



Singapore Budget 2023 Commentary

A Valentine's Budget for Singapore



Common abbreviations

CA	Capital Allowances
CPF	Central Provident Fund
€	Euro
FY	Financial Year
FDW	Foreign Domestic Worker
GST	Goods and Services Tax
HK\$	Hong Kong Dollar
IPC	Institutions of a Public Character
IRAS	Inland Revenue Authority of Singapore
ITA	Income Tax Act
MAS	Monetary Authority of Singapore
MNE	Multinational Enterprise
OECD	Organisation for Economic Co-operation and Development
%	Percent
P&M	Plant and Machinery
R&D	Research and Development
\$	Singapore Dollar
SME	Small and Medium-sized Enterprise
SPR	Singapore Permanent Resident
STB	Singapore Tourism Board
VAT	Value-added Tax
WHT	Withholding Tax
YA	Year of Assessment

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Foreword



Budget 2023 foreshadows significant changes in the road ahead, as it is about securing our future in the face of great uncertainty and volatility, one that will necessitate bolder and more decisive moves to move the country forward, but will also cultivate a fairer and more inclusive society.

Deputy Prime Minister and Minister for Finance, Mr Lawrence Wong, delivered his second Budget speech on 14 February 2023.

Budget 2023 began on a positive note, with the Minister stating that Singapore's economic fundamentals remain strong. However, he warned of major uncertainties and downside risks to this year's forecast, such as the impact of a decline in the US and EU economies, an escalation of the Ukraine war, and the possible emergence of a new COVID-19 variant.

Budget 2023 identified three key thrusts to address the challenges in the future economy:

1. Grow economy
2. Strengthen social compact
3. Enhance resilience

To sustain pervasive innovation across the economy, Budget 2023 introduces a new Enterprise Innovation Scheme (EIS) that increases tax deductions to 400% of qualifying expenditure for certain qualifying activities. In addition, businesses that have yet to become profitable or do not have enough profits to maximise the benefits of tax deductions will now be able to convert 20% of their total qualifying expenditure per YA into a cash payout, subject to a cap of \$20,000. This will assist smaller businesses in offsetting the costs of their innovation activities, even if they pay little or no taxes. Among other changes, the EIS, SME Co-Investment Fund, and Singapore Global Enterprises initiative are just a few that demonstrate the Government's emphasis on the need for local entities to innovate and grow in order to compete and survive in the future economy.

The theme of our Deloitte Budget 2023 Commentary is "A Valentine's Budget for Singapore," and indeed Budget 2023 is the Minister's "Valentine's Day present" to help Singaporeans cope with rising prices caused by an unpleasant cocktail of higher inflation and GST increases. The Minister announced enhancements to the permanent GSTV scheme and the Assurance Package, as well as additional one-time support measures under the Assurance Package to address immediate cost-of-living issues. This slew of measures reflects the Government's commitment to assist Singaporeans during this trying time. However, the Minister warns that higher inflation is here to stay, and the best way to deal with it is to become more productive and competitive so that our real wages grow. As a result, Singapore will need to continue with economic transformation and restructuring.

This budget will bring much joy to parents and soon-to-be parents. To provide more support for eligible lower- to middle-income working mothers, the WMCR will be changed from a percentage of the mother's earned income to a fixed dollar relief beginning in YA 2025. In conjunction with the Baby Bonus Cash Gift, increased government contributions to the Child Development Account, flexible work arrangements for working parents, and increased Unpaid Infant Care Leave, the Government is sending a strong message to encourage people to start families and raise more children.

Climate change remains high on Singapore's agenda, and rightly so, given that it is one of the most pressing challenges faced by the world. Building on his previous announcement that Singapore will establish a Coastal and Flood Protection Fund, the Minister stated that Singapore will continue to commit more resources as Singapore progressively implements the extensive infrastructure plans to protect our coastline from rising sea levels, including a polder at Pulau Tekong that is already more than halfway completed.

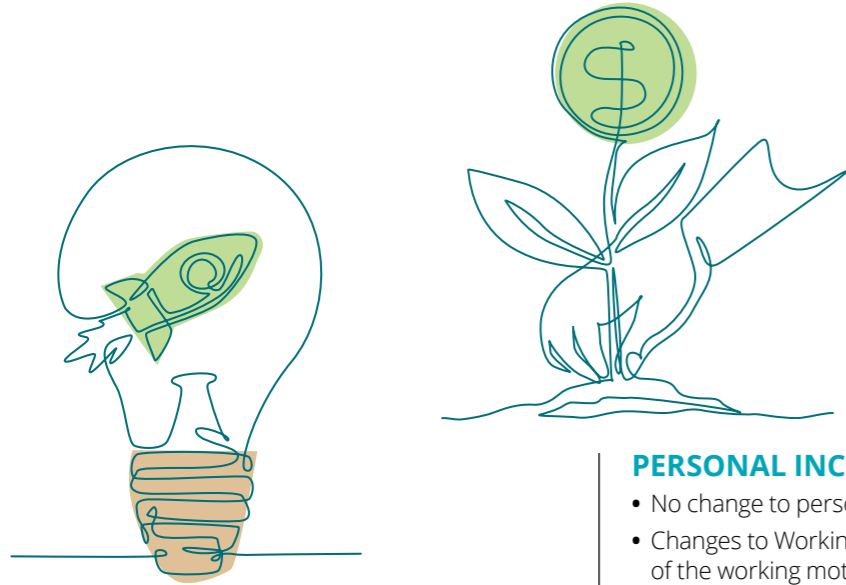
As Singapore seeks to balance the short-term needs of the population and businesses with the long-term goal of transformation, Budget 2023 announces further adjustments to our tax system, including higher marginal Buyer Stamp Duty rates for higher-value residential and non-residential properties, a cap on Preferential Additional Registration Fee rebates at \$60,000 to avoid providing excessive rebates to more expensive cars when they are deregistered, and a 15% increase in tobacco excise duty.

On the international front, Singapore announced its intention to implement Pillar Two measures in 2025, as part of a broader international effort to align minimum global corporate tax rates for large multinational enterprise (MNE) groups, as well as a Domestic Top-Up Tax, which will raise the effective tax rate for MNE groups in Singapore to 15%. Simultaneously, Singapore will review and update its broader suite of industry development schemes in order to maintain Singapore's competitiveness in attracting and retaining investments. However, developments in the taxation of MNE profits are fluid, and Singapore will continue to monitor international developments. Singapore will adjust its implementation timeline if there are further delays globally. The Government will continue to engage companies and provide ample notice before making any changes to Singapore's tax rules or schemes.

In many ways, Budget 2023 foreshadows significant changes in the road ahead, as it is about securing our future in the face of great uncertainty and volatility, one that will necessitate bolder and more decisive moves to move the country forward, but will also cultivate a fairer and more inclusive society.

This Budget Commentary expands these different measures and initiatives—we wish you an enjoyable read!

Low Hwee Chua
Regional Managing Partner
Tax & Legal
Deloitte Southeast Asia



ENTERPRISE INNOVATION SCHEME (NEW)

400% enhanced tax deduction for qualifying expenses (capped at \$400,000) incurred for each of the following activities from YA 2024 to YA 2028:

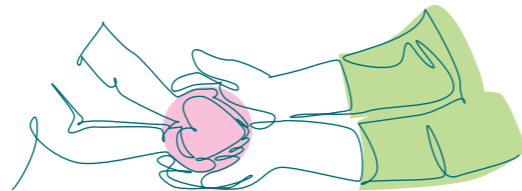
- Research and development projects conducted in Singapore.
- Registration of intellectual property, including patents, trademarks and designs.
- Acquisition and licensing of intellectual property rights.
- Training via courses approved by SkillsFuture Singapore and aligned to the Skills Framework.

Introduce a new 400% tax deduction for expenses (capped at \$50,000) incurred for activities relating to innovation projects carried out with Polytechnics, the Institute of Technical Education or other qualified partners from YA 2024 to YA 2028.

Non-taxable cash payout (capped at \$20,000) based on a conversion ratio of 20% on up to \$100,000 of total qualifying expenditure for all activities listed above per YA.

PERSONAL INCOME TAX AND RELIEF

- No change to personal income tax rate, and no personal tax rebates.
- Changes to Working Mother's Child Relief (WMCR) from a percentage of the working mother's earned income to a fixed dollar relief with effect from YA 2025 in respect of Singaporean children born or adopted on or after 1 Jan 2024.
- Foreign Domestic Worker Levy Tax Relief to lapse from YA 2025.
- Working mothers will be allowed to claim Grandparent Caregiver Relief (GCR) from YA 2024 in respect of caregivers who have trade, business, profession, vocation or/and employment income not exceeding \$4,000 in the year preceding the YA of claim, subject to conditions.



COMMUNITY GIVING

Extension of the 250% tax deduction for donations made to IPC and eligible institutions to end-2026.

Extension of the Corporate Volunteer Scheme (CVS) to end-2026 with the following enhancement:

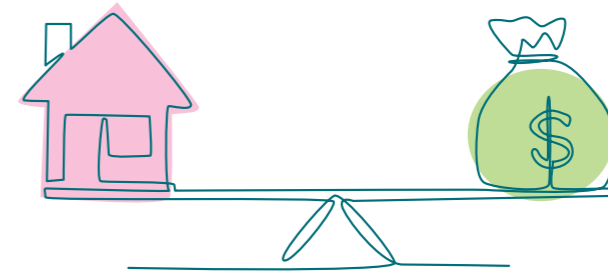
- Include activities which are conducted virtually or outside of the IPCs' premises.
- Double the cap on qualifying expenditure per IPC to \$100,000 per calendar year.

A new philanthropy tax incentive scheme for family office is introduced to allow qualifying donors to claim 100% tax deduction (capped at 40% of the donor's statutory income) for overseas donation made through qualifying local intermediaries.



BEPS 2.0

Global Anti-Base Erosion (GloBE) rules under BEPS 2.0 Pillar Two and Domestic Top-Up Tax (DTT) will apply to in-scope multinational enterprise (MNE) groups from businesses' financial year starting on or after 1 Jan 2025. This timeline may be revisited based on international developments. In-scope MNE groups will be consulted and given sufficient notice.



PROPERTY RELATED MEASURES

Increase Buyer's Stamp Duty (BSD) rates as follows:

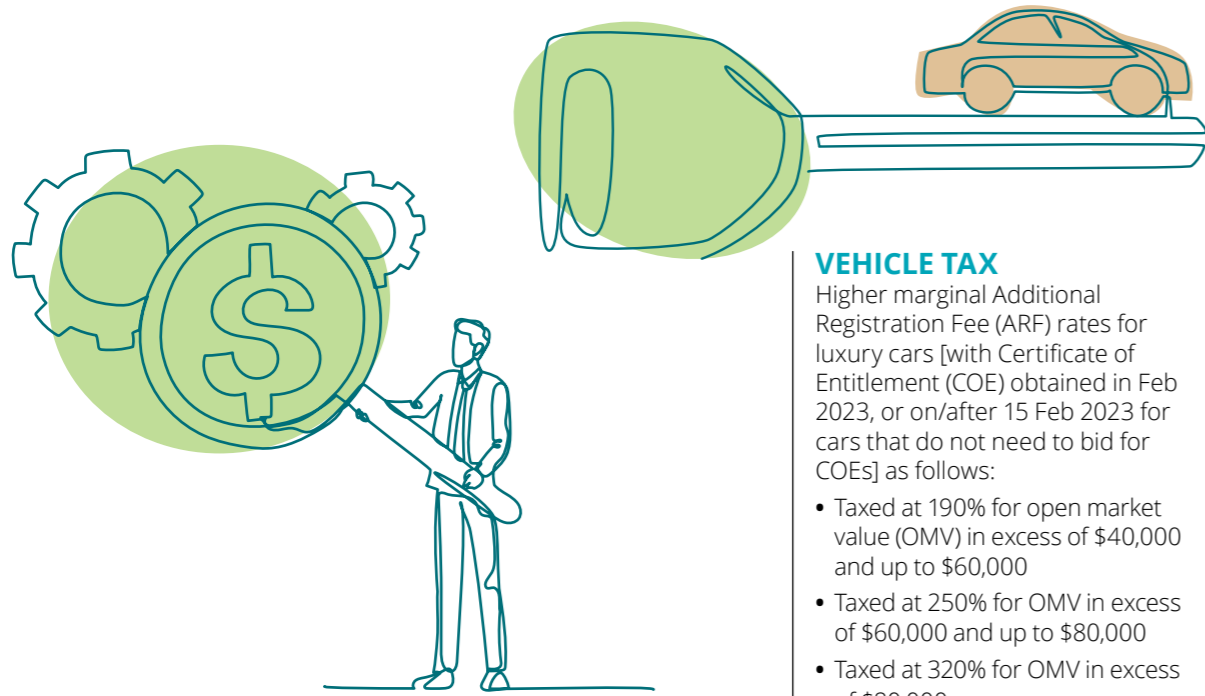
- For residential properties, the portion of the property value:
 - in excess of \$1.5 million and up to \$3 million will be taxed at 5% (up from 4%); and
 - in excess of \$3 million will be taxed at 6% (up from 4%).
- For non-residential properties, the portion of the property value:
 - in excess of \$1 million and up to \$1.5 million will be taxed at 4% (up from 3%); and
 - in excess of \$1.5 million will be taxed at 5% (up from 3%).
- Additional Conveyance Duties (ACD) for buyers will be adjusted accordingly.
- The revised rates will apply to all properties acquired on or after 15 Feb 2023, unless where a transitional provision applies.



EXTENSION OF VARIOUS CORPORATE INCOME TAX SCHEMES AND INCENTIVES

Extension of the following tax incentives/schemes to 31 Dec 2028:

- Pioneer Certificate Incentive (PC)
- Development and Expansion Incentive (DEI)
- Intellectual Property Development Incentive (IDI)
- Investment Allowance (IA) Scheme for capital expenditure on approved projects
- Tax Incentive Scheme for ASPV engaged in Asset Securitisation Transactions (with refinement)
- Qualifying Debt Securities Scheme (with refinement)
- Financial Sector Incentive (FSI) (with refinement)
- Exemption on income derived by Primary Dealers from Trading in Singapore Government Securities (SGS) Scheme
- Insurance Business Development – Insurance Broking Business (IBD-IBB) Scheme



VEHICLE TAX

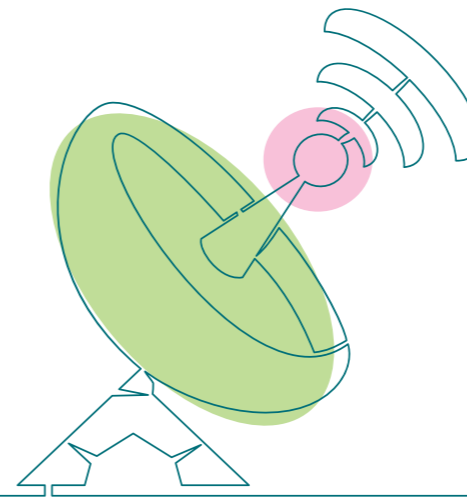
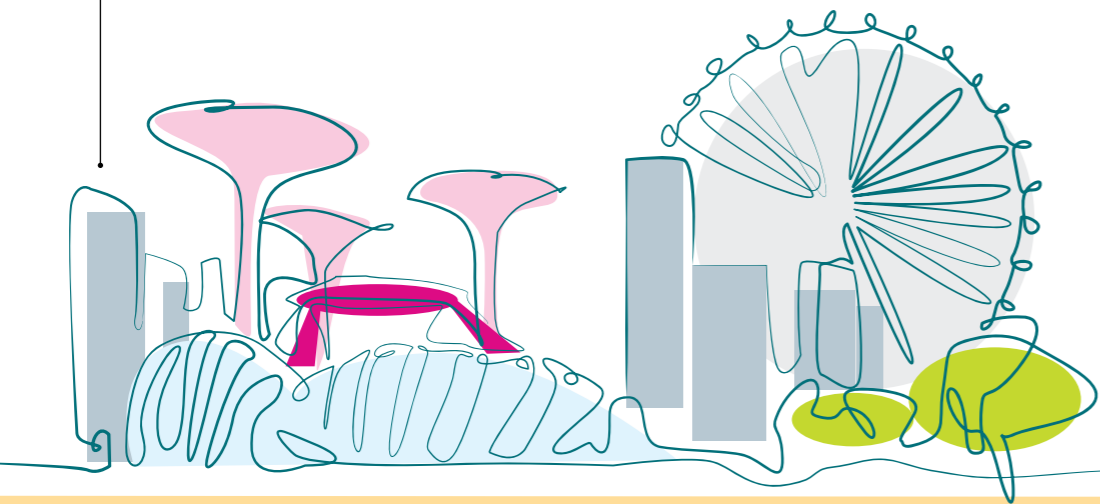
Higher marginal Additional Registration Fee (ARF) rates for luxury cars [with Certificate of Entitlement (COE) obtained in Feb 2023, or on/after 15 Feb 2023 for cars that do not need to bid for COEs] as follows:

- Taxed at 190% for open market value (OMV) in excess of \$40,000 and up to \$60,000
- Taxed at 250% for OMV in excess of \$60,000 and up to \$80,000
- Taxed at 320% for OMV in excess of \$80,000

Preferential ARF (PARF) rebates will be capped at \$60,000. The PARF cap does not apply to vehicles that are not eligible for PARF rebates, such as goods-cum-passenger vehicles, classic cars, and vehicles that have been laid-up.

SUPPORT TO BUSINESSES

- An additional option to accelerate CA on P&M over 2 years (instead of 3 years/useful life) is allowed for capital expenditure incurred in FY 2023.
- An additional option to accelerate deduction for Renovation and Refurbishment (R&R) expenditure over 1 year (instead of 3 years) is allowed for R&R expenditure incurred in FY 2023.



OTHERS

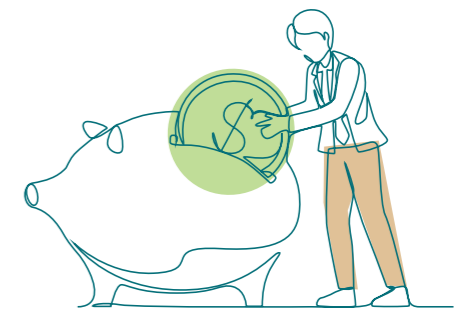
Extension of IA—100% scheme for automation projects to 31 Mar 2026.

Extension of tax measures relating to the following submarine cable systems to 31 Dec 2028:

- WHT exemption on payments to non-resident for use of international telecommunications submarine cable capacity under indefeasible right-to-use (IRU) agreements
- Writing down allowance for acquisition of an IRU
- IA for the construction and operation of submarine cable systems in Singapore

Withdrawal of tax deduction for expenditure incurred on building modifications for benefit of disabled employees from 15 Feb 2023.

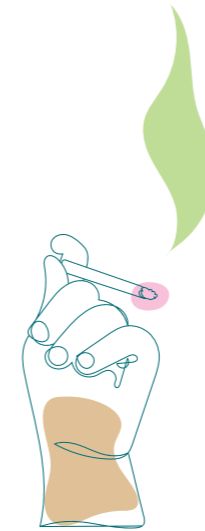
Enhancement of Double Tax Deduction for Internationalisation (DTD*i*) Scheme to include new qualifying activity “e-commerce campaign” and to cover qualifying e-commerce campaign start-up expenses paid to e-commerce platform/service providers on business advisory, account creation, content creation, and product listing and placement on or after 15 Feb 2023. Prior approval from Enterprise Singapore is required.



FINANCIAL SERVICES SECTOR

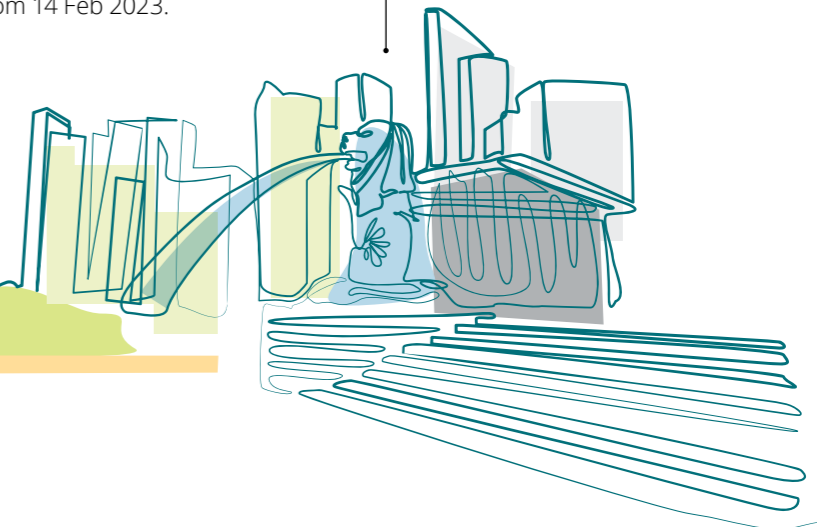
Extension of the tax concession for deduction of general provisions for doubtful debts and regulatory loss allowances made in respect of non-credit-impaired financial instruments for banks, merchant banks, and the qualifying finance companies as follows:

- To YA 2029 for the abovementioned entities with a 31 Dec financial year end
- To YA 2030 for the abovementioned entities with non-31 Dec financial year end



TOBACCO EXCISE DUTIES

Increase in excise duties by 15% across all tobacco products with effect from 14 Feb 2023.





Business Tax

Corporate Income Tax rate and rebate

The Corporate Income Tax rate remains at 17%, with the partial tax exemption available on the first \$200,000 of a company's normal chargeable income. There is no Corporate Income Tax rebate proposed for YA 2023.

Our view

- Keeping the Corporate Income Tax rate at 17% since YA 2010 signifies the Government's view that, currently, Singapore's Corporate Income Tax rate remains competitive in attracting and retaining investments. That said, the Government is continuously monitoring international developments to ensure that Singapore remains one of the best places in the world for business and maintains its attractiveness as a place of investment.
- Although some industries such as F&B and retail, construction and air travel that were hit hard by COVID-19 are seeing continued recovery, some businesses may still face certain challenges to recover to pre-pandemic levels, and may still not be profitable in 2022. Hence, any reduction in tax rate will not result in any significant benefit to such businesses.

- As the Corporate Income Tax rebate will only benefit businesses that are in a tax paying position, the intended recipients of the rebate, which are generally SMEs, may not fully enjoy the rebate if they do not have sufficient taxable profits for YA 2023. As such, to alleviate the short-term cash flow needs of businesses, the Government has considered other targeted measures to support these SMEs to help them stay competitive.

Implement the Global Anti-Base Erosion (GloBE) Rules and Domestic Top-up Tax (DTT)

Under the Pillar Two GloBE rules of the OECD BEPS 2.0 project, the main Income Inclusion Rule and its "backstop", the Undertaxed Payments Rule, are designed to ensure that large MNE groups pay corporate income taxes at a minimum level of 15% in every jurisdiction in which they operate.

In response to the above, the Minister has indicated in Budget 2022, that he will explore the introduction of a top-up tax – known then as the Minimum Effective Tax Rate (METR). The METR works to top-up the effective tax rate to 15% where a MNE group's effective tax rate in Singapore is less than the global minimum rate of 15%. It will apply to MNE groups operating in Singapore that have annual revenues of at least €750 million, as reflected in the consolidated financial statements of the ultimate parent entity. The METR, if introduced, will be aligned with the GloBE rules as far as possible.

In Budget 2022, the Minister has indicated that it will study the METR and consult industry stakeholders on the design of the METR.

Proposed

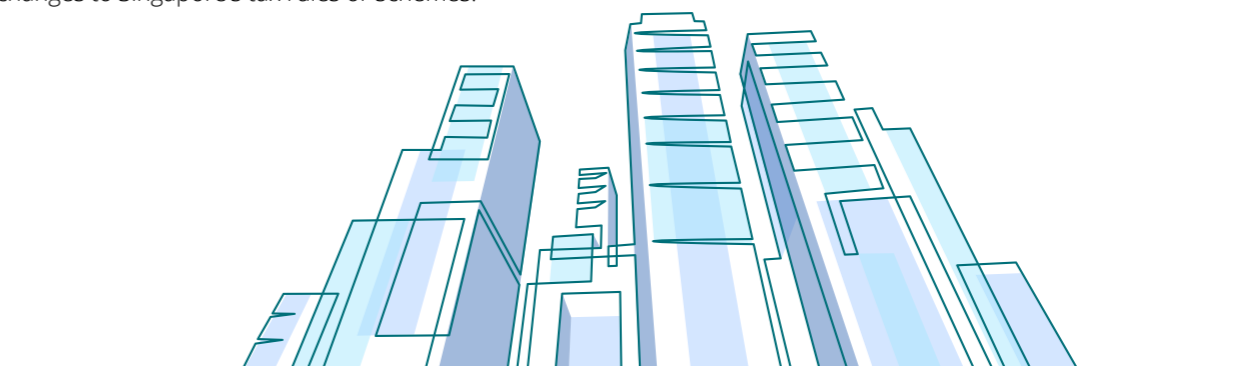
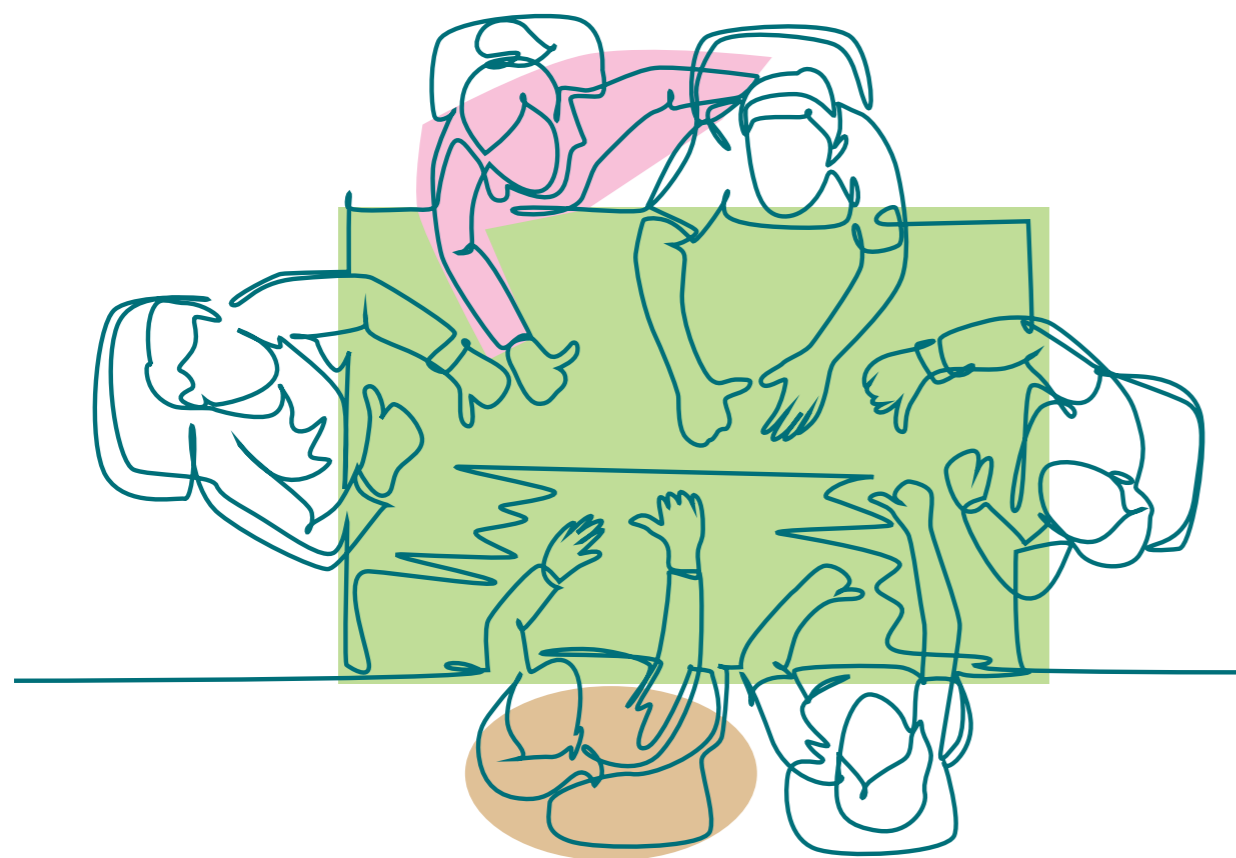
The Minister has announced that Singapore plans to implement the GloBE rules and the METR (now known as the DTT) which will apply to businesses' financial year commencing on or after 1 Jan 2025.

However, the Minister also acknowledged the fluidity of developments on the BEPS 2.0 project and has indicated that Singapore will continue to monitor international developments. If there are delays internationally, the implementation timeline of the GloBE rules and DTT in Singapore would be adjusted accordingly.

The Ministry of Finance (MOF) will also continue to engage the industry and give businesses sufficient notice ahead of any changes to Singapore's tax rules or schemes.

Our view

- The announcement by the Minister as regards the GloBE rules and DTT provides much welcomed certainty to affected MNE groups operating in Singapore, and provides a timeline for affected groups to ready themselves by understanding what the GloBE rules entail and ensuring that they are ready to comply with the filing requirements in the near future.
- Certain jurisdictions (such as the EU, the UK and Switzerland) have announced plans to implement the GloBE rules in 2024. Therefore, it is noteworthy that Singapore has not jumped on the bandwagon but has instead decided to implement the GloBE rules one year later (i.e., for financial year commencing on or after 1 Jan 2025) which could mean that part of the revenues that could have been collected under the GloBE rules or DTT may be ceded to these jurisdictions. This seems to indicate that the introduction of the DTT in Singapore is more of a response to the changing global tax landscape rather than a tax revenue raising exercise.
- We also expect that MNE groups currently enjoying tax incentives or planning to apply for tax incentives may be affected by the DTT as their effective tax rate across the group entities in Singapore may be less than 15% and therefore subject to the GloBE rules when introduced. These groups should continue to engage with the relevant economic agencies to understand how their tax incentive conditions may be impacted and if other forms of Pillar Two compliant support may be available when DTT is implemented in Singapore.
- Affected MNE groups will also welcome the MOF's affirmation that it will review and update its suite of industry development schemes to ensure that Singapore remains competitive in attracting and retaining investments.





Introduce the Enterprise Innovation Scheme (EIS)

Currently, the following tax measures are available to encourage R&D, intellectual property (IP) registration, IP rights acquisition and IP rights licensing:

- a. 250% tax deduction for staff costs and consumables incurred on qualifying R&D projects conducted in Singapore under Sections 14C and 14D of the ITA. The current sunset date is YA 2025.
- b. 200% tax deduction for the first \$100,000 (and 100% for amounts exceeding \$100,000) of qualifying IP registration costs under Section 14A of the ITA. The current sunset date is YA 2025.
- c. 100% writing-down allowance (WDA) over a period of 5, 10, or 15 years on acquisition cost of qualifying IP rights under Section 19B of the ITA. The current sunset date is YA 2025.
- d. 200% tax deduction for the first \$100,000 (and 100% for amounts exceeding \$100,000) of qualifying IP rights licensing expenditure under Sections 14 or 14C, and 14U of the ITA. The current sunset date for Section 14U is YA 2025. The enhanced tax deduction does not cover licensing expenditure relating to trademarks or any rights to the use of software as well as related party licensing arrangements.

In addition, 100% tax deduction can be claimed for training expenditure incurred, subject to the general tax deduction rules under Sections 14 and 15 of the ITA.

Proposed

To encourage businesses to engage in R&D, innovation and capability development activities, the following suite of tax measures will be enhanced or introduced under the EIS:

- a. Enhance the tax deduction to 400% for the first \$400,000 of staff costs and consumables incurred on qualifying R&D projects conducted in Singapore for each YA from YA 2024 to YA 2028.
- b. Enhance the tax deduction to 400% for the first \$400,000 of qualifying IP registration costs incurred per YA from YA 2024 to YA 2028.
- c. Enhance the tax allowance/deduction to 400% for the first \$400,000 (combined cap) of qualifying expenditure

incurred on the acquisition and licensing of IP rights per YA from YA 2024 to YA 2028. This enhancement will only be available to businesses that generate less than \$500 million in revenue in the relevant YA. This revenue threshold is expected to include revenue from ordinary trading activities and exclude separate source income such as dividends and interest.

- d. Enhance the tax deduction to 400% for the first \$400,000 of qualifying training expenditure incurred on qualifying courses (i.e., courses that are eligible for the SkillsFuture Singapore funding and aligned with the Skills Framework) per YA from YA 2024 to YA 2028.
- e. Introduce a 400% tax deduction for up to \$50,000 of qualifying innovation expenditure incurred on qualifying innovation projects carried out with polytechnics, the Institute of Technical Education, and other qualified partners per YA from YA 2024 to YA 2028.
- f. Allow businesses to, in lieu of tax deductions/allowances, opt for a non-taxable cash payout at a cash conversion ratio of 20% on up to \$100,000 of total qualifying expenditure across all qualifying activities in (a) to (e) above per YA. The cash payout option will be capped at \$20,000 per YA, and will only be available to businesses which have at least 3 full-time local employees (Singapore Citizens or Permanent Residents with CPF contributions) earning a gross monthly salary of at least \$1,400 in employment for 6 months or more in the basis period of the relevant YA. For the purposes of the cash payout, "employees" may include individuals who are deployed to the business under a centralised hiring arrangement or secondment arrangement.
- g. The sunset dates for Section 14A (Deduction for costs of protecting IP), Section 14C (Deduction for qualifying expenditure on R&D), Section 14D (Enhanced deduction for qualifying expenditure on R&D), Section 14U (Enhanced deduction for expenditure on licensing IP rights) and Section 19B (WDA for capital expenditure on acquiring IP rights) of the ITA will be extended till YA 2028, in line with the above enhancements.

All other conditions under Sections 14A, 14C, 14D, 14U, and 19B of the ITA remain the same.

The IRAS will provide further details of the changes by 30 Jun 2023.

Our view

- The introduction of the EIS will be cheered by companies that are committed to investing in innovation and upskilling their workforce in Singapore, particularly those facing increasing cost pressures. Viewed together, the suite of tax measures introduced under the EIS should strengthen Singapore's IP and innovation ecosystems and promote future economic development.
- Enhancing tax deductions for qualifying R&D expenses to 400%, albeit with a cap of \$400,000 per YA, should encourage more companies to maintain or increase their investments in R&D activities in Singapore. MNEs considering Singapore as a venue for R&D activities should find the EIS sufficiently attractive as compared to other jurisdictions in the region especially when viewed with other factors such as the availability of a skilled workforce and the ease of doing business in Singapore. Currently limited to only expenses on staff costs and consumables incurred on qualifying R&D activities conducted in Singapore, it would have been ideal for the scope of qualifying expenses to be widened to include overheads given rising business costs.
- Similarly, the introduction of enhanced deductions for expenses incurred by companies for IP registration and acquisition can attract companies to locate and entrench their IP in Singapore.
- Enhanced deductions for training expenses incurred on qualifying training courses send a clear signal that the Government is committed to help upskill and reskill workers to create a more resilient and adaptable workforce. Limiting these courses to those that are aligned with the Skills Framework and eligible for the SkillsFuture Singapore funding is in line with the Government's aim to be more targeted in providing support to businesses and minimise potential abuse.

- Encouraging collaboration between innovative companies and partner institutions through the introduction of enhanced deductions on expenses incurred for qualifying innovation projects appears to be a brilliant move by the Government as it helps companies gain access to talent in an increasingly tight labour market while providing the next generation of Singapore's skilled workforce with very valuable experience.
- While the EIS appears at first glance to be similar to the hugely popular Productivity Innovation Credit (PIC) scheme of the previous decade, the Government seems to have taken things up a notch by leveraging lessons learnt from the PIC scheme, such as its overly broad focus, while retaining the best parts of it. The EIS appears to be more targeted in its emphasis and support and the cash payout feature will definitely benefit smaller companies that prefer cash funding.





Enhance the Double Tax Deduction for Internationalisation (DTDi) scheme

Under the DTDi scheme, businesses are allowed a tax deduction of 200% on qualifying market expansion and investment development expenses, subject to prior approval from the Enterprise Singapore or STB. Prior approval is not required from the Enterprise Singapore or STB for tax deduction on the first \$150,000 of qualifying expenses incurred on selected eligible activities for each YA.

The DTDi scheme is in place until 31 Dec 2025.

Proposed

To support businesses in their efforts to overcome initial challenges and build up capabilities in internationalising via e-commerce, the scope of the DTDi scheme will be enhanced to include a new qualifying activity “e-commerce campaign” and will cover the following e-commerce campaign start-up expenses paid to e-commerce platforms or service providers:

- Business advisory: Advisory on market promotion and execution plans (e.g., choice of suitable e-commerce platforms);
- Account creation: Assistance with setting up accounts on e-commerce platforms, and the right to sell on e-commerce platforms;
- Content creation: Design of e-commerce campaign publicity materials (e.g., e-store banners, online product images); and
- Product listing and placement: Uploading content on products/services to e-commerce platforms, and selection of suitable frequency and timing to display content on products/services.

Prior approval is required from the Enterprise Singapore to enjoy DTDi on the above new qualifying activity. For each business, the Enterprise Singapore will only approve DTDi support for e-commerce campaigns for a maximum period of one year applied on a per country basis.

The above enhancement will take effect for qualifying e-commerce campaign start-up expenses incurred on or after 15 Feb 2023. The Enterprise Singapore will provide further details of the changes by 28 Feb 2023.

Our view

- The expansion in the scope of qualifying activities under the DTDi scheme to include e-commerce campaign is greatly welcomed. This is in line with the Government’s initiative of encouraging businesses to go digital and to venture abroad and is also in line with the current trend where businesses are increasingly moving online to attract or retain their customers.
- The approval from the Enterprise Singapore for each business for a maximum period of one year applied on a per-country basis could be enhanced as it may not be time and cost effective to make a new application to the Enterprise Singapore on a country-by-country basis especially if the amount claimed is not large. This is unlike the current DTDi scheme where prior approval is not required from the Enterprise Singapore or STB for tax deduction on the first \$150,000 of qualifying expenses incurred on selected eligible activities for each YA.
- It remains to be seen as to whether there will be additional conditions imposed in order to enjoy DTDi on this new qualifying activity, such as a cap on the additional tax deductible amount.



Extend the option to accelerate CA claims

Currently, a taxpayer who incurred capital expenditure on the acquisition of P&M in the basis period for YA 2021 and YA 2022 (i.e., FY 2020 and FY 2021 respectively) has an option to accelerate the CA claims of the cost of acquiring such P&M over 2 years.

The rates of accelerated CA allowed are as follows:

- 75% of the qualifying cost of P&M in the first year; and
- 25% of the qualifying cost of P&M in the second year.

The above option is in addition to the CA options currently available under Sections 19 (claim over the working life of the asset per the Sixth Schedule) and 19A (claim over 1 or 3 years) of the ITA. The accelerated CA option, if exercised, is irrevocable.

No deferment of CA claims is allowed under the accelerated CA option. This means that if a business opts for the accelerated CA option, it needs to claim the capital expenditure incurred for acquiring P&M based on the rates of 75% and 25% over 2 consecutive YAs.

Proposed

To provide temporary broad-based support to businesses during this period of restructuring, the above accelerated CA option will be extended to capital expenditure incurred on acquisition of P&M in the basis period for YA 2024 (i.e., FY 2023), with the same parameters. That is, a business could opt to claim 75% of the qualifying costs of P&M in the first year (i.e., YA 2024) and the remaining 25% of the qualifying cost in the second year (i.e., YA 2025).

Our view

- The reintroduction of the accelerated CA option in YA 2024 is a timely short-term measure that will help to cushion the cash flow challenges faced by the businesses with the rising inflation and business costs.
- It encourages businesses to invest in P&M in FY 2023 to improve their productivity and sustainability in view of the economic situation post COVID-19.
- However, it may not be tax beneficial for businesses that are not in a tax paying position. Hence, businesses should consider carefully before exercising this option as it is irrevocable once exercised.

Provide an option to accelerate the deduction for Renovation and Refurbishment (R&R) expenditure

Currently, a taxpayer who incurred qualifying expenditure on R&R for the purposes of its trade, profession, or business may claim tax deduction under Section 14N of the ITA on such expenditure over 3 consecutive YAs on a straight-line basis, starting from the YA relating to the basis period in which the R&R expenditure is incurred. A cap of \$300,000 for every relevant period of 3 consecutive YAs applies.

The accelerated R&R deduction was first introduced in Budget 2020 and 2021 and applied to qualifying R&R expenditure incurred in the basis period for YA 2021 and YA 2022 only (i.e., FY 2020 and FY 2021 respectively). A taxpayer has the option to accelerate his claim for R&R deduction in 1 year instead of over 3 years. This option, once exercised, is irrevocable. However, the cap of \$300,000 for every relevant period of 3 consecutive YAs will still apply.

Proposed

To provide temporary broad-based support to businesses during the period of restructuring, a taxpayer who incurred qualifying expenditure on R&R during the basis period for YA 2024 (i.e., FY 2023) for the purposes of its trade, profession or business will have an option to claim accelerated R&R deduction, with same parameters as YA 2022.

Our view

- Some businesses may have plans to rejuvenate their premises to prepare for the increased activities arising from the recovery of the Singapore economy. The accelerated R&R deduction will come in handy to relieve their cashflow.
- The inflationary economy has raised the costs of raw materials and labour, leading to higher R&R costs for businesses. It would be even more helpful to businesses if the Government could also consider increasing the qualifying R&R expenditure cap beyond \$300,000 in the future.
- Businesses should take note of the R&R expenditure cap of \$300,000 for every relevant period of 3 consecutive YAs. For instance, if a business has its 3-year relevant period from YA 2022 to YA 2024 and had met the expenditure cap of \$300,000 in the basis period of YA 2022 or YA 2023 (i.e., FY 2021 or FY 2022 respectively), it would not be eligible for the accelerated R&R deduction in YA 2024 for any R&R expenditure incurred in FY 2023.



Extend the Investment Allowance (IA) scheme

The IA scheme provides an additional tax allowance for businesses that incur qualifying fixed capital expenditure on approved projects. This is calculated as a percentage of the amount of capital expenditure incurred, net of grants, on an approved project.

The IA scheme, which is administered by the Economic Development Board, the Building and Construction Authority, and the Enterprise Singapore, is scheduled to lapse after 31 Dec 2023.

Proposed

To continue encouraging businesses to make capital investments in plant and productive equipment in Singapore, the IA scheme will be extended until 31 Dec 2028. All other conditions of the scheme remain the same.

Our view

- The extension of the IA scheme is in line with the Government's continuous effort to attract major projects that would generate substantial economic spin-offs in Singapore.
- The extension of the IA scheme further reiterates Singapore's commitment to support companies that carry out approved projects in the following areas:
 - a. Manufacture or increased manufacture of any product;
 - b. Provision of specialised engineering or technical services;
 - c. Research and development;
 - d. Construction operations;
 - e. Improving energy efficiency; and
 - f. Reducing the consumption of water.
- The IA Scheme can still benefit MNE groups that will not be caught under the scope of Pillar Two GloBE rules or whose aggregate effective tax rate in Singapore is at least 15%. It is also helpful for companies that are currently loss-making as unutilised investment allowances can be carried forward indefinitely to be utilised against subsequent years' chargeable income.

Extend the IA-100% scheme for Automation Projects

Businesses can enjoy 100% IA support on the amount of approved capital expenditure, net of grants, for automation projects approved by the Enterprise Singapore.

The IA-100% scheme is scheduled to lapse after 31 Mar 2023.

Proposed

To continue to encourage businesses to transform through automation, the IA-100% scheme will be extended until 31 Mar 2026, with the same parameters.

Our view

- The IA-100% scheme was introduced in Budget 2016 and was intended to support companies in their efforts to automate and increase productivity. Under this scheme, the approved capital expenditure (net of grants) is capped at \$10 million per project. Further, the IA is granted in addition to the normal capital allowance available on the qualifying P&M.
- The extension is in line with the Government's initiative to encourage Singapore companies to digitalise and to assist businesses to improve productivity by adopting technology in their processes and to drive business growth.
- However, this scheme may not be attractive to smaller or loss-making businesses that may prefer cash grants to defray expenses as opposed to increased tax allowances since they may not be in a tax paying position or may be paying minimal taxes.



Extend the Pioneer Certificate Incentive (PC) and the Development and Expansion Incentive (DEI)

Both the PC and DEI aim to encourage companies to grow capabilities, conduct new or expanded economic activities and establish their global or regional headquarters in Singapore.

- a. Under the PC, recipients are eligible for corporate tax exemption on income from qualifying activities; and
- b. Under the DEI, recipients are eligible for concessionary tax rates of 5% or 10% on qualifying income.

The PC and DEI are scheduled to lapse after 31 Dec 2023.

Proposed

To continue encouraging companies to anchor and grow strategic high value-added manufacturing and services activities in Singapore, the PC and DEI will be extended until 31 Dec 2028.

Our view

- The PC and DEI have been key tools in attracting foreign investments into Singapore in the past and will likely continue to remain important in encouraging foreign investors to conduct new or expanded economic activities in Singapore.
- As the potential implementation of Pillar Two GloBE rules and DTT will only affect companies with an annual group revenue of at least €750 million, we anticipate that not all potential investors will be impacted by these new rules. As such, the extension of the PC and DEI will ensure that Singapore remains attractive to foreign investors and expanding multinationals.
- However, with these new rules, the large MNEs operating in Singapore may be impacted. As such, we propose that the Government explores potential enhancements or changes to the PC and DEI for companies that may fall within the scope of the Pillar Two GloBE rules during the tax incentive period, such as allowing for an option to terminate the incentive voluntarily in order to seek alternative support from the Government under other schemes.

Extend the IP Development Incentive (IDI)

The IDI was introduced to encourage the use and commercialisation of intellectual property rights (IPRs) arising from R&D activities.

The scheme provides a concessionary tax rate of 5% or 10% on a percentage of qualifying IP income determined by the modified nexus approach. Qualifying IP income refers to royalties or other income receivable by the approved IDI company as consideration for the commercial exploitation of an elected qualifying IPR. A qualifying IPR means:

- a. A patent;
- b. An application for a patent;
- c. A copyright subsisting in software; or
- d. A family of qualifying IPRs.

The IDI is scheduled to lapse after 31 Dec 2023.

Proposed

To continue to support the use and commercialisation of IP rights arising from R&D activities in Singapore, the IDI will be extended until 31 Dec 2028.

Our view

- The IDI was introduced in 2018 around the same time when IP income was excluded from the Pioneer Service Companies Incentive and the DEI.
- The extension of the IDI further strengthens Singapore's position as an attractive destination to commercialise IP and other key assets. This would enhance Singapore's value proposition as a compelling global hub for foreign businesses as the IDI encourages relocation and commercialisation of R&D activities in Singapore.
- The IDI aligns with a shifting global tax landscape towards greater substance. Companies will need to ensure that there is a direct nexus between the income receiving tax benefits and the expenditure contributing to that income under the modified nexus approach, as well as proper tracking of qualifying R&D expenditure and documentation of R&D activities.



Extend the tax measures relating to submarine cable systems

The existing 3 tax measures pertaining to submarine cable systems are:

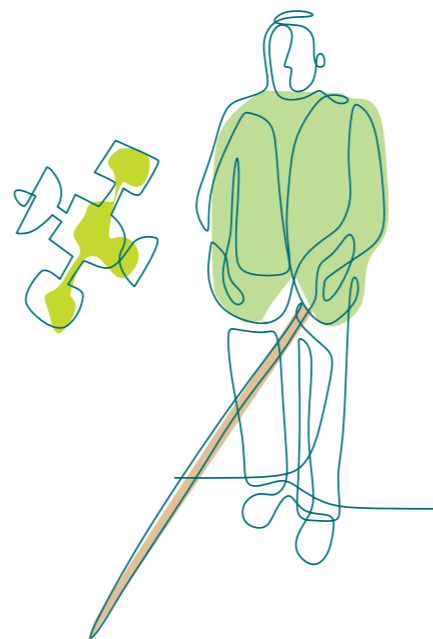
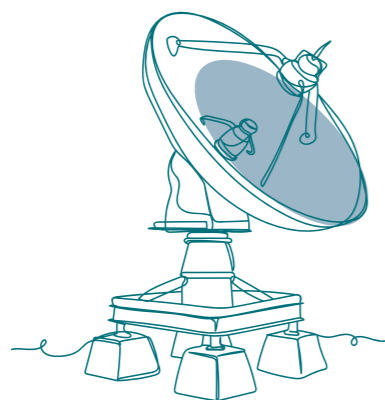
- WHT exemption on payments made to non-residents for use of international telecommunications submarine cable capacity under indefeasible right-to-use (IRU) agreements. This is scheduled to lapse after 31 Dec 2023.
- WDA for the acquisition of an IRU over their useful life. This is scheduled to lapse after 31 Dec 2025.
- IA for the construction and operation of submarine cable systems in Singapore. This is scheduled to lapse after 31 Dec 2023.

Proposed

With a view to maintaining and enhancing Singapore's international connectivity, all the above 3 tax measures will be extended to 31 Dec 2028 with the same parameters.

Our view

- The synchronisation of the new expiry dates to 31 Dec 2028 for the 3 tax measures makes it easier for operators to monitor and plan ahead for related expenditure on projects relating to submarine cable systems.
- With the rise of remote work, e-gaming/video-streaming demands and the like, the need for new submarine cable system infrastructure is unlikely to recede. It bears revisiting the question of whether sunset clauses are indeed needed for all 3 measures, or if some of these measures can become permanent feature(s) of Singapore's tax system.
- Some of these measures were introduced 20 years ago with the intent to help boost our local broadcasting and telecommunication industries; with significant foreign investors investing heavily in subsea cables in this region, these tax benefits have also benefitted a wider ecosystem beyond local players.



Withdraw the tax deduction for expenditure incurred on building modifications for benefit of disabled employees

Under Section 14F of the ITA, employers can claim tax deductions for approved expenditure incurred on any addition or alteration to business premises for the purpose of facilitating the mobility or work of any disabled employee, subject to a one-off cap of \$100,000.

Proposed

This scheme was introduced way back in Budget 1989 and over the years, it has become less relevant as other support schemes (e.g., the Open Door Programme Job Redesign Grant) were introduced to help employers hire, train, and integrate persons with disabilities.

The scheme will therefore be withdrawn from 15 Feb 2023.

Our view

- Generally, approved expenditure incurred under the scheme could potentially also qualify for tax deduction under Section 14N of the ITA (which grants tax deduction for qualifying R&R expenditure) for which no pre-approval is required, which makes this scheme less attractive.
- The other support schemes introduced over the past years provide grants which may be more attractive to smaller businesses that may not be in a tax paying position or may be paying minimal taxes. This is because such grants can be used to directly defray the costs of purchase of equipment, workplace modifications, redesigning of job scopes or processes.

Extend the 250% tax deduction for qualifying donations to IPCs and eligible institutions

Currently, donors are eligible for a 250% tax deduction for qualifying donations made to IPCs and other eligible institutions from 1 Jan 2016 to 31 Dec 2023. Any unutilised approved donations may be carried forward for a maximum of 5 years.

Proposed

To continue encouraging Singaporeans to give back to the community, the Minister has proposed to extend the 250% tax deduction to qualifying donations made from 1 Jan 2024 to 31 Dec 2026.

All other conditions of the scheme remain the same.

Our view

- The 250% tax deduction for qualifying donations was first introduced by the Minister for qualifying donations made from 1 Jan 2009 to 31 Dec 2015 in Budget 2009. The 250% tax deduction was subsequently extended thrice, to cover qualifying donations made up to 31 Dec 2023.
- The announcement of a further 3-year extension until 31 Dec 2026 is a positive move from the Government to continue to encourage giving and philanthropy towards the building of a resilient nation.
- Although the further 3-year extension is definitely welcomed, it is somewhat disappointing that the Minister did not consider increasing the current carry forward for unutilised approved donations from the current 5-year period, given that some businesses may not be able to fully utilise the 250% tax deduction as they may still be recovering from the impact of the pandemic. We hope the Government may consider extending the current carry forward period for unutilised donations in the near future.





Extend and enhance the Corporate Volunteer Scheme (CVS)

A qualifying person can, subject to conditions, enjoy a total of 250% tax deduction on qualifying expenditure such as wages incurred by the person from 1 Jul 2016 to 31 Dec 2023 in respect of:

- The provision of services by the person's qualifying employee to an IPC during that period; or
- The secondment of the person's qualifying employee to an IPC during that period.

There is a cap on qualifying expenditure of \$250,000 per business per YA and \$50,000 per IPC per calendar year.

Proposed

To continue supporting corporate volunteering, the Government will extend the 250% tax deduction on qualifying expenditure incurred under the CVS until 31 Dec 2026.

The scope of qualifying volunteering activities will be expanded to include activities that are conducted virtually (e.g., online mentoring and tuition support for youths/ children) or outside the IPCs' premises (e.g., refurbishment of rental flats).

The cap on qualifying expenditure per IPC per calendar year will be doubled to \$100,000.

The above enhancements will take effect from 1 Jan 2024.

All other conditions of the scheme remain the same.

Our view

- The Minister first introduced the 250% tax deduction on qualifying expenditure incurred from 1 Jul 2016 to 31 Dec 2018 in Budget 2016 under the Business and IPC Partnership Scheme (BIPS). The 250% tax deduction was subsequently extended twice, to cover qualifying expenditure incurred until 31 Dec 2023. With effect from 1 Apr 2023, the BIPS will be renamed to CVS.
- The extension of the 250% tax deduction on qualifying expenditure for a further 3 years until 31 Dec 2026 is a welcomed move and is consistent with the Government's continuous effort to foster a culture of giving in Singapore by encouraging philanthropy and volunteerism.
- The Government recognises that the IPCs are adopting new ways of volunteering activities brought about by the pandemic. The expansion of qualifying volunteering activities to cover activities conducted virtually or outside of the IPCs' premises will provide more flexibility for qualifying persons to utilise the scheme.
- The increase in qualifying expenditure per IPC per calendar year from \$50,000 to \$100,000 allows qualifying persons to organise corporate volunteering activities on a larger scale, especially with the easing of community measures. This also provides businesses with the option to do more with each IPC or spread their resources across multiple IPCs.

Introduce new Philanthropy Tax Incentive Scheme for Family Offices

A family office is a professionalised private investment and wealth management entity designed to oversee the day-to-day administration and management of the financial and non-financial affairs of Ultra-High-Net-Worth Individuals (UHNWIs).

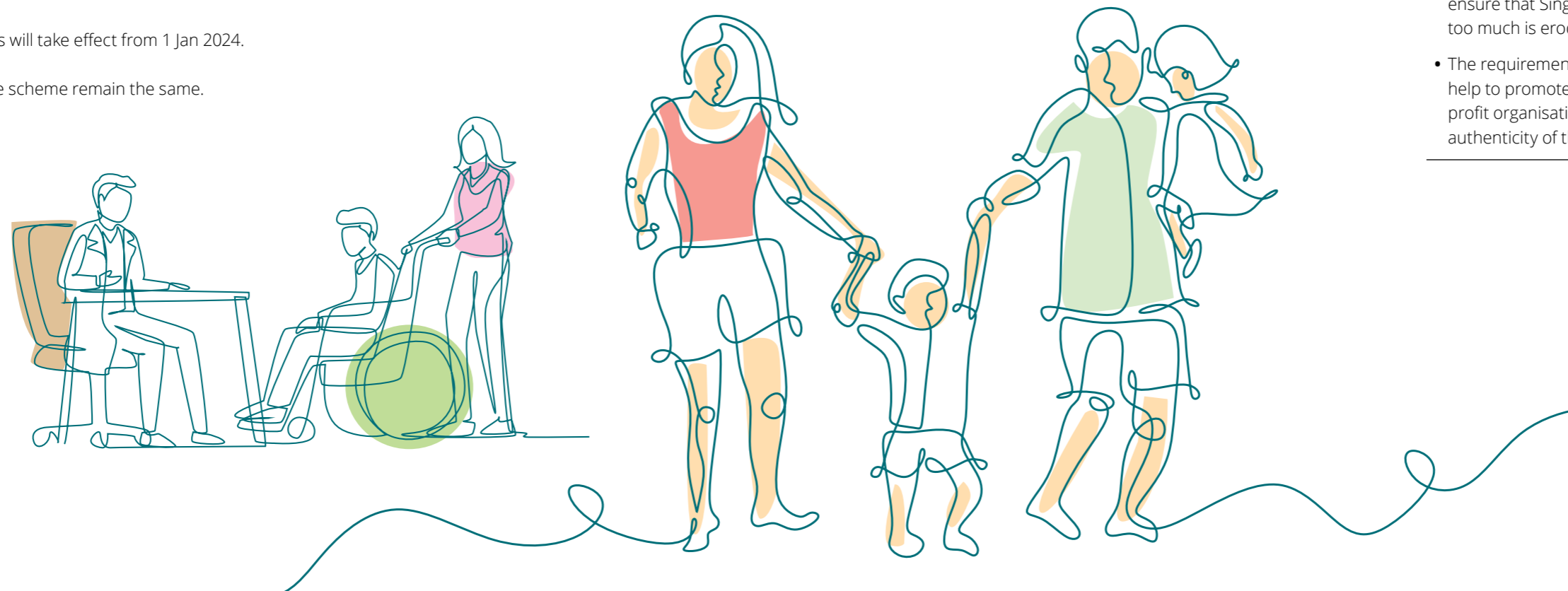
Proposed

Qualifying donors with family offices operating in Singapore can claim a 100% tax deduction, capped at 40% of the donor's statutory income, on overseas donations made through qualifying local intermediaries. Prior to the introduction of this scheme, no tax deduction is allowed on such donations. To be eligible, the donors must have a fund under the MAS' Sections 130 or 13U schemes and meet certain conditions, such as incremental business spending of \$200,000.

The MAS will provide additional details by 30 Jun 2023.

Our view

- We believe many family offices which are backed by UHNWIs and families outside Singapore, have interests that extend far beyond Singapore. The family may wish to donate not only to good causes in Singapore but also internationally and our current tax regime does not grant a tax deduction for such overseas donations.
- The introduction of the Philanthropy Tax Incentive Scheme is aimed at encouraging family offices to engage in philanthropic activities not just in Singapore but also abroad; and this is against the backdrop of the increasing number of family offices in Singapore and the growing trend of philanthropy through such offices. This reflects the Government's ongoing commitment to promote and support philanthropy, while also encouraging family offices to play an active role in giving back to society.
- Singapore already has a competitive tax regime for family offices through the various incentives like Sections 130 and 13U of the ITA. The introduction of the 100% overseas donation deduction albeit capped at 40% of statutory income should further incentivise UHNWIs to set-up family offices in Singapore and further solidify Singapore's status as a private wealth management hub. This would have positive spillover effects to Singapore's economy.
- The deduction cap of 40% of statutory income helps ensure that Singapore's tax base is still protected and not too much is eroded.
- The requirement of "qualifying local intermediaries" can help to promote the establishment of international non-profit organisations in Singapore is a way to check the authenticity of the overseas donations made.





Extend and refine the Qualifying Debt Securities (QDS) scheme

Under Section 43H of the ITA, qualifying companies and bodies of persons in Singapore can enjoy 10% concessionary tax rate on qualifying income derived from QDS whereas qualifying non-residents and individuals can enjoy tax exemption on qualifying income derived from QDS.

To qualify as QDS, debt securities must be substantially arranged in Singapore as below:

- All debt securities must be substantially arranged by a financial sector incentive (capital market) company or a financial sector incentive (standard tier) company (collectively referred to as “FSI company”); and
- For insurance-linked securities (ILS) that are unable to meet the condition in (a) above, at least 20% of the ILS issuance costs incurred by the issuer must be paid to Singapore businesses.

The QDS scheme under Section 43H of the ITA is scheduled to lapse after 31 Dec 2023.

Proposed

To continue supporting the development of Singapore's debt market, the QDS scheme will be extended until 31 Dec 2028.

The scope of qualifying income under the QDS scheme will be streamlined and clarified to include all payments in relation to early redemption of a QDS.

To ensure continued relevance, the requirement for a QDS to be substantially arranged in Singapore will be amended as below:

- Debt securities that are issued on or after 15 Feb 2023 must be substantially arranged in Singapore by a financial institution holding a specified licence (instead of a FSI company); and
- For ILS that are issued on or after 1 Jan 2024 and are unable to meet the condition in (a) above, at least 30% of the ILS issuance costs incurred by the issuer must be paid to Singapore businesses.

All other conditions of the QDS scheme remain unchanged.

The MAS will provide further details by 31 May 2023.

Our view

- The extension and refinement of the QDS scheme is in line with the Government's policies to develop and boost Singapore's domestic debt market.
- There remains an uncertainty in relation to the specified licence that needs to be held by a financial institution. Presumably, the MAS will provide further details on this requirement, and it is hoped that this change will further expand the scope of the QDS scheme as the relevant financial institution is no longer restricted to a FSI company.
- Overall, this is a positive development for both issuers and investors alike, which could further promote Singapore as a destination of choice for investors.

Extend the tax exemption on income derived by primary dealers from trading in Singapore Government Securities (SGS)

Currently, a tax exemption is granted on income derived by primary dealers from trading in SGS. The exemption is provided under Section 43H(3) of the ITA read with Regulation 4(b) of the Income Tax (Concessionary Rate of Tax or Exemption for Income Derived from Debt Securities) Regulations and has been extended several times over the years.

The tax exemption is scheduled to lapse on 31 Dec 2023.

Proposed

To continue supporting primary dealers and encourage trading in SGS, the tax exemption on income derived by primary dealers from trading in SGS will be extended until 31 Dec 2028. All other conditions of the scheme will remain the same.

Our view

- The SGS market is a key element of Singapore's domestic debt market. The primary dealers underwrite the issuances of SGS and play an important function in the market by fulfilling the role of market makers and driving the process of price discovery and trading liquidity. In doing so, they contribute greatly to the development of the SGS and the wider corporate bond markets.
- The tax exemption was granted from 27 Feb 1999 on income derived by SGS primary dealers from the trading in SGS to encourage financial institutions to take on the role of SGS primary dealers. Primary dealers refer to financial institutions appointed by the MAS to carry on the business of applying to purchase or offering to redeem any Government securities, treasury bills or public debt securities pursuant to public invitations.
- It is indeed a welcomed move that the Minister has now extended the tax exemption for a further 5-year period to continue to promote the growth of the SGS market.

Extend and refine the tax incentive scheme for Approved Special Purpose Vehicle (ASPV) engaged in Asset Securitisation Transactions (ASPV scheme)

Currently, the ASPV scheme grants the following tax concessions to an ASPV engaged in asset securitisation transactions:

- Tax exemption on income derived by an ASPV from asset securitisation transactions;
- GST recovery on its qualifying business expenses at a fixed rate of 76%; and
- WHT exemption on payments to qualifying non-residents on over-the-counter financial derivatives in connection with an asset securitisation transaction.

The ASPV scheme is scheduled to lapse after 31 Dec 2023.

Proposed

To continue developing the structured debt market, the ASPV scheme will be extended until 31 Dec 2028.

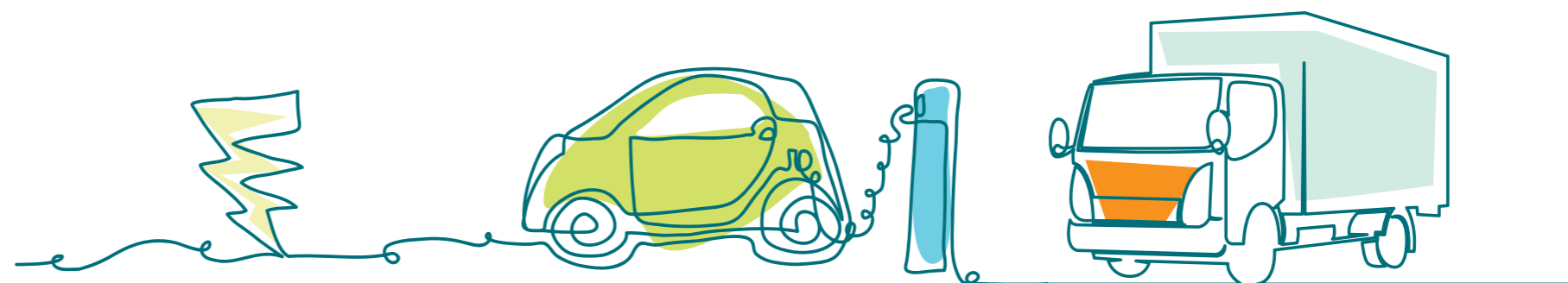
Further, the ASPV scheme will be refined such that instead of a fixed rate of 76%, the prevailing GST recovery rate/methodology accorded to licensed full banks under the MAS for the specific year in question, will apply to the ASPV scheme award holders. All other tax concessions and conditions of the ASPV scheme will remain the same.

In addition, to support the issuance of covered bonds in Singapore, a new sub-scheme named ASPV (Covered Bonds) will be introduced for special purpose vehicles that hold the “cover pool” in relation to the covered bonds as defined in the MAS Notice 648 (Issuance of Covered Bonds by Banks incorporated in Singapore). The ASPV (Covered Bonds) sub-scheme will take effect from 15 Feb 2023 to 31 Dec 2028 and will be administered by the MAS.

The MAS will provide further details relating to this scheme by 31 May 2023.

Our view

- The ASPV scheme provides significant advantages to the structured debt market by facilitating asset securitisation transactions carried out in Singapore in a way that is sensitive to transaction costs. It supports the further development of Singapore as an alternative risk transfer and structured finance centre in Asia, and the extension of the scheme is welcomed.
- The change in the GST recovery rate is not surprising given that it clearly aligns to an existing rate (being the GST recovery rate accorded to licensed full banks). This provides for greater consistency and ease of compliance.
- The introduction of the new ASPV (Covered Bonds) sub-scheme is welcomed as it is expected to level the playing field for special purpose vehicles that hold the “cover pool” in relation to covered bonds.





Extend and refine the Financial Sector Incentive (FSI) scheme

The FSI scheme currently accords concessionary tax rates of 5%, 10%, 12%, and 13.5% on income from qualifying banking and financial activities, headquarters and corporate services, fund management and investment advisory services.

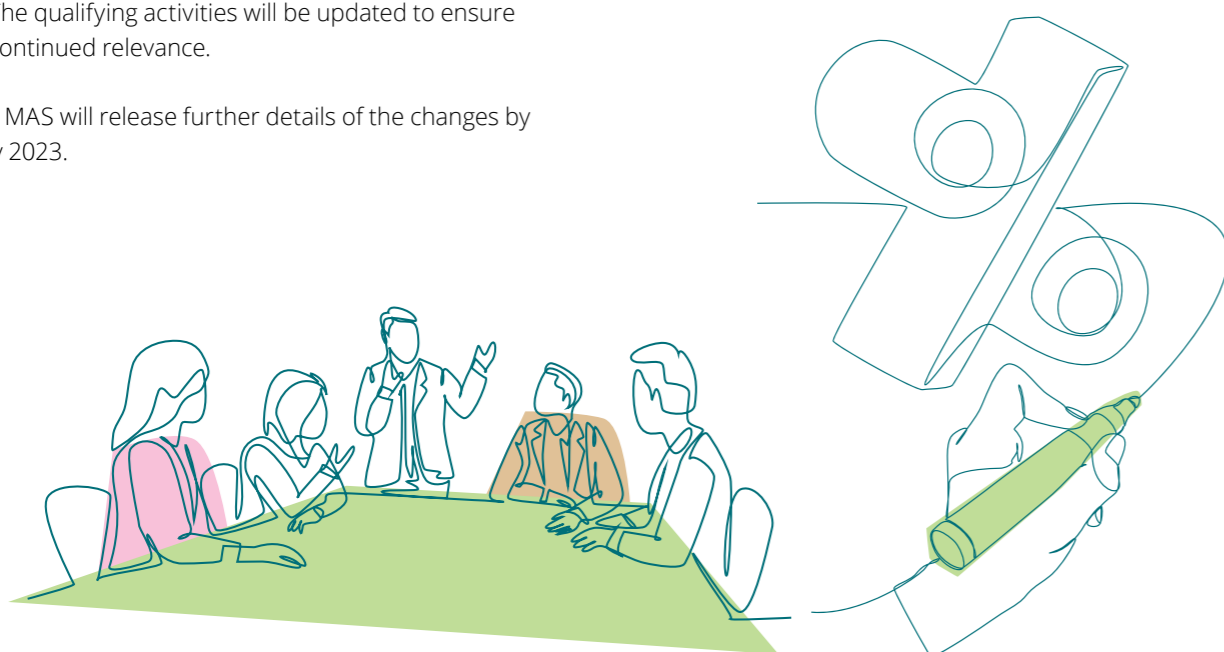
The FSI scheme is scheduled to lapse on 31 Dec 2023.

Proposed

To support the continued growth and expansion of financial activities in Singapore, the FSI scheme will be extended and refined as follows:

- a. The FSI scheme will be extended until 31 Dec 2028.
- b. For FSI-HQ services, the WHT exemption granted on interest payments made to qualifying non-residents during the award tenure on qualifying loans will be similarly extended until 31 Dec 2028.
- c. The existing concessionary tax rates will be streamlined to 2 tiers of 10% and 13.5% for new and renewal awards approved on or after 1 Jan 2024, as follows:
 - i. FSI-Capital Market, FSI-Derivatives Market and FSI-Credit Facilities Syndication – increase from 5% to 10%;
 - ii. FSI-Fund Management and FSI-HQ services – remain at 10%;
 - iii. FSI-Trustee Companies – increase from 12% to 13.5%; and
 - iv. FSI-Standard Tier – remain at 13.5%.
- d. The qualifying activities will be updated to ensure continued relevance.

The MAS will release further details of the changes by May 2023.



Our view

- The extension of the FSI scheme until 31 Dec 2028 is in line with the Government's position to strengthen Singapore's status as a leading financial centre.
- For FSI-Enhanced Tier award holders, the increase in the concessionary tax rates from 5% to 10% for new and renewal awards from 1 Jan 2024 will reduce the attractiveness of these awards. That said, a 10% concessionary tax rate is still significantly lower when compared to the FSI-Standard Tier of 13.5% and current award holders should still benefit by having their awards renewed.
- With Pillar Two GLoBE rules likely to be implemented by other countries starting from 2024 and Singapore's intention to implement the GLoBE rules and DTT from 2025, the FSI tax incentive may play a less crucial role in attracting banks to locate in Singapore and other factors will play a bigger role in attracting banks to remain or set up in Singapore.
- That said, a continued review and refinement of the FSI scheme is encouraged to further strengthen Singapore's continued position as a financial hub in the Asia Pacific region.

Extend the Insurance Business Development-Insurance Broking Business (IBD-IBB) scheme

Currently, the IBD-IBB scheme grants approved insurance and reinsurance brokers a concessionary tax rate of 10% on commission and fee income derived from insurance broking and advisory services.

The IBD-IBB scheme is scheduled to lapse after 31 Dec 2023.

Proposed

To further strengthen Singapore's position as a leading insurance and reinsurance centre, the IBD-IBB scheme will be extended until 31 Dec 2028. All conditions of the IBD-IBB scheme will remain the same.

Our view

- The IBD-IBB scheme provides significant advantages to approved insurance and reinsurance brokers by allowing brokers to operate with greater flexibility and efficiency.
- The extension of the scheme will be welcomed by insurance and reinsurance brokers who are currently enjoying the concessionary tax rate, as well as new brokers in the market, given the initial sunset clause of 31 Dec 2023.
- Although the Minister has announced that all conditions of the IBD-IBB scheme are unchanged, it remains to be seen whether the MAS will impose further or different conditions especially on new award holders under the extended period.





Personal Tax and Immigration

Extend the Tax Concession for Deduction of General Provisions for Doubtful Debts and Regulatory Loss Allowances made in respect of non-credit-impaired Financial Instruments for banks (including Merchant Banks) and Qualifying Finance Companies

Under Section 14G of the ITA, banks, merchant banks and qualifying finance companies can claim a tax deduction for general provisions on non-credit-impaired loans and debt securities made under the Financial Reporting Standard 109 or Singapore Financial Reporting Standard (International) 9, and any additional loss allowances as required under prevailing MAS Notices, subject to a cap.

The tax deduction under Section 14G of the ITA is scheduled to lapse after YA 2024 (for banks, merchant banks and qualifying finance companies with a 31 Dec financial year end) or YA 2025 (for banks, merchant banks and qualifying finance companies with a non-31 Dec financial year end).

Proposed

To continue to promote the overall robustness and stability of the Singapore financial system, the tax deduction under Section 14G of the ITA will be extended until YA 2029 (for banks, merchant banks, and qualifying finance companies with a 31 Dec financial year end) or YA 2030 (for banks, merchant banks, and qualifying finance companies with a non-31 Dec financial year end).

Our view

- The extension of the tax concession is in line with the Government's initiatives to mitigate the impact of higher credit costs on the capital positions of banks and qualifying finance companies in Singapore.
- This is a welcomed move intended to provide and support lending to Singapore's economy, especially through a global economic uncertainty.
- Given the continued global economic uncertainty and to provide banks and qualifying finance companies more certainty in this volatile economic climate, the extension of the tax concession can support lending by banks and qualifying finance companies to stimulate and support Singapore's economic growth.

Personal Income Tax rates and rebates

The Minister did not propose any changes to the Personal Income Tax rates. There was also no Personal Income Tax rebate announced.

Our view

- It was within expectations that no changes were announced to the Personal Income Tax rates, given that changes to the Personal Income Tax rates for resident individuals to enhance the progressivity of the individual tax regime were last announced in Budget 2022.
- While Singapore has transitioned to endemic COVID-19, global economic factors and inflationary cost pressures continue to weigh on our economic growth. As such, given the need for fiscal prudence and to balance the Budget, it was not surprising that no Personal Income Tax rebates were announced as well.
- The Government has recognised that Personal Income Tax rebates do not provide much support towards addressing inflationary cost pressures for a significant part of the population who pay little or no tax. Instead, the Government has announced a slew of enhancements to the Assurance Package, including grant of additional Community Development Council (CDC) vouchers and one-off cost-of-living payments, to provide more direct support to Singaporeans.

Enhance the Grandparent Caregiver Relief (GCR)

The GCR is a personal income tax relief of \$3,000 granted to working mothers who engage the help of their parents, grandparents, parents-in-law or grandparents-in-law (including parents or grandparents of an ex-spouse) to take care of their young children, subject to conditions.

One of the qualifying conditions for the claim of the GCR is that the caregiver was not carrying on any trade, business, profession, vocation or/and employment in the year preceding the YA of the claim.

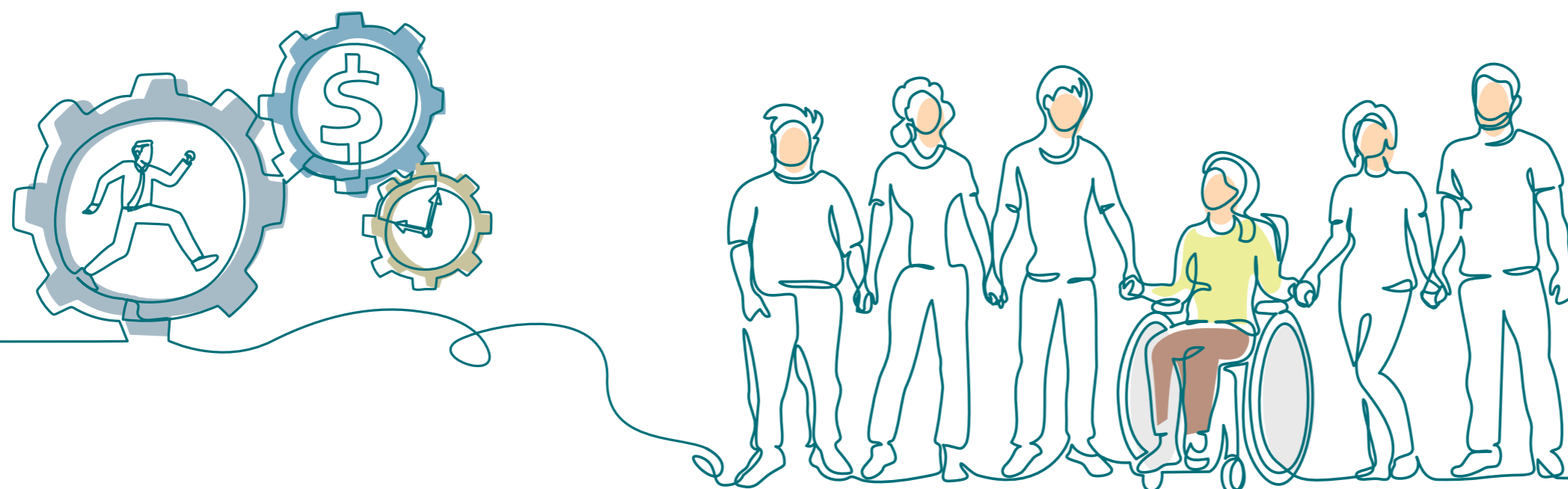
Proposed

To give caregivers the flexibility to undertake some incidental work, working mothers will be able to claim the GCR in respect of caregivers who have trade, business, profession, vocation or/and employment income, as long as the caregivers' total income from these activities does not exceed \$4,000 in the year preceding the YA of claim, if they have met all other conditions.

The change will take effect from YA 2024.

Our view

- The GCR was introduced as part of an off-Budget procreation package announced in 2004 to support parenthood and to provide recognition of the value that grandparents contribute towards the ecosystem of support that working mothers require to bring up their children.
- The current condition that caregivers cannot be carrying on any trade, business, profession, vocation or/and employment for the working mother to be eligible for the claim of GCR is quite prohibitive, as it means that the caregivers cannot undertake any work activities that generate income while helping to take care of their grandchildren.
- For seniors who wish to undertake activities that allow them to earn some income while at the same time providing support to their children with their child-rearing responsibilities, the relaxation of this condition for eligibility of claim for the GCR relief will contribute positively towards the Government's objectives to help our seniors remain engaged with society.





Change in basis of determining the relief quantum for Working Mother's Child Relief (WMCR)

Currently, the WMCR amount for eligible working mothers with a qualifying Singapore citizen child, subject to a total cap of \$50,000 per child [i.e., WMCR plus Qualifying Child Relief (QCR)/Handicapped Child Relief (HCR)], is as follows:

Child Order	WMCR Amount (For a qualifying Singapore citizen child born or adopted before 1 Jan 2024)
1st	15% of mother's earned income
2nd	20% of mother's earned income
3rd and subsequent	25% of mother's earned income

The total WMCR amount that an eligible working mother can claim for all her qualifying children is capped at 100% of the mother's earned income for the YA.

Proposed

The Minister has proposed for the WMCR to be revised from a percentage of an eligible working mother's earned income to a fixed dollar tax relief in respect of qualifying children who are Singapore citizens born or adopted on or after 1 Jan 2024.

The WMCR amounts for eligible working mothers in respect of a qualifying child who is a Singapore citizen born or adopted on or after 1 Jan 2024 is proposed to be as follows:

Child Order	WMCR Amount (For a qualifying Singapore citizen child born or adopted on or after 1 Jan 2024)
1st	\$8,000
2nd	\$10,000
3rd and subsequent	\$12,000

The change will take effect from YA 2025.

For eligible working mothers with a qualifying Singapore citizen child born or adopted before 1 Jan 2024, there will be no change to the WMCR that the mothers can claim. Working mothers of these children can continue to claim the WMCR based on the existing design and quantum, i.e., percentage of their earned income as indicated in the first table above.

The total WMCR amount that an eligible working mother can claim for all her qualifying children (born or adopted before 1 Jan 2024 or on or after 1 Jan 2024) will remain capped at 100% of the mother's earned income for the YA. The existing cap of \$50,000 per child (WMCR plus QCR and HCR) will also remain unchanged. QCR/HCR claims will continue to be allowed first (this can be claimed by either the working mother or her spouse or both) before the WMCR.

Our view

- A working mother who has annual earned income of between \$48,000 and \$53,333 (depending on the child order) will generally be able to achieve equivalent amounts of WMCR relief under the existing (i.e., percentage of the working mother's earned income) and revised (fixed dollar tax relief) designs. With the proposed changes, working mothers whose annual earned incomes are below the abovementioned income range would generally enjoy the same amount of WMCR as working mothers earning higher incomes, thus enhancing the progressivity of the individual tax regime.
- Working mothers with high income will no longer be able to enjoy the significant tax savings that they used to be able to enjoy with the relatively high quantum of WMCR relief available under the percentage-based computation. This may appear contradictory to the Government's efforts to encourage procreation.
- Nevertheless, the proposal is in line with the Government's efforts to provide more support to the lower- to middle- income working mothers with qualifying Singapore citizen children and to keep the overall system of taxes and benefits fair and equitable.

Lapse of the Foreign Domestic Worker Levy Relief (FDWLR)

The FDWLR was introduced in 1989 to provide support to working married women who needed the support of migrant domestic workers to care for their dependents.

Currently, the FDWLR may be claimed by a woman tax resident in Singapore in respect of 1 migrant domestic worker employed by her or her husband, who in the year immediately preceding the YA of claim, was:

- Living with her husband; or
- Married and her husband is not tax resident in Singapore; or
- Married but separated from her husband, a divorcee or a widow and who, in the year immediately preceding the YA, has any unmarried child or children living with her in the same household in Singapore in respect of whom she is allowed a deduction of QCR.

The amount of FDWLR is computed based on twice the migrant domestic worker levy paid in the year immediately preceding the YA of claim for 1 migrant domestic worker.

Proposed

The Minister has proposed to lapse the FDWLR with effect from YA 2025.



Our view

- The introduction of concessionary amounts for the migrant domestic worker levy created somewhat of a conundrum for this particular relief. On one hand, the FDWLR was intended to provide support to working married women who needed support of migrant domestic workers to take care of their dependents. On the other hand, those who really require the support enjoy little of this relief as they will likely pay levy amounts at concessionary amounts, and which reduce the quantum of the relief they can claim.
- The concessionary levy is generally only available if the migrant domestic worker is being hired to take care of specific dependent groups of Singapore citizens, (e.g., child below 16 years old, elderly person who is at least 67 years old, etc). As such, the existence of the FDWLR generated higher tax savings for individual taxpayers who are not eligible to pay concessionary levies (e.g., those with no dependents, the foreign employee population, etc.), thus creating inequity in tax relief quantum between the different groups of individual taxpayers.
- The existence of the FDWLR appears to go against the Government's objectives to enhance progressivity in the individual tax regime where those who earn more should pay more taxes, and where our tax schemes are generally designed to provide support to those in our local population who really need it. It is therefore not surprising that the FDWLR will lapse, although this may not sit well with those who have traditionally enjoyed some support from the relief.



Increase in senior workers' CPF contribution rates

In 2019, the Government announced that CPF contribution rates will be raised gradually over the decade for Singaporean and SPR workers aged above 55 to 70. The first increase took effect on 1 Jan 2022 and another increase announced in Budget 2022 took effect from 1 Jan 2023.

Worker age (Years)	Current CPF rates from 1 Jan 2023	By around 2030
55 and below	No change	No change
Above 55 to 60	29.5%	37%
Above 60 to 65	20.5%	26%
Above 65 to 70	15.5%	16.5%
Above 70	No change	No change

The timeline is subject to changes depending on prevailing economic conditions.

Proposed

The Minister has proposed for the next increase in senior workers' CPF contribution rates to take place on 1 Jan 2024. This means workers within the age group of above 55 to 70 will see an additional 1% to 1.5% of CPF contribution. As with previous increases, this increase will be fully allocated to the Special Account, to help senior workers save more for retirement.

A 1-year CPF Transition Offset will be automatically provided for the 2024 increases and employers are not required to apply for the same. The wage offset will be equivalent to half of the 2024 increase in employer CPF contribution rates for every Singaporean and SPR worker employed within this age group.

CPF Contribution Rates for Senior Workers from 1 Jan 2024

Worker age (Years)	CPF Contribution Rates			CPF Transition Offset
	Total	Employer	Employee	
55 and below	No change	No change	No change	No change
Above 55 to 60	31%	15%	16%	0.25%
Above 60 to 65	22%	11.5%	10.5%	0.25%
Above 65 to 70	16.5%	9%	7.5%	0.25%
Above 70	No change	No change	No change	No change

Our view

- The proposed changes are in line with the Government's continued efforts to strengthen support for senior workers to assist them to have retirement adequacy and to encourage them to continue to remain employed.
- The Government's provision of the CPF Transition Offset to help mitigate the rise in business costs will go towards encouraging employers to foster more inclusive and progressive workplaces in Singapore without age discrimination.
- The increase in mandatory employee CPF contributions will increase the quantum of employee CPF relief which can be claimed by tax residents in their Singapore individual tax returns, thus reducing the taxes that they would have to pay.

Increase in the CPF monthly salary ceiling

Currently, CPF contribution is subject to a monthly salary ceiling of \$6,000 and an annual total wage ceiling of \$102,000. Both salary ceilings were last updated in 2016.

Proposed

The Minister has proposed to raise the CPF monthly salary ceiling from \$6,000 to \$8,000 by 2026. The increase will take place in 4 phases as follows:

	CPF monthly salary ceiling	CPF annual salary ceiling
Current	\$6,000	
From 1 Sep 2023	\$6,300 (+\$300)	
From 1 Jan 2024	\$6,800 (+\$500)	\$102,000
From 1 Jan 2025	\$7,400 (+\$600)	
From 1 Jan 2026	\$8,000 (+\$600)	

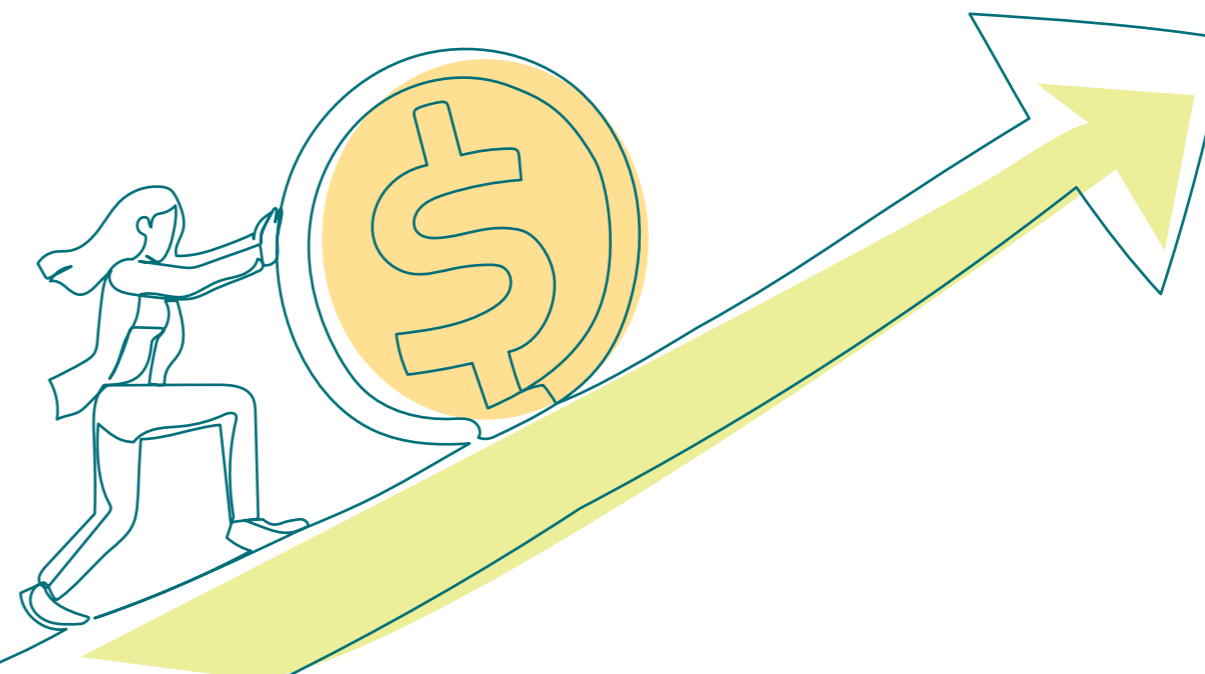
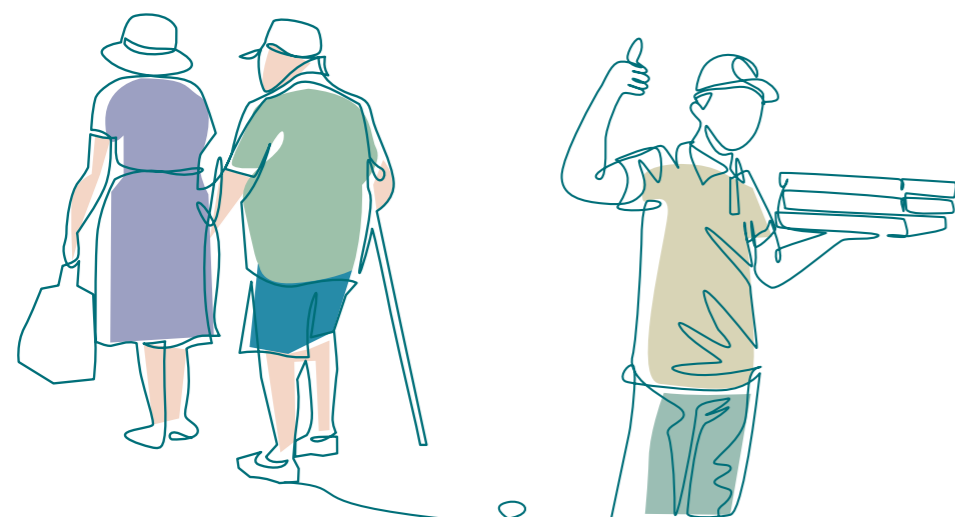
There will be no change to the CPF annual salary ceiling of \$102,000 at this juncture, but it will be reviewed periodically to ensure it continues to cover the broad majority of CPF members.

To ensure that employees earning the same annual salary receive the same CPF contributions regardless of their salary structure, the CPF monthly salary ceiling will eventually be set at 1/12 of the CPF annual salary ceiling at a steady state.

The existing limits on tax deduction for employers' statutory CPF contributions and tax relief for employees' CPF contributions will be raised accordingly.

Our view

- The proposed change to the CPF salary ceiling is in line with the Government's objectives to ensure that the CPF salary ceiling keeps pace with rising salaries.
- As average life expectancies increase with medical advancements, increasing the CPF salary ceiling will help Singaporeans and SPRs to build up their CPF nests to better support retirement adequacy.
- This will however lead to increased business costs to organisations and transitional support may be needed to help them tide over some of the initial cost increases expected with the upward adjustment of the CPF salary ceiling, amidst other inflationary and business cost pressures which they are also having to grapple with given the current economic climate.





Indirect Tax

GST rate

The current GST rate has been set at 8% since 1 Jan 2023.

As announced in Budget 2022, the GST rate will be increased from 8% to 9% with effect from 1 Jan 2024 to meet the increased recurring spending needs of the Government.

Our view

- The second increase in the GST rate is aligned with the previous announcement made in Budget 2022 that the increase in GST to 9% is expected to take place on 1 Jan 2024. The Government has previously noted that the additional revenue from the increase in the GST rate will be used to fund the recurring spending needs of the Government, especially in meeting the growing social care and public health spending requirements in future years.
- Businesses will likely incur additional costs to further amend their systems, websites and pricing once again after the changes needed for the 8% GST rate increase on 1 Jan 2023.
- Businesses should continue to be mindful of the Anti-Profitsteering Committee set up to help discourage excessive price increases.
- Businesses can refer to the latest GST rate change guidance released on 10 Jan 2023 setting out what they need to consider to be prepared and compliant for 1 Jan 2024. It is expected that the IRAS will release updated guidance for the new GST rate closer to 1 Jan 2024.
- Consumers in the lower income groups will also welcome the further enhancement of the Assurance Package and permanent GST Voucher Scheme which will help them via rebates and GST vouchers to offset the financial impact resulting from the GST rate increase in 2024. Notably, a top up to \$9.6 billion from the earlier announced \$6.6 billion Assurance Package and the permanent GST Voucher Scheme should help cushion the impact of the GST rate increase.

Revise the Additional Registration Fee (ARF) and Introduction of Preferential Additional Registration Fee (PARF) Rebate Cap for Vehicles

All vehicles imported into Singapore, whether new or used, are subject to ARF, excise duties, and import GST. The ARF is based on the Open Market Value (OMV) which is the value determined by Singapore Customs.

Proposed

In an effort to achieve a more progressive vehicle tax system, revisions to the ARF structure has been made for cars, taxis, and goods-cum-passenger vehicles (GPV). Other measures include the introduction of a cap of \$60,000 for the PARF rebate for cars and taxis.

Revision of ARF Structure

Please see a summary of the proposed ARF structure below.

Table 1: Revised ARF structure

Current ARF Banding and Rates		Revised ARF Banding and Rates	
First \$20,000 of OMV	100% of OMV	First \$20,000 of OMV	*100% of OMV
Next \$30,000 of OMV	140% of OMV	Next \$20,000 of OMV	*140% of OMV
Next \$30,000	180% of OMV	[NEW] Next \$20,000 of OMV	250% of OMV
		[NEW] Next \$20,000 of OMV	250% of OMV
Above \$80,000	220% of OMV	[NEW] Above \$80,000 of OMV	320% of OMV

*no changes to the ARF rates

The revised ARF structure will apply to all new and imported used cars and GPVs registered with Certificate of Entitlements (COEs) obtained from the second COE bidding exercise in Feb 2023 onwards. As for cars that do not need to bid for COEs (e.g., taxis and classic cars), the revised ARF structure will only apply for those registered on or after 15 Feb 2023.

Introduction of PARF Rebate Cap

Apart from raising the ARF rates, rebates are also set to be capped at \$60,000 for cars and taxis when owners decide to deregister them early. Currently, it is calculated based on a percentage of ARF paid, tiered based on the age of the vehicle at deregistration.

Table 2: Current PARF Schedule

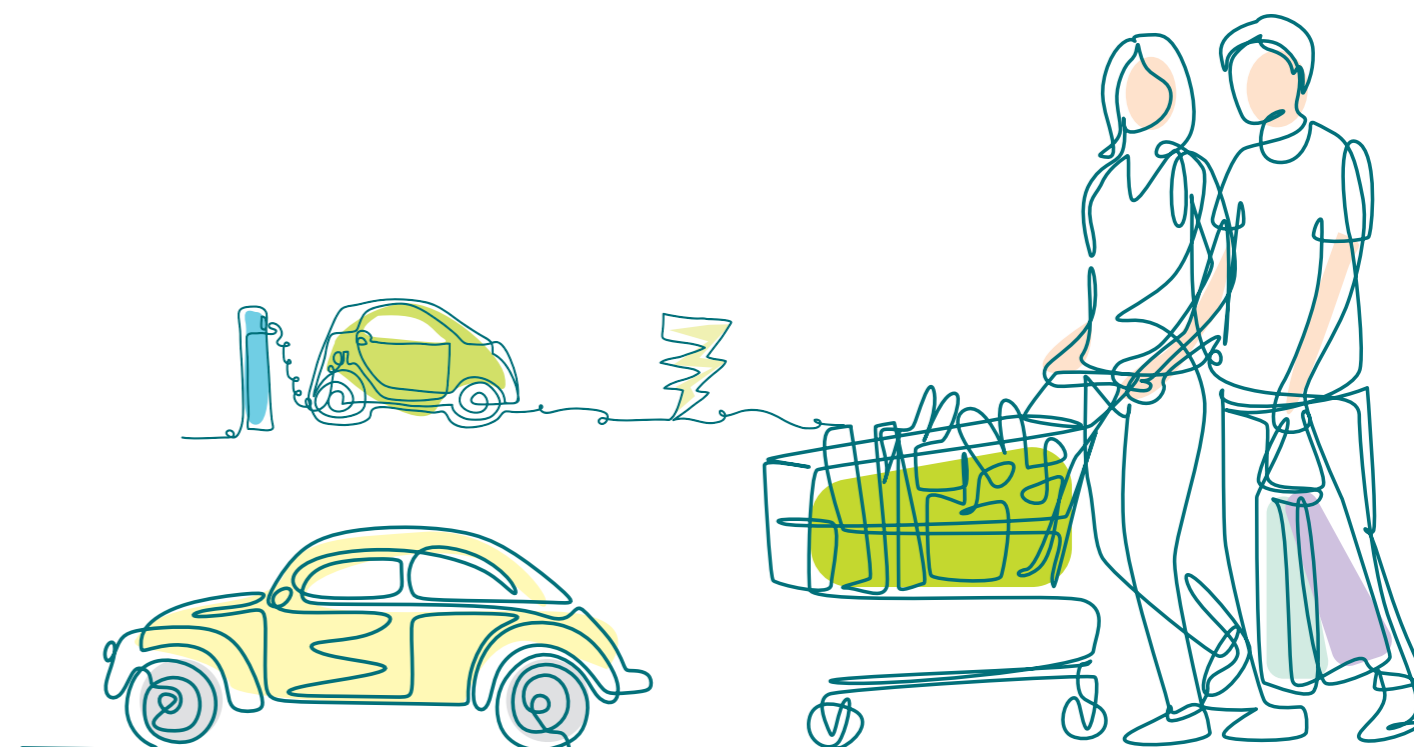
Age of Vehicle at Deregistration	PARF Rebate
Age ≤ 5 years	75% of ARF paid
5 years < Age ≤ 6 years	70% of ARF paid
6 years < Age ≤ 7 years	65% of ARF paid
7 years < Age ≤ 8 years	60% of ARF paid
8 years < Age ≤ 9 years	55% of ARF paid
9 years < Age ≤ 10 years	50% of ARF paid
Age > 10 years	Nil

For cars that need to bid for COEs, this cap will apply to those registered with COEs obtained from the second COE bidding exercise in Feb 2023 onwards which are subsequently deregistered within the PARF eligibility period. As for cars that do not need to bid for COEs (e.g., taxis), the cap will only apply to those that are registered on or after 15 Feb 2023 which are subsequently deregistered within the PARF eligibility period. The cap does not apply to vehicles that are not eligible for PARF rebates (e.g., GPVs and classic cars).

Both measures above are expected to affect the top one-third of newly-registered cars by OMV, with the ARF change expected to generate approximately \$200 million in additional revenue per year. That said, buyers of cars with an OMV of \$40,000 or less, including almost all Category A cars will not be affected.

Our view

- The revision of the ARF system serves to achieve a more progressive tax system, with vehicles of higher OMVs being taxed more heavily as a result. This revision comes following the record 220% ARF rate imposed on vehicles with an OMV upwards of \$80,000 under last year's Budget 2022.
- With the revision in the ARF system, Singapore Customs will likely scrutinise the OMV submitted by vehicle manufacturers and importers (whether franchise holders or parallel importers), especially for players in the luxury vehicle segment. Singapore Customs will also likely ramp up efforts to carry out further audits and investigations to ensure compliance is met by these players.
- Importers of motor vehicles should review their current import structures, supply chains and value chains for the imports and payment flows of all vehicles imported into Singapore to establish compliance with the valuation regulations under the Singapore Customs Act (Chapter 70), and to provide all the correct information pertaining to the vehicles to Singapore Customs, if requested. This is vital to prevent any under declaration of the OMV, as well as any underpayment of duty and GST payable on the vehicles.





Excise Duty on tobacco products

All tobacco products imported into or manufactured in Singapore are subject to excise duties. The current excise duties are as follows:

Tobacco products	Current excise rate
Cigarettes and other cigarettes containing tobacco	\$0.427 per stick of cigarette
Cigars, Cheroots, Cigarillos, and other manufactured tobacco	\$427 per kilogramme
Beedies, Ang Hoon, and Other Smokeless Tobacco	\$329 per kilogramme
Unmanufactured and Cut Tobacco, and Other Tobacco Refuse	\$388 per kilogramme

Proposed

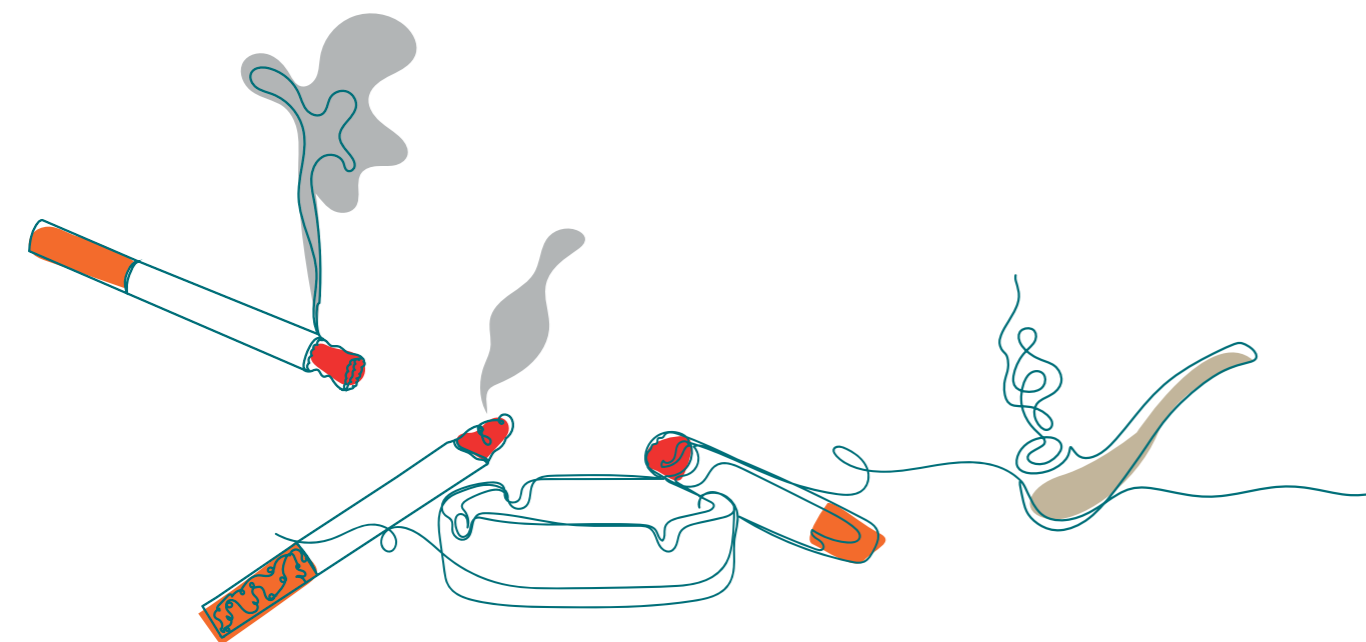
With effect from 14 Feb 2023, the excise duty on all tobacco products would be raised by 15%. This increase in excise duty is to discourage the consumption of tobacco products and is expected to generate an additional \$100 million in revenue annually.

The new excise duties will be as follows:

Tobacco products	Proposed excise rate
Cigarettes and other cigarettes containing tobacco	\$0.491 per stick of cigarette
Cigars, Cheroots, Cigarillos, and other manufactured tobacco	\$491 per kilogramme
Beedies, Ang Hoon, and Other Smokeless Tobacco	\$378 per kilogramme
Unmanufactured and Cut Tobacco, and Other Tobacco Refuse	\$446 per kilogramme

Our view

- The Government aims to send a strong message on discouraging consumption of tobacco products by raising excise duty on all tobacco products by 15%.
- This is in line with the national policy of periodic tax/duty raises, where the last increase in duties on tobacco products was in 2018.



Others

Enhance the Progressive Wage Credit Scheme (PWCS)

The Progressive Wage Model was first introduced in 2014 to help to increase wages of lower-wage workers through upgrading skills and improving productivity. The PWCS was then introduced in Budget 2022 to provide transitional support for businesses in implementing the Progressive Wage Model from 2022 to 2026 as well as to encourage employers to voluntarily raise the wages of their lower-wage employees.

The PWCS co-funds the wage increases that employers provide to resident lower-wage employees with gross monthly wages of up to \$2,500 under a First Tier of support, and gross monthly wages above \$2,500 and up to \$3,000 under a Second Tier of support. The average gross monthly wage increase must be at least \$100 in each qualifying year to be eligible for PWCS. Wage increases given in each qualifying year will be co-funded for 2 years, if the wage increase is sustained. This is to help employers manage the compounding effect of wage increases.

Employers do not need to apply for the PWCS. The IRAS will automatically credit payouts into the accounts of employers that have implemented eligible wage increases by the first quarter of the year following the wage increases.

Proposed

To further strengthen support for employers in uplifting lower-wage employees, the PWCS co-funding support for wage increase for 2023 will be enhanced by increasing the Government's co-funding share from 50% to 75% for the First Tier and from 30% to 45% for the Second Tier. The enhanced 2023 co-funding support will also apply to wage increases given in qualifying year 2022 and sustained in 2023. All other scheme parameters remain unchanged.

Government Co-Funding Levels for Eligible Wage Increases from 2022 to 2026

Qualifying year	Payout period	First Tier	Second Tier
		Gross monthly wage ceiling ≤ \$2,500	Gross monthly wage ceiling > \$2,500 and ≤ \$3,000
2022	Q1 2023	75%	45%
2023	Q1 2024	75% (+25%-pt)	45% (+15%-pt)
2024	Q1 2025	30%	15%
2025	Q1 2026	30%	-
2026	Q1 2027	15%	-

Notes:

1. The co-funding levels from 2022 to 2026 are expressed as a percentage of the applicable wage increase.
2. The co-funding levels for wage increases in qualifying year 2022 were enhanced in Jun 2022's support package, from 50% to 75% for the First Tier, and from 30% to 45% for the Second Tier.

Our view

- The enhancement to the PWCS for 2023 is a welcomed move as it will continue to help businesses better manage mandatory wage increases for their qualifying lower-wage workers and at the same time encourage businesses to voluntarily raise wages of other lower-wage workers.
- It is a good step forward in creating more inclusivity and a diversified workforce as businesses continue to recover under an endemic environment, while raising the quality and standard of living for their lower-wage workers.





Changes to Buyer's Stamp Duty (BSD) for higher-value residential and non-residential properties

At present, transactions involving residential and non-residential properties are subject to marginal BSD rates of 1% to 4% and 1% to 3% respectively.

Proposed

In order to enhance the progressivity of the BSD regime, higher marginal BSD rates will be introduced for higher-value residential and non-residential properties.

For residential properties, a new marginal BSD rate of:

- a. 5% will apply to the portion of the property value in excess of \$1.5 million and up to \$3 million; and
- b. 6% will apply to the portion of the property value in excess of \$3 million.

For non-residential properties, a new marginal BSD rate of:

- a. 4% will apply to the portion of the property value in excess of \$1 million and up to \$1.5 million; and
- b. 5% will apply to the portion of the property value in excess of \$1.5 million.

The revised rates will apply to all properties acquired on or after 15 Feb 2023.

Table 1: Current tax treatment

Higher of Purchase Price or Market Value of the Property	Marginal BSD Rate for residential property	Marginal BSD rate for non-residential property
First \$180,000	1%	1%
Next \$180,000	2%	2%
Next \$640,000	3%	
Amount exceeding \$1,000,000	4%	3%



Table 2: New tax treatment

Higher of Purchase Price or Market Value of the Property	Marginal BSD Rate for residential property	Marginal BSD rate for non-residential property
First \$180,000	1%	1%
Next \$180,000	2%	2%
Next \$640,000	3%	3%
Next \$500,000	4%	4%
Next \$1,500,000	5%	
Amount exceeding \$3,000,000	6%	5%

There will be transitional provisions, where the BSD rates on or before 14 Feb 2023 will be applicable to cases that meet all the qualifying conditions below:

- a. The Option to Purchase (OTP) was granted by sellers to potential buyers on or before 14 Feb 2023;
- b. The OTP is exercised on or before 7 Mar 2023, or within the OTP validity period, whichever is earlier; and
- c. The OTP has not been varied on or after 15 Feb 2023.

Our view

- The proposed change to the BSD regime appears to be in line with the Government's push to enhance fairness, progressivity, and resilience in the tax system in Singapore. It may however prove to be a double-edged sword, where the increased marginal BSD rates may potentially deter foreign investors from investing in Singapore.

In regard to residential properties, it may serve as a deterrent for potential buyers of properties given that the cost of switching or upgrading is now higher, but likely not deter ultra-wealthy foreigners and high-income earners who may potentially view the incremental marginal BSD rates as immaterial.

- This initiative may be a good step forward in promoting a more equitable and fair tax system, given that the Government has been exploring various options to redress the wealth and income inequality. Nevertheless, whether the new policy is effective in attaining the desired outcomes remains to be seen and will likely depend on various factors such as the property market conditions and the wider global economic outlook.

Extend the Energy Efficiency Grant (EEG)

The EEG was launched in Sep 2022 to help businesses in the food services, food manufacturing and retail sectors cope with increasing energy costs and to support Singapore's net zero goal by 2050. Under the EEG, SMEs will receive up to 70% support capped at \$30,000 per company annually for the adoption of pre-approved energy efficient equipment in the following categories:

- a. LED lighting;
- b. Air conditioners;
- c. Cooking hobs;
- d. Refrigerators;
- e. Water heaters; and
- f. Clothes dryers.

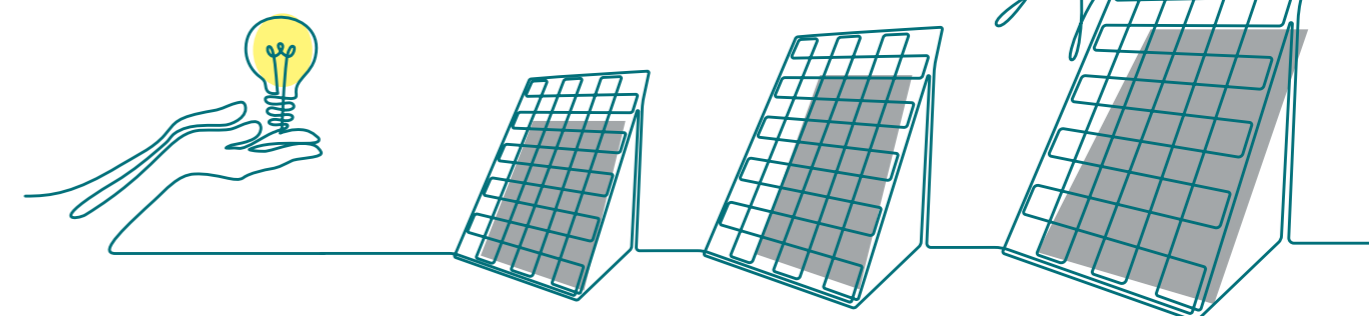
The eligibility criteria for the EEG is as follows:

- Business entity registered and operating in Singapore in the food services, food manufacturing or retail sectors as defined herein:
 - a. Food services companies must have a valid Singapore Food Agency (SFA) licence and be classified under Singapore Standard Industrial Classification (SSIC) 56 or 68104.
 - b. Food manufacturing companies must have a valid SFA licence and be classified under SSIC 10 or 11.
 - c. Retail companies that are classified under SSIC 47.
- Minimum of 30% local shareholding;
- Company's group annual sales turnover should be not more than \$100 million, or Company's group employment size should be no more than 200 employees.

Additionally, the equipment purchased must be used in Singapore. The EEG is scheduled to lapse after 31 Mar 2023.

Proposed

To continue to encourage the adoption of energy efficient equipment amidst Singapore's efforts to transition to a low-carbon economy while helping businesses cope with rising electricity costs, the EEG will be extended to 31 Mar 2024 for SMEs in the Food Services, Food Manufacturing, and Retail sectors.



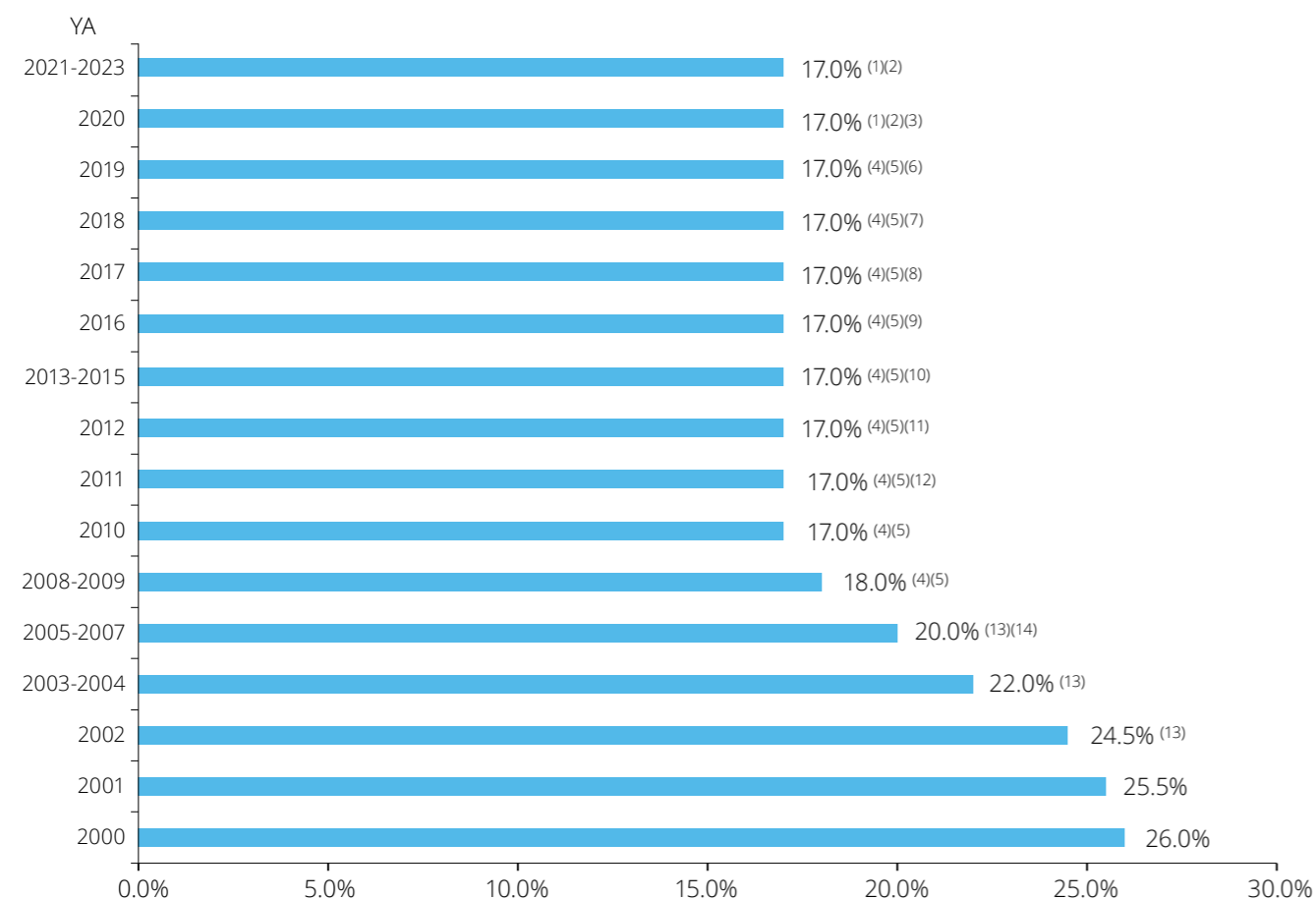
Our view

- Against the backdrop of rising energy costs in recent months as a result of the Ukraine war, the transition towards energy efficiency has never been more urgent. The extension of the EEG is a welcomed move as it reflects the Government's recognition of the impact of higher electricity prices on overall business costs as it seeks to defray operational costs for SMEs.
- As part of the Singapore Green Plan 2030, the extension of the EEG represents the Government's continued efforts to achieve its net zero emissions goal by 2050 through its encouragement of businesses to adopt more sustainable solutions.
- The EEG complements other energy efficiency initiatives such as the National Environment Agency's (NEA) Energy Efficiency Fund (E2F), which provides grant support for businesses in the manufacturing sector.
- Companies may apply for the E2F and EEG if they meet the respective eligibility criteria of either grant. However, companies may not apply for both grants on the same project. The extension of the EEG signals the Government's commitment to its sustainability goals in becoming a more energy efficient economy.



Appendix A

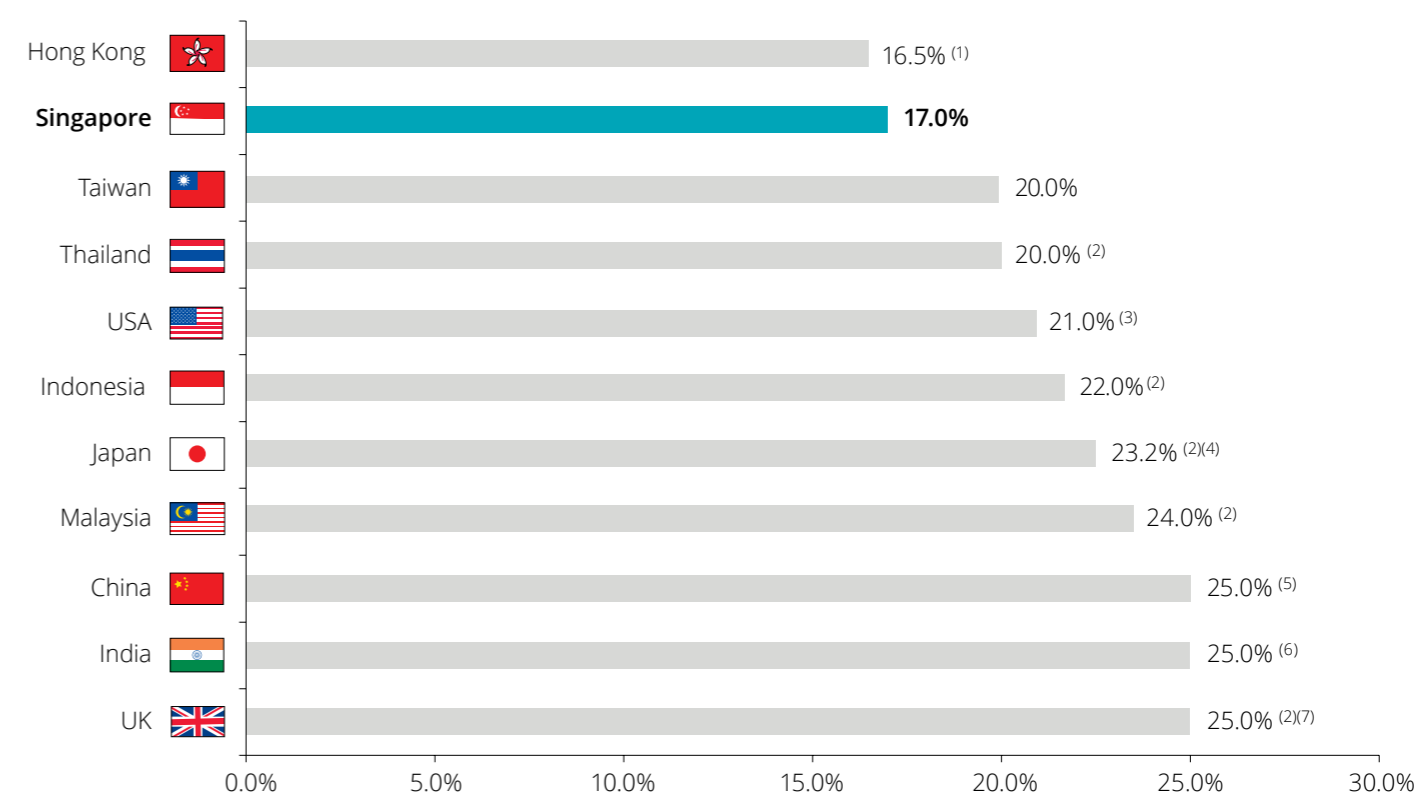
Singapore Corporate Income Tax rates



- (1) 75% of first \$10,000 and 50% of next \$190,000 of chargeable income are exempt from tax from YA 2020.
- (2) For qualifying new companies, 75% of first \$100,000 of chargeable income and 50% of next \$100,000 of chargeable income are exempt from tax for any of the first 3 consecutive YAs falling within the period from YA 2020.
- (3) A corporate income tax rebate at 25% of the tax payable up to a maximum rebate of \$15,000.
- (4) 75% of first \$10,000 and 50% of next \$290,000 of chargeable income are exempt from tax up to YA 2019.
- (5) For qualifying new companies, the first \$100,000 of chargeable income and 50% of the next \$200,000 of chargeable income are exempt from tax for any of the first 3 consecutive YAs falling within the period from YA 2008 to YA 2019.
- (6) A corporate income tax rebate at 20% of the tax payable up to a maximum rebate of \$10,000.
- (7) A corporate income tax rebate at 40% of the tax payable up to a maximum rebate of \$15,000.
- (8) A corporate income tax rebate at 50% of the tax payable up to a maximum rebate of \$25,000.
- (9) A corporate income tax rebate at 50% of the tax payable up to a maximum rebate of \$20,000.
- (10) A corporate income tax rebate at 30% of the tax payable up to a maximum rebate of \$30,000.
- (11) A one-off SME cash grant of 5% of revenue, capped at \$5,000.
- (12) A one-off corporate income tax rebate or SME cash grant computed at the higher of:
 - 20% of YA 2011 corporate income tax payable, capped at \$10,000 (corporate income tax rebate); or
 - 5% of revenue, capped at \$5,000 (SME cash grant).
- (13) 75% of first \$10,000 and 50% of next \$90,000 of chargeable income are exempt from tax.
- (14) For qualifying new companies, the first \$100,000 of chargeable income is exempt from tax for any of the first 3 consecutive YAs falling within the period from YA 2005 onwards.

Appendix B

Comparison of current Corporate Income Tax rates in selected countries/locations



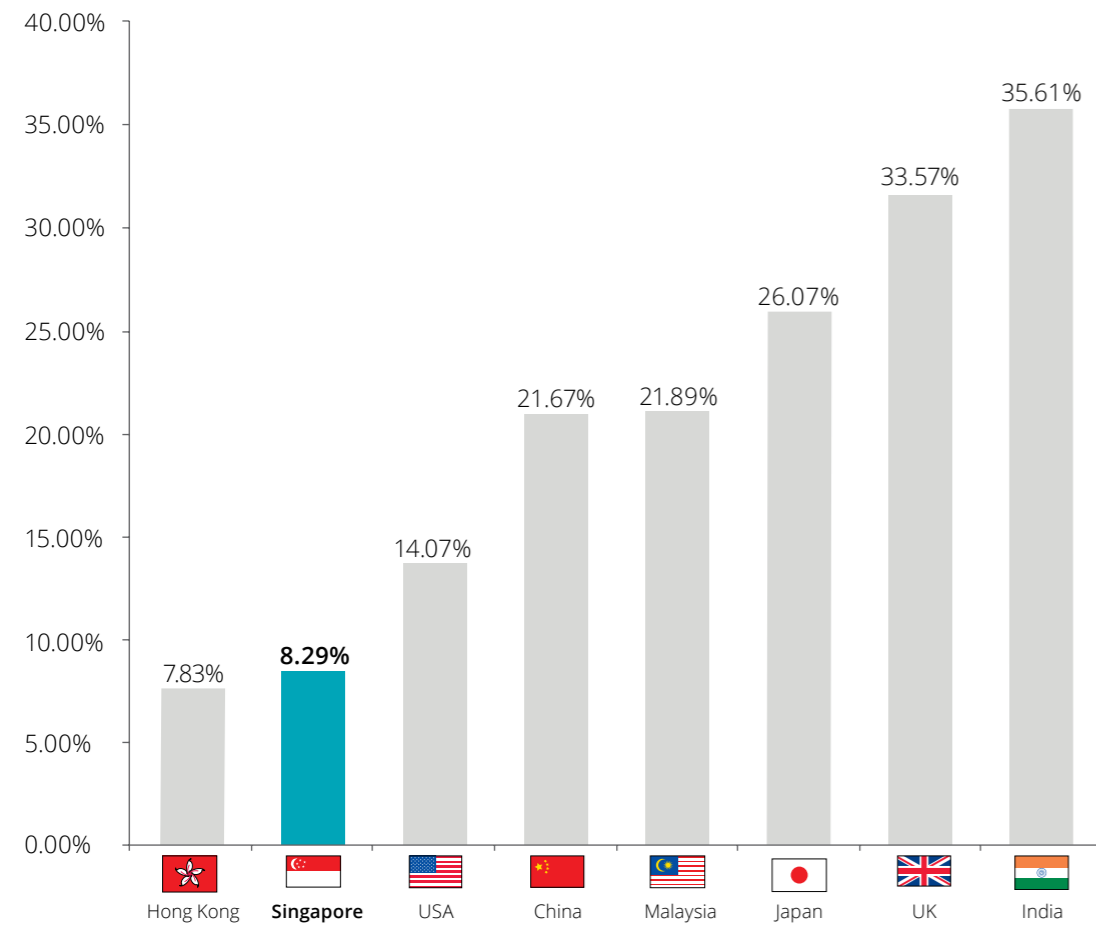
- (1) A 2 tiered profits tax rates regime applies to both corporations and unincorporated businesses. Each group of connected entities can only nominate 1 entity to enjoy the 2 tiered profits tax rates for a given YA. For corporations, the tax rate is 8.25% for the first HK\$2 million of assessable profits and 16.5% for assessable profits in excess of HK\$2 million. Whereas, for unincorporated businesses, the tax rate is 7.5% for the first HK\$2 million of assessable profits and 15% for assessable profits in excess of HK\$2 million.
- (2) Lower rates of tax apply to income below certain levels for certain small companies.
- (3) Effective tax rate may vary depending on other state and local income taxes.
- (4) After surtax, the effective tax rate is approximately 30%.
- (5) Subject to meeting certain requirements, a 15% rate applies to enterprises with new/high-technology status, qualified advanced technology service enterprises and enterprises incorporated in certain regions of China that engaged in encouraged business activities. Enterprises engaged in designated key software and integrated circuits design are exempt from Corporate Income Tax (CIT) for the first 5 years from the first profit making year, and a 10% rate applies thereafter. Other integrated circuit manufacturing enterprises or projects are also eligible for exemption from CIT for the first 5 years (followed by 50% exemption for 5 years) or 10 years depending on the qualification of the enterprises. In addition, other encouraged integrated circuit design, equipment, materials, packaging, testing enterprises or software enterprises are exempt from CIT for the first 2 years from the first profit making year, and be subject to CIT at half of the 25% statutory tax rate from the third to the fifth year. Other preferential CIT treatments may also be eligible for specific industries in certain locations.
- (6) The CIT rate in India is 30% for all domestic companies with an annual turnover in excess of INR4 billion and 40% for foreign companies. The 30% CIT rate is reduced to 25% for domestic companies with an annual turnover of less than INR4 billion in the previous year, and this is further reduced to 22% if the company does not avail of any incentive or specified exemption. Subject to meeting certain conditions, a reduced CIT rate of 15% applies to (i) newly set-up domestic manufacturing companies with effect from tax year 2019-2020 and up till 31 Mar 2024, and (ii) domestic companies engaged in the business of generation of electricity with effect from tax year 2020-2021. All rates exclude surcharge, and health and education cess.
- (7) The corporate tax rate will increase to 25% for financial year beginning 1 Apr 2023. A 25% rate applies where MNEs use artificial arrangements to divert profits overseas to avoid UK tax and this will increase to 31% from 1 Apr 2023. Companies will also enjoy marginal relief for taxable profits from 1 Apr 2023 over £50,000 and less than £250,000.



Appendix C

Comparative personal effective tax rates for YA 2023

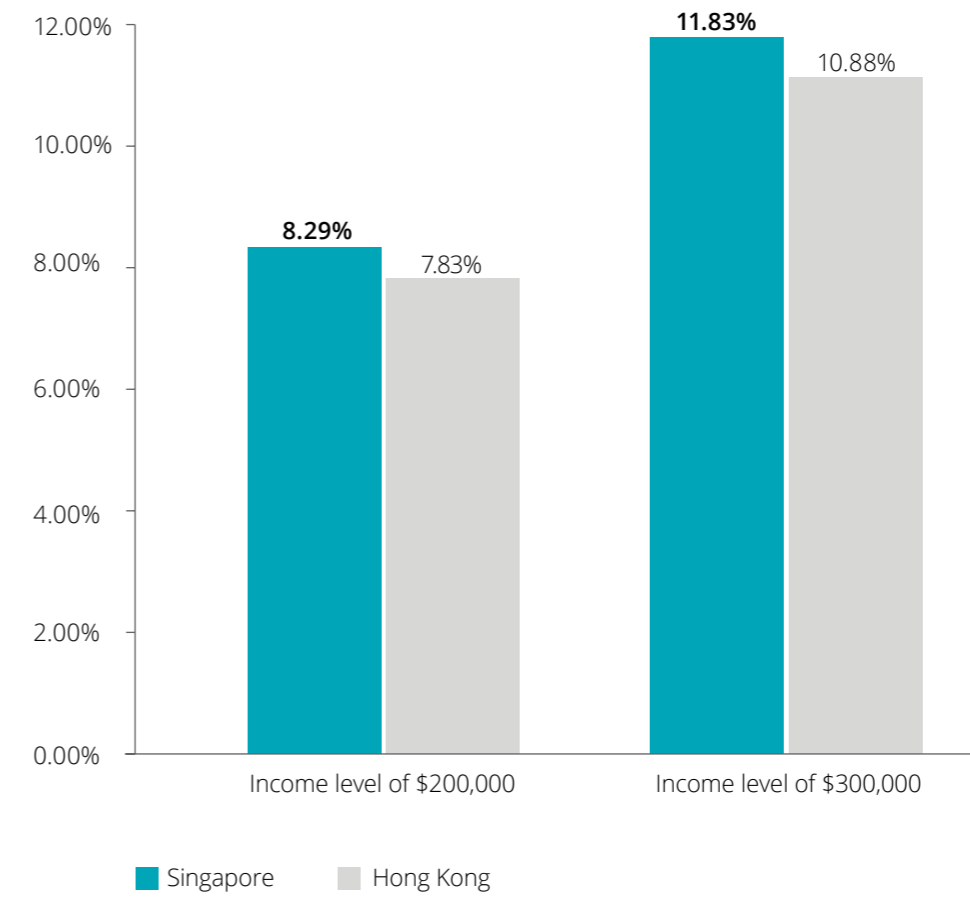
Employee married with 2 children (above 3 years old but below 16 years old)
Gross annual remuneration \$200,000



Appendix D

Comparative personal effective tax rates for YA 2023 —Singapore versus Hong Kong

Employee married with 2 children
Comparison of annual remuneration \$200,000 versus \$300,000





Appendix E

Rates of income tax for resident individuals for YA 2023

	Chargeable income (\$)	Tax rate (%)	Tax (\$)
On the first	20,000	0.00	0
On the next	<u>10,000</u>	2.00	<u>200</u>
On the first	30,000		200
On the next	<u>10,000</u>	3.50	<u>350</u>
On the first	40,000		550
On the next	<u>40,000</u>	7.00	<u>2,800</u>
On the first	80,000		3,350
On the next	<u>40,000</u>	11.50	<u>4,600</u>
On the first	120,000		7,950
On the next	<u>40,000</u>	15.00	<u>6,000</u>
On the first	160,000		13,950
On the next	<u>40,000</u>	18.00	<u>7,200</u>
On the first	200,000		21,150
On the next	<u>40,000</u>	19.00	<u>7,600</u>
On the first	240,000		28,750
On the next	<u>40,000</u>	19.50	<u>7,800</u>
On the first	280,000		36,550
On the next	<u>40,000</u>	20.00	<u>8,000</u>
On the first	320,000		44,550
In excess of	<u>320,000</u>	22.00	

Appendix F

Rates of income tax for resident individuals with effect from YA 2024

	Chargeable income (\$)	Tax rate (%)	Tax (\$)
On the first	20,000	0.00	0
On the next	<u>10,000</u>	2.00	<u>200</u>
On the first	30,000		200
On the next	<u>10,000</u>	3.50	<u>350</u>
On the first	40,000		550
On the next	<u>40,000</u>	7.00	<u>2,800</u>
On the first	80,000		3,350
On the next	<u>40,000</u>	11.50	<u>4,600</u>
On the first	120,000		7,950
On the next	<u>40,000</u>	15.00	<u>6,000</u>
On the first	160,000		13,950
On the next	<u>40,000</u>	18.00	<u>7,200</u>
On the first	200,000		21,150
On the next	<u>40,000</u>	19.00	<u>7,600</u>
On the first	240,000		28,750
On the next	<u>40,000</u>	19.50	<u>7,800</u>
On the first	280,000		36,550
On the next	<u>40,000</u>	20.00	<u>8,000</u>
On the first	320,000		44,550
On the next	<u>180,000</u>	22.00	<u>39,600</u>
On the first	500,000		84,150
On the next	<u>500,000</u>	23.00	<u>115,000</u>
On the first	1,000,000		199,150
In excess of	<u>1,000,000</u>	24.00	



Appendix G

Personal reliefs for YA 2023

Earned income relief

Age	Earned income relief	Handicapped earned income relief
	Lower of actual earned income and	
Below 55	\$1,000	\$4,000
55 to 59	\$6,000	\$10,000
60 and above	\$8,000	\$12,000

Spouse relief

Relief is granted to the taxpayer who is supporting a non-working spouse with an annual worldwide income not exceeding \$4,000.

\$2,000

Taxpayers cannot claim spouse relief for maintaining their former spouses.

Handicapped spouse relief

There is no income threshold condition in respect of a handicapped spouse.

\$5,500

Taxpayers cannot claim handicapped spouse relief for maintaining their former spouses.

Parent relief

Maximum of 2 parents*	Parent relief (per dependant)	Handicapped parent relief (per dependant)
Living in the same household	\$9,000	\$14,000
Not living in the same household[^]	\$5,500	\$10,000

*Taxpayer's or spouse's parents, grandparents or great-grandparents who are living in Singapore and are 55 years old and above. In addition, the dependant must not have an annual worldwide income of more than \$4,000.

[^]If dependant lives in a separate household, the taxpayer must have incurred \$2,000 or more in supporting him/her.

There is no income threshold condition in respect of a handicapped dependant.

Where more than one taxpayer is claiming the same relief on the same dependant, the relief shall be apportioned based on the claimants' agreed proportion or equally among all the claimants by the IRAS.

Grandparent Caregiver Relief (GCR)

\$3,000

Applicable to working mothers (including widows and divorcees) whose child is being looked after by their parent/parent-in-law/grandparent/grandparent-in-law, or ex-spouse's parent/grandparent living in Singapore.

The child must be a Singapore citizen aged 12 years or below at any time during the year preceding the YA of claim.

The age criteria of 12 years or below will not be applicable for claim of GCR relief in respect of handicapped and unmarried dependant children incapacitated by reason of physical or mental infirmity, provided all other conditions are met.

Currently, one of the conditions for claiming GCR is that the caregiver must not be carrying on a trade, business, profession, vocation or/and employment. With effect from YA 2024, working mothers will be eligible to claim GCR in respect of caregivers who carry out such activities as long as the caregivers' total income from these activities does not exceed \$4,000 in the year preceding the YA, if they have met all other conditions.

Handicapped siblings relief

\$5,500

Each dependant must have lived with the taxpayer in the same household. If not, the taxpayer must have incurred at least \$2,000 per annum in the maintenance of each dependant.

The dependant must live in Singapore.

There is no income threshold condition in respect of a handicapped sibling.

Where more than one taxpayer is claiming the same relief on the same dependant, the relief shall be apportioned based on the claimants' agreed proportion.

No other reliefs must be claimed on the same dependant e.g., handicapped child relief.

Child relief

	Qualifying Child Relief (QCR)	Handicapped Child Relief (HCR)
Per child	\$4,000	\$7,500

The child is below 16 or if above 16, studying full-time at any time during the calendar year in any university, college, or other educational institution.

The child does not have worldwide income (includes income from National Service (NS) and internship, but excludes scholarships and bursaries) of more than \$4,000 for the calendar year concerned.

There is no income threshold condition in respect of a handicapped child.

Working Mother's Child Relief (WMCR)

Child born or adopted before 1 Jan 2024

	Quantum of relief
1st child	15% of earned income
2nd child	20% of earned income
3rd child and subsequent children	25% of earned income

Child born or adopted on or after 1 Jan 2024

	Quantum of relief
1st child	\$8,000
2nd child	\$10,000
3rd child and subsequent children	\$12,000

WMCR is capped as follows:

- Maximum of \$50,000 per child (QCR/HCR + WMCR); and
- Up to 100% of the mother's earned income for all qualifying children born or adopted before and/or after 1 Jan 2024.

QCR/HCR will be claimed first, and WMCR will be limited to the remaining cap balance.

Only applicable to working mothers (including widows and divorcees) with children who are Singapore citizens. The child's annual worldwide income shall not exceed \$4,000.

With effect from the YA 2022, a stillborn child can be included to determine the number of siblings, but only if the natural mother of the stillborn child is a member of that household.

Parenthood Tax Rebate (PTR)

	Quantum of rebate
1st child	\$5,000
2nd child	\$10,000
3rd child and subsequent children	\$20,000 per child

Different qualifying criteria under PTR apply for the child, depending on whether the child is legitimate or adopted.

Special Tax Rebate (STR)

Previous claimants of STR whose STR balances have not been fully utilised as at 1 Jan 2005 can continue to draw on the STR balance until the balance is fully utilised.



Approved provident fund/life insurance relief

Compulsory contributions to CPF

Employees	Statutory CPF relief
Ordinary wages	Statutory contributions fully allowed.
Additional wage ceiling	Restricted to statutory contributions on total wages of \$102,000 less total annual ordinary wages subject to CPF contributions in the year.

Voluntary contributions to CPF

	Maximum quantum of voluntary contribution relief
Employee or self-employed	\$37,740

Voluntary contributions to Medisave account

Voluntary contributions made to an individual taxpayer's Medisave account may be claimed as a relief. The amount of relief given will be the lowest of the following:

- Voluntary cash contribution to Medisave account; or
- Annual CPF contribution limit (i.e., \$37,740) less mandatory CPF contribution; or
- Prevailing Basic Healthcare Sum (BHS) less the balance in Medisave account before the voluntary cash contribution.

Life insurance premiums

Where compulsory CPF contributions are less than \$5,000, the taxpayer may claim qualifying life insurance premiums on his or his wife's life as a relief; however, the total relief (for both mandatory CPF contributions and life insurance premium together) is subject to a cap of \$5,000.

CPF cash top-up

	Maximum quantum of relief
Cash top-up to taxpayer's parents'/ parents-in-laws', taxpayer's grandparents'/ grandparents-in-laws', non-working spouse's or siblings' Retirement accounts, or Special accounts under the CPF Minimum Sum Topping-Up Scheme regardless of the recipients' age.	\$7,000

Non-working spouse or siblings must not have an annual worldwide income of more than \$4,000. There is no income threshold in respect of a handicapped spouse or handicapped siblings.

Recipients must be Singapore citizens or SPRs.

	Maximum quantum of relief
Cash top-up by taxpayer or his employer to his Retirement account or Special account under the CPF Minimum Sum Topping-Up Scheme, regardless of the recipients' age.	\$7,000

From 1 Jan 2022 (YA 2023), a taxpayer can enjoy an annual tax relief of:

- Up to \$8,000 (previously \$7,000) when he/she tops up to his/her own Special/Retirement account and/or Medisave account; and
- An additional tax relief of up to \$8,000 (previously \$7,000) when he/she tops up to his/her family member's Special/Retirement account and/or Medisave account.

Supplementary Retirement Scheme

Employees and self-employed	Maximum contributions per year
Singapore citizens or SPRs	\$15,300
Foreigners	\$35,700

Course fees relief

	Maximum quantum of relief
Fees (registration fees, examination fees, tuition fees) for courses, seminars, and conferences: <ul style="list-style-type: none"> Relating to one's current trade, business, profession, vocation, or employment in 2022. Leading to an approved academic, professional, or vocational qualification in 2022. 	\$5,500
Fees for courses which are not directly related to one's current trade, business, profession, vocation, or employment only if such courses resulted in a career switch to a relevant trade, business, profession, vocation, or employment within a period of 2 YAs. The claim can be made within 2 years from the YA in which the taxpayer completed the courses.	\$5,500

National Serviceman (NSman) relief

	Quantum of relief
Active NSman	\$3,000
Non-active NSman	\$1,500
Each parent of active NSman who are Singapore citizens and entitled to NSman relief	\$750
Wives or widows of active NSman who are Singapore citizens and entitled to NSman relief	\$750
NS key command and staff appointment holders (in addition to basic NSman relief)	\$2,000

Foreign maid levy relief

	Maximum quantum of relief
Claimable against the earned income of a married or divorced woman, or widow with children in respect of whom child relief is available.	\$7,200 or \$10,800

The monthly levy rate for the first FDW employed is \$300 and \$450 for the subsequent FDWs employed, without concession. The FDW levy rate (with concession) is \$60 per month.

The amount of relief claimable is twice the annual levy paid for one foreign maid in the preceding year.

With effect from YA 2025, the foreign maid levy relief will lapse.

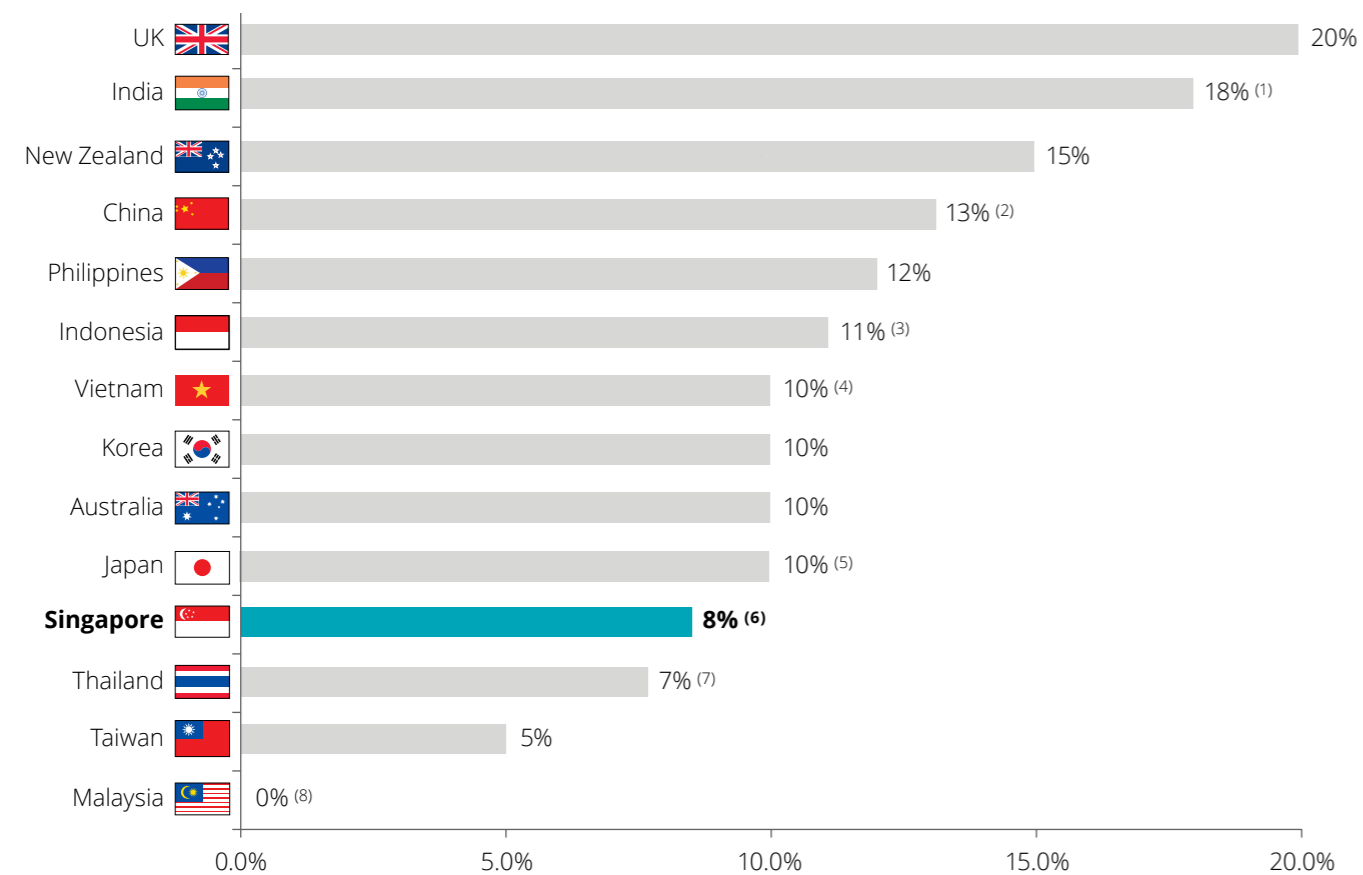
Personal Income Tax relief cap

The total amount of Personal Income Tax reliefs an individual can claim is capped at \$80,000 per YA.



Appendix H

Comparative standard VAT/GST rates for 2023



(1) Goods and services are categorised under a structure with 5 different rates of 0%, 5%, 12%, 18%, or 28%. There is no standard rate per se, but the rate for most services is 18%. For goods, the rates are 12% or 18%.

(2) Goods and services are categorised under a structure with 3 different rates of 6%, 9%, or 13%. The standard VAT rate is 13%.

(3) The rate increased from 10% to 11% with effect from 1 Apr 2022.

(4) The VAT rate reduced from 10% to 8% in specific sectors for period from 1 Feb 2022 to 31 Dec 2022.

(5) The standard Japanese Consumption Tax (JCT) rate is currently at 10%. Under the multiple rate system, there is a reduced JCT rate of 8%, which is currently applicable on the sale of food and beverages and print newspaper subscriptions.

(6) The rate increased from 7% to 8% with effect from 1 Jan 2023, and will be increased from 8% to 9% with effect from 1 Jan 2024.

















(7) The reduced 7% rate was extended until 30 Sep 2023. The standard VAT rate is 10%.

(8) GST has been repealed with effect from 1 Jun 2018 and was replaced with Sales and Services Tax from 1 Sep 2018. A Sales Tax of 5% or 10% is applicable on prescribed goods, and a Service Tax of 6% is applicable on prescribed services.



Contacts

Business Tax Services#

	Low Hwee Chua (SEA Tax & Legal Leader)	+65 6216 3290	hwlow@deloitte.com
	Brent Vasconcellos	+65 6530 8008	bvasconcellos@deloitte.com
	Chai Sook Peng	+65 6530 8017	sochai@deloitte.com
	Chua Kong Ping	+65 6800 2966	kchua@deloitte.com
	Daniel Ho (SEA M&A Tax Leader)	+65 6216 3189	danho@deloitte.com
	Jun Takahara	+65 6800 4779	jtakahara@deloitte.com
	Larry Low	+65 6216 3187	lalow@deloitte.com
	Lee Tiong Heng (SEA Global Investment & Innovation Incentives Leader)	+65 6216 3262	thlee@deloitte.com
	Liew Li Mei (SG International Tax Leader)	+65 6216 3232	liliew@deloitte.com
	Linda Foo	+65 6530 5562	lfoo@deloitte.com
	Loh Eng Kiat	+65 6800 2779	ekloh@deloitte.com
	Matthew Lovatt	+65 6800 4591	mlovatt@deloitte.com
	Michael Velten	+65 6531 5039	mvelten@deloitte.com
	Ong Siok Peng	+65 6216 3257	spong@deloitte.com
	Rohan Solapurkar	+65 6531 5027	rohans@deloitte.com
	Shantini Ramachandra (SG Private Tax Leader)	+65 6800 2295	sramachandra@deloitte.com



Includes International Tax and Mergers and Acquisitions (M&A)

	Sharon Tan	+65 6800 4689	sharontan@deloitte.com
	Wong Chee Ming	+65 6530 5595	cwong@deloitte.com
	Yap Hsien Yew	+65 6216 3323	hyyap@deloitte.com
	Yvaine Gan (SG Global Investment & Innovation Incentives Leader)	+65 6531 5090	yvgan@deloitte.com

Transfer Pricing Services

	See Jee Chang (SG Transfer Pricing Leader)	+65 6216 3181	jcsee@deloitte.com
	Avik Bose	+65 6216 3369	avbose@deloitte.com
	Carlo Navarro (SEA Transfer Pricing Leader)	+65 6800 4699	canavarro@deloitte.com
	Jun Igarashi	+65 6800 2989	juigarashi@deloitte.com

Global Employment Services

	Sabrina Sia (SEA Global Employment Services Leader)	+65 6216 3186	ssia@deloitte.com
	Christina Karl (Global Immigration Leader)	+65 6800 3997	ckarl@deloitte.com
	Dion Thai	+65 6800 3986	dthai@deloitte.com
	Joanne Lee	+65 6530 8042	joalee@deloitte.com
	Michele Chao	+65 6216 3387	micchao@deloitte.com
	Sandip Bhandal	+65 6800 2257	sbhandal@deloitte.com
	Will Posey	+65 6800 2890	wilposey@deloitte.com



Contacts

Indirect Tax Services

	Richard Mackender (APAC Indirect Tax Leader)	+65 6216 3270	rimackender@deloitte.com
	Ng Gek Teng	+65 6216 3378	geng@deloitte.com
	Robert Tsang	+65 6530 5523	robsang@deloitte.com
	Senthuran Elalingam	+65 6216 3329	selalingam@deloitte.com


Global Trade Advisory

	Wong Meng Yew (SEA Global Trade Advisory and Tax Climate & Sustainability Leader)	+65 6800 3924	mewong@deloitte.com
	Cecil Leong	+65 6800 4590	celeong@deloitte.com
	Payal Tuli	+65 6800 2439	patuli@deloitte.com


Business Process Solutions

	Gayal Karunasena (SG Business Process Solutions Leader)	+65 6531 5077	gkarunasena@deloitte.com
	Richard Mackender	+65 6216 3270	rimackender@deloitte.com


Tax Technology Consulting

	Piyus Vallabh (SEA Tax Technology Consulting Leader)	+65 6530 5574	piyvallabh@deloitte.com
	Sam Reeves	+65 6932 5562	samreeves@deloitte.com


CRS/FATCA Services

	Michael Velten	+65 6531 5039	mvelten@deloitte.com
---	----------------	---------------	----------------------

BEPS 2.0 Pillar Two Services

	Liew Li Mei	+65 6216 3232	liliew@deloitte.com
---	-------------	---------------	---------------------


China Tax Services

	Lee Tiong Heng	+65 6216 3262	thlee@deloitte.com
---	----------------	---------------	--------------------


India Tax Services

	Rohan Solapurkar	+65 6531 5027	rohans@deloitte.com
	Payal Tuli	+65 6800 2439	patuli@deloitte.com


Japan Tax Services

	Jun Igarashi	+65 6800 2989	juigarashi@deloitte.com
---	--------------	---------------	-------------------------

Korea Tax Services

	Daniel Ho	+65 6216 3189	danho@deloitte.com
--	-----------	---------------	--------------------

Vietnam Tax Services

	Dion Thai	+65 6800 3986	dthai@deloitte.com
---	-----------	---------------	--------------------

Tax & Legal Industry Leaders

	Rohan Solapurkar (SEA Consumer Products and Retail Tax Leader)	Consumer
	Brent Vasconcellos (SEA Energy, Resources & Industrials Leader)	Energy, Resources & Industrials
	Michael Velten (SEA Financial Services Tax Leader)	Financial Services
	Daniel Ho	Government & Public Services
	Liew Li Mei	Life Sciences & Health Care
	Lee Tiong Heng	Technology, Media & Telecom



Contacts

Legal Services

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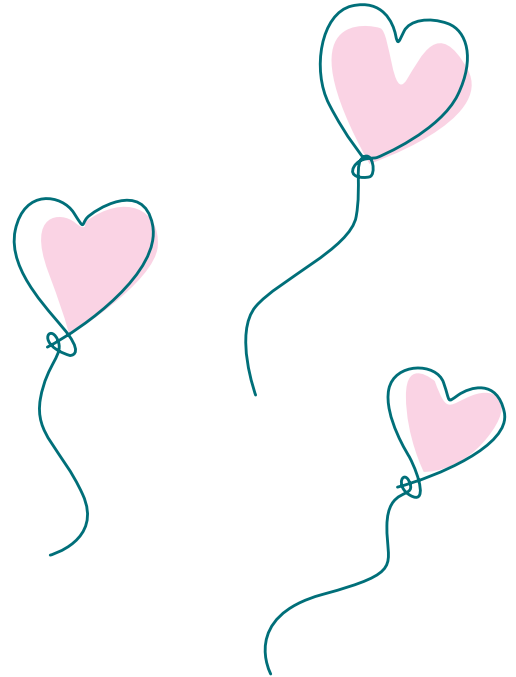
Sabara Law LLC focuses on Singapore Law matters.



Rashed Idrees +65 6800 2775
ridrees@deloittelegal.com.sg



Joanna Yap +65 6800 4639
joayap@sabaralaw.com.sg



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