Final

Singapore Budget 2020 – Wish List

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SICC Budget Wish-List 2020

Singapore's Overall Tax Regime

Taxation affecting Businesses			
(A) Making Singapore's Taxation Regime More Business Friendly			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Deduction of interest cost incurred on acquisition of shares of a company which is subsequently converted to a limited liability partnership ("LLP") against the share of taxable income from the LLP post-conversion.	Currently, interest cost incurred on acquisition of shares of a company (which is subsequently converted to a LLP) is not tax deductible against the share of partnership income after conversion of the company to a LLP. The LLP and Limited Partnership are two business vehicles introduced in the Budget 2003 to give businesses more options in structuring their business activities. To facilitate the conversion of existing firms (including company) to LLPs, stamp duty relief is allowed for a firm converting to an LLP, subject to meeting certain conditions.	To provide businesses more flexibility in choosing the investment vehicle and allowing business to convert existing firms (including companies) to LLPs that best serves their overall commercial needs, we propose to allow businesses to deduct the interest cost incurred against their share of income from the LLP post-conversion of a company to a LLP. For income tax purposes, an LLP is given tax transparency. The income from an LLP is not taxed at the LLP level and each partner is taxed separately on his/ its share of income from the LLP. Where the partner of the LLP is a corporate partner, it should be allowed to deduct the interest cost incurred against the taxable income from the LLP. Similarly, where the partner of the LLP is a S-REIT, it should be allowed to deduct the interest cost incurred against the taxable income from the LLP to arrive at the taxable income to be distributed to its unitholders. Currently, tax transparency is available where the S-REIT distributes at least 90% of its taxable income to its unitholders. If the interest cost cannot be deducted against the taxable income from the LLP, the S-REIT will have higher taxable income and will have to source

			for funding to make up for the shortfall/ difference due to inability to deduct the interest cost against the taxable income from the LLP.
2	Treat the transfer of assets and liabilities of a company to the LLP upon the conversion of company to a LLP as a non-taxable event.	Currently, taxpayers have to write to IRAS to obtain tax ruling to treat the transfer of assets and liabilities of a company to a LLP upon the conversion of a company to a LLP as a non-taxable event.	To provide businesses more flexibility in choosing the investment vehicle that best serves their overall commercial needs and provide greater tax certainty for businesses, we propose to treat the transfer of the assets (including real estate assets) and liabilities of the company to the LLP as a non-taxable event on the basis that : - There is no real disposal of the assets and liabilities of the company - the conversion is merely a legal process to change the legal form of the company to a LLP and no consideration will pass on the conversion (i.e. no consideration will be payable by the LLP to the company for the transfer and vesting of the assets in the LLP); and - The cost base of the assets will remain the same as the original cost prior to the conversion. Alternatively, we propose that IRAS defer the consideration of the taxation point of the transfer of real estate asset to the eventual disposal by the LLP when there would be an actual realisation of either a profit or loss.
3	Imposition of excise duty on blending of 10ppm diesel used for marine bunkering and wholesale exports	Singapore Customs is of the position that blending of 10ppm diesel would be subjected to excise duty ($2/ DAL) albeit the final products are used for marine bunkering or wholesale exports for trading purposes, which do not constitute domestic consumption. This position does not seem to be in line with the policy intent as	For Singapore to remain competitive as a storage, blending and bunkering hub, MOF and Customs should consider providing clarification that duty is not applicable on the blending of 10ppm diesel used for marine bunkering and wholesale exports for trading purposes, which do not

		announced during the Budget Statement which is to discourage domestic vehicle diesel consumption. Based on a simulation of one general cargo of 10ppm diesel amounting to 1,600,000 DAL used in the blending for exports, the duty impact could easily reach S$3.2M. With MARPOL 2020 where more 10ppm diesel could be used for blending for exports to meet specs change requirements, the duty impact will significantly increase costs of doing business in Singapore and adversely affect Singapore's strategic position as a storage, blending and bunkering hub.	constitute domestic consumption. For the avoidance of doubt, the law could be amended to explicitly provide for such duty exemption.
4	Enhancing the group relief Scheme	Enhancements have been made to the M&A allowances scheme through the years. This include that of Budget 2012, by allowing the shares of the target company to be acquired through multiple tiers instead of just one tier of wholly owned subsidiaries, subject to conditions that are fairly stringent. Based on our experience, the operating businesses of the group are typically carried out at the subsidiary level for legal reasons to ring fence potential liabilities and asset protection. It is therefore not common for an active operating company to be used as the acquiring company. In many cases, the acquiring company is the ultimate Singapore holding company (which is a pure holding company with only dividend income) or an intermediate holding company, which has either no taxable income or limited taxable income as a service company earning only service fees on a cost plus 5% basis.	Allowing the M&A allowance to be transferred to other companies within the group under the group relief system would allow these taxpayers to truly benefit from the M&A scheme and help accelerate growth through M&A.
5	Tax filing procedure for small companies	One of the qualifying conditions to file Form C-S is that the company must have an annual revenue of $5 million or below. The same	To further simplify the tax filing procedure for small companies, it is proposed that the revenue threshold to

		revenue threshold is used to determine whether a company qualifies for the waiver to file ECI (Estimated Chargeable Income).	qualify for filing Form C-S and waiver to file ECI can be increased to $10 million. This will align to one of the conditions where a taxpayer is required to prepare TP (Transfer Pricing) documentation if its gross revenue derived from its trade or business is more than $10 million.
6	Expiry of Double Tax Deduction for Internationalisation scheme (i.e. Section 14B and 14K)	The double tax deduction for internationalisation scheme is set to expire on 31 March 2020.	As Singapore continues to encourage local firms to internationalise, the scheme should be extended to cover the following qualifying periods: - Automatic double tax deduction of $150,000 per YA to cover from YA 2019 to 31 March 2025 (instead of YA 2019 to 31 March 2020); and - Approval window for qualifying expenditure incurred in excess of specified expenditure cap and on other qualifying activities to cover the period up to 31 March 2025 (instead of 31 March 2020).
Repeated from 2018			
7	To accord trusts the same reliefs and exemptions that are currently available only to companies.	Currently, trust income is subjected 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	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: - partial tax exemption - stamp duty relief for restructuring - group relief loss transfer

		entity is also not allowed group relief loss transfer.	
8	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 group. This restriction is not in line with the general group of 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.
9	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 the 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 denied on the basis that the income is "Singapore sourced" due to the 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.	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 of foreign tax credit claims under a DTA.

10	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 funded (except in cases where assets are financed by specific interest-bearing loans). In view of the above, we understand that the 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 also 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 penalises tax payers who are genuinely able to demonstrate that their non-income producing assets are equity funded.	Currently, assets which are funded by specific interest-bearing loans can be excluded from the TAM. In the same spirit, we propose that assets which can be specifically identified to be funded by equity should also be excluded from the formula.
(B)	**Enhancing Singapore's R&D Taxation Regime to Encourage More R&D Activities**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Additional 150% deduction under Section 14DA(1) of ITA (Income Tax Act) ("S14DA")	Currently, only expenditure incurred on R&D conducted in Singapore is eligible for the additional 150% deduction claim under S14DA.	It is proposed that where the R&D is conducted by the taxpayer or is outsourced to an R&D service provider and such R&D is conducted overseas, the taxpayer can still be eligible to claim additional 150% deduction under Section 14DA, as long as it is the beneficiary of the R&D activities.

2	Existing R&D tax measures benefit mostly taxpayers carrying on a trade or business.	The current R&D tax measures focus mostly on granting additional tax deductions on expenditure incurred on qualifying R&D activities; a taxpayer must be carrying on a trade or business in order to fully enjoy / claim such additional tax deductions. Where a taxpayer is not carrying on a trade or business but is undertaking qualifying R&D activities (e.g. R&D initiatives undertaken by a group's parent entity that is usually deriving passive investment income), it is not eligible to claim any additional tax deductions under S14DA.	It is proposed that where a taxpayer is not carrying on a trade or business but is undertaking qualifying R&D activities (or outsources the R&D activities to an R&D service provider), it can be allowed to claim tax credit which is computed based on a percentage of the expenditure incurred on qualifying R&D activities. This will encourage all companies to conduct R&D, which will otherwise be restrictive, and align with the overriding objective of building R&D capabilities amongst Singapore companies.
3	Expiry of further 50% deduction for R&D under section 14E Double Tax Deduction for Research & Development expenses	The further tax deduction accorded under s14E of the ITA will expire after 31 March 2020. Under Section 14E of the Singapore Income Tax Act (SITA), a 200% deduction is available on R&D expenditures incurred up to year of assessment 2020 on approved projects, subject to EDB/Minister's pre-approval. Based on current law, no R&D projects may be approved for the incentive after 31 March 2020. To encourage Singapore as an R&D/IP hub and be competitive in the region, it is suggested that the scheme be extended.	To be extended for another 5 years given that PIC scheme has already lapsed. It is proposed to extend Section 14 E incentive for another 5 years (up to 2025) which is also available for R&D claims under Section 14D/14DA of the SITA.
Review of Existing Taxes and Incentives			
(C) Review of Existing Tax Incentives			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Currently, Global Traders Programme ("GTP") incentive only allows qualifying trading income to be subject to the incentive rate. Incidental trading	This incidental trading income is derived as part of the companies' trading business and hence such incidental trading income should be included under the definition of qualifying trading income.	IRAS and ESG to consider including such incidental trading income under the definition of qualifying trading income.

	income (e.g. fees or interest income derived from trade finance arrangements associated with trading activities etc.) are taxable at the statutory tax rate of 17%.		IRAS and ESG may also consider issuing further guidelines to provide clarity to companies under the GTP programme.
2	Certainty of non-taxation of companies' gains on disposal of equity investments (S13Z Exemption)	S13Z Exemption is only applicable to qualifying disposals of ordinary shares in an investee company made during the period 1 June 2012 to 31 May 2022 (both dates inclusive).	It is proposed that S13Z Exemption can be a permanent feature in the ITA, i.e. not subject to any sunset clause. Also, it is proposed that S13Z Exemption should be applicable on gains arising from disposal of all classes of shares (e.g. preference or redeemable shares, etc.)
3	Expiry and enhancement of Merger & Acquisition (M&A) allowance under Section 37L	M&A allowance on qualifying share acquisition is set to expire after 31 March 2020.	The M&A allowance should be extended for another five years to support SMEs to grow through acquisitions. In addition, M&A allowance is currently not available to a Singapore company in respect of the initial subscription of shares in a newly set-up joint venture investment company, as the subscription is not considered a qualifying share acquisition. The scope of the M&A allowance should be enhanced to cover initial subscription of shares in newly set-up joint venture investments with unrelated joint venture partners, as the issuance of shares would have the same commercial effect as that of an acquisition.
4	Enhancement to the Intellectual Property Rights (IPRs) under section 19B	Other countries are also looking at ways to attract IPRs given its importance in a digital economy. For example, in addition to the revised patent box regime (which is similar to Singapore's Intellectual Development Incentive regime),	

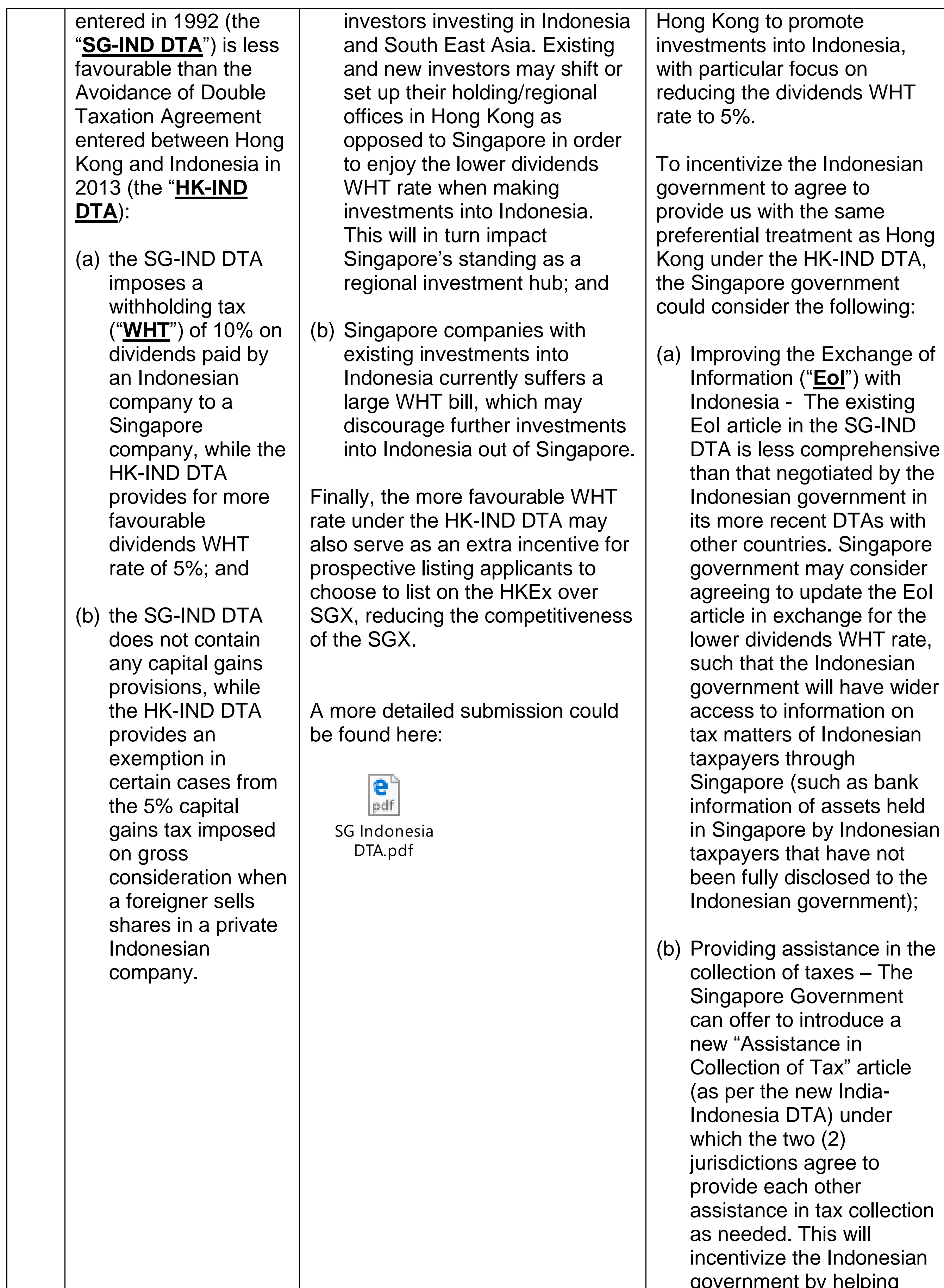
		the UK tax regime also provides as follows: A targeted relief for "Relevant Asset" was introduced from 1 April 2019. The relief will only be available for acquisitions where such assets are acquired on or after 1 April 2019 as part of a business acquisition that includes the acquisition of qualifying intellectual property for use on a continuing basis in the course of business. The maximum rate of relief that will be available in each accounting period is 6.5% of the cost of the asset. A "Relevant Asset" is defined to include goodwill, intangible fixed assets that consist of customer information and customer relationships, unregistered trademarks or other signs used in the course of a business, or any licenses or other rights in respect of these items. *(a) Definition of IPR* The current definition of IPR excludes information of customers of a trade or business, such as a list of those customers and requirements of those customers, gathered in the course of carrying on that trade or business, information on work processes (such as standard operating procedures), other than industrial information, or technique, that is likely to assist in the manufacture or processing of goods or materials or combination of both, or prescribed by the Minister. *(b) Enhance the writing down allowance (WDA) claims for qualifying IPRs* The WDA could be enhanced or simplified to encourage	*(a) Definition of IPR* The list of qualifying IPRs should be expanded to include information of customers of a trade or business in light of the importance of such information (i.e. customer insights, etc.) to the digital economy. *(b) Enhance the WDA claims for qualifying IPRs* To attract more IPRs to be located in Singapore, the WDA claims on qualifying IPRs could be enhanced or simplified as follows (i) 100% WDA claims for qualifying IPRs where only economic ownership is transferred to the Singapore

		more qualifying IPRs to be located in Singapore.	acquiring company. Currently, both legal and economic ownership is required before the Singapore acquiring company is eligible for the WDA, unless a waiver from legal ownership is obtained from EDB. (ii) 150% WDA claims for qualifying IPRs where both legal and economic ownership are transferred to the Singapore acquiring company. No difference from the current regime except that a higher amount of claim is available to attract bringing legal ownership to Singapore. To further simplify the WDA claim process for qualifying IPRs, to consider different rates of WDA claims on qualifying IPRs depending on the ownership transferred to the Singapore acquiring company. As a start, the proposed arrangement could apply for 5 years, subject to review.
Repeated from 2018			
5	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 investment allowance is devalued from an investor's perspective. (effectively 17% of the total qualifying investment) For example, although Malaysia has a similar scheme to Singapore 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 facility	For Singapore to remain competitive in attracting new investments in a high cost environment, the MOF should consider modifying the current investment allowance scheme to incentivize investments/projects meeting Industry 4.0 standard. Proposed recommendations include the following: • To convert the investment allowance

		would be 2-3 times less than in Singapore. **Worked example:** *Singapore* Cost (est.) - US$1m IA@100% - US$1m Tax savings@17% - US$0.17m Net outlay – US$0.83m *Malaysia (Estimated capital cost for similar fixed asset investment at half of Singapore's cost)* Cost (est.) - US$0.5m IA @100% - US$0.5m Tax savings@24% - US$0.12m Net outlay – US$0.38m	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.
6	Writing-down allowances on payment for Indefeasible Right of Use (IRU) Expiry of writing-down allowances (WDA) for Indefeasible Right of Use (IRU) under Section 19D	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. Based on existing legislation, expenditure for IRU incurred after 31 December 2020 will not qualify for writing-down allowances. To enable investors to plan their investments in IRU, suggest the scheme to be extended beyond 2020. Without this scheme, Singapore-based businesses will be at a disadvantage compared to overseas competitors which are able to claim tax deductions on expenditures on IRU. The WDA for IRU is set to expire after 31 December 2020.	It is proposed that writing-down allowances for IRU expenditure after 31 December 2020 is extended, without sunset clause. As Singapore plans to roll-out the application of 5G network, the WDA for IRU scheme is still relevant and should be extended for another 5 years to support the roll-out.

(D) Other countries' tax incentives which might be contextualized for Singapore			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Tax exemption on foreign-sourced dividend income	A company can enjoy exemption on its foreign-sourced dividend income that is remitted into Singapore under Section 13(8) of the ITA, subject to fulfilling certain conditions.	It is proposed that Singapore can introduce a participation exemption regime which is similar to that of the European Union directives, where foreign-sourced dividend income received from an investee company is exempted, provided that the taxpayer owns 25% of the investee company's share capital (include all classes of shares).
Repeated from 2018			
2	Upfront fees for spectrum capacity	Singapore's vision is to "be a global 5G front-runner for innovation in secure and resilient 5G applications and services" 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. With the above objective in mind, there is an increasing need to invest in the infrastructure to ensure that Singapore remains in the forefront. 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 a substantial sum to be paid up front. Such upfront fees to the regulators for spectrum capacity are regarded as capital payments unlike capital investment in tangible fixed assets and do not qualify for tax depreciation or capital allowances	Suggest MOF & IRAS to review the tax treatment for spectrum fees –through either a capital allowance or specific writing down allowance (WDA). Allowing tax deductions would align Singapore with other communication hubs, both globally and in the region such as Australia, UK, India, Malaysia, South Africa etc. It is proposed that: (a)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. or (b)Create a specific provision in the Singapore Income Tax Act for WDA on spectrum fees

		("CA"). Tax policy has been used to influence behaviour towards desirable social and economic goals; and should complement the government's smart nation push by ensuring that investments in the underlying infrastructure to enable the smart nation initiatives. This will align with Singapore's vision to improve on ICT infrastructure and build strong digital and innovative capabilities for Singapore's Future Economy.	
Trade and Taxation			
(E) Cross border issues			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	(i) Listed S-REIT; and (ii) SG private trust fund (which is managed and advised by SG fund management company) should be eligible for reduced withholding tax rate of 5% (under China-SG tax treaty) for dividend from China to Singapore.	A Trust entity is not regarded as a legal person under Singapore laws and the Trustee is appointed as the legal representative. In previous years, the China tax authorities have agreed to a reduced dividend withholding tax of 5% under the Singapore-China double tax agreement by relying on a Singapore Certificate of Residence ("COR") issued to the Trustee of the Trust. However, the China tax authorities have recently requested a COR from the Trust (as opposed to that of the Trustee) in order to avail itself of the treaty benefits. Despite COR being issued by IRAS to the Trustee, the China tax authorities are not prepared to grant the reduced withholding tax of 5% to the Trust, citing para 2(a) Article 10 of the tax treaty that the 5% rate should only be applicable where the beneficial owner is a "**company**…".	Trust is becoming a common investment vehicle. Members hope that the authorities would recognise the commercial substance of Trust and therefore allow COR issued to Trustee to serve as the basis for Trust to qualify for the reduced 5% dividend withholding tax rate; or to negotiate the tax treaty to expand the beneficial owner definition to include Trust in addition to a company (and allow COR to be issued to Trust), thereby allowing Trust which holds directly at least 25% of the capital of the company to pay the dividends a reduced 5% dividend withholding tax rate.
2	The terms of the existing Agreement for Avoidance of Double Taxation between Singapore and Indonesia which	The less favourable terms of the SG-IND DTA presents an issue for Singapore's business sector as: (a) Singapore becomes less attractive as a "base" for	We urge the Singapore government to ***negotiate to mirror the dividend and capital gains articles in the HK-IND DTA*** to provide Singapore the same preferential treatment as



	entered in 1992 (the "**SG-IND DTA**") is less favourable than the Avoidance of Double Taxation Agreement entered between Hong Kong and Indonesia in 2013 (the "**HK-IND DTA**): (a) the SG-IND DTA imposes a withholding tax ("**WHT**") of 10% on dividends paid by an Indonesian company to a Singapore company, while the HK-IND DTA provides for more favourable dividends WHT rate of 5%; and (b) the SG-IND DTA does not contain any capital gains provisions, while the HK-IND DTA provides an exemption in certain cases from the 5% capital gains tax imposed on gross consideration when a foreigner sells shares in a private Indonesian company.	investors investing in Indonesia and South East Asia. Existing and new investors may shift or set up their holding/regional offices in Hong Kong as opposed to Singapore in order to enjoy the lower dividends WHT rate when making investments into Indonesia. This will in turn impact Singapore's standing as a regional investment hub; and (b) Singapore companies with existing investments into Indonesia currently suffers a large WHT bill, which may discourage further investments into Indonesia out of Singapore. Finally, the more favourable WHT rate under the HK-IND DTA may also serve as an extra incentive for prospective listing applicants to choose to list on the HKEx over SGX, reducing the competitiveness of the SGX. A more detailed submission could be found here: SG Indonesia DTA.pdf	Hong Kong to promote investments into Indonesia, with particular focus on reducing the dividends WHT rate to 5%. To incentivize the Indonesian government to agree to provide us with the same preferential treatment as Hong Kong under the HK-IND DTA, the Singapore government could consider the following: (a) Improving the Exchange of Information ("**EoI**") with Indonesia - The existing EoI article in the SG-IND DTA is less comprehensive than that negotiated by the Indonesian government in its more recent DTAs with other countries. Singapore government may consider agreeing to update the EoI article in exchange for the lower dividends WHT rate, such that the Indonesian government will have wider access to information on tax matters of Indonesian taxpayers through Singapore (such as bank information of assets held in Singapore by Indonesian taxpayers that have not been fully disclosed to the Indonesian government); (b) Providing assistance in the collection of taxes – The Singapore Government can offer to introduce a new "Assistance in Collection of Tax" article (as per the new India-Indonesia DTA) under which the two (2) jurisdictions agree to provide each other assistance in tax collection as needed. This will incentivize the Indonesian government by helping

			them improve its tax collection success; and (c) Increased investments from Singapore – Singapore has consistently been one of the top foreign investors into Indonesia. By reducing the dividends WHT rate, it will further incentivize Singapore investors to increase their investments into Indonesia to promote growth. Further, the recent political unrest in Hong Kong may have prompted more investors and wealth-holders to migrate their capitals from Hong Kong to Singapore, and lowering the dividends WHT rate will incentivize such investors and wealth-holders to direct their investments into Indonesia (from Singapore as a “base”).
3	Currently Singapore does not have DTAs with certain countries in which 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 and to eliminate double taxation, and thereby reducing business costs.	IRAS to consider negotiating and entering into DTAs with the following countries: Algeria, Angola, Gibraltar, Guam, Iraq, Jordan, Mozambique, Peru, Tanzania, Trinidad and Yemen.
4	Updating Taxpayers on the progress of MAP (Mutual Agreement Procedure) proceedings.	MAP (Mutual Agreement Procedure) provides an avenue for taxpayers to resolve tax disputes in accordance with accepted international tax rules and principles. As taxpayers are not privy to the discussions between the competent authorities, they would appreciate more updates by IRAS on the progress of these proceedings.	IRAS to be more proactive in keeping taxpayers updated on the progress of MAP proceedings and their engagement with the corresponding competent authority to progress to resolution in view of the increase in tax disputes with other tax authorities.
5	Expiry of withholding tax exemption for specified entities under section 45I	Specified entities do not need to withhold tax on all section 12(6) payments made to all non-resident persons where payments are made for the trade or business of the specified entities.	To facilitate access to a wider range of funding sources for their lending business and strengthen our position as a regional funding centre, the scheme should be extended

		Specified entities refer to: • Banks licensed under the Banking Act or approved under the MAS Act; • Finance companies licensed under the Finance Companies Act; and • Financial institutions that are: - Licensed under the Securities and Futures Act to carry out the regulated activities of dealing in securities and advising on corporate finance; - Involved or will be involved in the underwriting of debt or equity market issuances; and - Approved by the Monetary Authority of Singapore (MAS) for the purpose of this tax exemption. The withholding tax exemption is set to expire after 31 March 2021.	for another five years until 31 March 2026.
General Tax Regimes			
(F) GST			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	GST reverse charging for partial exemption of GST taxpayers		• Continue with the fixed input tax recovery rate for financial institutions as it provides administrative ease to for banks on GST compliance. • Expand the scope of the exempt supply (services) defined under the GST Act Section 22, for the purpose of GST reverse charge so that Singapore can remain as a competitive regional financial hub.

(G) Personal Income Tax			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Foreign maid levy (FML) relief	FML relief is only claimable by married women and divorcees/widows with school going children.	With Singapore's aging population, it is proposed that the eligibility of the FML relief can be extended to include Singles who hire foreign maid to take care of their aged parents.
Repeated from 2018			
2	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 or 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.
	Medical expenses incurred for aged parents	Currently, there is no relief given when taxpayers incur healthcare costs to take care of their aged parents	With Singapore's aging population, it is proposed that the Government can explore granting some form of relief on healthcare costs incurred by taxpayers to take care of their aged parents.

Description of Issue and why it is a problem for Singapore Business

The terms of the existing Agreement for Avoidance of Double Taxation ("**DTA**") between Singapore and Indonesia that came into effect in 1992 is less favourable than the DTA entered into between Hong Kong and Indonesia in 2013 in the following ways:

(a) the Singapore-Indonesia DTA imposes a withholding tax ("**WHT**") of 10% on dividends paid by an Indonesian company to a Singapore company, provided that the latter owns at least 25% of the former. In contrast, the Hong Kong-Indonesia DTA imposes *a more favourable WHT rate of 5%* on dividends paid by Indonesian companies to Hong Kong companies; and

(b) the Singapore-Indonesia DTA does not contain any provisions regarding capital gains, while the Hong Kong-Indonesia DTA provides an exemption in certain cases from the 5% capital gains tax on gross consideration when a foreigner sells shares in a private Indonesian company.

The less favourable terms of the Singapore-Indonesia DTA presents a problem for Singapore's business sector (and companies) for the following reasons:

(i) *Less attractive as a "base" for investors investing in Indonesia and South East Asia* – Singapore is strategically located to tap on Indonesia's economic potential (being the largest economy in South East Asia by far, and fourth largest population in the world) and has consistently been one of the top foreign investors into Indonesia. Based on the information from the Indonesian Investment Coordinating Board (BKPM), Singapore was the biggest foreign investor into Indonesia in 2018, contributing more than 30% of the total foreign direct investment flows into Indonesia. While the Singapore-Indonesia DTA had previously helped cement Singapore's position as a "base" for international investors investing in Indonesia, the more favourable terms of the newer Hong Kong-Indonesia DTA mean that existing and new investors into Indonesia *may shift their regional holding companies/headquarters to or set up in Hong Kong instead of Singapore* in order to enjoy the lower dividend WHT rate and better capital gains protection upon divestment. This will have an impact on Singapore's standing as a regional investment hub.

(ii) *Singapore companies incur a large WHT bill* – Singapore companies with existing investments into Indonesia currently suffer a large WHT bill, which may discourage further investments into Indonesia out of Singapore. Examples of Singaporean companies with significant investments in Indonesia includes Jardine Cycle & Carriage Limited, Bank of Singapore, Ooredoo Asia Pte Ltd and Pacific Asia Holding Ltd.

As such, the less favourable Singapore-Indonesia DTA leads to a risk of Singapore falling behind in a key area if it loses its position as the preferred "hub" for MNCs and local companies seeking to invest in Indonesia and the rest of South East Asia. In addition, the more favourable WHT rate under the Hong Kong-Indonesia DTA also serves as an extra incentive for prospective listing applicants to choose to list on HKEx over SGX, reducing the competitiveness of the SGX.

Specific recommendations

We understand from our advisors at EY Indonesia that the Indonesian government through the Directorate General of Taxation (DGT) is currently in the final stage of re-negotiating the tax treaty revision with the Singapore government. We urge the Singapore government to actively *negotiate to mirror the dividend and gains articles in the Hong Kong-Indonesia DTA to provide Singapore the same preferential treatment as Hong Kong to promote investing into Indonesia, with particular focus to reduce the WHT rate to 5% on dividends paid by Indonesian companies to Singapore companies*.

It is worth noting that the Netherlands had *secured a reduction in dividend WHT rate from 10% to 5%* in 2015 (likely as part of a horse-trade for a raise in interest WHT rate from 0% to 5% for interest from Netherlands to Indonesia in their treaty re-negotiation). As such, it appears that the Singapore government will need to *offer up a "carrot" of some form in order to convince the Indonesian government to reduce the dividend WHT rate from 10% to 5%.*

Potential "carrots"/incentives include:

(i) Improving the Exchange of Information ("**EoI**") with Indonesia – The existing EoI article in the Singapore-Indonesia DTA last negotiated in 1991 is not as comprehensive as that in the newer DTAs concluded by Indonesia, e.g., the Hong Kong-Indonesia DTA and the India-Indonesia DTA. These newer DTAs have incorporated the latest version of EoI article, which allows the exchange of information held by banks and other financial institutions located in the treaty partners' jurisdictions. However, under the existing Singapore-Indonesia DTA, both jurisdictions may decline to supply such information on grounds of bank secrecy or other secrecy provisions under domestic laws. Singapore government may consider agreeing to update the EoI article in exchange for a reduced dividend WHT rate, such that the Indonesian government will have wider access to information on tax matters of Indonesian taxpayers through Singapore, such as bank information of assets held in Singapore by Indonesian taxpayers that have not been fully disclosed to the Indonesian government.

(ii) Providing assistance in collection of taxes – The new India-Indonesia DTA also includes the "Assistance in Collection of Tax" article under which the two jurisdictions agree to provide each other certain assistance in tax collection as needed. Such article does not currently exist in both Singapore-Indonesia DTA and Hong Kong-Indonesia DTA. The Singapore government could offer to introduce a similar article in the Singapore-Indonesia DTA that could help the Indonesian government improve its tax collection success.

(iii) Increased investments from Singapore – As mentioned above, Singapore has consistently been one of the top foreign investors into Indonesia. By reducing the dividend WHT rate from 10% to 5% and putting Singapore on par with Hong Kong, it will further incentivize Singapore investors to increase their investments into Indonesia to promote growth. In addition, the recent political unrest in Hong Kong may have prompted more investors and wealth-holders to migrate their capitals from Hong Kong to Singapore including existing and new investments in Indonesia if the Indonesian dividend WHT is the same under Indonesia's treaties with Hong Kong and Singapore.