Singapore Budget 2024: Key Highlights

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Building Our Shared Future Together

A Budget truly for everyone

"Simplicity is the ultimate sophistication," said Leonardo da Vinci.

It means that keeping things simple is really the smart way. This is exactly what we saw in Singapore Budget 2024.

This year's Budget stood out for its simplicity. It is easy to read and understand, and almost every individual and business received positive news.

For a nation that is still dealing with the remnant economic effects of the COVID-19 pandemic, and the far-reaching impact of geopolitical tensions, the positive news delivered by Deputy Prime Minister and Finance Minister Mr. Lawrence Wong should be very much welcomed by both individuals and companies alike.

Unlike previous Budgets where significant resources were mostly allocated to deal with immediate challenges resulting from the pandemic, Budget 2024 not only allays immediate concerns on rising costs, it also provides support to ensure Singapore's economy continues to grow and remain globally competitive in the future.

While this is seen to be the roll out of the first instalment of the Forward Singapore programmes, we wait with anticipation what the second and subsequent instalments will bring.

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Tax Rates

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Corporate income tax (“CIT”) rate

In Budget 2024, there is no proposal for any change to the current CIT rate of 17%. A CIT rebate of 50% of tax payable and/or CIT Rebate Cash Grant of S$2,000 will be given to eligible companies for the Year of Assessment (“YA”) 2024.

Companies that are subject to prevailing corporate tax rate at 17% with a chargeable income before partial tax exemption scheme or chargeable income before full tax exemption scheme of S$573,089 and S$595,589 respectively will be able to enjoy the maximum benefit of the CIT rebate and CIT Rebate Cash Grant amounting to S$40,000 in total.

2

Personal income tax (“PIT”) rate

Since the introduction of the two new income bracket tiers at the rates of 23% and 24% in Budget 2022, which takes effect from YA 2024, there is no change proposed to the PIT rates in Budget 2024. A PIT rebate of 50%, capped at S$200, will be given to Singapore tax-resident individuals for YA 2024.

3

Goods and Services Tax

The GST rate has increased from 8% to 9% with effect from 1 January 2024 and there is no change proposed to the GST rate in Budget 2024.

Corporate Income Tax

Corporate Income Tax ("CIT") Rebate and CIT Rebate Cash Grant for eligible companies

Eligible companies will enjoy a CIT rebate of 50% of tax payable and/or CIT Rebate Cash Grant of S$2,000 for YA 2024. The maximum total benefits of CIT rebate and CIT Rebate Cash Grant that a company may receive is capped at S$40,000.

To receive the CIT Rebate Cash Grant, companies must have employed at least one local employee (excluding shareholders who are also directors of the company) in the calendar year 2023.

The CIT Rebate Cash Grant will be automatically given to eligible companies by 3Q 2024.

Enhance the tax deduction for Renovation or Refurbishment ("R&R") expenditure

The tax deduction for R&R expenditure under section 14N of the Income Tax Act ("ITA") will be enhanced from YA 2025:-

1. The scope of qualifying expenditure will be expanded to include designer or professional fees;
2. The relevant three-year period for the purpose of computing the R&R expenditure cap will be fixed, with the first three-year period being from YA 2025 to YA 2027; and
3. There would be an option to accelerate the R&R expenditure claim in one YA instead of over three YAs, subject to the prevailing expenditure cap.

More details will be provided by the Inland Revenue Authority of Singapore ("IRAS") by 3Q 2024.

Introduce additional concessionary tax rate ("CTR") tier

An additional CTR tier will be added for the following tax incentives, with effect from 17 February 2024:

Tax Incentive	CTR on qualifying income
Finance and Treasury Centre ("FTC") incentive	Current CTR tier: 8% Additional CTR tier: 10%
Aircraft Leasing Scheme ("ALS")	Current CTR tier: 8% Additional CTR tier: 10%
Development and Expansion Incentive ("DEI")	Current CTR tiers: 5% or 10% Additional CTR tier: 15%
Intellectual Property Development Incentive ("IDI")	Current CTR tiers: 5% or 10% Additional CTR tier: 15%
Global Trader Programme ("GTP")	Current CTR tiers: 5% or 10% Additional CTR tier: 15%

EDB and/or EnterpriseSG will provide further details by 2Q 2024.

Tax incentive schemes for funds managed by Singapore-based fund managers (“Qualifying Funds”)

The tax incentive schemes, under sections 13D, 13O and 13U of the ITA, for Qualifying Funds were scheduled to lapse after 31 December 2024. These schemes will be extended till 31 December 2029.

Additionally, with effect from 1 January 2025:-

(a) The economic criteria for Qualifying Funds under the sections 13D, 13O and 13U schemes will be revised.

(b) Limited Partnerships registered in Singapore will be included under the section 13O scheme.

The Monetary Authority of Singapore will provide further details by 3Q 2024.

Introduce an alternative basis of tax for shipping entities

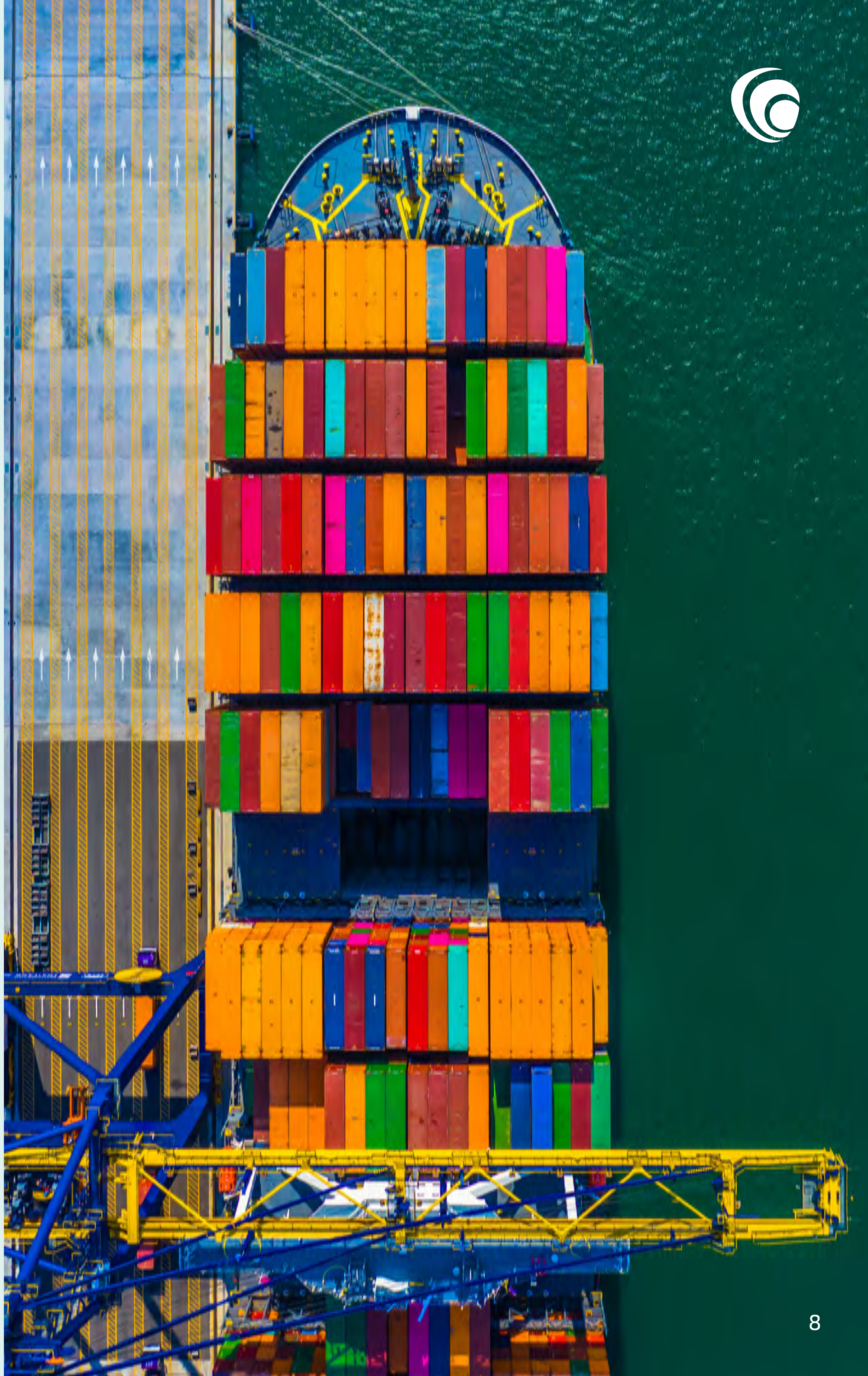
From YA 2024, an alternative basis of tax, where the qualifying income of shipping entities will be taxed by reference to the net tonnage of their ships, will be available for the following Maritime Sector Incentive ("MSI") sub-schemes:

- MSI-Shipping Enterprise (Singapore Registry of Ship) ("MSI-SRS")
- MSI-Approved International Shipping Enterprise ("MSI-AIS")
- MSI-Maritime Leasing (Ship) ("MSI-ML(Ship)")

For MSI entities that are subject to the alternative net tonnage basis of tax, this alternative basis will apply to all qualifying ships of the MSI entities.

For MSI entities that are not under the alternative net tonnage basis of tax, the existing tax treatment under the relevant MSI sub-scheme will continue to apply.

The Maritime and Port Authority of Singapore will provide further details by 3Q 2024.



Base Erosion and Profit Shifting ("BEPS") 2.0 Initiative

Pillar One

Pillar One aims to allocate taxing rights on profits to market jurisdictions. When implemented, it will result in revenue losses for Singapore. Pillar One has been delayed for now, and the implementation date remains unclear.

Pillar Two

Singapore will implement the Income Inclusion Rule ("IIR") and the Domestic Top-Up Tax ("DTT") under the Pillar Two Global Anti-Base Erosion ("GloBE") Rules for businesses' financial years starting on or after 1 January 2025.

The GloBE rules are applicable to entities which belong to a multinational enterprise ("MNE") group with annual revenue of €750 million or more in at least two of the four preceding financial years.

The IIR will impose a minimum effective tax rate of 15% on in-scope MNEs that are parented in Singapore, in respect of profits of their group entities that are operating outside Singapore.

The DTT will apply to in-scope MNE groups in respect of the profits of their group entities that are operating in Singapore.

Another component of the GloBE rules is the Undertaxed Profits Rule ("UTPR"). It will allow Singapore to collect a share of the top-up tax on any MNE with operations in Singapore, if any portion of its income overseas has not been subject to the minimum tax. Singapore will consider the UTPR at a later stage.

Base Erosion and Profit Shifting ("BEPS") 2.0 Initiative

Introduce the Refundable Investment Credit ("RIC")

The RIC is a tax credit that is awarded in respect of qualifying projects for high-value and substantive economic activities.

The credits are given at a rate of up to 50% of qualifying expenditures, depending on the nature of the expenditure, and subject to a quantum cap to be determined by the Economic Development Board ("EDB") or EnterpriseSG. Such credits are used to set off against CIT payable. Any unutilised credits will be refunded to the company as cash within 4 years from when the company qualifies for the RIC.

Each RIC award will have a qualifying period of up to 10 years.

The RIC is consistent with the GloBE rules for Qualified Refundable Tax Credits.

More information will be provided by the EDB and EnterpriseSG in 3Q 2024.

Personal Income Tax

PIT Rebate for YA 2024

A PIT rebate of 50% of tax payable, capped at S$200 will be given to all Singapore-tax residents individuals for YA 2024.

Raise dependant's or caregiver's income threshold for dependant related reliefs to S$8,000

The annual income threshold of dependant or caregiver will be increased from S$4,000 to S$8,000 with effect from YA 2025. This means that with effect from YA 2025, the dependant or caregiver of a tax resident individual who wishes to claim dependant-related reliefs (i.e., spouse relief, parent relief, qualifying child relief, working mother child relief, CPF Cash Top-up relief and Grandparent Caregiver Relief) may now derive an annual income of not more than S$8,000 in the preceding year.

Personal Income Tax

Lapse Course Fees Relief (“CFR”)

A tax resident individual may claim CFR with a maximum relief of S$5,500 in each YA. With the introduction of more targeted direct subsidies to support lifelong learning and upskilling over the years, the CFR will no longer be available from YA 2026.

Remove CPF Cash Top-Up Relief for cash top-ups that attract matching grant from the Government under the Matched Retirement Savings Scheme (“MRSS”)

The following enhancement will be made to the MRSS from 1 January 2025:-

- Removal of age cap (available to eligible CPF members age 55 years and above);
- Increase the matching grant cap to S$2,000 per year (capped at S$20,000 over an eligible member’s lifetime).

Given the enhancement made to the MRSS, a giver who makes cash top-ups on or after 1 January 2025 to the Retirement Account of a MRSS-eligible CPF member that attract the MRSS matching grant will no longer be entitled to CPF Cash Top-up Relief from YA 2026.

However, a giver may continue to enjoy tax relief of up to S$16,000 a year for eligible CPF cash top-up that do not attract the MRSS matching grant. The maximum amount of CPF cash Top-Up Relief is S$8,000 per year for cash top-ups to the giver’s own Special Account, Retirement Account or MediSave Account, and another S$8,000 per year for cash top-ups to such accounts of the giver’s loved ones.

Stamp Duty

New Additional Buyer’s Stamp Duty (“ABSD”) concession for single Singapore Citizen (“SC”) seniors

Single SC seniors aged 55 and above can claim a refund of ABSD paid on the replacement private residential property purchased on or after 16 February 2024 if they meet the following conditions:

- ABSD has been paid on the replacement residential property;
- Each first residential property is solely owned by a single SC aged 55 and above, or with single SCs aged 55 and above who are immediate family members;
- The owners of each 1st residential property need to be the owners of the replacement residential property. Any additional owners purchasing the replacement residential property with the owners of each 1st residential property must also be single SCs aged 55 and above who are immediate family members. There should be no change of ownership in the replacement residential property at the time of the sale of each first residential property;
- The buyer(s) do not own more than one residential property each at the point of purchasing the replacement residential property and have not purchased or acquired any other residential property since the purchase of the replacement residential property;
- The value of the replacement residential property is less that the value of each of the first residential property(s) sold;
- The buyer(s) dispose the first residential property(s) (whether co-owned or separately owned) within six months after the date of purchase of a completed residential property, or the issue date of the temporary occupation permit or certificate of statutory of an uncompleted residential property, whichever is earlier; and
- The application for the refund of ABSD is made within six months after the date of sale of the first residential property(s).

Stamp Duty

Revisions to ABSD remission clawback rates for housing developers (“HDs”)

- For HDs, depending on the proportion of units sold at the five-year mark, ABSD clawback rate will be reduced by 1 to 10 percentage points if the HDs sell at least 90% of the units at the five-year sale timeline. This is provided the commencement and completion of works criteria are also fulfilled.

- This applies to projects where the residential land was acquired on or after 6 July 2018.

- This will take effect from 16 February 2024.

Property Tax Changes

With effect from 1 January 2025, the Annual Value (“AV”) bands of the owner-occupier residential property tax rates will be revised as follows:

Marginal property tax rate	AV bands	
	From 1 Jan 2024 to 31 Dec 2024	*New - from 1 Jan 2025*
0%	S$0 - S$8,000	S$0 - S$12,000
4%	>S$8,000 – S$30,000	>S$12,000 – S$40,000
6%	>S$30,000 – S$40,000	>S$40,000 – S$50,000
10%	>S$40,000 – S$55,000	>S$50,000 – S$75,000
14%	>S$55,000 – S$70,000	>S$75,000 – S$85,000
20%	>S$70,000 – S$85,000	>S$85,000 – S$100,000
26%	>S$85,000 – S$100,000	>S$100,000 – S$140,000
32%	>S$100,000	>S$140,000

The interest-free GIRO instalment plan for property tax bill for 2024 will be extended from 12 months to 24 months for retirees who meet the following criteria:-

a) All owners of the property are aged 65 and above;
b) The applicant must owner-occupy the residential property; and
c) The applicant’s Assessable Income must not exceed S$34,000 (based on the latest tax assessment available).

Other Tax Changes

Introduce an Overseas Humanitarian Assistance Tax Deduction Scheme (“OHAS”)

- From 1 January 2025 to 31 December 2028, the OHAS will provide individual and corporate donors with 100% tax deduction for qualifying overseas cash donations made through a designated charity and towards a fundraiser for emergency humanitarian assistance with a valid Fund-Raising for Foreign Charitable Purposes permit from the Commissioner of Charities.
- Tax deductions under the OHAS will be capped at 40% of the donor’s statutory income. For donors who also receive tax deductions under the Philanthropy Tax Incentive Scheme for Family Offices (“PTIS”), tax deductions under both the OHAS and PTIS will be jointly capped at 40% of the donor’s statutory income.
- Any unutilised tax deductions under the OHAS cannot be carried forward to future Years of Assessment nor transferred to another company under the Group Relief System.
- IRAS will provide further details by 2Q 2024.

Withdraw the income tax concession on royalty income accorded to authors, composers and choreographers

- The tax concession on royalty income accorded to authors, composers and choreographers will be withdrawn in phases with effect from YA 2027.
- For YA 2027 and YA 2028, eligible taxpayers may continue to claim the tax concession and report their taxable royalty income based on the lower of the net amount of royalties (i.e., gross amount of royalties less allowable deductions and capital allowances) and 40% (for YA 2027) and 70% (for YA 2028) of the gross royalty.
- From YA 2029, taxpayers should report the net amount of royalties.

Schemes/grants for enterprises

Budget 2024 introduces new and enhanced initiatives to help businesses weather rising costs and build a competitive edge for the future.

These include relief measures on financing for working capital, and support to business and workforce transformation:

SME Working Capital Loan ("EFS-WCL")

From 1 April 2024, the maximum loan quantum will be raised permanently to S$500,000, to provide enhanced support for operational cashflow needs amid elevated costs.

Project Loan ("EFS-PL")

The support for domestic construction projects will be extended until 31 March 2025, with a lower maximum loan quantum of S$15 million.

SkillsFuture Enterprise Credit ("SFEC")

The validity will be extended until 30 June 2025, to allow employers more time to support the training and upgrading of their employees and pursue business transformation projects.

Schemes/grants for enterprises

Trade Loan ("EFS-TL")

The enhanced maximum loan quantum of S$10 million will be extended until 31 March 2025, to support businesses' internationalisation efforts amid global supply chain disruptions. From 1 April 2024, the enhanced risk share of 70% will be maintained for young enterprises and enterprises trading in challenged markets.

Others

The Charities Capability Fund Collaboration Grant ("CCF"), which provides co-funding for ground-up collaborations projects are also extended for another 3 years.

The Partnerships for Capability Transformation ("PACT") scheme will also be enhanced, focusing on capability training, internationalisation and corporate venturing that facilitates business to tap into the Global market.

Environmental, Social, and Governance

With the Singapore Green Plan 2030 in mind, Budget 2024 also introduces various support schemes to support businesses’ sustainability efforts:

Energy Efficiency Grant

- The grant will be expanded to more sectors including manufacturing, maritime, construction and data centres, to help companies defray the costs of pre-approved energy-efficient equipment.

Enterprise Financing Scheme – Green ("EFS-Green")

- From 1 April 2024, support will be expanded to include businesses which adopt green solutions, to help them embark on their sustainability journey and reduce their carbon footprint. Under this scheme, EnterpriseSG provides 70% risk-share to catalyse lending from participating financial institutions.
- EFS-Green is open for applications until 31 March 2026. All applications must reach EnterpriseSG and be approved by a participating financial institution by 31 March 2026.

Future Energy Fund

- A Future Energy Fund with initial injection of S$5 billion will be established to prepare Singapore for the transition to a cleaner energy resource. The fund will help Singapore move from a system powered mostly by natural gas to one powered largely by clean energy.

Others

Enhancements to the Workfare Income Supplement Scheme

Enhancements will apply to work done from 1 January 2025 as follows:

- Qualifying monthly wage cap will be raised from S$2,500 to S$3,000.
- Higher workfare payments (depending on age and wages) of up to S$4,900 per year.

Raising the Local Qualifying Salary ("LQS")

- The LQS will be raised from S$1,400 to S$1,600 per month and the minimum hourly rate will be increased from S$9 to S$10.50 per hour.
- Firms hiring foreign workers will have to pay all their local workers at least the LQS (or Progressive Wage Model wages where applicable):
  (i) At least S$1,600 per month for full-time local workers; or
  (ii) At least S$10.50 per hour for part-time local workers.
- Foreign workers quota computation will correspondingly be adjusted with the new LQS:
  (i) 1 local workforce count: Per local worker who is paid at least S$1,600 per month; or
  (ii) 0.5 local workforce count: Per local worker who is paid at least S$800 but less than S$1,600 per month.
- These changes will apply from 1 July 2024.

Others

Enhancements to the Progressive Wage Credit Scheme ("PWCS")

(i) Increase in PWCS Co-Funding Support for 2024

- PWCS co-funding support will be raised for wage increases given in the qualifying year 2024 from 30% to 50% for employees with gross monthly wages of up to S$2,500, and 15% to 30% for employees with gross monthly wages more than S$2,500 and up to S$3,000.

- The enhanced co-funding support will also apply to wage increases given in qualifying year 2023 that are sustained in 2024.

(ii) Increase in Wage Ceiling for PWCS Co-Funding from 2025 Onwards

- The gross monthly wage ceiling for PWCS co-funding will be increased from S$2,500 to S$3,000 in qualifying years 2025 and 2026.

From 2024 onwards, PWCS support will not be applicable to employees whose average monthly wage exceeds S$4,000 post-wage increase.

Increase in Senior Workers' CPF Contribution Rates

- Increase in CPF contribution rates for workers aged 55 to 65 by a further 1.5 percentage points will take place on 1 January 2025.

- 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 2025 increase in employer CPF contribution rates for every Singaporean and Permanent Resident worker they employ aged above 55 to 65.

How Baker Tilly can help

At Baker Tilly Singapore, we offer a full suite of tax services: corporate and personal tax compliance services, tax controversy and dispute services, tax advisory services, private client services, merger and acquisition tax services, tax governance services,
tax incentive services, Goods and Services Tax services, transfer pricing services, and Digital tax transformation and solutions.

Our tax team is well placed to assist you in understanding how the Singapore Budget impacts your business.

To learn more, visit www.bakertilly.sg or contact marketing@bakertilly.sg or your engagement team.

Singapore Budget 2024 Webinar

7 March 2024
3:00PM - 4:15PM (SGT)
Zoom Webinar

We invite you to join our webinar where you can look forward to:

- Clarity on the measures that will affect you
- Practical takeaways for your business
- New opportunities that have risen from the Budget
- Recent transfer pricing developments
- Recent Goods and Services Tax developments

Click here to register

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