



Tax Bulletin: 2009 Budget Statement

23 January 2009

“The Resilience Package and the slew of other measures introduced in the Budget by the Government have demonstrated the ability and the willingness of the Government to act boldly in these extraordinarily difficult times”

*- Frankie Chia,
Managing Partner*

In a time where the world is spinning into one of the worst seen recession in recent times, Mr Tharman Shanmugaratnam had a daunting task of delivering a budget for Singapore, which would assist Singaporean families and businesses stay afloat. The 2009 Budget aims at introducing a “Resilience Package”, the focus of which is to save jobs and help viable companies see through this period of exceptional difficulty and prepare Singapore to emerge with strength when the global economy recovers. An area of focus of the Resilience Package is to enhance business cash flow and competitiveness by implementing tax measures.

This Tax Bulletin highlights the key tax changes announced and will be followed shortly with our detailed Singapore Budget Commentary.

Corporate Tax Rates

- Corporate Tax Rate reduced from 18% to 17% with effect from Year of Assessment 2010.

Foreign Sourced Income Exemption

- Expansion of scope of Foreign Sourced Income Exemption.
- Conditions currently required for Foreign Sourced Income to be exempt from Singapore tax will be temporarily lifted.
- Resident non individuals and resident partners of partnerships in Singapore exempt from tax on remittance of all foreign sourced income earned/accrued outside Singapore prior to January 21, 2009, if remitted between January 22, 2009 and January 21, 2010.
- IRAS to issue details by April 2009

DISCLAIMER:

The information in this bulletin is for general guidance only and is not a substitute for professional advice. BDO Raffles and its staff accept no responsibility for any actions taken or not taken on the basis of the information in this bulletin.

Copyright © January 2009 BDO Raffles. All rights reserved.



BDO Raffles Tax Bulletin 2009

Framework for facilitating Corporate Amalgamations

- New tax framework for qualifying amalgamations to be introduced.
- Aimed at minimizing tax consequences arising from amalgamations.
- Applicable to qualifying corporate amalgamations and subject to conditions.
- IRAS to release details for public consultation by February 2009.

Enhancement of Fund Management Incentives

- Enhanced Tier to existing fund management incentives to be introduced.
- Under Enhanced Tier Incentive, no restrictions to be imposed on residency status of fund vehicles and investors.
- Enhanced Tier Incentive also applicable to Limited Partnerships.
- 30% or 50% investment limit imposed on resident non individual investors to be lifted for funds under Enhanced Tier.
- Sunset clause to be introduced for the Enhanced Tier as well as the existing fund management incentives.
- Enhanced tier to be applicable to funds with a minimum fund size of S\$ 50 million, subject to certain conditions.
- Incentives to expire on March 31, 2014.
- MAS to release details by April 2009.

Enhancement of Financial Sector Incentive – Headquarter Services (FSI-HQ) scheme

- FSI HQ scheme will be enhanced for the period January 22, 2009 to December 31, 2013.
- FSI HQ scheme extended to companies which are wholly owned directly or indirectly, or which wholly own directly or indirectly, a company which is licensed or approved by the MAS or by the financial supervisory authority in its Home country and provides treasury, investment or financial services in Singapore for any of its offices or its associated companies.
- A Local Network Company can also be approved as a Qualifying Network Company of a FSI HQ Company, subject to conditions.
- Activities eligible for incentives under the Qualifying Processing Services Company (QPC) will be covered under the FSI HQ scheme. Any income from providing prescribed processing services in Singapore to any financial institution or another QPC will be taxed at a concessionary rate of 10%.
- MAS will release details by April 2009.

Extension and Enhancement of Commodity Derivatives Traders (CDT) scheme

- CDT scheme will be extended and covered under Financial Sector Incentive – Derivatives Market (FSI – DM). A new FSI – DM (CDT) to be created.
- Definition of commodity derivatives to be expanded to include emission derivatives.
- Counter Party restrictions under the FSI DM (CDT) award will be removed for qualifying trades carried out on exchanges.
- MAS to release details by April 2009.



BDO Raffles Tax Bulletin 2009

Enhancement of specified income and designated investment lists

- Lists to be enhanced with effect from January 22, 2009 to keep up with industry developments and changes.
- MAS to release details by April 2009.

Enhancement of Loss Carry Back Relief Scheme

- Loss Carry Back Relief Scheme to be temporarily enhanced for Years of Assessment 2009 and 2010.
- Current year qualifying deductions will be allowed to be carried back for up to 3 Years of Assessment immediately preceding that Year of Assessment in which the capital allowances were granted or losses incurred.
- Order of set off of qualifying deductions prescribed.
- Aggregate amount of current year qualifying deductions to be carried back enhanced to S\$ 200,000.
- Enhancements applicable to all businesses. The same business test to be satisfied.
- For companies, substantial shareholding test also to be satisfied.
- IRAS to release administrative details shortly.

Enhancement of Capital Allowances and tax deduction for capital expenditure incurred on Renovation and Refurbishment

- Capital expenditure incurred on plant and machinery acquired in basis period 2009 and 2010 will be allowed an accelerated write down.

- Qualifying Renovation and Refurbishment expenses in the basis period 2009 and 2010 can be deducted in one year instead of over 3 years.

Accelerated Writing Down Allowances (WDA) for acquisition of Intellectual Property Rights for Media and Digital Entertainment (MDE) content

- Writing down period for WDA in respect of capital expenditure incurred by a MDE company or partnership in acquiring qualifying Intellectual Property rights for MDE content is reduced from 5 years to 2 years.
- Accelerated WDA will be granted on an approval basis.
- Approval to be granted by EDB for qualifying Intellectual Property rights acquired between January 22, 2009 to October 31, 2013.

Withholding Tax

- Withholding tax exemption on interest payments made by FSI HQ company to qualifying persons on qualifying loans.
- Withholding tax exemption on payment of interest on loans taken by a shipping enterprise under the Block Transfer Scheme (BTS) to be extended by 5 years up to December 2013.
- Withholding tax exemption under BTS also extended to cover interest payable on loans taken by a shipping company to acquire 100% of the shares in a Special Purpose Company owning 100% of a ship.

Personal Tax and Other Announcements

- No change in Personal tax Rates.
- Personal Income Tax Rebate of 20 percent capped at S\$ 2000 for Year of Assessment 2009.



BDO Raffles Tax Bulletin 2009

- Personal Income Tax can be paid in monthly instalments over 24 months if resident individuals have lost their jobs in 2008 or do so in 2009.
- 40 percent rebate to be given for owner occupied residential properties for calendar year 2009.
- Tax on Net Annual Value of a property used by owner or on behalf of owner for residential purposes and not business purposes is removed with effect from Year of Assessment 2010.
- Tax deduction on donations made during January 1, 2009 to December 2010, enhanced to 250%.
- Companies limited by guarantee and set up by social entrepreneurs covered under the start up exemption scheme and eligible for a full tax exemption under the start up scheme, subject to conditions.

Property Tax

- Property tax rebate of 40 % to be given for commercial and industrial properties for calendar year 2009.
- Property tax deferral of up to two years to be granted to land approved for development. This will come into immediate effect or from date of Written/Provisional Permission whichever is later.
- Property tax assessment rate for hotels to continue at 20 %.

Goods and Services Tax (GST)

- No change in GST rates.
- Qualifying aircraft definition enhanced for GST Zero rating purposes.
- New scheme to be introduced to facilitate import of aircraft components or systems for Qualifying aircrafts without GST.
- GST and duty will be suspended with effect from April 1, 2009 on goods (including wine) temporarily removed from a Zero GST or Licensed Warehouse for auctions or exhibitions. Details will be released by March 2009.
- GST and duty will be exempted for a specified quantity of wine to be used at approved wine exhibitions and conference events. This will be in effect from April 1, 2009. Details will be released by March 2009.
- With effect from January 22, 2009 and up to March 2014, Qualifying funds managed by prescribed Fund managers in Singapore will be allowed to claim a substantial portion of their input GST on prescribed expenses.

Other Miscellaneous Changes

- GST Credits and Senior Citizens' Bonus will be doubled in 2009.
- Employers will receive a 12 % Cash Grant on the first S\$ 2500 of each month's wages for each employee on their CPF payroll. This Job Credit is for one year.
- Tax deduction on loss provisions made by Banks and other Finance companies in pursuance to MAS Notices, extended for 3 Years of Assessment.
- 30 % road tax rebate for goods vehicles, buses and taxis for one year from July 1, 2009.
- Service and Conservancy Charges Rebates enhanced.

For more information about our services, contact the following divisions:

Audit & Assurance Peter Leong	peterleong@bdo.com.sg	DID: 68289120
Business Restructuring Services Leow Quek Shiong	quekshiong@bdo.com.sg	DID: 68289170
Business Transaction Services Ross Limjoco	rosslimjoco@bdo.com.sg	DID: 68289125
Corporate Finance Services Tan Soon Liang	soonliang@bdo.com.sg	DID: 68289169
Management Consulting Services Tah Wee Han	weehan@bdo.com.sg	DID: 68289184
Risk Advisory Services Christopher Go	christophergo@bdo.com.sg	DID: 68289187
Tax Advisory Services Rohan Solapurkar	rohan@bdo.com.sg	DID: 68289171

Corporate Alliance Pte Ltd

Corporate Secretarial Services Lim Swe Jian	swejian@corporatealliance.com.sg	DID: 68289139
Accounting Management Services Lim Siew Ming	siewming@corporatealliance.com.sg	DID: 68289109



19, Keppel Road,
#02-01 Jit Poh Building,
Singapore 089058.
e-mail: info@bdo.com.sg
www.bdo.com.sg

Tel: (65) 6828 9118 Fax: (65) 6828 9111

BDO International is a worldwide network of public accounting firms, called BDO Member Firms. Each BDO Member Firm is an independent legal entity in its own country. The network is coordinated by BDO Global Coordination B.V., incorporated in The Netherlands, with its statutory seat in Eindhoven (trade register registration number 33205251) and with an office at Boulevard de la Woluwe 60, 1200 Brussels, Belgium, where the International Executive Office is located