Complete Corporate Services

Singapore Budget 2019

1. SINGAPORE BUDGET 2019

The Minister for Finance, Mr Heng Swee Keat, presented his Budget speech in Parliament on 18 February 2019.

Budget 2019 announced measures with a more targeted approach to help Singapore businesses and Singaporeans of all ages deal with the short to long term challenges and seize opportunities. For Singapore businesses, we continue to see the push from the Singapore Government for companies to scale up, automate, innovate and go global, while workers are encouraged to continuously upgrade their skillsets to stay relevant. For individuals, we see strong emphasis on support for healthcare and the Merdeka Generation, whom played a key role in Singapore's development.

Besides the focus on Singapore businesses and individuals, Budget 2019 also sees resources allocated towards the renewal and expansion of Singapore's infrastructure to strengthen Singapore's role as a key node within Asia and to the world. The need to safeguard our sovereignty and to keep Singapore safe and secure also sees the Singapore Government setting aside 30% of its total expenditure this year to support our defence, security and diplomacy efforts.

While there are a slew of changes or initiatives announced in Budget 2019, this circular only aims to highlight certain key tax changes that may be of relevance to our clients. If there are other topics that you may wish to understand better, please feel free to reach out to any one of us in Complete Corporate Services Pte Ltd for a further discussion.

2. BUSINESSES AND CORPORATIONS

2.1 Extending the writing-down allowance ("WDA") for acquisition of qualifying intellectual property rights ("IPRs")

Current

Capital expenditure incurred by a company or partnership in respect of qualifying IPRs acquired on or before the last day of the basis period for Year of Assessment ("YA") 2020 for use in its trade or business qualifies for WDA under Section 19B of the Income Tax Act (ITA) over a period of five, 10, or 15 years.

Proposed

To recognise the importance of innovation and creators of value in a knowledge-based economy, the WDA under Section 19B will be extended to cover capital expenditure incurred in respect of qualifying IPRs acquired on or before the last day of the basis period for YA 2025.

As before, the election of the writing-down period remains (i.e. over a period of five, 10, or 15 years) and must be made at the point of submitting the tax return of the YA relating to the basis period in which the qualifying cost is incurred. The election, once made, is irrevocable.

Our Comments

This extension aligns to one of the three thrusts, "building enterprise capabilities" as mentioned in the Budget 2019 announcement, to maintain Singapore's attractiveness as a hub for innovation and creation. With the extension of the WDA, more companies may be able to reap the benefit.

While there is flexibility accorded to companies through the availability of electing to claim WDA over a period of five, 10, 15 years, having further tweaks such as the option to elect for deferral of WDA claims on IPRs may also be welcomed by businesses.

2.2. Extending the 100% investment allowance ("IA") under the Automation Support Package ("ASP")

Current

The ASP was first offered in Budget 2016 to support companies over a three-year period, which was meant to help firms deploy large-scale automation, drive productivity and scale up.

To defray automation costs, funding support of up to 50% of qualifying costs for the roll-out or scaling up of automation projects is provided under the ASP. This funding is capped at S$1 million.

The ASP also includes IA of 100% of the amount of approved capital expenditure on qualifying projects, net of grants, during 1 April 2016 to 31 March 2019. This IA is in addition to the existing capital allowance for plant and machinery, capped at

S$10 million per project.

Lastly, the ASP also includes access to financing.

Proposed

The 100% IA measure under the ASP will be extended by two years for projects approved by Enterprise Singapore from 1 April 2019 to 31 March 2021. The approved capital expenditure remain capped at S$10 million per project.

Other components of the ASP, such as the funding and financing support, will also be extended by two years till 31 March 2021.

Our Comments

The continuous push for automation, increase in productivity and efficiency will enhance Singapore's position as a Global-Asia node of technology, innovation and enterprise. This is also in line with the Singapore Government's calls for lesser reliance on manual labor. The extension of the ASP will definitely encourage companies to strive for further automation to prepare themselves for Industry 4.0.

3. INDIVIDUALS

3.1. Personal Income Tax Rebate for resident individual taxpayers for YA 2019

Current

There is no Personal Income Tax ("PIT") Rebate.

Proposed

A PIT Rebate of 50% of tax payable, capped at S$200 per taxpayer, will be granted to all tax resident individuals for YA 2019.

Our Comments

As mentioned in the Budget 2019 announcement, the Singapore Government will share surpluses with Singaporeans and provide more help to those with specific needs when the finances allow. The $1.1 billion Bicentennial Bonus introduced, which has several components, serves to achieve this mean.

The capping of the PIT rebate, which is one of the components, would mainly benefit the low-income earners. This, coupled by the Goods and Services Tax Voucher and Workfare Income Supplement enhancement, will go a long way in supporting this group of Singaporeans.

3.2. Grandparent Caregiver Relief

Current

Working mothers who engage the help of their parents, grandparents, parents-in-law or grandparents-in-law to take care of their young children may claim Grandparent Caregiver Relief, subject to conditions. One of the conditions is that the child has to be 12 years old or below during the year preceding the YA of claim.

Proposed

Working mothers with handicapped and unmarried dependent child (i.e. incapacitated by reason of physical or mental infirmity) will be allowed to claim Grandparent Caregiver Relief, regardless of the child's age, if all other conditions for this relief are met. This will take effect from YA 2020.

Our Comments

This would provide greater support and recognition to working mothers with handicapped and unmarried dependent children, whom usually need to be taken care of beyond their childhood years. This measure is also in line with the Singapore Government's focus of providing targeted support and its strategy to build a caring and inclusive society.

Given that the Grandparent Caregiver Relief is available to a working mother who is divorced or widowed, the Singapore Government can perhaps also consider expanding the relief to a working father in the same circumstances.

3.3. Lapsing the Not Ordinarily Resident ("NOR") scheme

Current

Under the scheme, an eligible individual granted NOR status for a five-year period may, subject to conditions, receive the following tax concessions:

a) Time apportionment of Singapore employment income, whereby the portion of his/her Singapore employment income corresponding to the number of days he/she has spent outside Singapore for business reasons, pursuant to his/her Singapore employment, would not be subject to tax.

b) Tax exemption of his/her employer's contribution to a non-mandatory overseas pension or provident fund.

Proposed

The NOR scheme will lapse after YA 2020. The last NOR status will be granted for YA 2020 and expire in YA 2024. Individuals who have been accorded the NOR status will continue to be granted NOR tax concessions until their NOR status expires, if they continue to meet the conditions of the concessions.

Our Comments

As part of the periodic reviews by the Ministry of Finance of the relevance of the various tax schemes, it has been decided that the NOR scheme would be allowed to lapse. This could be seen as a push for Singapore to develop its own pool of talent to maintain Singapore's competitiveness and drive its economic growth instead of relying on global talent.

3.4. Merdeka Generation Package ("MGP")

$6.1 billion will be set aside for a new Merdeka Generation Fund to honour and recognise the Merdeka Generation for their contributions in Singapore's nation-building and to show care of them in their silver years. The MGP will comprise five key benefits in the form of top-up to the Merdeka Generation ("MG") seniors' Passion Silver cards and MediSave, additional subsidies for outpatient care, additional MediShield Life premium subsidies and additional participation incentive for MG seniors who join CareShield Life.

The MG consists of Singaporeans who:-
- are born in the 1950s and obtained citizenship by 1996; or
- are born in 1949 or earlier and obtained citizenship by 1996, but missed out on the Pioneer Generation Package.

All eligible seniors will receive the MGP benefits, regardless of their income and they will be notified by April 2019.

4. GOODS AND SERVICES TAX ("GST")

4.1. Tightening GST import relief for Travellers

Current

Travellers (excluding holders of work permits, employment passes, student passes, dependent passes or long-term passes) are given GST relief on goods brought into Singapore for personal use. The relief does not apply to intoxicating liquor and tobacco, as well as goods imported for commercial purposes.

The GST relief limit depends on the number of hours the travellers have spent outside Singapore and is as follows:-

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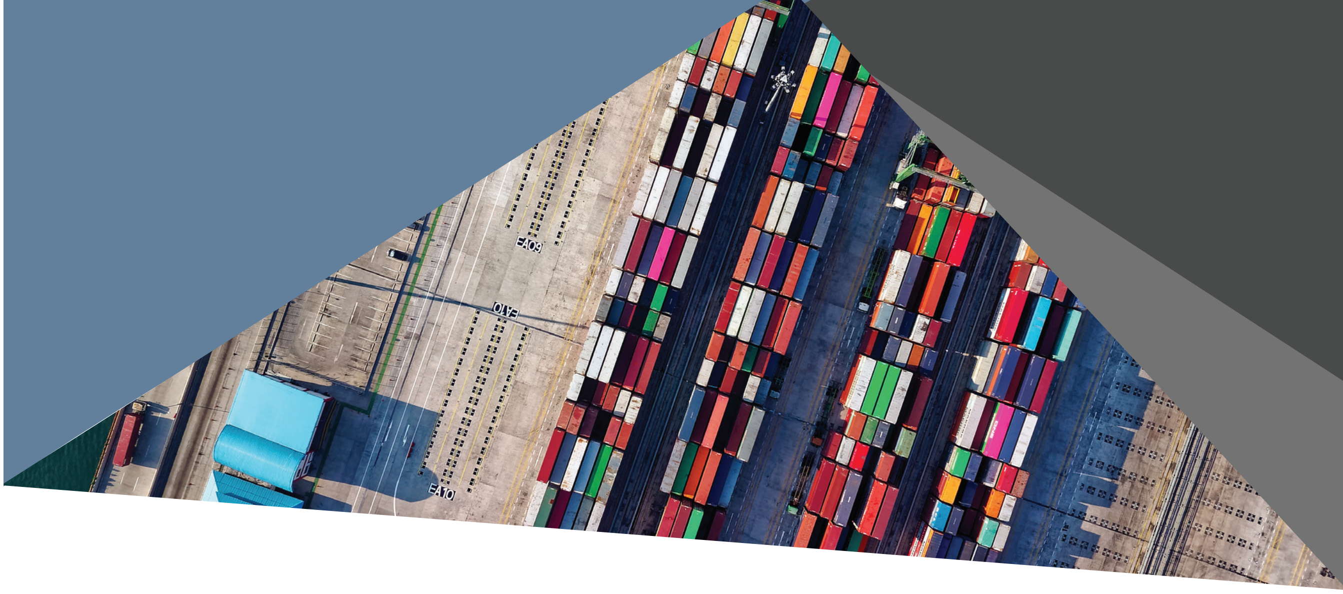
Time spent outside Singapore	Value of goods granted GST relief*
48 hours and above	S$600
Less than 48 hours	S$150

*GST is applicable on the value of goods in excess of the respective relief limits.

Proposed

The revised quantum on the GST relief limit will take effect for travellers arriving in Singapore from 12.00 am, 19 February 2019:-



Time spent outside Singapore	Value of goods granted GST relief*
48 hours and above	S$500
Less than 48 hours	S$100

*GST is applicable on the value of goods in excess of the respective relief limits.

Our Comments

GST is a broad-based tax that contributes significantly to our fiscal resources. As such, with the rise of international travel and to enhance the progressivity and resilience of our tax system, the Singapore Government has decided to tighten the quantum of the GST import relief limit for travellers. This will also ensure that recurrent spending contributes to recurrent revenues in Singapore.

5. OTHERS

5.1. Reducing the Dependency Ratio Ceiling ("DRC")

Current

For the Services sector, the DRC and sub-DRC are currently as follows:-

- DRC: 40%
- S Pass sub-DRC: 15%

Proposed

The DRC and sub-DRC for the Services sector will be reduced in 2 steps as follows:-

	On 1 January 2020	On 1 January 2021
DRC	38%	35%
S Pass sub-DRC	13%	10%

With the reduction, firms will not be allowed to renew foreign workers' work passes that exceed the amended DRC or sub-DRC. However, firms can still retain the foreign workers above the DRC or sub-DRC limits until their work passes expire to avoid operational disruptions.

Our Comments

The move to reduce DRC and sub DRC is encouraging as the Singapore Government recognises that relying on more foreign workers is not a long-term solution. Much emphasis is placed on Singaporean workers in Budget 2019, whereby companies are encouraged to revamp their work processes, redesign jobs and reskill their workers in order to stay competitive and ensure that Singaporean workers will not be left behind.

While this may appear to create difficulties for the Services sector, other transitional measures available till Financial Year ("FY") 2022 such as the extension of the enhanced funding support under the Enterprise Development Grant and the expansion of the scope of the Productivity Solutions Grant will help support such firms as they adjust to these changes.

5.2. Deferring Foreign Worker Levy ("FWL") increase for Marine Shipyard and Process sectors for another year

Current

FWL rates for the Marine Shipyard and Process sectors were scheduled to be raised from 1 July 2019, as announced during the previous Budget.

Proposed

FWL rates will remain unchanged for all sectors. As the Marine Shipyard and Process sectors have only begun showing early signs of recovery, the earlier announced FWL increases for the these sectors will be deferred for another year.

Our Comments

The freezing and further deferment of the increases in the FWL rates demonstrates the Singapore Government's responsiveness and flexibility to the difficult conditions and economic headwinds that these sectors are still facing.

5.3. Enhancements of Enterprise Development Grant ("EDG")

Current

The EDG, announced at Budget 2018, is a holistic grant scheme providing customized support to local enterprises for their growth and transformation. It provides enterprises with government funding support up to 70% of qualifying costs incurred on projects to strengthen business capabilities, improve operational efficiencies and internationalise.

Proposed

The EDG's enhanced support level of up to 70% will be extended for three more years, up to 31 March 2023. Support levels for the scheme after FY 2022 are subject to review closer to the end of FY 2022.

With effect from 1 April 2020, businesses will also need to commit to outcomes for workers such as wage increases in order to qualify for the EDG.

Our Comments

The extension of the enhanced support level under the EDG serves to reinforce the aim of enhancing Singapore's position as a Global-Asia node of technology, innovation and enterprise. Without the extension of the enhanced support level, the support level would have reverted to 50% after 31 March 2020. In addition, the requirement that businesses will need to commit to outcomes for workers in order to qualify for the EDG moving forward ensures that the benefits of the enterprise transformation are passed on to the workers.

Applications for the EDG can be made through the Business Grants Portal and further details will be released at a later date.

5.4. Enhancement of Productivity Solutions Grant ("PSG")

Current

The PSG, which was also announced at Budget 2018, aims to support enterprises to adopt pre-scoped, off-the-shelf technology and productivity solutions. It provides co-funding for up to 70% of qualifying costs incurred up to 31 March 2020. After 31 March 2020, the co-funding will drop to 50% for certain sectors.

Proposed

The PSG enhanced support level of up to 70% will be extended to 31 March 2023. Support levels after FY 2022 are subject to review closer to the end of FY 2022.

The PSG will also be enhanced to include a component that supports worker upgrading. Eligible companies will be able to receive a subsidy for up to 70% of their out-of-pocket training expenses, i.e. training expenses not already covered by other government training subsidies, capped at S$10,000 per company. This enhancement will last until 31 March 2023.

Our Comments

Similar to the extension of the enhanced support level under the EDG, the expansion of the scope of the PSG serves to reinforce the aim of enhancing Singapore's position as a Global-Asia node of technology, innovation and enterprise. The expansion of the scope of the PSG would also ensure that workers continuously strive to upgrade themselves in order to stay relevant in this rapidly changing environment.

Applications for the PSG can also be made through the Business Grants Portal and further details will be released by Ministry of Trade and Industry's and Ministry of Education's Committee of Supply.

5.5. Enablers for Firms to Scale Up, Innovate, Automate and Go Global

The Singapore Government will help firms to scale up, innovate, automate and venture into new markets by providing support in three areas:

(a) Providing customized assistance;
(b) Providing better financing options; and
(c) Supporting technology adoption.

I) Scale-Up SG Programme and Innovation Agents Programme

Enterprise Singapore will launch a Scale-up SG Programme in partnership with the private and public sectors. Scale-Up SG will work with aspiring, high-growth local firms to identify and build new capabilities, to innovate, grow and internationalise. Such customised support can act as an enabler for firms to scale up quickly.

A pilot Innovation Agents Programme will also be launched to support innovation. This is to allow firms to tap on a pool of experts to advise them on opportunities to innovate and commercialise technology. Individuals with deep expertise in technology, strong track record in growing businesses and access to global industry networks will be identified by Enterprise Singapore to take on the role of Innovation Agents, whom will provide mentorship to enterprises to identify innovation opportunities and facilitate connections to valuable technology and business partners. More details will be shared by Enterprise Singapore later this year.

II) SME Co-Investment Fund III

An additional S$100 million will be set aside by the Singapore Government for the SME Co-Investment Fund III. This is to support Singapore-based Small and Medium Enterprises ("SMEs") in their efforts to scale up and internationalise.

III) Enterprise Financing Scheme ("EFS")

The EFS streamlines eight existing SME financing schemes into one scheme to help Participating Financial Institutions ("PFIs") and SMEs navigate between the various financing schemes. The EFS will meet the financing needs of SMEs across different stages of growth and is expected to be launched in October 2019.

The SME Working Capital Loan will also be extended for another two years till 31 March 2021. This will ensure Singapore SMEs have help addressing any short-term cash flow concerns and obtaining growth financing to scale up their operations. The level of support provided will be reviewed at the end of this period. Once the EFS is launched, the SME Working Capital Loan will be folded into the EFS.

Additional details will be announced at a later date.

IV) Expansion of the SMEs Go Digital Programme

The SMEs GO Digital Programme, which was announced in Budget 2017, helps SMEs grow their digital capabilities. Currently, there are Industry Digital Plans ("IDPs") for seven sectors.

As announced in Budget 2019, the Infocomm Media Development Authority ("IMDA") will expand the SMEs Go Digital Programme by developing more IDPs, starting with the Accountancy, Sea Transport and Construction sectors. The range of pre-approved digital solutions that can be readily adopted by SMEs will also be extended by IMDA to include more advanced digital solutions. Funding support under the PSG can be applied by the SMEs to adopt such pre-approved solutions.

V) Digital Services Lab ("DSL")

The DSL is a three-year pilot that aims to use digital capabilities to address challenges in digitalization in the Services sectors. The DSL will work with the industry and focus on projects with industry-wide impact.

The purpose of working together with the industry is to help the firms manage risks of early stage technology development and at the same time, push for digital transformation in the Services sector with the aim of reducing reliance on manual labour.

Funding support of up to 70% of qualifying costs will be available for demand users or technology solutions providers.

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