Singapore Budget 2019

Highlights of Proposed Tax Changes

Contents

Tax Changes for Businesses

1. Extending the Writing-Down Allowance ("WDA") for acquisition of Intellectual Property Rights ("IPRs")

Current

WDA is granted under section 19B of the Singapore Income Tax Act ("SITA") to companies which incur capital expenditure on the acquisition of qualifying IPRs[1] up to the basis period for the Year of Assessment (YA) 2020. An irrevocable election can be made to claim the WDA granted over 5, 10, or 15 years.

Proposed

The WDA under section 19B will be extended to apply to capital expenditure incurred on qualifying IPRs acquired during the basis periods for the YsA 2021 to 2025.

[1] Qualifying IPRs include 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.

2. Extending the Investment Allowance ("IA") under the Automation Support Package

Current

The IA under the Automation Support Package, which was introduced during the Budget 2016, provides companies 100% financial support for approved capital expenditure (net of grants) incurred on projects approved by Enterprise Singapore in the three-year period from 1 April 2016 to 31 March 2019 (both dates inclusive). The approved capital expenditure is capped at S$10 million per project.

Proposed

The IA under the Automated Support Package will be extended by two years, i.e. for approved capital expenditure on projects approved by Enterprise Singapore in the period from 1 April 2019 and 31 March 2021, both dates inclusive.

The approved capital expenditure cap per project of S$10 million will remain.

3. Extending the income tax concessions for Singapore-listed Real Estate Investment Trusts ("S-REITs")

Current

(a) Tax transparency treatment can apply to S-REITs if their trustees distribute at least 90% of their taxable income to unitholders in the same year in which the income is derived by the trustee.

(b) S-REITs are granted the following income tax concessions:

(i) Tax exemption on S-REITs distribution 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;

(ii) 10% concessionary income tax rate for S-REITs distributions received by non-resident non-individual investors; and

(iii) 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 or before 31 March 2020 by the trustee of the S-REITs or its wholly-owned Singapore resident subsidiary company.

The tax concessions in (b) are scheduled to lapse after 31 March 2020.

Proposed

The above tax concessions will be extended till 31 December 2025.

The sunset clause for the tax concession described in item (b)(i) will be removed.

All other conditions for the income tax concessions remain unchanged.

Further details will be released by the Monetary Authority of Singapore ("MAS") by May 2019.

4. Extending the income tax concessions for Singapore-listed Real Estate Investment Trusts Exchange-Traded Funds ("REITs ETFs")

Current

REITs ETFs are granted the following income tax concessions:

(a) Tax transparency treatment on the distributions received by REITs ETFs from S-REITs, which are distributed out of the latter's specified income;

(b) 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; and

(c) 10% concessionary tax rate on such REITs ETFs distributions received by qualifying non-resident non-individuals.

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

Proposed

The above tax concessions will be extended till 31 December 2025.

The sunset clause for the tax concession described in item (b) will be removed.

All other conditions for the income tax concessions remain unchanged.

Further details will be released by the MAS by May 2019.

5. Extending the GST remission for S-REITs and Singapore-listed Registered Business Trusts ("RBTs") in specified sectors

Current

GST remission is granted to S-REITs and RBTs carrying on qualifying businesses, namely infrastructure business, ship leasing ad aircraft leasing to allow them to claim the GST incurred on the following (subject to conditions):

(a) 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) 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

The GST remission will be extended till 31 December 2025.

All other conditions for the GST remission remain the same.

Further details will be released by the MAS by May 2019.

6. Extending and refining the tax incentive schemes for funds managed by Singapore-based fund managers ("Qualifying Funds")

Current

Qualifying Funds may enjoy the following tax concessions, subject to conditions:

(a) Tax exemption on specified income ("SI") derived from designated investments ("DI"); and

(b) Withholding tax exemption on interest and other qualifying payments made to non-resident persons (excluding Singapore permanent establishments).

In this context, Qualifying Funds are:

(a) Basic tier funds (referable to the sections 13CA and 13R schemes under the SITA); and

(b) Enhanced tier funds (referable to the section 13X scheme under the SITA).

One of the conditions for a basic tier fund is that the fund should not have 100% of the value of its issued securities beneficially owned (directly or indirectly) by Singapore persons[2].

For funds approved as a collective structure under section 13X, the master fund can have up to two tiers of special purpose vehicles ("SPVs"). Further, the master fund must wholly own (directly or indirectly) such SPVs, and these SPVs can only be in the form of companies.

Separately, for real estate, infrastructure and private equity funds seeking section 13X benefits, 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").

The above tax incentive schemes are scheduled to lapse after 31 March 2019.

Proposed

The tax concessions referable to Qualifying Funds will be extended till 31 December 2024, along with the following key refinements:

(a) 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 will be withdrawn. This will be effective from the YA 2020.

(b) Applicable on and after 19 February 2019, the enhanced tier fund will be upgraded to:-

   (i) include co-investments, non-company SPVs and more than two tiers of SPVs;
   (ii) allow debt and credit funds to access the "committed capital concession"; and
   (iii) include managed accounts[3].

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[2] The definition includes persons who are Singapore citizens, residents of Singapore or permanent establishments in Singapore.
[3] This refers to a dedicated investment account where an investor places funds directly with a fund manager without using a separate fund vehicle.

(c) The list of DI will be broadened to include investments such as credit facilities and advances, and Islamic financial products that are commercial equivalents of DI. Further, counter-party and currency restrictions will be removed. The requirement for unit trusts to wholly invest in DI will also be eliminated. These enhancements apply to income derived on and after 19 February 2019.

(d) The list of SI will also be enhanced to include income in the form of payments that fall within section 12(6) of the SITA. This enhancement will apply to income derived on and after 19 February 2019.

(e) Qualifying non-resident funds under sections 13CA and 13X can enjoy the 10% concessionary tax rate (applicable to qualifying non-resident non-individuals) when investing in S-REITs and REITS ETFs. This is applicable to S-REITs and REITs ETFs distributions made during the period from 1 July 2019 to 31 December 2025.

Further details will be released by the MAS by May 2019.

7. Extending the GST remission for Qualifying Funds

Current

GST remission is granted to Qualifying Funds that are managed by a prescribed fund manager in Singapore to allow Qualifying Funds to claim the GST incurred on expenses at an annual fixed recovery rate.

The GST remission is scheduled to lapse after 31 March 2019.

Proposed

The GST remission will be extended till 31 December 2024.

Further details will be released by the MAS by May 2019.

8. Allowing the Designated Unit Trust ("DUT") scheme to lapse

Current

Under this scheme, specified income derived by a unit trust with the DUT status is not taxed at the trustee level. In turn, the corresponding distributions are taxable in the hands of the investors although qualifying foreign investors and individuals[4] are exempt from tax on distributions made by a DUT.

The scheme is scheduled to lapse after 31 March 2019.

Proposed

The DUT scheme will be allowed to lapse after 31 March 2019. Funds in the form of unit trusts may apply for other tax incentives for funds.

From 1 April 2019, existing DUTs that continue to meet all the conditions under the DUT scheme can still enjoy the tax deferral benefits under the scheme.

[4] Unless such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

9. Allowing the Approved Unit Trust ("AUT") scheme to lapse

Current

Under this scheme, the trustee is taxed on its investment income, and on 10% of the gains derived from the disposal of securities. The balance 90% of the gains from the disposal of securities are instead taxed in the hands of the unit holders when distributed. Tax exemption applies on such distribution if the unit holder is:

(a) A Singapore resident individual; or

(b) A person who is not resident in Singapore and has no permanent establishment in Singapore.

Proposed

The scheme will be allowed to lapse after 18 February 2019.

Existing AUTs can continue to avail of the tax concession under the scheme, from the YA 2020 to YA 2024.

10. Revoking the Property Tax (Tourist Projects) Order

Current

Under the Order, the annual value of the premises of an approved tourist project in any year during a period of five years from the date of the completion of the buildings in the premises, is computed based on 6% of the gross receipts from the premises during the preceding calendar year.

Enacted

The Order was revoked on 19 February 2019.

Tax Changes for Individuals

1. Personal income tax rebate

Current

There is no personal income tax rebate for the YA 2019.

Proposed

Individuals who are resident in Singapore for income tax purposes will enjoy a personal income tax rebate of 50% of tax payable (capped at S$200) for the YA 2019.

2. Tightening the GST import relief for travellers

Current

Travellers who spend less than 48 hours outside Singapore currently enjoy a GST import relief of S$150 of the value of goods bought abroad. Travellers who spend 48 hours or more outside Singapore enjoy a GST import relief of S$600.

Enacted

With effect from 19 February 2019, the GST import relief has been reduced to S$100 (instead of S$150) for travellers who spend less than 48 hours outside Singapore and S$500 (instead of S$600) for travellers who spend 48 hours or more outside Singapore.

3. Tightening the duty-free allowance for liquor products

Current

Travellers are entitled to three litres of duty-free allowance (with the maximum allowance for spirits being capped at one litre) on liquor products, on condition that the following are all met:

- Traveller is at least 18 years old;
- Traveller spent at least 48 hours outside Singapore prior to arrival;
- Traveller must not arrive from Malaysia;
- The liquor must be for traveller's own consumption; and
- The liquor must not be restricted from import into Singapore.

The three litres of duty-free allowance can be made up of the following:

Combination	Spirits (litre)	Wine (litre)	Beer (litre)
1	1	1	1
2	-	2	1
3	-	1	2

Proposed

With effect from 1 April 2019, the duty-free allowance will be reduced from three litres to two litres (with the maximum allowance for spirits still being capped at one litre) and the above conditions will remain unchanged.

The two litres of duty-free allowance can be made up of the following:

Combination	Spirits (litre)	Wine (litre)	Beer (litre)
1	1	1	-
2	1	-	1
3	-	1	1
4	-	2	-
5	-	-	2

4. Enhancing the Grandparent Caregiver Relief ("GCR")

Current

A tax resident working mother (who is married, divorced or widowed) is eligible to claim the GCR of up to S$3,000 in respect of one of her parents, grandparents, parents-in-law or grandparents-in-law on condition that:

(a) Her parent, grandparent, parent-in-law or grandparent-in-law (including that of ex-spouse) was:

- (i) living in Singapore;
- (ii) looking after any of her children who is at most 12 years old and is a Singapore citizen at any time during the relevant year; and
- (iii) not working nor carrying on any trade, business, profession or vocation during the relevant year.

(b) No GCR in respect of the same caregiver is claimed by another taxpayer.

Proposed

With effect from the YA 2020, the GCR will be extended to apply in the case of a handicapped and unmarried dependent child of any age. All other conditions continue to apply.

5. Allowing the Not Ordinarily Resident ("NOR") scheme to lapse

Current

An individual who applies for and is accorded the NOR status can enjoy the following tax concessions, subject to specified conditions:

(a) Time apportionment of Singapore employment income, whereby the individual is not taxed on the portion of his Singapore employment income that relates to the number of days that he has spent outside Singapore for business reasons pursuant to his Singapore employment; and

(b) Tax exemption of employer's contribution to a non-mandatory overseas pension or provident fund.

Proposed

The scheme will be allowed to lapse after the YA 2020. The last YA for an eligible individual to obtain the NOR status will be YA 2020 (the basis period being the calendar year 2019) and the tax concessions will be available until the NOR status expires in the YA 2024.

Other Tax Changes

1. Restructuring diesel taxes

Current

For diesel fuel that conform to the specified sulphur content standards, excise duty was previously imposed at the rate of S$0.10 per litre.

Special Tax is levied on diesel cars and taxis every year at the following rates:

(a) Diesel cars

Emission standard	Special tax rate (per six months)
Pre-Euro IV compliant	6 times the road tax of an equivalent petrol-driven car
Euro IV compliant	S$0.625 per cc
Euro V or JPN2009 compliant	S$0.20 per cc

(b) Diesel taxis

Special tax of S$2,125 is levied every 6 months.

The annual special taxes imposed on diesel cars and taxis was permanently reduced by S$100 and S$850 respectively during the Budget 2017.

Proposed / Enacted

In line with the continuous effort to reduce vehicular emissions, diesel taxes have been increased to S$0.20 per litre with effect from 5:45pm on 18 February 2019.

To cushion the impact of increased diesel taxes, the annual special taxes levied on diesel cars and taxis have been further reduced permanently by S$100 and S$850 respectively with effect from 18 February 2019.

2. Offset measures for commercial diesel vehicles

With the increase in excise duties for diesel, road tax rebates and cash grants will be enhanced and extended till 31 July 2022 as follows:

Road tax rebate

Period	Rebate	
	Current (%)	Proposed (%)
1 August 2017 to 31 July 2018	100	Not applicable
1 August 2018 to 31 July 2019	75	Not applicable
1 August 2019 to 31 July 2020	25	100 *
1 August 2020 to 31 July 2021	Not applicable	75
1 August 2021 to 31 July 2022	Not applicable	50

* In place of the current 25%.

School buses

Period	Cash grants	
	Current (S$)	Proposed (S$)
1 August 2017 to 31 July 2018	1,400	Not applicable
1 August 2018 to 31 July 2019	700	Not applicable
1 August 2019 to 31 July 2020	350	1,600 *
1 August 2020 to 31 July 2021	Not applicable	800
1 August 2021 to 31 July 2022	Not applicable	400

* In place of the current S$350.

Private hire and excursion buses

Private hire and excursion buses that have ferried students for a continuous period of at least six months during the qualifying period will qualify for the maximum cash grant as follows:

Period	Cash grants (up to)	
	Current (S$)	Proposed (S$)
1 August 2017 to 31 July 2018	1,500	Not applicable
1 August 2018 to 31 July 2019	800	Not applicable
1 August 2019 to 31 July 2020	450	1,800 *
1 August 2020 to 31 July 2021	Not applicable	900
1 August 2021 to 31 July 2022	Not applicable	500

* In place of the current S$450.

Otherwise, the respective grant amounts would be pro-rated accordingly.

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