Final

Singapore International Chamber of Commerce

The voice of international business in Singapore

Singapore Budget 2019

Chamber Members' Wish List

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SICC Budget Wish-List 2019

Singapore's Overall Tax Regime

Taxation affecting Businesses			
(A) Making Singapore's Taxation Regime More Business Friendly			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1	Writing-down allowances on acquiring Intellectual Property Rights (IPRs)	In recognition of the varying useful lives of IPRs, with effect from YA 2017, taxpayers can opt for writing-down periods to claim allowances over 5,10 or 15 years. Against the backdrop of rapid developments in technology and innovation, IP generally has shorter lifespan/ duration (i.e. approx. 2 to 3 years) To stay relevant, businesses need to continually evaluate and upgrade their technological capabilities and portfolio of IP.	To enhance Singapore's status as an IP Hub, the writing-down period for taxpayers to claim writing-down allowances should be reviewed. Technology IPs should be allowed accelerated writing-down allowances (i.e. such as 2-3 years) to align with the commercial reality of shorter technology lifespan.
2	Writing-down allowances on payment for Indefeasible Right of Use (IRU)	The current provision for writing-down allowances for IRU expenditure was introduced in 2003 to encourage telecommunications operators to provide international connectivity. Budget 2015 introduced a review date of 31 December 2020 to ensure that this scheme is periodically reviewed. Without this scheme, Singapore-based businesses will be at a disadvantage to their	To enable investors to plan their investments in IRU, it is suggested that the scheme be extended beyond 2020.

		overseas competitors which are able to claim tax deductions on expenditures on IRU.	
3	Enhancing the group relief scheme	Under the current group relief system, qualifying brought forward loss items can only be used by the company that incurred the loss and not by other companies within the same group. This restriction is not in line with group companies' functions. To enjoy the group relief scheme, two Singapore companies are required to be members of a group (i.e. at least 75% of the ordinary share capital in one company is beneficially held by the other; or at least 75% of the ordinary share capital in each of the two Singapore companies is beneficially held directly or indirectly by a third Singapore incorporated company).	The government should consider allowing group relief for brought forward losses (i.e. allow companies to use the brought forward losses against profits of other companies within a group). We understand that this is the case in New Zealand and the United Kingdom [from 1 April 2017, with conditions]. The government should also consider enhancing the group relief scheme to permit a non-Singapore incorporated company to hold the two Singapore companies provided that the shareholding requirement is met.
4	Relaxing the relief conditions for foreign taxes paid by companies.	It is common for companies to send personnel overseas to perform or render services in foreign markets. For companies in the initial phase of venturing abroad, they often do not spend enough time or carry out substantive activities to create branches or subsidiaries in those foreign jurisdictions. As a result, companies may be liable for foreign withholding taxes in their overseas ventures, particularly those in the services sector. In practice, the foreign tax credit claims to relieve such companies from double taxation are often also denied on the basis that the income is "Singapore sourced" due to the	The government should consider allowing a tax credit claim (through a tax remission mechanism) for Singapore SMEs. We note that a Singapore company can qualify for unilateral tax credit relief as long as the service fee income is for the provision of services rendered in the foreign country and is subject to foreign tax in the country concerned. There is no requirement that the service income must be derived from outside Singapore or from a PE of the Singapore company in the foreign country, unlike in the case

		company's lack of a taxable presence / permanent establishment (PE) in the foreign jurisdiction. In such instances, companies suffer double taxation in their quest to venture and develop regionally.	of foreign tax credit claims under a DTA.
5	Interest restriction under the Total Asset Method ("TAM")	Under the current treatment for computing interest restriction, once the TAM formula is adopted, there is no longer a need to identify how assets are being funded (except in cases where assets are financed by specific interest-bearing loans). In view of the above, we understand that IRAS's position is that assets which are funded by equity should be included in the "cost of total assets" denominator of the TAM formula and, correspondingly, such assets which are non-income producing should be included in the "cost of non-income producing assets" numerator. The inclusion of such equity funded / non-income producing assets in the TAM calculation, effectively results in common interest expenses being allocated to such assets, even though no interest expenses have been incurred in their acquisition. This, in principle, does not appear to be correct. We are of the view that the TAM should not be applied in a manner that penalizes tax payers who are genuinely able to demonstrate that their non-income producing assets are equity funded.	Assets which can be specifically identified to be funded by equity should be excluded from the TAM formula.

6	Capital allowances (CA) and Investment allowances (IA)	Based on preliminary discussions, it appears that IRAS is of the view that CA and IA cannot be accorded to companies that do not own an entire asset but, instead, own only a part of it (e.g. in incorporated JV arrangements). Our interpretation of the Act is that CA and IA claims can be accorded based on the amount of capital expenditure incurred by taxpayers (i.e. where an entity enters into unincorporated joint venture arrangements with other entities and owns a part of an asset, each entity can claim CA and IA on its share of the asset): - Section 19A(1) states that*… where a person carrying on a trade… incurs capital expenditure on the provision of machinery or plant for the purposes of that trade…. there shall be made to him… annual allowance… in respect of the capital expenditure incurred* - Section 2(1) of the ITA states that “person” *includes a company, body of persons and a Hindu joint family.* - Section 67 of EEIA states that *… Where a company proposes to carry out a project… for the manufacture… of any product… the company may apply… investment allowance in respect of the fixed capital expenditure for the project...*	We would request that the relevant sections of the Act be reviewed to provide certainty for taxpayers who enter into joint venture arrangements. Initial discussions with IRAS suggest that a taxpayer must own the entire asset before CA and IA can be claimed. If the asset is partially owned, CA and IA may not be claimable. Our interpretation of the Act is that CA and IA claims can be accorded based on the amount of capital expenditure incurred by individual taxpayers (i.e. where an entity enters into unincorporated joint venture arrangements with other entities and own a part of an asset, each entity can claim CA and IA on its share of the asset) as there is no mention in the legislation that the relevant sections only apply when companies have full ownership of an asset.

7	Investment allowance (IA) for limited liability partnerships (LLP)	Under the current rules, IA is only available for companies (i.e. IA is not applicable to LLPs). - Section 67 of EEIA states that … *Where a company proposes to carry out a project.. for the manufacture… of any product… the company may apply… investment allowance in respect of the fixed capital expenditure for the project...*	With the introduction of the LLP structure in Singapore, the Act (including but not limited to the IA rules) should be updated to accord the same benefits to LLPs as those that apply to companies.
8	To accord trusts the same reliefs and exemptions that are currently available only to companies.	Currently, trust income is subject to final tax at the trustee level where: - The income of the trust is derived from a trade or business carried on by the trustee; or - The beneficiaries are not entitled to the trust income. The tax rate to be levied on a trustee is the prevailing corporate tax rate and the trustee is not entitled to the partial tax exemption available to companies. Trust entities are also not allowed group relief loss transfer.	To provide businesses more flexibility in choosing the investment vehicle that best serves their overall commercial needs, we propose to accord trusts (which are not under the tax transparency treatment), the following reliefs and exemptions available for companies. They are: - partial tax exemption - stamp duty relief for restructuring - group relief loss transfer
(B)	**Enhancing Singapore's R&D Taxation Regime to Encourage More R&D Activities**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1	S14DA – Enhanced tax deductions on eligible R&D expenditure	Currently, additional deductions of 150% are only available to expenditure incurred for local R&D activities. For certain industries, due to the constraints imposed by the limitations of geography, talent	To allow certain overseas R&D expenditure to be eligible for enhanced deductions with the condition that these overseas R&D activities are linked to local R&D activities.

		resources or available local capabilities, some R&D activities have to be performed overseas. Some examples to illustrate are – - For the marine engineering industry, certain testing of prototype equipment has to be done overseas. - For the pharmaceuticals and healthcare industry, the size and type of population available for clinical trials are limited as well. UK's R & D Tax Relief allows for expenditure incurred by UK companies on R & D activities performed overseas subject to certain conditions such as: - If a large company subcontracts the overseas work, then there is no relief available, unless the work is given to either an individual or what is called a 'qualifying body'. When it comes to determining a qualifying body, what is most important is that the body has to have pre-approval from Her Majesty's Revenue & Customs (HMRC). Australia's R&D Tax Incentive allows for expenditure incurred by Australian companies overseas on R&D activities subject to certain conditions: - The overseas activity has a significant scientific link to Australian core	In addition, to introduce a cap on the amount of overseas R&D expenditure that can be claimed at not more than 30% of the total eligible R&D expenditure incurred by the Company in the relevant YA. At a 30% cap, it will still promote the intention to increase the amount of R&D activities in Singapore and allow some overseas R&D expenditure to be claimed under the tax incentive. This would ensure that the majority of the R&D expenditure that can be claimed is for expenditure incurred on Singapore based R&D activities. With a percentage-based cap, the more local R&D activities are conducted (i.e. higher expenditure), the more the Company can claim on expenditure incurred on overseas R&D activities.

		activities - The overseas activity cannot be conducted in Australia or the external territories for a reason listed in the legislation The expenditure on the overseas activity and certain other overseas activities is less than the expenditure on the related core R&D activities and supporting R&D activities conducted in Australia.	
2	S14DA – Enhanced tax deductions on eligible R&D expenditure	R&D investments are often stifled among SMEs and start-ups due to the high costs of conducting R&D, limited access to capital and cash-flow uncertainties. Consequently, R&D is often ad-hoc in nature and poorly defined with insufficient documentation, if any. A 2016 study by the Centre for International Economics revealed that the R&D Tax Incentive has a greater influence on R&D investment decisions by SMEs, with 54 percent of R&D decisions being influenced by the incentive as against 34 percent for large companies. In 2016, the PIC scheme allowed for an additional 300% tax deductions on qualifying R&D activities. About 654 SMEs claimed enhanced R&D tax benefits in 2016. There are approximately 200,000 SMEs in Singapore. As additional tax deductions currently available have been halved (i.e. 150%), the	A higher level of level of support should be provided to SMEs to induce the systemic behavioural change intended by the policy (i.e. Propose additional tax deductions of 200% for SMEs instead of the current 150%).

		take up rate by SMEs may decrease.	
3	S14DA – Enhanced tax deductions on eligible R&D expenditure	Currently, Singapore subsidiaries of MNCs are not allowed to claim R&D tax incentive on R&D activities that are funded by overseas related entities. Under the current rules, even if a Singapore subsidiary owns the IP of the R&D activities but is reimbursed by the HQ or a related entity located in another country, the Singapore company will not be able to claim the R&D tax incentive. Australia and UK allow such R&D expenses to qualify under their respective regimes.	To encourage MNCs setting up their R&D facilities in Singapore, the subsidiaries should be allowed to claim the R&D tax incentive, regardless of the ownership of the IP or funding of the R&D activities provided that the Singapore subsidiaries can demonstrate that they can commercially exploit the IP generated from the R&D activities.
4	Section 2 – Definition of "R&D"	The current definition of R&D is "a systematic, investigative and experimental (SIE) study that involves novelty or technical risk carried out in the field of science or technology….." The term "technical risk" has become a main point of disagreement between the taxpayers and IRAS. Qualifying criteria from R&D tax regimes in Australia, Canada, UK and US focus on experimental activities that bring about "technological advancement" or resolving "technological uncertainty". **"**Technological advancement or uncertainty" would focus on the generation of new knowledge and the presence of advancement or uncertainty is measured by what is already publicly known or available.	The term "technical risk" should be replaced in the definition by "experimental development or study leading to technological advancement or resolving technological uncertainty." Here, we have taken guidance from the Frascati manual[1] and International Accounting Standards. A modified definition as above would cover R&D on innovative delivery of capabilities/functions as well as new inventions. [1] *Guidelines for Collecting and Reporting Data on Research and Experimental Development*

No.	Tax Issues	Comments	Proposed Recommendations
(C)	**Business Costs and How to Contain Them**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1.	Levies for foreign workers	This remains a significant pain point for business as it amounts to an additional tax which increases business costs unnecessarily.	The number of foreign workers is controlled by MOM via quotas. There is no need for another tax on business. Consideration should be given to remove levies for foreign workers with, perhaps, the exceptions of levies for domestic helpers and construction workers.
Review of Existing Taxes and Incentives			
(D)	**Review of Existing Tax Incentives**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1	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 certain prescribed conditions. 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. This is 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 the standard corporate tax rate at 17% instead of being tax exempt which is the case if the qualifying fund extends interest-	Businesses generally prefer the use of interest-bearing or quasi-equity loans vis-à-vis equity as they are more flexible and allow 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 to exit an investment at a preferred regulated jurisdiction negotiated by the buyer and seller. If businesses are able to demonstrate that the domestic loan provided by the qualifying fund is intended for the

		bearing loans directly to overseas companies.	funding of overseas investments, consideration should be given to allow 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.
2	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, 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 include technology, infocomm, digital media and data centres. This would complement and strengthen Singapore's ambitions for Smart Nation status.
3	Existing investment allowance is capped at 100% of fixed asset investment and is an offset against taxable income.	Given that Singapore has a comparatively lower tax rate but higher capital costs, the value of the investment allowance is devalued from an investor's perspective. (effectively 17% of the total qualifying investment)	For Singapore to remain competitive in attracting new foreign investments in a high cost environment, the current investment allowance scheme should be modified to reflect the following

		For example, although Malaysia has a similar scheme to Singapore's i.e. Investment Tax Allowance of between 60 – 100% of fixed asset investment offset against income, the estimated capital outlay in Malaysia for a comparable fixed asset would be lower. Coupled with a lower operating cost in Malaysia, this would make Singapore much less competitive. **Worked example:** *<u>Singapore</u>* Cost (est.) - US$1m IA@100% - US$1m Tax savings@17% - US$0.17m Net outlay – US$0.83m *<u>Malaysia (Assuming same cost for similar fixed asset investment)</u>* Cost (est.) - US$1m IA @100% - US$1m Tax savings@24% - US$0.24m Net outlay – US$0.76m	recommendations: - To convert the investment allowance into a tax credit/rebate; or - To increase the investment allowance cap to 300%; and - To broaden the base of qualifying investment to include all related costs to enable the incentivized investment.
4	Concessionary withholding tax rate on aircraft lease payments to non-residents of 2%.	Currently, the 2% withholding tax would commercially be borne by the Singapore based airline in making the lease paymentand not the lessor. Most aircraft lessors now lease to Singapore from Ireland, which provides for NIL withholding tax on lease rental payments.	To encourage the growth of aircraft operations in Singapore: - We would request for an exemption from withholding tax on all aircraft charter payments similar to the charter payments for vessels which have not been subject to tax since 2012

		The Reciprocal Tax Exemption on Shipping and Aircraft Income agreement with the US could be relied upon by Singapore lessors if the 2% withholding tax is removed. Singapore based aircraft and aircraft engine lessors cannot lease to US airlines without suffering 30% withholding tax on lease payments. As such, the significant US market is closed to them.	- We would also request for the withholding tax exemption to be extended to aircraft engine charter payments. These are unique assets that airlines can lease independently.
5	Income Tax Act Section 13CA, 13R, 13X 13CA - Exemption of income of prescribed persons arising from funds managed by Fund Manager in Singapore 13R - Exemption of income of Company incorporated and resident in Singapore arising from funds managed by Fund Manager in Singapore 13X - Exemption of income arising from funds managed by Fund Manager in Singapore	Due to lapse after 31 March 2019	To extend for another five years (i.e. 31 March 2024)
6	Income Tax Act Section 13CA, 13R, 13X 13CA - Exemption of income of prescribed persons arising from funds managed by Fund	Subject to meeting the requisite conditions, specified income ("SI") from designated investments ("DI") is exempted from tax in Singapore. Currently, the DI list is an "inclusion list" and covers most types of equity and bond investments. However, we have	We propose the DI list to be modified to an "exclusion list" instead. The "exclusion list" should be driven primarily by policy intent (e.g. to prevent speculation in property prices in Singapore, Singapore immovable

	Manager in Singapore 13R - Exemption of income of Company incorporated and resident in Singapore arising from funds managed by Fund Manager in Singapore 13X - Exemption of income arising from funds managed by Fund Manager in Singapore	noted the following types of investments that are common in the PE funds space but are notably <u>not</u> included in the current DI list. They are: - Private partnerships – The current DI list only includes publicly-traded partnerships that do not carry on any trade or business in Singapore. Funds may wish to invest in underlying assets outside Singapore through private partnerships but such investments are not regarded as a DI. - Japanese Tokumei Kumiai ("TK") arrangements – It is common for funds to invest in Japanese real estate assets through Japanese TK arrangements. However, such investments are not regarded as a DI. - Cryptocurrencies – In recent years, the cryptocurrency industry has developed rapidly and many PE and venture capital funds are investing in such assets. However, such investments are not in the DI list.	properties are excluded. This would also prevent the need to update the list frequently taking into account new types of investments, as long as they are in line with the policy intent). Should an "inclusion list" for DIs be preferred, we propose to include private partnerships, Japanese TK and cryptocurrencies (if they are in line with policy intent).
7	Income Tax Act Section 13X - Exemption of income arising from funds managed by Fund Manager in Singapore	The Section 13X tax incentive scheme has been extended to accommodate Master-Feeder-SPV structures. However, the following conditions would apply for such SPVs: - The SPVs are set up as companies	We propose the following: - The scheme be extended to cover more than two tiers of SPVs; - Economic conditions should not

		and are wholly owned by the master fund; - The master fund can hold up to two tiers of SPVs – this can be quite restrictive for PE funds, which may need to use more than two tiers of SPVs for various commercial reasons (e.g. it allows for structural subordination, where banks lend to lower tier SPVs that are closer to assets, mezzanine lenders lend to higher tier SPVs); The economic commitments have to be met on a multiple-fold basis (e.g. a master fund with two SPVs will have to meet a minimum fund size of S$150m (S$50m x 3) and local business spending of S$600K (S$200K x 3) – this can be quite challenging for funds to meet. So long as the main fund and manager meet the 13X conditions, there seems to be no reason to impose additional requirements on purely structural SPVs. In comparison, the offshore funds regime in Hong Kong provides for tax exemption for the qualifying fund, as well as its SPVs, subject to meeting certain conditions. There are generally no restrictions on the type of legal entity of the SPVs, percentage of ownership in the SPVs to be held by the fund, number of tiers of SPVs held by the fund, etc.	be multiplied for SPVs that are solely set up for structural purposes. Structural SPVs can be defined to exclude certain types of companies (e.g. listed entities, entities with active trading activities or hold investments that are not within the relevant fund mandate, etc).
8	Extension of tax exemption	Currently, trusts and companies that are	Extending the eligibility of these

	schemes for section 13G foreign trust, section 13O foreign account of philanthropic purpose trust, and section 13Q locally administered trust	constituted or incorporated on or after 1 April 2019 will not be granted the benefits of these tax exemption schemes. These schemes were introduced to encourage individuals to set up trusts administered by a trustee company in Singapore. This had the effect of increasing the flow of funds into Singapore.	exemptions for such trusts would continue to boost the trust industry in Singapore and help retain Singapore's attractiveness as a wealth management hub. Propose the extension of the sunset clauses for these tax exemption schemes for another 4 years.
(E)	**Other countries' tax incentives which might be contextualized for Singapore**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1. a.	Tax Incentives to promote Digitalization and Innovation Digital Products and Services – Digital tax incentives / credits (such as cybersecurity tax credit, enhanced tax allowances)	As part of the Smart Nation initiative, there's been an increasing rise in the promotion for Digitalization (i.e. digital products and services) including the use of artificial intelligence, Cybersecurity measures, Robotics / Sensors, Data Analytics and Blockchain Technology.	The introduction of new digital tax incentives / credits be offered to encourage companies to invest in new digital products and services and better manage costs. The tax incentives may be in the form of enhanced tax deduction (additional deduction subject to a cap) or refundable tax credit against corporate tax.
b.	Financial - Tax incentive to promote financial innovation-related activities	Financial innovation will be one of the keys to the development of financial services in Singapore.	It is proposed that MAS introduce and administer a targeted tax incentive offering a preferential tax rate of 5% or 10% (depending on the conditions and levels of commitments) to promote financial innovation-related activities by financial services companies in the following areas: • Digital and mobile payments • Authentication and biometrics

			• Block chain • Cloud computing • Big data • Robotics
c.	Infrastructure - Upfront fees for spectrum capacity	As Singapore advances with its smart nation initiatives, with the proliferation of smart solutions and mobile applications and evolution of users increasingly accessing such applications via smart devices, there is increasing demand for faster and more efficient connectivity. Facility based telecommunications operators (“Telcos”) need to maintain and upgrade their infrastructure to meet the increasing demand for seamless connectivity. Such investments in infrastructure include payments to the regulators for spectrum capacity, which currently include substantial lump sum amounts be paid upfront. Such upfront fees paid to the regulators for spectrum capacity are regarded as capital payments but unlike capital investment in tangible fixed assets, do not qualify for tax depreciation or capital allowances (“CA”). Ttelecommunications infrastructure plays a significant role in Singapore’s journey towards a Smart Nation. The current lack of relief for upfront spectrum fee costs places Singapore in a less competitive position as compared to countries such as India and Malaysia, where tax relief is available.	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.

Trade and Taxation			
(F)	**Cross border issues**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1	Currently Taxpayers can only initiate a Mutual Agreement Procedure (MAP) when double taxation has occurred or is almost certain and not during a tax audit or examinations stage where double taxation is only viewed as a possibility.	If the taxpayer engage IRAS on MAP only when double taxation is almost certain (e.g. When a tax notice is going to or has been issued by the foreign tax authority), the length of time that IRAS spends to review and understand the facts of each case is relatively short compared to the foreign tax authorities which might take one to two years to review the case. This might place IRAS on an unfair level playing field during competent authority engagements.	IRAS to consider issuing clarifications to taxpayers on the appropriate time for early engagement with IRAS so that IRAS has ample time to review and understand each case before accepting the MAP application. This would also give the taxpayer the benefit of earlier access to MAP for cross-border dispute resolution.
2	Currently Singapore does not have DTAs with some countries that Singapore companies have trade relations with.	DTAs are important for promoting international trade and investment by providing certainty of tax treatment of cross border transactions to eliminate double taxation, and thereby reducing business costs.	IRAS to consider entering into DTAs with the following countries: Algeria, Angola, Gibraltar, Greece, Guam, Iraq, Jordan, Mozambique, Peru, Tanzania, Trinidad and Yemen and the US.
3	Currently IRAS will only accept an original Certificate of Residence (CoR) for double tax relief claims.	The requirement for original CoR creates more administrative burden for taxpayers as they have to be sent via mail which can lead to delayed submission to IRAS if CoRs by mail are not received on time or lost in transit. Original CoRs may not be available in some jurisdictions e.g. Spain does not issue original CoRs and the taxpayer will have to download the scanned coloured copy from the Spanish tax authority website.	IRAS to consider accepting scanned coloured copies of CoRs by email. This will help increase operational efficiency by shortening the time for CoR submission to IRAS.

4	The multi-lateral instrument (MLI) signed by over 70 jurisdictions came into effect on 1 July 2018. Signatories were given the option to apply or not to apply certain BEPS recommendations into their existing treaties creating disparate views amongst treaty partners.	One of the areas of divergence amongst signatories is the definition of permanent establishments (PEs). While Singapore has not adopted the new BEPS PE definition in its existing treaties, many of our treaty partners have (e.g. India, Japan and Indonesia). Given that our partners have adopted the new PE definition, it is very likely that their tax authorities will adopt this broadened definition in all dealings with foreign taxpayers. This may lead to increased PE challenges and disputes which are contrary to the pre-existing treaty interpretation and eventually lead to more cross-border disputes in the long run.	It is proposed that there is: - Early engagement with treaty partners to ensure that existing treaties will be honoured without being subject to 'new' local interpretations. - Clarity provided by IRAS to taxpayers on navigating the new MLI landscape either via the issuance of guidelines, circulars or industry engagement.
(G)	**Personal Income Tax**		
No.	**Tax Issues**	**Proposed Recommendations**	**Proposed Recommendations**
1	Tax relief for premiums paid on medical-related or health insurance policies	Currently, there is no standalone tax relief available to individuals for premiums paid on medical-related or health insurance policies. Allowing a tax deduction that is not tied to CPF contributions, subject to a cap of, say, S$5,000, for premiums paid for medical related insurance by individuals for themselves or their family members (e.g., spouses, children, parents and parents-in-law) will encourage taxpayers to be more responsible for the health and well-being of themselves and their families.	Enabling a tax write-off for health insurance premiums will not only encourage more taxpayers to take up health insurance policies for themselves and their families, but also offer them greater access to healthcare. The tax deduction could be subject to cap which could be scaled according to age. A tax relief for medical costs incurred by those over 50 years old for health screening every other year should perhaps be considered, to encourage preventive healthcare. Perhaps a cap of $500 per year could be set, to be claimed every other year and on an incurred basis.