

Singapore Budget Synopsis 2011



INFINITY

Accountants & Business Advisors

Singapore Budget 2011

There has been much expectations about what the Finance Minister would bring about in his Budget 2011.

Wishes from all sectors of Singapore started to pour in amidst the exceptional economic performance in 2010. With the economic rebound and the general election due shortly, many expect the government to address issues concerning the rising inflation, the challenges to the cost of doing business and the income gap of the middle and lower income group.

This year's Budget, delivered by the Minister on 18 February 2011 has been crafted significantly with measures that seek to "strengthen both Singapore's economy and society for the future". It has also provided more support to SMEs and lower income households and especially children from the lower income families. Indeed efforts have been made to ensure that there is something for everyone.

With a Grow and Share package of \$3.2 billion comprising of a cash dividend hand-out of \$1.5 billion to all adult Singaporeans to help them offset the cost of inflation and the rest of it comprising of a mix of tax rebates, tax rate deductions, grants and CPF changes that will bring benefits to all Singapore taxpayers, the Minister is indeed mindful of managing the needs and expectations of Singaporeans. The cash dividend that will be given out on 1 May 2011 will benefit 2.5 million Singaporeans.

As in line with the previous year's Budget, this year Budget also focuses at achieving the following objectives:

- to grow the income of Singaporeans by 30% in real terms over this decade through growing our economy, upgrading our businesses and investing in raising skills, craftsmanship and the quality of service in every job;
- to strengthen and built an inclusive society where everyone, including the lower-income group, can contribute and share in the country's progress, regardless of where they start from.

Traditionally, instead of reducing tax rates, the government's approach to direct assistance to individual and corporate taxpayers are usually through the various comprehensive packages of rebates and subsidies.

At Infinity, we are pleased to provide you with this exclusive synopsis as a guide that may affect you and your business. As the proposals are yet to be enacted, our comments should not be considered definitive and readers are advised that they should not use or rely upon this synopsis as a basis for formulating decisions.

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CORPORATE TAX**1. Tax Rate***Present Position*

- ❖ The current corporate tax rate is 17% with partial exemption of up to \$300,000 of a company's normal chargeable income as follows:-

Chargeable Income	Exemption
	\$
1 st \$10,000 @ 75%	7,500
Bal. \$290,000 @ 50%	145,000
Total Exemption	152,500

- ❖ New start-up companies will enjoy a full tax exemption in its first \$100,000 of chargeable income and 50% tax exemption on the next \$200,000 of its chargeable income.

Proposed

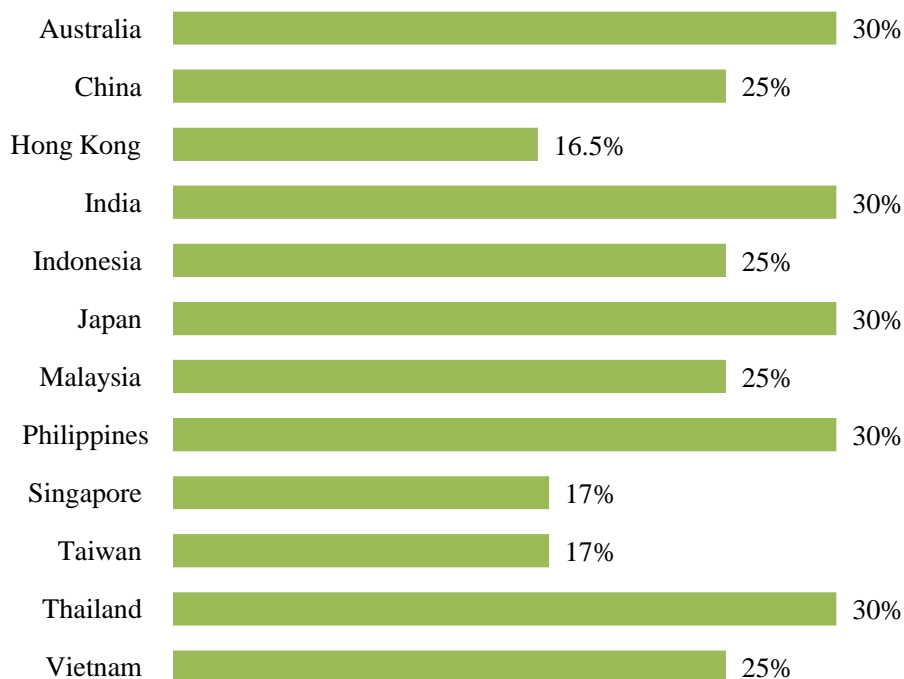
- ❖ Corporate income remains at 17%. All companies and registered business trust will receive a One-off Corporate Income Tax Rebate or SME Cash Grant for YA2011 as follows:-
 - i. Corporate Income Tax rebate of 20% of YA 2011 income tax payable, capped at \$10,000. The rebate will be computed on the tax payable amount after deducting tax set-offs (eg. double tax relief, unilateral tax credits and tax deducted at source).
 - ii. SME Cash Grant of 5% of the company's revenue for YA 2011, subject to a cap of \$5,000. In order to enjoy the SME Cash Grant, companies must have made CPF contributions for at least one employee (excluding directors and shareholders) in YA 2011.

1. Tax Rate (continued)

Comments

- ❖ The SME Cash Grant is in recognition of the fact that many small companies who are not taxable, would not be able to benefit from the tax rebate. Hence, this is an alternative measure to allow these companies to benefit from the exceptional growth in 2010. In addition, it is also a means for the government to provide some assistance to mitigate the significant cost increase faced by businesses thus relieving some pressure of corporate taxpayers.
- ❖ Companies do not need to apply for the Corporate Income Tax Rebate or SME Cash Grant as IRAS will compute the amount of the tax rebate or SME Cash Grant which a company will receive when companies file their YA 2011 tax return (eg. Form C) by 30 November deadline. Hence, the cash flow benefit may not be immediately felt.
- ❖ IRAS will release further details in April 2011.

Comparison of corporate tax rates of selected countries:-



- *The above rates are the top corporate income tax rates, excluding dividend, withholding tax or other form of taxes applicable to individual country.*

2. Enhancement of the Productivity and Innovation Credit Scheme (PIC)

Present Position

- ❖ The PIC Scheme was first introduced in Budget 2010. It provides enhanced tax deduction or allowance tax qualifying expenditure incurred on each of the six qualifying activities along the innovation value chain as follows:
 - i. Investment in Automation
 - 250% deduction or allowance for the first \$300,000 of expenditure incurred on qualifying investment in automation for each year of assessment and 100% allowance for the balance in excess of the first \$300,000.
 - Qualifying investment in automation will be based on the existing list of automation equipment in the “Income Tax (Automation Equipment) Rules 2010”. The list will be updated and expanded to include a wider range of equipment and software for automating processes.
 - ii. Training of Employees
 - 250% tax deduction for the first \$300,000 of qualifying expenditure incurred on external training and WDA-certified in-house training incurred for each year of assessment and 100% allowance for the balance in excess of the first \$300,000.
 - iii. Acquisition of Intellectual Property (IP)
 - 250% tax allowance for the first \$300,000 of qualifying costs from acquiring IP rights for each year of assessment and 100% allowance for the balance cost in excess of the first \$300,000.
 - iv. Investment in Design Work
 - 250% tax deduction for the first \$300,000 of qualifying expenditure on eligible design activities done in Singapore for each year of assessment and 100% tax deduction for the balance expenditure in excess of the first \$300,000.
 - This scheme is administered by the DesignSingapore Council.
 - v. Research and Development (R & D)
 - 250% tax deduction for the first \$300,000 of qualifying expenditure on R & D carried out in Singapore for each year of assessment.

2. Enhancement of the Productivity and Innovation Credit Scheme (PIC) (continued)

- 150% tax deduction for the balance expenditure in excess of the first \$300,000; and
 - 100% tax deduction for the balance of all other R & D expenditure, including expenditure incurred on overseas R & D which is related to an existing Singapore trade or business.
- vi. Registration of Intellectual Property Rights
- 250% tax deduction for the first \$300,000 of qualifying cost of registering patents, trademarks, designs and plant varieties incurred for each year of assessment and 100% tax deduction for the balance expenditure in excess of the first \$300,000.
 - A combined expenditure cap of \$600,000 is allowed for each of the qualifying expenditure for YA 2011 and YA 2012.
 - The PIC will be available for all businesses from YA 2011 to YA 2013.
 - Businesses which have at least 3 local employees (eg. Singapore Citizen and Permanent Residents with CPF contributions) may elect to convert up to \$300,000 of the qualifying tax deduction or allowances into a cash payout of up to \$21,000 for each YA.
 - The combined cap of up to \$42,000 of cash payout for YA 2011 and YA 2012.

Proposed

- ❖ The quantum of tax deduction or allowance is increased up to 400% (currently 250%) of expenditure, for the first \$400,000 (currently \$300,000) spent on each qualifying activity.
- ❖ PIC benefits will be extended to R & D done abroad.
- ❖ Businesses will be allowed to combine the \$400,000 expenditure cap for each qualifying activities into a new ceiling of S\$1,200,000 for YA 2013 to YA 2015.
- ❖ The combined expenditure cap for each qualifying activity are as follows:
 - (i) \$800,000 for YA 2011 and YA 2012
 - (ii) \$1,200,000 for YA 2013 to YA 2015

2. Enhancement of the Productivity and Innovation Credit Scheme (PIC) (continued)

- ❖ A simpler and enhanced cash conversion option where taxpayers can opt to receive, in lieu of tax deduction or allowance benefits, a cash payout of 30% of the first \$100,000 of qualifying expenditure, capped at \$30,000 (currently \$21,000).
- ❖ A summary of PIC enhancements scheme is as follows:

	Current	Proposed
Amount of tax deduction or allowance	250% on the first \$300,000 on qualifying expenditure	400% on the first \$400,000 on qualifying expenditure
Combined expenditure cap	YA 2011 to YA 2012: \$600,000 No combined expenditure cap for YA 2013 to YA 2015	YA 2011 to YA 2012: \$800,000 YA 2013 to YA 2015: \$1,200,000
PIC benefits for R & D activities	Applicable only to expenditure incurred in Singapore	Expanded to include R & D activities performed abroad
Cash conversion option	YA 2011 to YA 2012 combined: up to \$42,000 YA 2013: up to \$21,000	YA 2011 to YA 2012 combined: up to \$60,000 YA 2013: up to \$30,000

Comments

- ❖ The enhanced scheme enable businesses to enjoy the benefit of claiming for R & D expenditure incurred for R & D activities performed overseas whereas previously it was confined solely to Singapore. The flexibility is indeed encouraging to smaller businesses thus, encouraging them to invest in innovation and productively improvements.
- ❖ The enhancement provides the means for companies to embark on the challenge to innovate by investing in capital as well as human resources for the long term growth.
- ❖ IRAS will release further details by end June 2011.

3. Foreign Tax Credit (FTC) Pooling System

Present Position

- ❖ Currently foreign-sourced income is subject to tax in Singapore when it is received or deemed received in Singapore. A Singapore tax resident is eligible to claim a credit for the foreign tax suffered against his Singapore tax liability on this income.
- ❖ The amount of credit is restricted to the lower of the Singapore or foreign tax payable on the foreign income after setting off relevant expenses. Consequently, the credit may not use up the full amount of foreign tax suffered resulting in a disadvantage to tax payers. This is mainly because Singapore adopts a country-by-country, source-by-source basis in allowing the credit. Any excess of the foreign tax paid over the Singapore tax payable on a specific stream of remitted foreign income cannot be used to reduce the Singapore tax payable on other stream of remitted foreign income.

Proposed

- ❖ A FTC pooling system is introduced to give businesses greater flexibility in their claim of FTCs, reducing their Singapore taxes payable on remitted foreign income, as well as to simplify tax compliance.
- ❖ Under the FTC pooling systems, FTC is computed on a pooled basis, rather than on source-by-source and country-by-country basis for each particular stream of income remitted. The amount of FTC granted will be based on the lower of the aggregate foreign taxes paid or the aggregate Singapore tax payable on the pooled foreign income.
- ❖ Companies claiming FTC must satisfy the following conditions:-
 - i. The foreign income has been subjected to tax in the foreign country from which it was remitted.
 - ii. The headline tax rate of the foreign country from which the foreign income was remitted is at least 15% at the time such income is received in Singapore.
 - iii. The foreign income is subject to tax in Singapore and the Company is entitled to claim for FTC under the Income Tax Act.
- ❖ This will take effect from Year of Assessment 2012.

Comments

- ❖ The introduction of this pooling system is indeed a positive step forward for Singapore businesses in reducing their Singapore tax cost on remitted foreign income.

3. Foreign Tax Credit (FTC) Pooling System (continued)

- ❖ It also provides an alternative for businesses to claim FTC in a manner which will eventually optimize their overall tax position.
- ❖ IRAS will release further details by end June 2011.

4. Streamlining of Sections 14B and Section 14K Tax Deduction Schemes

Present Position

- ❖ Currently Sections 14B and 14K of the Income Tax Act allow approved firms to claim double or further tax deductions on eligible expenses incurred for qualifying market development activities and qualifying investment development activities respectively.
- ❖ Both incentives are administered by International Enterprise (IE) Singapore and Singapore Tourism Board and the tax deduction schemes currently do not have a sunset clause for the tax deduction scheme.

Proposed

- ❖ Sections 14B and 14K tax deduction schemes will be merged into a single scheme given their common objective of assisting businesses to internationalize and expand overseas. The merged scheme will also be simplified to allow more businesses to benefit from it.
- ❖ A sunset clause will be introduced for this scheme on 31 March 2016 and these changes will apply to applications submitted and approved on or after 1 April 2011.

Comments

- ❖ The proposed merger of the schemes which is expected to be simplified, is a logical step taken to streamline and reduce the administrative burden of taxpayer.
- ❖ The introduction of the sunset clause will allow the scheme to be review on a regular basis to ensure that they continue to be useful and relevant to the industry.
- ❖ IE Singapore will release further details by end March 2011.

5. Enhancement of Claim for Pre-Commencement Expenses

Present Position

- ❖ Currently expenses incurred prior to the commencement of business operations are not deductible for tax purposes. For tax purposes, the date of commencement of business is determined based on the facts and circumstances of each case.

Proposed

- ❖ Business will be allowed to claim pre-commencement revenue expenses incurred in the accounting year immediately preceding the accounting year in which they earn the first dollar of trade receipts.
- ❖ The change is effective from YA 2012. Business can claim pre-commencement revenue expenses incurred from accounting year 2010 (YA 2011) if the first dollar of trade receipts is earned in or after accounting year 2011 (YA 2012)
- ❖ All other existing conditions of the current concession apply.

Comments

- ❖ This is a move to facilitate and encourage the starting of new businesses especially those which require a longer preparation time in establishing their business aspirations.
- ❖ IRAS will release further details by end June 2011.

6. Extension of Tax Deduction for Employee Equity-Based Remuneration (EEBR) Scheme

Present Position

- ❖ Companies that grant employee stock options (ESOS) or share awards through treasury shares are accorded a tax deduction if they incur an actual outlay in buying back their own shares to fulfill their ESOS or share award obligations.
- ❖ No deduction however is allowed on the costs recharged to a company by its parent in respect of its parent company's newly issued shares in order to fulfill the company's EEBR obligations.

6. Extension of Tax Deduction for Employee Equity-Based Remuneration (EEBR) Scheme (continued)

Proposed

- ❖ With effect from YA 2012, a Company may set up a Special Purpose Vehicle (SPV) to act as trustee to acquire its parent company's shares for its EEBR Scheme as tax deduction would be granted for the cost incurred to acquire parent company's shares for the fulfillment of its EEBR obligations, where:-
 - i. The SPV is set up as a company or a trust, solely to administer the EEBR scheme(s) for companies within the group; and
 - ii. The SPV acquires the parent company's shares from the parent company or the market and holds them in trust for the employees of the companies within the group for the EEBR scheme(s).
- ❖ The Tax deduction is based on the lower of:-
 - i. The amount paid by the Company to the SPV for the parent company's shares; and
 - ii. The cost incurred by the SPV to acquire the parent company's shares, less any amount recovered from the Company's employees for the parent company's shares.

Comments

- ❖ The change provides greater flexibility for group companies to have its EEBR administered by a SPV.
- ❖ IRAS will release further details by end June 2011.

7. Renewal of Tax Exemption Scheme for Income Derived from Structured Products

Present Position

- ❖ Currently, income derived by non-resident non-individuals from any structured products offered by a financial institution in Singapore is exempt from tax subject to certain conditions. This is applicable to payments made on structured products where the contracts take effect, are renewed or extended during the period from 1 January 2007 to 31 December 2011.
- ❖ Income received by an individual from any structured products offered by a financial institution in Singapore is also exempted from tax subject to certain conditions.

7. Renewal of Tax Exemption Scheme for Income Derived from Structured Products (continued)

Proposed

- ❖ The existing tax exemption scheme for income derived from structured products will be extended to 31 March 2017. There is no change to the current tax exemption for income derived from structured products by non-resident individuals.
- ❖ All other existing conditions of the current scheme will apply.

Comments

- ❖ The extension of this scheme to 31 March 2017 is indeed a welcome move to non-resident investors and would further encourage activities in the financial and wealth management sector.

8. Tax Benefits for Voluntary CPF Medisave Contributions of Self-Employed Persons

Present Position

- ❖ Currently, voluntary contributions made by companies to CPF Medisave Accounts of self-employed persons (SEPs) are not tax deductible to the companies and are taxable in the hands of the SEPs.

Proposed

- ❖ Eligible companies that make voluntary contributions to self-employed persons' CPF Medisave Accounts from 1 January 2011 will be given tax deduction with effect from YA 2012.
- ❖ To qualify for tax deduction, the contribution must meet the following conditions:-
 - i. The contribution is made to the Medisave Account of a self-employed person (SEP);
 - ii. The contribution is made in cash by a company;
 - iii. The contract between the company and the SEP must provide for:
 - the rental or loan of assets by that company to the SEP, for the SEP to carry on his trade, profession, business or vocation; or

8. Tax Benefits for Voluntary CPF Medisave Contributions of Self-Employed Persons (continued)

- the provision of services by the SEP to the company, where the SEP and that company are in the same trade, profession or vocation.
- ❖ For any calendar year, tax deduction will be given for contributions not exceeding \$1,500 per SEP, and within CPF annual limit and Medisave contribution ceiling.

Comments

- ❖ This initiative is to assist SEPs who are in business relationship with the companies (eg. Taxi drivers with taxi companies) in helping them to make voluntary contributions to the CPF Medisave Accounts of their SEP partners to cater for medical cost and retirement needs.

9. Enhancement to Deductions on Donations

Present Position

- ❖ Donations made to an approved Institution of a Public Character (IPC), or other approved recipients qualify for dollar tax deduction.
- ❖ For donations made between 1 January 2009 and 31 December 2010 (both dates inclusive) an enhanced 250% tax deduction is allowed.

Proposed

- ❖ The enhanced tax deduction of 250% would be extended for another five years for donations made during the period from 1 January 2011 to 31 December 2015 (both dates inclusive).

Comments

- ❖ The extension is aimed to encourage more charitable giving to IPCs.

10. Extension of Captive Insurance Tax Incentive Scheme

Present Position

- ❖ Approved captive insurance companies on this scheme can enjoy tax exemption on qualifying income derived from the carrying on of offshore insurance business for a period of 10 years.
- ❖ The sunset clause for this scheme was 16 February 2011.

Proposed

- ❖ This scheme will be extended up to 31 March 2018. An award renewal framework would also be introduced with effect from 19 February 2011.

Comments

- ❖ This is to promote the use of Singapore as a location for captive insurance and thus strengthen Singapore's position as an insurance hub.
- ❖ MAS will release further details of the changes by end April 2011.

11. Extension Marine Hull and Liability Insurance Tax Incentive Scheme

Present Position

- ❖ Currently, insurers on this scheme can enjoy tax exemption on qualifying income derived from the carrying on of marine hull and liability insurance business for up to 10 years.

Proposed

- ❖ The following changes will be made to the scheme:-
 - i. The scheme would be subject to a sunset clause of 31 March 2016.
 - ii. An award renewal framework will be introduced for incentive recipients with effect from 19 February 2011.

Comments

- ❖ The introduction of the sunset clause is to enable the government to review the scheme on a regular basis to ensure that it will continue to be useful and relevant to businesses.
- ❖ MAS will release further details of the changes by end April 2011.

12. Extension of Enhancement of Specialised Insurance Tax Incentive Scheme

Present Position

- ❖ Currently, insurers on this scheme can enjoy tax exemption on qualifying income derived from carrying out offshore specialised insurance business for a period of 5 years. The specialised insurance businesses under this scheme relate to the underwriting of Terrorism, Political, Energy and Aviation and Aerospace risks.
- ❖ The sunset clause for this scheme is 31 August 2011.

Proposed

- ❖ This scheme will be extended for a further period of 5 years up to 31 August 2016.
- ❖ With effect from 19 February 2011, this scheme will be enhanced to cover agriculture insurance and incentive recipients would be subject to an award renewal framework.

Comments

- ❖ The proposed extension and enhancement would help the industry players in underwriting special risks and thus enhance Singapore's position as a location for specialised insurance business.
- ❖ MAS will release further details of the change by end April 2011.

13. Withdrawal of Withholding Tax Exemption Scheme for Financial Guaranty Insurers

Present Position

- ❖ Currently, claim payments under financial guaranty insurance policies made by a licensed financial guaranty insurer to non-resident beneficiaries are exempted from withholding tax.

Proposed

- ❖ With effect from 19 February 2011, this scheme will be discontinued.

13. Withdrawal of Withholding Tax Exemption Scheme for Financial Guaranty Insurers (continued)

Comments

- ❖ The objective of this scheme is limited in application and is no longer considered relevant.

14. Maritime Sector Incentive

Present Position

- ❖ Currently, the various tax incentives available to ship operators, maritime lessors and providers of certain supporting shipping services are summarised below:-

	Incentive	Benefit
1.	Section 13A of the Income Tax Act	Tax exemption on qualifying income derived from operating Singapore-flagged and foreign-flagged ships
2.	Approved International Shipping Enterprise (AIS) Scheme	Tax exemption on qualifying income derived from operating foreign-flagged ships
3.	Maritime Finance Incentive (MFI)	Tax exemption or concessionary tax rate (5% or 10% depending on the type of activities) on qualifying income derived from leasing ships or containers and managing an approved shipping or container investment enterprise
4.	Approved Shipping and Logistic (ASL) Scheme	10% concessionary tax rate on incremental qualifying income derived by approved shipping agencies, ship management companies, freight forwarders and logistics operators
5.	Ship Broking and Forward Freight Agreement (FFA) Trading Incentives	10% concessionary tax rate on incremental qualifying income derived by approved ship brokers and approved FFA traders

- ❖ Withholding tax exemption is also granted on a case-by-case basis on qualifying payments made in respect of qualifying foreign loans taken to finance the construction or purchase of ships, subject to conditions.

14. Maritime Sector Incentive (continued)*Proposed*

- ❖ With effect from 1 June 2011, all existing tax incentives for the maritime sector will be streamlined and consolidated under the new Maritime Sector Incentive (MSI) Scheme.
- ❖ New enhancements will be introduced and existing recipients will transit automatically to the new scheme on 1 June 2011.
- ❖ The changes and enhancement will be consolidated under 3 broad categories:-
 - i. International Shipping Operators
 - This category aims to attract ship operators to base their operations in Singapore and encourage the registration of ships with the Singapore Registry of Ships. Existing entities enjoying tax benefits under Section 13A of the Income Tax Act and AIS Scheme will transit to the category of MSI.
 - In addition, entity's under International Shipping Operators category of MSI will, subject to conditions, enjoy automatic withholding tax (WHT) exemption on qualifying payments made in respect of qualifying foreign loans taken to finance the purchase or construction of both Singapore-flagged and foreign-flagged ships, without having to apply for such approval, on a case-by-case basis.
 - A new award will also be introduced for qualifying entry players. Entities approved under this award will be granted similar tax benefits as the current AIS scheme by a non-renewable tenure period of 5 years. The sunset clause for the new awards will be 31 May 2016.
 - ii. Maritime (Ship or Container) Leasing
 - This category of the MSI aims to promote the growth and development of ship and container financing in Singapore. Existing entities enjoying benefits under the current MFI scheme will transit to this category of the MSI and enjoy the same tax benefits. The sunset clause for this category is 31 May 2016.
 - In addition, approved ship lessors will, subject to conditions, enjoy automatic WHT exemption on qualifying payments made in respect of qualifying foreign loans taken to finance the purchase or construction of both Singapore-flagged and foreign-flagged ships, without having to apply for such approval on a case-by-case basis.

14. Maritime Sector Incentive (continued)

iii. Supporting Shipping Services

- This category of the MSI aims to encourage supporting shipping service providers to base their operations in Singapore, and to encourage more shipping conglomerates to conduct their ancillary activities here. Under this category, a new 5-year award will offer 10% concessionary tax rate on incremental qualifying income derived from the provision of qualifying supporting shipping services. Qualifying supporting shipping services include:
 - a. Ship management, ship agency, and shipping freight/logistic services (currently covered under the ASL scheme);
 - b. Ship broking and FFA trading (currently covered under the ship broking and FFA trading incentive); and
 - c. Qualifying corporate services.
- The sunset clause for this category of MSI award will be 31 May 2016.

Comments

- ❖ The change is aimed to simplify and enhance the tax incentives for the Maritime Sector which is ultimately to promote Singapore as an international maritime centre.
- ❖ The exemption of withholding tax on qualifying payment made in relation to the qualifying loans procured to finance the acquisition or construction of ships would undoubtedly make the cost of financing cheaper.
- ❖ The Maritime and Port Authority of Singapore will release further details by end May 2011.

15. Enhancement to the Tax Incentive Scheme for Trustee Company*Present Position*

- ❖ Currently, approved trustee companies can enjoy a concessionary tax rate 10% on income derived from the provision of qualifying trustee and custodian services, trust management and administrative services.

15. Enhancement to the Tax Incentive Scheme for Trustee Company (continued)

Proposed

- ❖ To streamline the scheme and align the administration of the incentive with other tax incentive schemes, the following changes will be made:-
 - i. A sunset clause of 31 March 2016 will be introduced.
 - ii. Award recipients approved on or after 1 April 2011 will be offered a 10 year award tenure.
 - iii. All existing award recipients will automatically transit to the new framework on 1 April 2011. They will enjoy the benefits of the scheme for a period of 10 year ending 31 March 2021.
 - iv. The list of qualifying activities will be expanded to include the provision of trustee and custodian service in respect of the issue of units to foreign Collective Investment Schemes and foreign Business Trusts with effect from 1 April 2011.

Comments

- ❖ This scheme will encourage the growth and development of trustee business, management and administration in Singapore so as to complement the growth of fund management industry here.
- ❖ MAS will release further details by end April 2011.

16. Enhancement of the Global Trader Programme (GTP)

Present Position

- ❖ Currently, an approved GTP Company is granted a concessionary tax rate of 5% or 10% on its income derived between 27 February 2009 and 31 December 2013 from qualifying trade in the following qualifying derivative instruments:-
 - i. exchange-traded and over-the-counter (OTC) commodity derivatives in a commodity which is in the approved GTP company's list of the approved commodities; and
 - ii. exchange-traded and OTC freight derivatives.

16. Enhancement of the Global Trader Programme (GTP) (continued)

- ❖ Derivatives instruments such as interest-rate swap and foreign derivatives are not covered under the GTP.
- ❖ The current GTP scheme does not have a sunset clause. The various enhancements to the GTP scheme however have sunset clauses ending at different times.
- ❖ As part of the incentive award, GTP company can enjoy the following:-
 - i. Concessionary tax rate of 5% to 10% on qualifying income derived between 27 February 2009 and 31 December 2013 from commodity futures trading on any exchange and from trading in exchange-traded freight derivatives on any exchange; and
 - ii. 5% concessionary tax rate on qualifying income derived between 24 May 2007 and 23 May 2017 from qualifying transactions in liquefied natural gas.
- ❖ A GTP (Structured Commodity Finance) company approved during 21 May 2010 to 20 May 2015 can enjoy a concessionary tax rate of 5% or 10% on qualifying income derived from carrying out structured commodity financing activities.

Proposed

- ❖ To facilitate better risk management amongst GTP companies, this existing list of qualifying derivative instruments will be expanded to include all derivative instruments, including interest-rate swaps and forex derivatives. This enhancement will be applicable to income from qualifying trades in the new qualifying derivative instruments derived by a GTP Company from the YA 2012.
- ❖ The sunset clause of 31 March 2021 will be introduced. The existing sunset clauses for the various GTP will also be aligned to this common sunset clause of 31 March 2021 at the scheme level.
- ❖ Companies can be approved as a GTP Company or GTP (Structured Commodity Finance) company on or before 31 March 2021. The GTP company could enjoy the benefits under the various enhancements during their award tenure of up to 5 years.

16. Enhancement of the Global Trader Programme (GTP) (continued)

Comments

- ❖ This enhancement is intended to strengthen our commodity trading market and create spin-offs for our financial sector.
- ❖ The introduction of a sunset clause is in line with the Government's policy to review the scheme regularly in order to ensure that it remains effective and relevant.
- ❖ IE Singapore will release further details by end April 2011.

17. Enhancement of the Finance and Treasury Centre Incentive (FTC)

Present Position

- ❖ Currently, the Finance and Treasury Centre (FTC) Incentive confers a concessionary tax rate of 10% on income derived from qualifying treasury management activities undertaken on behalf of approved network companies.
- ❖ In order to qualify as an approved network company, at least 25% of the company's issued capital must be beneficially held by a FTC company or the company must beneficially hold at least 25% of the FTC.
- ❖ For a Singapore company to qualify as an approved network company (Local Network Company or LNC) of a FTC, the total revenue of the LNC must not exceed 10% of the group's annual total revenue globally (referred to as the revenue ratio).

Proposed

- ❖ The revenue ratio used to determine the income of LNC will exclude related party transactions.
- ❖ The sunset clause of 31 March 2016 will be introduced.

Comments

- ❖ The exclusion of related party transactions is consistent with the global revenue presented in the consolidated financial statements of the ultimate holding company where inter-company transactions are excluded. This will result in a more accurate and meaningful indicator of the local network companies' contribution towards the group revenue.
- ❖ The introduction of the sunset clause is in line with the Government's policy to review the scheme regularly in order to ensure that it remain effective and relevant.

INDIVIDUAL TAX**1. Reduction of Personal Income Tax Rates***Present Position*

- ❖ Tax rates applicable to Singapore resident taxpayers range progressively from 3.5% to 20%.

Proposed

- ❖ With effect from YA 2012 the new tax rate for resident individual is as follows:-

Chargeable Income	Rate (%)	Gross Tax Payable (\$)
First \$20,000	2	200
Next \$10,000		
First \$30,000	3.5	350
Next \$10,000		
First \$40,000	7	2,800
Next \$40,000		
First \$80,000	11.5	4,600
Next \$40,000		
First \$120,000	15	6,000
Next \$40,000		
First \$160,000	17	6,800
Next \$40,000		
First \$200,000	18	21,600
Next \$120,000		
First \$320,000	20	42,350
Next \$320,000		

Comments

- ❖ The change in personal income tax rate is intended to benefit the middle and lower income taxpayers. Although the tax liabilities are likely to reduce at all levels, it is surprising that the Government has actually increased the tax rates for individuals earning above \$120,000. By introducing the new 15% and 18% tax brackets, it has resulted in that the effective tax rates at the top end of the tax bracket remains substantially unchanged.
- ❖ Notwithstanding the fact that our tax rate would ranked amongst the lowest in the region, more could have been done to revise the 'Personal reliefs' so as to remain relevant.

2. One-off Personal Income Tax Rebate

Present Position

- ❖ There has been no one-off income tax rebate currently.

Proposed

- ❖ All resident individual taxpayers will be given a one-off personal tax rebate of 20%, capped at \$2,000 per taxpayer in respect of tax payable for YA 2011.

Comments

- ❖ This means that all taxpayers will have their final tax liabilities on income earned during 2010 reduced by 20%, capped at \$2,000. The one-off rebate also known as the growth dividend is intended to be shared amongst Singaporeans in view of the stronger than expected economic growth in 2010 and rising inflation.

3. Supplementary Retirement Scheme Contribution Cap

Present Position

- ❖ Currently, the annual Supplementary Retirement Scheme (SRS) contribution caps are \$11,475 for Singapore citizens and Singapore permanent residents and \$26,775 for foreigners. This amount are based on the contribution rates of 15% and 35% respectively, multiplied by the absolute income base of \$76,500 which is pegged to the CPF Total Wage cap.

	Singaporean / PR	Foreigner
SRS contribution rate	15%	35%
Maximum SRS contribution = SRS contribution rate x Absolute Income base	15% x \$76,500 = \$11,475	35% x \$76,500 = \$26,775

Proposed

- ❖ With effect from 1 January 2011, annual SRS contribution cap will be increased to \$12,750 for Singapore citizens/PR and \$29,750 for foreigners.

Comments

- ❖ The increase is in line with the increase in CPF salary ceiling from \$4,500 to \$5,000 per month.

4. Higher CPF Contribution Rate and Salary Ceiling

Present Position

- ❖ Employee who is 50 years old and below and earning wage exceeding \$1,500 per month, the employers CPF contribution rate is 15% up to a ceiling of \$4,500 per month for ordinary wages.

Proposed

- ❖ With effect from 1 September 2011:-
 - i. The employer CPF contribution rate will be raised by 0.5% resulting in the total combined rate to 36%.
 - ii. The increased contribution will be credited to the employees' CPF Special Account.
 - iii. The monthly CPF salary ceiling will also be increased from \$4,500 to \$5,000.

Comments

- ❖ The increase CPF contribution will add further cost to doing businesses.
- ❖ The increase CPF ceiling from \$4,500 to \$5,000 will also means that employees will have a slightly lower take-home pay.

5. Exemption of Alimony and Maintenance Payments

Present Position

- ❖ Alimony and maintenance payment received from former spouses or spouses under a Court Order or Deed of Separation will be taxable in the hands of the recipients.
- ❖ Taxpayers on the other hand can claim for spouse relief or handicapped spouse relief if payments are made under a Court Order or Deed of Separation.

5. Exemption of Alimony and Maintenance Payments (continued)

Proposed

- ❖ With effect from Year of Assessment 2012:-
 - i. Taxpayers will be exempted from tax on alimony and maintenance payment they received under a Court Order or Deed of Separation.
 - ii. On the other hand, the spouse relief and handicapped spouse relief will no long be granted to taxpayers for maintaining their ex-spouses.

Comments

- ❖ Recipients of alimony and maintenance payments will have more disposable income at hand.

GOODS AND SERVICES TAX (GST)

1. GST Changes to Marine Industry

Present Position

- ❖ Currently, Zero rating of GST is allowed on the sale and rental of goods (including Stores and Merchandise) for use or installation on a “ship” (as defined in the GST Act) provided that the supplier maintains the requisite documentary proof.

Proposed

- ❖ With effect from 1 October 2011:-
 - i. A new GST scheme will be introduced to allow “approved marine customers” to buy or rent goods without having to pay GST, as long as they are use for installation on the commercial ship that is wholly for international travel.
 - ii. Suppliers may zero-rate the sale and rental of goods to “approved marine customers” without having to maintain the requisite documentary proof.
 - iii. Zero-rating of repair and maintenance services would also be extended to include the following scenarios:-
 - Repair or maintenance service performed on ship parts or components which are delivered to:-
 - a. Shipyards in Singapore; or
 - b. Approved Marine Customers
 - Supply of a re-conditioned ship part or component in exchange for faulty part will be considered a single supply of repair services.

Comments

- ❖ The proposed changes will further enhance the GST changes for the marine industry. By removing the requirement to provide documentary proof would also ease compliance cost.
- ❖ The extension of zero-rating treatment to include the above delivery scenarios is a welcome move as these are common commercial arrangements within the marine industry.
- ❖ IRAS and the Singapore Customs will release further details by 1 September 2011.

2. Removal of Documentary Requirements and Granting of New Input GST Relief in Marine Industry

Present Position

- ❖ Currently documentary proof for GST relief is required for a qualifying ship engaged in pleasure, recreation, sports and other similar events which is in Singapore only for a temporary period of time with intention to depart Singapore as soon as possible.
- ❖ Import GST is payable for goods shipped and remained on board a qualifying ship which is in Singapore for a temporary period of time.

Proposed

- ❖ Waiver of documentary requirements and granting of a new import GST relief is effective from 1 October 2011.

Comments

- ❖ The change will reduce administrative work to maintain the requisite documentary proof, thus reducing compliance cost.
- ❖ The Singapore Customs will release further details by 1 September 2011.

3. GST Changes for the Biomedical Industry and Approved Contract Manufacturer and Trader (ACMT) Scheme

Present Position

- ❖ Generally, all clinical trial materials (CTM) imported into Singapore is subject to 7% GST.
- ❖ The import GST paid by the local intermediaries who import the CTM on behalf of overseas persons into Singapore for local testing are not recoverable from IRAS.
- ❖ CTM imported for re-export or disposal will be able to recover the GST paid or relieved at the point of import subject to the maintenance of requisite documentations.
- ❖ Overseas principals may suffer irrecoverable GST costs for service provided by biomedical contract manufacturers.
- ❖ ACMT scheme is only available to the semiconductor and printing industries.

3. GST Changes for the Biomedical Industry and Approved Contract Manufacturer and Trader (ACMT) Scheme (continued)

Proposed

- ❖ With effect from 1 October 2011, GST relief will be granted upfront on all CTMs imported into Singapore regardless of whether they are for local testing, re-export or disposal in Singapore.
- ❖ The ACMT scheme will also be extended to qualifying biomedical contract manufacturers.
- ❖ Further enhancement to the ACMT scheme are as follows:-
 - i. Disregard the supply and services rendered on failed or excess production; and
 - ii. Allow local contract manufacturer to recover GST on local purchases of goods made by overseas clients for use in the contract manufacturing process.

Comments

- ❖ The proposed change will encourage global biomedical companies to use Singapore as a venue for clinical trials since the importation of CTMs no longer attracts GST.
- ❖ The extension of ACMT scheme to include activities in the biomedical chemical manufacturing sector would promote Singapore as a biomedical hub for the pharmaceutical industry.
- ❖ IRAS will release further details by 1 September 2011.

4. Zero-rating of Specialised Storage and Other Value-Added Services

Present Position

- ❖ Currently, 7% GST is chargeable on services performed on goods stored in Singapore unless the services are supplied to overseas persons and the goods are exported.

4. Zero-rating of Specialised Storage and Other Value-Added Services (continued)

Proposed

- ❖ With effect from 1 October 2011, zero-rating would apply to prescribed services (including storage, valuation, conservation and restoration services) if it satisfy the following conditions:
 - i. The services are supplied to an overseas persons; and
 - ii. The services are supplied directly in connection with prescribed goods (including art and antique) which are, at the time the service is performed stored in an approved specialised warehouse.
- ❖ In order to qualify for the zero-rating scheme, the approved warehouse must have at least 90% overseas customers and at least 90% of the goods removed from the warehouse are exported.

Comments

- ❖ This is a new scheme introduced to promote specialised warehousing and storage facilities.
- ❖ IRAS will release further details by 1 September 2011.

STAMP DUTIES

1. Stamp Duty Relief for a Company Converting into a Limited Liability Partnership

Present Position

- ❖ Currently, stamp duty relief is given for the transfer of assets upon conversion of an existing firm (ordinary partnership) to a Limited Liability Partnership (LLP) subject to the following conditions:-
 - i. As at the date of conversion, the partners of the LLP are those of the original firm;
 - ii. As at the date of conversion, the assets of the LLP are those of the original firm; and
 - iii. As at the date of conversion, the capital contributed by each of the partner of the LLP remains the same as in the original firm.

Proposed

- ❖ Stamp duty will be extended to cover the conversion of an existing company to a LLP. The conditions that would have to be met as at the date of conversion are as follows:-
 - i. The shareholders of the existing company remain as the original partners of the new LLP;
 - ii. The assets of the new LLP are those of the existing company;
 - iii. The percentage of the partnership interests of each of the partners in the new LLP have to remain the same as the shareholding percentages of each of the shareholders in the existing company;
 - iv. At least 75% of the composition of the partnership interest in the LLP should remain the same for two years from the date of conversion.
- ❖ The stamp duty relief will be disallowed in the event if any of the following events occur:-
 - i. The original partners of the new LLP dispose more than 25% of their partnership interests (whether individually or collectively) within 2 years from the date of conversion except where the partnership interest of the original partners is disposed to an entity to which it is 100% associated with.

1. Stamp Duty Relief for a Company Converting into a Limited Liability Partnership (continued)

- ❖ The LLP disposes to any of its original partners any of its chargeable assets it had acquired from the existing company at conversion.
- ❖ In line with the new relief mentioned above, an additional conditions will be imposed as follows:-
 - i. 75% of the composition of the partnership interest in the LLP should remain the same for 2 years from the date of conversion.
 - ii. The relief will be disallowed if the original partners of the new LLP dispose of more than 25% of their partnership interest (whether individually or collectively) within 2 years from the date of conversion except where the partnership interest of the original partners is disposed to a 100% associated company.
- ❖ The effective date shall fall on or after 19 February 2011.

Comments

- ❖ This is a continuing effort made on the part of the Government to remove the barrier for restructuring and to provide businesses with flexibility in organisational restructuring.
- ❖ IRAS will release further guideline on 18 February 2011.

2. Removal of Most Fixed and Nominal Stamp Duties

Present Position

- ❖ Currently, prescribed documents not liable for ad valorem stamp duty are liable for nominal or fixed duties of \$2 to \$10.
- ❖ For remission under Stamp Duties (Transfer of HDB Flat within Family) (Remission) Rules 2007, stamp duties in excess of \$10 will be rescinded when certain conditions are met.

Proposed

- ❖ The fixed or nominal duties which are currently chargeable at \$2 to \$10 will be removed for most instruments if they are executed on or after 19 February 2011.
- ❖ On the transfer of HDB flat within a family, the \$10 stamp duty payable as in accordance with the Stamp Duties (Transfer of HDB Flat within Family) (Remission) Rules 2007 will be removed if they are executed on or after 19 February 2011.

2. Removal of Most Fixed and Nominal Stamp Duties (continued)

- ❖ The effective date shall fall on or after 19 February 2011.

Comments

- ❖ With this change, documents relating to transactions which confer a change in beneficial ownership interests in the underlying properties will continue to be liable for ad valorem duty.
- ❖ The fixed duty of \$10 on declaration of trust where the beneficial ownership does not pass will remain payable.
- ❖ IRAS will release further guideline on 18 February 2011.

3. Extension of Stamp Duty Remission in Excess of \$50 to Aborted lease

Present Position

- ❖ Currently, stamp duties paid in excess of \$50 is granted for aborted sale and purchase agreements which are rescinded on grounds other than those stated under Section 22(6) of the Stamp Duties Act.
- ❖ No remission of stamp duty is granted for aborted lease contracts or agreement.

Proposed

- ❖ A refund of stamp duty paid in excess of \$50 would be allowed for aborted lease or agreement for lease subject to the following conditions:-
 - i. The lease agreement for lease is rescinded on or after 19 February 2011;
 - ii. The lessee has not rescinded the lease agreement for lease with a view of facilitating the lease of the property by the lessor to another person;
 - iii. The executed lease or agreement for lease has not been made used for any purpose;
 - iv. The lease period of the property has not commenced;
 - v. The application for remission is made within 6 months from the date of rescission of the lease agreement or within such further time which the Commissioner may otherwise allows;

3. Extension of Stamp Duty Remission in Excess of \$50 to Aborted lease (continued)

- vi. The original lease or agreement for lease is surrendered to the Commissioner of Stamp Duties for cancellation.
- vii. The effective date shall fall on or after 19 February 2011.

Comments

- ❖ This is a step taken to simplify compliance and reduce costs.
- ❖ IRAS will release further guideline on 18 February 2011.

OTHERS

1. Foreign Workers' Levy

Present Position

- ❖ Foreign workers' levy is applicable based on the different categories of foreign workers for various industrial sectors.

Proposed

- ❖ Further increase in levy will be introduced for all sectors this year phased at six monthly intervals commencing from 1 January 2012 and extending till 1 July 2013.
- ❖ For the manufacturing sector, over and above the average increase per foreign worker of \$100 which was announced last year, the levy will be increased by average of another \$60 per foreign worker by July 2013.
- ❖ For the service sector, the average levy will go up by a further \$180 by July 2013 on top of the earlier increase of \$100 announced last year.
- ❖ For the construction sector, the average levy will go up by a further \$200 on top of the earlier increase of \$130 announced last year.
- ❖ For S Pass holders, the levy rates will increase to \$300 to \$450 by July 2013.

Comments

- ❖ The increase in levy will be necessary to reduce Singapore's reliance on lower-skilled foreign workers. By doing so, it will automatically lead to an increase in labour cost.

2. Extension of Green Vehicle Rebate (GVR) Scheme

Present Position

- ❖ Green vehicles currently qualify for a rebate on the Additional Registration Fee which is due to expire on 31 December 2011.

2. Extension of Green Vehicle Rebate (GVR) Scheme (continued)

Proposed

- ❖ This scheme will be extended for another year to 31 December 2012.

Comments

- ❖ This is to encourage the use of green vehicles which are more environmentally friendly.

3. Excise Duties for Tobacco Products

Present Position

- ❖ The current duty are for the following two classes of tobacco products are:-
 - i. Beedies, ang hoon, and smokeless tobacco: \$181 per kg; and
 - ii. Unmanufactured tobacco, cut tobacco and tobacco refuse: \$300 per kg.

Proposed

- ❖ With effect from 18 February 2011, the duty rate would be increased as follows:-
 - i. Beedies, ang hoon, and smokeless tobacco: \$199 per kg; and
 - ii. Unmanufactured tobacco, cut tobacco and tobacco refuse: \$315 per kg.

Comments

- ❖ These changes are in line with the Government's continual efforts to discourage smoking.
- ❖ In view of the increased consumption of non-cigarette tobacco products in recent years, the Government has raised the excise duties on the above classes of tobacco products.

4. Abolition of Radio and Television Licence Fees

Present Position

- ❖ Annual radio licence fee of \$27 is levied on vehicle radios, while an annual television licence fee in the range of \$55 to \$110 is levied on non-residential premises. Dealers that engage in the import or sales of radio and television sets pay a licence fee of \$330 annually.

Proposed

- ❖ Both radio and television licence fees will be permanently removed from 1 January 2011.
- ❖ Fees paid for 2011 will be refunded, while no payment is needed for fees that have not been paid for 2011.

Comments

- ❖ The Government recognises that the licence fees are losing their relevance in the light of the proliferation of broadcast content that can be easily downloaded over the internet, which does not attract a licence fee. It is a case of removing levies that are no longer relevant in today's technology.