

Highlights of the Budget Measures Announced

Law Pei Serh | Lim Peng Huat

31 March 2016

Singapore Budget 2016



- Small and medium-sized enterprises (SMEs)
- Innovation, internationalisation and transformation of business models
- Support corporate social responsibility (CSR) through employee volunteerism



*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
- Corporate Income Tax (“CIT”) Rebate
 - Applicable for YA 2016 and 2017
 - No change to cap of \$20,000 per YA
 - Increased from 30% to 50%

Productivity & Innovation Credit ("PIC") Scheme

Current



PIC enhanced deduction / allowance

- 400% of qualifying expenditure
- Combined expenditure cap of \$1.2 mil (or \$1.8 mil under PIC+ Scheme) for YA 2016 to 2018, for each of the 6 qualifying activities
- Claim in tax return

PIC Cash Payout

- Convert to non-taxable cash payout, at a rate of 60%
- Up to \$100,000 of qualifying expenditure
- Apply online / Submit application form

PIC qualifying activities



Research &
development

Acquisition or in-
licensing of IPRs

Registration of IPRs

Design Projects
Approved by the
DesignSingapore
Council

Acquisition or leasing
of qualifying PIC IT
and automation
equipment

Training of employees

Corporate Tax Changes



Productivity and Innovation Credit (“PIC”) – Budget updates

- PIC Scheme expires after YA 2018
- PIC Cash payout rate reduced from 60% to 40%
(For expenditure incurred on or after 1 August 2016)

Corporate Tax Changes



Non-taxation of gains on disposal of equity investments

Gains derived from the disposal ordinary shares by companies will not be taxed if:-

- Divesting company held at least 20% of the ordinary shares in the investee company
- Those shares were held for a continuous period of 24 month

Applies to share disposals during the period from 1 June 2012 to 31 May 2017

Corporate Tax Changes



Non-taxation of gains on disposal of equity investments

Budget update

- The scheme will be extended for 5 years to cover shares disposals up to 31 May 2022

Corporate Tax Changes



Double Tax Deduction (“DTD”) for Internationalisation Scheme

- 200% tax deduction on qualifying marketing expenses
- Automatic DTD - up to \$100,000 of qualifying expenditure
- Approved DTD - Approval required from IE Singapore or Singapore Tourism Board on qualifying expenditure exceeding \$100,000

Corporate Tax Changes



Double Tax Deduction (“DTD”) for Internationalisation scheme

- The qualifying marketing activities for DTD (*Automatic DTD) are :
 - Overseas business development trips/missions*
 - Overseas investment study trips/missions*
 - Overseas trade fairs*
 - Local trade fairs approved by IE or Singapore Tourism Board (STB)*
 - Market Survey/Feasibility study and Investment Feasibility/Due Diligence Studies
 - Design of Packaging for Overseas Markets
 - Product/Service Certification
 - Overseas Advertising & Promotional Campaign
 - Master Licensing & Franchising
 - Overseas Marketing Office (OMO)
 - Printing of Corporate Brochures for Overseas Distribution
 - Advertising in Approved Local Trade Publications

Corporate Tax Changes



DTD for Internationalisation Scheme

Budget update

- The scheme was scheduled to lapse after 31 March 2016
- Now extended to 31 March 2020
- Details of will be announced by IE Singapore in June 2016

Corporate Tax Changes



Mergers & Acquisition (“M&A) Scheme

- Applies to qualifying share acquisitions during 1 April 2010 to 31 March 2020
- M&A allowance based on 25% of the acquisition value, capped at \$5 million (i.e. maximum acquisition value of **\$20 million**) for each YA.
- Stamp duty relief is granted for up to **\$20 million** of acquisition value.
- 200% tax deduction of up to \$100,000 on transaction costs incurred

Corporate Tax Changes



Mergers & Acquisition (“M&A) Scheme – Budget update

- Increased M&A allowance cap of \$10 million per YA (i.e. maximum acquisition value of \$40 million)
- Stamp duty relief is granted for up to \$40 million of acquisition value
- For qualifying M&A deals from 1 April 2016 to 31 March 2020
- Further details will be released by IRAS by June 2016.

Automation Support Package (“ASP”)



Capability Development Grant (CDG)

- Cash funding up to 50% of qualifying automation project cost
- CDG typically covers consultancy fees, training expenses, certification and equipment costs.
- Grant is capped at \$1 million.

100% investment allowance

- Up to \$10 million of approved capital expenditure (net of grant)
- In addition to the 100% capital allowance for plant and machinery

Improved access to loans

- Increased government risk-share (70% for SME / 50% non-SME) with participating financial institutions
- SPRING’s Local Enterprise Finance Scheme (LEFS) equipment loan - Loan quantum \$15 million cap



Automation Support Package (“ASP”)

- Further details will be released by the Ministry of Trade and Industry
- Introduced for an initial period of 3 years
- Administered by SPRING



New Business Grants Portal

- In the 4th quarter of 2016
- Organised along core business needs e.g. training, international expansion
- Starting with grants from IE Singapore, SPRING, Singapore Tourism Board and Design Singapore.

Corporate Tax Changes



Writing-down Allowances (“WDA”) of Intellectual Property Right (“IPR”) – Election for writing down period

- Available for qualifying IPR acquisitions made in the basis periods for YA 2017 to 2020.
- WDA claimed over 5 years from the YA of acquisition
- Irrevocable election to claim WDA over 5, 10 or 15 years
- The IRAS will release further details by 30 April 2016.



Intellectual Property Right (“IPR”)

- Patents
- Copyrights
- Trademarks
- Registered designs
- Geographical indications
- Lay-out designs of integrated circuit
- Trade secrets or information with commercial value
- Plant varieties



Anti-avoidance mechanism for IPRs

- To empower the Comptroller to make adjustments to the IPR transaction price, if the IPR is not transacted at Open Market Value (“OMV”).
- If the acquisition price is higher than the OMV, to restrict WDA based on the OMV.
- If the disposal price is lower than the OMV, to substitute the disposal price with the OMV for computing the taxable balancing charge.

Corporate Tax Changes



Business and IPC Partnership Scheme (BIPS)

Current:

- 100% tax deduction on CSR expenses
- 250% tax deduction on cash donations

Proposed:

- 250% tax deduction (base 100% + 150%)
- Employees' volunteer services (including secondments) to Institutions of Public Character ("IPCs")
- Incurred for the period 1 July 2016 to 31 December 2018

Corporate Tax Changes



Business and IPC Partnership Scheme (“BIPS”)

- Volunteers’ wages and incidental expenses
- Wages of business owners and donation of goods do **not** qualify
- Subject to a yearly cap of \$250,000 and \$50,000 per IPC
- Ministry of Finance and IRAS will release further details by June 2016.



*Maritime
Sector
Incentive
Tax Changes*

Maritime Sector Incentive (“MSI”) schemes



MSI-SRS - MSI-Shipping Enterprise (Singapore Registry of Ships)

- Qualifying shipping income derived mainly from Singapore-flagged ships

MSI-AIS - MSI-Approved International Shipping Enterprise Award

- Qualifying shipping income derived from foreign-flagged ships

Maritime Sector Incentive (“MSI”) schemes



MSI-ML (Ship) - MSI-Maritime Leasing (Ship) Award

- Qualifying income from chartering or finance leasing of sea-going ships for use outside the port limits of Singapore
- Singapore-flagged ships - No qualifying counter-party requirement
- Counter-party requirement (Foreign-flagged ships)
 - Charterer or finance lessee must be:-
 - a person who is neither resident in Singapore nor a permanent establishment in Singapore; or
 - an MSI-AIS company

Maritime Sector Incentive (“MSI”) schemes



Budget updates

Removing the qualifying-counterparty requirement under MSI-ML (Ship) award

From 25 March 2016, the restriction on the qualifying counterparty requirement for MSI-ML (Ship) award will be removed

Maritime Sector Incentive (“MSI”) schemes



Budget updates

Expanding the qualifying income of MSI-SRS, MSI-AIS and MSI-ML (Ship)

From 25 March 2016, tax exemption to cover income derived from the operation / finance leasing of ships used for:-

- Exploration or exploitation of offshore energy or offshore minerals, or
- Ancillary activity relating to such exploration or exploitation

Further details will be released by the MPA by June 2016


Marine Hull & Liability Insurance Incentive



- Tax exemption or 5% concessionary tax rate applies to qualifying income
- Scheduled to lapse after 31 March 2016.

Budget updates

- From 1 April 2016, the incentive will be subsumed under the Insurance Business Development (“IBD”) umbrella scheme
- 10% concessionary tax rate will apply to new and renewal awards
- Monetary Authority of Singapore to release further details by June 2016.



*Individual
Tax
Changes*

Individual Tax Changes



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

- 20% in YA 2016
- 22% in YA 2017

No personal tax rebate for YA 2016

Individual Tax Changes



Personal income tax relief cap

Current:

- No limit on the total personal tax reliefs claimed in a YA

Proposed:

- Total personal tax reliefs will be capped at S\$80,000 per YA
- With effect from YA 2018



Tax concession on home leave passage for expatriate employees

- Only 20% of the cost of home leave passages (airfare) taxable, up to:-
 - 1 passage per year for the expatriate employee
 - 1 passage per year for his/her spouse
 - 2 passages per year for each of his/her children
- Subsequent home leave passages are taxable in full



Tax concession on home leave passage for expatriate employees

Budget update:

- Tax concession removed with effect from YA 2018.
- All leave passages provided by the employer will be taxed in full