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Singapore International Chamber of Commerce

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Singapore Budget 2022 – Wish List

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SICC Budget Wish-List 2022

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	Revising Section 13Z of Income Tax Act to better facilitate corporate restructuring and consolidation in a COVID environment.	Section 13Z was introduced to facilitate companies' restructuring for growth and consolidation to enhance Singapore's attractiveness as a business location and minimize compliance costs for taxpayers. The market has evolved significantly since its introduction in Budget 2012 with greater sophistication in terms of the types of investors (for example private equity, venture capital, family offices) and range of instruments (for example greater use of preferred shares, redeemable shares, different classes of shares). At present, Section 13Z only applies to ordinary shares. Further, the 20% shareholding threshold is too high as a proxy to indicate that an investment is not a portfolio investment or as indication of significant influence for associated companies. There can be, for example, preference shares or holdings of less than 20% with controlling voting rights in private equity investments. As such Section 13Z should be updated to reflect the changing market circumstances and made more flexible, particularly during the	Propose to extend Section 13Z tax treatment to divestments with shareholdings below 20% threshold for example 5%. Propose to extend Section 13Z to all equity instruments including preferred shares.

		COVID period, to facilitate corporate restructuring and consolidation. For comparison, the Netherlands participation exemption has a 5% shareholding threshold.	
2	Providing certainty of capital vs income treatment for financial instruments	At present, capital vs income treatment of transactions in financial instruments is uncertain, due to the need to establish intent - to either hold the instrument long-term or to trade it based on a balance of the badges of trade and other factors based on case law. An unforeseen event such as COVID can easily trigger unplanned transactions and can give rise to challenges as to whether there was a change of intention. With the pending introduction of Section 10P where changes of a capital asset to trading stock and vice-versa will necessitate a compulsory notification to IRAS, there is no good reason to leave the law in its uncertain state. In this regard, Section 13Z already accepts the 24-month holding period as a bright line threshold for ordinary shareholdings of at least 20% to be exempt from tax. For comparison, South Africa has as a general bright-line rule specifying the minimum holding period for financial instruments for capital treatment without the restrictions of Section 13Z.	Propose to adopt the 24-month minimum holding period as a bright line rule for financial instruments to qualify for capital treatment.

3	Providing clarity and certainty as to whether income is subject to tax in Singapore for foreign interpretation of tax treaties.	Several tax treaty provisions require interpretation by a foreign tax authority as to whether income is subject to Singapore tax. This has given rise to uncertainty (a) given Singapore's remittance basis of taxation, (b) where income is eligible for exemption under the Singapore income tax act or incentives or (c) such income enjoys a zero rate of tax. This has given rise in some cases for taxpayers to seek IRAS rulings or certification to establish that income is subject to Singapore tax to the satisfaction of the foreign tax authority. This also gives rise to uncertainty, avoidable disputes, and unnecessary administrative burden to seek legal opinions or rulings from IRAS. Further, such rulings or opinions may not be practicable at a transaction-by-transaction level for taxpayers engaged in high volume transactions or dealing with a varied number of scenarios.	Along the lines of IRAS' willingness to state in E-guides that Singapore does not tax capital gains, propose that IRAS should clarify Singapore's position when a foreign-sourced income is subject to tax for Singapore tax purposes. Such guidance should ideally be part of subsidiary legislation to provide a stronger legal basis to foreign authorities relative to E-guides and cover situations when income is not remitted, exemption under Income Tax Act, incentives or enjoy zero rate of tax.
4	Abolish the statutory limit for donations carried forward and provide GST relief to encourage COVID related charitable initiatives.	Currently, there is a statutory time limit for which unutilized donations can be carried forward and offset against the Company's taxable income. This could cause companies to time their donations as there could be no tax benefit on the donations if the Company is not forecasting to earn a profit in the next few years.	Propose to abolish the statutory limit for unutilized donations carried forward to encourage charitable giving regardless of the times (whether good or bad). Propose to allow full GST input credit claim for expenses incurred for COVID related charitable initiatives.

		COVID had also resulted in declining ability of donors to support charities. GST or the inability to reclaim full input credit adds to the costs of charitable COVID initiatives	
5	Transfer pricing documentation	Currently, transfer pricing documentation rules specify that documentation is required on transactions if certain thresholds are met. While the threshold was considered adequately high so as not to be burdensome to smaller companies, these thresholds are considered low for bigger companies. This unfortunately creates additional burden for such companies if there are variations in the arrangement / terms of an existing transaction, since the variations could result in a different risk profile / function / assets used. Under existing regulations, this would mean that for a certain type of sale, multiple benchmarking / reports would have to be documented, for the given type of transaction, due to the variations. Even though the variation in transaction would not be material to the company in the grander scheme of things, or even in respect to that transaction. This causes undue burden to the companies in question.	Propose that transactions requiring documentation be based on a materiality basis (for example percentage of sales, percentage of business line, etc) as opposed to a fixed number threshold. This would help to alleviate compliance burdens for the bigger companies.
6	Currently, the M&A Scheme only applies for acquiring companies	This does not incentivize Singapore-based companies who are headquartered in other	Propose to extend the M&A Scheme benefits, on a case-by-case application

	which are incorporated and tax resident in Singapore (where the acquiring company belongs to a corporate group, its ultimate holding company must also be incorporated and tax resident in Singapore).	countries to invest in local (i.e. Singapore-based) start-up companies which may need significant investments to scale / innovate.	basis, to Singapore-based companies (who are headquartered in other countries) which invest in local start-up companies as this will benefit the Singapore economy.
(B) Support economic transformation, adapting to changes in a post-COVID-19 world, and emerging stronger			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Doing more to help Singapore businesses that are still making losses in 2020 and 2021 despite COVID-related support measures survive.	SMEs play an important role to the growth of Singapore economy and help hold up Singapore's employment rate. It is important to support these SMEs and ensure that they can tide through the challenges caused by COVID.	Propose to allow COVID impacted companies, especially SMEs, to surrender their losses for an immediate cash rebate. Such rebates can be at a certain percentage of loss surrendered for example 15%, subject to a cap similar to that of the income tax rebate. This will provide immediate cash-flow relief and help such businesses survive.
2	Temporarily expand scope of Foreign-Sourced Income Exemption (FSIE) and lift conditions for remittance of foreign-sourced income to be exempted from tax in hands of Singapore residents.	Singapore companies with significant foreign sourced income will be taxed on a remittance basis if such income is brought back to Singapore unless FSIE applies or if certain conditions under Section 13(9) of the Income Tax Act are met. COVID has necessitated the remittance of such income to bolster liquidity, working capital or permit investments in local operations.	Propose to provide relief for bona fide remittance of foreign-sourced income by temporarily expanding the scope of FSIE. In line with prior temporary lifting, between 22/01/09-21/01/10 (during the last financial crisis) of all qualifying conditions except for the condition that such exemption must be beneficial to Singapore resident taxpayers, we propose similar temporary lifting (i) subject to tax, and (ii) beneficial headline tax rate of 15% conditions for remittance made during the current COVID period till end of

			year 2024 or such time when negative COVID impact on economy subsides
3	Enhanced deduction on COVID-19 related expenses incurred to: - Protecting employees' physical and mental health. - Ensuring a safe working environment	Apart from medical related expenses, businesses may have incurred expenses to protect employees' physical and mental health during the COVID-19 period such as allowances to buy ergonomic chairs, peripherals for WFH purposes and care packs provided to employees. To ensure that the workplace is safe for the employees, employees may also have incurred additional expenses as such regular sanitization and cleaning of workplace, installation of partition between workstations, etc)	Propose allowing 200% tax deduction on expenses incurred to protect employees' physical and mental health and to ensure a safe working environment due to COVID-19.
4	Enhanced deductions/ capital allowances on digitalization efforts.	Businesses are adopting new ways of working amidst the COVID-19 situation i.e. from physical to virtual. Hence, businesses are spending more money on digitalization to keep up with such a shift, which is also necessary due to government's restrictions on workplace capacity and work from home arrangements.	To support businesses and also encourage digitalization, propose allowing enhanced deductions / capital allowances (similar Productivity and Innovation Credit Scheme) on digitalization cost. Example of such cost include purchase of IT equipment, software development, subscription of online platforms/system for e-learning/online training/data warehouse.
Review of Existing Taxes and Incentives			
(C) Review of Existing Tax Incentives			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Simplify Enhanced Tier Fund Tax Exemption Scheme (Section 13X of Income Tax Act) by exempting incidental or *de minimis* income.	Presently, income which is not "Specified income" derived by a Section 13X fund from "Designated Investments" is not exempt from tax. Given that majority of Section 13X funds	Propose to exempt non-specified income that is incidental or *de minimis* based on a certain threshold such that all income of a Section 13X fund will be exempt.

		would be set up and managed to hold designated investment and generate tax exempt Specified income, any non-Specific income would be incidental or de minimis. However, such funds still bear compliance burden of segregating and subjecting such non-Specified income to tax. For comparison, the Hong Kong unified fund exemption regime has an allowance of up to 5% of trading receipts for incidental transactions that are non-qualifying under that regime.	This will also simply the Section 13X scheme without significant revenue impact if a threshold is set at an appropriate level for example up to 5% of total income can be non-Specified income.
2	Concessionary tax rate on REIT management fee	Currently, the Financial Sector Incentive for fund management (FSI-FM) does not apply to fund management fees earned by REIT managers who are taxed at 17% as opposed to 10% for fund managers granted the FSI-FM incentive. REIT is not a qualifying fund for the purpose of the FSI-FM incentive. In substance, both the management of REITs and qualifying funds (for example Section 13X and 13R funds) require similar expertise of the fund managers. As the REIT industry grows and becomes more competitive, there is also increasing pressure for REITs to look beyond the shores of Singapore for potential yield-accretive assets for acquisition and growth and/or to look for different asset classes that they currently own to augment their property portfolio and improve returns to investors.	Propose that MOF extend the 10% tax incentive to REIT managers as well. The skillset and capabilities of a fund manager and REIT manager managing a private real estate fund or a listed fund (i.e. REITs) are similar. With the tax incentive granted to management fees of REIT managers, the REIT managers would have more funds to deploy and assemble a multi-disciplinary team to manage the REITs. This will also encourage global REIT managers to locate their business in Singapore and spur the local REIT management activities, thus enhancing the existing talent pool of asset managers in Singapore and fuel the growth of the fund/REIT management industry.

		These developments would require REIT managers to broaden their knowledge of geographies and asset classes which would necessitate a greater investment in the people and the recruitment of the right people with the relevant experience and expertise to manage the REITs.	
3	Review of project milestones/conditions.	In view of the COVID-19, businesses may earn less and incur less local expenses (for example business travelling, salaries and bonuses) or reduce their headcounts. In this regard, companies which are granted tax incentives may have difficulties meeting project milestones/conditions. Where the project milestones/conditions are not fulfilled, the respective government authorities may revoke the companies' incentive status retrospectively.	To support such businesses during difficult times and reduce administrative cost with regard to protracted renegotiation with the government authorities, propose that a blanket relaxation (for example reduce local business spending milestone by 20% or extend the date that a company is required to fulfill certain milestone by another 6 months) be granted to business which are granted such incentives. The degree of relaxation may vary among different incentives depending on the nature of the businesses which are granted the respective incentives and how badly they are affected by COVID-19.
4	After the announcement on 9 July 2021, with the support of OECD IF members, to implement Pillars 1 & 2 as early as 2023, there has been little details available from MOF on the future of tax incentives in Singapore.	For MNE's perspectives, having early engagement with the MOF to understand how the implementation of BEPS 2.0 in Singapore would impact the tax incentives that have been awarded is of paramount importance as the implication on cash flow and administrative burden could be significant.	Propose for MOF to have early engagement or consultation with affected companies on changes to the income tax legislation and existing tax incentives that have been awarded by Singapore government. Engagement with affected MNEs should extend to members of the business chambers with an aim of having constructive conversations on sustainable

		Within the region, other ASEAN countries are also engaging with affected MNEs to consider adjusting existing tax incentives and improving on other sustainable non-tax investment factors and enablers.	alternatives or adjustments to existing tax incentives.
5	Under BEPS 2.0, the introduction of the income inclusion rule may neutralise the effectiveness of tax incentives granted to companies and reduce its attractiveness to prospective investors.	Existing tax incentives such as reduced tax rates and investment allowances reduce the amount of taxes paid and lowers effective tax rate of the company. To retain Singapore's competitiveness in attracting new investments, in particular, capital-intensive projects, there is a need to introduce non-tax incentives in place of preferential tax rates. This is also consistent with the findings put forward by the ASEAN+3 Macroeconomic Research Office in its 2021 report *Global Tax Reform: What It Means for ASEAN+3*[1], which highlights a need for the ASEAN+3 economies to further develop their non-tax competitiveness factors given the diminishing attractiveness of lower tax rates. For comparison, in Europe, the "Important Projects of Common European Interest" (IPCEI) grants cash incentives and is considered to be a key strategic instrument with regards to the implementation of the European Union Industrial Strategy. The US is also considering the same under the FABS Act for the semiconductor industry.	Propose that MOF consider introducing non-tax incentive schemes such as investment credits/subsidies to replace existing tax incentives. *<u>Example: Investment Credit</u>* 1) Investment credit is granted to a company based on qualifying expenditure and accrues to an "Investment Credit Account". 2) Company pays tax on chargeable income at 17% (with no tax incentive) or at the global minimum tax rate. 3) Investment credits are deducted from "Investment Credit Account" and disbursed to the Company in cash. The amount disbursed in each year will be up to a percentage of or the full amount of tax paid by the company in each year. 4) Investment credits may be disbursed to the Company up until the earlier of the expiry of the qualifying period or the full utilization of the balance in the "Investment Credit Account".

		Countries such as Switzerland are also moving away from tax incentives to direct subsidies[2]. Within the region, other ASEAN countries are also engaging with affected MNEs to consider adjusting existing tax incentives to other non-tax incentive instruments such as cash subsidies. [1] https://www.amro-asia.org/wp-content/uploads/2021/09/AMRO-Analytical-Note_Global-Tax-Reform-What-It-Means-for-ASEAN3_Sep-28-2021.pdf [2]https://www.swissinfo.ch/eng/switzerland-plans-subsidies-to-offset-g7-corporate-tax-plan/46696800	
6	Relevance and effectiveness of our tax incentive regime in the post-BEPS 2.0 world.	Singapore currently has a range of tax incentives with concessionary tax rates of 0% to 10%.	With the details of the GloBE rules set to be finalized in October 2021, we propose that MOF considers reviewing and re-evaluating the continued relevance and effectiveness of Singapore's tax incentives. Spain, for example, recently announced tax incentives for qualifying emerging companies (as defined) with tax breaks such as a reduced 15% tax rate, tax deferrals, and an exemption from installment tax payments for a defined period, subject to certain conditions. Similar measures could be considered by the MOF to promote certain emerging

			companies (start-ups) and attract international investments and talent.
7	Non-corporate tax incentives.	With the implementation of Pillar 2 of the BEPS initiative and its 15% Global Minimum Tax, Singapore may not be able to rely on corporate tax rate incentives to attract foreign investors anymore. Singapore budget 2022 provides an opportunity to explore ways to create an even more welcoming tax system for foreign businesses.	Propose that MOF consider reducing Property Tax levied on industrial or commercial sites, by allowing businesses to fully deduct their expenditures, or by reducing withholding tax rates on cross-border transactions.
General Tax Regimes			
(D) GST			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Simplify GST reverse charge process for non-GST registered entities that do not make taxable supplies and have practical difficulty forecasting the future value of imported services.	At present non-GST registered entities should apply both “retrospective basis” and “prospective basis” to determine GST reverse charge liability i.e. to determine whether the value of imported services which falls within the scope of reverse charge exceeds SGD 1 million). If it is triggered on both basis’, the earlier of the two dates would apply. For certain entities that do not make taxable supplies and purchase services from overseas suppliers, they may be engaged in certain types of businesses such as investment holding for which it is not practicable to forecast expenditure, and thus unable to prospectively determine if they will exceed SGD 1 million for imported services.	Propose to consider simplifying the process for non-GST registered entities that do not make taxable supplies and have practical difficulties forecasting volume of imported services to comply with reverse charge by: a. giving such taxpayers the option to choosing either “retrospective basis” and “prospective basis”, or b. removing the prospective requirement i.e. only such companies are required to register and account for GST if imported services received for a given financial year (based on accounting recognition or receipt of invoice) exceeds SGD 1 million.

2	Uncertain GST treatment for bona fide transfers of partnership interests.	There is a gap in the current GST legislation where sale of partnership interest does not qualify for exemption, whereas sale of body corporate/equity and limited liability partnerships are. Transfer of partnership interest may arise (i) between 3rd parties or (ii) between related entities for reorganization purpose.	Propose exclusion or to make transfers of partnership interests an exempt supply. This will align transfers of partnership interests with GST exclusion for transfer of businesses as a going concern in reorganizations. There can be parallel safeguards such as continuity of the same nature of partnership interest post transfer.
3	Defer GST rate increase and effective date of GST on low value goods and imported non-digital services.	As businesses are struggling to survive and/ or in the midst of regaining their traction following the various curbs implemented by the government to control the spread of Covid-19 and the gradual easing of measures to help businesses and Singapore economy, introducing GST hike at this juncture will further aggravate the situation as additional costs will be incurred on businesses and individuals amid any initiative to improve businesses. Postponing GST increases will encourage post-COVID cyclical economic recovery	While the economy is gradually reopening, many businesses are still unable to operate at full capacity due to safe distancing restrictions. To help businesses and individuals to regain their traction and embrace the "new normal" of endemic Covid-19, propose that: - MOF defer the planned GST increase from 7% to 9% till 1 Jan 2025 or such time when negative COVID impact on economy subsides. - Effective date of GST on low value goods and imported and imported non-digital services which is slated to come into effect from 1 Jan 2023.
4	GST Rate Change	The Minister for Finance has confirmed that the GST standard rate will be increased from 7% to 9% sometime before the next General Election (due in 2025). However, there is no	With only 3 years left, it would be very helpful for the Government to give a clear indication of the expected date of implementation so that business can plan effectively.

		firm indication yet as to when the raise will take place.	There are other system changes that will be required of business, for example, ERP implementations and changes in respect of Low Value Goods import rules for B2B buyers. Giving business sufficient lead time to be able to secure IT budget and capacity is key to ensuring that business is ready for this change.
(E)	**Personal Income Tax**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Shared parental leave	Currently, working fathers can apply to share up to four weeks of their spouse's Government-Paid Maternity Leave.	Propose that MOF could consider increasing the amount of leave that can be shared from four to six weeks, to be in line with the move towards greater gender equality, inclusion and diversity and the rise in stay-at-home fathers.
(F)	**Green/Sustainability Tax Issues**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Energy Transition Initiatives	To encourage companies to invest in and / or operate projects that would help Singapore to transition to cleaner power generation using renewable / sustainable energy sources (for example solar, wind, etc.). Such projects would typically involve substantial upfront capital investments (for example for hardware costs, cabling, racking / mounting and other installation costs) and infrastructure development costs (for example for ecology surveys, grid connection, safety and security costs).	Propose that additional investment / capital allowances (for example up to 200%) be granted to encourage capex incurred on qualifying capital expenditure incurred on such renewable energy projects. Further, propose that grants be provided to support qualifying upfront project costs (like third party consultancy fees, ecology survey costs, legal fees, etc.) as well as ongoing O&M costs for the initial years (for

		Once the projects are completed, there would also be significant operations and maintenance ("O&M") costs to be incurred by the operators, such as PV module cleaning (for solar farms), monitoring or on-site inspections costs, which may not be adequately covered by revenue from energy buyers during the initial years of the projects.	example, first 3 years) of the renewable energy projects.
2	Tax initiatives to support Green Plan 2030.	Lack of impactful tax and financial initiatives to drive changes required to achieve Green Plan 2030	Propose that MOF consider introducing: Refundable investment credits for investments in 'green' infrastructure projects for example renewable energy, plastic recycling, and waste management etc. For example, investment credits are offered in the US for renewable energy investments.
3	Encourage More Green Buildings	To encourage more environment-friendly buildings with enhanced indoor environment quality considerations and energy and water management efficiency system.	Propose that MOF can grant enhanced tax deduction for example, on certification costs, and / or property tax rebate for companies that have their properties awarded the Green Mark GoldPlus and / or Platinum ratings. Further, additional investment / capital allowances (for example, 200%) may be granted to encourage capex incurred on such qualifying expenditure.

4	Aligning GST treatment for carbon credits to national climate and economic policy.	At present, only the issue of carbon credits by National Environment Agency is expressly treated as an excluded transaction for which GST is not chargeable. Carbon credits not issued by NEA is not excluded. More importantly, buying and selling of carbon credits, regardless of whether they are issued by NEA, may be subject to GST as taxable supplies. For comparison, supplies of eligible emission units in Australia is GST free.	Propose to exclude or zero-rating all purchase and sales of carbon credits wherever they are issued. This would further national climate policy and support development of Singapore into a trading hub for carbon credits as envisioned by the Emerging Stronger Taskforce's Alliance for Action on Sustainability
(G)	**Wealth Tax**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Avoiding downside of Wealth Taxes.	Wealth taxes are direct ways to increase revenue and reduce inequality with tax options like property, cars and luxury goods. However, the downside is that it makes Singapore a less attractive place for the wealthy which promotes Singapore as wealth management hub for example, estate tax was abolished in 2008. Reinstating it would be inconsistent, encourages wealth flight and deemed as indecisive. Hence, the most sustainable basis to fund needed spending is to promote economic growth Affluent individuals may relocate to other countries and lead to detrimental effect on the collection of government revenue in the long run. Research in Europe has shown that wealth tax usually misses its main objective of raising more tax revenue. The result of one research states that a percentage-point rise	Proposed recommendations to avoid loopholes and downside of wealth taxes: - For ease of administration, suggest that taxes are collected at point of transaction (i.e. through taxing of transactions, like sale of properties, shares, collectibles, cryptos, etc) instead of and not based on declared wealth. This will close loopholes for tax avoidance (like ABSD rules where individuals attempting to avoid taxes through using companies / trust structures to acquire resident properties would still be taxed) - To prevent wealth flight, propose to consider the imposition of high "exit tax" (for example, rate of 30% or more) on wealth that would be moved out of Singapore.

		in wealth tax rates leads to a reduction in declared wealth holdings of 34.5%. *Page 15, NBER Working Paper Series "Taxing Wealth: Evidence from Switzerland"* *https://www.nber.org/system/files/working_papers/w22376/w22376.pdf* Wealth tax may also lead to more tax evasion and avoidance by the affluent, causing tax burden to fall on the middle-income class. For inheritance tax, income could be taxed twice i.e. property gain is taxed upon sale in the hands of the parents; and then taxed again as inheritance in the hands of the children. However, wealth taxes could be beneficial to Singapore if properly implemented.	- Higher taxes on very high value luxury goods, like yachts, private jets, sports cars etc. - Exercise caution on optimal capital tax / inheritance tax rates and provide for exemptions, as the burden will fall on the upper middle class / high net worth individuals, as opposed to the middle-income group for example the first S$5 million could be exempted. - Avoid capital gains tax on shares/units/securities as this would adversely impact Singapore's financial center status and discourage foreign companies from setting up here. - Consider possibility that wealth taxes to be introduced as a one-off to support Covid-19 relief measures. - If real property gains tax is being considered (like what Malaysia is doing), propose to: a. Consider a higher minimum threshold as stamp duties are already being imposed on the sale / purchase of properties. b. Provide for exemptions, for example gains on the sale of a person's first

			property, and / or gains from the sale of lower value properties, for example properties below S$2 million. Real property gain tax can also be exempted where a person / family has stayed in the property for a significant amount of time before selling (more than 5 years for example). c. Subject capital gains tax only after certain amounts profits are earned. d. Capital gains tax on residential investment properties (i.e. that are not the principal place of residence) and where the holding period of the property is less than 3 years. This will also cool run-away property prices. e. Tier-ed buyer's/seller's stamp duty system, where properties above a certain amount like $5 million, are subject to higher stamp duty. The current system does not take into account dollar value of properties.
(H)	**Repeated Wishlist Items from 2019, 2020, 2021**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
From 2019			
1	To accord Trusts the same reliefs and exemptions that are currently available only to companies.	Currently, Trust income is subject to final tax at the trustee level where: - The income of the Trust is derived from a trade or business carried on by the trustee; or - The beneficiaries are not entitled to the Trust income.	To provide businesses more flexibility in choosing the investment vehicle that best serves their overall commercial needs, propose that MOF accord Trusts (which are not under the tax transparency treatment) and which the tax treatment of

		In the IRAS e-Tax Guide on "Income Tax Treatment of a Trust registered under the Business Trust Act (Third Edition)" paragraphs 4.5, it was articulated as part of background and tax treatment of a registered business trust that: - the income of a registered business trust is taxed at the trustee level. - the unitholders will not be taxed on their entitlement of the trust income; and - no credit will be allowed to the unitholders for the tax paid by the trustee of the registered business trust. 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 entity is also not allowed group relief loss transfer.	the Trust follows that of the tax treatment of a registered business trust where: - the income of the Trust is taxed at the trustee level, - the beneficiaries will not be taxed on their entitlement of the trust income; and - no credit will be allowed to the beneficiaries for the tax paid by the trustee of the Trust. The following reliefs and exemptions available for companies, for example: - Partial tax exemption - Stamp duty relief for restructuring - Group relief loss transfer - Section 13Z exemption
2	Upfront fees for spectrum capacity	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. Facility based telecommunications operators ("Telcos") need to maintain and upgrade their infrastructure to meet the increasing demand for seamless connectivity. Such	Propose that Rule 2(3) of the Income Tax (Automation Equipment) Rules regarding "data communications and network equipment" be amended to include upfront fees for spectrum capacity necessary for operation of data communications and networking equipment.

		investments in infrastructure include payments to the regulators for spectrum capacity, which currently include substantial lump sum amounts that must be paid upfront. Such upfront fees paid to the regulators for spectrum capacity are regarded as capital payments but unlike capital investment in tangible fixed assets, do not qualify for tax depreciation or capital allowances ("CA"). 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 Future Economy.	
From 2020			
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 an LLP) is not tax deductible against the share of partnership income after conversion of the company to an 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	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 an LLP.

		facilitate the conversion of existing firms (including company) to LLPs (i.e. a transfer of a business and its assets to LLP), stamp duty relief is allowed to a firm converting to an LLP, subject to meeting certain conditions.	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.* *It is noted that had a separate LLP with the same owners be set-up and acquire the business/assets from the company (with the same owners), the interest expenses from the financing obtained from the LLP for this purpose would have been*

			deductible against the taxable income derived from the LLP. However, to do so would have been expensive and would go against the spirit of introducing LLP and LP as two new business vehicles in Budget 2003 to give businesses more options in structuring their business activities and make Singapore a more business friendly jurisdiction with updated regulations to meet the evolving needs of the business community.
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 realization of either a profit or loss. The above proposal is to make Singapore a more business friendly jurisdiction and to seek to minimize the compliance burden for the business community as we noted that the two new business vehicles LLP and LP introduced in Budget 2003 was to give businesses more options in structuring their business activities.
3	Excise Duty for Tobacco & Liquor	The COVID-19 has disproportionately impacted the lower-income groups suffering from job losses and reduced incomes amid the economic uncertainties. Coupled with continued upward pressure from inflation and impending GST hike. Currently, tobacco and liquor excise duties are raised as and when announced by the Government. The quantum of previous increases ranges from 10% to 25% (liquor in 2014). Immoderate tax increase can disrupt markets by driving consumers towards cheaper alternatives, including illegal tobacco and liquor, and undermine governments' revenue generation as well as public health objectives.	Propose that excise duty for tobacco and liquor be maintained at current rates, and if any increase to be moderate, for Budget 2022. Propose that a planned and moderate excise increase calendar be established in consultation with industry. Germany, Kazakhstan and Russia are examples of countries that have protected tax revenues by using long-term tax calendars. *Specific examples can be provided if necessary.*

		In addition, retailers, majority who are SMEs, will adversely affected by decreased revenues from direct (tobacco and alcohol) revenues and incidental revenues (snacks, drinks, sweets and daily essentials) from decreased footfall to the retailers. A clear excise calendar with gradual and moderate tax rate increases helps prevent affordability shocks for consumers, which in turn keeps the legal market stable and simultaneously curbs illegal trade The Government can raise stable tax revenues. and generate higher tax revenues and at the same time achieve public health objectives.	
From 2021			
1	Amendment of Section 13Z	The definition of "property development" introduced in Income Tax (Amendment) Act 2020 relating to amendment of Section 13Z include "**any alteration or addition to**, or partial demolition and rebuilding of, any building or part of a building" that requires the approval of the Commissioner of Building Control. 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	Propose that MOF can introduce a threshold amount for example based on a certain percentage (for example exceeding 20%) of the original value of the completed building for any subsequent alteration or addition works to building or part of a building that would constitute construction for the purpose of property development. In addition to remove the condition of hypothetical approval from authority for overseas properties.

		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. If a company embarks on some alteration work years later after the property has completed development, it will 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.	
2	Group Relief: Currently, the following conditions must be satisfied for companies to qualify for group relief. The transferor and claimant of the loss items must: - be Singapore incorporated companies, - belong to the same group of companies and maintain 75% shareholding threshold, and - have the same financial year end.	For MNCs that are organized along business activities, it is not uncommon for them to incorporate several Singapore companies by business activities with different foreign shareholdings but ultimately roll up to the same foreign ultimate 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. There are losses in group companies that might not be fully utilized due to the restrictions of the current Group Relief	Propose to apply the 75% shareholding threshold requirement regardless Singapore or foreign-holding company and allow losses to be utilized within the group companies with the same Singapore parent company or foreign ultimate holding company. This will allow more companies to benefit from group relief and help Singapore based companies lower the overall tax burden and eliminate tax inefficiencies.

		provisions, which otherwise, can be utilized to reduce the tax burden of the Group companies, especially when OECD BEPS 2.0 Pillar 2 is operative.	
3	Carry forward of unabsorbed donations for up to 5 years of assessment.	Viable businesses continue to give back to the community during this difficult period. Everyone is lending a helping hand and playing their part so that Singapore will emerge stronger from COVID-19 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.	To support businesses that continue to contribute to the community during this period, we propose to allow any unabsorbed donations made during YAs 2021 to 2023 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.
4	Existing investment allowance is capped at 100% of fixed asset investment and is an offset against taxable income is not enhancing Singapore's competitiveness in the region.	Given that Singapore has a comparatively lower tax rate but higher capital costs, the value of the investment allowance is devalued from an investor's perspective. (Effectively 17% of the total qualifying investment). For 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 would be 2-3 times less than in Singapore. **Worked example:**	For Singapore to remain competitive in attracting new foreign investments in a high-cost environment, the MOF should consider modifying the current investment allowance scheme to reflect the proposed recommendations: • To convert the investment allowance into a refundable 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.

		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	
5	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.	The extension of one year does not result in significant differences in terms of savings in operating costs and the resources required for renewals.	To help businesses alleviate the ever-increasing operating costs and simultaneously recognize taxpayer's efforts, commitment, resources incurred in the application and subsequent renewals as well as in the on-going monitoring of the controls, we propose IRAS to simplify the ACAP renewal process and to extend the ACAP period to 8 years for premium status with an additional PAR requirement to provide the assurance that the controls are working effectively, and any errors are rectified in a timely manner.
6	Course fee relief.	To encourage individuals to make deliberate and significant investments in learning to equip themselves with the knowledge, skills, and capabilities needed to work effectively in a digitized, automated world.	Propose removing the cap of $5,500 for course fee relief for Singaporeans, or alternatively increasing the cap from $5,500 to $10,000.

7	Standardized deductions for work-from-home individuals.	To support the transition to "working from home" during COVID-19 and to continue encouraging individuals to embrace the "new normal" for future workplace.	Propose that MOF consider introducing standardized deductions for individuals who work from home: To alleviate the administrative task of claiming WFH deductions, MOF could consider introducing an option for individuals to claim tax deduction on WFH expenses based on a prescribed % of gross employment income (for example, 1.5% of gross employment income, capped at $100 per month) or alternatively a fixed amount multiplied by the number of days worked from home (for example, $5 for each WFH day).
8	Property tax rebates	The impact of COVID-19 on the Singapore economy has been significant. Many businesses are still struggling amidst the ongoing pandemic with continued closure of borders, restriction of movement domestically and the severe disruption to global economic activities.	Propose that MOF re-consider property tax rebates for 2022 in view that businesses are still struggling to cope with the ongoing COVID-19 pandemic amidst the sluggish global economy.
