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Overview

On 18 February 2020, against the backdrop of uncertain times and the COVID-19 outbreak, the Deputy Prime Minister and Minister for Finance, Mr. Heng Swee Keat, delivered his fifth Budget speech. While there are special measures to help businesses and individuals tide over these trying times, the Government remains laser-focused on gearing Singapore's economy and preparing its people for the future.

Stabilisation and support

Singapore's economy grew by 0.7% in 2019. This is the weakest growth since the 2008 Financial Crisis. COVID-19 has further threatened Singapore's slow economy, with aviation, tourism, hospitality, F&B and retail industries taking the biggest hit.

The Stabilisation and Support Package of S$4b provides necessary short-term support to businesses to improve their cashflow position and to keep local workers in employment. Under the Jobs Support Scheme, employers will receive a generous 8% cash grant on the gross monthly wages of each local employee for three months, subject...
to a monthly wage cap of S$3,600 per employee. The existing Wage Credit Scheme has also been enhanced. These measures will help defray wage costs and co-fund wage increases.

SMEs play an important role in Singapore's economy, employing about 72% of its workforce and contributing 48% of GDP. According to the World Bank Group, the lack of access to finance is a key constraint to SME growth. The Government will raise the maximum loan quantum from S$300,000 to S$600,000, and enhance its risk-share to up to 80% (from the current 50% to 70%) for one year until March 2021 for SMEs that borrow under the Enterprise Financing Scheme – SME Working Capital Loan.

Transformation and growth

This year's Budget is targeted at helping SMEs and Singaporeans ride the wave of technology disruption and stay relevant.

It is Singapore's vision to be a Global-Asia node of technology, innovation and enterprise. A sum of S$8.3b over the next three years has been allocated to three key thrusts, namely (a) enabling stronger partnerships with the world and within Singapore, (b) deepening enterprise capabilities and (c) developing people, to drive the Transformation and Growth strategy.

Singapore has a thriving startup ecosystem. Startups play an increasing role in driving innovation, bringing new ideas and solutions to the world. Additional government funding of S$300m has been set aside under the Startup SG Equity to catalyse investment into deep-tech startups in areas such as pharmbio and medtech, advanced manufacturing and agri-food tech.

SMEs can expect enhanced support to internationalise or embark on their digitalisation journey. A new Enterprise Transform Package has been introduced with a focus to strengthen local enterprises' leadership and management capabilities.

In relation to developing the Singapore workforce, various programmes have been introduced or enhanced to support reskilling, upskilling, lifelong learning and employability.
Addressing climate change

It is heartening to note that long-term sustainability has a place in Budget 2020. Singapore is committing close to S$1b to develop new innovative solutions in the areas of renewable energy, temperature control and carbon capture, amongst others.

Incentives, tax structures and regulations will be put in place to manage greenhouse gas emissions, including enhanced incentives and revision to vehicular tax structure i.e., excise duties and road tax to encourage the adoption of cleaner and more environmentally friendly vehicles. The Government will expand the public charging infrastructure for electric vehicles and take the lead to progressively procure and use cleaner vehicles.

A new Coastal and Flood Protection Fund, with an initial injection of S$5b, will be set up to deal with climate change and rising sea level.

Conclusion

Budget 2020 is an expansionary budget. The expected budget deficit at S$10.9b is much larger than that we have seen in recent years. It is comforting to note that the fiscal discipline maintained by the Government has allowed Singapore to fund emergency measures and continue its investments for the future, without dipping into past reserves. No GST hike is announced for now but it is a matter of time, as the nation seeks to match recurring revenue against increase in recurring expenditure, especially in public health care costs.

Soh Pui Ming
Partner and Head of Tax
19 February 2020
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$200,000 as follows:

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

**Proposed**

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

To help companies with cash flow, a corporate income tax rebate of 25% of tax payable, capped at S$15,000, will be granted for YA 2020.

**Points of view**

- The corporate income tax rate has remained at 17% since YA 2010. At 17%, Singapore’s headline corporate income tax rate remains very competitive.
- The corporate income tax rebate for YA 2020 will provide some cash flow relief in view of the current economic uncertainty and the COVID-19 outbreak.
- The IRAS has indicated that the corporate income tax rebate for YA 2020 will be available to all companies, including registered business trusts, non-resident companies that are not subject to a final WHT and companies that receive income taxed at a concessionary tax rate. The rebate, however, will not apply to income derived by a non-resident company that is subject to final WHT.
- Where a company has chargeable income taxed at both concessionary and normal tax rates, the corporate income tax rebate will be applied based on the aggregate gross tax payable for both concessionary and normal income.
- The corporate income tax rebate will be computed on the tax payable after deducting tax set-offs such as foreign tax credit and unilateral tax credits.
- Companies do not need to factor in the corporate income tax rebate when filing their estimated chargeable income as the IRAS will compute and allow the corporate income tax rebate automatically.
- Companies that have already received their notices of assessment for YA 2020 reflecting nil corporate income tax rebate are still required to make payment for the tax payable stated in the notices of assessment by the due date. The IRAS will issue revised notices of assessment to affected companies and refund any excess tax paid. If a company is paying taxes by instalments, it will need to continue with the payment schedule based on the instalment plan. The IRAS will issue a revised instalment plan together with the revised notice of assessment in due course.
- Companies may consider deferring capital allowances claims or planning their group loss relief in YA 2020 to optimise the amount of partial tax exemption and the corporate income tax rebate for YA 2020.
Provide an option to accelerate the write-off of the cost of acquiring plant and machinery

**Current**

A taxpayer which incurs capital expenditure on the acquisition of plant and machinery (P&M) for the purposes of its trade, profession or business may claim capital allowances (CA) (i.e., write off the cost of acquiring the P&M). CA is allowed under section 19 of the ITA over the working life of the assets as specified in the Sixth Schedule, or over three years as provided for under section 19A(1) of the ITA.

**Proposed**

A taxpayer which incurs capital expenditure on the acquisition of P&M in the basis period for YA 2021 (i.e., financial year 2020) will have an option to accelerate the write-off of the cost of acquiring such P&M over two years. This option, if exercised, is irrevocable.

The rates of accelerated CA allowed are as follows:

- 75% of the cost incurred to be written off in the first year (i.e., YA 2021)
- 25% of the cost incurred to be written off in the second year (i.e., YA 2022)

The above option will be in addition to the options currently available under sections 19 and 19A of the ITA.

No deferment of CA claims is allowed under the above option. This means that if a taxpayer opts for the accelerated write-off option, it needs to claim the capital expenditure incurred for acquiring P&M based on the rates of 75% (in YA 2021) and 25% (in YA 2022).

**Points of view**

- The enhancement is to encourage businesses to continue investing in P&M for YA 2021, by easing their cash flow on such investments. In particular, businesses that are profitable or that have committed to incur capital expenditure on the acquisition of P&M will find the accelerated write-off a welcoming move.

- With the loss carry-back relief scheme, businesses that are in a tax loss position in YA 2021 may choose to accelerate their CA claim if they can meet the conditions to carry back the excess CA to offset against assessable income for YA 2020. The tax loss carry-back for YA 2021 is, however, restricted to S$100,000 and carry back to the immediately preceding YA.

- In view of the partial exemption and the requirements of the accelerated CA claim, businesses should consider whether it is beneficial before exercising the option.
Provide an option to accelerate the deduction of expenses incurred on renovation and refurbishment

**Current**

Under section 14Q of the ITA, a taxpayer which incurs qualifying expenditure on renovation and refurbishment (R&R) for the purposes of its trade, profession or business is allowed to claim tax deduction on such expenditure over three consecutive YAs, starting from the YA relating to the basis period in which the R&R expenditure is incurred. A cap of S$300,000 for every relevant period of three consecutive YAs applies.

**Proposed**

A taxpayer which incurs qualifying expenditure on R&R during the basis period for YA 2021 (i.e., financial year 2020) for the purposes of its trade, profession or business will have an option to claim R&R deduction in one YA (i.e., accelerated R&R deduction). The cap of S$300,000 for every relevant period of three consecutive YAs will still apply. This option, if exercised, is irrevocable.

This option will be in addition to the existing option currently available under section 14Q of the ITA.

**Points of view**

- The proposal encourages businesses to refurbish and renovate their business premises during their financial year ending in 2020. By allowing full tax deduction in one go, it will ease the cash flow of businesses on such expenses.
- This could benefit businesses in the F&B, retail, hotels and entertainment sectors, which can take advantage of this lull period due to the COVID-19 to carry out upgrading works and be better prepared for the rebound.
- As the section 14Q deduction cap of S$300,000 applies every three years, companies which start the three-year cycle in YA 2021 will be able to benefit fully from this proposal if they incur S$300,000 of qualifying expenditure on R&R in the financial year ending in 2020.
- The benefit may, however, be limited for businesses that are in the middle of the three-year cycle as they may already have substantially used up the cap of S$300,000 in the earlier years.
Extend and enhance the Double Tax Deduction for Internationalisation scheme

**Current**

Under the Double Tax Deduction for Internationalisation (DTDi) scheme, businesses are allowed a tax deduction of 200% on qualifying market expansion and investment development expenses, subject to approval from the ESG or the Singapore Tourism Board (STB).

No prior approval is required from the ESG or the STB for tax deduction on the first S$150,000 of qualifying expenses incurred on the following activities for each YA:

- Overseas business development trips or missions
- Overseas investment study trips or missions
- Participation in overseas trade fairs
- Participation in approved local trade fairs

The DTDi scheme is scheduled to lapse after 31 March 2020.

**Proposed**

To continue encouraging internationalisation, the DTDi scheme will be extended until 31 December 2025.

In addition, the scope of the DTDi scheme will be enhanced to cover the following:

- Third-party consultancy costs relating to new overseas business development to identify suitable talent and build up business network
- New categories of expenses incurred for overseas business missions (i.e., fees incurred on speaking spots to pitch products/services at overseas business and trade conferences, transporting materials/samples used during the business missions, and third-party consultancy costs to arrange business networking events to promote products/services)

The expanded scope will take effect for expenses incurred on or after 1 April 2020.

The ESG will provide further details of the changes by end March 2020.
Points of view

- The extension and enhancement of the DTDi scheme continues the Government's push for businesses to internationalise by providing tax savings on qualifying expenditure.

- The DTDi scheme was enhanced in Budget 2018 to increase the expenditure cap to S$150,000 (from the original S$100,000) for claims which do not require prior approval. Qualifying expenses above the cap would require approval from the ESG or the STB.

- The enhancement of the DTDi scheme to include new qualifying expenses will expand the scope of qualifying expenses and help to cushion the costs of businesses' internationalisation.

- It is unclear whether the double tax deduction for salary expenditure for employees posted overseas under section 14KA of the ITA (which will lapse after 31 March 2020), is covered under the proposed extension of the DTDi scheme.

- The automatic DTDi scheme is not available to businesses that are already enjoying other forms of discretionary tax incentives (such as the Finance and Treasury Centre incentive, Global Trader Programme and investment allowance). Such businesses may be allowed the DTDi scheme on a case-by-case basis, subject to approval by the ESG or the STB.
Extend the mergers and acquisitions scheme

**Current**

The mergers and acquisitions (M&A) scheme, initially introduced in 2010, was extended in 2015 to further support companies, especially SMEs, to grow via strategic acquisitions.

The M&A scheme allows taxpayers to claim the following tax benefits:

- An M&A allowance (to be written down over five years) that is based on 25% of the value of a qualifying acquisition, subject to a cap of S$40m on the value of all qualifying acquisitions per YA
- Stamp duty relief on the instruments for the acquisition of the ordinary shares under an M&A deal, capped at S$80,000 of stamp duty per financial year
- 200% tax deduction on transaction costs incurred on qualifying M&A deals, subject to an expenditure cap of S$100,000 per YA

Since 2012, it has been allowed, on a case-by-case basis, the waiver of the condition that acquiring companies must be held by an ultimate holding company that is incorporated in and is a tax resident of Singapore.

This scheme is scheduled to lapse after 31 March 2020.

**Proposed**

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.

The scheme will remain unchanged for acquisitions made on or after 1 April 2020, except for the following:

- Stamp duty relief will lapse for instruments executed on or after 1 April 2020.
- No waiver will be granted for the condition that the acquiring company must be held by an ultimate holding company that is incorporated in and is a tax resident of Singapore. This will apply for acquisitions made on or after 1 April 2020.

**Points of view**

- The proposed extension is a welcomed move and signifies the Government’s continued support for Singapore companies, especially SMEs, to expand through M&A.
- Allowing the M&A allowance to be transferred to other group companies under the group relief system would make the M&A allowance more effective for Singapore headquartered groups.
- The removal of the stamp duty relief reduces the benefit of the M&A scheme to the extent it involves the acquisition of Singapore companies. Having said this, as the current stamp duty relief is capped at S$80,000, the cost impact is not so severe.
Extend and refine the upfront certainty of non-taxation of companies’ gains on disposal of ordinary shares

**Current**

Under section 13Z of the ITA, gains derived from the disposal of ordinary shares by companies will not be taxed if:

- The divesting company holds a minimum shareholding of 20% in the company whose shares are being disposed (investee company).
- The divesting company has maintained the minimum 20% shareholding for a minimum period of 24 months just prior to the disposal.

The scheme does not apply to disposals of unlisted shares in an investee company that is in the business of trading or holding Singapore immovable properties (other than the business of property development).

For non-qualifying share disposals (such as those excluded from the scheme), the tax treatment of the gains/losses arising from share disposals is determined based on the facts and circumstances of the case.

The scheme is scheduled to lapse after 31 May 2022.

**Proposed**

To provide upfront certainty to companies in their corporate restructuring, the scheme under section 13Z will be extended to cover disposals of ordinary shares by companies from 1 June 2022 to 31 December 2027.

In addition, to ensure consistency in the tax treatment for property-related businesses, 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 or abroad. The tax treatment of such share disposals will be based on the facts and circumstances of the case. The change will apply to shares disposed on or after 1 June 2022.

All other conditions and exclusions of the scheme remain the same.

The IRAS will provide further details of the changes by end June 2020.
Points of view

- Singapore does not impose tax on capital gains. The determination of whether the gains from share disposals are income or capital in nature is based on a consideration of the facts and circumstances of each case. To provide greater upfront certainty to companies as they restructure for growth or consolidation, the section 13Z scheme was introduced in 2012.

- The extension of the section 13Z scheme (the second extension since its introduction) should continue to provide tax certainty to corporate taxpayers looking to restructure or exit from their investments or for businesses looking to set up holding company in Singapore.

- Amongst other conditions, the tax exemption currently applies only to disposal of ordinary shares during the period between 1 June 2012 to 31 May 2022 (both dates inclusive). The extension is hence timely in view of the minimum holding period of 24 months, which means any acquisition of ordinary shares on or after 1 June 2020 would not have qualified for the exemption if not for the extension.

- The proposed change in relation to property development in Singapore is aligned to the Government’s long-standing policy to generally exclude Singapore immovable properties from tax concessions and incentives. Taxpayers may still rely on the facts and circumstances test to establish that gains from such share disposals are capital in nature.
Enhancement of loss carry-back relief scheme

**Current**
Qualifying deductions for a YA may be carried back to offset against the assessable income of a taxpayer for the immediate preceding YA, capped at S$100,000 of qualifying deductions and subject to conditions.

**Proposed**
The carry-back relief scheme will be enhanced for YA 2020. Under the enhanced scheme, qualifying deductions for YA 2020 may be carried back up to three immediate preceding YAs, capped at S$100,000 of qualifying deductions and subject to conditions.

Taxpayers may elect to carry back to the relevant preceding YAs an estimated amount of qualifying deductions available for YA 2020, before the actual filing of their income tax returns for YA 2020.

**Points of view**
- With the amount of qualifying deductions that can be carried back capped at S$100,000, this enhancement would allow businesses to receive a maximum potential tax refund of S$17,000 (i.e., S$100,000 x tax rate of 17%), same as currently except that the deductions carried back can be utilised against the assessable income of three YAs.
- Similar to the current loss carry-back relief scheme, the qualifying deductions will be carried back to set-off against the assessable income before taking into account the partial tax exemption for companies. Therefore, after taking into account the partial tax exemption scheme for companies, the tax refund claimable would be lower.
- For businesses that may have assessable income but are paying minimal taxes due to foreign tax credits, tax incentives or exemptions, they may not be able to reap the maximum cash flow benefit arising from the enhanced loss carry-back scheme in view of the order of setoff. Further, any loss carry-back may impact the amount of foreign tax credits claimable by a Singapore company in the preceding YAs, so companies with foreign sourced income should take this into consideration prior to making any carry-back election.
- The step taken by the IRAS to allow companies to elect the enhanced carry-back relief based on estimated qualifying deductions before filing of the actual YA 2020 income tax returns should be welcomed by SMEs, as it allows them to obtain tax refunds before their YA 2020 tax returns are submitted and tax assessments are completed by the IRAS.
For companies which are making an election for the enhanced carry-back relief for YA 2020 before filing of their YA 2020 income tax returns, they will have to submit the Election Form for Companies for Carry-Back of Estimated Capital Allowances and Trade Losses (which is expected to be available by end February 2020) and their revised tax computations for all three YAs (where applicable) immediately preceding YA 2020. Once submitted, the IRAS will not accept any revision to the estimated qualifying deductions until the actual filing of the YA 2020 income tax return.

Companies are not required to submit another carry-back relief election form when submitting their YA 2020 income tax returns. Instead, they would be required to indicate the actual amount of qualifying deduction in their YA 2020 Form C and accompanying tax computation. The IRAS will review and process the refunds (if any) within three months from the date of submission of the election form and the revised tax computation(s).

The carry-back of deductions is subject to the same trade test. Where the condition of the same trade test is met, companies may consider accelerating their capital allowance claims to optimise the amount of current year unutilised capital allowances available for carry-back.
Extension of instalment plans for payment of corporate income tax by GIRO

**Current**
Companies paying their corporate income tax (CIT) by GIRO can currently enjoy interest-free monthly instalments if they file their ECI within three months from their FYE, as follows:

- File ECI within one month from FYE: up to 10 monthly instalments
- File ECI within two months from FYE: up to eight monthly instalments
- File ECI within three months from FYE: up to six monthly instalments

**Proposed**
Companies paying their CIT by GIRO can automatically enjoy an additional two months of interest-free instalments, when they file their ECI within three months from their FYE. This automatic extension of instalment plan by two more months will apply to:

- Companies that file their ECI from 19 February 2020 to 31 December 2020
- Companies that file their ECI before 19 February 2020 and have ongoing instalment payments to be made in March 2020

**Points of view**
The IRAS has clarified that the extended instalment plan will be granted as follows:

<table>
<thead>
<tr>
<th>Tax payable on first ECI e-filed within</th>
<th>Existing instalment plan</th>
<th>Extended instalment plan for qualifying companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 month from FYE</td>
<td>10</td>
<td>12</td>
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<tr>
<td>2 months from FYE</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>3 months from FYE</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>After 3 months from FYE</td>
<td>No instalments allowed</td>
<td>No instalments allowed</td>
</tr>
</tbody>
</table>

The additional two months of interest-free instalments for payment of CIT on ECI via GIRO would provide a reprieve for tax-paying companies whose businesses are impacted by the economic slowdown and the COVID-19 outbreak. This should give the companies more time to settle their taxes and enable them to apply their cash flows to more urgent business needs without having to take up short-term bank borrowings and incur financing cost.

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1 Companies have to e-file by 26th of the month in order to enjoy the maximum number of instalments allowable for that month.
Extend and enhance the Maritime Sector Incentive

**Current**

Under the Maritime Sector Incentive (MSI), ship operators, maritime lessors and providers of certain shipping-related support services can enjoy tax benefits summarised in the table below:

### For ship operators

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<tr>
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<tr>
<td>a</td>
<td><strong>MSI-Shipping Enterprise (Singapore Registry of Ships) (MSI-SRS)</strong></td>
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<tr>
<td></td>
<td>• Tax exemption on qualifying income derived from operating Singapore-flagged ships&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>b</td>
<td><strong>MSI-Approved International Shipping Enterprise (MSI-AIS) Award</strong></td>
</tr>
<tr>
<td></td>
<td>• Tax exemption on qualifying income derived from operating foreign-flagged ships&lt;sup&gt;2&lt;/sup&gt;</td>
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### For maritime lessors

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<tr>
<td>c</td>
<td><strong>MSI-Maritime Leasing (Ship) (MSI-ML(Ship)) Award</strong></td>
</tr>
<tr>
<td></td>
<td>• Tax exemption on qualifying income derived from leasing ships, and 10% concessionary tax rate on qualifying income derived from managing an approved shipping investment enterprise</td>
</tr>
<tr>
<td>d</td>
<td><strong>MSI-ML (Container) Award</strong></td>
</tr>
<tr>
<td></td>
<td>• 10% or 5% concessionary tax rate on qualifying income derived from leasing of qualifying sea containers and intermodal equipment that is incidental to the leasing of qualifying sea containers and 10% concessionary tax rate on qualifying income derived from managing an approved container investment enterprise</td>
</tr>
</tbody>
</table>

For (c) and (d), stamp duty remission is applicable to instruments executed on or before 31 May 2021 for the acquisition of shares in a special purpose company by an approved shipping or container investment enterprise, subject to conditions.

### For providers of certain shipping-related support services

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<tbody>
<tr>
<td>e</td>
<td><strong>MSI-Shipping-related Support Services (MSI-SSS) Award</strong></td>
</tr>
<tr>
<td></td>
<td>• 10% concessionary tax rate on incremental&lt;sup&gt;3&lt;/sup&gt; qualifying income derived from carrying out approved shipping-related support services</td>
</tr>
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1 The exemption also covers income derived from the uplift of freight from Singapore by foreign-flagged ships, except where such carriage arises solely from transhipment from Singapore, or is only within the limits of the port of Singapore.

2 The exemption also covers in-house ship management income derived by the MSI-AIS Parent Company and Managing Company.

3 The amount of income that exceeds the base amount calculated in accordance to section 43ZF(4) of the ITA.
In addition, WHT exemption is granted on qualifying payments made by qualifying MSI recipients to non-tax residents (excluding a PE in Singapore) in respect of qualifying financing arrangements entered into on or before 31 May 2021 to finance the construction or purchase of qualifying assets (e.g., ships, containers), subject to conditions.

MSI-AIS for qualifying entry players, MSI-ML(Ship), MSI-ML(Container) and MSI-SSS are scheduled to lapse after 31 May 2021.

### Proposed

To continue developing Singapore as an international maritime centre, the MSI scheme will be extended until 31 December 2026. Similarly, the WHT exemption will be extended for qualifying payments made on qualifying financing arrangements entered into on or before 31 December 2026.

In addition, the following changes will be made to the MSI scheme:

a) Expand the scope of in-house ship management income exemption under the MSI-AIS Award to include such income derived by MSI-AIS Sister Company and MSI-AIS Local Subsidiary

b) Allow income derived from operating a ship that is provisionally registered with the SRS to qualify for tax exemption under the MSI-SRS scheme, regardless of whether a permanent certificate is subsequently obtained. Where a permanent certificate is not obtained, the tax exemption is only allowed up to one year from the date of issue of the provisional certificate

c) Allow the stamp duty remission to lapse for instruments executed on or after 1 June 2021.

The enhancements in (a) and (b) will apply to existing and new award recipients for qualifying income derived on or after 19 February 2020.

The Maritime and Port Authority of Singapore (MPA) will provide further details of the changes by May 2020.

### Points of view

#### Extension of the MSI scheme and WHT exemption until 31 December 2026

- The existing MSI-ML(Ship), MSI-ML(Container) and MSI-SSS awards are only granted for a period of five years. The enhancement to allow existing MSI-ML(Ship), MSI-ML(Container) and MSI-SSS award recipients to renew the awards for another five years is a welcomed move. Given that building up a well-connected and vibrant maritime cluster is one of the key strategies of the Sea Transport Industry Transformation Map, it is important to continue to attract ship and container leasing companies, which are seen as an alternative form of ship financing, and maritime services providers in Singapore. Such an extension demonstrates Singapore’s commitment to grow its maritime cluster and cements its position as an international maritime centre.

- The MSI-AIS award for qualifying entry players grants a non-renewable tenure of five years and such entry players can continue to enjoy tax exemption if they graduate to the 10-year renewable MSI-AIS award at the end of the five-year period provided qualifying conditions are met. The extension is therefore a welcomed move as it allows more small players to get onto the scheme and build up their base in Singapore.

- One of the key competitive advantages of Singapore’s MSI regime over the other tonnage tax regimes around the world is the WHT exemption for qualifying payments made on qualifying financing arrangements. The extension of the WHT exemption is a key element in ensuring that Singapore’s competitive edge is maintained. However, industry players prefer upfront tax certainty instead of the current regime, which is self-administered and lacking confirmation by any regulator. In addition, if the administrative requirements for the WHT exemption are more streamlined, it will further enhance Singapore’s competitive edge as an international maritime centre.
Expansion of qualifying income under the MSI-AIS award

- Currently, income tax exemption is granted on in-house ship management income derived by a MSI-AIS Parent Company or a Managing Company approved by the MPA. For a shipping group, this may limit its options in planning its structure and operations.

- The expansion of the income tax exemption to cover in-house ship management income derived by a MSI-AIS Sister Company and a MSI-AIS Local Subsidiary is hence a welcomed move as this will offer more flexibility to the entire MSI-AIS group in its operations.

- It will be interesting to see how a “Sister Company” will be defined and whether there will be shareholding levels required for a “Local Subsidiary”.

Allow income derived from provisionally registered ship to qualify for tax exemption under the MSI-SRS scheme

- Currently, provisional registration is not sufficient to qualify a ship as a Singapore ship for the purpose of the tax exemption under the MSI-SRS scheme. A ship owner will also have to obtain a permanent certificate of registry for the ship in order to enjoy the tax exemption, which would be backdated to the date of the provisional registration. This means that shipping income derived from a ship that is provisionally registered with the SRS but subsequently failed to obtain a permanent certificate of registry will be taxable in Singapore at the prevailing corporate income tax rate.

- Allowing income derived from operating a ship that is provisionally registered with the SRS to qualify for tax exemption under the MSI-SRS scheme, regardless of whether a permanent certificate is subsequently obtained, alleviates concerns of ship owners and operators of the potential downside of not being able to obtain a permanent certificate of registry. The one-year time frame will also allow the ship owners and operators sufficient time to reconsider their options in the event that the permanent certificate of registry cannot be obtained. This should enhance the attractiveness of the SRS, especially for ship owners and operators that are new to the SRS as it allows time for these players to be familiar with the requirements of the SRS.

Allow the stamp duty remission to lapse

- The stamp duty remissions were made available in 2011 in respect of transfer agreements executed for the acquisition of shares in a special purpose company by an approved shipping or container investment enterprise, if such enterprise is listed or will be listed on the SGX within six months from the date of completion of the said agreement. As Singapore has developed into an international maritime centre and experienced remarkable growth in its maritime cluster, this scheme may no longer be required and hence it may be timely to allow the stamp duty remission to lapse. Further, given that the current shipping industry is very volatile, combined with more favourable conditions for asset sales (such as tax exemption on sale of ship, no stamp duty on sale of ship and containers), going forward, there may be more asset (as opposed to shares) sales.
Extend and enhance the Finance and Treasury Centre scheme

Current

The Finance and Treasury Centre (FTC) scheme grants a concessionary tax rate of 8% on qualifying income derived by approved FTCs from qualifying activities or services. To qualify for the concessionary tax rate, approved FTCs are required to use only funds from qualifying sources as prescribed in the Income Tax (Concessionary Rate of Tax for Approved Finance and Treasury Centre) Regulations.

The scheme is scheduled to lapse after 31 March 2021.

Proposed

To continue encouraging finance and treasury activities in Singapore, the FTC scheme will be extended until 31 December 2026, with the following enhancements from 19 February 2020:

- The list of qualifying sources of funds will be expanded to include funds raised via convertible debt issued on or after 19 February 2020.
- The list of qualifying FTC activities will be expanded to include transacting or investing into private equity or venture capital funds that are not structured as companies. Income derived on or after 19 February 2020 by approved FTCs from this activity will qualify for the concessionary tax rate.

Points of view

- The FTC scheme is aimed at encouraging multinational companies to grow treasury management capabilities and use Singapore as a base for conducting treasury management activities to support related companies in the region. Against the backdrop of increased financing demands by companies during this time of economic uncertainty, the extension of the 8% concessionary tax rate on qualifying activities or services by approved FTCs for another five years is a welcomed move.
- Presently, qualifying sources of funds obtained by an approved FTC include:
  - Financial institutions in Singapore
  - Its paid-up capital
  - Its accumulated profits derived from qualifying activities and qualifying services
  - Approved network companies of the approved FTC, provided that the funds are obtained by them from qualifying sources
  - The issuance of any bond, note, debenture or other debt security, which is not beneficially held or funded, directly or indirectly, at any time during the life of the issue by any office or associated company of the approved FTC, which is not an approved network company
  - Banks outside Singapore
  - Non-bank financial institutions outside Singapore, which are not its offices or associated companies
A convertible debt is an instrument with both debt and equity features. Due to its hybrid nature, it may not be entirely clear whether it is a qualifying source of funds. This has given rise to uncertainty for approved FTCs. Thus when it comes to fund raising and planning, they tend to steer away from the less traditional sources of funds such as convertible debt to avoid non-qualifying tax treatment.

However, convertible debt is typically a cheaper financing option as it pays lower interest rates compared to traditional debt instruments. Hence, approved FTCs could benefit from the enhancement as they now have access to an additional source of funding which may potentially reduce the overall cost of borrowings for the approved FTCs.

The impact of this enhancement will depend on the implementation and its interactions with the rest of the FTC regulations. It is not clear whether the approved FTC has the flexibility to access the convertible debt through its approved network companies or just directly from the capital markets. For approved FTCs to benefit fully from this enhancement, they should have access to both sources. In addition, it is also important to clarify whether WHT exemption will be given on the payouts received by the holders of such convertible debt who are non-Singapore tax resident if the convertible debt is issued by the approved FTC.

The second enhancement which expands qualifying FTC activities to include transacting or investing into private equity or venture capital funds that are not structured as companies is expected to benefit both the approved FTCs and private equity or venture capital funds. For the multinational enterprise that the approved FTC is part of, the investment in private equity or venture capital funds would broaden the portfolio of investments that the approved FTC makes and at the same time diversify the investment risk. This could also greatly stimulate fund flows and generate ancillary spin-offs for the private equity and venture capital firms.
Extend and refine the Global Trader Programme

**Current**

The Global Trader Programme (GTP) grants a concessionary tax rate of 5% or 10% on income derived by approved global trading companies from qualifying transactions. Approved global trading companies enjoy a concessionary tax rate of 5% on their income from qualifying transactions in liquefied natural gas (LNG), regardless of whether a concessionary tax rate of 5% or 10% applies to their income from qualifying transactions in other GTP-qualifying commodities. The GTP is scheduled to lapse after 31 March 2021.

The GTP (Structured Commodity Financing) (GTP(SCF)) grants a concessionary tax rate of 5% or 10% on qualifying income derived by approved GTP(SCF) companies. The GTP(SCF) is scheduled to lapse after 31 March 2021.

**Proposed**

To further strengthen Singapore’s position as a global trading hub and to encourage more structured commodity financing (SCF) activities to be done in Singapore, the GTP will be extended until 31 December 2026.

The following changes will be made to the GTP:

a) The qualifying activities of GTP(SCF) will be subsumed under GTP with effect from 19 February 2020.

b) The GTP(SCF) will lapse after 31 March 2021.

c) The concessionary tax rate of 5% on income from qualifying transactions in LNG will lapse after 31 March 2021. With the lapsing of this concession, LNG will be treated no differently from other GTP-qualifying commodities under the GTP.

For (b), existing recipients of GTP(SCF) awards can continue to enjoy the tax concession under the GTP(SCF) until the expiry of their awards, if the conditions for approval of their awards continue to be met.

For (c), existing recipients of GTP awards can continue to enjoy the concessionary tax rate of 5% on income from qualifying transactions in LNG until the expiry of their awards, if the conditions for approval of their awards continue to be met.

The ESG will provide further details of the changes by May 2020.


Points of view

- The extension of the GTP is in line with the Government’s initiative to maintain Singapore as a global trading hub, assuring businesses of their continued support for the commodity trading sector.

- With the qualifying GTP(SCF) activities to be subsumed under the GTP effective 19 February 2020, existing approved global trading companies would now be able to enjoy the GTP concessionary tax rate on income derived from qualifying GTP(SCF) activities. This is a welcomed move on the part of the Government and would encourage existing approved global trading companies to engage in more SCF activities to secure trades. We, however, await further details on whether a separate application would be required to qualify the GTP(SCF) activities and if further conditions would be imposed under the GTP.

- Approved global trading companies with related companies that carry out qualifying GTP(SCF) activities that are not currently incentivised should consider the feasibility of consolidating such activities under the approved global trading companies to benefit from the enhancement of the GTP.

- The GTP was enhanced in 2007 to allow a concessionary tax rate of 5% specifically on income from qualifying transactions in LNG with the aim to encourage the setting up of LNG trading desks in conjunction with the Government’s plan to subsequently build the country’s first LNG terminal. This catalysed the growth of LNG players in Singapore with at least 45 LNG-related companies now with offices in Singapore, to create today’s vibrant ecosystem of talent, financing, and other elements required to support the LNG trades. Over the years, Singapore has reached a critical mass of LNG players, as seen through the Government’s interest in building the country’s second LNG terminal. Allowing the concessionary tax rate of 5% on income from qualifying transactions in LNG to lapse after 31 March 2021, and treating LNG no differently from other GTP-qualifying commodities signals that the Government has been successful in achieving its goal of establishing Singapore as an LNG hub.
Extend the Land Intensification Allowance scheme

■ Current
The objective of the Land Intensification Allowance (LIA) scheme is to encourage the intensification of industrial land. Under the LIA, an initial allowance of 25% of the qualifying capital expenditure incurred on the construction or renovation/extension of an approved LIA building will be granted in the YA relating to the basis period during which the capital expenditure is incurred. Upon issuance of the temporary occupation permit for the completed LIA building, annual allowance of 5% of the qualifying capital expenditure incurred will be granted, subject to all the qualifying conditions being met.

The scheme is scheduled to lapse after 30 June 2020.

■ Proposed
The objective of the LIA scheme remains relevant given the scarcity of land in Singapore.

The LIA scheme will be extended until 31 December 2025. This refers to the last date a building or structure may be approved for LIA.

■ Points of view

► Due to the forecasted population growth and economic expansion plans, it is expected that there will be increasing demand for land in Singapore. The extension of the LIA scheme is aligned to the Government’s continuing efforts in encouraging corporations to optimise the use of industrial land.

► Other than the extension to 31 December 2025, no change was proposed to the existing LIA scheme. To allow a level playing field for companies that plan to invest for land efficiency purposes but do not qualify under current rules, it is hoped that the LIA scheme can be enhanced to take into account the following:

► Currently, the LIA applicant and user must have at least 75% shareholding held in common. This avoids incentivising third-party facility providers who are naturally incentivised to intensify their land use. However, as a result of the shareholding requirement, bona fide commercial joint venture arrangements where the common ownership is less than 75% are not eligible.

► Companies that are looking to construct or renovate/extend their in-house warehouses/logistics centres currently do not qualify if the buildings are not used for specified manufacturing or logistics activities. This is notwithstanding that the construction/renovation meets the other key requirements under the LIA scheme, such as the minimum gross plot ratio and gross floor area.
Extend the writing-down allowance scheme for the acquisition of an indefeasible right to use an international submarine cable system (referred to as Indefeasible Right of Use) under section 19D of the ITA

**Current**

A taxpayer which has incurred capital expenditure on the purchase of an Indefeasible Right of Use (IRU) for the purposes of its trade, business or profession can claim writing-down allowance (WDA) on the amount incurred, subject to conditions.

The scheme is scheduled to lapse after 31 December 2020.

**Proposed**

The WDA scheme under section 19D will be extended until 31 December 2025, i.e., WDA will be allowed on qualifying capital expenditure incurred on or before 31 December 2025 for the acquisition of an IRU.

**Points of view**

- The above WDA scheme was first introduced in Budget 2003 to boost our local broadcasting and telecommunications industries then. In Budget 2015, a review date of 31 December 2020 was introduced for this scheme to ensure that its relevance is periodically reviewed.

- Against the backdrop of the growing bandwidth demand and mobile adoption rate in the infocommunications industry, the extension of the WDA scheme enables our domestic industry players to stay competitive in the global arena and reaffirms the Government’s commitment to support digital connectivity and advancements. It is a welcomed move to ensure that Singapore remains an attractive location for telecommunication and digital players to hub their network from Singapore. It also assures businesses of continued government support towards investments in the industry.

- WHT exemption is currently available on payments for international telecommunications submarine cable capacity under an IRU agreement until 31 December 2023. Although the WHT exemption and the WDA scheme under section 19D were both introduced at the same time in Budget 2003, individually they are not scheduled for review or renewal at the same time.

- Given the pace of technological changes within the infocommunications industry, businesses can expect the WDA scheme under section 19D to be periodically reviewed to ensure its continued relevance to Singapore.
Allow the further tax deduction scheme for R&D expenditure under section 14E of the ITA (section 14E incentive) to lapse

**Current**

The section 14E incentive provides a further tax deduction for R&D expenditure incurred on approved R&D projects conducted in Singapore either by the business itself or by an R&D organisation on its behalf.

Deduction under section 14E is subject to a cap of 200% after including other deductions for the same R&D expenditure under the ITA.

The section 14E incentive is scheduled to lapse after 31 March 2020.

**Proposed**

The section 14E incentive will lapse after 31 March 2020.

Over the years, the Government has enhanced the broad-based tax deductions for R&D conducted in Singapore. These broad-based tax deductions are available for all businesses without a need for approval.

With the previous enhancement in Budget 2018, businesses conducting qualifying R&D projects in Singapore can enjoy up to 250% tax deduction on qualifying expenses from YA 2019 to YA 2025.

Businesses can also benefit from various non-tax schemes for R&D and innovation. For instance, the Research Incentive Scheme for Companies (RISC), administered by the EDB, co-funds qualifying R&D costs incurred by eligible companies. Businesses can also access A*STAR’s laboratories advanced manufacturing equipment via Tech Access, benefit from technology consultancy and testing services in Centres of Innovation, and obtain technical advisory through GET-Up.

Existing section 14E incentive recipients can continue to enjoy the further tax deduction under the section 14E incentive until their awards expire.

**Points of view**

- The lapse of the section 14E deduction scheme was not unexpected, given the recent enhancement of section 14DA to provide a 250% tax deduction (when combined with section 14D) on qualifying expenses from YA 2019 to YA 2025. Although, there are some differences between the two schemes.

- While section 14E does provide broad coverage, the requirement to submit applications prior to the commencement of R&D activities and commit to negotiated conditions (e.g., incremental R&D headcount) under section 14E has somewhat caused it to be perceived as a less attractive option compared to other incentive schemes. Given the effort required by claimants to prepare an application and commit to negotiated conditions for a section 14E deduction, claimants may instead opt to pursue an R&D cash grant such as the RISC grant.
Under the RISC grant, which serves to assist companies to develop in-house R&D capabilities in strategic areas of technology, businesses can potentially obtain up to 30% of qualifying costs in the form of cash reimbursements. The qualifying cost categories under the RISC grant are potentially broader than those under the section 14E incentive, which makes the RISC grant an attractive alternative. As the cash reimbursements are disbursed to qualifying companies on a half-yearly basis, this also helps businesses, in particular SMEs, to better ease their cash flow in comparison to the annual tax deduction that the section 14E incentive offers.

Alternatively, taxpayers who are conducting local R&D activities may consider the section 14D/DA deduction schemes instead, which are statutory in nature and thus do not require the negotiation of conditions. However, though claimants are not required to seek pre-approval nor negotiate conditions under section 14D/DA, significant work is required to prepare documentation to support the deductions in order to satisfy the IRAS’ review process and administrative requirements to substantiate claims.

Consequently, for taxpayers undertaking R&D activities, it is important that careful analysis is done to evaluate the options available.
Streamline the number of years of working life of plant and machinery for capital allowance claims under section 19 and the Sixth Schedule of the ITA

■ **Current**

The Sixth Schedule specifies the number of years of working life (prescribed working life) of plant and machinery (P&M) for the purpose of computing annual allowances for such P&M under section 19 of the ITA.

Depending on the P&M, businesses may claim annual allowances on their P&M over 5, 6, 8, 10, 12 or 16 years.

■ **Proposed**

To simplify capital allowance (CA) claims under section 19 of the ITA, the prescribed working life of P&M in the Sixth Schedule will be streamlined. Businesses claiming annual allowance under section 19 of the ITA may make an irrevocable election to write down their P&M as follows:

- If the current prescribed working life of the P&M in the Sixth Schedule is 12 years or less, businesses may choose to claim annual allowance over 6 or 12 years.

- If the current prescribed working life of the P&M in the Sixth Schedule is 16 years, businesses may choose to claim annual allowance over 6, 12 or 16 years.

The above will apply for P&M acquired in or after financial year (FY) 2022, and in cases where P&M were purchased prior to FY 2022 and no claim for CA (both initial and annual allowances) has been made (i.e., the claim for CA in respect of the entire cost of the P&M has been deferred).

■ **Points of view**

- Typically, accelerated CA claims are made over one or three years under section 19A of the ITA.

- However, to preserve the CA to be claimed over a longer period, companies enjoying tax incentives may choose to claim CA under section 19 of the ITA based on the prescribed working life in the Sixth Schedule. This proposed change will be welcomed by such companies since it simplifies their CA claim. The number of categories of working life is reduced from six (5, 6, 8, 10, 12 and 16 years) to three (6, 12 and 16 years).
Refine the tax treatment of expenditures funded by capital grants

**Current**

Singapore does not tax receipts that are capital in nature, so recipients of capital grants from the Government and statutory boards are not subject to tax on the grant amounts received. At the same time, these recipients are able to claim tax deductions or allowances on the corresponding expenditure incurred which are funded by such grants from the Government or statutory boards.

Recipients of grants from the Government or statutory boards that are revenue in nature are currently subject to income tax on the grant amount received. At the same time, these recipients are able to claim tax deductions or allowances on the corresponding expenditure incurred which are funded by these grants from the Government or statutory boards.

**Proposed**

There should be no double incentivisation of recipients through grants and tax deductions or allowances. 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.

**Points of view**

- The proposed refinement is relevant to businesses that receive capital grants from the Government or statutory boards. Such capital grants typically refer to those that are given to fund expenditure on infrastructure and fixed assets investment (such as those relating to intellectual property and equipment and machinery).

- The current tax treatment of expenditures funded by grants from the Government or statutory boards varies.

For instance, whilst it is made clear in the ITA that the tax deduction on R&D expenditures and patenting cost excludes any amount subsidised by grants from the Government or statutory boards, the ITA does not presently apply such exclusion to the allowances granted on qualifying fixed assets and intellectual property rights. Moreover, based on the current provisions of the ITA, the allowances under sections 19 and 19A (for qualifying fixed assets) and section 19B (for qualifying intellectual property rights) are based on the expenditure incurred by the company. The allowances are therefore considered on the full expenditure (inclusive of the amount funded by government grant) as long as the company incurs the full expenditure in acquiring those assets from the vendor.

With the proposed refinement, the tax treatment of expenditures funded by capital grants will be standardised. Such expenditures will not be allowed as deductions or allowances.
Extend the withholding tax exemption for non-resident mediators and arbitrators

**Current**

Non-resident professionals are subject to WHT at a rate of 15% on gross income from the profession; or they may elect to be taxed at 22% on net income. As a concession, income derived by non-resident mediators from mediation work carried out in Singapore and non-resident arbitrators from arbitration work carried out in Singapore is exempt from tax, subject to conditions.

This exemption is scheduled to lapse after 31 March 2020.

**Proposed**

The WHT exemption will be extended until 31 March 2022.

**Points of view**

- The objective of this tax exemption is to encourage international mediators and arbitrators to conduct their cases in Singapore, and to support the use of Singapore’s international commercial mediation and arbitration services. The extension is a continued effort to establish Singapore as a leading dispute resolution hub in Asia.

- It is, however, noted that the WHT exemption is extended for two years only, a shorter period relative to the typical extension period for tax concessions. This could be an indication of the level of relevance and usefulness of the scheme, which is expected to be further reviewed during these two years.
Allow the concessionary withholding tax rate for non-resident public entertainers to lapse

**Current**

Non-resident public entertainers (NRPEs) are subject to WHT at a rate of 15% on gross income in respect of services performed in Singapore. As a concession, the WHT rate of 15% is reduced to 10%.

This concession is scheduled to lapse after 31 March 2020.

**Proposed**

The concessionary WHT rate of 10% will be extended until 31 March 2022. It will then lapse after 31 March 2022.

The concessionary WHT rate for NRPEs was introduced in 2010 to kick-start Singapore’s push to being a vibrant global city. Over the years, the local sports and entertainment scenes have developed significantly, and government schemes have been introduced to promote the sector.

**Points of view**

- Instead of allowing the concession to lapse as scheduled, it has been extended until 31 March 2022. This could plausibly be a gesture intended to help lend support to Singapore’s entertainment scene in view of the current uncertain COVID-19 situation. This grace period may also help entertainment organisers in Singapore that have negotiated to bring in foreign performances in the next one or two years and contracted to bear the WHT costs, as otherwise they will be unduly penalised by the additional tax costs.

- The eventual lapsing of the concessionary WHT rate for NRPEs will align the WHT rate for payments to NRPEs with that of other non-resident professionals at 15%.
Allow the Angel Investors Tax Deduction scheme to lapse

**Current**

The Angel Investors Tax Deduction (AITD) scheme was introduced in Budget 2010 to stimulate angel investments into Singapore-based startups.

Under the scheme, an approved angel investor is granted a tax deduction of 50% of the cost of his qualifying investments, subject to conditions.

The scheme is scheduled to lapse after 31 March 2020.

**Proposed**

The AITD will lapse after 31 March 2020. This is to maintain the resilience and progressivity of the tax system.

With the lapsing of AITD, Singapore-based startups can access funding through other government schemes such as the Startup SG programme (which provides holistic support for startups through co-investments, loans, proof-of-concept grants, mentorship and physical space).

Angel investors, whose approved angel investor status commences on or before 31 March 2020, can continue to be granted the tax deduction under the AITD scheme in respect of qualifying investments made during the period of his approved angel investor status, subject to existing conditions of the AITD scheme.

The ESG will provide further details of the transitional arrangement for approved angel investors by end March 2020.

**Points of view**

- Over the last 10 years, the Government has put in place various schemes to support local SMEs, which include Singapore-based start-ups. The focus has been on promoting greater innovation and productivity, easing access to funding and improving digital technology adoption. These efforts continued with the extensions, enhancements and streamlining of various existing schemes in Budget 2019 and the proposed enhancement to the Enterprise Financing Scheme – SME Working Capital Loan in Budget 2020.

- Given the various schemes available to help Singapore-based start-ups, the lapsing of the AITD scheme by 31 March 2020 should not have a significant impact on new start-up companies or entrepreneurs who need funding or financing support.

- Angel investors with approved angel investor status commencing on or before 31 March 2020 should also not be affected, subject to the existing conditions of the scheme and the transitional arrangement details to be released by the ESG.
Personal income tax
Personal income tax rate and tax rebate

**Current**

The income tax rates for Singapore tax resident individuals with effect from YA 2017 range from 0% for the first S$20,000 of chargeable income to 22% for chargeable income exceeding S$320,000.

A tax rebate of 50% of tax payable was granted to all tax resident individuals for YA 2019 (i.e., for income earned in 2018). The rebate was capped at S$200 per taxpayer.

**Proposed**

There is no change to the personal income tax rates and the personal income tax relief cap. There will not be any tax rebates accorded for YA 2020. Instead, as part of the Care and Support Package for households, one of the measures declared by the Government is a one-off cash payout of S$300, S$200 or S$100, depending on the income, to be given to all Singaporeans aged 21 and above in 2020. The Government also declared a cash payout of S$100 for every adult Singaporean with at least one Singaporean child aged 20 years and below this year.

**Points of view**

The implementation of higher income tax rates with effect from YA 2017 as well as the personal income tax relief cap of S$80,000 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.

Tax rebates accorded by the Government in YA 2019 provided relief to tax resident individuals who pay personal income tax, but such a rebate will not benefit non-taxpayers. For example, the income tax rebate accorded for YA 2019 benefited only tax resident individual taxpayers who earned an annual income of more than S$42,500\(^1\). Further, taxpayers who earn an annual income of at least S$62,143\(^1\) enjoyed the maximum rebate of S$200. As such, the announcement of the one-off and tiered cash payout to all Singaporeans aged 21 and above and the cash payout of S$100 to every adult Singaporean with at least one Singaporean child aged 20 years and below is more beneficial for the lower- and middle-income earners.

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1 The above assumes an active national service reservist man married to a non-working spouse with two dependent children.
Matched Retirement Savings Scheme

**Proposed**

To help those with less CPF savings to save more, the Government will introduce a Matched Retirement Savings Scheme from 2021 to 2025.

Lower- to middle-income Singaporeans aged 55 to 70 who have not been able to set aside the prevailing Basic Retirement Sum (BRS) will be eligible.

Under this scheme, the Government will match every dollar of cash top-up made to their CPF Retirement Account, up to an annual cap of S$600. This is a way of encouraging and augmenting family support for seniors with fewer means in retirement. About 435,000 Singaporeans will be eligible.

**Points of view**

- The CPF is a good retirement scheme that has provided Singaporeans with very favourable, risk-free interest rates on their savings. Many Singaporeans want to top up their own, their spouse’s, or parents’ CPF accounts to fund their retirement savings. In 2019, such voluntary cash top-ups added up to about S$1b.

- The Government’s initiative to introduce the Matched Retirement Savings Scheme encourages Singaporeans to continue to make voluntary cash top-ups for themselves and their family members, especially where their CPF Retirement Accounts have not met the BRS.

- From an income tax perspective, a CPF Cash Top-up Relief of up to S$14,000 (maximum S$7,000 for self and S$7,000 for family members) is currently available where a cash top-up is made under the CPF Retirement Sum Topping-Up Scheme to the Special/Retirement Account of an individual or individual's family members, which include:
  - Parents or parents-in-law
  - Grandparents or grandparents-in-law
  - Spouse
  - Siblings

- To illustrate, from 2021 to 2025, when an individual makes a cash top-up of S$1,000 into his parent’s Retirement Account during a year, the parent will receive a total contribution of S$1,600 (of which S$600 is through the Matched Retirement Savings Scheme) in the CPF account. Further, the S$1,000 contributed to his parent’s Retirement Account will be allowed as a Cash Top-up Relief in his individual income tax return as part of his personal tax relief, subject to the personal tax relief cap of S$80,000. This will assist in the reduction of his tax liability.

- With the availability of both the Matched Retirement Savings Scheme and the CPF Cash Top-up Relief, this will further incentivise Singaporeans to make voluntary cash top-ups for their senior family members to help them accumulate more savings for their retirement needs.
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Goods and services tax
The Minister had announced in 2018 that the Government plans to raise the GST by two percentage points, to 9% sometime from 2021 to 2025. This is to raise recurrent revenues to meet the growing recurrent spending, particularly for health care.

After reviewing the revenue and expenditure projections and considering the current state of the economy, the Minister has decided that the GST rate increase will not take effect in 2021. The GST rate will remain at 7% in 2021.

The Minister has highlighted that the Government will not be able to put off the increase indefinitely. The COVID-19 outbreak has reinforced the importance of continued investment in the health care system, including the capability to deal with outbreaks. Singapore will still require recurrent sources of revenue to fund the recurrent spending needs in the medium term. Thus, the GST rate increase will still be needed by 2025.

The Government will assess carefully the appropriate time for the increase and gave the assurance that sufficient lead time will be provided to Singaporeans.

The Minister gave the assurance that when the GST rate is raised, the Government will ensure that the taxes and transfers system remains progressive. The Government will continue to absorb GST on publicly-subsidised health care and education.

Similar to the past, the Government will provide an Assurance Package when the GST rate is raised. This will be a S$6b package for Singaporeans to cushion the increase from the transition to the higher GST rate.

This is the Government’s way of ensuring that the system of taxes and transfers remains progressive and supports Singaporeans through the change, while enabling the Government to fund future needs in a sustainable way.

**Points of view**

- It is understandable that it is not the appropriate time to have a GST rate hike in 2021 in view of the current COVID-19 outbreak and its impact to the economy. Once again, the Minister has issued a reminder that the GST rate increase is inevitable and cannot be put off indefinitely. A GST rate increase is a certainty by 2025 and businesses should therefore be prepared for it.

- When the GST rate was last increased in 2007, the GST support package was S$4b over five years. It is interesting to note that the Minister has already announced in advance, the Assurance Package, for the next GST rate increase.

- Although the GST rate will remain at 7% in 2021, the introduction of GST on imported services with effect from 1 January 2020 will provide additional GST revenue for the Government.
Financial services
Extend the tax incentive schemes for insurance businesses

**Current**

Under the Insurance Business Development (IBD) umbrella scheme, the following schemes are scheduled to lapse after 31 March 2020:

- **IBD scheme**: Approved insurers are granted a concessionary tax rate of 10% for a period of 10 years on qualifying income derived from the carrying on of onshore and offshore life reinsurance, onshore and offshore general insurance and reinsurance, excluding fire, motor, work injury compensation, personal accident and health insurance.

- **IBD-Captive Insurance (IBD-CI) scheme**: Approved insurers are granted a concessionary tax rate of 10% for a period of five years on qualifying income derived from the carrying on of onshore and offshore life reinsurance, onshore and offshore general insurance and reinsurance, excluding fire, motor, work injury compensation, personal accident and health insurance.

- **IBD-Marine Hull and Liability Insurance Business (IBD-MHL) scheme**: Approved insurers are granted a concessionary tax rate of 10% for a period of five years on qualifying income derived from onshore and offshore MHL insurance and reinsurance.

**Proposed**

To support Singapore’s value proposition as an Asian insurance and reinsurance centre, the IBD and IBD-CI schemes will be extended until 31 December 2025. The concessionary tax rate remains at 10%.

To streamline and simplify the IBD umbrella scheme, the IBD-MHL scheme will lapse after 31 March 2020. With the lapsing of the IBD-MHL scheme, insurers engaged in the MHL insurance and reinsurance business will be incentivised under the IBD scheme.

To align the tenure of all awards under the IBD umbrella scheme, all new and renewal IBD scheme awards approved on or after 1 April 2020 will be granted for a period of five years.

The MAS will provide further details of the changes by May 2020.
Points of view

The IBD umbrella scheme was first announced in Budget 2015 and subsequently refined in Budget 2016, Budget 2018 and Budget 2020. The table below summarises the IBD umbrella scheme after taking into account the proposed changes in Budget 2020:

<table>
<thead>
<tr>
<th>Category of award</th>
<th>IBD-Standard Tier</th>
<th>IBD-Enhanced Tier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance tax incentive</td>
<td>IBD</td>
<td>IBD-CI</td>
</tr>
<tr>
<td>Tax rate</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Sunset date</td>
<td>31 December 2025</td>
<td>31 December 2023</td>
</tr>
</tbody>
</table>

The refinement of the IBD umbrella scheme over the years provides a more comprehensive, streamlined and simplified framework. With all the insurance incentives consolidated under an umbrella scheme, it facilitates easier understanding of the schemes available to the insurance industry.

The extension of the IBD and IBD-CI schemes not only provides added stimulus to attract new entrants into Singapore’s vibrant insurance sector, it also provides existing incentivised (re)insurers a framework for renewal of their tax incentives.

The MHL insurance and reinsurance business should not be negatively impacted by the lapsing of the IBD-MHL scheme as the concessionary tax rate of 10% and the scope of qualifying income remain available under the IBD scheme.

The tenure of the award for the IBD scheme has been shortened to five years to be in line with other financial services tax incentives. This allows the Government to periodically review the scheme to be more reactive to changes in the global economy and tax environment and ensures that the scheme remains competitive and relevant. The reduction in tenure from 10 to five years may reduce the attractiveness of the IBD scheme to (re)insurers looking to make a long-term commitment in Singapore.

We hope that the MAS can provide more clarity on the definition of non-qualifying income in the details to be released by the MAS in May 2020.

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1 IBD – Insurance Banking Business scheme.
2 IBD – Specialised Insurance scheme.
3 For new awards (from 1 September 2019).
4 For renewal awards (from 1 September 2016).
Enhance the withholding tax exemption for interest on margin deposits

**Current**

The WHT exemption for interest on margin deposits is part of a range of WHT exemptions granted for the financial sector up until 31 December 2022. The current qualifying scope of entities and products covered by the WHT exemption for interest on margin deposits are:

<table>
<thead>
<tr>
<th>Covered entities</th>
<th>Covered products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members of approved exchanges</td>
<td>Spot foreign exchange (other than those involving Singapore dollar)</td>
</tr>
<tr>
<td></td>
<td>Financial futures</td>
</tr>
<tr>
<td></td>
<td>Gold futures</td>
</tr>
</tbody>
</table>

**Proposed**

To further develop Singapore’s derivative market, the scope of the WHT exemption for interest on margin deposits will be enhanced to cover the following entities and products:

<table>
<thead>
<tr>
<th>Covered entities</th>
<th>Covered products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members of approved exchanges</td>
<td>Spot foreign exchange (other than those involving Singapore dollar)</td>
</tr>
<tr>
<td>Members of approved clearing houses</td>
<td>Financial futures</td>
</tr>
<tr>
<td>Approved exchanges</td>
<td>Gold futures</td>
</tr>
<tr>
<td>Approved clearing houses</td>
<td><strong>All other derivative contracts traded or cleared on approved exchanges and approved clearing houses</strong></td>
</tr>
</tbody>
</table>

The enhancements will apply for agreements entered into on or after 19 February 2020.

The extension of the WHT exemption will be reviewed together with the other WHT exemptions for the financial sector, before 31 December 2022.

The MAS will provide further details of the changes by May 2020.

**Points of view**

- The scope of the WHT exemption has been broadened to not only include members of approved exchanges, but also members of approved clearing houses, approved exchanges and approved clearing houses. These enhancements demonstrate Singapore’s recognition of growing interest by investors in derivatives trading and its commitment to growing the derivative markets business. This move will help to alleviate the administrative burden on these covered entities.

- The sunset clause on the WHT exemption introduced in Budget 2018 has not changed. While it will be reviewed with the other WHT exemptions for the financial sector to ensure its continuing relevance, there continues to be uncertainty for both covered entities and financial institutions to rely on the WHT exemptions in the long term. The financial impact of the sunset clause continues to be a relevant consideration for both the covered entities and financial institutions as they plan their business.
Extend and refine the tax incentives for venture capital funds and venture capital fund management companies

**Current**

Venture capital funds approved under section 13H of the ITA enjoy tax exemption on the following income (section 13H scheme):

- Divestment gains from qualifying investments
- Dividend income from foreign companies
- Interest income arising from foreign convertible loan stock

Approved venture capital fund management companies managing approved venture capital funds are granted a concessionary tax rate of 5% under section 43ZG of the ITA on the income derived from managing an approved venture capital fund (Fund Management Incentive).

Both incentives are scheduled to lapse after 31 March 2020.

**Proposed**

To continue encouraging venture capital funding for Singapore-based companies, the section 13H scheme and Fund Management Incentive will be extended until 31 December 2025.

In addition, the key refinements to the incentives are as follows:

**Section 13H scheme**

- The list of investments and income incentivised under the section 13H scheme will be expanded to include relevant items of the Specified Income - Designated Investments list applicable for fund incentives¹.

- Apart from companies incorporated in Singapore and partnerships, the section 13H incentive may be granted to venture capital funds, which are constituted as foreign-incorporated companies or Singapore Variable Capital Companies (VCC).

- The statutory sub-limit imposing a maximum tenure of 10 years for the first tranche of the tax exemption will be removed, while the 15-year cap on the overall tenure of the tax exemption status remains. This means that the tax exemption may be awarded for the fund life of the venture capital fund, up to a total tenure of 15 years.

- Approved venture capital funds will be allowed, by way of remission, to claim GST incurred on their expenses at a fixed recovery rate to be determined for the industry.

**Fund Management Incentive**

- Statutory limitations on the total incentive tenure allowed for each venture capital fund management company will be removed. Instead, each Fund Management Incentive award for the fund manager will be set at a maximum tenure of five years, and can be renewed subject to conditions.

The above changes will take effect from 1 April 2020.

The ESG will provide further details of the changes by May 2020.

¹ Under sections 13CA, 13R and 13X of the ITA.
Points of view

The section 13H scheme and Fund Management Incentive were first introduced in 1993 and are administered today by the ESG. Beyond renewing these incentives for another five years, the ESG took this opportunity to undertake a comprehensive review of these incentives and refined them to be relevant for today’s venture capital funds and venture capital fund managers.

These proposed changes complement the Financial Services Industry Transformation Map previously launched, that recognised venture capital and private equity fund managers as an essential component of the enterprise financing ecosystem, which supply smart capital for the long term. This was followed by a series of positive and progressive tax policy and regulatory changes that sought to anchor Singapore’s position as a leading global financial centre.

The proposed refinements to the section 13H scheme and Fund Management Incentive reflect the importance of venture capital activity in supporting entrepreneurship in Singapore and should further bolster Singapore’s growth as a fund management hub.

The list of investments and income incentivised under the section 13H scheme will be expanded to include relevant items of the Specified Income - Designated Investments list applicable for fund incentives under sections 13CA, 13R and 13X of the ITA. This addresses the limitations of the existing prescriptive list of qualifying income that cover certain divestment gains, foreign dividend income and certain interest income. With advancements in the venture capital industry in the past decade, this list has not kept up with the commercial realities of present-day investment structures and the proposed expansion will provide the relevance and flexibility for venture capital funds to invest in a wider range of financial instruments.

For financial periods beginning on or after 1 January 2018, gains on financial instruments may be taxable even if they are unrealised. It is important that going forward, the proposed section 13H scheme changes exempt not only gains realised on divestment but also unrealised gains accruing to a venture capital fund during the period in which the investment is held. This mitigates tax uncertainties and potential cashflow disadvantages that may otherwise arise from tax payments to be made on gains that are not realised yet.

The expansion of the section 13H scheme to include venture capital funds set up as foreign-incorporated companies or VCC recognises the changing needs of venture capital funds and their investors in terms of the legal forms of fund vehicles used. This expansion provides the flexibility on the types of fund vehicles to be used when catering to various considerations, including investor familiarity and legal characteristics.

The eligibility of VCC for the section 13H scheme is timely given that the MAS and Accounting and Corporate Regulatory Authority launched the VCC framework on 15 January 2020 and is testimony to the holistic approach taken by the ESG in refreshing the section 13H scheme.
The award of the section 13H scheme is now tied to the fund life of the venture capital fund, up to a total tenure of 15 years. This provides certainty to venture capital fund managers and investors on the tax exemption status, reducing the likelihood of a need to seek approval for renewal after 10 years. As venture capital funds typically have a lifespan of eight to 10 years, the proposed limit of 15 years should be sufficient. However, the proposed change is silent on whether it is possible for the ESG to consider extensions on a case-by-case basis should the life of the fund be required to be extended for bona fide commercial reasons.

In addition to the corporate income tax benefits, the GST remission is critical in attracting funds to domicile in Singapore. However, it is likely that there will be a GST leakage due to a fixed recovery rate that is below 100%. Further, Singapore WHT may be applicable on interest payments made by venture capital funds that are approved under the section 13H scheme if the interest WHT exemption that applies to funds under sections 13CA, 13R and 13X of the ITA is not available.

Consistent with the other tax incentive schemes in Singapore, the Fund Management Incentive will now be awarded for a period of five years, subject to further renewal. The Fund Management Incentive is an interesting option for venture capital managers, as it offers a lower tax rate of 5%. This compares favourably against other tax incentives available in Singapore, such as the Financial Sector Incentive – Fund Management scheme, which offers a tax rate of 10%. There is also a lower minimum assets-under-management requirement for the Fund Management Incentive, compared to the Financial Sector Incentive – Fund Management scheme. This reflects the commercial reality where the assets-under-management of venture capital funds may typically be lower and demonstrates the ESG’s clear understanding of the venture capital industry. With the lower tax rate and lower assets-under-management requirement, we look to see if the details to be released by May 2020 provide for other commitments to Singapore that may be required over time by the venture capital funds and venture capital fund managers.

Overall, the expansion of the section 13H scheme is a positive development for the venture capital industry. We expect that the commitment to invest a certain percentage of capital in Singapore-based companies or companies with economic spin-offs to Singapore will remain. This will further support the Government’s push to grow Singapore businesses and help them internationalise.
The Jobs Support Scheme (JSS) will help enterprises retain their local employees during this period of uncertainty. It is a temporary scheme for 2020. All active employers, with the exception of government organisations (local and foreign) and representative offices, are eligible for the JSS.

Employers will receive an 8% cash grant on the gross monthly wages of each local employee (applicable to Singapore Citizens and PRs only) on their CPF payroll\(^1\) for the months of October 2019 to December 2019, subject to a monthly wage cap of S$3,600 per employee.

Employers do not need to apply for the JSS. The grant will be computed based on CPF contribution data. Employers can expect to receive the JSS payment from the IRAS by 31 July 2020.

The JSS will cost the Government S$1.3b.

**Illustration of JSS computation**

<table>
<thead>
<tr>
<th></th>
<th>October 2019</th>
<th>November 2019</th>
<th>December 2019</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages paid to local employee (excluding employer CPF)</td>
<td>S$3,000</td>
<td>S$3,500</td>
<td>S$4,000</td>
<td>S$10,500</td>
</tr>
<tr>
<td>Qualifying wage (capped at S$3,600)</td>
<td>S$3,000</td>
<td>S$3,500</td>
<td>S$3,600</td>
<td>S$10,100</td>
</tr>
<tr>
<td>Jobs Support payout to employer (8% of qualifying wage)</td>
<td>S$240</td>
<td>S$280</td>
<td>S$288</td>
<td>S$808</td>
</tr>
</tbody>
</table>

---

1 Wages paid to business owners will not be eligible for the grant.
The Wage Credit Scheme (WCS) supports enterprises embarking on transformation efforts and encourages employers to share productivity gains with workers, by co-funding wage increases. It was introduced in Budget 2013, and extended in Budget 2015 and Budget 2018.

The WCS will be enhanced in Budget 2020. A summary of the changes to the WCS is in the table below.

### Summary of changes to the WCS

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Existing WCS as announced in Budget 2018</th>
<th>Enhanced WCS as announced in Budget 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifying years</td>
<td>▶ 2018, 2019, 2020</td>
<td>▶ 2019, 2020</td>
</tr>
<tr>
<td>Level of co-funding</td>
<td>▶ 20% of qualifying wage increases in 2018&lt;br&gt;▶ 15% of qualifying wage increases in 2019&lt;br&gt;▶ 10% of qualifying wage increases in 2020</td>
<td>▶ 20% of qualifying wage increases in 2019&lt;br&gt;▶ 15% of qualifying wage increases in 2020</td>
</tr>
<tr>
<td>Gross monthly wage ceiling</td>
<td>▶ S$4,000</td>
<td>▶ S$5,000</td>
</tr>
<tr>
<td>Qualifying wage increases</td>
<td>▶ Increases in gross monthly wage of at least S$50 given to Singaporean employees in the qualifying year, up to a gross monthly wage level of S$4,000, will be co-funded.&lt;br&gt;▶ In addition, increases in gross monthly wage of at least S$50 given in 2017, 2018 and 2019 up to a gross monthly wage level of S$4,000, and sustained in subsequent years of the scheme, will be co-funded.</td>
<td>▶ Increases in gross monthly wage of at least S$50 given to Singaporean employees in the qualifying year, up to a gross monthly wage level of S$5,000, will be co-funded.&lt;br&gt;▶ In addition, increases in gross monthly wage of at least S$50 given in 2017, 2018 and 2019 up to a gross monthly wage level of S$5,000, and sustained in subsequent years of the scheme, will be co-funded.</td>
</tr>
</tbody>
</table>

Employers do not need to apply for the WCS.

- Employers will receive payouts automatically in the month of March after the qualifying year (Y+1), for qualifying wage increases given to their employees in the qualifying year (Y). This is the existing process.
- Employers who benefit from additional wage credit arising from the Budget 2020 enhancements will receive a separate supplementary payout in the second half of 2020. Letters will be sent to all qualifying employers to inform them of the supplementary payout by end September 2020.
Property tax rebate for qualifying commercial properties

As part of the Government’s Stabilisation and Support Package, owners of qualifying commercial properties will be granted a rebate for Property Tax (PT) payable for the period of 1 January 2020 to 31 December 2020.

<table>
<thead>
<tr>
<th>PT payable for</th>
<th>PT rebate rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation and function room components of hotel(^1) and serviced apartment buildings</td>
<td>30%</td>
</tr>
<tr>
<td>Meetings, Incentives, Conventions and Exhibitions (MICE) space components of three prescribed MICE venues, as follows:</td>
<td></td>
</tr>
<tr>
<td>- Suntec Singapore Convention &amp; Exhibition Centre</td>
<td></td>
</tr>
<tr>
<td>- Singapore EXPO</td>
<td></td>
</tr>
<tr>
<td>- Changi Exhibition Centre</td>
<td></td>
</tr>
<tr>
<td>Other qualifying commercial properties. Some examples are:</td>
<td>15%</td>
</tr>
<tr>
<td>- Premises of an international airport</td>
<td></td>
</tr>
<tr>
<td>- Premises of an international cruise or regional ferry terminal(^2)</td>
<td></td>
</tr>
<tr>
<td>- Shops (e.g., retail and F&amp;B), including those within hotel buildings, serviced apartment buildings, and the prescribed MICE venues</td>
<td></td>
</tr>
<tr>
<td>- Premises of tourist attractions</td>
<td></td>
</tr>
<tr>
<td>- Marina Bay Sands</td>
<td>10%</td>
</tr>
<tr>
<td>- Resorts World Sentosa</td>
<td></td>
</tr>
</tbody>
</table>

The above 30% and 15% PT rebates do not apply to Marina Bay Sands and Resorts World Sentosa.

The above 30%, 15%, and 10% PT rebates 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.

The IRAS has issued an e-Tax Guide on 18 February 2020 that provides further details. Based on the e-Tax Guide, the IRAS will inform owners of qualifying commercial properties of their PT rebates by 30 April 2020. Such owners can expect to start receiving refunds by 31 May 2020, unless they have outstanding taxes in which case the rebate will first be used to offset the outstanding taxes. If a property is transferred during the period, the IRAS will not apportion the rebate. It is up to the buyer and seller to negotiate the apportionment (if any).

The PT rebate should be a welcomed relief measure to property owners in the tourism sector amid the disruption caused by the COVID-19 outbreak. It is hoped that landlords will pass the savings to their tenants to help reduce their operating costs and improve cash flow.

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1 A hotel licensed under the Hotels Act
2 Refers to Marina Bay Cruise Centre, Singapore Cruise Centre and Tanah Merah Ferry Terminal
Electric vehicles (EVs) early adoption incentive

The Government will provide an EV early adoption incentive for a period of three years with effect from 1 January 2021 to encourage the adoption of cleaner and greener vehicles for a more environmentally sustainable land transport sector.

Under the incentive, owners who register fully electric cars and taxis will receive a rebate of 45% off the Additional Registration Fees (ARF), capped at S$20,000 (subject to a minimum ARF of S$5,000).

Revised fully EV road tax structure

As EVs do not use fuel, the owners of fully EVs do not pay fuel excise duties. To cushion the loss in fuel excise duties and better reflect the current trends in vehicle efficiency, the Government will revise the road tax methodology for cars from January 2021. An additional lump-sum tax, to be built into the road tax schedule for EVs, will be imposed. More changes can be expected as the Government has flagged that a usage-based tax will be ideal when the technology is available.

Further details can be found in the Land Transport Authority’s news release dated 18 February 2020.
Enabling stronger partnerships and deepening enterprise capabilities

The Government has proposed enhancements to existing enterprise development schemes as well as introduced a number of new schemes and pilot programmes. The objectives of these measures are to support businesses in Singapore, both start-ups and SMEs, to weather the short-term business disruptions, accelerate their transformation, scale up and venture into new markets.

The various enhancements to the enterprise development schemes are outlined in the table below.

<table>
<thead>
<tr>
<th>Expanding and deepening partnerships</th>
</tr>
</thead>
</table>
| **Executive-in-Residence (EIR) Programme** | The EIR programme is a two-year pilot programme that will help Trade Associations and Chambers (TACs) and enterprises engage the services of experienced professionals to drive industry and enterprise transformation efforts. 

The ESG will support TACs in identifying, engaging and matching these professionals with interested enterprises. The ESG will defray up to 70% of the TACs’ costs of engaging EIRs. The EIR programme is part of the Local Enterprise and the Association Development programme. |
| **Heartland Enterprise Upgrading Programme (HEUP)** | The HEUP aims to accelerate the rejuvenation of commercial precincts and the transformation of enterprises in the heartland, and contributes to creating more vibrant precincts with distinctive themes and identities. 

This scheme will be implemented through Merchants’ Associations (MAs), with support from Town Councils, Citizens’ Consultative Committees, grassroots organisations and relevant government agencies. 

The HEUP is jointly administered by the ESG and the Housing and Development Board, with support from Heartland Enterprise Centre Singapore. 

The HEUP will support selected MAs in developing and implementing four-year precinct rejuvenation plans that encompass infrastructure improvements, place-making activities, capability upgrading projects, and training for enterprises and workers. Heartland enterprises will also receive further assistance to improve productivity through business advisory, digitalisation road-mapping, and brand transformation. |
### Access to capital and cash flow

<table>
<thead>
<tr>
<th>Enhancements to Enterprise Financing Scheme (EFS) - SME Working Capital Loan (EFS-WCL)</th>
<th>The EFS provides comprehensive support for enterprises’ financing requirements across different stages of growth, for both domestic and overseas activities. The EFS-WCL, which was introduced in 2016, was intended to help Singapore SMEs address near-term cash flow concerns and growth financing needs through unsecured working capital loans, while encouraging business growth and restructuring activities. In Budget 2020, the EFS-WCL will be enhanced such that the maximum loan quantum would be raised from S$300,000 to S$600,000 and the Government’s risk share is increased from the current 50% to 70% to up to 80%. The Enhanced EFS-WCL will start in March 2020 and is available for one year until March 2021.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhancements to Startup SG Equity (Financing for Early Stage Deep-Tech Startups)</td>
<td>This Government and private co-investment scheme provides equity investments to tech startups with strong intellectual property and global market potential. The enhancement to Startup SG Equity dedicates an additional S$300m to catalyse private investment into Singapore-based deep-tech startups in key emerging sectors, which include pharmpbio and medtech, advanced manufacturing and agri-food tech.</td>
</tr>
</tbody>
</table>

### Digital and market connectivity

| Enhancements to Market Readiness Assistance (MRA) | Introduced in 2013, MRA is a broad-based enterprise grant scheme that provides support to companies venturing overseas. MRA will be enhanced to:  
  - Expand the scope of supportable activities to include (i) free trade agreement (FTA) consultancy services to support companies in better leveraging FTAs, and (ii) in-market business development  
  - Increase the grant cap from S$20,000 per year to S$100,000 per new market per company over the enhancement period of financial year 2020 to 2022  
  - Extend 70% support level for another three years, until 31 March 2023. |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhancing digital connectivity</td>
<td></td>
</tr>
</tbody>
</table>
  - Electronic invoicing or e-Invoicing allows direct transmission of invoices in structured digital format from one finance system to another resulting in faster payment. Using the Nationwide E-invoicing Network, government suppliers can now submit e-invoices to the Government agencies via this network.  
  - The Networked Trade Platform is a national trade information management platform that aims to be a one-stop trade information management system. It would allow the international exchange of customs declaration data, and the use of this data by the importing country for both trade facilitation and risk assessment, thereby expediting cargo clearance process and improving supply chain security.  
  - Digital Economy Agreements provide a government-to-government (G2G) framework to facilitate seamless end-to-end digital trade, promote digital flows, and foster greater international cooperation on emerging digital issues such as artificial intelligence. |
### Points of view

- The support measures unveiled in the Budget for our local enterprises were meant to address both their immediate needs in accessing cash flow to weather the ongoing economic uncertainties from the COVID-19 outbreak, as well as supporting their long-term growth through expanding partnership linkages in Singapore, easing access to capital and strengthening their market and digital connectivity.

- The increase in the MRA grant cap highlights the Government’s recognition of the importance in helping local enterprises to internationalise and expand their market access. As considerations for going overseas become more complex, the increase in the grant cap is a welcomed move as it would allow enterprises to timely and simultaneously consider a host of factors, such as market feasibility and legal and tax structuring as they begin their internationalisation journey.
Singapore has an established, comprehensive FTA network that is yet to be fully exploited, particularly by SMEs. Helping companies understand FTA requirements should support enhanced utilisation of FTAs, which in turn will support an increase in the export of goods and jobs growth. Extending the MRA to include FTA consultancy services helps companies better understand how their products can be more competitive in overseas markets, and is an important part of supporting companies as they internationalise.

The EIR programme and HEUP highlight the Government’s attempt to leverage on the existing industry multipliers such as TACs and MAs to foster a closer public-private partnership in the growth and transformation of the Singapore economy and achieve a range of outcomes, including:

- Broader and deeper engagements with the various stakeholders such as SMEs and heartland enterprises in the Government’s national enterprise development agenda that includes: (i) improving productivity of workers and enterprises; and (ii) accelerating industry and enterprise transformation

- Allowing these multipliers to continue playing a bigger role in the growth and transformation of Singapore companies and industries. The schemes would allow these multipliers to foster closer partnerships with one another and strengthen partnerships beyond the business community and the Government to educational institutions and labour unions, so as to build a stronger collaborative ecosystem for Singapore’s economy

Doubling down on the successes of existing initiatives to help companies go digital, the Government is looking at helping companies to leverage existing and new digital business-to-government, G2G, B2B and B2C platforms in (i) enhancing their digital connectivity to access new markets and (ii) improving their business process productivity. This would complement existing measures such as the PSG, which are aimed primarily at developing internal process productivity and highlight the Government’s continued effort to push companies along their digital transformation journey. Similar to how the internet had created a level playing field for smaller companies in the market, these digital platforms would allow these smaller enterprises to accelerate their overseas market penetration and expand their market reach sans the significant investments in marketing expenses. It has potentially become the game-changing move that our local enterprises have been craving for.

At the same time, the Government continues to expand and enhance existing digital step-up measures such as the PSG. The inclusion of job re-design consultancy support as part of the PSG qualifying costs signifies the Government’s recognition that redesigning jobs and upskilling workers must go hand-in-hand with these digital transformation efforts. Many business transformation cases had fallen short due to inadequate manpower planning, capability building and change management. As such, the Government has proposed enhancements to the PSG to help companies navigate through these pitfalls.

With the world’s economy reeling from the impact of the COVID-19 outbreak, the stakes have never been higher for our local enterprises to grow their resilience and continue in their transformation pathways. The Budget shows that the Government is rolling up its sleeves to work on the challenges hand in hand with the SMEs to ensure the success of this transformation journey.
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 services 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
The EY Tax Technology and Transformation (TTT) services connect 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, seasoned 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
EY 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
EY 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.

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Financial Services Tax
EY 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. The 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 highly integrated teams across the globe will give you the perspective and support you need to manage indirect taxes effectively.

International Tax and Transaction Services
International Corporate Tax Advisory 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.

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

Transaction Tax Advisory 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 teams across the globe, 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.

Global Tax Desk
The market leading EY 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.

Operating Model Effectiveness
The multi-disciplinary EY 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.
## Tax leadership in Singapore

If you would like to know more about our services or the issues discussed, please contact the 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:

CPF - Central Provident Fund
EDB - Singapore Economic Development Board
ESG - Enterprise Singapore
F&B - Food and beverage
FYE - Financial year end
GDP - Gross Domestic Product
Government - Government of Singapore
GST - Goods and services tax
GIRO - General Interbank Recurring Order
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
PE - Permanent establishment
PR - Permanent Resident
R&D - Research and development
SGX - Singapore Exchange
SME - Small-and-medium enterprise
WHT - Withholding tax
YA - Year of Assessment
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.

Request for past issues of You and the Taxman at contact.eys@sg.ey.com
About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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