

Singapore Budget Seminar 2017

3 March 2017
Suntec Convention & Exhibition Centre



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- With our team of qualified professionals who are also dedicated in their work, we ensure effective and efficient service delivery.



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- Corporate Secretarial Services
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- Payroll
- Electronic Polling Agent / Scrutineer
- Work Passes
- IT Solutions
- Executive Search
- Business Advisory

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- MSIL is an association of 292 leading independent accounting and consulting firms.
- It has 626 offices in 103 countries and more than 26,000 partners and staff with a billing in excess of US\$2.6 billion per annum.

Moore Stephens LLP



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- We provide our services to a diverse range of clients, from large corporations, listed companies to private businesses, entrepreneurs and individuals across a broad array of industry sectors.
- At Moore Stephens LLP Singapore, our goal is to look beyond numbers and compliance issues, to provide our clients with practical advice to resolve problems and help them achieve their business goals.

Moore Stephens LLP



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- Risk Management Services
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- IPO Services
- Technical Advisory Services
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Our Major Clients



AA Group Holdings Ltd



Ace Achieve Infocom Ltd



Advance SCT Ltd



ASIASONS | 亞昇投資集團
Asiasons Capital Ltd



Blumont Group Ltd



Bund Center Investment Ltd
Listed on the Singapore Exchange

Bund Center Investment Ltd



China Hongcheng Holdings Ltd



China Jishan Holdings Ltd



Civmec Ltd



Dapai International Holdings Co. Ltd



Global Invacom Group Ltd



Golden Agri-Resources Ltd
Listed on the Singapore Exchange

Golden Agri-Resources Ltd



Goodland Group Ltd



InnoPac Holdings Ltd



ISDN Holdings Ltd



LH Group Ltd



Magnus Energy Group Ltd



Mary Chia Holdings Ltd



Memstar Technology Ltd



Metech International Ltd

Our Major Clients



P99 HOLDINGS
P99 Holdings Ltd



Si2i Ltd



SHS Holdings Ltd



SERIAL SYSTEM LTD
Serial System Ltd



Sinarmas Land Ltd



SINO CONSTRUCTION LIMITED
Sino Construction Ltd



UMS GROUP
UMS Holdings Ltd



Group Limited
金洋環球集團有限公司
Vashion Group Ltd



2nd CHANCE
PROPERTIES
2nd Chance Properties Ltd



CH OFFSHORE LTD
CH Offshore Ltd



尚露化工
SUNSHINE
China Sunshine Chemical Hldgs Ltd



Swiber Holdings Ltd



Global
Pteris Global Ltd



SIN HENG
HEAVY MACHINERY LIMITED
Sin Heng Heavy Machinery Ltd



Southern Packaging Group Ltd

Speaker – Prof. Augustine H H Tan



Prof. Augustine H H Tan

Professor of Economics
(Practice),
School of Economics,
**Singapore Management
University (SMU)**

Profile summary

- Prof. Tan, PhD Stanford (Economics), is a Practice Professor of Economics at the School of Economics, Singapore Management University (SMU). He was previously Vice-Provost (Research) and Deputy Director, Wharton-SMU Research Centre, SMU. He has been with SMU since its inception 16 years ago.
- He was formerly teaching at the National University of Singapore as well as serving as an elected Member of Parliament (21 years). He was Political Secretary to former Prime Minister, Mr. Lee Kuan Yew and served as Chairman, Parliamentary Committee on Trade, Industry & Finance, Chairman, Estimates Committee and Chairman, National Productivity Board. He was also a board member of the Economic Development Board, Housing & Development Board and Board of Trustees of ISEAS.
- He has been a consultant to the United Nations, World Bank, International Labour Organisation, United Nations Conference on Trade and Development, Asian Development Bank, Economic and Social Commission for Asia and the Pacific, Monetary Authority of Singapore, East-West Centre and other bodies.
- His research interest is in international trade and finance. He has made contributions in the area of effective protection in general equilibrium with publications in the American Economic Review and Review of Economic Studies. He also writes newspaper columns in the Singapore economy and other global and regional issues.
- He teaches undergraduates and MBA, EMBA, PhD in General Management & Doctor of Business Administration. He has also taught MBAs from Cranfield, Chicago, Helsinki School of Economics, Munich Business School & Wharton. He regularly teaches Executive Education programs. He has also conducted several training programs for Economics teachers in Junior Colleges & Polytechnics for the Ministry of Education.
- He has won several awards including Outstanding Professor (MBA), Most Outstanding Professor (EMBA, 2012, 2014 & 2015), Teaching Excellence Award for Executive Education (2014), and Mind Opener Instructor. In 2014, SMU conferred on him the Distinguished Educator Award for his lifetime achievements in teaching and research.

Speaker – Song Seng Wun



Song Seng Wun

Director

CIMB Private Banking

Profile summary

- Mr. Song holds a Master of Arts in Econometrics from the University Of Canterbury, New Zealand. He started his career as an economist in Malayan Banking Bhd in Kuala Lumpur. In the early 1990s, he moved to Singapore and worked as a Regional Economist with various major multi-national financial institutions such as Merrill Lynch, Warburg Dillon Read as well as ABN AMRO.
- His areas of focus are in the economies of ASEAN-5. He is a familiar icon in South-East Asia's news media, as he has greatly contributed his professional views on the regional financial markets.

Moderator – Mick Aw



Mick Aw

Senior Partner

Moore Stephens LLP

Profile summary

- Mr. Aw is the Senior Partner of Moore Stephens LLP, Singapore. He has over 30 years of professional accountancy experience having worked in large international accounting and consultancy firms in Australia and Singapore.
- During his career, he has led audits of large multinational corporations in addition to numerous corporate finance and corporate advisory projects, including more than 25 years of expertise in mergers and acquisitions, initial public offerings, reverse takeovers, and restructuring. He was previously the Vice President of the Institute of Singapore Chartered Accountants (ISCA) where he also held the position of Chairman of its Accounting Standards Committee. Additionally, he has been on the boards of several listed companies and was a council member of the Singapore Confederation of Industries.
- He is currently a fellow member of both the Institute of Chartered Accountants in Australia (ICAA) and the Australian Society of Certified Practising Accountants, and is also a practising member of ISCA.

Speaker – Lim Peng Huat



Lim Peng Huat

Director

**Complete Corporate
Services Pte Ltd**

Profile summary

- Mr. Lim is a Director with the Tax department of Complete Corporate Services Pte Ltd (CCS). He has over 30 years of experience in conducting various taxation services and public accounting in the United Kingdom and Singapore.
- He was previously with the Inland Revenue Authority of Singapore (IRAS) where he was involved in the review of business transaction and tax investigation assignments. He has also provided direct and indirect taxation advices to public companies and large private companies on a range of issues, including cross border trade and operations corporate restructuring exercises and Goods & Services Tax (GST).
- He has also participated in dialogue sessions held by the Ministry of Finance and is regularly in contact with the Maritime and Port Authority of Singapore to discuss shipping tax issues.
- He is a member of the Association of Chartered Certified Accountants (UK), member of the Institute of Singapore Chartered Accountants (ISCA) and is an Accredited Tax Advisor (Income Tax and GST) with the Singapore Institute of Accredited Tax Professionals Limited (SIATP).

Speaker – Law Pei Serh



Law Pei Serh

Associate Director

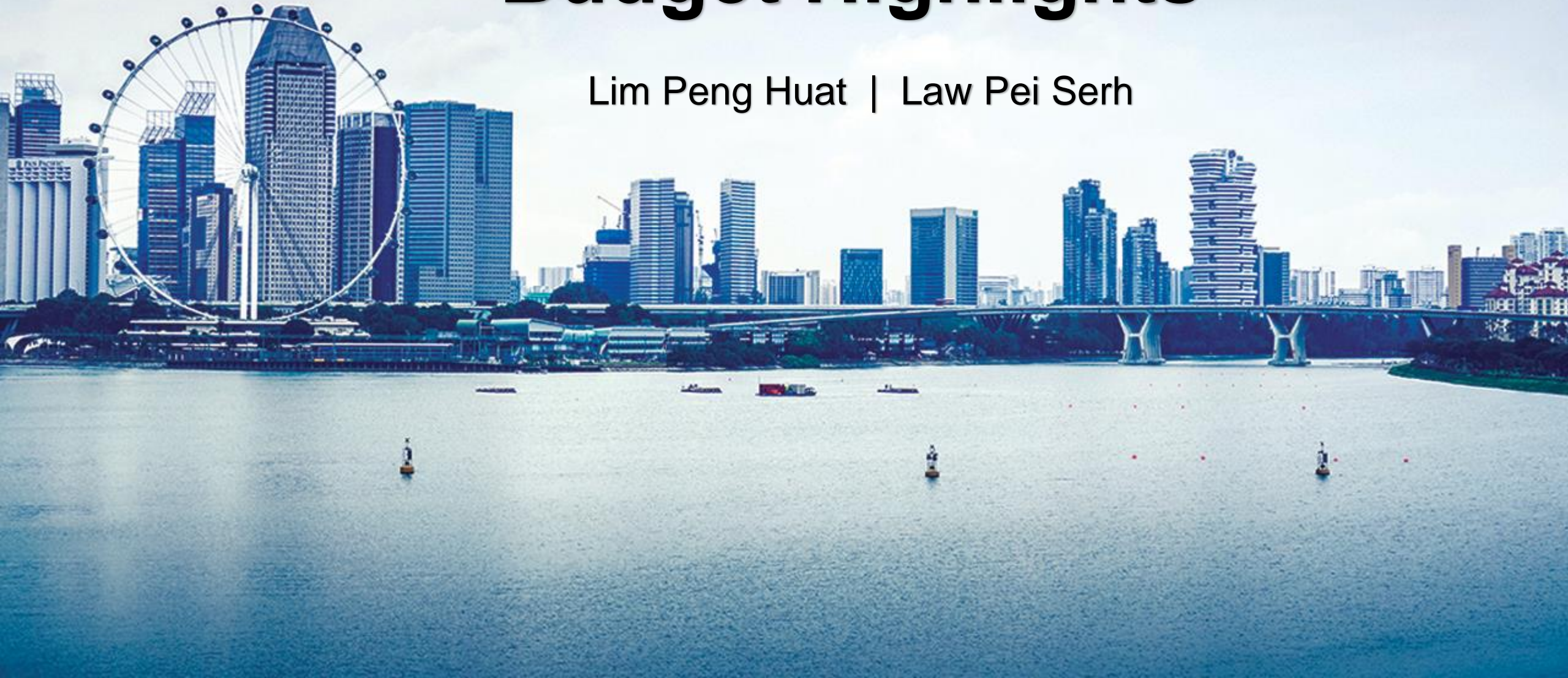
**Complete Corporate
Services Pte Ltd**

Profile summary

- Ms. Law is an Associate Director with the Tax department of CCS. She has over 15 years of experience in the field of taxation and has worked in international accounting firms.
- Her taxation experience include tax compliance and tax consultancy projects with a wide variety of clients including multinational companies, local public listed groups, private corporate clients and individual clients. She has assisted clients in seeking resolution to tax queries, compliance audit, requests for ruling and confirmation of tax treatments with IRAS. She has participated in projects to conduct reviews in relation to tax structuring, on submissions under the IRAS voluntary disclosure programme (VDP), withholding tax, permanent establishment issues and tax incentive applications.
- She is a Chartered Accountant of Singapore and is an Accredited Tax Advisor (Income Tax) with the SIATP.

Budget Highlights

Lim Peng Huat | Law Pei Serh



A background image of the Singapore skyline. On the left, the Singapore Flyer, a massive Ferris wheel, is partially visible. In the foreground, a multi-lane bridge with several cars is crossing a body of water. The background shows a dense urban landscape with various high-rise buildings under a clear sky.

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Corporate Tax Changes

Corporate Tax Changes



- Headline corporate tax rate – remains 17%.
- Partial income exemption for first \$300,000 remains:-
 - 75% exemption up to the first \$10,000.
 - 50% exemption up to the next \$290,000.

➔ Maximum income exemption remains \$152,500
(Tax saving \$25,925)

Corporate Tax Changes



- Corporate Income Tax (“CIT”) Rebate
 - YA 2017 – 50% of tax payable, **increased** cap at \$25,000 (from \$20,000).
 - YA 2018 – **20%** of tax payable, capped at **\$10,000**.
- Optimal chargeable income (“CI”) to benefit from the full rebate of \$25,000 and \$10,000 for both YA 2017 and 2018.
 - → **\$446,618**

Corporate Tax Changes



		<u>YA 2017</u>	<u>YA 2018</u>
		<u>S\$</u>	<u>S\$</u>
Chargeable income (before exempt amount)		446,618	446,618
(Less):	<u>Exempt amount</u>		
	First S\$10,000 @ 75%	(7,500)	(7,500)
	Next S\$290,000 @ 50%	<u>(145,000)</u>	<u>(145,000)</u>
Chargeable income (after exempt amount)		<u>294,118</u>	<u>294,118</u>
Tax payable @ 17%		50,000.06	50,000.06
(Less):	50% CIT rebate (capped at S\$25,000) – YA 2017	<u>(25,000.00)</u>	
(Less):	20% CIT rebate (capped at S\$10,000) – YA 2018		<u>(10,000.00)</u>
Net tax payable		<u>25,000.06</u>	<u>40,000.06</u>
Effective tax rate		5.6%	9.0%

Corporate Tax Changes



Enhancing the Global Trader Programme (“GTP”)

Current

- Concessionary tax rate of 5% or 10% on qualifying income.
- Counter-party requirement to be met:-

Physical trading

- **both** the buy and sell legs must be with GTP qualifying parties (e.g. offshore parties, other GTP companies, etc. as prescribed in the GTP regulations).

Paper trading

- the counterparties must be qualifying persons as prescribed in the GTP regulations.

Corporate Tax Changes



Enhancing the Global Trader Programme (“GTP”)

Budget update

- The counter-party requirement will be removed.
- Applies to qualifying income derived on or after 21 February 2017.

Corporate Tax Changes



Enhancing the Global Trader Programme (“GTP”)

Budget update (continued)

- Income from the following transactions would qualify:-
 - Commodities for consumption in Singapore.
 - Commodities for supply of fuel to aircraft or vessels within Singapore.
 - Storage of commodities in Singapore.
 - Value-adding activities done in Singapore (i.e. physical alteration, addition or improvement, including refining blending, processing or bulk-breaking).
- Applies to income derived on or after 21 February 2017.

Corporate Tax Changes



Enhancing the Global Trader Programme (“GTP”)

Budget update (continued)

- Substantive requirement to qualify for GTP will be increased.
- Applies to new or renewal incentive awards approved on or after 21 February 2017.
- IE Singapore will release further details by May 2017.

Corporate Tax Changes



New safe harbour rule

Cost Sharing Agreement payments (“CSA payments”) for R&D projects

Current

- The tax deduction claim subject to specific tax rules for disallowable expenses.
- Need to provide a breakdown of the expenses.

Proposed

- Option to claim tax deduction based on 75% of CSA payments.
- No breakdown of the expenses required.
- Applies to CSA payments made on or after 21 February 2017.

Corporate Tax Changes



Intellectual Property Development Incentive (“IDI”)

- New tax regime IDI.
- To incentivise IP income derived from the exploitation of IP arising from R&D.
- No longer included in scope of Pioneer-Services/Headquarters incentive and the DEI-Services/Headquarters for new incentives.
- For existing incentive recipient companies, the current incentive awards would continue to cover such income until 30 June 2021.
- Takes effect on or after 1 July 2017. EDB to provide details by May 2017.

Corporate Tax Changes



Extending and refining the Integrated Investment Allowance ("IIA") scheme


- Introduced in 2012.
- Qualifying productive equipment placed with an overseas company for an approved project.
- Grants an additional allowance (above the normal capital allowances).
- Fixed percentage (up to 100%) of the fixed capital expenditure incurred.
- One of the Conditions: Equipment has to be used **solely** to manufacture products for the qualifying company under the approved project.
- The IIA scheme is scheduled to lapse after 28 February 2017.

Corporate Tax Changes



Extending and refining the Integrated Investment Allowance ("IIA") scheme

- *Budget update.*
- The IIA scheme will be extended till 31 December 2022.
- Equipment may be used by the overseas company **primarily** (instead of solely) to manufacture products for the qualifying company under an approved project.
- Applies to project approved on or after 21 February 2017.



Individual Tax Changes

Individual Tax Changes



No change

Top marginal personal income tax rate (for Tax residents) remains:

- 20% in YA 2016.
 - 22% in YA 2017.
-
- No change to the progressive tax rates for Tax resident individuals for YA 2017.

Individual Tax Changes



Personal income tax rebate for residents

- No personal income tax rebate was available for YA 2016.

YA 2017

- Personal income tax rebate of 20% of tax payable.
- Capped at \$500.
- Optimal chargeable income to claim maximum rebate: \$67,858.



*Other
updates*

Digital technology - Innovation - Scale up



SMEs Go Digital Programme

3 components:

- Industry Digital Plans.
- SME Technology Hub / SME Centres.
- Advice and funding support for ICT solutions.

IMDA (Info-communications Media Development Authority) + SPRING + Other sector lead agencies.

Digital technology - Innovation - Scale up



SMEs Go Digital Programme

- Industry Digital Plans
 - Step-by-step advice on the technologies to use at each stage of their growth.
- SME Centres
 - Access to business advisors on off-the-shelf technology solutions that are pre-approved for funding support.
 - Connect to Info-communications and Technology (ICT) vendors and consultants.
- SME Technology Hub
 - Specialist advice for the more digitally advanced firms.
- ICT solutions - Advice and funding support
 - Agencies work with consortiums of large and small firms.
 - Impactful, interoperable ICT solutions.
 - To level up whole sector.

Digital technology - **Innovation** - Scale up



- **A*STAR Operation and Technology Road-mapping (OTR)**
- **Headstart Programme**
- **Tech Access Initiative**

Digital technology - **Innovation** - Scale up



A*STAR Operation and Technology Road-mapping (OTR)

- To support 400 local firms over the next 4 years.
- Develops operation and technology plan to better allocate resources to new technologies useful for meeting business and market needs.
- Facilitated workshops, market intelligence report, feasibility studies, etc.
- **Criteria**
Companies and businesses at least 30% of the shares owned by Singapore Citizens or Singapore PRs.

Digital technology - **Innovation** - Scale up



Headstart Programme

- SMEs co-develop IP with A*STAR.
- Royalty-free and exclusive IP licences for first 36 months (up from 18 months previously).

Tech Access Initiative

- A*STAR provides access to its specialised equipment and tools e.g. robotised 3D scanners, User training and advice.
- Further details including the list of Tech Access equipment will be released by September 2017.

Digital technology - Innovation - **Scale up**



International Partnership Fund (\$600 million)

- Fund will co-invest alongside Singapore-based firms.
- Allow Singapore-based firms to partner other promising Asian companies.
- Extend product lines, brands or value chains, or gain access to markets, channels and technologies.
- **Criteria:**
 - Firms headquartered in Singapore.
 - Annual revenue < S\$800 mil (US\$564 mil).
- Managed by Heliconia Capital Management, part of Temasek Holdings.



Recent Tax Developments

General Anti-Avoidance Rule



- **IRAS to approach the application of Section 33 by ascertaining whether any of the following limbs is satisfied:**
 - 1) to alter the incidence of any tax which is payable or which would otherwise have been payable;
 - 2) to relieve any person from any liability to pay tax;
 - 3) to reduce or avoid any liability imposed or which would otherwise have been imposed.

General Anti-Avoidance Rule



Exceptions to falling within Section 33

- Arrangement must have been carried out for bona fide commercial reasons; or
- Whether the tax advantage arose from the use of a specific provision in the Income Tax Act.

General Anti-Avoidance Rule



- **Broad categories of tax avoidance highlighted**
 - 1) Round-tripping of funds.
 - 2) Set-up of more than one entity.
 - 3) Changes in the form of business entity.
 - 4) Attribution of income not aligned with economic reality.

Transfer Pricing Developments



- **Related Party Loans**
 - Indicate margin as an alternative to detailed TP analysis.
 - For loans not exceeding S\$15 million.
 - Base reference rate plus indicative margin, which is 2.5%, per IRAS for the year 2017.

Transfer Pricing Developments



- **Singapore has agreed to implement the BEPS projects introduced by OECD**
 - **Project 13 : Country-by-Country Reporting (“CbCR”)**
 - Ultimate parent entity of the MNC group is tax resident in Singapore;
 - Consolidated group revenue at least S\$1,125 million; and
 - MNC group has a presence in at least one foreign jurisdiction.
 - Completion and submission of CbCR Report **within 12 months** from the end of a financial year effective from financial year 2017.

Transfer Pricing Developments



Project 5 : Countering Harmful Tax Practices

- Substantial activity required for preferential regimes.
- Nexus approach.

Thank you!

