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Singapore Budget 2017 Feedback

Creating opportunities for our future

30 December 2016

Set against the backdrop of a weak and uncertain global economy, Budget 2017 should aim to navigate Singapore through the current challenges whilst at the same time create more opportunities for our future.

Foreword

Singapore is, at least from a tax perspective, living in interesting times.

With 2016 drawing to a close and Budget 2017 just around the corner, it is opportune to reflect on the confluence of external and domestic factors that led to this remark and their impact on Singapore.

We start with the observation that globalisation has taken a hit in 2016, as a result of major events happening in several countries, notably in the United States and the United Kingdom. This poses risks for Singapore, a country whose economy relies heavily on international trade. Despite the trend towards protectionism, businesses in Singapore have little choice but to look overseas due to a limited domestic market.

On the local front, 2017 also marks the last year of the Productivity and Innovation Credit (PIC) Scheme, a broad-based government initiative to support investments in a broad range of activities along the innovation value chain. Since 2010, businesses have gradually grown accustomed to the generous tax deductions and to a lesser extent, cash pay-outs offered for a gamut of activities, ranging from buying a laptop to undertaking research and development (R&D). Although the productivity needle has not moved as significantly as one would have hoped, the lasting legacy of PIC will be to put the need for efficiency and innovation at the top of the agenda for most businesses.

Turning to the OECD's Base Erosion and Profit Shifting (BEPS) Project, an ambitious revamp of international corporate tax rules by the world's major economies to ensure multinational corporations pay their 'fair share' of taxes, various proposals have been introduced and countries have been signing up to these proposals. With the recent completion of a multilateral instrument which allows countries that sign up to swiftly implement tax treaty measures aimed at preventing cross-border tax avoidance, there is no doubt that we are now firmly in the implementation phase of the BEPS project.

With the above in mind, our submission for Budget 2017 calls upon the Government to build upon the strong foundations laid in previous Budgets – helping Singapore businesses survive and thrive amidst tumultuous economic conditions by reinforcing the pillars of innovation and internationalisation, whilst carefully steering Singapore through choppy 'BEPS' waters by ensuring that our tax system remains transparent and acceptable in the international tax arena.

Our proposals for Budget 2017 include recommendations on:

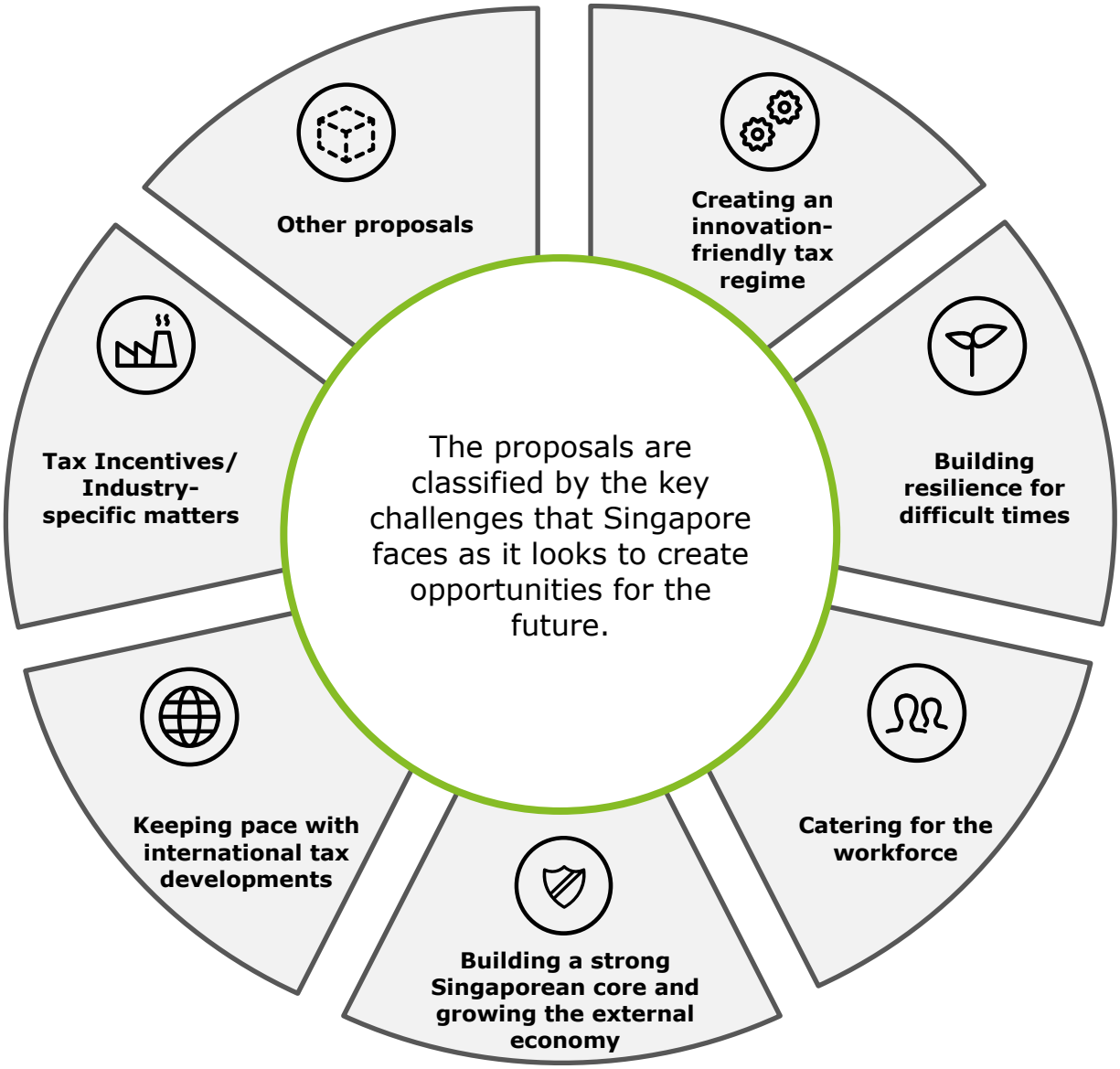
- **Closing the perceived gap between innovation and research and development by enhancing the current broad-based R&D regime**
- **Enhancing the loss carry-back regime to address a slowing economy and providing assistance to certain sectors**
- **Catering for an ageing workforce by reviewing the medical expense deduction regime**
- **Encouraging internationalisation via funding of interest costs and liberalisation of foreign tax credit regime**
- **Reviewing Singapore's corporate tax rate in view of international tax developments**
- **Moving toward a more progressive and gender-neutral individual taxation system**
- **Clarifying the GST policy for the digital economy and reviewing whether there is a need to expand the scope of GST to include digital goods and services**

Content

Abbreviations

AEC	ASEAN Economic Community		MSI	Maritime Sector Incentive
ASEAN	Association of Southeast Asia Nations		MTI	Ministry of Trade and Industry
ASPV	Approved Special-Purpose Vehicle		NOR	Not Ordinarily Resident
BEPS	Base Erosion and Profit Shifting		OECD	Organisation for Economic Co-operation and Development
CEVS	Carbon Emissions-based Vehicle Scheme		PIC	Productivity and Innovation Credit
CPF	Central Provident Fund		QDS	Qualifying Debt Securities
EDB	Economic Development Board		R&D	Research and Development
GTP	Global Trader Programme		R&R	Renovation and Refurbishment
G20	Group of Twenty		ROV	Remotely Operated Vehicle
GST	Goods and Services Tax		S$	Singapore Dollars
HR	Human Resource		SEC	Special Employment Credit
IE	International Enterprise		SITA	Singapore Income Tax Act
IPC	Institution of Public Character		SME	Small and Medium-sized Enterprise
IRAS	Inland Revenue Authority of Singapore		SPR	Singapore Permanent Resident
IT	Information Technology		SRS	Singapore Registry of Ships
M&A	Mergers and Acquisitions		UK	United Kingdom
MAS	Monetary Authority of Singapore		VAT	Value-Added Tax
MNC	Multi-National Corporation		WMCR	Working Mother Child Relief
MOM	Ministry of Manpower		YA	Year of Assessment
MPA	Maritime and Port Authority of Singapore			

Creating opportunities for our future



1 Creating an innovation-friendly tax regime

Minister for Finance Mr Heng Swee Keat once remarked that "there is no textbook answer to innovation". We agree, in that innovation does not necessarily involve the creation of something 'new' from scratch. A case in point would be Uber, which by combining existing technologies (e.g., global positioning satellites, online payment systems) is able to offer new value for customers. This is precisely the 'value' that Singapore is trying to emulate in a 'value-creating' economy.

"There is no textbook answer to innovation" Minister for Finance Mr Heng Swee Keat, Budget 2016 Debate Round-up speech, 6 April 2016

That said, we are well-aware that "innovation" is an all-encompassing term that is much broader than the definition of "research and development" in the Income Tax Act. Incentives for the latter are well-publicised and defined, whereas there is little, if any, direct support for the former. Taxpayers who undertake "innovative" activities – which in certain instances may be a whisker shy from being regarded as R&D – may be frustrated by the apparent lack of support.

1.1 Incentivise 'evolutionary' innovative activities

In light of this, we reiterate our call for a separate category to be set up for spending incurred on "innovative activities" that lead to the creation of new products or services which may not be considered R&D, such as the integration of two (or more) existing technologies as in the archetypal case of Uber. The benefit for such a category could be watered down, say for example a further tax deduction of 25% (compared to the current 50% further tax deduction for R&D activities).

1.2 Introduce super deductions to encourage digitisation

In line with the Smart Nation initiative, we propose that the Government consider introducing super deductions to encourage digitisation, such as e-billing systems or workflow systems. Currently, only the hardware and software costs are incentivised (broadly under PIC) but not consultants' costs and/ or employees' salaries involved in designing and implementing such systems.

With PIC set to expire at the end of 2017, we propose to introduce a super deduction of 200% on such costs as they directly result in productivity savings and empower companies to take the leap in digitising/automating their work processes.

To keep administrative costs down, this scheme could be administered on a self-assessment basis, subject to an annual deduction cap of S$100,000 so that benefits under the scheme accrue mainly to SMEs.

1.3 Enhance existing tax incentives for early stage investors

Alternative sources of capital for such businesses generally start with friends and family, before moving on to angel investors/venture capital firms. We propose enhancing existing tax incentives for early stage investors. These incentives include the Angel Investor Tax Deduction Scheme, which provides enhanced deductions based on the amount of capital invested in a qualifying start-up company, against the angel investor's total taxable income. However, the enhanced deductions are clawed back if the gains derived by the angel investor from the subsequent disposal of his investment are adjudged to be taxable. In this regard, we propose that upfront certainty on the non-taxation of such investments should be granted to such angel investors.

1.4 Enhance capital gains safe harbour provision for disposals of investments in start-ups

On a broader note, the Singapore Income Tax Act (SITA) currently provides for the certainty of non-taxation of gains derived from the disposal of share investments up to 31 May 2022[1]. Briefly, gains or profits derived by corporate investors from the disposal of ordinary shares in another company is exempt from tax if the investor company owns a minimum of 20% of the ordinary shares of the investee company for a continuous period of at least 24 months immediately prior to the sale.

[1] Section 13Z of the SITA.

With a view to encouraging a greater pool of equity financing for start-ups, the following enhancements should be considered:

- Reduce the minimum shareholding percentage (currently 20%) if the investment is made in start-ups to allow equity financiers to spread the risk;
- Expand the scope of the safe-harbour rule to include individual investors if the investment is made in start-ups; and
- Expand the scope of the rule to include quasi-equity instruments such as convertible bonds, redeemable preference shares etc., if the investment is made in start-ups, as start-up owners may prefer to retain majority equity control at the outset.

1.5 Enhance the existing broad-based R&D taxation regime to encourage more R&D activities

The Industry Transformation Programme revealed in Budget 2016 represented a shift from broad-based support towards targeted measures. While we believe that the targeted measures adopted by the Government will bring about advancement and innovation in the identified areas, we should be mindful that innovation and R&D come in various forms. As the PIC scheme expires at the end of 2017, there is a perceived gap in broad-based R&D tax incentives, and lead to a concern that this may hinder the general development of Singapore's R&D capabilities and innovative culture.

Accordingly, we propose four suggestions for the Government to consider to enhance our existing broad-based R&D taxation regime to encourage more innovation and R&D activities.

1.5.1 Increase the amount of tax deduction for R&D activities

With the PIC scheme being phased out at the end of 2017, the enhanced deduction for qualifying expenditure on R&D would be reduced from 300% to 50% (albeit without a cap)[2]. We note that quantitative impact of enhanced deductions is diminished by Singapore's low corporate headline tax and further eroded by tax incentives, the latter commonly enjoyed by bigger MNCs or big Singapore-headquartered companies that may have a bigger R&D spending budget.

[2] Section 14DA of the SITA. In addition, approved R&D projects under Section 14E are granted an additional 50% deduction. Hence, once PIC is phased out, together with the base allowance granted under Section 14D, qualifying expenditure potentially qualifies for a total 200% deduction [100% (S 14D) + 50% (S 14DA) + 50% (S 14E)].

Accordingly, we propose that the Government consider increasing the amount of enhanced tax deduction for qualifying R&D expenditure under Section 14DA of the SITA, from the current 50% to 150%, to ensure that the effective tax savings per dollar of investment in R&D activities conducted in Singapore remains competitive.

1.5.2 Implement a R&D tax credit system

As an alternative to granting additional tax deductions on qualifying R&D expenditure, the Government could consider granting R&D tax credits. This would be calculated based on the R&D expenditure incurred and it would achieve the same objective of decoupling the R&D regime from Singapore's tax rate to ensure that Singapore remains attractive to R&D investments, as well as encourage spending on qualifying R&D activities.

A benefit of the R&D tax credit is that it would not disadvantage businesses that have income taxed at a concessionary tax rate to undertake R&D. A multi-tiered R&D tax credit can also be introduced to benefit SMEs or businesses with lower revenue, in conjunction with an incremental R&D tax credit to encourage increased investments in R&D.

Further, introducing a sectoral-focused R&D tax credit can complement the Government's targeted approach while leaving the choice of how and in which broad areas the private sector should conduct and pursue R&D investments to these selected sectors. This would allow the Government to remain agile by retaining the flexibility of reviewing and updating these sectors in-line with market developments.

1.5.3 Recognise staff costs recharged under centralised hiring arrangement as qualifying costs

Currently, staff costs incurred in carrying out R&D activities eligible for enhanced tax deductions are restricted to salaries, wages, and other benefits paid or granted in respect of employment to an employee. If an employee was seconded to the R&D entity through a centralised hiring arrangement, any staff costs recharged is not recognised as a qualifying expenditure for the purpose of an R&D claim.

As such arrangements become increasingly common, the Government could consider recognising staff costs recharged under a centralised hiring arrangement that is directly attributable to the R&D projects, provided that such an arrangement is adopted for bona fide commercial reasons.

1.5.4 Consider introducing a separate assessing body for R&D claims

Currently, the IRAS, as the revenue collection body, assesses the R&D tax deduction claims; this is handled by the relevant case officer[3]. We propose that a separate body could be set up to assess the technical aspects of such claims to ensure consistency of technical queries and approach. This also allows the IRAS to focus on the financial aspect being its core expertise.

1.6 Encourage entrepreneurship by increasing certainty on the utilisation of brought forward tax losses

Generally, companies with unutilised capital allowances, losses and donations (loss items) cannot utilise them if the relevant substantial shareholding test is not met[4], unless a waiver of the substantial shareholding test is obtained[5]. For a company to be granted the waiver, the Comptroller of Income Tax has to be satisfied that the substantial change in shareholders is not for the purpose of deriving any tax benefit or obtaining any tax advantage. This creates uncertainty in an M&A context for the acquirer or if the loss-making company intends to raise equity from venture capitalists or private equity funds, and leads to increased costs as a separate waiver application will need to be submitted. Furthermore, once the waiver is obtained, the unutilised loss items can only be set-off against profits from the same trade or business from which the losses arose.

While there are guidelines on what will generally be regarded as a substantial change in shareholders that is not for the purpose of deriving any tax benefit or obtaining any tax advantage, the Government may nevertheless wish to consider granting an automatic waiver on the substantial shareholding test for unutilised losses below a certain cap (say S$500,000) to provide more certainty for small businesses. This will encourage entrepreneurship and facilitate more small businesses to grow through mergers and acquisitions, without such businesses losing out on the tax benefit of their brought forward losses. Also, as part of giving certainty on the ability to carry-forward such losses, the requirement that they be set-off against profits from the same trade or business should be lifted.

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[3] In certain instances, R&D claims may also be referred by the IRAS to a Technical Advisory Panel that renders an independent opinion to the IRAS which then makes the final decision.
[4] Sections 23(4) and 37(12) of the SITA. Broadly, unutilised loss items (capital allowances, losses and donations) of a company cannot be set-off against its future taxable income if there is a substantial (>50%) change in the beneficial shareholders of the company.
[5] Sections 23(5) and 37(16) of the SITA.

In the alternative, the substantial shareholding test in relation to utilisation of brought forward tax losses and capital allowances should be relaxed or reduced to a lower threshold for start-ups so that equity investors can be introduced to secure new funds for the business without impacting the ability of start-up companies to carry forward such tax loss items.

2 Building resilience for difficult times

With global economic conditions remaining sluggish in 2016, we expect the growth in Singapore's economy in 2017 to be slow amidst the rising global political risks and uncertainties, such as Brexit and the risk of debt defaults in China. These uncertainties dampen consumer and business confidence and fuel speculation in global financial markets. Many firms are facing weaker revenue growth, and rising operational costs, while employees are facing higher risks of unemployment. Accordingly, we hope the Government continue with current fiscal expansionary policies and introduce more measures to help local firms build resilience against the weaker global economic uncertainties.

We hope the Government will continue with current fiscal expansionary policies and introduce more measures to help local firms build resilience against the weaker global economic uncertainties.

2.1 Enhance loss carry-back relief

First, we propose that the existing loss carry-back relief system[6] be enhanced, similar to those made in YA 2009 and YA 2010. This would help businesses with their cash-flow as more of them make losses during the downturn. For instance, the authorities could consider enhancing the cap for loss carry-back relief from the current S$100,000 to S$300,000 for YA 2017 to YA 2019, as well as allow businesses to claim losses against their preceding three years of taxable income. Such enhancements allow

[6] Section 37E of the SITA. Under the current rules such tax losses can only be carried back to the immediate preceding year.

businesses to get a cash refund on taxes paid in previous years and would be helpful in alleviating their cash flows.

2.2 Accelerate the write-down of renovation and refurbishment (R&R) expenses[7] and increasing the cap on R&R expenditure

Singapore's services sector is in a technical recession, with three straight quarter-on-quarter contractions[8]. That said, the silver lining during these periods is reduced opportunity costs if service and retail establishments decide to take the opportunity to renovate and refurbish their business outlets and prepare for the recovery ahead.

To encourage these establishments to renovate and refurbish their outlets, we hope the Government can consider:

- Accelerating the write-down of R&R expenses to one year (from the current three); and
- Increasing the current 3-year expenditure cap from S$300,000 to S$500,000.

Such a move would not be new; we note that the Government has, in the past, provided the hospitality industry impetus to refurbish their premises[9] during the downturn in visitor arrivals caused by the outbreak of the severe acute respiratory syndrome in 2003.

2.3 Assistance for the marine and offshore engineering sectors

The marine and offshore engineering sectors have been severely affected by low crude oil prices since late 2014, prompting lay-offs of workers as customers delay or cancel rig construction contracts. We note that the Government has recently extended financing support to these companies to help ease some of their liquidity problems.

Should the outlook for this sector continue to worsen, the Government may consider enacting temporary cash-payout rules to allow businesses to monetise their tax losses. The cash-payout ratio could be set at an appropriate discount to the average effective tax rate of companies in the oil services sector such that this move is revenue neutral from the perspective of our national coffers.

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[7] Section 14Q of the SITA.
[8] Ministry of Trade and Industry (24 November 2016 Press Release). MTI Forecasts GDP to Grow by "1.0 to 1.5 Per Cent" in 2016 and "1.0 to 3.0 Per Cent" in 2017.
[9] Section 14M of the SITA.

In the alternative, this sector could be allowed a liberalised carry-back relief system under which tax losses may be utilised against income from as early as YA 2014.

2.4 Enhance the Mergers and Acquisitions (M&A) allowance

Economic downturns are opportune times for companies to perform mergers and acquisitions, amalgamations, and restructuring. Under the current M&A allowance scheme[10], it is stipulated that the acquiring company (and its ultimate holding company) must be incorporated and tax resident in Singapore. However, companies under the Headquarters Tax Incentive Programme (HQ Programme) and Maritime Sector Incentive-Shipping-related Supporting Services Scheme (MSI-SSS Scheme) may apply to the Economic Development Board (EDB), the Monetary Authority of Singapore (MAS), or the Maritime and Port Authority of Singapore (MPA), as the case may be, to waive the requirement that the ultimate holding company must be incorporated and tax resident in Singapore. We propose that the waiver application be extended to foreign-owned headquarter companies whose incentives are administered by IE Singapore and not just limited to those administered by EDB, MAS or the MPA.

2.5 Provide further tax deductions for absentee payroll incurred for training

The Ministry of Manpower (MOM) recently reported[11] that redundancy in the first nine months of the year is at its highest since 2009. While lay-offs due to a slowdown in the general economy may perhaps be unavoidable as businesses fight to contain costs amidst falling revenues, structural changes in the economy are also a contributory factor. In the medium to long term, increasing automation (such as the use of robo-advisors) and technological disruption, especially in the services and manufacturing industries coupled with a high mismatch of skills (in particular, IT-related skills) between job openings and job seekers, may mean that laid-off workers would be competing for fewer job openings and consequently take a longer time to find jobs.

[10] Section 37L of the SITA. Amongst others, an M&A tax allowance (25% of the value of acquisition) will be granted to a company on qualifying acquisitions of ordinary shares of the target company. The maximum allowance is capped at $10 million for all qualifying share acquisitions in the basis period for each YA.
[11] Ministry of Manpower (2016). Labour Market Report, Third Quarter 2016.

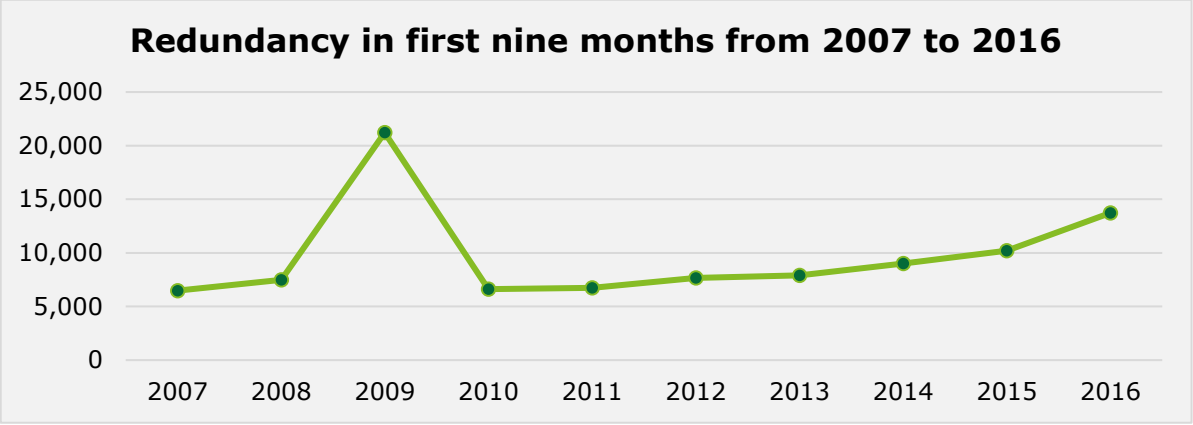

Figure 1: Redundancy in first nine months from 2007 to 2016. Source: Labour Market Survey, Manpower Research & Statistics Department, MOM.

The Government has been actively promoting life-long learning amongst Singaporeans, with PIC tax deductions for training expenditure and the recently announced SkillsFuture as prime examples of its efforts. Upgrading of skills benefits not only the employer but also the entire workforce and economy as the knowledge gained and skills learnt would stay with the employee.

With PIC coming to an end, we propose that the Government can continue to signal its support for skills upgrading by allowing further tax deductions for absentee payroll where such expenses are not already defrayed by grants[12].

[12] Such as Absentee Payroll Funding under the SkillsFuture movement.

3 Catering for the workforce

By 2030, we will have twice the number of seniors around aged 65 and above than we do today. The Government has responded by empowering seniors to age with dignity and vitality, to stay active and healthy, and to stay meaningfully engaged.

For older Singaporeans who have chosen to continue working, we propose that they should be given more healthcare benefits, not just from the Government, but also from their employers. To do this, we propose that some incentives be given to employers who show support and defray their costs in hiring older Singaporeans in their workplace.

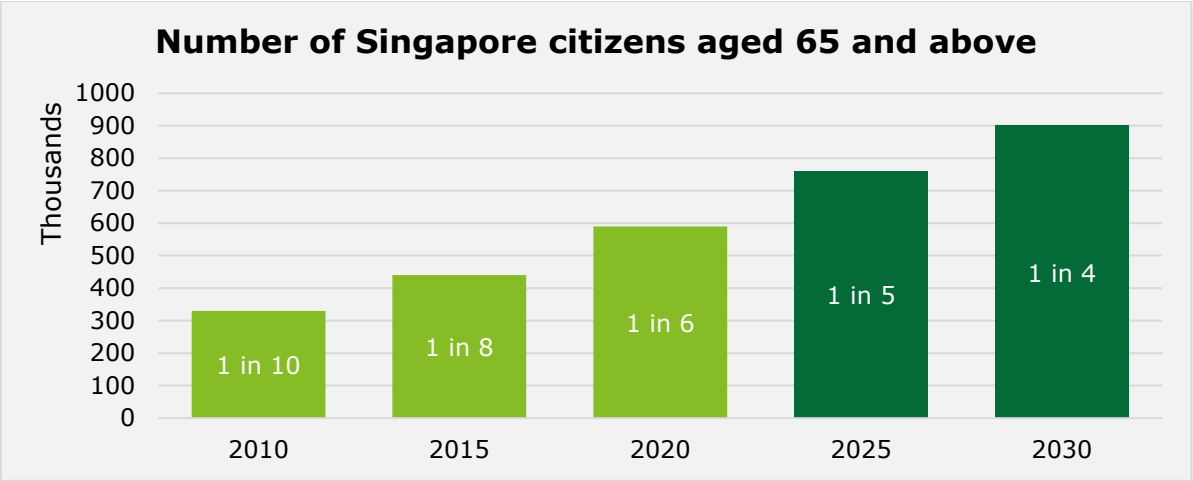

Figure 2: Number of Singapore citizens aged 65 and above. Source: Department of Statistics. Projections assume TFR of 1.2 and current immigration rates.

3.1 Increase the tax deduction on medical expenses

The cap[13] on tax deductibility of expenses on medical benefits by employers at a percentage of total employees' remuneration was introduced in YA 1994 with the aim to pre-empt over-consumption of medical services, but at the same time not deprive workers of existing medical benefits.

With today's ageing population and escalating healthcare costs, it has become more expensive for employers to provide medical benefits for their employees. It is timely for the Government to relook its objectives of the

[13] Limits prescribed under Sections 14(6A) and 14(6B) of the SITA. Briefly, the deduction of medical expenses incurred by an employer is restricted to 1% of total employee remuneration, unless the employer implements certain portable medical benefits schemes, in which case the cap is increased to 2% of total employee remuneration.

cap on medical expense deductibility and determine whether the current cap has impaired the provision of medical benefits to employees due to healthcare costs rising much faster than wages, and whether this should be given a higher priority than a worry on the over-consumption of medical services in the long run.

We propose three suggestions for the Government to consider.

3.1.1 Increase the cap on tax deductibility with a targeted approach aimed at encouraging employment of older workers

In tandem with the Government's aim to increase the employability of older workers, it is suggested that the cap on tax deductibility of expenses should be increased from 1%/2% to 2%/4% for companies employing older Singaporean workers.

One way this can be administered is through a threshold aligned to the businesses' Special Employment Credit (SEC) which provides support to employers hiring older Singaporean workers. For example, if at least 10% of a business' headcount is receiving SEC, the business would enjoy an increased medical restriction deduction cap of 2/4%.

3.1.2 Exclude certain expenses from the definition of medical expenses

With Singapore's ageing population and the adoption of unhealthy lifestyles, one in four Singaporeans over the age of 40 now has at least one chronic disease(s) (diabetes, high blood pressure, high blood cholesterol & stroke)[14]. Such chronic conditions can be better managed or even prevented with early health screening.

As an alternative to raising the cap on tax deductibility of medical expenses, we propose that the Government could consider excluding expenses relating to preventive health screening and/or the management of chronic diseases from the definition of medical expenses in Section 14(8) of the SITA, such that these expenses are excluded from the tax deduction capping for medical expenses. Introducing such exceptions may, in the long run, be a revenue neutral exercise on the premise that preventive health screening/management of chronic diseases should lower the overall costs to employers on the provision of health care, while simultaneously improving productivity and promoting a healthier lifestyle.

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[14] Health Promotion Board website - Chronic Disease Management. Available online at http://www.hpb.gov.sg/HOPPortal/health-article/HPBSUEXTAPP1_4022097

3.1.3 Allow a double deduction on Medisave contribution to CPF for older workers

In tandem with the Government's aim to increase the employability of older workers, it is suggested that the Government could consider giving a double tax deduction on employer's Medisave CPF contribution for employees above the retirement age.

3.2 Allow GST input tax incurred on compulsory medical check-ups for renewal of work permits

Currently, GST input tax incurred on compulsory pre-employment medical check-up is allowed via an IRAS' administrative concession. We would recommend that this concession be extended to include input tax incurred on compulsory medical check-up for renewal of work permits so as to reduce overall medical costs for employers with huge foreign workforce (e.g., construction industry).

We would also note that many factory facilities are required to have an on-site medical station. Currently, the input tax incurred for such stations is blocked, despite that it is a statutory requirement. We would propose that where a facility is mandated, the input tax claim should be permitted.

3.3 Introduce personal relief for medical insurance premiums

Due to increasing medical costs, individuals should be encouraged to take on a more comprehensive medical coverage for himself (i.e., on top of the coverage provided under MediShield Life) so that a large part or the full hospital bills can be fully covered by insurance to minimise the financial burden and stress to the individual and family.

Consideration should be given to allow tax relief to individuals for medical insurance premiums paid for himself/herself, spouse, dependent children and elderly parents.

This would help to promote individual responsibility for healthcare needs and alleviate the financial burden on individuals in view of the rising medical and healthcare costs in Singapore.

4 Building a strong Singaporean core and growing the external economy

It was recently announced that Singapore clinched first place in all three categories – reading, mathematics, and science in the 2015 Programme for International Student Assessment, the global benchmarking test coordinated by the Organisation for Economic Co-operation and Development[15]. Clearly, with the high level of education Singaporeans receive, the Singapore workforce is a smart force to be reckoned with.

With better education and qualifications, aspirations and expectations will increase, and jobs have to be created for these increasingly better-educated Singaporeans.

With better education and qualifications, aspirations and expectations will increase, and jobs have to be created for these increasingly better-educated Singaporeans. This dovetails nicely into the shift in Government policy from attracting overseas talent to fuel Singapore's economy growth to developing Singapore talent to fill key regional or global roles. A key plank of this strategy will be to encourage the internationalisation of Singapore companies for both corporate growth and employment. Overseas endeavours by Singapore companies not only contribute to revenue growth

[15] OECD (2016 Press Release). Singapore tops latest OECD PISA global education survey.

for the companies but also create valuable employment opportunities for Singaporeans abroad.

4.1 Enhance foreign-sourced income exemption and foreign tax credit schemes

Internationalisation efforts were given a boost in Budget 2015 and Budget 2016, which saw the introduction of the International Growth Scheme, the expansion of the Double Tax Deduction for Internationalisation Scheme, and beefing up of certain IE Singapore grants to promote internationalisation. We would like to propose further tweaks to the existing tax regime surrounding the taxation of foreign-sourced income so that companies would continue to invest and derive income from overseas markets and to fully enjoy the fruits of internationalisation.

Briefly, Singapore does not tax income sourced outside Singapore unless such income is remitted into Singapore. Where foreign income derived by corporate entities is remitted into Singapore:

- Exemption[16] from Singapore income tax may apply for foreign-sourced dividends, service income and branch profits under the foreign-sourced income exemption scheme; or

- Where foreign income is taxable in both the foreign country as well as in Singapore, a tax credit may be granted by Singapore for the foreign tax suffered by the corporate taxpayer, with the amount of tax credit normally restricted[17] to the lower of the tax paid/payable in the foreign country and the Singapore tax payable on that foreign income. Foreign tax credit pooling is also available to allow foreign tax credits to be computed on a pooled basis (and hence potentially reduce the amount of excess foreign tax credits which will be disregarded) as opposed to a source-by-source, country-by-country basis.

[16] Section 13(8) of the SITA.
[17] Sections 50(3) and 50A(1) of the SITA.

4.1.1 Foreign-sourced income exemption

With the ASEAN Economic Community (AEC) now established, consideration should be given to granting full exemption of foreign-sourced income derived from markets within the AEC. This should help entrench Singapore as a headquarters location and a nerve centre for investments into the ASEAN region, which is expected to be a key growth engine in the world economy in the coming years.

4.1.2 Foreign tax credit scheme

Currently, any excess foreign tax credit is not available for carry forward, regardless of whether the foreign tax credit is pooled or otherwise. The foreign tax credit scheme should be tweaked to allow excess credits to be:

- Carried forward for offset against future Singapore tax payable on foreign-sourced income; and
- Carried back for offset against foreign-sourced income taxed in the immediate preceding year.

This is to encourage companies to continue deriving foreign income in order to utilise the excess foreign tax credit.

In addition, Singapore resident companies may, for commercial and legal reasons, hold their operating subsidiaries or underlying investments indirectly through one or more holding entities. The current foreign tax credit regime only allows credit for tax suffered by the entity repatriating the profits to Singapore; tax suffered by other entities further down the group structure is not creditable against Singapore income tax suffered by the income recipient. We propose that the foreign tax credit regime be tweaked such that credit is also available for foreign income tax paid by entities other than the income-repatriating entity. Doing so should lower the overall tax cost of Singapore resident investors who venture overseas.

4.2 Enhance tax deduction for hiring Singaporeans in key roles

In line with the Government's vision to enhance the Singapore 'core' and develop local talent, we propose that the Government consider granting a further deduction to corporate taxpayers on costs incurred to recruit Singapore citizens/Singapore Permanent Residents (SPRs) to take up key regional management roles or positions.

This scheme could be modelled after the Further Tax Deduction Scheme for Expenses Incurred in Relocation or Recruitment of Overseas Talent, which was allowed to expire on 30 September 2013.

4.3 Grant special tax deduction for interest and related funding costs incurred to support overseas investments

As Singapore braces herself for a long period of low economic growth, our companies have to seek new markets, expand internationally and gain economies of scale to achieve sustained growth. Such ventures into new overseas market often require huge funding that goes hand in hand with high borrowing costs.

Generally, such interest and related funding costs incurred to support overseas equity investments are not deductible to the extent that such investments yield tax-exempt foreign dividend income or subsequent divestment gains are regarded as capital in nature and not taxable. On the other hand, if funding is sourced locally in the investee location by the overseas entity, such costs are generally tax deductible in the foreign jurisdiction if recorded in the overseas entity's books. In M&A deals and setting aside interest rate differentials, it is normally difficult to source for local funding, especially if the acquiring Singapore group does not have a track record or sizable operations in the local country. As such, consideration may be given to grant a special tax deduction on interest or related borrowing costs incurred to acquire overseas equity investments, up to a certain cap (e.g., based on BEPS thresholds).

This could be designed to specifically target at SMEs to encourage them to grow, and may also benefit the Singapore financial industry.

4.4 Relax the qualifying criteria for the Not Ordinarily Resident (NOR) Scheme

The NOR Scheme was introduced in the year 2002 with the objective of attracting foreign talent to relocate to Singapore and incentivise them for their regional or global roles. The primary benefit for an individual who is accorded the NOR status is that he enjoys time apportionment of employment income (i.e., income tax is paid only on that part of his employment income that corresponds with the number of days he spends in Singapore) for a period of five years.

Singapore citizens and SPRs may hold the same regional or global roles and responsibilities as foreigners working in Singapore and face similar significant business travel requirements. However, they would generally not be able to qualify for time apportionment of employment income under the NOR Scheme due to the requirement to be a non-Singapore resident for the three YAs prior to the year in which the NOR status applies.

To level the playing field between overseas and Singapore talent, the requirement for NOR applicants to be a non-resident for the preceding three consecutive YAs prior to the YA of claim for Singapore citizens/SPRs should be removed or relaxed. This should make the scheme more equitable for all

taxpayers instead of being skewed in favour of foreigners, and encourage more Singaporeans to take up such regional or global roles.

5 Keeping pace with international tax developments

With the completion of the multilateral convention in November 2016 to implement the treaty-related measures to counter BEPS, there is no doubt that we are now firmly in the implementation phase of this ambitious revamp of international tax rules by the world's major economies to ensure multinational corporations pay their 'fair share' of taxes.

…there is no doubt that we are now firmly in the implementation phase…to ensure multinational corporations pay their 'fair share' of taxes.

Countries big and small will be vying for their share of the tax pie; this, coupled with traditionally high-tax advanced and even developing economies lowering their corporate tax rates (e.g., the United Kingdom, Thailand), will potentially have a significant impact on Singapore, both as a preferred "hub" in Asia Pacific for foreign investment, as well as for Singapore-based companies investing overseas.

5.1 Consider reducing Singapore's headline corporate tax rate in the medium term

Amidst the hubris created by media reports on harmful tax competition, we should not lose sight of the fundamental premise of BEPS, which is that profits should be taxed where substantive economic activities are performed and where value is created. In other words, low tax rates are not the issue; low tax rates unaccompanied by any quid pro quo of real economic activity from taxpayers pose a problem in the post-BEPS era.

We also observe that countries which have called for an end to base erosion and profit shifting have, ironically, announced plans to reduce their tax rates to unprecedented low rates (as low as 15%, such as in the case of UK).

In light of these developments, we call on the Government to review whether Singapore's headline corporate tax rate of 17% will remain competitive in the medium to longer term.

5.2 Articulate tax policy for offshore suppliers of digital services

Action 1[18] of the BEPS Project suggests a number of ways tax authorities can address the GST issues that arise from transactions in the digital economy. Many jurisdictions in the region have changed their GST laws to ensure that cross-border transactions will be subject to local GST, or have made announcements that they are studying this area with the intention of applying tax on such transactions. The primary reasons for doing so are to minimise revenue leakage from the non-taxation of offshore suppliers of digital services, and to level the playing field between domestic GST-registered suppliers and overseas suppliers who are not registered for GST.

It is noted that IRAS has so far not made any announcements regarding changes in this area. Given the call by OECD on countries to standardise their taxation on cross-border supplies, and the revenue potential for the Singapore Government in expanding the GST scope to include inbound digital supplies, we propose that the IRAS issues a statement to clarify its policy on this matter, so that businesses, both within and outside Singapore can plan accordingly.

5.3 Relax the administrative criteria for the Global Trader Programme (GTP) incentive

The threshold criteria for the GTP incentive may need tweaking to keep pace with developments in the broader business and tax environment. Many companies are restructuring their supply chains (e.g., via converting local marketing services companies to say full-fledged distributors) to comply with the requirements outlined in Action 7[19] of the BEPS Project.

This has the unintended effect of increasing the volume of related-party transactions on the part of a GTP company, since it may no longer deal with the end-consumer (but rather with the in-country related distributor).

Accordingly, we propose that the administrative requirement that at least 50% of a GTP company's annual transactions must be with non-related parties be relaxed.

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[18] OECD (2015). Addressing the Tax Challenges of the Digital Economy, Action 1 – 2015 Final Report.
[19] OECD (2015). Preventing the Artificial Avoidance of Permanent Establishment Status, Action 7 – 2015 Final Report.

5.4 Refine the employee share schemes

The Government should also refine tax rules of existing employee share schemes to make them more attractive to start-up companies or SMEs in hiring and retaining staff (given the importance of stock option awards to such companies), as well as to be more in line with international norms. These include:

5.4.1 Tax deferral scheme

Gains arising from the exercise of stock options/vesting of the share awards are generally taxed in the year of exercise/vesting (unless there is a moratorium imposed). As the individual may not sell the shares in the same year and realise the gains, it may create a cash flow challenge for the individual if the tax arising from the share gains is substantial, especially if the said individual is bearing his/her own Singapore tax liability.

Currently, under the Qualified Employee Equity-Based Remuneration scheme, payment of tax arising from stock option or share gains that arise during the relevant YA can be deferred up to five years, subject to an interest charge (linked to the "average of the prime rate" offered by the Big Three local banks in Singapore). In view that an interest charge is applicable on the tax deferral, it is not common for individuals to apply for this scheme.

To assist employees to mitigate any cash flow issues with regard to the settlement of their tax liabilities due to the exercise of the stock options or vesting of the share awards, consideration may be given to remove the interest charge for the first three years of the tax deferral (i.e., interest charge to apply from the fourth year of the tax deferral). Alternatively, the Government may wish to consider granting preferential or discounted interest rates (which are lower than the average prime rate) when calculating the said interest charge. To make the scheme more favourable for Singapore citizens and SPRs, the abovementioned benefits could be limited to this group of taxpayers.

5.4.2 Tracking option

When a non-Singapore citizen or SPR ceases employment in Singapore, any unexercised stock options or unvested share awards as at the date of cessation of Singapore employment, are deemed to be exercised or vested one month prior to the date of cessation of Singapore employment and the deemed gains are reportable for tax in the tax clearance return (Form IR21). This is known as the deemed exercise rule. Tax arising on these deemed gains would have to be settled immediately prior to the said person leaving Singapore. As the share gains have not been realised, this generally creates a cash flow challenge for the departing employees.

To provide mitigation for the above challenge, the tracking option in lieu of the deemed exercise rule has been made available to employers who have applied for the scheme and obtained approval from the IRAS. Under this scheme, the employers are allowed to track and report the income when the "income realisation event" of the foreign employee occurs and report the relevant gains to the IRAS at that juncture.

However, as it may be very difficult to fulfil all the qualifying conditions of the scheme, the Government should consider revisiting the qualifying conditions for the tracking option[20], especially the capital requirement condition. This would allow more employers to qualify for the scheme and more taxpayers to benefit from the scheme.

5.4.3 Mitigation of double tax exposure

Currently, gains from employee share plans are fully taxable in Singapore if the grant is made during the Singapore employment, without consideration of sourcing of income during the vesting period of the grant. In addition, no foreign tax credit is allowed for tax suffered outside of Singapore on the same stock option/share gains subject to tax in both Singapore and another country.

This results in a misalignment of individual tax treatment compared to other countries which may adopt the OECD model of sourcing for stock option/share gains[21], thus resulting in a genuine double tax exposure since no foreign tax credit is allowed in Singapore on such gains.

As such, the Government should relook at the basis of taxation of stock options and shares in Singapore to be aligned with the OECD model of sourcing, or consider to grant foreign tax credits in situations where there is double tax exposure.

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[20] In order to be considered for the Tracking Option, an employer:

1) Should be a Singapore incorporated company or a branch of a foreign incorporated company registered in Singapore under the Companies Act and carrying on business activities in Singapore; and
2) Must have robust HR and computer systems that are able to track the status of stock plans; and
3) Must meet adequate capital requirements (i.e., within the top 25% of market capitalisation in the STI Index for Singapore-incorporated companies and within the top 25% of market capitalisation in one of the leading stock index in the parent company's country of incorporation for a branch of a foreign company registered in Singapore); and
4) Must have an excellent taxpaying record for the past three years.

[21] Under the OECD model, stock option and other equity gains are generally sourced over the period from grant to vest of the options/shares.

6 Tax Incentives/Industry-specific matters

Some incentives are due to expire in 2017 but nevertheless remain relevant today. We propose that such incentives be extended by another five years. They include:

- The Financial Sector Incentive - Project Finance scheme
- Income from managing qualifying registered business trust or company
- Aircraft leasing company incentive
- Aircraft investment manager incentive

Some incentives are due to expire in 2017 but nevertheless remain relevant today; such incentives should be extended by another five years.

6.1 Financial sector

Research and technology is crucial to the development of financial services in Singapore, especially technologies that are transformative. Such technologies in financial services have been identified to include:

- Digital and mobile payments;
- Authentication and biometrics;
- Blockchains and distributed ledgers;
- Cloud computing;
- Big data; and
- Learning machines.

Underpinning the successful development of these technologies will be innovation, entrepreneurship and product commercialisation.

Given the importance of transformative technologies in financial services, existing financial sector tax incentives and R&D tax incentives should be configured to encourage the undertaking of these activities by existing financial services companies. At the outset, the focus should be on the six areas noted above and efforts made to drive these activities in Singapore. In terms of R&D tax incentives, the qualifying criteria should be defined such that there is a certainty of application for qualifying projects.

Tax policies should also recognise that the successful development (to date) of financial services technologies has mostly been undertaken by incumbent technology companies. Thus, the key to developing financial services in Singapore is the attraction of the core R&D activities of technology companies to Singapore. Tax and non-tax incentives should be configured to attract financial-related research activities to Singapore.

6.1.1 Financial Sector Incentive - Project Finance scheme

The Project Finance scheme was introduced in 2006 to promote the use of Singapore's capital markets to finance infrastructure projects in Asia through targeting the investors, issuers and intermediaries.

As the region continues to grow, the demand for infrastructure remains significant.

To capture the increasing demand and maintain Singapore's leading position in the project finance sector, the Government may wish to extend the Financial Sector Incentive – Project Finance Scheme.

6.1.2 Income from managing qualifying registered business trust or company

In Asia, banks have traditionally been the key player in infrastructure financing, particularly in construction-stage projects.

To build up infrastructure as an asset class to market to investors and maintain Singapore's status as the leading regional financial hub, we suggest that the Government consider extending the concessionary tax rate of 10% for income derived from managing qualifying registered business trust or company in relation to qualifying offshore infrastructure projects/assets.

6.1.3 Approved Special Purpose Vehicle (ASPV) Scheme

The ASPV Scheme was launched in 2004, both to develop the asset securitisation market and more broadly to complement the existing package of measures put in place to grow the Singapore debt market since 1998 (which saw the introduction of the Qualifying Debt Securities (QDS) regime).

In view of the latter purpose, the ASPV incentive was designed such that asset-backed securities issued by the ASPV must, amongst other conditions, comprise wholly debt securities that qualify as QDS.

We propose that the ASPVs should also be allowed to structure a proportion of their asset-backed securities as loans. Banks and other financial institutions are often major investors in asset securitisation programs and we believe that relaxing this condition in the ASPV scheme will broaden the appeal of this incentive given amongst others more recent regulatory capital changes that impact the attractiveness of bond investments for certain financial institutions.

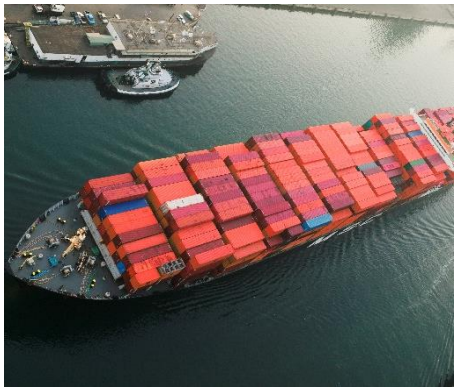
6.1.4 To allow GST input tax incurred in connection with the purchase of shares/bonds

Currently, GST input tax incurred in connection with the purchase of shares/bonds is irrecoverable unless it is certain at the onset that the shares/bonds will be sold to an overseas person or via an overseas exchange (i.e., attributable to a future zero-rated supply). In some instances, the buyer may not know what they intend to do with the shares/bonds acquired and any intention made at the onset may also change along the way. Therefore, we would propose that input tax incurred on the initial purchase be treated as residual in nature. If the shares/bonds are eventually disposed of, any input tax incurred would be directly attributable to that disposal and would be recoverable according to whether the disposal is taxable or exempt.

6.2 Shipping and marine industry

6.2.1 Extend withholding tax exemption

Currently, withholding tax exemption is applicable on vessel lease and container lease payments. Consideration may be given to extend withholding tax exemption on payments for rental of equipment used in certain sectors of shipping industry (e.g., ROV equipment commonly used in offshore exploration or marine cable works).



6.3 Aerospace industry

In the last two decades, Singapore has developed a leading aerospace industry that includes maintenance, repair and overhaul (MRO), manufacturing and other aerospace-related services, including a variety of manufacturing activities with products such as avionics computers, engine fan blades, etc.

With the concessionary tax rate on income derived from the offshore leasing of machinery and plant under Section 43I of the SITA being withdrawn from 1 January 2016, targeted tax incentives for the leasing of aircraft and aircraft engines have become more important to ensure that Singapore's attractiveness as a vibrant aerospace industry is not eroded. Accordingly, we propose the Government to consider renewing the concessionary rate of tax for aircraft leasing company and concessionary rate of tax for aircraft investment managers.

7 Other proposals

7.1 Business tax

7.1.1 Expand the prescribed list of borrowing costs to include insurance costs

Currently, some businesses have to take on credit insurance before being allowed to borrow money from the banks. Such insurance premiums provide a certain guarantee to the banks should the borrowers default on their interest or principal payments. Insofar as interest on a loan provides compensation to the bank for bearing risk, such insurance premiums borne by the borrower lowers the risk borne by the bank and therefore allows the bank to extend credit at a lower interest rate. Accordingly, we propose that such insurance premiums against loans taken out be included as a prescribed borrowing cost and granted tax deduction.

7.1.2 Extend deadline to remit tax

Since 2014, the deadline for filing objection to Notice of Assessment has been extended from one month to two months. To assist companies in managing their cash flow and to align the deadline for tax payment to that for objection, the Government may consider extending the deadline for remitting tax based on the Notice of Assessment from 30 days to two months.

7.2 Personal tax

7.2.1 Recalibrate the earned income relief

The Earned Income Relief for the general population aged 55 years old and below has remained unchanged for decades and is no longer reflective of the income levels and cost of living today. The Government should relook and consider recalibrating the relief to be in line with current income levels and cost of living.

7.2.2 Provide relief for MediShield Life premiums

All Singapore Citizens and SPRs are automatically included in MediShield Life. With better coverage, the premiums payable on MediShield Life have been increased accordingly which increases the burden for individuals who pay the premiums on the same for their elderly parents and dependent children.

The Government should consider providing a tax relief for individuals who pay the MediShield Life premiums for their elderly parents and dependent children.

7.2.3 Review the tax deduction relief on life insurance premiums

Currently, if CPF relief (employee's mandatory contribution) of more than S$5,000 has been claimed by the taxpayer in his tax return, any premiums paid on the life insurance policies will be disregarded and cannot be claimed as a relief. Only individuals whose mandatory CPF contributions are below S$5,000 per annum can claim the relief for life insurance premiums. The cap thus disqualifies a large majority of working Singapore citizens and SPRs.

In addition, life insurance premium relief is currently only available for premiums paid on the individual taxpayer's life and/or his wife's life. For a female taxpayer, life insurance premium relief is available only for premiums paid on her own life and the relief does not extend to policies purchased on her spouse's life.

In view of the above, the Government may wish to consider the following changes:

- Grant a separate relief for life insurance as a supplement to the current mandatory employee CPF relief. This would encourage individuals to take up life insurance policies in order to provide coverage for their loved ones in the event of unfortunate circumstances;
- Extend the relief to life insurance premiums paid on policies for dependent children and elderly parents; and
- Extend the relief to female taxpayers for life insurance premiums paid on policies for spouse (as well as for dependent children and elderly parents as per (b) above).

7.2.4 Extend the working mother child relief (WMCR) to working spouses

Currently, the WMCR is given to encourage married women to remain in the workforce after having children. Accordingly, only working mothers are eligible to claim the WMCR. In recent years, it has been noted that there is an increasing trend for married men to leave the workforce to care for their children at home instead. In this regard, to recognise that both spouses need encouragement to stay in the workforce, the Government could consider to extend the WMCR to working spouses. Both parents may share the WMCR based on their mutually agreed proportion.

7.2.5 Introduce a child care/infant care relief

Due to the increased cost of living, the costs of maintaining a child in Singapore has substantially increased and both parents may decide to remain in the workforce (i.e., dual income family) in order to meet the rising costs and financial demands of the family. In this regard, parents

would generally leave their children with child care/infant care centres while they are at work.

To alleviate the costs of bringing up children (who are Singapore citizens), consideration may be given to provide a tax relief/deduction for the actual costs incurred on child care/infant care centres subject to a reasonable cap.

7.2.6 Expand volunteerism relief to individuals

Currently, individuals are able to claim a tax deduction of 2.5 times of the amount of donations made to an approved Institution of Public Character (IPC) or the Singapore Government for causes that benefit the local community. This incentivises individuals to make donations of monetary value but does not necessarily encourage the spirit of giving in terms of an individual's effort and time.

The Government introduced a pilot Business and IPC Partnership Scheme in Budget 2016 which allows a 250% tax deduction on associated costs incurred by businesses that organise for their employees to volunteer and provide services to IPCs.

To further enhance the Government's initiative and encourage the public to volunteer at the personal level, we recommend introducing an additional tax relief. This relief will recognise individuals who have sacrificed their personal time and expended their efforts (e.g., during weekends or taking annual leave) for charitable causes, over and above those activities organised at the corporate level.

7.3 Goods and services tax

7.3.1 Review concession on valid tax invoices

If a standard-rated purchase is made in foreign currency, the S$ equivalents for the amount before GST, GST and amount including GST must be reflected and each shown as a separate amount in the tax invoice. We are aware that IRAS has granted an administrative concession to some suppliers to show only the GST amount in S$. It is often difficult for the recipients to verify whether the suppliers have indeed obtained the said concession from IRAS. Therefore, we would recommend that either the requirements under Regulation 11 of the GST (General) Regulations to show amount before GST and amount including GST in S$ be removed or recipients of foreign currency denominated invoices be allowed via an administrative concession to claim input tax based on such invoices.

7.3.2 Expand the scope of incidental exempt supplies under the current Regulations

Currently, partial exempt traders are allowed to exclude incidental exempt supplies from the denominator of the formula used for apportioning their residual input tax. However, the incidental exempt supplies in this context are only limited to specified financial services under Paragraph 1 of Part 1 of the Fourth Schedule.

We are noting an increase in cases of taxpayers who are having to enter into residential leases with landlords on behalf of their expatriate employees as they find it is not possible to convince landlords to enter into the leases with the individual employees. In some of these cases, the taxpayers need to recharge these costs to their overseas related parties (which have agreed to sponsor fully or partly the residential accommodation costs of the expatriate employees) or to the employees. The recharge of the residential costs as we understand constitutes an exempt supply which is not incidental. Therefore, it may result in the taxpayers having to apportion its input tax claims.

In such cases, the taxpayers are usually engaged in fully GST taxable businesses and are not in the business of leasing or subletting residential units. Therefore, it seems inequitable in our view to require taxpayers to apportion their input tax claims as a result of such non-incidental exempt supplies made. We would propose that the scope of Regulation 29(3) be expanded to include such exempt supplies made by taxpayers who are primarily making taxable supplies or supplied outside Singapore which would be taxable if made in Singapore.

7.3.3 Remit GST chargeable on recharge of residential costs

Following from the above, when the property to be leased is a furnished residential unit, we understand that the taxpayers have to also determine the value of the standard-rated supplies which relate to the rental of the furniture and fittings and to charge GST on this value. This is in contrast to the situation when an individual expatriate employee enters into the lease directly with a non-GST registered landlord where no GST would have been incurred.

Therefore, we would propose that the GST due on such a recharge when the landlord is not registered for GST be auto remitted via Section 89 of the GST Act.

7.4 Others

7.4.1 Introduce incentives for import/sale/use of electric vehicles

In June 2016, the Land Transport Authority and Economic Development Board announced a nation-wide electric vehicle car-sharing programme, called BlueSG, which aims to deploy 1,000 electric cars and install 2,000 charging points in the first four years.

Clearly, the Government sees the potential in more widespread adoption of electric vehicles in Singapore. However, as at 30 November 2016, there are only five electric cars and 125 plug-in hybrid cars out of more than 600,000 cars registered in Singapore, or about 0.02%[22]. This is in stark contrast with other countries, such as Norway, United Kingdom, France, China, etc. A primary reason for higher adoption rates in these countries is the availability of generous government incentives and tax breaks, such as exemptions on VAT/GST, road taxes, public parking fees and toll payments for electric cars. To encourage more people to switch to driving electric vehicles and cars, the Government could consider introducing new incentives to support the import, sales, and use of electric cars.

7.4.2 Extend the Carbon Emissions-based Vehicle Scheme (CEVS)

The CEVS was first introduced in January 2013 and extended in Budget 2015 to encourage vehicle buyers to shift to low carbon emission vehicles. We propose that the scheme be extended for a further two years beyond 30 June 2017.

In addition, we propose that the CEVS be reviewed to level the playing field between petrol/diesel cars and electric cars. Currently, carbon dioxide (CO2) emissions for electric cars are calculated from a grid emissions factor, whereas CO2 emissions for petrol/diesel cars are based solely on tailpipe emissions, without taking into account factors such as the refinery of fuel and their transport to petrol stations.

[22] Land Transport Authority of Singapore (2016). Motor vehicle population by type of fuel used.

7.4.3 Reduce rental costs, starting with the Government

One of the key challenges faced by small businesses is high rental cost. High rents not only prevent businesses from providing more for their staff, but also curtail their ability to invest in automation, R&D, and training to enhance their productivity. We propose that the Government take the first step in reducing rental prices from statutory boards like the Housing Development Board, Jurong Town Council and Urban Redevelopment Authority to keep rents affordable for small businesses.

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