



# Singapore Budget 2018



# How can Singapore adapt and thrive in a rapidly-changing world?

Budget 2018 seeks to address this question by providing support to businesses and individuals to overcome the challenges and capture the opportunities arising from shifts in the global geo-political landscape, the emergence of new technologies and an ageing society.

In the ensuing pages, we provide a summary of some of the initiatives and tax changes announced in Budget 2018.



# Foreword

**T**he much-anticipated change did not happen, at least not immediately. I am referring to the Government's decision to delay the increase in the goods and services tax (GST) rate by 2% to sometime between 2021 and 2025. More than a pleasant surprise, there are several things that we can infer from this and my perspectives are as follows.

Firstly, the Government is not in a hurry to raise revenue to meet the expected increase in expenditure. This is even though recurring expenditure on key necessities such as healthcare and education are expected to keep rising. There were no other measures announced that will significantly increase Government revenue to meet the increasing expenditure. As such, this could be seen as a welcome sign of the Government's confidence in the economic growth of Singapore since a buoyant economy should contribute more revenue to the Government's coffers.

Secondly, by giving a five-year range within which the expected GST rate increase will take place, the Government has signalled that it wants to take a calibrated approach towards the GST increase. The Finance Minister mentioned that the Government will consider the economic situation, the growth in Government expenditures and the buoyancy of the existing taxes when determining the exact timing of the rate increase. It appears that the Government only wants to increase the rate when it is absolutely necessary.

The third perspective is that, by opting for broad-based measures such as the Productivity and Innovation Credit (PIC) scheme to be replaced by targeted measures, the Government has the flexibility to extend aid selectively as not all sectors enjoy the same level of growth in a buoyant economy due to sector-specific cyclical weaknesses. This in turn should also reduce the pressure to raise the GST rate in the short term.

Finally, businesses and consumers are being given advance notice of the increase so that they have ample time to plan. A GST increase normally necessitates businesses putting in place systems and controls to accurately account for GST during the transition period. Businesses can take advantage of the advance notice to prepare for the increase. From a consumer perspective, a definite timeline will be more helpful in planning the timing of the purchase of big ticket items. But from a psychological perspective, the advance notice should prevent a shock reaction when the rate hike is eventually announced.

There are no major business-friendly tax changes in this year's Budget. However, the Budget contains measures to support businesses in their efforts to innovate, develop deep capabilities and invest in technology.

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In the 2016 Budget, the PIC scheme was allowed to lapse, and many businesses were concerned with the increase in the cost of technology adoption in the post-PIC period. For small businesses, investing in technology is a substantial investment compared to their level of revenue. To address this, the Government is continuing the move towards more targeted measures rather than broad-based measures. For example, in last year's Budget, the small and medium-sized enterprises (SMEs) Go Digital Programme was introduced to help SMEs obtain targeted funding and technical assistance in deploying digital solutions in their businesses. This year, the Productivity Solutions Grant will provide funding support for businesses to adopt technologies and productivity solutions that are relevant for their sectors.

Companies that are still adapting to the challenges of the new economic landscape can take heart in the following measures introduced this year:

- The Corporate Income Tax (CIT) rebate cap will be raised from \$10,000 to \$15,000 for the year of assessment (YA) 2018 and the rebate rate will be increased from 20% to 40%. The CIT rebate will also be extended for another year to YA 2019 at a reduced rate of 20% of tax payable, capped at \$10,000.
- The Wage Credit Scheme (WCS) will be extended by three more years. The Government will co-fund 20% of wage increases given in 2018 to Singaporean employees earning a gross monthly wage of \$4,000 and below. Employers will continue to receive co-funding at 15% and 10% of qualifying wage increases given to their Singaporean employees in 2019 and 2020 respectively.

While the enhancement to the CIT rebate is welcomed, it will only benefit companies that have taxable income. While companies that are still incurring losses will not benefit from the CIT rebate, the extension of the WCS can help to alleviate cost pressures to a certain extent.

In this year's Budget, there is also a subtle shift towards a tax system where all profitable businesses pay some taxes. This is evidenced by the restructuring of the start-up tax exemption (SUTE) scheme that will be effective from YA 2020. The Minister indicated that schemes such as the SUTE reduce costs for start-ups but do not directly help them develop capabilities. As such, this change signals the continued move towards providing targeted support that helps businesses build capabilities to grow amidst economic challenges rather than shielding them from market forces. It is also a call to all businesses to do their part, however small, in Singapore's development.

The move towards creating an equitable tax system is also seen in the introduction of GST on imported services from 1 January 2020 through a reverse charge mechanism. This is not a surprise move as the Minister had already hinted at this in last year's Budget. While a reverse charge mechanism could be an efficient method for imposing GST on services imported by businesses, it will not work well for digitised consumer goods such as downloadable apps, books, music, movies, etc. As such, for business-to-consumer (B2C) imported services, under certain conditions, overseas vendors and electronic marketplace operators will be required to register for GST.

The introduction of GST on imported services should help to create a level playing field for local businesses that are GST-registered.

The Minister has also hinted at probable changes that may be made to the GST treatment of physical goods purchased from overseas suppliers and imported into Singapore by consumers that are currently exempted from GST if certain conditions are met.

As expected, the Minister had proceeded with the carbon tax announced in last year's Budget. The carbon tax will be introduced from 2019 with the first payment in 2020 based on emissions in 2019. The general concern was how the carbon tax will impact household consumers. The Minister has assured that the estimated impact of the carbon tax on households will be small, averaging about 1% of total electricity and gas expenses. This impact will be softened through additional U-Save subsidies for the years 2019 to 2021 to eligible Housing & Development Board (HDB) households. The carbon tax will help the Government provide the necessary funding support to companies to invest in energy efficiency and reduce emissions. Thus, the Government has taken a decisive step to do its part in the fight against climate change.

The Minister said in his Budget Speech that Singapore is "now in a much stronger position than we have been in the past". He also said that Budget 2018 is about laying the foundation for Singapore's development in the next 10 years. In this regard, barring exceptional circumstances, we can expect future Budgets to build upon the roadmap set out in Budget 2018.

**Sivakumar Saravan**

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19 February 2018

# Business Tax

## General Changes

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

#### **Current**

Companies can qualify for a CIT rebate of 20% of tax payable, capped at \$10,000, for Year of Assessment (“YA”) 2018.

#### **Proposed**

The CIT rebate will be enhanced and extended as follows:

- a) For YA2018, the CIT rebate will be enhanced to 40% of tax payable, and the cap will be increased to \$15,000; and
- b) The CIT rebate will be extended for another year to YA2019, at a rate of 20% of tax payable, capped at \$10,000.

### 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 2018.

#### **Proposed**

The 250% tax deduction for qualifying donations will be extended for donations made on or before 31 December 2021. All other conditions of the scheme remain the same.

## Start-Up Tax Exemption (“SUTE”) Scheme

### **Current**

A new company can, subject to conditions, qualify for, in each of the first three YAs:

- a) 100% exemption on the first \$100,000 of normal chargeable income; and
- b) 50% exemption on the next \$200,000 of normal chargeable income.

### **Proposed**

The tax exemption under the SUTE scheme will be adjusted to:

- a) 100% exemption on the first \$100,000 of normal chargeable income; and
- b) 50% exemption on the next \$100,000 of normal chargeable income.

All other conditions of the scheme remain unchanged.

This change will take effect on or after YA2020 for all qualifying companies under the scheme. For example, if a qualifying company’s first YA is 2019, the current SUTE parameters will apply in YA2019 while the new parameters will apply in YAs 2020 and 2021.

## Partial Tax Exemption (“PTE”) Scheme

### **Current**

All companies (excluding those that qualify for the SUTE scheme) and bodies of persons, can qualify for, in each YA:

- a) 75% exemption on the first \$10,000 of normal chargeable income; and
- b) 50% exemption on the next \$290,000 of normal chargeable income.

### **Proposed**

The tax exemption under the PTE scheme will be adjusted to:

- a) 75% exemption on the first \$10,000 of normal chargeable income; and
- b) 50% exemption on the next \$190,000 of normal chargeable income.

All other conditions of the scheme remain unchanged. This change will take effect on or after YA2020 for all companies (excluding those that qualify for the SUTE scheme) and bodies of persons.

# Business Tax

## Changes to Existing Tax Incentives and Concessions

### Tax deduction for qualifying expenditure on qualifying research and development (“R&D”) projects performed in Singapore

#### *Current*

Businesses that have incurred qualifying expenditure on qualifying R&D projects performed in Singapore can claim the following:

- a) 150% tax deduction for staff costs and consumables incurred, and
- b) 100% tax deduction for other qualifying expenditure.

#### *Proposed*

Tax deduction for staff costs and consumables incurred on qualifying R&D projects performed in Singapore will increase from 150% to 250% from YA2019 to YA2025.

### Tax deduction for costs on protecting intellectual property (“IP”)

#### *Current*

Businesses that have incurred qualifying IP registration costs can claim 100% tax deduction on such costs. The scheme is scheduled to lapse after YA2020.

#### *Proposed*

The IP registration cost scheme will be extended till YA2025 and the tax deduction will be enhanced to 200% for the first \$100,000 of qualifying IP registration costs incurred for each YA.

This change will take effect from YA2019 to YA2025.

### Tax deduction for costs on IP in-licensing

#### *Current*

Businesses that have incurred qualifying IP in-licensing costs can claim 100% tax deduction on such costs.



**Proposed**

The tax deduction for qualifying IP in-licensing costs will be increased from 100% to 200% for the first \$100,000 of qualifying IP in-licensing costs incurred for each YA.

Qualifying IP in-licensing costs include payments made by a qualifying person to publicly funded research performers or other businesses, but exclude related party licensing payments, or payments for IP where any allowance was previously made to that person.

This change will take effect from YA2019 to YA2025.

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

**Current**

Under the DTDi scheme, businesses are allowed tax deduction of 200%, on qualifying market expansion and investment development expenses, subject to approval from IE Singapore or STB.

No prior approval is needed from IE Singapore or STB for tax deduction on the first \$100,000 of qualifying expenses incurred on the following activities for each YA:

- 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.

**Proposed**

The \$100,000 expenditure cap for claims without prior approval from IE Singapore or STB will be raised to \$150,000 per YA. Businesses can continue to apply to International Enterprise (“IE”) Singapore or Singapore Tourism Board (“STB”) on qualifying expenses exceeding \$150,000, or on expenses incurred on other qualifying activities.

All other conditions of the scheme remain the same.

This change will apply to qualifying expenses incurred on or after YA2019. IE Singapore and STB will release further details of the change by April 2018.

## Business and Institutions of a Public Character (IPC) Partnership Scheme (“BIPS”)

**Current**

A qualifying person can, subject to conditions, enjoy a total of 250% tax deduction on qualifying expenditure such as wages incurred by him from 1 July 2016 to 31 December 2018 in respect of –

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

### **Proposed**

BIPS will be extended till 31 December 2021.

In addition, Ministry of Finance (“MOF”) and Inland Revenue Authority of Singapore (“IRAS”) will review the administrative processes for BIPS based on feedback that has been received.

Details of any change will be announced in the second half of 2018.

### **Tax incentive scheme for Approved Special Purpose Vehicle (“ASPV”) engaged in asset securitisation transactions (“ASPV Scheme”)**

#### **Current**

The ASPV scheme grants the following tax concessions to an ASPV engaged in asset securitisation transactions:

- a) Tax exemption on income derived by an ASPV from approved asset securitisation transactions;
- b) GST recovery on its qualifying business expenses at a fixed rate of 76%;
- c) Withholding tax exemption on payments to qualifying non-residents on over-the-counter financial derivatives in connection with an asset securitization transaction; and
- d) Remission of stamp duties on the instrument relating to transfer of assets to the ASPV for approved asset securitisation transactions.
- e) The scheme is scheduled to lapse after 31 December 2018.

### **Proposed**

The ASPV scheme will be extended till 31 December 2023, with the exception of stamp duty remission stated in (d).

The stamp duty remission in (d) will be allowed to lapse after 31 December 2018.

All other conditions of the scheme remain the same.

MAS will release further details of the extension by May 2018.

### **Investment Allowance (“IA”) scheme to include qualifying investment in submarine cable systems landing in Singapore**

#### **Current**

Capital expenditure incurred on submarine cable systems does not qualify for IA.

#### **Proposed**

IA will be extended to capital expenditure incurred on newly-constructed strategic submarine cable systems landing in Singapore subject to qualifying conditions.

All other conditions of the IA scheme apply, except for the following which will be permitted:

- a) The submarine cable systems can be used outside Singapore; and
- b) The submarine cable systems, on which IA has been granted, can be leased out under the indefeasible rights of use arrangements.

This change will take effect for capital expenditure incurred between 20 February 2018 and 31 December 2023, inclusive of both dates.

## **Review date for the withholding tax (“WHT”) exemption on container lease payments made to non-resident lessors**

### ***Current***

WHT exemption is allowed on lease payments made to non-resident lessors (excluding permanent establishment in Singapore) for the use of qualifying containers for the carriage of goods by sea.

### ***Proposed***

A review date of 31 December 2022 will be introduced to ensure that the relevance of the scheme is periodically reviewed. This means that unless the scheme is extended, such payments accruing to a non-resident lessor under any lease or agreement entered into on or after 1 January 2023 in respect of the use of a qualifying container for the carriage of goods by sea will be subject to WHT.

# Finance and Insurance Sector

## Tax Incentives & Concessions

### Tax framework for Singapore Variable Capital Companies (“S-VACCs”)

#### **Current**

Funds structured as companies, as well as trusts and limited partnerships, can qualify for tax exemption under Sections 13CA, 13R and 13X of the Income Tax Act (“ITA”) and these incentivised funds are given GST remission, which allows them to claim GST at a fixed recovery rate.

Fund managers approved under the Financial Sector Incentive – Fund Management (“FSI-FM”) scheme can qualify for 10% concessionary tax rate on the income derived from managing an incentivised fund.

#### **Proposed**

A tax framework for S-VACC will be introduced to complement the S-VACC regulatory framework:

- a) An S-VACC will be treated as a company and a single entity for tax purposes;
- b) Tax exemption under Sections 13R and 13X of the ITA will be extended to SVACCs;
- c) 10% concessionary tax rate under the FSI-FM scheme will be extended to approved fund managers managing an incentivised S-VACC; and
- d) The existing GST remission for funds will be extended to incentivised SVACCs.

The conditions under the existing schemes in (b), (c) and (d) remain unchanged.

The changes will take effect on or after the effective date of the S-VACC regulatory framework.

MAS will release further details of the tax framework for S-VACCs by October 2018.

## Qualifying Debt Securities (“QDS”) incentive scheme and allowing the Qualifying Debt Securities Plus (“QDS+”) incentive scheme

### **Current**

The QDS scheme offers the following tax concessions on qualifying income from QDS :

- a) 10% concessionary tax rate for qualifying companies and bodies of persons in Singapore; and
- b) Tax exemption for qualifying non-residents and qualifying individuals.

To qualify as QDS, debt securities must be substantially arranged by financial institutions in Singapore.

The QDS+ scheme grants tax exemption for all investors on qualifying income derived from QDS that are:

- a) Debt securities (excluding Singapore Government Securities) with an original maturity of at least 10 years; and
- b) Islamic debt securities or sukuk.

The QDS and QDS+ schemes are scheduled to lapse after 31 December 2018.

### **Proposed**

The QDS scheme will be extended till 31 December 2023. On the other hand, the QDS+ scheme will be allowed to lapse after 31 December 2018.

Debt securities with tenure beyond 10 years, and Islamic debt securities that are issued:

- a) After 31 December 2018 can enjoy tax concessions under the QDS scheme if the conditions of the QDS scheme are satisfied;
- b) On or before 31 December 2018 can continue to enjoy the tax concessions under the QDS+ scheme if the conditions of the QDS+ scheme are satisfied.

MAS will release further details of the change by May 2018.

## Tax exemption on income derived by primary dealers from trading in Singapore Government Securities (“SGS”)

### **Current**

Tax exemption is granted on income derived by primary dealers from trading in SGS. The tax exemption is scheduled to lapse after 31 December 2018.

### **Proposed**

The tax exemption on income derived by primary dealers from trading in SGS will be extended till 31 December 2023.

MAS will release further details of the extension by May 2018.

## Enhanced-Tier Fund Scheme under Section 13X of the ITA

### **Current**

Tax exemption under the Enhanced-Tier Fund Scheme is available for companies, trusts and limited partnerships, subject to qualifying conditions.

### **Proposed**

The tax exemption under the Enhanced-Tier Fund Scheme will be extended to all fund vehicles constituted in all forms of fund vehicles if they meet all qualifying conditions.

All other conditions of the scheme remain the same. The change will take effect for new awards approved on or after 20 February 2018.

MAS will release further details of the change by May 2018.

## Tax transparency treatment for Singapore-listed Real Estate Investment Trusts Exchange-Traded Funds (“REITs ETFs”)

### **Current**

Distributions made by Singapore-listed Real Estate Investment Trusts (S-REITs) to REITs ETFs out of specified income derived by S-REITs are subject to tax at the prevailing corporate tax rate of 17% in the hands of REITs ETFs. All investors of REITs ETFs will not be taxed on the distributions made out of such income from REITs ETFs.

### **Proposed**

The following tax treatment will be accorded to REITs ETFs:

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

Subject to conditions, the tax concessions for REITs ETFs will take effect on or after 1 July 2018, with a review date of 31 March 2020 which is the same as that for other tax concessions for S-REITs. Application for the tax transparency treatment can be submitted to IRAS on or after 1 April 2018.

MAS and IRAS will release further details of the change by March 2018.

## Financial Sector Incentive (“FSI”) scheme

### **Current**

The FSI scheme accords concessionary tax rates of 5%, 10%, 12% and 13.5% on income from qualifying banking and financial activities, headquarters and corporate services, fund management and investment advisory services.

The FSI scheme is scheduled to lapse after 31 December 2018.

Under the FSI scheme, the trading in loans and their related collaterals, excluding immovable property, is a qualifying activity that is accorded a concessionary tax rate of 13.5%.

### **Proposed**

The FSI scheme will be extended till 31 December 2023.

The scope of trading in loans and their related collaterals is expanded to include collaterals that are prescribed infrastructure assets or projects. The change will apply to income derived on or after 1 January 2019 in respect of new and renewal awards approved on or after 1 June 2017.

All other conditions of the scheme remain the same.

MAS will release further details of the change by May 2018.

## Tax deduction for banks (including merchant banks) and qualifying finance companies for impairment and loss allowances made in respect of non-credit-impaired financial instruments

### **Current**

Under Section 14I of the ITA, banks and qualifying finance companies can claim a tax deduction for impairment losses on non-credit-impaired loans and debt securities made under Financial Reporting Standard 109, and any additional loss allowances as required under MAS Notices 612, 811 and 1005 (collectively referred to as “MAS Notices”), subject to a cap.

The tax deduction under Section 14I is scheduled to lapse after YA2019 (for banks and qualifying finance companies with December financial year end (“FYE”)) or YA2020 (for banks and qualifying finance companies with non-December FYE).

### **Proposed**

The tax deduction under Section 14I of the ITA will be extended till YA2024 (for banks and qualifying finance companies with December FYE) or YA2025 (for banks and qualifying finance companies with non-December FYE).

All other conditions of the scheme remain the same.

MAS will release further details of the change by May 2018.

## **Insurance Business Development – Insurance Broking Business (“IBD-IBB”) scheme and Insurance Business Development - Specialised Insurance Broking Business (“IBD-SIBB”) scheme**

### ***Current***

IBD-IBB grants approved insurance and reinsurance brokers a concessionary tax rate of 10% on commission and fee income derived from insurance broking and advisory services.

IBD-SIBB grants insurance and reinsurance brokers a concessionary tax rate of 5% on commission and fee income from specialty insurance broking activities.

The two schemes are scheduled to lapse after 31 March 2018.

### ***Proposed***

The IBD-IBB scheme will be extended till 31 December 2023. All conditions of the IBD-IBB scheme remain the same.

However, the IBD-SIBB scheme will be allowed to lapse after 31 March 2018. With the lapsing of IBD-SIBB scheme, specialty insurance broking and advisory services will be incentivised under the IBD-IBB scheme, at a concessionary tax rate of 10%.

MAS will release further details of the change by May 2018.

## **Withholding tax (“WHT”) exemptions for the financial sector**

### ***Current***

Interest payments made by a tax resident or permanent establishment in Singapore to non-tax-residents are subject to WHT at a rate of 15% in general.

There is a range of WHT exemptions for the financial sector which applies to different financial institutions for payments made under different types of financial transactions.

### ***Proposed***

The changes proposed are as follows:

a) A review date of 31 December 2022 will be introduced for the WHT exemptions for the following payments:

- i) Payments made under cross currency swap transactions made by Singapore swap counterparties to issuers of Singapore dollar debt securities;
- ii) Payments made under interest rate or currency swap transactions by financial institutions;
- iii) Payments made under interest rate or currency swap transactions by MAS; and
- iv) Specified payments made under securities lending or repurchase agreements by specified institutions; and



b) The following WHT exemptions will be legislated, along with a review date of 31 December 2022:

- i) Interest on margin deposits paid by members of approved exchanges for transactions in futures; and
- ii) Interest on margin deposits paid by members of approved exchanges for spot foreign exchange transactions (other than those involving Singapore dollar).

c) The WHT exemptions for the following payments will be withdrawn:

- i) Interest from approved Asian Dollar Bonds; and
- ii) Payments made under over-the-counter financial derivative transactions by companies with FSI Derivatives Market awards that were approved on or before 19 May 2007.

The change in (b) will take effect for payments under agreements entered into on or after 20 February 2018.

The change in (c) will take effect for payments under agreements entered into on or after 1 January 2019.

Unless the WHT exemptions under (a) and (b) are extended, the WHT exemptions will cease to apply to payments that are liable to be made under agreements entered into on or after 1 January 2023. WHT exemptions will continue to apply to payments that are liable to be made on or after 1 January 2023, under agreements entered into on or before 31 December 2022.

All other conditions of the schemes remain the same.

MAS will release further details of the changes by May 2018.

# Goods and Services Tax

## Raising Goods and Services Tax (GST) Rate

The Government plans to raise GST by two percentage points, from 7% to 9%, sometime in the period from 2021 to 2025. The exact timing is to be confirmed in due course.

The timing of the increase will depend on the state of the economy, growth of Government expenditure and how buoyant the existing taxes are.

**Current**  
**7%**

**Proposed**  
**9%**

## Introduction of GST on Imported Services

### ***Current***

GST is not applicable on imported services provided by an overseas supplier which does not have an establishment in Singapore.

### ***Proposed***

GST on imported services will be introduced on or after 1 January 2020.

Business-to-Business (“B2B”) imported services will be taxed via a reverse charge mechanism. Only businesses that make exempt supplies or do not make any taxable supplies need to apply reverse charge.

The majority of businesses makes taxable supplies and thus would not be affected by this reverse charge mechanism. The reverse charge mechanism requires the local business customer to account for GST to IRAS on the services it imports. The local business customer can in turn claim the GST accounted for as its input tax, subject to the GST input tax recovery rules.

The taxation of Business-to-Consumer (“B2C”) imported services will take effect through an Overseas Vendor Registration (“OVR”) mode. This requires overseas suppliers and electronic marketplace operators which make significant supplies of digital services to local consumers to register with IRAS for GST.

IRAS will release further details by end-February 2018.

# Stamp Duty

## **Current**

Currently, the purchase of residential properties are subject to Buyer's Stamp Duty rates of between 1% to 3% as stipulated in table below:

<b>Rates</b>	<b>Tiers</b>
1%	First \$180,000
2%	Next \$180,000
3%	Amount exceeding \$360,000

## **Proposed**

The top marginal Buyer's Stamp Duty rate will be raised from 3% to 4%, and applied on the value of residential property in excess of \$1 million as stipulated in table below:

<b>Rates</b>	<b>Tiers</b>
1%	First \$180,000 (No Change)
2%	Next \$180,000 (No Change)
3%	Next \$640,000 (Revised)
4%	Amount exceeding \$1,000,000

The revised rates will apply to all residential properties acquired on or after 20 February 2018. The Buyer's Stamp Duty rates for non-residential properties remain unchanged.

# Wage Credit Scheme

The WCS will be extended for three more years from years 2018 to 2020. Government co-funding of qualifying wage increases will be 20% in 2018, and will be tapered in subsequent years. A summary of the changes is as below:

## Summary of Changes to WCS:

Scheme	Current WCS as Announced in Budget 2015	Extension of WCS as Announced in Budget 2018
Qualifying Years	2016 and 2017	2018, 2019 and 2020
Level of Co-Funding	20% of qualifying wage increases for both years	<ul style="list-style-type: none"> <li>• 20% of qualifying wage increases in 2018</li> <li>• 15% of qualifying wage increases in 2019</li> <li>• 10% of qualifying wage increases in 2020</li> </ul>
Qualifying Wage Increases	<ul style="list-style-type: none"> <li>• Gross monthly wage increases of at least \$50 given to Singaporean employees in the qualifying year, up to a gross monthly wage level of \$4,000, will receive co-funding.</li> <li>• In addition, gross monthly wage increases of at least \$50 given in 2015 and 2016, and sustained in subsequent years of the scheme, will be supported.</li> </ul>	<ul style="list-style-type: none"> <li>• Gross monthly wage increases of at least \$50 given to Singaporean employees in the qualifying year, up to a gross monthly wage level of \$4,000, will receive co-funding.</li> <li>• In addition, gross monthly wage increases of at least \$50 given in 2017, 2018 and 2019, and sustained in subsequent years of the scheme, will be supported.</li> </ul>
Others	<ul style="list-style-type: none"> <li>• All others remain the same</li> <li>• Employers do not need to apply for WCS. They will receive payouts automatically in March of the following year.</li> </ul>	

# Foreign Worker Levy (FWL)

FWL rates will remain unchanged for all sectors. The earlier-announced FWL increases for Marine Shipyard and Process sectors will be deferred for another year. A summary of the FWL rates is as follows:

Sector/ Pass Types	Tier	Dependency Ration Ceiling	Levy Rates (\$) (R1/R2)		
			1 Jul 2017	1 Jul 2018	1 Jul 2019
S-Pass	Basic Tier	≤10%	330	330	To be announced in 2019
	Tier 2 (Services)	10-15%	650	650	
	Tier 2 (Others)	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 2019
	Tier 2	10-25%	400/600	400/600	
	Tier 3	25-40%	600/800	600/800	
Marine Shipyard WPH	Basic Tier	≤77.8%	300/400	300/400	
	Process WPH	≤87.5%	300/450	300/450	
MYE-Waiver	600/750		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	

# Foreign Domestic Worker (FDW) Levy

The Government will make adjustments to the FDW levy framework. The changes will take effect from 1 April 2019.

For households with young children below 16 years of age, or elderly persons, or persons with disabilities, the monthly concessionary FDW levy rate remains unchanged at \$60.

There are three changes, effective 1 April 2019 (refer to the table below):

- (i) For the first FDW who is employed without levy concession, the monthly levy will be raised from \$265 to \$300.
- (ii) For the second FDW who is employed without levy concession, the monthly levy will be raised from \$265 to \$450.
- (iii) The qualifying age for levy concession under the aged person scheme will be raised from 65 to 67 years.

However, all households with persons aged 65 and 66, which are enjoying or have enjoyed the levy concession under the aged person scheme before 1 April 2019, will continue to pay the monthly levy rate of \$60 on and after 1 April 2019.

Type of Levy		Current Monthly Rate	Revised Monthly Rate (from 1 Apr 2019)
Normal	1 <sup>st</sup> FDW	\$265	\$300
	2 <sup>nd</sup> FDW	\$265	\$450
Concessionary		\$60	\$60 (No Change)



# Carbon Tax

A carbon tax will be applied on the total GHG emissions of facilities that produce 25,000 tonnes or more carbon dioxide-equivalent (tCO<sub>2</sub>e) of emissions in a year. The carbon tax will apply uniformly to all sectors, without exemption.

The carbon tax will take the form of a fixed-price credits-based (FPCB) mechanism. Taxable facilities will pay the tax by purchasing and surrendering the number of carbon credits corresponding to their GHG emissions. These credits will be issued by NEA at the prevailing carbon tax rate.

The carbon tax rate will be set at \$5 per tCO<sub>2</sub>e of emissions in the first instance, from 2019 to 2023. The first payment of the carbon tax will be in 2020, based on emissions in calendar year 2019.

The Government will review the carbon tax rate by 2023, and intends to increase the carbon tax rate to \$10-15 per tCO<sub>2</sub>e of emissions by 2030.

More details on the carbon tax framework will be announced by the Ministry of the Environment and Water Resources' (MEWR) Committee of Supply (COS). The Carbon Pricing Bill will be tabled in Parliament in March 2018.





# Excise Duties for Tobacco Products

Excise duties will be raised by 10% across all tobacco products:

- a) Cigarettes and other manufactured tobacco: From \$388/kgm or 38.8 cents/stick of cigarette to \$427/kgm or 42.7 cents/stick of cigarette.
- b) Beedies, Ang Hoon and smokeless tobacco: From \$299/kgm to \$329/kgm.
- c) Unmanufactured and cut tobacco and other tobacco refuse: From \$352/kgm to \$388/kgm.

These tax changes will take effect from 19 February 2018.

# Grants, Funding and Other Support

## Productivity Solutions Grant (“PSG”)

The PSG will provide funding support for up to 70% of qualifying costs. Businesses can apply for the PSG through the Business Grants Portal (BGP), with effect from 1 April 2018. The portal will guide businesses through the application process, by allowing them to select from a list of supportable equipment and technology solutions relevant for their sectors.

More details will be provided at the Ministry of Trade and Industry’s (MTI) Committee of Supply (COS).

## Enterprise Development Grant (“EDG”)

SPRING Singapore’s (SPRING) Capability Development Grant (CDG) and IE Singapore’s (IE) Global Company Partnership (GCP) grant will be combined into the Enterprise Development Grant (EDG).

The EDG will provide funding support for up to 70% of qualifying costs from FY2018 to FY2019. Businesses can apply for the EDG through the BGP, with effect from Q4 2018. Before then, businesses can continue to apply for the CDG and GCP grants, through the BGP.

EDG will be administered by Enterprise Singapore (ESG). More details will be provided at MTI’s COS.

## **PACT**

To provide more holistic support to encourage collaboration between enterprises of all sizes, existing grant schemes that support various forms of partnerships between companies will be combined into the PACT scheme. PACT will provide funding support of up to 70% of qualifying costs, for collaborations between companies in areas including capability upgrading, business development, and internationalisation.

PACT will be administered by Economic Development Board (EDB) and ESG. More details will be provided at MTI's COS.

## **Infrastructure Office**

An Infrastructure Office will be set up to bring together local and international partners across the value chain, including infrastructure developers, institutional investors, multilaterals, and legal, accounting, and financial services providers. This will provide a platform for information exchange on infrastructure opportunities in Asia, facilitate infrastructure investments and financing, and enable infrastructure players in the region to tap on these opportunities.

The Infrastructure Office will be set up by ESG and the Monetary Authority of Singapore (MAS) in late 2018.

More details will be provided at MTI's and Ministry of Law's (MinLaw) COS.



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## About Us

Crowe Horwath First Trust (Crowe) is one of the leading accounting and advisory services firms in Singapore. Under its core purpose of being the firm of choice for growing businesses looking for high quality and personalized service, Crowe assists clients in achieving their goals through audit, tax, advisory and outsourcing services.

Crowe serves clients worldwide as an independent member of Crowe Global, one of the largest global accounting networks in the world. The network consists of more than 200 independent accounting and advisory services firms in more than 130 countries around the world.

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