

Singapore Budget 2020

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AGENDA

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- **Goods & Services Tax**
- **Recaps from Previous Budgets**
- **Changes to Tax Incentives**
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Stabilisation and Support Package

- **Corporate Income Tax Rebate**
- **Automatic Extension of Estimated Chargeable Income (“ECI”) Instalment Plans**
- **Property Tax (“PT”) Rebate**
- **Enhancement of Loss Carry-back Relief Scheme**
- **Option To Accelerate Capital Allowances (“CA”) Claims on the Cost of Acquiring Plant and Machinery**
- **Option to Accelerate Deduction of Expenses Incurred on Renovation and Refurbishment (“R&R”)**
- **SME Working Capital Loan**
- **Jobs Support Scheme (“JSS”)**
- **Enhancement to Wage Credit Scheme (“WCS”)**

Corporate Income Tax Rebate

YA 2019	YA 2020
<ul style="list-style-type: none">➤ 20% of tax payable➤ Capped at S\$10,000	<ul style="list-style-type: none">➤ 25% of tax payable➤ Capped at S\$15,000

Automatic Extension of Estimated Chargeable Income (“ECI”) Instalment Plans

ECI e-filed within*	Current Instalment Plan	Extended Instalment Plan for qualifying companies
1 month from financial year-end	10	12
2 months from financial year-end	8	10
3 months from financial year-end	6	8
After 3 months from financial year-end	No instalments allowed	No instalments allowed

* Before 26th of each qualifying month

Automatic extension will apply to companies that

- File ECI from 19 February 2020 to 31 December 2020 (both dates inclusive); or
- Filed ECI before 19 February 2020, and have ongoing instalments to be made in March 2020.

Property Tax (“PT”) Rebate

For the period from 1 January 2020 to 31 December 2020

30% rebate for:

- Accommodation and function room components of hotel buildings;
- Accommodation and function room components of serviced apartment buildings
- MICE space components of 3 prescribed MICE venues, as follows Suntec Singapore Convention & Exhibition Centre, Singapore EXPO and Changi Exhibition Centre.

15% rebate for:

- Other qualifying commercial properties. Examples: premises of an international airport, shops (e.g. retail and F&B)

10% rebate for:

- Marina Bay Sands and Resorts World Sentosa

The above PT rebates do not apply to any premises or a part of any premises used for residential, industrial or agricultural purpose , or as an office, a business or science park, or a petrol station.

Enhancement of Loss Carry-back Relief Scheme

YA 2019	YA 2020
<ul style="list-style-type: none">➤ Qualifying deductions (i.e. current year unabsorbed CA and trade losses) may be carried back up to the immediate preceding YA➤ Capped at S\$100,000 and subject to conditions	<ul style="list-style-type: none">➤ Enhanced for YA 2020 only➤ Qualifying deductions (i.e. current year unabsorbed CA and trade losses) may be carried back up to 3 immediate preceding YAs➤ Capped at S\$100,000 and subject to conditions

Option To Accelerate Capital Allowances (“CA”) Claims On The Cost of Acquiring Plant and Machinery

Current	Proposed
<p>The rates of CA allowed are as follows:</p> <p>Section 19A</p> <ul style="list-style-type: none">➤ 100% write-off in 1 year (for computers and prescribed automation equipment).➤ Write-off over 3 years (for all assets). <p>Section 19</p> <ul style="list-style-type: none">➤ Write-off over the prescribed working life of the asset	<p>The rates of accelerated CA are as follows:</p> <p>Write-off over 2 years</p> <ol style="list-style-type: none">1. 75% of the cost* to be written off in YA 20212. 25% of the cost* to be written off in YA 2022 <ul style="list-style-type: none">➤ This option, if exercised, is irrevocable➤ No deferment of CA claims is allowed➤ Businesses can choose not to claim the accelerated CA claim and claim under the current rates <p>*Incurred for assets acquired in YA 2021</p>

Option to Accelerate Deduction of Expenses Incurred on Renovation and Refurbishment (“R&R”)

Current	Proposed
<ul style="list-style-type: none">➤ Tax deduction on qualifying R&R expenditure over 3 consecutive Years of Assessment (“YAs”), starting from the YA in which R&R expenditure is incurred➤ A cap of S\$300,000 for every relevant period of 3 consecutive YAs applies	<ul style="list-style-type: none">➤ Irrevocable option to claim R&R deduction in 1 YA➤ For qualifying expenditure incurred during the basis period for YA 2021 only➤ A cap of S\$300,000 for every relevant period of 3 consecutive YAs applies

SME Working Capital Loan

Current	Proposed
<ul style="list-style-type: none">➤ Maximum loan quantum - S\$300,000➤ Government's risk-share - 50% to 70%➤ Interested parties can apply directly to the participating financial institutions.	<ul style="list-style-type: none">➤ Enhanced for one year – from March 2020➤ Maximum loan quantum - S\$600,000➤ Government's risk-share – 80%➤ Interested parties can apply directly to the participating financial institutions.

Jobs Support Scheme (“JSS”)

- Employers will receive an 8% cash grant on the gross monthly wages of each local employee (i.e. Singapore citizens and Permanent Residents only) on their CPF payroll for the months of October 2019 to December 2019
- Subject to a monthly wage cap of S\$3,600 per employee
- No application is required. The grant will be computed based on CPF contribution data
- Employers can expect to receive JSS payment from IRAS by 31 July 2020

Enhancement to Wage Credit Scheme (“WCS”)

Scheme	Existing	Enhanced
Qualifying years	2018, 2019, 2020	2019, 2020
Level of co-funding	<ul style="list-style-type: none"> ➤ 20% of qualifying wage increases in 2018 ➤ 15% of qualifying wage increases in 2019 ➤ 10% of qualifying wage increases in 2020 	<ul style="list-style-type: none"> ➤ 20% of qualifying wage increases in 2019 ➤ 15% of qualifying wage increases in 2020
Gross monthly wage ceiling	<ul style="list-style-type: none"> ➤ S\$4,000 	<ul style="list-style-type: none"> ➤ S\$5,000
Qualifying wage increases	<ul style="list-style-type: none"> ➤ Employers must have given at least a S\$50 increase in gross monthly wage to Singaporean employees earning up to S\$4,000 in the qualifying year ➤ Increases in gross monthly wage of at least S\$50 given in 2017, 2018 and 2019 up to a gross monthly wage level of S\$4,000, and sustained in subsequent years of the scheme 	<ul style="list-style-type: none"> ➤ Employers must have given at least a S\$50 increase in gross monthly wage to Singaporean employees earning up to S\$5,000 in the qualifying year ➤ Increases in gross monthly wage of at least S\$50 given in 2017, 2018 and 2019 up to a gross monthly wage level of S\$5,000, and sustained in subsequent years of the scheme

Goods & Services Tax (“GST”)

Goods & Services Tax (“GST”)

- GST rate will remain at 7% in 2021

- Recap from previous budget:

Scope of GST increased with effect from 1 January 2020

- GST imposed on imported digital services such as movie and music streaming services and mobile apps.

- B2B imported services taxed via a reverse charge mechanism.

Recaps From Previous Budgets

Reduced Start-Up Tax Exemption

YA 2019 and before

Normal Chargeable Income	%
First S\$100,000	100
Next S\$200,000	50

On and after YA 2020

Normal Chargeable Income	%
First S\$100,000	75
Next S\$100,000	50

Restriction to Partial Tax Exemption

YA 2019 and before

Normal Chargeable Income	%
First S\$10,000	75
Next S\$290,000	50

On and after YA 2020

Normal Chargeable Income	%
First S\$10,000	75
Next S\$190,000	50

Changes to Tax Incentives

- **Double Tax Deduction for Internationalisation (“DTDi”) Scheme**
- **Mergers & Acquisitions (“M&A”) Scheme**
- **Non-taxation of Companies’ Gain on Disposal of Ordinary Shares**
- **Financial and Treasury Centre (“FTC”) Scheme**
- **Venture Capital Fund Incentive**
- **Maritime Sector Incentive (“MSI”) Scheme**
- **Global Trader Programme (“GTP”)**

Double Tax Deduction for Internationalisation (“DTDi”) Scheme

Current	Proposed
<p>Businesses may claim automatic 200% tax deduction on first S\$150,000 of qualifying expenses* incurred on the following activities for each YA:</p> <ul style="list-style-type: none"> ➤ Overseas business development trips ➤ Overseas investments study trips / missions ➤ Participation in approved local trade fairs ➤ Participation in overseas trade fairs / missions <p>• Due to lapse after 31 March 2020</p> <p>*Includes travelling and accommodation, meals, exhibition booth rental, booth decoration costs, etc.</p>	<p>With effect from 1 April 2020, qualifying expenses incurred expanded to include:</p> <ul style="list-style-type: none"> ➤ Third-party consultancy costs relating to <u>new</u> overseas business development to identify suitable talent and build up business network; and ➤ New categories of expenses incurred for overseas business missions (i.e. fees incurred on speaking spots to pitch products / services at overseas business and trade conferences, transporting materials / samples used during the business missions and third party consultancy costs to arrange business networking events to promote products / services.) <p>• Extended until 31 December 2025</p>

Mergers & Acquisitions (“M&A”) Scheme

- M&A scheme further extended for qualifying M&A transactions during 1 April 2020 to 31 December 2025
- The scheme will remain unchanged for acquisitions made on or after 1 April 2020, except for the following:
 - a) Stamp duty relief will lapse for instruments executed on or after 1 April 2020; and
 - b) No waiver will be granted for the condition that the acquiring company must be held by an ultimate holding company that is incorporated in and is a tax resident of Singapore.

Non-taxation of Companies' Gain on Disposal of Ordinary Shares

- Under Section 13Z of the Income Tax Act, gains derived from the disposal of ordinary shares by companies will not be taxed, if:
 - a) Minimum 20% ordinary shareholding in the investee company; and
 - b) Minimum ownership period of 24 months just prior to the disposal.
- The scheme is currently due to lapse after 31 May 2022.
- The scheme will be extended to cover disposal of ordinary shares by companies from 1 June 2022 to 31 December 2027
- All the above conditions remain the same, except for the following:

Current	Proposed
<ul style="list-style-type: none"> ➤ Does not apply to disposal of ordinary shares of a company in the business of trading or holding immovable properties in Singapore (other than the business of property development) 	<ul style="list-style-type: none"> ➤ Does apply to disposal of ordinary shares of a company in the business developing immovable properties in Singapore; ➤ In addition, does not apply to disposal of ordinary shares of a company in business of trading, holding or developing immovable properties abroad.

Financial and Treasury Centre (“FTC”) Scheme

- **Current scheme (due to lapse on 31 March 2021)**
 - Concessionary tax rate of 8% on qualifying income derived by approved FTCs
- **Extension and enhancements made to scheme**
 - Scheme extended till 31 December 2026
 - List of qualifying sources of funds expanded to include funds raised via convertible debt issued on or after 19 February 2020
 - List of qualifying FTC activities will be expanded to include transacting or investing into private equity or venture capital funds that are not structured as companies. Applicable on income derived on or after 19 February 2020 by approved FTCs.

Venture Capital Funds Incentive

Extending and refining the incentives:

- **Existing treatment**

- Venture capital funds approved under Section 13H of the ITA enjoy tax exemption on divestment gains from qualifying investments, dividend income from foreign companies and interest income arising from foreign convertible loan stocks.
- Approved venture capital fund management companies managing approved venture capital funds enjoy concessionary tax rate of 5% under Section 43ZG of the ITA on income derived from managing an approved venture capital fund.
- Both incentives scheduled to lapse after 31 March 2020.

- **Extension**

- Both Section 13H scheme and Fund Management Incentive will be extended till 31 December 2025

Venture Capital Funds Incentive (Cont'd)

- **Refinement (take effect from 1 April 2020)**

- **Section 13 H**

- List of investments and income incentivised will be expanded to include relevant items of the Specified Income – Designated Investments list applicable for fund incentives under Sections 13CA, 13R and 13X.
- Incentive may be granted to venture capital funds which are constituted as foreign incorporated companies or Singapore Variable Capital Companies
- Tax exemption may be awarded for the life of the venture capital funds up to total tenure of 15 years with removal of statutory sub-limit which imposes a maximum tenure of 10 years for first tranche of the tax exemption
- Will be allowed, by way of remission, to claim GST incurred on their expenses at a fixed recovery rate to be determined for the industry

- **Fund Management Incentive**

- Each Fund Management Incentive award for the fund manager will be set at a maximum tenure of 5 years and can be renewed subject to conditions

Maritime Sector Incentive (“MSI”) Scheme

➤ For ship operators

MSI Scheme	Current	Proposed
(a) MSI-Shipping Enterprise (Singapore Registry of Ships) (“MSI-SRS”)	<ul style="list-style-type: none"> ➤ Tax exemption on qualifying income derived from operating Singapore-flagged ships 	<ul style="list-style-type: none"> ➤ Allow income derived from operating a ship that is provisionally registered with the SRS to qualify for tax exemption under the MSI-SRS scheme, regardless of whether a permanent certificate is subsequently obtained. ➤ Where a permanent certificate is not obtained, the tax exemption is only allowed up to 1 year from the date of issue of the provisional certificate.
(b) MSI-Approved International Shipping Enterprise Award (“MSI-AIS”)	<ul style="list-style-type: none"> ➤ Tax exemption on qualifying income derived from operating foreign-flagged ships ➤ Due to lapse after 31 May 2021 	<ul style="list-style-type: none"> ➤ Expand the scope of in-house ship management income exemption to include such income derived by MSI-AIS Sister Company and MSI-AIS Local Subsidiary ➤ Extended till 31 December 2026

Maritime Sector Incentive (“MSI”) Scheme

➤ For maritime lessors

MSI Scheme	Current	Proposed
(c) MSI-Maritime Leasing (Ship) Award (“MSI-ML(Ship)”)	<ul style="list-style-type: none"> ➤ Tax exemption on qualifying income derived from leasing ships, and 10% concessionary tax rate on qualifying income derived from managing an approved shipping investment enterprise ➤ Due to lapse after 31 May 2021 	<ul style="list-style-type: none"> ➤ Extended till 31 December 2026 ➤ No other changes
(d) MSI-Maritime Leasing (Container) Award (“MSI-ML(Container)”)	<ul style="list-style-type: none"> ➤ 10% or 5% concessionary tax rate on qualifying income derived from leasing of qualifying sea containers and intermodal equipment that is incidental to the leasing of qualifying sea containers and 10% concessionary tax rate on qualifying income derived from managing an approved container investment enterprise ➤ Due to lapse after 31 May 2021 	<ul style="list-style-type: none"> ➤ Extended till 31 December 2026 ➤ No other changes
Stamp duty remission for (c) and (d)	Applicable to instruments executed on or before 31 May 2021 for the acquisition of shares in a special purpose company by an approved shipping or container investment enterprise, subject to conditions.	The remission will lapse for instruments executed on or after 1 June 2021

Maritime Sector Incentive (“MSI”) Scheme

➤ For providers of certain shipping-related support services

MSI Scheme	Current	Proposed
MSI-Shipping-related Support Services Award (“MSI-SSS”)	<ul style="list-style-type: none"> ➤ 10% concessionary tax rate on incremental qualifying income derived from carrying out approved shipping-related support services ➤ Due to lapse after 31 May 2021 	<ul style="list-style-type: none"> ➤ Extended till 31 December 2026 ➤ No other changes

➤ Withholding tax (“WHT”) exemption

Current	Proposed
WHT exemption is granted on qualifying payments made by qualifying MSI recipients to non-tax residents (excluding a permanent establishment in Singapore) in respect of qualifying financing arrangements entered into on or before 31 May 2021 to finance the construction or purchase of qualifying assets (e.g. ships, containers), subject to conditions.	<ul style="list-style-type: none"> ➤ Extended till 31 December 2026 ➤ No other changes

Global Trader Programme (“GTP”)

Existing treatment	Extension / refinement
<ul style="list-style-type: none">➤ GTP scheduled to lapse after 31 March 2021.➤ GTP grants concessionary tax rate of 5% or 10% on income derived by approved global trading companies from qualifying transactions.➤ On income from qualifying transactions in liquefied natural gas (“LNG”), concessionary tax rate of 5% applies.➤ The GTP (Structured Commodity Financing) (“GTP(SCF)”) grants a concessionary tax rate of 5% or 10% on qualifying income derived by approved GTP (SCF) companies).	<ul style="list-style-type: none">➤ GTP will be extended till 31 December 2026➤ The concessionary tax rate of 5% on income from LNG will lapse after 31 March 2021. Thereafter, LNG will be treated same as other GTP-qualifying commodities under GTP.➤ With effect from 19 February 2020, the qualifying activities of GTP (SCF) will be subsumed under GTP and the GTP(SCF) will lapse after 31 March 2021.

Tax Changes For Individuals

Tax changes for individuals

- **Extend the withholding tax exemption for non-resident mediators and arbitrators**
 - As a concession, income derived by non-resident mediators and arbitrators from mediation work and arbitration work carried out in Singapore is exempted from tax, subject to conditions.
 - The withholding tax exemption will be extended till 31 March 2022
- **Extend the concessionary withholding tax rate for non-resident public entertainers**
 - As a concession, withholding tax rate of 15% is reduced to 10%
 - The concessionary withholding tax rate of 10% will be extended till 31 March 2022
- **The lapse of the Angel Investors Tax Deduction (“AITD”) Scheme**
 - AITD scheme will lapse after 31 March 2020
 - Singapore-based start-ups can access funding through other government schemes such as the Start-up SG programme
 - Angel investors, whose approved angel investors status commences on or before 31 March 2020, can continue to be granted the tax deduction under the AITD scheme for the qualifying investments made during the period of his approved angel investors status, subject to existing conditions

Personal Tax Rebate

YA 2019	YA 2020
<ul style="list-style-type: none">➤ Personal income tax rebate of 50%➤ Capped at \$200	<ul style="list-style-type: none">➤ No rebate 

Recap from Previous Budget – NOR scheme

- **Lapse of the Not Ordinarily Resident (“NOR”) scheme after YA 2020**
 - The last NOR status will be granted for YA 2020 and expire in YA 2024.
 - Individuals who have been accorded the NOR status will continue to be granted NOR tax concessions until their NOR status expires, if they continue to meet the conditions of the concessions.

Other Updates

- **Tax Treaty Updates**
- **Senior Employment Credits (“SEC”)**
- **Enhancement to Enterprise Development Schemes – Announced in Budget 2020**

Tax Treaty Update

- **Bilateral treaty update 2019 / 2020**

- Singapore currently has 87 comprehensive tax treaties that are in force.
- In addition, treaties with the following countries have been signed but not ratified:

- Europe**

- Greece

- South America**

- Brazil

- Asia**

- Armenia
 - Turkmenistan

- Africa**

- Gabon
 - Kenya

- Existing treaties with the following countries have been updated / amended:

- Asia**

- Korea (ratified)
 - Indonesia (not ratified)

- Europe**

- Germany (not ratified)
 - Ukraine (not ratified)

Senior Employment Credit (“SEC”)

Current	Proposed
<ul style="list-style-type: none">➤ Special Employment Credit to provide wage offsets of up to 8% for workers aged 55 and above, earning up to S\$4,000 a month➤ Additional Special Employment Credit of up to 3% for workers who are older than the re-employment age, earning up to S\$4,000 a month➤ Both to lapse on 31 December 2020	<ul style="list-style-type: none">➤ SEC to replace Special Employment Credit and Additional Special Employment Credit➤ SEC to provide wage offsets of up to 8% for workers aged 55 and above, earning up to S\$4,000 a month➤ Effective from 1 January 2021 to 31 December 2022

Enhancement to Enterprise Development Schemes – Announced in Budget 2020

- **Expanding & deepening partnerships**

- Executive-in-Residence (EIR) Programme **(NEW)**

- **Access to capital and cash flow**

- Enterprise Financing Scheme (EFS)-SME Working Capital Loan (EFS-WCL)
- Startup SG Equity (Financing for Early Stage Deep-Tech Startups)

- **Digital and market connectivity**

- Market Readiness Assistance (MRA)
- Digital connectivity – Nationwide E-invoicing Network, Networked Trade Platform, Digital Economy Agreements
- GoBusiness platform
- SMEs Go Digital
- Productivity Solutions Grant (PSG)

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