

The background of the top half of the page is a night-time photograph of the Singapore skyline. The city lights are reflected in the water, and the Marina Bay Sands hotel is prominent on the left. The text is overlaid on this image.

SINGAPORE BUDGET 2022 BULLETIN

CHARTING OUR NEW WAY FORWARD TOGETHER

18 February 2022

A logo celebrating Singapore's 50th anniversary. It features the number '50' in a large, white, serif font, with the word 'YEARS' in a smaller, white, sans-serif font to its right. Below the '50' is the text '1972 • 2022' in a small, white, sans-serif font.

The Minister for Finance, Mr Lawrence Wong announced the Budget on 18 February 2022 to strengthen Singapore's social compact, innovation and sustainability as the country chart its new way forward post-pandemic. This bulletin summarises the key Budget announcements.

BUDGET HIGHLIGHTS

- ▶ Minimum Effective Tax Rate Regime
- ▶ Withholding tax exemptions for container lease payments
- ▶ Withholding tax exemptions for ship and container lease payments
- ▶ Aircraft Leasing Scheme
- ▶ Approved Royalties Incentive
- ▶ Approved Foreign Loan scheme
- ▶ Tax framework for facilitating corporate amalgamations to licensed insurer
- ▶ Tax incentive scheme for funds managed by Singapore-based fund manager
- ▶ Withholding tax exemption for the financial sector
- ▶ Tax incentives for project and infrastructure finance
- ▶ Integrated Investment Allowance scheme
- ▶ Disclosure of company-related information for official duties
- ▶ Personal income tax rates of resident individual taxpayers
- ▶ Goods and Services Tax rate hike
- ▶ Goods and Services Tax treatment for travel arranging services
- ▶ Household Support Package
- ▶ Assurance Package for Goods and Services Tax
- ▶ Senior workers CPF contribution rates and CPF Transition Offset
- ▶ Minimum qualifying salary for Employment Pass and S Pass applicants
- ▶ Dependency Ratio Ceiling
- ▶ Property tax for residential properties
- ▶ Additional Registration Fee tier for luxury cars

Corporate Tax

Minimum Effective Tax Rate ("METR") Regime

- ▶ The Ministry of Finance is exploring a top-up tax called the METR taking into consideration the global minimum effective tax rate introduced under Pillar 2 Global Anti-Base Erosion rules of the BEPS 2.0 project. This is to bring the effective tax rate of affected multinational groups to 15%.
- ▶ The METR will apply to multinational groups operating in Singapore with annual global consolidated revenues of €750 million or more.

Withholding tax ("WHT") exemptions for container lease payments

- ▶ Container lease payments made to non-tax-resident lessors under operating lease agreements entered into on or before 31 December 2027 will be exempted from WHT.

WHT exemptions for ship and container lease payments

- ▶ Ship and container lease payments made by specified Maritime Sector Incentive recipients to non-tax-resident lessors under finance lease agreements entered into on or before 31 December 2028 will be exempted from WHT.

Aircraft Leasing Scheme ("ALS")

- ▶ The ALS will be extended till 31 December 2027.

Approved Royalties Incentive ("ARI")

- ▶ The ARI will be extended till 31 December 2028.
- ▶ The ARI will be simplified to cover classes of royalty agreements based on an activity-set-based approach.

Approved Foreign Loan ("AFL") scheme

- ▶ The AFL scheme will be extended till 31 December 2028.

Tax framework for facilitating corporate amalgamations to licensed insurer

- ▶ The tax framework for facilitating corporate amalgamations will be extended to cover amalgamation of Singapore-incorporated companies involving a scheme of transfer under Section 117 of the Insurance Act 1966 ("IA"), where the court order for the confirmation of the scheme referred to under Section 118 of the IA is made on or after 1 November 2021.
- ▶ The extension of the framework is subject to conditions, which include the following:
 - a. The amalgamated company takes over all property, rights, privileges, liabilities, and obligations, etc. of the amalgamating company on the date of amalgamation; and
 - b. The amalgamating company becomes dormant (i.e. ceases to conduct any business or any other activities, and does not derive any income) on the date of amalgamation and remains so until it is dissolved or wound up; and

- c. The amalgamating company is dissolved or wound up before the filing due date of the income tax return for the Year of Assessment ("YA") related to the basis period in which the scheme of transfer is effected.
- ▶ The tax treatments under the tax framework will apply with modifications, where appropriate.

Tax incentive scheme for funds managed by Singapore-based fund manager

- ▶ The conditions imposed on the investments in physical Investment Precious Metals ("IPMs") under the designated investments list will be refined as follows:
 - a. The incidental condition will be removed i.e. investments in physical IPMs need not be incidental to the trading of derivative IPMs; and
 - b. The cap will be revised to 5% of the total investment portfolio for the taxpayer's incentive award under Sections 13D/13O/13U of the Income Tax Act 1947 ("ITA").
- ▶ These refinements will be effective on and after 19 February 2022.

WHT exemption for the financial sector

- ▶ The WHT exemption for the payments below will be extended till 31 December 2026:
 - a. Payments made under cross currency swap transactions by Singapore swap counterparties to issuers of Singapore dollar debt securities;
 - b. Interest payments on margin deposits made under all derivatives contracts by approved exchanges, approved clearing houses, members of approved exchanges and members of approved clearing houses;
 - c. Specified payments made under securities lending or repurchase agreements by specified institutions; and
 - d. Payments made under interest rate or currency swap transactions by the Monetary Authority of Singapore.
- ▶ This will cover payments made under a contract or agreement that takes effect on or before 31 December 2026.
- ▶ The WHT exemption for payments made under interest rate or currency swap transactions by financial institutions will lapse after 31 December 2022. Such payments can be covered under the existing WHT exemption for payments on over-the-counter financial derivatives.

Tax incentives for project and infrastructure finance

- ▶ The following will be extended till 31 December 2025:
 - a. Exemption of qualifying income from qualifying project debt securities; and
 - b. Exemption of qualifying foreign-sourced income from qualifying offshore infrastructure projects/assets received by approved entities listed on the Singapore Exchange ("SGX").
- ▶ The concessionary tax rate of 10% on qualifying income derived by an approved Infrastructure Trustee-Manager/Fund Management Company from managing qualifying SGX-listed Business Trusts/Infrastructure funds in relation to qualifying infrastructure projects/assets ("ITMFM scheme") will lapse after 31 December 2022.
- ▶ Existing ITMFM scheme recipients will continue to enjoy the tax benefits for the remaining tenure of their existing rewards.

Integrated Investment Allowance ("IIA") scheme

- ▶ The IIA scheme will lapse after 31 December 2022.

Disclosure of company-related information for official duties

- ▶ The following changes to the ITA and Goods and Services Tax Act 1993 will be made to facilitate the disclosure of information by IRAS for such purposes:
 - a. Where taxpayers have provided consent for their information to be shared, IRAS can disclose such information to a public officer (or any other authorised person outside the public sector who is engaged by the Government or a statutory board) for the performance of his official duties.
 - b. IRAS can disclose a prescribed list of identifiable information on companies to public sector agencies for the performance of official duties without the need for taxpayer's consent. Any such information shared will be made less granular by IRAS to preserve the taxpayer's confidentiality, while remaining useful to public sector agencies.

Personal Tax

Personal income tax ("PIT") rates of resident individual taxpayers

- ▶ The top marginal personal income tax rate for resident individual taxpayers will increase with effect from YA 2024 (i.e. income earned in calendar year 2023).
- ▶ Resident individual taxpayers with chargeable income in excess of S\$500,000 up to S\$1 million will be taxed at 23%, while chargeable income in excess of S\$1 million will be taxed at 24%. This is an increase from the current top marginal personal income tax rate of 22% levied on income in excess of S\$320,000.

Goods and Services Tax

Goods and Services Tax ("GST") rate hike

- ▶ The Minister for Finance has reaffirmed that the GST rate increase will not take effect in 2022.
- ▶ GST increase will take place in two stages from 7% to 8% on 1 January 2023 and from 8% to 9% on 1 January 2024.

Update in GST treatment for travel arranging services

- ▶ With effect from 1 January 2023, zero-rating of a supply of travel arranging services will be based on the place where the customer (i.e. the contractual customer) and direct beneficiary of the service belong to reflect the place of consumption of the travel arranging services.
- ▶ For zero-rating to apply, the following conditions must be met:
 - ◆ Both the customer and direct beneficiary belong outside Singapore; or
 - ◆ The customer belongs outside Singapore and the direct beneficiary who belongs in Singapore is registered for GST.

Household Support Package (“HSP”)

The HSP includes the following:

- ▶ Additional GST Voucher (“GSTV”) – U-Save
 - ◆ All eligible Housing Development Board (“HDB”) households will receive double their regular GSTV – U-Save in April 2022, July 2022, and October 2022.
- ▶ Top-ups to Child Development Account (“CDA”), Edusave Account (“ESA”) and Post-Secondary Education Account (“PSEA”)
 - ◆ Each Singaporean child below the age of 21 in 2022 will receive a one-off top-up of S\$200 to their respective accounts.
 - ◆ Top-ups to ESA and PSEA will be credited in May 2022.
 - ◆ Top-ups to CDA will be credited from September 2022.
- ▶ Community Development Council (“CDC”) Vouchers scheme
 - ◆ Another set of S\$100 worth of CDC Vouchers will be given to each Singaporean household in 2022 to be used at participating heartland merchant and hawker centres.

Assurance Package (“AP”) for GST

The AP includes the following:

- ▶ AP cash payouts
 - ◆ Every Singaporean aged 21 years and above will receive cash payouts between S\$700 and S\$1,600, depending on his/her income and property ownership, from 2022 to 2026.
- ▶ GSTV – Cash (Seniors’ Bonus)
 - ◆ There will be additional cash payouts of S\$600 to S\$900 for less well-off Singaporean seniors through a special GSTV – Cash (Seniors’ Bonus), depending on his/her income, property ownership and age, from 2023 to 2025.
 - ◆ Individuals who own more than one property are not eligible for GSTV – Cash (Seniors’ Bonus)
- ▶ Additional GSTV – U-Save
 - ◆ All eligible HDB households will receive additional GSTV – U-Save rebates under the AP, depending on the HDB type, from 2023 to 2026 to be paid out over four quarters in April, July, October, and January.
 - ◆ Households whose members own more than one property are not eligible for GSTV – U-Save.
- ▶ MediSave Top-ups
 - ◆ Singaporeans aged (i) 20 years and below, or (ii) 55 years and above, will receive a MediSave top-up of S\$450 over 2023 to 2025.
- ▶ CDC Vouchers scheme
 - ◆ The Government will partner with the CDCs to distribute two rounds of vouchers (worth S\$400 in total) to all Singaporean households, in 2023 and 2024.

Others

Senior workers CPF contribution rates and CPF Transition Offset

- ▶ From 1 January 2023, the CPF contribution rates for senior workers aged above 55 to 70 will increase as follows:

Employee's age (years)	CPF contribution rates					
	From 1 Jan 2022			From 1 Jan 2023		
	Total	By employer	By employee	Total	By employer	By employee
55 & below	37%	17%	20%	37%	17%	20%
Above 55 to 60	28%	14%	14%	29.5%	14.5%	15%
Above 60 to 65	18.5%	10%	8.5%	20.5%	11%	9.5%
Above 65 to 70	14%	8%	6%	15.5%	8.5%	7%
Above 70	12.5%	7.5%	5%	12.5%	7.5%	5%

- ▶ The Government will provide employers with an automatic one-year CPF Transition Offset for the 2023 increase, similar to that given for the 2022 increase.

Minimum qualifying salary for Employment Pass (“EP”) and S Pass applicants

- ▶ From 1 September 2022, the minimum qualifying salary for new EP applicants will be raised from the current S\$4,500 to S\$5,000. EP applicants from the financial services sector will also increase from the current S\$5,000 to S\$5,500.
- ▶ Likewise, from 1 September 2022, the minimum qualifying salary for new S Pass applicants will also be raised from the current S\$2,500 to S\$3,000. New S Pass applicants from the financial services sector will also increase from S\$3,000 to S\$3,500.
- ▶ For renewal of EP and S Pass applications, these changes will apply from 1 September 2023.
- ▶ The minimum qualifying salary for new S Pass applicants will be raised again to S\$3,150 on 1 September 2023, and S\$3,300 on 1 September 2025. For those from the financial services sector, this will be raised to S\$3,650 on 1 September 2023, and S\$3,800 on 1 September 2025.
- ▶ The Tier 1 S-Pass foreign worker levy will be progressively raised from the current S\$330 to S\$450 on 1 September 2022, S\$550 on 1 September 2023 and S\$650 on 1 September 2025.

Dependency Ratio Ceiling (“DRC”)

- ▶ The DRC will be reduced for the Construction and Process sectors from the current 87.5% to 83.3% from 1 January 2024.

Property tax ("PT") for residential properties

- ▶ The progressive PT rates for the residential properties (both owner-occupied and non-owner-occupied) will be revised and phased in over 2 years as shown:

Owner-occupied residential properties

Annual value	PT rates	
	Effective 1 Jan 2023	Effective 1 Jan 2024
First S\$8,000	0%	0%
Next S\$22,000	4%	4%
Next S\$10,000	5%	6%
Next S\$15,000	7%	10%
Next S\$15,000	10%	14%
Next S\$15,000	14%	20%
Next S\$15,000	18%	26%
Above S\$100,000	23%	32%

Non-owner-occupied residential properties

Annual value	PT rates	
	Effective 1 Jan 2023	Effective 1 Jan 2024
First S\$30,000	11%	12%
Next S\$15,000	16%	20%
Next S\$15,000	21%	28%
Above S\$60,000	27%	36%

Additional Registration Fee ("ARF") tier for luxury cars

- ▶ An additional ARF tier for cars will be introduced at 220% for the portion of open market value ("OMV") in excess of S\$80,000, as follows:

OMV	ARF rate
First S\$20,000	100% of OMV
Next S\$30,000	140% of OMV
Next S\$30,000	180% of OMV
In excess of S\$80,000	220% of OMV

- ▶ The new rates will apply to all cars, including imported used cars and goods-cum-passenger vehicles registered with Certificates of Entitlement ("COEs") obtained from the second bidding exercise in February 2022 onwards.
- ▶ For cars that do not need to bid for COEs, the new rates will apply from 19 February 2022.

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