



Singapore Budget 2014

Introduction

Deputy Prime Minister and Minister for Finance delivered the Budget Speech for Financial Year 2014 on Friday 21st February. The key tax impacts are as follows:

No Significant Corporate or Individual Income Tax Changes

There were no significant tax changes announced in Singapore Budget 2014.

Extension of PIC Scheme to Year of Assessment 2018

The Productivity and Innovation Scheme ("PIC"), the Singapore Government's Scheme to incentivise spending in automation (including IT expenditure), research & development and training has been extended to the Year of Assessment ("YA") 2018. The Scheme provides for 300% additional deduction on such expenditure subject to a cap of S\$400,000 per year (or S\$1.2m over the three year period for Years of Assessment 2013 to 2015, and for 2016 to 2018). The Scheme had been due to expire in 2015.

With the extension, there have been some minor changes to the Scheme which taxpayers will need to take note of.

Introduction of PIC+ for SMEs

With effect from YAs 2015 to 2018, the expenditure cap for qualifying SMEs will be increased from S\$400,000 to S\$600,000 per qualifying activity per YA.

Increase in Social Security ("CPF")

Employer CPF contributions for employees of all ages will be increased from 16% to 17% subject to a S\$5,000 monthly salary cap. CPF contributions only apply for employees who are Singapore Citizens or Permanent Residents. Companies will receive a one year Special Employment Credit equal to 0.5% (subject to a S\$5,000 monthly salary cap) to alleviate the additional cost burden. The change will take effect from 1 January 2015.

In addition, CPF contributions for older employees will be further increased. CPF contribution rates for employees aged 50 to 55 will increase by 1.5% (contributed 1% by the employer and 0.5% by the employee). CPF contribution rates for employees aged 55 to 65 will be increased by 0.5% (funded by the employer). Companies will receive a one year Special Employment Credit equal to 0.5% subject to a S\$5,000 salary cap. The change will also take effect from 1 January 2015.

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