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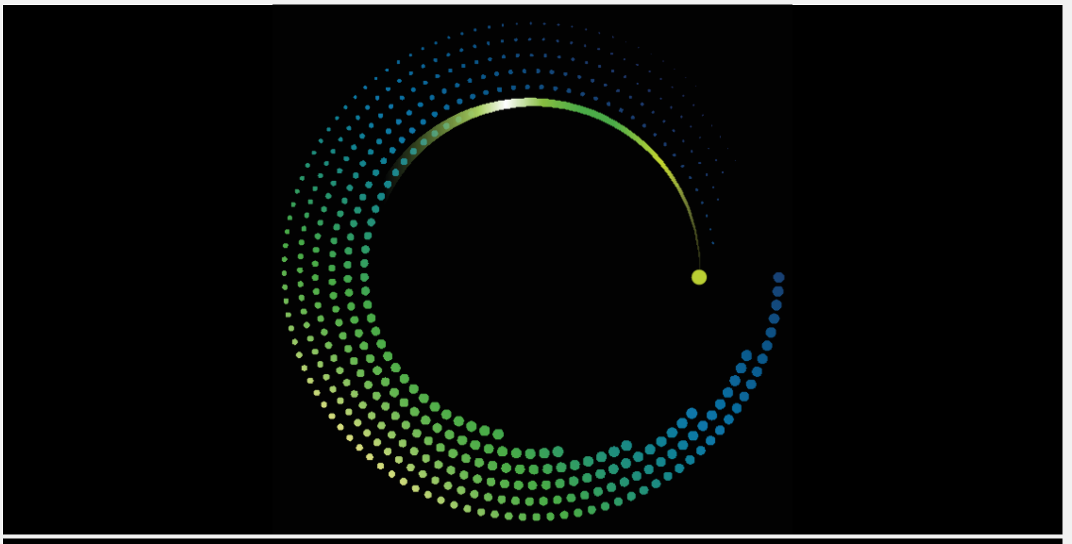

Tax Bytes

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Greetings from your Tax & Legal team at Deloitte Singapore.

We are pleased to update you on the following:

Income Tax (Amendment) Act 2023—Act 30 of 2023

The Income Tax (Amendment) Act 2023 (Act 30 of 2023) was passed on 30 October 2023.

The salient updates are as follows (all Section references are made with respect to Singapore Income Tax Act 1947):

a. Section 10L—Gain on sale of foreign assets (not announced during Budget 2023)

This new section details tax implications for gains from the sale of foreign assets by, among others, entities that have a legal registration in Singapore or are Singapore tax residents. It specifies that gains received in Singapore from foreign asset sales are taxable unless certain conditions are met. The law applies to gains from sale of foreign assets after 1 January 2024, and includes specific rules for determining the source and calculation of gains, deductions, and exceptions.

For more details, please refer to our previous commentaries below:

- Income Tax (Amendment) Bill 2023—Draft provision to tax gains on disposal of foreign assets; and
- The Ministry of Finance's responses to the key feedback received on the draft Income Tax (Amendment) Bill 2023.

b. Legislation updated to give effect to Budget 2023 announcements

Section	Description
10K Tax treatment for covered bond transactions	New section on tax treatment for covered bond transactions The ASPV (Covered Bonds) is a sub-scheme of the Tax Incentive Scheme for Approved Special Purpose Vehicle (ASPV) engaged in Asset Securitisation Transactions. This sub-scheme is specifically designed to support the issuance of covered bonds in Singapore. It applies to special purpose vehicles that hold the "cover pool" as defined in MAS Notice 648. The ASPV (Covered Bonds) scheme is active from 15 February 2023 to 31 December 2028, and is administered by the Monetary Authority of Singapore (MAS).
13M Exemption of income derived from asset securitization transaction	Section 13M(1)—Extension of the tax incentive scheme for Approved Special Purpose Vehicle (ASPV) engaged in asset securitisation transactions (ASPV scheme) from 31 December 2023 to 31 December 2028.
14B Further deduction for expenses relating to approved trade fairs, exhibitions or trade missions, maintenance of overseas trade office, or electronic commerce	Enhancement of the Double Tax Deduction for Internationalisation (DTDi) Scheme. With effect from 15 February 2023, a business may claim double tax deduction on qualifying startup expenses incurred for "e-commerce campaign". The qualifying expenses covered under this new qualifying activity are: a. e-commerce related business advisory, b. account creation, c. content creation, and d. product listing and placement expenses. All double tax deduction claims under the "e-commerce campaign" activity require Enterprise Singapore (ESG)'s prior approval. For each business, ESG's approval for DTDi support for e-commerce campaign is subject to a one-year time limit, applied on a per-country basis. The DTDi scheme's validity until 31 December 2025 remains unchanged.

14G Provisions by banks and qualifying finance companies for doubtful debts and diminution in value of investments	Section 14G(16)—Extension of the tax concession for deduction of general provisions for doubtful debts and regulatory loss allowances made in respect of non-credit impaired financial instruments for banks (including merchant banks) and qualifying finance companies to Year of Assessment (YA) 2029 (for banks, merchant banks, and qualifying finance companies with a 31-December Financial Year End) or YA 2030 (for banks, merchant banks, and qualifying finance companies with a non-31-December Financial Year End).
10 Charge of Income Tax 13 Exempt Income 43H Concessionary rate of tax for income derived from debt securities 45 Withholding of tax in respect of interest paid to non-resident persons 45A Application of section 45 to royalties, management fees, etc.	Extension and refinement of the Qualifying Debt Securities (QDS) scheme. Section 10(20A)—The QDS scheme is extended from 31 December 2023 to 31 December 2028. The scope of qualifying income under the QDS scheme will be streamlined and clarified such that it includes all payments in relation to early redemption of a QDS. a. To ensure continued relevance, the requirement that the QDS must be substantially arranged in Singapore will be rationalised, as follows: For all debt securities that are issued on or after 15 February 2023, they must be substantially arranged in Singapore by a financial institution holding a specified licence, instead of a Financial Sector Incentive (FSI) company. To facilitate transition and prevent uncertainty for ongoing QDS issuances, QDS that are substantially arranged by a FSI company will continue to qualify until 31 December 2023. b. For insurance-linked securities (ILS) that are issued on or after 1 January 2024, if they are unable to meet the condition in (a) above, at least 30% of the ILS issuance costs incurred by the issuer must be paid to Singapore businesses. There is no change to all other conditions of the scheme.

Enterprise Innovation Scheme (EIS)
The following suite of tax measures are enhanced or introduced under the EIS to encourage businesses to engage in research and development (R&D), innovation, and capability development activities:

a. Enhanced tax deduction for staff costs and consumables incurred on qualifying R&D projects conducted in Singapore;
b. Enhanced tax deduction for qualifying Intellectual Property (IP) registration costs;
c. Enhanced tax allowance/deduction for acquisition and licensing of qualifying IP rights;
d. Enhanced tax deduction for qualifying training expenditure;
e. Introduce tax deduction for innovation projects carried out with polytechnics, the Institute of Technical Education (ITE) or other qualified partners; and
f. Cash conversion.

14A Deduction for costs for protecting intellectual property 14C Expenditure on research and development 14D Enhanced deduction for qualifying expenditure on research and development 14U Enhanced deduction for expenditure on licensing intellectual property rights 14ZG Deduction for qualifying training expenditure for years of assessment 2024 to 2028 14EA Deduction for expenditure incurred on qualifying innovation projects 37R Cash payout under Enterprise Innovation Scheme	a. Enhance the tax deduction for staff costs and consumables incurred on qualifying R&D projects conducted in Singapore to 400% for the first $400,000 of staff costs and consumables incurred on qualifying R&D projects conducted in Singapore per YA from YA 2024 to YA 2028. The current tax deduction is 100% under Section 14C and 150% under Section 14D. b. Enhance the tax deduction to 400% for the first $400,000 (from 200% for the first $100,000 and 100% for amounts exceeding $100,000) of qualifying IP registration costs incurred per YA from YA 2024 to YA 2028. c. Enhance the tax allowance/deduction to 400% for the first $400,000 (combined cap) of qualifying expenditure incurred on the acquisition and licensing of IP rights per YA from YA 2024 to YA 2028. This enhancement will only be available to businesses that generate less than $500 million in revenue in the relevant YA. Currently, the tax allowances/deductions are: (i) 100% writing-down allowance (WDA) over a period of five, 10 or 15 years on the acquisition costs of qualifying IP rights under section 19B; and (ii) 200% tax deduction for the first $100,000 (and 100% for amounts exceeding $100,000) of qualifying IP rights licensing expenditure under sections 14 or 14C and 14U. d. Enhance the tax deduction to 400% for the first $400,000 of qualifying training expenditure incurred per YA from YA 2024 to YA 2028. The enhancement applies to courses that are eligible for SkillsFuture Singapore funding and aligned with the Skills Framework. e. Introduce a 400% tax deduction for up to $50,000 of qualifying innovation expenditure incurred on qualifying innovation projects carried out with polytechnics, the Institute of Technical Education, and other partners per YA from YA 2024 to YA 2028. f. Allow businesses to, in lieu of tax deductions/allowances, opt for a non-taxable cash payout at a cash conversion ratio of 20% on up to $100,000 of total qualifying expenditure across all qualifying activities in (a) to (e) above per YA. The cash payout option will be capped at $20,000 per YA and will only be available to businesses which have at least three full-time local employees 1 (Singapore Citizens or Permanent Residents with CPF contributions) each earning a gross monthly salary of at least $1,400, and in employment for six months or more in the basis period of the relevant YA.

	The sunset dates for section 14A (Deduction for costs for protecting IP), section 14C (Expenditure on R&D), section 14D (Enhanced deduction for qualifying expenditure on R&D), section 14U (Enhanced deduction for expenditure on licensing IP rights) and section 19B (WDA for IP rights) will be extended till YA 2028, in line with the above enhancements.
14N Deduction for renovation or refurbishment expenditure	Section 14N(3A)—Provision of temporary broad-based support to businesses during period of business restructuring. Businesses that incur qualifying expenditure on Renovation & Refurbishment (R&R) during the basis period for YA 2024 (i.e., financial year ending in 2023) will have an option to claim R&R deduction in one YA (i.e., accelerated R&R deduction). The cap of $300,000 for every relevant period of three consecutive YAs will still apply. This option, if exercised, is irrevocable. For qualifying R&R expenditure incurred during the basis period for YA 2024, a company has the option to claim the deduction in 1 year instead of over 3 years. The accelerated R&R expenditure option, if exercised, is irrevocable and the R&R expenditure incurred during the respective basis period must be fully claimed in that YA. All other conditions remain the same. The tax deduction for expenditure incurred on building modifications for benefit of disabled employees (14F) ceases from 15 February 2023. Section 14N on tax deductions can also be tapped upon for workplace modifications for benefit of disabled employees without the need for prior approval from government agencies.
14Z Deduction for expenditure for services or secondment to institutions of a public character	Section 14Z(20)—Extension and enhancement of the Corporate Volunteer Scheme (CSV) Scheme. The CSV Scheme was renamed from the Business and IPC Partnership Scheme (BIPS) from 1 April 2023. The CSV Scheme, originally scheduled to lapse on 31 December 2023 is now extended to 31 December 2026. From 1 January 2024, the CSV Scheme is enhanced as follows: a. the scope of qualifying volunteering activities will be expanded to include activities which are conducted virtually (e.g., online mentoring and tuition support for youths/children) or outside of the IPCs' premises (e.g., refurbishment of rental flats); and b. the cap on qualifying expenditure per institution of Public Character (IPC) per calendar year has doubled to $100,000 from $50,000.

19A Allowances of 3 years or 2 years write-off for machinery and plant, and 100% write-off for computer, prescribed automation equipment and robot, etc.	Section 19A(24)—Provision of option to accelerate the write-off of the cost of acquiring Plant and Machinery (P&M). To provide temporary broad-based support to businesses during this period of restructuring, businesses that incur capital expenditure on the acquisition of plant and machinery in the basis period for YA 2024 will have an option to accelerate the write-off of the cost of acquiring such plant and machinery over two years. This option, if exercised, is irrevocable. The rates of accelerated CA allowed are as follows: a. 75% of the cost incurred to be written off in the first year (i.e., YA 2024); and b. 25% of the cost incurred to be written-off in the second year (i.e., YA 2025). No deferment of CA claim is allowed under this option.
19D Writing down allowances of IRU	Section 19D(26)—Extension of Writing Down Allowance (WDA) for the acquisition of an indefeasible right to use international telecommunications submarine cable system (IRU) from 31 December 2023 to 31 December 2028.
37 Assessable income	Section 37(3A)(ii)—Extension and enhancement of the 250% tax deduction for qualifying donations to IPCs and eligible institution. There is an extension of the 250% tax deduction for donations made to institutions of a public character (IPCs) for another three years from 1 January 2024 to 31 December 2026. Additionally, the maximum amount of qualifying donations has been increased to $100,000 (from $50,000) for each calendar year from 2024 to 2026.
43H Concessionary rate of tax for income derived from debt securities	Section 43H(34)—Extension of the tax exemption on income derived by primary dealers from trading in Singapore Government Securities (SGS) from 31 December 2023 to 31 December 2028.
43R Concessionary rate of tax for approved insurance brokers	Section 43R(6A)—Extension of the Insurance Business Development—Insurance Broking Business (IBD-IBB) Scheme. Under the IBD-IBB scheme, approved insurance and reinsurance brokers are subject to a concessionary tax rate of 10% on commission and fee income derived from insurance broking and advisory service to 31 December 2023. This scheme is now extended to 31 December 2028.

43X Concessionary rate of tax for intellectual property income	Section 43X(37)—Extension of the IP Development Incentive (IDI) Scheme The IDI scheme that accords concessionary tax rates of 5% or 10% on a percentage of qualifying IP income arising from R&D activities in Singapore is now extended for five years from 31 December 2023 to 31 December 2028.

Read more

Contacts

Should you have any comments or questions arising from this newsletter, please contact either the listed contacts below, or any member of the [Singapore Tax & Legal team](#).

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