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FOR CLIENTS' INFORMATION ONLY 16 February 2024

Dear Sirs

THE 2024 SINGAPORE BUDGET COMMENTARY

Charting the Forward Singapore roadmap, the 2024 Budget has been all about reinforcing the social compact. In the current volatile geopolitical turmoil and global uncertainties, the budget addressed important cost of living concerns, inflation, skills upgrades and making sure that no Singaporean is left behind.

The Deputy Prime Minister and Finance Minister, Mr Wong, announced that the government would spend $131.4 billion allocated to strengthening the social safety nets including increasing the employability of the senior workforce, allowing mid-career switch by re-skilling and re-training them to compete in the ever-changing technology space. The budget allows senior workers aged 40 and above to pursue full-time diploma courses and to partially offset the loss from taking time off from work with a training allowance at 50% of the person's last 12 months' average income capped at $3,000 per month for 24 months. The SkillsFuture Credit will also be topped up by $4,000 for such workers. Also, for ITE graduates to level up to pursue higher education, they get top-ups in their education account and CPF account amounting to $5,000 and $10,000 respectively.

To relieve businesses from the rising costs, Mr Wong has given a very generous tax rebate at 50% of tax payable with a $2,000 cash grant capped at $40,000 for the Year of Assessment 2024. Under the Base Erosion and Profit Shifting rules, Multinational Enterprise groups with annual group revenue of Euro750 million or more with group entities operating in Singapore will have to pay a minimum tax rate of 15%. The Domestic Top-up Tax rule may negate the benefits derived from the tax incentives given to such MNE groups.

However, hopefully, the introduction of the Refundable Investment Credit Scheme may go towards mitigating the MNEs from pulling out of Singapore. To attract foreign direct investments Singapore should remain competitive as a global hub for trade focusing on attributes such as ease of doing business, stable government, excellent infrastructure, and being a travel, aviation, educational and technological innovation hub.

We are pleased to highlight in the following pages the tax and other changes as proposed in the 2024 Budget. It should be noted that the views expressed in this commentary are based on our interpretation of the Finance Minister's Budget Speech. Until the proposals are enacted, we cannot be definitive about the proposed changes.

Please do not hesitate to contact us should you require any assistance.

Yours faithfully

N VIMALA DEVI
DIRECTOR OF TAXES

Enc.

2024

BUDGET

COMMENTARY

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A CORPORATE TAXATION

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A CORPORATE TAXATION

1. CORPORATE TAX RATE

Current : 17% since the Year of Assessment ("YA") 2010.

From YA 2020, partial tax exemption is granted on up to $200,000 of a company's normal chargeable income ("CI") as follows:

(i) 75% exemption on the first $10,000 CI; and
(ii) 50% exemption on the next $190,000 CI.

The partial tax exemption does not apply to the following:

(i) CI of a company that is subject to tax at a concessionary tax rate;

(ii) Income earned by a non-resident company that is subject to a final withholding tax. Such income earned by a non-resident company, which includes interest and royalties, are taxed at the rates of 15% and 10% respectively or the reduced rate provided in a tax treaty; and

(iii) All dividends received from Singapore companies. With effect from 1 January 2008, all dividends paid by Singapore companies are already exempt from tax in the hands of shareholders.

Proposed : No change to the corporate tax rate of 17% and partial tax exemption ceiling.

2. CORPORATE INCOME TAX ("CIT") REBATE WITH A CIT REBATE CASH GRANT

Current : A 20% CIT Rebate capped at $10,000 for the YA 2019 and a Tax Rebate of 25% capped at $15,000 for the YA 2020. There was no tax rebate from YAs 2021 to 2023.

Proposed : A 50% CIT Rebate will be granted for YA 2024. In addition, companies that have employed at least one local employee in 2023 will receive a CIT Rebate Cash Grant of $2,000 as a cash payout. The maximum total benefits of CIT Rebate and CIT Rebate Cash Grant are capped at $40,000.

A company would meet the local employee condition if it has made CPF contributions to at least one Singapore Citizen or Permanent Resident, excluding shareholders who are directors of the company in 2023.

Commentary : To help companies cope with rising business costs, the government has generously given out the CIT Rebate and CIT Rebate Cash Grant. The $2,000 CIT Rebate Cash Grant is handed out to alleviate cash flow to companies which are not doing well enough to have any CIT payable. The $2,000 CIT Rebate Cash Grant will be treated as non-taxable receipt.

3. START-UP TAX EXEMPTION SCHEME

Current : From YA 2020, the start-up tax exemption is granted on up to $200,000 of a qualifying new company's CI for the first 3 consecutive YA upon incorporation as follows:

(i) 75% exemption on the first $100,000 CI; and
(ii) 50% exemption on the next $100,000 CI.

A qualifying new company must fulfil the following conditions:

(a) It is incorporated in Singapore;
(b) It is a tax resident of Singapore; and
(c) It has total share capital which is beneficially held directly by no more than 20 shareholders

(i) all of whom are individuals; or
(ii) at least one of whom is an individual holding at least 10% of the total number of issued ordinary shares of the company

throughout the basis period relating to the YA of claim.

The start-up tax exemption scheme is however not available to the following companies incorporated after 25 February 2013:

(i) Property development companies that buy or lease land and arrange for a building to be built on the land in order to lease, manage or sell the building; and

(ii) Investment holding companies whose principal activity is that of investment holding and derive only investment income such as rental, dividend or interest income.

Property development and investment holding companies will still be able to enjoy the partial tax exemption available to all companies.

Proposed : No change to the start-up exemption scheme.

4. ENHANCING THE TAX DEDUCTION FOR RENOVATION OR REFURBISHMENT ("R&R") EXPENDITURE

Current : Under section 14N of the Income Tax Act ("ITA"), businesses that incur qualifying expenditure on R&R may claim tax deduction on such expenditure over three consecutive YAs on a straight-line basis, starting from the YA relating to the basis period in which the R&R expenditure is incurred. A deduction cap of $300,000 applies for every three consecutive YAs, starting from the YA in which the businesses make their first claim.

The claim for section 14N deduction is not allowable on the following expenditure:

(a) any designer services or professional services;
(b) any antique;
(c) any type of fine art including painting, drawing, print, calligraphy, mosaic, sculpture, pottery or art installation; or
(d) any works carried out to a place of residence provided to or to be provided to employees.

In Budget 2020, 2021 and 2023, a taxpayer which incurs qualifying expenditure on R&R during the basis period for YA 2021, 2022 and 2024 (i.e. financial years 2020, 2021 and 2023) for the purpose of its trade, profession or business has an option to claim R&R deduction in one YA (i.e. accelerated R&R deduction). The cap of $300,000 for every relevant period of three consecutive YAs still applies. This option, if exercised, is irrevocable.

Proposed : The Minister proposed the following enhancements:

(a) Expand the scope of qualifying expenditure to include designer or professional fees;

(b) Fix the relevant three-year period for the purpose of computing the R&R expenditure cap, with the first three-year period being from YA 2025 to YA 2027. All businesses will be transitioned to the fixed three-year period; and

(c) Allow an option to claim R&R deductions in one YA, subject to the prevailing expenditure cap.

IRAS will provide further details by 3rd Quarter 2024.

Effective : From YA 2025.

Commentary : The proposed enhancement is to ease businesses' compliance burden and improve the relevance of the scheme.

5. INTRODUCING THE REFUNDABLE INVESTMENT CREDIT ("RIC")

Proposed : The Minister proposed to introduce the RIC which will support high-value and substantive economic activities such as:

(a) Investing in new productive capacity (e.g. new manufacturing plant, production of low-carbon energy);
(b) Expanding or establishing the scope of activities in digital services, professional services, and supply chain management;
(c) Expanding or establishing headquarter activities, or Centres of Excellence;
(d) Setting up or expansion of activities by commodity trading firms;
(e) Carrying out R&D and innovation activities; and
(f) Implementing solutions with decarbonisation objectives.

The RIC is awarded on qualifying expenditures incurred by the company in respect of a qualifying project, during the qualifying period. Each RIC award will have a qualifying period of up to 10 years.

The credits are to be offset against Corporate Income Tax payable. Any unutilised credits will be refunded to the company in cash within four years from when the company satisfies the conditions for receiving the credits.

Depending on project type, qualifying expenditure categories may include:

(a) Capital expenditure (e.g. building, civil and structural works, plant and machinery, software);
(b) Manpower costs;
(c) Training costs;
(d) Professional fees;
(e) Intangible asset costs;
(f) Fees for work outsourced in Singapore;
(g) Materials and consumables; and
(h) Freight and logistics costs.

Companies can receive up to 50% of support on each qualifying expenditure category. The total quantum of RIC that a company is eligible for will be determined by the Economic Development Board ("EDB") or EnterpriseSG.

More information will be available on the EDB and EnterpriseSG websites by 3rd Quarter 2024. In the meantime, companies may contact EDB or EnterpriseSG.

Commentary : The above is to enhance Singapore's attractiveness for investments. RIC encourages companies to make sizable investments to bring substantive economic activities to Singapore in key economic sectors and new growth areas.

6. IMPLEMENTING THE INCOME INCLUSION RULE ("IIR") AND A DOMESTIC TOP-UP TAX ("DTT") UNDER PILLAR TWO OF THE BASE EROSION AND PROFIT SHIFTING ("BEPS") 2.0 INITIATIVE

Proposed : The Minister proposed the IIR and a DTT, which will impose a minimum effective tax rate of 15% on businesses' profits from financial years starting on or after 1 January 2025.

The IRR and DTT will apply to relevant multinational enterprise ("MNE") groups with annual group revenue of Euro750 million or more in at least two of the four preceding financial years consistent with the Pillar Two Global Anti-Base Erosion ("GloBE") Model Rules.

Effective : For financial year beginning on or after 1 January 2025.

Commentary : Singapore is implementing the GloBE Model rules with the introduction of IIR and a DTT to mitigate and preserve its own tax base. More than 20 jurisdictions have already introduced such rules with more joining the ranks.

The IIR will apply to MNE groups that are parented in Singapore relating to profits of their group entities operating outside Singapore. The DTT will apply to MNE groups relating to profits of group entities operating in Singapore.

The above may negate the benefits derived from the tax incentives given to group entities of MNEs as the tax foregone would be collected by the DTT at 15%.

To attract foreign direct investments and remain competitive Singapore must compete as a global hub for trade and on other factors such as ease of doing business, to being a travel, aviation, educational and technological innovation hub including other alternative forms of incentives such as investment grants.

In addition, hopefully the introduction of the RIC scheme as explained in paragraph 5 may go towards somewhat mitigating the MNEs from pulling out of Singapore.

7. IMPLEMENTING THE ENERGY EFFICIENCY GRANT ("EEG")

Current : The EEG launched in 2022 aims to help businesses in the Food Services, Food Manufacturing and Retail sectors cope with rising energy costs through co-funding support to invest in energy-efficient equipment.

The EEG will provide up to 70% support for small and medium-sized enterprises ("SMEs") to adopt pre-approved energy-efficient equipment in the following categories: LED lighting, air-conditioners, cooking hobs, refrigerators, water heaters and clothes dryers. Grant support for qualifying costs will be capped at $30,000 per company per year.

Proposed : The Minister proposed to extend the EEG to more sectors including Manufacturing, Construction, Maritime, and Data Centres and their users. Existing grant schemes for the adoption of energy-efficient ("EE") equipment will be also gradually streamlined and subsumed under the EEG.

To be eligible, companies must be registered and operating in Singapore with

(i) At least 30% local shareholding;
(ii) At least one local employee; and
(iii) Group annual sales turnover of not more than $500 million.

Summary of the EEG Tiers of Support

Tier	Support Cap Per Company	Qualifying Equipment	Support Rate until 31 Mar 2026
Base Tier	Up to $30,000	Pre-approved EE equipment	Government support 70% and 30% of pre-approved EE equipment costs for SMEs and non-SMEs respectively.
Advanced Tier (for selected sectors)	Up to $350,000 across Base and Advanced Tiers	EE equipment need not be pre-approved but must show energy savings above 350t lifetime carbon abatement	Grant quantum based on lower of: • Support levels under Base Tier; or • EE equipment's expected lifetime carbon abatement

Commentary : The Government is embarking towards sustainability and energy efficient businesses using eco-friendly and less carbon emitting equipment. In order to reduce its greenhouse gas emissions, Singapore has switched from carbon-intensive fuel oil to natural gas for electricity generation. Natural gas, which has lower carbon content per unit of electricity generated, now constitutes more than 95 per cent of Singapore's fuel mix for electricity generation.

8. EXTENDING AND REVISING THE TAX INCENTIVE SCHEMES FOR FUNDS MANAGED BY SINGAPORE-BASED FUND MANAGERS

Current : Under sections 13D, 13O and 13U of the ITA, qualifying funds managed by Singapore-based fund managers ("Qualifying Funds") are granted the following tax concessions, subject to conditions:

(a) Tax exemption on specified income derived from designated investments;

(b) Withholding tax exemption on interest and other qualifying payments made to non-resident persons (excluding permanent establishments in Singapore); and

(c) GST remission on relevant expenses incurred.

The schemes are scheduled to lapse after 31 December 2024.

Proposed : The Minister proposed to extend the schemes till 31 December 2029 and the following key changes are introduced.

(a) The section 13O scheme will be enhanced to include Limited Partnerships registered in Singapore; and

(b) The economic criteria for Qualifying Funds under the sections 13D, 13O and 13U schemes will be revised.

These key changes will take effect from 1 January 2025.

MAS will provide further details by 3rd Quarter 2024.

Effective : Up to 31 December 2029.

Commentary : The objective is to continue supporting the growth of asset and wealth management industry in Singapore.

9. INTRODUCING AN ALTERNATIVE BASIS OF TAX WHERE THE QUALIFYING INCOME OF SHIPPING ENTITIES WILL BE TAXED BY REFERENCE TO NET TONNAGE FOR SPECIFIED MARITIME SECTOR INCENTIVE (“MSI”) SUB-SCHEMES

Current : Qualifying income is exempted from tax under the following MSI sub-schemes:

(a) MSI-Shipping Enterprise (Singapore Registry of Ship) (“MSI-SRS”)

The MSI-SRS award encourages shipping enterprises to register their ships in Singapore.

(b) MSI-Approved International Shipping Enterprise (“MSI-AIS”)

The MSI-AIS award encourages international ship owners and ship operators to establish their commercial shipping operations in Singapore.

(c) MSI-Maritime Leasing (Ship) (“MSI-ML(Ship)”)

The MSI-ML(Ship) award encourages entities to use Singapore as their capital and funding base to finance their vessels or sea containers.

Proposed : The Minister proposed to introduce an alternative basis of tax where the qualifying income of shipping entities is taxed by reference to the net tonnage of their ships under the MSI-SRS, MSI-AIS, and MSI-ML(Ship) from YA 2024.

The alternative basis of tax will apply to all qualifying ships of MSI entities under the respective MSI sub-schemes.

The existing tax treatment under the relevant MSI sub-schemes will continue to apply to MSI entities that are not under the alternative net tonnage basis of tax.

MPA will provide further details by 3rd Quarter 2024.

Effective : From YA 2024.

Commentary : The objective of the change is to better align Singapore’s tax regime for shipping entities with common international practices.

10. INTRODUCING AN ADDITIONAL CONCESSIONARY TAX RATE ("CTR") TIER OF 10% FOR THE FINANCE AND TREASURY CENTRE ("FTC") INCENTIVE

Current : The FTC Incentive encourages companies to grow treasury management capabilities and use Singapore as a base for conducting strategic finance and treasury management activities. FTC approved companies should have established international business and operations, and registered in Singapore.

Under the FTC incentive, approved companies are eligible for a CTR of 8% on qualifying income derived from:

1. Qualifying FTC services to approved network companies ("ANCs"); and
2. Qualifying FTC activities carried out by the FTC on its own account with funds obtained from qualifying sources

Proposed : An additional CTR tier of 10% will be introduced under the FTC incentive with effect from 17 February 2024.

EDB will provide further details by 2nd Quarter 2024.

Effective : From 17 February 2024.

Commentary : The change is part of the periodic review of Singapore's tax incentives to ensure that they remain relevant and competitive.

11. INTRODUCING AN ADDITIONAL CTR TIER OF 10% FOR THE AIRCRAFT LEASING SCHEME ("ALS")

Current : The ALS is aimed at encouraging companies to develop aircraft leasing capabilities and grow the aircraft leasing industry in Singapore. ALS approved companies must establish substantive activities and perform strategic functions in Singapore.

Under the ALS, approved aircraft lessors are eligible for a CTR of 8% on qualifying income derived from the leasing of aircraft or aircraft engine and qualifying ancillary activities.

Proposed : An additional CTR tier of 10% will be introduced under the ALS for approved aircraft lessors with effect from 17 February 2024.

EDB will provide further details by 2nd Quarter 2024.

Effective : From 17 February 2024.

Commentary : The change is part of the periodic review of Singapore's tax incentives to ensure that they remain relevant and competitive.

12. INTRODUCING AN ADDITIONAL CTR TIER OF 15% FOR THE DEVELOPMENT AND EXPANSION INCENTIVE ("DEI")

Current : The DEI was introduced to encourage companies to grow capabilities, conduct new or expanded economic activities, and establish their global or regional headquarters in Singapore.

Under the DEI, approved companies are eligible for CTRs of 5% or 10% on qualifying income.

Proposed : An additional CTR tier of 15% will be introduced under the DEI with effect from 17 February 2024.

EDB will provide further details by 2nd Quarter 2024.

Effective : From 17 February 2024.

Commentary : The change is part of the periodic review of Singapore's tax incentives to ensure that they remain relevant and competitive.

13. INTRODUCING AN ADDITIONAL CTR TIER OF 15% FOR THE INTELLECTUAL PROPERTY DEVELOPMENT INCENTIVE ("IDI")

Current : The IDI encourages companies to use and commercialise intellectual property rights ("IPR") arising from research and development in Singapore.

Under the IDI, approved companies are eligible for CTRs of 5% or 10% on qualifying income.

Qualifying income refers to royalties or other income receivable by the approved IDI company as consideration for the commercial exploitation of qualifying IPR (i.e. patents and copyrights subsisting in software) elected into the IDI.

Proposed : An additional CTR tier of 15% will be introduced under the IDI with effect from 17 February 2024.

EDB will provide further details by 2nd Quarter 2024.

Effective : From 17 February 2024.

Commentary : The change is part of the periodic review of Singapore's tax incentives to ensure that they remain relevant and competitive.

14. INTRODUCING AN ADDITIONAL CTR TIER OF 15% FOR THE GLOBAL TRADER PROGRAMME ("GTP")

Current : The GTP encourages established companies engaged in international physical trading to set up their trading operations in Singapore. Companies should have an international trading and distribution network, and a good track record.

Under the GTP, approved companies are eligible for CTRs of 5% or 10% on qualifying income, including:

(a) Income from physical trading
(b) Brokering of physical trades
(c) Derivative trading income
(d) Income from structured commodity financing activities

Proposed : An additional CTR tier of 15% will be introduced under the GTP with effect from 17 February 2024.

EnterpriseSG will provide further details by 2nd Quarter 2024.

Effective : From 17 February 2024.

Commentary : The change is part of the periodic review of Singapore's tax incentives to ensure that they remain relevant and competitive.

B INDIVIDUAL TAXATION

1. PERSONAL TAX RATES

Current : Residents are taxed at graduated rates from 0% to 24% (refer to attached **Appendix I)** from the YA 2024.

Proposed : No change to the existing personal income tax rates.

A one-off personal income tax rebate of 50%, subject to a cap of $200 per taxpayer, will be given to all tax resident individuals for the YA 2024.

Commentary : The personal income tax rebate is given in view of concerns over cost of living and is capped at $200 so that the benefits go mostly to middle-income workers.

2. RAISING DEPENDANT'S OR CAREGIVER'S INCOME THRESHOLD FOR DEPENDANT-RELATED RELIEFS

Current : Currently, the annual income of the dependant or caregiver cannot exceed $4,000 in the preceding year if a tax resident individual wishes to claim the following dependant-related reliefs:

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

Proposed : The income threshold of $4,000 will be increased to $8,000.

Effective : From YA 2025.

Commentary : The change is to allow more taxpayers who are providing for dependant family members to enjoy the dependant-related reliefs, while giving family members the flexibility to do some work.

3. LAPSING THE COURSE FEES RELIEF ("CFR")

Current : A tax resident individual may claim CFR with a maximum relief of $5,500 in each YA. To qualify, the course, seminar, or conference must:

(a) Be relevant to the individual's present or future trade, business, profession, vocation or employment; or

(b) Lead to an approved academic, professional or vocational qualification.

Proposed : The CFR will be lapsed with effect from YA 2026.

Effective : From YA 2026.

Commentary : The objective is to shift from tax reliefs to more targeted direct subsidies to support lifelong learning and upskilling through other Government initiatives.

Individuals can continue to receive support for upskilling, reskilling, and career transitions through other existing Government initiatives, for example, course fee subsidies for SkillsFuture Singapore-funded courses, SkillsFuture Credit, SkillsFuture Career Transition Programme, and Career Conversion Programmes.

4. REMOVING CPF CASH TOP-UP RELIEF FOR CASH TOP-UPS THAT ATTRACT MATCHING GRANT FROM THE GOVERNMENT UNDER THE MATCHED RETIREMENT SAVINGS SCHEME ("MRSS")

Current : Currently, cash top-ups to Retirement Account of a MRSS-eligible CPF member attract the MRSS matching grant and may also entitle the giver to the CPF Cash Top-Up Relief.

CPF Cash Top-Up Relief may, subject to conditions, be allowed to a giver for cash top-ups:

(a) made by the giver or the giver's employer on the giver's behalf, to the giver's own Special Account, Retirement Account or MediSave Account; and
(b) made by the giver to the Special Account, Retirement Account or MediSave Account of the giver's parent, parent-in-law, grandparent, grandparent-in-law, spouse or siblings. To qualify for tax relief for cash top-ups to spouse/siblings, a non-handicapped spouse/sibling must not have an annual income exceeding $4,000 (this income threshold will be raised to $8,000 from YA 2025) in the year preceding the year of top-up.

Proposed : The Minister proposed to remove the CPF Cash Top-Up Relief for cash top-ups made on or after 1 January 2025 to the Retirement Account of a MRSS-eligible CPF member that attract the MRSS matching grant.

A giver may continue to enjoy tax relief of up to $16,000 a year for eligible CPF cash top-ups that do not attract the MRSS matching grant. The maximum amount of CPF Cash Top-Up Relief is $8,000 per year for cash top-ups to the giver's own Special Account, Retirement Account or MediSave Account, and another $8,000 per year for cash top-ups to such accounts of the giver's loved ones.

This change will be accompanied by enhancements to the MRSS.

Effective : From YA 2026.

Commentary : This is to remove excessive benefit being granted as the MRSS matching grant is already a significant benefit extended by the Government.

C OTHERS

1. INCREASING SENIOR WORKERS' CPF CONTRIBUTION RATES

Current : In 2019, it was announced that the CPF contribution rates will be raised gradually for Singaporeans and Permanent Resident workers aged above 55 to 70.

Eventually, when the increases have been fully implemented, those aged above 55 to 60 will have the same CPF contribution rates as younger employees.

The Government has implemented the increase in senior workers' CPF contribution rates for workers aged above 55 to 70 each year in 2022 and 2023.

From 1 January 2024, the employer's and employee's CPF contribution rates are as follows:

With effect from 1 January 2024

Employee Age (Years)	Contribution Rates (for monthly wages > $750)		
	Employer %	Employee %	Total %
55 and below	17	20	37
Above 55 to 60	15	16	31
Above 60 to 65	11.5	10.5	22
Above 65 to 70	9	7.5	16.5
Above 70	7.5	5	12.5

Proposed : The next increase in senior workers' CPF contribution rates for workers aged above 55 to 65 will take place on 1 January 2025 as follows.

With effect from 1 January 2025

Employee Age (Years)	Contribution Rates (for monthly wages > $750)		
	Employer %	Employee %	Total %
55 and below	17	20	37
Above 55 to 60	15.5	17	32.5
Above 60 to 65	12	11.5	23.5
Above 65 to 70	9	7.5	16.5
Above 70	7.5	5	12.5

A one-year CPF Transition Offset equivalent to half of the 2025 increase in employer CPF contribution rates for every Singaporean and Permanent Resident worker will be provided to employers to mitigate the rise in business costs due to this increase. This will be provided automatically and employers need not apply for the offset.

Effective : From 1 January 2025.

Commentary : The change in the CPF contribution rates for senior employees is meant to enhance the retirement adequacy of seniors.

2. INCREASING THE ENHANCED RETIREMENT SUM (“ERS”)

Current : The ERS is the maximum amount of savings that members aged 55 and above can place in their CPF Retirement Account (“RA”) to earn RA interest rates and receive CPF monthly payments. Currently, the ERS is set at three times the Basic Retirement Sum (“BRS”).

Year	BRS	ERS at three times the BRS	
		ERS	Estimated Monthly Payouts *
2025	$106,500	$319,500	$2,530
2026	$110,200	$330,600	$2,610
2027	$114,100	$342,300	$2,690

* Estimated monthly payouts are based on the payouts of a male member who sets aside the ERS at age 55 and starts payouts under the CPF LIFE Standard Plan at age 65.

Proposed : The Minister proposed to raise the ERS from three times the BRS to four times.

Year	BRS	Revised ERS from 1 January 2025 (ERS at four times the BRS)	
		ERS	Estimated Monthly Payouts *
2025	$106,500	$426,000	$3,330
2026	$110,200	$440,800	$3,440
2027	$114,100	$456,400	$3,550

* Estimated monthly payouts are based on the payouts of a male member who sets aside the ERS at age 55 and starts payouts under the CPF LIFE Standard Plan at age 65.

Effective : From 1 January 2025.

Commentary : The change in ERS will allow CPF members to voluntarily top up more to their RA, by transferring their Ordinary Account savings or by making cash top-ups, in order to receive higher CPF monthly payouts in their retirement. With the raising of the ERS, more members aged 55 and above can opt to fully commit their accumulated CPF savings to receive higher CPF payouts.

3. CLOSING OF THE CPF SPECIAL ACCOUNT ("SA") FOR MEMBERS AGED 55 AND ABOVE

Current : Members aged 55 and above have two CPF accounts that hold savings intended for retirement payouts, that is, the SA and RA.

Both SA and RA savings earn the same long-term interest rate even though some SA savings can be withdrawn on demand from age 55.

Proposed : The Minister proposed to close the SA for members aged 55 and above. The SA savings will be transferred to RA, up to the Full Retirement Sum. These savings will continue to earn the long-term interest rate. Any remaining SA savings will be transferred to the Ordinary Account ("OA"), where they remain withdrawable and will earn the short-term interest rate.

Members can choose to transfer their OA savings to their RA at any time, up to the ERS. Once transferred to the RA, the monies will be committed towards higher retirement payouts and will earn higher interest.

With the closure of the SA for members aged 55 and above, all members will have three CPF accounts at any one time:

- For members below age 55, they will continue to have OA, SA, and MediSave Account ("MA").

- For members aged 55 and above, they will only have OA, RA and MA.

Effective : From early 2025.

Commentary : The above is to align CPF interest rates to the nature of CPF savings in each CPF account so that only savings that cannot be withdrawn on demand should earn long-term interest rate and savings that can be withdrawn on demand should earn the short-term interest rate.

4. ENHANCING THE MATCHED RETIREMENT SAVINGS SCHEME ("MRSS")

Current : In 2021, the Government introduced the MRSS as a pilot.

Under the current MRSS, the Government will match every dollar of cash top-up made to eligible CPF members aged 55 to 70, up to an annual cap of $600.

Anyone, including their families, employers, and the community, can make the top-ups to these eligible members' CPF RA. Givers may also be entitled to tax relief (i.e., CPF Cash Top-Up Relief) for cash top-ups that attract the MRSS matching grant.

Proposed : The Minister proposed to continue the MRSS beyond the current pilot and to expand the age eligibility and increase the matching grant cap.

Changes	Current	From 1 January 2025
Increase in matching grant cap	$600 per year	$2,000 per year, with a $20,000 cap over an eligible member's lifetime
Removal of age cap	55 to 70 years old	55 years and above
Removal of tax relief on cash top-ups for givers	Givers are eligible for tax relief on cash top-ups they make to MRSS-eligible members	Givers are not eligible for tax relief on cash top-ups that attract the MRSS matching grant

There is no change to the other eligibility criteria:

(a) RA savings below prevailing BRS. RA savings refer to the cash set aside in the RA (excluding amounts such as interest earned, any government grants received) plus amounts withdrawn such as monthly payouts and lump-sum withdrawals;

(b) Average monthly income not more than $4,000;

(c) Owns not more than one property; and

(d) Annual value of residence is not more than $21,000.

MRSS eligibility is automatically assessed every year. CPF Board will notify eligible members at the beginning of each year and members can also check their eligibility via the CPF website. As long as eligible members receive a cash top-up within the year, they will receive the matching grant the following year.

Effective : From 1 January 2025.

Commentary : The above is to strengthen Singapore's social compact and enable more seniors to meet their retirement needs.

5. REVISING THE ADDITIONAL BUYER'S STAMP DUTY ("ABSD") REMISSION CLAWBACK RATES FOR HOUSING DEVELOPERS ("HDs")

Current : HDs that purchase residential land are subject to 40% ABSD, comprising a

(i) 5% non-remittable component; and
(ii) 35% upfront remittable component.

The 40% ABSD (HD) rate applies to purchases of residential land on or after 16 December 2021.

For purchases made between 6 July 2018 and 15 December 2021, the applicable ABSD (HD) rate is 30%, comprising a

(i) 5% non-remittable component; and
(ii) 25% upfront remittable component.

If a licensed HD that develops five or more residential units fails to sell all their residential units within five years from the date of acquisition of the residential land, the remittable component will be clawed back with interest, regardless of the number of unsold units.

Proposed : With effect from 16 February 2024, projects with at least 90% of units sold at the five-year sale timeline will be subjected to a lower ABSD remission clawback rate, if the commencement and completion of works criteria are also fulfilled.

This applies for projects where the residential land was acquired on or after 6 July 2018.

The ABSD remission clawed back will be reduced by 1 percentage point to 10 percentage points, depending on the proportion of units sold at the five-year mark (refer to Table 1).

Table 1: Revised ABSD remission clawback rates for projects depending on date of acquisition of residential site and proportion of units sold at the prescribed sale timeline (assuming commencement and completion of housing development timelines are met)

Proportion of Units Sold (%) (Rounded down to nearest whole %)	**Projects with residential land acquired between 6 Jul 2018 and 15 Dec 2021, subject to 30% ABSD with upfront 25% remission**		**Projects with residential land acquired on or after 16 Dec 2021, subject to 40% ABSD with upfront 35% remission**	
	ABSD Remission Clawback Applicable before 16 Feb 2024 (%)	**ABSD Remission Clawback Applicable on or after 16 Feb 2024 (%)**	**ABSD Remission Clawback Applicable before 16 Feb 2024 (%)**	**ABSD Remission Clawback Applicable on or after 16 Feb 2024 (%)**
100	0	0	0	0
99	25	15	35	25
98	25	16	35	26
97	25	17	35	27
96	25	18	35	28
95	25	19	35	29
94	25	20	35	30
93	25	21	35	31
92	25	22	35	32
91	25	23	35	33
90	25	24	35	34
<90	25	25	35	35

Effective : From 16 February 2024.

Commentary : The objective is to ensure that the housing supply is released promptly while providing some flexibility for HDs to address the difficulties they may face in selling all units within the prescribed timelines.

6. NEW ADDITIONAL BUYER'S STAMP DUTY ("ABSD") CONCESSION FOR SINGLE SINGAPORE CITIZEN ("SC") SENIORS

Current : ABSD of 20% applies on the purchase of a second residential property ("RP") by all SCs. This applies regardless of whether they dispose of their first RP subsequently, as the purchase of the second RP adds to the demand for RPs at the time of purchase.

An exception was made for SC married couples buying a replacement RP. Under this concession, ABSD paid can be refunded provided that the first RP is sold within six months after the date of purchase of a completed RP, or the issue date of the Temporary Occupation Permit ("TOP") or Certificate of Statutory Completion ("CSC") of an uncompleted RP, whichever is earlier.

Proposed : To better support single SC seniors who wish to right-size their RP, the ABSD concession will be extended to single SC seniors aged 55 and above. For purchases on or after 16 February 2024, single SC seniors aged 55 and above can claim a refund of ABSD paid on the replacement private RP if they meet the following conditions:

(a) ABSD has been paid on the replacement RP;

(b) Each first RP is solely owned by a single SC aged 55 and above, or with single SCs aged 55 and above who are immediate family members (i.e. parent, child or sibling);

(c) The owners of each first RP need to be the owners of the replacement RP. Any additional owners purchasing the replacement RP with the owners of each first RP must also be single SCs aged 55 and above who are immediate family members. There should be no change of ownership in the replacement RP at the time of the sale of each first RP;

(d) The buyer(s) do not own more than one RP each at the point of purchasing the replacement RP, and have not purchased or acquired any other RP since the purchase of the replacement RP;

(e) The value of the replacement RP is less than the value of each of the first RP(s) sold;

(f) The buyer(s) dispose of the first RP(s) (whether co-owned or separately owned) within six months after the date of purchase of a completed RP, or the issue date of the TOP or CSC of an uncompleted RP, whichever is earlier; and

(g) The application for the refund of ABSD is made within six months after the date of sale of the first RP(s).

Effective : From 16 February 2024.

Commentary : The above would provide support for single seniors who wish to right-size their residential properties.

7. REVISING ANNUAL-VALUE ("AV") BANDS FOR OWNER-OCCUPIED RESIDENTIAL PROPERTY TAX ("PT") RATES

Current : Owner-occupied residential properties are taxed at progressive tax rates based on the property's annual value.

In Budget 2022, the progressive property tax rates for owner-occupied residential properties have been adjusted as follows.

Annual Value	Property Tax Rate for Owner-Occupied Residential Properties	
	Effective 1 Jan 2023	Effective 1 Jan 2024
First $8,000	0%	0%
Next $22,000	4%	4%
Next $10,000	5%	6%
Next $15,000	7%	10%
Next $15,000	10%	14%
Next $15,000	14%	20%
Next $15,000	18%	26%
Above $100,000	23%	32%

Proposed : The Minister proposed to revise the AV bands for owner-occupied residential progressive property tax rates as follows.

Marginal PT Rate	Portion of AV	
	From 1 Jan 2024 to 31 Dec 2024	From 1 Jan 2025 (i.e. from 2025 PT bills)
0%	$0 - $8,000	$0 - $12,000
4%	>$8,000 - $30,000	>$12,000 - $40,000
6%	>$30,000 - $40,000	>$40,000 - $50,000
10%	>$40,000 - $55,000	>$50,000 - $75,000
14%	>$55,000 - $70,000	>$75,000 - $85,000
20%	>$70,000 - $85,000	>$85,000 - $100,000
26%	>$85,000 - $100,000	>$100,000 - $140,000
32%	>$100,000	>$140,000

Effective : From 1 January 2025.

Commentary : The AV has risen sharply in the past two years affecting more owner-occupied properties than anticipated. The revision in the AV bands for the progressive property tax rates would allow home owners to pay lower property taxes.

8. INTRODUCING EXTENDED GIRO SCHEME FOR RESIDENTIAL PROPERTY (RETIREES) ("EGS - RESIDENTIAL PROPERTY (RETIREES)")

Current : Property owners who sign up for GIRO payment can enjoy a 12-month interest-free instalment payment plan for PT bills.

Proposed : To better support retirees, the 12-month interest-free GIRO instalment plan will be extended to up to 24 months, effective from PT bill 2024, for retirees who meet the following criteria:

(a) All owners of the property are aged 65 and above;

(b) The applicant must owner-occupy the residential property (i.e., live in the property they own); and

(c) The applicant's Assessable Income must not exceed $34,000 (based on latest tax assessment available).

Eligible retirees can apply for EGS Residential Property (Retirees) via IRAS' website or contact IRAS for more details.

Effective : From PT bill 2024.

Commentary : The above would help retirees living in higher-end residential homes who may face cash flow issues when paying their PT bill.

9. INTRODUCING AN OVERSEAS HUMANITARIAN ASSISTANCE TAX DEDUCTION SCHEME ("OHAS")

Current : Donors do not receive any tax deduction for overseas cash donations, unless they qualify for the Philanthropy Tax Incentive Scheme for Family Offices ("PTIS").

Proposed : To encourage giving towards overseas emergency humanitarian assistance causes, the OHAS will be piloted for four years from 1 January 2025 to 31 December 2028.

The OHAS will provide individual and corporate donors with 100% tax deduction for qualifying overseas cash donations. Qualifying overseas cash donations must meet the following two conditions to be eligible for tax deductions

(a) Donation must be made through a designated charity. The list of designated charities will be made available from 1 January 2025.

(b) Donation must be made towards a fundraiser for emergency humanitarian assistance with a valid Fund-Raising for Foreign Charitable Purpose ("FRFCP") permit from the Commissioner of Charities ("COC"). Designated charities are required to apply for a FRFCP permit from the COC prior to commencement of a fund-raising appeal for an emergency humanitarian assistance cause.

Tax deductions under OHAS will be capped at 40% of the donor's statutory income. For donors who also receive tax deductions under PTIS, tax deductions under both OHAS and PTIS will be jointly capped at 40% of the donor's statutory income.

Any unutilised tax deductions under the OHAS cannot be carried forward to offset the donor's income for any subsequent YA and cannot be transferred to another company of the same group under the Group Relief System for any YA.

Effective : From 1 January 2025 to 31 December 2028.

Commentary : The scheme is to encourage Singaporeans to make cash donations to support those affected by humanitarian crises overseas.

10. WITHDRAWING INCOME TAX CONCESSION ON ROYALTY INCOME ACCORDED TO AUTHORS, COMPOSERS, AND CHOREOGRAPHERS

Current : Royalty income derived by any author, composer, choreographer or any company wholly owned by such individuals in respect of literary, dramatic, musical and artistic work is brought to tax based on the lower of

(i) the net amount of royalties (i.e., gross amount of royalties, less allowable deductions and capital allowances), and

(ii) 10% of the gross amount of royalties.

Proposed : To ensure parity in the treatment of royalty income, the tax concession will be withdrawn in phases with effect from YA 2027.

For YA 2027 and YA 2028, eligible taxpayers may continue to claim the tax concession and report their taxable royalty income based on the lower of

(i) the net amount of royalties (i.e., gross amount of royalties, less allowable deductions and capital allowances), and

(ii) a specified rate applied on the gross amount of royalties. The specified rate will be as follows:

YA	Concessionary tax treatment
2027	40% of gross royalty
2028	70% of gross royalty

The tax concession will be lapsed after YA 2028. From YA 2029, taxpayers should report the net amount of royalties.

Effective : From YA 2027.

Commentary : This is to ensure parity in the treatment of royalty income.

APPENDIX I

RATES OF INCOME TAX
FOR RESIDENT INDIVIDUALS (SINGAPORE)

Tax Rates from YA 2017 to YA 2023				Tax Rates from YA 2024 onwards			
	Chargeable Income* ($)	Tax Rate (%)	Gross Tax Payable ($)		Chargeable Income* ($)	Tax Rate (%)	Gross Tax Payable ($)
On the first	20,000	0	0	On the first	20,000	0	0
On the next	10,000	2	200	On the next	10,000	2	200
On the first	30,000	-	200	On the first	30,000	-	200
On the next	10,000	3.5	350	On the next	10,000	3.5	350
On the first	40,000	-	550	On the first	40,000	-	550
On the next	40,000	7	2,800	On the next	40,000	7	2,800
On the first	80,000	-	3,350	On the first	80,000	-	3,350
On the next	40,000	11.5	4,600	On the next	40,000	11.5	4,600
On the first	120,000	-	7,950	On the first	120,000	-	7,950
On the next	40,000	15	6,000	On the next	40,000	15	6,000
On the first	160,000	-	13,950	On the first	160,000	-	13,950
On the next	40,000	18	7,200	On the next	40,000	18	7,200
On the first	200,000	-	21,150	On the first	200,000	-	21,150
On the next	40,000	19	7,600	On the next	40,000	19	7,600
On the first	240,000	-	28,750	On the first	240,000	-	28,750
On the next	40,000	19.5	7,800	On the next	40,000	19.5	7,800
On the first	280,000	-	36,550	On the first	280,000	-	36,550
On the next	40,000	20	8,000	On the next	40,000	20	8,000
On the first	320,000	-	44,550	On the first	320,000	-	44,550
In excess of	320,000	22		On the next	180,000	22	39,600
				On the first	500,000	-	84,150
				On the next	500,000	23	115,000
				On the first	1,000,000	-	199,150
				In excess of	1,000,000	24	

* Chargeable income = Income after tax reliefs

Note: For the Year of Assessment 2017, a one-off tax rebate of 20% of tax payable, subject to a cap of $500, is granted to resident individual taxpayers.

For the Year of Assessment 2019, a one-off tax rebate of 50% of tax payable, subject to a cap of $200, is granted to resident individual taxpayers.

For the Year of Assessment 2024, a one-off tax rebate of 50% of tax payable, subject to a cap of $200, is granted to resident individual taxpayers.

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