A publication of RSM

2023 BUDGET HIGHLIGHTS
Singapore

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

RSM

CONTENTS

FOREWORD

Deputy Prime Minister and Finance Minister Lawrence Wong delivered his Budget Statement on 14 February 2023, unveiling a Budget package which focuses on helping Singaporeans tide over immediate cost of living pressures, growing the economy and equipping our people, strengthening Singapore's social compact and building a more resilient nation.

After weathering the COVID-19 pandemic for the last three years, we are finally seeing the hardest hit sectors, F&B, retail, construction and travel, slowly emerging and returning to a certain degree of normalcy. That said, we are not quite out of the woods yet as we continue to face a radically uncertain world, given the rising inflation, geopolitical challenges and a possible new COVID-19 variant.

Whilst inflation might stay elevated over the next few years, the Minister cautioned that it would not be fiscally sustainable to depend on the Government for support year after year. The way forward is to press on with economic restructuring and transformation; businesses have to raise their productivity and upskill or reskill their people to tackle future challenges. The ultimate benefit is largely directed towards Singaporeans, helping them secure higher wages and have better job prospects.

What is foremost in everybody's mind is the pressure to cope with rising prices and cost of living; which are partly fuelled by the GST rate hike. To this end, the Minister metered out his "Valentine Day" surprise by increasing the payouts under the GSTV and other support schemes for Singaporean households, especially those of the lower- to middle-income groups to help defray their cost increases. A change has also been made with how Working Mother's Child Relief is to be calculated going forward from next year for qualifying children. This should bring joy to eligible lower- to middle-income working mothers as it would translate to higher relief, which means less taxes to pay, as compared to what the current formula provides if their present salary level is below $53,000 a year.

To provide temporary broad-base support for businesses should they continue to undertake upgrading or restructuring activities this year, the capital expenditure incurred for plant and machinery acquisitions could be written off on an accelerated basis, i.e. a 75% write off in YA 2024, followed by the remainder in YA 2025. This is in comparison to the typical write-off of costs claimed equally over three tax years. A further accelerated option is to allow qualifying renovation or refurbishment expenditure incurred this year to be wholly write off in this tax year, subject to meeting conditions. These measures aim to ease cash flow pressures for businesses during this trying period.

The Government is also ensuring that SMEs continue to receive the requisite support, if needed, from participating financial institutions to help them overcome this challenging time. With this in mind, the Enterprise Financing Scheme is extended for an additional year to 31 March 2024, with the same level of risk-share support from the Government. The Energy Efficiency Grant support is similarly extended to help relevant business sectors invest and adopt energy-efficient equipment to cut down their electricity bills.

Growing the economy and equipping our workers are the other key thrusts. The Minister had emphasised time and again that Singapore needs to continue with economic transformation and restructuring. This is the only way to build capabilities, innovate and grow in order to stay competitive in this challenging global environment and for our people to seize opportunities in this post-pandemic era.

The new Enterprise Innovation Scheme ("EIS") has been introduced to provide targeted support in the areas of innovation, productivity and R&D to help build a more vibrant economy and better jobs for the workforce. Attractive tax deductions will be given out for selected innovation activities. Even businesses which are unable to benefit from the enhanced deductions or allowances under the various types of qualifying activities as they have little or no taxable profits, will be given a non-taxable cash payout option in lieu of claiming the relevant tax deductions or allowances. The cash conversion ratio is 20% of qualifying expenditure, up to $100,000. This will go some way to assist smaller SMEs in offsetting costs incurred in the qualifying activities. The introduction of the EIS could potentially be attractive to MNEs as well for them to consider Singapore as an alternative location to setup R&D activities, register their IP and even conduct IP licensing activities as Singapore has a good network of tax treaties with many countries across the world.

Technology continues to be a key enabler for growth and SMEs are encouraged to put in place a strong digital framework to help compete and bring in greater business agility in a fast evolving world. E-commerce activities are an increasingly important and relevant mode for overseas expansion. In this area, the Government has introduced a subset of deductions under the Double Deduction for Internationalisation Scheme for the incurrence of qualifying e-commerce campaign start-up costs.

The Minister also announced Singapore's intention to implement in 2025 Pillar 2, Global Anti-Base Erosion Rules (the Income Inclusion Rule and Undertaxed Profits Rule) of the Base Erosion and Profit Shifting ("BEPS 2.0") initiative and Domestic Top-up Tax. Once implemented, it essentially will top up the effective tax rate of impacted MNEs operating in Singapore to 15%. Following this decision, the Government will take steps to review and update our broader suite of industry development schemes to ensure that Singapore remains competitive in attracting and retaining investments from overseas.

To address our fast ageing population, the Government is also focusing on the retirement adequacy of our middle-income group and helping them save more for their retirement. In this area, the CPF monthly salary ceiling for Ordinary Wages will be increased in stages from $6,000 to $8,000. At the same time, the senior worker CPF contribution rates are also set to increase for the third time in January 2024. Once the planned increases are fully implemented, those aged above 55 to 60 will have the same CPF contribution rates as younger workers.

The Government would need to look at ways to raise revenue in order to maintain its fiscal balance each year. Two progressive tax changes were announced which signal the Government's commitment to keep its overall system of taxes and benefits fair and progressive. Firstly, the introduction of higher buyer's stamp duty rates for higher-value residential properties in excess of $1.5 million and non-residential properties in excess of $1 million. Secondly, buyers of more expensive luxury cars will be required to pay higher Additional Registration Fee at the point of registration and the Preferential Additional Registration Fee rebate will be reduced upon the vehicles' deregistration.

In summary, the focus of this year's Budget is to remind businesses to press on with economic transformation and restructuring. Training its workforce is key as that would translate into good employment outcomes. These measures will allow Singapore to continue to grow and develop in a way that is both sustainable and responsible.

Cindy Lim

Partner
14 February 2023

CORPORATIONS AND BUSINESSES

Implement the Global Anti-Base Erosion Rules (i.e. Income Inclusion Rule and Undertaxed Profits Rule) and Domestic Top-up Tax

Current

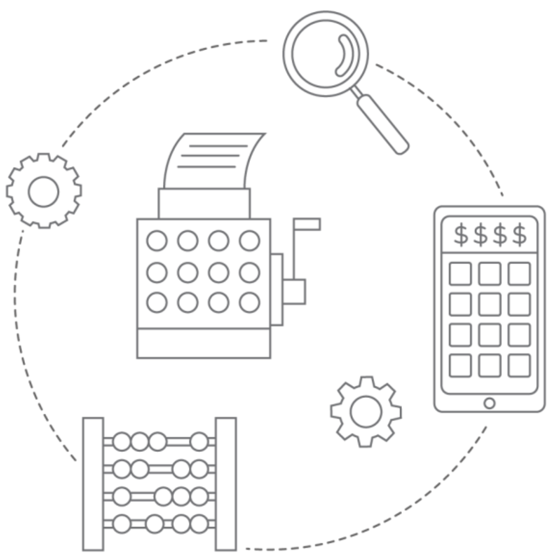
In Budget 2022, Minister for Finance announced that in response to the global minimum effective tax rate under the Pillar 2 Global Anti-Base Erosion ("GloBE") Rules of the Base Erosion and Profit Shifting ("BEPS") 2.0 project, and based on consultation with industry stakeholders, MOF would study the introduction of a top-up tax. If introduced, this would top up the effective tax rate of MNEs operating in Singapore with annual group revenue of at least €750 million, as reflected in the consolidated financial statements of the ultimate parent entity, to 15%.

Proposed changes

Singapore plans to implement the GloBE Rules and Domestic Top-up Tax from financial year starting on or after 1 January 2025 for businesses.

The Government will continue to monitor the international developments and adjust the implementation timeline as needed if there are delays internationally.

The Government will also continue to engage businesses and provide them with sufficient notice ahead of any rules becoming effective.



Effective date

Financial year starting on or after 1 January 2025

Comments

- It is no surprise that Singapore will be adopting the Pillar 2 GloBE Rules of the BEPS 2.0 initiative, following the recommendations by the OECD, and implementing a Domestic Top-up Tax regime to top up the MNE group's effective tax rate in Singapore to 15%. The implementation date for Singapore is targeted to be from financial year starting on or after 1 January 2025.
- The early announcement by the Singapore Government in this regard provides clarity to the impacted MNEs and gives them sufficient time to get prepared to meet the challenges of the new tax compliance and reporting requirements.
- Once an MNE group is impacted by BEPS 2.0, the minimum effective tax rate of 15% applies in every jurisdiction where the MNEs have physical operations, be it in Singapore or elsewhere if that jurisdiction has implemented Pillar 2 GloBE Rules and a top-up tax regime.
- The fact that Singapore will only implement BEPS 2.0 in 2025, would mean that a Singapore-based subsidiary of an impacted MNE group may end up having to pay top-up taxes in another jurisdiction in 2024 if the group operates in a country which has adopted such Rules earlier than 2025.
- In order to continue to attract and retain foreign investments and entice MNCs to anchor their regional or global operations in Singapore, the nation would need to compete based on non-fiscal factors such as continuing to maintain quality infrastructure and workforce, political stability, good communications and connectivity and a business-friendly regime.

Enterprise Innovation Scheme

Current

Currently, tax deductions/allowances between 100% and 250% are available to encourage research and development ("R&D"), intellectual property ("IP") registration, IP rights acquisition and IP rights licensing.

Proposed changes

To encourage businesses to engage in R&D, innovation and capability development activities, a new Enterprise Innovation Scheme ("EIS") was introduced. Under the EIS, existing tax measures are enhanced and a new tax measure introduced. In addition, eligible businesses may opt to convert up to $100,000 of the total qualifying expenditure across all the qualifying activities for each YA into a non-taxable cash payout at a conversion rate of 20% in lieu of tax deductions/allowances.

- Enhancements to existing tax measures and the introduction of a new tax measure are summarised below.

Qualifying activities	Current sunset clause	Amount of tax deductions/allowances granted before YA 2024	Amount of tax deductions/allowances granted from YA 2024 to YA 2028
a) Qualifying R&D project undertaken in Singapore	YA 2025	▪ 100% tax deduction on qualifying R&D expenditure [section 14C of ITA] ▪ Additional 150% tax deduction on qualifying R&D staff costs and consumables [section 14D of ITA]	▪ 100% tax deduction on qualifying R&D expenditure ▪ Additional 300% tax deduction on first $400,000 of qualifying R&D staff costs and consumables (net of Government grant and subsidy) ▪ Additional 150% tax deduction on balance of qualifying R&D staff costs and consumables in excess of $400,000 (net of Government grant and subsidy)
b) Registration of IPs[1]	YA 2025	▪ 200% tax deduction on first $100,000 of qualifying IP registration costs [section 14A of ITA] ▪ 100% tax deduction on balance of qualifying expenditure in excess of $100,000 [section 14A of ITA]	▪ 400% tax deduction on first $400,000 of qualifying IP registration costs ▪ 100% tax deduction on balance of qualifying costs in excess of $400,000

[1] To qualify for the enhanced tax deduction and cash payout option, businesses must own the related IP rights registration for a minimum period of one year ("one-year-ownership period"). Claw-back provisions shall apply if the one-year-ownership period requirement is not complied with.

Qualifying activities	Current sunset clause	Amount of tax deductions/allowances granted before YA 2024	Amount of tax deductions/allowances granted from YA 2024 to YA 2028
c) Acquisition of IP rights[2,3]	YA 2025	▪ 100% writing-down allowance ("WDA") over a period of 5, 10 or 15 years on acquisition cost of qualifying IP rights [section 19B of ITA]	▪ 400% tax deduction and/or allowance on first $400,000 (combined cap) of qualifying IP rights acquisition costs and/or qualifying IP rights licensing expenditure ▪ 100% tax deduction and/or allowance on the balance in excess of $400,000
d) Licensing of IP rights[3]	YA 2025	▪ 100% tax deduction on qualifying IP rights licensing expenditure [section 14 or 14C of ITA] ▪ Additional 100% tax deduction on first $100,000 of qualifying IP rights licensing expenditure [section 14U of ITA]	
e) Training[4]	N/A	▪ 100% tax deduction on training expenditure [sections 14 and 15 of ITA]	▪ 400% tax deduction for the first $400,000 of qualifying training expenditure (net of Government grant and subsidy) ▪ 100% tax deduction on balance of qualifying expenditure in excess of $400,000, and all other training expenditure
f) Innovation projects[5] carried out with Polytechnics, Institute of Technical Education or other qualified partners	N/A	▪ No tax relief prior to YA 2024 ▪ Not tax deductible if expenditure is capital in nature and does not meet the definition of R&D under section 2 of ITA	▪ New tax measure introduced ▪ 400% tax deduction on first $50,000 of qualifying innovation expenditure (net of Government grant and subsidy)

- The sunset dates for section 14A (Deduction for costs of protecting IP), section 14C (Deduction for qualifying expenditure on R&D), section 14D (Enhanced deduction for qualifying expenditure on R&D), section 14U (Enhanced deduction for expenditure on licensing IP rights) and section 19B (WDA for capital expenditure on acquiring IP rights) of the ITA will be extended till YA2028, in line with the above enhancements.

  All other conditions under sections 14A, 14C, 14D, 14U and 19B of the ITA remain the same.

[2] To qualify for the enhanced allowances and cash payout option, the one-year-ownership period applies. Claw-back provisions shall apply if the one-year-ownership period requirement is not complied with.
[3] The 400% enhanced deduction and/or allowance will only be available to businesses that generate less than $500 million in revenue in the relevant YA. Revenue refers to the income that arises from the ordinary course of a business. It refers to the business' main source of income, excluding separate source income. The revenue criterion will be applied on a group level if the entity is part of a group.
[4] Refers to courses that are eligible for SkillsFuture Singapore funding and aligned with the Skills Framework).The list of courses that are eligible is available on go.gov.sg/eis-training.
[5] The qualifying innovation projects refer to projects that predominantly involve one or more of the following innovation activities defined within the Oslo Manual 2018 found at https://www.oecd.org/science/oslo-manual-2018-9789264304604-en.htm:

a) Research and experimental development activities;
b) Engineering, design, and other creative work activities;
c) IP-related activities; and
d) Software development and database activities.

- Cash payout

Eligible businesses are allowed, in lieu of tax deductions/allowances, to opt for a non-taxable cash payout at a cash conversion ratio of 20% on up to $100,000 of total qualifying expenditure across all qualifying activities in (a) to (f) above per YA.

The cash payout option will be capped at $20,000 per YA, and will only be available to businesses which have at least three full-time local employees[6] (Singapore Citizens or Permanent Residents with CPF contributions) earning a gross monthly salary of at least $1,400 in employment for six months or more in the basis period of the relevant YA.

Partial cash conversion will be allowed for qualifying R&D undertaken in Singapore, licensing of IP rights, training and innovation projects carried out with Polytechnics, Institute of Technical Education or other qualified partners. The option to convert into a cash payout for IP registration and IP rights acquisition will be on a per IP registration or IP rights basis.

Once an amount of qualifying expenditure is converted into cash, it will no longer be available for tax deduction/allowance. The option to convert the qualifying expenditure into cash is irrevocable once exercised.

The cash payout option is available on an annual basis. Applications for the cash payout are to be submitted together with the filing of the businesses' income tax return.

More information on qualifying innovation projects will be released by 31 March 2023. IRAS will also provide further details of the changes by 30 June 2023.

Effective date

Each YA from YA 2024 to YA 2028

Comments

- The introduction of the EIS is timely as businesses are transforming through R&D, innovation and capability development activities.

- It remains to be seen though whether IRAS will adopt a less stringent approach in interpreting what constitutes as qualifying R&D expenditure or project as defined under the ITA.

- Only the first $400,000 of staff costs and consumables incurred on qualifying R&D projects conducted in Singapore will qualify for the enhanced 400% tax deduction. As for qualifying R&D projects conducted outside of Singapore, the existing 100% tax deduction remains and is not enhanced. It appears obvious that businesses are encouraged to conduct qualifying R&D activities onshore.

- Singapore ranks quite highly in the world stage as an excellent location to house IP rights as it provides a comprehensive legal framework and supporting infrastructure for the protection of various types of intellectual property rights, trademarks, copyrights and patents. With a rather generous enhanced tax deduction at 400% for the first $400,000 of qualifying IP registration costs incurred, it would likely entice businesses to consider Singapore for the registration of their IP rights. This in turn would increase IP related activities in Singapore.

[6] For the purposes of the cash payout, "employees" may include individuals who are deployed to the business under a centralised hiring arrangement or secondment arrangement.

- The enhanced tax deduction for qualifying training expenditure is in line with the Government's effort to increase productivity and our workforce quality so that businesses can stay relevant in the current competitive environment. A well-trained workforce will translate into better employment and earnings prospects for our people.

- The qualifying innovation expenditure cap proposed of $50,000 appears low as compared to other qualifying activities under the EIS. Nevertheless, businesses are now able to claim a deduction in respect of qualifying expenditure incurred on new innovation projects carried out with approved partner institutions. Businesses can tap onto the partner institutions' technical and innovation capabilities in their innovation journey and students from partner institutions can also develop their own capabilities through these projects. This is a win-win situation for both businesses and partner institutions.

- The Government is aware that there will be occasions when eligible businesses will not be able to secure immediate or full benefits of the EIS in view of low or no taxable profits derived in the initial years of engaging in R&D, innovation and capability development activities. Businesses would no doubt be relieved to learn that there is the cash payout option which would provide them with the much needed cash flow.

- It remains to be clarified whether the unutilised allowances/deductions arising out of the EIS would form part of available trade losses of companies, eligible for carry-back, carry-forward and/or transfer under the group relief provisions.

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[7], subject to prior approval[8] from Enterprise Singapore ("EnterpriseSG") or Singapore Tourism Board ("STB").

The DTDi Scheme is in place until 31 December 2025.

Proposed changes

E-commerce is an increasingly important and relevant mode of overseas expansion for businesses. To support businesses in their efforts to overcome initial challenges and build up capabilities in internationalising via e-commerce, the scope of the DTDi Scheme will be enhanced to include a new qualifying activity "e-commerce campaign"[9] and cover the following e-commerce campaign start-up expenses paid to e-commerce platform/service providers:

a) Business advisory – Advisory on market promotion and execution plans (e.g. choice of suitable e-commerce platforms).

b) Account creation – Assistance with setting up accounts on e-commerce platforms and the right to sell on e-commerce platforms.

c) Content creation – Design of e-commerce campaign publicity materials (e.g. e-store banners, online product images).

d) Product listing and placement – Uploading content on products/services to e-commerce platforms and selection of suitable frequency and timing to display content on products/services.

Prior approval is required from EnterpriseSG to enjoy DTDi on the new qualifying activity. For each business, EnterpriseSG will only approve DTDi support for e-commerce campaigns for a maximum period of one year applied on a per-country basis.

EnterpriseSG will provide further details of the changes by 28 February 2023.

Effective date

Qualifying e-commerce campaign start-up expenses incurred on or after 15 February 2023

Comments

- While this is in line with the Government's dedication to embrace a digital economy, the fact that the proposed initiative requires prior approval from EnterpriseSG may increase administrative burden for businesses, cause delays in their project implementation and dampen the attractiveness of this additional feature of the DTDi Scheme.
- Each business is structured differently. Some may take longer than a year to organise the necessary e-commerce campaigns to reach out to the overseas market or customers. It would be good if the one-year per country basis is extended to two years per country.
- Overall, this initiative should still support the companies especially those fast and high growth start-ups to expand overseas rapidly. Businesses should take advantage of this opportunity offered by the newly enhanced initiative of the DTDi Scheme to scale up and reach out to a much wider market via e-commerce.

[7] The full list activities and expenses that qualify for DTDi are on EnterpriseSG's website.

[8] No prior approval is required from EnterpriseSG or STB for tax deduction on the first $150,000 of qualifying expenses incurred on selected eligible activities for each YA.

[9] "E-commerce" refers to the business of buying and selling goods and services on the Internet, while in the context of DTDi "campaign" refers to an organised course of action to promote goods and services abroad.

Option to Accelerate the Write-off of the Cost of Acquiring Plant and Machinery

Current

Businesses that incur capital expenditure on the acquisition of plant and machinery ("P&M") may claim capital allowances ("CA") under section 19 (i.e. write-off over the working life of the assets as specified in the Sixth Schedule) or section 19A (i.e. write-off over one or three years) of the ITA.

Proposed changes

To provide temporary broad-based support to businesses during this period of restructuring, businesses that incur capital expenditure on the acquisition of P&M in the basis period for YA 2024 (i.e. financial year ending in 2023) 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:

a) 75% of the cost incurred to be written off in the first year (i.e. YA 2024); and

b) 25% of the cost incurred to be written-off in the second year (i.e. YA 2025).

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 business 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 2024) and 25% (in YA 2025) over the two consecutive years of assessment.

Effective date

If opted, it will be applicable for YA 2024 and YA 2025

Comments

- The reintroduction of the accelerated CA claim in YA 2024 for the incurrence of qualifying P&M cost is a way to help businesses to upgrade and restructure, even in this present uncertain economic climate, so as to remain relevant and competitive. The proposed accelerated CA claim however will not benefit those businesses which are not in a taxable position.
- Opting for the accelerated CA claim in YA 2024, even if this year has low or no taxable profits, may still be advantageous if the company is expected to have substantial profits in the following year; i.e. YA 2025.

Option to Accelerate the Deduction for Renovation or Refurbishment Expenditure

Current

Under section 14N of the ITA, businesses that incur qualifying expenditure on renovation or refurbishment ("R&R") may claim tax deduction on such expenditure over three consecutive years of assessment on a straight-line basis, starting from the YA relating to the basis period in which the R&R expenditure is incurred. A cap of $300,000 for every relevant period of the three consecutive years of assessment applies.

Proposed changes

To provide temporary broad-based support to businesses during this period of restructuring, businesses that incur qualifying expenditure on R&R during the basis period for YA 2024 (i.e. financial year ending in 2023) will have an option to claim R&R deduction in one YA (i.e. accelerated R&R deduction). The cap of $300,000 for every relevant period of three consecutive years of assessment will still apply. This option, if exercised, is irrevocable.

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

Effective date

If opted, it will apply for YA 2024

Comments

- The reintroduction of this measure in YA 2024 will encourage businesses to undertake R&R projects during this financial year as demands for businesses and services (such as F&B, retail and travel) post COVID-19 era have gradually picked up and resumed .
- As the existing qualifying expenditure cap of $300,000 remains unchanged, the proposed changes announced will have no impact to those businesses whose qualifying expenditure had already exceeded the cap for the relevant periods.
- Businesses that are profitable may wish to review its overall tax position to determine if it is more tax efficient to opt for the accelerated R&R expenditure claim.

TAX INCENTIVE SCHEMES

Extend and Refine the Financial Sector Incentive Scheme

Current

The Financial Sector Incentive ("FSI") Scheme accords concessionary tax rates of 5%, 10%, 12% and 13.5% on income from qualifying banking and financial activities, headquarters and corporate services, fund managing and investment advisory services.

The FSI Scheme is scheduled to lapse after 31 December 2023.

Proposed changes

To continue supporting the growth of financial sector activities in Singapore, the FSI Scheme will be extended and refined as indicated below.

The FSI Scheme will be extended till 31 December 2028.

Under the FSI-Headquarters Services, withholding tax exemption is granted on interest payments made to qualifying non-residents during the award tenure on qualifying loans. The withholding tax exemption will similarly be extended till 31 December 2028.

The existing concessionary tax rates will be streamlined to two tiers of 10% and 13.5% for new and renewal awards approved on or after 1 January 2024 as indicated in the table below.

	Awards approved before 1 January 2024	**New and renewal awards approved on or after 1 January 2024**
FSI-Capital Market FSI-Derivatives Market FSI-Credit Facilities Syndication	5%	10%
FSI-Fund Management FSI-Headquarter Services	10%	10%
FSI-Trustee Companies	12%	13.5%
FSI-Standard Tier	13.5%	13.5%

The qualifying activities will be updated to ensure continued relevance.

MAS will provide further details of the changes by 31 May 2023.

Effective date

The FSI Scheme will be extended for another five years until 31 December 2028

Comments

- Maintaining and extending the FSI Scheme for an additional five years is much anticipated and welcomed by the financial sector industry. Singapore is poised to remain as an attractive and one of the world's best financial centres.
- It remains to be seen what updates and changes will be made to the qualifying activities of different incentivised financial services.

Philanthropy Tax Incentive Scheme for Family Offices

Proposed changes

A new tax incentive scheme will be introduced for qualifying donors with Family Offices operating in Singapore. To qualify, donors must have a fund under MAS section 13O or 13U schemes and meet eligibility conditions, such as incremental business spending of $200,000.

Under the Scheme, qualifying donors can claim 100% tax deduction for overseas donations made through qualifying local intermediaries. The tax deduction is capped at 40% of the donor's statutory income.

Effective date

Yet to be announced.
MAS will provide further details by 30 June 2023.

Comments

- Currently the Singapore tax regime only provides tax relief in respect of cash donations made to Singapore-based approved Institutions of Public Character ("IPCs").
- Granting a tax deduction benefit for donations made by a Singapore-based fund, who already enjoys the section 13O or section 13U tax exemption, would have no tax deduction value to the fund (as donors) since most if not all of its sources of income are tax exempt in Singapore.
- We await further details from MAS on the new tax incentive scheme and clarification on who can be regarded as "qualifying donors" and "qualifying local intermediaries" and whether the intent is for such qualifying parties to benefit from the tax deduction claims instead, if the donations made are to overseas charitable causes or foundations supported by the beneficial owners who maintain a section 13O or section 13U fund in Singapore.

Extend and Refine the Qualifying Debt Securities Scheme

Current

The Qualifying Debt Securities ("QDS") Scheme offers the following tax concessions on qualifying income from QDS:

a) 10% concessionary tax rate for qualifying companies and bodies of persons in Singapore; and

b) Tax exemption for qualifying non-residents and qualifying individuals.

To qualify as QDS, debt securities must be substantially arranged in Singapore as follows:

a) All debt securities must be substantially arranged by a financial sector incentive (capital market) company or a financial sector incentive (standard tier) company (collectively referred to as "FSI company"); and

b) For insurance-linked securities ("ILS")[10] that are unable to meet the condition in (a) above, at least 20% of the ILS issuance costs incurred by the issuer is paid to Singapore businesses.

The QDS Scheme is scheduled to lapse after 31 December 2023.

Proposed changes

To continue supporting the development of Singapore's debt market, the QDS Scheme will be extended till 31 December 2028.

The scope of qualifying income under the QDS Scheme will be streamlined and clarified such that it includes all payments in relation to early redemption of a QDS.

To ensure continued relevance, the requirement that the QDS has to be substantially arranged in Singapore will be rationalised as follows:

a) For all debt securities that are issued on or after 15 February 2023, they must be substantially arranged in Singapore by a financial institution holding a specified licence (instead of a FSI company).

b) For ILS that are issued on or after 1 January 2024, if they are unable to meet the condition in (a) above, at least 30% of the ILS issuance costs incurred by the issuer must be paid to Singapore businesses.

All other conditions of the Scheme remain the same.

MAS will provide further details by 31 May 2023.

Effective date

The QDS Scheme will be extended for five years, until 31 December 2028

Comments

- The capital debt market is an integral part of the financial services sector in Singapore. Corporate debt issuances dominate debt securities offerings in Singapore. The extension of the QDS Scheme for another five years would support and further develop the debt market in Singapore.
- The requirement that the QDS must now be substantially arranged in Singapore by a financial institution holding a specified licence would expand the number of players in the capital debt market, thereby further enhancing Singapore's status as an international financial hub.
- The reference to holding a "specified licence" has not been elaborated. This will hopefully be clarified when further details are provided by MAS.
- With the increased percentage of the issuance costs to be paid to Singapore businesses, the ILS issuer should perhaps consider outsourcing certain aspects of the work to local enterprises so as to ensure that this condition can be met.

[10] Debt securities issued by Special Purpose Reinsurance Vehicles licensed under the Insurance Act 1966.

Extend and Refine the Tax Incentive Scheme for Approved Special Purpose Vehicle Engaged in Asset Securitisation Transactions and Introduce a New Sub-scheme to Support Covered Bonds

Current

The Approved Special Purpose Vehicle ("ASPV") Scheme grants the following tax concessions to an ASPV engaged in asset securitisation transactions:

a) Tax exemption on income derived by an ASPV from asset securitisation transactions.

b) GST recovery on its qualifying business expenses at a fixed rate of 76%.

c) Withholding tax exemption on payments to qualifying non-residents on over-the-counter financial derivatives in connection with an asset securitisation transaction.

The ASPV Scheme is scheduled to lapse after 31 December 2023.

Proposed changes

To continue developing the structured debt market, the ASPV Scheme will be extended till 31 December 2028.

Instead of a fixed rate of 76%, the GST recovery rate will be the prevailing GST recovery rate/ methodology accorded to licensed full banks under MAS for the specific year in question.

All other tax concessions and conditions of the ASPV Scheme remains the same.

Further, to support the issuance of covered bonds in Singapore, a new sub-scheme named ASPV (Covered Bonds), administered by MAS, will be introduced for the special purpose vehicle holding the "cover pool" in relation to the covered bonds.

MAS will provide further details by 31 May 2023.

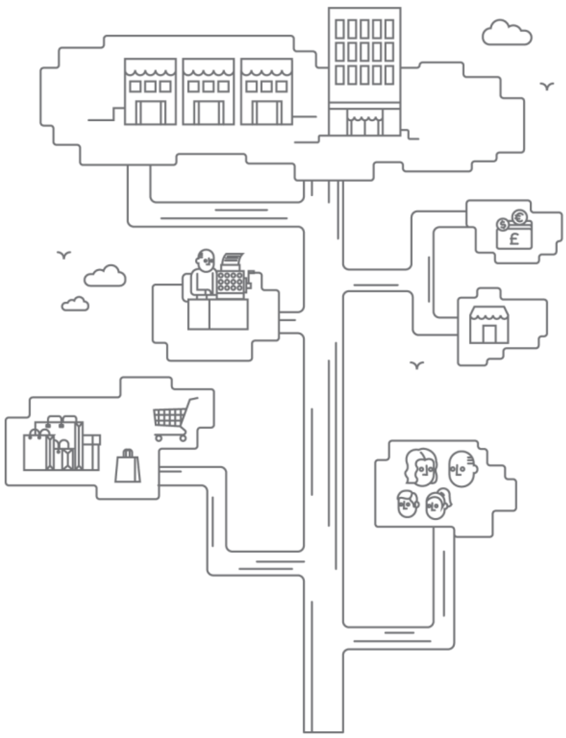
Effective date

The ASPV Scheme will be extended for five years, to 31 December 2028

The ASPV (Covered Bonds) Scheme will take effect from 15 February 2023 to 31 December 2028

Comments

The prevailing GST recovery rate/ methodology accorded to licensed full banks under MAS fluctuates yearly. By aligning the GST recovery rate for ASPV to the rate applied to licensed full banks, it will cause ASPV's GST recovery to also fluctuate.



EXTENSION OF SCHEMES AND CONCESSIONS

Incentive Scheme	Current	Proposed changes and effective date
Investment Allowance ("IA") Scheme	The IA Scheme provides an additional tax allowance for businesses which incur qualifying fixed capital expenditure on approved projects. This is calculated as a percentage of the amount of capital expenditure incurred, net of grants, on an approved project. The IA Scheme, which is administered by the Singapore Economic Development Board, Building and Construction Authority, and EnterpriseSG, is scheduled to lapse after 31 December 2023.	To continue encouraging businesses to make capital investments in plant and productive equipment in Singapore, the IA Scheme will be extended for five years, to 31 December 2028.
IA-100% Scheme for Automation Projects	Businesses can enjoy 100% IA support on the amount of approved capital expenditure, net of grants, for automation projects approved by EnterpriseSG. The IA-100% Scheme is scheduled to lapse after 31 March 2023.	The IA-100% Scheme will be extended, with the same parameters, by a further three years to 31 March 2026 to continue to encourage businesses to transform through automation.
Enterprise Financing Scheme ("EFS")	The EFS addresses enterprises' financing needs by sharing the loan default risk in the event of enterprise insolvency with Participating Financial Institutions. The EFS-Trade Loan was last enhanced in July 2022, with maximum loan quantum of $10 million, and expires on 31 March 2023. The Government provides 70% risk-share for the Scheme. The EFS-Project Loan was last enhanced in January 2021, with maximum loan quantum of $30 million, and expires on 31 March 2023. This Scheme is to support domestic construction projects, in addition to overseas projects. The Government's risk share is at 50%. The risk share may go up to 70% for young enterprises or enterprises operating in a challenged market.	This Scheme will be extended for another year to 31 March 2024. The Government's risk-share percentages and the maximum loan quantum remain unchanged.

Incentive Scheme	Current	Proposed changes and effective date
Energy Efficiency Grant ("EEG")	As part of the Singapore Green Plan 2030, the EEG was launched on 1 September 2022 to provide local SMEs in the Food Services, Food Manufacturing and Retail sectors with up to 70% support, capped at $30,000 per company per year, to adopt energy-efficient equipment. Applications for EEG are to be made by 31 March 2023.	To provide continued support for businesses in the Food Services, Food Manufacturing and Retail sectors to invest in energy efficiency and thereby reduce the impact of higher electricity prices, the EEG Scheme will be extended for another year to 31 March 2024.
Pioneer Certificate Incentive ("PC") and Development and Expansion Incentive ("DEI")	Both the PC and DEI aim to encourage companies to grow capabilities, conduct new or expanded economic activities and establish their global or regional headquarters in Singapore. a) Under the PC, recipients are eligible for corporate tax exemption on income from qualifying activities. b) Under the DEI, recipients are eligible for concessionary tax rate of either 5% or 10% on qualifying income. The PC and DEI are scheduled to lapse after 31 December 2023.	The PC and DEI will be extended for five years to 31 December 2028 to continue encouraging companies to anchor and grow strategic high value-added manufacturing and services activities in Singapore.
IP Development Incentive ("IDI")	The IDI aims to support companies that use and commercialise IP rights arising from R&D in Singapore. Under IDI, recipients are eligible for concessionary tax rate of either 5% or 10% on a percentage of qualifying IP income. The IDI is scheduled to lapse after 31 December 2023.	To continue supporting the use and commercialisation of IP rights arising from R&D activities in Singapore, the IDI Scheme will be extended for five years, to 31 December 2028.

Incentive Scheme	Current	Proposed changes and effective date
Tax Exemption on Income Derived by Primary Dealers from Trading in Singapore Government Securities ("SGS")	Tax exemption is granted on income derived by primary dealers[11] from trading in SGS. The tax exemption is scheduled to lapse after 31 December 2023.	To continue supporting primary dealers and encourage trading in SGS, the tax exemption on income derived by primary dealers from trading in SGS will be extended for five years to 31 December 2028. All other conditions of the Scheme remain unchanged.
Insurance Business Development – Insurance Broking Business ("IBD-IBB") Scheme	The IBD-IBB Scheme grants approved insurance and reinsurance brokers a concessionary tax rate of 10% on commission and fee income derived from insurance broking and advisory services. The IBD-IBB Scheme is scheduled to lapse after 31 December 2023.	The IBD-IBB Scheme will be extended for five years, till 31 December 2028, to further strengthen Singapore's position as a leading insurance and reinsurance centre.
Tax Concession for Deduction of General Provisions for Doubtful Debts and Regulatory Loss Allowances Made in Respect of Non-credit- impaired Financial Instruments for Banks (Including Merchant Banks) and Qualifying Finance Companies	Under section 14G of the ITA, banks, merchant banks and qualifying finance companies can claim a tax deduction for general provisions on non-credit- impaired loans and debt securities made under the Financial Reporting Standard 109 or Singapore Financial Reporting Standard (International) 9, and any additional loss allowances as required under prevailing MAS Notices, subject to a cap. The tax deduction under section 14G is scheduled to lapse after YA 2024 (for banks, merchant banks and qualifying finance companies with a 31-December financial year end ("FYE")) or YA 2025 (for banks, merchant banks and qualifying finance companies with a non-31-December FYE).	To continue to promote the overall robustness and stability of the Singapore financial system, the tax deduction under section 14G of the ITA will be extended till YA 2029 (for banks, merchant banks and qualifying finance companies with a 31 December FYE) or YA 2030 (for banks, merchant banks and qualifying finance companies with a non-31 December FYE).

[11] Primary dealers are financial institutions appointed by MAS as a primary dealer under section 29A of the Government Securities (Debt Market and Investment) Act 1992

Incentive Scheme	Current	Proposed changes and effective date
Tax Measures Relating to Submarine Cable Systems	Currently, there are three tax measures relating to submarine cable systems: a) Withholding tax exemption on payments made to non- residents for use of international telecommunications submarine cable capacity under indefeasible right to use ("IRU") agreements. This is scheduled to lapse after 31 December 2023. b) Writing down allowance for the acquisition of an IRU over their useful life. This is scheduled to lapse after 31 December 2025. c) Investment Allowance for the construction and operation of submarine cable systems in Singapore. This is scheduled to lapse after 31 December 2023.	All three tax measures will be extended till 31 December 2028, with the same parameters, to maintain and enhance Singapore's international connectivity.

Change in Working Mother's Child Relief

Current

The Working Mother's Child Relief ("WMCR") amount for eligible working mothers with a qualifying child who is a Singapore citizen is computed based on a percentage of their earned income, subject to a total cap of $50,000 per child (i.e. WMCR plus Qualifying Child Relief/ Handicapped Child Relief):

Child Order	WMCR Amount (Based on a percentage of earned income) A qualifying child born or adopted before 1 January 2024
1st	15% of mother's earned income
2nd	20% of mother's earned income
3rd and beyond	25% of mother's earned income

The total WMCR amount that an eligible working mother can claim for all her qualifying children is capped at 100%[12] of the mother's earned income for the YA concerned.

Proposed changes

For an eligible working mother with a qualifying Singapore citizen child born or adopted before 1 January 2024, there is no change to the WMCR that the mother can claim. Working mothers can continue to claim the WMCR in respect of these children based on the existing design and quantum, i.e. a percentage of their earned income.

As part of the review of the Government's support for Marriage and Parenthood, the WMCR will be changed to a fixed dollar tax relief (see table below) for eligible working mothers in respect of qualifying children who are Singapore citizens born or adopted on or after 1 January 2024[13].

Child Order	WMCR Amount (Based on a fixed dollar amount) A qualifying child born or adopted on or after 1 January 2024
1st	$8,000
2nd	$10,000
3rd and beyond	$12,000

WMCR will continue to be part of a suite of support measures for eligible working mothers, including lower- to middle- income working mothers of qualifying Singapore citizen children.

This change will take effect from the YA 2025.

Comments

- The proposed change announced will be much welcomed by lower- to middle- income working mothers who are planning to enter parenthood in the coming years.
- An eligible working mother having her first qualifying child born on or after 1 January 2024 will have her WMCR determined based on a fixed dollar amount of $8,000. She will not be worse off if her annual wage is not higher than $53,000. Her WMCR relief will be higher than what the current formula provides if she earns below $53,000.
- On the other hand, a manager-grade eligible working mother who earns $100,000 a year will lose out on WMCR benefit by $7,000 if her first eligible child is born on or after 1 January 2024, compared to the current basis of calculating the benefit which is based on 15% of her earned income.
- The changes proposed are in line with the Government's efforts to create a progressive tax system in which more support will be channelled to those in need.

[12] If the amount of taxable earned income is lower than the maximum amount claimable, the relief will be capped at the amount of taxable earned income.
[13] For a child born to a mother before she is married to her spouse/ex-spouse, the date of marriage would be used to determine the type of WMCR the mother is eligible for. For a child who is not Singapore citizen at birth, it would be the date of approval of Singapore citizenship.

Change in Grandparent Caregiver Relief

Current

Working mothers who engage the help of their parents, grandparents, parents-in-law or grandparents-in-law (including parents or grandparents of an ex-spouse) to take care of their young children may claim the Grandparent Caregiver Relief ("GCR"), subject to conditions.

One of the conditions is that the caregiver was not carrying on any trade, business, profession, vocation or/and employment in the year preceding the YA of claim.

Proposed changes

To give caregivers the flexibility to do some incidental work, working mothers will be able to claim GCR in respect of caregivers who have trade, business, profession, vocation or/and employment income, as long as the caregivers' total income from these activities does not exceed $4,000 in the year preceding the YA of claim, if they have met all other conditions.

Effective date

This change will take effect from YA 2024

Comments

- Relaxing the rules to allow caregivers to derive other incidental income of their own (in a way to help support themselves) of an amount not exceeding $4,000 in a calendar year from their trade, business or employment, allows a greater pool of working mothers to claim the GCR.
- This also provides good support in starting and raising families and it recognises the important role that caregivers (who are family members) play in bringing up the next generation and promote family bonding.

Lapse of the Foreign Domestic Worker Levy Relief

Current

Currently, a woman resident in Singapore is allowed to claim Foreign Domestic Worker Levy Relief ("FDWLR") in respect of one migrant domestic worker employed by her or her husband, subject to meeting conditions.

Proposed changes

The FDWLR will lapse for all taxpayers with effect from YA 2025.

MISCELLANEOUS

Enhancements to the Progressive Wage Credit Scheme

The Progressive Wage Credit Scheme ("PWCS") was introduced in Budget 2022 to provide transitional support from 2022 to 2026 for employers to adjust to the Progressive Wage moves, as well as to encourage employers to voluntarily raise the wages of their lower-wage employees.

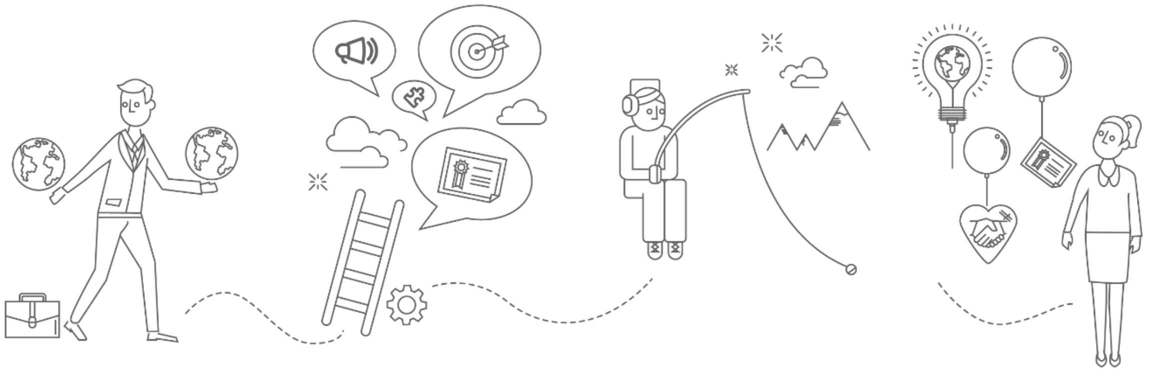
The PWCS co-funds the wage increases that employers provide to resident lower-wage employees with gross monthly wages of up to $2,500 under a First Tier of support, and gross monthly wages above $2,500 and up to $3,000 under a Second Tier of support. The average gross monthly wage increase must be at least $100 in each qualifying year to be eligible for PWCS. Wage increases given in each qualifying year will be co-funded for two years, if the wage increase is sustained. This is to help employers manage the compounding effect of wage increases.

To further strengthen support for employers in uplifting lower-wage employees, the Government announced enhancements to the PWCS co-funding support for wage increases in the qualifying year 2023 (see table below). The enhanced 2023 co-funding support will also apply to wage increases given in qualifying year 2022 and sustained in 2023. All other scheme parameters remain unchanged.

Qualifying Year	Payout Period	First Tier	Second Tier
		Gross Monthly Wage Ceiling ≤$2,500	Gross Monthly Wage Ceiling > $2,500 and ≤$3,000
2022	Q1 2023	75%	45%
2023	Q1 2024	75%	45%
2024	Q1 2025	30%	15%
2025	Q1 2026	30%	–
2026	Q1 2027	15%	–

Notes

1. The co-funding levels from 2022 to 2026 are expressed as a percentage of the applicable wage increase.
2. The co-funding levels for wage increases in qualifying year 2022 were enhanced in support package in June 2022, from 50% to 75% for the First Tier, and from 30% to 45% for the Second Tier.



Increase in the CPF Monthly Salary Ceiling

Current

The CPF monthly salary ceiling sets the maximum amount of CPF contributions payable for Ordinary Wages and is currently set at $6,000.

There is also the CPF annual salary ceiling which sets the maximum amount of CPF contributions payable for all wages received in the year, inclusive of both Ordinary Wages and Additional Wages. It is currently set at $102,000, which is 17 times of the monthly salary ceiling to account for bonuses equivalent to five months' salary.

Both salary ceilings were last updated in 2016.

Proposed changes

To keep pace with rising salaries, the Government will raise the CPF monthly salary ceiling from $6,000 to $8,000 by 2026. The increase will take place in four steps (see table below) to allow employers and employees to adjust to the changes. The first increase of the CPF monthly salary ceiling takes place on 1 September 2023.

	CPF Monthly Salary Ceiling **$**	**CPF Annual Salary Ceiling** **$**
Current	6,000	
From 1 September 2023	6,300	
From 1 January 2024	6,800	102,000
From 1 January 2025	7,400	
From 1 January 2026	8,000	

There will be no change to the CPF annual salary ceiling at this juncture, but it will be reviewed periodically to ensure it continues to cover the broad majority of CPF members.

To ensure that employees earning the same annual salary receive the same CPF contributions regardless of their salary structure, the CPF monthly salary ceiling will eventually be set at one-twelfth of the CPF annual salary ceiling at a steady state.

Comments

- Raising the CPF monthly salary ceiling is a prudent step taken by the Government to ensure the adequacy of retirement funds, though it will mean reduced take-home pay for most of us. With the increased CPF contributions, more employees would be able to reach their full or enhanced retirement sums by the time they retire, given the compounding effects of accumulated interest on a larger pool of savings.
- With the adjustments made to the CPF monthly salary ceiling, overall business costs will increase due to the corresponding increase in employer's CPF contributions. Employers should perhaps explore other areas for cost-cutting to counteract CPF cost increases. For example, leverage on technologies and automation to increase staff productivity and tap on any available Government incentives in areas of innovation and research and development.
- The Government has already announced the timelines for the CPF monthly salary ceiling increases ahead of time. Businesses should take steps to ensure that their internal payroll systems are calibrated to reflect the increased CPF contributions at different stages.

Increase in Senior Worker CPF Contribution Rates

In 2019, the Government announced that CPF contribution rates will be raised gradually over the next decade or so for Singaporean and Permanent Resident workers aged above 55 to 70. When the increases have been fully implemented, those aged above 55 to 60 will have the same CPF contribution rates as younger workers.

The first two steps of increases took effect on 1 January 2022 and 1 January 2023. The next increase in senior worker CPF contribution rates will take place on 1 January 2024 (see table below). The increase will be fully allocated to the Special Account to help senior workers save more for retirement.

Age Band	Total Employer and Employee CPF Contribution Rates				
	2016 to 2021 %	From 1 January 2022 %	From 1 January 2023 %	From 1 January 2024 %	By ~ 2030 %
55 and below	37.0	No change			
Above 55 to 60	26.0	28.0	29.5	31.0	37.0
Above 60 to 65	16.5	18.5	20.5	22.0	26.0
Above 65 to 70	12.5	14.0	15.5	16.5	16.5
Above 70	12.5	No change			

Note: The timeline is subject to change, depending on prevailing economic conditions.

Age Band	Employer and Employee CPF Contribution Rates from 1 January 2024			
	Employer %	Employee %	Total %	CPF Transition Offset for 2024 %
55 and below	No change			
Above 55 to 60	15.0% (+0.5)	16.0 (+1.0)	31.0 (+1.5)	0.25
Above 60 to 65	11.5% (+0.5)	10.5 (+1.0)	22.0 (+1.5)	0.25
Above 65 to 70	9.0% (+0.5)	7.5 (+0.5)	16.5 (+1.0)	0.25
Above 70	No change			

a) The CPF contribution rates are stated as a percentage of wages.
b) The percentage point figures in parentheses refer to the increase in CPF contribution rates from 1 January 2024, compared to the current rates as of 1 January 2023.

To mitigate the rise in business costs due to this increase, the Government will provide employers with a one-year CPF Transition Offset equivalent to half of the 2024 increase in employer CPF contribution rates for every Singaporean and Permanent Resident worker they employ aged above 55 to 70.

Increase in Minimum CPF Monthly Payouts for Seniors on the Retirement Sum Scheme

Current

The Government continues to provide targeted support for seniors with less resources to rely on in retirement.

The Silver Support Scheme, which covers a third of all seniors aged 65 and above, provides quarterly cash supplements of up to $900 to eligible seniors in addition to their CPF payouts and other forms of Government support, such as the Workfare Income Supplement and ComCare.

Currently, the minimum CPF monthly payout that seniors on the Retirement Sum Scheme can receive is $250.

Proposed changes

The minimum CPF monthly payout will be increased to $350 from 1 June 2023 for all seniors on the Retirement Sum Scheme.

Extend the 250% Tax Deduction for Qualifying Donations to IPCs and Eligible Institutions

Current

Donors are eligible for a 250% tax deduction for qualifying donations made to IPCs and other eligible institutions from 1 January 2016 to 31 December 2023.

Proposed changes

To continue encouraging Singaporeans to give back to the community, the 250% tax deduction will be extended to the following qualifying donations (see table below) made from 1 January 2024 to 31 December 2026.

Qualifying Donations	Eligible Recipients	Eligible Donors
Cash donations	Any IPC and the Singapore Government	All donors
Gift of shares listed on the Singapore Exchange or of units in unit trusts traded in Singapore or listed on the Singapore Exchange	Any IPC	Individual donors only
Gifts of artefacts	Approved museums (approval by the National Heritage Board)	All donors
Donation of public sculptures	Approved recipients (approval by the National Heritage Board)	All donors
Gifts of parcels of land or buildings	Any IPC	All donors

All other conditions of the Scheme remain the same.

Comments

- It was heartening to note that Singaporeans had donated generously during the COVID-19 pandemic, with donations received through Giving.sg being about three times higher than pre-pandemic levels.

- The 250% tax deduction for qualifying donations has been extended for another three years to encourage the spirit of giving among Singaporeans. The Government will review the Scheme thereafter to provide a more sustainable level of tax deduction for the longer term.

Extend and enhance the Corporate Volunteer Scheme

Current

With effect from 1 April 2023, the Business and IPC Partnership Scheme will be renamed as Corporate Volunteer Scheme ("CVS").

A qualifying person can, subject to conditions, enjoy a total of 250% tax deduction on qualifying expenditure such as wages incurred by the person from 1 July 2016 to 31 December 2023 in respect of:

a) the provision of services by the person's qualifying employee to an IPC during that period; or

b) the secondment of the person's qualifying employee to an IPC during that period.

There is a cap on qualifying expenditure of $250,000 per business per YA and $50,000 per IPC per calendar year.

Proposed changes

a) To continue supporting corporate volunteering, the 250% tax deduction will be extended to cover qualifying expenditure incurred under the CVS until 31 December 2026.

b) The scope of qualifying volunteering activities will be expanded to include activities which are conducted virtually (e.g. online mentoring and tuition support for youths / children) or outside of the IPCs' premises (e.g. refurbishment of rental flats).

c) The cap on qualifying expenditure per IPC per calendar year will be doubled from $50,000 to $100,000.

All other conditions of the Scheme remain the same

Effective date

The CVS will be extended for three more years to 31 December 2026.

The enhancements (b) and (c) will take effect from 1 January 2024.

Comments

- The Government continues to encourage companies to increase volunteerism through business in the form of corporate social responsibility in addition to the usual cash donations.
- Increasing the cap on qualifying expenditure per IPC per year demonstrates the Government's commitment to cultivate a caring society, and expanding the scope of qualifying volunteering activities to include virtual activities is a timely move given that going virtual is the new norm.

Additional Registration Fee Changes

Current

The Additional Registration Fee ("ARF") payable for cars, taxis and goods-cum-passenger vehicles is currently tiered based on the rates below.

Open Market Value ("OMV")	ARF Rate
First $20,000	100% of OMV
Next $30,000	140% of OMV
Next $30,000	180% of OMV
In excess of $80,000	220% of OMV

Proposed changes

To make the vehicular tax structure more progressive, the ARF payable for cars, taxis and goods-cum-passenger vehicles will be tiered based on the following rates.

OMV	ARF Rate
First $20,000	100% of OMV
Next $20,000	140% of OMV
Next $20,000	190% of OMV
Next $20,000	250% of OMV
In excess of $80,000	320% of OMV

Effective date

- Vehicles required to bid for Certificates of Entitlement ("COEs")

  The new ARF structure will apply to all new and imported used cars and goods-cum-passenger vehicles registered with COEs obtained from the second COE bidding exercise in February 2023 onwards. The second COE bidding exercise in February 2023 will take place from 20 to 22 February 2023.

- Vehicles not required to bid for COEs (e.g. taxis and classic cars)

  The new ARF structure will apply for those registered on or after 15 February 2023.

Comments

- The increase of ARF rates announced in Budget 2022 affected those who acquired luxury cars with an OMV that was in excess of $80,000. This was in line with the Government's goal of building a progressive tax system where those with the means would bear a greater proportion of the tax burden.
- Budget 2023 now proposes to increase the ARF rates further as the Government still sees scope in progressivity. Buyers of cars with OMV of more than $40,000 will be impacted by the rate increases.

Preferential Additional Registration Fee Changes

Current

Preferential Additional Registration Fee ("PARF") rebates are provided to car and taxi owners as an incentive to deregister their vehicles early. It is calculated as a percentage of ARF paid and tiered based on the age of the vehicle at deregistration.

Age of Vehicle at Deregistration	PARF Rebate
Age ≤ 5 years	75% of ARF paid
5 years < Age ≤ 6 years	70% of ARF paid
6 years < Age ≤ 7 years	65% of ARF paid
7 years < Age ≤ 8 years	60% of ARF paid
8 years < Age ≤ 9 years	55% of ARF paid
9 years < Age ≤ 10 years	50% of ARF paid
Age > 10 years	Not applicable

Proposed changes

To make the vehicular tax system more progressive, PARF rebates will be capped at $60,000.

The PARF cap does not apply to vehicles that are not eligible for PARF rebates, such as goods-cum-passenger vehicles, classic cars and vehicles that have been laid-up.

Effective date

- Vehicles required to bid for COEs

  The PARF rebate cap will apply to those that are registered with COEs obtained from the second COE bidding exercise in February 2023 onwards and are subsequently deregistered within their PARF eligibility period.

- Vehicles not required to bid for COEs (e.g. taxis)

  The PARF rebate cap will apply to those that are registered on or after 15 February 2023 and are subsequently deregistered within their PARF eligibility period.

Comments

- To promote progressivity, this move prevents the more expensive cars from being given excessive rebates when they are deregistered; this possibly is aimed at cooling down the luxury car market.
- With the changes announced, the Government is expected to generate approximately $200 million in additional revenue per year, depending on the state of the vehicle market.

Buyer's Stamp Duty Rates for Higher-value Residential and Non-residential Properties

Current

Transactions in residential and non-residential properties are subject to marginal Buyer's Stamp Duty ("BSD") rates of 1% to 4% and 1% to 3% respectively.

Higher of Purchase Price or Market Value of the Property	Marginal BSD Rates	
	Residential Property	Non-residential Property
First $180,000	1%	1%
Next $180,000	2%	2%
Next $640,000	3%	3%
Amount exceeding $1,000,000	4%	

Proposed changes

To enhance the progressivity of the BSD regime, higher marginal BSD rates will be introduced for higher-value residential and non-residential properties.

- For residential properties, a new marginal BSD rate of:
  - a) 5% will apply to the portion of the property value in excess of $1.5 million and up to $3 million; and
  - b) 6% will apply to the portion of the property value in excess of $3 million.
- For non-residential properties, a new marginal BSD rate of:
  - a) 4% will apply to the portion of the property value in excess of $1 million and up to $1.5 million; and
  - b) 5% will apply to the portion of the property value in excess of $1.5 million.

Higher of Purchase Price or Market Value of the Property	Marginal BSD Rates	
	Residential Property	Non-residential Property
First $180,000	1%	1%
Next $180,000	2%	2%
Next $640,000	3%	3%
Next $500,000	4%	**4%**
Next $1,500,000	**5%**	**5%**
Amount exceeding $3,000,000	**6%**	

There will be a transitional provision where the BSD rates on or before 14 February 2023 will apply for cases that meet all the conditions below.

a) The Option to Purchase ("OTP") was granted by sellers to potential buyers on or before 14 February 2023.

b) This OTP is exercised on or before 7 March 2023, or within the OTP validity period, whichever is earlier.

c) This OTP has not been varied on or after 15 February 2023.

Effective date

The revised rates will apply to all properties acquired on or after 15 February 2023[14].

Comments

- The hike in the marginal BSD rates on higher-value properties reinforces the Government's effort in creating a progressive tax system in which heavier tax burden falls on those who can afford it.
- It is also worthwhile noting that correspondingly, the Additional Conveyance Duties for Buyers ("ACDB"), which apply to qualifying purchases of equity interest in property holding entities also reflect an increase from "up to 44%" to "up to 46%".

[14] The Additional Conveyance Duties for Buyers ("ACDB") rates, which apply to qualifying acquisitions of equity interest in property holding entities ("PHEs") will also be adjusted accordingly, from up to 44% to up to 46%. The revised ACDB rate comprises of:

a) Revised BSD at 1% to 6%; and

b) Additional Buyer's Stamp Duty ("ABSD") at 40% (flat rate).

A PHE is an entity that has at least 50% (i.e. asset ratio) of its total tangible assets comprising prescribed immovable properties in Singapore.

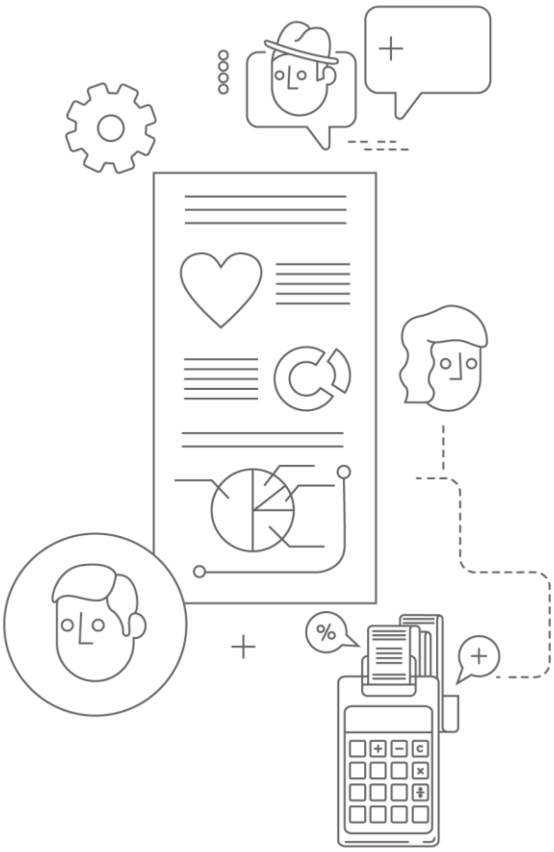
Tax Deduction for Expenditure Incurred on Building Modifications for Benefit of Disabled Employees

Current

Under section 14F of the ITA, employers can claim tax deductions for approved expenditure incurred on any addition or alteration to business premises for the purpose of facilitating the mobility or work of any disabled employee, subject to a one-off cap of $100,000.

Proposed changes

The Scheme will be withdrawn from 15 February 2023.



ABBREVIATIONS

CPF	Central Provident Fund
F&B	Food and Beverage
IPC	Institution of a Public Character
IRAS	Inland Revenue Authority of Singapore
ITA	Income Tax Act 1947
MAS	Monetary Authority of Singapore
MNEs	Multi-National Enterprises
MOF	Ministry of Finance
OECD	Organisation for Economic Co-operation and Development
R&D	Research and Development
SMEs	Small and Medium-sized Enterprises
YA	Year of Assessment

ABOUT RSM in Singapore

Largest accounting & business advisory group outside Big 4

Member of RSM International, **world's 6th largest** global audit, tax and consulting network

Over **1,200** professionals in Singapore, China & Malaysia

> 35 years' experience serving businesses

As advisors to growing businesses, we help clients to:

- Maximise profits
- Internationalise
- Enhance business value

WHY RSM?

Clients partner RSM for the exceptional value it offers

Client-centric service

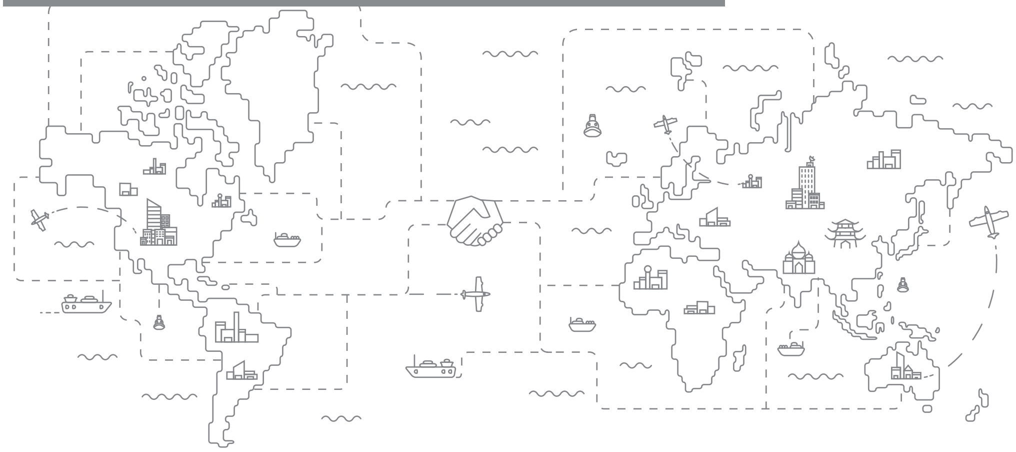
- Industry specialisations and expertise
- Extensive hands-on management involvement
- One-stop end-to-end capabilities across business life cycle
- Single point of contact
- Advisory-driven work focused on mid-market

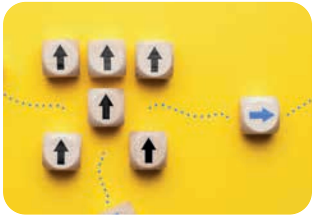
High quality standards

- First CPA firm certified to meet International ISO 9001:2015 standards
- SSAE 18 Compliant
- Listed by World Tax (a Euromoney publication) since 2006 as one of Singapore's leading tax firms
- Registered with the Public Company Accounting Oversight Board
- Awarded the highest accreditation tier – 'Advocate' of the Cyber Trust Mark
- ISO 27001 Certified
- Awarded the Eco Office Certification 'Championship Tier' by the Singapore Environment Council (SEC)

Global reach for internationalisation needs

RSM International		
57,000 staff	**830** offices	**120** countries



	Start Up	Build Up	Scale Up
			
	↗ Small Business	↗ SME	↗ Enterprise
Your Priorities	• Focus on core business • Get foundations right • Drive revenue & cash flow	• Drive growth • Improve profits • Recruit & manage talent	• Internationalise • Expand business • Raise funds • Plan business succession • Enhance business value
Our Solutions	• Business Registration & Advisory • Accounting, Payroll & Technology • Cash Flow Management	• Tax Advisory • Accounting • Corporate Secretarial & Advisory • IT Managed Services • Payroll & HR Outsourcing • Profit Improvement & Analytics	• Planning Tax Efficiency • Operational Intelligence • Risk Management & Governance • Contract Staffing & Recruitment • Corporate Compliance

Growing with you

Our Services

Audit & Tax

Tax Advisory

• Transaction & International Tax Advisory • Personal Tax Planning
• Transfer Pricing • Goods & Services Tax

Audit & Tax Compliance

• Reporting Accountants • Special Reviews • Statutory Audit
• Regulatory Compliance Reporting • Corporate & Personal Tax Compliance

Advisory

Corporate Advisory

• Business Grooming / Planning • Financial & Tax Due Diligence • Transaction Support
• Merger & Acquisition Advisory • Valuation Advisory • Transit & Exit Advisory

Business Consulting

• Profit Improvement • Regulatory & Compliance Advisory • Internal Audit • Governance
• Digital Trust Solutions • Risk Consulting • Data Protection • Sustainability Management

Restructuring & Forensics

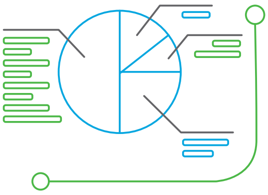
• Corporate Restructuring & Insolvency • Individual Insolvency
• Crisis Management & Rehabilitation • Litigation Support & Forensics

Business Solutions

• Accounting & Advisory • Contract Staffing, Recruitment & Pass Services
• Formation, Compliance & Advisory • Technology Managed Services
• Payroll Outsourcing & HR Advisory

OUR TAX SERVICES

International Tax Advisory · Corporate Tax · Personal Tax

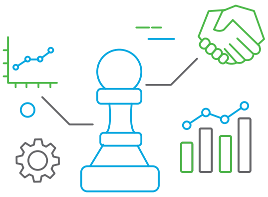


- Corporate Cross-border Tax Structuring and Planning
- Due Diligence Reviews for Mergers and Acquisitions and IPOs
- Funds (including Variable Capital Companies) Planning and Structuring
- Private Client, Family Offices and Wealth Planning
- Tax Incentive Applications
- Tax Investigation, Audit and Advance Tax Rulings
- Corporate and Personal Tax Planning and Compliance

Goods & Services Tax

- Assisted Compliance Assurance Programme Review ("ACAP")
- Assisted Self-help Kit Review ("ASK") and GST Health-Check
- GST Guidebook and Tax Code Analysis
- Due Diligence Reviews for Mergers and Acquisitions and IPOs
- GST Scheme Certifications
- GST Analytics, Consulting and Advisory

Transfer Pricing



- Transfer Pricing Documentation Preparation
- Country-by-Country Reporting
- Policy Development and Implementation
- Transfer Pricing Planning and Tax-efficient Value Chain Transformation
- Advance Pricing Arrangements and Rulings
- Risk Assessment and Controversy Management
- Transfer Pricing Audit Defences
- Due Diligence for Mergers and Acquisitions

CONTACTS

Koh Puay Hoon
Partner & Head of Tax

+65 6594 7820
KohPuayHoon@RSMSingapore.sg

Cindy Lim
Partner, International Tax

+65 6594 7852
CindyLimLH@RSMSingapore.sg

William Chua
Partner, International Tax

+65 6594 7860
WilliamChuaKH@RSMSingapore.sg

Richard Ong
Partner & Head of GST

+65 6594 7821
RichardOngBH@RSMSingapore.sg

Joanna Lam
Partner & Head of Transfer Pricing

+65 6594 7896
JoannaLamLY@RSMSingapore.sg

Loke Yew Ken
Director, Tax Advisory

+65 6715 1163
LokeYewKen@RSMSingapore.sg

Law Wei Lin
Director, Tax Advsiory

+65 6715 1164
LawWeiLin@RSMSingapore.sg

Ivy Chiong
Director, Tax

+65 6594 7442
IvyChiongGT@RSMSingapore.sg

Wang Chai Hong
Director, Tax

+65 6594 7450
WangChaiHong@RSMSingapore.sg

Chua Hwee Theng
Director, Tax

+65 6594 7319
ChuaHweeTheng@RSMSingapore.sg

Kwek Jia Sing
Director, Tax

+65 6715 1140
KwekJiaSing@RSMSingapore.sg

Cheah Paik An
Director, Tax

+65 6594 7819
CheahPaikAn@RSMSingapore.sg

INDUSTRY SPECIALISATIONS

The hallmark of a good business partner is the ability to understand and identify your needs and goals in your industry. For industry-specific insights and tailored solutions to help tackle your challenges or grow your business, please contact our specialists below

Financial Services

Chow Khen Seng
+65 6715 1388
ChowKhenSeng@RSMSingapore.sg

Private Client Services

Tay Woon Teck
+65 6594 7803
TayWoonTeck@RSMSingapore.sg

Technology, Media & Telecommunications

Adrian Tan
+65 6594 7876
AdrianTanKC@RSMSingapore.sg

Industrial Manufacturing

Chong Cheng Yuan
+65 6594 7808
ChongChengYuan@RSMSingapore.sg

Logistics & Transportation

Lee Mong Sheong
+65 6594 7865
LeeMongSheong@RSMSingapore.sg

Energy & Commodities

Chan Weng Keen
+65 6594 7864
ChanWengKeen@RSMSingapore.sg

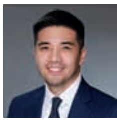
China Practice

Ng Thiam Soon
+65 6594 7809
NgThiamSoon@RSMSingapore.sg

Japan Desk

Hiroshi Ikuzawa
+65 6594 7841
HiroshiIkuzawa@RSMSingapore.sg

Private Equity Group

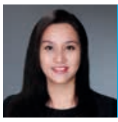


Tan Wenxue
+65 6594 7887
TanWenxue@RSMSingapore.sg

Not-for-Profit

Uthaya C Ponnusamy
+65 6715 1378
UthayaPonnusamy@RSMSingapore.sg

Healthcare



Sabrina Tay
+65 6715 1318
SabrinaTayHJ@RSMSingapore.sg

F&B, Retail & Consumer Products

Yang Li Lian
+65 6594 7897
YangLiLian@RSMSingapore.sg

Real Estate & Construction

Dennis Lee
+65 6594 7627
DennisLeeHL@RSMSingapore.sg

Professional & Business Services

Lock Chee Wee
+65 6715 1188
LockCheeWee@RSMSingapore.sg

ASEAN Desk

Yeow Thuan Wee
+65 6715 1168
YeowThuanWee@RSMSingapore.sg

www.RSMSingapore.sg

8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095
T +65 6533 7600

Tax
Tax@RSMSingapore.sg

Audit
Audit@RSMSingapore.sg

Other Services
MKTG@RSMSingapore.sg