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# Singapore Budget 2019 Newsletter

Audit / Tax / Advisory

Smart decisions. Lasting value.

# Building deeper capabilities and stronger partnerships amid a world of change.

In Budget 2019, Singapore unveiled an expansionary budget with new measures being introduced and existing measures enhanced, to continue the relentless support in the transformation of our economy, building a caring and inclusive society, linking our city to the world, ensuring a sustainable environment and preparing for the future.

In the ensuing pages, we provide a summary of some of those measures and tax changes announced in Budget 2019.

## Contents

# Foreword

Economic globalisation in many aspects has been a boon to Singapore as it helped to fuel Singapore's growth as a global node, providing business opportunities to firms and newer jobs and better living standards for the people.

While rapid technological advancements are making businesses borderless, there has been a rise in anti-globalisation sentiment in parts of the world that could result in increasing trade protectionism, which may eventually slow down global economic growth. The Minister for Finance, Mr Heng Swee Keat, in his Budget speech, mentioned that global growth is expected to moderate in 2019, while uncertainties and downside risks in the global economy have increased. Therefore, while Singapore can benefit from the shift in global economic weight towards Asia, trade protectionism will bring challenges to an open economy like Singapore. Thus, making Singapore's economy strong and resilient amidst the global uncertainties is an important thrust in this year's Budget.

In the year 2010, the Government started the restructuring of the Singapore economy to achieve quality growth on the basis of skills, innovation and productivity. Since then, the Government has put in place many initiatives such as the Industry Transformation Maps, launched in 2016, to drive transformation in four core areas of:

- jobs and skills
- innovation
- internationalisation, and
- productivity

This year's Budget seeks to continue this journey by strengthening Singapore's economic competitiveness, while keeping Singapore relevant and adaptable amidst the new challenges. Keeping the economy competitive and relevant requires developing the capabilities of both businesses and workers, so that Singapore is able to overcome unexpected disruptions and take advantage of new opportunities brought about by technological advancements.

While there are no major business-friendly tax changes, Budget 2019 outlined the following three key thrusts to support industry transformation:

- build deep enterprise capabilities
- build deep worker capabilities, and
- encourage strong partnerships within Singapore and abroad.

To build deep enterprise capabilities, firms will be provided support to scale up and venture into new overseas markets. The support will be in the form of customised assistance, better financing options, and technology adoption. One of the customised assistance initiatives is the Scale-up SG programme that will be launched by Enterprise Singapore in partnership with the private and public sectors. Scale-up SG will support aspiring, high-growth local firms to identify and build new capabilities in order for the firms to innovate, grow, and internationalise. Another notable initiative is the Innovation Agents programme for enterprises to tap on experienced industry experts for advice on innovation and commercialisation opportunities. This will allow businesses to remain lean while having access to deep expertise in technology to accelerate their growth.

For small businesses, investing in technology is a substantial investment in comparison with their level of revenue. To address this issue, the Small and Medium-sized Enterprises (SMEs) Go Digital Programme was introduced in 2017 to help SMEs obtain targeted funding and technical assistance in deploying digital solutions in their businesses. Last year, the Productivity Solutions Grant (PSG) was introduced to provide funding support for businesses to adopt technologies and productivity s olutions that are relevant for their sectors. Both initiatives have been expanded in Budget 2019 to include more sectors and more advanced digital solutions such as artificial intelligence (AI) and cybersecurity solutions. This is a welcome move as AI is slowly becoming mainstream with more digital solutions incorporating AI to increase productivity, and cybersecurity is becoming an essential investment for businesses going digital.

A point to note about the measures to develop enterprise capabilities is that the support will be provided in an enterprise-centric manner. Instead of rolling out broad-based measures, firms with complex needs or strong growth potential will be provided a range of customised support while SMEs facing common challenges will be supported through easily-adoptable scalable solutions. This is in line with what the Minister mentioned in 2017, that the performance across different sectors had been uneven and a targeted approach is required to address the specific issues faced by certain sectors.

Since the phase-out of the Productivity and Innovation Credit (PIC) scheme, businesses have expressed concerns on the cost of training their employees. Businesses will be happy to note that the PSG will be enhanced to include a component that supports worker upgrading. Until 31 March 2023, a subsidy for up to 70% of out-of-pocket training expenses (ie the remaining amount which is not already covered by other government training subsidies) will be provided to eligible enterprises. The amount of subsidy will be capped at $10,000 per enterprise. Unlike the PIC scheme, the training subsidy under the enhanced PSG is by way of application through the Business Grants Portal.

In addition, it should be noted that the Wage Credit Scheme (WCS) was extended in last year's Budget by an additional three years. Accordingly, employers will continue to receive co-funding at 15% and 10% of qualifying wage increases given to their Singaporean employees (earning a gross monthly wage of $4,000 and below) in 2019 and 2020 respectively, if certain conditions are met. This should help businesses ease their cost pressures arising from the continuing restructuring and transformation of the economy.

On the personal tax front, I see the phasing out of the Not Ordinarily Resident (NOR) scheme as an important indicator of two things.

- Firstly, Singapore has matured into a vibrant society and economy where foreign talent is attracted to work for the opportunities offered by Singapore as a gateway to Asia. Singapore is confident that non-tax factors such as political stability, a strong judicial system, a highly liveable environment and high standards of healthcare will continue to attract talent from all around the world to work and live in Singapore.
- Secondly, it is noted that the current economic focus is for Singapore-based companies to expand globally. As Singapore-based companies expand globally, they would also deploy Singaporeans to work overseas. The phasing out of the NOR scheme will remove the differences in tax treatment between local and foreign talent.

This year's Budget builds upon the 10-year development roadmap set out in Budget 2018, while addressing new challenges that are emerging in the horizon. In his concluding remarks, the Finance Minister said that "the changes ahead will be faster and deeper". This is certainly true on many fronts — from technological developments that will create complex decentralised business models, to unilateral positions adopted by countries to protect their revenue bases that may impact growth. Singapore start-ups that scale-up and internationalise may face increasingly complex and sometimes hostile tax regimes abroad. However, I sense an optimism in the Finance Minister's speech that no matter what the challenges are, Singapore and Singaporeans will be able to adapt, find opportunities in the challenges and thrive.

**Sivakumar Saravan**
Head of Tax

18 February 2019

# Individual Tax

## General Changes

### Personal Income Tax Rebate (“PIT”) for Resident Individual Taxpayers

**Current**
There is no PIT Rebate for YA 2018 (i.e. income earned in year 2017).

**Proposed**
A PIT Rebate of 50% of tax payable will be granted to all tax resident individuals for YA 2019 (i.e. for income earned in year 2018). The rebate will be capped at $200 per taxpayer.

### Grandparent Caregiver Relief (“GCR”) in respect of a Handicapped and Unmarried Dependent Child

**Current**
Working mothers who engage the help of their parents, grandparents, parents-in-law or grandparents-in-law to take care of their young children may claim GCR, subject to meeting qualifying conditions. One of the conditions is that the child has to be 12 years old or below during the year preceding the YA of claim.

**Proposed**
Female taxpayers will be allowed to claim GCR in respect of a handicapped and unmarried dependent child regardless of the child’s age, if they have met all other conditions. This will take effect from YA 2020 (i.e. for income earned in year 2019).

## Expiry and Withdrawal of Tax Incentives

### Not Ordinarily Resident (“NOR”) Scheme

**Current**
Under the NOR scheme, an eligible individual who is awarded the NOR status for a five-year period may, subject to conditions, enjoy the following tax concessions:

a) Time apportionment of Singapore employment income, whereby he/she would not be subject to tax on the portion of his/her Singapore employment income that corresponds to the number of days he/she has spent outside Singapore for business reasons pursuant to his/her Singapore employment.

b) Tax exemption of his/her employer’s contribution to a non-mandatory overseas pension or provident fund.

**Proposed**
The NOR scheme will lapse after YA 2020. The last such NOR status will be granted for YA 2020 and expire in YA 2024. Individuals who have been previously accorded the NOR status will continue to be granted NOR tax concessions until their NOR status expires, if they continue to meet the conditions of the concessions.

# Business Tax

## Extensions to Existing Tax Incentives and Concessions

### Writing Down Allowance ("WDA") for Acquisition of Qualifying Intellectual Property Rights ("IPRs") under Section 19B of the Income Tax Act ("ITA")

**Current**
Under Section 19B of the ITA, companies and partnerships are granted WDA on capital expenditure incurred in acquiring qualifying IPRs for use in its trade or business. The expenditure can be written down over 5, 10 or 15 years. The qualifying IPRs are patents, trademarks, registered designs, copyrights, geographical indications, layout designs of integrated circuits, trade secrets or information that has commercial value, and grant of protection of plant varieties. The WDA is available for capital expenditure incurred in respect of qualifying IPRs acquired on or before the last day of the basis period for YA 2020.

**Proposed**
The WDA under Section 19B will be extended to cover capital expenditure incurred in respect of qualifying IPRs acquired on or before the last day of the basis period for YA 2025.

### Investment Allowance ("IA") under the Automation Support Package ("ASP")

**Current**
In Budget 2016, an ASP was introduced for a period of three years to support companies to automate, drive productivity and scale up. The package includes 100% IA support on the amount of approved capital expenditure, net of grants, on projects approved by Enterprise Singapore during 1 April 2016 to 31 March 2019. The approved capital expenditure is capped at $10 million per project.

**Proposed**
The 100% IA measure under the Automation Support Package will be extended by two years, for projects approved by Enterprise Singapore from 1 April 2019 to 31 March 2021. The approved capital expenditure will remain capped at $10 million per project.

# Real Estate Investment Trusts and Registered Business Trusts

## Extensions and Enhancements to Existing Tax Incentives and Concessions

### Income Tax Concessions for Singapore-Listed Real Estate Investment Trusts ("S-REITs")

**Current**
S-REITs are granted tax transparency if their trustees distribute at least 90% of their taxable income to unitholders in the same year in which the income is derived by the trustee.

In addition, S-REITs are granted the following income tax concessions:

a) Tax exemption on S-REITs distributions received by individuals, excluding individuals who derive any distribution:

   i. through a partnership in Singapore; or

   ii. from the carrying on of a trade, business or profession;

b) Concessionary income tax rate of 10% for S-REITs distributions received by non-resident non-individual investors; and

c) Tax exemption on qualifying foreign-sourced income (i.e. foreign-sourced dividend income, interest income, trust distributions and branch profits) received by S-REITs and wholly-owned Singapore resident subsidiary companies of S-REITs, that is paid out of qualifying income or gains in respect of overseas property acquired on or before 31 March 2020 by the trustee of the S-REITs or its wholly-owned Singapore resident subsidiary company.

The income tax concessions stated in the column on the left (other than the tax transparency) are scheduled to lapse after 31 March 2020.

**Proposed**
The existing tax concessions for S-REITs will be extended till 31 December 2025. The sunset clause for the tax exemption on S-REITs distributions received by individuals will be removed. All other conditions for the income tax concessions remain the same.

MAS will provide further details of the change by May 2019.

### Income Tax Concessions for Singapore-Listed Real Estate Investment Trusts Exchange-Traded Funds ("REITs ETFs")

**Current**
REITs ETFs are granted the following income tax concessions:

a) Tax transparency treatment on the distributions received by REITs ETFs from S-REITs, which are made out of the latter's specified income;

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b) Tax exemption on such REITs ETFs distributions received by individuals, excluding individuals who derive any distribution:

i. through a partnership in Singapore; or

ii. from the carrying on of a trade, business or profession; and

c) 10% concessionary tax rate on such REITs ETFs distributions received by qualifying non-resident non-individuals.

**Proposed**
The existing tax treatment accorded to REITs ETFs will be extended till 31 December 2025. The sunset clause for the tax exemption on REITs ETFs distributions received by individuals will be removed. All other conditions for the income tax concessions remain the same.

MAS will provide further details of the change by May 2019.

## GST Remission for S-REITs and Singapore-Listed Registered Business Trusts ("RBTs") in the Infrastructure Business, Ship Leasing and Aircraft Leasing Sectors

**Current**
GST remission is granted to S-REITs and RBTs in the infrastructure business, ship leasing and aircraft leasing sectors, to allow them to claim GST on the following, subject to conditions:

a) their business expenses, regardless of whether they hold underlying assets directly or indirectly through multi-tiered structures such as special purpose vehicles ("SPVs") or sub-trusts;

b) their business expenses incurred to set up SPVs that are used solely to raise funds for the S-REITs or RBTs, and that do not hold qualifying assets of the S-REITs or RBTs, directly or indirectly; and

c) business expenses of financing SPVs mentioned in (b).

The GST remission is scheduled to lapse after 31 March 2020.

**Proposed**
The existing GST remission will be extended till 31 December 2025.

All conditions for the GST remission remain the same.

MAS will provide further details of the change by May 2019.

# Finance Sector

## Extensions and Enhancements to Existing Tax Incentives and Concessions

### Tax Incentive Schemes for Funds Managed by Singapore-based Fund Managers ("Qualifying Funds")

**Current**
Qualifying Funds are granted the following tax concessions, subject to meeting qualifying conditions:

a) Tax exemption on specified income ("SI") derived from designated investments ("DI"); and

b) Withholding tax exemption on interest and other qualifying payments made to non-resident persons (excluding permanent establishments in Singapore).

Qualifying Funds comprise the following:

a) Basic tier funds (Sections 13CA and 13R schemes); and

b) Enhanced tier funds (Section 13X scheme)

To qualify as a basic tier fund, a fund must meet certain qualifying conditions. One of the qualifying conditions is that the fund cannot have 100% of the value of its issued securities beneficially owned, directly or indirectly, by Singapore persons.

For enhanced tier funds approved as a collective structure, the master fund in the approved structure can have up to two tiers of Special Purpose Vehicles ("SPVs"). Such SPVs must be wholly-owned (directly or indirectly) by the master fund and can only take the form of companies.

Separately, for real estate, infrastructure and private equity funds applying to be enhanced tier funds, the minimum fund size requirement to be met at the point of application may be determined based on the amount of committed capital ("committed capital concession").

The schemes for Qualifying Funds are scheduled to lapse after 31 March 2019.

**Proposed**
The tax concessions relating to Qualifying Funds will be extended till 31 December 2024.

The Sections 13CA, 13R and 13X schemes will also be refined as follows:

a) The condition that a basic tier fund must not have 100% of the value of its issued securities beneficially owned, directly or indirectly, by Singapore persons will be removed;

b) The enhanced tier fund scheme will be enhanced to (i) include co-investments, non-company SPVs and more than two tiers of SPVs, (ii) allow debt and credit funds to access the "committed capital concession", and (iii) include managed accounts;

c) The list of DI will be expanded by removing the counter-party and currency restrictions, and including investments such as credit facilities and advances, and Islamic financial products that are commercial equivalents of DI. The condition for unit trusts to wholly invest in DI will be removed;

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d) The list of SI will be enhanced to include income in the form of payments that fall within the ambit of Section 12(6) of the ITA; and

e) Qualifying non-resident funds under Sections 13CA and 13X will be able to avail themselves of the 10% concessionary tax rate applicable to qualifying non-resident non-individuals when investing in S-REITs and REITs ETFs.

The removal of condition in (a) will be effective from YA 2020.

The enhancements in (b) will apply on and after 19 February 2019.

The enhancements in (c) and (d) will apply to income derived on and after 19 February 2019.

The enhancements in (e) will apply to S-REITs and REITs ETFs distributions made during the period from 1 July 2019 to 31 December 2025.

MAS will provide further details of the changes by May 2019.

## Recovery of GST for Qualifying Funds

**Current**

As a concession, Qualifying Funds that are managed by prescribed fund managers in Singapore are allowed, by way of remission, to claim GST incurred on expenses at a fixed recovery rate.

The concession is scheduled to lapse after 31 March 2019.

**Proposed**

The concession will be extended till 31 December 2024.

MAS will release further details of the change by May 2019.

# Finance Sector

## Expiry and Withdrawal of Tax Incentives and Concessions

### Designated Unit Trust ("DUT") Scheme

**Current**
Under the DUT scheme, specified income derived by a unit trust with the DUT status is not taxed at the trustee level, but is taxable upon distribution in the hands of investors. Qualifying foreign investors and individuals are exempt from tax on distributions made by a DUT.

The DUT scheme is scheduled to lapse after 31 March 2019.

**Proposed**
The DUT scheme will lapse after 31 March 2019. Funds in the form of unit trusts may apply for other tax incentives for funds.

Existing DUTs will continue to receive the tax deferral benefits under the DUT scheme, on and after 1 April 2019, if they continue to meet all the conditions.

### Approved Unit Trust ("AUT") Scheme

**Current**
Under the AUT scheme, the trustee is taxed on its investment income, and 10% of the gains derived from the disposal of securities. The remaining 90% of the gains from the disposal of securities are instead taxed in the hands of the unit holders when distributed. Tax exemption is allowed on such distribution if the unit holder is:

a) an individual resident in Singapore; or

b) a person who is not resident in Singapore and has no permanent establishment in Singapore.

**Proposed**
The AUT scheme will lapse after 18 February 2019.

Existing AUTs will continue to receive the tax concession under the AUT scheme for a period of five years from YA 2020 to YA 2024.

# Vehicle Tax

## Restructuring of Diesel Taxes

**Current**
An excise duty of $0.10 per litre is imposed on diesel fuel conforming to the standard for sulphur for such diesel fuel specified in Part 1 of the Eighth Schedule to the Environmental Protection and Management (Vehicular Emissions) Regulations (Cap 94A, Rg 6). In addition, there is also a lump sum special tax on diesel cars and taxis.

| Diesel Cars | |
|---|---|
| **Emission Standard** | **Special Tax Rate (Every Six Months)** |
| **Pre-Euro IV Compliant** | 6 times the Road Tax of an equivalent petrol-driven car less $50 |
| **Euro IV Compliant** | $0.625 per cc, less $50, subject to a minimum payment of $575 |
| **Euro V or JPN2009 Compliant** | $0.20 per cc, less $50, subject to a minimum payment of $150 |

| Diesel Taxis |
|---|
| $2,125 every 6 months. |

**Proposed**
With effect from 18 February 2019, the excise duty on diesel fuel will be increased to $0.20 per litre.

In addition, the annual special tax will be permanently reduced for diesel cars and taxis by $100 and $850 respectively.

| Diesel Cars | |
|---|---|
| **Emission Standard** | **Special Tax Rate (Every Six Months)** |
| **Pre-Euro IV Compliant** | 6 times the Road Tax of an equivalent petrol-driven car less $100 |
| **Euro IV Compliant** | $0.625 per cc, less $100, subject to a minimum payment of $525 |
| **Euro V or JPN2009 Compliant** | $0.20 per cc, less $100, subject to a minimum payment of $100 |

| Diesel Taxis |
|---|
| $1,700 every 6 months. |

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Vehicle owners will continue to receive their road tax payment notice (including the special tax payable) based on the existing rates until end-June 2019. For owners paying the special tax based on the existing rates until end-June 2019, as well as those who have already paid the special tax for the period beyond 18 February 2019, the excess special tax paid will be used to offset the amount payable at the next road tax renewal. If the vehicle is transferred to another owner before its next road tax renewal, the excess special tax paid will be offset against the transfer fee payable, and any remaining excess special tax paid will accrue to the new registered owner.

## Offset Measures for Commercial Diesel Vehicles

**Current**

At Budget 2017, three years of road tax rebates were provided for commercial diesel vehicles:

- 1 August 2017 – 31 July 2018: 100% Road Tax Rebate
- 1 August 2018 – 31 July 2019: 75% Road Tax Rebate
- 1 August 2019 – 31 July 2020: 25% Road Tax Rebate

In addition to the above three-year road tax rebates, three years of cash grants were provided for the following classes of vehicles:

**For Diesel School Buses**

- 1 August 2017 – 31 July 2018: $1,400
- 1 August 2018 – 31 July 2019: $700
- 1 August 2019 – 31 July 2020: $350

**For Eligible Diesel Private Hire and Excursion Buses that Ferry Students**

- 1 August 2017 – 31 July 2018: up to $1,500
- 1 August 2018 – 31 July 2019: up to $800
- 1 August 2019 – 31 July 2020: up to $450

**Proposed**

For 1 August 2019 to 31 July 2022, three years of road tax rebates will be provided for commercial diesel vehicles:

- 1 August 2019 – 31 July 2020: 100% Road Tax Rebate
- 1 August 2020 – 31 July 2021: 75% Road Tax Rebate
- 1 August 2021 – 31 July 2022: 50% Road Tax Rebate

The new road tax rebate of 100% for 1 August 2019 to 31 July 2020 will supersede the current road tax rebate of 25%.

In addition to the above three-year road tax rebates, the following classes of vehicles will be given yearly cash grants to ease the impact of diesel duty on school bus fees:

**For Diesel School Buses**

- 1 August 2019 – 31 July 2020: $1,600
- 1 August 2020 – 31 July 2021: $800
- 1 August 2021 – 31 July 2022: $400

The new cash grant for 1 August 2019 to 31 July 2020 will supersede the current cash grant of $350. The cash grants will be disbursed by Land Transport Authority every six months.

**For Eligible Diesel Private Hire and Excursion Buses that Ferry Students**

- 1 August 2019 – 31 July 2020: up to $1,800
- 1 August 2020 – 31 July 2021: up to $900
- 1 August 2021 – 31 July 2022: up to $500

The new cash grant for 1 August 2019 to 31 July 2020 will supersede the current cash grant of up to $450.

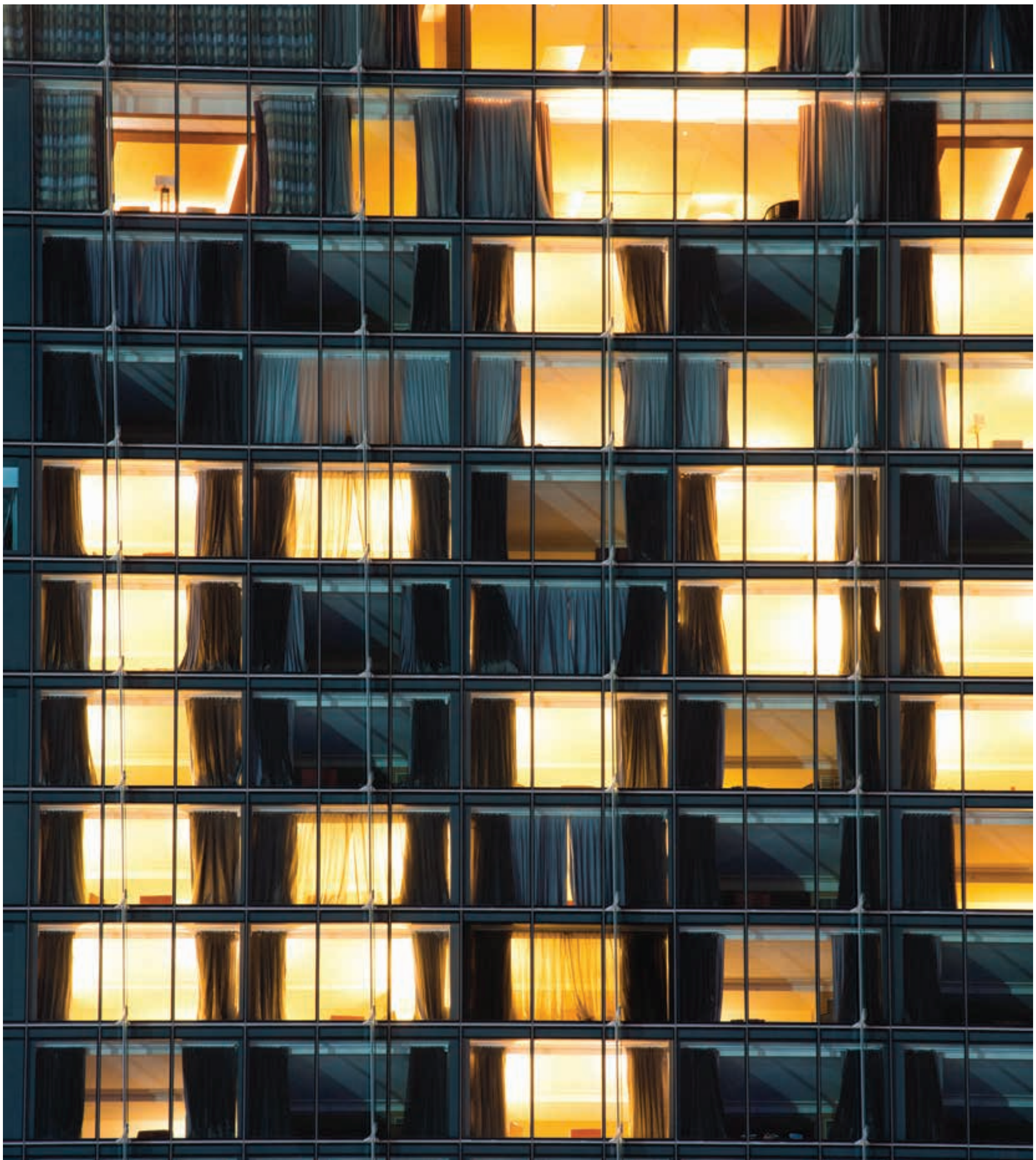
# Property Tax

## Expiry and Withdrawal of Tax Incentives and Concessions

### Allowing the Property Tax (Tourist Projects) Order to Lapse

**Current**
The Property Tax (Tourist Projects) Order was introduced on 1 January 1987, to promote tourism. Under the concession, the Minister may grant approval for new tourist projects to have their Annual Value computed based on 6% of the preceding year's gross receipts, for the first five years from the completion of the buildings.

**Proposed**
The Property Tax (Tourist Projects) Order will lapse after 18 February 2019.



# Other Changes

## Duty-Free Allowances for Liquor Products

### Tightening the Duty-Free Allowance for Liquor Products

**Current**
Travellers have three litres of duty-free allowance that can be used in the following ways:

| Option | Spirits | Wine | Beer |
|---|---|---|---|
| A | 1 Litre | 1 Litre | 1 Litre |
| B | - | 2 Litres | 1 Litre |
| C | - | 1 Litre | 2 Litres |

The duty-free allowance will only be provided if **all** conditions are fulfilled:

- Traveller is 18 years old and above;
- Traveller spent 48 hours or more outside Singapore immediately before arrival;
- Traveller is not arriving from Malaysia;
- The liquor is for traveller's own consumption; and

The liquor is not prohibited from import to Singapore.

**Proposed**
The total duty-free allowance will be two litres, with the maximum duty-free allowance for spirits remaining at one litre. This will take effect on and after 1 April 2019.

The revised duty-free allowance options are as follows:

| Option | Spirits | Wine | Beer |
|---|---|---|---|
| 1 | 1 Litre | 1 Litre | - |
| 2 | 1 Litre | - | 1 Litre |
| 3 | - | 1 Litre | 1 Litres |
| 4 | - | 2 Litres | - |
| 5 | - | - | 2 Litres |

All the conditions for the provision of duty-free allowance remain unchanged.

# GST Import Relief For Travellers

**Current**
Travellers who spend less than 48 hours outside Singapore get GST import relief for the first $150 value of goods purchased overseas.

Travellers who spend at least 48 hours outside Singapore get GST import relief for the first $600 of the value of goods purchased overseas.

However, the above GST relief is not applicable to crew members and holders of a work permit, employment pass, student's pass, dependant's pass, or long term pass issued by the Singapore Government. Also, the relief does not apply to intoxicating liquor and tobacco, as well as goods imported for commercial purposes.

**Proposed**
The changes to the quantum of GST import relief are set-out in the table below:

| Time Spent Outside Singapore | Value of Goods Granted GST Relief |
|---|---|
| 48 hours and above | $500 (down from the current $600) |
| Less than 48 hours | $100 (down from the current $150) |

The above change will take effect for travellers arriving in Singapore from 12.00 am, 19 February 2019.

# Foreign Worker Levy

**Foreign Worker Levy ("FWL") Rates**

FWL rates will remain unchanged for all sectors. The earlier-announced FWL increases for the Marine Shipyard and Process sectors will be deferred for another year.

| Sector / Pass Types | Tier | Dependency Ratio Ceiling ("DRC") | Levy Rates ($) (R1/R2) | | |
|---|---|---|---|---|---|
| | | | 1 July 2018 | 1 July 2019 | 1 July 2020 |
| **S-Pass** | Basic Tier | ≤ 10% | 330 | 330 | To be announced in 2020 |
| | Tier 2 | 10-20% | 650 | 650 | |
| **Construction WPH** | Basic Tier | ≤ 87.5% | 300/700 | 300/700 | 300/700 |
| | MYE-Waiver | | 600/950 | 600/950 | 600/950 |
| **Services WPH** | Basic Tier | ≤ 10% | 300/450 | 300/450 | To be announced in 2020 |
| | Tier 2 | 10-25% | 400/600 | 400/600 | |
| | Tier 3 | 25-35% | 600/800 | 600/800 | |
| **Marine Shipyard WPH** | Basic Tier | ≤ 77.8% | 300/400 | ~~300/500~~ 300/400 | |
| **Process WPH** | Basic Tier | ≤ 87.5% | 300/450 | ~~300/500~~ 300/450 | |
| | MYE-Waiver | | 600/750 | ~~600/800~~ 600/750 | |
| **Manufacturing WPH** | Basic Tier | ≤ 25% | 250/370 | 250/370 | |
| | Tier 2 | 25-50% | 350/470 | 350/470 | |
| | Tier 3 | 50-60% | 550/650 | 550/650 | |

**Notes:** Numbers underlined are FWL rates announced at Budget 2019.
Strike-outs refer to earlier-announced levy rates (i.e., before Budget 2019).

# Grants, Funding and Other Support

## Innovation Agents Programme

The Innovation Agents Programme is a two-year pilot for enterprises to obtain advice on innovation opportunities from experienced industry professionals who have both technology expertise and business experience (henceforth known as Innovation Agents).

To support enterprises in their innovation efforts and accelerate their growth, Enterprise Singapore will identify individuals with deep expertise in technology, strong track record in growing businesses, and access to global industry networks. These Innovation Agents will be matched with enterprises that aspire to use technology to improve existing businesses or build new ones. Innovation Agents will provide mentorship to enterprises to identify innovation opportunities, and facilitate connections to valuable technology and business partners.

Depending on enterprises' needs, Innovation Agents may provide consultation on a one-to-one basis, or on a group basis to groups of enterprises or consortia looking to capture new market opportunities through innovation. The duration of an engagement may vary from a few months to a year, depending on its scope.

More details will be shared by Enterprise Singapore later in 2019. For further details, please contact Enterprise Singapore at enquiry@enterprisesg.gov.sg.

## SME Co-Investment Fund III

The Government will set aside an additional $100 million for the SME Co-Investment Fund III, to continue supporting firms in their efforts to scale up and internationalise. The SME Co-Investment Fund III will continue the work of the earlier SME Co-Investment Funds, with the same objective of catalysing active and patient growth capital for Singapore-based SMEs. Similar to existing funds under the Co-Investment Programme ("CIP"), Temasek Holdings will participate as a co-investor in the SME Co-Investment Fund III.

Qualifying investee companies must have their key management functions and headquarter activities based in Singapore, and have revenues of up to $500 million.

The Fund will be managed by Heliconia Capital Management Pte Ltd. Interested private sector co-investors and potential investee companies may contact Heliconia at enquiries@heliconiacapital.com for more information.

## Enterprise Financing Scheme ("EFS")

The EFS streamlines eight existing SME financing schemes, including the extended SME Working Capital Loan, into one scheme to help Participating Financial Institutions ("PFIs") and SMEs navigate between the various financing schemes.

With the introduction of the EFS, Enterprise Singapore will discontinue the eight existing financing schemes, namely the (i) SME Equipment Loan, (ii) SME Factory Loan, (iii) SME Working Capital Loan, (iv) SME Micro Loan, (v) SME Micro Loan for Young Companies, (vi) SME Venture Loan, (vii) Internationalisation Finance Scheme, and (viii) Loan Insurance Scheme Plus. These financing schemes were carried over from former-SPRING and International Enterprise Singapore and will be relaunched under the EFS scheme, under Enterprise Singapore.

The EFS will meet the financing needs of companies across different stages of growth over six financing areas:

- Working capital (for SMEs),
- Fixed assets (for SMEs),
- Trade,
- Venture debt,
- Mergers and acquisitions, and
- Project financing.

Businesses may apply for the EFS through PFIs.

The EFS is expected to be launched in October 2019. For more information, please contact Enterprise Singapore at enquiry@enterprisesg.gov.sg.

## Digital Services Lab ("DSL")

The DSL is a three-year pilot that will work with the industry to address digitalisation challenges in services sectors, such as Logistics, Retail and Media, using digital capabilities. The DSL will focus on projects with industry-wide impact, involving multiple stakeholders, where there are barriers to digitalisation.

By translating research and integrating existing technologies, DSL engineers and system architects, in collaboration with industry partners, will develop solutions that address the identified problem statements. Developing these solutions in partnership will help companies manage the risks of early-stage technology development, while catalysing digital transformation in the industry.

Companies participating as demand users and technology solutions providers may apply for funding support of up to 70% of qualifying costs.

For more Information, please contact the Digital Services Lab at digital_services@imda.gov.sg.

## Expansion of the SMEs Go Digital Programme

The SMEs Go Digital programme will be expanded by:

a) Developing Industry Digital Plans ("IDPs") for more sectors. Infocomm Media Development Authority ("IMDA") will develop IDPs for more sectors, starting with Accountancy, Sea Transport and Construction. IMDA will announce more sectors later in the year.

b) Extending support to wider range of digital solutions. IMDA will extend the range of pre-approved solutions that can be readily adopted by SMEs, to include more advanced digital solutions such as artificial intelligence (AI)-infused solutions and cybersecurity solutions. SMEs can apply for funding support to adopt these pre-approved solutions.

For more Information, please contact IMDA at:

- General inquiries: info@imda.gov.sg
- Media clarifications: Chloe_Choong@imda.gov.sg

## Extension of Automation Support Package ("ASP")

The ASP was initially established for a period of three years from 1 April 2016 to 31 March 2019. To support companies to automate and scale up, the ASP will be extended for another two years, up to 31 March 2021. The support package comprises grant, tax and loan components:

a) Grant. To defray automation costs, funding support of up to 50% of qualifying costs for the roll-out or scaling up of automation projects, capped at $1 million, will be provided through Enterprise Singapore's Enterprise Development Grant ("EDG").

b) Tax. IA of 100% will be provided on the amount of approved capital expenditure, net of grants. This IA is in addition to the existing capital allowance for plant and machinery. The approved capital expenditure is capped at $10 million per project.

c) Loan. Companies that require equipment financing can be referred to Participating Financial Institutions ("PFIs") through the enhanced Local Enterprise Finance Scheme ("LEFS"). Through this, risk sharing by Enterprise Singapore with PFIs is up to 70% for SMEs and 50% for non-SMEs in the event of loan default.

For more Information, please contact Enterprise Singapore at enquiry@enterprisesg.gov.sg.

## New Centres of Innovation in Aquaculture and Energy

Centres of Innovation ("COIs") support SMEs with technology innovation by providing assistance to enterprises, especially local SMEs and start-ups, in developing and testing technology products, through access to laboratory facilities, consultancy services and training courses. To date, there are eight COIs in Institutes of Higher Learning ("IHLs") and public research institutes ("RIs"). Two new COIs will be set up for aquaculture and energy in Temasek Polytechnic and Nanyang Technological University respectively.

The Aquaculture COI aims to support the growth and internationalisation of local enterprises in the aquaculture sector, and improve food resilience in Singapore. The COI will allow enterprises to access applied research capabilities and services in aquaculture, by pooling together resources, intellectual property, infrastructure and expertise from government agencies, IHLs and RIs.

The Energy COI aims to drive industry-led innovation in energy efficiency, renewable energy and electric mobility. It will enable enterprises to commercialise cutting-edge innovations by providing technical expertise to translate energy research into commercial technologies and solutions, aggregating private-sector testbeds to deploy and integrate solutions, and incubating start-ups in the energy sector.

For more Information, please contact Enterprise Singapore at enquiry@enterprisesg.gov.sg.

## Enhancements to the Enterprise Development Grant

The EDG is a holistic grant scheme providing customised support to local enterprises for their growth and transformation. It provides enterprises with up to 70% government funding to undertake projects to strengthen their business capabilities, improve operational efficiencies and internationalise. Details are as follows:

In general, SMEs can access up to 70% support while non-SMEs can access up to 50% support under the EDG. For hardware/ software, the support level differs, as illustrated below.

| Areas of Support | Support for SMEs | Support for Non-SMEs |
|---|---|---|
| Eligible Expenses | Up to 70% | Up to 50% |
| **Exception:** Hardware / Software | Up to 50% | Up to 30% |

The EDG's enhanced support level of up to 70% will be extended for three more years, up to 31 March 2023. Support levels for the scheme after FY2022 are subject to review closer to the end of FY2022. Without the extension of the enhanced support level, the support level for the EDG would have reverted to 50% after 31 March 2020.

Enterprises can apply for the EDG through the Business Grants Portal.

## Enhancements to the Productivity Solutions Grant ("PSG")

The PSG aims to support enterprises to adopt pre-scoped, off-the-shelf productivity solutions and technologies. Depending on the sector which the PSG solution falls under, the support level (currently up to 70%) will drop to 50% after 31 March 2020. To support firms in making the transition, the PSG support level of up to 70% will be extended to 31 March 2023. Support levels after FY 2022 are subject to review closer to the end of FY 2022.

To further support firms, the PSG will be enhanced to include a component that supports worker upgrading. Eligible enterprises will be able to receive a subsidy for up to 70% of their out-of-pocket training expenses (i.e. the remaining amount which is not already covered by other government training subsidies such as those under SkillsFuture), capped at $10,000 per enterprise. This will last until 31 March 2023.

Enterprises applying for the training subsidy under the enhanced PSG must submit a training plan, which will be assessed. They will only be eligible for the training subsidy after their PSG application has been approved. Enterprises can apply for PSG through the Business Grants Portal.

More details will be provided at the Ministry of Trade and Industry's and Ministry of Education's Committee of Supply.

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