Singapore Budget Bulletin 2024

Deputy Prime Minister and Finance Minister Mr Lawrence Wong tabled the Singapore Budget 2024 in Parliament on 16 February 2024. Themed “Building Our Shared Future Together”, the Budget laid out S$131.4 billion, about 18.3 per cent of Singapore’s gross domestic product (“GDP”), to achieve the shared goals of building a vibrant and inclusive, fair and thriving as well as resilient and united nation. Therefore, concrete steps to build our shared future together will be taken:

- Tackling immediate challenges for households and businesses;
- Pursuing better growth and jobs and equipping our workers for life;
- Creating more paths for equality and mobility; and
- Providing assurance for families and seniors.

Measures to secure a strong fiscal position for Singapore include tax changes proposed to address concerns over high business cost and escalating cost of living. Highlights of key tax changes are detailed below.

The implementation of Pillar 2 of the Inclusive Framework on Base Erosion and Profit Shifting is on track for 2025 via two components: first, the Income Inclusion Rule (“IIR”) followed by the Domestic Top-up Tax (“DTT”). The IIR and DTT will apply to large multinational enterprise groups with global revenue of at least €750 million annually.

With cautious optimism, Singapore is budgeting a small surplus of S$0.8 billion or 0.1% of GDP for the financial year 2024.

Overall, it is a Budget which provides support to all, benefiting everyone in one way or another, with short-term concerns addressed while paving the way for long-term goals.

Key Highlights

- Corporate Income Tax Rebate and CIT Rebate Cash Grant
- Enhanced deduction for Renovation or Refurbishment expenditure
- Refundable Investment Credit scheme
- Income Inclusion Rule and Domestic Top-up Tax
- Tax incentive schemes for funds managed by Singapore-based fund managers
- Alternative basis of tax for Maritime Sector Incentive sub-schemes
- Additional concessionary tax rate tier for certain tax incentive schemes
- Revisions to Additional Buyer’s Stamp Duty remission clawback rates
- Personal Income Tax Rebate
- Increase in dependant’s or caregiver’s annual income threshold for dependant-related reliefs
- Revision of Annual Value bands for owner-occupier residential Property Tax rates
- Extended GIRO Scheme for Residential Property (Retirees)
- New ABSD concession for single Singapore Citizen seniors
- Course Fees Relief
- CPF Cash Top-up Relief for cash top-ups that attract matching grant under the Matched Retirement Savings Scheme
- Enhancement to Assurance Package for GST
- Overseas Humanitarian Assistance Tax Deduction Scheme
- Senior workers’ Central Provident Fund contribution rates and CPF Transition Offset
- Enhanced Retirement Sum
- Closure of the CPF Special Account for members aged 55 and above

Corporate Tax

Corporate Income Tax ("CIT") Rebate and CIT Rebate Cash Grant

- To help companies manage rising costs, a CIT Rebate of 50% of tax payable will be granted for the Year of Assessment ("YA") 2024.
- Companies that have employed at least one local employee in 2023 will receive a minimum benefit of S$2,000 in the form of a cash payout ("CIT Rebate Cash Grant"), which will be automatically disbursed by the third quarter of 2024.
- A company is considered to have met the one local employee condition if it has made Central Provident Fund (CPF) contributions to at least one employee who is a Singapore Citizen or Permanent Resident, excluding shareholders who are also Directors of the company in 2023.
- The CIT Rebate, less any CIT Rebate Cash Grant received, will be automatically incorporated in the relevant company's CIT return for YA 2024.
- The maximum total benefits of CIT Rebate and CIT Rebate Cash Grant that a company may receive is capped at S$40,000.

Enhanced deduction for Renovation or Refurbishment ("R&R") expenditure

- To ease the compliance burden of businesses and to improve the relevance of the scheme, the following enhancements will be introduced from YA 2025:
  - Expand the scope of qualifying expenditure to include designer or professional fees;
  - To transition all businesses to a fixed relevant three-year period for the purpose of computing the R&R expenditure cap, with the first relevant three-year period being from YA 2025 to YA 2027; and
  - Allow an option to claim R&R deductions in one YA, subject to the prevailing expenditure cap of S$300,000 for each relevant three-year period.

Refundable Investment Credit ("RIC") scheme

- To enhance Singapore's attractiveness for investments, the RIC scheme is introduced to provide support of up to 50% of the qualifying expenditure incurred in respect of a qualifying project during a qualifying period. It will be awarded on an approval basis through the Economic Development Board and Enterprise Singapore.
- The RIC scheme encourages companies to make sizeable investments that bring substantive economic activities in Singapore, in key economic sectors and new growth area. High value and substantive economic activities that would qualify for the RIC scheme include:
  - Investing in new productive capacity (e.g., new manufacturing plant, production of low-carbon energy);
  - Expanding or establishing the scope of activities in digital services, professional services, and supply chain management;
  - Expanding or establishing headquarter activities, or Centres of Excellence;
  - Setting up or expansion of activities by commodity trading firms;
  - Carrying out R&D and innovation activities; and
  - Implementing solutions with decarbonisation objectives.
- Each RIC award will have a qualifying period of up to 10 years.
- The credits are to be offset against CIT payable. Any unutilised tax credits will be refunded to the company in cash within four years from when the company satisfies the conditions for receiving the credits.
- Depending on project type, qualifying expenditure categories may include capital expenditure, manpower costs, training costs, professional fees, intangible asset costs, fees for work outsourced in Singapore, materials, consumables, freight and logistics costs.

Income Inclusion Rule ("IIR") and Domestic Top-up Tax ("DTT")

- In line with Pillar Two of the Base Erosion and Profit Shifting ("BEPS") 2.0 initiative, the IIR and DTT will be implemented, which will impose a minimum effective tax rate of 15% on businesses' profits from the financial years starting on or after 1 January 2025.
- These measures will apply to multinational enterprise ("MNE") groups with annual group revenue of €750 million or more in at least two of the four preceding financial years ("in-scope MNE Groups").
- The IIR will apply to in-scope MNE groups that are parented in Singapore in respect of the profits of their group entities that are operating outside Singapore.
- The DTT will apply to in-scope MNE groups in respect of the profits of their group entities that are operating in Singapore.
- The Undertaxed Profits Rule which will allow Singapore to collect a share of the top-up tax on any MNE with operations in Singapore if any portion of its income overseas has not been subject to the minimum tax, will be considered at a later stage.

Tax incentive schemes for funds managed by Singapore-based fund managers ("Qualifying Funds")

- To continue to promote the growth of Singapore's asset and wealth management industry, the tax incentive schemes under Sections 13D, 13O and 13U of the Income Tax Act 1947 will be further extended till 31 December 2029.
- In addition, the following key changes will be introduced and will take effect from 1 January 2025:
  - The Section 13O scheme will be enhanced to include Limited Partnerships registered in Singapore.
  - The economic criteria for Qualifying Funds under Sections 13D, 13O and 13U schemes will be revised.

Alternative basis of tax for Maritime Sector Incentive ("MSI") sub-schemes

- To better align the Singapore tax regime for shipping entities with common international practices, an alternative basis of tax where the qualifying income of qualifying shipping entities is taxed based on the net tonnage of their ships will be available from YA 2024 for the following MSI sub-schemes:
  - MSI–Shipping Enterprise (Singapore Registry of Ship)
  - MSI–Approved International Shipping Enterprise
  - MSI–Maritime Leasing (Ship)
- The alternative basis of tax will apply to all qualifying ships of MSI entities that are subjected to it.
- The existing tax exemptions under the relevant MSI sub-schemes will continue to apply to MSI entities that are not under the alternative net tonnage basis of tax.

Additional concessionary tax rate ("CTR") tier for certain tax incentive schemes

- As part of the periodic review to ensure our tax incentives remain relevant and competitive, an additional CTR tier will be introduced under the following tax incentives with effect from 17 February 2024:

Tax incentive	Additional CTR Tier
Finance and Treasury Centre	10%
Aircraft Leasing Scheme	10%
Development and Expansion Incentive	15%
Intellectual Property Development Incentive	15%
Global Trader Programme	15%

Revisions to Additional Buyer's Stamp Duty ("ABSD") remission clawback rates

- To ensure that the housing supply is released promptly while providing some flexibility for housing developers to address the difficulties they may face in selling all units within the prescribed timeline, with effect from 16 February 2024, projects with at least 90% of units sold at the five-year sale timeline will be subjected to a lower ABSD remission clawback rate, if the commencement and completion of works criteria are also fulfilled.
- This applies for projects where the residential land was acquired on or after 6 July 2018.
- The ABSD remission clawed back will be reduced between 1 to 10 percentage points, depending on the proportion of units sold at the five-year mark.

Personal Tax

Personal Income Tax ("PIT") Rebate

- A PIT rebate of 50% of tax payable will be granted to all tax resident individuals for YA 2024. The rebate will be capped at S$200 per taxpayer.

Increase in dependant's or caregiver's annual income threshold for dependant-related reliefs

- To allow taxpayers who are providing for dependant family members to enjoy these reliefs, while giving family members the flexibility to do some work, the annual income threshold of dependants and caregivers will be increased to S$8,000 with effect from YA 2025.
- This would apply to the following dependant-related reliefs:
  - Spouse Relief
  - Parent Relief
  - Qualifying Child Relief
  - Working Mother's Child Relief
  - Grandparent Caregiver Relief
  - CPF Cash Top-up Relief for top-up to CPF account of spouse or siblings

Revision of Annual Value ("AV") bands for owner-occupier residential Property Tax ("PT") rates

- In view of the sharp rise in AVs over the last two years, the AV bands of owner-occupier residential PT rates will be adjusted as follows from 1 January 2025:

Marginal PT Rate	Portion of AV	
	From 1 Jan 2024 to 31 Dec 2024	From 1 Jan 2025 (i.e. from 2025 PT bills)
0%	S$0 - S$8,000	$0 - S$12,000
4%	> S$8,000 - S$30,000	> S$12,000 - S$40,000
6%	> S$30,000 - S$40,000	> S$40,000 - S$50,000
10%	> S$40,000 - S$55,000	> S$50,000 - S$75,000
14%	> S$55,000 - S$70,000	> S$75,000 - S$85,000
20%	> S$70,000 - S$85,000	> S$85,000 - S$100,000
26%	> S$85,000 - S$100,000	> S$100,000 - S$140,000
32%	> S$100,000	> S$140,000

Extended GIRO Scheme for Residential Property (Retirees)

- To better support retirees, the 12-month interest-free GIRO instalment plan offered by the Inland Revenue Authority of Singapore ("IRAS") will be extended up to 24 months, effective from PT bill 2024, for retirees who meet the following criteria:
  - All owners of the property are aged 65 and above;
  - The applicant must live in the residential property they own; and
  - The applicant's Assessable Income must not exceed S$34,000 (based on latest tax assessment available).

New ABSD concession for single Singapore Citizen ("SC") seniors

- To better support single SC seniors aged 55 and above who wish to right-size their residential property ("RP"), the ABSD concession will be extended to such single SC seniors for the purchase of replacement RP on or after 16 February 2024.
- Such single seniors can claim a refund of ABSD paid on the replacement RP if the following conditions are met:
  - ABSD has been paid on the replacement RP;
  - Each first RP is solely owned by a single SC aged 55 and above, or with single SCs aged 55 and above who are immediate family members (i.e. one's parent, child or sibling);
  - The owners of each first RP remain to be the owners of the replacement RP. Any additional owners purchasing the replacement RP must also be single SCs aged 55 and above who are immediate family members. There should be no change of ownership in the replacement RP at the time of the sale of each first RP;
  - The buyer(s) do not own more than one RP each at the point of purchasing the replacement RP, and have not purchased or acquired any other RP since the purchase of the replacement RP;
  - The value of the replacement RP is less than the value of each of the first RP(s) sold;
  - The buyer(s) dispose the first RP(s) (whether co-owned or separately owned) within six months after the date of purchase of a completed RP, or the issue of the Temporary Occupation Permit or Certificate of Statutory Completion of an uncompleted RP, whichever is earlier; and
  - The application for the refund of ABSD is made within six months after the date of sale of the first RP(s).

Course Fees Relief ("CFR")

- The CFR will lapse with effect from YA 2026.

CPF Cash Top-up Relief for cash top-ups that attract matching grant under the Matched Retirement Savings Scheme ("MRSS")

- CPF cash top-ups made on or after 1 January 2025 to the Retirement Account of a MRSS-eligible CPF member that attract MRSS matching grant will no longer entitle the giver to the CPF Top-up Relief from YA 2026.
- Individuals may continue to enjoy tax relief of up to S$16,000 a year (maximum S$8,000 for self and maximum S$8,000 for family members) for eligible CPF cash top-ups that do not attract MRSS grants.

Goods and Services Tax

Enhancement to Assurance Package for GST

- Community Development Council ("CDC") Vouchers
  - Every Singaporean household will receive an additional S$600 CDC Vouchers. The first S$300 CDC Vouchers will be disbursed in end-June 2024, and the remaining S$300 CDC Vouchers will be disbursed in January 2025.
  - Each tranche of CDC Vouchers will be split equally for spending at participating merchants/hawkers and supermarkets.
- Cost-of-Living ("COL") Special Payment
  - All eligible adult Singaporeans aged 21 and above in 2024 who are residing in Singapore will receive a one-off special payment payout between S$200 and S$400 in September 2024 as follows:

<table>
<tr><th>Assessable Income for YA 2023 (i.e. income earned in 2022)</th><th>Owns ≤ 1 property</th><th>Owns > 1 property</th></tr>
<tr><td>≤ S$22,000</td><td>S$400</td><td rowspan="4">Not eligible</td></tr>
<tr><td>> S$22,000 up to S$34,000</td><td>S$300</td></tr>
<tr><td>> S$34,000 up to S$100,000</td><td>S$200</td></tr>
<tr><td>> S$100,000</td><td>Not eligible</td></tr>
</table>

- COL U-Save Payment
  - All eligible Singaporean households living in HDB flats and whose household members do not own more than one property will receive one-off COL U-Save to help offset regular utilities expenses.
  - The type of HDB flat will determine how much is paid out under COL U-Save in April 2024, July 2024, October 2024, and January 2025.

Others

Overseas Humanitarian Assistance Tax Deduction Scheme ("OHAS")

- To encourage giving towards overseas emergency humanitarian assistance causes, the OHAS will be piloted for four years from 1 January 2025 to 31 December 2028.
- The OHAS will provide individual and corporate donors with 100% tax deduction for qualifying overseas cash donations, subject to meeting the following conditions:
  - Donation must be made through a designated charity; and
  - Donation must be made towards a fund-raiser for emergency humanitarian assistance with a valid Fund-Raising for Foreign Charitable Purposes permit from the Commissioner of Charities.
- Tax deductions under OHAS will be capped at 40% of the donor's statutory income.
- For donors who also receive tax deductions under the Philanthropy Tax Incentive Scheme for Family Offices ("PTIS"), tax deductions under both OHAS and PTIS will be jointly capped at 40% of the donor's statutory income.
- Any unutilised tax deductions under the OHAS cannot be carried forward to offset the donor's income for any subsequent YA and cannot be transferred to another company of the same group under the Group Relief System for any YA.

Senior workers' CPF contribution rates and CPF Transition Offset

- In line with the recommendation from the Tripartite Workgroup on Older Workers in 2019, the next increase in senior workers' CPF contribution rates for workers aged above 55 to 65 will take place on 1 January 2025 as follows:

	CPF contribution rates from 1 January 2025		
Age band	**Total**	**Employer**	**Employee**
55 & below	No change		
> 55 to 60	32.5% (+1.5%)	15.5% (+0.5%)	17% (+1%)
> 60 to 65	23.5% (+1.5%)	12.0% (+0.5%)	11.5% (+1%)
> 65 to 70	No change (target contribution rates were reached in 2024)		
Above 70	No change		

- To mitigate the rise in business costs due to this increase, it is also announced that the Government will provide employers with a one-year CPF Transition Offset equivalent to half of the 2025 increase in employer CPF contributions for every Singaporean and Singapore Permanent Resident employee aged above 55 to 65.

Enhanced Retirement Sum ("ERS")

- The ERS is the maximum amount of savings that members aged 55 and above can place in their CPF Retirement Account ("RA") to earn RA interest rates and receive CPF monthly payouts. Today, the ERS is set at three times the Basic Retirement Sum ("BRS").
- The Government will raise the ERS from three times the BRS, to four times, from 1 January 2025.
- This will allow CPF members to voluntarily top up more to their RA, by transferring their Ordinary Account ("OA") savings or by making cash top-ups to receive higher CPF monthly payouts in their retirement.

Year	BRS	Before changes (ERS at three times the BRS)		Revised ERS from 1 January 2025 (ERS at four times the BRS)	
		ERS	Estimated monthly payouts	ERS	Estimated monthly payouts
2025	S$106,500	S$319,500	S$2,530	S$426,000	S$3,330
2026	S$110,200	S$330,600	S$2,610	S$440,800	S$3,440
2027	S$114,100	S$342,300	S$2,690	S$456,400	S$3,550

Closure of the CPF Special Account ("SA") for members aged 55 and above

- Today, members aged 55 and above have two CPF accounts that hold savings intended for retirement payouts: the SA and the RA. Both SA and RA savings earn the same long-term interest rate.
- To better align CPF interest rates to the nature of CPF savings in each CPF account, the Government will close the SA for members aged 55 and above from early 2025.
- SA savings will be transferred to the RA, up to the Full Retirement Sum. These savings will continue to earn the long-term interest rate.
- Any remaining SA savings will be transferred to the OA, where they remain withdrawable and will earn the short-term interest rate.
- Members can choose to transfer their OA savings to their RA at any time, up to the ERS. Once transferred to the RA, the monies will be committed towards higher retirement payouts and will earn higher interest.

For further information, we welcome you to speak to any of our tax specialists below:

ABNER KOH
Executive Director
+65 6990 2833
abnerkoh@bdo.com.sg

CAROL SIM
Executive Director
+65 6990 2567
carolsim@bdo.com.sg

ELIS TAN
Executive Director
+65 6990 2837
elistan@bdo.com.sg

EU CHIN SIEN
Executive Director
+65 6990 2836
chinsien@bdo.com.sg

EVELYN LIM
Executive Director
+65 6990 2830
evelynlim@bdo.com.sg

HSU CHONG HOE
Executive Director
+65 6990 2832
chonghoe@bdo.com.sg

JACKSON CAI
Executive Director
+65 6990 2834
jacksoncai@bdo.com.sg

KYLIE LUO
Executive Director
+65 6990 2838
kylieluo@bdo.com.sg

NELSON TAN
Executive Director
+65 6018 0230
nelsontan@bdo.com.sg

WONG SOOK LING
Executive Director
+65 6990 2831
sookling@bdo.com.sg

WU SOO MEE
Executive Director
+65 6990 2835
soomee@bdo.com.sg

BDO TAX ADVISORY PTE LTD

600 North Bridge Road
#23-01 Parkview Square
Singapore 188778
Tel: +65 6828 9118
Fax: +65 6828 9111

www.bdo.com.sg

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