



Singapore
International
Chamber
of Commerce

Singapore Budget 2017

Shanker Iyer

27 February 2017



Iyer
Practice
ADVISERS

SINGAPORE | HONGKONG
20 YEARS IN PRACTICE



Iyer
Practice
ADVISERS

AGENDA

Tax Changes for
Businesses

Changes to Tax Incentives

Tax Changes for
Individuals

Other Updates

Questions

SINGAPORE | HONGKONG
20 YEARS IN PRACTICE



TAX CHANGES FOR BUSINESSES

Important Business Changes

- **Corporate Income Tax Rebate**
 - For YA 2017 - rebate cap raised from \$20,000 to \$25,000 (rebate rate unchanged at 50%)
 - Rebate extended for YA 2018
 - Reduced rate of 20%
 - Capped at \$10,000



Important Business Changes (Cont'd)

- Illustrative Calculation of Rebate

Particulars	YA 2017 (Existing) \$	YA 2017 (Revised) \$	YA 2018 \$
Total chargeable income of company	500,000	500,000	500,000
Tax payable (considering partial tax exemption)	59,075	59,075	59,075
Tax rebate	20,000	25,000	10,000
Net tax payable	39,075	34,075	49,075
Effective rate	7.8%	6.8%	9.8%

Important Business Changes (Cont'd)

- **Safe Harbour Rule for payments under cost sharing agreements**
 - Taxpayer has been provided an option to claim deduction of 75% of the payment made under cost sharing agreements for qualifying R&D projects
 - No need to provide detailed breakdown of the expenditure covered by cost sharing agreement
 - Applicable for payments made from 21 February 2017



IRAS to issue further details by May 2017

Important Business Changes (Cont'd)

- Key amendment of Budget 2016 to be considered
 - Termination of PIC Scheme – scheme to expire in YA 2018
 - 400% tax deduction or allowance for the first \$400,000 (\$600,000 in PIC plus scheme) of qualifying expenditure on qualifying activities
 - Qualifying activities
 - Acquisition and leasing of PIC IT and automation Equipment
 - Training of employees
 - Acquisition and licensing of intellectual property rights
 - Registration of patents, trademarks, designs and plant varieties
 - Research and development activities
 - Design projects approved by Design Singapore Council



Important Business Changes (Cont'd)

- **Key amendment of Budget 2016 to be considered**
 - **PIC Cash payout rate reduction**
 - Cash payout rate lowered from 60% to 40%
 - Applicable for qualifying expenditure from 1 August 2016

Other Changes - Extensions



- Withholding tax ('WHT') exemption on payments made to non-residents for **structured products** offered by FIs extended till 31 March 2021
- Tax incentive schemes for Project and Infrastructure finance extended till 31 December 2022
 - Stamp duty remission to lapse after 31 March 2017

MAS to release details of extension by May 2017

Other Changes – Extensions (Cont'd)



- WHT exemption on payments to non-residents for the use of international telecommunications submarine cable capacity under an infeasible rights of use agreement to be extended till 31 December 2023
- Extension of integrated investment allowance scheme
 - Scheme extended till 31 December 2022
 - For projects approved from 21 February 2017, qualifying productive equipment for **primarily** manufacturing products for the qualifying company is covered



Other Changes – Phasing Out



- Withdrawal of tax deduction for computer donation scheme from 20 February 2017
- Withdrawal of **accelerated** depreciation allowance for energy efficient equipment and technology ('ADA-EEET') scheme
 - No ADA-EEET for equipment installed from 1 January 2018
- Scheme for **accelerated Writing-Down Allowances ('WDA')** for acquisition of IPRs for Media and Digital Entertainment ('MDE') content scheme to **lapse**
 - Applicable in respect of IPRs acquired after the last day of the basis period for YA 2018
 - WDA can be claimed in line with other capital expenditure

Other Changes – Phasing Out (Cont'd)



- International arbitration tax incentive to lapse after 30 June 2017
- Approved building project scheme (3 year property tax exemption) to lapse after 31 March 2017





CHANGES TO TAX INCENTIVES



Global Trader Programme

Enhancing the GTP

- Requirement of transaction with qualifying counterparty removed
- Concessionary tax rate for:
 - Physical trading income derived from transactions in which the commodity is purchased for the purpose of **consumption in Singapore** or for the supply of fuel to aircraft or vessels within Singapore
 - Physical trading income attributable to storage in Singapore or any activity **carried out in Singapore** which adds value to commodity by any physical alteration, addition or improvement

Global Trader Programme (Cont'd)

But Tougher Requirements

- Substantive requirement to qualify for GTP to be increased
 - Applicable for new or renewal incentive award approved from 21 February 2017



IRAS to issue further details by May 2017

Aircraft Leasing Scheme



- ALS extended till 31 December 2022
- Qualifying income to now include the provision of finance in the acquisition of aircraft or aircraft engines by any **lessee**
 - Applicable for income derived from 21 February 2017
- Single concessionary tax rate of 8% (revised from 5% and 10% earlier)
 - Applicable for new or renewal of incentive awards approved on or after 1 April 2017
- WHT exemption to be extended to qualifying payments on qualifying loans entered on or before 31 December 2022

EDB to issue further details by May 2017

Other Changes

- Refining the Finance and Treasury Centre Scheme
 - Streamlining the qualifying counterparties for certain transactions to ease compliance burden
 - Applicable for new or renewal of incentive awards approved from 21 February 2017

EDB to issue further details by May 2017

Other Changes (Cont'd)

- **New Intellectual Property Regime**
 - Currently, IP income arising from qualifying activities covered under the Pioneer-Services / Headquarters Incentive and the Development and Expansion Incentive-Services / Headquarters
 - IP income to be incentivised under new IP regime, IP Development Incentive. The new IDI incorporates the **BEPS-compliant modified nexus approach**.
 - Such income will be removed from the scope of Pioneer-Services / Headquarters Incentive and the Development and Expansion Incentive-Services / Headquarters

Other Changes (Cont'd)

- **New Intellectual Property Regime (Cont'd)**
 - Applicable for new incentives **approved** from 1 July 2017
 - Existing incentive recipient to be covered under existing incentive awards till 30 June 2021
 - EDB to release details of change by May 2017





TAX CHANGES FOR INDIVIDUALS

Personal Tax Changes

- Income Tax Rebate
 - Income tax rebate of 20% of tax payable for all individual tax residents
 - Rebate capped at \$500
 - Applicable for YA 2017



Personal Tax Changes (Cont'd)

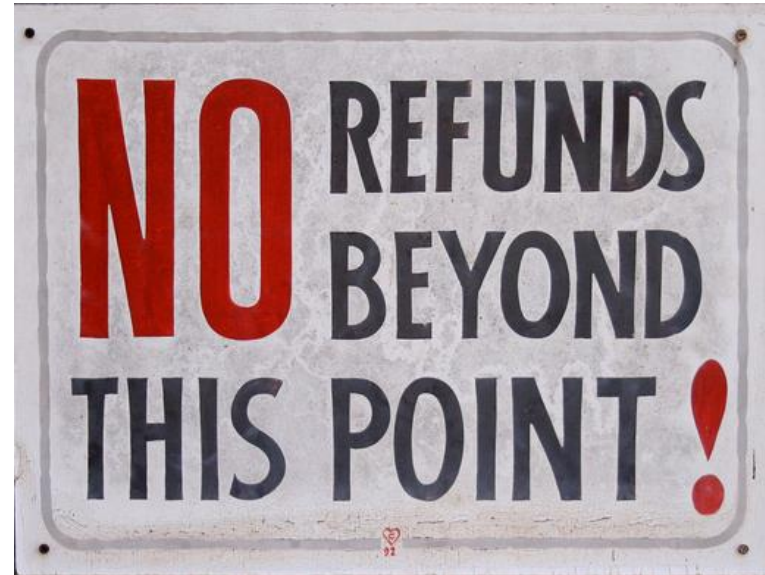
- Key amendment of Budget 2016 to be considered
 - Home leave passage
 - Tax concession of taxing only 20% of income of home leave passage to be removed from YA 2018



OTHER UPDATES

GST Tourist Refund Scheme

- GST Tourist Refund Scheme
 - GST tourist refund scheme will be withdrawn for tourists departing by international cruise
 - No refund for purchase made on or after 1 July 2017



IRAS to issue further details by April 2017

Additional Special Employment Credit

- Additional Special Employment Credit ('ASEC')
 - ASEC extended from 1 July 2017 to 31 December 2019
 - Re-employment age to be raised to 67 years
 - Employer to receive 3% of employee's monthly wage in certain cases



Common Reporting Standard

- CRS is an internationally agreed standard for automatic exchange of information
- CRS requires financial account information to be exchanged
 - FIs required to report different types of accounts and taxpayers covered, customer due diligence procedure followed by FIs, etc
- More than 100 countries (excluding USA) have endorsed CRS and will commence exchange of information for 2017 or 2018

Common Reporting Standard (Cont'd)

- Singapore has also committed to implement the CRS
 - First exchange to take place from September 2018
- Competent Authority Agreement ('CAA') enables implementation of information exchange
 - Till date, Singapore has entered into the CAA with 17 countries for exchange of information
 - Of the above, CAAs with 7 countries not in force yet

List of countries with whom CAA is signed

Continent	Jurisdiction	Date of Signing CAA
Africa	South Africa	24 October 16
Asia	Republic of Korea*	14 October 16
	Japan	13 October 16
North America	Canada*	16 November 16
Oceania	Australia*	6 September 16
	New Zealand*	22 December 16

*CAA not in force yet

List of countries with whom CAA is signed (Cont'd)

Continent	Jurisdiction	Date of Signing CAA
Europe	Estonia*	14 February 17
	Finland	22 November 16
	Iceland	13 December 16
	Ireland	20 December 16
	Italy*	3 November 16
	Latvia*	20 December 16
	Lithuania*	24 February 2017
	Malta	15 December 16
	Netherlands	5 December 16
	Norway	25 October 16
	United Kingdom	16 September 16

*CAA not in force yet



Committee on the Future Economy

- 7 strategies identified by CFE
 - Deepen and diversify international connections
 - Acquire and utilise deep skills
 - Strengthen enterprise capabilities to innovate and scale up
 - Build strong digital capabilities
 - Develop a vibrant and connected city of opportunity
 - Develop and implement industry transformation maps
 - Partner each other to enable innovation and growth

Committee on the Future Economy – Budget Measures

Digitalisation

- Introducing the SMEs go digital programme
- IMDA to work with SPRING and other sector lead agencies
- Three components of SMEs Go Digital Programme
 - Sectoral industry digital plans for SMEs to get step-by-step advice on the technologies to use at each stage of growth
 - SMEs to get in-person help at SME Centres and new SME technology hub to be set up by IMDA
 - SMEs ready to pilot emerging Info-communications and Technology solutions to receive advice and funding support
- Work on strengthening capabilities in data and cybersecurity

Further details to be issued at COS debate

Committee on the Future Economy – Budget Measures (Cont'd)

Strengthening enterprises scaling up globally

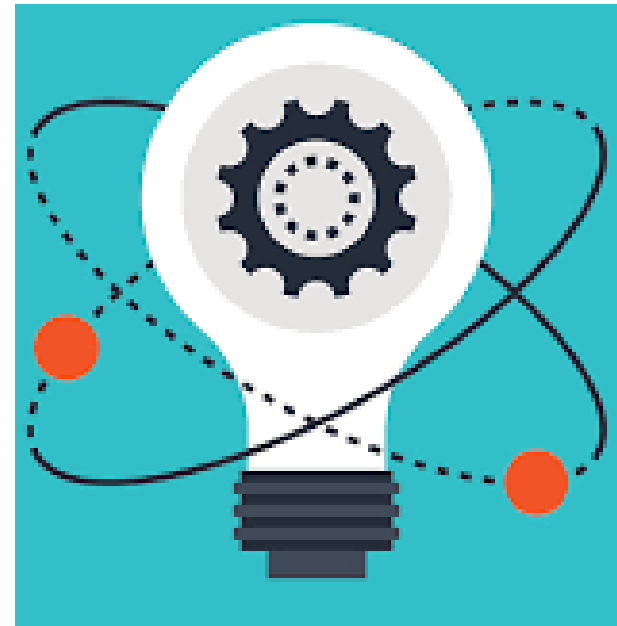
- Setting up a new International Partnership fund (\$ 600 million) – The Fund to **co-invest** with Singapore-based firms to help them scale-up and internationalise
- Enhancement of Internalisation Finance Scheme



Committee on the Future Economy – Budget Measures (Cont'd)

Innovation

- Support firms in their efforts to tap on innovation and technology
 - A*STAR to expand its efforts to support 400 companies in conducting operation and technology road-mapping
 - Improving access to intellectual property
 - Tech access initiative to support companies in the use of advanced machine tools for prototyping and testing



Environmental Taxes

- Increase in water prices by 30% in 2 phases
- Introduction of carbon tax on emission of greenhouse gases
- Introduction of Vehicular Emissions scheme to encourage use of cleaner vehicles



Environmental Taxes (Cont'd)

- Enhance and extend early Turnover scheme for commercial diesel vehicles
- Introduction of tiered additional registration fee for motorcycles
- Restructuring of diesel taxes
 - Shift from lump sum special tax on diesel cars and taxies to volumetric diesel duty



Likely tax reforms under consideration

- Raise revenue through new taxes or raise tax rates to meet the rising expenditure
- Exploring changes to the GST system in response to the inbound supply of digital services and cross border trade
- Other tax reforms considering Base Erosion and Profit Shifting project





Services

- International & Domestic Tax
- Company Formation & Administration
- Trusts & Foundations
- Immigration & HR
- Regulatory & Compliance
- Accounting & Financial Reporting

The insight
to be your
trusted
adviser

Contact Us



Shanker Iyer

Email shanker@iyerpractice.com
Phone +65 6532 5746
Mobile +65 9760 6488

160 Robinson Road #17-01
SBF Center
Singapore 068914

Sunil Iyer

Email sunil@iyerpractice.com
Phone +65 6532 5746
Mobile +65 9699 0961

160 Robinson Road #17-01
SBF Center
Singapore 068914

Sanjay Iyer

Email sanjay@iyerpractice.com
Phone +852 2529 9952
Mobile +852 9355 3495

Unit 29E, 29/F Admiralty Centre Tower 1
18 Harcourt Road, Admiralty
Hong Kong

Read our free publications at iyerpractice.com.

For the latest business/finance related updates, follow us on :  

Disclaimer: This presentation of slides is intended as a general guide only, and the application of its contents to specific situations will depend on the particular circumstances involved. Accordingly, readers should seek appropriate professional advice regarding any particular problems that they encounter, and this presentation should not be relied on as a substitute for this advice. While all reasonable attempts have been made to ensure that the information contained in this presentation is accurate, Iyer Practice accepts no responsibility for any errors or omissions it may contain, whether caused by negligence or otherwise, or for any losses, however caused, sustained by any person that relies on it.