

# SINGAPORE BUDGET 2020 PUBLICATION

Moore Stephens LLP



## 1. SINGAPORE BUDGET 2020

Deputy Prime Minister and Minister for Finance, Mr Heng Swee Keat, presented his Budget speech in Parliament on 18 February 2020.

Given the current economic uncertainty due to the US-China trade tensions and further negative impact to businesses in Singapore caused by the Novel Coronavirus (COVID-19) situation, it could not be more apt that the theme for Budget 2020 is "Advancing as One Singapore". Based on the various measures introduced and enhancements made to existing schemes, it is clear that the focus of Budget 2020 is to ensure adequate support for individuals and businesses in Singapore to (1) deal with the immediate challenges, (2) transform by reskilling, upskilling and / or upscaling and (3) sustain Singapore's success for our future generations.

Besides changes made to our tax system to ensure its competitiveness, there are also a myriad of initiatives and enhancements made by the Singapore Government to increase ease of doing business and seeking government assistance in Singapore, enhance digital connectivity and facilitate trade. Without a shadow of doubt, this will further enhance the attractiveness of Singapore as a choice location for investments, which will create a multiplier effect to help grow our economy and create opportunities for our people. To advance as one Singapore, there are also various measures introduced to support families with children from the pre-school to higher education years, ensure Singaporeans have access to quality and affordable housing, are able to manage the major expenditures in their life and have enhanced employability. Lastly, in order to build a sustainable Singapore, measures to address the climate changes are also introduced in Budget 2020.

While there are numerous changes or initiatives announced in Budget 2020, this commentary only aims to highlight certain key tax changes that may be of relevance to our clients or in their capacity as employers. If there are other topics that you may wish to understand better, please feel free to reach out to any one of us for further discussions.

## 2. BUSINESSES AND CORPORATIONS

### 2.1. Corporate Income Tax ("CIT") Rebate

#### Current

There was no CIT Rebate announced previously for the Year of Assessment ("YA") 2020.

#### Proposed

A 25% CIT Rebate of tax payable, capped at S\$15,000, will be granted to all companies for YA 2020.

#### Our comments

Given the uncertainties in the global economy and the recent COVID-19 outbreak that had created disruption and impact to the Singapore economy, the Singapore Government has announced a CIT rebate to help ease companies' cash flow. This would benefit all companies that are in tax paying position and those with chargeable income ("CI") of S\$455,442 or more (before partial exemption claim) would be able to claim the maximum CIT rebate of S\$15,000.

### 2.2. Property Tax ("PT") Rebate

#### Current

PT of 10% is levied on the annual value of commercial properties and buildings.

#### Proposed

For the period from 1 January 2020 to 31 December 2020, PT rebates will be granted on the following qualifying commercial properties:-

#### i) 30% PT rebate

For accommodation and function room components of hotels (licensed under the Hotels Act) and serviced apartments.

Meetings, Incentive, Conferences and Exhibitions ("MICE") space components of:-





- Suntec Singapore Convention & Exhibition Centre;
- Singapore Expo; and
- Changi Exhibition Centre.

#### ii) 15% PT rebate

Other commercial properties e.g. premises of an international airport, international cruise or regional ferry terminal, retail shops, F&B shops and premises of tourist attractions.

#### iii) 10% PT rebate

Specifically for Marina Bay Sands and Resorts World Sentosa. The above 30% and 15% PT rebates do not apply to them.

The above PT rebates do not apply to any premises or part of any premises used for a residential, industrial or agricultural purpose, or premises used as an office, a business or science park, or a petrol station.

The Inland Revenue Authority of Singapore ("IRAS") has published an e-Tax Guide on 18 February 2020 providing details on the PT rebate. The PT rebate notices will be issued by 30 April 2020 and owners of qualifying properties can expect to receive their refunds by 31 May 2020.

#### Our comments

The PT rebate would provide relief for the sectors most affected by disruptions caused by the COVID-19 outbreak so that these businesses can better cope with their business operating costs. While such rebates may result in a higher amount of tax payable for some businesses given the reduction in the tax deductible amount, businesses are definitely still better off in absolute quantum from the cash refunds arising from the PT rebate.

### 2.3. Automatic extension of interest-free instalments of 2 months for tax payment on Estimated Chargeable Income ("ECI") filed within 3 months from financial year-end ("FYE")

#### Current

Companies with existing GIRO arrangement for tax payments

can enjoy interest-free monthly instalments based on the timeline of ECI filing, as tabulated below:-

Number of instalments	Timeline of ECI filing*
10	Within 1 month from FYE
8	Within 2 month from FYE
6	Within 3 month from FYE

\*by 26<sup>th</sup> of that month

#### Proposed

Companies with existing GIRO arrangement will automatically enjoy additional 2 months of interest-free instalments, when they file their ECI within 3 months from their FYE. This automatic extension of instalment plan will apply to:-

i) Companies that file their ECI from 19 February 2020 to 31 December 2020; and

ii) Companies that file their ECI before 19 February 2020 and having ongoing instalment payments to be made in March 2020.

Qualifying companies that have filed their ECI before 19 February 2020 and have ongoing instalment payments to be made in March 2020 can expect to receive a letter from IRAS by 5 March 2020 on the automatic two months extension of the instalment plan. Companies can also view their revised instalment plan at myTax Portal from 5 March 2020.

#### Our comments

With the additional 2 months instalments for the tax payable on ECI, companies can potentially have up to 12 months to pay the tax on the ECI filed with the IRAS from 19 February 2020 onwards. This measure will alleviate companies' cash flow to a certain extent, thereby playing a part in helping them tide through this period of economic uncertainty.

### 2.4. Enhancing the carry-back relief ("CBR")

#### Current

Under the existing CBR scheme, unutilised capital allowances



("CA") and trade losses (collectively referred to as "qualifying deductions") arising in a YA can be carried back to offset against the taxable income for the (one) immediate preceding YA. The carry-back claim is subject to conditions being met and a cap of S\$100,000 per claim.

#### Proposed

For YA 2020, qualifying deductions may be carried back up to 3 immediate preceding YAs. In addition, taxpayers may elect to carry back to the relevant preceding YAs an estimated amount of qualifying deductions available for YA 2020 before the actual filing of their income tax returns for YA 2020. The qualifying conditions and the cap of S\$100,000 remain and the relevant details will be released by the IRAS by end of March 2020.

#### Our comments

The enhancement to the CBR scheme is part of the Singapore Government's efforts to stabilise and support businesses in coping with the short-term cash flow issues arising from the ripple impact of the COVID-19 outbreak and the economic uncertainty. The potential tax refund from the CBR claim is S\$17,000 (i.e. S\$100,000 at 17%).

However, as our Singapore tax system operates on a preceding year basis, the effect of the economic downturn may not have been fully reflected in the YA 2020 tax assessment. In addition, the quantum of carry-back still remains, capped at S\$100,000.

During the last Global Financial Crisis in 2008, a similar enhancement of the CBR scheme was also implemented for YAs 2009 and 2010, which allowed carry-back of qualifying deductions for up to 3 immediate preceding YAs (capped at S\$200,000 per YA).

## 2.5. Refining the tax treatment of expenditures funded by capital grants

#### Current

Since Singapore does not tax capital receipts, grants from the Government and statutory boards which are given for

the purpose of acquiring capital assets (i.e. capital in nature) are not taxable for the recipients. At the same time, these recipients are able to claim tax deductions or allowances on the corresponding expenditure incurred which are funded by such grants.

#### Proposed

For capital grants approved on or after 1 January 2021, tax deductions or allowances will not be granted on that part of the expenditures that are funded by such grants from the Government or statutory boards.

#### Our comments

The proposed revised tax treatment is in line with the policy intent that there should be no double incentivisation.

## 2.6. Extending and enhancing the Maritime Sector Incentive ("MSI")

#### Current

Ship owners, ship operators, maritime lessors and certain shipping-related support services providers can enjoy the following tax benefits under the MSI:-

#### (a) MSI-Shipping Enterprise (Singapore Registry of Ships) ("MSI-SRS") Award

Tax exemption on qualifying income (charter hire income, freight income, etc.) derived from operating Singapore-registered ships.

#### (b) MSI-Approved International Shipping Enterprise ("MSI-AIS") Award

- Tax exemption on qualifying income (charter hire income, freight income, etc.) derived from operating foreign-registered ships; and
- Tax exemption on in-house ship management income derived by the MSI-AIS Parent Company and Managing Company.

#### (c) MSI-AIS for Qualifying Entry Players ["MSI-AIS (Entry



# INSURANCE

## Player)"] Award

- Similar to the MSI-AIS Award but meant for companies who are unable to meet the qualifying conditions for the MSI-AIS Award;
- MSI-AIS (Entry Player) Award will be given for a five years tenure, which is non-renewable; and
- Option of graduating to the MSI-AIS Award after the 5th year period if qualifying conditions are met.

## (d) MSI-Maritime Leasing Ship ["MSI-ML(Ship)"] Award

- Tax exemption on qualifying income from leasing ships;
- 10% concessionary tax rate on qualifying income derived from managing an approved shipping investment enterprise ("ASIE"); and
- Remission of stamp duty on instruments executed on or before 31 May 2021 for acquiring shares in a special purpose company by an ASIE, subject to certain conditions.

## (e) MSI-ML (Container) Award

- 5% or 10% concessionary tax rate on qualifying income from leasing of qualifying sea containers and intermodal equipment incidental to leasing qualifying sea containers;
- 10% concessionary tax rate on qualifying income from managing an approved container investment enterprise ("ACIE"); and
- Remission of stamp duty on instruments executed on or before 31 May 2021 for acquiring shares in a special purpose company by an ACIE subject to certain conditions.

## (f) MSI-Shipping-related Support Services ("MSI-SSS") Award

10% concessionary tax rate on incremental (i.e. amount in excess of a base amount) qualifying income from providing approved shipping-related support services.

## (g) Withholding tax exemption

Subject to certain conditions, withholding tax exemption is granted on qualifying payments made by qualifying MSI recipients to non-Singapore tax residents (excluding permanent establishments in Singapore) on qualifying financing arrangements entered into on or before 31 May 2021 to finance the construction or purchase of qualifying

assets like ships and containers.

The following MSI schemes are scheduled to lapse after 31 May 2021:-

- MSI-AIS (Entry Player) [(c) above];
- MSI-ML(Ship) [(d) above];
- MS-ML(Container) [(e) above]; and
- MSI-SSS [(f) above].

## Proposed

The following changes will be made:-

- The abovementioned MSI schemes scheduled to lapse [(c) to (f) above] will be extended till 31 December 2026.
- The withholding tax exemption [(g) above] will be extended for qualifying payments made on qualifying financing arrangements entered into on or before 31 December 2026.
- Under the MSI-SRS Award [(a) above], tax exemption will be allowed on income from operating ships that are provisionally registered with the SRS, regardless of whether the permanent certificates are subsequently obtained. If the permanent certificates are not obtained, the tax exemption is only allowed for 1 year from the dates of issue of the provisional certificates.
- Under the MSI-AIS Award [(b) above], the scope of tax exemption on in-house ship management income will be expanded to include such income derived by MSI-AIS Sister Company and MSI-AIS Local Subsidiary.
- Under the MSI-ML(Ship) and MSI-ML(Container) Awards [(d) and (e) above], stamp duty remission for instruments executed on or after 1 June 2021 will be allowed to lapse.

## Our comments

We welcome the proposed extension and enhancements to the MSI schemes, especially in light of the continuing unfavourable conditions in the maritime industry. In particular, due to factors of the availability of ship financing options in Singapore, the withholding tax exemption scheme remains an important incentive to the maritime players operating in Singapore.

While the changes to the MSI will be of help to encourage shipping enterprises to continue their operations in Singapore in the medium term, we trust that more efforts will be put into the reviews of these maritime incentives to ensure that Singapore maintains its strategic position as an international maritime centre.

## 2.7. Extending the Insurance Business Development (“IBD”) tax incentive

### Current

Under the IBD umbrella scheme, the following IBD schemes are scheduled to lapse after 31 March 2020:-

(a) IBD scheme - Approved insurers are granted a concessionary tax rate of 10% for a 10-year period on qualifying income derived from the carrying on of onshore and offshore life reinsurance, onshore and offshore general insurance and reinsurance, excluding fire, motor, work injury compensation, personal accident and health insurance;

(b) IBD-Captive Insurance (“IBDCI”) scheme - Approved insurers are granted a concessionary tax rate of 10% for a 5-year period on qualifying income derived from the carrying on of onshore and offshore life reinsurance, onshore and offshore general insurance and reinsurance, excluding fire, motor, work injury compensation, personal accident and health insurance; and

(c) IBD-Marine Hull and Liability Insurance Business (“IBD-MHL”) scheme - Approved insurers are granted a concessionary tax rate of 10% for a 5-year period on qualifying income derived from onshore and offshore MHL insurance and reinsurance.

### Proposed

The IBD and IBD-CI schemes will be extended for 5 years till 31 December 2025. The concessionary tax rate remains at 10%.

The IBD-MHL scheme will lapse after 31 March 2020. However, insurers engaged in the MHL insurance and reinsurance business will continue to be incentivised under the main IBD scheme.

To align the tenure of all awards under the IBD umbrella scheme, all new and renewal IBD scheme awards approved on or after 1 April 2020 will be granted for a period of 5 years.

The Monetary Authority of Singapore (“MAS”) will provide further details of the changes by May 2020.

### Our comments

As part of the Singapore Government’s continuing review of tax incentives schemes, the streamlining and simplifying of the IBD umbrella scheme would maintain and strengthen Singapore’s value proposition as an Asian insurance and reinsurance centre.

## 2.8. Extending and refining the upfront certainty of non-taxation of companies’ gains on disposal of ordinary shares

### Current

Under Section 13Z of the Singapore Income Tax Act (“ITA”), gains derived from the disposal of ordinary shares by companies will not be taxed if:

(a) The divesting company holds a minimum shareholding of 20% in the company whose shares are being disposed (“investee company”); and

(b) The divesting company has maintained the minimum 20% shareholding for a minimum period of 24 months just prior to the disposal.

The scheme does not apply to disposals of unlisted shares in an investee company that is in the business of trading or holding Singapore immovable properties (other than the business of property development).

The tax treatment of the gains / losses arising from any non-qualifying share disposals (i.e. those excluded from Section 13Z) will be determined based on the facts and circumstances of the case.

The scheme is scheduled to lapse after 31 May 2022.







### Proposed

To provide upfront certainty to companies in their corporate restructuring, Section 13Z will be extended to cover disposals of ordinary shares by companies from 1 June 2022 to 31 December 2027.

In addition, to ensure consistency in the tax treatment for property-related businesses, Section 13Z will be amended to exclude disposals of unlisted shares in an investee company that is in the business of trading, holding or developing immovable properties in Singapore or abroad. The tax treatment of such share disposals will be based on the facts and circumstances of the case and the amendment will apply to shares disposed on or after 1 June 2022.

All other conditions and exclusions of Section 13Z remain the same.

### Our comments

The upfront certainty of non-taxation of companies' gains on qualifying disposal of shares will no doubt minimise compliance costs for taxpayers who are undergoing corporate restructuring to streamline their businesses or focus on their core competency.

In addition, the extension of the scheme till 31 December 2027 will definitely enhance Singapore's attractiveness as a location for setting up businesses which can help boost the inflow of foreign investments into Singapore during this period of economic uncertainty.

## 2.9. Option to accelerate write-off of costs of acquiring plant and machinery ("P&M")

### Current

Taxpayers that carry on a trade, profession or business may claim CA on the expenditure incurred on the acquisition of P&M for use in its trade, profession or business under Section 19 or 19A of the ITA.

### Proposed

For P&M acquired in YA 2021 [i.e. for Financial Year ("FY") 2020], taxpayers will be granted an option to accelerate the CA claim over two years as follows: -

- 75% of the costs incurred to be written off in the first year (i.e. YA 2021); and
- 25% of the remaining costs incurred to be written off in the second year (i.e. YA 2022).

Once the option is exercised, it is irrevocable and no deferment of CA claim under this option is allowed. Do note that this option is granted in addition to the options currently available under Section 19 and 19A of the ITA.

### Our comments

One of the aims of Budget 2020 is to help businesses with their cash flow to combat the negative impact to Singapore's economy as a result of the COVID-19 outbreak.

The option to claim accelerated CA over two years, with majority of the capital expenditure claimed in the first year, will definitely be welcomed by taxpayers in Singapore during this difficult period as the greater amount of CA claim available is likely to result in a lower tax bill for most taxpayers in YA 2021. As a result, taxpayers will have greater confidence to proceed with their plans for additional investments and may not necessarily cut back on their spending, which will create a further drag on the economy. Taxpayers without any plans for investments previously may also feel encouraged to do so now.

The option to claim accelerated CA over two years was also introduced by the Singapore Government during the last Global Financial Crisis in 2008 for YAs 2010 and 2011.

## 2.10. Option to accelerate the deduction of expenses on renovation and refurbishment ("R&R")

### Current

Tax deduction is granted under Section 14Q of the ITA for qualifying expenditure incurred by taxpayers carrying on a trade, profession or business for R&R works done on their

business premises.

The deduction, capped at S\$300,000, is given over each period of three consecutive years on a straight-line basis, starting from the YA for which those expenses were incurred. The claim for Section 14Q deduction cannot be deferred.

If no income is derived from the trade, business or profession in any YA and that trade, business or profession ceases permanently during the basis period for that YA, S14Q deduction ceases in that YA.

#### Proposed

For qualifying R&R expenses incurred in YA 2021 (i.e. for FY 2020), taxpayers will be granted an option to claim accelerated Section 14Q deduction in one YA. The cap of S\$300,000 for every relevant period of three consecutive years will still apply. Once this option is exercised, it is irrevocable.

#### Comments

Similar to the option to claim accelerated CA over two years, the option to claim accelerated Section 14Q deduction over one year will certainly be welcomed by taxpayers.

Businesses, especially Small and Medium Enterprises ("SMEs"), will no doubt be encouraged to continue renovating or refurbishing their business premises despite the current economic conditions in order to capture the benefits of such measures introduced by the Singapore Government to provide cash flow relief.

Incurring such expenses now will allow businesses to remain competitive and attract customers when the economy improves. This will also result in an upward pull to the Singapore economy if more businesses jump on the bandwagon of renovating and refurbishing their business premises now instead of holding back on their spending.

### 2.11. Extending the Land Intensification Allowance ("LIA") scheme

#### Current

For qualifying capital expenditure incurred on or after 23

February 2010 on the construction or renovation / extension of an approved LIA building, taxpayers can claim LIA as follows:-

- an initial allowance of 25% of qualifying expenditure in the YA which the expenditure is incurred; and
- annual allowance of 5% of qualifying expenditure upon the completion of the construction or renovation / extension works, provided all qualifying conditions are met.

If the "minimum floor area" requirement is not met at the end of any basis period, AA will not be granted for that YA.

The scheme is scheduled to lapse after 30 June 2020.

#### Proposed

The LIA scheme will be extended till 31 December 2025 i.e. this is the last date that a building or structure can be approved for LIA.

#### Comments

The objective of the LIA scheme is to encourage the better use of industrial land in land scarce Singapore, which remains relevant as of today. As such, the LIA scheme has been extended. This will also help eligible businesses with their cash flow as the availability of LIA is likely to result in a reduction of the taxes payable by such businesses.

The extension of the scheme also has the effect of encouraging businesses to push forth with their construction or renovation / extension works instead of holding back their spending, which will have a multiplier effect on the Singapore's economy.

### 2.12. Allowing further tax deduction scheme for Research and Development ("R&D") expenditure under Section 14E of the ITA ("Section 14E incentive") to lapse

#### Current

A further tax deduction for R&D expenditure incurred on approved R&D projects conducted in Singapore either by







the business itself or by an R&D organisation on its behalf, is allowed under the Section 14E incentive, subject to a cap of 200% after including other deductions for the same R&D expenditure under Section 14, 14D and 14DA of the ITA.

#### Proposed

The further deduction scheme for R&D expenditure under the Section 14E incentive will lapse after 31 March 2020. Existing Section 14E incentive recipients can continue to enjoy the further tax deduction till their awards expire.

#### Comments

The Singapore Government periodically reviews the relevance of the various schemes available in Singapore. Given the gestation period required for R&D activities to bear fruits, tax deductions may appear less attractive to businesses conducting R&D as compared to the availability of grants or technical advisory services which are likely to have immediate benefits to businesses. Therefore, this could be one of the reason why the Singapore Government has now decided to allow the Section 14E incentive to lapse.

Nonetheless, there are various non-tax schemes for R&D and innovation such as the Research Incentive Scheme for Companies, Tech Access, technology consultancy and testing services in Centres of Innovation and other technical advisory through GET-Up, which is in addition to the enhancement made previously to the broad-based tax deductions available for R&D conducted in Singapore.

### 2.13. Streamline the number of years of working life of P&M for CA claims under Section 19 and Sixth Schedule of the ITA

#### Current

Businesses may claim CA under Section 19 of the ITA on the acquisition of qualifying P&M over 5, 6, 8, 10, 12 or 16 years as stipulated in the Sixth Schedule of the ITA.

#### Proposed

The prescribed working life of P&M for claiming CA under

Section 19 of ITA will be streamlined to 6, 12 and 16 years as follows:-

- If the prescribed working life of the P&M in the Sixth Schedule is 12 years or less, businesses may make an election to claim CA over either 6 or 12 years; and
- If the prescribed working life of the P&M in the Sixth Schedule is 16 years, businesses may make an election to claim CA over 6, 12 or 16 years.

The above change will apply to qualifying P&M acquired in YA 2023 onwards and for qualifying P&M purchased prior to YA 2022 where CA claim has been deferred. Please note that the election made is irrevocable.

#### Comments

As part of the Singapore Government's effort to streamline and simplify tax rules so as to reduce taxpayer's cost of compliance, the basis of granting CA on capital expenditure incurred on the acquisition of qualifying P&M for the purposes of a trade, business or profession has been reviewed. This amendment will allow a taxpayer, which is in a tax paying position, more flexibility in the CA claim on the assets purchased depending on the profitability of their businesses and also ease the cash flow of businesses since the number of years in which CA has to be claimed under the Sixth Schedule of the ITA is potentially reduced in most situations.

### 2.14. Extending and enhancing the Double Tax Deduction for Internationalisation ("DTDi") scheme

#### Current

The DTDi scheme is scheduled to lapse after 31 March 2020. Under the DTDi scheme, 200% tax deduction is allowed on:-

- Qualifying market expansion and investment development expenses approved by Enterprise Singapore ("ES") or the Singapore Tourism Board ("STB"); and
- The first S\$150,000 of qualifying expenses incurred on the following activities for each YA without prior approval from ES or STB:-

- (a) Overseas business development trips / missions;
- (b) Overseas investment study trips / missions;
- (c) Participation in overseas trade fairs; and
- (d) Participation in approved local trade fairs.

#### Proposed

The DTDi scheme will be extended till 31 December 2025.

Further, the scope of the DTDi scheme will be enhanced to cover the following expenses incurred on or after 1 April 2020:-

- (a) Third-party consultancy costs on new overseas business development to identify suitable talent and build up business network; and
- (b) New categories of expenses incurred for overseas business missions (i.e. fees for speaking spots to pitch products / services at overseas business and trade conferences, transporting materials / samples used during business missions and third-party consultancy costs to arrange business networking events for promotion activities).

ES will provide more details of the changes by late March 2020.

#### Our comments

The DTDi scheme is designed to encourage SMEs in Singapore to venture into the international markets. Over the years, the DTDi scheme has been enhanced, with the automatic tax deduction introduced in 2012 and the qualifying expenditure cap increased in Budget 2018. The above extension of the DTDi scheme and its enhancements are in line with the message of the Singapore Government for Singapore businesses to scale up and are timely to help businesses alleviate costs as they venture overseas. The extension and enhancement made will also ensure that the Singapore tax system remains resilient and competitive.

## 2.15. Extending the Mergers & Acquisitions ("M&A") scheme

#### Current

The tax benefits under the M&A scheme are as follows:-

- (a) M&A allowance on 25% of the value of a qualifying acquisition, capped at S\$40 million on the value of all qualifying acquisitions per YA, can be claimed and written down over 5 years;
- (b) Stamp duty relief on the instruments for acquisition of ordinary shares under an M&A deal, capped at S\$80,000 of stamp duty per FY;
- (c) 200% tax deduction on transaction costs incurred on qualifying M&A deals, subject to an expenditure cap of S\$100,000 per YA; and
- (d) Since 2012, the waiver of the condition that acquiring companies must be held by an ultimate holding company that is incorporated in and tax resident of Singapore has been granted on a case-by-case basis.

The M&A scheme is scheduled to lapse after 31 March 2020.

#### Proposed

The M&A scheme will be extended to cover qualifying acquisitions made on or before 31 December 2025.

The scheme will remain the same for acquisitions made on or after 1 April 2020, except that:-

- Stamp duty relief [(b) above] will lapse for instruments executed on or after 1 April 2020; and
- For acquisitions made on or after 1 April 2020, no waiver will be granted for the condition that the acquiring company must be held by an ultimate holding company that is incorporated in and tax resident of Singapore [(d) above].

#### Our comments

The M&A scheme was initially introduced in 2010 and extended in 2015 to further support companies, especially SMEs, to grow via strategic acquisitions. The proposed extension of the M&A scheme will continue encouraging companies who are unable to grow organically to consider M&A as a strategy for internationalisation and growth.





While it is interesting that the Singapore Government has allowed the stamp duty relief to lapse, the decision on not granting any further waiver for the condition that the acquiring company must be held by an ultimate holding company that is incorporated in and tax resident of Singapore should not be of any surprise to businesses given that the focus of the Singapore Government in the recent years has been to help Singapore businesses, especially SMEs, to grow.

## 2.16. Extension and refinement made to the Global Trader Programme (“GTP”)

### Current

Under the GTP incentive, approved global trading companies enjoy a concessionary tax rate of 5% or 10% on qualifying income derived from qualifying transactions. The GTP is awarded for 3 years (for an entry-level non-renewable award) or 5 years (renewable award subject to the approval of ES). The GTP is scheduled to lapse after 31 March 2021 i.e. approvals will be granted up till 31 March 2021.

The GTP (Structured Commodity Financing) [“GTP(SCF)”] grants a concessionary tax rate of 5% or 10% on qualifying income derived by approved GTP(SCF) companies. The GTP(SCF) is also scheduled to lapse after 31 March 2021.

A concessionary tax rate of 5% applies specifically to income derived from qualifying transactions in liquefied natural gas (“LNG”), i.e. profits arising from physical trading in LNG or trading in derivative instruments in relation to LNG (collectively referred to as “GTP-LNG”).

### Proposed

Scheme	
GTP	<p><b>Changes</b></p> <ul style="list-style-type: none"> <li>GTP will be extended till 31 December 2026; and</li> <li>Qualifying activities under GTP(SCF) will be subsumed under GTP with effect from 19 February 2020.</li> </ul>

Scheme (Cont.)	
	<p><b>Remarks</b></p> <ul style="list-style-type: none"> <li>Well-established players engaged in international physical trading on a principal basis considering to set up their trading base in Singapore can apply for GTP in the extended window period.</li> <li>Existing GTP and GTP(SCF) recipients whose awards are up for renewal will benefit from the extension of the GTP renewal window period.</li> </ul>
GTP(SCF)	<p><b>Changes</b></p> <ul style="list-style-type: none"> <li>The GTP(SCF) will lapse after 31 March 2021.</li> </ul> <p><b>Remarks</b></p> <ul style="list-style-type: none"> <li>Existing recipients of GTP(SCF) awards can continue to enjoy the tax concession under the GTP(SCF) till the expiry of their awards, if the conditions for approval of their awards continue to be met.</li> </ul>
GTP-LNG	<p><b>Changes</b></p> <ul style="list-style-type: none"> <li>The concessionary tax rate of 5% on income from qualifying transactions in LNG will lapse after 31 March 2021; and</li> <li>Qualifying transactions in LNG will be treated no differently from other GTP qualifying commodities.</li> </ul> <p><b>Remarks</b></p> <ul style="list-style-type: none"> <li>Existing recipients of GTP awards can continue to enjoy the concessionary tax rate of 5% on income from qualifying transactions in LNG till the expiry of their awards, if the conditions for approval of their awards continue to be met.</li> </ul>



ES will provide further details of the changes by May 2020.

#### Our comments

The GTP, which was launched in June 2001, has been a huge success in attracting a robust group of global trading companies over the years to make Singapore their trading hub as well as the headquarter location for their strategic business functions including treasury, risk management, market research, marketing and sales planning. The local business spending and trading professionals headcount requirements for GTP would have therefore generated substantial economic benefits for Singapore over the years.

The extension and refinement made to the GTP announced in Budget 2020 is definitely part of the wish lists of all potential and current recipients of the GTP who will be able to continue anchoring to enjoy the concessionary corporate tax rates and continue their operations in Singapore. The move reflects the Singapore Government's commitment to maintain and strengthen Singapore's position as a global trading hub and to encourage more structured commodity financing activities to be done in Singapore.

## 3. INDIVIDUALS

There is no Personal Income Tax Rebate announced for YA 2020.

## 4. GOODS AND SERVICES TAX ("GST")

In Budget 2018, it was announced that the GST rate is expected to increase to 9% sometime in the period from 2021 to 2025, and that the exact timing of the GST rate hike will depend on the economic conditions, overall tax revenues collection and government expenditure growth.

The Finance Minister has decided that the GST rate increase will not take effect in 2021, i.e. the GST rate remains at 7% in 2021.

## 5. STABILISATION AND SUPPORT PACKAGE

### Economy-wide measures for businesses and workers

#### 5.1. Enhancing Enterprise Financing Scheme – SME Working Capital Loan ("EFS-WCL")

##### Current

The SME Working Capital loan is a government assisted financing scheme introduced in Budget 2016. The scheme helps eligible SMEs access additional financing of up to S\$300,000 for their working capital needs. Available to all SMEs across all industries up to March 2021, EFS-WCL is administered by ES which partners with participating financial institutions to co-share up to 50% to 70% on loan default risks.

The interest rates offered to SME applicants under the EFS-WCL may differ depending on the participating financial institutions and their risk assessments. The maximum loan repayment period is 5 years.

To qualify for the EFS-WCL, the SME must:

- Be a local company registered and operating in Singapore;
- Have at least 30% local shareholding; and
- Have group annual sales of ≤ S\$100m or group employment of ≤ 200

##### Proposed

The EFS-WCL will be enhanced for one year from March 2020 till March 2021. The maximum loan quantum of the EFS-WCL will be raised from S\$300,000 to S\$600,000. Further, ES' co-share on loan default risks will be enhanced up to 80% (from the current 50% to 70%) for the benefit of the participating financial institutions.

##### Our comments

The enhanced EFS-WCL will enable qualifying SMEs to access more funding for working capital, putting these SMEs in a better position to have their resources and efforts more





focused on expanding and potentially scaling up the business.

With a larger percentage of the loan default risks being taken up by the Singapore Government, the participating financial institutions are encouraged to do their part to support qualifying SMEs in their growth journey.

## 5.2. Jobs Support Scheme (“JSS”)

JSS is a temporary scheme for 2020 that is aimed at helping enterprises retain their local employees during this period of uncertainty arising from the COVID-19 outbreak. All active employers, with the exception of Government organisations (local and foreign) and representative offices, are eligible for JSS.

Under this scheme, employers will receive an 8% cash grant on the gross monthly wages of each local employee who is a Singapore Citizen or a Permanent Resident on their Central Provident Fund (“CPF”) payroll for the months of October 2019 to December 2019, subject to a monthly wage cap of S\$3,600 per employee. Wages paid to business owners is not eligible for the grant.

The JSS grant will be automatically computed based on CPF contribution data and disbursed to employers by IRAS by 31 July 2020. Employers do not need to apply for the JSS.

## 5.3. Enhancement to Wage Credit Scheme (WCS)

The WCS was announced in Budget 2013, and extended in Budget 2015 and Budget 2018.

The WCS will be enhanced in Budget 2020, as summarised below.

<b>Level of co-funding</b>	<ul style="list-style-type: none"> <li>• 20% of qualifying wage increases in 2018</li> <li>• 15% of qualifying wage increases in 2019</li> <li>• 10% of qualifying wage increases in 2020</li> </ul>	<ul style="list-style-type: none"> <li>• <b>20%</b> of qualifying wage increases in 2019</li> <li>• <b>15%</b> of qualifying wage increases in 2020</li> </ul>
<b>Gross monthly wage ceiling</b>	• S\$4,000	• <b>S\$5,000</b>
<b>Qualifying wage increases</b>	<ul style="list-style-type: none"> <li>• Increases in gross monthly wage of at least S\$50 given to Singaporean employees in the qualifying year, up to a gross monthly wage level of S\$4,000, will be co-funded.</li> <li>• In addition, increases in gross monthly wage of at least S\$50 given in 2017, 2018 and 2019 up to a gross monthly wage level of S\$4,000, and sustained in subsequent years of the scheme, will be co-funded.</li> </ul>	<ul style="list-style-type: none"> <li>• Increases in gross monthly wage of at least S\$50 given to Singaporean employees in the qualifying year, up to a gross monthly wage level of <b>S\$5,000</b>, will be co-funded.</li> <li>• In addition, increases in gross monthly wage of at least S\$50 given in 2017, 2018 and 2019 up to a gross monthly wage level of <b>S\$5,000</b>, and sustained in subsequent years of the scheme, will be co-funded.</li> </ul>

<b>Scheme</b>	<b>Existing WCS as announced in Budget 2018</b>	<b>Enhanced WCS as announced in Budget 2020</b>
<b>Qualifying years</b>	• 2018, 2019, 2020	• 2019, 2020

Employers do not need to apply for WCS as the payouts will be automatically disbursed in the month of March after the qualifying year (Y+1) for qualifying wage increases given to their employees in the qualifying year (Y).

Employers who benefit from additional wage credit arising from the Budget 2020 enhancements will receive a separate

supplementary payout in the second half of 2020. Letters will be sent to all qualifying employers to inform them of the supplementary payout.

## Sector-specific support

### 5.4. Enhancement to the Adapt and Growth Initiative

#### Current

This initiative was first introduced in 2016 to help Singaporeans who are affected by the economic slowdown and changing job environment. The objective of this program is to help match individuals, specifically the Professionals, Managers, Executives and Technicians ("PMETs") and Rank and File ("RnF") workers, to career opportunities. Currently, the funding support duration for Job Redesign Place-and-Train (PnT) Programme and Job Redesign PnT Programme is only for a duration of three months.

#### Proposed

This initiative will be enhanced to provide additional support to sectors that are directly impacted by the COVID-19 outbreak, which includes hotel, tourism, retail, food services, and air transport. To begin with, the funding support duration for the following existing redeployment programmes will be extended to six months:

- (1) Job Redesign PnT Programme for Hotel Industry; and
- (2) Job Redesign PnT Programme for Retail Sector

Additionally, Workforce Singapore ("WSG") will launch the following new programmes to support redeployment:

- (a) Job Redesign PnT Programme for Food Services Industry;
- (b) Digital Marketing PnT Programme;
- (c) Professional Conversion Programme ("PCP") for MICE, Attractions and Tour and Travel;
- (d) PCP for Digital Operations Talents for the Furniture Industry; and
- (e) PnT Programme for Air Transport Coordinators

#### Our comments

In view of the COVID-19 outbreak which causes economic uncertainty, the enhanced programmes will encourage employers (especially in the retail sectors and hospitality industries) to train and retain workers. With renewed skills and knowledge, the workers will be better prepared and more motivated to embrace opportunities when the economy makes a recovery. The extended funding could also reduce the chances of employers laying off their workers during a short intermission of economic slowdown.

### 5.5. Temporary Bridging Loan Programme ("TBLP") for Tourism Sector Enterprises

#### Current

This is a new temporary loan programme announced during Budget 2020 to provide more cash flow for enterprises in the tourism sector.

#### Proposed

The TBLP will be introduced with effect from March 2020 for a year to help businesses in the tourism sector with their cash flow.

The loan limit for eligible enterprises will be S\$1 million, while the interest rate will be capped at 5 per cent. The Government will take on 80% of the risk of the loan issued by participating financial institutions.

#### Our comments

The TBLP will be an additional cash flow support for the tourism sector on top of the enhancements made to the EFS-WCL which increases the maximum loan quantum originally at S\$300,000 to S\$600,000.

Although the definitions of tourism sector enterprises are stated (i.e. licensed hotel operators, attraction operators, licensed travel agents, cruise terminal operators and service providers with core business in cruise, venue operators, event organisers and suppliers with core business in MICE, tour bus operators and river boat operators), the STB and ES are prepared to extend the loan to Food & Beverage (F&B) and







Retail enterprises on a case-by-case basis.

The TBLP, together with the EFS-WCL, will greatly support the tourism sector which is directly affected by the spread of COVID-19.

## 5.6. Additional 50% Port Dues Concession

### Current

The existing port dues concession under the Maritime and Port Authority of Singapore ("MPA") are as follows:

Types of Concession	Criteria
20% Concession for Container Ships	<ul style="list-style-type: none"> <li>• Declaration of purpose code 1 (Loading / Discharging of Cargo); and</li> <li>• Port stay does not exceed 5 days</li> </ul>
20% Rebate for Vehicle Carrier Operators	<ul style="list-style-type: none"> <li>• Port stay does not exceed 5 days</li> </ul>
20% Rebate for Passenger Cruise Ships (6 Calls within 6 Months)	<ul style="list-style-type: none"> <li>• Declaration of purpose code 2 (Embarking / Disembarking of Passenger); and</li> <li>• Port stay does not exceed 5 days</li> </ul>
25% Concession for Green Port Programme (under the Maritime Singapore Green Initiative)	<ul style="list-style-type: none"> <li>• Use of abatement technology/ clean fuel/LNG throughout entire port stay; and</li> <li>• Port stay does not exceed 5 days</li> </ul>

### Proposed

On top of the existing port dues concessions, the MPA will be giving 50% port dues concession to cruise ships and regional ferries with a port stay of not more than five days, and passenger-carrying harbour craft. This will be implemented from 1 March 2020 to 31 August 2020.

### Our comments

It is clear from Mr Heng's speech and the duration of the additional port dues concession that this relief is meant to help our workers and enterprises in the relevant sectors to weather the near-term economic uncertainty, with a signal that the Singapore Government expects the COVID-19 situation to improve within the next six months. Nonetheless, the additional 50% port dues concession will provide temporary additional relief to passenger vessel owners and operators who have suffered a significant decline in revenue due to the spread of COVID-19.

## 5.7. Waivers for Commercial Tenants in Government-owned / managed facilities

### Current

This is a new initiative announced during Budget 2020 to provide support to commercial tenants in Government-owned / managed facilities via rental waiver.

### Proposed

Stall owners operating in markets and hawker centres managed by the National Environment Agency will receive one month's worth of rental waivers, with a minimum waiver of S\$200.

Eligible commercial tenants / lessees in other Government-owned or managed facilities (such as the Housing Development Board, People's Association, Singapore Land Authority, National Parks Board, JTC Corporation, Urban Redevelopment Authority, STB and Sentosa Development Corporation) with leases not exceeding three years and who do not pay property tax will be provided with half a month's worth of rental waivers. These tenants / lessees may include those providing commercial accommodation, retail, food and beverage, recreation, entertainment, healthcare and other services.

Please note that the rental waivers do not apply to any premises or a part of any premises used for a residential,

industrial or agricultural purpose, or as an office, a business or science park, or a petrol station.

#### Our comments

As part of the Stabilisation and Support Package which is meant to provide economy-wide support to help enterprises with their cash flow, the Singapore Government has taken the lead by granting half a month's to one month's worth of rental waivers to eligible commercial tenants / lessees. Given that the food services and retail businesses are sectors directly hit by the COVID-19 issue, the rental waiver granted will definitely provide some form of cash flow relief to these enterprises in the immediate term.

While the half a month's to one month's worth of rental waivers may seem low compared to the duration of the other measures introduced by the Singapore Government, this may again be a signal that the Singapore Government is confident that the COVID-19 situation should improve in the near term. Nonetheless, enterprises in the relevant sectors will no doubt appreciate the possibility of further rental waivers should the COVID-19 outbreak persist or unfortunately worsen in the coming months.

## 6. ENABLING STRONGER PARTNERSHIPS AND DEEPENING ENTERPRISE CAPABILITIES

### 6.1. Expansion of SMEs Go Digital

#### Current

The SMEs Go Digital programme was launched in 2017 to help SMEs build digital capabilities in the age of disruptive technologies. One of the main components of this programme, Industry Digital Plans ("IDPs"), aims to provide guidance to SMEs on appropriate technologies that they can capitalise on at each stage of their growth. This programme was rolled out to only 10 Industry Transformation Map ("ITM") sectors (Accountancy, Environmental Services, Food Services, Hotel, Logistics, Media, Retail, Sea Transport, Security, and Wholesale Trade). Besides the IDPs, another main component of SMEs Go Digital is the availability of

70% Government co-funding (covered under the Productivity Solutions Grant) for SMEs on the acquisition of pre-approved digital solutions.

#### Proposed

More IDPs or their equivalents will be developed for the 23 ITM sectors. The Singapore Government will also pre-approve more digital solutions which SMEs can receive Government co-funding on to provide SMEs with more options and ease of receiving government assistance. Some of the new sectors that will benefit are Healthcare, Food Manufacturing, Adult and Early Childhood Education.

Besides the above, a new initiative Grow Digital is introduced together with ES to enable SMEs to go global through digital marketplaces. This initiative will be elaborated later in our commentary.

#### Our comments

With the enhancement to this programme, more sectors will be provided with guidance on how to leverage on technologies to adapt to the ever changing business environment and to fulfil increasing consumer demands.

In the initial years, most SMEs are focused only on managing their business, improving their top-line and reducing their costs. However, the Singapore Government has been very consistent in their message in the past few years, that is, the use of appropriate digital solutions and skills training programmes will help SMEs to stay competitive, improve productivity and upscale themselves to become bigger players in their industries. Further enhancement to the SMEs Go Digital programme this year is evidence that the Singapore Government's push for digitalisation in businesses and for Singapore to become a Smart Nation has not wavered despite the current economic uncertainty.

### 6.2. Grow Digital

#### Current

This is a new initiative (part of the SMEs Go Digital programme) announced during Budget 2020 to enable SMEs to access global markets via business-to-business ("B2B") and





business-to-consumer (“B2C”) digital channels.

#### Proposed

The Infocomm Media Development Authority (“IMDA”) and ES will provide support to eligible SMEs to participate in B2C e-commerce platforms by co-funding 70% for Multichannel E-commerce Platform solution packages.

Support will also be given to SMEs to participate in B2B marketplaces in order to allow them to benefit from overseas market demand. More details will be announced by the relevant agencies in second quarter of 2020.

#### Our comments

The co-funding for Multichannel E-commerce Platform solution packages will provide SMEs with abilities to reach out to new customers / markets via online marketplaces. Businesses will thus be encouraged to diversify into foreign market places where demand will be greater. The increased overseas business opportunities could possibly have a positive impact on the rest of the businesses within the value chain and business ecosystem, for instance shipping and logistics.

### 6.3. Enhancement to Market Readiness Assistance (“MRA”)

#### Current

MRA was initially introduced in 2013 to provide broad based grant support to SMEs when they take their businesses international. Currently, eligible SMEs can receive grants of up to 70%, but capped at S\$20,000 per company per fiscal year. This grant will expire in 31 March 2020.

#### Proposed

With the enhancement, this grant will be extended for another 3 years until 31 March 2023 and the 70% grant cap of S\$20,000 per year is increased to S\$100,000 per new market per company over the enhancement period of FY 2020 to 2022. In addition, the scope of supportable activities will expand to include the following:

(1) Free Trade Agreement (“FTA”) consultancy services to support companies in better leveraging the FTAs; and

(2) In-market business development.

#### Our comments

SMEs generally lack the appropriate resources to implement the proper use of FTAs. Therefore, the availability of grant for SMEs to seek FTA consultancy services will enable them to reap the maximum benefits from the extensive network of FTAs that Singapore has.

With the enhancement in the MRA programme, Singapore-based companies will be better equipped in expanding their businesses overseas and embrace changes, such as the rise of e-commerce and social media platforms, amid increasing competition in the global market. This shall also help SMEs to stay dynamic and competitive in the continuously changing business environment.

### 6.4. Enhancement to Productivity Solutions Grant (“PSG”)

#### Current

PSG was first announced in 2018 to make it easier for smaller firms to get access to funds and aims to support enterprises to adopt pre-scoped, off-the-shelf technology and productivity solutions. It provides up to 70% co-funding on qualifying cost and is scheduled to expire after 31 March 2023.

In Budget 2019, the PSG was enhanced to include a component that supports worker upgrading and eligible enterprises will be able to receive a subsidy for up to 70% of their out-of-pocket training expenses, capped at S\$10,000 per enterprise, which will also be applicable up till 31 March 2023.

#### Proposed

The scope of PSG will be expanded to include consultancy services (beginning with job redesign) and will also offer a more comprehensive suite of pre-approved solutions with an increased number of sector-specific solutions.



More details of the grant enhancements will be disclosed at the Ministry of Trade & Industry's Committee of Supply ("MTI COS") debate.

#### Our comments

Companies can continue to tap on the funding support where implementations of short-term to mid-term technological solutions are concerned. The inclusion of out-of-pocket training expenses incurred on worker upgrading previously and now consultancy services has made the PSG a very comprehensive grant which SMEs can rely on. It is important that SMEs expeditiously make use of the various components available under the PSG in order to benefit and reap rewards from these enhancements.

### 6.5. Enterprise Leadership for Transformation ("ELT")

#### Current

This is a newly introduced programme announced during Budget 2020 to support business leaders of promising SMEs in achieving further growth in their businesses.

#### Proposed

The ELT programme is a 3-year pilot plan to provide mentoring support, in terms of trainings and coaching, to business leaders of promising SMEs in helping them achieve their business growth. This programme will be partnered with Institutes of Higher Learning, banks and experienced industry practitioners.

#### Our comments

With this programme, it will strengthen leadership and management abilities to help business leaders transform their businesses to improve performance by changing behaviour and capabilities throughout the organization. Being just a pilot programme, it is to test the efficacy of the mentoring system. However, the 3 year duration may not be sufficient to measure outcomes, especially given the current economic uncertainty where there is a possibility that businesses may cut back on spending or hold back their expansion plans. Nonetheless, if this programme is a success, it could possibly

be extended and even expanded to help more to achieve their entrepreneur goals.

### 6.6. Expansion of Enterprise Transformation Support ("ETS")

#### Current

The Enterprise Development Grant ("EDG") has been providing integrated support for enterprises to innovate and internationalise.

#### Proposed

ES will back business transformation by supporting up to 3,000 businesses in FY 2020 through EDG. The EDG provides SMEs with up to 70% support in three pillars: Core Capabilities, Innovation and Productivity, and Market Access. For the next 3 years, this programme will also help companies identify their intangible assets and develop strategies to harness them.

#### Our comments

EDG will continue to help Singapore companies to transform by supporting projects that help them grow and transform their businesses, tap into automation and technologies to enhance their efficiency or venture overseas under the three pillars. The scaling up of support to be provided by ES shall allow more companies the opportunities to tap their full potential and grow beyond their comfort zones.

### 6.7. Open Innovation Platform ("OIP") Sector-Wide Challenges

#### Current

Introduced in 2018, the OIP is a virtual crowd sourcing platform that connects businesses with real business challenges or digitisation opportunities to others who have solutions for them, building up digital capabilities for both large and small enterprises.

#### Proposed





This initiative is enhanced in terms of IMDA providing 70% co-funding of prize monies for industries who can co-innovate and provide digital solutions that will potentially benefit the entire sector. At the same time, in order to encourage more to innovate, IMDA will pay out 30% of the prize monies to shortlisted tech firms (at the point of award) even before a prototype has been delivered. The balance 70% will be paid after prototype delivery.

Our comments

The upfront 30% pay out can help to cushion innovation risks that may have previously deterred firms from trying to be innovators. The ‘problem owner’ will therefore have their problems solved more readily and timely which will speed up their digitalisation efforts. At the same time, the ‘problem solver’ will also have more opportunities in having their solutions commercialised and getting recognised locally, as well as in the region.

7. FOREIGN WORKFORCE POLICIES

7.1. Reducing S Pass sub-Dependency Ratio Ceiling (“DRC”)

Current

For the Construction, Marine Shipyard and Process sectors, the S Pass sub-DRC is 20%.

Proposed

The S Pass sub-DRC for the above sectors will be reduced in 2 phases as follows:-

	On 1 January 2021	On 1 January 2023
S Pass sub-DRC	18%	15%

Companies and businesses will not be allowed to renew work passes of foreign workers that have exceeded the revised DRC or sub-DRC. However, they can retain these foreign workers until their work passes expire to avoid operational disruptions.

Our comments

Following the reduction in DRC and sub-DRC for the services sector announced in Budget 2019, the Singapore Government has further announced cuts in the S Pass sub-DRC for the Construction, Marine Shipyard and Process sectors. This move is to curtail the growth of S Pass holders and create employment opportunities for skilled local workers, including mid-career workers in these sectors.

7.2. Foreign Worker Levy (“FWL”) increase deferred for Marine Shipyard and Process sectors

Current

FWL rates for the Marine Shipyard and Process sectors were scheduled to be raised during prior years’ Budget announcements.

Proposed

FWL rates will remain unchanged for all sectors, following the deferment of rates increases previously announced for the Marine Shipyard and Process sectors for another year.

Our comments

The move to further defer the increases in the FWL rates demonstrates the Singapore Government’s flexibility and responsiveness to the economic headwinds that these sectors still face.

8. OTHERS

8.1. SkillsFuture

Current

Under the SkillsFuture scheme launched in 2015, every Singaporean aged 25 and above has received a SkillsFuture Credit of S\$500, which has no expiry date.

## Proposed

### Individuals

A SkillsFuture Credit top-up of S\$500 will be granted to Singaporeans aged 25 and older as at 31 December 2020. This SkillsFuture Credit can be used from 1 October 2020 and any unused credit from this top-up will expire after 31 December 2025.

In addition to the above, those aged 40 to 60 as at 31 December 2020 will get a one-off top-up of S\$500, with the same 5-year validity period up to 31 December 2025. Further, a new SkillsFuture Mid-Career Support Package will also be introduced to double the annual job placement of locals in this age group by 2025.

### Enterprises

Eligible employers will get a SkillsFuture Enterprise Credit of S\$10,000 under the new scheme that aims to cover up to 90% of out-of-pocket costs for supportable enterprise capability development and workforce transformation programmes (current list is extracted below). The updated list of the supportable programmes will be made available at ES' website.

Supportable Programmes	Agency:
Enterprise Transformation Programmes:	
1. EDG 2. ELT 3. MRA	ES
4. PSG	Solutions administered by ES, STB, Building and Construction Authority, National Environment Agency, IMDA, Monetary Authority of Singapore

Workforce Transformation Programmes:	
1. Skills Framework-aligned courses (in support of the ITMs)	SkillsFuture Singapore
2. PCP (course fee expenses only) 3. PnT Programmes for RnF workers (course fee expenses only) 4. Job Redesign initiatives [i4.0 Human Capital Initiative for Manufacturing Sector, Service Industry Transformation Programme for Service sectors, PSG (Job Redesign) component]	WSG

### Our comments

The SkillsFuture Credits top-up is to encourage Singaporeans to make use of the current economic slowdown to better equip themselves with the new relevant skills. The SkillsFuture Enterprise Credit will help companies to defray costs in adopting business development initiatives, purchasing productivity solutions, jobs redesign and upskilling their workforce. Together, these prepare both enterprises and employees for better opportunities when the economy recovers.

## 8.2. Hiring incentive

Enterprises who hire new local workers aged 40 and above through select reskilling programmes will get 20% salary funding support for six months, capped at a total of S\$6,000. Reskilling programmes eligible for hiring incentive are the PCP, PnT programmes for RnF workers, and career transition programmes by Continuing Education and Training Centres,

## Senior Worker Support Package

Budget 2020 has introduced a Senior Worker Support Package to help businesses adjust to the increases in the Retirement Age ("RA") and Re-employment Age ("REA"),







which comprises of different measures as follows:-

### 8.3. Senior Employment Credit

#### Current

The Special Employment Credit (“SEC”) and Additional Special Employment Credit (“ASEC”) was introduced in year 2011 and 2015 respectively, to support and encourage employers in hiring older Singaporean workers aged 55 and above earning up to S\$4,000 per month by providing wage offsets to such employers. As announced in Budget 2019, the SEC and ASEC were extended for one year till the end of 2020.

#### Proposed

Budget 2020 has announced a new Senior Employment Credit which will replace the existing SEC and ASEC after these schemes expire on 31 December 2020. The new Senior Employment Credit is effective from 1 January 2021 to 31 December 2022 and the maximum wage offset for employers, depending on the RA and REA, are as reflected in the table below:-

Year	Age of employee (as of 1 January 2021)			
	55 to 59	60 to 64	60 to REA-1	REA and above
2021	2%	3%	5%	8%
2022	1%	3%	5%	8%

#### Our comments

The wage offsets available under the new Senior Employment Credit will help support the employability of older workers and ensure that they are more financially secure in retirement. At the same time, such a measure will help businesses to defray their salary costs, which more often than not, is one of the largest expenses for a business. The better employability of older workers will also help them to remain active, stay connected and contribute to the society, which will no doubt also boost the nation’s economy.

### 8.4. CPF Transition Offset

#### Current

There was no CPF transition offset in the past.

#### Proposed

Budget 2020 has also announced that the CPF contribution rates for Singaporean and Permanent Resident workers aged above 55 to 70 will be increased on 1 January 2021. The CPF Transition Offset will be given to their employers to offset half of the increase in employer CPF contribution rates for one year (from 1 January 2021 to 31 December 2021), up to the CPF salary ceiling of S\$6,000 per month.

The CPF Contribution Rates and CPF Transition Offset in 2021 are as follows:-

Age of employee (as of 1 Jan 2021)	>55 – 60	>60 – 65	>65 – 70
Total CPF Contribution	28% (+2 percent-age points) *	18.5% (+2 percent-age points) *	14% (+1.5 percent-age points) *
Employee CPF Contribution	14% (+1 percent-age point) *	8.5% (+1 percent-age point) *	6% (+1 percent-age point) *
Employer CPF Contribution	14% (+1 percent-age point) *	10% (+1 percent-age point) *	8% (+0.5 percent-age point) *
CPF Transition Offset (equivalent to half of the increase in employer CPF contribution rates)	0.5%	0.5%	0.25%

\* refers to the percentage increase in CPF contribution rates from the current levels, from January 2021.

#### Our comments

The introduction of the new CPF Transition Offset works in tandem with the new Senior Employment Credit to help support the employability of older workers. This measure will not only help businesses defray their operating expenses, but is also an incentive to employers who is willing to contribute socially in voluntarily re-employing older workers.

### 8.5. Senior Worker Early Adopter Grant ("SWEAG")

#### Current

There was no SWEAG in the past.

#### Proposed

The SWEAG is newly introduced in Budget 2020 to provide funding support to companies that raise their company-specific RA and REA (item 8.3 above refers) before the legislated changes takes place on 1 July 2022. The SWEAG will be applicable from 1 July 2020 to 30 June 2023. To qualify for SWEAG, companies must formalise the changes in their HR policies and employment contracts, with the changes communicated to their employees.

More details will be provided at the MOM COS debate.

#### Our comments

The various measures rolled out under the Senior Worker Support Package clearly shows the Singapore Government's effort in ensuring the employability of older workers. Likewise, the SWEAG will have the same impact as other measures introduced under the Senior Worker Support Package

### 8.6. Part-Time Re-employment Grant ("PTRG")

#### Current

There was no PTRG in the past.

#### Proposed

Budget 2020 has announced a PTRG for companies which commit to offering part-time re-employment to eligible older workers. The PTRG is applicable from 1 July 2020 to 30 June 2023.

More details will be provided by MOM COS.

#### Our comments

The PTRG grant would benefit companies and older workers who wish to continue working but only on a part-time basis. The availability of funding support for businesses and older workers in Singapore will make it easier for this pool of workers to seek re-employment.



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## CONTACT US

Neo Keng Jin – Senior Partner & Head,  
Audit, Assurance & Advisory

E [neo-kj@moorestephens.com.sg](mailto:neo-kj@moorestephens.com.sg)  
T +65 6329 2707

Willy Ng – Partner & Head,  
Business Advisory

E [willyng@moorestephens.com.sg](mailto:willyng@moorestephens.com.sg)  
T +65 6329 2708



Or follow us [@mooresingapore](#)  
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