



Singapore Budget 2021 Feedback

Making our mark

13 November 2020



**MAKING AN
IMPACT THAT
MATTERS**
since 1845



Technology and innovation remains Singapore's key engines of future economic development. While we started out on this journey early, our work is not quite completed. Digitalisation has shown us how we could remain connected to the world and operate on a global scale even when we were grounded. Things once considered impossible, are now made possible. The impetus to strengthen and develop the innovation ecosystem is necessary to continue moving the economy forward.

Foreword

Making our mark on the global stage, together

A new normal awaits.

2020 seems to fly by in a flurry of events that for most of us, bring little memories to cheer about. Notably, several rounds of measures were announced over the course of the year to support businesses and workers to overcome the immediate challenges arising from COVID-19. These support measures have been helpful for many businesses, but do not resolve the bigger existential issues for businesses. Businesses—whether big or small—returned to the drawing board to see if they should continue doing what they do best or to pivot to new areas. Short-term relief measures could continue to be extended at a smaller scale as the economic recovery for some businesses may take some time.

Technology and innovation remains Singapore’s key engines of future economic development. While we started out on this journey early, our work is not quite completed. Digitalisation has shown us how we could remain connected to the world and operate on a global scale even when we were grounded. Things once considered impossible, are now made possible. The impetus to strengthen and develop the innovation ecosystem is necessary to continue moving the economy forward.

2020 could be seen as a year of reset—of how we envisage moving forward as a society and community. During this time of economic uncertainty, a lingering sense of job insecurity among workers is understandable. COVID-19 has sharpened and accelerated the need for change in almost every facet of our lives. Skills that we were once proud of may become irrelevant in the future. A “life-long learning” mindset should be ingrained in every worker, young and mature, as we start to embrace the new normal.

As such, it is time to make our mark on the global stage, together. No business or individual is, or has been, spared during this crisis. Starting on a new journey together has never been easy and we believe that Budget 2021 will be a well-defined plan for the future.

Deloitte Singapore is pleased to share our proposals as we look forward to making our mark, together.

Content

Leveraging Singapore’s position of strength	7
1.1 Enhancing the expenditure incurred for renovation or refurbishment (R&R) works	7
1.2 Enhancing the carry-back relief system	8
1.3 Automatic waiver of the shareholding test in YAs 2021 and 2022 for unutilised capital allowances, trade losses and donations	8
1.4 Removing the condition of same trade test for unutilised capital allowances	9
1.5 Temporary liberalisation of the Foreign-Sourced Income Exemption (FSIE) scheme	9
1.6 Extending the Jobs Support Scheme (JSS)	10
1.7 Extending the Wage Credit Scheme (WCS)	10
1.8 Automatic extension of two months interest-free instalments for payment of corporate income tax (CIT) on estimated chargeable income (ECI)	10
1.9 Automatic 1-month interest-free deferment of CIT payments on finalised tax assessments	11
1.10 Allowing the costs of COVID-19 testing to be fully deductible	11
1.11 Extending the corporate income tax rebate	11
1.12 Allowing transfer of tax incentives under the ITA	11
1.13 Extending withholding tax exemption for specified entities	12
1.14 Enhancing the Merger and Acquisition (M&A) allowance	12
Building an inclusive, cohesive, and skilled society	14
2.1 Extending Jobs Growth Incentive (JGI)	14
2.2 Enhanced tax deduction for salary costs of local workers	15
2.3 Double deduction for scholarships awarded by employers to employees to further their studies	15
2.4 Extending and enhancing 250% tax deduction for qualifying donations	15
2.5 Allowing personal reliefs or benefits to be accorded to or shared between working parents	15
2.6 Introducing standardised deductions for employees who work from home	16
2.7 Removing or enhancing current cap for course fee reliefs	16
Strengthening and making use of Singapore’s innovation and intellectual property (IP) ecosystem	18
3.1 Proposals to strengthen the IP ecosystem	19
3.2 Proposals to strengthen the innovation ecosystem	20
3.3 Proposals to promote sustainability by making use of IP and innovation ecosystem	22
Goods and Services Tax	23
4.1 Allowing input tax claims for COVID-19 tests and COVID-19 hospitalisation charges for employees	23
4.2 Providing guidelines on the transfer of ownership/title of goods for GST purposes	24
4.3 Allowing provisional input tax claims for new funds	24

4.4	Extending current concession for fund managers to other derivative products	24
Personal Tax		26
5.1	Recalibrating the Earned Income Relief	26
5.2	Providing relief for MediShield Life premiums	26
5.3	Reviewing the tax relief on life insurance premiums and medical insurance premiums	26
5.4	Introducing a child care/infant care relief	27
5.5	Introducing a special tax deduction/rebate for home caregiver expenses	27
5.6	Refining tax rules for employee share scheme	27
5.7	Reviewing and increasing the quantum of NSman relief	29
5.8	Recalibrating the spouse relief	29
5.9	Reviewing of COVID-19 relief measures related to individuals	29
Immigration		31
6.1	Extending the exemption to advertise from 30 days to 90 days	31
6.2	Expanding the qualifying requirement to be treated as Intra Company Transferees (ICTs)	31
6.3	Reviewing the qualifying activities for Work Pass Exempt Activities	32
6.4	Enhancing the Dependant's Pass scheme	32
6.5	Entry Visa to Singapore	32
6.6	Shortage Occupation List	32

Abbreviations

CIT	Corporate Income Tax	MNC	Multi-National Corporation
CPF	Central Provident Fund	NSMan	National Serviceman
ECI	Estimated Chargeable Income	OECD	Organisation for Economic Cooperation and Development
EDB	Economic Development Board	R&D	Research and Development
ERIS	Equity Remuneration Incentive Scheme	SHN	Stay-Home Notice
ESOP	Employee Share Options Plan	SME	Small and Medium-sized Enterprise
ESOW	Employee Share Ownership	SPR	Singapore Permanent Resident
GIRO	General Interbank Recurring Order	S\$	Singapore Dollars
GST	Goods and Services Tax	WDA	Writing Down Allowance
IPR	Intellectual Property Rights	WFH	Work from home
IRAS	Inland Revenue Authority of Singapore	YA	Year of Assessment

Leveraging Singapore's position of strength

Economic uncertainties may continue to persist even as we approach the one-year mark since the COVID-19 crisis and may have changed how we view the world. Whilst Singapore's economy is expected to rebound in 2021 if everything continues to be the way it is now, it is expected that this time, the recovery may be more protracted as compared to those in the past. However, Singapore remains in a position of strength to overcome this crisis, and we hope that the Government will continue to support businesses through measures in the area of 3Cs—cash flow, cost, and credit—so that businesses could emerge stronger.

Most of the existing measures are expected to expire by the beginning of 2021. Although the COVID-19 situation has gradually stabilised in Singapore and the Government has also announced plans to enter into the third phase of the reopening, the negative outlook for the economy and bearish consumer sentiments may continue to persist. To this end, we suggest extending and/or enhancing specific existing support schemes and new initiatives to continue supporting businesses. The proposed measures mainly aim to overcome short-term cash flow challenges faced by businesses:

1.1 Enhancing the expenditure incurred for renovation or refurbishment (R&R) works

Under Section 14Q of the Income Tax Act (ITA), the amount of tax deduction that can be claimed on qualifying R&R works for tax purposes is currently capped at S\$300,000 for every relevant 3-year period. This was enhanced in Budget 2020 where businesses are given the option to claim the deduction in one year instead of over three years in respect of qualifying R&R expenditure incurred during the basis period for YA 2021. All other conditions, including the cap of S\$300,000, remain the same.



We propose increasing the cap from S\$300,000 to S\$800,000 for qualifying R&R expenditure incurred during the basis periods for YAs 2021 and 2022 to support businesses using this downtime period to renovate their premises, support retail and hospitality players that are looking to refurbish or re-configure their physical store to the new normal, and also support businesses in the interior design and renovation space.

1.2 Enhancing the carry-back relief system

The carry-back relief system was introduced effective YA 2006 to help small businesses cope with cash-flow problems, especially in a cyclical downturn. However, current year unutilised trade losses and capital allowances (collectively "qualifying deductions") can only be carried back one immediate preceding YA, subject to conditions being met. The maximum amount of qualifying deductions to be carried back is capped at S\$100,000.

To help businesses with their cash flow, the carry-back system was enhanced in Budget 2020 whereby businesses may elect to carry back qualifying deductions for YA 2020 up to three immediate preceding YAs (i.e., YAs 2017, 2018, and 2019). The cap of S\$100,000 and qualifying conditions remain the same.

Shortly after the Budget 2020 announcement on 18 February 2020, Singapore underwent a 2-month 'circuit breaker' period followed by a phased approach to re-open the economy. Even though such containment measures were necessary to curb the spread of COVID-19, businesses were severely affected and many are expected to make significant losses in 2020.

In this regard, we propose a further enhancement of the carry-back relief for YA 2021 qualifying deductions to continue supporting businesses during this challenging period:

- (i) Increase the quantum allowed to be carried back from S\$100,000 to S\$500,000; and
- (ii) Increase the number of YAs, in which qualifying deductions are allowed to be carried back, from three immediate preceding YAs to five immediate preceding YAs.

The same administrative requirement which allows companies to elect for the carry-back based on estimated amount of qualifying deductions for YA 2020 should also be extended for YA 2021. This would enable businesses to alleviate cash flow in the coming months as they regain their feet.

1.3 Automatic waiver of the shareholding test in YAs 2021 and 2022 for unutilised capital allowances, trade losses and donations

Unutilised capital allowances and trade losses can be carried forward indefinitely and unutilised donations can be carried forward for up to five YAs to be deducted against future income if, amongst other conditions, companies satisfy the shareholding test. The company is said to have satisfied the shareholding test when there is no substantial change (i.e., more than 50%) in its ultimate shareholders and their shareholdings as at the relevant dates. However, the company may apply for a waiver of the shareholding test even if there is a substantial change in the shareholders of the company. The Comptroller of Income Tax may grant the waiver if he is satisfied that the substantial change in shareholders is not for deriving any tax benefit or obtaining any tax advantage. A list of requisite information will need to be submitted by the company during the application for a waiver of the shareholding test.

To encourage corporate consolidation during this period of time, we propose that an automatic waiver of the shareholding test be granted in YAs 2021 and 2022, such that companies will automatically be allowed to set-off any unutilised capital allowances, trade losses, and donations carried forward against any profits in YAs 2021 and 2022 despite a substantial change in shareholding.

1.4 Removing the condition of same trade test for unutilised capital allowances

Unutilised capital allowances can only be deducted against future income subject to an additional condition that there is no change in the company's principal activities during the relevant dates (i.e., "same trade" condition).

However, COVID-19 has forced many businesses to make big transformations to remain relevant, such as adopting new technology, creating new business models, or venturing into new markets. To support businesses in their transformation exercise, we propose that the "same trade" condition be removed so that businesses can continue to offset the unutilised capital allowances against future profits even as they operate new business models and/or engage in new principal activities.

1.5 Temporary liberalisation of the Foreign-Sourced Income Exemption (FSIE) scheme

Under the FSIE scheme, certain types of foreign-sourced income received by specified resident taxpayers¹ are exempt from tax if certain conditions are met.

Foreign-sourced dividend income, branch profits, and service income may be exempted from tax in Singapore under section 13(8) of the ITA when received or deemed received in Singapore if the following conditions under section 13(9) of the ITA are satisfied:

- (i) The foreign-sourced income has been subject to tax in the foreign jurisdiction from which they were received ("subject to tax" condition);

- (ii) The highest corporate tax rate of the foreign jurisdiction from which the income is received is at least 15% at the time the foreign-sourced income is received in Singapore ("foreign headline tax rate" condition); and
- (iii) The Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the person resident in Singapore.

To help businesses make the best use of all their sources of funds including prior years' foreign-sourced income currently kept outside Singapore and to meet their business financing needs in Singapore during the current period of tight credit, the following temporary changes could be made to the current FSIE scheme for specified resident taxpayers:

- (a) Temporary expansion of the scope of the current FSIE scheme under section 13(8) of the ITA to cover all foreign-sourced income accrued on or before the date of the Budget 2021 announcement and received or deemed received in Singapore by specified resident taxpayers for one year from the date of the announcement;
- (b) Temporary lifting of the "subject to tax" and "foreign headline tax rate" conditions specified in section 13(9) for tax exemption of foreign-sourced income accrued on or before the date of the Budget 2021 announcement and received or deemed received in Singapore by specified resident taxpayers during the 1-year exemption period.

The above proposed temporary measures were previously introduced in 2009 during the last financial crisis. However, the tax environment has changed significantly since then, and these temporary measures should be re-evaluated to ensure that they conform to current international tax standards.

¹ Resident persons other than individuals, and resident individuals receiving the specified foreign-sourced income through a partnership in Singapore.

1.6 Extending the Jobs Support Scheme (JSS)

Under the JSS, the Government co-funds 25% to 75% of the first S\$4,600 of gross monthly wages paid to each local (i.e., Singapore citizen or SPR) employee in a 10-month period (up to August 2020) and thereafter, 10% to 50% for the next 7-month period (September 2020 to March 2021). The base tier of support each employer will receive depends on the sector in which the employer operates.

While we understand that the level of support for JSS cannot continue indefinitely, it is likely that some specific sectors may take longer to recover. We propose that the JSS be extended on a lowered scale for another six months through a more targeted approach for these specific sectors. The level of support for specific sectors under Tier 1 (which covers aviation and aerospace, tourism, hospitality, conventions, and exhibitions) and Tier 2 (which covers built environment, licensed food shops and food stalls, qualifying retail, arts and entertainment, land transport, marine, and offshore) could be extended as follows:

JSS Tier	Extended JSS support	Proposed JSS support
	Based on September 2020 to March 2021 wages	Based on April 2021 to September 2021 wages
Tier 1	50% of the first S\$4,600 of gross monthly wages per local employee	25% of the first S\$4,600 of gross monthly wages per local employee
Tier 2	25% of the first S\$4,600 of gross monthly wages per local employee	10% of the first S\$4,600 of gross monthly wages per local employee

1.7 Extending the Wage Credit Scheme (WCS)

The WCS was enhanced in Budget 2020 where the Government co-funding ratios for wage increases in 2019 and 2020 were raised to 20% and 15% respectively. The qualifying gross wage ceiling will also be raised to S\$5,000 for both years, up from the current S\$4,000. All other qualifying conditions remain unchanged.

To continue to support businesses embarking on transformation efforts and to encourage sharing of productivity gains with workers, we propose that the WCS be extended for another two years until 2022. The level of support could be reduced to 15% and 10% for 2021 and 2022 respectively.

1.8 Automatic extension of two months interest-free instalments for payment of corporate income tax (CIT) on estimated chargeable income (ECI)

As announced in Budget 2020, companies on GIRO and filed their ECI within three months from their financial year-end would automatically enjoy an additional two months of interest-free instalments for CIT payments, if the ECI is filed (i) during the period from 19 February 2020 to 31 December 2020, or (ii) before 19 February 2020 and the company has an ongoing instalment payment to be made in March 2020.

We propose that consideration be given to extend the additional two months of interest-free instalments for CIT payments on ECI filed between 1 January 2021 to 31 December 2021 to ease the cash flow burden for companies. The table below sets out the number of instalments a qualifying company can receive if it qualifies for the automatic two months extension of the instalment plan:

Tax payable on first ECI e-filed within	Number of instalments given	
	Current instalment plan	Extended instalment plan for qualifying companies
1 month from financial year-end	10	12
2 months from financial year-end	8	10
3 months from financial year-end	6	8
After 3 months from financial year-end	No instalments available	No instalments available

1.9 Automatic 1-month interest-free deferment of CIT payments on finalised tax assessments

Generally, absent a GIRO instalment plan for the settlement of estimated taxes, companies are required to pay their taxes within one month from the date of the notice of assessment (NOA). Penalties may be imposed if tax is not paid on time.

We propose allowing companies to pay their taxes within two months (instead of one month) from the date of NOA for YAs 2020 and 2021 to ease the cash flow burden for companies.

1.10 Allowing the costs of COVID-19 testing to be fully deductible

COVID-19 testing will be the “new normal” until a vaccine is found. Singapore recently added new measures to gradually open borders and revive air travel. In addition to reciprocal green lanes meant for official and essential business travels, Singapore is also contemplating air travel bubbles for leisure travel in which SHN and quarantine are replaced with COVID-19 testing. In addition, certain sectors

are required to undergo rostered routine testing due to higher risk of infection.

Currently, 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.

Such COVID-19 testing is likely to add on to the costs for employers to provide medical benefits for their employees. To help businesses during this period of time, we propose that the costs of COVID-19 testing should be fully deductible for tax purposes, instead of being subject to the medical expense restriction, where the costs of COVID-19 testing are not fully covered by a Government subsidy.

1.11 Extending the corporate income tax rebate

A corporate income tax rebate of 25% of tax payable, capped at S\$15,000, was granted for YA 2020 to help companies with cash flow. To continue supporting businesses, particularly SMEs, the corporate income tax rebate could be extended for another year.

1.12 Allowing transfer of tax incentives under the ITA

Currently, the transfer of tax incentives is allowed under the Economic Expansion Incentives (Relief from Income Tax) Act as such incentivised companies may amalgamate, merge or undergo corporate restructuring. Under this framework, such award granted to the transferee will be treated as a continuation of the award granted to the transferor.

We propose to extend the framework to allow the transfer of tax incentives under the ITA. This is also to enable companies enjoying tax incentives under the ITA to transfer their tax incentives should they undergo any amalgamation, merger, or corporate restructuring during this period.

1.13 Extending withholding tax exemption for specified entities

Under section 45I of the ITA, specified entities do not need to withhold tax on all section 12(6) payments made to non-resident persons where the payments are made for the trade or business of the prescribed specified entities.

The withholding tax exemption is scheduled to expire after 31 March 2021. To facilitate access to a wider range of funding sources for the lending business of specified entities and to strengthen Singapore's position as a global financial hub, we propose extending the scheme until 31 December 2026.

1.14 Enhancing the Merger and Acquisition (M&A) allowance

Currently, an acquiring company incorporated and tax resident in Singapore is allowed to claim M&A allowance on capital expenditure incurred by it or its subsidiary when acquiring the ordinary shares of a target company, subject to certain qualifying conditions being met. However, some of the qualifying conditions may be too prescriptive or onerous and hence may be difficult to meet.

For instance, an acquiring company or subsidiary, as the case may be, is required to settle the consideration for the acquisition of the ordinary shares in the target company in full within six months from the date of the acquisition of the shares or, in the case of a contingent consideration arrangement, within six months from the date the contingent consideration is incurred. There may be valid commercial reasons why the consideration is paid via instalments. In addition, it appears that the acquiring company or subsidiary would have to be the party paying the consideration directly to the seller. There may be commercial reasons in which the party paying the consideration may not be the acquiring company or subsidiary. An example would be that a listed parent company of the acquiring company may choose to issue shares to seller due to liquidity of such shares, with the acquiring company subsequently issuing shares to the listed parent company.

In order to support companies in Singapore that make effort to grow their businesses through M&A and scale up, we propose to liberalise the conditions around nature and timing of the consideration, or allow discretion to be accorded to the Comptroller of Income Tax to waive such prescriptive conditions if there are valid commercial reasons provided by businesses.



Building an inclusive, cohesive, and skilled society

Singapore's demographic dynamics are evolving and the COVID-19 experience may have sharpened the need for our sense of purpose as a society.

In a series of Ministerial broadcasts held in June 2020, Senior Minister Tharman Shanmugaratnam, who is also the Coordinating Minister for Social Policies, said that Singapore must strengthen its social compact by helping those who have lost jobs to find work, by keeping social mobility alive and by assuring Singaporeans that help is at hand when they face difficulties.

Reskilling and upskilling workers remains a key priority for Singapore. COVID-19 is fast-forwarding the changes as many occupations are being transformed by the digital revolution and other technological advances.

Together with the Government's efforts to build an inclusive society and strengthen the social compact, we propose the following for consideration:

2.1 Extending Jobs Growth Incentive (JGI)

The JGI was introduced to support employers to accelerate their hiring of the local work force over the next six months from September 2020 to February 2021 to create good and long-term jobs for locals. The support is 25% (or 50% for mature local hires aged 40 and above and all persons with disabilities [PwDs]) on the first S\$5,000 of gross monthly wages paid to all new local hires.

Given that the job market is expected to remain muted, we propose extending the JGI for another six months to cover the hiring period from March 2021 to August 2021. The level of support could be tapered to 20% (or 40% for mature local hires aged 40 and above and all PwDs) on the first S\$5,000 of gross monthly wages.



2.2 Enhanced tax deduction for salary costs of local workers

During this period of economic uncertainty, schemes such as the JSS or JGI have been introduced to support businesses with the objectives of retaining or increasing local work force. These support schemes have been helpful to defray a significant portion of the local employees' costs as businesses endeavour to ride through these difficult times and retain their local employees. Some companies that are performing well may choose to return their payouts to the Government or donate those payouts to charitable causes.

To continue supporting businesses—regardless of whether they are performing well or are still recovering from the impact of the COVID-19, we propose an enhanced deduction of up to 150% for qualifying salary costs incurred for local workers, subject to a cap of S\$300,000 of qualifying salary costs incurred per YA for YAs 2021 and 2022. The cap of S\$300,000 on qualifying salary costs is to ensure that SMEs will benefit most from the scheme. Such qualifying salary cost should be net of any support schemes received by businesses from the Government.

2.3 Double deduction for scholarships awarded by employers to employees to further their studies

This will be a targeted approach as we should only incentivise courses that impart the skill sets that we would like to promote.

We propose that a double deduction could be accorded to employers who provide scholarships to their employees, who wish to further their studies in specific courses that Singapore would like to promote. This should be differentiated from the normal day-to-day training courses which employers may send their employees to. Such scholarships should, in principle, be seen as a long-term investment made by the employer. Conditions, for example, to serve the employer for a specified period of time upon completion of the specific course could also be considered. For employers, this will help them to retain their employees (at least for that specified period of time)

and reap the benefits of their investment. For the employees, this will provide job certainty, whilst allowing them to further their studies and upgrade their skills.

2.4 Extending and enhancing 250% tax deduction for qualifying donations

The 250% tax deduction for qualifying donations is scheduled to lapse after 31 December 2021. To continue encouraging Singaporeans to give back to the community, we propose extending the 250% tax deduction for qualifying donations for another three years until 31 December 2024.

In addition, subject to qualifying conditions, unutilised capital allowances and trade losses can be carried forward indefinitely while unutilised donations can only be carried forward for up to five YAs. For example, donations made in YA 2014 can only be carried forward until YA 2019. Any balance of donations not utilised by YA 2019 will be disregarded.

We propose allowing unutilised donations made in YAs 2021 and 2022 to be carried forward indefinitely, instead of being subject to the limit of five YAs, to encourage viable businesses to continue giving back to the community amidst the COVID-19 situation. Such contributions made by businesses will allow social service agencies to continue providing critical support to the vulnerable, as well as providing relief to frontline workers and families affected by COVID-19. This is also a form of showing appreciation and recognition to businesses, which continue to lend a helping hand during this difficult period.

2.5 Allowing personal reliefs or benefits to be accorded to or shared between working parents

Currently, certain personal reliefs, such as the Working Mother's Child Relief, are only granted to working mothers. With the move towards inclusivity and diversity, it may be timely to allow such personal reliefs to be accorded to working fathers as well.

In a similar vein, more could be done for parental leave from a policy standpoint. Currently, working fathers can apply to share up to four weeks of their spouse's Government-Paid Maternity Leave. Given the rise of families where the mother is the main income earner in the family and subject to the existing eligibility and spousal approval requirements, we propose that the amount of leave to be shared could be increased from four to six weeks.

This is to recognise that taking care of the household is a shared responsibility.

2.6 Introducing standardised deductions for employees who work from home

The COVID-19 situation has forced many companies to adopt remote working arrangements as an emergency measure to continue operating. As the world recovers from the pandemic, many companies may look to make remote working arrangements a permanent option given the potential cost, productivity, and talent attraction benefits. Companies and policy makers who are driving this transition will have an opportunity to shape the future of how and where we work, and create and capture value from it. Many companies also recognise that the first and foremost condition required for productive work is to have a suitable work environment. To this end, some companies have been giving financial support to their employees to set up suitable workspaces at home during the COVID-19 crisis. Even with the financial assistance from companies, the additional expenditures incurred by individuals from working from home can be significant.

To support the transition to "working from home" during COVID-19 and to continue encouraging individuals to embrace the "new normal" for future workplace, we propose introducing standardised deductions for individuals who WFH.

Currently, employees working from home are allowed to claim the increment in home expenses such as electricity and telecommunication charges as deductions against their employment income, provided that these expenses are incurred for work purposes and are not reimbursed by the employer. However, it may be difficult to calculate the additional expenses incurred as a result of working from home. While the IRAS is prepared to accept proxies based on comparison of bills before and after WFH and

apportionment of shared expenses, it is a hassle having to keep track of monthly bills and subscription fees.

To ease the claim of WFH tax deduction, we propose introducing an option for individuals to claim tax deduction on WFH expenses based on a fixed % of gross employment income (e.g., 1.5% of gross employment income, capped at S\$100 per month) or alternatively a fixed amount multiplied by the number of days worked from home (e.g., S\$5 for each day worked from home). This approach would also help drive efficiency for the IRAS in assessing such claims.

2.7 Removing or enhancing current cap for course fee reliefs

COVID-19 has also shown us how quickly work itself can change. Many of us are now working and collaborating remotely, some for the very first time. All of us will be building our careers in this post-COVID-19 world. Adaptability, flexibility, and more importantly a commitment to lifelong learning will be vital, especially as businesses and entire industries reposition themselves in a highly digital, data-driven new world and search for the talent that will help them succeed. It is time for businesses and individuals to embrace the upskilling imperative. For businesses, upskilling workers helps them to build a future-ready workforce; for individuals, it is a way to keep their skills relevant and stay future-ready themselves.

To encourage individuals to make deliberate and significant investments in learning to equip themselves with the knowledge, skills, and capabilities needed to work effectively in a digitised, automated world, we propose removing the cap of S\$5,500 for course fee reliefs for Singaporeans, or alternatively increasing the cap from S\$5,500 to S\$10,000.



Strengthening and making use of Singapore's innovation and intellectual property (IP) ecosystem

Singapore's innovation and IP regime has consistently ranked amongst the best in the world.

Singapore retained the top spot as Asia-Pacific's most innovative nation in the latest Global Innovation Index 2020². Singapore is also ranked fourth globally in IP protection works, and ranked top among Asian nations in the International Property Rights Index 2019 Report³. All of these accolades are in line with Singapore's national strategy to develop a knowledge-based innovation-driven economy with research, innovation, and enterprise being the cornerstones.

A new 5-year Research, Innovation and Enterprise, or RIE2025 plan will be unveiled in December this year, which will outline Singapore's plan for the next five years. This will build on earlier investments and enhance research to support national priority areas. A Singapore IP Strategy 2030 will also be unveiled on World IP Day, which is scheduled for April 2021. Details on how to develop Singapore as a global IP hub will be released then.

While the COVID-19 struck unexpectedly, the pandemic has not altered the abundance of opportunities for breakthrough technologies and innovation. Companies continue to drive R&D, IP, and innovation in their efforts to secure future productivity. COVID-19 may ironically speed up innovation in many sectors and reshape the future of how and where we work.

² Cornell University, INSEAD, and WIPO (2020). The Global Innovation Index 2020: Who Will Finance Innovation? Ithaca, Fontainebleau, and Geneva.

³ International Property Rights Index 2019 developed by Property Rights Alliance.



Strengthening the IP and innovation ecosystem can also create more opportunities for sustainability. Businesses may be more willing to develop and adopt innovative green technology solutions.

Our tax proposals to strengthen the IP and innovation ecosystem and how they may be leveraged to promote sustainability are as follows:

3.1 Proposals to strengthen the IP ecosystem

Generally, under section 19B of the ITA, companies can claim WDA on capital expenditure incurred to acquire qualifying IPRs for use in their trade or business up to the last day of the basis period for YA 2025. Companies will be allowed to make an irrevocable election to claim the WDA over a 5-year, 10-year, or 15-year period (on a straight-line basis) beginning from the YA of the basis period in which the capital expenditure is incurred to acquire the qualifying IPR. The election is irrevocable.

To enhance Singapore's attractiveness as a global IP hub and become competitive in the digital economy, we would like to propose the following:

(a) *Simplifying the requirement on transfer of ownership for qualifying IPRs*

Currently, a Singapore company would need to acquire both the legal and economic ownership of qualifying IPRs before it is eligible to claim WDA on the capital expenditure incurred to acquire qualifying IPRs unless it obtains a waiver from legal ownership from the EDB. As the approval for a waiver from legal ownership often requires additional commitments in Singapore, it may be onerous for the Singapore acquiring company to meet the conditions for the waiver.

We propose that an automatic waiver of legal ownership be granted as economic ownership is as effective for companies to commercialise and manage IPRs in Singapore leading to substantive economic activities in Singapore, generating economic spin-offs.

In addition, to simplify the requirement on transfer of ownership for qualifying IPRs by enhancing the WDA claims, we propose the following:

- 100% WDA claims on capital expenditure incurred to acquire qualifying IPRs where only economic ownership is transferred to the Singapore acquiring company.
- 150% WDA claims for qualifying IPRs where both legal and economic ownership are transferred to the Singapore acquiring company. There is no difference from the current regime except that a higher amount of WDA claim is available to attract bringing legal ownership to Singapore.

The above could also simplify the process of WDA claims for the acquisition of qualifying IPRs. The different rates of WDA claims on qualifying IPRs, depending on the ownership transferred to the Singapore acquiring company, will also provide certainty to MNCs when deciding whether to move their IPs without the need to negotiate additional conditions required for a waiver application with the EDB if only economic ownership is to be transferred.

(b) *Removing the claw-back provision*

Generally, WDAs on qualifying IPRs can also be claimed by companies with tax incentives, where their income from qualifying activities is taxed at a concessionary tax rate.

Where the company sells, transfers, or assigns all or any part of the IPRs, the company may need to make tax adjustments in the year in which the event occurs. A balancing charge will arise if the sales proceeds from the disposal of IPRs exceed the tax written down value (TWDV). Such balancing charge would be brought to tax in the year of disposal. No balancing allowance is granted if the proceeds from disposal of IPRs are less than the TWDV.

The balancing charge would be brought to tax at the prevailing corporate tax rate in the year of the disposal if the tax incentives expire and/or the concessionary tax rates cease to apply. Even if the tax incentive has not expired, it often raises the question of whether the balancing charge is considered "income from qualifying activities" subject to tax at the concessionary rate. In which case, companies may be unduly penalised if the WDA was claimed at the concessionary tax rate while the claw-back may be at the prevailing corporate tax rate.

We propose to remove the claw-back provision under section 19B so that any WDA previously claimed should not be deemed as income chargeable to tax in the year of disposal if the company has held the qualifying IPRs for more than five years. Alternatively, rules may be changed such that the claw-back is taxed at the same tax rate at which the WDA was previously claimed. For example, where the approved company's qualifying income was taxed at the concessionary tax rate of 5% when the WDA was previously claimed, the claw-back shall be brought to charge as income subject to the same concessionary tax rate in the year of disposal of the IPRs.

(c) *Broadening the scope of section 19B to include customer list and show-how*

Generally, the definition of the IPRs includes trade secrets and information that has commercial value, but specifically excludes the following:

- a. Information of customers of a trade or business, such as a list of those customers and requirements of those customers, gathered in the course of carrying on that trade or business; and
- b. Information on work processes (such as standard operating procedures), other than industrial information, or technique, that is likely to assist in the manufacture or processing of goods and materials.

According to Deloitte's insights⁴, COVID-19 has accelerated digital channel growth and digital sales growth is expected to remain higher than brick-and-mortar sales in the near future. To remain competitive, many businesses are investing in advanced data analytics and cognitive technologies to help them gain deeper insights about individual consumer's behaviours, actions, and preferences.

The aim is to enhance customer loyalty and engagement, which are driving businesses' profitability and growth. To this end, we propose broadening the scope of IPRs to include the information of customers of a trade or business. IP is not merely about the law, there is, of course, a business angle and increasingly a technological one too.

3.2 Proposals to strengthen the innovation ecosystem

Many initiatives, in the form of grants and collaborations, have been launched to support the innovation ecosystem. We hope that the following tax proposals, which are intended to complement these initiatives, could be considered. This is in view that a sound innovation ecosystem should balance the needs of start-ups, scale-ups, and mature firms.

(a) *Incentivising 'evolutionary' innovative activities*

We reiterate our call to broaden the definition of what qualifies as R&D for tax purposes or for a separate incentive category, to be set up for spending incurred on "lower tier" R&D activities or activities that are deemed less innovative because they fall outside the ambit of R&D as defined in the ITA. These include activities that lead to the creation of new and improved products or services such as the integration of two (or more) existing technologies or the complex integration of numerous disparate systems operating on vastly different technologies.

The benefit for such a category could be watered down, to commensurate with the perceived reduced risks such activities carry. For example, a further tax deduction of 25% (compared to the current 50% further tax deduction for R&D activities) could be granted.

⁴ Deloitte's insights, "The future is coming ... but still one day at a time—Seven data-driven trends defining the future of the retail and consumer products industry". Please see https://www2.deloitte.com/content/dam/insights/us/articles/6513_Future-of-retail/DI_The-future-is-coming.pdf

(b) Incentivising outsourced R&D activities carried out overseas

Currently, R&D conducted overseas, whether related to the company's trade, is not entitled to the enhanced tax deduction.

Singapore is short of R&D talent but we also understand that it is important that Singapore develops her R&D capabilities. Having our local R&D team work with their overseas counterparts will promote skills, knowledge, and technical transfer.

We propose that consideration be given to enhance tax deductions on expenses incurred on outsourced R&D activities carried out overseas, if at least 20% of the activities in the same R&D project is carried out in Singapore.

(c) Expanding the scope of qualifying R&D expenses

Currently, the qualifying R&D expenses that are eligible for enhanced tax deduction are as follows:

- Staff costs (excluding directors' fees);
- Consumables; or
- Fees paid to an outsourced R&D provider.

We propose that consideration be given to expand the scope of qualifying R&D expenses to cover a proportion of overheads, in connection with the qualifying R&D projects conducted in Singapore.

(d) Introducing R&D tax credits for start-ups

Previously, an R&D incentive for Start-Up Enterprise (RISE) was introduced in Budget 2008 to make Singapore more attractive for R&D-intensive start-ups and to encourage start-up companies to invest more in building up their in-house R&D capabilities in Singapore. The RISE scheme was available from YA 2009 to 2011 but was phased out due to the introduction of the Productivity and Innovation Credit (PIC) scheme.

Under the RISE scheme, a qualifying start-up company was allowed to convert up to S\$225,000 of tax losses into cash, computed at a prescribed rate (amounting to a maximum of S\$20,250), if it spends at least S\$150,000 expenses on ongoing R&D done in Singapore in the basis period for the YA of claim.

The start-up can therefore choose either to convert its losses in exchange for cash under the RISE scheme, or carry forward the losses for offset against its chargeable income in future YAs. If the start-up company chooses to convert its losses under RISE into cash instead of carrying forward the losses, the losses of the start-up company to be carried forward will be correspondingly reduced by the amount of the converted losses.

Given that the RISE scheme was phased out due to the PIC scheme and the PIC scheme has since lapsed, we propose that a similar R&D tax credit could be re-introduced and granted to start-ups. Start-ups may be more willing to undertake R&D activities if the financial risks of doing so are lower. The R&D tax credit could be calculated based on a percentage of R&D expenditure incurred. This may be an alternative to granting additional tax deduction on qualifying R&D expenditure.

The tax credits could also be used to reduce the company's CIT and any unused portion can be carried forward indefinitely. In addition, the R&D tax credits could be converted into cash payments.

(e) Reviewing employees equity based remuneration scheme

Stock options are commonly used by start-ups and unicorns as an incentive to attract and retain talent as it is more cost-efficient compared to cash compensation. This could also spur talents to believe in what they are doing at the start-ups and unicorns and incentivize them to grow with such businesses. It could also allow smaller companies to compete with larger companies in attracting and retaining good and capable employees. To continue developing the innovation ecosystem, we would propose reviewing the current employees equity based remuneration scheme.

Previously, three ERIS were available before they were phased out. One of them was ERIS (Start-ups) which was introduced to improve the attractiveness of equity-based compensation tools for new start-up companies. An employee could enjoy tax exemption on 75% of the gains, subject to certain cap, arising from ESOP or ESOW plans under the ERIS (Start-ups).

To continue allowing start-ups to attract talents and to attract talents to set up base in Singapore, we propose to review the feasibility of re-establishing the ERIS (Start-ups) using a targeted approach.

3.3 Proposals to promote sustainability by making use of IP and innovation ecosystem

A COVID-19 recovery economic stimulus fund, if properly channelled, offers a rare opportunity for economic recovery through investment support for renewable energy, energy efficiency, and R&D in the energy and industry sectors.

(a) *Extending and enhancing Investment Allowance—Energy Efficiency (IA-EE) scheme*

Under the IA-EE scheme, an allowance based on a specified percentage (of up to 100%) of capital expenditure is granted to a company for expenditure incurred on qualifying projects or activities, which results in more efficient energy utilisation. The investment allowance is granted on top of the normal capital allowance claim and can only be set-off against chargeable income derived from the qualifying project/activity. The scheme is scheduled to lapse after 31 March 2021.

As energy efficiency remains a key national priority, we propose to enhance the investment allowance from 100% to 150% of capital expenditure incurred on qualifying projects/activities and extend the IA-EE scheme for another five years until 31 March 2026 to continue encouraging businesses to invest in large-scale energy efficiency projects.

(b) *Exploring the need for green budgeting and tax policy tools to support a green recovery*

Targeted support for technology that generates low-carbon investment will reduce the cost of complying with carbon pricing in the future, and such technology can potentially be commercialised and exported to other countries. A shift towards clean and renewable energy will have the potential for businesses to gain considerable benefit from such investment.

We propose to consider exploring new incentives to spearhead the shift to cleaner sources, and streamlining and simplifying the existing tax incentives for the energy sector by subsuming them under an umbrella scheme. Beyond tax policy, we also propose that the Government could consider bringing together key industry players in the energy sector, and research and educational institutions to develop a centre of excellence to catalyse the innovation and adoption of the latest technologies with a focus on reducing carbon emissions and waste pollutions. To ensure its viability, the Government can provide a guarantee on loan undertaken by such businesses to ensure discipline and sustainability in the usage of the fund to support a green recovery.

Goods and Services Tax

We would like to propose the following measures to ease cash flow during the COVID-19 period and/or assist businesses in minimising GST compliance costs, with the hope that these measures will help to improve the overall economic climate and opportunities available to businesses in Singapore.

4.1 Allowing input tax claims for COVID-19 tests and COVID-19 hospitalisation charges for employees

The IRAS has clarified that GST incurred on COVID-19 tests and COVID-19 hospitalisation charges for employees is not claimable as such expenses are disallowed as “medical expenses” under Regulation 26 of the GST (General) Regulations.

Employees working in certain industries may be subject to higher risk/exposure to COVID-19 (e.g., frontline medical personnel, housekeeping personnel in hotels housing SHN persons, construction workers who reside in dormitories, etc.) in the course of their work and hence, are required to go for regular COVID-19 tests and such testing costs are usually borne by the employers. COVID-19 testing is usually mandatory and not specifically for the employees’ personal benefits.

Therefore, we propose to consider allowing such input tax claims for COVID-19 testing costs as an administrative concession so that GST taxpayers operating in these industries are not unfairly disadvantaged. Likewise, for COVID-19 hospitalisation charges, if the employees have contracted COVID-19 in the course of carrying out their employment duties and that the employers are required to bear the employees’ hospitalisation charges, we similarly propose to consider allowing such input tax claims as an administrative concession.



4.2 Providing guidelines on the transfer of ownership/title of goods for GST purposes

Some taxpayers face practical difficulties in ascertaining whether they own the goods at the point of importation which will determine whether they should act as the importer of record for the import of the goods and also the GST liability of any subsequent supplies they make to their customers. A number of variables are usually considered (e.g., incoterms, contractual agreement, etc.) to determine whether the goods belong to the taxpayers at the point of importation. Sometimes, the commercial arrangement may not be apparent and hence, there could be practical difficulties in determining who holds title in the goods without seeking the Comptroller of GST's confirmation.

We propose to consider issuing further guidance in this area (e.g., similar to the detailed guidelines provided for reimbursement and disbursements in the IRAS' e-Tax Guide "GST: Guide on Reimbursement and Disbursement of Expenses") to aid taxpayers in such determination.

4.3 Allowing provisional input tax claims for new funds

Funds which are awarded tax incentives under Sections 13R and 13X of the ITA may recover input tax based on an annual fixed input tax recovery rate (currently at 88% for the calendar year 2020) via a GST remission. However, qualifying funds are only allowed to file their first statement of claims (SOC) to recover the input tax incurred after their first financial year if they meet the conditions of the income tax concession as at the last day of their preceding financial year. Similarly, if funds are registered for GST under the reverse charge mechanism, they would first have to account for GST on the value of their imported services first based on the time of supply rule and then be allowed to recover the GST accounted for as their input tax after their first financial year.

For example, if a non-GST registered fund has been granted a tax incentive under Section 13R of the ITA on 15 January 2020 and its financial year-end is 31 December, it will only be allowed to recover its input tax incurred between the period from 15 January 2020 to 31 March 2021 when it files its first SOC covering the same period, likely in April 2021.

The above would inevitably result in a cash flow disadvantage for new funds. Therefore, we propose to consider allowing provisional input tax claims to new funds such that they are allowed to recover their input tax straight after they have been awarded tax incentives under Sections 13R or 13X of the ITA.

If the funds are subsequently unable to satisfy the conditions of the tax incentives, the IRAS may claw back the input tax claims and impose the relevant penalties. The funds can decide if they wish to enjoy the provisional input tax claims to ease their cash flow but be subject to possible penalties if they are subsequently unable to satisfy the conditions of the tax incentives.

4.4 Extending current concession for fund managers to other derivative products

Currently, the IRAS has given a concession for fund managers/stock brokers to be treated as agents in receiving brokerage services rendered by overseas non-GST registered brokers for shares traded on overseas stock exchanges. Therefore, the fund manager can treat any subsequent recoveries of the brokerage fees without a mark-up as "out-of-scope". In other words, no GST is chargeable on the recoveries. The current concession as we understand, applies only to shares.

Over the years, investors have become increasingly sophisticated and the number of financial products in the market has also increased. Therefore, we propose to consider extending the above-mentioned concession to also include other financial derivative products such as bonds, futures, contract for differences, etc.

With the implementation of GST reverse charge, an extension of the above-mentioned concession to include also other financial derivative products will definitely be a welcome boost to Singapore GST-registered fund managers and stockbrokers as they would have a competitive advantage over their overseas counterparts.

This is because if local end customers are not fully taxable for GST purposes (i.e., not entitled to recover input tax in full), they would generally need to account for GST on direct purchases of brokerage services from non-GST registered overseas brokers under the reverse charge mechanism and only be allowed to recover a portion of the GST accounted for based on their usual input tax recovery rate. However, no GST would be charged if they purchase via Singapore GST-registered fund managers/stockbrokers.



Personal Tax

As income and living standards have improved over the years, we would like to propose the following to ensure that personal reliefs reflect current living standards.

5.1 Recalibrating the Earned Income Relief

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

5.2 Providing relief for MediShield Life premiums

All Singapore citizens and SPRs are automatically included in MediShield Life. The premiums payable on MediShield Life have increased accordingly to afford better coverage, increasing the burden on individuals who pay the premiums for their elderly parents and dependent children.

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

5.3 Reviewing the tax relief on life insurance premiums and medical insurance premiums

Currently, where the relief for CPF (employee's mandatory contribution) is more than S\$5,000, any premiums paid on the life insurance policies will not be eligible for tax relief. Only individuals whose mandatory CPF contributions are below S\$5,000 per annum can claim the relief for life insurance premiums. This will result in the majority of working Singapore citizens and SPRs not being able to claim relief for insurance premium relief, although such reliefs will be available for foreign employees who are not participating in the CPF.



In addition, life insurance premium relief is currently only available for premiums paid on the individual taxpayer's life and/or his spouse'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.

With an ageing population and rising medical costs, individuals should be encouraged to take up more comprehensive medical coverage for themselves (i.e., in addition to the coverage provided under MediShield Life) so that a significant part, or the full hospital bills can be covered by insurance to minimise the financial burden and stress to the individual and his/her family.

As such, the Government may wish to consider the following changes:

- a) Granting a separate relief for premiums paid on life and medical insurance. This would encourage individuals to take up life and medical insurance policies to provide coverage for themselves and their loved ones;
- b) Extending the relief to life insurance premiums paid on policies for dependent children and elderly parents; and
- c) Extending the relief to female taxpayers for life insurance premiums paid on policies for spouse (spouse's dependent children and elderly parents as per (b) above).

To prevent any potential abuse, there could be a cap to limit the amount of relief claimable.

5.4 Introducing a child care/infant care relief

The costs for raising a child in Singapore have substantially increased due to the increased standards of living, and both parents may decide to remain in the workforce (i.e., dual-income family) in order to meet the 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.

Although raising a child is a personal decision, introducing a child care/infant care relief, in addition to the one-time payment, will enhance the many initiatives undertaken by the Government to encourage families to have more children, especially for those who can afford them.

5.5 Introducing a special tax deduction/rebate for home caregiver expenses

In line with the ageing population and dual-income families, it is becoming more common for families to employ professional caregivers to assist with the care of their aged parents/parents-in-law/grandparents/grandparents-in-law.

Providing a special tax deduction or rebate on costs associated with employing specialised caregivers at home (e.g., home nurses, nursing aides and other trained professionals) for the elderly/persons with disabilities would help defray the overall costs of caring for the elderly/persons with disabilities. This could also help to maintain the family nucleus as it may encourage more families to opt for home care instead of sending the elderly to nursing homes.

5.6 Refining tax rules for employee share scheme

Singapore could also refine the tax rules for 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). These include:

(a) 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 (QEEBR) scheme, payment of tax on 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 in managing cash flow issues with regard to the settlement of their tax liabilities due to the exercise of 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 only from the fourth year of the tax deferral). Alternatively, the Government may wish to consider granting preferential or discounted interest rates when calculating the said interest charge, which is lower than the average prime rate. To make the scheme more favourable for Singapore citizens and SPRs, the above-mentioned benefits could be limited to this group of taxpayers.

(b) 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 (i.e., the “deemed exercise” rule). Such deemed gains are reportable for tax in the tax clearance return (Form IR21).

Tax arising from 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 manage this, the tracking option in lieu of the deemed exercise rule is available to employers who have applied for the scheme and obtained approval from the IRAS. Under this scheme, the employers are allowed to track when the relevant gains are realised and report the income to the IRAS at that time.

However, as it may be challenging to fulfil all the qualifying conditions of the scheme, the Government could consider revisiting the qualifying conditions for the tracking option⁵, especially the capital requirement condition. This would allow more employers to qualify for the scheme and more taxpayers to benefit from the scheme.

(c) Manage double taxation

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, although in principle we understand that the IRAS may consider granting a foreign tax credit for tax suffered outside of Singapore on stock option/share gains subject to tax in both Singapore and another country, in practice such claims are challenging and subject to close scrutiny by the IRAS.

⁵ In order to be considered for the Tracking Option, an employer:

- a) 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
- b) Must have robust HR and computer systems that are able to track the status of stock plans; and

- c) 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
- d) Must have an excellent taxpaying record for the past three years.

This results in a misalignment of individual tax treatment compared to other countries which may adopt the OECD model⁶ of sourcing for stock option/share gains, thus resulting in a genuine double tax exposure.

The current COVID-19 macro environment has created further inequity specifically in respect of stock options. The stock options of many companies are currently 'underwater' (i.e., current market price is lower than the exercise price) due to the dismal economic environment, and it makes no economic sense for employees to exercise them even though the options may have vested. Where such options have been subject to the "deemed exercise" rule at the time of the non-Singapore citizen's cessation of Singapore employment, the individual has up to four years, from the YA in which the deemed gains were assessed, to make a claim for re-assessment, if the actual gains are lower than the deemed gains or where the options have been cancelled, forfeited or expired.

Re-assessment is not available if the options are 'underwater' due to the current economic climate. Individuals may miss the opportunity to seek a re-assessment within the current 4-year time limit for such claims due to the generally lengthy exercise periods for stock options (up to ten years).

As such, we propose reviewing the basis of taxation of stock options and shares in Singapore to be aligned with the OECD model of sourcing.

5.7 Reviewing and increasing the quantum of NSman relief

The NSman relief has remained the same over the years. To better recognise NSmen and their spouses for their contributions to National Service, the Government may wish to consider increasing the quantum of NSman relief.

5.8 Recalibrating the spouse relief

The spouse relief has remained unchanged for decades and is not a true reflection of the current economy and cost of living. We propose reviewing the (i) maximum annual income threshold of S\$4,000 (average of S\$333 per month) to be eligible for spouse relief; and (ii) the actual quantum of the relief claimable, taking into account the current market conditions and cost of living in Singapore.

5.9 Reviewing of COVID-19 relief measures related to individuals

In recognition of the challenges brought about by COVID-19, a number of personal tax relief measures were introduced in relation to individuals who are normally based outside of Singapore for employment but who are working remotely from Singapore during this time of uncertainty and travel restrictions.

⁶ Under the OECD model, stock option and other equity gains are generally sourced over the period from grant to vest of the options/shares.

We understand that the Government is monitoring the situation and will extend the timeframe for the relief measures, if necessary. However, where the Government intends to reduce or moderate the level of support given and if it is expected that such support measures will not be

extended, we would recommend that notice is given to the public as early as possible to enable the affected individuals to have adequate time to make the necessary plans or arrangements to travel back to their country of employment, if needed.



Immigration

As Singapore continues to draw top talents, the Government could consider tailoring certain measures to ease administrative requirements and promote international mobility. We propose the following measures:

6.1 Extending the exemption to advertise from 30 days to 90 days

Currently, the exemption from advertising on MyCareersFuture is available if the job is necessary for short-term contingencies (i.e., the period of employment in Singapore is not more than 30 days).

To reduce the administrative burden of advertising and to promote international mobility within MNCs, we propose that the exception could be extended to 90 days or as a separate 90-days option (available up to twice in a calendar year) to cover short-term assignments.

This will allow short-term business travellers to return for a second trip to complete the short-term assignment based on need. "Short-term" should not be considered as "foreign" employees in terms of the foreign-to-local ratio.

6.2 Expanding the qualifying requirement to be treated as Intra Company Transferees (ICTs)

An exemption from advertising a job placement may be available if the position will be filled by an ICT. However, to be exempted, the EP candidate would have to meet the stringent definition of ICTs under the World Trade Organisation's (WTO) General Agreement on Trade in Services (GATS), or any applicable free trade agreements to which Singapore is a party. Under the WTO GATS, an ICT:

- Must be in a managerial, executive or specialist role.
- Must have worked for the company outside Singapore for at least one year before being posted to the branch, affiliate or subsidiary in Singapore.



- Is limited to a three-year term, that may be extended for up to two additional years, for a total term not exceeding five years.

In view that rotating global employees to Singapore as part of a global mobility programme has become common practice among MNCs, we propose expanding the ICT scheme to cover employment term of more than three years.

6.3 Reviewing the qualifying activities for Work Pass Exempt Activities

We propose to consider expanding the WPEA (such as work activity that is carried out in Singapore for less than one month) to meet urgent business needs where applying for an EP may not be practical due to the processing time. With a wider scope of WPEA, there would not be a need to apply for a work pass on a short-term basis, thereby reducing administration costs.

6.4 Enhancing the Dependant's Pass scheme

Currently, dependant's pass (DP) holders require a Letter of Consent (LOC) before they are allowed to work for registered Singapore entities. To ease the administrative burden for employers, we propose to consider removing the requirement for a LOC for DP holders (such that a DP can work without consent, similar to Hong Kong's DPs).

6.5 Entry Visa to Singapore

Singapore currently has only one entry visa for Singapore, i.e., the entry visa is not divided into different categories for personal (i.e., tourism) or business. In addition, the entry visa does not indicate the scope of eligible activities in Singapore. We propose to separate the entry visa into two categories—personal and business entry visas, with the business entry visa having a defined scope of permissible business activities in Singapore. We propose that business entry visas can be sponsored directly by the Singapore entity for an additional fee and allow for a wider scope of permissible activities in Singapore as compared to the personal entry visa.

6.6 Shortage Occupation List

We propose to consider publishing a Shortage Occupation List. If a job is on the Shortage Occupation List, this will mean there are insufficient Singapore resident workers to fill the positions available in that sector, and that foreign talent may be required to fill the vacancy.

Consequently, for jobs on the Shortage Occupation List, employers should not be required to demonstrate that they have applied the resident labour market test in order to bring in foreign talent, thereby simplifying the administrative requirements and costs of doing so.





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