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Singapore Budget 2022 Snapshot

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Foreword

What stands out as exceptional in this year's Budget are the decisive steps taken to strengthen the economy and social compact - difficult decisions but necessary for Singapore to have the first-mover advantage and capture new opportunities for a more sustainable future.

Finance Minister, Mr Lawrence Wong, delivered his maiden Budget speech on 18 February 2022.

Even as the COVID-19 pandemic and other significant headwinds such as geopolitical tensions, global supply chain crisis and inflationary pressures. continue to impact economies around the world, Singapore's economy has made a stronger than expected recovery in 2021. Singapore has maintained its growth forecast of 3% to 5% in the first quarter of 2022. This sets the scene for Budget 2022 - "Charting Our New Way Forward Together" - to lay the groundwork to better position Singapore for future challenges and opportunities, as well as strengthen its social compact.

Apart from outlining the government's plans for Singapore's future, this year's Budget includes the much-anticipated tax proposals, specifically carbon tax, wealth taxes, goods and services tax (GST), and an update on the possibility of a minimum effective tax rate. Similar to prior years, the Budget also seeks to address short- to medium-term concerns, like rising living costs and the impact of the pandemic on specific industries, as well as long-term issues, like an aging population, social mobility, economic transformation, and climate change. What stands out as exceptional in this year's Budget are the decisive steps taken to strengthen the economy and social compact - difficult decisions but necessary for Singapore to have the first-mover advantage and capture new opportunities for a more sustainable future.

Climate change remains a top priority for Singapore, and rightly so, given that it is one of the world's most pressing issues. Previous Budget announcements precluded that Singapore would review the carbon tax, and indeed, the Finance Minister announced this year that the carbon tax will increase from $5 per tonne of emissions to $50-$80 by 2030. The Finance Minister stated that this is not a revenue-generating exercise, and that the revenue generated by carbon tax will be used to fund incentives to help firms make the green transition and seize opportunities in the green economy.

The significant enhancements to the tax system, which include augmenting wealth tax collection in the form of property tax and luxury vehicle tax, raising the personal income tax rates for higher-income earners, as well as the anticipated increase in GST may not be entirely surprising, given that the Finance Minister has previously alluded to the need to raise revenue through new taxes or increases to existing tax rates in order to meet rising long-term expenditures, particularly in healthcare. To help cushion the blow, the government has decided to postpone the GST increase until 2023 and to implement it in two steps, mitigating the impact on consumers. It is also reassuring that the Government has added $640 million to the $6 billion Assurance package in order to soften the effects of the GST increase on lower-to-middle income households.

To address long-term structural concerns, the Government announced plans to accelerate investment in digital capabilities, instill pervasive innovation across the economy, provide more support for small and medium-sized enterprises (SMEs) to undertake R&D activities, strengthen the enterprise ecosystem by improving take-up rate for productivity solutions, and launch a new initiative called "Singapore Global Enterprise" to assist promising local firms to go global. These multifaceted measures, help instill confidence that Singapore can and will be fully prepared to deal with the "evolving challenges" brought on by COVID-19, and at the same time, pave the way for a post-pandemic future.

On the international tax front, discussions of whether Singapore should introduce a domestic top-up tax in response to Pillar Two in order not to cede revenue to other countries seems to be taking shape and will likely be the case. Singapore will need to work hard to continue to strengthen its attractiveness for inbound investments – global connectivity, political stability, pro-business environment, diverse talent pool will be key to ensure that it remains a top destination for investors.

Overall, Budget 2022 provides clear directives in areas that will strengthen Singapore's competitive advantage and social compact, as well as to prepare the country for a brighter and greener future. It maps out a strategy for Singapore to navigate its new future that is more volatile, unpredictable, and fast-paced, but also full of opportunities.

The budget snapshot is provided in the following pages—we wish you an enjoyable read!

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PROGESSING OUR INDIVIDUAL TAX REGIME

- Top marginal personal income tax rate to be increased to 24% (from 22%) with effect from YA 2024. Tax-resident taxpayers' chargeable income in excess of S$0.5 million up to S$1 million will be taxed at 23% while that in excess of S$1 million will be taxed at 24%
- Personal income tax rate for non-tax residents expected to be changed to 24% from YA 2024
- No changes in personal income tax reliefs, and no personal tax rebates

RAISING GST IN 2 STAGES

- GST increase is delayed to 2023 and will be staggered over 2 steps: 8% from 1 Jan 2023 and 9% from 1 Jan 2024

STRENGTHENING LOCAL ENTERPRISES

- Waiver of Skills Development Levy requirement for the qualifying period of 1 Jan 2021 to 31 Dec 2021
- S$500 million Jobs and Business Support Package
  1. Small Business Recovery Grant: Targeted support for specific sectors
     a. S$1,000 per local employee (capped at S$10,000 per firm); and
     b. S$1,000 for sole proprietors/partnerships with at least one local business owner in eligible sectors, but no local employee
  2. Extension of Jobs Growth Incentive to Sep 2022, with stepped down rates but will only cover mature workers, persons with disabilities and ex-offenders
- Extension of financing support schemes:
  - Temporary Bridging Loan Programme and Enterprise Financing Scheme—Trade Loan extended up to 30 Sep 2022, with revised parameters
  - Enterprise Financing Scheme—Project Loan extended up to 31 Mar 2023, with enhanced parameters
  - Enterprise Financing Scheme—Merger and Acquisition Loan extended to 31 Mar 2026, with enhanced parameters
- Uplifting lower wage workers
  - Progressive Wage Credit Scheme to co-fund 15% to 50% wage increases of lower-wage workers between FY2022 and FY2026
  - Enhancement to Workfare Income Supplement Scheme from 1 Jan 2023 to supplement the incomes and CPF saving of lower-wage Singaporean workers:
    - Higher qualifying income cap of S$2,500 per month from S$2,300 per month
    - Extended to workers aged 30 to 34
    - New minimum monthly income criterion of S$500
    - Higher maximum annual payouts of S$2,100 to S$4,200; all persons with disabilities to qualify for highest tier regardless of age

RATIONALISING THE CORPORATE TAX REGIME

- No changes in corporate income tax rates and no tax rebates
- Minimum Effective Tax Rate Regime may be introduced to top up the qualifying multinational enterprise group's effective tax rate in Singapore to 15%, in response to Pillar 2 of the Base Erosion and Profit Shifting 2.0 initiative
- Approved Royalties Incentive extended to 31 Dec 2028 and simplified to cover classes of royalty agreements based on an activity-set-based approach
- Various schemes such as Infrastructure Trustee-Manager/Fund Management Company scheme, withholding tax exemption for payments made under interest rate or currency swap transactions by financial institutions, and Integrated Investment Allowance scheme allowed to lapse after 31 Dec 2022
- Various schemes including withholding tax exemptions for the aerospace, maritime and financial sectors, funds incentives schemes, Approved Foreign Loan scheme, tax incentives for project and infrastructure finance, and Tax Framework for Qualifying Corporate Amalgamations extended or enhanced

ADVANCING OUR GREEN TRANSITION

- Accelerate adoption of electric vehicles by building more charging points near homes
- Issuance of up to S$35 billion in green bonds by 2030 to fund public sector green infrastructure projects
- Carbon Tax remains at S$5 per tonne up to 2023, but will be raised to S$25 in 2024, S$45 in 2026, and S$50 to S$80 per tonne by 2030
- No additional carbon tax on the use of petrol, diesel, and compressed natural gas
- Allow carbon tax-liable businesses to use carbon credits to offset up to 5% of taxable emissions from 2024
- Introduction of a transition framework to help emission-intensive, trade-exposed sectors manage the near-term impact on their competitiveness

INVESTING IN OUR PEOPLE

- S$100 million set aside to support NTUC in its efforts to scale up Company Training Committees
- Highly subsidised industry-oriented training courses and employment facilitation services will be provided through a new SkillsFuture Career Transition Programme (SCTP). SCTP will replace SGUnited Skills and SGUnited Mid-Career Pathways—Company Training programmes from 1 Apr 2022
- SGUnited Mid-Career Pathways Programme—Company Attachment will be made permanent. Trainees will receive a training allowance of up to S$3,800 per month for the duration of the attachment

DRIVING SECTORAL GROWTH

- For aviation: Aviation Support Package to preserve core capabilities and ensure public health and safety at the airport
- For construction: Loan assistance programmes extended to 31 Mar 2023

ADDRESSING WEALTH INEQUALITY

- A new Additional Registration Fee tier for luxury cars with Open Market Value above S$80,000 will be introduced at a rate of 220%, starting from the second Certificate of Entitlement (COE) bidding exercise in Feb 2022
- The progressive property tax will be revised and phased over 2 years starting from 2023, to 12%-36% (up from 10%-20%) for all non-owner-occupied residential properties; and 6%-32% (up from 4%-16%) for owner-occupied residential properties on the portion of annual value in excess of S$30,000

SUPPORTING FAMILIES

S$640 million top-up to the Assurance Package for GST:

- S$700 to S$1,600 cash payout for all Singaporean aged 21 and above over the next 5 years
- S$600 to S$900 additional GST Voucher (GSTV) for eligible seniors aged 55 and above over the next 3 years
- S$330 to S$570 additional GSTV-U-Save rebates for eligible households over the next 4 years
- S$450 MediSave top-ups over the next 3 years for Singaporean children aged 20 and below and seniors aged 55 and above
- S$400 Community Development Council (CDC) vouchers over 2023 and 2024 for Singaporean households

Enhanced GSTV Scheme:

- Raise assessable income threshold for GSTV-Cash from S$28,000 to S$34,000 while other conditions remain
- Increase in GSTV-Cash payouts by up to S$200
- 1.5 to 3.5 months of Service and Conservancy Charges Rebate for eligible households

S$560 million Household Support Package Scheme:

- GSTV-U-Save rebates will be doubled (additional rebates of up to S$285) for eligible households for the rest of 2022
- Additional S$200 top-up to Child Development Account, Edusave Account or Post-Secondary Education Account for every Singapore child below age 21
- S$100 CDC vouchers for all Singapore households in 2022

Others:

- More help for children from lower-income families through (1) enhancement of Fresh Start Housing Scheme, (2) scale up of KidSTART programme, (3) expansion of UPLIFT Community network and ComLink
- Extension of COVID-19 Recovery Grant to 31 Dec 2022 to support workers who lost their jobs or experienced significant income loss

BOLSTERING OUR DIGITAL AND INNOVATION CAPABILITIES

- S$200 million set aside to invest and enhance digital capabilities through the following schemes:
  - Advanced Digital Solutions scheme: Up to 70% funding support to participating enterprises for the adoption of cutting-edge digital solutions
  - Grow Digital scheme: Up to 70% funding support to participating enterprises to onboard pre-approved digital platforms, B2B and B2C e-commerce platforms
  - TechSkills Accelerator: Supporting individuals to upskill and reskill to develop a skilled Information and Communication Technology workforce to meet the challenges of a fast-moving digital landscape
- Increased capacity of centres engaging in technology, innovation, and enterprises activities in tertiary institutions to provide research and innovation support to more small and medium enterprises (SMEs) across 5 pilot sectors: Agri-Tech, Construction, Food Manufacturing, Precision Engineering and Retail
- S$600 million earmarked to enhance the Productivity Solutions Grant to drive for a higher adoption rate

BUILDING A CARING AND INCLUSIVE SOCIETY

- S$100 million top-up to Tote Board's Enhanced Fund-Raising Programme until FY2024 to match eligible donations
- S$26 million top-up to Charities Capability Fund until FY2026, giving grants for training, consultancy, shared services, Info-Communications Technology and collaboration
- One Team Singapore Fund, the dollar-for-dollar matching grant for cash donations to support Team Singapore athletes, extended to FY2026
- S$150 million top-up to Cultural Matching Fund until FY2024, to match donations to eligible arts and heritage charities

ADJUSTING FOREIGN TALENT POLICIES

- Changes to Employment Pass/S Pass for new applications from 1 Sep 2022, and renewal applications from 1 Sep 2023
  - Minimum qualifying salaries for Employment Pass raised to S$5,000; S$5,500 for financial services
  - Minimum qualifying salaries for S Pass raised to S$3,000; S$3,500 for financial services; and further increases thereafter in a phased manner
  - Progressive increase in Tier 1 S Pass Foreign Worker Levy (FWL) rate from S$330 to S$650 by 2025.
  - Adjustments to FWL rates for Work Permit holders in the Construction and Process sectors from 1 Jan 2024
- Reduction in Dependency Ratio Ceiling for the Construction and Process sectors and introduction of new levy framework from 1 Jan 2024

BOOSTING RETIREMENT ADEQUACY

- Employer and employee CPF contribution rates for workers aged 55 to 70 will increase on 1 Jan 2023 by 1.5 to 2 percentage point. A one-year CPF Transition Offset equivalent to half of the increase in employer CPF contribution rates will be provided to the employers automatically
- Higher monthly CPF payouts will be provided during retirement years with increase of CPF Basic Retirement Sum (BRS) by 3.5% per year for the next five cohorts turning 55 from 2023 to 2027

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