22 December 2021

Tax update

Income Tax (Amendment) Act 2021

The Income Tax (Amendment) Act 2021 (Amendment Act) was passed by the Singapore Parliament on 5 October 2021 and gazetted on 16 November 2021.

The Amendment Act gives legislative effect to the Budget 2021 tax changes, as well as non-Budget changes arising from the periodic review of Singapore's income tax system.

This alert highlights some of the key tax changes. Unless otherwise specified, the amendments have taken effect from 16 November 2021, the date that the Amendment Act was gazetted.

Building a better working world

Key tax changes announced in Budget 2021

The tax changes announced in Budget 2021 include:

- Extending the option to accelerate capital allowance claim over two years (i.e., 75% in the first year and 25% in the second year) for plant and machinery acquired in the basis period for the Year of Assessment (YA) 2022.
- Extending the option to accelerate deduction claim in one YA for qualifying renovation and refurbishment expenditure incurred in the basis period for YA 2022.
- Expanding the scope of the Double Tax Deduction for Internationalisation (DTDi) scheme to include new categories of expenses and activities on or after 17 February 2021, such as approved virtual trade fairs, design of packaging for overseas markets, approved product or service certification to increase buyer's acceptance in overseas markets and overseas advertising and promotional campaigns.

Non-Budget changes

Some notable non-Budget tax changes are listed below.

Tax treatment of trading stock appropriated for non-trade or capital purposes and vice versa

Under the newly legislated Section 10P, when trading stock is appropriated for non-trade or capital purposes (other than for donation), the open market value of the trading stock on the date of appropriation is treated as income that is subject to tax in the YA relating to the basis period during which the appropriation occurred. For qualifying donations made to approved museums or institutions of a public character, the cost of the stock is treated as the income, such that no gain or loss arises on the appropriation.

Conversely, under the newly legislated Section 32A, where non-trade or capital assets are converted to trading stock, the open market value on that date is treated as the cost of the trading stock. Upon disposal of the trading stock, the taxable profits will be computed based on this cost.

Tax deductions for upfront lease expenses

A new Section 14ZG was legislated to allow income tax deductions for upfront lease expenses (e.g., commission fees, legal fees, stamp duties and advertising expenses) incurred by:

- Tenants[1] for obtaining, renewing or extending the lease of an immovable property used for trade or business purposes.
- Landlords for granting, renewing or extending the lease of an immovable property used to derive passive rental income.

This takes place with effect from YA 2022, if the lease term does not exceed three years, and the lease is not under a sale and leaseback arrangement, or associated with the acquisition, sale, transfer or restructuring of any business.

Amendments to foreign tax credit claim process

With effect from YA 2022, the time limit for the claim of foreign tax credit (FTC) will be increased from two years to four years from the end of the YA in which the income is assessed to tax in Singapore.

In addition, a new subsection requires taxpayers to give a written notice to the Comptroller within one year if a foreign tax authority makes a downward adjustment of the foreign tax that results in the FTC previously allowed becoming excessive. Consequently, the time limit for the Comptroller to raise additional tax assessments or for taxpayers to claim additional FTC due to adjustments in the foreign tax paid or payable is increased from two years to three years from the time such adjustments are made.

Lifting of statutory time limit in relation to advance pricing arrangements (APA)

The statutory time limit of four years for the Comptroller to raise additional assessments is lifted for additional assessments relating to APAs concluded with foreign tax authorities, similar to those relating to mutual agreement procedures (MAP), to facilitate the implementation of the outcome of such agreements.

Amendment to child order for Parenthood Tax Rebate and Working Mother's Child Relief

With effect from YA 2022, a stillborn sibling will be taken into account when determining the child order for the purposes of the Parenthood Tax Rebate (PTR) and Working Mother's Child Relief (WMCR). However, PTR and WMCR will continue to not be allowed in respect of a stillborn child.

Increase of maximum penalty for various non-filing and non-registration offences

The maximum penalty has been increased from S$1,000 to S$5,000 for the non-filing of income tax returns and Automatic Exchange of Information (AEOI) [i.e., country-by-country reporting (CbCR), Foreign Account Tax Compliance Act of the United States of America (FATCA) and Common Reporting Standard (CRS)] non-registration and non-filing offences. For each day the non-registration or non-filing offence continues after conviction, the penalty has been increased from S$50 to S$100 per day.

This aligns the maximum penalty with those for similar offences under the Goods and Services Tax (GST) Act and Property Tax Act.

Amendment to the official secrecy provision

The amendment allows for access to the Inland Revenue Authority of Singapore's (IRAS) records and documents containing taxpayers' information by persons authorised by the IRAS, including non-public servants such as private sector auditors and information technology (IT) consultants, to conduct audits in relation to the administration of public schemes (e.g., Jobs Support Scheme). The authorised persons are prohibited from using the data in an unauthorised manner.

Similar amendments will be legislated in the GST Act.

Protection of informers provision

A new Section 104A, modelled after the protection of informer provisions in other domestic legislation, was legislated to prohibit witnesses in any civil or criminal proceedings from disclosing information that may lead to the discovery of an informer's identity.

Similar measures will be legislated in the GST Act, Property Tax Act and Stamp Duties Act.

[1] This excludes tenants that are subject to tax under Section 10E and have a proprietary interest (other than as a legal owner) in the property.

If you would like to know more about the issues discussed or EY services, please contact one of the following or your usual EY contact:

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