SINGAPORE

BUDGET BULLETIN 2020

Against the background of the COVID-19 outbreak and the expected slowdown of the economy, Deputy Prime Minister and Finance Minister, Heng Swee Keat announced the Budget on 18 February 2020 to help the country weather immediate challenges and outlined its plans for the future.

BUDGET HIGHLIGHTS

- Corporate income tax rebate for YA 2020
- Extension and enhancement of Double Tax Deduction for Internationalisation scheme
- Accelerated capital allowance claim on plant and machinery
- Accelerated deduction on renovation and refurbishment expenses
- Extension and refinement of Global Trader Programme
- Extension of upfront certainty of non-taxation of companies' gains on disposal of ordinary shares
- Extension and refinement of tax incentives for insurance businesses
- Extension and enhancement of Finance and Treasury Centre scheme
- Extension and refinement of tax incentives for venture capital funds and venture capital fund management companies
- Introduction of Matched Retirement Savings scheme
- Property tax rebate for qualifying commercial properties

Corporate Income Tax

Corporate Income Tax ("CIT") rebate

- CIT rebate of 25% of tax payable, capped at S$15,000 will be granted for the Year of Assessment ("YA") 2020.

Additional two months of interest-free instalments for CIT payment on Estimated Chargeable Income ("ECI") filed

- Companies paying their CIT by GIRO can enjoy an additional two months of interest-free instalments on ECI filed within three months from the companies' financial year-end.
- The additional instalments will be granted automatically and will apply to companies that:
  a) File their ECI between 19 February 2020 and 31 December 2020; and
  b) File their ECI before 19 February 2020 and have ongoing instalment payments to be made in March 2020.

Enhanced carry-back relief scheme

- The existing carry-back relief scheme will be enhanced for YA 2020.
- Under the enhanced scheme, qualifying deductions incurred in YA 2020 may be carried back up to three immediate preceding YAs (i.e. YA 2017 to YA 2019), capped at S$100,000 of qualifying deductions and subject to conditions.

Option to accelerate write-off of the cost of acquiring plant and machinery ("P&M") in YA 2021

- Taxpayers that incur capital expenditure on the acquisition of P&M in YA 2021 will have an option to accelerate the write-off of the cost on such P&M over two years. The option, if exercised, is irrevocable.
- The rates of accelerated capital allowances ("CA") are as follows:
  a) 75% of the cost incurred to be written off in the first year (i.e. YA 2021); and
  b) 25% of the cost incurred to be written off in the second year (i.e. YA 2022).
- No deferment of CA claims is allowed if taxpayers opt for the accelerated write-off option.

Option to accelerate the deduction of expenses incurred on renovation and refurbishment ("R&R")

- Taxpayers that incur qualifying expenditure on R&R in YA 2021 for the purposes of its trade, profession or business will have an option to claim R&R deduction in one YA. This option, if exercised, is irrevocable.
- The cap of S$300,000 for every relevant period of three consecutive YAs will still apply.

Double Tax Deduction for Internationalisation ("DTDi") scheme

- The existing DTDi scheme will be extended until 31 December 2025.
- With effect from 1 April 2020, the scope of DTDi scheme will also be enhanced to cover the following:
  a) Third-party consultancy fees incurred on new overseas business development to identify suitable talent and build up business network; and
  b) Expenses incurred on overseas business missions, namely:
    – Fees for speaking spots to pitch products/services at overseas business and trade conferences;
    – Fees to transport materials/samples used during the business missions; and
    – Fees for third party consultants to arrange business networking events to promote products/services.

Mergers & Acquisitions ("M&A") scheme

- The existing M&A scheme will be extended until 31 December 2025.
- The scheme will remain unchanged for acquisitions made on or after 1 April 2020, but will be refined as follows:
  a) Stamp duty relief will lapse for instruments executed on or after 1 April 2020; and
  b) Waiver of condition that the acquiring company must be held by an ultimate holding company that is incorporated in and tax resident of Singapore will no longer be granted for acquisitions made on or after 1 April 2020.

Upfront certainty of non-taxation of companies' gain on disposal of ordinary shares

- The existing scheme under Section 13Z of the Income Tax Act ("ITA") will be extended until 31 December 2027.
- With effect from 1 June 2022, this scheme will not apply to disposals of unlisted shares in an investee company that is in the business of trading, holding or developing immovable properties in Singapore or abroad.

Maritime Sector Incentive ("MSI")

- The existing MSI scheme will be extended until 31 December 2026.
- The withholding tax ("WHT") exemption will also be extended for qualifying payments made on qualifying financing arrangements entered into on or before 31 December 2026.
- The following changes will be made to the MSI scheme:
  a) The scope of in-house ship management income exemption under the MSI-AIS Award is expanded to include income derived by MSI-AIS Sister Company and MSI-AIS Local Subsidiary;
  b) Income derived from operating a ship that is provisionally registered with the Singapore Registry of Ships ("SRS") will qualify for tax exemption under the MSI-SRS scheme, regardless of whether a permanent certificate is obtained. Where a permanent certificate is not obtained, the tax exemption is only allowed up to one year from the date of issue of the provisional certificate; and
  c) Stamp duty remission will lapse for instruments executed on or after 1 June 2021.
- The enhancement to (a) and (b) above will apply to existing and new award recipients for qualifying income derived on or after 19 February 2020.

Global Trader Programme ("GTP")

- The existing GTP will be extended until 31 December 2026.
- The GTP will be refined as follows:
  a) The qualifying activities of GTP (Structured Commodity Financing) ["GTP(SCF)"] will be subsumed under GTP with effect from 19 February 2020;
  b) The GTP (SCF) will lapse after 31 March 2021. Existing recipients of this award can continue to enjoy the tax concession until the expiry of their awards, provided the qualifying conditions of their awards are met; and
  c) The 5% concessionary tax rate on income from qualifying transactions in liquefied natural gas will lapse after 31 March 2021.

Land Intensification Allowance ("LIA")

- The existing LIA scheme will be extended to buildings or structures approved on or before 31 December 2025.

Writing down allowance ("WDA") scheme for indefeasible right to use an international telecommunications submarine cable system ("IRU")

- The existing WDA scheme under Section 19D of the ITA will be extended until 31 December 2025 to cover qualifying capital expenditure incurred on or before 31 December 2025 for the acquisition of an IRU.

Further tax deduction scheme for Research and Development ("R&D") expenditure under Section 14E of the ITA ("Section 14E incentive")

- The Section 14E incentive will lapse after 31 March 2020.
- Existing Section 14E incentive recipients can continue to enjoy the further tax deduction until the expiry of their awards.

Streamline working life of P&M for CA claims

- To simplify CA claims under Section 19 and the Sixth Schedule of the ITA, businesses claiming annual allowance ("AA") under the said section may make an irrevocable election to write down their P&M as follows:

Current prescribed working life of the P&M in the Sixth Schedule	Rate of AA
12 years or less	May claim AA over 6 or 12 years
16 years	May claim AA over 6, 12 or 16 years

- The above will apply for:
  a) P&M acquired in or after financial year ("FY") 2022; and
  b) P&M acquired prior to FY 2022 but no claim for CA (both initial allowance and AA) has been made on the entire cost of P&M (i.e. the CA claim has been deferred).

Tax treatment of expenditure funded by capital grants

- Recipients of capital grants approved on or after 1 January 2021 will not be allowed to claim tax deductions or allowances on that part of expenditure that are funded by the said grants from Government and statutory boards.

Tax incentives for insurance businesses

- Certain existing tax concessions under the Insurance Business Development ("IBD") umbrella scheme, namely the IBD, IBD-Captive Insurance ("IBD-CI") and IBD-Marine Hull and Liability Insurance Business ("IBD-MHL") schemes will be extended to 31 December 2025.
- The schemes will be refined as follows:
  a) The IBD-MHL scheme will lapse after 31 March 2020. Going forward, insurers engaged in the MHL insurance and reinsurance business will be incentivised under the IBD scheme instead.
  b) To align the tenure of all awards under the IBD umbrella scheme, all new and renewal IBD scheme awards approved on or after 1 April 2020 will be granted for a period of 5 years (as opposed to 10 years previously with respect to the IBD scheme).

Finance and Treasury Centre ("FTC") scheme

- The existing FTC scheme will be extended to 31 December 2026.
- The scheme will be enhanced as follows:
  a) The list of qualifying sources of funds will be expanded to include funds raised via convertible debt issued on or after 19 February 2020.

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

WHT exemption for interest on margin deposits

- The list of covered entities and covered products under the WHT exemption for interest on margin deposits will be expanded. The table below illustrates the list of covered entities and covered products:

Covered Entities	
Current	**Additions**
• Members of approved exchanges	• Members of approved clearing houses • Approved exchanges • Approved clearing houses
Covered Products	
Current	**Additions**
• Spot foreign exchange (other than those involving Singapore dollar • Financial futures • Gold futures	• All other derivative contracts traded or cleared on approved exchanges and approved clearing houses

- The above enhancements will take effect on agreements entered into on or after 19 February 2020.
- The extension of the WHT exemption will be reviewed together with the other WHT exemptions for the financial sector, before 31 December 2022.

Tax incentives for Venture Capital ("VC") Funds and VC Fund Management Companies

- The Section 13H scheme and the Fund Management scheme for VC fund managers will be extended to 31 December 2025.
- The schemes will be refined and expanded with effect from 1 April 2020 as follows:

  a) Section 13H scheme

  – Qualifying investments and income will be expanded to include relevant items of the Specified Income – Designated Investments list under the Sections 13CA, 13R and 13X schemes.

  – The scheme will be made available for foreign companies and Singapore Variable Capital Companies.

  – The tax exemption under the scheme is now awarded up to 15 years of the VC fund life.

  – GST remission is now allowed for VC funds under the scheme.

  b) Fund Management scheme for VC fund managers

  – The scheme tenure is now refined to a maximum of 5 years upon award and can be renewed subject to conditions.

Personal Income Tax

Angel Investors Tax Deduction ("AITD") scheme

- The AITD scheme will lapse after 31 March 2020.

Concessionary WHT rate for non-resident public entertainers ("NRPEs")

- The concessionary WHT rate currently at 10% will be extended until 31 March 2022. It will then lapse after 31 March 2022.

Goods and Services Tax

GST to remain at 7% in 2021

- While the plan to increase GST by 2% sometime from 2021 to 2025 was announced in Budget 2018, the Finance Minister has confirmed that the rate increase will not take effect in 2021.
- A S$6 billion Assurance Package for GST will be implemented when the GST increase takes effect sometime from 2022 to 2025 to help cushion the financial impact for Singaporeans.

GST remission extended to include venture capital funds approved under Section 13H of the ITA

- To continue encouraging venture capital funding for Singapore-based companies, the Section 13H scheme and Fund Management Incentive will be extended until 31 December 2025.
- Venture capital funds approved under Section 13H of the ITA will be allowed, by way of remission, to claim GST incurred on their expenses at a fixed recovery rate to be determined for the industry.
- The above changes will take effect from 1 April 2020.

GST Voucher

- All eligible HDB households will receive double their regular U-Save through a one–off GST Voucher - U-Save Special Payment this year.
- Larger households with five or more members will receive a total of 2.5 times their regular U-Save this year, depending on their flat type.

HDB Flat Type	Regular U-Save (S$)	One-off U-Save Special Payment (S$)	Additional U-Save rebate (S$)	Total U-Save for FY 2020 (S$)
	For all eligible households		For eligible larger households	
1- and 2-room	400	400	200	800 or 1,000
3-room	360	360	180	720 or 900
4-room	320	320	160	640 or 800
5-room	280	280	140	560 to 700
Executive / Multi-Generation	240	240	120	480 or 600

Others

Job Support scheme

- Jobs Support scheme ("JSS") is a temporary scheme introduced to provide wage support to help enterprises retain their local employees (Singaporeans and Singapore Permanent Residents). JSS will offset 8% of the wages of local employees for the three months from October 2019 to December 2019, up to a monthly wage cap of S$3,600 per employee.

Wage Credit scheme

- The Wage Credit scheme ("WCS") is enhanced to support wage increases for Singaporean employees. Under the WCS, the Government co-funds wage increases for employees, subject to a gross monthly wage ceiling.
- The following enhancements are made to the WCS:
  a) The gross monthly wage ceiling is raised from S$4,000 to S$5,000 for qualifying wage increases given in 2019 and 2020.
  b) The level of Government co-funding is raised to:
    – 20% of qualifying wage increases in 2019; and
    – 15% of qualifying wage increases in 2020.

Matched Retirement Savings scheme

- The Government introduced a Matched Retirement Savings scheme ("MRSS") which will be applicable from 2021 to 2025. Under the scheme, the Government will match CPF Retirement Account top-ups dollar-for-dollar, up to an annual cap of S$600.
- This scheme is applicable for lower- to middle-income Singaporeans aged 55 to 70 without the prevailing Basic Retirement Sum ("BRS"). BRS provides CPF members with monthly retirement pay-outs that cover basic living expenses.
- For members reaching age 55 in 2021 and 2022, the BRS will be set at S$93,000 and S$96,000 respectively.
- Eligible Singaporeans can receive up to $3,000 (S$600 x 5 years) in matched savings over the five years.

CPF Transition Offset

- Further to the announcement of the increase in CPF contribution rates for Singaporeans and Singapore Permanent Residents between the age of 55 and 70 which will be in effect from 1 January 2021, the Government will grant a CPF Transition Offset to employers to offset half of the increase in employer CPF contribution rates.
- For example, if the employer contribution rate increases by 1%, the offset will be equivalent to a contribution rate of 0.5%.
- The offset will be given to employers for one year from 1 January 2021 to 31 December 2021 up to the CPF salary ceiling of $6,000 per month.

Property tax rebate for qualifying commercial properties

- As part of the Stabilisation and Support Package, qualifying commercial properties will be granted a rebate of property tax for the period from 1 January 2020 to 31 December 2020 as summarised below:
  a) Property tax rebate of 30% for the accommodation and function room components of licensed hotels and serviced apartments as well as the prescribed Meetings, Incentives, Conventions and Exhibitions ("MICE") venues.
  b) Property tax rebate of 15% for other qualifying commercial properties such as the international airport and international cruise or regional ferry terminals, shops (e.g.

retail and F&B) including those within hotel buildings, serviced apartment buildings, prescribed MICE venues and premises of tourist attractions, etc.

c) Property tax rebate of 10% for Marina Bay Sands and Resorts World Sentosa.

- The above property tax rebates do not apply to any premises or a part of any premises used for a residential, industrial or agricultural purpose, or as an office, a business or science park or a petrol station.

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