



SINGAPORE

BUDGET BULLETIN 2018

Together, A Better Future

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The Singapore Budget 2018 was delivered by the Finance Minister, Mr Heng Swee Keat, on 19 February 2018, one which aims to lay the foundation for our country's development for the next decade. While some will receive near-term support to overcome near-term challenges, others will continue to benefit from measures tailored to help them innovate and globalise. Measures to build a green and sustainable city is another key highlight of this year's Budget. An increase in GST rate has also been announced in view of the rise in Government expenditure due to healthcare and infrastructure building.

Outlined below are some of the key tax changes.

BUDGET HIGHLIGHTS

- ▶ A 250% tax deduction for qualifying donations will be prolonged for donations made on or before 31 December 2021
- ▶ The Corporate Income Tax rebate for Year of Assessment (YA) 2018 will be raised from 20% to 40% of tax payable, cap raised from S\$10,000 to S\$15,000
- ▶ Double tax deduction on the first S\$100,000 of qualifying IP in-licensing costs and registration costs incurred for each YA from YA 2019 to YA 2025
- ▶ Introduction of a tax framework for Singapore Variable Capital Companies
- ▶ Increase in GST rates
- ▶ GST on imported services
- ▶ Carbon Tax to be implemented in 2020
- ▶ Refinements and streamline of various incentives
- ▶ Measures to support businesses to digitalise

Personal Income Tax

Tax Deduction for Qualifying Donations

- For YA 2018 - The 250% tax deduction for qualifying donations will be prolonged for donations made on or before 31 December 2021 in order to bolster the spirit of philanthropy in Singapore.

Foreign Domestic Worker (FDW) Levy Relief

- With effect from 1 April 2019, FDW levy will be adjusted as follows:

	Levy	
	Monthly (S\$)	
	Pre-1 April 2019	Post-1 April 2019
First FDW	265	300
Second FDW	265	450

- The monthly concessionary FDW levy rate remains unchanged at S\$60.

Corporate Income Tax

Corporate Income Tax Rebate

- For YA 2018 – 40% of Corporate Income Tax (CIT) payable, cap raised from S\$10,000 to S\$15,000.
- For YA 2019 – 20% of CIT payable, capped at S\$10,000.

New and Streamlined

- Qualifying intellectual property (IP) in-licensing costs – 200% tax deduction on the first S\$100,000 of qualifying IP in-licensing costs incurred for each YA from YA 2019 to YA 2025.
- Qualifying IP registration costs – 200% tax deduction on the first S\$100,000 of qualifying IP registration costs incurred for each YA to encourage firms to protect their intangible

assets, from YA 2019 to YA 2025.

- Qualifying research and development projects performed in Singapore - tax deduction for qualifying expenses incurred will also be increased from 150% to 250% from YA 2019 to YA 2025.
- Double Tax Deduction for Internationalisation (DTD_i) scheme - from YA 2019, qualifying expenses for DTD_i (without prior approval) will be increased from S\$100,000 to S\$150,000 per YA.
- Partial Tax Exemption scheme –75% on the first S\$10,000 and 50% on the next S\$190,000 chargeable income will be exempt from corporate tax with effect from YA 2020.
- Start-up Tax Exemption scheme - 75% on the first S\$100,000 and 50% on the next S\$100,000 of chargeable income will be exempt from corporate tax with effect from YA 2020.
- A tax framework for Singapore Variable Capital Companies (S-VACCs) will be introduced:
 - An S-VACC will be treated as a company and a single entity for tax purposes;
 - Tax exemption under Sections 13R and 13X of the Singapore Income Tax Act will be extended to S-VACCs;
 - 10% concessionary tax rate under the FSI-Fund Management scheme will be extended to approved fund managers managing an incentivised S-VACC; and
 - The existing GST remission for funds will be extended to incentivised S-VACCs.
- Tax exemption under Enhanced-Tier Fund scheme under Section 13X will be extended to all fund vehicles constituted in all forms.
- Tax transparency treatment on distributions received by Singapore-listed Real Estate Investment Trusts Exchange-Traded Funds (REITs ETFs) from Singapore-listed Real Estate Investment Trusts (S-REITs) and tax exemption on such REITs ETFs distributions received by individuals with certain exceptions. 10% concessionary tax rate on such REITs ETFs distributions received by qualifying non-resident non-individuals.

Extensions and Refinements

- Financial Sector Incentive (FSI) scheme will be extended till **31 December 2023**. The scope of trading in loans and their related collaterals is expanded to include collaterals that are prescribed infrastructure assets or projects.
- Following a periodic review of the withholding tax (WHT) exemptions for the financial sector, the following WHT exemptions for payments under agreements entered into on or after:
 - **20 February 2018 will be legislated**
 - i. Interest on margin deposits paid by members of approved exchanges for transactions in futures; and
 - ii. Interest on margin deposits paid by members of approved exchanges for spot foreign exchange transactions (other than those involving Singapore dollar).
 - **1 January 2019 will be withdrawn**
 - i. Interest from approved Asian Dollar Bonds; and
 - ii. Payments made under over-the-counter financial derivative transactions by companies with FSI-Derivatives Market awards that were approved on or before 19 May 2007.
- The **Qualifying Debt Securities (QDS)** incentive scheme will be extended till **31 December 2023**. The QDS+ scheme will be allowed to lapse after 31 December 2018. Debt securities with tenure beyond 10 years, and Islamic debt securities that are issued:
 - a) after 31 December 2018 can enjoy tax concessions under the QDS scheme if the conditions of the scheme are satisfied;
 - b) on or before 31 December 2018 can continue to enjoy the tax concessions under the QDS+ scheme if the conditions of the scheme are satisfied.
- Tax exemption on income derived by primary dealers from trading in Singapore Government Securities will be extended till **31 December 2023**.
- Approved Special Purpose Vehicle scheme will be extended till **31 December 2023** with the

exception of the stamp duty remission.

- Business and Institutions of Public Character Partnership Scheme - extended till 31 December 2021 to continue supporting employee volunteerism through businesses.
- Investment Allowance scheme - extended to include qualifying investment in submarine cable systems landing in Singapore incurred between 20 February 2018 and 31 December 2023, both dates inclusive.

Goods and Services Tax

Increase in GST rate

- The prevailing GST rate of 7% will be raised to 9% sometime in the period from **2021 to 2025**.

GST on imported services

- GST on imported services will be introduced with effect from 1 January 2020.
- Business-to-business imported services will be taxed via a reverse charge mechanism where the local customer has to account for output GST on the services it imports. The customer can claim the GST accounted for as input GST, subject to input tax recovery rules.
- Only the following businesses need to apply reverse charge:
 - (i) Businesses that make exempt supplies, or
 - (ii) Businesses that do not make any taxable supplies.
- Business-to-consumer imported services will be taxed through an Overseas Vendor Registration model. This requires overseas suppliers and electronic marketplace operators with annual global turnover exceeding S\$1 million and supplies of digital services to consumers in Singapore exceeding S\$100,000 to register for GST with the Inland Revenue Authority of Singapore.

GST on imported goods below S\$400

- There are on-going international discussions on how GST can apply on the import of low-value goods via air or post. Government is reviewing international developments before deciding on the measures to take.

GST Voucher (GSTV)

- Eligible GSTV – Cash recipients will continue to receive up to S\$300 in cash payments in August 2018 (table 1 on Appendix page 5).
- Increase in GSTV – U-Save
 - Eligible HDB households will receive additional GSTV – U-Save of S\$20 per year for three years, from 2019 to 2021 (table 2 on Appendix page 5).
 - GSTV - U-Save is paid over four quarters, in January, April, July and October.

Other Taxes

- Carbon tax to be implemented in 2020, based on emissions in 2019:
 - Tax will be based on S\$5 per tonne, from 2019 to 2023
 - To be reviewed by 2023, with the intention to increase it to between S\$10 and S\$15 per tonne by 2030
 - Imposed on all facilities producing 25,000 tonnes or more of greenhouse gas emissions in a year
- Top marginal Buyer's Stamp Duty rate will be raised from 3% to 4%, on the value of residential property in excess of \$1 million, acquired on or after 20 February 2018.
- 10% increase in excise duties across all tobacco products with effect from 19 February 2018.

Industry Highlights

- Wage credit scheme will be extended for three more years, from 2018 to 2020. Government co-funding of qualifying wage increase will be 20% in 2018 and will be decreased in subsequent years.

- Foreign worker levy for Marine Shipyard and Process sectors will be deferred for another year; no changes to all other sectors.

Strengthening Capabilities

- Tech Skills Accelerator will be expanded into new sectors such as manufacturing and professional services. This initiative aims to support more people to learn emerging digital skills, such as data analytics, artificial intelligence and cybersecurity.
- Current Work Trial scheme to be upgraded into a Career Trial programme, with higher funding support for workers to try out new careers.

Innovation

- Aviation and Maritime Transformation Programme to be launched this year to strengthen Singapore's status as air and sea hub.
- The Open Innovation Platform, administered by the Info-communications Media Development Authority will be operational in Q2 2018 and enable problem owners and solutions providers to collaborate and tackle problems through digital solutions.
- Introduction of a new investment venture, the National Research Foundation-Temasek IP Commercialisation Vehicle, aiming at growing companies that draw on IP from publicly funded research.
- Expansion of National Robotics Programme to cover the built environment and construction sectors; aiming at transforming work processes in areas such as Design for Manufacturing and Assembly and creating better job opportunities.
- To make it easier for businesses to adopt technologies and productivity solutions, Productivity Solutions Grant will be introduced to streamline existing grant schemes. The PSG will provide funding support for up to 70% of qualifying costs with effect from 1 April 2018.

APPENDIX

Table 1: GSTV - Cash

Assessable Income for YA 2017 < \$28,000 Aged 21 years and above	Annual Value of Home as at 31 Dec 2017	
	Up to S\$13,000	S\$13,001 to S\$21,000
GSTV – Cash (Regular) (S\$)	300	150

Table 2: Increase in GSTV - U-Save

HDB Flat Type	Increase in Annual U-Save (S\$)	Revised Total Annual U-Save (S\$)
1- and 2-room	20	400
3-room	20	360
4-room	20	320
5-room	20	280
Executive / Multi-Generation	20	240

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