

# Singapore Budget 2020

Newsletter

# Supporting businesses to be resilient amidst global uncertainties.

## Contents

3	<u>Foreword</u>
6	<u>Business Tax</u>
19	<u>Property Tax</u>
20	<u>Individual Tax</u>
21	<u>Road Tax</u>

# Foreword

In a strong response to the adverse impact on the Singapore economy due to the COVID-19 outbreak, the Minister for Finance unveiled a S\$4b relief package to stabilise the economy by helping workers keep their jobs, assisting businesses with their cash flow and supporting sectors that are directly affected by the outbreak.

Dubbed as the “Stabilisation and Support Package”, the relief package includes measures targeted at specific sectors hit by the COVID-19 and broad-based support for businesses to retain their employees and alleviate their cash flow problems. Some of the broad-based measures under the relief package include:

1. All companies will receive a 25% corporate tax rebate for the Year of Assessment (YA) 2020. As the rebate will be capped at S\$15,000, this measure will have a greater benefit for small and medium-sized enterprises through a reduction of their effective tax rates. Given that all companies would have filed their Estimated Chargeable Income (ECI) for YA 2020 by 31 March 2020, this rebate will provide an immediate short-term cash flow relief to companies in a tax-paying position.
2. Companies that file their ECI from 19 February 2020 to 31 December 2020 and companies that have filed their ECI before 19 February 2020 and have ongoing instalment payments to be made in March 2020 will be automatically granted an additional two months of interest-free instalments. This is a welcome move as it recognises that even with the corporate tax rebate, companies may still

face challenges in settling their corporate income tax liabilities due to the cash flow crunch resulting from the reduction in revenue caused by the COVID-19 outbreak.

3. Businesses that are not in a tax-paying position for YA 2020 and hence will not benefit from the corporate tax rebate will be heartened to know that the carry-back relief scheme will be enhanced for YA 2020. Under the enhanced scheme, unabsorbed capital allowances and trade losses for YA 2020, subject to conditions, may be carried back up to three immediate preceding YAs. As businesses will be allowed to carry back an estimated amount of qualifying deductions available for YA 2020 before the actual filing of their income tax returns, this should translate into immediate cash savings for businesses that have been profitable in the past but went into the red in 2019. As the amount of carry-back allowed will be capped at S\$100,000, the cash flow savings will benefit smaller businesses the most. A similar temporary enhancement was implemented for YA 2009 and YA 2010 as part of the relief package to help businesses manage the financial impact of a global recession then. However, at that time, the limit on the aggregate amount of qualifying deductions that could be carried back was increased from S\$100,000 to S\$200,000. This shows that the Government’s assessment of the financial impact of the COVID-19 outbreak is not as severe as the economic downturn in 2009.

4. Qualifying capital expenditure incurred on the acquisition of plant and machinery in the Financial Year (FY) 2020 (ie YA 2021) will qualify for accelerated write-off over two years. This will basically benefit businesses that acquire plant and machinery that do not, under current rules, qualify for a write-off over one year. This measure will only have the effect of easing cash flow as there is no enhancement to the amount of allowances that can be claimed (like in the previous Productivity and Innovation Credit scheme).
5. Currently, under Section 14Q of the Income Tax Act, a tax deduction can be claimed over three consecutive YAs on qualifying expenditure incurred by a taxpayer on Renovation and Refurbishment (R&R) for the purposes of its trade, profession or business. This will be temporarily enhanced to allow qualifying R&R expenses incurred in FY 2020 (ie YA 2021) to be claimed over one YA. This measure will only have a cash flow impact as there is no change to the amount of R&R costs that qualify for tax deduction which is capped at S\$300,000 for every relevant three-year period starting from the year in which the R&R costs are incurred. As it is likely that the general cost of doing business will increase due to supply chain disruptions caused by the COVID-19 outbreak which will have a knock-on effect on R&R costs, an increase in the tax deduction limit under Section 14Q would have been highly welcomed.
6. The Wage Credit Scheme (WCS), which was first introduced in Budget 2013, encourages employers to share productivity gains with workers by co-funding wage increases of at least S\$50 given by the employers to Singapore citizen employees who earned a gross monthly wage of up to S\$4,000. The WCS has been enhanced in two ways in this year's Budget. Firstly, the wage ceiling for co-funding will be raised from S\$4,000 to S\$5,000 for the years 2019 and 2020. Secondly, the co-funding ratios will be increased from 15% to 20% for the year 2019 and from 10% to 15% for 2020. A point not to be missed is that increases in gross monthly wage of at least S\$50 given in the years 2017, 2018 and 2019 up to a gross monthly wage level of S\$5,000, and sustained in subsequent years, will also be co-funded. This means that employers who have sustained year-on-year wage increases of their employees over the last three years will benefit the most from this enhancement. The enhancements to the WCS should help businesses ease their cost pressures arising from the continuing restructuring and transformation of the economy as well as the current economic uncertainties.
7. A new Jobs Support Scheme will offset 8% of the gross monthly wages of every employee who is a Singapore citizen or permanent resident. The grant will be subject to a monthly wage cap of S\$3,600 per worker. This is extended to all employers, with the exception of Government organisations and representative offices. It should be noted that this is a one-off scheme for 2020 only. Even then, this payout, together with the WCS, will provide substantial help to businesses in retaining their employees during the current economic uncertainty.



While the Minister wasted no time in diving straight to the measures put together to mitigate the impact of COVID-19 on businesses and jobs, he also outlined strategies to tackle the challenges and seize new opportunities arising from the following trends:

- a. decline in support for globalisation
- b. shift in global economic weight towards Asia
- c. rapid advancement of technology, and
- d. Singapore's transition to an ageing society.

The above trends are not new. For example, last year's Budget introduced measures to build deep enterprise capabilities and deep worker capabilities to take advantage of new opportunities brought about by rapid technological advancements and the economic pivot to Asia. While this year's Budget builds and expands upon the measures introduced in 2018 and 2019 to support businesses to innovate, internationalise, develop deep capabilities and invest in technology, it will probably be remembered more for the Government's ability to deal with one of the worst crises in recent years.

In the following pages of this newsletter, we have summarised the tax changes affecting businesses and individuals.

**Sivakumar Saravan**  
Head of Tax

# Business Tax

## General Changes

### Corporate Income Tax (“CIT”) Rebate

#### Current

CIT Rebate of 20% of tax payable, capped at S\$10,000 is granted for the Year of Assessment (“YA”) 2019.

#### Proposed

A CIT Rebate of 25% of tax payable, capped at S\$15,000, will be granted for YA 2020.

### Automatic Extension of Interest-Free Instalments of 2 Months for Payment of CIT on Estimated Chargeable Income (“ECI”) Filed Within 3 Months from the Companies’ Financial Year-End (“FYE”)

#### Current

Companies paying their CIT by GIRO can currently enjoy interest-free monthly instalments if they file their ECI within 3 months from their FYE, as follows:

- a. File ECI within 1 month from FYE:  
Up to 10 monthly instalments; or
- b. File ECI within 2 months from FYE:  
Up to 8 monthly instalments; or
- c. File ECI within 3 months from FYE:  
Up to 6 monthly instalments.

Companies have to e-File by 26<sup>th</sup> of the month in order to enjoy the maximum number of instalments allowable for that month.

#### Proposed

Companies paying their CIT by GIRO can automatically enjoy an additional 2 months of interest-free instalments, when they file their ECI within 3 months from their FYE. This automatic extension of the instalment plan by 2 more months will apply to:

- a. Companies that file their ECI from 19 February 2020 to 31 December 2020; and
- b. Companies that file their ECI before 19 February 2020, and have ongoing instalment payments to be made in March 2020.

Qualifying companies who have filed their ECI before 19 February 2020 and have ongoing instalment payments to be made in March 2020 can expect to receive a letter from the Inland Revenue Authority of Singapore (“IRAS”) by 5 March 2020 on the automatic two months extension of the instalment plan. Companies can also view their revised instalment plan at myTax Portal from 5 March 2020.

### Increase the Number of YAs for which the Current Year Unabsorbed Capital Allowances (“CA”) and Trade Losses for a YA (Collectively Referred to as “Qualifying Deductions”) may be Carried Back

#### Current

Qualifying deductions for a YA may be carried back to offset against the Assessable Income of a taxpayer for the immediate preceding YA, capped at S\$100,000 of qualifying deductions and subject to conditions.

### **Proposed**

The carry-back relief scheme will be enhanced for YA 2020. Under the enhanced scheme, qualifying deductions for YA 2020 may be carried back up to 3 immediate preceding YAs, capped at S\$100,000 of qualifying deductions and subject to conditions.

Taxpayers may elect to carry back to the relevant preceding YAs an estimated amount of qualifying deductions available for YA 2020, before the actual filing of their income tax returns for YA 2020.

IRAS will provide the details of the change by end-March 2020.

### **Option to Accelerate the Write-Off of the Cost of Acquiring Plant and Machinery (“P&M”)**

#### **Current**

A taxpayer which incurs capital expenditure on the acquisition of P&M for the purposes of its trade, profession or business may claim CA (i.e. write off the cost of acquiring the P&M). CA is allowed under Section 19 of the Income Tax Act (“ITA”) over the working life of the assets as specified in the Sixth Schedule, or over 3 years as provided for under Section 19A(1) of the ITA.

#### **Proposed**

A taxpayer which incurs capital expenditure on the acquisition of P&M in the basis period for YA 2021 (i.e. FY 2020) will have an option to accelerate the write-off of the cost of acquiring such P&M over 2 years. This option, if exercised, is irrevocable.

The rates of accelerated CA allowed are as follows:

- a. 75% of the cost incurred to be written off in the first year (i.e. YA 2021); and,
- b. 25% of the cost incurred to be written off in the second year (i.e. YA 2022).

The above option will be in addition to the options currently available under Sections 19 and 19A of the ITA.

No deferment of CA claims is allowed under the above option. This means that if a taxpayer opts for the accelerated write-off option, it needs to claim the capital expenditure incurred for acquiring P&M based on the rates of 75% in YA 2021 and 25% in YA 2022.

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

#### **Current**

Under Section 14Q of the ITA, a taxpayer which incurs qualifying expenditure on R&R for the purposes of its trade, profession or business is allowed to claim tax deduction on such expenditure over 3 consecutive YAs, starting from the YA relating to the basis period in which the R&R expenditure is incurred. A cap of S\$300,000 for every relevant period of 3 consecutive YAs applies.

**Proposed**

A taxpayer which incurs qualifying expenditure on R&R during the basis period for YA 2021 (i.e. FY 2020) for the purposes of its trade, profession or business will have an option to claim R&R deduction in 1 YA (i.e. accelerated R&R deduction). The cap of S\$300,000 for every relevant period of 3 consecutive YAs will still apply. This option, if exercised, is irrevocable and will be in addition to the existing option currently available under Section 14Q of the ITA.

**Streamline the Number of Years of Working Life of P&M for CA Claims under Section 19 and the Sixth Schedule of the ITA****Current**

The Sixth Schedule specifies the number of years of working life ("prescribed working life") of P&M for the purpose of computing annual allowances for such P&M under Section 19 of the ITA. Depending on the P&M, businesses may claim annual allowances on their P&M over 5, 6, 8, 10, 12, or 16 years.

**Proposed**

To simplify CA claims under Section 19 of the ITA, the prescribed working life of P&M in the Sixth Schedule will be streamlined. Businesses claiming annual allowance under Section 19 of the ITA may make an irrevocable election to write down their P&M as follows:

- a. If the current prescribed working life of the P&M in the Sixth Schedule is 12 years or less, businesses may choose to claim annual allowance over 6 or 12 years; or
- b. If the current prescribed working life of the P&M in the Sixth Schedule is 16 years, businesses may choose to claim annual allowance over 6, 12 or 16 years.

The above will apply for P&M acquired in or after FY 2022, and in cases where P&M were purchased prior to FY 2022 and no claim for CA (both initial and annual allowances) has been made (i.e. the claim for CA in respect of the entire cost of the P&M has been deferred).

**Refine the Tax Treatment of Expenditures Funded by Capital Grants****Current**

Singapore does not tax receipts that are capital in nature, so recipients of capital grants from the Government and statutory boards are not subject to tax on the grant amounts received. At the same time, these recipients are able to claim tax deductions or allowances on the corresponding expenditure incurred which are funded by such grants from the Government or statutory boards.

Recipients of grants from the Government or statutory boards that are revenue in nature are currently subject to income tax on the grant amount received. At the same time, these recipients are able to claim tax deductions or allowances on the corresponding expenditure incurred which are funded by these grants from the Government or statutory boards.

**Proposed**

For capital grants approved on or after 1 January 2021, recipients will not be allowed to claim tax deductions or allowances on that part of the expenditures that are funded by such grants from the Government or statutory boards.

# Changes to Existing Tax Incentives and Concessions

## All Businesses

### Double Tax Deduction for Internationalisation (“DTDi”) Scheme

#### Current

Under the DTDi scheme, businesses are allowed a tax deduction of 200% on qualifying market expansion and investment development expenses, subject to approval from Enterprise Singapore or the Singapore Tourism Board (“STB”).

Tax deduction on the first S\$150,000 of qualifying expenses incurred on the following activities for each YA can be claimed without prior approval from the Enterprise Singapore or STB:

- a. Overseas business development trips/missions;
- b. Overseas investment study trips/missions;
- c. Participation in overseas trade fairs; and
- d. Participation in approved local trade fairs.

The DTDi scheme is scheduled to lapse after 31 March 2020.

#### Proposed

The DTDi scheme will be extended till 31 December 2025.

In addition, the scope of the DTDi scheme will be enhanced to cover the following:

- a. Third-party consultancy costs relating to new overseas business development to identify suitable talent and build up business network; and
- b. New categories of expenses incurred for overseas business missions (i.e. fees incurred on speaking spots to pitch products/ services at overseas business and trade conferences, transporting materials/samples used during the business missions, and third-party consultancy costs to arrange business networking events to promote products/services).

## Mergers & Acquisitions ("M&A") Scheme

### Current

The M&A scheme allows taxpayers to claim the following tax benefits:

- a. An M&A allowance (to be written down over 5 years) that is based on 25% of the value of a qualifying acquisition, subject to a cap of S\$40 million on the value of all qualifying acquisitions per YA;
- b. Stamp duty relief on the instruments for the acquisition of the ordinary shares under an M&A deal, capped at S\$80,000 of stamp duty per FY; and
- c. 200% tax deduction on transaction costs incurred on qualifying M&A deals, subject to an expenditure cap of S\$100,000 per YA.

The condition that acquiring companies must be held by an ultimate holding company that is incorporated in and is a tax resident of Singapore may be waived on a case by case basis.

This scheme is scheduled to lapse after 31 March 2020.

### Proposed

The M&A scheme will be extended to cover qualifying acquisitions made on or before 31 December 2025.

The scheme will remain unchanged for acquisitions made on or after 1 April 2020, except for the following:

- a. Stamp duty relief will lapse for instruments executed on or after 1 April 2020; and
- b. No waiver will be granted for the condition that the acquiring company must be held by an ultimate holding company that is incorporated in and is a tax resident of Singapore. This will apply for acquisitions made on or after 1 April 2020.



## **Upfront Certainty of Non-Taxation of Companies' Gains on Disposal of Ordinary Shares**

### **Current**

Under Section 13Z of the ITA, gains derived from the disposal of ordinary shares by companies will not be taxed, if:

- a. The divesting company holds a minimum shareholding of 20% in the company whose shares are being disposed ("investee company"); and
- b. The divesting company has maintained the minimum 20% shareholding for a minimum period of 24 months just prior to the disposal.

The scheme does not apply to disposals of unlisted shares in an investee company that is in the business of trading or holding Singapore immovable properties (other than the business of property development).

For non-qualifying share disposals (such as those excluded from the scheme), the tax treatment of the gains/losses arising from share disposals is determined based on the facts and circumstances of the case.

The scheme is scheduled to lapse after 31 May 2022.

### **Proposed**

The scheme under Section 13Z will be extended to cover disposals of ordinary shares by companies from 1 June 2022 to 31 December 2027.

The scheme will not apply to disposals of unlisted shares in an investee company that is in the business of trading, holding or developing immovable properties in Singapore or abroad. The tax treatment of such share disposals will be based on the facts and circumstances of the case. The change will apply to shares disposed on or after 1 June 2022.

All other conditions and exclusions of the scheme remain the same.

IRAS will provide further details of the changes by end-June 2020.

## **Global Trader Programme ("GTP")**

### **Current**

The GTP grants a concessionary tax rate of 5% or 10% on income derived by approved global trading companies from qualifying transactions. Approved global trading companies enjoy a concessionary tax rate of 5% on their income from qualifying transactions in Liquefied Natural Gas ("LNG"), regardless of whether a concessionary tax rate of 5% or 10% applies to their income from qualifying transactions in other GTP-qualifying commodities. The GTP is scheduled to lapse after 31 March 2021.

The GTP (Structured Commodity Financing) ("GTP(SCF)") grants a concessionary tax rate of 5% or 10% on qualifying income derived by approved GTP(SCF) companies. The GTP(SCF) is scheduled to lapse after 31 March 2021.

### **Proposed**

The GTP will be extended till 31 December 2026. In addition, the following changes will be made to the GTP:

- a. The qualifying activities of GTP(SCF) will be subsumed under GTP with effect from 19 February 2020;
- b. The GTP(SCF) will lapse after 31 March 2021; and
- c. The concessionary tax rate of 5% on income from qualifying transactions in LNG will lapse after 31 March 2021. With the lapsing of this concession, LNG will be treated no differently from other GTP-qualifying commodities under the GTP.

For (b), existing recipients of GTP(SCF) awards can continue to enjoy the tax concession under the GTP(SCF) till the expiry of their awards, if the conditions for approval of their awards continue to be met.

For (c), existing recipients of GTP awards can continue to enjoy the concessionary tax rate of 5% on income from qualifying transactions in LNG till the expiry of their awards, if the conditions for approval of their awards continue to be met.

Enterprise Singapore will provide further details of the changes by May 2020.

### **Land Intensification Allowance (“LIA”) Scheme**

#### **Current**

Under the LIA scheme, an initial allowance of 25% of the qualifying capital expenditure incurred on the construction or renovation/extension of an approved LIA building will be granted in the YA relating to the basis period during which the capital expenditure is incurred. Upon issuance of the Temporary Occupation Permit (“TOP”) for the completed LIA

building, annual allowance of 5% of the qualifying capital expenditure incurred will be granted, subject to all the qualifying conditions being met.

The scheme is scheduled to lapse after 30 June 2020.

#### **Proposed**

The LIA scheme will be extended till 31 December 2025. This refers to the last date a building or structure may be approved for LIA.

### **Writing-Down Allowance (“WDA”) Scheme for the Acquisition of an Indefeasible Right to Use an International Submarine Cable System (Referred to as “Indefeasible Right of Use” or “IRU”) under Section 19D of the ITA**

#### **Current**

A taxpayer which has incurred capital expenditure on the purchase of an IRU for the purposes of its trade, business or profession can claim WDA on the amount incurred, subject to conditions.

The scheme is scheduled to lapse after 31 December 2020.

#### **Proposed**

The WDA scheme under Section 19D will be extended till 31 December 2025, i.e. WDA will be allowed on qualifying capital expenditure incurred on or before 31 December 2025 for the acquisition of an IRU.

## Insurance

### Tax Incentive Schemes for Insurance Businesses

#### Current

Under the Insurance Business Development (“IBD”) umbrella scheme, the following schemes are scheduled to lapse after 31 March 2020:

##### a. IBD Scheme

Approved insurers are granted a concessionary tax rate of 10% for a period of 10 years on qualifying income derived from the carrying on of onshore and offshore life reinsurance, onshore and offshore general insurance and reinsurance, excluding fire, motor, work injury compensation, personal accident and health insurance.

##### b. IBD-Captive Insurance (“IBD-CI”) Scheme

Approved insurers are granted a concessionary tax rate of 10% for a period of 5 years on qualifying income derived from the carrying on of onshore and offshore life reinsurance, onshore and offshore general insurance and reinsurance, excluding fire, motor, work injury compensation, personal accident and health insurance.

##### c. IBD-Marine Hull and Liability Insurance Business (“IBD-MHL”) Scheme

Approved insurers are granted a concessionary tax rate of 10% for a period of 5 years on qualifying income derived from onshore and offshore MHL insurance and reinsurance.

#### Proposed

The IBD and IBD-CI schemes will be extended till 31 December 2025. The concessionary tax rate remains at 10%.

However, the IBD-MHL scheme will be allowed to lapse after 31 March 2020. With the lapsing of the IBD-MHL scheme, insurers engaged in the MHL insurance and reinsurance business will be incentivised under the IBD scheme.

To align the tenure of all awards under the IBD umbrella scheme, all new and renewal IBD scheme awards approved on or after 1 April 2020 will be granted for a period of 5 years.

The Monetary Authority of Singapore (“MAS”) will provide further details of the changes by May 2020.

## Maritime Industry

### Maritime Sector Incentive (“MSI”)

#### Current

Under the MSI, ship operators, maritime lessors and providers of certain shipping-related support services can enjoy tax benefits summarised in the table below:

For Ship Operators	
a)	<b>MSI-Shipping Enterprise (Singapore Registry of Ships) (“MSI-SRS”)</b>  Tax exemption on qualifying income derived from operating Singapore-flagged ship.
b)	<b>MSI-Approved International Shipping Enterprise (“MSI-AIS”) Award</b>  Tax exemption on qualifying income derived from operating foreign-flagged ships.
For Maritime Lessors	
c)	<b>MSI-Maritime Leasing (Ship) (“MSI-ML(Ship)”) Award</b>  Tax exemption on qualifying income derived from leasing ships, and 10% concessionary tax rate on qualifying income derived from managing an approved shipping investment enterprise.
d)	<b>MSI-ML (Container) Award</b>  10% or 5% concessionary tax rate on qualifying income derived from leasing of qualifying sea containers and intermodal equipment that is incidental to the leasing of qualifying sea containers and 10% concessionary tax rate on qualifying income derived from managing an approved container investment enterprise.

	For (c) and (d), stamp duty remission is applicable to instruments executed on or before 31 May 2021 for the acquisition of shares in a specific purpose company by an approved shipping or container investment enterprise, subject to conditions.
For Providers of Certain Shipping-related Support Services	
e)	<b>MSI-Shipping-related Support Services (“MSI-SSS”) Award</b>  10% concessionary tax rate on incremental <sup>1</sup> qualifying income derived from carrying out approved shipping-related support services.

In addition, Withholding Tax (“WHT”) exemption is granted on qualifying payments made by qualifying MSI recipients to non-tax residents (excluding a permanent establishment in Singapore) in respect of qualifying financing arrangements entered into on or before 31 May 2021 to finance the construction or purchase of qualifying assets (e.g. ships, containers), subject to conditions.

MSI-AIS for qualifying entry players, MSI-ML(Ship), MSI-ML(Container) and MSI-SSS are scheduled to lapse after 31 May 2021.

#### Proposed

The MSI scheme will be extended till 31 December 2026. Similarly, the WHT exemption will be extended for qualifying payments made on qualifying financing arrangements entered into on or before 31 December 2026.

<sup>1</sup>The amount of income which exceeds the base amount calculated in accordance to Section 43ZF(4) of the ITA.

(Continued on Page 15)

In addition, the following changes will be made to the MSI scheme:

- a. Expand the scope of in-house ship management income exemption under the MSI-AIS Award to include such income derived by MSI-AIS Sister Company and MSI-AIS Local Subsidiary;
- b. Allow income derived from operating a ship that is provisionally registered with the SRS to qualify for tax exemption under the MSI-SRS scheme, regardless of whether a permanent certificate is subsequently obtained. Where a permanent certificate is not obtained, the tax exemption is only allowed up to 1 year from the date of issue of the provisional certificate; and
- c. Allow the stamp duty remission to lapse for instruments executed on or after 1 June 2021.

The enhancements in (a) and (b) will apply to existing and new award recipients for qualifying income derived on or after 19 February 2020.

The Maritime and Port Authority of Singapore will provide further details of the changes by May 2020.



## Financial Sector

### WHT Exemption for Interest on Margin Deposits

#### Current

The WHT exemption for interest on margin deposits is part of a range of WHT exemptions granted for the financial sector up till 31 December 2022. The current qualifying scope of entities and products covered by the WHT exemption for interest on margin deposits are:

Covered Entities	Covered Products
Members of approved exchanges	a. Spot foreign exchange (other than those involving Singapore dollar); b. Financial futures; and c. Gold futures.

#### Proposed

The scope of the WHT exemption for interest on margin deposits will be enhanced to cover the following entities and products:

Covered Entities	Covered Products
a. Members of approved exchanges; b. Members of approved clearing houses; c. Approved exchanges; and d. Approved clearing houses.	a. Spot foreign exchange (other than those involving Singapore dollar); b. Financial futures; c. Gold futures; and d. All other derivatives contracts traded or cleared on approved exchanges and approved clearing houses.

The enhancements will apply for agreements entered into on or after 19 February 2020.

The extension of the WHT exemption will be reviewed together with the other WHT exemptions for the financial sector, before 31 December 2022.

MAS will provide further details of the changes by May 2020.

### Finance and Treasury Centre (“FTC”) Scheme

#### Current

The FTC scheme grants a concessionary tax rate of 8% on qualifying income derived by approved FTCs from qualifying activities or services. To qualify for the concessionary tax rate, approved FTCs are required to use only funds from qualifying sources as prescribed in the Income Tax (Concessionary Rate of Tax for Approved Finance and Treasury Centre) Regulations.

The scheme is scheduled to lapse after 31 March 2021.

#### Proposed

The FTC scheme will be extended till 31 December 2026, with the following enhancements from 19 February 2020:

- The list of qualifying sources of funds will be expanded to include funds raised via convertible debt issued on or after 19 February 2020; and
- The list of qualifying FTC activities will be expanded to include transacting or investing into private equity or venture capital funds that are not structured as companies. Income derived on or after 19 February 2020 by approved FTCs from this activity will qualify for the concessionary tax rate.

## **Tax Incentives for Venture Capital Funds and Venture Capital Fund Management Companies**

### **Current**

Venture capital funds approved under Section 13H of the ITA enjoy tax exemption on the following income ("Section 13H scheme"):

- a. Divestment gains from qualifying investments;
- b. Dividend income from foreign companies; and
- c. Interest income arising from foreign convertible loan stock.

Approved venture capital fund management companies managing approved venture capital funds are granted a concessionary tax rate of 5% under Section 43ZG of the ITA on the income derived from managing an approved venture capital fund ("Venture Capital Fund Management Incentive").

Both incentives are scheduled to lapse after 31 March 2020.

### **Proposed**

The Section 13H scheme and Venture Capital Fund Management Incentive will be extended till 31 December 2025.

In addition, the key refinements to the incentives are as follows:

#### Section 13H Scheme:

- a. The list of investments and income incentivised under the Section 13H scheme will be expanded to include relevant items of the Specified Income – Designated Investments list applicable for fund incentives under Sections 13CA, 13R and 13X of the ITA;

- b. Apart from companies incorporated in Singapore and partnerships, the Section 13H incentive may be granted to venture capital funds which are constituted as foreign-incorporated companies or Singapore Variable Capital Companies;
- c. The statutory sub-limit imposing a maximum tenure of 10 years for the first tranche of the tax exemption will be removed, while the 15-year cap on the overall tenure of the tax exemption status remains. This means that the tax exemption may be awarded for the fund life of the venture capital fund, up to a total tenure of 15 years;
- d. Approved venture capital funds will be allowed, by way of remission, to claim GST incurred on their expenses at a fixed recovery rate to be determined for the industry; and

#### Venture Capital Fund Management Incentive:

- e. Statutory limitations on the total incentive tenure allowed for each venture capital fund management company will be removed. Instead, each Venture Capital Fund Management Incentive award for the fund manager will be set at a maximum tenure of 5 years, and can be renewed subject to conditions.

The above changes will take effect from 1 April 2020.

Enterprise Singapore will provide further details of the changes by May 2020.

# Expiry and Withdrawal of Tax Incentives

## Further Tax Deduction Scheme for Research and Development ("R&D") Expenditure under Section 14E of the ITA ("Section 14E Incentive")

### Current

The Section 14E incentive provides a further tax deduction for R&D expenditure incurred on approved R&D projects conducted in Singapore either by the business itself or by an R&D organisation on its behalf.

Deduction under Section 14E is subject to a cap of 200% after including other deductions under Sections 14, 14D and 14DA(1) for the same R&D expenditure under the ITA.

The Section 14E incentive is scheduled to lapse after 31 March 2020.

### Proposed

The Section 14E incentive will lapse after 31 March 2020. Existing Section 14E incentive recipients can continue to enjoy the further tax deduction under Section 14E incentive till their awards expire.



# Property Tax

## New Incentive

### **Property Tax (“PT”) Rebate to Licensed Hotels, Serviced Apartments, Prescribed Meetings, Incentive, Conferences and Events (“MICE”) Venues, and Other Qualifying Commercial Properties**

Qualifying commercial properties will be granted a rebate for PT payable for the period 1 January 2020 to 31 December 2020.

The PT Rebate is 30% of the PT payable for:

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

The PT Rebate is 15% of the PT payable for other qualifying commercial properties. Some examples are:

- Premises of an international airport;
- Premises of an international cruise or regional ferry terminal;
- Shops (e.g. retail and F&B), including those within hotel buildings, serviced apartment buildings and the prescribed MICE venues; and
- Premises of tourist attractions.

Marina Bay Sands and Resorts World Sentosa will enjoy PT Rebate of 10%. The above 30% and 15% PT Rebates do not apply to them.

The above 30%, 15%, and 10% PT Rebates do not apply to any premises or a part of any premises used for a residential, industrial or agricultural purpose, or as an office, a business or science park, or a petrol station.

# Individual Tax

## Extensions to Existing Tax Incentives and Concessions

### **Withholding Tax Exemption for Non-Resident Mediators and Non-Resident Arbitrators**

#### **Current**

Non-resident professionals are subject to withholding tax at a rate of 15% on gross income from the profession; or they may elect to be taxed at 22% on net income. As a concession, income derived by non-resident mediators and non-resident arbitrators from mediation and arbitration work carried out in Singapore are exempt from tax, subject to conditions.

This exemption is scheduled to lapse after 31 March 2020.

#### **Proposed**

The withholding tax exemption for income derived by non-resident mediators and non-resident arbitrators will be extended till 31 March 2022.

### **Concessionary Withholding Tax Rate for Non-Resident Public Entertainers (“NRPEs”)**

#### **Current**

NRPEs are subject to withholding tax at a rate of 15% on gross income in respect of services performed in Singapore. As a concession, the withholding tax rate of 15% is reduced to 10%.

This concession is scheduled to lapse after 31 March 2020.

#### **Proposed**

The concessionary withholding tax rate of 10% will be extended till 31 March 2022 and the concession will then lapse after 31 March 2022.

## Expiry and Withdrawal of Tax Incentives

### **Angel Investors Tax Deduction (“AITD”) Scheme**

#### **Current**

Under the AITD scheme, an approved angel investor is granted a tax deduction of 50% of the cost of his qualifying investments, subject to conditions.

The scheme is scheduled to lapse after 31 March 2020.

#### **Proposed**

The AITD scheme will lapse after 31 March 2020.

Angel investors, whose approved angel investor status commences on or before 31 March 2020, can continue to be granted the tax deduction under the AITD scheme in respect of qualifying investments made during the period of his approved angel investor status, subject to existing conditions of the AITD scheme.

Enterprise Singapore will provide further details of the transitional arrangement for approved angel investors by end-March 2020.

# Road Tax

## Changes to Existing Tax Treatment

### Road Tax for Electric Cars

#### Existing Tax Treatment

The existing road tax schedule for Electric Cars is:

Power Rating (kW)	6-Monthly Road Tax Formula
PR ≤7.5	S\$200 x 0.782
7.5 < PR ≤32.5	[S\$200 + S\$2(PR - 7.5)] x 0.782
32.5 < PR ≤70	[S\$250 + S\$6(PR - 32.5)] x 0.782
70 < PR ≤157.5	[S\$475 + S\$12(PR - 70)] x 0.782
PR >157.5	[S\$1,525 + S\$16(PR - 157.5)] x 0.782

#### New Tax Treatment

For Electric Cars registered from 1 January 2021 onwards, the road tax schedule for Electric Cars will be the following, with an additional EV lump-sum component:

Power Rating (kW)	6-Monthly Road Tax Formula (Excluding EV Lump-Sum Component)
PR ≤7.5	S\$200 x 0.782
7.5 < PR ≤30	[S\$200 + S\$2(PR - 7.5)] x 0.782
30 < PR ≤90	[S\$250 + S\$3.75(PR - 30)] x 0.782
90 < PR ≤230	[S\$475 + S\$7.50(PR - 90)] x 0.782
PR >230	[S\$1,525 + S\$10(PR - 230)] x 0.782

Licensing Period	6-Monthly EV Lump-Sum Component
1 Jan 2021 - 31 Dec 2021	S\$100
1 Jan 2022 - 31 Dec 2022	S\$200
1 Jan 2023 Onwards	S\$350

## Road Tax for Petrol-Electric Cars

### Existing Tax Treatment

Petrol-Electric Cars pay the higher of the Engine Capacity or Power Rating schedule:

Engine Capacity (cc)	6-Monthly Road Tax Formula (ECC)	Power Rating (kW)	6-Monthly Road Tax Formula (PR)
$ECC \leq 600$	$S\$200 \times 0.782$	$PR \leq 7.5$	$S\$200 \times 0.782$
$ECC \leq 1000$	$[S\$200 + 0.125(ECC - 600)] \times 0.782$	$7.5 < PR \leq 32.5$	$[S\$200 + S\$2(PR - 7.5)] \times 0.782$
$1,000 < ECC \leq 1,600$	$[S\$250 + S\$0.375(ECC - 1,000)] \times 0.782$	$32.5 < PR \leq 70$	$[S\$250 + S\$6(PR - 32.5)] \times 0.782$
$1,600 < ECC \leq 3,000$	$[S\$475 + S\$0.75(ECC - 1,600)] \times 0.782$	$70 < PR \leq 157.5$	$[S\$475 + S\$12(PR - 70)] \times 0.782$
$ECC > 3,000$	$[S\$1,525 + S\$1(ECC - 3,000)] \times 0.782$	$PR > 157.5$	$[S\$1,525 + S\$16(PR - 157.5)] \times 0.782$

### New Tax Treatment

For licensing period from 1 January 2021 onwards, Petrol-Electric Cars pay the higher of the Engine Capacity or revised Power Rating schedule:

Engine Capacity (cc)	6-Monthly Road Tax Formula (ECC)	Power Rating (kW)	6-Monthly Road Tax Formula (PR)
$ECC \leq 600$	$S\$200 \times 0.782$	$PR \leq 7.5$	$S\$200 \times 0.782$
$ECC \leq 1000$	$[S\$200 + 0.125(ECC - 600)] \times 0.782$	$7.5 < PR \leq 30$	$[S\$200 + S\$2(PR - 7.5)] \times 0.782$
$1,000 < ECC \leq 1,600$	$[S\$250 + S\$0.375(ECC - 1,000)] \times 0.782$	$30 < PR \leq 90$	$[S\$250 + S\$3.75(PR - 30)] \times 0.782$
$1,600 < ECC \leq 3,000$	$[S\$475 + S\$0.75(ECC - 1,600)] \times 0.782$	$90 < PR \leq 230$	$[S\$475 + S\$7.50(PR - 90)] \times 0.782$
$ECC > 3,000$	$[S\$1,525 + S\$1(ECC - 3,000)] \times 0.782$	$PR > 230$	$[S\$1,525 + S\$10(PR - 230)] \times 0.782$

## Road Tax for Electric Motorcycles

### Existing Tax Treatment

The existing road tax schedule for Electric Motorcycles is:

Power Rating (kW)	6-Monthly Road Tax Formula
PR ≤10	S\$40 x 0.782

### New Tax Treatment

For licensing period from 1 April 2020 onwards, the road tax schedule for Electric Motorcycles will be the following:

Power Rating (kW)	6-Monthly Road Tax Formula
PR ≤10	S\$40 x 0.782
10 < PR ≤96*	[S\$40 + S\$1.40(PR – 10)] x 0.782
PR >96*	[S\$160 + S\$2.40(PR – 96)] x 0.782

\*Electric Motorcycles with PR>10kW are currently not allowed for use on roads in Singapore.

For Electric Motorcycles registered from 1 January 2021 onwards, the road tax schedule for Electric Motorcycles will include an additional EV lump-sum component:

Licensing Period	6-Monthly EV Lump-Sum Component
1 Jan 2021 - 31 Dec 2021	S\$25
1 Jan 2022 - 31 Dec 2022	S\$50
1 Jan 2023 Onwards	S\$100



## Road Tax for Electric Light Goods Vehicles (“LGVs”) and Electric Goods Passenger Vehicles (“GPVs”) with Maximum Laden Weight of $\leq 3.5$ Metric Tonne

### Existing Tax Treatment

The existing road tax schedule for Electric LGVs and Electric GPVs is:

Vehicle Type	Maximum Laden Weight (Metric Tonne)	6-Monthly Road Tax Formula	
		Diesel & Diesel Hybrid	Green & Petrol
<b>LGVs</b>	mlw $\leq 3.5$	S\$213	S\$170

Vehicle Type	Maximum Laden Weight (Metric Tonne)	6-Monthly Road Tax Formula	
		Diesel & Diesel Hybrid	Green & Petrol
<b>GPVs</b>	mlw $\leq 3.5$	S\$372	S\$298
	mlw $> 3.5$	S\$487	S\$390

### New Tax Treatment

For Electric LGVs and Electric GPVs registered from 1 January 2021 onwards, and for licensing period of 1 January 2021 to 31 December 2021, the road tax schedule will be the following:

Vehicle Type	Maximum Laden Weight (Metric Tonne)	6-Monthly Road Tax Formula		
		Diesel & Diesel Hybrid	Petrol & Petrol Hybrid	Electric
<b>LGVs</b>	mlw $\leq 3.5$	S\$213	S\$170	S\$195

Vehicle Type	Maximum Laden Weight (Metric Tonne)	6-Monthly Road Tax Formula		
		Diesel & Diesel Hybrid	Petrol & Petrol Hybrid	Electric
<b>GPVs</b>	mlw $\leq 3.5$	S\$372	S\$298	S\$323
	mlw $> 3.5$	S\$487	S\$390	

For Electric LGVs and Electric GPVs registered from 1 January 2021 onwards, and for licensing period of 1 January 2022 to 31 December 2022, the road tax schedule will be the following:

Vehicle Type	Maximum Laden Weight (Metric Tonne)	6-Monthly Road Tax Formula		
		Diesel & Diesel Hybrid	Petrol & Petrol Hybrid	Electric
<b>LGVs</b>	mlw $\leq 3.5$	S\$213	S\$170	S\$220

Vehicle Type	Maximum Laden Weight (Metric Tonne)	6-Monthly Road Tax Formula		
		Diesel & Diesel Hybrid	Petrol & Petrol Hybrid	Electric
GPVs	mlw ≤3.5	S\$372	S\$298	S\$348
	mlw >3.5	S\$487	S\$390	

For Electric LGVs and Electric GPVs registered from 1 January 2021 onwards, and for licensing period of 1 January 2023 onwards, the road tax schedule will be the following:

Vehicle Type	Maximum Laden Weight (Metric Tonne)	6-Monthly Road Tax Formula		
		Diesel & Diesel Hybrid	Petrol & Petrol Hybrid	Electric
LGVs	mlw ≤3.5	S\$213	S\$170	S\$265

Vehicle Type	Maximum Laden Weight (Metric Tonne)	6-Monthly Road Tax Formula		
		Diesel & Diesel Hybrid	Petrol & Petrol Hybrid	Electric
GPVs	mlw ≤3.5	S\$372	S\$298	S\$393
	mlw >3.5	S\$487	S\$390	





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