SINGAPORE BUDGET 2023 BULLETIN

MOVING FORWARD IN A NEW ERA

Singapore Budget 2023 was delivered by the Deputy Prime Minister and Minister for Finance, Mr Lawrence Wong on 14 February 2023. Whilst the Budget proposes many measures to address social issues such as high cost of living, low fertility rate, aging population etc., it is also packed with tax changes to support businesses to innovate, maintain competitiveness and thrive. Continuing the Government's effort to make the Singapore tax system more progressive, higher stamp duty and vehicular tax will be imposed on high-end properties and luxury cars with immediate effect. This Bulletin highlights the key tax changes which impact businesses and individuals.

BUDGET HIGHLIGHTS

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Corporate Tax

Global Anti-Base Erosion ("GloBE") Rules and Domestic Top-up Tax ("DTT")

- The Ministry of Finance ("MOF") plans to implement the GloBE Rules and DTT under the Base Erosion and Profit Shifting ("BEPS") 2.0 project, from businesses' financial year starting on or after 1 January 2025.
- This will apply to multinational groups operating in Singapore with annual global consolidated revenues of €750 million or more.
- This implementation timeline may be adjusted accordingly, as MOF monitors the international developments.
- Businesses will be provided with sufficient notice before any rules become effective.

Enterprise Innovation Scheme ("EIS")

- To encourage businesses to engage in research and development ("R&D"), innovation and capability development activities, the following suite of tax measures will be enhanced or introduced from the Years of Assessment ("YAs") 2024 to 2028 under the EIS as follows:

  a) Enhance the tax deduction to 400% for the first S$400,000 of staff costs and consumables incurred on qualifying R&D projects conducted in Singapore for each YA.

  b) Enhance the tax deduction to 400% for the first S$400,000 of qualifying intellectual property ("IP") registration costs incurred per YA.

  c) Enhance the tax allowance/deduction to 400% for the first S$400,000 (combined cap) of qualifying expenditure incurred on the acquisition and licensing of IP rights per YA. This enhancement is only available to businesses that generate revenue of less than S$500 million in the relevant YA.

  d) Enhance the tax deduction to 400% for the first S$400,000 of qualifying training expenditure incurred on qualifying courses (i.e. courses that are eligible for SkillsFuture Singapore funding and aligned with the Skills Framework) per YA.

  e) Introduce a 400% tax deduction up to S$50,000 of qualifying innovation expenditure incurred on qualifying innovation projects carried out with polytechnics, the Institute of Technical Education, and other qualified partners per YA.

  g) In lieu of enhanced tax deductions/allowances, businesses can opt for a non-taxable cash payout at a conversion ratio of 20% up to S$100,000 of total qualifying expenditure across all qualifying activities mentioned in (a) to (e) above (i.e. capped at S$20,000) per YA.

     This cash payout option is only available to businesses which have at least three full-time local employees (Singaporeans and Permanent Residents) earning a minimum gross monthly salary of S$1,400 and in employment for six months or more in the basis period of the relevant YA.

- In line with the enhancements above, the sunset dates for Sections 14A, 14C, 14D, 14U, 19B of the Income Tax Act 1947 ("ITA") will be extended till YA 2028.

Double Tax Deduction for Internationalisation ("DTDi") scheme

- The scope of the DTDi scheme will be enhanced to include a new qualifying activity, namely e-commerce campaign and covers e-commerce startup expenses paid to e-commerce platform/ service providers as follows:
  - Business advisory: Advisory on market promotion and execution plans (e.g. choice of suitable e-commerce platforms);
  - Account creation: Assistance with setting up accounts on e-commerce platforms, and the right to sell on e-commerce platforms;
  - Content creation: Design of e-commerce campaign publicity materials (e.g. e-store banners, online product images); and
  - Product listing and placement: Uploading content on products/services to e-commerce

platforms, and selection of suitable frequency and timing to display content on products/ services.

- Prior approval is required from Enterprise Singapore to enjoy the DTDi on this new qualifying activity. Approval will be granted to each business for a maximum period of one year applied on a per country basis.
- This enhancement will take effect for qualifying e-commerce startup expenses incurred on or after 15 February 2023.

Accelerated write-off of the cost of acquiring plant and machinery (“P&M”)

- Businesses that incur capital expenditure on the acquisition of P&M in YA 2024 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 (“ACA”) allowed are as follows:
  - 75% of the cost incurred in the first year (i.e. YA 2024); and
  - 25% of the cost incurred in the second year (i.e. YA 2025).
- No deferment of ACA claims is allowed.

Accelerated deduction for Renovation or Refurbishment (“R&R”) expenditure

- Businesses that incur qualifying expenditure on R&R in YA 2024 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.

Investment Allowance (“IA”) scheme

- The IA scheme will be extended till 31 December 2028.

IA-100% scheme for automation projects

- The IA-100% scheme for automation projects will be extended till 31 March 2026, with the same parameters.

Pioneer Certificate Incentive (“PCI”) and Development and Expansion Incentive (“DEI”)

- The PCI and DEI will be extended till 31 December 2028.

IP Development Incentive (“IDI”)

- The IDI will be extended till 31 December 2028.

Qualifying Debt Securities (“QDS”) scheme

- The QDS scheme will be extended till 31 December 2028.
- The scope of qualifying income will be streamlined and clarified such that it includes all payments in relation to early redemption of a QDS.
- The requirement that the QDS has to be substantially arranged in Singapore will be rationalised as follows:
  a) For all debt securities that are issued on or after 15 February 2023, they must be substantially arranged in Singapore by a financial institution holding a specified licence.
  b) For insurance-linked securities (“ILS”) that are issued on or after 1 January 2024, if they are unable to meet the condition in (a) above, at least 30% of the ILS issuance costs incurred by the issuer must be paid to Singapore businesses.

Tax exemption on income derived by primary dealers

- The tax exemption on income derived by primary dealers from trading in Singapore Government Securities will be extended till 31 December 2028.

Tax incentive scheme for Approved Special Purpose Vehicle ("ASPV") engaged in asset securitisation transactions ("ASPV scheme") and new sub-scheme to support covered bonds

- The ASPV scheme will be extended till 31 December 2028.
- The GST recovery rate under the ASPV scheme will be changed from the current fixed rate of 76% to the prevailing GST recovery rate/methodology accorded to licensed full banks under the Monetary Authority of Singapore ("MAS") for the specific year in question.
- A new sub-scheme named ASPV (Covered Bonds) will be introduced for the special purpose vehicle holding the "cover pool" in relation to the covered bonds as defined in the MAS Notice 648. The ASPV (Covered Bonds) scheme will take effect from 15 February 2023 to 31 December 2028 and will be administered by the MAS.

Financial Sector Incentive ("FSI") scheme

- The FSI scheme will be extended till 31 December 2028.
- In addition, the FSI scheme will be refined as follows:

  a) The existing concessionary tax rates will be streamlined to two tiers of 10% and 13.5% for new and renewal awards approved on or after 1 January 2024 as follows:

     i) FSI-Capital Market, FSI-Derivatives Market and FSI-Credit Facilities Syndication – changed from 5% to 10%;

     ii) FSI-Fund Management and FSI-Headquarter Services – remain at 10%;

     iii) FSI-Trustee Companies – changed from 12% to 13.5%; and

     iv) FSI-Standard Tier – remain at 13.5%.

  b) The qualifying activities will be updated to ensure continued relevance.

Tax measures relating to submarine cable systems

- The existing three tax measures below relating to submarine cable systems will be extended till 31 December 2028, with the same parameters:
  - Withholding tax ("WHT") exemption on payments made to non-residents for use of international telecommunications submarine cable capacity under indefeasible right to use ("IRU") agreement;
  - Writing down allowance for the acquisition of an IRU over their useful life; and
  - IA for the construction and operation of submarine cable systems in Singapore.

Tax deduction for expenditure incurred on building modifications for the benefit of disabled employees

- The scheme will be withdrawn from 15 February 2023.

Corporate Volunteer Scheme ("CVS")

- The 250% tax deduction on qualifying expenditure incurred under the CVS will be extended till 31 December 2026.
- The scope of qualifying volunteering activities will be expanded to include activities which are conducted virtually or outside of the Institutions of a Public Character's ("IPC") premises.
- The cap on qualifying expenditure per IPC will be increased to S$100,000 per calendar year.
- The above enhancements will be effective from 1 January 2024.

Philanthropy Tax Incentive ("PTI") scheme for Family Offices

- The PTI scheme will be introduced for qualifying donors with Family Offices operating in Singapore.
- To qualify, donors must have a fund under Section 13O or 13U schemes of the MAS and meet qualifying conditions, such as incremental business spending of S$200,000.
- Qualifying donors can claim 100% tax deduction for overseas donations made through qualifying local intermediaries. The tax deduction is capped at 40% of the donor's statutory income.

Personal Tax

Working Mother's Child Relief ("WMCR")

- Effective from the YA 2025, the WMCR will be changed to a fixed dollar tax relief for eligible working mothers in respect of qualifying children who are Singapore citizens born or adopted on or after 1 January 2024.
- The WMCR amount for eligible working mothers with qualifying Singaporean children is as follows:

Child order	WMCR amount
	For Singapore citizen child born or adopted on or after 1 January 2024
1st child	S$8,000
2nd child	S$10,000
3rd & subsequent child	S$12,000

- For qualifying Singaporean children born or adopted before 1 January 2024, eligible working mothers will continue to claim the WMCR based on a percentage of their earned income.
- The total WMCR amount will remain capped at 100% of the mother's earned income for the YA and the existing cap of total relief for each child of S$50,000 will also remain unchanged.

Grandparent Caregiver Relief ("GCR")

- To give caregivers the flexibility to do some incidental work, working mothers will be able to claim GCR in respect of caregivers who have trade, business, profession, vocation and/or employment income, as long as the caregivers' total income from these activities do not exceed S$4,000 in the year preceding the YA of claim, and subject to meeting all other qualifying conditions.

Foreign Domestic Worker Levy Tax Relief ("FDWLR")

- The FDWLR will lapse for all taxpayers effective from the YA 2025.

Tax deduction for qualifying donations

- The enhanced tax deduction of 250% on qualifying donations made to IPCs and other eligible institutions will be extended till 31 December 2026.

Goods and Services Tax

GST Voucher ("GSTV") scheme

- The permanent GSTV scheme – cash quantum will be further enhanced in 2023 and 2024 to help lower-to-middle income Singaporean households defray GST expenses as follows:

Singaporeans aged 21 and above in reference year with Assessable Income ("AI") of S$34,000 and below	Owns ≤ 1 property	
	Annual Value ("AV") of property	
	AV ≤ S$13,000	S$13,000 < AV ≤ S$21,000
GSTV – Cash in 2023	S$700	S$350
GSTV – Cash in 2024	S$850	S$450

Assurance Package ("AP") for GST

- AP cash
  - All eligible adult Singaporeans aged 21 and above with AI of not more than S$100,000 and do not own more than one property, will receive additional AP cash of between S$300 and S$650 over the remaining years of the AP in December every year as shown in Table 1.
- Community Development Council ("CDC") Vouchers
  - Every Singaporean household will receive an additional S$100 CDC Vouchers in January 2024, over and above the S$200 CDC Vouchers announced in Budget 2022.
- 2023 Cost-of-Living ("COL") special payment
  - All eligible adult Singaporeans aged 21 and above in 2023 with AI of not more than S$100,000 and do not own more than one property, will receive a one-off special payment between S$200 and S$400 in June 2023 as shown in Table 2.
- 2023 COL seniors' bonus
  - All eligible senior Singaporeans aged 55 and above with AI of not more than S$34,000, whose residential address is a property with AV not exceeding S$21,000 and do not own more than one property, will receive a one-off cash payment between S$200 to S$300 in June 2023 as shown in Table 3.
- COL U-Save special payment
  - All eligible Singaporean HDB households whose members do not own more than one property, will receive double U-Save rebates with the COL U-Save special payment, depending on the HDB type in year 2023 to be paid out over three tranches of disbursement in April, July and October of 2023.

Table 1

Singaporeans aged 21 and above in reference year	Owns ≤ 1 property				Owns > 1 property
	AI				
	Disbursement period	AI ≤ S$34,000	S$34,000 < AI ≤ S$100,000	AI > S$100,000	
2023	Dec 2022	S$200	S$150	S$100	S$100
2024	Dec 2023	S$600 (+S$200)	S$350 (+S$100)	S$200	S$200
2025	Dec 2024	S$600 (+S$200)	S$350 (+S$100)	S$200	S$200
2026	Dec 2025	S$600 (+S$200)	S$350 (+S$100)	S$100	S$100
2027	Dec 2026	S$250 (+S$50)	S$150	S$100	S$100
	Total	S$2250 (+S$650)	S$1350 (+S$300)	S$700	S$700

Table 2

AI	Owns ≤ 1 property	Owns > 1 property
AI ≤ S$22,000	S$400	Not eligible
S$22,000 < AI ≤ S$34,000	S$300	
S$34,000 < AI ≤ S$100,000	S$200	
AI > S$100,000	Not eligible	

Table 3

Age of Singaporeans in 2023	Owns ≤ 1 property	
	AI ≤ S$34,000	
	AV ≤ S$13,000	S$13,000 < AV ≤ S$21,000
55 to 64 years	S$250	S$200
65 years and above	S$300	S$200

- 2023 Top-ups to Child Development Account ("CDA"), Edusave Account and Post- Secondary Education Account ("PSEA")
    - Each Singaporean child, depending on the child's age, will receive a one-off top up to their respective accounts as shown below:

Age of Singaporeans in 2023 / Account	Date of birth (both dates inclusive)	Amount	Estimated timeline
0 - 6 years / CDA	Between 1 Jan 2017 and 31 Dec 2023	S$400	From Sep 2023
7 - 16 years / Edusave	Between 1 Jan 2007 and 31 Dec 2016	S$300	May 2023
17 - 20 years / PSEA	Between 1 Jan 2003 and 31 Dec 2006	S$300	May 2023

Others

Central Provident Fund ("CPF") monthly salary ceiling

- The Government will raise the CPF monthly salary ceiling from S$6,000 to S$8,000 by 2026. The increase will take place in four steps, as shown below:

	Current monthly salary ceiling	CPF annual salary ceiling
Current	S$6,000	S$102,000
From 1 Sep 2023	S$6,300 (+S$300)	
From 1 Jan 2024	S$6,800 (+S$500)	
From 1 Jan 2025	S$7,400 (+S$600)	
From 1 Jan 2026	S$8,000 (+S$600)	

- There will be no change to the CPF annual salary ceiling at this juncture.
- To ensure that employees earning the same annual salary receive the same CPF contributions regardless of their salary structure, the CPF monthly salary will eventually be set at one-twelfth of the CPF annual salary ceiling.

Senior workers CPF contribution rates and CPF Transition Offset

- From 1 January 2024, CPF contribution rates for senior workers aged 55 to 70 will increase as follows:

Employees' age (years)	CPF contribution rates from 1 January 2024		
	Total	Employer	Employee
55 & below	No change		
Above 55 to 60	31% (+1.5%)	15% (+0.5%)	16% (+1%)
Above 60 to 65	22% (+1.5%)	11.5% (+0.5%)	10.5% (+1%)
Above 65 to 70	16.5% (+1%)	9% (+0.5%)	7.5% (+0.5%)
Above 70	No change		

- To mitigate the rise in business costs due to the increase in 2024, the Government will provide employers with an automatic one-year CPF Transition Offset equivalent to half of the 2024 increase in employer CPF contribution rates (i.e. 0.25%) for every Singaporean and Permanent Resident employee aged above 55 to 70.

Buyer's Stamp Duty ("BSD") rates for residential and non-residential properties

- The BSD regime, which applies to all purchases or receipt of gifts of immovable properties in Singapore, is revised and higher marginal BSD rates will be introduced for higher-value residential and non-residential properties effective from 15 February 2023, as shown below:

Higher of purchase price or market value of property	BSD Rates	
	Residential property	Non-residential property
First S$180,000	1%	1%
Next S$180,000	2%	2%
Next S$640,000	3%	3%
Next S$500,000	4%	4% (New)
Next S$1,500,000	5% (New)	5% (New)
Amount exceeding S$3,000,000	6% (New)	

- There is a transitional provision, where the earlier BSD rates can apply to Option to Purchase granted by sellers to potential buyers on or before 14 February 2023, subject to certain conditions being met.

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