



Singapore Budget 2022—Key tax changes and updates

Shaping our sustainable future

Key highlights of Budget 2022

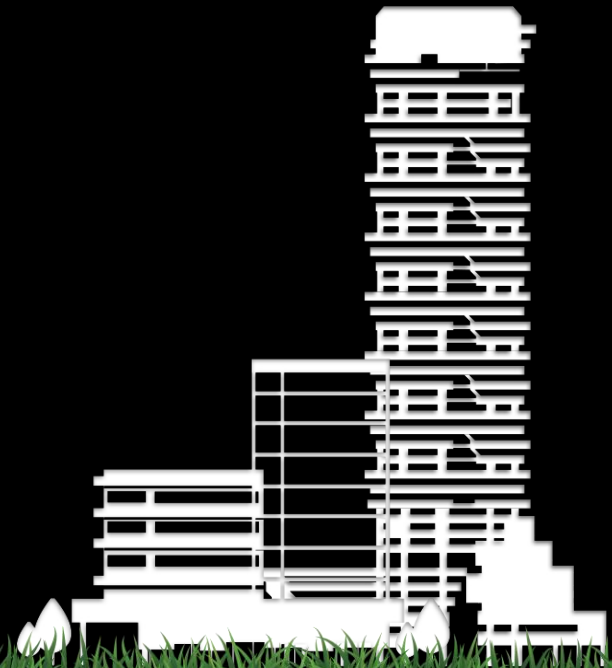


Key highlights of Budget 2022

- Focus to address issues relating to inequality of income and wealth.
- No change to Corporate Income Tax (CIT) rate and no tax rebates.
- Singapore may introduce a Minimum Effective Tax Rate (METR) Regime.
- Top marginal Personal Income Tax (PIT) rate to be increased to 24% (from 22%) with effect from YA 2024.
- GST increase is delayed to 2023 and will be increased in 2 steps: **8% from 1 Jan 2023** and **9% from 1 Jan 2024**
- Carbon tax rates increased
- Property tax increased



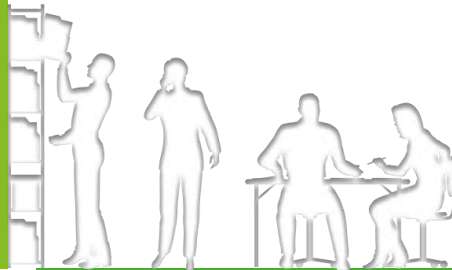
Corporate tax—Changes



Corporate tax—Changes

Current

Corporate income tax (CIT)—
17%.



Partial tax exemption—75% of first S\$10,000 and 50% of next S\$190,000 of chargeable income are exempt from tax from YA 2020.



No CIT rebate for YA 2022.



Corporate tax—Changes

Extend and enhance the Approved Royalties Incentive (ARI)

Approved Royalties Incentive—Tax exemption or concessional WHT rate on approved royalties

	Current	Proposed
Scope	Agreement-based approach	Activity-set-based approach
Scheduled lapse date	31 Dec 2023	31 Dec 2028
Payments covered	<ul style="list-style-type: none">• Royalties,• Technical assistance fees; or• Contributions to R&D costs for providing cutting-edge technology or know-how to a company for the purpose of substantive activities in Singapore	
Available to	<ul style="list-style-type: none">• May be granted on a stand-alone basis (i.e., without a need to be tied to any concessional tax rate)	

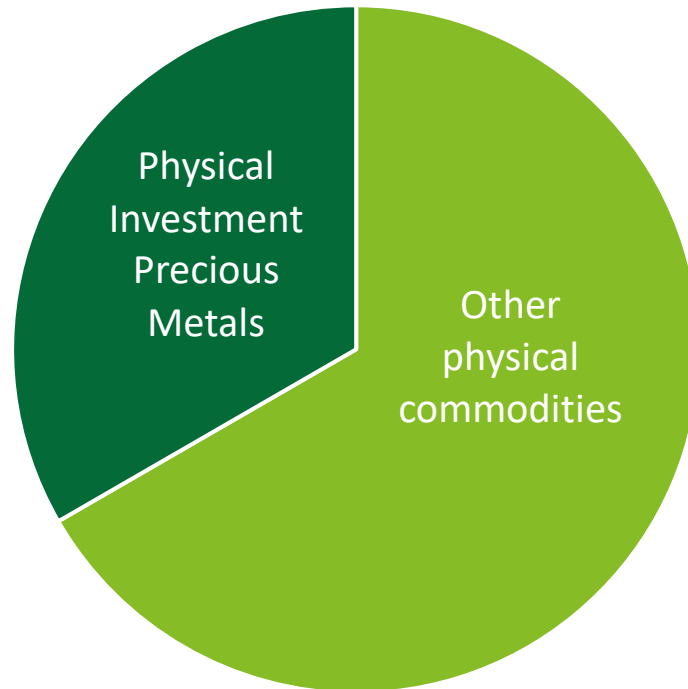
Corporate tax—Changes

Revision to Designated Investments (DI) list for Funds Tax Exemptions

Current

The trading of physical commodities:

- Must be incidental to the trading of commodity derivative; and
- Capped at 15% of total trade volume of those physical commodities and related commodity derivatives.



Proposed

With effect from 19 February 2022:

- The investments in physical Investment Precious Metals (IPMs) need not be incidental to the trading of derivative IPMs; and
- Cap will be revised to 5% of the total investment portfolio of the relevant fund.

Corporate tax—Changes

Extend and rationalise the WHT exemption for the financial sector

WHT exemptions for	Current	Proposed
(a) Payments made under cross currency swap transactions by Singapore swap counterparties to issuers of Singapore dollar debt securities	Scheduled to lapse after 31 Dec 2022	Extended until 31 Dec 2026
(b) Interest payments on margin deposits made under all derivative contracts by approved exchanges, approved clearing houses, members of approved exchanges and members of approved clearing houses		
(c) Specified payments made under securities lending or repurchase agreements by specified institutions		
(d) Payments made under interest rate or currency swap transactions by the MAS		
(e) Payments made under interest rate or currency swap transactions by financial institutions		Lapse after 31 Dec 2022. Such payments can be covered under the existing WHT exemption for payments on OTC financial derivatives

Corporate tax—Changes

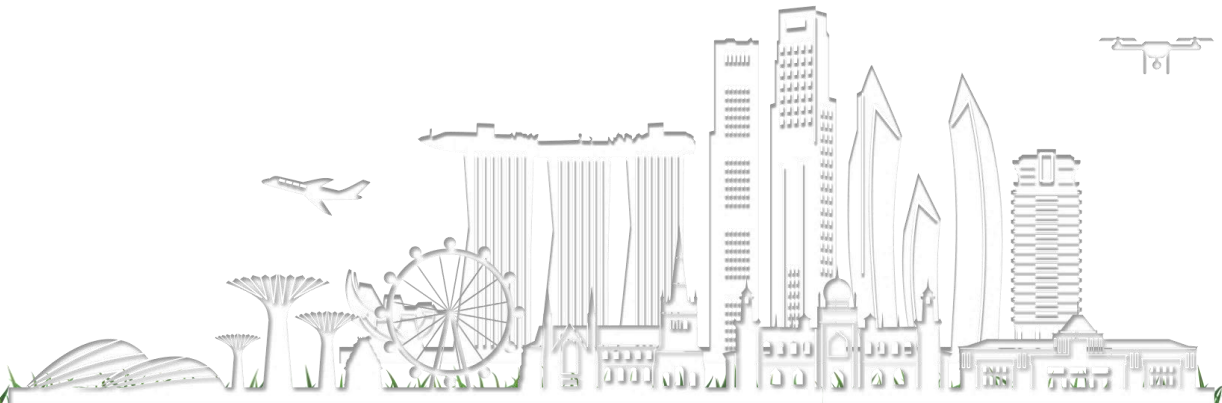
Extend the tax framework for facilitating corporate amalgamations under Section 34C of Income Tax Act (ITA) to licensed insurers

Current

Section 34C of the ITA provides a tax framework that minimises the tax consequences arising from a qualifying corporate amalgamation.

Qualifying amalgamations:

- Notice of amalgamation under Section 215F of the Companies Act or a certificate of approval under Section 14A of the Banking Act is issued on or after 22 Jan 2009; or
- Court-directed under the Companies Act or any other amalgamation, provided the amalgamation has similar effect as that of a statutory voluntary amalgamation under Section 215B to 215G of the Companies Act (approval by the Minister, or such person as he may appoint is required).



Corporate tax—Changes

Extend the tax framework for facilitating corporate amalgamations under Section 34C of ITA to licensed insurers

Proposed

- Qualifying amalgamations will be extended to cover amalgamation of Singapore-incorporated companies involved in a scheme of transfer under Section 117 of the Insurance Act (applies in cases where court order for the confirmation of the scheme is made on or after 1 Nov 2021), subject to the following conditions:
 - The amalgamated company takes over all property, rights, privileges, liabilities and obligations, etc. of the amalgamating company on the date of amalgamation;
 - The amalgamating company becomes dormant (i.e., ceases to conduct any business or any other activities, and does not derive any income) on the date of amalgamation and remains so until it is dissolved or wound up; and
 - The amalgamating company is dissolved or wound up before the filing due date of the income tax return for the Year of assessment (YA) related to the basis period.

Corporate tax—Changes

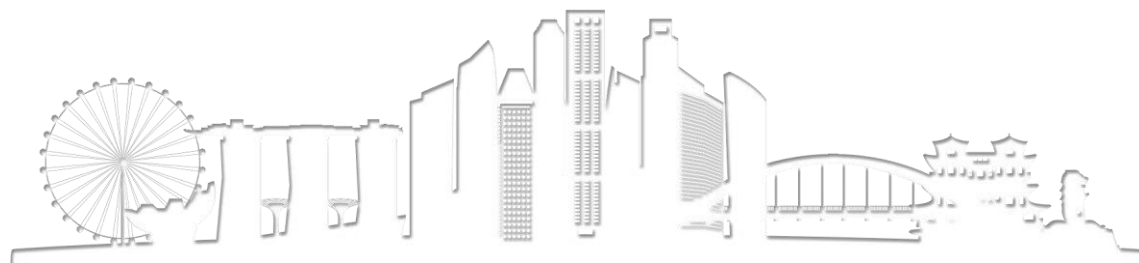
Change in basis of taxation for insurers from financial statements to Monetary Authority of Singapore (MAS) Statutory Returns

Current

- Starting point for tax computations has generally been the financial statements prepared in accordance with relevant accounting standards.
- MAS regulatory filings made by insurers are also currently relied on to allow insurers to apply relevant tax rules to their results.
- Under new FRS 117 for the preparation of financial statements for insurers, there is a lack sufficient information required to apply existing tax rules.

Proposed

- From YA 2024 onwards, the MAS Statutory Returns will be used by insurers to prepare tax computations.
- For groups whose financial year end is a date other than 31 Dec, the change will take effect from YA 2025 onwards.



Corporate tax—Changes

Extend the withholding tax (WHT) exemption for ship and container lease payments under finance lease agreements

- WHT exemption for ship and container lease payments made to NR lessors
- Applies to specified Maritime Sector Incentive (MSI) recipients
- Excludes payments derived from any operation carried on by the NR through its PE in Singapore.

Current

- Scheduled to lapse after 31 Dec 2023

Proposed

- Extended for payments made under finance lease agreements entered into on or before 31 Dec 2028.



Corporate tax—Changes

Extend the WHT exemption for container lease payments under operating lease agreements

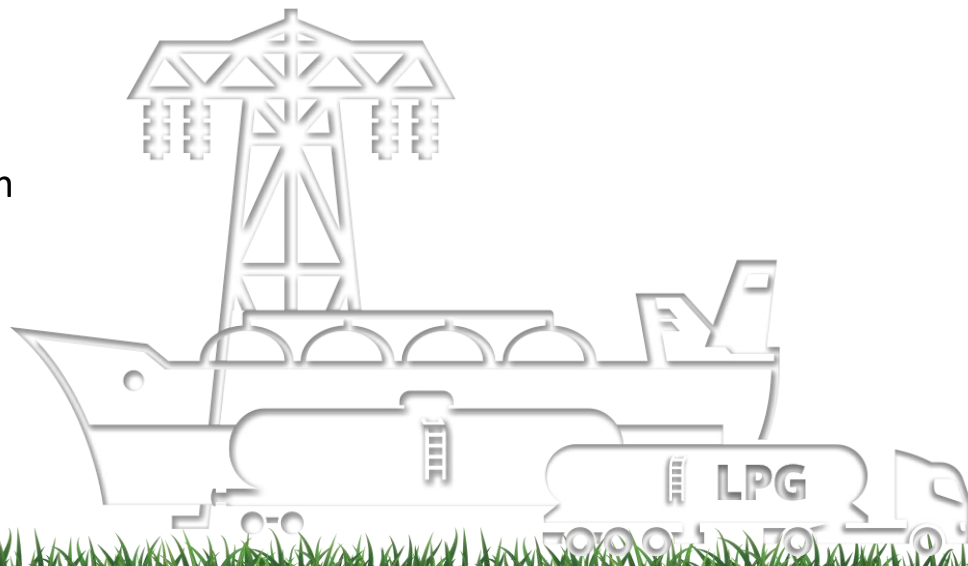
- WHT exemption for container lease payments made to NR lessor.
- Applies to operating lease agreements for the use of qualifying containers for the carriage of goods by sea.
- Excludes payments derived from any operation carried on by the NR through its PE in Singapore.

Current

- Scheduled to lapse after 31 Dec 2022.

Proposed

- Extended for payments made under operating lease agreements entered into on or before 31 Dec 2027.



Corporate tax—Changes

Extend the Aircraft Leasing Scheme (ALS)

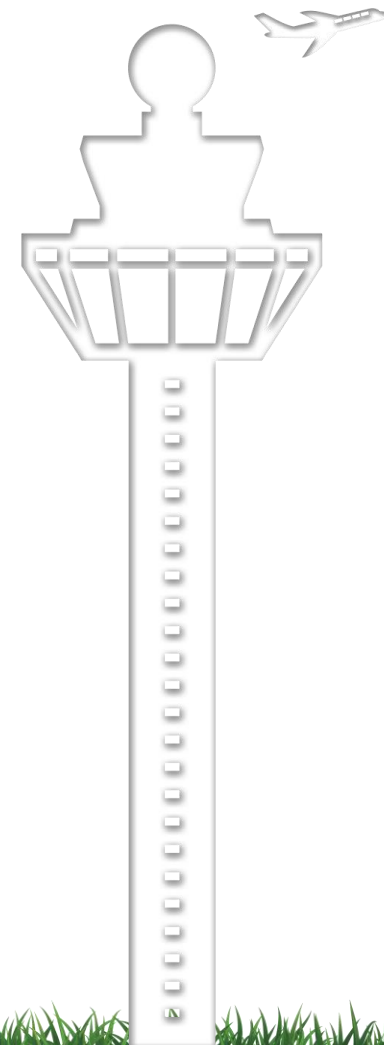
- **Approved aircraft lessors:** Concessionary tax rate of 8% on income derived from the leasing of aircraft or aircraft engines and qualifying ancillary activities under Section 43N of the ITA
- **Approved aircraft managers:** Concessionary tax rate of 10% on income derived from managing the approved aircraft lessor and qualifying activities under Section 43O of the ITA
- Automatic WHT exemption on qualifying payments made by approved aircraft lessors to NR (excluding a PE in Singapore) in respect of qualifying loans and finance leases entered into on or before 31 Dec 2022 to finance purchase of aircraft or aircraft engines

Current

- Scheduled to lapse after 31 Dec 2022.

Proposed

- Extended until 31 Dec 2027.



Corporate tax—Changes

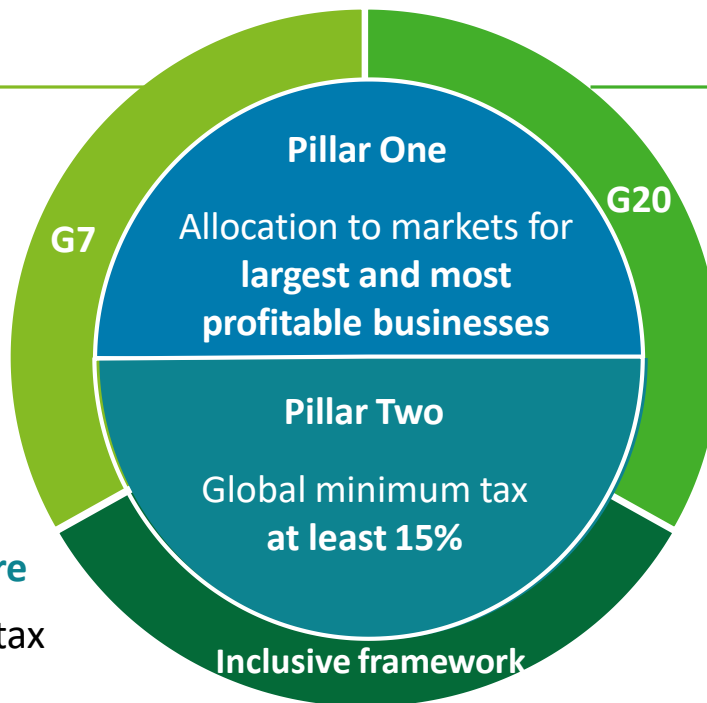
Singapore may introduce a METR Regime

Pillar One impact on Singapore

- Singapore likely to lose tax revenue under Pillar One due to our small domestic market and the extent of activities conducted here by MNEs.

Pillar Two impact on Singapore

- If an MNE has an effective tax rate of less than 15% in Singapore at the group level, other jurisdictions, such as its home country jurisdiction, can collect the difference of up to 15%.



Latest developments

- Work on Pillar One in progress
- Pillar Two Model Rules released on 20 Dec 2021; commentary to be issued

Singapore is exploring a top-up tax called the Minimum Effective Tax Rate or “METR” in response to Pillar Two.

Corporate tax—Changes

Singapore may introduce a METR Regime

Singapore is exploring the introduction of a top-up tax—the METR

How does the METR works? The IRAS will study this further and consult the industry on the design of METR.

Who will be impacted?

- MNE groups with annual revenues of at least €750 million, and
- Where the MNE group's effective tax rate (ETR) in Singapore is less than the global minimum rate of 15%.

How will the annual revenue and ETR be determined?

- Annual revenue as reflected in the consolidated financial statements of the ultimate parent entity of the MNE group.
- The ETR is calculated on a country-by-country basis, using the adjusted covered taxes divided by adjusted net GloBE income, derived from entity-level financial information used in consolidated financial statements.

When will METR apply?

- Singapore will also continue to closely monitor international developments before making any decisions on the METR.

Personal tax—Changes



Personal tax—Changes

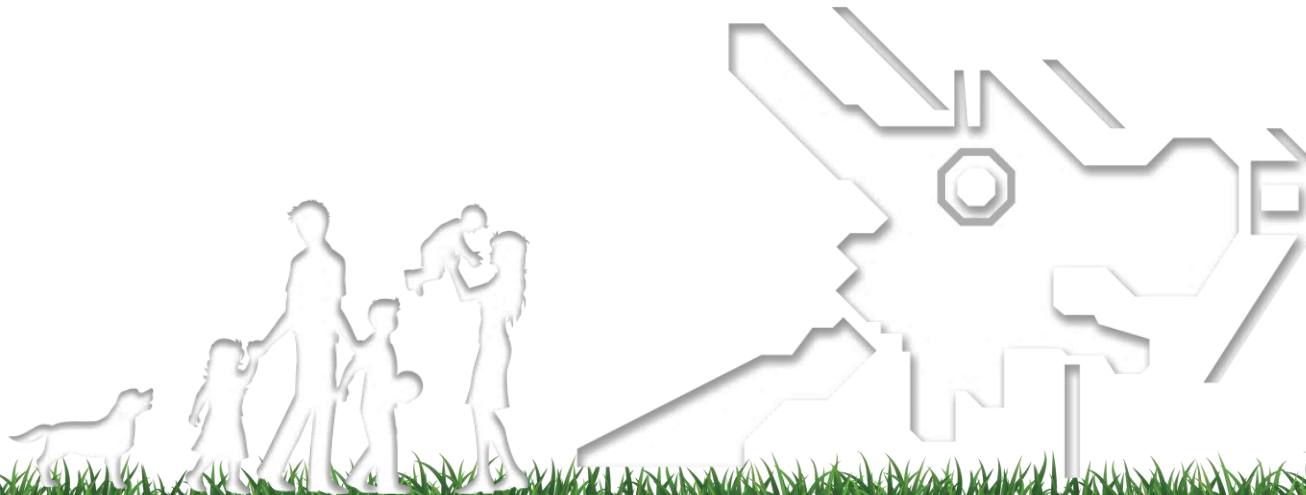
Enhance the progressive PIT rates of tax resident

Current

- Top marginal PIT for resident individual taxpayers is 22% for income exceeding \$320,000 per annum.

Proposed

- With effect from YA 2024, increase in marginal tax rate as follows:
 - (a) Annual income exceeding \$500,000 to \$1 million—increase from 22% to 23%.
 - (b) Annual income exceeding \$1 million—increase from 22% to 24%.



Personal tax—Changes

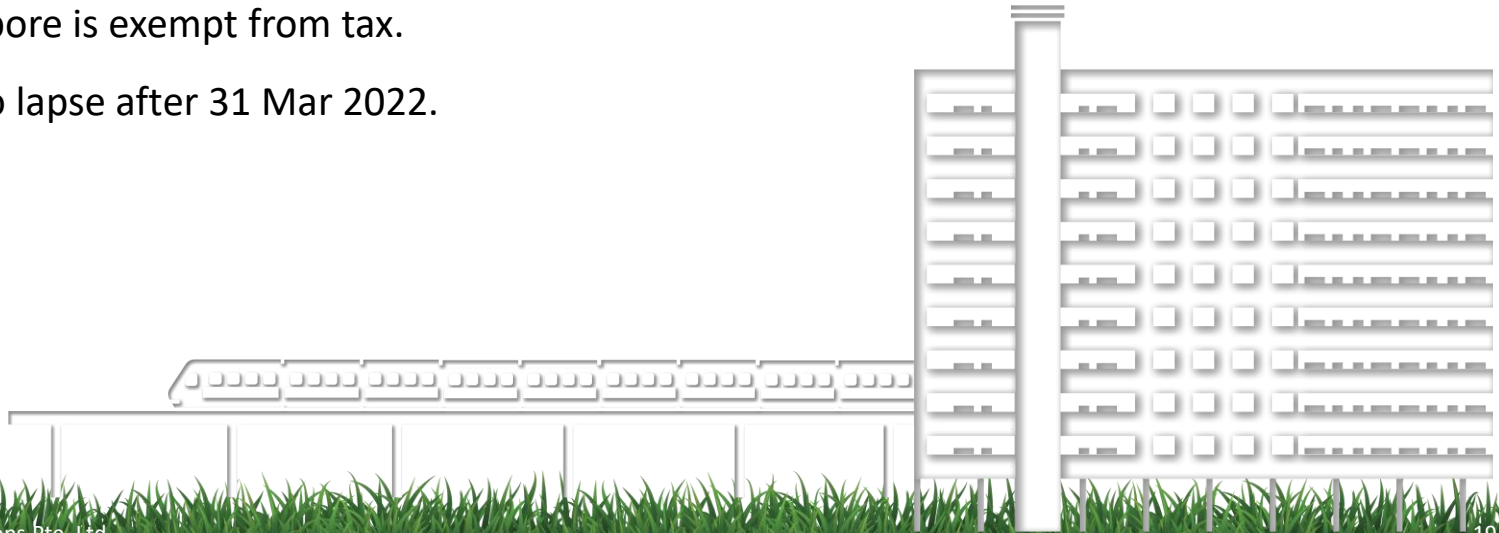
Extend the WHT exemption for NRMs and NRAs

Current

- Non-resident professionals are subject to WHT of 15% on gross income from the profession.
- May elect to be taxed at 22% on net income.
- As a concession and subject to conditions, income derived by NRMs (from 1 Apr 2015 to 31 Mar 2022) and NRAs (on or after 3 May 2002) for mediation/ arbitration work carried out in Singapore is exempt from tax.
- Scheduled to lapse after 31 Mar 2022.

Proposed

- WHT exemption extended to 31 Mar 2023.
- From 1 Apr 2023, income subject to a concessionary WHT rate of 10%, subject to conditions. This applies until 31 Dec 2027.
- NRMs and NRAs may elect to be taxed at 24% on net income with effect from YA 2024.



Other tax changes



Other tax changes

Roadmap for carbon tax increase towards 2030

Carbon tax to be raised progressively in 3 stages between 2024 to 2030:

- Current - \$5 per tonne
- 2024 - 2025 : \$25 per tonne
- 2026 - 2027 : \$45 per tonne
- By 2030 : \$50 - \$80 per tonne

Enhance the progressive property tax rates for residential properties

Property tax rates for owner-occupied and non-owner-occupied residential properties will be revised and phased in over 2 years starting from 2023.

Change in additional registration fee (ARF) for vehicles

New ARF tier for luxury cars with open market value above \$80,000 at a rate of 220%, starting from the second Certificate of Entitlement (COE) bidding exercise in Feb 2022.

Facilitate disclosure of company-related information for official duties

Changes to the ITA and GST Act will be made to facilitate the disclosure of information by the IRAS for the performance of official duties in administering any written law or public scheme.

Goods and Services Tax (GST) updates



Goods and Services Tax (GST) changes

Increased in 2 steps

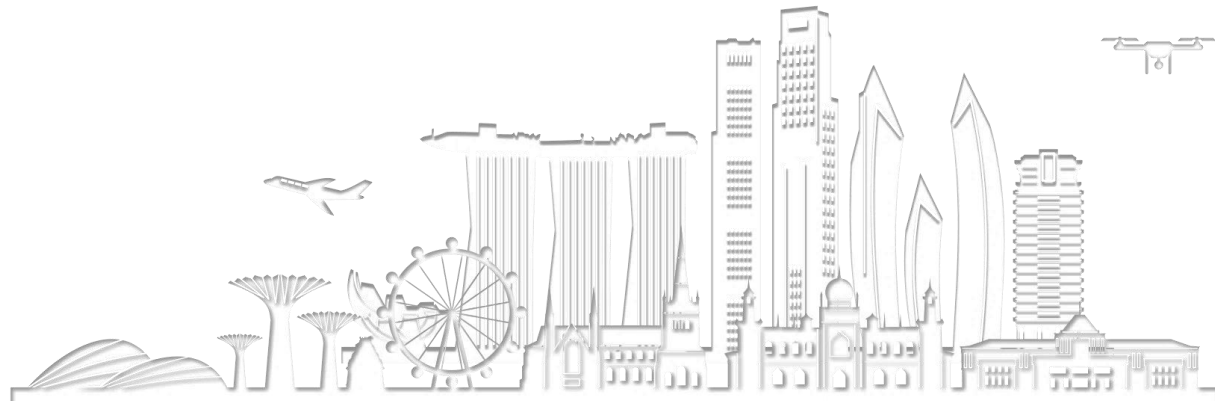
Current

The current GST standard rate has been set at 7% since 1 Jul 2007.

Proposed

The GST rate will be increased in 2 steps to help meet the higher recurring spending needs of the Government. The rate will be increased as follows:

- a. From 7% to 8% with effect from 1 Jan 2023; and
- a. From 8% to 9% with effect from 1 Jan 2024.



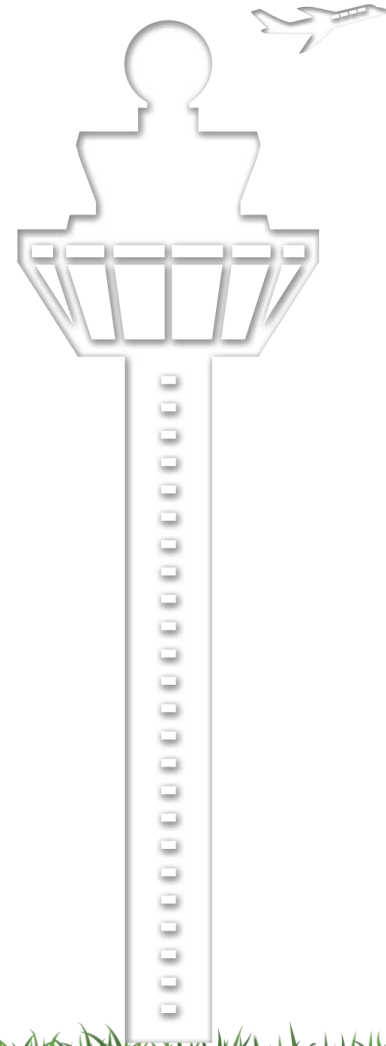
GST changes

GST treatment of travel arranging services

Current

The GST treatment of travel arranging services provided by local suppliers is based on the place of intended travel/destination:

- a) Services comprising the arranging of international transport of passengers and the arranging of insurance related to such transportation are zero-rated (Section 21(3)(c); and
- b) Services comprising the arranging of accommodation are standard-rated if the property is located in Singapore, and zero-rated if the property is located outside Singapore (Section 21(3)(e).



GST changes

GST treatment of travel arranging services (cont.)

Proposed

With effect from 1 Jan 2023, the GST treatment will depend on the belonging status of contracting party and the party directly benefitting from the service (direct beneficiary):

Transactions	Proposed treatment
Contract with a local customer:	Standard-rated
Contract with an overseas customer:	Zero-rated as long as the service directly benefits either an overseas person(s) and/or a GST-registered person in Singapore. Otherwise, the service has to be standard-rated.



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