



Singapore Budget 2018

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25 YEARS IN PRACTICE



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AGENDA

Income Tax

Goods & Services Tax

Other Updates

Questions

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20 YEARS IN PRACTICE



INCOME TAX

- **No change to Headline Tax Rate**
- **Corporate Income Tax Rebate**

To ease business costs and support restructuring by companies, the Corporate Income Tax enhanced and extended rebate as follows:

YA	% Rebate	Rebate Cap
2018 (Enhancement)	40% of tax payable (from 20%)	S\$15,000 (from S\$10,000)
2019 (Extension)	20% of tax payable	S\$10,000

Balancing the Budget

- Start-Up Tax Exemption for Income (SUTE)**

Restrictions to:

Normal Chargeable Income	Previous	Normal Chargeable Income	NEW
First S\$100,000	100%	First S\$100,000	75%
Next S\$200,000	50%	Next S\$100,000	50%

All other conditions of the scheme remain unchanged.

This change will take effect on or after YA2020 for all qualifying companies under the scheme.

- **Restriction to Partial Tax Exemption for Income (PTE)**

The tax exemption under the PTE scheme will be adjusted to:

Normal Chargeable Income	Previous	Normal Chargeable Income	NEW
First S\$10,000	75%	First S\$10,000	75%
Next S\$290,000	50%	Next S\$190,000	50%

All other conditions of the scheme remain unchanged.

This change will take effect on or after YA2020 for all companies (excluding those that qualify for the SUTE scheme) and bodies of persons.

Replacing PIC

- **Research & Development Deduction**

-Increase the tax deduction for staff costs and consumables incurred on qualifying R&D projects **performed in Singapore** from 150% to 250%.

All other conditions of the scheme remain unchanged.

This change will take effect from YA2019 to YA2025.

- **IP Registration**

To encourage businesses, in particular smaller ones, to register and protect their IPs:

a) Extend the scheme till YA2025

b) Enhance the tax deduction to 200% for the first \$100,000 of qualifying IP registration costs incurred for each YA.

This change will take effect from YA2019 to YA 2025

- **Tax deduction for costs on IP in-licensing**

To support businesses to buy and use new solutions:

- enhance the tax deduction from 100% to 200% for the first \$100,000 of qualifying IP in-licensing costs incurred for each YA.

- qualifying IP in-licensing costs include:

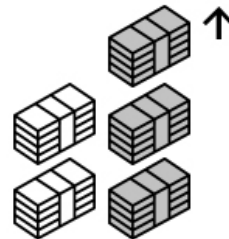
- payments made by a qualifying person to publicly funded research performers or other businesses, but exclude related party licensing payments
- payments for IP where any allowance was previously made to that person.

This change will take effect from YA2019 to YA2025.

- **Enhancement of Double Tax Deduction for Internationalisation (“DTDi”) Scheme**

Enhanced

Double Tax
Deduction for
Internationalisation
(DTDi)



Expenditure cap raised
from **S\$100,000** to
S\$150,000

- Businesses can continue to apply to IE Singapore or STB on qualifying expenses exceeding \$150,000, or on expenses incurred on other qualifying activities.

All other conditions of the scheme remain the same.

This change will apply to qualifying expenses incurred on or after YA2019.



GOODS & SERVICES TAX (GST)

- **GST rate will be increased by 2% during 2021-2025**
- **GST on Imported Services**
 - GST on imported services will be introduced on or after 1 January 2020.
 - GST to be imposed on imported digital services such as movie and music streaming services and mobile apps by 1 January 2020.
 - B2B imported services will be taxed via a reverse charge mechanism. Only businesses that:
 - (i) make exempt supplies
 - (ii) do not make any taxable suppliesneed to apply reverse charge.



2% GST
increase

- **GST on Imported Services (Cont'd)**
 - The majority of businesses make taxable supplies and thus would not be affected by this reverse charge mechanism
 - The reverse charge mechanism requires the local business customer to account for GST to IRAS on the services it imports
 - The local business customer can in turn claim the GST accounted for as its input tax, subject to the GST input tax recovery rules.
 - The taxation of B2C imported services will take effect through an Overseas Vendor Registration (OVR) mode.

IRAS will release further details by end- February 2018.



OTHER UPDATES

Fund Industry

- **Singapore Variable Capital Companies Tax Regime (S-VACC)**

A tax framework for S-VACC will be introduced to complement the S-VACC regulatory framework:

- a) An S-VACC will be treated as a company and a single entity for tax purposes
- b) Tax exemption under Sections 13R and 13X of the ITA will be extended to S-VACCs
- c) 10% concessionary tax rate under the FSI-FM scheme will be extended to approved fund managers managing an incentivised S-VACC
- d) The existing GST remission for funds will be extended to incentivised S-VACCs.

The conditions under the existing schemes in (b), (c) and (d) remain unchanged.

The changes will take effect on or after the effective date of the S-VACC regulatory framework.

MAS will release further details of the tax framework for S-VACCs by October 2018.

- **Enhancement to Enhanced-Tier Fund Scheme under Section 13X**

-All fund vehicles will be able to qualify for the Enhanced-Tier Fund Scheme if they meet all qualifying conditions.

All other conditions of the scheme remain the same.

The change will take effect for new awards approved on or after 20 February 2018.

MAS will release further details of the change by May 2018.

- **Higher Stamp Duty on the Purchase of Residential Property**

The top marginal Buyer's Stamp Duty rate will be as follows:

Rates	Tier (Residential Properties)	
1%	First S\$180,000	No change
2%	Next S\$180,000	No change
3%	Next S\$640,000	Revised
4%	Amount exceeding S\$1M	New

The revised rates will apply to all residential properties acquired on or after 20 February 2018.

- **Tax Deduction for Qualifying Donations**

To continue to encourage Singapore tax residents to give back to community:

- 250% tax deduction for qualifying donations will be extended for donations made on or before 31 December 2021

- the BIPS (Business and IPC Partnership Scheme) to be extended for three more years.

All other conditions of the scheme remain the same.

- **Foreign Domestic Levy to increase by 1 April 2019**

The monthly levy for:

	Previous Levy (S\$)	New Levy (S\$)
1 st maid	265	300
2 nd maid	265	450



Q&A



Services

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



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