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### Tax services in Singapore
This year’s Budget is different.

There are no spectacular changes introduced to our tax system. The corporate tax rate remains at 17%. The GST rate remains at 7% and the much talked about increase in headline personal tax rate did not happen.

Yet, this is one Budget that will be remembered for years to come. The Budget sends a very clear signal on what we want for our future - achieving quality growth and an inclusive society.

Growth must be of quality

Budget 2014 is about accelerating the momentum of economic transformation that Singapore embarked on five years ago. The message from the Government is clear: be bold and embrace change, take personal responsibility for quality growth, we are there to support.

We need to accept that the days of cheap foreign labour are over. As the Dependency Ratio Ceiling cuts take full effect, the labour market will continue to tighten and upward pressures on wages will heighten. If this is the productivity “stick” then the “carrot” is the Wage Credit Scheme and the Productivity and Innovation Credit (PIC) scheme that will continue to defray some of the rising costs as businesses seek to overcome labour challenges by improving productivity.

Productivity has been, and will continue to be at the front and centre of our economic transformation. Achieving productivity is not solely about efficiency through technology and reduced labour dependency nor is it about the dollars and cents of upgrading. Achieving productivity is about driving greater sustained commercial and social innovation, and a pervasive mindset shift that seeks excellence beyond competence.

The extension of the PIC scheme for an additional three years to the year of assessment (YA) 2018 is lauded. Business transformation takes time. The new PIC+ scheme is commendable and addresses the telling signs that SMEs need more muscle in making productivity investments. And if you consider the other governmental support for upgrading business and technical capabilities, financing and internationalisation, there leaves little reason for SMEs to feel left behind and much to cheer about. In fact, assistance for SMEs has been a feature of Budgets for several years.
R&D is important to sustained quality growth. Perhaps not many are surprised by the extension of the enhanced tax deduction for qualifying R&D beyond YA 2015. But the bold single 10-year extension takes the cake. It is a strong commitment to an important agenda. Further deduction for approved R&D projects, writing down allowances for acquisition of qualifying intellectual property rights and the five-year extension of tax deduction for registration costs of qualifying intellectual properties will serve to anchor our hub status for R&D and intellectual property.

Cluster strategies have fostered high levels of productivity and business costs through shared resources. Citing the success of JTC’s Food Hub concept, the Government will create new industrial spaces that cluster companies within the same industry to benefit SMEs. Hopefully, this government-led real estate solution will moderate hikes in industrial rent.

The rapid growth of e-commerce in business will see increased demand for the transport and logistics industry. The renewal of the Land Intensification Allowance scheme for an additional five years and its extension to cover the logistics sector as well as businesses carrying out qualifying activities on airport and port land is welcomed.

Society must be inclusive

Budget 2014 is a heartwarming Budget. It puts a smile on every Singaporean, especially the lower-middle income groups and the pioneer generation.

Rising healthcare and education costs continue to be everyday issues that Singaporeans grapple with. Significant steps have been taken to enhance healthcare affordability including Medishield reforms, specialist outpatient clinics subsidies, the 1% increased employer CPF contribution and Medisave top-ups. A one-year temporary employment credit will be given to help employers defray 50% of this CPF cost increase.

It is heartening that our pioneer generation is specially recognised with benefits such as additional healthcare subsidies, disability cash assistance, Medisave top-ups and Medishield life premium subsidies. Most importantly, the Pioneer Generation Package will be funded at the outset with the creation of an S$8b fund. This gives the pioneer generation confidence that they will be taken care of regardless of future economic circumstances. Such recognition demonstrates the values that we hold as a society towards those who have contributed in their own varying ways to the economic progress that we collectively enjoy today.

The less-abled community is also not forgotten. Enhanced subsidies for therapy and educational support services and transport services, along with increased personal tax reliefs for individuals supporting handicapped parents and dependents have been included this year.
Unfulfilled tax wishes for the next Budget

We have tax wishes that were not fulfilled in this Budget. A notable disappointment was the absence of a proposal on the tax certainty granted to companies upon disposal of equity investments on or before 31 May 2017. Currently, among other conditions, companies need to own the equity investment for a minimum of two years and the tax certainty applies to ordinary shares. A change to grant tax certainty based on the date of purchase and to broaden the types of equity investment would be welcomed. While this proposal can be wished for in the next Budget, it would have been an additional sweetener if an announcement had been made in this Budget to give certainty to businesses.

Conclusion

This Budget introduces initiatives to mitigate inequality and make living in Singapore more affordable. It enhances social cohesion and creates the stability necessary for economic growth.

The Minister expects that Singapore will see a tighter budget position in the coming years. Will we see a GST rate increase soon to offset expenditures for good social spending? For now, the Government is tapping on past budget surpluses and net investment income, and raising duties on betting, tobacco and liquor.

As a nation, we must push forward and continue the economic and social transformation. For this, we will achieve happiness, prosperity and progress. The wheels of change have already been set in motion. It’s up to business and society to turn vision into reality.

Chung-Sim Siew Moon
Head of Tax Services
21 February 2014
Business tax
Corporate income tax rate

Current
The corporate income tax rate is 17% with a partial tax exemption for normal chargeable income of up to S$300,000 as follows:

► 75% exemption of up to the first S$10,000
► 50% exemption of up to the next S$290,000

For lower levels of normal chargeable income, the effective rates are 4.25% on the first S$10,000 and 8.5% on the next S$290,000 of normal chargeable income.

To relieve business costs, a 30% corporate income tax rebate capped at S$30,000 per YA was granted to companies for three years from YA 2013 to YA 2015.

Proposed
The Minister did not propose a change to the corporate income tax rate. The headline tax rate stays at 17% and the partial tax exemption threshold remains as before.

Points of view
► The corporate income tax rate has remained at 17% since YA 2010. At 17%, Singapore's corporate income tax rate continues to be one of the lowest headline corporate tax rates in the world. This rate is only 0.5 percentage points higher than the current Hong Kong corporate tax rate of 16.5% and 4.5 percentage points higher than the corporate tax rate of 12.5% in Ireland for trading income.

► After taking into account the partial tax exemption, the effective tax rate of a company in Singapore with S$500,000 of normal chargeable income will be only 11.8%. It is further reduced to 8.27% if we factor in the corporate income tax rebate for YA 2014 and YA 2015. This is notably lower than the tax rate of 16.5% in Hong Kong and 12.5% in Ireland.

► With the partial tax exemption and the corporate tax rebate for YA 2014 and YA 2015, a company in Singapore would have to have normal chargeable income exceeding S$11.2m and S$1.24m to be paying tax at an effective tax rate higher than 16.5% and 12.5% respectively.

► While Singapore's headline tax rate remains at 17%, it is clear that the partial tax exemption and various tax incentives, including the PIC which has been extended till YA 2018 and the new PIC+ for SMEs effective from YA 2015 to YA 2018, will reduce the effective tax rate to well below 17%.
## Corporate income tax rates in selected countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>US</td>
<td>35 (a)</td>
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<tr>
<td>Australia</td>
<td>30 (c)</td>
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<tr>
<td>India</td>
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<td>Philippines</td>
<td>30 (b)</td>
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<tr>
<td>New Zealand</td>
<td>28</td>
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<td>Japan</td>
<td>25.5 (a)</td>
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<td>China</td>
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<td>Vietnam</td>
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<td>Thailand</td>
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<td>Singapore</td>
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<td>Taiwan</td>
<td>17 (b) (j)</td>
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<td>Hong Kong</td>
<td>16.5</td>
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<tr>
<td>Germany</td>
<td>15</td>
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<tr>
<td>Ireland</td>
<td>12.5 (h)</td>
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</tbody>
</table>

### Notes:

(a) Lower income bands are generally (with exception and/or subject to certain conditions) taxed at lower rate(s)
(b) An alternative minimum tax is applicable
(c) Proposed to be reduced to 28.5% from 1 July 2015
(d) A higher rate (40%) applies for non-resident companies
(e) Certain income/companies that meet certain conditions enjoy a lower rate of tax
(f) Proposed to be reduced to 24% with effect from YA 2016
(g) To be reduced to 21% from 1 April 2014 and further to 20% from 1 April 2015
(h) Certain income/companies are taxed at a higher rate
(i) Reduced from 25% to 22% effective 1 January 2014, and to be further reduced to 20% effective 1 January 2016
(j) Full/partial tax exemption is available on a specified amount of taxable income

The above rates are the top corporate income tax rates prevailing as at 1 January 2014, excluding dividend WHT, surcharges, trade tax, or other state or local taxes, etc. where applicable.
Extending the PIC scheme

Current
The PIC scheme confers a 400% tax deduction or allowance for the first S$400,000 of qualifying expenditure incurred on each of the following six qualifying activities:

► Acquisition and leasing of information technology and automation equipment
► Training of employees
► Acquisition and in-licensing of IP
► Registration of patents, trademarks, designs and plant varieties
► R&D activities
► Design projects approved by DesignSingapore Council

The PIC scheme is available from YA 2011 to YA 2015. Businesses are allowed to combine the S$400,000 expenditure cap per activity. For YA 2013 to YA 2015, the combined expenditure cap is S$1.2m.

In lieu of the above tax deduction, businesses may opt to convert the qualifying expenditure into a non-taxable cash payout. For YA 2013 to YA 2015, the cash payout rate is 60% of up to S$100,000 of qualifying expenditure across the six activities. The expenditure cap of S$100,000 is not allowed to be combined across the three YAs.

Proposed
To give businesses more time to put in place productivity improvements, the PIC scheme will be extended for three years until YA 2018.

For enhanced tax deductions, the expenditure cap of S$400,000 of qualifying expenditure per activity will be combined across YA 2016 to YA 2018 (i.e., S$1.2m per qualifying activity). The expenditure cap of S$100,000 for PIC cash payout cannot be combined across the three YAs, as is the case currently.

Points of view
► Since the introduction of the PIC scheme in 2010, many businesses have benefitted from the scheme. The extension of the scheme for another three years is a welcome move and will encourage businesses to continue to invest in PIC activities. This is in line with the Government's economic agenda of raising the productivity and living standards of Singaporeans.

► The Government recognises that the benefits arising from the PIC activities are not immediate and businesses require time to plan and implement productivity initiatives. The extension of the PIC scheme for another three years will encourage businesses that have invested in PIC activities to further plough back the benefits derived into additional investment in PIC activities.

► The PIC scheme allows eligible businesses to convert up to S$100,000 of qualifying expenditure into a cash payout. At the conversion rate of 60%, this translates to a maximum cash payout of S$60,000 for a YA. The extension of the cash payout option will help businesses, especially SMEs, with their cash flows and encourage more SMEs to reinvest in activities to grow, innovate and improve productivity.
Introducing PIC+ for SMEs

Current
The PIC scheme confers a 400% tax deduction or allowance for the first S$400,000 of qualifying expenditure incurred for each YA on each of the following six qualifying activities:

► Acquisition and leasing of PIC information technology (IT) and automation equipment
► Training of employees
► Acquisition and in-licensing of IP
► Registration of patents, trademarks, designs and plant varieties
► R&D activities
► Design projects approved by DesignSingapore Council

A combined expenditure cap of S$1.2m applies for each of the qualifying activities for YA 2013 to YA 2015.

Proposed
A new PIC+ scheme will be introduced to provide support to SMEs making more substantial investments to transform their businesses.

Under the PIC+ scheme, the expenditure cap for qualifying SMEs will be increased from S$400,000 to S$600,000 per qualifying activity per YA. This means that SMEs that invest beyond the current combined expenditure cap of S$1.2m for each qualifying activity can claim 400% enhanced tax deduction on an additional S$200,000 of qualifying expenditure per qualifying activity per YA.

PIC+ will take effect for expenditure incurred in YA 2015 to YA 2018. The combined expenditure cap will be as follows: up to S$1.4m for YA 2015 and up to S$1.8m for YA 2016 to YA 2018.

The expenditure cap for PIC cash payout will remain at S$100,000 of qualifying expenditure per YA.

An entity is a qualifying SME if (a) its annual turnover is not more than S$100m or (b) its employment size is not more than 200 workers. This criterion will be applied at the group level if the entity is part of a group.

Businesses will self-assess their eligibility for the scheme. Businesses that meet the qualifying criteria can claim the expenditure similar to the current PIC application process.

The IRAS will release further details on the PIC+ scheme by the end of March 2014.

1 For YA 2015, qualifying SMEs eligible for PIC+ can enjoy a combined expenditure cap of S$1.4m per qualifying activity (i.e., S$400,000 for YAs 2013 and 2014 respectively and S$600,000 for YA 2015).
Points of view

► The Government’s decision to introduce a scheme specifically targeted at SMEs will certainly be viewed positively by the Singapore business community.

► Based on data available from the Department of Statistics Singapore, Singapore has 170,000 SMEs in 2012. While SMEs make up almost 99% of the total number of enterprises in Singapore, PIC+ is clearly targeted at encouraging impactful investments to restructure businesses and at the bigger SMEs that are typically better equipped with the financial capacity to invest in more significant productivity and innovation initiatives.

► It is also clear that the Government is eager to ensure that productivity measures are accelerated as quickly as possible, given that the “carrot” is available from the current FY.

► The small SMEs are likely to see minimal impact from PIC+ given their limited resources to invest up to the annual cap of PIC+ and the need for cash flow rather than tax benefits. To assist the companies at this spectrum, the Government could consider increasing the cap for PIC cash payout, which remains at $100,000 of qualifying expenditure per YA. Alternatively, the Government may want to consider extending PIC bonus beyond YA 2015 to support the small SMEs.

► In YA 2012, PIC claims on the acquisition and leasing of PIC IT and automation equipment formed the largest proportion of the total claims at 62%, followed by claims for the training of employees at 35%. Claims relating to the other four qualifying activities constituted about 3% of the total claims. Whilst the total increase in qualifying expenditure across the six qualifying activities is $1.2m per YA, it is highly likely that SMEs will benefit primarily from the additional $200,000 of qualifying expenditure for the acquisition and leasing of PIC IT and automation equipment.

► Where the company is part of a group, the SME qualifying criterion on turnover or employment size will be applied at the group level. The definition of a group is not further clarified. Since the definition of a qualifying SME follows SPRING’s definition of an SME, we have used SPRING’s definition of a group as a reference for our comments. According to SPRING’s definition, a group refers to a holding company and all its subsidiaries which has more than 50% shareholding, directly or indirectly tracing to the ultimate parent company. It is however not clear whether the meaning of a group would be limited to include only Singapore companies or it would also include overseas companies. This is an area that should be addressed by the IRAS in the further details to be released by the end of March 2014.

► Given that taxpayers will need to self-assess their eligibility to avail of the increased $600,000 cap, we envisage that the SME qualifying criterion may pose the following implementation issues:

 ► Whether the annual turnover refers to operating revenue only. Based on the current IRAS’ practice, revenue will refer to a company’s main source of income and excludes separate source income such as interest, dividend and rental, which do not arise from its principal activity.

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2 Based on the statistics published by the Department of Statistics Singapore

3 Based on the IRAS Annual Report 2012/2013
► Whether the ceiling of 200 workers has to be met throughout the basis period or only to be measured at a specific point, e.g., the end of the basis period. The MoF has indicated that the criterion for 200 workers will likely be applied at the end of the basis period. However, details are still being worked through.

► Whether the definition of workers will include contract workers and temporary workers or part-timers on the payroll of the company.

► Whether the criterion on turnover or employment size has to be met annually from YA 2016 to YA 2018 in order to claim PIC+ especially if the PIC+ quantum of S$1.8m were to be claimed in YA 2016. Should this be required, it would be important for businesses to understand any clawback implications should their status as a qualifying SME change during the three years from YA 2016 to YA 2018. The MoF has indicated that there is likely no requirement to meet the criterion through until YA 2018. However, they are still working through the details and this would only be confirmed subsequently by the IRAS.

► As businesses will need to self-assess their eligibility for the PIC+ scheme, it is important for businesses to understand upfront the documentation requirements needed to verify their status as a qualifying SME. The tracking and documentation process may prove to be administratively cumbersome and challenging if documentation is not prepared at the same time as making the claim.
Refining the three-local-employees condition for PIC cash payout

Current
To qualify for PIC cash payout, businesses, i.e., sole-proprietorships, partnerships, companies (including registered business trusts) must have employed at least three local employees. A local employee refers to a Singapore citizen or Singapore permanent resident with CPF contributions but it excludes a sole-proprietor, a partner under contract for service and a shareholder who is a director of the company. A business is considered to have met the three-local-employees condition if it contributes CPF on the payroll of at least three local employees in the relevant month.\(^1\)

In addition to the three-local-employees condition, business applying for PIC cash payout must have:

- Incurred qualifying expenditure and are entitled to PIC during the basis period for the qualifying YA
- Active business operations in Singapore

Proposed
To reinforce the condition that the payouts are made to businesses with active business operations, businesses will have to meet the three-local-employees condition for a consecutive period of at least three months prior to claiming the cash payout.

This requirement will take effect for PIC cash payout applications from YA 2016.

Points of view
- The proposed change to the three-local-employees condition emphasizes the Government’s intention that PIC cash payouts are only meant to benefit businesses with active business operations.
- One of the current qualifying conditions for PIC cash payouts is that businesses must have active business operations in Singapore. Such a condition may be subjective and difficult to administer in practice. The refining of the three-local-employees condition gives a quantitative measure to the active business condition. It should enable the Government to more effectively channel PIC cash payouts to support those with active businesses.
- The IRAS has clarified that for YA 2016 to YA 2018, the relevant months would be all three months in the quarter or the last three months of the combined consecutive quarters to which the cash payout relates.
- The proposed change may also serve to deter fraudulent claims and abuses of the PIC cash payout option. Currently, a taxpayer can employ the minimum three local employees and make CPF contributions for them only in the relevant month to meet the three-local-employees condition to claim PIC cash payout. With the proposed change, taxpayers looking to profit and abuse the PIC cash payout option will need to incur more costs and may be dissuaded from doing so.
- However, businesses in an initial start-up phase will now find it harder to avail itself of the PIC cash payout option. As such businesses are likely to be running up losses and hence would benefit from the PIC cash payout option, the proposed change may unduly penalise such businesses.

\(^1\) Businesses can apply for PIC cash payout after the business’ financial year-end or after the end of each quarter (or combined consecutive quarters in the business’ FY). For one-time application after the end of the business’ FY, the relevant month is the last month of the basis period for the qualifying YA. For quarterly applications, the relevant month is the last month of the quarter or combined consecutive quarters to which the cash payout relates.
Extending PIC benefits to training of individuals under centralised hiring arrangements

Current
Currently, businesses can claim 400% tax deduction for up to S$400,000 of qualifying training expenditure per YA under the PIC scheme.

Prior to YA 2012, only training expenditure incurred for employees qualified for enhanced deduction under the PIC scheme. With effect from YA 2012, the scope of training has been expanded to include qualifying training expenditure incurred on the following prescribed classes of individuals:

► Salespersons registered under the Estate Agent Act
► Representatives within the meaning of the Financial Advisers Act
► Representatives within the meaning of the Securities and Futures Act
► Insurance agents of insurers licensed under the Insurance Act
► Individuals who lease assets from a business to provide a service to others (such as hirers of taxis from taxi service operators licensed under the Road Traffic Act)

Businesses that incur training expenses on individuals deployed to their organisations under centralised hiring arrangements are not allowed to claim PIC benefits on the training expenses incurred, as they are not the legal employers of these individuals and these individuals do not fall within any of the above categories.

Proposed
In response to industry feedback and recognising that training of such individuals can improve the productivity of the businesses where they are deployed, the PIC scheme will be enhanced to allow businesses to claim PIC benefits on training expenses incurred on training of individuals hired under centralised hiring arrangements.

The change will take effect from YA 2014.

The IRAS will release further details by the end of March 2014.

Points of view
► It has been clarified by the IRAS that centralised hiring arrangements include deployments where the human resource function of a group of companies is centralised in a single entity, with the staff costs (including training expenditure) allocated to the respective entities, or a secondment, where employees are seconded to work for a related company. Once seconded, the staff costs are fully recharged to the related company.
The IRAS has further clarified that for YA 2014 to YA 2018, individuals deployed under a centralised hiring arrangement will be regarded as employees of the business where they are deployed, subject to the following qualifying conditions:

- The claimant is able to produce supporting documents on the recharging of employment costs by a related entity, in respect of the individuals working solely for the claimant entity.
- The corporate structure and centralised hiring practices are adopted for bona fide commercial reasons.
- The related entity does not claim deductions on the training expenses recharged to the claimant entity.

If the above qualifying conditions are met, the deployed individual can be treated as an employee of the claimant and the qualifying training costs incurred by the claimant on the deployed individual will qualify for PIC benefits.

This enhancement is much welcomed in the face of rising business costs as centralised hiring arrangements allow businesses to streamline hiring processes and cut down hiring costs. The enhancement may make centralised hiring arrangements more attractive to businesses looking to adopt such a hiring model amongst other business considerations.

It is not uncommon for a holding company to enter into employment contracts with employees for itself and on behalf of its subsidiaries. As the employees perform services for the holding company and its subsidiaries, the holding company recharges a portion of these employees’ costs (which include training expenses) to the respective subsidiaries. As the employees in such instances are not deployed to solely work for one company (as required according to the above clarification from the IRAS), it appears that the subsidiaries would not be able to claim PIC enhanced deduction on the training expenses recharged by the holding company. It is hoped that clarity could be provided on whether the proposed enhancement would include such scenarios so long as it can be shown that there is no double claiming of the enhanced deduction. This is particularly relevant where the holding company is an investment holding company and is not able to claim any PIC enhanced deduction on the training expenses. If both the investment holding company and the subsidiaries are not able to claim PIC on the training expenses, the PIC deduction benefit is lost even though the arrangement is a bona fide commercial business arrangement.
Allowing the tax deferral option under the PIC scheme to lapse

Current
Businesses can opt to defer paying a dollar of their income tax for the current YA with every dollar of qualifying PIC expenditure incurred in the current FY. The amount of income tax that can be deferred is subject to a cap of S$100,000 and is the lower of:

► The tax assessed for the current YA
► The qualifying PIC expenditure incurred in the current FY

Proposed
The tax deferral option will lapse with effect from YA 2015.

Points of view
► The tax deferral option under the PIC scheme was introduced to help businesses with their cash flows and fund their investments in productivity. The Government is now of the view that since the PIC cash payout also serves a similar purpose, which is to assist businesses with their cash flow concerns, the tax deferral option will not be renewed.
► The tax deferral option merely offers a deferral of payment of income tax. The period of deferment is also not that long. As such, allowing the tax deferral option to lapse should not have much impact on businesses.
Extension of tax deduction scheme for registration costs of intellectual property

Current

Currently, a person carrying on a trade or business can claim 100% tax deduction on costs incurred to register the following qualifying IP:

► Patents
► Trademarks
► Designs
► Plant varieties

The scheme will lapse after YA 2015. In addition, under the PIC scheme, a further 300% tax deduction can be claimed on these registration costs up to an expenditure cap of S$400,000 per YA.

Proposed

To encourage businesses to protect their IP, the 100% tax deduction will be extended for five years until YA 2020.

Businesses can also continue to claim a further 300% deduction on qualifying costs under the PIC scheme subject to relevant caps, which has been extended until YA 2018.

Points of view

► Protecting IP is crucial to the success of businesses. It provides certainty to businesses and allows them an avenue to seek damages or redress from an infringement of their IPs. Allowing a 100% deduction for the registration costs of IPs is a way of encouraging businesses to register their IPs and to help in defraying such costs which can be significant. Without the scheme, the registration costs would be considered as capital expenditure and hence not tax deductible.
Extending the R&D tax measures

Current
Under s14DA(1) of the ITA, businesses can enjoy an additional 50% tax deduction on qualifying expenditure incurred on qualifying R&D activities up to YA 2015 for R&D conducted in Singapore. Qualifying expenditure relates to expenditure attributable to R&D activities incurred on staff costs, consumables and payments made to R&D organisations. There is no cap applied on the additional 50% tax deduction.

S14E of the ITA provides further tax deduction on expenditure incurred in relation to R&D projects approved by the EDB on or before 31 March 2015.

Currently, businesses can claim tax deductions on R&D expenditure incurred for undertaking R&D in areas unrelated to their existing trade or business as long as the R&D is conducted in Singapore.

Proposed
To continue encouraging private R&D and to give certainty to businesses, the additional 50% tax deduction accorded under s14DA(1) of the ITA will be extended for 10 years to YA 2025.

To attract businesses to conduct large R&D projects in Singapore, the further tax deduction accorded under s14E of the ITA will be extended for five years to 31 March 2020.

In line with the above extensions, businesses can continue to claim tax deductions on R&D expenditure incurred for R&D in areas unrelated to their existing trade or business as long as the R&D is conducted in Singapore.

Businesses can also continue to claim a further deduction of up to 300% on qualifying R&D expenditure under the PIC scheme (subject to relevant caps), which has been extended until YA 2018.

Points of view
► More than 30 countries worldwide offer R&D tax incentives. Whilst these R&D tax incentives exist in various forms globally, it is clear that R&D plays a pivotal role in enhancing the long-term competitiveness of companies. Hence, it is no surprise that in this restructuring journey towards productivity and sustainable growth, the R&D tax measures are extended.

► The 10-year extension of s14DA(1) is for a considerably long period. It should provide companies with comfort and certainty of the long-term support given to private R&D activities. It will also provide companies with a sufficient runway to plan their R&D activities, which in some cases may take many years before returns are realised.

► The five-year extension of s14E is another indicator of the Government’s commitment to support innovation. Administered by the EDB and available only through an application process, this extension will provide companies embarking on large R&D projects with the flexibility to avail of R&D tax incentives. For example, MNCs setting up large R&D centers in Singapore that are operating as an R&D service provider are not eligible for enhanced deductions under s14DA(1). However, these projects may be eligible for the further deduction under s14E if approved by the EDB and the required conditions are met.
Currently, businesses can claim tax deductions on expenditure incurred for R&D conducted in Singapore regardless of whether the R&D is related to the existing trade or not. With the proposed extension of s14DA(1), this tax treatment will continue until YA 2025. Given that the proposed extension is specific to R&D conducted in Singapore, it is uncertain if R&D conducted overseas (currently provided under s14DA(2)), will continue beyond YA 2015. We anticipate that with the extension of the PIC scheme to YA 2018, s14DA(2) could correspondingly be extended until YA 2018. We await further announcement from the authorities.

Whilst it is encouraging to see the R&D tax incentives extended, it is noted that the scope of qualifying R&D expenditure under s14DA has not been expanded to include relevant overheads and capital expenditure on equipment. As these are necessary costs for most R&D activities, some liberalisation in this area would be welcomed.
Waiving the withholding tax requirement for payments made to Singapore branches

Current
Persons making payments to non-residents that fall under the scope of s12(6) and s12(7) of the ITA (such as interest and royalties) are required to withhold tax on the payments. This includes payments to Singapore branches of non-resident companies.

A Singapore branch of a non-resident company may apply for a waiver of WHT on income paid to it, subject to meeting stipulated conditions. The waiver once granted is valid indefinitely unless revoked by the IRAS. The approval is subject to an annual review and may be withdrawn if any of the stipulated conditions are breached.

In the absence of a waiver, any tax withheld is available for set-off against the tax liability of the Singapore branch and excess tax withheld will be refunded after the submission of the tax return and determination of the tax liability for the particular YA.

Proposed
To reduce compliance costs for businesses, payers will no longer need to withhold tax on s12(6) and s12(7) payments made to Singapore branches of non-resident companies.

These branches in Singapore will continue to be assessed for income tax on such payments that they receive and will be required to declare such payments in their annual tax returns.

This change will take effect for all payment obligations that arise on or after 21 February 2014.

Points of view
► This enhancement will ease the cash flow of Singapore branches which have not obtained the WHT waiver from the IRAS as well as remove the administrative burden of tracking the WHT suffered and making the claim in their annual income tax returns.

► From the perspective of the payer who is obligated to withhold under the ITA, it will reduce the administrative burden and compliance costs of tracking WHT-sensitive payments to Singapore branches, determining whether the Singapore branch has obtained the WHT waiver from the IRAS and deducting and paying the WHT to the IRAS if no waiver was granted.

► The proposed WHT exemption regime will apply to all payment obligations that arise on or after 21 February 2014. It would seem that contracts entered into prior to 21 February 2014 will qualify for this exemption if the payment obligations arise on or after 21 February 2014.
Enhancing the foreign-sourced income exemption scheme for listed infrastructure registered business trusts

Current
Foreign-sourced income derived by listed infrastructure registered business trusts (RBTs) in Singapore is exempted from tax if the income falls within certain scenarios specified under s13(12) of the ITA. Tax exemption for foreign-sourced income received in all other situations must be approved by the Minister, on a case-by-case basis, including the tax exemptions for foreign-sourced dividends originating from foreign-sourced interest income and foreign-sourced interest income derived from a qualifying offshore infrastructure project or asset.

Proposed
To accord listed infrastructure RBTs in Singapore greater tax certainty, thereby facilitating the listing of more infrastructure assets in Singapore, the foreign-sourced income exemption for listed infrastructure RBTs will be enhanced as follows:

► The specified scenarios under s13(12) will be expanded to cover dividend income originating from foreign-sourced interest income so long as it relates to the qualifying offshore infrastructure project or asset. The IRAS will continue to verify that the qualifying conditions are met for all specified scenarios.

► Interest income derived from a qualifying offshore infrastructure project or asset will automatically qualify for s13(12) exemption provided certain conditions are met. With the change, the IRAS will verify that the qualifying conditions are met instead of the current case-by-case approval by the Minister.

Points of view
► The proposed enhancements to the foreign-sourced income exemption scheme for listed infrastructure RBTs are much welcomed.

► The expansion of the specified scenarios under s13(12) to cover tax exemption for dividend income originating from foreign-sourced interest income so long as the foreign-sourced interest income relates to the qualifying offshore infrastructure project or asset provides certainty to listed infrastructure RBTs and allows them more flexibility in structuring their overseas investments.

► The removal of the application and approval process to enjoy tax exemption for such foreign-sourced dividend income and foreign-sourced interest income is also in line with the Government’s policy to streamline processes. Nevertheless, as is the case for existing scenarios covered under s13(12), there may still be a need to submit a s13(12) declaration form to the IRAS before the foreign-sourced income is received in Singapore.
Extending and enhancing the Land Intensification Allowance scheme

Current

Businesses that incur capital expenditure on the construction, renovation or extension of a qualifying building or structure may apply to the EDB to qualify for the Land Intensification Allowance (LIA) scheme if they can meet the following criteria:

► The qualifying building or structure must be built on land that is zoned as Business 1 or Business 2 (excluding Business White 1 or Business White 2) under the Urban Redevelopment Authority (URA) Master Plan as at the date the development application is made to the URA.

► The principal activities of the user of an approved LIA building or structure must fall within one of the qualifying activities listed in the EDB circular “Land intensification allowance incentive”.

► At least 80% of the total floor area of the approved LIA building or structure must be used by a single user for carrying out the principal activity.

► The building or structure must meet the Gross Plot Ratio (GPR) benchmark relevant to the qualifying activities of the single user.

The qualifying business will be granted an initial allowance of 25% and annual allowance of 5% on the qualifying capital expenditure incurred for the construction or renovation/extension of the approved LIA building or structure.

For existing buildings or structures, the LIA scheme will be available only if the owner or buyer incurs additional capital expenditure to renovate or extend the existing building or structure to increase the building or structure’s GPR and the new GPR of the building or structure meets or exceeds the relevant GPR benchmark.

The qualifying period for the LIA scheme is from 1 July 2010 to 30 June 2015.

Proposed

To continue encouraging businesses to optimise land use, the LIA scheme will be extended for five years to 30 June 2020.

The LIA scheme will be extended to the logistics sector in recognition of the close nexus between this sector and the qualifying activities supported by the LIA.

The LIA scheme will also be extended to businesses carrying out qualifying activities on airport and port land.

A new condition requiring existing buildings that have already met or exceeded the GPR benchmark to meet a minimum incremental GPR criterion of 10% will be introduced.

The enhancements are effective for LIA approvals granted, and capital expenditure incurred on or after 22 February 2014. All other existing terms and conditions of the scheme remain unchanged.

The EDB will release the implementation details by the end of May 2014.
Points of view

► The extension of the LIA scheme for five years until 30 June 2020 will continue to encourage optimal land use by businesses in land scarce Singapore. It will also provide certainty and encourage businesses to plan for the longer term.

► The inclusion of the logistics sector in the LIA scheme recognises the close nexus of the logistics sector and the manufacturing sector’s qualifying activities supported by the LIA. This is also in line with the Government’s effort to promote the development of a logistics hub in Singapore.

► The inclusion of qualifying activities carried out on airport and port land which are not generally classified as industrial Business 1 or Business 2 land, would enable qualifying businesses (including logistics businesses) to benefit from the scheme. It will be interesting to see if new qualifying activities will be introduced to lend support to the development plans for the airport and port land.

► The new condition of requiring existing buildings that have met or exceeded the GPR benchmark to meet a minimum incremental GPR criterion of 10% is consistent with the objective of optimising land use. This will encourage businesses to exceed the GPR benchmark.

► It is likely that the 10% incremental GPR criterion will only be a one-time requirement and not for each renovation or extension undertaken. This is yet to be clarified.
Business tax

Extending and refining the section 19B Writing Down Allowance scheme

**Current**

Under s19B of the ITA, businesses can claim 100% Writing Down Allowance (WDA) over a period of five years on the acquisition costs of the following types of qualifying intellectual property rights (IPRs), subject to conditions:

- Patents
- Trademarks
- Registered designs
- Copyrights
- Geographical indications
- Lay-out designs of integrated circuits
- Trade secret or information that has commercial value
- Plant varieties

An accelerated WDA scheme was introduced in Budget 2009 to allow media and digital entertainment (MDE) companies to accelerate the writing down period from five years to two years, subject to the EDB's approval.

As part of the PIC scheme, businesses may also claim an additional 300% WDA on qualifying IPRs (excluding IPRs that are granted waiver of the legal ownership condition and IPRs for MDE content), subject to certain expenditure caps.

Both the s19B WDA and the accelerated WDA scheme for MDE companies will lapse after YA 2015.

**Proposed**

To build Singapore as an IP hub, the s19B WDA will be extended for five years to YA 2020. The accelerated WDA for MDE companies will be extended for three years toYA 2018. All other existing conditions of the s19B WDA remain unchanged.

To provide clarity on the types of items that would not meet the description of “information that has commercial value”, a negative list will be legislated to expressly exclude the following two categories of information:

- Customer-based intangibles
- Documentation of work processes

This is in line with the policy intent of the scheme, which is to encourage the economic exploitation of confidential information that is of the same class or nature as trade secrets and other forms of IPR expressly listed in the definitions.

The negative list will be published on the IRAS' website by the end of April 2014 and will be legislated by the end of December 2014.

Businesses can also continue to claim a further 300% allowance on qualifying costs under the PIC scheme, which has been extended to YA 2018 and is subject to the relevant expenditure caps.
Points of view

► The extension of the WDA is a welcome move by the Government to enhance Singapore’s development as a global IP hub in Asia.

► There was no written guidance issued by the IRAS on what may be included in “information that has commercial value”. The factors considered by the IRAS, for such WDA claims have included the following:

► Whether the information is of the same class or nature as a trade secret or other forms of IPRs expressly listed in the definitions and is not merely information that has a market price or which can be valued

► Whether the information is of a nature that is protected by the law of confidence

► Whether not having the right to use the information would constitute an infringement that would render the transferee liable to legal action

► Whether the transferor is able to confer legal and economic ownership of the information to the transferee

► The MoF has clarified that examples of “customer-based intangibles” and “documentation of work processes” include customer listings and standard operating processes, and it has always been their policy intent that such items do not meet the description of “information that has commercial value”.

► As what constitutes “customer-based intangibles” and “documentation of work processes” may vary from business to business, it would be helpful if more specific guidance and examples are provided when the IRAS releases further details of the negative list. It is unclear if the IRAS would seek public consultation and feedback on what should be included in the negative list before legislating it.

► In situations where “customer-based intangibles” and “documentation of work processes” falls within the same class or nature as trade secrets or other forms of IPR expressly listed in the definitions, it is hoped that the IRAS will consider allowing WDA claims for such items on a case-by-case basis.

► Taxpayers should perform a review on their WDA claims to ensure that they do not include “customer-based intangibles” and “documentation of work processes”.
Allowing the Investment Allowance scheme for aircraft rotables to lapse

Current
The Investment Allowance (IA) scheme for aircraft rotables was introduced on 10 September 2004 to encourage investments in aircraft rotables that would increase the productive capacity of the aerospace maintenance, repair and overhaul companies. This scheme will lapse after 31 March 2015.

Proposed
As the scheme is assessed to be no longer relevant, the IA scheme for aircraft rotables will be allowed to lapse after 31 March 2015.

Points of view
► The IA scheme was first extended to companies proposing to carry out a project for the provision of maintenance, repair and overhaul services to any aircraft on 9 September 2004 for a five-year period to 8 September 2009.

► The scheme is currently in its second five-year period which commenced on 1 April 2010 and is due to expire on 31 March 2015. The phasing out of the scheme after 10 years is indicative of the maturity of the aerospace maintenance, repair and overhaul industry.

► Notwithstanding the phasing out of the scheme, affected companies may still be able to qualify for IA on their capital expenditure if the expenditure is incurred in respect of other qualifying projects such as projects for the provision of specialised engineering or technical services, for R&D, for reducing the consumption of water etc.

► Affected companies may also still be able to benefit from the PIC scheme in respect of qualifying expenditure.
Financial services
Treating Basel III Additional Tier 1 instruments as debt for tax purposes

Current

Additional Tier 1 instruments are a new type of capital instrument under the Basel III global capital standards. Under MAS Notice 637, Singapore-incorporated banks are required to meet minimum capital adequacy ratios that are 2% higher than the Basel III minimum requirements, with effect from 1 January 2015. In addition, Singapore-incorporated banks are required to meet the Basel III minimum capital adequacy requirements from 1 January 2013, two years ahead of the Basel Committee on Banking Supervision’s 2015 timeline. Currently, the tax treatment of such Additional Tier 1 instruments has not been publicly clarified.

Proposed

 ► To provide tax certainty and maintain a level-playing field for Singapore-incorporated banks which issue Basel III Additional Tier 1 instruments, such instruments (other than shares), will be treated as debt for tax purposes. Hence, distributions on such instruments will be deductible for issuers and taxable in the hands of investors, subject to existing rules.

 ► The tax treatment will apply to distributions accrued in the basis period for YA 2015 and thereafter, in respect of such instruments issued by Singapore-incorporated banks (excluding their foreign branches) that are subject to MAS Notice 637.

The MAS will release further details by the end of May 2014.

Points of view

 ► This is a much welcomed tax initiative that will benefit Singapore-incorporated banks that are subject to MAS Notice 637. The Singapore authorities should be commended for embracing such a straight-forward approach to determine the tax treatment of Basel III Additional Tier 1 instruments that is based on the legal nature of the instrument and the regulatory standards. Further, there does not, at this point in time, appear to be a need to consider the accounting treatment of such instruments for their tax treatment. This reduces potential uncertainties that may otherwise arise from developments surrounding the Singapore accounting standards and their treatment of such instruments.

 ► It is hoped that the authorities could confirm that a similar or the same tax treatment would apply to Tier 2 instruments as well.

 ► Shares which are excluded from this tax treatment would not be confined to just ordinary shares but would include redeemable preference shares.

 ► Given that distributions on such Basel III Additional Tier 1 instruments will be taxable in the hands of investors, it would be prudent for the issuing banks to ensure that the instruments qualify as Qualifying Debt Securities (QDS). This is because interest on QDS in the hands of certain Singapore investors is subject to a lower tax rate as compared to distributions from Additional Tier 1 instruments that are not QDS.
Extending and refining tax incentive schemes for qualifying funds, and recovery of GST for qualifying funds

**Current**

Funds managed by Singapore-based fund managers (qualifying funds) currently enjoy the following tax concessions, subject to conditions:

► Tax exemption on specified income derived from designated investments
► WHT exemption on interest and other qualifying payments made to all non-resident persons (excluding PEs in Singapore)

Qualifying funds comprise the following:

► Trust funds with resident trustee (s13C scheme)
► Trust funds with non-resident trustee and non-resident corporate funds (s13CA scheme)
► Resident corporate funds (s13R scheme)
► Enhanced-tier funds (s13X scheme)

The s13CA and s13R schemes impose conditions on investor ownership levels on the last day of the qualifying fund’s basis period for the relevant YA. The investor ownership levels are computed based on the historical value of the qualifying fund’s issued securities. The s13X scheme does not impose conditions on investor ownership levels.

In addition, as a concession, qualifying funds that are managed by prescribed fund managers in Singapore are allowed to claim GST incurred on expenses at a fixed rate.

The above schemes for qualifying funds and the GST concession will lapse after 31 March 2014.

**Proposed**

To anchor and continue to grow Singapore’s asset management industry, the s13CA, s13R and s13X schemes will be extended for five years until 31 March 2019. The s13C scheme will be allowed to lapse after 31 March 2014.

The s13CA, s13R and s13X schemes will be refined as follows:

► The s13CA scheme will be expanded to include trust funds with resident trustees, which are presently covered under the s13C scheme, with effect from 1 April 2014.
► The investor ownership levels for the s13CA and s13R schemes will be computed based on the prevailing market value of the issued securities on that day instead of the historical value. This will take effect from 1 April 2014.
The list of designated investments will be expanded to include loans to qualifying offshore trusts, interest in certain limited liability companies and bankers’ acceptance. This will apply to income derived on or after 21 February 2014 from such investments.

Other existing conditions of the schemes remain unchanged. The MAS will release further details of the changes by the end of May 2014.

In addition, to further grow Singapore as a centre for fund management and administration, the GST concession will be extended for five years until 31 March 2019. The MAS will release further details of the change by the end of March 2014.

Points of view

With total assets under management of around S$1.4t\(^1\), Singapore is recognised as one of the key asset management locations in Asia. The various tax incentive schemes which provide tax exemption on qualifying income to qualifying funds, as well as the corresponding GST concession, have played a critical part in Singapore’s achievements in the asset management industry thus far. Since the tax incentives in their current form have been around for only a few years, the extension of the incentive schemes for a further five-year period is highly welcomed. It provides greater certainty to fund managers who can now continue to set up new funds and attract more investors while operating in Singapore. It will also serve to attract more fund managers to set up operations in Singapore.

In practice, for commercial and legal reasons, funds (in particular private equity funds) often set up separate intermediate holding companies to make underlying investments. Currently, each such company is required to seek approval for the s13R or s13X scheme and satisfy all the relevant conditions. Our wish for the introduction of an “umbrella scheme” to allow the entire multi-level fund structure to be approved on a combined basis has not been fulfilled in this Budget. We are still hopeful that this will materialise in the near future.

The s13C scheme applies to trust funds that are administered by a trustee who is resident in Singapore, a Singapore citizen or a PE in Singapore (Singapore trustee). For a trust fund to qualify for tax exemption under the s13C scheme, generally not more than 20% of the value of the trust fund can be beneficially held, directly or indirectly, by Singapore citizens or tax residents or PEs in Singapore (Singapore investors). While the s13C scheme will lapse after 31 March 2014, these trustees will be able to enjoy the s13CA tax incentive scheme thereafter. This gives Singapore trustees and fund managers greater flexibility in attracting funds from Singapore investors. It levels the playing field between Singapore trustees and foreign trustees which are already covered under the s13CA scheme.

\(^1\) MAS website updated on 10 September 2013
Under the s13CA and s13R schemes, Singapore investors whose ownership levels in the qualifying funds exceed certain thresholds may be liable to pay a financial penalty. The move to compute these investor ownership levels based on the prevailing market value of the issued securities is a positive change which has finally come after much industry feedback over the years. Prior to the current announcement, the calculation is made by reference to the value of the issued securities at the time of their issue, i.e. based on historical cost. This posed a heavy administrative burden in many cases especially where there are multiple issues at different prices. The use of prevailing market value is more in line with normal investor reporting by fund managers.

The proposed expansion to the list of designated investments is consistent with the authorities’ commitment to continually review its prescribed list for relevance and completeness.

The current list of designated investments includes loans that are granted by a qualifying fund to offshore companies only. The proposed change recognises funding provided to qualifying offshore trusts as well. However, it is likely that qualifying offshore trusts would refer to those with non-resident trustees.

Included as designated investments currently are stocks and shares of any company, other than an unlisted company that is in the business of trading or holding of Singapore immovable properties. However, certain limited liability companies (notably US limited liability companies) do not issue shares and therefore investments in such companies would appear to fall outside the current list of designated investments. It has been confirmed by the MoF that this proposed inclusion will cover US limited liability companies.

The GST concession is critical to the success of attracting funds to be domiciled in Singapore. The extension of the GST concession is in line with the extension of the various schemes for qualifying funds. It should come as a welcome relief, especially for existing Singapore-domiciled funds. However, there remains a GST leakage as there is a fixed recovery rate that is below 100% and the rate fluctuates from year to year.
Refining the Designated Unit Trust scheme

Current
The Designated Unit Trust (DUT) scheme was introduced to foster the development of the domestic retail unit trust industry. Specified income derived by a unit trust with the DUT status is not taxed at the trustee level, but is taxed upon distribution in the hands of certain investors. Qualifying foreign investors and individuals (unless such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession) are exempted from tax on any distribution made by a DUT.

The DUT scheme is available to both retail unit trusts and certain other types of unit trusts, which are targeted at more sophisticated and institutional investors (non-retail unit trusts). A retail unit trust refers to a unit trust authorised under section 286 of the Securities and Futures Act and is open to the public for subscription, as well as a unit trust included under the CPF-Investment Scheme.

Proposed
The DUT scheme will be streamlined and rationalised through the following changes:

► The scheme will be limited to unit trusts offered to retail investors with effect from 21 February 2014. Non-retail unit trusts may consider other fund schemes.
► Existing non-retail unit trusts that were approved under the scheme prior to 21 February 2014 may continue to retain their DUT status.
► From 1 September 2014, subject to the fulfilment of conditions, unit trusts do not have to apply for the DUT scheme to enjoy the benefits of the scheme.

Other existing conditions of the DUT scheme remain unchanged.

A review date of 31 March 2019 will be legislated to ensure that the relevance of the scheme is periodically reviewed.

The MAS will release further details of the changes by the end of May 2014.

Points of view
► With the proposed change, unit trusts automatically enjoy the benefits of the DUT scheme as long as they fulfil the qualifying conditions. This is another welcomed initiative by the Government to provide certainty and ease the administrative burden. The proposed change reduces the time required to set up a DUT and eliminates the uncertainty in the current DUT application process.
► New non-retail unit trusts will have to be properly structured in order to meet the qualifying conditions or requirements of the other fund schemes. In addition, consideration should also be given to the differences in the scope of tax exemptions under other fund schemes.
► The definition of “designated investments” under the DUT scheme differs from that of other fund schemes. We hope that the definition under the DUT scheme will be aligned with that of other fund schemes in future.
Personal income tax
Personal income tax rate and rebate

Current
The income tax rates for Singapore tax resident individuals range from 0% for the first S$20,000 of chargeable income to 20% for chargeable income exceeding S$320,000.

For YA 2013, the Government announced a personal income tax rebate for all resident taxpayers depending on age, capped at S$1,500 per taxpayer.

Proposed
There are no changes to the current personal income tax rates for YA 2014. No income tax rebate will be accorded for YA 2014.

Points of view
► There is no change to the top marginal tax rate of 20%. Whilst there was speculation that this rate would be increased, the Government maintained it. The current top marginal tax rate remains competitive in this region. Any increases would have diminished Singapore’s competitive edge with Hong Kong to attract global companies to set up their regional headquarters in Singapore.
► It did not come as a surprise that no tax rebate was proposed for YA 2014 due to the spending to fund programmes and social safety nets, for example the Pioneer Generation Package.
► The current 20% top marginal personal income tax rate remains three percentage points higher than the corporate income tax rate. This may encourage successful entrepreneurs to corporatise their business rather than conducting it through a sole proprietorship or partnership.
► Based on the current personal income tax rate structure, an individual who earns between S$83,000 to S$479,000 per annum will pay lower income tax in Singapore compared to Hong Kong, as illustrated below. The upper threshold could be higher for individuals who qualify for the tax benefits under the Not Ordinarily Resident scheme. The comparison is based on the 2013/2014 tax rates for Hong Kong and YA 2014 rates for Singapore.
Comparative analysis

(Hong Kong 2013/2014 versus Singapore YA 2014 tax rates)

Notes:

1. Assumes a married man with two children, wife has no income and sole source of income is from his employment.
2. Hong Kong calculations are based on 2013/2014 tax rates.
3. Singapore calculations are based on YA 2014 tax rates, assuming no tax rebate given.
Personal income tax rates in selected countries in the region

Notes:
The above rates are the top marginal personal income tax rates prevailing as at December 2013.

* Excludes local inhabitant tax
Removal of transfers of qualifying deductions and deficits between spouses

Current

Effective YA 2005, a married taxpayer can transfer the following qualifying deductions and deficits to his or her spouse for a particular YA:

► Unabsorbed trade losses
► Unabsorbed capital allowances
► Unutilised donations
► Rental deficits

Currently, taxpayers can also carry back any unabsorbed trade losses or capital allowances to set-off against the income of their spouse for the immediate preceding YA under the loss carry-back scheme from YA 2006 onwards.

For the transfer to take place, an election has to be made by both spouses on a year-to-year basis. The election has to be made before the end of 30 days from the date of the notice of assessment of the individual or spouse, whichever is later.

Upon election, the IRAS will re-compute the assessment of the transferor and transferee to take into account the respective transfers.

Proposed

To simplify the personal income tax system, married couples will no longer be able to transfer qualifying deductions and deficits between each other (including under the loss carry-back scheme) with effect from YA 2016.

As a transitional concession, qualifying deductions and deficits incurred by a married couple in and before YA 2015 will still be allowed for inter-spousal transfers up until YA 2017, subject to existing rules.

Any unabsorbed trade losses or capital allowances may still be carried forward to future years to be set-off against the future income of the taxpayer, until the amount is fully utilised, subject to existing rules. Similarly, any unutilised donations may be carried forward to set-off against the future income of the taxpayer, up to a maximum of five years.

IRAS will provide more details of the change by the end of May 2014.

Points of view

► Inter-spousal transfers were introduced in YA 2005. The removal of inter-spousal transfers will indeed simplify the personal income tax system for both the IRAS and the taxpayers.

► However, it may mean a higher overall tax liability for the household.
Enhancements to dependant reliefs

Current
Parent/handicapped parent relief
The parent/handicapped parent relief available to resident individual taxpayers is as follows:

<table>
<thead>
<tr>
<th>Living arrangements</th>
<th>Parent* relief (per dependant)</th>
<th>Handicapped parent* relief (per dependant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependant is living in the same household as the taxpayer</td>
<td>$7,000</td>
<td>$11,000</td>
</tr>
<tr>
<td>Dependant is not living in the same household as the taxpayer</td>
<td>$4,500</td>
<td>$8,000</td>
</tr>
</tbody>
</table>

*Parents for this purpose include the taxpayer’s or spouse’s parents and grandparents. One of the qualifying conditions attached is that only one person can claim this relief on the same dependant.

Other handicapped dependant reliefs
The relief available for other handicapped dependants is as follows:

<table>
<thead>
<tr>
<th>Type of relief</th>
<th>Relief quantum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handicapped spouse relief</td>
<td>$3,500</td>
</tr>
<tr>
<td>Handicapped sibling relief</td>
<td>$3,500</td>
</tr>
<tr>
<td>Handicapped child relief</td>
<td>$5,500</td>
</tr>
</tbody>
</table>

Proposed
With effect from YA 2015, the quantum for all categories of parent relief will be increased as follows:

Parent/handicapped parent relief

<table>
<thead>
<tr>
<th>Living arrangements</th>
<th>Parent relief (per dependant)</th>
<th>Handicapped parent relief (per dependant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependant is living in the same household as the taxpayer</td>
<td>$9,000</td>
<td>$14,000</td>
</tr>
<tr>
<td>Dependant is not living in the same household as the taxpayer</td>
<td>$5,500</td>
<td>$10,000</td>
</tr>
</tbody>
</table>
Other than the change in the quantum above, the sharing of parent/handicapped parent relief amongst claimants will be allowed. This is to recognise that care for parents is a shared responsibility among family members. The amount of relief claim will be according to the claimants’ agreed proportion. If the claimants cannot come to an agreement on the apportionment of the relief, the IRAS will apportion the relief equally among the claimants.

**Other handicapped dependant reliefs**

<table>
<thead>
<tr>
<th>Type of relief</th>
<th>Relief quantum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handicapped spouse relief</td>
<td>S$5,500</td>
</tr>
<tr>
<td>Handicapped sibling relief</td>
<td>S$5,500</td>
</tr>
<tr>
<td>Handicapped child relief</td>
<td>S$7,500</td>
</tr>
</tbody>
</table>

**Points of view**

► The amount of current tax reliefs for supporting parents and handicapped family members have not changed for a few years. The enhanced reliefs show the Government’s commitment to provide special focus on the elderly and the handicapped.

► With Singapore’s ageing population, the increase in the parent/handicapped parent relief gives greater recognition to those who look after their ageing parents and grandparents.

► The Government places importance on family support and strong social networks and therefore, these changes are in line with their policy of encouraging taxpayers to look after their families.
CPF contribution rate changes

Current
► Currently, the CPF contribution rates for older workers above 50 years are lower than those for workers up to 50 years of age.

Proposed
► Due to the increase in life expectancy, the demand for healthcare services is expected to rise and the current Medisave contribution rates for all workers may be inadequate. As such, employer contribution rates to the Medisave Account (MA) will be increased by 1 percentage point to help workers save for their future healthcare expenses.
► MA contribution rates will also be raised by 1 percentage point for self-employed persons with an annual net trade income of S$18,000 and above, to align with the increase for employees.
► In addition, the CPF contribution rates for older workers aged above 50 years to 65 years will be increased, as illustrated in the table below (excluding the increase in Medisave contribution rates):

<table>
<thead>
<tr>
<th>Employee age (years)</th>
<th>Increase in contribution rates (% of wage)</th>
<th>Contribution by employer</th>
<th>Contribution by employee</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above 50 to 55</td>
<td></td>
<td>+1</td>
<td>+0.5</td>
<td>+1.5</td>
</tr>
<tr>
<td>Above 55 to 65</td>
<td></td>
<td>+0.5</td>
<td>–</td>
<td>+0.5</td>
</tr>
</tbody>
</table>

► The increase in employer contribution rates will be allocated to the Special Account, whilst the increase in the employee contribution rates will be allocated to the Ordinary Account.
► These changes will take effect from 1 January 2015. However, the Ordinary Wage ceiling remains unchanged at S$5,000 per month.
► To help employers manage the 1% increase to the MA, the Government will provide them with a 50% offset, through a one-year Temporary Employment Credit. Employers will receive an offset of 0.5 percentage points of wages, up to the CPF salary ceiling of S$5,000.
► Furthermore, to help employers to offset the increase in older worker contributions rates, the Government will provide a one-year increase in the Special Employment Credit (SEC) of up to 0.5 percentage points. This is in addition to the existing SEC of up to 8% of wages.
Points of view

► The Government has to strike a delicate balance in deciding the CPF contribution rates for older workers. On the one hand, employers should be encouraged to hire older workers. On the other hand, older workers need savings towards medical care.

► Workers aged between 50 to 55 years will see their monthly net disposable income decrease slightly due to an increase of 0.5 percentage points in employees’ CPF contributions. These employees will still be in a better position overall in future as the accumulated savings in their CPF accounts would grow faster with a 2 percentage point increase in the employer’s CPF contributions.

► The changes above would result in higher labour costs for employers. However, the cost increase is partially mitigated by various schemes offered by the Government.
Evolution of managing GST in Singapore

We are now into the 20th year of GST implementation in Singapore. GST is no longer in its infancy stage but is now a well-established tax system that contributes close to 22% of the Singapore tax revenue.

Even at the current GST rate of 7%, making errors and not complying with the GST rules and regulations can be costly for businesses in terms of penalties, additional GST to be paid and reputational risks.

The IRAS’ audit of businesses has evolved over the years. Traditionally, the IRAS would enforce GST compliance by way of desk and field audits. To supplement the audits, the IRAS has now introduced two programmes to encourage businesses to take a more proactive approach in managing their GST risks and improving GST compliance.

Under the first programme, known as the Assisted Compliance Assurance Programme (ACAP), businesses that have a robust GST control framework could apply to have their controls reviewed and tested and be awarded the ACAP status by the IRAS. Under the second programme, the Assisted Self-Help Kit (ASK) programme, businesses could conduct self review of their GST returns by using the methodology prescribed by the IRAS. Businesses should consider participating in either programme if they wish to enhance their GST compliance.

The responsibility for managing GST compliance within an organisation has traditionally been the role of the finance department. We are now seeing an increasing trend of companies moving their finance functions, including the preparation of GST returns, to shared service centres located outside Singapore. This trend will inadvertently increase the risk of GST non-compliance. Businesses should put in place controls to manage the risks associated with outsourced functions and consider participating in either ACAP or ASK.

Besides ACAP and ASK, data analytics also helps to analyse and ascertain if transactions within an organisation are being processed and dealt with correctly. This is particularly useful in the review of accounts payable and accounts receivable transactions. The analysis performed by data analytics includes reviewing the relevant data for over-claiming of GST, incorrect GST coding, duplicate invoices processed, incorrect GST on invoices, etc.

As business transactions become increasingly complex, so does the burden of GST compliance. On the other hand, the regulatory environment is tightening and the IRAS is adopting more sophisticated tools and methodologies in auditing businesses. Do you know what the IRAS would find if they were to audit your business today? Do not wait to find out. Be proactive in managing your GST risks and enhancing your GST compliance.
In 2011, the Minister gave the assurance that the GST rate would not be increased for at least the next five years. As expected, the Minister did not propose any change to the GST rate in this Budget and the GST rate remains at 7%.

As the Government increases its spending on healthcare, education and social programmes to build a more inclusive society, a tax hike may be inevitable in the longer run as costs escalate. As Prime Minister Lee said in his 2013 National Day Rally speech “But let me tell you the truth, as our social spending increases significantly, sooner or later our taxes must go up”. It is probably a matter of when, not if, the GST rate will be raised.

Over the years, the Government has shifted its reliance from direct tax to indirect taxes. GST is now the second largest contributor to the Singapore tax revenue (after income tax). This increasing reliance on indirect taxes is consistent across the globe. The average European Union standard rate for VAT (a consumption tax similar to the GST) has increased from around 19.5% to more than 21% between 2008 and 2012. In Asia, a similar trend is also observed. Japan, a developed country with a rapidly ageing population, will be raising its consumption tax rate over the next two years - from 5% to 8% in April 2014 and subsequently to 10% in October 2015. Malaysia has also recently announced its intention to implement GST from 1 April 2015.

Today, Singapore’s GST rate is among the lowest in the world. Against a backdrop of escalating costs and rising indirect taxes globally, there is room to increase the GST rate in the long run.

A GST rate increase is unlikely to dent Singapore’s international competitiveness (as opposed to a rise in income tax rates) as it is a domestic consumption tax largely borne by end consumers.
# Standard GST/VAT rates in selected countries

## Asia-Pacific

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>17</td>
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<tr>
<td>New Zealand</td>
<td>15</td>
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<tr>
<td>Philippines</td>
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<tr>
<td>Australia</td>
<td>10</td>
</tr>
<tr>
<td>Indonesia</td>
<td>10</td>
</tr>
<tr>
<td>Korea</td>
<td>10</td>
</tr>
<tr>
<td>Vietnam</td>
<td>10*</td>
</tr>
<tr>
<td>Singapore</td>
<td>7</td>
</tr>
<tr>
<td>Thailand</td>
<td>7</td>
</tr>
<tr>
<td>Japan</td>
<td>5</td>
</tr>
<tr>
<td>Taiwan</td>
<td>5</td>
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</tbody>
</table>

## Europe

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>25</td>
</tr>
<tr>
<td>Sweden</td>
<td>25</td>
</tr>
<tr>
<td>Italy</td>
<td>22</td>
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<tr>
<td>Netherlands</td>
<td>21</td>
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<td>UK</td>
<td>20</td>
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<tr>
<td>France</td>
<td>20</td>
</tr>
<tr>
<td>Germany</td>
<td>19</td>
</tr>
<tr>
<td>Switzerland</td>
<td>8</td>
</tr>
</tbody>
</table>

### Notes:

The above rates are the standard GST/VAT rates prevailing as at 1 January 2014

*5% for certain goods
Miscellaneous
To improve productivity of the construction industry, the Government has introduced measures to encourage the sector to retain skilled workers and to use more productive technologies.

**Foreign worker policies**

Measures have been introduced to encourage construction firms to hire, train and retain higher skilled foreign workers and reduce over-reliance on large numbers of relatively low skilled foreign workers:

- The foreign worker levy for Basic Skilled (R2) construction Work Permit Holders (WPHs) employed within the Man-Year Entitlement will be increased from S$600 to S$700 from 1 July 2016.
- The foreign worker levy for Higher Skilled (R1) WPHs will remain unchanged.

Currently, a Basic Skilled (R2) worker who has at least four years of experience in Singapore’s construction sector and passes a skills test can upgrade to a Higher Skilled (R1) status. From 1 August 2014, a new Market-Based Skills Recognition Framework (MBF) will be introduced to complement the existing upgrading pathway. Under the MBF, an R2 worker who has at least six years’ construction experience in Singapore and earns a monthly salary of at least S$1,600 can also upgrade to R1 status.

To encourage construction firms to retain their trained and experienced WPHs for a longer period, the Ministry of Manpower will extend the maximum period of employment for R1 WPHs from Non-Traditional Sources and the People’s Republic of China from 18 to 22 years. This will be effective from 1 May 2014.

The extension of employment period will also apply to the marine and process sectors.

Over a longer time period, the above measures are expected to help moderate the demand for large numbers of new, relatively low-skilled WPHs and improve overall productivity of the construction sector.

**Upstream measures to tackle construction productivity**

In addition to the changes in the foreign worker policies, various upstream initiatives will be taken to improve productivity of the construction sector:

- For selected Government Land Sales (GLS) sites, the use of productive technologies will be mandated in the tender conditions. JTC Corporation will also be required to stipulate a minimum level of prefabrication as part of tender conditions for industrial GLS sites.
- For non-GLS sites, the Government will incentivise developers to adopt productive technologies.
- The Government will continue to increase the legislated buildability-scores and constructability-scores for projects.
- For Government construction projects, tender evaluation will favour firms with a good track record in adopting productive construction designs and methods.
- The above measures to use more productive technologies in the public sector construction projects are also aimed at setting an example for the private sector to adopt similar productive technologies.

The Ministry of National Development will release more details regarding these initiatives.
Changes to the taxation of tobacco, liquor and betting

Excise duties - tobacco and liquor

The Government has increased excise duties on cigarettes and other manufactured tobacco products by 10%. As such, excise duties increase from S$352 per kg or 35.2 cents per gram or part thereof of each stick of cigarette to S$388 per kg or 38.8 cents per gram or part thereof of each stick of cigarette.

Excise duties on all liquor categories (i.e., beer, wine, spirits, and raw materials to manufacture alcohol) will be increased by 25%. It should be noted that the excise duty rate applicable to shandy will be lowered from S$70 per litre of alcohol to S$60 per litre of alcohol to achieve consistency with the excise duty rates applied to beer.

These changes came into effect from 21 February 2014 and further details can be found in the Singapore Customs Circular No: 03/2014.

Betting duties

The Government imposes duty on betting activities through the Betting and Sweepstake Duties Act. The current rate of betting duty applicable on Totalisator or Parimutuel Betting (excluding horse racing) and any other system or method of cash or credit betting (e.g., 4D, Singapore Sweep) is 25% of gross bets (net of GST). The revised duty rate will be 30% of gross bets (net of GST).

These changes come into effect from 1 July 2014.

Betting duties on horse racing, sports betting and sweepstakes will remain unchanged.
Changes to vehicle taxes

Green and carbon emission efficient vehicles
The Carbon Emission-based Vehicle Scheme (CEVS) was introduced in January 2013 as part of the Government’s efforts to maintain a cleaner environment in Singapore. Under CEVS, all new purchases of passenger cars with low carbon emissions enjoy up to S$20,000 in rebates on the Additional Registration Fee, while those with high carbon emissions have to pay a surcharge of up to S$20,000. The CEVS was scheduled for review at the end of 2014.

CEVS will be extended by six months from 1 January 2015 to 30 June 2015, with a view towards continuing the scheme thereafter.

The Green Vehicle Rebate (GVR) scheme for commercial vehicles, buses and motorcycles was valid until December 2014. The GVR scheme for commercial vehicles, buses and motorcycles will be extended from 1 January 2015 to 30 June 2015.

Early Turnover Scheme
The Early Turnover Scheme was implemented last year to encourage the early replacement of old diesel vehicles with models that comply with at least Euro V diesel standards or their equivalent. Owners who de-register their pre Euro and Euro I vehicles before the end of their statutory life will pay lower, pro-rated COE premiums for the replacement vehicle, as they can transfer the unused COE period to the replacement vehicle. They also receive a bonus COE period for their replacement vehicle based on the current vehicle’s remaining statutory life.

The Government will enhance the bonus COE period to further incentivise owners to replace their vehicles early. More details will be announced by the Minister for the Environment and Water Resources.
Stamp duty on certain categories of instruments is currently imposed on a specific dollar value basis relative to the underlying consideration or value of such instruments. With a view to streamlining the basis and calculation of stamp duty, the following categories of stamp duty will now be subject to an *ad valorem* or percentage based rate structure:

- Buyer’s stamp duty on immovable properties
- Share transfer duty
- Lease duty
- Mortgage duty

Changes have also been made to the basis of calculation of duty on leases of immovable property to have a consistent treatment for leases of varying tenures. In addition, stamp duty amounts will be rounded down to the nearest dollar subject to a minimum stamp duty of S$1 per instrument.
Glossary of terms

The following definitions apply throughout this Budget Synopsis unless otherwise stated:

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>COE</td>
<td>Certificate of entitlement</td>
</tr>
<tr>
<td>CPF</td>
<td>Central Provident Fund</td>
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<tr>
<td>EDB</td>
<td>Singapore Economic Development Board</td>
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<tr>
<td>FY</td>
<td>Financial year</td>
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<td>Government</td>
<td>Government of Singapore</td>
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<tr>
<td>GST</td>
<td>Goods and services tax</td>
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<tr>
<td>IP</td>
<td>Intellectual property</td>
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<tr>
<td>IRAS</td>
<td>Inland Revenue Authority of Singapore</td>
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<tr>
<td>ITA</td>
<td>Income Tax Act</td>
</tr>
<tr>
<td>MAS</td>
<td>Monetary Authority of Singapore</td>
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<tr>
<td>Minister</td>
<td>Minister for Finance</td>
</tr>
<tr>
<td>MNC</td>
<td>Multinational corporation</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>PE</td>
<td>Permanent establishment</td>
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<tr>
<td>PIC</td>
<td>Productivity and Innovation Credit</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and development</td>
</tr>
<tr>
<td>SME</td>
<td>Small and medium enterprise</td>
</tr>
<tr>
<td>SPRING</td>
<td>Standards, Productivity and Innovation Board (SPRING Singapore)</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>US</td>
<td>United States</td>
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<tr>
<td>VAT</td>
<td>Value added tax</td>
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<td>WHT</td>
<td>Withholding tax</td>
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<td>YA</td>
<td>Year of Assessment</td>
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</table>
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Our tax professionals in Singapore provide you with deep technical knowledge, both global and local, combined with practical, commercial and industry experience. We draw on our global insight and perspectives to build proactive, truly integrated direct and indirect tax strategies that help you recognize the opportunity in business change and build sustainable growth, in Singapore and wherever else you are in the world.

We draw on extensive accounting and compliance experience and tried-and-tested methodologies that allow you to manage your direct and indirect tax compliance and reporting obligations effectively. We help you assess, improve and monitor your tax function's processes, controls and risk management and maintain effective relationships with tax authorities.

Our talented people, consistent methodologies and unwavering commitment to quality service help you to build the strong compliance and reporting foundations and sustainable tax strategies that help your business succeed.

Business Tax Services
Our Business Tax Services in Singapore are designed to meet your business tax compliance and advisory needs. Our tax professionals draw on their diverse perspectives and skills to give you a seamless service through all the challenges of planning, financial accounting, tax compliance and maintaining effective relationships with tax authorities. Our holistic approach builds sustainable tax strategies based on technical, practical, commercial and industry knowledge.

Quantitative Services
We offer a scaleable set of services to assist clients with analysing tax opportunities, typically related to large data sets, efficiently and systematically identifying multi-country tax regulations and the benefits that can be attained. Our services can include assistance with: accounting methods and inventory, research incentives, flow-through entity planning, capital assets and incentives.

Our Business Incentives Advisory team works closely with the Business and International Tax Services as well as Indirect Tax Services groups to assist in incentives negotiations for our clients. For Singapore incentives, we evaluate and assess possible incentive opportunities based on project parameters for our clients, provide suggestions to avail of incentive opportunities, strategise the approach for discussions with the authorities, facilitate meetings with the authorities and our clients, assist in applications for relevant incentives, and assist in the process design for incentive maintenance, tracking and reporting obligations. We also conduct regional incentive studies where we provide cross-country comparisons of potential incentives for site location or competitive benchmarking.

We also assist with R&D tax deduction, where we will meet with technical personnel to assess the potential qualifying R&D projects, work with your finance and tax teams to identify qualifying R&D expenditure, prepare or review the R&D plans for submission to tax authorities, and assist you with queries raised by the authorities surrounding claims.

Personal Tax Services
Our Personal Tax practice offers tax-related domestic and cross border planning and compliance assistance to business-connected individuals and their associated entities. In addition, in today's global environment, our cross border services help meet the ever-growing needs of internationally positioned clients.

Tax Performance Advisory
Your tax function needs to effectively manage competing responsibilities and stakeholders while delivering enhanced performance not just in the tax department but across the wider business as well. We can help you build strong compliance and reporting foundations, effective risk management protocols and a high performing tax function. We have experience delivering projects to companies of all sizes across all aspects of the tax life cycle: planning, provision, compliance and controversy. Our holistic approach allows us to speak the same language as your tax, finance, information technology and business professionals, which is necessary to drive enhanced tax function performance across the enterprise.

Tax Policy and Controversy
Developing a tax policy that resolves impediments to business needs a team that can work with government to explain issues, clarify objectives, and achieve a successful outcome for everyone. Our global tax policy network has extensive experience of helping develop and implement policy initiatives, both as external advisers to governments and companies, and as advisers inside government. Our dedicated teams of tax policy professionals and business modelers help address your specific business environment and improve the chance of a successful outcome.

In addition, our global tax controversy network works with you to address your global tax controversy, enforcement and disclosure needs. We focus on pre-filing controversy management to help you properly and consistently file your returns and prepare the relevant back-up documentation. Our controversy professionals leverage the network's collective knowledge of how tax authorities operate, and increasingly work together, to help resolve difficult or sensitive tax disputes.

Global Compliance and Reporting
Compliance and reporting make huge demands on tax and finance functions today. Our market-leading approach combines extensive local compliance and accounting experience - in 140 countries - with a standard global compliance process and web-based tools.

You can access the resources of our dedicated compliance and reporting professionals in one country or globally with a single point of contact. Our advice can accommodate local-to-local service, where you need it, at the same time centralising and automating aspects of the process where it makes sense.

Our next generation model focuses on global data management, making it easier to centralise and re-use data across the financial supply chain and geographical boundaries. This can result in more accurate data and less manual intervention. In one country or many, we can give you an integrated, consistent, quality service that unlocks the potential of your compliance function, with tax compliance, statutory accounts preparation and tax accounting calculation support.

Tax Accounting and Risk Advisory Services
As demand for transparency increases and tax departments are under pressure to be more effective, we can help you with tax accounting by supporting: your tax provision calculations, validating tax balance sheet accounts, implementing new accounting...
Financial Services Tax

Our Financial Services Tax Team is dedicated to delivering value to our clients in the financial services industry who are facing a constantly evolving tax landscape. Whether you are in Banking and Capital Markets, Asset Management, or Insurance sector, we will be able to assist you in managing your direct and indirect tax obligations and tax risks, navigating the complex tax rules across jurisdictions, pursuing tax incentives or concessions, dealing with transfer pricing issues, handling queries by the tax authorities, assessing your tax provisions and analysing your uncertain tax positions.

We can also advise you on the tax implications of new financial products or transactions, and assist in applying for Revenue rulings where applicable. We can advise on the structuring of your new businesses and new funds, or on the review of such structures in an internal reorganisation or in the event of mergers or acquisitions, from the tax perspective. Individual tax issues often feature prominently in structuring or restructuring exercises, and we actively engage with our Human Capital colleagues to advise our financial services clients accordingly.

Human Capital

Our Human Capital services’ holistic approach, across a broad continuum of services, and our responsive, high-performing teams provide the interconnected competencies and insight required to address broad business issues and minimise risk. Through our global footprint, we advise many of the world’s largest employers, as well as those just venturing abroad for the first time. We help our clients manage the complex challenges of deploying a globally mobile workforce.

With teams specialising in Singapore and US taxes, business immigration and global mobility policy and processes, we help you meet your executive compliance obligations, stay on top of regulatory change and manage your global talent effectively.

Indirect Tax

Global Trade

Our Global Trade professionals can help you develop strategies to manage your costs, speed up your supply chain and reduce the risks of international trade. We can help to improve trade compliance and import and export operations, enhance adherence to rules of origin under free trade agreements, reduce customs and excise duties, and enhance supply chain security. We help you to address the challenges of doing business in today’s global environment to help your business achieve its potential.

GST Services

Our network of dedicated Indirect Tax professionals can advise on the GST treatment of transactions and supplies and help resolve classification or other disputes and issues with the authorities. We provide assistance in identifying risk areas and sustainable planning opportunities for indirect taxes throughout the tax lifecycle. We provide you with effective processes to help you improve your day-to-day reporting for indirect tax, reducing attribution errors, reducing costs and ensuring indirect taxes are handled correctly. We can support full or partial GST compliance outsourcing, help identify the right partial exemption method and review accounting systems.

International Tax Services

International Tax

Our dedicated International Tax professionals assist our clients with their cross-border tax obligations, planning, reporting and risk management. We work with you to build proactive and truly integrated global tax strategies that address the tax risks of today’s businesses and achieve sustainable growth.

Global Tax Desk

Our market-leading Global Tax Desks Network – a co-located team of highly experienced professionals from multiple countries – has transformed the way we provide international tax services. The Global Tax Desks Network are senior tax specialists on temporary assignment from their home jurisdictions to work in “clusters” with other desks and with local tax professionals. Clusters are located strategically in major business centers so that our desks can respond to your challenges immediately and cost-effectively, avoiding time zone barriers and the high price of international travel.

The desks work as a team – tackling the same problem from all sides - thoughtfully identifying considerations with your cross-border transaction. We work with you to help you manage global operational changes and transactions, capitalisation and repatriation issues, transfer pricing and your supply chain – from forward planning, through reporting, to maintaining effective relationships with tax authorities.

Transfer Pricing

Our Transfer Pricing professionals help you review, document, manage and defend your transfer pricing policies and processes – aligning them with your business strategy. Whether you are changing business structures or models, managing the impact of major transactions or negotiating with the tax authorities, we bring you a global perspective based on our knowledge and long-standing experience of the subject.

Operating Model Effectiveness

Our teams work with you on supply chain design, business restructuring, systems implications, transfer pricing, direct and indirect tax, customs and accounting. We can help you build and implement the structure that makes sense for your business, improve your processes and manage the cost of trade.

Transaction Tax

Every transaction has tax implications, whether it’s an acquisition, disposal, refinancing, restructuring or initial public offering. Understanding and planning for these implications can mitigate risk, enhance opportunity and provide crucial negotiation insights.

Our Transaction Tax Services comprise a network of worldwide professional advisors who can help you navigate the tax implications of your transaction. By combining diverse cross-border transaction experience with local tax knowledge across a broad spectrum of industry sectors, we can help you make informed decisions and navigate the tax implications of your transaction. We mobilise wherever needed, assembling a personalised, integrated global team to work with you throughout the transaction lifecycle, from initial due diligence through post-deal implementation. We can suggest structuring alternatives, to balance investor sensitivities, promote exit readiness and raise opportunities for improved returns.
Ernst & Young Solutions LLP’s Tax practice aims to give you insights on the tax issues that matter in today’s fast-changing business environment. To find out how these tax issues impact your business, read You and the Taxman.

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