

# Singapore Budget 2022: Commentary and more

Special Issue

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# Foreword



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Over the last decade or so, it is not often the case in Singapore that tax topics dominate the build-up to Budget Day; many practitioners including myself have generally paid more attention to the annexes that follow the full speech to decode the specific tax changes.

This year was slightly different; maybe it is the new finance minister factor; the calls for more wealth taxes; the "how soon will it be" question surrounding the known GST rate hike; discussions and government snippets provided on social media platforms and so on.

The actual speech delivered by Minister Lawrence Wong did not disappoint; it contained a series of positive and consistent messaging across the different tax types that were hotly debated. Here are my thoughts on some of these:

## **GST rate hike: balance between compassion and conviction**

The delay of the hike till 2023, as well as staggering the increase into 2 phases, considers that many consumers may still be reeling from the economic effects brought about by the pandemic and also inflationary forces. While this obviously cushions the impact on consumers, referencing past experience, the associated administrative work (change in accounting systems, price tagging, and more) will double. There is also a need to watch for increased incidences of profiteering.

It may bear repeating that even with a 9 per cent GST rate, this would still be below the Asian average of around 12 per cent, while many European countries' equivalent GST/VAT rates range from 15 to 20 per cent. To counter this, some may point to Middle Eastern countries that have a much lower rate of 5 per cent; however, comparing with oil-rich countries may not be the most appropriate approach.

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It is beyond doubt that the regressive nature of GST needs to be managed; some countries may tend to do it through a lower rate for essential items, however this can pose significant administrative problems and cause niggly disputes.

As a simple example, in India, even the matter of categorising prata (what one would imagine to be a major and consistent form of staple food in the country) became contentious when the item is sold in frozen form, attracting the question of higher GST (18 per cent versus 5 per cent, if treated as bread-like essential food). In the case of multiracial and culturally diverse Singapore, the potential for disputes of such nature cannot be overstated.

Seen in this light, the example of the very targeted approach of direct cash support for lower-income groups via the Assurance Package to help defray their increased spending and manage regressivity is sound and effective.

### Avoiding a 'FOMO' reaction towards taxing the rich

While this came as a slight surprise, the announcement of the hike in the top income tax rate for individuals may reflect the government's subtle confidence that Singapore can remain attractive to high-calibre foreign talent, and that (despite their general mobility) they can look beyond this upcoming rate hike; it also strengthens the progressivity of our overall tax structure as the higher taxes collected from this group can help defray other budgetary needs such as enhanced support for the less privileged.

As things stand, this upcoming increase is set to widen the gap between the highest income tax rate for individuals (to be 24 per cent) and companies (currently 17 per cent); it could spur more self-employed individuals to consider potential tax benefits of corporatisation, since corporate dividends are tax-exempt. However, from experience, the tax authorities would likely monitor such behaviour to ensure that any restructuring is on sound basis and not solely tax motivated.

On the hotter topic of wealth taxes, the Finance Minister's reference to many European countries dropping their wealth tax regimes since 1990 may well suggest that a "Fomo" mentality ought to be avoided; any hasty introduction might erode such tax base (for example, ease of capital flight by tycoons) and consequently yield meagre or even counter-productive results. France's experience - where it is suggested in research that more than 60,000 millionaires left France over a span of slightly over 15 years - could be another reference point for further consideration.

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There is still however a strong need to ensure progressivity in our fiscal framework, and the further focus on property tax rate recalibration is a sound one since recent GCB (Good Class Bungalow) deals suggest real estate ownership remains aspirational even among the newer rich. That said, trending developments could pose problems in the future; various assets have the potential to be tokenised into other forms (such as non-fungible tokens) with the corresponding taxation outcomes blurred, so property tax reform alone cannot be the silver bullet.

### **Moving towards a greener economy and standing tall against international tax headwinds**

The somewhat higher-than-expected increase in carbon taxes clearly signals our intent towards changing behaviour and contributing to a greener economy.

The continued pressures brought about by multilateralism in the realm of corporate income tax reform remain unabated; there should be no residual doubt that Singapore must consider measures beyond mere tax incentives for multinationals to anchor their presence here. The BEPS 2.0-positioning statements in the Budget speech suggest technical resilience and preparedness within our finance ministry and demonstrate strong intent to continue punching above our weight in this era where tax sovereignty for many hub economies is somewhat diluted.

Overall, in terms of taxation, this Budget provided some light surprises but none too dramatic. In a more volatile global environment, such stability is no longer underrated and will be celebrated by local businesses and international investors alike.

*This was first published in The Business Times on 23<sup>rd</sup> February 2022.*



# Our views

*where we do a deeper dive on  
selected Budget 2022 changes*

### **BEPS 2.0 and introduction of the Minimum Effective Tax Rate (“METR”) regime**

A front page article (28 Feb 2022; <https://www.businesstimes.com.sg/government-economy/beps-20-unlikely-to-hurt-competitiveness-may-net-singapore-gains-in-tax-revenue>) on the Business Times carried the headline “BEPS 2.0 unlikely to hurt competitiveness...”; the confident use of the (BEPS 2.0) abbreviation reflects just how mainstream the discussion led by the OECD/G-20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) has become and evolved.

Broadly speaking, for affected multinational enterprise (MNE) groups, Singapore may introduce minimum effective tax rate (“METR”) rules that serve to “top up” their effective tax rate in Singapore to 15%. Apart from the expected complexity in such rules, another key concern relates to how these could potentially erode some competitive edge Singapore may have traditionally had with foreign MNEs that choose to anchor substantive operations in Asia. Many of these businesses make substantial commitments to our economy and are used to being taxed here effectively at rates that could be lower than 10%, often buttressed by concessionary tax rates sought from the relevant agencies in Singapore.

The Finance Minister’s recent indication to a CNBC interview that “...we have to redouble our efforts to strengthen our non-tax competitive factors” sets the tone for Singapore’s response to a world facing a reduced scope for tax competition; it is also interesting to note that Hong Kong’s Budget announced on 23 February 2022 referenced their government’s consideration to introduce their equivalent “domestic minimum top-up tax” framework.

For hub economies like ours, the balance is delicate: in the interest of not abruptly diluting the tax incentives Singapore offers there is no clear “first mover advantage” in implementing the complex new rules quicker than others; moving too slowly on domestic “top up” tax could mean however that foreign countries (instead of Singapore) end up collecting some of the taxes calculated with reference to MNE groups’ operations here.

For additional views on BEPS 2.0 and related implications, please refer to the section beginning from page 27 for various thought leadership articles.

### Fine-tuning certain tax incentives in Singapore, etc.

In our equivalent commentary last year, we carried a perspective “A ‘new normal’ for tax incentives?”, predicting that *inter alia* we are likely to see fewer of new or (even) extension of Singapore tax incentives for multinationals.

An extension as well as slight enhancement was made to the Approved Royalties Incentive (“ARI”), a scheme meant to encourage companies to access cutting-edge technology and know-how for substantive activities in Singapore. The ARI allows for concessionary withholding tax rate on approved royalties, technical assistance fees, or contributions to research and development costs

Originally scheduled to lapse after 31 December 2023, the ARI is proposed to be extended till 31 December 2028. The proposed extension of the scheme will be welcomed by companies in Singapore looking to access or continue to access to global technology and know-how.

Currently, the EDB will have to evaluate and approve each specific royalty agreement before the ARI can be awarded. Any subsequent amendments to the agreement will require EDB’s approval again. The 2022

Budget’s proposed simplification of the ARI to cover classes of royalty agreements based on activity-set-based approach appears to suggest that specific qualifying conditions will be provided for companies to self-assess whether their agreement could automatically be covered by the ARI. To the extent this is the case, companies may no longer be required to submit each royalty agreement to the EDB for approval. This would reduce the compliance obligations on companies to enjoy the ARI.

Apart from the ARI, there were also extensions (other existing parameters remain unchanged) to certain tax incentives that would otherwise lapse within these two years, such as the Aircraft Leasing Scheme (ALS) and the Approved Foreign Loan scheme. While at first glance most extensions of incentives ought to be welcome, it remains to be seen if an incentive like the ALS (which can accord approved aircraft lessors concessionary tax rate of 8% on certain qualifying income, *inter alia*) could be on its last legs with global developments (see “BEPS 2.0 and introduction of the Minimum Effective Tax Rate (“METR”) Regime”).

### The tax incentive schemes for Qualifying Funds continue to get enhanced

A fairly consistent theme (if one follows past Budgets) is that the tax incentive schemes for Singapore-managed funds ("Qualifying Funds", for ease of subsequent reference) get upgraded from time to time. This year's iteration relates to refining the designated investments (DI) list, which is of importance in this context because income not referable to designated investments (DI) will not be tax exempt for Qualifying Funds.

As relevant background, the DI currently includes physical commodities that are subject to the following conditions:

- a) The trading of the physical commodity must be incidental to the trading of the derivative commodity ("incidental condition"); and
- b) The trade volume of such physical commodity is capped at 15% of the total trade volume of those physical commodities and related commodity derivatives ("the cap").

To continue growing Singapore's asset management industry, Budget 2022 proposes that the conditions imposed on the investments in physical Investment Precious Metals ("IPMs") under the DI list

will be refined as follows (effective on and after 19 February 2022):

- a) The incidental condition will be removed, i.e. investments in physical IPMs need not be incidental to the trading of derivative IPMs; and
- b) The cap will be revised to 5% of the total investment portfolio for the taxpayer's incentive award under the relevant sections of the Income Tax Act.

With the Monetary Authority of Singapore set to provide further details of the changes by 31 May 2022, it is hoped that issues that may be encountered with the (lowered) cap can be discussed and addressed (e.g. the prospect of wars can drive IPMs (such as gold) prices up disproportionately to the overall investment portfolio and cause unintended breaching of the cap).

From a broader perspective, we generally welcome periodic refinements to the DI list as investors' appetite and desire for more expansive range of investment products grows over time; while not included in this Budget, there remains calls within the asset management industry for cryptocurrencies to be included in the DI list.



### Enhancing progressivity in our tax system and a possible by-product?

One of the tax topics that dominated the build up to Budget Day was the calls for more wealth taxes; related key themes are that of managing inequality and enhancing progressivity in our system.

On this front, several tax changes were proposed including a higher personal income tax rate for top earners, adjustments to property taxes and an extra levy on luxury cars. Be that as it may, Finance Minister Lawrence Wong also urged for a more measured and pragmatic mindset in a recent post-Budget forum, pointing out that “[i]f we have the attitude that most of the tax burden or everything can be borne by the top 1 per cent or the top 5 per cent, I think they will feel it is grossly unfair and very soon, you won't have the rich to tax in Singapore”.

While it came as a slight surprise, the announcement of the hike in the top income tax rate for individuals may reflect the government's subtle confidence that Singapore can remain attractive to high-calibre foreign talent, and that (despite their general mobility) they can look beyond this upcoming rate hike.

As things stand, this upcoming increase is set to widen the gap between the highest income tax rate for individuals (to be 24 per cent) and companies (currently 17 per cent); it could spur more self-employed individuals to consider potential tax benefits of corporatisation, since corporate dividends are tax-exempt. However, from experience, the tax authorities would likely monitor such behaviour to ensure that any restructuring is on sound basis and not solely tax motivated.

In any case, raising the existing 17% headline income tax rate for corporates in future Budget(s) cannot be ruled out: apart from better aligning the top rates between corporates and individuals, such a move will also not be inconsistent with the BEPS 2.0 momentum towards ensuring 15% effective tax rate in many instances.

### Carry-back relief scheme

In our equivalent commentary last year, on this topic we said the following:

*We are slightly disappointed that bolder steps have not been taken in liberalising this scheme. With the S\$100,000 cap still existing and Singapore's prevailing corporate tax rate of 17 per cent, this means that the current system can at best provide a single company (no matter how big) with income tax refund of S\$17,000 in a relevant year. This does not seem like a quantum of life-saving proportions for many businesses facing business restrictions, and diminishes the Budget 2020 and 2021 enhancements to allow items to be carried-back up to 3 years (previously only 1 year).*

*The Australian government announced late last year that it will introduce a temporary loss carry-back measure to support certain businesses, and where conditions are met the offset is to be uncapped. A few other major economies have also relaxed their carry-back rules,*

*and when weighed against these benchmarks, it suggests a missed opportunity for our government to take a decisive move in removing the cap associated with the system. Such a move should, in the long term, be revenue-neutral for the government, unless pervasive business failures become rife.*

We continue to take the view that steps could have been taken to liberalise this scheme. Even as there may be signs of economic recovery in Singapore (e.g. even Singapore Airlines recently posted their first quarterly profit since the onset of the pandemic), it may be too early to tell if some profitable businesses here, especially those who procure food and agricultural items from Europe, may yet get adversely affected by the situation in Ukraine.

### **GST rate increase**

The plan to raise GST from 7% to 9% was first announced in the Singapore Budget 2018 but has been held off due to the economic impact of the COVID-19 pandemic. The long wait is finally over when it was announced in this Budget that the increase will be staggered over two years:

- (1) From 7% to 8% with effect from 1 January 2023; and
- (2) From 8% to 9% with effect from 1 January 2024.

To cushion the impact of the GST hike, the government will add S\$640 million to S\$6 billion GST Assurance Package and improve the GST Voucher (GSTV) scheme.

We did not expect a further delay in the GST hike (and in 2 steps) given that the government has been preparing Singaporeans and businesses for the rate increase since 2018 and the economy is emerging from the pandemic.

Nonetheless, with the delay of the GST hike to 2023, GST-registered businesses will now have more time (i.e. approximately 10 months) to plan for any changes needed (e.g. systems changes, reviewing of existing contracts and changing their price display) alongside the changes required for the other new rules such as GST on imported low-value goods and non-digital services that will also take place on 1 January 2023.

### Changes to GST zero-rating basis for the supply of travel arranging services

With effect from 1 January 2023, the basis for determining whether zero-rating applies to a supply of travel arranging services will be updated to be based on the place where the customer (i.e. the contractual customer) and direct beneficiary of the service belong:

- (a) If the customer of the service belongs in Singapore, the travel arranging service will be standard-rated; or
- (b) If the customer of the service belongs outside Singapore and the direct beneficiary either belongs outside Singapore or is GST-registered in Singapore, the travel arranging service will be zero-rated.

Note that the change will not affect the GST treatment of the supply of the underlying travel products such as international air tickets, hotel accommodation and travel insurance.

In the last couple of Budgets, the government has introduced new rules and updated some of the existing GST rules (e.g. changing the basis of the zero-rating treatment of the supply of media sales in the last Budget) to ensure that our GST system remains resilient in a growing digital economy. These changes are necessary given that the developments in digital technologies have changed the way of how services are supplied.

In view of the changes, it will be useful if the IRAS can clarify on who are considered as direct beneficiaries of the travel arranging services as businesses may face difficulties in identifying who the direct beneficiaries of its services are to determine if zero-rating applies.



# Budget 2022: Tax changes

*All tax changes as announced by  
the Ministry of Finance*

## The following is provided by the Inland Revenue Authority of Singapore and the Ministry of Finance.

Please refer to:

[https://www.iras.gov.sg/docs/default-source/budget-2022/budget-2022--overview-of-tax-changes69937d71-ba59-4b39-b1e5-7e85b2504e1c.pdf?sfvrsn=8339ba5a\\_5](https://www.iras.gov.sg/docs/default-source/budget-2022/budget-2022--overview-of-tax-changes69937d71-ba59-4b39-b1e5-7e85b2504e1c.pdf?sfvrsn=8339ba5a_5) and

<https://www.mof.gov.sg/docs/librariesprovider3/budget2022/download/pdf/annexc2.pdf> for more details.

## All Businesses

Tax change	Summary
Study the introduction of the Minimum Effective Tax Rate ("METR") Regime	<p>In response to the global minimum effective tax rate under the Pillar 2 Global Anti-Base Erosion ("GloBE") rules of the BEPS 2.0 project, and based on consultation with industry stakeholders, MOF is exploring a top-up tax called the minimum effective tax rate, or "METR".</p> <p>The METR will top up a multinational enterprise ("MNE") group's effective tax rate in Singapore to 15%. The METR will apply to MNE groups operating in Singapore that have annual revenues of at least €750 million, as reflected in the consolidated financial statements of the ultimate parent entity. The METR, if introduced eventually, will be aligned with the Pillar 2 GloBE rules as far as possible.</p> <p>IRAS will study the METR further and consult industry stakeholders on the design of the METR.</p>
Extend and enhanced the Approved Royalties Incentive ("ARI")	<p>The ARI is scheduled to lapse after 31 December 2023.</p> <p>To continue encouraging companies to leverage new technologies and knowhow to develop the capabilities of our local workforce and capture new growth opportunities, the ARI will be extended till 31 December 2028.</p> <p>The ARI will also be simplified to cover classes of royalty agreements based on an activity-set-based approach. EDB will provide further details of the changes by 30 June 2022.</p>

Tax change	Summary
Extend the Approved Foreign Loan ("AFL") scheme	<p>The AFL scheme is scheduled to lapse after 31 December 2023.</p> <p>To continue encouraging companies to invest in productive equipment for the purpose of conducting substantive activities in Singapore, the AFL scheme will be extended till 31 December 2028.</p>
Extend the Tax Framework for Facilitating Corporate Amalgamations under section 34C of the ITA to licensed insurer	<p>To ensure parity in treatment for all companies, including those that are in the insurance business, the tax framework for facilitating corporate amalgamations will be extended to cover amalgamation of Singapore-incorporated companies involving a scheme of transfer under section 117 of the Insurance Act 1966 ("IA"), where the court order for the confirmation of the scheme referred to under section 118 of the IA is made on or after 1 November 2021.</p> <p>The extension of the framework is subject to conditions, which include the following:</p> <ul style="list-style-type: none"> <li>a) The amalgamated company takes over all property, rights, privileges, liabilities, and obligations, etc. of the amalgamating company on the date of amalgamation; and</li> <li>b) The amalgamating company becomes dormant (i.e. ceases to conduct any business or any other activities, and does not derive any income) on the date of amalgamation and remains so until it is dissolved or wound up; and</li> <li>c) The amalgamating company is dissolved or wound up before the filing due date of the income tax return for the Year of Assessment ("YA") related to the basis period in which the scheme of transfer was effected.</li> </ul> <p>The tax treatments under the tax framework will apply with modifications where appropriate.</p> <p>IRAS will provide further details of the changes by 31 October 2022.</p>

Tax change	Summary
Facilitate disclosure of company-related information for official duties	<p>To support data-driven policymaking, operations, and integrated service delivery, the following changes to the ITA and GSTA will be made to facilitate the disclosure of information by IRAS for such purposes:</p> <ul style="list-style-type: none"> <li>a) Where taxpayers have provided consent for their information to be shared, IRAS can disclose such information to a public officer (or any other authorised person outside the public sector who is engaged by the Government or a statutory board) for the performance of his official duties.</li> <li>b) In addition, IRAS can disclose a prescribed list of identifiable information on companies to public sector agencies for the performance of official duties. This sharing of identifiable company-related information within the public sector will be conducted without the need for taxpayer’s consent. Any such information shared will be made less granular by IRAS to preserve the taxpayer’s confidentiality, while remaining useful to public sector agencies. For instance, the prescribed list will include the sales revenue band an identified company belongs to, but not the exact value of its sales revenue. In addition, such information will not be disclosed to any person outside the public sector even if the person is engaged by the Government or a statutory board.</li> </ul>
Allow the Integrated Investment Allowance (“IIA”) scheme to lapse after 31 December 2022	As part of the Government’s regular review of tax incentives including their relevance, the IIA scheme will be allowed to lapse after 31 December 2022.



## Businesses - Finance sector

Tax change	Summary
<p>Enhance the Tax Incentive Scheme for Funds Managed by Singapore-based Fund Manager (“Qualifying Funds”)</p>	<p>To continue growing Singapore’s asset management industry, the conditions imposed on the investments in physical Investment Precious Metals (“IPMs”) under the designated investment list will be refined as follows. These refinements will be effective on and after 19 February 2022:</p> <ul style="list-style-type: none"> <li>a) The incidental condition will be removed, i.e. investments in physical IPMs need not be incidental to the trading of derivative IPMs; and</li> <li>b) The cap will be revised to 5% of the total investment portfolio for the taxpayer’s incentive award under sections 13D/13O/13U of the ITA.</li> </ul> <p>MAS will provide further details of the changes by 31 May 2022.</p>
<p>Change the basis of preparation of tax computations for insurers from financial statements (“FS”) to MAS Statutory Returns</p>	<p>With the adoption of the new Financial Reporting Standard (“FRS”) 117 for the preparation of FS, the MAS Statutory Returns instead of FS will be used as the basis for preparing tax computations for insurers. Related consequential adjustments to existing tax treatments will also be introduced.</p> <p>This change is in view of the following:</p> <ul style="list-style-type: none"> <li>a) Insurers will not be able to prepare their tax computations using the FS prepared in accordance with FRS 117 as the FS will not provide sufficient information necessary to apply the existing tax rules such as those under section 26 of the ITA.</li> <li>b) Using MAS Statutory Returns as the basis for preparation of tax computations will allow the existing tax rules and tax incentives (if applicable) to continue to apply without adding substantial tax compliance burden on insurers.</li> </ul> <p>This change will take effect from YA2024 (or YA2025 for insurers whose financial year end is not 31 December).</p> <p>IRAS will provide further details of the changes by 30 September 2022</p>

Tax change	Summary
<p>Extend and rationalise the withholding tax ("WHT") exemptions for the financial sector</p>	<p>WHT exemption for the following payments are scheduled to lapse after 31 December 2022:</p> <ul style="list-style-type: none"> <li>a) Payments made under cross currency swap transactions by Singapore swap counterparties to issuers of Singapore dollar debt securities;</li> <li>b) Interest payments on margin deposits made under all derivatives contracts by approved exchanges, approved clearing houses, members of approved exchanges and members of approved clearing houses;</li> <li>c) Specified payments made under securities lending or repurchase agreements by specified institutions;</li> <li>d) Payments made under interest rate or currency swap transactions by MAS; and</li> <li>e) Payments made under interest rate or currency swap transactions by financial institutions.</li> </ul> <p>To continue supporting the competitiveness of our financial sector, the WHT exemption for payments a) to d) will be extended till 31 December 2026. This will cover payments made under a contract or agreement that takes effect on or before 31 December 2026.</p> <p>To rationalise the WHT exemption for the financial sector, the WHT exemption for payment e) will be allowed to lapse after 31 December 2022. Such payments can be covered under the existing WHT exemption for payments on over-the-counter financial derivatives.</p> <p>MAS will provide any consequential details by 31 May 2022</p>



**SINGAPORE BUDGET 2022: TAX CHANGES**

Tax change	Summary
<p>Extend and rationalise the Tax Incentives for Project and Infrastructure Finance</p>	<p>The package of tax incentive schemes for Project and Infrastructure Finance includes:</p> <ul style="list-style-type: none"> <li>a) Exemption of qualifying income from qualifying project debt securities (“QPDS”);</li> <li>b) Exemption of qualifying foreign-sourced income from qualifying offshore infrastructure projects/assets received by approved entities listed on the Singapore Exchange (“SGX”); and</li> <li>c) Concessionary tax rate of 10% on qualifying income derived by an approved Infrastructure Trustee-Manager/Fund Management Company from managing qualifying SGX-listed Business Trusts/Infrastructure funds in relation to qualifying infrastructure projects/assets (“ITMFM scheme”).</li> </ul> <p>The schemes are scheduled to lapse after 31 December 2022.</p> <p>To continue supporting the development of Singapore as an infrastructure financing hub, the existing tax incentive schemes for Project and Infrastructure Finance under a) and b) will be extended till 31 December 2025.</p> <p>As part of the regular review of tax incentives including their relevance, the ITMFM scheme in c) will be allowed to lapse after 31 December 2022. Existing ITMFM scheme recipients will continue to enjoy the tax benefits for the remaining tenure of their existing awards.</p> <p>MAS will provide any consequential details by 31 May 2022.</p>

## Businesses - Transport sector

Tax change	Summary
Extend the broad-based withholding tax ("WHT") exemption for container lease payments made to non-tax residents under operating lease ("OL") agreements	<p>This exemption is scheduled to lapse after 31 December 2022.</p> <p>To continue supporting the local demand for containers, container lease payments made to non-tax-resident lessors under OL agreements entered into on or before 31 December 2027 will be exempted from WHT.</p>
Extend the broad-based WHT exemption for ship and container lease payments under finance lease ("FL") agreements for Maritime Sector Incentive ("MSI") recipients	<p>This exemption is scheduled to lapse after 31 December 2023.</p> <p>To continue developing Singapore as an international maritime centre, ship and container lease payments made by specified MSI recipients to non-tax-resident lessors under FL agreements entered into on or before 31 December 2028 will be exempted from WHT.</p>
Extend the Aircraft Leasing Scheme ("ALS")	<p>The ALS is scheduled to lapse after 31 December 2022.</p> <p>To continue encouraging the growth of the aircraft leasing sector in Singapore, the ALS will be extended till 31 December 2027.</p>



SINGAPORE BUDGET 2022: TAX CHANGES

## Goods and Services Tax

Tax change	Summary
Increase the GST rate to meet increased recurrent spending needs	<p>The GST rate will be increased in two steps:</p> <ul style="list-style-type: none"> <li>a) From 7% to 8% with effect from 1 January 2023; and</li> <li>b) From 8% to 9% with effect from 1 January 2024.</li> </ul>
Update the GST treatment for travel arranging services	<p>The online travel booking market has grown significantly over the years. To ensure that our GST system remains resilient in a growing digital economy, the basis for determining whether zero-rating applies to a supply of travel arranging services will be updated, to be based on the place where the customer (i.e. the contractual customer) and direct beneficiary of the service belong:</p> <ul style="list-style-type: none"> <li>a) If the customer of the service belongs in Singapore, the travel arranging service will be standard-rated; or</li> <li>b) If the customer of the service belongs outside Singapore and the direct beneficiary either belongs outside Singapore or is GST-registered in Singapore, the travel arranging service will be zero-rated.</li> </ul> <p>This change will ensure that the GST rules accurately reflect the place of consumption of travel arranging services. The change will also ensure parity in GST treatment between local and overseas suppliers on the supplies of travel arranging services.</p> <p>This change will take effect from 1 January 2023. IRAS will provide further details on the changes by 31 July 2022.</p>

## Property Tax

Tax change	Summary		
Enhance the progressivity of property tax for owner-occupied residential properties	The progressive property tax rates for owner-occupied residential properties will be revised for the portion of annual value in excess of \$30,000. This change will be phased in over two years as shown below.		
	Annual value	Property tax rate for owner-occupied residential properties	
		Effective 01/01/2023	Effective 01/01/2024
	First \$8,000	0%	0%
	Next \$22,000	4%	4%
	Next \$10,000	5%	6%
	Next \$15,000	7%	10%
	Next \$15,000	10%	14%
	Next \$15,000	14%	20%
	Next \$15,000	18%	26%
Above \$100,000	23%	32%	
The final property tax rates of up to 32% will take effect for property tax payable from 1 January 2024.			

Tax change	Summary		
Enhance the progressivity of property tax for non-owner-occupied (such as vacant, or let-out) residential properties	The progressive property tax schedule for non-owner-occupied residential properties will be revised. This change will be phased in over two years as shown below.		
	Annual value	Property tax rate for non-owner-occupied residential properties	
		Effective 01/01/2023	Effective 01/01/2024
	First \$30,000	11%	12%
	Next \$15,000	16%	20%
	Next \$15,000	21%	28%
Above \$60,000	27%	36%	
The final property tax rates of up to 36% will take effect for property tax payable from 1 January 2024.			

## Individuals

Tax change	Summary
<p>Extend the WHT exemption for non-tax-resident mediators</p>	<p>The existing WHT tax exemption, introduced in 2015, has supported Singapore’s development as an international mediation hub. To build on the momentum, the Government will continue to support the international mediation sector through a holistic suite of policies and initiatives.</p> <p>The WHT tax exemption will be extended till 31 March 2023.</p> <p>From 1 April 2023 to 31 Dec 2027, gross income derived by non-tax-resident mediators from mediation work carried out in Singapore will be subject to a concessionary WHT tax rate of 10%, subject to conditions. Alternatively, nonresident mediators may elect to be taxed at 24% on the net income, instead of 10% on gross income.</p>
<p>Extend the WHT tax exemption for non-tax-resident arbitrators</p>	<p>The existing WHT tax exemption, introduced in 2002, has supported Singapore’s development as an international arbitration hub. To build on the momentum, the Government will continue to support the international arbitration sector through a holistic suite of policies and initiatives.</p> <p>The WHT tax exemption will be extended till 31 March 2023.</p> <p>From 1 April 2023 to 31 Dec 2027, gross income derived by non-tax-resident arbitrators from arbitration work carried out in Singapore will be subject to a concessionary WHT tax rate of 10%, subject to conditions. Alternatively, non-tax-resident arbitrators may elect to be taxed at 24% on the net income, instead of 10% on gross income.</p>




Tax change	Summary			
Enhance the progressivity of Personal Income Tax ("PIT") of tax-resident individual taxpayers	The top marginal PIT rates will be increased with effect from Year of Assessment (YA) 2024. The new PIT rate structure for tax-resident individual taxpayers will be as follows:			
		<b>Chargeable income (\$)</b>	<b>Tax rate (%)</b>	<b>Gross tax payable (\$)</b>
	On the first On the next	20,000 10,000	0 2	0 200
	On the first On the next	30,000 10,000	- 3.5	200 350
	On the first On the next	40,000 40,000	- 7	550 2,800
	On the first On the next	80,000 40,000	- 11.5	3,350 4,600
	On the first On the next	120,000 40,000	- 15	7,950 6,000
	On the first On the next	160,000 40,000	- 18	13,950 7,200
	On the first On the next	200,000 40,000	- 19	21,150 7,600
	On the first On the next	240,000 40,000	- 19.5	28,750 7,800
	On the first On the next	280,000 40,000	- 20	36,550 8,000
	On the first	320,000 180,000	- 22	44,550 39,600
	On the first On the next	500,000 500,000	- 23	84,150 115,000
	On the first In excess of	1,000,000 1,000,000	- 24	199,150
	The PIT rates for non-tax-resident individual taxpayers (except on employment income and certain income taxable at reduced withholding tax rates) will correspondingly be raised from 22% to 24%.			



## Vehicles

Tax change	Summary	
Introduce new additional registration fee ("ARF") tier for cars	To improve progressivity in the vehicle tax system, the portion of the open market value ("OMV") in excess of S\$80,000 for cars will be taxed at 220%. The new rates are as follows:-	
	OMV	ARF rate
	First \$20,000	100% of OMV
	Next \$30,000	140% of OMV
	Next \$30,000	180% of OMV
	In excess of \$80,000	220% of OMV
<p>The new rates will apply to all cars, including imported used cars, and goods-cum-passenger vehicles registered with Certificates of Entitlement ("COEs") obtained from the second COE bidding exercise in February 2022 onwards.</p> <p>For cars that do not need to bid for COEs (e.g. taxis, classic cars), the new rates will apply from 19 February 2022.</p> <p>Further detailed will be announced by the Land Transport Authority.</p>		



**Some of our thought  
leadership  
on tax issues  
over the year**



Our thought leadership on tax issues

Author: Loh Eng Kiat (Partner and Practice Leader, Tax)

# 精细调准的思路

This article was first published in *Lianhe Zaobao* on 21<sup>st</sup> February 2022 and broadly summarises some initial reflections on Budget 2022 made during a live interview organised by Mediacorp CAPITAL 958. View the Facebook Live Interview [linked here](#). Please also refer to our Foreword article for some of the points discussed.

过去的10年里，在财政预算案之前对各种税收议题的讨论，似乎没有像今年这么热络。财政部长黄循财在2022财年预算案所宣布的内容，包含了一系列积极和一致的信息，涉及广泛税种。以下是我的一些想法。

## 消费税仍低于亚洲平均水平

早在2018年初，政府就宣布消费税会上调，我将从整体上讨论这个税种。

从客观的角度来看，即使是【上调后】9%的消费税率，也仍然低于亚洲国家12%左右的平均水平，而许多欧洲国家的相应消费税率则在15%至20%之间。虽然一些中东国家的税率可能低得多，例如阿拉伯联合酋长国的5%税率，但拿石油大国来比较似乎不太恰当。

消费税经常受到的批评是其累退性质，而这须要谨慎管理；一些国家可能会通过降低柴米油盐这类生活必需品的税率来缓和，但这可能会带来很多行政问题并引起争议。举个简单的例子，在印度，甚至连印度煎饼...（prata，一种当地的主食）的分类问题都引起了争议，因为当这种食品在超市里以冷冻形式出售，就带来了对它征收更高消费税的问题。如果我们沿着这条分类的道路走下去，会不会给多元文化'多元种族'的新加坡制造更多问题？

政府应对累退效果的措施就比较非一般：上调时也推出总值66亿4000万元的定心与援助配套，为中低收入家庭抵销五到10年的消费税支出。据我所知，大多数有消费税的国家并没有提供这种很直接'很有针对性的现金补贴来帮助低收入人士。

分阶段调高消费税，显然减缓了对消费者的影响，但参考过去的经验，相关的行政工作（如会计系统须要做调整和改换价格标签等）将加倍。另外，还要注意一些不良商家从中牟利，趁机分两次把商品价格抬高。



Our thought leadership on tax issues

Author: Loh Eng Kiat (Partner and Practice Leader, Tax)

# 精细调准的思路

## 不要赔了“富”人又折兵

虽然这让人略感意外，但调高最高收入阶层纳税人的所得税率，可能反映了政府对我国实力的信心，即新加坡可以继续吸引高素质外国人才，而且尽管他们普遍具有流动性，但不会太在意税率的提高。这也加强我国整体税收结构的累进性，因为向这些人征收的更多税收，可以帮助支付其他预算需求，如加强对贫困群体的援助。

关于财富税这个热门课题，财长提到许多欧洲国家自1990年以来便放弃了财富税制度，这很可能暗示我们应该避免“害怕错过”（Fear of missing out）心态；仓促实施可能会侵蚀这种税基，例如有钱人很容易就可以资本外逃，从而产生适得其反的结果。法国的经验是，在实施财富税的15年多一点的时间里，有6万多富人离开法国，这可以作为进一步考虑的另一参考点。

然而，仍然非常有必要确保较富裕人士在税收方面做出更多贡献，以确保财政框架的累进性，而把重点放在与房地产相关的税务变化【如房地产税或印花税】，是一个合理的做法。尽管如此，数码化时代的趋势发展可能会在未来带来问题，例如，各种资产可能会被虚拟化为非同质化代币（Non-Fungible Token），相应的税收结果也会变得模糊不清，所以仅是房地产税改革并不能作为灵丹妙药。

## 迈向绿色经济

碳税上调的幅度较高，意味着政府希望借此改变人们生活习惯，为迈向绿色经济目标做出贡献。

全球公司税改革领域的多边主义所带来的持续压力，意味着我国必须考虑采取税收优惠以外的措施，让跨国企业在新加坡扎根发展。

财长这次在演讲中针对“第二代防止税基侵蚀和盈利转移”（BEPS 2.0）所做的定位声明是值得欢迎的，这表明我们有强烈意愿，在这个许多枢纽经济体的税收主权有所削弱的时代，继续发挥超过本身实力的作用。

总的来说，在税收方面，这份预算案提供了一些小惊喜，但没有对市场造成太大震动。对本地商家和外国投资者来说，这种稳定性目前在全球是非常罕见的，再次突出了我国的制度优势。

Now, for tomorrow



# “全球税收协议”的ABC

This was first published in *Lianhe Zaobao* on 10<sup>th</sup> December 2021. A version of this article in English is [“The Global Tax Deal From A to Z”](#).

鉴于近来媒体都在以显著的篇幅，大事报道有关公司税的课题，人们可能很容易认为，在世界领导人同时应对冠病疫情、气候变化和贸易战等其他难题的多事之秋时，税制改革是难得的亮点。

事实上，自“七国集团税收协议”于6月初宣布以来，公众就不时收到有关协议的最新进展：英国《金融时报》在2021年10月8日的头条标题是：“136个国家达成一个世纪以来最大的公司税协议”；仅仅三周后，路透社在采访20国集团罗马峰会时，发表了一篇题为《20国集团领导人批准2023年启动的全球最低公司税协议》的报道。

2014年，我在《商业时报》上发表了一篇题为《我们在谈论的BEPS是什么？》（What the BEPS are we talking about）。当时，这篇文章采用英文字母“A到Z”顺序的形式来逐点解释，目的更多是为了教育读者，因为“税基侵蚀和利润转移”（Base Erosion and Profit Shifting, 简称BEPS）在当时还是一个新课题。

我就以同一形式介绍通常也被称为“BEPS 2.0”的“全球税收协议”；然而，基于上文所提到的媒体广泛报道（有时过度夸大地使用“税收协议”），这次我的目的还在于对一些术语、观点和所涉及的问题，提出更为谨慎的看法。

## A——公平交易原则 / 金额

当提到一个世纪以来最大的变化时，这可能是指长期存在的“公平交易原则”（Arm’s Length Principle, 简称ALP）的弱化。ALP要求与关联方的交易，必须在与独立方的交易相类似的条件下进行。尽管新加坡国内税务局（IRAS）仍将其作为指导转移定价的黄金标准，但这种情况可能不会持续太久。

近年来，有人说“经济合作与发展组织（OECD）对ALP没有意见”。这与BEPS 2.0倡议提出的“金额A（Amount A）”一致，它根据一个公式来分配利润，而这可能与按公平交易原则分配利润的方式不同。

实施金额A规则的广泛概念，是根据多边协商一致的固定公式，分配最大和最赚钱的公司（目前初步估计为100家公司）的额外利润；一旦实施，金额A规则预计将把许多科技巨头的部分额外利润，重新分配给“市场国家”征税。

从本质上讲，使用ALP的利润分配可能更加主观，而通过采用特定公式的金额A的方法，可能会产生更客观且不那么容易操纵的结果。然而，从更全面的角度来看，金额A和ALP可以而且必须共存，而无须对传统的转移定价规则进行彻底改革；当在数字经济中实施时，金额A可以是对ALP现有不足的有力补充。

# “全球税收协议”的ABC

## B——拜登政府 / 金额B

美国总统换届经常被视为全球税收协议快速进展的加速力量，外行人可能很容易忽视一些专家所指出的，建立全球最低税收制度的呼吁，是受到特朗普政府的全球无形低税收入（Global Intangible Low-Tax Income）制度的启发。

撇开引人注目的标题不谈，经合组织在今年10月发布的声明明确指出，要落实计划，未来几年仍有大量工作要做。例如，关于侧重于将公平交易原则，应用于国内基线营销和分销活动的“金额B”（Amount B），声明提到将进行简化和精简讨论，特别关注低能力国家的需要，并承诺在2022年底之前完成这一工作流程。这再次体现了ALP与新兴的BEPS 2.0概念（包括金额B）共存的必要性。

## C——“共同做法”及其意义

与全球最低15%公司税率相关的关键规则，将具有“共同做法”（common approach）的地位。

这种“共同做法”（OECD术语）地位并没有明确要求加入“全球税收协议”的国家，提高其公司税率（如果这些税率还没有达到至少15%），但实际上意味着某些规则根本不是强制性的。在最近的一份香港出版物中，作者巧妙地指出：“.....刚刚描述的‘全球最低税’是非强制性的。香港只须同意，如果其他国家采纳它，香港不会反对.....如果总部设在其他地方的大型跨国企业，因为在香港赚取的收入被征收低于15%的税率，而在各自国家被征收额外的税，香港承诺不会抱怨。”

以上只是“BEPS 2.0”众多概念中的一部分，但也许已经很明显，其中有许多错综复杂的细节问题。事实上，如果连经合组织博学多才的专家，也无法对“金额A”和“金额B”这两个术语提供更直观的描述，且在2019年首次提出这些有些别扭的术语的两年多后，仍然不得不使用它们，那么实现“全球税收协议”的道路可能仍很漫长。

# The Global Tax Deal From A to Z

This was first published in *Tax Notes International* on 12<sup>th</sup> November 2021.

Given the recent triumphant headlines on various media platforms concerning the topic of corporate tax, one may easily perceive tax reform as a rare bright spark in these uncertain times – a time during which world leaders tackle concurrently other difficult issues, including COVID-19, climate change, and trade wars. Indeed, since the G-7 tax deal was announced in early June, the public has been fed regular progress updates: “136 Nations Agree to Biggest Corporate Tax Deal in a Century,” screamed the Financial Times on October 8. Just three weeks later, coverage of the G-20 summit in Rome saw Reuters carrying a report titled, “G20 Leaders Endorse Global Minimum Corporate Tax Deal for 2023 Start.”

In 2014, I published a piece in Singapore’s business broadsheet, *The Business Times*, titled, “What the BEPS Are We Talking About?” Back then, it was written in an A-to-Z explainer format. The primary objective was to educate, because the topic of base erosion and profit shifting was then new.

For the global tax deal, often also referred to as BEPS 2.0, I now present in this same alphabetical approach; however, with wide-ranging coverage of BEPS on many platforms, here I aim to also foster a more circumspect view of some of the terminology, perspectives, and issues involved.

## A

**Arm’s-length principle** and **amount A**. When reference is made to the biggest change to the international tax framework in a century, this likely refers to the diminishing of the long-standing arm’s-length principle. This principle requires that a transaction with a related party be made under comparable conditions and circumstances as a transaction with an independent party. While the principle is still endorsed by the Inland Revenue Authority of Singapore as the gold standard to guide transfer pricing, in recent years the OECD is perhaps already opportunistically agnostic about it. This coincides with the emergence of amount A in the BEPS 2.0 lexicon, which allocates profits based on a formula and which may not be the same as the allocation of profits under the arm’s-length principle.

## B

**Biden administration**. Often seen as the accelerating force in the global tax deal’s rapid progress since the change in the U.S. presidency, it may be easy for laypersons to overlook that the call for a global minimum taxation system draw inspiration from the Trump administration’s global intangible low-taxed income regime, as some experts have noted.



# The Global Tax Deal From A to Z

## C

**Carveouts.** This refers to exceptions from applying BEPS 2.0 rules. One sector carveout is shipping, the taxation of which has largely been based on tonnage (outside the scope of corporate taxes).

Trade war or not, both China and the United States do seem to be aligned in this global tax deal, an outcome that may be partly explained by both countries being “remarkably similar in their aversion to using consumption and personal income tax instruments to raise revenue and their preference for the corporate income tax,” an argument seemingly put forth by the esteemed academic Wei Cui.<sup>1</sup>

Key rules relating to the global minimum corporate tax rate of 15 percent will “have the status of a common approach,”<sup>2</sup> an interesting point also discussed later (see “Optionality”).

## D

**Digital services taxes.** With new profit allocation principles to apply to the largest and most profitable multinational enterprises, the Big Tech businesses would seem to be most affected. However, while the final deal intends to scrap countries’ unilateral DSTs, U.S. tech giants could still benefit from BEPS 2.0. The United States’ threat to impose retaliatory tariffs, in arguing that DSTs unfairly target U.S. multinationals, should also diminish.

<sup>1</sup> Wei Cui, “What Does China Want From International Tax Reform?” *Tax Notes Int’l*, July 12, 2021, p. 141.

<sup>2</sup> OECD, “Statement on a Two-Pillar Solution to Address the Tax Challenges Arising From the Digitalisation of the Economy,” at 3 (July 1, 2021).

# The Global Tax Deal From A to Z

## E

**Effective tax rate (ETR).** The global anti-base-erosion (GLOBE) rules will operate to impose a top-up tax using an ETR test; in and of itself, a country's headline corporate tax rate is inconclusive as to whether the ETR will fail the 15 percent threshold. For example, while Singapore has a headline corporate tax rate of 17 percent, the government expects that a majority of affected MNEs with Singaporean presence will have group ETR below 15 percent in Singapore.

**Economic impact assessment.** Last year, the OECD produced an economic impact assessment relating to the BEPS 2.0 proposals and seemed to suggest that the main case for the proposals rested on the undesirability of an alternative scenario, in which trade wars would reduce global GDP by up to 1 percent in a worst-case scenario.

Some may regard this economic assessment to be self-serving: As pointed out by Wei Cui,<sup>3</sup> the assumptions used for modelling the worst-case scenario is one in which "putting China and Hong Kong aside, every country is at peace with every other except the U.S.; the U.S. is at [trade] war with every other country; the U.S. violates its WTO obligations in respect of all other WTO signatories; and every other country is enforcing WTO obligations against the U.S."<sup>4</sup> He went on to question why this is not simply just an unmitigated disaster for the United States alone, as the rest of the world continues to cooperate, in objection to the OECD's framing of the scenario as a disaster for the world and the end of international cooperation unless BEPS 2.0 proposals prevail.

## F

**Formulaic approaches.** The mechanics to implement the BEPS 2.0 rules will involve extensive use of formulas. Examples include the approach to apply amount A and formulaic substance carveout considerations (under GLOBE rules).

<sup>3</sup> Cui, "New Puzzles in International Tax Agreements," SSRN, at 16-17 (July 27, 2021).

<sup>4</sup> Id

# The Global Tax Deal From A to Z

## G

**GLOBE rules.** Set to apply to MNEs that meet €750 million threshold, these form part of the rules designed to ensure profits of MNEs are subject to 15 percent global minimum tax regardless of where they are earned.

**G-24.** As a less prominent economic grouping in comparison with the key G-20 sponsors of BEPS 2.0, the G-24 represents the interests of developing countries in economic issues and has made submissions to the OECD inclusive framework secretariat. Suggestions include broader taxing rights under pillar 2's subject-to-tax rule (STTR) and phasing out unilateral DSTs rather than abruptly cutting them off.

## H

**Hungary.** With the country's corporate tax rate of 9 percent — the lowest among EU and OECD members — it was clear why Hungary was initially reluctant to agree to the global minimal 15 percent floor on the corporate tax rate. The country's argument on the lack of uniformity in accounting standards as one of its earlier pushback factors was, however, more puzzling. With key figures from consolidated financials using universal accounting standards (for example, international financial reporting standards or the U.S. generally accepted accounting principles) set to be used as starting points for BEPS 2.0 calculation purposes, reconciling between such accounting standards hardly seems the most difficult hurdle to cross.

## I

**Incentives and income inclusion rules.** Incentives granting a preferential tax rate are set to lose their luster under the income inclusion rules (IIRs) that form part of interlocking GLOBE rules, although the jurisdictional blending approach (see below) may yet help preserve the case for some incentives.

## J

**Jurisdictional blending approach.** Put simply, it refers to the approach that the ETR for GLOBE purposes should be calculated on a per-country basis. For example, an MNE group has two Singaporean subsidiaries — SingCo A, which enjoys a 5 percent tax incentive, with net profit and taxable profit both \$100 million; and SingCo B, taxed at a 17 percent headline rate, with net profit and taxable profit both \$600 million. Assuming no other relevant figures, the MNE group's jurisdictionally blended ETR in Singapore would be approximately 15.3 percent (5 percent of \$100 million) + (17 percent of \$600 million), divided by (\$100 million + \$600 million). This means that this MNE group would not fail the 15 percent ETR threshold in Singapore despite having a 5 percent tax incentive for part of its Singapore operations.

# The Global Tax Deal From A to Z

## K

**Kenya.** It is one of four countries explicitly named for not having joined the landmark tax deal. The others are Nigeria, Pakistan, and Sri Lanka. The United Nations consists of 193 member states. This means that at least 57 territories, or close to 30 percent, have not committed to the deal, which indicates that the world authorities are not in solidarity. The four countries referenced herein have found themselves with no support and are being singled out by the OECD as distinct minority outliers.

## L

**Largest.** The current plan is that pillar 1 will initially apply only to the largest companies, with global turnover above €20 billion and profitability above 10 percent. Because players in extractives and regulated financial services are excluded, the initial estimate is that about 100 companies will be affected by pillar 1, which is focused on reallocation of profits to market jurisdictions.

## M

**Multilateralism.** This is the theme of the day. For example, amount A will be implemented through a multilateral convention, which could entail having over 130 member countries of the OECD/G-20 inclusive framework sign onto a treaty to ensure that initially only 100 companies pay more taxes in market jurisdictions in the pillar 1 context..

## N

**Novel.** The continued presence of linguistically awkward nomenclature such as amount A and amount B in the ongoing pillar 1 discussions may add fuel to the narrative that these are novel developments. This perceived novelty persists even though it's been at least two years since the related concepts emerged prominently in the public sphere. Moreover, there is contention within academia that the idea of amount A is conceptually derived from the use of a sales factor by U.S. states to allocate corporate income as part of their formulary apportionment system – a usage that dates back to the year 1911!

# The Global Tax Deal From A to Z

## O

**Optionality.** While headlines like “136 Nations Agree to Biggest Corporate Tax Deal in a Century” seem impressive and suggest each committed jurisdiction would have to ensure that it changes the relevant tax laws as appropriate (for example, if its corporate tax rate was not already at least 15 percent), the status of a common approach (OECD parlance) effectively means that some rules simply are not mandatory. This was adroitly addressed in a recent Hong Kong publication, where Wei Cui pointed out that the global minimum tax is optional.<sup>5</sup> “All that Hong Kong had to agree to is that it would not object if other countries adopted it. If large MNEs headquartered elsewhere are subject to additional tax in their respective countries because their income earned in Hong Kong is taxed at less than 15 percent, Hong Kong promises not to complain,” he noted.<sup>6</sup>

## P

**Pillars 1 and 2.** Focusing on the largest companies and MNEs that meet €750 million threshold, pillars 1 and 2 are not inconsistent with the application of the Pareto principle, which states that for many outcomes roughly 80 percent of results comes from 20 percent of the causes, or the vital few.

## Q

**Quick implementation.** It is hoped that shortly after the FIFA World Cup 2022 in Qatar at least some key parts of the rules – such as amount A and the IIRs – will come into effect within 2023.

## R

**Rest in peace to tax incentives?** This is possibly the outcome for some tax breaks (although see also “Jurisdictional blending approach”). Here in Singapore, if this is true, one may well be entitled to feel aggrieved, because it’s been only a few years since we participated in the Forum on Harmful Tax Practices’ peer review of tax incentives that met the requisite standards under BEPS 1.0.

<sup>5</sup> Cui, “The OECD Has Brokered a Global Tax Agreement — Should Asian Countries Care?” AsiaGlobal Online, Oct. 28, 2021.

<sup>6</sup> Id

# The Global Tax Deal From A to Z

## S

**Small and medium-size enterprises.** One may well form the impression that this category should not be affected by the tax proposals in both pillars. This may be a myth of sorts, particularly if “SME is not a term defined at the international level,” as noted by the OECD.<sup>7</sup> Broadly, the STTR is “an integral part of achieving a consensus on Pillar Two for developing countries” and is intended to “address remaining BEPS risks by restoring to source jurisdictions a limited right to apply a top-up tax” based on specific related-party payments resulting in low-tax outcomes in the recipient’s jurisdiction, to bring the tax on those payments up to an agreed minimum rate.

The OECD has noted that “a size threshold applying for the purposes of the STTR does not need to align with the EUR 750m threshold applying for the purposes of the GLOBE.”<sup>8</sup> Further, it is my understanding that the threshold question in this context is still being discussed.

## T

**Trade wars and retaliatory tariffs.** These are a seemingly convenient justification for some BEPS 2.0 proposals. See the economic impact assessment discussion above to challenge this narrative.

## U

**Undertaxed payment rule (UTPR).** As a secondary part of the interlocking mechanism within the GLOBE rules, this rule can deny deductions or require an equivalent adjustment to the extent low-taxed income is not subject to tax under an IIR. Because the UTPR is relatively complex, the timeline now suggests delaying its implementation until one year after the IIRs take effect.

## V

**Vessels.** While empty ones make the most noise, cynics could point to the vociferous discussions of the tax deal in the media as showboating without substance. My reference to vessels is, of course, simply to use vernacular differences because the GLOBE rules exclude international shipping income. For further explanation, see “Carveouts.”

## W

**Worldwide basis of taxation.** While many countries adopt such a basis, Singapore does not. Some of the upcoming rules, such as pillar 2’s STTR, could well trigger the debate on whether Singapore’s form of quasi-territorial taxation requires repositioning toward a worldwide basis approach of sorts.

<sup>7</sup> OECD, “Tax Challenges Arising From Digitalisation – Report on Pillar Two Blueprint” (Oct. 14, 2020).

<sup>8</sup> Id at 628.

# The Global Tax Deal From A to Z

## X

**X factor.** This is possibly a confident and succinct description for the oft-stated narrative that investors are attracted to Singapore for many nontax reasons, such as its stability, geographical location, and other “soft” factors such as its strong rule of law, skilled workforce, and focus on bilingualism. Therefore, even with lesser room for tax incentives (see also “Incentives and income inclusion rules” and “Rest in peace to tax incentives?”) in the years ahead, that will not X (or cancel) Singapore.

## Y

**U.S. Treasury Secretary Janet Yellen.** Part of the Biden administration, she seems confident there would be no yo-yoing by the United States in proceeding with both pillars. Yellen’s confidence could stem from the following:

- Pillar 1. Because this would probably require treaty changes, at least two-thirds of Senate support will be needed. Yellen has stated, however, that she believes that taxing rights reallocation for big multinationals would hold some bipartisan appeal because it is set to replace DSTs, a bane especially for U.S. Big Tech.
- Pillar 2. Because this would require changes to U.S. domestic legislation rather than its treaties, there seems to be acceptance that eventually the rules would clear the Senate with a simple majority. And because the mechanics of a global minimum tax can be broken down into a promise not to complain when others increase their tax rates rather than an undertaking to increase one’s own, it would seem somewhat hypocritical if the leader of the free world were to walk away at this advanced stage and protest, when others who raise their tax rates as a result of pillar 2 are simply respecting the agreed approach and exercising their tax sovereignty rights.

## Z

**“Net zero by 2050. Blah, blah, blah.”** One of the items for which Swedish activist Greta Thunberg recently mocked global leaders, saying their words sound great but “so far have not led to action.” On balance, most would agree the BEPS 2.0 package is action-packed and a deal still being pursued with plenty of zeal. If anything, it is more rah-rah than blah, blah, blah.

# Here's a playbook for personal income tax planning

**This was first published in *The Business Times* on 21<sup>st</sup> October 2021.**

I was recently asked to share some tips for personal income tax planning. Historically, when compared to corporates, the scope for such planning for individuals is perhaps less fertile. However, as we try to get to terms with "living with Covid-19", some left-field topics from individual income tax angles could come to the fore.

The following are some brief tax thoughts, not necessarily all pandemic-linked:

## For The Gainfully Employed

It is important to distinguish between a reimbursement for a business expense incurred by the employee and one designed merely to reimburse the employee in respect of his private expenditure.

The latter is taxable, the former is not. Many have their work-life boundaries increasingly blurred due to prolonged work-from-home (WFH) situations; some employers may demand presenteeism, micro-manage and ask for constant employee work-status updates, but look to soften the impact on their people with more expansive employee reimbursements.

If your employer reimburses say, your entire mobile bill, WiFi expenses and the like, it is in your own interest to identify/reasonably apportion the bill amount relating to work purposes as such a component should not be taxable for you.

## For The Retrenched

Singaporeans who were retrenched this year may still have to pay such tax next year, if relevant income thresholds are exceeded, because income tax is imposed on income earned in the preceding year. This may present cashflow challenges for many, even if they received retrenchment payments to alleviate the financial impact.

It will be relevant to note that a terminal payment to a retrenched employee may in fact consist of many components, some of which are taxable (such as salary in lieu of notice, gratuity for past services, commuted leave pay, pro-rated bonuses); other components are not taxable (such as retrenchment payments that are made to the laid-off employee to compensate for the loss of employment and restrictive covenant).

In this harsh climate, many distressed employers may be dealing with large-scale and time-sensitive retrenchment exercises. They may not have sufficient time to discuss individual packages in detail; they may also be wound up more quickly (for example, under Simplified Insolvency Programme).

The upshot is that an affected employee may no longer be able to request for information or documentary support from the (already wound-up) employer if needed, if future disputes were to arise between the individual employee and the Inland Revenue Authority of Singapore (IRAS).

To avoid the situation where the description (or lack thereof) ascribed to the payments by the employer leads to adverse/incorrect tax outcomes for the individual concerned, the affected individual has to be mentally resilient enough to keep proper and contemporaneous documentary support and to also seek to maintain sufficient granularity accordingly.

**Now, for tomorrow**



# Here's a playbook for personal income tax planning

## For Gig Workers

IRAS says that, with the jobs taken up by gig workers (for example, independent consultants, coaches, private hire car drivers, home bakers) being mostly short-term, in piecemeal and on an independent basis, they are generally self-employed persons engaged on a contract for service (not "contract of service"). This means that the income earned through gig work is assessable to tax not as employment income, but as the individual's business income.

One positive implication of this is that the range of tax deductions for expenditure incurred is much broader for business income than for employment income. For example, if you are an aspiring Key Opinion Leader or influencer, that sharp tuxedo you rented as an accessory to produce a James Bond-themed, fee-paying video log (vlog) should certainly accord you with some tax claim.

On the other hand, your friend who rented the same tuxedo on his own account for his upcoming black-tie corporate event is unlikely to be able to claim a tax break for that cost against his (only) source of employment income.

Furthermore, as someone who is now taking the brave entrepreneurial step of being in business, the concept of losses, while generally unwelcome, can become relevant and of use to you. These should therefore be tracked by you filing your tax return appropriately. This is because your (tax-adjusted) business losses can generally be carried forward to be used in future years; they can help you save on taxes if you turn profitable later, or even if you subsequently earn income in the capacity of an employee again. In this vein, you should look backwards for a tax blind spot, as some business losses can be carried back to refund at least part of your prior year's tax paid.

## For The Genuinely Altruistic

Leaving aside economic, morality, social responsibility considerations and the like, it may be legally possible to pay zero income tax even if one earns significant employment income. Arithmetically, this can be the outcome if the individual concerned is prepared to donate amounts close to 40 per cent or more of his/her earnings to approved an Institution of a Public Character (IPC), given that such donations carry 250 per cent tax deduction value.

In Singapore, with the highest-paid individuals being currently taxed at no higher than 22 per cent, donating in the proportions described above may possibly be regarded by many as a "nuclear option", if simply for personal tax reduction.

However, when viewed from the lens of non-native Singaporeans who may be used to much higher personal tax rates elsewhere – the equivalent top marginal personal tax rates in the US and France are 37 per cent and 45 per cent respectively – making significant donations may not always be radical, especially where it maintains their expected post-tax income levels and concurrently satisfies charitable intent.

# Here's a playbook for personal income tax planning

## For The Super-Rich And Broader Matters Beyond

While the basis for this piece was premised on income tax planning for individuals, given the recent discourse on various media platforms, it would be remiss not to make some reference to the topic of wealth taxes in Singapore.

That the country must maintain the principle of taxing wealth appears undisputed from the government's standpoint if various Budget statements over the last two decades are revisited; key questions relate to the means with which this can be made even more efficient.

A problem with many forms of wealth tax is the ease with which such tax is susceptible to being "tax-planned away". When the announcement for removal of estate duty was made during Budget 2008, property tax was singled out as the remaining wealth tax and lauded for its virtues, including the inability to tax-plan it away.

Be that as it may, in seeking to enhance progressivity – a system under which those with higher wealth contribute more than the rest – the property tax system has been refined fairly frequently since 2010. One may also ask if property tax alone is indeed sufficient for taxing wealth if the underlying assets of the super-rich are increasingly held in digital forms (such as through tokenisation) and being diversified away from traditional real estate.

These broadly suggest the need to ensure our tax regimes remain "fit for purpose", a conviction which cuts across many other aspects of taxation, including and prominently in the field of corporate taxation, where longstanding international tax rules (in place for a century or so) are set for fundamental reform on a global scale. In fact, a reaffirmation of this point was made in a tweet by OECD secretary-general Mathias Cormann on Oct 8, hailing "a far-reaching agreement which ensures our international tax system is fit for purpose in a digitalised and globalised world economy". He was referring to the OECD's statement that day, triumphantly headlined "International community strikes a ground-breaking tax deal for the digital age".

With recent signalling that Singapore will correspondingly be poised to make important changes to its corporate tax regime in due course and be "compatible with international norms", the tax work ahead is aplenty indeed.

# 了解税收盲点，应对相关挑战

This was first published in *Lianhe Zaobao* on 6<sup>th</sup> October 2021. A version of this article in English is [“Here’s a playbook for personal income tax planning”](#).

最近有人要我分享一些个人所得税规划方面的建议。过去，与公司法人相比，此类规划范围可能更狭窄。然而，当我们试图接受“与病毒共存”的时候，就个人所得税而言，一些较为罕见的主题可能会更显著地出现。因此，我在此简要地提供一些税收建议（并非都与疫情相关）。

## 关于就业者

明确区分业务费用报销和私人开支报销至关重要。你必须为后者缴税，而前者是免税的。由于长期居家办公，许多人将工作和生活混为一谈；一些雇主可能希望通过提供多样化报销，以缓解对员工所造成的影响。如果你的雇主全额报销了你的手机和Wifi账单，为了你自身的利益，你应该确定 / 合理地分摊与工作相关的花费，因为该费用无须纳税。

## 适用于裁员情况

对于今年不幸被解雇的新加坡人而言，由于所得税将根据前一年的收入征收，如果收入超过了相关的个税起征点，仍可能须缴纳相关税款。这可能会使许多人面临现金流困难，即使他们已收到可减轻财务影响的裁员补贴。

应注意的是，向被裁雇员支付的终止雇佣金，实际上可能包含许多部分，其中一些须纳税，例如，过往服务的酬金、折算的假期薪酬、按比例发放的奖金等；而有些则不须纳税，例如，就解雇、限制性契约等向被裁雇员支付的遣散费。

在此艰难时刻，许多陷入困境的雇主可能正在处理时间紧迫的大规模裁员工作。他们可能无充足的时间详细讨论个别方案；他们也可能被加速清盘（如简化破产计划，Simplified Insolvency Programme）。结果是，如果将来个体雇员与新加坡税务局（IRAS）之间出现纠纷，受影响的雇员可能无法在需要时，要求（已清盘的）雇主提供信息或文件支持。

为避免雇主的付款描述（或无描述）导致有关个人承受不利或错误的税务结果，以及为了自身利益，受影响的个人应具备强大的心理承受力，要求提供合适的和同期的支持文件，并相应地寻求充足的内容。

# 了解税收盲点，应对相关挑战

如果你是或已成为一名临时工（gig worker），根据IRAS的规定，如果临时工（例如，独立顾问、教练、私召车司机、居家烘焙师等）所从事的工作大多是短期、零散和单个的，则通常归为按服务合同（而非雇佣合同）受雇的个体经营者。这意味着提供临时服务所赚取的收入，应按个人的营业收入（而非就业收入）纳税。换句话说，在税收方面，你被视为创业者。

按营业收入纳税的一个优势是，与就业收入相比，营业收入相关支出的减税范围广泛得多。例如，作为一位网红，你为制作以占士邦为主题的付费视频博客，而租用了一件新的时髦燕尾服，你完全可以就该租用费用申请退税。另一方面，你的朋友自费为即将举行的，正式和高级的公司晚宴租用同样的燕尾服，则不太可能用其就业收入来源，为这笔费用申请任何税项减免。

此外，作为一名大胆创新的创业者，亏损也可为你所用。只要你提供合适的纳税申报表，即可利用有关亏损。这是因为你的（经纳税调整）营业亏损通常可结转至将来使用；如果你将来盈利，或者如果你以后再次以雇员身份赚取收入，该亏损均可帮助你节省税款。在这种情况下，你还应该考虑一个税收盲点，因为有些营业亏损可用于退还（至少一部分）前一年的已缴税款。

## 对于慈善人士

在不考虑经济、道德、社会责任等因素的情况下，即使一个人赚取了丰厚的就业收入，也有可能合法避税，甚至无须缴纳任何所得税；从算术的角度来看，如果相关人士心甘情愿的将其收入的近40%，捐赠给经批准的IPC（假定该捐赠可享受250%的税务减免），则不须缴纳所得税。

在新加坡，目前最高收入者应税税率不超过22%，如果仅为了减少个人税项而按上述比例捐赠，可能被许多人视为非常不靠谱。

然而，就居住在本地的外国人而言，他们可能习惯于更高的个人应税税率（例如，美国和法国的个人最高边际税率分别为37%和45%），采用上述方法重组自身的税后收入，就不一定属不道德行为，而且可顺水推舟达到资助慈善的目的。

## 以“财富税”等宏观课题作总结

就我前面个税的讨论，借题发挥，讨论财富税。这也是一个热门话题；2021年9月27日，财政部长黄循财在回应彭博电视采访时，也谈到了累进财富税的必要性。

# 了解税收盲点，应对相关挑战

关于累进税制，我想谈谈我的看法。

我倾向于使用尚达曼多年前的解释，他当时任职财政部长，在一次财政预算的演讲中解释道：“.....我们有一个累进财政制度，根据该制度，收入较高或财富较多的人应比其他人贡献更多，但新加坡人的整体税务负担仍然较低，因此我们鼓励人们努力工作，锐意进取，使我们的经济保持稳健增长。”

近期的经验表明，新加坡在吸引和保留顶尖人才方面一直具有竞争优势，但也有人才外流的情况。

因此，就新加坡而言，追求累进的税务和财政制度依然任重道远。同时，我们还须确保我们的税制保持“适用性”。这涉及税收的许多方面，包括在全球范围内，长期存在于备受关注的公司税务领域的规则（已实施大约一个世纪）正在进行根本性变革。新加坡也准备在适当时，对公司税制作出适当变革。

在个人税务方面，为保持“适用性”和实施累进制，政府不断表明有必要检讨新加坡的财富相关税项（个人所得税除外）。这属于积极行动；随着人口结构的变化，检讨该税项或许不可避免，但绝非易事，因为各种与财富相关的税项易于通过“税收规划”进行避税。此外，高净值人士持有的数码化财富不断增加，这可能会进一步增加检讨工作的难度。

# “七国集团税收协议”：为新加坡寻找正能量

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七国集团（G7）财长会议结束后，美国财政部长耶伦在6月5日的新闻发布会上表示：“我们应该就达成全球最低税收协议彼此合作。各国可通过设定税收政策保护其主权，在公司所得税率方面的逐底竞争才得以缓解。”

在此背景下，耶伦指向税收主权保护的言辞难以捉摸，甚至可以被理解为试图混淆视听的言论。

大致解释是，七国集团税收协议承诺，支持将全球最低税率设为15%，还建议在某些情况下，将最大和利润最高的跨国企业的收入，重新分配给“市场国家”。这可能高达至少20%的利润。

## 枢纽经济：充满反抗或心酸的语调

今年4月底，爱尔兰财政部长帕斯卡尔·多诺霍对实施全球最低公司所得税率的可行性持保留意见。据报道，他坚称任何新协议都必须“适应”爱尔兰12.5%的税率。他认为，小国“必须能够利用税收政策作为合法的杠杆，以抵消大国在规模、地理位置、资源、工业传统等方面享有的真正、实质和持久的优势”。

这很可能会引起新加坡财政当局的共鸣，即使我们政府传达的信息或许不太乐观。时任财政部长王瑞杰在其2021年预算声明中指出，一些拟议的国际税收规则“将对我们的公司所得税收入产生不利影响”。

事实上，总理公署部长兼财政部和国家发展部第二部长英兰妮，在2019年10月4日的数码税收会议发言时，已有先见之明地警告。她说：“如果（国际税制改革建议）过分注重将利润分配到市场所在的地区……那些以前曾投资建设良好商业环境的政府，可能会失去继续这样做的动力。”

尽管如此，目前的情况只是重申了这样一种理解，即新加坡在追求自己的税收政策理想方面，将受到越来越多的限制；虽然税收主权的削弱可能会让我们的政策制定者失去动力，但要保持我们作为值得信赖的投资中心的宝贵声誉，仍有很多工作可以做。

# “七国集团税收协议”：为新加坡寻找正能量

## 展望未来，寻找正能量

事实上，在财政部长黄循财最近的回应中，他提到新加坡将有三大不变，包括：一、继续支持基于稳健经济原则的多边共识（即排除单边或双边方法），促进税收确定性，并确保所有司法管辖区的公平竞争环境；二、当全球就上述框架达成共识时，财政部和新加坡国内税务局，将对我们的公司收制度进行任何必要的调整；三、我们的整体竞争力从未只基于税收政策。

黄循财所谓的追求多边共识确实是正道，尽管我国的一些税收激励措施，很可能面临生死存亡的挑战。不过，许多这些措施仍可“照常运作”，尤其考虑到某些行业将被排除在新规则之外。这包括国际航运、金融服务、商品交易等（有待确认）。

排除的部分原因，是相关领域具有较强的技术性（例如航运业的吨位税之类的替代或补充税收制度），最好单独处理。目前必须注意的是，上述行业对我们的经济相当关键，如果相关当局与这些行业的一些主要参与者合作，告诉他们可以继续从新加坡获得财政支持的预期稳定性，这可能会有所帮助。

关注黄循财的第二和第三点，即部分税收规则最终可能会被修改，如果政府官员能够提前作出明确的大方向立场声明，会使商界和潜在投资者感到更安心。例如，由于修订主要适用于大型跨国公司集团，我们有理由提前强调（就像香港最近所做的那样），新加坡最终的公司所得税应对措施，将力求对本地中小企业的的影响降至最低，并力求保持简单以及对多数企业和多数投资者的确定性。

这种简单明了的表态，可补充人们经常挂在嘴边的一个说法，即投资者被新加坡吸引是出于许多非税收原因，比如稳定性、地理位置和其他“软”因素。这可以为这部分纳税人提供更清晰、更令人耳目一新的视角。

除了上述的信息传递，一些拟议的税收改革措施，或许可以作为扩大新加坡税基的合理化因素。应用全球最低税率的概念，通常需要计算公司的有效税率（ETR），以确定新加坡的ETR是否低于门槛。若是，可启动某些机制，要求新加坡实际上放弃差别税，由其他相关司法管辖区来征收。

就新加坡而言，一个例子是在持有股票投资组合的情况下，如果出售股票获得的收益被视为非应税资本利得（non-taxable capital gains），就会降低ETR。由于有了全球最低税率 / ETR参数，关于新加坡是否应该通过某种形式的资本利得税来增加其税基的讨论，可能会变得更加微妙和让人信服。

如今已无法直截了当将引入资本利得税，和会阻挠外资的进入以及种种相关的取舍简单化地等同起来。政策思路还应考虑到，如果新加坡放弃这样的税收，相关投资者的境遇也不会好转，也许只能让其他司法管辖区“分一杯羹”。

总而言之，尽管主流观点可能认为，大型经济体和市场司法管辖区将从拟议的规则中获益最多，但如果新加坡等枢纽司法管辖区能打出一手好牌，仍有可能保持繁荣昌盛。

# G-7 tax deal - not quite the perfect storm for Singapore just yet

## This was first published in *The Business Times* on 9<sup>th</sup> June 2021

During her press conference on June 5 following the close of the G-7 Finance Ministers Meetings, US Secretary of the Treasury Janet Yellen remarked that "by collaborating with one another on the global minimum tax, governments protect their national sovereignty to set tax policy, because... the race to the bottom on corporate tax rates are alleviated".

Secretary Yellen's reference to tax sovereignty in this context is hardly a circumspect one, even if one were to make allowances for the excitement of a first in-person G-7 meeting in a long while.

In broad terms and to set the scene, the "G-7 tax deal" backing a global minimum tax rate of at least 15 per cent also commits to "market countries" being awarded taxing rights on at least 20 per cent of profit exceeding a 10 per cent margin for the largest and most profitable multinational enterprises.

### Hub Economies: Tones of Defiance and Deflation

In late April this year, Ireland's Minister for Finance Paschal Donohoe expressed reservations about the possibility of a global minimum corporate tax rate, and reportedly insisted any new deal must "accommodate" Ireland's 12.5 per cent rate. His belief that small countries "need to be able to use tax policy as a legitimate lever to compensate for advantages of scale, location, resources, industrial heritage and the real, material and persistent advantage enjoyed by larger countries" could well resonate strongly with Singapore's policymakers, even if our government's messaging had been possibly less upbeat, with (then) Finance Minister Heng Swee Keat pointing out in his Budget 2021 statement that some of the proposed international tax rules "will adversely impact our corporate income tax revenues".

Indeed, Second Minister for Finance Indranee Rajah may have provided a prescient warning (in her address at a digital tax conference on Oct 4, 2019) in saying: "if (the international tax reform proposals) focus excessively on allocating profits towards where the market is... governments that have previously invested in building a conducive business environment might find less motivation to continue doing so".

Be that as it may, the current situation merely reaffirms the understanding that Singapore will be increasingly constrained in pursuing its own tax policy mix; and while dilution of tax sovereignty can be demotivating for our policymakers, there is still much to work towards in maintaining our cherished reputation of being a trusted investment hub.



# G-7 tax deal - not quite the perfect storm for Singapore just yet

## Looking Ahead and Sieving Out The Positives

Some longstanding tax incentives here could well face existential challenges; yet many are set to operate "business as usual" especially with the ongoing discussions that certain industries (e.g. international shipping, financial services, commodities trading, etc) ought to be excluded from some of the new rules.

Some of the reasons for exclusions can be highly technical (e.g. existence of alternative or supplementary taxation regimes like tonnage taxes for the shipping industry) and are better dealt with separately; suffice to note for now that the industries mentioned above are fairly key to our economy, and it behoves the relevant authorities to engage some of the key players in these industries to articulate expected stability in the fiscal support they can continue to enjoy from Singapore.

Furthermore, while acknowledging that Singapore is also actively involved in the ongoing discussions around these landmark revisions to international tax rules and her stance that the country could make suitable adjustments to our corporate tax system if and when these international tax rules are changed, it may be reassuring for our business community and prospective investors if our officials release certain precise positioning statements way upfront.

For example, with the revisions being meant to apply to large MNC groups, it is reasonable to emphasise way in advance (as what Hong Kong appears to have done recently) that Singapore's eventual corporate tax response measures will aim to minimise the impact on local small and medium-sized enterprises, and are intended to remain simple and to accord certainty to most businesses and the majority of investors. Such simple and clear communicate complements and refreshes the oft-stated narrative that investors are attracted to Singapore for many non-tax reasons such as its stability, geographical and other "soft" factors.

Beyond the messaging aspects discussed above, some of the proposed tax reform measures can potentially justify the broadening of Singapore's tax base. The concept of applying the global minimum tax generally requires calculation of companies' effective tax rate (ETR) to determine if say, Singapore's ETR is below the threshold. If so, mechanisms can be invoked to require Singapore to effectively forgo the differential tax, to be picked up by other jurisdiction(s) involved. An example of where this scenario can manifest for Singapore, is in the context of portfolio holdings of shares if the gains from disposal of such shares are treated as non-taxable capital gains, thus lowering the ETR.

# G-7 tax deal - not quite the perfect storm for Singapore just yet

## No Longer Straightforward

With the global minimum tax/ETR parameters, the discussion around whether Singapore should increase its tax base with some form of capital gains tax can become more nuanced and compelling. It is no longer as straightforward as simply equating capital gains tax to being a deterrent to foreign investors and the corresponding trade-offs, but the debate should also consider the fact that if Singapore gives up such a tax, the relevant investors are no better off and may just have to pay the equivalent taxes elsewhere.

On balance, while the prevailing view may be that large economies and market jurisdictions stand to gain the most from the proposed rules, hub jurisdictions like Singapore may well still thrive and prosper if their cards are played right.

# 新加坡该认真看待电子竞技吗？

**This article describes how the growth of e-sports may positively impact Singapore and some associated tax considerations, and was first published in *Lianhe Zaobao* on 4 May 2021. Listen to an English podcast of this topic with MONEY FM 89.3 [linked here](#).**

两年前，《福布斯》杂志曾报道美国职业篮球赛(NBA)偶像乔丹(Michael Jordan)进入电子竞技(简称Esports)领域，这篇文章的副标题是：梦之队与乔丹1992年的奥运队友——神奇的约翰逊重聚。这两位篮球传奇人物与美国亿万富翁、私募股权元老鲁宾斯坦(David Rubenstein)等知名投资者共同投资aXiomatic(一家基础雄厚的Esports和游戏公司)，使来自传统体育领域的参与者人数持续增长。

尽管Esports的确切定义各不相同，但人们普遍认为，Esports指的是有竞争、有组织的电子游戏界。Esports绝对不再是利基市场，且其商业潜力无疑是巨大的。随着新加坡向世界各地的Esports选手敞开新加坡大赛(Singapore Major, 该项赛事于2021年3月27日至4月4日举行，也是冠病疫情期间首场大型Esports赛事)的大门，新加坡是时候谋求成为Esports中心了。

## 从足球到电脑游戏

Esports行业的迅猛发展吸引了许多组织机构的目光。一个值得注意的例子是，著名法国足球队巴黎圣日耳曼队(PSG)与中国Esports战队LGD成立了一家合资企业，这一合作跨越了不同的竞技类型和界限。但Esports并不是一个简单或种类单一的行业。每一种Esports都有自己的特点，甚至有自己的文化。例如，《铁拳》等格斗游戏的组织方式与《DOTA》等基于团队合作的游戏截然不同。

此外，Esports虽然是一种全球现象，但和传统竞技一样，Esports市场也存在地域上的差异。各个电竞战队都希望挖掘每个地区独特的市场机遇。一个值得注意的例子是，由大连万达创始人的后代创立的IG Esports俱乐部(IG)。通过进军欧洲，IG也成了在其他地区建立支队的Esports战队之一，这一趋势很快被其他公司采纳。更引人注目的是，东南亚也成了渴望开发新兴市场的电竞战队的重要聚焦点。一些顶尖战队，如来自欧洲的Fnatic、美国的Liquid，以及上述法中战队PSG-LGD，近年来都已扩张到东南亚。这种合作日益频繁，而且很难组织。新兴电竞市场的空乏，加上跨境合作带来的独特在地化挑战，使得电竞组织在拓展自身之外的领域时过于谨慎，并且感兴趣的第三方玩家也难以进入。

这种挑战并非Esports所独有，但值得注意的是，目前还没有哪个国家在这方面发挥过主导作用。新加坡在这方面处于有利地位。凭借其强大的体系，新加坡向来被誉为世界的中间人，非常适合成为Esports企业枢纽的前瞻性领导者。例如，在跨境合资企业的局面下，合资企业在一个中立管辖区落脚，与合资企业所属各方所在的国家分开，这是很正常的事情。以PSG-LGD的案例来说明，新加坡的合资企业可以很好地扮演中间人的角色，既能在政治上保持中立，又可以更熟练地通过其双语政策促进交流。如上所述，作为一个多样化且经常跨越不同竞技类型的产业，即使是像PSG这样的老牌足球队，也不一定擅长这一领域。这意味着新加坡可以通过结合不同领域的专业知识，以及协调不同利益相关者的商业利益，来提供真正的增值服务。

# 新加坡该认真看待电子竞技吗？

2020年7月，新加坡与法国签署了《刑事司法互助协议》，这也是新加坡与一个拥有民法体系的国家签署的首份双边法律互助协议，反映了两国之间高层次的信任，且无疑可以加强新加坡作为值得法国企业信赖的中间人的定位。其结果是，新加坡当局应该采取更具扩展性的方法，来寻求更多类似的多边机遇，使我们的合法主张更加引人注目。同样，新加坡目前的税收体系也很好实现这些机遇。人们普遍认为，新加坡与法国和中国的双边税收协定是有利的；在中法共同经济利益的背景下，当地中介机构可以通过新加坡适当的结构、资产、功能和利润来促进税收效率。

## 新加坡“邪恶天才”

培养Esports领域的“梅西”，可能比培养足球界的梅西更有潜力。Esports战队与组织能获得巨额赞助和投资，荣获嘉奖的电竞选手也有相当丰厚的奖金。顶级选手赢得的奖金和工资，与其他职业运动选手相差无几。其他的收入还包括个人赞助以及与Twitch、斗鱼等流媒体网站利润丰厚的签约。

这使得渴望成为职业游戏选手的小天才呈爆炸式增长。这样的例子有很多，比如苏梅尔（Sumail Hassan）在15岁时成为最年轻的Esports百万富翁。Esports已经成为年轻人渴望在竞技领域开创职业生涯的全新天地。新加坡人拥有较高的电脑知识水平，人们普遍接触Esports和电脑游戏，所以能在全球Esports中打得有来有回。DOTA职业选手许培祥（Darryl Koh）可说是最有名气与收入最高的一位。

今年，许培祥决定加入美国顶尖的EG战队，这是一个由来自五个国家的队员所组成的国际战队。这在职业Dota战队中并不罕见，因为选手的地域差异是Esports的本质之一。这些选手的巨额收入，再加上Esports独特的国际性，反过来也会产生复杂的税收问题。如果我们从其他领域的高收入选手的（负面）例子推断，这相应地可能会导致高度复杂的税收规划结构，加大税收争议，但至少新加坡已经做到这一点——一个非常有竞争力的个人边际收入税率。在新加坡，目前的最高的个人所得税率不超过22%，就全球标准而言，这非常诱人（例如，美国和法国的税率分别为37%和45%）。

事实证明，这不仅对新加坡的Esports世界大师来说是一种优势，而且（就像其他领域的标志性人物一样）还可能吸引其他国家的顶尖高手来新加坡定居。然而，新加坡和美国之间避免双重征税协定的缺失，可能会稍微成为阻碍，因为这意味着在两国都有经济利益的参与者，最终可能在某些情况下被双重征税，减少他们的税后收入。

# 新加坡该认真看待电子竞技吗？

## 让Esports成为“主流”

目前，新加坡在Esports领域已经取得早期成就，最近像圣临（Secretlab）和雷蛇（Razer）等本土游戏周边产品公司也表现出色。再加上有新加坡游戏协会（由新加坡企业发展局、新加坡旅游局和资讯通信媒体发展局提供支持）等机构优越的制度支持，新加坡因此打下了坚实的基础。新加坡必须要再接再厉，继续利用这个产业的巨大潜力。就像其他产业计划一样，新加坡的繁荣得益于我们天然的“一站式”优势，即政府和私营单位共同发展。我们的经济代理商须要完全融入这个持续增长的生态系统，扶持长期发展的公司。

此外，我们须要充分认可Esports，承认它是主流文化的一部分。我们的邻国包括马来西亚和中国，已经正式承认Esports是它们经济和文化的重要支柱。例如，在即将于杭州举办的2022年亚运会中，就包括数个Esports项目。新加坡须要抓住这一势头，将Esports纳入我们的主流文化当中，并加以推广。如果最近宣布的目标2034足球项目能得到文化、社区及青年部的大力支持，那相关部门没有理由不采取类似的立场，以提升Esports的形象。

虽然Esports正呈井喷式发展，但这只是冰山一角。如果我们迅速采取行动，新加坡随时能发挥主导作用。

# 解释现代税收现象的警句

**This article describes how certain Chinese idioms and aphorisms actually relate to modern-day tax phenomena such as Base Erosion and Profit Shifting Initiative, increased tax audit activity etc., and was first published in *Lianhe Zaobao* on 5<sup>th</sup> April 2021. A version of this article in English, "[Today's Taxes, Yesterday's Terms: Reimagining Old Concepts to Understand a New Normal.](#)" was published in *Tax Notes International*.**

我3月15日在《联合早报》发表的《[新加坡收紧税收政策合时吗?](#)》一文中，讨论了一些即将实施的根本性国际税收改革，以及对新加坡可能产生的深远影响。事实上，自最初的税基侵蚀和利润转移（BEPS）行动计划启动以来，近几年全球税收状况一直处于高度戒备状态。虽然许多改革措施旨在应对当时的商业惯例和演变，例如脱离实体零售店环境、GAF A（谷歌Google、苹果Apple、面簿Facebook与亚马逊Amazon）等科技巨头的崛起等，我认为一些非常传统的理念和警句，仍有助于外行人更好地理解现代税收现象。

## 先发制人

我在开篇提到了“高度戒备”状态，这在很大程度上是因为经济合作与发展组织（OECD）在塑造国际税收发展方面，尤其具有持续的动力。在OECD和二十国集团的BEPS包容性框架下，超过135个国家开展了合作，OECD也用前所未有的速度制定行动计划，以促进旨在终结避税的国际合作。

事实上，当一个国家引入新规则，力图对数字经济活动征税时，对其贴上有点负面的“实施单边征税措施”（即，该项目尚未符合BEPS共识，且尚未获得包容性框架批准）标签是常见现象。尽管一些评论人士表示担忧，认为OECD正逐渐变质，不再为各国提供行动建议，而是指示它们该如何设计税收制度，该组织因先发制人产生的“先发优势”如此强大，以致只有少数人批评他们削弱国家的税收主权。

## 秋后算账

最近，“秋后算账”这个词曾在讨论2019年香港的暴力抗议活动时使用过，《金融时报》等英国报纸亦乐此不疲，意指中国政府最终将对该地区实施报复。虽然这个词的表面含义是“在秋收后平衡账目”，但它可能会用于许多不同情况（尤其是最终将实施报复，但在报复前需要耐心等待时机）。这也包括税收政策和税收审计措施。

由于全球仍在努力应对冠病疫情，全球税务当局的优先事项不得不退居二线，一切以更广泛的经济和健康问题为先。这一让步符合税收界几家最具影响力的国际机构所提出的建议。例如，国际货币基金组织就建议，暂时减少与税务审计有关的行动，并使用简化程序来减免税收义务，以便在危机之后于必要时恢复执法行动。

澳大利亚税务局似乎注意到了这一建议，在去年曾表示，在大多数情况下，将暂停任何新的审计活动。同样，新加坡国内税务局也推出了一些临时豁免措施，在很多方面都对纳税人有利。这许多措施都要接受审计，同时还要对相关证明文件进行维护。这意味着企业将资源和注意力集中在税务上的需求将继续有增无减。例如，未来的税务审计可能会关注公司自我宣称的税务居民身份，若在提供相关文件时拖延或文件不存在，可能会引发与国内税务局的棘手纠纷。

Now, for tomorrow



# 解释现代税收现象的警句

纳税人、尤其是涉及跨境活动的企业如果不明智地低估了在疫情期间管理税收风险的重要性，未来可能会面临众多税务当局的怒火。由于世界各地的税务当局一直在加大力度，根据《共同汇报标准》（CRS）等国际协议，自动收集和交换信息，这些风险尤为明显。在税收领域，“秋后算账”的最近一个例子，是英国财政大臣苏纳克（Rishi Sunak）宣布，从2023年起，英国公司税将从19%上调至25%，这是近半个世纪以来的首次上调。苏纳克认为该举措属“公平及必要”，因为“政府为企业提供了超过1000亿英镑的援助，帮助它们挺过了这场疫情……”

很明显，英国政府内部人事最近几年发生了重大变化。但如果有人将2016年由卡梅伦主政的政府所提出的计划——将公司税削减到15%以下，以建立一个低营业税、全球关注的“超级竞争经济体”摆出来，最近这份声明可以说是“出尔反尔”了。

## 秋后问斩

这个词似乎是“秋后算账”的前身，但也可能有助于重新构想现代税收现象。“秋后问斩”的表面含义是秋季后执行死刑。显然，有几个理由让当局等到秋天过去之后再实施惩罚，包括想要公开羞辱那些做错事的人。秋收结束后，大部分农夫将有更多时间见证病态的公开处决。这种做法可以进一步羞辱罪犯，并可能对公众产生威慑作用。

在当今的税收世界中，存在着一种令人不安的相似之处。在过去10年，高调的点名羞辱已经成为常态。这包括立法机构就实际税率过低，以及因几起大规模数据泄露而获得的信息被耸人听闻地公开等问题，拷问跨国企业。

通常情况下，这些问题的道德方面会与法律方面混为一谈，但利用公众舆论，尤其是借助近年兴起的所谓“取消文化”（cancel culture）来争取对税收相关改革的支持，这种趋势可能会持续下去。

## 打铁（未必）趁热

虽然“打铁趁热”是一种传统智慧，但在BEPS讨论的重点是对企业利润征税的背景下，另一种场景不容忽视。

在经济前景黯淡、疫情持续发展的情况下，BEPS推动一些根本性变革方面取得的胜利可能只是徒有虚名。由于预计亏损将普遍存在，对许多企业来说，可能没有多少利润可以分配，因此受影响司法管辖区可征税的利润也很少。

在我最近接受的采访中，记者问我征收海外购物消费税为什么这么难，以及为什么耗了这么长时间。我在回答中列举了许多发达经济体的实际经验，由于机制复杂，他们不得不推迟消费税或同等税收制度的变革。因此，我得出的结论是，由于这个原因，新加坡选择了采用“快速跟随者”而非“先行者”的方法，这可能才是一种务实的方法。

# 新加坡收紧税收政策合时吗？

This was first published in *Lianhe Zaobao* on 15<sup>th</sup> March 2021. A version of this article in English [“Time for Singapore to grab the tax rules by the horns?”](#) was published in *The Business Times*.

在去年的预算案演讲中，在详细说明新加坡收入基础的具体不确定性时，新加坡副总理兼财政部长王瑞杰指出：“在税基侵蚀和利润转移（BEPS）行动计划出台的大背景下，修改国际税收政策的讨论热度居高不下。”

此后，他更加坚定地致力于强调BEPS行动计划，会如何对新加坡的税收基础产生重大影响，导致新加坡失去企业所得税收入。

在今天的演讲中，王瑞杰以更加强烈的语气，含蓄地传达出这样一种信息：这会限制我们推行自己的税收政策组合，或者有些人可能会公然呼吁削弱税收主权，这一点在他使用的“.....将产生不利影响”等强烈措辞中展露无遗。

## 杜绝避税

在过去10年左右，经济合作与发展组织（OECD）对塑造国际税收发展影响甚巨。在OECD和二十国集团的BEPS包容性框架下，多国携手合作，坚决杜绝利用税收政策漏洞的避税策略。为了确保人人公平纳税，BEPS相关措施似乎必将导致国际税收政策，出现自上世纪20年代以来最根本性的变化。

而在海外，有关BEPS的针对性意见同样有增无减。

在2020-21财年预算案演讲中，香港财政司司长陈茂波警告，“国际税收领域的新发展将影响香港税收制度的竞争力”，并认为OECD提出实施全球最低税率（GMTR），相关措施可能会削弱低税率枢纽管辖区在跨国公司眼中的吸引力。

其大意为，如果跨国公司在新加坡缴纳的所得税税率低于GMTR，其母公司将被其经营所在的管辖区额外征税，或有针对性地采取补充措施。一旦实施GMTR，许多在新加坡运营并享受优惠企业所得税税率的跨国公司都会受到影响。

在新加坡，税收优惠的类型和税收政策的选择，是随着国家经济的发展演变而来的。过去，新加坡经常利用双边途径（即通过税收协定中的“税收饶让条款”），来确保新加坡因税收优惠而放弃的税收，不至于被其他国家追缴。

GMTR在这个新层面上的问题不太容易解决，因其涉及的多边性（参与讨论BEPS的国家超过135个）和多面性程度更高。甚至可以说，GMTR会对一些长期实施的税收优惠构成生死存亡的挑战。

当前，国际上尚未就GMTR达成一致，对我们的税收优惠框架大动干戈仍属为时尚早；但在这届政府执政期间，也不应将此排除在未来的预算案范围之内。



# 新加坡收紧税收政策合时吗？

## 风雨同舟，携手共进

同样地，单方面推动重大的本土税收改革，也可能徒劳无功。因此，许多税改（主要是微调）意见，都是在附件中而非演讲正文中详加陈述，也就不足为奇了。

去年一整年，新加坡遭遇了独立以来最严重的经济衰退，许多行业出现了萎缩，而备受瞩目的家族办公室（Family Office，编按：为富裕家族管理财富的私人机构）似乎成了潜在的增长亮点。

2月份，有关谷歌联合创始人布林（Sergey Brin，全球第九大富豪）的报道称，在新加坡设立家族办公室对他管理财富助益良多，同时也指出了超级富豪家族热衷汇聚于此的现状，其中就包括对冲基金大老达利欧（Ray Dalio）。

新加坡金融管理局表示，2020年1月推出的可变动资本公司（VCC）框架可能很快就能放宽，作为VCC2.0推动力的一部分，将单一家族办公室（SFO）结构也纳入进来，为高净值家族提供更多元的选择。

围绕吸引更多富豪这一问题，我们应该鼓励就此展开更多的预算案辩论，包括有关促进新加坡慈善事业的附带议题。王瑞杰在演讲中简要提及，但背景更为广泛，同时也应重新讨论是否应该扩大净财富税的征收范围。

2018年，一份OECD税收政策研究显示，为了提高收入，征收净财富税的意见在一些国家卷土重来。经济大环境一蹶不振，随着所得税和消费税所带来的收入日渐减少，这种呼声在未来可能会更加高涨。

也就是说，在我们当前所处的背景下，这显然必须与其他因素进行权衡，比如对我们的竞争力的潜在影响与务实考虑，例如，一些可以免税的事项可能不会通过审查。

值得赞赏的是，这份预算案承诺，要将新加坡塑造成一个经济有活力、社会有凝聚力、环境可持续和财政可持续的国家。今年虽恰逢牛年，面对当今世界多边主义的重重挑战，复杂多变的国际局势，我赞同政府没将具有战略性的税收改革措施莽撞行事。

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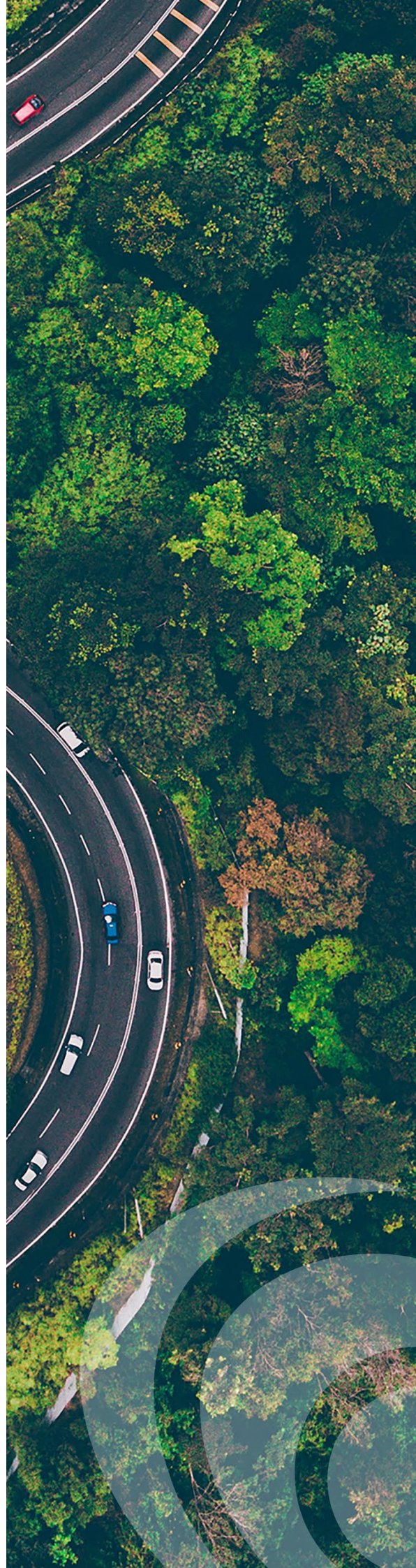
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