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Complete Corporate Services Pte Ltd

MOORE STEPHENS LLP
CHARTERED ACCOUNTANTS OF SINGAPORE

Singapore Budget Seminar 2018

Friday, 16 March 2018
Suntec City Convention & Exhibition Centre

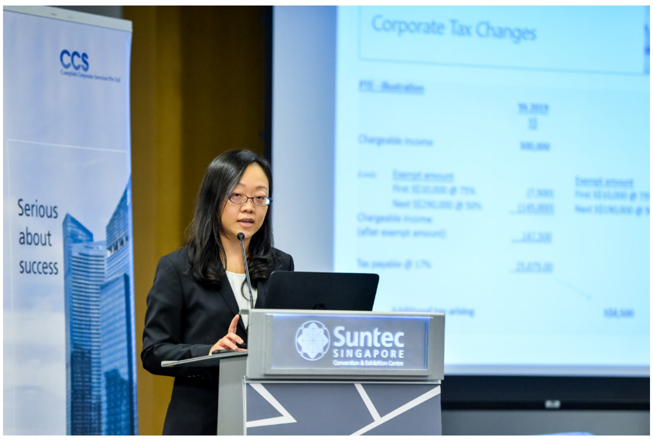
The Singapore Budget Seminar 2018, jointly organized by Moore Stephens LLP and Complete Corporate Services, was held on 16 March 2018 at the Suntec City Convention & Exhibition Centre. With close to 140 participants in attendance, the event did not disappoint. Indeed, the Moore Stephens-CCS Budget Seminar is traditionally one of the more eagerly-anticipated events for many of the longstanding clients of both firms. And this year was no exception.

Mr. Lim Peng Huat, Director of Taxation, Complete Corporate Services Pte Ltd, kicked-starting the seminar with his opening address.

No Ordinary Budget

Budget 2018 is noteworthy in that it is strategically aimed at laying the foundation for a more vibrant and innovative economy even as it looks to put Singapore on a more fiscally-sustainable path in the face of long-term challenges.

To this end, the seminar opened with a keynote address by Mr Lim Peng Huat, Head of Taxation Services at Complete Corporate Services, touching on the evolving tax landscape that businesses continue to face domestically and internationally, as well as the need for businesses to proactively manage their tax risks and opportunities.



Ms. Law Pei Serh, Associate Director of Taxation, Complete Corporate Services Pte Ltd, shared key highlights of the 2018 Budget Measures.

This was followed by a presentation of the key highlights of the Budget measures by Ms Law Pei Serh, Associate Director at Complete Corporate Services. With the headline corporate tax rate remaining unchanged at 17% and aside from certain changes made to the partial tax exemption and start-up tax exemption, some of the more notable measures in this Budget included an increased expenditure cap for the Double Tax Deduction for Internationalisation (DTDi) scheme and enhancements in the allowable tax deductions on the Research & Development and intellectual property fronts, the latter moves being consistent with Singapore's aim of increasing its attractiveness as a hub for innovation and research.

Consolidation of the "grants" space was also a key theme this year. With the impending merger of SPRING and IE Singapore into Enterprise Singapore this year, a new Enterprise Development Grant, the result of a consolidation of two existing legacy grants administered respectively by the two merging agencies, will provide up to 70% co-funding for a range of capabilities. Added to this, a slew of existing grants supporting the adoption of pre-scoped, off-the-shelf technologies will be streamlined into a single Productivity Solutions Grant (PSG) that can in due course be accessed through the Business Grants portal.

Notably absent in this budget were any significant measures on the personal taxation front, unsurprising perhaps given that the top marginal rate of taxation in Singapore is still seen to be regionally competitive in terms of attracting and retaining the top talent that is needed. Having said that, philanthropy and the spirit of giving received a boost with the extension of the 250% tax deduction for approved donations, a scheme that was otherwise due to expire by 31 December 2018 but has now been extended for another three years.

The next two sessions of the afternoon were dedicated to the global macroeconomic environment and a fiscal analysis of the Budget itself.

The Economic and Market Outlook

With the world economy in a state of flux, events such as Brexit, an unpredictable Trump administration, rising trade protectionism, geopolitical uncertainties and the prospect of interest rate hikes by major central banks all contribute to a prevailing sense of heightened nervousness in the global economy.

Against this backdrop, Mr Song Seng Wun, Director and Economist at CIMB Private Banking, contributed his economic and market outlook for Singapore and beyond. Mr Song shared that 2017 had been a better year for the global economy as a whole with economic growth estimated to have been 3.7% and the IMF predicting even stronger growth of 3.9% for 2018. Closer to home, busier Singapore ports and a recovering hospitality sector marked by a strong uptick in visitor arrivals appear to back this up. As Mr Song himself quipped, even the casinos in Macau are looking busier! In the US, economic growth continues to be supported by a steady recovery in the jobs market and the Eurozone has been starting to show signs of life. There is cautious optimism also on the stability of China's growth path in the belief that downside risks to the economy can be effectively managed, all this aside from its ambitious Belt and Road Initiative. All of this translates into the general consensus that the current macroeconomic backdrop is favourable to our region, setting the stage for steady growth under benign conditions.

Mr. Song Seng Wun, Director and Economist at CIMB Private Banking, spoke about the Economic & Market Outlook for 2018.

Mr. Irvin Seah, Executive Director, Group Research, DBS Bank commented on the better times ahead for Singapore's economic outlook.

Mr Song of course tempered this expectation with a brief list of potential risks to this outlook. These included monetary normalisation by central banks which may in itself bring an end to the much vaunted "Goldilocks" conditions that have prevailed in markets, policy mistakes in China in soft-landing the economy while taking steps to address the excessive leverage that has built up within the system, geopolitical risks in the Middle East, South China Sea and the Korean Peninsula and the looming risk of a full scale global trade war precipitated by trade frictions between America and China.

An engaged and interactive audience.

The Longer Term Fiscal Implications

This was followed by another enlightening presentation by Mr Irvin Seah, Executive Director for Economics and Currency Research at DBS Bank, on the Singapore economy and the fiscal sustainability of the Budget. Mr Seah touched on certain key external drivers to the Singapore economy, notably the normalisation of the global electronics cycle and the shift in the Chinese economy to a more consumer-driven and services-oriented one. From a fiscal standpoint, Singapore faces the pressures of certain "hard truths", most pertinently its rapidly ageing population that will translate into a rising financial burden and higher social expenditure in the future.

Mr Seah makes clear that fiscal sustainability is key! He reveals that Singapore's primary deficits have been widening over the past few years and meeting these future obligations will pose a challenge notwithstanding the existing inclusion of the NIRC (Net Investment Returns Contribution) framework in supplementing government revenues. At the end of the day, beyond hiking taxes and cutting subsidies, Singapore is essentially left with a mix of three choices in ensuring that it can meet these rising future obligations : grow the pie (i.e. the economy), manage our costs better or eke out better returns from our sovereign investments.

Delegates at the Singapore Budget Seminar 2018.

Mr Seah ended his presentation with some cautious and sobering thoughts. Our resources are limited and the imprudent use of reserves will only lead to the impoverishment of future generations of Singaporeans, underscoring the need for prudent and judicious fiscal planning on the part of today's government.

Other Recent Developments

After a 45-minute networking tea break, the seminar resumed with Mr Lim Peng Huat delivering the last presentation of the afternoon. Entitled "Recent Developments and Topical Issues", Mr Lim covered some of the recent developments in the Singapore tax landscape specifically in the areas of Stamp Duties, Goods and Services Tax and Transfer Pricing. He discussed the announced increase in the top marginal Buyer's Stamp Duty ("BSD") rate from 3% to 4%, to be applied on the value in excess of S$1 million for residential properties, and what it meant for property buyers. In addition, he covered the announced hike in GST rate from 7% to 9% that is expected to be implemented sometime between 2021 and 2025 and gave the audience an overview of what the newly announced applicability of GST to importation of services (set to take effect with effect from 1 January 2020) meant.

Separately, Mr Lim also briefly touched on the recently enacted legislation in relation to the mandatory preparation of transfer pricing documentation for taxpayers that meet the relevant revenue threshold. Finally, he also discussed and gave his views on the challenges taxpayers face in certain grey areas relating to the arm's length pricing of cross border related party loans and the associated withholding tax implications.

The seminar concluded with a panel discussion whereby the floor was opened up to a Q&A session moderated by Mr Mick Aw, Senior Partner of Moore Stephens LLP, allowing the audience to raise or discuss issues relating to the presentations made. A number of interesting questions were fielded to our distinguished panel of speakers who took them on with commendable enthusiasm and gusto, adding more colour and insight to some of the topics they had presented earlier. Indeed, some of the more interesting issues raised by the participants included difficulties encountered in dealing with the tax authorities for certain PIC claims and why the government could not emulate certain other countries in using government land sales to supplement the budget revenues. The panel discussion essentially capped what was most certainly an enlightening, informative, entertaining and at times sobering afternoon with the seminar finally concluding at 5.30 pm.

Delegates enjoying their networking session.

Views from speakers and the audience were shared during panel discussion.

(L) to (R): Mr. Mick Aw, Senior Partner, Moore Stephens LLP, Mr. Irvin Seah, Mr. Song Seng Wun, Mr. Lim Peng Huat and Ms. Law Pei Serh