Singapore Budget 2024 News Alert

Building a better working world

Introduction

The Singapore economy grew 1.1% in 2023, slowing from the 3.8% expansion in 2022. For 2024, the economy is forecasted to grow between 1% to 3%, as the downside risks to the global economy remain significant.

In Budget 2024, titled "Building Our Shared Future Together", Deputy Prime Minister and Finance Minister Lawrence Wong has set out the roadmap to keep Singapore moving forward, help Singaporeans meet their full potential and provide more assurance to households and businesses amid a more uncertain world.

Singapore will implement the Income Inclusion Rule (IIR) and a Domestic Top-up Tax (DTT) under Pillar Two of the Base Erosion and Profit Shifting (BEPS) 2.0 initiative, which will impose a minimum tax of 15% on in-scope entities from financial years starting on or after 1 January 2025. To enhance Singapore's attractiveness for investments, Singapore will also introduce the Refundable Investment Credit (RIC), which will support up to 50% of qualifying expenditures.

There are no changes to the Goods and Services Tax (GST) and Personal Income Tax (PIT) rates.

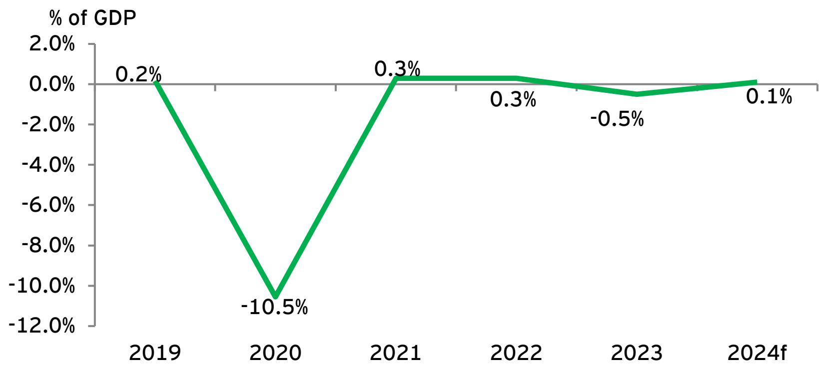
This alert highlights the key tax and non-tax measures impacting businesses.

Soh Pui Ming
Head of Tax
16 February 2024

For more insights on the new proposed Budget measures, please go to www.ey.com/sg/budget.

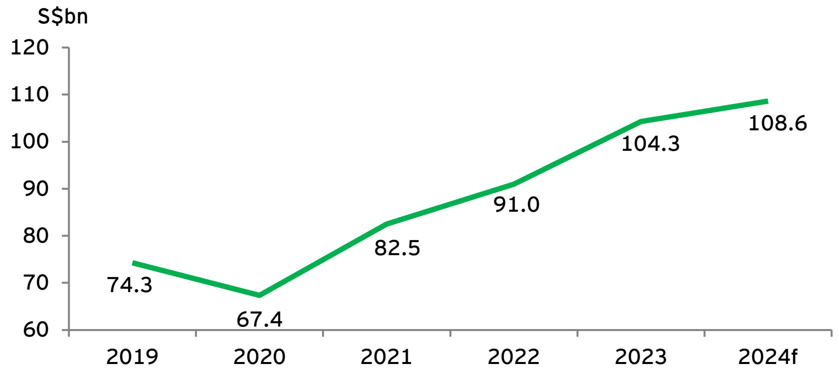
Economic indicators

Budget surplus or deficit



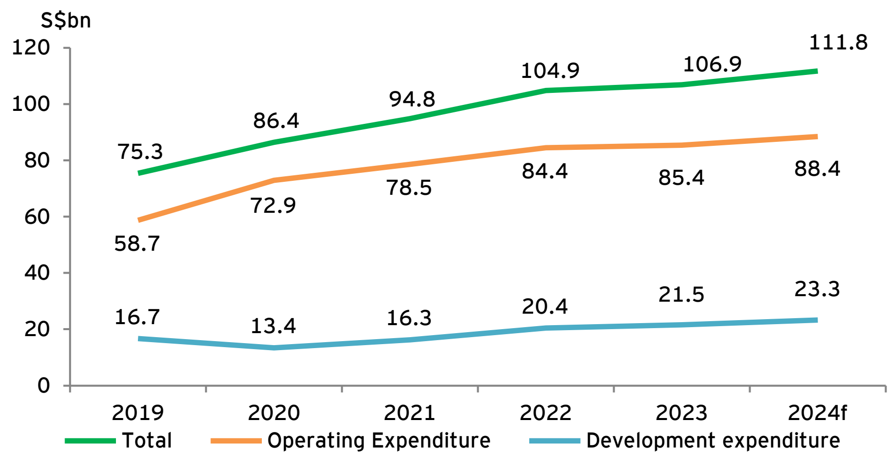
Budget 2024 is a balanced budget, with an expected surplus of S$0.8bn (representing 0.1% of the Gross Domestic Product (GDP)). This is a change from the expansionary budget in financial year (FY) 2023, which drew a deficit of S$3.6bn (0.5% of the GDP).

Government operating revenue



The revised FY 2023 government operating revenue of S$104.3bn, is S$7.6bn higher than the amount estimated at Budget 2023. This increase is primarily attributable to the collections from corporate income tax (CIT), which is S$4.1bn higher than the amount estimated at Budget 2023.

Government expenditure



Notes:
- f = forecast
- The Government's financial year is from 1st April of the calendar year to 31st March of the following year. FY 2024 refers to the financial year 1 April 2024 to 31 March 2025.

Source:
- "Analysis of Revenue and Expenditure Financial Year 2024", *The Ministry of Finance website*, accessed 16 February 2024.

Key proposals

Tax measures

CIT rebate

- A CIT rebate of 50% of tax payable will be granted for year of assessment (YA) 2024. Companies that have employed at least one local employee in 2023 will receive S$2,000 in the form of a cash payout. The maximum total benefits of rebate and cash payout that a company may receive is S$40,000.

Implement the IIR and a DTT under Pillar Two of the BEPS 2.0 initiative

- This proposal only affects multinational enterprise groups with annual group revenue of €750mn or more.
- Singapore will implement the IIR and a DTT, which will impose a minimum effective tax rate of 15% on businesses' profits from FYs starting on or after 1 January 2025.
- Singapore will consider implementing the Undertaxed Profits Rule at a later stage.

Introduce the RIC

- The new RIC will be awarded on an approval basis, through the Singapore Economic Development Board and Enterprise Singapore.
- The RIC will support up to 50% of qualifying expenditures for high-value and substantive economic activities such as new productive capacity, headquarter activities, centres of excellence, commodity trading, research and development, etc.
- The credits are to be offset against CIT payable. Any unutilised tax credits will be refunded to the company as cash within four years from when the company satisfies the conditions for receiving the credits.

Enhance the tax deduction for renovation or refurbishment expenditure

- Businesses are currently allowed to claim a tax deduction for renovation or refurbishment (R&R) expenditure over three consecutive YAs, subject to a cap of S$300,000.
- The following enhancements will be introduced from YA 2025:
  - Expand the scope of qualifying expenditure to include designer or professional fees.
  - Fix the relevant three-year period for the purpose of computing the R&R expenditure cap, with the first three-year period being from YA 2025 to YA 2027. All businesses will transition to this fixed relevant three-year period.
  - Allow an option to claim R&R deductions in one YA, subject to the prevailing expenditure cap.

Key proposals

Tax measures

Extend and revise the tax incentive schemes for funds managed by Singapore-based fund managers (referred to as “Qualifying Funds”)

- Qualifying Funds are granted tax exemption on specified income derived from designated investments, as well as other tax concessions.
- The schemes, which are scheduled to lapse after 31 December 2024, will be extended till 31 December 2029.
- In addition, the following key changes will be made:
  - The section 13O scheme will be enhanced to include Limited Partnerships registered in Singapore.
  - The economic criteria for Qualifying Funds under the sections 13D, 13O and 13U schemes will be revised.
- These key changes will take effect from 1 January 2025.

Introduce an alternative basis of tax for shipping entities

- From YA 2024, an alternative basis of tax where the qualifying income of qualifying shipping entities is taxed by reference to the net tonnage of their ships will be available under the Maritime Sector Incentive (MSI) sub-schemes.
- The alternative basis of tax will apply to all qualifying ships of MSI entities that are subjected to it.
- The existing tax treatment under the relevant MSI sub-schemes will continue to apply to MSI entities that are not under the alternative net tonnage basis of tax.

Introduce an additional concessionary tax rate tier

- With effect from 17 February 2024, additional concessionary tax rate (CTR) tiers will be introduced for the following incentives:

New CTR tier	Type of incentive
10%	Finance and Treasury Centre incentive
10%	Aircraft Leasing Scheme
15%	Development and Expansion Incentive
15%	Intellectual Property Development Incentive
15%	Global Trader Programme

Key proposals

Tax measures

Introduce an Overseas Humanitarian Assistance Tax Deduction Scheme

- The Overseas Humanitarian Assistance Tax Deduction Scheme (OHAS) will provide individual and corporate donors with 100% tax deduction for qualifying overseas cash donations made through a designated charity and towards a fund-raiser for emergency humanitarian assistance with a valid Fund-Raising for Foreign Charitable Purposes permit from the Commissioner of Charities.
- Tax deductions under OHAS will be capped at 40% of the donor's statutory income. For donors who also receive tax deductions under the Philanthropy Tax Incentive Scheme for Family Offices (PTIS), tax deductions under both OHAS and PTIS will be jointly capped at 40% of the donor's statutory income.
- The OHAS will be piloted for four years from 1 January 2025 to 31 December 2028.

PIT

- For YA 2024, a PIT rebate of 50% of tax payable will be granted to all tax resident individuals, capped at S$200 per taxpayer.
- With effect from YA 2025, the annual income threshold of the dependant or caregiver for dependant-related reliefs will be increased from S$4,000 to S$8,000.
- With effect from YA 2026, the course fees relief with a maximum relief of S$5,500 in each YA will be lapsed.

Revisions to Additional Buyer's Stamp Duty remission clawback rates for housing developers

- With effect from 16 February 2024, projects with at least 90% of units sold at the five-year sale timeline will be subjected to a lower Additional Buyer's Stamp Duty (ABSD) remission clawback rate, if the commencement and completion of works criteria are also fulfilled. This applies for projects where the residential land was acquired on or after 6 July 2018. The ABSD remission clawed back will be reduced by 1% to 10%, depending on the proportion of units sold at the five-year mark.

New ABSD concession for single Singapore citizen seniors

- The ABSD concession for refund of ABSD paid on the replacement private residential property will be extended to single Singapore citizen seniors aged 55 and above for purchases on or after 16 February 2024, subject to qualifying conditions.

Key proposals

Tax measures

Property tax

- For owner-occupied residential properties, the property's annual value (AV) bands will be adjusted as follows from 1 January 2025:

Marginal property tax rate	Portion of AV	
	From 1 January 2024 to 31 December 2024	From 1 January 2025 (i.e., from 2025 property tax bills)
0%	S$0 - S$8,000	S$0 - S$12,000
4%	> S$8,000 - S$30,000	> S$12,000 - S$40,000
6%	> S$30,000 - S$40,000	> S$40,000 - S$50,000
10%	> S$40,000 - S$55,000	> S$50,000 - S$75,000
14%	> S$55,000 - S$70,000	> S$75,000 - S$85,000
20%	> S$70,000 - S$85,000	> S$85,000 - S$100,000
26%	> S$85,000 - S$100,000	> S$100,000 - S$140,000
32%	> S$100,000	> S$140,000

- With effect from the 2024 property tax bill, the 12-month interest-free GIRO instalment plan offered by the IRAS will be extended up to 24 months for retirees, subject to qualifying conditions.

Key proposals

Support for businesses and workers

Enhancements to the Enterprise Financing Scheme

- The Enterprise Financing Scheme (EFS) enables Singapore companies to access financing more readily across all stages of growth. The EFS will be enhanced, with the maximum loan quantum under the EFS-Small and Medium Enterprise Working Capital Loan permanently increased from S$300,000 to S$500,000.

Enhancements to Energy Efficiency Grant

- Launched in 2022 initially for companies in the food services, food manufacturing, and retail sectors, the Energy Efficiency Grant (EEG) aims to support businesses in their sustainability journeys by co-funding investments in energy-efficient equipment.
- The EEG will be expanded to more sectors, including manufacturing, construction, maritime, and data centres and their users. Existing grant schemes for the adoption of energy efficient equipment will also be gradually streamlined and subsumed under the EEG.
- The EEG will also be enhanced to provide increased support quantum.
- Companies registered and operating in Singapore with (i) at least 30% local shareholding, (ii) at least one local employee and (iii) group annual sales turnover of no more than S$500mn will be eligible for support under the EEG.

Increase in senior workers' Central Provident Fund contribution rates

- From 1 January 2025, workers aged above 55 to 65 will see a total increase of 1.5% in their Central Provident Fund (CPF) contribution rates, with employer's contribution increasing by 0.5%. The Government will provide employers with a one-year CPF Transition Offset equivalent to half of the 2025 increase in employer CPF contribution rates for these workers.

Enhancements to the Progressive Wage Credit Scheme

- The Progressive Wage Credit Scheme (PWCS) co-funding support by the Government will be increased by 15% to 20% for gross monthly wages in qualifying year 2024. The enhanced 2024 co-funding support will also apply to wage increases given in qualifying year 2023 that are sustained in 2024. The single tier gross monthly wage ceiling for PWCS co-funding will be increased from S$2,500 to S$3,000 in qualifying years 2025 and 2026.

Key proposals

Support for businesses and workers

Others

- Firms hiring foreign workers are required to pay all their local workers at least the Local Qualifying Salary (LQS). The LQS will be raised to at least S$1,600 per month for full-time local workers and at least S$10.50 per hour for part-time local workers. The foreign worker quota computation will correspondingly be adjusted with the new LQS. The changes will be implemented from 1 July 2024.
- Enhancements to the Workfare Income Supplement Scheme will apply for work done from 1 January 2025. The enhancements include an increase in the qualifying monthly wage cap from S$2,500 to S$3,000 and higher workfare payments of up to S$4,900 per year for eligible employees.
- The National Productivity Fund will be topped up by S$2bn to support the new RIC and other investment promotion efforts.
- The Financial Sector Development Fund will be topped up by S$2bn to give the Monetary Authority of Singapore more resources to take full advantage of current opportunities, and extend Singapore's lead in the financial services sector, as well as to build capabilities in new areas like FinTech, and green and transition finance.
- A further S$3bn will be invested in the Research, Innovation and Enterprise 2025 (RIE2025) plan that was launched in 2020 to sustain Singapore's investments in research, innovation and enterprise at about 1% of GDP, and to provide additional resources toward research and related investments in national priorities such as advanced manufacturing, sustainability, the digital economy and health care.
- More than S$1bn will be invested over the next five years into artificial intelligence (AI) compute, talent and industry development to support the National AI Strategy 2.0.
- A Future Energy Fund with an initial injection of S$5bn will be set up to put Singapore in a better position to move quickly on critical infrastructure and to enhance Singapore's security in clean energy.
- Additional resources will be allocated to catalyse investments in upgrading the Nationwide Broadband Network. This will enable mass market access to broadband speeds of up to 10 gigabits per second in the second half of this decade, and to ensure Singapore's connectivity infrastructure will be able to support technologies like AI and immersive media.
- The Partnerships for Capability Transformation (PACT) Scheme supports collaborations between larger companies and SMEs in the areas of supplier development and co-innovation. PACT will be enhanced to support partnerships in more areas, namely capability training, internationalisation, and corporate venturing.
- The Charities Capability Fund Collaboration Grant will be extended for three years till end FY2026 to support collaborative projects among charities to enhance their governance, efficiency and capabilities.

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