

## **Singapore Budget 2021 – Wish List**

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## SICC Budget Wish-List 2021

### Singapore's Overall Tax Regime

Taxation affecting Businesses			
(A) Making Singapore's Taxation Regime More Business Friendly			
No.	Tax Issues	Comments	Proposed Recommendations
<b>New</b>			
1	Corporate Income Tax Rebate	<p>Most companies are feeling the brunt of paying higher taxes during the COVID Pandemic period, especially local SMEs.</p> <p>The Corporate Income Tax rebate is useful to give direct support to those badly affected.</p>	<p>1. Propose that the existing Corporate Income Tax Rebate (in 2020) could be kept and extended for YA2021.</p> <p>2. Propose that existing cap of \$15,000 could be raised to \$50,000 over two years, where corporates can decide how they spread the amount.</p> <p>This would benefit all corporate taxpayers particularly the SMEs and is also crucial in helping Singapore to maintain its competitiveness and stand out from the global competition in attracting foreign investments and provide immediate cash relief to SMEs (that are in a tax payable position) during the economic slowdown.</p>
2	Amendment of Section 13Z (The Income Tax (Amendment) Bill published on 5 Oct 2020)	The definition of "property development" introduced in Amendment of section 13Z of The Income Tax (Amendment) Bill published on 5 Oct 2020 includes " <b>any alteration or addition to</b> , or partial demolition and rebuilding of, any building or part of a building" that requires the approval of the Commissioner of Building Control.	1. Propose a threshold amount could be introduced for e.g. based on a certain percentage (e.g. exceeding 20%) of the original value of the completed building for any subsequent alteration, or additional works to building, or part of a building that would constitute

		<p>The definition of property development is too wide with the inclusion of “any alteration or addition” and there are many building works that require approval from the authority. Further, if the subject property is located overseas, the condition that “if (construction is) carried out in a country outside of Singapore, would have required such approval if it had been carried out in Singapore” would impose onerous requirement as taxpayers need to ascertain (hypothetically) whether such construction work would have required approval from the authority.</p> <p>If a company embarks on some alteration work years later after the property has completed development, it would mean that the condition “the company did not undertake any property development in Singapore or elsewhere for a period of at least 60 consecutive months before the disposal of shares” would have to be re-referenced based on the last alteration works approved by the Commission of the Building Control.</p>	<p>construction for the purpose of property development.</p> <p>2. Propose to consider removing the condition of hypothetical approval from authority for overseas properties.</p>
3	<p>M&amp;A Scheme Benefit: Currently, the M&amp;A Scheme only applies for acquiring companies which are incorporated and tax resident in Singapore (where the acquiring company belongs to a corporate group, its ultimate holding</p>	<p>This does not incentivize Singapore-based companies who are headquartered in other countries to invest in local (i.e. Singapore-based) start-up companies which may need significant investments to scale / innovate.</p>	<p>Propose to extend the M&amp;A Scheme benefits, to Singapore-based companies (which are headquartered in other countries) which invest in local start-up companies for the benefit of the Singapore economy.</p>

	company must also be incorporated and tax resident in Singapore).		
4	<p>Utilization of current year unabsorbed capital allowances and tax losses (for ease of reference, referred to as “loss items”)</p> <p>Currently, subject to meeting of the prescribed pre-requisites, loss items can be:</p> <ol style="list-style-type: none"> <li>1) Carried forward for utilization against an entity’s future taxable profits;</li> <li>2) Utilized against current year taxable profits of group entities via the Group Relief mechanism;</li> <li>3) Carried back under Carry Back Relief scheme (Budget 2020 proposed to allow carry back of up to 3 immediate preceding YAs, capped at S\$100,000)</li> </ol>	<p>There is a general expectation that this pandemic period will last till at least end of year 2021, and most businesses are expected to make losses.</p> <p>During this pandemic period, cash preservation is key to businesses and employment. So long as businesses are able to survive this pandemic, utilization of tax losses and capital allowances presents a mere temporal difference with no or little tax leakage, whether or not such utilization is against future or past profits, or within the group.</p> <p>To help businesses, there needs to be more flexibilities to the Group Relief and Carry Back Relief Schemes, at least as an interim aid during this critical period if not a permanent feature of Singapore Income Tax system.</p>	<p>Propose to allow, for the next 2 YAs (YA2021 and YA2022), current year loss items to be utilized in the following manner with no capped amount:</p> <ol style="list-style-type: none"> <li>i. Carry back of up to 3 immediately preceding YAs (i.e. as far back as YA2018 for YA2021 loss items and YA20219 for YA2022 loss items) as well as to be utilized against taxable profits of group entities via Group Relief mechanism for those 3 immediate preceding YAs</li> <li>ii. Carry forward for utilization against an entity’s future taxable profits</li> <li>iii. Carry forward for utilization against taxable profits of group entities via Group Relief mechanism for up to 2 YAs (i.e. YA2022 and YA2023 for YA2021 loss items, and YA2023 and YA2024 for YA2022 loss items)</li> </ol>
<b>Repeated from 2020</b>			
1	Deduction of interest cost incurred on acquisition of shares of a company which is subsequently converted to a	Currently, interest cost incurred on acquisition of shares of a company (which is subsequently converted to an LLP) is not tax deductible against the share of partnership	1. To provide businesses more flexibility in choosing the investment vehicle and allowing business to convert existing firms (including companies) to LLPs

	<p>limited liability partnership (“LLP”) against the share of taxable income from the LLP post-conversion.</p>	<p>income after conversion of the company to a LLP.</p> <p>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.</p> <p>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.</p>	<p>that best serves their overall commercial needs, propose that businesses be allowed to deduct the interest cost incurred against their share of income from the LLP, post-conversion of that company to a LLP.</p> <ol style="list-style-type: none"> <li>2. Where the partner of the LLP is a corporate partner, propose that it should be allowed to deduct the interest cost incurred against the taxable income from the LLP.</li> <li>3. Similarly, where the partner of the LLP is a S-REIT, propose that 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.</li> </ol> <p>(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.)</p>
2	<p>Treat the transfer of assets and liabilities of a company to the</p>	<p>Currently, taxpayers have to write to IRAS to obtain tax ruling to treat the transfer of assets</p>	<ol style="list-style-type: none"> <li>1. To provide businesses more flexibility in choosing the investment vehicle that</li> </ol>

	LLP upon the conversion of company to a LLP as a non-taxable event.	and liabilities of a company to an LLP upon the conversion of a company to a LLP as a non-taxable event.	<p>best serves their overall commercial needs and provide greater tax certainty for businesses, 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:</p> <ol style="list-style-type: none"> <li>i. 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</li> <li>ii. The cost base of the assets will remain the same as the original cost prior to the conversion.</li> </ol> <p>2. Alternatively, propose to 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 realization of either a profit or loss.</p>
3	Green Initiatives	To encourage more environmentally-friendly buildings with enhanced indoor environment quality considerations and energy and water management efficiency system.	<ol style="list-style-type: none"> <li>1. Propose to consider enhanced tax deduction for e.g. on certification costs, and / or property tax rebate for companies that have their properties awarded the Green Mark GoldPlus and / or Platinum ratings.</li> </ol>

			2. Further, propose that additional investment / capital allowances (e.g. 200%) may be granted to encourage capex incurred on such qualifying expenditure.
<b>(B) Enhancing Singapore's R&amp;D Taxation Regime to Encourage More R&amp;D Activities</b>			
<b>No.</b>	<b>Tax Issues</b>	<b>Comments</b>	<b>Proposed Recommendations</b>
<b>New</b>			
NIL			
<b>(C) Business Costs and How to Contain Them</b>			
<b>No.</b>	<b>Tax Issues</b>	<b>Comments</b>	<b>Proposed Recommendations</b>
<b>New</b>			
1	Digital taxes imposed by foreign jurisdictions	In view of the various unilateral tax measures and imposition of digital taxes (such as India's equalization levies, etc.), the cost of doing business overseas has increased significantly.	Propose that the government can provide certainty that such digital taxes represent necessary business costs which should be deductible for Singapore tax purposes.
2	Medical Expenses Cap	As Singapore re-opens its borders for international travel and business trips resume, medical expenses for employees are expected to increase with the requirements in both inbound and outbound countries of travelers. For example, the costs of health check-ups, routine swab tests upon departure/arrival, treatment or hospitalization may be paid by the employer especially if the travel required is for business reasons. To reflect the rising costs for healthcare globally and to encourage employers to provide for their employees' healthcare needs, the cap on employer's tax deductions for medical	Propose that medical expenses cap to be lifted for COVID-19 related medical expenses.



		benefits should be removed for COVID-19 related medical expenses.	
<b>Repeated from 2018</b>			
3	Upfront fees for spectrum capacity	<p>As Singapore advances with its smart nation initiatives, 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.</p> <p>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 that have to be paid upfront.</p> <p>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”).</p> <p>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 ICT infrastructure and build strong digital and innovative capabilities for Singapore Future Economy.</p>	<p>Propose 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. 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.</p>

<b>(D) Support economic transformation, adapting to changes in a post-COVID-19 world, and emerging stronger</b>			
<b>No.</b>	<b>Tax Issues</b>	<b>Comments</b>	<b>Proposed Recommendations</b>
<b>New</b>			
1	Enhanced deduction on training expenses	<p>To encourage employers and employees to make full use of any downtime during COVID-19 and post-COVID-19 to train, reskill, upskill and prepare themselves for a challenging future.</p> <p>The intention of Singapore's government is to continue focusing on the upgrading of workers' skillset in order to meet the demand of digitized businesses.</p>	Propose that authorities could develop and implement tax deduction scheme on training costs to encourage reskilling efforts.
2	Carry forward of unabsorbed donations for up to 5 Years of Assessments	<p>Viable businesses continue to give back to the community during this difficult period. Many businesses are lending a helping hand and playing their part so that Singapore will emerge stronger from Covid-19</p> <p>Any unabsorbed donations may only be carried forward for up to 5 YAs, subject to meeting certain qualifying conditions based on the current tax rules whereas unabsorbed losses and capital allowances may be carried forward indefinitely subject to meeting similar qualifying conditions.</p>	To support businesses that continue to contribute to the community during this period, propose that any unabsorbed donations made during YAs 2021 and 2022 are allowed to be carried forward indefinitely, subject to meeting the current qualifying conditions. This is in view that the economic recovery may take a longer timeframe.
3	Interest-free instalment plans for payment of corporate income tax on estimated chargeable income (ECI)	It was announced in Budget 2020 that companies paying their corporate income tax would automatically enjoy an additional 2 months of interest-free instalments upon submitting their ECI within 3 months from their financial year end.	Propose to extend the additional 2 months of interest-free instalments for payment of corporate income tax on ECI filed during the period from 1 January 2021 to 31 December 2021 to ease any cash flow burden for businesses.

4	<p>Group Relief: The following conditions must be satisfied for companies to qualify for group relief. The transferor and claimant of the loss items have to:</p> <ul style="list-style-type: none"> <li>• be Singapore incorporated companies;</li> <li>• belong to the same group of companies and maintain 75% shareholding threshold; and</li> <li>• have the same financial year end.</li> </ul>	<p>For MNCs that are organized along business activities, it is not uncommon for these MNCs to incorporate several Singapore companies by business activities with different foreign shareholdings, but ultimately rolling up to the same foreign holding company. Setting up a Singapore parent company to hold all the related Singapore companies would allow the group to claim Group relief but this inevitably increases unnecessary compliance cost and complexity for business operating in Singapore.</p> <p>There are losses in group companies that might not be fully utilized due to the restrictions of the current Group Relief provisions.</p>	<p>Propose to introduce a limited time period to dispense with the 75% shareholding threshold requirement and allow losses to be utilized within the group companies with the same Singapore parent company or foreign ultimate holding company.</p> <p>This will allow more companies to benefit from group relief and help Singapore based companies conserve cash flow.</p>
5	<p>Covid-19 has accelerated the move to digitalization, automation and technological innovation. Such a move may not result in big bang innovation but small scale improvements to business operations. Some companies have the resources and expertise to make such developments quickly.</p>	<p>The Productivity and Innovation Credit (PIC) scheme has expired after the Year of Assessment (YA) 2018. To claim R&amp;D under PIC, it had to meet the definition S(2) of SITA i.e. R&amp;D means any systematic, investigative and experimental study that involves novelty or technical risk carried out in the field of science or technology with the object of acquiring new knowledge or using the results of the study for the production or improvement of materials, devices, products, produce, or processes. The qualifying expenditure refers to staff costs, consumables and any such expenditure prescribed by the Minister. The R&amp;D</p>	<p>As we are moving in a fast paced technological world and to encourage Singapore companies to take on small scale technological innovation, propose that authorities consider recognizing such contributions and improvement by awarding cash grants of \$100,000 to \$500,000 to companies to fund qualifying projects, covering development and implementation costs. Award will be based on the companies' submissions to the Government Agencies (EDB/ESG/MPA) on their technological innovation and the benefits to the companies.</p>

		<p>expenditure also has to be computed net of subsidy and grant received from the Government or statutory board.</p> <p>To help accelerate the pace of digitalization, the government can consider encouraging companies that possess resources and expertise to make small scale technological innovation. Big scale innovation takes longer period to develop.</p>	
<b>Review of Existing Taxes and Incentives</b>			
<b>(E) Review of Existing Tax Incentives</b>			
<b>No.</b>	<b>Tax Issues</b>	<b>Comments</b>	<b>Proposed Recommendations</b>
<b>New</b>			
1	250% tax deduction for qualifying donations	The 250% tax deduction for qualifying donations is scheduled to lapse after 31 December 2021. A 200% tax deduction will be allowed for qualifying donations thereafter.	To continue to encourage Singaporeans to give back to community, propose that the 250% tax deduction could be extended by another 3 years for donations made on or before 31 December 2024.
2	Existing investment allowance is capped at 100% of fixed asset investment and is an offset against taxable income.	<p>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).</p> <p>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</p>	<p>For Singapore to remain competitive in attracting new foreign investments in a high cost environment, propose that consideration be given to modify the current investment allowance scheme to reflect the proposed recommendations:</p> <ul style="list-style-type: none"> <li>i. To convert the investment allowance into a tax credit / rebate; or</li> <li>ii. To increase the investment allowance cap to 300%; and</li> </ul>

		<p>comparable facility would be 2-3 times less than in Singapore.</p> <p><b>Worked example:</b>  <u>Singapore</u>  Cost (est.) - US\$1m  IA@100% - US\$1m  Tax savings@17% - US\$0.17m  Net outlay – US\$0.83m</p> <p><u>Malaysia (Estimated capital cost for similar fixed asset investment at half of Singapore's cost)</u>  Cost (est.) - US\$0.5m  IA @100% - US\$0.5m  Tax savings@24% - US\$0.12m  Net outlay – US\$0.38m</p>	<p>iii. To broaden the base of qualifying investment to include all related costs to enable the incentivized investment.</p>
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**(F) Other countries' tax incentives which might be contextualized for Singapore**

No.	Tax Issues	Comments	Proposed Recommendations
New			
NIL			

**Trade and Taxation**

**(G) Cross border issues**

No.	Tax Issues	Comments	Proposed Recommendations
New			
NIL			

**General Tax Regimes**

**(H) GST**

No.	Tax Issues	Comments	Proposed Recommendations
New			

1	<p>To be compliant with GST legislation, in particular new GST changes on taxing imported services by way of overseas vendor registration, it is necessary to identify whether an individual customer has his usual place of residence in Singapore.</p>	<p>While IRAS' upfront initiative is appreciated, in granting administrative concession to obtain and maintain at least two pieces of non-conflicting evidence of customers' belonging status, based on the three proxy categories (i.e. Payment Proxy, Residence Proxy and Access Proxy) to determine the belonging status of such customers, it is very challenging for businesses to obtain the two pieces of non-conflicting evidence of customer's belonging status.</p> <p>On grounds of prudence where the two pieces of evidence contradict each other such that the customer uses an overseas mobile number but declares that either the billing address or home address is in Singapore (i.e. residence proxy), the customer should be prepared to pay Singapore GST based on his declaration.</p> <p>We would however like to clarify that the mere declaration of billing address or the home address in Singapore does not necessarily mean that the imported services were consumed in Singapore.</p>	<p>As the spirit of taxing imported service is to achieve parity in GST treatment for all services consumed in Singapore regardless of whether the service is procured overseas or locally, propose that it is more appropriate and pragmatic to designate Access Proxy as the primary proxy, which would be more than adequate as it identifies the "location" in which the service is supplied.</p> <p>For the three proxies provided, it would be more relevant to identify and designate a primary proxy when considering customer's usual place of residence. This will be particularly useful in the unfortunate event that only two proxies are available and hence unable to choose two out of three non-conflicting evidence.</p>
2	<p>Currently ACAP period has been extended by one year (to 6 years) for premium status and only one Post ACAP Review (PAR) is required if the taxpayer is renewing the status.</p>	<p>The extension of one year does not result in significant difference in terms of savings in the resources required for renewals.</p>	<p>To better recognize taxpayer's efforts, commitment and resources incurred in the application and subsequent renewals, as well as in the monitoring of the controls, propose that the ACAP period be extended up to 8 years for premium status with an additional PAR requirement to provide the assurance</p>

			that the controls are working effectively, and any errors are rectified in a timely manner.
<b>(I) Personal Income Tax</b>			
<b>No.</b>	<b>Tax Issues</b>	<b>Comments</b>	<b>Proposed Recommendations</b>
<b>New</b>			
1	Personal Tax Rebate	Due to the COVID-19 Pandemic, individuals will generally have their annual income reduced during 2020 and potentially in 2021 as well.	Propose the following: <ol style="list-style-type: none"> <li>1. 50% tax rebate of up to \$3,000 for YA 2021 to alleviate tax burden for taxpayers in view of the COVID-19 crisis.</li> <li>2. Deferment to pay tax to help ease cash flow issues for YA 2021. <ul style="list-style-type: none"> <li>- For YA 2020, IRAS provides deferment up to 3 months to pay the tax. Propose to continue to allow deferment of up to 3 months to pay tax for YA 2021, and reduce the 3 months deferment over several years.</li> </ul> </li> </ol>
2	Tax relief for purchase of IT equipment (e.g. computer, laptop, printer, etc.) during year 2020 for personal / business use.	To grant a tax relief to taxpayers who incurred expenses for purchase of IT equipment during year 2020 for performing work duties from home or for home-based learning purpose.  For example, Malaysia has implemented a personal tax relief capped at RM2,500 for expenses incurred for purchase of personal computer, smartphone or tablet for the use/benefit of self, spouse or child.	To provide a tax relief capped at \$1,000 for taxpayers who have incurred expenses in purchasing of IT equipment during year 2020 for performing work duties from home or for home-based learning. Such tax relief should be supportable with invoices/receipts.

3	Standardized tax deductions on expenses (e.g. electricity, internet, phone bills, etc.) incurred while performing work duties from home.	<p>The IRAS has announced that individuals may claim tax deductions on expenses incurred while performing work duties from home.</p> <p>However, it is a hassle when it comes to a split calculation for homes with individuals of different families and co-sharing among tenants.</p>	<p>Propose to provide a standard one-off \$1,000 work-from-home tax relief for all taxpayers to cover the expenses (e.g. electricity, internet, phone bills, etc.) incurred while performing work duties from home during the pandemic crisis.</p> <p>The one-off tax relief will simplify the tax deduction claims for all taxpayers and avoid excessive claim from taxpayers.</p>
4	During Covid-19, companies have employees who are stranded in their home countries for more than three months and hence face the tax clearance issue although the employees are still exercising employment with the companies and performing their work remotely.	<p>When a non-Singapore Citizen employee (i.e. foreign or Singapore Permanent Resident employee) ceases employment with the company in Singapore or goes on an overseas posting or plans to leave Singapore for more than three months, the employer is required to seek tax clearance for the employee and to withhold all monies due to the employee for tax clearance purpose.</p> <p>As it is demonstrated that employees can perform work away from the Singapore office, companies may move towards allowing employees to work from their home country during the Covid-19 pandemic.</p> <p>With the current tax clearance rules, the employer would be required to seek tax clearance even though the employees have not ceased employment with the Singapore company and thereby creating additional administrative and compliance burden for the employers.</p>	<p>Propose to consider dispensing with companies having to seek tax clearance for such employees if the employers can demonstrate the following:</p> <ul style="list-style-type: none"> <li>i) Employees are in employment with the company; and</li> <li>ii) Employers are able to withhold their salaries once the intention that the employees are leaving the Singapore employment are made known.</li> </ul>



<b>(J) Other Taxes (e.g. Stamp Duty and Property Tax)</b>			
<b>No.</b>	<b>Tax Issues</b>	<b>Comments</b>	<b>Proposed Recommendations</b>
<b>New</b>			
1	Property tax rebates	The impact of COVID-19 on the Singapore economy has been significant. Many businesses are still assessing the ongoing impact of the pandemic amidst the continued closure of borders and the severe disruption to global economic activities.	Propose that existing property tax rebates be extended to 2021 in view that businesses are still struggling to cope with the ongoing COVID-19 pandemic amidst the sluggish economy.