



SINGAPORE

BUDGET BULLETIN 2017

Moving Forward Together

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The Singapore Budget 2017 was delivered by the Finance Minister, Mr Heng Swee Keat, on 20 February 2017, one which aims for innovative economy, quality environment and inclusive society. Companies will receive some near-term support to tide over the current economic slowdown, while others will benefit from new measures to help them innovate, scale up and globalise. There are also help for our people to deepen capabilities and enhance employability. Measures to build a sustainable quality environment is another highlight of this year's Budget. Outlined below are some of the key tax changes.

BUDGET HIGHLIGHTS

- ▶ Corporate income tax rebate cap raised from S\$20,000 to S\$25,000
- ▶ One off personal income tax rebate of 20%, capped at S\$500
- ▶ New Intellectual Property Development Incentive for qualifying income based on a Base Erosion and Profit Shifting compliant modified nexus approach
- ▶ Simplified tax deduction for Section 14D - qualifying cost sharing agreement
- ▶ Enhancement of Global Trader Programme
- ▶ Extensions and refinements of various incentives
- ▶ Suite of Green Taxes and Initiatives
- ▶ Measures to support businesses
- ▶ Productivity and Innovation Credit Scheme to lapse after Year of Assessment 2018
- ▶ Withdrawing the Goods & Services Tax Tourist Refund Scheme for tourists departing by international cruise
- ▶ Additional Goods & Services Tax voucher payments to assist households cope with rising expenses

Personal Income Tax

Personal Income Tax Rebate

- For Year of Assessment (YA) 2017 – 20% Personal Income Tax rebate for resident taxpayers, capped at S\$500.

Corporate Income Tax

Corporate Income Tax Rebate

- For YA 2017 – 50% Corporate Income Tax (CIT) rebate, cap raised from S\$20,000 to S\$25,000.
- For YA 2018 – CIT rebate at a reduced rate of 20% of tax payable, capped at S\$10,000.

New and Streamlined

- Intellectual Property (IP) Development Incentive - administered by Economic Development Board to cover IP income under a Base Erosion and Profit Shifting compliant modified nexus approach, to be introduced from **1 July 2017**.
 - Finance and Treasury Centre Scheme - streamlined conditions for qualifying counterparties for certain transactions of approved Finance and Treasury Centres will apply to new or renewal of incentive awards approved on or after **21 February 2017**.
 - Global Trader Programme (GTP) - the following enhancements will apply to qualifying income derived on or after **21 February 2017**:
 - Requirement for qualifying transactions to be carried out with qualifying counterparties is removed.
 - Concessionary tax rate will be granted to global trading companies on physical trading income
 - i. 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
 - ii. attributable to storage in Singapore or any activity carried out in Singapore which adds value to commodity by any physical alteration, addition or improvement (including refining, blending, processing or bulk-breaking).
- Also, substantive requirement to qualify for GTP will be increased for new or renewal of incentive awards approved on or after **21 February 2017**.
- Section 14D cost sharing agreement - Taxpayers may opt to claim tax deduction for 75% of the payments made on or after **21 February 2017** incurred for qualifying Research & Development projects under a cost sharing agreement instead of providing the breakdown and excluding the disallowed expenditure.

Extensions and Refinements

- Aircraft Leasing Scheme extended until **31 December 2022**:
 - From **21 February 2017**, scope of qualifying ancillary activities for approved aircraft lessor covers incidental income derived from the provision of finance in the acquisition of aircraft or aircraft engines by any lessee;
 - Single concessionary tax rate of 8% will apply to new or renewal incentive awards approved on or after **1 April 2017**; and
 - Automatic withholding tax (WHT) exemption regime extended to qualifying payments made on qualifying loans entered into on or before **31 December 2022**.
- Integrated Investment Allowance Scheme extended until **31 December 2022**:
 - For projects approved on or after **21 February 2017** – qualifying productive equipment may be used by the overseas company primarily to manufacture products for the qualifying company.
- WHT exemption on payments made to non-resident non-individuals for structured products offered by financial institutions extended until **31 March 2021**.

- WHT exemption on payments for international telecommunications submarine cable capacity under an Indefeasible Rights of Use agreement extended until **31 December 2023**.
- Tax Incentive Scheme for Project and Infrastructure Finance extended until **31 December 2022**, with the exception of 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.

Goods & Services Tax

Withdrawing the GST Tourist Refund Scheme for tourists departing by international cruise

- From **1 July 2017**, Tourist Refund Scheme will be withdrawn for tourists who are departing Singapore by international cruise from cruise terminals.
- Tourists will have until **31 August 2017** to claim the refund on purchases made before **1 July 2017**.

GST Voucher (GSTV) Scheme

- One-off (GST) Voucher – Cash Special Payment
 - Eligible Singaporean will receive a one-off GST Voucher – Cash Special Payment of up to S\$200.
 - Cash recipient will receive up to S\$500 in total to be paid out in November 2017 (table 1 on Appendix page (page 5)).
- Increase in GST Voucher – U-Save rebate
 - **From July 2017**, eligible HDB households will benefit from a permanent increase of up to S\$120 in GST voucher – U-Save rebate (table 2 on Appendix (page 5)).
 - U-Save rebate will be paid over four quarters, in January, April, July and October.

Other Taxes

Introduction of Green Taxes

- Diesel duty move to volume-based duty at \$0.10 per litre with effect on or after **20 February 2017**. This is to be offset by: -
 - Permanent reduction of Special Tax on diesel cars and taxies by \$100 and \$850 respectively.
 - 100% road tax rebate for one year and partial road tax rebate for two years for commercial diesel vehicles.
 - Additional cash rebates for diesel buses ferrying school children.
- Carbon Tax to be implemented from **2019**. Price level and implementation schedule to be decided after public consultations.
- Carbon Emissions-based Vehicle Scheme (CEVS) extended until **31 December 2017**.
- New Vehicular Emission Scheme to replace CEVS from **1 January 2018**, for two years.
- Early Turnover Scheme extended until **31 July 2019**.
- Enhance Certificate of Entitlement bonus period for light goods vehicles.
- 10% NEWater tariff to be imposed from **1 July 2017**.
- Water price to be increased by 30% in two phases by **1 July 2018**.

Industry Highlights

- Bring forward S\$700m worth of infrastructure projects to start in financial year **2017** and **2018**, such as upgrading of community clubs and sports facilities, providing opportunities for local construction firms.
- Defer foreign worker levy increase in the Marine and Process sectors until **30 June 2018** to help with the current weakness in the industry.
- No further changes to the Wage Credit Scheme which will continue in **2017**.
- Special Employment Credit extended until 2019 to provide support for wages of older workers.
- Additional Special Employment Credit, where employers receive wage offsets of up to 3% for workers earning under S\$4,000 a month, extended until **31 December 2019** and will apply to new re-employment age of 67.
- The Productivity and Innovation Credit Scheme will lapse after **YA 2018**.

Strengthening Capabilities

Digitalisation

- A new Small and Medium Enterprises (SMEs) Go Digital Programme will be introduced with the following components:
 - Industry Digital Plans on technologies to use at each stage of growth.
 - In-person help at SME Centre and a new SME Technology Hub for specialist advice.
 - Advice and funding support when piloting emerging information and communications technology solutions.

Innovation

- Operation and technology road-mapping by A*STAR to help 400 companies over the next four years to identify how technology can help them innovate and compete.
- 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.
- Tech access initiative to provide companies with use of advanced and expensive machine tools for prototyping and testing.

Scaling Up

- International Partnership Fund
 - New International Partnership Fund will co-invest with qualifying Singapore-based firms in opportunities for scale-up and internalisation, with a focus on Asian markets.
 - Qualifying Singapore-based firms should be headquartered in Singapore with annual revenue of no higher than S\$800 million.

**Further details on the new, streamlined, extension and enhancements will be released by the relevant Government agencies in due course.*

APPENDIX

Table 1: One-off GST Voucher – Cash Special Payment

Assessable Income for YA2016 < \$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
GSTV – Cash Special Payment (S\$)	200	100
Total (S\$)	500	250

Table 2: Increase in GST Voucher - U-Save Rebate

HDB Flat Type	Current Annual Rebate (S\$)	Increase in Annual Rebate (S\$)	Revised Total Annual Rebate (S\$)
1- and 2-room	260	120	380
3-room	240	100	340
4-room	220	80	300
5-room	200	60	260
Executive / Multi-Generation	180	40	220

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