

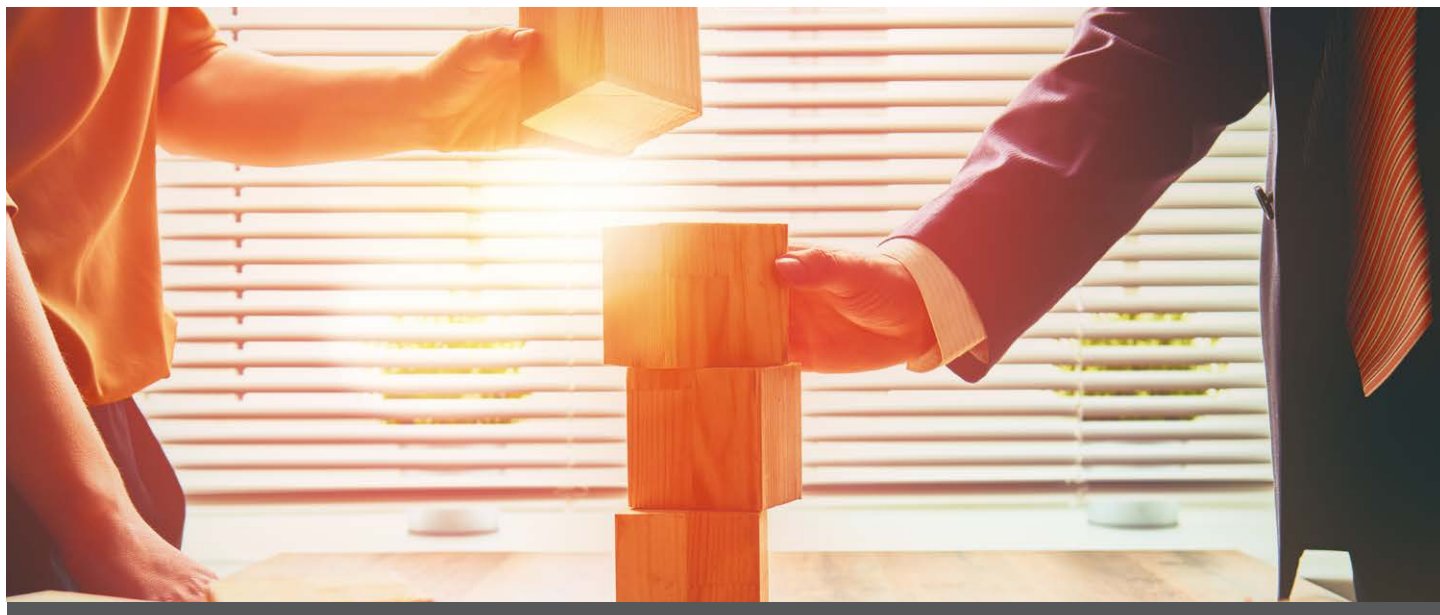


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Bulletin Highlights

- Singapore Budget 2023



Singapore Budget 2023

(compiled by N Vimala Devi on 23 March 2023)

The Deputy Prime Minister and Finance Minister, Mr Wong, announced the Singapore 2023 budget on 14 February 2023

Singapore emerged from COVID-19 stronger in 2023, moving forward into a new era. There are many challenges facing Singapore and its people. Geopolitical uncertainties and technological self-reliance in critical industries have led major global governments to onboard their manufacturing and production facilities where they are less likely to face high risks of interference and disruptions by external forces.

The Government will spend \$104 billion to build capabilities, anchor quality investments, and equip and empower workers through wage growth and job opportunities. The National Productivity Fund will promote quality investments and support companies in Singapore to build new capabilities.

The Enterprise Innovation Scheme (“EIS”) has been introduced to focus on key innovation value chain activities, including R&D conducted in Singapore, registration of Intellectual Properties, acquisition and licensing of IP, innovation carried out with Polytechnics and ITE and workers’ training approved by SkillsFuture and Skills Framework. Under the EIS, the qualifying expenditures can obtain up to \$400,000 at 4 times tax deduction (except for \$50,000 at 4 times cap for innovation projects with Polytechnics and ITE). Further, companies are allowed to encash up to \$20,000 of qualifying expenditures.

The 2023 budget seeks to strengthen the social compact by supporting Singaporean families to have more children and cash grants for lower-income Singaporeans to alleviate inflationary living costs and mitigate the impact of the GST hikes.

The Child Development Account (“CDA”) contributions will be increased from \$3,000 to \$5,000 to support families, particularly to address the rapidly declining population growth rate. Also, parents’ contributions will be matched dollar for dollar up to \$4,000 for the first child and \$7,000 for the second child. The funds from CDA can be used for pre-school and healthcare fees. Further good news for fathers is that paternity leave will be doubled to four weeks from the earlier two weeks. Twelve days of unpaid infant care leave during the child’s first two years will be granted from the beginning of next year.

To effectively support working mothers who are lower to middle-income earners, the Government has changed the Working Mother’s Child Relief (“WMCR”) from a percentage of the mother’s earned income to a fixed amount. The WMCR is capped at 100% of the mother’s earned income and is also subject to a cap of \$50,000 per child. Going forward, WMCR for children born on or after 1 Jan 2024 will be \$8,000 the first child, \$10,000 for the second child and \$12,000 each for the third and subsequent child.

Singapore is also facing rising cost of inflation due to rising interest rates and energy prices from global supply chain constraints and geopolitical unrest. Mr Wong will give a special payment ranging from \$200 to \$400 to all eligible Singaporeans having annual income below \$100,000 and who do not own more than one property. Further, all Singaporean households will get another \$300 in Community Development Council vouchers in Jan 2024.

Additionally, to defray the cost of the GST going up from 7% to 8% in 2023 and 9% in 2024, the GST vouchers ranging from \$250 to \$700 this year and \$450 and \$850 next year, depending on the annual values of the homes Singaporeans are staying will be given.

Mr Wong has further introduced a higher marginal buyer's stamp duty for higher value residential and non-residential properties and higher registration fees for higher-end cars. Residential properties over \$1.5m and up to \$3m will be taxed at 5%, while those over \$3m are taxed at 6%, up from the current 4%. 320% Higher Additional Registration Fee for higher-end cars with an open market value of more than \$40,000 will be imposed, an increase from 220%.

The wealth taxes aim to build a fairer society so the wealthy can contribute more to the social compact in alleviating the suffering of the needy. The increases in the tax rates are in keeping with the progressivity of the tax rates.

Overall the Singapore Budget 2023 lays out the Government's plan for increased spending and investments to address the rising inflation and support families and businesses. However, the Government must balance the need to provide assurance to Singaporeans while preventing the mindset of the citizens to expect the Government to become a crutch from all economic downturns.

Singapore maintains 2023 GDP forecast at 0.5% to 2.5% after the economy grew at 3.6% in 2022. The modest forecast is in view of the world uncertainties remaining in the Western economies with the ongoing war in Ukraine and poorer financial conditions with a rising interest rate environment.

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Writers' Caveat

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