

# SINGAPORE 2010 BUDGET HIGHLIGHTS

The following are the salient points for the 2010 Budget Statement delivered by the Minister for Finance in the Parliament on 22 February 2010.

## Business Tax

### Corporate income tax rate

The current corporate income tax rate is 17%. The first \$300,000 of the normal chargeable income is, however, partially exempt from tax as follows:

- On the first \$10,000 of such income, 75% of the income will be exempt from tax.
- On the next \$290,000 of such income, 50% of the income will be exempt from tax.

The Minister did not propose any change to the corporate tax rate.

### Withholding taxes on certain payments to non-residents

The rate of withholding tax on payments to be made to non-Singapore tax residents (other than non-resident individuals) in respect of fees for rendering of assistance or services in Singapore in connection with the application or use of scientific, technical, industrial or commercial knowledge or information; and the management or assistance in the management of any trade, business or profession will be an "on-account" of 17% unless specifically stipulated in the applicable tax treaties.

The rate of withholding tax for interest or royalties (subject to certain exceptions) made to non-residents will remain as "final" 15% or 10% of the gross amount if such income is not derived from a trade, business, profession or vocation carried on or exercised in Singapore or which is not connected with any permanent establishment in Singapore.

### Productivity and Innovation Credit Scheme

Currently, business that incur qualifying expenditure on R&D done in Singapore may claim tax deduction up to 150% while the expenditure on training, automation equipment, design done in Singapore, intellectual property (IP) acquisition and patent registration can qualify for 100% tax deduction or allowance

To further encourage R&D and IP management activities in Singapore and investments in a broad range of activities along the innovation value chain, the Minister has introduced a new broad-based tax incentive called the "Productivity and Innovation Credit" which will provide significant tax deductions, for investments in a range of six activities along the innovation value chain, namely –

- (a) R&D done in Singapore;
- (b) registration of IP;
- (c) acquisition of IP;
- (d) investments in design done in Singapore;

- (e) spending on equipment or software aimed at automating processes; and
- (f) costs of training employees so as to upgrade skills and capabilities.

The enhancement in tax benefits under the Productivity and Innovation Credit are as follows:

(i) *R&D Expenditure*

250% tax deduction is allowable for the first \$300,000 of qualifying expenditure on R&D done in Singapore per Year of Assessment (YA), and 150% tax deduction for the expenditure exceeding \$300,000.

With this enhancement of the tax incentive for R&D done in Singapore, the Research and Development Allowance (RDA) and the R&D Incentive for Start-up Enterprises (RISE) will be phased out. No RDA will be granted on the chargeable income from YA 2011, and RISE will cease to provide cash grant with effect from YA 2011.

For taxpayers with unutilised RDA granted for YA 2009 and YA 2010, they may opt to utilise the RDA as further deductions against their incremental R&D expenses from YA 2011 until YA 2016. Alternatively, instead of utilising RDA, they can elect to claim the 250% tax deduction for the first \$300,000 of their qualifying R&D expenses incurred for each YA for the period from YA 2011 to YA 2015.

(ii) *Investments in Design*

250% tax deduction is allowable for the first \$300,000 of qualifying expenditure on eligible design activities done in Singapore per YA, and 100% tax deduction for the expenditure exceeding \$300,000.

This new incentive will be administered by the DesignSingapore Council. More details will be released by the DesignSingapore Council by May 2010.

(iii) *Acquisition of IP Rights*

250% allowance is claimable for the first \$300,000 of qualifying costs from acquiring IP rights incurred per YA, and 100% allowance for the expenditure exceeding \$300,000.

This tax allowance for IP acquisition shall cover acquisition of patent, copyright, trademark, registered design, geographical indication, lay-out design of integrated circuits, trade secret or information that has commercial value, and plant varieties.

The current condition requiring the taxpayer to own the legal and economic rights of the IP will remain.

(iv) *Registration of IP Rights*

250% tax deduction is allowable for the first \$300,000 of qualifying costs of registering patents, trademarks, designs and plant varieties incurred per YA, and 100% tax deduction for the expenditure exceeding \$300,000.

(v) *Investment in Automation*

250% allowance is claimable for the first \$300,000 of expenditure incurred on qualifying investments in automation per YA, and 100% allowance for the expenditure exceeding \$300,000.

Qualifying investments in automation will be based on the current list of automation equipment in the "Income Tax (Automation Equipment) Rules 2004". The list will be updated and expanded to include a wider range of equipment and software for automating processes.

(vi) *Training*

250% tax deduction is allowable for the first \$300,000 of qualifying training expenditure for external training and WDA-certified in-house training incurred per YA, and 100% tax deduction for the balance expenditure.

The Productivity and Innovation Credit will be available for all businesses from YA 2011 to YA 2015.

Businesses which have at least 3 local employees (Singapore Citizens and Singapore Permanent Residents with CPF contribution) may convert the tax deductions or allowances arising from their expenditure on the six types of activities under the Productivity and Innovation Credit into a non-taxable cash grant. Specifically, they can convert up to \$300,000 of such tax benefits equivalent to a maximum \$21,000 (\$300,000 x 7%) cash per YA. This cash component of the scheme will be reviewed after 3 years.

The IRAS will release details of the Productivity and Innovation Credit in June 2010.

## **Merger & Acquisition (M&A) allowance and stamp duty remission for qualifying M&A deals**

To encourage companies to consider M&A as a strategy for growth and internationalisation, the Minister has introduced a new M&A allowance scheme and a stamp duty relief scheme to help defray a port of the acquisition costs. Under this new incentive,

- (a) qualifying M&As executed from 1 April 2010 to 31 March 2015 (both dates inclusive) will be granted an M&A allowance equivalent to 5% of the value of the acquisition, subject to a cap of \$5 million per YA. The allowance will be written down equally over 5 years; and
- (b) stamp duty payable on the transfer of unlisted shares for qualifying M&A executed from 1 April 2010 to 31 March 2015 (both dates inclusive), subject to a capped of \$200,000 per year, will also be remitted.

The IRAS will release details of the M&A allowance and stamp duty relied by June 2010.

Meanwhile, full stamp duty on such transfers of unlisted shares will continue to be payable on all transfers of unlisted shares until details of the scheme including the definition of qualifying M&A deals are finalised. IRAS will refund stamp duty paid if a deal, executed on and after 1 April 2010 but before the finalisation of the rules, can satisfy the finalised rules.

## **Phase out of Industrial Building Allowance (IBA)**

Currently, IBA is granted to a person who incurred qualifying capital expenditure on the construction of a building or structure, or a person who purchased a building or structure that qualifies as an "industrial building or structure" which is used for industrial purpose as prescribed under Section 18(1) of the Income Tax Act (ITA).

However, as the IBA does not distinguish between efficient and inefficient uses of industrial land, the Minister has announced that IBA will be phased out with immediate effect. With the phasing out of IBA, IBA will no longer be allowed on capital expenditures on the construction or purchase of industrial buildings or structures which are incurred after 22 February 2010 except under specified scenarios.

Qualifying capital expenditure incurred on the construction or purchase of industrial buildings or structures incurred on or before 22 February 2010 by the existing claimants will continue to qualify for IBA, subject to existing IBA rules, until the allowances are fully written down.

In respect of capital expenditures incurred on the construction or purchase of industrial buildings or structures which are incurred after 22 February 2010, IBA will only be allowed if the construction or purchase of industrial buildings or structures falls within the following scenarios, subject to the existing IBA rules:

- (a) Purchase of industrial buildings or structures where the option to purchase was signed on or before 22 February 2010.
- (b) Qualifying expenditure incurred up till the earlier of the date of Temporary Occupation Permit (TOP) or the end of the basis period for YA 2016 on the construction of new industrial buildings or structures on land for which an application to bid, buy or lease the land from the Government was submitted or for which an option to purchase the land was signed with the private industrial landlord on or before 22 February 2010, and the development application to build the industrial buildings or structures on land is submitted to the Urban Redevelopment Authority (URA) by 31 December 2010.
- (c) Qualifying expenditure incurred up till the earlier of the date of TOP or the end of the basis period for YA 2016 on the extension or alternation works on existing industrial buildings or structures, or conversion works on existing buildings or structures to convert the buildings or structures to industrial buildings or structures, for which a qualified person had been engaged on or before 22 February 2010 to carry out the works and the development application for such works is submitted to the URA by 31 December 2010.
- (d) Qualifying capital expenditures incurred up till the earlier of the date of completion of renovation works or the end of the basis period for YA 2016 on renovation works (that do not require a development application) on existing industrial buildings or structures, or on existing non-industrial buildings or structures to convert them to industrial buildings or structure; and a building/renovation contractor had been engaged on or before 22 February 2010 to carry out the renovation works.

The IRAS will release details of the phasing out of IBA in April 2010.

### **Land Intensification Allowance (LIA) Incentive**

To promote the intensification of industrial land use for higher value activities, LIA, a more targeted scheme to support enhanced land productivity among industrial users has been proposed to replace IBA.

LIA will be granted as follows:

- (a) Initial allowance of 25% on the qualifying expenditure; and
- (a) Annual allowance of 5% of the qualifying expenditure.

Businesses may claim the LIA on qualifying capital expenditure incurred for the construction of a qualifying building or structure.

The qualifying criteria for LIA are as follows:

- (a) The user of the building or structure belongs to one of the following nine industry sectors:

- (i) Pharmaceuticals,
  - (ii) Petrochemicals,
  - (iii) Petroleum,
  - (iv) Specialties,
  - (v) Other Chemicals,
  - (vi) Semiconductor-Water fabrication,
  - (vii) Aerospace,
  - (viii) Marine and Offshore Engineering; and
  - (ix) Solar Cell Manufacturing.
- (b) The land on which the building or structure is to be built is zoned as Business 1 or Business 2 (excluding Business 1 White and Business 2 White) under the URA Master Plan.
- (c) The building or structure meets the Gross Plot Ratio (GPR) benchmark relevant to the industry sector of the building user. The GPR benchmark is based on that applicable at the time the business submits to URA the development application for the building structure. To encourage intensification, the benchmarks for each industry sector will be set around the 75th percentile of actual GRPs for the sector.

The LIA incentive will be in place for 5 years and will be administered by the Economic Development Board (EDB).

The commencement date of the incentive is 1 July 2010 and further details will be released by the Jurong Town Corporation and EDB by June 2010.

## **Tax deduction for angel investors**

The Minister has announced a new incentive to encourage eligible individuals to invest in start-ups and help them to grow. Under this new incentive, an approved angel investor is required to invest at least \$100,000 into a start-up in a YA, in order for him to enjoy a tax deduction at 50% of his investment at the end of his second year of holding of such investment. The deduction will be capped at \$500,000 of investment into qualifying start-ups for each YA.

The incentive is applicable to qualifying investments in qualifying start-ups made during period from 1 March 2010 to 31 March 2015 (both dates inclusive).

This new incentive will be administered by SPRING Singapore which will release more details of the scheme by June 2010.

## **Expansion of Development and Expansion Incentive (DEI) to international legal services**

To encourage law practices to do more international legal services so as to enhance Singapore as an arbitration hub, the Minister has decided to extend the DEI scheme to cover income derived from the provision of international legal services. This incentive will be available to law practices registered in Singapore as a company or as a branch of a foreign company.

Approved law practices will enjoy a 10% concessionary tax rate on incremental income from qualifying international legal services for five years. The incentive will be effective from 1 April 2010 to 31 March 2015 (both dates inclusive).

The Ministry of Law and EDB will release more details in March 2010.

## **Enhancement of Financial Sector Incentive (FSI)**

Currently, FSI which are granted FSI Standard Tier (FSI-ST) awards are required to compute and deduct the Qualifying Base (QB) from their income derived from FSI qualifying activities in order to determine the net income to be taxed at the concessionary tax rate of 10%. The QB is to be taxed at the prevailing corporate tax rate. The QB is a proxy for the income from certain activities that were previously subjected tax at the prevailing corporate tax rate before the removal of the counter-party and/or currency restrictions under the FSI.

While the QB has relieved financial institutions (FIs) of the need to track counterparty and currency restrictions for qualifying activities, there has been feedback from FIs that the administration and computation of QB is complex exercise that has caused compliance costs to increase.

To simplify the rules of FSI scheme and to lower the compliance costs for FIs, the Minister has proposed to remove the requirement to compute QB with effect from 1 January 2011 and instead to change the concessionary tax rate under the FSI-ST award from 10% to 12% as a revenue neutral change.

MAS will be releasing details of the changes by April 2010.

## **Review of tax incentives for futures members of Singapore Exchange (SGX) and members of Singapore Commodity Exchange Limited (SICOM)**

Currently, futures members of SGX and member of SICOM are granted a concessionary tax rate of 10% on their income derived from qualifying transactions under Section 43D and Section 43K of the ITA.

To streamline existing tax incentive schemes for better incentive administration, the Minister has proposed that these two existing incentives will be discontinued on 31 December 2010. From 1 January 2011, new incentive applicants which engage in qualifying transactions that were incentivised under these two incentives will have to apply under the FSI scheme and meet economic commitments under the FSI at the point of application.

As a transitional measure, existing future members of the SGX and members of SICOM who are enjoying these incentives will be allowed on 1 January 2011 to transit to the FSI-ST scheme automatically if they notify Monetary Authority of Singapore (MAS) of their intent to transit by 31 July 2010. They will not be subject to the approval criteria for the FSI-ST award at the point of transition in January 2011. However, they will be subject to the prevailing FSI-ST renewal criteria when they apply for renewal of their awards in December 2013, if the FSI scheme is extended.

Further details will be released by MAS by April 2010.

## **Extension of and enhancement to listed Real Estate Investment trusts (REITs) concessions**

The following income tax concession and stamp duty remission for listed REITs that expired in February 2010 will be extended to 31 March 2015:

- (i) concessionary withholding tax rate of 10% for distributions made to non-resident non-individual unit holders.
- (ii) stamp duty remission on the transfer of a Singapore immovable property to REIT whether to be listed or already listed on the SGX.
- (iii) stamp duty remission on the transfer of 100% of the issued share capital of a Singapore incorporated company that holds immovable properties situated outside Singapore to a REIT to be listed or already listed on the SGX.

However, the FSIE income tax concession for listed REITs will be subject to a sunset clause of 31 March 2015. This means that for the FSIE to apply to listed REITs or wholly owned Singapore subsidiary companies of listed REITs (which has been granted or will the FSIE), the qualifying foreign-sourced income should be remitted on or before 31 March 2015.

In addition, the current requirement for unlisted REITs to be listed within one month (from the date of completion of the agreements for sale) in order to qualify for the stamp duty remissions will be liberalised to listing within six months.

## **Removal of Approved start-up fund manager scheme**

The approved start-up fund manager scheme was introduced in 2005 to allow a fund managed in Singapore by an approved start-up fund manager to be granted a 12-month grace period from the date of set-up of the fund to meet the requisite residency conditions on the fund's investors.

The Minister has proposed that the approved start-up fund manager scheme will be allowed to lapse after its expiry on 17 February 2010. No fund manager will be approved under the scheme after 17 February 2010. Funds managed by fund managers approved on or before 17 February 2010 under the scheme will continue to be allowed the 12-month grace period from the date of set-up of the fund, even of such grace period stretches beyond the expiry of the scheme on 17 February 2010.

## **Review of tax concession for offshore insurance business**

Currently, approved general, life and composite insurers can enjoy concessionary tax rate of 10% on qualifying income derived from offshore insurance business conducted from Singapore. There is no sunset clause for the scheme and incentive recipients are incentivised indefinitely.

In line with the Government policy to review incentives on a regular basis and to encourage companies to grow their presence in Singapore, the following changes will be introduced with effect from 1 April 2010:

- (a) The incentive will be subject to a sunset clause of 5 years till 31 March 2015. The Government will review and decide whether the incentive will be further extended after 31 March 2015;
- (b) The incentive will be awarded to an approved recipient for a period of 10 years; and
- (c) New headcount requirement will be imposed for incentive recipients (except for captive insurers).

New applicant will be required to meet the headcount criterion at the point of application for tax incentive as from 1 April 2010.

Existing incentive recipients will be given a transition period of 3 years from 1 April 2010 to 31 March 2013 to meet the necessary headcount requirement in order to continue to qualify for the incentive after 31 March 2013 for the remaining tenure of their awards.

MAS will release further details by April 2010.

## **Extension of Maritime Finance Incentive (MFI)**

Currently, MFI accords the following tax benefits:

- (a) An approved MFI entity will enjoy with tax exemption or a tax concession (10% or 5%) on its qualifying leasing income.
- (b) An approved manager of the MFI entity will enjoy a tax concession of 10% on its qualifying income.

The MFI will expire on 28 February 2011. Taxpayers applying for the MFI on or before 28 February 2011 will be given approval for a period of not more than 10 years.

To further support the Singapore's development as a maritime financing hub, the expiry date of the MFI will be extended from 28 February 2011 to 31 March 2016. Taxpayers applying for the MFI during the period from 1 March 2011 to 31 March 2016 (both dates inclusive) will be given approval for a period of not more than 5 years.

## **Incentive for ship brokers and Forward Freight Agreement (FFA) traders**

Currently, ship brokers and FFA traders are subject to the prevailing corporate tax rate.

To encourage the activities of ship broking and FFA trading in Singapore and to further promote Singapore as an International Maritime Centre (IMC), the Minister has proposed to introduce a new tax incentive specifically for companies carrying on ship broking and / or FFA trading in Singapore. Subject to certain conditions, the approved companies will enjoy a concessionary tax rate of 10% on qualifying income.

Interested taxpayers can apply to MPA for this incentive from 1 April 2010 to 31 March 2015 (both dates inclusive). Successful applicants will enjoy incentive awards of five years.

MPA will release the implementation details by end of March 2010.

## **Inclusion of ship management fees under Section 13A of ITA and Approved International Shipping Enterprise (AIS) scheme**

Currently, ship management fees derived from rendering management services to related Special Purpose Vehicle (SPV) are taxed at the prevailing corporate income tax rate.

In line with the objective of developing Singapore into an IMC, the Minister has announced that ship management fees derived on or after 22 February 2010 from the rendering of ship management services to related qualifying SPVs will be treated as qualifying income. Such income will be exempt from tax under Section 13A of the ITA and the AIS scheme, subject to meeting certain conditions.

MPA will release the implementation details by end of March 2010.

## **Renewal and enhancement of Investment Allowance (IA) scheme for aircraft rotables**

The IA scheme for aircraft rotables was introduced on 10 September 2004 and the amount of IA granted under the scheme is 50% of the qualifying costs of aircraft rotables (on top of normal capital allowance). The IA scheme was for a period of 5 years and has expired on 9 September 2009.

Under the IA scheme, there was a “non-swapping condition” that required the approved aircraft maintenance, repair and overhaul (MRO) companies to recover the swapped rotatable part from their clients, (with the same part number and serial number), by the end of the service contract with the client.

In line with Singapore’s commitment to develop the Maintenance, Repair and Overhaul industry, the Minister has announced that the IA scheme for aircraft rotables will be renewed for another 5 years from 1 April 2010 to 31 March 2015.

The Government will also enhance the IA scheme by removing the “non-swapping conditions”. This enhancement removes the administrative difficulties of having to track specific aircraft rotables.

EDB will release the details by March 2010.

## **Enhanced of tax deduction on donations**

To support community initiatives and encourage charitable giving in Singapore, the Minister has announced in last year’s Budget that the tax deduction for donations made to approved Institutions of Public Character (IPC) and other approved institutions (such as approved museums, prescribed schools, etc) during the period from 1 January 2009 to 31 December 2009 will be enhanced from the current 200% to 250%.

To encourage greater charity giving in Singapore as the economy recovers, the enhanced tax deduction of 250% will be extended for another year for donations made during the period from 1 January 2010 to 31 December 2010.

## Personal Tax

### Personal income tax rates and rebate

The Minister is not proposing any changes in the personal tax rate for this year. In addition, the one-off personal tax rebate granted for YA 2009 of 20% and capped at \$2,000, will not be granted for the YA 2010.

The personal tax rates for resident individuals for the YA 2010 are as follows:

	<i>Chargeable Income</i>	<i>Tax Rate</i>	<i>Tax</i>
	\$	%	\$
On the first	20,000	0.00	0
On the next	10,000	3.50	350
On the first	30,000		350
On the next	10,000	5.50	550
On the first	40,000		900
On the next	40,000	8.50	3,400
On the first	80,000		4,300
On the next	80,000	14.00	11,200
On the first	160,000		15,500
On the next	160,000	17.00	27,200
On the first	320,000		42,700
Excess over	320,000	20.00	

### Increase in parent relief

Currently, a tax resident individual may claim parent relief if he has supported his or his spouse's parents, grandparents and great grandparents living in Singapore in the previous year.

To give greater recognition and acknowledgement of taxpayers who support their aged dependants, the Minister has proposed to increase the quantum of parent relief and handicapped parent relief as follows:

(a) Parent relief

- \$7,000 (increase of \$2,000 from the current amount of \$5,000) if the taxpayer lives with the dependant
- \$4,500 (increase of \$1,000 from the current amount of \$3,500) if the taxpayer does not live with the dependant

(b) Handicapped parent relief

- \$11,000 (increase of \$3,000 from the current amount of \$8,000) if the taxpayer lives with the handicapped dependant
- \$8,000 (increase of \$1,500 from the current amount of \$6,500) if the taxpayer does not live with the handicapped dependant

The above changes are effective from YA 2010.

### **Expansion of wife relief to spouse relief**

Currently, a relief of \$2,000 is granted to male resident taxpayers supporting their wives who have income not exceeding a threshold of \$2,000 in the year preceding the YA.

The Minister has proposed to raise the income threshold to \$4,000 and to expand the relief to female resident taxpayers with husbands who do not have income of more than \$4,000 in the year preceding the YA.

This change is effective from YA 2010.

### **Enhancement of dependant relief**

Currently, the income of the dependant cannot exceed \$2,000 in the preceding year if a tax resident individual wishes to claim the following dependant-related reliefs:

- (a) Handicapped Sibling Relief
- (b) Wife / Handicapped Spouse Relief
- (c) Parent / Handicapped Parent Relief
- (d) Qualifying Child / Handicapped Child Relief
- (e) Working Mother's Child Relief
- (f) CPF Cash Top-up Relief for top-up to the CPF account of spouse or siblings

To recognize the taxpayers' efforts in supporting family members who are genuinely dependents, while giving them the flexibility to do some incidental work, the Minister has proposed to increase the income threshold for dependant-related reliefs from \$2,000 to \$4,000. In addition, in recognition of the extra resources and attention required in providing care to the disabled dependant, he has proposed to remove the income threshold condition for handicapped dependent-related reliefs.

The changes on the income threshold condition are effective from YA 2010, except for the CPF Cash Top-up relief for top-up to the CPF accounts of spouse or siblings for which the changes to the income threshold will be effective from YA 2011.

### **Increase in course fees relief**

Currently, course fee relief of \$3,500 is granted for any tax resident individual who had attended any course of study, seminar or conference for the purpose of gaining an approved academic, professional or vocational qualification; or had attended such other approved course, seminar or conference which any not directly related to one's current profession. The relief can be claimed in the year which the expense was incurred or within two YAs from the YA relating to the year in which he completed the course.

As a recognition and support for lifelong learning, the Minister has proposed to raise the course fee relief from \$3,500 to \$5,000. This will take effect from YA 2011.

### **Reduce withholding tax rate for non-resident public entertainers**

Currently, non-resident public entertainers are subject to withholding tax of 15% on their gross income derived in respect of services performed in Singapore.

As a concession to help local organisers to attract high quality performers to Singapore, the Minister has proposed to reduce the withholding tax rate of 15% to 10% on sums payable to non-resident public entertainers during period from 22 February 2010 to 31 March 2015.

## Goods and Services Tax (GST)

### Deferring import GST

Currently, import GST at the rate 7% is payable on all goods brought into Singapore at the point of entry, unless import GST relief has been granted or the goods are imported under import GST suspension schemes such as the Major Exporter Scheme.

To ease the cashflow for GST-registered businesses which are unable to enjoy the existing GST suspension scheme, the Minister has announced the introduction of a new scheme which will allow approved GST-registered businesses to defer any import GST payment on their goods at the point of entry into Singapore for at least one month and to declare such import GST as a payable amount in the corresponding GST return.

Approval will be given to GST-registered businesses that meet all qualifying conditions including good compliance records and filing of their GST returns on a monthly basis.

The scheme will take effect from 1 October 2010 and IRAS will release details of the scheme by March 2010.

### Simplifying GST accounting rules

Currently, GST-registered businesses are required to account for GST output tax in their GST returns in accordance with the "time of supply" rules at the earliest of the following events:

- (a) the date of issue of tax invoice;
- (b) the date of receipt of payment; or
- (c) the date when goods are delivered or made available; or services are performed.

This is subject to the 14 days rule whereby the GST output tax is to be accounted for based on the date of issue of a tax invoice.

The Minister has proposed to simplify the GST accounting rules to allow most businesses to account for GST output tax at the earlier of the following events:

- (a) the date of issue of tax invoice; or
- (b) the date of receipt of payment.

The above proposed changes should ease GST accounting for most businesses as they are no longer required to track the date on which goods are delivered or made available; or the date their services are performed.

However, the proposed changes have some exceptions, such as the application for GST registration and deregistration from GST, where the date on which goods are delivered or made available; or services are performed will be retained as a reference point.

These proposed changes will take effect from 1 January 2011 and IRAS will release more details by May 2010.

## **Extension of existing GST concessions for listed Real Estate Investment Trusts (REITs) and qualifying listed Registered Business Trusts (RBTs)**

The Minister has announced that the existing GST concessions for listed REITs that hold overseas non-residential properties and for listed RBTs in the sectors of infrastructure, ship leasing and aircraft leasing to claim input tax on their business expenses, both of which expired on 17 February 2010 will be renewed for the period from 18 February 2010 to 31 March 2015 (both dates inclusive).

Under the extended concessions, REITs and RBTs will continue to be allowed to claim GST input tax on their business expenses incurred during the period from 18 February 2010 to 31 March 2015 (both dates inclusive). This is regardless of whether they hold the underlying assets directly or indirectly through multi-tiered structures such as Special Purpose Vehicles (SPVs) or sub-trusts.

REITs and RBTs will qualify for the GST concession if they are listed or to be listed on the Singapore Exchange (SGX). The REITs and RBTs that are GST-registered shall continue to be eligible to claim GST input tax incurred for their SPVs. However, they are not permitted to claim the GST input tax incurred in respect of the types of expenses usually disallowed under Regulations 26 and 27 of the GST (General) Regulations (such as private motor vehicles expenses, staff medical expenses and family benefits).

## **Expansion of GST zero-rating for the marine industry**

The zero-rating of GST for the marine industry will be expanded as follows:

- (a) Currently, the sale and lease of a qualifying ship not used for recreational or pleasure purposes, and not a passenger harbor craft or pleasure craft licensed by the Maritime Port Authority of Singapore (MPA) is zero-rated for GST purposes.

The scope of qualifying ship for zero-rating will be expanded to include pleasure and recreational ships that are wholly used for international travel regardless of whether they call on a port outside Singapore. This would include private yachts that ply international waters, provided that they are not licensed for use within Singapore water.

- (b) Currently, the sale of stores and merchandise to ships that are travelling to or from a destination outside Singapore (i.e. ship calls on a port outside Singapore) is zero-rated for GST purposes if the Comptroller is satisfied that sufficient export documentary evidence is retained.

The scope of zero-rating will be expanded to all goods (including stores and merchandises) supplied for use on board or installation on a qualifying ship, regardless of whether the ship calls on a port outside Singapore. In addition, the scope of zero-rating will be expanded to stores supplied to and merchandise for sale on board a qualifying ship.

- (c) Currently, the transport of goods or passengers via a ship to or from a place outside Singapore, i.e. ship calls on a port outside Singapore, is zero-rated for GST purposes.

The scope of zero-rating will be expanded to transport of goods or passengers via a ship to or from international waters, regardless of whether the ship calls on a port outside Singapore.

The above proposed changes will take effect from 1 July 2010. Further details will be released by the IRAS by June 2010.

## Others

### Changes to travellers' duty-free allowance

The Minister has proposed that from 1 April 2010, travelers (aged 18 and above, arriving from countries other than Malaysia, and having spent 48 or more hours outside Singapore) will be given the flexibility to bring in an additional one litre of wine or beer duty-free in lieu of one litre of duty-free of spirits.

The Singapore Customs will release the details by March 2010.

### Property tax for residential property

Currently, owner-occupied residential properties are taxed at a concessionary 4% rate (instead of 10% for all other properties) on the annual values (AVs) of the properties. In addition, owner occupied residential properties with AVs below \$10,000 can enjoy the on-going 1994 property tax rebates ranging from \$25 to \$150 per annum, depending on the AVs of their properties.

In order to benefit both lower-income and middle-income households, the Minister has proposed that for property tax payable from January 2011, the 1994 property tax rebates will be replaced by a progressive property tax schedule for owner-occupied residential properties as follows:

- (a) 0% for first \$6,000 of AV;
- (b) 4% for the next \$59,000 of AV;
- (c) 6% for the balance of AV in excess of \$65,000.

Non-owner occupied residential properties and other properties will continue to be subject to property tax at the rate of 10%.

### Extension of Green Vehicle Rebate (GVR) scheme

The GVR scheme was introduced in 2001 to encourage the purchase of green vehicles which are more environmentally friendly than the conventional equivalents model. Under the GVR scheme, owners of brand new green vehicles will enjoy a rebate on the Additional Registration Fee (ARF) as follows:

- (a) for hybrid, electric and compressed natural gas (CNG) passenger vehicles: a rebate on the ARF equal to 40% of the Open Market Value (OMV) of the vehicle at registration;
- (b) for hybrid, electric and CNG buses and commercial vehicles: a rebate on the ARF equal to 5% of their OMV at registration; and
- (c) for electric motorcycles, a rebate on the ARF equal to 10% of the vehicle's OMV at registration.

The above GVR scheme is due to expire on 31 December 2011.

To continue to encourage the adoption of green vehicle, the Minister has proposed to extend the scope of the GVR scheme to include imported used green vehicles with effect from 1 July 2010. The extension of

GRV will however not be applicable to imported used CNG vehicles, and vehicles which are required to be brand new at point of registration (e.g. taxi).

Details will be announced by the National Energy Agency and Land Transport Authority by March 2010.

## **Enhanced Transport Technology Innovation Development Scheme (TIDES+)**

To further encourage the development and test-bedding of transport technologies, green vehicles brought to Singapore for the purpose of test-bedding, the Minister has proposed that Additional Registration Fees, Certificate of Entitlement, and custom duties be waived for an initial period of six years instead of two years under the existing TIDES scheme. In addition, the quota of vehicles under the TIDES scheme will be expanded from 300 electric vehicles up to 1,300.

## **Foreign worker levy**

As a measure to encourage businesses to upgrade their operations and increase productivity so as to rely less on lower skilled foreign workers, the Minister has proposed to gradually raise the foreign worker levies and tighten the levy tiers that are based on the proportion of foreign workers in a company's workforce.

As a first step, the levy rates for Work Permit holders will be raised by between \$10 and \$30 on 1 July 2010. The Minister has proposed to phase in further adjustments in levy rates and tiers in 2011 and 2012. Taking the three years together, there will be a total increase of about \$100 in average levies per worker in manufacturing and services sectors. There will be a bigger increase in levy rates for the construction sector, where there is much scope for productivity improvements.

The Minister has also proposed to make changes to S Pass holders. There will now be two levy tiers. The rates for first and second tiers will be \$100 and \$120 effective from July 2010, up from a single rate of \$50 currently. Further adjustment will be phased in until the rates reach \$150 and \$250 by July 2012.

More details of the levy changes may be obtained from Ministry of Manpower website at [http://www.mom.gov.sg/Home/Press\\_Release/Documents/Annexes-%20Changes%20to%20FW%20Levy%20\(230210\).pdf](http://www.mom.gov.sg/Home/Press_Release/Documents/Annexes-%20Changes%20to%20FW%20Levy%20(230210).pdf)

## **Contacts**

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