



Singapore Budget 2018

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SINGAPORE | HONGKONG
25 YEARS IN PRACTICE



Iyer
Practice
ADVISERS

AGENDA

Fiscal Sustainability

Income Tax

Goods & Services Tax

Incentives

Other Updates

Questions

SINGAPORE | HONGKONG
20 YEARS IN PRACTICE



FISCAL SUSTAINABILITY

- From 2021-2030 the government estimates that it will not have enough revenue to meet growing needs:
 - Healthcare/Ageing Population
 - Infrastructure
 - Security
 - Education
- Plan to raise GST between 2021-2025
- Government to enhance progressivity in approach to taxation
- This year's measure is a New Top Marginal Rate for Buyers Stamp Duty
- Government to continue to study options to ensure progressive tax system
- SICC Feedback



INCOME TAX



- **No change to Headline Tax Rate-17%**
- **Corporate Income Tax Rebate Enhanced**

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

Balancing the Budget

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

Normal Chargeable Income	Current	Normal Chargeable Income	Proposed
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**

Normal Chargeable Income	Current	Normal Chargeable Income	Proposed
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.

- **Enhancement of 200% Tax Deduction for Internationalisation (“DTDi”) Scheme**

	Expenditure cap on which Automatic Double Tax Deduction can be claimed
CURRENT	\$100,000 per YA
NEW from YA 2019	\$150,000 per YA

- 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.



INCENTIVES TO INNOVATE

- RESEARCH & DEVELOPMENT DEDUCTION
- ENHANCE TAX DEDUCTION FOR COSTS ON PROTECTING IP
- ENHANCE TAX DEDUCTION FOR COSTS ON IP IN-LICENSING

- **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.

- PIC was 400% with cap of \$400k

This change will take effect from YA2019 to YA2025.

- **Enhance Tax Deduction for Costs on Protecting IP**

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

- Enhance the tax deduction to 200% for the first \$100,000 of qualifying IP registration costs incurred for each YA.
- Extend the scheme till YA 2025

This change will take effect from YA 2019 to YA 2025



- **Enhance Tax deduction for costs of IP in-licensing**

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.

Extended the scheme till YA 2025

This change will take effect from YA 2019 to YA 2025.



GOODS & SERVICES TAX (GST)



1. GST rate will be increased by 2% during 2021-2025

2. GST on Imported Services

- GST on imported services will be introduced on or after 1 January 2020.
- B2C imported services to be subject to GST via an Overseas Vendor Registration mode . This will affect 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 supplies
need to apply reverse charge.

3. GST on Online Shopping for Goods



INCENTIVES

Fund Industry

- **Singapore Variable Capital Company 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**

- Currently on only available for companies, trust and partnerships
- Going forward -fund vehicles constituted in all forms 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.

Effective for new awards approved on or after 20 February 2018.



OTHER INCENTIVES

Other Incentives

- Extension of various incentives in the financial services industry
- Extend Investment Allowance scheme to include qualifying investment in submarine cables landing in Singapore
- Introduce a review date for the WHT exemption on container lease payments made to non-resident lessors



OTHER UPDATES

- **Higher Stamp Duty on the Purchase of Residential Property in excess of S\$1m**

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.

- **EXTENDING THE ENHANCED TAX DEDUCTION ON DONATIONS**

- 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 till 31 December 2021. This involves either providing services by a qualifying employee to an IPC or the secondment of a qualifying employee to an IPC.

- All other conditions of the scheme remain the same.

- **EXTENDING THE WAGE CREDIT SCHEME (WCS)**

Current : The government co-funds 20% of wage increases given to Singaporean employees earning a gross monthly wage of up to \$4,000.

Proposed : WCS be extended for three more years (2018 to 2020). The government will co-fund 20% of wage increases given to eligible Singaporeans in 2018 and co-funding will be tapered in subsequent years.

- **Adjusting the Foreign Domestic Worker Levy**

Type of Levy	Current Monthly Rate	Revised Monthly Rate (From 1 April 2019)
1 st maid	265	300
2 nd maid	265	450

- **INTRODUCING CARBON TAX**

Proposed to apply a carbon tax on the total Greenhouse Gas (GHG) emissions of facilities that produce 25,000 tons or more carbon dioxide-equivalent (tCO₂e) of emissions in a year. The carbon tax will apply uniformly to all sectors, without exemption.

The Government will review the carbon tax rate by 2023 and intends to increase the carbon tax rate to \$10-\$15 per tCO₂e of emissions by 2030.

Effective : From 2019 onwards



- **Sg Bonus**

- S\$700 million will be shared with all adult Singaporeans, who will enjoy a one-off SG Bonus hongbao of \$300, \$200 or \$100, based on income.



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