

An aerial photograph of a rowing team in a dark blue boat on green water. The boat is oriented vertically, with the bow at the bottom. Four rowers are visible, each with their oars dipping into the water. The water is a vibrant green, and the boat is a dark blue. The overall scene is dynamic and focused.

Singapore Budget 2020

# Budget highlights for the C-suite

Against the backdrop of near-term uncertainties and economic slowdown, Budget 2020 outlines Singapore's strategic financial measures and commitment to build a growing, caring and sustainable nation.

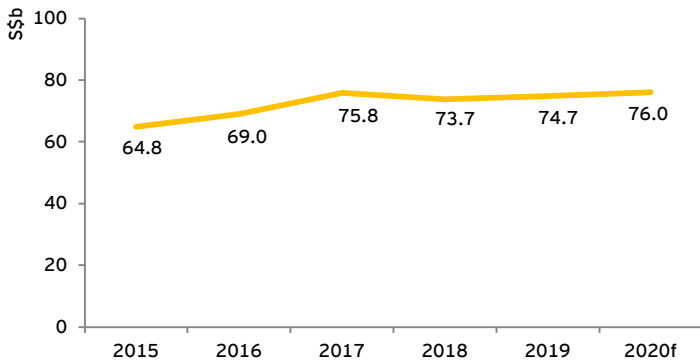


**Soh Pui Ming**

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# Economic indicators

## Government operating revenue



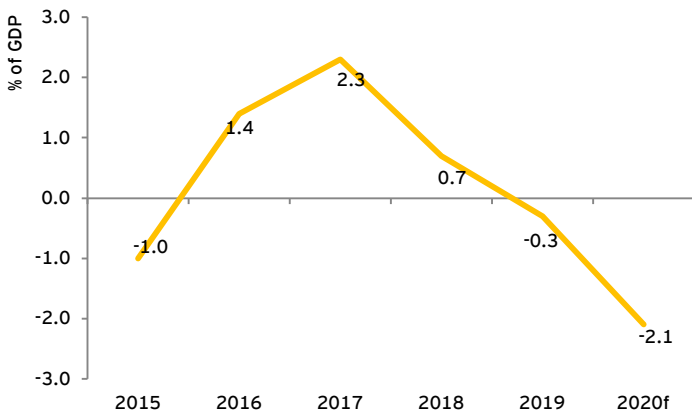
Singapore's economy grew by 0.7% in 2019, the lowest in a decade. With the COVID-19 virus outbreak and ensuing impact on global economies as well as continued structural shifts around the world, the Ministry of Trade and Industry has downgraded the year 2020's growth forecast from between 0.5% and 2.5% to between -0.5% and 1.5%.

Budget 2020 is an expansionary budget with an overall projected deficit of S\$10.9b, equating to 2.1% of GDP.

It introduces temporary measures, including a S\$4b Stabilisation and Support Package aimed at providing support to workers and enterprises to allay their immediate concerns regarding the slowdown in the economy, as well as a S\$1.6b Care and Support Package to help families and households with the cost of living.

S\$8.3b is set aside to execute the Transformation and Growth Strategy to prepare Singapore businesses to seize new opportunities amidst broader short-term uncertainties and longer-term structural changes, and continue her march towards becoming a Global-Asia node of technology, innovation and enterprise.

## Budget surplus or deficit



Notes:  
f = forecast

Source:  
Analysis of Revenue and Expenditure distributed on Budget Day: 18 February 2020

# Key proposals

## Temporary measures to address immediate challenges

Budget 2020 proposes several short-term measures to help businesses with cash flow:

### Tax measures

- ▶ Granting a Corporate Income Tax (CIT) rebate of 25% of tax payable, capped at S\$15,000 for the Year of Assessment (YA) 2020.
- ▶ Granting an additional two months of interest-free instalments when companies file their estimated chargeable income within three months from their financial year-end.
- ▶ Enhancing the carry-back relief scheme to allow qualifying deductions for YA 2020 to be carried back up to three immediate preceding YAs (currently, only the immediate preceding YA), capped at S\$100,000 of qualifying deductions and subject to conditions.
- ▶ Providing an option to accelerate the write-off of the cost of plant and machinery (P&M) acquired for YA 2021 over two years, i.e., 75% of the cost in YA 2021 and remaining 25% in YA 2022.
- ▶ Providing an option to accelerate the deduction of qualifying expenditure incurred on renovation and refurbishment for YA 2021 in one YA, instead of over three consecutive YAs currently.

### Non-tax measures

- ▶ *Jobs Support Scheme*: S\$1.3b to provide 8% cash grant on the gross monthly wages of local employees (subject to monthly wage cap of S\$3,600 per employee) for the months of October 2019 to December 2019, to be paid out by 31 July 2020.
- ▶ *Enhanced Wage Credit Scheme*: S\$1.1b to co-fund 20% of qualifying wage increases in 2019 (and 15% in 2020) for Singaporean employees earning a gross monthly wage of up to S\$5,000 (previously S\$4,000).
- ▶ *Enterprise Financing Scheme*: Enhancement of Enterprise Financing Scheme – SME Working Capital Loan (WFS-WCL) to help SMEs with their working capital needs, for one year from March 2020.
  - ▶ Increase of loan quantum from S\$300,000 to S\$600,000.
  - ▶ Increase of the Government's risk-share to up to 80% (from the current 50% to 70%).
- ▶ Half a month's worth of rental waivers for eligible commercial tenants/lessees in government-owned/managed facilities who are on leases not exceeding three years, and do not pay property tax. The rental waivers do not apply to any premises or a part of any premises used for a residential, industrial or agricultural purpose, or as an office, a business or science park, or a petrol station.
- ▶ Other sector-specific measures include property tax rebates and more flexible rental payments for Government-managed properties.

# Key proposals

## Deepening enterprise capabilities

### Tax measures

- ▶ Under the Double Tax Deduction for Internationalisation (DTD<sub>i</sub>) scheme, businesses are allowed a tax deduction of 200% on qualifying market expansion and investment development expenses. Qualifying expenses in excess of S\$150,000 require prior approval from the Enterprise Singapore or Singapore Tourism Board. To continue encouraging internationalisation, the DTD<sub>i</sub> scheme will be extended till 31 December 2025 and the scope of DTD<sub>i</sub> scheme will be enhanced to cover certain categories of expenses, including third party consultancy fee to identify suitable talent, build up business network and arrange business networking events to promote products/services.
- ▶ The Mergers and Acquisition (M&A) scheme was introduced to support companies to grow via strategic acquisitions. To continue encouraging companies to consider M&A as a strategy for growth and internationalisation, the M&A scheme will be extended to cover qualifying acquisitions made on or before 31 December 2025.
- ▶ To provide upfront certainty of non-taxation of companies' gains on disposal of ordinary shares to companies in their corporate restructuring, the scheme under section 13Z of the Income Tax Act will be extended to 31 December 2027. To ensure consistency in the tax treatment for property-related business, the scheme will not apply to disposals of unlisted shares in an investee company that is in the business of trading, holding or developing immovable properties in Singapore and abroad.

### Non-tax measures

- ▶ *Enhancements to Startup SG Equity*: Additional S\$300m to catalyse private investment into Singapore-based deep-tech start-ups in key emerging sectors such as pharmbio and medtech, advanced manufacturing, and agri-food tech. The Government may partner qualified third-party investors to make direct co-investments or invest in funds through a fund-of-funds approach.
- ▶ *Launch of GoBusiness*: The GoBusiness platform allows businesses in specified sectors to digitally transact with the Government for licensing applications, with expansion to sectors with relatively high number of enterprises such as the retail sector. The platform (through the e-advisor) will streamline the process of accessing government assistance, instead of having businesses gather information on various schemes from different sources.
- ▶ *Enhancement to Productivity Solutions Grant*: Funding support for a more comprehensive suite of pre-approved IT solutions and equipment. Expansion to include consultancy services, starting with job redesign.
- ▶ *Scale up of Enterprise Transformation Support*: 70% funding support in qualifying cost under core capabilities, innovation and productivity, and market access under the Enterprise Development Grant, supporting up to 3,000 enterprises in FY 2020.
- ▶ *Open Innovation Platform sector-wide challenges*:
  - ▶ Open Innovation Platform is a virtual crowd-sourcing platform that bridges business needs and digital solutions.
  - ▶ Six new sector-wide challenges to be launched by March 2021.
  - ▶ 70% co-funding of prize monies for sector-wide challenges. First tranche (30%) of prize monies to be paid out at point of award, before prototype delivery, with the remaining 70% to be paid out after prototype delivery.

# Key proposals

## Supporting the growth of SMEs and startups ecosystem

### Tax measures

- ▶ Tax incentives for venture capital funds and venture capital fund management companies, which are scheduled to lapse after 31 March 2020, will be extended until 31 December 2025 together with the introduction of certain refinements.
- ▶ The Angel Investors Tax Deduction (AITD) scheme, which was introduced to stimulate angel investments into Singapore-based startups, will lapse after 31 March 2020.

### Non-tax measures

- ▶ *Expansion of SMEs Go Digital*: 13 additional sectors will receive Industry Digital Plans, including health care, food manufacturing, and adult and early childhood education. Each Industry Digital Plan will guide companies in selecting appropriate digital solutions and skills training programmes. More digital solutions are pre-approved, where SMEs can receive up to 70% government co-funding.
- ▶ *Implementation of Grow Digital*: 70% co-funding for eligible SMEs to participate in B2C e-commerce platforms. Support for SMEs in selected sectors to participate in B2B marketplaces starting with industrial hardware and food supplies.
- ▶ *Enhancement to Market Readiness Assistance*:
  - ▶ Expanded scope of supportable activities to include Free Trade Agreement consultancy services and in-market business development.
  - ▶ Increase grant cap from S\$20,000 per year to S\$100,000 per new market per company for FY 2020 to FY 2022.
  - ▶ Extend 70% grant support for another three years, until 31 March 2023.
- ▶ *GlobalConnect @Singapore Business Federation*: A team of market advisors to assist SMEs, that are looking to internationalise as well as expand and deepen their presence in key Southeast Asian markets and emerging markets, through face-to-face market advisory services and other business development services. To be officially launched in April 2020.
- ▶ *Enhancement of SME Centres*: Implementation of pilot initiative to provide enhanced support for local promising micro and small enterprises.
- ▶ *Enterprise Leadership for Transformation*: Supporting business leaders of promising SMEs. Three-year pilot programme offers structured modular training in business growth capabilities, coaching by advisors and industry practitioners, access to alumni engagement and networking, and support for implementation of business growth plans.

## Strengthening resilience and competitiveness of the tax system

- ▶ Business may make an election to write-off the cost of P&M over 6, 12 or 16 years depending on the current prescribed working life of the P&M in the Income Tax Act.
- ▶ For capital grants approved on or after 1 January 2021, recipients will not be allowed to claim tax deductions or allowances on that part of the expenditures that are funded by such grants from the Government or statutory boards to avoid double incentivisation.
- ▶ Tax incentives schemes that are extended/enhanced include Finance and Treasury Centre (FTC), Global Trader Programme (GTP), Land Intensification Allowance (LIA), Insurance Business Development (IBD) and IBD-Captive Insurance.
- ▶ Further tax deduction scheme for research and development (R&D) expenditure incurred on approved R&D projects will lapse after 31 March 2020. Businesses can consider other broad-based tax deductions for R&D conducted in Singapore or other various non-tax schemes for R&D and innovation.

# Selected sector initiatives

## Aviation sector

- ▶ Introduction of S\$112m Aviation Sector Assistance Package:
  - ▶ To provide assistance for a six-month period.
  - ▶ Includes rebates for parking charge, landing charge, regulatory fees, rental rebates for airlines and cargo industry.
  - ▶ Ground handling agents and retail/F&D tenants at the airport will receive assistance, such as rental rebates.
- ▶ Enhancement to the existing Adapt and Grow Initiative:
  - ▶ Workforce Singapore (WSG) to introduce the Place-and-Train (PnT) Programme for Air Transport Coordinators to support redeployment
  - ▶ Enhanced support is time-limited.
- ▶ Property tax rebate of 15% for premises of an international airport i.e., Changi Airport for the period 1 January to 31 December 2020.

## Construction sector

- ▶ The S Pass sub-Dependency Ratio Ceiling (DRCs) will be reduced in two phases:
  - ▶ From 20% to 18% on 1 January 2021.
  - ▶ From 18% to 15% on 1 January 2023.
- ▶ SkillsFuture Singapore (SSG) and WSG to support enterprises to find skilled local graduates.
- ▶ Enterprises with specific needs to continue to apply for additional manpower flexibilities in exceptional cases, through schemes such as the Lean Enterprise Development Scheme.
- ▶ Foreign worker levy (FWL) rates remain unchanged for 2020 for construction Work Permit Holders (WPH).

## Maritime and process sectors

- ▶ The S Pass sub-DRCs will be reduced in two phases:
  - ▶ From 20% to 18% on 1 January 2021.
  - ▶ From 18% to 15% on 1 January 2023.
- ▶ SSG and WSG to support enterprises to find skilled local graduates.
- ▶ Enterprises with specific needs to continue to apply for additional manpower flexibilities in exceptional cases, through schemes such as the Lean Enterprise Development Scheme.
- ▶ FWL rates:
  - ▶ FWL rates remain unchanged for 2020 for WPH in maritime shipyard and process sectors.
  - ▶ Deferral of earlier-announced (i.e., before Budget 2020) FWL increases for the maritime shipyard and process sectors for another year.

### Changes to Maritime Sector Incentive (MSI)

- ▶ MSI will be extended until 31 December 2026, coupled with changes to the scope of income coverage.
- ▶ Stamp duty remission under the scheme will lapse for instruments executed on or after 1 June 2021.
- ▶ The Maritime and Port Authority of Singapore will provide further details by May 2020.

# Selected sector initiatives

## Tourism sector

- ▶ Temporary Bridging Loan Programme (TBLP):
  - ▶ Eligible tourism sector enterprises can borrow up to S\$1m, with interest rate capped at 5% per annum.
  - ▶ Government will provide 80% risk-share on these loans.
  - ▶ Available for one year till March 2021.
- ▶ Enhancement to the existing Adapt and Grow Initiative:
  - ▶ Extension of funding support duration from current three months to a maximum of six months for Job Redesign Place-and-Train (PnT) Programme for hotel industry.
  - ▶ WSG to introduce new programmes to support redeployment.
  - ▶ Enhanced support is time-limited.
- ▶ 50% port dues concession to cruise ships and regional ferries with a port stay of not more than five days, and passenger-carrying harbour craft from 1 March 2020 to 31 August 2020.
- ▶ Property tax rebates to be granted for the period 1 January to 31 December 2020.
  - ▶ 30% for accommodation and function room components of hotels licensed under the Hotels Act, serviced apartments and Meetings, Incentives, Conventions and Exhibitions (MICE) space components of prescribed MICE ventures.
  - ▶ 15% for other qualifying commercial properties such as (a) premises of international cruise or regional ferry terminal; (b) shops (e.g. retail and F&B), including those within hotel buildings, serviced apartment buildings, and the prescribed MICE venues; (c) premises of tourist attractions.
  - ▶ 10% for Marina Bay Sands and Resorts World Sentosa.
  - ▶ Details have been released on the IRAS website.
- ▶ FWL rates remain unchanged for 2020 for services WPH.

## Retail and food services sector

- ▶ Enhancement to the existing Adapt and Grow Initiative:
  - ▶ Extension of funding support duration from current three months to a maximum of six months for Job Redesign PnT Programme for retail industry.
  - ▶ WSG to introduce new programmes to support redeployment.
- ▶ Property tax rebates for the period 1 January to 31 December 2020:
  - ▶ 15% for qualifying commercial properties such as shops (e.g., retail and F&B), including those within hotel buildings, serviced apartment buildings, and the prescribed MICE venues.
  - ▶ Details have been released on the IRAS website.
- ▶ FWL rates remain unchanged for 2020 for services WPH.
- ▶ Launch of Heartland Enterprise Upgrading Programme (HEUP):
  - ▶ Support selected Merchants' Associations (MA) to develop and implement four-year precinct rejuvenation plans that encompass infrastructure improvements, place-making activities, capability upgrading projects, and training for enterprises and workers
  - ▶ Heartland enterprises to receive further assistance to improve productivity through business advisory, digitalisation road-mapping and brand transformation.



# Other initiatives

## Work skill development

- ▶ Introduction of SkillsFuture Mid-Career Support Package to support employers to recruit, retain, and retrain locals in their 40s to 50s:
  - ▶ Employers to receive a hiring incentive (20% salary support for six months, capped at S\$6,000 in total) for hiring new local workers aged 40 and above through selected reskilling programmes.
  - ▶ The Government to streamline manpower schemes.
- ▶ Enhancement of next bound of SkillsFuture:
  - ▶ Introduction of SkillsFuture Enterprise Credit (SFEC). Eligible employers will receive a one-off S\$10,000 credit to cover up to 90% of out-of-pocket expenses for enterprise or workforce transformation programmes (S\$3,000 of the SFEC will be reserved for workforce transformation programmes).
  - ▶ Expansion of Productivity Solutions Grant to include job redesign consultancy services.
  - ▶ The Government will aim to partner up to 40 large anchor enterprises to support training for their sectors and value chain partners.
  - ▶ Institutes of Higher Learning (IHLs) will work with enterprises to more than double the capacity of SkillsFuture Work-Study Programmes by 2025.
  - ▶ The Ministry of Education will expand the National Centre of Excellence for Workplace Learning to two more IHLs to deepen workplace learning capabilities.
- ▶ Government funding will be recalibrated towards training providers and courses with stronger links to job and wage outcomes, in line with the focus on the role of industry in SkillsFuture.

## Employment

- ▶ Introduction of Senior Worker Support Package:
  - ▶ Four measures to help businesses adjust to the increases in the Retirement Age (RA) and Re-employment Age (REA) in 2022 and the CPF contribution rates in 2021.
    - ▶ Senior Employment Credit provides employers with 2% to 8% wage offsets for Singaporean employees aged 55 and above, and earning up to S\$4,000 a month.
    - ▶ CPF Transition Offset to offset half of the increase in employer CPF contribution rates in 2021, up to the CPF salary ceiling of S\$6,000 per month.
    - ▶ Senior Worker Early Adopter Grant to support companies that increase their own RA and REA above the statutory minimum.
    - ▶ Part-Time Re-employment Grant (PTRG) to support companies that voluntarily commit to providing part-time re-employment to all eligible older workers.
- ▶ Introduction of Enabling Employment Credit (EEC):
  - ▶ Provide stronger support for employers of Persons with Disabilities (PwDs) for five years, from 2021 to 2025.
  - ▶ Will be reviewed after two years for any necessary adjustments to ensure it remains helpful for PwDs to find employment and remain in the workforce.
  - ▶ Will replace the current Special Employment Credit and Additional Special Employment Credit schemes for PwDs employment.

# Other initiatives

<b>Strengthen partnerships within Singapore</b>	<ul style="list-style-type: none"><li>▶ Launch of Executive-in-Residence (EIR) programme:<ul style="list-style-type: none"><li>▶ Enterprise Singapore (ESG) will fund more than 10 Trade Associations and Chambers (TACs) covering all sectors of the economy, to hire experienced executives and provide advice to enterprises in their industries.</li><li>▶ ESG will defray up to 70% of the TACs' costs of engaging EIRs.</li></ul></li></ul>
<b>Cybersecurity and data protection</b>	<ul style="list-style-type: none"><li>▶ Singapore's Cyber Security Agency (CSA) is preparing measures for the next level of cybersecurity as Singapore adopts more advanced technologies such as Artificial Intelligence, Cloud and the Internet of Things.</li><li>▶ S\$1b will be set aside over the next three years to build up the Government's cyber and data security capabilities, to safeguard citizens' data and our critical information infrastructure systems.</li></ul>
<b>Climate change and sustainability</b>	<ul style="list-style-type: none"><li>▶ The Government will set up a new Coastal and Flood Protection Fund, with an initial injection of S\$5b.</li><li>▶ The Government will commit close to S\$1b for research in urban solutions and sustainability. The research will focus on renewable energy, cooling Singapore, and carbon capture, amongst others.</li><li>▶ The Government's vision is to phase out internal combustion engines (ICE) vehicles and have all vehicles run on cleaner energy by 2040. Measures as follows:<ul style="list-style-type: none"><li>▶ Introduction of Commercial Vehicle Emissions Scheme for light goods vehicle. More details will be announced by the Minister for the Environment and Water Resources at a later date.</li><li>▶ Electric Vehicle (EV) Early Adoption Incentive - those who purchase fully electric cars and taxis will receive a rebate of up to 45% on the additional registration fee, capped at S\$20,000. This incentive will be implemented for three years, from January 2021.</li><li>▶ Revision of road tax methodology for cars to better reflect the current trends in vehicle efficiency from January 2021. This will lead to an across-the-board reduction in road tax for EV and some hybrids.</li><li>▶ Expansion of the public charging infrastructure for EVs and deployment of up to 28,000 chargers at Singapore's public carparks island-wide, by 2030.</li></ul></li><li>▶ As EVs do not pay fuel excise duties, as an interim, the Government will impose a lump-sum tax that will be built into the road tax schedule for EVs to partly account for the loss in fuel excise duties. This lump-sum tax will be phased in over three years starting from January 2021, with the full quantum implemented by January 2023. Total road tax, after the revision in methodology and the new lump-sum tax for EV, will be higher for some EV models. EV buyers can however expect to enjoy substantial cost savings because of the significant EV Early Adoption Incentive.</li></ul>

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APAC no. 12002040  
ED None

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