Level of co-funding	• **15%** of qualifying wage increases in 2019 • **10%** of qualifying wage increases in 2020	• **20%** of qualifying wage increases in 2019 • **15%** of qualifying wage increases in 2020
Gross monthly wage ceiling	• **$4,000**	• **$5,000**
Qualifying wage increases	• Gross monthly wage increases of at least $50 given to Singaporean employees in the qualifying year, up to a gross monthly wage level of **$4,000**, will be co-funded. • In addition, gross monthly wage increases of at least $50 given in 2017, 2018 and 2019 up to a gross monthly wage level of **$4,000**, and sustained in subsequent years of the scheme, will be co-funded.	• Gross monthly wage increases of at least $50 given to Singaporean employees in the qualifying year, up to a gross monthly wage level of **$5,000**, will be co-funded. • In addition, gross monthly wage increases of at least $50 given in 2017, 2018 and 2019 up to a gross monthly wage level of **$5,000**, and sustained in subsequent years of the scheme, will be co-funded.
Others	• All other parameters remain the same. • Employers do not need to apply for WCS. They will receive payouts automatically in March of the following year. • Employers who benefit from additional wage credit arising from the WCS enhancements as proposed in Budget 2020 shall be informed in writing of a separate supplementary payout in the second half of 2020.	

As an illustration:

- Under the enhanced WCS, if an employer increases the gross monthly wage of an eligible employee by $100 each year from 2017 to 2020, and sustains these wage increases through to 2020, the Government will co-fund 20% of the total qualifying wage increase of $300 in 2019, and 15% of the total qualifying wage increase of $400 in 2020.
- This means that the employer will receive a payout of $1,440 of the total of $8,400 in new and sustained wage increases in years 2019 and 2020. This amount of co-funding from the Government would be $420 higher than that under the current WCS.
- Using the same example, with the raising of the gross monthly wage ceiling to $5,000, if the gross monthly wage of an eligible employee is $4,700 in 2016, the employee will receive a total of $8,400 in new and sustained wage increases in 2019 and 2020, of which the Government will co-fund $1,260.

Our view

- The enhancement of the WCS should have a positive impact on the employment strategies of businesses as the WCS would assist in defraying staff costs.
- The WCS enhancement could free up resources for businesses to continue investing in productivity and innovation, in line with the Government's vision to build a vibrant and innovative economy.
- The Government had previously highlighted that income inequality may potentially strain our social fabric. The enhancement of the WCS and increase in the gross monthly wage ceiling from $4,000 to $5,000 would hopefully encourage businesses to continue to raise the wages of their lower-income Singaporean employees and help to close the income gap.



Property Tax rebate for qualifying commercial properties

Property Tax, which is a form of wealth tax, is imposed on immovable properties in Singapore. Currently, non-residential properties such as commercial and industrial buildings are taxed at a flat rate of 10% of the annual value of the property.

Proposed

As part of the Stabilisation and Support Package, qualifying commercial properties will be granted a rebate for Property Tax payable for the period from 1 Jan 2020 to 31 Dec 2020.

Property Tax rebate rates

Property Tax payable for	Property Tax rebate rate
Accommodation and function room components of hotels licensed under the Hotels Act	30%
Accommodation and function room components of serviced apartment buildings	
Meetings, Incentives, Conventions, and Exhibitions (MICE) space components of 3 prescribed MICE venues: • Suntec Singapore Convention & Exhibition • Singapore EXPO • Changi Exhibition Centre	
Other qualifying commercial properties, such as: • Premises of an international airport • Premises of an international cruise or regional ferry terminal[1] • Shops (e.g., retail and F&B), including those within hotel buildings, serviced apartment buildings, and the prescribed MICE venues • Premises of tourist attractions	15%
• Marina Bay Sands • Resorts World Sentosa Note: The above 30% and 15% Property Tax rebate rates do not apply to Marina Bay Sands and Resorts World Sentosa.	10%

[1]Refers to Marina Bay Cruise Centre, Singapore Cruise Centre, and Tanah Merah Ferry Terminal.

The above rebates do not apply to premises or a part of any premises used for a residential, industrial or agricultural purpose, or as an office, a business or science park, or a petrol station.

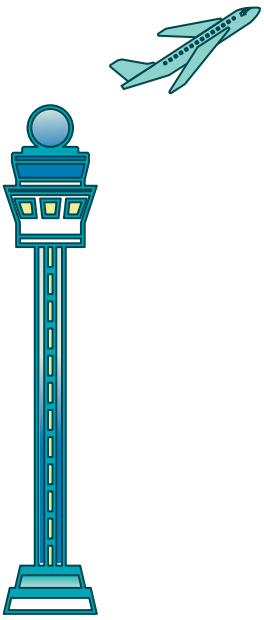
The IRAS will provide additional details by end Feb 2020.

Apart from the above, sector-specific support such as the Temporary Bridging Loan Programme, rebates on aircraft landing and parking charges, and rental rebates for shops and cargo agents at Changi Airport will also be part of the Stabilisation and Support Package.

Companies in the affected sectors may reach out to the respective regulatory bodies for additional details.

Our view

- The Property Tax rebate, which is part of the special $4B Stabilisation and Support Package, is specifically targeted at sectors that are directly affected by COVID-19 situation; namely tourism, aviation, retail, and food services. As Property Tax forms a substantial cost to businesses, the rebate is definitely a welcomed move.
- As the refund of the Property Tax rebate is only made to qualifying commercial property owners, the tenants that operate within such properties, which may be the hardest hit group, may not be able to benefit from such rebates if the savings are not being passed on to them.



Senior Worker Support Package

To support older workers who wish to continue working longer and to be more financially secure in retirement, the Retirement Age (RA) and the Re-employment Age (REA) will be raised from 62 to 65 and 67 to 70 respectively by 2030 and the CPF contribution rates will be raised for Singaporean and SPR workers aged above 55 to 70.

Proposed

To help employers adjust to the increases in the RA and REA in 2022 and the increase in CPF contribution rates in 2021, the Government has introduced the Senior Worker Support Package comprising the following measures:

a. Senior Employment Credit (SEC) to provide employers with wage offsets when they hire older Singaporean workers aged 55 and above;

b. CPF Transition Offset to offset half the increase in employer CPF contribution rates in 2021;

c. Senior Worker Early Adopter Grant to support companies that increase their RA and REA above the statutory minimum; and

d. Part-Time Re-employment Grant to support companies that voluntarily commit to providing part-time re-employment to all eligible older workers who request for it.

1. SEC

The SEC provides wage offsets to employers hiring Singaporean workers aged 55 and above, and earning up to $4,000 per month. The SEC will replace the existing Special Employment Credit and Additional Special Employment Credit schemes after they expire on 31 Dec 2020.

Age of employee (as of 1 Jan 2021)	Maximum wage offset for employers of Singaporean employees aged 55 and above, and earning up to $4,000 per month	
	2021	**2022**
55-59	2%	1%
60-64	3%	3%
65-REA-1	5%	5%
REA & above	8%	8%

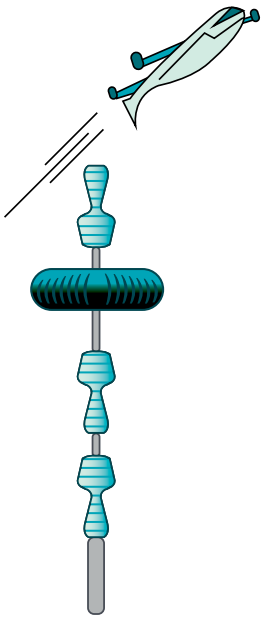
Effective: 1 Jan 2021 to 31 Dec 2022

2. CPF Transition Offset

CPF contribution rates for Singaporean and SPR workers aged above 55 to 70 will be increased on 1 Jan 2021. The CPF Transition Offset will be given to their employers, to offset half of the increase in employer CPF contribution rates for one year, up to the CPF salary ceiling of $6,000 per month.

Age of employee (as of 1 Jan 2021)	>55-60	>60-65	>65-70
Total CPF contribution	28% (+2 percentage points)	18.5% (+2 percentage points)	14% (+1.5 percentage points)
Employee CPF contribution	14% (+1 percentage point)	8.5% (+1 percentage point)	6% (+1 percentage point)
Employer CPF contribution	14% (+1 percentage point)	10% (+1 percentage point)	8% (+0.5 percentage point)
CPF Transition Offset (equivalent to half of the increase in employer CPF contribution rates)	0.5%	0.5%	0.25%

Effective: 1 Jan 2021 to 31 Dec 2021



3. Senior Worker Early Adopter Grant

The Government will provide companies with a Senior Worker Early Adopter Grant to support them in raising their company-specific RA and REA above the statutory minimum. To qualify for the grant, companies must formalise the changes in their Human Resource policies and employment contracts, and communicate the changes to their employees.

Additional details will be made available at a later date.

Effective: 1 Jul 2020 to 30 Jun 2023

4. Part-Time Re-employment Grant

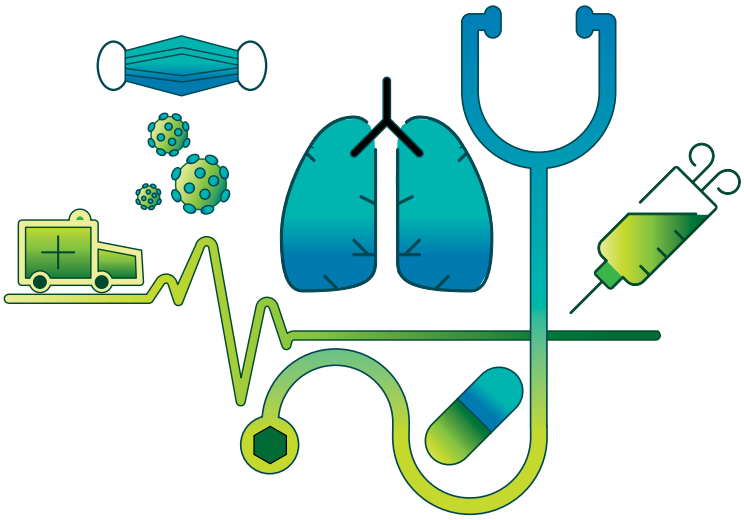
The Government will provide a Part-Time Re-employment Grant to companies which commit to offering part-time re-employment to eligible older workers who request for it. This will help older workers who would like to continue working, but prefer to be re-employed on a part-time basis.

Additional details will be made available at a later date.

Effective: 1 Jul 2020 to 30 Jun 2023

Our view

- The Government has initiated the above measures to encourage businesses to hire older workers. However, the above measures are not permanent. Companies will need to manage the increase in salary costs in the long run.
- With the ageing population, the Senior Worker Support Package will help older Singaporean workers to remain connected with society and stay active.



Reduce Sub-Dependency Ratio Ceiling (sub-DRC) and maintain FWL rates

The allowable percentage of foreign workers to Singaporean workers is referred to as the Dependency Ratio Ceiling, or DRC and S Passes are a sub category of the overall DRC.

Proposed

The FWL is the pricing mechanism used to regulate the number of foreign workers in Singapore; and the FWL rates will remain unchanged for all pass types, sectors and tiers. However, the sub-DRC for the construction, marine shipyard, and process sectors will be reduced in 2 steps; on 1 Jan 2021 and on 1 Jan 2023. Due to economic uncertainty, the sub-DRC for the manufacturing sector remains unchanged.

With the above, the current levy rates for S Pass Holders will continue to apply and the proposed sub-DRC will be as follows:

Table 1: S Pass Holders levy schedule

Sector	Tier	Sub DRC	Levy rates ($) current and up to 30 Jun 2021
All	Basic Tier	≤ 10%	330
Services	Tier 2	10-13%	650
Construction, Marine Shipyard & Process	Tier 2	10-20%[1]	650
Manufacturing	Tier 2	10-20%	650

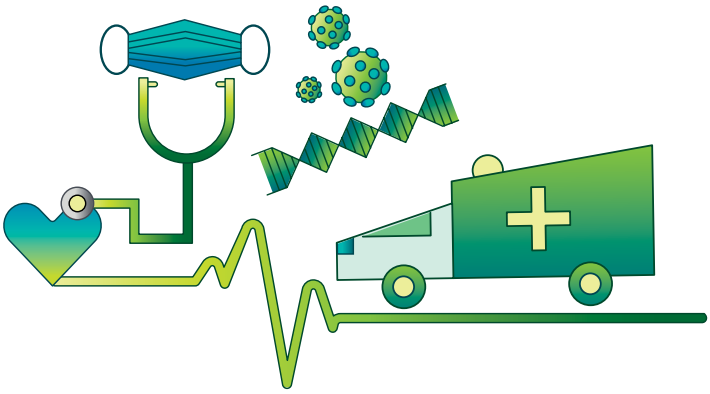
[1] Reduced to 18% on 1 Jan 2021, and to 10% on 1 Jan 2023.

The rates for Work Permit Holders and proposed DRC are summarised as follows:

Table 2: Work Permit Holders levy schedule

Sector	Tier	DRC	Levy rates ($) (R1/R2) current and up to 30 Jun 2021
Construction	Basic Tier	≤87.5%	300/700
	Man-Year Entitlement Waiver		600/950
Services	Basic Tier	≤10%	300/450
	Tier 2	10-25%	400/600
	Tier 3	25-38%[2]	600/800
Marine Shipyard	Basic Tier	≤77.8%	300/400
Process	Basic Tier	≤87.5%	300/450
	Man-Year Entitlement Waiver		600/750
Manufacturing	Basic Tier	≤25%	250/370
	Tier 2	25-50%	350/470
	Tier 3	50-60%	550/650

[2] Reduced to 35% on 1 Jan 2021

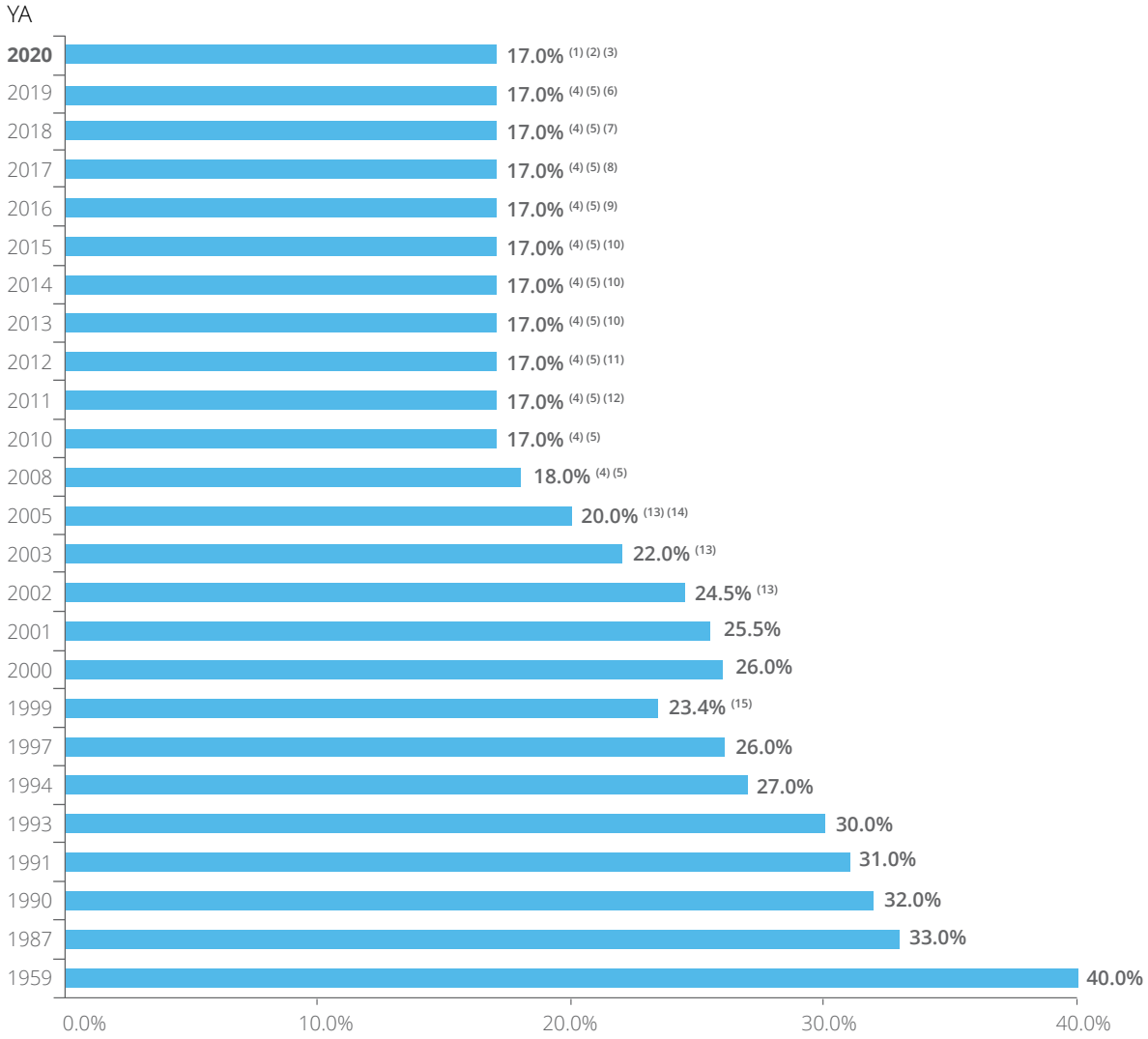


Our view

- Following Budget 2019 announcement on cutting dependency on the DRC and S Pass sub DRC thresholds in the services sector, the announcement on tightening the foreign workforce quota in another 3 sectors—construction, marine shipyard, and process comes as no surprise and is possible that the Government may revisit the need of having the S Pass category.
- The Government is continuing to reinforce measures to reduce dependency on foreign workers and encourage businesses to change Singaporeans' perception and attitude towards working in certain industries, which in the past have not been taken up by Singaporeans, by restructuring job roles, implementing technology to increase efficiency, and managing costs. Businesses should prepare for the possibility of the S Pass category being abolished in the future.

Appendix A

Singapore Corporate Income Tax rates

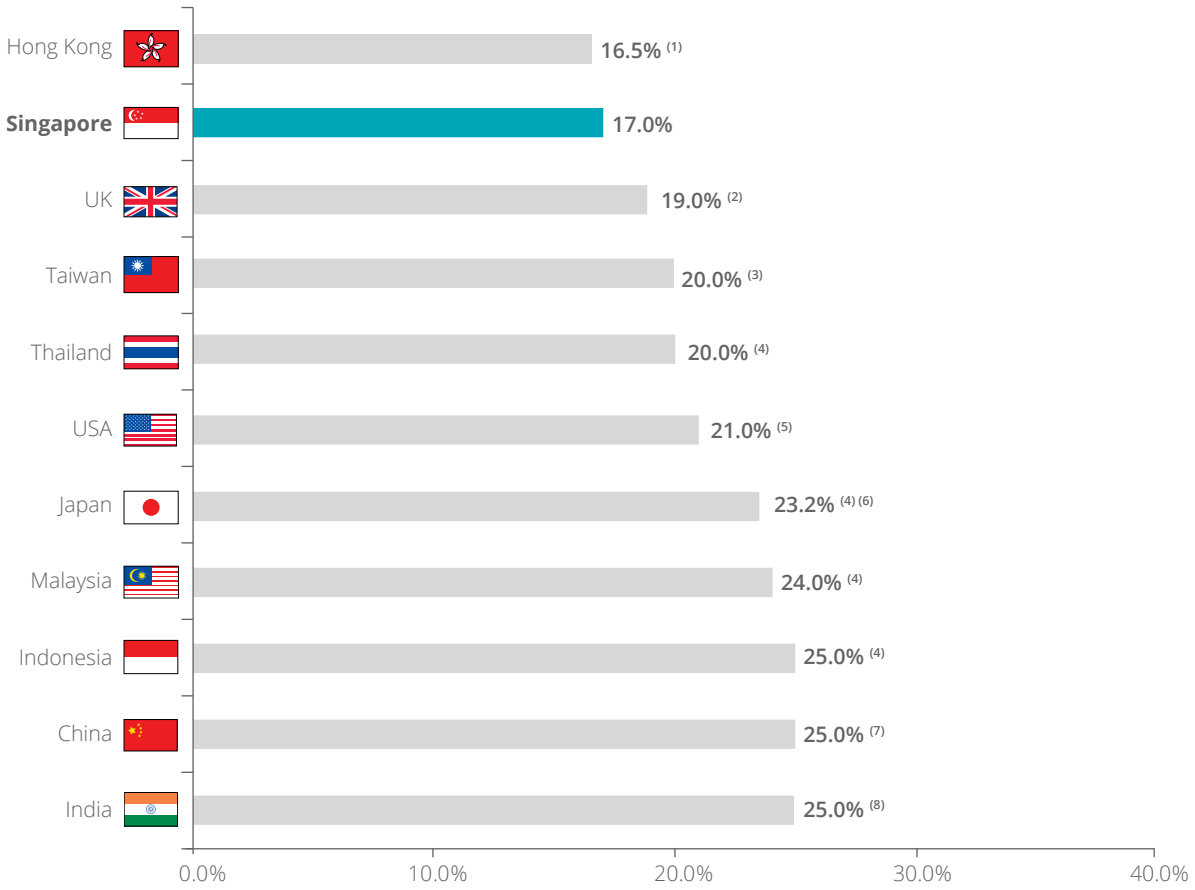


(1) 75% of first $10,000 and 50% of next $190,000 of chargeable income are exempt from tax from YA 2020.
(2) For qualifying new companies, 75% of first $100,000 of chargeable income and 50% of next $100,000 of chargeable income are exempt from tax for any of the first 3 consecutive YAs falling within the period from YA 2020.
(3) A corporate income tax rebate at 25% of the tax payable up to a maximum rebate of $15,000.
(4) 75% of first $10,000 and 50% of next $290,000 of chargeable income are exempt from tax up to YA 2019.
(5) For qualifying new companies, the first $100,000 of chargeable income and 50% of the next $200,000 of chargeable income are exempt from tax for any of the first 3 consecutive YAs falling within the period from YA 2008 to YA 2019.
(6) A corporate income tax rebate at 20% of the tax payable up to a maximum rebate of $10,000.
(7) A corporate income tax rebate at 40% of the tax payable up to a maximum rebate of $15,000.
(8) A corporate income tax rebate at 50% of the tax payable up to a maximum rebate of $25,000.
(9) A corporate income tax rebate at 50% of the tax payable up to a maximum rebate of $20,000.
(10) A corporate income tax rebate at 30% of the tax payable up to a maximum rebate of $30,000.
(11) A one-off SME cash grant of 5% of revenue, capped at $5,000.
(12) A one-off corporate income tax rebate or SME cash grant computed at the higher of:
- 20% of YA 2011 corporate income tax payable, capped at $10,000 (corporate income tax rebate); or
- 5% of revenue, capped at $5,000 (SME cash grant).

(13) 75% of first $10,000 and 50% of next $90,000 of chargeable income are exempt from tax.
(14) For qualifying new companies, the first $100,000 of chargeable income is exempt from tax for any of the first 3 consecutive YAs falling within the period from YA 2005 onwards.
(15) Effective tax rate (net of 10% tax rebate).

Appendix B

Comparison of current Corporate Income Tax rates in selected countries/locations



(1) A two-tiered profits tax regime applies to both corporations and unincorporated businesses from YA 2018/19. Each group of connected entities can only nominate one entity to enjoy two-tiered profits tax rates. For corporations, the tax rate is 8.25% for the first HK$2M of assessable profits and 16.5% for assessable profits in excess of HK$2M. Whereas, for unincorporated businesses, the tax rate is 7.5% for the first HK$2M of assessable profits and 15% for assessable profits in excess of HK$2M.

(2) Reducing to 17% from 1 Apr 2020. A 25% rate applies where multinational companies use artificial arrangements to divert profits overseas to avoid UK tax.

(3) Effective 1 Jan 2018.

(4) Lower rates of tax apply to income below certain levels for certain small companies.

(5) Effective 1 Jan 2018. Effective tax rate may vary depending on other state and local income taxes.

(6) Effective for fiscal years starting on or after 1 Apr 2018. After surtax, the effective tax rate is approximately 30%.

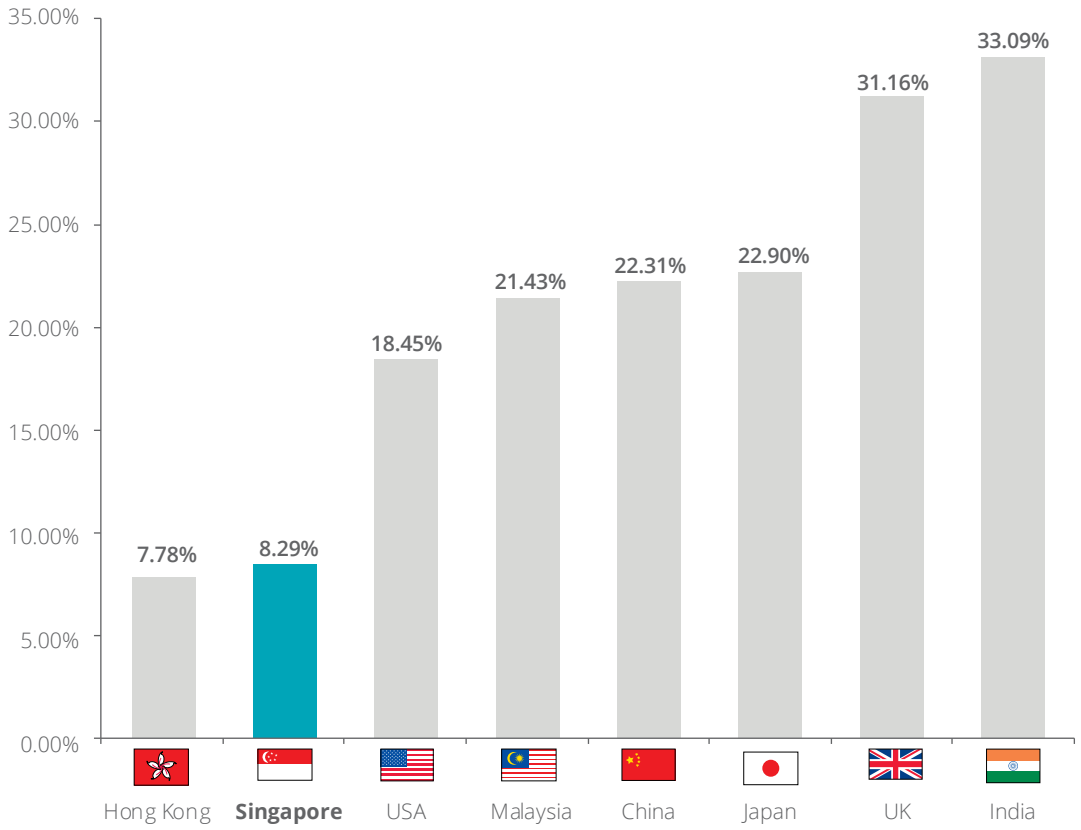
(7) Subject to meeting certain requirements, a 10% rate applies to key software production and IC design enterprises and 15% rate applies to enterprises with new/high-technology status, advanced technology service enterprises that perform qualifying outsourcing services and enterprises incorporated in certain regions of China that engaged in encouraged business activities. From 1 Jan 2019 to 31 Dec 2021, a 5% to 10% rate applies to small-scale enterprises.

(8) The corporate tax rate in India is 30% for all domestic companies with an annual turnover in excess of INR 4000M and 40% for foreign companies. The 30% tax rate was reduced to 25% for companies with an annual turnover less than INR 4000M in tax year 2017-2018. This was further reduced to 22% if the company does not avail of any incentives. For newly set up domestic manufacturing companies, a corporate tax rate of 15% was introduced with effect from tax year 2019-2020 subject to satisfying certain conditions.

Appendix C

Comparative personal effective tax rates for YA 2020

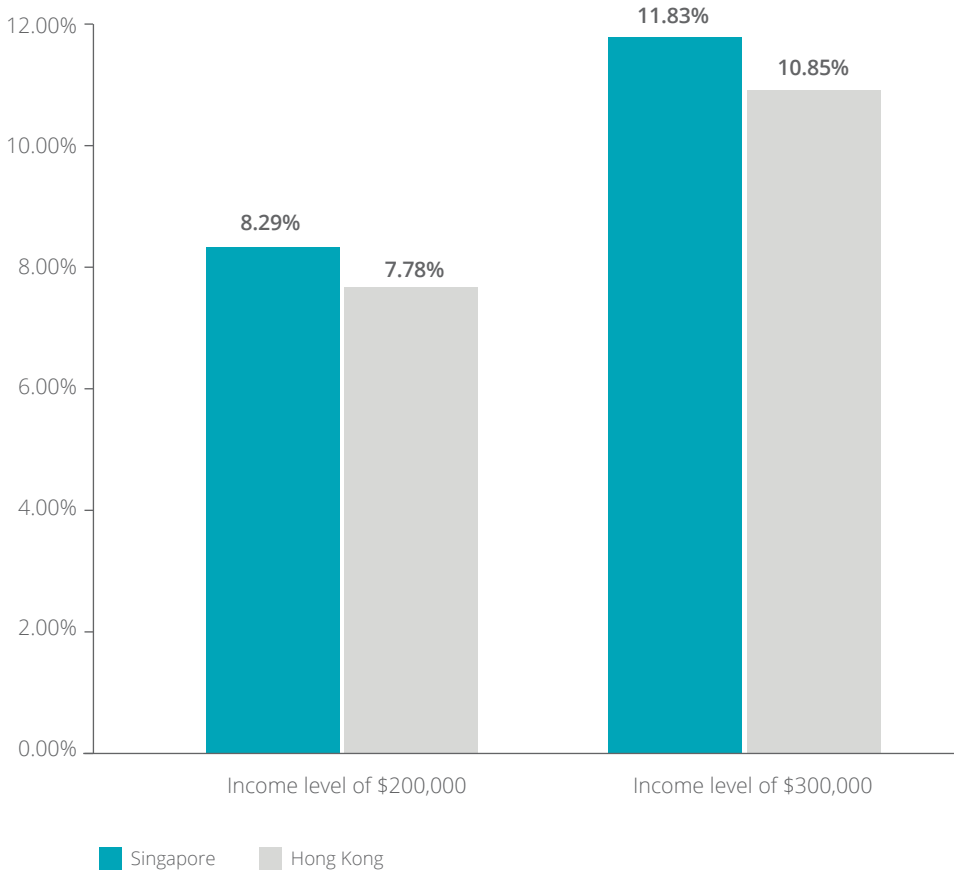
Employee married with 2 children
Gross annual remuneration $200,000



Appendix D

Comparative personal effective tax rates for YA 2020 —Singapore versus Hong Kong

Employee married with 2 children
Comparison of annual remuneration $200,000 versus $300,000



Appendix E

Rates of income tax for resident individuals for YA 2020

	Chargeable income ($)	Tax rate (%)	Tax ($)
On the first	20,000	0.00	0
On the next	10,000	2.00	200
On the first	30,000		200
On the next	10,000	3.50	350
On the first	40,000		550
On the next	40,000	7.00	2,800
On the first	80,000		3,350
On the next	40,000	11.50	4,600
On the first	120,000		7,950
On the next	40,000	15.00	6,000
On the first	160,000		13,950
On the next	40,000	18.00	7,200
On the first	200,000		21,150
On the next	40,000	19.00	7,600
On the first	240,000		28,750
On the next	40,000	19.50	7,800
On the first	280,000		36,550
On the next	40,000	20.00	8,000
On the first	320,000		44,550
Excess over	320,000	22.00	

Appendix F

Personal reliefs for YA 2020

Earned income relief

Age	Earned income relief	Handicapped earned income relief
	Lower of actual earned income and	
Below 55	$1,000	$ 4,000
55 to 59	$6,000	$10,000
60 and above	$8,000	$12,000

Spouse relief **$2,000**

Relief is granted to the taxpayer who is supporting a non-working spouse with an annual worldwide income not exceeding $4,000.

Taxpayers cannot claim spouse relief for maintaining their former spouses.

Handicapped spouse relief **$5,500**

There is no income threshold condition in respect of handicapped spouse.

Taxpayers cannot claim handicapped spouse relief for maintaining their former spouses.

Parent relief

Maximum of two parents*	Parent relief (per dependant)	Handicapped parent relief (per dependant)
Living in the same household	$9,000	$14,000
Not living in the same household	$5,500	$10,000

*Taxpayer's or spouse's parents, grandparents or great-grandparents who are living in Singapore and are 55 years old and above. In addition, the dependant must not have an annual worldwide income of more than $4,000.

There is no income threshold condition in respect of handicapped dependant.

Where more than one taxpayer is claiming the same relief on the same dependant, the relief shall be apportioned based on the claimants' agreed proportion or the IRAS shall apportion equally among all the claimants.

Grandparent Caregiver Relief (GCR) **$3,000**

Applicable to working mothers (including widows and divorcees) whose child is being looked after by their parent/parent-in-law/grandparent/grandparent-in-law or ex-spouse's parent/grandparent living in Singapore.

The child must be a Singapore citizen aged 12 years or below at any time during the year preceding the YA of claim.

With effect from YA 2020, the age criteria of 12 years or below will not be applicable for GCR claim in respect of handicapped and unmarried dependent children incapacitated by reason of physical or mental infirmity, provided all other conditions are met.

Handicapped siblings relief $5,500

Each dependant must have lived with the taxpayer in the same household. If not, the taxpayer must have incurred at least $2,000 per annum in the maintenance of each dependant.

The dependant must live in Singapore.

There is no income threshold condition for handicapped sibling.

Where more than one taxpayer is claiming the same relief on the same dependant, the relief shall be apportioned based on the claimants' agreed proportion.

No other reliefs must be claimed on the same dependant e.g. handicapped child relief.

Child relief

	Qualifying Child Relief (QCR)	Handicapped Child Relief (HCR)
Per child	$4,000	$7,500

The child's annual worldwide income shall not exceed $4,000 and studying full-time at any university, college, or other educational institution at any time in the preceding calendar year, if above 16 years old. Includes income from National Service (NS) and internship but excludes scholarships and bursaries.

There is no income threshold condition for handicapped child.

Working mother's child relief (WMCR)

	Quantum of relief
1st child	15% of earned income
2nd child	20% of earned income
3rd child and subsequent children	25% of earned income

WMCR is capped as follows:

- Maximum of $50,000 per child (QCR/HCR + WMCR); and
- Up to 100% of the mother's earned income for all qualifying children.

QCR/HCR will be claimed first, and WMCR will be limited to the remaining cap balance.

Only applicable to working mothers (including widows and divorcees) with children who are Singapore citizens.

The child's annual worldwide income shall not exceed $4,000.

Parenthood tax rebate (PTR)

	Quantum of rebate
1st child	$5,000
2nd child	$10,000
3rd child and subsequent children	$20,000 per child

Different qualifying criteria under PTR apply for the child, depending on whether the child is legitimate or adopted.

Special tax rebate (STR)

Previous claimants of STR whose STR balances have not been fully utilised as at 1 Jan 2005 can continue to draw on the STR balance until the balance is fully utilised.

Approved provident fund/life insurance relief

Compulsory contributions to CPF

Employees	Statutory CPF relief
Ordinary wages	Statutory contributions fully allowed.
Additional wage ceiling	Restricted to statutory contributions on total wages of $102,000 less total annual ordinary wages subject to CPF contributions in the year.

Voluntary contributions to CPF

	Maximum amount of voluntary contribution relief
Employee or self-employed	$37,740

Voluntary contributions to Medisave account

Voluntary contributions made to a taxpayer's Medisave account may be claimed as a relief, subject to a cap of $37,740 less total mandatory contributions per YA and the prevailing Basic Healthcare Sum (BHS) limits.

Life insurance premiums

Where compulsory CPF contributions are less than $5,000, the taxpayer may claim qualifying life insurance premiums on his or his wife's life as a relief; however, the total relief (for both mandatory CPF contributions and life insurance premium together) is subject to a cap of $5,000.

CPF cash top-up

	Quantum of relief
Cash top-up to taxpayer's parents'/ parents-in-law or taxpayer's grandparents'/ grandparents-in-law, non-working spouse's or siblings' retirement accounts or special accounts under the CPF Minimum Sum Topping-Up Scheme regardless of the recipients' age. Non-working spouse or siblings must not have a worldwide income of more than $4,000. Income threshold does not apply to handicapped spouse or handicapped siblings. Recipients must be Singapore citizens or SPRs.	$7,000 (Maximum)
Cash top-up by taxpayer or his employer to his retirement account or special account under the CPF Minimum Sum Topping-Up Scheme, regardless of the recipients' age.	$7,000 (Maximum)

Supplementary Retirement Scheme

Employees and self-employed	Maximum contributions per year (with effect from YA 2017)
Singapore citizens or SPRs	$15,300
Foreigners	$35,700

Course fees relief

	Quantum of relief
Fees (registration fees, examination fees, tuition fees) for courses, seminars, and conferences: • Relating to one's current trade, business, profession, vocation or employment in 2019. • Leading to an approved academic, professional, or vocational qualification in 2019.	$5,500 (Maximum)
Fees for courses which are not directly related to one's current trade, business, profession, vocation, or employment only if such courses resulted in a career switch to a relevant trade, business, profession, vocation, or employment within a period of 2 YAs. The claim can be made within 2 years from the YA in which the taxpayer completed the courses.	$5,500 (Maximum)

National Serviceman (NSman) relief

	Quantum of relief
Active NSman	$3,000
Non-active NSman	$1,500
Each parent of active NSman who are Singapore citizens and entitled to NSman relief	$750
Wives or widows of active NSman who are Singapore citizens and entitled to NSman relief	$750
NS key command and staff appointment holders (in addition to basic NSman relief)	$2,000

Foreign maid levy relief

	Quantum of relief
For YA 2020	Twice the annual levy paid for one foreign maid

Claimable against the earned income of a married or divorced woman and widow with children in respect of whom child relief is available.

With effect from 1 Apr 2019 (YA 2020), the monthly Foreign Domestic Worker (FDW) levy will be increased from $265 to $300 for the first FDW and to $450 for the second FDW, without levy concession. The FDW levy (with concession) will remain at $60 per month.

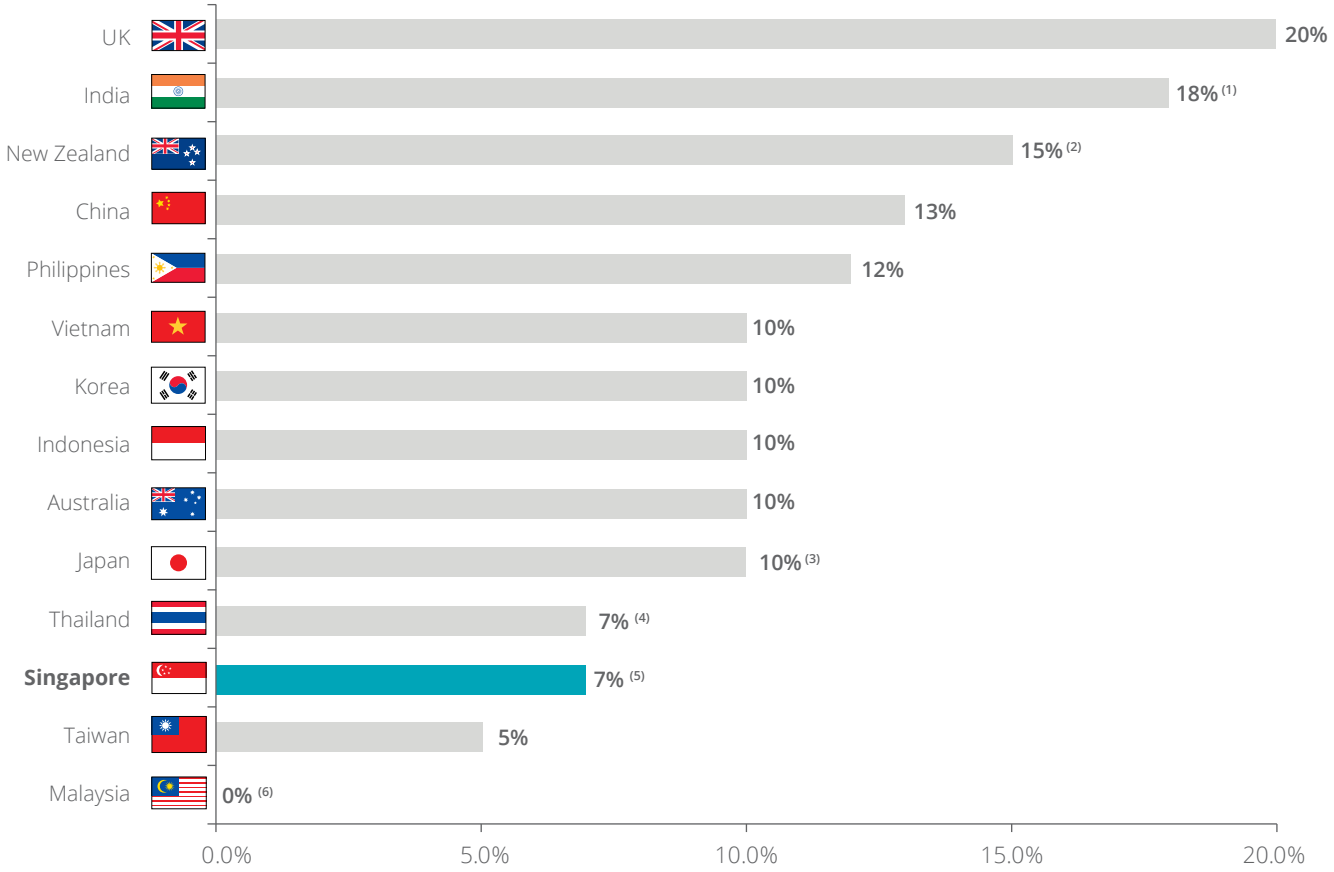
The amount of relief claimable is twice the annual levy paid for one foreign maid in the preceding year.

Personal Income Tax relief cap

With effect from YA 2018, the total amount of personal income tax reliefs an individual can claim is capped at $80,000 per YA.

Appendix G

Comparative standard VAT/GST rates for 2020



(1) Goods and services are categorised under a structure with five different rates of 0%, 5%, 12%, 18%, and 28%. There is no standard rate per se, but the rate for most services is 18%. For goods, the rates are 12% and 18%.

(2) Goods and services are categorised under a structure with three different rates of 6%, 9%, and 13%. The rates of 9% and 13% were 10% and 16% respectively prior to the rate increase from 1 Apr 2019.

(3) The standard Japanese Consumption Tax (JCT) rate was increased from 8% to 10% on 1 Oct 2019, along with the introduction of a multiple rate system. Under the system, there is a reduced JCT rate of 8%, which is currently applicable on the sale of food and beverages and print newspaper subscriptions.

(4) The reduced 7% rate was extended until 30 Sep 2020.The standard VAT rate is 10%.

(5) Rate will be increased from 7% to 9% in the period from 2022 to 2025. Exact timing to be announced.

(6) GST has been repealed with effect from 1 Jun 2018 and was replaced with Sales and Services Tax from 1 Sep 2018. A Sales Tax of 5% to 10% will apply on prescribed goods and a Service Tax of 6% will apply on prescribed services.

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