



Tax Bulletin: 2008 Budget Statement

18 February 2008

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The Minister for Finance, Mr Tharman Shanmugaratnam, delivered the 2008 Budget Speech in Parliament on 15 February 2008. This Tax Bulletin highlights the notable changes announced and will be followed shortly by our detailed Singapore Budget Commentary 2008.

Corporate Tax Announcements

Liberalisation of Start-Up Tax Exemption Scheme

- Enhancement of the start-up tax exemption scheme to include new companies where at least one of the shareholders is an individual shareholder holding at least 10% of the issued share capital.

Effective: Year of Assessment (YA) 2009

R&D tax measures

- Enhanced tax deductions allowed for R&D done in Singapore from 100% to 150%.

Effective: YA 2009 to YA 2013

- Tax deduction allowed for R&D not related to existing business.

Effective: YA 2009 to YA 2013

- New R&D tax allowance of up to 50% of the first \$300,000 of chargeable income for each YA.

Effective: YA 2009 to YA 2013

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- New R&D Incentive for Start-up Enterprises (RISE) allowing the conversion of up to \$225,000 of tax losses into cash computed at a prescribed rate.

Effective: YA 2009 to YA 2013

Fixtures and Fittings Incentive

- A special 3-year writing down allowance for expenditure on fixtures, fittings and installations, subject to a cap of \$150,000 every 3 years.

Effective: 16 February 2008 to 15 February 2013

Unilateral Tax Credit

- Extension of unilateral tax credits to all types of foreign-sourced income remitted to Singapore from non-DTA countries.

Effective: YA 2009

Tax deductions for employee related expenses

- Extension of the existing further tax deduction for overseas talent recruitment scheme to 2013.

Effective: immediately

- Extension of the deductible medical expenses capped at 2% of the total wages to portable medical shield plans for inpatient medical insurance benefits for employees and ad-hoc contributions made to employees' Medisave accounts (subject to a cap of \$1,500 per employee per year).

Effective: YA 2008

- Tax deductions for employer contributions to employees' CPF Minimum Sum cash top-ups and to their SRS accounts.

Effective: YA 2009

Maritime Services

- Extension of the existing administrative concession to exempt gains from the sale of vessels to YA 2014. In addition, this concession will also expanded to include gains from the sale of ships which will subsequently be leased back and gains from the sale of shares in a special purpose company which holds ships.

Effective: immediately

- Inclusion of foreign exchange gains and gains from risk management activities as qualifying income under sections 13A and 13F of the Income Tax Act.

Effective: YA 2009 to 2010

- Enhancement to the Maritime Finance Incentive (MFI) where leasing of containers will be included in the MFI. Under this enhancement, an Approved Container Investment Enterprise Enterprise (ACIE) will enjoy 5%

or 10% concessionary tax rate on its income from leasing of sea containers to onshore and offshore leases. Besides, an approved container investment management company will enjoy a 10% concessionary tax rate on its management fee income derived in connection with the management of an ACIE.

Effective: 1 April 2008 to 28 February 2011

In addition, the MFI scheme will be extended to partnerships.

Effective: 1 April 2008

Financial Services

- Financial sector incentive (FSI) will be extended to 31 December 2013.

Effective: immediately

- New FSI-Islamic Finance incentive of 5% concessionary rate on qualifying income from qualifying Shariah-compliant activities.

Effective: 1 April 2008 to 31 March 2013

- Expansion of FSI-BM Enhanced-Tier award to include trading of Qualifying Debt Securities and Qualifying Project Debt Securities.

Effective: 16 February 2008

- Expansion of FSI-DM Enhanced-Tier award will be expanded to include trading of exchange-traded financial derivatives.

Effective: 16 February 2008

- Enhancement of the Offshore Insurance Business Incentive of 5% concessionary tax rate on offshore Islamic insurance or reinsurance business.

Effective: 1 April 2008 to 31 March 2013

- Extension of the Qualifying Debt Securities (QDS) Incentive to 31 December 2013 and enhancing the scheme to tax exempt all investors on qualifying income derived from debt securities with specified conditions.

Effective: 16 February 2008 to 31 December 2013

- Extension of tax exemption on income derived by primary dealers from trading in Singapore Government Securities to 31 December 2013.

Effective: immediately

- Extension of Approved Special Purpose Vehicle (ASPV) Incentive to 31 December 2013 and enhancing the scheme by lifting the condition for debt securities issued by ASPV to be QDS.

Effective: 16 February 2008 to 31 December 2013

- Extension of the tax incentives to promote project financing to 31 December 2011 and a new concessionary tax rate of 10% (for a period of 10 years) on income derived from the provision of management services to business



trusts and funds that own offshore infrastructure assets.

Effective: 1 April 2008 to 31 December 2011

- New Concessionary tax rate of 10% (for a period of 10 years) on fees and commissions derived from the provision of insurance broking and advisory services by qualifying licensed direct and reinsurance brokers to non Singapore-based clients.

Effective: 1 April 2008 to 31 March 2013.

- New family-owned investment holding company incentive to exempt from tax on qualifying locally-sourced investment income and foreign sourced income.

Effective: 1 April 2008 to 31 March 2013

Personal Tax & Miscellaneous Announcements

- No change in the Personal Income Tax Rates. However, an income tax rebate of 20% is available for all resident taxpayers for YA 2008, capped at \$2,000.

Effective: YA 2008

- Relaxation to the Course Fee Relief requirement as follows :-
 1. Taxpayer can claim relief regardless whether the course is relevant to his current trade, business, profession, vocation or employment.
 2. For courses leading to an approved academic, professional or vocational qualification, the claim can be made within 2 YsA from the YA relating to the year in which the taxpayer completed the courses.

Effective: YA 2009

- Removal of the Estate Duty from the tax regime for deaths occurring on and after 15 February 2008.

Effective: 15 February 2008

- All Various Employee Equity-based Remuneration Schemes will be repackaged as one new umbrella incentive scheme, namely the Employee Remuneration Incentive Scheme (ERIS)

Effective: The change for ERIS (All Corporations) will take effect for stock options and share awards granted after 15 February 2008.

Effective: The introduction of the ERIS (Start -Ups) will take effect for stock options and share awards issued during 16 February 2008 to 15 February 2013 in the first 3 years of incorporation by qualifying Start-up companies.

- Refinement to the Not Ordinarily Resident (NOR) scheme as follows :-

1. The Singapore employment income threshold of \$160,000 will replace the 10% minimum effective tax rate condition and
2. Expand the scope of concession to cover perquisites and leave pay.

Effective: YA 2009

- Relaxation to the Supplementary Retirement Scheme (SRS) where employers' contributions are allowed, subject to the contribution limits. Employers will be able to claim full tax deduction for the contributions they make to their employees' SRS accounts and correspondingly, SRS members will be taxable on the contributions that their employers make to their SRS accounts. However, tax relief up to the applicable contribution limit per YA for the SRS contributions which they or their employers make.

Effective: YA 2009

- Enhancement to the CPF Minimum Sum Topping-Up Scheme as follows:-
 1. Taxpayers can claim tax relief (capped at \$7,000 per YA) for top-ups by themselves or their employers to their own Minimum Sum and
 2. another tax relief (capped at \$7,000) for top-ups to their siblings, spouses, parents and grandparents' Minimum Sums, regardless of the age of the recipients.

Effective: YA 2009

- Taxpayers will now be able to claim tax relief for voluntary contributions that they make specifically to their own Medisave Account up to a cap of (\$26,393 less mandatory contributions) per YA.

Effective: YA 2009

- All alcoholic beverages (beer, stout, wine, whisky and brandy) will be taxed on the basis of their alcoholic content.

Effective: immediately

- Revision to the Special tax for Euro-IV Private Diesel cars from the current 4 times the road tax to an absolute-dollar tax based on the engine capacity of the car, at a rate of \$1.25 per cubic centimeters (cc) of engine capacity, subject to a minimum tax of \$1,250.

Effective: 1 July 2008

GST Announcements

- Allow listed REITS and registered business trusts in infrastructure business, shop leasing and aircraft leasing to claim input tax on business expenses incurred, irrespective of whether they hold the underlying assets directly or indirectly through multi-tiered structures such as Special Purpose Vehicles (SPVs) / sub-trusts.

Effective: 17 February 2006 to 17 February 2010.



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