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SINGAPORE

# BUDGET BULLETIN 2021

EMERGING STRONGER TOGETHER

“Emerging Stronger Together” - the Deputy Prime Minister and Finance Minister, Mr Heng Swee Keat announced the Budget on 16 February 2021 to strengthen Singapore’s social compact, innovation and sustainability, as the country recovers from the COVID-19 crisis. This bulletin summarises the key Budget announcements.

## BUDGET HIGHLIGHTS

- ▶ Enhanced carry-back relief scheme
- ▶ Accelerated write-off of the cost of acquiring plant and machinery
- ▶ Accelerated deduction of expenses incurred on renovation and refurbishment
- ▶ Double Tax Deduction for Internationalisation scheme
- ▶ Double Tax Deduction for qualifying upfront cost attributable to retail bonds issued under the Monetary Authority of Singapore’s Seasoning Framework and Exempt Bond Issuer Framework
- ▶ Withholding tax exemptions for the financial sector
- ▶ Withholding tax exemption on payments made for structured products
- ▶ Withholding tax exemption on payments for over-the-counter financial derivatives
- ▶ Automation Support Package to lapse, and Investment Allowance scheme to support automation
- ▶ Investment Allowance (Energy Efficiency) scheme
- ▶ Insurance Business Development-Specialised Insurance scheme to lapse
- ▶ Accelerated Depreciation Allowances for Highly Efficient Pollution Control Equipment scheme
- ▶ Business and IPC Partnership scheme
- ▶ Extension of Goods and Services Tax coverage
- ▶ Change in the basis for determining the zero-rating of media sales
- ▶ Encouraging early adoption of electric vehicles
- ▶ Increase in petrol duty rates
- ▶ Transitional offset measures for vehicles using petrol
- ▶ 250% tax deduction for qualifying donations
- ▶ Household Support Package
- ▶ Jobs Support Scheme
- ▶ SGUnited Jobs and Skills Package
- ▶ Wage Credit Scheme

# Tax Changes for Businesses

## Corporate Income Tax ("CIT") rebate

- There was no CIT rebate proposed for the Year of Assessment ("YA") 2021.

## Enhanced carry-back relief scheme

- The enhancements to the carry-back relief scheme for YA 2020 will be extended to apply to qualifying deductions in YA 2021, with the same parameters.

## Accelerated write-off of the cost of acquiring plant and machinery ("P&M")

- The option to accelerate the write-off of the cost to acquire P&M in YA 2021 will be extended to cover capital expenditure incurred on the acquisition of P&M in YA 2022, with the same parameters.

## Accelerated deduction of expenses incurred on renovation and refurbishment ("R&R")

- The option to claim accelerated R&R deduction in one YA will be extended to qualifying expenditure incurred on R&R in YA 2022, with the same parameters.

## Double Tax Deduction for Internationalisation ("DTDi") scheme

- The scope of the existing DTDi scheme will be enhanced to cover the following specified expenses:
  - Qualifying expenses incurred to participate in approved virtual trade fairs approved by the Enterprise Singapore ("ESG"), namely -
    - ◆ Package fees charged by event organisers for virtual exhibition hall and booth access, collateral creation, business meeting/match sessions, pitches/product launches/speaking slots, webinar/conference, and post event analytics;

- ◆ Third-party costs for design and production of digital collaterals and promotion materials for virtual fairs; and
- ◆ Logistics costs incurred to send materials/samples overseas to potential clients met at virtual trade fairs, on conditions that:
  - (i) Both the business claiming the deduction under the DTDi scheme and the recipient of the materials/samples have attended the approved virtual trade fair; and
  - (ii) Materials/samples are sent within six months from the end of the approved virtual trade fair.

- Qualifying expenses incurred for overseas investment study trips, namely -

- ◆ Logistics costs to transport materials/samples used during the investment trips.

- In addition, the scope of qualifying activities which do not require prior approval from ESG or Singapore Tourism Board will be enhanced to cover the following additional activities up to the current annual expense cap of S\$150,000:
  - Product/service certification (primarily to increase buyer's acceptance in overseas markets) approved by ESG;
  - Overseas advertising and promotional campaign;
  - Design of packaging for overseas markets;
  - Advertising in approved local trade publication; and
  - Participation in virtual trade fairs approved by ESG.
- The above enhancements will take effect for qualifying expenses incurred on or after 17 February 2021.

## Double Tax Deduction ("DTD") for qualifying upfront cost attributable to retail bonds issued under the Monetary Authority of Singapore's ("MAS") Seasoning Framework and Exempt Bond Issuer Framework

- The existing DTD scheme will be extended and enhanced for qualifying upfront cost incurred

on or after 19 May 2021 that is attributable to rated retail bonds (instead of all retail bonds) issued during the period from 19 May 2021 to 31 December 2026 (both dates inclusive) under the Seasoning Framework and Exempt Bond Issuer Framework.

### Withholding tax (“WHT”) exemptions for the financial sector

- The following changes will be made:
  - The existing WHT remission for Section 12(6) payments made by banks in Singapore, for the purpose of their trade or business, to their branches / head offices outside Singapore or other banks outside Singapore will be legislated with effect from 1 April 2021 with a review date of 31 December 2031.
  - The existing WHT exemption for Section 12(6) payments made to any non-resident person [excluding any Permanent Establishments (“PE”) in Singapore] by specified entities, for the purpose of the specified entities’ trade or business, will be extended till 31 December 2026.
  - The existing WHT exemption for Section 12(6) payments made by specified entities to any PE in Singapore will be extended till 31 December 2026.

### WHT exemption on payments made for structured products

- The existing WHT exemption will be extended for another five years and will cover payments made under a contract that takes effect on or before 31 December 2026.

### WHT exemption on payments for over-the-counter (“OTC”) financial derivatives

- The existing WHT exemption will be extended for another five years till 31 December 2026.

### Not-for-Profit Organisation (“NPO”) tax incentive

- The existing NPO tax incentive will be extended till 31 December 2027.

### Automation Support Package (“ASP”) to lapse, and Investment Allowance (“IA”) scheme to support automation

- The ASP will lapse after 31 March 2021.
- The 100% IA scheme under the ASP to support businesses to automate will be extended by two years for automation projects approved by ESG from 1 April 2021 to 31 March 2023.
- All other conditions of the scheme remain unchanged.

### Investment Allowance (Energy Efficiency) (“IA-EE”) scheme

- The IA-EE scheme will be renamed the “Investment Allowance for Emissions Reduction” scheme, with the following revisions:
  - Expansion in the scope of qualifying projects to include projects involving a reduction of greenhouse gas emissions; and
  - Streamlined and updated eligibility conditions to all projects (i.e. there will no longer be a distinction between data centres and non-data centres).
- The revised conditions will apply to projects approved by EDB from 1 April 2021 to 31 December 2026 (both dates inclusive).

### Insurance Business Development-Specialised Insurance (“IBD-SI”) scheme to lapse

- The IBD-SI scheme will lapse after 31 August 2021. Thereafter, insurers engaged in the specialised insurance and reinsurance business can apply for the IBD scheme.

## Accelerated Depreciation Allowances for Highly Efficient Pollution Control Equipment (“ADA-PCE”) scheme

- The ADA-PCE scheme will be withdrawn from 17 February 2021.

## Business and IPC Partnership scheme (“BIPS”)

- The existing BIPS scheme will be extended until 31 December 2023.
- All other conditions of the scheme remain unchanged.

## Increase in Goods and Services Tax (“GST”) rate

- The Finance Minister has reaffirmed that the GST rate increase will not take effect in 2021. However, the GST rate increase is needed sometime between 2022 and 2025.

## Extension of GST coverage

- GST is extended to the following with effect from 1 January 2023:
  - Low-value goods imported via air or post, regardless of value, effected via the Overseas Vendor Registration and reverse charge regimes.
  - Business-to-consumer imported non-digital services, effected via the Overseas Vendor Registration regime.

## Change in the basis for determining the zero-rating of media sales

- With effect from 1 January 2022, the application of zero-rating to a supply of media sales will be updated to be based on the place where the customer (i.e. contractual customer) and direct beneficiary of the service belong.

# Tax Changes for Vehicles

## Encouraging early adoption of electric vehicles

- From January 2022 to December 2023, electric cars and taxis will enjoy 45% rebate off the Additional Registration Fee (“ARF”) at a cap of S\$20,000, with an ARF floor of S\$0.

## Increase in petrol duty rates

- With effect from 16 February 2021, the petrol duty rate for premium grade petrol (unleaded RON 97 and above) will increase by S\$0.15 per litre to S\$0.79 per litre, whilst the petrol duty rate for intermediate grade petrol (unleaded and RON 90 and above but under RON 97) will increase by S\$0.10 per litre to S\$0.66 per litre.

## Transitional offset measures for vehicles using petrol

- With effect from 1 August 2021 to 31 July 2022, the road tax rebates for petrol and petrol-hybrid vehicles will be revised to the following rates:
  - 15% for cars, including taxis and private hire cars (“PHCs”);
  - 60% for motorcycles; and
  - 100% for commercial vehicles.
- In addition, active drivers of taxis and PHCs using petrol will receive an additional Petrol Duty Rebate of S\$360 to be paid out over 4 months. For individual owners of motorcycles using petrol, registered as at 16 February 2021, additional Petrol Duty Rebate will be given, depending on the engine capacity ( $\leq 200$  cc will enjoy additional S\$80 Petrol Duty Rebate, and 201 cc to 400 cc will enjoy additional S\$50 Petrol Duty Rebate).

## Others

### 250% tax deduction for qualifying donations

- The 250% tax deduction for qualifying donations made to Institutions of a Public Character ("IPCs") will be extended to qualifying donations made between 1 January 2022 and 31 December 2023.
- All other conditions of the scheme remain unchanged.

### Household Support Package ("HSP")

- The HSP includes the following:
  - GST Voucher ("GSTV") – Cash Special Payment
    - ◆ Lower-income Singaporeans who qualify for the GSTV will receive an additional GSTV Cash Special Payment of S\$200 each in June 2021.
    - ◆ In total, lower-income Singaporeans can receive up to S\$500 in GSTV – Cash and Cash Special Payment, this year.
  - GSTV – U-Save Special Payment
    - ◆ All eligible Housing Development Board ("HDB") households will receive an additional 50% of their regular GSTV – U-Save in April and July 2021 to offset their utilities expenses.
  - Service and Conservancy Charges Rebate ("S&CC")
    - ◆ Eligible Singaporean households living in HDB flats will receive rebates to offset between 1.5 and 3.5 months of S&CC over four quarters, disbursed in April, July and October 2021 and January 2022.
  - Top-ups to Child Development Account, Edusave Account, and Post-Secondary Education Account
    - ◆ Each Singaporean child below the age of 21 in 2021 will receive an additional one-off top-up of S\$200 to their respective

accounts.

- ◆ Top-ups to Edusave Account and Post-Secondary Education Account will be credited in May 2021.
- ◆ Top-ups to Child Development Account will be credited in September 2021.
- Community Development Council ("CDC") Vouchers scheme
  - ◆ S\$100 worth of CDC Vouchers will be given to each Singaporean household to be used at participating heartland shops and hawker centres.

### Jobs Support Scheme ("JSS")

- JSS will be extended for firms in Tier 1 and 2 sectors by up to six months, with tapered support levels, as follows:
  - Tier 1 sectors (Aviation, Aerospace, and Tourism): Receive 30% JSS support for wages paid from April to June 2021, and 10% JSS support for wages paid from July to September 2021.
  - Tier 2 sectors (e.g. Food Services, Retail, Marine and Offshore, and Arts and Entertainment): Receive 10% JSS support for wages paid from April to June 2021.
- JSS support will cease for wages after March 2021 for Tier 3A sectors.
- For employers that are not allowed to resume on-site operations, JSS support will revert to the firms' base JSS tier for wages paid from April 2021 onwards.

### SGUnited Jobs and Skills Package ("SGU JS")

- The following components of the SGU JS package will be updated:
  - a) Jobs Growth Incentive ("JGI"):
    - The JGI qualifying window is extended by seven months for all eligible hires

(which include all local hires at any wage level) to September 2021.

- Incentives are recalibrated as follows:

Non-mature local hires (below 40 years old)	25% on first S\$5,000 of gross monthly wages <sup>^</sup> for up to 12 months.
Mature local hires (aged 40 and above), Persons with Disabilities, and ex-offenders	For wages from September 2020 to February 2021, 50% on first S\$5,000 of gross monthly wages <sup>^</sup> for up to 18 months.  For wages from March 2021 onwards, 50% on first S\$6,000 of gross monthly wages <sup>^</sup> for up to 18 months.

<sup>^</sup>Gross monthly wages exclude employer's Central Provident Fund contributions.

- ◆ Increase in minimum training allowance for non-mature trainees of up to S\$1,600 per month.
- ◆ Increase in Government co-funding rate for mature trainees to 90%
- ◆ Reduction in maximum training duration of each company attachment from nine to six months from 1 April 2021 onwards.

#### SGUP-CT and SGUS

- ◆ Expanded capacity of in-demand courses and courses with good hiring opportunities.
- ◆ More compact SGUP-CT and SGUS courses with a duration of up to six months, from 1 April 2021 onwards.

#### b) SGUnited Traineeships ("SGUT")

- The SGUT will be extended to 31 March 2022.
- From 1 April 2021, the stipend for ITE and diploma SGUT positions will be increased from S\$1,100 - S\$1,500 to S\$1,600 - S\$1,800, and from S\$1,300 - S\$1,800 to S\$1,700 - S\$2,100 respectively. The stipend for university SGUT positions will remain unchanged.
- The maximum duration of each traineeship will be reduced to six months from 1 April 2021 onwards.

#### c) SGUnited Mid-Career Pathways Programme - Company Attachment ("SGUP-CA")/Company Training ("SGUP-CT")/SGUnited Skills ("SGUS")

- The SGUP-CA, SGUP-CT and SGUS will be extended to 31 March 2022, with the following adjustments:

##### SGUP-CA

- ◆ Increase in maximum training allowance for mature trainees of up to S\$3,800 per month.

#### Wage Credit Scheme ("WCS")

- The WCS is extended to 2021, with the government co-funding ratio at 15% and the qualifying gross wage ceiling at S\$5,000.
- Gross monthly wage increases (at least S\$50) previously given in 2019 and 2020 by the same employer will continue to be co-funded if they are sustained in 2020 and 2021.

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