Singapore International Chamber of Commerce

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Singapore Budget 2023 - Wish List

CONTENTS

SICC Budget Wish List 2023

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.	Provide option for accelerated R&R deduction for YA2023	For qualifying R&R expenditure, the deduction is given over a period of 3 consecutive years on a straight-line basis, capped at $300,000 for every three-year period, starting from the YA for which those expenses were incurred. The claim for S14N deduction cannot be deferred. For qualifying R&R expenditure incurred during the basis period for YA 2021 and YA 2022, company has the option to claim the deduction in 1 year instead of over 3 years. S14N deduction is given as long as the trade, business or profession for which the R&R costs were incurred was carried on during the basis period. If no income is derived from the trade, business or profession in any YA and that trade, business or profession ceases permanently during the basis period for that YA, S14N deduction ceases to be given in that YA.	To help businesses cushion the economic impact of the COVID-19 outbreak and reduce business costs, we propose to accelerate the 1-year deduction under S14N provided in YA2023 so that more tax deductions are available for taxpayers who have incurred qualifying R&R expenditure in YA2023. We also propose that MOF increase the qualifying expenditure cap of $300,000 for every three-year period implemented since 2008 to $500,000, considering the inflation rate and rising costs.

2.	Challenge to recover surplus from cessation of Section 5 approved funds	Any surplus from Section 5 approved funds cannot be recovered by the company without a court proceeding and cannot be distributed to the beneficiaries beyond the prescribed formula.	Propose that since the surplus in the funds are due to contribution from the company, the company should then be allowed to either recover the funds without applying to court or distribute the surplus to the beneficiaries. This should be regarded as an exception for which the distribution restriction does not apply since it arises from the cessation of the fund. The e-tax guide for the Section 5 approved funds should also be revised to provide clear guidance on the tax implications and administrative requirements for the cessation of the fund.
3.	Non-deductibility of land premium	When SLA and HDB issue land parcels for use as petrol cum retail stations, companies have to bid for the land. The high bid price is regarded as land premium in the lease agreement and the monthly rental is minimal. Land premium is treated as capital in nature and does not qualify for tax deduction. This has increased the cost of operating in Singapore as companies have to put in high bids to secure land parcels for petrol cum retail stations but yet the expenditure do not qualify for tax deduction.	Propose that SLA and HDB regard the bid price as monthly rental in the lease agreement so that the payment(s) will qualify as tax deduction. Alternatively, we propose that MOF allow tax deduction for the land premium paid as these land parcels are used for business purposes.
4.	Revising Section 13W of Income Tax Act to better facilitate corporate restructuring and consolidation in a COVID	Section 13W was introduced to facilitate companies' restructuring for growth and consolidation in order to enhance Singapore's attractiveness as a business location and	Propose to extend Section 13W tax treatment to divestments with shareholdings below 20% threshold, for example 5%.

	and economic downturn environment	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 share, redeemable shares, different classes of shares). At present, Section 13W 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 13W should be updated to reflect the changing market circumstances and made more flexible, particularly during the COVID period, to facilitate corporate restructuring and consolidation. For comparison, the Netherlands participation exemption has a 5% shareholding threshold.	Propose to extend Section 13W to all equity instruments including preferred shares.
5.	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 whether there is intention to hold long-term or to trade based on a balance of the badges of trade and factors based on case law. An unforeseen event such as COVID can easily trigger	Propose that MOF adopt the 24-month minimum holding period as a bright line rule for financial instruments to qualify for capital treatment.

		unplanned transactions can give rise to challenges as to whether there was a change of intention. With the introduction of Section 10J 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 13W 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 example, 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 13W.	
6.	Providing clarity and certainty as to whether income is subject to Singapore tax 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.	Along the lines of IRAS' willingness to state in E-guides that Singapore does not tax capital gains, we propose to expressly 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, incentive or enjoys zero rate of tax.

		This result in 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.	
(B)	**Enhancing Singapore's R&D Taxation Regime to Encourage More R&D Activities**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1.	Singapore R&D incentives	Complexity in claims and unattractiveness of Singapore R&D incentive discourages taxpayers to invest in R&D in Singapore	We propose that the MOF considers reviewing and re-evaluating the continued relevance and effectiveness of Singapore's enhancing the current R&D incentive scheme to remain competitive globally, especially after the implementation of BEPS 2.0 Pillar 2. The UK, for example, offers refundable tax credits to the taxpayer that strongly demonstrates the country's willingness to invest in R&D. Similar measures could be considered by the MoF to encourage R&D activities by companies, including those companies that may be impacted by the GloBE rules.
(C)	**Business Costs and How to Contain Them**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1.	Doing more to help companies cope with higher business costs such as utilities costs (especially companies with manufacturing facilities), supply	Companies with manufacturing facilities face a challenging 2022 due to the increased fuel/utilities costs, logistics and transportation costs (as logistic providers had labor crunch due to the tightening of foreign labour quota	Propose to provide grants/ subsidies to companies with manufacturing facilities who are affected by the steep increase in fuels/ utilities costs.

	chain, manpower costs and logistic costs.	and difficulty to find local labour). These have translated to higher costs and constraints to the manufacturing facilities to produce and supply.	Propose to help the logistics industry by providing concession to the foreign labor quota. The logistics industry is critical to maintain the competitive edge and reliability of Singapore as a transport hub and this will pave the way in building resiliency to support Tuas port's expansion.
(D) Support economic transformation, adapting to changes in a post-COVID-19 world, and emerging stronger			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
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 that MOF provide relief for bona fide remittance of foreign-sourced income by temporarily expanding the scope of FSIE or lifting the Section 13(9) conditions similar to that permitted from 22 Jan 2009 to 21 Jan 2010 during the current COVID period.
(E) BEPS2.0 Implementation Issues			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1.	Implementation of BEPS 2.0 Pillar 2 and domestic METR in Singapore	The implementation of BEPS 2.0 pillar is likely to increase the reporting requirements of the taxpayers and co-ordination amongst tax authorities. This may include, but not limited, to the timing issue and exchange of information by the tax authorities. The overseas tax authorities could be making adjustment based on BEPS 2.0 Pillar Two, due to top up tax not having been	While we understand that details are not available as yet, we would like to propose MOF provide clarity as soon as possible on: - How will BEPS 2.0 Pillar Two be implemented to minimize the administrative burden of the taxpayers? - How will the top up tax be administrated and to avoid timing issue of overseas tax

		processed/paid in the local country by the time overseas tax authority requires the tax returns to be submitted. This issue is further complicated by the fact that the adjustment cannot be reversed once the top up tax is paid, potentially leaving the taxpayer in a double taxation position.	authorities making adjustment prior to the top up tax being paid locally? - Process of exchange of information between tax authorities regarding BEPS 2.0 Pillar Two tax administration.
2.	Complexity of filing requirements under BEPS 2.0/ QDMTT	MNEs with multiple Singapore companies may not prepare a consolidated Singapore financial statement as they have different immediate holding companies. Preparation of a consolidation financial statements for the Singapore group of companies will add on compliance costs. In addition, these Singapore companies may not have a common financial year end.	Propose that MOF provide companies with adequate time to prepare for the filing requirements. Where companies subscribe online platforms/ system or incur software development cost to digitize and streamline reporting, propose allowing enhance deductions/ capital allowance on these costs.
3.	Impact of implementation of BEPS pillar 2 METR on companies enjoying tax incentives with concessionary tax rates.	Companies currently enjoying tax incentives at concessionary tax rates lower than 15% faces additional tax burden arising from the implementation of METR, which negates the benefits of the tax incentive regime.	To counter the impact of the additional operating costs arising from the implementation of a METR, the introduction of non-tax incentives such as grants for specific projects such as decarbonization, qualifying operational and project cost rebates, payroll incentives etc, should be considered to help mitigate the impact of higher operating cost triggered by METR.
4.	After the announcement of the study of introduction of METR Regime during 2022 Budget, there has been little details	For MNEs who have existing tax incentives (for example, DEI), in particularly those which have capital expenditure condition, the MNEs have committed and/or incurred the capital	Propose for MOF to give a clear indication of the expected date of implementation and provide sufficient time for MNEs to plan and prepare effectively.

	available from MOF on the future of tax incentives in Singapore and expected date of implementation.	expenditure on approved project(s) and met the capital expenditure condition before the end of the project milestone under the tax incentive. If METR is implemented before the incentive ends, the MNEs would be in a disadvantaged position as they have committed and will incur or have incurred capital expenditure on approved projects. This would impact the MNEs' cash flow and overall cost of doing business in Singapore. Companies have also dedicated resources to ensure that they are ready for the increase in GST rate in 2023 and 2024. This has increased the compliance costs. In addition, companies have limited manpower, especially when they are doing their best to improve business results post-COVID. MOF yet to release any consultation paper on the implementation of METR. Based on the GloBE Rules, there may be more than 100 data points which are required for reporting purposes. Companies have very limited resources, and it will be challenging for the companies to cope with additional tax filing requirements.	Propose that MOF consider introducing non-tax incentive schemes such as investment credits/ subsidies to replace existing tax incentives.
5.	Double taxation of income under the proposed METR	Top up taxes paid under Qualifying Domestic Minimum Top-up Tax (QDMTT) may not qualify as foreign tax credits in certain jurisdictions (for example, USA). Singapore companies who are subsidiaries of a US holding company may suffer tax twice on the same income.	Propose that MOF consider delaying the implementation of METR until the G7 countries have formalized their implementation of BEPS 2.0.

(F) Withholding Tax Issues			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1.	Limit the scope of withholding tax applicable to services' fees, not disbursements	Today, when foreign companies render services in Singapore, their fees are subject to withholding tax (WHT) at a 17% rate. The scope of the taxable base also includes the reimbursement of airfare and accommodation – however the foreign company can claim for a deduction of these expenses to IRAS. Payments made to foreign individuals for services are also subject to WHT, but at 15% rate. Fortunately, there is a concession whereas airfare and accommodation costs provided/reimbursed by the payer are not taxable, in line with the rules prevailing in most countries. Starting from 1 Nov 2022, these concessions will be withdrawn, meaning that airfare and accommodation costs reimbursed or provided to non-resident companies or professionals will always be taxable. This is not only unfair - it is unheard of in other tax systems, and it considerably reduces the attraction of Singapore as a hub for events and conferences. This is an extremely strong deterrent for world-renowned speakers, consultants, academics and other professionals from the US and from other non-treaty countries to come to Singapore for events or seminars.	Propose that MOF modify the scope of the taxable base for WHT purposes: allow the Singaporean payer to deduct airfare, accommodation and other transportation costs provided/reimbursed to the non-resident company or professional from the WHT base.

2.	Eliminating unintended double taxation outcome due to withholding tax imposed on the same services that are subject to corporate income tax in Singapore	Based on a recent advanced ruling summary (No. 10/2022) published by the IRAS, Singapore taxpayers are to withhold tax on gross payment for technical services fees to overseas vendor entity (Vendor O) in the event that Vendor O outsources the work to a Singapore contractor entity (Contractor S) that performs work in Singapore, notwithstanding that Contractor S is remunerated at arm's-length and includes such income from Vendor O in its Singapore corporate income tax return. As a result, payment in respect of the same set of services received by a Singapore taxpayer will be taxed twice – once on Vendor O in the form of withholding tax and once on Contractor S in the form of corporate income tax.	Propose that where an overseas vendor does not have a permanent establishment in Singapore, does not have its employees performing work in Singapore, and outsources in part or in whole the work to separate legal entity(ies) or individual contractor(s) in Singapore, withholding tax should not be imposed on payments by a Singapore customer to such overseas vendor.
Review of Existing Taxes and Incentives			
(G) Review of Existing Tax Incentives			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1.	Expand list of "designated investments" under Enhanced Tier Fund Tax Exemption Scheme (Section 13U of Income Tax Act)	Section 13U provides that specific income from designated investments, including gains derived from the disposal of investments, is tax-exempt subject to the relevant conditions being satisfied. "Designated investments" cover a broad range of investments including stocks, shares, bonds, securities and derivatives, with the list constantly revised to keep abreast of market changes and new financial instruments.	Propose to explicitly include carbon credits and crypto assets as designated investments. This will provide certainty to existing and prospective fund managers and family offices that they will qualify as designated investments under Section 13U. Extending Section 13U to these new products and asset classes is also consistent with the policy objective of

		Carbon credits and Crypto assets are rapidly emerging as new products and asset classes. There is at present uncertainty as to whether these would qualify as designated investments under Section 13U.	encouraging more funds and family offices to set up and expand their asset under management in Singapore.
2.	More stringent Section 13U criteria should be balanced with greater certainty	The MAS has announced significantly tightened criteria for Section 13U fund management tax incentive schemes, including inter alia, substantial increase in minimum business spending for Section 13U cases. Incentive applicants committing to this higher business spend should be provided greater certainty, including that arising from the looming sunset date of 31 Dec 2027. This will enhance the efficacy of the incentive in attracting and anchoring fund managers and family offices in Singapore.	Propose to make Section 13U a permanent treatment by removing the uncertainty of the sunset clause currently set for 31 Dec 2027.
3.	Simplify Enhanced Tier Fund Tax Exemption Scheme under Section 13U by exempting incidental or *de minimis* income	Presently, income which is not “Specified income” derived by a Section 13U fund from “Designated Investments” is not exempt from tax. Given that majority of Section 13U funds would be set up and managed so as 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	Propose that MOF exempt non-specified income that is incidental or *de minimis* based on a certain threshold such that all income of a Section 13U fund will be exempt. This will simply Section 13U 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.

		transactions that are non-qualifying under that regime.	
Trade and Taxation			
(H) Cross border issues			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	The current double taxation agreement ("DTA") between Singapore and Australia create uncertainty due to broad interpretation on Permanent Establishment ("PE") in respect of the use of substantial equipment- Article 4(3b):-".. substantial equipment is being used in that other State by, for or under contract with the enterprise."	The current wording in Article 4(3b) of the Singapore and Australia DTA create uncertainty due to broad reading, interpretation, and application of this clause with regards to PE. The current wording may be construed as long as any "substantial equipment is used for", a PE would be attributed ignoring the arrangement (for example, no control etc.). The DTA was dated back to 1969 which may not be reflective and relevant of the current environment and business activities and such clause are not in most Singapore DTAs.	Propose that MOF/IRAS consider re-negotiating the DTA to remove the clause on the use of substantial equipment (Article 4(3b) to be consistent with the majority of Singapore's DTAs.
General Tax Regimes			
(I) GST			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1.	GST treatment on Carbon Emission Credits	There is currently a lack of clarity on the GST treatment on trading of carbon credits available. IRAS had previously responded to specific request from a few Energy, Oil & Gas companies on transaction of carbon credits under the Cap-and-Trade Scheme, but there is no information available to the general taxpayers.	With the emergent of various new carbon products, such as those issued by voluntary bodies, and Singapore scaling up its efforts to develop an international carbon trading marketplace and a services ecosystem to support decarbonization, we opine that it is timely for IRAS to provide clarity on the GST treatment on the different types of carbon

		To-date, carbon credit has been regarded as a supply of services, which could qualify for zero-rating under Section 21(3)(j) of the GST Act, while the issue of carbon credits by NEA has been treated as an excluded transaction for which GST is not chargeable.	credits currently being traded or supplied by businesses. We propose that the trading of all carbon credits continue to be regarded as taxable supply of services, which shall be subject to GST unless it qualifies for zero-rating under the GST Act.
2.	Uncertainty with regards to whether GST applies to Crypto staking activities	Transactions on a blockchain must be validated and verified by the network nodes of the respective blockchain network through a defined consensus mechanism to be executed. In the case of proof of stake mechanisms, a token holder can either (a) directly participate in the consensus mechanism as a validator (subject to meeting certain conditions) or (b) transfer the tokens and delegate the technical possibility to participate in the consensus mechanism, to a validator for use for its own validation activity or a "staking pool." A validator is compensated by means of (i) new tokens generated automatically by the network ("block reward") where there is no party that expends an asset for the receipt of a service. There is no service to constitute a GST taxable remuneration; and (ii) transaction fees, which may be paid by the sender of the token to the validator for a specific transaction. In this case, there may be a service relationship between the sender and the validator. A participant in a staking pool may receive fixed or variable returns comprising of a share of block reward	Propose that IRAS/MOF provide guidance that staking activities are exempt or zero-rated for GST purposes. This will preserve the tax character of the reward and align the GST treatment of block rewards for both the direct (validators) and indirect (via staking pools or delegation) participants of the consensus mechanism. This will also be in line with the treatment of financial services in the Fourth Schedule of the GST Act and provide certainty to encourage the growth of the Crypto industry.

		and transaction fees. There is at present no guidance on the GST treatment of staking leading to uncertainty and potentially expensive case-by-case engagement of advisors and application for rulings.	
3.	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 (out of scope, not exempt) or Zero-rate purchase and sales of carbon credits wherever issued. This would further Singapore's 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.
4.	Simplify GST reverse charge process for non-GST registered entities that do not make taxable supplies and which, have practical difficulty forecasting the future value of imported services	Currently, 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 1m). 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. Thus, they are 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 difficulty 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 require such companies 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.

5.	Uncertain GST treatment for bona fide transfers of partnership interests	There is currently a gap in the GST legislation where a sale of partnership interest do not qualify for exemption, but a sale of 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 making an amendment to the GST legislation to exclude, 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 safe guards such as continuity of the same nature of partnership interest post transfer.
(J)	**Personal Income Tax**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1.	Administrative concession relating to the SGD 200 threshold for certain benefits in kind	The SGD200 threshold would not be reflective of existing cost pressures in view of rising inflation and impending GST increase.	Propose to increase the exemption threshold for these items to SGD 300.
2.	Personal tax rebate	Personal tax rebates were provided in YA2017 and YA2019. GST will be increased to 8% in January 2023 and 9% in January 2024. Although the Government introduced a permanent GST-Voucher Scheme to help lower- and middle-income Singaporean households with their expenses, but such scheme is only benefiting the Singaporean and not all taxpayers in Singapore.	Propose IRAS/MOF to provide Personal Tax Rebate in YA2023 as to provide immediate cash relief to taxpayer considering the rising cost of living and GST hike in year 2023.
(K)	**Green/Sustainability Tax Issues**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**

NEW			
1.	Carbon Tax and Energy Costs	The hike in carbon tax rates coupled with the exponential increase in energy costs will have an adverse impact on manufacturing and energy intensive industries operating in Singapore. This has come at a time when the global economy is dealing with inflation and economic uncertainty. If not properly managed in Singapore, this will adversely impact Singapore's attractiveness as a location for energy intensive manufacturing operations and could lead to capital flight and a diversion of future investments away from Singapore.	1. Propose that carbon tax rate hikes be delayed, to ameliorate the challenges faced by companies arising from higher energy costs in Singapore. The higher energy costs will have the effect of forcing companies to adopt more energy efficient production processes. (Note: Singapore's energy price is already one of the highest in ASEAN and twice to thrice higher than the rates in Indonesia, Malaysia, Thailand and Vietnam). 2. Propose that more incentives be provided to encourage companies to adopt energy saving production processes and procure more energy efficient equipment. We recommend: a. Increase the amount of funding for the Energy Efficient Fund; b. Increase the quantum of grant support for each project; and c. Consider deductions for capital expenses incurred to acquire energy efficient equipment and processes. 3. To prevent local manufacturers from being adversely impacted by competing imported products that are not subject to the same stringent emissions standards or amount of carbon taxes, propose that MOF consider implementing a carbon border adjustment tax for certain critical / strategic industries.

2.	Energy transition initiatives	Companies are under increasing pressure to decarbonize their operations. Such energy transition initiatives involve significant upfront investments, for example, feasibility / market studies, purchase of new plant and equipment, installation costs, run and maintain costs, etc. In a period of rising costs / high inflation, such outlays can be overwhelming for businesses. Companies which fail to decarbonize early are then caught in a "vicious cycle" where they are required to pay increasing amounts of carbon taxes.	To support businesses in their decarbonization efforts, we propose that energy transition related projects should be accorded some form of tax incentive or enhanced allowance / deduction to help defray a portion of the costs. The relief mechanism would need to be carefully considered to provide certainty to companies which are undertaking sizeable upfront investments/payments and to ensure that benefits are not eroded with the potential introduction of a global minimum effective tax rate. Separately, the carbon tax transitionary framework that is being developed should be robust, to ensure that companies are not caught in a "vicious cycle" of increasing carbon taxes and insufficient resources to decarbonize.
3.	Enhanced deduction for expenses on decarbonization activities	Many companies are now committed to a Net Zero carbon emission ambition/goal and are taking certain actions to decarbonize to achieve the ambition/goal. In this regard, there will likely be an increase in certain spendings such as: - Purchase of carbon credits for offsets - Consultancy fee for decarbonization related matters. - Registration fee/certification fee paid to Gold Standard, Verra, NEA, etc.	Propose allowing 200% tax deduction on expenses incurred on such decarbonization activities.

4.	Greater policy support for sustainability efforts	At present, there are limited policies / regulations to help enable the growth and adoption of green technology and products. As such, first-mover companies which have made significant investments in green technology are at a competitive disadvantage as their production costs, and correspondingly product prices, are higher than their "non-green" counterparts.	Propose to consider the use of government policies and regulations to increase market demand for green technologies and products. This could include rebates on solar panel installations for households, policies to increase the demand for sustainable fuels. This would require careful balance so as not to overburden the average consumer, considering rising costs / high inflation.
(L)	**Wealth Tax**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
NEW			
(M)	**Other Taxes (e.g., Stamp Duty and Property Tax)**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1.	Fixed machinery that is taxable for property tax purposes	In the determination of annual value of specialized properties, the IRAS assessor has regarded machinery performing peripheral functions (for example, pipelines to transport chemicals, storage tanks for raw materials and finished chemicals, fire protection system) as taxable. When companies incur capital expenditure to expand its manufacturing facilities with highly automated machinery and equipment (which include non-human interference of transportation and storage of hazardous chemicals) and fire protective equipment to prevent overheating due to chemical reactions which occurred as part of the manufacturing processes, the companies	Propose that MOF/ IRAS re-evaluate the type of fixed machinery which are non-taxable for property taxes.

		are penalized at the same time with higher property taxes due to the increased in annual value of the property.	
(N)	**Repeated Wishlist Items**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
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 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	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. - 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

		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.	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.
2.	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. The impact has been exacerbated by record high inflation dampening post-COVID recovery. 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). Drastic excise increases can disrupt markets by driving consumers towards cheaper alternatives, including illegal tobacco, vapes and liquor, and undermine governments' revenue generation as well as public health objectives. This would be especially	Propose that excise duty for tobacco and liquor be maintained at current rates, and if any increase to be moderate, for Budget 2023. Propose that a multi-year excise calendar be established with gradual and moderate excise tax rate increases, in consultation with the industries. A growing number of countries globally have adopted multi-year excise calendars. Germany is an example where such excise policy proved to protect tax revenues by curbing illegal trade while achieving public health objectives. Specific examples can be provided upon request.

		pronounced amid record high inflation and impending GST hikes. In addition, retailers, majority who are SMEs, will be hit hard 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 excise increases help prevent affordability shocks to consumers, curb illegal trade, and minimize impact to retailer's livelihood. At the same time, the Government can generate stable tax revenues and while achieving public health objectives.	
3.	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. In this regard, Section 13W already accepts the 24-month holding period as a bright line threshold for ordinary shareholdings of at least 20% to be exempt from tax.	Propose to adopt the 24-month minimum holding period as a bright line rule for financial instruments to qualify for capital treatment.
4.	Currently, the M&A Scheme only applies for acquiring	This does not incentivize Singapore-based companies who are headquartered in other	To extend the M&A Scheme benefits, on a case-by-case application basis, to

	companies 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.	Singapore-based companies (which are headquartered in other countries) which invest in local start-up companies for the benefit of the Singapore economy.
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 low for bigger companies. This unfortunately creates additional burdens for such companies if there are variations in the arrangement / terms of an existing transaction. This is 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 from a commercial perspective.	Propose that transactions requiring documentation is 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.	Transfer pricing documentation	Currently there are specific instances / conditions whereby transactions between 2	Propose to provide a blanket TP documentation / support exemption, on

		related Singapore entities would not require transfer pricing documentation / support. However, for instances whereby the companies may fall out of these conditions, transfer pricing documentation / support would still be required. This creates additional administrative burden for the taxpayers.	all SG to SG entities related party transactions for MNCs impacted by BEPS 2.0. This would reduce the administrative burden on the taxpayers and may overall benefit Singapore. This is since in light of the incoming BEPS 2.0, any potential loss of revenue to IRAS, due to differences in tax rates (incentivized tax rate vs corporate tax rate) would not be material (i.e., 15% vs 17%). This would minimize compliance time and efforts.
7.	Abolish the statutory limit for donations carried forward	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).
8.	Group relief	It is noted that Group Relief can only be offset against the Group's corporate taxes. In the light of the unexpected inflation and business and economic pressures faced by business, suggest that the Group Relief losses can be expanded to not only offset corporate tax profits, but other types of taxes incurred by the business, for example. stamp duty, GST, carbon taxes, etc. This would help the business defray additional costs incurred by the Group	Propose that Group relief to be able to be offset against not only corporate taxes, but all taxes. For example, Group relief of $100M at 17% = $17M. This $17M can be used to offset against GST tax or stamp duty or carbon tax equivalent to the $17M. The cash retained could be used to provide relief for under pressured companies, hence sustaining businesses and retaining headcount or used for new

		as a whole, from an immediate cash flow perspective.	projects/investments that generate economic benefits for Singapore.
9.	Group relief	It is noted that Group Relief losses are only transferrable for the current year. In the light of the unexpected inflation and business and economic pressures faced by business, suggest providing a temporary Amnesty for group relief transfer between group companies. This would enable entities to utilize their prior year losses more quickly before BEPS 2.0 kicks in; as well as help the business defray additional costs incurred by the Group as a whole, from an immediate cash flow perspective.	Propose to allow losses from prior years from 1 entity, to be used to offset current year profits from another entity. Additionally, to allow prior and current year Investment Allowances to be offset as group relief. The cash retained could be used to provide relief for under-pressure companies, hence sustaining businesses and retaining headcount or used for new projects/investments that generate economic benefits for Singapore.
10.	Enhanced capital allowance on capital expenditure incurred for digitalization and e-commerce.	The COVID-19 has transformed our business environment and brought lasting changes to business models by accelerating the digital revolution. According to Mckinsey estimates, the pandemic has vaulted us forward by five years in consumer and business digital adoption. Business should therefore position themselves to take advantage of the new opportunities to work smart to create value with the necessary knowledge and skills. Hence, new policies and tax incentives/benefits should be in placed to encourage digitalization of operations/trade channels and adoption of e-commerce by all enterprises to widen their market reach.	The COVID-19 crisis has quickened the pace of digital transformation and we can see the accelerating growth in digital commerce. Digital trade will become more important in the future global economy. The focus of Singapore’s government is to continue pushing on the digitalization to meet the demand of digitized businesses. To actively incentivize companies, propose that enhanced capital allowance on capital expenditure incurred for digitalization and e-commerce could be implemented.

11.	Doing more to help Singapore businesses that are still making losses in 2021 and 2022 despite COVID-related support measures survive	SMEs play an important role to the growth of Singapore economy and they help hold up Singapore’s employment rate. It is important to support our SME and ensure that they can tide through the challenges caused by COVID.	To permit 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% and subject to a cap similar to that of the income tax rebate. This will provide immediate cash-flow relief and help such businesses survive.