



# Singapore Budget 2021

Newsletter



# Paving the road to recovery ahead, together.

Several existing measures were enhanced or extended in the Singapore Budget Statement for the Financial Year 2021 (“Emerging Stronger Together” Budget) to provide continued support to businesses and workers to mitigate the effects of the COVID-19 pandemic.

In the ensuing pages, we provide a summary of select key measures and tax changes announced in this year’s Budget.

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## Foreword

Emerging stronger from one of the worst crises Singapore has faced since independence is the dominant theme of this year's Budget. While there is continued support to mitigate the effects of COVID-19, many of the measures in the Budget are aimed at positioning Singapore to take advantage of emerging opportunities through innovation and transformation of the economy.

### Continued Support

Last year, the Government rolled out mostly broad-based measures to mitigate the widespread impact of COVID-19 on businesses and workers. Recognising that some sectors of the economy performed better than others despite COVID-19, this year's Budget has pivoted to targeted schemes to help firms that are still languishing from the effects of the pandemic.

One of the key initiatives under the S\$11 billion COVID-19 Resilience Package announced this year is the extension of the Jobs Support Scheme ("JSS") for up to 6 months, covering wages paid from April 2021 to September 2021, to help businesses in sectors most affected by the pandemic to retain workers. The subsidies will be tiered and the length of support differentiated by industry sectors as follows:

- Tier 1 sectors (aviation, aerospace and tourism) will receive 30% JSS support for wages paid from April to June 2021 and 10% JSS support for wages paid from July to September 2021.

- Tier 2 sectors (e.g. food services, retail, marine and offshore, and arts and entertainment) will receive 10% JSS support for wages paid from April to June 2021.

For most other sectors not covered above, the tranche of JSS announced last year will continue to cover wages up to March 2021.

### Emerging Stronger

The major thrust in this year's Budget is focused on accelerating the pace of transformation of the economy to enable businesses and workers to emerge stronger. To achieve this, the Finance Minister outlined various measures to build the following 3 enablers:

- grow a vibrant business community with a strong spirit of innovation and enterprise
- facilitate access to capital to enable businesses to innovate, transform and scale
- create opportunities and redesign jobs for Singaporeans to develop their skills, creativity and talents.

A few of the measures announced are as follows:

- The Jobs Growth Incentive ("JGI") scheme will be extended by 7 months. The JGI was introduced in Budget 2020 to support employers in accelerating the hiring of local employees from September 2020 to February 2021. With the extension, the JGI will support the hiring of locals till the end of September 2021.

The JGI provides wage subsidies to eligible employers of 25% on first S\$5,000 of gross monthly wages paid to non-mature local hires (below 40 years old) for 12 months from the month of hire, if the employers continue to meet the eligibility criteria.

Subject to meeting the JGI qualifying criteria in each month, eligible employers who hire mature local employees aged 40 and above, persons with disabilities and ex-offenders will be provided wage support of:

- 50% on first S\$5,000 of gross monthly wages for 18 months for wages from September 2020 to February 2021, and
- 50% on first S\$6,000 of gross monthly wages for up to 18 months for wages from March 2021 onwards.

The increase in the monthly wage threshold from March 2021 shows the commitment to provide more assistance to the vulnerable segment of society.

The Wage Credit Scheme (“WCS”) will be extended for a year with a co-funding ratio of 15%. The WCS was first introduced in the 2013 Budget to encourage employers to share productivity gains with workers by co-funding wage increases of at least S\$50 given by employers to Singapore citizen employees who earned a gross monthly wage of up to S\$4,000. In last year’s Budget, the wage ceiling for co-funding was raised from S\$4,000 to S\$5,000 for the years 2019 and 2020. The co-funding ratios were also increased from 15% to 20% for the year 2019 and from 10% to 15% for 2020. The wage ceiling for co-funding remains at S\$5,000 for the extended period.

Also, eligible businesses will continue to receive support for increases in gross monthly wage of at least S\$50 given in the years 2019 and 2020

up to a gross monthly wage level of S\$5,000, and sustained in 2020 and 2021. The extension of the WCS should help businesses ease their cost pressures arising from the continuing restructuring and transformation of the economy as well as to pivot to hiring and retaining more local talent, especially in view of the Government’s effort to enhance the complementarity of local and foreign manpower.

- The enhanced support levels of up to 80% for grant schemes, such as Scale-up SG, Productivity Solutions Grant, Market Readiness Assistance and Enterprise Development Grant, will be extended to the end of March 2022.

## Corporate Tax

Understandably, there is no corporate tax rebate this year as the focus is on providing support to businesses that are still in the red.

The lack of major corporate tax changes to reduce the tax liabilities of businesses is probably also reflective of a prudent approach in view of the evolving global tax landscape where there is increased competition for tax revenues, and where new norms for taxing the digital economy are being proposed.

The extension of the enhanced carry-back relief scheme for the Year of Assessment (“YA”) 2021 is welcomed as the financial impact of COVID-19 was not yet felt by most businesses in YA2020 when the enhancement was introduced last year. With this extension, unabsorbed capital allowances and trade losses for YA2021, subject to conditions, may be carried back up to 3 immediate preceding YAs. It is understood that, just like in 2020, businesses will be allowed to carry back an estimated amount of qualifying deductions available for YA2021 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 Financial Year (“FY”) 2020.

This measure will continue to benefit smaller businesses that face the most cash flow issues as the amount of carry-back allowed remains capped at S\$100,000.

The extension of the option to accelerate the write-off of the cost of acquiring Plant and Machinery (“P&M”) and the option to accelerate the deduction of expenses incurred on renovation and refurbishment will only have the effect of easing cash flow as there are no enhancements to the amount of allowances that can be claimed.

In view of the COVID-19 situation, global travel has become restrictive and it has changed the way businesses internationalise. The enhancement in the scope of the Double Tax Deduction for Internationalisation (“DTDi”) scheme to cover specified expenses incurred to participate in approved virtual trade fairs is reflective of the Government’s responsiveness to the changing business models brought about by COVID-19.

## **Individual Tax**

There is no personal tax rebate or any enhancements to personal tax reliefs. However, the 250% tax deduction for qualifying donations will be extended to donations made from 1 January 2022 to 31 December 2023.

This is in line with the Government’s desire to keep the tax system progressive, to target resources in supporting the lower-income households and individuals with disabilities or special needs, and to encourage the more well-off to give back to the community.

## **Conclusion**

Besides the COVID-19 Resilience Package and the measures to transform the economy and help the workforce to emerge stronger, this year’s Budget also provides support to strengthen the social compact, and outlines measures to enhance sustainability and respond to climate change. The spirit of this year’s Budget can be seen in the following phrase from the Finance Minister’s Budget speech: “Beyond dealing with its immediate impact, we are making significant investments to position Singapore for our next bound of growth in the post-COVID-19 world.”

**Sivakumar Saravan**  
Head of Tax

# Business Tax

## General Changes

### Carry-Back Relief Scheme

#### Current

The carry-back relief scheme was enhanced for YA2020. Under the enhanced scheme, current year unabsorbed Capital Allowances (“CA”) and trade losses (collectively referred to as “qualifying deductions”) for YA2020 may be carried back up to three immediate preceding YAs, capped at S\$100,000 of qualifying deductions, subject to conditions.

Taxpayers were allowed to elect to carry back to the relevant preceding YAs an estimated amount of qualifying deductions available for YA2020, before the actual filing of their income tax returns for YA2020.

#### Proposed

The enhancements to the carry-back relief scheme for YA2020 will be extended to apply to qualifying deductions for YA2021, with the same parameters.

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

#### Current

Taxpayers who incurred capital expenditure on the acquisition of P&M in the basis period for YA2021 (i.e. FY 2020) were given an irrevocable option to accelerate the write-off of the cost of acquiring such P&M over two years.

The rates of accelerated CA allowed were as follows:

- a. 75% of the cost incurred to be written off in first year (i.e. in YA2021); and
- b. 25% of the cost incurred to be written off in second year (i.e. in YA2022).

The option above was in addition to the options currently available under Section 19 and 19A of the Income Tax Act (“ITA”). No deferment of CA claims was allowed under the above option.

#### Proposed

The option to accelerate the write-off of the cost of acquiring P&M will be extended to capital expenditure incurred on the acquisition of P&M in the basis period for YA2022 (i.e. FY2021), with the same parameters.

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

#### Current

Taxpayers who incurred qualifying expenditure on R&R during the basis period for YA2021 (i.e. FY2020) for the purposes of their trade, profession or business were given an irrevocable option to claim R&R deduction in one YA (i.e. accelerated R&R deduction). The cap of S\$300,000 for every relevant period of three consecutive YAs applied.

The option above was in addition to the existing option under Section 14Q of the ITA.

#### Proposed

The option to claim R&R deduction in one YA (i.e. accelerated R&R deduction) will be extended to qualifying expenditure incurred on R&R in the basis period for YA2022 (i.e. FY2021), with the same parameters.

## Tax Deduction for Qualifying Donations

### Current

Donors are eligible for a 250% tax deduction for qualifying donations made to Institutions of a Public Character (“IPCs”) and other qualifying recipients from 1 January 2016 to 31 December 2021.

### Proposed

The 250% tax deduction will be extended to qualifying donations made to IPCs from 1 January 2022 to 31 December 2023 (both dates inclusive).

The eligibility criteria are as follows:

Eligible Donations	Eligible Recipient	Eligible Donor
Cash donations	Any IPC and the Singapore Government	All donors
Gift of shares listed on the Singapore Exchange (SGX) or of units in unit trusts traded in Singapore or listed on the SGX	Any IPC	Individual donors only
Gifts of artefacts	Approved museums (approved by the National Heritage Board (“NHB”))	All donors
Donation of public sculptures	Approved recipients (approval by the NHB)	All donors
Gifts of parcels of lands or buildings	Any IPC	All donors

All other conditions of the scheme remain the same.

## Business and IPC Partnership Scheme (“BIPS”)

### Current

Businesses carrying out a trade or business in Singapore can, subject to conditions, enjoy a total of 250% tax deduction on qualifying expenditure incurred from 1 July 2016 to 31 December 2021 in respect of:

- a. The provision of services by the businesses’ qualifying employee to an IPC during that period; or
- b. The secondment of the businesses’ qualifying employee to an IPC during that period.

These businesses are:

- i. Companies, sole proprietorships, partnerships (including limited partnerships and limited liability partnerships) and registered business trusts; and
- ii. Bodies of persons, e.g. clubs and trade associations, that are deemed to be carrying on a business.

Qualifying employees exclude owners of businesses i.e. sole-proprietors, partners and shareholders who are also directors of the company.

Qualifying expenditure includes:

- i. Basic wages; and
- ii. Other related expenses incurred by the business that were necessary for the provision of services to IPC.

In addition, all qualifying expenditure must meet the following requirements:

- i. Not reimbursed by the IPCs at anytime;
- ii. Incurred only because of the volunteer services;
- iii. Not considered as personal, living, or family expenses; and
- iv. Not capital expenditure.

The qualifying expenditure is subject to a cap of S\$250,000 per business per YA. A qualifying expenditure cap of S\$50,000 is also imposed on each IPC per calendar year.

### Proposed

The BIPS will be extended till 31 December 2023. All other conditions of the scheme remain the same.





# Changes to Existing Tax Incentives and Concessions

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

### Current

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

No prior approval is required from ES or STB for tax deduction on the first S\$150,000 of qualifying expenses incurred on the following activities for each YA:

- a. Participation in overseas market development trips/missions;
- b. Participation in 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 December 2025.

### Proposed

The scope of the DTDi scheme will be enhanced to cover the following specified expenses incurred to participate in approved virtual trade fairs:

- a. Package fees charged by event organisers for virtual exhibition hall and booth access, collateral creation, business meeting/match sessions, pitches/product launches/speaking slots, webinar/conference, and post event analytics;
- b. Third-party costs for design and production of digital collaterals and promotion materials for virtual fairs; and

- c. Logistics costs incurred to send materials/samples overseas to potential clients met at virtual trade fairs.

The approved virtual trade fairs need to be an event approved by ES. The list of qualifying expenses for overseas investment study trips will also be expanded to include logistics costs to transport materials/samples used during the investment trips. In addition, the scope of qualifying activities which do not require prior approval from ES or STB will be enhanced to cover the following additional activities, up to the current annual expense cap of S\$150,000:

- a. Product/service certification (primarily to increase buyer’s acceptance in overseas markets) approved by ES;
- b. Overseas advertising and promotional campaign;
- c. Design of packaging for overseas markets;
- d. Advertising in approved local trade publication; and
- e. Participation in virtual trade fairs approved by ES.

The above enhancements will take effect for qualifying expenses incurred on or after 17 February 2021. ES will provide further details of the changes by 28 February 2021.

## **Not-for-Profit Organisation (“NPO”) Tax Incentive**

### **Current**

The NPO tax incentive provides tax exemption on the income derived by an approved NPO, subject to conditions. The incentive is scheduled to lapse after 31 March 2022.

### **Proposed**

The NPO tax incentive will be extended till 31 December 2027.

## **Automation Support Package (“ASP”) and the 100% Investment Allowance (“IA”) Scheme**

### **Current**

The ASP was introduced in Budget 2016 to support businesses to automate, drive productivity, and scale up. The ASP includes 100% IA support on the amount of approved capital expenditure, net of grants, for automation projects approved by ES from 1 April 2016 to 31 March 2021. The approved capital expenditure for the 100% IA support is capped at S\$10 million per project.

### **Proposed**

The ASP will lapse after 31 March 2021. However, the 100% IA scheme to support automation will be extended by two years, for automation projects approved by ES from 1 April 2021 to 31 March 2023. All other conditions of the scheme remain the same.

## **Investment Allowance (Energy Efficiency) (“IA-EE”) Scheme**

### **Current**

The scheme provides for investment allowance for Energy Efficiency (“EE”) improvement projects, subject to conditions.

Data Centres are subject to additional qualifying conditions under the IA-EE scheme, such as the following:

- a. Be compliant with the Singapore Standard for Green Data Centres (SS564:2010); and
- b. Have a minimum capacity of 400m<sup>2</sup> (floor space).

The conditions above apply to EE improvement projects approved by Economic Development Board (“EDB”) on or before 31 March 2021.

### **Proposed**

The IA-EE scheme will be renamed the “Investment Allowance for Emissions Reduction” scheme, with the following revisions:

- a. Expansion in the scope of qualifying projects to include projects involving a reduction of greenhouse gas emissions; and
- b. Streamlined and updated eligibility conditions. These will apply to all projects (i.e. there will no longer be a distinction between data centres and non-data centres).

The revised conditions will apply to projects approved by EDB from 1 April 2021 to 31 December 2026 (both dates inclusive). EDB will release further details of the changes by 30 June 2021.

## **Double Tax Deduction (“DTD”) for Qualifying Upfront Cost Attributable to Retail Bonds Issued under the Monetary Authority of Singapore’s (“MAS”) Seasoning Framework and Exempt Bond Issuer Framework**

### **Current**

Bond issuers who carry on a trade or business in Singapore, are allowed to claim a tax deduction of up to 200% on qualifying upfront cost incurred on or after 19 May 2016 that is attributable to retail bonds issued during the period from 19 May 2016 to 18 May 2021 (both dates inclusive) under the MAS’ Seasoning Framework and Exempt Bond Issuer Framework.

The DTD scheme is scheduled to lapse after 18 May 2021.

### **Proposed**

The DTD scheme will be extended for qualifying upfront cost incurred on or after 19 May 2021 that is attributable to rated retail bonds (instead of all retail bonds) issued during the period from 19 May 2021 to 31 December 2026 (both dates inclusive) under the MAS’ Seasoning Framework and Exempt Bond Issuer Framework. Rated retail bonds are bonds rated by credit rating agencies such as Standard & Poor, Moody’s and Fitch.

All other conditions of the DTD scheme remain the same. MAS will provide further details of the changes by 31 May 2021.

## **Expiry and Withdrawal of Tax Incentives**

### **Insurance Business Development-Specialised Insurance (“IBD-SI”) Scheme**

#### **Current**

Under the IBD umbrella scheme, the IBD-SI scheme provides for a concessionary tax rate of 8% and 10% for new and renewal award recipients respectively, on qualifying income derived by a (re)insurer from carrying on specialised insurance and reinsurance business.

#### **Proposed**

The IBD-SI scheme will lapse after 31 August 2021. With the lapse of the IBD-SI scheme, insurers engaged in the specialised insurance and reinsurance business can apply for the IBD scheme.

### **Accelerated Depreciation Allowances for Highly Efficient Pollution Control Equipment (“ADA-PCE”) Scheme**

#### **Current**

Taxpayer who incurs capital expenditure to install qualifying highly efficient PCE can accelerate the write-off of the cost of acquiring such equipment over one year.

#### **Proposed**

The ADA-PCE scheme will be withdrawn from 17 February 2021.

# Goods and Services Tax (“GST”)

## **Extension of GST to (i) Goods Imported via Air or Post that are Valued up to (and including) the Current GST Import Relief Threshold of S\$400 (“low-value goods”) and (ii) Business-to-Consumer (“B2C”) Imported Non-Digital Services**

### **Current**

Low-value goods which are imported via air or post and B2C imported non-digital services (such as live interaction with overseas providers of educational learning, fitness training, counselling and telemedicine) are not subject to GST.

### **Proposed**

GST will be extended to:

- a. Low-value goods which are imported via air or post.** This will be effected via the Overseas Vendor Registration and reverse charge regimes. GST is already and will continue to be collected on goods imported via land or sea, regardless of value.
- b. B2C imported non-digital services.** This will be effected via the Overseas Vendor Registration regime.

This change will take effect from 1 January 2023.

## **Change in the Basis for Determining whether Zero-Rating Applies to a Supply of Media Sales**

### **Current**

For GST purposes, the basis for determining whether zero-rating applies to a supply of media sales is based on the place of circulation of the advertisement. Media sales refer to the sale of advertising space for hardcopy print and outdoor advertisements, the sale of advertising airtime for broadcasting via TV and radio, and the sale of media space for web advertising via email, internet or mobile devices.

If the advertisement is intended to be substantially circulated outside Singapore, the media sales is zero-rated. If the advertisement is intended to be substantially circulated in Singapore, the media sales is standard-rated.

### **Proposed**

The basis for determining whether zero-rating applies to a supply of media sales will be based on the place where the customer (i.e. the contractual customer) and direct beneficiary of the service belong. If the customer of the service belongs outside Singapore and the direct beneficiary either belongs outside Singapore or is GST-registered in Singapore, the media sales will be zero-rated. If the customer belongs in Singapore, the media sales will be standard-rated.

This change will take effect for the supply of media sales on or after 1 January 2022.

# Withholding Tax

## Withholding Tax (“WHT”) Exemptions for the Financial Sector

### Current

There is a range of WHT exemptions or remission for the financial sector for all interest and other payments falling within Section 12(6) of the ITA (“Section 12(6) payments”).

- A. All Section 12(6) payments made pursuant to interbank/interbranch transactions by banks in Singapore for the purpose of their trade or business.
  - B. All Section 12(6) payments made to any non-resident person (excluding any Permanent Establishments (“PEs”) in Singapore) by the specified entities, for the purpose of the specified entities’ trade or business, are exempt from tax where such payments:
    - a. are made during the period from 1 April 2011 to 31 March 2021 (both dates inclusive) under a contract that took effect before 1 April 2011; or
    - b. are made under a contract that takes effect during the period from 1 April 2011 to 31 March 2021 (both dates inclusive). In such cases, the WHT exemption applies to the entire duration of the contract, including payments that are made beyond 31 March 2021 under that contract.
- Specified entities are:
- i. Banks licensed under the Banking Act or merchant banks approved under the MAS Act.
  - ii. Finance companies licensed under the Finance Companies Act.
  - iii. Approved entities that are (a) licensed under the Securities and Futures Act for dealing in capital markets products and advising on corporate finance; (b) involved or will be involved in the underwriting of debt or equity issuances; and (c) approved by MAS for the purpose of the exemption.
- C. Specified entities are not required to withhold tax on all Section 12(6) payments made to any PE in Singapore if the payments:
    - a. are made during the period from 17 February 2012 to 31 March 2021 (both dates inclusive) under a contract that took effect before 17 February 2012; or
    - b. are made under a contract that takes effect during the period from 17 February 2012 to 31 March 2021 (both dates inclusive). In such cases, the specified entities do not need to withhold tax on all Section 12(6) payments that are made for the entire duration of the contract, including payments that are made beyond 31 March 2021 under that contract.

Notwithstanding paragraph C, the PEs in Singapore are required to declare the Section 12(6) payments in their annual income tax returns and are assessed to tax on such payments (unless the payments are specifically exempt from tax).

For B) and C), the WHT exemption is scheduled to lapse after 31 March 2021.

### **Proposed**

The following changes will be made:

- A. The existing WHT remission for interbank/interbranch transactions will be legislated as a WHT exemption with effect from 1 April 2021, along with a review date of 31 December 2031.

Under this WHT exemption, all Section 12(6) payments made by banks licensed under the Banking Act or merchant banks approved under the MAS Act in Singapore, for the purpose of their trade or business, to their branches/head offices outside Singapore or other banks outside Singapore will be exempt from tax where such payments:

- a. are made during the period from 1 April 2021 to 31 December 2031 (both dates inclusive) under a contract that takes effect before 1 April 2021; or
- b. are made under a contract that takes effect during the period from 1 April 2021 to 31 December 2031 (both dates inclusive). In such cases, the WHT exemption will apply to the entire duration of the contract, including payments that are made beyond 31 December 2031 under that contract.

- B. The WHT exemption will be extended till 31 December 2026. All other conditions of the WHT exemption remain the same.

All Section 12(6) payments made to any non-resident person (excluding any PEs in Singapore)

by the specified entities, for the purpose of the specified entities' trade or business, are exempt from tax where such payments:

- a. are made during the period from 1 April 2011 to 31 December 2026 (both dates inclusive) under a contract that took effect before 1 April 2011; or
- b. are made under a contract that takes effect during the period from 1 April 2011 to 31 December 2026 (both dates inclusive). In such cases, the WHT exemption applies to the entire duration of the contract, including payments that are made beyond 31 December 2026 under that contract.

- C. The WHT exemption will be extended till 31 December 2026. All other conditions of the WHT exemption remain the same.

Specified entities are not required to withhold tax on all Section 12(6) payments made to any PE in Singapore if the payments:

- a. are made during the period from 17 February 2012 to 31 December 2026 (both dates inclusive) under a contract that took effect before 17 February 2012; or
- b. are made under a contract that takes effect during the period from 17 February 2012 to 31 December 2026 (both dates inclusive). In such cases, the specified entities do not need to withhold tax on all Section 12(6) payments that are made for the entire duration of the contract, including payments that are made beyond 31 December 2026 under that contract.

However, the PEs in Singapore are required to declare the Section 12(6) payments that they received in their annual income tax returns and are assessed to tax on such payments (unless the payments are specifically exempt from tax).

MAS will release further details of all changes by 31 May 2021.

### **WHT Exemption on Payments made for Structured Products**

#### **Current**

WHT exemption is allowed on payments made to a non-individual, non-resident person (excluding any PE in Singapore) from structured products offered by a financial institution in Singapore if such payments are made under a contract that takes effect during the period from 1 January 2007 to 31 March 2021 (both dates inclusive).

The WHT exemption is scheduled to lapse after 31 March 2021.

#### **Proposed**

The WHT exemption will be extended for another five years and will cover payments made under a contract that takes effect during the period from 1 January 2007 to 31 December 2026 (both dates inclusive).

All other conditions of the WHT exemption remain the same. MAS will release further details of the changes by 31 May 2021.

### **WHT Exemption on Payments for Over-The-Counter (“OTC”) Financial Derivatives**

#### **Current**

WHT exemption is allowed on payments made to any non-resident person (excluding any PE in Singapore) from OTC financial derivatives made by a financial institution in Singapore, where such payments:

- a. are made during the period from 20 May 2007 to 31 March 2021 (both dates inclusive) under a contract that took effect before 15 February 2007; or
- b. are made under a contract that takes effect during the period from 15 February 2007 to 31 March 2021 (both dates inclusive). In such cases, the WHT exemption applies to the entire duration of the OTC financial derivatives contract, including payments that are made beyond 31 March 2021 under that contract.

The WHT exemption is scheduled to lapse after 31 March 2021.

#### **Proposed**

The WHT exemption will be extended for another five years till 31 December 2026.

All payments on OTC financial derivatives made by a financial institution in Singapore to any non-resident person (excluding any PE in Singapore) are exempt from WHT, where such payments:

- a. are made during the period from 20 May 2007 to 31 December 2026 (both dates inclusive) under a contract that took effect before 15 February 2007; or
- b. are made under a contract that takes effect during the period from 15 February 2007 to 31 December 2026 (both dates inclusive). In such cases, the WHT exemption applies to the entire duration of the OTC financial derivatives contract, including payments that are made beyond 31 December 2026 under that contract.

All other conditions of the WHT exemption remain the same. MAS will release further details of the changes by 31 May 2021.

# Vehicle Tax

## Electric Vehicle Early Adoption Incentive (“EEAI”)

### Current

The EEAI entails 45% rebate off the Additional Registration Fee (“ARF”) for electric cars and taxis from January 2021 to December 2023 at a cap of S\$20,000, with an ARF floor of S\$5,000.

### Proposed

The EEAI will be enhanced to 45% rebate off the ARF for electric cars and taxis from January 2022 to December 2023 at a cap of S\$20,000, with an ARF floor of S\$0.

## Revision to Petrol Duty Rates

### Current

The petrol duty rates are as follows:

	Duty Rate
Premium grade petrol – unleaded (RON 97 and above)	S\$0.64 per litre
Intermediate grade petrol – unleaded (RON 90 and above but under RON 97)	S\$0.56 per litre

### Proposed

The petrol duty rates will be revised as follows:

	Duty Rate
Premium grade petrol – unleaded (RON 97 and above)	S\$0.79 per litre
Intermediate grade petrol – unleaded (RON 90 and above but under RON 97)	S\$0.66 per litre





## Transitional Offset Measures for Vehicles Using Petrol

### Current

Road tax payable for vehicles using petrol is based on various factors, including the engine capacities (for cars and motorcycles) and based on maximum laden weight (for commercial vehicles). For taxis registered before 1 January 2021, road tax is S\$1,020 per year till 30 June 2022 and will follow road tax structure of private cars thereafter. The road tax for taxis registered on or after 1 January 2021 follows the road tax structure of private cars.

### Proposed

A road tax rebate will be provided for petrol and petrol-hybrid vehicles at the following rates for one year:

- 15% for cars, including taxis and Private-Hire Cars (“PHCs”);
- 60% for motorcycles; and
- 100% for commercial vehicles.

The road tax rebate will be effective from 1 August 2021 to 31 July 2022.

On top of the 15% road tax rebate, active drivers of taxis and PHCs using petrol will receive an additional Petrol Duty Rebate of S\$360 to be paid out over 4 months in view of their higher mileage.

On top of the 60% road tax rebate, individual owners of motorcycles using petrol, registered as at 16 February 2021, with the following engine capacity will receive an additional Petrol Duty Rebate:

Engine Capacity of Motorcycle	Petrol Duty Rebate
≤ 200 cc	S\$80
201 to 400 cc	S\$50
> 400 cc	-

Land Transport Authority (“LTA”) will release further details on the additional Petrol Duty Rebates for taxi and PHC drivers, and individual motorcycle owners in April 2021.



# Grants, Funding and Other Support / Changes

## Foreign Worker Levy (“FWL”)

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

### FWL Rates

EP Pass Types	Tier	Dependency Ratio Ceiling (DRC)	Levy Rates (\$) (Higher-Skilled(R1)/Basic-Skilled(R2))		
			1 July 2020	1 July 2021	1 July 2022
<b>S Pass</b>	Basic Tier	≤ 10%	330	330	To be announced in 2022
	Tier 2	> 10%*	650	650	
<b>Services Work Permit Holders (WPH)</b>	Basic Tier	≤ 10%	300/450	300/450	
	Tier 2	10-25%	400/600	400/600	
	Tier 3	25-35%	600/800	600/800	
<b>Manufacturing WPH</b>	Basic Tier	≤ 25%	250/370	250/370	
	Tier 2	25-50%	350/470	350/470	
	Tier 3	50-60%	550/650	550/650	
<b>Construction WPH</b>	Man-Year Entitlement (MYE)	≤ 87.5%	300/700	300/700	
	MYE-Waiver		600/950	600/950	600/950
<b>Process WPH</b>	MYE	≤ 87.5%	<del>300/500</del> 300/450	<del>300/500</del> 300/450	To be announced in 2022
	MYE-Waiver		<del>600/800</del> 600/750	<del>600/800</del> 600/750	
<b>Marine Shipyard WPH</b>	Basic Tier	≤ 77.8%	<del>350/500</del> 300/400	<del>350/500</del> 300/400	

### Notes:

1. Strike-outs refer to earlier-announced levy rates which were deferred.
2. \*The S Pass sub-DRC is 20% in Manufacturing, 18% in Construction, Marine Shipyard and Process, and 10% in Services sector.

## Wage Credit Scheme (“WCS”)

### Current

In Budget 2020, the government co-funding ratios for wage increases in 2019 and 2020 was raised to 20% and 15% respectively. The qualifying gross wage ceiling was also raised to S\$5,000 for both years.

### Proposed

In Budget 2021, the WCS was further extended by one year to 2021, with the government co-funding ratio remaining at 15% and the qualifying gross wage ceiling at S\$5,000. Gross monthly wage increases (at least S\$50) previously given in 2019 and 2020 by the same employer will continue to be co-funded if they are sustained in 2020 and 2021. All other qualifying conditions are unchanged.

## Jobs Growth Incentive (“JGI”)

### Objective of JGI

The JGI supports employers to expand local hiring (i.e. Singapore Citizens and Singapore Permanent Residents) from September 2020 to September 2021 (inclusive), so as to create good and long-term jobs for locals.

The JGI will provide up to 12 months of salary support for each non-mature local hire and 18 months of salary support for each mature hire, person with disability or ex-offender hired by employers that managed to increase their local workforce within the qualifying window.

### Qualifying Window

Employers that increase their overall local workforce between September 2020 and September 2021 (inclusive) will receive Government support. The qualifying window for new local hires will be:

- Phase 1 of the JGI: September 2020 to February 2021
- Phase 2 of the JGI: March 2021 to September 2021

### Eligibility Criteria

To be eligible for the JGI, there must be an increase in overall local workforce size AND an increase in local workforce size earning  $\geq$ S\$1,400/month, compared to the August 2020 local workforce for Phase 1, or the February 2021 local workforce for Phase 2.

The support for employers that have hired locals within Phase 1 and Phase 2 is summarised below:

	Phase 1	Phase 2
<b>Qualifying Window</b>	New local hires from September 2020 – February 2021 Baseline headcount and JGI adjustment factor: August 2020	New local hires from March 2021 – September 2021 Baseline headcount and JGI adjustment factor: February 2021
<b>Non-Mature</b>	Up to 25% of first S\$5,000 for 12 months	Up to 25% of first S\$5,000 for 12 months
<b>Mature, PwDs, Ex-Offenders</b>	For gross monthly wages paid in September 2020 – February 2021, up to 50% of first S\$5,000 For gross monthly wages paid from March 2021 onwards, up to 50% of first S\$6,000 Support will be provided for 18 months	Up to 50% of first S\$6,000 for 18 months

Eligible employers will automatically receive their JGI payouts, which will be computed on a monthly basis based on the employer's mandatory Central Provident Fund ("CPF") contributions. However, some employers may receive review letters from the Inland Revenue Authority of Singapore ("IRAS") which require them to further substantiate their eligibility.

Eligible employers will start receiving the first JGI payout from March 2021 onwards.

## Jobs Support Scheme (“JSS”)

The JSS provides wage support for employers to retain their local employees (Singapore Citizens and Permanent Residents). All active employers, except for Government organizations (local and foreign) and representative offices, are eligible for the JSS.

The JSS will be extended for firms in Tier 1 and 2 sectors by up to six months, covering wages paid up to September 2021. Under the extended JSS, support levels will be as follows:

- a. Tier 1 sectors (Aviation, Aerospace, and Tourism) that are currently receiving 50% JSS support, will receive 30% JSS support for wages paid from April to June 2021 and 10% JSS support for wages paid from July to September 2021.
- b. Tier 2 sectors (e.g. Food Services, Retail, Marine & Offshore, and Arts and Entertainment) that are currently receiving 30% JSS support, will receive 10% JSS support for wages paid from April to June 2021.
- c. Tier 3A sectors currently receive 10% JSS support for wages paid from September 2020 to March 2021. JSS support will cease thereafter.
- d. Employers that are not allowed to resume on-site operations currently receive Tier 1 JSS support for wages paid up to March 2021. For wages paid from April 2021 onwards, JSS support will revert to the firms’ base JSS tier.

The summary of the revised JSS schedule is set out as below:

Month of Payout	Payout Based on Wages Paid In	Tier 1	Tier 2	Tier 3A	Tier 3B
Apr 2020	Oct - Dec 2019	75%	50%	25%	
Jul 2020	Feb - Apr 2020				
Oct 2020	May - Aug 2020	75%	50%	25%	
Mar 2021	Sep - Dec 2020	50%	30%	10%	
Jun 2021	Jan - Mar 2021			10%	0%
<b>Sep 2021 [Extended]</b>	<b>Apr - Jun 2021</b>	<b>30%</b>	<b>10%</b>	<b>0%</b>	
<b>Dec 2021 [Extended]</b>	<b>Jul - Sep 2021</b>	<b>10%</b>	<b>0%</b>		

### Notes:

1. Firms in the Built Environment sector received Tier 1 JSS support for June to October 2020 wages, and would receive Tier 2 support for November 2020 to March 2021 wages.
2. All employers receive Tier 1 JSS support during the Circuit Breaker (i.e. April and May 2020 wages).

## List of Sectors in JSS Support Tiers<sup>1</sup>

### JSS Support Tier 1:

Sector	Subsector	Qualifying Criteria
Aviation and Aerospace	Aviation	<p>This consists of:</p> <ul style="list-style-type: none"> <li>• Airlines</li> <li>• Airport ground handlers</li> <li>• Airport operators</li> </ul>
	Aerospace Maintenance, Repair, and Overhaul (MRO) Operators	<p>They must:</p> <ul style="list-style-type: none"> <li>• Derive more than two-thirds of their revenue from aerospace MRO; <b>and</b></li> <li>• Have one of the following accreditations or regulatory approvals: (i) Singapore Airworthiness Requirements Part 145 (SAR145) or SAR21 from the Civil Aviation Authority of Singapore (“CAAS”) (or equivalent from Federal Aviation Administration (“FAA”)/ European Union Aviation Safety Agency (“EASA”)); or (ii) National Aerospace and Defense Contractors Accreditation Program (“Nadcap”); <b>and</b></li> <li>• Be classified under Singapore Standard Industrial Classification (“SSIC”) 30302.</li> </ul>
	Aerospace Manufacturing Operators	<p>They must:</p> <ul style="list-style-type: none"> <li>• Derive more than two-thirds of their revenue from aerospace manufacturing; <b>and</b></li> <li>• <b>Either:</b> be a manufacturing facility of aerospace Original Equipment Manufacturers (“OEMs”); <b>or</b> have certificates of approved supplier status from aerospace companies; <b>or</b> have the following accreditations or regulatory approvals: (i) SAR145 or SAR21 from CAAS (or equivalent from FAA/EASA); or (ii) Nadcap; <b>and</b></li> <li>• Be classified under SSIC 30301.</li> </ul>
	Major Suppliers of Parts and Services for Aerospace MROs and Manufacturers	<p>They must:</p> <ul style="list-style-type: none"> <li>• Carry out one or more of these activities: (a) machining and assembly; (b) tooling; (c) secondary processes; (d) engineering; (e) repair; (f) customised kitting; and (g) inventory management on behalf of aerospace companies and airlines; <b>and</b></li> <li>• Derive more than two-thirds of their revenue from aerospace companies and airlines; <b>and</b></li> <li>• <b>Either:</b> have certificates of approved supplier status from aerospace companies; <b>or</b> have the following accreditations or regulatory approvals: (i) SAR145 or SAR21 from CAAS (or equivalent from FAA/EASA); or (ii) Nadcap.</li> </ul>

<sup>1</sup> SSIC definitions listed are based on the classification structure of SSIC 2015 (v. 2018).

Sector	Subsector	Qualifying Criteria
Aviation and Aerospace	Airline Fleet Management Services Operators	<p>They must:</p> <ul style="list-style-type: none"> <li>Derive more than two-thirds of their revenue from aerospace companies, airlines, and fleet owners; <b>and</b></li> <li>Have the following regulatory approvals: (i) SAR145 or SAR21 from CAAS (or equivalent from FAA/EASA); or (ii) Continuing Airworthiness Management Organization (“CAMO”) from EASA (or equivalent).</li> </ul>
	Operators Providing Training for Pilots and Crews	<p>They must:</p> <ul style="list-style-type: none"> <li>Be a CAAS-approved Type Rating Training Organisation (or equivalent from FAA/EASA); <b>and</b></li> <li>Derive more than two-thirds of their revenue from airlines.</li> </ul>
Tourism, Hospitality, Conventions and Exhibitions	Qualifying Licensed Hotels	They must be a licensed hotel classified under SSIC 551.
	Qualifying Licensed Travel Agents	They must have more than two-thirds of their revenue from their travel agency business, based on the Annual Business Profile Returns submitted to the STB in 2018.
	Qualifying Gated Tourist Attractions	<p>They must:</p> <ul style="list-style-type: none"> <li>Have more than 30% visitorship from tourists, <b>and</b></li> <li>Be classified under SSICs 91021, 91022, 91029, 91030, 93201, or 93209.</li> </ul>
	Cruise	They must be a cruise line or cruise terminal operator.
	Meetings, Incentives, Conferences and Exhibitions Venue Operators (MICE)	They must be purpose-built MICE venue operators.

Sector	Subsector	Qualifying Criteria
Tourism, Hospitality, Conventions and Exhibitions	MICE and Tourism Event Organisers	<p>They must:</p> <ul style="list-style-type: none"> <li>Be impacted by the deferment/cancellation/loss of sales of at least one MICE/leisure event with at least 20% foreign attendees (residing outside Singapore) and originally scheduled in Singapore between 1 February 2020 to 31 December 2020; <b>and</b></li> <li>Derive more than two-thirds of their revenue from MICE/leisure events with at least 20% foreign attendees (residing outside Singapore); <b>and</b></li> <li>Be classified under SSICs 82301, 82302 or 82303.</li> </ul>
	Money Changers	<p>They must:</p> <ul style="list-style-type: none"> <li>Be licensed by the MAS as either “money-changing licensee” or “major payment institution licensee”; <b>and</b></li> <li>Derive more than two-thirds of their revenue from money-changing services.</li> </ul>
	Regional Ferry Operators	<p>They must:</p> <ul style="list-style-type: none"> <li>Be licensed by the Maritime and Port Authority of Singapore (“MPA”) as a Regional Ferry Services Operator; <b>and</b></li> <li>Be classified under SSIC 50013.</li> </ul>
	Central Refund Agencies	They must be central refund agencies certified by the IRAS.

**JSS Support Tier 1 (only for June 2020 to October 2020 wages); Tier 2 thereafter:**

Sector	Subsector	Qualifying Criteria
Built Environment	Built Environment Contractors	They must be classified under SSICs 41, 42, or 43.
	Built Environment Consultants	<p>They must:</p> <ul style="list-style-type: none"> <li>Be registered with the Public Sector Panel of Consultants; <b>or</b></li> <li>Be classified under SSICs 71111, 71113, 71121, or 71125.</li> </ul>



## JSS Support Tier 2:

Sector	Subsector	Qualifying Criteria
Food Services	Licensed Food Shops and Food Stalls (Including Hawker Stalls)	They must be classified under SSICs 56, or 68104. Licensees registered as individuals will also be included if they make mandatory CPF contributions for their employees.
Retail	Qualifying Retail Outlets	<p>They must:</p> <ul style="list-style-type: none"> <li>• Have physical storefronts; <b>and</b></li> <li>• Be classified under SSICs 47191, 47199, 474, 475, 476, 4771, 47721, 4773, 4774, 47752, 47759, 47761, 47769, 4777, 47802, or 4799.</li> </ul>
Arts and Entertainment	Cinema Operators	<p>They must:</p> <ul style="list-style-type: none"> <li>• Hold a valid Film Exhibition licence from the Infocomm Media Development Authority (“IMDA”); <b>and</b></li> <li>• Be classified under SSIC 5914.</li> </ul>
	Film Distributors	<p>They must:</p> <ul style="list-style-type: none"> <li>• Have transacted with IMDA to classify films for exhibition in cinemas between 1 April 2019 to 31 March 2020; <b>and</b></li> <li>• Be classified under SSICs 59131 or 59139.</li> </ul>
	Arts and Culture Organisations	<p>They must:</p> <ul style="list-style-type: none"> <li>• Meet at least one of the conditions of being a: (i) participant in a project, activity, programme or festival supported by the National Arts Council (“NAC”) or NHB between 1 April 2018 to 31 March 2020; (ii) Museum Roundtable member before 31 March 2020; or (iii) accredited Arts Education Programme (“AEP”) provider listed in the 2019-2021 NAC-AEP Directory, <b>and</b></li> <li>• Be classified under SSICs 85420, 90001, 90002, 90003, 90004, 90009, 91021, 91022, or 91029.</li> </ul>

Sector	Subsector	Qualifying Criteria
Land Transport	Rail Operators	<p>They must:</p> <ul style="list-style-type: none"> <li>• Hold an LTA New Rail Financing Framework licence; <b>and</b></li> <li>• Not receive service payments from the Government for the operation of rail services; <b>and</b></li> <li>• Derive more than two-thirds of their revenue from rail-related activities.</li> </ul>
	Point-to-Point (P2P) Transport Operators	<p>They must hold an LTA taxi service operator licence; <b>or</b> an LTA third-party taxi booking service operator licence.</p>
	Private Bus and Limousine Operators	<p>They must:</p> <ul style="list-style-type: none"> <li>• Have “P” plate buses or sedans/Multi-Purpose Vehicles (“MPVs”) registered as Z10, Z11, R10, R11 vehicles; <b>and</b></li> <li>• Be classified under SSICs 49212, 49219, 77101, or 52299.</li> </ul>
Marine and Offshore	Marine and Offshore	<p>They must:</p> <ul style="list-style-type: none"> <li>• Derive more than two-thirds of their revenue from the following activities: (i) manufacture and repair of oil rigs; (ii) building of ships, tankers, and other ocean-going vessels (including conversion of ships into offshore structures); (iii) repair of ships, tankers, and other ocean-going vessels; (iv) manufacture and repair of marine engine and ship parts; and/or (v) manufacture and repair of oilfield and gas field machinery and equipment components (e.g. derricks, tool joints, process modules and packages); <b>and</b></li> <li>• Be classified under SSICs 30110, 28112, 28241, or 28242.</li> </ul>

**JSS Support Tier 3A: Others (JSS support till March 2021)**

Sector	Subsector	Qualifying Criteria
Others	All other Employers	N/A

**JSS Support Tier 3B: Sectors that are managing well (JSS support until December 2020 wages, discontinued thereafter)**

Sector	Subsector	Qualifying Criteria
Biomedical Sciences	Biomedical Sciences	They must be classified under SSICs 21011, 21012, 21013, 2102, 2103, 266, 32501, 325, 46461, 46592, 72101, 72107, or 72109.
Precision Engineering	Precision Engineering	They must be classified under SSICs 22191, 22192, 22193, 22199, 22211, 22214, 22215, 22216, 22218, 22219, 2222, 25113, 2513, 2591, 2592, 2593, 2594, 25951, 25959, 25993, 25995, 25997, 25998, 25999, 26127, 2651, 2652, 2670, 271, 273, 28111, 2812, 2814, 2815, 2816, 2818, 2819, 2822, 28243, 28249, 2825, 2826, 2827, 2829, or 283.
Electronics	Electronics	They must be classified under SSICs 2611, 26122, 26123, 26124, 26125, 26126, 26129, 262, 263, 264, or 26801.
Financial Services	Financial Services	They must: <ul style="list-style-type: none"> <li>• Be classified under SSICs 641, 643, 649, 65, and 66; <b>or</b></li> <li>• Be MAS-regulated firms classified under SSIC 642.</li> </ul>
Information and Communications Technology and Media	Information and Communications Technology	They must be classified under SSICs 4651, 46521, 46523, 46591, 58202, 61, 62011, 62013, 62014, 62019, 6202, 6209, 631, 63909, 72105, 74111, 77341, 78101, 822, or 9511.
	Media	They must be classified under SSICs 46444, 581, 58201, 60, 62012, 63901, or 9101.
	Postal and Courier	They must be classified under SSIC 53.
Retail	Supermarkets and Convenience Stores	They must be classified under SSICs 4711, or 47192.
	Online Retail	They must be classified under SSIC 4791.



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