Singapore Budget 2019 Synopsis

EY

Building a better working world

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1 Introduction

Bicentennial Budget:
reflecting on the past, strengthening competitiveness for the future

2019 marks the 200th anniversary of the arrival of Sir Stamford Raffles in Singapore, which was a key turning point in the country's history and the foundations were set for its transformation into the global node that Singapore is today. Aptly, this Bicentennial Budget reflects on the country's past factors of success and seeks to strengthen the pillars to build a strong and united Singapore.

Those who were looking for a ground-breaking announcement in this year's Budget may be disappointed. Let's be reminded that transformation is a journey, not a destination. Budget 2019 acknowledges this and continues to provide support to help Singapore enterprises deepen capabilities, innovate and internationalise, in order to compete in the new global economy.

There are not many significant tax changes in Budget 2019. Nevertheless, Finance Minister Heng Swee Keat made a significant policy statement that a competitive tax regime is a key anchor in helping Singapore attract and retain investments and talent. This is a prudent and calibrated decision as the OECD and nations around the world seek to review international tax policy in relation to the digital economy and profit-shifting.

Budget 2019 is also clear in its intent to support industry transformation by building deep enterprise capabilities, building deep worker capabilities and forging deeper partnerships.

Building deep enterprise capabilities

The Minister discussed various programmes such as the Innovation Agents Programme, SME Co-Investment Fund III, Global Ready Talent Programme and the Career Support Programme, which are directed at supporting local enterprises at different stages of growth.

Building deep worker capabilities

The Government's relentless effort to transform the workforce has been most impressive. Given technological disruptions and changing cost structures in Singapore, certain jobs may inevitably be relocated or made redundant.

Redesigning jobs and ensuring our people build deep capabilities through upskilling and reskilling thus remain central to this Budget. These efforts will help improve quality of lives, support Singapore enterprises to compete effectively in the global economy and attract global and regional companies to do business here.

The workforce will need to embrace a lifelong learning mindset to stay relevant and employable. With that in mind, the Government will continue to invest in Singaporeans from early childhood and through their working lives.

The Minister has also announced further tightening of the workforce quota for the services sector by reducing the Dependency Ratio Ceiling in a stepped approach from 1 January 2020. Digitalisation affords companies an opportunity to rethink their mode of operations and do things differently. Local enterprises should tap into the funding support provided by the Government to transform their businesses to reduce reliance on foreign workers.

Photo credit: Singapore Tourism Board

Building deeper partnerships across the economy

The Government recognises the significant role that trade associations and chambers (TACs) play in helping local enterprises to grow their external wings and will strengthen its support for TACs through the Local Enterprise and Association Development programme.

In addition, the Government will also intensify efforts to streamline and digitise trade processes to enable SMEs to have easier access to the same trade benefits under the free trade agreements, which will further support the internationalisation efforts of our local enterprises.

Conclusion

While this budget is an expansionary one, Singapore continues to maintain fiscal prudence and financial discipline to avoid high public debts, borrow only to fund special infrastructure projects and use recurring income to fund ongoing expenditure.

Singapore has enjoyed success in its roots as a trading port. Being the "Asia 101" for global multinational companies is in our DNA. Geographic proximity, similar time zones and a strong talent pool put Singapore in an advantageous position to be the global-Asia node of technology, innovation and enterprise. The continuous challenge will be to stay relevant and competitive always.

Soh Pui Ming
Partner and Head of Tax
19 February 2019

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Business tax

Corporate income tax rate and rebate

Current

The corporate income tax rate is 17% with a partial tax exemption for normal chargeable income of up to S$300,000 as follows:

For YA 2019:

- 75% exemption of up to the first S$10,000
- 50% exemption of up to the next S$290,000

From YA 2020 onwards:

- 75% exemption of up to the first S$10,000
- 50% exemption of up to the next S$190,000

Companies enjoy a 20% corporate income tax rebate for YA 2019, subject to a cap of S$10,000. Corporate income tax rebate is computed on tax payable after deducting tax set offs (e.g., foreign tax credits).

Proposed

The Minister did not propose any change to the corporate income tax rate and the partial tax exemption threshold remains the same.

No corporate income tax rebate was announced for YA 2020.

Points of view

- In the current changing international tax environment where countries are coming together to address BEPS, there is increasing attention and focus on a country's corporate income tax rate. Singapore thus faces the challenge of managing its corporate income tax rate to remain competitive while addressing the concerns of BEPS.
- The corporate income tax rate has remained at 17% since YA 2010. At 17%, Singapore's headline corporate income tax rate continues to be one of the lowest in the world. This rate is only 0.5% higher than the current Hong Kong corporate income tax rate of 16.5%.
- Under Hong Kong's two-tier profits tax regime, the tax rate for the first HK$2m of profits of corporations is reduced by 50% (i.e., from 16.5% to 8.25%) and the remainder of the profits will continue to be taxed at 16.5%. Based on current exchange rate, the Singapore effective tax rate in YA 2020 will be lower than Hong Kong for taxable profits below HK$1m (S$170,000). However, Hong Kong only allows one entity among "connected entities" to be eligible for this regime, unlike the Singapore partial tax exemption scheme, which is available for all companies.
- The corporate income tax rebate is not extended beyond YA 2019. With the implementation of more targeted measures to help companies, especially SMEs, to transform and upscale, they should look to other avenues such as grants to ease their cash flow pressures.
- Companies may consider deferring capital allowances claims or planning their group loss relief to optimise the amount of partial tax exemption (and the amount of tax rebate for YA 2019).
- The difference between the current corporate income tax rate of 17% and the top marginal personal income tax rate of 22% is 5%. Self-employed individuals looking to corporatise must ensure that there are bona fide commercial reasons for using a company structure, with adequate functions, assets and risks undertaken by the company.

Building deep enterprise capabilities for SMEs

Current

Supporting local SMEs to build deep enterprise capabilities has been a key objective of the Government. Recognising that SMEs encompass a diverse range of companies, who are at different stages of growth, a multitude of schemes has been implemented over the years to support local SMEs. These schemes have traditionally been focused on promoting greater innovation and productivity, ensuring access to capital to scale up, and improving digital technology adoption. The schemes have contributed to increased local SME efficiency and product development capabilities. An outline of the existing schemes are provided below.

The SME Co-Investment Funds I and II were launched in 2010 and 2014 respectively to catalyse the growth of Singapore-based SMEs through co-investment with the private sector. To date, S$400m of government capital alongside private sector capital has been invested into local SMEs.

The Automation Support Package (ASP) was introduced in Budget 2016 from 1 April 2016 to 31 March 2019 to support companies to automate, drive productivity, and scale up. The package provides grant funding of up to 50% of the qualifying cost to support the roll-out or scaling up of automation projects (capped at S$1m) under the then Capability Development Grant (CDG), an investment allowance of 100% on approved capital expenditure on qualifying projects, net of grant funding (capped at S$10 million per project), and improved access to loans for qualifying projects undertaken through the Local Enterprise Finance Scheme (LEFS). Under LEFS, ESG partners with participating financial institutions (PFIs) and co-shares up to 70% for SMEs and 50% for non-SMEs of loan default risk in the event of company insolvency.

Launched in June 2016, the SME Working Capital Loan provides SMEs with greater access to unsecured working capital loans of up to S$300,000, with a repayment period of up to five years. ESG partners with PFIs and co-shares 50% of loan default risk in the event of company insolvency. The loan programme is available till 31 May 2019.

The SMEs Go Digital Programme was introduced in Budget 2017 to help SMEs grow digital capabilities. Key components of the programme include sector-specific Industry Digital Plans (IDPs) developed by the Info-communications Media Development Authority (IMDA) on technologies for use by SMEs at each stage of growth. The IMDA works with sector lead agencies to pre-approve digital solutions suitable for SMEs, who can apply for funding support of up to 70% of qualifying costs under the Productivity Solutions Grant (PSG) when adopting these solutions. Currently, IDPs have been developed for the environmental services, retail, food services, wholesale trade, logistics, security, and media sectors.

Proposed

The Government is proposing extensions, enhancements and streamlining of the existing schemes. The direction of the changes has remained consistent over the last few years, and is two-fold. First, it ensures that the enhancements are made to support firms in Singapore, especially the SMEs, to accelerate their transformation, scale up and venture into new markets in the era of disruptions. Second, it shows a continuous effort to respond to feedback that SMEs have found the proliferation of incentive schemes complex and hard to navigate, hence resulting in the streamlining and collapsing of existing incentive schemes into key themes to facilitate access.

The proposed changes are outlined in the table below.

Productivity and innovation	
ASP	The ASP will be extended for another two years, up to 31 March 2021. There is no change announced to the ASP – except that the cash grant and loan for the automation project will now be provided through the new Enterprise Development Grant and Enterprise Financing Scheme (EFS), which has replaced the CDG and LEFS, respectively.
Innovation Agents Programme (IAP)	The two-year pilot programme is established to connect enterprises seeking mentorship to innovation agents, who are experienced industry professionals with both technology expertise and business experience. These innovation agents are expected to provide advice to the SMEs on innovation opportunities and facilitate connections to technology and business partners. The consultation to be provided by these innovation agents could be done either on a one-to-one or group basis, with duration ranging from a few months to a year.
Access to capital	
SME Co-Investment Fund III	This is the third tranche of the SME Co-Investment Fund, which was initially launched in 2010 as part of the Co-Investment Programme. The Government will set aside an additional S$100m for the SME Co-Investment Fund III, to continue supporting firms in their efforts to scale up and internationalise. The objective of the scheme remains unchanged with Temasek Holdings participating as a co-investor in the scheme. Consistent with the previous co-funding tranches, the qualifying investee companies must have their key management functions and headquarter activities based in Singapore, and revenues of up to S$500m.
EFS	The EFS streamlines eight existing SME financing schemes[1], including the extended SME Working Capital Loan, into one scheme to help PFIs and SMEs navigate between the various financing schemes. The EFS will be administered by ESG and it is expected to be launched in October 2019.

1 The eight existing ESG financing schemes to be replaced by the EFS are (i) SME Equipment Loan, (ii) SME Factory Loan, (iii) SME Working Capital Loan, (iv) SME Micro Loan, (v) SME Micro Loan for Young Companies, (vi) SME Venture Loan, (vii) Internationalisation Finance Scheme, and (viii) Loan Insurance Scheme Plus. These financing schemes were carried over from former-SPRING and IE Singapore.

Digital transformation	
SMEs Go Digital Programme	The existing SMEs Go Digital Programme will be expanded and enhanced with the following: ▸ IDPs for additional sectors will be developed, starting with accountancy, sea transport and construction. ▸ The range of pre-approved digital solutions under the PSG will be extended to include more advanced digital solutions such as artificial intelligence-infused solutions and cybersecurity solutions.
Digital Services Lab (DSL)	First announced in November 2018, the DSL is a three-year pilot programme whereby the IMDA's DSL engineers and system architects will work with industry partners, such as research institutes, institutes of higher learning, technology providers and industry, and end-user companies to develop industry-scale technology solutions that would address digitalisation challenges in services sectors. The DSL aims to share early-stage development risks faced by companies in the development of new technology solutions and strengthen technology translation. Participating companies may apply for funding of up to 70% of qualifying costs.
Centres of innovation	
New centres of innovation (COIs) in aquaculture and energy	The aquaculture COI aims to support the growth and internationalisation of local enterprises in the aquaculture sector, and improve food resilience in Singapore. The energy COI aims to drive industry-led innovation in energy efficiency, renewable energy and electric mobility.

Points of view

- The Government has consistently identified productivity and innovation, access to capital and successful digital transformation as the three pillars that would be key to the transformation and growth of Singapore SMEs.
- While the budget announcements include the typical enhancements and extension of the financial schemes such as the extension of the ASP and streamlining of the loan schemes, Budget 2019 signals the continued drive to push forward on the transformation journey that started with the industry transformation map.
- Recognising that transformation is an arduous journey, the Government has adopted the approach of a close partnership with companies in defining a joint roadmap towards long-term growth. Companies will find that these measures are not geared towards alleviating immediate operating cost pressures.
- The continued drive towards streamlining of existing incentive schemes will be appreciated by SMEs who have traditionally been challenged with navigating the complex web of incentives.

Extend the Writing Down Allowance (WDA) for acquisition of qualifying Intellectual Property Rights (IPRs) under section 19B of the ITA

Current

Under section 19B of the ITA, companies and partnerships are granted WDA on capital expenditure incurred in acquiring qualifying IPRs for use in its trade or business. The expenditure can be written down over 5, 10 or 15 years.

The qualifying IPRs are patents, trademarks, registered designs, copyrights, geographical indications, lay-out designs of integrated circuits, trade secrets or information that has commercial value, and grant of protection of plant varieties.

The WDA is available for capital expenditure incurred in respect of qualifying IPRs acquired on or before the last day of the basis period for YA 2020.

Proposed

In recognition that IPRs are important creators of value in a knowledge-based economy, the WDA under section 19B will be extended to cover capital expenditure incurred in respect of qualifying IPRs acquired on or before the last day of the basis period for YA 2025.

Points of view

- The extension of the WDA under section 19B is welcomed as it will continue to be a key factor in attracting investments in IPRs in Singapore and strengthen Singapore's position as an international hub for intellectual property (IP).
- The extension of the WDA for five years to YA 2025 is consistent with the Government's recent trend of applying sunset clauses to concessions or incentives, to allow it the flexibility to review and evaluate the efficacy and relevance of the section 19B concession before deciding whether to further extend or allow it to lapse then.
- No other change was proposed to the existing section 19B regime. In particular, the definition of IPRs for section 19B purposes remains unchanged, i.e., confined to certain prescribed categories and specifically excludes customer-based intangibles and information on work processes. With the rapid pace of digitalisation and pervasiveness of technology impacting all industry sectors, the nature of IP is evolving. The current section 19B definition as prescribed may not be relevant or adequate to cover emerging categories of IP. In today's economy, data is integral to an enterprise's success and its importance as a value driver should be recognised as with IPRs. To further boost the global competitiveness of Singapore's IP regime and align its IP tax regime with other developed countries, it is hoped that the definition of qualifying IPRs can be more broad-based (i.e., less prescriptive) and that intangibles concerning data can qualify for section 19B, in view of its critical role in a knowledge-based and increasingly digitalised economy.

Enhancements to Enterprise Development Grant and Productivity Solutions Grant

Current

Enterprise Development Grant

The Enterprise Development Grant, announced at Budget 2018, is a holistic grant scheme providing customised support to local enterprises for their growth and transformation. It provides enterprises with up to 70% government funding to undertake projects to strengthen their business capabilities, improve operational efficiencies and internationalise.

In general, SMEs can access up to 70% support while non-SMEs can access up to 50% support under the Enterprise Development Grant. For hardware/software, the support level differs, as illustrated below.

Areas of support	Support for SMEs	Support for non-SMEs
Eligible expenses	Up to 70%	Up to 50%
Exception: Hardware/ software	Up to 50%	Up to 30%[1]

The 70% enhanced support level for SMEs on eligible expenses would reduce to 50% after 31 March 2020.

Productivity Solutions Grant

The Productivity Solutions Grant, which was announced at Budget 2018, aims to support enterprises to adopt pre-scoped, off-the-shelf productivity solutions and technologies. Depending on the sector that the Productivity Solutions Grant solution falls under, the support level (currently up to 70%) would reduce to 50% after 31 March 2020.

1 Support level for non-SMEs for hardware can be up to 50%, if the project involves large-scale automation and qualifies for the Automation Support Package.

Proposed

Enterprise Development Grant

The Enterprise Development Grant's enhanced support level of up to 70% will be extended for three more years, up to 31 March 2023. Support levels for the scheme after FY 2022 will be subject to review closer to the end of FY 2022.

To ensure that the benefits of enterprise transformation are passed on to the workers, enterprises will also need to commit to outcomes for workers, such as wage increases, in order to qualify for the Enterprise Development Grant, with effect from 1 April 2020. Details will be shared at a later date.

Productivity Solutions Grant

The Productivity Solutions Grant's support level of up to 70% will be extended to 31 March 2023. Support levels after FY 2022 will be subject to review closer to the end of FY 2022.

To further support firms, the Productivity Solutions Grant will also be enhanced to include a component that supports worker upgrading. Eligible enterprises will be able to receive a subsidy for up to 70% of their out-of-pocket training expenses (i.e., the remaining amount that is not already covered by other government training subsidies such as those under SkillsFuture), capped at S$10,000 per enterprise. This will last until 31 March 2023.

Enterprises applying for the training subsidy under the enhanced Productivity Solutions Grant must submit a training plan for assessment. They will only be eligible for the training subsidy after their Productivity Solutions Grant application has been approved.

More details will be provided at the Ministry of Trade and Industry's and Ministry of Education's Committee of Supply.

Points of view

- The enhancements made to the Enterprise Development Grant and Productivity Solutions Grant are intended to partially alleviate the additional costs expected to be borne by companies, resulting from the impending reduction of the Dependency Ratio Ceiling and S Pass Sub-Dependency Ratio Ceiling taking effect from 1 January 2020 for the services sector.
- For companies in non-services sectors that are not affected by the impending reduction of the Dependency Ratio Ceiling and S Pass Sub-Dependency Ratio Ceiling from 1 January 2020, it is unclear at this juncture whether the enhancements to the Enterprise Development Grant and Productivity Solutions Grant would be applicable.
- The enhancements are also expected to be transitional in nature with a review of the support levels set to take place at the end of FY 2022.
- Traditionally for the Enterprise Development Grant, applicants would need to demonstrate how the intended transformation efforts would enable them in strengthening core capabilities, undertaking innovation and productivity and/or increasing market access. With the enhancements to the Enterprise Development Grant, applicants will need to demonstrate how the intended transformation effort would result in positive outcomes for workers. The requirement to show positive outcomes for workers appears to be in addition to existing requirements.
- Currently, the Productivity Solutions Grant supports the costs to be incurred by the applicants on the pre-scoped, off-the-shelf productivity solutions and technologies. The enhancement extends the coverage to training expenses of the employees. This enhancement is welcomed as SMEs will require a two-pronged approach, being that of automation and training of staff, to enable it to deal with the impending reductions in the Dependency Ratio Ceiling and S Pass Sub-Dependency Ratio Ceiling.

Extend the income tax concessions for S-REITs

Current

S-REITs are granted tax transparency if their trustees distribute at least 90% of their taxable income to unitholders in the same year in which the income is derived by the trustee.

S-REITs are also granted the following income tax concessions:

- Tax exemption on S-REITs distributions received by individuals, excluding individuals who derive any distribution:
  - Through a partnership in Singapore

    Or

  - From the carrying on of a trade, business or profession
- Concessionary income tax rate of 10% for S-REITs distributions received by non-resident non-individual investors
- Tax exemption on qualifying foreign-sourced income (i.e., foreign-sourced dividend income, interest income, trust distributions and branch profits) received by S-REITs and wholly-owned Singapore resident subsidiary companies of S-REITs, that is paid out of qualifying income or gains in respect of overseas property acquired on or before 31 March 2020 by the trustee of the S-REITs or its wholly-owned Singapore resident subsidiary company.

The income tax concessions are scheduled to lapse after 31 March 2020.

Proposed

To continue to promote the listing of REITs in Singapore and to strengthen Singapore's position as a REITs hub in Asia, the existing tax concessions for S-REITs will be extended till 31 December 2025.

The sunset clause for the tax exemption on S-REITs distributions received by individuals will be removed.

All other conditions for the income tax concessions remain the same.

Further details of the change will be provided by the MAS by May 2019.

Points of view

- The removal of the sunset clause for the tax exemption on S-REITs distributions received by individuals (except for individuals who derive such distributions through a partnership in Singapore or from the carrying on of a trade, business or profession) will be welcomed by both the S-REITs industry and investors alike.
- The aforesaid sunset clause was introduced in the Income Tax (Amendment) Act 2018. Its removal puts the tax exemption back to its original state, as being part of the broader tax exemption granted in Budget 2004 to exempt Singapore-sourced investment income derived by individuals from financial instruments. This will also put investments by individuals in S-REITs that invest in Singapore properties back on a level playing field with investments in S-REITs investing in foreign properties as well as investments in other financial instruments.
- The extension of the 10% concessionary tax rate for non-tax resident non-individual investors is similarly good news for the S-REITs industry as it will help to preserve the attractiveness of S-REITs as a good investment asset class to these

investors (e.g., foreign funds and pension funds) and enable a continued inflow of foreign capital to support the growth of the S-REITs market.

- Another proposed tax change that would enhance the attractiveness of S-REITs is the expansion of the 10% concessionary tax rate to taxable S-REITs distributions received by non-resident funds incentivised under sections 13CA, 13X and 13Y of the ITA during the period from 1 July 2019 to 31 December 2025 by not regarding their fund managers as PEs in Singapore for this purpose. Although the 10% concessionary tax rate is a final tax (meaning that there will be no tax deduction for expenses incurred in deriving the S-REITs distributions), this change should generally be beneficial for such funds as they are currently subject to WHT at the standard corporate income tax rate (currently 17%) and would only be able to receive the refund for any taxes over-deducted (e.g., due to deduction of expenses or partial tax exemption) much later after filing their Singapore income tax returns.
- It is also positive that the tax exemption on qualifying foreign-sourced income is extended up to 31 December 2025. Given that Singapore is a small country, the continued growth of the S-REIT industry will depend heavily on tapping the overseas markets and bringing more listings of cross-border REITs on the SGX. This extension will help to encourage more of such listings and also allow more opportunities for existing cross-border REITs already listed on the SGX to grow their portfolio of overseas properties.
- All in, the above tax concessions for S-REITs remain very relevant and important to the S-REIT industry. It is therefore encouraging that the authorities have recognised this and moved to extend the concessions one year ahead of their expiry on 31 March 2020 to provide more certainty and ensure Singapore maintains its competitive edge as a REITs hub in Asia. The change in extension date to 31 December instead of the "usual" 31 March will also allow S-REITs more time to prepare in the event the concessions are not extended beyond 31 December 2025 (as this, if it happens, is likely to be announced by the Government by the first quarter of year 2025).
- Still, as these tax concessions for S-REITs have a shelf life, uncertainty in the market is unavoidable when the sunset date looms. One way that can help to enhance these concessions, in particular the concession on foreign-sourced income, without totally removing the sunset clause is to tie the tax exemption to the life of the S-REITs — this will allow the tax exemption to apply as long as the S-REITs are listed on or before a sunset date (e.g., 31 December 2025) and continue to be listed on the SGX, hence eliminating any uncertainty for acquisitions planned close to the sunset date.
- While it is an established policy to introduce sunset clauses for tax incentive schemes and concessions generally, it is vital that there remains no sunset clause for the tax transparency treatment for S-REITs. The tax transparency treatment is a cornerstone of the S-REIT taxation framework, and is absolutely fundamental for S-REITs that invest in Singapore properties. The growth of the S-REIT industry would definitely not be what it is today if a sunset clause had been imposed on the tax transparency treatment. It is therefore noted with great relief that the new sunset clause of 31 December 2025 applies to income tax concessions only, i.e., it does not apply to the tax transparency treatment. However, this should not be taken to mean that the authorities will not review the introduction of a sunset clause for tax transparency in accordance with its established policy on this, even as the imposition of a sunset clause could be detrimental to the S-REIT industry.

Extend the income tax concessions for Singapore-listed Real Estate Investment Trusts Exchange-Traded Funds (REITs ETFs)

Current

REITs ETFs are granted the following income tax concessions:

- Tax transparency treatment on the distributions received by REITs ETFs from S-REITs, which are made out of the latter's specified income
- Tax exemption on such REITs ETFs distributions received by individuals, excluding individuals who derive any distribution:
  - Through a partnership in Singapore

    Or
  - From the carrying on of a trade, business or profession
- 10% concessionary tax rate on such REITs ETFs distributions received by qualifying non-resident non-individuals

The income tax concessions are scheduled to lapse after 31 March 2020.

Proposed

The existing tax treatment accorded to REITs ETFs will be extended till 31 December 2025.

The sunset clause will be removed for the tax exemption on REITs ETFs distributions received by individuals.

All other conditions for the income tax concessions remain the same.

The MAS will provide further details of the change by May 2019.

Points of view

- The extension of the income tax concessions for REITs ETFs was very much anticipated by the REITs industry and the market. This extension and the removal of the sunset clause for the tax exemption on REITs ETFs distributions received by individuals are aligned with the proposed changes announced for S-REITs.
- The extension of the income tax concessions demonstrates the Government's continuous effort in promoting Singapore as the preferred location for the listing of REITs and REITs ETFs.

Lapse of the Designated Unit Trust (DUT) scheme

Current

Under the DUT scheme, specified income derived by a unit trust with the DUT status is not taxed at the trustee level, but is taxable upon distribution in the hands of investors. Qualifying foreign investors and individuals (unless such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession) are exempt from tax on distributions made by a DUT.

The DUT scheme is scheduled to lapse after 31 March 2019.

Proposed

Tax incentive schemes are reviewed regularly to ensure relevance.

The DUT scheme will lapse after 31 March 2019. Funds in the form of unit trusts may apply for other tax incentives for funds.

Existing DUTs will continue to receive the tax deferral benefits under the DUT scheme, on and after 1 April 2019, if they continue to meet all the conditions.

Points of view

- The DUT scheme is administered on a self-assessment basis. The unit trust must meet the specified conditions of the DUT scheme throughout the basis period for each YA and the trustee is required to complete and submit a declaration form to the IRAS on an annual basis.
- Although the DUT scheme will lapse after 31 March 2019, existing unit trusts under the DUT scheme will continue to enjoy the DUT status if they continue to meet all the specified conditions of the DUT scheme.
- With the refinement of the tax incentive schemes for funds managed by Singapore-based fund managers, the DUT scheme will be subsumed under the liberalised section 13CA scheme. Qualifying foreign investors and individuals (excluding those who invest through a partnership in Singapore or whose investments are regarded as the carrying on of a trade, business or profession) should be indifferent whether they invest in a DUT or a fund established under the liberalised section 13CA scheme going forward given that the tax effect is the same, i.e., the distributions made to them are exempt from tax.
- For existing unit trusts which fail to meet the specified conditions of the DUT scheme or new unit trusts constituted on or after 1 April 2019, they may avail of the section 13CA or 13X schemes. Application for section 13X scheme is subject to approval from the MAS.

3
Personal income tax

Personal income tax rebate and tax rate

Current

There is no personal income tax rebate.

Proposed

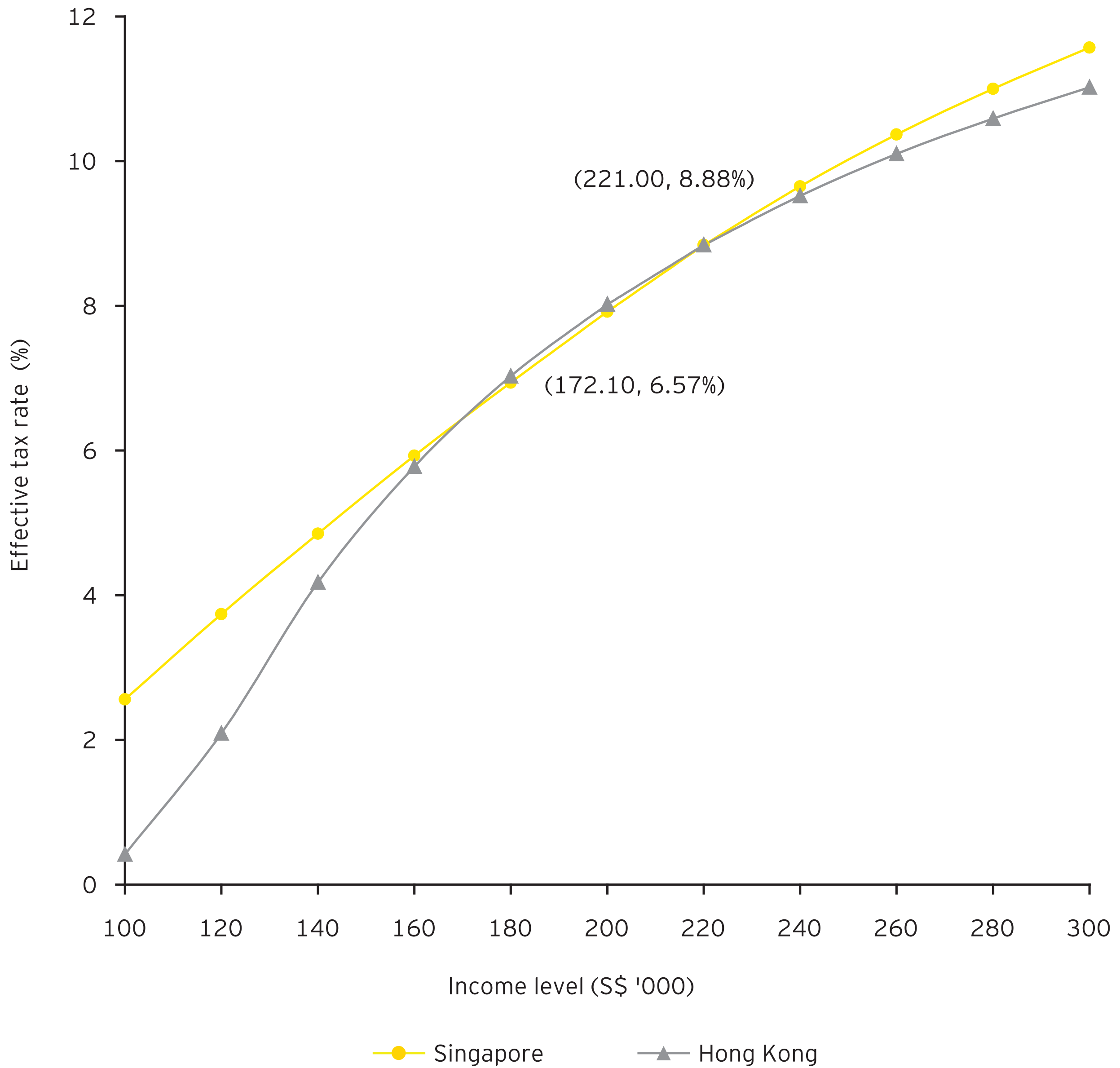
As part of the Bicentennial Bonus, a personal income tax rebate of 50% of tax payable will be granted to all tax resident individuals for YA 2019 (i.e., for income earned in 2018). The rebate will be capped at S$200 per taxpayer. There are no further changes to the personal income tax rates.

Points of view

- With certain assumptions[1], the income tax rebate announced in Budget 2019 will benefit tax resident individual taxpayers who earn an annual income of more than S$42,500. Tax resident individual taxpayers who earn an annual income of at least S$62,143 will enjoy the maximum rebate of S$200.
- In the past, personal income rebates have been given and the caps have ranged from S$500 to S$2,000. The last rebate was given in YA 2017, which was 20% of tax payable, capped at S$500. The rebate of S$200 is the lowest such rebate given in recent years.
- The implementation of higher income tax rates with effect from YA 2017 as well as the personal income tax relief cap with effect from YA 2018 affect mainly the higher income earners. The Government is of the view that the current personal income tax regime is sufficiently progressive and equitable. As such, no further change or enhancement is required at the moment.
- The Singapore tax regime remains one of the most competitive in the region, with its closest competitor being Hong Kong. Please refer to Chart 1. Currently, an individual earning income between S$172,100 and S$221,000 pays slightly lower tax in Singapore, although highly paid individuals may be paying significantly more tax in Singapore compared to Hong Kong.

1 Active national service reservist man married to a non-working spouse with two dependent children

Chart 1: Comparative analysis (2018/2019 Hong Kong versus Singapore YA 2019 tax rate with 50% tax rebate capped at S$200)



Note

1) Assumes a Singaporean married man with two children, wife has no income and sole source of income is from his employment.
2) Singapore calculations for YA 2019 include 50% tax rebate capped at S$200.
3) Hong Kong calculations for 2018/2019 with marginal tax bands widen from HK$45,000 to HK$50,000 and increase child allowance from HK$100,000 to HK$120,000.
4) Exchange rate used: S$1: HK$5.7754

Lapse of the Not Ordinarily Resident scheme

Current

Under the scheme, an eligible individual granted Not Ordinarily Resident (NOR) status for a five-year period may, subject to conditions, receive the following tax concessions:

a) Time apportionment of Singapore employment income, whereby he/she would not be subject to tax on the portion of his/her Singapore employment income that corresponds to the number of days he/she has spent outside Singapore for business reasons pursuant to his/her Singapore employment.

b) Tax exemption of his/her employer's contribution to a non-mandatory overseas pension or provident fund.

Proposed

Access to global talent to complement Singapore's local talent is key to maintaining competitiveness and driving economic growth.

The NOR scheme was introduced in Budget 2002 with the objective of attracting talent with regional and global responsibilities to relocate to Singapore. The MoF periodically reviews the relevance of the tax schemes.

The NOR scheme will lapse after YA 2020. The last such NOR status will be granted for YA 2020 and expire in YA 2024. Individuals who have been accorded the NOR status will continue to be granted NOR tax concessions until their NOR status expires, if they continue to meet the conditions of the concessions.

Singapore will continue to build a conducive environment to attract and retain highly-skilled individuals. This includes a competitive tax regime, stable political, economic and social environment, strong regional connectivity, and high standards of health care, housing and education.

Points of view

- The introduction of the NOR scheme since YA 2003 has been contributory in attracting foreign talent and senior executives of companies to use Singapore as their base for regional and global activities, thereby levelling the playing field with Hong Kong in competing for talent to relocate to Singapore.
- The most common tax concession utilised is the time apportionment of Singapore employment income. This concession allows for tax exemption of employment income attributable to business days travelled outside Singapore which are incidental to the Singapore employment, subject to a minimum floor tax rate of 10%. Amongst other conditions, the taxpayer must spend at least 90 business days outside Singapore in a calendar year.

  The other concession available is the tax exemption of employer's contributions to non-mandatory overseas pension fund or social security scheme, up to a cap. The availability of these concessions is for a period of five consecutive YAs.
- Currently, the concessions under the NOR scheme reduce the Singapore effective tax rate of the qualifying employees. Refer to Table 1 that illustrates a comparison of the effective tax rate in Singapore for an employee who qualifies for time apportionment concession (10.92%) and one who does not (16.35%), based on taxable remuneration of S$500,000.
- With the announcement of the lapse of the NOR scheme with effect from YA 2021, all employees working in Singapore with regional and global responsibilities will pay tax on their full remuneration earned from their Singapore employment. This will lead to a higher effective tax rate. Whilst the removal of the

scheme will result in higher tax liabilities, this is balanced out with more compelling competitive advantages that Singapore has in its world-class infrastructure, connectivity, education and health care. This was affirmed by the World Economic Forum when they ranked Singapore second among 140 countries in its competitiveness index[1].

- Due to the conditions required to qualify for the scheme, the NOR concessions have so far benefited foreign taxpayers, with limited impact to Singaporeans operating in similar regional and global roles.
- Companies who have in place a tax reimbursement programme (e.g., tax equalisation) and bear the Singapore tax liabilities of foreign expatriates will need to budget for higher tax costs in respect of employees who can no longer qualify for the NOR scheme after YA 2020.
- As the Government continues to move towards a progressive tax system, the removal of the NOR scheme is not unexpected as the proposed change results in a more equitable approach for all taxpayers working in Singapore.

Table 1: Singapore - Year ending 31 December 2019

		With NOR time apportionment concession		Without NOR time apportionment concession	
Income		**S$**	**500,000**	**S$**	**500,000**
Business days outside Singapore			90 days		Not applicable
Income attributable to days in Singapore		**S$**	**376,712**	**S$**	**500,000**
Less:	Earned Income Relief	S$	(1,000)	S$	(1,000)
	Spouse Relief	S$	(2,000)	S$	(2,000)
	Qualifying Child Relief	S$	(8,000)	S$	(8,000)
Taxable income		**S$**	**365,712**	**S$**	**489,000**
Tax at progressive rates:					
First S$320,000		S$	44,550	S$	44,550
Balance @ 22%		S$	10,057	S$	37,180
Tax thereon		S$	54,607	S$	81,730
Effective tax rate			**10.92%**		**16.35%**

Assumptions
1) Taxpayer receives employment income only
2) Taxpayer is married with two dependent children
3) Wife has no income

1 Source: The World Economic Forum's Global Competitiveness Index 4.0, 2018 edition

Grandparent Caregiver Relief

Current

Working mothers who engage the help of their parents, grandparents, parents-in-law or grandparents-in-law to take care of their young children may claim Grandparent Caregiver Relief, subject to conditions. One of the conditions is that the child who is a citizen of Singapore has to be 12 years old or below during the year preceding the YA of claim.

Proposed

To provide greater support and recognition to working mothers with handicapped and unmarried dependent children (incapacitated by reason of physical or mental infirmity), the Government will allow taxpayers to claim Grandparent Caregiver Relief in respect of a handicapped and unmarried dependent child, regardless of the child's age, if they have met all other conditions. This will take effect from YA 2020 (i.e., for income earned in 2019).

Points of view

- A working mother may claim up to S$3,000 on one of her parents, grandparents, parents-in-law or grandparents-in-law if she meets all the qualifying conditions for Grandparent Caregiver Relief.
- The Government demonstrates empathy towards the claim of handicapped-related tax reliefs e.g., Handicapped Parent Relief, Handicapped Child Relief and Handicapped Spouse Relief as there is currently no income threshold imposed as part of the qualifying conditions for these claims.
- To be in line with the above intent to provide more support to families with handicapped individuals, the child's age as a qualifying condition for a handicapped and unmarried dependent child is removed.
- The total amount of personal income tax reliefs that an individual can claim is currently capped at S$80,000 per YA. As such, high-income working mothers with handicapped and unmarried dependent children of more than 12 years old may not benefit from this proposed change.

4 Goods and services tax

GST rate

Current

To support the recurrent needs from health care, security and other social spending, the Minister announced in Budget 2018 that the Government plans to raise GST by two percentage points, from 7% to 9%, sometime in the period from 2021 to 2025.

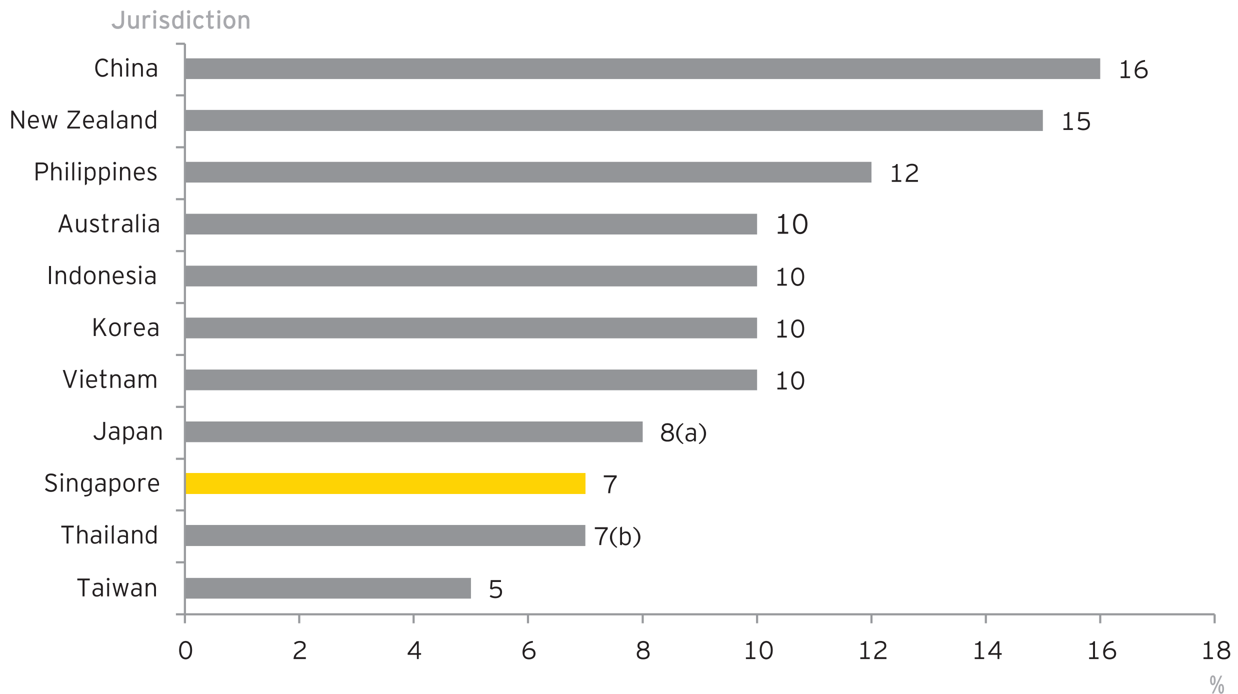
The Minister has reiterated in this year's Budget that when the GST is raised, the Government will:

- Ensure that the overall system of taxes and transfers remains fair and progressive
- Continue to absorb GST on publicly subsidised education and health care
- Provide more help to lower-income households and the elderly by enhancing the permanent GST Voucher scheme
- Cushion the impact of the GST increase for a period through a GST offset package, with more help for lower-income and middle-income households

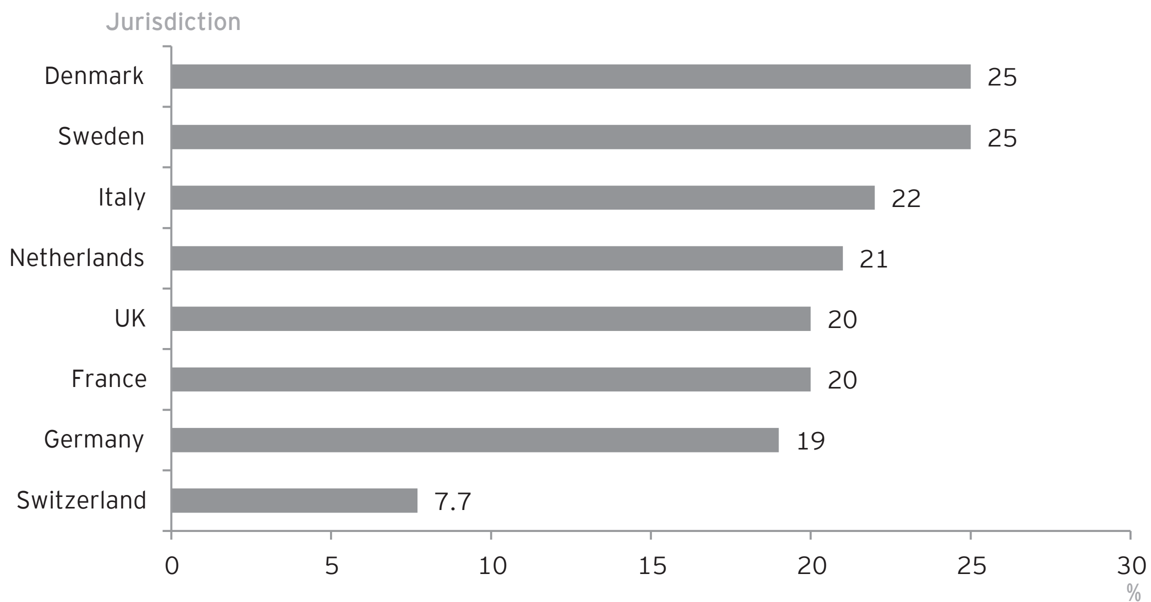
The Minister also highlighted that the GST rate is not high by international standards, even after the planned increase to 9%. The OECD average is 19%. Among Asia-Pacific countries, many have standard GST rates that exceed 9%. Please refer to the tables of comparative rates on the next page.

Prevailing standard GST/VAT rates in selected jurisdictions as at 1 January 2019

Asia-Pacific



Europe



Notes:
(a) The rate will be increased to 10% on or after 1 October 2019.
(b) Until 30 September 2019, pending an extension of the period by the Thai Government.

Tighten the GST import relief for travellers

Current

Travellers[1] who spend less than 48 hours outside Singapore get GST import relief for the first S$150 value of goods bought overseas[2].

Travellers who spend at least 48 hours outside Singapore get GST import relief for the first S$600 of the value of goods bought overseas.

Proposed

To ensure that our system continues to remain resilient amidst rising international travel, the Government has revised the quantum of GST import relief for travellers.

Travellers who spend less than 48 hours outside Singapore will get GST import relief for the first S$100 (instead of S$150 currently) of the value of goods bought overseas. Travellers who spend at least 48 hours outside Singapore will get GST import relief for the first S$500 (instead of S$600 currently) of the value of goods bought overseas.

Time spent outside Singapore	Value of goods granted GST relief
48 hours and above	S$500 (down from the current S$600)
Less than 48 hours	S$100 (down from the current S$150)

This will take effect for travellers arriving in Singapore from 12:00 a.m., 19 February 2019.

Points of view

- It is the responsibility of the travellers to make an accurate and complete declaration of taxable items in their possession to enjoy a smoother customs clearance upon arrival.
- It remains to be seen if there will be a step-up on enforcement action by the authorities with the revision to the GST import relief.

1 The relief is applicable to Singapore Citizens, Singapore PRs and tourists, but is not applicable for crew members and holders of a work permit, employment pass, student's pass, dependant's pass, or long-term pass issued by the Government.

2 The relief does not apply to intoxicating liquor and tobacco, as well as goods imported for commercial purposes.

Tighten the duty-free allowance for liquor products

Current

Travellers have three litres of duty-free allowance that can be used in the following ways:

Option	Spirits	Wine	Beer
A	1 litre	1 litre	1 litre
B	-	2 litres	1 litre
C	-	1 litre	2 litres

The duty-free allowance will only be provided if all conditions are fulfilled:

- Traveller is 18 years old and above
- Traveller spent 48 hours or more outside Singapore immediately before arrival
- Traveller is not arriving from Malaysia
- The liquor is for traveller’s own consumption
- The liquor is not prohibited from import to Singapore

Proposed

The total duty-free allowance will be two litres, with the maximum duty-free allowance for spirits remaining at one litre. This will take effect on and after 1 April 2019.

The revised duty-free allowance options are as follows:

Option	Spirits	Wine	Beer
1	1 litre	1 litre	-
2	1 litre	-	1 litre
3	-	1 litre	1 litre
4	-	2 litres	-
5	-	-	2 litres

All the conditions for the provision of duty-free allowance remain unchanged.

Points of view

- Travellers, including Singaporeans returning from overseas, should acquaint themselves with the proposed changes to ensure a smoother customs clearance upon arrival.
- Where the duty-free allowance has been exceeded, duty and GST would be payable. Travellers may declare and pay the duty and GST at the Customs Tax Payment Office or make an advance declaration through the Customs@SG mobile app.

Extend the GST remission for S-REITs and Singapore-listed registered business trusts (RBTs) in the infrastructure business, ship leasing and aircraft leasing sectors

Current

GST remission is granted to S-REITs and RBTs in the infrastructure business, ship leasing and aircraft leasing sectors, to allow them to claim GST on the following, subject to conditions:

a) Their business expenses, regardless of whether they hold underlying assets directly or indirectly through multi-tiered structures such as SPVs or sub-trusts

b) Their business expenses incurred to set up SPVs that are used solely to raise funds for the S-REITs or RBTs, and that do not hold qualifying assets of the S-REITs or RBTs, directly or indirectly

c) Business expenses of financing SPVs mentioned in (b)

The GST remission is scheduled to lapse after 31 March 2020.

Proposed

To continue facilitating the listing of S-REITs and RBTs in the infrastructure business, ship leasing and aircraft leasing sectors, the existing GST remission will be extended until 31 December 2025.

All conditions for GST remission remain the same.

The MAS will provide further details of the change by May 2019.

Points of view

- Without the GST remission, S-REITs and qualifying RBTs that derive solely dividend/distribution income from SPVs or with SPVs that are set up solely to raise funds for the S-REITs or qualifying RBTs are not eligible for GST registration and would not be able to claim the GST incurred on their business expenses.
- The extension of the GST remission demonstrates the Government's continuous efforts in promoting Singapore as the preferred location in Asia for the listing of REITs and qualifying RBTs.
- The Government could consider extending the GST remission to apply throughout the life of the S-REITs and qualifying RBTs.

5 Funds

Extend and refine tax incentive schemes for funds managed by Singapore-based fund managers (qualifying funds)

Current

Qualifying funds are granted the following tax concessions, subject to conditions:

- Tax exemption on specified income (SI) derived from designated investments (DI)

  and

- WHT exemption on interest and other qualifying payments made to non-resident persons (excluding PEs in Singapore)

Qualifying funds comprise the following:

- Basic tier funds (sections 13CA and 13R schemes)
- Enhanced tier funds (section 13X scheme)

To qualify as a basic tier fund, a fund has to meet certain conditions, including not having 100% of the value of its issued securities beneficially owned, directly or indirectly, by Singapore persons[1].

For enhanced tier funds approved as a collective structure, the master fund in the approved structure can have up to two tiers of SPVs. Such SPVs must be wholly-owned (directly or indirectly) by the master fund and can only take the form of companies.

Separately, for real estate, infrastructure and private equity funds applying to be enhanced tier funds, the minimum fund size requirement to be met at the point of application may be determined based on the amount of committed capital (committed capital concession).

The schemes for qualifying funds are scheduled to lapse after 31 March 2019.

Proposed

To continue to grow Singapore's asset management industry, the tax concessions relating to qualifying funds will be extended until 31 December 2024.

The sections 13CA, 13R and 13X schemes will also be refined to keep the schemes relevant and to ease compliance burden. The key refinements are as follows:

a) The condition that a basic tier fund must not have 100% of the value of its issued securities beneficially owned, directly or indirectly, by Singapore persons will be removed.

b) The enhanced tier fund scheme will be enhanced to (i) include co-investments, non-company SPVs and more than two tiers of SPVs, (ii) allow debt and credit funds to access the committed capital concession and (iii) include managed accounts[2].

c) The list of DI will be expanded by removing the counter-party and currency restrictions, and including investments such as credit facilities and advances, and Islamic financial products that are commercial equivalents of DI. The condition for unit trusts to wholly invest in DI will be removed.

d) The list of SI will be enhanced to include income in the form of payments that fall within the ambit of section 12(6) of the ITA.

1 "Singapore persons" is defined in the Income Tax (Exemption of Income of Prescribed Persons Arising from Funds Managed by Fund Manager in Singapore) Regulations. It includes persons who are Singapore citizens, residents of Singapore or PEs in Singapore.

2 A managed account is a dedicated investment account where an investor places funds directly with a fund manager without using a separate fund vehicle.

e) Qualifying non-resident funds under sections 13CA and 13X will be able to avail themselves of the 10% concessionary tax rate applicable to qualifying non-resident non-individuals when investing in S-REITs and REITs Exchange-Traded Funds (ETFs).

The removal of condition in (a) will be effective from YA 2020[3].

The enhancements in (b) will apply on and after 19 February 2019.

The enhancements in (c) and (d) will apply to income derived on and after 19 February 2019.

The enhancements in (e) will apply to S-REITs and REITs ETFs distributions made during the period from 1 July 2019 to 31 December 2025.

The MAS will provide further details of the changes by May 2019.

Points of view

- In 2016, the Government announced a financial services industry transformation map to develop Singapore as a leading international wealth management hub. The extension of the tax incentive schemes until 31 December 2024, along with the proposed enhancements, is meant to anchor Singapore's position as Asia's hub for fund management and domiciliation.

Changes proposed for basic tier funds (section 13CA and section 13R schemes)

- A basic tier fund must not have, at any time, 100% of the value of its issued securities beneficially owned by Singapore persons. With the removal of this requirement from YA 2020, fund managers will have more flexibility in raising funds from Singapore investors, including ultra-high net worth Singapore individuals and families. The proposed change also safeguards a fund that has had redemptions from its non-resident investors from losing its exempt status.
- However, the qualifying investor test under the section 13CA and section 13R schemes continues to apply. Therefore, the fund managers must continue to monitor the profile of the investors.
- To enable investors to determine their investment stake in a basic tier fund, the fund manager will have to issue an annual statement to each of its investors with the prescribed information. This poses an administrative burden to fund managers especially where the basic tier fund has a large number of investors. This requirement has been relaxed to allow fund managers to:

3 Applicable from YA 2020 instead of on and after 19 February 2019, to avoid subjecting existing funds to two different set of conditions in the same basis period.

- Publish the prescribed information on their website for investors to access information on whether they breach the qualifying investor test

  And

- Issue annual statements only to non-qualifying investors

- In order to apply for the section 13R scheme, one of the conditions is that the fund must not have carried on a business in Singapore, where that business generated income that would not have been exempted from tax. This condition has been modified in respect of funds that derive incidental income from any of the following:
  - Warehousing of investments
  - Placement of monies in deposits or money market instruments on a temporary basis
  - Setting up bank accounts in anticipation of commencing operations
- This serves to address the commercial and practical challenges where fund managers may have to commence the above mentioned activities prior to applying for the section 13R scheme. It is expected that qualifying incidental income derived from the above mentioned activities will now be exempt from tax from the effective date of the section 13R scheme. Further guidance on terms such as "warehousing" or "temporary basis" should be released by the MAS.

Changes proposed for enhanced tier funds (section 13X scheme)

- Budget 2018 announced the removal of the legal form requirement for a fund vehicle to qualify for the section 13X scheme. The proposed expansion to include managed accounts makes it more attractive for some investors, in particular those who cannot qualify under the section 13CA scheme. However, the managed account will be required to file a tax return in Singapore and additional guidance is expected to be provided by the MAS.
- A positive outcome from the above proposal is that fund managers will now be able to enjoy the 10% concessionary tax rate on income earned from managing such approved managed accounts under the Financial Sector Incentive — Fund Management scheme.
- The proposed changes to the Master-SPV and Master-Feeder-SPV structures under the section 13X scheme will boost the attractiveness of the scheme by allowing flexibility for co-investments, joint venture partners entering at different levels, exit strategies and financing options for the structure. However, the co-investors must be incentivised entities (i.e., section 13CA, section 13R or section 13X schemes) or foreign investors. It is expected that the proposed changes should apply to existing and new structures under the section 13X scheme. Fund managers must ensure that the co-investors meet the necessary requirements to avoid losing the exemption status for the fund structure.
- In today's environment, funds that rely on the committed capital concept invest in strategies beyond private equity, real estate or infrastructure. Therefore, the proposal to allow credit and debt funds to access the committed capital concession is a welcome move. It has also been clarified that private equity fund of funds can rely on the committed capital concession.

Changes proposed to SI and DI

- The expansion to the list of DI is consistent with the Government's commitment to continually review its prescribed list for relevance and competitiveness. The list of DI will be expanded by removing the counter-party and currency restrictions, and including investments such as emission allowance, accounts receivables, letters of credit, credit facilities and advances, and Islamic financial products that are commercial equivalents of DI. The enhancements in the DI list will apply to income derived on and after 19 February 2019.
  - The removal of counter-party and currency restrictions widens the scope of investments and transactions that a qualifying fund can participate in and reduces the administrative and compliance burden in tracking investments. Several credit products are proposed to be added to the DI list, which provides funds with tax certainty when they provide financing and credit facilities to Singapore and non-Singapore based businesses including SMEs.
  - In particular, a loan to a Singapore business is now covered under the DI list. This provides alternative sources of funding for Singapore businesses including start-ups and SMEs that seek debt funding from venture capital fund managers, while retaining control of their business.
  - Currently, the DI list includes prescribed Islamic financing arrangements under section 34B of the ITA that are commercial equivalents of any of the other DI. However, Islamic financial products that are not specifically defined in the prescribed list were not covered even though they are commercial equivalents of other DI. It is expected that the DI list will be expanded to include a wider range of Islamic financial products.
  - The removal of the condition for unit trusts to wholly invest in DI will help reduce the administrative and compliance burden in tracking the underlying investments. The fund manager may not always have control of the underlying portfolio.
- The SI list will be enhanced to include income in the form of payments that fall within the ambit of section 12(6) of the ITA, which largely covers Singapore-sourced interest income. The carve-out of Singapore-sourced interest income from the SI list has been a notable exclusion for qualifying funds and this enhancement is a welcome move for qualifying funds. In addition, this is in line with the Government's intention to provide better financing options for SMEs. However, unless otherwise provided, WHT technically applies on such payments made by Singapore borrowers to non-Singapore resident funds. Such funds would then need to file a tax return in Singapore and claim a refund to give effect to this exemption. On the other hand, a Singapore resident fund would not have this issue. The MAS is expected to provide further clarification on the administration of the exemption.
- With the confirmation that distributions made during the period from 1 July 2019 to 31 December 2025 by S-REITs and REITs ETFs to non-resident non-individual qualifying funds will qualify for the 10% concessionary tax rate, there is now certainty on the declaration to be made by the qualifying funds to the REITs manager (for WHT purposes) and also on the tax treatment from investing in S-REITs or REITs ETFs.

Extend the concession on recovery of GST for qualifying funds

Current

As a concession, qualifying funds that are managed by prescribed fund managers in Singapore are allowed, by way of remission, to claim GST incurred on expenses at a fixed recovery rate. The concession is scheduled to lapse after 31 March 2019.

Proposed

To further grow Singapore as a centre for fund management and administration, the concession will be extended until 31 December 2024. The MAS will release further details of the change by May 2019.

Points of view

The GST concession is critical in attracting funds to domicile in Singapore. The extension of the GST concession should come as a welcome relief, especially for existing Singapore-domiciled funds. However, there remains a GST leakage due to a fixed recovery rate that is below 100%. The fixed recovery rate varies from year to year.

6 Miscellaneous

Extension of the Career Support Programme

The Career Support Programme (CSP) was first introduced in 2015. It is part of the Adapt and Grow initiative. The CSP provides salary support to encourage employers to hire retrenched mature[1] or long-term unemployed[2] Singapore citizens for professional, manager, executive and technician (PMET) jobs.

The CSP will be extended for two more years till March 2021. The support parameters will remain unchanged.

Salary support for Singapore citizen PMETs	First 6 months of employment	Second 6 months of employment	Third 6 months of employment
≥40 years old, unemployed and looking for jobs ≥12 months	50%	30%	20%
≥40 years old, unemployed and actively looking for jobs for 6 months to <12 months or made redundant	40%	20%	Not applicable
<40 years old, unemployed and actively looking for jobs ≥6 months	20%	10%	Not applicable
Gross monthly salary[3]: At least S$3,600/month for SMEs[4] At least S$4,000/month for non-SMEs (Funded gross monthly salary is capped at S$7,000/month)			

1 Defined as individuals who are 40 years old or above
2 Defined as individuals who have been unemployed for six months or more
3 The sum of new hire's monthly basic salary and fixed monthly allowance
4 Companies must be legally registered or incorporated in Singapore, with a Unique Entity Number

Global Ready Talent Programme

To prepare and develop young Singaporeans to make full use of Singapore's position as a Global-Asia node of technology, innovation and enterprise, the Global Ready Talent Programme (GRTP) aims to build a pipeline of global-ready talent for Singapore enterprises. The GRTP helps young Singaporeans excel on the international stage, and supports Singapore firms[1] with their overseas expansion[2].

It comprises two components:

- **Internships**
  The GRTP harmonises existing young talent programmes, namely the SME Talent Programme, Young Talent Programme and Go Southeast Asia Award, into a single programme. Under the GRTP, students can take up local internships provided by local companies or overseas internships provided by local and foreign companies. Students will receive monthly internship stipends and overseas allowances.

  Students can apply for GRTP through their institutes of higher learning (i.e., universities, polytechnics and Institutes of Technical Education). This scheme is open to students who are Singapore citizens and PRs.

  Participating local firms can receive funding support of up to 70% of the students' monthly internship stipends.

- **Management Associate programmes**
  The GRTP also supports local firms in sending young Singaporeans with up to three years of working experience on job postings in key overseas markets. This deepens the in-market knowledge and international work exposure of these young Singaporeans, and supports the international expansion efforts of Singapore firms.

  Participating firms can receive funding support for part of the expenditure incurred in sending young Singaporeans overseas.

  More details will be provided at the Ministry of Trade and Industry's Committee of Supply.

1 Refers to firms with a minimum 30% local shareholding.

2 The focus will be on expansion to Southeast Asia, China, and India, as well as other emerging markets.

Restructure diesel taxes

Currently, an excise duty of S$0.10 per litre is imposed on diesel fuel conforming to the standard for sulphur for such diesel fuel specified in Part I of the Eighth Schedule to the Environmental Protection and Management (Vehicular Emissions) Regulations (Cap 94A, Rg 6). This was introduced in 2017 to discourage diesel consumption as diesel exhaust is highly pollutive. There is also a lump sum special tax on diesel cars and taxis.

With effect from 18 February 2019, the excise duty on diesel fuel will be increased to S$0.20 per litre. Further details can be found in Singapore Customs Circular No. 03/2019 dated 18 February 2019.

At the same time, the annual special tax will be permanently reduced for diesel cars and taxis by S$100 and S$850 respectively.

There are offset measures announced in the Budget to help cushion the impact of the increase in diesel duty.

Tax services in Singapore

Our tax professionals in Singapore provide you with deep technical knowledge, both globally and locally, combined with practical, commercial and industry experience. We draw on our global insights and perspectives to build proactive, truly integrated direct and indirect tax strategies that help you build sustainable growth, in Singapore and wherever else you are in the world.

Business Tax Services

Tax Policy and Controversy Services
EY's global tax policy network has extensive experience helping develop policy initiatives, both as external advisors to governments and companies and as advisors inside government. Our dedicated tax policy professionals and business modelers can help address your specific business environment and improve the chance of a successful outcome.

Our global tax controversy network will help you address your global tax controversy, enforcement and disclosure needs. In addition, support for pre-filing controversy management can help you properly and consistently file returns and prepare relevant backup documentation. Our professionals leverage the network's collective knowledge of how tax authorities operate and increasingly work together to help resolve controversy and pre-filing controversy issues.

Quantitative Services
EY's Quantitative Services network offers a scalable set of services to assist clients with analysing tax opportunities, typically related to large data sets, systematically and efficiently. This helps clients identify multi-country tax regulations and the benefits that can be attained. Our services can include assistance with:

- Accounting methods and inventory – advising on the application of tax rules and regulations related to income and expense recognition
- Research incentives – identifying tax incentives associated with a company's qualifying research investments
- Flow through – tax planning and advice related to partnerships, joint ventures and other tax flow-through legal entities
- Capital assets and incentives – our technological capabilities help streamline fixed asset analysis and identify tax deductions

These approaches can help clients improve cash flow, plan for cash tax and effective tax rates in upcoming years, and create refund opportunities. Our process improvements can help streamline tax compliance.

Private Client Services
EY's Private Client Services offers tax-related domestic and cross-border planning and compliance assistance to business-connected individuals and their associated entities. In addition, in today's global environment, cross-border services can help meet the ever-growing needs of internationally positioned clients. Our dedicated resources in major markets around the world serve individual clients needing a wide range of tax services, including tax compliance, tax planning and tax advice relating to their business interests, investments and other financial-related assets.

We have experience working with individuals and companies of all sizes across many aspects of the tax life cycle – planning, provision, compliance and controversy.

Business Tax Advisory Services
EY Business Tax Advisory practice combines technical skills with practical, commercial and industry knowledge to give you advice tailored to your business needs. Our tax professionals bring you their deep understanding of tax issues.

We can help you reduce inefficiencies, mitigate risk and make the most of opportunities, building sustainable tax strategies that can help your business succeed.

Tax Technology and Transformation Services

EY's Tax Technology and Transformation (TTT) is a global practice that better connects the 1,000+ professionals focused on helping organisations meet their tax operating and compliance challenges whilst redefining their tax function for the digital age, whether full-scale transformation or strategic incremental improvements. TTT brings together a new breed of tax professionals, specialising in technology and innovation, along with operational and transformation strategy. The TTT team will help accelerate your ability to deliver on a tax function that is cost-effective whilst it keeps pace with escalating trends toward business globalisation, digital tax administration/regulation, transparency and technology.

Global Compliance and Reporting

Our Global Compliance and Reporting (GCR) can help you meet your reporting requirements wherever you do business. GCR comprises the key elements of a company's finance and tax processes used to prepare statutory financial and tax filings in countries around the world. These include:

- Business tax compliance services
- Tax accounting and risk advisory services
- Corporate services (which comprise company secretarial and accounting support)
- Payroll services

Business Tax Compliance Services
Compliance and reporting make huge demands on tax and finance functions today. So how do you reduce risk and inefficiencies and improve value cost-effectively? Our market-leading approach combines a standard global compliance process and tools with extensive local compliance and accounting experience, giving you the access, visibility and control you want. In one country or many, you can benefit from an integrated, consistent, flexible quality service with tax compliance, statutory accounts preparation and tax accounting calculation support. This can enhance your compliance function whilst improving efficiencies across your financial supply chain.

Tax Accounting and Risk Advisory Services
To help you meet the challenges of today's complex business environment, including demands for more transparency and greater tax department effectiveness, we provide assistance in three key areas:

- Tax accounting: under IFRS and local GAAP
- Tax function performance: improving organisational strategy, processes, and data and systems effectiveness
- Tax risk: identifying, prioritising, monitoring and remediating risk

Our talented people, consistent global methodologies and tools, and unwavering commitment to quality service can help you build strong compliance and reporting foundations, sustainable organisational strategies and effective risk management protocols to help your business succeed.

Corporate Services
Our Corporate Services team supports your business in the following areas: entity formation and company secretarial matters, the preparation of management and statutory financial statements, monthly book-keeping and payroll outsourcing. We work with all stakeholders to help you meet deadlines and comply with statutory requirements.

Company secretarial: We help our clients and their officers comply with the Singapore Companies Act requirements principally and other relevant regulations from a company secretarial perspective. In addition to compliance matters, we are often involved in corporate structuring work such as share capital reduction and share buy-back initiatives.

Accounting: From day-to-day to complex transactions, our accounting professionals assist to facilitate that the transactions are recorded accurately, timely and in accordance with applicable accounting standards. We are also familiar with all aspects of the accounting function like management reporting, debtors/creditors control and XBRL conversion.

Payroll: We provide broad payroll outsourcing services. We assist to facilitate that your employee payrolls are computed in accordance with the Singapore Employment Act and with the Ministry of Manpower regulations.

Financial Services Tax

Our Financial Services Tax team is dedicated to providing value to our clients in the financial services industry who are facing a constantly evolving tax landscape. Whether you are in Banking and Capital Markets, Wealth and Asset Management, or the Insurance sector, we will be able to assist you in issues including managing your direct and indirect tax obligations and tax risks, navigating the complex tax rules across jurisdictions, pursuing tax incentives or concessions, dealing with transfer pricing issues, handling tax authority queries, assessing your tax provisions, and analysing your uncertain tax positions.

We can also advise you on the tax implications of new financial products or transactions, and assist in applying for Revenue rulings where applicable. We can advise on the structuring of your new businesses and new funds, or on the review of such structures in an internal reorganisation or in the event of mergers or acquisitions, from the tax perspective.

Indirect Tax Services

Global Trade

In today's global economy, moving goods across borders can be complex and costly. More than ever before, effective management of customs and international trade issues is crucial to maintaining a competitive advantage.

EY's customs and international trade professionals can help you manage costs and reduce the risk of penalties and significant supply chain disruption. Our core offerings include strategic planning to manage customs and excise duties, trade compliance reviews for imports and exports, internal controls and process improvement, and participation in customs supply chain security programs.

We develop proactive, pragmatic and integrated strategies that can help you address the challenges of doing business in today's global environment and help your business succeed.

GST Services

Indirect taxes affect the supply chain and the financial system. They can have significant impacts on cash flow, absolute costs and risk exposures. Our network of dedicated indirect tax professionals combines technical knowledge with industry understanding and access to technologically advanced tools and methodologies. We identify risk areas and sustainable planning opportunities for indirect taxes throughout the tax life cycle, helping you meet your compliance obligations and your business goals around the world. We can provide you with effective processes to help improve day-to-day reporting, reduce attribution errors and costs, and make certain indirect taxes are handled correctly in transactions. Our globally integrated teams will give you the perspective and support you need to manage indirect taxes effectively.

International Tax Services

International Tax Services

Executives are constantly looking to align their global tax position with their overall business strategy. We can help you manage your tax responsibilities by leveraging the global EY network of dedicated international tax professionals – working together to help you manage global tax risks, meet cross-border reporting obligations and deal with transfer pricing issues.

EY's multidisciplinary teams can help you assess your strategies, assisting with international tax issues, from forward planning through reporting, to maintaining effective relationships with the tax authorities. We can help you build proactive and integrated global tax strategies that address the tax risks of today's businesses and achieve sustainable growth.

Global Tax Desk

Our market-leading Global Tax Desk network – a co-located team of highly experienced professionals from multiple countries – is located strategically in major business centers so that our desks can respond to your challenges immediately and cost-effectively, avoiding time zone barriers and the high price of international travel.

The desks work as a team – tackling the same problem from all sides – thoughtfully identifying considerations with your cross-border transaction. We work with you to help you manage global operational changes and transactions, capitalisation and repatriation issues, transfer pricing and your supply chain – from forward planning, through reporting, to maintaining effective relationships with tax authorities.

Transfer Pricing

Our Transfer Pricing professionals help you build, manage, document, review and defend your transfer pricing policies and processes – aligning them with your business strategy.

Here's how we can help you:

- Strategy and policy development
- Governance optimisation and decision making process to help:
  - Reduce impact of year-end adjustments
  - Monitor transfer pricing footprint
  - Coordinate across organisation
- Global or regional assistance to support transitions to new documentation requirements
- Controversy risk assessment, remediation or mitigation as a result of documentation requirements
- Global transfer pricing controversy and risk management

Operating Model Effectiveness

Our multi-disciplinary Operating Model Effectiveness teams work with you on operating model design, business restructuring, systems implications, transfer pricing, direct and indirect tax, customs, human resources, finance and accounting. We can help you build and develop the structure that makes sense for your business, improve your processes and manage the cost of trade.

People Advisory Services

As the world continues to be impacted by globalisation, demographics, technology, innovation and regulation, organisations are under pressure to adapt quickly and build agile people cultures that respond to these disruptive forces. EY People Advisory Services believes a better working world is helping our clients harness their people agenda – the right people, with the right capabilities, in the right place, for the right cost, doing the right things.

We work globally and collaborate to bring you professional teams to address complex issues relating to organisation transformation, end-to-end employee lifecycles, effective talent deployment and mobility, gaining value from evolving and virtual workforces, and the changing role of HR in support of business strategy. Our EY professionals ask better questions and work with clients to create holistic, innovative answers that deliver quality results.

Transaction Tax Services

Every transaction has tax implications, whether it's an acquisition, disposal, refinancing, restructuring or initial public offering. Understanding these implications can mitigate transaction risk, enhance opportunity and provide crucial negotiation insights. Transaction Tax Services comprises a worldwide network of professional advisors who can help you navigate the tax implications of your transaction. We mobilise wherever needed, assembling personalised, highly integrated global team, to work with you throughout the transaction life cycle, from initial due diligence through post-deal implementation. And we can suggest structuring alternatives to balance investor sensitivities, promote exit readiness and raise opportunities for improved returns.

Tax leadership in Singapore

If you would like to know more about our services or the issues discussed, please contact our Singapore Tax Partners, Associate Partners and Directors below.

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Glossary of terms

The following definitions apply throughout this Budget Synopsis unless otherwise stated:

BEPS	-	Base Erosion and Profit Shifting
ESG	-	Enterprise Singapore
Government	-	Government of Singapore
GST	-	Goods and services tax
IRAS	-	Inland Revenue Authority of Singapore
ITA	-	Income Tax Act
MAS	-	Monetary Authority of Singapore
Minister	-	Minister for Finance
MNC	-	Multinational corporation
MoF	-	Ministry of Finance
OECD	-	Organisation for Economic Co-operation and Development
PE	-	Permanent establishment
PR	-	Permanent Resident
REIT	-	Real Estate Investment Trust
S-REIT	-	Singapore-listed Real Estate Investment Trust
SGX	-	Singapore Exchange
SME	-	Small-and-medium enterprise
SPV	-	Special purpose vehicle
VAT	-	Value-added tax
WHT	-	Withholding tax
YA	-	Year of Assessment

You and the Taxman
Issue 1, 2019

Tax thought leadership

We aim to give you insights on the tax issues that matter in today's fast-changing business environment. To find out how these tax issues impact your business, read *You and the Taxman*.

You and the Taxman
Issue 3, 2018

You and the Taxman
Issue 2, 2018

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Issue 1, 2018

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