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Feedback to MOF

Public Consultation on the Draft Income Tax (Amendment) Bill 2024

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Legislative Change	Section of the ITA	Corresponding Clause in Draft Income Tax (Amendment) Bill 2024	Proposed Change to Draft Income Tax (Amendment) Bill *[Please indicate your proposed change to the wording of the Bill. Leave blank if you are not proposing any change]*	Rationale for Proposed Change to Draft Income Tax (Amendment) Bill / General Comments
Introduce an Overseas Humanitarian Assistance Tax Deduction Scheme ("OHAS")	Section 37AB (5)	20	Any balance of the amount that is not deducted is not available as a deduction against the donor's income for any subsequent year of assessment **nor allowed for transfer to group companies under the group relief system** and is disregarded.	It is not clear that the amount that is not deducted is not available for transfer to group companies under the group relief system for the year of assessment.
Introduce an alternative basis of tax where the qualifying income of shipping entities will be taxed by reference to net tonnage, for the following Maritime Sector Incentive ("MSI") sub-schemes:	Section 34K	15	Not applicable	Seeking clarification on the following:- 1. What is the benefit for shifting to the alternative tonnage tax regime since there is no relaxation in the incentive requirements and the tax paid would not be considered as part of Globe Income. 2. Would there be any separate audit requirement (i.e. in addition the usual audited financial statements) for the net tonnage, e.g. audit on the list of total vessels and the number of days the vessels are used? 3. Whether the entity would be allowed to claim its unutilised losses and capital allowances carried forward in the following scenarios:- - For offset against tax payable under the net tonnage basis of taxation; and - After the incentive period has lapsed. 4. Can the tax computed under this section be netted off against loss items transferred from group entities under the group relief system?

Introduce the Refundable Investment Credit ("RIC")	Section 93B	29	Not applicable	Seeking clarification on the following:- 1. Is RIC taxable in the hands of the awardee company (X) or Y, if used to offset any due tax of group companies? 2. If more than one Y is identifed, does awardee company (X) need to specifiy the priority in the election made to approving authority? 3. If more than one Y is identified, does Section 37B(6) apply as well where the amount of RIC has to be fully deducted against all due tax of the first Y before any excess is deducted against the due tax of the second Y? 4. In relation to the "offset of taxes, etc., of related company", in an effort to reduce administrative burden on taxpayers, to consider allowing for the offset to be by way of a "self-election" (similar to how Group Relief is administered) rather than requiring the taxpayers to apply to the approving authority annually. To also consider allowing the IRAS to have autonomy to review the validity / accuracy of such self-elections / offsets at the time of tax filing (similar to how other incentives granted by other approving authorities, e.g. Investment Allowances, are claimed).
Introduce the Refundable Investment Credit ("RIC")	Section 93B	7	For the purpose of subsection (5)(c), the approving authority may specify a period that begins from a date before the date of commencement of section 29 of the Income Tax 10 (Amendment) Act 2024, but no earlier than 1 July 2024 **<u>unless otherwise approved by the Minister.</u>**	Some companies may have already commenced discussions with the relevant government agencies for support through RICs on their substantive activities to be carried out in Singapore, and started incurring qualifying expenditure for such substantive activities even before 1 July 2024. Inserting the additional wordings would enable the Minister the flexibility to exercise discretion to include qualifying expenditure incurred before 1 July 2024 for consideration in arriving at the amount of RICs, where it is expedient to do so.

Introduce the Refundable Investment Credit ("RIC")	Section 93B	47	Not applicable	The effect of this clause is that the amount of qualifying expenditure equivalent to the RICs is not eligible for tax deductions and allowances for corporate tax purposes, which effectively means that the RICs are "taxed" for corporate tax purposes. Given that the RICs are intended to be tax credits, they should not be regarded as taxable income and hence should not be subject to income tax. In addition, the effectiveness of the RICs in encouraging companies to make sizeable investments that bring substantive economic activities to Singapore would be materially diluted by the tax that would have been payable on the RICs (either at the normal corporate tax rate of 17% or concessionary tax rates under the applicable tax regimes). As such, we would propose to remove this clause in its entirety.