Singapore International Chamber of Commerce

The voice of international business in Singapore

Singapore Budget 2017 – Wish List

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Taxation affecting Businesses			
(A) Making Singapore's Taxation Regime More Business Friendly			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1.	Sections 12(7) and 12(7A) of Income Tax Act (Cap. 134)	Under Section 12(7), certain types of income (i.e. royalties, technical service fees, management service fees, payment for rental of movable property) are deemed to be derived from Singapore, thus are subjected to withholding tax where such payments are made to non-residents. Section 12(7A) covers scenarios where withholding tax would not be applicable. Under Section 12(7A), where technical and management service are performed outside Singapore, withholding tax would not be applicable on such payments. In view of the abovementioned, payments of royalties and rental to non-residents are always subject to withholding tax regardless of whether the movable property is used in Singapore. Although the nature of the income prescribed under Section 12(7) is not entirely the same, the rationale for subjecting income to withholding tax should not differ.	It is proposed that Section 12(7A) be expanded; the withholding treatment for payment of rental and royalties follow that of technical and management service fees i.e. withholding tax should only applicable where the movable property is used in Singapore. In certain commercial transactions, rental of movable property can be seen as peripheral services rendered to an underlying trade transaction (for example, in the past, charter fees can be seen in the light of services being rendered as part of a product trading transaction).

2.	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. However, with a rapidly greying population and increasing medical costs, the above tax deduction cap should be revised upwards to ensure companies are not penalized for providing better medical coverage for employees. In line with the Government's call to encourage employment of older workers, tax policies should be tweaked to help companies provide better medical coverage for all employees.	It is proposed that the current cap on tax deduction of medical expenses be doubled up to either 2% or 4%.
(B)	**Enhancing Singapore's R&D Taxation Regime to Encourage More R&D Activities**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1.	Lack of certainty over R&D tax claims status	R&D tax claims could take up to 4 years or more before arriving at its assessment outcome. As a result, taxpayers do not have visibility or certainty over the outcome of their R&D tax claims.	Improve existing assessment procedure to reduce time required and provide greater certainty and clarity over R&D claims.
2.	Excessively detailed information and evidentiary documentations required to support R&D tax claims	Taxpayer conducts self-assessment to determine if the R&D activities qualifies for tax purposes. From the administration perspective, taxpayers are expected to produce numerous detailed R&D documentations for evidentiary	Reduce R&D assessment period. Increased willingness to meet with taxpayers (technical and finance team) alongside tax agents to facilitate discussion and exchange of information,

		support. More frequently than not, such R&D documents are commercially confidential and sensitive. Some companies may not maintain such detailed documentations, or no longer possess such documentations due to the passing of time or attrition.	and a more efficient & expeditious assessment process.
3.	Lack of technical knowledge or understanding in applied R&D practice in businesses	Officers assessing on R&D tax claims lack technical knowledge, and industrial practice and experience.	Detach technical assessment from financial assessment; consider setting up a separate dedicated, independent team (with the requisite technical/industry experience) or government agency to assist with the assessment of R&D claims. In addition, current processes involving the “escalation” of claims to the Technical Advisory Panel is very long-drawn and not transparent.
4.	Narrow interpretation of R&D definition and qualifying R&D activities	The R&D regime is intended to be broad-based and self-assessed to encourage undertaking of R&D in Singapore. However, practical interpretation of R&D definition has proven to be narrow. Administratively, taxpayers are required to furnish numerous evidentiary documentation in addition to the primary documents (i.e. R&D expenditure schedule and technical reports). This has resulted in immense effort in filing for R&D tax claim, leading to reduction, or sometimes losses, in overall tax benefits.	Assessment processes to adopt a broader interpretation of R&D definition in-line with other R&D regimes globally and regionally.

5.	Centralised hiring arrangement not recognized as staff cost under R&D tax claims	One of the common business practice is centralized hiring arrangement. Under the centralized hiring arrangement, the R&D employees are employed by a related entity (usually the parent company), and 'seconded' to the R&D entity (i.e. the taxpayer) to perform R&D activities. The related staff costs are then recharged from the hiring entity back to the taxpayer. Notwithstanding the R&D eligibility criteria, recharging of staff costs under centralizing hiring arrangement is not recognized as qualifying "staff costs" under R&D tax claims.	Centralized hiring arrangement due to bona fide commercial reasons, and the staff costs recharged to tax paying entity for employees performing qualifying R&D activities should be granted R&D tax claims – similar to the PIC Training.
6.	Research Tax Credit	Current available enhanced tax deductions are tagged to Singapore's corporate tax rate. This does not benefit (or is less attractive to) companies that are enjoying a lower tax rate (due to other tax incentives) although they might be undertaking qualifying R&D activities.	As part of efforts to evolve Singapore's R&D tax regime upon expiry of the PIC scheme, an R&D tax credit would maintain Singapore's competitiveness as an IP hub and location for companies to house their R&D functions. An R&D tax credit calculated based on R&D expenses would decouple the regime from Singapore's tax rate and encourage increased spending in qualifying R&D expenses/activities. The R&D tax credit would not disadvantage organizations that are undertaking R&D but are enjoying a reduced tax rate (Pioneer incentive, etc.)

			A multi-tiered R&D tax credit can also be introduced to benefit SMEs or organizations with lower revenue.
(C)	**Business Costs and How to Contain Them**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1.	Enhanced loss carry-back relief	Existing loss carry-back relief is capped at S$100,000 and can only be carried back to the immediate preceding YA. This amount looks inadequate given that businesses, particularly SMEs, are still facing challenges in restructuring their business model to include greater automation and measures to reduce reliance on labour and hence may incur losses in the short term. In addition, it should be noted that the adoption in 1 January 2018 of the new accounting standard for revenue recognition, FRS 115, would in certain instances result in, for tax purposes, mismatches of taxable income and deductible expenses.	Consider: - 1. Enhance the cap for loss carry-back relief to S$300,000 for the assessment years 2017 to 2018, with a view to reviewing the situation in YA 2018 in line with the expiry of the PIC incentive; and 2. Allow losses to be carried back to at least two back years with a view to mitigating unintended adverse tax impact if the tax treatment is to be aligned with accounting (generally) upon implementation of FRS 115
2.	Foreign tax credit scheme	Currently, any excess foreign tax credit is not available for carry forward, regardless of whether the foreign tax credit is pooled or otherwise.	The foreign tax credit scheme should be tweaked to allow excess credits to be: 1. carried forward for offset against future Singapore tax payable on foreign-sourced income; 2. carried back for offset against foreign-sourced income taxed in the immediate preceding year

			This is to encourage companies to continue deriving foreign income in order to utilise the excess foreign tax credit.
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 Singapore Government's goal to harness our Infocomm Industry to value-add our economy and society, tax policies should be attuned to this goal to encourage business expenditure fundamental to Infocomm infrastructure.	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.
4.	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 harbor 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 harbor rules to gains on disposal of IP.

5.	Allowing tax incentives to be granted to Limited Liability Partnerships.	Under Singapore's Limited Liability Partnership Act, a Singapore Limited Liability Partnership (LLP) is a valid Business Structure in Singapore. Currently, tax incentives are only granted to Singapore registered/incorporated companies and not LLPs, even in cases where there are valid commercial reasons leading to the establishment of LLPs.	In today's environment LLP structures are very common, as it provides flexibility to the partners in doing business. This flexibility could be in the form of funding for the project, each individual partner lifting their own share of products and conducting separate marketing, etc. From Singapore's perspective, allowing LLPs to apply for tax incentives under the EEIA would create a new avenue for the Government. This could be conditional on the LLPs fulfilling the Government's incentive criteria. The current wordings of the EEIA does not qualify LLPs to apply for Tax incentive. Members would like to urge the Government to expand the definition of business structures eligible for the application of tax incentives under the EEIA.
6.	New transfer pricing rules and documentation requirements	Expensive to comply due to need for expert knowledge and lack of experience, particularly amongst SMEs. Existing transfer pricing guidelines provide certain exemptions from the more onerous Group and Entity levels documentation requirements - see para 6.19 of the Guideline accessible at https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/etaxguide_CIT_Transfer%20Pric	The Government is encouraged to grant greater compliance relief to Singapore SMEs or give greater clarity to SME taxpayers by way of a more generous SME exemption (and/or by simplifying other processes) defined by turnover or headcount such as the example below from South Korea. **Example** In order to enable smaller companies to be able to access the benefits of an

		ing%20Guidelines_3rd.pdf However, these exemptions, particularly those relating to overseas cross border transactions, tend to have dollar limits by transaction types e.g. 15m for goods or loans, 1m for services/royalties/rental. One consequence is that an SME that may transact below 15m in goods say but may fall afoul of the 1m for one of the other categories and still be required to put in place the more complete set of documentation.	Advanced Pricing Agreements (APA), the Korean National Tax Service (KNTS) plans to introduce a simplified APA process in 2015 for smaller companies, defined as those with less than KRW 50 billion in revenue (approx. SGD 60m), by limiting the amount of taxpayer information required to submit an APA application and shortening the application review period to one year. Following a pre-filing meeting with the KNTS, the taxpayer will only be required to submit a limited amount of information on its business operations in Korea, structure of transactions with overseas affiliates and so on. This simplified APA program will only be applicable for unilateral APA requests, and will initially only be made available to companies engaged in wholesale/retail, services or manufacturing activities (which covers around 76% of small and medium sized foreign companies operating in Korea Source: http://www.quanteraglobal.com/wp-content/uploads/2016/06/QG_Transfer-pricing-in-Korea_08January2016.pdf
Review of Existing Taxes and Incentives			
(D) Current Taxes/Rules which can be considered as Obsolete			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1.	Incentives under the purview of IE Singapore	The International Growth Scheme that supports Singapore companies to expand	MOF and MTI are urged to consider redefining 'Singapore' companies to

		overseas to create economic spin-offs for the country and the newly announced Automation Support Package (this would help now that the PIC will be withdrawn after 2017) are not made available to some group companies which are no longer considered by IE to be 'Singapore' companies. This is similar to the M&A Scheme where foreign ownership of a company or group of companies renders these companies 'foreign'. It follows that these 'foreign' companies would not be eligible for IE incentives and schemes that are meant for domestically owned entities. This is despite the fact that the 'foreign' companies are still tax resident in Singapore.	encompass entities that are tax resident in Singapore.
2.	Carry forward of Unutilized Donations	Currently, any unutilized donation may be carried forward for a period of up to 5 years to offset income for the subsequent Year of Assessment. This is dependent on the fact that there are no substantial changes in the company's shareholders.	Members propose removing the 5-year limit so that any unutilised donation may be carried forward to offset income for the subsequent Year of Assessment, as long as there have been no substantial changes in the company's shareholders.
3.	Enhance the Double Tax Deduction ("DTD") for Internationalisation scheme	1. Section 14KA(1)(a) requires that salary expenditure for its employees posted to an overseas establishment be incurred by the Singapore firm or company. We understand that the objective of this incentive scheme is to provide support to businesses looking to expand overseas through deploying their Singaporean employees abroad. These overseas	1. The following changes are recommended: a. Instead of requiring salary expenditure be incurred by the Singapore firm's or company's employee, the criterion to be met should be that the individual must be an employee of the company prior to the secondment.

		postings are usually done by way of secondment to the overseas establishment, in order to avoid creating an overseas permanent establishment ("PE") exposure for the Singapore firm or company. There are also immigration, personal tax and other considerations which warrant a secondment arrangement. This gives rise to the following issues: a. For the duration of the overseas posting, the employee will cease to be an employee of the Singapore firm or company. Therefore, instead of requiring that the salary expenditure be incurred by the Singapore firm's or company's employee, the criterion to be met should be that the individual must be an employee of the company prior to the secondment. b. As part of the secondment arrangement, the employee's salary would typically be borne (wholly or partially) by the overseas establishment, although the Singapore firm or company may assist in processing the payment. 2. Section 14KA (15) defines "salary expenditure" to be any expenditure comprising wages and salary for the employee, but excluding any bonus, commission, gratuity, leave pay,	Alternatively, a bond requiring the individual to return to work for the Singapore firm or company could be implemented. b. Clarify if DTD is available in the following scenarios: • where the employee's salary expenditure which is borne by the overseas establishment (which may or may not claim a deduction for the expenditure) and recharged to the Singapore firm or company with a mark-up for transfer pricing reasons. • where the overseas establishment does not charge a service fee, but is taxed on a deemed service fee (i.e. a mark-up on the salary expenditure) under domestic tax rules. 2. The definition in Section 14KA (15) should be expanded to include all cash and non-cash remuneration. 3. Suggest using "territory outside Singapore" to be consistent with section 50A.

		perquisite, allowance, or any other prescribed payment (whether in cash or kind). 3. Use of the term "country outside Singapore".	
4.	Putting in place a model to ensure that the tobacco excise revenue keeps pace with the economy.	The Singapore Government uses taxation to raise revenues to finance Singapore's Future Economy restructuring, as well as to fund its increased social spending. In the case of tobacco excise, approximately S$1.2 billion in tobacco excise revenue was collected in FY15, accounting for about 2.2% of Singapore's revenue. Systematic, regular and moderate tobacco tax increases as a long term plan provides a stable revenue base for the Government to pursue many of its multi-year economic transformation programmes. It is also a best practice recommended by international institutions such as the International Monetary Fund (IMF) and the World Bank *("Ten Principles of Effective Tobacco Tax Policy")*. The stability in Government's revenue obtained from a systematic, regular and moderate model of tobacco tax increase need not come at the expense of the Government's tobacco control efforts. In contrast, when long periods of no change to tobacco tax is followed by a substantial one-off duty increase to keep pace with the economy, consumers may run the risk of switching to illicit products.	Put in place a long term tobacco tax policy (3 to 5 years) with systematic annual excise increases linked to indexation. Moderate and regular excise increases based on inflation, GDP growth or the consumer price; or indexation plus an escalator (e.g. inflation + 1%, CPI + 2%), can be effective in reducing the level of illicit trading in the market, helps to maintain the stability of the government's revenue base from tobacco, and support the overall government policy of achieving a steady decline in smoking rate. This approach of systematic increase in tobacco excise linked to an indexation would be consistent with practices in other jurisdictions such Germany, Norway and U.K.

(E) Review of Existing Tax Incentives			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1.	Financial Sector Incentive – Fund Management (FSI-FM)	Under the FSI-FM Scheme, fee income derived by a fund manager in Singapore from the management of funds for designated investments may be subject to a concessionary tax rate of 10% of the fee income attributable to such activities. "Designated investments" are defined to include, amongst others: Loans that are granted by the approved fund to any company incorporated outside Singapore which is neither resident in Singapore nor a permanent establishment in Singapore or any offshore trust, where no interest, commission, fee or other payment in respect of the loan is deductible against any income accruing in or derived from Singapore. Unless specifically excluded, all income and gains from "designated investments" will be considered "specified income". Hence, interest on loans extended by approved fund directly to non-Singapore resident borrowers generally qualify as "specified income" from "designated investments" and the interest income derived by the fund from extending such loan would be exempt from tax in Singapore. To ring fence/manage legal and business risks, approved fund may sometimes wish to establish a Singapore single-purpose	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. Members encourage MOF to further liberalise this rule and expand the scope of "designated investments" to allow approved funds to enjoy tax exemption on interest income derived from domestic loans granted to local Singapore SPCs. This could be conditional on businesses proving that the use of these loans are meant for funding overseas investments.

		company (SPC) where the Singapore SPC will then hold the overseas investment e.g. shares in overseas company. If approved fund who has the ETF tax incentive status grants interest-bearing loan to Singapore SPC and the Singapore SPC then extends the loan (back-to-back) to overseas company, the interest derived by the approved fund would not qualify as specified income from designated investment as the loan had been granted to a local Singapore company even though the loan was ultimately for overseas investments. Currently, domestic loans 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 investments” 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 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	Under the ETF Scheme, “specified income” derived in respect of “designated investments” is exempted from taxation in Singapore, subject to the fulfilment of certain prescribed conditions.	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

		Currently, domestic loans 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.	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 intended for the funding of overseas investments, members would appreciate MOF's kind consideration in allowing such domestic loans to qualify as a form of "designated investment" and the interest income arising from the provision of domestic interest-bearing loans to such Singapore intermediate companies (which would then use these loans to fund overseas investments) be exempt from Singapore income tax.
3.	Tax incentive schemes for Project Finance	The following package of tax incentive schemes for Project Finance will be expiring on 31 March 2017: a) Exemption of qualifying income from qualifying project debt securities; b) Exemption of foreign-sourced interest income from offshore qualifying infrastructure projects / assets received by approved entities listed on the Singapore Exchange (SGX);	It is proposed that the existing package of tax incentive schemes for Project Finance be extended beyond 31 March 2017. This would be in line with the Government's efforts to maintain Singapore's status as a leading regional financial hub.

		c) Remission of stamp duty payable on the instrument of transfer relating to qualifying infrastructure projects / assets to qualifying entities listed or to be listed on the SGX; and d) Concessionary tax rate of 10% on qualifying income derived by an approved Trustee Manager / Fund Manager from managing qualifying SGX-listed Business Trusts / Infrastructure funds in relation to qualifying offshore infrastructure projects / assets. The package of tax incentive schemes for Project Finance was first introduced in 2006 to encourage the growth of the project finance industry through Singapore's capital markets. This was in view of the need for infrastructure financing in the region. As emerging markets in Asia continue to require significant infrastructure development, the need for infrastructure financing will remain significant and the project finance industry in Asia is expected to continue growing. To maintain Singapore's attractiveness as a choice venue amongst infrastructure companies to raise capital and to allow investors more opportunities to fund such infrastructure projects through Singapore's capital markets, the above tax incentives for	

		Project Finance should continue to be made relevant.	
4.	Other Tax incentive schemes	Various tax incentive schemes will be expiring over the next two years. This attached list is compiled by Chamber members and is not exhaustive. Tax Incentive Schemes List 30 Sep	It is proposed that the various incentive schemes be considered for extension beyond the respective expiry dates.
5.	Land Intensification Allowance (LIA)	Based on EDB's guidelines, LIA incentive is targeted at promoting 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 of 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,	It is proposed that the LIA incentive be extended to the technology, infocomm and digital media industry and data centres. This would better complement Singapore's Smart Nation drive.

		infocomm and digital media industry and data centres.	
6.	**Blending activities** performed in Singapore are considered “local value added” activities under the Global Trader Programme (“GTP”). The “value added” amount is subject to tax at 17% (the full corporate tax rate).	Blending has become an increasingly integral part of an oil trader’s activity. Oil traders frequently blend components into finished grades in order to meet quality requirements and product specifications required by different markets due to environmental requirements. Given that blending is an essential part of a trader’s tool kit for products like fuel oil, mogas and, to a lesser extent distillates, Singapore blending margins should be allowed to qualify for the GTP concessionary tax rate. Further, blending in Singapore has significant economic benefits for Singapore’s tank farm industry. It is therefore counterintuitive for blending activities performed in Singapore to be excluded from the GTP incentive, while blending activities performed outside of Singapore qualify for the incentivized tax rate.	It is proposed that all blending margins, regardless of where the blending is performed, qualify for the GTP concessionary tax rate.
7.	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 qualifying deductions available for transfer to a Group company. Although investment allowances are granted to taxpayers via a tax incentive scheme, they	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.

		are essentially an additional capital allowance awarded on certain fixed capital expenditure or equipment which the Government seeks to encourage. Hence, as in the case of capital allowances, investment allowances should also be included as qualifying deductions available for transfer to a Group company under section 37C.	
(F) Other countries' tax incentives which might be contextualized for Singapore			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1.	Expiry of PIC scheme – R&D super deduction	While the PIC scheme is set to expire in the Year of Assessment 2018, enhanced deduction of additional 50% remains available for qualifying R&D activities under S14DA of the Income Tax Act. The total R&D deduction of 150% is no longer competitive in the region and globally.	To review and adjust Singapore's R&D tax policy and regime to remain competitive globally. *References:* *China – up to 150% super deduction* *India – up to 200% super deduction* *Malaysia – up to 200% super deduction* *UK – up to 230% super deduction* *Thailand – up to additional 200% deduction*
Trade and Taxation			
(G) 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 income be remitted into Singapore in order for a Company to be eligible for a Certificate of Residence.	The IRAS removes the requirement in the Certificate of Residence application form.

		Various Singapore tax treaties (Israel and UK) have been amended to remove the requirement that the income would need to be remitted in order to obtain treaty benefits.	
General Tax Regimes			
(H)	**GST**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1.	Input tax incurred in connection with the acquisition of shares is treated as directly attributable to a future exempt sale of shares and hence fully irrecoverable.	Potentially, GST incurred on professional fees such as due diligence fees, legal fees, etc, will not be recoverable unless the claimant is certain that the shares will be sold to an overseas party or via an overseas exchange.	To promote M&A activities in Singapore, we would propose to treat such input tax as residual rather than directly attributable to a future exempt sale of shares.
2.	Self-accounting of GST by listed REITs and their SPVs for Property Purchases	Under Section 38 of the GST Act, a buyer may account on behalf of the seller, the GST chargeable on prescribed supply of goods or services. Section 38(5)(c) of the GST Act defines "prescribed supply" in relation to goods or services, i.e. goods or services comprising in or relating to land or any interest in or right over land. For the purpose of Section 38, regulation 104A of the GST (General) Regulations provides that a prescribed supply is a taxable supply of immovable property made to a GST-registered listed REIT or a GST-registered Special Purpose Vehicle (SPV).	Members urge MOF to allow a GST-registered listed REIT and a GST-registered SPV to self-account on behalf of the seller, the GST chargeable on the prescribed supply in relation to a taxable supply of an interest or right over land. As the grant, assignment or surrender of any interest in or right over land of any licence to occupy land is regarded as a supply of goods for GST purposes, regulation 104A should extend to include a taxable supply of an interest or right over land made to a GST-registered listed REIT. Example A GST-registered listed REIT who owned a non-residential property decided to sell

			part of the interest in the land together with the property to its two sub-trusts (i.e. sub-trust A and sub-trust B). Unlike a typical sale of non-residential property to a GST-registered SPV where the SPV would be able to self-account for the GST payable on the purchase of non-residential property, it is unclear whether the same treatment can be applied to the sale of interest in the land to a GST-registered SPV.
3.	Exempting the supply of brokerage services and services for the arrangement of 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 for the arrangement of 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. Therefore, in practice, the intermediaries are required to bear 7% gross taxation on the commission fees received.	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.
4.	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 with the fact that his	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	The MOF is encouraged to consider changing the law to make it clear that a company that is liable for GST registration under 1(1)(b) be allowed to decide not to register if it believes that the supplies that exceed $1 million is a one–off event that

	taxable supplies in the next 4 quarters will not exceed S$1 million.	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 for GST first and then apply to be de-registered from GST thereafter.	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.
(I)	**Personal Income Tax**		
No.	**Tax Issues**	**Proposed Recommendations**	**Proposed Recommendations**
1.	Tax Treatment of Medical and Dental Care	Currently, reimbursement of medical and dental care/treatment by employers is 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 the family in caring for the elderly and has supported the call for children to care for their parents through the provision of schemes to train caregivers, providing caregiver support through home and community-based care services, extending emotional support through counselling, etc. To provide Singaporeans with greater support in caring for their elderly folks, members urge MOF to consider expanding the existing 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.
2.	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 propose that MOF consider extending FML Relief to taxpayers (regardless of marital status and gender) who employ foreign domestic worker as caretakers for their parents and parent-in-laws. The foreign domestic workers would be able 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 defray the overall costs associated with elderly care.
3.	Qualifying Child Relief	Currently, single working women with children (whether biological or legally adopted) are not eligible for many of the reliefs that married, divorced or widowed women are entitled to. Examples include the parenthood tax rebates, working mother's child reliefs, etc.	The government has reiterated on many occasions 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).
4.	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 only to parents with young	Tax breaks/ allowances to cater to elderly care. Elderly care leave allowances would also be helpful.

		children. 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.	Alternatively, to consider increasing parent / handicapped parent relief.
5.	Not Ordinarily Resident (“NOR”) Scheme	In practice, taxpayers who do not apply for the NOR Scheme within the stipulated time frame are not eligible for benefits under the NOR Scheme.	Taxpayers should be allowed to submit any NOR scheme application within the status of limitations for a given Year of Assessment.
6.	Deemed Exercise Rule	Under the Deemed Exercise Rule, a foreign employee is deemed to have obtained taxable gains from unexercised / restricted Employee Share Option Plan (ESOP) and unvested / restricted Employee Share Ownership Plans (ESOW) which he possesses at the time he ceases to work in Singapore with the company which granted him the ESOP or ESOW.	The Deemed Exercise Rule only applies to the portion of gains that have been vested in Singapore. (E.g. 3-year vesting period, only 1 year has been vested while in Singapore, only 1/3 of the gain is taxable in Singapore).
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, or a 50% tax exemption for withdrawals could be allowed. Similarly, the contribution caps for SRS scheme could be removed or enhanced deduction offered.	**Section 5 plans** 1. To allow tax deductible employee contributions into section 5 plans. 2. To allow a 50% tax exemption for withdrawals. 3. Qualifying conditions for section 5 plans should be made transparent to increase the take-up rate for those plans. **SRS scheme** 1. Enhance the SRS scheme to encourage more Singaporeans to contribute to the scheme by removing the contribution cap or introducing an

			enhanced deduction for SRS contributions.