SICC Singapore International Chamber of Commerce

The voice of international business in Singapore

SG 50

Singapore Budget 2016

Submission by the Singapore International Chamber of Commerce (SICC)

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Singapore's Overall Tax Regime

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SICC Budget Wish-List 2016

Singapore's Overall Tax Regime

Taxation affecting Businesses			
(A) Making Singapore's Taxation Regime more Business Friendly			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1	Remittance of foreign sourced income under Section 10(25)(b) of the Singapore Income Tax Act ("SITA")	Section 10(25)(b) states that "any amount from any income derived from outside Singapore which is applied in or towards satisfaction of any debt incurred in respect of a trade or business carried on in Singapore". It is sometimes unclear to taxpayers on the interpretation of 10(25)(b) for investment holding companies who by definition do not carry on business in Singapore	The IRAS clarifies with examples situation where Section 10(25)(b) applies and does not apply.
2.	Loss carry-back relief (LCBR) is capped at S$100,000 and can only be carried back to the immediate preceding year of assessment (YA).	LCBR targeted at helping SMEs cope with cash-flow problems during business downturns. SMEs are still facing challenges in restructuring their businesses model to include greater automation and measures to reduce reliance on labour and hence may incur losses in the short-term.	Consider enhancing LCBR cap to S$300,000 for YA 2016 to YA 2018 to allow losses to be carried back immediate three preceding years of assessment, with a view to reviewing the situation in 2018 (when PIC is scheduled to expire).
		Many developed countries have much more liberal loss carry-back rules, for example, the default rules in countries like UK allow carry-back without any cap for one year and the default US rules allow loss carry-backs without a cap for two years. Such rules	As a permanent feature, loss should be allowed to be carried back (without a cap) for the immediate back year and perhaps 50% of the loss for the 2nd back year. It should be noted that loss carry-back is

		recognize that economic cycles can produce profits in one year followed by losses in another and that it would be inherently unfair to currently tax the profits and provide relief for the losses only if and when future profits are realized (which of course may take a while and may sometimes not happen at all). In recent years there has been greater volatility in the general economy and business downturns can occur very rapidly (e.g. oil and gas sector).	a timing difference that is useful to provide cash flow relief to businesses that face a sudden downturn or undergo restructuring but still has long term potential.
3.	Upfront fees for spectrum capacity	Telecommunication operators (Telcos) are currently denied tax deduction on upfront fees for spectrum capacity even though such fees are necessary business expenses. Other jurisdictions have specific legislation to deal with similar expenditure to make it clear that such expenditure is deductible, either as a revenue expense or capital depreciation. Given the government goal for Singapore to be #1 in the world in harnessing infocomm to add value to the economy and society, tax policy should complement and be aligned to encourage business expenditure fundamental to infocomm infrastructure. In addition, Singapore would also like to bring in a fourth Telco so as to spur competition and bring benefits to consumers. By making the tax deduction rule on upfront fees for spectrum capacity more favourable for Telcos, it may help to entice a fourth telco to	It is proposed that Rule 2(3) of the Income Tax (Automation Equipment) Rules re "data communications and network equipment" be amended to include upfront fees for spectrum capacity necessary for operation of data communications and networking equipment.

		set up here.	
4.	Land Intensification Allowance (LIA)	Based on EDB's guidelines, LIA incentive is targeted to promote the intensification of industrial land use towards "more land-efficient and high value activities" and caters for selected industry clusters primarily involved in manufacturing. The iN2015 report stated that "Growing Storage and Capacity and Sophistication" is a key focus area for Singapore to support the future needs for content owners, IT and Infocomm service providers. IT services such as cloud services, cyber security and other related specified services are typically regarded as high value activities that require sophisticated storage, technology and strict security. To further promote Singapore as an IT hub with sophisticated infrastructure, we propose that the LIA incentive be extended to the technology, infocomm and digital media industry and data centres.	It is proposed to extend the LIA incentive to the technology, infocomm and digital media industry and data centres.
5.	Medical expenses	Tax deduction for medical expenses is capped at either 1% or 2% of total employee remuneration accrued for the year, depending on whether qualifying portable medical benefits scheme has been adopted by the company. But with a greying population and increasing medical costs, the above deduction cap should be reviewed to ensure that companies	It is proposed to raise the current cap for deduction of medical expenses to double the existing ones to either 2% or 4%.

		are not penalized for providing better medical coverage for employees. In line with Government's policy to encourage employment of older workers, tax policy should be aligned to support companies and to encourage them to provide better medical coverage for employees.	
6.	Tax Treatment of Medical and Dental Care	Currently, reimbursement of medical and dental care/treatment by employers provided for: a) Employee, employee's spouse and children are not taxable on the employee if the benefits are available to all employees; and b) Employee's dependents other than those listed in (a) will be taxable on the employee.	The cost of healthcare is rising rapidly in Singapore due to the rising demand driven by an ageing population. The government has emphasized the role of family in caring for the elderly and has supported the call for children in caring for their parents by providing schemes to train caregivers, providing caregiver support through home and community-based care services, extending emotional support through counselling, etc. To provide Singaporeans greater support in the care of their elderly, members request that MOF consider extending the list of dependents where employer's reimbursements of medical and dental care/treatment are not taxable on the employee to include parents/parents'-in-law.
7.	Withholding tax	Currently, withholding tax must be accounted for at the earliest of the following dates: (a) when the liability to pay the income arises (i.e. the income is due and payable) in accordance with the terms of	In view that it is a timing difference, we propose to remove condition (b) to ease cash flow and compliance burdens on taxpayers. Alternatively, a timeframe can be

		the agreement/contract. In the absence of an agreement/contract, the date of invoice is regarded as the deemed date of payment; (b) when the income is credited to the account of the non-resident person (or reinvested, accumulated, capitalized or carried to any reserve or any other account however designated, or otherwise dealt with on his behalf); and (c) when actual payment of the income is made. Condition (b) above may result in cash flow and compliance burdens for some taxpayers. For instance, in accordance with a loan agreement, the interest is due and payable to the lender in June and December of each year. For a company with a September financial year-end, the amount would have to be accrued in the September accounts and accordingly, the withholding tax would have be accounted for in September, earlier than the payment to be made in December. The company would then need to prepare two withholding tax returns and make two withholding tax payments, once for the September accrual and another for the December actual payment where there is only one payment in December.	prescribed before withholding tax obligations under condition (b) would kick in. For instance, if the liability to pay or when actual payment is made [under conditions (a) and /or (c)] within 6 months from the date of the accrual [under condition (b)], withholding tax obligation need not be accounted for under condition (b), but deferred till the event under conditions (a) and (c) happens.

8.	Certificate of Residence (COR)	Currently, every COR issued by the IRAS - covers only one assessment year (it is noted that other country such as Germany has granted COR covering 4 years in one certificate); and - is specific to each treaty partner country and type of foreign income. Hence, for a company which has different types of foreign income received from different countries, it would have to request for a number of CORs for the same assessment year. This is administratively cumbersome and tedious.	We would like to propose that IRAS issues a COR to cover up to at least 3 assessment years for the same type of foreign income if the company is able to provide the basic essential confirmations (i.e. place of control and management is Singapore, purpose of COR is to claim benefit under the Double Taxation Agreement and that the company is the beneficial owner to the foreign income) for these years and not restrict the COR to specific treat partner country. We would also appreciate it if the IRAS could further consider not restricting the COR to the type of foreign income. This would help to reduce the administrative burden of companies.
9.	R&D Project	To benefit from the R&D tax measures, qualifying R&D project need to involve a systematic, investigative and experimental study in a field of science or technology.	To consider extending the R&D tax incentive to include non-science and non-technology areas (such as social media and “smart city” solutions).
10.	Safe harbour rules for gains on disposal of intellectual property	Singapore's attractiveness as an intellectual property (IP) hub is affected by the possibility that such gains may be subject to tax if they are viewed as trading profits. Extending the safe harbour rules for gains on disposal of equity investments to gains on disposal of IP would provide certainty to taxpayers who are looking to develop IP in (or import them into) Singapore.	To extend the safe harbour rules to gains on disposal of IP.

(B) Business Costs and How to Contain Them			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1.	Domestic withholding tax rate on interest income	Currently, the domestic withholding tax rate on interest, commission, fee or other payment in connection with any loan or indebtedness is 15%. The withholding tax rate applies when the income is not derived by the non-resident person through operations carried out in Singapore. Some local companies borrow from their US headquarters due to better interest rates or for other business reasons. As there is no tax treaty between Singapore and US, the withholding tax would be at 15%.	We propose to reduce the domestic withholding tax on interest to 10%, in line with the decreasing corporate tax rates over the years.
2.	Withholding tax (WHT) on rental payments	Currently, rental payments to non-residents are subject to WHT of 15% regardless of whether the movable property is used in Singapore. The tax of 15% is applied on the gross rental payment.	Similar to technical service fees, only rental payments in respect of movable property used in Singapore will be subject to WHT. Also, given that the prevailing corporate tax rate is 17% and this is applied on net income, suggest a reduced WHT rate for gross rental income.
			Although technically this is the liability of the non-resident, in many cases the liability is borne by the payer.
3.	Expenditure cap for Section 14Q deduction	Currently, the amount of renovation and refurbishment (R&R) costs that qualify for tax deduction as a business expense is capped at S$300,000 for every relevant three-year	We propose to increase the expenditure cap to S$600,000 for every relevant three-year period.

		period, starting from the year in which the R&R costs are incurred. R&R costs in excess of the S$300,000 are not allowed capital allowances and tax deduction. Due to the ever increasing costs in doing businesses, vendors are also charging higher prices for R&R works and hence, the expenditure cap of S$300,000 is easily reached. Especially for bigger companies with bigger offices and/or manufacturing facilities, substantial costs are required to be incurred in maintenance to ensure smooth running of businesses. However, due to the expenditure cap of S$300,000, substantial R&R costs in excess may be disregarded.	Alternatively, the Government can consider allowing refurbishment costs to be deducted in equal amounts over 5 years as these are costs necessarily incurred by the companies, similar to that for Hong Kong.
4.	Deduction for group insurance premiums	Currently, where employees are the beneficiaries of an insurance policy taken out by the employer, the insurance protection is a benefit-in-kind derived from employment and taxable. As a concession, group insurance (excluding group medical insurance) where employer has elected not to claim the tax deduction on the insurance premiums will not be taxed in the hands of the employees. Purchasing group insurance coverage for employees is a common practice for employers and this is clearly a staff-related cost to the employers. On the other hand, generally, the employees do not receive any tangible benefits from these insurance	We propose that the employers should be allowed a tax deduction for the insurance premiums as this is clearly a staff related cost which is necessary to be incurred for business. The benefits should remain not taxable to the employees regardless whether the employers claimed a tax deduction for the insurance premiums or not.

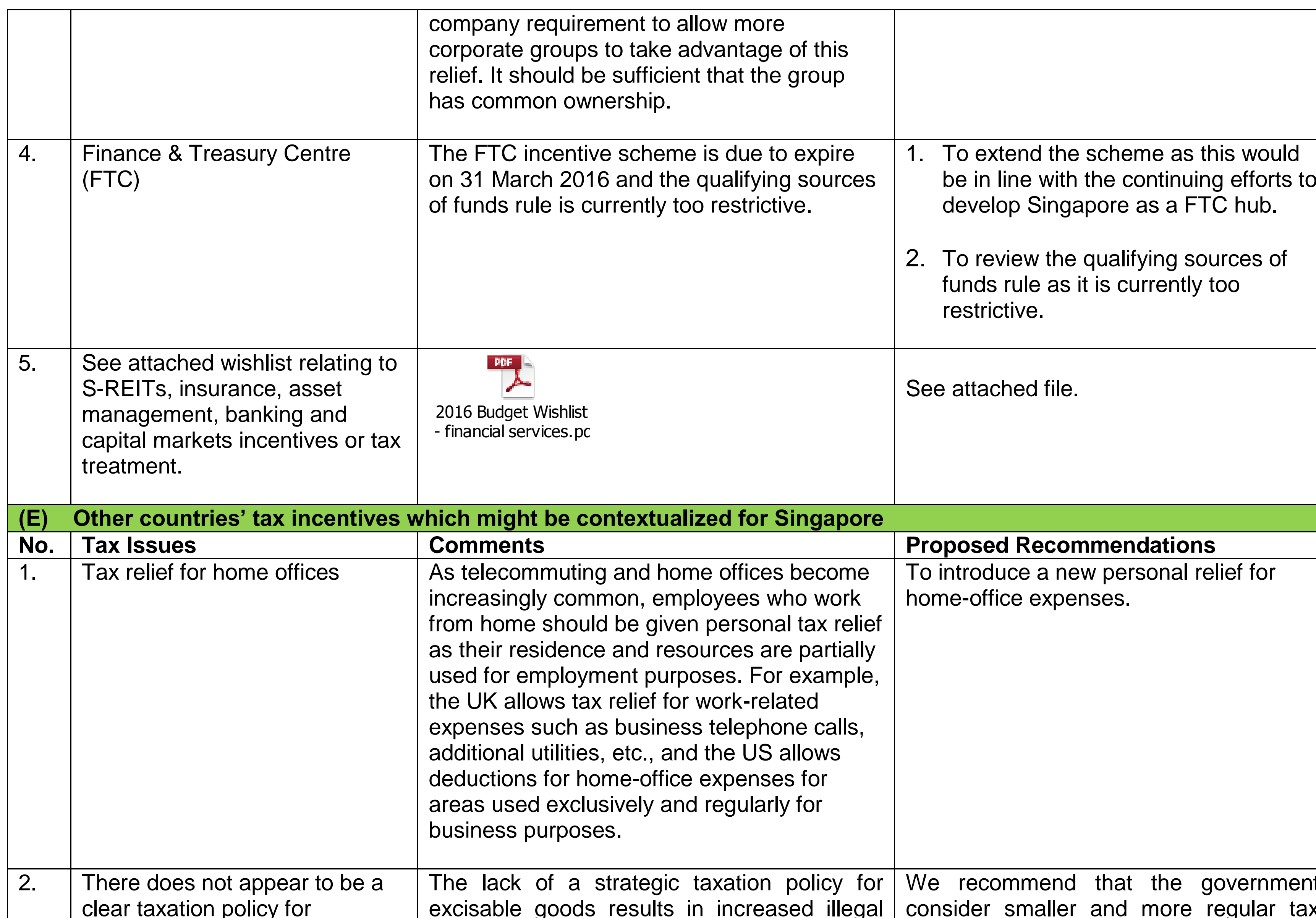
		policies unless some misfortunate events happen to them during the term of the employment. The deductible rules for corporate income tax and the taxability rules for personal income tax should be looked at separately.	
5.	Hefty foreign worker levy	High foreign worker levy results in higher operating cost which has to be passed on to end consumers. The impact is higher for retail sites which are traditionally more reliant on foreign labour (due to nature of service line jobs which have longer working hours and work shifts). This is also the fact that given the current manpower policy where supply of foreign worker is in control.	Lowering of foreign worker levy for selected industries which are more reliant on foreign workers (because local job seekers are not interested in working in these sectors).
6.	Cost of hiring older employees (versus efficiency to be reaped)	The aging population in Singapore and rising retirement age means there will be increased older employees in the workforce. However, companies may be reluctant to employ older staff as the perception is they will be less efficient and requires more medical insurance coverage.	Additional tax allowance on older employees (on wages or learning subsidies) to make it more attractive to hire them, especially in industries which face severe shortage in labour.
7.	Productivity & Innovation Scheme	Of the 6 qualifying activities, the “training of employees” and “acquisition & leasing of PIC IT and automation equipment” are the common expenses enjoyed by SMEs With increased concerns on global economic instability and tight labour market, businesses are concerned with increase in business operational costs. Government has emphasised the importance of skills	Training of employees – To consider increasing the cap of $10,000 for qualifying training expenditure incurred on in-house training **not** accredited by WDA or approved / certified by ITE.

No.	Tax Issues	Comments	Proposed Recommendations
		upgrading and continuous learning for professionals, managers and executives.	
Review of Existing Taxes and Incentives			
(C) Current Taxes/Rules which can be considered as Obsolete			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1.	Financial Sector Incentive – Fund Management (FSI-FM)	Currently, the FSI-FM scheme provides a concessionary tax rate of 10% on the fee income derived by a fund manager in Singapore from the provision of the following services: a. managing the funds for the purpose of designated investments; and b. providing the investment advisory services in respect of designated investments to qualifying funds (e.g. funds approved as Enhanced-Tier fund tax incentive scheme under Section 13X of the Income Tax Act "ITA" , funds approved under Section 13CA, 13R of the ITA). Currently, domestic loan provided by a qualifying fund (e.g. Enhanced-Tier fund) to its Singapore intermediate holding companies does not fall within the existing list of "designated investment" prescribed by MAS, notwithstanding that the loan would ultimately be used by the Singapore intermediate companies to fund overseas investments. Hence, the Singapore fund manager fee income attributable to managing of qualifying fund which extends domestic loan to its	Businesses generally prefer the use of interest-bearing or quasi-equity loans vis-à-vis equity as it is more flexible and allows ease of repayment of loans to meet other investment financing needs. The use of Singapore intermediate companies allows businesses to organize their business structure for planning and reporting efficiency, ring-fencing of legal & business risk and also allows the flexibility/options to exit an investment at a preferred regulated jurisdiction negotiated by buyer & seller. If businesses are able to demonstrate that the domestic loan provided by the qualifying fund is meant to ultimately fund an overseas investment, members would appreciate MOF's kind consideration to allow such domestic loan to qualify as "designated investment" and the fund manager fee income attributable to managing of fund which has such domestic loan (meant to fund an overseas investment) be taxed at the concessionary tax rate of 10%.

		Singapore intermediate holding companies for funding overseas investments would be taxed at the standard corporate tax rate of 17% instead of the concessionary tax rate of 10%.	
2.	Enhanced-Tier Fund (ETF) Tax Incentive Scheme	Currently, domestic loan provided by a qualifying fund (e.g. Section 13X, 13CA and 13R of the ITA) to its Singapore intermediate holding companies does not fall within the existing list of “designated investment” prescribed by MAS, notwithstanding that the loan would ultimately be used by the Singapore intermediate companies to fund overseas investments. Hence, the interest income arising from the domestic loan would be subject to standard corporate tax rate at 17% instead of being tax exempt which is the case if the qualifying fund extends interest-bearing loans directly to overseas companies.	Businesses generally prefer the use of interest-bearing or quasi-equity loans vis-à-vis equity as it is more flexible and allows ease of repayment of loans to meet other investment financing needs. The use of Singapore intermediate companies allows businesses to organize their business structure for planning and reporting efficiency, ring-fencing of legal & business risk and also allows the flexibility/options to exit an investment at a preferred regulated jurisdiction negotiated by buyer and seller. If businesses are able to demonstrate that the domestic loan provided by the qualifying fund is meant to ultimately fund an overseas investment, members would appreciate MOF’s kind consideration to allow such domestic loan to qualify as “designated investment” and the interest income arising from the provision of domestic interest-bearing loans to such Singapore intermediate companies (which use the loans to fund overseas investments) be exempt from Singapore income tax.
3.	**R&D measures**. While the R&D	In large companies where organizational set	It is proposed that the R&D claim form be

	measures are good initiatives, the list of conditions attached to claiming a tax deduction on the R&D expenditure is complex and onerous which dampen the interest of businesses in submitting such claims.	ups are complex and R&D is typically undertaken under cost sharing arrangements, significant resources would be required to collate the requisite project details. Where the R&D work is outsourced to a R&D organization (including cost sharing arrangements), a R&D claim form is required to be submitted. One of the requirements of the form is to furnish the individual R&D projects, including start and end dates as well as declaration that any IP generated from the R&D is/ will be commercialized by the company. R&D carries a high degree of risk and may not result in the eventual registration of an IP. In addition, where R&D is undertaken under a cost sharing arrangement, the costs could be shared via a series of allocation keys and there may be indirect sharing in IPs that the company may not eventually own or commercialize. Further, significant resources are required to provide a breakdown and to certify the R&D costs leading to the creation of unnecessary compliance burden.	further simplified and the requirement for detailed declaration of all individual projects and related IP be removed/ simplified (e.g. to accept samples of projects). A de minimis threshold if considered to simplify administrative compliance burden for taxpayers could be pegged to a certain percentage (%) of the enterprise's revenue (as materiality is a relative measure).
4.	Capital allowances claim	IRAS tends to view what constitutes as a plant & machinery for capital allowances claim very narrowly, in particular, expenditure on structural items.	Tax rules and interpretation should keep in pace the business development and also references to be drawn from other jurisdictions' development.

(D) Review of Existing Tax Incentives			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1.	Safe-harbour rule equity investment	The safe-harbour rule for gains from disposals of equity investments will be expiring on 31 May 2017 (Section 13Z of ITA). The safe-harbour rule helps to provide certainty of non-taxation of gain on disposal of investment and make Singapore an attractive location to hold investments.	It is proposed to remove the sunset clause.
2.	Sections 37C (14) and (15) of Income Tax Act (Cap. 134)	Group relief for Singapore companies under Section 37C does not regard investment allowances granted under Part X, Section 67 of the Economic Expansion Incentives (Relief from Income Tax) Act (EEIA), as being qualifying deductions available for transfer to a Group company. Although investment allowances are granted to a taxpayer via a tax incentive scheme, they are essentially a further capital allowance awarded on certain fixed capital expenditure or equipment which the Government seeks to encourage. Hence, similar to capital allowances, investment allowances should be included as qualifying deductions available for transfer to a Group company under section 37C.	It is proposed that investment allowances granted under the EEIA be defined as "qualifying deductions" under Section 37C (14). Furthermore, such a company should not be excluded (under Section 37C (15)) from the ability to transfer such allowances.
3.	Liberalize the group relief system	The group relief system, where the losses of a company within the group can be set off against the profits of another, should be liberalized by removing the Singapore holding	To extend the group relief system to corporates or non-corporates within a group with common ownership.

		company requirement to allow more corporate groups to take advantage of this relief. It should be sufficient that the group has common ownership.	
4.	Finance & Treasury Centre (FTC)	The FTC incentive scheme is due to expire on 31 March 2016 and the qualifying sources of funds rule is currently too restrictive.	1. To extend the scheme as this would be in line with the continuing efforts to develop Singapore as a FTC hub. 2. To review the qualifying sources of funds rule as it is currently too restrictive.
5.	See attached wishlist relating to S-REITs, insurance, asset management, banking and capital markets incentives or tax treatment.		See attached file.
(E)	**Other countries' tax incentives which might be contextualized for Singapore**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1.	Tax relief for home offices	As telecommuting and home offices become increasingly common, employees who work from home should be given personal tax relief as their residence and resources are partially used for employment purposes. For example, the UK allows tax relief for work-related expenses such as business telephone calls, additional utilities, etc., and the US allows deductions for home-office expenses for areas used exclusively and regularly for business purposes.	To introduce a new personal relief for home-office expenses.
2.	There does not appear to be a clear taxation policy for	The lack of a strategic taxation policy for excisable goods results in increased illegal	We recommend that the government consider smaller and more regular tax

	excisable goods. This is necessary to balance the public health interest with that of government revenue. It would also provide the industry with a predictable tax / regulatory environment and help combat smuggling of such goods, including the costs of enforcement.	activity in the form of smuggling and increased costs to enforce the law. There is little or no benefit to public health. This is particularly the case when taxes are raised steeply after a period of low or zero tax increases. Unpredictable tax increases usually result in consumers buying cheaper products including smuggled products. For example, tax changes on excisable consumer goods such as, but not limited to, tobacco products are suddenly announced on Budget Day to take immediate effect. The most recent example is in Budget 2014, where Tobacco and alcohol taxes were increased by 10% and 25% respectively. This changed the market dynamics and disrupted competition mechanisms. For example, consumers bought cheaper products including smuggled goods.	increases to achieve its public health and revenue goals. This would allow more predictability for the industry and help reduce the demand for smuggled goods. It might also help reduce the costs of law enforcement. Perhaps a 5 year taxation model subject to annual review might be considered where the government announces that for the next 5 years, taxation on tobacco and other excisable consumer goods would increase by X per cent. This could be pegged to an objective benchmark such as inflation. This would be consistent with the practices in other jurisdictions such as, but not limited to, Australia, Germany, Norway and U.K.
Trade and Taxation			
(F)	**Cross border issues**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1.	Obtaining a Certificate of Residence	Currently, the IRAS requires taxpayers to commit that foreign sourced will be remitted into Singapore in order for a Company to be eligible for a Certificate of Residence. Various Singapore tax treaties, for example Israel and UK, have been amended to remove the requirement that the income would need to be remitted in order to obtain treaty benefits.	The IRAS removes the requirement in the Certificate of Residence application form.

2.	Unilateral tax relief	Unilateral tax relief for overseas income is not available where there is an existing tax treaty.	To consider allowing unilateral tax relief to apply regardless of whether there is a treaty.
3.	Information on Agreements for Avoidance of Double Taxation (DTAs)	The Singapore Government continues to expand Singapore treaty network to reinforce Singapore's position as leading business location. Information on DTA negotiations prior to signing of DTAs are provided by authorities in other jurisdictions, but not provided by Singapore.	To avoid putting Singapore taxpayers in a disadvantaged position, going forward, IRAS may synchronise the disclosure of such information with the other jurisdiction.
4.	Application of Section 13(8) exemption	Portfolio investors face difficulty getting documentary support that income out of which foreign dividends are paid has been subjected to tax especially when the investee company is a holding company belonging to a listed group where only consolidated financial statement is available.	So long as the consolidated financial statement shows current tax paid, to accept the "subject to tax" condition is met.
General Tax Regimes			
(G) GST			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1.	Exempting the supply of brokerage services and services for the arranging for sale of life policies	The provision, transfer of ownership, of a life insurance contract is exempt from GST under paragraph 1(l) of Part I of the Fourth Schedule to the GST Act but this exemption is not extended to brokerage services and services of arranging for sale of life policies. As the provision of life insurance is an exempt supply, insurance companies cannot register for GST. Hence, customers are not charged GST on policies.	The services of an insurance intermediary should be exempt from GST. This treatment is currently followed by the HMRC in the UK in their VAT legislation. Australia and New Zealand charge GST.

		Therefore, in practice, the intermediaries are required to bear 7% gross taxation on the commission fees received.	
2.	Currently, a simplified tax invoice is allowed to be issued if the total amount including GST is not more than $1,000.	The threshold of $1,000 has not been changed since GST was introduced in 1994. Since then, the value of goods and services have increased and hence, many transactions are no longer able to enjoy the administrative convenience where only a simplified tax invoice is required to support input tax claims.	While the IRAS has administratively allowed GST on entertainment expenses relating to food and drinks to be claimed based on a simplified tax invoice regardless of the value, our recommendation is to increase the dollar value from $1,000 to say $2,500, to allow more transactions to come within the requirement for a simplified tax invoice to be issued.
3.	Currently, under paragraph 1(3) of the First Schedule to the GST Act, a person will not have a GST registration liability under para 1(1)(a) if the Comptroller is satisfied that his taxable supplies in the next 4 quarters will not exceed S$1 million.	There are situations where a company may, through a significant contract win, make supplies in one year that exceed $1 million but thereafter, do not make further taxable supplies or make supplies that do not exceed $1 million. The company will be liable to register for GST under para 1(1)(b) [instead of para 1(1)(a)], which states, "…if there are reasonable grounds for believing that the total value of his taxable supplies… will exceed $1 million" (assuming that the contract win is for a project that exceeds $1 million in value). Had the company been liable for registration under para 1(1)(a), it will not have to register for GST pursuant to para 1(3). However, as it is liable for GST registration under para 1(1)(b), technically, it would have to register	The MOF to consider changing the law to make it clear that a company that is liable for GST registration under 1(1)(b) should be allowed to decide not to register if it believes that the supplies that exceed $1 million is a one–off event that will not be repeated in the subsequent 12 months. This is similar to paragraph 1(5) where it is left to the business to disregard the supplies of goods or services that are capital assets of the business in determining the value of a person's supplies for the purpose of GST registration under paragraph 1 (or 2) of the First Schedule to the GST Act.

		for GST first and then apply to be de-registered from GST thereafter.	
(H)	**Personal Income Tax**		
No.	**Tax Issues**	**Proposed Recommendations**	**Proposed Recommendations**
1.	Foreign Maid Levy (FML) Relief	Currently, FML Relief is given to encourage married women to stay in the workforce. Married women and divorcees/widows with school going children may claim relief for foreign domestic worker levy paid in the previous year. Singles and married men are not eligible for this relief.	Members also request MOF to consider having FML Relief for children (regardless of marital status and gender) who employs foreign domestic worker to assist in the care of their parents/parents-in-law so that they are able to stay in the workforce and have a greater peace of mind knowing that while they are at work, someone is at home looking after their elderly. The FML Relief would help in defraying the overall costs associated in caring for the elderly.
2.	Qualifying Child Relief	Currently, single working women with children (whether biological or legally adopted) are not given many of the reliefs that married, divorced or widowed women are entitled to. Examples are the parenthood tax rebates, working mother's child reliefs, etc.	The government has publicly stated many times that Singapore must be an inclusive society and has recognized the difficulties of single women with children. To alleviate the costs of bringing up children (who are Singapore citizens) for single working women, members propose that all current qualifying child reliefs granted to married, divorced and widowed women similarly be granted to single working women with children (whether biological or legally adopted).
3.	Tax breaks/ allowances catering to senior care	The trend of aging population in Singapore is fast growing. Tax breaks/ benefits have so far been catered to parents with young children.	Tax breaks/ allowances catering to senior care. Senior care leave allowances would also be helpful.

		Support for adult children to care for their aged parents would provide relief for these adult children to be able to better provide for their aged parents.	
4.	Tax breaks/ allowances for supporting NS enlistment	The child relief stops as soon as the child is enlisted for NS. At this time, one of the parent may either be retrenched/sick/retired, which will impact the household income and yet the other working parent will also suffer a higher tax charge due to lesser tax relief.	Tax relief for child in NS should be stepped down in stages or NS man allowance for working parents be increased. When the child is in NS, the parents are serving the nation by supporting him too. Parents actively participate in NS programs also.
5.	Not Ordinarily Resident scheme	Businesses need to have the right talent in order to innovate and expand. In order to help attract the right talent to Singapore, the government could consider reviewing the effectiveness of the Not Ordinarily Resident (NOR) scheme. The five-year sunset clause for the NOR scheme should be removed. This will help Singapore businesses retain senior talent and build towards long-term stability. The current rules really only benefit foreign nationals during their first few years in Singapore. Given the increased mobility of Singaporeans, the requirement to be non-resident for three years in order to qualify for NOR status could be removed to widen the applicability of the scheme to include Singaporeans. The exemption on employer contributions to	1. To remove the five-year sunset clause. 2. To remove the qualifying condition on the need to be a non-resident in the preceding three consecutive YAs. 3. To remove the exemption on employer contributions to non-mandatory overseas pension plans. 4. To reduce the number of days spent overseas for business to 60 days from 90 days.

		non-mandatory overseas pension plans could also be removed. The tax relief available is very small, the qualifying conditions require companies to give up corporate tax deductions in order to provide employees with the tax benefit (which rarely happens in practice), adds further complexity, making it difficult for employers to understand. The requirement that the employee spends at least 90 days overseas for business is too onerous. This should be reduced to 60 days. This would make us more competitive with Hong Kong, where there is no minimum day limit for their time apportionment concession.	
6.	Not Ordinarily Resident Scheme	In practice, taxpayers who do not apply for the NOR Scheme within the stipulated time frame are not eligible to take the benefit of the NOR Scheme.	Taxpayer should be able to submit any NOR scheme application within the statute of limitations for a given Year of Assessment.
7.	Planning for retirement and healthcare needs	The government could consider enhancing the schemes that are currently available in the market to boost the adequacy of retirement savings. For example: • Create an environment for alternative private pension schemes by simplifying retirement planning by aligning the Supplementary Retirement Scheme (SRS) and section 5 pension schemes to allow tax deductible employee contributions into section 5 plans, allow employer to claim deduction on contributions which are not taxable on the	1. To allow tax deductible employee contributions into section 5 plans. 2. To allow a 50% tax exemption for withdrawals. 3. To allow employers to claim deduction on contributions to these schemes. 4. Qualifying conditions for section 5 plans should be made transparent to increase the take-up rate for those plans. 5. Enhance the SRS scheme to encourage more Singaporeans to contribute to the scheme by removing

		individual, or a 50% tax exemption for withdrawals could be allowed.	the contribution cap or introducing an enhanced deduction for SRS contributions.
8.	Taxation of gains from employee share plans	Most countries tax authorities follow the OECD's guidance on sourcing of share-based reward in cross-border situations, i.e. that stock options (and other stock-related awards) should be sourced based on the number of days an individual has spent working in each country during the vesting period. However Singapore does not follow the global norm in this respect. Singapore tax legislation currently defines the country of source of an employee's right to acquire shares based on whether the right or benefit to acquire shares is granted in respect of employment exercised in Singapore. Shares granted to an individual whilst working in Singapore which vest after he has been transferred to an overseas entity will still be considered fully taxable in Singapore, either under sections 10(6) or 10(7). As Singapore’s basis of taxation is not aligned to the OECD Model Tax Convention’s recommended approach, this may give rise to double taxation.	Sections 10(6) and 10(7) should be amended in line with the OECD Model Tax Convention’s basis of taxation, where sourcing of share-based reward in cross-border situations should be sourced based on the number of days an individual has spent working in each country during the vesting period and not the full year in the year the individual has been transferred to an overseas entity.
9.	Attracting talent	To promote entrepreneurship, consider reintroducing an incentive for employee share option and stock award schemes (similar to the employee equity-based remuneration incentive scheme for SMEs and start-ups that	Reintroduce the incentive for employee share option and stock award schemes (similar to the employee equity-based remuneration incentive scheme for SMEs and start-ups that was previously

		was previously available under sections 13J and 13M of the Income Tax Act). This could be restricted to employees of start-ups or SMEs.	available under sections 13J and 13M of the Income Tax Act).
10.	Personal relief	Individual tax relief for life insurance should also be de-linked from CPF relief to encourage individuals to take up these policies.	To de-link individual tax relief for life insurance from CPF relief.
11.	Helping lower earners	The lowest two individual tax bands could be abolished (i.e. do away with the 2% on income from $20,000 to $30,000 and the 3.5% on income from the $30,000 to $40,000 slabs. This would have the greatest beneficial impact on lowest earners so would be in line with the Ministry of Finance's (MOF's) high-level objective to increase the progressiveness of the tax system. It would also help reduce the administration in tax filing for this segment of the population. Alternatively, Channeling the surplus into more Goods and Services Tax (GST) rebates and offsets for lower earners would make the tax structure more progressive.	1. To remove the two lowest tax bands for individuals, i.e. the 2% and 3.5% tax bands. 2. To channel the savings from administration costs arising from the removal of the two income bands into more Goods and Services Tax (GST) rebates and offsets for the lower earners.
(I)	**Tax administration efile enhancement as company goes global**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1.	Tax queries	Currently, all queries with the IRAS are carried out through written correspondence. Letters can and do get lost which can delay the query process. Email is currently an informal process that the IRAS use as an alternative.	The IRAS should allow tax agents and taxpayers to correspond with the IRAS through an e-portal mechanism to speed up the query review process.

2.	Efile for corporate tax/WHT/GST filing requires IRAS Pin for overseas preparer	Companies outsource their corporate tax/WHT/GST filing overseas to keep business cost down. Currently the hardcopy of IRAS Pin for foreigners can only be mailed.	To enhance the process of resetting IRAS Pin via secure online process instead of mailing as the IRAS Pin mailer is perpetually lost in transit in a large foreign country. This will cut down manpower cost for IRAS and company.
3.	Retain superseded copies of IRAS e-tax guides	The current practice of the IRAS is to delete superseded versions of e-tax guides upon issuance of a new version. Occasionally, certain e-tax guides are also deleted from the IRAS repository, presumably because they are outdated or no longer represent the view of the tax authority.	Instead of deleting superseded or outdated e-tax guides, the IRAS should consider retaining such guides (albeit with prominent indications of their status as superseded / outdated). Amongst others, taxpayers and tax practitioners alike would find it useful to trace the evolution of how the ITA is interpreted. ‘Older’ e-tax guides may also aid in understanding why certain tax filing positions / basis are adopted at a point in time.