Singapore Budget 2012

1. SINGAPORE BUDGET 2012 INTRODUCTION

The Finance Minister, Mr Tharman Shanmugaratnam, presented Budget 2012 in Parliament on 17 February 2012.

The principal focus of this year’s Budget is to address Singapore’s longer-term challenges, including targeted measures to upgrade the economy, develop deeper skills, increase productivity and to assist businesses to reduce reliance on foreign workers.

2. BUSINESSES AND CORPORATIONS

2.1 SME Cash Grant for Year of Assessment (“YA”) 2012

All companies (excluding dormant and inactive companies and REITs) will be granted a one-off cash grant, pegged at 5% of the company’s YA 2012 revenue, capped at $5,000.

Companies must have made Central Provident Fund (“CPF”) contributions for at least one employee (excluding company’s shareholder) during the basis period for YA 2012.

2.2 Gains on Disposal of Equity Investments

In order to provide tax certainty, gains arising from the disposal of equity investments by companies will not be taxed, if:

- The divesting company holds a minimum shareholding of 20% in the company whose shares are being disposed; and
- The divesting company maintains the minimum 20% shareholding for a minimum period of 24 months just prior to the disposal.

For all other scenarios, gains arising from share disposals will continue to be determined base on a consideration of the facts and circumstances of the case.

The proposal change will take effect for companies’ disposal of shares on or after 1 June 2012. The scheme will be reviewed after 5 years. The Inland Revenue Authority of Singapore (“IRAS”) will release further details of the change by 1 June 2012.
2.3 Enhancing the Double Tax Deduction for Internationalisation Scheme

Tax deduction of up to 200% may be allowed on qualifying expenditure, up to $100,000 per assessment year, incurred on the following 4 activities, without the need for approval from International Enterprise (“IE”) Singapore or Singapore Tourism Board (“STB”):

- Overseas business development trips/missions;
- Overseas investment study trips/missions;
- Participation in overseas trade fairs; and
- Participation in approved local trade fairs.

However, funding support in excess of $100,000 will still require approval by IE Singapore or Economic Development Board (“EDB”).

These changes will take effect for qualifying expenditure incurred on or after 1 April 2012. IE Singapore and STB will release further details of the changes by 31 March 2012.

2.4 Simplifying Capital Allowance Claims for Low-value Assets

100% capital allowance may be claimed in one year on assets costing no more than $5,000 (from $1,000), capped at $30,000 per assessment year, effective from YA 2013.

IRAS will release further details of the change by 30 June 2012.

2.5 Enhancing the Renovation and Refurbishment (“R&R”) Deduction Scheme

The enhanced scheme will replace the current R&R deduction scheme which is due to expire on 15 February 2013.

The enhanced scheme will become a permanent feature of the tax regime. The expenditure cap will be doubled to $300,000 for each three-year period.

These changes will take effect from YA 2013. IRAS will release further details of the changes by 30 June 2012.

2.6 Enhancing the Productivity and Innovation Credit (“PIC”) Scheme

2.6.1 Cash Payout

From YA 2013, the cash payout rate will be increased from 30% to 60% for up to $100,000 of qualifying expenditure. The cash payout scheme will be extended to YA 2015.

2.6.2 Training: In-house Training Courses

Certification by Singapore Workforce Development Agency (“WDA”) or Institute of Technical Education (“ITE”) will not be required for qualifying in-house training expenditure incurred up to $10,000 per assessment year.

In-house training expenditure in excess of the $10,000 cap may still qualify for the PIC benefits if the courses are accredited/approved/certified by WDA or ITE.
2.6 Enhancing the Productivity and Innovation Credit (“PIC”) Scheme (cont’d)

2.6.3 R&D Expenditure (R&D cost-sharing agreements)
Expenditure incurred on R&D cost-sharing agreements may qualify as expenditure on R&D and enjoy PIC deduction. The qualifying expenditure will be deemed to be 60% of the shared costs, similar to outsourced R&D.

2.6.4 Investments in Automation Equipment
Qualifying automation equipment acquired on hire purchase with repayment schedule straddling two or more financial years will be eligible for the cash payout option.

These changes will take effect from YA 2012. IRAS will release further details of the changes by 30 June 2012.

2.7 Integrated Investment Allowance (“IIA”) Scheme (New)

The IIA scheme will replace the existing Integrated Industrial Capital Allowance incentive.

The scheme will provide an additional allowance (on top of capital allowance) on fixed capital expenditure incurred for productive equipment placed overseas on approved projects. The scheme will run for 5 years and will be administered by EDB.

This change will take effect from YA 2013 for qualifying capital expenditures incurred on or after 17 February 2012.

2.8 Enhancing the Merger & Acquisition (“M&A”) Scheme

2.8.1 Currently, the M&A scheme provides for M&A allowance and stamp duty relief on the transfer of ordinary shares on qualifying M&A completed from 1 April 2010 to 31 March 2015. The M&A allowance is 5% of up to $100 million of the acquisition value for all qualifying M&A per assessment year. There is no tax allowance provision for transaction costs.

The scheme will be enhanced to allow for 200% tax allowance on transaction costs such as professional fees on due diligence, legal and valuation fees, subject to an expenditure cap of $100,000 per assessment year. The allowance on transaction costs will be written down in 1 year.

2.8.2 Extension of scheme
The scheme will be available as an added feature for existing Headquarter incentive schemes, on a case-by-case basis.

These changes will take effect for qualifying M&A completed from 17 February 2012 to 31 March 2015. IRAS and EDB will release further details of the changes by 30 June 2012.
2.9 Maritime And Aviation Sectors

2.9.1 Tax Exemption on Vessel Disposal Gains derived by Qualifying Ship Operators and Ship Lessors

Currently, qualifying ship operators and ship lessors may enjoy a tax exemption on gains from disposal of vessels. With effect from 1 June 2011, the qualifying ship operators and ship lessors have to opt for the exemption and abide by the conditions imposed.

Proposed Changes
To provide certainty to the maritime sector, qualifying ship operators and ship lessors under the Maritime Sector Incentive (MSI) awards, will be granted tax exemption automatically without the need to opt for the exemption on gains from the disposal of vessels. The gains from the disposal of vessels under construction and new building contracts will also be exempt. For ship lessors under the MSI – Maritime Leasing(Ship)award, the exemption applies to gains from the disposal of foreign vessels.

2.9.2 Exempting Charter Fees for Ships from Withholding Tax

Currently, resident tax payers making payment of time, voyage and bareboat charter fees to non-residents for the use of ships have to withhold tax on payments at the concessionary withholding tax rate of 2% or such reduced rate as provided under Double Tax Agreements.

Proposed Changes
Time, voyage and bareboat charter fees payments made to non residents for the use of ships will be exempted from withholding tax.
These changes will take effect for all payments made on or after 17 February 2012.

2.9.3 Enhancing the MSI- Maritime Leasing (Container) Award

Currently, the award grants a concessionary tax rate of 5% or 10% on income derived from the leasing of qualifying containers. Recipients of the award may also apply for withholding tax exemption on interest and related payments arising from loans taken to finance qualifying containers on a case by case basis.

Proposed Changes
Interest and related payments made on or after 17 February 2012, arising from loans taken to finance qualifying containers and intermodal equipment will be granted automatic withholding tax exemption.

With effect from YA 2013, income derived from the leasing of intermodal equipment which is incidental to the leasing of qualifying containers will also enjoy the concessionary tax rate of 5% or 10%.

2.9.4 Extending and Enhancing the Aircraft Leasing Scheme (ALS)

Currently, ALS award recipient enjoy the concessionary tax rate of 5% or 10% on income derived from the leasing of aircraft or aircraft engines and other prescribed activities.

Withholding tax exemption on interest and qualifying related payments arising from the qualifying foreign loans taken to finance the purchase of aircrafts or aircrafts engines may be granted on a case by case basis, subject to conditions ALS expires on 29 February 2012.

Proposed Changes
ALS will be extended to 31 March 2017. For interest or qualifying related payments made on or after 1 May 2012 in respect of foreign loans entered into on or before 31 March 2017, withholding tax exemption will automatically be granted. EDB will release further details by 30 April 2012.
3. OTHERS

3.1 Withholding Tax ("WHT") Regime

A payer will be granted extension of one additional month to file and pay the WHT in respect of payments that attract WHT. The WHT must be paid by the 15th of the second month following the date of payment. For example:

<table>
<thead>
<tr>
<th>Date of payment to non-resident</th>
<th>Current Deadline</th>
<th>New Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 September 2012</td>
<td>15 October 2012</td>
<td>15 November 2012</td>
</tr>
<tr>
<td>30 September 2012</td>
<td>15 October 2012</td>
<td>15 November 2012</td>
</tr>
</tbody>
</table>

The new deadline will take effect for payments made to non-residents on or after 1 July 2012.

3.2 GST Exemption on Investment-Grade Gold and Precious Metals

To develop a new refining and trading cluster in Singapore, the import and supply of investment-grade gold and precious metals will be treated as exempt supplies, similar to the supply of financial services.

These changes will take effect from 1 October 2012. The IRAS will release further details by 1 September 2012.

3.3 Extending the GST Temporary Import Period from 3 to 6 months

Currently, the Temporary Import Scheme allows goods, except for liquor and tobacco, to be imported without payment of duty and/or GST if they are to be re-exported within 3 months from the date of importation.

To provide businesses with greater flexibility, the temporary import relief period of 3 months will be extended to 6 months.

This change will take effect from 1 April 2012. Singapore Customs will release further details of the change by 26 March 2012.

3.4 Enhancing the Earned Income Relief (EIR) for Elderly and Handicapped Workers

The table shows the revised EIR and handicapped EIR:

<table>
<thead>
<tr>
<th>Age Group</th>
<th>EIR</th>
<th>Handicapped EIR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current ($)</td>
<td>New ($)</td>
</tr>
<tr>
<td>Below 55</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>55 to 59</td>
<td>3,000</td>
<td>6,000</td>
</tr>
<tr>
<td>60 and above</td>
<td>4,000</td>
<td>8,000</td>
</tr>
</tbody>
</table>

The changes will take effect from YA 2013.
3.5 CPF Rates

The CPF contribution rates for workers aged above 50 years old will be increased from 1 September 2012, as follows:

<table>
<thead>
<tr>
<th>Age</th>
<th>New Contribution rates* from 1 September 2012 (increases from current rates are in brackets)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employer (%)</td>
</tr>
<tr>
<td>&gt; 50 – 55 years</td>
<td>14 (+2)</td>
</tr>
<tr>
<td>&gt; 55 – 60 years</td>
<td>10.5 (+1.5)</td>
</tr>
<tr>
<td>&gt; 60 – 65 years</td>
<td>7 (+0.5)</td>
</tr>
</tbody>
</table>

The figures apply to those with monthly wages exceeding $1,500 a month. Workers earning between $50 and $1,500 will see pro-rated increases in their employer and employee CPF contribution rates.

* Percentage of wages.

3.6 Self-Employed Persons (SEPs)

The Medisave contribution rates for self-employed persons aged 50 years and above, and with annual net trade income of $18,000 and above, will be increased by 0.5% from 1 January 2013, as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Age as at 1 January 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45 – below 50 years (%)</td>
</tr>
<tr>
<td>Current</td>
<td>9.0</td>
</tr>
<tr>
<td>From 1 January 2013</td>
<td>9.0</td>
</tr>
</tbody>
</table>

3.7 Dependency Ratio Ceilings (DRCs)

DRCs specify the maximum proportion of foreign workers that companies can hire and will be tightened, as follows:

<table>
<thead>
<tr>
<th>Sector</th>
<th>DRC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>65%</td>
</tr>
<tr>
<td>Services</td>
<td>50%</td>
</tr>
</tbody>
</table>

“S” Pass for Sub-DRC will be reduced to 20% (from 25%) for all sectors from 1 July 2012.

Man-Year Entitlement (MYE) quotas in the construction sector will be reduced by 5% in July 2012, and levies for basic skilled workers hired outside the MYE quotas will be raised.

From 1 July 2012, companies will not be allowed to bring in new foreign workers beyond the new DRCs. Companies with existing foreign workers that exceed the new quota ceiling will be given until June 2014 to comply with the new DRCs.
3.8 **Special Employment Credit (SEC) for Older Singapore Workers**

The SEC will be enhanced in September 2012 to encourage employment retention of older workers aged 50 and above and who are on the payroll between January 2012 and December 2016, as follows:

<table>
<thead>
<tr>
<th>Income of employee in a given month ($)</th>
<th>SEC for the month ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>500</td>
<td>40</td>
</tr>
<tr>
<td>1,000</td>
<td>80</td>
</tr>
<tr>
<td>1,500</td>
<td>120</td>
</tr>
<tr>
<td>2,000</td>
<td>160</td>
</tr>
<tr>
<td>2,500</td>
<td>200</td>
</tr>
<tr>
<td>3,000</td>
<td>240</td>
</tr>
<tr>
<td>3,500</td>
<td>120</td>
</tr>
<tr>
<td>Above 4,000</td>
<td>0</td>
</tr>
</tbody>
</table>

SEC will also be extended to employers of Special Education (SPED) graduates.
The Management team of Complete Corporate Services Pte Ltd comprises:

**Directors**
- Lim Peng Huat
- Shirley Lim

**Senior Managers**
- Jacqueline Ng
- Law Pei Serh

**Managers**
- Tan Eng Hock
- Leong San Eng
- Eunice Chan
- Johnny Leong

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