BDO

SINGAPORE BUDGET COMMENTARY 2017

Moving Forward Together

CONTENTS

FOREWORD

Singapore is going through a unique period of challenging economic conditions coupled with an uncertain global environment, rapid technological change, evolving tax landscape and slower labour force growth. The much-awaited Report by the Committee on the Future Economy (CFE) was viewed by many as opportune as it sought to chart Singapore's next phase of growth, notwithstanding the challenging domestic and global environment, to ensure that our economy can continue to enjoy sustained growth and remain competitive.

As the Finance Minister unveiled Budget 2017, it comes as no surprise that the measures announced are largely in line with the strategies and recommendations put forth by the CFE while building on the transformation plan laid down in past Budgets.

Recognising that Small and Medium Enterprises (SMEs) are the backbone of the Singapore economy, SMEs continue to take centre stage in this year's Budget. The journey of transformation and growth would not be complete without our SMEs transforming. Notably, the call for SMEs to gear up for digital technology, innovation and globalisation is clear with the introduction of the SMEs Go Digital Programme and many other initiatives. Near term support measures to tide SMEs over current headwinds are available, although many were expecting more help to manage the escalating cost of doing business.

Strengthening capabilities in our people is just as important as strengthening capabilities in our enterprises. This Budget sees further support to our people to re-skill and deepen skillsets in order to stay relevant and employable. The Adapt and Grow initiative will be enhanced to assist job-seekers find positions in different sectors/industries. Further, the new Attach and Train initiative will enable businesses in growth sectors to train job-seekers to improve their job prospect and take on new careers in these sectors.

Green tax is certainly a highlight of this year's Budget. The Government is planning to roll out carbon tax in 2019 to reduce greenhouse gas emissions, targeting large direct emitters. Changes to the price and tax regime of diesel, motor vehicles and water to curb consumption and most importantly, wastage, is a big step in the direction of going green and protecting the environment.

Whilst Budget 2017 is light on both corporate tax and personal tax "goodies", one must not lose sight that Singapore is already one of the lowest tax regimes in the world. There is also concern over Base Erosion and Profit Shifting. The way forward may be to create a more progressive and internationally competitive tax structure and this may warrant bold steps to be taken by the Government in the near future.

Overall, it is a well thought Budget with a clarion call by the Finance Minister for Singapore to move forward together to build an innovative economy, quality living environment as well as a caring and inclusive society.

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CORPORATE TAX

Corporate income tax rebate

Current treatment

- Currently, companies enjoy corporate income tax (CIT) rebate of 50% of tax payable for the Years of Assessment (YAs) 2016 and 2017, subject to a cap of S$20,000 per YA.

New treatment

- For YA 2017, the CIT rebate cap will be increased from S$20,000 to S$25,000, but the CIT rebate rate will remain unchanged at 50%.
- Further, the CIT rebate is extended for another year to YA 2018 at 20% of tax payable, capped at S$10,000.
- The enhancements are part of the Government's continued measures to support the Small and Medium Enterprises (SMEs) to cope with immediate cash flow pressure amidst the current uncertain economic climate.
- As the CIT rebate is computed as a percentage of tax payable, this measure will only benefit companies in a tax payable position.

New intellectual property regime

Current treatment

- Currently, the Pioneer-Services/Headquarters Incentive and the Development and Expansion Incentive-Services/ Headquarters cover intellectual property (IP) income which arises from qualifying activities.

New treatment

- To encourage the use of IPs arising from a taxpayer's research and development (R&D) activities, IP income will now be incentivised under a new IP Development Incentive (IDI).

- Accordingly, such income will be removed from the scope of the Pioneer-Services/Headquarters Incentive and the Development and Expansion Incentive–Services/Headquarters for new incentive awards approved on or after 1 July 2017.

- Existing incentive recipients will continue to have their IP income covered under their prevailing incentive awards until 30 June 2021.

- To align taxation with business substance, the new IDI will incorporate the Organisation for Economic Co-operation and Development's (OECD's) Base Erosion Profit Shifting (BEPS)-compliant modified nexus approach from Action 5, Harmful Tax Practices. This is in line with Singapore's commitment to adopt four minimum standards from the 15-Action Plan on BEPS, one of which, being Action 5.

- Under this approach, a taxpayer will benefit from the IP regime only if it did in fact carry out the R&D activities and incurred qualifying expenditure (i.e. expenditure that give rise to the IP income) in relation to the said R&D activities.

- The nexus approach applies a proportionate analysis to income, under which the proportion of IP income eligible for tax incentive is the same proportion as that of qualifying expenditure incurred to develop the IP asset compared to the overall expenditure incurred to develop the IP asset. The nexus ratio is therefore summarised by the OECD as:

$$\frac{a+b}{a+b+c+d}$$

- *"a" represents R&D expenditures incurred by the taxpayer itself*
- *"b" represents expenditures for un-related party outsourcing*
- *"c" represents acquisition costs of IP*
- *"d" represents expenditures for related party outsourcing*

The expenditures covered in "a" and "b" are referred as "qualifying expenditures" whereas the sum of all expenditures within the denominator refers to "overall expenditure".

- As noted from the above formula, R&D expenditures for related party outsourcing will be excluded, which means IP income arising from R&D outsourced to related parties will be excluded from this incentive.

- With the introduction of the new IDI, it would be useful if the IPs covered within this regime is kept broad compared to the OECD report on Action 5. The IPs covered within Action 5 report are (i) patents defined broadly; (ii) copyrighted software; and (iii) IP assets that are non-obvious, useful and novel but are substantially similar to the IP assets in the first two categories.

- Overall, compliance costs are expected to increase as taxpayers will have to track expenditures, IP assets and IP income and maintain the necessary supporting documentation to benefit from the IDI.

- The IDI will be administered by the Singapore Economic Development Board (EDB) and will take effect on or after 1 July 2017.

- Further details will be released by the EDB by May 2017.

Finance and Treasury Centre Scheme

Current treatment

- An approved Finance and Treasury Centre (FTC) currently enjoys a concessionary tax rate of 8% on qualifying income derived from qualifying activities.

New treatment

- The qualifying counterparties for certain qualifying activities of an approved FTC will be streamlined.

- This move will certainly ease the compliance burden of an approved FTC, which currently has the onus of ensuring that the counterparties it transacts with are approved network companies for the purpose of the tax concession.

- The change will apply to new or renewal incentive awards approved on or after 21 February 2017.

- Further details will be released by the EDB by May 2017.

Global Trader Programme

Current treatment

- Companies awarded with the Global Trader Programme (GTP) incentive enjoy concessionary tax rate at 5% or 10% on qualifying income derived from qualifying transactions transacted with qualifying counterparties.

New treatment

- The GTP incentive will be simplified and enhanced as follows:

  (i) The requirement for qualifying transactions to be transacted with qualifying counterparties will be removed. Effectively, this means that income derived by approved GTP companies from qualifying transactions with any counterparty will be eligible for the concessionary tax treatment;

  (ii) Inclusion of the following items as qualifying income that would now be eligible for the concessionary tax treatment:

  - Physical trading income derived from transactions in which the commodity is purchased for the purposes of consumption in Singapore or for the supply of fuel to aircraft or vessels within Singapore; and

  - Physical trading income attributable to storage in Singapore or any activity carried out in Singapore which adds value to the commodity by any physical alteration, addition or improvement (including refining, blending, processing or bulk-breaking).

  The enhancements highlighted above will apply to qualifying income derived on or after 21 February 2017 from qualifying transactions.

  (iii) The substantive requirements (including business operations, employment and local expenditure) to qualify for the GTP incentive will be increased. This enhancement will apply to new or renewal incentive awards approved on or after 21 February 2017.

- The proposal will simplify overall tax compliance and reporting requirements and aims to facilitate and encourage more trading activities in Singapore. Such trading activities are expected to result in economic spin offs through job creation and positive contributions to the other sectors of the economy such as finance, logistics and insurance.

- Further details will be released by the International Enterprise Singapore (IE) by May 2017.

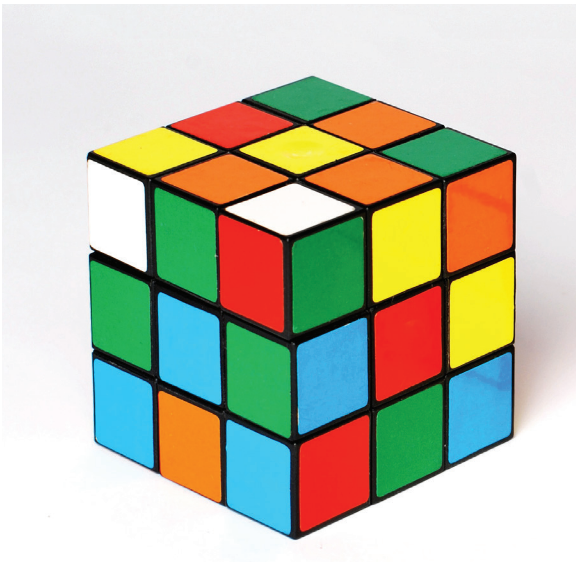
Cost Sharing Agreement for research and development projects

Current treatment

- Taxpayers claiming tax deduction for R&D expenditure under Section 14D of the Singapore Income Tax Act (SITA) for payments made under a Cost Sharing Agreement (CSA) are subject to specific restriction rules for certain categories of expenditure disallowed under Section 15 of the SITA.
- As such, the breakdown of expenditure for payments made under CSA would need to be analysed so as to exclude any disallowed expenditure.

New treatment

- To help ease the compliance burden, taxpayers may opt to claim tax deduction under Section 14D of the SITA at 75% of the payments made under CSA for qualifying R&D projects, instead of analysing the detailed breakdown of expenditure incurred, which is time-consuming.
- Notwithstanding the removal of the requirement to furnish a breakdown of expenditure, it is expected that the buy-in payments for the right to become a party to the CSA would continue to be non-deductible. To that extent, taxpayers may have to track the buy-in payments made and exclude such payments when applying the safe harbour rule for the purpose of determining the eligible tax deduction under Section 14D of the SITA.
- The change will apply to CSA payments made on or after 21 February 2017.
- Further details will be released by the Inland Revenue Authority of Singapore (IRAS) by May 2017.



Aircraft Leasing Scheme

Current treatment

- Under the Aircraft Leasing Scheme (ALS), approved aircraft lessors and aircraft investment managers can enjoy the following tax benefits:

  (i) Approved aircraft lessors enjoy a concessionary tax rate of 5% or 10% on income derived from the leasing of aircraft or aircraft engines and qualifying ancillary activities under Section 43Y of the SITA; and

  (ii) Approved aircraft investment managers enjoy a concessionary tax rate of 10% on income derived from managing the approved aircraft lessors and qualifying activities under Section 43Z of the SITA.

- Qualifying ancillary activities under Section 43Y of the SITA include incidental income derived from the provision of finance in the acquisition of any aircraft or aircraft engines by any airline company.
- Subject to conditions, automatic withholding tax (WHT) exemption is granted on qualifying payments made by approved aircraft lessors to non-residents (excluding a permanent establishment in Singapore) in respect of qualifying loans entered into on or before 31 March 2017 to finance the purchase of aircraft and aircraft engines.
- The ALS is scheduled to lapse after 31 March 2017.

New treatment

- To boost the growth of the aircraft leasing sector in Singapore, the ALS will be extended and refined as follows:

  (i) The ALS will be extended until 31 December 2022;

  (ii) The scope of qualifying ancillary activities for approved aircraft lessors under Section 43Y of the SITA will include incidental income derived from the provision of finance in the acquisition of aircraft or aircraft engines by any lessee; and

  (iii) The concessionary tax rates of 5% and 10% for income derived from leasing of aircraft or aircraft engines and qualifying ancillary activities will be streamlined to a single rate of 8%.

- The enhancement for item (ii) above will apply to qualifying income derived on or after 21 February 2017 for all incentive recipients.
- The refinement for item (iii) above will apply to new or renewal incentive awards approved on or after 1 April 2017.
- The automatic WHT exemption regime will be extended to qualifying payments made on qualifying loans entered into on or before 31 December 2022.
- The extension and refinement of the ALS is in line with the Government's plan to strengthen our aviation industry in view of the increased competition from other jurisdictions. The extension of the ALS provides an incentive for aircraft lessors and aircraft managers to expand their operations in Singapore and reap the anticipated benefits from the expected surge in traffic when the new Changi Terminal 5 is completed and becomes operational.
- Further details will be released by the EDB by May 2017.

Integrated Investment Allowance Scheme

Current treatment

- The Integrated Investment Allowance (IIA) Scheme was first introduced in Budget 2012 to keep pace with the evolving business environment.
- Under the IIA Scheme, a qualifying company enjoys an additional allowance (on top of capital allowance) in respect of the fixed capital expenditure incurred on qualifying productive equipment placed with an overseas company for an approved project.
- Presently, one of the qualifying criteria of the IIA Scheme requires the qualifying productive equipment to be used by the overseas company solely for the manufacturing of products for the qualifying company under the approved project.
- The IIA Scheme is administered by the EDB and is scheduled to lapse after 28 February 2017.

New treatment

- To promote the intensification of qualifying productive equipment used for manufacturing outside of Singapore, the IIA Scheme will be extended until 31 December 2022.
- Further, the qualifying productive equipment to be used by the overseas company no longer needs to be restricted solely for the manufacturing of products for the qualifying company, but need only be used primarily for the manufacturing of products for the qualifying company under an approved project.
- The change will apply to expenditure incurred on qualifying productive equipment for a project approved on or after 21 February 2017.
- The liberalisation of the qualifying criterion above is in line with the Government's continuous efforts to encourage organisations to internationalise and venture beyond local shores. It also continues to provide an avenue for companies to locate their manufacturing operations outside of Singapore in lower cost jurisdictions amidst escalating cost of doing business in Singapore.

Tax incentive schemes for project and infrastructure finance

Current treatment

- The package of tax incentive schemes for project and infrastructure finance includes:
  - (i) Exemption of qualifying income from qualifying project debt securities;
  - (ii) Exemption of qualifying income from qualifying infrastructure projects/assets received by approved entities listed on the Singapore Exchange (SGX);
  - (iii) Concessionary tax rate of 10% on qualifying income derived by an approved Infrastructure Trustee Manager/ Fund Management Company from managing qualifying SGX-listed Business Trusts/Infrastructure funds in relation to qualifying infrastructure projects/assets; and
  - (iv) Remission of stamp duty payable on the instrument of transfer relating to qualifying infrastructure projects/ assets to qualifying entities listed, or to be listed, on the SGX.
- The schemes are scheduled to lapse after 31 March 2017.

New treatment

- With the exception of the stamp duty remission under item (iv) above, the existing package of tax incentive schemes for project and infrastructure finance will be extended until 31 December 2022.
- The stamp duty remission under item (iv) above will be allowed to lapse after 31 March 2017.
- All other conditions of the schemes remain unchanged.
- The Asian Development Bank forecasted that Asia needs approximately US$8 trillion of investments by 2020 to address its infrastructure deficit. This move is therefore not surprising as the Government is keen to encourage Singapore businesses to exploit opportunities arising from Asia's growing infrastructure needs.
- Further details on the extension will be released by the Monetary Authority of Singapore (MAS) by May 2017.

Withholding tax exemption

1. Payments to non-resident non-individuals for structured products offered by financial institutions

Current treatment

- Presently, WHT exemption is allowed on payments made to non-resident non-individuals for structured products offered by financial institutions for contracts that take effect, are renewed or extended during the qualifying period from 1 January 2007 to 31 March 2017, subject to conditions.

New treatment

- The qualifying period for the WHT exemption on payments made to non-resident non-individuals for structured products offered by financial institutions will be extended until 31 March 2021.
- All other conditions of the scheme remain unchanged.
- The move aims to encourage the continuing development of structured products market in Singapore and to further strengthen Singapore as a leading financial hub in Asia.

2. Payments to international telecommunications submarine cable capacity under an Indefeasible Rights of Use agreement

Current treatment

- Payments for international telecommunications submarine cable capacity under an Indefeasible Rights of Use (IRU) agreement falls within the ambit of Section 12(7) of the SITA and any persons making such payments to non-residents would ordinarily be required to withhold taxes on such payments.
- The WHT exemption on the above payments under an IRU agreement was introduced in Budget 2003 to encourage telecommunications operators to provide international connectivity.
- The scheme is scheduled to lapse after 27 February 2018.

New treatment

- The WHT exemption will be extended until 31 December 2023.
- Telecommunication operators will certainly welcome the extension as otherwise, the WHT costs can be substantial. This extension will further propel Singapore forward as a hub for data flow, and is in line with the Government's focus on growing the digital economy.

Computer donation scheme

Current treatment

- Companies enjoy a tax deduction of 250% on donation of computers (including computer software and peripherals) to an Institution of a Public Character or a prescribed educational, research or other institution in Singapore.

New treatment

- As the objective of the scheme has been achieved, the scheme will be withdrawn after 20 February 2017.

Accelerated Depreciation Allowance for Energy Efficient Equipment and Technology Scheme

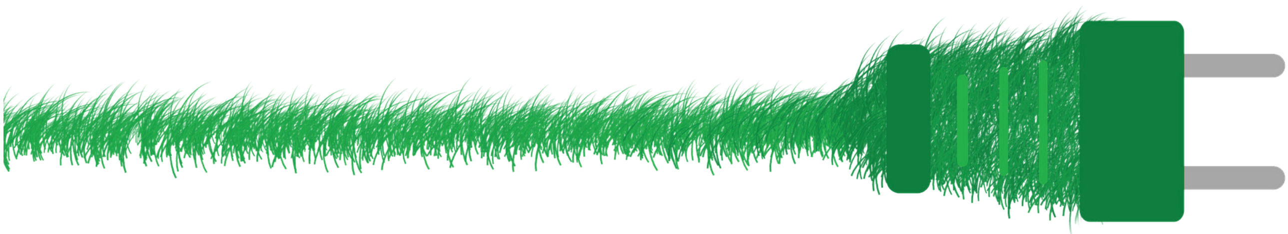
Current treatment

- Capital expenditure incurred for certified energy efficient and energy saving equipment may qualify for an accelerated writing-down period of one year under Section 19A(6) of the SITA.

New treatment

- Over the years, new incentives have been introduced to promote energy efficiency such as the Investment Allowance–Energy Efficiency Scheme and the Productivity Grant.

- In an effort to streamline incentives that promote energy efficiency, the Accelerated Depreciation Allowance for Energy Efficient Equipment and Technology (ADA-EEET) Scheme will be withdrawn after 31 December 2017. No ADA-EEET will be granted for equipment installed on or after 1 January 2018.



Intellectual property rights for media and digital entertainment content scheme

Current treatment

- An approved media and digital entertainment (MDE) company is entitled to claim writing-down allowances (WDA) over a period of two years for capital expenditure incurred in respect of IP rights (IPRs) pertaining to films, television programmes, digital animation or games, or other MDE content acquired for use in its business.
- The scheme is scheduled to lapse in respect of IPRs acquired for MDE content after the last day of the basis period for YA 2018.

New treatment

- As the scheme is assessed to be no longer relevant, it will be allowed to lapse in respect of IPRs acquired for MDE content after the last day of the basis period for YA 2018.
- MDE companies may continue to claim WDA over a writing-down period of 5, 10 or 15 years on the capital expenditure incurred to acquire qualifying IPRs under Section 19B of the SITA.

International Arbitration Tax Incentive

Current treatment

- The International Arbitration Tax Incentive (IArb) was introduced to attract overseas law practices to set up and provide international arbitration services in Singapore.
- Approved law practices will enjoy 50% tax exemption for a period of 5 years on qualifying incremental income derived from the provision of legal services in connection with international arbitration.
- The IArb is scheduled to lapse after 30 June 2017.

New treatment

- As part of the Government's regular review of tax incentives, the IArb will be allowed to lapse after 30 June 2017.

PERSONAL INCOME TAX

Personal income tax rebate

Current treatment

- There was no personal income tax (PIT) rebate accorded for YA 2016.

New treatment

- A one-time PIT rebate of 20% of tax payable will be granted to all tax resident individual taxpayers for YA 2017, capped at S$500 per taxpayer.
- With the rising costs of living, the PIT rebate will provide some form of relief to tax resident individual taxpayers.
- The PIT rebate cap set for YA 2017 at S$500 is the lowest compared to that set for YA 2015 at S$1,000 or the earlier years. Based on the quantum of rebate allowed, it is likely to benefit the middle income earners. Though the rebate may not benefit the lower income earners, other forms of assistance are available to aid this group of income earners.

GST Tourist Refund Scheme

Current treatment

- Tourist Refund Scheme (TRS) is available to tourists who bring purchases out of Singapore within two months from the date of purchase via:

  (i) Changi International Airport Departure Hall/Seletar Airport Passenger Terminal; or

  (ii) Marina Bay Cruise Centre Singapore/International Passenger Terminal at Harbourfront Centre (cruise terminals) on international cruises (excluding cruise-to-nowhere, round-trip cruise and regional ferry):

    - where the final destination of the ship's voyage is not Singapore; and
    - where the voyage involves the ship returning to Singapore on one or more occasions, tourists may only claim Goods and Services Tax (GST) refund on the ship's last departure from Singapore in that voyage.

- Departing tourists may claim a refund on the GST incurred on goods purchased at participating retail stores in Singapore, subject to the tourists' eligibility and the conditions of the TRS.

New treatment

- TRS will be withdrawn for tourists who are departing by international cruise from the cruise terminals for purchases made on or after 1 July 2017. Tourists will have until 31 August 2017 to claim the GST refunds on their purchases made before 1 July 2017.
- Details will be provided by the IRAS by April 2017.
- The change should not have much impact given the very low transaction volume for GST refunds made by tourists departing by international cruise from the cruise terminals.

GST Voucher Scheme

1. Cash Special Payment

Current treatment

- The cash component of the GST Voucher (GSTV) payable annually in August to eligible individuals is as follows:

Assessable income for YA 2016 ≤ S$28,000 Aged 21 years and above	Annual value of home as at 31 Dec 2016	
	Up to S$13,000	S$13,001 to S$21,000
GSTV — Cash (regular) (S$)	300	150

New treatment

- Eligible Singaporean will receive a one-off GSTV — Cash Special Payment of up to S$200 as shown in the table below:

Assessable income for YA 2016 ≤ S$28,000 Aged 21 years and above	Annual value of home as at 31 Dec 2016	
	Up to S$13,000	S$13,001 to S$21,000
GSTV — Cash Special Payment (S$)	200	100

- Cash recipient will receive up to S$500 in total to be paid out in November 2017.
- The Cash Special Payment of up to S$200 on top of the regular GSTV would provide extra support to the lower-income households to cope with the rising cost of living amidst a slowing economy.

2. Increase in GST Voucher — U-Save rebate

Current treatment

- The current GSTV — U-Save rebate is as follows:

HDB flat type	Current annual rebate S$
1 and 2-room	260
3-room	240
4-room	220
5-room	200
Executive/Multi-generation	180

New treatment

- From July 2017, eligible HDB households will get a permanent increase of up to S$120 in GSTV — U-Save rebate as shown in the table below.

HDB flat type	Increase in annual rebate S$	Revised total annual rebate S$
1 and 2-room	120	380
3-room	100	340
4-room	80	300
5-room	60	260
Executive/Multi-generation	40	220

- The U-Save rebate will be paid over four quarters, in January, April, July and October.
- The increase in the U-Save rebate comes handy in helping HDB households offset part of the utility bills and soften the impact of the water price hike over the next two years.

MICELLANEOUS

Approved Building Project Scheme

- Under the current Approved Building Project (ABP) Scheme, land under development is granted property tax exemption for a period of up to three years, subject to conditions.
- The ABP Scheme is scheduled to lapse after 31 March 2017.
- As property tax is a tax on property ownership, it should apply when the land is being developed. Thus, the ABP Scheme will be allowed to lapse after 31 March 2017.

Diesel taxes

- Currently, the Government levies a lump sum Special Tax on diesel cars and taxis in lieu of volumetric diesel duty.
- To encourage users to reduce their usage of diesel, a diesel duty will be levied on automotive diesel, industrial diesel and diesel component of biodiesel at S$0.10 per litre.
- Measures to offset the impact above are as follows:

  (i) Permanent reduction of Special Tax on diesel cars and taxies by S$100 and S$850 respectively (please refer to Tables 1 and 2 for further details);

  (ii) 100% road tax rebate for one year and partial road tax rebate for two years for commercial diesel vehicles (please refer to Table 3 for further details);

  (iii) Additional cash rebates for diesel buses ferrying school children over the next three years (please refer to Table 3 for further details).

- The Industrial Exemption Factory Scheme (IEFS) is a duty exemption scheme for industries that use raw materials solely to manufacture non-dutiable finished goods. With effect from 20 February 2017, diesel will be removed from the IEFS. Industrial diesel will be subject to volumetric diesel duty at S$0.10 per litre.

Table 1: Special Tax on diesel cars

Emission standard	Special Tax rate every six months	
	Current treatment	New treatment
Pre-Euro IV compliant	Six times the road tax of an equivalent petrol-driven car	Six times the road tax of an equivalent petrol-driven car, ***less S$50***
Euro IV compliant	S$0.625 per cc, subject to a minimum payment of S$625	S$0.625 per cc, ***less S$50***, subject to a minimum payment of S$575
Euro V or JPN2009 compliant	S$0.20 per cc, subject to a minimum payment of S$200	S$0.20 per cc, ***less S$50***, subject to a minimum payment of S$150

Table 2: Special Tax on diesel taxi

Current treatment	New treatment
S$2,550 every six months, or S$5,100 every year	S$2,125 every six months, or S$4,250 every year

- The revised Special Tax rates will be effective on or after 20 February 2017.
- As an interim measure, between 20 February 2017 to end-June 2017, vehicle owners will continue to pay the Special Tax based on the existing rates. The excess Special Tax paid during this interim period will be used to automatically offset the amount payable at the next road tax renewal.

Table 3: Offset measures for commercial diesel vehicles

Category of measures/ Applicable time frame	Provision of three-year road tax rebate	Yearly cash rebates for diesel school buses	Yearly cash rebates for eligible diesel private hire buses* and diesel excursion buses* that ferry school children
Objective	To ease the transition to the re-introduction of diesel duty	To ease the impact of diesel duty on school bus fees	To ease the impact of diesel duty on school bus fees
1 August 2017 to 31 July 2018	100% road tax rebate	S$1,400	Up to S$1,500
1 August 2018 to 31 July 2019	75% road tax rebate	S$700	Up to S$800
1 August 2019 to 31 July 2020	25% road tax rebate	S$350	Up to S$450

**Subject to eligibility conditions*

Foreign worker levy

- Taking cognizance of the uneven performance across different sectors of the Singapore economy last year, a calibrated approach based on sector-specific conditions is taken with respect to foreign worker levy (FWL) charges.
- For the Construction sector, as announced in Budget 2015, the FWL rates for basic tier R2 workers will be increased from S$650 to S$700 on 1 July 2017. These rates will be applicable for the period from 1 July 2017 to 30 June 2019.
- For the Marine and Process sector, in view of the challenging business conditions for this sector, there will be no changes to the FWL rates for another year, from 1 July 2017 to 30 June 2018.
- For the Manufacturing and Services sectors, there will be no change to the work permit levies for 2017.
- Please refer to Table 4 below for a snapshot of the FWL rates for work permit holders for 2017 and 2018.

Table 4: Work permit holders levy schedule

Sector	Tier	Sector dependency ratio	Levy rates (R1/R2) Current S$	Levy rates (R1/R2) 1 July 2017 S$	Levy rates (R1/R2) 1 July 2018 S$
Construction	Basic tier	≤ 87.5%	300 / 650	300 / 700	300 / 700
	MYE-Waiver		600 / 950	600 / 950	600 / 950
Services	Basic tier	≤ 10%	300 / 450	300 / 450	
	Tier 2	10-25%	400 / 600	400 / 600	
	Tier 3	25-40%	600 / 800	600 / 800	
Marine	Basic tier	≤ 83.3%	300 / 400	~~350 / 500~~ ***300 / 400*** ^	
Process	Basic tier	≤ 87.5%	300 / 450	~~300 / 500~~ ***300 / 450*** ^	
	MYE-Waiver		600 / 750	~~600 / 800~~ ***600 / 750*** ^	
Manufacturing	Basic tier	≤ 25%	250 / 370	250 / 370	
	Tier 2	25-50%	350 / 470	350 / 470	
	Tier 3	50-60%	550 / 650	550 / 650	

^Numbers in red are the revised levy rates.

Additional Special Employment Credit Scheme

- To extend the employability of older Singaporeans, the Additional Special Employment Credit (ASEC) will be extended for two and a half years, from 1 July 2017 to 31 December 2019 to provide wage offsets to employers hiring Singaporean workers who are older than the re-employment age and earning up to S$4,000 a month.
- The current re-employment age is 65 years but this will be raised to 67 years on 1 July 2017. The new re-employment age of 67 would apply to those who turn 65 on or after 1 July 2017. It follows that the ASEC seeks to encourage employers to hire two groups of Singaporean workers who are not covered by the new re-employment age:

  (i) Those aged 65 and above as at 1 July 2017, but below 67; and

  (ii) Those who are older than the new re-employment age of 67.
- Employers will receive wage offsets of up to 3% for eligible older workers, on top of the Special Employment Credit (SEC) of up to 8% for eligible Singaporean workers aged 55 and above.
- Employers who hire eligible older workers with monthly wages of not more than S$3,000 a month, will receive highest combined SEC and ASEC support of up to 11% of the employees' monthly wage.
- To better support the employment of Persons with Disabilities (PWDs), employers who hire PWDs will receive double the combined monthly SEC and ASEC, regardless of age. The combined monthly SEC and ASEC will be capped at S$330 per PWD.
- Example of monthly SEC and ASEC payout for wages paid to a Singaporean worker aged 67 and above between 1 July 2017 and 31 December 2019:

Wage of employee in a given month S$	Payout for the month for each employee		
	ASEC (up to 3% of wage) S$	SEC (up to 8% of wage) S$	Total (up to 11% of wage) S$
500	15	40	55
1,000	30	80	110
1,500	45	120	165
2,000	60	160	220
2,500	75	200	275
3,000	90	240	330
3,500[1]	45	120	165
4,000 and above	Not available	Not available	Not available

[1]A lower ASEC provided for workers who earn between S$3,000 and S$4,000.

- The extended ASEC will apply to employees on the payroll from 1 July 2017 to 31 December 2019. Together with SEC, it will be paid twice a year, in March and September.
- Employers who are eligible for ASEC wold automatically be assessed based on the regular monthly CPF contributions that employers make for their employees.

Strengthening capabilities

1. Digitalisation

- To help SMEs build digital capabilities, more than S$80 million will be set aside for a new SMEs Go Digital Programme which has the following components:

  (i) Step-by-step advice on technologies to use at each stage of their growth through the sectoral Industry Digital Plans;

  (ii) In-person help at the SME Centre and a new SME Technology Hub for specialist advice;

  (iii) Advise and funding support when piloting emerging information and communications technology solutions.

2. Innovation

- The following measures are introduced to support enterprises in their broader efforts to tap on innovation and technology:

  (i) Operation and technology road-mapping by A*STAR to help 400 companies over the next four years to identify how technology can help them to innovate and compete;

  (ii) IP initiatives to match companies with the IP they need and to co-develop IP with A*STAR to enjoy 36 months of royalty-free use of IP;

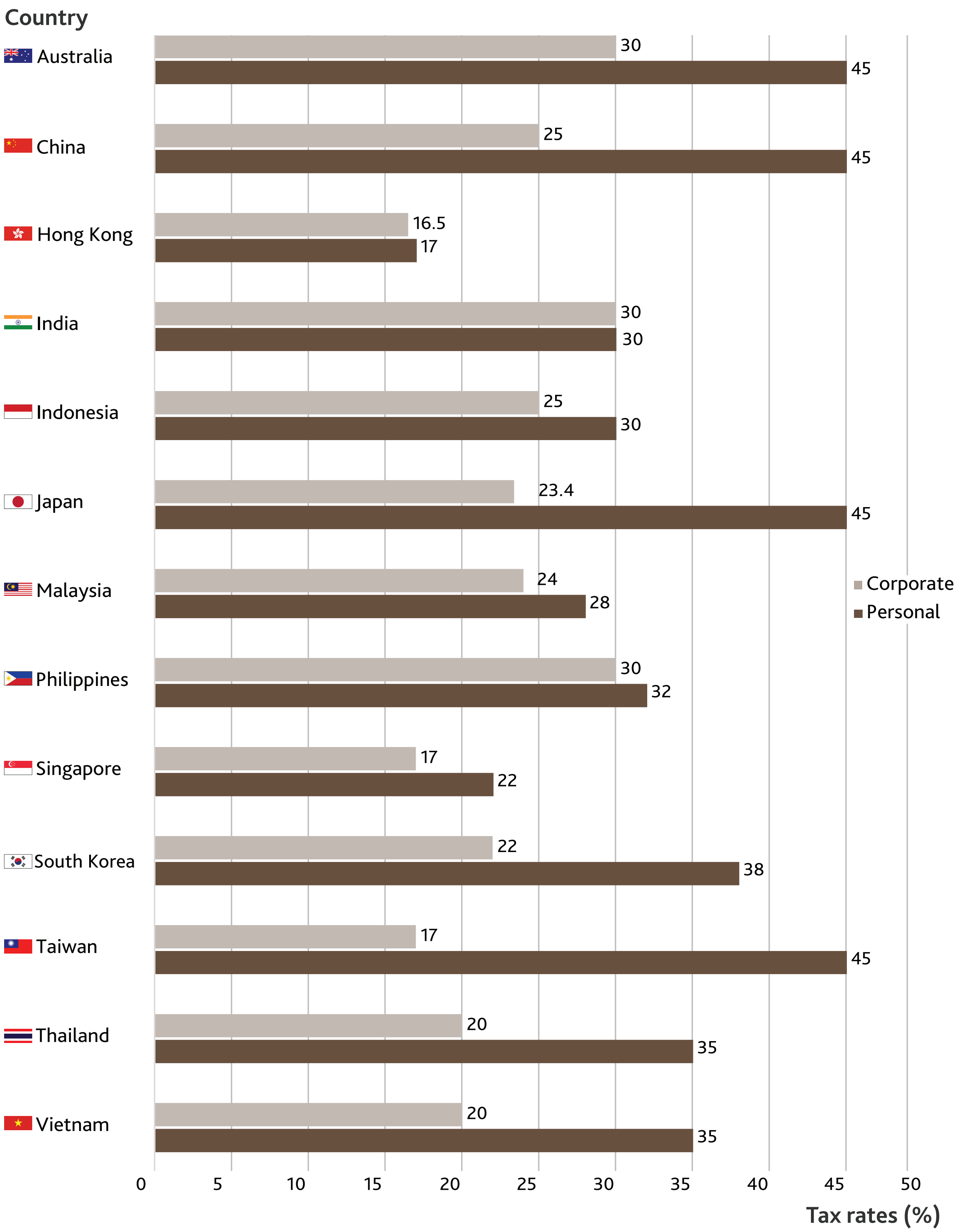
  (iii) Tech access initiative to provide companies with use of advanced and expensive machine tools for prototyping and testing.

3. Scaling up globally

- To support Singapore-based firms to scale-up and internationalise, the Government will set aside S$600 million for a new International Partnership Fund.
- The fund will co-invest with qualifying Singapore-based firms in opportunities for scale-up and internationalisation, with a focus on Asian markets.
- Qualifying Singapore-based firms should be headquartered in Singapore with annual revenue of no more than S$800 million.

APPENDICES

Appendix 1: Comparison of corporate tax rates and top marginal personal tax rates in selected countries as at 1 January 2017



Appendix 2: Personal tax rates for tax resident individuals for YA 2017 (based on income earned in year 2016)

	Chargeable income S$	Rates	Gross tax payable S$
On the first	20,000	0	0
On the next	10,000	2%	200
On the first	30,000		200
On the next	10,000	3.5%	350
On the first	40,000		550
On the next	40,000	7%	2,800
On the first	80,000		3,350
On the next	40,000	11.5%	4,600
On the first	120,000		7,950
On the next	40,000	15%	6,000
On the first	160,000		13,950
On the next	40,000	18%	7,200
On the first	200,000		21,150
On the next	40,000	19%	7,600
On the first	240,000		28,750
On the next	40,000	19.5%	7,800
On the first	280,000		36,550
On the next	40,000	20%	8,000
On the first	320,000		44,550
Above	320,000	22%	

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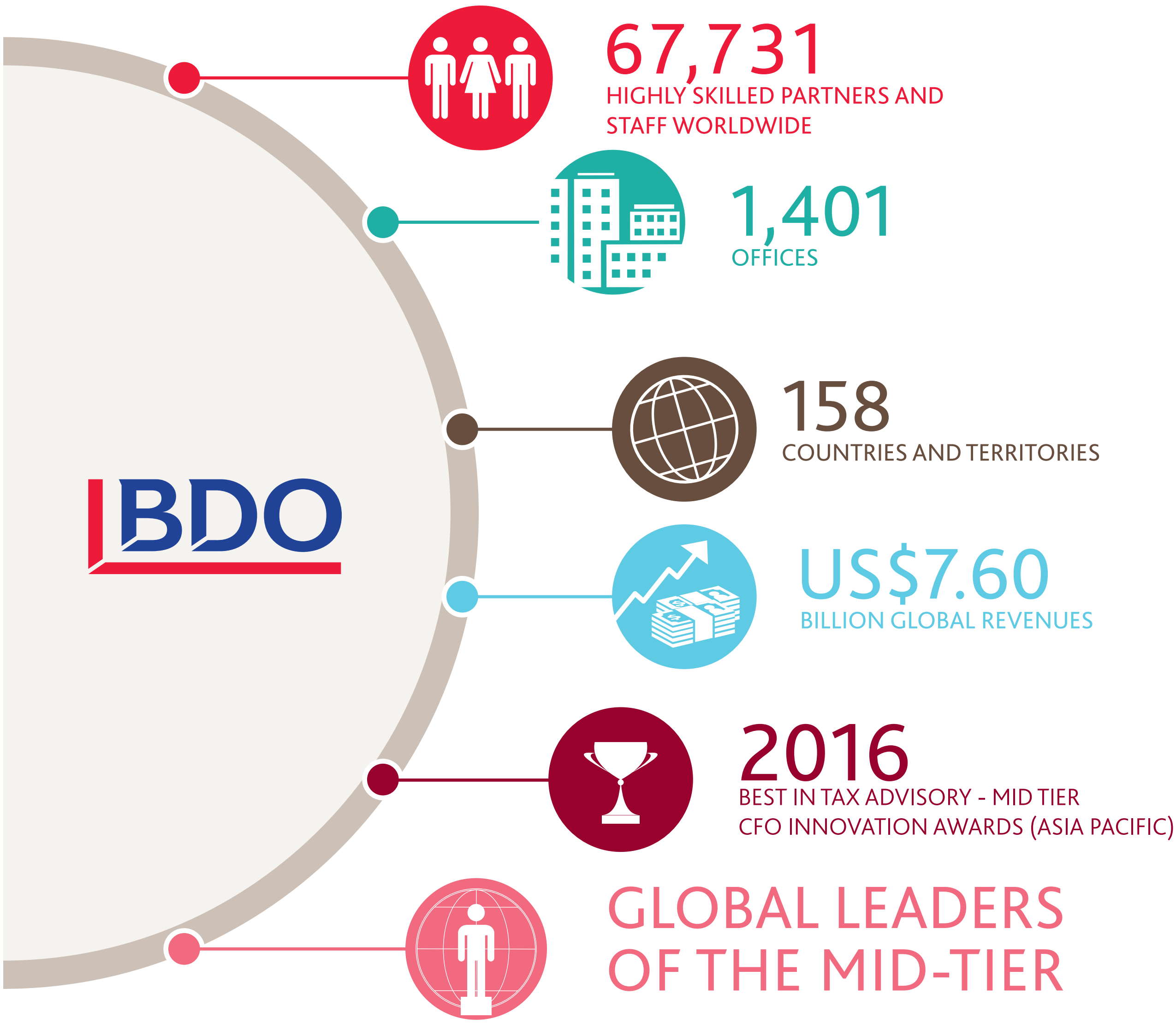

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