

Moore Stephens Singapore Budget 2015 Seminar

Monday 2 March 2015

MND Auditorium

Moore Stephens Singapore (MS) and Complete Corporate Services Pte Ltd (CCS) jointly organised the Moore Stephens Singapore Budget 2015 Seminar, following the Singapore FY2015 Budget Statement that was delivered by the Deputy Prime Minister and Minister for Finance, Tharman Shanmugaratnam on 23 February 2015.

More than 200 eager participants gathered at the MND Auditorium on the afternoon of 2 March 2015 to find out how the Singapore FY 2015 Budget would impact their businesses and processes.

Year 2015 is the Golden Jubilee Budget, which focuses on building Singapore's future and strengthening social security. Firms are encouraged to be driven by innovation and internationalisation, and for individuals to achieve higher incomes from deep skillsets and expertise to be acquired in an environment for lifelong learning.



Participants at the Moore Stephens Singapore Budget 2015 Seminar



Ms. Law Pei Serh
Associate Director
Taxation Services
Complete Corporate Services Pte Ltd

Corporate Tax Changes

Ms. Law Pei Serh, Associate Director, Taxation Services of CCS, kicked off the seminar by sharing with the audience highlights of the major corporate tax changes.

She shared her insights on the schemes and enhancements that encourage internationalisation. These include the enhancement of the Double Tax Deduction which expanded the qualifying expenditure to include qualifying manpower expenses incurred for Singaporeans posted to new overseas entities and introduction of the International Growth Scheme to support large high potential Singapore companies in their growth overseas.

Pei Serh also shared the enhancements to the Merger and Acquisition (M&A) Scheme which was introduced in year 2010 to encourage Singapore-based acquiring company to strategise growth and internationalisation through merger and acquisition. To benefit the small and medium enterprises, the M&A Scheme will be tweaked to provide a higher rate of tax allowance for M&A of lower acquisition values and involving lower shareholding thresholds of the target companies.

Maritime Tax Updates and Transfer Pricing

Mr. Lim Peng Huat, Director and Head of Taxation Services & Accounting Solutions of CSS, presented an overview of the maritime tax changes and updates on transfer pricing guidelines.

Mr. Lim highlighted that for the maritime industry, various Maritime Sector Incentives (“MSI”) enjoyed by the qualifying shipping support services providers, maritime lessors, and new entry players, as well as the automatic withholding tax exemption regime, will all be extended for 5 years up to 31 May 2021.



Mr. Lim Peng Huat
Director and Head
Taxation Services and Accounting Solutions
Complete Corporate Services Pte Ltd

Mr. Lim highlighted that with effect from 24 February 2015, the scope of qualifying income covered under the various incentive schemes will be expanded as follows:-

For ship owners/operators, the MSI-Shipping Enterprise (Singapore Registry of Ships) (MSI-SRS) and MSI-Approved International Shipping Enterprise Award (MSI-AIS) scope of qualifying income will be expanded to include:-

- Mobilisation fees, demobilisation fees and holding fees and this would be a welcomed move particularly for the oil and gas sector
- Incidental container rental income derived by qualifying shipping operators, in particular, the container shipping operators
- Remittance of qualifying profits from approved foreign branches of MSI-AIS entities

For maritime lessors, the MSI- Maritime Leasing (Container) Award (MSI-ML) scope of qualifying income will be expanded to include income derived from finance lease treated as sale.

Mr. Lim also highlighted that the withholding tax (WHT) exemption on loan interest will be extended to cover qualifying loans entered into on or before 31 May 2021. In addition, the following arrangements will also be covered under the automatic WHT exemption regime with effect from 24 February 2015:-

- Finance leases
- Hire purchase arrangements
- Loan used to finance equity injection into wholly-owned SPVs to finance its ship or container purchase / construction
- Intercompany loans to wholly-owned SPVs for acquiring/constructing ships, containers and intermodal equipment

Individual Tax Changes

Ms. Audrey Ong, Senior Tax Manager, Taxation Services of CCS, were also on hand to share with the participants on Individual Tax Changes. As part of the Government's initiative to enhance progressiveness of tax structure and build up future tax revenues, Audrey highlighted that a 50% tax rebate capped at S\$1,000 for the Year of Assessment (YA) 2015 targeting the middle income earners would provide immediate relief. However, a 2% point increase in the top marginal tax rate from 20% to 22% would have impact on the top 5% of income earners. Audrey further share her view that while the CPF contribution ceiling and contribution rates for certain age groups will increase, temporary relief is given to help employers cope with rising business costs.



Ms. Audrey Ong
Senior Manager
Taxation Services
Complete Corporate Services Pte Ltd



Assistant Professor Walter Edgar Theseira
Division of Economics
Nanyang Technological University

The Economist's View

Assistant Professor Walter Edgar Theseira, Division of Economics, Nanyang Technological University, presented his view that the "Singapore-Style "Welfare" Is Here to Stay" and the Government social spending is likely to rise further in the future. He highlighted the intra-generational redistribution that has increased significantly in last decade, including the Wage Incentive Scheme and the Good and Service Tax Vouchers. He noted that low income Singaporeans gain several thousand dollars a year from Government transfers and such redistribution programs are designed as permanent schemes.

Panel Discussion and Q&A Session

Speakers gathered on stage as panelists for a lively discussion chaired by Ms. Lao Mei Leng, Partner, Audit and Assurance, Moore Stephens LLP. The floor was then open to the audience for an interactive Q&A Session. Curious minds began to unfold, creating space for ideas and knowledge to be exchanged for a better understanding of impact on business and individuals from the FY 2015 Budget.



Panelists – (L to R)

Ms. Audrey Ong, Senior Tax Manager, Taxation Services, Complete Corporate Services Pte Ltd; Ms. Law Pei Serh, Associate Director, Taxation Services, Complete Corporate Services Pte Ltd; Ms. Lao Mei Leng, Partner, Audit and Assurance, Moore Stephens LLP; Assistant Professor Walter Edge Theseira, Division of Economics, Nanyang Technological University; Mr. Lim Peng Huat, Director and Head, Taxation Services and Accounting Solutions, Complete Corporate Services Pte Ltd



Participants engaging in the Q & A Session at The Moore Stephens Singapore Budget 2015 Seminar



(L to R)
Mr. Willy Ng, Partner, China Services, Moore Stephens LLP;
Mr. Richard Tan, Independent Director, Dapai International Holdings Co Ltd



(L to R)
Mr. Wong Koon Min, Director, Technical and Compliance, Moore Stephens LLP; Ms. Guo Ting Ting, Accountant, Kolmar Singapore Pte. Ltd.; Mr. Neo Keng Jin, Partner, Audit and Assurance, Moore Stephens LLP



(L to R)
Ms. Lim Mei Khim, Director, Marketing and Communications, Moore Stephens LLP; Ms. Jasmine Lee, Corporate Business Development, GMI Resources (Singapore) Pte. Ltd.; Mr. Lim Peng Huat, Director, Taxation Services and Accounting Solutions, Complete Corporate Services Pte Ltd, Mr. Titus Zheng, Staff Reporter, IHS-Fairplay



(L to R)
Mr. Neo Keng Jin, Partner, Audit and Assurance, Moore Stephens LLP; Mr. Chris Johnson, Partner, Audit and Assurance, Moore Stephens LLP; Mr. Lawrence Lai, Finance Manager, Bund Center Investment Ltd



(L to R)
Ms. Alice Loo, Accounts Manager, Nanofilm Technologies International Pte. Ltd.; Ms. Jin Xiaoqun, Senior Manager, Nanofilm Technologies International Pte. Ltd.; Ms. Law Pei Serh, Associate Director, Taxation Services, Complete Corporate Services Pte Ltd



(L to R)
Ms. Chin Lee Vine, Tax Compliance Manager, Swire Pacific Offshore; Ms. Judy Ang, Financial Controller, The China Navigation Company Pte. Ltd. ; Mr. Lim Peng Huat, Director and Head, Taxation Services and Accounting Solutions, Complete Corporate Services Pte Ltd

Press Report - Fairplay

MSI to benefit offshore, container sectors

(Titus Zheng, Published on 03 March 2015)

The enhancement of Singapore's Maritime Sector Incentive (MSI) is likely to benefit offshore sectors and container liners, said Lim Peng Huat, director of Singapore-based integrated business solution provider Complete Corporate Service.

Lim explained in the recent Moore Stephens Singapore Budget 2015 seminar that proposed changes in the tax incentives have provided clarity and certainty on tax treatment.

"MSI has removed all uncertainty and from now onwards, all mobilisation and demobilisation fees, notwithstanding pre-commencement and post-commencement of rigs, will be covered by the tax exemption," he said.

Lim welcomed the tax exemption, which has a particular relevance to the growing offshore sector in Singapore. Additionally, the proposed changes in the MSI-Shipping Enterprise (Singapore Registry of Ships) and MSI-Approved International Shipping (MIS-AIS) Enterprise Award will cover holding fees, including incidental container rental income as tax-exempt income.

Lim also noted that approved foreign branches of MSI-AIS entities can now remit their qualifying profits and enjoy tax exemption without having to meet the "headline tax rate" and "subject to tax" conditions under section 13(8) of Singapore's Income Tax Act. In the meantime, existing MSI-Shipping-related Support Services award recipients can now renew their award tenures for another five years, subject to qualifying conditions and higher economic commitments.

Previously, the MSI's enhancement and extension was announced by the country's deputy prime minister and minister for finance, Tharman Shanmugaratnam, on 23 February. Its aims are to develop Singapore as an International Maritime Centre and strengthen the maritime sector's competitiveness. The country's Maritime Port Authority will release details of all the MSI enhancements by 31 May.

Press Report- Platts

Singapore budget initiatives to benefit shipping industry: Moore Stephens Singapore

(Sameer C. Mohindru, Published on 03 Mar 2015)

Singapore's annual budget for this year has a slew of initiatives that can boost investment and returns in the shipping industry, a global maritime and tax consultancy said Tuesday.

Several maritime sector incentives, or MSIs, have been enhanced and extended in this year's budget, announced last week, and will provide a push to Singapore's maritime industry, Moore Stephens International said.

Singapore is a global maritime hub with massive facilities for storage and bunkering, but with countries such as Malaysia and South Korea expected to give the city-state stiff competition during the next decade, tax and other financial incentives can make a crucial difference, according to shipping industry experts.

For ship operators, the scope of tax exemption for income derived from foreign and Singapore-flagged ships has now been widened, Moore Stephens said in a report. The budget includes proposals to cover several more types of fees and incidental container rental income under this exemption, it said. With this move, the budget has removed the tax burden of some of the incidental shipping income of rig owners and operators and containership operators, Lim Peng Huat, a director in the Moore Stephens group said.

Singapore has also expanded the scope of tax exemption for leasing income earned by maritime lessors to include finance lease that is treated as sale, Moore Stephens said.

Qualifying profits remitted from approved foreign branches of international shipping enterprises will also be exempted from tax, it said. Tax concessions on income of those providing approved shipping-related support services were due to expire in May 2016, but have been extended by five years, the report said. Existing beneficiaries can get their concessions renewed.

In Singapore, certain loans for the maritime sector entered into by May 31, 2016, are exempted from withholding tax (WHT). These include payments made to non-residents with regards to loans to finance construction or purchases of ships and containers. Moore Stephens said the WHT exemption program has now been extended by another five years. The exemption is also enhanced to include finance leases, hire-purchase arrangements, loans used to finance equity injection into Special Purpose Vehicles and inter-company loans to such SPVs for acquiring and constructing ships and containers, the report said.

"The withholding tax exemption on loan interest announced in the Budget has opened up more options on how a shipping group can structure the financing of its shipowning subsidiaries," Peng Huat said.

A merger and acquisitions scheme introduced five years ago to encourage Singapore-based acquiring companies to consider M&A as a strategy of growth and Internationalization has also been extended with modifications and can indirectly encourage consolidation in the shipping industry.

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