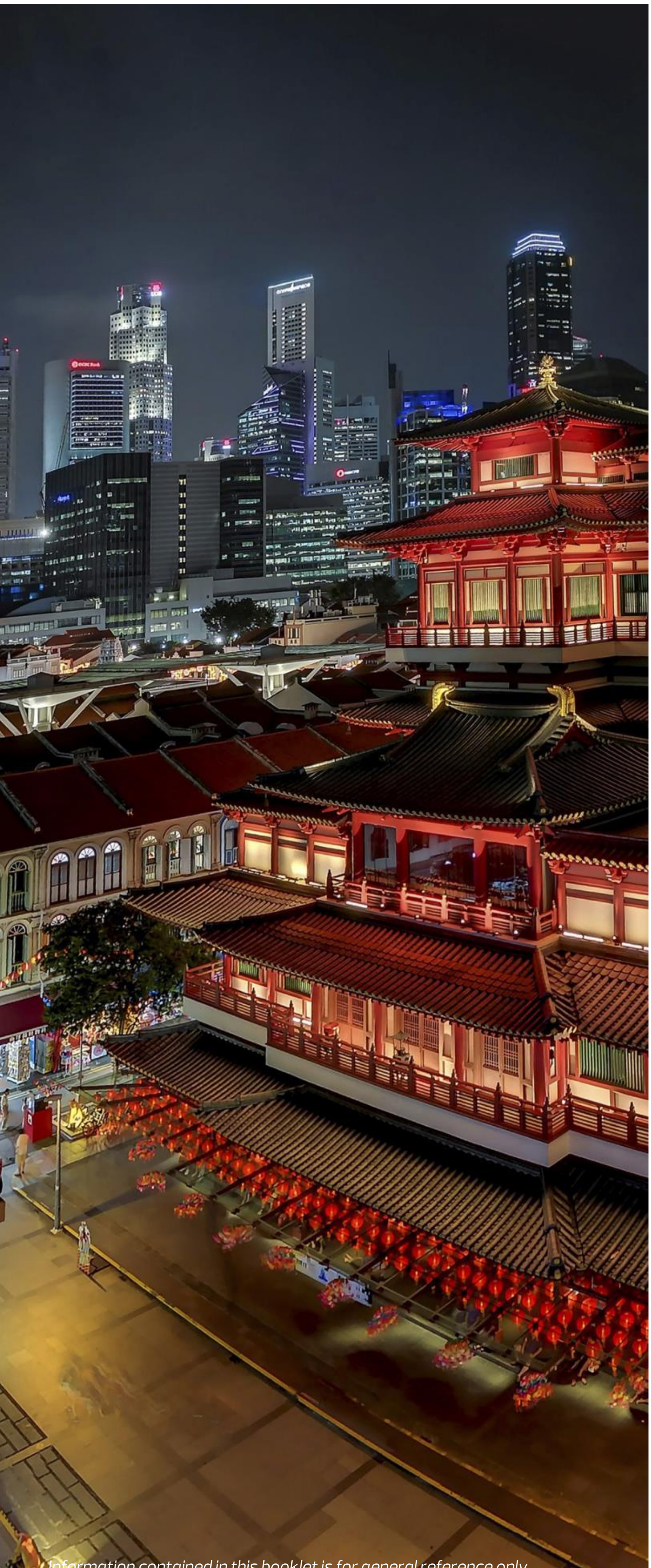
BUDGET 2019 HIGHLIGHTS

Singapore

The Power of Being Understood



Information contained in this booklet is for general reference only. Readers should seek professional advice before taking any action based on the information contained herein.

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FOREWORD

Budget 2019 offers a strategic long-term vision towards building a strong, united Singapore and a vibrant and innovative economy. If your anticipation for the Budget was in the area of tax reduction and Budget goodies, you would be disappointed.

The changing global and domestic landscape presents both challenges and opportunities for us. The Minister of Finance emphasised the need to persist with our industry transformation efforts in order to strengthen our competitiveness. The three key thrusts announced to see us through the continuing transformation journey are (a) building deep enterprise capabilities, (b) building deep worker capabilities and (c) building deeper partnerships within Singapore and across the world.

In terms of building deep enterprise capabilities, government agencies continue to commit to provide support at various stages of a company's growth, be it in the areas of providing customised assistance, better financing options or assisting SMEs with their digital transformation.

Companies, big or small, are encouraged to reassess their mode of operations, re-engineer business processes and automate to raise efficiency and productivity. With the proposed reduction of the foreign worker dependency ratio ceiling in the Services sector over the next couple of years, all businesses, and not just the Services sector, must start to seriously think about investment in technology, train workers and reduce reliance on foreign labour. To this end, the Productivity Solutions Grant to help businesses adopt off-the-shelf technology may be considered. There is also the Automation Support Package, which is being extended for two more years, to support businesses that deploy large-scale automation such as robotics and Internet of Things solutions.

It goes without saying that companies and workers must stay on top of rapid advances in technology, especially digital technology, in order to thrive in this competitive and technology-intensive environment. The Government encourages every worker to learn new skills and every firm to automate its operations. Businesses must step up training and job redesign for their workers in order to equip them with the right skills and knowledge to face tough challenges ahead. Embracing upskilling and reskilling is key to building deep worker capabilities in order to allow workers to stay relevant and employable in this digital age.

To be successful, companies need to compete to differentiate themselves and cooperate to solve common challenges. To this end, the third thrust talks about building deeper partnerships within Singapore and across the world. The Minister affirmed that trade associations and chambers play a significant role in helping businesses to improve access to local and international networks in an effort to develop industry-wide capabilities and they will continue to do so in this area.

The pace of technological innovation is rapid and global economic weight is shifting towards Asia. Singapore stands to gain as global MNCs are looking to expand into the fast growing Asian markets. Concurrently, Singapore must be a city for Asian companies ready to go global and venture into new markets overseas. Singapore must seize the opportunity to position itself as a Global-Asia node of technology, innovation and enterprise and to prepare our people to face up to the challenges and ride on the wave of the Fourth Industrial Revolution.

Cindy Lim
Partner
18 February 2019

CORPORATIONS AND BUSINESSES

Corporate Income Tax Rate and Rebate

Current

The current corporate income tax rate is 17% and companies can qualify for a corporate income tax rebate of 20% of tax payable, capped at $10,000 for YA 2019.

Comments

There is no change to the corporate income tax rate. No further corporate income tax rebate was announced for YA 2020.

Partial Tax Exemption Scheme

Current

Under the Partial Tax Exemption Scheme, all companies (excluding those that qualify for the Start-up Tax Exemption Scheme) and bodies of persons can qualify for the following partial tax exemption in each YA:

YA 2019 and prior

- 75% exemption on the first $10,000 of normal chargeable income; and
- 50% exemption on the next $290,000 of normal chargeable income.

From YA 2020

- 75% exemption on the first $10,000 of normal chargeable income; and
- 50% exemption on the next $190,000 of normal chargeable income.

Comments

There are no further changes to the above, which were previously announced in Budget 2018.

Start-up Tax Exemption Scheme

Current

A new company can qualify for the following start-up tax exemption in each of the first three years of assessment, subject to meeting conditions:

YA 2019 and prior

- 100% exemption on the first $100,000 of normal chargeable income; and
- 50% exemption on the next $200,000 of normal chargeable income.

From YA 2020

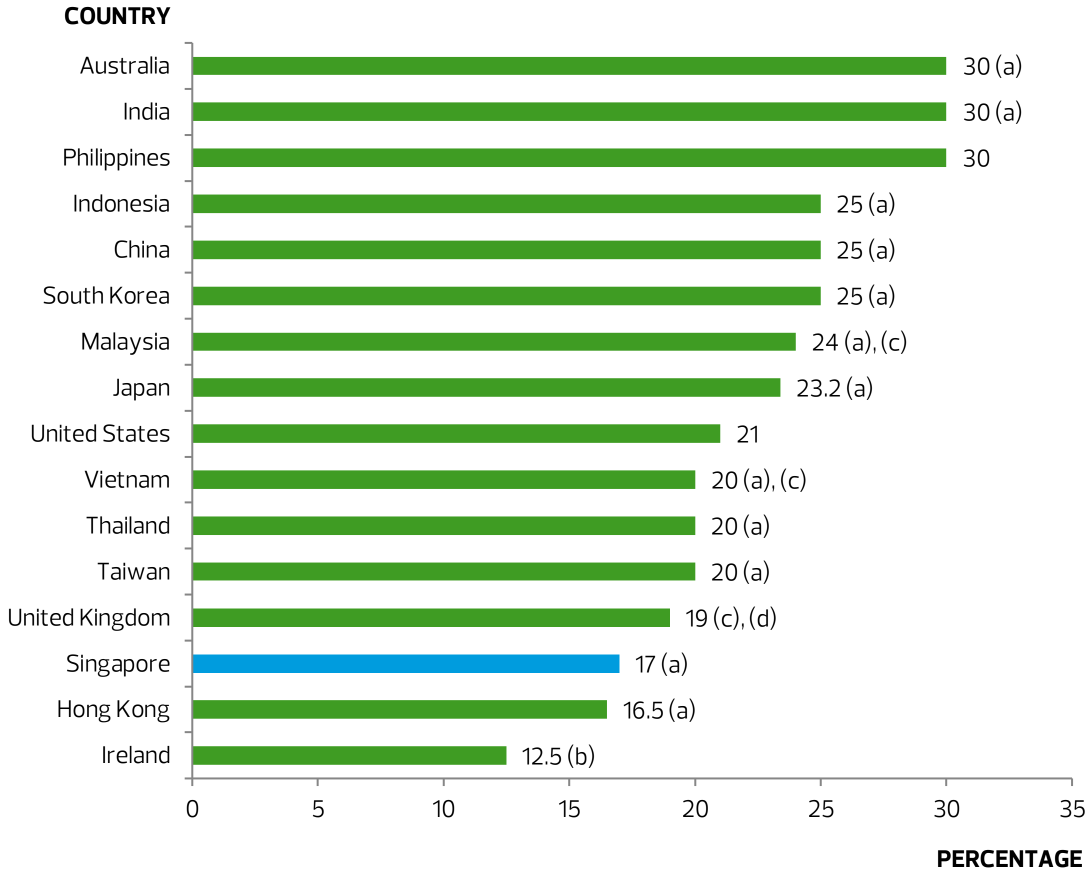
- 75% exemption on the first $100,000 of normal chargeable income; and
- 50% exemption on the next $100,000 of normal chargeable income.

Comments

There are no further changes to the above, which were previously announced in Budget 2018.

Prevailing Corporate Income Tax Rates in Selected Countries

The corporate income tax rate in Singapore is considered very competitive compared with a number of key countries mentioned below.



(a) Lower rates or partial tax exemption are applicable for lower income bands, companies with smaller paid-up capital or those engaged in certain preferred trade activities.

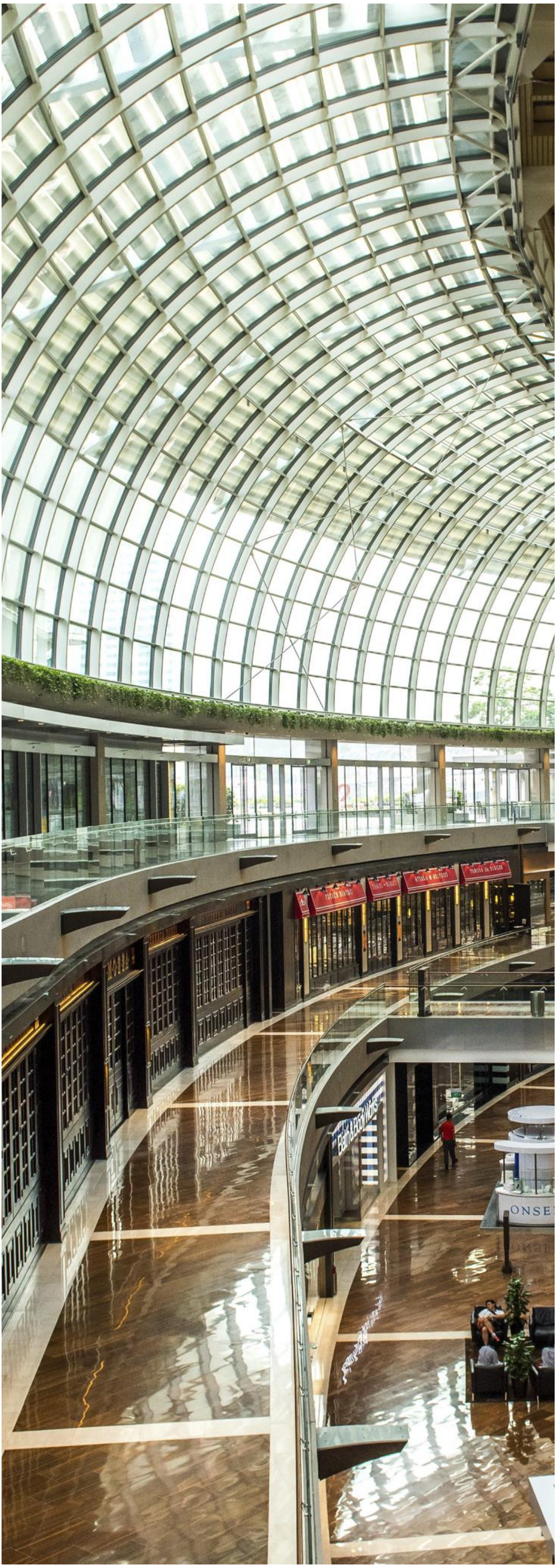
(b) Only applicable to trading income. Different rates apply to other sources of income.

(c) Higher corporate tax rate applicable to activities of exploration and exploitation of oil and gas and other precious natural resources.

(d) Further reduced to 17% with effect from 1 April 2020 (other than ring fence profits).

The rates above are headline rates of tax excluding dividend withholding tax, surcharges, cess or other state and local taxes, where applicable.

Please note that the corporate income tax rates above are based on our current understanding of the respective countries' corporate income tax. The chart above is for illustrative purposes only. You should confer with your respective tax advisors before relying on the information above to make any decisions.



Writing Down Allowance for Acquisition of Qualifying Intellectual Property Rights

Current

Under Section 19B of the ITA, companies and partnerships are granted writing down allowance ("WDA") on capital expenditure incurred in acquiring qualifying intellectual property rights ("IPRs") for use in their trade or business. The expenditure can be written down over 5, 10 or 15 years.

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

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

Proposed changes

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

Effective date

Qualifying acquisitions within the basis periods for YA 2021 to YA 2025.

Comments

- The extension of WDA for qualifying IPR acquisitions is a welcome move to continue building Singapore as an intellectual property hub.
- All other conditions for claiming WDA remain unchanged; in particular, the election to adopt the writing down period over 5, 10 or 15 years. Such an election, once made, is irrevocable. This condition may prove restrictive to certain taxpayers as the rate of the writing down allowance is locked-in at a fixed amount over a significant number of years once the election is made.

100% Investment Allowance under the Automation Support Package

Current

In Budget 2016, an Automation Support Package was introduced for a period of three years to support companies to automate, drive productivity and scale up. The package includes 100% Investment Allowance ("IA") support on the amount of approved capital expenditure, net of grants, on projects approved by Enterprise Singapore during 1 April 2016 to 31 March 2019. The approved capital expenditure is capped at $10 million per project.

Proposed changes

To maintain support to companies in their automation, productivity and scale-up efforts, the 100% IA measure under the Automation Support Package will be extended by two years, for projects approved by Enterprise Singapore from 1 April 2019 to 31 March 2021. The approved capital expenditure will remain capped at $10 million per project.

Effective date

Projects approved from 1 April 2019 to 31 March 2021.

Comments

- Since its launch in 2016, the Automation Support Package has helped a large number of businesses to leverage technology by automating their operations to raise productivity.
- The extension of the scheme reflects the Government's continued commitment to drive productivity and innovation and encourage more businesses to deploy impactful and large-scale automation technologies to pave the way for a Smart Nation.

Income Tax Concessions for Singapore-listed Real Estate Investment Trusts

Current

Singapore-listed Real Estate Investment Trusts ("S-REITs") are granted tax transparency if their trustees distribute at least 90% of their taxable income to unit holders in the same year in which the income is derived by the trustee.

S-REITs are granted the following income tax concessions, which are scheduled to lapse after 31 March 2020:

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

Proposed changes

- To continue to promote the listing of REITs in Singapore and strengthen Singapore's position as a REITs hub in Asia, the existing tax concessions for S-REITs will be extended till 31 December 2025.
- The sunset clause for the tax exemption on S-REITs distributions received by individuals will be removed.

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

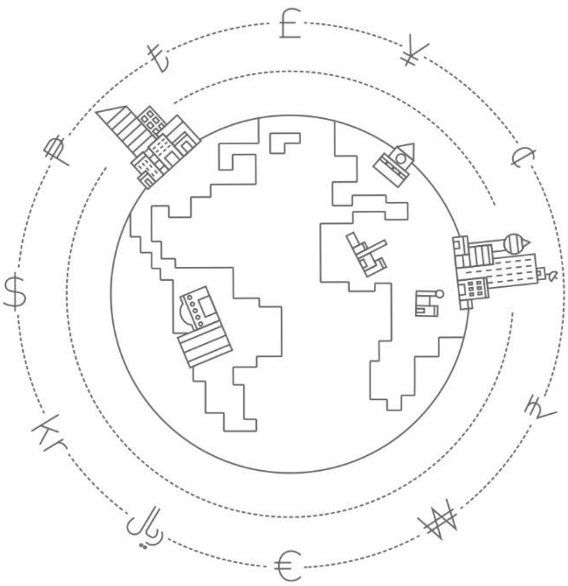
MAS will provide further details of the change by May 2019.

Effective date

- Tax concessions extended from 1 April 2020 to 31 December 2025.
- The sunset clause for the tax exemption for individuals will be removed from 1 April 2020.

Comments

- The extension of the 10% concessionary tax rate for non-tax resident non-individual investors would attract a continued inflow of foreign capital into Singapore to support the growth of our REITs industry.
- Extension of the tax exemption on qualifying foreign-sourced income up to 31 December 2025 will make it easier for REITs already listed on the SGX to grow their portfolio of overseas properties and encourage the listing of more foreign REITs on the SGX.
- The removal of the sunset clause for individuals will be well-received.



Income Tax Concessions for Singapore-listed Real Estate Investment Trusts Exchange-Traded Funds

Current

Singapore-listed Real Estate Investment Trusts Exchange-Traded Funds ("REITs ETFs") are granted the following income tax concessions:

- Tax transparency treatment on the distributions received by REITs ETFs from S-REITs, which are made out of the latter's specified income.
- Tax exemption on such REITs ETFs distributions received by individuals, excluding individuals who derive any distribution:
  - through a partnership in Singapore; or
  - from the carrying on of a trade, business or profession.
- 10% concessionary tax rate on such REITs ETFs distributions received by qualifying non-resident non-individuals.

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

Proposed changes

- The existing tax treatment accorded to REITs ETFs will be extended till 31 December 2025.
- The sunset clause will be removed for the tax exemption on REITs ETFs distributions received by individuals.

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

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

Effective date

- Tax concessions extended from 1 April 2020 to 31 December 2025.
- The sunset clause for the tax exemption for individuals will be removed from 1 April 2020.

Comments

- The extension of the income tax concessions on REITs ETFs is in line with the extension proposed for S-REITs.
- The removal of the sunset clause for individuals will be much welcome.

Enterprise Development Grant

Current

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

In general, SMEs can access up to 70% support while non-SMEs can access up to 50% support under the EDG. The support level for hardware/software, however, is lower (see Table below).

Areas of support	Support for SMEs	Support for non-SMEs
Eligible expenses (exclude hardware/software)	Up to 70%	Up to 50%
Hardware/software	Up to 50%	Up to 30%[1]

Proposed changes

- The EDG's enhanced support level of up to 70% will be extended for three more years, up to 31 March 2023. Support levels for the scheme after financial year 2022 are subject to review closer to the end of 2022.

  Without the extension of the enhanced support level, the support level for the EDG would have reverted to 50% after 31 March 2020.

- To ensure that the benefits of enterprise transformation are passed on to Singaporean workers, enterprises will also need to commit to outcomes for workers, such as wage increases, in order to qualify for the EDG, with effect from 1 April 2020.

Further details will be provided at a later date.

Enterprises can apply for the EDG through the Business Grants Portal.

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

Productivity Solutions Grant

Current

The Productivity Solutions Grant ("PSG"), which was announced in Budget 2018, aims to support enterprises in the adoption of pre-scoped, off-the-shelf productivity solutions and technologies. Depending on the sector which the PSG solution falls under, the support level (currently up to 70%) will drop to 50% after 31 March 2020.

To support firms in making the transition, the PSG support level of up to 70% will be extended to 31 March 2023.

Support levels after financial year 2022 are subject to review closer to the end of 2022.

Proposed changes

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

  This level of support will last until 31 March 2023.

- Enterprises applying for the training subsidy under the enhanced PSG must submit a training plan, which will be assessed. They will only be eligible for the training subsidy after their PSG application has been approved.

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

Enterprises can apply for PSG through the Business Grants Portal.

TAX INCENTIVES

Extension and Refinement of Tax Incentives Schemes for Funds Managed by Singapore-based Fund Managers

Current

Funds managed by Singapore-based fund managers ("Qualifying Funds") are granted the following tax concessions, subject to conditions:

- Tax exemption on specified income derived from designated investments; and
- Withholding tax exemption on interest and other qualifying payments made to non-resident persons (excluding permanent establishments in Singapore).

Qualifying Funds comprise the following:

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

The schemes for Qualifying Funds are scheduled to lapse after 31 March 2019.

Proposed changes

- Extension of Tax Incentive Schemes for Qualifying Funds

  To continue to grow Singapore's asset management industry, the tax concessions relating to Qualifying Funds will be extended till 31 December 2024.

Effective date

Extended from 1 April 2019 till 31 December 2024.

Comments

The pool of private equity and venture capital managers in Singapore has grown. MAS recently simplified the regulatory regime for venture capital managers. With the extension of the tax incentive schemes, it is yet another move in the right direction to attract and encourage more global private equity players to deepen their presence in Singapore.

Proposed changes

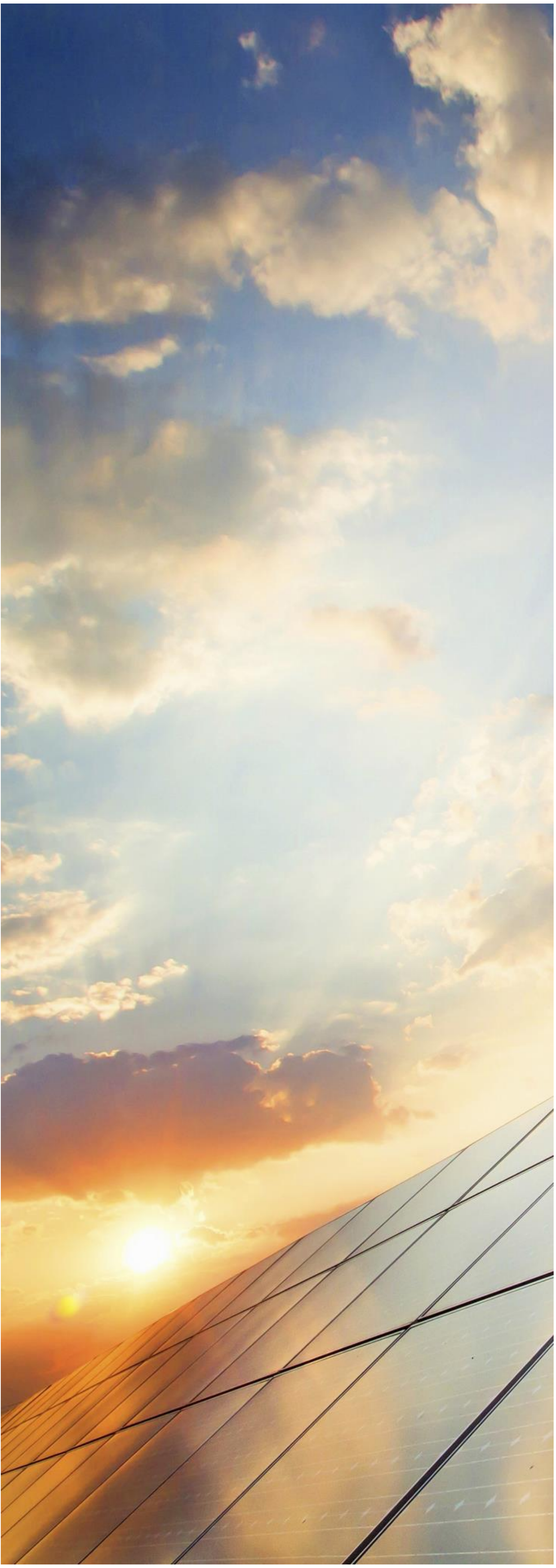
- Refinement of Tax Incentive schemes

  The sections 13CA, 13R and 13X schemes will also be refined to keep the schemes relevant and ease the compliance burden. The key refinements of these schemes are noted below.

Scheme	Current	Proposed changes and effective date
Basic tier funds (sections 13CA and 13R schemes)	▪ To qualify as a basic tier fund, a fund has to meet certain conditions, including not having 100% of the value of its issued securities beneficially owned, directly or indirectly, by Singapore persons[2].	*Proposed changes* ▪ The condition that a basic tier fund must not have 100% of the value of its issued securities beneficially owned, directly or indirectly, by Singapore persons[2] will be removed. *Effective date* The removal of this condition will take effect from YA 2020 instead of on or after 19 February 2019 to avoid subjecting existing funds to two different sets of conditions in the same basis period.
Enhanced tier funds (section 13X scheme)	▪ For enhanced tier funds approved as a collective structure, the master fund in the approved structure can have up to two tiers of SPVs. Such SPVs must be wholly-owned (directly or indirectly) by the master fund and can only take the form of companies. ▪ Separately, for real estate, infrastructure and private equity funds applying to be enhanced tier funds, the minimum fund size requirement to be met at the point of application may be determined based on the amount of committed capital ("committed capital concession").	*Proposed changes* The enhanced tier fund scheme will be enhanced to: ▪ include co-investments, non-company SPVs and more than two tiers of SPVs, ▪ allow debt and credit funds to access the "committed capital concession", and ▪ include managed accounts[3]. *Effective date* These enhancements will apply on and after 19 February 2019.

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

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



- Other enhancements applicable to Qualifying Funds:
  - The list of designated investments will be expanded by removing the counter-party and currency restrictions and including investments such as credit facilities and advances, and Islamic financial products that are commercial equivalents of designated investments. The condition for unit trusts to wholly invest in designated investments will be removed.
  - The list of specified income will be enhanced to include income in the form of payments that fall within the ambit of section 12(6) of the ITA.
  - Qualifying non-resident funds under sections 13CA and 13X will be able to avail themselves of the 10% concessionary tax rate applicable to qualifying non-resident non-individuals when investing in S-REITs and REITs ETFs.

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

Effective date

- The expansion and enhancement to the list of designated investments and specified income will apply to income derived on and after 19 February 2019.
- Qualifying non-resident funds under sections 13CA and 13X can avail themselves of the 10% concessionary tax rate for S-REITs and REITs ETFs distributions received during the period from 1 July 2019 to 31 December 2025.

Comments

- The proposed extension and enhancement of the schemes for Qualifying Funds would further strengthen Singapore's position as a leading financial hub for funds managed by Singapore-based fund managers.
- The removal of the condition that a basic tier fund must not have 100% of its issued securities beneficially owned, directly or indirectly, by Singapore persons is indeed a very welcome move. This would greatly ease the compliance burden and need for constant monitoring of investor movements by fund managers.

Lapse of Designated Unit Trust Scheme

Current

Under the Designated Unit Trust ("DUT") scheme, specified income derived by a unit trust with the DUT status is not taxed at the trustee level, but is taxable upon distribution in the hands of investors.

Qualifying foreign investors and individuals are exempt from tax on distributions made by a DUT.

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

Proposed changes

Tax incentive schemes are reviewed regularly to ensure their relevance.

- The DUT scheme will lapse after 31 March 2019. Funds in the form of unit trusts may apply for other tax incentives for funds.
- Existing DUTs will continue to receive the tax deferral benefits under the DUT scheme, on and after 1 April 2019, if they continue to meet all the conditions.

Effective date

The DUT scheme will lapse after 31 March 2019.

Lapse of Approved Unit Trust Scheme

Current

Under the Approved Unit Trust ("AUT") scheme, the trustee is taxed on its investment income, and 10% of the gains derived from the disposal of securities. The remaining 90% of the gains from the disposal of securities are instead taxed in the hands of the unit holders when distributed. Tax exemption is allowed on such distribution if the unit holder is:

- An individual resident in Singapore; or
- A person who is not resident in Singapore and has no permanent establishment in Singapore.

Proposed changes

Tax incentive schemes are reviewed regularly to ensure their relevance.

- The AUT scheme will lapse after 18 February 2019.
- Existing AUTs will continue to receive the tax concession under the AUT scheme for a period of five years from YA 2020 to YA 2024.

  This will allow existing AUTs sufficient time to transit to alternative tax incentive schemes, where relevant.

Effective date

The AUT scheme has lapsed after 18 February 2019.

GOODS AND SERVICES TAX

GST Remission for Singapore-listed Real Estate Investment Trusts and Singapore-listed Registered Business Trusts in the Infrastructure Business, Ship Leasing and Aircraft Leasing Sectors

Current

GST remission is granted to Singapore-listed Real Estate Investment Trusts ("S-REITs") and Singapore-listed Registered Business Trusts ("RBTs") in the infrastructure business, ship leasing and aircraft leasing sectors, to allow them to claim GST on the following, subject to conditions:

a) their business expenses, regardless of whether they hold underlying assets directly or indirectly through multi-tiered structures such as special purpose vehicles ("SPVs") or sub-trusts;

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

c) business expenses of financing SPVs mentioned in (b).

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

Proposed changes

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

All conditions for the GST remission remain the same.

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

Effective date

Extended from 1 April 2020 to 31 December 2025.

Comments

- Considering the REITs industry has performed positively over the past few years, extending the remission sends a strong message for industry players to still consider Singapore as a preferred listing destination (as compared to Hong Kong or China), as well as consolidates Singapore as a leading regional REITs hub and continues to push for growth of the RBTs.

- Taking into consideration the lower interest rate environment, as well as sound economic condition in Singapore, the extension will encourage continued growth and new listings as this would be one important aspect which industry players will consider when they evaluate the costs (including GST) of doing business in Singapore compared with other countries.

Recovery of GST for Qualifying Funds

Current

As a concession, Qualifying Funds that are managed by prescribed fund managers in Singapore are allowed, by way of remission, to claim GST incurred on expenses at a fixed recovery rate (see Table below) without the need to register for GST.

Period Covered	Fixed Recovery Rate
1 January to 31 December 2014	90%
1 January to 31 December 2015	88%
1 January to 31 December 2016	87%
1 January to 31 December 2017	88%
1 January to 31 December 2018	88%
1 January to 31 March 2019	87%

The concession is scheduled to lapse after 31 March 2019.

Proposed changes

To further grow Singapore as a centre for fund management and administration, the concession will be extended till 31 December 2024.

MAS will release further details of the change by May 2019.

Effective date

From 1 April 2019 to 31 December 2024.

Comments

- The extension provides a boost to Singapore as it pushes to grow as a leading and preferred hub for fund management and administration.
- It also enhances Singapore's position compared with regional countries, such as Japan and Hong Kong, for retaining and attracting top fund management companies to be based here.

Tighten the GST Import Relief for Travellers

Current

Travellers[4] who spend less than 48 hours outside Singapore get GST import relief for the first $150 of the value of goods bought overseas[5].

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

Proposed changes

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

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

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

Time Spent Outside Singapore	Value of Goods Granted GST relief	
	Current	New
Less than 48 hours	$150	$100
48 hours and above	$600	$500

Effective date

This took effect for travellers arriving in Singapore from 12.00am, 19 February 2019.

Comments

The reduced GST import relief could potentially swing travellers towards supporting local retailers for categories of goods worth above $500 considering the neutral disparity in prices, including GST. The level playing field could provide a boost to the local retail industry, particularly retailers involved in luxury goods and electronics.

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

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

PERSONAL INCOME TAX

Personal Income Tax Rates

Current

For Singapore tax residents, the income tax rates currently range from 0% for the first $20,000 of chargeable income to 22% for chargeable income in excess of $320,000.

Comments

No changes were announced on the personal income tax rates.

The personal income tax rates for YA 2019 are reflected in the Table below.

Personal Income Tax Rates for Year of Assessment 2019

	Chargeable Income $	Tax Rate %	Tax Payable $
On the first	20,000	0	0
On the next	10,000	2.0	200
On the first	30,000		200
On the next	10,000	3.5	350
On the first	40,000		550
On the next	40,000	7.0	2,800
On the first	80,000		3,350
On the next	40,000	11.5	4,600
On the first	120,000		7,950
On the next	40,000	15.0	6,000
On the first	160,000		13,950
On the next	40,000	18.0	7,200
On the first	200,000		21,150
On the next	40,000	19.0	7,600
On the first	240,000		28,750
On the next	40,000	19.5	7,800
On the first	280,000		36,550
On the next	40,000	20.0	8,000
On the first	320,000		44,550
In excess of	320,000	22.0	

Personal Income Tax Rebate for Resident Individual Taxpayers for YA 2019

Current

There is no personal income tax rebate.

Proposed changes

As part of the Bicentennial Bonus, a personal income tax rebate of 50% of tax payable will be granted to all tax resident individuals for YA 2019 (i.e. for income earned in 2018).

The rebate will be capped at $200 per taxpayer.

Effective date

YA 2019

Comments

The $200 tax rebate is among the lowest given to taxpayers compared with all the personal tax rebates granted previously. Tax resident individuals with chargeable income of at least $35,715 will be able to enjoy the full benefit of the $200 personal income tax rebate.

Grandparent Caregiver Relief

Current

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

Proposed changes

To provide greater support and recognition to working mothers with handicapped and unmarried dependent children, taxpayers may claim Grandparent Caregiver Relief in respect of an unmarried dependent handicapped (incapacitated by reason of physical or mental infirmity) child, regardless of the child's age, if they have met all other conditions.

Effective date

From YA 2020

Comments

Currently, the Grandparent Caregiver Relief is granted in respect of any child, whether handicapped or not, who is aged 12 or below provided all the conditions are met.

The removal of the age limit allows the claim for Grandparent Caregiver Relief in respect of an unmarried dependent handicapped (incapacitated by reason of physical or mental infirmity) child, regardless of his/her age, provided all the other conditions are met. This truly reflects the Government's recognition that a higher level of financial support is needed for working mothers to care for such dependents.

Lapse of the Not Ordinarily Resident Scheme

Current

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

- Time apportionment of Singapore employment income, whereby he/she would not be subject to tax on the portion of his/her Singapore employment income that corresponds to the number of days he/she has spent outside Singapore for business reasons pursuant to his/her Singapore employment.
- Tax exemption of his/her employer's contribution to a non-mandatory overseas pension or provident fund.

Proposed changes

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

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

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

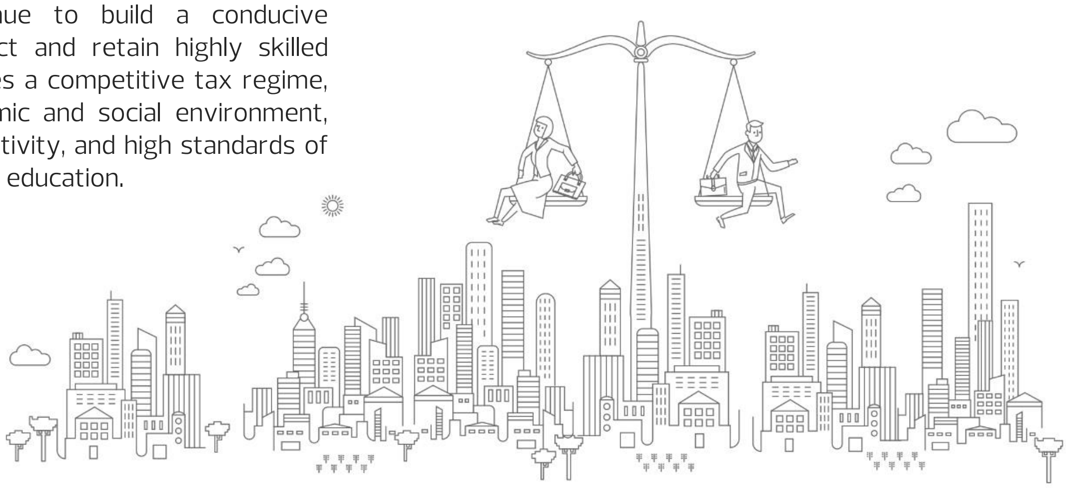
Singapore will continue to build a conducive environment to attract and retain highly skilled individuals. This includes a competitive tax regime, stable political, economic and social environment, strong regional connectivity, and high standards of healthcare, housing and education.

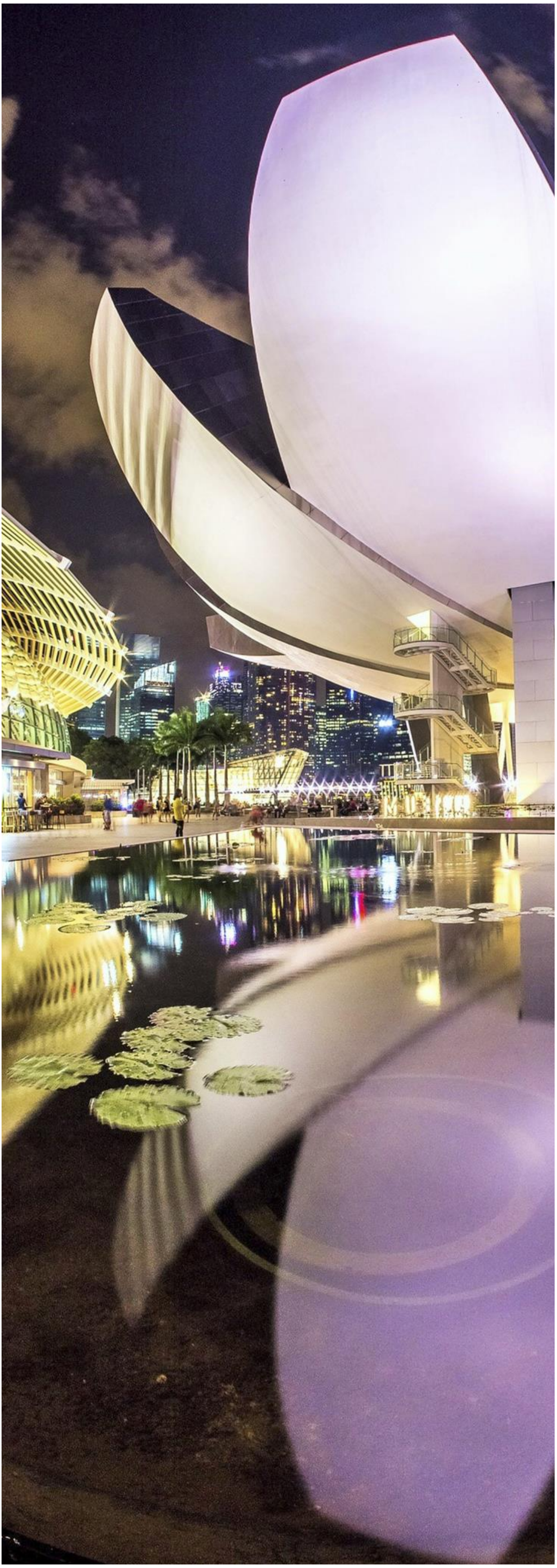
Effective date

The scheme will lapse after YA 2020.

Comments

- Singaporean employees nowadays also travel extensively in their line of work. Most if not all such Singaporean employees would not qualify for the NOR tax concessions. Hence, the NOR scheme is typically viewed as favouring foreigners over our own Singaporean employees.
- The lapse of the scheme provides a level playing field for local talents and opens up opportunities for Singaporeans to assume regional and global roles as without the NOR benefits, such regional or global positions may prove less attractive for foreigners to relocate to Singapore.





Tighten the Duty-Free Allowance for Liquor Products

Current

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

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

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

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

Proposed changes

The total duty-free allowance will be two litres, with the maximum duty-free allowance for spirits remaining at one litre.

This will take effect on and after 1 April 2019.

The revised duty-free allowance options are summarised below.

Option	Spirits	Wine	Beer
A	1 litre	1 litre	–
B	1 litre	–	1 litre
C	–	1 litre	1 litre
D	–	2 litres	–
E	–	–	2 litres

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

Effective date

On and after 1 April 2019.

MISCELLANEOUS

Restructure of Diesel Taxes

Current

Currently, an excise duty of $0.10 per litre is imposed on diesel fuel conforming to the standard for sulphur for such diesel fuel specified in Part 1 of the Eighth Schedule to the Environmental Protection and Management (Vehicular Emissions) Regulations (Cap 94A, Rg 6).

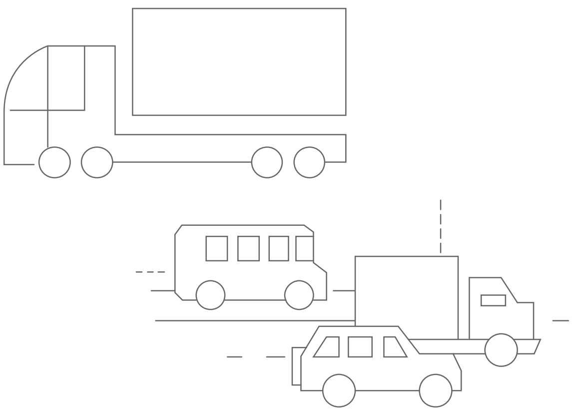
There is also a lump sum special tax on diesel cars and taxis.

- Diesel Cars

Emission Standard	Special Tax Rate (Every six months)
Pre-Euro IV compliant	6 times the Road Tax of an equivalent petrol-driven car less $50
Euro IV compliant	$0.625 per cc, less $50, subject to a minimum payment of $575
Euro V or JPN2009 compliant	$0.20 per cc, less $50, subject to a minimum payment of $150

- Diesel Taxis

$2,125 every 6 months



Proposed changes

With effect from 18 February 2019, the excise duty on diesel fuel will be increased to $0.20 per litre.

The annual special tax will be permanently reduced for diesel cars and taxis by $100 and $850 respectively.

- Diesel Cars

Emission Standard	Special Tax Rate (Every six months)
Pre-Euro IV compliant	6 times the Road Tax of an equivalent petrol-driven car less $100
Euro IV compliant	$0.625 per cc, less $100, subject to a minimum payment of $525
Euro V or JPN2009 compliant	$0.20 per cc, less $100, subject to a minimum payment of $100

- Diesel Taxis

$1,700 every 6 months

The revised special tax rates will take effect from 18 February 2019. If the special tax of a vehicle has been renewed beyond 18 February 2019 based on the existing special tax rates, the excess payment from 18 February 2019 will be used to offset road tax payable at the next renewal, or offset the transfer fee payable if the vehicle is transferred before the next road tax renewal.

Effective date

From 18 February 2019

Offset Measures for Commercial Diesel Vehicles

Current

- At Budget 2017, three years of road tax rebates were provided for commercial diesel vehicles:

Period	Road Tax Rebate
1 August 2017 – 31 July 2018	100%
1 August 2018 – 31 July 2019	75%
1 August 2019 – 31 July 2020	25%

- At Budget 2017, in addition to the three-year road tax rebates, three years of cash grants were provided for diesel school buses:

Period	Cash Grants
1 August 2017 – 31 July 2018	$1,400
1 August 2018 – 31 July 2019	$700
1 August 2019 – 31 July 2020	$350

- At Budget 2017, in addition to the three-year road tax rebates, three years of cash grants were provided for eligible diesel private hire and excursion buses that ferry students:

Period	Cash Grants
1 August 2017 – 31 July 2018	Up to $1,500
1 August 2018 – 31 July 2019	Up to $800
1 August 2019 – 31 July 2020	Up to $450

To be eligible for the cash grants, these buses must have ferried students continuously for at least six months. The cash grants will be pro-rated based on the number of days these buses have ferried students in the respective time period.

Proposed changes

- To cushion the impact of the increase in diesel duty in Budget 2019, three years of road tax rebates will be provided for commercial diesel vehicles:

Period	Road Tax Rebate
1 August 2019 – 31 July 2020	100%*
1 August 2020 – 31 July 2021	75%
1 August 2021 – 31 July 2022	50%

* This will supersede the road tax rebate of 25% announced at Budget 2017.

- In addition to the three-year road tax rebates, diesel school buses will be given yearly cash grants to ease the impact of diesel duty on school bus fees:

Period	Cash Grants
1 August 2019 – 31 July 2020	$1,600*
1 August 2020 – 31 July 2021	$800
1 August 2021 – 31 July 2022	$400

* This will supersede the cash grant of $350 announced at Budget 2017.

The cash grants will be disbursed by LTA every six months.

- In addition to the three-year road tax rebates, eligible diesel private hire and excursion buses that ferry students will also be given cash grants to ease the impact of diesel duty on school bus fees:

Period	Cash Grants
1 August 2019 – 31 July 2020	Up to $1,800*
1 August 2020 – 31 July 2021	Up to $900
1 August 2021 – 31 July 2022	Up to $500

* This will supersede the cash grant of up to $450 announced at Budget 2017.

To be eligible for the cash grants, these buses must have ferried students continuously for at least six months. The cash grants will be pro-rated based on the number of days these buses have ferried students in the respective time period.

The cash rebates will be disbursed by LTA when the buses' road tax is renewed.

Dependency Ratio Ceiling and Foreign Worker Levy

- Reduction in Dependency Ratio Ceiling ("DRC")

  DRC will remain unchanged for all sectors except the Services sector.

Sector	Current	Changes
DRC		
Manufacturing	60%	None
Services	40%	38% from 1 January 2020 and 35% from 1 January 2021[6]
Construction	87.5%	None
Process	87.5%	None
Marine Shipyard	77.8%	None
S Pass sub-DRC		
Services	15%	13% from 1 January 2020 and 10% from 1 January 2021[6]
All Other Sectors	20%	None

- Foreign Worker Levy

  The Foreign Worker Levy rates will remain unchanged for all sectors. The earlier announced Foreign Worker Levy increases for the Marine Shipyard and Process sectors will be deferred for another year.

Sector / Pass Types	Tier	DRC	Levy Rates ($) (R1/R2)		
			1 Jul 2018	**1 Jul 2019**	**1 Jul 2020**
S-Pass	Basic Tier	≤ 10%	330	330	To be announced in 2020
	Tier 2	10-20%	650	650	
Construction WPH	Basic Tier	≤ 87.5%	300/700	300/700	300/700
	MYE-Waiver		600/950	600/950	600/950
Services WPH	Basic Tier	≤ 10%	300/450	300/450	To be announced in 2020
	Tier 2	10-25%	400/600	400/600	
	Tier 3	25-35%	600/800	600/800	
Marine Shipyard WPH	Basic Tier	≤ 77.8%	300/400	300/400	
Process WPH	Basic Tier	≤ 87.5%	300/450	300/450	
	MYE-Waiver		600/750	600/750	
Manufacturing WPH	Basic Tier	≤ 25%	250/370	250/370	
	Tier 2	25-50%	350/470	350/470	
	Tier 3	50-60%	550/650	550/650	

[6] When a DRC or a sub-DRC cut is implemented, firms will not be able to renew work passes of foreign workers that have exceeded the revised DRC or sub-DRC. However, for the foreign workers above the DRC/sub-DRC limits, firms can retain them until their work passes expire to avoid disrupting existing operations.

Special Employment Credit and Additional Special Employment Credit

Current

The Special Employment Credit ("SEC") was first introduced in Budget 2011. It provides employers with wage offsets for hiring Singaporean workers aged 55 and above, earning up to $4,000 a month.

In Budget 2016, the SEC was modified and extended for three years, from 1 January 2017 to 31 December 2019, to provide employers with wage offsets of up to 8% for hiring Singaporean workers aged 55 and above earning up to $4,000 a month.

To encourage employers to voluntarily re-employ Singaporeans above the re-employment age, an Additional Special Employment credit ("ASEC") was introduced in Budget 2015. The ASEC was subsequently extended in Budget 2017 until 31 December 2019. Employers who hire eligible workers with a monthly wage of up to $4,000 will receive an ASEC of 3%. A lower ASEC applies for a monthly wage limit between $3,000 and $4,000.

Taken together, employers could potentially receive total wage offsets of up to 11% under the SEC and ASEC in respect of wages paid for their eligible older workers.

Proposed changes

The SEC and ASEC will be extended for another year to 31 December 2020.

Persons with Disabilities

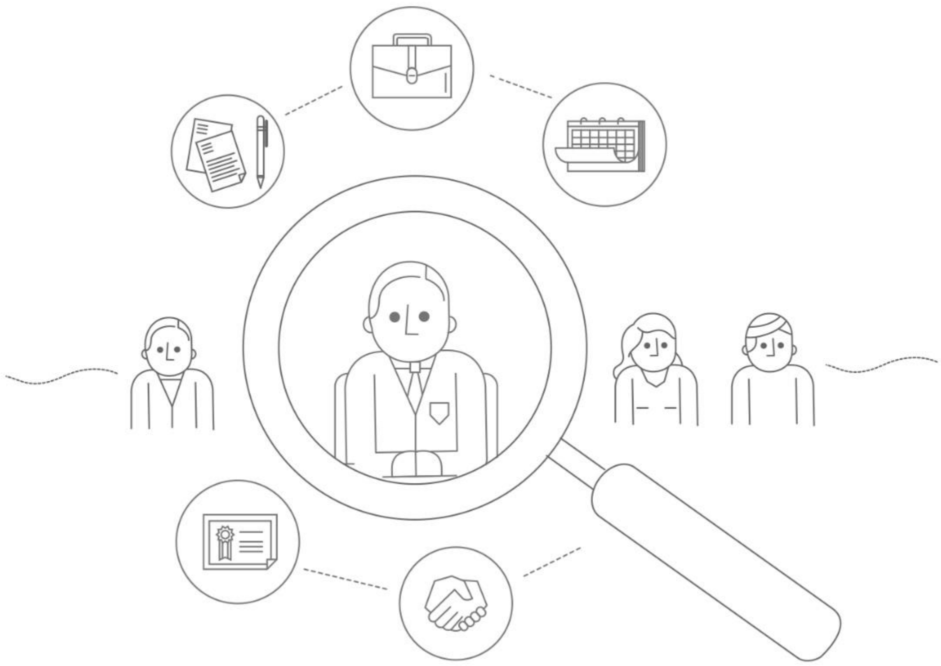
Current

To support employment of Persons with Disabilities ("PWDs"), the SEC and ASEC are extended to employers who hire Singaporean PWDs, regardless of their age.

For PWDs who are aged below the re-employment age, the SEC wage offset is up to 16%, for earnings up to $4,000 per month. For those PWDs who are above the re-employment age, the ASEC wage offset is up to 22%, for earnings up to $4,000 per month.

Proposed changes

The one-year extension of the SEC and ASEC until 31 December 2020 also applies to employers who hire PWDs.

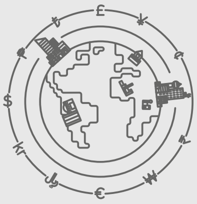


ABBREVIATIONS

GST	Goods and Services Tax
ITA	Income Tax Act
LTA	Land Transport Authority
MAS	Monetary Authority of Singapore
MNCs	Multinational Corporations
SGX	Singapore Exchange Limited
SMEs	Small and Medium-sized Enterprises
SPVs	Special Purpose Vehicles
YA	Year of Assessment

TAX SERVICES

International Tax Advisory and Tax Compliance

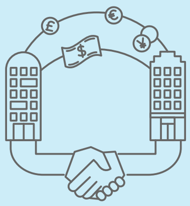


- Cross-border Tax Structuring and Planning
- Corporate Group Restructuring
- Tax Due Diligence
- Funds Structuring
- Tax Investigation and Audit
- Tax Incentive and Advance Tax Ruling Applications
- Corporate Income Tax Compliance Services
- Personal Income Tax Compliance and Global Mobility Services
- Private Client / Family Wealth Tax Advisory Services

Goods & Services Tax

- Assisted Compliance Assurance Programme Review ("ACAP")
- Assisted Self-help Kit Review ("ASK")
- GST Health Check
- GST Guidebook and Tax Code Analysis
- Due Diligence Review for Mergers and Acquisitions and IPO
- GST Scheme Certifications (i.e. MES, ACMT, IGDS, AISS, AFMT, ARCS)
- GST Consulting and Advisory
- GST Analytics

Transfer Pricing



- Singapore Compliance Documentation
- BEPS 3-tiered Documentation – CbCR, Master File and Local File
- Strategy and Policy Development
- Transfer Pricing Planning and Tax-efficient Value Chain Transformation
- Risk Assessment and Controversy Management
- Due Diligence in relation to Potential Acquisitions
- Transfer Pricing Audit Defence
- Advanced Pricing Arrangements and Rulings

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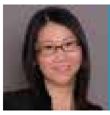

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ABOUT RSM in Singapore

Largest accounting & business advisory group outside Big 4

Member of RSM International, **world's 7th largest** global audit, tax and consulting network

Over **1,200** professionals in Singapore and China

> 30 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 they derive from us:

Client-centric service

- Industry specialisations and expertise
- High 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

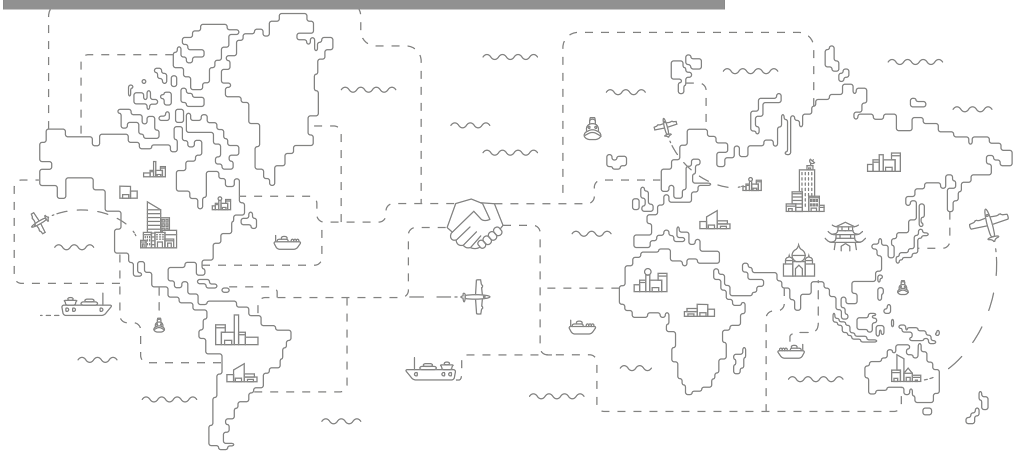
High quality standards

- First CPA firm certified to meet ISO 9001:2008 (now ISO 9001:2015) standards
- SSAE 18 Compliant
- Ranked as a leading tax firm in Singapore by World Tax (a Euromoney publication) since 2006
- Registered with the Public Company Accounting Oversight Board

Global reach for internationalisation needs

RSM International

41,000 staff **750** offices **116** countries



GROWING WITH YOU

	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	• Cash Flow Management • Accounting & Payroll Setup • ACRA & IRAS Filing • Cloud Solutions Advisory in Accounting & IT • PayDay! Systems	• Profit Improvement • Contract Staffing • Accounting & IT Outsourcing • Payroll & HR Outsourcing • IT Managed Services • Corporate Secretarial & Advisory • Data Analytics • CFO2SME™	• International Tax Planning • Business & Market Entry Advisory • Internationalisation • Risk Management • Security & Mobility • M&A • Transaction Support • Valuation • Operational Intelligence • Executive Search

Growing with you

Other Services

Compliance/ Governance

Tax Compliance

• Corporate & Personal Tax • Transfer Pricing • GST

Audit

• Financial Due Diligence • Reporting Accountants • Special Reviews
• Statutory Audit • Regulatory Compliance Reporting

Advisory

Corporate Advisory

• Business Grooming / Planning • Merger & Acquisition Advisory
• Transaction Support • Valuation Advisory

Business Consulting

• Digital Trust • Technology Risk & Cyber Security
• Private Client / Family Wealth Tax Advisory • International Tax Advisory • Data Analytics
• Data Privacy & Security • Performance Improvement • Governance Consulting
• Risk Consulting • Succession Planning • Regulatory Compliance
• Sustainability Reporting • Business Process Advisory

Restructuring & Forensics

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

Business Solutions

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

ONE STOP TO INTERNATIONALISE

Whether you are considering expansion beyond your country or already in multiple locations,

- You want to go to market and grow your business, fast.
- You need the peace of mind to tackle the new market and customers, and not be encumbered by the complex web of regulatory obligations in various jurisdictions.
- You want to minimise business risk and tax exposure in your overseas ventures.

RSM is your first stop for cost-effective internationalisation solutions. We work closely with experts on the ground to ensure that you start right and help you abide as good corporate citizens wherever you are. We can also pre-empt you on considerations that might impact your business and profitability.

Expansion Advisory

In your internationalisation plan, starting with the right structure to meet your business goals is of utmost importance. We are able to assist in the following:

- Advice on tax-effective shareholding and sales structures
- Incorporation of local and offshore companies
- Setting up representative or branch offices
- Application for business licences and work passes
- Facilitation on local accounting, payroll and other business support

Compliance Advisory

Businesses that lack the requisite managerial time and expertise to deal with internationalisation needs may do well to organise their compliance early. We can be your independent compliance partner to give you peace of mind to run your business. This means:

- You save time in not dealing with various professionals in different countries
- You minimise the risk of non-compliance or missed statutory filing requirements
- Your business stays up to date with constant regulatory changes
- Your staff need not learn and relearn the technicalities of doing business in various jurisdictions

Tax Advisory

As an astute businessman, you want to minimise your tax exposure globally, and ensure that all possible incentives and treaty benefits are obtained. Our multidisciplinary experts in corporate tax, international tax planning and transfer pricing can help in:

- Tax planning for cross-border investments and transactions, including considerations on the OECD's proposals regarding Base Erosion and Profit Shifting ("BEPS")
- Transfer pricing advisory and documentation
- Tax planning for expatriates
- Efficient structuring of employment packages

Risk Management & Advisory

Overseas growth prospects may attract risks and other concerns beyond what one may be accustomed to. How can you safeguard the value and reputation of your business when operating overseas? Can you manage and respond to a wider spectrum of business risks? Our Risk Management and Advisory specialists can assist in performing:

- Optimisation of corporate governance structure to improve governance effectiveness
- Deployment of anti-bribery and anti-corruption programmes, including alignment of practices and training to your extended workforce
- Enterprise-wide risk advisory to assess the broader risk environment to deal with more uncertainty and disruption
- Internal control advisory, including review engagements, optimisation, streamlining and alignment initiatives

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 experts below:

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