

Singapore Budget 2021 Commentary

Powering up for the Reset Economy

Your byte-sized Budget guide

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Common abbreviations

B	Billion
CA	Capital Allowances
CPF	Central Provident Fund
ECI	Estimated Chargeable Income
EDB	Economic Development Board
ESG	Enterprise Singapore
FY	Financial Year
FDW	Foreign Domestic Worker
FWL	Foreign Worker Levy
GST	Goods & Services Tax
IPC	Institutions of a Public Character
IRAS	Inland Revenue Authority of Singapore
ITA	Income Tax Act
M	Million
MAS	Monetary Authority of Singapore
MOM	Ministry of Manpower
%	Percent
P&M	Plant and Machinery
PE	Permanent Establishment
\$	Singapore Dollar
SGX	Singapore Exchange
SME	Small and Medium-sized Enterprise
STB	Singapore Tourism Board
WHT	Withholding Tax
YA	Year of Assessment

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Foreword



Deputy Prime Minister and Minister for Finance, Mr Heng Swee Keat, delivered the Budget 2021 speech on 16 Feb 2021.

Each year, the Singapore government looks to balance the priorities of each Budget through an appropriate mix of short-term and long-term measures to support the economy. This year is no exception as the Government responds to the immediate short-term needs of businesses, workers, and families that have been hit hardest by the COVID-19 pandemic. There is also strong recognition that COVID-19 has disrupted global supply chains and business models, and accelerated digitalisation; and this in itself represents an opportunity for new areas of growth that Singapore must appropriately respond to. Our Deloitte Budget theme is “Powering up for the Reset Economy”—to meet both the short-term and long-term needs of the Singapore economy.

Singapore has incurred a rare budget deficit as the Government continues to support economic activity in the face of the prolonged downturn brought on by the COVID-19 pandemic. The Government typically begins a new term with a sizeable budget surplus, therefore making this an unusual year as Singapore continues to draw on past reserves for the second year running to pay for measures needed to fight the impact of COVID-19. Singapore is expected to record a budget deficit of \$11B this year (2.2% of the Gross Domestic Product), and this is in addition to the \$64.9B deficit for Fiscal Year 2020, the largest since Singapore’s independence.

Budget 2021 prioritises the need to channel more targeted support to the business sectors and segments of society that continue to struggle due to the pandemic. This is combined with a clear focus on Singapore’s longer term goals, such as a series of initiatives designed to encourage business innovation, global partnerships, and digital transformation among local businesses (all of which have been accelerated by the pandemic) to deepen Singapore’s position as a Global-Asia node. There is also an increasing focus on sustainability initiatives under the Singapore Green Plan 2030, which will chart Singapore’s path towards a more sustainable future.

Last year, the Singapore economy contracted by 5.4% in the worst recession on record. In response, the Minister delivered an unprecedented 5 budgets that deployed almost \$100B to combat the COVID-19 crisis. This year, the economy is forecast to grow 4% to 6%. However, this recovery is expected to be highly uneven, with some sectors growing well and others remaining under stress.

In Budget 2021, the Minister announced an \$11B COVID-19 Resilience Package to support the recovery process. This will primarily go towards safeguarding public health, including the provision of vaccinations as well as continued support for workers and businesses that is skewed towards the hardest hit sectors. As anticipated, this moves away from the broad-based support provided last year to a more targeted support for hard-hit sectors that remain most affected by the economic downturn.

More specifically, the Government continues to provide support to businesses and workers through an extension to the Jobs Support Scheme (JSS), which is targeted towards supporting the hardest hit sectors such as aviation, aerospace, and tourism. The Minister also announced financial support packages for specific sectors, including aviation, land transport, arts & culture, and sports. This is no surprise given the sensitivity of these sectors to global travel and social connectivity.

For families still coping with uncertainties brought on by COVID-19, the Minister announced a \$900M Household Support Package, which includes one-off cash payments with lower to middle-income families receiving more. Looking ahead, the Minister also spoke about measures to strengthen social safety nets to support the more vulnerable members of society, including low-wage workers and lower-income families.

The Minister confirmed that the proposed GST rate increase from 7% to 9% will take place sometime between 2022 and 2025, and this will be sooner rather than later subject to the economic outlook. The Minister reiterated that the \$6B Assurance Package announced last year will help most Singaporean households cushion the impact of the GST increase when it comes.

Singapore will also introduce GST on the import of low-value goods via air or post that are bought online, as well as on Business-to-Consumer imported non-digital services from 1 Jan 2023. This is in line with the trend seen more broadly at the international level and is designed to ensure a level playing field for local businesses as compared with their overseas counterparts.

The Minister also touched on the Singapore Green Plan 2030, which was unveiled earlier this month. This includes a plan to tackle the climate crisis, efforts to increase solar capacity and research into other renewable energy sources, green infrastructure projects, and incentives to encourage wider adoption of low emission vehicles—all intended to build a more sustainable future for generations to come.

Budget 2021 was aptly titled “Emerging Stronger Together”. Last year’s budget was geared towards emergency support measures whereas Budget 2021 provides more targeted support towards the sections of business and society that continue to struggle amid the pandemic. This is coupled with a sharp eye towards the future with regard to business innovation and digital transformation, along with strengthening efforts to tackle the climate crisis and invest in renewable energy sources.

As the Minister aptly summarised his sentiments on the Ministry of Finance’s Facebook page, “To emerge stronger, we must find new ways to work together, innovate, and transform our economy”.

A snapshot of the Budget 2021 and a commentary on the tax changes are provided in the following pages—Happy reading!

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SECTORAL SUPPORT

- For aviation: \$870M to preserve core capabilities and extend cost relief
- For land transport: \$133M COVID-19 Driver Relief Fund to support taxi and private hire car drivers
- For arts & culture and sports: \$45M for enhancement and extension of Arts and Cultural and Sports Resilience Packages

PERSONAL TAX AND IMMIGRATION

- No changes in personal income tax rates and reliefs, and no personal rebates
- Reduction in sub-Dependency Ratio Ceiling (sub-DRC) for manufacturing to 18% from 1 Jan 2022, and to 15% from 1 Jan 2023

GST

- GST rate remains at 7% in 2021 but may increase some time between 2022 to 2025
- GST will be extended to (i) low-value goods which are imported via air or post and (ii) business-to-consumer imported non-digital services from 1 Jan 2023
- Basis for determining whether zero-rating applies to a supply of media sales will be updated

CORPORATE TAX

- No changes in corporate income tax rates and no tax rebates
- Extension of Budget 2020 measures:
 - Enhanced carry-back relief scheme extended to YA 2021 to permit carry-back to 3 immediate preceding YAs
 - Accelerated 2-years CA on acquisition of P&M extended to YA 2022
 - Accelerated 1-year deduction on expenses incurred on renovation and refurbishment extended to YA 2022
- Enhancement of the double tax deduction for Internationalisation (DTD_i) scheme to cover wider expenses and qualifying activities
- Extension and refinement of DTD for qualifying upfront cost attributable to retail bonds
- Extension or enhancement of various other schemes including WHT exemptions for the financial sector, tax incentives for Not-for-Profit Organisation, 100% Investment Allowance and Investment Allowance (Energy Efficiency) schemes

CLIMATE CHANGE AND SUSTAINABILITY

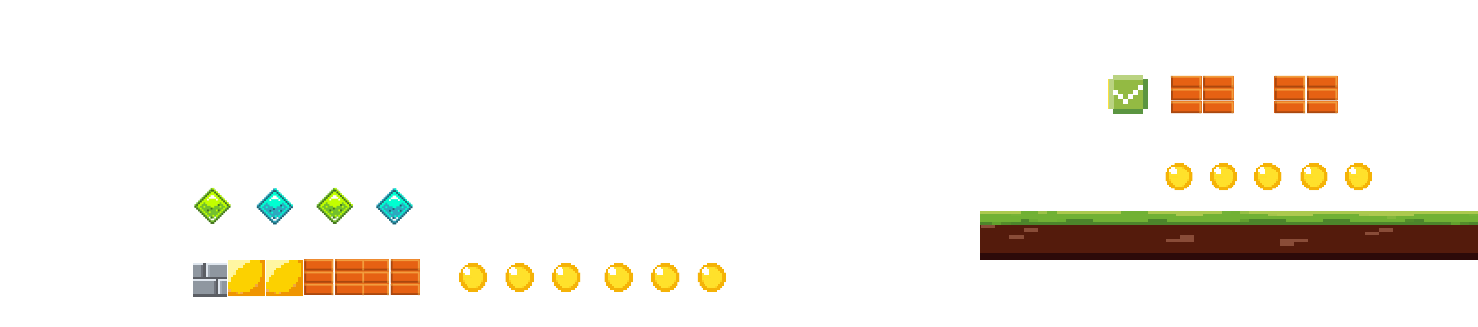
- \$60M in new Agri-Food Cluster Transformation Fund to support technology adoption in agri-food sector
- \$30M over 5 years set aside for Electric Vehicle related initiatives
- Lower additional registration fee for Electric Cars from Jan 2022 to Dec 2023 and adjustment to road tax bands for Electric Cars
- Increase in petrol duty rates by 15 cents per litre for premium petrol and 10 cents per litre for intermediate petrol. Further rebate will be given to Singaporeans who rely on their vehicles for their livelihood to ease the transition
- Issuance of Green Bonds for selected public infrastructure projects with up to \$19B of public sector green projects identified as a start
- Carbon Tax maintained at \$5 per tonne up to 2023 and will be reviewed post-2023
- Bonds of up to \$90B to spread financing costs of long-term, major infrastructure projects under proposed Significant Infrastructure Government Loan Act (SINGA)

SUSTAINING BUSINESSES

- Extension of JSS Scheme:
 - Tier 1 sectors (aviation, aerospace, and tourism): 30% for wages paid from Apr to Jun 2021, and 10% for wages paid from Jul to Sep 2021
 - Tier 2 sectors (retail, arts and culture, food services, and built environment): 10% for wages paid from Apr to Jun 2021
- Extension and enhancement of Enterprise Financing scheme – Venture Debt Programme to increase cap on loan quantum from \$5M to \$8M
- Extension of enhanced 80% support for various enterprise schemes such as Scale-up SG, Productivity Solutions Grants, Market Readiness Assistance, and Enterprise Development Grant from end Sep 2021 to end Mar 2022
- Extension of Wage Credit Scheme for 1 year, with 15% co-funding

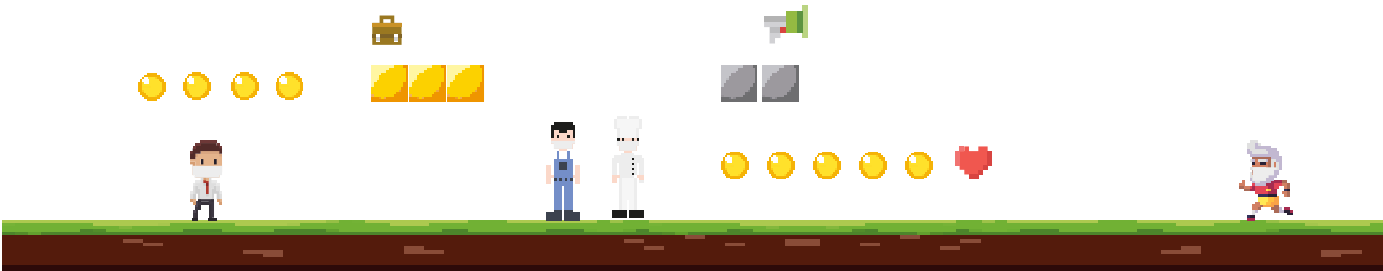
START GAME

IUP



PEOPLE AND CAREER DEVELOPMENT

- \$5.2B to extend Jobs Growth Incentive's qualifying window to end-Sep 2021, and grant the higher 50% co-funding for hiring of mature workers aged 40 and above, persons with disabilities and ex-offenders
- Extension of SG United Traineeships, SG United Mid-Career Pathways Programme and SGUnited Skills for workers who require additional support before landing a job
- Provide support for 500 Fellowships under Innovation and Enterprise Fellowship Programme (IFP) over 5 years for cybersecurity, artificial intelligence, and health tech
- Increase in salaries for healthcare workers
- Extension of Capability Transfer Programme to end Sep 2024
- \$200M increase for Senior Worker Early Adopter Grant and Part-time Re-employment Grant



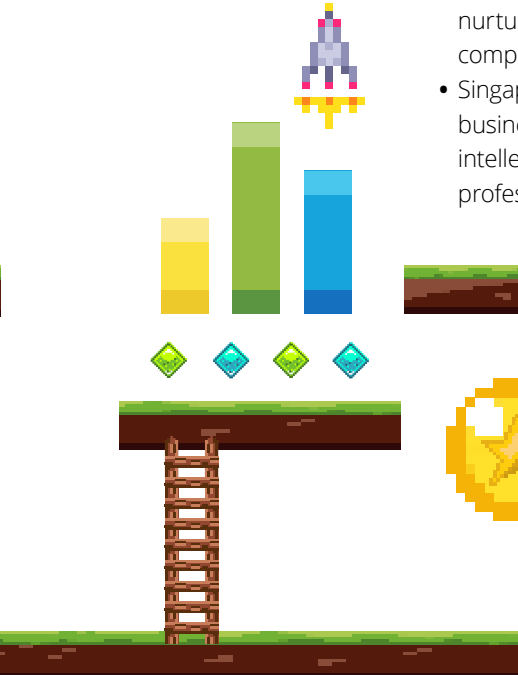
FOR THE FAMILY

- \$200 additional GST Voucher-Cash Special Payment for eligible Singaporeans
- \$120 to \$200 GST Voucher-U-Save Special Payment for eligible households
- 1.5 to 3.5 months of Service and Conservancy Charges Rebate for eligible households
- \$200 additional Edusave top-up for all Singaporean children below the age of 21
- \$100 Community Development Council vouchers for Singaporean households
- New pilot programme for children with special needs (preschools)
- Expansion of ComLink to a nationwide programme to support more lower-income families
- \$500 to \$700 COVID-19 Recovery Grant per month for 3 months to support workers who lost their jobs or experienced significant income loss



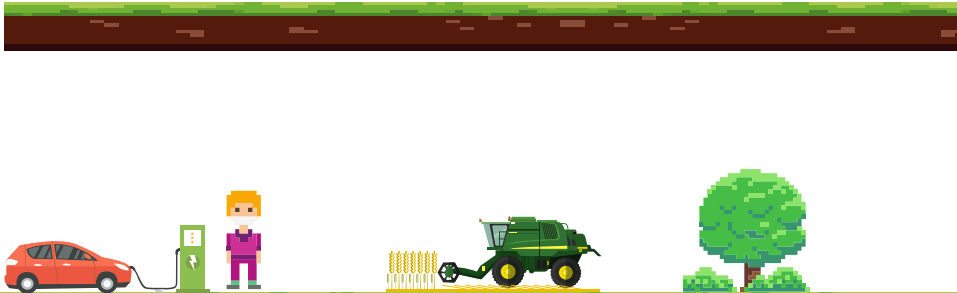
DIGITALISATION & TRANSFORMATION

- Government to co-invest S\$500 million with Temasek in a S\$1 billion Local Enterprises Funding Platform to help Large Local Enterprises enter their next bound of growth
- New Emerging Technology Programme to co-fund costs of trials and adoption of frontier technologies
- Chief-Technology-Officer-as-a-Service to provide firms with access to professional IT consultancies
- Digital Leaders Programme to help promising firms hire a core digital team, and develop and implement a digital transformation roadmap
- Pilot or enhance platforms like Corporate Venture Launchpad, Open Innovation Platform, Global Innovation Alliance for nurturing creative ideas to help businesses remain competitive on a global scale
- Singapore Intellectual Property Strategy 2030 to equip businesses with tools to value and commercialise their intellectual property, intangible assets, and train skilled professionals in these fields



GIVING CULTURE

- Extension of the 250% tax deduction for qualifying donations made to IPCs to cover donations to be made up to 31 Dec 2023
- Extension of the Business and IPC Partnership Scheme until 31 Dec 2023
- Extension of Singapore Tote Board's Enhanced Fund-Raising Programme to provide dollar-for-dollar matching, up to S\$250,000 per applicant, on approved fund-raising projects up to 31 Mar 2022
- Extension of ComChest's SHARE as One programme to provide dollar-for-dollar matching for any new and incremental donations made through SHARE until FY 2023
- Introduction of ComChest's Change for Charity Grant for 5 years from FY2021 to FY2025



Business Tax

Corporate Income Tax rate and rebate

The Corporate Income Tax rate remains at 17%, with the partial tax exemption available on the first \$200,000 of a company's normal chargeable income. There is no Corporate Income Tax rebate proposed for YA 2021.

Our view

- 2020 was a difficult year for most businesses. Businesses that have managed to survive the year, may nevertheless find themselves in a loss position for YA 2021. As such, the Government may have considered that there may likely not be any significant benefit to businesses if the Corporate Income Tax rate was reduced or if a Corporate Income Tax rebate was granted for YA 2021. Instead, other forms of support to alleviate the short-term cash flow needs of businesses could be more helpful.
- We note that the Government has granted Corporate Income Tax rebates over the past decade to corporate taxpayers and hence the decision not to grant a Corporate Income Tax rebate for YA 2021 is somewhat unusual given the uncertain economic outlook ahead. An extension of the Corporate Income Tax rebate for another year may have been helpful particularly for SMEs that could be earning a small profit despite the COVID-19 situation in 2020.
- Maintaining the Corporate Income Tax rate at 17% signals the Government's view that the Singapore Corporate Income Tax rate remains competitive at this time. In addition to a competitive Corporate Income Tax rate, other aspects such as upskilling our workforce and deepening partnerships with our neighbouring countries are equally important to enhance Singapore's attractiveness as a place of investment.

Extend the YA 2020 enhancements on the carry-back relief scheme

The carry-back relief scheme was previously enhanced for YA 2020. Under the enhanced scheme, current year unabsorbed CA and trade losses (collectively referred to as "qualifying deductions") for YA 2020 may be carried back up to 3 immediate preceding YAs, capped at \$100,000 of qualifying deductions and subject to conditions.

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

Proposed

To continue providing support to businesses, the enhancements to the carry-back relief scheme for YA 2020 will be extended to apply to qualifying deductions for YA 2021, with the same parameters.

Our view

- Businesses that have qualifying deductions in YA 2021 (FY 2020) can tap on the extension of the enhanced carry-back relief scheme to address their immediate concern over cash flow issues while recovering from the COVID-19 situation. This is of course provided they were in a tax paying position in YA 2018, YA 2019, or YA 2020, after applying the carry-back relief scheme for YA 2020, if applicable.
- The extension will not benefit businesses that were not in a tax paying position since YA 2018 (FY 2017).
- Although a welcome extension, it is somewhat disappointing that the Government did not further enhance the carry-back relief by increasing the cap (e.g., \$500,000) on qualifying deductions allowed to be carried back, or to increase the number of YAs (e.g., 5 immediate preceding YAs), in which qualifying deductions are allowed to be carried back.

Extend the option to accelerate CA claims

Currently, a taxpayer who incurs capital expenditure on the acquisition of P&M in the basis period for YA 2021 (i.e., FY 2020) has an option to accelerate the write-off of the cost of acquiring such P&M over 2 years.

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

- a. 75% of the cost incurred to be written off in first year (i.e., in YA 2021); and
- b. 25% of the cost incurred to be written off in second year (i.e., in YA 2022).

The above option is in addition to the options currently available under Sections 19 and 19A of the ITA. This option, if exercised, is irrevocable.

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).

Proposed

To continue to provide support to businesses, the above option will be extended to capital expenditure incurred on the acquisition of P&M in the basis period for YA 2022 (i.e., FY 2021), with the same parameters.

Our view

- The extension of this option is in line with the Government's intention to continue to encourage businesses to invest in P&M amidst the economic downturn, by addressing some of the cash flow concerns from P&M investments.
- With the extension, businesses can have more time to plan their investment in P&M to improve their productivity and capability, and get ready to tap on new opportunities along the way when the economy is recovering.
- However, in view of the requirements of the accelerated CA claim (i.e., no deferment of CA claims over the 2-year period), businesses could consider whether it is beneficial to exercise this option, as the option is irrevocable once exercised.

Extend the option to accelerate renovation and refurbishment (R&R) deduction

Taxpayers who incurred 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 were given an irrevocable 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 applies.

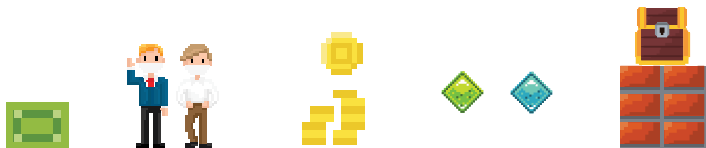
The option above was in addition to the existing option under Section 14Q of the ITA.

Proposed

To continue providing support to businesses, the option to claim R&R deduction in 1 YA (i.e., accelerated R&R deduction) will be extended to qualifying expenditure incurred on R&R in the basis period for YA 2022 (i.e., FY 2021), with the same parameters.

Our view

- The extension of the accelerated R&R deduction is a welcomed move from the Government to encourage businesses to renew and refresh their business premises regularly.
- The proposal to accelerate the deduction of expenses incurred on R&R could help manage the cash flow of businesses, particularly the SMEs, who are recovering from the unprecedented impact of COVID-19, intending to embark on renewing and refreshing their business premises in FY 2021.
- The proposal could also encourage businesses to carry out more extensive upgrading work in FY 2021 and be better prepared for the economic situation post COVID-19.
- However, it should be noted that the cap of \$300,000 for every relevant period of 3 consecutive YAs would continue to apply. Hence, if a business has spent \$300,000 in FY 2020, and YA 2021 and YA 2022 fall within the same 3-year relevant period, it would not be able to claim another \$300,000 R&R deduction in YA 2022.



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 the ESG or the STB.

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

- a. Participation in overseas market development trips/missions;
- b. Participation in overseas investment study trips/missions;
- c. Participation in overseas trade fairs; and
- d. Participation in approved local trade fairs.

The DTDi scheme is scheduled to lapse after 31 Dec 2025.

Proposed

To continue supporting internationalisation efforts of businesses amid changes in the business environment, the scope of the DTDi scheme will be enhanced to cover the following specified expenses incurred to participate in approved virtual trade fairs:

- a. Package fees charged by event organisers for virtual exhibition hall and booth access, collateral creation, business meeting/match sessions, pitches/product launches/speaking slots, webinar/conference, and post event analytics;
- b. Third-party costs for design and production of digital collaterals and promotion materials for virtual fairs; and
- c. Logistics costs incurred to send materials/samples overseas to potential clients met at virtual trade fairs.

The list of qualifying expenses for overseas investment study trips will also be expanded to include logistics costs to transport materials/samples used during the investment trips.

In addition, the scope of qualifying activities, which does not require prior approval from the ESG or the STB will be enhanced to cover the following additional activities, up to the current annual expenditure cap of \$150,000:

- a. Product/service certification (primarily to increase buyer's acceptance in overseas markets) approved by the ESG;
- b. Overseas advertising and promotional campaign;
- c. Design of packaging for overseas markets;
- d. Advertising in approved local trade publication; and
- e. Participation in virtual trade fairs approved by the ESG.

The above enhancements will take effect for qualifying expenses incurred on or after 17 Feb 2021. The ESG will provide additional details of the changes by 28 Feb 2021.

Our view

- The Government recognises that businesses are adopting new ways of working, i.e., “virtual” amidst the COVID-19 situation. Businesses can ride on the enhancement of the DTDi scheme to be cost efficient when participating in approved virtual trade fairs.
- The Government has also liberalised the need for companies to seek prior approval from the ESG or the STB by expanding the scope of qualifying activities. This was intended to continue to provide additional support to affected businesses as more marketing activities begin to resume.
- We look forward to more clarification from the ESG on whether the newly added expenses such as specified expenses for virtual trade fairs and logistics costs on overseas investment study trips could be allowed tax deduction without the need to seek prior approval from the ESG or the STB.

Allow the Automation Support Package (ASP) to lapse, but retain the Investment Allowance (IA) scheme

The ASP was previously introduced in Budget 2016 to support businesses to automate, drive productivity, and scale-up. One of the components under the ASP includes 100% IA support on the amount of approved capital expenditure, net of grants, for automation projects approved by the ESG from 1 Apr 2016 to 31 Mar 2021. The approved capital expenditure is capped at \$10M per project.

Proposed

The ASP, except the IA scheme, will lapse after 31 Mar 2021.

Other schemes including the Enterprise Development Grant (EDG) and the Enterprise Financing Scheme (EFS) will continue to be available to support businesses in their automation, productivity, and scale-up efforts.

The 100% IA scheme supporting automation will be extended by 2 years for automation projects approved by the ESG from 1 Apr 2021 to 31 Mar 2023. All other conditions of the scheme remain the same.

Our view

- The ASP was first introduced in 2016 and was extended for another 2 years in 2019. It has helped many local businesses to automate their operations and raise productivity.
- The ASP is a package of support comprising grant, tax, and loan components. With the lapse of the packaged support, businesses looking to automate, drive productivity, and scale-up can still tap on individual schemes under the EDG and EFS administered by the ESG.
- We note that the IA granted on capital investment is normally around 50%. As automation typically involves significant financial outlays, the extension of the 100% IA scheme on approved capital expenditure could be useful to businesses, especially the SMEs and the larger local enterprises that are seeking to deploy large-scale automation and to scale-up. At this stage, it is not clear if “all other conditions of the scheme remains” implies that the approved capital expenditure will be capped at \$10M per project. We look forward to additional details from the ESG.

Extend and enhance the Investment Allowance (Energy Efficiency) (IA-EE) scheme

The scheme provides Investment Allowance (IA) for Energy Efficiency (EE) improvement projects, subject to conditions.

Data centres are subject to additional qualifying conditions under the IA-EE scheme, such as the following:

- a. Comply with the Singapore Standard for Green Data Centres (SS564:2010); and
- b. Have a minimum capacity of 400m² (floor space).

The conditions above apply to EE improvement projects approved by the EDB on or before 31 Mar 2021.

Proposed

The IA-EE scheme will be renamed the “Investment Allowance for Emissions Reduction” scheme, with the following revisions:

- a. Expansion in the scope of qualifying projects to include projects involving a reduction of greenhouse gas emissions; and
- b. Streamlined and updated eligibility conditions. These will apply to all projects (i.e., there will no longer be a distinction between data centres and non-data centres).

The revised conditions will apply to projects approved by the EDB from 1 Apr 2021 to 31 Dec 2026 (both dates inclusive).

The EDB will release additional details of the changes by 30 Jun 2021.

Our view

- The extension and the enhancement to the IA-EE scheme are timely and could contribute towards the Singapore Green Plan 2030 that was recently revealed by the Government. The present scheme provides additional capital allowance in the form of IA, typically at 30% or 50% of qualifying capital expenditure, to companies that conduct energy-efficient projects or green data centre projects resulting in more efficient energy utilisation.
- The renaming of the scheme and expansion in scope to include projects involving a reduction of greenhouse gas emissions suggests the intent to allow more flexibility in the types of initiatives that can qualify under the enhanced scheme. This could encourage businesses to explore more innovation in their sustainability efforts and the development of new green solutions.
- Under the current IA-EE, there are various eligibility requirements for data centres and non-data centre projects respectively, as well as a need to demonstrate that the project results in a measurable and verifiable reduction of energy use. It remains to be seen whether the streamlined and updated eligibility conditions will be more, or less stringent, given the ambitious targets set out in the Singapore Green Plan to achieve net zero emissions as soon as it is viable. Additional clarifications from the EDB are anticipated in this regard.

Withdraw the Accelerated Depreciation Allowances for Highly Efficient Pollution Control Equipment (ADA-PCE) scheme

The ADA-PCE scheme was previously introduced in Budget 1996 to encourage businesses to purchase and install clean technologies to improve air quality in Singapore.

Under the scheme, a taxpayer who incurs capital expenditure to install qualifying highly efficient pollution control equipment can accelerate the write-off of the cost of acquiring such equipment over 1 year.

Proposed

The ADA-PCE scheme will be withdrawn from 17 Feb 2021.

Our view

- The ADA-PCE scheme has been around for more than 20 years and is restricted to 2 categories of pollution control equipment:
 - Air pollution control equipment; and
 - Water pollution control equipment.
- Since the commencement of the scheme in 1996, regulatory measures have been introduced, including air emission standards, which set emission concentration limits for a list of controlled pollutants.
- Withdrawing the ADA-PCE scheme is not a surprising move, as it amplifies the Government’s stance and commitment to sustainability by replacing incentives with regulations. These regulations, which are regularly reviewed by the respective authorities and agencies, are part of a national movement to build a sustainable Singapore for all generations.
- Taxpayers who are affected by the proposed withdrawal should still be able to claim the capital expenditure over a writing-down period of 3 years. With the option to accelerate the write-off of the cost of acquiring P&M over 2 years as announced in Budget 2020 and Budget 2021, the proposed withdrawal should not have a major impact on businesses that have immediate concerns over cash flow issues.

Extend the 250% tax deduction for qualifying donations

Donors are eligible for the 250% tax deduction for qualifying donations made to IPCs and other qualifying recipients from 1 Jan 2016 to 31 Dec 2021.

Proposed

To continue encouraging Singaporeans to give back to the community, the Minister has proposed to extend the 250% tax deduction to cover qualifying donations made from 1 Jan 2022 to 31 Dec 2023.

All other conditions of the scheme remain the same.

Our view

- The Minister first introduced the 250% tax deduction for qualifying donations made from 1 Jan 2009 to 31 Dec 2015 in Budget 2009. The 250% tax deduction was subsequently extended twice, to cover qualifying donations made up to 31 Dec 2021.
- The announced 2-year extension until 31 Dec 2023 is definitely welcomed and is aligned with the Government’s move to encourage philanthropy and volunteerism. However, this extension could be considered relatively short as compared to previous measures.
- Given that many businesses are still impacted by the current pandemic, donations from businesses are expected to drop significantly in the next 2 years. Hence, the extension to the 250% tax deduction for qualifying donations to IPCs did not come as a surprise.
- Currently, businesses are able to carry forward any unutilised approved donations for a period of up to 5 years. Upon the expiry, such unutilised approved donations shall be forfeited. Due to the impact from the pandemic, it is foreseeable that some businesses may not be able to fully utilise the 250% tax deduction for their approved donations made to IPCs during this period. Therefore, the Government may wish to look into extending the current carry forward period for unutilised approved donations in the future.

Extend the Business and IPC Partnership Scheme (BIPS)

From 1 Jul 2016 to 31 Dec 2021 and subject to conditions, a qualifying person will be eligible for a tax deduction of up to 250% of the qualifying expenditure (subject to the agreement of the IPC) incurred for the provision of services by a qualifying employee of such person, including secondment to an IPC.

The qualifying expenditure includes basic wages and other related expenditure incurred only because of the services provided to the IPC (which must be incurred because of the volunteers’ services; not be reimbursed by the IPC and not of private or capital in nature).

From 2 Dec 2019, qualifying businesses are also allowed to claim tax deduction on wages of part-time employees who volunteer with IPCs under BIPS. In addition, such businesses can choose to claim tax deduction on wage expenditure based on fixed hourly rates in lieu of actual salary, at \$10 per hour for general volunteering and \$20 per hour for skills-based volunteering. Skills-based volunteering refers to services that necessitate a qualifying employee to apply work-related expertise, as required by the IPC.

A qualifying expenditure cap of \$50,000 is imposed on each IPC per calendar year subject to an overall cap of \$250,000 per YA.

Proposed

To continue supporting corporate volunteering efforts, the BIPS will be extended until 31 Dec 2023.

All other conditions of the scheme remain the same.

Our view

- A pilot BIPS was first introduced in Budget 2016 to incentivise corporate social responsibility efforts by businesses through employee volunteerism. The extension of the BIPS demonstrates the Government’s commitment to support such efforts by businesses and make Singapore a more caring and inclusive society.
- Both businesses and IPCs could stand to benefit from this scheme. Businesses may wish to review their corporate social responsibility plans and consider partnering with IPCs to plan such programmes for their employees, while enjoying enhanced tax deductions on the qualifying costs incurred under BIPS in the process.

Extend and refine the double tax deduction (DTD) for qualifying upfront cost attributable to qualifying retail bonds

Currently, bond issuers who carry on a trade or business in Singapore, are allowed to claim a tax deduction of up to 200% on qualifying upfront cost incurred on or after 19 May 2016 that is attributable to retail bonds issued during the period from 19 May 2016 to 18 May 2021 (both dates inclusive) under the Seasoning Framework¹ and Exempt Bond Issuer Framework².

The DTD scheme is scheduled to lapse after 18 May 2021.

Proposed

To promote rated retail bond issuances, the DTD scheme will be extended for qualifying upfront cost incurred on or after 19 May 2021 that is attributable to rated retail bonds³ (instead of all retail bonds) issued during the period from 19 May 2021 to 31 Dec 2026 (both dates inclusive) under the Seasoning Framework and Exempt Bond Issuer Framework.

All other conditions of the DTD scheme remain the same. The MAS will provide additional details of the changes by 31 May 2021.

Our view

- The proposed extension and refinement of the DTD scheme is a welcomed move, which will continue to help bond issuers defray their upfront cost incurred on rated retail bond issuances.
- The refinement of the DTD to allow for enhanced deduction on qualifying cost incurred on the issuance of only rated retail bonds (instead of all retail bonds previously) could help improve the creditworthiness of bond issuers, in line with the Government’s initiatives to promote market transparency within Singapore’s financial sector.
- This is a positive development for both issuers and investors alike, which could help to further promote Singapore as a destination of choice for such bond issuances.

¹Issuers’ wholesale bonds offered in denominations of at least \$200,000 can be re-sized into smaller denominations after 6 months for retail investors’ secondary trading on the SGX. Issuers can also make additional offers of new bonds (“Re-tap”) up to 50% of the initial wholesale offer size to retail investors based on the Seasoned Bonds’ terms.

²New retail bond issuances by issuers who meet a more stringent credit test under the Exempt Bond Issuer Framework will be exempted from prospectus requirements.

³Rated by credit rating agencies such as Standard & Poor, Moody’s and Fitch.

Extend and rationalise the WHT exemptions for the Financial Services sector

Currently, there is a range of WHT exemptions or remission for the Financial Services sector for all interest and other payments falling within Section 12(6) of the ITA [Section 12(6) payments].

1. All Section 12(6) payments made pursuant to interbank/interbranch transactions by banks in Singapore for the purpose of their trade or business.
2. All Section 12(6) payments made to any non-resident person (excluding any PE in Singapore) by the following specified entities:
 - a. Banks licensed under the Banking Act or merchant banks approved under the MAS Act;
 - b. Finance companies licensed under the Finance Companies Act; and
 - c. Approved entities that are (a) licensed under the Securities and Futures Act for dealing in capital markets products and advising on corporate finance; (b) involved or will be involved in the underwriting of debt or equity issuances; and (c) approved by the MAS for the purpose of the exemption.

For the purpose of the specified entities' trade or business, tax exemption applies when payments are made under the following circumstances:

- a. From 1 Apr 2011 to 31 Mar 2021 (both dates inclusive) under a contract that took effect before 1 Apr 2011; or
- b. Under a contract that takes effect from 1 Apr 2011 to 31 Mar 2021 (both dates inclusive). In such cases, the WHT exemption applies to the entire duration of the contract, including payments that are made beyond 31 Mar 2021 under that contract.

3. Specified entities are not required to withhold tax on all Section 12(6) payments made to any PE in Singapore if the payments are made under the following circumstances:
 - a. From 17 Feb 2012 to 31 Mar 2021 (both dates inclusive) under a contract that took effect before 17 Feb 2012; or
 - b. Under a contract that takes effect during the period from 17 Feb 2012 to 31 Mar 2021 (both dates inclusive). In such cases, the specified entities do not need to withhold tax on all Section 12(6) payments that are made for the entire duration of the contract, including payments that are made beyond 31 Mar 2021 under that contract.

Notwithstanding paragraph 3, the PEs in Singapore are required to declare the Section 12(6) payments in their annual income tax returns and are assessed to tax on such payments (unless the payments are specifically exempt from tax).

For paragraphs 2 and 3, the WHT exemption is scheduled to lapse after 31 Mar 2021.

Proposed

To support Singapore's value proposition and competitiveness of our Financial Services sector, the following changes will be made:

1. The existing WHT remission for interbank/interbranch transactions will be legislated as a WHT exemption with effect from 1 Apr 2021, along with a review date of 31 Dec 2031.

Under this WHT exemption, all Section 12(6) payments made by banks in Singapore, for the purpose of their trade or business, to their branches/head offices outside Singapore or other banks outside Singapore will be exempt from tax when payments are made under the following circumstances:

- a. From 1 Apr 2021 to 31 Dec 2031 (both dates inclusive) under a contract that takes effect before 1 Apr 2021; or
- b. Under a contract that takes effect from 1 Apr 2021 to 31 Dec 2031 (both dates inclusive). In such cases, the WHT exemption will apply to the entire duration of the contract, including payments that are made beyond 31 Dec 2031 under that contract.

2. The WHT exemption will be extended until 31 Dec 2026. All other conditions of the WHT exemption remain the same.

All Section 12(6) payments made to any non-resident person (excluding any PE in Singapore) by the specified entities, for the purpose of the specified entities' trade or business, are exempt from tax when payments are made under the following circumstances:

- a. From 1 Apr 2011 to 31 Dec 2026 (both dates inclusive) under a contract that took effect before 1 Apr 2011; or
- b. Under a contract that takes effect from 1 Apr 2011 to 31 Dec 2026 (both dates inclusive). In such cases, the WHT exemption applies to the entire duration of the contract, including payments made beyond 31 Dec 2026 under that contract.

3. The WHT exemption will be extended until 31 Dec 2026. All other conditions of the WHT exemption remain the same.

Specified entities are not required to withhold tax on all Section 12(6) payments made to any PE in Singapore if the payments are made under the following circumstances:

- a. From 17 Feb 2012 to 31 Dec 2026 (both dates inclusive) under a contract that took effect before 17 Feb 2012; or
- b. Under a contract that takes effect during the period from 17 Feb 2012 to 31 Dec 2026 (both dates inclusive). In such cases, the specified entities do not need to withhold tax on all Section 12(6) payments that are made for the entire duration of the contract, including payments that are made beyond 31 Dec 2026 under that contract.

As per the existing tax treatment, the PEs in Singapore are required to declare the Section 12(6) payments that they received in their annual income tax returns and are assessed to tax on such payments (unless the payments are specifically exempt from tax).

The MAS will release additional details of all changes by 31 May 2021.

Our view

- Banks could welcome the legislation of the current WHT remission for interbank/interbranch transactions as a WHT exemption because some may be unaware of the current WHT remission for interbank/interbranch transactions under Section 92(2) of the ITA.
- The broad-based WHT exemption for specified entities was introduced in 2011 and legislated under Section 45I of the ITA. These specified entities could be glad to know that this WHT exemption will be extended to 31 Dec 2026; although, most would have preferred that the extension is for 10 years instead.

With Section 45I extended, the WHT exemptions introduced over the years for specified entities could be gradually withdrawn.
- The above extension and rationalisation of the WHT exemptions for the Financial Services sector provide certainty on the WHT exemption regime for banks and specified entities. It could also position Singapore as an attractive destination for banks and qualifying financial institutions to set up operations in Singapore.

Extend the WHT exemption on payments made for structured products

Under Section 13(1)(zj) of the ITA, WHT is exempted on payments made to a non-individual, non-resident person (excluding any PE in Singapore) from structured products offered by a financial institution in Singapore if such payments are made under a contract that takes effect during the period from 1 Jan 2007 to 31 Mar 2021 (both dates inclusive).

The WHT exemption is scheduled to lapse after 31 Mar 2021.

Proposed

The WHT exemption will be extended for another 5 years and will cover payments made under a contract that takes effect during the period from 1 Jan 2007 to 31 Dec 2026 (both dates inclusive).

All other conditions of the WHT exemption remain the same and the MAS will release additional details of the changes by 31 May 2021.

Our view

- The WHT exemption scheme was introduced in 2007 with the objective to promote Singapore as a financial hub. The extension of the WHT exemption reflects the Government’s intention to continue supporting the growth of the Financial Services sector in Singapore.
- The extension of the WHT exemption until 31 Dec 2026 will be welcomed by financial institutions as it strengthens the competitiveness of Singapore’s Financial Services sector.

Extend the WHT exemption on over-the-counter (OTC) derivatives

The following payments made by a Singapore financial institution to a non-resident person (excluding any PE in Singapore) from OTC financial derivatives are currently exempt from WHT:

- Payments made between 20 May 2007 to 31 Mar 2021 (both dates inclusive) under a contract that took effect before 15 Feb 2007; and
- In cases where the contract takes effect during the period from 15 Feb 2007 to 31 Mar 2021 (both dates inclusive), payments made during the entire duration of the OTC financial derivatives contract.

The current WHT exemption on payments to non-resident persons from certain OTC financial derivatives is scheduled to lapse after 31 Mar 2021.

Proposed

The WHT exemption will be extended for 5 years until 31 Dec 2026.

Going forward, the following payments of this nature can be exempt from WHT:

- Payments made between 20 May 2007 to 31 Dec 2026 (both dates inclusive) under a contract that took effect before 15 Feb 2007; and
- In cases where the contract takes effect during the period from 15 Feb 2007 to 31 Dec 2026 (both dates inclusive), payments made during the entire duration of the OTC financial derivatives contract.

All other conditions of the WHT exemption remain unchanged. It is expected that the MAS will release additional details by 31 May 2021.

Our view

- Singapore financial institutions and non-resident counterparties are expected to welcome the WHT extension. The announcement is not unexpected given the current climate, Singapore’s value proposition, and desire to maintain the competitiveness of its financial sector.
- The WHT exemption was previously allowed for such payments made during the period from 27 Feb 2004 to 19 May 2007. Therefore, this is not the first extension of this nature.

Lapse of Insurance Business Development-Specialised Insurance Scheme (IBD-SI)

Under the Insurance Business Development (IBD) umbrella scheme, the IBD-SI scheme enables award recipients to enjoy the following concessionary tax rates:

- a. Concessionary tax rate of 8% for new award recipients; and
- b. Concessionary tax rate of 10% for renewal award recipients.

The reduced rates apply on qualifying income derived by a (re)insurer from carrying on specialised insurance and reinsurance business.

The IBD-SI scheme is scheduled to lapse after 31 Aug 2021.

Proposed

The IBD-SI scheme will be allowed to lapse after 31 Aug 2021 as originally intended in order to streamline and simplify the IBD umbrella scheme. With the lapse of the IBD-SI scheme, insurers engaged in specialised insurance and reinsurance business will be incentivised under the wider IBD scheme.

Our view

- In an effort to streamline and simplify the IBD umbrella scheme, the IBD-SI scheme has been subsumed into the wider IBD scheme. This change is expected and consistent with previously announced changes in respect of the IBD umbrella scheme. For example, it was announced in Budget 2020 that the IBD Marine and Hull Liability scheme was also subsumed into the wider IBD scheme.

Personal Tax and Immigration

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 was no proposed increase to the Personal Income Tax rates as the economic outlook and path to recovery from the COVID-19 situation is still uncertain.
- This is also in line with the commitment of the Government to ensure that the overall taxes and transfer systems remain fair and progressive. The Minister provided some statistics to demonstrate that the entire system of taxes and benefits is a progressive one. In 2020, the top 20% of household paid 56% of the taxes and received 11% of the benefits; whereas the bottom 20% paid 9% of the taxes and received 27% of the benefits.
- To finance the recurrent spending needs, the Minister mentioned that the Government will look at increasing the GST rate sometime during 2022 to 2025 and will continue to provide various household support measures, comprising of GST vouchers, special cash payments, and rebates to the majority of Singapore households. This will be more beneficial than Personal Income Tax rebates, especially to lower-income Singaporeans who may not be paying any taxes.

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 (DRC); and S Passes are a sub-category of the overall DRC.

Proposed

The FWL rates, which is the pricing mechanism used to regulate the number of foreign workers in Singapore, will remain unchanged for all pass types, sectors, and tiers. The earlier-announced FWL rate increases for the Marine Shipyard and Process sectors will be deferred for another year.

However, the sub-DRC for the Manufacturing sector will be reduced in 2 steps; on 1 Jan 2022 and on 1 Jan 2023. As announced in Budget 2020, the sub-DRC for the Construction, Marine Shipyard, and Process sectors was reduced from 1 Jan 2021.

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	Sector sub-DRC	Levy rates (\$)
All	Basic Tier	≤ 10%	330
Services	Tier 2	10%	650
Construction, Marine Shipyard & Process	Tier 2	10% to 18% ¹	650
Manufacturing	Tier 2	10% to 20% ²	650

¹Reduced to 15% from 1 Jan 2023.

²Reduced to 18% from 1 Jan 2022 and 15% from 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	Sector DRC	Levy rates (\$ (R1/R2))
Construction	Man-Year Entitlement		300/700
	Man-Year Entitlement Waiver	≤ 87.5%	600/950
Services	Basic Tier	≤ 10%	300/450
	Tier 2	10% to 25%	400/600
	Tier 3	25% to 35%	600/800
Marine	Basic Tier	≤ 77.8%	300/400
Process	Man-Year Entitlement		300/450
	Man-Year Entitlement Waiver	≤ 87.5%	600/750
Manufacturing	Basic Tier	≤ 25%	250/370
	Tier 2	25% to 50%	350/470
	Tier 3	50% to 60%	550/650

Our view

- Following past years’ Budget announcement on cutting dependency on the DRC and S Pass sub-DRC thresholds in the Services, Construction, Marine Shipyard, and Process sectors; the announcement on tightening the foreign workforce quota in the Manufacturing sector comes as no surprise. With the reduction of DRC or a sub-DRC, companies that have exceeded the revised DRC or sub-DRC will not be able to renew work passes or hire new foreign workers.
- Due to the hit of the global pandemic last year, the inflow of foreign workers needs to be carefully regulated to ensure that fair job opportunities are created for Singaporeans.
- Manufacturing continues to be a significant industry in Singapore; and for Singapore to continue as a global advanced manufacturing hub, companies could prioritise the building of a skilled local core to reduce reliance on foreign workers.
- Since 1 Oct 2020, the Government has mandated companies to advertise job roles offering a fixed monthly salary between \$2,500 to \$20,000 at the MyCareersFuture portal as an effort to consider local workforce before hiring foreign workers. This may have helped companies that no longer have sufficient S Pass quota given the reduction of sub-DRC in various sectors.
- The S Pass category will be reviewed periodically and businesses should prepare for the possibility of it being abolished in the future.



Indirect Tax

No GST rate hike in 2021; however, the rate may be raised sometime from 2022 to 2025

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%. The change was expected to take place sometime between 2021 and 2025; however, the Government indicated that it favoured an increase at a date closer to 2021 than later.

The Government subsequently announced in Budget 2020 that the GST rate will not be increased in 2021 because of the COVID-19 pandemic.

Proposed

The Government announced in Budget 2021 that the GST rate increase from 7% to 9% is expected to take place between 2022 and 2025, but likely closer to 2022 than later, taking into account the pace of Singapore's economic recovery, revenue outlook, and expenditure.

Our view

- This is aligned with the Budget 2020 announcement, such that the GST rate increase will not take place in 2021; however, it cannot be deferred indefinitely. It should be clear now that the GST rate will be increased. We are of the view that the announcement will be made by the Government once there is a clear sign of a global economic recovery. It remains to be seen whether the Government will increase the GST rate by 2 percentage points at one go; although, we believe most businesses will prefer it so that they do not need to incur additional costs to amend their system, contracts, etc., twice.
- As with previous rate increases, we could expect the Government to provide businesses with ample time (at least 6 months) to prepare for the GST rate increase as some of the affected businesses may not have experienced a rate change. The last rate change was on 1 Jul 2007.
- The lower-income group should welcome the Government's reaffirmation that appropriate help will be given to them via rebates and GST vouchers to offset any financial impact resulting from the GST rate increase. Notably, a \$6B Assurance Package has been set aside to help Singaporeans offset the impact of the additional GST for 5 to 10 years.

Change of basis in determining whether zero-rating applies to a supply of media sales

Currently, the basis for determining whether zero-rating applies to a supply of media sales is based on the place of circulation of the advertisement:

- If the advertisement is intended to be substantially circulated outside of Singapore, the media sales will be zero-rated; or
- If the advertisement is intended to be substantially circulated in Singapore, the media sales will be standard-rated.

Media sales refer to the sale of advertising space for hardcopy print and outdoor advertisements, the sale of advertising airtime for broadcasting via TV and radio, and the sale of media space for web advertising via email, Internet, or mobile devices.

Proposed

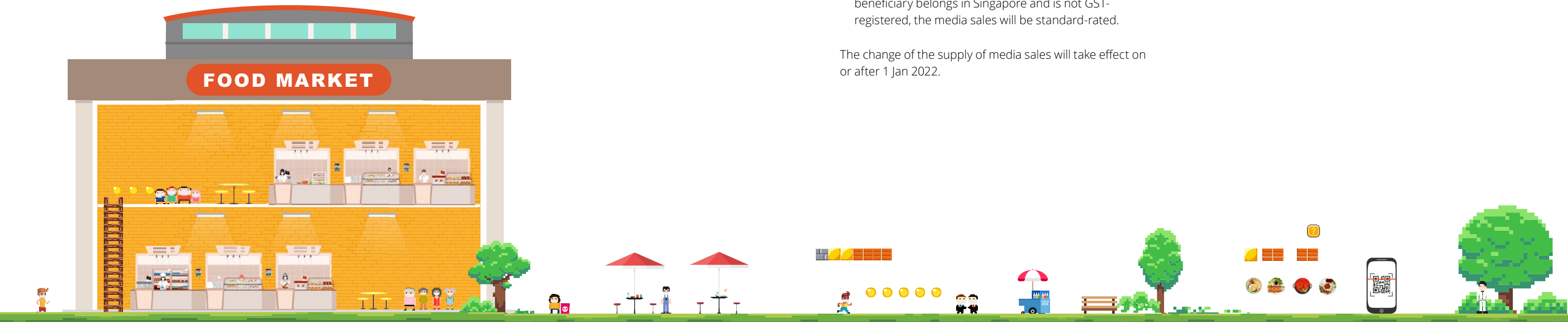
The basis for determining whether zero-rating applies to a supply of media sales will be amended so that it will be based on the place where the customer (i.e., the contractual customer) and direct beneficiary of the service belong:

- If the customer of the service belongs outside of Singapore and the direct beneficiary either belongs outside of Singapore or belongs in Singapore but is GST-registered in Singapore, the media sales will be zero-rated; and
- If the customer belongs in Singapore or the direct beneficiary belongs in Singapore and is not GST-registered, the media sales will be standard-rated.

The change of the supply of media sales will take effect on or after 1 Jan 2022.

Our view

- The advent of digital technologies has drastically changed the way that media sales are supplied and spending on online advertising is expected to increase further in the future. This has also resulted in difficulties for suppliers of digital media sales to determine the place of circulation. Suppliers of media sales where there is a mixed circulation also often find it difficult to track and determine if their supplies of media sales can be zero-rated under the current rule, which states that at least 51% of the circulation must be outside of Singapore. Therefore, the new rule could help simplify GST compliance for suppliers.
- On the other hand, suppliers of media sales could start to identify their contractual customers, direct beneficiary of their services, and determine their belonging and GST registration status. To prepare themselves for the new rule, which will be implemented less than a year from now, suppliers of media sales could start collaborating with their Information Technology (IT) department and/or external consultant to see if any changes may be required to the current tax logic used in their accounting system. They could also make sure that contracts allow for the charging of GST, where none was charged previously, to ensure any additional tax is passed on to the customers as far as possible.



GST and the Digital Economy

In Jan 2020, the Government introduced an Overseas Vendor Registration requirement for overseas suppliers of digital Business-to-Consumer (B2C) services and a GST reverse charge regime for Business-to-Business (B2B) supplies, where businesses are not able to recover all of their input tax and are importing services from outside of Singapore. Examples of B2C services include online gaming, streaming of content, and downloading of software; whereas B2B services cover any service imported by a business such as a financial institution, a non-GST registered business, etc. The Overseas Vendor Registration regime means that B2C suppliers who supply digital services of more than \$1M per year globally and more than \$100,000 per year of such services to non-GST registered consumers in Singapore would be required to register for GST via a simplified ‘pay and remit’ model. Such suppliers are not able to claim any Singapore GST that they might have otherwise incurred. The B2C rules

also apply to online market places, where the market place collects and remits the GST on behalf of the overseas vendor as well as collecting and remitting GST on its B2C sales to Singapore consumers.

However, under the existing GST regime, goods that are imported into Singapore via air or post with a value not exceeding \$400 (low-value goods) are allowed to be brought in to Singapore without being subjected to GST. In addition, certain supply of non-digital B2C services is also not subjected to GST because they are not captured within the current Overseas Vendor Registration regime. Examples of such supply of non-digital B2C services from overseas providers include educational courses, fitness training, and telemedicine, where these are delivered live. The ability of the overseas suppliers to provide these goods and services without being subjected to GST creates incentives for businesses and consumers to buy from overseas rather than from local businesses and represents a GST leakage for

Singapore. In addition, with the increase in digital and online activities, Singapore needs to ensure that its GST regime is capable of appropriately taxing the digital economy and is aligned with international norms.

Proposed

The Government will apply GST to goods imported into Singapore via air or post that have a value of not exceeding \$400. The GST will be collected via the existing Overseas Vendor Registration and GST reverse charge rules. This means that the GST will be charged and collected regardless of whether the goods are imported by a consumer or business. Consumers or businesses will not be able to recover all or part of the GST they will pay on the value of the goods.

In addition, B2C non-digital services such as live educational courses, fitness sessions, and telemedicine, when supplied from outside Singapore, will also be subjected to GST via the Overseas Vendor Registration regime. This means that such overseas suppliers will need to register for GST, and collect and remit the tax on the fees that the local consumers pay.

Both changes will take effect from 1 Jan 2023 and will be subject to the IRAS consultation with affected industries before the implementation details are finalised.

Our view

- The Government has been considering changes to the low-value goods rules for some time. The challenge for Singapore is the collection process, which before the introduction of the Overseas Vendor Registration regime, was difficult to apply in practice. Now that the Overseas Vendor Registration regime and the GST reverse charge regime have had a chance to work, it seems clear that the Government considers the approach can be extended to goods. We could anticipate similar GST rules being applied, i.e., an overseas supplier with global supplies of more than \$1M and local supplies of goods of more than \$100,000 annually would need to register, collect the GST from the consumer, and remit the GST via a simplified ‘pay-only’ GST return. For B2B imports of goods, the local importing business will need to charge itself the GST but will only be able to recover a part of the cost because reverse charge applies only to businesses that are unable to recover all of the GST they incur, e.g., financial institutions.
- The change to the Overseas Vendor Registration regime to include imported non-digital services widens the scope of the B2C regime. It will require such overseas providers to be mindful of the value of services they provide so that they could register and collect GST on their services promptly. As happened with the introduction of the regime at the start of 2020, the Government could likely conduct an outreach programme to alert potentially affected suppliers well ahead of the implementation date.
- The changes are likely to result in an increase in GST collected by the Government; although the amount is not likely to be very large given the value of goods it will apply to each time is \$400 and below and the non-digital B2C services appears to be narrowly defined. However, it is expected that as more and more consumption moves online, the Government will continue to monitor activity and include other services to ensure a level playing field for local suppliers of such services.



Others

Extend the Jobs Support Scheme (JSS)

Introduced in the Unity Budget in Feb 2020, the JSS provides wage support for employers to retain their local employees in the face of economic uncertainties due to COVID-19. Under the JSS, the Government co-funds 25% to 75% of the first \$4,600 of gross monthly wages paid to each local employee (Singapore citizen and permanent resident) in a 10-month period (up to Aug 2020) and 10% to 50% of the same in the subsequent 7-month period (Sep 2020 to Mar 2021).

Proposed

The JSS will be extended for firms in Tier 1 and 2 sectors by up to 6 months, covering wages paid up until Sep 2021 for local employees. This will provide continued support for businesses in sectors that continue to be hard-hit amidst the protracted economic downturn.

Under the extended JSS, support levels will be tapered based on the projected recovery of the various sectors, as follows:

- a) Tier 1 sectors (i.e., Aviation, Aerospace, and Tourism) that are currently receiving 50% JSS support will receive:
 - 30% JSS support for wages paid from Apr to Jun 2021; and
 - 10% JSS support for wages paid from Jul to Sep 2021.

- b) Tier 2 sectors (i.e., Food Services, Retail, Marine & Offshore, Land Transport, and Arts & Entertainment) that are currently receiving 30% JSS support will receive:
 - 10% JSS support for wages paid from Apr to Jun 2021.
- c) Tier 3A sectors currently receive 10% JSS support for wages paid from Sep 2020 to Mar 2021. The JSS support will cease thereafter.
- d) Employers that are not allowed to resume on-site operations currently receive Tier 1 JSS support for wages paid up to Mar 2021. For wages paid from Apr 2021 onwards, the JSS support will revert to the firms’ base JSS tiers.
- e) Nightlife establishments such as pubs and karaoke outlets, which are not yet permitted to re-open can apply for grants from the Ministry of Trade and Industry and the ESG to pivot to other permissible activities.

Table 1: Revised JSS Schedule

Month of payout	Payout based on wages paid during the period	Tier 1	Tier 2	Tier 3A	Tier 3B
Apr 2020	Oct to Dec 2019	75%	50%	25%	25%
Jul 2020	Feb to Apr 2020	75%	50%	25%	25%
Oct 2020	May to Aug 2020	75%	50%	25%	25%
Mar 2021	Sep to Dec 2020	50%	30%	10%	10%
Jun 2021	Jan to Mar 2021	50%	30%	10%	0%
Sep 2021 [Proposed extension of JSS in Budget 2021]	Apr to Jun 2021	30%	10%	0%	0%
Dec 2021 [Proposed extension of JSS in Budget 2021]	Jul to Sep 2021	10%	0%	0%	0%

Note: All sectors received Tier 1 support for the months of Apr and May 2020 (during the Circuit Breaker)

Table 2: List of Sectors in JSS Support Tiers

JSS Tier	Specific sectors	
Tier 1	Aviation & Aerospace, and Tourism, Hospitality, Conventions, and Exhibitions	
Tier 1 (only for Jun 2020 to Oct 2020 wages); Tier 2 thereafter	Built Environment	
Tier 2	Food Services, Retail, Land Transport, Marine & Offshore, and Arts & Entertainment	
Tier 3	Tier 3B	Biomedical Sciences, Precision Engineering, Electronics, Financial Services, Information and Communications Technology and Media, and Retail
	Tier 3A	Others

Our view

- It is not a surprise that the Minister has extended the JSS only for sectors that continue to be hard-hit by the pandemic such as the Tourism, Aerospace, and Aviation sectors; albeit at a lower rate, given that not all sectors of the economy were equally hit.
- However, it is unclear whether the extension of the JSS for hard-hit sectors could be sufficient going forward given that the COVID-19 pandemic is still rampant around the world and the outlook of tourism-dependent sectors continue to remain precarious.



Extend Jobs Growth Incentive (JGI)

The JGI was first introduced in Budget 2020 under the Fortitude Budget. The JGI aims to support the Government’s efforts to create new jobs for local workers, with a special focus on mature workers.

The \$1B programme was intended to support businesses to increase their headcount of local workers over a 6-month period from Sep 2020 to Feb 2021. Under the JGI, the Government will co-pay up to 25% of salaries of all new local hires for 1 year, subject to a monthly salary cap of \$5,000. For those aged 40 and above, the co-payment to businesses will be up to 50%.

Proposed

To continue to support workers affected by the COVID-19 situation, the SGUnited Jobs and Skills (SGUJS) Package, which was introduced in May 2020, will be extended with recalibrated parameters, to continue providing transitional upskilling and employment facilitation support, with a focus on moving workers into growth areas.

In the next phase of the SGUJS Package, the JGI’s hiring window will be extended by 7 months, up to end Sep 2021. The JGI will provide up to 12 months of salary support for each non-mature local hire and an increased 18 months of salary support for each mature hire, persons with disabilities (PwDs), or ex-offender hired by employers that managed to increase their local workforce within the qualifying window.

The qualifying window for new local hires will be:
a. Phase 1 of the JGI: Sep 2020 to Feb 2021

b. Phase 2 of the JGI: Mar 2021 to Sep 2021

To be eligible for the JGI, there must be an increase in overall local workforce size and an increase in local workforce size earning at least \$1,400 per month, compared to the local workforce in the baseline month of Aug 2020 for Phase 1, or the local workforce in the baseline month of Feb 2021 for Phase 2.

For those aged 40 and above, PwDs, or ex-offenders, the co-payment to firms will be up to 50% of the first \$5,000 of gross monthly salaries of all new local hires for 18 months. The gross monthly salaries will be increased to the first \$6,000 of gross monthly salaries paid from Mar 2021 onwards.

In order to receive the JGI, for the full 12 or 18 months from the month of hire for each new local hire, the employer must have qualified for JGI during the eligibility period for each phase (i.e., Sep 2020 to Feb 2021, or Mar 2021 to Sep 2021), and continuously meet the eligibility criteria for the entire payout period. To encourage employers to retain their existing local employees as far as possible, the JGI payout will be proportionally adjusted downwards or by a JGI adjustment factor of 5% (whichever is higher), if any existing local employees leaves the employer after the baseline month.

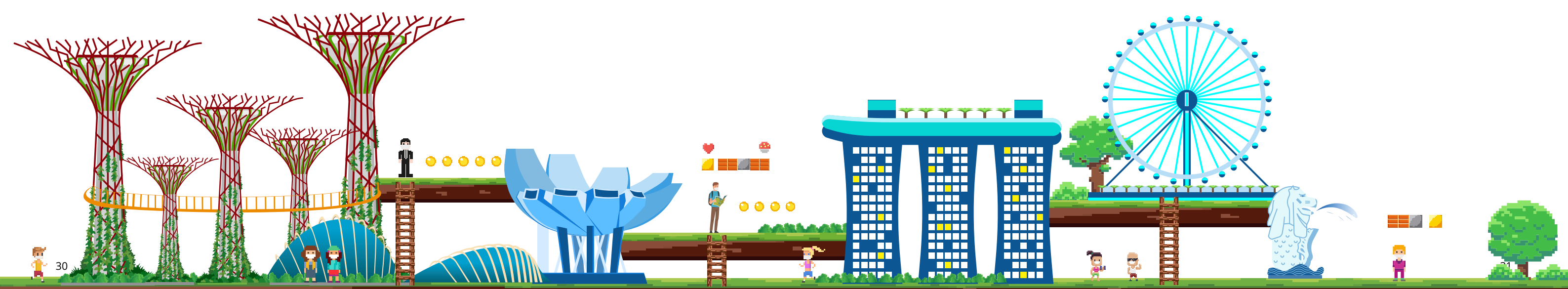
Eligible employers will receive the JGI payouts starting from Mar 2021, covering gross salaries of new local hires paid in the months shown in the table below:

Table 1: JGI Disbursement schedule

Payout	Months where CPF contributions for new local hires from Sep 2020 to Sep 2021 are made:	Month when JGI payout will be disbursed:
1	Sep 2020 to Nov 2020	Mar 2021
2	Dec 2020 to Feb 2021	Jun 2021
3	Mar 2021 to May 2021	Sep 2021
4	Jun 2021 to Aug 2021	Dec 2021
5	Sep 2021 to Nov 2021	Mar 2022
6	Dec 2021 to Feb 2022	Jun 2022
7	Mar 2022 to May 2022	Sep 2022
8	Jun 2022 to Aug 2022	Dec 2022
9	Sep 2022 to Nov 2022	Mar 2023
10	Dec 2022 to Feb 2023	Jun 2023

Our view

- The extension and enhancement of the JGI is certainly a welcomed move for businesses and local workers, especially those in business sectors that are directly impacted by the COVID-19 pandemic. It demonstrates the Government’s commitment in supporting businesses and helping local workers stay employed during this period of uncertainty, particularly helping older Singaporean workers remain connected with society and keeping themselves active and employed.
- As the road ahead continues to be filled with uncertainties and challenges in the midst of this pandemic, many businesses are forced to rethink and transform their business models. As businesses move to digitalise their processes and transform their operating model in the new business environment, and venture into new opportunities, the JGI will come in handy to reduce the cost of new local hires if new roles are created during the process.
- Businesses could welcome the extension of the qualifying window of the JGI. A 7-month extension of the JGI support could hopefully give viable businesses some breathing space and a longer lead time to plan, adapt, and rebuild during this period of uncertainty. Even though the level of support for these measures cannot continue indefinitely, the Government recognises that this COVID-19 situation may continue for an extended period of time and has adopted a targeted approach to help and support our local workers, particularly the mature workers who could be more vulnerable.



Extend the Wage Credit Scheme (WCS)

The WCS was first introduced in Budget 2013 to support enterprises embarking on transformation efforts, and to encourage employers to share productivity gains with workers by co-funding wage increases of Singapore citizen employees. The Government’s co-funding ratio for wages, which increased in 2020, was 15% with the qualifying gross monthly wage ceiling at \$5,000.

Proposed

The Minister has proposed to extend the WCS by 1 year to 2021, with the Government co-funding ratio remaining at 15%. The qualifying gross monthly wage ceiling also remains at \$5,000.

Our view

- The extension of the WCS could provide certainty to businesses of the Government’s continued support in defraying employment costs during this uncertain economic time.
- The extension of the WCS could free up resources for businesses transforming to meet the challenges of a post-COVID-19 world.
- Although the extension of the WCS is welcomed, businesses could ensure that the wage increases are sustainable through innovation and productivity as the WCS has been extended by the Government several times and may eventually be phased out.

Increase in budget allocation for the Senior Worker Early Adopter Grant (SWEAG) and the Part-Time Re-employment Grant (PTRG)

The current Retirement Age (RA) is 62 while the Re-employment Age (REA) is 67 in Singapore. They will increase to 63 and 68 respectively with effect from 1 Jul 2022. By 2030, they will increase to 65 and 70 respectively. The increases in the RA and the REA are to support older workers who wish to continue working longer and to be more financially secure in retirement.

To help employers to adjust to the increases in the RA and the REA in 2022, the Government had introduced SWEAG and PTRG as part of the Senior Worker Support Package in Feb 2020.

Currently, the SWEAG provides funding support of up to \$125,000 (\$2,500 per eligible senior worker capped at 50 senior workers) to progressive employers who are willing and able to implement higher internal RA and REA above the prevailing statutory ages.

The PTRG provides funding support of up to \$125,000 (\$2,500 per eligible senior worker capped at 50 senior workers) for employers that commit to a part-time re-employment policy for its eligible senior workers.

Companies can apply for either 1 or both grants, capped at a total funding of \$250,000.

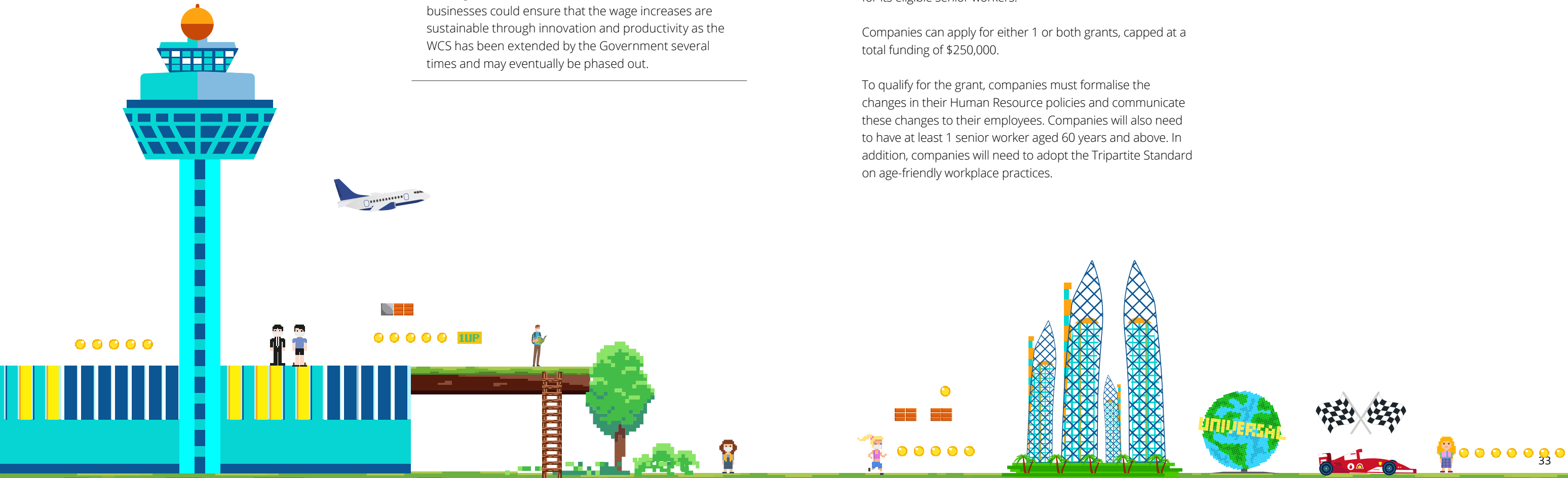
To qualify for the grant, companies must formalise the changes in their Human Resource policies and communicate these changes to their employees. Companies will also need to have at least 1 senior worker aged 60 years and above. In addition, companies will need to adopt the Tripartite Standard on age-friendly workplace practices.

Proposed

To support more companies to move earlier to raise their RA and REA, the Minister will increase the budget allocation for the SWEAG and the PTRG by over \$200M. The MOM will provide additional details in due course.

Our view

- The increase in the budget allocation to the SWEAG and the PTRG is in line with the Government’s efforts to enable older workers to continue working if they wish to, help them remain connected with society, and stay active.
- The SWEAG and the PTRG could be used to support employers in implementing key recommendations by the Tripartite Workgroup on older workers, resulting in the employers’ ability to tap on the rich experience and skillsets of these group of workers. In addition, companies adopting these policies could be seen as progressive employers and could potentially attract and retain more talents.



Enhance the Electric Vehicle Adoption Incentive and Road Tax Reduction for Electric Car

Currently, motorists enjoy 45% rebate off the Additional Registration Fee (ARF) for electric cars and taxis from Jan 2021 to Dec 2023 at a cap of \$20,000, with an ARF floor of \$5,000.

Proposed

Motorists will enjoy 45% rebate off the ARF for electric cars and taxis from Jan 2022 to Dec 2023 at a cap of \$20,000, with an ARF floor of \$0.

Road tax for electric cars will also be revised by adjusting the road tax bands so that a mass-market electric car will have road tax comparable to an Internal Combustion Engine (ICE) car equivalent.

The Ministry of Transport will provide additional details in due course.

Our view

- In line with the global market trend to move towards environmental sustainability and reduce vehicular emissions, vehicle makers are gradually moving towards promoting the adoption of electric cars. If the adoption rate of electric cars increases in Singapore, we could expect to see expansion in the electric car market in Singapore. As a result, Singapore will be placed on a more level playing field with other countries, which have achieved higher adoption rates.
- Singapore aims to phase out ICE vehicles and have all vehicles run on clean energy by 2040. The removal of the ARF floor of \$5,000 is a step in the right direction to encourage increased adoption of electric cars.
- There are still practical challenges to own electric cars in Singapore (e.g., lack of charging infrastructure being a major deterrence). To further boost electric car adoption rates, we hope that the Government could further accelerate its plan to install public charging infrastructure.
- The parameters by which road tax are calculated for ICE cars and electric cars may not be directly comparable (i.e., engine capacities for ICE cars vs power rating for electric cars). It, therefore, remains to be seen how the Government intends to streamline the road tax bands for electric cars so that it is more comparable to ICE cars.

Revision to petrol duty rates

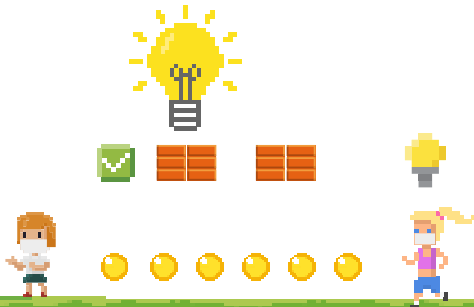
The Government has announced a rise in petrol duty rates, with effect from 16 Feb 2021.

Table 1: Comparison of the existing and proposed excise duty rate for petrol

HS Code	Product description	Excise duty rate before 16 Feb 2021	New excise duty rate with effect from 16 Feb 2021
2710.12.21	Motor spirit of RON 97 and above, unleaded, unblended.	• \$0.64 per litre	• \$0.79 per litre (Increased by \$0.15 per litre)
2710.12.22	Motor spirit of RON 97 and above, unleaded, blended with ethanol.		
2710.12.23	Motor spirit of RON 97 and above, unleaded, blended other than with ethanol.		
2710.12.24	Motor spirit of RON 90 and above but below RON 97, unleaded, unblended.	• \$0.56 per litre	• \$0.66 per litre (Increased by \$0.10 per litre)
2710.12.25	Motor spirit of RON 90 and above but below RON 97, unleaded, blended with ethanol.		
2710.12.26	Motor spirit of RON 90 and above but below RON 97, unleaded, blended other than with ethanol.		

Our view

- The hike in excise duty on petrol may not have come as too much of a surprise, given that the last increase in excise taxes was about 6 years ago. The hike is expected to contribute about \$100M in additional duties to the Government based on an estimated 730,000 petrol-based vehicles plying Singapore's roads currently, which will be offset by road tax and petrol rebates proposed to be given in the first year of the excise duty increase to selected categories of vehicle and vehicle operators.
- Given that the last hike announced in Budget 2015 was by \$0.20 and \$0.15 per litre for premium and intermediate grade petrol respectively, the increased rate in Budget 2021 signifies the Government's intention to soften the impact, taking into consideration the current economic outlook brought about by the COVID-19 pandemic.
- In line with the recent announcement of the Singapore Green Plan 2030 to promote environmental sustainability and bearing in mind the urgent need to address climate change, the increased rate is intended to help move consumer preferences towards greener alternatives in the near future, such as electric vehicles.
- The increased rate and policy adjustment also tie in with the other schemes to promote the use of electric vehicles, such as the Electric Vehicle Early Adoption Incentive, which aims to reduce the additional registration fee for electric cars and taxis.



Transitional offset measures for vehicles using petrol

Road tax payable for vehicles using petrol is based on various factors, including the engine capacities (for cars and motorcycles) and based on maximum laden weight (for commercial vehicles).

Proposed

To ease the transition to the revised petrol duty rates, the Government will set aside \$113M to provide rebates for petrol and petrol-hybrid vehicles. The road tax rebates will be applicable for a 1-year period, from 1 Aug 2021 to 31 Jul 2022.

For those who rely on their vehicles for their livelihoods, the Government will provide a further petrol duty rebate to offset the increase in petrol duties for eligible taxi and Private Hire Car (PHC) drivers, and individual owners of smaller motorcycles.

Table 1: Road tax rebate incentives and additional petrol duty rebate

Vehicle type	Road tax rebate	Additional petrol duty rebate
Cars including taxis and PHCs	15%	\$360 disbursed over 4 consecutive months for active drivers of taxis and PHCs
Motorcycles	60%	\$80 for engine capacity below 200cc \$50 for engine capacity of 201 to 400cc Nil for engine capacity above 400cc
Commercial vehicles (i.e., goods vehicles, goods-cum-passenger vehicles, and buses)	100%	

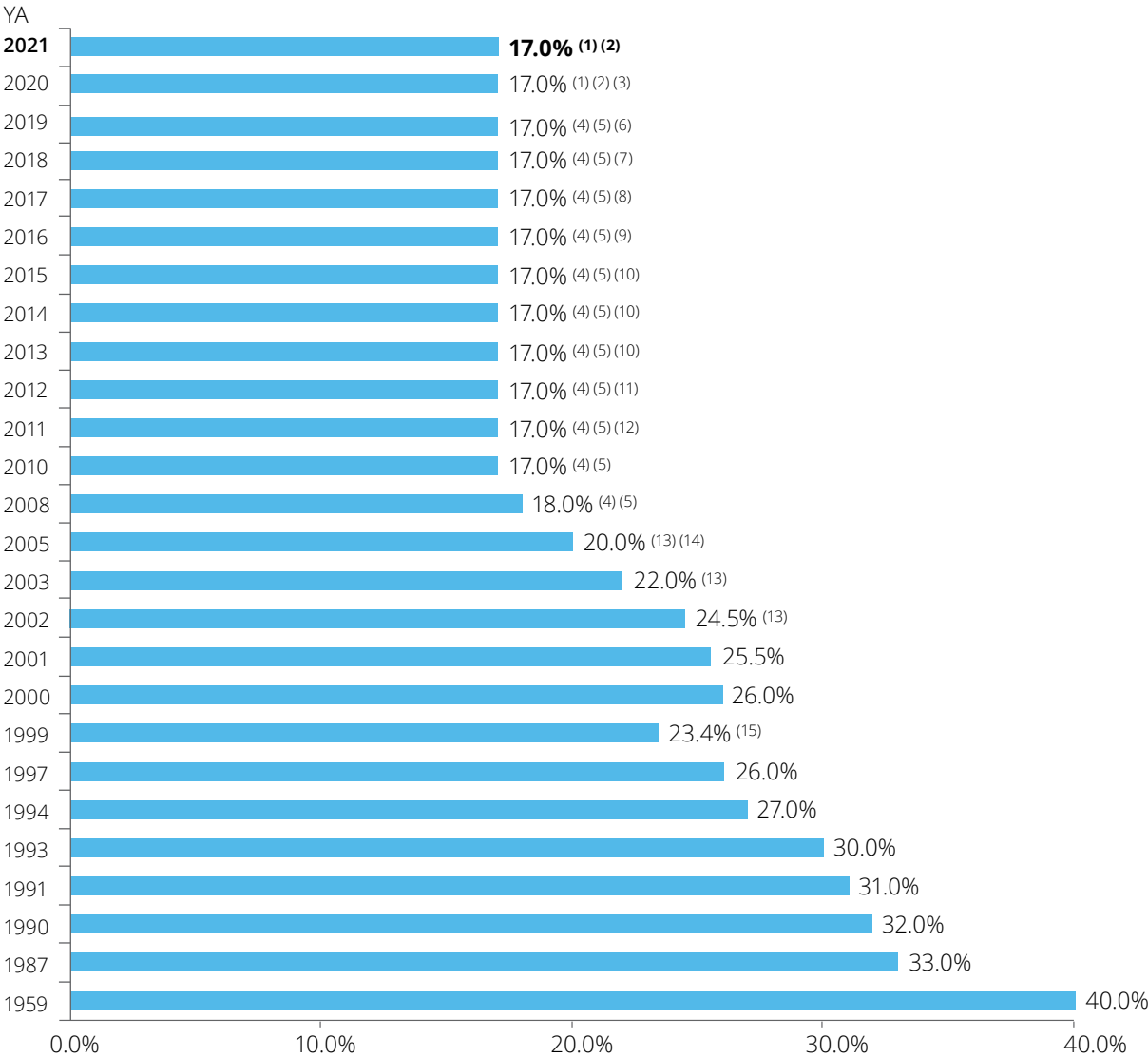
The road tax rebates and the additional petrol duty rebates will be disbursed automatically to eligible recipients. The Land Transport Authority will release additional details on the additional petrol duty rebates in Apr 2021.

Our view

- The 1-year road tax rebate is a welcomed adjustment to help cushion and defray the additional costs for vehicle owners and commercial operators brought about by the increase in petrol duty. Taken together, these measures are expected to offset about 1 year and two-thirds of petrol duty increase for taxis and motorcycles, and commercial vehicles and cars, respectively.
- Once the transitional offset measures wear-off, the full impact of the increased petrol rates would fall on the vehicle owners and operators, which will then need to be factored in as an additional cost of doing business.

Appendix A

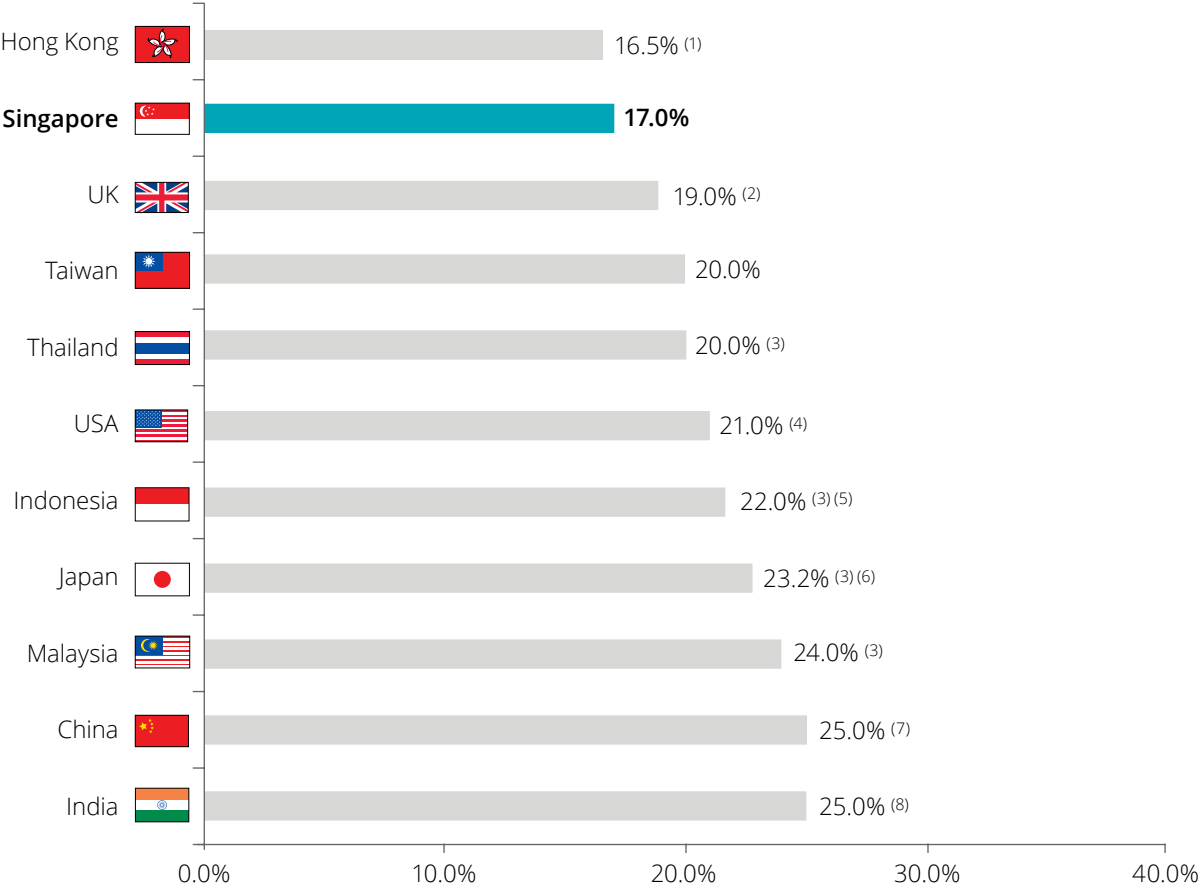
Singapore Corporate Income Tax rates



(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. 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) A 25% tax rate applies where multinational companies use artificial arrangements to divert profits overseas to avoid UK tax.

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

(4) Effective tax rate may vary depending on other state and local income taxes.

(5) Reducing to 20% for fiscal year 2022 onwards.

(6) After surtax, the effective tax rate is approximately 30%.

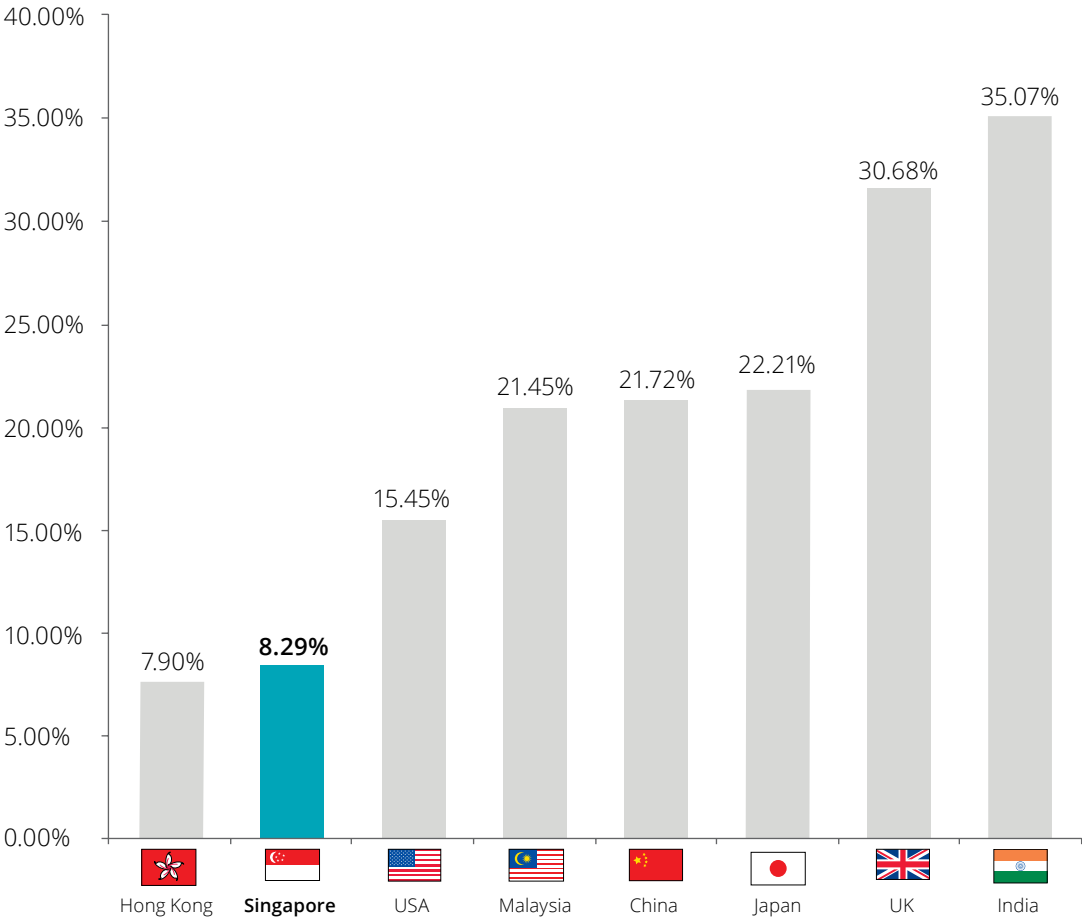
(7) Subject to meeting certain requirements, a 15% rate applies to enterprises with new/high-technology status, advanced technology service enterprises that perform qualifying outsourcing services and enterprises incorporated in certain regions of China that engaged in encouraged business activities.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

(8) The Corporate Income 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 and this is further reduced to 22% if the company does not avail of any incentives. Subject to meeting certain conditions, a reduced corporate tax rate of 15% applies to newly set-up domestic manufacturing companies with effect from tax year 2019-2020 and domestic companies engaged in the business of generation of electricity with effect from tax year 2020-2021. All rates exclude surcharge, health and education cess.

Appendix C

Comparative personal effective tax rates for YA 2021

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



Appendix D

Comparative personal effective tax rates for YA 2021 —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 2021

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

Appendix F

Personal reliefs for YA 2021

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

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

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 2 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 equally among all the claimants by the IRAS.

Grandparent Caregiver Relief (GCR)

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.

The age criteria of 12 years or below will not be applicable for claim of GCR relief in respect of handicapped and unmarried dependant 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. This 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.	\$7,000 (Maximum)
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.	
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:	\$5,500 (Maximum)
• Relating to one’s current trade, business, profession, vocation, or employment in 2020.	
• Leading to an approved academic, professional, or vocational qualification in 2020.	
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 years of assessment. 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 2021	\$7,200 (cap)

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

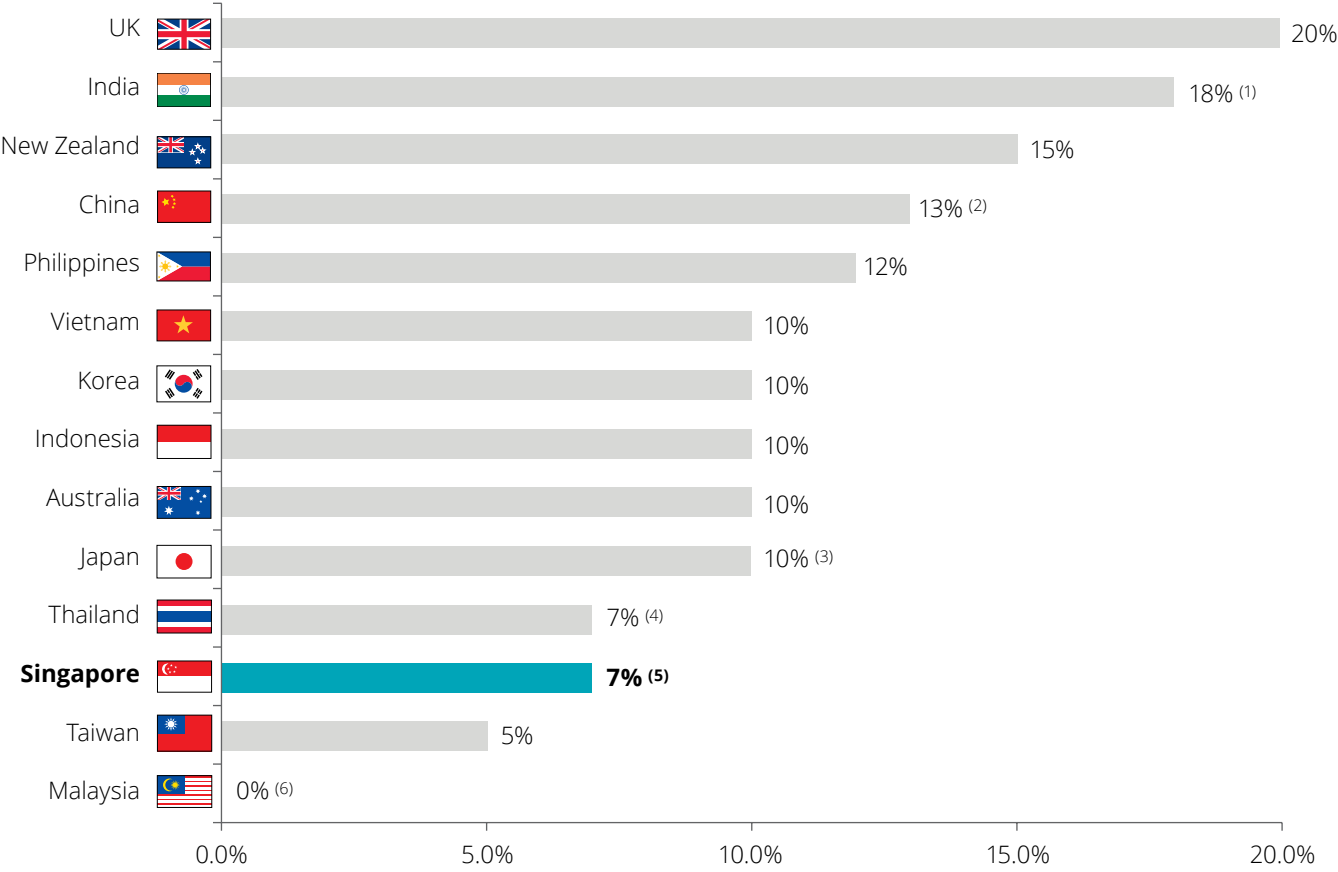
With effect from 1 Apr 2019 (YA 2020), the monthly Foreign Domestic Worker (FDW) levy will be increased from \$265 to \$300 for the first FDW and to \$450 for the second FDW, without levy concession. The FDW levy (with concession) will remain at \$60 per month.

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

Personal Income Tax relief cap
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 2021



(1) Goods and services are categorised under a structure with 5 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 3 different rates of 6%, 9%, and 13%.




















(3) The standard Japanese Consumption Tax (JCT) rate is currently at 10%. Under the multiple rate 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 2021. 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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