Complete Corporate Services

SINGAPORE BUDGET 2021: NEWSLETTER

1. SINGAPORE BUDGET 2021

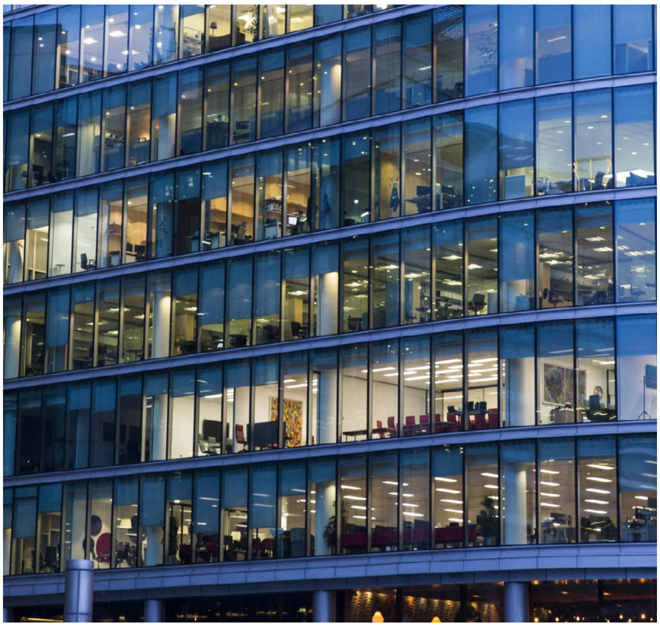
Deputy Prime Minister, Coordinating Minister for Economic Policies and Minister for Finance, Mr Heng Swee Keat, presented his Budget speech in Parliament on 16 February 2021.

Against the backdrop of uncertainties in the economic recovery which is expected to be uneven across sectors, Budget 2021 outlines Singapore's strategic financial measures and commitment to continue its support for Singaporeans, workers and businesses as it reopens its economy. This year's Budget sees a shift in focus from emergency broad-based support to more targeted measures to accelerate structural adaptation. Continuing on the initiatives to embrace sustainability and address climate change, funds are set aside and measures introduced to support technology adoption in the agri-food sector, green projects and electric vehicle initiatives.

On the social and economic front, while there are various measures to help businesses and individuals to tide over these trying times, the Government remains focused on gearing Singapore's economy and ensuring that Singapore emerges stronger from this unprecedented crisis.

Budget 2021 introduces temporary measures, including a three-pronged COVID-19 Resilience Package. The COVID-19 Resilience Package of S$11 billion provides necessary short-term support to safeguard public health, support workers and businesses and lastly, provide additional support to the worst-hit sectors in Singapore.

In this commentary, we highlight the key tax changes and incentives announced in the Budget 2021.



2. INCOME TAX CHANGES FOR BUSINESSES

2.1 Extension of the enhancements to the Carry-Back Relief ("CBR") scheme

Current

Under the enhanced CBR scheme for Year of Assessment ("YA") 2020, current year unabsorbed capital allowances ("CA") and trade losses (collectively referred to as "qualifying deductions") from YA 2020 may be carried back up to three immediate preceding YAs (i.e. YA 2017, YA 2018 and YA 2019), capped at S$100,000 of qualifying deductions, subject to meeting the relevant conditions.

In addition, businesses are allowed to elect to carry back to the relevant preceding YAs an estimated amount of qualifying deductions available for YA 2020, even before the filing of their income tax returns for YA 2020.

New Treatment

The enhancements to the CBR scheme for YA 2020 will be extended to apply to qualifying deductions for YA 2021, with the same parameters.

Comments

As the Singapore tax system operates on a preceding year basis, extending the enhanced CBR scheme to YA 2021 will certainly help loss-making businesses to ease their cash flow, especially for businesses that are still struggling from the impact brought about by the COVID-19 pandemic.

The potential tax benefit that a business may claim would be S$17,000 (i.e. S$100,000 x 17%) with no changes to the other requirements, such as the substantial shareholding test and same business test.

2.2 Extension of the option to accelerate tax write-off on cost incurred to acquire plant and machinery ("P&M")

Current

Where capital expenditures have been incurred on the acquisition of P&M during the basis period for YA 2021 [i.e. Financial Year ("FY") 2020], an irrevocable option may be elected to accelerate the tax write-off of the cost on acquiring such P&M over two years. This is in addition to the existing tax write-off provided under Sections 19 (based on the Sixth Schedule) and 19A (claims are generally over one or three years) of the Singapore Income Tax Act ("SITA").

The rates of the accelerated CA allowed are as follows:

a. 75% of the cost incurred to be written off in the first year (i.e. YA 2021); and

b. 25% of the cost incurred to be written off in the second year (i.e. YA 2022).

CA claimed under this option cannot be deferred unlike the other options provided under Sections 19 and 19A of the SITA.

New Treatment

The option to accelerate the tax write-off of the cost incurred to acquire P&M will be extended to YA 2022 (i.e. FY 2021), with the same parameters.

Comments

The option to accelerate tax write-off on the acquisition of P&M will provide immediate tax savings to profitable businesses as a greater amount of tax write-off would result in a lower tax payable in YA 2022.

Conversely, the option to accelerate tax write-off may not be as beneficial for certain scenarios, such as businesses incurring losses as CA cannot be deferred and the carrying forward/ utilisation would be subject to the substantial shareholding test and the same business test. Businesses claiming foreign tax credits (computed as the *lower* of actual foreign taxes suffered *or* Singapore tax payable on the same foreign income) should also evaluate carefully as this would mean that the quantum on the Singapore tax payable computed shall correspondingly, be lower.

2.3 Extension of the option to accelerate deduction of expenses incurred on renovation and refurbishment ("R&R")

Current

Businesses that incurred qualifying expenditure on R&R during YA 2021 (i.e. FY 2020) for the purposes of their trade, profession or business were given an irrevocable option to claim R&R deduction in one YA (i.e. accelerated R&R deduction), instead of three YAs. The cap of S$300,000 for every relevant period of three consecutive YAs still applies.

The option to claim R&R deduction in one YA was in addition to the existing option provided under Section 14Q of the SITA.

New Treatment

The option to claim R&R deduction in one YA will be extended to qualifying expenditure incurred on R&R in YA 2022 (i.e. FY 2021), with the same parameters.

Comments

Other than easing the cashflow of businesses, the extension of the option to accelerate R&R deduction would encourage businesses, especially those in the badly affected sectors, to carry out upgrading and refurbishment works and be better prepared for the expected economic rebound in FY 2021.

2.4 Enhancement of the Double Tax Deduction ("DTD") for Internationalisation Scheme

Current

The DTD for internationalisation scheme ("DTDI"), scheduled to lapse after 31 December 2025, provides double tax deduction (i.e. 200%) to businesses engaged in certain qualifying activities, in the area of market expansion and investment development, subject to (prior) approval from Enterprise Singapore ("ES") or Singapore Tourism Board ("STB").

However, approval need not be obtained from ES or STB for double tax deduction on the first S$150,000 of qualifying expenses incurred on the following activities for each YA:

a. Participation in overseas market development trips/ missions;

b. Participation in overseas investment study trips/ missions;

c. Participation in overseas trade fairs; and

d. Participation in approved local trade fairs.

New Treatment

The scope of the DTDI scheme will be enhanced to cover the following specified expenses incurred to participate in approved virtual trade fairs:

a. Package fees charged by event organisers for virtual exhibition hall and booth access, collateral creation, business meeting/ match sessions, pitches/ product launches/ speaking slots, webinar/ conference, and post event analytics;

b. Third-party costs for design and production of digital collaterals and promotion materials for virtual fairs; and

c. Logistics costs incurred to send materials/ samples overseas to potential clients met at virtual trade fairs.

The list of qualifying expenses for overseas investment study trips will also be expanded to include logistics costs to transport materials/ samples used during investment trips.

In addition, the scope of qualifying activities which do not require prior approval from ES or STB will be enhanced to cover the following additional activities, up to the current annual expense cap of S$150,000:

a. Product/ service certification (primarily to increase buyer's acceptance in overseas markets) approved by ES;

b. Overseas advertising and promotional campaign;

c. Design of packaging for overseas markets;

d. Advertising in approved local trade publication; and

e. Participation in virtual trade fairs approved by ES.

The above enhancements will take effect for qualifying expenses incurred on or after 17 February 2021.

ES will release further details of the changes by 28 February 2021.

Comments

The COVID-19 pandemic has unquestionably changed how business activities have been carried out, including market expansion and investment development activities. Trade fairs, conferences, campaigns, etc. that were traditionally held physically, are now conducted through virtual platforms. This has led to benefits such as reduced costs and higher attendance rates.

It can be noted that some of the enhancements were made in view of the travel restrictions imposed due to the COVID-19 pandemic. The enhancement of the DTDI scheme would also encourage businesses to continue to explore and expand in overseas markets virtually when the economy picks up again, amidst the lockdown restrictions in those jurisdictions.

2.5 Extension and enhancement of the Investment Allowance (Energy Efficiency) ("IA-EE") Scheme

Current

The IA-EE scheme provides for up to 100% of IA on the qualifying capital expenditure incurred between 1 April 2010 to 31 March 2021 (both dates inclusive) on the following projects as may be approved by the Economic Development Board ("EDB"), subject to meeting the relevant conditions:

a. EE improvement project; or

b. Green Data Centre projects where capital expenditure incurred results in more efficient energy utilisation.

The Green Data Centres are subject to the following additional qualifying conditions under the IA-EE scheme:

a. Be compliant with the Singapore Standard for Green Data Centres (SS564:2010); and

b. Have a minimum capacity of 400m^2 floor space.

New Treatment

IA-EE scheme will be renamed as Investment

Allowance for Emissions Reduction ("IA-ER") Scheme. The scheme will be expanded to include qualifying projects involving a reduction of greenhouse gas emission.

The eligibility conditions for all projects will also be streamlined and updated (i.e. there will no longer be a distinction between data centres and non-data centres). The revised conditions will apply to projects approved by EDB from 1 April 2021 to 31 December 2026 (both dates inclusive). EDB will release further details of the changes by 30 June 2021.

Comments

As Singapore continues to prioritise energy efficiency and its pledge to reduce greenhouse gas emission by 36 percent from 2005 levels by 2030, the expansion of the IA-ER scheme will encourage companies to invest on green efforts.

2.6 Allowing the Automation Support Package ("ASP") to lapse while retaining the 100% Investment Allowance ("IA") scheme

Current

The ASP was introduced in 2016 and extended in 2019 for a 2-year period until 31 March 2021. The packaged scheme was aimed to support businesses to automate, drive productivity and scale up their growth, via the benefits:

- Cash grant to fund up to 50% of qualifying automation project cost (capped at $1 million);
- 100% IA on up to $10 million of approved capital expenditure (net of grant) for each automation project; and
- Improved access to loans with increased risk-share by the Government with participating financial institutions.

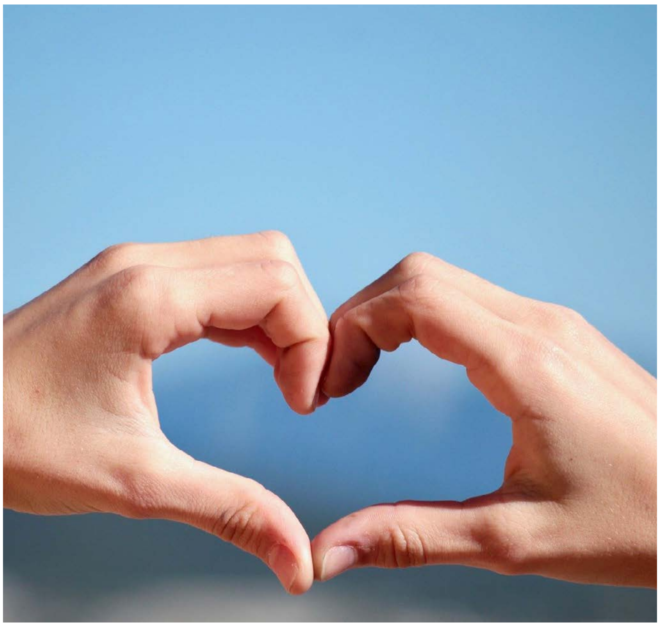
New Treatment

The ASP will lapse after 31 March 2021. However, the individual schemes such as the Enterprise Development Grant ("EDG"), IA scheme and the Enterprise Financing Scheme ("EFS") will remain available to support businesses in their automation, productivity and scale-up efforts.

Further, the 100% IA scheme to support automation will be extended for another two years for automation project approved by ES from 1 April 2021 to 31 March 2023.

Comments

The COVID-19 pandemic has accelerated Singapore's digital transformation and the scale of the impact of technology on businesses has never been more apparent than now. Businesses are becoming more reliant on digital technology regardless of their size or industry and it has become the lifeline of most businesses. With the continued availability of grants, IA and financing schemes, individually rather than a packaged deal, businesses can be more targeted in seeking out the suitable support for their plans to automate, improve productivity and scale up operations, based on their respective financial, cashflow and tax positions.



TAX MEASURES TOWARDS PHILANTHROPHY AND GIVING BACK TO THE COMMUNITY

2.7 Extension of the 250% Tax Deduction for Qualifying Donations

Current

Donors can enjoy 250% tax deduction on qualifying donations made to Institutions of a Public Character ("IPC") and other qualifying recipients between 1 January 2016 to 31 December 2021.

New Treatment

The 250% tax deduction on qualifying donations has been extended for another 2 years, until 31 December 2023, with the same parameters.

Comments

Mentioned in the Finance Minister's opening speech during Budget 2021, one of the three prongs towards building a stronger Singapore would not be without the creation/ strengthening of a social compact and a welcoming home, especially in the area of giving back to the community in the current time of the COVID-19 pandemic.

The 250% tax deduction given to donors remain as one of the highest, as compared to other jurisdictions and further cemented Singapore's agenda in encouraging charitable giving.

2.8 Extension of the Business and IPC Partnership Scheme ("BIPS")

Current

A qualifying person[1] can enjoy 250% tax deduction on qualifying expenditure such as wages incurred by that person between 1 July 2016 to 31 December 2021 in respect of:

- The provision of services by that person's qualifying employee to an IPC during that period; or
- The secondment of that person's qualifying employee to an IPC during that period.

The volunteering projects (which can include general activities and skills-based activities) have to be mutually agreed upon between the business and the IPC, and the qualifying expenditure is subject to a cap of S$250,000 per business per YA, and a cap of $50,000 per IPC per calendar year.

New Treatment

The BIPS has been extended for another 2 years until 31 December 2023, with the same parameters.

Comments

Singapore has always placed its focus on making a positive impact towards the community, as businesses can also play a vital role in kickstarting an employee's enthusiasm in volunteering. The BIPS can be seen as a medium to bridge the rising corporate costs when the employees are performing voluntary work and to encourage more corporate volunteerism.

With the extension of 250% tax deduction on qualifying donations until 31 December 2023 as mentioned earlier, the extension of BIPS is very much expected and will prove to be an essential platform to connect corporations and the community.

2.9 Extension of the incentive under Section 13U of the SITA

Current

Under Section 13U of the SITA, an approved Not-for-Profit Organisation ("NPO") will be granted tax exemption on the income it derives, subject to meeting the relevant conditions. The NPO incentive is awarded for up to 10 years, with provision for extension for another 10 years at a time. The NPO tax incentive was scheduled to lapse after 31 March 2022.

The qualifying applicant would be any person who is not established or operating for the objective of deriving a profit and who is not a person registered under the Charities Act and:

- Whose income and property are applied only for the furtherance of its objects and are not distributed to any shareholder, member, trustee or officer of the person, except as reasonable compensation for services rendered; and
- Whose property is only to be distributed to persons established for a similar object upon its dissolution.

New Treatment

The NPO tax incentive will be extended until 31

[1] A qualifying person includes companies, sole proprietorships, partnerships (including limited partnerships and limited liability partnerships) registered business trust, bodies of persons (e.g., clubs and associations) that are deemed to be carrying on a business

December 2027, with the same parameters.

Comments

Eligible NPOs for the tax incentive include those that use Singapore as a base to carry out regional and global activities as well as those that promote the economic development of Singapore. The 5-year extension of the NPO incentive will indeed continue to promote Singapore as a growing hub for NPOs.

FINANCIAL SECTOR

2.10 Extending and refining the DTD for qualifying issuance cost under the Seasoning Framework and Exempt Bond Issuer Framework

Current

Under the Monetary Authority of Singapore's ("MAS") Seasoning Framework and Exempt Bond Issuer Framework, eligible bond issuers carrying on a trade or business in Singapore are allowed DTD on qualifying issuance cost (e.g. professional fees for conducting due diligence, origination, underwriting and distribution fees, advertising and marketing fees, etc.) incurred on retail bonds issued during the period from 19 May 2016 to 18 May 2021.

New Treatment

The DTD scheme will be extended and enhanced for qualifying issuance cost incurred on or after 19 May 2021 attributable to rated retail bonds (i.e. those rated by credit rating agencies like Standard & Poor, Moody's and Fitch) issued from 19 May 2021 to 31 December 2026 (both dates inclusive) under both frameworks.

MAS will release further details by 31 May 2021.

Comments

The frameworks allow for both bond issuers to tap on the retail market and for retail investors to benefit from a wider range of simple investment options that are relatively less risky.

Additionally, the extension of the DTD continues to allow some relief to the bond issuer on the higher costs involved in accessing the retail market as compared to the traditional wholesale bond market.

The enhancement of the DTD to include only rated retail bonds provides greater transparency as to the creditworthiness of the bond issuers.

2.11 Extending and rationalising withholding tax ("WHT") exemptions on Section 12(6) payments

Current

The following interest and other payments under Section 12(6) of the SITA are granted WHT exemption/ remission:

a. Interbank/ interbranch payments made by banks in Singapore for the purpose of their trade or business (i.e. inter-bank/ interbranch transactions) are not subject to WHT via remission;

b. Payments made to any non-resident person (excluding any PE in Singapore) by the following specified entities:

   i. Banks licensed under the Banking Act or approved under the MAS Act;

   ii. Finance companies licensed under the Finance Companies Act; and

   iii. Approved entities that are:

      a. Licensed under the Securities and Futures Act

to carry out the regulated activities of dealing in securities and advising on corporate finance;

b. Involved or will be involved in the underwriting of debt or equity market issuances; and

c. Approved by the MAS for the purpose of this tax exemption.

Where such payments are made during the following period:

Contract effective date	WHT exemption coverage
Prior to 1 April 2011	1 April 2011 to 31 March 2021 (both dates inclusive)
During the period from 1 April 2011 to 31 March 2021 (both dates inclusive)	Entire duration of the contract, including payments after 31 March 2021

The WHT exemption is scheduled to lapse after 31 March 2021.

c. Payments made by the above specified entities to any PE in Singapore where such payments are made during the following period:

Contract effective date	WHT exemption coverage
Prior to 17 February 2012	17 February 2012 to 31 March 2021 (both dates inclusive)
During the period from 17 February 2012 to 31 March 2021 (both dates inclusive)	Entire duration of the contract, including payments after 31 March 2021

The WHT exemption is scheduled to lapse after 31 March 2021.

New Treatment

a. The existing WHT remission for inter-bank/ interbranch transactions will now be legislated as WHT exemption (instead of a remission).

Under the new WHT exemption, banks in Singapore do not need to withhold tax on all Section 12(6) payments made to their branches/ head offices or other banks outside Singapore where such payments are made:

- During the period from 1 April 2021 to 31 December 2031 (both dates inclusive) under contract which takes effect before 1 April 2021; or
- Under contract which takes effect from 1 April 2021 to 31 December 2031 (both dates inclusive), including payments after 31 December 2031 under that contract.

The WHT exemption will be reviewed subsequently on 31 December 2031.

b. Meanwhile, the existing WHT exemption on Section 12(6) payments by banks and specified entities will be extended until 31 December 2026. All other conditions remain the same.

MAS will release further details by 31 May 2021.

2.12 Extending the WHT exemption on payments for structured products and over-the-counter ("OTC") financial derivatives

Current

The following payments are exempted from WHT:

a. Payments from structured products offered by a financial institution in Singapore made to a non-individual, non-resident person (excluding any permanent establishement ("PE") in Singapore) if such payments are made under a contract that takes effect during the period from 1 January 2007 to 31 March 2021 (both dates inclusive); and

b. Payments from OTC financial derivatives made by a financial institution in Singapore to any non-resident person (excluding any PE in Singapore) where such payments are made during the following period:

Contract effective date	WHT exemption coverage
Prior to 15 February 2007	20 May 2007 to 31 March 2021 (both dates inclusive)
During the period from 15 February 2007 to 31 March 2021 (both dates inclusive)	Entire duration of the OTC financial derivatives contract, including payments after 31 March 2021

Both the above WHT exemptions are scheduled to lapse after 31 March 2021.

New Treatment

The existing WHT exemptions will be extended until 31 December 2026, with the same parameters.

MAS will release further details by 31 May 2021.

Comments

The extension of WHT exemption available to financial institutions continue to support Singapore's position as a financial hub by strengthening the value proposition and competitiveness of Singapore's financial sector.

2.13 Allowing the Insurance Business Development-Specialised Insurance ("IBD-SI") scheme to lapse after 31 August 2021

Current

In Budget 2016, the IBD-SI scheme was subsumed under the IBD umbrella scheme as an enhanced tier award, available until 31 August 2021. Under the IBD-SI scheme, a concessionary tax rate of 8% and 10% applies for new and renewal award recipients respectively, on qualifying income derived by a (re) insurer from carrying on specialised insurance and reinsurance business. Further, the scope of qualifying activities was also expanded to cover the business of underwriting both onshore and offshore specialised risks from 1 September 2016 for new and current approved insurers.

New Treatment

The IBD-SI will lapse after 31 August 2021. Insurers engaged in the specialised insurance and reinsurance business can apply for the IBD umbrella scheme.

Comments

When the IBD umbrella scheme was introduced, all the insurance incentives, including IBD-SI, had been subsumed under the umbrella scheme. The move to allow the IBD-SI to lapse is part of the continuing efforts to streamline the tax incentive frameworks for the insurance sector, while ensuring the continued growth of high-value insurance activities in Singapore, as it aims to become the Asian insurance and reinsurance centre.

3. GOODS AND SERVICES TAX ("GST")

The current standard GST rate of 7% has been around since 2007. During Budget 2018, the Finance Minister indicated the intention to increase the GST rate from 7% to 9% sometime between 2021 to 2025.

Although the Finance Minister has reiterated that the GST rate will not increase in 2021, in view of the current economic environment, two new GST measures have been introduced, to keep a fair and resilient tax system in a growing e-commerce environment.

3.1 Extending GST to imported goods via air or post and imported B2C non-digital services

Current

Goods that are imported into Singapore by post are subject to GST. GST payable is computed based on the CIF value (cost, insurance and freight) of the goods plus all duties payable. However, GST does not apply for goods (except for dutiable products) with CIF value not exceeding S$400. GST is also currently collected on all goods imported via land or sea, regardless of value.

B2C imported non-digital services (i.e. services supplied over the internet or other electronic means

that require human intervention such as educational learning, fitness training, counselling, telemedicine, etc.) are also not subject to GST.

Currently, only B2C imported digital services (e.g. video and music streaming services, apps, software, online subscription fees) are subject to GST via the overseas vendor registration ("OVR") Regime. Under the OVR, overseas suppliers of digital services and electronic marketplace operators which make significant sales of digital services to local consumers are required to register with IRAS for GST.

Meanwhile, B2B imported services are subject to GST via the reverse charge ("RC") regime.

The OVR and RC regime took effect from 1 January 2020.

New Treatment

With effect from 1 January 2023, the importation of low-value goods via air or post will be subject to GST via the OVR and RC regimes.

Meanwhile, the importation of B2C non-digital services will be subject to GST via the OVR regime with effect from 1 January 2023.

The IRAS will conduct industry consultations before finalising the implementation.

Comments

In line with the introduction of GST on imported B2C digital services (via OVR) and imported B2B services (via RC), the Minister introduced GST on importation of low value goods via air or post and importation of B2C services.

With the above, it will be a level playing field for both local and overseas suppliers of goods and services whether provided via digital or non-digital means. An overseas supplier of goods and services will now be subject to the same GST treatment as local suppliers. This change will also ensure that the GST system remains resilient as the digital economy grows. This measure addresses competitive distortion and at the same time, is a potential revenue generator for the country.

While the above measures address the issue of Singapore's taxing rights on remote digital supply of goods and services, a bigger challenge is to properly implement the collection of GST on such cross-border supplies of goods and services. A thorough consultation with both the industry and the consumers should be carried out to ensure that the transition is implemented smoothly.

3.2 GST on media sales

Current

The basis for determining whether zero-rating applies to supply of media sales is based on the place of circulation of the advertisement:

a. If the advertisement is intended to be substantially circulated outside Singapore, the media sales is zero-rated; or

b. If the advertisement is intended to be substantially circulated in Singapore, the media sales is standard-rated.

New Treatment

The basis for determining whether zero-rating applies to a supply of media sales, will change from the place of circulation to the place where the customer (i.e. the contractual customer) and direct beneficiary of the service belong.

a. If the customer of the service belongs outside Singapore and the direct beneficiary either belongs outside Singapore or is GST-registered in Singapore, the media sales will be zero-rated; and

b. If the customer belongs in Singapore, the media sales will be standard-rated.

This change will take effect for the supply of media sales on or after 1 January 2022.

Comments

This new tax treatment can be considered as an update instead of a change.

This is brought about by the growing digital technologies that makes it difficult to determine where the supply is generated. Using the place where the customer (i.e. contractual customer) and direct beneficiary of the service belongs is already consistent with existing zero-rating provisions under the GST Act where the belonging status of the customer (i.e. customer belongs to a country outside Singapore) is necessary to determine before a service is considered zero-rated.

This, together with recent changes in GST such as the OVR and RC, are aligned with the Organisation for Economic Co-operation and Development (i.e. the OECD) Base Erosion and Profit Shifting ("BEPS") Action 1 on addressing the issues arising from digitalisation, which to-date have been adopted by many jurisdictions globally.

4. TAX CHANGES FOR SUSTAINABILITY

4.1 Enhancing the Electric Vehicle Early Adoption Incentive ("EEAI") Scheme

Current

Between January 2022 and December 2023, electric cars and taxis will see a 45% rebate off the additional registration fee ("ARF"), subject to a cap of S$20,000 and an ARF floor of S$5,000.

New Treatment

The ARF floor has been reduced from S$5,000 to S$0, with the same parameters.

Comments

Globally, climate change is a pressing topic and will affect future generations – environmental activists have also been calling for the significant reduction of emissions by switching to cleaner-energy vehicles.

With the adjustment of the ARF floor to S$0 and coupled with other adjustments such as the expansion of public charging infrastructure in Singapore for EVs, usage of public transport and encouraging remote and flexible working arrangements, these measures will no doubt expedite Singapore's target of a car-lite society by year 2030.

4.2 Raising petrol duties

Type of petrol	Current	New	Increase
Premium unleaded (RON 97 and above)	S$0.64 per litre	S$0.79 per litre	S$0.15 per litre
Intermediate unleaded (RON 90 and above, but under RON 97)	S$0.56 per litre	S$0.66 per litre	S$0.10 per litre

Comments

Petrol duties were last raised in Budget 2015 as one of the first few steps to tackle the global climate change and reduce carbon footprints. In 2017 and 2019, the shift from an annual lump sum tax on diesel to a usage-based system has also seen some positive outcomes. COVID-19 has also brought upon almost an immediate behavioural change of businesses operating in a remote working environment.

The increase in petrol duties did not come as a surprise and is well-aligned with Singapore's attempt to be a car-lite society by year 2030. That being said, the increase in petrol duties would undoubtedly be passed down to individuals, and a switch to EVs in a short span of time may be challenging for the middle-income category, who may find the upfront purchase price of EVs high and/ or still burdened with outstanding loans of their existing motor vehicles from financial institutions.

4.3 Road tax rebate as transitional offset measures for vehicles using petrol

Current

For taxis (using petrol) registered before 1 January 2021, road tax is payable at S$1,020 per year till 30 June

2022. Thereafter, these taxis as well as taxis registered after 1 January 2021, will follow the road tax structure of a private car, based on consideration of factors such as engine capacities and maximum laden weight of the vehicle.

New Treatment

To ease the transition to the revised petrol duties as mentioned earlier, a road tax rebate applicable between 1 August 2021 to 31 July 2022, will be provided for petrol and petrol-hybrid vehicles at the following rates:

Type of vehicles	Road tax rebate for one year
Private cars	15%
Taxis, private hire cars	15% and $360 of additional petrol duty rebate over 4 months
Motorcycles	60% and up to $80 of additional petrol duty rebate, depending on engine capacity
Commercial vehicles such as goods vehicles and buses	100% rebate for a year

Comments

As mentioned earlier, the increase in petrol duties would be passed down to individuals, who will eventually have to bear the increased prices of petrol. The abovementioned road tax rebate was to help commuters cope with the said increase in petrol, without moving away from Singapore's ultimate goal of becoming a car-lite society by year 2030. Evidently, more help will be provided to certain categories of users, who rely heavily on their petrol powered motor vehicles for their livelihood.

5. COVID-19 RESILIENCE PACKAGE

5.1 Extending Jobs support Scheme ("JSS") for Aviation, Aerospace

With the recovery in economic activity being uncertain and some sectors still under stress, the JSS support has been extended to the most affected businesses in Tier 1 and Tier 2 by up to six months, covering wages paid up to September 2021.

Under the extended JSS, support level will be tapered based on the projected recovery of the various sectors, as follows:

a. Tier 1 sectors that are currently receiving 50% JSS support, will receive 30% JSS support for wages paid from April to June 2021 and 10% JSS support for wages paid from July to September 2021.

b. Tier 2 sectors that are currently receiving 30% JSS support, will receive 10% JSS support for wages from April to June 2021.

c. Tier 3A sectors currently receive 10% JSS support for wages paid from September 2020 to March 2021. JSS support will cease thereafter, as announced previously.

d. Employers that are not allowed to resume on-site operations currently receive Tier 1 JSS support for wages paid up to March 2021. For wages paid from

April 2021 onwards, JSS support will revert to the firms' base JSS tier.

The revised JSS payout are summarised below.

<table>
<tr><th>Month of payout</th><th>Payout based on wages paid in</th><th>Tier 1</th><th>Tier 2</th><th>Tier 3A*</th><th>Tier 3B**</th></tr>
<tr><td>April 2020</td><td>October to December 2019</td><td rowspan="2">75%</td><td rowspan="2">50%</td><td rowspan="2" colspan="2">25%</td></tr>
<tr><td>July 2020</td><td>February to April 2020</td></tr>
<tr><td>October 2020</td><td>May to August 2020</td><td>75%</td><td>50%</td><td colspan="2">25%</td></tr>
<tr><td>March 2021</td><td>September to December 2020</td><td rowspan="2">50%</td><td rowspan="2">30%</td><td colspan="2">10%</td></tr>
<tr><td>June 2021</td><td>January to March 2021</td><td>10%</td><td>0%</td></tr>
<tr><td>September 2021 [Extended]</td><td>April to June 2021</td><td>30%</td><td>10%</td><td rowspan="2" colspan="2">0%</td></tr>
<tr><td>December 2021 [Extended]</td><td>July to September 2021</td><td>10%</td><td>10%</td></tr>
</table>

* Tier 3A comprises of all other employers.

** Tier 3B comprises the following sectors: biomedical sciences, precision engineering, electronics, financial services, information and communications technology, media, postal and courier, online retail, and supermarkets and convenience stores which are managing well and are less affected by COVID-19.

5.2 SGUnited jobs and skills package

a. Extending the Jobs Growth Incentive ("JGI")

Introduced in 2020, the JGI will be extended to support employers to accelerate their local hiring between September 2020 to September 2021 (inclusive) so as to create good, long-term jobs for locals.

To be eligible for JGI, businesses need to meet the qualifying criteria of having an overall increase in local headcount and increase in locals earning at least S$1,400 per month, compared to their local workforce in the baseline month.

Baseline Month	Hiring Period
August 2020	For new hires made between September 2020 and February 2021 (inclusive)
February 2021	For new hires made between March 2021 and September 2021 (inclusive)

Eligible employers will automatically receive their JGI payouts, which will be computed on a monthly basis based on the employer's mandatory CPF contributions. However, some employers may receive review letters from IRAS which require them to further substantiate their eligibility.

The JGI Incentive provides wage support as follows:

Local Hires	Wage Incentive
Non-mature (below 40 years old)	25% on first S$5,000 of gross monthly wages* for up to 12 months
Mature (aged 40 and above), persons with disabilities and ex-offenders	• For wages from September 2020 to February 2021, 50% on first S$5,000 of gross monthly wages* for up to 18 months • For wages from March 2021 onwards, 50% on first S$6,000 of gross month wages* for up to 18 months

*Gross monthly wages exclude employer's CPF contributions

- Salary support is subject to firm meeting the JGI qualifying criteria in each month.
- JGI payouts will be proportionally adjusted downwards or by a JGI adjustment factor of 5% (whichever is higher) if any existing local employee leaves the employer after the baseline month. This encourages employers to retain existing local employees as far as possible.
- Quarterly disbursements will be done automatically, with the first payout in March 2021.

b. Extending the SGUnited Programmes

The following programmes will be extended for one

year until 31 March 2022, with adjustments made to encourage employers to offer trainees full-time job, to help jobseekers access job opportunities in growth sectors as the economy recovers and to channel jobseekers more quickly to employment opportunities.

i. SGUnited Traineeships Programme

This programme provides opportunities for new graduates from ("ITE"), Polytechnics, Universities and other private educational institutions in 2019 to 2021 (both years inclusive) to gain industry-relevant work experience and build professional networks amidst the current weaker hiring sentiments. Workforce Singapore co-funds 80% of the qualifying training allowance for host companies offering the traineeships to the graduates.

With the extension, the following adjustments will be made:

- From 1 April 2021, the stipend for ITE and diploma SGUnited Traineeships positions will be increased from S$1,100 – S$1,500 to S$1,600 – S$1,800 and from S$1,300 – S$1,800 to S$1,700 – S$2,100 respectively, to encourage take-up. The stipend for university SGUnited Traineeships positions will remain unchanged.
- The maximum duration of each traineeship will be reduced from 9 to 6 months from 1 April 2021 onwards.

ii. SGUnited Mid-Career Pathways Programme – Company Attachment

This is a full-time attachment programme with approved host organizations for mid-career individuals to gain industry-relevant experience, develop new skills and boost employability. Trainees will receive a monthly training allowance of up to S$3,000. The Government co-funds 80% of the training allowance payable to the mid-career individuals.

With the extension, the following adjustments will be made:

- The maximum training allowance for mature (aged 40 and above) trainees will be increased to up to S$3,800 per month.
- The minimum training allowance for non-mature trainees will be increased to S$1,600 per month.
- The Government co-funding rate for mature trainees will be increased to 90%.
- The maximum training duration of each company attachment will be reduced from nine to six months from 1 April 2021 onwards.

iii. SGUnited Mid-Career Pathways Programme – Company Training

This programme is a full-time training programme for mid-career individuals, developed by market-leading companies such as Google, Shopee and IBM. Trainees will receive a monthly training allowance of S$1,500 for the duration of the programme, to cover basic subsistence expenses. Trainees can use their SkillsFuture Credit to offset the course fees.

With the extension, the following adjustments will be made:

- The capacity of in-demand courses and courses with good hiring opportunities will be expanded.
- The courses will be made more compact from 1 April 2021 onwards, with a duration of up to six months in general.

iv. SGUnited Skills

This is a full-time training programme comprising certifiable courses delivered by Continuing Education and Training Centres, including Institutes of Higher Learning. The training courses are conducted in a modular format to facilitate transition to employment. Trainees will receive a monthly training allowance of S$1,200 during the course of the programme, to cover basic subsistence expenses. Trainees can use their SkillsFuture Credit to offset the course fees.

With the extension, the following adjustments will be made:

- The capacity of in-demand courses and courses with good hiring opportunities will be increased.
- The courses will be made more compact from 1 April 2021 onwards, with a duration of up to six months in general.

6. FOREIGN WORKFORCE POLICIES

6.1 Reducing S Pass sub-dependency ratio ceiling ("DRC")

Current

For the Manufacturing sector, the S Pass sub-DRC is 20%.

New Treatment

The S Pass sub-DRC for the Manufacturing sectors will be reduced in 2 phases as follows:

	On 1 January 2022	On 1 January 2023
S Pass sub-DRC	18%	15%

Companies and businesses will not be allowed to renew work passes of foreign workers that have exceeded the revised DRC or sub-DRC. However, they can retain these foreign workers until their work passes expire to avoid operational disruptions.

Comments

Following the reduction in S Pass DRC and sub-DRC for the Services sector announced in Budget 2019, and reduction in the S Pass sub-DRC for the Construction, Marine Shipyard and Process sectors in Budget 2020, the Government has further announced cuts in the S Pass sub-DRC for Manufacturing sector. This move is in line with continued efforts in curtailing the growth of S Pass holders and create employment opportunities for skilled local workers, including mid-career workers in these sectors.

6.2 FWL increase deferred for Marine Shipyard and Process sectors

Current

FWL rates for the Marine Shipyard and Process sectors were scheduled to be raised during prior years' Budget announcements, the increase was deferred in Budget 2020.

New Treatment

FWL rates will remain unchanged for all sectors, following the deferment of rates increases previously announced for the Marine Shipyard and Process sectors for another year.

Comments

The move to further defer the increases in the FWL rates demonstrates the Government's flexibility and responsiveness to the economic headwinds that these sectors still face.

7. VARIOUS FINANCING SCHEMES AND GRANTS

Current

The Government has provided various financing schemes and grants to cope with the cashflow of businesses, especially in Budget 2020 such as the Productivity Solutions Grant, Market Readiness Assistance, Enterprise Development Grant, Venture Debt for High-Growth Enterprises, etc.

New Treatment

In addition to the aforementioned schemes that have either been extended and/ or enhanced, Budget 2021 has seen the introduction of an additional schemes such as the Growth and Transformation Scheme and the Local Enterprises Platform.

Comments

Regardless of the size of businesses, there would be a financing scheme and/ or grant that would be suitable and relevant for businesses to continue to innovate, transform and scale their operations, especially when faced with the tightening of credit facilities from financial institutions and diminishing profits induced by the COVID-19 pandemic. The extension and/ or enhancement of these financing schemes and/ or grants would prove to be a lifeline for some, while others will find the additional credit facilities helpful to prepare for transformation, especially in the age of digitalization.

8. ACCELERATING DIGITAL TRANSFORMATION

To accelerate the growth of new digital capabilities for businesses and sharpen its competitiveness as the economy picks up again, a new Emerging Technology Programme will co-fund the costs of trials and the adoption of frontier technologies such as 5G, artificial intelligence and trust technologies.

Additionally, the new Chief-Technology-Officer-as-a-Service (CTOaaS) initiative will provide SMEs with quicker access to professional information technology consultants while the new Digital Leaders Programme will support promising firms in hiring a core digital team and in developing and implementing digital transformation roadmaps.

Comments

The above are likely to boost investments in new and emerging technologies and help build robust business capabilities in matured businesses. On the other hand, SMEs will be encouraged to diversify their operations and embark on new digital ventures, helping them to stay dynamic and competitive in the continuously changing business environment. All in all, the Government has considered the various sizes of businesses as well as their needs, and will continue to provide support so long as these businesses are willing to develop and implement its digital transformation roadmaps.

9. CONCLUSION

In Budget 2021, plans are rolled out to enhance Singapore's recovery and its ability to emerge stronger from this unprecedented situation. The past year showed that it is essential to adapt and innovate to safeguard lives, jobs and businesses and Singapore's future. The sense of togetherness and trust enabled Singapore to sustain in this global pandemic.

With focuses on long-term plans such as climate change and future pandemics in mind, businesses would be able to operate and grow through sudden crisis.

10. FURTHER ADVICE

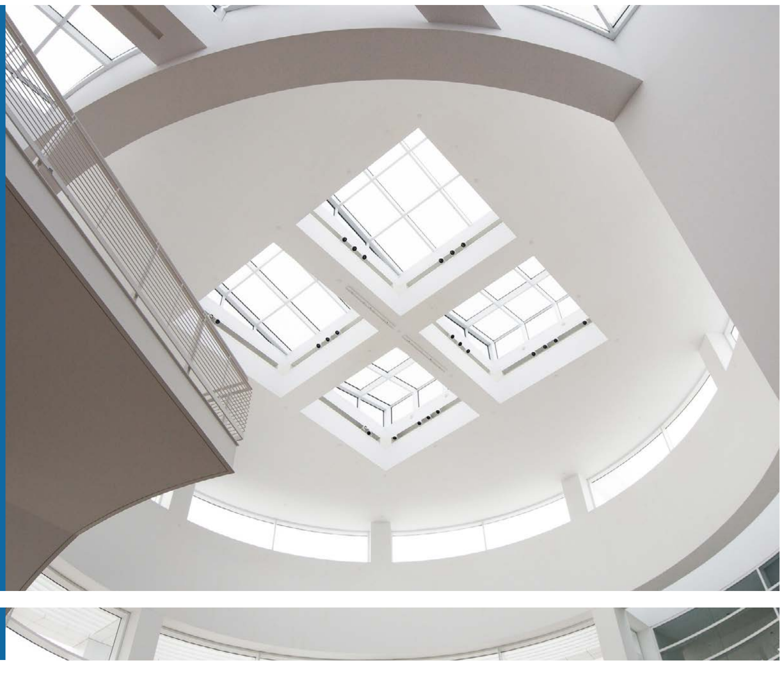
If you require assistance to understand how Budget 2021 can help you and your business, please feel free to reach out to our tax professionals for further discussions. We would also be pleased to assist in any restructuring of your future operations to alleviate the financial difficulties arising from and/ or coping with the impact arising from COVID-19.

CCS TAXATION SERVICES

As a business owner, every transaction you plan to make may have direct or indirect tax consequences.

To achieve tax efficiency so as to enhance your return on investments, it is advisable that various tax issues be considered alongside the planning and structuring of your business.

The tax landscape is changing at a rapid pace and expert advice is essential to mitigate tax risk and maintain profitability. We can assist you through our comprehensive tax compliance, tax advisory and transfer pricing services to minimise your effective tax burden.



COMPLETE CORPORATE SERVICES

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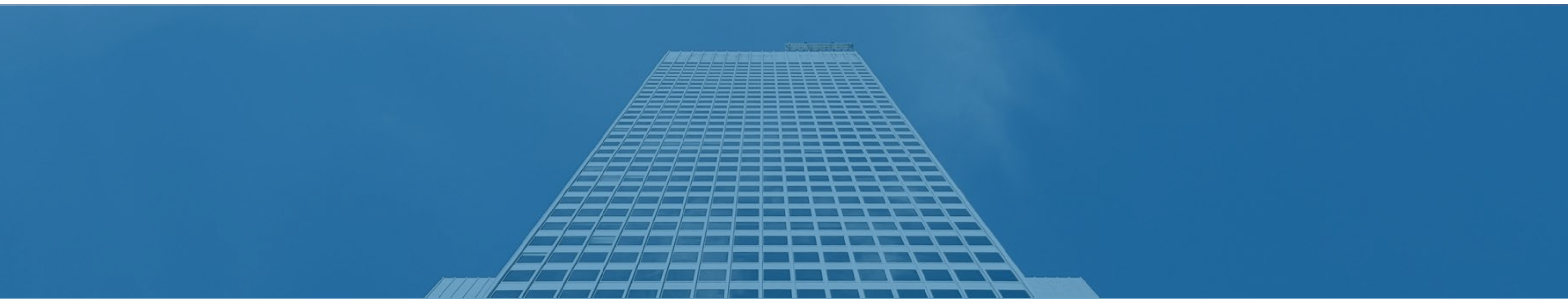

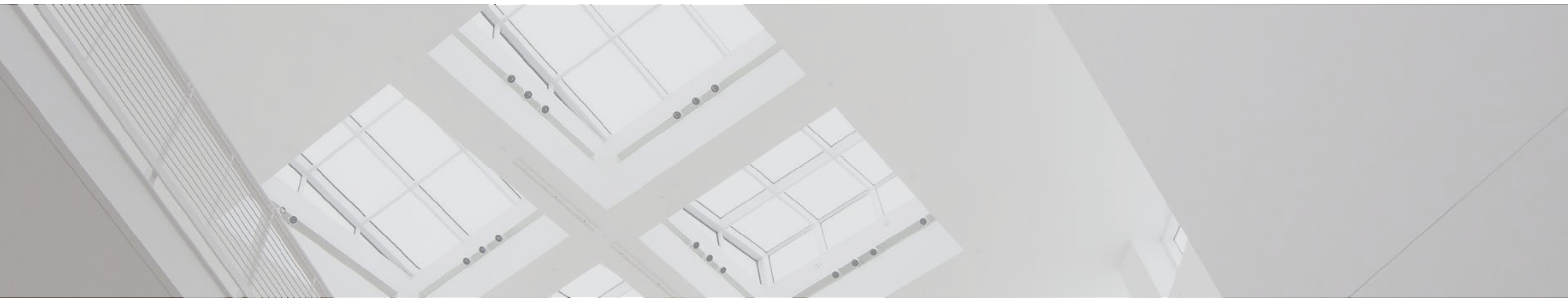

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