SINGAPORE

# BUDGET HIGHLIGHTS 2016

Business Advisors to Growing Businesses

RSM

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# FOREWORD

This year is expected to be particularly challenging for businesses in Singapore given the heightened global economic uncertainties, market volatility and continued slowdown in China's growth. Whilst the overall outlook is subdued, the economy is still expected to achieve some growth. Our business landscape is varied. There are still pockets of growth and resilience that might present opportunities for our SMEs.

In the Finance Minister Mr Heng Swee Keat's maiden Budget Speech, he unveiled the near-term fixes for businesses to ride out the current economic uncertainties and introduced long-term transformation initiatives to bring enterprises and industries to the next stage of development, with the longer term objective of getting them future-ready.

The Budget achieved the right balance between short-term support for companies and workers, while pressing on with economic restructuring needed for the longer term. In this vein, the Minister outlined three key thrusts to address the challenges in our economy.

Firstly, to address near-term concerns of companies and businesses, the corporate income tax rebate was enhanced, Special Employment Credit extended, SME Working Capital Loan scheme introduced and foreign worker levy for certain sectors deferred. This is a good mix of measures to ease escalating business costs.

The Government recognises that to drive productivity growth deeper, more targeted and sector-focused measures are much needed. With this in mind, the second thrust is the launch of a new Industry Transformation Programme. The aims of the programme are to build deep capabilities, develop people, deploy technology, develop scale and internationalise. As transformation comes not only from individual firms but also from the industry as a whole working together, the Government advocates close partnerships among businesses, industry associations and the Government to drive industry-level transformation. Two key measures announced in this regard are the development of a National Trade Platform and the development and deployment of new technologies to solve problems that are relevant for the entire industry.

Lastly, there will be support available for our people to adapt to changes, overcome challenges and seize opportunities. The Government recognises the importance of investing in people. It will continue to invest in and enhance the SkillsFuture programme for Singaporeans to learn new skills or deepen their skill sets with better education and training. The new Adapt and Grow initiative is important to help employees to adapt to changing job demands and to skill, reskill or upskill so as to stay relevant in the future economy.

In short, the focus of this year's Budget is to enable businesses to transform so that they emerge stronger in the coming years when the global economy recovers.

**Cindy Lim**

Partner
24 March 2016

# BUSINESS TAX

## Corporate income tax rate and rebate

***Current***

- The current corporate income tax rate is 17% with a partial tax exemption for normal chargeable income of up to $300,000 as follows:
  - 75% exemption of the first $10,000; and
  - 50% exemption of the next $290,000.

- Previously as part of the Transition Support Package, companies were granted a 30% Corporate Income Tax ("CIT") rebate, capped at $30,000 per Year of Assessment ("YA") from YA 2013 to YA 2015. The 30% rebate was extended for a further two years, i.e. YA 2016 and YA 2017, in the 2015 Budget announcement but with a reduced cap of $20,000 per YA.

  All companies, including registered business trusts, regardless of their tax residency status and whether or not enjoying a concessionary rate of tax, are entitled to the CIT rebate. The rebate however, does not apply to income of a non-Singapore tax resident company that is subject to final withholding tax.

- The effective rate of tax for the first $300,000 of normal chargeable income, taking into account the 30% rebate, is 5.85%; it is 8.36% without the 30% rebate.

***Proposed changes***

- To help companies, especially Small and Medium Enterprises (“SMEs”), the CIT rebate will be raised to 50% for YA 2016 and YA 2017, subject to a cap of $20,000 rebate per YA.

***Effective date***

- YA 2016 and YA 2017

***Comments***

- The corporate income tax rate in Singapore continues to be low and competitive compared with a number of key countries (see chart on next page). That said, there appears to be a general trend for other countries to reduce their headline rate of tax too in order to remain globally competitive.

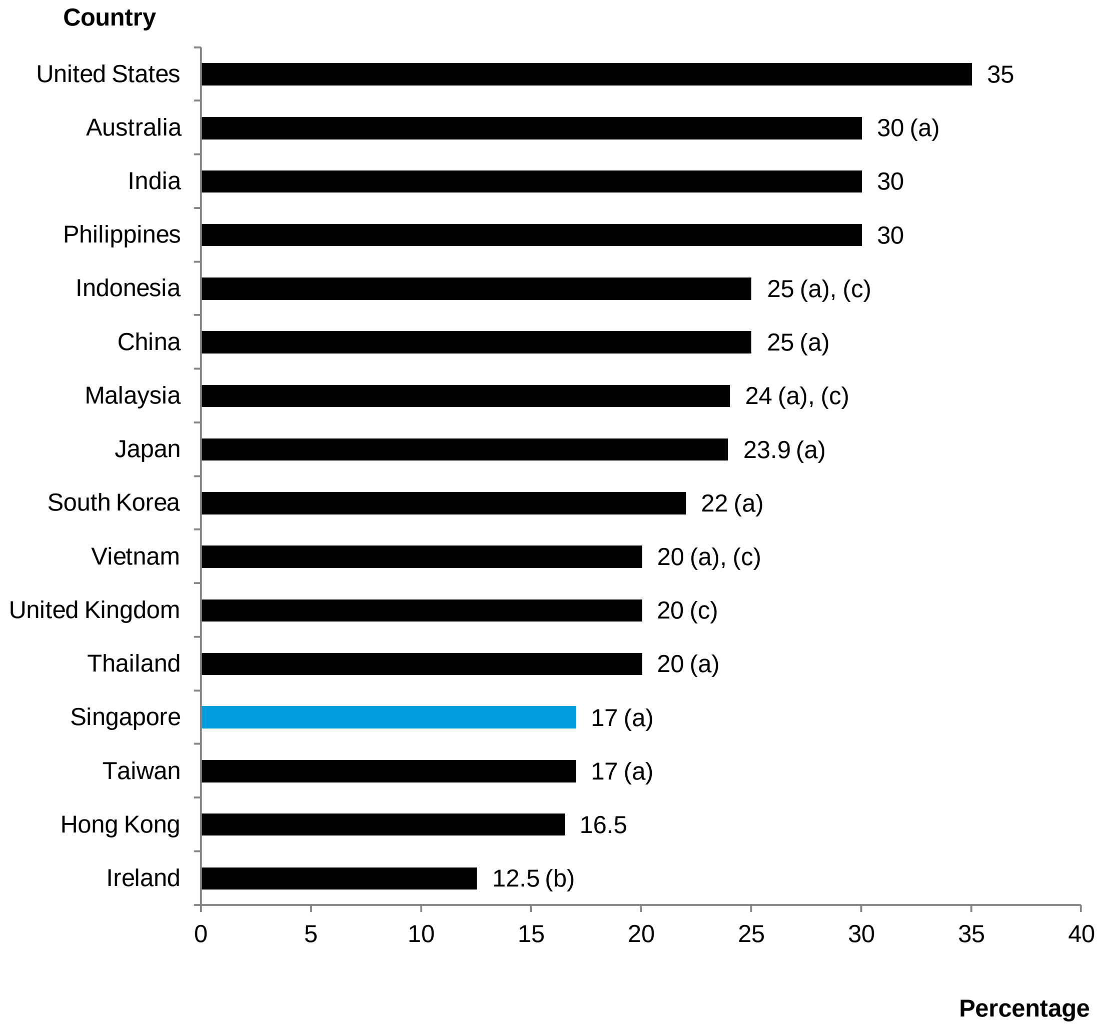
- With the increase in CIT rebate from 30% to 50%, the effective rate for the first $300,000 of normal chargeable income, taking into account the 50% rebate, will be reduced to 4.18% from 5.85% for YA 2016 and YA 2017.

- The Government is mindful that SMEs, who constitute the majority of the Singapore economy, may not get to enjoy the full benefit of the $20,000 tax rebate due to their lower levels of chargeable income. The increase in the rebate to 50% of the tax payable, whilst maintaining the overall rebate dollar amount at $20,000, helps the SMEs to reap a greater amount of the $20,000 tax rebate benefit for the YA 2016 and YA 2017.

- Companies paying little or no tax should consider deferring the capital allowances claim and/or not surrendering losses to group companies in order to maximise the CIT rebate claims for the YA 2016 and YA 2017.

## Prevailing corporate income tax rates in selected countries

Singapore's corporate income tax rate is considered very competitive compared with a number of other key countries as noted below.




(a) Lower rates or partial tax exemption are applicable for lower income bands, companies with smaller paid-up capital or those engaged in certain preferred trade activities.

(b) Only applicable to trading income. Different rates apply to other sources of income.

(c) Higher corporate tax rate applicable to activities of exploration and exploitation of oil and gas and other precious natural resources.

*The rates above are headline rates of tax excluding dividend withholding tax, surcharges, cess or other state and local taxes, where applicable.*

*Please note that the corporate income tax rates above are based on our current understanding of the respective countries' corporate income tax. The chart above is for illustrative purposes only. You should confer with your respective tax advisors before relying on the information above to make any decisions.*

## Introducing mandatory electronic-filing for corporate income tax returns (including estimated chargeable income, Form C and Form C-S)

***Current***

- Businesses may file their annual corporate income tax returns via hardcopy or through Inland Revenue Authority of Singapore ("IRAS") e-Services platform.

***Proposed changes***

- In line with the Government's direction for more effective delivery of public services and to be aligned with the Smart Nation vision to harness technology to enhance productivity, mandatory electronic-filing ("e-Filing") of corporate income tax returns will be implemented in stages as follows:
  - YA 2018 : Companies with turnover of more than $10 million in YA 2017
  - YA 2019 : Companies with turnover of more than $1 million in YA 2018
  - YA 2020 : All companies

***Effective date***

- To be implemented in stages from YA 2018 to YA 2020

***Comments***

- This is a welcome move as it will expedite the preparation and filing of corporate income tax returns and hopefully the finalisation of tax assessments by IRAS. The e-Filing may allow IRAS to process tax refunds to taxpayers faster as well.

- IRAS does not provide acknowledgement receipt for documents submitted via hardcopy currently. The mandatory e-Filing of corporate income tax returns will enable taxpayers to prove beyond doubt when their tax returns were lodged with IRAS in situations where such proof is warranted.

## Allowing Productivity and Innovation Credit scheme to lapse and lowering the cash payout rate

***Current***

- Under the Productivity and Innovation Credit ("PIC") scheme, businesses can convert qualifying expenditure into a non-taxable cash payout at a cash payout rate of 60% on up to $100,000 of expenditure across six qualifying activities[1] per YA.
- Alternatively, they can claim 400% deduction for up to $400,000 ($600,000 under PIC+) of qualifying expenditure for each of the six qualifying activities per YA.
- The PIC scheme was first introduced in the 2010 Budget and took effect from YA 2011 to YA 2015. The scheme had since been simplified, enhanced and more recently extended in the 2014 Budget for a further three years, i.e. YA 2016 to YA 2018.

***Proposed changes***

- The cash payout rate will be lowered from 60% to 40% for qualifying expenditure incurred from 1 August 2016.
- All other conditions for the scheme remain unchanged.
- The PIC scheme, which has been extended for YA 2016 to YA 2018, will expire thereafter. It will not be available from YA 2019.

***Effective date***

- The cash payout rate is lowered for qualifying expenditure incurred from 1 August 2016
- The PIC scheme will lapse from YA 2019

***Comments***

- The Government is gradually phasing out broad-based support, such as those granted under the PIC scheme, to make way for the launch of the new Industry Transformation Programme which are targeted measures and support in areas such as automation, scaling-up and internationalisation to help firms and industries create new value and drive growth.
- With the reduction of the cash payout sum by $20,000, taxpayers may wish to re-assess whether it is more beneficial to carry over the "excess" enhanced qualifying expenditure as losses for offset against future profits or to receive an immediate but much lower cash payout.
- If taxpayers had planned originally to incur qualifying PIC expenditure in financial year 2018, considerations should now be made to see if it is commercially viable for such expenditure to be accelerated to financial year 2017 before the PIC scheme lapses.

  Likewise, as the cash payout rate will be lowered for qualifying expenditure incurred post 31 July 2016, companies may wish to bring forward their spending plans.

[1] The six qualifying activities are: (i) Acquisition / Leasing of Information Technology ("IT") and Automation Equipment; (ii) Training of employees; (iii) Acquisition / In-licensing of Intellectual Property Rights ("IPRs"); (iv) Registration of qualifying IPRs; (v) Research and Development activities; and (vi) Design projects approved by DesignSingapore Council.

## Introducing mandatory electronic-filing for PIC cash payout application

***Current***

- Businesses may submit their Productivity and Innovation Credit ("PIC") cash payout applications via hardcopy or through IRAS PIC Cash Payout e-Services.

***Proposed changes***

- To streamline and expedite processing of PIC cash payout applications, mandatory e-Filing of PIC cash payout applications will be introduced. This is also aligned with the Smart Nation vision to harness technology to enhance productivity.

***Effective date***

- The mandatory e-Filing of PIC cash payout applications will be effective from 1 August 2016

***Comments***

- The mandatory e-Filing should facilitate work processes and expedite the processing of PIC cash payout claims by IRAS.

## Providing an election for the writing-down period for IPRs

***Current***

- Under Section 19B of the Income Tax Act ("ITA"), companies or partnerships can claim writing-down allowance ("WDA") on the acquisition cost of qualifying intellectual property rights ("IPRs")[2] over a period of five years.

***Proposed changes***

- To recognise the varying useful lives of IPRs, while maintaining a simple and certain tax regime, companies or partnerships may elect for their Section 19B WDA to be claimed over a writing-down period of 5, 10 or 15 years.

- The election must be made at the point of submitting the tax return of the year of assessment ("YA") relating to the basis period in which the qualifying cost is first incurred. The election, once made, is irrevocable.

- IRAS will release further details of the change by 30 April 2016.

***Effective date***

- Qualifying IPR acquisitions made within the basis periods for YA 2017 to YA 2020

***Comments***

- It is a welcome move now that taxpayers are given the flexibility to extend the period of their Section 19B claim. However it remains to be seen what conditions will be imposed by IRAS if the claim period were to be lengthened to either 10 or 15 years and also whether there is any flexibility to defer the claim in any particular year.

- Companies that are currently enjoying tax incentive(s) or reduced corporate income tax rates may wish to consider opting for the 10 or 15-year writing-down period in order to maximise the claim for the WDA post-tax incentive period.

- A longer writing-down period claim may help to maximise the use of foreign tax credit on royalties or licence fees earned on the IPRs from overseas sources if foreign withholding taxes are suffered.

- With a longer writing-down period, it also minimises the risk of forfeiture of the unabsorbed WDA in situations where there is a substantial share ownership change.

[2] The qualifying IPRs under Section 19B are patents, trademarks, registered designs, copyrights, geographical indications, lay-out designs of integrated circuits, trade secret or information that has commercial value, and plant varieties.

## Introducing an anti-avoidance mechanism for IPR transfers under Section 19B of the ITA

***Current***

- There are currently no specific provisions that explicitly authorise the Comptroller of Income Tax to make adjustments to the transacted price of an intellectual property right ("IPR") to ensure that it is reflective of the market value.

***Proposed changes***

- To ensure that Section 19B writing-down allowance ("WDA") is granted based on transacted values that are reflective of the open market value ("OMV") of an IPR, an anti-avoidance mechanism for IPR transfers will be included under Section 19B to empower the Comptroller of Income Tax to make the following adjustments to the transacted price of the IPR, if the IPR is not transacted at OMV:

  - If the acquisition price of the IPR is higher than the OMV of the IPR, the Comptroller of Income Tax may substitute the acquisition price with the OMV of the IPR and restrict the writing-down allowance based on the OMV of the IPR; and

  - If the disposal price of the IPR is lower than the OMV of the IPR, the Comptroller of Income Tax may substitute the disposal price with the OMV of the IPR for the purpose of computing balancing charge.

***Effective date***

- Applicable to acquisitions, sales, transfers or assignments of IPRs that are made from 25 March 2016

***Comments***

- The aim of introducing this anti-avoidance mechanism is to prevent abuse of Section 19B claims in particular if the transactions in question are related party transactions. For third party transactions, if the consideration is a willing-seller, willing-buyer negotiated price and it is fully supported by an established third party professional valuer, the pricing stands a much higher chance of not being challenged under this new anti-avoidance provision. That said, the onus is still on taxpayers to prove to the satisfaction of IRAS that the transacted price is indeed at OMV.

- Currently the following quantum of transactions are expected to be supported by third party valuation reports:

  - Where capital expenditure for the IPR acquisition is equal to or greater than $0.5 million for related party transactions.

  - Where capital expenditure for the IPR acquisition is equal to or greater than $2 million for unrelated party transactions.

  The cost of acquiring IPRs is set to rise in future as professional third party valuations are expected to be sought regardless of the value of transactions if the risk of being challenged under the proposed new anti-avoidance measure is to be avoided.

- Going forward, sufficient detailed documentation should also be maintained to substantiate how the negotiated transacted prices of IPRs were arrived at and the relevant commercial factors considered in arriving at premiums, if any, paid for the IPRs.

- The uncertainty on what quantum of costs could potentially qualify for Section 19B deduction could be a factor limiting the use of Singapore as the location to hold IPRs.

## 100% investment allowance under the Automation Support Package

***Current***

- There is currently no Automation Support Package.

***Proposed***

- To support firms to automate, drive productivity and scale up, SPRING Singapore (“SPRING”) will implement an Automation Support Package comprising four components for an initial period of three years:

  - Support under SPRING’s Capability Development Grant (“CDG”)

    The CDG will be expanded to support the roll-out or scaling up of automation projects at up to 50% of the qualifying cost. The grant is capped at $1 million.

  - Investment Allowance ("IA")

    Qualifying projects may be eligible for an IA of 100% on the amount of approved capital expenditure[3], net of grants. This IA is in addition to the existing capital allowance for plant and machinery. The approved capital expenditure is capped at $10 million per project.

  - Enhanced financing support

    To improve access to loans for qualifying projects, the government will increase the risk-share with participating financial institutions under SPRING’s Local Enterprise Finance Scheme equipment loan, from 50% to 70% for qualifying projects undertaken by SMEs. The Local Enterprise Finance Scheme will be expanded to cover equipment loan for non-SMEs at 50% risk-share with participating financial institutions.

  - International Enterprise Singapore (“IE Singapore”) will work with SPRING where relevant to help businesses to access overseas markets.

***Effective date***

- Ministry of Trade and Industry ("MTI") will announce more details at the Committee of Supply. The effective date is yet to be announced.

***Comments***

- The introduction of the Automation Support Package is a good move. Automation is certainly needed for future businesses. Our businesses must be ready to compete when the global economy recovers. This reflects the Government’s continued commitment to drive productivity and innovation. The role of the Automation Support Package appears even more pertinent in light of the Productivity and Innovation Credit ("PIC") scheme expiring in year of assessment 2018.

- The 100% IA in addition to the normal capital allowances claim for plant and machinery is generous and would further motivate businesses to commit on capital outlays on qualifying projects. This is especially so since the IA grant currently is only up to 50% of qualifying expenditure.

[3] Fixed capital expenditure is defined under the Economic Expansion Incentives (Relief from Income Tax) Act.

- Further details about the new Automation Support Package and the conditions to be met are awaited from MTI. There are a number of areas to clarify. For instance, what constitutes automation projects, qualifying projects for IA and who are eligible to apply. Currently, the CDG and SPRING's Local Enterprise Finance Scheme are for SMEs only. SMEs for this purpose are defined as companies that are at least 30% locally owned, have a group annual turnover that does not exceed $100 million and the group in question does not employ more than 200 employees. It remains to be seen whether a wider group of companies will be eligible for this new Package. Clarification is also needed on whether the same project qualifying for IA is also eligible for the CDG if all relevant conditions are met.

## Enhancing the Mergers and Acquisitions scheme

***Current***

- The Mergers and Acquisitions (“M&A”) scheme was introduced in 2010 and enhanced in 2015 to encourage companies, especially SMEs, to consider M&A as a strategy for growth and internationalisation. The scheme is available for qualifying M&A executed from 1 April 2010 to 31 March 2020.

- Existing tax benefits under the M&A scheme:

  - M&A tax allowance of 25% for up to $20 million of consideration paid for qualifying M&A deals per year of assessment ("YA").

    The overall M&A allowance claimable is capped at $5 million for each YA for all qualifying share acquisitions executed in the basis period for that YA.

    The M&A allowance is allowed over five years on a straight-line basis.

  - Stamp duty relief on the transfer of unlisted shares for up to $20 million of consideration paid for qualifying M&A deals per financial year. This works out to a cap of $40,000 of stamp duty per financial year.

***Proposed changes***

- To support more M&As, the existing cap for qualifying M&A deals will be doubled from $20 million to $40 million, such that:

  - Tax allowance of 25% will be granted for up to $40 million of consideration paid for qualifying M&A deals per YA; and

  - Stamp duty relief will be granted for up to $40 million of consideration paid for qualifying M&A deals per financial year.

- IRAS will release further details of the change by June 2016.

***Effective date***

- For qualifying M&A deals made from 1 April 2016 to 31 March 2020

***Comments***

- The Government is putting a lot of efforts in helping SMEs to scale up and internationalise and encouraging them also to expand and grow their businesses via strategic acquisitions. With the current economic down-turn, it may prove opportune for some to pick up good M&A deals. Hence it is timely that the cap for the value of qualifying acquisitions is increased from $20 million to $40 million.

  What this translate to is that for qualifying transactions, the tax allowance benefit claimable under the scheme is increased from the current level of $5 million to $10 million for qualifying M&A deals concluded post 31 March 2016. Assuming that the maximum $10 million benefit is claimed, it would mean a reduction of $1.7 million in tax payable on profits over a period of five years.

- In the 2015 Budget, the M&A scheme was refined by increasing the M&A allowance rate to 25% (from 5%) and reducing the value of qualifying acquisition cap to $20 million (from $100 million). Also the shareholding eligibility tiers were modified to allow the acquisition of a smaller shareholding stake, from between 20% to 50%, to qualify. These modified changes which took effect from 1 April 2015 benefitted smaller-sized SMEs who typically have smaller acquisition deals.

  The announced changes for this year, which will take effect from 1 April 2016, are targeted at benefiting the larger-sized SMEs who might engage in acquisition deals in excess of $20 million.

- In addition to the M&A allowance and the stamp duty relief accorded under the scheme, qualifying transaction costs of up to $100,000 incurred in relation to qualifying acquisitions are eligible for double tax deduction. No changes are made in this area.

## Extending the Double Tax Deduction for Internationalisation scheme

***Current***

- Under the Double Tax Deduction ("DTD") for Internationalisation scheme, businesses are allowed automatic[4] DTD, on up to $100,000 of qualifying expenses incurred on or before 31 March 2016 on the following qualifying activities:
  - Overseas business development trips / missions
  - Overseas investment study trips / missions
  - Participation in overseas trade fairs
  - Participation in approved local trade fairs
- Approved businesses may also apply to IE Singapore or Singapore Tourism Board on qualifying expenditure that exceeds the above mentioned $100,000 cap, or on qualifying expenditure incurred on other qualifying activities, on a case-by-case basis.
- The DTD for Internationalisation scheme is scheduled to lapse after 31 March 2016.

***Proposed changes***

- To support businesses in their internationalisation efforts, the DTD for Internationalisation scheme will be extended for another four years from 1 April 2016 to 31 March 2020.

  The existing automatic DTD on expenses up to $100,000 will also be extended to qualifying expenditure incurred during this same period (1 April 2016 to 31 March 2020).

  All other conditions of the scheme remain the same.
- IE Singapore will release further details of the change by June 2016.

***Effective date***

- Qualifying expenditure incurred during the period from 1 April 2016 to 31 March 2020

***Comments***

- The extension of the scheme is timely and will greatly benefit companies who are now more keen to explore opportunities and seek out new markets overseas in order to expand their existing business base in Singapore.
- The continuance of the automatic DTD on qualifying expenditure incurred up to $100,000 is very much welcomed as it eases and lessens taxpayers' administrative burden in making such claims.

[4] This means that there is no need for approval from IE Singapore or Singapore Tourism Board.

## Enhancing the Global Trader Programme (Structured Commodity Finance) scheme

***Current***

- An approved Global Trader Programme (Structured Commodity Finance) ("GTP(SCF)") company is granted a concessionary tax rate of 5% or 10% on its income from the following qualifying activities:

  (a) Factoring
  (b) Forfaiting
  (c) Prepayment
  (d) Countertrade
  (e) Warehouse receipt financing
  (f) Export receivable financing
  (g) Project finance
  (h) Islamic trade finance
  (i) Transacting in derivatives to hedge against risks relating to any of the activities from (a) to (h)
  (j) Advisory services in relation to any of the activities from (a) to (h)

***Proposed changes***

- To strengthen Singapore's trade finance capabilities and encourage more structured commodity finance activities to be done in Singapore, the GTP(SCF) scheme will be enhanced to include the following qualifying activities:

  - Consolidation, management and distribution of funds for designated investments
  - Mergers and acquisitions advisory services
  - Streaming Financing

- IE Singapore will release further details by June 2016.

***Effective date***

- From 25 March 2016

***Comments***

- Singapore has attracted sizable global trading activities based out of Singapore. These global players are increasingly engaged in new and sophisticated trade service offerings.

  The Government has kept abreast of the changes and demands of this business segment. To stay relevant, the three additional services are now included as qualifying activities to enhance the attractiveness of the GTP (SCF) scheme. It serves also to encourage more of such structured commodity finance activities to be conducted out of Singapore.

## Enhancing the Maritime Sector Incentive

***Current***

- Under the Maritime Sector Incentive ("MSI"), ship operators and ship lessors can enjoy tax benefits summarised in the Table below.

| Category | Existing Tax Incentives |
|---|---|
| Ship operators | ▪ MSI-Shipping Enterprise (Singapore Registry of Ships) ("MSI-SRS")<br><br>Tax exemption on qualifying income derived mainly from operating Singapore-flagged ships<br><br>The exemption also covers income derived from the uplift of freight (excluding transhipment) from Singapore by foreign-flagged ships<br><br>▪ MSI-Approved International Shipping Enterprise ("MSI-AIS") Award<br><br>Tax exemption on qualifying income derived from operating foreign-flagged ships |
| Ship lessors | ▪ MSI-Maritime Leasing (Ship) ("MSI-ML(Ship)") Award<br><br>Tax exemption on income derived from leasing of ships used for qualifying activities to qualifying counterparties for use outside the port limits of Singapore. |

***Proposed changes***

To further develop Singapore as an international Maritime Centre, the MSI will be enhanced as follows:

- The MSI-SRS and MSI-AIS awards will cover income derived from operation of ships used for exploration or exploitation of offshore energy or offshore minerals, or ancillary activity relating to exploration or exploitation of offshore energy or offshore minerals.
- The MSI-ML(Ship) award will cover income derived from leasing of ships used for exploration or exploitation of offshore energy or offshore minerals, or ancillary activity relating to exploration or exploitation of offshore energy or offshore minerals.
- The restriction on the qualifying counterparty's requirement under MSI-ML(Ship) award will be removed. Therefore, tax exemption will be granted on income derived from leasing of ships used for qualifying activities to any counterparties for use outside the port limits of Singapore.
- Maritime and Port Authority of Singapore will release further details of the changes by June 2016.

***Effective date***

- The enhancements to the MSI will take effect from 25 March 2016

***Comments***

- With the world leaders' commitments to cut greenhouse gas emissions, increasingly the investment focus is on renewable energy. In addition, the weak oil and gas prices also prompted companies in this sector to diversify into new areas of business such as seabed mining of non-oil and gas resources. It is apt therefore to include "exploration or exploitation of offshore energy and offshore minerals" activities in the MSI for ship operators and ship lessors.

- It is good to note that for the MSI-ML (Ship) award, tax exemption is now accorded to income derived from the leasing of ships to any lessees, including Singapore-based entities, as long as the ships are for use in qualifying activities outside the port limits of Singapore.

- It will be interesting to see what activities will be considered as "ancillary activity relating to exploration or exploitation of offshore energy or offshore minerals", the income of which will be tax exempted under the MSI.

## Extending and enhancing the Finance and Treasury Centre scheme

***Current***

- The Finance and Treasury Centre ("FTC") scheme grants a concessionary tax rate of 10% on qualifying income derived by approved FTCs from qualifying activities or services.
- Funds from approved offices and associated companies must be obtained directly by the FTC for the carrying out of its qualifying activities or services.
- Withholding tax exemption is also granted, subject to conditions, on prescribed payments made by the FTC to non-residents who are approved offices and associated companies of the FTC.
- The scheme is scheduled to lapse after 31 March 2016.

***Proposed changes***

- To enhance activities in the areas of finance and treasury, the FTC scheme will be extended till 31 March 2021 with the following enhancements:
  - The concessionary tax rate will be lowered to 8%. The substantive requirements to qualify for the scheme will be increased.
  - To qualify for the concessionary tax rate, the FTCs will be allowed to obtain funds indirectly from approved offices and associated companies. Safeguards will be put in place to address the round-tripping risks.
  - The scope of tax exemption granted under Section 13(4) will be expanded to cover interest payments on deposits placed with the FTC by its non-resident approved offices and associated companies, provided the funds are used for the conduct of qualifying activities or services.
- Singapore Economic Development Board (“EDB”) will release further details of the change by June 2016.

***Effective date***

- From 25 March 2016

***Comments***

- The reduction of the concessionary tax rate to 8% will enhance Singapore’s attractiveness as a location for companies to house their finance and treasury activities, bearing in mind that our neighbouring countries Malaysia and Hong Kong also have similar incentives to attract such activities.
- It is understandable that the lowering of the concessionary tax rate comes with the increase in substantive requirements to qualify for the scheme. Presumably the increased business requirements will be in the areas of business spending, headcount and the inclusion of additional functions. It is hoped that the increased requirements and commitments are not so onerous as to render Singapore unattractive.
- The relaxation of the requirement to obtain funds directly from approved network companies for the conduct of qualifying FTC activities is a welcome move as typically in large groups of companies, funds from approved network companies may be aggregated and disbursed by a cash pooling entity to the FTC.
- It is hoped that the safeguards that EDB will put in place to address the round-tripping risks as well as the onus expected to be placed on FTC to identify and track its sources of funds will not be overly burdensome as to substantially increase the administrative costs to a FTC.

## Extending and refining the tax incentive scheme for trustee companies

***Current***

- Approved trustee companies are granted a concessionary tax rate of 10% on qualifying income derived from the provision of trustee and custodian services, and trust management or administration services.
- The maximum tax incentive period for an approved trustee company is 10 years.
- The scheme is scheduled to lapse after 31 March 2016.

***Proposed changes***

- The scheme will be subsumed under the Financial Sector Incentive ("FSI") scheme from 1 April 2016.
- The scope of qualifying activities will be expanded to align with trustee activities covered under the Financial Sector Incentive-Standard Tier ("FSI-ST") scheme from 1 April 2016 for new and current incentive recipients.
- A concessionary tax rate of 12% will apply to new awards from 1 April 2016.
- The current incentive recipients will continue to enjoy existing benefits till the expiry of their awards and may apply for renewal of their awards under the FSI scheme thereafter.
- MAS will release further details of the change by June 2016.

***Effective date***

- From 1 April 2016

***Comments***

- With the tax rate increase to 12% for new applicants or renewal cases, the tax benefit involved may now be marginal if the administrative and compliance costs involved in tracking incentivised and non-incentivised income and expenses are high, bearing in mind also that the effective tax rate for the first $300,000 of normal chargeable income is only 8.36% (before the tax rebate). The full 17% tax rate only kicks in for normal chargeable income in excess of $300,000.

## Extending and refining the tax incentive schemes for insurance companies

***Current***

- Marine Hull and Liability Insurance
  - Under the tax incentive scheme for Marine Hull and Liability Insurance, approved insurers are granted tax exemption or a concessionary rate of 5% on qualifying income derived from carrying on of marine hull and liability insurance business.
  - The scheme is scheduled to lapse after 31 March 2016.
- Specialised Insurance Business
  - Under the tax incentive scheme for Specialised Insurance Business, approved insurers are granted tax exemption on qualifying income derived from carrying on of offshore specialised insurance business.
  - The scheme is scheduled to lapse after 31 August 2016.
- Captive Insurance
  - Under the tax incentive scheme for Captive Insurance, approved insurers are granted tax exemption on qualifying income derived from carrying on of offshore captive insurance.
  - The scheme is scheduled to lapse after 31 March 2018.
- Insurance Business Development
  - Under the Insurance Business Development ("IBD") scheme, approved insurers are granted a concessionary tax rate of 10% on qualifying income derived from the carrying on of offshore insurance business.
  - The scheme is scheduled to lapse after 31 March 2020.

***Proposed changes***

- To streamline and simplify the tax incentives for the insurance sector, while ensuring the continued growth of high-value insurance activities in Singapore, the tax incentive schemes for Marine Hull and Liability Insurance, Specialised Insurance Business and Captive Insurance will be subsumed under the IBD umbrella scheme with the following changes:
  - Marine Hull and Liability Insurance
    - The Marine Hull and Liability Insurance scheme will be subsumed under the IBD umbrella scheme from 1 April 2016.
    - A concessionary tax rate of 10% will apply to new and renewal awards from 1 April 2016.

- Specialised Insurance Business

    - The Specialised Insurance Business scheme will be subsumed under the IBD umbrella scheme as an enhanced tier award from 1 September 2016 up till 31 August 2021.

    - A concessionary tax rate of 8% will apply to new awards from 1 September 2019. As a transitional measure, a concessionary tax rate of 5% will apply to new awards from 1 September 2016 to 31 August 2019.

    - A concessionary tax rate of 10% will apply to renewal awards from 1 September 2016.

    - The scope of qualifying activities will be expanded to cover business of underwriting both onshore and offshore specialised risks from 1 September 2016 for new and current approved insurers.

- Captive Insurance

    - The Captive Insurance scheme will be subsumed under the IBD umbrella scheme from 1 April 2018.

    - A concessionary tax rate of 10% will apply to new and renewal awards from 1 April 2018.

- The current approved insurers will continue to enjoy benefits under their existing insurance awards till the expiry of their awards and may apply for renewal under the IBD scheme thereafter.

- MAS will release further details of the change by June 2016.

***Comments***

- In a surprising move, the consolidation of different insurance businesses under a single IBD umbrella scheme was announced. The key point to note is that there is a complete shift away from full tax exemption awards. The standardised concessionary tax rate for various insurance businesses is now 10%, apart from new awards given out to Specialised Insurance Business which is 8%.

## Introducing the Business and IPC Partnership Scheme

***Current***

- Currently, corporate social responsibility expenditure made by businesses is deductible as part of their business expenses as they receive benefits such as goodwill, branding and enhanced corporate image in return.

***Proposed changes***

- To incentivise employee volunteerism through businesses, a pilot Business and IPC Partnership Scheme (“BIPS”) will be introduced from 1 July 2016 to 31 December 2018.
- Under BIPS, businesses will enjoy an additional 150% tax deduction on qualifying expenditure incurred when they send their employees to volunteer and provide services to Institutions of a Public Character ("IPCs'), including secondments.
- This will be subject to the receiving IPCs' agreement, with a yearly cap of $250,000 per business and $50,000 per IPC on the qualifying costs.
- The overall scheme design for BIPS is outlined in the Table below.

| S/N | Design Parameter | Details |
|---|---|---|
| 1 | Scope of Tax Deduction | 150% additional tax deduction for basic wages and volunteering expenditure incurred (over the existing 100% for expenditure) |
| 2 | Types of Services | ▪ No restriction on the types of services (including volunteering activities organised with IPCs, subject to receiving IPC's agreement)<br>▪ Donation of goods will not qualify for tax deduction |
| 3 | Secondment | ▪ All types of secondments are allowed, subject to IPCs' agreement with businesses (some possible sectors include legal, IT, accounting, other professional services, where IPCs require assistances)<br>▪ No limit on duration, including flexible secondment arrangement (e.g. interspersed secondment work) |
| 4 | Qualifying Donors | All businesses, including sole proprietorships, partnerships, companies, registered business trusts, clubs and trade associations deemed to be carrying on a business |
| 5 | Beneficiaries | IPCs only |
| 6 | Valuation/ Qualifying Costs | ▪ Via declaration by businesses, with document proof to IPCs<br>▪ Details will be provided at a later date |
| 7 | Carry forward of unutilised tax deductions | As per existing tax rules on unutilised losses |
| 8 | Exclusions | Wages of owners (in sole proprietorships, partnerships, and companies) are disqualified from tax deductions |

- MOF and IRAS will release further details, including guidelines to IPCs on the administration of the scheme by June 2016.

***Effective date***

- From 1 July 2016 to 31 December 2018

***Comments***

- In line with the Government's aim to build a more caring society, this scheme is introduced to encourage employee volunteerism through businesses. Businesses will enjoy a 250% tax deduction on basic wages and incidental expenses when they send their employees to volunteer and provide services to IPCs, including secondments.

  IRAS clarified that basic wages exclude employers' contributions to Central Provident Fund ("CPF"), bonus, benefits-in-kind, allowances and other components of wage costs. As for incidental expenses, we expect the inclusion of those direct and tax deductible costs incurred in connection with the service provision to IPCs. This is however subject to further clarifications by MOF and IRAS.

  To illustrate, if total qualifying expense is $1,000, the business will enjoy a tax deduction of $2,500 (at 250%). Tax saved in respect thereof will be $425 (if its corporate income tax rate is 17%).

- With the imposition of a yearly cap of $50,000 per IPC for qualifying costs incurred by businesses, it means that employee volunteerism work should not be confined to a single IPC only. If businesses were to make full use of their yearly cap of $250,000 for qualifying costs incurred, they would need to spread their employees' volunteerism work with five different IPCs.

- At this point in time, it is not clarified whether the annual cap is determined by reference to businesses' financial year end or the calendar year, noting that the scheme will take effect during the course of this year, i.e. from 1 July 2016.

## Enhancing the Land Intensification Allowance scheme

***Current***

- The Land Intensification Allowance ("LIA") scheme grants an initial allowance of 25% and an annual allowance of 5% on the qualifying capital expenditure incurred for the construction or renovation of a qualifying building or structure.

- To qualify for the LIA scheme, the following conditions must be met upon completing the construction or renovation of the building or structure:

  - The Gross Plot Ratio (“GPR”) of the building or structure

    - meets the GPR benchmark applicable for the qualifying trade or business; or

    - is at least 10% more than its current GPR if the existing building or structure already meets or exceeds the GPR benchmark; and

  - At least 80% of the total floor area of the relevant building or structure is used by a user for undertaking the qualifying trade or business.

***Proposed changes***

- To encourage higher industrial land productivity, the LIA scheme will be extended to buildings used by a user or multiple users, who are related, for one or multiple qualifying trades or businesses, if certain conditions are met.

  - This change will take effect for LIA applications if:

    - the application for LIA is made from 25 March 2016; and

    - the application for planning permission or conservation permission for the construction or renovation is made from 25 March 2016.

  - The qualifying capital expenditure for which an allowance may be made excludes any expenditure incurred before 25 March 2016.

- A new criterion requiring LIA applicants to be related to the qualifying user or users of the building will also be introduced.

  - This change will take effect for LIA applications if:

    - the application for LIA is made from 25 March 2016; and

    - the application for planning permission or conservation permission for the construction or renovation is made from 25 March 2016.

- EDB will release full details of the change by July 2016.

***Effective date***

- The application for planning permission or conservation permission for the construction or renovation and the LIA application are made from 25 March 2016

***Comments***

- The LIA scheme was first introduced in the 2010 Budget to encourage intensification of industrial land. The scheme is open to businesses in the manufacturing and logistics sectors who have their buildings or structures built on certain zoned industrial land where qualifying trades or businesses are conducted. The scheme also extends to businesses who carry out qualifying activities on airport and port land.

  The two main contributing factors for the LIA's hitherto low take up rate would appear to be the GPR benchmark and the 80% floor area usage requirements.

- The announced changes to the "minimum floor area" requirement are helpful as it now extends qualification for LIA to buildings used by:

  - a single user undertaking multiple qualifying trades or businesses; and

  - multiple users, who are related, and undertaking one or multiple qualifying trades or businesses.

  It appears that the Government is paying heed to the business community's feedback that in practice the LIA's conditions are difficult to fulfil since different companies within the same group typically have different principal trades and activities.

  It remains to be seen if the 80% floor area usage determination could take into consideration common areas.

- It would appear that the relevant GPR benchmark requirement will now be the highest of all the qualifying trades or businesses carried out in the building or structure. Notwithstanding, this criteria may still impede the take-up rate for LIA since the GPR benchmark by itself is already difficult to fulfil.

- The new condition requiring LIA applicants to be related to the qualifying users of the building serves to avoid incentivising third-party facility providers.

  It remains to be clarified how EDB defines "related" and whether it would take on the same meaning of "related party" as defined under the Income Tax Act.

## Providing for allocation of expenses under Section 14U of the ITA and pre-commencement expenses under Part V of the ITA

***Current***

- Section 14U deems the first day of the accounting year in which a business earns its first dollar of trade receipt as the date of business commencement. Under Section 14U, businesses can claim tax deduction on expenses incurred up to 12 months before this date as well as revenue expenses incurred before the first dollar is earned (collectively, "Section 14U expenses")

- If a business is awarded with an incentive that commences in the same accounting year in which the first dollar is earned, Section 14U does not require businesses to allocate the Section 14U expenses to the pre-incentive and incentive income. Similarly, pre-commencement expenses that have been granted deductions under Part V of the Income Tax Act ("ITA") (e.g. IP registration, research and development, renovation and refurbishment and design) are not required to be allocated to the pre-incentive and incentive income.

***Proposed changes***

- To ensure fair allocation of Section 14U and pre-commencement expenses to pre-incentive and incentive income derived by businesses enjoying tax incentives, and provide certainty on the allocation method to be used:

    - Section 14U and pre-commencement expenses that are directly incurred to derive the pre-incentive income or incentive income will be specifically identified and set off against the relevant income; and

    - For all remaining Section 14U and pre-commencement expenses, they will be allocated between the pre-incentive and incentive income based on income proportion (e.g. using turnover, gross profit).

- IRAS will release further details of the change by June 2016.

***Effective date***

- This change will take effect for Section 14U and pre-commencement expenses that are incurred from 25 March 2016

***Comments***

- The proposed changes are fair as even with the normal deductible non-Section 14U expenses, there is a requirement to identify expenses which relate specifically to the pre-incentive and incentive income and a deduction claim made accordingly to match against the right pool of income.

  The changes announced also provide clarity on how indirect expenses will be allocated and this is helpful from taxpayers' perspective.

- As the announced changes will take effect from 25 March 2016, it may create additional administrative hassle for taxpayers if they were granted a tax incentive award post 24 March 2016 but earned their first dollar of revenue before the incentive grant date as there is a need now to first of all identify the pre-and post-24 March 2016 Section 14U expenses incurred and apply the announced expense allocation treatment between the pre-incentive and incentive income for the post-24 March 2016 Section 14U expenses.

## Extending the upfront certainty of non-taxation of companies' gains on disposal of equity investments

***Current***

- Under Section 13Z of the Income Tax Act, gains derived from the disposal of equity investments by companies will not be taxed if:

  - the divesting company holds a minimum shareholding of 20% in the company whose shares are being disposed; and

  - the divesting company maintains the minimum 20% shareholding for a minimum period of 24 months just prior to the disposal.

- For share disposals in other scenarios, the tax treatment of the gains/losses arising from share disposals will be determined based on the facts and circumstances of the case.

- Section 13Z applies to companies' disposal of equity investments from 1 June 2012 to 31 May 2017.

***Proposed changes***

- To provide upfront certainty to companies in their corporate restructuring, the scheme under Section 13Z will be extended till 31 May 2022.

- All conditions of the scheme remain the same.

***Effective date***

- For disposal of equity investments made during the period from 1 June 2017 to 31 May 2022

***Comments***

- It is a well known fact that Singapore does not have capital gains tax regime. That said, in practice taxpayers may still face challenges from IRAS on whether gains derived from certain share disposals are revenue in nature and hence should be brought to tax.

  It is certainly a welcome gesture that the upfront certainty of non-taxation of companies' gains on disposal of equity investments has been extended by a further five years. This will strengthen and enhance the attractiveness to investors of using Singapore as an ideal holding company location.

# PERSONAL INCOME TAX

## Personal income tax rates

***Current***

- For Singapore tax residents, the income tax rates currently range from 0% for the first $20,000 of chargeable income to 22% (20% prior to year of assessment 2017) for chargeable income in excess of $320,000.

***Proposed changes***

- The year of assessment ("YA") 2017 personal income tax rate structure was announced in the 2015 Budget. There are no further changes on either the tax rates or personal reliefs announced in the 2016 Budget.

- There is also no personal income tax rebate accorded for YA 2016.

- The personal income tax rate structures for tax resident individuals for YA 2017 and prior are summarised in the Tables below.

**Tax rate structure prior to YA 2017**

| | Chargeable Income $ | Tax Rate % | Tax Payable $ |
|---|---|---|---|
| On the first | 20,000 | 0 | 0 |
| On the next | 10,000 | 2.0 | 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 | 7.0 | 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 | 15.0 | 6,000 |
| On the first | 160,000 | | 13,950 |
| On the next | 40,000 | 17.0 | 6,800 |
| On the first | 200,000 | | 20,750 |
| On the next | 120,000 | 18.0 | 21,600 |
| On the first | 320,000 | | 42,350 |
| In excess of | 320,000 | 20.0 | |

**Tax rate structure with effect from YA 2017**

| | Chargeable Income $ | Tax Rate % | Tax Payable $ |
|---|---|---|---|
| On the first | 20,000 | 0 | 0 |
| On the next | 10,000 | 2.0 | 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 | 7.0 | 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 | 15.0 | 6,000 |
| On the first | 160,000 | | 13,950 |
| On the next | 40,000 | 18.0 | 7,200 |
| On the first | 200,000 | | 21,150 |
| On the next | 40,000 | 19.0 | 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 | 20.0 | 8,000 |
| On the first | 320,000 | | 44,550 |
| In excess of | 320,000 | 22.0 | |

## Introducing a cap of $80,000 on personal income tax reliefs

***Current***

- There is currently no limit on the total amount of personal income tax reliefs an individual taxpayer can claim as long as the conditions of the reliefs are fulfilled.

***Proposed changes***

- To enhance the progressivity of our personal income tax regime, the total amount of personal income tax reliefs that an individual can claim will be capped at $80,000 per year of assessment.

***Effective date***

- From year of assessment 2018

***Comments***

- The Minister assured Singaporeans that the introduction of the $80,000 personal income tax relief cap will only impact about 1% of resident individual taxpayers.

- High-income working mothers claiming Working Mother's Child Relief for two or more qualifying children will be impacted.

## Removing the tax concession on home leave passages for expatriate employees

***Current***

- The home leave passages enjoyed by expatriate employees (one passage per year), their spouses (one passage per year) and children (up to two passages per child per year) are currently taxed in the hands of the employees at 20% of their value instead of the full value of the benefit.

***Proposed changes***

- The tax concession of taxing only 20% of the value of home leave passages for expatriate employees will be removed with effect from year of assessment 2018.

***Effective date***

- From year of assessment 2018

***Comments***

- The concessionary tax treatment for housing and hotel accommodation benefits was removed with effect from year of assessment 2015. The removal of the tax concession on home leave benefits from year of assessment 2018 is to align and tax all employment perquisites at fair market value.

- The removal of the tax concession on home leave passages for expatriate employees will reduce the individuals' take-home pay as their personal tax liabilities will rise. If the expatriate employees are under a tax equalisation arrangement with their employers, it will mean higher staff costs for the employers.

# MISCELLANEOUS

## Extending the Not-for-Profit Organisation tax incentive under Section 13U of the ITA

***Current***

- The Not-for-Profit Organisation ("NPO") tax incentive grants tax exemption on the income derived by an approved NPO.
- The incentive is scheduled to lapse after 14 February 2017.

***Proposed changes***

- To continue promoting Singapore as a hub for NPOs, the NPO tax incentive will be extended till 31 March 2022.

***Effective date***

- From 15 February 2017 to 31 March 2022

## Extension of the Special Employment Credit

The Special Employment Credit ("SEC") provides employers with wage offsets for hiring Singaporean workers aged 55 and above earning up to $4,000 a month.

***Proposed changes***

- The SEC will be extended for three years from 1 January 2017 to 31 December 2019.

- The extended SEC will be tiered by employee age (see Table below) to provide stronger support for employers hiring Singaporeans in the older age bands, where employment rates are lower.

  Employers who hire workers aged 65 and above, with monthly wages of not more than $3,000 per month, will receive the highest SEC of 8% of the employees' monthly wages. This is in addition to the wage offset of 3% for the re-employment of workers aged 65 and above until the re-employment age is raised in 2017.

  The wage offset will be up to 5% for workers aged 60 to 64, and up to 3% for those aged 55 to 59.

| Wage of employee in a given month $ | SEC for the month for each employee | | |
|---|---|---|---|
| | Aged 55 to 59 (up to 3% of monthly wage) $ | Aged 60 to 64 (up to 5% of monthly wage) $ | Aged 65 and above (up to 8% of monthly wage) $ |
| 500 | 15 | 25 | 40 |
| 1,000 | 30 | 50 | 80 |
| 1,500 | 45 | 75 | 120 |
| 2,000 | 60 | 100 | 160 |
| 2,500 | 75 | 125 | 200 |
| 3,000 | 90 | 150 | 240 |
| 3,500* | 45 | 75 | 120 |
| 4,000 and above | Not available | Not available | Not available |

* A lower SEC is provided for workers who earn between $3,000 and $4,000.

- Employers who hire Persons with Disabilities ("PWDs") will receive a SEC of up to 16% of the PWD's monthly wage, regardless of age, but will be capped at $240 per month per PWD.

- The extended SEC will apply to employees on the payroll from 1 January 2017 to 31 December 2019.

  Eligibility for SEC is automatically assessed based on the regular monthly CPF contributions that employers make for their employees.

- Employers will automatically receive the SEC payments in the bank accounts from which they make GIRO payments of their employees' CPF contributions. Employers without a valid GIRO arrangement with the CPF Board will receive the SEC by cheque. The SEC payment will be made twice a year, in March and September.

# Foreign worker levies

The Government continues to maintain its foreign manpower policy aiming towards encouraging businesses to lessen their reliance on foreign labour, especially unskilled workers, and to instead innovate and improve productivity.

***Proposed changes***

- In view of challenging business conditions and the reduction in the number of Work Permit holders in the Marine and Process sectors, the Government will defer levy increases for Work Permit holders in these sectors for one year.

- The levy rates for the Manufacturing sector for all tiers and skill levels will remain unchanged at 1 July 2014 rates until 30 June 2017.

- The levy increases for Services and Construction Work Permit holders as well as S Pass holders in every sector, as announced in the 2015 Budget, will proceed.

  - Construction sector

    - The levy rate for Basic tier R2 workers will be raised from $550 currently to S$650 on 1 July 2016 and to $700 on 1 July 2017.

    - The minimum experience requirement for Man-Year Entitlement ("MYE")-waiver workers will be raised from two years to three years from 1 July 2017 to encourage firms to retain their more experienced workers to support productivity.

  - Services sector

    Levy rates for R2 workers in all tiers will increase from 1 July 2016.

| R2 workers | Levy rates | |
|---|---|---|
| | Prior to 1 July 2016<br>$ | With effect from 1 July 2016<br>$ |
| Basic tier | 420 | 450 |
| Tier 2 | 550 | 600 |
| Tier 3 | 700 | 800 |

  - S Pass holders

    Levy rates for S Pass holders will increase from 1 July 2016.

| S Pass holders | Levy rates | |
|---|---|---|
| | Prior to 1 July 2016<br>$ | With effect from 1 July 2016<br>$ |
| Basic Tier (All) | 315 | 330 |
| Tier 2 (Services) | 550 | 650 |
| Tier 3 (Other Sectors) | 550 | 650 |

## Withdrawing the Approved Investment Company scheme under Section 10A of the ITA

***Current***

- The Approved Investment Company scheme was introduced in 1988 to promote the investment management industry. It provides upfront certainty to an Approved Investment Company on the tax treatment of gains derived from the disposal of their securities.

- The gains from disposal of securities are taxed according to a schedule based on the length of time that the securities were held.

***Proposed changes***

- As the scheme is assessed to be no longer relevant, the Approved Investment Company scheme will be withdrawn from year of assessment 2018.

***Effective date***

- From year of assessment 2018

# Withdrawing the tax exemption on income derived by non-residents trading in Singapore in specified commodities via consignment arrangements

***Current***

- Income derived by non-residents trading in Singapore through consignees in specified commodities produced outside Singapore is granted tax exemption.

- The specified commodities are:

  (a) Rubber
  (b) Copra
  (c) Pepper
  (d) Tin
  (e) Tin-ore
  (f) Gambier
  (g) Sago flour
  (h) Cloves

***Proposed changes***

- As the scheme is assessed to be no longer relevant, the tax exemption for non-residents trading in Singapore in specified commodities via consignment arrangements will be withdrawn from year of assessment 2018.

***Effective date***

- From year of assessment 2018

# ABBREVIATIONS

| | |
|---|---|
| CIT | Corporate Income Tax |
| CPF | Central Provident Fund |
| EDB | Singapore Economic Development Board |
| IE Singapore | International Enterprise Singapore |
| IPCs | Institutions of a Public Character |
| IPRs | Intellectual Property Rights |
| IRAS | Inland Revenue Authority of Singapore |
| ITA | Income Tax Act |
| MOF | Ministry of Finance |
| MTI | Ministry of Trade and Industry |
| PIC | Productivity and Innovation Credit |
| SMEs | Small and Medium Enterprises |
| YA | Year of Assessment |

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# TAX SERVICES

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- Cross-border Tax Structuring and Planning
- Corporate Group Restructuring
- Tax Due Diligence
- Funds Structuring
- Tax Investigation and Audit
- Tax Incentive and Advance Tax Ruling Applications
- Corporate and Personal Income Tax Compliance Services

## Goods & Services Tax

- Assisted Compliance Assurance Programme Review (“ACAP”)
- Assisted Self-Help Kit Review (“ASK”)
- GST Health Check
- GST Guidebook and Tax Code Analysis
- Due Diligence Review for Mergers and Acquisitions and IPO
- Major Exporter Scheme Certifications
- GST Consulting and Advisory

## Transfer Pricing

- Singapore Compliance Documentation
- Advice on Policy Formulation and Implementation
- Planning and Tax Efficient Value Chain Transformation
- Risk Assessment and Controversy Management
- Transfer Pricing Audit Defence
- Advanced Pricing Arrangements and Rulings

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# AN OVERVIEW OF OUR OTHER BUSINESS SERVICES

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- Certifications
- Financial Due Diligence
- Other Non-statutory Audits
- Regulatory Compliance Reporting
- Reporting Accountants
- Special Reviews
- Statutory Audit

## Corporate Advisory

- Business Advisory
- CFO2SME™
- Corporate Recovery & Insolvency
- Crisis Management
- Forensic & Litigation Support
- Fund Raising
- M&A Advisory
- Transaction Support
- Valuation

## Risk Advisory

- Corporate Governance & Risk Management
- Cyber Security
- Digital Forensics
- eDiscovery
- Internal Audit
- IT Governance & Oversight
- Probity Advisory & Assurance
- Regulatory Compliance
- Technology Assurance & Advisory
- Technology Risk Management

## Business Solutions

- Accounting & Advisory
- Business Process Outsourcing
- Executive Search & Placement
- Formation, Compliance & Advisory
- IT Solutions & Technology Consulting
- Payroll Outsourcing & HR Advisory

## Country & Industry Specialisations

- China Practice
- Indonesia Desk
- Japan Desk
- Food & Beverage
- Financial Services
- Healthcare & Pharmaceutical
- Industrial
- Logistics & Transportation
- Minerals, Oil & Gas
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