BSL Bulletin 2020

Issue 1

Bulletin Highlights

- SG United and New Resilience 2020 Budget

SG United and New Resilience 2020 Budget

(compiled by N Vimala Devi)

Amidst the COVID-19 outbreak from China that has since become a worldwide pandemic, the SG United Budget on 18 Feb 2020 was announced. As expected, the Minister of Finance gave a comprehensive supportive budget that aimed at helping adversely affected businesses and households.

It was an expansionary budget providing a $4 billion stabilization and support package to retain local workers including offsetting 8% of their wages up to a monthly cap of $3,600 for three months. A further $1.6 billion was set aside under the Care and Support Package for households.

The Digital Economy and the Internet of Things are greatly impacting and changing consumption, employment and market demands for different and new skills. In the future, there will be requirements for jobs that have not yet been invented. Hence, in this era of technological disruption, new approaches to education, training, and competencies must be adhered to and embraced. It was announced that another $8.3 billion would be spent on growing and transforming the economy over three years. The aims are to mitigate rising global trade protectionism, embracing technological advances as well as provide the necessary skills and training for the aging population.

Due to the worsening pandemic globally, just after 5 weeks on 26 March 2020, the Minister has provided a phenomenal $48.4 billion supplementary budget, which requires a drawdown of up to $17 billion from past reserves. The new Resilience Budget sets aside substantial funds to save jobs, help firms' funding requirements and help support adversely affected aviation and tourism sectors.

The previously announced property tax rebates are now extended to commercial buildings at 30%, and now a 100% property tax rebate is given to the aviation and tourism industries. The Jobs Support Scheme will offset 25%, up from previously announced 8%, of wages up to $4,600 of local employees which will be refunded to the employers automatically. The badly affected sectors will be granted higher wage offsets of 50% and 75% for food services, and aviation and tourism respectively.

Singapore remains competitive by maintaining its corporate tax rate at 17% to attract global businesses and multinationals to set up their operations and headquarters in Singapore. A 25% corporate income tax rebate capped at $15,000 for the year of assessment 2020 has been granted to companies to alleviate their cash flow.

Recently, the reverse charge at 7% on the importation of services as well as overseas vendor registration for providers of digital services was introduced with effect from 1 Jan 2020 to level the playing field for local service providers.

The anticipated GST hike to 9% will be deferred between 2022 and 2025. Consequently, another $6 billion will be set aside to cushion the impact of the anticipated 2% future increase in the goods and services tax. Under this Assurance Package for GST, every adult Singaporean will get a cash payout of between S$700 and S$1,600 over five years. This should ensure that lower-income Singaporeans will get offsets for a period of 5 to 10 years hence not adversely be impacted by the proposed GST hike.

In conclusion, the Minister has introduced an unprecedented myriad of support and measures that will go towards building a strong and resilient Singapore ready to face challenges that are coming fast and furious in this ever-changing world. The Government may even introduce further measures depending on how the COVID-19 situation pans out when businesses and households require more help when needed.

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Writers' Caveat

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