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FOR CLIENTS' INFORMATION ONLY 16 February 2021

Dear Sirs

THE 2021 SINGAPORE BUDGET COMMENTARY

The 2021 Budget focused from containment to restructuring of the Singapore economy in order to emerge stronger from a post-COVID-19 world. The Minister for Finance has set aside $11 billion for a COVID-19 Resilience Package by ensuring vaccinations programmes are rolled out effectively to all Singaporeans and continuing the support for workers and businesses with Jobs Support Schemes targeted at stressed sectors such as aviation, aerospace and tourism.

To build on new capabilities and make way for transformation, $24 billion has been allocated over the next three years to create a vibrant business sector and ecosystem for innovation. New platforms will be created on a global scale comprising the Corporate Venture Launchpad, Open Innovation Launchpad and Global Innovation Alliance. The government will be co-funding with corporates to build new ventures, collaborating on developing solutions for safe opening of worksites including providing catalyse for cross border collaboration between Singapore and major innovations hubs globally.

We are pleased to highlight in the following pages the tax and certain other changes as proposed in the 2021 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

WENDY WONG
DIRECTOR OF TAXES

Enc.

2021

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. Also, partial tax exemption is granted as follows on up to $300,000 of a company's normal chargeable income ("CI") from YA 2008 to YA 2019:

(i) 75% exemption on the first $10,000 CI; and
(ii) 50% exemption on the next $290,000 CI.

From YA 2020, the partial tax exemption is granted on up to $200,000 of a company's 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.

Commentary : The reduction in the ceiling on the partial tax exemption scheme from $300,000 to $200,000 was announced in Budget 2018.

2. CORPORATE INCOME TAX REBATE

Current : A 20% corporate tax rebate capped at $10,000 for the YA 2019 and a tax rebate of 25% capped at $15,000 for the YA 2020.

Proposed : No tax rebate was announced for the YA 2021.

3. START-UP TAX EXEMPTION SCHEME

Current : Full tax exemption on the first $100,000 of CI and 50% tax exemption of up to the next $200,000 CI for qualifying new companies including companies limited by guarantee for the first 3 consecutive YA upon incorporation from YA 2008 to YA 2019.

From YA 2020, the start-up tax exemption scheme has been replaced by a partial tax exemption for new qualifying companies. From YA 2020, partial 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.

Where a new qualifying company's first YA is 2019, the start-up tax exemption for YA 2019 will apply while the new parameters will apply in YAs 2020 and 2021.

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

Commentary : The reduction in the ceiling on the start-up exemption scheme from $300,000 to $200,000 was announced in Budget 2018.

4. ENHANCEMENT OF LOSS CARRY-BACK RELIEF SCHEME

Current : Companies are allowed a one-year carry-back of current year unutilised trade losses and capital allowances, subject to a cap of $100,000. Unutilised trade losses and capital allowances exceeding the $100,000 limit can still be carried forward.

The main features of the loss carry-back scheme are:

(a) Only current year unutilised trade losses and capital allowances will be allowed to be carried back for one YA immediately preceding the YA in which the trade losses were incurred or the capital allowances were granted.

(b) An aggregate amount of $100,000 of current year unutilised trade losses and capital allowances can be carried back.

(c) The scheme is available to all businesses, including sole proprietors and partnerships. In line with the exclusions in the loss carry-forward and group relief schemes, Section 10E companies that are in the business of making of investments are specifically excluded from the loss carry-back scheme.

(d) The existing requirements for carry-forward of unutilised trade losses and capital allowances (ie. the "substantial shareholding" test for companies and additionally for capital allowances the "same business" test) will similarly apply when these amounts are carried back.

(e) The carry-back relief is given on due claim.

The carry-back relief scheme was enhanced for YA 2020. Under the enhanced scheme, current year trade losses and capital allowances (collectively known as “qualifying deductions”) for YA 2020 may be carried back up to three immediate preceding YAs (i.e. YA 2017, YA 2018 and YA 2019), capped at $100,000 of qualifying deductions. Similar conditions, namely, substantial shareholding test and same business test must be satisfied.

Proposed : To continue providing support to businesses, the enhancements to the carry-back relief scheme will be extended to apply to qualifying deductions for YA 2021, with the same parameters.

Commentary : Similar to YA 2020, the enhancement of the carry-back relief scheme will enable businesses to claim a refund of tax paid in the preceding three YAs, up to a potential maximum of $17,000. This is aimed at helping businesses with their cash flow.

5. EXTENDING THE OPTION TO ACCELERATE THE WRITE-OFF OF COST OF ACQUIRING PLANT AND MACHINERY (“P&M”)

Current : Capital allowances are granted on capital expenditure incurred in the provision of P&M within the meaning of the Income Tax Act (“ITA”), for the purpose of a trade, profession or business.

Capital allowances may be claimed under Section 19 of the ITA over the working life of the assets as specified in the Sixth Schedule, or over 3 years as provided for under Section 19(A) of the ITA.

Further, the following capital expenditure incurred for the purpose of a trade, profession or business are entitled to 100% capital allowances.

(i) Computer and automation equipment.
(ii) P&M where the capital expenditure on each item does not exceed $5,000, and the aggregate claim for capital allowances on such items do not exceed $30,000 for each YA.

In Budget 2020, an accelerated write-down over 2 years is granted on capital expenditure incurred during the financial year ended 2020 that would generally qualify for a 3-year capital allowance claim.

The claim for the accelerated capital allowance is computed as follows.

(i) 75% of the capital expenditure for the 1st YA.
(ii) 25% of the capital expenditure for the 2nd YA.

The above option, if exercised, is irrevocable.

Proposed : The Minister proposed to extend the accelerated write-down over 2 years to capital expenditure incurred during the financial year ended 2021 that would generally qualify for a 3-year capital allowance claim with the same parameters as those proposed in Budget 2020.

Commentary : This aims to continue to provide support to businesses that intend to invest in new assets and to ease their cashflow.

6. EXTENDING THE OPTION TO ACCELERATE THE DEDUCTION OF EXPENSES INCURRED ON RENOVATION AND REFURBISHMENT (“R&R”)

Current : Under Section 14Q of the ITA, a taxpayer which incurs qualifying expenditure on R&R for the purpose of its trade, profession or business is allowed to claim tax deduction on such expenditure over 3 consecutive YAs, starting from the YA relating to the basis period in which the R&R expenditure is incurred.

A cap of $300,000 for every relevant period of 3 consecutive YAs applies.

Such R&R expenditure do not normally qualify for tax deduction or capital allowances.

In Budget 2020, a taxpayer which incurs qualifying expenditure on R&R during the basis period for YA 2021 (i.e. financial year 2020) 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 3 consecutive YAs still applies. This option, if exercised, is irrevocable.

Proposed : The Minister proposed to extend the option to claim R&R deduction in one year (i.e. accelerated R&R deduction) to qualifying expenditure incurred on R&R during the basis period for YA 2022 (i.e. financial year 2021) with the same parameters as those proposed in Budget 2020.

Commentary : This option will be in addition to the existing deduction currently available under Section 14Q of the ITA.

7. ENHANCING THE DOUBLE TAX DEDUCTION FOR INTERNATIONALISATION ("DTDi") SCHEME

Current : The DTDi scheme allows businesses a tax deduction of 200% on qualifying market expansion and investment development expenses, subject to approval from Enterprise Singapore or the Singapore Tourism Board ("STB").

No prior approval is required from Enterprise Singapore or STB for tax deduction on the first $150,000 ($100,000 prior to YA 2019) of qualifying expenses incurred on the following activities for each YA:

(a) Overseas business development trips/missions;
(b) Overseas investment study trips/missions;
(c) Participation in overseas trade fairs; and
(d) Participation in approved local trade fairs.

The DTDi scheme was scheduled to lapse after 31 March 2020.

In Budget 2020, the DTDi scheme is extended till 31 December 2025. Additionally, the scope of the DTDi scheme is enhanced to cover the following expenses incurred on or after 1 April 2020.

(a) Third-party consultancy costs relating to new overseas business development to identify suitable talent and build up business network; and.

(b) New categories of expenses incurred for overseas business missions (i.e. fees incurred on speaking spots to pitch products/services at overseas business and trade conferences, transporting materials/samples used during the business missions, and third-party consultancy costs to arrange business networking events to promote products/services).

Proposed : The Minister proposed to further enhance the DTDi scheme to cover the following specified expenses incurred on or after 17 February 2021:

1. Specified fees incurred on virtual trade fairs approved by Enterprise Singapore:

    (i) 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;

    (ii) Third party costs incurred to design and produce digital collaterals and promotion materials for the virtual trade fair;

    (iii) Logistics costs incurred to send materials / samples overseas to potential clients met at the virtual trade fair. The following conditions need to be met:

        (a) Both the business claiming tax deduction under the DTDi scheme and the recipient of the materials / samples have attended the approved virtual trade fair; and

        (b) The materials / samples are sent within six months from the end of the approved virtual fair.

2. Logistics costs to transport materials / samples used during overseas investment study trips/ missions.

In addition, the scope of qualifying activities which do not require prior approval from Enterprise Singapore or STB will be enhanced to cover the following additional activities, up to the current annual expense cap of $150,000:

(a) Product/service certification (primarily to increase buyer's acceptance in overseas markets) approved by Enterprise Singapore;

(b) Overseas advertising and promotional campaign;

(c) Design of packaging for overseas markets;

(d) Advertising in approved local trade publication; and

(e) Participation in virtual trade fairs approved by Enterprise Singapore.

Enterprise Singapore will provide further details of the changes by 28 February 2021.

Effective : From 17 February 2021 to 31 December 2025.

Commentary : The objective is to continue to support internationalisation efforts of businesses amid changes in the business environment.

8. EXTENDING AND REFINING DOUBLE TAX DEDUCTION ("DTD") FOR QUALIFYING UPFRONT COST ATTRIBUTABLE TO RETAIL BONDS UNDER MAS' SEASONING FRAMEWORK AND EXEMPT BOND ISSUER FRAMEWORK

Current : Bond issuers carrying on a trade or business in Singapore are allowed to claim a tax deduction of up to 200% on qualifying upfront costs incurred on or after 19 May 2016 that is attributable to retail bonds issued during the period from 19 May 2016 to 18 May 2021 (both dates inclusive) under the Seasoning Framework and Exempt Bond Issuer Framework.

The DTD scheme is scheduled to lapse after 18 May 2021.

Proposed : Extending the DTD scheme for qualifying upfront cost incurred on or after 19 May 2021 attributable to rated retail bonds, for example rated by credit agencies such as Standard & Poor, Moody's and Fitch (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.

MAS will provide further details of the changes by 31 May 2021.

Commentary : The refinement of the DTD scheme seeks to provide investors with the access to rated retail bonds. Credit rating improves market transparency by providing timely and independent assessments of the creditworthiness of bond issuers.

9. EXTENDING THE WITHHOLDING TAX ("WHT") EXEMPTION ON PAYMENTS MADE FOR STRUCTURED PRODUCTS

Current : Payments made to a non-individual, non-resident person (excluding any PE in Singapore) from structured products offered by a financial institution in Singapore are exempted from WHT if such payments are made under a contract that takes effect during the period from 1 January 2007 to 31 March 2021 (both dates inclusive).

The exemption is scheduled to lapse after 31 March 2021.

Proposed : The Minister proposed that the WHT exemption will be extended for another five years and will cover payments made under a contract that takes effect during the period from 1 January 2007 to 31 December 2026 (both dates inclusive). All other conditions of the WHT exemption remain the same.

MAS will release further details of the changes by 31 May 2021.

Effective : Extended from 1 April 2021 to 31 December 2026.

Commentary : The extension of WHT exemption on payments made for structured products aims to support Singapore's value proposition and competitiveness of its financial sector.

10. EXTENDING AND RATIONALISING THE WHT EXEMPTIONS FOR THE FINANCIAL SECTOR

Current : A range of WHT exemptions or remission is available for the financial sector for all interest and other payments falling within Section 12(6) of the ITA ("Section 12(6) payments").

A. All Section 12(6) payments made pursuant to interbank/ interbranch transactions by banks in Singapore for the purpose of their trade or business.

B. All Section 12(6) payments made to any non-resident person (excluding any permanent establishments ("PEs") in Singapore) by the specified entities, for the purpose of the specified entities' trade or business, are exempt from tax where such payments:

(a) are made during the period from 1 April 2011 to 31 March 2021 (both dates inclusive) under a contract that took effect before 1 April 2011; or

(b) are made under a contract that takes effect during the period from 1 April 2011 to 31 March 2021 (both dates inclusive). In such cases, the WHT exemption applies to the entire duration of the contract, including payments that are made beyond 31 March 2021 under that contract.

C. Specified entities are not required to withhold tax on all Section 12(6) payments made to any PE in Singapore if the payments:

(a) are made during the period from 17 February 2012 to 31 March 2021 (both dates inclusive) under a contract that took effect before 17 February 2012; or

(b) are made under a contract that takes effect during the period from 17 February 2012 to 31 March 2021 (both dates inclusive). In such cases, the specified entities do not need to withhold tax on all Section 12(6) payments that are made for the entire duration of the contract, including payments that are made beyond 31 March 2021 under that contract.

Notwithstanding paragraph C, the PEs in Singapore are required to declare the Section 12(6) payments in their annual income tax returns and are assessed to tax on such payments (unless the payments are specifically exempt from tax).

The WHT exemption for both B and C is scheduled to lapse after 31 March 2021.

Proposed : The Minister proposed the following changes to be made:

A. The existing WHT remission for interbank/ interbranch transactions will be legislated as a WHT exemption with effect from 1 April 2021, along with a review date of 31 December 2031. Under this WHT exemption, all 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 exempt from tax where such payments:

(a) are made during the period from 1 April 2021 to 31 December 2031 (both dates inclusive) under a contract that takes effect before 1 April 2021; or

(b) are made under a contract that takes effect during the period from 1 April 2021 to 31 December 2031 (both dates inclusive). In such cases, the WHT exemption will apply to the entire duration of the contract, including payments that are made beyond 31 December 2031 under that contract.

B. The WHT exemption on all Section 12(6) payments made to any non-resident person (excluding any PEs in Singapore) by the specified entities, for the purpose of the specified entities' trade or business, will be extended till 31 December 2026. All other conditions of the WHT exemption remain the same. WHT is exempted where such payments:

(a) are made during the period from 1 April 2011 to 31 December 2026 (both dates inclusive) under a contract that took effect before 1 April 2011; or

(b) are made under a contract that takes effect during the period from 1 April 2011 to 31 December 2026 (both dates inclusive). In such cases, the WHT exemption applies to the entire duration of the contract, including payments that are made beyond 31 December 2026 under that contract.

C. The WHT exemption where specified entities are not required to withhold tax on all Section 12(6) payments made to any PE in Singapore will be extended till 31 December 2026. All other conditions of the WHT exemption remain the same. This is applicable if the payments:

(a) are made during the period from 17 February 2012 to 31 December 2026 (both dates inclusive) under a contract that took effect before 17 February 2012; or

(b) are made under a contract that takes effect during the period from 17 February 2012 to 31 December 2026 (both dates inclusive). In such cases, the specified entities do not need to withhold tax on all Section 12(6) payments that are made for the entire duration of the contract, including payments that are made beyond 31 December 2026 under that contract.

As per the existing tax treatment, the PEs in Singapore are required to declare the Section 12(6) payments that they received in their annual income tax returns and are assessed to tax on such payments (unless the payments are specifically exempt from tax).

MAS will release further details of all changes by 31 May 2021.

Effective : Extended from 1 April 2021 to 31 December 2026.

New review date of 31 December 2031 introduced for WHT exemption for interbank/ interbranch transactions.

Commentary : The objective of the proposed changes and extension of WHT exemptions on the specified Section 12(6) payments is to support Singapore's value proposition and competitiveness of its financial sector.

11. EXTENDING THE WHT EXEMPTION ON PAYMENTS FOR OVER-THE-COUNTER ("OTC") FINANCIAL DERIVATIVES

Current : WHT exemption is allowed on payments made to any non-resident person (excluding any PE in Singapore) from OTC financial derivatives made by a financial institution in Singapore, where such payments:

(a) are made during the period from 20 May 2007 to 31 March 2021 (both dates inclusive) under a contract that took effect before 15 February 2007; or

(b) are made under a contract that takes effect during the period from 15 February 2007 to 31 March 2021 (both dates inclusive). In such cases, the WHT exemption applies to the entire duration of the OTC financial derivatives contract, including payments that are made beyond 31 March 2021 under that contract.

The WHT exemption is scheduled to lapse after 31 March 2021.

Proposed : The WHT exemption will be extended for another five years till 31 December 2026. All other conditions of the WHT exemption remain the same. All payments on OTC financial derivatives made by a financial institution in Singapore to any non-resident person (excluding any PE in Singapore) are exempt from WHT, where such payments:

(a) are made during the period from 20 May 2007 to 31 December 2026 (both dates inclusive) under a contract that took effect before 15 February 2007; or

(b) are made under a contract that takes effect during the period from 15 February 2007 to 31 December 2026 (both dates inclusive). In such cases, the WHT exemption applies to the entire duration of the OTC financial derivatives contract, including payments that are made beyond 31 December 2026 under that contract.

MAS will release further details of the changes by 31 May 2021.

Effective	:	Extended from 1 April 2021 to 31 December 2026.
Commentary	:	The extension of WHT exemption available on payments made on OTC financial derivatives is similarly with the objective to support Singapore's value proposition and competitiveness of its financial sector.

12. ALLOWING THE AUTOMATION SUPPORT PACKAGE ("ASP") TO LAPSE, BUT RETAINING THE 100% INVESTMENT ALLOWANCE ("IA") SCHEME TO SUPPORT AUTOMATION

Current	:	The ASP was introduced in Budget 2016 to support businesses to automate, drive productivity, and scale up. The ASP includes 100% IA support on the amount of approved capital expenditure, net of grants, for automation projects approved by Enterprise Singapore from 1 April 2016 to 31 March 2021. The approved capital expenditure for the 100% IA support is capped at $10 million per project.
Proposed	:	The ASP will be allowed to lapse after 31 March 2021. The Enterprise Development Grant, IA scheme, and the Enterprise Financing Scheme will however remain available to support businesses in their automation, productivity, and scale-up efforts. Specifically, the 100% IA scheme to support automation will be extended by two years, for automation projects approved by Enterprise Singapore from 1 April 2021 to 31 March 2023. All other conditions of the scheme remain the same.
Effective	:	Extended from 1 April 2021 to 31 March 2023 for specific schemes.
Commentary	:	The government's efforts to support firms to scale-up their productivity and automation processes continue despite the lapse of the ASP.

13. EXTENDING THE NOT-FOR-PROFIT ORGANISATION ("NPO") TAX INCENTIVE

Current	:	The NPO tax incentive provides tax exemption on the income derived by an approved NPO, subject to conditions. The incentive is scheduled to lapse after 31 March 2022.
Proposed	:	The NPO tax incentive will be extended till 31 December 2027.
Effective	:	Up to 31 December 2027.
Commentary	:	The objective is to continue attracting NPOs to Singapore.

14. EXTENDING AND ENHANCING THE INVESTMENT ALLOWANCE (ENERGY EFFICIENCY) (“IA-EE”) SCHEME

Current : The scheme provides for investment allowance for EE improvement projects, subject to conditions. Data Centres are subject to additional qualifying conditions under the IA-EE scheme, such as the following:

(a) Be compliant with the Singapore Standard for Green Data Centres (SS564:2010); and

(b) Have a minimum capacity of $400m^2$ (floor space).

The conditions above apply to EE improvement projects approved by EDB on or before 31 March 2021.

Proposed : The IA-EE scheme will be renamed the “Investment Allowance for Emissions Reduction” scheme, with the following revisions:

(a) Expansion in the scope of qualifying projects to include projects involving a reduction of greenhouse gas emissions; and

(b) Streamlined and updated eligibility conditions.

These will apply 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).

EDB will release further details of the changes by 30 June 2021.

Effective : From 1 April 2021 to 31 December 2026.

Commentary : The revisions in the scheme aim to encourage energy efficiency in all projects within Singapore without distinction between data centres and non-data centres.

15. ALLOWING THE INSURANCE BUSINESS DEVELOPMENT-SPECIALISED INSURANCE (“IBD-SI”) SCHEME TO LAPSE

Current : Under the IBD umbrella scheme, the IBD-SI scheme provides for a concessionary tax rate of 8% and 10% for new and renewal award recipients respectively, on qualifying income derived by a (re)insurer from carrying on specialised insurance and reinsurance business.

The IBD-SI scheme is scheduled to lapse after 31 August 2021.

Proposed : The IBD-SI scheme will be allowed to lapse after 31 August 2021.

Commentary : This is to streamline and simplify the IDB umbrella scheme.

With the lapse of the IBD-SI scheme, insurers engaged in the specialised insurance and reinsurance business can apply for the IBD scheme.

16. WITHDRAWING THE ACCELERATED DEPRECIATION ALLOWANCES FOR HIGHLY EFFICIENT POLLUTION CONTROL EQUIPMENT ("ADA-PCE") SCHEME

Current	:	The ADA-PCE scheme was introduced in Budget 1996 to encourage businesses to purchase and install clean technologies to improve air quality in Singapore. Under the scheme, businesses that incur capital expenditure to install qualifying highly efficient PCE can accelerate the write-off of the cost of acquiring such equipment over one year.
Proposed	:	The ADA-PCE scheme will be withdrawn from 17 February 2021.
Commentary	:	The regulatory measures to control pollution and emissions are reviewed regularly. The Ministry of Sustainability and the Environment ("MSE") and the National Environment Agency ("NES") will continue to regularly review the measures to manage pollution and improve air quality in Singapore.

17. EXTENDING THE ENHANCED TAX DEDUCTION ON DONATIONS

Current	:	Tax deduction of 250% is granted for qualifying donations made to Institutions of a Public Character ("IPCs") and other qualifying recipients from 1 January 2016 to 31 December 2021.
Proposed	:	The Minister proposed to extend the enhanced tax deduction of 250% for another two years from 1 January 2022 to 31 December 2023. Existing rules to qualify for the enhanced tax deduction remain the same.
Effective	:	Up to 31 December 2023
Commentary	:	The above is to encourage Singaporeans to give back to community.

18. EXTENDING THE BUSINESS AND INSTITUTIONS OF A PUBLIC CHARACTER ("IPCs") PARTNERSHIP SCHEME ("BIPS")

Current	:	Under BIPS, businesses will enjoy a 250% tax deduction on qualifying expenditure incurred when they send their qualifying employees to volunteer and provide services to IPCs, including secondments. The qualifying expenditure includes: (a) Basic wages; (b) Related expenses incurred only because of the services provided to IPCs and meet certain requirements. The qualifying expenditure is subject to a cap of $250,000 per business per YA.

A qualifying expenditure cap of $50,000 is also imposed on each IPC per calendar year.

Owners of businesses, i.e. sole-proprietors, partners and shareholders who are also directors of the same company are not considered qualifying employees.

The scheme applies to qualifying expenditure incurred from 1 July 2016 to 31 December 2021.

Proposed : The Minister has proposed to extend BIPS till 31 December 2023.

Existing rules to qualify for the enhanced tax deduction remain the same.

Effective : Up to 31 December 2023.

Commentary : The scheme is extended to continue supporting employee volunteerism through businesses.

B GOODS AND SERVICES TAX ("GST")

1. DEFERRING GST RATE INCREASE IN 2021

Current : The GST rate will remain at 7% in 2021 and GST rate increase would not take effect in 2021.

Commentary : The Minister commented that the GST rate increase will, subject to economic outlook, be planned to move sometime during 2022 to 2025.

2. EXTENDING GST TO:
(I) LOW VALUE GOODS WHICH ARE IMPORTED VIA AIR OR POST
(II) BUSINESS-TO-CONSUMER IMPORTED NON-DIGITAL SERVICES

Current : Goods imported via air or post that are valued up to (and including) the current GST import relief threshold of S$400 ("low-value goods") are not subject to GST.

Business-to-consumer imported non-digital services (such as live interaction with overseas providers of educational learning, fitness training, counselling and telemedicine) are also not subject to GST.

In Budget 2018, GST was extended to:

(a) Business-to-consumer imported digital services (such as video and music streaming services, apps, software, and online subscription fees). This is effected via the Overseas Vendor Registration regime; and

(b) Business-to-business imported services (both digital and non-digital). This is effected via the reverse charge regime.

The GST measure at (a) and (b) took effect from 1 January 2020, to ensure parity in GST treatment between local and overseas suppliers on their sales to local consumers and businesses, and ensure that Singapore's GST system remains resilient in a digital economy.

Proposed : The Minister proposed to extend GST to:

(a) Low-value goods which are imported via air or post. This will be effected via the Overseas Vendor Registration and reverse charge regimes.

Jurisdictions that have extended their GST or Value Added Tax ("VAT") regimes to cover imported low-value goods include Australia, New Zealand, Norway, Switzerland, and the United Kingdom.

GST is already and will continue to be collected on goods imported via land or sea, regardless of value.

(b) Business-to-consumer imported non-digital services. This will be effected via the Overseas Vendor Registration regime.

Jurisdictions which already tax similar services include Australia and New Zealand.

Effective : From 1 January 2023.

Commentary : The change, together with the change announced in Budget 2018, will ensure a level playing field for local businesses to compete effectively. Overseas suppliers of goods and services will be subject to the same GST treatment as local suppliers. This change will also ensure that Singapore's GST system remains resilient as the digital economy grows.

IRAS will consult the industry before finalising the implementation details.

3. CHANGING THE BASIS FOR DETERMINING WHETHER GST ZERO-RATING APPLIES TO A SUPPLY OF MEDIA SALES

Current : For GST purposes, the basis for determining whether zero-rating applies to a supply of media sales is based on the place of circulation of the advertisement:

(a) If the advertisement is intended to be substantially circulated outside Singapore, the media sales is zero-rated; or

(b) If the advertisement is intended to be substantially circulated in Singapore, the media sales is standard-rated.

Proposed : The basis for determining whether zero-rating applies to a supply of media sales will be updated, to be based on the place where the customer (i.e. the contractual customer) and direct beneficiary of the service belong:

(a) If the customer of the service belongs outside Singapore and the direct beneficiary either belongs outside Singapore or is GST-registered in Singapore, the media sales will be zero-rated; and

(b) If the customer belongs in Singapore, the media sales will be standard-rated.

Effective : From 1 January 2022.

Commentary : Online advertising has grown and is expected to account for an increasing share of advertising spending in future. Developments in digital technologies have also changed the way that media sales are supplied, and have made it more difficult for suppliers of digital media sales to determine the place of circulation.

C INDIVIDUAL TAXATION

1. PERSONAL TAX RATES

Current : Residents are taxed at graduated rates from 0% to 22% (refer to attached **Appendix I)** from the YA 2017.

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

D OTHERS

1. CENTRAL PROVIDENT FUND ("CPF") CONTRIBUTION RATES

Current : The employer's and employee's CPF contribution rates effective 1 January 2021 are as follows:

With effect from 1 January 2021

Employee Age (Years)	Contribution Rates (for monthly wages ≥ $750)		
	Employer %	Employee %	Total %
55 and below	17	20	37
Above 55 to 60	14	14	28
Above 60 to 65	10	8.5	18.5
Above 65 to 70	8	6	14
Above 70	7.5	5	12.5

Proposed : The above CPF contribution rates that take effect from 1 January 2021 were announced in the Budget 2020. No further change to the rates were announced by the Minister.

APPENDIX I

RATES OF INCOME TAX
FOR RESIDENT INDIVIDUALS (SINGAPORE)

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

* 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.

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